



# Q VARA

Consolidated financial report for the 12 months of 2007

## **Q Vara AS**

Beginning of the first quarter: January 1, 2007;  
End of the first quarter: December 31, 2007;  
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Main activities: Real estate development;  
Construction;  
Property management;  
Supervisory Council: Alo Lillepea, Jürgen Järvik, Ivo Lillepea;  
Management Board: Meelis Šokman, Andre Poopuu;  
Auditor: AS Deloitte Audit Eesti.

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## Financial summary

### Income Statement

|                       | 12m 2007 | 12m 2006 | 12m 2007 | 12m 2006 |
|-----------------------|----------|----------|----------|----------|
| <i>(thousands)</i>    | EEK      | EEK      | EUR      | EUR      |
| Revenue               | 120 494  | 144 761  | 7 701    | 9 252    |
| Sales revenue         | 85 517   | 39 596   | 5 466    | 2 531    |
| Operating profit/loss | -20 501  | 77 722   | -1 310   | 4 967    |
| Net profit/loss       | -17 920  | 93 611   | -1 145   | 5 983    |

### Balance Sheet

|                     | 31.12.2007 | 31.12.2006 | 30.09.2006 | 31.03.2006 |
|---------------------|------------|------------|------------|------------|
| <i>( thousands)</i> | EEK        | EEK        | EUR        | EUR        |
| Total assets        | 813 018    | 765 237    | 51 961     | 48 909     |
| Total liabilities   | 589 355    | 460 269    | 37 667     | 29 417     |
| Total equity        | 223 663    | 304 968    | 14 295     | 19 492     |
| Minority interests  | 171 252    | 256 280    | 10 945     | 16 378     |

## Management report

### Sofia project

In the second half of 2007 Q Vara realized its Sofia project that was purchased in 2006 when Q Vara invested 2 984 thousand euros. As a result of the sales transaction Q Vara received altogether 5 937 thousand euros from loan repayments and the sale of shares. The project's significant value increase resulted from the market development but even more from the project volume growth through the development activities. The project's sales decision was based on a very good offer from the buyer and a high return on investment resulting from that. The sales proceeds were used for partial repayment of high yield loans from AS Gild Arbitrage and for financing Silukalni project's construction works and Jonathan project's planning. The profit from the sale of Sofia project is recorded under the financial expenses in the profit and loss statement.

### Sales and margins

Q Vara's consolidated sales revenues were 85 517 estonian kroons (hereinafter "kroons") in 2007 that was 35% more than in 2006. The largest part of the total revenues was derived from AS Q Vara's sales revenues in Estonia (62 977 thousand kroons) that was followed by SIA Q Estate's sales revenues in Latvia (19 043 thousand kroons). The sales revenues of other group companies were lower and formed the remainder. The gross profit from the sales in Estonia was 18 283 thousand kroons but in Latvia there was a gross loss that amounted 13 991 thousand kroons. The 29% gross margin in Estonia was as expected but the negative gross margin in Latvia was extraordinary. The results in Latvia were influenced by ten apartments in Silukalni project that were sold in in 2005 but that were finished and handed over in 2007 which caused the construction price to exceed the sales price. Based on this Q Vara's management considered seriously Silukalni project's inventory revaluation but after consulting the auditors and construction specialists and receiving the updated construction budget it decided that the revaluation is not necessary. More specifically the decision was based on the decreased construction prices in Latvia.

### Financial expenses

The 2007 results were significantly affected by financial expenses that consisted of the interest expense of AS Gild Arbitrage's loan (19 917 thousand kroons) and bond issue interest expense (8 616 thousand kroons). Still the net financial result was positive as a result of the profit from the sale of Sofia project. In the second half of 2007 the amount of AS Gild Arbitrage's loan was reduced by repaying 36 739 thousand kroons and the remaining 47 253 thousand kroon amount is expected to be repaid during 2008. The repayment of of AS Gild Arbitrage's loan will reduce Q Vara's financial expenses significantly.

#### General development expense to sales revenue ratio

By the beginning of 2007 Q Vara was built up considering much higher growth and larger development volume than 2007 actually brought. Because of the changes that took place in the market and the decreased volume of simultaneously developed projects the management of Q Vara started to reduce general development expenses. The general development expenses are expected to be 30% lower in 2008 than the same expenses were in 2007. Personnel and office expenses were the main cost reduction areas.

#### Revenue expectation

The revenue expectation for 2008 is 200 - 250 million kroons from which the conservative gross margin expectation is 20%. As a result of the increased revenues and the cost reduction that was described in the last paragraph the gross profit covers the group's general development expenses in 2008 again. The revenue forecast is based on the fact that Q Vara has five projects simultaneously in the sales phase – Kirsiaed and Terminal No. 11 in Estonia, Silukalni and 365 in Latvia and Trophy in Lithuania. All projects sell products to different customer segments in different markets that creates wider client base compared to 2007. The forecast also assumes very slow sales pace which is derived from the actual sales figures of Kirsiaed in 2007. So actually the company's internal goals exceed the forecasts presented above.

#### Trophy project

Q Vara's first project in Lithuania received the detail plan in the second half of 2007 and the construction permit in the first quarter of 2008. The project's construction is expected to begin in the second quarter of 2008 and the construction period will be 12 months. In January 2008 the pre-sales was launched and by March 6, 2008 already 6 apartments out of 31 were pre-sold at the average price of 43 185 kroons per sqm. There are negotiations going on with three additional clients. Considering that the marketing campaign has not been launched yet the sales results have been very successful.

#### Maakri

During 2007 Maakri project went through significant developments. In addition to the establishment of AS Maakri City in the first half of 2007 the initial task for the architectural competition was finished in the fourth quarter. The initial task was presented to the City of Tallinn that started to prepare the competition. The initial task was based on the finished traffic analysis and hydrogeological survey that both support more than 100 000 sqm development volume in Maakri block. Q Vara's subsidiary OÜ Stansfield holds approximately 20% share of the whole land area in the Maakri Block. According to the management's estimations the Maakri project's potential value in case of positive developments significantly exceeds its current balance sheet value.

### Terminal No. 11 project

Because of the banks' very conservative outlook in the Baltic countries Q Vara began searching long-term financial investors into its development projects. Terminal No. 11 was the first project that reached the detailed negotiations phase and on March 3, 2008 Q Vara signed a letter of intent with a German company HIH Global Invest GmbH for raising 73 383 thousand kroons of additional capital into the project. The transaction structure as agreed in the LOI was disclosed in Q Vara's stock exchange release on March 5, 2008. Q Vara is also in negotiations with other investors with whom the company expects to start cooperation on various new projects.

### Cash flows

Managing the cash flows was difficult in 2007 because most of Q Vara's projects were in the development (cost) phase. The additional pressure on cash flows was generated by decreased demand in the real estate market and by the changes in banks' financing policy. In order to strengthen the cash flows Q Vara decreased general and financial expenses in 2007 and started raising project specific long-term capital from financial investors. In 2008 also the increased sales revenues will improve cash flows considerably.

### **Financial results**

#### Operating revenues

Q Vara's consolidated operating revenues for the twelve months in 2007 amounted 120 494 thousand kroons (2006: 227 643 thousand kroons). The total amount consisted of the following items: 85 517 thousand kroons from sales (2006: 63 231 thousand kroons), 31 306 thousand kroons from real estate investments' revaluation (2006: 161 545 thousand kroons) and 3 671 thousand kroons from other revenues (2006: 2 867 thousand kroons).

Lower operating revenues were the result of significantly smaller amount of real estate investments' revaluation profit (compared to 2006 the real estate investments' revaluation profit decreased by 130 239 thousand kroons) which in the current market situation is a logical change. The company's management estimates that as of the end of 2007 the fair values of Maakri and Terminal No. 11 projects significantly exceeded the balance sheet values but to be conservative in the today's unclear market the management decided not to revalue the projects.

#### Net result

Q Vara's consolidated net loss for the 12 months of 2007 was 17 920 thousand kroons (2006 net profit: 79 831 thousand kroons). The main factors that caused the negative net result were Silukalni project's gross loss, high financial expenses and large general development expenses compared to the sales revenues. Q Vara will improve considerably its net result as described in the following previous paragraphs "Financial expenses", "General development expenses to sales revenue ratio" and "Revenue expectation".

### Loans

In the end of 2007 the outstanding amount of received short- and long-term loans was 399 352 thousand kroons (2006: 305 105 thousand kroons). The increase in the outstanding loan amount was caused mainly by the increased construction loans of Terminal No. 11 and 365 projects.

### Retained earnings

In the last quarter of 2007 Q Vara made several adjustments in the retained earnings. Firstly the retained earnings were reduced by 52 000 thousand kroons according to the capital reduction decision that was made in December 2006. Secondly the retained earnings were reduced by 7 000 thousand kroons because the final Pärnu mnt. project's sales price was reduced. The price reduction was agreed with the buyers because the construction volume compared to the volume on which the initial transaction price was based on was reduced by the planning authorities. The remaining adjustments in the retained earnings were dividend payments and correction of the previous periods' cost items.

### Balance sheet

As a result of the retained earnings reduction and Q Vara's net loss from 2007, the equity amount on the balance sheet amounted 223 663 thousand kroons. The asset amount was 813 018 thousand kroons so the equity formed 27,5% of the total assets. Q Vara's shareholder OÜ SLProductions intends to invest up to three million euros of additional funds into the company through equity investment or subordinated debt by the end of the third quarter 2008 to increase the equity amount.



## Overview of the projects

### Kirsiaed triple houses

**Location:** Viimsi parish, Estonia | **Segment:** Residential, high |  
**Development:** Rowhouses | **Period:** 2006-2007 | **Sellable space:** 3 305 m<sup>2</sup>

**Introduction:** Kirsiaed (“Cherry tree garden”) is a residential development project, in which a family friendly and enjoyable living environment is created through combination of architecture, landscape and greenery. Positioning towards the sun and privacy of the residents were considered as the main starting points when the planning was launched. The main features of the houses are brightness, practical and considered interior planning and a magnificent view on the silhouette of Tallinn. One may choose a unit with high quality finishing’s in place or a unit where one can make the designs by oneself.

**Development:** During 2007 15 units were sold in Kirsiaed – 3 in the first quarter, 8 in the second quarter and 4 in the third quarter. Also one unit was sold already in the end of 2006. So altogether by the end of 2007 16 units were sold. Four units were booked and the negotiations were launched.

In the fourth quarter the marketing efforts of Kirsiaed project were focused on print media. The client events that proved successful earlier were not held in the end of 2007 because already in the third quarter clients became less active.

### Kirsiaed residential properties

**Location:** Viimsi parish, Estonia | **Segment:** Residential, high |  
**Development:** Residential land plots | **Period:** 2006-2007 | **Sellable space:** 23 219 m<sup>2</sup>

**Introduction:** Kirsiaed residential property project is one of the few plot developments in Viimsi that has all utility connections, asphalt road and street-lighting in place. Partial greenery has been planted to the plots – fir-trees, thornbush hedges, rowantrees and low cherry trees. The plots are situated on a hilly terrain with a nice view on the Tallinn-panorama.

**Sales:** Compared to the third quarter that was relatively quiet the fourth quarter brought 4 new sales transactions. Also four new bookings were registered at the end of the quarter. The growing activity can be explained by the seasonality – people start looking for a land plot in winter in order to start construction in spring. As of the end of 2007 9 plots out of 16 were sold and four were booked. Through 2007 the price of the land plots was reduced 15-20%.

## Taevasmaa

**Location:** Harku parish, Estonia | **Segment:** Residential, medium | **Development:** Gallery- and rowhouses | **Period:** 2007-2009 | **Sellable space:** 32 137 m<sup>2</sup>

**Introduction:** The name Taevasmaa (Skyland) name comes from two architecturally very different parts of the project (rowhouses – sky (Taevas in Estonian) and gallery houses – land (maa in Estonian), which as joined together compile an interesting and aesthetically pleasing living environment. The residential area is situated nearby Tabasalu and has already today the value in the surrounding nature and privacy. Q Vara is developing there apartment houses and row houses with low acquisition costs and low monthly expenses. In creating the living areas, the attention is focused on HEALTH and on INTEGRATION, which means houses with few apartments, surrounding sporting facilities, playgrounds, greeneries', play parks and kindergarten. Ergonomics and practicality are considered also as very important details throughout the development (entrance-room closets, kitchen furniture etc).

**Development and sales:** Because of the unclear market situation in the residential real estate market around Tallinn the project is on hold and no new developments took place in the fourth quarter of 2007.

## Terminal 11

**Location:** Rae parish, Estonia | **Segment:** Commercial, medium | **Development:** Warehouses | **Period:** 2007-2009 | **Sellable space:** 42 000 m<sup>2</sup>

**Introduction:** The warehouses are aimed for small and medium-sized companies, to whom the optimal storage space, common location of storage facilities and office, very comfortable working conditions and efficient warehouse management are crucial. The project's focus is also on minimizing clients' monthly loan repayments and administration costs.

**Development:** By the end of 2007 the first warehouse's roof and walls were finished. In the first quarter of 2008 the concrete floors were completed, doors were set up and mounting of the glass fascade began. The finishing deadline of the first building is June 2008. Also the construction of the next two buildings has been launched and the completion deadline of these buildings is the beginning of 2009.

By the end of 2007 the construction works of the utility lines to all land plots were finished.

**Sales:** By the end of the fourth quarter of 2007 the first warehouse unit's sales contract was signed. After the warehouse got its final looks in the beginning of 2008 the clients' interest grew significantly and during the first quarter the next sale transaction was closed. Because the investment into a new warehouse is usually significant for small- and medium sized enterprises the negotiations with new clients are relatively time consuming. In the beginning of 2008 Q Vara opened sales negotiations with four new clients.

There were no new land plot sales transactions in the fourth quarter and as of the end of 2007 four land plots were sold. Together with the launch of negotiations with financial investors the active sales of the land plots was stopped because the potential co-investors are interested in developing large volume projects. The detailed overview of the preliminary agreement with potential investors was disclosed in Q Vara's stock exchange release on March 5, 2008.

## Maakri

**Location:** Tallinn, Estonia | **Segment:** Residential / commercial, high | **Development:** high-rise buildings | **Period:** - | **Capacity:** -

**Introduction:** Through an associate (Stansfield OÜ) Q Vara has two properties in the centre of Tallinn in the so-called Maakri Block. According to Tallinn City's general plans Maakri block is going to be an area for high-rise buildings that includes residential as well as commercial space.

**Development:** During 2007 Maakri project went through significant developments. In addition to the establishment of AS Maakri City in the first half of 2007 the initial task for the architectural competition was finished in the fourth quarter of 2007. The initial task was presented to the City of Tallinn who began the preparations for the second round of the architectural competition. The initial task was based on the finished traffic analysis and hydrogeological survey that both support more than 100 000 sqm development volume in Maakri Block.

## Pärtlepõllu

**Location:** Lubja village, Estonia | **Segment:** Residential, medium | **Development:** private house plots | **Period:** 2007-2009

**Introduction:** Q Vara signed a contract in 2006 that allowed it to purchase the Pärtlepõllu land plot in Viimsi parish. Part of the property can be developed into residential land and part of it remains as a green area. The proposed detail plan allows to develop 33 land plots for private houses on the property.

Resulting from the market developments and price movements in Kirsiaed project Q Vara's management decided to waive its right to purchase Pärtlepõllu project.

## Silukalni

**Location:** Pinki village, Latvia | **Segment:** Residential, medium | **Development:** Double and rowhouses | **Period:** 2005-2007 | **Sellable space:** 8 525 m<sup>2</sup>

**Introduction:** Silukalni residential area is located next to a pine forest which together with its suburban location makes a perfect home for a family. Double- and rowhouses includes 72 units.

**Development and sales:** By the end of 2007 five houses (ten units) were completed and handed over to clients. The construction works continued on

the next ten houses. On four houses the focus was on completing the works by the end of the first quarter of 2008. On other houses the works were focused just on setting them up for the winter. As was planned four houses were finished in the first quarter of 2008 and the apartments were handed over to the clients. Right after finishing the four houses the construction resumed on the next houses with an aim to complete them in the third quarter of 2008.

## 365

**Location:** Jurmala, Latvia | **Segment:** Residential, high | **Development:** Apartment building | **Period:** 2006-2008 | **Sellable space:** 2 730 m<sup>2</sup>

**Introduction:** 365 apartment building is situated in a prestigious Jurmala beach town. It is a stylish apartment building designed by Latvian top architectural company SIA Sīlis, Zābers & Klava. The building includes thirty exclusive apartments, which net space ranges from 60 to 160 m<sup>2</sup>.

**Development:** The construction is moving on according to the schedule and will be expectedly finished on time in the second quarter of 2008. In the fourth quarter the construction works reached the roof and windows. As of the first quarter of 2008 the roof was finished and most of the windows were in place.

**Sales:** By the end of 2007 the sales contracts were signed with seven clients. At the same time the negotiations were opened with three new clients. Similarly to the third quarter the marketing was modest. The active advertising campaigns will be relaunched in the second quarter of 2008.

## Jonathan

**Location:** Riga, Latvia | **Segment:** Residential, medium | **Development:** Apartment building | **Period:** 2007-2010 | **Sellable space:** 30 575 m<sup>2</sup>

**Introduction:** Jonathan is an apartment building that is situated in Riga, ashore of Daugava river, 15 minutes drive from Riga city centre. The project's main attraction is a pond in the courtyard which means that the building is partly in the water and the pond has a direct connecting canal with the river.

**Development:** In the fourth quarter preparing the technical plans continued. A significant development took place in the first quarter of 2008 when Riga City government approved the finished technical plans. The next stage will be applying for the construction permit that will expectedly be issued during the second quarter of 2008.

**Sales:** The presales of the project begins after the construction permit is received and it is expected to take place in the first half of 2008. Currently the active preparation of the sales materials is the main task on sales and marketing side. By the first quarter the project team has finished a short introductory film of the project, project website and a scale model.

## Trophy

**Location:** Vilnius, Lithuania | **Segment:** Residential, high | **Development:** Apartment building | **Period:** 2007-2008 | **Sellable space:** 2 300 m<sup>2</sup>

**Introduction:** Q Vara Group's Trophy project in the Zverinas district in Vilnius will feature a 4 storey 2 300 sqm apartment building. The apartments with high quality finishing that are targeted at upper-middle-class customers and are sized from 55 to 120 m<sup>2</sup>.

**Development:** In the fourth quarter the preparation of technical plans continued and an application for a construction permit was filed. The construction permit for the Trophy apartment building was issued in February 2008.

**Sales:** In the fourth quarter the preparation of Trophy's marketing materials continued but as the construction permit was not issued the pre-sales was still on hold. In the beginning of 2008 the pre-sales was launched together with the issuance of the construction permit. The pre-sales proved very successful as six booking agreements were signed already by the end of January. The average sales price in this near city center apartment building has been 43 185 kroons per squaremeter.

## Sofia

**Location:** Sofia, Bulgaria | **Segment:** Residential / Business, medium / high | **Development:** - | **Period:** - | **Sellable space :** 60 265 (gross space)

**Introduction:** In 2006 Q Vara entered Bulgarian real estate market and acquired 60% of a company named OOD Delta Retail that owns an 11 000 m<sup>2</sup> property in the centre of Sofia. After one year of development activities the Sofia city government issued the planning of the property and the first sketches for two high-rise buildings were prepared.

In the third quarter of 2007 Q Vara signed a letter of intent according to which the sale of the project company's shares was agreed. The final share sales agreement of the 40% of the project company's shares was signed on October 30, 2007. According to the signed agreement the project company will repay Q Vara's loans (altogether 3 222 658 EUR) and OOD Delta Imoti purchases the shares for 714 310 EUR.

The sales agreement of the remaining 20% of OOD Q Delta's shares was signed on November 5, 2007 according to which Q Vara sold the shares to AS Gild Arbitrage. The sales price of the shares was 2 000 000 euros.

As a result of the sales transaction Q Vara received altogether 5 937 thousand euros from loan repayments and the sale of shares. The project's significant value increase resulted from the market development but even more from the project volume growth through the development activities. The project's sales decision was based on a very good offer from the buyer and a high return on investment resulting from that.

## Management Board confirmation to the consolidated annual accounts

The Management Board is declaring its responsibility for the preparation of the consolidated 12 month accounts of Q Vara Group for the 12 months ended on 31 December 2007.

The 12 month accounts are prepared according to the International Financial Reporting Standards as adopted by the European Union, and present a true and fair view of the financial position, economic performance and cash flows of the Group.

Preparation of the 12 month accounts according to the International Financial Reporting Standards assumes the Management Board to make estimates on the assets and liabilities of the Group as at 31 December 2007, and on income and expenses for the reporting period. These estimates are based on up-to-date information about the state of the Group and consider the plans and risks as at 31 December 2006. The ultimate outcome of the business transactions recorded may differ from those estimates.

Subsequent events that materially affect the valuation of assets and liabilities, occurring until the preparation date of the annual accounts, 14 March 2007, have been considered.

The Management Board considers the Group companies to carry its activities as a going concern.



Meelis Šokman

Chairman of the board



Andre Poopuu

Member of the board

## Consolidated income statement

| <i>(In thousands)</i>                               | 01.01.2007-<br>31.12.2007 | 01.01.2006-<br>31.12.2006 | 01.01.2007-<br>31.12.2007 | 01.01.2006-<br>31.12.2006 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | EEK                       | EEK                       | EUR                       | EUR                       |
| <b>Revenue</b>                                      |                           |                           |                           |                           |
| Sales revenue                                       | 85 517                    | 63 231                    | 5 466                     | 4 041                     |
| Revaluation of investment property                  | 31 306                    | 161 545                   | 2 001                     | 10 325                    |
| Other income  | 3 671                     | 2 867                     | 235                       | 183                       |
| <b>Total revenue</b>                                | <b>120 494</b>            | <b>227 643</b>            | <b>7 701</b>              | <b>14 549</b>             |
| <b>Operating expenses</b>                           |                           |                           |                           |                           |
| Building expenses                                   | -77 728                   | -63 789                   | -4 968                    | -4 077                    |
| Direct development expenses                         | -1 781                    | -8 950                    | -114                      | -572                      |
| General development expenses                        | -43 168                   | -23 326                   | -2 759                    | -1 491                    |
| Marketing expenses                                  | -10 410                   | -9 459                    | -665                      | -605                      |
| Administrative expenses                             | -1 773                    | -1 940                    | -113                      | -124                      |
| Other expenses                                      | -6 135                    | -6 929                    | -392                      | -442                      |
| <b>Total operating expenses</b>                     | <b>-140 995</b>           | <b>-114 393</b>           | <b>-9 011</b>             | <b>-7 311</b>             |
| <b>Operating profit</b>                             | <b>-20 501</b>            | <b>113 250</b>            | <b>-1 310</b>             | <b>7 238</b>              |
|   |                           |                           | 0                         |                           |
| Net financial income and expense                    | 3 255                     | -3 046                    | 208                       | -195                      |
| <b>Profit before income tax</b>                     | <b>-17 246</b>            | <b>110 204</b>            | <b>-1 102</b>             | <b>7 043</b>              |
| Deferred income tax expense                         | -165                      |                           | -11                       |                           |
| Income tax from dividends                           | -451                      | -10 787                   | -29                       | -689                      |
| Property tax expense                                | -58                       | -59                       | -4                        | -4                        |
| <b>Net profit for financial year</b>                | <b>-17 920</b>            | <b>99 358</b>             | <b>-1 145</b>             | <b>6 350</b>              |
| Net profit attributable to the owners of the Parent | -21 599                   | 79 831                    | -1 380                    | 5 102                     |
| Net profit attributable to minority interests       | 3 679                     | 19 527                    | 235                       | 1 248                     |

## Consolidated balance sheet

|  | 31.12.2007     | 31.12.2006     | 31.12.2007    | 31.12.2006    |
|--|----------------|----------------|---------------|---------------|
| <i>(In thousands)</i>  | EEK            | EEK            | EUR           | EUR           |
| <b>Assets</b>  |                |                |               |               |
| <b>Current assets</b>  |                |                |               |               |
| Cash and cash equivalents                                    | 10 879         | 1 116          | 695           | 71            |
| Accounts receivable  | 28 023         | 4 174          | 1 791         | 267           |
| Short-term loan receivables                                  | 21 572         | 74 334         | 1 379         | 4 751         |
| Other short-term receivables                                 | 23 698         | 48 645         | 1 515         | 3 109         |
| Interest receivable  | 3 297          | 6 677          | 211           | 427           |
| Prepayments made   | 2 247          | 25 908         | 144           | 1 657         |
| Property for sale  | 437 686        | 216 043        | 27 973        | 13 808        |
| <b>Total currents assets</b>                                 | <b>527 402</b> | <b>376 897</b> | <b>33 707</b> | <b>24 090</b> |
| <b>Non-current assets</b>                                    |                |                |               |               |
| Long-term loan receivables                                   | 0              | 5 760          | 0             | 368           |
| Other long-term receivables                                  | 301            | 0              | 19            |               |
| Associated companies   | 32 618         | 32 618         | 2 085         | 2 085         |
| Investment property  | 242 423        | 338 250        | 15 494        | 21 618        |
| Tangible and intangible fixed assets                         | 10 274         | 8 826          | 657           | 564           |
| Goodwill   |                | 2 886          | 0             | 184           |
| <b>Total non-current assets</b>                              | <b>285 616</b> | <b>388 340</b> | <b>18 254</b> | <b>24 819</b> |
| <b>Total assets</b>  | <b>813 018</b> | <b>765 237</b> | <b>51 961</b> | <b>48 909</b> |
| <b>Liabilities and equity</b>                                |                |                |               |               |
| <b>Current liabilities</b>                                   |                |                |               |               |
| Short-term borrowings  | 362 121        | 290 169        | 23 144        | 18 545        |
| Finance lease liabilities                                    | 566            | 1 149          | 36            | 74            |
| Customers prepayments  | 7 723          | 5 577          | 494           | 357           |
| Accounts payable   | 28 953         | 22 163         | 1 850         | 1 416         |
| Due to employees   | 2 942          | 2 650          | 188           | 169           |
| Interest payable   | 17 727         | 14 164         | 1 133         | 905           |
| Tax payables   | 1 432          | 0              | 92            | 0             |
| Other short term liabilities                                 | 23 781         | 0              | 1 520         | 0             |
| <b>Total current liabilities</b>                             | <b>445 245</b> | <b>335 872</b> | <b>28 456</b> | <b>21 467</b> |
| <b>Non-current liabilities</b>                               |                |                |               |               |
| Long-term loans  | 37 231         | 14 936         | 2 379         | 955           |
| Other long-term payables                                     |                | 90             | 0             | 6             |
| Bonds issued   | 78 223         | 76 863         | 4 999         | 4 912         |
| Finance lease liabilities                                    | 1 492          | 5 468          | 95            | 349           |
| Deferred income tax liabilities                              | 27 154         | 27 040         | 1 735         | 1 728         |
| <b>Total non-current liabilities</b>                         | <b>144 110</b> | <b>124 397</b> | <b>9 210</b>  | <b>7 950</b>  |
| <b>Total liabilities</b>                                     | <b>589 355</b> | <b>460 269</b> | <b>37 667</b> | <b>29 417</b> |
| <b>Equity</b>  |                |                |               |               |
| <b>Equity attributable to the owners of the Parent</b>       |                |                |               |               |
| Share capital  | 181 511        | 73 511         | 11 601        | 4 698         |
| Reserves   | 7 361          | 7 361          | 470           | 470           |
| Unrealized exchange rate differences                         | -1 362         | 177            | -87           | 13            |
| Retained earnings  | -16 258        | 175 231        | -1 039        | 11 197        |
| <b>Total equity attributable to the owners of the Parent</b> | <b>171 252</b> | <b>256 280</b> | <b>10 945</b> | <b>16 378</b> |
| Minority interests   | 52 411         | 48 688         | 3 350         | 3 114         |
| <b>Total equity</b>  | <b>223 663</b> | <b>304 968</b> | <b>14 295</b> | <b>19 492</b> |
| <b>Total liabilities and equity</b>                          | <b>813 018</b> | <b>765 237</b> | <b>51 961</b> | <b>48 909</b> |



## Consolidated cash flow statement

|  | 01.01.2007-<br>31.12.2007 | 01.01.2006-<br>31.12.2006 | 01.01.2007-<br>31.12.2007 | 01.01.2006-<br>31.12.2006 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| <i>(In thousands)</i>  | EEK                       | EEK                       | EUR                       | EUR                       |
| <b>Cash flows from operating activities</b>                        |                           |                           |                           |                           |
| Profit before income tax   | -17 920                   | 90 988                    | -1 145                    | 5 815                     |
| Change in goodwill as a result of a merger                         | 2 966                     | 0                         | 190                       | 0                         |
| Change in assets and liabilities from currency exchange rate       | -3 465                    | 0                         | -221                      | 0                         |
| Gain from equity method  | 22 412                    | 0                         | 1 432                     | 0                         |
| Changes in fair value of investment property                       | -42 469                   | -9 958                    | -2 714                    | -636                      |
| Real estate reclassification into inventories                      | -38 799                   | -154 545                  | -2 480                    | -9 877                    |
| Sale of subsidiary   | 100 256                   | 58 798                    | 6 408                     | 3 758                     |
| Gain (loss) from sales of financial investments                    | 24                        | -40                       | 2                         | -3                        |
| Depreciation and write off of tangible and intangible fixed assets | 0                         | 1 189                     | 0                         | 76                        |
| Change in the financial lease liability                            | 1 026                     | 1 937                     | 66                        | 124                       |
| Interest income  | -5 825                    | -6 848                    | -372                      | -438                      |
| Interest expense   | 39 605                    | 17 598                    | 2 531                     | 1 125                     |
| Unrealized exchange rate differences                               | -1 539                    | -158                      | -98                       | -10                       |
| Deferred income tax  | 114                       | 10 835                    | 7                         | 692                       |
| <i>Changes in current assets and liabilities</i>                   | <b>0</b>                  | <b>0</b>                  | <b>0</b>                  | <b>0</b>                  |
| Changes in accounts receivable                                     | -23 849                   | -321                      | -1 524                    | -21                       |
| Changes in other short-term receivables                            | 36 231                    | -224                      | 2 316                     | -14                       |
| Changes in prepayments   | 23 661                    | -18 467                   | 1 512                     | -1 180                    |
| Changes in property for sale                                       | -221 643                  | -136 870                  | -14 166                   | -8 748                    |
| Changes in customer prepayments collected                          | 2 146                     | -715                      | 137                       | -46                       |
| Changes in accounts payable  | 6 790                     | 12 519                    | 434                       | 800                       |
| Changes in taxes payable   | 1 432                     | -2 548                    | 92                        | -163                      |
| Changes in other accrued expenses                                  | 7 718                     | 667                       | 493                       | 43                        |
| Changes in other long-term payables                                | 1 279                     | 90                        | 82                        | 6                         |
| <b>Total cash flows from/used in operating activities</b>          | <b>-109 849</b>           | <b>-136 073</b>           | <b>-7 021</b>             | <b>-8 697</b>             |
| <b>Cash flows used in investing activities</b>                     |                           |                           |                           |                           |
| Purchase of an investment  | -24                       | -61 029                   | -2                        | -3 900                    |
| Proceeds from disposal of investment                               | 42 469                    | 36 084                    | 2 714                     | 2 306                     |
| Prepayments for financial investments                              | 0                         | -46                       | 0                         | -3                        |
| Sale of investment property  | 27 370                    | -29 445                   | 1 749                     | -1 882                    |
| Purchase of tangible assets  | -2 474                    | -6 986                    | -158                      | -446                      |
| Changes in loans granted   | 52 762                    | -61 367                   | 3 372                     | -3 922                    |
| Interest collected   | 3 380                     | 187                       | 216                       | 12                        |
| <b>Total cash flows used in investing activities</b>               | <b>123 483</b>            | <b>-122 602</b>           | <b>7 892</b>              | <b>-7 836</b>             |
| <b>Cash flows from financing activities</b>                        |                           |                           |                           |                           |
| Reducing the share capital   | -52 000                   | 0                         | -3 323                    | 0                         |
| Writing down the costs of the bond issue costs                     | 0                         | 1 370                     | 0                         | 88                        |
| Loans raised   | 94 247                    | 179 666                   | 6 023                     | 11 483                    |
| Repayments of finance lease principals                             | -1 094                    | 4 760                     | -70                       | 304                       |
| Paid dividends   | -43 424                   | -5 751                    | -2 775                    | -368                      |
| Interest paid  | 0                         | 76 863                    | 0                         | 4 912                     |
| Bonds issued   | -1 600                    | 0                         | -102                      | 0                         |
| <b>Total cash flows from financing activities</b>                  | <b>-3 871</b>             | <b>256 908</b>            | <b>-247</b>               | <b>16 419</b>             |
| <b>Total cash flows</b>  | <b>9 763</b>              | <b>-1 767</b>             | <b>624</b>                | <b>-113</b>               |
| Cash and cash equivalents at the beginning of financial year       | 1 116                     | 2 883                     | 71                        | 184                       |
| Cash and cash equivalents at the end of financial year             | 10 879                    | 1 116                     | 695                       | 71                        |
| <b>Change in cash and cash equivalents</b>                         | <b>9 763</b>              | <b>-1 767</b>             | <b>624</b>                | <b>-113</b>               |