



CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FIRST QUARTER 2008  
(UNAUDITED)

|                   |  |
|-------------------|--|
| Business name     | <b>AS Eesti Ehitus</b>   |
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| Corporate website | <a href="http://www.eestiehitus.ee">www.eestiehitus.ee</a>   |
| Core activities   | Construction of buildings (EMTAK <sup>1</sup> 411; 412)<br>Civil engineering (EMTAK 421; 422; 429)<br>Other construction work involving special trades<br>(EMTAK 431; 433; 439)<br>Architectural and engineering activities (EMTAK 7112) |
| Financial year    | 1 January 2008 – 31 December 2008  |
| Reporting period  | 1 January 2008 – 31 March 2008   |
| Council           | Toomas Luman, Alar Kroodo, Ain Tromp, Mait Schmidt,<br>Tiina Mõis, Meelis Milder   |
| Board             | Jaano Vink, Avo Ambur, Sulev Luiga, Priit Pluutus, Erkki<br>Suurorg  |
| Auditor           | KPMG Baltics AS  |

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<sup>1</sup> 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 construction management in the construction of buildings and structures 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 company's shares have been quoted in the main list of the Tallinn Stock Exchange.

### Our mission

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

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

### Our vision

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

### Shared values

#### Quality

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

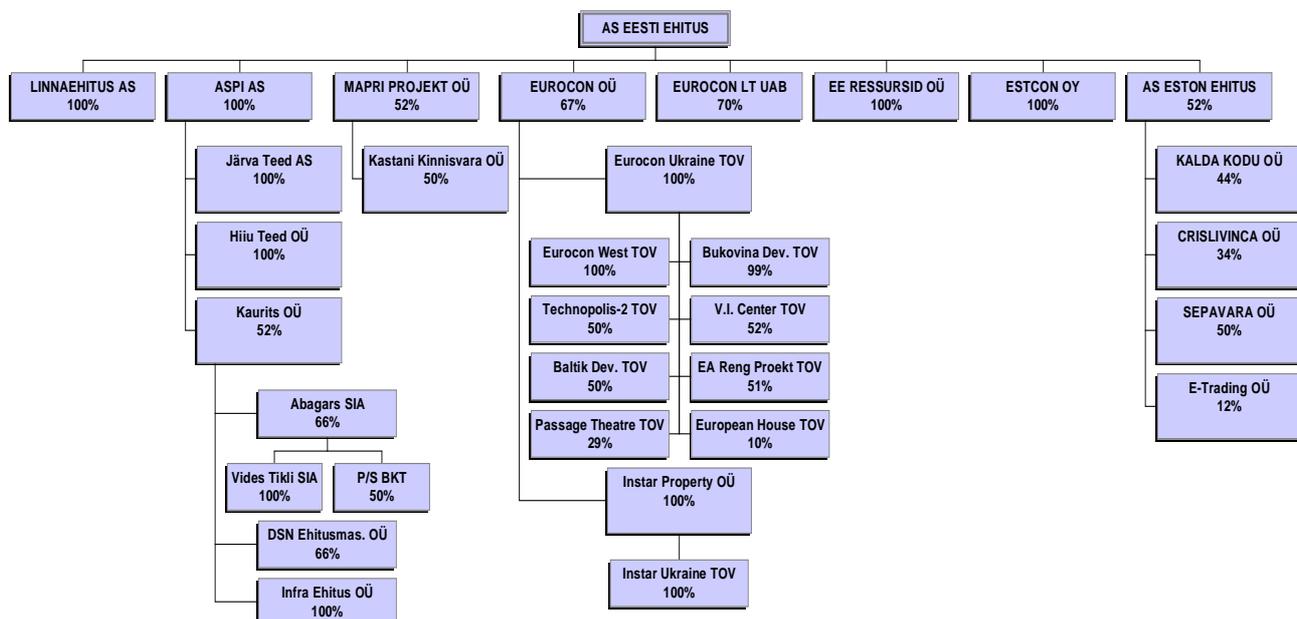
#### Reliability

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

#### Innovation

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

### Eesti Ehitus Group as at 31 March 2008



**Direct and indirect ownership interests of AS Eesti Ehitus:**

| <b>Company</b>        |           | <b>31 March 2008</b> | <b>31 March 2007</b> | <b>31 December 2007</b> |
|-----------------------|-----------|----------------------|----------------------|-------------------------|
| 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%                | 0.0%                 | 70.0%                   |
| OÜ Eurocon            | Estonia   | 66.5%                | 64.0%                | 64.0%                   |
| TOV Eurocon Ukraine   | Ukraine   | 66.5%                | 61.4%                | 61.4%                   |
| TOV Eurocon West      | Ukraine   | 66.5%                | 61.4%                | 61.4%                   |
| Instar Property OÜ    | Estonia   | 66.5%                | 0%                   | 0%                      |
| TOV Instar Property   | Ukraine   | 66.5%                | 0%                   | 0%                      |
| TOV Bukovina          | Ukraine   | 65.8%                | 60.8%                | 60.8%                   |
| Developments          |           |                      |                      |                         |
| OÜ Mapri Projekt      | Estonia   | 52.0%                | 52.0%                | 52.0%                   |
| AS Eston Ehitus       | Estonia   | 52.0%                | 0%                   | 52.0%                   |
| OÜ Kaurits            | Estonia   | 52.0%                | 52.0%                | 52.0%                   |
| OÜ DSN Ehitusmasinad  | Estonia   | 34.3%                | 0.0%                 | 34.3%                   |
| Infra Ehitus OÜ       | Estonia   | 52.0%                | 52.0%                | 52.0%                   |
| SIA Abagars           | Latvia    | 34.3%                | 34.3%                | 34.3%                   |
| SIA Vides Tikli       | Latvia    | 34.3%                | 34.3%                | 34.3%                   |
| TOV V.I. Center       | Ukraine   | 34.6%                | 32.0%                | 32.0%                   |
| TOV EA Reng Proekt    | Ukraine   | 33.9%                | 31.3%                | 31.3%                   |
| TOV Eurobeton         | Ukraine   | 0%                   | 30.7%                | 0%                      |
| TOV Technopolis-2     | Ukraine   | 33.3%                | 30.7%                | 30.7%                   |
| TOV Baltik            | Ukraine   | 33.3%                | 0.0%                 | 30.7%                   |
| Development           |           |                      |                      |                         |
| OÜ Kastani Kinnisvara | Estonia   | 26.0%                | 26.0%                | 26.0%                   |
| OÜ Sepavara           | Estonia   | 26.0%                | 0%                   | 26%                     |
| OÜ Kalda Kodu         | Estonia   | 22.9%                | 0%                   | 22.9%                   |
| TOV Passage Theatre   | Ukraine   | 19.3%*               | 55.3%                | 17.8%*                  |
| OÜ Crislivnica        | Estonia   | 17.7%                | 0%                   | 17.7%                   |
| P/S BKT               | Latvia    | 17.2%                | 17.2%                | 17.2%                   |
| TOV European House    | Ukraine   | 6.7%                 | 0%                   | 6.1%                    |
| OÜ E-Trading          | Estonia   | 6.2%                 | 0%                   | 6.2%                    |

\* Based on preliminary agreements already signed, 61 per cent of the investment in TOV Passage Theatre has been recognised as a non-current asset held for sale (see note 5 to the consolidated financial statements).

**Changes in the Group's structure during the first quarter of 2008**

*Acquisitions of interests and establishment of subsidiaries*

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

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

On 18 February 2008, AS Eesti Ehitus' subsidiary OÜ Eurocon established a wholly-owned subsidiary – Instar Property OÜ. At the date of establishment, the share capital of Instar Property OÜ was 40,000 kroons (approx. 2,557 euros). Instar Property OÜ is going to operate as a holding company for the Group's direct and indirect interests in development projects performed in Ukraine.

## Changes in the Group's structure after the reporting date

### *Acquisitions of interests*

On 2 May 2008, AS Eesti Ehitus' wholly-owned subsidiary AS ASPI acquired a 56 per cent stake in the Latvian entity SIA Abagars. ASPI acquired the interest from its subsidiary OÜ Kaurits.

### *Divestment of interests*

On 4 April 2008, AS Eesti Ehitus transferred a 4 per cent interest in Eurocon OÜ to a Ukrainian resident. The divestment was performed by increasing share capital.

On 10 April 2008, AS Eesti Ehitus' subsidiary Eurocon Ukraine LLC divested a 33 per cent stake in the Ukrainian company TOV Passage Theatre.

On 14 April 2008, AS Eesti Ehitus' subsidiary Eurocon Ukraine LLC divested itself of a 50 per cent stake in the Ukrainian company TOV Baltic Development.

## Financial review

### *Profitability and cash flows*

Compared with a year ago, the Group's profitability indicators have improved. Gross margin for the first quarter was 13 per cent (Q1 2007: 12 per cent), the ratio of administrative expenses to revenue was around 5 per cent (Q1 2007: around 5 per cent), and operating margin was 8 per cent (Q1 2007: 7 per cent).

The Group ended the reporting period with consolidated net profit of 44.9 million kroons (2.9 million euros), a 43 per cent increase on the 31.4 million kroons (2 million euros) earned a year ago. The profit attributable to equity holders of the parent amounted to 46.1 million kroons (2.9 million euros) against 29.5 million kroons (1.9 million euros) for the first quarter of 2007.

Net operating cash flow was significantly better than in the first quarter of 2007: operating activities generated cash inflow of 36 million kroons (2.3 million euros), whereas the first quarter of 2007 ended with net cash outflow of 5.5 million kroons (0.35 million euros). Negative investing cash flows are mainly attributable to payments made under contracts concluded in prior periods. Thanks to strong positive operating and financing cash flows, cash and cash equivalents grew by 136 million kroons (8.7 million euros).

### *Key financial figures and ratios*

| <b>Ratio / figure</b>                              | <b>Q1 2008</b> | <b>Q1 2007</b> | <b>Q1 2006</b> | <b>2007</b> |
|--|----------------|----------------|----------------|-------------|
| Weighted average number of shares                  | 30,756,728     | 30,756,728*    | 30,756,728*    | 30,756,728  |
| Earnings per share (in kroons)                     | 1.50           | 0.96           | 0.59           | 8.70        |
| Earnings per share (in euros)                      | 0.1            | 0.06           | 0.04           | 0.56        |
| Revenue growth                                     | 38.2%          | 63.8%          | 7.8%           | 49.9%       |
| Average number of employees                        | 1102           | 1009           | 772            | 1103        |
| Revenue per employee (in thousands of kroons)      | 702            | 555            | 443            | 3,402       |
| Revenue per employee (in thousands of euros)       | 45             | 35             | 28             | 217         |
| Personnel expenses to revenue, %                   | 13.6%          | 13.3%          | 12.9%          | 12.3%       |
| Administrative expenses to revenue, %              | 5.6%           | 5.3%           | 6.1%           | 4.7%        |
| EBITDA (in thousands of kroons)                    | 77,166         | 51,619         | 33,990         | 370,574     |
| EBITDA (in thousands of euros)                     | 4,932          | 3,299          | 2,172          | 23,684      |
| EBITDA margin, %                                   | 10.0%          | 9.2%           | 9.9%           | 9.9%        |
| Gross margin, %                                    | 13.1%          | 11.8%          | 8.8%           | 13.3%       |
| Operating margin, %                                | 7.9%           | 6.7%           | 8.1%           | 8.2%        |
| Operating margin excluding gains on asset sales, % | 7.6%           | 6.2%           | 2.7%           | 8.0%        |
| Net margin, %                                      | 5.8%           | 5.6%           | 5.1%           | 7.7%        |

| <b>Ratio / figure</b>                  | <b>Q1 2008</b>           | <b>Q1 2007</b>           | <b>Q1 2006</b>           | <b>2007</b>                 |
|--|--------------------------|--------------------------|--------------------------|-----------------------------|
| Return on invested capital, %          | 3.9%                     | 5.7%                     | 5.5%                     | 32.7%                       |
| Return on assets, %                    | 3.3%                     | 2.7%                     | 2.9%                     | 17.1%                       |
| Return on equity, %                    | 5.4%                     | 6.2%                     | 8.8%                     | 44.7%                       |
| Equity ratio, %                        | 38.0%                    | 38.3%                    | 21.8%                    | 36.9%                       |
| Gearing, %                             | 18.9%                    | 19.3%                    | 12.3%                    | 13.5%                       |
| Current ratio                          | 1.65                     | 1.41                     | 1.17                     | 1.30                        |
|  | <b>31 March<br/>2008</b> | <b>31 March<br/>2007</b> | <b>31 March<br/>2006</b> | <b>31 December<br/>2007</b> |
| Order backlog (in thousands of kroons) | 3,368,680                | 3,197,000                | 1,775,931                | 2,526,652                   |
| Order backlog (in thousands of euros)  | 215,298                  | 204,326                  | 113,503                  | 161,482                     |

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

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

## Revenue

### Revenue distribution by geographical segments

|           | <b>Q1 2008</b> | <b>Q1 2007</b> | <b>Q1 2006</b> | <b>2007</b> |
|-----------|----------------|----------------|----------------|-------------|
| Estonia   | 81.9%          | 83.3%          | 95.4%          | 87.9%       |
| Ukraine   | 16.2%          | 16.7%          | 4.6%           | 11.6%       |
| Lithuania | 1.9%           | 0%             | 0%             | 0.5%        |
| Latvia    | 0%             | 0%             | 0%             | 0%          |

The Group has launched operations in Lithuania, thereby implementing the strategy of dispersing risks by expanding to different geographical areas. In addition, the Group has consistently increased its operations in Ukraine and has penetrated the Latvian market. Latvian revenue should grow in connection with an increase in the Group's interest in Abagars SIA (see *Changes in the Group's structure* on page 5).

## 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 quarter of 2008 amounted to 773.5 million kroons (49.4 million euros), 38 per cent up on the 559.7 million kroons (35.8 million euros) generated in the first quarter of 2007. The Group tries to maintain the revenues generated by its two segments in balance as this helps disperse risks and provides a more solid foundation under stressed circumstances. In line with the corporate strategy, the proportion of development revenue is consistently maintained at a relatively low level (at or below 20 per cent).

The residential and non-residential segment contributed 648.2 million kroons (41.4 million euros) and the civil engineering segment 116.7 million kroons (7.5 million euros) of total construction contract revenue. The corresponding figures for the first quarter of 2007 were 307.4 million kroons and 248.0 million kroons (19.6 million euros and 15.8 million euros) respectively. It should be noted that in contrast to the first quarter of 2007, the beginning of 2008 was customary for the civil engineering segment and more comparable with 2006 because the number of large projects was small and operating volumes therefore less significant.

#### Revenue by segments

| <b>Business segments</b>        | <b>Q1 2008</b> | <b>Q1 2007</b> | <b>Q1 2006</b> | <b>2007</b> |
|---------------------------------|----------------|----------------|----------------|-------------|
| Residential and non-residential | 85%            | 55%            | 73%            | 53%         |
| Civil engineering               | 15%            | 45%            | 27%            | 47%         |

#### Revenue distribution in the Residential and non-residential segment

| <b>segment</b>                      | <b>Q1 2008</b> | <b>Q1 2007</b> | <b>Q1 2006</b> | <b>2007</b> |
|-------------------------------------|----------------|----------------|----------------|-------------|
| Residential buildings               | 9%             | 18%            | 19%            | 12%         |
| Public buildings                    | 14%            | 18%            | 10%            | 16%         |
| Commercial buildings                | 63%            | 50%            | 45%            | 61%         |
| Industrial and warehouse facilities | 14%            | 14%            | 26%            | 11%         |

#### Revenue distribution in the Civil engineering segment

|                                   | <b>Q1 2008</b> | <b>Q1 2007</b> | <b>Q1 2006*</b> | <b>2007</b> |
|-----------------------------------|----------------|----------------|-----------------|-------------|
| Road construction and maintenance | 53%            | 24%            | -               | 41%         |
| Port construction                 | 14%            | 58%            | -               | 33%         |
| Environmental engineering         | 6%             | 18%            | -               | 13%         |
| Other engineering                 | 27%            | -              | -               | 13%         |

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

At 31 March 2008 the Group's order backlog was 3,369 million kroons (215 million euros), only a slight improvement on the 3,197 million kroons (204 million euros) posted a year ago, but a fairly strong result considering the changes in the construction market and the economic environment in the second half of 2007 and the first quarter of 2008.

#### The largest construction contracts signed in the first quarter of 2008:

| <b>Brief description of contract</b>                         | <b>Cost<br/>(EEK '000 / EUR '000)</b> | <b>Expected<br/>delivery</b> |
|--|---------------------------------------|------------------------------|
| Rehabilitation of the Rõhu-Puhja Section of National Road 92 | 92,336 / 5,901                        | August 2009                  |
| Construction of Berths No 8 and 9 at Paldiski South Harbour  | 316,363 / 20,219                      | May 2009                     |
| Design and construction of Science Centre AHHA Building      | 179,100 / 11,447                      | August 2010                  |

#### People and personnel expenses

In the first quarter of 2008, the Group employed, on average, 1102 people, including 500 engineers. The proportion of engineers and technical personnel (ETP) has increased significantly during the past couple of years due to the growth of the Group and the size of the contracts. We expect the trend to continue, among other things, because of the Group's growth in Lithuania, Latvia and Ukraine.

Number of employees:

| <b>Period</b> | <b>ETP</b> | <b>Workers</b> | <b>Total average</b> |
|---------------|------------|----------------|----------------------|
| Q1 2008       | 456        | 646            | <b>1102</b>          |
| Q1 2007       | 396        | 613            | <b>1009</b>          |
| Q1 2006       | 292        | 480            | <b>772</b>           |
| 2007          | 425        | 678            | <b>1103</b>          |

The Group's personnel expenses for the first quarter of 2008 totalled 105.4 million kroons (6.7 million euros), a 42 per cent increase on the first quarter of 2007. The rise in personnel expenses is attributable to the acquisition of subsidiaries and the Group's personnel policy.

In the first quarter of 2008, the remuneration of the Group's council totalled 270 thousand kroons (17 thousand euros) and the remuneration of the Group's board amounted to 2,575 thousand kroons (165 thousand euros). The corresponding figures for the first quarter of 2007 were 270 thousand kroons (17 thousand euros) and 1,788 thousand kroons (114 thousand euros) respectively.

## Share and shareholders

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

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



## Risks

### Business risks

To manage daily construction risks, Group companies purchase Contractors' All Risks insurance. Depending on the nature of the project, both general frame agreements and specially tailored project-specific contracts are used. In addition, as a rule, subcontractors are required to secure the performance of their obligations with a bank guarantee issued for the benefit of AS Eesti Ehitus. To remedy builder-caused deficiencies which may be detected during the warranty period, all Group companies create warranty provisions. At the end of the first quarter of 2008, the provisions totalled 11.8 million kroons (0.76 million euros). The corresponding figure for the first quarter of 2007 was 7 million kroons (0.5 million euros).

### Credit risk

For credit risk management, a potential customer's settlement behaviour and creditworthiness are analysed already in the tendering stage. Subsequent to the conclusion of a contract, customers' settlement behaviour is monitored on an ongoing basis from the making of an advance payment to adherence to the contractual settlement schedule, which usually depends on the documentation of the delivery of work performed. We

believe that the system in place allows us to respond to customers' settlement difficulties with sufficient speed. As at the end of the reporting period, our customers' settlement practice was good.

#### *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.

#### *Interest rate risk*

The loans taken from banks operating in Estonia and Ukraine have fixed interest rates. Finance lease contracts have floating interest rates and are linked to EURIBOR. Compared with the first quarter of 2007, the Group's loan liabilities have increased by 368 million kroons (24 million euros) or 127 per cent and interest expense has grown by 5.2 million kroons (0.33 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, in Ukraine in Ukrainian grivnas. In Ukraine, some materials supply contracts are made in euro. In addition, the Group's parent AS Eesti Ehitus settles accounts with its Ukrainian subsidiary Eurocon Ukraine LLC in euro 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 possibilities for hedging the risk in cooperation with local banks are almost non-existent. In the first quarter of 2008, the Group's foreign exchange loss from Ukrainian operations amounted to 11.4 million kroons (0.73 million euros).

### **Outlook for the near future**

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

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

We have prepared ourselves for changes in the economic environment by dispersing our risks between activities (for a number of years the proportion of residential construction has not exceeded 10-15 per cent) and markets (the importance of the Estonian market will decline as the importance of other markets increases).

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

|               |                       |  |            |
|---------------|-----------------------|--|------------|
| Jaano Vink    | Chairman of the Board |    | 6 May 2008 |
| Sulev Luiga   | Member of the Board   |   | 6 May 2008 |
| Erkki Suurorg | Member of the Board   |  | 6 May 2008 |
| Avo Ambur     | Member of the Board   |  | 6 May 2008 |
| Priit Pluutus | Member of the Board   |  | 6 May 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 first quarter of 2008 and confirms that:

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

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

## Consolidated interim balance sheet

Unaudited

| EEK '000   | Note | 31 March 2008    | 31 March 2007    | 31 Dec 2007      |
|--|------|------------------|------------------|------------------|
| <b>ASSETS</b>  |      |                  |                  |                  |
| <b>Current assets</b>  |      |                  |                  |                  |
| Cash and cash equivalents  |      | 372,537          | 133,446          | 236,112          |
| Trade receivables  | 2    | 359,718          | 332,990          | 511,819          |
| Other receivables and prepayments                                | 3    | 245,195          | 179,173          | 264,551          |
| Deferred tax assets  |      | 1,905            | 1,015            | 1,905            |
| Inventories  | 4    | 431,055          | 293,298          | 393,529          |
| Non-current assets held for sale                                 | 5    | 43,362           | 0                | 43,362           |
| <b>Total current assets</b>                                      |      | <b>1,453,772</b> | <b>939,922</b>   | <b>1,447,963</b> |
| <b>Non-current assets</b>  |      |                  |                  |                  |
| Long-term investments  | 7    | 91,828           | 51,051           | 111,686          |
| Investment property  | 8    | 133,753          | 24,199           | 133,984          |
| Property, plant and equipment                                    | 9    | 276,167          | 233,859          | 221,748          |
| Intangible assets  | 10   | 290,356          | 164,581          | 273,223          |
| <b>Total non-current assets</b>                                  |      | <b>792,104</b>   | <b>473,690</b>   | <b>740,641</b>   |
| <b>TOTAL ASSETS</b>  |      | <b>2,245,876</b> | <b>1,413,612</b> | <b>2,191,919</b> |
| <b>LIABILITIES</b>   |      |                  |                  |                  |
| <b>Current liabilities</b>                                       |      |                  |                  |                  |
| Interest-bearing loans and borrowings                            | 12   | 151,184          | 77,270           | 135,856          |
| Trade payables   |      | 291,656          | 185,979          | 335,754          |
| Tax liabilities  |      | 48,411           | 44,900           | 54,771           |
| Other payables and advances received                             | 13   | 382,168          | 352,058          | 574,722          |
| Provisions   | 14   | 8,078            | 5,214            | 12,458           |
| <b>Total current liabilities</b>                                 |      | <b>881,497</b>   | <b>665,421</b>   | <b>1,113,561</b> |
| <b>Non-current liabilities</b>                                   |      |                  |                  |                  |
| Interest-bearing loans and borrowings                            | 12   | 506,308          | 211,761          | 263,723          |
| Other liabilities  |      | 761              | 490              | 714              |
| Provisions   | 14   | 3,739            | 1,885            | 4,328            |
| <b>Total non-current liabilities</b>                             |      | <b>510,808</b>   | <b>214,136</b>   | <b>268,765</b>   |
| <b>TOTAL LIABILITIES</b>   |      | <b>1,392,305</b> | <b>879,557</b>   | <b>1,382,326</b> |
| <b>EQUITY</b>  |      |                  |                  |                  |
| <b>Minority interest</b>   |      | <b>87,067</b>    | <b>35,271</b>    | <b>90,095</b>    |
| Share capital  | 15   | 307,567          | 153,784          | 307,567          |
| Share premium  | 15   | 0                | 108,465          | 0                |
| Statutory capital reserve  |      | 21,426           | 4,158            | 11,766           |
| Translation reserve  |      | 4,574            | 2,292            | 2,354            |
| Retained earnings  | 15   | 432,937          | 230,085          | 397,810          |
| <b>Total equity attributable to equity holders of the parent</b> |      | <b>766,504</b>   | <b>498,784</b>   | <b>719,497</b>   |
| <b>TOTAL EQUITY</b>  |      | <b>853,571</b>   | <b>534,055</b>   | <b>809,592</b>   |
| <b>TOTAL LIABILITIES AND EQUITY</b>                              |      | <b>2,245,876</b> | <b>1,413,612</b> | <b>2,191,918</b> |

## Consolidated interim balance sheet

| Unaudited<br>EUR '000  | Note | 31 March 2008  | 31 March 2007 | 31 Dec 2007    |
|--|------|----------------|---------------|----------------|
| <b>ASSETS</b>  |      |                |               |                |
| <b>Current assets</b>  |      |                |               |                |
| Cash and cash equivalents  |      | 23,809         | 8,529         | 15,090         |
| Trade receivables  | 2    | 22,990         | 21,282        | 32,711         |
| Other receivables and prepayments                                | 3    | 15,671         | 11,451        | 16,908         |
| Deferred tax assets  |      | 122            | 65            | 122            |
| Inventories  | 4    | 27,549         | 18,745        | 25,151         |
| Non-current assets held for sale                                 | 5    | 2,771          | 0             | 2,771          |
| <b>Total current assets</b>                                      |      | <b>92,913</b>  | <b>60,072</b> | <b>92,542</b>  |
| <b>Non-current assets</b>  |      |                |               |                |
| Long-term investments  | 7    | 5,869          | 3,263         | 7,138          |
| Investment property  | 8    | 8,548          | 1,547         | 8,563          |
| Property, plant and equipment                                    | 9    | 17,650         | 14,946        | 14,172         |
| Intangible assets  | 10   | 18,557         | 10,519        | 17,462         |
| <b>Total non-current assets</b>                                  |      | <b>50,625</b>  | <b>30,274</b> | <b>47,336</b>  |
| <b>TOTAL ASSETS</b>  |      | <b>143,538</b> | <b>90,346</b> | <b>140,089</b> |
| <b>LIABILITIES</b>   |      |                |               |                |
| <b>Current liabilities</b>                                       |      |                |               |                |
| Interest-bearing loans and borrowings                            | 12   | 9,662          | 4,938         | 8,683          |
| Trade payables   |      | 18,640         | 11,886        | 21,459         |
| Tax liabilities  |      | 3,094          | 2,870         | 3,501          |
| Other payables and advances received                             | 13   | 24,425         | 22,501        | 36,731         |
| Provisions   | 14   | 516            | 333           | 796            |
| <b>Total current liabilities</b>                                 |      | <b>56,338</b>  | <b>42,528</b> | <b>71,170</b>  |
| <b>Non-current liabilities</b>                                   |      |                |               |                |
| Interest-bearing loans and borrowings                            | 12   | 32,359         | 13,534        | 16,855         |
| Other liabilities  |      | 49             | 31            | 46             |
| Provisions   | 14   | 239            | 120           | 277            |
| <b>Total non-current liabilities</b>                             |      | <b>32,647</b>  | <b>13,686</b> | <b>17,177</b>  |
| <b>TOTAL LIABILITIES</b>   |      | <b>88,985</b>  | <b>56,214</b> | <b>88,347</b>  |
| <b>EQUITY</b>  |      |                |               |                |
| <b>Minority interest</b>   |      | <b>5,565</b>   | <b>2,254</b>  | <b>5,758</b>   |
| Share capital  | 15   | 19,657         | 9,829         | 19,657         |
| Share premium  | 15   | 0              | 6,932         | 0              |
| Statutory capital reserve  |      | 1,369          | 266           | 752            |
| Translation reserve  |      | 292            | 146           | 150            |
| Retained earnings  | 15   | 27,670         | 14,705        | 25,425         |
| <b>Total equity attributable to equity holders of the parent</b> |      | <b>48,989</b>  | <b>31,878</b> | <b>45,984</b>  |
| <b>TOTAL EQUITY</b>  |      | <b>54,553</b>  | <b>34,132</b> | <b>51,742</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>                              |      | <b>143,538</b> | <b>90,346</b> | <b>140,089</b> |

## Consolidated interim income statement

| Unaudited<br>EEK '000                                      | Note   | Q1 2008 | Q1 2007 | 2007      |
|--|--------|---------|---------|-----------|
| Revenue  | 17, 18 | 773,510 | 559,735 | 3,752,028 |
| Cost of sales  | 19     | 672,156 | 493,785 | 3,252,051 |
| Gross profit   |        | 101,354 | 65,950  | 499,977   |
| Marketing expenses   |        | 827     | 532     | 2,395     |
| Administrative expenses                                    | 20     | 43,493  | 29,856  | 176,273   |
| Other operating income                                     | 21     | 7,122   | 2,970   | 16,411    |
| Other operating expenses                                   | 21     | 3,113   | 1,234   | 30,256    |
| Operating profit   |        | 61,043  | 37,298  | 307,464   |
| Financial income   | 22     | 4,559   | 9,825   | 31,486    |
| Financial expenses   | 22     | 19,851  | 6,037   | 30,028    |
| Net financial items  |        | -15,292 | 3,788   | 1,458     |
| Share of profit of equity accounted investees              |        | 16      | 757     | 856       |
| Share of loss of equity accounted investees                |        | 728     | 238     | 4,031     |
| Net share of profit and loss of equity accounted investees |        | -712    | 519     | -3,175    |
| Profit before income tax                                   |        | 45,039  | 41,605  | 305,747   |
| Income tax expense   | 23     | 145     | 10,192  | 15,976    |
| Profit for the period                                      |        | 44,894  | 31,413  | 289,771   |
| Attributable to:   |        |         |         |           |
| Equity holders of the parent                               |        | 46,138  | 29,492  | 267,482   |
| Minority interest  |        | -1,244  | 1,921   | 22,289    |
| Basic earnings per share (in kroons)*                      | 15     | 1.50    | 0.96    | 8.70      |
| Diluted earnings per share (in kroons)*                    | 15     | 1.50    | 0.96    | 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<br>EUR '000                                      | Note   | Q1 2008 | Q1 2007 | 2007    |
|--|--------|---------|---------|---------|
| Revenue  | 17, 18 | 49,436  | 35,774  | 239,798 |
| Cost of sales  | 19     | 42,959  | 31,559  | 207,844 |
| Gross profit   |        | 6,478   | 4,215   | 31,954  |
| Marketing expenses   |        | 53      | 34      | 153     |
| Administrative expenses                                    | 20     | 2,780   | 1,908   | 11,266  |
| Other operating income                                     | 21     | 455     | 190     | 1,049   |
| Other operating expenses                                   | 21     | 199     | 79      | 1,934   |
| Operating profit   |        | 3,901   | 2,384   | 19,651  |
| Financial income   | 22     | 291     | 628     | 2,012   |
| Financial expenses   | 22     | 1,269   | 386     | 1,919   |
| Net financial items  |        | -977    | 242     | 93      |
| Share of profit of equity accounted investees              |        | 1       | 48      | 55      |
| Share of loss of equity accounted investees                |        | 47      | 15      | 258     |
| Net share of profit and loss of equity accounted investees |        | -46     | 33      | -203    |
| Profit before income tax                                   |        | 2,879   | 2,659   | 19,541  |
| Income tax expense   | 23     | 9       | 651     | 1,021   |
| Profit for the period                                      |        | 2,869   | 2,008   | 18,520  |
| Attributable to:   |        |         |         |         |
| Equity holders of the parent                               |        | 2,949   | 1,885   | 17,095  |
| Minority interest  |        | -80     | 123     | 1,425   |
| Basic earnings per share (in euros)*                       | 15     | 0.10    | 0.06    | 0.56    |
| Diluted earnings per share (in euros)*                     | 15     | 0.10    | 0.06    | 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       |               |
|---|-----------------|----------------|----------------|---------------|
|   | Q1 2008         | Q1 2007        | Q1 2008        | Q1 2007       |
| <b>Cash flows from operating activities</b>                               |                 |                |                |               |
| Cash receipts from customers  | 1,041,501       | 654,582        | 66,564         | 41,835        |
| Cash paid to suppliers  | -869,455        | -558,751       | -55,568        | -35,711       |
| Cash paid to and for employees  | -136,073        | -101,174       | -8,697         | -6,466        |
| Income taxes paid   | -20             | -116           | -1             | -7            |
| <b>Net cash from / used in operating activities</b>                       | <b>35,953</b>   | <b>-5,459</b>  | <b>2,298</b>   | <b>-349</b>   |
| <b>Cash flows from investing activities</b>                               |                 |                |                |               |
| Acquisition of property, plant and equipment                              | -2,473          | -3,367         | -158           | -215          |
| Acquisition of intangible assets  | -464            | 0              | -30            | 0             |
| Proceeds from sale of property, plant and equipment and intangible assets | 3,342           | 1,950          | 214            | 125           |
| Acquisition of subsidiaries   | -195,418        | -9,225         | -12,489        | -590          |
| Proceeds from sale of subsidiaries  | 1,482           | 0              | 95             | 0             |
| Transformation of an associate into a subsidiary                          | 699             | 0              | 45             | 0             |
| Proceeds from sale of associates  | 0               | 8,449          | 0              | 540           |
| Acquisition of other investments  | 0               | -4,036         | 0              | -258          |
| Loans granted   | -7,973          | -3,073         | -510           | -196          |
| Repayment of loans granted  | 31,111          | 4,020          | 1,988          | 257           |
| Interest received   | 5,099           | 5,330          | 326            | 341           |
| <b>Net cash used in / from investing activities</b>                       | <b>-164,595</b> | <b>48</b>      | <b>-10,520</b> | <b>3</b>      |
| <b>Cash flows from financing activities</b>                               |                 |                |                |               |
| Proceeds from loans received  | 333,701         | 11,632         | 21,327         | 743           |
| Repayment of loans received   | -49,421         | -6,700         | -3,159         | -428          |
| Payment of finance lease liabilities                                      | -13,499         | -15,311        | -863           | -979          |
| Interest paid   | -5,693          | -4,907         | -364           | -314          |
| Other settlements   | 0               | -1,832         | 0              | -117          |
| <b>Net cash from / used in financing activities</b>                       | <b>265,088</b>  | <b>-17,118</b> | <b>16,942</b>  | <b>-1,094</b> |
| <b>Net cash flow</b>  | <b>136,446</b>  | <b>-22,529</b> | <b>8,720</b>   | <b>-1,440</b> |
| Cash and cash equivalents at beginning of period                          | 236,092         | 155,980        | 15,089         | 9,969         |
| Effect of exchange rate fluctuations                                      | -98             | -5             | -6             | 0             |
| Increase / decrease in cash and cash equivalents                          | 136,446         | -22,529        | 8,720          | -1,440        |
| Cash and cash equivalents at end of period                                | 372,538         | 133,446        | 23,810         | 8,529         |

## Consolidated interim statement of changes in equity

| EEK '000  | Equity attributable to equity holders of the parent |                |                           |                |                   |                | Minority interest | Total          |
|---|---|----------------|---------------------------|----------------|-------------------|----------------|-------------------|----------------|
|   | Share capital                                       | Share premium  | Statutory capital reserve | Other reserves | Retained earnings | Total          |                   |                |
| <b>Balance at 31 December 2006</b>                        | <b>153,784</b>                                      | <b>108,465</b> | <b>4,158</b>              | <b>2,196</b>   | <b>196,326</b>    | <b>464,929</b> | <b>39,291</b>     | <b>504,220</b> |
| Foreign exchange differences                              | 0   | 0              | 0                         | 96             | 0                 | 96             | 59                | 155            |
| Profit for the period                                     | 0   | 0              | 0                         | 0              | 29,492            | 29,492         | 1,921             | 31,413         |
| <b>Total recognised income and expense for the period</b> | <b>0</b>  | <b>0</b>       | <b>0</b>                  | <b>96</b>      | <b>29,492</b>     | <b>29,588</b>  | <b>1,980</b>      | <b>31,568</b>  |
| Increase / decrease of minority interests                 | 0   | 0              | 0                         | 0              | 4,266             | 4,266          | -6000             | 4,266          |
| <b>Balance at 31 March 2007</b>                           | <b>153,784</b>                                      | <b>108,465</b> | <b>4,158</b>              | <b>2,292</b>   | <b>230,085</b>    | <b>498,784</b> | <b>35,271</b>     | <b>534,055</b> |
| <b>Balance at 31 December 2007</b>                        | <b>307,567</b>                                      | <b>0</b>       | <b>11,766</b>             | <b>2,354</b>   | <b>397,810</b>    | <b>719,497</b> | <b>90,095</b>     | <b>809,592</b> |
| Foreign exchange differences                              | 0   | 0              | 0                         | 2,220          | 0                 | 2,220          | 111               | 2,331          |
| Profit for the period                                     | 0   | 0              | 0                         | 0              | 46,138            | 46,138         | -1,244            | 44,894         |
| <b>Total recognised income and expense for the period</b> | <b>0</b>  | <b>0</b>       | <b>0</b>                  | <b>2,220</b>   | <b>46,138</b>     | <b>48,358</b>  | <b>-1,133</b>     | <b>47,225</b>  |
| Transfer to capital reserve                               | 0   | 0              | 9,660                     | 0              | -9,660            | 0              | 0                 | 0              |
| Increase / decrease of minority interests                 | 0   | 0              | 0                         | 0              | -1,351            | -1,351         | -1,895            | -3,246         |
| <b>Balance at 31 March 2008</b>                           | <b>307,567</b>                                      | <b>0</b>       | <b>21,426</b>             | <b>4,574</b>   | <b>432,937</b>    | <b>766,504</b> | <b>87,067</b>     | <b>853,571</b> |

### Consolidated interim statement of changes in equity

| EUR '000  | Equity attributable to equity holders of the parent |               |                           |                |                   | Total         | Minority interest | Total         |
|---|---|---------------|---------------------------|----------------|-------------------|---------------|-------------------|---------------|
|   | Share capital                                       | Share premium | Statutory capital reserve | Other reserves | Retained earnings |               |                   |               |
| <b>Balance at 31 December 2006</b>                        | <b>9,829</b>  | <b>6,932</b>  | <b>266</b>                | <b>140</b>     | <b>12,548</b>     | <b>29,714</b> | <b>2,511</b>      | <b>32,226</b> |
| Foreign exchange differences                              | 0   | 0             | 0                         | 6              | 0                 | 6             | 4                 | 10            |
| Profit for the period                                     | 0   | 0             | 0                         | 0              | 1,885             | 1,885         | 123               | 2,008         |
| <b>Total recognised income and expense for the period</b> | <b>0</b>  | <b>0</b>      | <b>0</b>                  | <b>6</b>       | <b>1,885</b>      | <b>1,891</b>  | <b>127</b>        | <b>2,018</b>  |
| Increase / decrease of minority interests                 | 0   | 0             | 0                         | 0              | 273               | 273           | -383              | 273           |
| <b>Balance at 31 March 2007</b>                           | <b>9,829</b>  | <b>6,932</b>  | <b>266</b>                | <b>146</b>     | <b>14,705</b>     | <b>31,878</b> | <b>2,254</b>      | <b>34,132</b> |
| <b>Balance at 31 December 2007</b>                        | <b>19,657</b>                                       | <b>0</b>      | <b>752</b>                | <b>150</b>     | <b>25,425</b>     | <b>45,984</b> | <b>5,758</b>      | <b>51,742</b> |
| Foreign exchange differences                              | 0   | 0             | 0                         | 142            | 0                 | 142           | 7                 | 149           |
| Profit for the period                                     | 0   | 0             | 0                         | 0              | 2,949             | 2,949         | -80               | 2,869         |
| <b>Total recognised income and expense for the period</b> | <b>0</b>  | <b>0</b>      | <b>0</b>                  | <b>142</b>     | <b>2,949</b>      | <b>3,091</b>  | <b>-72</b>        | <b>3,018</b>  |
| Transfer to capital reserve                               | 0   | 0             | 617                       | 0              | -617              | 0             | 0                 | 0             |
| Increase / decrease of minority interests                 | 0   | 0             | 0                         | 0              | -86               | -86           | -121              | -207          |
| <b>Balance at 31 March 2008</b>                           | <b>19,657</b>                                       | <b>0</b>      | <b>1,369</b>              | <b>292</b>     | <b>27,670</b>     | <b>48,989</b> | <b>5,565</b>      | <b>54,553</b> |

## Notes to the consolidated interim financial statements

### NOTE 1. Significant accounting policies

AS Eesti Ehitus is a company registered in Estonia. Since 18 May 2006 the shares of AS Eesti Ehitus have been listed on the Tallinn Stock Exchange; 61 per cent of the shares are held by AS Nordecon.

The consolidated interim financial statements as at and for the three months ended 31 March 2008 have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union.

According to management's assessment, the consolidated interim financial statements of AS Eesti Ehitus as at and for the three months ended 31 March 2008 give a true and fair view of the Group's result of operations and the parent and all its subsidiaries which are included in the consolidated financial statements are going concerns. The interim consolidated financial statements have not been audited or otherwise checked by auditors and they contain only the consolidated financial statements of the Group.

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

### NOTE 2. Trade receivables

| As at 31 March                 | EEK '000       |                | EUR '000      |               |
|--------------------------------|----------------|----------------|---------------|---------------|
|                                | 2008           | 2007           | 2008          | 2007          |
| Trade receivables              | 377,276        | 333,463        | 24,112        | 21,312        |
| Allowance for impairment       | -17,558        | -473           | -1,122        | -30           |
| <b>Total trade receivables</b> | <b>359,718</b> | <b>332,990</b> | <b>22,990</b> | <b>21,282</b> |

In the first quarter of 2008, the Group recognised additional impairment allowances of 761 thousand kroons (49 thousand euros) and recovered receivables of 945 thousand kroons (60 thousand euros) which had been considered impaired in prior periods.

### NOTE 3. Other receivables and prepayments

| As at 31 March                                 | EEK '000       |                | EUR '000      |               |
|--|----------------|----------------|---------------|---------------|
|  | 2008           | 2007           | 2008          | 2007          |
| Receivables from group companies               | 43,339         | 25,054         | 2,770         | 1,601         |
| Receivables from associates                    | 23,351         | 28,662         | 1,492         | 1,832         |
| Miscellaneous receivables                      | 74,055         | 21,487         | 4,733         | 1,373         |
| Due from customers for contract work           | 75,876         | 69,491         | 4,849         | 4,441         |
| Accrued income                                 | 3,149          | 113            | 201           | 7             |
| Prepaid taxes                                  | 8,070          | 7,460          | 516           | 477           |
| Prepayments for services                       | 17,355         | 26,906         | 1,109         | 1,720         |
| <b>Total other receivables and prepayments</b> | <b>245,195</b> | <b>179,173</b> | <b>15,671</b> | <b>11,451</b> |

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

Prepaid taxes consist of prepaid VAT and prepayments include mainly prepaid insurance premiums.

#### NOTE 4. Inventories

|                                    | EEK '000       |                | EUR '000      |               |
|------------------------------------|----------------|----------------|---------------|---------------|
|                                    | 2008           | 2007           | 2008          | 2007          |
| <b>As at 31 March</b>              |                |                |               |               |
| Raw and other materials            | 28,467         | 34,450         | 1,819         | 2,202         |
| Work in progress                   | 231,399        | 162,986        | 14,789        | 10,417        |
| Prepayments to materials suppliers | 38,770         | 5,001          | 2,478         | 320           |
| Property held for resale           | 132,419        | 90,861         | 8,463         | 5,807         |
| <b>Total inventories</b>           | <b>431,055</b> | <b>293,298</b> | <b>27,549</b> | <b>18,745</b> |

Raw and other materials of 28,467 thousand kroons (1,819 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 231,399 thousand kroons (14,789 thousand euros). Property held for resale comprises registered immovable properties of 132,419 thousand kroons (8,463 thousand euros) acquired for residential construction purposes.

#### NOTE 5. Non-current assets held for sale

|   | EEK '000      |          | EUR '000     |          |
|---|---------------|----------|--------------|----------|
|   | 2008          | 2007     | 2008         | 2007     |
| <b>As at 31 March</b>                         |               |          |              |          |
| Investment property                           | 198           | 0        | 13           | 0        |
| TOV Passage Theatre                           | 37,458        | 0        | 2,394        | 0        |
| European House                                | 5,706         | 0        | 365          | 0        |
| <b>Total non-current assets held for sale</b> | <b>43,362</b> | <b>0</b> | <b>2,771</b> | <b>0</b> |

#### NOTE 6. Acquisition of minority interests

On 12 February 2008, AS Eesti Ehitus purchased from a minority shareholder 2.5 per cent of the minority shareholder's stake in OÜ Eurocon. After the transaction, AS Eesti Ehitus' interest in OÜ Eurocon amounts to 66.5 per cent.

#### Subsidiary OÜ Eurocon's net assets 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 5 February 2008, OÜ Eurocon purchased a 4 per cent stake in TOV Eurocon Ukraine from an individual and became the entity's sole shareholder.

**Subsidiary TOV Eurocon Ukraine's net assets 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                                   |

Negative goodwill of 163 thousand kroons (10 thousand euros) arisen on the acquisition has been recognised as financial income in the income statement.

**NOTE 7. Long-term investments**

|                                     | EEK '000      |               | EUR '000     |              |
|-------------------------------------|---------------|---------------|--------------|--------------|
|                                     | 2008          | 2007          | 2008         | 2007         |
| <b>As at 31 March</b>               |               |               |              |              |
| Investments in associates           | 33,556        | 21,712        | 2,145        | 1,388        |
| Long-term loans to associates       | 45,416        | 13,107        | 2,903        | 838          |
| Other investments                   | 414           | 4,341         | 26           | 277          |
| Long-term trade receivables         | 5,992         | 5,813         | 383          | 372          |
| Miscellaneous long-term receivables | 6,450         | 6,078         | 412          | 388          |
| <b>Total long-term investments</b>  | <b>91,828</b> | <b>51,051</b> | <b>5,869</b> | <b>3,263</b> |

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

Miscellaneous long-term receivables of 6,450 thousand kroons (412 thousand euros) comprise the outstanding balance of the loan granted to European House together with accrued interest.

**NOTE 8. Investment property**

|   | EEK '000       |               | EUR '000     |              |
|---|----------------|---------------|--------------|--------------|
|   | Q1 2008        | Q1 2007       | Q1 2008      | Q1 2007      |
| <b>Investment property at 1 January</b> | 133,984        | 24,199        | 8,563        | 1,547        |
| Depreciation                            | -231           | 0             | -15          | 0            |
| <b>Investment property at 31 March</b>  | <b>133,753</b> | <b>24,199</b> | <b>8,548</b> | <b>1,547</b> |

**NOTE 9. Property, plant and equipment**

| EEK '000                                   | Land and<br>buildings | Plant and<br>equipment | Other items<br>of PP&E | Assets under<br>construction and<br>prepayments | Total   |
|--|-----------------------|------------------------|------------------------|---|---------|
| <b>Cost</b>                                |                       |                        |                        |   |         |
| At 1 January 2008                          | 15,959                | 337,194                | 45,158                 | 2,091   | 400,402 |
| <b>2008</b>                                |                       |                        |                        |   |         |
| Acquisitions through business combinations | 0                     | 433                    | 1,751                  | 56,955  | 59,139  |
| Additions                                  | 0                     | 14,341                 | 963                    | 485   | 15,789  |
| Disposals                                  | 0                     | -15,839                | 0                      | 0   | -15,839 |
| Effect of movements in exchange rates      | 0                     | -496                   | -414                   | 0   | -910    |
| At 31 March 2008                           | 15,959                | 335,633                | 47,458                 | 59,531  | 458,581 |
| <b>Depreciation</b>                        |                       |                        |                        |   |         |
| At 1 January 2008                          | 1,396                 | 157,821                | 19,437                 | 0   | 178,654 |
| <b>2008</b>                                |                       |                        |                        |   |         |
| Depreciation charge for the period         | 141                   | 13,269                 | 2,153                  | 0   | 15,563  |
| Disposals                                  | 0                     | -12,747                | -1,201                 | 0   | -13,948 |
| Effect of movements in exchange rates      | 0                     | 53                     | 2,092                  | 0   | 2,145   |
| At 31 March 2008                           | 1,537                 | 158,396                | 22,481                 | 0   | 182,414 |
| <b>Carrying amount</b>                     |                       |                        |                        |   |         |
| At 1 January 2008                          | 14,563                | 179,373                | 25,721                 | 2,091   | 221,748 |
| At 31 March 2008                           | 14,422                | 177,237                | 24,977                 | 59,531  | 276,167 |

| EUR '000                                   | Land and<br>buildings | Plant and<br>equipment | Other items<br>of PP&E | Assets under<br>construction and<br>prepayments | Total  |
|--|-----------------------|------------------------|------------------------|---|--------|
| <b>Cost</b>                                |                       |                        |                        |   |        |
| At 1 January 2008                          | 1,020                 | 21,551                 | 2,886                  | 134   | 25,590 |
| <b>2008</b>                                |                       |                        |                        |   |        |
| Acquisitions through business combinations | 0                     | 28                     | 112                    | 3,640   | 3,780  |
| Additions                                  | 0                     | 917                    | 62                     | 31  | 1,009  |
| Disposals                                  | 0                     | -1,012                 | 0                      | 0   | -1,012 |
| Effect of movements in exchange rates      | 0                     | -32                    | -26                    | 0   | -58    |
| At 31 March 2008                           | 1,020                 | 21,451                 | 3,033                  | 3,805   | 29,309 |
| <b>Depreciation</b>                        |                       |                        |                        |   |        |
| At 1 January 2008                          | 89                    | 10,087                 | 1,242                  | 0   | 11,418 |
| <b>2008</b>                                |                       |                        |                        |   |        |
| Depreciation charge for the period         | 9                     | 848                    | 138                    | 0   | 995    |
| Disposals                                  | 0                     | -815                   | -77                    | 0   | -891   |
| Effect of movements in exchange rates      | 0                     | 3                      | 134                    | 0   | 137    |
| At 31 March 2008                           | 98                    | 10,123                 | 1437                   | 0   | 11,658 |
| <b>Carrying amount</b>                     |                       |                        |                        |   |        |
| At 1 January 2008                          | 931                   | 11,464                 | 1,644                  | 134   | 14,172 |
| At 31 March 2008                           | 922                   | 11,328                 | 1,596                  | 3,805   | 17,650 |

Additions of 2008 include mainly road construction equipment.

**NOTE 10. Intangible assets**

| EEK '000                                   | Positive goodwill | Software licences | Trademarks | Research and development costs | Total   |
|--|-------------------|-------------------|------------|--------------------------------|---------|
| <b>Cost</b>                                |                   |                   |            |                                |         |
| At 1 January 2008                          | 262,316           | 1,360             | 10,000     | 3,716                          | 277,392 |
| <b>2008</b>                                |                   |                   |            |                                |         |
| Acquisitions through business combinations | 17,230            | 0                 | 0          | 0                              | 17,230  |
| Additions                                  | 0                 | 0                 | 0          | 464                            | 464     |
| Effect of movements in exchange rates      | 0                 | -2                | 0          | 0                              | -2      |
| At 31 March 2008                           | 279,546           | 1,358             | 10,000     | 4,180                          | 295,084 |
| <b>Amortisation</b>                        |                   |                   |            |                                |         |
| At 1 January 2008                          | 0                 | 669               | 3,500      | 0                              | 4,169   |
| <b>2008</b>                                |                   |                   |            |                                |         |
| Amortisation charge for the period         | 0                 | 60                | 500        | 0                              | 560     |
| Effect of movements in exchange rates      | 0                 | -1                | 0          | 0                              | -1      |
| At 31 March 2008                           | 0                 | 728               | 4,000      | 0                              | 4,728   |
| <b>Carrying amount</b>                     |                   |                   |            |                                |         |
| At 1 January 2008                          | 262,316           | 691               | 6,500      | 3,716                          | 273,223 |
| At 31 March 2008                           | 279,546           | 630               | 6,000      | 4,180                          | 290,356 |

| EUR '000                                   | Positive goodwill | Software licences | Trademarks | Research and development costs | Total  |
|--|-------------------|-------------------|------------|--------------------------------|--------|
| <b>Cost</b>                                |                   |                   |            |                                |        |
| At 1 January 2008                          | 16,765            | 87                | 639        | 237                            | 17,729 |
| <b>2008</b>                                |                   |                   |            |                                |        |
| Acquisitions through business combinations | 1,101             | 0                 | 0          | 0                              | 1,101  |
| Additions                                  | 0                 | 0                 | 0          | 30                             | 30     |
| Effect of movements in exchange rates      | 0                 | 0                 | 0          | 0                              | 0      |
| At 31 March 2008                           | 17,866            | 87                | 639        | 267                            | 18,859 |
| <b>Amortisation</b>                        |                   |                   |            |                                |        |
| At 1 January 2008                          | 0                 | 43                | 224        | 0                              | 266    |
| <b>2008</b>                                |                   |                   |            |                                |        |
| Amortisation charge for the period         | 0                 | 4                 | 32         | 0                              | 36     |
| Effect of movements in exchange rates      | 0                 | 0                 | 0          | 0                              | 0      |
| At 31 March 2008                           | 0                 | 47                | 256        | 0                              | 302    |
| <b>Carrying amount</b>                     |                   |                   |            |                                |        |
| At 1 January 2008                          | 16,765            | 44                | 415        | 237                            | 17,462 |
| At 31 March 2008                           | 17,866            | 40                | 383        | 267                            | 18,557 |

**NOTE 11. Finance and operating leases**

| <b>Finance lease liability</b>            | EEK '000       |                | EUR '000     |              |
|---|----------------|----------------|--------------|--------------|
|   | <b>2008</b>    | <b>2007</b>    | <b>2008</b>  | <b>2007</b>  |
| <b>As at 31 March</b>                     |                |                |              |              |
| Payable in less than one year             | 35,673         | 39,816         | 2,280        | 2,545        |
| Payable between one and five years        | 88,216         | 72,525         | 5,638        | 4,635        |
| <b>Total</b>                              | <b>123,889</b> | <b>112,341</b> | <b>7,918</b> | <b>7,180</b> |
| Principal payments made during the period | 13,499         | 15,426         | 863          | 986          |
| Interest payments made during the period  | 1,626          | 1,318          | 104          | 84           |
| Base currency EUR                         | 120,910        | 111,510        | 7,728        | 7,127        |
| Base currency UAH                         | 2,979          | 831            | 190          | 53           |
| 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%      |

| <b>Operating lease rentals paid for</b>   | EEK '000           |                    | EUR '000           |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | <b>Q1<br/>2008</b> | <b>Q1<br/>2007</b> | <b>Q1<br/>2008</b> | <b>Q1<br/>2007</b> |
| Cars                                      | 4,081              | 3,325              | 261                | 213                |
| Construction equipment                    | 5,418              | 4,576              | 346                | 292                |
| Premises                                  | 2,108              | 1,837              | 135                | 117                |
| Software                                  | 1,989              | 1,674              | 127                | 107                |
| <b>Total operating lease rentals paid</b> | <b>13,596</b>      | <b>11,412</b>      | <b>869</b>         | <b>729</b>         |

**NOTE 12. Interest-bearing loans and borrowings**

| <b>As at 31 March</b>                         | EEK '000       |                | EUR '000      |               |
|---|----------------|----------------|---------------|---------------|
|   | <b>2008</b>    | <b>2007</b>    | <b>2008</b>   | <b>2007</b>   |
| Short-term bank loans                         | 26,755         | 18,816         | 1,710         | 1,203         |
| Current portion of long-term bank loans       | 69,712         | 18,638         | 4,455         | 1,191         |
| Other loans                                   | 19,044         | 0              | 1,217         | 0             |
| Finance lease liabilities                     | 35,673         | 39,816         | 2,280         | 2,545         |
| <b>Total current loans and borrowings</b>     | <b>151,184</b> | <b>77,270</b>  | <b>9,662</b>  | <b>4,938</b>  |
| Long-term bank loans                          | 395,347        | 139,236        | 25,267        | 8,899         |
| Other loans                                   | 22,745         | 0              | 1,454         | 0             |
| Long-term finance lease liabilities           | 88,216         | 72,525         | 5,638         | 4,635         |
| <b>Total non-current loans and borrowings</b> | <b>506,308</b> | <b>211,761</b> | <b>32,359</b> | <b>13,534</b> |

On 9 January 2008, AS Eesti Ehitus borrowed 11,966 thousand euros from Sampo Pank under a long-term loan agreement in order to finance the acquisition of the shares in AS Eston Ehitus. The loan is secured with a pledge of the shares in AS Eston Ehitus. The loan is repaid in quarterly instalments. The loan term expires in January 2013.

## NOTE 13. Other payables and advances received

### Current payables and advances received

|   | EEK '000       |                | EUR '000      |               |
|---|----------------|----------------|---------------|---------------|
|   | 2008           | 2007           | 2008          | 2007          |
| <b>As at 31 March</b>   |                |                |               |               |
| Payables to the parent and other group companies                | 7,414          | 2,213          | 474           | 141           |
| Payables to associates  | 147            | 0              | 9             | 0             |
| Payables to employees   | 59,693         | 50,706         | 3,815         | 3,241         |
| Progress payments received in excess of contract work completed | 110,504        | 153,935        | 7,062         | 9,838         |
| Accrued expenses  | 6,746          | 9,446          | 431           | 604           |
| Miscellaneous payables  | 171,642        | 122,690        | 10,970        | 7,841         |
| Customer advances for goods and services                        | 26,022         | 13,068         | 1,663         | 835           |
| <b>Total other payables and advances received</b>               | <b>382,168</b> | <b>352,058</b> | <b>24,425</b> | <b>22,501</b> |

Payables to employees comprise remuneration and bonuses payable and accrued vacation pay liabilities.

Accrued expenses include unpaid loan interest of 5,490 thousand kroons (351 thousand euros) which is not due yet.

Progress payments received in excess of contract work completed is related to the accounting for construction contracts and comprises the difference between progress billings and contract revenue recognised by reference to the stage of completion of contract activity.

Miscellaneous payables include estimated project expenses.

## NOTE 14. Provisions

### Warranties provisions

|                                    | EEK '000      |              | EUR '000   |            |
|------------------------------------|---------------|--------------|------------|------------|
|                                    | 2008          | 2007         | 2008       | 2007       |
| <b>As at 31 March</b>              |               |              |            |            |
| Current warranties provisions      | 8,078         | 5,214        | 516        | 333        |
| Non-current warranties provisions  | 3,739         | 1,885        | 239        | 120        |
| <b>Total warranties provisions</b> | <b>11,817</b> | <b>7,099</b> | <b>755</b> | <b>454</b> |

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

## NOTE 15. Equity

### Shares

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

### Dividends

The board has proposed that the profit for 2007 be used to make the following dividend distribution:

|          |                       |  |
|----------|-----------------------|--|
| In 2008: | 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 |         |
|-----------------------------------|-----------------------------|----------|---------|----------|---------|
|                                   |                             | Q1 2008  | Q1 2007 | Q1 2008  | Q1 2007 |
| Profit for the period             | Thousands of currency units | 46,138   | 29,492  | 2,949    | 1,885   |
| Weighted average number of shares | Thousands                   | 30,757   | 30,757  | 1,966    | 1,966   |
| Basic earnings per share          |                             | 1.50     | 0.96    | 0.10     | 0.06    |
| Diluted earnings per share        |                             | 1.50     | 0.96    | 0.10     | 0.06    |

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

#### NOTE 16. Participation in joint ventures

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

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

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

|                                | For Q1 or at 31 March 2008 |          |                         |          | For Q1 or at 31 March 2007 |          |
|--------------------------------|----------------------------|----------|-------------------------|----------|----------------------------|----------|
|                                | EEK '000                   | EUR '000 | EEK '000                | EUR '000 | EEK '000                   | EUR '000 |
|                                | Partnership contract I     |          | Partnership contract II |          | Partnership contract I     |          |
| Income                         | 82,596                     | 5,279    | 95,778                  | 6,121    | 20,609                     | 1,317    |
| Including the reporting period | -1,738                     | -111     | 9,507                   | 608      | 11,795                     | 754      |
| Expenses                       | 74,881                     | 4,786    | 83,657                  | 5,347    | 19,295                     | 1,233    |
| Including the reporting period | -647                       | -41      | 8,304                   | 531      | 11,016                     | 704      |
| Receivables                    | 7,779                      | 497      | 5,728                   | 366      | 12,229                     | 782      |
| Payables                       | 4,692                      | 300      | 15,886                  | 1,015    | 9,477                      | 606      |
| Including to venture partners  | 0                          | 0        | 13,085                  | 836      | 0                          | 0        |

**NOTE 17. Segment reporting – business segments**

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

**Business segments**

| EEK '000   | Residential and non-residential |         | Civil engineering |         | Eliminations |         | Consolidated |           |
|--|---------------------------------|---------|-------------------|---------|--------------|---------|--------------|-----------|
|  | Q1 2008                         | Q1 2007 | Q1 2008           | Q1 2007 | Q1 2008      | Q1 2007 | Q1 2008      | Q1 2007   |
| Construction contract revenue                        | 648,223                         | 307,442 | 116,739           | 247,956 | 0            | 0       | 764,962      | 555,398   |
| Other revenue  | 4,983                           | 2,257   | 3,565             | 2,080   | 0            | 0       | 8,548        | 4,337     |
| Total revenue from external customers                | 653,206                         | 309,699 | 120,304           | 250,036 | 0            | 0       | 773,510      | 559,735   |
| Inter-segment revenue                                | 15,336                          | 70,850  | 1,648             | 11,912  | -16,984      | -82,762 | 0            | 0         |
| Total revenue  | 668,542                         | 380,549 | 121,952           | 261,948 | -16,984      | -82,762 | 773,510      | 559,735   |
| Segment result                                       | 77,527                          | 49,158  | 23,827            | 18,713  | 0            | 0       | 101,354      | 65,950    |
| Unallocated expenses                                 | 0                               | 0       | 0                 | 0       | 0            | 0       | -40,311      | -28,652   |
| Operating profit                                     | 0                               | 0       | 0                 | 0       | 0            | 0       | 61,043       | 37,298    |
| Net financial items                                  | 0                               | 0       | 0                 | 0       | 0            | 0       | -15,292      | 3,788     |
| Share of profit / loss of equity accounted investees | -728                            | -135    | 16                | 654     | 0            | 0       | -712         | 519       |
| Income tax expense                                   | 0                               | 0       | 0                 | 0       | 0            | 0       | -145         | -10,192   |
| Profit for the period                                |                                 |         |                   |         |              |         | 44,894       | 31,413    |
| Segment assets                                       | 1,294,489                       | 831,324 | 917,831           | 560,576 | 0            | 0       | 2,212,320    | 1,391,900 |
| Investments in associates                            | 22,995                          | 17,869  | 10,561            | 3,843   | 0            | 0       | 33,556       | 21,712    |
| Total assets   |                                 |         |                   |         |              |         | 2,245,876    | 1,413,612 |
| Segment liabilities                                  | 356,722                         | 284,700 | 366,274           | 560,576 | 0            | 0       | 722,996      | 583,427   |
| Warranty liabilities                                 | 10,765                          | 5,007   | 1,052             | 2,092   | 0            | 0       | 11,817       | 7,099     |
| Unallocated liabilities                              | 0                               | 0       | 0                 | 0       | 0            | 0       | 657,492      | 289,031   |
| Total liabilities                                    |                                 |         |                   |         |              |         | 1,392,305    | 879,557   |
| Cash flows from operating activities                 | 53,205                          | 12,496  | -17,252           | -17,955 | 0            | 0       | 35,953       | -5,459    |
| Cash flows from investing activities                 | -166,266                        | 18,889  | 1,671             | -18,841 | 0            | 0       | -164,595     | 48        |
| Cash flows from financing activities                 | 268,293                         | -464    | -3,205            | -16,654 | 0            | 0       | 265,088      | -17,118   |
| Net cash flows                                       | 155,232                         | 30,921  | -18,786           | -53,450 | 0            | 0       | 136,446      | -22,529   |
| Capital expenditure                                  | 31,904                          | 5,394   | 1,579             | 21,241  | 0            | 0       | 33,483       | 26,635    |
| Depreciation and amortisation expense                | 3,667                           | 2,047   | 12,456            | 12,274  | 0            | 0       | 16,123       | 14,321    |

**Business segments (continued)**

| EUR '000   | Residential and non-residential |         | Civil engineering |         | Eliminations |         | Consolidated |         |
|--|---------------------------------|---------|-------------------|---------|--------------|---------|--------------|---------|
|  | Q1 2008                         | Q1 2007 | Q1 2008           | Q1 2007 | Q1 2008      | Q1 2007 | Q1 2008      | Q1 2007 |
| Construction contract revenue                        | 41,429                          | 19,649  | 7,461             | 15,847  | 0            | 0       | 48,890       | 35,496  |
| Other revenue  | 318                             | 144     | 228               | 133     | 0            | 0       | 546          | 277     |
| Total revenue from external customers                | 41,747                          | 19,793  | 7,689             | 15,980  | 0            | 0       | 49,436       | 35,774  |
| Inter-segment revenue                                | 980                             | 4,528   | 105               | 761     | -1,085       | -5,289  | 0            | 0       |
| Total revenue  | 42,728                          | 24,322  | 7,794             | 16,742  | -1,085       | -5,289  | 49,436       | 35,774  |
| Segment result                                       | 4,955                           | 3,142   | 1,523             | 1,196   | 0            | 0       | 6,478        | 4,215   |
| Unallocated expenses                                 | 0                               | 0       | 0                 | 0       | 0            | 0       | -2,576       | -1,831  |
| Operating profit                                     | 0                               | 0       | 0                 | 0       | 0            | 0       | 3,901        | 2,384   |
| Net financial items                                  | 0                               | 0       | 0                 | 0       | 0            | 0       | -977         | 242     |
| Share of profit / loss of equity accounted investees | -47                             | -9      | 1                 | 42      | 0            | 0       | -46          | 33      |
| Income tax expense                                   | 0                               | 0       | 0                 | 0       | 0            | 0       | -9           | -651    |
| Profit for the period                                |                                 |         |                   |         |              |         | 2,869        | 2,008   |
| Segment assets                                       | 82,733                          | 53,131  | 58,660            | 35,827  | 0            | 0       | 141,393      | 88,959  |
| Investments in associates                            | 1470                            | 1142    | 675               | 246     | 0            | 0       | 2,145        | 1,388   |
| Total assets   |                                 |         |                   |         |              |         | 143,538      | 90,346  |
| Segment liabilities                                  | 22,799                          | 18,196  | 23,409            | 35,827  | 0            | 0       | 46,208       | 37,288  |
| Warranty liabilities                                 | 688                             | 320     | 67                | 134     | 0            | 0       | 755          | 454     |
| Unallocated liabilities                              | 0                               | 0       | 0                 | 0       | 0            | 0       | 42,021       | 18,472  |
| Total liabilities                                    |                                 |         |                   |         |              |         | 88,985       | 56,214  |
| Cash flows from operating activities                 | 3,400                           | 799     | -1,103            | -1,148  | 0            | 0       | 2,298        | -349    |
| Cash flows from investing activities                 | -10,626                         | 1,207   | 107               | -1,204  | 0            | 0       | -10,520      | 3       |
| Cash flows from financing activities                 | 17,147                          | -30     | -205              | -1,064  | 0            | 0       | 16,942       | -1,094  |
| Net cash flows                                       | 9,921                           | 1,976   | -1,201            | -3,416  | 0            | 0       | 8,720        | -1,440  |
| Capital expenditure                                  | 2,039                           | 345     | 101               | 1,358   | 0            | 0       | 2,140        | 1,702   |
| Depreciation and amortisation expense                | 234                             | 131     | 796               | 784     | 0            | 0       | 1,030        | 915     |

Unallocated liabilities include loans and borrowings.

**NOTE 18. Segment reporting – geographical segments**

|                      | EEK '000       |                | EUR '000      |               |
|----------------------|----------------|----------------|---------------|---------------|
|                      | Q1 2008        | Q1 2007        | Q1 2008       | Q1 2007       |
| <b>Revenue</b>       |                |                |               |               |
| Estonia              | 633,283        | 466,290        | 40,474        | 29,801        |
| Ukraine              | 125,541        | 94,581         | 8,024         | 6,045         |
| Lithuania            | 15,052         | 0              | 962           | 0             |
| Eliminations         | -366           | -1,136         | -23           | -73           |
| <b>Total revenue</b> | <b>773,510</b> | <b>559,735</b> | <b>49,436</b> | <b>35,774</b> |

**Segment assets based on geographical location**

|                             |                  |                  |                |               |
|-----------------------------|------------------|------------------|----------------|---------------|
| Estonia                     | 2,089,425        | 1,246,723        | 133,539        | 79,680        |
| Ukraine                     | 277,250          | 218,787          | 17,720         | 13,983        |
| Lithuania                   | 12,667           | 0                | 810            | 0             |
| Eliminations                | -133,465         | -70,135          | -8,530         | -4,482        |
| <b>Total segment assets</b> | <b>2,245,877</b> | <b>1,395,375</b> | <b>143,538</b> | <b>89,181</b> |

EEK '000

| Capital expenditures in Q1 2008              | Estonia       | Ukraine       | Total         |
|--|---------------|---------------|---------------|
| Property, plant and equipment                | 15,029        | 760           | 15,799        |
| Intangible assets                            | 7,119         | 10,575        | 17,694        |
| <b>Total capital expenditures in Q1 2008</b> | <b>22,148</b> | <b>11,335</b> | <b>33,483</b> |

EUR '000

| Capital expenditures in Q1 2008              | Estonia      | Ukraine    | Total        |
|--|--------------|------------|--------------|
| Property, plant and equipment                | 961          | 49         | 1,010        |
| Intangible assets                            | 455          | 676        | 1,131        |
| <b>Total capital expenditures in Q1 2008</b> | <b>1,416</b> | <b>724</b> | <b>2,140</b> |

EEK '000

| Capital expenditures in Q1 2007              | Estonia       | Ukraine      | Total         |
|--|---------------|--------------|---------------|
| Property, plant and equipment                | 25,300        | 1,196        | 26,496        |
| Intangible assets                            | 139           | 0            | 139           |
| <b>Total capital expenditures in Q1 2007</b> | <b>25,439</b> | <b>1,196</b> | <b>26,635</b> |

EUR '000

| Capital expenditures in Q1 2007              | Estonia      | Ukraine   | Total        |
|--|--------------|-----------|--------------|
| Property, plant and equipment                | 1,617        | 76        | 1,693        |
| Intangible assets                            | 9            | 0         | 9            |
| <b>Total capital expenditures in Q1 2007</b> | <b>1,626</b> | <b>76</b> | <b>1,702</b> |

**NOTE 19. Cost of sales**

|  | EEK '000       |                | EUR '000      |               |
|--|----------------|----------------|---------------|---------------|
|  | Q1 2008        | Q1 2007        | Q1 2008       | Q1 2007       |
| Depreciation and amortisation expense      | 14,578         | 13,486         | 932           | 862           |
| Personnel expenses                         | 77,861         | 56,583         | 4,976         | 3,616         |
| Cost of materials, goods and services used | 573,864        | 420,497        | 36,677        | 26,875        |
| Other expenses                             | 4,263          | 3,219          | 272           | 206           |
| <b>Total cost of sales</b>                 | <b>672,156</b> | <b>493,785</b> | <b>42,959</b> | <b>31,559</b> |

**NOTE 20. Administrative expenses**

|  | EEK '000      |               | EUR '000     |              |
|--|---------------|---------------|--------------|--------------|
|  | Q1 2008       | Q1 2007       | Q1 2008      | Q1 2007      |
| Depreciation and amortisation expense      | 1,545         | 835           | 99           | 53           |
| Personnel expenses                         | 27,531        | 17,788        | 1,760        | 1,137        |
| Cost of materials, goods and services used | 11,143        | 9,088         | 712          | 581          |
| Other expenses                             | 3,274         | 2,145         | 209          | 137          |
| <b>Total administrative expenses</b>       | <b>43,493</b> | <b>29,856</b> | <b>2,780</b> | <b>1,908</b> |

**NOTE 21. Other operating income and expenses**

**Other operating income**

|  | EEK '000     |              | EUR '000   |            |
|--|--------------|--------------|------------|------------|
|  | Q1 2008      | Q1 2007      | Q1 2008    | Q1 2007    |
| Gains on sale of property, plant and equipment and intangible assets | 1,934        | 2,780        | 124        | 178        |
| Foreign exchange gains   | 42           | 123          | 3          | 8          |
| Other income   | 5,146        | 67           | 329        | 4          |
| <b>Total other operating income</b>                                  | <b>7,122</b> | <b>2,970</b> | <b>455</b> | <b>190</b> |

**Other operating expenses**

|  | EEK '000     |              | EUR '000   |           |
|--|--------------|--------------|------------|-----------|
|  | Q1 2008      | Q1 2007      | Q1 2008    | Q1 2007   |
| Write-off of property, plant and equipment and intangible assets | 33           | 880          | 2          | 56        |
| Foreign exchange losses  | 470          | 45           | 30         | 3         |
| Losses from doubtful and irrecoverable receivables               | -184         | 0            | -12        | 0         |
| Membership fees  | 97           | 86           | 6          | 5         |
| Other expenses   | 2,697        | 223          | 172        | 14        |
| <b>Total other operating expenses</b>                            | <b>3,113</b> | <b>1,234</b> | <b>199</b> | <b>79</b> |

**NOTE 22. Financial income and expenses**

**Financial income**

|                                       | EEK '000     |              | EUR '000   |            |
|---------------------------------------|--------------|--------------|------------|------------|
|                                       | Q1 2008      | Q1 2007      | Q1 2008    | Q1 2007    |
| Gains on sale of shares in associates | 0            | 6,309        | 0          | 403        |
| Other financial income                | 4,556        | 1,886        | 291        | 121        |
| Foreign exchange gains                | 1            | 1,630        | 0          | 104        |
| <b>Total financial income</b>         | <b>4,559</b> | <b>9,825</b> | <b>291</b> | <b>628</b> |

**Financial expenses**

|                                 | EEK '000      |              | EUR '000     |            |
|---------------------------------|---------------|--------------|--------------|------------|
|                                 | Q1 2008       | Q1 2007      | Q1 2008      | Q1 2007    |
| Interest expense                | 8,442         | 3,227        | 540          | 206        |
| Other financial expenses        | 11            | 23           | 1            | 1          |
| Foreign exchange losses         | 11,398        | 2,787        | 728          | 178        |
| <b>Total financial expenses</b> | <b>19,851</b> | <b>6,037</b> | <b>1,269</b> | <b>386</b> |

**NOTE 23. Income tax expense**

|                                 | EEK '000   |               | EUR '000 |            |
|---------------------------------|------------|---------------|----------|------------|
|                                 | Q1 2008    | Q1 2007       | Q1 2008  | Q1 2007    |
| Income tax on dividends paid    | 0          | 9,237         | 0        | 590        |
| Income tax on profit earned     | 145        | 955           | 9        | 61         |
| <b>Total income tax expense</b> | <b>145</b> | <b>10,192</b> | <b>9</b> | <b>651</b> |

#### NOTE 24. Transactions with related parties

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

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

In the preparation of the consolidated interim financial statements, all intra-group receivables and liabilities, intra-group transactions, and related 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   | 5,808        | 154           | 371        | 10           |
| Subsidiaries of AS Nordecon                                     | 722          | 65,466        | 46         | 4,184        |
| Companies related to a member of the council of AS Eesti Ehitus | 0            | 988           | 0          | 63           |
| <b>Total</b>  | <b>6,530</b> | <b>66,608</b> | <b>417</b> | <b>4,257</b> |

| Substance of transactions performed | EEK '000     |               | EUR '000   |              |
|-------------------------------------|--------------|---------------|------------|--------------|
|                                     | Purchases    | Sales         | Purchases  | Sales        |
| Construction contracts              | 0            | 66,454        | 0          | 4,247        |
| Purchase and sale of goods          | 0            | 154           | 0          | 10           |
| Leases and other services           | 6,530        | 0             | 417        | 0            |
| <b>Total</b>                        | <b>6,530</b> | <b>66,608</b> | <b>417</b> | <b>4,257</b> |

**Receivables from and liabilities to related parties break down as follows:**

|   | EEK '000       |              |               |              | EUR '000      |            |               |            |
|---|----------------|--------------|---------------|--------------|---------------|------------|---------------|------------|
|   | 31 March 2008  |              | 31 March 2007 |              | 31 March 2008 |            | 31 March 2007 |            |
|   | Receivable     | Payable      | Receivable    | Payable      | Receivable    | Payable    | Receivable    | Payable    |
| AS Nordecon   | 106            | 2,205        | 5             | 2,184        | 7             | 141        | 0             | 140        |
| Subsidiaries of AS Nordecon                                     | 43,233         | 5,209        | 25,049        | 29           | 2,763         | 333        | 1,601         | 2          |
| Companies related to a member of the council of AS Eesti Ehitus | 0              | 1,189        | 1,614         | 0            | 0             | 76         | 103           | 0          |
| Associates  | 68,766         | 147          | 41,769        | 0            | 4,395         | 9          | 2,670         | 0          |
| <b>Total</b>  | <b>112,105</b> | <b>8,750</b> | <b>68,437</b> | <b>2,213</b> | <b>7,165</b>  | <b>559</b> | <b>4,374</b>  | <b>141</b> |

In the first quarter of 2008, the remuneration of the members of the council of AS Eesti Ehitus Group totalled 270 thousand kroons (17 thousand euros) and the remuneration of the members of the board of AS Eesti Ehitus amounted to 2,575 thousand kroons (165 thousand euros).

## Signatures

The board of AS Eesti Ehitus has prepared the company's consolidated interim financial statements for the first quarter of 2008 (unaudited) which are presented on pages 3 to 31.

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