

AS JÄRVEVANA

2012 6 months and II quarter unaudited interim report

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Financial year: 01.01.2012 – 31.12.2012
Reporting period: 01.01.2012 – 30.06.2012

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 of 30 June 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, who 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 the Harju County Court held the last hearing in the criminal case involving the land swap deals; during this hearing the court fully acquitted AS Järvevana and Toomas Annus in the criminal case No.1-09-4486, and ordered the State to indemnify AS Järvevana's legal expenses in the amount of EUR 611 810.

The court categorically established that AS Järvevana and Toomas Annus have not committed the offences, all the relevant land swap transactions have been legitimate, and also established that the Security Police Board and the

Public Prosecutor's Office have committed a fundamental breach of the law, the Constitution, and the European Convention for the Protection of Human Rights and Fundamental Freedoms. This carefully deliberated judgement was a result of three years of comprehensive and first-hand proceedings, which involved, inter alia, questioning of about 120 persons. The judgement of acquittal was unanimous, and it was also supported by the lay judges.

The Public Prosecutor's Office has filed an appeal against the judgement of acquittal to the Tallinn Circuit court, and therefore the judgement of the court of the first instance has not entered into effect yet. AS Järvevana and Toomas Annus have filed a comprehensive rebuttal to the appeal on 374 pages. The application of AS Järvevana and Toomas Annus for granting them access to the surveillance files to review the same, and to guarantee their right of defence, which is supported, inter alia, by the judgement rendered by the European Court of Human Rights in the case *Leas v Estonia*, is still pending. The Harju County Court established that the respective application of the defence counsel as such is legitimate, however the court annulled its lawful permissive ruling because the judge was threatened by criminal prosecution: "After the court ruling in question was published in the Court's information system the chairperson of the Court received a telephone call from the Public Prosecutor's Office, and was asked to verify whether or not the judge has already presented the documents referred to in the ruling to the accused. Since the judge had not yet presented the documents to the accused, the criminal prosecution against the judge concerning the breach of a confidentiality obligation was abandoned"; "Taking into consideration the information received from the Public Prosecutor's Office the Court, by its ruling of 16.04.2010, partially annulled the former court ruling." In the same judgement the court of the first instance established, relying on the Court's full conviction, that by this act AS Järvevana and Toomas Annus were not guaranteed a fair trial, which the latter are entitled to pursuant to the law, the Constitution and the European Convention for the Protection of Human Rights and Fundamental Freedoms.

The Tallinn Circuit Court set the dates for hearing the case on 14-17.01.2013, 21-23.01.2013, 04-07.02.2013. So far it is unclear whether or not additional days are needed to hold the hearing.

Taking into consideration the extraordinary volume and the complexity of the matter, and the three-tier structure of the court system, one cannot be confident that the final decision will be reached within 2013.

In the case that the persons are found guilty, and are entered in the punishment register, the legal risks include a pecuniary punishment, which under the Value Added Tax Act is subject to income tax, as well as constraints with regard to participation in public procurements.

AS Järvevana points out that the principle of first-hand participation is fully applicable only at courts of the first instance. As a result of long-term, comprehensive and first-hand proceedings the court reached an unambiguous conviction that AS Järvevana and Toomas Annus are not guilty, thereby casting doubt to the charges as a whole. We deem important that the court rendered the judgement of acquittal in spite of the extra-procedural pressure in disregard for judicial independence, and in a situation where as a result of a threat the court was unable to guarantee the accused the equal procedural rights deemed necessary by the court. The supervisory board and the management board of AS Järvevana are convinced that the acts of the company and its management bodies have been appropriate and are in line with the legislation of the Republic of Estonia, and it can be once again substantiated before the court of the second instance.

Share and shareholders

The main shareholders of AS Järvevana as of 30.06.2012

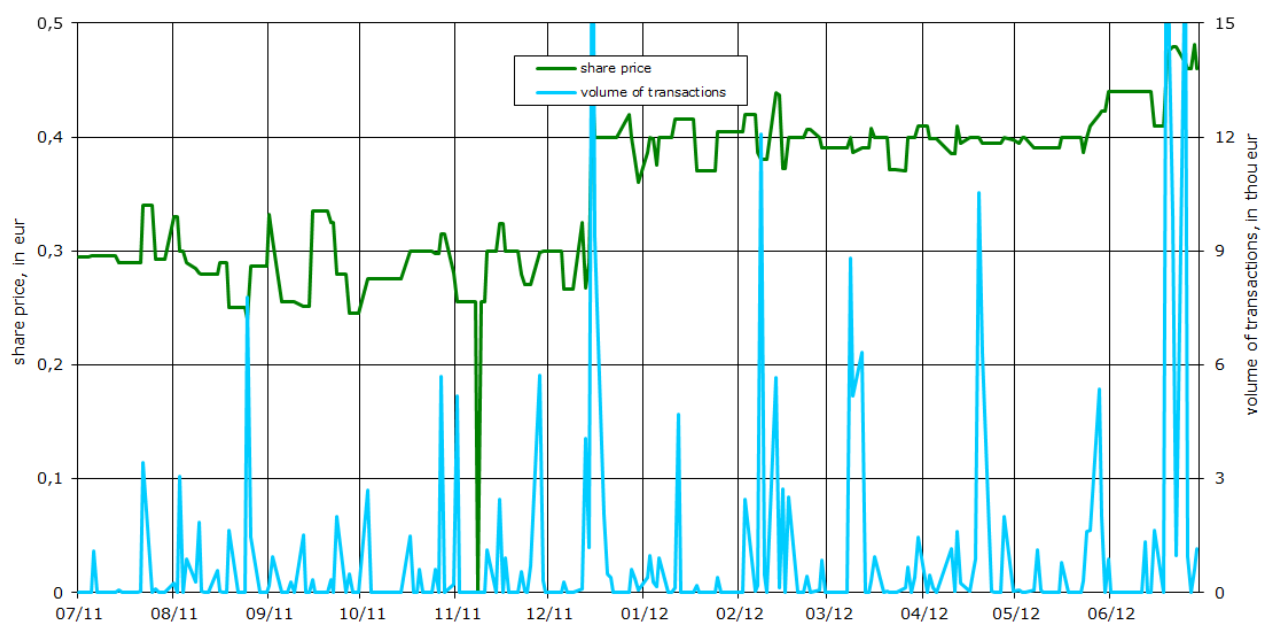
	Number of shares	% of shares
AS Riverito	12 742 686	71,99%
ING Luxembourg S.A., clients	963 376	5,44%
Skandinaviska Enskilda Banken Ab, clients	419 957	2,37%
Tenlion OÜ	225 014	1,27%
Andersson Investeeringud OÜ	221 442	1,25%

Structure of shareholders as of 30.06.2012

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1-100	248	31,31%	11 969	0,07%
101-1000	286	36,11%	125 696	0,71%
1001-10 000	182	22,98%	683 883	3,86%
10 001 – 100 000	69	8,71%	2 083 594	11,77%
100 001 – 1 000 000	6	0,76%	2 052 172	11,60%
1 000 001 - ...	1	0,13%	12 742 686	71,99%
Total	792	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 2012 6 months, 257 transactions were performed with the shares of AS Järvevana in the course of which 395,477 shares were traded and the total monetary value of transactions was EUR 169,023. The lowest transaction price was EUR 0.35 and the highest transaction price was EUR 0.51 per share. The closing price of the shares as of 30.06.2012 was EUR 0.46.

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>	2012 6 months	2011 6 months
General and administrative expenses	2	<u>(114)</u>	<u>(126)</u>
Operating profit (loss)		(114)	(126)
Finance income and costs		<u>114</u>	<u>92</u>
incl. interest income		114	92
Net profit (loss) for the period		<u>-</u>	<u>(34)</u>
Comprehensive profit (loss) for the period		<u>-</u>	<u>(34)</u>
Earnings per share (basic and diluted, in EUR)	3	0,00	(0,00)

in thousand euros

STATEMENT OF COMPREHENSIVE INCOME

unaudited

	2012	2011
	II quarter	II quarter
General and administrative expenses	<u>(43)</u>	<u>(65)</u>
Operating profit (loss)	(43)	(65)
Finance income and costs	<u>57</u>	<u>48</u>
incl. interest income	57	48
Net profit (loss) for the period	<u>14</u>	<u>(17)</u>
Comprehensive profit (loss) for the period	<u>14</u>	<u>(17)</u>
Earnings per share (basic and diluted, in EUR)	0,00	(0,00)

in thousand euros

STATEMENT OF FINANCIAL POSITION

unaudited

	<i>note</i>	30.06.2012	31.12.2011
ASSETS			
Current assets			
Cash and cash equivalents	4	2 527	2 531
Trade and other receivables	5	13 405	13 403
Total current assets		15 932	15 934
Non-current assets			
Property, plant and equipment	6	29	35
Total non-current assets		29	35
TOTAL ASSETS		15 961	15 969
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	7	21	29
Short-term provisions	8	1 118	1 118
Total current liabilities		1 139	1 147
Total liabilities		1 139	1 147
Equity			
Share capital		12 000	12 000
Statutory reserve capital		1 200	1 131
Retained earnings		1 622	1 691
Total equity		14 822	14 822
TOTAL LIABILITIES AND EQUITY		15 961	15 969

STATEMENT OF CHANGES IN EQUITY

unaudited

Equity attributable to equity holders of the parent

	Share capital	Unregistered share capital	Statutory reserve capital	Retained earnings	Total
Balance as of 31.12.2010	11 312		1 131	2 386	14 829
Bonus issue	-	688		(688)	-
Comprehensive loss for the period	-	-	-	(34)	(34)
Balance as of 30.06.2011	11 312	688	1 131	1 664	14 795
Balance as of 31.12.2011	12 000	-	1 131	1691	14 822
Increase of statutory reserve capital	-	-	69	(69)	-
Comprehensive loss for the period	-	-	-	-	-
Balance as of 30.06.2012	12 000	-	1 200	1 622	14 822

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 11,312,361.79 Euros and to increase the share capital of AS Järvevana by way of bonus issue on the account of retained profits by 687,638.21 Euros by means of increasing the book value of shares of AS Järvevana so that the new size of the share capital will be 12,000,000 Euros. 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 68,764 Euros out of the retained earnings from previous periods.

in thousand euros

CASH FLOW STATEMENT

unaudited

	2012	2011
	6 months	6 months
Cash flows used in operating activities		
Operating profit (loss)	(114)	(126)
Adjustments:		
depreciation	6	2
change in accrued holiday pay accrual	2	2
Change in trade and other receivables related to operating activities	(2)	(13)
Change in trade and other payables related to operating activities	(10)	(3)
Total cash flows used in operating activities	<u>(118)</u>	<u>(138)</u>
Cash flows from (used in) investing activities		
Proceeds from short-term deposits	-	650
Purchase of property, plant and equipment	-	(41)
Interest received	114	93
Total cash flows from (used in) investing activities	<u>114</u>	<u>702</u>
Net increase/decrease in cash and cash equivalents	(4)	564
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>2 527</u>	<u>1 830</u>

NOTES

Note 1 Accounting policies used

The interim financial report of AS Järvevana for the 2012 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 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 6 months	2011 6 months
Staff costs	34	34
Legal advisory	43	51
Office expenses, communication- and information services	19	17
Transportation expenses	3	9
Other expenses	15	15
Total general and administrative expenses	114	126

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 6 months	2011 6 months
Net loss attributable to shareholders <i>(in thousands of euros)</i>	-	(34)
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

	30.06.2012	31.12.2011
Short-term bank deposits (with a term of 1-3 months)	2 527	2 531
Total cash and cash equivalents	2 527	2 531

Note 5 Trade and other receivables*in thousand euros*

	30.06.2012	31.12.2011
Tax prepayments excluding corporate income tax value-added tax	1	2
	<u>1</u>	<u>2</u>
Other short-term receivables		
short-term loans *	6 945	6 945
interest receivables	19	19
other short-term receivables **	6 391	6 391
	<u>13 355</u>	<u>13 355</u>
Prepayments for services		
prepaid insurance	5	2
prepaid legal advisory services	44	44
	<u>49</u>	<u>46</u>
Total trade and other receivables	<u>13 405</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 7989 thousand. The loan balance as of 30.06.2012 was EUR 6945 thousand and the interest rate from 1.08.2011 is 3.177% 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 6 Property, plant and equipment*in thousand euros*

	30.06.2012	31.12.2011
Property, plant and equipment at carrying amount		
acquisition	43	43
depreciation	(14)	(8)
	<u>29</u>	<u>35</u>
Total property, plant and equipment	<u>29</u>	<u>35</u>

Note 7 Trade and other payables*in thousand euros*

	30.06.2012	31.12.2011
Trade payables	8	18
Payables to employees		
wages and salaries payable	4	4
holiday pay liability	5	3
	<u>9</u>	<u>7</u>
Tax liabilities, except for corporate income tax		
personal income tax	1	1
social security tax	3	3
	<u>4</u>	<u>4</u>
Total trade and other payables	<u>21</u>	<u>29</u>

Note 8 Short-term provisions
in thousand euros

	30.06.2012	31.12.2011
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 of 30.06.2012 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 6 months	2011 6 months
Purchased services		
Parent's consolidation group entities	7	6
Total purchased services	7	6

Interest income from loans granted
in thousand euros

	2012 6 months	2011 6 months
Calculated interest income		
Parent's consolidation group entities	112	85
Total calculated interest income	112	85

Balances with related parties
in thousand euros

	30.06.2012	31.12.2011
Trade and other receivables		
Short-term loans		
Parent's consolidation group entities	6 945	6 945
Interest receivables		
Parent's consolidation group entities	19	19
Other short-term receivables		
Parent's consolidation group entities	6 391	6 391
Accounts receivable		
Parent's consolidation group entities	-	3

No allowances for impairment losses have been set up for receivables from related parties in 2012 6 months. Related party transactions have been concluded on an arm's length basis.

In 2012 6 months, the members of the Supervisory Board of AS Järvevana were paid remuneration totalling EUR 4 thousand (2011 6 months: EUR 4 thousand) and Management Board of AS Järvevana were paid remuneration totalling EUR 20 thousand (2011 6 months: EUR 20 thousand). No other compensation was paid to management in 2012 6 months.

MANAGEMENT DECLARATION

The Management Board of AS Järvevana has prepared the 2012 6 months and II quarter 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



30.08.2012