

AS JÄRVEVANA

2011 3 months unaudited interim report

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Financial year: 01.01.2011 – 31.12.2011
Reporting period: 01.01.2011 – 31.03.2011

Auditor: AS PricewaterhouseCoopers

Supervisory Board: Tõnu Toomik, Teet Roopalu, Jaan Mäe
Management Board: Toomas Annus

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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. 0591300055, 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 (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 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 31.03.2011, AS Järvevana earned finance income in the amount of EUR 43.9 thousand. The most significant cost article is the legal costs related to the criminal proceedings of the land swap, which totalled 41% of the administrative expenses in 2011 3 months. 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/Restruktuureerimise%20dokumendid/Koost%F6%F6leping%20ENG.pdf>). As of 31 December 2010, one person was employed by AS Järvevana, its Management Board member Toomas Annus. The company's activities do not have seasonal or cyclical 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. 0591300055 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 bribery.

By the end of 2010, the court had heard 81 prosecution's witnesses, and none of these witnesses have testified to a bribe being promised or given, or to any illegal actions. The prosecution has not asked any of its witnesses about the fact to be proved – whether anyone has been promised or has been given a bribe. When the court and the defence

have asked about this, the prosecution's witnesses have always answered with "No". The Prosecutor's Office has now presented all of its documentary evidence. This means that the prosecution has finished the presentation of its evidence. In our opinion, not a single piece of evidence presented by the prosecution has proven that a bribe was promised or given or that illegal transactions have taken place or that the aforementioned things are related in any way.

In 2011, the court hearings in the land swap case continued with the questioning of the witnesses called by the accused. By now, the court has heard all the witnesses called by AS Järvevana. The 2011 court schedule for this case has been set until 15 December 2011, and will involve the questioning of the witnesses called by the other defence lawyers as well as the presentation of a great amount of documentary evidence by the defence. The Court of First Instance is expected to make its ruling in 2011 or in the first quarter of 2012. The court case could take a very long time, as the Republic of Estonia has a three-level court system and the case may further be filed with the European Court of Human Rights.

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 of 31.03.2011

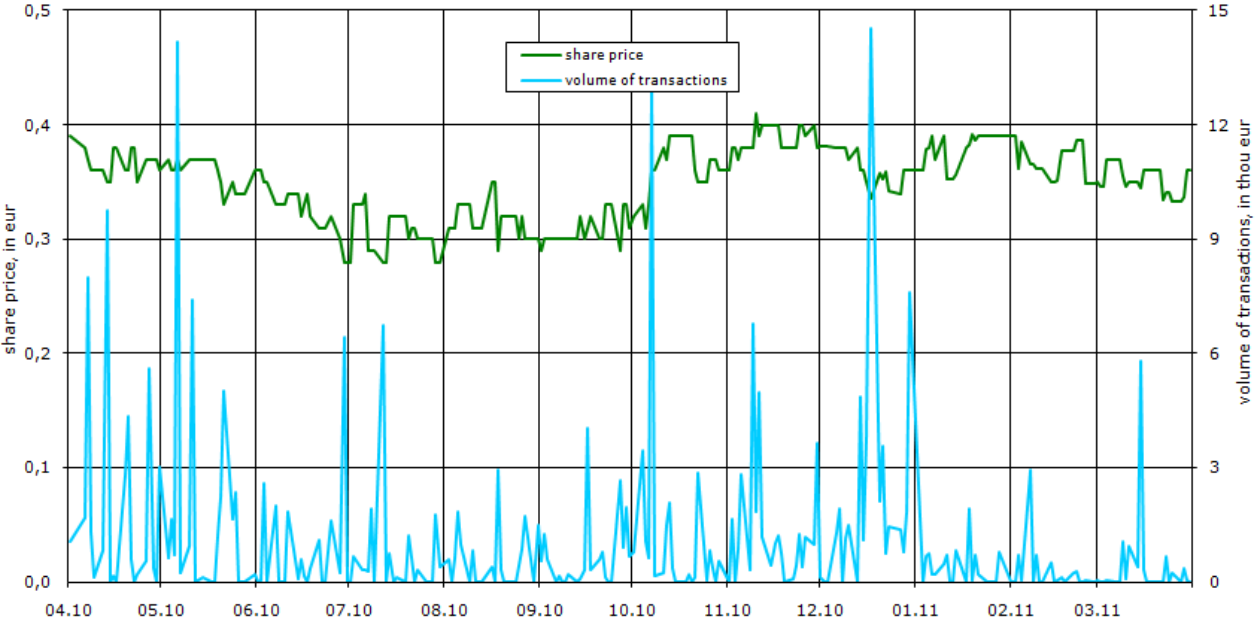
	Number of shares	% of shares
AS Riverito	12 742 686	71,99%
ING Luxembourg S.A., clients	963 376	5,44%
Skandinaviska Enskilda Banken Ab, clients	597 459	3,38%
Tenlion OÜ	208 495	1,18%

Structure of shareholders as of 31.03.2011

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1-100	262	31,00%	12 869	0,07%
101-1000	321	37,99%	141 210	0,80%
1001-10 000	189	22,37%	678 090	3,83%
10 001 – 100 000	66	7,81%	1 974 292	11,16%
100 001 – 1 000 000	6	0,71%	2 150 853	12,15%
1 000 001 - ...	1	0,12%	12 742 686	71,99%
Total	845	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 3 months, 72 transactions were performed with the shares of AS Järvevana in the course of which 64 848 shares were traded and the total monetary value of transactions was EUR 23 246. The lowest transaction price was EUR 0.33 and the highest transaction price was EUR 0.39 per share. The closing price of the shares as of 31.03.2011 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):



in thousand euros

STATEMENT OF COMPREHENSIVE INCOME
unaudited

	<i>note</i>	2011 3 months	2010 3 months
General and administrative expenses	2	<u>(61)</u>	<u>(69)</u>
Operating profit (loss)		(61)	(69)
Finance income and costs		<u>44</u>	<u>65</u>
incl. interest income		44	65
Net profit (loss) for the period		<u>(17)</u>	<u>(4)</u>
incl. net profit (loss) attributable to equity holders of the parent		(17)	(4)
Comprehensive profit (loss) for the period		<u>(17)</u>	<u>(4)</u>
incl. comprehensive profit (loss) attributable to equity holders of the parent		(17)	(4)
Earnings per share for profit attributable to equity holders of the parent (basic and diluted, in EUR)	3	(0,00)	(0,00)

in thousand euros

STATEMENT OF FINANCIAL POSITION
unaudited

	<i>note</i>	31.03.2011	31.12.2010
ASSETS			
Current assets			
Cash and cash equivalents	4	1 252	1 266
Short-term deposits	5	1 300	1 300
Trade and other receivables	6	13 401	13 402
Total current assets		<u>15 953</u>	<u>15 968</u>
Non-current assets			
Property, plant and equipment	7	1	1
Total non-current assets		<u>1</u>	<u>1</u>
TOTAL ASSETS		<u>15 954</u>	<u>15 969</u>
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	8	24	22
Short-term provisions	9	1 118	1 118
Total current liabilities		<u>1 142</u>	<u>1 140</u>
Total liabilities		<u>1 142</u>	<u>1 140</u>
Equity			
Share capital		11 312	11 312
Statutory reserve capital		1 131	1 131
Retained earnings		2 369	2 386
Total equity		<u>14 812</u>	<u>14 829</u>
TOTAL LIABILITIES AND EQUITY		<u>15 954</u>	<u>15 969</u>

STATEMENT OF CHANGES IN EQUITY

unaudited

Equity attributable to equity holders of the parent

	Share capital	Statutory reserve capital	Retained earnings	Total
Balance as of 31.12.2009	11 312	1 131	2 405	14 848
Comprehensive loss for the period	-	-	(4)	(4)
Balance as of 31.03.2010	11 312	1 131	2 401	14 844
Balance as of 31.12.2010	11 312	1 131	2 386	14 829
Comprehensive loss for the period	-	-	(17)	(17)
Balance as of 31.03.2011	11 312	1 131	2 369	14 812

The share capital of AS Järvevana consists of 17,700,000 registered ordinary shares with the nominal value of 0.64 euros each.

in thousand euros

CASH FLOW STATEMENT

unaudited

	2011	2010
	3 months	3 months
Cash flows from operating activities		
Operating profit (loss)	(61)	(69)
Adjustments:		
change in holiday pay liability	1	1
Change in trade and other receivables related to operating activities	1	16
Change in trade and other payables related to operating activities	1	(13)
Total cash flows from operating activities	<u>(58)</u>	<u>(65)</u>
Cash flows from investing activities		
Proceeds from sale of short-term deposits	-	639
Interest received	44	65
Total cash flows from investing activities	<u>44</u>	<u>704</u>
Net increase/decrease in cash and cash equivalents	(14)	639
Cash and cash equivalents at the beginning of the period	1 266	1 944
Cash and cash equivalents at the end of the period	<u>1 252</u>	<u>2 583</u>

NOTES

Note 1 Accounting policies

The interim financial report of AS Järvevana for the first three months of 2011 has been prepared in accordance with the requirements for condensed interim financial statements, as stipulated in the international financial reporting standard IAS 34 "Interim Financial Reporting". The interim financial statement uses the same accounting principles and methods that were used for the company's financial statements for the year 2010. The accounting methods used in the interim financial statement comply with the international financial reporting standards as adopted by the European Union. AS Järvevana has no on-going economic activities and the company's business does not have a seasonal or cyclical nature.

Note 2 General and administrative expenses

in thousand euros

	2011 3 months	2010 3 months
Staff costs	17	17
Legal advisory services	25	33
Office expenses, communication- and information services	9	9
Transport	5	7
Other expenses	5	3
Total general and administrative expenses	61	69

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 3 months	2010 3 months
Net profit attributable to shareholders (<i>in thousands of euros</i>)	(17)	(4)
Weighted average number of ordinary shares (<i>thousand pcs</i>)	17 700	17 700
Earnings per share (<i>euros</i>)	(0,00)	(0,00)

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 thousand euros

	31.03.2011	31.12.2010
Short-term bank deposits (with a term of 1-3 months)	1 252	1 266
Total cash and cash equivalents	1 252	1 266

Note 5 Short-term deposits

in thousand euros

	31.03.2011	31.12.2010
Short-term bank deposits (with a term of 4-12 months)	1 300	1 300
Total short-term deposits	1 300	1 300

Note 6 Trade and other receivables*in thousand euros*

	31.03.2011	31.12.2010
Tax prepayments excluding corporate income tax value-added tax	5	5
	<u>5</u>	<u>5</u>
Other short-term receivables		
short-term loans *	6 989	6 989
interest receivables	15	15
other short-term receivables **	6 391	6 391
	<u>13 395</u>	<u>13 395</u>
Prepayments for services		
prepaid insurance	1	2
	<u>1</u>	<u>2</u>
Total trade and other receivables	<u>13 401</u>	<u>13 402</u>

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.

* 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 with the interest rate of 12 month Euribor + 1% per annum. The loan balance as of 31.03.2011 was EUR 6989 thousand and the interest rate from 1.08.2010 is 2.417% per annum.

** 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. The respective right is recognised in the statement of financial position of AS Järvevana as a short-term receivable.

Note 7 Property, plant and equipment*in thousand euros*

	31.03.2011	31.12.2010
Other fixtures at carrying amount		
acquisition	3	3
depreciation	(2)	(2)
	<u>1</u>	<u>1</u>
Total property, plant and equipment	<u>1</u>	<u>1</u>

Note 8 Trade and other payables*in thousand euros*

	31.03.2011	31.12.2010
Trade payables	14	14
Payables to employees		
wages and salaries payable	4	4
holiday pay liability	2	1
	<u>6</u>	<u>5</u>
Tax liabilities, except for corporate income tax		
personal income tax	1	1
social security tax	3	2
	<u>4</u>	<u>3</u>
Total trade and other payables	<u>24</u>	<u>22</u>

Note 9 Short-term provisions

in thousand euros

	31.03.2011	31.12.2010
Provision for costs associated with judicial proceedings	1 118	1 118
Total short-term provisions	1 118	1 118

Note 10 Related party transactions

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 the management, their close relatives and entities under their control or significant influence;
- entities sharing key 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 of 31.03.2011 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 thousand euros

	2011 3 months	2010 3 months
Purchased services		
Entities of parent's consolidation group	3	37
Total purchased services	3	37

Interest income from loans granted

in thousand euros

	2011 3 months	2010 3 months
Calculated interest income		
Entities of parent's consolidation group	42	41
Total calculated interest income	42	41

Balances with related parties

in thousand euros

	31.03.2011	31.12.2010
Trade and other receivables		
Short-term loans		
Entities of parent's consolidation group	6 989	6 989
Interest receivables		
Entities of parent's consolidation group	15	15
Other short-term receivables		
Entities of parent's consolidation group	6 391	6 391

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.

In 2011 3 months, the members of the Supervisory Board of AS Järvevana were paid remuneration totalling EUR 2 thousand (2010 3 months: EUR 2 thousand) and Management Board of AS Järvevana were paid remuneration totalling EUR 10 thousand (2010 3 months: EUR 10 thousand). No other compensation was paid to management in 2011 3 months.

MANAGEMENT DECLARATION

The Management Board of AS Järvevana has prepared the 3 months interim report 2011 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.

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



20.05.2011