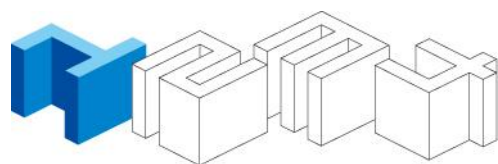




**Financial report for the first quarter  
and three months of 2010**  
(unaudited)

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**Financial report for the first quarter  
and three months of 2010**  
(unaudited)

<b>Business name</b>	Nordecon International AS
<b>Registration number</b>	10099962
<b>Address</b>	Pärnu mnt 158/1, 11317 Tallinn
<b>Domicile</b>	Republic of Estonia
<b>Telephone</b>	+ 372 615 4400
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<b>E-mail</b>	nordecon@nordecon.com
<b>Corporate website</b>	www.nordecon.com
<b>Core activities</b>	Construction of buildings (EMTAK 411; 412) Civil engineering (EMTAK 421; 422; 429) Other construction work involving special trades (EMTAK 431; 433; 439) Architectural and engineering activities (EMTAK 7112)
<b>Financial year</b>	1 January 2010 – 31 December 2010
<b>Reporting period</b>	1 January 2010 – 31 March 2010
<b>Council</b>	Toomas Luman, Alar Kroodo, Ain Tromp, Andri Hõbemägi, Tiina Mõis, Meelis Milder
<b>Board</b>	Jaano Vink, Priit Tiru
<b>Auditor</b>	KPMG Baltics AS



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## Directors' report

### OUR MISSION

Our mission is to offer our customers complete premier value adding construction and engineering solutions. We add value to the company by motivating our employees and providing them with clear development opportunities and a contemporary work environment.

### VISION

Our goal is to become the fastest growing construction group on the Nordic and Baltic stock exchanges by 2013 in terms of revenue growth.

### SHARED VALUES

#### Reliability

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

#### Quality

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

#### Innovation

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



## The Group's strategy and objectives for 2009-2013

During the period 2005-2008 the revenue of Nordecon International Group grew, on average, by 30% per year. Within the same time, the Group's foreign operations expanded more than three-fold. At the end of 2008, foreign markets were generating already 20% of the Group's revenue. In view of the changes in the external environment and the fact that thanks to vigorous growth the Group had reached the end of one stage of development, the Group's management devised a new development strategy for the period 2009-2013. The parent company's council approved the new strategy on 12 March 2009.

### The Group's strategic basis and strengths

The growth of the Group has outlined particular strengths that underpin the new development strategy:

- An organisation / shareholders oriented towards long-term profitable growth
- Organisationally separate infrastructure and buildings construction businesses
- A flexible, horizontally integrated business model across the Group
- Experienced management
- Professional and loyal employees
- Relative conservatism in risk-taking
- Centralised support services in combination with strong business organisations
- A balanced revenue base that is equally divided between buildings and infrastructure construction

### The Group's objectives for 2009-2013

The Group's development strategy for 2009-2013 that was approved by the council at the beginning of 2009 is governed by two primary goals – to improve operating efficiency at all Group entities and to sustain internationalisation. To achieve the goals, management allocated the desired objectives and the activities required for achieving them to specific time periods.

### According to the strategy, in 2009-2010 Nordecon International has to reinforce its positions in the home market and prepare for dynamic growth in foreign markets in 2011-2013 by:

- Redesigning the corporate structure and division of operations and activities between Group entities
- Specifying the customer focus and transforming from the supplier of mass offerings into a proactive seller – designing the services aimed at customer segments based on customer needs and circumstances
- Identifying and taking advantage of additional synergies in enhancing the efficiency of the subsidiaries' sales, performance and purchasing operations
- Reasonably centralising the support services so as to improve their efficiency and developing a uniform organisational culture and identity
- Preparing a sufficient real estate platform in Estonia (including Tallinn) in anticipation for future growth
- Creating partnerships for the performance of PPP (public-private partnership) projects
- Continuing the development of operating principles that correspond to projected growth in foreign markets, and implementing and consolidating processes aimed at increasing the contribution of foreign markets at the parent company
- Acquiring new and developing existing companies



**By 2013 the potential created in 2009-2010 should be realised and Nordecon International should be the fastest-growing construction group listed on the Nordic and Baltic stock exchanges. The objectives are:**

- To be the market leader in Estonia in both buildings and infrastructure construction in terms of revenue
- To earn approximately 50% of the revenue for 2013 in foreign markets
- To have separate buildings and infrastructure construction subsidiaries in both Latvia and Lithuania
- To penetrate the Ukrainian infrastructure market, if possible
- To be ready to penetrate the Belarusian construction market if there are adequate arguments for this

### **Revision of the Group's strategy for 2009-2010 and the ultimate strategic goal**

The Group's business strategy for 2009-2010 foresaw, among other things, acquiring new companies in selected markets and developing existing ones. However, in the middle of 2009 the Group suspended its buildings construction operations in Lithuania because, owing to changes in the market situation, there were not sufficiently sizeable contracts on offer that, if won, would have allowed sustaining a reasonable volume of operations. In addition, in February 2010 the Group sold its Latvian subsidiary and exited the Latvian infrastructure construction market due to unsatisfactory results and continuing instability of the economic environment. Because of the above, in the next few years the Group does not intend to continue active operations in Latvia and Lithuania except for participation in project-based tenders that may be expected to yield a reasonable profit margin.

Owing to an adverse economic environment, the Group's management has also decided to suspend dynamic expansion in Ukraine. Instead, the main efforts will be aimed at cost-cutting and other measures relevant to responding adequately to declining volumes and margins. In Ukraine, the construction market slump has made winning new contracts extremely complicated and the private sector customer base has become almost nonexistent. Therefore, the main task for Group entities is to align their structure so that they could effectively manage their costs while maintaining readiness for re-launching construction operations as soon as the market situation improves. The Group is currently not involved in any active real estate projects outside Estonia.

The Group's management is of the opinion that the situation in the Group's present foreign markets may improve more slowly than anticipated and, consequently, attainment of the strategic goal of increasing the revenue earned outside Estonia to roughly 50% of the total by 2013 has become doubtful and requires revision. To date, the Group's council has not yet approved any changes to the Group's development strategy for 2009-2013 but management is going to make relevant proposals in the second quarter of 2010.

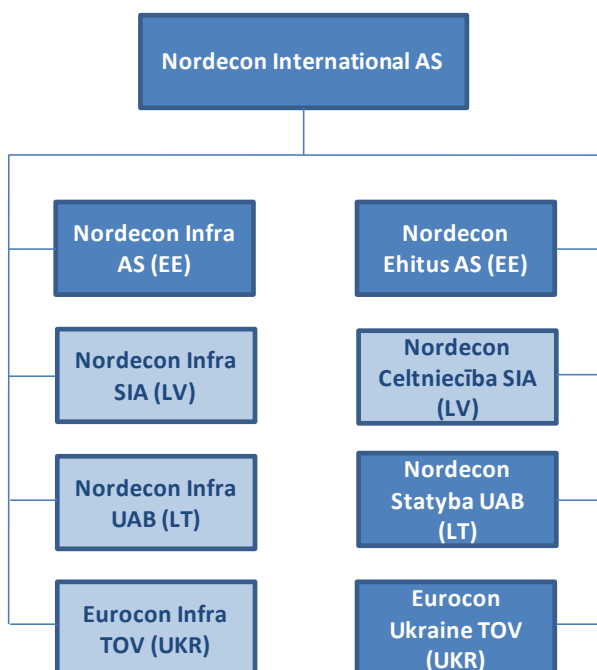
Nevertheless, in 2010 the Group will focus on consolidating the positions achieved over the years in the home market in Estonia, sustaining preparedness for responding swiftly to any positive developments in the Ukrainian construction market, and keeping a keen eye on developments in Lithuania and Latvia.



## The Group's structure by 2013

According to the development strategy, by 2013 the Group should be represented in its four main target markets in both the buildings and infrastructure construction segments. In each country, the Group should have a company or subgroup involved in buildings construction and another engaged in infrastructure. All companies should focus on their assigned core business and all or the majority of their shares should be held by the Group's parent Nordecon International AS. The above corporate structure was selected in consideration of the following factors:

- The construction business is local by nature and to succeed a company needs to be locally flexible and focused on a particular business.
- The Group's sustainable and coordinated development in its selected markets assumes uniting all activities that could yield synergies under single management.



**Note:** Light colours indicate subgroups that currently do not exist but reflect the Group's opportunities for future growth. The Group was operating in the Latvian infrastructure market in 2008-2009 but exited the market at the beginning of 2010. At the date of release of this report, the Group has no entities registered in Latvia.



## Changes in the Group's operations in the first quarter of 2010

### Changes in the Group's Estonian operations

There have not been any significant changes in the Group's Estonian operations compared with the fourth quarter of 2009. By the end of 2009 all major restructuring activities had been completed and from 2010 the Group conducts its core business in Estonia through two subgroups - Nordecon Ehitus and Nordecon Infra that specialise in buildings and infrastructure construction respectively. The parent of the Group acts as a holding company, providing strategic management and Group-wide support services.

### Changes in the Group's foreign operations

#### Latvia

The Group entered the Latvian market at the beginning of 2007 when the acquisition of OÜ Kaurits provided the Group with a significant interest in a Latvian company - SIA Abagars (later Nordecon Infra SIA). In order to avoid subsequent conflicts of interest, the Group acquired the majority shareholding in the Latvian entity in May 2008. The core business of the Latvian company was construction of water and wastewater networks. Business volumes in Latvia grew rapidly and the company won and performed numerous large public procurement projects. However, rapid business growth was accompanied by growth in operational risks which, in combination with drastic deterioration in the economic environment, caused difficulties in collecting payments from customers including parties related to state and local governments.

As a result, in February 2010 the board of Nordecon International AS resolved to divest the Group's 56% interest in Nordecon Infra SIA since it was evident that in the foreseeable future the entity would be operating with a loss. The stake was sold to an individual (a non-controlling shareholder). After the transaction, the Group does not have any ownership interests in companies domiciled in Latvia. The financial aspects of the transaction are described in greater detail in note 4 to the interim consolidated financial statements.

In the next few years, the Group will continue project-based business in Latvia through its Estonian subsidiaries, involving partners where necessary. However, the continuation of project-based operations assumes the availability of profitable projects.

#### Belarus

The Group has signed a contract with a Finnish food industry company under which it is going to build a factory in Belarus. The project will be performed through the Group's wholly-held Belarusian subsidiary Eurocon Stroi IOOO whose establishment was completed in January 2010. At the moment, this is the Group's only project in Belarus. The Group used a similar strategy, i.e. contracts tendered by well-known Nordic or Baltic companies, for penetrating the Ukrainian market more than ten years ago. The Group is not holding any negotiations regarding other projects and according to the corporate development strategy penetration of the Belarusian market in 2010 is not a priority. The year 2010 and the above project will serve as a basis for getting to know the market and conducting subsequent analyses.

#### Ukraine

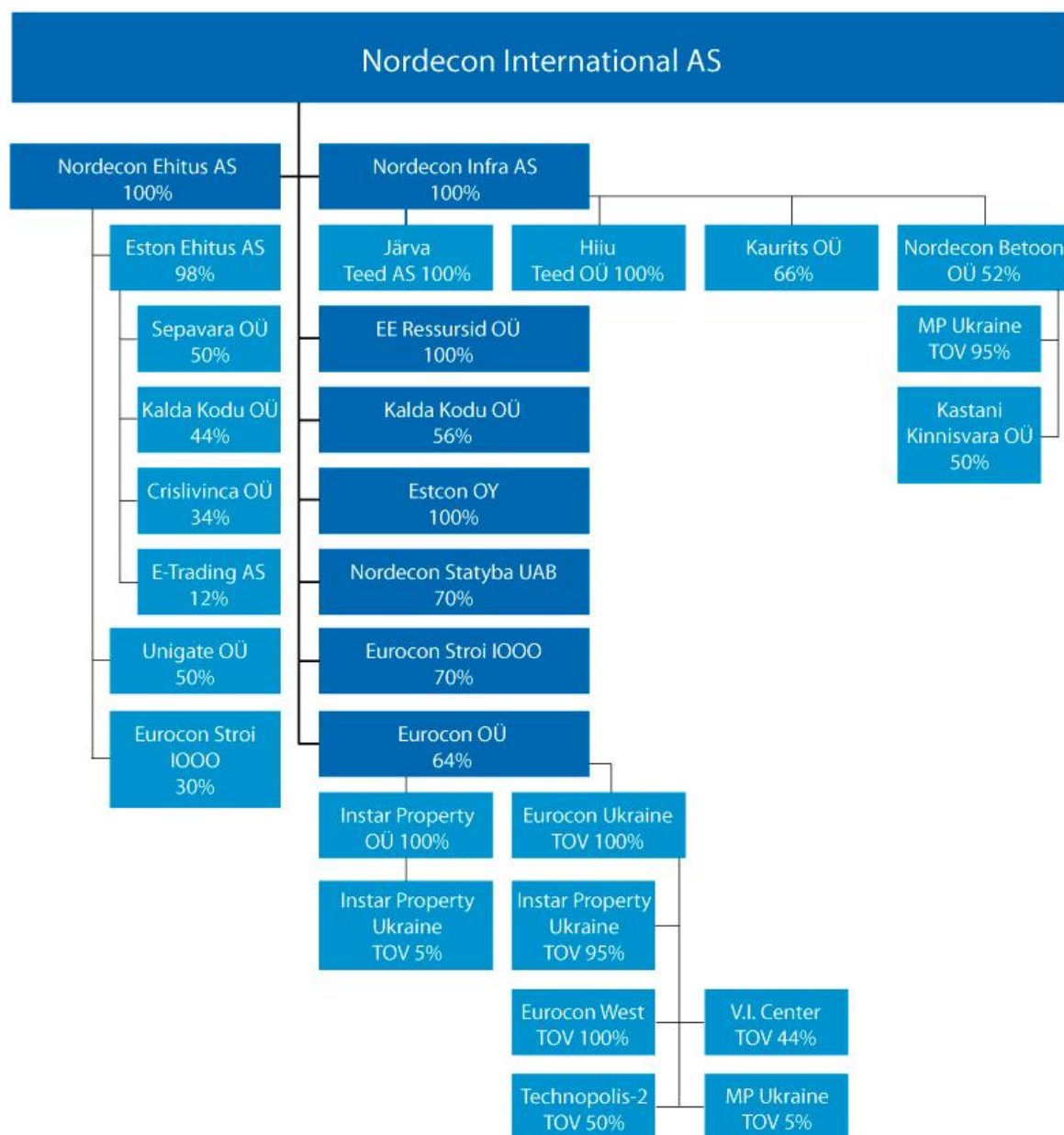
There have been no significant changes in the Group's Ukrainian operations compared with the fourth quarter of 2009.





## The Group's structure and major structural changes

The Group's structure at 31 March 2010 including interests in subsidiaries and associates<sup>1</sup>



<sup>1</sup> The chart does not include the subsidiaries OÜ Eesti Ehitus, OÜ Aspi, OÜ Linnaehitus, OÜ Mapri Projekt, OÜ Kaasa Vara and Infra Ehitus OÜ that do not conduct active business operations. The first four were established to protect the former business names of Group entities.

### Major changes in the Group's structure in the first quarter of 2010

#### Nordecon International AS

In January, the establishment proceedings of Eurocon Stroi IOOO, a company founded by Nordecon International AS and Nordecon Ehitus AS, were completed. The shareholders' interests are 70% and 30% respectively. The company was established for performing project-based construction work. Since Belarus is one of the Group's target markets, then in line with the corporate strategy the majority shareholding in the entity belongs to the Group's parent company.



In February, Nordecon International AS sold its 56% stake in the Latvian subsidiary Nordecon Infra SIA along with interests in its subsidiaries. The subsidiary was sold to an external party (a non-controlling shareholder). After the transaction, the Group has no ownership interests in companies registered in Latvia.

**AS Eston Ehitus**

In March, AS Eston Ehitus established a subsidiary OÜ Kaasa Vara. The share capital of the subsidiary is 40 thousand kroons (3 thousand euros). At the moment, the company does not conduct active business operations. The company was established for performing the corporate rehabilitation plans of major debtors of AS Eston Ehitus.

**Eurocon Ukraine TOV**

In March, Eurocon Ukraine TOV sold its 99% stake in the subsidiary Bukovina Development TOV. The entity did not conduct any active business operations. After the transaction, the Group has no ownership interest in Bukovina Development TOV.

**Significant structural changes after the reporting date****Nordecon International AS**

In April, Nordecon International AS sold 100% of its shares in the Finnish subsidiary Estcon OY to Group company Nordecon Betoon OÜ that is going to use the subsidiary for performing concrete works in Finland. Finland is not one of the Group's target markets. Therefore, transfer of the investment is not in contradiction with the Group's general investment holding strategy.



## Financial review

### Margins

Nordecon International Group ended the first quarter of 2010 with a gross loss of 23.7 million kroons (1.5 million euros). The comparative period (first quarter of 2009) ended with a gross profit of 36.9 million kroons (2.4 million euros). The loss is mainly attributable to the seasonal nature of the construction business, unfavourable weather conditions and stiff competition.

The seasonal nature of gross profit development is presented in the following table:

Percentage of annual gross profit	Q1	Q2	Q3	Q4	Total
<b>2006</b>	10%	20%	33%	37%	<b>100%</b>
<b>2007</b>	13%	30%	26%	31%	<b>100%</b>
<b>2008</b>	28%	38%	20%	13%	<b>100%</b>
<b>2009</b>	27%	35%	59%	-21%	<b>100%</b>

The past winter was considerably harsher for construction companies than the previous ones. Abundance of snow and temperature fluctuations did not allow continuing work on the majority of active projects or making preparations for new ones. On the other hand, regardless of the number of projects in progress and suspension of construction activity, companies were incurring their fixed operating costs. Moreover, the long and snowy winter had a strong impact on road care and maintenance activities that are performed mostly in that period. Performance of fixed-price maintenance contracts in the first quarter of 2010 proved highly unprofitable because snow clearing and de-icing operations were much more time and labour consuming than usual.

Notwithstanding the seasonal impacts, we regret to report that the decline in gross profit, which started in 2008 owing to a significant deterioration in the operating environment, has continued. In all of the Group's markets profit margins have dropped year-over-year primarily on account of a steep decline in demand. The main sector-specific trend has been the increasing excess of construction capacities over the number of projects on offer. Demand that is insufficient for meeting the needs of all market players has heightened pressure for lowering the prices. In the light of the new trends emerging in the construction market, the Group intends to continue streamlining its internal processes (improving the efficiency of purchase of services, cost cutting, etc) so as to maintain its gross margin at a level that would ensure that the year will end in an operating profit.

Due to the incurrence of a gross loss, the Group was unable to cover its administrative expenses that totalled 18.3 million kroons (1.2 million euros). Compared with the first quarter of 2009, the Group has cut its administrative expenses by 51%. Owing to a larger than expected decrease in revenue, which may be attributed to seasonal factors, the ratio of administrative expenses to revenue rose to 10.4% (Q1 2009: 5.3%). However, management believes that the implementation of additional cost-cutting measures should reduce the Group's annual administrative expenses by around a third compared with 2009. This should ensure that the annual ratio of administrative expenses to revenue will be at the 5% level targeted by management.

Because of the above circumstances, the Group ended the first quarter of 2010 with an operating loss of 45.6 million kroons (2.9 million euros) (Q1 2009: operating loss of 3.5 million kroons/0.2 million euros).

The Group's net loss for the period amounted to 25.1 million kroons (1.6 million euros). Consolidated operating loss was reduced by non-recurring finance income from the sale of the loss-generating Latvian operations (for further information, see note 4 to the consolidated interim financial statements). The loss attributable to owners of the parent Nordecon International AS amounted to 20.6 million kroons (1.3 million euros).

### Cash flows

The Group's operating activities for the first quarter of 2010 resulted in a net cash inflow of 36.9 million kroons (2.4 million euros), a significant improvement the net outflow of 79.6 million kroons (5.9 million euros) posted for the first quarter of 2009. The positive operating cash flow results from effective collection of receivables for work delivered in prior periods, a decrease in employee bonuses (the gross loss did not allow making bonus payments) and the deferral of some settlement terms of projects started in 2009 to 2010 (e.g. those of institutions funded from the state budget). Despite the above, customers' contractual settlement terms have become longer (particularly in the case of public sector entities) and owing to the ongoing economic downturn there occur significant settlement delays that give rise to overdue accounts. The Group's ability to maintain a



positive net operating cash flow depends on how well it can adapt to the new economic environment (e.g. by extending settlement terms with subcontractors) and the extent to which operating costs can be cut.

The Group's investing activities generated a net outflow of 7.4 million kroons (0.5 million euros) compared with a net outflow of 75.2 million kroons (4.8 million euros) for the first quarter of 2009. A significant proportion of cash outflows from investing activities (9.9 million kroons/0.6 million euros) are attributable to outflows related to the disposal of the subsidiary Nordecon Infra SIA and the discontinuance of its consolidation.

Financing activities for the first quarter of 2010 resulted in a net cash outflow of 61.2 million kroons (3.9 million euros) while in the first quarter of 2009 financing activities generated a net cash inflow of 38.2 million kroons (2.4 million euros). The structure of financing cash flows has changed because the Group has reduced borrowing and is settling its existing loan liabilities.

## Key financial figures and ratios

Figure / ratio	Q1 2010	Q1 2009	Q1 2008	2009
Weighted average number of shares <sup>1</sup>	30,756,728	30,756,728	30,756,728	30,756,728
Earnings per share (in kroons)	-0.67	0.23	1.50	-1.49
Earnings per share (in euros)	-0.04	0.01	0.10	-0.09
Revenue growth	-70.2%	-23.6%	38.2%	-37.5%
Average number of employees	745	1,223	1,102	1,128
Revenue per employee (in thousands of kroons)	236	483	702	2,144
Revenue per employee (in thousands of euros)	15	31	45	137
Personnel expenses to revenue	29.6%	16.7%	13.6%	15.0%
Administrative expenses to revenue	10.4%	6.3%	5.6%	5.2%
EBITDA (in thousands of kroons)	-30,791 <sup>2</sup>	14,813	77,166	4,308 <sup>2</sup>
EBITDA (in thousands of euros)	-1,968	947	4,932	275
EBITDA margin	-17.5%	2.5%	10.0%	0.2%
Gross margin	-13.5%	6.2%	13.1%	5.6%
Operating margin	-25.9%	-0.6%	7.9%	-5.2%
Operating margin excluding gains on asset sales	-25.9%	-0.7%	7.6%	-5.4%
Net margin	-14.3%	-0.1%	5.8%	-3.7%
Return on invested capital	-1.7%	0.5%	3.9%	-4.1%
Return on assets	-2.6%	-0.2%	2.8%	-6.0%
Return on equity	-3.6%	-0.1%	5.4%	-11.4%
Equity ratio	44.0%	37.5%	38.0%	37.1%
Gearing	22.8%	31.8%	18.9%	26.4%
Current ratio	1.74	1.28	1.65	1.47
	<b>31 March 2010</b>	<b>31 March 2009</b>	<b>31 March 2008</b>	<b>31 Dec 2009</b>
Order book (in thousands of kroons)	1,386,332	1,714,175	3,368,680	1,530,661
Order book (in thousands of euros)	88,603	109,556	215,298	97,827

<sup>1</sup> For comparability, the weighted average number of shares is the number of shares after the bonus issues.

<sup>2</sup> On calculating EBITDA, non-cash expenses included depreciation and amortisation as well as impairment losses on goodwill.

Earnings per share (EPS) = net profit attributable to equity holders of the parent / weighted average number of shares outstanding	Operating margin excluding gains on asset sales = (operating profit - gains on sale of property, plant and equipment - gains on sale of real estate) / revenue
Revenue per employee = revenue / average number of employees	Net margin = net profit for the period / revenue
Personnel expenses to revenue = personnel expenses / revenue	Return on invested capital = (profit before tax + interest expense) / the period's average (interest-bearing liabilities + equity)
Administrative expenses to revenue = administrative expenses / revenue	Return on assets = operating profit / the period's average total assets
EBITDA = earnings before interest, taxes, depreciation and amortisation	Return on equity = net profit for the period / the period's average total equity
EBITDA margin = EBITDA / revenue	Equity ratio = total equity / total equity and liabilities
Gross margin = gross profit / revenue	Gearing = (interest-bearing liabilities - cash and cash equivalents) / (interest bearing liabilities + equity)
Operating margin = operating profit / revenue	Current ratio = total current assets / total current liabilities



## Performance by geographical market

In the first quarter of 2010, revenue earned outside Estonia accounted for around 4% of the Group's total revenue. A year ago, the contribution of foreign markets was around 17%. The decrease results from the Group's decision to sell its Latvian operations in 2010 (see also the chapter *Major changes in the Group's structure in the first quarter of 2010*). In addition, in contrast to the first quarter of 2009, the Group did not earn any revenue from Lithuania. The Group's Ukrainian revenues have remained stable compared with the first quarter of 2009. Further information on the Group's vision of its further operations in Latvia, Lithuania and Ukraine can be found in the chapter *Outlooks of the Group's geographical markets*.

	Q1 2010	Q1 2009	Q1 2008	2009
Estonia	96%	83%	82%	86%
Ukraine	4%	3%	16%	3%
Lithuania	0%	2%	2%	0%
Latvia	0%	12%	0%	11%

Revenue distribution between different geographical segments is a consciously deployed strategy by which the Group avoids excessive reliance on a single market. Although in the long-term perspective the Group's strategy foresees increasing foreign operations, in the short-term perspective the Group will focus on its home market and seizing opportunities in an environment that it knows best and where the risks are smaller.

## Performance by business line

The core business of Nordecon International Group is general contracting and project management in buildings and infrastructure construction. The Group is involved, among other things, in the construction of commercial and industrial buildings and facilities, road construction and maintenance, environmental engineering, concrete works and real estate development.

Consolidated revenue for the first quarter of 2010 amounted to 176.0 million kroons (11.2 million euros), a 70% decrease from the 590.7 million kroons (37.8 million euros) generated in the first quarter of 2009. Above all, the downturn is attributable to a significant decline in the demand for construction services in all of the Group's markets and exceptionally snowy and cold winter that had the strongest impact on the Infrastructure segment where most operations are performed outdoors. In addition, the absolute revenue figure has been impacted by stiff competition that has lowered the construction prices.

The Group aims to maintain the revenues generated by its business segments (Buildings and Infrastructure) in balance as this helps disperse risks and provides a more solid foundation under stressed circumstances when one segment experiences shrinkage. In view of estimated demand for apartments, in subsequent years the proportion of housing construction revenue will remain within the strategically set 20% limit.

### Segment revenue

In the first quarter of 2010, the revenue generated by the Buildings segment clearly exceeded that of the Infrastructure segment. The situation is somewhat paradoxical because for some time most of the construction market tenders have been for the Infrastructure segment (projects financed by the state and with the support of the EU structural funds). This is also reflected in the Group's order book where 77% of active construction contracts are related to the Infrastructure segment. The Group's management believes that the situation that emerged in the first quarter is temporary and in subsequent quarters the contribution of the Infrastructure segment will increase. The larger revenue of the Buildings segment can be explained by tough weather conditions, which prevailed during the period and had the strongest adverse impact on the Infrastructure segment. If in buildings construction some work can also be done indoors, then during an exceptionally cold and snowy winter proper construction of roads, complex structures and outdoor networks is practically impossible.

In the first three months of 2010, the Buildings and Infrastructure segments generated revenue of 126.0 million kroons (8.1 million euros) and 48.5 million kroons (3.1 million euros) respectively. The corresponding figures



for the first quarter of 2009 were 339.5 million kroons (21.7 million euros) and 246.5 million kroons (15.8 million euros) respectively.

#### Revenue distribution between segments\*

Business segments	Q1 2010	Q1 2009	Q1 2008	2009
Buildings	72%	58%	80%	45%
Infrastructure	28%	42%	20%	55%

\* In connection with the entry into force of IFRS 8 *Operating Segments*, the Group has changed segment reporting in its financial statements. In *Directors' report* the Ukrainian and EU Buildings segments which are disclosed separately in the financial statements are presented as a single segment. In addition, the segment information presented in *Directors' report* does not include the disclosures on "other segments" that are presented in the financial statements.

#### Revenue distribution within segments

Distribution of projects within the Buildings segment has changed significantly compared with a year ago as well as historical annual averages. There are two main reasons for this. The scarcity of projects forces companies to compete in all market segments and the number of contracts awarded is small compared with bids made. Such a situation does not allow concentrating on a specific business area. Another important factor is the overall economic environment. During the past year, private companies' investments in commercial and industrial buildings and facilities have been almost nonexistent while mainly local governments' investments in schools, nurseries and public buildings have increased, partly thanks to the support received from the EU structural funds. The proportion of industrial buildings in the Group's portfolio is large mainly because of the ongoing construction of the Ahtme peak load boiler plant. The Group builds apartment buildings for external customers as a general contractor, not a developer. Revenue distribution within the segment should remain similar throughout the rest of the year.

Revenue distribution in the Buildings segment	Q1 2010	Q1 2009	Q1 2008	2009
Commercial buildings	22%	75%	63%	66%
Industrial and warehouse facilities	28%	8%	14%	10%
Public buildings	34%	12%	15%	18%
Apartment buildings	16%	4%	8%	6%

In the Infrastructure segment, a major revenue source is road maintenance, which in the first quarter contributed around 66% of the revenue generated by the road construction and maintenance sub-segment. In the second quarter, road construction will begin which will contribute a major proportion of revenue also in 2010. The annual proportion of hydraulic engineering that contributed a minimal percentage of revenue in the first quarter depends on the ports' investment policy, which in the current economic climate is very conservative. The construction of other engineering facilities (water and wastewater networks) is an area where the Group has won many tenders. Therefore, the contribution of other engineering projects will remain relatively large throughout the year. The contribution of environmental engineering is expected to increase compared with 2009.

Revenue distribution in the Infrastructure segment	Q1 2010	Q1 2009	Q1 2008	2009
Road construction and maintenance	52%	20%	41%	49%
Civil engineering (including hydraulic engineering)	3%	22%	11%	12%
Other engineering	30%	17%	5%	31%
Environmental engineering	15%	41%	43%	8%

#### Order book

At 31 March 2010, the Group's order book stood at 1,386 million kroons (88.6 million euros), approximately 19% down from the 1,714 million kroons (109.6 million euros) posted a year ago. Over the past quarters, the decline in the Group's order book has decelerated and levelled off at around 1,350 to 1,500 million kroons (86



to 95 million euros). In a situation where in many segments of the construction market the decrease in input prices has ceased or been replaced by a rise, the Group's management will focus, above all, on improving the profitability of the contract portfolio, not its size or growth rate.

	Q1 2010	Q1 2009	Q1 2008	2009
Order book, in thousands of kroons	1,386,332	1,714,175	3,368,680	1,530,661
Order book, in thousands of euros	88,603	109,556	215,298	97,827

The order book of the Infrastructure segment has grown year-over-year. At 31 March 2010 it accounted for 77% of the Group's total order book (31 March 2009: 65%). On the other hand, the total value of the portfolio has decreased due to the downturn in the construction market. In absolute terms, the order book figures have also been influenced by a major fall in construction prices compared with previous periods. This trend is going to change.

Between the reporting date (31 March 2010) and the date of release of this report, Group companies have been awarded additional construction contracts of approximately 205 million kroons (13 million euros).

## People

Nordecon International believes that its most important assets are its people and that the value of the company depends on the professionalism, motivation and loyalty of its employees. Accordingly, the Group's management is committed to creating a contemporary work environment that fosters professional growth and development in terms of working conditions, career opportunities and the nature of the work.

### People and personnel expenses

In the first quarter of 2010, the Group (including the parent and the subsidiaries) employed, on average, 745 people including around 350 engineers and technical personnel (ETP). The significant decrease in the number of staff is attributable to the continuing enforcement of the Group's cost-cutting policy as well as the divestment of the Latvian subsidiary Nordecon Infra SIA in the first quarter of 2010. At the end of 2009, the Nordecon Infra subgroup employed over 160 people. In addition to disposals of companies, the number of staff has decreased on account of downsizing (lay-offs and termination of contracts). In a market situation where construction volumes may shrink even further, the number of staff may decrease also during the year. However, due to the seasonal nature of the business, in the second and third quarters the number of staff should increase because additional staff will be hired for the performance of specific projects under fixed term contracts.

#### Average number of the Group's employees (including the parent and its subsidiaries):

	Q1 2010	Q1 2009	Q1 2008	2009
ETP	354	499	456	467
Workers	391	624	646	661
<b>Total average</b>	<b>745</b>	<b>1,223</b>	<b>1,102</b>	<b>1,128</b>

The Group's personnel expenses for the first quarter of 2010 including all associated taxes totalled 52.1 million kroons (3.3 million euros), a 47% decrease compared with the 98.5 million kroons (6.3 million euros) incurred in the first quarter of 2009.

Personnel expenses have declined on account of downsizing and the cutting of basic salaries. In 2009, employee salaries were lowered at all Group entities; the average pay-cut for engineers and technical personnel was 15%. The performance pay of project staff that is linked to the projects' profit margins has also dropped.

In the first quarter of 2010, the remuneration of the members of the council of Nordecon International AS including social security charges amounted to 392 thousand kroons (25 thousand euros). The corresponding figure for the first quarter of 2009 was also 392 thousand kroons (25 thousand euros). The remuneration and benefits of the members of the board of Nordecon International AS including social security charges totalled 567 thousand kroons (36 thousand euros) compared with 886 thousand kroons (57 thousand euros) for the first quarter of 2009. The remuneration of the board has decreased because in the comparative period the board had three members whereas currently the number is two.





## Share and shareholders

### Share information

<b>ISIN code</b>	EE3100039496
<b>Short name of the security</b>	NCN1T
<b>Nominal value</b>	10.00 kroons / 0.64 euros
<b>Total number of securities issued</b>	30,756,728
<b>Number of listed securities</b>	30,756,728
<b>Listing date</b>	18 May 2006

The share capital of Nordecon International AS consists of 30,756,728 ordinary shares with a par value of 10 Estonian kroons each. Owners of ordinary shares are entitled to dividends as distributed from time to time. Each share carries one vote at the general meetings of Nordecon International AS.

### Movements in the price and traded volume of the Nordecon International share in Q1 2010

Movements in the share price in kroons / daily traded volumes in the bar chart in thousands of kroons



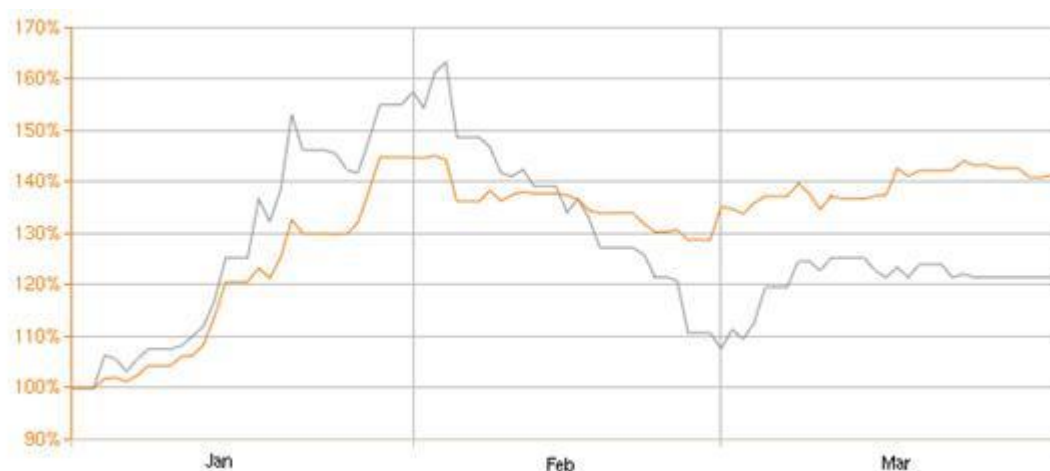
Movements in the share price in euros / daily traded volumes in the bar chart in thousands of euros







### Movement of the Nordecon International share compared with the OMX Tallinn main index in Q1 2010



Index/Equity	1 Jan 2010	31 March 2010	+/-%
—OMX Tallinn	404.58	571.81	41.33
—NCN1T	EUR 1.58	EUR 1.92	21.52

## Summarised trading results

### Share trading history (EEK)

Price	Q1 2010	Q1 2009	Q1 2008
Open	25.35	16.43	76.51
High	40.68	20.34	76.51
Low	25.03	8.61	58.05
Last closing price	30.04	9.54	62.59
Traded volume	2,014,452	881,595	758,958
Turnover, millions	66.15	10.55	49.70
Listed volume (31 March), thousands	30,757	30,757	30,757
Market capitalisation (31 March), millions	923.94	293.42	1,925.08

### Share trading history (EUR)

Price	Q1 2010	Q1 2009	Q1 2008
Open	1.62	1.05	4.89
High	2.60	1.30	4.89
Low	1.60	0.55	3.71
Last closing price	1.92	0.61	4.00
Traded volume	2,014,452	881,595	758,958
Turnover, millions	4.23	0.67	3.18
Listed volume (31 March), thousands	30,757	30,757	30,757
Market capitalisation (31 March), millions	59.05	18.75	123.04



## Shareholder structure

### The largest shareholders of Nordecon International AS at 31 March 2010

Shareholder	Number of shares	Ownership interest
AS Nordic Contractors	16,507,464	53.67
Skandinaviska Enskilda Banken Ab Clients	2,702,282	8.79
State Street Bank and Trust Omnibus Account A Fund	1,147,911	3.73
ING Luxembourg S.A.	1,111,853	3.61
Ain Tromp	678,960	2.21
ASM Investments OÜ	519,600	1.69
SEB Pank AS	427,033	1.39
Aivo Kont	339,480	1.10

### The shareholder structure of Nordecon International AS at 31 March 2010

	Number of shareholders	Ownership interest
Shareholders with interest exceeding 5%	2	62.46
Shareholders with interest between 1% and 5%	6	13.74
Shareholders with interest below 1%	2,031	23.80
<b>Total</b>	<b>2,039</b>	<b>100.00</b>

### Shares controlled by members of the council of Nordecon International AS at 31 March 2010

Council		Number of shares	Ownership interest
Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad) <sup>1</sup>	Chairman of the Council	16,559,144	53.84
Ain Tromp	Member of the Council	678,960	2.21
Alar Kroodo (ASM Investments OÜ) <sup>1</sup>	Member of the Council	519,600	1.69
Andri Hõbemägi	Member of the Council	40,000	0.13
Tiiina Möis	Member of the Council	0	0.00
Meelis Milder	Member of the Council	0	0.00

<sup>1</sup> Companies controlled by the individual

### Shares controlled by members of the board of Nordecon International AS at 31 March 2010

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

Members of the board and council of Nordecon International AS and companies controlled by them have not been granted any share options under which they could acquire shares in Nordecon International AS in subsequent periods.



## Outlooks of the Group's geographical markets

### Estonia

**According to assessment of the Group's management, in 2010 the Estonian construction market will be characterised by the following features:**

- Total demand in the construction market will remain heavily dependent on public procurement tenders and projects performed with the support of the European Union funds. Project initiation success depends on the administrative capabilities of the central and local government which have improved compared with previous periods. However, the demand resulting from public sector projects will not be able to compensate for the steep contraction of the buildings construction market that remains abandoned by most private companies and individuals. Accordingly, the Group's management forecasts that by the end of 2010 the total volume of the construction market will have decreased by over 50% compared with 2008.
- The number of residential and general buildings construction companies is decreasing. Companies engaged in the sector are seeking opportunities for penetrating also other market segments such as infrastructure. This has heightened competition which, in turn, has increased the number of companies going bankrupt or needing corporate rehabilitation. The trend will continue in 2010. The Group does not forecast a significant number of mergers or takeovers because in the current market situation this would not have sufficient business rationale.
- In 2010 the decrease in construction prices is expected to cease after which the prices are expected to start rising compared with 2008-2009. In such a situation, performance of construction contracts concluded at unreasonably low margins or below cost may have extremely adverse consequences and may cause serious financial difficulties for companies that have not noticed the trend or have been forced to ignore it due to cash flow problems.
- Banks have divided companies operating in the construction market into different risk categories. Banks' risk exposures still include the real estate and investment loans granted to companies that were engaged in real estate development. In 2010, the survival of a number of companies will depend on the banks' risk management principles. On the other hand, the banks have announced that they are again ready to start financing the construction sector although to a limited extent.
- In 2009 building materials manufacturers that had significantly increased their output during the growth phase of the market experienced continuing shrinkage in demand and, consequently, greater strain in meeting the obligations taken for increasing their capacities. To date, the decline in building materials prices has halted and in 2010 prices are expected to start rising.
- Because of the increasing importance of infrastructure projects, the key competitive advantages will include industry-specific (engineering and technical) expertise, experience and references as well as the availability of relevant resources.
- Shrinkage in construction volumes has caused continuously rising unemployment among construction workers. The ensuing growth in the supply of labour will help construction companies control their personnel expenses.
- Construction projects' financing principles have changed. There are now additional requirements to the funding to be provided by the builder during the construction period. Moreover, contractual settlement terms have lengthened and there are settlement defaults. All this will increase the companies' liquidity risks.

**Nordecon International Group operates in accordance with its long-term objectives that are adjusted for changes in the external environment.**

**The Group has prepared for changes in the economic environment by:**

- Sustaining focus on cost-cutting and seeking effective technical solutions that should halt year-over-year decrease in profit margins in 2010 and ultimately ensure profitability
- Upholding the practice of conducting thorough preliminary analyses of the customers' solvency and creditworthiness and dealing resolutely with the collection of overdue receivables



- Mitigating risks through a more conservative portfolio design that takes into account the fact that input prices have turned (or are turning) to a rise
- Focusing primarily on the home market

## Latvia and Lithuania

In February 2010, the Group sold its loss-generating Latvian subsidiary Nordecon Infra SIA whose core business was construction of water and wastewater networks. According to the Group's assessment, the Latvian construction market will be undergoing extensive adjustment to the recessionary environment through 2010-2011. Therefore, in the next few years the Group will continue operating in Latvia on a project basis, through its Estonian subsidiaries, involving partners where necessary. Continuation of project-based business assumes that the projects can be performed profitably. The decision does not change the Group's strategic objectives in the Latvian market, i.e. the objective of operating in Latvia in the future through local subsidiaries engaged in buildings and infrastructure construction (see the chapter *The Group's structure by 2013*).

Recent economic developments in Lithuania have been similar to the ones in the other Baltic countries. Slowdown in investment, both in the public and private sectors, and similar factors have had a direct impact on the construction market. The commercial and residential construction markets (the Group as a general contractor not a developer) have contracted visibly and the launch of any new private sector projects in the near future is unlikely.

In response to this, the operations of the Group's Lithuanian subsidiary Nordecon Statyba UAB (formerly UAB Eurocon LT) have been essentially suspended and the Group is monitoring the market situation. The temporary suspension of operations does not cause any major costs for the Group. The Group's management does not exclude the possibility that the Lithuanian operations will remain suspended also after 2010. The decision does not change the Group's strategic objectives in the Lithuanian construction market (see the chapter *The Group's structure by 2013*) and does not imply the sale or liquidation of the company.

## Ukraine

In Ukraine, the Group will continue mainly as a general contractor and project manager in the construction of commercial buildings and production facilities. In 2009, the number of projects started in the buildings construction market decreased substantially. The situation in the sector is not expected to improve until after the first half of 2010. This implies, above all, the need for tight cost control.

Activities on development projects that require major investment have been suspended to minimise the risks until the situation in the Ukrainian and global financial markets eases up (the Group has currently an interest in two development projects that have been conserved).

The main risks in the Ukrainian market are connected with the low administrative efficiency of the central and local governments and the judicial system, inflation, and the availability of quality construction inputs. Demand is mainly undermined by the customers' lack of financing. To date, the weakening of the local currency that began in 2008 has stopped and the Group's exposure to market-based currency risk has decreased considerably. It is also clear that the political climate has stabilised after the presidential elections, which may pave the way for an improvement in the general economic climate. This, in turn, would revive investment by local and foreign companies who account for a significant proportion of the Group's customers in the Ukrainian market.

Notwithstanding the above, the Group believes that the construction market of a country with a population of 46 million will offer excellent business opportunities also in the future. The Group's key success factor is relatively little competition among project management companies (the Group offers flexible construction management in combination with European practices and competencies) compared with the real needs of a normally functioning construction market. The Group's management is confident that the current crisis in the Ukrainian construction market and economy as a whole will transform the local understanding and expectations of general contracting and project management in the construction business, which will improve the Group's position in the long-term perspective significantly.



## Description of the main risks

### Business risks

To mitigate the risks arising from the seasonal nature of the construction business (primarily the weather conditions during the winter months), the Group has acquired road maintenance contracts that generate year-round business. In addition, Group companies are constantly seeking new technical solutions that would allow working more efficiently under changeable weather conditions.

To manage their daily construction risks, Group companies purchase Contractors' All Risks insurance. Depending on the nature of the project, both general frame agreements and specially tailored project-specific contracts are used. In addition, as a rule, subcontractors are required to secure the performance of their obligations with a bank guarantee issued for the benefit of a Group company. To remedy builder-caused deficiencies which may be detected during the warranty period, all Group companies create warranties provisions. At 31 December 2010, the provisions (including current and non-current ones) totalled 14.3 million kroons (0.9 million euros). The corresponding figure at 31 March 2009 was 13.9 million kroons (0.9 million euros).

### Credit risk

For credit risk management, a potential customer's settlement behaviour and creditworthiness are analysed already in the tendering stage. Subsequent to the signature of a contract, the customer's settlement behaviour is monitored on an ongoing basis from the making of an advance payment to adherence to the contractual settlement schedule, which usually depends on the documentation of the delivery of work performed. We believe that the system in place allows us to respond to customers' settlement difficulties with sufficient speed. As at the end of the reporting period, our customers' settlement behaviour was good, considering the economic situation; however, there were also some large problem customers. The proportion of overdue receivables has increased, increasing the probability of credit losses also in subsequent periods. In accordance with the Group's accounting policies, all receivables that are more than 180 days overdue or in respect of which no additional settlement agreements have been reached are recognised as an expense.

In the first quarter of 2010, net gain on doubtful receivables (recoveries of items written down in previous periods exceeded the amount of items written down in the reporting period) amounted to 0.1 million kroons (0 million euros). In the first quarter of 2009, net loss on doubtful receivables amounted to 0.9 million kroons (0.1 million euros).

### Liquidity risk

Free funds are placed in overnight or fixed-interest term deposits with the largest banks in the markets where the Group operates. To ensure timely settlement of liabilities, approximately two weeks' working capital is kept in current accounts or overnight deposits. Where necessary, overdraft facilities are used. At the reporting date, the Group's current assets exceeded its current liabilities 1.74-fold (31 March 2009: 1.28-fold) and available cash funds totalled 193.7 million kroons (12.4 million euros) (31 March 2009: 179.6 million kroons / 11.5 million euros), providing a sufficient liquidity buffer for operating in an economic environment that is more complicated than in the previous year.

### Interest rate risk

The Group's interest-bearing liabilities to banks have mainly fixed interest rates. Finance lease liabilities have floating interest rates and are linked to EURIBOR. At 31 March 2010, the Group's interest-bearing loans and borrowings totalled 456.0 million kroons (29.1 million euros), a 209.8 million kroon (13.4 million euro) decrease year-over-year. Interest expense for the first quarter of 2010 amounted to 4.6 million kroons (0.3 million euros). Compared with the first quarter of 2009, interest expense has contracted by 3.8 million kroons (0.2 million euros) thanks to a decline in the EURIBOR base rate and a decrease in loans and borrowings.

The Group's interest rate risk results mainly from two factors: an increase in the base rate for floating interest rates (EURIBOR) and insufficient operating cash flow that may render the Group unable to settle its interest expense. The first factor is mitigated by fixing, where possible, the interest rates of liabilities during the period of low market interest rates. The realisation of the cash flow risk depends on the success of operating activities. The Group does not use derivatives to hedge the interest rate risk.



### Currency risk

As a rule, construction contracts and subcontractors' service contracts are made in the currency of the host country: in Estonia in Estonian kroons (EEK) and in Ukraine in Ukrainian hryvnas (UAH). In connection with shrinkage in operations in Latvia and Lithuania, currency risks in those countries are no longer relevant. Services purchased from other countries are mostly priced in euros, which does not constitute a currency risk for the Group's Estonian entities.

The Group's foreign exchange gains and losses result mainly from its Ukrainian operations because the Ukrainian national currency floats against the euro and, consequently, against the Estonian kroon. To date, the weakening of the Ukrainian hryvna against the euro that began in the last quarter of 2008 has ceased. The Group's exchange gains and losses for the first quarter of 2010 resulted in a net exchange gain of 2.7 million kroons (0.2 million euros). In the first quarter of 2009, the Group's exchange differences resulted in a gain of 2.1 million kroons (0.1 million euros).

### Management's confirmation and signatures

**The board confirms that the Directors' report presents fairly all significant events that occurred during the reporting period as well as their impact on the condensed consolidated interim financial statements, contains a description of the main risks and uncertainties, and provides an overview of all significant transactions with related parties.**

Jaano Vink

Chairman of the Board

13 May 2010

Priit Tiru

Member of the Board

13 May 2010



## Condensed consolidated interim financial statements

### Statement of management's responsibility

The board of Nordecon International AS acknowledges its responsibility for the preparation of the Group's condensed consolidated interim financial statements (unaudited) for the first three months and first quarter of 2010 and confirms that:

- the policies applied on the preparation of the condensed consolidated interim financial statements comply with International Financial Reporting Standards as adopted by the European Union;
- the condensed consolidated interim financial statements, which have been prepared in accordance with effective financial reporting standards, give a true and fair view of the assets and liabilities of the Group comprising of the parent company and other Group entities as well as its financial position, its financial performance, and its cash flows;
- all significant events that occurred before the date on which the condensed consolidated interim financial statements were authorised for issue (13 May 2010) have been properly recognised and disclosed; and
- Nordecon International AS and its subsidiaries are going concerns.

Jaano Vink

Chairman of the Board

13 May 2010

Priit Tiru

Member of the Board

13 May 2010



## Condensed consolidated interim statement of financial position

EEK`000	Note	31 March 2010	31 December 2009
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		193,650	225,191
Trade and other receivables	2	437,984	644,704
Prepayments		23,064	30,595
Inventories		381,598	389,328
Non-current assets held for sale	3	5,020	4,617
<b>Total current assets</b>		<b>1,041,316</b>	<b>1,294,435</b>
<b>Non-current assets</b>			
Investments in equity accounted investees		2,181	2,191
Other investments		414	414
Trade and other receivables		33,502	33,329
Investment property		87,975	87,975
Property, plant and equipment	5	173,297	204,115
Intangible assets	5	244,767	268,233
<b>Total non-current assets</b>		<b>542,137</b>	<b>596,257</b>
<b>TOTAL ASSETS</b>		<b>1,583,453</b>	<b>1,890,692</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Loans and borrowings	6, 7	180,363	262,959
Trade payables		234,353	377,925
Other payables		66,867	94,580
Deferred income		107,515	136,438
Provisions		8,078	10,364
<b>Total current liabilities</b>		<b>597,176</b>	<b>882,266</b>
<b>Non-current liabilities</b>			
Loans and borrowings	6, 7	275,636	294,328
Trade payables		5,006	4,846
Other payables		1,500	1,500
Provisions		7,041	7,041
<b>Total non-current liabilities</b>		<b>289,183</b>	<b>307,715</b>
<b>TOTAL LIABILITIES</b>		<b>886,359</b>	<b>1,189,981</b>
<b>EQUITY</b>			
Share capital		307,567	307,567
Statutory capital reserve		40,024	40,012
Translation reserve		-3,767	-3,201
Retained earnings		324,685	345,280
<b>Total equity attributable to equity holders of the parent</b>		<b>668,509</b>	<b>689,658</b>
<b>Non-controlling interest</b>		<b>28,585</b>	<b>11,053</b>
<b>TOTAL EQUITY</b>		<b>697,094</b>	<b>700,711</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,583,453</b>	<b>1,890,692</b>





## Condensed consolidated interim statement of financial position (continued)

EUR`000	Note	31 March 2010	31 December 2009
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		12,376	14,392
Trade and other receivables	2	27,992	41,204
Prepayments		1,474	1,955
Inventories		24,389	24,883
Non-current assets held for sale	3	321	295
<b>Total current assets</b>		<b>66,552</b>	<b>82,729</b>
<b>Non-current assets</b>			
Investments in equity accounted investees		139	140
Other investments		26	26
Trade and other receivables		2,141	2,130
Investment property		5,623	5,623
Property, plant and equipment	5	11,076	13,045
Intangible assets	5	15,643	17,143
<b>Total non-current assets</b>		<b>34,649</b>	<b>38,108</b>
<b>TOTAL ASSETS</b>		<b>101,201</b>	<b>120,837</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Loans and borrowings	6, 7	11,527	16,806
Trade payables		14,978	24,154
Other payables		4,274	6,045
Deferred income		6,871	8,720
Provisions		516	662
<b>Total current liabilities</b>		<b>38,167</b>	<b>56,387</b>
<b>Non-current liabilities</b>			
Loans and borrowings	6, 7	17,616	18,811
Trade payables		320	310
Other payables		96	96
Provisions		450	450
<b>Total non-current liabilities</b>		<b>18,482</b>	<b>19,667</b>
<b>TOTAL LIABILITIES</b>		<b>56,649</b>	<b>76,054</b>
<b>EQUITY</b>			
Share capital		19,657	19,657
Statutory capital reserve		2,558	2,557
Translation reserve		-241	-205
Retained earnings		20,751	22,067
<b>Total equity attributable to equity holders of the parent</b>		<b>42,726</b>	<b>44,077</b>
<b>Non-controlling interest</b>		<b>1,826</b>	<b>706</b>
<b>TOTAL EQUITY</b>		<b>44,552</b>	<b>44,784</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>101,201</b>	<b>120,837</b>



## Condensed consolidated interim statement of comprehensive income

EEK`000	Note	Q1 2010	Q1 2009	2009
Revenue	9, 10	175,996	590,664	2,418,880
Cost of sales	11	-199,727	-553,809	-2,282,575
<b>Gross profit / loss</b>		<b>-23,731</b>	<b>36,855</b>	<b>136,305</b>
Distribution expenses		-1,997	-2,223	-9,416
Administrative expenses	12	-18,268	-37,404	-125,206
Other operating income	13	676	1,689	25,592
Other operating expenses	13	-2,245	-2,423	-154,014
<b>Operating loss</b>		<b>-45,565</b>	<b>-3,506</b>	<b>-126,739</b>
Finance income	14	39,234	18,775	86,513
Finance expenses	14	-18,790	-13,782	-33,934
<b>Net finance income</b>		<b>20,444</b>	<b>4,993</b>	<b>52,579</b>
Share of loss of equity accounted investees		-10	-2,644	-7,666
<b>Loss before income tax</b>		<b>-25,131</b>	<b>-1,157</b>	<b>-81,826</b>
Income tax expense		0	618	-7,618
<b>Loss for the period</b>		<b>-25,131</b>	<b>-539</b>	<b>-89,444</b>
<b>Other comprehensive income / expense:</b>				
Exchange differences on translating foreign operations		-566	-1,480	905
<b>Total other comprehensive income / expense for the period</b>		<b>-566</b>	<b>-1,480</b>	<b>905</b>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD</b>		<b>-25,697</b>	<b>-2,019</b>	<b>-88,539</b>
<b>Loss attributable to:</b>				
- Owners of the parent		-20,595	7,046	-45,740
- Non-controlling interests		-4,536	-7,585	-43,704
<b>Loss for the period</b>		<b>-25,131</b>	<b>-539</b>	<b>-89,444</b>
<b>Total comprehensive expense attributable to:</b>				
- Owners of the parent		-21,161	8,438	-44,835
- Non-controlling interests		-4,536	-10,457	-43,704
<b>Total comprehensive expense for the period</b>		<b>-25,697</b>	<b>-2,019</b>	<b>-88,539</b>
<b>Earnings per share attributable to owners of the parent:</b>				
Basic earnings per share (EEK)	8	-0.67	0.23	-1.49
Diluted earnings per share (EEK)	8	-0.67	0.23	-1.49



## Condensed consolidated interim statement of comprehensive income (continued)

EUR`000	Note	Q1 2010	Q1 2009	2009
Revenue	9, 10	11,248	37,750	154,595
Cost of sales	11	-12,765	-35,395	-145,883
<b>Gross profit / loss</b>		<b>-1,517</b>	<b>2,355</b>	<b>8,711</b>
Distribution expenses		-128	-142	-602
Administrative expenses	12	-1,168	-2,391	-8,002
Other operating income	13	43	108	1,636
Other operating expenses	13	-144	-155	-9,843
<b>Operating loss</b>		<b>-2,912</b>	<b>-224</b>	<b>-8,100</b>
Finance income	14	2,508	1,200	5,529
Finance expenses	14	-1,201	-881	-2,169
<b>Net finance income</b>		<b>1,307</b>	<b>319</b>	<b>3,360</b>
Share of loss of equity accounted investees		-1	-169	-490
<b>Loss before income tax</b>		<b>-1,606</b>	<b>-74</b>	<b>-5,230</b>
Income tax expense		0	39	-487
<b>Loss for the period</b>		<b>-1,606</b>	<b>-34</b>	<b>-5,717</b>
<b>Other comprehensive income / expense:</b>				
Exchange differences on translating foreign operations		-36	-95	58
<b>Total other comprehensive income / expense for the period</b>		<b>-36</b>	<b>-95</b>	<b>58</b>
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD</b>		<b>-1,642</b>	<b>-129</b>	<b>-5,659</b>
<b>Loss attributable to:</b>				
- Owners of the parent		-1,316	450	-2,923
- Non-controlling interests		-290	-485	-2,793
<b>Loss for the period</b>		<b>-1,606</b>	<b>-34</b>	<b>-5,717</b>
<b>Total comprehensive expense attributable to:</b>				
- Owners of the parent		-1,352	539	-2,865
- Non-controlling interests		-290	-668	-2,793
<b>Total comprehensive expense for the period</b>		<b>-1,642</b>	<b>-129</b>	<b>-5,659</b>
<b>Earnings per share attributable to owners of the parent:</b>				
Basic earnings per share (EUR)	8	-0.04	0.01	-0.10
Diluted earnings per share (EUR)	8	-0.04	0.01	-0.10



## Condensed consolidated interim statement of cash flows

		EEK`000		EUR`000	
	Note	Q1 2010	Q1 2009	Q1 2010	Q12009
<b>Cash flows from operating activities</b>					
Cash receipts from customers		344,499	661,510	22,017	42,278
Cash paid to suppliers		-224,911	-585,205	-14,374	-37,401
VAT paid		-20,906	-23,439	-1,336	-1,498
Cash paid to and for employees		-61,594	-126,515	-3,937	-8,086
Income tax paid		-168	-6,002	-11	-384
<b>Net cash from / used in operating activities</b>		<b>36,920</b>	<b>-79,651</b>	<b>2,359</b>	<b>-5,091</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		-811	-530	-52	-34
Acquisition of intangible assets		0	-7,500	0	-479
Proceeds from sale of property, plant and equipment and intangible assets		422	1,130	27	72
Acquisition of subsidiaries, net of cash acquired		0	-6,776	0	-433
Cash outflow on the disposal of subsidiaries	4	-9,899	0	-633	0
Acquisition of associates		0	-6,000	0	-383
Proceeds from disposal of associates		0	6,724	0	430
Acquisition of interests in joint ventures		0	-20,000	0	-1,279
Loans granted		-1,173	-53,747	-75	-3,435
Repayment of loans granted		2,660	6,092	170	389
Dividends received		31	0	2	0
Interest received		1,325	5,457	85	349
<b>Net cash used in investing activities</b>		<b>-7,445</b>	<b>-75,150</b>	<b>-476</b>	<b>-4,803</b>
<b>Cash flows from financing activities</b>					
Proceeds from loans received		19,121	122,911	1,222	7,855
Repayment of loans received		-65,749	-63,576	-4,202	-4,063
Payment of finance lease liabilities		-11,127	-12,462	-711	-796
Interest paid		-3,390	-8,374	-217	-535
Other payments made		-86	-315	-6	-20
<b>Net cash used in / from financing activities</b>		<b>-61,231</b>	<b>38,184</b>	<b>-3,914</b>	<b>2,440</b>
<b>Net cash flow</b>		<b>-31,756</b>	<b>-116,617</b>	<b>-2,031</b>	<b>-7,454</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>225,191</b>	<b>296,184</b>	<b>14,392</b>	<b>18,930</b>
Effect of exchange rate fluctuations		215	76	15	5
Decrease in cash and cash equivalents		-31,756	-116,617	-2,031	-7,454
<b>Cash and cash equivalents at end of period</b>		<b>193,650</b>	<b>179,643</b>	<b>12,376</b>	<b>11,481</b>



## Condensed consolidated interim statement of changes in equity

EEK`000	Equity attributable to equity holders of the parent					Non-controlling interest	Total
	Share capital	Statutory capital reserve	Translation reserve	Retained earnings	Total		
<b>At 31 December 2008</b>	<b>307,567</b>	<b>34,800</b>	<b>-4,106</b>	<b>426,995</b>	<b>765,256</b>	<b>98,056</b>	<b>863,312</b>
Total comprehensive expense for the period	0	0	1,392	7,046	8,438	-10,457	-2,019
Changes in non-controlling interest	0	0	0	-8	-8	3,914	3,906
<b>At 31 March 2009</b>	<b>307,567</b>	<b>34,800</b>	<b>-2,714</b>	<b>434,033</b>	<b>773,686</b>	<b>91,513</b>	<b>865,199</b>
<b>At 31 December 2009</b>	<b>307,567</b>	<b>40,012</b>	<b>-3,201</b>	<b>345,280</b>	<b>689,658</b>	<b>11,053</b>	<b>700,711</b>
Total comprehensive expense for the period	0	0	-566	-20,595	-21,161	-4,536	-25,697
Transfer to capital reserve		12	0	0	12	0	12
Changes in non-controlling interest	0	0	0	0	0	22,068	22,068
<b>At 31 March 2010</b>	<b>307,567</b>	<b>40,024</b>	<b>-3,767</b>	<b>324,685</b>	<b>668,509</b>	<b>28,585</b>	<b>697,094</b>

EUR`000	Equity attributable to equity holders of the parent					Non-controlling interest	Total
	Share capital	Statutory capital reserve	Translation reserve	Retained earnings	Total		
<b>At 31 December 2008</b>	<b>19,657</b>	<b>2,224</b>	<b>-262</b>	<b>27,290</b>	<b>48,909</b>	<b>6,267</b>	<b>55,176</b>
Total comprehensive expense for the period	0	0	89	450	539	-668	-129
Changes in non-controlling interest	0	0	0	-1	-1	250	249
<b>At 31 March 2009</b>	<b>19,657</b>	<b>2,224</b>	<b>-173</b>	<b>27,739</b>	<b>49,447</b>	<b>5,849</b>	<b>55,296</b>
<b>At 31 December 2009</b>	<b>19,657</b>	<b>2,557</b>	<b>-205</b>	<b>22,067</b>	<b>44,077</b>	<b>706</b>	<b>44,784</b>
Total comprehensive expense for the period	0	0	-36	-1,316	-1,352	-290	-1,642
Transfer to capital reserve	0	1	0	0	1	0	1
Changes in non-controlling interest	0	0	0	0	0	1,410	1,410
<b>At 31 March 2010</b>	<b>19,657</b>	<b>2,558</b>	<b>-241</b>	<b>20,751</b>	<b>42,726</b>	<b>1,826</b>	<b>44,552</b>



## Notes to the condensed consolidated interim financial statements

### NOTE 1. Significant accounting policies

Nordecon International AS is a company incorporated and domiciled in Estonia. The shares of Nordecon International AS (the Company) have been listed on the NASDAQ OMX Tallinn Stock Exchange since 18 May 2006. The Company's controlling shareholder is AS Nordic Contractors that holds 53.67% of the shares in Nordecon International AS.

The condensed consolidated interim financial statements as at and for the three months ended 31 March 2010 have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. The condensed interim financial statements do not contain all the information to be presented in the annual financial statements and they should be read in conjunction with the Group's latest published annual consolidated financial statements as at and for the year ended 31 December 2009.

The Group has not changed its significant accounting policies compared with the consolidated financial statements as at and for the year ended 31 December 2009. The effect of any new and revised standards effective for the reporting period is described in this note.

According to management's assessment, the condensed consolidated interim financial statements of Nordecon International AS for the first quarter and three months of 2010 give a true and fair view of the Group's result of operations and the parent and all its subsidiaries that are included in these financial statements are going concerns. The condensed consolidated interim financial statements have not been audited or otherwise checked by auditors and they contain only the consolidated financial statements of the Group

These condensed consolidated interim financial statements are presented in Estonian kroons (EEK) and in euros (EUR), rounded to the nearest thousand, unless indicated otherwise. Numerical data in the tables is presented in thousands of currency units. According to the quotation of the Bank of Estonia, the Estonian kroon – euro exchange rate is 15.6466 kroons to 1 euro.

#### **Standards effective from 1 January 2010 that have an impact on the Group's financial statements:**

The standards that took effect in the first quarter of 2010 do not have a significant impact on the Group's financial statements.

#### **New and revised standards and interpretations effective as of 1 January 2010 that are not relevant for the Group on the preparation of the interim financial statements:**

- IAS 27 (revised) – *Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after 1 July 2009)
- IFRS 3 (revised) – *Business Combinations* (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 15 (revised) – *Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after 1 January 2010)

#### **Changes in the presentation of the interim financial statements**

The Group has made changes in the presentation of the consolidated statement of financial position and consolidated statement of comprehensive income with a view to improving the legibility of the financial statements. The changes comprise reclassifications as well as aggregations and separations of items. Because the changes constituted changes in presentation, they did not impact the Group's equity or the total amounts of the Group's assets and liabilities, the profit figures presented in the statement of comprehensive income (e.g. operating profit) or earnings per share for the periods presented in the financial statements. According to management's assessment, the changes in presentation are not so significant that as a whole they would influence the decisions made based on the information disclosed in the financial statements. Therefore, the changes are not described in detail in these financial statements.



## NOTE 2. Trade and other receivables

Current portion	EEK'000		EUR'000	
	31 Mar 2010	31Dec 2009	31 Mar 2010	31 Dec 2009
Trade receivables	178,968	338,767	11,439	21,651
Retentions receivable	36,949	36,884	2,361	2,357
Receivables from related parties	24,178	47,268	1,545	3,021
Loans to related parties	142,509	137,034	9,108	8,758
Loans to legal persons (including interest receivable)	40,245	40,241	2,572	2,572
Miscellaneous receivables	919	8,963	59	573
<b>Total receivables and loans granted</b>	<b>423,768</b>	<b>609,157</b>	<b>27,084</b>	<b>38,932</b>
Due from customers for contract work	14,216	35,547	908	2,272
<b>Total trade and other receivables</b>	<b>437,984</b>	<b>644,704</b>	<b>27,992</b>	<b>41,204</b>

Non-current portion	EEK'000		EUR'000	
	31 Mar 2010	31Dec 2009	31 Mar 2010	31 Dec 2009
Retentions receivable	0	1,046	0	67
Receivables from related parties	967	967	62	62
Loans to related parties	29,984	28,765	1,916	1,838
Miscellaneous receivables	2,551	2,551	163	163
<b>Total trade and other receivables</b>	<b>33,502</b>	<b>33,329</b>	<b>2,141</b>	<b>2,130</b>

Compared with the beginning of the year, trade receivables have decreased mostly on account of ordinary settlements. In 2009, many institutions funded from the state budget postponed their settlements to the next year. In the first quarter of 2010, receivables have been settled, in all material respects, according to the agreed settlement terms. The balance of receivables was also influenced by the sale and subsequent discontinuance of the consolidation of the subsidiary Nordecon Infra SIA (see also note 4). Through the transaction, receivables decreased by 78,318 thousand kroons (5,005 thousand euros).

Trade receivables are presented net of impairment allowances which at the reporting date totalled -11,241 thousand kroons/718 thousand euros (31 December 2009: -11,262 thousand kroons/-720 thousand euros).

## NOTE 3. Inventories

	EEK'000		EUR'000	
	31Mar 2010	31 Dec 2009	31Mar 2010	31 Dec 2009
Raw and other materials	43,648	48,365	2,790	3,091
Work in progress	70,766	63,573	4,523	4,063
Real estate held for resale	193,960	193,851	12,396	12,390
Finished goods	73,224	83,539	4,680	5,339
<b>Total inventories</b>	<b>381,598</b>	<b>389,328</b>	<b>24,389</b>	<b>24,883</b>

The balance of finished goods that comprise the construction costs of apartments completed but not yet sold has decreased through the sale of apartments. The Group did not perform any additional write-downs in the first quarter of 2010.

## NOTE 4. Acquisitions and disposals

### Sale of the investment in Nordecon Infra SIA

In February 2010, Nordecon International AS sold its 56% stake in the Latvian subsidiary Nordecon Infra SIA. Nordecon Infra SIA operated mainly in the region of Riga in Latvia and its core business was the construction of water and wastewater networks.

At the date of sale, the share capital of Nordecon Infra SIA amounted to 3,045 Latvian lats (approximately 67 thousand kroons/4.3 thousand euros). The investment was sold to a non-controlling shareholder for 0.1



thousand kroons (0 thousand euros). In the second half of 2009, Nordecon Infra SIA operated with a loss and, therefore, its equity was negative. As a result of the transaction, the Group recognised sales gain of 32,594 thousand kroons (2,083 thousand euros), which is presented in finance income (see note 14).

In connection with the sale of Nordecon Infra SIA, the Group derecognised the goodwill acquired on the acquisition of the subsidiary of 1,710 thousand kroons (109 thousand euros). The expenses from the derecognition of goodwill are presented in other operating expenses (see note 13). After the sale, the Group wrote down loans granted to Group companies and other receivables because the recovery of items due from Nordecon Infra SIA was doubtful. The write-down expenses amounted to 14,175 thousand kroons (906 thousand euros) and 343 thousand kroons (22 thousand euros) respectively. Expenses from the write-down of loans are recognised in finance expenses (see note 14) and expenses from the write-down of other receivables are recognised in other operating expenses (see note 13).

The Group will be liable for the construction contract guarantees (mainly warranty period guarantees) issued in its name to Latvian customers. At the date of the transaction, the unexpired balance of long-term guarantees was approximately 47,000 thousand kroons (3,000 thousand euros).

The Group discontinued consolidation of the Latvian subsidiary as from January 2010 because after the date of sale in February it was no longer possible to obtain reliable financial data on the entity.

#### Sale of the investment in Bukovina Development TOV

In the first quarter of 2010, Eurocon Ukraine TOV (the Group's stake in Eurocon Ukraine TOV is 64%) sold its 99% stake in the Ukrainian company Bukovina Development TOV. Bukovina Development TOV did not conduct any active business operations since its establishment. After the transaction, the Group has no stake in Bukovina Development TOV. The transaction gave rise to finance income of 33 thousand kroons (2 thousand euros).

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

### Property, plant and equipment

In the first quarter of 2010, the Group did not perform any major transactions with items of property, plant and equipment. The carrying amount of property, plant and equipment has decreased compared with 31 December 2009 mainly through depreciation and the discontinuance of the consolidation of the subsidiary Nordecon Infra SIA. The latter transaction reduced the carrying amount of property, plant and equipment by 18,736 thousand kroons (1,197 thousand euros).

### Intangible assets

In the first quarter of 2010, the Group did not perform any major transactions with intangible assets. The carrying amount of intangible assets has decreased compared with 31 December 2009 mainly through amortisation and the discontinuance of the consolidation of the subsidiary Nordecon Infra SIA (see also note 4). The latter transaction reduced the carrying amount of intangible assets by 21,042 thousand kroons (1,345 thousand euros). In connection with the disposal of Nordecon Infra SIA, the Group derecognised the goodwill acquired on the acquisition of the subsidiary of 1,710 thousand kroons (109 thousand euros) (see note 13).

## NOTE 6. Finance and operating leases

Finance lease liability	31 Mar 2010	EEK`000		EUR`000	
		31 Dec 2009	31 Mar 2010	31 Dec 2009	
Payable in less than 1 year	36,083	42,434	2,306	2,712	
Payable between 1 and 5 years	49,312	64,836	3,152	4,145	
<b>Total</b>	<b>85,395</b>	<b>107,270</b>	<b>5,458</b>	<b>6,857</b>	
Base currency EUR	83,932	105,513	5,364	6,744	





Base currency UAH	1,463	1,757	94	112
Frequency of payments	Monthly	Monthly	Monthly	Monthly
Interest rates in Estonia	3.0%-8.0%	3.0%-8.0%	3.0%-8.0%	3.0%-8.0%
Interest rates in Ukraine	10%-12%	10%-12%	10%-12%	10%-12%
<b>Finance lease payments made</b>	<b>Q1 2010</b>	<b>Q1 2009</b>	<b>Q1 2010</b>	<b>Q1 2009</b>
Principal payments	11,127	12,462	711	796
Interest payments	673	2,016	43	129
		<b>EEK`000</b>		<b>EUR`000</b>
<b>Operating lease rentals paid for:</b>	<b>Q1 2010</b>	<b>Q1 2009</b>	<b>Q1 2010</b>	<b>Q1 2009</b>
Cars	2,954	4,483	189	287
Construction equipment	3,679	7,303	235	467
Premises	1,456	1,711	93	109
Software	1,998	2,107	128	135
<b>Total operating lease rentals paid</b>	<b>10,087</b>	<b>15,604</b>	<b>645</b>	<b>998</b>

## NOTE 7. Interest-bearing loans and borrowings

	<b>EEK`000</b>		<b>EUR`000</b>	
	<b>31 Mar 2010</b>	<b>31 Dec 2009</b>	<b>31 Mar 2010</b>	<b>31 Dec 2009</b>
Short-term bank loans	91,362	148,306	5,839	9,478
Short-term portion of long-term bank loans	52,919	72,219	3,382	4,616
Short-term portion of finance lease liabilities	36,083	42,434	2,306	2,712
<b>Total current loans and borrowings</b>	<b>180,363</b>	<b>262,959</b>	<b>11,527</b>	<b>16,806</b>
Long-term bank loans	210,925	214,093	13,480	13,683
Long-term finance lease-liabilities	49,312	64,836	3,152	4,145
Other long-term loans	15,399	15,399	984	983
<b>Total non-current loans and borrowings</b>	<b>275,636</b>	<b>294,328</b>	<b>17,616</b>	<b>18,811</b>

The discontinuance of the consolidation of the subsidiary Nordecon Infra SIA (see note 4) reduced interest-bearing loans and borrowings by 44,823 thousand kroons (2,865 thousand euros).

## NOTE 8. Earnings per share

### Earnings per share

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

	<b>EEK`000</b>		<b>EUR`000</b>	
	<b>Q1 2010</b>	<b>Q1 2009</b>	<b>Q1 2010</b>	<b>Q1 2009</b>
Profit for the period attributable to owners of the parent	-20,595	7,046	-1,316	450
Weighted average number of shares (in thousands)	30,757	30,757	30,757	30,757
		<b>EEK</b>		<b>EUR</b>
Basic earnings per share	-0.67	0.23	-0.04	0.01
Diluted earnings per share	-0.67	0.23	-0.04	0.01

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



## NOTE 9. Segment reporting – business segments

The Group's chief operating decision maker is the board of the parent company Nordecon International AS. This group of persons monitors the Group's internally generated financial information on a regular basis to better allocate the resources and assess their utilisation. Reportable operating segments are identified by reference to monitored information.

The operating segments monitored by the chief operating decision maker include both a business and a geographical dimension. The Group's reportable operating segments are:

- Buildings (European Union) – the construction of commercial, public and apartment buildings and industrial and warehouse facilities in Estonia and Lithuania
- Buildings (Ukraine) – the construction of commercial buildings and industrial and warehouse facilities in Ukraine
- Infrastructure (European Union) – road construction and maintenance, port construction, environmental engineering and other engineering (mainly water and wastewater networks, etc) in Estonia and Latvia.

Other segments comprise insignificant operating segments whose results are not reviewed by the chief operating decision maker on the basis of internally generated financial information.

The chief operating decision maker assesses the performance of an operating segment and the utilisation of the resources allocated to it through the profit generated by the segment. The profit of an operating segment is its gross profit that does not include any major exceptional expenditures (such as non-recurring asset write-downs). The expenses after the profit of an operating segment (including distribution and administrative expenses, interest expense, income tax expense) are not used by the chief operating decision maker to assess the performance of the segment on the basis of internally generated financial information. Such expenses are recorded in segment reporting using the same principles that are applied on their recognition in the financial statements.

Significant adjustments are related to the revenue, profit and assets of the Group's parent company because a holding company that does not engage in the core business activities does not constitute an operating segment.

### Q1

EEK'000 Q1 2010	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Total revenue	120,261	6,858	50,315	3,940	181,374
Inter-segment revenue	-1,164	0	-1,858	-2,650	-5,672
<b>Revenue from external customers</b>	<b>119,097</b>	<b>6,858</b>	<b>48,457</b>	<b>1,290</b>	<b>175,702</b>
<b>Segment profit / loss</b>	<b>3,514</b>	<b>-1,773</b>	<b>-26,452</b>	<b>-5,202</b>	<b>-29,913</b>

EEK'000 Q1 2009	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Total revenue	320,336	19,176	249,575	9,611	598,698
Inter-segment revenue	-55	0	-3,036	-7,694	-10,785
<b>Revenue from external customers</b>	<b>320,281</b>	<b>19,176</b>	<b>246,539</b>	<b>1,917</b>	<b>587,913</b>
<b>Segment profit / loss</b>	<b>26,265</b>	<b>3,723</b>	<b>783</b>	<b>-4,431</b>	<b>26,340</b>

EEK'000 Segment assets	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
At 31 March 2009	929,038	226,719	885,341	65,053	2,106,151
At 31 December 2009	834,580	174,488	646,928	115,928	1,771,924
<b>At 31 March 2010</b>	<b>789,786</b>	<b>170,142</b>	<b>426,801</b>	<b>128,130</b>	<b>1,514,859</b>



EUR'000 Q1 2010	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Total revenue	7,686	438	3,216	252	11,592
Inter-segment revenue	-74	0	-119	-169	-363
<b>Revenue from external customers</b>	<b>7,612</b>	<b>438</b>	<b>3,097</b>	<b>82</b>	<b>11,229</b>
<b>Segment profit / loss</b>	<b>225</b>	<b>-113</b>	<b>-1,691</b>	<b>-332</b>	<b>-1,912</b>

EUR'000 Q1 2009	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Total revenue	20,473	1,226	15,951	614	38,264
Inter-segment revenue	-3	0	-194	-492	-689
<b>Revenue from external customers</b>	<b>20,470</b>	<b>1,226</b>	<b>15,757</b>	<b>123</b>	<b>37,574</b>
<b>Segment profit / loss</b>	<b>1,679</b>	<b>238</b>	<b>50</b>	<b>-283</b>	<b>1,683</b>

EUR'000 Segment assets	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
At 31 March 2009	59,376	14,490	56,584	4,158	134,608
At 31 December 2009	53,339	11,152	41,346	7,409	113,247
<b>At 31 March 2010</b>	<b>50,477</b>	<b>10,874</b>	<b>27,278</b>	<b>8,189</b>	<b>96,817</b>

#### Reconciliation of segment revenues

	Q1 2010	EEK'000 Q1 2009	Q1 2010	EUR'000 Q1 2009
Total revenues for reportable segments	177,437	589,087	11,340	37,650
Revenue for other segments	3,940	9,611	252	614
Elimination of inter-segment revenues	-5,672	-10,785	-363	-689
Other revenue	294	2,751	19	176
<b>Total consolidated revenue</b>	<b>175,996</b>	<b>590,664</b>	<b>11,248</b>	<b>37,750</b>

#### Reconciliation of segment profit

EEK'000	Q1 2010	EEK'000 Q1 2009	Q1 2009	EUR'000 Q1 2009
Total profit or loss for reportable segments	-24,711	30,771	-1,579	1,967
Total profit or loss for other segments	-5,202	-4,431	-332	-283
Other profit	6,182	10,515	395	672
<b>Total</b>	<b>-23,731</b>	<b>36,855</b>	<b>-1,517</b>	<b>2,355</b>
Unallocated expenses:				
Distribution expenses	-1,997	-2,223	-128	-142
Administrative expenses	-18,268	-37,404	-1,168	-2,391
Other operating income / expenses	-1,569	-734	-100	-47
<b>Consolidated operating loss</b>	<b>-45,565</b>	<b>-3,506</b>	<b>-2,912</b>	<b>-224</b>
Finance income	39,234	18,775	2,508	1,200
Finance expenses	-18,790	-13,782	-1,201	-881
Share of profit / loss of equity accounted investees	-10	-2,644	-1	-169
<b>Consolidated loss before tax</b>	<b>-25,131</b>	<b>-1,157</b>	<b>-1,606</b>	<b>-74</b>



### Reconciliation of segment assets

	EEK'000			EUR'000		
	31 Mar 2010	31 Dec 2009	31 Mar 2009	31 Mar 2010	31 Dec 2009	31 Mar 2009
Total assets for reportable segments	1,411,722	1,711,771	2,041,098	90,225	109,402	130,450
Total assets from other segments	129,702	142,885	65,053	8,289	9,132	4,158
Inter-segment eliminations	-26,565	-82,462	-243,032	-1,698	-5,270	-15,533
Other assets	68,594	118,498	442,865	4,384	7,573	28,304
<b>Total consolidated assets</b>	<b>1,583,453</b>	<b>1,890,692</b>	<b>2,305,984</b>	<b>101,201</b>	<b>120,837</b>	<b>147,379</b>

### NOTE 10. Segment reporting – geographical information

	EEK'000		EUR'000	
	Q1 2010	Q1 2009	Q1 2010	Q1 2009
<b>Revenue</b>				
Estonia	169,159	488,732	10,811	31,236
Ukraine	6,858	19,176	438	1,226
Lithuania	0	10,662	0	681
Latvia	0	72,274	0	4,619
Inter-segment eliminations	-21	-134	-1	-9
<b>Total revenue</b>	<b>175,996</b>	<b>590,710</b>	<b>11,248</b>	<b>37,753</b>

### NOTE 11. Cost of sales

	EEK'000		EUR'000	
	Q1 2010	Q1 2009	Q1 2010	Q1 2009
Depreciation and amortisation expense	11,992	17,167	766	1,097
Personnel expenses	41,576	75,503	2,657	4,826
Materials, goods and services used	144,319	439,730	9,224	28,104
Other expenses	1,840	21,409	118	1,368
<b>Total cost of sales</b>	<b>199,727</b>	<b>553,809</b>	<b>12,765</b>	<b>35,395</b>

### NOTE 12. Administrative expenses

	EEK'000		EUR'000	
	Q1 2010	Q1 2009	Q1 2010	Q1 2009
Depreciation and amortisation expense	1,072	1,152	69	74
Personnel expenses	10,553	22,963	675	1,468
Materials, goods and services used	5,928	11,013	379	704
Other expenses	715	2,276	46	145
<b>Total administrative expenses</b>	<b>18,268</b>	<b>37,404</b>	<b>1,168</b>	<b>2,391</b>

### NOTE 13. Other operating income and expenses

	EEK'000		EUR'000	
	Q1 2010	Q1 2009	Q1 2010	Q1 2009
Gains on sale of property, plant and equipment and intangible assets	50	784	3	50
Foreign exchange gain	0	905	0	58
Other income	626	0	40	0
<b>Total other operating income</b>	<b>676</b>	<b>1,689</b>	<b>43</b>	<b>108</b>



Other operating expenses	EEK`000		EUR`000	
	Q1 2010	Q1 2009	Q1 2010	Q1 2009
Losses on sale and write-off of property, plant and equipment and intangible assets	0	233	0	15
Foreign exchange losses	3	18	0	1
Impairment losses on receivables	-147	912	-9	58
Membership fees	70	91	5	6
Write-off of goodwill (note 5)	1,710	0	109	0
Other expenses	609	1,169	39	75
<b>Total other operating expenses</b>	<b>2,245</b>	<b>2,423</b>	<b>144</b>	<b>155</b>

## NOTE 14. Finance income and expenses

Finance income	EEK`000		EUR`000	
	Q1 2010	Q1 2009	Q1 2010	Q1 2009
Gains on disposal of investments in subsidiaries and associates	32,627	0	2,086	0
Interest income on loans	2,974	2,314	190	148
Other finance income	933	15,101	60	965
Foreign exchange gains	2,700	1,360	172	87
<b>Total finance income</b>	<b>39,234</b>	<b>18,775</b>	<b>2,508</b>	<b>1,200</b>

Gains on disposal of investments comprise gain on the sale of the subsidiary Nordecon Infra SIA of 32,594 thousand kroons (2,083 thousand euros) (see also note 4) and gain on the sale of the subsidiary Bukovina Development TOV of 33 thousand kroons (2 thousand euros).

Finance expenses	EEK`000		EUR`000	
	Q1 2010	Q1 2009	Q1 2010	Q1 2009
Expenses on investments in subsidiaries	0	128	0	8
Interest expense	4,594	8,395	294	537
Other finance expenses	14,192	4	907	0
Finance expenses on other investments	0	5,072	0	324
Foreign exchange losses	4	183	0	12
<b>Total finance expenses</b>	<b>18,790</b>	<b>13,782</b>	<b>1,201</b>	<b>881</b>

After the sale of the subsidiary Nordecon Infra SIA, the Group wrote down receivables from the Latvian entity which previously had been classified as intra-Group loans since their recovery had become doubtful. Write-down expenses totalled 14,175 thousand kroons (906 thousand euros).



## 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 (assumes holding more than 20% of the voting power) on the other's operating decisions. Related parties include:

- Nordecon International AS' parent company AS Nordic Contractors and its shareholders
- Other companies of AS Nordic Contractors group
- Equity accounted investees of Nordecon International Group
- Members of the board and council of Nordecon International AS, their close family members and companies related to them
- Individuals whose shareholding implies significant influence

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

	Q1 2010		EEK`000 Q1 2009		Q1 2010		EUR`000 Q1 2009	
Volume of transactions performed	Purchase	Sale	Purchase	Sale	Purchase	Sale	Purchase	Sale
AS Nordic Contractors	1,555	3,453	2,122	1,016	99	221	136	65
Companies of AS Nordic Contractors group	0	3,218	0	46,096	0	206	0	2,946
Equity accounted investees	0	48	0	0	0	3	0	0
Companies related to a member of the council	0	127	568	0	0	8	36	0
<b>Total</b>	<b>1,555</b>	<b>6,846</b>	<b>2,690</b>	<b>47,112</b>	<b>99</b>	<b>438</b>	<b>172</b>	<b>3,011</b>

	Q1 2010		EEK`000 Q1 2009		Q1 2010		EUR`000 Q1 2009	
Substance of transactions performed	Purchase	Sale	Purchase	Sale	Purchase	Sale	Purchase	Sale
Construction services	217	3,522	0	46,642	14	225	0	2,981
Purchase and sale of goods	0	0	0	470	0	0	0	30
Lease and other services	1,338	3,324	2,690	0	85	213	172	0
<b>Total</b>	<b>1,555</b>	<b>6,846</b>	<b>2,690</b>	<b>47,112</b>	<b>99</b>	<b>438</b>	<b>172</b>	<b>3,011</b>

Transactions with related parties are conducted on market terms or using relevant transfer pricing principles.

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

EEK`000	At 31 March 2010		At 31 December 2009	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	1	1,196	21	809
Companies of AS Nordic Contractors group	36,958	12	32,421	15
Companies related to a member of the council	170	0	0	0
Equity accounted investees – receivables	13,016	0	15,793	6
Equity accounted investees – loans and interest	147,493	0	140,795	0
<b>Total</b>	<b>197,638</b>	<b>1,208</b>	<b>189,031</b>	<b>830</b>

EUR`000	At 31 March 2010		At 31 December 2009	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	0	76	1	52
Companies of AS Nordic Contractors group	2,362	1	2,072	1
Companies related to a member of the council	11	0	0	0
Equity accounted investees – receivables	832	0	1,009	0
Equity accounted investees – loans and interest	9,426	0	8,998	0
<b>Total</b>	<b>12,631</b>	<b>77</b>	<b>12,080</b>	<b>53</b>



Receivables from companies of AS Nordic Contractors group and equity accounted investees are mainly related to construction services.

In the first quarter of 2010, the remuneration of the members of the council of Nordecon International AS including social security charges totalled 392 thousand kroons (25 thousand euros). In the first quarter of 2009, the corresponding figure was also 392 thousand kroons (25 thousand euros).

In the first quarter of 2010, the service fees and bonus benefits of the members of the board of Nordecon International AS including social security charges totalled 567 thousand kroons (36 thousand euros). The corresponding figure for the first quarter of 2009 was 886 thousand kroons (57 thousand euros). The remuneration of the board has decreased because in the comparative period the board had three members whereas currently the number is two.