

# AS MERKO EHITUS GROUP

## Consolidated interim report 9M 2007

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Primary activity: General contracting in construction sector  
Auditor: AS PricewaterhouseCoopers  
Beginning of financial year: 01.01.2007  
End of financial year: 31.12.2007

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## MANAGEMENT REPORT

### General information

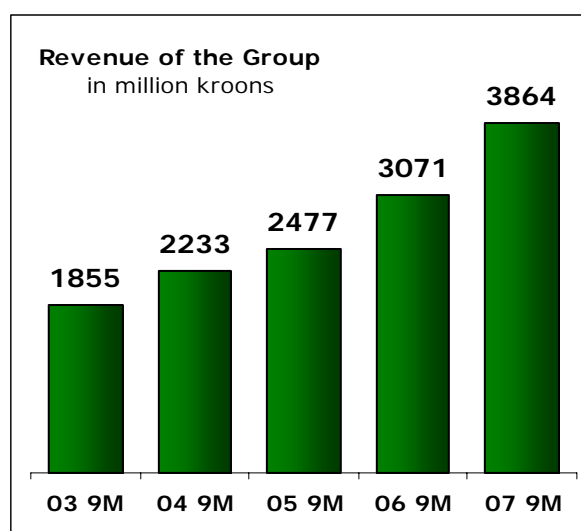
Merko Ehitus is a leading building corporation offering integrated solutions since 1990, with branches currently in Estonia, Latvia and Lithuania. Largest companies of the Group are SIA Merks (100%), UAB Merko Statyba (100%), Tallinna Teede AS (100%), AS Gustaf (75%), OÜ Gustaf Tallinn (80%), AS Merko Tartu (66%), OÜ Woody (100%) and AS Tartu Maja Betoontooted (25%).

On April 5 2007 AS Merko Ehitus acquired 75% holding of OÜ Fort Ehitus (Registry Code 10722444). Principal activities of OÜ Fort Ehitus are hydraulic engineering and pile works. The holding was acquired in order to strengthen competence of the group in the field of pile works and hydraulic engineering construction ([http://www.baltic.omxgroup.com/market/?pg=news&news\\_id=213583](http://www.baltic.omxgroup.com/market/?pg=news&news_id=213583)).

### Business operations

Group's revenue for the first nine months in 2007 were 3863.6 million kroons, which constitutes an annual increase of 25.8%. 62.1% of the sales originated from Estonia, 23.4% from Latvia and 14.5% from Lithuania. As compared with the respective period in 2006, company's sales in Lithuania increased by 57.2%, in Estonia by 24.6% and in Latvia by 14.6%.

Group's revenue in the third quarter of 2007 were 1367.9 million having increased by 9.5 million kroons as compared to the same period in 2006. The seasonality of road construction works had a positive effect on the revenue and, similarly, underperformance in sales of housing projects had a negative impact on the revenue.

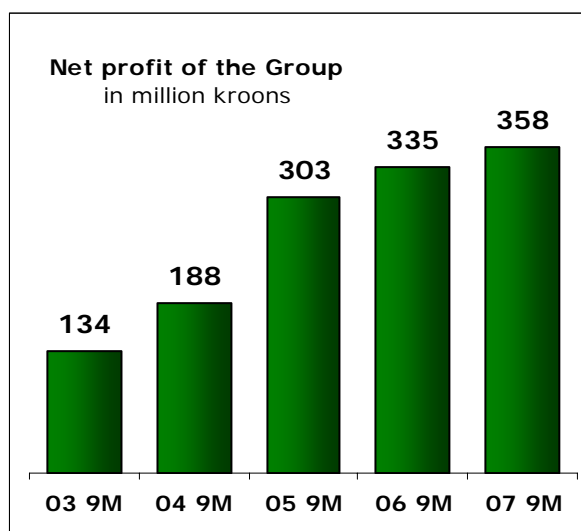


Most important companies of the Group 9 months 2007 consolidated revenue (sales outside the Group)

	<i>in thousand kroons and euros</i>			
	2007 9 months		2006 9 months	
	EEK	EUR	EEK	EUR
<b>Estonian companies</b>				
AS Merko Ehitus (parent company)	1 608 086	102 775	1 310 319	83 745
AS Gustaf (75% partnership)	111 062	7 098	71 762	4 586
OÜ Gustaf Tallinn (80% partnership)	102 936	6 579	97 740	6 247
AS Merko Tartu (66% partnership)	181 502	11 600	172 451	11 022
Tallinna Teede AS (100% partnership)	253 327	16 191	206 762	13 214
OÜ Woody (100% partnership)	198 125	12 662	167 745	10 721
<b>Latvian company</b>				
SIA Merks (100% partnership)	779 876	49 843	713 260	45 586
<b>Lithuanian company</b>				
UAB Merko Statyba (100% partnership)	525 819	33 606	330 445	21 119

Compared to 9M 2006 the cost of goods sold increased by 30.5% and the marketing and general administration costs 28.6% forming respectively 87.7% and 3.7% of the sales. Increase in expenses exceeding the growth in income led to a lower gross margin of 12.3% as compared to 15.5% in 2006. Also, the operating profit margin fell from 11.8% to 8.6%.

The net profit of the Group for 9M 2007 was 358.0 million kroons, with a yearly growth of 6.8%. Due to the decrease of the gross and operating profit margin, the net profit margin decreased during the reference period from 10.9% to 9.3%.



Group's net cash flow of the first 9 months of the year was –554.4 million kroons, including cash flow from operating activities –647.6 million kroons, from investing activities –52.9 million kroons and financing activities +146.2 million kroons. The cash flow from operating activities were mostly influenced by the change in inventories arising from development activities (-569.2 million kroons) and change in trade receivables related to operating activities (-234.4 million kroons). The negative cash flow of the period was covered with additional loans (net cash flow of the period from borrowings +275.1 million kroons) and liquid assets of the Group.

#### Construction market

Stricter loan terms of banks and negative prospects on the future economic growth have decreased companies' investments enthusiasm and several projects have been postponed for coming years. Despite strong growth during the first six months of 2007 (own account construction works increased by 51.9% in Lithuania, 45.9% in Latvia and 31.1% in Estonia in current prices as compared to the first half of 2006), the prevailing trend of decreasing economic growth in the area is likely to cause slow down also in the construction sector.

Construction prices continued soaring during the 3<sup>rd</sup> quarter, increasing by 23.8% in Latvia, by 14.6 % in Lithuania and by 12.1% in Estonia, including labour costs increase of 40.4% in Latvia and 21.1% in Estonia as compared to the same period in 2006. However, simultaneous decrease in demand and better availability of building materials and workforce are likely to create better environment for stabilizing construction prices in the near future.

Pessimistic and lethargic mood was prevailing in the housing market. The number of apartments put on the market increased and prices in different parts of the region differed more clearly. The selling period of apartments is now longer due to changes in the market. Reduced financial resources and ability to handle liquidity risks due to the longer selling period will be the challenges for developers in near future. Companies' strong capitalization and availability of internal liquid resources will have a crucial influence to companies further succeed.

The ratios and calculation methods characterizing the operating activities of the Group

	2007 9 months	2006 9 months
Net profit margin	9,3 %	10,8 %*
Operating profit margin	8,6 %	11,8 %
Return on equity per annum	27,9 %	36,5 %
Return on assets per annum	13,5 %	17,7 %
Current ratio	2,1	2,0
Equity ratio	47,0 %	47,5 %
General expenses to sales	3,7 %	3,7 %
Staff costs to sales	9,5 %	7,4 %
Average number of full-time employees	995	841

\* less extraordinary profit

Net profit margin:  $\text{Net profit}^* / \text{Sales}$

Operating profit margin:  $\text{Operating profit} / \text{Sales}$

Return on equity:  $\text{Net profit} \times 4/3^* / \text{Average equity during the period}^*$

Return on assets:  $\text{Net profit} \times 4/3^* / \text{Average assets during the period}$

Current ratio:  $\text{Current assets} / \text{Current liabilities}$

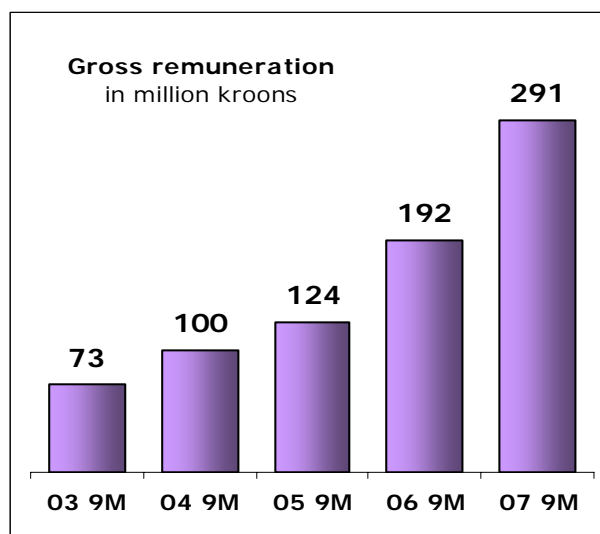
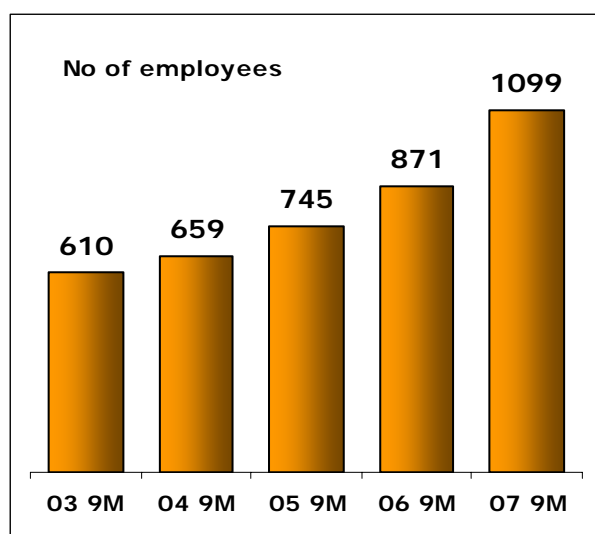
Equity ratio:  $\text{Owners equity}^* / \text{Total assets}$

General expenses to sales:  $\text{General expenses} / \text{Sales}$

Staff costs to sales:  $\text{Staff costs} / \text{Sales}$

\* calculated from the share of the parent company's shareholders

In 30.09.2007, the number of employees in the Group's service was 1099, including 1064 full-time employees. The number of the Group's employees increased by 26.2% (228 new employees were recruited). The gross remuneration paid to full-time personnel in 9 months 2007 amounted to 290.6 million kroons an increase of 51.5% compared to previous year.



## Shares and shareholders

AS Merko Ehitus biggest shareholders as of 30.09.2007

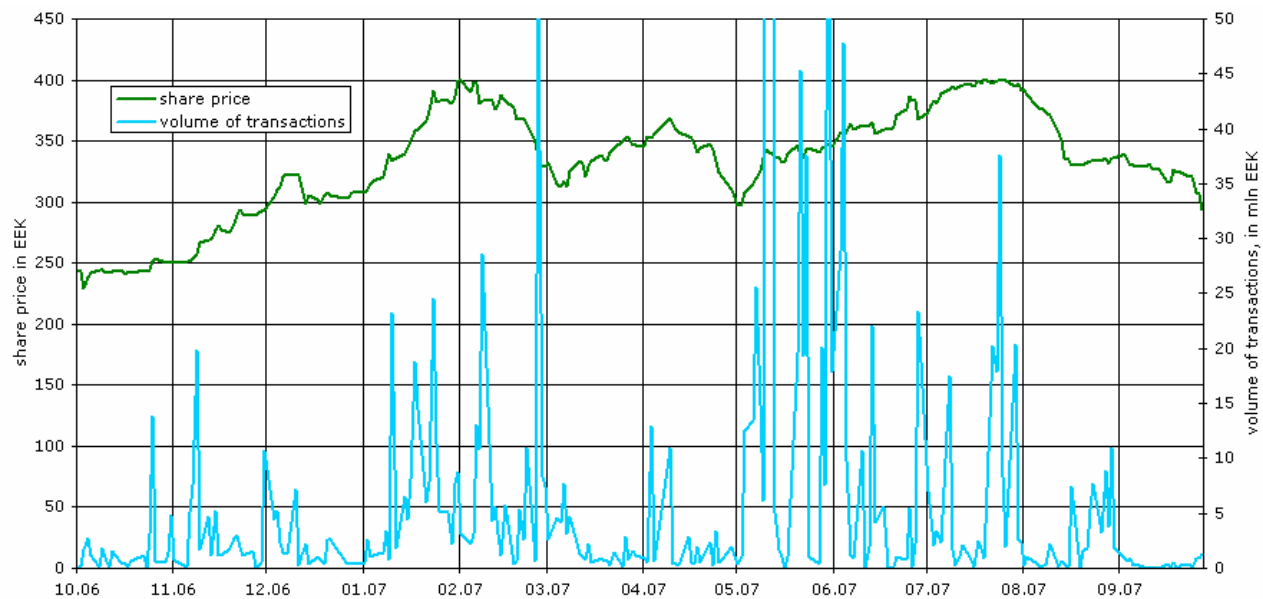
	No. of shares	Ownership
AS Merko Grupp	12 742 686	71,99%
ING Luxembourg S.A., clients	774 500	4,38%
Skandinaviska Enskilda Banken Ab, clients	729 415	4,12%
Nordea Bank Finland Plc, clients	450 706	2,55%
J.P. Morgan Bank Luxembourg S.A., clients	351 600	1,99%
OKO Bank Plc, clients	191 794	1,08%

Breakdown os shareholders as of 30.09.2007

No. of shares	No. of shareholders	% of shareholders	No. of shares	% of shares
1-100	299	39,87%	14 897	0,08%
101-1000	326	43,47%	127 356	0,72%
1001-10 000	87	11,60%	263 209	1,49%
10 001 – 100 000	24	3,20%	839 937	4,75%
100 001 – 1 000 000	13	1,73%	3 711 915	20,97%
1 000 001 - ...	1	0,13%	12 742 686	71,99%
Total	750	100%	17 700 000	100%

The shares of Merko Ehitus are listed in the main list of Tallinn Stock Exchange. In 2007 9 months the number of transactions with Merko Ehitus' shares was 3841, during which 4.5 million shares changed ownership and the turnover of the transactions was 1588.3 million kroons. The cheapest bargain with a share was 289.78 kroons and highest 402.12 kroons per share. The closing share price with a state of 28.09.2007 was 293.22 kroons.

Performance of Merko Ehitus share at Tallinn Stock Exchange (last 12 months)



	30.09.2007	30.09.2006	+/-
No. of shares, thousand pcs	17 700	17 700	
Earnings per share (EPS), in kroons	20,23	18,94	+6,8%
Equity per share, in kroons	103,06	76,17	+35,3%
P/B (share price to equity per share)	2,85	3,23	-11,8%

## INCOME STATEMENT

consolidated, unaudited

	Note	EEK		EUR	
		2007 9 months	2006 9 months	2007 9 months	2006 9 months
Revenue	1,2	3 863 605	3 071 042	246 929	196 275
Cost of goods sold	3	(3 388 412)	(2 596 357)	(216 559)	(165 937)
<b>Gross profit</b>		475 193	474 685	30 370	30 338
Marketing expenses		(20 244)	(15 469)	(1 294)	(989)
Administrative and general expenses		(124 180)	(96 831)	(7 937)	(6 189)
Other operating income		5 345	14 659	342	937
Other operating expenses		(4 338)	(15 493)	(277)	(990)
<b>Operating profit</b>		331 776	361 551	21 204	23 107
Financial income and expenses		53 177	5 662	3 400	362
incl. financial income and expenses					
from stocks of subsidiaries		-	2 325	-	149
financial income (expenses) from					
investments in associate companies					
and joint ventures		61 486	12 116	3 930	774
financial income and expenses from					
other long-term financial investments		-	7	-	0
interest expense		(14 355)	(10 265)	(917)	(656)
foreign exchange gain		(3 179)	(3 766)	(203)	(241)
other financial income and expenses		9 225	5 245	590	336
<b>Profit before tax</b>		384 953	367 213	24 604	23 469
Corporate income tax expense		(18 346)	(25 650)	(1 173)	(1 639)
<b>Net profit for current period</b>		366 607	341 563	23 431	21 830
incl. net profit attributable to equity holders					
of the parent company		358 024	335 275	22 882	21 428
minority interest		8 583	6 288	549	402
Earnings per share for profit attributable to					
the equity holders of the parent company					
(basic and diluted, in EEK and EUR)	4	20,23	18,94	1,29	1,21

## INCOME STATEMENT

consolidated, unaudited

	EEK		EUR	
	2007 III quarter	2006 III quarter	2007 III quarter	2006 III quarter
Revenue	1 367 855	1 358 336	87 422	86 813
Cost of goods sold	(1 198 290)	(1 140 620)	(76 585)	(72 899)
<b>Gross profit</b>	169 565	217 716	10 837	13 914
Marketing expenses	(7 788)	(4 196)	(498)	(268)
Administrative and general expenses	(42 725)	(34 178)	(2 731)	(2 184)
Other operating income	2 856	4 612	183	295
Other operating expenses	(1 393)	(1 919)	(89)	(123)
<b>Operating profit</b>	120 515	182 035	7 702	11 634
Financial income and expenses	1 724	3 188	111	204
incl. financial income and expenses from stocks of subsidiaries	-	2 324	-	149
financial income (expenses) from investments in associate companies and joint ventures	8 711	7 640	557	488
financial income and expenses from other long-term financial investments	-	2	-	0
interest expense	(7 827)	(7 562)	(500)	(483)
foreign exchange gain	(3 317)	(872)	(212)	(56)
other financial income and expenses	4 157	1 656	266	106
<b>Profit before tax</b>	122 239	185 223	7 813	11 838
Corporate income tax expense	(3 267)	(14 871)	(209)	(950)
<b>Net profit for current period</b>	118 972	170 352	7 604	10 888
incl. net profit attributable to equity holders of the parent company	116 023	166 314	7 416	10 630
minority interest	2 949	4 038	188	258
Earnings per share for profit attributable to the equity holders of the parent company (basic and diluted, in EEK and EUR)	6,55	9,40	0,42	0,60



**BALANCE SHEET**

consolidated, unaudited

	EEK		EUR	
	30.09.2007	31.12.2006	30.09.2007	31.12.2006
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	120 199	676 143	7 682	43 213
Receivables and prepayments				
Accounts receivable	967 177	551 362	61 814	35 238
Prepaid corporate income tax	2 047	6 428	131	411
Other prepayments and refunds of taxes	61 237	32 553	3 914	2 081
Due from customers	161 552	135 408	10 325	8 654
Other short-term receivables	45 235	39 345	2 891	2 515
Prepayments for services	104 987	95 435	6 710	6 099
	<u>1 342 235</u>	<u>860 531</u>	<u>85 785</u>	<u>54 998</u>
Inventories				
Raw materials and materials	2 937	4 579	188	293
Work-in-progress	1 046 474	567 868	66 882	36 293
Finished goods	84 701	18 121	5 413	1 158
Goods purchased for resale	727 123	723 441	46 472	46 237
Prepayments for inventories	50 837	42 725	3 249	2 731
	<u>1 912 072</u>	<u>1 356 734</u>	<u>122 204</u>	<u>86 712</u>
Non-current assets held for sale				
Machinery and equipment	-	733	-	47
<b>Total current assets</b>	<u>3 374 506</u>	<u>2 894 141</u>	<u>215 671</u>	<u>184 970</u>
<b>Total current assets</b>				
Long-term financial investments				
Shares in associated companies and joint ventures	256 261	200 798	16 378	12 833
Deferred income tax assets	6 563	6 592	419	421
Long-term receivables	12 113	8 476	774	542
	<u>274 937</u>	<u>215 866</u>	<u>17 571</u>	<u>13 796</u>
Investment property				
Land	7 656	2 134	489	136
Buildings	1 702	1 766	109	113
	<u>9 358</u>	<u>3 900</u>	<u>598</u>	<u>249</u>
Property, plant and equipment				
Land	15 943	145	1 019	9
Buildings	15 897	15 246	1 016	975
Right of superficies	366	372	23	24
Machinery and equipment	105 547	51 270	6 746	3 277
Other property, plant and equipment	28 016	22 859	1 791	1 461
Buildings in process and prepayments	2 882	553	184	35
Prepayments for property, plant and equipment	1 489	-	95	-
	<u>170 140</u>	<u>90 445</u>	<u>10 874</u>	<u>5 781</u>
Intangible assets				
Other intangible assets	3 363	2 662	215	170
Prepayments for intangible assets	9 734	7 515	622	480
	<u>13 097</u>	<u>10 177</u>	<u>837</u>	<u>650</u>
<b>Total non-currents assets</b>	<u>467 532</u>	<u>320 388</u>	<u>29 880</u>	<u>20 476</u>
<b>TOTAL ASSETS</b>	<u>3 842 038</u>	<u>3 214 529</u>	<u>245 551</u>	<u>205 446</u>

	EEK		EUR	
	30.09.2007	31.12.2006	30.09.2007	31.12.2006
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Borrowings				
Short-term loans and bonds	353 610	275 425	22600	17 603
Long-term loans payable in the following period	11 588	8 367	741	535
	<u>365 198</u>	<u>283 792</u>	<u>23 340</u>	<u>18 138</u>
Trade payables				
Payables to suppliers	602 583	464 199	38 512	29 668
Payables to employees	64 884	64 218	4 147	4 104
Company income tax liability	8 416	18 868	538	1 206
Other tax liabilities	37 208	41 866	2 378	2 676
Due to customers	175 827	276 940	11 237	17 700
Other payables	1 998	27 290	128	1 744
Received prepayments	201 802	206 883	12 897	13 222
	<u>1 092 718</u>	<u>1 100 264</u>	<u>69 837</u>	<u>70 320</u>
Government grants	1 482	1 498	95	96
Current provisions	88 445	33 517	5 653	2 142
	<u>1 547 843</u>	<u>1 419 071</u>	<u>98 925</u>	<u>90 696</u>
<b>Total current liabilities</b>				
<b>Non-current liabilities</b>				
Loans, bonds and finance lease liabilities	382 307	159 336	24 434	10 183
Long-term payables to suppliers	10 440	10 351	667	662
Long-term customer prepayments	49 608	12 925	3 171	826
	<u>442 355</u>	<u>182 612</u>	<u>28 272</u>	<u>11 671</u>
<b>Total non-current liabilities</b>				
<b>Total liabilities</b>				
	<u>1 990 198</u>	<u>1 601 683</u>	<u>127 197</u>	<u>102 367</u>
<b>Equity</b>				
Minority interests	27 662	18 904	1 768	1 208
Equity attributable to equity holders of the parent company				
Share capital	177 000	177 000	11 312	11 312
Statutory reserve capital	17 700	17 700	1 131	1 131
Currency translation adjustment	(9 639)	(5 751)	(616)	(368)
Retained earnings	1 639 117	1 404 993	104 759	89 796
	<u>1 824 178</u>	<u>1 593 942</u>	<u>116 586</u>	<u>101 871</u>
<b>Total equity</b>				
	<u>1 851 840</u>	<u>1 612 846</u>	<u>118 354</u>	<u>103 079</u>
<b>TOTAL LIABILITIES AND EQUITY</b>				
	<u>3 842 038</u>	<u>3 214 529</u>	<u>245 551</u>	<u>205 446</u>

## STATEMENT OF CHANGES IN EQUITY

unaudited

EEK	Equity attributable to equity holders of the parent company					Minority interest	Total
	Share capital	Statutory reserve capital	Currency translation adjustment	Retained earnings	Total		
<b>Balance as at 31.12.2005</b>	177 000	8 850	(5 059)	920 605	1 101 396	10 552	1 111 948
Effect of exchange rate changes	-	-	(32)	-	(32)	-	(32)
Net profit for current period	-	-	-	335 275	335 275	6 288	341 563
Dividends	-	-	-	(88 500)	(88 500)	(3 400)	(91 900)
Transfers to statutory reserve capital	-	8 850	-	(8 850)	-	-	-
Minority interest investment	-	-	-	-	-	2 799	2 799
<b>Balance as at 30.09.2006</b>	177 000	17 700	(5 091)	1 158 530	1 348 139	16 239	1 364 378
<b>Balance as at 31.12.2006</b>	177 000	17 700	(5 751)	1 404 993	1 593 942	18 904	1 612 846
Effect of exchange rate changes	-	-	(3 888)	-	(3 888)	-	(3 888)
Net profit for current period	-	-	-	358 024	358 024	8 583	366 607
Dividends	-	-	-	(123 900)	(123 900)	(5 065)	(128 965)
Minority interest investment	-	-	-	-	-	5 240	5 240
<b>Balance as at 30.09.2007</b>	177 000	17 700	(9 639)	1 639 117	1 824 178	27 662	1 851 840

EUR	Equity attributable to equity holders of the parent company					Minority interest	Total
	Share capital	Statutory reserve capital	Currency translation adjustment	Retained earnings	Total		
<b>Balance as at 31.12.2005</b>	11 312	566	(323)	58 837	70 392	674	71 066
Effect of exchange rate changes	-	-	(2)	-	(2)	-	(2)
Net profit for current period	-	-	-	21 428	21 428	402	21 830
Dividends	-	-	-	(5 656)	(5 656)	(217)	(5 873)
Transfers to statutory reserve capital	-	565	-	(565)	-	-	-
Minority interest investment	-	-	-	-	-	179	179
<b>Balance as at 30.09.2006</b>	11 312	1 131	(325)	74 044	86 162	1 038	87 200
<b>Balance as at 31.12.2006</b>	11 312	1 131	(368)	89 796	101 871	1 208	103 079
Effect of exchange rate changes	-	-	(248)	-	(248)	-	(248)
Net profit for current period	-	-	-	22 882	22 882	549	23 431
Dividends	-	-	-	(7 919)	(7 919)	(324)	(8 243)
Minority interest investment	-	-	-	-	-	335	335
<b>Balance as at 30.09.2007</b>	11 312	1 131	(616)	104 759	116 586	1 768	118 354

The share capital of AS Merko Ehitus consists of 17 700 000 common shares with a nominal value of EEK 10 i.e. EUR 0.64.

**CASH FLOW STATEMENT**

consolidated, unaudited

	EEK		EUR	
	2007 9 months	2006 9 months	2007 9 months	2006 9 months
<b>Cash flows from operating activities</b>				
Operating profit	331 776	361 551	21 204	23 107
Adjustments:				
depreciation and impairment charge	17 121	23 362	1 094	1 493
(profit) loss from sale of non-current assets	(429)	(391)	(27)	(25)
adjustments of revenue from construction contracts under stage of completion method	(127 215)	(15 862)	(8 131)	(1 014)
interest income from business activities	(3 646)	(1 677)	(233)	(107)
change in government grants and other provisions	33 399	(17 910)	2 135	(1 145)
Change in trade and other receivables related to operating activities	(234 419)	(46 221)	(14 983)	(2 954)
Change in inventories	(569 194)	(260 504)	(36 378)	(16 649)
Change in trade and other payables related to operating activities	(48 691)	127 282	(3 112)	8 135
Interests paid	(16 545)	(13 042)	(1 057)	(834)
Other financial expenses (income)	(7)	5	0	0
Corporate income tax paid	(29 790)	(41 758)	(1 904)	(2 669)
	<u>(647 640)</u>	<u>114 835</u>	<u>(41 392)</u>	<u>7 338</u>
<b>Cash flows from investing activities</b>				
Investments into subsidiaries	(29 575)	(3 029)	(1 890)	(194)
Proceeds from sale of subsidiaries	6 890	(3)	440	(0)
Investments into associates and joint ventures	(3 353)	(5 620)	(214)	(359)
Proceeds from sale of associates and joint ventures	-	1 847	-	118
Proceeds from sale of other financial assets	-	3 004	-	192
Purchase of investment property	(750)	-	(48)	-
Purchase of property, plant and equipment	(31 308)	(70 614)	(2 001)	(4 513)
Proceeds from sale of property, plant and equipment	1 694	1 311	108	84
Purchase of intangible assets	(4 253)	(4 490)	(272)	(287)
Loans granted	(144 555)	(232 266)	(9 239)	(14 845)
Loan repayments received	134 600	240 253	8 603	15 355
Interest received	13 345	4 749	853	304
Dividends received	4 380	3 000	280	192
	<u>(52 885)</u>	<u>(61 858)</u>	<u>(3 380)</u>	<u>(3 953)</u>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	554 320	229 427	35 428	14 663
Repayments of borrowings	(270 392)	(143 298)	(17 281)	(9 158)
Finance lease principal payments	(8 791)	(5 374)	(562)	(343)
Dividends paid	(128 965)	(91 900)	(8 242)	(5 873)
	<u>146 172</u>	<u>(11 145)</u>	<u>9 343</u>	<u>(711)</u>
<b>Change in cash and cash equivalents</b>	(554 353)	41 832	(35 429)	2 674
Cash and cash equivalent at beginning of period	676 143	268 446	43 213	17 157
Exchange gains/(losses) on cash and cash equivalents	(1 591)	(3 625)	(102)	(232)
<b>Cash and cash equivalent at end of period</b>	<u>120 199</u>	<u>306 653</u>	<u>7 682</u>	<u>19 599</u>

**NOTES****Note 1 Business and geographical segments****Business segments**

<b>2007 9 months</b>	<b>Construc- tion</b>	<b>Road construction</b>	<b>Concrete elements</b>	<b>Group</b>
Consolidated revenue	3 610 278	253 327	-	3 863 605
Inter-segmental revenue	-	55 659	-	55 659
Segment revenue	3 610 278	308 986	-	3 919 264
Segment operating profit	299 287	32 489	-	331 776
Financial income/expenses				53 177
incl. profit/loss from associates and joint ventures	42 448	-	19 038	61 486
Profit before tax				384 953
Corporate income tax				(18 346)
Net profit of the Group				366 607
incl. attributable to equity owners of the parent company				358 024
minority interest				8 583
Segment assets	3 278 945	224 871	-	3 503 816
Associates and joint ventures	201 044	-	55 217	256 261
Unallocated assets				81 961
Total consolidated assets				3 842 038
Segment liabilities	1 477 396	84 870	-	1 562 266
Unallocated liabilities				427 932
Total consolidated liabilities				1 990 198
Purchase of investment property	750	-	-	750
Purchase of property, plant and equipment and intangible assets	35 555	4 817	-	40 372
Depreciation and impairment	9 720	7 401	-	17 121
<b>2006 9 months</b>	<b>Construc- tion</b>	<b>Road construction</b>	<b>Concrete elements</b>	<b>Group</b>
Consolidated revenue	2 864 064	206 978	-	3 071 042
Inter-segmental revenue	272 892	85 930	-	358 822
Segment revenue	3 136 956	292 908	-	3 429 864
Segment operating profit	332 951	28 600	-	361 551
Financial income/expenses				5 662
incl. profit/loss from associates and joint ventures	1 035	-	11 081	12 116
Profit before tax				367 213
Corporate income tax				(25 650)
Net profit of the Group				341 563
incl. attributable to equity owners of the parent company				335 275
minority interest				6 288
Segment assets	2 375 325	196 198	-	2 571 523
Associates and joint ventures	156 748	-	33 383	190 131
Unallocated assets				77 654
Total consolidated assets				2 839 308
Segment liabilities	927 401	89 264	-	1 016 665
Unallocated liabilities				458 265
Total consolidated liabilities				1 474 930
Purchase of property, plant and equipment and intangible assets	72 825	2 279	-	75 104
Depreciation and impairment	17 113	6 249	-	23 362

Costs, assets and liabilities that cannot be related to a specific asset or it is not practical to do so are considered as unallocated.

## Geographical segments

	Revenue		Total assets		Purchase of property, plant and equipment and intangible assets	
	2007 9 months	2006 9 months	30.09.2007	30.09.2006	2007 9 months	2006 9 months
Estonia	2 400 806	1 927 297	2 056 821	1 325 841	28 750	12 957
Latvia	902 414	787 303	1 408 881	1 272 866	11 555	61 713
Lithuania	560 385	356 442	376 336	240 901	67	434
<b>Total</b>	<b>3 863 605</b>	<b>3 071 042</b>	<b>3 842 038</b>	<b>2 839 308</b>	<b>40 372</b>	<b>75 104</b>

Revenue is based on the country in which the customer is located; the assets are reported basing on the geographic location of the assets.

## Note 2 Revenue

	2007 9 months	2006 9 months
Rendering of services	3 326 352	2 488 589
Sale of real estate and real estate development projects	535 132	542 342
Rental income	1 436	39 628
Sale of goods	685	483
<b>Total revenue</b>	<b>3 863 605</b>	<b>3 071 042</b>

## Note 3 Cost of goods sold

	2007 9 months	2006 9 months
Materials	339 336	287 283
Construction services	2 373 202	1 747 398
Properties purchased for resale	191 412	167 129
Staff costs	275 090	159 034
Depreciation and impairment charge	11 686	18 571
Design	66 367	46 395
Construction mechanisms and transport	75 866	84 535
Other expenses	55 453	86 012
<b>Total cost of goods sold</b>	<b>3 388 412</b>	<b>2 596 357</b>

## Note 4 Earnings per share

Basic earnings per share for profit attributable to equity holders of the parent company has been derived by dividing the net profit attributable to shareholders by the weighted average number of shares.

	2007 9 months	2006 9 months
Net profit attributable to shareholders (in thousand of kroons)	358 024	335 275
Weighted average number of ordinary shares (thousand pcs)	17 700	17 700
<b>Earnings per share</b> (in kroons)	<b>20,23</b>	<b>18,94</b>

The Group did not have any potential ordinary shares to be issued, therefore the diluted earnings per share equal the basic earnings per share.

## MANAGEMENT DECLARATION

The Management Board of Merko Ehitus has prepared the consolidated 9 months interim report 2007 as presented on pages 3 to 14.

The Management Board confirms to the best of its knowledge:

- the accounting methods used for preparing the interim financial statements are in compliance with International Financial Reporting Standards as adopted by the European Union;
- the interim financial statements give a true and fair view of the financial position, the results of operations and the cash flows of the Group;
- the parent company and all Group companies are going concerns.

The consolidated financial statements income statement, balance sheet, statement of changes in equity and cash flow statement of the Merko Ehitus Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Company applies the same accounting policies in its interim financial statements as applied in its annual financial statement of 2006.

Tõnu Toomik	Chairman of the Board		23.11.2007
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Alar Lagus	Member of the Board		23.11.2007
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Veljo Viitmann	Member of the Board		23.11.2007
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Andres Agukas	Member of the Board		23.11.2007
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Tõnu Korts	Member of the Board		23.11.2007
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