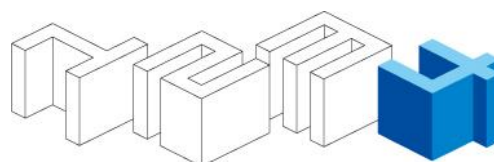




**Report for the fourth quarter and 12
months ended 31 December 2010**
(unaudited)





Report for the fourth quarter and 12 months ended 31 December 2010 (unaudited)

Business name	Nordecon AS
Registry number	10099962
Address	Pärnu mnt 158/1, 11317 Tallinn
Domicile	Republic of Estonia
Telephone	+ 372 615 4400
Fax	+ 372 615 4401
E-mail	nordecon@nordecon.com
Corporate website	www.nordecon.com
Core activities	Construction of buildings (EMTAK 411; 412) Civil engineering (EMTAK 421; 422; 429) Specialised construction activities (EMTAK 431; 433; 439) Architectural and engineering activities (EMTAK 7112)
Financial year	1 January 2010 – 31 December 2010
Reporting period	1 January 2010 – 31 December 2010
Council	Toomas Luman (chairman of the council), Alar Kroodo, Ain Tromp, Andri Hõbemägi, Tiina Mõis, Meelis Milder
Board	Jaano Vink (chairman of the board), Avo Ambur, Marko Raudsik, Erkki Suurorg
Auditor	KPMG Baltics OÜ



Contents

Directors' report	3
Condensed consolidated interim financial statements	22
Condensed consolidated interim statement of financial position	23
Condensed consolidated interim statement of comprehensive income	25
Condensed consolidated interim statement of cash flows	27
Condensed consolidated interim statement of changes in equity	28
NOTE 1. Significant accounting policies	29
NOTE 2. Trade and other receivables	30
NOTE 3. Inventories	30
NOTE 4. Acquisitions and disposals	31
NOTE 5. Property, plant and equipment and intangible assets	32
NOTE 6. Finance and operating leases	33
NOTE 7. Interest-bearing loans and borrowings	33
NOTE 8. Earnings per share	33
NOTE 9. Segment reporting – business segments	34
NOTE 10. Segment reporting – geographical information	37
NOTE 11. Cost of sales	37
NOTE 12. Administrative expenses	37
NOTE 13. Other operating income and expenses	37
NOTE 14. Finance income and expenses	38
NOTE 15. Transactions with related parties	39



Directors' report

The Group's strategy and objectives

The Group's revised strategy for 2010-2013

In July 2010 the board of Nordecon AS¹ submitted its proposals for revising the Group's strategy for review and approval by the council. The council approved the suggested changes at a meeting held on 10 September 2010.

The board is of the opinion that in forthcoming years, the Group should focus on its core business in its main market, Estonia, where Nordecon is represented in almost all construction segments and can rely on extensive local experience. In order to adapt to changes in the external environment, the Group will have to continue restructuring its operations, improving profitability by effective cost management, and creating opportunities for successfully entering the growth phase of the construction market (also in its target foreign markets).

According to the board's proposal, until 2013 (inclusive) the Group will focus on achieving the above. The strategy for the next three years will have to support the Group's recovery from the slump and prepare ground for seizing the opportunities provided by the growth of the construction market that is anticipated to emerge in 2012.

In the next few years, revenue growth will not be a priority for the Group because this would assume taking unjustified risks at margins that are unnaturally low for the construction market.

Nordecon Group's main strategic objectives until 2013

- To complete adjustments to the Group's structure and governance that were launched in 2009 in order to secure profitable and rapid growth in the rise phase of the market
- To operate in Latvia, Lithuania and Belarus on a project basis, assuming that this is profitable
- To continue buildings construction operations in Ukraine in line with the former strategy but to decide the need for revising the strategy in light of the current downturn in the Ukrainian construction sector in the first quarter of 2011 at the latest
- To maintain preparedness for re-launching more active operations in foreign markets (as a general contractor) as soon as the situation in the construction market has become sufficiently supportive
- To penetrate the Finnish concrete works market (as a contractor) through a subsidiary in order to support development of the business line
- To become the leading construction group in Estonia that earns half of its revenue from infrastructure and the other half from buildings construction by the end of 2013

The key theme of the strategy for 2010-2013 is "To respond to market change swiftly and flexibly and to enter the next economic growth cycle successfully"

Significant changes in the Group's structure in 2010 and 2011

In a meeting held on 10 September 2010, the council of Nordecon AS resolved to approve the board's proposal for combining Nordecon AS (at the date of the decision Nordecon International AS), Nordecon Infra AS and Nordecon Ehitus AS by signing a corresponding merger agreement.

The board of Nordecon AS made the merger proposal based on its vision of the changes required in the Group's strategy for 2010-2013. According to the board's vision, in a situation of declining business volumes the Group should also redesign and streamline its management model. The merger of the three companies will provide a shorter and more flexible chain of command and should yield cost savings of at least 15.6 million kroons (1 million euros) in 2011.

¹ From 1 January 2010, the business name of the Group's parent company is Nordecon AS (for further information, please refer to the chapter *Significant changes in the Group's structure in 2010 and 2011* in the Director's report).



The companies signed the merger agreement on 4 October 2010. The merger was approved by the shareholders of Nordecon AS at an extraordinary general meeting that convened on 19 November 2010. Among other matters, the general meeting decided to change the company's business name. The new name, Nordecon AS, took effect as from the entry of the merger in the commercial registry. The merger entries were made on 31 December 2010.

After the registration of the merger, Nordecon Infra AS and Nordecon Ehitus AS were deemed dissolved. As from 2011 their investments in their stand-alone subsidiaries are held by the combined entity Nordecon AS. The merger did not change the business profile of the Nordecon construction group that will continue operating in all its previous operating segments.

Changes in the Group's business operations in 2010

Changes in the Group's Estonian operations

In 2010, the Group's Estonian operations did not change significantly compared with 2009. From the beginning of 2010 the Group conducted its core business through two subgroups - Nordecon Ehitus AS and Nordecon Infra AS - specialising in buildings and infrastructure construction respectively. No new operating segments were created. The Group's parent Nordecon AS (formerly Nordecon International AS) acted mostly as a holding company, providing the Group with strategic management and intra-Group support services. At the end of 2010, Nordecon Ehitus AS and Nordecon Infra AS were merged with the parent Nordecon AS (for further information, refer to the chapter *Significant changes in the Group's structure in 2010 and 2011*). The merger did not cause any changes in the operating segments of Nordecon Group.

Changes in the Group's foreign operations

Latvia

The Group entered the Latvian market at the beginning of 2007 when the acquisition of the subsidiary OÜ Kaurits provided it with a stake in a Latvian associate, SIA Abagars (later renamed 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 swiftly and the company secured and delivered several large public procurement projects. However, over-rapid growth resulted in an accumulation of operational risks which in combination with drastic changes in the economic environment caused the company to incur losses in the second half of 2009. The overall deterioration in the Latvian economy caused difficulties in collecting payments from customers including counter-parties related to the state and local government.

As a result, in February 2010 the board of Nordecon AS resolved to divest the Group's entire 56% interest in Nordecon Infra SIA because it was evident that in the next few years 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 more detail in note 4 to the interim financial statements.

In the forthcoming years, the Group will continue operating in Latvia on a project basis through its Estonian entities, involving partners where necessary. However, this assumes the availability of profitable projects.

Belarus

The Group has signed a contract with a Finnish food industry company for the construction of a factory in Belarus. The project is 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 twelve years ago. The Group is not holding any negotiations regarding other projects and according to the development strategy penetrating the Belarusian market more extensively in 2011 is not a priority. The current year and the above project will serve as a basis for getting to know the market and conducting further analyses.

Ukraine

There were no significant changes in the Group's Ukrainian operations compared with the end of 2009. The Group continued operating in the buildings segment with a focus on private sector customers. The Group's



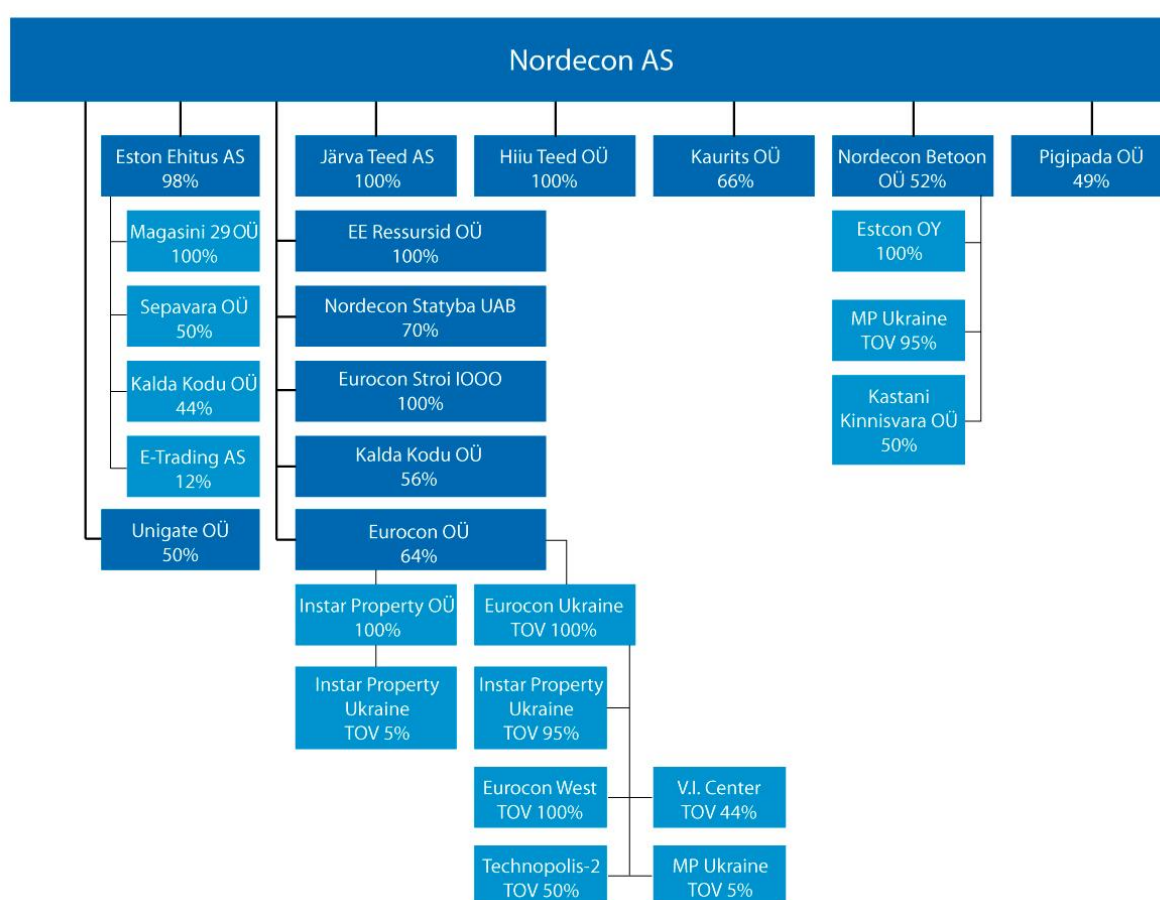
Ukrainian operations may change in 2011 because in the first quarter the Group will decide how it will respond to the slump prevailing in the Ukrainian market (see the chapter *Outlooks of the Group's geographical markets* in the Directors' report).

Finland

The Group's subsidiary Nordecon Betoon OÜ has been seeking opportunities for winning concrete works contracts in Finland since the end of 2009. For this, in the first half of 2010 a Finnish subsidiary, Estcon OY, was acquired from the parent. The Group undertook the transaction to support the development of its concrete works business line.

The Group's structure and major structural changes

The Group's structure at 31 December 2010 including interests in subsidiaries and associates¹



¹ The chart does not include the subsidiaries OÜ Eesti Ehitus, OÜ Aspi, OÜ Linnaehitus, OÜ Mapri Projekt and Infra Ehitus OÜ that currently do not conduct any significant business operations. The first four were established to protect former business names.

Major changes in the Group's structure in 2010

Nordecon AS

In January, Nordecon AS and Nordecon Ehitus AS completed the establishment of Eurocon Stroi IOOO, a Belarusian company. The shareholders' interests were 70% and 30% respectively. The company was established for performing project-based construction work. After the merger of Nordecon Ehitus AS and Nordecon AS, Eurocon Stroi IOOO became a wholly-held subsidiary of the Group's parent.

In February, Nordecon 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.



In April, Nordecon AS sold 100% of its shares in the Finnish subsidiary Estcon OY to Group company Nordecon Betoön 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 from the parent was not in contradiction with the Group's general investment holding strategy.

In December, the Group finalised the merger of Nordecon Infra AS and Nordecon Ehitus AS with the Group's parent Nordecon International AS. After the merger the parent company was renamed Nordecon AS and the subsidiaries Nordecon Infra AS and Nordecon Ehitus AS discontinued their activity. The subsidiaries of the merged companies will continue operating as stand-alone entities under Nordecon AS.

Nordecon Infra AS (before its merger with the parent Nordecon AS)

In April, Nordecon Infra AS participated in the establishment of OÜ Pigipada, paying for a 24% stake with a monetary contribution of 9.6 thousand kroons (0.6 thousand euros). OÜ Pigipada will engage in the production of bitumen emulsion. In July, Nordecon Infra AS increased its interest in the company to 49%, paying 10 thousand kroons (0.64 thousand euros) for the additional stake.

Eston Ehitus AS

In March, Eston Ehitus AS established a subsidiary OÜ Kaasa Vara. The share capital of the subsidiary was 40 thousand kroons (3 thousand euros). The entity did not engage in any business operations. It was established for carrying out the corporate rehabilitation plans of the major debtors of Eston Ehitus AS. As the rehabilitation plans were not put into practice, Eston Ehitus AS sold OÜ Kaasa Vara in December 2010.

In May, Eston Ehitus AS participated in the establishment of Magasini 29 OÜ, acquiring a 34% stake for a monetary contribution of 13.6 thousand kroons (0.9 thousand euros). The entity was transferred some of the assets and liabilities of OÜ Crislivinka (an existing company in which the stake of Eston Ehitus AS was also 34%) that were related to an undeveloped property in Magasini street, Tallinn.

In August, Eston Ehitus AS and AS EKE Invest completed a transaction by which they exchanged interests in OÜ Crislivinka and Magasini 29 OÜ. Before the transaction, the respective stakes of Eston Ehitus AS and AS EKE Invest were 34% and 66% in both companies. After the transaction, Eston Ehitus AS holds 100% of the shares in Magasini 29 OÜ and has no stake in OÜ Crislivinka while AS EKE Invest holds all the shares in OÜ Crislivinka and has no stake in Magasini 29 OÜ.

Eurocon Ukraine TOV

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

Financial review

Margins

Nordecon Group ended 2010 with a gross loss of 8.2 million kroons (0.5 million euros) compared with a gross profit of 136.3 million kroons (8.7 million euros) earned in 2009. The loss from the Group's operating activities resulted mainly from the recognition of losses incurred on projects secured before the input prices started rising as well as adverse weather conditions at the beginning and end of the year, which had a strong impact on the performance of the road maintenance units.

According to management's assessment, continuously fierce competition in the construction market is keeping the gross margins of secured and new contracts lower than they would be in a stable market. A slow but steady rise in input prices means that long-term contracts signed in the previous period will remain exposed to the risk of loss. The Group recognised all known construction contract losses in the first half-year and, following a specification of estimates, some losses also in the fourth quarter. In the second and third quarter the Group's operating activities generated a profit. Although the figures did not meet to the Group's profit targets, management believes that the Group is moving in the right direction for restoring its operational profitability in 2011 as a whole. Considering the contracts in the Group's uncompleted portfolio, i.e. the order book figures, the overall trend has become distinctly positive.

Unfavourable weather conditions had a two-fold impact on the Group's operations. On the one hand, during the months of heavy snow it was not possible to do outdoor work (road and outdoor network construction, etc), which affected mainly the infrastructure segment, and although there was a kind of technological



standstill the Group continued to incur its fixed costs. On the other hand, extreme snow conditions affected the results of the road maintenance contracts because the costs incurred exceeded those of previous years while underlying revenue remained fixed. For instance, in 2010 the costs of fuel and road spraying salt were three times larger than those of milder winters (2006-2007).

The Group's administrative expenses totalled 76.5 million kroons (4.9 million euros). Compared with 2009, the Group has cut its administrative expenses by 39%, clearly surpassing the 30% target. As at the reporting date, the ratio of administrative expenses to revenue was 4.9% (2009: 5.2%). We are pleased to report that cost-saving measures have yielded good results – despite decreasing volumes we have been able to maintain the level of administrative expenses below the target for normal market conditions, i.e. 5% of revenue.

In the fourth quarter the Group recognised and reported in other operating expenses exceptional losses from the impairment of trade receivables and goodwill. Group company Eston Ehitus AS' receivables from counterparties that had commissioned the construction of Pärnu Keskus (Pärnu Centre) were written down by 42.4 million kroons (2.7 million euros) because the debtors' rehabilitation plans were not carried out and bankruptcy proceedings were instituted against one of the debtors. After the write-down (including the losses recognised in finance expenses in the third quarter), the Group's balance sheet includes no more receivables from counterparties to the construction of Pärnu Keskus or companies related to them. In addition, goodwill of 4.7 million kroons (0.3 million euros) that had been recorded on the acquisition of the subsidiary Magasini 29 OÜ was written down in full because the expected profitability of the entity's real estate development project had declined compared with the original projections.

As a result, the Group's operating loss for 2010 amounted to 137.5 million kroons (8.8 million euros) compared with a loss of 171.3 million kroons (10.9 million euros) for 2009.

In the third quarter, the Group recognised and reported in finance expenses an impairment loss of 40.2 million kroons (2.6 million euros) on loans to legal persons. The write-down concerned loans provided by Eston Ehitus AS to owners of the companies that had commissioned the construction of Pärnu Keskus. By the third quarter it had become clear that it was not reasonable to expect that the persons would regain their solvency.

In the fourth quarter the Group also recognised and reported in other finance expenses losses of 26.7 million kroons (1.7 million euros) that resulted from the realisation of the commitments of the former Latvian subsidiary Nordecon Infra SIA that were guaranteed by the Group. In combination with other gains and losses from the sale of the subsidiary in the first quarter of 2010 (sales gain of 32.6 million kroons/2.1 million euros and write-down of loans, receivables and goodwill by a total of 16.2 million kroons/1.0 million euros), the net result of exiting the investment in the Latvian subsidiary was a loss of 10.3 million kroons (0.7 million euros).

The Group's net loss for 2010 was 195.7 million kroons (12.5 million euros). The loss attributable to owners of the parent Nordecon AS amounted to 182.5 million kroons (11.7 million euros).

Cash flows

In 2010, the Group's operating activities resulted in a net cash outflow of 58.4 million kroons (3.7 million euros) while the comparative period ended in a net cash inflow of 90.9 million kroons (5.8 million euros). Compared with 2009, operating cash inflow has been replaced by operating cash outflow. This is mainly attributable to cyclical fluctuations in project-related cash flows and the impact of unprofitable projects. The customers' contractual settlement terms have lengthened (to approx. 60 days) and in the case of some projects payments have been deferred until 2011. On the other hand, the Group completed some major projects whose warranty and similar retentions were paid after the signature of the final delivery documents. In the second half of the year, operating cash flow was influenced by unprofitable projects whose effect may also be felt in 2011. To some extent, the negative cash flow may also be attributed to the Group's decision to pay employee salaries for December 2010 in the same month although usually this is done at the beginning of the next. Thus payroll expenses for 2010 actually include the remuneration for 13 months. This was done to mitigate the risks related to the switch-over to the euro, for example to prevent a situation where owing to a system failure the Group would not have been able to pay out employee salaries by the date agreed in the employment contracts.

Investing activities generated a net inflow of 10.0 million kroons (0.6 million euros) compared with a net outflow of 54.0 million kroons (3.5 million euros) for 2009. A significant proportion of cash outflows from investing activities (9.6 million kroons/0.6 million euros) is attributable to the disposal of the subsidiary Nordecon Infra SIA and the discontinuance of its consolidation (see note 4 to the interim financial statements). A significant proportion of cash inflows resulted from the disposal of property, plant and equipment and investment properties that generated receipts of 24.4 million kroons (1.6 million euros).



Financing activities resulted in a net cash outflow of 85.9 million kroons (5.5 million euros) compared with an outflow of 116.9 million kroons (7.5 million euros) in 2009. The internal structure of financing cash flows has remained stable. The Group is raising slightly less debt capital than is required for settling its existing loan liabilities on a timely basis.

Key financial figures and ratios

Figure / ratio	12M 2010	12M 2009	12M 2008
Weighted average number of shares	30,756,728	30,756,728	30,756,728
Earnings per share (in kroons)	-5.93	-1.49	4.73
Earnings per share (in euros)	-0.38	-0.10	0.30
Revenue growth	-35.6%	-37.5%	3.1%
Average number of employees	726	1,128	1,232
Revenue per employee (in thousands of kroons)	2,145	2,144	3,140
Revenue per employee (in thousands of euros)	137	137	201
Personnel expenses to revenue	14.6%	15.0%	12.7%
Administrative expenses to revenue	4.9%	5.2%	4.7%
EBITDA ¹ (in thousands of kroons)	-83,437	4,308	281,161
EBITDA ¹ (in thousands of euros)	-5,333	275	17,969
EBITDA margin	-5.4%	0.2%	7.3%
Gross margin	-0.5%	5.6%	9.3%
Operating margin	-8.8%	-5.2%	5.4%
Operating margin excluding gains on asset sales	-9.2%	-5.4%	5.3%
Net margin	-12.6%	-3.7%	4.4%
Return on invested capital	-15.5%	-4.1%	19.1%
Return on assets	-8.3%	-6.0%	9.1%
Return on equity	-31.9%	-11.4%	20.5%
Equity ratio	37.1%	37.1%	36.5%
Gearing	42.2%	26.4%	18.2%
Current ratio	1.45	1.47	1.33
As at 31 December	2010	2009	2008
Order book (in thousands of kroons)	1,382,124	1,530,661	2,220,748
Order book (in thousands of euros)	88,334	97,827	141,932

¹ On calculating EBITDA, non-cash expenses include 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	Net margin = net profit for the period / revenue
Revenue per employee = revenue / average number of employees	Return on invested capital = (profit before tax + interest expense) / the period's average (interest-bearing liabilities + equity)
Personnel expenses to revenue = personnel expenses / revenue	Return on assets = operating profit / the period's average total assets
Administrative expenses to revenue = administrative expenses / revenue	Return on equity = net profit for the period / the period's average total equity
EBITDA = earnings before interest, taxes, depreciation and amortisation	Equity ratio = total equity / total equity and liabilities
EBITDA margin = EBITDA / revenue	Gearing = (interest-bearing liabilities – cash and cash equivalents) / (interest bearing liabilities + equity)
Gross margin = gross profit / revenue	Current ratio = total current assets / total current liabilities
Operating margin = operating profit / revenue	
Operating margin excluding gains on asset sales = (operating profit - gains on sale of property, plant and equipment - gains on sale of real estate) / revenue	



Performance by geographical market

In 2010, revenues earned outside Estonia accounted for around 6% of the Group's total revenue. In 2009, the contribution of foreign markets was around 14%. 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 2010* in the Directors' report). In addition, in contrast to 2009 in 2010 the Group did not earn any revenue in Lithuania. The proportion of the Group's Ukrainian revenues has remained stable compared with the previous year.

	12M 2010	12M 2009	12M 2008
Estonia	94.3%	85.7%	80.3%
Ukraine	2.4%	2.7%	11.4%
Lithuania	0%	0.4%	2.4%
Latvia	0%	11.2%	5.9%
Belarus	2.9%	0%	0%
Finland	0.4%	0%	0%

In the reporting period, the Group started performing a project-based construction contract in Belarus whose revenues accounted for around 3% of the Group's total revenue. The project in Belarus will continue until the end of the first half of 2011. Finnish revenues result from subcontracts for the delivery of concrete works.

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 the Estonian market and seizing opportunities in an environment that it knows best and that entails comparatively fewer identified market risks. The Group's vision of its future activities in foreign markets is described in the chapter *Outlooks of the Group's geographical markets*.

Performance by business line

The core business of Nordecon 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 2010 amounted to 1,557.0 million kroons (99.5 million euros), a 36% decrease from the 2,418.9 million kroons (154.6 million euros) generated in 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, in the first quarter, an exceptionally snowy and cold winter that had the strongest impact on the Infrastructure segment where most of the work is done outdoors. In addition, the absolute revenue figure was influenced by stiff competition that continues to lower prices in the construction market where the Group has been trying to avoid going along with underbidding aimed at winning major but excessively risky long-term contracts.

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 strategic 20% limit.

Segment revenue

In 2010, the Group's infrastructure construction revenues exceeded those of buildings construction. Considering that for some time most of the construction market tenders have been related to infrastructure (primarily projects financed with the support of the state and the EU structural funds) and that the majority of contracts in the Group's order book belong to the Infrastructure segment, this was to be expected. However, the revenues of the segments are practically equal because the Group's active buildings construction contracts have a shorter term than those of infrastructure construction. Infrastructure contracts have a longer term (e.g. road maintenance contracts) and their contribution to realised revenue is relatively smaller. It is quite clear that in the near future the contribution of the Infrastructure segment will exceed that of Buildings.



In 2010 the Buildings and Infrastructure segments generated revenue of 715.5 million kroons (45.7 million euros) and 810.8 million kroons (51.8 million euros) respectively. The corresponding figures for 2009 were 1,055.4 million kroons (67.4 million euros) and 1,339.2 million kroons (85.6 million euros).

Revenue distribution between segments *

Business segments	12M 2010	12M 2009	12M 2008
Buildings	49%	45%	63%
Infrastructure	51%	55%	37%

* 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 Belarusian buildings segment and the EU buildings segment 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 with 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 general economic environment. During the past year, private companies' investments in commercial and industrial buildings and facilities have been almost nonexistent while local governments' investments in schools, nursery schools 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 Buildings segment	12M 2010	12M 2009	12M 2008
Commercial buildings	36%	66%	59%
Industrial and warehouse facilities	19%	10%	16%
Public buildings	35%	18%	14%
Apartment buildings	10%	6%	11%

As anticipated, in 2010 almost two thirds of the revenue generated by the Infrastructure segment is attributable to road construction and maintenance. The construction of other engineering facilities (mostly water and wastewater networks) is an area where the Group has won many tenders and their proportion is expected to remain relatively large also next year. The contribution of environmental engineering projects (e.g. the closure of landfills) has remained stable compared with 2009. However, hydraulic engineering that depends heavily on Estonian ports' investment policies plummeted to an all-time low in 2010.

Revenue distribution within the Infrastructure segment	12M 2010	12M 2009	12M 2008
Road construction and maintenance	64%	49%	45%
Specialist engineering (including hydraulic engineering)	1%	12%	24%
Other engineering	26%	31%	25%
Environmental engineering	9%	8%	6%

Order book

At 31 December 2010, the Group's order book stood at 1,382.1 million kroons (88.3 million euros), 10% down from the 1,530.7 million kroons (97.8 million euros) posted a year ago. Over the past quarters, the decline in the Group's order book has notably decelerated and the forward order book has levelled off at around 1,350 to 1,500 million kroons (86 to 95 million euros).

	12M 2010	12M 2009	12M 2008
Order book, in thousands of kroons	1,382,124	1,530,661	2,220,748
Order book, in thousands of euros	88,334	97,827	141,932



At 75% the Infrastructure segment continues to account for a major proportion of the Group's total order book (2009: 74%).

The value of the order portfolio has decreased due to the downturn in the construction market. In a situation where the decrease in input prices has ceased or turned to a rise in almost all areas of the construction sector, the Group's management continues to focus on improving the profitability of the contract portfolio rather than increasing its size or growth rate.

Between the reporting date (31 December 2010) and the date of release of this report, Group companies have been awarded additional construction contracts of approximately 101.8 million kroons (6.5 million euros).

People

Staff and personnel expenses

At the end of 2010, the Group (including the parent and the subsidiaries) employed, on average, 726 people including around 345 engineers and technical personnel (ETP). A significant one-off decrease in the number of staff is attributable to the divestment of the Latvian subsidiary Nordecon Infra SIA in the first quarter of 2010. At the beginning of 2010, the Nordecon Infra SIA 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). The decrease in personnel has decelerated and the Group's management believes that in 2011 there will be no need for any major staffing cuts. Headcount should remain stable although it will be influenced by additional seasonal labour hired for the second and third quarters and the size of new contracts secured by the Group.

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

	12M 2010	12M 2009	12M 2008
ETP	345	467	511
Workers	381	611	721
Total average	726	1,128	1,232

The Group's personnel expenses for 2010 including all associated taxes totalled 226.8 million kroons (14.5 million euros), a 38% decrease compared with the 363.5 million kroons (23.2 million euros) incurred in 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 2010, the remuneration of the members of the council of Nordecon AS including associated social security charges amounted to 1,436 thousand kroons (92 thousand euros). The corresponding figure for 2009 was also 1,436 thousand kroons (92 thousand euros). The remuneration of the members of the board of Nordecon AS including social security charges totalled 3,120 thousand kroons (199 thousand euros) compared with 3,254 thousand kroons (208 thousand euros) for 2009. The remuneration of the board has decreased because in the comparative period the board had more members, on average, than in the reporting period.



Members of the council and board of Nordecon AS

Council

The council has six members - two represent the controlling shareholder AS Nordic Contractors, two represent small shareholders and two are independent. All members of the council have been elected by the general meeting for a term of five years.

Toomas Luman (chairman of the council) – a representative of AS Nordic Contractors and a major shareholder

Alar Kroodo (vice chairman of the council) – a representative of small shareholders

Ain Tromp – a representative of small shareholders

Andri Hõbemägi – a representative of AS Nordic Contractors

Tiina Mõis – an independent member

Meelis Milder – an independent member

Board

According to the articles of association, the company's board may have up to five members. Members of the board are elected and appointed by the council. The term of office of a member of the board is three years.

Jaano Vink, Chairman of the Board

Jaano Vink is a qualified construction engineer. He joined the company in 2002 as an assistant to the managing director, having previously worked for AS Muuga CT as development director and for AS Tallinna Sadam in various managerial capacities in the infrastructure construction department. Mr Vink graduated from Tallinn University of Technology, department of Industrial and Civil Engineering, in 1993 and has studied International Business Administration at the Estonian Business School. As the chairman of the board, Mr Vink is responsible for the overall management of the parent and Nordecon AS Group.

Avo Ambur, Member of the Board

Avo Ambur has been on the board of various entities of Nordecon Group including the parent since 2002, being responsible for different areas as technical director, development director and, since 2009, sales director. Before joining Nordecon, Mr Ambur worked for AS Lemminkäinen as a project manager. He graduated from Tallinn University of Technology as a construction engineer in 1993. The Estonian Association of Civil Engineers has awarded Mr Ambur the qualification of level V chartered civil engineer in the area of general construction. As a member of the board, Mr Ambur is responsible for Nordecon AS' sales and pre-construction operations.

Marko Raudsik, Member of the Board

Marko Raudsik joined the Group as works manager in 1994. Since then he has served the Group as a project manager, the head of the budget department and technical and sales director and has been on the board of a subsidiary since 2007. Mr Raudsik graduated from Tallinn University of Technology, department of Building Technology, *cum laude* in 1994. He has been awarded the qualification of a level V chartered civil engineer in the area of general construction by the Estonian Association of Civil Engineers. As a member of the board, Mr Raudsik is responsible for the management of the Buildings construction segment of Nordecon AS.

Erkki Suurorg, Member of the Board

Erkki Suurorg joined the Group in 1999. Over the years he has served the Group as a project manager and a division manager and has been on the board of various entities of Nordecon Group including the parent company since 2005. Mr Suurorg is a member of the Estonian Association of Civil Engineers and holds the qualification of a level V chartered civil engineer. Mr Suurorg graduated from Tallinn University of Technology with a diploma in civil engineering in 1997. As a member of the board, Mr Suurorg is responsible for the management of the Infrastructure segment of Nordecon AS.

Information on the shares held by the members of the council and board of Nordecon AS is presented in the chapter *Share and shareholders*.



Changes on the board of Nordecon AS

Due to the contraction of the Group's foreign operations, Priit Tiru who was responsible for coordinating the Group's foreign operations and strategic management of the buildings construction division was recalled from the board of Nordecon AS early based on a council resolution effective as of 1 November 2010.

In connection with the merger of Nordecon AS with its subsidiaries Nordecon Infra AS and Nordecon Ehitus AS (see the chapter *Significant changes in the Group's structure in 2010 and 2011*), the council appointed to the board of the merged entity new members who took office in January 2011. Jaano Vink continues as chairman of the board. The new board members are Avo Ambur, Marko Raudsik and Erkki Suurorg who all have long-term experience in the construction sector as well as in Nordecon Group.



Share and shareholders

Share information

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

The share capital of Nordecon AS consists of 30,756,728 ordinary shares with a par value of 10 Estonian kroons (0.64 euros) each. Owners of ordinary shares are entitled to dividends as declared from time to time. Each share carries one vote at the general meetings of Nordecon AS.

Movements in the price and traded volume of the Nordecon AS share in 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 AS share compared with the OMX Tallinn main index in 2010



Index/Equity	1 Jan 2010	30 Dec 2010	+/-%
OMX Tallinn	404.58	698.38	72.62
NCN1T	EUR 1.58	EUR 1.40	-11.46

Summarised trading results

Share trading history (EEK)

Price	12M 2010	12M 2009	12M 2008
Open	25.35	16.43	76.51
High	40.68	29.26	76.51
Low	16.43	8.61	14.86
Last closing price	21.89	24.72	15.96
Traded volume	8,237,449	9,627,956	6,447,283
Turnover, millions	198.67	188.25	313.68
Listed volume (31 Dec), thousands	30,757	30,757	30,757
Market capitalisation (31 Dec), millions	673.27	760.31	490.88

Share trading history (EUR)

Price	12M 2010	12M 2009	12M 2008
Open	1.62	1.05	4.89
High	2.60	1.87	4.89
Low	1.05	0.55	0.95
Last closing price	1.40	1.58	1.02
Traded volume	8,237,449	9,627,956	6,447,283
Turnover, millions	12.70	12.03	20.05
Listed volume (31 Dec), thousands	30,757	30,757	30,757
Market capitalisation (31 Dec), millions	43.03	48.59	31.37



Shareholder structure

The largest shareholders of Nordecon AS at 31 December 2010

Shareholder	Number of shares	Ownership interest
AS Nordic Contractors	16,507,464	53.67
Skandinaviska Enskilda Banken Ab Clients	2,563,841	8.34
ING Luxembourg S.A.	1,111,853	3.61
State Street Bank and Trust Omnibus Account A Fund	831,714	2.70
Ain Tromp	578,960	1.88
ASM Investments OÜ	519,600	1.69
SEB Pank AS	363,689	1.18
Aivo Kont	315,500	1.03
Skandinaviska Enskilda Banken Ab	307,410	1.00
Martin Sööt	292,473	0.95

The shareholder structure of Nordecon AS at 31 December 2010

	Number of shareholders	Ownership interest
Shareholders with interest exceeding 5%	2	62.01
Shareholders with interest between 1% and 5%	7	13.10
Shareholders with interest below 1%	2,195	24.89
Total	2,204	100.00

Shares controlled by members of the council of Nordecon AS at 31 December 2010

Council		Number of shares	Ownership interest
Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad) ¹	Chairman of the Council	16,569,144	53.87
Ain Tromp	Member of the Council	578,960	1.88
Alar Kroodo (ASM Investments OÜ) ¹	Member of the Council	519,600	1.69
Andri Hõbemägi	Member of the Council	40,000	0.13
Tiina Möis	Member of the Council	0	0.00
Meelis Milder	Member of the Council	0	0.00

¹ Companies controlled by the individual

Shares controlled by members of the board of Nordecon AS at 31 December 2010

Board		Number of shares	Ownership interest
Jaano Vink	Chairman of the Board	34,000	0.11
Avo Ambur ²	Member of the Board	32,322	0.11
Marko Raudsik ²	Member of the Board	0	0.00
Erkki Suurorg ²	Member of the Board	0	0.00

² Joined the board of Nordecon AS in 2011

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



Outlooks of the Group's geographical markets

Estonia

According to the assessment of the Group's management, in 2011 the Estonian construction market will be influenced by the following factors:

- 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 but are still of unreliable quality. The construction market has bottomed out, the sharpest downturn having ended with 2010. In 2011 construction volumes will remain comparable to the previous year, particularly in the field of infrastructure construction. There are opportunities for growth in the buildings construction segment through the return of private sector customers (including foreign investors). However, this is not yet an indication of demand recovering to a level where all currently operating construction companies could secure sufficient business.
- Market consolidation will continue owing to the contraction in volumes in 2008-2010. In the past two years, the construction market has been deserted by many medium-sized and small real estate development and buildings construction companies that were unable to respond to market changes sufficiently quickly or had taken excessive real estate risks. In 2011, the number of construction companies will continue decreasing primarily because rising input prices are rendering the performance of contracts in the portfolios of companies that have survived a fall in market and construction prices too unprofitable for those that have not noticed the trend or have deliberately ignored it due to cash flow problems. In that context, the greatest risk will be the liquidity risk.
- Both active projects and those secured in 2011 will be significantly influenced by various terms and conditions including long settlement terms dictated by customers.
- Construction contracts' profit margins will remain under pressure from continuously fierce competition and rising input prices. In addition, companies will continue challenging the results of poorly prepared public procurement tenders, which will cause time and financial costs for all involved. It will be increasingly important to meet all the requirements outlined in the public procurement tenders.
- The situation in the labour market has stabilised and construction workers' outflow to the Scandinavian countries will not increase significantly. Companies have adapted to the situation and in 2011 the base wages paid by construction companies that have to maintain a cost-saving regime are not expected to increase.
- The post-depression macroeconomic and construction market indicators will continue to improve. As a result, the banks will be increasingly ready to grant private-sector customers new investment loans and, in the case of a suitable risk profile, also funding for real estate development. The investments made with the involvement of banks are not going to trigger major growth in market volumes but they will give a much-needed signal of the stabilisation of the investment climate, creating a basis for more visible market growth in 2012.

Nordecon Group's main operational objectives for 2011

In 2011 Nordecon Group will focus on raising profitability compared with 2010 by:

1. Vigorously improving the efficiency of the various aspects of the Group's core operations
2. Maintaining strict control over fixed costs in order to be able to face an extended recession if necessary
3. Keeping up the team spirit and dedication of the Nordecon people



Latvia and Lithuania

In February 2010, the Group sold its stake in the loss-generating Latvian entity Nordecon Infra SIA whose core business was construction of water and sewerage networks. According to the Group's assessment, the Latvian construction market will continue to be hampered by abrupt adjustment to the recessionary environment also in 2011. Therefore, in the next few years the Group will continue operating in Latvia on a project basis, through its Estonian entities, involving partners where necessary. Continuation of project-based business assumes the availability of profitable projects. The decision does not change the Group's strategic objectives in the Latvian construction market, i.e. the objective of conducting future operations in the Latvian market through local subsidiaries.

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 Lithuanian-based Nordecon Statyba UAB 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 through 2011. The decision does not change the Group's strategic objectives in the Lithuanian construction market, i.e. the objective of conducting future operations in the Lithuanian market through local subsidiaries.

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 segment decreased substantially. In 2010 the market did not recover. This implies, above all, the need for tight cost control in 2011.

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 government 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 fluctuation of the local currency against the euro has stabilised 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 important presidential elections, which might 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. Still, the political situation has not stabilised as rapidly as anticipated and private sector customers have not started investing in projects where the Group has competitive advantages. Therefore, the Group is planning to make a decision regarding its further activities in Ukraine in the first quarter of 2011. If the prospects of the local construction market and the Group's target customer groups are not clear by that time, the operations of the Ukrainian entity may be suspended for 2011 and the Group will continue to monitor the situation with minimal costs. There is currently no scenario under which the Group would exit the Ukrainian market for good.

The construction market of a country with a population of around 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 local understanding and expectations of general contracting and project management in the construction business. In the long-term perspective, the new thinking will improve also the Group's position.



Belarus

The Belarusian business environment has some similarities to the Ukrainian one but with a discernible temporal shift. Conducting business is undermined by bureaucracy, complex taxation principles and various constraints on the provision of cross-border services. However, the potential of the Belarusian construction market is comparable to the Ukrainian one. There is demand for new buildings, the state has started to permit more direct foreign investment and there are no contemporarily managed construction companies in the market. Despite this, in 2011 the Group intends to do business in Belarus on a project basis (particularly through the ongoing project) in order to learn about local construction and post-construction requirements, regulations and practices. If the outcomes of the active project do not outweigh the risks, the Group does not rule out the possibility of discontinuing its Belarusian operations.

Finland

In Finland, the Group provides only subcontracting services in the field of concrete works. This is an area where Estonian companies still have an edge over local entities thanks to lower labour costs. The Finnish concrete works market allows the Group to compete for selected projects (the main criteria are location and duration of the project). In 2011 demand for subcontracted concrete works should remain stable. Nevertheless, the Group will maintain a rational approach and will avoid taking excessive risks in Finland. The Group is not planning to expand its operations into other segments of the Finnish construction services market (general contracting, project management, etc).



Description of the main risks

Business risks

Management believes that in the near future the main business risk will be stiff competition that induces construction companies to bid unreasonably low prices in a situation where input prices have started rising and may cause steep losses. The situation is aggravated by the fact that the need for winning contracts that would cover fixed costs and overheads at a level ensuring normal operating capacities is increasing. The Group's management expects to mitigate the risks by tight cost control and effective cost cutting as well as thorough analyses of new projects.

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 special 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 20.8 million kroons (1.3 million euros). At 31 December 2009, the corresponding figure was 17.4 million kroons (1.1 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. At the end of the reporting period, our customers' settlement behaviour was good in the current economic situation; however, there were also some large problem customers. The proportion of overdue receivables has increased, which heightens the risk of future credit losses. 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 2010, expenses from write-down of receivables totalled 41.5 million kroons (2.7 million euros) compared with 42.0 million kroons (2.7 million euros) in 2009. 99% of the figure is attributable to the impairment of receivables related to the Pärnu Keskus project. There were practically no write-downs involving other projects. In addition, in connection with the problems of the Pärnu Keskus project, loans to legal persons were written down by 40.2 million kroons (2.6 million euros). After the above write-downs, the Group has no more receivables related to the Pärnu Keskus project.

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 1.45-fold (31 December 2009: 1.47-fold) and available cash funds totalled 91.0 million kroons (5.8 million euros) (31 December 2009: 225.3 million kroons / 14.4 million euros).

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 December 2010, the Group's interest-bearing loans and borrowings totalled 541.6 million kroons (34.6 million euros), a 15.7 million kroon (1 million euro) decrease year-over-year. Interest expense for 2010 amounted to 15.6 million kroons (1 million euros). Compared with 2009, interest expense has contracted by 11 million kroons (0.7 million euros), primarily on account of 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 euros (EUR), in Ukrainian hryvnas (UAH) and in Belarusian rubles (BYR). In connection with shrinkage in operations in Latvia and Lithuania, the currency risks of 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 and Belarusian operations because the Ukrainian and Belarusian national currency float against the euro. To date, the weakening of the Ukrainian hryvna against the euro that began in the last quarter of 2008 has ceased. In 2010 the exchange rate of the Belarusian ruble did not fluctuate significantly.

The Group's exchange gains and losses for 2010 resulted in a net exchange loss of 6.2 million kroons (0.4 million euros). In the comparative period, exchange differences resulted in a net exchange loss of 0.7 million kroons (0 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		21 February 2011
Avo Ambur	Member of the Board		21 February 2011
Marko Raudsik	Member of the Board		21 February 2011
Erkki Suurorg	Member of the Board		21 February 2011



Condensed consolidated interim financial statements

Statement of management's responsibility

The board of Nordecon AS acknowledges its responsibility for the preparation of the Group's condensed consolidated interim financial statements (unaudited) for the twelve months and fourth 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 (21 February 2011) have been properly recognised and disclosed; and;
- Nordecon AS and its subsidiaries are going concerns.

Jaano Vink

Chairman of the Board

21 February 2011

Avo Ambur

Member of the Board

21 February 2011

Marko Raudsik

Member of the Board

21 February 2011

Erkki Suurorg

Member of the Board

21 February 2011



Condensed consolidated interim statement of financial position

EEK`000	Note	31 Dec 2010	31 Dec 2009
ASSETS			
Current assets			
Cash and cash equivalents		91,018	225,191
Trade and other receivables	2	486,308	644,704
Prepayments		19,299	30,595
Inventories	3	392,716	389,328
Non-current assets held for sale		5,027	4,617
Total current assets		994,368	1,294,435
Non-current assets			
Investments in equity accounted investees		1,542	2,191
Other investments		414	414
Trade and other receivables		34,711	33,329
Investment property		77,135	87,975
Property, plant and equipment	5	141,417	204,115
Intangible assets	5	242,296	268,233
Total non-current assets		497,515	596,257
TOTAL ASSETS		1,491,883	1,890,692
LIABILITIES			
Current liabilities			
Loans and borrowings	6, 7	272,053	262,959
Trade payables		269,991	377,925
Other payables		54,585	94,580
Deferred income		69,236	136,438
Provisions		18,144	10,364
Total current liabilities		684,009	882,266
Non-current liabilities			
Loans and borrowings	6, 7	269,537	294,328
Trade payables		4,862	4,846
Other payables		0	1,500
Provisions		6,621	7,041
Total non-current liabilities		281,020	307,715
TOTAL LIABILITIES		965,029	1,189,981
EQUITY			
Share capital		307,567	307,567
Statutory capital reserve		40,024	40,012
Translation reserve		-3,640	-3,201
Retained earnings		162,759	345,280
Total equity attributable to equity holders of the parent		506,710	689,658
Non-controlling interest		20,144	11,053
TOTAL EQUITY		526,854	700,711
TOTAL LIABILITIES AND EQUITY		1,491,883	1,890,692



Condensed consolidated interim statement of financial position (continued)

EUR`000	Note	31 Dec 2010	31 Dec 2009
ASSETS			
Current assets			
Cash and cash equivalents		5,818	14,392
Trade and other receivables	2	31,081	41,204
Prepayments		1,233	1,955
Inventories	3	25,099	24,883
Non-current assets held for sale		321	295
Total current assets		63,552	82,729
Non-current assets			
Investments in equity accounted investees		99	140
Other investments		26	26
Trade and other receivables		2,218	2,130
Investment property		4,930	5,623
Property, plant and equipment	5	9,038	13,045
Intangible assets	5	15,486	17,143
Total non-current assets		31,797	38,107
TOTAL ASSETS		95,349	120,836
LIABILITIES			
Current liabilities			
Loans and borrowings	6, 7	17,388	16,806
Trade payables		17,256	24,154
Other payables		3,489	6,044
Deferred income		4,425	8,720
Provisions		1,160	662
Total current liabilities		43,718	56,386
Non-current liabilities			
Loans and borrowings	6, 7	17,227	18,811
Trade payables		311	310
Other payables		0	96
Provisions		423	450
Total non-current liabilities		17,961	19,667
TOTAL LIABILITIES		61,679	76,053
EQUITY			
Share capital		19,657	19,657
Statutory capital reserve		2,558	2,557
Translation reserve		-233	-205
Retained earnings		10,402	22,067
Total equity attributable to equity holders of the parent		32,384	44,077
Non-controlling interest		1,286	706
TOTAL EQUITY		33,670	44,783
TOTAL LIABILITIES AND EQUITY		95,349	120,836



Condensed consolidated interim statement of comprehensive income

EEK`000	Note	Q4 2010	Q4 2009	12M 2010	12M 2009
Revenue	9,10	379,478	443,158	1,556,989	2,418,880
Cost of sales	11	-379,085	-472,075	-1,565,140	-2,282,575
Gross profit / loss		393	-28,917	-8,151	136,305
Distribution expenses		-1,834	-2,626	-6,276	-9,416
Administrative expenses	12	-23,759	-29,288	-76,459	-125,206
Other operating income	13	6,454	3,282	14,228	25,592
Other operating expenses	13	-48,146	-113,798	-60,866	-154,014
Operating loss		-66,892	-171,347	-137,524	-126,739
Finance income	14	3,663	48,848	47,733	86,513
Finance expenses	14	-30,515	-8,205	-98,288	-33,934
Net finance income / expense		-26,852	40,643	-50,555	52,579
Share of loss of equity accounted investees		-3,731	-4,313	-8,098	-7,666
Loss before income tax		-97,475	-135,017	-196,177	-81,826
Income tax expense / income		-648	-1,525	529	-7,618
Loss for the period		-98,123	-136,542	-195,648	-89,444
Other comprehensive income / expense:					
Exchange differences on translating foreign operations		-68	569	-440	905
Total other comprehensive income / expense for the period		-68	569	-440	905
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		-98,191	-135,973	-196,088	-88,539
Loss attributable to:					
- Owners of the parent		-92,910	-111,818	-182,520	-45,740
- Non-controlling interests		-5,213	-24,724	-13,128	-43,704
Loss for the period		-98,123	-136,542	-195,648	-89,444
Total comprehensive expense attributable to:					
- Owners of the parent		-92,978	-111,249	-182,960	-44,835
- Non-controlling interests		-5,213	-24,724	-13,128	-43,704
Total comprehensive expense		-98,191	-135,973	-196,088	-88,539
Earnings per share attributable to owners of the parent:					
Basic earnings per share (EEK)	8	-3.02	-3.64	-5.93	-1.49
Diluted earnings per share (EEK)	8	-3.02	-3.64	-5.93	-1.49



Condensed consolidated interim statement of comprehensive income (continued)

EUR`000	Note	Q4 2010	Q4 2009	12M 2010	12M 2009
Revenue	9, 10	24,253	28,323	99,510	154,595
Cost of sales	11	-24,228	-30,171	-100,031	-145,883
Gross profit / loss		25	-1,848	-521	8,711
Distribution expenses		-117	-168	-401	-602
Administrative expenses	12	-1,518	-1,872	-4,887	-8,002
Other operating income	13	412	210	909	1,636
Other operating expenses	13	-3,077	-7,273	-3,890	-9,843
Operating loss		-4,275	-10,951	-8,790	-8,100
Finance income	14	234	3,122	3,051	5,529
Finance expenses	14	-1,950	-524	-6,282	-2,169
Net finance income / expense		-1,716	2,598	-3,231	3,360
Share of loss of equity accounted investees		-238	-276	-518	-490
Loss before income tax		-6,229	-8,629	-12,539	-5,230
Income tax expense / income		-42	-97	34	-487
Loss for the period		-6,271	-8,727	-12,505	-5,717
Other comprehensive income / expense:					
Exchange differences on translating foreign operations		-4	36	-28	58
Total other comprehensive income / expense for the period		-4	36	-28	58
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		-6,275	-8,690	-12,533	-5,659
Loss attributable to:					
- Owners of the parent		-5,938	-7,147	-11,665	-2,923
- Non-controlling interests		-333	-1,580	-840	-2,794
Loss for the period		-6,271	-8,727	-12,505	-5,717
Total comprehensive expense attributable to:					
- Owners of the parent		-5,942	-7,110	-11,693	-2,865
- Non-controlling interests		-333	-1,580	-840	-2,794
Total comprehensive expense		-6,275	-8,690	-12,533	-5,659
Earnings per share attributable to owners of the parent:					
Basic earnings per share (EUR)	8	-0.19	-0.23	-0.38	-0.09
Diluted earnings per share (EUR)	8	-0.19	-0.23	-0.38	-0.09



Condensed consolidated interim statement of cash flows

		EEK`000		EUR`000	
	Note	12M 2010	12M 2009	12M 2010	12M 2009
Cash flows from operating activities					
Cash receipts from customers		1,888,836	3,337,467	120,719	213,303
Cash paid to suppliers		-1,650,762	-2,729,303	-105,503	-174,434
VAT paid		-61,175	-70,313	-3,910	-4,494
Cash paid to and for employees		-233,969	-427,098	-14,953	-27,296
Income tax paid		-1,371	-10,858	-88	-694
Net cash used in / from operating activities		-58,441	99,895	-3,735	6,385
Cash flows from investing activities					
Acquisition of property, plant and equipment		-3,056	-2,356	-195	-151
Acquisition of intangible assets		0	-7,609	0	-486
Proceeds from sale of property, plant and equipment and intangible assets		13,299	6,328	850	404
Proceeds from sale of investment property		11,100	11,078	709	708
Acquisition of subsidiaries, net of cash acquired	4	27	-6,614	2	-423
Disposal of subsidiaries, net of cash transferred	4	-9,623	157	-615	10
Acquisition of associates	4	-20	-6,000	-1	-383
Proceeds from disposal of associates	4	0	6,724	0	430
Acquisition of interests in joint ventures	4	0	-20,000	0	-1,278
Proceeds from sale of other investments		0	275	0	18
Loans granted		-8,583	-80,828	-549	-5,166
Repayment of loans granted		2,777	29,897	177	1,911
Dividends received		61	61	4	4
Interest received		4,042	14,907	258	953
Net cash from / used in investing activities		10,024	-53,980	640	-3,450
Cash flows from financing activities					
Proceeds from loans received		107,572	343,242	6,875	21,937
Repayment of loans received		-138,465	-348,364	-8,850	-22,265
Dividends paid	8	0	-31,933	0	-2,041
Payment of finance lease liabilities		-37,230	-51,029	-2,379	-3,261
Interest paid		-17,554	-28,284	-1,122	-1,808
Other payments made		-236	-487	-15	-31
Net cash used in financing activities		-85,913	-116,855	-5,491	-7,469
Net cash flow		-134,330	-70,940	-8,586	-4,534
Cash and cash equivalents at beginning of period		225,191	296,184	14,392	18,930
Effect of exchange rate fluctuations		157	-53	12	-3
Decrease in cash and cash equivalents		-134,330	-70,940	-8,586	-4,534
Cash and cash equivalents at end of period		91,018	225,191	5,818	14,393



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		
At 31 Dec 2008	307,567	34,800	-4,106	426,995	765,256	98,056	863,312
Total comprehensive income / expense for the period	0	0	905	-45,740	-44,835	-43,704	-88,539
Dividends declared	0	0	0	-30,757	-30,757	-1,176	-31,933
Transfer to capital reserve		5,212	0	-5,212	0	0	0
Changes in non-controlling interest	0	0	0	-7	-7	-42,122	-42,130
At 31 Dec 2009	307,567	40,012	-3,201	345,280	689,658	11,053	700,711
Total comprehensive expense for the period	0	0	-440	-182,520	-182,960	-13,128	-196,088
Transfer to capital reserve	0	12	0	0	12		12
Changes in non-controlling interest	0	0	0	0	0	22,219	22,219
At 31 Dec 2010	307,567	40,024	-3,640	162,759	506,710	20,144	526,854

EUR`000	Equity attributable to equity holders of the parent					Non-controlling interest	Total
	Share capital	Statutory capital reserve	Translation reserve	Retained earnings	Total		
At 31 Dec 2008	19,657	2,224	-262	27,290	48,909	6,267	55,176
Total comprehensive income / expense for the period	0	0	57	-2,923	-2,866	-2,794	-5,659
Dividends declared	0	0	0	-1,966	-1,966	-75	-2,041
Transfer to capital reserve	0	333	0	-333	0	0	0
Changes in non-controlling interest	0	0	0	0	0	-2,693	-2,693
At 31 Dec 2009	19,657	2,557	-205	22,067	44,077	706	44,783
Total comprehensive expense for the period	0	0	-28	-11,665	-11,693	-840	-12,533
Transfer to capital reserve	0	1	0	0	1	0	1
Changes in non-controlling interest	0	0	0	0	0	1,420	1,420
At 31 Dec 2010	19,657	2,558	-233	10,402	32,384	1,286	33,671



Notes to the condensed consolidated interim financial statements

NOTE 1. Significant accounting policies

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

The condensed interim financial statements as at and for the twelve months ended 31 December 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 presented in the annual financial statements and should be read in conjunction with the Group's latest published annual 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 AS for the fourth quarter and twelve 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:

- IAS 27 (revised) – *Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after 1 July 2009)

The Group has adopted the terminological changes imposed by the standard as well as the principles provided by the standard for accounting for disposals of subsidiaries.

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:

- 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.

Changes in the comparative data for the fourth quarter of 2010

In the unaudited interim financial statements for the fourth quarter of 2009 fourth-quarter impairment losses on goodwill of 61,206 thousand kroons (3,912 thousand euros) were recognised in administrative expenses. In the audited annual financial statements for 2009 they were reclassified to other operating expenses. A similar change has been made in the comparative data presented in these interim financial statements.



Line item	Q4 2009		Q4 2009 Restated		Change	
	EEK`000	EUR`000	EEK`000	EUR`000	EEK`000	EUR`000
Administrative expenses	-90,494	-5,784	-29,288	-1,872	-61,206	-3,912
Other operating expenses	-52,592	-3,361	-113,798	-7,273	+61,206	+3,912

NOTE 2. Trade and other receivables

	Note	EEK`000		EUR`000	
Current portion		31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Trade receivables		237,762	338,767	15,196	21,651
Retentions receivable		17,534	36,884	1,121	2,357
Receivables from related parties		26,263	47,268	1,678	3,021
Loans to related parties	15	146,371	137,034	9,355	8,758
Loans to legal persons (including interest receivable)	14	0	40,241	0	2,572
Miscellaneous receivables		11,799	8,963	754	573
Total receivables and loans granted		439,729	609,157	28,104	38,932
Due from customers for contract work		46,578	35,547	2,977	2,272
Total trade and other receivables		486,308	644,704	31,081	41,204

	Note	EEK'000		EUR'000	
Non-current portion		31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Retentions receivable		0	1,046	0	67
Receivables from related parties		967	967	62	62
Loans to related parties	15	31,063	28,765	1,985	1,838
Miscellaneous receivables		2,681	2,551	171	163
Total trade and other receivables		34,711	33,329	2,218	2,130

Trade and other receivables were significantly influenced by the divestment 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 -46,234 thousand kroons/-2,955 thousand euros (31 December 2009: -11,262 thousand kroons/-720 thousand euros). Of the latter, 42,234 thousand kroons (2,699 thousand euros) resulted from the impairment of receivables related to Pärnu Keskus (see note 13). Despite a decline in operating volumes, amounts due from customers for contract work have not dropped to the level of the previous year.

This results mainly from the builders' and customers' behaviour on the delivery and acceptance of work. An increase in the balance indicates that acceptance of work by customers has somewhat decelerated.

NOTE 3. Inventories

	EEK`000		EUR`000	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Raw and other materials	48,902	48,365	3,125	3,091
Work in progress	68,953	63,573	4,407	4,063
Real estate held for resale	211,781	193,851	13,535	12,390
Finished goods	63,080	83,539	4,032	5,339
Total inventories	392,716	389,328	25,099	24,883

Real estate held for resale (properties designed for development) has increased primarily in connection with the establishment of the subsidiary Magasini 29 OÜ (see note 4).

The balance of finished goods that comprises apartments completed but not yet sold has decreased through the sale of apartments. The Group did not make any additional write-downs in 2010.



NOTE 4. Acquisitions and disposals

Subsidiaries

Disposal of Nordecon Infra SIA

In February 2010, Nordecon AS sold its 56% stake in the Latvian subsidiary Nordecon Infra SIA. Nordecon Infra SIA operated mainly in the Riga region 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 was recorded in finance income (see note 14). In the cash flow statement, cash outflows from the transaction represent the subsidiary's cash and cash equivalents as at the date of sale of 9,899 thousand kroons (633 thousand euros).

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). Associated expenses were recorded in other operating expenses (see note 13). After the sale, the Group wrote down loans 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 were recognised in finance expenses (see note 14) and expenses from the write-down of other receivables were recognised in other operating expenses (see note 13).

The Group will remain 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 such long-term guarantees was approximately 47,000 thousand kroons (3,000 thousand euros). In the fourth quarter some of the guarantees were enforced and the Group had to recognise additional losses of 26,714 thousand kroons (1,707 thousand euros) (see note 14).

Altogether, the gains and losses from the sale of the investment resulted in a loss of 10,348 thousand kroons (661 thousand euros).

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

Disposal of the investment in Bukovina Development TOV

In the first quarter of 2010, Eurocon Ukraine TOV sold its 99% stake in the Ukrainian company Bukovina Development TOV. The Group's stake in Eurocon Ukraine TOV is 64%. Bukovina Development TOV never conducted any business operations. After the transaction, the Group has no stake in Bukovina Development TOV. The transaction gave rise to finance income of 32 thousand kroons (2 thousand euros).

Associates

Establishment of Pigipada OÜ

In April 2010, the Group's subsidiary Nordecon Infra AS participated in the establishment of Pigipada OÜ, a company domiciled in Estonia, paying for a 24% stake in the entity's share capital with a monetary contribution of 9.6 thousand kroons (0.6 thousand euros). According to plan, Pigipada OÜ will start producing bitumen emulsion. In July, Nordecon Infra AS increased its interest in the entity to 49%, paying for the additional stake with a monetary contribution of 10 thousand kroons (0.6 thousand euros).

Establishment of Magasini 29 OÜ

In May 2010, the Group's subsidiary Eston Ehitus AS participated in the establishment of Magasini 29 OÜ, a company domiciled in Estonia, acquiring a 34% stake for a monetary contribution of 13.6 thousand kroons (0.9 thousand euros). The entity was established so that it could be transferred some of the assets and liabilities of Crislivinka OÜ (in which the stake of Eston Ehitus AS was also 34%) that were related to a property in Magasini



street, Tallinn. In August, Eston Ehitus AS completed a transaction by which it increased its interest in the associate Magasini 29 OÜ from 34% to 100%. The additional 66% was acquired through a barter transaction in which Eston Ehitus AS exchanged its 34% stake in Crislivinka OÜ for a 66% stake in Magasini 29 OÜ. After the transaction, Eston Ehitus AS has no ownership interest in Crislivinka OÜ. On the separation of Crislivinka OÜ, one of its two real estate holdings in Magasini street, Tallinn, was transferred to Magasini 29 OÜ along with associated loan obligations.

Net assets of Magasini 29 OÜ at the date of acquisition (purchase price allocation):

	EEK'000			EUR'000		
	Pre-acquisition carrying amount	Total fair value (100%)	Recognised value on acquisition 66%	Pre-acquisition carrying amount	Total fair value (100%)	Recognised value on acquisition 66%
Current assets	40	40	26	3	3	2
Non-current assets	32,300	32,300	21,318	2,064	2,064	1,362
Current liabilities	39,444	39,444	26,033	2,521	2,521	1,664
Non-current liabilities	0	0	0	0	0	0
Total net assets	-7,104	-7,140	-4,689	-454	-456	-300
Goodwill			4,715			301
Cost			26			2
Paid in cash			26			2

Negative net assets result from the recognition of loans from owners which in the next period, after appropriate formalities, will be transformed into share capital in order to ensure positive net assets.

In the fourth quarter, the goodwill was written down in full because the expected discounted future cash flow from the development project was not sufficient for covering the goodwill. The write-down was recognised in other operating expenses (see note 13).

NOTE 5. Property, plant and equipment and intangible assets

Property, plant and equipment

In the fourth 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 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).

In the reporting period, the Group recognised in intangible assets goodwill of 4,715 thousand kroons (301 thousand euros) acquired on the acquisition of the subsidiary Magasini 29 OÜ (see note 4). Based on an impairment test performed at the year-end, the goodwill was written down (see note 13).



NOTE 6. Finance and operating leases

		EEK`000		EUR`000
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Finance lease liabilities				
Payable in less than 1 year	32,937	42,434	2,105	2,712
Payable between 1 and 5 years	32,519	64,836	2,078	4,145
Total	65,456	107,270	4,183	6,857
Base currency EUR	65,182	105,513	4,166	6,744
Base currency UAH	274	1,757	17	112
Periodicity of payment	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%
Finance lease payments made	12M 2010	12M 2009	12M 2010	12M 2009
Principal payments	37,230	51,029	2,379	3,261
Interest payments	2,485	4,555	159	291
		EEK`000		EUR`000
Operating lease rentals paid for	12M 2010	12M 2009	12M 2010	12M 2009
Cars	10,288	27,066	658	1,730
Construction equipment	25,520	36,631	1,631	2,341
Premises	5,794	9,783	370	625
Software	3,512	8,794	224	562
Total operating lease rentals paid	45,114	82,274	2,883	5,258

NOTE 7. Interest-bearing loans and borrowings

		EEK`000		EUR`000
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Short-term bank loans	134,729	148,306	8,611	9,478
Short-term portion of long-term bank loans	59,803	72,219	3,822	4,616
Short-term portion of finance lease liabilities	32,937	42,434	2,105	2,712
Factoring liabilities	44,584	0	2,849	0
Total current loans and borrowings	272,053	262,959	17,388	16,806
Long-term portion of bank loans	221,619	214,093	14,164	13,683
Long-term portion of finance lease-liabilities	32,519	64,836	2,078	4,145
Other long-term loans	15,399	15,399	984	983
Total non-current loans and borrowings	269,537	294,328	17,227	18,811

NOTE 8. 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.

		EEK`000		EUR`000
	12M 2010	12M 2009	12M 2010	12M 2009
Profit/loss for the period attributable to owners of the parent	-182,520	-45,740	-11,665	-2,923
Weighted average number of shares (in thousands)	30,757	30,757	30,757	30,757
		EEK		EUR
Basic earnings per share	-5.93	-1.49	-0.38	-0.10
Diluted earnings per share	-5.93	-1.49	-0.38	-0.10

Nordecon 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 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)
- Buildings (Ukraine and Belarus)
- Infrastructure (European Union)
- 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 because a holding company that does not engage in operating activities does not constitute an operating segment.

12 months 2010

EEK'000	Buildings EU	Buildings UKR/BLR	Infrastructure EU	Other segments	Total
Total revenue	654,009	82,522	822,103	59,438	1,618,072
Inter-segment revenue	-20,525	-460	-11,309	-30,271	-62,565
Revenue from external customers	633,484	82,062	810,794	29,167	1,555,507
Segment profit/loss	11,782	11,422	-16,815	-8,139	-1,750

EUR'000	Buildings EU	Buildings UKR/BLR	Infrastructure EU	Other segments	Total
Total revenue	41,799	5,274	52,542	3,799	103,414
Inter-segment revenue	-1,312	-29	-723	-1,935	-3,999
Revenue from external customers	40,487	5,245	51,819	1,864	99,415
Segment profit/loss	753	730	-1,075	-520	-112

12 months 2009

EEK'000	Buildings EU	Buildings UKR/BLR	Infrastructure EU	Other segments	Total
Total revenue	984,158	73,724	1,451,257	69,710	2,578,849
Inter-segment revenue	-2,368	-91	-112,091	-51,572	-166,122
Revenue from external customers	981,790	73,633	1,339,166	18,138	2,412,727
Segment profit/loss	79,663	698	20,357	-330	100,388



EUR'000	Buildings EU	Buildings UKR/BLR	Infrastructure EU	Other segments	Total
Total revenue	62,899	4,712	92,752	4,455	164,818
Inter-segment revenue	-151	-6	-7,164	-3,296	-10,617
Revenue from external customers	62,748	4,706	85,588	1,159	154,201
Segment profit/loss	5,091	45	1,301	-21	6,416

Q4

EEK'000 Q4 2010	Buildings EU	Buildings UKR/BLR	Infrastructure EU	Other segments	Total
Total revenue	139,523	32,653	207,003	17,813	396,992
Inter-segment revenue	-1,777	-291	-8,761	-7,178	-18,007
Revenue from external customers	137,746	32,362	198,242	10,635	378,985
Segment profit / loss	13,890	4,013	-13,620	-2,641	1,642

Q4 2009	Buildings EU	Buildings UKR/BLR	Infrastructure EU	Other segments	Total
Total revenue	155,815	29,866	265,926	15,188	466,795
Inter-segment revenue	-2,236	-86	-2,708	-12,863	-17,893
Revenue from external customers	153,579	29,780	263,218	2,325	448,902
Segment loss	-6,670	-1,906	-14,992	-2,808	-26,376

EUR'000 Q4 2010	Buildings EU	Buildings UKR/BLR	Infrastructure EU	Other segments	Total
Total revenue	8,917	2,087	13,230	1,138	25,372
Inter-segment revenue	-114	-19	-560	-459	-1,151
Revenue from external customers	8,804	2,068	12,670	680	24,222
Segment profit / loss	888	256	-870	-169	105

Q4 2009	Buildings EU	Buildings UKR/BLR	Infrastructure EU	Other segments	Total
Total revenue	9,958	1,909	16,996	971	29,834
Inter-segment revenue	-143	-5	-173	-822	-1,144
Revenue from external customers	9,815	1,903	16,823	149	28,690
Segment loss	-426	-122	-958	-179	-1,686

Reconciliation of segment revenues

EEK'000	12M 2010	Q4 2010	12M 2009	Q4 2009
Total revenues for reportable segments	1,558,635	379,180	2,509,139	363,525
Revenue for other segments	59,438	17,813	69,710	15,188
Elimination of inter-segment revenues	-62,566	-18,008	-166,122	62,107
Other revenue	1,482	493	6,153	2,338
Total consolidated revenue	1,556,989	379,478	2,418,880	443,158



EUR'000	12M 2010	Q4 2010	12M 2009	Q4 2009
Total revenues for reportable segments	99,615	24,234	160,363	23,233
Revenue for other segments	3,799	1,138	4,455	971
Elimination of inter-segment revenues	-3,999	-1,151	-10,617	3,969
Other revenue	95	32	393	149
Total consolidated revenue	99,510	24,253	154,595	28,323

Reconciliation of segment profit

EEK'000	12M 2010	Q4 2010	12M 2009	Q4 2009
Total profit or loss for reportable segments	6,389	4,283	100,718	-23,568
Total loss for other segments	-8,139	-2,641	-330	-2,808
Other profit or loss	-6,401	-1,249	35,917	-2,540
Total	-8,151	393	136,305	-28,917
Unallocated expenses:				
Distribution expenses	-6,276	-1,834	-9,416	-2,627
Administrative expenses	-76,459	-23,759	-125,206	-90,494
Other operating income and expenses	-46,638	-41,692	-128,422	-49,311
Consolidated operating loss	-137,524	-66,892	-126,739	-171,347
Finance income	47,733	3,662	86,513	48,848
Finance expenses	-98,288	-30,514	-33,934	-8,205
Share of loss of equity accounted investees	-8,098	-3,731	-7,666	-3,539
Consolidated loss before tax	-196,177	-97,475	-81,826	-135,017

EUR'000	12M 2010	Q4 2010	12M 2009	Q4 2009
Total profit or loss for reportable segments	408	274	6,437	-1,506
Total loss for other segments	-520	-169	-21	-179
Other profit or loss	-409	-80	2,296	-162
Total	-521	25	8,711	-1,848
Unallocated expenses:				
Distribution expenses	-401	-117	-602	-168
Administrative expenses	-4,887	-1,518	-8,002	-5,784
Other operating income and expenses	-2,981	-2,665	-8,207	-3,152
Consolidated operating loss	-8,790	-4,275	-8,100	-10,951
Finance income	3,051	234	5,529	3,122
Finance expenses	-6,282	-1,950	-2,169	-524
Share of loss of equity accounted investees	-518	-238	-490	-276
Consolidated loss before tax	-12,539	-6,229	-5,230	-8,629

Reconciliation of segment assets

	31 Dec 2010	EEK'000 31 Dec 2009	31 Dec 2010	EUR'000 31 Dec 2009
Total assets for reportable segments	1,430,936	1,711,771	91,453	109,402
Total assets from other segments	79,439	142,885	5,077	9,132
Inter-segment eliminations	-75,855	-82,462	-4,848	-5,270
Other assets	57,363	118,498	3,666	7,573
Total consolidated assets	1,491,883	1,890,692	95,349	120,836



NOTE 10. Segment reporting – geographical information

EEK'000	12M 2010	Q4 2010	12M 2009	Q4 2009
Revenue				
Estonia	1,468,476	340,665	2,065,366	393,957
Ukraine	37,309	1,657	73,724	21,784
Lithuania	0	0	10,678	12
Latvia	0	0	270,277	27,683
Finland	6,160	6,160	0	0
Belarus	45,213	30,996	0	0
Inter-segment eliminations	-169	0	-1,165	-277
Total revenue	1,556,989	379,478	2,418,880	443,158

EUR'000	12M 2010	Q4 2010	12M 2009	Q4 2009
Revenue				
Estonia	93,853	21,772	132,001	25,178
Ukraine	2,384	106	4,712	1,392
Finland	394	394	0	0
Belarus	2,890	1,982	0	0
Lithuania	0	0	682	0
Latvia	0	0	17,274	1,769
Inter-segment eliminations	-11	0	-74	-17
Total revenue	99,510	24,253	154,595	28,323

NOTE 11. Cost of sales

	12M 2010	EEK'000 12M 2009	12M 2010	EUR'000 12M 2009
Cost of materials, goods and services used	1,313,902	1,919,920	83,974	122,705
Personnel expenses	184,518	287,859	11,793	18,398
Depreciation and amortisation expense	43,046	64,705	2,751	4,135
Other expenses	23,674	10,091	1,513	645
Total cost of sales	1,565,140	2,282,575	100,031	145,883

NOTE 12. Administrative expenses

	12M 2010	EEK'000 12M 2009	12M 2010	EUR'000 12M 2009
Personnel expenses	42,255	75,601	2,701	4,832
Cost of materials, goods and services used	25,168	38,189	1,609	2,441
Depreciation and amortisation expense	4,616	5,136	295	328
Other expenses	4,420	6,280	282	401
Total administrative expenses	76,459	125,206	4,887	8,002

NOTE 13. Other operating income and expenses

Other operating income	12M 2010	EEK'000 12M 2009	12M 2010	EUR'000 12M 2009
Gains on sale of property, plant and equipment and intangible assets	5,563	3,709	356	237
Gains on sale of investment property	285	0	18	0
Foreign exchange gain	737	0	47	0
Other income	7,643	21,883	488	1,399
Total other operating income	14,228	25,592	909	1,636



Other operating expenses	EEK`000		EUR`000	
	12M 2010	12M 2009	12M 2010	12M 2009
Losses on sale and write-off of property, plant and equipment and intangible assets	385	10,249	25	655
Write-off of goodwill (note 4)	6,425	61,206	411	3,912
Losses of sale of investment property	2,023	7,823	129	500
Write-down if investment property	0	12,460	0	796
Foreign exchange losses	7,609	29	486	2
Impairment losses on receivables	41,507	42,049	2,653	2,687
Membership fees	84	134	5	9
Other expenses	2,833	20,064	181	1,282
Total other operating expenses	60,866	154,014	3,890	9,843

In the fourth quarter, the Group wrote down construction contract receivables related to the Pärnu Keskus project by 42,493 thousand kroons (2,716 thousand euros). In the reporting period, the Group recovered receivables written down in prior periods of 1,391 thousand kroons (89 thousand euros).

NOTE 14. Finance income and expenses

Finance income	EEK`000		EUR`000	
	12M 2010	12M 2009	12M 2010	12M 2009
Gains on disposal of investments in subsidiaries and associates	32,626	737	2,085	47
Finance income on other investments	0	46,263	0	2,956
Interest income on loans	11,249	11,305	719	722
Foreign exchange gains	801	513	51	33
Other finance income	3,058	27,695	195	1,770
Total finance income	47,733	86,513	3,051	5,529

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 32 thousand kroons (2 thousand euros).

Finance expenses	EEK`000		EUR`000	
	12M 2010	12M 2009	12M 2010	12M 2009
Interest expense	15,625	26,637	999	1,702
Foreign exchange losses	82	1,144	5	73
Other finance expenses	82,581	6,153	5,278	393
Total finance expenses	98,288	33,934	6,282	2,169

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). In the fourth quarter the Group recognised in other finance expenses losses from the partial realisation of the commitments of Nordecon Infra SIA that were secured by Nordecon AS. The losses totalled 26,714 thousand kroons (1,707 thousand euros) (see note 4).

In the third quarter, the Group wrote down all loans (including interest receivables) due from companies involved with the construction of the Pärnu Keskus. The said companies were insolvent and had not fulfilled their obligations to the Group. The write-down expenses were recognised in other finance expenses in an amount of 40,245 thousand kroons (2,572 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 AS' parent company AS Nordic Contractors and its shareholders
- Other companies of AS Nordic Contractors group
- Equity-accounted investees (associates) of Nordecon AS
- Members of the board and council of Nordecon 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:

Volume of transactions	12M 2010		EEK`000 12M 2009		12M 2010		EUR`000 12M 2009	
	Purchase	Sale	Purchase	Sale	Purchase	Sale	Purchase	Sale
AS Nordic Contractors	6,628	65	7,589	778	424	4	485	50
Companies of AS Nordic Contractors group	41	15,963	0	159,614	3	1,020	0	10,201
Equity accounted investees	0	403	0	8,108	0	26	0	518
Companies related to a member of the council	1,187	1,735	479	0	76	111	31	0
Total	7,856	18,166	8,068	168,500	503	1,161	516	10,769

Volume of transactions	12M 2010		EEK`000 12M 2009		12M 2010		EUR`000 12M 2009	
	Purchase	Sale	Purchase	Sale	Purchase	Sale	Purchase	Sale
Construction services	0	17,409	0	159,126	0	1,113	0	10,170
Purchase and sale of goods	0	0	0	1,266	0	0	0	81
Lease and other services	7,856	757	8,068	8,108	503	48	516	518
Total	7,856	18,166	8,068	168,500	503	1,161	516	10,769

Transactions with related parties were conducted on market terms or using effective transfer pricing principles.

Receivables from and liabilities to related parties at period-end:

EEK`000	31 Dec 2010		31 Dec 2009	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	0	1,521	21	809
Companies of AS Nordic Contractors group	37,147	0	32,421	15
Companies related to a member of the council	1,092	59	0	0
Equity accounted investees – receivables	15,710	0	15,793	6
Equity accounted investees – loans and interest	150,705	0	140,795	0
Total	204,664	1,580	189,031	830



EUR`000	31 Dec 2010		31 Dec 2009	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	0	97	1	52
Companies of AS Nordic Contractors group	2,374	0	2,072	1
Companies related to a member of the council	70	4	0	0
Equity accounted investees – receivables	1,004	0	1,009	0
Equity accounted investees – loans and interest	9,632	0	8,998	0
Total	13,080	101	12,080	53

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

In 2010, the remuneration of the members of the council of Nordecon AS including associated social security charges amounted to 1,436 thousand kroons (92 thousand euros). The corresponding figure for 2009 was also 1,436 thousand kroons (92 thousand euros). The remuneration of the members of the board of Nordecon AS including social security charges totalled 3,120 thousand kroons (199 thousand euros) compared with 3,254 thousand kroons (208 thousand euros) for 2009. The remuneration of the board has decreased because in the comparative period the board had more members, on average, than in the reporting period.