

AS JÄRVEVANA

2014 6 months and II quarter unaudited interim report

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Financial year: 01.01.2014 – 31.12.2014
Reporting period: 01.01.2014 – 30.06.2014

Auditor: AS PricewaterhouseCoopers

Supervisory Board: Tõnu Toomik, Teet Roopalu, Jaan Mäe
Mihkel Mugur, Lauri Mõisja

Management Board: Toomas Annus

TABLE OF CONTENTS

MANAGEMENT REPORT 3

STATEMENT OF COMPREHENSIVE INCOME 6

STATEMENT OF FINANCIAL POSITION 8

STATEMENT OF CHANGES IN EQUITY 9

CASH FLOW STATEMENT 10

NOTES 11

 Note 1 Accounting policies used 11

 Note 2 General and administrative expenses..... 11

 Note 3 Other operating income 11

 Note 4 Earnings per share 11

 Note 5 Cash and cash equivalents 12

 Note 6 Trade and other receivables 12

 Note 7 Property, plant and equipment..... 12

 Note 8 Trade and other payables..... 13

 Note 9 Short-term provisions 13

 Note 10 Related party transactions..... 13

MANAGEMENT DECLARATION..... 15

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 16.0 million. The company does not have ordinary economic activities and the only objective of its activities has been to protect the interests of the company and shareholders in the long-lasting criminal proceedings related to the land swap. As at 30 June 2014, one person was employed by AS Järvevana, its Director Toomas Annus. The company's activities do not have a seasonal or cyclical nature.

The general meeting of shareholders of AS Järvevana, held on June 11th 2014, decided to extend the terms of office of members of the Supervisory Board Tõnu Toomik, Teet Roopalu and Jaan Mäe until June 11th 2017, i.e. for a period of three years from the moment of deciding the extension and to elect Lauri Mõisja and Mihkel Mugur an additional members of the Supervisory Board, whose term of office endures until June 11th 2017.

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).

The judicial proceedings concerning the statement of charges no. 1-09-4486 commenced at Harju County Court at 12 November 2009.

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 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. At 19 June 2012 Harju County 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 Public Prosecutor's Office filed an appeal against the judgment of acquittal to the Tallinn Circuit Court, therefore the judgment of the court of first instance has not taken effect. AS Järvevana and Toomas Annus presented comprehensive arguments against the appeal on 374 pages.

The 14 sessions of the Tallinn Circuit Court took place in January and February 2013. At 19 June 2013, Tallinn Circuit Court rendered a judgement, which was strictly contrary to that of the Harju County Court, annulling completely the judgement of acquittal and convicted AS Järvevana 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) which is additionally subject to taxes imposed by law.

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

At 17 December 2013, the Criminal Chamber of the Supreme Court accepted the lawyers' cassations submitted against the decision of Tallinn Circuit Court in the criminal case of land swap. A three-member composition of Criminal Chamber of the Supreme Court discussed the submitted cassation on 19 March 2014. On 10 April 2014, the three-member composition of the Criminal Chamber of the Supreme Court made a court ruling, which gave the matter to the whole composition of the Criminal Chamber of the Supreme Court to be reviewed. According to the reasoning of the ruling, the three-member court composition had fundamentally different opinions in the adjudication of the criminal matter, which may lead to the need to amend a position regarding application of the law maintained by the Criminal Chamber in an earlier practice.

At 30 June 2014 the Supreme Court made a judgment on the criminal case of land swapping, annulling the judgment made by Tallinn District Court of 19 June 2013, in particular, concerning the conviction of AS Järvevana under Art. 298 (4) of the Penal Code (giving bribe). The Supreme Court came to a conclusion that the land swaps were permitted and legal. Also, the Supreme Court confirmed that no wrong valuations of registered immovables during the land swap proceedings have been identified.

Nevertheless, the Supreme Court found AS Järvevana guilty of a criminal offence in the second degree under Art. 297(3) of the Penal Code (granting a gratuity) instead of a criminal offence in the first degree, and has not changed the punishment imposed by the District Court. Two justices of the Supreme Court wrote a dissenting opinion on this judgment. Thus, a pecuniary punishment of AS Järvevana in the amount of EUR 798,000 (seven hundred and ninety eight thousand) has remained in force. AS Järvevana was ordered to pay a compensation levy to the state in the amount of EUR 532.50 (instead of EUR 800 imposed earlier). At the same time, the Republic of Estonia was ordered to pay EUR 15,000 to AS Järvevana to cover the fees paid to the defence attorney during the cassation proceedings.

The court judgment has come into force and AS Järvevana must pay the pecuniary punishment and compensation levy within 30 days of the judgment's effective date.

AS Järvevana has decided to appeal to the European Court of Human Rights (ECHR), because AS Järvevana is convinced of its innocence and because it believes that several provisions of the Convention for the Protection of Human Rights and Fundamental Freedoms and several fundamental rights identified in the ECHR's judgments that are binding for Estonia have been violated with regard to AS Järvevana. An appeal that shall be submitted by 30.12.2014 is being currently prepared.

Share and shareholders

The main shareholders of AS Järvevana as at 30.06.2014

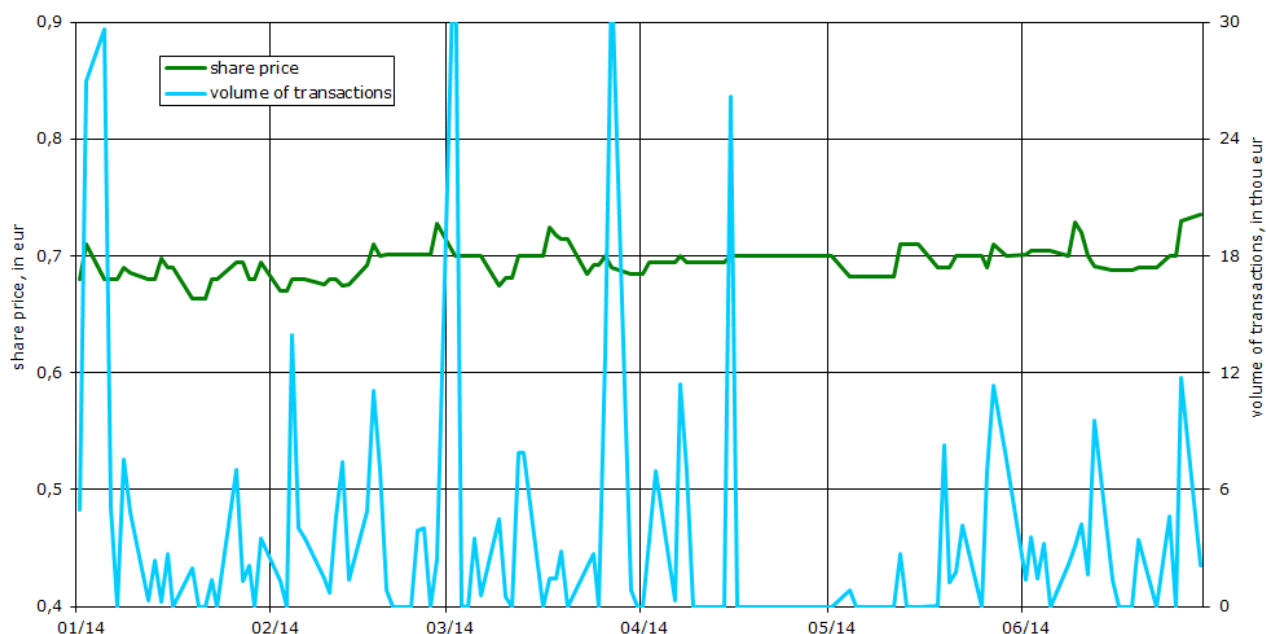
| | Number of shares | % of shares |
|---|------------------|-------------|
| AS Riverito | 12,742,686 | 71.99% |
| OÜ Seitse Samuraid | 357,000 | 2.02% |
| Compensa Life Vienna Insurance Group SE | 263,806 | 1.49% |
| Clearstream Banking Luxembourg S.A. clients | 157,138 | 0.89% |
| OÜ Watermelon | 150,000 | 0.85% |
| AS LHV Pank | 143,000 | 0.81% |
| JS Capital OÜ | 140,000 | 0.79% |
| Harri Oodes | 100,713 | 0.57% |
| Haak OÜ | 100,000 | 0.56% |

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 2014 6 months, 281 transactions were performed with the shares of AS Järvevana in the course of which 643,787 shares were traded and the total monetary value of transactions was EUR 445,900. The lowest transaction price was EUR 0.60 and the highest transaction price was EUR 0.74 per share. The closing price of the shares as at 30.06.2014 was EUR 0.74.

Structure of shareholders as at 30.06.2014

| Number of shares | Number of shareholders | % of shareholders | Number of shares | % of shares |
|---------------------|------------------------|-------------------|------------------|-------------|
| 1-100 | 233 | 29.09% | 11,132 | 0.06% |
| 101-1,000 | 259 | 32.33% | 113,292 | 0.64% |
| 1,001-10,000 | 209 | 26.09% | 843,658 | 4.77% |
| 10,001 – 100,000 | 92 | 11.49% | 2,677,575 | 15.13% |
| 100,001 – 1,000,000 | 7 | 0.87% | 1,311,657 | 7.41% |
| 1,000,001 - ... | 1 | 0.13% | 12,742,686 | 71.99% |
| Total | 801 | 100% | 17,700,000 | 100% |

Dynamics of the price and trading volume of the shares of Järvevana on NASDAQ OMX Tallinn Stock Exchange in 2014



in thousand euros

STATEMENT OF COMPREHENSIVE INCOME
unaudited

| | <i>note</i> | 2014 6 months | 2013 6 months |
|---|-------------|--------------------------|--------------------------|
| General and administrative expenses | 2 | (83) | (105) |
| Other operating income | 3 | <u>122</u> | <u>-</u> |
| Operating profit (loss) | | 39 | (105) |
| Finance income and costs | | <u>63</u> | <u>80</u> |
| incl. interest income | | 63 | 80 |
| Net profit (loss) for the period | | <u>102</u> | <u>(25)</u> |
| Comprehensive profit (loss) for the period | | <u>102</u> | <u>(25)</u> |
| Earnings per share (basic and diluted, in EUR) | 4 | 0.01 | (0.00) |

in thousand euros

STATEMENT OF COMPREHENSIVE INCOME
unaudited

| | <i>note</i> | 2014 II quarter | 2013 II quarter |
|---|-------------|----------------------------|----------------------------|
| General and administrative expenses | 2 | (34) | (46) |
| Other operating income | 3 | 122 | - |
| Operating profit (loss) | | 88 | (46) |
| Finance income and costs | | 32 | 40 |
| incl. interest income | | 32 | 40 |
| Net profit (loss) for the period | | 120 | (6) |
| Comprehensive profit (loss) for the period | | 120 | (6) |
| Earnings per share (basic and diluted, in EUR) | 4 | 0.01 | (0.00) |

in thousand euros

STATEMENT OF FINANCIAL POSITION

unaudited

| | <i>note</i> | 30.06.2014 | 31.12.2013 |
|-------------------------------------|-------------|-------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 3,905 | 2,392 |
| Trade and other receivables | 6 | 12,247 | 13,490 |
| Total current assets | | <u>16,152</u> | <u>15,882</u> |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 9 | 14 |
| Total non-current assets | | <u>9</u> | <u>14</u> |
| TOTAL ASSETS | | <u>16,161</u> | <u>15,896</u> |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Trade and other payables | 8 | 291 | 21 |
| Short-term provisions | 9 | 1,011 | 1,118 |
| Total current liabilities | | <u>1,302</u> | <u>1,139</u> |
| Total liabilities | | <u>1,302</u> | <u>1,139</u> |
| Equity | | | |
| Share capital | | 12,000 | 12,000 |
| Statutory reserve capital | | 1,200 | 1,200 |
| Retained earnings | | 1,659 | 1,557 |
| Total equity | | <u>14,859</u> | <u>14,757</u> |
| TOTAL LIABILITIES AND EQUITY | | <u>16,161</u> | <u>15,896</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 31.12.2012 | 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 |
| Balance as at 31.12.2013 | 12,000 | 1,200 | 1,557 | 14,757 |
| Comprehensive profit for the period | - | - | 102 | 102 |
| Balance as at 30.06.2014 | 12,000 | 1,200 | 1,659 | 14,859 |

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

in thousand euros

CASH FLOW STATEMENT

unaudited

| | 2014 | 2013 |
|---|-----------------|-----------------|
| | 6 months | 6 months |
| Cash flows used in operating activities | | |
| Operating profit (loss) | 39 | (105) |
| Adjustments: | | |
| depreciation and impairment charge | 5 | 5 |
| change in accrued holiday pay accrual | 3 | 2 |
| change in reserve of judicial proceedings costs | (107) | - |
| Change in trade and other receivables related to operating activities | 1,243 | (5) |
| Change in trade and other payables related to operating activities | 267 | (192) |
| Total cash flows used in operating activities | <u>1,450</u> | <u>(295)</u> |
| | | |
| Cash flows from (used in) investing activities | | |
| Loans granted | 1,200 | - |
| Granted loan repayments | (1,200) | - |
| Interest received | 63 | 79 |
| Total cash flows from (used in) investing activities | <u>63</u> | <u>79</u> |
| | | |
| Net increase/decrease in cash and cash equivalents | 1,513 | (216) |
| Cash and cash equivalents at the beginning of the period | 2,392 | 2,532 |
| Cash and cash equivalents at the end of the period | <u>3,905</u> | <u>2,316</u> |

NOTES

Note 1 Accounting policies used

The interim financial report of AS Järvevana for the 2014 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 2013. 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

| | 2014 6 months | 2013 6 months |
|--|---------------|---------------|
| Staff costs | 34 | 34 |
| Legal advisory | 20 | 31 |
| Office expenses, communication- and information services | 9 | 21 |
| Transportation expenses | 4 | 3 |
| Other expenses | 16 | 16 |
| Total general and administrative expenses | 83 | 105 |

Note 3 Other operating income

in thousand euros

| | 2014 6 months | 2013 6 months |
|------------------------------|---------------|---------------|
| Change in provision (Note 9) | 107 | - |
| Other income (Note 6) | 15 | - |
| Muud äritulud kokku | 122 | - |

Note 4 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.

| | 2014 6 months | 2013 6 months |
|--|---------------|---------------|
| Net profit (loss) attributable to shareholders (in thousands of euros) | 102 | (25) |
| Weighted average number of ordinary shares (<i>thousand pcs</i>) | 17,700 | 17,700 |
| Basic earnings (-loss) per share (<i>in euros</i>) | 0.01 | (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 5 Cash and cash equivalents*in thousand euros*

| | 30.06.2014 | 31.12.2013 |
|--|-------------------|-------------------|
| Short-term bank deposits (with a term of 1-3 months) | 3,904 | 2,392 |
| Total cash and cash equivalents | <u>3,904</u> | <u>2,392</u> |

Note 6 Trade and other receivables*in thousand euros*

| | 30.06.2014 | 31.12.2013 |
|--|-------------------|-------------------|
| Trade receivables | | |
| accounts receivable (Note 10) | 13 | - |
| Tax prepayments excluding corporate income tax value added tax | - | 1 |
| | <u>13</u> | <u>1</u> |
| Other short-term receivables | | |
| short-term loans * | 8,145 | 8,145 |
| interest receivables | 10 | 10 |
| other short-term receivables ** | 4,042 | 5,288 |
| | <u>12,197</u> | <u>13,443</u> |
| Prepayments for services | | |
| prepaid insurance | - | 2 |
| prepaid legal advisory services | 37 | 44 |
| | <u>37</u> | <u>46</u> |
| Total trade and other receivables | <u>12,247</u> | <u>13,490</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 30.06.2014 was EUR 6,945 thousand and the interest rate from 1 August 2013 is 1.531% per annum. In 2012 AS Järvevana and AS Merko Ehitus signed another loan contract in the amount of EUR 1,200 thousand which was repaid in June 2014. In 2014 AS Järvevana and AS Merko Ehitus signed another loan contract in the amount of EUR 1,200 thousand (loan balance as at 30.06.2014 EUR 1,200 thousand) and interest rate 1.531% 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, in 2013 by EUR 92 thousand and in 2014 by EUR 1,261 thousand. As at 30 June 2014, the residual of the short-term claim is EUR 4,027 thousand. At 30.06.2014, a short-term claim was additionally considered in the amount of EUR 15 thousand against the Republic of Estonia; the claim was decided for AS Järvevana to cover the fees paid to the defence attorney during the cassation proceedings (Note 3).

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

| | 30.06.2014 | 31.12.2013 |
|--|-------------------|-------------------|
| Property, plant and equipment at carrying amount | | |
| acquisition | 41 | 41 |
| depreciation | (32) | (27) |
| Total property, plant and equipment | <u>9</u> | <u>14</u> |

Note 8 Trade and other payables

in thousand euros

| | 30.06.2014 | 31.12.2013 |
|--|------------|------------|
| Trade payables | 18 | 2 |
| Payables to employees | | |
| wages and salaries payable | 4 | 4 |
| holiday pay liability | 14 | 11 |
| | <hr/> | <hr/> |
| | 18 | 15 |
| Tax liabilities, except for corporate income tax | | |
| value added tax | 251 | - |
| personal income tax | 1 | 1 |
| social security tax | 3 | 3 |
| | <hr/> | <hr/> |
| | 255 | 4 |
| | <hr/> | <hr/> |
| Total trade and other payables | 291 | 21 |

Note 9 Short-term provisions

in thousand euros

| | 30.06.2014 | 31.12.2013 |
|--|--------------|--------------|
| Provision for costs associated with judicial proceedings | 1,011 | 1,118 |
| | <hr/> | <hr/> |
| Total short-term provisions | 1,011 | 1,118 |

As of 30.06.2014, the appropriation to cover the costs associated with judicial proceedings consists of the pecuniary punishment in the amount of EUR 798 thousand, income tax on the pecuniary punishment in the amount of EUR 212 thousand and the procedural expenses in the amount of EUR 1 thousand.

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 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 30.06.2014 and 31.12.2013, 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

| | 2014 6 months | 2013 6 months |
|---------------------------------------|---------------|---------------|
| Purchased services | | |
| Parent's consolidation group entities | 8 | 7 |
| | <hr/> | <hr/> |
| Total purchased services | 8 | 7 |

Loans granted*in thousand euros*

| | 2014 6 months | 2013 6 months |
|---------------------------------------|----------------------|----------------------|
| Loans granted | | |
| Parent's consolidation group entities | 1,200 | - |
| Total loans granted | <u>1,200</u> | <u>-</u> |

Granted loan repayments*in thousand euros*

| | 2014 6 months | 2013 6 months |
|---------------------------------------|----------------------|----------------------|
| Granted loan repayments | | |
| Parent's consolidation group entities | 1,200 | - |
| Total granted loan repayments | <u>1,200</u> | <u>-</u> |

Interest income from loans granted*in thousand euros*

| | 2014 6 months | 2013 6 months |
|---|----------------------|----------------------|
| Calculated interest income | | |
| Parent's consolidation group entities | 62 | 79 |
| Total calculated interest income | <u>62</u> | <u>79</u> |

Balances with related parties*in thousand euros*

| | 30.06.2014 | 31.12.2013 |
|---------------------------------------|-------------------|-------------------|
| Trade and other receivables | | |
| Short-term loans | | |
| Parent's consolidation group entities | 8,145 | 8,145 |
| Interest receivables | | |
| Parent's consolidation group entities | 10 | 10 |
| Other short-term receivables | | |
| Parent's consolidation group entities | 4,027 | 5,288 |
| Trade payables | | |
| Parent's consolidation group entities | 1 | 1 |

No allowances for impairment losses have been set up for receivables from related parties in 2014 6 months. Related party transactions have been concluded on an arm's length basis.

In 2014 6 months, the members of the Supervisory Board of AS Järvevana were paid remuneration totalling EUR 4 thousand (2013 6 months: EUR 4 thousand) and Management Board of AS Järvevana were paid remuneration totalling EUR 20 thousand (2013 6 months: EUR 20 thousand). No other compensation was paid to management in 2014 6 months.

MANAGEMENT DECLARATION

The Management Board of AS Järvevana has prepared the 2014 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



31.07.2014