

AS JÄRVEVANA

2013 6 months and II quarter unaudited interim report

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Financial year: 01.01.2013 – 31.12.2013
Reporting period: 01.01.2013 – 30.06.2013

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 30 June 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

On 3 April 2009, the Public Prosecutor's Office submitted a statement of charges to Järvevana AS and Toomas Annus (dating from 31 March 2009) in the land exchange criminal matter No. 05913000055 (http://www.nasdaqomxbaltic.com/market/?pg=news&news_id=232810).

On 12 November 2009, Harju County Court initiated the court proceeding of the "land exchange" charges No. 1-09-4486.

Overview of the court proceeding:

http://www.nasdaqomxbaltic.com/market/?pg=details&instrument=EE3100003559&list=3&tab=news&news_id=238437. The statement of charges incriminated Järvevana AS in five episodes of giving a bribe under § 298 of the Penal Code, and the proceeding was conducted at the Harju County Court as the court of first instance. The subject of proof of the charge of giving a bribe contains three elements, the lack of at least one of these would preclude the necessary elements of a criminal offence: (i) giving or promising a material benefit to an official; (ii) illegal act conducted by an official in benefit of the bribe giver; (iii) correlation between the first and the second element, i.e. providing a benefit to an official for a favourable deed. Concerning Järvevana AS, it must also be proved that (i) the offence was committed by a senior official of a legal person, and (ii) the offence was committed in the interests of the legal person. Järvevana AS has not committed any land exchange act described in the statement of charges. The relevant operations were made and hypothetical benefit could have been gained by subsidiaries instead, which are independent legal persons and who have not been charged. Järvevana AS, however, has never exchanged lands also according to the charge. It is also obvious that the acts could not have been illegal, as these were allowed on the basis of § 19 of the Nature Conservation Act precluding the qualification of a bribe. It has been proved and ascertained by the judgement of the court of first instance that on the same basis and according to the same procedure more than 180 similar legal transactions were conducted by various persons. The statement of charges and the judgement ascertained the lack of damage and civil action.

On 19 June 2012, the Harju County Court fully acquitted Järvevana AS and Toomas Annus in the land exchange criminal matter No. 1-09-4486 and ordered the state the payment of EUR 611,810 to cover the costs of legal assistance of Järvevana AS.

The County Court ascertained in a categorical form that Järvevana AS and Toomas Annus have not committed any crimes, all relevant land exchange transactions were legal, and that the Estonian Internal Security Service and the Prosecutor's Office have considerably violated the law, the Constitution and the European Convention for the Protection of Human Rights and Fundamental Freedoms. The prudent judgement was achieved as a result of a three years of thorough and immediate proceeding during which among other things about 120 witnesses were heard. The

judgement of acquittal was unanimous with also lay judges who had been following the process for years supporting the judgement.

The Prosecutor's Office appealed the judgement of acquittal at the Tallinn Circuit Court, which is why the judgement of the court of the first instance did not enter into force. Järvevana AS and Toomas Annus submitted thorough objections to the appeal on 374 pages.

The 14 sessions of the Tallinn Circuit Court took place in January and February 2013. The prosecutors applied for annulling the judgement of acquittal and, as an alternative, making a new judgement of conviction or sending the case to the court of first instance to reopen the matter. Järvevana AS applied for leaving the judgement of acquittal unchanged. Tallinn Circuit Court gave the counsel an opportunity to become acquainted with some of the insufficient materials forming the basis for the surveillance that the court of first instance considered necessary according to the judgement, but that the county court did not allow due to the force of threat of the judge stated in the judgement. It is noteworthy that according to the judgement of the court of the first instance, the Prosecutor's Office threatened the judge in relation to the latter's intention of introducing the counsel the materials forming the basis for the surveillance reasoning it being a state secret, but the regulations assigned by the court of appeal did not entail any state secrets. Unfortunately, they did not allow the counsel to get acquainted with all the surveillance files, which precluded the equal proceeding and which was in contradiction with the protection guarantees provided for in the case *Leas vs Estonia* of the European Court of Human Rights.

On 19 June 2013, Tallinn Circuit Court made a judgement, which was strictly contrary to that of the Harju County Court annulling completely the judgement of acquittal and convicted Järvevana AS pursuant to the Penal Code § 298 (3) punishing it with a pecuniary punishment in the sum of EUR 798,000 (seven hundred and ninety eight thousand). The prior court practice has not recognised that huge pecuniary punishments.

On 19 July 2013, Järvevana AS submitted an appeal in cassation to the judgement of conviction.

The counsel applied for a full annulment of the judgement of conviction of the Tallinn Circuit Court of 19 June 2013 and, as an alternative: (i) enforcing the judgement of acquittal of the Harju County Court of 19 June 2012; or (ii) sending the case to the court of first instance or to the court of appeal to reopen the case; or (iii) making a new judgement of acquittal, or (iv) disposing the trial on the basis of the Code of Criminal Procedure § 274' in connection with expiry of reasonable time of processing, as the proceeding has been going on in relation to the accused ever since 2 September 2004 when the surveillance was started.

Järvevana AS has thoroughly analysed the judgement of the court of appeal and has come to a conviction that it is largely based on propositions of the prosecutors together with the mistakes, incl. also additions copied in the judgement misrepresenting the evidence giving a reason to claim the substance of evidence has not been studied, but the judge has been content with the unilateral dimorphic vision of the Prosecutor's Office. The majority of arguments and evidence of the counsel have not been reflected in the judgement and, in this sense, there are obvious reasoned deficiencies in the judgement. It has been pointed out in the appeal in cassation that building up the judgement on the basis of the statements and evidence of one party alone is not in accordance with honest, equal and competitive principles of the proceeding, let alone misrepresenting the latter by a significant violation of the proceeding. There are detailed references in the appeal in cassation of the pages where the circuit court has directly misrepresented the evidence by a significant violation of the proceeding, whereby the actual information reflecting in evidence has been submitted in the form of tables as appendices to the appeal in cassation to reason the contradictions.

Järvevana AS has relied on the positions of the Supreme Court that the principle of instant proceedings were valid in full only in the court of first instance where more than a hundred witnesses testified in the course of cross-examination. As a result of a long-term, thorough and immediate proceeding, the court of first instance came to a unanimous conscience that Järvevana AS and Toomas Annus were not guilty, thereby calling the entire accusation

into question. Järvevana AS is convinced that a 14-day non-immediate proceeding could not overrule the conscience of the court of first instance formed on the basis of the years of immediate proceeding. When reading the judgement, it remains ambiguous for Järvevana AS on the basis of which evidence the conclusion has been made that its senior official has promised or given a bribe. It also remains incomprehensible why was Järvevana AS convicted, which according to the judgement, never exchanged lands or been a party to such transactions or had been an addressee of administrative acts.

Järvevana AS hopes the Supreme Court would make a positive solution of the proceeding and the case would be designated for hearing within the year 2013. When the decision in such a voluminous case would be reached is difficult to predict and depends on whether and to which lower court the case would be sent by the Supreme Court to reopen the matter.

In case of entry into force of the judgement of conviction, for example due to non-proceeding at the Supreme Court, and entry in the punishment register, the legal risk is pecuniary punishment, which pursuant to the Income Tax Act is taxable with income tax and restrictions in participation in public procurement proceedings.

The supervisory board and management board of Järvevana AS are convinced that the activities of the company and its management has been correct and acted in compliance with the legislation of the Republic of Estonia and hopes for the annulment of the judgement of conviction. We emphasise that the judgement of acquittal of the county court and the judgement of conviction of the circuit court are not enforced and, according to the Constitution § 22, Järvevana AS shall be considered innocent until a conviction by a court against it enters into force.

Share and shareholders

The main shareholders of AS Järvevana as at 30.06.2013

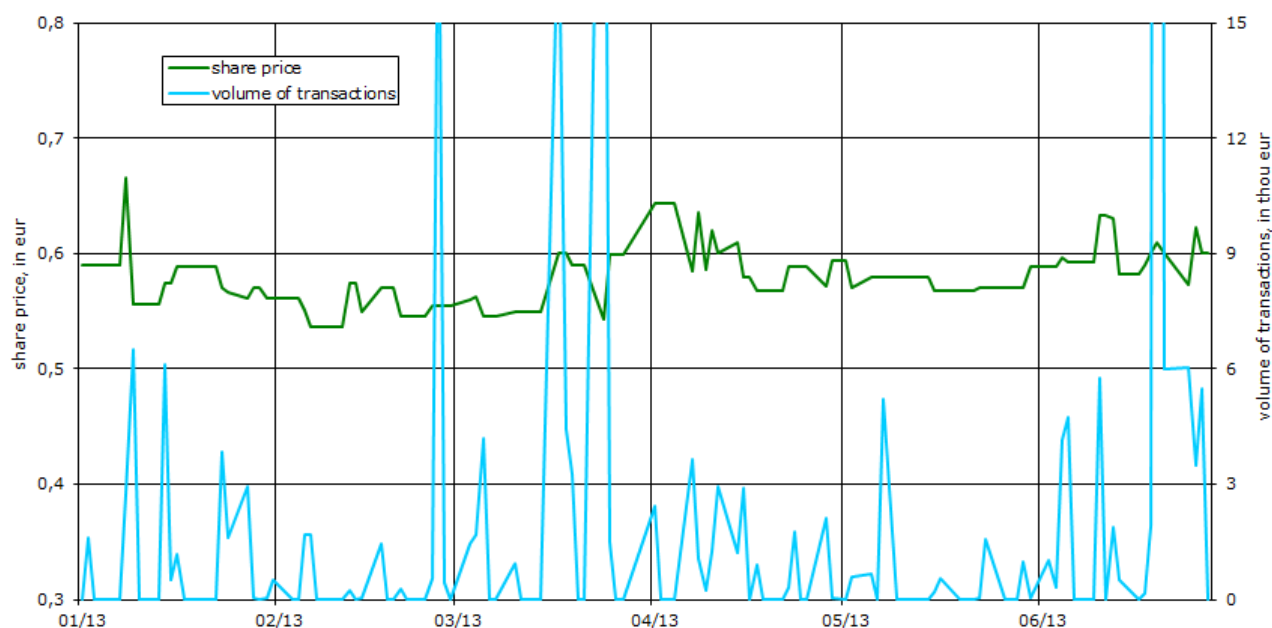
	Number of shares	% of shares
AS Riverito	12,742 686	71.99%
ING Luxembourg S.A. AIF account	963,376	5.44%
Tenlion OÜ	237,674	1.34%
Clearstream Banking Luxembourg S.A. clients	159,938	0.90%
Andersson Investeeringud OÜ	137,742	0.78%

From 15 September 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 4 August 2008, the shares of AS Järvevana are traded under the symbol of JRV1T. In 2013 6 months, 193 transactions were performed with the shares of AS Järvevana in the course of which 492,398 shares were traded and the total monetary value of transactions was EUR 289,900. 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 30.06.2013 was EUR 0.60.

Structure of shareholders as at 30.06.2013

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1-100	244	31.28%	11,624	0.07%
101-1,000	266	34.10%	114,577	0.65%
1,001-10,000	190	24.36%	796,631	4.50%
10,001 - 100,000	73	9.36%	2,314,369	13.07%
100,001 - 1,000,000	6	0.77%	1,720,113	9.72%
1,000,001 - ...	1	0.13%	12,742,686	71.99%
Total	780	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 6 months	2012 6 months
General and administrative expenses	2	<u>(105)</u>	<u>(114)</u>
Operating profit (loss)		(105)	(114)
Finance income and costs		<u>80</u>	<u>114</u>
incl. interest income		80	114
Net profit (loss) for the period		<u>(25)</u>	<u>0</u>
Comprehensive profit (loss) for the period		<u>(25)</u>	<u>0</u>
Earnings per share (basic and diluted, in EUR)	3	(0.00)	0.00

in thousand euros

STATEMENT OF COMPREHENSIVE INCOME

unaudited

	<i>note</i>	2013 II quarter	2012 II quarter
General and administrative expenses	2	<u>(46)</u>	<u>(43)</u>
Operating profit (loss)		(46)	(43)
Finance income and costs		<u>40</u>	<u>57</u>
incl. interest income		40	57
Net profit (loss) for the period		<u>(6)</u>	<u>14</u>
Comprehensive profit (loss) for the period		<u>(6)</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>	30.06.2013	31.12.2012
ASSETS			
Current assets			
Cash and cash equivalents	4	2,316	2,532
Trade and other receivables	5	13,589	13,584
Total current assets		15,905	16,116
Non-current assets			
Property, plant and equipment	6	19	24
Total non-current assets		19	24
TOTAL ASSETS		15,924	16,140
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	7	30	221
Short-term provisions	8	1,118	1,118
Total current liabilities		1,148	1,339
Total liabilities		1,148	1,339
Equity			
Share capital		12,000	12,000
Statutory reserve capital		1,200	1,200
Retained earnings		1,576	1,601
Total equity		14,776	14,801
TOTAL LIABILITIES AND EQUITY		15,924	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
Transfer to statutory reserve capital		69	(69)	-
Comprehensive loss for the period	-	-	-	-
Balance as at 30.06.2012	12,000	1,200	1,622	14,822
Balance as at 31.12.2012	12,000	1,200	1,601	14,801
Comprehensive loss for the period	-	-	(25)	(25)
Balance as at 30.06.2013	12,000	1,200	1,576	14,776

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

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
	6 months	6 months
Cash flows used in operating activities		
Operating profit (loss)	(105)	(114)
Adjustments:		
depreciation and impairment charge	5	6
change in accrued holiday pay accrual	2	2
Change in trade and other receivables related to operating activities	(5)	(2)
Change in trade and other payables related to operating activities	(192)	(10)
Total cash flows used in operating activities	<u>(295)</u>	<u>(118)</u>
Cash flows from (used in) investing activities		
Interest received	79	114
Total cash flows from (used in) investing activities	<u>79</u>	<u>114</u>
Net increase/decrease in cash and cash equivalents	(216)	(4)
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>2,316</u>	<u>2,527</u>

NOTES

Note 1 Accounting policies used

The interim financial report of AS Järvevana for the 2013 6 months and II 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 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 6 months	2012 6 months
Staff costs	34	34
Legal advisory	31	43
Office expenses, communication- and information services	21	19
Transportation expenses	3	3
Other expenses	16	15
Total general and administrative expenses	105	114

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 6 months	2012 6 months
Net loss attributable to shareholders <i>(in thousands of euros)</i>	(25)	0
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

	30.06.2013	31.12.2012
Short-term bank deposits (with a term of 1-3 months)	2,316	2,532
Total cash and cash equivalents	2,316	2,532

Note 5 Trade and other receivables

in thousand euros

	30.06.2013	31.12.2012
Tax prepayments excluding corporate income tax value-added tax	4	-
	4	-

Other short-term receivables		
short-term loans *	8,145	8,145
interest receivables	13	12
other short-term receivables **	5,380	5,380
	<u>13,538</u>	<u>13,537</u>
Prepayments for services		
prepaid insurance	3	3
prepaid legal advisory services	44	44
	<u>47</u>	<u>47</u>
Total trade and other receivables	<u>13,589</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 30.06.2013 was EUR 6,945 thousand and the interest rate from 1 August 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 30.06.2013 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 at 30 June 2013, the residual of the short-term claim is EUR 5,380 thousand.

Note 6 Property, plant and equipment

in thousand euros

	30.06.2013	31.12.2012
Property, plant and equipment at carrying amount		
acquisition	41	41
depreciation	(22)	(17)
Total property, plant and equipment	<u>19</u>	<u>24</u>

Note 7 Trade and other payables

in thousand euros

	30.06.2013	31.12.2012
Trade payables	13	5
Payables to employees		
wages and salaries payable	4	4
holiday pay liability	9	7
	<u>13</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>30</u>	<u>221</u>

Note 8 Short-term provisions
in thousand euros

	30.06.2013	31.12.2012
Provision for costs associated with judicial proceedings	1,118	1,118
Total short-term provisions	1,118	1,118

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 at 30.06.2013 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 6 months	2012 6 months
Purchased services		
Parent's consolidation group entities	7	7
Total purchased services	7	7

Interest income from loans granted
in thousand euros

	2013 6 months	2012 6 months
Calculated interest income		
Parent's consolidation group entities	79	112
Total calculated interest income	79	112

Balances with related parties
in thousand euros

	30.06.2013	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	13	12
Other short-term receivables		
Parent's consolidation group entities	5,380	5,380
Trade payables		
Parent's consolidation group entities	-	3

No allowances for impairment losses have been set up for receivables from related parties in 2013 6 months. Related party transactions have been concluded on an arm's length basis.

In 2013 6 months, the members of the Supervisory Board of AS Järvevana were paid remuneration totalling EUR 4 thousand (2012 6 months: EUR 4 thousand) and Management Board of AS Järvevana were paid remuneration totalling EUR 20 thousand (2012 6 months: EUR 20 thousand). No other compensation was paid to management in 2013 6 months.

MANAGEMENT DECLARATION

The Management Board of AS Järvevana has prepared the 2013 6 months and II 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



27.08.2013