

AS JÄRVEVANA

2012 12 months and IV quarter unaudited interim report

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Financial year: 01.01.2012 – 31.12.2012
Reporting period: 01.01.2012 – 31.12.2012

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. 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. As at 31 December 2012, one person was employed by AS Järvevana, its Director Toomas Annus. The company's activities do not have a seasonal or cyclical nature.

Operating activities

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:

http://www.nasdaqomxbaltic.com/market/?pg=details&instrument=EE3100003559&list=3&tab=news&news_id=238437. In the statement of charges AS Järvevana was charged with five counts of giving a bribe pursuant to § 298 of the Penitentiary Code, and the proceedings in the case were conducted by the Harju County Court, being the court of the first instance. The subject of proof concerning a bribery charge comprises three elements, while the absence of even one of divests the charge of the necessary elements of a criminal offence, namely: (i) promising or giving an official a material reward; (ii) unlawful act committed by an official for the benefit of the person giving the bribe; (iii) equivalence relation between the first and the second elements, i.e. a reward is offered for a beneficial act. Moreover, with regard to AS Järvevana it is necessary to prove that (i) the act was committed by a senior executive of a legal entity, and (ii) that the act was committed in the interest of the legal entity. AS Järvevana has participated in no land swap transactions described in the statement of charges. Such transactions were concluded, and hypothetical benefits might have been received by independent subsidiaries being legal entities, which have not been charged. AS Järvevana, however, has never swapped any land, even in accordance with the statement of charges. Furthermore, it is obvious, that such acts could not have been unlawful, inasmuch as they were permissible under § 19 of the Nature Conservation Act, which rules out the qualification of such act as a bribery. It has been proven (and ascertained by the judgement of the court of the first instance), that more than 180 similar legitimate transactions have been concluded on the same grounds and applying the same procedure by a number of various persons. The statement of charges and the judgement established the absence of damages and the [cause for] a civil action.

On 19 June 2012 was the last court session in the land exchange criminal case at the Harju County Court acquitting Järvevana AS and Toomas Annus in the land exchange criminal case No 1-09-4486, and declaring that the legal aid expenses of AS Järvevana in the sum of EUR 611,810 would have to be paid by the state.

The court resolutely ascertained that AS Järvevana and Toomas Annus have not committed any crimes, all relevant land exchange transactions were legal, and that the Security Police Board and State Prosecutor's Office have significantly violated the law, the constitution and the European Convention for the Protection of Human Rights and Fundamental Freedoms. The judgement was achieved as a result of a three-year long thorough and immediate proceeding among other things hearing about 120 witnesses. The judgement of acquittal was unanimous with also the tribunal voting for it.

The State Prosecutor's Office has appealed the judgement of acquittal in land exchange case made in the court of first instance asking for annulment of the acquittal of the Harju County Court and taking a new criminal conviction or, as an alternative, asking for annulment of the decision and sending the case to the court of first instance to reopen the case. Tallinn Circuit Court discussed the appeal of the State Prosecutor's Office and the response of the defenders in the period from 14 January 2013 to 5 February 2013. The criminal defence counsel of AS Järvevana submitted the court comprehensive propositions of the pleading for the defence emphasising above all the fact that crimes have not been committed referring to secondarily significant procedural violations in the activities of the body conducting pre-trial proceedings and of the State Prosecutor's Office asking to keep the judgement of acquittal in force. Tallinn Circuit Court will render its judgement in the land exchange court case on 19 June 2013. The judgement of the court of appeal can be appealed to the Supreme Court. Considering the extraordinary volume and complexity of the case, it is not certain whether the effective decision would be taken within the year 2013.

In case of conviction, entry into force of the court judgement and entry in the Punishment Register, the legal risk would be a pecuniary punishment, which pursuant to the Income Tax Act is subject to income tax. The entry into force of the judgement of conviction would also concur with impediments for Järvevana AS in participation in public procurements.

AS Järvevana cites that the principle of the direct procedure is valid in full only in the court of first instance. As a result of a lengthy, thorough and immediate proceeding, the court of first instance came to a unanimous conviction that AS Järvevana and Toomas Annus were not guilty, thereby calling the accusation as a whole into question. The Supervisory Board and the Management Board of Järvevana AS are convinced that the activities of the company and its directing bodies have been correct and in compliance with the legislation of the Republic of Estonia.

Share and shareholders

The main shareholders of AS Järvevana as at 31.12.2012

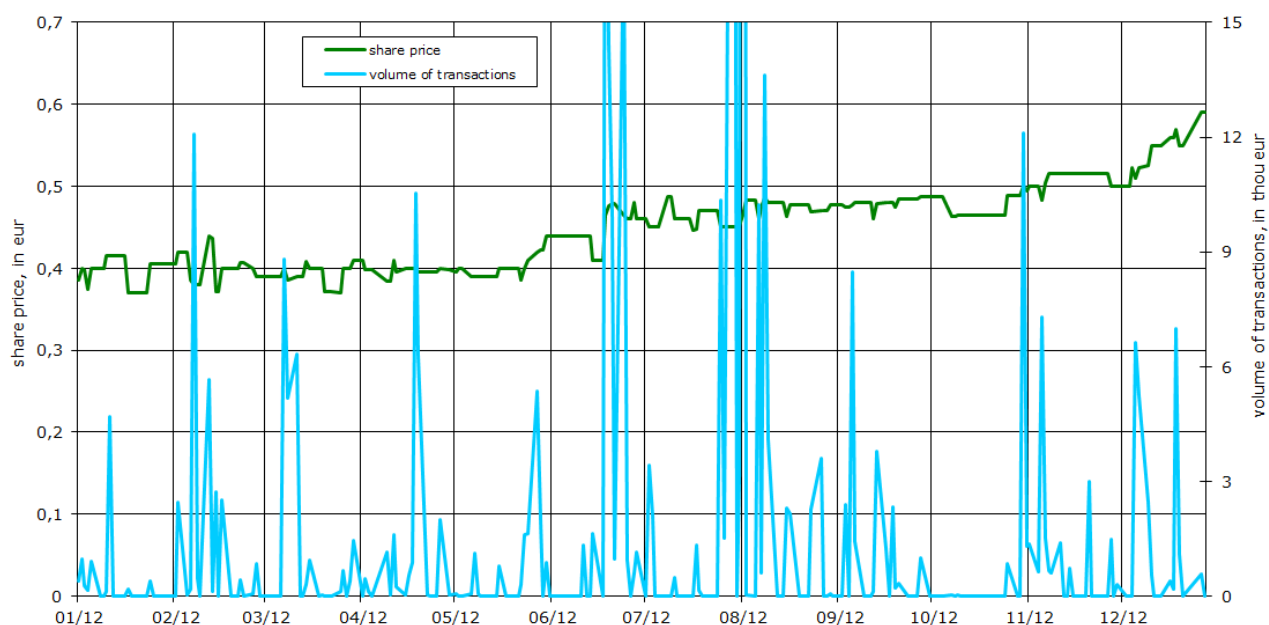
	Number of shares	% of shares
AS Riverito	12 742 686	71,99%
ING Luxembourg S.A., clients	963 376	5,44%
Tenlion OÜ	237 674	1,34%
Andersson Investeeringud OÜ	206 442	1,17%
Ridge Capital AS	195 599	1,11%

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 2012 12 months, 455 transactions were performed with the shares of AS Järvevana in the course of which 1,014,291 shares were traded and the total monetary value of transactions was EUR 457,875. The lowest transaction price was EUR 0.35 and the highest transaction price was EUR 0.59 per share. The closing price of the shares as at 31.12.2012 was EUR 0.59.

Structure of shareholders as at 31.12.2012

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1-100	247	31,63%	11 869	0,07%
101-1000	278	35,59%	122 104	0,69%
1001-10 000	177	22,66%	680 490	3,84%
10 001 – 100 000	71	9,09%	2 192 568	12,39%
100 001 – 1 000 000	7	0,90%	1 950 283	11,02%
1 000 001 - ...	1	0,13%	12 742 686	71,99%
Total	781	100%	17 700 000	100%

Dynamics of the price and trading volume of the shares of Järvevana on NASDAQ OMX Tallinn Stock Exchange in 2012



in thousand euros

STATEMENT OF COMPREHENSIVE INCOME
unaudited

	<i>note</i>	2012 12 months	2011 12 months
General and administrative expenses	2	<u>(213)</u>	<u>(220)</u>
Operating profit (loss)		(213)	(220)
Finance income and costs		<u>192</u>	<u>213</u>
incl. interest income		192	213
Net profit (loss) for the period		<u>(21)</u>	<u>(7)</u>
Comprehensive profit (loss) for the period		<u>(21)</u>	<u>(7)</u>
Earnings per share (basic and diluted, in EUR)	3	(0.00)	(0.00)

in thousand euros

STATEMENT OF COMPREHENSIVE INCOME

unaudited

	2012	2011
	IV quarter	IV quarter
General and administrative expenses	(37)	(54)
Operating profit (loss)	(37)	(54)
Finance income and costs	36	59
incl. interest income	36	59
Net profit (loss) for the period	(1)	5
Comprehensive profit (loss) for the period	(1)	5
Earnings per share (basic and diluted, in EUR)	(0.00)	0.00

in thousand euros

STATEMENT OF FINANCIAL POSITION
unaudited

	<i>note</i>	31.12.2012	31.12.2011
ASSETS			
Current assets			
Cash and cash equivalents	4	2 532	2 531
Trade and other receivables	5	13 584	13 403
Total current assets		<u>16 116</u>	<u>15 934</u>
Non-current assets			
Property, plant and equipment	6	24	35
Total non-current assets		<u>24</u>	<u>35</u>
TOTAL ASSETS		<u>16 140</u>	<u>15 969</u>
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	7	221	29
Short-term provisions	8	1 118	1 118
Total current liabilities		<u>1 339</u>	<u>1 147</u>
Total liabilities		<u>1 339</u>	<u>1 147</u>
Equity			
Share capital		12 000	12 000
Statutory reserve capital		1 200	1 131
Retained earnings		1 601	1 691
Total equity		<u>14 801</u>	<u>14 822</u>
TOTAL LIABILITIES AND EQUITY		<u>16 140</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 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	1691	14 822
Increase of statutory reserve capital	-	69	(69)	-
Comprehensive loss for the period	-	-	(21)	(21)
Balance as at 31.12.2012	12 000	1 200	1 601	14 801

The general meeting of shareholders of AS Järvevana held on June 28th 2011 decided to carry out recalculation of the share capital of AS Järvevana from 177,000,000 Estonian kroons to EUR 11,312,361.79 and to increase the share capital of AS Järvevana by way of bonus issue on the account of retained profits by EUR 687,638.21 by means of increasing the book value of shares of AS Järvevana so that the new size of the share capital will be EUR 12,000,000. It was also decided to take into use shares without nominal value. The share capital of AS Järvevana is divided into 17,700,000 shares without nominal value.

The general meeting of shareholders of AS Järvevana held on June 7th 2012 decided to increase the statutory reserve capital by EUR 68,764 out of the retained earnings from previous periods.

in thousand euros

CASH FLOW STATEMENT
unaudited

	2012	2011
	12 months	12 months
Cash flows used in operating activities		
Operating profit (loss)	(213)	(220)
Adjustments:		
depreciation and impairment charge	11	7
change in accrued holiday pay accrual	4	2
Change in trade and other receivables related to operating activities	1 012	3
Change in trade and other payables related to operating activities	188	5
Total cash flows used in operating activities	<u>1 002</u>	<u>(203)</u>
Cash flows from (used in) investing activities		
Proceeds from short-term deposits	-	1 300
Purchase of property, plant and equipment	-	(41)
Loans granted	(1 200)	-
Interest received	199	209
Total cash flows from (used in) investing activities	<u>(1 001)</u>	<u>1 468</u>
Net increase/decrease in cash and cash equivalents	1	1 265
Cash and cash equivalents at the beginning of the period	2 531	1 266
Cash and cash equivalents at the end of the period	<u>2 532</u>	<u>2 531</u>

NOTES

Note 1 Accounting policies used

The interim financial report of AS Järvevana for the 2012 12 months and IV quarter 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 2011.

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

	2012 12 months	2011 12 months
Staff costs	68	66
Legal advisory	74	80
Office expenses, communication- and information services	36	35
Transportation expenses	7	13
Other expenses	28	26
Total general and administrative expenses	213	220

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.

	2012 12 months	2011 12 months
Net loss attributable to shareholders <i>(in thousands of euros)</i>	(21)	(7)
Weighted average number of ordinary shares <i>(thousand pcs)</i>	17 700	17 700
Basic earnings (-loss) per share <i>(in 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

	31.12.2012	31.12.2011
Short-term bank deposits (with a term of 1-3 months)	2 532	2 531
Total cash and cash equivalents	2 532	2 531

Note 5 Trade and other receivables*in thousand euros*

	31.12.2012	31.12.2011
Tax prepayments excluding corporate income tax value-added tax	-	2
	-	2
Other short-term receivables		
short-term loans *	8 145	6 945
interest receivables	12	19
other short-term receivables **	5 380	6 391
	<u>13 537</u>	<u>13 355</u>
Prepayments for services		
prepaid insurance	3	2
prepaid legal advisory services	44	44
	<u>47</u>	<u>46</u>
Total trade and other receivables	<u>13 584</u>	<u>13 403</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 7,989 thousand. The loan balance as at 31.12.2012 was EUR 6,945 thousand and the interest rate from 1.08.2012 is 1.937% per annum. In 2012 AS Järvevana and AS Merko Ehitus signed another loan contract in the amount of EUR 1,200 thousand (loan balance as at 31.12.2012 EUR 1,200 thousand) and interest rate 1.937% 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 6,392 thousand. The respective right is recognised in the statement of financial position of AS Järvevana as a short-term receivable. As a result of the partial exercise of options in 2012, the short-term claim was reduced by EUR 1,011 thousand and, as of 31 December 2012, the residual of the short-term claim is EUR 5,380 thousand.

Note 6 Property, plant and equipment*in thousand euros*

	31.12.2012	31.12.2011
Property, plant and equipment at carrying amount		
acquisition	41	43
depreciation	(17)	(8)
Total property, plant and equipment	<u>24</u>	<u>35</u>

Note 7 Trade and other payables*in thousand euros*

	31.12.2012	31.12.2011
Trade payables	5	18
Payables to employees		
wages and salaries payable	4	4
holiday pay liability	7	3
	<u>11</u>	<u>7</u>
Tax liabilities, except for corporate income tax		
value added tax	201	-
personal income tax	1	1
social security tax	3	3
	<u>205</u>	<u>4</u>
Total trade and other payables	<u>221</u>	<u>29</u>

Note 8 Short-term provisions*in thousand euros*

	31.12.2012	31.12.2011
Provision for costs associated with judicial proceedings	1 118	1 118
Total short-term provisions	<u>1 118</u>	<u>1 118</u>

Note 9 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 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 of 31.12.2012 and 31.12.2011, 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*

	2012 12 months	2011 12 months
Purchased services		
Parent's consolidation group entities	<u>15</u>	<u>14</u>
Total purchased services	<u>15</u>	<u>14</u>

Loans granted*in thousand euros*

	2012 12 months	2011 12 months
Loans granted		
Parent's consolidation group entities	<u>1 200</u>	<u>-</u>
Total loans granted	<u>1 200</u>	<u>-</u>

Interest income from loans granted*in thousand euros*

	2012 12 months	2011 12 months
Calculated interest income		
Parent's consolidation group entities	188	193
Total calculated interest income	<u>188</u>	<u>193</u>

Balances with related parties*in thousand euros*

	31.12.2012	31.12.2011
Trade and other receivables		
Short-term loans		
Parent's consolidation group entities	8 145	6 945
Interest receivables		
Parent's consolidation group entities	12	19
Other short-term receivables		
Parent's consolidation group entities	5 380	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 2012 12 months. Related party transactions have been concluded on an arm's length basis.

In 2012 12 months, the members of the Supervisory Board of AS Järvevana were paid remuneration totalling EUR 8 thousand (2011 12 months: EUR 8 thousand) and Management Board of AS Järvevana were paid remuneration totalling EUR 38 thousand (2011 12 months: EUR 38 thousand). No other compensation was paid to management in 2012 12 months.

MANAGEMENT DECLARATION

The Management Board of AS Järvevana has prepared the 2012 12 months and IV quarter interim report as presented on pages 3 to 14.

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 Management Board of AS Järvevana declares and confirms that to the best of knowledge of the management, the interim activity report provides an accurate and fair overview of the development, results and financial situation of the company and that it includes the description of principal risks and uncertainties and describes transactions with related parties.

Toomas Annus

Member of the Management Board



27.02.2013