



CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2008
(UNAUDITED)

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Core activities	Construction of buildings (EMTAK ¹ 411; 412) Civil engineering (EMTAK 421; 422; 429) Other construction work involving special trades (EMTAK 431; 433; 439) Architectural and engineering activities (EMTAK 7112)
Financial year	1 January 2008 – 31 December 2008
Reporting period	1 January 2008 – 30 June 2008
Council	Toomas Luman, Alar Kroodo, Ain Tromp, Andri Höbemägi, Tiina Mõis, Meelis Milder
Board	Jaano Vink, Avo Ambur, Sulev Luiga, Priit Pluutus, Erkki Suurorg
Auditor	KPMG Baltics AS

¹ EMTAK – Estonian Classification of Economic Activities

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DIRECTORS' REPORT

Eesti Ehitus is a group of construction companies whose core business is general contracting and project management. Group entities are involved in the construction of buildings and civil engineering in Estonia, Latvia, Lithuania and Ukraine. In addition, in Estonia our companies act as independent contractors in road construction and maintenance, environmental engineering, the assembly of reinforced concrete elements, and the performance of cast-on-site concrete works. The parent of the Group is AS Eesti Ehitus, a company registered and located in Tallinn, Estonia. Since 18 May 2006, the parent company's shares have been quoted in the main list of the NASDAQ OMX Tallinn Stock Exchange.

Our mission

We are committed to providing premier value added design and construction services by creating a successful partnership with our customers.

We seek to add value to the company by motivating our employees and providing them with clear development opportunities and a contemporary work environment.

Our vision

We strive to be a construction group which can always surpass the customer's expectations.

Shared values

Quality

We are professionals – we apply appropriate and effective construction techniques and technologies and observe generally accepted quality standards. We provide our customers with integrated cost efficient solutions. We are environmentally aware and operate sustainably. We value our employees by providing them with a modern work environment which encourages creativity and a motivation system which fosters initiative.

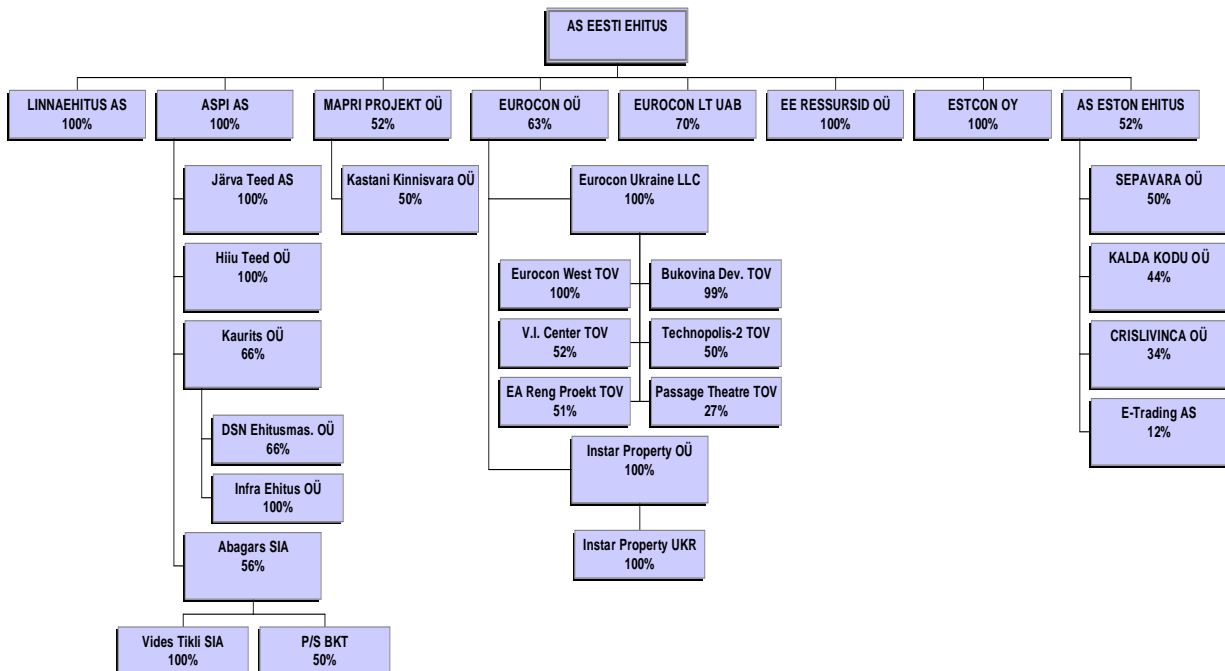
Reliability

We always keep our promises and honour our agreements. We act openly and transparently. We consistently support and promote the best construction practices. We do not take risks at the expense of our customers.

Innovation

We are innovative and creative engineers. We take maximum advantage of the benefits offered by information technology. We inspire our employees to grow through continuous training and balanced career opportunities.

Eesti Ehitus Group as at 30 June 2008



The unaudited consolidated financial statements for six months ended 30 June 2008 comprise the parent and the parent's interests in following Group entities.

Direct and indirect ownership interests of AS Eesti Ehitus:

Company		30 June 2008	30 June 2007	31 December 2007
AS Linnaehitus	Estonia	100.0%	100.0%	100.0%
AS ASPI	Estonia	100.0%	100.0%	100.0%
AS Järva Teed	Estonia	100.0%	100.0%	100.0%
OÜ Hiiu Teed	Estonia	100.0%	100.0%	100.0%
Estcon OY	Finland	100.0%	100.0%	100.0%
OÜ EE Ressursid	Estonia	100.0%	100.0%	100.0%
UAB Eurocon LT	Lithuania	70.0%	100.0%	70.0%
OÜ Kaurits	Estonia	66.0%	52.0%	52.0%
Infra Ehitus OÜ	Estonia	66.0%	52.0%	52.0%
OÜ Eurocon	Estonia	63.0%	64.0%	64.0%
Eurocon Ukraine LLC	Ukraine	63.0%	61.4%	61.4%
TOV Eurocon West	Ukraine	63.0%	61.4%	61.4%
Instar Property OÜ	Estonia	63.0%	0%	0%
TOV Instar Property	Ukraine	63.0%	0%	0%
TOV Bukovina Developments	Ukraine	62.4%	60.8%	60.8%
SIA Abagars	Latvia	56.0%	34.3%	34.3%
SIA Vides Tikli	Latvia	56.0%	34.3%	34.3%
OÜ Mapri Projekt	Estonia	52.0%	52.0%	52.0%
AS Eston Ehitus	Estonia	52.0%	0.0%	52.0%
OÜ DSN Ehitusmasinad	Estonia	43.6%	0.0%	34.3%
TOV V.I. Center	Ukraine	32.8%	32.0%	32.0%
TOV EA Reng Proekt	Ukraine	32.1%	31.3%	31.3%
TOV Technopolis-2	Ukraine	31.5%	30.7%	30.7%
P/S BKT	Latvia	28.0%	17.2%	17.2%
OÜ Kastani Kinnisvara	Estonia	26.0%	26.0%	26.0%
OÜ Sepavara	Estonia	26.0%	0%	26.0%
OÜ Kalda Kodu	Estonia	22.9%	0%	22.9%
TOV Passage Theatre	Ukraine	17.0%	55.3%	17.8%
OÜ Crislivnica	Estonia	17.7%	0%	17.7%
AS E-Trading	Estonia	6.2%	0%	6.2%
TOV European House*	Ukraine	0%	0%	6.1%
TOV Baltik	Ukraine	0%	30.7%	30.7%
Development				
TOV Eurobeton	Ukraine	0%	30.7%	0%

* Based on a preliminary agreement already signed, either the whole company or a part of it has been recognised as a non-current asset held for sale (see *Changes in the Group's structure in the first half of 2008* in the *Directors' report* and note 5 to the consolidated financial statements).

The business of Group entities

The Estonian entities of Eesti Ehitus Group provide services in all business segments in which the Group is involved. The parent AS Eesti Ehitus, AS Linnaehitus and AS Eston Ehitus are mainly engaged in general construction contracting and project management. AS ASPI and its subsidiaries build environmental structures and roads and provide road maintenance services. In addition, ASPI group includes companies that rent out construction machinery and equipment. OÜ Mapri Projekt earns a major share of its revenue from concrete works and the rest from project management and general contracting.

The Group's Ukrainian subsidiaries operate in the residential and non-residential segment. The largest Ukrainian subsidiaries Eurocon Ukraine LLC and TOV Eurocon West build mostly commercial buildings and

industrial and warehouse facilities. EA Reng Proekt TOV provides design services. Other Ukrainian subsidiaries are involved in the development of real estate and construction projects in Kiev and Lviv.

The Latvian subsidiary Abagars SIA and its subsidiaries perform infrastructure projects (such as pipeline construction, etc) in the civil engineering segment.

The Lithuanian subsidiary Eurocon LT UAB operates in the residential and non-residential segment focusing on the construction of residential and commercial premises.

Changes in the Group's structure in the first half of 2008

Acquisitions of interests and establishment of subsidiaries

On 5 February, OÜ Eurocon acquired a 4 per cent stake in Eurocon Ukraine LLC, raising its interest in the entity to 100 per cent.

On 12 February, AS Eesti Ehitus acquired a 2.5 per cent stake in OÜ Eurocon from a minority shareholder, increasing its holding in OÜ Eurocon to 66.5 per cent.

On 18 February, AS Eesti Ehitus' subsidiary OÜ Eurocon established a wholly-owned subsidiary – Instar Property OÜ. At the date of establishment, the share capital of Instar Property OÜ was 40,000 kroons (approx. 2,557 euros). Instar Property OÜ is going to operate as a holding company for the Group's direct and indirect interests in development projects performed in Ukraine.

On 2 May, AS Eesti Ehitus' wholly-owned subsidiary AS ASPI performed a transaction with its subsidiary OÜ Kaurits, acquiring a 56 per cent interest in the Latvian entity SIA Abagars. After the transaction, AS ASPI's direct interest in SIA Abagars is 56 per cent.

On 19 May, AS ASPI increased its shareholding in OÜ Kaurits by 14 per cent to 66 per cent.

Divestment of interests

On 4 April, AS Eesti Ehitus sold a 4 per cent interest in Eurocon OÜ to a Ukrainian resident. The transaction was performed by increasing share capital.

On 10 April, AS Eesti Ehitus' subsidiary Eurocon Ukraine LLC divested a 33 per cent stake in the Ukrainian company TOV Passage Theatre.

On 14 April, Eurocon Ukraine LLC divested a 50 per cent stake in the Ukrainian company TOV Baltic Development.

In June, Eurocon Ukraine LLC signed an agreement in which it undertook to sell its entire 10 per cent interest in the Ukrainian company TOV European House. At the date these interim financial statements are authorised for issue, the investment in TOV European House is carried as a non-current asset held for sale (see note 5 to the consolidated financial statements).

In June, Eurocon Ukraine LLC sold a 30 per cent stake in the Ukrainian company TOV Passage Theatre which had already been classified as a non-current asset held for sale. After the transaction, Eurocon Ukraine LLC's interest in TOV Passage Theatre is 27 per cent.

Financial review

Margins

Eesti Ehitus Group ended the first six months of 2008 with a gross profit of 238.7 million kroons (15.3 million euros), a 10.4 per cent improvement on the 216.3 million kroons (13.8 million euros) earned a year ago.

Consolidated net profit for the period amounted to 110.8 million kroons (7.1 million euros). Compared with the 129.9 million kroons (8.3 million euros) generated in the first half of 2007 net profit has decreased by 14.8 per cent, mainly on account of non-operating items such as financial income and expenses and income tax expense on the record dividends distributed for the prior financial years.

As anticipated, margins were influenced by keen competition and rapid deceleration in the growth of the Estonian economy which triggered a slowdown in the construction market. Although gross margin for the first half-year was 12.8 per cent against 14.2 per cent a year ago, it is important to note that gross profit increased and the margin remained strong in the context of the industry. Owing to operating and non-operating developments (including growth in dividend tax expense), operating and net margin dropped to 7.8 per cent and 5.9 per cent respectively (2007: 9.6 per cent and 8.6 per cent).

Despite the growth of the Group and high inflation, administrative expenses have not increased significantly. At period end, the ratio of administrative expenses to revenue was 5.0 per cent (2007: 4.6 per cent), referring to effective cost management in the context of the industry. The Group's position is to try to maintain the ratio at a similar level also in subsequent periods.

Cash flows

The Group's net operating cash flow for the first half-year was positive at 107 million kroons (6.8 million euros) while the corresponding figure for the prior year was negative at 75 million kroons (4.8 million euros). Operating cash flow has improved, above all, thanks to an increase in receipts from customers including settlements received on the completed contracts.

Compared with the first half of 2007, net outflow from investing activities increased from 1.6 million kroons (0.1 million euros) to 130 million kroons (8.3 million euros). Payments made for acquisition of subsidiaries including business combinations of prior periods accounted for 215 million kroons (13.8 million euros) of outflow while inflow comprised mainly loan settlements and proceeds from disposal of associates.

Financing activities generated net inflow of 109 million kroons (7.0 million euros), mainly through borrowing. Compared with the first half of 2007, net loan proceeds and repayments increased by 174 million kroons (11.1 million euros). The largest one-off outflow resulted from the distribution of dividends which at 104 million kroons (6.6 million euros) were two times larger than in the prior financial year.

In the first half of 2008, the Group's cash and cash equivalents increased by 86 million kroons (5.5 million euros); in the first half of 2007 cash and cash equivalents decreased by 85 million kroons (5.4 million euros). At 30 June 2008, the Group's cash and cash equivalents stood at 321.8 million kroons (20.6 million euros) against 70.9 million kroons (4.5 million euros) at 30 June 2007.

Key financial figures and ratios

Figure / ratio	6 months to 30 June 2008	6 months to 30 June 2007	6 months to 30 June 2006	Full year 2007
Weighted average number of shares	30,756,728	30,756,728*	30,756,728*	30,756,728
Earnings per share (in kroons)	3.39	4.03	1.78	8.70
Earnings per share (in euros)	0.22	0.26	0.11	0.56
Revenue growth	23.1%	64.0%	192.3%	49.9%
Average number of employees	1209	1113	882	1103
Revenue per employee (in thousands of kroons)	1,547	1,365	1,050	3,402
Revenue per employee (in thousands of euros)	98	87	67	217
Personnel expenses to revenue, %	12.4%	11.6%	11.0%	12.3%
Administrative expenses to revenue, %	5.0%	4.6%	5.0%	4.7%
EBITDA (in thousands of kroons)	179,579	176,310	85,208	370,575
EBITDA (in thousands of euros)	11,477	11,268	5,446	23,684

Figure / ratio	6 months to 30 June 2008	6 months to 30 June 2007	6 months to 30 June 2006	Full year 2007
EBITDA margin, %	9.6%	11.6%	9.2%	9.9%
Gross margin, %	12.8%	14.2%	9.9%	13.3%
Operating margin, %	7.8%	9.6%	7.7%	8.2%
Operating margin excluding gains on asset sales, %	7.6%	9.2%	4.9%	7.8%
Net margin, %	5.9%	8.6%	5.8%	7.7%
Return on invested capital, %	11.7%	17.8%	12.6%	32.7%
Return on assets, %	6.3%	9.3%	6.4%	17.1%
Return on equity, %	13.7%	23.9%	19.2%	44.1%
Equity ratio, %	33.0%	33.7%	27.5%	36.9%
Gearing, %	27.4%	32.5%	12.1%	13.5%
Current ratio	1.45	1.45	1.20	1.30

As at	30 June 2008	30 June 2007	30 June 2006	31 December 2007
Order backlog (in thousands of kroons)	3,196,937	2,730,813	1,987,547	2,526,652
Order backlog (in thousands of euros)	204,322	174,531	127,027	161,482

* For comparability, the weighted average number of shares is the number of shares after the bonus issues.

<p><i>Earnings per share (EPS) = net profit attributable to equity holders of the parent / weighted average number of shares outstanding</i></p> <p><i>Revenue per employee = revenue / average number of employees</i></p> <p><i>Personnel expenses to revenue = personnel expenses / revenue</i></p> <p><i>Administrative expenses to revenue = administrative expenses / revenue</i></p> <p><i>EBITDA = earnings before interest, taxes, depreciation and amortisation</i></p> <p><i>EBITDA margin = EBITDA / revenue</i></p> <p><i>Gross margin = gross profit / revenue</i></p> <p><i>Operating margin = operating profit / revenue</i></p>	<p><i>Operating margin excluding gains on asset sales = (operating profit - gains on sale of property, plant and equipment - gains on sale of real estate) / revenue</i></p> <p><i>Net margin = net profit for the period / revenue</i></p> <p><i>Return on invested capital = (profit before tax + interest expense) / the period's average (interest-bearing liabilities + equity)</i></p> <p><i>Return on assets = operating profit / the period's average total assets</i></p> <p><i>Return on equity = net profit for the period / the period's average total equity</i></p> <p><i>Equity ratio = total equity / total equity and liabilities</i></p> <p><i>Gearing = (interest-bearing liabilities - cash and cash equivalents) / (interest bearing liabilities + equity)</i></p> <p><i>Current ratio = total current assets / total current liabilities</i></p>
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Revenue by geographical segments

	6 months to 30 June 2008	6 months to 30 June 2007	6 months to 30 June 2006	Full year 2007
Estonia	80.1%	90.0%	94.3%	87.9%
Ukraine	14.9%	10.0%	5.7%	11.6%
Lithuania	2.2%	0%	0%	0.5%
Latvia	2.8%	0%	0%	0%

Compared with prior periods, we have increased operations in Ukraine, Latvia and Lithuania – if in the first half of 2007 and full 2007 revenue earned outside Estonia accounted for around 10 per cent of the total, in the first half of 2008 the figure rose to 20 per cent. Revenue distribution across geographical segments has been a devised strategy for mitigating the risks arising from excessive reliance on a single market.

Business review

The core business of Eesti Ehitus Group is general contracting and construction management in the construction of buildings and structures. In addition, the Group is involved in road construction and maintenance, environmental engineering, concrete works and real estate development.

Consolidated revenue for the first half of 2008 amounted to 1,870.6 million kroons (119.6 million euros), 23 per cent up on the 1,519.6 million kroons (97.1 million euros) generated in the first half of 2007. Revenue growth has been supported by the growth of the Group (addition of consolidated entities).

The Group tries to keep the revenues generated by different segments in balance as this helps disperse risks and provides a more solid foundation under stressed circumstances. In line with the strategy, the proportion of residential development revenue is consistently maintained at a relatively low level (at or below 20 per cent).

The residential and non-residential segment contributed 1,327.6 million kroons (84.8 million euros) and the civil engineering segment 520.1 million kroons (33.2 million euros) of total construction contract revenue. The corresponding figures for the first half of 2007 were 793.2 million kroons and 667.3 million kroons (50.7 million euros and 42.7 million euros) respectively. The decrease in the revenue generated by the civil engineering segment results mostly from the timing of major environmental and port construction projects.

Revenue distribution between the primary segments corresponds to management's expectations. In the second half-year, the revenues of the civil engineering segment will increase because of the seasonal nature of road construction operations and new contracts (see *Significant construction contracts signed in the first half of 2008* in the *Directors' report*).

In the residential and non-residential segment, revenue distribution has remained stable with commercial buildings accounting for over 50 per cent of the segment's revenue. The contribution of residential buildings sub-segment has decreased in line with changes in the market situation. In the civil engineering segment, the contribution of road construction and maintenance has increased both because of growth in road construction operations and the completion of several major environmental engineering and port construction projects which in the first half of 2007 were still in progress.

Revenue by segments	6 months to	6 months to	6 months to	
Business segments	30 June 2008	30 June 2007	30 June 2006	2007
Residential and non-residential	72%	54%	62%	53%
Civil engineering	28%	46%	38%	47%

Revenue distribution in the residential and non-residential segment	6 months to	6 months to	6 months to	
Business segments	30 June 2008	30 June 2007	30 June 2006	2007
Commercial buildings	59%	53%	47%	61%
Industrial and warehouse facilities	20%	10%	25%	11%
Public buildings	13%	20%	17%	16%
Residential buildings	8%	17%	11%	12%

Revenue distribution in the civil engineering segment	6 months to	6 months to	6 months to	
Business segments	30 June 2008	30 June 2007	30 June 2006*	2007
Road construction and maintenance	51%	30%	-	41%
Port construction	26%	28%	-	33%
Other engineering	19%	17%	-	13%
Environmental engineering	4%	25%	-	13%

* In 2006, the civil engineering segment was not divided into sub-segments

Order backlog and significant construction contracts signed in the first half of 2008

Order backlog

As at	30 June 2008	30 June 2007	30 June 2006	31 December 2007
Order backlog, in thousands of kroons	3,196,937	2,730,813	1,987,547	2,526,652
Order backlog, in thousands of euros	204,322	174,531	127,027	161,482

At 30 June 2008, the Group's order backlog was 3,197 million kroons (204 million euros), a 17 per cent improvement on the 2,731 million kroons (175 million euros) posted a year ago. The growth in order backlog may be attributed to successful tendering (see *Significant construction contracts signed in the first half of 2008* in the *Directors' report*) and the addition of consolidated entities.

Significant construction contracts signed in the first half of 2008

Brief description	Cost (EEK '000 / EUR '000)	Region	Expected delivery
Rehabilitation of the Rõhu-Puhja section of national road no 92	92,336 / 5,901	Estonia	August 2009
Construction of berths no 8 and 9 at Paldiski South Harbour	316,363 / 20,219	Estonia	May 2009
Design and construction of Science Centre AHHA building	179,100 / 11,447	Estonia	August 2010
Tarmeko KV interior decoration store in Tartu	63,000 / 4,026	Estonia	October 2008
Väike-Paala business building in Tallinn	101,500 / 6,487	Estonia	May 2009
Design and construction of Mäo overtake on Tallinn-Tartu road	402,881 / 25,749	Estonia	August 2010
Extension of water and sewerage networks in Sempeteris district in Riga	194,242 / 12,414	Latvia	December 2009
Extension of the Lõunakeskus shopping centre in Tartu	284,270 / 18,168	Estonia	September 2009

During the preparation of the interim financial statements, i.e. from 1 July to 6 August 2008, the Group was awarded the following major contracts:

Brief description	Cost (EEK '000 / EUR '000)	Region	Expected delivery
Construction of a leisure and shopping centre in Darnitski district in Kiev	112 398 / 7 184	Ukraine	May 2009
Stage one in the construction of Koidula railway border station (joint tender with AS Teede REV-2)	279 760 / 17 880	Estonia	December 2010

People and personnel expenses

In the first half of 2008 the Group employed, on average, 1221 people including around engineers and technical personnel of 500 people. The proportion of engineers and technical personnel (ETP) has increased during the past couple of years due to the growth of the Group and the size of the contracts. We expect the trend to continue, among other things, because of the Group's growth in Lithuania, Latvia and Ukraine. Compared with the first half of 2007, the number of staff has increased by approximately 100, mainly on account of the transformation of the Latvian entity Abagars SIA into a subsidiary in May 2008 (see *Changes in the Group's structure in the first half of 2008* in the *Directors' report*).

Number of employees:

Period	ETP	Workers	Total average
6 months to 30 June 2008	493	716	1209
6 months to 30 June 2007	412	701	1113
6 months to 30 June 2006	316	566	882
Full year 2007	425	678	1103

The Group's personnel expenses for the first half of 2008 totalled 232.9 million kroons (14.9 million euros), a 32 per cent increase on the first half of 2007. The rise in personnel expenses is attributable to the acquisition of subsidiaries and the Group's personnel policy.

In the first half of 2008, the remuneration of the Group's council totalled 545 thousand kroons (35 thousand euros) and the remuneration of the Group's board amounted to 8,257 thousand kroons (528 thousand euros). The corresponding figures for the first half of 2007 were 540 thousand kroons (35 thousand euros) and 5,252 thousand kroons (336 thousand euros) respectively.

Share and shareholders

ISIN code	EE3100039496
Short name of the security	EEH1T
Nominal value	10.00 kroons / 0.64 euros
Total number of securities	30,756,728
Number of listed securities	30,756,728
Listing date	18 May 2006

The following chart reflects movements in the Eesti Ehitus' share price (in euros) and traded volume in the first six months of 2008:



Shareholder structure

According to the Estonian Central Register of Securities, at 30 June 2008 the shareholder structure was the following:

	Number of shareholders	Ownership interest (%)
Shareholders with interest exceeding 5%	1	61.15%
Shareholders with interest between 1% and 5%	15	21.88%
Shareholders with interest below 1%	1,381	16.97%
Total	1,397	100.00%

Risks

Business risks

To manage daily construction risks, Group companies purchase Contractors' All Risks insurance. Depending on the nature of the project, both general frame agreements and specially tailored project-specific contracts are used. In addition, as a rule, subcontractors are required to secure the performance of their obligations with a bank guarantee issued for the benefit of AS Eesti Ehitus. To remedy builder-caused deficiencies which may be detected during the warranty period, all Group companies create warranty provisions. At the end of the first six months of 2008, the provisions (including current and non-current ones) totalled 11.7 million kroons (0.75 million euros). The corresponding figure for the first half of 2007 was 8 million kroons (0.5 million euros).

Credit risk

For credit risk management, a potential customer's settlement behaviour and creditworthiness are analysed already in the tendering stage. Subsequent to the conclusion of a contract, customers' settlement behaviour is monitored on an ongoing basis from the making of an advance payment to adherence to the contractual settlement schedule, which usually depends on the documentation of the delivery of work performed. We believe that the system in place allows us to respond to customers' settlement difficulties with sufficient speed. As at the end of the reporting period, our customers' settlement practice was good. In the first half of 2008, the Group's estimated loss from impaired receivables amounted to 7 million kroons (0.5 million euros) (2007: 0 kroons / euros).

Liquidity risk

Free funds are placed in overnight or fixed-interest term deposits with the largest banks in Estonia. To ensure timely settlement of liabilities, approximately two weeks' working capital is kept in current accounts or overnight deposits. Where necessary, overdraft facilities are used.

At the reporting date, the Group's current assets exceeded its current liabilities 1.45-fold (2007: 1.45) and available cash funds totalled 322 million kroons (20.6 million euros). Together with unused overdraft facilities, the cash balances provide a sufficient liquidity buffer for completing the operating cycle in an economic environment which is more uncertain than last year.

Interest rate risk

The loans taken from banks operating in Estonia, Latvia and Ukraine have mainly fixed interest rates. Finance lease contracts have floating interest rates and are linked to EURIBOR. Compared with the first half of 2007, the Group's interest-bearing loan liabilities have increased by 362 million kroons (23 million euros) or 94 per cent and interest expense has grown by 11.2 million kroons (0.71 million euros) to 18.4 million kroons (1.18 million euros).

Currency risk

As a rule, construction contracts and subcontractors' service contracts are made in the currency of the host country: in Estonia contracts are made in Estonian kroons (EEK), in Latvia in Latvian lats (LVL), in Lithuania in Lithuanian litas (LTL) and in Ukraine in Ukrainian grivnas (UAH). A significant proportion of services purchased from other countries are priced in euro which does not constitute a currency risk for the Group's Estonian, Latvian and Lithuanian entities.

In Ukraine, some materials supply contracts are made in euro. In addition, the Group's parent AS Eesti Ehitus settles accounts with its Ukrainian subsidiary Eurocon Ukraine LLC in euros but the volumes are immaterial. The Ukrainian grivna fluctuates slightly against the US dollar. Therefore, in Ukraine the fluctuations of the grivna against the euro give rise to a currency risk but there are almost no reasonable possibilities for hedging the risk in cooperation with local banks. In the first half of 2008, the Group's foreign exchange loss from Ukrainian operations amounted to 6.1 million kroons (0.39 million euros), 4 million kroons (0.26 million euros) up on the same period in 2007.

Future outlook

Estonia

We believe that in the construction sector the deceleration in economic growth will trigger the following trends:

- The construction sector will become more dependent on public procurement tenders and the number and pricing of infrastructure, environmental and other projects launched with the support of the European Union funds.
- The importance of infrastructure projects will increase and, accordingly, critical success factors will include specialised engineering expertise and the availability of specialised resources.
- Housing development and construction volumes will shrink and the number of related companies will decrease (consolidation). The consolidation process will heighten competition and exert downward pressure on profit margins.
- The past years' labour deficit in the construction sector will decline and growth in personnel expenses will normalise.
- Real estate developers' ability to service existing loans and take new ones will weaken due to a decrease in their creditworthiness. For construction companies, this may mean an increase in doubtful and irrecoverable receivables.
- Construction projects' financing schemes will change and additional requirements to the financing provided by general contractors will impose pressure on the contractors' liquidity.

We have prepared ourselves for changes in the economic environment by designing our project portfolio so that our risks would be dispersed between activities (for a number of years the proportion of residential construction has not exceeded 20 per cent) and markets (the importance of the Estonian market will decline as the importance of other markets increases).

Latvia and Lithuania

The Latvian and Lithuanian construction markets are influenced by an economic environment which is similar to the one prevailing in Estonia. In the near future, the segments where the Group's subsidiaries are represented will be subject to the following trends.

In Latvia the volumes of infrastructure projects financed by the state and local government with the support of EU funding will remain stable or increase. Construction prices will be affected by high inflation.

Out of the three Baltic countries, Lithuania has the best outlook for economic growth, which has a direct impact on the development of the construction market. In the residential and non-residential segment, there are strong prospects for continuing the construction of apartment houses (as a general contractor not a developer) as well as commercial and public buildings. The greatest risk is inflation and its impact on construction prices.






Ukraine

Ukrainian economy should continue growing faster than the Baltic ones. This will facilitate the development of the local construction market which is currently concentrated around major cities. In the commercial buildings segment, there will be strong demand for trading, logistics and office premises.

In Ukraine, we will continue performing development projects which have passed careful preliminary analysis and are supported by a properly drafted and viable business plan. In addition, our Ukrainian entities will continue acting as general contractors in the construction sector.

The main risks in the Ukrainian market are the low administrative efficiency of the national and local government, the dependence of the Ukrainian currency on the US dollar, inflation and the availability of quality construction inputs.

The board confirms that the directors' report presents fairly the development, performance and financial position of AS Eesti Ehitus, the company and the Group, and provides an overview of the main risks and uncertainties.

Jaano Vink	Chairman of the Board		6 August 2008
Sulev Luiga	Member of the Board		6 August 2008
Erkki Suurorg	Member of the Board		6 August 2008
Avo Ambur	Member of the Board		6 August 2008
Priit Pluutus	Member of the Board		6 August 2008

Consolidated interim financial statements


Statement of management's responsibility

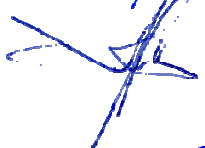
The board of AS Eesti Ehitus acknowledges its responsibility for the preparation of the Group's consolidated interim financial statements (unaudited) for the second quarter and first six months of 2008 and confirms that:


- The policies applied on the preparation of the consolidated interim financial statements comply with International Financial Reporting Standards as adopted by the European Union.
- The consolidated interim financial statements, which have been prepared in accordance with effective financial reporting standards, give a true and fair view of the assets and liabilities of the Group comprising of the parent company and other Group entities as well as its financial position, its results of operations, and its cash flows.
- All significant events that occurred before the date on which the consolidated interim financial statements were authorised for issue (6 August 2008) have been properly recognised and disclosed.
- AS Eesti Ehitus and its subsidiaries are going concerns.

Jaano Vink Chairman of the Board  6 August 2008

Sulev Luiga Member of the Board  6 August 2008

Erkki Suurorg Member of the Board  6 August 2008

Avo Ambur Member of the Board  6 August 2008

Priit Pluutus Member of the Board  6 August 2008

Consolidated interim balance sheet

Unaudited EEK '000	Note	30 June 2008	30 June 2007	31 December 2007
ASSETS				
Current assets				
Cash and cash equivalents		321,768	70,871	236,112
Trade receivables	2	440,501	511,810	511,819
Other receivables and prepayments	3	354,171	261,793	264,551
Deferred tax assets		1,905	1,015	1,905
Inventories	4	428,925	377,859	393,529
Non-current assets held for sale	5	14,956	0	43,362
Total current assets		1,562,226	1,223,348	1,451,277
Non-current assets				
Long-term investments	7	73,326	51,082	111,686
Investment property	8	133,523	24,199	133,984
Property, plant and equipment	9	365,853	264,647	221,748
Intangible assets	10	308,105	165,413	273,223
Total non-current assets		880,807	505,341	740,641
TOTAL ASSETS		2,443,033	1,728,689	2,191,918
LIABILITIES				
Current liabilities				
Interest-bearing loans and borrowings	12	192,492	97,666	135,856
Trade payables		424,585	347,739	335,754
Tax liabilities		60,056	42,293	54,771
Other payables and advances received	13	393,338	363,615	574,722
Provisions	14	7,761	6,097	12,458
Total current liabilities		1,078,232	857,410	1,113,561
Non-current liabilities				
Interest-bearing loans and borrowings	12	554,370	287,186	263,723
Other liabilities		761	490	714
Provisions	14	4,001	1,885	4,328
Total non-current liabilities		559,132	289,561	268,765
TOTAL LIABILITIES		1,637,364	1,146,971	1,382,326
EQUITY				
Minority interest				
Share capital	15	307,567	307,567	307,567
Share premium		509	0	0
Statutory capital reserve		34,800	8,216	11,766
Translation reserve		-891	2,416	2,354
Retained earnings	15	385,253	224,027	397,810
Total equity attributable to equity holders of the parent		727,238	542,226	719,497
TOTAL EQUITY		805,669	581,718	809,592
TOTAL LIABILITIES AND EQUITY		2,443,033	1,728,689	2,191,918

Consolidated interim balance sheet

Unaudited EUR '000	Note	30 June 2008	30 June 2007	31 December 2007
ASSETS				
Current assets				
Cash and cash equivalents		20,565	4,529	15,090
Trade receivables	2	28,153	32,711	32,711
Other receivables and prepayments	3	22,636	16,732	16,908
Deferred tax assets		122	65	122
Inventories	4	27,413	24,150	25,151
Non-current assets held for sale	5	956	0	2,771
		99,844	78,186	92,753
Total current assets				
Non-current assets				
Long-term investments	7	4,686	3,265	7,138
Investment property	8	8,534	1,547	8,563
Property, plant and equipment	9	23,382	16,914	14,172
Intangible assets	10	19,691	10,572	17,462
Total non-current assets		56,294	32,297	47,336
TOTAL ASSETS		156,138	110,483	140,089
LIABILITIES				
Current liabilities				
Interest-bearing loans and borrowings	12	12,302	6,242	8,683
Trade payables		27,136	22,225	21,459
Tax liabilities		3,838	2,703	3,501
Other payables and advances received	13	25,139	23,239	36,731
Provisions	14	496	390	796
Total current liabilities		68,912	54,798	71,170
Non-current liabilities				
Interest-bearing loans and borrowings	12	35,431	18,355	16,855
Other liabilities		49	31	46
Provisions	14	256	120	277
Total non-current liabilities		35,735	18,506	17,177
TOTAL LIABILITIES		104,647	73,305	88,347
EQUITY				
Minority interest				
		5,013	2,524	5,758
Share capital	15	19,657	19,657	19,657
Share premium	15	33	0	0
Statutory capital reserve		2,224	525	752
Translation reserve		-57	154	150
Retained earnings	15	24,622	14,318	25,425
Total equity attributable to equity holders of the parent		46,479	34,655	45,984
TOTAL EQUITY		51,492	37,179	51,742
TOTAL LIABILITIES AND EQUITY		156,138	110,483	140,089

Consolidated interim income statement

Unaudited EEK '000	Note	Q2 2008	Q2 2007	6 months to 30 June 2008	6 months to 30 June 2007	2007
Revenue	17, 18	1,097,125	959,847	1,870,635	1,519,582	3,752,028
Cost of sales	19	959,741	809,545	1,631,897	1,303,330	3,252,051
Gross profit		137,384	150,302	238,738	216,252	499,977
Marketing expenses		2,575	1,437	3,402	1,969	2,395
Administrative expenses	20	49,595	42,090	93,088	70,509	176,273
Other operating income	21	11,298	3,569	18,420	6,539	16,411
Other operating expenses	21	12,577	2,412	15,689	4,178	30,256
Operating profit		83,935	109,369	144,978	146,135	307,464
Financial income	22	18,868	3,384	23,427	13,209	31,486
Financial expenses	22	5,284	5,964	25,135	12,001	30,028
Net financial items		13,584	-2,580	-1,708	1,208	1,458
Share of profit of equity accounted investees		-16	237	0	994	856
Share of loss of equity accounted investees		-381	688	347	926	4,031
Net share of profit and loss of equity accounted investees		365	-451	-347	68	-3,175
Profit before income tax		97,884	105,806	142,923	147,411	305,747
Income tax expense	23	32,005	7,275	32,150	17,467	15,976
Profit for the period		65,879	98,531	110,773	129,944	289,771
Attributable to:						
Equity holders of the parent		58,134	94,386	104,273	123,878	267,482
Minority interest		7,745	4,145	6,501	6,066	22,289
Basic earnings per share (in kroons)*	15	1.89	3.07	3.39	4.03	8.70
Diluted earnings per share (in kroons)*	15	1.89	3.07	3.39	4.03	8.70

* For comparability, the weighted average number of shares used is the number of shares after the bonus issues, i.e. 30,756,728 shares.

Consolidated interim income statement

Unaudited EUR '000	Note	Q2 2008	Q2 2007	6 months to 30 June 2008	6 months to 30 June 2007	2007
Revenue	17;18	70,119	61,345	119,555	97,119	239,798
Cost of sales	19	61,339	51,739	104,297	83,298	207,844
Gross profit		8,780	9,606	15,258	13,821	31,954
Marketing expenses		165	92	217	126	153
Administrative expenses	20	3,170	2,690	5,949	4,506	11,266
Other operating income	21	722	228	1,177	418	1,049
Other operating expenses	21	804	154	1,003	267	1,934
Operating profit		5,364	6,990	9,266	9,340	19,651
Financial income	22	1,206	216	1,497	844	2,012
Financial expenses	22	338	381	1,606	767	1,919
Net financial items		868	-165	-109	77	93
Share of profit of equity accounted investees		-1	15	0	64	55
Share of loss of equity accounted investees		-24	44	22	59	258
Net share of profit and loss of equity accounted investees		23	-29	-22	4	-203
Profit before income tax		6,256	6,762	9,134	9,421	19,541
Income tax expense	23	2,045	465	2,055	1,116	1,021
Profit for the period		4,210	6,297	7,080	8,305	18,520
Attributable to:						
Equity holders of the parent		3,715	6,032	6,664	7,917	17,095
Minority interest		495	265	415	388	1,425
Basic earnings per share (in euros)*	15	0.12	0.20	0.22	0.26	0.56
Diluted earnings per share (in euros)*	15	0.12	0.20	0.22	0.26	0.56

* For comparability, the weighted average number of shares used is the number of shares after the bonus issues, i.e. 30,756,728 shares.

Consolidated interim statement of cash flows

	EEK '000		EUR '000	
	6 months to 30 June 2008	6 months to 30 June 2007	6 months to 30 June 2008	6 months to 30 June 2007
Cash flows from operating activities				
Cash receipts from customers	2,235,724	1,529,072	142,889	97,726
Cash paid to suppliers	-1,828,465	-1,402,072	-116,860	-89,609
Cash paid to and for employees	-286,494	-196,846	-18,310	-12,581
Income taxes paid	-13,868	-5,200	-886	-332
Net cash from / used in operating activities	106,897	-75,046	6,832	-4,796
Cash flows from investing activities				
Acquisition of property, plant and equipment	-6,109	-15,506	-390	-991
Proceeds from sale of property, plant and equipment	6,329	11,560	404	739
Acquisition of subsidiaries	-215,370	-9,342	-13,765	-597
Proceeds from sale of subsidiaries	9,800	0	626	0
Cash acquired on acquisition of subsidiaries	4,116	0	263	0
Proceeds from sale of associates	32,605	8,449	2,084	540
Acquisition of other investments	0	-4,104	0	-262
Loans granted	-17,776	-4,811	-1,136	-307
Repayment of loans granted	46,815	7,980	2,992	510
Interest received	9,357	4,126	598	264
Net cash used in investing activities	-130,233	-1,648	-8,323	-105
Cash flows from financing activities				
Proceeds from loans received	332,686	90,140	21,263	5,761
Repayment of loans received	-78,279	-9,800	-5,003	-626
Payment of finance lease liabilities	-29,295	-32,230	-1,872	-2,060
Dividends paid	-103,790	-52,135	-6,633	-3,332
Interest paid	-12,465	-4,391	-797	-281
Other settlements	148	12	9	1
Net cash from / used in financing activities	109,005	-8,404	6,967	-537
Net cash flow	85,669	-85,098	5,475	-5,439
Cash and cash equivalents at beginning of period	236,112	155,980	15,090	9,969
Effect of exchange rate fluctuations	-13	-11	-1	-1
Increase / decrease in cash and cash equivalents	85,669	-85,098	5,475	-5,439
Cash and cash equivalents at end of period	321,768	70,871	20,565	4,529

Consolidated interim statement of changes in equity

EEK '000	Equity attributable to equity holders of the parent						Minority interest	Total
	Share capital	Share premium	Statutory capital reserve	Other reserves	Retained earnings	Total		
Balance at 31 December 2006	153,784	108,465	4,158	2,196	196,326	464,929	39,291	504,220
Foreign exchange differences	0	0	0	220	0	220	135	355
Profit for the period	0	0	0	0	123,878	123,878	6,066	129,944
Total recognised income and expense for the period	0	0	0	220	123,878	124,098	6,201	130,299
Dividend declared	0	0	0	0	-46,135	-46,135	-6,000	-52,135
Issue of share capital	153,783	-108,465	0	0	-45,318	0	0	0
Transfer to capital reserve	0	0	4,058	0	-4,058	0	0	0
Changes in minority interest	0	0	0	0	-666	-666	0	-666
Balance at 30 June 2007	307,567	0	8,216	2,416	224,027	542,226	39,492	581,718
Balance at 31 December 2007	307,567	0	11,766	2,354	397,810	719,497	90,095	809,592
Foreign exchange differences	0	0	0	-3,245	0	-3,245	1,758	-1,487
Profit for the period	0	0	0	0	104,272	104,272	6,501	110,773
Total recognised income and expense for the period	0	0	0	-3,245	104,272	101,027	8,259	109,286
Dividend declared	0	0	0	0	-92,270	-92,270	-11,520	-103,790
Share premium	0	509	0	0	0	509	286	795
Transfer to capital reserve	0	0	23,034	0	-23,034	0	0	0
Changes in minority interest	0	0	0	0	-1,525	-1,525	-8,689	-10,214
Balance at 30 June 2008	307,567	509	34,800	-891	385,253	727,238	78,431	805,669

Consolidated interim statement of changes in equity

EUR '000	Equity attributable to equity holders of the parent						Minority interest	Total
	Share capital	Share premium	Statutory capital reserve	Other reserves	Retained earnings	Total		
Balance at 31 December 2006	9,829	6,932	266	140	12,548	29,714	2,511	32,226
Foreign exchange differences	0	0	0	14	0	14	9	23
Profit for the period	0	0	0	0	7,917	7,917	388	8,305
Total recognised income and expense for the period	0	0	0	14	7,917	7,931	396	8,328
Dividend declared	0	0	0	0	-2,949	-2,949	-383	-3,332
Issue of share capital	9,829	-6,932	0	0	-2,896	0	0	0
Transfer to capital reserve	0	0	259	0	-259	0	0	0
Change of minority interest	0	0	0	0	-43	-43	0	-43
Balance at 30 June 2007	19,657	0	525	154	14,318	34,655	2,524	37,179
Balance at 31 December 2007	19,657	0	752	150	25,425	45,984	5,758	51,742
Foreign exchange differences	0	0	0	-207	0	-207	112	-95
Profit for the period	0	0	0	0	6,664	6,664	415	7,080
Total recognised income and expense for the period	0	0	0	-207	6,664	6,457	528	6,985
Dividend declared	0	0	0	0	-5,897	-5,897	-736	-6,633
Share premium	0	33	0	0	0	33	18	51
Transfer to capital reserve	0	0	1472	0	-1472	0	0	0
Change of minority interest	0	0	0	0	-97	-97	-555	-653
Balance at 30 June 2008	19,657	33	2,224	-57	24,622	46,479	5,013	51,492

Notes to the consolidated interim financial statements

NOTE 1. Significant accounting policies

AS Eesti Ehitus is a company registered in Estonia. The shares of AS Eesti Ehitus have been listed on the NASDAQ OMX Tallinn Stock Exchange since 18 May 2006.

The consolidated interim financial statements as at and for the six months ended 30 June 2008 have been prepared in accordance with International Financial Reporting Standards (IFRSs) IAS 34 "Interim Financial Statements" as adopted by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2007.

The Group has not made any significant changes to accounting policies that were applied at the end of the most recent annual report issued 31 December 2007.

According to management's assessment, the consolidated interim financial statements of AS Eesti Ehitus as at and for the six months ended 30 June 2008 give a true and fair view of the Group's result of operations and the parent and all its subsidiaries which are included in the consolidated financial statements are going concerns. The interim consolidated financial statements have not been audited or otherwise checked by auditors and they contain only the consolidated financial statements of the Group.

The consolidated interim financial statements are presented in Estonian kroons (EEK) and in euro (EUR). Numeric data is in thousands of currency units unless indicated otherwise. According to the quotation of Eesti Pank (Bank of Estonia), the Estonian kroon – euro exchange rate is 15.6466 kroons to 1 euro.

NOTE 2. Trade receivables

As at 30 June	EEK '000		EUR '000	
	2008	2007	2008	2007
Trade receivables	465,381	512,283	29,743	32,741
Allowance for impairment	-24,880	-473	-1,590	-30
Total trade receivables	440,501	511,810	28,153	32,711

In the reporting period, the Group recognised additional impairment allowances of 8,051 thousand kroons (515 thousand euros) and recovered receivables of 945 thousand kroons (60 thousand euros) which had been considered impaired in prior periods.

NOTE 3. Other receivables and prepayments

As at 30 June	EEK '000		EUR '000	
	2008	2007	2008	2007
Receivables from group companies	45,415	58,393	2,903	3,732
Receivables from associates	3,280	18,474	210	1,181
Miscellaneous receivables	96,030	26,246	6,137	1,677
Due from customers for contract work	164,027	97,274	10,483	6,217
Accrued income	866	244	55	16
Prepaid taxes	32,653	9,427	2,087	602
Prepayments for services	11,900	51,735	761	3,306
Total other receivables and prepayments	354,171	261,793	22,636	16,732

Receivables from group companies comprise receivables related to the performance of construction contracts. Receivables from associates comprise accounts receivable. Miscellaneous receivables represent construction contract retentions receivable in 2008. Due from customers for contract work is related to accounting for construction work in progress.

Prepaid taxes consist of prepaid VAT and Ukrainian tax on profit and prepayments include mainly prepaid insurance premiums.

NOTE 4. Inventories

	EEK '000		EUR '000	
	2008	2007	2008	2007
As at 30 June				
Raw and other materials	42,032	40,316	2,686	2,577
Work in progress	219,201	231,161	14,009	14,774
Prepayments to materials suppliers	35,273	7,331	2,254	469
Property held for resale	132,419	99,051	8,463	6,331
Total inventories	428,925	377,859	27,413	24,150

Raw and other materials of 42,032 thousand kroons (2,686 thousand euros) comprise materials acquired for construction projects. Work in progress comprises the costs related to construction contracts in progress at the balance sheet date (the costs incurred in respect of apartment houses under construction) of 219,201 thousand kroons (14,009 thousand euros). Property held for resale comprises registered immovable properties of 132,419 thousand kroons (8,463 thousand euros) acquired for residential construction purposes.

NOTE 5. Non-current assets held for sale

	EEK '000		EUR '000	
	2008	2007	2008	2007
As at 30 June				
European House	14,956	0	956	0
Total non-current assets held for sale	14,956	0	956	0

NOTE 6. Acquisition of minority interests

On 5 February 2008, OÜ Eurocon acquired a 4 per cent stake in Eurocon Ukraine LLC, raising its interest in the entity to 100 per cent.

On 12 February 2008, AS Eesti Ehitus acquired a 2.5 per cent stake in OÜ Eurocon from a minority shareholder, increasing its holding in OÜ Eurocon to 66.5 per cent.

On 4 April 2008, the Group's interest in the subsidiary OÜ Eurocon changed to 64 per cent because the subsidiary's share capital was increased by 3,300 kroons for a new shareholder.

On 2 May 2008, AS ASPI's subsidiary OÜ Kaurits (AS ASPI's interest in OÜ Kaurits is 52 per cent) sold a 66 per cent stake in SIA Abagars; AS ASPI acquired a 56 per cent interest and the minority shareholder an additional 10 per cent interest in SIA Abagars. The interest acquired by AS ASPI cost 7,814 thousand kroons (499 thousand euros).

Net assets of the subsidiary SIA Abagars at the date of acquisition

	EEK '000			EUR '000		
	Pre-acquisition carrying amount	Total fair value (100%)	Recognised value on acquisition (56%)	Pre-acquisition carrying amount	Total fair value (100%)	Recognised value on acquisition (56%)
Current assets	128,599	128,599	72,015	8,219	8,219	4,603
Non-current assets	31,331	31,331	17,545	2,002	2,002	1,121
Current liabilities	-141,652	-141,652	-79,325	-9,053	-9,309	-5,070
Non-current liabilities	-14,792	-14,792	-8,283	-945	-945	-529
Minority interest	-1,601	-1,601	-897	-102	-102	-57

Net identifiable assets and liabilities	1,886	1,886	1,056	121	121	67
Unrealised intra-group sales gain			4,680			299
Goodwill			2,078			133
Cost			7,814			499
Paid in cash			7,814			499

On 20 May 2008, AS ASPI purchased a 14 per cent interest in OÜ Kaurits from the minority shareholder, taking its holding in OÜ Kaurits to 66 per cent; the investment cost 12,000 thousand kroons (767 thousand euros).

Net assets of the subsidiary OÜ Kaurits at the date of acquisition

	EEK '000			EUR '000		
	Pre-acquisition carrying amount	Total fair value (100%)	Recognised value on acquisition (14%)	Pre-acquisition carrying amount	Total fair value (100%)	Recognised value on acquisition (14%)
Current assets	24,384	24,384	3,414	1,558	1,558	218
Non-current assets	88,067	88,067	12,329	5,629	5,629	788
Current liabilities	-28,462	-28,462	-3,985	-1,819	-1,819	-255
Non-current liabilities	-49,536	-49,536	-6,935	-3,166	-3,166	-443
Net identifiable assets and liabilities	34,453	34,453	4,823	2,202	2,202	308
Goodwill			7,176			459
Cost			12,000			767
Paid in cash			12,000			767

NOTE 7. Long-term investments

As at 30 June	EEK '000		EUR '000	
	2008	2007	2008	2007
Investments in associates	33,321	21,318	2,130	1,362
Long-term receivables from associates	22,578	13,253	1,443	847
Other investments	415	4,552	27	291
Long-term trade receivables	1,016	5,813	65	372
Miscellaneous long-term receivables	15,996	6,146	1,022	393
Total long-term investments	73,326	51,082	4,686	3,265

Long-term loans to associates comprise outstanding loan balances together with accrued interest. Other investments include a 12.2 per cent shareholding in AS E-Trading. Long-term trade receivables have been recognised based on the settlement schedule.

NOTE 8. Investment property

For 6 months to 30 June	EEK '000		EUR '000	
	2008	2007	2008	2007
Investment property at 1 January	133,984	24,199	8,563	1,547
Depreciation	-461	0	-29	0
Investment property at 30 June	133,523	24,199	8,534	1,547

NOTE 9. Property, plant and equipment

EEK '000	Land and buildings	Plant and equipment	Other items of PP&E	Assets under construction and prepayments	Total
Cost					
At 1 January 2008	15,959	337,194	45,158	2,091	400,402
2008					
Acquisitions through business combinations	0	20,318	2,262	56,955	79,535
Additions	0	65,709	6,165	32,027	103,901
Disposals	0	-23,391	-2,083	0	-25,474
Effect of movements in exchange rates	0	29	301	0	330
At 30 June 2008	15,959	399,859	51,803	91,073	558,694
Depreciation					
At 1 January 2008	1,396	157,821	19,437	0	178,654
2008					
Depreciation charge for the period	282	28,245	4,941	0	33,468
Disposals	0	-17,067	-2,624	0	-19,691
Effect of movements in exchange rates	0	49	361	0	410
At 30 June 2008	1,678	169,048	22,115	0	192,841
Carrying amount					
At 1 January 2008	14,563	179,373	25,721	2,091	221,748
At 30 June 2008	14,281	230,811	29,688	91,073	365,853

EUR '000	Land and buildings	Plant and equipment	Other items of PP&E	Assets under construction and prepayments	Total
Cost					
At 1 January 2008	1,020	21,551	2,886	134	25,590
2008					
Acquisitions through business combinations	0	1,299	145	3,640	5,083
Additions	0	4,200	394	2,047	6,640
Disposals	0	-1,495	-133	0	-1,628
Effect of movements in exchange rates	0	2	19	0	21
At 30 June 2008	1,020	25,556	3,311	5,821	35,707
Depreciation					
At 1 January 2008	89	10,087	1,242	0	11,418
2008					
Depreciation charge for the period	18	1,805	316	0	2,139
Disposals	0	-1,091	-168	0	-1,258
Effect of movements in exchange rates	0	3	23	0	26
At 30 June 2008	107	10,804	1413	0	12,325
Carrying amount					
At 1 January 2008	931	11,464	1,644	134	14,172
At 30 June 2008	913	14,752	1,897	5,821	23,382

Additions of 2008 include mainly road construction equipment.

NOTE 10. Intangible assets

EEK '000	Positive goodwill	Software licences	Trademarks	Research and development costs	Total
Cost					
At 1 January 2008	262,316	1,360	10,000	3,716	277,392
2008					
Acquisitions through business combinations	25,518	220	0	0	25,738
Additions	9,255	92	0	929	10,276
Effect of movements in exchange rates	0	0	0	0	0
At 30 June 2008	297,089	1,672	10,000	4,645	313,406
Amortisation					
At 1 January 2008	0	669	3,500	0	4,169
2008					
Amortisation charge for the period	0	133	1,000	0	1,133
Effect of movements in exchange rates	0	-1	0	0	-1
At 30 June 2008	0	801	4,500	0	5,301
Carrying amount					
At 1 January 2008	262,316	691	6,500	3,716	273,223
At 30 June 2008	297,089	871	5,500	4,645	308,105

EUR '000	Positive goodwill	Software licences	Trademarks	Research and development costs	Total
Cost					
At 1 January 2008	16,765	87	639	237	17,729
2008					
Acquisitions through business combinations	1,631	14	0	0	1,645
Additions	592	6	0	59	657
Effect of movements in exchange rates	0	0	0	0	0
At 30 June 2008	18,987	107	639	297	20,030
Amortisation					
At 1 January 2008	0	43	224	0	266
2008					
Amortisation charge for the period	0	9	64	0	72
Effect of movements in exchange rates	0	0	0	0	0
At 30 June 2008	0	51	288	0	339
Carrying amount					
At 1 January 2008	16,765	44	415	237	17,462
At 30 June 2008	18,987	56	352	297	19,691

NOTE 11. Finance and operating leases

	EEK '000		EUR '000	
	2008	2007	2008	2007
As at 30 June				
Payable in less than one year	59,360	40,313	3,794	2,576
Payable between one and five years	122,013	97,979	7,798	6,262
Total	181,373	138,292	11,592	8,838
Principal payments made during the period	29,295	32,444	1,872	2,074
Interest payments made during the period	3,850	2,970	246	190
Base currency EUR	177,447	136,654	11,341	8,734
Base currency UAH	3,926	1,638	251	105
Settlement term	Monthly	Monthly	Monthly	Monthly
Interest rates in Estonia	3.0%-8.0%	3.0%-8.0%	3.0%-8.0%	3.0%-8.0%
Interest rates in Ukraine	10%-12%	10%-12%	10%-12%	10%-12%

	EEK '000		EUR '000	
	2007	2007	2008	2007
Operating lease rentals paid for				
For 6 months to 30 June 2008				
Cars	6,327	7,230	404	462
Construction equipment	6,531	9,123	417	583
Premises	3,731	4,557	238	291
Software	3,923	3,313	251	212
Total operating lease rentals paid	20,512	24,223	1,311	1,548

NOTE 12. Interest-bearing loans and borrowings

	EEK '000		EUR '000	
	2008	2007	2008	2007
As at 30 June				
Short-term bank loans	55,774	33,485	3,565	2,140
Current portion of long-term bank loans	68,611	23,868	4,385	1,525
Other loans	8,747	0	559	0
Finance lease liabilities	59,360	40,313	3,794	2,576
Total current loans and borrowings	192,492	97,666	12,302	6,242
Long-term bank loans	371,683	189,207	23,755	12,093
Other loans	60,674	0	3,878	0
Long-term finance lease liabilities	122,013	97,979	7,798	6,262
Total non-current loans and borrowings	554,370	287,186	35,431	18,355

NOTE 13. Other payables and advances received

Current payables and advances received

	EEK '000		EUR '000	
	2008	2007	2008	2007
As at 30 June				
Payables to the parent and other group companies	5,370	2,309	343	148
Payables to associates	319	0	20	0
Payables to employees	74,451	77,622	4,758	4,961
Progress payments received in excess of contract work completed	95,652	80,763	6,113	5,162
Accrued expenses	7,111	4,723	454	302
Miscellaneous payables	152,725	173,830	9,761	11,110
Customer advances for goods and services	57,710	24,368	3,688	1,557
Total other payables and advances received	393,338	363,615	25,139	23,239

Payables to employees comprise remuneration and bonus payables and accrued vacation pay liabilities. Accrued expenses include unpaid loan interest of 7,111 thousand kroons (454 thousand euros) which is not due yet. Progress payments received in excess of contract work completed is related to the accounting for construction contracts and comprises the difference between progress billings and contract revenue recognised by reference to the stage of completion of contract activity. Miscellaneous payables include estimated project expenses.

NOTE 14. Provisions

Warranties provisions

	EEK '000		EUR '000	
	2008	2007	2008	2007
As at 30 June				
Current warranties provisions	7,761	6,097	496	390
Non-current warranties provisions	3,939	1,885	252	120
Total warranties provisions	11,700	7,982	748	510

In accordance with the contracts for construction services, the Group is liable for its work during the post-construction warranty period which usually lasts for two years from the date the instrument of delivery and receipt is signed. Construction projects are established provisions on an individual basis. The provisions are classified as current and non-current based on the expiry of the warranty period.

NOTE 15. Equity

Shares

According to the Articles of Association the minimum and maximum authorised share capital of AS Eesti Ehitus amount to 120,000 thousand kroons (7,669 thousand euros) and 480,000 thousand kroons (30,677 thousand euros) respectively. Share capital consists of ordinary shares with a par value of ten kroons each.

Dividends

Based on the resolution of the shareholders' general meeting, in 2008 the company distributed shareholders a dividend of:

3.00 kroons per share	92,270 thousand kroons (30,756,728 shares)
0.19 euros per share	5,897 thousand euros (30,756,728 shares)

Earnings per share

Basic earnings per share are calculated by dividing the profit attributed to the equity holders of the parent for the period by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period, both adjusted for the effects of all dilutive equity instruments.

The weighted average number of shares has been found considering the effect of the bonus issue.

For 6 months to 30 June	Unit	EEK '000		EUR '000	
		2008	2007	2008	2007
Profit for the period attributed to holders of equity of the parent	Thousands of currency units	104,272	123,878	6,664	7,917
Weighted average number of shares	Thousands	30,757	30,757	30,757	30,757
Basic earnings per share		3.39	4.03	0.22	0.26
Diluted earnings per share		3.39	4.03	0.22	0.26

AS Eesti Ehitus has not issued any share options or other convertible instruments. Therefore, diluted earnings per share equal basic earnings per share.

NOTE 16. Participation in joint ventures

Under a partnership contract, the Group is involved in the rehabilitation of Tallinn Airport airside area (Partnership contract I). The project is under the joint control of three parties. The Group's share in the profit of the contract is one third. Each party is responsible for the delivery and risks of the contract to the extent of its share in the venture. The penalty for a deliberate breach of contract is 100 thousand euros.

In addition, the Group participates in the construction of the Vaida-Aruvalla road section under another partnership contract (Partnership contract II). The project is under the joint control of four parties. The Group's share in the profit of the contract is one fourth. Each party is responsible for the delivery and risks of the contract to the extent of its share in the venture.

Venture partners have not established a company for the performance of the contracts. Therefore, each venturer recognises in its financial statements the assets it controls, the liabilities it incurs, the expenses it incurs and the share of income that it earns, and the consolidated financial statements are not adjusted for or subjected to any other consolidation procedures.

For 6 months to or as at 30 June	2008				2007	
	EEK '000	EUR '000	EEK '000	EUR '000	EEK '000	EUR '000
	Partnership contract I		Partnership contract II		Partnership contract I	
Income	89,503	5,720	115,420	7,377	74,269	4,747
Including the reporting period	5,169	330	29,149	1,863	62,475	3,993
Expenses	76,293	4,876	102,532	6,553	68,596	4,384
Including the reporting period	765	49	27,179	1,737	57,579	3,680
Receivables	16,728	1,069	7,615	487	12,229	782
Payables	2,209	141	15,205	972	9,477	606
Including to venture partners	0	0	12,614	806	0	0

NOTE 17. Segment reporting – business segments

The Group's primary segment reporting format is business segments. In 2007, the Group implemented reporting by geographical segments. Inter-segment pricing is determined, in all material respects, on an arm's length basis.

Business segments EEK '000 For 6 months to 30 June	Residential and non-residential		Civil engineering		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
Construction contract revenue	1,327,570	793,198	520,107	667,334	0	0	1,847,677	1,460,532
Other revenue	14,192	23,270	8,766	35,780	0	0	22,958	59,050
Total revenue from external customers	1,341,762	816,468	528,873	703,114	0	0	1,870,635	1,519,582
Inter-segment revenue	39,646	103,369	38,721	75,317	-78,367	-178,686	0	0
Total revenue	1,381,408	919,837	567,594	778,431	-78,367	-178,686	1,870,635	1,519,582
Segment result	139,468	110,270	23,827	112,048	75,443	-6,066	238,738	216,252
Unallocated expenses	0	0	0	0	0	0	-93,760	-70,117
Operating profit	0	0	0	0	0	0	144,978	146,135
Net financial items	0	0	0	0	0	0	-1,708	1,208
Share of profit / loss of equity accounted investees	-318	68	-29	0	0	0	-347	68
Income tax expense	0	0	0	0	0	0	-32,150	-17,467
Profit for the period							110,773	129,944
Segment assets	1,393,185	1,029,202	1,016,527	659,931	0	0	2,409,712	1,689,133

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Investments in associates	22,806	18,986	10,515	2,333	0	0	33,321	21,319
Total assets							2,443,033	1,710,452
Segment liabilities	434,626	257,210	444,178	498,322	0	0	878,804	755,532
Warranty liabilities	10,983	4,697	717	1,890	0	0	11,700	6,587
Unallocated liabilities	0	0	0	0	0	0	746,861	384,852
Total liabilities							1,637,365	1,146,971
Cash flows from operating activities	88,677	32,340	59,224	62,835	-41,004	-170,221	106,897	-75,046
Cash flows from investing activities	-149,085	-24,170	18,852	-34,907	0	57,429	-130,233	-1,648
Cash flows from financing activities	190,251	110,318	-81,246	-61,293	0	-57,429	109,005	-8,404
Net cash flow	129,843	118,488	-44,174	-33,365	0	-170,221	85,669	-85,098
Capital expenditure	138,471	14,149	80,979	65,292	0	0	219,450	79,441
Depreciation and amortisation expense	5,713	4,362	28,888	25,813	0	0	34,601	30,175

Business segments (continued)

EUR '000	Residential and non-residential		Civil engineering		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
For 6 months to 30 June								
Construction contract revenue	84,847	50,695	33,241	42,650	0	0	118,088	93,345
Other revenue	907	1,487	560	2,287	0	0	1,467	3,774
Total revenue from external customers	85,754	52,182	33,801	44,937	0	0	119,555	97,119
Inter-segment revenue	2,534	6,606	2,475	4,814	-5,009	-11,420	0	0
Total revenue	88,288	58,788	36,276	49,751	-5,009	-11,420	119,555	97,119
Segment result	8,914	7,048	1,523	7161	4,822	-388	15,258	13,821
Unallocated expenses	0	0	0	0	0	0	-5,992	-4,481
Operating profit	0	0	0	0	0	0	9,266	9,340
Net financial items	0	0	0	0	0	0	-109	77
Share of profit / loss of equity accounted investees	-20	4	-2	0	0	0	-22	4
Income tax expense	0	0	0	0	0	0	-2,055	-1,116
Profit for the period							7,080	8,305
Segment assets	89,041	65,778	64,968	42,177	0	0	154,009	107,955
Investments in associates	1,458	1,213	672	149	0	0	2,130	1,363
Total assets							156,138	109,318
Segment liabilities	27,778	16,439	28,388	31,849	0	0	56,166	48,287
Warranty liabilities	702	300	46	121	0	0	748	421
Unallocated liabilities	0	0	0	0	0	0	47,733	24,597
Total liabilities							104,647	73,305
Cash flows from operating activities	5,667	2,067	3785	4,016	-2,621	-10,879	6,832	-4,796
Cash flows from investing activities	-9,528	-1,545	1,205	-2,231	0	3,670	-8,323	-105
Cash flows from financing activities	12,159	7,051	-5,193	-3,917	0	-3,670	6,967	-537
Net cash flow	8,298	7,573	-2,823	-2,132	0	-10,879	5,475	-5,439
Capital expenditure	8,850	904	5,176	4,173	0	0	14,025	5,077
Depreciation and amortisation expense	365	279	1,846	1,650	0	0	2,211	1,929

Unallocated liabilities include loans and borrowings.

NOTE 18. Segment reporting – geographical segments

For 6 months to 30 June	EEK '000		EUR '000	
	2008	2007	2008	2007
Revenue				
Estonia	1,499,069	1,365,366	95,808	87,263
Ukraine	278,591	155,685	17,805	9,950
Lithuania	41,508	0	2,653	0
Latvia	52,098	0	3,330	0
Eliminations	-631	-1,469	-40	-94
Total revenue	1,870,635	1,519,582	119,555	97,119

Segment assets based on geographical location

Estonia	2,108,513	1,603,877	134,759	102,506
Ukraine	296,849	183,350	18,972	11,718
Lithuania	26,515	325	1,695	21
Latvia	152,382	0	9,739	0
Eliminations	-141,226	-77,100	-9,026	-4,928
Total segment assets	2,443,043	1,710,452	156,139	109,318

EEK '000	Property, plant and equipment	Intangible assets	Total
Capital expenditures in the first 6 months of 2008			
Estonia	63,559	33,936	97,495
Ukraine	97,670	0	97,670
Latvia	22,207	2,078	24,285
Total capital expenditures	183,436	36,014	219,450

EUR '000	Property, plant and equipment	Intangible assets	Total
Capital expenditures in the first 6 months of 2008			
Estonia	4,062	2,169	6,231
Ukraine	6,242	0	6,242
Latvia	1,419	133	1,552
Total capital expenditures	11,724	2,302	14,025

EEK '000	Property, plant and equipment	Intangible assets	Total
Capital expenditures in the first 6 months of 2007			
Estonia	71,860	1,533	73,393
Ukraine	5,989	39	6,028
Lithuania	20	0	20
Total capital expenditures	77,869	1,572	79,441

EUR '000	Property, plant and equipment	Intangible assets	Total
Capital expenditures in the first 6 months of 2007			
Estonia	4,593	98	4,691
Ukraine	383	2	385
Lithuania	1	0	1
Total capital expenditures	4,977	100	5,077

NOTE 19. Cost of sales

	EEK '000		EUR '000	
	2008	2007	2008	2007
For 6 months to 30 June				
Depreciation and amortisation expense	32,075	28,397	2,050	1,815
Personnel expenses	173,610	131,481	11,096	8,403
Cost of materials, goods and services used	1,416,848	1,138,623	90,553	72,771
Other expenses	9,364	4,829	598	309
Total cost of sales	1,631,897	1,303,330	104,297	83,298

NOTE 20. Administrative expenses

	EEK '000		EUR '000	
	2008	2007	2008	2007
For 6 months to 30 June				
Depreciation and amortisation expense	2,526	1,778	161	114
Personnel expenses	59,267	44,832	3,788	2,865
Cost of materials, goods and services used	24,204	17,923	1,547	1,145
Other expenses	7,091	5,976	453	382
Total administrative expenses	93,088	70,509	5,949	4,506

NOTE 21. Other operating income and expenses

Other operating income

	EEK '000		EUR '000	
	2008	2007	2008	2007
For 6 months to 30 June				
Gains on sale of property, plant and equipment	2,725	6,078	174	388
Foreign exchange gains	0	125	0	8
Other income	15,695	336	1,003	21
Total other operating income	18,420	6,539	1,177	418

Other operating expenses

	EEK '000		EUR '000	
	2008	2007	2008	2007
For 6 months to 30 June				
Write-off of property, plant and equipment	709	1,592	45	102
Foreign exchange losses	95	172	6	11
Losses from impaired receivables	7,126	0	455	0
Membership fees	49	66	3	4
Other expenses	7,711	2,348	493	150
Total other operating expenses	15,690	4,178	1,003	267

NOTE 22. Financial income and expenses

Financial income

	EEK '000		EUR '000	
	2008	2007	2008	2007
For 6 months to 30 June				
Gains on sale of shares in subsidiaries and associates	17,065	6,309	1,091	403
Other financial income	6,177	4,281	395	274
Foreign exchange gains	185	2,469	12	158
Total financial income	23,427	13,059	1,497	835

Financial expenses

	EEK '000		EUR '000	
	2008	2007	2008	2007
For 6 months to 30 June				
Interest expense	18,413	7,224	1,177	462
Other financial expenses	515	4	33	0
Foreign exchange losses	6,206	4,623	397	295
Total financial expenses	25,134	11,851	1,606	757

NOTE 23. Income tax expense

	EEK '000		EUR '000	
	2008	2007	2008	2007
For 6 months to 30 June				
Income tax on dividends paid	29,737	16,397	1,901	1,048
Income tax on profit earned	2,413	1,070	154	68
Total income tax expense	32,150	17,467	2,055	1,116

NOTE 24. Transactions with related parties

Parties are related if one controls the other or exerts significant influence on the other's business decisions. Related parties include:

1. AS Nordecon (the parent of AS Eesti Ehitus) and its shareholders
2. The subsidiaries and associates of AS Eesti Ehitus
3. Other companies of AS Nordecon Group
4. Members of the company's board and council and individual shareholders whose interest is significant, except where the above cannot exert significant influence on the company's business decisions. Related parties also include close family members of and companies related to the above.

In the preparation of the consolidated interim financial statements, all intra-group receivables and liabilities, intra-group transactions, and unrealised gains and losses were eliminated.

During the reporting period, Group entities performed purchase and sales transactions with related parties in the following volumes:

Transactions performed in the reporting period	EEK '000		EUR '000	
	Purchases	Sales	Purchases	Sales
AS Nordecon	9,262	634	592	41
Subsidiaries of AS Nordecon	2,143	134,009	137	8,565
Companies related to a member of the council of AS Eesti Ehitus	0	988	0	63
Total	11,405	135,631	729	8,668

Substance of transactions performed	EEK '000		EUR '000	
	Purchases	Sales	Purchases	Sales
Construction contracts	0	134,009	0	8,565
Purchase and sale of goods	0	0	0	0
Lease and other services	11,405	1,622	729	104
Total	11,405	135,631	729	8,668






Receivables from and liabilities to related parties as at 30 June:

As at 30 June	EEK '000				EUR '000			
	2008		2007		2008		2007	
	Receivable	Payable	Receivable	Payable	Receivable	Payable	Receivable	Payable
AS Nordecon	267	1,416	159	2,294	17	90	10	147
Subsidiaries of AS Nordecon	45,148	3,954,	58,234	15	2,885	253	3,722	1
Associates	3,280	319	26,474	0	210	20	1,692	0
Total	48,695	5,689	84,867	2,309	3,112	364	5,424	148

In the first six months of 2008, the remuneration of the members of the council of AS Eesti Ehitus Group totalled 545 thousand kroons (35 thousand euros) and the remuneration of the members of the board of AS Eesti Ehitus amounted to 8,257 thousand kroons (528 thousand euros).

Signatures

The board of AS Eesti Ehitus has prepared the company's consolidated interim financial statements for the second quarter and first six months of 2008 (unaudited) which are presented on pages 14 to 33.

Jaano Vink	Chairman of the Board		6 August 2008
Sulev Luiga	Member of the Board		6 August 2008
Erkki Suurorg	Member of the Board		6 August 2008
Avo Ambur	Member of the Board		6 August 2008
Priit Pluutus	Member of the Board		6 August 2008