



EESTI EHITUS

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2008
(UNAUDITED)

| | |
|-------------------|--|
| Business name | AS Eesti Ehitus |
| Registry number | 10099962 |
| Address | Pärnu mnt 158/1, 11317 Tallinn |
| Domicile | Republic of Estonia |
| Telephone | 372 615 4400 |
| Fax | 372 615 4401 |
| E-mail | eestiehitus@eestiehitus.ee |
| Corporate website | www.eestiehitus.ee |
| 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 September 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 that 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.

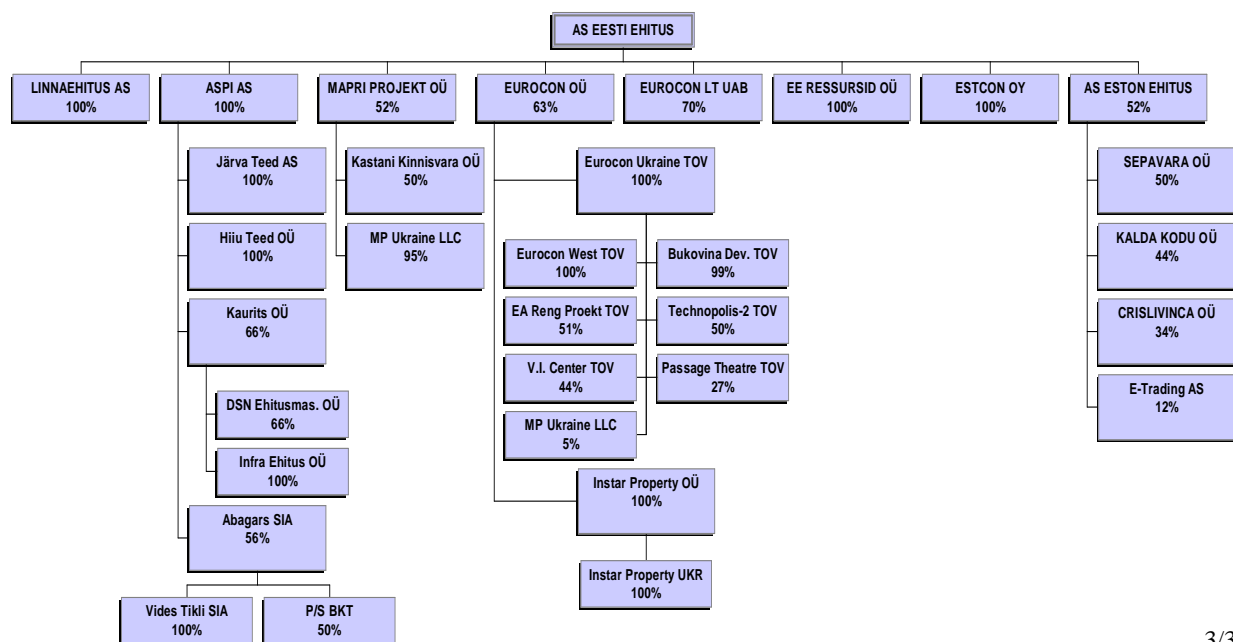
Reliability

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.

The structure and business of Eesti Ehitus Group



The unaudited consolidated financial statements for nine months ended 30 September 2008 comprise the parent and the parent's interests in the following Group entities:

Direct and indirect ownership interests of AS Eesti Ehitus

| Company | Domicile | 30 Sept 2008 | 30 Sept 2007 | 31 Dec 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 TOV | 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 | Ukraine | 62.4% | 60.8% | 60.8% |
| Developments | | | | |
| SIA Abagars | Latvia | 56.0% | 34.3% | 34.3% |
| SIA Vides Tikli | Latvia | 56.0% | 34.3% | 34.3% |
| MP Ukraine TOV | Ukraine | 52.6% | | |
| 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% | 34.3% | 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 | | | | |

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 (Kaurits OÜ and DSN Ehitusmasinad) that rent out construction machinery and equipment. OÜ Mapri Projekt earns a major share of its revenue from concrete works.

The Group's Ukrainian subsidiaries operate in the residential and non-residential segment. The largest Ukrainian subsidiaries Eurocon Ukraine TOV 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 Lvov.

The Latvian subsidiary, Abagars SIA, and its subsidiaries perform infrastructure projects (such as the construction of pipelines beneath roads, 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 nine months of 2008

Acquisitions of interests and establishment of subsidiaries

On 5 February, OÜ Eurocon acquired a 4 per cent stake in Eurocon Ukraine TOV, 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 operates 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.

On 8 September 2008, Mapri Projekt OÜ (a 52 per cent subsidiary of AS Eesti Ehitus) and Eurocon Ukraine TOV (a wholly-owned subsidiary of Eurocon OÜ, which is a 63 per cent subsidiary of AS Eesti Ehitus) established MP Ukraine TOV, a company domiciled in Ukraine. The ownership interest of Mapri Projekt OÜ is 95 per cent and that of Eurocon Ukraine TOV 5 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 TOV divested a 33 per cent stake in the Ukrainian company TOV Passage Theatre.

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

In June, Eurocon Ukraine TOV signed an agreement in which it undertook to sell its entire 10 per cent interest in the Ukrainian company TOV European House. By 30 September 2008, all terms and conditions of the sales agreement were satisfied and AS Eesti Ehitus did not have an interest in TOV European House.

In June, Eurocon Ukraine TOV 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, making its interest in TOV Passage Theatre 27 per cent.

In September, OÜ Eurocon sold 8 per cent of its interest in the Ukrainian property development company V.I. Center TOV, reducing its stake in the entity to 28 per cent.

Financial review

Margins

Eesti Ehitus Group ended the first nine months of 2008 with a gross profit of 312.0 million kroons (19.9 million euros), a 10.1 per cent decrease from the 346.9 million kroons (22.2 million euros) earned a year ago.

Consolidated net profit for the period was 183.5 million kroons (11.7 million euros). Compared with the 208.8 million kroons (13.3 million euros) generated in the first nine months of 2007, net profit has decreased by 12.1 per cent. The decline results mainly from the income tax expense triggered by the record dividends distributed in 2008 for performance in prior periods, because at around 227 million kroons (14.5 million euros) profit before tax is practically the same as a year ago (9 months 2007: 226.3 million kroons or 14.5 million euros).

As anticipated, margins were impacted by keen competition and continuing deceleration in economic growth, which prompted a slump in the Estonian construction market. The key profitability ratios monitored by the Group have dropped mostly on account of the above reasons. Although the gross margin for the first nine months was 10.7 per cent against 13.0 per cent a year ago, it is a strong result in the context of the situation and the state of the industry. Owing to operating and non-operating developments (a rise in dividend tax expense), the period's operating and net margin dropped to 6.1 per cent and 6.3 per cent respectively (2007: 8.7 per cent and 7.9 per cent).

We have put a lot of effort in cost-cutting and 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 4.7 per cent (2007: 4.4 per cent), an indication of effective cost management in the context of the industry. We intend to maintain the ratio at a similar level also in the future.

Cash flows

The Group's net operating cash flow for the first nine months was positive at 142.5 million kroons (9.1 million euros) while the corresponding figure for the prior year was 28.7 million kroons (1.8 million euros). Operating cash flow has improved, above all, thanks to an increase in receipts from customers including settlements made on the completion of contracts.

Compared with the first nine months of 2007, when investing activities resulted in a net inflow of 8.9 million kroons (0.6 million euros), in the reporting period investment heightened giving rise to a net outflow of 158.6 million kroons (10.1 million euros). Payments made for the acquisition of subsidiaries including business combinations of prior periods (the acquisition of AS Eston Ehitus in 2007) accounted for 206.9 million kroons (13.2 million euros) of the outflow while inflow comprised mainly loan settlements and proceeds from the disposal of investments in associates.

Financing activities for the first nine months of 2008 generated a net outflow of 35.8 million kroons (2.3 million euros). A year ago, financing outflow was 37.9 million kroons (2.4 million euros). The net amount of loans received and repaid during the first nine months of 2008 was positive at 140.0 million kroons (8.9 million euros) against 69.1 million kroons (4.4 million euros) a year ago. The largest one-off outflow resulted from the distribution of dividends, which at 104.1 million kroons (6.7 million euros) were two times larger than in the prior financial year.

In the first nine months of 2008, the Group's cash and cash equivalents decreased by 52 million kroons (3.3 million euros); in the first nine months of 2007 the net change in cash and cash equivalents was close to nil (a decrease of 0.3 million kroons or 0.02 million euros).

At 30 September 2008, the Group's cash and cash equivalents stood at 184.1 million kroons (11.8 million euros) against 155 million kroons (9.9 million euros) at 30 September 2007.

Key financial figures and ratios

| Figure / ratio | 9 months to 30 Sept 2008 | 9 months to 30 Sept 2007 | 9 months to 30 Sept 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) | 5.06 | 6.38 | 3.72 | 8.70 |
| Earnings per share (in euros) | 0.32 | 0.41 | 0.24 | 0.56 |
| Revenue growth | 9.9% | 50.7% | 39.7% | 49.9% |
| Average number of employees | 1,267 | 1,113 | 882 | 1,103 |
| Revenue per employee (in thousands of kroons) | 2,306 | 2,389 | 2,001 | 3,402 |
| Revenue per employee (in thousands of euros) | 147 | 153 | 128 | 217 |
| Personnel expenses to revenue, % | 12.4% | 11.2% | 9.7% | 12.3% |
| Administrative expenses to revenue, % | 4.7% | 4.4% | 4.2% | 4.7% |
| EBITDA (in thousands of kroons) | 234,230 | 277,622 | 165,432 | 370,575 |
| EBITDA (in thousands of euros) | 14,970 | 17,743 | 10,573 | 23,684 |
| EBITDA margin, % | 8.0% | 10.4% | 9.4% | 9.9% |
| Gross margin, % | 10.7% | 13.0% | 10.9% | 13.3% |
| Operating margin, % | 6.1% | 8.7% | 8.1% | 8.2% |
| Operating margin excluding gains on asset sales, % | 6.0% | 8.4% | 6.6% | 7.8% |
| Net margin, % | 6.3% | 7.9% | 6.6% | 7.7% |
| Return on invested capital, % | 18.9% | 26.3% | 24.2% | 32.7% |
| Return on assets, % | 7.7% | 13.4% | 12.0% | 17.1% |
| Return on equity, % | 21.7% | 35.8% | 37.5% | 44.1% |
| Equity ratio, % | 35.5% | 32.6% | 29.1% | 36.9% |
| Gearing, % | 28.7% | 23.2% | 16.2% | 13.5% |
| Current ratio | 1.42 | 1.38 | 1.27 | 1.30 |
| As at | 30 Sept 2008 | 30 Sept 2007 | 30 Sept 2006 | 31 Dec 2007 |
| Order backlog (in thousands of kroons) | 3,042,654 | 3,161,956 | 2,200,663 | 2,526,652 |
| Order backlog (in thousands of euros) | 194,461 | 202,086 | 140,648 | 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> |
|--|--|

Revenue

Revenue by geographical segments

| | 9 months to 30 Sept 2008 | 9 months to 30 Sept 2007 | 9 months to 30 Sept 2006 | Full year 2007 |
|-----------|-------------------------------------|-------------------------------------|-------------------------------------|-----------------------|
| Estonia | 80.1% | 88.1% | 92.4% | 87.9% |
| Ukraine | 13.4% | 11.9% | 7.6% | 11.6% |
| Lithuania | 2.4% | 0% | 0% | 0.5% |
| Latvia | 4.1% | 0% | 0% | 0% |

Compared with prior periods, we have increased operations in Ukraine, Latvia and Lithuania – if revenue earned outside Estonia during the first nine months of 2007 and full 2007 accounted for around 12 per cent of the total, the figure for the first nine months of 2008 is 20 per cent. Revenue distribution across different geographical segments is a consistently deployed strategy for mitigating the risks arising from undue 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 nine months of 2008 was 2,921.7 million kroons (186.7 million euros), a 10 per cent increase compared with the 2,659.4 million kroons (170 million euros) generated in the first nine months 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 1,840.4 million kroons (117.6 million euros) and the civil engineering segment 1,037.4 million kroons (66.3 million euros) of total construction contract revenue. The corresponding figures for the first nine months of 2007 were 1,361.6 million kroons and 1,271.9 million kroons (87.0 million euros and 81.3 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 and should harmonise by the year-end. The fact that the contribution of the civil engineering segment will increase is also supported by the order backlog as at 30 September 2008 where the contracts of the civil engineering segment surpass those of the residential and non-residential segment (see *Order backlog and major construction contracts signed in 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 thanks to growth in road construction operations and the completion of several major environmental engineering and port construction projects which in the same period of 2007 were still in progress.

Revenue by segment

| Business segments | 9 months to 30 Sept 2008 | 9 months to 30 Sept 2007 | 9 months to 30 Sept 2006 | Full year 2007 |
|---------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-----------------------|
| Residential and non-residential | 64% | 52% | 56% | 53% |
| Civil engineering | 36% | 48% | 44% | 47% |

| Revenue distribution in the residential and non-residential segment | 9 months to 30 Sept 2008 | 9 months to 30 Sept 2007 | 9 months to 30 Sept 2006 | Full year 2007 |
|--|---------------------------------|---------------------------------|---------------------------------|-----------------------|
| Commercial buildings | 59% | 58% | 44% | 61% |
| Industrial and warehouse facilities | 16% | 9% | 24% | 11% |
| Public buildings | 14% | 19% | 19% | 16% |
| Residential buildings | 11% | 14% | 13% | 12% |

| Revenue distribution in the civil engineering segment | 9 months to 30 Sept 2008 | 9 months to 30 Sept 2007 | 9 months to 30 Sept 2006* | Full year 2007 |
|--|---------------------------------|---------------------------------|----------------------------------|-----------------------|
| Road construction and maintenance | 52% | 37% | - | 41% |
| Port construction | 19% | 39% | - | 33% |
| Other engineering | 23% | 12% | - | 13% |
| Environmental engineering | 6% | 12% | - | 13% |

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

Order backlog and major construction contracts signed in 2008

Order backlog

| As at | 30 Sept 2008 | 30 Sept 2007 | 30 Sept 2006 | 31 Dec 2007 |
|---------------------------------------|---------------------|---------------------|---------------------|--------------------|
| Order backlog, in thousands of kroons | 3,042,654 | 3,161,956 | 2,200,663 | 2,526,652 |
| Order backlog, in thousands of euros | 194,461 | 202,086 | 140,648 | 161,482 |

At 30 September 2008, the Group's order backlog was 3,043 million kroons (194 million euros), a 4 per cent decrease compared with the 3,162 million kroons (202 million euros) posted a year ago.

In the civil engineering segment, the order backlog has been growing, compared with prior periods, since the first quarter of 2008. At period-end, the backlog of the civil engineering segment accounted for 52 per cent of the Group's total backlog portfolio (30 September 2007: 19 per cent), reflecting the situation in the construction market where the decline in the residential and non-residential segment outpaces the growth in the civil engineering segment. The growth in the Group's order backlog has been significantly undermined by the construction prices, which are considerably lower than a year ago.

Major construction contracts signed in the first nine months of 2008

| Brief description | Cost (EEK '000/EUR '000) | Country | 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 the 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 the Mäo overtake on the Tallinn-Tartu road | 402,881 / 25,749 | Estonia | August 2010 |
| Extension of water and sewerage networks in the 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 |
| Construction of a leisure and shopping centre in the Darnitski district in Kiev | 112,398 / 7,184 | Ukraine | May 2009 |
| Stage one in the construction of the Koidula railway border station (joint tender with Teede REV-2) | 279,760 / 17,880 | Estonia | December 2010 |
| Construction of berth no 8 at Virtsu Harbour | 79,000 / 5 049 | Estonia | October 2009 |

People and personnel expenses

In the first nine months of 2008 the Group employed, on average, 1,267 people including more than 500 engineers. The proportion of engineers and technical personnel (ETP) has increased over the past couple of years due to the growth of the Group and the size of the contracts. Compared with the first nine months of 2007, the number of staff has increased by approximately 200, mainly on account of the addition of Eston Ehitus AS and the Latvian company Abagars SIA to the list of the Group's subsidiaries.

Number of employees:

| Period | ETP | Workers | Total average |
|-------------------------------|-----|---------|---------------|
| 9 months to 30 September 2008 | 525 | 742 | 1,267 |
| 9 months to 30 September 2007 | 413 | 675 | 1,088 |
| 9 months to 30 September 2006 | 317 | 540 | 857 |
| Full year 2007 | 425 | 678 | 1,103 |

The Group's personnel expenses for the first nine months of 2008, including all relevant taxes, totalled 363.7 million kroons (23.2 million euros), a 22 per cent increase on the 297.2 million kroons (19 million euros) incurred in the same period in 2007. The growth in personnel expenses is attributable to the acquisition of subsidiaries and the Group's remuneration policy (including the award of performance-related consideration). However, the ratio of personnel expenses to revenue has risen by only 1.2 percentage points (year-over-year) to 12.4 per cent.

In the first nine months of 2008, the remuneration of the Group's council totalled 1,084 thousand kroons (69 thousand euros) and the remuneration of the Group's board amounted to 13,550 thousand kroons (866 thousand euros). The corresponding figures for the first nine months of 2007 were 810 thousand kroons (52 thousand euros) and 7,722 thousand kroons (494 thousand euros) respectively.

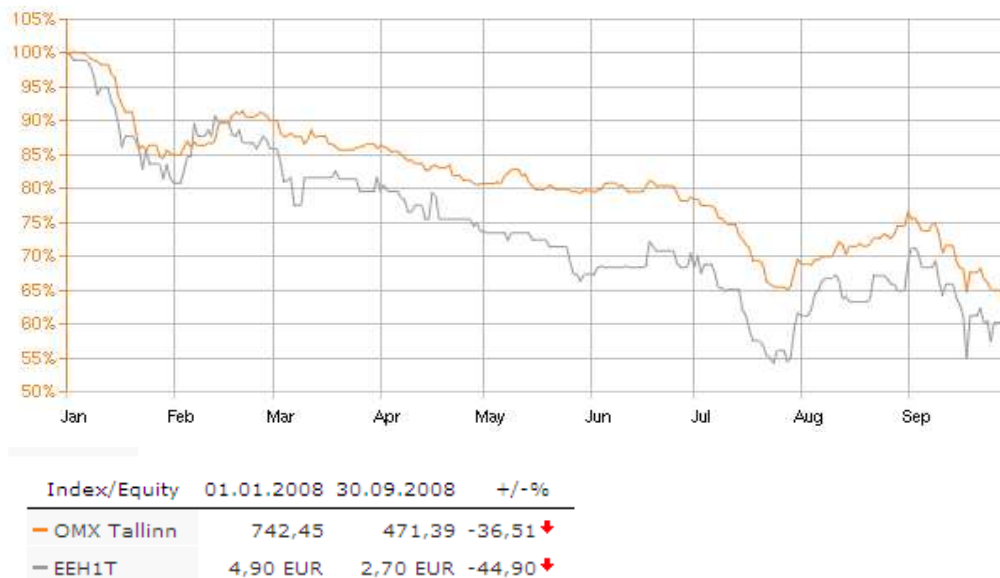
The share and shareholders

| | |
|-----------------------------|---------------------------|
| 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 |

Movements in Eesti Ehitus' share price (in euros) and traded volume in the first nine months of 2008:



Changes in the price of the Eesti Ehitus share compared with changes in the OMX Tallinn Index during the first nine months of 2008:



Shareholder structure

The largest shareholders of AS Eesti Ehitus as at 30 September 2008:

| Shareholder | Number of shares | Ownership interest |
|--|------------------|--------------------|
| AS Nordecon | 18,807,464 | 61.15% |
| ING Luxembourg S.A. | 1,111,853 | 3.62% |
| Ain Tromp | 678,960 | 2.21% |
| ASM Investmets OÜ | 519,600 | 1.69% |
| JP Morgan Chase Bank / Dekabank Deutsche Girozentrale | 500,000 | 1.63% |
| Skandinaviska Enskilda Banken AB clients | 458,758 | 1.49% |
| Martin Sööt | 457,848 | 1.49% |
| Central Securities Depository of Lithuania | 432,782 | 1.41% |
| Raul Rebane | 356,104 | 1.16% |
| The Bank of New York Mellon Treaty Omnibus | 353,323 | 1.15% |
| Clearstream Banking Luxembourg S.A. clients | 339,910 | 1.11% |
| Aivo Kont | 339,480 | 1.10% |
| Skandinaviska Enskilda Banken Finnish clients | 331,580 | 1.08% |
| State Street Munich Care of SSB Boston/ DWS Polska Fundusz | 331,247 | 1.08% |

Shareholder structure at 30 September 2008 according to the Estonian Central Register of Securities:

| | Number of shareholders | Ownership interest |
|--|------------------------|--------------------|
| Shareholders with interest exceeding 5% | 1 | 61.15% |
| Shareholders with interest between 1% and 5% | 12 | 20.20% |
| Shareholders with interest below 1% | 1,535 | 18.65% |
| Total | 1,548 | 100.00% |

Shares controlled by members of the council and board of AS Eesti Ehitus as at 30 September 2008:

| | | Number of shares | Ownership interest |
|---|-------------------------|------------------|--------------------|
| Toomas Luman (AS Nordecon, OÜ Luman ja Pojad)* | Chairman of the Council | 18,889,144 | 61.41% |
| Ain Tromp | Member of the Council | 678,960 | 2.21% |
| Alar Kroodo (ASM Investments OÜ)* | Member of the Council | 519,600 | 1.69% |
| Andri Hõbemägi | Member of the Council | 34,000 | 0.11% |
| Tiina Mõis | Member of the Council | 0 | 0.00% |
| Meelis Milder | Member of the Council | 0 | 0.00% |

* Companies controlled by the individual.

| | | Number of shares | Ownership interest |
|---------------|-----------------------|------------------|--------------------|
| Jaano Vink | Chairman of the Board | 34,000 | 0.11% |
| Avo Ambur | Member of the Board | 32,322 | 0.11% |
| Erkki Suurorg | Member of the Board | 4,150 | 0.01% |
| Sulev Luiga | Member of the Board | 1,000 | 0.00% |
| Priit Pluutus | Member of the Board | 0 | 0.00% |

Auditors and advisors

Based on a resolution by the general meeting of the shareholders, the auditor of the Group's significant subsidiaries and sub-groups is KPMG Baltics AS with whom the Group has an agreement for the audit of the financial statements for 2008, 2009 and 2010.

In other areas (valuation of assets, performance of due diligence procedures, etc), the Group relies on the services of recognised professional advisors. The advisor is selected by a tender.

Risks

Business risks

To manage their 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 nine months of 2008, the provisions (including current and non-current ones) totalled 10.3 million kroons (0.66 million euros). The corresponding figure for the first nine months of 2007 was 12.3 million kroons (0.8 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 accordance with the Group's accounting policies, all receivables that are more than 180 days overdue are recognised as an expense.

In the first nine months of 2008, income from the recovery of previously expensed receivables surpassed losses from the write-down of receivables by 194 thousand kroons (12 thousand euros). In 2008 the Group has been consistent and effective in its debt recovery operations. As a result, at 30 September 2008 items of 17.3 million kroons (1.1 million euros) which had been expensed in 2007 were classified as recoverable.

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 1.42-fold (30 September 2007: 1.38) and available cash funds totalled 184 million kroons (11.8 million euros) (30 September 2007: 155.6 million kroons or 9.9 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 nine months of 2007, the Group's interest-bearing loans and borrowings have increased by 210 million kroons (13.4 million euros). At 30 September 2008, the Group's interest-bearing loans and borrowings totalled 612.3 million kroons (39.1 million euros). Owing to the rise in loans and borrowings, interest expense has grown by 12.9 million kroons (0.8 million euros) year-over-year to 28.3 million kroons (1.8 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 the 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 TOV 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 nine months of 2008, the Group's foreign exchange loss from Ukrainian operations was 0.7 million kroons (0.04 million euros), 6.4 million kroons (0.4 million euros) down from the same period in 2007.

Future outlook

Estonia

We believe that in the next few years the economic slump 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.
- Housing development and construction volumes will shrink and the number of related companies will decrease through consolidation. The consolidation process will heighten competition and companies, which used to focus on the construction of buildings, will move to other segments such as infrastructure construction, which will increase competition in those segments.
- Owing to the global financial crisis, the private sector will have greater difficulty in financing new construction projects with debt capital. This will further reduce demand for construction services. The strong setback may be somewhat alleviated by a competition-induced decrease in prices, which will render investment in construction projects more attractive than it was during the boom of 2006 and 2007.
- Building materials manufacturers who expanded capacities during the growth phase of the market will be faced by face shrinking demand and, consequently, greater strain in meeting the obligations taken for expansion.
- Real estate developers' ability to service and repay existing loans will weaken and their creditworthiness will decrease. For companies involved in general construction contracting and project management, this may mean an increase in doubtful and irrecoverable receivables.
- The importance of infrastructure projects will increase and, accordingly, critical success factors will include specialised engineering expertise and experience and the availability of relevant resources.
- The past years' labour deficit in the construction sector will decline and growth in personnel expenses will decelerate.
- Construction projects' financing schemes will change (settlement terms will extend significantly) and additional requirements to the financing provided by general contractors will impose pressure on the contractors' liquidity.

Eesti Ehitus Group operates in line with its long-term objectives, which are adjusted to changes in the business environment. Strategic management is the responsibility of the Group's board.

The Group has prepared itself for changes in the economic environment by designing a project portfolio where risks are dispersed between activities (the proportion of residential construction does not exceed 20 per cent) and markets. We expect to maintain our position in the Estonian market by efficiently harnessing our core competencies.

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 activities will be mainly affected by high inflation.

In Lithuania there are strong prospects for continuing the construction of small and medium-sized business and public buildings. The construction of apartment houses (the Group as a general contractor not a developer) will decline. The greatest risk is inflation and its impact on construction prices.

The Group's management will remain alert to developments in Latvia and Lithuania because similarly to Estonia, their whole economy is or will soon be in difficulty and, in one way or another, this will impact the construction sector. The Group will focus on sustaining organic growth in Latvia and Lithuania, taking into consideration changes in the economic environment. Significant growth in those markets can only be achieved by additional investment.

Ukraine

In Ukraine, there will be demand for trading, logistics and office premises in the commercial buildings segment.

We will continue acting as general contractors and project managers in the construction of commercial buildings and production facilities. Activities on development projects that require major investment will probably be suspended to lower the risks until the situation in the Ukrainian and global financial markets improves.

The main risks in the Ukrainian market are connected with 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. Since October 2008 the Ukrainian monetary and banking system has been under severe pressure that has a negative impact on the Ukrainian economy, which has been growing, and the commencement of potential construction and development projects.

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  11 November 2008

Sulev Luiga Member of the Board  11 November 2008

Erkki Suurorg Member of the Board  11 November 2008

Avo Ambur Member of the Board  11 November 2008

Priit Pluutus Member of the Board  11 November 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 third quarter and first nine 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, financial position, financial performance and cash flows of the Group (the parent and other group companies as a single entity);
- all significant events that occurred until the date on which the consolidated interim financial statements were authorised for issue (11 November 2008) have been properly recognised and disclosed; and
- AS Eesti Ehitus and its subsidiaries are going concerns.

| | | | |
|---------------|-----------------------|--|------------------|
| Jaano Vink | Chairman of the Board |  | 11 November 2008 |
| Sulev Luiga | Member of the Board |  | 11 November 2008 |
| Erkki Suurorg | Member of the Board |  | 11 November 2008 |
| Avo Ambur | Member of the Board |  | 11 November 2008 |
| Priit Pluutus | Member of the Board |  | 11 November 2008 |

Consolidated interim balance sheet

| Unaudited EEK '000 | Note | 30 Sept 2008 | 30 Sept 2007 | 31 Dec 2007 |
|--|------|------------------|------------------|------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | | 184,084 | 155,646 | 236,112 |
| Trade receivables | 2 | 579,544 | 645,376 | 511,819 |
| Other receivables and prepayments | 3 | 437,840 | 229,007 | 264,551 |
| Deferred tax assets | | 384 | 1,015 | 1,905 |
| Inventories | 4 | 415,465 | 477,525 | 393,529 |
| Non-current assets held for sale | | 0 | 0 | 43,362 |
| Total current assets | | 1,617,317 | 1,509,569 | 1,451,277 |
| Non-current assets | | | | |
| Long-term investments | 6 | 143,997 | 60,432 | 111,686 |
| Investment property | 7 | 132,594 | 25,761 | 133,984 |
| Property, plant and equipment | 8 | 279,512 | 266,998 | 221,748 |
| Intangible assets | 9 | 305,323 | 167,479 | 273,223 |
| Total non-current assets | | 861,426 | 520,670 | 740,641 |
| TOTAL ASSETS | | 2,478,743 | 2,030,239 | 2,191,918 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Interest-bearing loans and borrowings | 11 | 159,529 | 130,699 | 135,856 |
| Trade payables | | 442,404 | 431,171 | 335,754 |
| Other tax liabilities | | 50,744 | 35,336 | 53,777 |
| Income tax liability | | 594 | 363 | 994 |
| Other payables and advances received | 12 | 482,853 | 485,287 | 574,722 |
| Provisions | 13 | 6,335 | 10,633 | 12,458 |
| Total current liabilities | | 1,142,459 | 1,093,489 | 1,113,561 |
| Non-current liabilities | | | | |
| Interest-bearing loans and borrowings | 11 | 452,759 | 271,861 | 263,723 |
| Other liabilities | | 761 | 490 | 714 |
| Deferred income tax liability | | 63 | 0 | 0 |
| Provisions | 13 | 3,938 | 1,697 | 4,328 |
| Total non-current liabilities | | 457,521 | 274,048 | 268,765 |
| TOTAL LIABILITIES | | 1,599,980 | 1,367,537 | 1,382,326 |
| EQUITY | | | | |
| Minority interest | | | | |
| Share capital | 14 | 307,567 | 307,567 | 307,567 |
| Share premium | | 509 | 0 | 0 |
| Statutory capital reserve | | 34,800 | 11,666 | 11,766 |
| Translation reserve | | -1,957 | 3,480 | 2,354 |
| Retained earnings | | 436,367 | 288,323 | 397,810 |
| Total equity attributable to equity holders of the parent | | 777,286 | 611,036 | 719,497 |
| TOTAL EQUITY | | 878,763 | 662,702 | 809,592 |
| TOTAL LIABILITIES AND EQUITY | | 2,478,743 | 2,030,239 | 2,191,918 |

Consolidated interim balance sheet

| Unaudited EUR '000 | Note | 30 Sept 2008 | 30 Sept 2007 | 31 Dec 2007 |
|--|------|----------------|----------------|----------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | | 11,765 | 9,948 | 15,090 |
| Trade receivables | 2 | 37,040 | 41,311 | 32,711 |
| Other receivables and prepayments | 3 | 27,983 | 14,636 | 16,908 |
| Deferred tax assets | | 25 | 65 | 122 |
| Inventories | 4 | 26,553 | 30,519 | 25,151 |
| Non-current assets held for sale | | 0 | 0 | 2,771 |
| Total current assets | | 103,365 | 96,479 | 92,754 |
| Non-current assets | | | | |
| Long-term investments | 6 | 9,203 | 3,862 | 7,138 |
| Investment property | 7 | 8,474 | 1,646 | 8,563 |
| Property, plant and equipment | 8 | 17,864 | 17,064 | 14,172 |
| Intangible assets | 9 | 19,514 | 10,704 | 17,462 |
| Total non-current assets | | 55,055 | 33,277 | 47,336 |
| TOTAL ASSETS | | 158,421 | 129,756 | 140,089 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Interest-bearing loans and borrowings | 11 | 10,196 | 8,353 | 8,683 |
| Trade payables | | 28,275 | 27,557 | 21,459 |
| Other tax liabilities | | 3,243 | 2,258 | 3,437 |
| Income tax liability | | 38 | 23 | 64 |
| Other payables and advances received | 12 | 30,860 | 31,015 | 36,731 |
| Provisions | 13 | 405 | 680 | 796 |
| Total current liabilities | | 73,016 | 69,887 | 71,170 |
| Non-current liabilities | | | | |
| Interest-bearing loans and borrowings | 11 | 28,937 | 17,375 | 16,855 |
| Other liabilities | | 49 | 31 | 46 |
| Deferred income tax liability | | 4 | 0 | 0 |
| Provisions | 13 | 252 | 108 | 277 |
| Total non-current liabilities | | 29,241 | 17,515 | 17,177 |
| TOTAL LIABILITIES | | 102,257 | 87,402 | 88,347 |
| EQUITY | | | | |
| Minority interest | | | | |
| Share capital | 14 | 19,657 | 19,657 | 19,657 |
| Share premium | | 33 | 0 | 0 |
| Statutory capital reserve | | 2,224 | 746 | 752 |
| Translation reserve | | -125 | 222 | 150 |
| Retained earnings | | 27,889 | 18,427 | 25,425 |
| Total equity attributable to equity holders of the parent | | 49,678 | 39,052 | 45,984 |
| TOTAL EQUITY | | 56,163 | 42,354 | 51,742 |
| TOTAL LIABILITIES AND EQUITY | | 158,421 | 129,756 | 140,089 |

Consolidated interim income statement

| Unaudited EEK '000 | Note | Q3 2008 | Q3 2007 | 9 months to 30 Sept 2008 | 9 months to 30 Sept 2007 | 2007 |
|---|--------|-----------|-----------|--------------------------------|--------------------------------|-----------|
| Revenue | 16; 17 | 1,051,062 | 1,139,833 | 2,921,697 | 2,659,415 | 3,752,028 |
| Cost of sales | 18 | 977,791 | 1,009,163 | 2,609,689 | 2,312,493 | 3,252,051 |
| Gross profit | | 73,271 | 130,670 | 312,008 | 346,922 | 499,977 |
| Marketing expenses | | 2,810 | 1,871 | 6,212 | 3,840 | 2,395 |
| Administrative expenses | 19 | 44,266 | 45,767 | 137,354 | 116,276 | 176,273 |
| Other operating income | 20 | 105 | 2,085 | 18,525 | 8,624 | 16,411 |
| Other operating expenses | 20 | -7,622 | 249 | 8,068 | 4,427 | 30,256 |
| Operating profit | | 33,922 | 84,868 | 178,899 | 231,003 | 307,464 |
| Financial income | 21 | 53,760 | 3,155 | 77,187 | 16,364 | 31,486 |
| Financial expenses | 21 | 4,751 | 10,457 | 29,886 | 22,458 | 30,028 |
| Net financial items | | 49,009 | -7,302 | 47,301 | -6,094 | 1,458 |
| Share of profit of equity accounted investees | | 2,198 | 599 | 2,198 | 1,593 | 856 |
| Share of loss of equity accounted investees | | 746 | -685 | 1,093 | 241 | 4,031 |
| Net share of profit and loss of equity accounted investees | | 1,452 | 1,284 | 1,105 | 1,352 | -3,175 |
| Profit before income tax | | 84,383 | 78,850 | 227,306 | 226,261 | 305,747 |
| Income tax expense | 22 | 11,622 | -41 | 43,772 | 17,426 | 15,976 |
| Profit for the period | | 72,761 | 78,891 | 183,534 | 208,835 | 289,771 |
| Attributable to: | | | | | | |
| Equity holders of the parent | | 51,204 | 72,432 | 155,476 | 196,310 | 267,482 |
| Minority interest | | 21,557 | 6,459 | 28,058 | 12,525 | 22,289 |
| Basic earnings per share (in kroons)* | 14 | 1.66 | 2.35 | 5.06 | 6.38 | 8.70 |
| Diluted earnings per share (in kroons)* | 14 | 1.66 | 2.35 | 5.06 | 6.38 | 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 | Q3 2008 | Q3 2007 | 9 months to 30 Sept 2008 | 9 months to 30 Sept 2007 | 2007 |
|--|--------|---------|---------|--------------------------------|--------------------------------|---------|
| Revenue | 16; 17 | 67,175 | 72,849 | 186,730 | 169,968 | 239,798 |
| Cost of sales | 18 | 62,492 | 64,497 | 166,790 | 147,795 | 207,844 |
| Gross profit | | 4,683 | 8,351 | 19,941 | 22,172 | 31,954 |
| Marketing expenses | | 180 | 120 | 397 | 245 | 153 |
| Administrative expenses | 19 | 2,829 | 2,925 | 8,779 | 7,431 | 11,266 |
| Other operating income | 20 | 7 | 133 | 1,184 | 551 | 1,049 |
| Other operating expenses | 20 | -487 | 16 | 516 | 283 | 1,934 |
| Operating profit | | 2,168 | 5,424 | 11,434 | 14,764 | 19,651 |
| Financial income | 21 | 3,436 | 202 | 4,933 | 1,046 | 2,012 |
| Financial expenses | 21 | 304 | 668 | 1,910 | 1,435 | 1,919 |
| Net financial items | | 3,132 | -467 | 3,023 | -389 | 93 |
| Share of profit of equity accounted investees | | 140 | 38 | 140 | 102 | 55 |
| Share of loss of equity accounted investees | | 48 | -44 | 70 | 15 | 258 |
| Net share of profit and loss of equity accounted investees | | 93 | 82 | 71 | 86 | -203 |
| Profit before income tax | | 5,393 | 5,039 | 14,528 | 14,461 | 19,541 |
| Income tax expense | 22 | 743 | -3 | 2,798 | 1,114 | 1,021 |
| Profit for the period | | 4,650 | 5,042 | 11,730 | 13,347 | 18,520 |
| Attributable to: | | | | | | |
| Equity holders of the parent | | 3,273 | 4,629 | 9,937 | 12,546 | 17,095 |
| Minority interest | | 1,378 | 413 | 1,793 | 800 | 1,425 |
| Basic earnings per share (in euros)* | 14 | 0.11 | 0.15 | 0.32 | 0.41 | 0.56 |
| Diluted earnings per share (in euros)* | 14 | 0.11 | 0.15 | 0.32 | 0.41 | 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 | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 9 months to 30 Sept 2008 | 9 months to 30 Sept 2007 | 9 months to 30 Sept 2008 | 9 months to 30 Sept 2007 |
| Cash flows from operating activities | | | | |
| Cash receipts from customers | 3,521,815 | 2,917,838 | 225,085 | 186,484 |
| Cash paid to suppliers | -2,912,266 | -2,556,016 | -186,128 | -163,359 |
| Cash paid to and for employees | -430,106 | -315,072 | -27,489 | -20,137 |
| Income taxes paid | -36,959 | -18,028 | -2,362 | -1,152 |
| Net cash from operating activities | 142,484 | 28,722 | 9,106 | 1,836 |
| Cash flows from investing activities | | | | |
| Acquisition of property, plant and equipment | -9,845 | -26,147 | -629 | -1671 |
| Acquisition of intangible assets | -929 | -4,254 | -59 | -272 |
| Proceeds from sale of property, plant and equipment | 10,753 | 15,500 | 687 | 991 |
| Acquisition of subsidiaries | -206,856 | -30,219 | -13,221 | -1,931 |
| Cash acquired on acquisition of subsidiaries | 4,056 | 0 | 259 | 0 |
| Proceeds from sale of subsidiaries | 2,063 | 656 | 132 | 42 |
| Acquisition of associates | -10,842 | 0 | -693 | 0 |
| Proceeds from sale of associates | 102,927 | 10,499 | 6,578 | 671 |
| Acquisition of other investments | 0 | -3,670 | 0 | -235 |
| Loans granted | -118,454 | -17,304 | -7,571 | -1,106 |
| Repayment of loans granted | 56,562 | 53,027 | 3,615 | 3,389 |
| Dividends received | 122 | 0 | 8 | 0 |
| Interest received | 11,794 | 10,819 | 754 | 691 |
| Net cash used in / from investing activities | -158,649 | 8,907 | -10,140 | 569 |
| Cash flows from financing activities | | | | |
| Proceeds from loans received | 405,466 | 135,553 | 25,914 | 8,663 |
| Repayment of loans received | -265,443 | -66,437 | -16,965 | -4,246 |
| Payment of finance lease liabilities | -42,387 | -47,942 | -2,709 | -3,064 |
| Dividends paid | -104,130 | -52,135 | -6,655 | -3,332 |
| Interest paid | -29,053 | -17,898 | -1,857 | -1,144 |
| Other settlements | -301 | 10,916 | -19 | 698 |
| Net cash used in financing activities | -35,848 | -37,943 | -2,291 | -2,425 |
| Net cash flow | -52,013 | -314 | -3,324 | -20 |
| Cash and cash equivalents at beginning of period | 236,112 | 155,980 | 15,090 | 9,969 |
| Effect of exchange rate fluctuations | -15 | -20 | -1 | -1 |
| Decrease in cash and cash equivalents | -52,013 | -314 | -3,324 | -20 |
| Cash and cash equivalents at end of period | 184,084 | 155,646 | 11,765 | 9,948 |

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 | 1,284 | 0 | 1,284 | 816 | 2,100 |
| Profit for the period | 0 | 0 | 0 | 0 | 196,310 | 196,310 | 12,525 | 208,835 |
| Total recognised income and expense for the period | 0 | 0 | 0 | 1,284 | 196,310 | 197,594 | 13,341 | 210,935 |
| 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 | 7,508 | 0 | -7,508 | 0 | 0 | 0 |
| Change in minority interest | 0 | 0 | 0 | 0 | -5,352 | -5,352 | 5,034 | -318 |
| Balance at 30 September 2007 | 307,567 | 0 | 11,666 | 3,480 | 288,323 | 611,036 | 51,666 | 662,702 |
| 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 | -4,311 | 0 | -4,311 | 1,203 | -3,108 |
| Profit for the period | 0 | 0 | 0 | 0 | 155,476 | 155,476 | 28,058 | 183,534 |
| Total recognised income and expense for the period | 0 | 0 | 0 | -4,311 | 155,476 | 151,165 | 29,261 | 180,426 |
| Dividend declared | 0 | 0 | 0 | 0 | -92,270 | -92,270 | -11,860 | -104,130 |
| Share premium | 0 | 509 | 0 | 0 | 0 | 509 | 287 | 796 |
| Transfer to capital reserve | 0 | 0 | 23,034 | 0 | -23,034 | 0 | 0 | 0 |
| Change in minority interest | 0 | 0 | 0 | 0 | -1,615 | -1,615 | -6,306 | -7,921 |
| Balance at 30 September 2008 | 307,567 | 509 | 34,800 | -1,957 | 436,367 | 777,286 | 101,477 | 878,763 |

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 | 82 | 0 | 82 | 52 | 134 |
| Profit for the period | 0 | 0 | 0 | 0 | 12,546 | 12,546 | 800 | 13,347 |
| Total recognised income and expense for the period | 0 | 0 | 0 | 82 | 12,546 | 12,629 | 853 | 13,481 |
| 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 | 480 | 0 | -480 | 0 | 0 | 0 |
| Change in minority interest | 0 | 0 | 0 | 0 | -342 | -342 | 322 | -20 |
| Balance at 30 September 2007 | 19,657 | 0 | 746 | 222 | 18,427 | 39,052 | 3,302 | 42,354 |
| Balance at 31 December 2007 | 19,657 | 0 | 752 | 150 | 25,425 | 45,984 | 5,758 | 51,742 |
| Foreign exchange differences | 0 | 0 | 0 | -276 | 0 | -276 | 77 | -199 |
| Profit for the period | 0 | 0 | 0 | 0 | 9,937 | 9,937 | 1,793 | 11,730 |
| Total recognised income and expense for the period | 0 | 0 | 0 | -276 | 9,937 | 9,661 | 1,870 | 11,531 |
| Dividend declared | 0 | 0 | 0 | 0 | -5,897 | -5,897 | -758 | -6,655 |
| Share premium | 0 | 33 | 0 | 0 | 0 | 33 | 18 | 51 |
| Transfer to capital reserve | 0 | 0 | 1,472 | 0 | -1,472 | 0 | 0 | 0 |
| Change in minority interest | 0 | 0 | 0 | 0 | -103 | -103 | -403 | -506 |
| Balance at 30 September 2008 | 19,657 | 33 | 2,224 | -125 | 27,889 | 49,678 | 6,486 | 56,163 |

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 nine months ended 30 September 2008 have been prepared in accordance with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. The interim financial statements do not contain all the information that has to be presented in the annual financial statements and they should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2007.

The Group has not changed its significant accounting policies compared with the consolidated financial statements as at and for the year ended 31 December 2007

According to management's assessment, the consolidated interim financial statements of AS Eesti Ehitus as at and for the nine months ended 30 September 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.

Changes in presentation practice

In connection with the presentation of marketing expenses on a separate line since 2008, the income statements for prior periods have been adjusted accordingly:

| EEK '000 | Adjusted | | | Adjusted | | | Q3 2007 | Adjusted | |
|--------------------------|----------|---------|--------|---------------|---------------|--------|---------|----------|--------|
| | 2007 | 2007 | Change | 9 months 2007 | 9 months 2007 | Change | | Q3 2007 | Change |
| Marketing expenses | 0 | 2,395 | +2,395 | 0 | 3,840 | +3,840 | 0 | 1,871 | +1,871 |
| Administrative expenses | 176,273 | 176,273 | 0 | 118,616 | 116,276 | -2,340 | 46,138 | 45,767 | -371 |
| Other operating income | 16,411 | 16,411 | 0 | 8,624 | 8,624 | 0 | 2,085 | 2,085 | 0 |
| Other operating expenses | 32,651 | 30,256 | -2,395 | 5,927 | 4,427 | -1,500 | 1,749 | 249 | -1,500 |

| EUR '000 | Adjusted | | | Adjusted | | | Q3 2007 | Adjusted | |
|--------------------------|----------|--------|--------|---------------|---------------|--------|---------|----------|--------|
| | 2007 | 2007 | Change | 9 months 2007 | 9 months 2007 | Change | | Q3 2007 | Change |
| Marketing expenses | 0 | 153 | +153 | 0 | 245 | +245 | 0 | 120 | +120 |
| Administrative expenses | 11,266 | 11,266 | 0 | 7,581 | 7,431 | -150 | 2,949 | 2,925 | -24 |
| Other operating income | 1,049 | 1,049 | 0 | 551 | 551 | 0 | 133 | 133 | 0 |
| Other operating expenses | 2,087 | 1,934 | -153 | 379 | 283 | -95 | 112 | 16 | -96 |

NOTE 2. Trade receivables

| | EEK '000 | | EUR '000 | |
|--------------------------------|----------------|----------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| As at 30 September | | | | |
| Trade receivables | 597,089 | 646,849 | 38,161 | 41,341 |
| Allowance for impairment | -17,545 | -473 | -1,121 | -30 |
| Total trade receivables | 579,544 | 646,376 | 37,040 | 41,311 |

In the reporting period, the Group recognised additional impairment allowances of 18,829 thousand kroons (1,203 thousand euros) and recovered receivables of 19,023 thousand kroons (1,216 thousand euros) that had been considered impaired in prior periods.

NOTE 3. Other receivables and prepayments

| | EEK '000 | | EUR '000 | |
|--|----------------|----------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| As at 30 September | | | | |
| Receivables from group companies | 45,549 | 34,203 | 2,911 | 2,186 |
| Receivables from associates | 47,886 | 33,304 | 3,060 | 2,129 |
| Miscellaneous receivables | 97,954 | 54,754 | 6,260 | 3,499 |
| Due from customers for contract work | 181,007 | 71,553 | 11,568 | 4,573 |
| Accrued income | 1,051 | 370 | 67 | 24 |
| Prepaid taxes | 35,041 | 7,285 | 2,240 | 466 |
| Prepayments for services | 29,352 | 27,538 | 1,876 | 1,760 |
| Total other receivables and prepayments | 437,840 | 229,007 | 27,983 | 14,636 |

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 comprise 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 September | | | | |
| Raw and other materials | 52,568 | 28,586 | 3,360 | 1,827 |
| Work in progress | 201,785 | 297,441 | 12,896 | 19,010 |
| Prepayments to materials suppliers | 17,826 | 52,447 | 1,139 | 3,352 |
| Property held for resale | 143,286 | 99,051 | 9,158 | 6,331 |
| Total inventories | 415,465 | 477,525 | 26,553 | 30,519 |

Raw and other materials of 52,568 thousand kroons (3,360 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 201,785 thousand kroons (12,896 thousand euros). Property held for resale comprises registered immovable properties of 143,286 thousand kroons (9,158 thousand euros) acquired for residential construction purposes.

NOTE 5. Acquisition of minority interests

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

Net assets of the subsidiary Eurocon Ukraine TOV at the date of acquisition

| | EEK '000 | | | EUR '000 | | |
|---|---------------------------------|-------------------------|--------------------------------------|---------------------------------|-------------------------|--------------------------------------|
| | Pre-acquisition carrying amount | Total fair value (100%) | Recognised value on acquisition (4%) | Pre-acquisition carrying amount | Total fair value (100%) | Recognised value on acquisition (4%) |
| Current assets | 131,391 | 131,391 | 5,256 | 8,397 | 8,397 | 336 |
| Non-current assets | 42,647 | 42,647 | 1,706 | 2,726 | 2,726 | 109 |
| Current liabilities | -77,499 | -77,499 | -3,100 | -4,953 | -4,953 | -198 |
| Non-current liabilities | -74,100 | -74,100 | -2,964 | -4,736 | -4,736 | -189 |
| Net identifiable assets and liabilities | 22,439 | 22,439 | 898 | 1,434 | 1,434 | 57 |
| Goodwill | | | -163 | | | -10 |
| Cost | | | 735 | | | 47 |
| Paid in cash | | | 735 | | | 47 |

The business combination gave rise to negative goodwill of 163 thousand kroons (10 thousand euros), which has been recognised as financial income in the income statement.

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.

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

| | EEK '000 | | | EUR '000 | | |
|--|---------------------------------|-------------------------|--|---------------------------------|-------------------------|--|
| | Pre-acquisition carrying amount | Total fair value (100%) | Recognised value on acquisition (2.5%) | Pre-acquisition carrying amount | Total fair value (100%) | Recognised value on acquisition (2.5%) |
| Current assets | 145,618 | 145,618 | 3,640 | 9,307 | 9,307 | 233 |
| Non-current assets | 89,634 | 89,634 | 2,241 | 5,729 | 5,729 | 143 |
| Current liabilities | -91,950 | -91,950 | -2,299 | -5,877 | -5,877 | -147 |
| Non-current liabilities | -111,765 | -111,765 | -2,794 | -7,143 | -7,143 | -179 |
| Net identifiable assets and liabilities | 31,537 | 31,537 | 788 | 2,016 | 2,016 | 50 |
| Goodwill | | | 6,655 | | | 425 |
| Cost | | | 7,443 | | | 476 |
| Paid in cash | | | 7,443 | | | 476 |

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 56 per cent and the minority shareholder an additional 10 per cent of the 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 | -9,053 | -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 |

The acquisition of an additional interest by AS ASPI brought about changes in the management of OÜ DSN Ehitusmasinad, a subsidiary of OÜ Kaurits, and in June 2008 AS ASPI gained control of the entity. OÜ DSN Ehitusmasinad has been accounted for as a subsidiary in the consolidated financial statements and has been consolidated line-by-line since 1 July 2008.

NOTE 6. Long-term investments

| | EEK '000 | | EUR '000 | |
|---------------------------------------|----------------|---------------|--------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| As at 30 September | | | | |
| Investments in associates | 30,052 | 32,603 | 1,921 | 2084 |
| Long-term receivables from associates | 112,516 | 10,072 | 7,191 | 644 |
| Other investments | 415 | 5,706 | 27 | 365 |
| Long-term trade receivables | 1,015 | 5,813 | 65 | 372 |
| Miscellaneous long-term receivables | 0 | 6,238 | 0 | 399 |
| Total long-term investments | 143,997 | 60,432 | 9,203 | 3,862 |

Long-term receivables from 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 are recognised based on the settlement schedule.

NOTE 7. Investment property

| | EEK '000 | | EUR '000 | |
|--|----------------|---------------|--------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| For 9 months to 30 September | | | | |
| Investment property at 1 January | 133,984 | 24,199 | 8,563 | 1,547 |
| Addition | 0 | 1,564 | 0 | 100 |
| Transfer | -698 | 0 | -45 | 0 |
| Depreciation | -692 | -2 | -44 | 0 |
| Investment property at 30 September | 132,594 | 25,761 | 8,474 | 1,646 |

NOTE 8. Property, plant and equipment

| EEK '000 | Land and buildings | Plant and equipment | Other equipment and fixtures | 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 | 800 | 20,662 | 2,262 | 12,713 | 36,437 |
| Additions | 13,061 | 70,366 | 10,406 | 1,790 | 95,623 |
| Disposals | 0 | -33,912 | -1,565 | 0 | -35,477 |
| Transfer | 687 | -393 | 309 | -13,999 | -13,396 |
| Effect of movements in exchange rates | 0 | 378 | -27 | 0 | 351 |
| At 30 September 2008 | 30,507 | 394,295 | 56,543 | 2,595 | 483,940 |
| Depreciation | | | | | |
| At 1 January 2008 | 1,396 | 157,821 | 19,437 | 0 | 178,654 |
| 2008 | | | | | |
| Depreciation charge for the period | 585 | 43,952 | 8,392 | 0 | 52,929 |
| Disposals | 0 | -25,973 | -1,209 | 0 | -27,182 |
| Transfer | -10 | -309 | 309 | 0 | -10 |
| Effect of movements in exchange rates | 0 | 31 | 6 | 0 | 37 |
| At 30 September 2008 | 1,971 | 175,522 | 26,935 | 0 | 204,428 |
| Carrying amount | | | | | |
| At 1 January 2008 | 14,563 | 179,373 | 25,721 | 2,091 | 221,748 |
| At 30 September 2008 | 28,536 | 218,773 | 29,608 | 2,595 | 279,512 |

| EUR '000 | Land and buildings | Plant and equipment | Other equipment and fixtures | 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 | 51 | 1,321 | 145 | 813 | 2,329 |
| Additions | 835 | 4,497 | 665 | 114 | 6,111 |
| Disposals | 0 | -2,167 | -100 | 0 | -2,267 |
| Transfer | 44 | -25 | 20 | -895 | -856 |
| Effect of movements in exchange rates | 0 | 24 | -2 | 0 | 22 |
| At 30 September 2008 | 1,950 | 25,200 | 3,614 | 166 | 30,929 |
| Depreciation | | | | | |
| At 1 January 2008 | 89 | 10,087 | 1,242 | 0 | 11,418 |
| 2008 | | | | | |
| Depreciation charge for the period | 37 | 2,809 | 536 | 0 | 3,383 |
| Disposals | 0 | -1,660 | -77 | 0 | -1,737 |
| Transfer | -1 | -20 | 20 | 0 | -1 |
| Effect of movements in exchange rates | 0 | 2 | 0 | 0 | 2 |
| At 30 September 2008 | 126 | 11,218 | 1,721 | 0 | 13,065 |
| Carrying amount | | | | | |
| At 1 January 2008 | 931 | 11,464 | 1,644 | 134 | 14,172 |
| At 30 September 2008 | 1,824 | 13,982 | 1,892 | 166 | 17,864 |

Additions of 2008 include mainly road construction equipment.

NOTE 9. 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 | 23,232 | 220 | 0 | 0 | 23,452 |
| Additions | 9,255 | 122 | 0 | 929 | 10,306 |
| Effect of movements in exchange rates | 0 | 0 | 0 | 0 | 0 |
| At 30 September 2008 | 294,803 | 1,702 | 10,000 | 4,645 | 311,150 |
| Amortisation | | | | | |
| At 1 January 2008 | 0 | 669 | 3,500 | 0 | 4,169 |
| 2008 | | | | | |
| Amortisation charge for the period | 0 | 209 | 1,500 | 0 | 1,709 |
| Effect of movements in exchange rates | 0 | -51 | 0 | 0 | -51 |
| At 30 September 2008 | 0 | 827 | 5,000 | 0 | 5,827 |
| Carrying amount | | | | | |
| At 1 January 2008 | 262,316 | 691 | 6,500 | 3,716 | 273,223 |
| At 30 September 2008 | 294,803 | 875 | 5,000 | 4,645 | 305,323 |

| 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 | 1,485 | 14 | 0 | 0 | 1,499 |
| Additions | 592 | 8 | 0 | 59 | 659 |
| Effect of movements in exchange rates | 0 | 0 | 0 | 0 | 0 |
| At 30 September 2008 | 18,841 | 109 | 639 | 297 | 19,886 |
| Amortisation | | | | | |
| At 1 January 2008 | 0 | 43 | 224 | 0 | 266 |
| 2008 | | | | | |
| Amortisation charge for the period | 0 | 13 | 96 | 0 | 109 |
| Effect of movements in exchange rates | 0 | -3 | 0 | 0 | -3 |
| At 30 September 2008 | 0 | 53 | 320 | 0 | 372 |
| Carrying amount | | | | | |
| At 1 January 2008 | 16,765 | 44 | 415 | 237 | 17,462 |
| At 30 September 2008 | 18,841 | 56 | 320 | 297 | 19,514 |

NOTE 10. Finance and operating leases

| Finance lease liabilities | EEK '000 | | EUR '000 | |
|---|----------------|----------------|---------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| As at 30 September | | | | |
| Payable in less than one year | 44,170 | 38,750 | 2,823 | 2,477 |
| Payable between one and five years | 113,466 | 96,466 | 7,252 | 6,165 |
| Total | 157,636 | 135,216 | 10,075 | 8,642 |
| Principal payments made during the period | 42,387 | 47,942 | 2,709 | 3,064 |
| Interest payments made during the period | 6,266 | 4,534 | 400 | 290 |

| | EEK '000 | | EUR '000 | |
|---------------------------|-----------|-----------|-----------|-----------|
| | 2008 | 2007 | 2008 | 2007 |
| As at 30 September | | | | |
| Base currency EUR | 156,889 | 131,952 | 10,027 | 8,433 |
| Base currency UAH | 747 | 3,264 | 48 | 209 |
| 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 | |
|---|---------------|---------------|--------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| Operating lease rentals paid | | | | |
| For 9 months to 30 September | | | | |
| Cars | 9,926 | 11,281 | 634 | 721 |
| Construction equipment | 28,121 | 24,213 | 1,797 | 1,547 |
| Premises | 6,125 | 5,727 | 391 | 366 |
| Software | 5,523 | 5,024 | 353 | 321 |
| Total operating lease rentals paid | 49,695 | 46,245 | 3,176 | 2,956 |

NOTE 11. Interest-bearing loans and borrowings

| | EEK '000 | | EUR '000 | |
|---|----------------|----------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| As at 30 September | | | | |
| Short-term bank loans | 49,069 | 49,496 | 3,136 | 3,163 |
| Current portion of long-term bank loans | 66,290 | 42,453 | 4,237 | 2,713 |
| Finance lease liabilities | 44,170 | 38,750 | 2,823 | 2,477 |
| Total current loans and borrowings | 159,529 | 130,699 | 10,196 | 8,353 |
| Long-term bank loans | 335,634 | 175,395 | 21,451 | 11,210 |
| Other loans | 3,659 | 0 | 234 | 0 |
| Long-term finance lease liabilities | 113,466 | 96,466 | 7,252 | 6,165 |
| Total non-current loans and borrowings | 452,759 | 271,861 | 28,937 | 17,375 |

NOTE 12. Other payables and advances received

Current payables and advances received

| | EEK '000 | | EUR '000 | |
|---|----------------|----------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| As at 30 September | | | | |
| Payables to the parent and other group companies | 3,497 | 15,999 | 223 | 1,023 |
| Payables to associates | 39 | 66 | 2 | 4 |
| Payables to employees | 87,006 | 97,945 | 5,561 | 6,260 |
| Progress payments received in excess of contract work completed | 136,035 | 151,080 | 8,694 | 9,656 |
| Accrued expenses | 3,207 | 4,748 | 205 | 303 |
| Miscellaneous payables | 157,852 | 194,791 | 10,089 | 12,449 |
| Customer advances for goods and services | 95,217 | 20,658 | 6,085 | 1,320 |
| Total other payables and advances received | 482,853 | 485,287 | 30,860 | 31,015 |

Payables to employees comprise remuneration and bonus payables and accrued vacation pay liabilities. Accrued expenses include unpaid loan interest of 3,207 thousand kroons (205 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 13. Provisions

Warranties provisions

| | EEK '000 | | EUR '000 | |
|------------------------------------|---------------|---------------|------------|------------|
| | 2008 | 2007 | 2008 | 2007 |
| As at 30 September | | | | |
| Current warranties provisions | 6,335 | 10,633 | 405 | 680 |
| Non-current warranties provisions | 3,938 | 1,697 | 252 | 108 |
| Total warranties provisions | 10,273 | 12,330 | 657 | 788 |

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 14. 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 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.

| | Unit | EEK '000 | | EUR '000 | |
|---|--------------|----------|---------|----------|--------|
| | | 2008 | 2007 | 2008 | 2007 |
| For 9 months to 30 September | | | | | |
| Net profit attributable to equity holders of the parent | In thousands | 155,476 | 196,310 | 9,937 | 12,546 |
| Weighted average number of shares | In thousands | 30,757 | 30,757 | 30,757 | 30,757 |
| Basic earnings per share | | 5.06 | 6.38 | 0.32 | 0.41 |
| Diluted earnings per share | | 5.06 | 6.38 | 0.32 | 0.41 |

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

NOTE 15. 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 companies 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 9 months to or as at 30 September | 2008 | | | | 2007 | | | |
|--|------------------------|----------|-------------------------|----------|------------------------|----------|-------------------------|----------|
| | EEK '000 | EUR '000 | EEK '000 | EUR '000 | EEK '000 | EUR '000 | EEK '000 | EUR '000 |
| | Partnership contract I | | Partnership contract II | | Partnership contract I | | Partnership contract II | |
| Income | 102,873 | 6,575 | 143,337 | 9,161 | 80,254 | 5,129 | 55,476 | 3,546 |
| Including the reporting period | 18,539 | 1,185 | 57,066 | 3,647 | 68,460 | 4,375 | 55,476 | 3,546 |
| Expenses | 87,381 | 5,585 | 130,765 | 8,357 | 71,185 | 4,550 | 48,074 | 3,072 |
| Including the reporting period | 9,606 | 614 | 55,412 | 3,541 | 60,168 | 3,845 | 48,074 | 3,072 |
| Receivables | 27,390 | 1,751 | 50,057 | 3,199 | 52,856 | 3,378 | 87,165 | 5,571 |
| Including from venture partners | 0 | 0 | | | | | 60,647 | 3,876 |
| Payables | 17,823 | 1,139 | 61,650 | 3,940 | 47,811 | 3,056 | 83,506 | 5,337 |
| Including to venture partners | 0 | 0 | 49,817 | 3,184 | 0 | 0 | 45,031 | 2,878 |

NOTE 16. 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 | Residential and non-residential | | Civil engineering | | Eliminations | | Consolidated | |
|--|---------------------------------|-----------|-------------------|-----------|--------------|----------|--------------|-----------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| EEK '000 | | | | | | | | |
| For 9 months to 30 September | | | | | | | | |
| Construction contract revenue | 1,840,417 | 1,361,617 | 1,037,392 | 1,271,930 | 0 | 0 | 2,877,809 | 2,633,547 |
| Other revenue | 14,192 | 13,202 | 29,696 | 12,666 | 0 | 0 | 43,888 | 25,868 |
| Total revenue from external customers | 1,854,609 | 1,374,819 | 1,067,088 | 1,284,596 | 0 | 0 | 2,921,697 | 2,659,415 |
| Inter-segment revenue | 57,164 | 136,819 | 31,519 | 143,221 | -88,683 | -280,040 | 0 | 0 |
| Total revenue | 1,911,773 | 1,511,638 | 1,098,607 | 1,427,817 | -88,683 | -280,040 | 2,921,697 | 2,659,415 |
| Segment result | 276,998 | 208,573 | 35,010 | 138,349 | 0 | 0 | 312,008 | 346,922 |
| Unallocated expenses | 0 | 0 | 0 | 0 | 0 | 0 | -133,109 | -115,919 |
| Operating profit | 0 | 0 | 0 | 0 | 0 | 0 | 178,899 | 231,003 |
| Net financial items | 0 | 0 | 0 | 0 | 0 | 0 | 47,302 | -6,094 |
| Share of profit / loss of equity accounted investees | 1,088 | 339 | 17 | 1,013 | 0 | 0 | 1,105 | 1,352 |
| Income tax expense | 0 | 0 | 0 | 0 | 0 | 0 | -43,772 | -17,426 |
| Profit for the period | | | | | | | 183,534 | 208,835 |
| Segment assets | 1,408,708 | 1,247,223 | 1,039,983 | 732,176 | 0 | 0 | 2,448,691 | 1,997,636 |
| Investments in associates | 7,178 | 30,270 | 22,874 | 2,333 | 0 | 0 | 30,052 | 32,603 |
| Total assets | | | | | | | 2,478,743 | 2,030,239 |
| Segment liabilities | 767,447 | 405,316 | 209,971 | 547,331 | 0 | 0 | 977,418 | 952,647 |

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| | | | | | | | | |
|--|---------------------------------|-------------|-------------------|-------------|--------------|-------------|--------------|-------------|
| Warranty liabilities | 9,812 | 10,346 | 462 | 1,984 | 0 | 0 | 10,274 | 12,330 |
| Unallocated liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 612,288 | 402,560 |
| Total liabilities | | | | | | | 1,599,980 | 1,367,537 |
| Cash flows from operating activities | 150,703 | 9,053 | 44,173 | 37,697 | -52,392 | -18,028 | 142,484 | 28,722 |
| Cash flows from investing activities | -134,150 | 16,456 | -3,035 | -13,365 | -21,464 | 5,816 | -158,649 | 8,907 |
| Cash flows from financing activities | -34,467 | 8,491 | -22,845 | -40,618 | 21,464 | -5,816 | -35,848 | -37,943 |
| Net cash flow | -17,914 | 34,000 | 18,293 | -16,286 | -52,392 | -18,028 | -52,013 | -314 |
| Capital expenditure | 18,809 | 23,474 | 147,009 | 80,782 | 0 | 0 | 165,818 | 104,256 |
| Depreciation and amortisation expense | 9,451 | 6,788 | 45,879 | 39,831 | 0 | 0 | 55,330 | 46,619 |
| Business segments | Residential and non-residential | | Civil engineering | | Eliminations | | Consolidated | |
| EUR '000 | | | | | | | | |
| For 9 months to 30 September | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Construction contract revenue | 117,624 | 87,023 | 66,301 | 81,291 | 0 | 0 | 183,926 | 168,314 |
| Other revenue | 907 | 844 | 1,898 | 810 | 0 | 0 | 2,805 | 1,653 |
| Total revenue from external customers | 118,531 | 87,867 | 68,199 | 82,101 | 0 | 0 | 186,730 | 169,968 |
| Inter-segment revenue | 3,653 | 8,744 | 2,014 | 9,153 | -5,668 | -17,898 | 0 | 0 |
| Total revenue | 122,185 | 96,611 | 70,214 | 91,254 | -5,668 | -17,898 | 186,730 | 169,968 |
| Segment result | 17,703 | 13,330 | 2,238 | 8,842 | 0 | 0 | 19,941 | 22,172 |
| Unallocated expenses | 0 | 0 | 0 | 0 | 0 | 0 | -8,507 | -7,409 |
| Operating profit | 0 | 0 | 0 | 0 | 0 | 0 | 11,434 | 14,764 |
| Net financial items | 0 | 0 | 0 | 0 | 0 | 0 | 3,023 | -389 |
| Share of profit / loss of equity accounted investees | 70 | 22 | 1 | 65 | 0 | 0 | 71 | 86 |
| Income tax expense | 0 | 0 | 0 | 0 | 0 | 0 | -2,798 | -1,114 |
| Profit for the period | | | | | | | 11,730 | 13,347 |
| Segment assets | 90,033 | 79,712 | 66,467 | 46,795 | 0 | 0 | 156,500 | 127,672 |
| Investments in associates | 459 | 1,935 | 1,462 | 149 | 0 | 0 | 1,921 | 2,084 |
| Total assets | | | | | | | 158,421 | 129,756 |
| Segment liabilities | 49,049 | 25,904 | 13,420 | 34,981 | 0 | 0 | 62,468 | 60,885 |
| Warranty liabilities | 627 | 661 | 30 | 127 | 0 | 0 | 657 | 788 |
| Unallocated liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 39,132 | 25,728 |
| Total liabilities | | | | | | | 102,257 | 87,401 |
| Cash flows from operating activities | 9,632 | 579 | 2,823 | 2,409 | -3,348 | -1,152 | 9,106 | 1,836 |
| Cash flows from investing activities | -8,574 | 1,052 | -194 | -854 | -1,372 | 372 | -10,140 | 569 |
| Cash flows from financing activities | -2,203 | 543 | -1,460 | -2,596 | 1,372 | -372 | -2,291 | -2,425 |
| Net cash flow | -1,145 | 2,173 | 1,169 | -1,041 | -3,348 | -1,152 | -3,324 | -20 |
| Capital expenditure | 1,202 | 1,500 | 9,396 | 5,163 | 0 | 0 | 10,598 | 6,663 |
| Depreciation and amortisation expense | 604 | 434 | 2,932 | 2,546 | 0 | 0 | 3,536 | 2,979 |

Unallocated liabilities include loans and borrowings.

NOTE 17. Segment reporting – geographical segments

| For 9 months to 30 September | EEK '000 | | EUR '000 | |
|-------------------------------------|------------------|------------------|----------------|----------------|
| | 2008 | 2007 | 2008 | 2007 |
| Revenue | | | | |
| Estonia | 2,341,657 | 2,357,503 | 149,659 | 150,672 |
| Ukraine | 392,200 | 313,282 | 25,066 | 20,022 |
| Lithuania | 69,822 | 1,836 | 4,462 | 117 |
| Latvia | 119,064 | 0 | 7,610 | 0 |
| Eliminations | -1,046 | -13,206 | -67 | -844 |
| Total revenue | 2,921,697 | 2,659,415 | 186,730 | 169,968 |

Segment assets based on geographical location

| | | | | |
|-----------------------------|------------------|------------------|----------------|----------------|
| Estonia | 2,144,179 | 1,938,411 | 137,038 | 123,887 |
| Ukraine | 264,880 | 183,350 | 16,929 | 11,718 |
| Lithuania | 11,535 | 325 | 737 | 21 |
| Latvia | 190,899 | 0 | 12,201 | 0 |
| Eliminations | -132,750 | -91,847 | -8,484 | -5,870 |
| Total segment assets | 2,478,743 | 2,030,239 | 158,421 | 129,756 |

| EEK '000 | Property, plant and equipment | Intangible assets | Total |
|--|--|------------------------------|----------------|
| Capital expenditures for the first 9 months of 2008 | | | |
| Estonia | 104,823 | 31,680 | 136,503 |
| Ukraine | 4,312 | 0 | 4,312 |
| Latvia | 22,925 | 2,078 | 25,003 |
| Total capital expenditures | 132,060 | 33,758 | 165,818 |

| EUR '000 | Property, plant and equipment | Intangible assets | Total |
|--|--|------------------------------|---------------|
| Capital expenditures for the first 9 months of 2008 | | | |
| Estonia | 6,699 | 2,025 | 8,724 |
| Ukraine | 276 | 0 | 276 |
| Latvia | 1,465 | 133 | 1,598 |
| Total capital expenditures | 8,440 | 2,158 | 10,598 |

| EEK '000 | Property, plant and equipment | Intangible assets | Total |
|--|--|------------------------------|----------------|
| Capital expenditures for the first 9 months of 2007 | | | |
| Estonia | 88,115 | 4,244 | 92,359 |
| Ukraine | 11,765 | 10 | 11,785 |
| Lithuania | 122 | 0 | 122 |
| Total capital expenditures | 100,002 | 4,254 | 104,256 |

| EUR '000 | Property, plant and equipment | Intangible assets | Total |
|--|--|------------------------------|--------------|
| Capital expenditures for the first 9 months of 2007 | | | |
| Estonia | 5,632 | 271 | 5,903 |
| Ukraine | 752 | 1 | 753 |
| Lithuania | 8 | 0 | 8 |
| Total capital expenditures | 6,391 | 272 | 6,663 |

NOTE 18. Cost of sales

| | EEK '000 | | EUR '000 | |
|--|------------------|------------------|----------------|----------------|
| | 2008 | 2007 | 2008 | 2007 |
| For 9 months to 30 September | | | | |
| Depreciation and amortisation expense | 51,127 | 43,934 | 3,268 | 2,808 |
| Personnel expenses | 274,820 | 220,481 | 17,564 | 14,091 |
| Cost of materials, goods and services used | 2,272,844 | 2,032,376 | 145,261 | 129,893 |
| Other expenses | 10,898 | 15,702 | 697 | 1,004 |
| Total cost of sales | 2,609,689 | 2,312,493 | 166,790 | 147,795 |

NOTE 19. Administrative expenses

| | EEK '000 | | EUR '000 | |
|--|----------------|----------------|--------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| For 9 months to 30 September | | | | |
| Depreciation and amortisation expense | 4,203 | 2,685 | 269 | 172 |
| Personnel expenses | 88,837 | 76,688 | 5,678 | 4,901 |
| Cost of materials, goods and services used | 34,087 | 30,530 | 2,179 | 1,951 |
| Other expenses | 10,227 | 6,373 | 654 | 407 |
| Total administrative expenses | 137,354 | 116,276 | 8,779 | 7,431 |

NOTE 20. Other operating income and expenses

| Other operating income | EEK '000 | | EUR '000 | |
|--|---------------|--------------|--------------|------------|
| | 2008 | 2007 | 2008 | 2007 |
| For 9 months to 30 September | | | | |
| Gains on sale of property, plant and equipment | 4,819 | 7,047 | 308 | 450 |
| Foreign exchange gains | 0 | 126 | 0 | 8 |
| Other income | 13,706 | 1,451 | 876 | 93 |
| Total other operating income | 18,525 | 8,624 | 1,184 | 551 |

| Other operating expenses | EEK '000 | | EUR '000 | |
|--|--------------|--------------|------------|------------|
| | 2008 | 2007 | 2008 | 2007 |
| For 9 months to 30 September | | | | |
| Write-off of property, plant and equipment | 707 | 1,971 | 45 | 126 |
| Foreign exchange losses | 134 | 218 | 9 | 14 |
| Losses from impaired receivables | -194 | 0 | -12 | 0 |
| Membership fees | 60 | 63 | 4 | 4 |
| Other expenses | 7,361 | 2,175 | 470 | 139 |
| Total other operating expenses | 8,068 | 4,427 | 516 | 283 |

NOTE 21. Financial income and expenses

| Financial income | EEK '000 | | EUR '000 | |
|--|---------------|---------------|--------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| For 9 months to 30 September | | | | |
| Gains on sale of shares in subsidiaries and associates | 53,000 | 6,309 | 3,387 | 403 |
| Other financial income | 22,658 | 8,589 | 1,448 | 549 |
| Foreign exchange gains | 1,529 | 1,466 | 98 | 94 |
| Total financial income | 77,187 | 16,364 | 4,933 | 1,046 |

| Financial expenses | EEK '000 | | EUR '000 | |
|-------------------------------------|---------------|---------------|--------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| For 9 months to 30 September | | | | |
| Interest expense | 28,262 | 15,338 | 1,806 | 980 |
| Other financial expenses | 926 | 50 | 59 | 3 |
| Foreign exchange losses | 698 | 7,070 | 45 | 452 |
| Total financial expenses | 29,886 | 22,458 | 1,910 | 1,435 |

NOTE 22. Income tax expense

| For 9 months to 30 September | EEK '000 | | EUR '000 | |
|---------------------------------|---------------|---------------|--------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| Income tax on dividends paid | 29,738 | 16,397 | 1,901 | 1,048 |
| Income tax on profit earned | 14,034 | 1,029 | 897 | 66 |
| Total income tax expense | 43,772 | 17,426 | 2,798 | 1,114 |

NOTE 23. 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.

On 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 | 11,845 | 861 | 757 | 55 |
| Subsidiaries of AS Nordecon | 2,815 | 238,043 | 180 | 15,214 |
| Companies related to a member of the council of AS Eesti Ehitus | 1,484 | 2,833 | 95 | 181 |
| Total | 16,144 | 241,737 | 1,032 | 15,450 |

| Substance of transactions performed | EEK '000 | | EUR '000 | |
|-------------------------------------|---------------|----------------|--------------|---------------|
| | Purchases | Sales | Purchases | Sales |
| Construction contracts | 0 | 238,043 | 0 | 15,214 |
| Purchase and sale of goods | 23 | 0 | 1 | 0 |
| Lease and other services | 16,121 | 3,694 | 1,030 | 236 |
| Total | 16,144 | 241,737 | 1,032 | 15,450 |






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

| As at 30 September | EEK '000 | | | | EUR '000 | | | |
|---|---------------|--------------|---------------|---------------|--------------|------------|--------------|--------------|
| | 2008 | | 2007 | | 2008 | | 2007 | |
| | Receivable | Payable | Receivable | Payable | Receivable | Payable | Receivable | Payable |
| AS Nordecon | 4 | 1,280 | 1 | 2,372 | 0 | 82 | 0 | 152 |
| Subsidiaries of AS Nordecon | 45,545 | 2,217 | 31,481 | 13,627 | 2,911 | 142 | 2,012 | 871 |
| Associates | 47,886 | 39 | 33,304 | 66 | 3,060 | 2 | 2,129 | 4 |
| Companies related to a member of the council of AS Eesti Ehitus | 0 | 0 | 1,003 | 0 | 0 | 0 | 64 | 0 |
| Total | 93,435 | 3,536 | 65,789 | 16,065 | 5,972 | 226 | 4,205 | 1,027 |

In the first nine months of 2008, the remuneration of the members of the council of AS Eesti Ehitus Group totalled 1,084 thousand kroons (69 thousand euros) and the remuneration of the members of the board of AS Eesti Ehitus amounted to 13,550 thousand kroons (866 thousand euros).

Signatures

The board of AS Eesti Ehitus has prepared the company's consolidated interim financial statements for the third quarter and first nine months of 2008 (unaudited) which are presented on pages 16 to 36.

| | | | |
|---------------|-----------------------|--|------------------|
| Jaano Vink | Chairman of the Board |  | 11 November 2008 |
| Sulev Luiga | Member of the Board |  | 11 November 2008 |
| Erkki Suurorg | Member of the Board |  | 11 November 2008 |
| Avo Ambur | Member of the Board |  | 11 November 2008 |
| Priit Pluutus | Member of the Board |  | 11 November 2008 |