

AS JÄRVEVANA

2013 3 months unaudited interim report

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Financial year: 01.01.2013 – 31.12.2013
Reporting period: 01.01.2013 – 31.03.2013

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 March 2013, 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 statement of charges no. 1-09-4486 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 in accordance with § 298 of the Penal Code and the proceedings were conducted at the court of first instance of 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 element, 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 (and established by the judgement of the court of first instance) that more than 180 legal transactions have been performed on the same bases and by the same procedure by different persons. With the statement of charges and judgment, an absence of damage and civil action was established.

At 19 June 2012, the final hearing of the land swap criminal case was held at Harju County Court, where the court fully acquitted AS Järvevana and Toomas Annus in the criminal case no. 1-09-4486 and ruled that the state would have to pay EUR 611,810 to cover the legal aid expenses of AS Järvevana.

The court categorically established that AS Järvevana and Toomas Annus have not committed any offences; all relevant land swap transactions were legitimate, that the Estonian Internal Security Service and the Public

Prosecutor's Office have committed a significant breach of the law, the Constitution and the European Convention for the Protection of Human Rights and Fundamental Freedoms. This carefully deliberated judgement was reached as a result of three years of comprehensive and direct proceedings, which, inter alia, included the hearing of approximately 120 witnesses. The judgment of acquittal was unanimous and it was also supported by lay judges.

The Public Prosecutor's Office has filed an appeal against the judgment of acquittal in the land swap case by the court of the first instance, therefore the judgment of the court of first instance has not yet taken effect. AS Järvevana and Toomas Annus presented comprehensive arguments against the appeal on 374 pages. The petition by AS Järvevana and Toomas Annus to examine the surveillance file and to ensure the right of defense which, inter alia, is based on the judicial decision of European Court of Human Rights in the case of *Leas v. Estonia*, is still unresolved. The defence counsel of AS Järvevana and Toomas Annus, sworn advocate Leon Glikman, cited that releasing the materials forming the basis for surveillance would correspond to principles emphasized repeatedly by European Court of Human Rights and would facilitate exercising the right of defense. The court of first instance has established extensive procedural violations in conducting of surveillance. In addition to aforementioned, Harju County Court established that the respective petition of defence counsel Leon Glikman was lawful and justified but the court repealed its lawful affirmative injunction because the judge was threatened with criminal prosecution: "After publicizing named injunction in court information system, a phone call was placed to the court chairman from the Public Prosecutor's Office, asking to ascertain whether the judge has released the documents named in the injunction to the defence counsel and the accused. As the judge had not yet released the documents, criminal prosecution of the judge for breach of duty to maintain state secrets was not initiated."; "Based on this information from the Public Prosecutor's Office, the court partially repealed the previously formalised injunction with an injunction dated 16.04.2010". The court of first instance established by the same judgment that against the conscience of the court and as a result of pressure outside the legislative proceeding, AS Järvevana and Toomas Annus were not provided fair and equal judicial proceedings for which they had the right based on law, the Constitution and the European Convention for the Protection of Human Rights and Fundamental Freedoms. Despite the fact that the court established that equal judicial proceedings and right of defence were not ensured for AS Järvevana, the court was still convinced based on the analysis of the body of evidence, that the accused Toomas Annus and AS Järvevana are not guilty in any of the episodes of the charges.

Hearings in Tallinn Circuit Court took place in January and February 2013. Public prosecutors applied for annulment of the judgment of acquittal of Harju County Court and either for obtaining a new judgment of conviction, or as an alternative, re-opening the case in the court of first instance. The defence counsel of AS Järvevana submitted a comprehensive argument to the court, asking not to annul the judgment of acquittal and pointed to the passing of reasonable time-limits of proceedings together with alternative petition, based on economics of proceedings, for the termination of the proceedings that would have consequences equivalent to acquittal. Tallinn Circuit Court partially released materials forming the basis for surveillance to the defence counsel, which according to the judgment of the court of first instance was considered necessary but which the County Court did not release as a consequence of threatening of the judge established in the judgment. The defence counsel examined the surveillance material and presented voluminous positions with arguments supporting the judgment, why surveillance had been conducted unlawfully. It is significant, that according to the judgment of the court of first instance, the Public Prosecutor's Office threatened the judge in connection with his intention to release materials forming the basis for surveillance to the defence counsel, with the justification that these contained state secret. However, the injunctions released by the court of appeal did not contain state secret.

Tallinn Circuit Court will rule on the case at 19 June 2013.

Considering the extraordinary volume and complexity of the case as well as the three-tier court system, it is not certain that final judgment will be achieved during 2013.

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. The entry into force

of the judgment of conviction would also concur with impediments for AS Järvevana in participation in public procurements.

AS Järvevana cites that the principle of the direct court hearing is applicable in full only in the court of first instance. As a result of lengthy, comprehensive and direct proceedings, the court of first instance was convinced that AS Järvevana and Toomas Annus were not guilty, thereby casting doubt upon the entire statement of charges. We consider significant, that the court gave a judgment of acquittal regardless of pressure outside the judicial proceeding that disregarded the independence of court and was established in the judgment, and in a situation where the court could not ensure equal procedural rights deemed appropriate to the accused due to threats. 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 this has been successfully substantiated to the court of appeal.

Share and shareholders

The main shareholders of AS Järvevana as at 31.03.2013

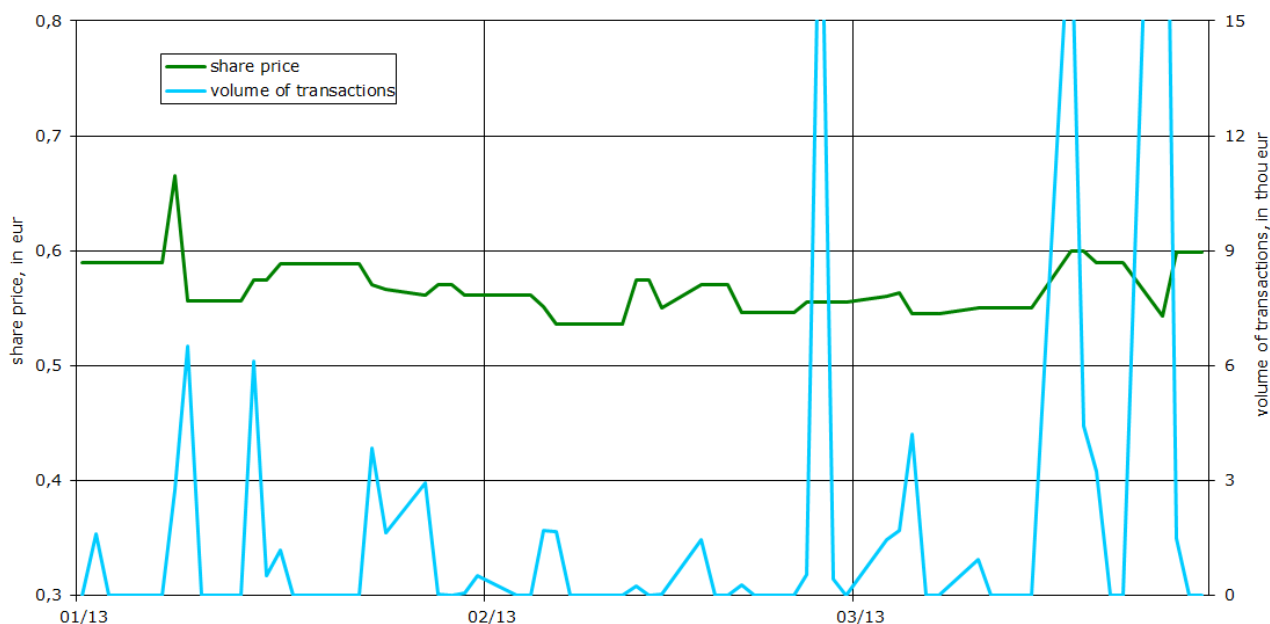
	Number of shares	% of shares
AS Riverito	12, 742,686	71.99%
ING Luxembourg S.A., clients	963,376	5.44%
Tenlion OÜ	237,674	1.34%
Andersson Investeeringud OÜ	177,742	1.00%
Ridge Capital AS	162,599	0.92%

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 2013 3 months, 82 transactions were performed with the shares of AS Järvevana in the course of which 211,986 shares were traded and the total monetary value of transactions was EUR 119,860. The lowest transaction price was EUR 0.54 and the highest transaction price was EUR 0.67 per share. The closing price of the shares as at 31.03.2013 was EUR 0.60.

Structure of shareholders as at 31.03.2013

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1-100	244	31.32%	11,669	0.07%
101-1000	276	35.43%	121,447	0.69%
1001-10 000	181	23.23%	703,521	3.97%
10 001 – 100 000	70	8.99%	2,236,415	12.63%
100 001 – 1 000 000	7	0.90%	1,884,262	10.65%
1 000 001 - ...	1	0.13%	12,742,686	71.99%
Total	779	100%	17,700,000	100%

Dynamics of the price and trading volume of the shares of Järvevana on NASDAQ OMX Tallinn Stock Exchange in 2013



in thousand euros

STATEMENT OF COMPREHENSIVE INCOME

unaudited

	<i>note</i>	2013 3 months	2012 3 months
General and administrative expenses	2	<u>(59)</u>	<u>(71)</u>
Operating profit (loss)		(59)	(71)
Finance income and costs		<u>40</u>	<u>57</u>
incl. interest income		40	57
Net profit (loss) for the period		<u>(19)</u>	<u>(14)</u>
Comprehensive profit (loss) for the period		<u>(19)</u>	<u>(14)</u>
Earnings per share (basic and diluted, in EUR)	3	(0.00)	(0.00)

in thousand euros

STATEMENT OF FINANCIAL POSITION
unaudited

	<i>note</i>	31.03.2013	31.12.2012
ASSETS			
Current assets			
Cash and cash equivalents	4	2,314	2,532
Trade and other receivables	5	13,585	13,584
Total current assets		15,899	16,116
Non-current assets			
Property, plant and equipment	6	21	24
Total non-current assets		21	24
TOTAL ASSETS		15,920	16,140
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	7	20	221
Short-term provisions	8	1,118	1,118
Total current liabilities		1,138	1,339
Total liabilities		1,138	1,339
Equity			
Share capital		12,000	12,000
Statutory reserve capital		1,200	1,200
Retained earnings		1,582	1,601
Total equity		14,782	14,801
TOTAL LIABILITIES AND EQUITY		15,920	16,140

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 31.12.2011	12,000	1,131	1,691	14,822
Comprehensive loss for the period	-	-	(14)	(14)
Balance as at 31.03.2012	12,000	1,131	1,677	14,808
Balance as at 31.12.2012	12,000	1,200	1,601	14,801
Comprehensive loss for the period	-	-	(19)	(19)
Balance as at 31.03.2013	12,000	1,200	1,582	14,782

The share capital of AS Järvevana consists of 17,000,000 shares with non-par value.

in thousand euros

CASH FLOW STATEMENT

unaudited

	2013	2012
	3 months	3 months
Cash flows used in operating activities		
Operating profit (loss)	(59)	(71)
Adjustments:		
depreciation and impairment charge	3	3
change in accrued holiday pay accrual	1	1
Change in trade and other receivables related to operating activities	1	2
Change in trade and other payables related to operating activities	(202)	(14)
Total cash flows used in operating activities	<u>(256)</u>	<u>(79)</u>
Cash flows from (used in) investing activities		
Interest received	<u>38</u>	<u>57</u>
Total cash flows from (used in) investing activities	<u>38</u>	<u>57</u>
Net increase/decrease in cash and cash equivalents	(218)	(22)
Cash and cash equivalents at the beginning of the period	2,532	2,531
Cash and cash equivalents at the end of the period	<u>2,314</u>	<u>2,509</u>

NOTES

Note 1 Accounting policies used

The interim financial report of AS Järvevana for the 2013 3 months 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 2012.

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

	2013 3 months	2012 3 months
Staff costs	17	17
Legal advisory	24	39
Office expenses, communication- and information services	11	9
Transportation expenses	1	1
Other expenses	6	5
Total general and administrative expenses	59	71

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.

	2013 3 months	2012 3 months
Net loss attributable to shareholders <i>(in thousands of euros)</i>	(19)	(14)
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

	31.03.2013	31.12.2012
Short-term bank deposits (with a term of 1-3 months)	2,314	2,532
Total cash and cash equivalents	2,314	2,532

Note 5 Trade and other receivables

in thousand euros

	31.03.2013	31.12.2012
Tax prepayments excluding corporate income tax value-added tax	1	-
	1	-

Other short-term receivables		
short-term loans *	8,145	8,145
interest receivables	14	12
other short-term receivables **	5,380	5,380
	<u>13,539</u>	<u>13,537</u>
Prepayments for services		
prepaid insurance	1	3
prepaid legal advisory services	44	44
	<u>45</u>	<u>47</u>
Total trade and other receivables	<u>13,585</u>	<u>13,584</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 31.03.2013 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 31.03.2013 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 6,391 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 March 2013, the residual of the short-term claim is EUR 5,380 thousand.

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

	31.03.2013	31.12.2012
Property, plant and equipment at carrying amount		
acquisition	41	41
depreciation	(20)	(17)
Total property, plant and equipment	<u>21</u>	<u>24</u>

Note 7 Trade and other payables *in thousand euros*

	31.03.2013	31.12.2012
Trade payables	4	5
Payables to employees		
wages and salaries payable	4	4
holiday pay liability	8	7
	<u>12</u>	<u>11</u>
Tax liabilities, except for corporate income tax		
value added tax	-	201
personal income tax	1	1
social security tax	3	3
	<u>4</u>	<u>205</u>
Total trade and other payables	<u>20</u>	<u>221</u>

Note 8 Short-term provisions *in thousand euros*

	31.03.2013	31.12.2012
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 31.03.2013 and 31.12.2012, 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

	2013 3 months	2012 3 months
Purchased services		
Parent's consolidation group entities	3	3
Total purchased services	<u>3</u>	<u>3</u>

Interest income from loans granted

in thousand euros

	2013 3 months	2012 3 months
Calculated interest income		
Parent's consolidation group entities	40	56
Total calculated interest income	<u>40</u>	<u>56</u>

Balances with related parties

in thousand euros

	31.03.2013	31.12.2012
Trade and other receivables		
Short-term loans		
Parent's consolidation group entities	8,145	8,145
Interest receivables		
Parent's consolidation group entities	14	12
Other short-term receivables		
Parent's consolidation group entities	5,380	5,380
Trade payables		
Parent's consolidation group entities	1	3

No allowances for impairment losses have been set up for receivables from related parties in 2013 3 months. Related party transactions have been concluded on an arm's length basis.

In 2013 3 months, the members of the Supervisory Board of AS Järvevana were paid remuneration totalling EUR 2 thousand (2012 3 months: EUR 2 thousand) and Management Board of AS Järvevana were paid remuneration totalling EUR 10 thousand (2012 3 months: EUR 10 thousand). No other compensation was paid to management in 2013 3 months.

MANAGEMENT DECLARATION

The Management Board of AS Järvevana has prepared the 2013 3 months interim report as presented on pages 3 to 13.

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



30.05.2013