



INTERIM REPORT

12 MONTHS AND FOURTH QUARTER 2006

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Core activity	General contracting in the construction sector
Beginning of reporting period	1 January 2006
End of reporting period	31 December 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 2006 comprise the parent company and its subsidiaries and the Group's interests in associates:

<u>Company</u>			<u>31 Dec 2005</u>	<u>31 Dec 2006</u>
AS Linnaehitus	subsidiary	Estonia	100.0%	100.0%
AS ASPI	subsidiary	Estonia	100.0%	100.0%
AS Järva Teed	subsidiary	Estonia	100.0%	100.0%
OÜ Hiiu Teed	subsidiary	Estonia	100.0%	100.0%
OÜ Mapri Projekt	subsidiary	Estonia	52.0%	52.0%
Estcon OY	subsidiary	Finland	100.0%	100.0%
OÜ EE Ressursid	subsidiary	Estonia	100.0%	100.0%
OÜ Eurocon	subsidiary	Estonia	64.0%	64.0%
Eurocon Ukraine LLC	subsidiary	Ukraine	64.0%	61.4%
Eurocon West LLC	subsidiary	Ukraine	0.0%	61.4%
Bukovina Developments	subsidiary	Ukraine	0.0%	60.8%
Passage Theatre LLC	subsidiary	Ukraine	64.0%	55.3%
OÜ Kaurits	subsidiary	Estonia	0.0%	52.0%
V.I. Center LLC	associate	Ukraine	42.7%	39.0%
SIA Abagars	associate	Latvia	0.0%	34.3%
Eurobeton LLC	associate	Ukraine	0.0%	30.7%
Technopolis-2 LLC	associate	Ukraine	32.0%	30.7%
EA Reng Proekt LLC	associate	Ukraine	0.0%	31.4%
OÜ Kastani Kinnisvara	associate	Estonia	0.0%	26.0%

Changes in the Group's structure in the fourth quarter of 2006

Firstly, on 16 November 2006, OÜ Eurocon made two contracts to increase its share in V.I. Center LLC: a 7 per cent interest was acquired from minority shareholder Volodymir Pechenik and a 17 per cent interest from Eurocon Ukraine LLC. As a result of the transactions, OÜ Eurocon's interest in V.I. Center LLC increased to 24 per cent. On 29 November 2006, OÜ Eurocon acquired from Eurocon Ukraine LLC an additional 11 per cent stake in V.I. Center LLC, increasing its holding to 35 per cent. On the same date OÜ Eurocon sold a 24 per cent interest in V.I. Center LLC to AG ECE European City Estates, a non-group company. After the transactions performed at the end of 2006, the shareholders of V.I. Center LLC are Eurocon Ukraine LLC with a 52 per cent shareholding, AG ECE European City Estates with a 24 per cent shareholding, Volodymir Pechenik with a 13 per cent shareholding and OÜ Eurocon with an 11 per cent shareholding. In view of the minority interests in OÜ Eurocon and Eurocon Ukraine LLC, after the transactions AS Eesti Ehitus owns a 38.99 per cent interest in

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, in December 2006 the subsidiary OÜ EE Elekter was renamed OÜ EE Ressursid. The latter has submitted to the Estonian Ministry of the Environment an application for a permit for geological exploration for sand in the Gulf of Finland. The area which the entity wishes to explore is located in Estonian territorial waters, north of the Saka-Ontika limestone bluff, in the immediate vicinity of the Estonian-Russian border line, and extends to 7120 hectares.

And thirdly, in December all the procedures enabling AS Aspi to acquire a 52% interest in OÜ Kaurits were finalised. Accordingly, the consolidated financial statements as at the year-end include also the assets, liabilities and equity of OÜ Kaurits.

In 2006 the Group employed, on average 871 people, including 71 outside Estonia. The proportion of engineers and technical personnel (ETP) was 37.8 per cent. Labour costs totalled 272.8 million (€17.4 million), a 49.4 per cent increase on a year ago.

Average number of the Group's employees

Period	ETP	Workers	Total average
2006	329	542	871
2005	261	461	722
2004	217	393	610

Revenue and segments

Preliminary unaudited consolidated revenue for 2006 amounted to EEK 2.504 billion (€160 million), a solid 49.5 per cent increase on a year ago. In terms of business segments, the Residential and non-residential segment contributed 54 per cent (53.5 per cent growth) and the Civil engineering segment 46 per cent (43.6 per cent growth). In geographical terms, 91.5 per cent of the Group's revenue was earned in Estonia; Ukraine contributed 8.5 per cent (a year ago the corresponding figures were 93.5 per cent and 6.5 per cent).

Revenue by segments

Business segments	2004	2005	2006
Civil engineering	53%	45%	46%
Residential and non-residential	47%	55%	54%

The revenue structure corresponds now to the Group's long-term revenue structure objective according to which the two segments should generate more or less equal revenue to maintain competitiveness and presence in every significant segment of construction market.

Compared to 2005, the Commercial buildings sub-segment has become the largest in the Residential and non-residential segment whereas the Residential buildings sub-segment has shown the biggest growth rate.

Revenue allocation in the Residential and non-residential segment

	2004	2005	2006
Residential buildings	10%	11%	17%
Public buildings	44%	35%	18%
Commercial buildings	24%	37%	41%
Industrial and warehouse facilities	22%	17%	24%

The largest sub-segment in the Civil engineering segment is Road construction and maintenance, which is also the Group's biggest sub-segment. The fastest growing sub-segment in Civil engineering was Environmental construction.

At the end of 2006, the Group's order backlog totalled EEK 2.7 billion (€173 million) against EEK 1.2 billion (€79 million) a year ago.

Profitability and cash flows

In 2006, the Group's gross margin improved by 1.8 percentage point to 12.3 per cent (2005: 10.5 per cent). Two direct cost items affecting gross margin the most, labour costs and subcontracting and materials costs increased at a slower pace than the Group's revenues (by 33.4 per cent and 49.1 per cent respectively), contributing to the improvement of the gross margin.

The ratio of administrative expenses to revenue was 5.0 per cent (2005: 4.3 per cent). Compared to a year ago, the growth in administrative expenses outpaced revenue growth by 24.3 per cent, largely on account of an increase in labour costs, which, in turn was mostly affected by an increase in performance-related bonuses.

Operating margin for 2006 was 8.1 per cent (a year ago 7.0 per cent), whereas operating margin excluding gains on sale of property, plant and equipment and real estate was 7.1 per cent (a year ago 6.2 per cent).

Preliminary unaudited consolidated net profit for 2006 amounted to an exceptional EEK 189.6 million (€12.1 million) against EEK 94 million (€6 million) earned a year ago. The profit attributable to equity holders of the parent amounted to EEK 176.5 million (€1.3 million) against EEK 86.8 million (€5.5 million) for 2005.

Compared to 2005, net operating cash flows have remained stable. The figure for 2006 was EEK 152.6 million (€9.8 million) while a year ago operating cash flows were EEK 156.8 million (€10 million).

Significant ratios and figures

Ratio / figure	2004	2005	2006
Revenue growth	47.5%	5.4%	49.5%
Average number of employees	610	722	871
Revenue per employee, EEK thousands	2,603	2,319	2,875
Labour costs to revenue, %	9.2%	10.9%	10.9%
Administrative expenses to revenue, %	3.4%	4.3%	5.0%
EBITDA, EEK thousands	119,424	143,850	235,873
EBITDA margin, %	7.5%	8.6%	9.4%
Gross margin, %	9.6%	10.5%	12.3%
Operating margin, %	6.1%	7.0%	8.1%
Operating margin excluding gains on sale of Property, plant and equipment and real estate, %	6.0%	6.2%	7.1%
Net margin, %	5.0%	5.6%	7.6%
Return on invested capital, %	40.4%	31.1%	33.9%
Return on assets, %	21.2%	15.8%	17.5%
Return on equity, %	59.8%	59.9%	56.5%
Equity ratio, %	32.5%	20.2%	35.1%
Current ratio	1.28	1.14	1.34

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

Gross margin = gross profit / revenue

Operating margin = operating profit / revenue

Operating margin excluding gains on sale of property, plant and equipment and real estate = (operating profit - gains on sale of property, plant and equipment - gains on sale of real estate) / 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

Statement of management responsibility

The Board of AS Eesti Ehitus acknowledges its responsibility for the preparation of the interim financial statements of the Group for 12 months and the fourth quarter of 2006 and confirms that:

- the policies applied in the preparation of the interim consolidated financial statements comply with International Financial Reporting Standards as adopted by the European Union;
- the interim consolidated financial statements give a true and fair view of the financial position of the Group and of the results of its operations and its cash flows;
- all significant events that occurred before the date on which the interim consolidated financial statements were authorised for issue (16 February 2007) have been properly recognised and disclosed; and
- AS Eesti Ehitus and its subsidiaries are going concerns.

Jaano Vink Chairman of the Board



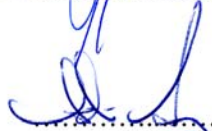
16.02.2007

Avo Ambur Member of the Board



16.02.2007

Andri Hõbemägi Member of the Board



16.02.2007

Erkki Suurorg Member of the Board



16.02.2007

Consolidated interim balance sheet

Unaudited, in thousands of Estonian kroons

	Note	31 Dec 2006	31 Dec 2005
ASSETS			
Current assets			
Cash and cash equivalents		155,980	192,490
Short-term investments	2	2,140	0
Trade receivables		383,094	210,944
Other receivables and prepayments	3	118,236	93,228
Inventories	4	282,372	140,360
Total current assets		941,822	637,022
Non-current assets			
Investments in associates		21,193	21,309
Other investments	5	32,952	10,748
Investment property		5,963	2,601
Property, plant and equipment	6	223,674	134,871
Intangible assets	6	165,036	131,845
Total non-current assets		448,818	301,374
TOTAL ASSETS		1,390,640	938,396
LIABILITIES			
Current liabilities			
Interest-bearing loans and borrowings	7	70,029	117,650
Trade payables		184,015	129,174
Tax liabilities		42,922	29,200
Other payables and advances	8	403,282	278,741
Provisions		4,511	2,912
Total current liabilities		704,759	557,677
Non-current liabilities			
Interest-bearing loans and borrowings	7	196,017	160,338
Other liabilities	8	490	29,126
Provisions		1,885	2,047
Total non-current liabilities		198,392	191,511
TOTAL LIABILITIES		903,151	749,188
EQUITY			
Minority interest		39,291	12,257
Total equity attributable to equity holders of the parent			
Share capital		153,784	34,819
Share premium		108,465	8,192
Statutory capital reserve		4,158	4,158
Other reserves		2,196	795
Retained earnings		3,087	42,180
Profit for the period		176,508	86,807
TOTAL EQUITY		487,489	189,208
TOTAL LIABILITIES AND EQUITY		1,390,640	938,396

Unaudited, in thousands of euro

	Note	31 Dec 2006	31 Dec 2005
ASSETS			
Current assets			
Cash and cash equivalents		9,969	12,302
Short-term investments	2	137	0
Trade receivables		24,484	13,482
Other receivables and prepayments	3	7,557	5,958
Inventories	4	18,047	8,971
Total current assets		60,194	40,713
Non-current assets			
Investments in associates		1,354	1,362
Other investments	5	2,106	687
Investment property		381	166
Property, plant and equipment	5	14,295	8,620
Intangible assets	5	10,548	8,426
Total non-current assets		28,684	19,261
TOTAL ASSETS		88,878	59,974
LIABILITIES			
Current liabilities			
Interest-bearing loans and borrowings	6	4,476	7,519
Trade payables		11,761	8,256
Tax liabilities		2,744	1,866
Other payables and advances	7	25,774	17,815
Provisions		288	186
Total current liabilities		45,043	35,642
Non-current liabilities			
Interest-bearing loans and borrowings	6	12,528	10,247
Other liabilities	7	31	1,861
Provisions		120	131
Total non-current liabilities		12,679	12,239
TOTAL LIABILITIES		57,722	47,881
EQUITY			
Minority interest		2,511	783
Total equity attributable to equity holders of the parent			
Share capital		9,829	2,225
Share premium		6,932	524
Statutory capital reserve		266	266
Other reserves		140	51
Retained earnings		197	2,696
Profit for the period		11,281	5,548
TOTAL EQUITY		31,156	12,093
TOTAL LIABILITIES AND EQUITY		88,878	59,974

Consolidated interim income statement

Unaudited, in thousands of Estonian kroons

	Note	Q4, 2006	Q4, 2005	2006	2005
Revenue	10	738,921	411,285	2,503,844	1,674,454
Cost of sales	11	624,111	348,351	2,196,943	1,498,375
Gross profit		114,810	62,934	306,901	176,079
Administrative expenses	12	51,810	24,134	125,988	72,495
Other operating income	13	-170	12,404	26,859	18,603
Other operating expenses	13	953	1,308	3,730	4,359
Operating profit before financing items		61,877	49,896	204,042	117,828
Financing items					
Financial income		13,570	2,733	18,399	6,381
Financial expenses		4,315	6,233	20,032	11,075
Net financing items	14	9,255	-3,500	-1,633	-4,694
Profit before tax		71,132	46,396	202,409	113,134
Income tax expense		-2,595	2,671	12,831	19,159
Profit for the period		73,727	43,725	189,578	93,975
Attributable to					
Equity holders of the parent		62,140	46,683	176,508	86,807
Minority interest		11,587	-2,958	13,070	7,168
Basic earnings per share (EEK)	9	4.04	13.41	14.99	27.47
Diluted earnings per share (EEK)	9	4.04	13.41	14.99	27.47
Revenue	10	47,226	26,286	160,025	107,017
Cost of sales	11	39,888	22,264	140,410	95,764
Gross profit		7,338	4,022	19,615	11,253
Administrative expenses	12	3,264	1,542	8,052	4,633
Other operating income	13	-11	793	1,716	1,189
Other operating expenses	13	62	84	238	279
Operating profit before financing items		4,001	3,189	13,041	7,530
Financing items					
Financial income		867	175	1,176	408
Financial expenses		276	398	1,280	708
Net financing items	14	591	-223	-104	-300
Profit before tax		4,592	2,966	12,937	7,230
Income tax expense		-166	171	820	1,224
Profit for the period		4,758	2,795	12,117	6,006
Attributable to					
Equity holders of the parent		3,999	2,984	11,281	5,548
Minority interest		759	-189	836	458
Basic earnings per share (EEK)	9	0.26	0.86	0.96	1.76
Diluted earnings per share (EEK)	9	0.26	0.86	0.96	1.76

Consolidated interim statement of cash flows

Unaudited, in thousands	Estonian kroons		euro	
	2006	2005	2006	2005
Cash flows from operating activities				
Cash receipts from customers	2,769,379	2,006,573	176,996	128,243
Cash paid to suppliers	-2,327,591	-1,708,586	-148,760	-109,199
Cash paid to and for employees	-265,740	-122,002	-16,984	-7,797
Income taxes paid	-23,443	-19,148	-1,498	-1,224
Net cash from operating activities	152,605	156,837	9,753	10,024
Cash flows from investing activities				
Acquisition of property, plant and equipment and intangibles	-28,280	-12,701	-1,807	-812
Proceeds from sale of property, plant and equipment and intangibles	11,042	5,143	706	329
Acquisition of investment property for development and resale	-95,770	-40,696	-6,121	-2,601
Proceeds from sale of investment property	39,211	0	2,506	0
Acquisition of subsidiaries and associates	-60,172	-194,077	-3,846	-12,404
Proceeds from sale of subsidiaries	9,100	7,770	582	497
Other investments	8,943	-340	572	-22
Loans given	-22,322	-6,899	-1,427	-441
Repayment of loans given	8,012	0	512	0
Interest received	4,852	1,416	310	90
Net cash used in investing activities	-125,384	-240,384	-8,013	-15,363
Cash flows from financing activities				
Proceeds from issue of share capital	130,431	13,011	8,336	832
Proceeds from loans received	31,844	255,972	2,035	16,360
Repayment of loans received	-155,837	-32,968	-9,960	-2,107
Dividends paid	-32,160	-46,595	-2,055	-2,978
Payment of finance lease liabilities	-23,127	-21,375	-1,478	-1,366
Interest paid	-18,715	-5,740	-1,196	-367
Other payments made	4,606	0	294	0
Net cash used in / from financing activities	-62,958	162,305	-4,024	10,373
Net decrease / increase in cash and cash equivalents	-35,737	78,758	-2,284	5,034
Cash and cash equivalents at beginning of period	192,490	113,732	12,302	7,269
Effect of exchange rate fluctuations	-773	0	-49	0
Cash and cash equivalents adjusted for exchange rate fluctuations	191,717	113,732	12,253	7,269
Decrease / increase	-35,737	78,758	-2,284	5,034
Cash and cash equivalents at end of period	155,980	192,490	9,969	12,302

Consolidated interim 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
Balance at 31 December 2004		30,000	0	3,000	-568	80,614	113,046	65,509	178,555
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
Transfer to capital reserve		0	0	1,158	0	-1,158	0	0	0
Changes in minority interests		0	0	0	0	-9,276	-9,276	-41,703	-50,979
Foreign exchange differences on translating foreign operations		0	0	0	1,363	0	1,363	-122	1,241
Profit for the period		0	0	0	0	86,807	86,807	7,168	93,975
Balance at 30 December 2005		34,819	8,192	4,158	795	128,987	176,951	12,257	189,208
Balance at 31 December 2005		34,819	8,192	4,158	795	128,987	176,951	12,257	189,208
Dividends declared	9	0	0	0	0	-30,000	-30,000	-2,160	-32,160
Issue of share capital	9	118,965	100,273	0	0	-96,265	122,973	0	122,973
Changes in minority interests		0	0	0	0	365	365	13,981	14,346
Foreign exchange differences on translating foreign operations		0	0	0	1,401	0	1,401	1,853	3,254
Profit for the period	10	0	0	0	0	176,508	176,508	13,360	189,868
Balance at 30 December 2006		153,784	108,465	4,158	2,196	179,595	448,198	39,291	487,489

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
Balance at 31 December 2004		1,917	0	192	-36	5,152	7,225	4,187	11,412
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
Transfer to capital reserve		0	0	74	0	-74	0	0	0
Changes in minority interests		0	0	0	0	-592	-592	-2,666	-3,258
Foreign exchange differences on translating foreign operations		0	0	0	87	0	87	-8	79
Profit for the period		0	0	0	0	5,548	5,548	458	6,006
Balance at 30 December 2005		2,225	524	266	51	8,244	11,310	783	12,093
Balance at 31 December 2005		2,225	524	266	51	8,244	11,309	783	12,093
Dividends declared	9	0	0	0	0	-1,917	-1,917	-138	-2,055
Issue of share capital	9	7,604	6,408	0	0	-6,152	7,860	0	7,860
Changes in minority interests		0	0	0	0	22	22	893	915
Foreign exchange differences on translating foreign operations		0	0	0	89	0	89	119	208
Profit for the period	10	0	0	0	0	11,281	11,281	854	12,135
Balance at 30 December 2006		9,829	6,932	266	140	11,478	28,644	2,511	31,156

Notes to the 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 Nordecon.

The consolidated interim financial statements for the period ended 30 December 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 12 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. Short-term investments

A part of the investment in the associate V.I. Center of EEK 2,140,000 (€137,000) has been reclassified to current assets because the Group intends to divest of it in 2007.

NOTE 3. Other receivables and prepayments

In thousands	EEK		€	
	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
Receivables from the parent and other group con	10,202	32,032	652	2,047
Receivables from associates	21,944	6,257	1,402	400
Miscellaneous receivables	16,411	3,257	1,049	208
Due from customers for construction work	57,907	48,349	3,701	3,090
Accrued income	453	32	29	2
Prepaid taxes	9,422	1,646	602	105
Other prepayments	1,897	1,655	121	106
Total other receivables and prepayments	118,236	93,228	7,557	5,958

Receivables from the parent and other group companies result from construction contracts. Receivables from associates comprise loans to associates. 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; other prepayments include mainly industry-specific insurance premiums.

NOTE 4. Inventories

In thousands	EEK		€	
	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
Raw and other materials	29,343	12,239	1,875	782
Work in progress	111,625	54,105	7,134	3,458
Prepayments to suppliers	17,049	8,453	1,090	540
Goods purchased for resale	124,355	65,563	7,948	4,191
Total inventories	282,372	140,360	18,047	8,971

Raw and other materials are primarily comprised of materials and equipment acquired for construction contracts. 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 for construction services and goods, whereas goods purchased for resale comprises immovable property acquired for residential construction purposes.

NOTE 5. Other investments

In thousands	EEK		€	
	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
Long-term receivables from associates	17,458	0	1,116	0
Miscellaneous investments	300	10,080	19	644
Other long-term receivables	15,194	668	971	43
Total other investments	32,952	10,748	2,106	687

Long-term receivables comprise loans to associates, Technopolis-2, and the Ukrainian company European House. Miscellaneous investments comprise the subsidiary Eurocon Ukraine LLC's 10 per cent investment in European House. The item is stated at cost because its fair value cannot be measured reliably.

NOTE 6. 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
Acquired through business combinations	102,776	0	102,776	6,569	0	6,569
Additions	52,415	34,989	87,404	3,350	2,236	5,586
Disposals	-9,766	0	-9,766	-624	0	-624
Depreciation/amortisation for the period	-30,033	-1,798	-31,831	-1,919	-115	-2,034
Acquired through business combinations	-32,062	0	-32,062	-2,049	0	-2,049
Disposals	5,768	0	5,768	369	0	369
Effect of movements in exchange rates	-295	0	-295	-19	0	-19
Carrying amount at 31 December 2005	223,674	165,036	388,710	14,295	10,548	24,843

NOTE 7. Interest-bearing loans and borrowings

Overview of interest-bearing loans and borrowings

In thousands of Estonian kroons			31 December 2006			
	Base currency	Interest rate	Limit	Up to 1 year	Over 1 year	Total
Bank loans						
Investment loan	EUR	4.1%	141,700	18,638	105,461	124,099
Investment loan	EUR	3.3%	17,000	5,230	0	5,230
Working capital loan	USD	6.0%	4,093	4,093	0	4,093
Working capital loan	EEK	3.4%	30,000	0	0	0
Investment loan	UAH	18.0%	10,508	4,672	4,643	9,315
Investment loan	EUR	4.18%	19,162	0	19,162	19,162
Other loans						
Finance lease		3.0%-5.5%		37,396	66,751	104,147
			222,463	70,029	196,017	266,046

In thousands of euro			31 December 2006			
	Base currency	Interest rate	Limit	Up to 1 year	Over 1 year	Total
Bank loans						
Investment loan	EUR	4.1%	9,056	1,191	6,740	7,931
Investment loan	EUR	3.3%	1,086	334	0	334
Working capital loan	USD	6.0%	262	262	0	262
Working capital loan	EEK	3.4%	1,917	0	0	0
Investment loan	UAH	18.0%	672	299	297	595
Investment loan	EUR	4.18%	1,225	0	1,225	1,225
Other loans						
Finance lease		3.0%-5.5%		2,390	4,266	6,656
			14,218	4,476	12,528	17,003

NOTE 8. Other payables and advances and other liabilities

Other payables and advances

In thousands	EEK		€	
	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
Payables to the parent and other group companies	42,192	26,753	2,697	1,710
Payables to associates	0	94	0	6
Payables to employees	71,085	37,877	4,543	2,421
Due to customers for construction work	175,370	149,217	11,208	9,537
Accrued differences in contract costs	76,470	52,552	4,887	3,359
Accrued expenses	11,072	2,310	708	148
Miscellaneous payables	1,518	0	97	0
Customer advances for goods and services	25,575	9,938	1,635	635
Total other payables and advances	403,282	278,741	25,774	17,815

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		€	
	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
Liabilities to suppliers	490	1,795	31	115
Liabilities to the parent and other group companies	0	27,331	0	1,747
Total other liabilities	490	29,126	31	1,861

In the reporting period, AS Nordecon was repaid long-term loans of EEK 27,331,000 (€1,746,000). Liabilities to suppliers comprise retentions, i.e. amounts retained under sub-contracts until the post-construction warranty period expires.

NOTE 9. 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		€	
	12 months 2006	12 months 2005	12 months 2006	12 months 2005
Net profit for the period (in thousands of currency units)	176,508	86,807	11,281	5,548
Average number of shares (in thousands)	11,776	3,160	11,776	3,160
Basic earnings per share	14.99	27.47	0.96	1.76
Diluted earnings per share	14.99	27.47	0.96	1.76

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

NOTE 10. 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

	Residential and non-residential		Civil engineering		Eliminations		Consolidated	
	For 12 months							
In thousands of Estonian kroons	2006	2005	2006	2005	2006	2005	2006	2005
Revenue from external customers:								
Construction contract revenue	1,354,374	859,626	1,132,559	738,396	0	0	2,486,933	1,598,022
Other revenue	9,576	53,880	7,335	22,552	0	0	16,911	76,432
Total revenue from external customers	1,363,950	913,506	1,139,894	760,948	0	0	2,503,844	1,674,454
Inter-segment revenue	92,648	61,054	20,427	38,065	-113,075	-99,119	0	0
Total revenue	1,456,598	974,560	1,160,321	799,013	-113,075	-99,119	2,503,844	1,674,454
Segment result	207,682	131,297	112,289	51,954	-13,070	-7,172	306,901	176,079
Unallocated expenses	0	0	0	0	0	0	-102,859	-58,251
Operating profit	0	0	0	0	0	0	204,042	117,828
Net financing items	0	0	0	0	0	0	-1,633	-4,694
Income tax expense	0	0	0	0	0	0	-12,831	-19,159
Profit for the period							189,578	93,975
Segment assets	715,157	477,447	498,310	247,150	0	0	1,213,467	724,597
Investments in associates	18,003	21,309	3,190				21,193	21,309
Unallocated assets	0	0	0	0	0	0	155,980	192,490
Total assets							1,390,640	938,396
Segment liabilities	316,273	389,646	321,254	115,457	0	0	637,527	505,103
Unallocated liabilities	0	0	0	0	0	0	265,624	244,085
Total liabilities							903,151	749,188
Cash flows from:								
operating activities	82,802	105,458	69,803	51,379	0	0	152,605	156,837
investing activities	-63,974	-237,792	-61,410	-2,592	0	0	-125,384	-240,384
financing activities	-84,742	189,020	21,784	-26,715	0	0	-62,958	162,305
Net cash flows	-65,914	56,686	30,177	22,072	0	0	-35,737	78,758
Capital expenditure	15,128	41,464	37,287	19,599	0	0	52,415	61,063
Depreciation and amortisation expense	5,955	3,201	25,876	22,821	0	0	31,831	26,022

	Residential and non-residential		Civil engineering		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
In thousands of euro	For 12 months							
Revenue from external customers:								
Construction contract revenue	86,560	54,940	72,384	47,192	0	0	158,944	102,132
Other revenue	613	3,444	468	1,441	0	0	1,081	4,885
Total revenue from external customers:	87,173	58,384	72,852	48,633	0	0	160,025	107,017
Inter-segment revenue	5,921	3,902	1,306	2,433	-7,227	-6,335	0	0
Total revenue	93,094	62,286	74,158	51,066	-7,227	-6,335	160,025	107,017
Segment result	13,273	8,391	7,177	3,320	-835	-458	19,615	11,253
Unallocated expenses	0	0	0	0	0	0	-6,574	-3,723
Operating profit	0	0	0	0	0	0	13,041	7,530
Net financing items	0	0	0	0	0	0	-104	-300
Income tax expense	0	0	0	0	0	0	-820	-1,224
Profit for the period							12,117	6,006
Segment assets	45,707	30,514	31,847	15,796	0	0	77,554	46,310
Investments in associates	1,151	1,362	204				1,355	1,362
Unallocated assets	0	0	0	0	0	0	9,969	12,302
Total assets							88,878	59,974
Segment liabilities	20,214	24,903	20,532	7,379	0	0	40,746	32,282
Unallocated liabilities	0	0	0	0	0	0	16,976	15,600
Total liabilities							57,722	47,882
Cash flows from:								
operating activities	5,292	6,740	4,461	3,284	0	0	9,753	10,024
investing activities	-4,088	-15,198	-3,925	-166	0	0	-8,013	-15,364
financing activities	-5,416	12,081	1,392	-1,707	0	0	-4,024	10,374
Net cash flows	-4,212	3,623	1,928	1,411	0	0	-2,284	5,034
Capital expenditures	967	2,650	2,383	1,253	0	0	3,350	3,903
Depreciation and amortisation expense	381	205	1,653	1,458	0	0	2,034	1,663

NOTE 11. Cost of sales

In thousands	EEK		€	
	12 months 2006	12 months 2005	12 months 2006	12 months 2005
Depreciation and amortisation expense	29,388	22,408	1,878	1,432
Labour costs	189,583	142,143	12,117	9,085
Cost of materials, goods and services used	1,963,486	1,316,645	125,490	84,149
Other expenses	14,486	17,179	926	1,098
Total cost of sales	2,196,943	1,498,375	140,410	95,764

NOTE 12. Administrative expenses

In thousands	EEK		€	
	12 months 2006	12 months 2005	12 months 2006	12 months 2005
Depreciation and amortisation expense	2,443	3,614	156	231
Labour costs	83,209	40,428	5,318	2,584
Cost of materials, goods and services used	33,241	21,229	2,124	1,357
Other expenses	7,095	7,224	453	462
Total administrative expenses	125,988	72,495	8,052	4,633

NOTE 13. Other operating income and expenses

Other operating income

In thousands	EEK		€	
	12 months 2006	12 months 2005	12 months 2006	12 months 2005
Gains on sale of property, plant and equipment	7,071	4,395	452	281
Gains on sale of real estate	19,205	10,328	1,227	660
Foreign exchange gains	69	1,074	4	69
Expiry of liabilities	0	1,865	0	119
Other	514	941	33	60
Total other operating income	26,859	18,603	1,716	1,189

Other operating expenses

In thousands	EEK		€	
	12 months 2006	12 months 2005	12 months 2006	12 months 2005
Write-off of property, plant and equipment	23	32	1	2
Sponsoring, membership fees	2,578	2,272	165	145
Foreign exchange losses	368	1,365	24	87
Losses from doubtful and irrecoverable receivables	514	56	33	4
Other	247	634	16	41
Total other operating expenses	3,730	4,359	238	279

NOTE 14. Net financing items

In thousands	EEK		€	
	12 months 2006	12 months 2005	12 months 2006	12 months 2005
Gains on sale of shares in subsidiaries	930	1,768	59	113
Gains/losses from investments in associates	-985	-55	-63	-4
Interest expense	-13,377	-7,481	-855	-478
Financial income and expenses on other investments	17,205	-207	1,100	-13
Foreign exchange gains and losses	-5,406	1,281	-346	82
Net financing items	-1,633	-4,694	-104	-300

NOTE 15. Income tax expense

In thousands	EEK		€	
	12 months 2006	12 months 2005	12 months 2006	12 months 2005
Dividend tax - Estonia	10,801	14,714	690	940
Tax on profits - Ukraine	2,030	4,445	130	284
Total income tax expense	12,831	19,159	820	1,224

NOTE 16. 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 Nordecon (the parent of AS Eesti Ehitus) and its shareholders;
2. the subsidiaries and associates of AS Eesti Ehitus;
3. other companies of AS Nordecon Group;
4. the members of the company's board and council and individual shareholders whose interest is significant, except where the above cannot exert significant influence on the company's business decisions. Related parties also include close family members of and companies related to the above.

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		€	
	Purchases	Sales	Purchases	Sales
AS Nordecon	19,180	506	1,226	32
Subsidiaries of AS Nordecon	880	135,852	56	8,683
Companies related to a member of the council of AS Eesti Ehitus	2,007	15,859	128	1,014
Total	22,067	152,217	1,410	9,728

In thousands	EEK		€	
	12 months 2006		12 months 2006	
Transaction	Purchases	Sales	Purchases	Sales
Construction contracts	0	78,032	0	4,987
Sale of real estate	0	73,211	0	4,679
Sale of property, plant and equipment	0	0	0	0
Sale of goods, etc	0	974	0	62
Leases	18,073	0	1,155	0
Other services	3,994	0	255	0
Total	22,067	152,217	1,410	9,728

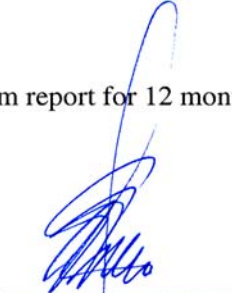



At period end, receivables from and liabilities to related parties broke down as follows:

In thousands	Transaction	EEK				€			
		31 Dec 2006		31 Dec 2005		31 Dec 2006		31 Dec 2005	
Related party		Receivable	Payable	Receivable	Payable	Receivable	Payable	Receivable	Payable
AS Nordecon		4	2,167	118	54,074	0	138	8	3,456
	Construction								
Subsidiaries of AS Nordecon	contracts	10,197	40,025	31,914	10	652	2,558	2,040	1
Company related to a member of the council of AS Eesti Ehitus	Construction	9,216	0	524	16	589	0	33	1
	contracts								
Associates	Loan	21,944	0	6,257	94	1,402	0	400	6

In 2006, the remuneration of the members of the council of AS Eesti Ehitus and members of the councils of Group entities totalled EEK 1,050,000 (€67,000) and EEK 3,905,000 (€250,000) respectively. The remuneration of the members of the management board of AS Eesti Ehitus and members of the management boards of group entities totalled EEK 8,151,000 (€521,000) and EEK 8,962,000 (€573,000).

Signatures

The board of AS Eesti Ehitus has prepared the company's interim report for 12 months and the fourth quarter of 2006 which is presented on pages 3 to 20.

Jaano Vink	Chairman of the Board		<u>16</u> February 2007
Avo Ambur	Member of the Board		<u>16</u> February 2007
Erkki Suurorg	Member of the Board		<u>16</u> February 2007
Andri Hõbemägi	Member of the Board		<u>16</u> February 2007