

AS JÄRVEVANA
GROUP

Consolidated interim report 9M 2008

Commercial Registry No: 10068022

Address: 9G Järvevana road, 11314 Tallinn
Telephone: +372 680 5105
Fax: +372 680 5106
E-mail: merko@merko.ee
Homepage: www.merko.ee
Primary activity: General contracting in construction sector
Auditor: AS PricewaterhouseCoopers
Beginning of financial year: 01.01.2008
End of financial year: 31.12.2008

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MANAGEMENT REPORT

General information

At a joint meeting held at 14 March 2008, the Management Board and the Supervisory Board of AS Järvevana adopted a resolution to restructure the Company and separate operating activities from the criminal proceedings related to the land swap. The Company's management estimates that the restructuring of the Company is the best way to ensure its sustainable development and protect the interests of shareholders and employees in the long-lasting criminal proceedings related to the land swap.

On 15 April 2008, the management of AS Järvevana presented the Company's restructuring plan (http://www.baltic.omxgroup.com/market/?pg=details&instrument=EE3100003559&list=2&tab=news&news_id=222602), according to which AS Merko Ehitus was split up/demerged so that AS Merko Ehitus, e.g. assets (other than liquid assets in the amount of 250 million kroons), liabilities and contracts as well as the business name was separated and transferred to the new company being set up.

Pursuant to the division plan (<http://www.merko.ee/upload/File/Restruktureerimise%20dokumendid/AS%20Merko%20Ehitus%20jagunemiskava%20ENG.pdf>), upon the division, AS Järvevana transferred to AS Merko Ehitus the entire set of assets related to the economic activities of the building company, including all concluded building, subcontracting and supply contracts; the equipment, machinery and employees; all professional know-how and cash-flows without interrupting the continuing economic activities and finding a way for a rapid acquittal in the criminal case no 05913000055 that would consider the interests of the shareholders remained as the sole activity of the company (http://www.baltic.omxnordicexchange.com/market/?pg=news&news_id=226059).

On 3 June 2008 the Annual General Meeting (http://www.baltic.omxnordicexchange.com/market/?pg=news&news_id=226094) approved the division of the company into the limited companies new Merko Ehitus (registry code 11520257) and Järvevana (registry code 10068022).

On 1 August 2008, the registration department of Harju County Court made an entry in the Commercial Register registering the division of AS Merko Ehitus (registry code 10068022, with the new business name 'Aktiaselts Järvevana') into the limited companies Merko Ehitus (registry code 11520257) and Järvevana (registry code 10068022).

Business operations

The company was formed after the division of AS Järvevana which resulted in the assigning and surrendering of the entire set of assets connected to the business activities of the construction company including the concluded construction contracts, subcontracts and supply contracts, machines, equipment and employees, all the professional knowhow and cash flows from the uninterrupted and continuing business activities to AS Merko Ehitus, except the liabilities arising from the criminal case no 05913000055, including the payable compensations for damages, fines and other claims, legal costs and the cover funds for the potential liabilities arising from the criminal case in the amount of 250 million Estonian kroons of liquid assets.

The company is not currently active. The only real revenue of the company is the financial profit received from the allocation of the company's liquid assets. During 01.08.2008-30.09.2008, AS Järvevana's financial profit was 1 421 433 million kroons. As at 30.09.2008, the company had one employee – the CEO Toomas Annus. The company's financial results for 2008 the 9 months include also the financial figures of the company for the 7 months preceding the division of AS Järvevana.

On 24 October 2008, after looking through the documents concerning the suspicions, the representative of AS Järvevana submitted a number of applications to the Public Prosecutor's Office including the application requesting the termination of the criminal case since adequate proof for the carrying out of incriminating actions and the execution of multiple breaches of substantive and procedural laws during the execution of the procedural acts could not be found in the documents presented. By the submission date of the report the Public Prosecutor's Office had not resolved the application of AS Järvevana.

Shares and shareholders

AS Järvevana biggest shareholders as of 30.09.2008

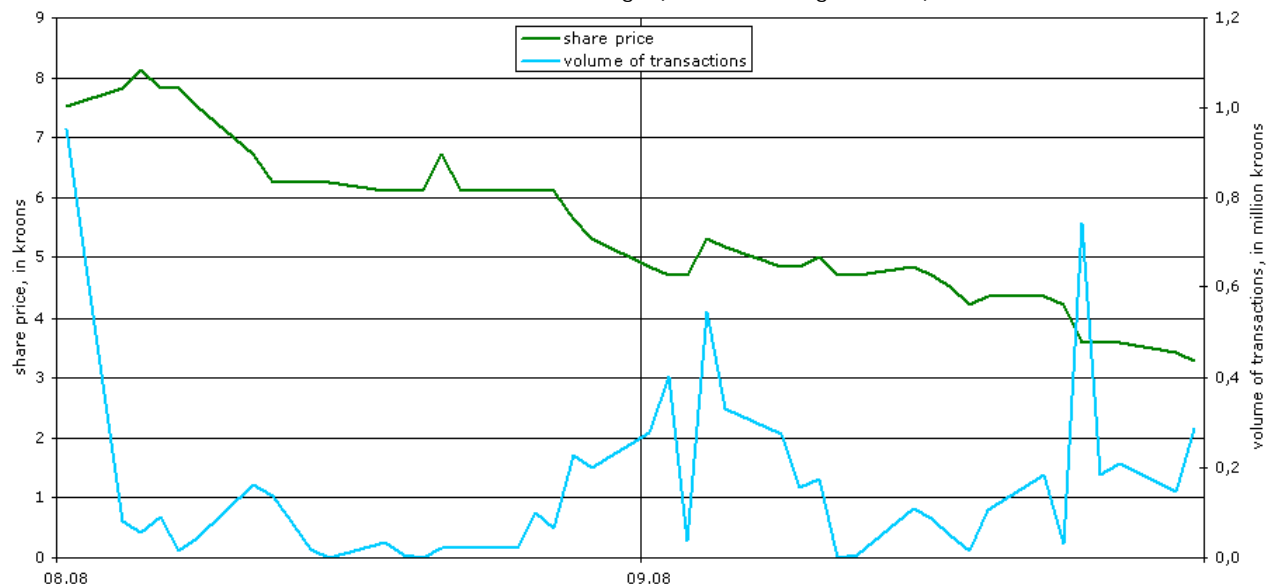
	No. of shares	Ownership
AS Merko Grupp	12 742 686	71,99%
Skandinaviska Enskilda Banken Ab, clients	1 202 128	6,79%
ING Luxembourg S.A., clients	963 376	5,44%
Danske Bank clients holdings	171 641	0,97%

Breakdown os shareholders as of 30.09.2008

No. of shares	No. of shareholders	% of shareholders	No. of shares	% of shares
1-100	308	34,80%	15 214	0,09%
101-1000	365	41,24%	149 755	0,85%
1001-10 000	163	18,42%	594 461	3,36%
10 001 – 100 000	41	4,63%	1 365 009	7,71%
100 001 – 1 000 000	6	0,68%	1 630 747	9,21%
1 000 001 - ...	2	0,23%	13 944 814	78,78%
Total	885	100%	17 700 000	100%

The shares of AS Järvevana have been quoted in the main list of the Tallinn Stock Exchange. In the course of the division of AS Merko Ehitus the name of the company was changed to AS Järvevana and since 04.08.2008, the shares of AS Järvevana are bought and sold under the name JRV1T. Between 1st August 2008 – 30th September 2008 the number of transactions with Järvevana' shares was 622, during which 1.4 million shares changed ownership and the turnover of the transactions was 6.7 million kroons. The cheapest bargain with a share was 3.13 kroons and highest 8.14 kroons per share. The closing share price with a state of 30.09.2008 was 3.29 kroons.

Performance of Järvevana' share at Tallinn Stock Exchange (as from 1st August 2008)



INCOME STATEMENT

consolidated, unaudited

	note	EEK		EUR	
		2008 9 months	2007 9 months	2008 9 months	2007 9 months
Revenue	1,2	2 798 466	3 863 605	178 855	246 929
Cost of goods sold	3	(2 273 798)	(3 388 412)	(145 322)	(216 559)
Gross profit		524 668	475 193	33 533	30 370
Marketing expenses		(21 143)	(20 244)	(1 351)	(1 294)
Administrative and general expenses		(122 199)	(124 180)	(7 810)	(7 937)
Other operating income		6 781	5 345	433	342
Other operating expenses		(7 773)	(4 338)	(497)	(277)
Operating profit		380 334	331 776	24 308	21 204
Financial income and expenses		(310)	53 177	(19)	3 400
incl. financial income (expenses) from investments in associate companies and joint ventures		1 282	61 486	82	3 930
interest expense		(8 734)	(14 355)	(558)	(917)
foreign exchange gain		(5 875)	(3 179)	(375)	(203)
other financial income and expenses		13 017	9 225	832	590
Profit before tax		380 024	384 953	24 289	24 604
Corporate income tax expense		(41 100)	(18 346)	(2 627)	(1 173)
Net profit for current period		338 924	366 607	21 662	23 431
incl. net profit attributable to equity holders of the parent company		334 709	358 024	21 392	22 882
minority interest		4 215	8 583	270	549
Earnings per share for profit attributable to the equity holders of the parent company (basic and diluted, in EEK and EUR)	4	18,91	20,23	1,21	1,29

INCOME STATEMENT

consolidated, unaudited

	EEK		EUR	
	2008 III quarter	2007 III quarter	2008 III quarter	2007 III quarter
Revenue	426 162	1 367 855	27 237	87 422
Cost of goods sold	(360 550)	(1 198 290)	(23 043)	(76 585)
Gross profit	65 612	169 565	4 194	10 837
Marketing expenses	(3 652)	(7 788)	(233)	(498)
Administrative and general expenses	(21 180)	(42 725)	(1 354)	(2 731)
Other operating income	852	2 856	54	183
Other operating expenses	(173)	(1 393)	(11)	(89)
Operating profit	41 459	120 515	2 650	7 702
Financial income and expenses	4 811	1 724	307	111
incl. financial income (expenses) from investments in associate companies and joint ventures	80	8 711	5	557
interest expense	(1 055)	(7 827)	(67)	(500)
foreign exchange gain	(5)	(3 317)	0	(212)
other financial income and expenses	5 791	4 157	369	266
Profit before tax	46 270	122 239	2 957	7 813
Corporate income tax expense	(477)	(3 267)	(30)	(209)
Net profit for current period	45 793	118 972	2 927	7 604
incl. net profit attributable to equity holders of the parent company	44 531	116 023	2 846	7 416
minority interest	1 262	2 949	81	188
Earnings per share for profit attributable to the equity holders of the parent company (basic and diluted, in EEK and EUR)	2,52	6,55	0,16	0,42

BALANCE SHEET

consolidated, unaudited

	note	EEK		EUR	
		30.09.2008	31.12.2007	30.09.2008	31.12.2007
ASSETS					
Current assets					
Cash and cash equivalents	5	25 611	205 564	1 637	13 138
Trade and other receivables	6	225 672	1 199 566	14 423	76 666
Prepaid corporate income tax		-	2 376	-	152
Inventories	7	-	2 025 426	-	129 448
Total current assets		<u>251 283</u>	<u>3 432 932</u>	<u>16 060</u>	<u>219 404</u>
Non-current assets					
Long-term financial investments	8	-	287 456	-	18 372
Deferred income tax assets		-	3 396	-	217
Investment property	9	-	7 361	-	470
Property, plant and equipment	10	-	172 912	-	11 051
Intangible assets	11	-	12 574	-	804
Total non-current assets			<u>483 699</u>		<u>30 914</u>
TOTAL ASSETS		<u>251 283</u>	<u>3 916 631</u>	<u>16 060</u>	<u>250 318</u>
LIABILITIES AND EQUITY					
Current liabilities					
Borrowings	12	-	304 879	-	19 485
Trade and other payables	13	149	1 015 492	9	64 902
Corporate income tax liability		-	16 718	-	1 068
Government grants		-	1 498	-	96
Short-term provisions	14	17 500	73 212	1 119	4 680
Total current liabilities		<u>17 649</u>	<u>1 411 799</u>	<u>1 128</u>	<u>90 231</u>
Non-current liabilities					
Long-term borrowings	12	-	397 713	-	25 418
Other long-term trade payables	15	-	57 423	-	3 670
Total non-current liabilities			<u>455 136</u>		<u>29 088</u>
Total liabilities		<u>17 649</u>	<u>1 866 935</u>	<u>1 128</u>	<u>119 319</u>
Equity					
Minority interests		-	33 939	-	2 169
Equity attributable to equity holders of the parent company					
Share capital		177 000	177 000	11 312	11 312
Statutory reserve capital		17 700	17 700	1 131	1 131
Currency translation adjustment		-	(5 085)	-	(325)
Retained earnings		38 934	1 826 142	2 489	116 712
		<u>233 634</u>	<u>2 015 757</u>	<u>14 932</u>	<u>128 830</u>
Total equity		<u>233 634</u>	<u>2 049 696</u>	<u>14 932</u>	<u>130 999</u>
TOTAL LIABILITIES AND EQUITY		<u>251 283</u>	<u>3 916 631</u>	<u>16 060</u>	<u>250 318</u>

STATEMENT OF CHANGES IN EQUITY

unaudited

EEK	Equity attributable to equity holders of the parent company				Total	Minority interest	Total
	Share capital	Statutory reserve capital	Currency translation on adjustment	Retained earnings			
Balance as at 31.12.2006	177 000	17 700	(5 751)	1 404 993	1 593 942	18 904	1 612 846
Effect of exchange rate changes	-	-	(3 888)	-	(3 888)	-	(3 888)
Net profit for current period	-	-	-	358 024	358 024	8 583	366 607
Dividends	-	-	-	(123 900)	(123 900)	(5 065)	(128 965)
Minority interest investment	-	-	-	-	-	5 240	5 240
Balance as at 30.09.2007	177 000	17 700	(9 639)	1 639 117	1 824 178	27 662	1 851 840
Balance as at 31.12.2007	177 000	17 700	(5 085)	1 826 142	2 015 757	33 939	2 049 696
Effect of exchange rate changes	-	-	5 085	-	5 085	-	5 085
Net assets separated on division	-	-	-	(2 121 917)	(2 121 917)	-	(2 121 917)
Net profit for current period	-	-	-	334 709	334 709	4 215	338 924
Dividends	-	-	-	-	-	(6 528)	(6 528)
Minority interest liquidation	-	-	-	-	-	(31 626)	(31 626)
Balance as at 30.09.2008	177 000	17 700	-	38 934	233 634	-	233 634

EUR	Equity attributable to equity holders of the parent company				Total	Minority interest	Total
	Share capital	Statutory reserve capital	Currency translation on adjustment	Retained earnings			
Balance as at 31.12.2006	11 312	1 131	(368)	89 796	101 871	1 208	103 079
Effect of exchange rate changes	-	-	(248)	-	(248)	-	(248)
Net profit for current period	-	-	-	22 882	22 882	549	23 431
Dividends	-	-	-	(7 919)	(7 919)	(324)	(8 243)
Minority interest investment	-	-	-	-	-	335	335
Balance as at 30.09.2007	11 312	1 131	(616)	104 759	116 586	1 768	118 354
Balance as at 31.12.2007	11 312	1 131	(325)	116 712	128 830	2 169	130 999
Effect of exchange rate changes	-	-	325	-	325	-	325
Net assets separated on division	-	-	-	(135 615)	(135 615)	-	(135 615)
Net profit for current period	-	-	-	21 392	21 392	269	21 661
Dividends	-	-	-	-	-	(417)	(417)
Minority interest liquidation	-	-	-	-	-	(2 021)	(2 021)
Balance as at 30.09.2008	11 312	1 131	-	2 489	14 932	-	14 932

The share capital of AS Järvevana consists of 17 700 000 common shares with a nominal value of EEK 10 i.e. EUR 0.64.

CASH FLOW STATEMENT

consolidated, unaudited

	EEK		EUR	
	2008	2007	2008	2007
	9 months	9 months	9 months	9 months
Cash flows from operating activities				
Operating profit	380 334	331 776	24 308	21 204
Adjustments:				
depreciation and impairment charge	16 618	17 121	1 062	1 094
(profit) loss from sale of non-current assets	(800)	(429)	(51)	(27)
adjustments of revenue from construction contracts under stage of completion method	173 625	(127 215)	11 097	(8 131)
interest income from business activities	(2 123)	(3 646)	(136)	(233)
government grant and change in other provisions	(14 250)	33 399	(911)	2 135
Change in trade and other receivables related to operating activities	156 482	(234 419)	10 001	(14 983)
Change in inventories	3 601	(569 194)	230	(36 378)
Change in trade and other payables related to operating activities	(107 732)	(48 691)	(6 885)	(3 112)
Interests paid	(12 218)	(16 545)	(781)	(1 057)
Other financial expenses (income)	(26)	(7)	(2)	0
Corporate income tax paid	(32 963)	(29 790)	(2 107)	(1 904)
	<u>560 548</u>	<u>(647 640)</u>	<u>35 825</u>	<u>(41 392)</u>
Cash flows from investing activities				
Investment into subsidiaries	(7 500)	(29 575)	(479)	(1 890)
Proceeds from sale of subsidiaries	1 000	6 890	64	440
Investments into associates and joint ventures	(1 000)	(3 353)	(64)	(214)
Proceeds from sale of associates and joint ventures	58 000	-	3 707	-
Purchase of investment property	(112)	(750)	(7)	(48)
Purchase of property, plant and equipment	(15 638)	(31 308)	(1 000)	(2 001)
Proceeds from sale of property, plant and equipment	2 469	1 694	158	108
Purchase of intangible assets	(1 118)	(4 253)	(72)	(272)
Loans granted	(21 331)	(144 555)	(1 363)	(9 239)
Loan repayments received	18 121	134 600	1 158	8 603
Interest received	14 140	13 345	904	853
Dividends received	-	4 380	-	280
	<u>47 031</u>	<u>(52 885)</u>	<u>3 006</u>	<u>(3 380)</u>
Cash flows from financing activities				
Proceeds from borrowings	68 420	554 320	4 373	35 428
Repayments of borrowings	(169 279)	(270 392)	(10 819)	(17 281)
Finance lease principal payments	(10 407)	(8 791)	(665)	(562)
Dividends paid	(6 528)	(128 965)	(417)	(8 242)
	<u>(117 794)</u>	<u>146 172</u>	<u>(7 528)</u>	<u>9 343</u>
Pecuniary means assigned on division	(666 785)	-	(42 615)	-
Change in cash and cash equivalents	<u>(177 000)</u>	<u>(554 353)</u>	<u>(11 312)</u>	<u>(35 429)</u>
Cash and cash equivalent at beginning of period	205 564	676 143	13 138	43 213
Exchange gains/(losses) on cash and cash equivalents	(2 953)	(1 591)	(189)	(102)
Cash and cash equivalent at end of period	<u>25 611</u>	<u>120 199</u>	<u>1 637</u>	<u>7 682</u>

NOTES

Note 1 Business and geographical segments

in thousand kroons

Business segments

2008 9 months	Construc- tion	Road construction	Concrete elements	Group
Consolidated revenue	2 555 998	242 468	-	2 798 466
Inter-segmental revenue	10	7 019	-	7 029
Segment revenue	2 556 008	249 487	-	2 805 495
Segment operating profit	363 146	17 188	-	380 334
Financial income/expenses				(310)
incl. profit/loss from associates and joint ventures	882	-	400	1 282
Profit before tax				380 024
Corporate income tax				(41 100)
Net profit of the Group				338 924
incl. attributable to equity owners of the parent company				334 709
minority interest				4 215
Segment assets	251 266	-	-	251 266
Unallocated assets				17
Total consolidated assets				251 283
Segment liabilities	17 595	-	-	17 595
Unallocated liabilities				54
Total consolidated liabilities				17 649
Purchase of investment property	112	-	-	112
Purchase of property, plant and equipment and intangible assets	13 317	3 439	-	16 756
Depreciation and impairment	10 349	6 269	-	16 618
2007 9 months	Construc- tion	Road construction	Concrete elements	Group
Consolidated revenue	3 610 278	253 327	-	3 863 605
Inter-segmental revenue	-	55 659	-	55 659
Segment revenue	3 610 278	308 986	-	3 919 264
Segment operating profit	299 287	32 489	-	331 776
Financial income/expenses				53 177
incl. profit/loss from associates and joint ventures	42 448	-	19 038	61 486
Profit before tax				384 953
Corporate income tax				(18 346)
Net profit of the Group				366 607
incl. attributable to equity owners of the parent company				358 024
minority interest				8 583
Segment assets	3 278 945	224 871	-	3 503 816
Associates and joint ventures	201 044	-	55 217	256 261
Unallocated assets				81 961
Total consolidated assets				3 842 038
Segment liabilities	1 477 396	84 870	-	1 562 266
Unallocated liabilities				427 932
Total consolidated liabilities				1 990 198
Purchase of investment property	750	-	-	750
Purchase of property, plant and equipment and intangible assets	35 555	4 817	-	40 372
Depreciation and impairment	9 720	7 401	-	17 121

Costs, assets and liabilities that cannot be related to a specific asset or it is not practical to do so are considered as unallocated.

Geographical segments

	Revenue	
	2008 9 months*	2007 9 months
Estonia	1 719 941	2 400 806
Latvia	618 059	902 414
Lithuania	460 446	560 385
Total	2 798 446	3 863 605

* the revenue of AS Järvevana for the 7 months preceding the division of the company is included in the revenue figures.

	Total assets		Purchase of investment property		Purchase of property, plant and equipment and intangible assets	
	30.09.2008	30.09.2008	30.09.2008	30.09.2007	2008 9 months	2007 9 months
Estonia	251 283	2 056 821	-	-	11 846	28 750
Latvia	-	1 408 881	112	-	4 572	11 555
Lithuania	-	376 336	-	-	338	67
Total	251 283	3 842 038	112	-	16 756	40 372

Revenue is based on the country in which the customer is located; the assets are reported basing on the geographic location of the assets.

Note 2 Revenue

in thousand kroons

	2008 9 months*	2007 9 months
Rendering of services	1 998 556	3 326 352
Sale of real estate and real estate development projects	797 184	535 132
Rental income	2 286	1 436
Sale of goods	440	685
Total revenue	2 798 466	3 863 605

* the revenue of AS Järvevana for the 7 months preceding the division of the company is included in the revenue figures.

Note 3 Cost of goods sold

in thousand kroons

	2008 9 months	2007 9 months
Materials	236 156	339 336
Construction services	1 396 459	2 373 202
Properties purchased for resale	246 353	191 412
Staff costs	204 794	275 090
Depreciation and impairment charge	10 965	11 686
Design	45 133	66 367
Construction mechanisms and transport	76 318	75 866
Other expenses	57 620	55 453
Total cost of goods sold	2 273 798	3 388 412

Note 4 Earnings per share

Basic earnings per share for profit attributable to equity holders of the parent company has been derived by dividing the net profit attributable to shareholders by the weighted average number of shares.

	2008 9 months*	2007 9 months
Net profit attributable to shareholders <i>(in thousand kroons)</i>	334 709	358 024
Weighted average number of ordinary shares <i>(thousand pcs)</i>	17 700	17 700
Earnings per share <i>(in kroons)</i>	<u>18,91</u>	<u>20,23</u>

The Group did not have any potential ordinary shares to be issued; therefore the diluted earnings per share equal the basic earnings per share.

* the net profit of AS Järvevana for the 7 months preceding the division of the company that was transferred to AS Merko Ehitus upon the division is included in the net profit figures.

Note 5 Cash and cash equivalents

in thousand kroons

	30.09.2008	31.12.2007
Cash on hand	-	116
Bank accounts	-	53 722
Short-term deposits	25 611	151 726
Total cash and bank	<u>25 611</u>	<u>205 564</u>

Note 6 Trade and other receivables

in thousand kroons

	30.09.2008	31.12.2007
Trade receivables		
accounts receivable	-	886 967
allowance for doubtful receivables	-	(2 111)
	<u>-</u>	<u>884 856</u>
Tax prepayments excluding corporate income tax		
value added tax	17	38 139
social security tax	-	12
other taxes	-	1
	<u>17</u>	<u>38 152</u>
Amounts due from customers for contract works	-	151 119
Other short-term receivables		
short-term loans	125 001	41 135
interest receivables	625	2 075
receivable from sale of subsidiary	-	1 000
other short-term receivables	100 000	2 662
	<u>225 626</u>	<u>46 872</u>
Prepayments for services		
prepayments for construction services	-	64 864
prepaid insurance	29	2 339
other prepaid expenses	-	11 364
	<u>29</u>	<u>78 567</u>
Total trade and other receivables	<u>225 672</u>	<u>1 199 566</u>

* according to the contract of division concluded between AS Järvevana and AS Merko Ehitus, the company granted AS Merko Ehitus a loan in the amount of 7.989 million euros with an interest rate of 12 euribor + 1%. The final interest rate for the first loan period of 12 months is 6% pa.

** in the contract of division, AS Järvevana and AS Merko Ehitus agreed that AS Järvevana would have the right and AS Merko Ehitus would be obliged to buy 5 real estates from AS Järvevana for the price of 100 million kroons. This right is given on the balance sheet of AS Järvevana as a short-term claim.

Note 7 Inventories

in thousand kroons

	30.09.2008	31.12.2007
Materials	-	3 501
Work-in-progress	-	1 209 117
Finished goods	-	72 434
Goods for resale		
land purchased for resale	-	704 111
other goods purchased for resale	-	13
	-	704 124
Prepayments for inventories		
prepayments for real estate properties	-	35 653
prepayments for other inventories	-	597
	-	36 250
Total inventories	-	2 025 426

Note 8 Long-term financial assets

in thousand kroons

	30.09.2008	31.12.2007
Investments in associates and joint ventures	-	272 964
Long-term loans	-	8 667
Long-term receivable from buyer of subsidiary	-	3 625
Long-term receivables from customers of construction services	-	2 200
Total long-term financial assets	-	287 456

Note 9 Investment property

in thousand kroons

	30.09.2008	31.12.2007
Land	-	2 136
Buildings at carrying amount		
cost	-	5 600
accumulated depreciation	-	(375)
	-	5 225
Total investment property	-	7 361

Note 10 Property, plant and equipment
in thousand kroons

	30.09.2008	31.12.2007
Land	-	15 943
Buildings at carrying amount		
cost	-	24 627
accumulated depreciation	-	(4 246)
	<hr/>	<hr/>
	-	20 381
Right of superficies at carrying amount		
cost	-	458
accumulated depreciation	-	(95)
	<hr/>	<hr/>
	-	363
Machinery and equipment at carrying amount		
cost	-	153 587
accumulated depreciation	-	(55 100)
	<hr/>	<hr/>
	-	98 487
Other fixtures at carrying amount		
cost	-	64 970
accumulated depreciation	-	(35 996)
	<hr/>	<hr/>
	-	28 974
Construction in progress	-	36
Prepayments for property, plant and equipment	-	8 728
	<hr/>	<hr/>
Total property, plant and equipment	-	172 912

Note 11 Intangible assets
in thousand kroons

	30.09.2008	31.12.2007
Software at carrying amount		
cost	-	14 443
accumulated depreciation	-	(3 682)
	<hr/>	<hr/>
	-	10 761
Prepayments for intangible assets	-	1 813
	<hr/>	<hr/>
Total intangible assets	-	12 574

Note 12 Borrowings
in thousand kroons

	30.09.2008	31.12.2007
Finance lease payables		
Present value of lease payments	-	48 114
incl. current portion	-	11 879
non-current portion 2...4 years	-	36 235
Loans		
Loan balance	-	630 543
incl. current portion	-	273 965
non-current portion 2...5 years	-	356 578
Loans from parent company		
Loan balance	-	19 035
incl. current portion	-	19 035
Loans from other companies		
Loan balance	-	4 900
incl. current portion	-	-
non-current portion 2...5 years	-	4 900
Total loans		
Loans balance	-	654 478
incl. current portion	-	293 000
non-current portion 2...5 years	-	361 478
Total borrowings		
	-	702 592
incl. current portion	-	304 879
non-current portion 2...5 years	-	397 713

Note 13 Trade and other payables
in thousand kroons

	30.09.2008	31.12.2007
Payables to suppliers	21	528 857
Payables to employees	74	74 892
Tax liabilities, except for corporate income tax		
value added tax	1	26 979
personal income tax	12	10 720
social security tax	40	17 654
land tax	-	46
unemployment insurance tax	-	319
contributions to mandatory funded pension	1	527
other taxes	-	570
	54	56 815
Amounts due to customers for contract works	-	161 725
Other payables		
interest liabilities	-	465
other payables	-	21 503
	-	21 968
Advance payments received	-	171 235
Total trade and other payables	149	1 015 492

Note 14 Short-term provisions*in thousand kroons*

	30.09.2008	31.12.2007
Provision for warranty obligation for construction	-	15 625
Provision for onerous construction contracts	-	32 512
Provision for potential cancellation of construction projects	-	1 934
Provision for legal costs and claims filed	17 500	22 786
Other provisions	-	355
Total short-term provisions	17 500	73 212

Note 15 Other long-term trade payables*in thousand kroons*

	30.09.2008	31.12.2007
Payables to suppliers	-	11 091
Advance payments received	-	46 332
Total other long-term trade payables	-	57 423

Note 16 Related party transactions

In compiling the report, the following entities have been considered as related parties:

- parent company AS Merko Grupp;
- shareholders of AS Merko Grupp with significant influence through AS Merko Grupp;
- other shareholders with significant influence;
- other subsidiaries of AS Merko Grupp, so-called 'entities controlled by the parent company';
- associates and joint ventures;
- key managers and their close relatives;
- entities under control of persons mentioned above.

Significant influence is presumed to exist when the person has more than 20% of the voting power.

The parent company of AS Järvevana is AS Merko Grupp. As at 30.09.2008 and 31.12.2007, AS Merko Grupp owned 72% of the shares of AS Järvevana. The ultimate controlling party of the Group is Mr Toomas Annus.

Goods and services*in thousand kroons*

	2008 9 months	2007 9 months
Purchased construction services		
Associates and joint ventures		
Entities controlled by the parent company	24 353	66 329
Purchased construction services	7 019	6 501
Total purchased construction services	31 372	72 830

Construction services rendered		
Associates and joint ventures		
Entities controlled by the parent company	150	23 049
Management members	514 713	1 076 340
Construction services rendered	4 011	14 948
Total construction services rendered	<u>518 874</u>	<u>1 114 337</u>
Construction materials purchased		
Other related parties	<u>163</u>	<u>242</u>
Real estate sold		
Entities controlled by the parent company	<u>143 167</u>	<u>-</u>

Balances with the related parties
in thousand kroons

	30.09.2008	31.12.2007
Trade and other receivables		
Trade receivables		
Associates and joint ventures	-	16 046
Entities controlled by the parent company	-	182 802
Short-term loans		
Associates and joint ventures	-	7 000
Entities controlled by the parent company	125 001	4 236
Interest receivables		
Associates and joint ventures	-	649
Entities controlled by the parent company	625	-
Other short-term receivables		
Entities controlled by the parent company	100 000	-
Other related parties	-	2
Other long-term loans and receivables		
Long-term loans		
Associates and joint ventures	-	5 725
Entities controlled by the parent company	-	2 942
Borrowings		
Short-term loans and bonds		
Parent company	-	19 035
Trade and other payables		
Payables to suppliers		
Associates and joint ventures	-	11 098
Entities controlled by the parent company	-	326
Prepayments received		
Entities controlled by the parent company	-	16 094
Interest liabilities		
Parent company	-	272

Note 17 Contingent liabilities

The Group has purchased the following guarantees in the following maximum amounts from financial institutions to cover Group's maximum exposure to third parties if the Group would not be able to fulfil its contractual obligations. The management believes that the likelihood of additional expenses due to these guarantees is remote.

<i>in thousand kroons</i>	30.09.2008	31.12.2007
Performance period's warranty to the customer	-	309 904
Tender warranty	-	23 761
Guarantee warranty period	-	55 500
Prepayment guarantee	-	68 756
Sureties	-	9 999
Payment guarantee	-	5 176
Letter of credit	-	11 218
Total contingent liabilities	<hr/> - <hr/>	<hr/> 484 314 <hr/>

Performance period's warranty to the customer – warranty provider grants to customer that contractor's obligations arising from construction contract will be adequately completed.

Tender warranty – warranty provider grants to customer arranging the tender process that the tenderer will sign a contract as per tender conditions.

Guarantee for warranty period - warranty provider grants to customer that construction defects discovered during the warranty period will be repaired.

Prepayment guarantee - warranty provider grants to customer that advances will be reimbursed, if contractor fails to deliver goods or services agreed.

Payment guarantee – warranty provider grants to customer payment for goods or services.

MANAGEMENT DECLARATION

The Management Board of AS Järvevana has prepared the consolidated 9 months interim report 2008 as presented on pages 3 to 18.

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 Group;
- the parent company and all Group companies are going concerns.

The consolidated interim financial statements of AS Järvevana for the 9 months period ending 30.09.2008 have been prepared in accordance with IAS 34 "Interim Financial Reporting" for condensed interim financial statements. Company applies the same accounting policies in its interim financial statements as applied in its annual financial statement of 2007.

Toomas Annus

Member of the Board



28.11.2008