

AS JÄRVEVANA

2010 12 months and IV quarter unaudited interim report

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Primary activity:	General contracting in construction sector
Financial year:	01.01.2010 – 31.12.2010
Reporting period:	01.01.2010 – 31.12.2010
Auditor:	AS PricewaterhouseCoopers

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MANAGEMENT REPORT

General information

The company was formed after the demerger from AS Järvevana, as a result of which the complete set of assets related to the business activities of the construction company was separated and transferred to 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 million (EEK 250 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 public limited company does not have active business operations. The Company's only income is generated from finance income earned on the investment of the Company's liquid funds. Between 01.01.2010 and 31.12.2010, AS Järvevana earned finance income in the amount of EUR 0.21 million (EEK 3.3 million). The most significant cost item was the legal expenses related to the "land swap" criminal case; these expenses constitute 38% of the general administrative costs in 2010 12 months. EUR 13.4 million (EEK 209 million) of the assets constitutes the claim against AS Merko Ehitus from cooperation agreement (<http://www.merko.ee/upload/File/Restruktureerimise%20dokumendid/Koost%F6%F6leping%20ENG.pdf>). As of 31 December 2010, the sole member of AS Järvevana's Management Board is Toomas Annus. The company's operation does not have a seasonal and cyclic nature.

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).

The trial over the land swap charges started on 12 November 2009, at the Harju County Court. For an overview of the trial, please visit: 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 accused of five counts of bribery. The proceedings are conducted at the Harju County Court. The evidence required to substantiate the charges of bribery consists of three elements and the absence of even one element invalidates the charges of criminal offence. The three elements to be proved are: (i) giving, or promising to give, a tangible asset or benefit to a public official; (ii) an illegal act by a public official for the benefit of the bribing party; (iii) a correlation between the first and second elements, i.e. providing a benefit to a public official for a favourable act. In case of AS Järvevana, it also needs to be proved that (i) the offence was committed by a senior official of the legal entity, and that (ii) the offence was committed in the interests of the legal entity. AS Järvevana has not conducted any of the land swap transactions described in the statement of charges. Instead, these transactions were made – and the hypothetical benefits were gained – by the company's subsidiaries, who are independent legal entities and who are not being prosecuted. AS Järvevana, however, has never swapped any pieces of land, also according to the charges. It is also clearly obvious that the activities cannot have been illegal since they are allowed under section 19 of the Nature Conservation Act – this calls the bribery charges into question.

As of April 8th 2010, the court has heard approximately 80 of the prosecution's witnesses and none of the witnesses have given any evidence on either promising or giving a bribe or involvement in illegal activities. The Prosecutor's Office has not questioned any of the prosecution's witnesses about circumstances, which are construed as a part of subject of proof. Prosecutor's witnesses have, without an exception, given only negative answers to the relevant questions, asked by the court and defendants. After making a break for summer, the proceedings in a criminal matter continued on October 5th 2010 in Harju County Court. The Court had scheduled 13 days for hearings to take place from October through December; the last of the prosecution's witnesses was heard during this interval. All the documented evidence, available to the Prosecutor's Office, has been disclosed. Therefore, the Prosecutor's Office has finished the presentation of its evidence materials. We have come to a conclusion that none of the evidence,

presented by the Prosecutor's Office, has proven either promising or giving a bribe or unlawfulness of any transactions or the equivalency principle, mentioned above. The schedule of hearings of the trial in 2011 has been planned until June 22nd 2011, dozens of prosecution's witnesses will be heard during that period and large number documented evidence, presented by the defendant, will be reviewed. According to the assumptions, court of the first instance will make a ruling in 2011. The trial process, however, may turn out to be very long, as there are three instances in Estonian court system and it is also possible to appeal the European Court of Justice.

The company considers the brought charges 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 are also able to supply relevant proof in the court.

Shares and shareholders

The shares of AS Järvevana have been quoted in the Baltic Secondary List of the NASDAQ OMX Tallinn Stock Exchange since September 15th 2009. In the course of the division of AS Merko Ehitus the name of the company was changed to AS Järvevana and since 04.08.2008, the shares of AS Järvevana are bought and sold under the name JRV1T. In 2010 716 transactions with the shares of Järvevana was performed in the course of which 1.1 million shares were traded and the total monetary value of transactions was EUR 0.4 million (EEK 6.4 million). The lowest share price was EUR 0.28 (EEK 4.38) and the highest price was EUR 0.41 (EEK 6.42) per share. The closing price of the shares as of 30.12.2010 was EUR 0.36 (EEK 5.63).

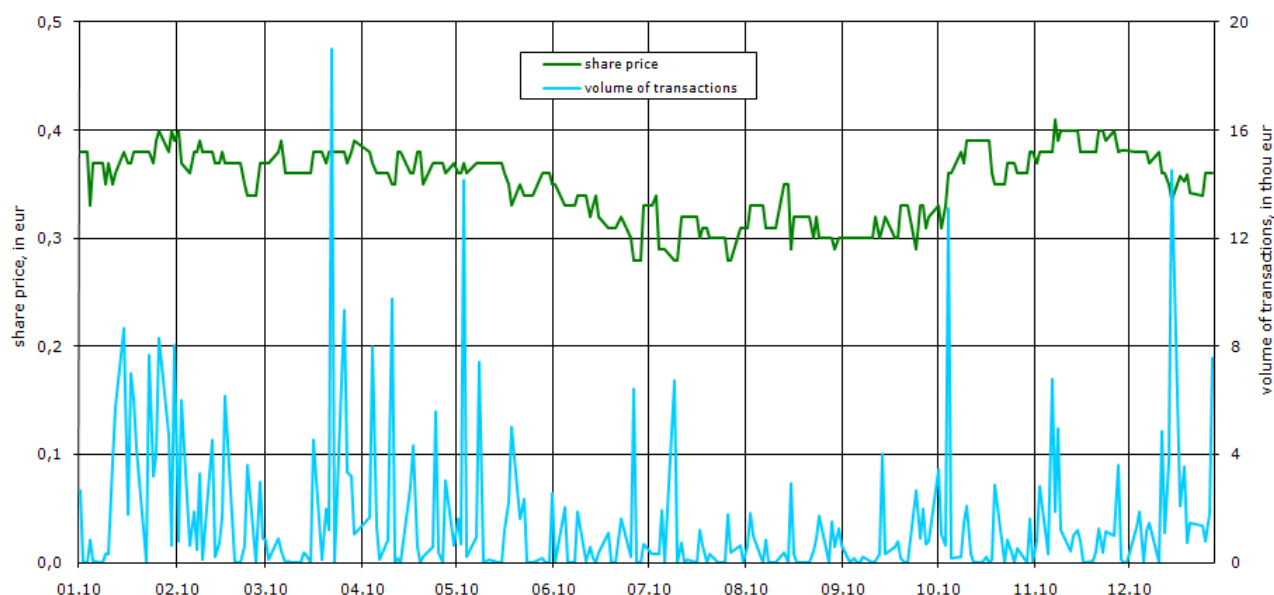
The main shareholders of AS Järvevana as of 31.12.2010

	Number of shares	Proportion
AS Riverito	12 742 686	71,99%
ING Luxembourg S.A., clients	963 376	5,44%
Skandinaviska Enskilda Banken Ab, clients	605 459	3,42%
Tenlion OÜ	208 495	1,18%

Structure of shareholders as of 31.12.2010

No. of shares	No. of shareholders	% of shareholders	No. of shares	% of shares
1-100	266	31,08%	12 889	0,08%
101-1000	324	37,85%	141 689	0,80%
1001-10 000	194	22,66%	681 739	3,85%
10 001 - 100 000	65	7,59%	1 942 144	10,97%
100 001 - 1 000 000	6	0,70%	2 178 853	12,31%
1 000 001 - ...	1	0,12%	12 742 686	71,99%
Total	856	100%	17 700 000	100%

Performance of Järvevana' share at NASDAQ OMX Tallinn Stock Exchange (last 12 months)



STATEMENT OF COMPREHENSIVE INCOME

unaudited

	note	EEK		EUR	
		2010 12 months	2009 12 months	2010 12 months	2009 12 months
Administrative and general expenses		(3 561)	(9 273)	(228)	(593)
Other operating expenses		(3)	-	(0)	-
Operating profit (loss)		(3 564)	(9 273)	(228)	(593)
Financial income and expenses		3 270	7 171	209	459
incl. other financial income		3 272	7 174	209	459
other financial expenses		(2)	(3)	(0)	(0)
Net profit (loss) for current period		(294)	(2 102)	(19)	(134)
incl. equity holders of the parent		(294)	(2 102)	(19)	(134)
Comprehensive income		(294)	(2 102)	(19)	(134)
incl. equity holders of the parent		(294)	(2 102)	(19)	(134)
Earnings per share for profit attributable to the equity holders of the parent (basic and diluted, in EEK and EUR)	1	(0,02)	(0,12)	(0,00)	(0,01)

STATEMENT OF COMPREHENSIVE INCOME

unaudited

	EEK		EUR	
	2010 IV quarter	2009 IV quarter	2010 IV quarter	2009 IV quarter
Administrative and general expenses	(844)	(1 284)	(54)	(82)
Other operating expenses	-	-	-	-
Operating profit (loss)	(844)	(1 284)	(54)	(82)
Financial income and expenses	881	1 237	56	79
incl. other financial income	881	1 237	56	79
other financial expenses	-	-	-	-
Net profit (loss) for current period	37	(47)	2	(3)
incl. equity holders of the parent	37	(47)	2	(3)
Comprehensive income	37	(47)	2	(3)
incl. equity holders of the parent	37	(47)	2	(3)
Earnings per share for profit attributable to the equity holders of the parent (basic and diluted, in EEK and EUR)	0,00	(0,00)	0,00	(0,00)

STATEMENT OF FINANCIAL POSITION

unaudited

	note	EEK		EUR	
		31.12.2010	31.12.2009	31.12.2010	31.12.2009
ASSETS					
Current assets					
Cash and cash equivalents	2	19 809	30 425	1 266	1 944
Short-term deposits	3	20 341	10 000	1 300	639
Trade and other receivables	4	209 696	209 890	13 402	13 415
Total current assets		<u>249 846</u>	<u>250 315</u>	<u>15 968</u>	<u>15 998</u>
Non-current assets					
Property, plant and equipment	5	23	40	1	2
Total non-current assets		<u>23</u>	<u>40</u>	<u>1</u>	<u>2</u>
TOTAL ASSETS		<u>249 869</u>	<u>250 355</u>	<u>15 969</u>	<u>16 000</u>
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	6	338	530	22	34
Short-term provisions	7	17 500	17 500	1 118	1 118
Total current liabilities		<u>17 838</u>	<u>18 030</u>	<u>1 140</u>	<u>1 152</u>
Total liabilities		<u>17 838</u>	<u>18 030</u>	<u>1 140</u>	<u>1 152</u>
Equity					
Share capital		177 000	177 000	11 312	11 312
Statutory reserve capital		17 700	17 700	1 131	1 131
Retained earnings		37 331	37 625	2 386	2 405
Total equity		<u>232 031</u>	<u>232 325</u>	<u>14 829</u>	<u>14 848</u>
TOTAL LIABILITIES AND EQUITY		<u>249 869</u>	<u>250 355</u>	<u>15 969</u>	<u>16 000</u>

STATEMENT OF CHANGES IN EQUITY

unaudited

EEK

	Equity attributable to equity holders of the parent			Total
	Share capital	Statutory reserve capital	Retained earnings	
Balance as of 31.12.2008	177 000	17 700	39 727	234 427
Comprehensive income (loss)	-	-	(2 102)	(2 102)
Balance as of 31.12.2009	177 000	17 700	37 625	232 325
Comprehensive income (loss)	-	-	(294)	(294)
Balance as of 31.12.2010	177 000	17 700	37 331	232 031

EUR

	Equity attributable to equity holders of the parent			Total
	Share capital	Statutory reserve capital	Retained earnings	
Balance as of 31.12.2008	11 312	1 131	2 539	14 982
Comprehensive income (loss)	-	-	(134)	(134)
Balance as of 31.12.2009	11 312	1 131	2 405	14 848
Comprehensive income (loss)	-	-	(19)	(19)
Balance as of 31.12.2010	11 312	1 131	2 386	14 829

The share capital of AS Järvevana consists of 17 700 000 common shares with a nominal value of EEK 10 i.e. EUR 0.64.

CASH FLOW STATEMENT

unaudited

	EEK		EUR	
	2010	2009	2010	2009
	12 months	12 months	12 months	12 months
Cash flows from operating activities				
Operating profit	(3 564)	(9 273)	(228)	(593)
Adjustments:				
depreciation and impairment charge	17	13	1	1
change in government grants and other provisions	20	(17)	1	(1)
Change in trade and other receivables related to operating activities	188	87	12	6
Change in trade and other payables related to operating activities	(211)	305	(13)	19
Other financial expenses (income)	(2)	(2)	-	-
Total cash flows from operating activities	(3 552)	(8 887)	(227)	(568)
Cash flows from investing activities				
Purchase of other financial investments	(40 341)	(10 000)	(2 578)	(639)
Proceeds from sale of other financial investments	30 000	-	1 917	-
Purchase of property, plant and equipment	-	(53)	-	(3)
Loan repayments received	-	15 647	-	1 000
Interest received	3 277	7 476	210	477
Total cash flows from investing activities	(7 064)	13 070	(451)	835
Net increase/decrease in cash and cash equivalents	(10 616)	4 183	(678)	267
Cash and cash equivalents at the beginning of the period	30 425	26 242	1 944	1 677
Cash and cash equivalents at the end of the period	19 809	30 425	1 266	1 944

NOTES

Note 1 Earnings per share

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

	2010 12 months	2009 12 months
Net profit attributable to shareholders (<i>in thousand kroons</i>)	(294)	(2 102)
Weighted average number of ordinary shares (<i>thousand pcs</i>)	17 700	17 700
Earnings per share (<i>in kroons</i>)	<u>(0,02)</u>	<u>(0,12)</u>

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 2 Cash and cash equivalents *in thousand kroons*

	31.12.2010	31.12.2009
Short-term deposits (maturity 1-3 months)	19 809	30 425
Total cash and cash equivalents	<u>19 809</u>	<u>30 425</u>

Note 3 Short-term deposits *in thousand kroons*

	31.12.2010	31.12.2009
Short-term bank deposits (maturity 3-12 months)	20 341	10 000
Total short-term deposits	<u>20 341</u>	<u>10 000</u>

Note 4 Trade and other receivables
in thousand kroons

	31.12.2010	31.12.2009
Tax prepayments excluding corporate income tax value added tax	79	162
	<u>79</u>	<u>162</u>
Other short-term receivables		
short-term loans *	109 354	109 354
interest receivables	231	343
other short-term receivables **	100 007	100 007
	<u>209 592</u>	<u>209 704</u>
Prepayments for services		
prepaid insurance	25	24
	<u>25</u>	<u>24</u>
Total trade and other receivables	<u>209 696</u>	<u>209 890</u>

* 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 7989 thousand, balance as of 31.12.2010 is EUR 6989 thousand. From 1.08.2010 the loan interest is 2.417% pa.

** 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 6391 thousand (EEK 100 000 thousand). The respective right is recognised in the statement of financial position of AS Järvevana as a short-term receivable.

Note 5 Property, plant and equipment
in thousand kroons

	31.12.2010	31.12.2009
Other fixtures at carrying amount		
cost	53	53
accumulated depreciation	(30)	(13)
Total property, plant and equipment	<u>23</u>	<u>40</u>

Note 6 Trade and other payables
in thousand kroons

	31.12.2010	31.12.2009
Trade payables	210	422
Payables to employees	80	60
Tax liabilities, except for corporate income tax		
personal income tax	10	10
social security tax	37	37
other taxes	1	1
	<u>48</u>	<u>48</u>
Total trade and other payables	<u>338</u>	<u>530</u>

Note 7 Short-term provisions

in thousand kroons

	31.12.2010	31.12.2009
Provision for legal costs and claims filed	17 500	17 500
Total short-term provisions	17 500	17 500

Note 8 Related party transactions

In compiling the report, the following entities have been considered as related parties:

- parent company 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, so-called 'entities controlled by the parent company';
- associates and joint ventures;
- key managers and their close relatives;
- entities sharing key personnel with AS Järvevana.

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

The parent of AS Järvevana is AS Riverito. As of 31.12.2010 and 31.12.2009, AS Riverito owned 72% of the shares of AS Järvevana. The ultimate controlling party of the company is Mr Toomas Annus.

Goods and services

in thousand kroons

	2010 12 months	2009 12 months
Purchased services		
Entities under common control	219	443
Total purchased services	219	443

Granted loans interest income

in thousand kroons

	2010 12 months	2009 12 months
Absorbed interest income		
Entities under common control	2 640	4 889
Total absorbed interest income	2 640	4 889

Balances with the related parties

in thousand kroons

	31.12.2010	31.12.2009
Trade and other receivables		
Short-term loans		
Entities under common control	109 354	109 354
Interest receivables		
Entities under common control	227	233
Other short-term receivables		
Entities under common control	100 007	100 000
Trade and other payables		
Trade payables		
Entities under common control	43	41

MANAGEMENT DECLARATION

The Management Board of AS Järvevana has prepared the 12 months interim report 2010 as presented on pages 3 to 12.

The Management Board confirms to the best of its knowledge:

- the accounting methods used for preparing the interim financial statements are in compliance with International Financial Reporting Standards as adopted by the European Union;
- the interim financial statements give a true and fair view of the financial position, the results of operations and the cash flows of the company;
- the company is going business.

The interim financial statements of AS Järvevana for the 12 months period ending 31.12.2010 have been prepared in accordance with IAS 34 "Interim Financial Reporting" for condensed interim financial statements. Company applies the same accounting policies in its interim financial statements as applied in its annual financial statement of 2009.

Further, the Board of AS Järvevana declares and confirms that to the best knowledge of the Management, the Management Report of the Interim Report gives a true and fair view of the business development and performance and financial state of the company and includes a description of risks and suspicions.

Toomas Annus

Member of the Management Board



22.02.2011