



## INTERIM REPORT

JANUARY-SEPTEMBER AND THIRD QUARTER 2006

Business name	AS Eesti Ehitus
Registration number	10099962
Address	Akadeemia tee 15B, 12618 Tallinn
Domicile	Republic of Estonia
Telephone	372 6400 450
Fax	372 6312 229
E-mail	<a href="mailto:eestiehitus@eestiehitus.ee">eestiehitus@eestiehitus.ee</a>
Website	<a href="http://www.eestiehitus.ee">www.eestiehitus.ee</a>
Core activity	General contracting in the construction sector
Beginning of reporting period	1 January 2006
End of reporting period	30 September 2006
Auditor	KPMG Baltics AS

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## Directors' report

### Corporate profile

AS Eesti Ehitus is a construction group whose core business is the construction of buildings and structures in Estonia and Ukraine; the Group acts both as a general contractor and a project manager. In Estonia, the Group also operates as an independent contractor in road construction and maintenance, environmental engineering, and the assembly of reinforced concrete elements and structures as well as cast-on-site concrete works.

The activities of the Group companies are as follows: the parent and AS Linnaehitus are engaged in general contracting and project management. AS Aspi and its subsidiaries build environmental structures and roads and provide road maintenance services. Over two thirds of the revenue of OÜ Mapri Projekt results from concrete works; in addition, the company performs smaller general construction contracts. OÜ Eurocon coordinates the Group's construction and development activities in Ukraine. Its direct subsidiary Eurocon Ukraine LLC is engaged in general contracting and project management and owns interests in companies which develop real estate in and around Kiev and Lvov.

The parent of the Group is AS Eesti Ehitus, a company registered and seated in Tallinn, Estonia. Since 18 May 2006 the company's shares have been listed in the main list of Tallinn Stock Exchange.

The unaudited consolidated financial statements of AS Eesti Ehitus for the first nine months of 2006 comprise the parent company and its subsidiaries and the Group's interests in associates:

<b>Company</b>			<b>30 Sept 2006</b>	<b>30 Sept 2005</b>	<b>31 Dec 2005</b>
AS Linnaehitus	subsidiary	Estonia	100.0%	100.0%	100.0%
AS ASPI	subsidiary	Estonia	100.0%	100.0%	100.0%
AS Järva Teed	subsidiary	Estonia	100.0%	100.0%	100.0%
OÜ Hiiu Teed	subsidiary	Estonia	100.0%	100.0%	100.0%
OÜ Mapri Projekt	subsidiary	Estonia	52.0%	52.0%	52.0%
Estcon OY	subsidiary	Finland	100.0%	100.0%	100.0%
OÜ EE Elekter	subsidiary	Estonia	100.0%	100.0%	100.0%
OÜ Eurocon	subsidiary	Estonia	64.0%	64.0%	64.0%
Eurocon Ukraine LLC	subsidiary	Ukraine	61.4%	64.0%	64.0%
Passage Theatre LLC	subsidiary	Ukraine	61.4%	0.0%	64.0%
Eurocon West LLC	subsidiary	Ukraine	61.4%	0.0%	0.0%
Bukovina Developments LLC	subsidiary	Ukraine	60.8%	0.0%	0.0%
V.I. Center LLC	associate	Ukraine	49.2%	0.0%	42.7%
EA Reng Proekt LLC	associate	Ukraine	31.3%	0.0%	0.0%
Technopolis-2 LLC	associate	Ukraine	30.7%	32.0%	32.0%
Eurobeton LLC	associate	Ukraine	30.7%	0.0%	0.0%
OÜ Kastani Kinnisvara	associate	Estonia	26.0%	0.0%	0.0%

In the third quarter, an important change in the Group's structure was the establishment of EA Reng Proekt LLC in Ukraine. The company whose core activity is architectural and constructive engineering design is a joint venture between Eurocon Ukraine LLC and EA Reng AS. The entity was founded in September 2006 to provide the Group's Ukrainian operations with top quality design support and to allow EA Reng AS, one of the leading Estonian design and engineering consulting companies, to penetrate a new market.

In addition, in July two changes occurred in the Group's Ukrainian interests. Firstly, Eurocon Ukraine LLC increased its holding in V.I. Center LLC by 13.3 percentage points to 80 per cent. Considering minority interests in OÜ Eurocon and Eurocon Ukraine LLC, AS Eesti Ehitus now owns 49.2 per cent of V.I. Center LLC, which holds a long-term lease on a 4.3-ha plot of commercial land on the Kiev-Borispol motorway.

Secondly, LSR-Ukraina LLC acquired a 50-per cent stake in Eurobeton LLC, a company which has invested in a 10.7-ha plot of industrial land near Kiev. The initial investment was financed by loans in equal parts by Eurocon Ukraine LLC and Santora Trade OÜ, a company belonging to the same group as LSR-Ukraina LLC.

In Estonia, the subsidiary AS ASPI entered into an agreement for the acquisition of a 52-per cent stake in OÜ Kaurits, a recognized company in the field of rental of road construction and earthwork machinery. The agreement was made on 4 September 2006. At the date this interim report was authorized for issue, some procedures required for completing the transaction had not been performed. Therefore, the consolidated financial statements do not include the results of OÜ Kaurits.

In the first nine months of 2006, the Group employed, on average, 857 people. At the end of September, the number of staff was 890 (including 57 outside Estonia), with engineers and technical personnel (ETP) accounting for 39.7 per cent of the total. Labour costs for the first nine months totalled EEK 170.5 million (€10.9 million), a 53.9 per cent increase on a year ago.

Due to a calculation error, the number and proportion of ETP reported in the interim report for the first half-year were overstated. The correct information is: at the end of the first six months of 2006 the Group employed 948 people, with ETP accounting for 34.9 per cent of the total. In the third quarter the number of staff shrank primarily on account of a decrease in temporary staff employed in road construction operations during the high season.

#### Average number of the Group's employees

<u>Period</u>	<u>ETP</u>	<u>Workers</u>	<u>Total average</u>
First 9 months of 2006	317	540	<b>857</b>
First 6 months of 2006	303	523	<b>826</b>
First 9 months of 2005	256	461	<b>717</b>
2005	261	461	<b>722</b>

#### Revenue and segments

Consolidated revenues for the first nine months of 2006 amounted to EEK 1.765 billion (€12.8 million), a solid 39.7 per cent increase on a year ago. In terms of business segments, the Residential and non-residential segment contributed 56 per cent (50.1 per cent growth) and the Civil engineering segment 44 per cent (28.4 per cent growth). In geographical terms, 92.4 per cent of the Group's revenue was earned in Estonia; Ukraine contributed 7.6 per cent (a year ago the corresponding figures were 93.5 per cent and 6.5 per cent).

#### Revenue by segments

<u>Business segments</u>	<u>9 months 2006</u>	<u>9 months 2005</u>	<u>2005</u>
Civil engineering	44%	48%	45%
Residential and non-residential	56%	52%	55%

In the third quarter, the contribution of the Residential and non-residential segment declined slightly and corresponds now to the Group's long-term revenue structure objective according to which the two segments ought to generate more or less equal revenue.

Compared to the first nine months of 2005, the revenues generated by the Commercial buildings, Residential buildings, and Industrial and warehouse facilities sub-segments have been growing steadily, whereas the contribution of the Public buildings sub-segment has shrunk. In the Commercial buildings and Residential buildings sub-segments, the best results were attained by AS Linnaehitus; in the Industrial and warehouse facilities sub-segment the largest contributor was AS Eesti Ehitus. Eurocon Ukraine LLC improved its position and contribution in the Commercial buildings and Industrial and warehouse facilities sub-segments. Since the Group does not intend to penetrate the Ukrainian residential buildings sector in the near future, we expect the subsidiary to remain focused on its current strengths both in acquiring new business and developing the services.

#### Revenue allocation in the

<u>Residential and non-residential segment</u>	<u>9 months 2006</u>	<u>9 months 2005</u>	<u>2005</u>
Residential buildings	13%	6%	11%
Public buildings	19%	42%	35%
Commercial buildings	44%	35%	37%
Industrial and warehouse facilities	24%	17%	17%

The rise of the Civil engineering segment was triggered by large-scale road construction contracts launched in the summer, which rendered the Road construction and maintenance sub-segment the largest contributor to the Group's revenues.

At the end of the first nine months of 2006, the Group's order backlog totalled EEK 2.2 billion (€141 million) against EEK 1.6 billion (€102.5 million) a year ago.

### Profitability and cash flows

In the third quarter, the Group's gross margin improved by one percentage point to 10.9 per cent (9 months 2005: 9.0 per cent) and the growth in labour costs began decelerating although the figure for nine months still exceeds revenue growth by 9.4 percentage points. By contrast, the growth in the largest direct cost item (subcontracting and materials costs) has been 3.8 percentage points slower than revenue growth.

At the end of nine months, the ratio of administrative expenses to revenue was 4.2 per cent (9 months 2005: 3.8 per cent). Compared to a year ago, the growth in administrative expenses has outpaced revenue growth by 13.7 per cent, largely on account of an increase in labour costs.

Operating margin including other operating income for the first nine months of 2006 was 8.1 per cent (a year ago 5.4 per cent), whereas operating margin excluding other operating income was 6.6 per cent (a year ago 5.0 per cent).

Consolidated net profit for the first nine months amounted to a strong EEK 115.9 million (€7.4 million) against EEK 50.3 million (€3.2 million) earned a year ago. The profit attributable to equity holders of the parent amounted to EEK 114.4 million (€7.3 million) against EEK 40.1 million (€2.6 million) for the first nine months of 2005.

Net operating cash flows have improved substantially both compared to a year ago and the beginning of the third quarter. The figure for the first nine months of 2006 was EEK 34 million (€2.2 million) while a year ago operating cash flows were negative to the extent of EEK 18 million (€1.1 million).

### Significant ratios and figures

<u>Ratio / figure</u>	<u>9 months 2006</u>	<u>9 months 2005</u>	<u>2005</u>
Weighted average number of shares	10,561,532	3,056,486	3,160,631
Earnings per share, EEK	10.8	13.1	27.5
Average number of employees	857	717	723
Revenue per employee, EEK thousands	2,059	1,762	2,319
Labour costs to revenue, %	9.7%	8.8%	10.9%
Administrative expenses to revenue, %	4.2%	3.8%	4.3%
EBITDA, EEK thousands	165,432	87,277	143,850
EBITDA margin, %	9.4%	6.9%	8.6%
Operating margin, %	8.1%	5.4%	7.0%
Net margin, %	6.6%	4.0%	5.6%
Return on invested capital, %	24.8%	20.0%	31.1%
Return on assets, %	12.2%	9.5%	15.8%
Return on equity, %	39.6%	31.2%	59.9%
Equity ratio, %	28.3%	16.2%	20.2%
Current ratio	1.27	1.18	1.14
Order backlog, EEK thousands	2,200,663	1,599,362	1,232,349

*Earnings per share = profit attributable to equity holders of the parent / weighted average number of shares*

*Revenue per employee = revenue / average number of employees*

*Labour costs to revenue = labour costs / revenue*

*Administrative expenses to revenue = administrative expenses / revenue*

*EBITDA = earnings before interest, taxes, depreciation and amortisation*

*EBITDA margin = EBITDA / revenue*

*Operating margin = operating profit / revenue*

*Net margin = net profit for the period / revenue*

*Return on invested capital = (profit before tax + interest expense) / the period's average (interest-bearing liabilities + equity)*

*Return on assets = operating profit / average total assets for the period*

*Return on equity = net profit for the period / average total equity for the period*

*Equity ratio = total equity / total equity and liabilities*

*Current ratio = total current assets / total current liabilities*

## Consolidated interim financial statements

### Consolidated balance sheet

Unaudited, in thousands of Estonian kroons

	Note	30 September 2006	30 September 2005	31 December 2005
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents		140,708	43,780	192,490
Trade receivables		483,845	298,341	210,944
Other receivables and prepayments	2	169,990	122,162	93,228
Inventories	3	261,340	159,680	140,360
<b>Total current assets</b>		<b>1,055,883</b>	<b>623,963</b>	<b>637,022</b>
<b>Non-current assets</b>				
Shares in associates		6,001	21,210	21,309
Other investments	4	24,107	300	10,748
Investment property		5,975	2,607	2,601
Property, plant and equipment	5	151,006	104,007	134,871
Intangible assets	5	157,295	131,822	131,845
<b>Total non-current assets</b>		<b>344,384</b>	<b>259,946</b>	<b>301,374</b>
<b>TOTAL ASSETS</b>		<b>1,400,267</b>	<b>883,909</b>	<b>938,396</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Interest-bearing loans and borrowings	6	79,607	57,531	117,650
Trade payables		296,009	226,440	129,174
Tax liabilities		45,129	10,926	29,200
Other payables and advances	7	410,001	232,513	278,741
Provisions		2,340	1,947	2,912
<b>Total current liabilities</b>		<b>833,086</b>	<b>529,357</b>	<b>557,677</b>
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings	6	167,738	151,719	160,338
Other liabilities	7	1,794	58,060	29,126
Provisions		2,047	1,247	2,047
<b>Total non-current liabilities</b>		<b>171,579</b>	<b>211,026</b>	<b>191,511</b>
<b>TOTAL LIABILITIES</b>		<b>1,004,665</b>	<b>740,383</b>	<b>749,188</b>
<b>EQUITY</b>				
Minority interest	8	11,236	5,675	12,257
<b>Total equity attributable to equity holders of the parent</b>				
Share capital	8	153,784	34,819	34,819
Share premium	8	108,465	8,192	8,192
Statutory capital reserve	8	4,158	3,000	4,158
Other reserves	8	1,333	834	795
Retained earnings	8	2,258	50,882	42,180
Profit for the period		114,368	40,124	86,807
<b>TOTAL EQUITY</b>	8	<b>395,602</b>	<b>143,526</b>	<b>189,208</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,400,267</b>	<b>883,909</b>	<b>938,396</b>

Unaudited, in thousands of euro

	Note	30 September 2006	30 September 2005	31 December 2005
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents		8,993	2,798	12,302
Trade receivables		30,923	19,067	13,482
Other receivables and prepayments	2	10,864	7,808	5,958
Inventories	3	16,703	10,205	8,971
<b>Total current assets</b>		<b>67,483</b>	<b>39,878</b>	<b>40,713</b>
<b>Non-current assets</b>				
Shares in associates		384	1,355	1,362
Other investments	4	1,541	20	687
Investment property		381	167	166
Property, plant and equipment	5	9,651	6,647	8,620
Intangible assets	5	10,053	8,425	8,426
<b>Total non-current assets</b>		<b>22,010</b>	<b>16,614</b>	<b>19,261</b>
<b>TOTAL ASSETS</b>		<b>89,493</b>	<b>56,492</b>	<b>59,974</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Interest-bearing loans and borrowings	6	5,088	3,677	7,519
Trade payables		18,918	14,472	8,256
Tax liabilities		2,884	698	1,866
Other payables and advances	7	26,204	14,860	17,815
Provisions		150	124	186
<b>Total current liabilities</b>		<b>53,244</b>	<b>33,831</b>	<b>35,642</b>
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings	6	10,720	9,697	10,247
Other liabilities	7	115	3,711	1,861
Provisions		131	80	131
<b>Total non-current liabilities</b>		<b>10,966</b>	<b>13,488</b>	<b>12,239</b>
<b>TOTAL LIABILITIES</b>		<b>64,210</b>	<b>47,319</b>	<b>47,881</b>
<b>EQUITY</b>				
Minority interest	8	718	363	783
<b>Total equity attributable to equity holders of the parent</b>				
Share capital	8	9,829	2,225	2,225
Share premium	8	6,932	524	524
Statutory capital reserve	8	266	192	266
Other reserves	8	85	53	51
Retained earnings	8	144	3,252	2,696
Profit for the period		7,309	2,564	5,548
<b>TOTAL EQUITY</b>	8	<b>25,283</b>	<b>9,173</b>	<b>12,093</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>89,493</b>	<b>56,492</b>	<b>59,974</b>



## Consolidated income statement

Unaudited, in thousands of Estonian kroons

	Note	Q3, 2006	Q3, 2005	9 months 2006	9 months 2005	2005
Revenue	9	838,409	575,590	1,764,923	1,263,169	1,674,454
Cost of sales	10	738,445	517,096	1,572,832	1,150,024	1,498,375
<b>Gross profit</b>		<b>99,964</b>	<b>58,494</b>	<b>192,091</b>	<b>113,145</b>	<b>176,079</b>
Administrative expenses	11	28,247	17,450	74,178	48,361	72,495
Other operating income	12	889	800	27,029	6,199	18,603
Other operating expenses	12	1,563	783	2,777	3,051	4,359
<b>Operating profit before financing costs</b>		<b>71,043</b>	<b>41,061</b>	<b>142,165</b>	<b>67,932</b>	<b>117,828</b>
Financing items						
Financial income		2,175	2,306	4,829	3,648	6,381
Financial expenses		6,242	2,364	15,717	4,842	11,075
Net financing costs	13	-4,067	-58	-10,888	-1,194	-4,694
<b>Profit before tax</b>		<b>66,976</b>	<b>41,003</b>	<b>131,277</b>	<b>66,738</b>	<b>113,134</b>
Income tax expense		4,625	1,611	15,426	16,488	19,159
<b>Profit for the period</b>		<b>62,351</b>	<b>39,392</b>	<b>115,851</b>	<b>50,250</b>	<b>93,975</b>
<b>Attributable to</b>						
Equity holders of the parent		59,626	32,954	114,368	40,124	86,807
Minority interest		2,725	6,438	1,483	10,126	7,168
Basic earnings per share (EEK)	8	3.88	10.40	10.83	13.13	27.47
Diluted earnings per share (EEK)	8	3.88	10.40	10.83	13.13	27.47

Unaudited, in thousands of euro

	Note	Q3, 2006	Q3, 2005	9 months 2006	9 months 2005	2005
Revenue	9	53,584	36,787	112,799	80,731	107,017
Cost of sales	10	47,195	33,048	100,522	73,500	95,764
<b>Gross profit</b>		<b>6,389</b>	<b>3,739</b>	<b>12,277</b>	<b>7,231</b>	<b>11,253</b>
Administrative expenses	11	1,806	1,115	4,741	3,091	4,633
Other operating income	12	57	51	1,727	396	1,189
Other operating expenses	12	100	50	177	195	279
<b>Operating profit before financing costs</b>		<b>4,540</b>	<b>2,625</b>	<b>9,086</b>	<b>4,341</b>	<b>7,530</b>
Financing items						
Financial income		139	147	309	233	408
Financial expenses		398	151	1,005	309	708
Net financing costs	13	-259	-4	-696	-76	-300
<b>Profit before tax</b>		<b>4,281</b>	<b>2,621</b>	<b>8,390</b>	<b>4,265</b>	<b>7,230</b>
Income tax expense		296	103	986	1,054	1,224
<b>Profit for the period</b>		<b>3,985</b>	<b>2,518</b>	<b>7,404</b>	<b>3,211</b>	<b>6,006</b>
<b>Attributable to</b>						
Equity holders of the parent		3,811	2,106	7,309	2,564	5,548
Minority interest		174	412	95	647	458
Basic earnings per share (euro)	8	0.25	0.66	0.69	0.84	1.76
Diluted earnings per share (euro)	8	0.25	0.66	0.69	0.84	1.76

## Consolidated statement of cash flows

Unaudited, in thousands	Estonian kroons		euro	
	9 months 2006	9 months 2005	9 months 2006	9 months 2005
<b>Cash flows from operating activities</b>				
Cash receipts from customers	1,770,087	1,281,884	113,129	81,927
Cash paid to suppliers	-1,537,879	-1,161,687	-98,288	-74,245
Cash paid to and for employees	-182,229	-115,905	-11,647	-7,408
Income taxes paid	-16,013	-22,242	-1,023	-1,422
<b>Net cash from / used in operating activities</b>	<b>33,966</b>	<b>-17,950</b>	<b>2,171</b>	<b>-1,147</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment and intangibles	-21,714	-9,512	-1,388	-608
Proceeds from sale of property, plant and equipment and intangibles	10,941	1,436	699	92
Acquisition of investment property for development and resale	-55,770	-41,309	-3,564	-2,640
Proceeds from sale of investment property	39,211	0	2,506	0
Acquisition of subsidiaries and associates	-27,504	-107,679	-1,758	-6,882
Proceeds from sale of subsidiaries	644	600	41	38
Loans given	-17,073	-10,237	-1,091	-654
Repayment of loans given	4,492	3,612	287	231
Interest received	2,163	958	138	61
<b>Net cash used in investing activities</b>	<b>-64,610</b>	<b>-162,131</b>	<b>-4,129</b>	<b>-10,362</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of share capital	130,438	13,011	8,337	832
Proceeds from loans received	24,782	251,270	1,584	16,059
Repayment of loans received	-108,906	-88,821	-6,960	-5,677
Dividends paid	-32,160	-46,595	-2,055	-2,978
Payment of finance lease liabilities	-21,034	-16,426	-1,344	-1,050
Interest paid	-12,984	-3,023	-830	-193
Other payments made	-782	-577	-50	-37
<b>Net cash used in / from financing activities</b>	<b>-20,646</b>	<b>108,839</b>	<b>-1,320</b>	<b>6,956</b>
<b>Net decrease in cash and cash equivalents</b>	<b>-51,290</b>	<b>-71,242</b>	<b>-3,278</b>	<b>-4,553</b>
Cash and cash equivalents at beginning of period	192,490	113,732	12,302	7,269
Effect of exchange rate fluctuations	-491	1,290	-31	82
Cash and cash equivalents adjusted for exchange rate fluctuations	191,999	115,022	12,271	7,351
Decrease	-51,290	-71,242	-3,278	-4,553
Cash and cash equivalents at end of period	140,709	43,780	8,993	2,798

## Consolidated statement of changes in equity

Unaudited, in thousands of Estonian kroons	<u>Equity attributable to equity holders of the parent</u>								
	Note	Share capital	Share premium	Statutory capital reserve	Other reserves	Retained earnings	Total	Minority interest	Total
<b>Balance at 31 December 2004</b>		<b>30,000</b>	<b>0</b>	<b>3,000</b>	<b>-568</b>	<b>80,614</b>	<b>113,046</b>	<b>65,509</b>	<b>178,555</b>
Dividends declared		0	0	0	0	-28,000	-28,000	-18,595	-46,595
Issue of share capital		4,819	8,192	0	0	0	13,011	0	13,011
Changes from acquisition of subsidiaries		0	0	0	0	-1,732	-1,732	-50,797	-52,529
Foreign exchange differences on translating foreign operations		0	0	0	1,402	0	1,402	-568	834
Profit for the period		0	0	0	0	40,124	40,124	10,126	50,250
<b>Balance at 30 September 2005</b>		<b>34,819</b>	<b>8,192</b>	<b>3,000</b>	<b>834</b>	<b>91,006</b>	<b>137,851</b>	<b>5,675</b>	<b>143,526</b>
<b>Balance at 31 December 2005</b>		<b>34,819</b>	<b>8,192</b>	<b>4,158</b>	<b>795</b>	<b>128,987</b>	<b>176,951</b>	<b>12,257</b>	<b>189,208</b>
Dividends declared	8	0	0	0	0	-30,000	-30,000	-2,160	-32,160
Issue of share capital	8	118,965	100,273	0	0	-96,265	122,973	0	122,973
Changes from acquisition of subsidiaries		0	0	0	0	-464	-464	-556	-1,020
Foreign exchange differences on translating foreign operations		0	0	0	538	0	538	212	750
Profit for the period	9	0	0	0	0	114,368	114,368	1,483	115,851
<b>Balance at 30 September 2006</b>		<b>153,784</b>	<b>108,465</b>	<b>4,158</b>	<b>1,333</b>	<b>116,626</b>	<b>384,366</b>	<b>11,236</b>	<b>395,602</b>

Unaudited, in thousands of euro	<u>Equity attributable to equity holders of the parent</u>								
	Note	Share capital	Share premium	Statutory capital reserve	Other reserves	Retained earnings	Total	Minority interest	Total
<b>Balance at 31 December 2004</b>		<b>1,917</b>	<b>0</b>	<b>192</b>	<b>-36</b>	<b>5,152</b>	<b>7,225</b>	<b>4,187</b>	<b>11,412</b>
Dividends declared		0	0	0	0	-1,790	-1,790	-1,188	-2,978
Issue of share capital		308	524	0	0	0	832	0	832
Changes from acquisition of subsidiaries		0	0	0	0	-111	-111	-3,247	-3,358
Foreign exchange differences on translating foreign operations		0	0	0	90	0	90	-36	54
Profit for the period		0	0	0	0	2,564	2,564	647	3,211
<b>Balance at 30 September 2005</b>		<b>2,225</b>	<b>524</b>	<b>192</b>	<b>54</b>	<b>5,815</b>	<b>8,810</b>	<b>363</b>	<b>9,173</b>
<b>Balance at 31 December 2005</b>		<b>2,225</b>	<b>524</b>	<b>266</b>	<b>51</b>	<b>8,244</b>	<b>11,309</b>	<b>783</b>	<b>12,093</b>
Dividends declared	8	0	0	0	0	-1,917	-1,917	-138	-2,055
Issue of share capital	8	7,604	6,408	0	0	-6,152	7,860	0	7,860
Changes from acquisition of subsidiaries		0	0	0	0	-30	-30	-36	-66
Foreign exchange differences on translating foreign operations		0	0	0	34	0	34	14	48
Profit for the period	9	0	0	0	0	7,309	7,309	95	7,404
<b>Balance at 30 September 2006</b>		<b>9,829</b>	<b>6,932</b>	<b>266</b>	<b>85</b>	<b>7,454</b>	<b>24,565</b>	<b>718</b>	<b>25,284</b>

## Notes to consolidated interim financial statements

### NOTE 1. Significant accounting policies

AS Eesti Ehitus is a company registered in Estonia. Since 18 May 2006 the shares of AS Eesti Ehitus have been listed at Tallinn Stock Exchange; 66.15 per cent of the shares are held by AS EE Grupp.

The consolidated interim financial statements for the period ended 30 September 2006 have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union. The interim financial statements have been prepared using the same accounting policies that were applied on the preparation of the consolidated annual financial statements for the year ended 31 December 2005.

According to management's assessment, the consolidated interim financial statements of AS Eesti Ehitus for the first nine months of 2006 give a true and fair view of the Group's result of operations and all Group entities are going concerns. The interim financial statements have not been audited or otherwise checked by auditors and they contain only the consolidated financial statements of the Group.

The consolidated income statement does not include any gains or losses from changes in the management's judgements, estimates and assumptions arisen since the preparation of the consolidated annual financial statements for the year ended 31 December 2005.

The consolidated interim financial statements are presented in thousands of Estonian kroons (EEK) and in thousands of euro (€), unless indicated otherwise. According to the quotation of Eesti Pank, the Estonian kroon-euro exchange rate is EEK 15.6466 to €.

### NOTE 2. Other receivables and prepayments

In thousands	EEK		€	
	30 Sept 2006	31 Dec 2005	30 Sept 2006	31 Dec 2005
Receivables from the parent and other group companies	6,685	32,032	427	2,047
Receivables from associates	23,422	6,257	1,497	400
Miscellaneous receivables	23,355	3,257	1,493	208
Due from customers for construction work	105,194	48,349	6,723	3,090
Accrued income	11	32	1	2
Prepaid taxes	8,233	1,646	526	105
Other prepaid expenses	3,090	1,655	197	106
Total other receivables and prepaid expenses	169,990	93,228	10,864	5,958

Receivables from the parent and other group companies result from construction contracts. Miscellaneous receivables comprise warranty receivables, whereas items due from customers for construction work are related to the accounting for construction contracts in progress at the balance sheet date.

Prepaid taxes comprise prepaid VAT and Ukrainian profits tax; prepaid expenses include mainly prepaid industry-specific insurance premiums.

**NOTE 3. Inventories**

In thousands	EEK		€	
	30 Sept 2006	31 Dec 2005	30 Sept 2006	31 Dec 2005
Raw and other materials	19,409	12,239	1,240	782
Work in progress	98,378	54,105	6,288	3,458
Prepayments to suppliers	45,206	8,453	2,889	540
Goods purchased for resale	98,347	65,563	6,286	4,191
<b>Total inventories</b>	<b>261,340</b>	<b>140,360</b>	<b>16,703</b>	<b>8,971</b>

Raw and other materials are primarily comprised of materials and equipment acquired for construction contracts.

No inventories were written down during the reporting period.

Work in progress comprises the costs of construction contracts in progress at the balance sheet date: expenses related to apartment houses under construction and the cost of materials acquired for other projects. Prepayments to suppliers consist of prepayments made for construction services and goods, whereas goods purchased for resale comprises immovable property acquired for residential construction purposes.

**NOTE 4. Other investments**

In thousands	EEK		€	
	30 Sept 2006	31 Dec 2005	30 Sept 2006	31 Dec 2005
Long-term receivables from associates	14,554	0	930	0
Miscellaneous investments	300	10,080	19	644
Other long-term receivables	9,253	668	591	43
<b>Total other investments</b>	<b>24,107</b>	<b>10,748</b>	<b>1,541</b>	<b>687</b>

Long-term receivables comprise loans given to associates, Technopolis-2, and the Ukrainian company European House.

Miscellaneous investments comprise the subsidiary Eurocon Ukraine LLC's 10-per cent investment in the Ukrainian company European House. The item is stated at cost because its fair value cannot be measured reliably.

**NOTE 5. Property, plant and equipment and intangible assets**

In thousands	EEK			€		
	Property, plant and equipment	Intangible assets	Total	Property, plant and equipment	Intangible assets	Total
Carrying amount at 31 December 2005	134,871	131,845	266,716	8,620	8,426	17,046
Acquisitions	43,284	26,660	69,944	2,766	1,704	4,470
Disposals	-6,804	0	-6,804	-435	0	-435
Depreciation/amortisation for the period	-23,267	-1,210	-24,477	-1,487	-77	-1,564
Depreciation of disposals	2,922	0	2,922	187	0	187
<b>Carrying amount at 30 September 2006</b>	<b>151,006</b>	<b>157,295</b>	<b>308,301</b>	<b>9,651</b>	<b>10,053</b>	<b>19,704</b>

**NOTE 6. Interest-bearing loans and borrowings**

**Overview of interest-bearing loans and borrowings**

In thousands of Estonian kroons			30 September 2006			
	Base currency	Interest rate	Limit	Up to 1 year	Over 1 year	Total
<b>Bank loans</b>						
Investment loan	EUR	4.1%	141,700	18,638	105,462	124,100
Investment loan	EUR	3.3%	17,000	0	5,230	5,230
Working capital loan	USD	5.4%	4,994	4,994	0	4,994
Working capital loan	EEK	3.4%	30,000	26,637	0	26,637
Investment loan	EUR	18.0%	10,508	1,168	9,340	10,508
Investment loan	EUR	4.18%	19,162	0	19,162	19,162
<b>Other loans</b>						
Investment loan	USD	3.5%	12,342	12,342	0	12,342
Finance lease		3.0%-5.5%		15,828	28,544	44,372
			235,706	79,607	167,738	247,345

In thousands of euro			30 September 2006			
	Base currency	Interest rate	Limit	Up to 1 year	Over 1 year	Total
<b>Bank loans</b>						
Investment loan	EUR	4.1%	9,056	1,191	6,740	7,931
Investment loan	EUR	3.3%	1,086	0	334	334
Working capital loan	USD	5.4%	319	319	0	319
Working capital loan	EEK	3.4%	1,918	1,702	0	1,702
Investment loan	EUR	18.0%	672	75	597	672
Investment loan	EUR	4.18%	1,225	0	1,225	1,225
<b>Other loans</b>						
Investment loan	USD	3.5%	789	789	0	789
Finance lease		3.0%-5.5%		1,012	1,824	2,836
			15,065	5,088	10,720	15,808

**Changes in interest-bearing loans and borrowings**

In thousands	EEK	€
Opening balance at 31 December 2005	277,988	17,767
Change in current portion of loans and borrowings	-32,331	-2,066
Long-term loans received	28,159	1,800
Settlement of long-term loans	-29,370	-1,877
New finance lease liabilities	23,933	1,530
Settlement of finance lease liabilities	-21,034	-1,344
Closing balance at 30 September 2006	247,345	15,808

## NOTE 7. Other payables and advances and other liabilities

### Other payables and advances

In thousands	EEK		€	
	30 Sept 2006	31 Dec 2005	30 Sept 2006	31 Dec 2005
Payables to the parent and other group companies	2,001	26,753	128	1,710
Payables to associates	101	94	6	6
Payables to employees	50,770	37,877	3,245	2,420
Due to customers for construction work	201,427	149,217	12,874	9,537
Accrued differences in contract costs	146,839	52,552	9,385	3,359
Accrued expenses	1,730	2,310	111	148
Customer advances for goods and services	7,133	9,938	456	635
<b>Total other payables and advances</b>	<b>410,001</b>	<b>278,741</b>	<b>26,204</b>	<b>17,815</b>

Due to customers for construction work is related to the accounting for construction contracts in progress at the balance sheet date and comprises the difference between progress billings and contract revenue recognised by reference to the stage of completion of contract activity.

Accrued differences in contract costs is related to the accounting for construction contracts under the stage of completion method and comprises the difference between the costs calculated by reference to the stage of completion of contract activity and the actual costs incurred. The stage or percentage of completion is determined by reference to the proportion that contract costs incurred for work performed bear to the estimated total contract costs, and surveys of work performed, which means that some costs are estimated.

### Other liabilities

In thousands	EEK		€	
	30 Sept 2006	31 Dec 2005	30 Sept 2006	31 Dec 2005
Liabilities to suppliers	1,794	1,795	115	115
Liabilities to the parent and other group companies	0	27,331	0	1,746
<b>Total other liabilities</b>	<b>1,794</b>	<b>29,126</b>	<b>115</b>	<b>1,861</b>

In the reporting period, AS EE Grupp was repaid long-term loans of EEK 27,331,000 (€1,746,000).

## NOTE 8. Equity

### Shares and share premium

On 1 April 2006, the general meeting of the shareholders of AS Eesti Ehitus approved the company's new Articles of Association according to which the minimum and maximum share capital of the company amount to EEK 120,000,000 (€7,669,000) and EEK 480,000,000 (€30,677,000) respectively. Share capital consists of ordinary shares with a par value of EEK 10 each.

On 18 April 2006, the company's share capital was increased with a capitalisation issue of 10,446,000 new registered ordinary shares. For each existing share, three new shares were issued. As a result of the capitalisation issue, share capital increased from EEK 34,819,000 (€2,225,000) to EEK 139,276,000 (€8,901,000). The issue was performed using share premium of EEK 8,192,000 (€524,000) and the profit for 2005 of EEK 96,265,000 (€6,152,000).

On 11 May 2006, the company issued 1,451,000 additional ordinary shares with a par value of EEK 10 each which increased share capital to EEK 153,784,000 (€9,829,000).

The new shares were subscribed during the initial public offering of the company's shares at Tallinn Stock Exchange where the final offer price was set at EEK 89.97 (€5.75). After the deduction of issue costs (EEK 7,555,000 (€483,000)), the company was able to recognise share premium of EEK 108,465,000 (€6,932,000).

All new shares entitle the holder to dividends declared for periods beginning from 1 January 2006.

### Dividends

Based on the results for 2005, shareholders were distributed a dividend of EEK 8.61 (€0.55) per share, i.e. EEK 30,000,000 (€1,917,000) in aggregate. The dividends were paid out on 28 April 2006.

### 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 potential shares.

	EEK		€	
	9 months 2006	9 months 2005	9 months 2006	9 months 2005
Net profit for the period (in thousands of currency units)	114,368	40,124	7,309	2,564
Average number of shares (in thousands)	10,561	3,056	10,561	3,056
Basic earnings per share	10.83	13.13	0.69	0.84
Diluted earnings per share	10.83	13.13	0.69	0.84

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



## NOTE 9. Segment reporting

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

### Business segments

In thousands of Estonian kroons	Residential and non-residential		Civil engineering		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
<b>For the first nine months of the year</b>								
Revenue from external customers:								
Construction contract revenue	955,634	465,045	744,622	567,553	0	0	1,700,256	1,032,598
Other revenue	32,862	193,510	31,805	37,061	0	0	64,667	230,571
Total revenue from external customers	988,496	658,555	776,427	604,614	0	0	1,764,923	1,263,169
Inter-segment revenue	71,390	26,182	8,828	27,937	-80,218	-54,119	0	0
Total revenue	1,059,886	684,737	785,255	632,551	-80,218	-54,119	1,764,923	1,263,169
Segment result	101,227	62,052	89,380	54,781	1,483	-3,688	192,090	113,145
Unallocated expenses	0	0	0	0	0	0	-49,925	-45,213
Operating profit	0	0	0	0	0	0	142,165	67,932
Net financing costs	0	0	0	0	0	0	-10,888	-1,194
Income tax expense	0	0	0	0	0	0	-15,426	-16,488
Profit for the period							115,851	50,250
Segment assets	725,496	502,176	534,062	368,262	0	0	1,259,558	870,438
Unallocated assets	0	0	0	0	0	0	140,709	13,471
Total assets							1,400,267	883,909
Segment liabilities	451,030	249,668	306,290	281,465	0	0	757,320	531,133
Unallocated liabilities	0	0	0	0	0	0	247,345	209,250
Total liabilities							1,004,665	740,383
Cash flows from:								
operating activities	61,466	30,855	-28,569	24,536	1,069	-73,341	33,966	-17,950
investing activities	-138,108	-190,161	-24,645	-3,647	100,443	31,677	-62,310	-162,131
financing activities	70,836	166,206	6,661	-25,690	-100,443	-31,677	-22,946	108,839
Net cash flows	-5,806	6,900	-46,553	-4,801	1,069	-73,341	-51,290	-71,242
Capital expenditure	14,027	10,122	29,257	19,110	0	0	43,284	29,232
Depreciation and amortisation expense	3,601	2,734	19,666	16,611	0	0	23,267	19,345

In thousands of euro	Residential and non-residential		Civil engineering		Eliminations		Consolidated	
	For the first nine months of the year							
	2006	2005	2006	2005	2006	2005	2006	2005
Revenue from external customers:								
Construction contract revenue	61,076	29,722	47,590	36,273	0	0	108,666	65,995
Other revenue	2,100	12,367	2,033	2,369	0	0	4,133	14,736
Total revenue from external customers:	63,176	42,089	49,623	38,642	0	0	112,799	80,731
Inter-segment revenue	4,563	1,673	564	1,785	-5,127	-3,458	0	0
Total revenue	67,739	43,762	50,187	40,427	-5,127	-3,458	112,799	80,731
Segment result	6,470	3,967	5,712	3,500	95	-236	12,277	7,231
Unallocated expenses	0	0	0	0	0	0	-3,191	-2,890
Operating profit	0	0	0	0	0	0	9,086	4,341
Net financing costs	0	0	0	0	0	0	-696	-76
Income tax expense	0	0	0	0	0	0	-986	-1,054
Profit for the period							7,404	3,211
Segment assets	46,367	32,095	34,133	23,536	0	0	80,500	55,631
Unallocated assets	0	0	0	0	0	0	8,993	861
Total assets							89,493	56,492
Segment liabilities	28,827	15,956	19,575	17,989	0	0	48,402	33,945
Unallocated liabilities	0	0	0	0	0	0	15,808	13,374
Total liabilities							64,210	47,319
Cash flows from:								
operating activities	3,928	1,972	-1,825	1,568	68	-4,687	2,171	-1,147
investing activities	-8,826	-12,154	-1,575	-233	6,419	2,025	-3,982	-10,362
financing activities	4,527	10,622	425	-1,641	-6,419	-2,025	-1,467	6,956
Net cash flows	-371	440	-2,975	-306	68	-4,687	-3,278	-4,553
Capital expenditures	896	647	1,870	1,221	0	0	2,766	1,868
Depreciation and amortisation expense	230	175	1,257	1,061	0	0	1,487	1,236

**NOTE 10. Cost of sales**

In thousands	EEK		€	
	9 months 2006	9 months 2005	9 months 2006	9 months 2005
Depreciation and amortisation expense	21,631	18,265	1,382	1,167
Labour costs	126,540	84,879	8,087	5,425
Cost of materials, goods and services used	1,418,074	1,043,436	90,631	66,688
Other expenses	6,587	3,444	421	220
Total cost of sales	1,572,832	1,150,024	100,522	73,500

**NOTE 11. Administrative expenses**

In thousands	EEK		€	
	9 months 2006	9 months 2005	9 months 2006	9 months 2005
Depreciation and amortisation expense	1,636	1,080	105	69
Labour costs	43,937	25,921	2,808	1,657
Cost of materials, goods and services used	25,659	18,298	1,640	1,169
Other expenses	2,946	3,062	188	196
<b>Total administrative expenses</b>	<b>74,178</b>	<b>48,361</b>	<b>4,741</b>	<b>3,091</b>

**NOTE 12. Other operating income and expenses**

**Other operating income**

In thousands	EEK		€	
	9 months 2006	9 months 2005	9 months 2006	9 months 2005
Gains on sale of property, plant and equipment	6,842	1,583	437	101
Gains on sale of real estate	19,205	3,449	1,227	220
Foreign exchange gains	19	17	1	1
Other	963	1,150	62	73
<b>Total other operating income</b>	<b>27,029</b>	<b>6,199</b>	<b>1,727</b>	<b>396</b>

**Other operating expenses**

In thousands	EEK		€	
	9 months 2006	9 months 2005	9 months 2006	9 months 2005
Write-off of property, plant and equipment	11	93	1	6
Sponsoring, membership fees	2,020	1,665	129	106
Foreign exchange losses	131	16	8	1
Losses from doubtful and irrecoverable receivables	23	173	1	11
Other	592	1,105	38	71
<b>Total other operating expenses</b>	<b>2,777</b>	<b>3,052</b>	<b>177</b>	<b>195</b>

**NOTE 13. Net financing costs**

In thousands	EEK		€	
	9 months 2006	9 months 2005	9 months 2006	9 months 2005
Gains on sale of shares in subsidiaries	0	1,768	0	113
Gains/losses from investments in associates	-18	1	-1	0
Interest expense	-12,896	-3,861	-824	-247
Financial income and expenses on other investments	5,072	382	324	24
Foreign exchange gains and losses	-3,046	516	-195	33
<b>Net financing costs</b>	<b>-10,888</b>	<b>-1,194</b>	<b>-696</b>	<b>-76</b>

**NOTE 14. Income tax expense**

In thousands	EEK		€	
	9 months 2006	9 months 2005	9 months 2006	9 months 2005
Dividend tax - Estonia	10,801	14,715	690	940
Tax on profits - Ukraine	4,625	1,773	296	113
Total income tax expense	15,426	16,488	986	1,054

**NOTE 15. Transactions with related parties**

For the purposes of these financial statements, parties are related if one controls the other or exerts significant influence on the other's business decisions. Related parties include:

1. AS EE Grupp (the parent of AS Eesti Ehitus) and its shareholders;
2. the subsidiaries and associates of AS Eesti Ehitus;
3. other companies of AS EE Grupp Group;
4. the members of the Group companies' boards and councils and individual shareholders whose interest is significant, except where the above cannot exert significant influence on the Group's business decisions. Related parties also include close family members of and companies related to the above.

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

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

In thousands	EEK		€	
	9 months 2006		9 months 2006	
Related party	Purchases	Sales	Purchases	Sales
AS EE Grupp	14,177	10,278	906	657
Subsidiaries of AS EE Grupp	193	63,680	12	4,070
Companies related to a member of the council of AS Eesti Ehitus	1,579	8,452	101	540
Total	15,949	82,410	1,019	5,267

In thousands	EEK		€	
	9 months 2006		9 months 2006	
Transaction	Purchases	Sales	Purchases	Sales
Construction contracts	0	52,897	0	3,381
Sale of real estate	0	19,212	0	1,228
Sale of property, plant and equipment	0	10,000	0	0
Sale of goods, etc	0	301	0	19
Leases	11,851	0	757	0
Other services	4,098	0	262	0
Total	15,949	82,410	1,019	4,628

**At the end of the reporting period, receivables from and liabilities to related parties broke down as follows:**

In thousands	Transaction	EEK				€			
		30 Sept 2006		31 Dec 2005		30 Sept 2006		31 Dec 2005	
Related party		Receivable	Payable	Receivable	Payable	Receivable	Payable	Receivable	Payable
AS EE Grupp		12	1,996	118	54,074	1	128	8	3,456
Subsidiaries of AS EE Grupp	Construction contracts	6,672	5	31,914	0	426	0	2,040	0
Company related to a member of the council of AS Eesti Ehitus	Construction contracts	3,459	0	524	0	221	0	33	0
Associates	Loan	23,422	101	6,257	120	1,497	6	400	8
<b>Total</b>		<b>33,565</b>	<b>2,102</b>	<b>38,813</b>	<b>54,194</b>	<b>648</b>	<b>128</b>	<b>2,081</b>	<b>3,456</b>

In April 2006, all loans from AS EE Grupp were repaid in full together with associated interest, i.e. AS EE Grupp was paid EEK 53,213,000 (€3,401,000).


#### **NOTE 16. Subsequent events**


On 17 October 2006 residential land of 3191 square meters designated for a specific purpose (construction of an apartment house) and located at Sipelga 3A was sold to AS Eurox.

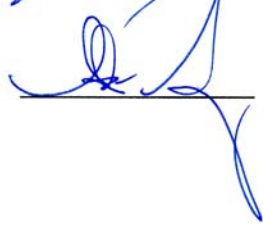
## Signatures

The board of AS Eesti Ehitus has prepared the company's interim report for the first nine months of 2006 which is presented on pages 3 to 21.

Jaano Vink Chairman of the Board  8 November 2006

Avo Ambur Member of the Board  8 November 2006

Erkki Suurorg Member of the Board  8 November 2006

Andri Hõbemägi Member of the Board  8 November 2006