

# AS JÄRVEVANA

## 2014 3 months unaudited interim report

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Financial year: 01.01.2014 – 31.12.2014  
Reporting period: 01.01.2014 – 31.03.2014

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 2014, 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](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](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 plots of 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 criminal 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, who had observed the process for years.

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. 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. AS Järvevana applied for leaving the judgement of acquittal unchanged. Tallinn Circuit Court gave the counsel an opportunity to become acquainted with some of the materials (insufficient for exercising the right of defence) forming the basis for surveillance, that the court of first instance considered necessary according to the judgement, but which the county court did not allow due to the force of threatening 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 to 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, the counsel was not allowed to get acquainted with all the surveillance files, which precluded 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.

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. Prior judicial practice has not recognised pecuniary punishments of such magnitude.

At 19 July 2013, AS Järvevana 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) rendering a new judgement of acquittal, or (iv) terminating the procedure on the basis of the Code of Criminal Procedure § 274' ' in connection with expiry of reasonable time of processing, as the procedure has been going on in relation to the accused ever since 2 September 2004 when the surveillance was started.

AS Järvevana has thoroughly analysed the judgement of the court of appeal and has come to a conclusion that it is mostly based on propositions of the prosecutors with the mistakes included therein, *inter alia* additions copied into the judgement misrepresenting the evidence, giving a reason to claim that the substance of evidence has not been studied, but the judge has rather been content with the unilateral dysmorphic 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 reasoning 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 proceeding, let alone misrepresenting the evidence 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 as a significant violation of the proceeding, whereas in order to reason the contradictions the actual information reflected in evidence has been presented in the form of tables as appendices to the appeal in cassation.

AS Järvevana has relied on the positions of the Supreme Court that the principle of direct 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 direct proceeding, the court of first instance came to a unanimous conscience that AS Järvevana and Toomas Annus were not guilty, thereby calling the entire accusation into question. AS Järvevana is convinced that a 14-day indirect proceeding could not overrule the conscience of the court of first instance formed on the basis of the years of direct proceeding. When reading the judgement, it remains ambiguous for AS Järvevana 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 convicted AS Järvevana, which according to the judgement, never swapped lands or was a party to such transactions or had been an addressee of administrative acts.

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. The decision of the Supreme Court will be announced on 30 June 2014 the latest. In exceptional cases, the Supreme Court may extend the term by one month.

In case of entry into force of the judgement of conviction and entry into 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 AS Järvevana are convinced that the activities of the company and its management have been correct and 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 have not entered into force and, according to the Constitution § 22, AS Järvevana 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 31.03.2014

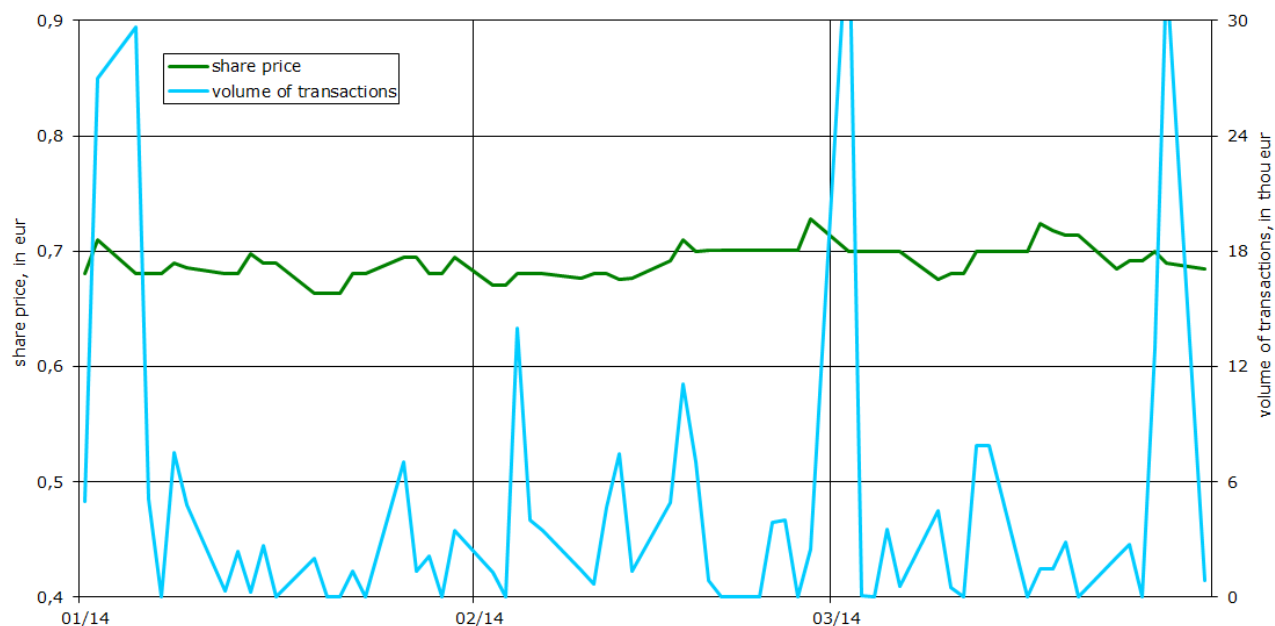
	Number of shares	% of shares
AS Riverito	12,742,686	71.99%
OÜ Seitse Samuraid	352,000	1.99%
Compensa Life Vienna Insurance Group SE	263,806	1.49%
Tenlion OÜ	246,230	1.39%
Clearstream Banking Luxembourg S.A. clients	154,538	0.87%
OÜ Watermelon	150,000	0.85%

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 3 months, 194 transactions were performed with the shares of AS Järvevana in the course of which 424,070 shares were traded and the total monetary value of transactions was EUR 292,189. 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 31.03.2014 was EUR 0.69.

Structure of shareholders as at 31.03.2014

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1-100	236	29.46%	11,210	0.06%
101-1,000	259	32.34%	113,877	0.65%
1,001-10,000	209	26.09%	820,972	4.64%
10,001 - 100,000	89	11.11%	2,631,968	14.87%
100,001 - 1,000,000	7	0.87%	1,379,287	7.79%
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>	<b>2014 3 months</b>	<b>2013 3 months</b>
General and administrative expenses	2	<u>(49)</u>	<u>(59)</u>
<b>Operating profit (loss)</b>		(49)	(59)
Finance income and costs		<u>31</u>	<u>40</u>
incl. interest income		31	40
<b>Net profit (loss) for the period</b>		<u>(18)</u>	<u>(19)</u>
<b>Comprehensive profit (loss) for the period</b>		<u>(18)</u>	<u>(19)</u>
Earnings per share (basic and diluted, in EUR)	3	(0.00)	(0.00)

in thousand euros

**STATEMENT OF FINANCIAL POSITION**  
unaudited

	note	31.03.2014	31.12.2013
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	2,394	2,392
Trade and other receivables	5	13,483	13,490
<b>Total current assets</b>		15,877	15,882
<b>Non-current assets</b>			
Property, plant and equipment	6	11	14
<b>Total non-current assets</b>		11	14
<b>TOTAL ASSETS</b>		15,888	15,896
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	7	31	21
Short-term provisions	8	1,118	1,118
<b>Total current liabilities</b>		1,149	1,139
<b>Total liabilities</b>		1,149	1,139
<b>Equity</b>			
Share capital		12,000	12,000
Statutory reserve capital		1,200	1,200
Retained earnings		1,539	1,557
<b>Total equity</b>		14,739	14,757
<b>TOTAL LIABILITIES AND EQUITY</b>		15,888	15,896



**STATEMENT OF CHANGES IN EQUITY**

unaudited

**Equity attributable to equity holders of the parent**

	<b>Share capital</b>	<b>Statutory reserve capital</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance as at 31.12.2012</b>	12,000	1,200	1,601	14,801
Comprehensive loss for the period	-	-	(19)	(19)
<b>Balance as at 31.03.2013</b>	12,000	1,200	1,582	14,782
<b>Balance as at 31.12.2013</b>	12,000	1,200	1,557	14,757
Comprehensive loss for the period	-	-	(18)	(18)
<b>Balance as at 31.03.2014</b>	12,000	1,200	1,539	14,739

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

*in thousand euros*

## **CASH FLOW STATEMENT**

unaudited

	<b>2014</b>	<b>2013</b>
	<b>3 months</b>	<b>3 months</b>
<b>Cash flows used in operating activities</b>		
Operating profit (loss)	(49)	(59)
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	7	1
Change in trade and other payables related to operating activities	9	(202)
<b>Total cash flows used in operating activities</b>	<u>(29)</u>	<u>(256)</u>
<b>Cash flows from (used in) investing activities</b>		
Interest received	<u>31</u>	<u>38</u>
<b>Total cash flows from (used in) investing activities</b>	<u>31</u>	<u>38</u>
<b>Net increase/decrease in cash and cash equivalents</b>	2	(218)
Cash and cash equivalents at the beginning of the period	2,392	2,532
<b>Cash and cash equivalents at the end of the period</b>	<u>2,394</u>	<u>2,314</u>

## NOTES

### Note 1 Accounting policies used

The interim financial report of AS Järvevana for the 2014 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 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 3 months	2013 3 months
Staff costs	17	17
Legal advisory	17	24
Office expenses, communication- and information services	5	11
Transportation expenses	1	1
Other expenses	9	6
<b>Total general and administrative expenses</b>	<b>49</b>	<b>59</b>

### 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.

	2014 3 months	2013 3 months
Net loss attributable to shareholders <i>(in thousands of euros)</i>	(18)	(19)
Weighted average number of ordinary shares <i>(thousand pcs)</i>	17,700	17,700
<b>Basic earnings (-loss) per share <i>(in euros)</i></b>	<b>(0.00)</b>	<b>(0.00)</b>

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*

	31.03.2014	31.12.2013
Short-term bank deposits (with a term of 1-3 months)	2,394	2,392
<b>Total cash and cash equivalents</b>	<b>2,394</b>	<b>2,392</b>

**Note 5 Trade and other receivables***in thousand euros*

	<b>31.03.2014</b>	<b>31.12.2013</b>
Tax prepayments excluding corporate income tax value added tax	2	1
	<u>2</u>	<u>1</u>
Other short-term receivables		
short-term loans *	8,145	8,145
interest receivables	10	10
other short-term receivables **	5,288	5,288
	<u>13,443</u>	<u>13,443</u>
Prepayments for services		
prepaid insurance	1	2
prepaid legal advisory services	37	44
	<u>38</u>	<u>46</u>
<b>Total trade and other receivables</b>	<u>13,483</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 31.03.2014 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 (loan balance as at 31.03.2014 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 and in 2013 by EUR 92 thousand. As at 31 March 2014, the residual of the short-term claim is EUR 5,288 thousand.

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

	<b>31.03.2014</b>	<b>31.12.2013</b>
Property, plant and equipment at carrying amount		
acquisition	41	41
depreciation	(30)	(27)
	<u>11</u>	<u>14</u>
<b>Total property, plant and equipment</b>	<u>11</u>	<u>14</u>

**Note 7 Trade and other payables***in thousand euros*

	<b>31.03.2014</b>	<b>31.12.2013</b>
Trade payables	11	2
Payables to employees		
wages and salaries payable	4	4
holiday pay liability	12	11
	<hr/>	<hr/>
	16	15
Tax liabilities, except for corporate income tax		
value added tax	-	-
personal income tax	1	1
social security tax	3	3
	<hr/>	<hr/>
	4	4
	<hr/>	<hr/>
<b>Total trade and other payables</b>	<hr/>	<hr/>
	31	21

**Note 8 Short-term provisions***in thousand euros*

	<b>31.03.2014</b>	<b>31.12.2013</b>
Provision for costs associated with judicial proceedings	1,118	1,118
	<hr/>	<hr/>
<b>Total short-term provisions</b>	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 31.03.2014 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 3 months	2013 3 months
<b>Purchased services</b>		
Parent's consolidation group entities	3	3
<b>Total purchased services</b>	<u>3</u>	<u>3</u>

### Interest income from loans granted

*in thousand euros*

	2014 3 months	2013 3 months
<b>Calculated interest income</b>		
Parent's consolidation group entities	31	40
<b>Total calculated interest income</b>	<u>31</u>	<u>40</u>

### Balances with related parties

*in thousand euros*

	31.03.2014	31.12.2013
<b>Trade and other receivables</b>		
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	5,288	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 3 months. Related party transactions have been concluded on an arm's length basis.

In 2014 3 months, the members of the Supervisory Board of AS Järvevana were paid remuneration totalling EUR 2 thousand (2013 3 months: EUR 2 thousand) and Management Board of AS Järvevana were paid remuneration totalling EUR 10 thousand (2013 3 months: EUR 10 thousand). No other compensation was paid to management in 2014 3 months.

## MANAGEMENT DECLARATION

The Management Board of AS Järvevana has prepared the 2014 3 months 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



28.05.2014