



CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOURTH QUARTER AND TWELVE MONTHS ENDED 31 DECEMBER 2008  
(UNAUDITED)

Business name	<b>AS Eesti Ehitus</b>
Registry number	10099962
Address	Pärnu mnt 158/1, Tallinn 11317
Domicile	Republic of Estonia
Telephone	372 615 4400
Fax	372 615 4401
E-mail	<a href="mailto:eestiehitus@eestiehitus.ee">eestiehitus@eestiehitus.ee</a>
Corporate website	<a href="http://www.eestiehitus.ee">www.eestiehitus.ee</a>
Core activities	Construction of buildings (EMTAK <sup>1</sup> code 411; 412) Civil engineering (EMTAK code 421; 422; 429) Other construction work involving special trades (EMTAK code 431; 433; 439) Architectural and engineering activities (EMTAK code 7112)
Financial year	1 January 2008 – 31 December 2008
Reporting period	1 January 2008 – 31 December 2008
Council	Toomas Luman, Alar Kroodo, Ain Tromp, Andri Hõbemägi, Tiina Mõis, Meelis Milder
Board	Jaano Vink, Sulev Luiga, Priit Tiru
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 project management. Group entities are involved in the construction of buildings and civil engineering in Estonia, Latvia, Lithuania and Ukraine. In addition, in Estonia our companies act as independent contractors in road construction and maintenance, environmental engineering, the assembly of reinforced concrete elements, and the performance of cast-on-site concrete works. The parent of the Group is AS Eesti Ehitus, a company registered and located in Tallinn, Estonia. Since 18 May 2006, the parent company's shares have been quoted in the main list of the NASDAQ OMX Tallinn Stock Exchange.

### Our mission

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

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

### Our vision

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

### Shared values

#### Quality

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

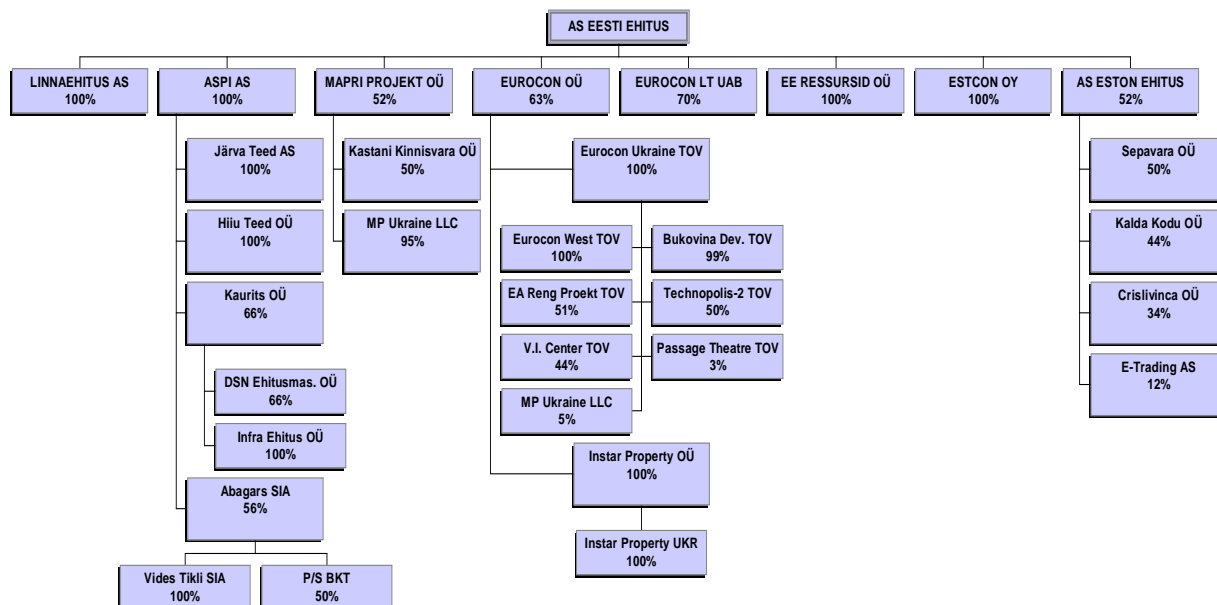
#### Reliability

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

#### Innovation

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

### The structure and business of Eesti Ehitus Group



The unaudited consolidated financial statements for the twelve months ended 31 December 2008 comprise the parent AS Eesti Ehitus and the parent's interests in the following Group entities:

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

<b>Company</b>	<b>Domicile</b>	<b>31 December 2008</b>	<b>31 December 2007</b>
AS Linnaehitus	Estonia	100.0%	100.0%
AS Aspi	Estonia	100.0%	100.0%
AS Järva Teed	Estonia	100.0%	100.0%
OÜ Hiiu Teed	Estonia	100.0%	100.0%
Estcon OY	Finland	100.0%	100.0%
OÜ EE Ressursid	Estonia	100.0%	100.0%
UAB Eurocon LT	Lithuania	70.0%	70.0%
OÜ Kaurits	Estonia	66.0%	52.0%
Infra Ehitus OÜ	Estonia	66.0%	52.0%
OÜ Eurocon	Estonia	63.0%	64.0%
Eurocon Ukraine TOV	Ukraine	63.0%	61.4%
TOV Eurocon West	Ukraine	63.0%	61.4%
Instar Property OÜ	Estonia	63.0%	0%
TOV Instar Property	Ukraine	63.0%	0%
TOV Bukovina Developments	Ukraine	62.4%	60.8%
SIA Abagars	Latvia	56.0%	34.3%
SIA Vides Tikli	Latvia	56.0%	34.3%
TOV MP Ukraine	Ukraine	52.6%	0%
OÜ Mapri Projekt	Estonia	52.0%	52.0%
AS Eston Ehitus	Estonia	52.0%	52.0%
OÜ DSN Ehitusmasinad	Estonia	43.6%	34.3%
TOV EA Reng Proekt	Ukraine	32.1%	31.3%
TOV Technopolis-2	Ukraine	31.5%	30.7%
P/S BKT	Latvia	28.0%	17.2%
TOV V.I. Center	Ukraine	27.7%	32.0%
OÜ Kastani Kinnisvara	Estonia	26.0%	26.0%
OÜ Sepavara	Estonia	26.0%	26.0%
OÜ Kalda Kodu	Estonia	22.9%	22.9%
OÜ Crislivnica	Estonia	17.7%	17.7%
AS E-Trading	Estonia	6.2%	6.2%
TOV Passage Theatre	Ukraine	1.9%	17.8%
TOV European House	Ukraine	0%	6.1%
TOV Baltik Development	Ukraine	0%	30.7%

*The business of Group entities*

The Estonian subsidiaries of Eesti Ehitus Group provide services in all business segments in which the Group is involved. The parent AS Eesti Ehitus, AS Linnaehitus and AS Eston Ehitus are mainly engaged in general contracting and project management. AS Aspi and its subsidiaries build environmental structures and roads and provide road maintenance services. In addition, Aspi group includes companies (OÜ Kaurits and OÜ DSN Ehitusmasinad) that sell and rent out construction machinery and equipment. The core activities of OÜ Mapri Projekt are concrete works and general construction contracting.

The Group's Ukrainian subsidiaries operate mainly in the residential and non-residential segment. The largest Ukrainian subsidiaries Eurocon Ukraine TOV and TOV Eurocon West build mostly commercial buildings and industrial and warehouse facilities. TOV EA Reng Proekt provides design services. Other Ukrainian subsidiaries are involved in real estate development and construction projects in Kiev and Lvov.

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

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

### **Changes in the Group's structure in 2008**

#### *Acquisitions of interests and establishment of subsidiaries*

On 5 February, AS Eesti Ehitus' subsidiary OÜ Eurocon acquired a 4 per cent stake in Eurocon Ukraine TOV, raising its interest in the entity to 100 per cent.

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

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

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

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

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

#### *Interests acquired and subsidiaries established after the balance sheet date*

In December 2008, AS Aspi's Latvian subsidiary SIA Abagars performed a share purchase transaction by which it acquired a 75 per cent stake in the Latvian company SIA LCB. Ownership of the shares transferred in January 2009. Since AS Aspi's ownership interest in SIA Abagars is 56 per cent, the transaction provided AS Aspi with a 42 per cent interest in SIA LCB.

In January 2009, AS Eesti Ehitus signed a share purchase agreement by which it acquired a 56 per cent stake in OÜ Kalda Kodu, an entity registered in Estonia. The remaining 44 per cent of the entity was already held by AS Eston Ehitus, a 52 per cent subsidiary of AS Eesti Ehitus. Thus, after the transaction AS Eesti Ehitus holds (through its direct and indirect investments) 79 per cent of the shares in OÜ Kalda Kodu.

#### *Divestment of investments*

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

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

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

In June, Eurocon Ukraine TOV signed an agreement in which it undertook to sell its entire 10 per cent interest in the Ukrainian company TOV European House. By 30 September 2008, all terms and conditions of the sales agreement had been satisfied and AS Eesti Ehitus had no ownership interest in TOV European House.

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

In September, OÜ Eurocon sold 8 per cent of its interest in the Ukrainian property development company TOV V.I. Center. The transaction reduced AS Eesti Ehitus' ownership interest in TOV V.I. Center to 28 per cent.

In December, Eurocon Ukraine TOV signed an agreement by which it sold 24 per cent of its interest in the Ukrainian company TOV Passage Theatre, reducing its stake in the entity to 3 per cent.

## **Changes in the Group's management in 2009**

In April 2008, the board of AS Eesti Ehitus launched a review of the Group's development strategy in order to map the current state of the Group's operations and markets and to update the Group's development plan for the period 2009-2013. The board decided that in the first phase of the process the parent company's management structure should be changed.

In designing the new management structure, the board considered the following factors:

- The construction market and the general economic environment have undergone significant changes that have a direct impact on the Group's performance, calling for extensive operational adjustments both at the level of the Group and the level of each individual entity.
- Group entities are becoming increasingly specialised. Aggregating all available expertise and skill under single leadership will allow tapping their competitive advantages more effectively.
- Clearer design and further centralisation of Group-wide support services will enhance overall operating efficiency.
- Alterations in group entities' management structures will help consolidate the Group's position in a taxing market situation, sustaining development during the period 2009-2013.
- The Group has to continue expanding its core operations in selected foreign markets.

In the light of the above considerations and in response to the board's request, in November 2008 the council of AS Eesti Ehitus decided to change the Group's management structure. The following resolutions were adopted:

- To recall early members of the board of AS Eesti Ehitus Avo Ambur (Development Director) and Priit Pluutus (Technical Director) and to end their terms of office as of 31 December 2008.
- To consider the term of office of the member of the board of AS Eesti Ehitus Erkki Suurorg (Construction Director) ended as of its scheduled expiry, i.e. 30 November 2008.
- To appoint Priit Tiru, the former chairman of the board of the Group's subsidiary AS Linnaehitus, as a member of the board of AS Eesti Ehitus (Director of Building Construction), effective from 5 January 2009.

Jaano Vink will continue as chairman of the board of AS Eesti Ehitus and Sulev Luiga will continue as a member of the board (Finance Director). In addition, on 5 January 2009 Margus Vaim, the former chairman of the board of AS Aspi, was appointed as Director of Engineering.

In the future members of the board Jaano Vink and Sulev Luiga will focus on developing the Group as a whole and improving the efficiency of Group-wide centralised support services whereas the member of the board Priit Tiru and director Margus Vaim will be responsible for the strategic management and development of the Group's core activities and foreign expansion in their respective lines of business (building construction and civil engineering).

Former members of the board Avo Ambur, Priit Pluutus and Erkki Suurorg will continue working for the Group on the boards of the Group's subsidiaries AS Linnaehitus and AS Aspi.

## **Financial review**

### *Margins*

Eesti Ehitus Group ended 2008 with a gross profit of 357.8 million kroons (22.9 million euros), a 28.4 per cent decrease from the 499.9 million kroons (31.9 million euros) earned in 2007.

Consolidated net profit for the year was 171.6 million kroons (11.0 million euros). Compared with the 289.8 million kroons (18.5 million euros) generated in 2007, net profit decreased by 41 per cent. The decline results largely from a downturn in the profitability of construction contracts and an increase in income tax expense (27

million kroons or 1.7 million euros up on 2007), triggered by the record dividends distributed in 2008 for strong performance in prior periods. In addition, net profit was adversely affected by losses on investments in the Ukrainian associates where the weakening of the local currency against the euro and the Estonian kroon gave rise to additional exchange losses on liabilities denominated in foreign currencies.

The key profitability ratios monitored by the Group's management weakened mostly on account of adverse changes in the operating environment. As anticipated, margins were severely impacted by the rapid economic recession and the ensuing construction sector slump that hit the Group's home markets. The main sector-specific indicator of change was the increasing excess of construction capacities over the number of projects on offer. Low demand that was insufficient for meeting the business needs of all market players triggered increasing pressure for lowering the prices. Although the gross margin slipped from 13.3 per cent in 2007 to 9.3 per cent, it remained within a range that is strong in the context of the industry and the current market situation. Owing to the above developments (including growth in dividend tax expense), the period's operating and net margin also followed a downward trend, dropping to 5.4 per cent and 4.4 per cent respectively (2007: 8.2 per cent and 7.7 per cent respectively).

We have put a lot of effort in cost-cutting and despite the growth of the Group administrative expenses have not increased significantly. At period end, the ratio of administrative expenses to revenue was 4.7 per cent (2007: 4.6 per cent). The Group's management believes that in the context of the industry the figure refers to effective cost management that is instrumental in improving operating efficiency. We intend to maintain the ratio of administrative expenses to revenue at a similar level also in subsequent periods.

#### *Cash flows*

Compared with the previous year, the Group's net operating cash flow more than doubled, rising from 147 million kroons (9.4 million euros) to 306 million kroons (19.8 million euros).

The Group has been actively investing in new growth opportunities. Thus in 2008 a significant portion of cash outflows from investing activities, i.e. 214.7 million kroons (13.7 million euros), was attributable to the acquisition of subsidiaries and the business combinations of prior periods (the acquisition of AS Eston Ehitus in the last quarter of 2007). Compared with 2007 when investing activities resulted in a net inflow of 10.7 million kroons (0.7 million euros), in 2008 investment activities heightened, giving rise to a net outflow of 157.5 million kroons (10.1 million euros). The period's inflows from investing activities comprised mainly loan settlements and proceeds from the disposal of investments in associates.

The largest one-off outflow from financing activities was related to the distribution of dividends, which at 104.1 million kroons (6.7 million euros) were two times larger than in the previous financial year. Financing activities generated a net outflow of 88.3 million kroons (5.6 million euros). In 2007, net financing outflow was 77.9 million kroons (5.0 million euros). The net amount of loans received and repaid in 2008 was positive at 106.0 million kroons (6.8 million euros) against 61.6 million kroons (3.9 million euros) the year before.

In 2008, the Group's cash and cash equivalents increased by 60.1 million kroons (3.8 million euros); in 2007 the corresponding rise was 80.1 million kroons (5.1 million euros).

At 31 December 2008, the Group's cash and cash equivalents stood at 296.2 million kroons (18.9 million euros) against 236.1 million kroons (15.1 million euros) at 31 December 2007. The growth in net operating cash inflow and liquid funds attests to the quality of the Group's trade receivables and the Group's financial capability in subsequent periods.

#### *Key financial figures and ratios*

<b>Figure / ratio</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Weighted average number of shares	30,756,728	30,756,728	30,756,728
Earnings per share (in kroons)	4.74	8.70	5.75
Earnings per share (in euros)	0.30	0.56	0.37
Revenue growth	3.1%	49.9%	49.5%
Average number of employees	1,232	1,103	871
Revenue per employee (in thousands of kroons)	3,139	3,402	2,875

AS Eesti Ehitus  
Consolidated interim financial statements  
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Revenue per employee (in thousands of euros)	201	217	184
Personnel expenses to revenue, %	12.7%	12.3%	11.0%
Administrative expenses to revenue, %	4.7%	4.6%	5.0%
EBITDA (in thousands of kroons)	281,361	370,581	236,367
EBITDA (in thousands of euros)	17,982	23,684	15,107
EBITDA margin, %	7.3%	9.9%	9.4%
Gross margin, %	9.3%	13.3%	12.2%
Operating margin, %	5.4%	8.2%	8.2%
Operating margin excluding gains on asset sales, %	5.3%	7.8%	7.0%
Net margin, %	4.4%	7.7%	7.6%
Return on invested capital, %	19.2%	32.7%	33.2%
Return on assets, %	9.1%	17.1%	17.3%
Return on equity, %	20.5%	44.1%	53.6%
Equity ratio, %	36.4%	36.9%	35.8%
Gearing, %	18.2%	13.5%	14.3%
Current ratio	1.33	1.30	1.33
<b>As at 31 December</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Order backlog (in thousands of kroons)	2,220,748	2,526,652	2,453,419
Order backlog (in thousands of euros)	141,932	161,482	156,802

\* 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 distribution by geographical segments

Geographical segment	2008	2007	2006
Estonia	80.3%	87.9%	91.4%
Ukraine	11.4%	11.6%	8.6%
Lithuania	2.4%	0.5%	0%
Latvia	5.9%	0%	0%

In 2008 revenue earned outside Estonia accounted for 20 per cent of consolidated revenue against 12 per cent in 2007. Above all, in 2008 we expanded our operations in Latvia and Lithuania. In terms of percentages, Ukrainian revenues remained more or less stable. Revenue distribution across different geographical segments is a consistently deployed strategy aimed at mitigating the risks arising from undue reliance on a single market. In addition, increasing the proportion of revenue earned outside Estonia is one of the Group's strategic objectives.



## Business review

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

Consolidated revenue for 2008 was 3,866.7 million kroons (247.1 million euros), a 3 per cent increase on the 3,752.0 million kroons (240 million euros) generated in 2007. Year-over-year revenue growth in a situation where both the domestic and foreign construction markets have experienced adverse developments underscores the success of prior-period acquisitions.

The Group tries to maintain the revenues generated by different segments in balance as this helps disperse risks and provides a more solid foundation under stressed circumstances when one segment experiences shrinkage on operating volumes. In line with the Group's focus and strategy, the proportion of residential development revenue is consistently maintained at a relatively low level (at or below 20 per cent).

In 2008, the residential and non-residential segment contributed 2,303.2 million kroons (147.2 million euros) and the civil engineering segment 1,421.1 million kroons (90.8 million euros) of total construction contract revenue. The corresponding figures for 2007 were 1,952.3 million kroons and 1,772.7 million kroons (124.8 million euros and 113.3 million euros) respectively. The year-over-year decrease in the revenue generated by the civil engineering segment results mostly from the timing of major environmental and port construction projects.

In 2008, revenue distribution between the primary segments differed somewhat from that of the previous years. The residential and non-residential segment generated almost two thirds of total revenue whereas in prior periods the contributions of the main segments were more even. The change results from the timing (launch and completion) of major contracts and the distribution of the order backlog at the beginning of the year (see *Order backlog and major construction contracts signed in 2008* in the *Directors' report*).

Management believes that because of the market situation (see *Future outlook* in the *Directors' report*) in 2009 the circumstances will reverse and the proportion of revenue generated by the civil engineering segment will increase. The assessment is supported by the Group's order backlog as at 31 December 2008 where the contracts of the civil engineering segment surpass those of the residential and non-residential segment (see *Order backlog and major construction contracts signed in 2008* in the *Directors' report*).

In the residential and non-residential segment, revenue distribution remained similar to prior periods, with commercial buildings accounting for over 50 per cent of the segment's revenue. In the civil engineering segment, the contribution of other engineering projects has increased thanks to growth in the Group's Latvian operations. The decline in port construction revenues is attributable to a major project that was almost fully performed in 2007 and did not continue in 2008.

### Revenue distribution by business segments

<b>Business segment</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Residential and non-residential	63%	53%	54%
Civil engineering	37%	47%	46%

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

	<b>2008</b>	<b>2007</b>	<b>2006</b>
Commercial buildings	59%	61%	41%
Industrial and warehouse facilities	16%	11%	24%
Public buildings	14%	16%	18%
Residential buildings	11%	12%	17%

**Revenue distribution in the civil engineering segment**

	<b>2008</b>	<b>2007</b>	<b>2006*</b>
Road construction and maintenance	45%	41%	58%
Port construction	24%	33%	15%
Other engineering	25%	13%	-
Environmental engineering	6%	13%	27%

**Order backlog and major construction contracts signed in 2008**

*Order backlog*

<b>As at 31 December</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Order backlog, in thousands of kroons	2,220,748	2,526,652	2,453,419
Order backlog, in thousands of euros	141,932	161,482	156,802

At 31 December 2008, the Group's order backlog was 2,221 million kroons (142 million euros), a 12 per cent decrease compared with the 2,527 million kroons (161 million euros) posted a year ago.

In the civil engineering segment, the order backlog has been growing compared with prior periods since the first quarter of 2008. At period-end, the backlog of the civil engineering segment accounted for 59 per cent of the Group's total backlog portfolio (31 December 2007: 10 per cent), reflecting the situation in the construction market where the downturn in the residential and non-residential segment outpaces growth in the civil engineering segment. The growth in the Group's order backlog has been significantly undermined by the construction prices, which are considerably lower than a year ago.

Major construction contracts signed in the reporting period are listed below.

*Major construction contracts signed in 2008*

<b>Brief description</b>	<b>Cost (EEK '000/EUR '000)</b>	<b>Country</b>	<b>Expected delivery</b>
Rehabilitation of the Rõhu-Puhja section of national road no 92	92,336 / 5,901	Estonia	August 2009
Construction of berths no 8 and 9 at Paldiski South Harbour	316,363 / 20,219	Estonia	May 2009
Design and construction of the Science Centre AHHA building	179,100 / 11,447	Estonia	August 2010
Tarmeko KV interior decoration store in Tartu	63,000 / 4,026	Estonia	October 2008
Väike-Paala business building in Tallinn	101,500 / 6,487	Estonia	May 2009
Design and construction of the Mäo overtake on the Tallinn-Tartu road	402,881 / 25,749	Estonia	August 2010
Extension of water and sewerage networks in the Sempeteris district in Riga	194,242 / 12,414	Latvia	December 2009
Extension of the Lõunakeskus shopping centre in Tartu	284,270 / 18,168	Estonia	September 2009
Construction of a leisure and shopping centre in the Darnitski district in Kiev	112,398 / 7,184	Ukraine	May 2009
Stage one in the construction of the Koidula railway border station (joint tender with Teede REV-2)	279,760 / 17,880	Estonia	December 2010
Construction of berth no 8 at Virtsu Harbour	79,000 / 5,049	Estonia	October 2009

## People and personnel expenses

In 2008 the Group employed, on average, 1,232 people including more than 500 engineers. The proportion of engineers and technical personnel (ETP) has increased over the past couple of years due to the growth of the Group and the size of the contracts. Compared with 2007 the number of staff has increased by approximately 100 mainly on account of the addition of the Latvian company SIA Abagars to the list of the Group's subsidiaries.

Number of employees:

Period	ETP	Workers	Total average
2008	511	721	<b>1,232</b>
2007	425	678	<b>1,103</b>
2006	329	542	<b>871</b>

The Group's personnel expenses for 2008, including associated taxes, totalled 489.6 million kroons (31.3 million euros), a 6 per cent increase on the 461.4 million kroons (29.5 million euros) incurred in 2007. The growth in personnel expenses is attributable to the acquisition of subsidiaries and the Group's remuneration policy (including the award of performance-related consideration). However, the ratio of personnel expenses to revenue has risen modestly – from 12.3 per cent in 2007 to 12.7 per cent in 2008.

In 2008, the remuneration of the Group's council, including associated taxes, totalled 1,443 thousand kroons (92 thousand euros) and the remuneration of the Group's board, including associated taxes, amounted to 14,582 thousand kroons (932 thousand euros). The respective figures for 2007 were 1,080 thousand kroons (69 thousand euros) and 15,557 thousand kroons (994 thousand euros) respectively.

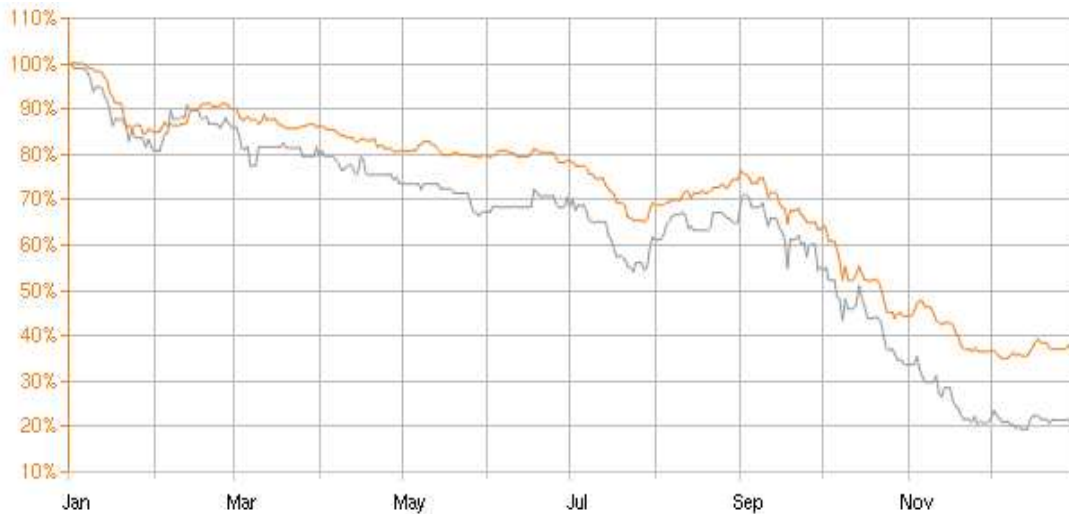
## The share and shareholders

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

Movements in Eesti Ehitus' share price (in euros) and traded volume in 2008:



Changes in the price of the Eesti Ehitus share compared with changes in the NASDAQ OMX Tallinn Index in 2008:



Index/Equity	01.01.2008	31.12.2008	+/-%
— OMX Tallinn	742,45	274,83	-62,98 ↓
— EEH1T	4,90 EUR	1,02 EUR	-79,18 ↓

#### Shareholder structure

The largest shareholders of AS Eesti Ehitus at 31 December 2008:

Shareholder	Number of shares	Ownership interest
AS Nordecon	18,807,464	61.15%
ING Luxembourg S.A.	1,111,853	3.62%
Ain Tromp	678,960	2.21%
ASM Investmets OÜ	519,600	1.69%
JP Morgan Chase Bank/ Dekabank Deutsche Girozentrale	500,000	1.63%
Skandinaviska Enskilda Banken Ab Clients	456,758	1.49%
Central Securities Depository of Lithuania	397,488	1.29%
State Street Bank & Trust Co.	355,199	1.15%
The Bank of New York Mellon	353,323	1.15%
Clearstream Banking Luxembourg S.A. Clients	339,910	1.11%
Aivo Kont	339,480	1.10%
Raul Rebane	316,104	1.03%

Shareholder structure at 31 December 2008 according to the Estonian Central Register of Securities:

	Number of shareholders	Ownership interest
Shareholders with interest exceeding 5%	1	61.15%
Shareholders with interest between 1% and 5%	11	17.47%
Shareholders with interest below 1%	1,627	21.38%
<b>Total</b>	<b>1,639</b>	<b>100.00%</b>

Shares controlled by members of the council and board of AS Eesti Ehitus at 31 December 2008:

		Number of shares	Ownership interest
Toomas Luman (AS Nordecon, OÜ Luman ja Pojad)*	Chairman of the Council	18,959,144	61.64%
Ain Tromp	Member of the Council	678,960	2.21%
Alar Kroodo (ASM Investments OÜ)*	Member of the Council	519,600	1.69%
Andri Hõbemägi	Member of the Council	34,000	0.11%
Tiina Mõis	Member of the Council	0	0.00%
Meelis Milder	Member of the Council	0	0.00%

\* Companies controlled by the individual.

		Number of shares	Ownership interest
Jaano Vink	Chairman of the Board	34,000	0.11%
Sulev Luiga	Member of the Board	1,000	0.00%
Priit Tiru	Member of the Board	0	0.00%

## Auditors and advisors

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

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

## Risks

### *Business risks*

To manage their daily construction risks, Group companies purchase Contractors' All Risks insurance. Depending on the nature of the project, both general frame agreements and specially tailored project-specific contracts are used. In addition, as a rule, subcontractors are required to secure the performance of their obligations with a bank guarantee issued for the benefit of AS Eesti Ehitus. To remedy builder-caused deficiencies which may be detected during the warranty period, all Group companies create warranty provisions. At the end of 2008, the provisions (including current and non-current ones) totalled 14.6 million kroons (0.93 million euros). The corresponding figure for 2007 was 16.8 million kroons (1.1 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 signature of a contract, the customer's settlement behaviour is monitored on an ongoing basis from the making of an advance payment to adherence to the contractual settlement schedule, which usually depends on the documentation of the delivery of work performed. We believe that the system in place allows us to respond to customers' settlement difficulties with sufficient speed. As at the end of the reporting period, our customers' settlement practice was good. In accordance with the Group's accounting policies, all receivables that are more than 180 days overdue are recognised as an expense.

In 2008, income from the recovery of previously expensed receivables surpassed losses from the write-down of receivables by 9.5 million kroons (0.6 million euros). In 2008 the Group has been consistent and effective in its debt recovery activities. As a result, at 31 December 2008 items of 17.3 million kroons (1.1 million euros) which had been expensed in 2007 were classified as recoverable.

*Liquidity risk*

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

At the reporting date, the Group's current assets exceeded its current liabilities 1.33-fold (31 December 2007: 1.30) and available cash totalled 269.2 million kroons (18.9 million euros) (31 December 2007: 236.1 million kroons or 15.1 million euros). Together with unused overdraft facilities, the cash balances provide a sufficient liquidity buffer for conducting operations in an economic environment which is more uncertain than last year.

*Interest rate risk*

The loans taken from the banks operating in Estonia, Latvia and Ukraine have mainly fixed interest rates. Finance lease contracts have floating interest rates and are linked to EURIBOR. Compared with the end of 2007 the Group's interest-bearing loans and borrowings increased by 154.6 million kroons (9.9 million euros) year-over-year to 554.2 million kroons (35.4 million euros). Owing to the rise in loans and borrowings, interest expense grew by 19.9 million kroons (1.3 million euros) to 37.6 million kroons (2.4 million euros).

*Currency risk*

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

In the last quarter of 2008 the Ukrainian economy was seriously hit by the global financial crisis. The exchange rate of the local currency which used to be pegged to the US dollar was deeply impacted by a decrease in exports and foreign investment and the general reliability of the Ukrainian banking system. Despite counter-measures the local central bank was unable to maintain the exchange rate of the Ukrainian grivna and by the reporting date the latter had weakened against the US dollar by more than 30 per cent.

The Group has incurred substantial exchange losses on the euro-based loans granted to its Ukrainian entities. Altogether, the Group's foreign exchange losses for 2008 totalled 29.6 million kroons (1.9 million euros) against 11.2 million kroons (0.7 million euros) in 2007.

We have adopted various measures to reduce losses from the weakening of the grivna. Where possible, we have fixed receivables in euros or have agreed settlement terms that take into account possible changes in the exchange rate of the grivna against the euro and the US dollar. As a result, we have been able to recognise gains on the revaluation of receivables (other operating income) of 37.2 million kroons (2.4 million euros).

## Future outlook

### *Estonia*

We believe that in the next few years the economic recession will trigger the following trends:

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

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

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

### *Latvia and Lithuania*

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

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

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

The Group's management will remain alert to developments in Latvia and Lithuania because similarly to Estonia, their whole economy is in difficulty and, in one way or another, this will impact the construction sector. The Group will focus on sustaining organic growth in Latvia and Lithuania, taking into consideration changes in the external environment. Significant growth in these markets can only be achieved by additional investment. In Latvia we have already started this by acquiring a new subsidiary SIA LCB (see *Changes in the Group's structure in 2008* in the *Directors' report*).

#### *Ukraine*

In Ukraine, the Group will continue acting as a general contractor and project manager in the construction of commercial buildings and production facilities. Activities on development projects that require major investment will probably be suspended to lower the risks until the situation in the Ukrainian and global financial markets improves.

The main risks in the Ukrainian market are connected with the low administrative efficiency of the central and local government, inflation and the availability of quality construction inputs. Since October 2008 the Ukrainian monetary and banking system has been under severe pressure that has had a negative impact on the Ukrainian economy, which has been growing rapidly in recent years, and the commencement of potential construction and development projects. Nevertheless, we are confident that the construction market of a country with a population of 46 million will offer attractive business opportunities also in the near future.

**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

3 February 2009

Sulev Luiga

Member of the Board

3 February 2009

Priit Tiru

Member of the Board

3 February 2009



## 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 fourth quarter and twelve months of 2008 and confirms that:

- the policies applied on the preparation of the consolidated interim financial statements comply with International Financial Reporting Standards as adopted by the European Union;
- the consolidated interim financial statements, which have been prepared in accordance with effective financial reporting standards, give a true and fair view of the assets and liabilities, financial position, financial performance and cash flows of the Group (the parent and other group companies as a single entity);
- all significant events that occurred until the date on which the consolidated interim financial statements were authorised for issue (3 February 2009) have been properly recognised and disclosed; and
- AS Eesti Ehitus and its subsidiaries are going concerns.

Jaano Vink

Chairman of the Board

3 February 2009

Sulev Luiga

Member of the Board

3 February 2009

Priit Tiru

Member of the Board

3 February 2009

## Consolidated interim balance sheet

Unaudited EEK '000	Note	31 December 2008	31 December 2007
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		296,184	236,112
Trade receivables	2	462,210	511,819
Other receivables and prepayments	3	424,049	264,551
Deferred tax assets		384	1,905
Inventories	4	388,202	393,529
Non-current assets held for sale		0	43,362
<b>Total current assets</b>		<b>1,571,029</b>	<b>1,451,277</b>
<b>Non-current assets</b>			
Long-term investments	6	113,484	111,686
Investment property	7	116,783	133,984
Property, plant and equipment	8	263,295	221,748
Intangible assets	9	305,188	273,223
<b>Total non-current assets</b>		<b>798,750</b>	<b>740,641</b>
<b>TOTAL ASSETS</b>		<b>2,369,779</b>	<b>2,191,918</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	11	235,563	135,856
Trade payables		427,158	335,754
Other tax liabilities		66,754	53,777
Income tax liability		0	994
Other payables and advances received	12	440,227	574,722
Provisions	13	13,089	12,458
<b>Total current liabilities</b>		<b>1,182,791</b>	<b>1,113,561</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	11	318,588	263,723
Other liabilities		2,534	714
Deferred income tax liability		931	0
Provisions	13	1,508	4,328
<b>Total non-current liabilities</b>		<b>323,561</b>	<b>268,765</b>
<b>TOTAL LIABILITIES</b>		<b>1,506,352</b>	<b>1,382,326</b>
<b>EQUITY</b>			
<b>Minority interest</b>			
<b>Minority interest</b>		<b>98,073</b>	<b>90,095</b>
Share capital	14	307,567	307,567
Share premium		509	0
Statutory capital reserve		34,800	11,766
Translation reserve		-4,183	2,354
Retained earnings		426,661	397,810
<b>Total equity attributable to equity holders of the parent</b>		<b>765,354</b>	<b>719,497</b>
<b>TOTAL EQUITY</b>		<b>863,427</b>	<b>809,592</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,369,779</b>	<b>2,191,918</b>

### Consolidated interim balance sheet

Unaudited EUR '000	Note	31 December 2008	31 December 2007
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		18,930	15,090
Trade receivables	2	29,541	32,711
Other receivables and prepayments	3	27,102	16,908
Deferred tax assets		25	122
Inventories	4	24,811	25,151
Non-current assets held for sale		0	2,771
<b>Total current assets</b>		<b>100,407</b>	<b>92,754</b>
<b>Non-current assets</b>			
Long-term investments	6	7,253	7,138
Investment property	7	7,464	8,563
Property, plant and equipment	8	16,828	14,172
Intangible assets	9	19,505	17,462
<b>Total non-current assets</b>		<b>51,049</b>	<b>47,336</b>
<b>TOTAL ASSETS</b>		<b>151,456</b>	<b>140,089</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	11	15,055	8,683
Trade payables		27,300	21,459
Other tax liabilities		4,266	3,437
Income tax liability		0	64
Other payables and advances received	12	28,136	36,731
Provisions	13	837	796
<b>Total current liabilities</b>		<b>75,594</b>	<b>71,170</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	11	20,361	16,855
Other liabilities		162	46
Deferred income tax liability		60	0
Provisions	13	96	277
<b>Total non-current liabilities</b>		<b>20,679</b>	<b>17,177</b>
<b>TOTAL LIABILITIES</b>		<b>96,273</b>	<b>88,347</b>
<b>EQUITY</b>			
<b>Minority interest</b>			
Share capital	14	19,657	19,657
Share premium		33	0
Statutory capital reserve		2,224	752
Translation reserve		-267	150
Retained earnings		27,269	25,425
<b>Total equity attributable to equity holders of the parent</b>		<b>48,915</b>	<b>45,984</b>
<b>TOTAL EQUITY</b>		<b>55,183</b>	<b>51,742</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>151,456</b>	<b>140,089</b>

### Consolidated interim income statement

Unaudited EEK '000	Note	Q4 2008	Q4 2007	12 months to 31 Dec 2008	12 months to 31 Dec 2007
Revenue	16; 17	945,036	1,092,613	3,866,733	3,752,028
Cost of sales	18	899,262	939,558	3,508,950	3,252,051
Gross profit		45,774	153,055	357,783	499,977
Marketing expenses		1,795	1,266	8,007	5,106
Administrative expenses	19	45,376	57,286	182,730	173,562
Other operating income	20	45,435	7,787	63,960	16,411
Other operating expenses	20	14,268	25,829	22,336	30,256
Operating profit		29,770	76,461	208,670	307,464
Finance income	21	19,690	15,122	96,877	31,486
Finance expenses	21	37,765	7,570	67,651	30,028
Net finance items		-18,075	7,552	29,226	1,458
Share of profit of equity accounted investees		-2,181	-737	17	856
Share of loss of equity accounted investees		22,672	3,790	23,765	4,031
Net share of profit and loss of equity accounted investees		-24,853	-4,527	-23,748	-3,175
Profit before income tax		-13,158	79,486	214,148	305,747
Income tax expense	22	-1,176	-1,450	42,596	15,976
Profit for the period		-11,982	80,936	171,552	289,771
Attributable to:					
Equity holders of the parent		-9,722	71,172	145,754	267,482
Minority interest		-2,260	9,764	25,798	22,289
Basic earnings per share (in kroons)*	14	-0.32	2.31	4.74	8.70
Diluted earnings per share (in kroons)*	14	-0.32	2.31	4.74	8.70

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

### Consolidated interim income statement

Unaudited EUR '000	Note	Q4 2008	Q4 2007	12 months to 31 Dec 2008	12 months to 31 Dec 2007
Revenue	16; 17	60,399	69,831	247,129	239,798
Cost of sales	18	57,473	60,049	224,263	207,844
Gross profit		2,925	9,782	22,867	31,954
Marketing expenses		115	81	512	326
Administrative expenses	19	2,900	3,661	11,679	11,093
Other operating income	20	2,904	498	4,088	1,049
Other operating expenses	20	912	1,651	1,428	1,934
Operating profit		1,903	4,887	13,336	19,651
Finance income	21	1,258	966	6,192	2,012
Finance expenses	21	2,414	484	4,324	1,919
Net finance items		-1,155	483	1,868	93
Share of profit of equity accounted investees		-139	-47	1	55
Share of loss of equity accounted investees		1,449	242	1,519	258
Net share of profit and loss of equity accounted investees		-1,588	-289	-1,518	-203
Profit before income tax		-841	5,080	13,687	19,541
Income tax expense	22	-75	-93	2,722	1,021
Profit for the period		-766	5,173	10,964	18,520
Attributable to:					
Equity holders of the parent		-621	4,549	9,315	17,095
Minority interest		-144	624	1,649	1,425
Basic earnings per share (in euros)*	14	-0.02	0.15	0.30	0.56
Diluted earnings per share (in euros)*	14	-0.02	0.15	0.30	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	
	12 months to 31 Dec 2008	12 months to 31 Dec 2007	12 months to 31 Dec 2008	12 months to 31 Dec 2007
<b>Cash flows from operating activities</b>				
Cash receipts from customers	4,693,951	4,424,893	299,998	282,802
Cash paid to suppliers	-3,809,070	-3,820,821	-243,444	-244,195
Cash paid to and for employees	-540,926	-438,363	-34,571	-28,017
Income taxes paid	-38,041	-18,423	-2,431	-1,177
<b>Net cash from operating activities</b>	<b>305,914</b>	<b>147,286</b>	<b>19,551</b>	<b>9,413</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	-11,856	-24,589	-758	-1,572
Acquisition of intangible assets	-929	-4,418	-59	-282
Proceeds from sale of property, plant and equipment	11,294	17,539	722	1,121
Acquisition of subsidiaries	-214,652	-9,225	-13,719	-590
Cash acquired on acquisition of subsidiaries	4,056	25,661	259	1,640
Proceeds from sale of subsidiaries	2,063	872	132	56
Acquisition of associates	-7,615	-10,000	-487	-639
Proceeds from sale of associates	77,812	10,417	4,973	666
Acquisition of other investments	0	-5,406	0	-346
Loans granted	-120,756	-58,843	-7,718	-3,761
Repayment of loans granted	86,721	56,439	5,542	3,607
Dividends received	183	0	12	0
Interest received	16,142	12,295	1,032	786
<b>Net cash used in / from investing activities</b>	<b>-157,537</b>	<b>10,742</b>	<b>-10,068</b>	<b>687</b>
<b>Cash flows from financing activities</b>				
Proceeds from loans received	415,558	196,635	26,559	12,567
Repayment of loans received	-309,607	-134,995	-19,787	-8,628
Payment of finance lease liabilities	-56,517	-64,729	-3,612	-4,137
Dividends paid	-104,130	-52,135	-6,655	-3,332
Interest paid	-33,284	-22,672	-2,127	-1,449
Other settlements	-325	0	-21	0
<b>Net cash used in financing activities</b>	<b>-88,305</b>	<b>-77,896</b>	<b>-5,644</b>	<b>-4,978</b>
<b>Net cash flow</b>	<b>60,072</b>	<b>80,132</b>	<b>3,839</b>	<b>5,121</b>
Cash and cash equivalents at beginning of period	236,112	155,980	15,090	9,969
Effect of exchange rate fluctuations	-60	-98	-4	-6
Increase in cash and cash equivalents	60,132	80,230	3,843	5,128
Cash and cash equivalents at end of period	296,184	236,112	18,930	15,090

### 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	158	0	158	1,476	1,634
Profit for the period	0	0	0	0	267,482	267,482	22,289	289,771
<b>Total recognised income and expense for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>158</b>	<b>267,482</b>	<b>267,640</b>	<b>23,765</b>	<b>291,405</b>
Dividend declared	0	0	0	0	-46,135	-46,135	-6,000	-52,135
Issue of share capital	153,783	-108,465	0	0	-45,318	0	0	0
Transfer to capital reserve	0	0	7,608	0	-7,608	0	0	0
Change in minority interest	0	0	0	0	33,063	33,063	33,039	66,102
<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>
<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	-6,537	0	-6,537	59	-6,478
Profit for the period	0	0	0	0	145,754	145,754	25,798	171,552
<b>Total recognised income and expense for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-6,537</b>	<b>145,754</b>	<b>139,217</b>	<b>25,857</b>	<b>165,074</b>
Dividend declared	0	0	0	0	-92,270	-92,270	-11,860	-104,130
Share premium	0	509	0	0	0	509	287	796
Transfer to capital reserve	0	0	23,034	0	-23,034	0	0	0
Change in minority interest	0	0	0	0	-1,599	-1,599	-6,306	-7,905
<b>Balance at 31 December 2008</b>	<b>307,567</b>	<b>509</b>	<b>34,800</b>	<b>-4,183</b>	<b>426,661</b>	<b>765,354</b>	<b>98,073</b>	<b>863,427</b>

### Consolidated interim statement of changes in equity

EUR '000	Equity attributable to equity holders of the parent						Minority interest	Total
	Share capital	Share premium	Statutory capital reserve	Other reserves	Retained earnings	Total		
<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	10	0	10	94	104
Profit for the period	0	0	0	0	17,095	17,095	1,425	18,520
<b>Total recognised income and expense for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>17,095</b>	<b>17,105</b>	<b>1,519</b>	<b>18,624</b>
Dividend declared	0	0	0	0	-2,949	-2,949	-383	-3,332
Issue of share capital	9,829	-6,932	0	0	-2,896	0	0	0
Transfer to capital reserve	0	0	480	0	-486	0	0	0
Change in minority interest	0	0	0	0	2,113	2,113	2,112	4,225
<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>
<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	-418	0	-418	4	-414
Profit for the period	0	0	0	0	9,315	9,315	1,649	10,964
<b>Total recognised income and expense for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-418</b>	<b>9,315</b>	<b>8,898</b>	<b>1,653</b>	<b>10,550</b>
Dividend declared	0	0	0	0	-5,897	-5,897	-758	-6,655
Share premium	0	33	0	0	0	33	18	51
Transfer to capital reserve	0	0	1,472	0	-1472	0	0	0
Change in minority interest	0	0	0	0	-102	-102	-403	-505
<b>Balance at 31 December 2008</b>	<b>19,657</b>	<b>33</b>	<b>2,224</b>	<b>-267</b>	<b>27,269</b>	<b>48,915</b>	<b>6,268</b>	<b>55,183</b>



## Notes to the consolidated interim financial statements

### NOTE 1. Significant accounting policies

AS Eesti Ehitus is a company registered in Estonia. The shares of AS Eesti Ehitus have been listed on the NASDAQ OMX Tallinn Stock Exchange since 18 May 2006. The company's ultimate controlling party is AS Nordecon that holds 61.15 per cent of the shares.

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

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

According to management's assessment, the consolidated interim financial statements of AS Eesti Ehitus for the fourth quarter and twelve months of 2008 give a true and fair view of the Group's result of operations and the parent and all its subsidiaries that 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 euros (EUR), rounded to the nearest thousand, unless indicated otherwise. Numeric data is in thousands of currency units. According to the quotation of Eesti Pank (Bank of Estonia), the Estonian kroon – euro exchange rate is 15.6466 kroons to 1 euro.

#### *Changes in presentation practice*

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

EEK '000	2007	Adjusted 2007	Change	Q4 2007	Adjusted Q4 2007	Change
Marketing expenses	0	5,106	5,106	0	1,266	1,266
Administrative expenses	176,273	173,562	-2,711	58,552	57,286	-1,266
Other operating income	16,411	16,411	0	7,787	7,787	0
Other operating expenses	32,651	30,256	-2,395	25,829	25,829	0

EUR '000	2007	Adjusted 2007	Change	Q4 2007	Adjusted Q4 2007	Change
Marketing expenses	0	326	326	0	81	81
Administrative expenses	11,266	11,093	-173	3,742	3,661	-81
Other operating income	1,049	1,049	0	498	498	0
Other operating expenses	2,087	1,934	-153	1,651	1,651	0

### NOTE 2. Trade receivables

As at 31 December	EEK '000		EUR '000	
	2008	2007	2008	2007
Trade receivables	470,321	529,593	30,059	33,847
Allowance for impairment	-8,111	-17,774	-518	-1,136
<b>Total trade receivables</b>	<b>462,210</b>	<b>511,819</b>	<b>29,541</b>	<b>32,711</b>

In 2008, the Group recognised additional impairment allowances of 8,161 thousand kroons (522 thousand euros) and recovered receivables of 17,724 thousand kroons (1,133 thousand euros) that had been considered impaired in prior periods.

**NOTE 3. Other receivables and prepayments**

	EEK '000		EUR '000	
	2008	2007	2008	2007
<b>As at 31 December</b>				
Receivables from companies of Nordecon group	52,726	53,379	3,370	3,412
Receivables from associates	33,778	35,022	2,159	2,238
Miscellaneous receivables	106,779	45,400	6,824	2,902
Due from customers for contract work	176,825	106,379	11,301	6,799
Accrued income	2,530	134	162	9
Prepaid taxes	32,935	12,208	2,105	780
Prepayments for services	18,476	12,029	1,181	769
<b>Total other receivables and prepayments</b>	<b>424,049</b>	<b>264,551</b>	<b>27,102</b>	<b>16,908</b>

Receivables from group companies comprise receivables related to the performance of construction contracts. Receivables from associates comprise accounts receivable. Miscellaneous receivables represent construction contract retentions receivable in 2009. Due from customers for contract work is related to accounting for construction work in progress. Prepaid taxes consist comprise VAT and Ukrainian tax on profit and prepayments include mainly prepaid business insurance premiums.

**NOTE 4. Inventories**

	EEK '000		EUR '000	
	2008	2007	2008	2007
<b>As at 31 December</b>				
Raw and other materials	45,494	34,906	2,908	2,231
Work in progress	187,382	201,098	11,976	12,853
Prepayments to materials suppliers	13,642	32,324	872	2,066
Property held for resale	141,684	125,201	9,055	8,002
<b>Total inventories</b>	<b>388,202</b>	<b>393,529</b>	<b>24,811</b>	<b>25,151</b>

Raw and other materials of 45,494 thousand kroons (2,908 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 187,382 thousand kroons (11,976 thousand euros). Property held for resale comprises registered immovable properties of 141,684 thousand kroons (9,055 thousand euros) acquired for residential construction purposes.

**NOTE 5. Acquisition of minority interests**

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

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

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

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

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

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

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

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

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

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

	EEK '000			EUR '000		
	Pre-acquisition carrying amount	Total fair value (100%)	Recognised value on acquisition (56%)	Pre-acquisition carrying amount	Total fair value (100%)	Recognised value on acquisition (56%)
Current assets	128,599	128,599	72,015	8,219	8,219	4,603
Non-current assets	31,331	31,331	17,545	2,002	2,002	1,121
Current liabilities	-141,652	-141,652	-79,325	-9,053	-9,053	-5,070
Non-current liabilities	-14,792	-14,792	-8,283	-945	-945	-529
Minority interest	-1,601	-1,601	-897	-102	-102	-57
<b>Net identifiable assets and liabilities</b>	<b>1,886</b>	<b>1,886</b>	<b>1,056</b>	<b>121</b>	<b>121</b>	<b>67</b>
Unrealised intra-group sales gain			4,063			260
Goodwill			2,695			172
Cost			7,814			499
Paid in cash			7,814			499

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

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

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

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

**NOTE 6. Long-term investments**

	EEK '000		EUR '000	
	2008	2007	2008	2007
<b>As at 31 December</b>				
Investments in associates	6,932	45,170	443	2,887
Long-term receivables from associates	105,015	54,551	6,712	3,486
Other investments	626	414	40	26
Long-term trade receivables	706	5,198	45	332
Miscellaneous long-term receivables	206	6,353	13	406
<b>Total long-term investments</b>	<b>113,484</b>	<b>111,686</b>	<b>7,253</b>	<b>7,138</b>

Long-term receivables from associates comprise outstanding loan balances together with accrued interest. Other investments include a 12.2 per cent shareholding in AS E-Trading and a 3 per cent shareholding in TOV Passage Theatre. Trade receivables are classified as long-term by reference to their settlement schedule.

**NOTE 7. Investment property**

	EEK '000		EUR '000	
	2008	2007	2008	2007
<b>Investment property at 1 January</b>	133,984	24,199	8,563	1,547
Acquisitions through business combinations	0	104,559	0	6,683
Transfer to/from property, plant and equipment	-5,671	168	-362	11
Transfers to inventories	0	-1,913	0	-122
Transfers to non-current assets held for sale	0	-198	0	-13
Acquisitions	0	1,818	0	116
Revaluation to fair value	-11,530	5,351	-737	342
<b>Investment property at 31 December</b>				
<b>Fair value</b>	<b>116,783</b>	<b>133,984</b>	<b>7,464</b>	<b>8,563</b>

**NOTE 8. Property, plant and equipment**

EEK '000	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction and prepayments	Total
<b>Cost</b>					
At 1 January 2008	15,959	305,280	45,010	2,091	368,340
<b>2008</b>					
Acquisitions through business combinations	800	20,663	2,262	12,713	36,438
Additions	14,354	67,907	10,813	-12,976	80,098
Transfers from investment property	5,671	0	0	0	5,671
Disposals	0	-26,516	-1,386	0	-27,902
Transfers	0	-393	393	0	0
Effect of movements in exchange rates	0	-275	-30	0	-305
At 31 December 2008	36,784	366,666	57,061	1,828	462,339
<b>Depreciation</b>					
At 1 January 2008	1,396	125,907	19,289	0	146,592
<b>2008</b>					
Depreciation charge for the period	891	58,404	11,109	0	70,404
Disposals	0	-16,453	-1,525	0	-17,978
Transfers	-10	-309	309	0	-10
Effect of movements in exchange rates	0	31	6	0	37
At 31 December 2008	2,277	167,580	29,188	0	199,045
<b>Carrying amount</b>					
At 1 January 2008	14,563	179,373	25,721	2,091	221,748
At 31 December 2008	34,507	199,086	27,874	1,828	263,295

EUR '000	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction and prepayments	Total
<b>Cost</b>					
At 1 January 2008	1,020	19,511	2,877	134	23,541
<b>2008</b>					
Acquisitions through business combinations	51	1,321	145	813	2,329
Additions	917	4,340	691	-829	5,119
Transfers from investment property	362	0	0	0	362
Disposals	0	-1,695	-89	0	-1,783
Transfers	0	-25	25	0	0
Effect of movements in exchange rates	0	-18	-2	0	-19
At 31 December 2008	2,351	23,434	3,647	117	29,549
<b>Depreciation</b>					
At 1 January 2008	89	8,047	1,233	0	9,369
<b>2008</b>					
Depreciation charge for the period	57	3,733	710	0	4,500
Disposals	0	-1,052	-97	0	-1,149
Transfers	-1	-20	20	0	-1
Effect of movements in exchange rates	0	2	0	0	2
At 31 December 2008	146	10,710	1,865	0	12,721
<b>Carrying amount</b>					
At 1 January 2008	931	11,464	1,644	134	14,172
At 31 December 2008	2,205	12,724	1,781	117	16,828

Additions of 2008 include mainly road construction equipment.

**NOTE 9. 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	23,232	220	0	0	23,452
Additions	9,871	122	0	929	10,922
Effect of movements in exchange rates	-115	0	0	0	-115
At 31 December 2008	295,304	1,702	10,000	4,645	311,651
<b>Amortisation</b>					
At 1 January 2008	0	669	3,500	0	4,169
<b>2008</b>					
Amortisation charge for the period	0	287	2,000	0	2,287
Effect of movements in exchange rates	0	7	0	0	7
At 31 December 2008	0	963	5,500	0	6,463
<b>Carrying amount</b>					
At 1 January 2008	262,316	691	6,500	3,716	273,223
At 31 December 2008	295,304	739	4,500	4,645	305,188

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	1,485	14	0	0	1,499
Additions	631	8	0	59	698
Effect of movements in exchange rates	-7	0	0	0	-7
At 31 December 2008	18,873	109	639	297	19,918
<b>Amortisation</b>					
At 1 January 2008	0	43	224	0	266
<b>2008</b>					
Amortisation charge for the period	0	18	128	0	146
Effect of movements in exchange rates	0	0	0	0	0
At 31 December 2008	0	62	352	0	413
<b>Carrying amount</b>					
At 1 January 2008	16,765	44	415	237	17,462
At 31 December 2008	18,873	47	288	297	19,505

**NOTE 10. Finance and operating leases**

Finance lease liabilities	EEK '000		EUR '000	
At 31 December	2008	2007	2008	2007
Payable in less than one year	46,851	41,526	2,994	2,654
Payable between one and five years	98,432	83,864	6,291	5,360
<b>Total</b>	<b>145,283</b>	<b>125,390</b>	<b>9,285</b>	<b>8,014</b>
<b>For 12 months to 31 December</b>				
Principal payments made during the period	56,517	64,729	3,612	4,137
Interest payments made during the period	6,006	6,879	384	440

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Base currency	EUR	142,841	121,918	9,129	7,792
Base currency	UAH	2,442	3,472	156	222
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</b>	EEK '000		EUR '000		
	<b>For 12 months to 31 December</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Cars		15,351	15,075	981	963
Construction equipment		38,484	31,104	2,460	1,988
Premises		9,918	8,430	634	539
Software		7,975	5,699	510	364
<b>Total operating lease rentals paid</b>		<b>71,728</b>	<b>60,309</b>	<b>4,584</b>	<b>3,854</b>

**NOTE 11. Interest-bearing loans and borrowings**

<b>As at 31 December</b>	EEK '000		EUR '000	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Short-term bank loans	54,627	32,560	3,491	2,081
Current portion of long-term bank loans	134,085	42,963	8,570	2,746
Other short-term loans	0	18,807	0	1,202
Finance lease liabilities	46,851	41,526	2,994	2,654
<b>Total current loans and borrowings</b>	<b>235,563</b>	<b>135,856</b>	<b>15,055</b>	<b>8,683</b>
Long-term bank loans	220,156	179,860	14,071	11,495
Long-term finance lease liabilities	98,432	83,864	6,291	5,360
<b>Total non-current loans and borrowings</b>	<b>318,588</b>	<b>263,724</b>	<b>20,361</b>	<b>16,855</b>

**Loans and borrowings at 31 December 2008**

EEK '000							
	Base currency	Interest rate	Limit	Up to 1 year	Over 1 year	Total	Settlement term
Investment loan	EUR	4.10%	141,700	20,220	65,840	86,060	31 Jul 2012
Investment loan	EUR	6.15%	187,235	26,748	140,426	167,174	11 Jan 2013
Investment loan	EUR	3m EURIBOR + 1.5%	5,192	1,024	2,616	3,640	30 Apr 2012
Investment loan	EUR	3m EURIBOR + 1.5%	2,596	504	1,444	1,948	30 Jul 2012
Investment loan	EUR	3m EURIBOR + 1.5%	1,263	237	777	1,014	30 Nov 2012
Investment loan	EUR	6.19%	9,000	666	6,853	7,519	18 Sept 2017
Investment loan	EUR	6m EURIBOR + 0.8%	12,000	4,710	0	4,710	19 May 2009
Investment loan	EUR	5.38%	140,000	84,686	0	84,686	31 Mar 2009
Investment loan	EUR	0.7% + 6m EURIBOR	13,200	6,600	2,200	8,800	2010
Working capital loan	EUR	5.25%	15,004	15,004	0	15,004	2009
Overdraft	EUR	6m EURIBOR + 2.2%	3,000	0	0	0	18 Feb 2009
Overdraft	EUR	3m EURIBOR + 1.5%	22,263	9,225	0	9,225	26 Mar 2009
Overdraft	EUR	6.30%	4,000	3,947	0	3,947	18 Sept 2009
Inventory financing	EUR	5.79%	10,000	7,318	0	7,318	15 Jan 2009
Overdraft	EUR	10.00%	7,823	7,823	0	7,823	31 Jan 2009
<b>Total loans</b>				<b>188,712</b>	<b>220,156</b>	<b>408,868</b>	
<b>Finance lease liabilities</b>				<b>46,851</b>	<b>98,432</b>	<b>145,283</b>	
<b>Total loans and borrowings</b>				<b>235,563</b>	<b>318,588</b>	<b>554,151</b>	

EUR '000	Base currency	Interest rate	Limit	Up to 1 year	Over 1 year	Total	Settlement term
Investment loan	EUR	4.10%	9,056	1,292	4,208	5,500	31 Jul 2012
Investment loan	EUR	6.15%	11,966	1,710	8,975	10,684	11 Jan 2013
Investment loan	EUR	3m EURIBOR + 1.5%	332	65	167	233	30 Apr 2012
Investment loan	EUR	3m EURIBOR + 1.5%	166	32	92	124	30 Jul 2012
Investment loan	EUR	3m EURIBOR + 1.5%	81	15	50	65	30 Nov 2012
Investment loan	EUR	6.19%	575	43	438	481	18 Sept 2017
Investment loan	EUR	6m EURIBOR + 0.8%	767	301	0	301	19 May 2009
Investment loan	EUR	5.38%	8,948	5,412	0	5,412	31 Mar 2009
Investment loan	EUR	0.7% + 6m EURIBOR	844	422	141	562	2010
Working capital loan	EUR	5.25%	959	959	0	959	2009
Overdraft	EUR	6m EURIBOR + 2.2%	192	0	0	0	18 Feb 2009
Overdraft	EUR	3m EURIBOR + 1.5%	1,423	590	0	590	26 Mar 2009
Overdraft	EUR	6.30%	256	252	0	252	18 Sept 2009
Inventory financing	EUR	5.79%	639	468	0	468	15 Jan 2009
Overdraft	EUR	10.00%	500	500	0	500	31 Jan 2009
<b>Total loans</b>				<b>12,061</b>	<b>14,071</b>	<b>26,131</b>	
<b>Finance lease liabilities</b>				<b>2,994</b>	<b>6,291</b>	<b>9,285</b>	
<b>Total loans and borrowings</b>				<b>15,055</b>	<b>20,361</b>	<b>35,417</b>	

## NOTE 12. Other payables and advances received

### Current payables and advances received

As at 31 December	EEK '000		EUR '000	
	2008	2007	2008	2007
Payables to companies of Nordecon group	2,341	8,584	150	549
Payables to associates	4	7,058	0	451
Payables to employees	86,529	97,535	5,530	6,234
Progress payments received in excess of contract work completed	124,097	88,987	7,931	5,687
Accrued payables	17,369	1,823	1,110	117
Accrued expenses related to contract work	66,888	158,254	4,275	10,114
Miscellaneous payables	65,367	187,512	4,178	11,984
Customer advances for goods and services	78,632	24,969	5,026	1,596
<b>Total other payables and advances received</b>	<b>441,227</b>	<b>574,722</b>	<b>28,200</b>	<b>36,731</b>

Payables to employees comprise remuneration and bonus payables and accrued vacation pay liabilities. Accrued expenses include unpaid loan interest of 4,022 thousand kroons (257 thousand euros) which is not due yet and 12,910 thousand kroons (825 thousand euros) payable for the acquisition of the Latvian subsidiary LCB SIA.. Progress payments received in excess of contract work completed is related to the accounting for construction contracts and comprises the difference between progress billings and contract revenue recognised by reference to the stage of completion of contract activity. Miscellaneous payables include estimated project expenses.



### NOTE 13. Provisions

Provisions	EEK '000		EUR '000	
	2008	2007	2008	2007
<b>As at 31 December</b>				
Current warranties provisions	13,089	12,458	837	796
Non-current warranties provisions	1,508	4,328	96	277
Deferred income tax liability provision	931	0	60	0
<b>Total provisions</b>	<b>15,528</b>	<b>16,786</b>	<b>992</b>	<b>1,073</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 14. Equity

#### Shares

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

#### Dividends

Based on the resolution of the shareholders' general meeting, in 2008 the company used the profit for 2007 to distribute the shareholders a dividend of:

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

#### Earnings per share

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

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

For 12 months to 31 December	Unit	EEK '000		EUR '000	
		2008	2007	2008	2007
Net profit attributable to equity holders of the parent	In thousands	145,754	267,482	9,315	17,095
Weighted average number of shares	In thousands	30,757	30,757	30,757	30,757
Basic earnings per share		4.74	8.70	0.30	0.56
Diluted earnings per share		4.74	8.70	0.30	0.56

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

### NOTE 15. Participation in joint ventures

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

In addition, the Group participates in the construction of the Vaida-Aruvalla road section under another partnership contract (Partnership contract II). The project is under the joint control of four parties. The Group's

share in the profit of the contract is one fourth. Each party is responsible for the delivery and risks of the contract to the extent of its share in the venture.

The Group is also involved in the construction of the Koidula railway border station under a partnership contract (Partnership contract III). The project is under the control of three parties. Each party is responsible for the delivery and risks of the contract to the extent of its share in the venture.

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

<b>For 12 months to or as at 31 December 2008</b>						
	<b>EEK '000</b>	<b>EUR '000</b>	<b>EEK '000</b>	<b>EUR '000</b>	<b>EEK '000</b>	<b>EUR '000</b>
	Partnership contract I		Partnership contract II		Partnership contract III	
Income	103,125	6,591	127,280	8,135	14,294	914
Including the reporting period	18,791	1,201	41,009	2,621	14,294	914
Expenses	88,079	5,629	122,131	7,806	13,459	860
Including the reporting period	12,551	802	46,778	2,990	13,459	860
Receivables	4,187	268	1,077	69	30,967	1,979
Including from venture partners	0	0	1,077	69		
Payables	7,139	456	13,786	881	2,662	170
Including to venture partners	0	0	13,786	881	0	0

<b>For 12 months to or as at 31 December 2007</b>				
	<b>EEK '000</b>	<b>EUR '000</b>	<b>EEK '000</b>	<b>EUR '000</b>
	Partnership contract I		Partnership contract II	
Income	84,334	5,390	86,271	5,514
Including the reporting period	78,457	5,014	86,271	5,514
Expenses	75,528	4,827	75,353	4,816
Including the reporting period	69,892	4,467	75,353	4,816
Receivables	29,322	1,874	59,986	3,834
Including from venture partners	39,322	2,513	37,093	2,371
Payables	26,722	1,708	58,683	3,751
Including to venture partners	0	0	43,167	2,759

## NOTE 16. Segment reporting – business segments

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

### Business segments

<b>EEK '000</b>	Residential and non-residential		Civil engineering		Eliminations		Consolidated	
<b>For 12 months to 31 December</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Construction contract revenue	2,303,289	1,952,260	1,421,108	1,772,693	0	0	3,724,397	3,724,953
Other revenue	83,859	14,497	58,477	12,578	0	0	142,336	27,075
Total revenue from external customers	2,387,148	1,966,757	1,479,585	1,785,271	0	0	3,866,733	3,752,028

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Inter-segment revenue	79,925	160,133	68,788	84,315	-148,713	-244,448	0	0
Total revenue	2,467,073	2,126,890	1,548,373	1,869,586	-148,713	-244,448	3,866,733	3,752,028
Segment result	307,613	232,961	50,171	267,016	0	0	357,784	499,977
Unallocated expenses	0	0	0	0	0	0	-149,114	-192,513
Operating profit	0	0	0	0	0	0	208,670	307,464
Net finance items	0	0	0	0	0	0	29,227	1,458
Share of profit / loss of equity accounted investees	-23,766	-4,031	17	856	0	0	-23,749	-3,175
Income tax expense	0	0	0	0	0	0	-42,596	-15,976
Profit for the period							171,552	289,771
Segment assets	1,494,731	1,183,240	868,116	963,508	0	0	2,362,847	2,146,748
Investments in associates	6,932	34,625	0	10,545	0	0	6,932	45,170
Total assets							2,369,779	2,191,918
Segment liabilities	537,860	409,767	407,564	556,192	0	0	945,424	965,959
Warranty liabilities	12,829	11,755	1,773	5,031	0	0	14,602	16,786
Unallocated liabilities	0	0	0	0	0	0	546,327	399,580
Total liabilities							1,506,353	1,382,325
Cash flows from operating activities	226,407	70,953	79,507	76,333	0	0	305,914	147,286
Cash flows from investing activities	-145,888	12,054	-11,649	-1,312	0	0	-157,537	10,742
Cash flows from financing activities	-31,384	27,901	-56,921	-105,797	0	0	-88,305	-77,896
Net cash flow	49,135	110,908	10,937	-30,776	0	0	60,072	80,132
Capital expenditure	12,079	130,133	138,215	92,154	0	0	150,294	222,287
Depreciation and amortisation expense	10,258	9,293	62,433	53,818	0	0	72,691	63,111

**Business segments (continued)**

EUR '000	Residential and non-residential		Civil engineering		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
<b>For 12 months to 31 December</b>								
Construction contract revenue	147,207	124,772	90,825	113,296	0	0	238,032	238,068
Other revenue	5,360	927	3,737	804	0	0	9,097	1,730
Total revenue from external customers	152,567	125,699	94,563	114,100	0	0	247,129	239,798
Inter-segment revenue	5,108	10,234	4,396	5,389	-9,504	-15,623	0	0
Total revenue	157,675	135,933	98,958	119,489	-9,504	-15,623	247,129	239,798
Segment result	19,660	14,889	3,207	17,065	0	0	22,867	31,954
Unallocated expenses	0	0	0	0	0	0	-9,530	-12,304
Operating profit	0	0	0	0	0	0	13,336	19,651
Net finance items	0	0	0	0	0	0	1,868	93
Share of profit / loss of equity accounted investees	-1,519	-258	1	55	0	0	-1,518	-203
Income tax expense	0	0	0	0	0	0	-2,722	-1,021
Profit for the period							10,964	18,520
Segment assets	95,531	75,623	55,483	61,579	0	0	151,013	137,202
Investments in associates	443	2,213	0	674	0	0	443	2,887
Total assets							151,456	140,089

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Segment liabilities	34,376	26,189	26,048	35,547	0	0	60,424	61,736
Warranty liabilities	820	751	113	322	0	0	933	1,073
Unallocated liabilities	0	0	0	0	0	0	34,916	25,538
<b>Total liabilities</b>							<b>96,273</b>	<b>88,347</b>
Cash flows from operating activities	14,470	4,535	5081	4,879	0	0	19,551	9,413
Cash flows from investing activities	-9,324	770	-745	-84	0	0	-10,068	687
Cash flows from financing activities	-2,006	1,783	-3,638	-6,762	0	0	-5,644	-4,978
Net cash flow	3,140	7,088	699	-1,967	0	0	3,839	5,121
Capital expenditure	772	8,317	8,834	5,890	0	0	9,606	14,207
Depreciation and amortisation expense	656	594	3,990	3,440	0	0	4,646	4,034

Unallocated liabilities include loans and borrowings.

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

		EEK '000		EUR '000	
<b>For 12 months to 31 December</b>		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>Revenue</b>					
Estonia		3,106,069	3,303,651	198,514	211,142
Ukraine		441,037	435,001	28,187	27,802
Lithuania		91,081	18,255	5,821	1,167
Latvia		229,757	0	14,684	0
Eliminations		-1,211	-4,879	-77	-312
<b>Total revenue</b>		<b>3,866,733</b>	<b>3,752,028</b>	<b>247,129</b>	<b>239,798</b>
<b>Segment assets based on geographical location</b>					
Estonia		2,027,395	2,043,752	129,574	130,620
Ukraine		238,432	240,626	15,239	15,379
Lithuania		16,002	11,024	1,023	705
Latvia		229,886	0	14,692	0
Eliminations		-141,936	-103,484	-9,071	-6,614
<b>Total segment assets</b>		<b>2,369,779</b>	<b>2,191,918</b>	<b>151,456</b>	<b>140,089</b>
<b>Capital expenditures for the 12 months of 2008</b>					
EEK '000		<b>Property, plant and equipment</b>		<b>Intangible assets</b>	<b>Total</b>
Estonia		93,691		33,758	127,449
Ukraine		2,940		0	2,940
Latvia		19,905		0	19,905
<b>Total capital expenditures</b>		<b>116,536</b>		<b>33,758</b>	<b>150,294</b>
<b>Capital expenditures for the 12 months of 2008</b>					
EUR '000		<b>Property, plant and equipment</b>		<b>Intangible assets</b>	<b>Total</b>
Estonia		5,988		2,158	8,145
Ukraine		188		0	188
Latvia		1,272		0	1,272
<b>Total capital expenditures</b>		<b>7,448</b>		<b>2,158</b>	<b>9,606</b>

EEK '000	Capital expenditures for the 12 months of 2007	Property, plant and equipment	Intangible assets	Investment property	Total
Estonia		101,434	111,134	1,818	214,386
Ukraine		7,768	11	0	7,779
Lithuania		122	0		122
<b>Total capital expenditures</b>		<b>109,324</b>	<b>111,145</b>	<b>1,818</b>	<b>222,287</b>

EUR '000	Capital expenditures for the 12 months of 2007	Property, plant and equipment	Intangible assets	Investment property	Total
Estonia		6,483	7,103	116	13,702
Ukraine		496	1	0	497
Lithuania		8	0		8
<b>Total capital expenditures</b>		<b>6,987</b>	<b>7,103</b>	<b>116</b>	<b>14,207</b>

**NOTE 18. Cost of sales**

For 12 months to 31 December	EEK '000		EUR '000	
	2008	2007	2008	2007
Depreciation and amortisation expense	69,163	59,273	4,420	3,817
Personnel expenses	381,377	341,037	24,374	21,796
Cost of materials, goods and services used	3,040,001	2,831,824	194,291	180,987
Other expenses	18,409	19,467	1,177	1,244
<b>Total cost of sales</b>	<b>3,508,950</b>	<b>3,252,051</b>	<b>224,263</b>	<b>207,844</b>

**NOTE 19. Administrative expenses**

For 12 months to 31 December	EEK '000		EUR '000	
	2008	2007	2008	2007
Depreciation and amortisation expense	3,528	3,388	225	217
Personnel expenses	117,175	120,382	7,489	7,694
Cost of materials, goods and services used	50,862	42,072	3,251	2,689
Other expenses	11,165	7,720	714	493
<b>Total administrative expenses</b>	<b>182,730</b>	<b>173,562</b>	<b>11,679</b>	<b>11,093</b>

**NOTE 20. Other operating income and expenses**

**Other operating income**

For 12 months to 31 December	EEK '000		EUR '000	
	2008	2007	2008	2007
Gains on sale of property, plant and equipment	4,858	8,250	310	527
Foreign exchange gains	37,235	142	2,380	9
Gains on sale and revaluation of investment property	256	5,476	16	350
Other income	21,611	2,543	1,381	163
<b>Total other operating income</b>	<b>63,960</b>	<b>16,411</b>	<b>4,088</b>	<b>1,049</b>

**Other operating expenses**

For 12 months to 31 December	EEK '000		EUR '000	
	2008	2007	2008	2007
Write-off of property, plant and equipment	789	7,827	50	500
Foreign exchange losses	1,521	1,461	97	93
Losses from impaired receivables	-9,531	17,422	-609	1,113
Losses on sale and revaluation of investment property	11,530	0	737	0
Other expenses	18,027	3,546	1,152	227
<b>Total other operating expenses</b>	<b>22,336</b>	<b>30,256</b>	<b>1,428</b>	<b>1,934</b>

**NOTE 21. Finance income and expenses**

<b>Finance income</b>	EEK '000		EUR '000	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>For 12 months to 31 December</b>				
Gains on sale of shares in subsidiaries and associates	22,871	17,124	1,462	1,094
Interest income	58,905	9,383	3,765	600
Other finance income	14,451	4,290	924	274
Foreign exchange gains	650	689	42	44
<b>Total finance income</b>	<b>96,877</b>	<b>31,486</b>	<b>6,192</b>	<b>2,012</b>

<b>Finance expenses</b>	EEK '000		EUR '000	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>For 12 months to 31 December</b>				
Interest expense	37,596	17,697	2,403	1,131
Other finance expenses	422	1,180	27	75
Foreign exchange losses	29,633	11,151	1,894	713
<b>Total finance expenses</b>	<b>67,651</b>	<b>30,028</b>	<b>4,324</b>	<b>1,919</b>

**NOTE 22. Income tax expense**

<b>For 12 months to 31 December</b>	EEK '000		EUR '000	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Income tax on dividends paid	29,738	16,397	1,901	1,048
Income tax on profit earned	12,858	-421	822	-27
<b>Total income tax expense</b>	<b>42,596</b>	<b>15,976</b>	<b>2,722</b>	<b>1,021</b>

**NOTE 23. Transactions with related parties**

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

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

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

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

<b>Related party</b>	EEK '000		EUR '000		EEK '000		EUR '000	
	<b>2008</b>		<b>2007</b>					
	<b>Purchases</b>	<b>Sales</b>	<b>Purchases</b>	<b>Sales</b>	<b>Purchases</b>	<b>Sales</b>	<b>Purchases</b>	<b>Sales</b>
AS Nordecon	15,445	4,450	987	284	21,880	400	1,398	26
Subsidiaries of AS Nordecon	2,932	196,502	187	12,559	2,805	322,156	179	20,590
Associates of the Group	25	483	2	31	31	82,569	2	5,277
Companies related to a member of the council of AS Eesti Ehitus	2,244	1,229	143	79	1,677	17,123	107	1,094
<b>Total</b>	<b>20,646</b>	<b>202,664</b>	<b>1,319</b>	<b>12,953</b>	<b>26,393</b>	<b>422,248</b>	<b>1,687</b>	<b>26,987</b>

Substance of transactions	EEK '000		EUR '000		EEK '000		EUR '000	
	2008				2007			
	Purchases	Sales	Purchases	Sales	Purchases	Sales	Purchases	Sales
Construction contracts	0	201,994	0	12,910	0	415,837	0	26,577
Purchase and sale of goods	23	0	1	0	0	630	0	40
Lease and other services	20,623	670	1,318	43	26,393	5,781	1,687	370
<b>Total</b>	<b>20,646</b>	<b>202,664</b>	<b>1,319</b>	<b>12,953</b>	<b>26,393</b>	<b>422,248</b>	<b>1,687</b>	<b>26,987</b>

**Receivables from and liabilities to related parties at the end of the reporting period:**

As at 31 December	EEK '000				EUR '000			
	2008		2007		2008		2007	
	Receivable	Payable	Receivable	Payable	Receivable	Payable	Receivable	Payable
AS Nordecon	1,173	1,378	35	2,341	75	88	2	150
Subsidiaries of AS Nordecon	51,553	964	48,848	6,243	3,295	62	3,122	399
Associates	138,793	4	89,574	7,058	8,870	0	5,725	451
Companies related to a member of the council of AS Eesti Ehitus	236	0	-180	0	15	0	-11	0
<b>Total</b>	<b>191,755</b>	<b>2,346</b>	<b>138,277</b>	<b>15,642</b>	<b>12,255</b>	<b>150</b>	<b>8,838</b>	<b>1,000</b>

In the 12 months of 2008, the remuneration of the members of the council of AS Eesti Ehitus Group totalled 1,443 thousand kroons (92 thousand euros) and the remuneration of the members of the board of AS Eesti Ehitus amounted to 14,582 thousand kroons (932 thousand euros).

**NOTE 24. Events after the balance sheet date**

AS Aspi's Latvian subsidiary SIA Abagars performed a share purchase transaction by which it acquired a 75 per cent stake in the Latvian company SIA LCB. The share capital of SIA LCB consists of 6,600 shares with a par value of 1 lats (approximately 22.1 kroons or 1.4 euros) each. Through the transaction, SIA Abagars acquired 4,950 shares in SIA LCB. Ownership of the shares transferred in January 2009 when the registration procedures had been completed. AS Aspi, which is a wholly-owned subsidiary of AS Eesti Ehitus, holds 56 per cent of the shares in SIA Abagars. SIA LCB is a road construction company that operates near Daugavpils, the largest city in the Latgale district in north-east Latvia. The entity began operating in 2005 and has been one of the fastest growing road construction companies in the area.

On 9 January 2009, AS Eesti Ehitus signed a share purchase agreement by which it acquired a 56 per cent stake in OÜ Kalda Kodu, an entity registered in Estonia. The share capital of OÜ Kalda Kodu equals 100,000 kroons (approximately 6,391 euros). Through the transaction, AS Eesti Ehitus acquired one share in OÜ Kalda Kodu; the par value of the share is 56,000 kroons (approximately 3,579 euros). Ownership of the share transferred on the date the purchase agreement was signed.

## Signatures

The board of AS Eesti Ehitus has prepared the company's consolidated interim financial statements for the fourth quarter and twelve months of 2008 (unaudited) which are presented on pages 17 to 39.

Jaano Vink

Chairman of the Board



3 February 2009

Sulev Luiga

Member of the Board



3 February 2009

Priit Tiru

Member of the Board



3 February 2009