



# Q VARA

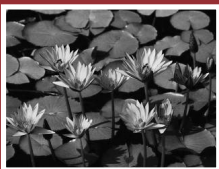
Consolidated interim report for the first 3 months in 2008

## AS Q VARA

Beginning of financial year: January 1, 2008  
End of financial year: March 31, 2008  
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Main activities: Real estate development (EMTAK: 41101)  
Construction (EMTAK: 41201)  
Real estate maintenance (EMTAK: 68321)  
Supervisory board: Ivo Lillepea, Jürgen Järvik, Tanel Peeters;  
Management: Meelis Šokman, Alo Lillepea;  
Auditor: AS Deloitte Audit Estonia.

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## VALUES

- We work because its fun;
- We never limit ourselves to certain sector;
- We believe in people. We love the families;
- We build the companies around our main competences;
- We do not tie our employees to the company. We believe in freedom and free will;
- We may swap the people from one company to an other any time;
- We always explore our limits;
- We do not accept common rules of management. We always ask more questions and look through" the problems;
- We are honest. We do not tolerate corruption;
- We value open communication;
- We control our companies as strategic investors, no matter whether we own 24 or 100% shares ;
- We control all over sub contractors quality ands are responsible for their mistakes.

## FINANCIAL SUMMARY

### INCOME STATEMENT

	3m 2008	3m 2007	12m 2007	3m 2008	3m 2007	12m 2007
<i>(in thousands)</i>	EEK	EEK	EEK	EUR	EUR	EUR
Operating income	23 381	16 081	97 973	1 494	1 028	6 262
Sale turnover	22 428	14 507	84 166	1 433	927	5 379
Operating profit (loss)	-5 693	-11 681	-76 086	-364	-747	-4 683
Net profit for the financial year (loss)	-12 444	-18 229	-78 484	-795	-1 165	-5 016
Profit attributable to the owners of the Parent	-12 215	-18 328	-70 867	-781	-1 171	-4 529

### BALANCE SHEET

	31.03.2008	31.03.2007	31.12.2007	31.03.2008	31.03.2007	31.12.2007
<i>(in thousands)</i>	EEK	EEK	EEK	EUR	EUR	EUR
Total assets	786 081	797 335	744 038	50 239	50 959	47 553
Total liabilities	628 566	515 456	574 169	40 173	32 944	36 696
Total equity	157 505	281 879	169 869	10 066	18 015	10 857
Equity attributable to the owners of the Parent	108 486	233 735	120 621	6 934	14 938	7 709
Minority shareholding	49 019	48 144	49 248	3 133	3 077	3 148

### FINANCIAL RATIOS

	31.03.2008	31.03.2007	31.12.2007
Operating profit margin	-24,3%	-72,6%	-77,7%
Net profit margin	-53,2%	-113,4%	-80,1%
Return on assets	-7,3%	-1,5%	-10,1%
Return on equity	-7,6%	-6,2%	-33,7%
Equity share of total assets	20,0%	35,4%	22,5%
Current ratio	1,47	1,79	1,54

#### Explanations of financial ratios

- ✓ Operating profit margin = Operating profit / Operating income
- ✓ Net profit margin = Net profit / Operating income
- ✓ Return on assets = Operating profit / Average total assets
- ✓ Return on equity = Net profit for the financial year / Average equity
- ✓ Equity share of total assets = Total equity / Total assets
- ✓ Current ratio = Current assets / Current liabilities

## MAIN DEVELOPMENTS IN THE FIRST 3 MONTHS OF 2008

### Construction and sale of the Trophy project

At the beginning of the year, the city government of Vilnius issued the construction permit which was followed by the organisation of construction tender and the analysis of tenders. By the end of the first quarter of 2008, the first project of Q Vara in Lithuania reached the construction phase. The planned duration of construction is 12 months and the cost is 10,561 thousand Lithuanian litas (47,841 thousand Estonian kroons). To finance the construction, UAB Q Vara has signed a supplementary loan agreement in the amount of 38 111 thousand Estonian kroons with SEB Vilniaus Banka. The expected sales turnover of the project is 101,482 thousand Estonian kroons and after taking into account all project related direct expenses the gross margin is approximately 30%.

At the beginning of 2008, the pre-sale was launched. Sale success turned out to be excellent, as from the beginning of January to the end of February reservation contracts were signed with six clients. The average sale price of apartments sold by the end of April of 2008 is 43,185 Estonian kroons per square metre.

### Sale of the Jonathan project

After the potential buyers finalized the due diligence process with positive results the Latvian company SIA Quality Nami belonging to the Group signed on March 28, 2008 a sale-purchase agreement with SIA Jonathan, according to which SIA Quality Nami sells the property (28,443 square metres) located on Maskavas Street in Riga together with the development project of Jonathan. SIA Jonathan represents real estate investors of Dutch origin. The agreed sale price is 186,976 thousand Estonian kroons.

The transaction will finally take effect after a positive audit of technical project and a positive court judgement regarding the property's detailed plan dispute (hereinafter referred to as „Prerequisites“) are received. The court case was initiated by the Latvian Seim who sued the city government of Riga for approving the detailed plan of the property on Maskavas street 264. The mentioned court action takes place among third party persons. When applying for the detailed plan, SIA Quality Nami has followed all the laws valid in the Republic of Latvia and received all the approvals necessary for the detailed plan to take effect. On the basis of the information known by today and the assessments given by lawyers, the management of Q Vara estimates that the court case to last for about six months, after which the final closing of the sale contract of the property takes place.

The seller will receive the sales price amount in four parts. The first part in the amount of 140,819 thousand Estonian kroons will be paid by the buyer within five days after the Prerequisites have been fulfilled. The second part in the amount of 30,511 thousand Estonian kroons will be paid two months after the Prerequisites have been fulfilled. The third part in the amount of 15,665 thousand Estonian kroons will be paid within five days after the construction licence of the project has been presented to the purchaser.

In addition, the sale contract was accompanied by an agreement with the minority shareholder of SIA Quality Nami. The agreement states the supplementary bonus for the minority shareholder for bringing in the investor contact and leading successfully the sale negotiation process. The additional bonus lies in the sale of 10% of SIA Quality Nami's shares with the nominal price by SIA Q Estate. As a result the shareholding amount of Q Estate will be 65% of the shares of SIA Quality Nami. If the sale transaction does not fully take effect because the Prerequisites are unfulfilled, the described bonus scheme will not be applied and Q Estate will own continually 75% of shares.

### Q Ehitus began the construction of Soosepa kindergarten

On January 31, 2008 OÜ Q Ehitus, the subsidiary company of AS Q Vara, signed a construction agreement with OÜ Soosepa Lasteaed for building a kindergarten with 90 places in Viimsi rural municipality next to Soosepa residential development that was developed by AS Q Vara. The total value of the construction agreement is approximately 36 000 thousand Estonian kroons and the completion deadline will be in the autumn of 2008. The kindergarten is the last stage of the Soosepa residential development and the construction was decided already at the moment of initiating the Soosepa residential area, as the purpose of Q Vara is always to

create a complete and unified environment. When planning the kindergarten the goal was to suit the building to kids needs, which is expressed, for example in small classrooms that allow paying maximum attention to each child.

#### Capital raising for the Terminal No. 11 project

In the last quarter of 2007, AS Q Vara started negotiations with a German company HIH Global Invest GmbH (hereinafter referred to as "HIH") to raise additional capital for the Terminal No. 11 project (Q Vara and HIH are both hereinafter referred to as "Parties"). HIH Global Invest GmbH belongs to the M. M. Warburg & CO KGaA group, which is the second largest privately owned bank in Germany. HIH establishes closed end investment funds and raises capital for them from German investors.

As a result of negotiations, the Parties signed on March 3, 2008, the Letter of Intentions, the purpose of which is to regulate the intention of the Parties to jointly develop Terminal No. 11 project and to confirm that the Parties are ready to make their best efforts for the final formalisation of co-operation by April 7, 2008 (the Letter of Intentions is valid until May 7, 2008). At the beginning of April, the Parties agreed upon the extension of the negotiation period until the end of validity of the Letter of Intentions. By the end of April, the audit of the project was finished by HIH and the negotiations of the shareholders' agreement continued. The shareholders' agreement shall expectedly be signed in May, 2008.

The Parties' goal is to jointly develop the 18 properties on Koplipere tee, in Rae rural municipality, Harjumaa, into a logistics park including warehouse and office premises. The development's total volume is between 45,000 – 50,000 square metres of warehouse and office space and the project's forecasted turnover will be between 50 – 55 million euros. The project period is 2008-2010.

The Parties will establish a separate project company for the joint development of the project, the owners of which will be Q Vara and HIH. The Parties' shares in the new company will be distributed according to the investments of each Party (the investments can be made either through investing equity capital or subordinated loans). Q Vara transfers the Project to the Company. HIH invests cash in the amount that is needed for covering own financing part until the end of the development, the estimated amount of which is estimated to be 4,690,000 euros. HIH pays up equity capital in tranches according to the pace of the Development.

## ORGANISATION AND EMPLOYEES

### GROUP STRUCTURE

According to the decision of AS Q Vara's shareholders that was made on January 23, 2008 a new Q Vara's subsidiary OÜ Q Design, was established and registered in the Estonian Commercial Register on January 31, 2008. The sole shareholder of OÜ Q Design is Q Vara AS and the company's main activity is offering planning services and managing planning process. The purpose of the company is to centralize all planning resources of Q Vara Group into one entity and sell the service transparently also to clients outside the group. The management of OÜ Q Design includes one member and it consists of Ivo Lillepea, the supervisory board member of Q Vara AS. After the company was established, the four designers who had so far been working in Q Vara moved to OÜ Q Design.

### PERSONNEL

Q Vara Group's actions to increase its operating efficiency that were launched in the fourth quarter of 2007, continued in the beginning of 2008. In the first quarter, the number of employees of the group was decreased altogether by 9 people after which the total number of employees in Q Vara Group was 78. The number of employees by companies and markets is presented in the following table (the number of people at the end of 2007 is presented in brackets).

	Q Vara	Q Design	Q Estate	Q Vara	Q Ehitus	Q Buve	Q Haldus	Total
Estonia	10 (11)	4 (4)			33 (36)		5 (4)	52 (55)
Latvia			8 (11)			14 (16)		22 (27)
Lithuania				4 (5)				4 (5)
<b>Total</b>								<b>78 (87)</b>

### CHANGES IN GROUP'S MANAGEMENT

Several important changes were made in Q Vara Group companies' managementsp within the first four months of 2008. According to the decisions made by the shareholders of SIA Q Estate and SIA Zebru on April 2, 2008, Sarmite Sazoncika was withdrawn from the managements of both companies. Alo Lillepea was elected as a new member of the management board in both companies.

According to the decision made by the supervisory board of AS Q Vara on April 23, 2008 Andre Poopuu was withdrawn from the management of AS Q Vara. Andre Poopuu is going to be withdrawn also from the managements of OÜ Q Haldus and AS Maakri City.

According to the decision of Q Vara's shareholder meeting that was made on April 25, 2008 Alo Lillepea was withdrawn from Q Vara's supervisory board and Tanel Peeters was elected as the new member of the supervisory board. Tanel Peeters is also OÜ Q Capital's management board member, member of AS Väätsa Agro's supervisory board and AS Fotoluks' supervisory board. Between 2005-2006, Tanel Peeters was AS Q Vara's management board member. At the meeting of Q Vara's supervisory board that was held on the same day (April 25, 2008), Ivo Lillepea was elected as the new chairman of the supervisory board and Alo Lillepea was elected as a new member of Vara's management board. Thus, at the end of April, the management board of Q Vara includes Meelis Šokman (chairman of the management board) and Alo Lillepea. Q Vara's supervisory board includes Ivo Lillepea (chairman of the supervisory board), Tanel Peeters and Jürgen Järvik.



## OVERVIEW OF Q VARA'S DEVELOPMENT PROJECTS

### KIRSIAED TRIPLE HOUSES

**Location:** rural municipality of Viimsi, Estonia | **Segment:** Residential, high | **Development:** Row houses | **Period:** 2006-2007 | **Development volume:** 3,305 m<sup>2</sup>

**Short description:** Kirsiaed is a residential project where a family-friendly and enjoyable living environment is created by combining architecture, landscape relief and well-planned landscaping. While placing the buildings on lots, the position towards the sun and privacy of people were considered. A lot of light, practical and efficient use of space and the possibility to enjoy the beauty of nature and the silhouette of the city of Tallinn from the balcony are the main characteristics of houses. The clients can choose between finished units with a high-quality interior finishing or an unfinished unit where each client can make the designs by themselves.

**Sale:** In the first quarter of 2008, one row house unit was sold. By the end of the first quarter of 2008 altogether 17 units (out of 30) were sold.

### KIRSIAIA LOTS

**Location:** rural municipality of Viimsi, Estonia | **Segment:** Residential, high | **Development:** Private lots | **Period:** 2006-2007 | **Development volume:** 23,219 m<sup>2</sup>

**Short description:** In the current market situation, the project of Kirsiaed land plots is one of the few lot developments in Viimsi that has utility lines, paved road and street lighting in place. Also some landscaping has been performed on the lots – fir trees, quickset hedges, rowan trees and low cherry trees. The lots are located on relief area where a nice view to the panorama of the city of Tallinn can be enjoyed.

**Sale:** In the first quarter of 2008, one Kirsiaia lot was sold. The higher lot sale activity in the last quarter of 2007 and in the first quarter of 2008 is related to the fact that clients want to start with construction in spring and acquire land in advance. By the end of the first quarter, 10 lots were sold, which means that 6 out of the 16 lots are to be sold.

### TAEVASMAA

**Location:** rural municipality of Harku, Estonia | **Segment:** Residential, average | **Development:** Gallery and terraced houses | **Period:** 2007-2009 | **Development volume:** 32,137 m<sup>2</sup>

**Short description:** The name Taevasmaa (Skyland) comes from the two architecturally very different parts of the development (terraced houses – sky and gallery houses – land), which are blended into an even and beautiful consistent environment. Already today the living environment right next to Tabasalu has value in terms of nature and privacy. Q Vara develops there small apartment houses and terraced houses with low monthly costs of purchasing and maintaining and a practical design. When creating the surroundings of the residential area, healthy and friendly lifestyle is considered to be most important, which is supported by houses with a small number of apartments, sporting facilities, playgrounds, green areas, a playground and kindergarten. Ergonomics and practicality are considered also as very important details throughout the development (built-in closets, kitchen furniture etc).

No significant developments took place in Taevasmaa project in the first quarter of 2008.

### TERMINAL NO. 11

**Location:** rural municipality of Rae, Estonia | **Segment:** Business, average | **Development:** Warehouses | **Period:** 2007-2010 | **Development volume:** 45,000 - 50 000 m<sup>2</sup>

**Short description:** The warehouses are aimed at small and medium-sized companies, to whom the optimal storage size, single location for storage space and office space, very comfortable working conditions to the employees and efficient storage managing are crucial. The project's focus is on minimizing clients' monthly loan repayments and maintenance costs.

**Development:** The construction of the first building in Terminal No. 11 warehouse park reached the final phase by the end of the first quarter of 2008 when the interior works began. The completion deadline of the building is in June and at the same time the construction of the next warehouse will begin. In the second quarter, the last utility and infrastructure construction works were almost finished. Paving the road and finishing the pump station, will be finished in the second quarter.

**Sale:** In the first quarter of 2008, the sale transaction of the second warehouse unit was signed. When selling the warehouse units, it must be taken into account that as it is a large investment for small or medium sized companies, the negotiation period with each client is quite long. By the end of the first quarter of 2008 negotiations were being conducted about the four remaining warehouse units of the first building. There are also first clients who have expressed their interest in the third warehouse which will include smaller units of about 300 square metres instead of 500 square meter units in the first and second building.

Due to the launched negotiations with new investors the sale of lots was stopped temporarily in the end of 2007, as the potential co-investors would rather develop the whole area into unified logistics park. Thus, no new lot sale transactions were made in the first quarter of 2008. The transaction of raising additional capital from new investors is described on page 7 of the present report.

#### MAAKRI

**Location:** Tallinn, Estonia | **Segment:** Residential/Business, high | **Development:** High-rise buildings | **Period:** - | **Development volume:** -

**Short description:** Through its associate company (OÜ Stansfield) Q Vara owns two properties in the city centre of Tallinn in the so-called Maakri district. According to the general plan of the city, a high-rise building area with business and residential spaces can be developed there.

**Development:** In the first quarter 2008 the city government of Tallinn approved the theme planning of the high-rise building areas, which determined the height of buildings in the Maakri area to be 140 metres. As negative news, the building density in the district was determined, which is somewhat lower than expected. The plan of AS Maakri City for the following two quarters is to start with the second stage of architectural contest and based on traffic analysis to start a supplementary analysis of building density with the city of Tallinn. The architectural contest will be conducted together with the Union of Architects.

#### SILUKALNI

**Location:** Pinki village, Latvia | **Segment:** Residential, average | **Development:** Double- and row houses | **Period:** 2005-2009 | **Development volume:** 8,525 m<sup>2</sup>

**Short description:** A residential development located next to pine forest near Riga, which is an ideal home for families as it is close to the city but at the same time between forests. Double- and row houses include altogether 72 units.

**Development:** As previously planned in the first quarter of 2008 the construction of four houses was finished and handing over of the finished double house units began. In March the construction of next houses continued, out of which expectedly 6 units will be ready within the second quarter, which means that the promise given to clients in the beginning of the project, according to which the houses will be finished regardless of the raising prices, is about to be fulfilled. In 2008 the Group will invest additional capital into the company in the amount of 8 000 thousand Estonian kroons to complete the next phases.

**Sale:** In addition to that the units that were sold in the past and that are being handed over, the finished houses raised new interest also among new clients. In the end of April of 2008 two new sale contracts were signed. On the current price of level, the project is expected to generate strong customer interest in summer period as the construction and marketing activities will be activated further. The management of Q Vara group does not find it probable that the project's inventory will be revalued again in the future, as the necessary corrections in the inventory value were made in the end of 2007.

365

**Location:** Jurmala, Latvia | **Segment:** Residential, high | **Development:** Apartment house | **Period:** 2006-2009 | **Development volume:** 2 730 m<sup>2</sup>

**Short description:** The stylish apartment house located in the highly valued beach town Jurmala is designed by a top Latvian architecture bureau SIA Sīlis, Zābers & Klava. The building includes thirty exclusive apartments ranging from 60-160 m<sup>2</sup>.

**Development:** The construction of the project proceeded as planned and the construction will be expectedly completed by the end of the second quarter 2008. By the end of 2007, the construction works reached the roof and windows and these works were finished in the first quarter of 2008. After finishing the facade the interior works continued.

**Sale:** In the first quarter 2008, marketing of the project was not active and no new sales transactions were closed. As the house is about to be ready and in the second part of May active marketing activities are launched, the sale's activity is expected to grow in the second quarter. At the moment the price level of the project is on average 2,600 euros per square metre, which is acceptable in the given location and in the market situation of today.

#### JONATHAN

**Location:** Riga, Latvia | **Segment:** Residential, average | **Development:** Apartment building | **Period:** 2007-2011 | **Development volume:** 30,575 m<sup>2</sup>

**Short description:** An apartment building in Riga on the bank of the river Daugava, 15 minutes drive from the city centre. What makes the project special is the pond with a boat bridge in the inner yard of the building, which is connected through a canal straight to the river.

**Development:** Designing continued simultaneously with the Jonathan project sale transaction negotiations described on page 6. Designing and planning is expected to be finished within the second quarter of 2008.

#### TROPHY

**Location:** Vilnius, Lithuania | **Segment:** Residential, high | **Development:** Apartment building | **Period:** 2007-2009 | **Development volume:** 2 340 m<sup>2</sup>

**Short description:** Within the Trophy development project Q Vara Group will develop a 4-storey apartment building with 2,300 m<sup>2</sup> of space in Zverinas district close to the city centre of Vilnius

**Development:** In the beginning of 2008, the city government of Vilnius issued the construction permit which was followed by the organisation of construction tender and the analysis of tenders. By the end of the first quarter of 2008, the first project of Q Vara in Lithuania reached the construction phase. The planned duration of construction is 12 months and the cost is 10,561 thousand Lithuanian litas (47,841 thousand Estonian kroons). To finance the construction, UAB Q Vara has signed a supplementary loan agreement of 38 111 thousand Estonian kroons with SEB Vilniaus Banka.

**Sale:** At the beginning of 2008, the pre-sale was launched. Sale success turned out to be excellent, as from the beginning of January to the end of February reservation contracts were signed with six clients. The average sale price of apartments sold by the end of April of 2008 is 43,185 Estonian kroons per square metre.

## FINANCIAL RESULTS

### OPERATING INCOME

Q Vara Group's consolidated operating income for the three months ended on March 31, 2008 was 23,381 thousand Estonian kroons. In the comparable period of 2007 operating income amounted 16,081 thousand Estonian kroons. In the first quarter of 2008 22,428 thousand Estonian kroons of total operating income was made up of sales revenues (2007 I quarter: 14,507 thousand Estonian kroons) and 953 thousand Estonian kroons of other operating income (2007 I quarter: 1,574 thousand Estonian kroons). The sales revenues of three months ended on March 31, 2008 by different markets and activities is presented in the following table:

<i>(thousand EEK)</i>	<b>Estonia</b>	<b>Latvia</b>	<b>Lithuania</b>	<b>Total</b>
Development	3 522	8 793	0	<b>12 315</b>
Construction	9 086	0	0	<b>9 086</b>
Maintenance	1 027	0	0	<b>1 027</b>
<b>Total</b>	<b>13 635</b>	<b>8 793</b>	<b>0</b>	<b>22 428</b>

Altogether the operating income grew by 45.4% and sale revenues grew by 54.6% when compared to 2007. The main growth of sale revenues was derived from launching the sale of the Silukalni project in Latvia and the extra-group turnover from Q Ehitus.

In the first quarter of 2008 the sale revenues of Estonian developments turned out lower than expected. At the same time in Latvia the sale revenues met the expectations (handing over the Silukalni project apartments was successful). In Lithuania there was no accounting turnover, but the Trophy project's pre-sale started in the first quarter and resulted in six new contracts, which exceeded the aims set for the quarter.

### OPERATING EXPENSES

The reduction of operating expenses started by Q Vara in the second half of 2007 yielded the first results in the first quarter of 2008. Namely the sum of development expenses and general expenses (in profit and loss statement: direct development expenses, general development expenses, marketing expenses, administrative expenses and other expenses) was 9,636 thousand Estonian kroons. In 2007 the average quarterly sum of the same expenses was 12,551 thousand Estonian kroons so by the end of the first quarter of 2008, these expenses had decreased by 23.2%. The decrease of these expenses resulted from the reduced number of employees and decreased various operating expenses both in Estonia and in Latvia. At the same time in Lithuania the development expenses and general expenses increased as when compared to the same period of 2007 the team there has grown. So in Estonia and Latvia the cost reduction was even greater than the Group's average stated above.

### OPERATING PROFIT/LOSS

The operating loss of the first quarter of 2008 was 5,693 thousand Estonian kroons. The amount of operating loss in the first quarter of 2007 was 11,681 thousand Estonian kroons so in 2008 the operating loss has decreased by 51.3%. The decrease of operating loss resulted mainly from the undertaken cost reduction. In order to achieve the positive operating result in the following periods Q Vara continues additional cost reduction. But even greater improvement of the operating result is expected to arise from the growth of sale revenues and gross profit, because from the second quarter the warehouse spaces of Terminal No. 11 and from the third quarter the apartments of 365 will add up to the Kirsiaia and Silukalni projects' revenues.

### FINANCIAL INCOME AND EXPENSES

In the first quarter of 2008 the net financial result was -6,713 thousand Estonian kroons. Interest expenses made up 7,904 thousand Estonian kroons of it. The average quarterly interest expense in 2007 was 10,167 thousand Estonian kroons so compared

to the average quarterly interest expense in 2007 the interest expense was 22,3% lower in the first quarter of 2008. The decrease of interest expenses resulted from the partial repayment of the high interest loans in the last quarter of 2007. When comparing the interest expenses of the first quarter of 2007 and the first quarter of 2008 the expense amount has increased, as in the second half of 2007, the Group increased its construction loan amounts and also the interest rates of loans increased. According to the forecasts given in earlier reports the financial expenses of Q Vara Group will decrease in 2008 and the first changes are expected to realise starting from the third quarter.

#### NET RESULT

Q Vara Group's consolidated net loss for the first three months of 2008 amounted 12,472 thousand Estonian kroons, out of which the part attributable to the owners of the parent company is 12,243 thousand Estonian kroons. In the same period of 2007, the amount of the Group's net loss was 18,229 thousand Estonian kroons which means that in 2008 the net loss decreased by 31.7%.

#### LOANS

At the end of the first quarter of 2008, the total amount of received short- and long-term loans and issued debt securities was 500,401 thousand Estonian kroons. In the end of the first quarter 2007, the sum of the same liabilities was 428,885 thousand Estonian kroons and in the end of 2007, 477, 587 thousand Estonian kroons. The increase of total loan amount was caused mainly by the increase in outstanding amount of construction loans.

#### BALANCE SHEET STRUCTURE

At the end of the first quarter of 2008 Q Vara's equity amounted 157,505 thousand Estonian kroons. The total amount of assets was 786,071 thousand Estonian kroons so the equity made up 20.0% of all assets. Q Vara continues its activities that are focused on increasing the equity share of total assets as disclosed in earlier reports and stock exchange releases. These activities include additional equity investment by Q Vara's shareholders, raising additional capital for the Terminal No. 11 project and reducing loans as a result of the sale of the Jonathan project.

## INTERIM REPORT OF ACCOUNTING

### MANAGEMENT BOARD CONFIRMATION TO THE CONSOLIDATED INTERIM REPORT

The management board confirms the authenticity and integrity of the consolidated 3 month interim report of Q Vara AS for 2008, given on pages 15 to 19.

The management board confirms that:

1. The accounting principles used for preparing the interim report and the way of presenting the information are in accordance with the international Financial Reporting Standards as adopted by the European Union;
2. The interim report of accountants presents a true and fair view of the financial position, economic performance and cash flows of the Group.;
3. The business entities belonging to the group are continually operating entities.

Meelis Šokman

Chairman of the management board

Alo Lillepea

Member of management the board

CONSOLIDATED PROFIT AND LOSS STATEMENT

<i>(in thousands)</i>	<b>3Q 2008</b>	<b>3Q 2007</b>	<b>3Q 2008</b>	<b>3Q 2007</b>
	EEK	EEK	EUR	EUR
<b>Operating revenue</b>				
Sales revenue	22 428	14 507	1 433	927
Other income	953	1 574	61	101
<b>Total operating revenue</b>	<b>23 381</b>	<b>16 081</b>	<b>1 494</b>	<b>1 028</b>
<b>Operating expenses</b>				
Building expenses	-19 438	-8 494	-1 242	-543
Direct development expenses	-490	-4 087	-31	-261
General development expenses	-5 999	-8 102	-383	-518
Marketing expenses	-1 408	-1 897	-90	-121
Administrative expenses	-1 539	-1 894	-98	-121
Other expenses	-200	-3 288	-13	-210
<b>Total operating expenses</b>	<b>-29 074</b>	<b>-27 762</b>	<b>-1 858</b>	<b>-1 774</b>
<b>Operating profit</b>	<b>-5 693</b>	<b>-11 681</b>	<b>-364</b>	<b>-747</b>
<b>Financial income and expenses</b>				
Interest incomes	1 235	556	79	36
Interest expenses	-7 904	-7 124	-505	-456
Loss resulting from the change in exchange rate	-44	0	-3	0
Other financial incomes/expenses	0	20	0	1
<b>Total financial income and expenses</b>	<b>-6 713</b>	<b>-6 548</b>	<b>-429</b>	<b>-418</b>
<b>Profit before tax</b>	<b>-12 406</b>	<b>-18 229</b>	<b>-793</b>	<b>-1 165</b>
Deferred income tax	0	0	0	0
Income tax on dividends	0	0	0	0
Real estate tax	-38	0	-2	0
<b>Net profit for financial year</b>	<b>-12 444</b>	<b>-18 229</b>	<b>-795</b>	<b>-1 165</b>
Net profit attributable to the owners of the Parent	-12 215	-18 328	-781	-1 171
Net profit attributable to minority interests	-229	99	-15	6

CONSOLIDATED BALANCE SHEET

<i>(in thousands)</i>	<b>31.03.2008</b>	<b>31.03.2007</b>	<b>31.03.2008</b>	<b>31.03.2007</b>
	EEK	EEK	EUR	EUR
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	9 100	1 626	582	104
Subsidiaries' shares for sale	183 102		11 702	
Accounts receivable	22 139	12 522	1 415	800
Short-term loan receivables	33 848	76 196	2 163	4 870
Other short-term receivables	23 236	63 430	1 485	4 054
Interest receivable	3 683	7 226	235	462
Prepayments made	2 549	33 389	163	2 134
Property for sale	461 911	241 753	29 521	15 451
<b>Total currents assets</b>	<b>739 568</b>	<b>436 142</b>	<b>47 267</b>	<b>27 875</b>
<b>Non-current assets</b>				
Long-term loan receivables	186	6 264	12	400
Associated companies	31 339	32 618	2 003	2 085
Investment property		309 826		19 801
Tangible and intangible fixed assets	9 397	12 485	601	798
Goodwill	5 581	0	357	0
<b>Total non-current assets</b>	<b>46 503</b>	<b>361 193</b>	<b>2 972</b>	<b>23 084</b>
<b>Total assets</b>	<b>786 071</b>	<b>797 335</b>	<b>50 239</b>	<b>50 959</b>

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CONSOLIDATED BALANCE SHEET (CONTINUES)

	31.03.2008	31.03.2007	31.03.2008	31.03.2007
<i>(in thousands)</i>	EEK	EEK	EUR	EUR
<b>Liabilities and shareholders' equity</b>				
<b>Current liabilities</b>				
Short-term borrowings	396 382	188 900	25 333	12 073
Finance lease liabilities	565	7 488	36	479
Customers prepayments collected	8 617	877	551	56
Accounts payable	47 877	30 190	3 060	1 929
Employee related liabilities	3 032	2 505	194	160
Interest liabilities	8 168	12 414	522	793
Tax liabilities	4 423	1 693	283	108
Guarantee liabilities	119	0	8	0
Other contractual liability	22 413	0	1 432	0
Liability to the client of construction company	10 782	0	689	0
<b>Total current liabilities</b>	<b>502 378</b>	<b>244 067</b>	<b>32 108</b>	<b>15 599</b>
<b>Non-current liabilities</b>				
Long-term loans	25 786	163 122	1 648	10 425
Other long-term liabilities	0	287	0	18
Issued debt securities (bonds)	78 233	76 863	5 000	4 912
Financial lease liabilities	1 312	4 849	84	310
Deferred income tax liability	20 857	26 268	1 333	1 679
<b>Total non-current liabilities</b>	<b>126 188</b>	<b>271 389</b>	<b>8 065</b>	<b>17 345</b>
<b>Total liabilities</b>	<b>628 566</b>	<b>515 456</b>	<b>40 173</b>	<b>32 944</b>
<b>Shareholders' equity</b>				
<b>Equity attributable to the owners of the Parent</b>				
Share capital	181 511	73 511	11 601	4 698
Reserves	7 361	7 361	470	470
Unrealized exchange rate differences	160	-1 154	10	-74
Retained earnings	-80 546	154 017	-5 148	9 843
<b>Total equity attributable to the owners of the Parent</b>	<b>108 486</b>	<b>233 735</b>	<b>6 934</b>	<b>14 938</b>
Minority interests	49 019	48 144	3 133	3 077
<b>Total equity</b>	<b>157 505</b>	<b>281 879</b>	<b>10 066</b>	<b>18 015</b>
<b>Total liabilities and equity</b>	<b>786 071</b>	<b>797 335</b>	<b>50 239</b>	<b>50 959</b>

CONSOLIDATED CASH FLOW STATEMENT

	3Q 2008 EEK	3Q 2007 EEK	3Q 2008 EUR	3Q 2007 EUR
<b>Cash flows from operating activities</b>				
Net loss	-12 444	-18 229	-795	-1 165
Correcting of the goodwill	0	2 886	0	184
Change in assets and obligations resulting from exchange rate	0	2 454	0	157
Depreciation and write-off of fixed assets	257	300	16	19
Interest income	-1 235	556	-79	36
Interest expense	7 904	-7 124	505	-455
Unrealised exchange rate differences	80	-1 331	5	-85
Deferred income tax obligation	-2 205	0	-141	0
<b>Changes in current assets and liabilities</b>				
Changes in accounts receivable	-7 337	-8 348	-469	-534
Claim for a client of construction company	849	0	54	0
Liability to the client of construction company	10 782	0	689	0
Change in other current liabilities	0	-14 785	0	-945
Changes in prepayments	-1 040	-7 481	-66	-478
Changes in real estate for sale	-32 998	-25 710	-2 109	-1 643
Changes in customer prepayments collected	894	-4 700	57	-300
Changes in accounts payable	13 494	7 884	862	504
Changes in taxes payable	11 778	-1 693	753	-108
Changes in other accrued expenses	-154	4 124	-10	264
Guarantee obligation	-40	0	-3	0
Change in other long-term liabilities	0	197	0	13
<b>Total cash flows from operating activities</b>	<b>-11 415</b>	<b>-71 000</b>	<b>-730</b>	<b>-4 538</b>
<b>Cash flows from investment activities</b>				
Sale of an investment	0	21 999	0	1 406
Purchase of fixed assets	0	-760	0	-49
Given loans	-5 000	-2 366	-320	-151
Repayments of given loans	957	0	61	0
Interest income	783	0	50	0
<b>Total cash flows from investment activities</b>	<b>-3 260</b>	<b>18 873</b>	<b>-208</b>	<b>1 206</b>

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CONSOLIDATED CASH FLOW STATEMENT (CONTINUES)

	3Q 2008	3Q 2007	3Q 2008	3Q 2007
	EEK	EEK	EUR	EUR
<b>Cash flows from financing activities</b>				
Received loans	22 814	46 917	1 458	2 999
Change in finance lease liabilities	-182	5 720	-12	366
Interest paid	-10 688		-683	
<b>Total cash flows from financing activities</b>	<b>11 944</b>	<b>52 637</b>	<b>763</b>	<b>3 364</b>
<b>Total cash flows</b>	<b>-2 731</b>	<b>510</b>	<b>-175</b>	<b>33</b>
Cash and cash equivalents at the beginning of financial year	11 831	1 116	756	71
Cash and cash equivalents at the end of financial year	9 100	1 626	582	104
<b>Change in cash and cash equivalents</b>	<b>-2 731</b>	<b>510</b>	<b>-175</b>	<b>33</b>