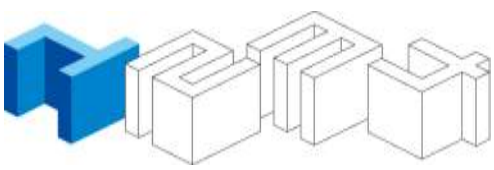
NORDECON

Financial report for the first quarter and three months ended 31 March 2011
(unaudited)



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Business name	Nordecon AS
Registry number	10099962
Address	Pärnu mnt 158/1, 11317 Tallinn
Domicile	Republic of Estonia
Telephone	+ 372 615 4400
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E-mail	nordecon@nordecon.com
Corporate website	www.nordecon.com
Core business activities	Construction of buildings Civil engineering Specialised construction activities Architectural and engineering activities
Financial year	1 January 2011 – 31 December 2011
Reporting period	1 January 2011 – 31 March 2011
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

Group strategy and objectives

Nordecon Group's main strategic objectives until 2013

- To complete the significant 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 current strategy [1]
- 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 operate in 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 changes swiftly and flexibly and to enter the next economic growth cycle successfully"

In the board's opinion, in forthcoming years the Group will have to focus on its core business operations in its main market, Estonia, where Nordecon is represented in practically 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 taking advantage of the benefits yielded by internal restructuring and streamlining, improving profitability by proactive cost management, and creating opportunities for successfully entering the growth phase of the construction market (also in the 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 has to support the Group's recovery from the slump still prevailing in the construction market and to prepare ground for seizing the opportunities provided by a steadier growth that is anticipated to emerge in 2012.

In the foreseeable future, we will not seek to increase revenue without applying measures that ensure profitability because this might lead to taking unjustified risks in a situation where rapidly rising input prices may have a strong impact on companies' performance in subsequent periods.

[1] In the interim report for the fourth quarter of 2010 we explained that the decision regarding the future of the Group's Ukrainian operations would be made in the first quarter of 2011. Nordecon AS has decided to continue operating in the Ukrainian market. For further information, please refer to the chapter *Changes in the Group's business operations in the first quarter of 2011*.

Changes in the Group's business operations in the first quarter of 2011

Changes in the Group's Estonian operations

There were no major changes in the Group's Estonian operations in the first quarter of 2011. The Group did not enter any new operating segments or exit any current segments or sub-segments.

Since the beginning of 2011, a significant proportion of the Group's core business has been conducted by the parent, Nordecon AS, which at the end of 2010 merged with its subsidiaries Nordecon Ehitus AS and Nordecon Infra AS, which were involved in buildings and infrastructure construction respectively. At the same time, Nordecon AS will continue acting as a holding company for the Group's main Estonian and foreign subsidiaries.

Changes in the Group's foreign operations

Latvia

There have been no changes in the Group's Latvian operations compared with the fourth quarter of 2010. The Group has currently no active construction contracts in Latvia and no subsidiaries domiciled in Latvia.

Lithuania

There have been no changes in the Group's Lithuanian operations compared with the fourth quarter of 2010. The Group has no currently active construction contracts in Lithuania and the activities of the Lithuanian subsidiary Nordecon Statyba UAB have been suspended.

Belarus

The Group continues project-based business in Belarus, building a factory for a Finnish food industry company under a contract signed in a previous period. The Group does not have any other active contracts in Belarus. The project is performed through the Group's Belarusian subsidiary Eurocon Stroi IOOO. According to the Group's development strategy, Belarus is not among the Group's target foreign markets and the above project was simply aimed at learning about local business practice. We have decided that after the delivery of the project in 2011 the Group will exit the Belarusian market. The decision was prompted by the fact that the Belarusian business and legal environment is not yet sufficiently transparent and supportive for continuing stable permanent operations in the Belarusian construction sector.

Ukraine

We have decided that the Group will continue operating in Ukraine in 2011 and that the target is to maintain optimal preparedness for re-launching construction activities as soon as the situation in the local construction market improves. Because of economic and political problems (and difficulties in the banking sector), the country has not been able to re-attract a sufficient number of foreign investors that are the Group's target customers. The decision to remain in Ukraine was underpinned by well-planned activities during the slump and the prospects of market recovery in the next few years.

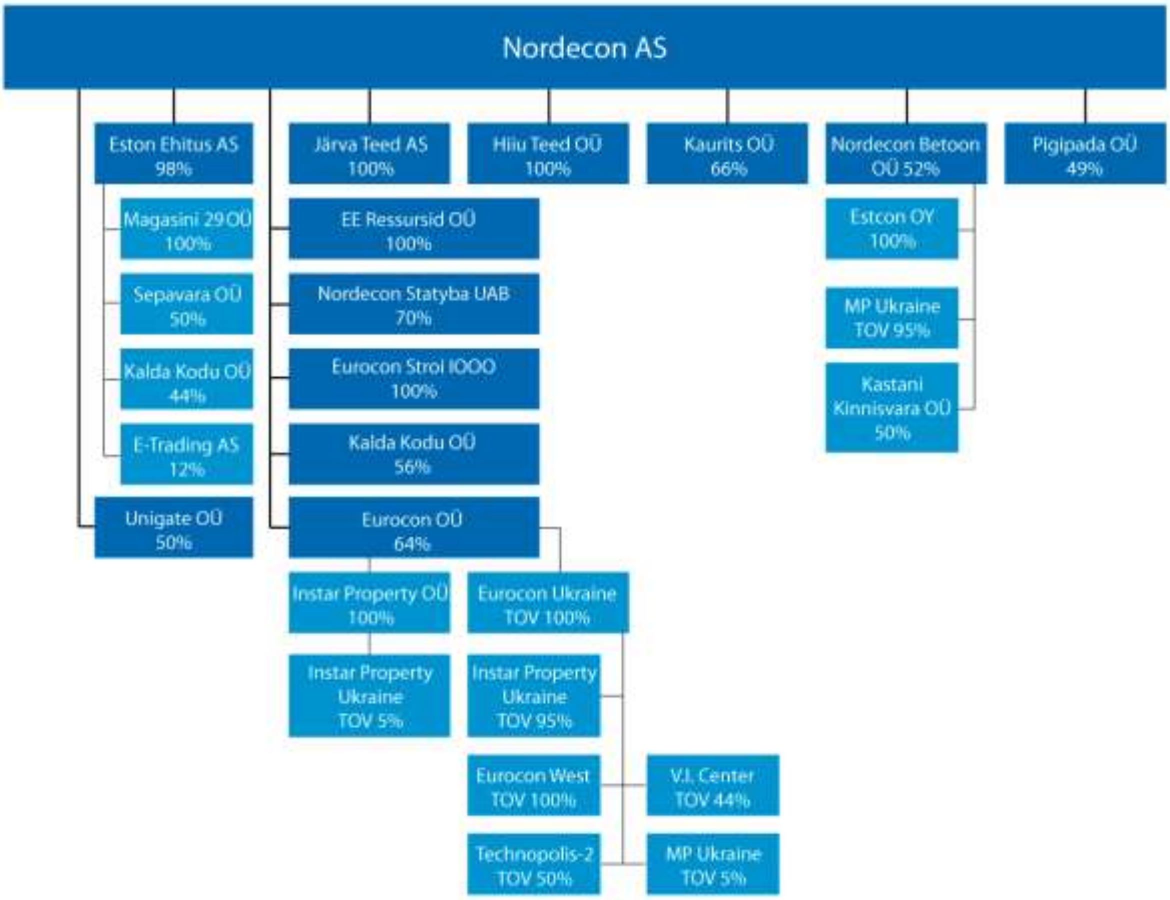
Real estate development projects that require extensive investment (the Group has an interest in two conserved development projects) will remain suspended to minimise the risks until the situation in Ukraine eases up.

Finland

Nordecon Betoon OÜ and its Finnish subsidiary Estcon Oy will continue providing subcontracting services in the concrete works sector in Finland where the Group's strengths include top quality technical expertise, mobility and a competitive price.

The Group's structure and major structural changes

The Group's structure at 31 March 2011 including interests in subsidiaries and associates [1]



[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 the first quarter of 2011

In the first quarter of 2011 the Group's structure did not change compared with the end of fiscal 2010.

Financial review

Margins

Nordecon Group ended the first quarter of 2011 with a gross loss of 73 thousand euros compared with a gross loss of 1,517 thousand euros for the first quarter of 2010. Although the Group did not yet earn a profit, the year-over-year improvement in the gross result is an indicator of positive developments our operating environment. The loss is partly attributable to adverse weather conditions that did not allow doing sufficient outdoor work (particularly in the Infrastructure segment). For the second consecutive year, the level of winter precipitation in Estonia was higher than average leading to zero profit or, in some cases, even a loss on road maintenance contracts. Moreover, the prolonged winter season lengthened the technological standstill during which the Group incurs fixed costs without earning revenue in an area that has a strong impact on its overall performance.

Compared with the same period in 2010, the Group achieved a significant increase in operating revenue while maintaining tight cost control. As a result, in the first quarter we practically reached break-even. Above all, operational profitability has improved on account of the following factors:

- The impact of the risks that realised on the performance of some long-term contracts secured mainly in 2009 has in all material respects been identified and associated losses have been recognised in previous periods. In 2010 the Group shifted the focus on improving the profitability, not the size, of its contracts portfolio.
- At the end of 2010 the Group won several contracts with the targeted gross profit whose full-scale performance could start during the winter months.
- And, last but not least, the stringent austerity and streamlining measures applied in the past two years have yielded clearly positive results.

For construction companies, the year 2011 brought the discovery that in some segments competition has started to subside. The main reason is not yet the bankruptcies of construction companies but the fact that in recent years many companies have had to cut their personnel and support structures to an extent which today is undermining their bidding capabilities. Furthermore, many companies are being held back by increasingly tougher financing requirements imposed by customers organizing tenders and the limited availability of guarantee facilities provided by financing institutions. A majority of construction companies have become aware of the fact that long-term construction contracts entail the risk of growth in input prices. All this is exerting positive influence on the margins of new construction contracts. Although the Group's margins do not yet meet the target, management believes that the Group is moving in the right direction for restoring the profitability of its operating activities 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.

Administrative expenses for the first quarter of 2011 totalled 1,067 thousand euros. Compared with the same period in 2010, the Group has cut its administrative expenses by 9% and the figure has levelled off. The ratio of administrative expenses to revenue was 6.0% (Q1 2010: 10.4%). We are pleased to report that our cost-saving measures have yielded good results and that according to management's estimates on a full-year basis the Group will be able to maintain the level of administrative expenses below the target, i.e. 5% of revenue.

The Group's first-quarter operating loss was 1,116 thousand euros (Q1 2010: 2,912 thousand euros).

Consolidated net loss was 1,234 thousand euros. The loss attributable to owners of the parent, Nordecon AS, was 1,177 thousand euros. The first quarter of 2010 ended in a net loss of 1,642 thousand euros, including non-recurring net finance income of 1,177 thousand euros on the sale of the Latvian subsidiary. Excluding the effect of the latter, the Group's net loss for the first quarter of 2010 would have been 2,819 thousand euros.

Cash flows

In the first quarter of 2011, the Group's operating activities resulted in a net cash outflow of 1,977 thousand euros. In the comparative period, operating activities resulted in a net cash inflow of 2,359 thousand euros. Compared with the same period in 2010, 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' settlement terms have lengthened to approx. 45 to 100 days. This means that under many projects, the first payments for work started in the first quarter are made in the second quarter, etc. The negative cash flow of unprofitable projects realises based on the performance of the work although their book loss has been recognised in previous periods.

Investing activities generated a net inflow of 248 thousand euros compared with a net outflow of 476 thousand euros for the first quarter of 2010. In the reporting period, inflows consisted mostly of receipts for sale of property, plant and equipment. In the comparative period, the net outflow was mainly attributable to the disposal of the Latvian subsidiary.

Financing activities resulted in a net cash outflow of 1,783 thousand euros. In the comparative period, the net outflow was 3,914 thousand euros. The structure of financing cash flows has remained more or less stable. The Group is raising slightly less debt capital than is required for meeting its loan commitments on a timely basis. On the other hand, repayments have decreased year-over-year thanks to agreements reached with the banks. The renegotiation of settlement terms did not cause any significant changes in interest rates.

At 31 March 2011, the Group's cash and cash equivalents totalled 2,303 thousand euros (31 March 2010: 12,376 thousand euros). For information on potential liquidity risks, please refer to the chapter *Description of the main risks.*

Key financial figures and ratios

Figure / ratio	Q1 2011	Q1 2010	Q1 2009	2010
Revenue (EUR'000)	17,723	11,248	37,750	99,312
Revenue growth/decrease	58%	-70%	-24%	-36%
Net loss (EUR'000)	-1,234	-1,606	-34	-12,738
Loss attributable to owners of the parent (EUR'000)	-1,177	-1,316	450	-11,811
Weighted average number of shares	30,756,728	30,756,728	30,756,728	30,756,728
Earnings per share (EUR)	-0.04	-0.04	0.01	-0.38
Average number of employees	699	745	1,223	774
Revenue per employee (EUR'000)	25	15	31	128
Personnel expenses to revenue	17.4%	29.6%	16.7%	14.6%
Administrative expenses to revenue	6.0%	10.4%	6.3%	4.9%
EBITDA[1] (EUR'000)	-484	-1,968	947	-5,512
EBITDA margin	-2.7%	-17.5%	2.5%	-5.6%
Gross margin	-0.4%	-13.5%	6.2%	-0.7%
Operating margin	-6.3%	-25.9%	-0.6%	-9.0%
Operating margin excluding gains on asset sales	-7.5%	-25.9%	-0.7%	-9.4%
Net margin	-7.0%	-14.3%	-0.1%	-12.8%
Return on invested capital	-1.5%	-1.7%	0.5%	-15.8%
Return on assets	-1.2%	-2.6%	-0.1%	-8.3%
Return on equity	-3.8%	-3.6%	-0.1%	-32.6%
Equity ratio	35.5%	44.0%	36.7%	35.1%
Gearing	44.8%	22.8%	31.8%	42.3%
Current ratio	1.36	1.74	1.28	1.39

	31 March 2011	31 March 2010	31 March 2009	31 Dec 2010
Order book (EUR'000)	91,974	88,603	109,556	1,339,459

[1] On calculating EBITDA, non-cash expenses include depreciation and amortisation as well as impairment losses on goodwill of 411 thousand euros recognised in 2010.

Earnings per share (EPS) = net profit attributable to equity holders of the parent / weighted average number of shares outstanding

Revenue per employee = revenue / average number of employees

Personnel expenses to revenue = personnel expenses / revenue

Administrative expenses to revenue = administrative expenses / revenue

EBITDA = earnings before interest, taxes, depreciation and amortisation

EBITDA margin = EBITDA / revenue

Gross margin = gross profit / revenue

Operating margin = operating profit / revenue

Operating margin excluding gains on asset sales = (operating profit - gains on sale of property, plant and equipment - gains on sale of investment properties and real estate held for sale) / revenue

Net margin = net profit for the period / revenue

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

Return on assets = operating profit / the period's average total assets

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

Equity ratio = total equity / total equity and liabilities

Gearing = (interest-bearing liabilities – cash and cash equivalents) / (interest bearing liabilities + equity)

Current ratio = total current assets / total current liabilities

Performance by geographical market

In the first quarter of 2011, roughly 6% of the Group's revenue was generated outside Estonia. In the first quarter of 2010, foreign operations accounted for 4% of the Group's revenue.

	Q1 2011	Q1 2010	Q1 2009	2010
Estonia	92%	96%	83%	94%
Ukraine	0%	4%	3%	2%
Lithuania	0%	0%	2%	0%
Latvia	0%	0%	12%	0%
Belarus	5%	0%	0%	3%
Finland	3%	0%	0%	1%

The greatest proportion of foreign revenue was earned from project-based construction business in Belarus, which is expected to be completed in the second half-year. Management has decided that the Group will not seek any new projects in Belarus (see also the chapter *Changes in the Group's business operations in the first quarter of 2011*). Finnish revenues result from subcontracting in the field 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 the Group's strategy foresees increasing foreign operations, in the short term the Group will focus on the Estonian market and seizing opportunities in an environment that it knows best and that entails comparatively fewer market risks. The Group's vision of the future of its foreign operations 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 the field of buildings and infrastructure construction. The Group is involved, among other things, in the construction of commercial and industrial buildings and facilities, road construction and maintenance, environmental engineering, concrete works and real estate development.

Consolidated revenue for the first quarter of 2011 was 17,723 thousand euros, a 58% increase on the 11,248 thousand euros generated a year ago. Last year, the downturn that ravaged the Estonian construction market in 2008-2010 bottomed out. Revenue growth is attributable to the following factors: moderate growth in the buildings construction market, decline of competition in certain market segments and successful bidding for infrastructure contracts that could be performed during the winter season.

The Group aims to maintain the revenues of 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 forthcoming years the proportion of revenue from the construction of apartment buildings will remain significantly below the strategic 20% ceiling.

Segment revenue

The first-quarter revenues of our two main business segments were practically equal. Usually, the Buildings segment generates more first-quarter revenue because the winter season hinders full-scale performance of infrastructure projects such as road construction. However, the first quarter of 2011 was different because the Infrastructure segment had some projects whose performance was not significantly influenced by the weather. The Buildings and Infrastructure segments ended the first quarter of 2011 with revenue of 8,744 thousand euros and 8,389 thousand euros respectively. The corresponding figures for the comparative period were 8,326 thousand euros and 2,802 thousand euros.

For some time most tenders in the construction market have been related to infrastructure (mainly projects financed with the support of the state and the EU structural funds) and the majority (71%) of contracts in the Group's order book belong to the Infrastructure segment. Regardless of this, the revenues of the segments have been 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 therefore comparatively smaller. We expect that in the next quarters the contributions of the Buildings and Infrastructure segments will have similar proportions.

Revenue distribution between segments *

Business segments	Q1 2011	Q1 2010	Q1 2009	2010
Buildings	51%	72%	58%	48%
Infrastructure	49%	28%	42%	52%

* 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.

In *Directors' report*, projects have been aggregated and allocated to business segments based on their nature (i.e. buildings or infrastructure construction). In the segment reporting presented in the financial statements, aggregation and allocation is based on the Group entities' main field of activity (as required by IFRS 8 *Operating Segments*). In the financial statements the results of an entity that is primarily engaged in infrastructure construction are presented within the Infrastructure segment. In *Directors' report*, the revenues of such an entity are presented based on their nature. The differences between the two reports are not significant because in general Group entities specialize in specific areas except for the subsidiary Nordecon Betoon OÜ that is involved in both buildings and infrastructure construction.

Revenue distribution within segments

In the Buildings segment, most of the first quarter revenue resulted from the construction of public buildings. At the end of 2010, the Group won two public sector contracts whose size in the current market situation is substantial – one for the construction of the buildings of the Koidula border station and the other for the construction of the academic building of the Social Sciences Faculty of the University of Tartu. In addition, the Group continued a large-scale project involving the reconstruction of the historic seaplane hangars in Tallinn into the premises of the Estonian Maritime Museum. In the industrial and warehouse facilities sub-segment most of the revenue resulted from the construction of the Ahtme peak load boiler plant, which is under completion, and the food industry facilities being built in Belarus.

Distribution of revenues within the Buildings segment is influenced by the scarcity of projects on offer, which is forcing companies to compete in all market segments as the number of contracts awarded is small compared to bids made. The situation does not allow concentrating on a specific area. Another important factor is the general economic environment. During the downturn, private companies' investments in commercial and industrial buildings were modest while the central and local governments' investments in schools, nursery schools and public buildings increased, partly thanks to the support received from the EU structural funds. In the reporting period the Group built apartment buildings for external customers as a general contractor, not a developer.

Revenue distribution within the Buildings segment	Q1 2011	Q1 2010	Q1 2009	2010
Commercial buildings	11%	22%	75%	37%
Industrial and warehouse facilities	28%	28%	8%	18%
Public buildings	58%	34%	12%	35%
Apartment buildings	3%	16%	4%	10%

The Infrastructure segment achieved a three-fold increase in revenue compared with the first quarter of 2010 and the trends are reflected in the segment's internal revenue distribution. A significant proportion of revenue resulted from work that could be done during the winter season. This includes projects for the construction of water and wastewater networks because the Group has won several tenders in that field. We expect that the proportion of such projects will remain relatively large also in the rest of the year. In environmental engineering, the biggest project was the construction of a bio-filter for the water utility services provider AS Tallinna Vesi in Paljassaare. The proportion of road construction and maintenance revenues has decreased because the revenues of other sub-segments have grown. Most likely, the proportion of the Group's road construction and maintenance revenues will start increasing from the next quarter. Hydraulic engineering that depends heavily on Estonian ports' investment policies was almost non-existent in the reporting period.

Revenue distribution within the Infrastructure segment	Q1 2011	Q1 2010	Q1 2009	2010
Road construction and maintenance	21%	52%	20%	62%
Specialist engineering (including hydraulic engineering)	1%	3%	22%	1%
Other engineering	50%	30%	17%	28%
Environmental engineering	28%	15%	41%	8%

Order book

At 31 March 2011, the Group's order book stood at 91,974 thousand euros, 4% up on the 88,603 thousand euros posted a year ago. In the past quarters, the decline in the Group's order book has notably decelerated and the forward order book has levelled off at around 85 to 95 million euros.

	Q1 2011	Q1 2010	Q1 2009
Order book, in thousands of euros	91,974	88,603	109,556

At 71% the Infrastructure segment continues to account for a major proportion of the Group's total order book (31 March 2010: 77%).

As a result of market shrinkage, in 2010 the value of the uncompleted portfolio hit the bottom. In a situation where the decrease in input prices has been replaced by 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 March 2011) and the date of release of this report, Group companies have been awarded additional construction contracts of approximately 57,221 thousand euros. The figure includes a contract on the design and build of the Aruvalla-Kose section of the Tallinn-Tartu road of 39,262 thousand euros signed on 15 April 2011 and a contract on the construction of the facilities of the Ämari air base of 10,854 thousand euros signed on 2 May 2011. In light of the above, we expect that in subsequent periods the portfolio will grow on account of the emerging recovery of the construction market.

People

Staff and personnel expenses

At the end of the first quarter of 2011, the Group (including the parent and the subsidiaries) employed, on average, 699 people including around 337 engineers and technical personnel (ETP). In recent quarters, the decrease in personnel has decelerated and reached a turning point. The Group's management believes that in 2011 headcount will remain stable or will grow slightly. The figure will be influenced by additional seasonal labour hired for the second and third quarters as well as anticipated business growth.

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

	Q1 2010	Q1 2010	Q1 2009
ETP	337	354	499
Workers	362	391	624
Total average	**699**	**745**	**1,223**

The Group's personnel expenses for the first quarter of 2011, including all associated taxes, totalled 3,076 thousand euros, an 8% decrease compared with the 3,332 thousand euros incurred in the first quarter of 2010.

Personnel expenses have declined on account of downsizing compared with a year ago and a decrease in performance pay that is linked to the projects' profit margins.

In the first quarter of 2011, the remuneration of the members of the council of Nordecon AS including associated social security charges amounted to 21 thousand euros. The corresponding figure for the first quarter of 2010 was 25 thousand euros. The remuneration of the members of the board of Nordecon AS including social security charges totalled 72 thousand euros compared with 36 thousand euros in the first quarter of 2010. The remuneration provided to the board has increased because in the comparative period the board had two members while the current number is four. The composition of board changed in connection with the merger of two subsidiaries and the Group's parent that took place at the end of 2010.

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 majority shareholder

An engineer with a diploma in industrial and civil engineering from Tallinn Polytechnic Institute (today: Tallinn University of Technology), Toomas Luman is one of the founders of the Nordecon Group and has been involved in the activities of the Group as a member of the council or board for over 20 years. Besides construction companies, he has held senior positions at various other enterprises (AS Tallinna Kaubamaja, AS E-Betoonelement, OÜ Väokivi, AS Eesti Energia, etc). He is an active member of the community and has consistently contributed to the development of the entrepreneurial environment, education and national defence. For over 15 years he has led the Estonian Chamber of Commerce and Industry and has participated in the professional association of construction entrepreneurs. As chairman of the Chamber of Commerce, he was actively involved in the preparatory activities for Estonia's accession to the EU and the euro-zone. Before Estonia joined the EU, Toomas Luman was chairman of the consultative committee of the head of the Estonian state delegation in EU accession negotiations (the minister of foreign affairs) for four years. He has been awarded the Order of the White Star of the Republic of Estonia (First Class, Third Class and Fifth Class) and he has received various awards from the Estonian Defence Forces, the Estonian National Defence League and several other state and non-profit organisations. He has also received state awards from several foreign countries.

<u>Membership in the governing bodies of other organisations:</u> OÜ Luman ja Pojad and its subsidiaries and associates (including AS Nordic Contractors board), Eesti Energia AS (council), Eesti Energia Kaevandused AS (council), Estonian Chamber of Commerce and Industry, Tallinn Yacht Club, Nõmme Private Education Foundation, Foundation for Promoting National Defence, Development Foundation of Tallinn University of Technology, Centre for Strategic Initiatives, Cultural Foundation of the President of the Republic, Alumni Association of Tallinn University of Technology.

<u>Interests (exceeding 5%) in other companies:</u> OÜ Luman ja Pojad and its subsidiaries and associates (including AS Nordic Contractors).

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

An industrial and civil engineering graduate of Tallinn Polytechnic Institute (today: Tallinn University of Technology), Alar Kroodo has been actively engaged in the construction business for over 30 years, mainly in southern Estonia. He was manager of the construction enterprise Tartu Ehitustrusti Ehitusvalitsus and in 1992 established AS Linnaehitus (later renamed Nordecon Ehitus AS) where he worked as chairman of the board until 2003. Since then, he has been actively involved in the control functions of the Nordecon entities (Nordecon Ehitus AS, chairman of council 2003-2009). He is an active member of the community – he has participated in the activities of the Tartu Rotary Club and the management of the Estonian Association of Construction Entrepreneurs as well as various sports associations. He has been awarded the Order of the White Star of the Republic of Estonia (Fourth Class).

<u>Membership in the governing bodies of other organisations:</u> AS Nordic Contractors (council), ASM Investments OÜ and its subsidiaries and associates (board/council), OÜ Tähering (board), Tartu Sports Association Kalev.

<u>Interests (exceeding 5%) in other companies:</u> ASM Investments OÜ and its subsidiaries and associates, OÜ Tähering.

Ain Tromp – representative of small shareholders

Ain Tromp is a building engineering graduate of Tallinn Polytechnic Institute (today: Tallinn University of Technology). Since the 1980s he has been involved in the road construction business (Harju Road Administration and road repair and construction enterprise Teede Remondi ja Ehituse Trust). Between 1990 and 2007 he was the CEO and later until 2009 chairman of the council of AS Aspi (later renamed Nordecon Infra AS). Since 1997 Ain Tromp has been on the board of the Estonian Asphalt Pavement Association. He has been awarded the Order of the White Star of the Republic of Estonia (Fourth Class).

Membership in the governing bodies of other organisations: the Estonian Asphalt Pavement Association (board, until April 2011)

Interests (exceeding 5%) in other companies: none

Andri Hõbemägi – representative of AS Nordic Contractors

Andri Hõbemägi is an economics graduate of Tallinn University of Technology. From 1993 to 2001 he worked for AS Hansapank (later renamed AS Swedbank). From 2001 to 2002 he was the executive manager of football club FC Flora. In 2002 he became the CFO of AS Eesti Ehitus (later renamed Nordecon AS). During his term of office the company's shares were listed on the Tallinn Stock Exchange. Currently he is chief analyst with AS Nordic Contractors, the majority shareholder of Nordecon AS. His community activities are aimed at the development of Estonian football and regional education.

Membership in the governing bodies of other organisations: AS Nordic Contractors and its subsidiaries and associates (board/council), AS FCF Lilleküla Jalgpallistaadion (council), NutriMe OÜ (board), Estonian Football Association, Pelgulinna Education Society.

Interests (exceeding 5%) in other companies: none

Tiina Mõis – independent member

Tiina Mõis is a *cum laude* economics graduate of Tallinn Polytechnic Institute (today: Tallinn University of Technology). Between 1980 and 1999 she was chief accountant of various companies, the best known of them AS Hansapank (later renamed AS Swedbank) where she was also a board member from 1995 to 1998. As a member of the council, she remained involved with AS Hansapank until 2005. Currently she is the CEO of investment firm AS Genteel. In addition, she is a member of the council of many large Estonian companies. Tiina Mõis is an active member of many social and community organisations that contribute to the development of entrepreneurship, education, health and sports in Estonia. She has been awarded the Order of the White Star of the Republic of Estonia (Fourth Class).

Membership in the governing bodies of other organisations: AS Genteel and its subsidiaries and associates (board/council), AS Baltika (council), AS LHV Group (council), AS LHV Pank (council), AS Martinson Trigon (council), HTB Investeeringute AS (council), Rocca al Mare Koolimaja AS (council), Rocca al Mare Kooli AS (council), Rocca al Mare School Foundation (council), Estonian Chamber of Commerce and Industry, Alumni Association of Tallinn University of Technology, Development Foundation of Tallinn University of Technology.

Interests (exceeding 5%) in other companies: AS Genteel and its subsidiaries and associates.

Meelis Milder – independent member

An economics graduate of the University of Tartu, Meelis Milder has been involved in the activities of Baltika, one of the flagship companies of the Estonian clothing industry since 1984. Currently he is chairman of the board and a major shareholder of AS Baltika, which is listed on the NASDAQ OMX Tallinn Stock Exchange, and a member of the council of AS Tallinna Kaubamaja, also listed on the NASDAQ OMX Tallinn Stock Exchange. He has been awarded the Order of the White Star of the Republic of Estonia (Fourth Class).

Membership in the governing bodies of other organisations: AS Tallinna Kaubamaja (council), AS Baltika and its subsidiaries and associates (board/council), BMIG OÜ (board), BML Invest OÜ (board), OÜ Kodreste (board), OÜ LVM Projekt (board), OÜ Maisan (board), Estonian Chamber of Commerce and Industry.

Interests (exceeding 5%) in other companies: BMIG OÜ, BML Invest OÜ, OÜ Kodreste, OÜ LVM Projekt, OÜ Maisan.

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. From 1 January 2011 the board of Nordecon AS has had the following members:

Jaano Vink, chairman of the board

Jaano Vink is a qualified construction engineer. He joined the company in 2002 as deputy CEO, having previously worked for AS Muuga CT as development director and for AS Tallinna Sadam in various managerial capacities in the infrastructure construction department. He 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. The Estonian Association of Civil Engineers has awarded him the qualification of Diploma Civil Engineer V in the field of general construction. As chairman of the board, Jaano Vink is responsible for the overall management of the parent and Nordecon AS Group.

Membership in the governing bodies of other organisations: subsidiaries of Nordecon AS (board/council), Estonian Association of Construction Entrepreneurs, Healthy Estonia Foundation.

Interests (exceeding 5%) in other companies: none

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, he worked for AS Lemminkäinen as project manager. He graduated from Tallinn University of Technology, department of Industrial and Civil Engineering, in 1993. The Estonian Association of Civil Engineers has awarded him the qualification of Diploma Civil Engineer V in the field of general construction. As a member of the board, Avo Ambur is responsible for Nordecon AS' sales and pre-construction operations.

Membership in the governing bodies of other organisations: subsidiaries of Nordecon AS (board)

Interests (exceeding 5%) in other companies: none

Marko Raudsik, member of the board

Marko Raudsik joined the Group as works manager in 1994. Since then he has served the Group as project manager, head of budget department and technical and sales director and has been on the board of a subsidiary since 2007. He graduated *cum laude* from Tallinn University of Technology, department of Building Technology, in 1994. The Estonian Association of Civil Engineers has awarded him the qualification of Diploma Civil Engineer V in the field of general construction. As a member of the board, Marko Raudsik is responsible for management of the buildings construction division of Nordecon AS.

Membership in the governing bodies of other organisations: subsidiaries of Nordecon AS (board/council).

Interests (exceeding 5%) in other companies: none

Erkki Suurorg, member of the board

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

Membership in the governing bodies of other organisations: subsidiaries of Nordecon AS (board/council).

Interests (exceeding 5%) in other companies: none

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

Share and shareholders

Share information

Name of security	Nordecon AS ordinary share
Issuer	Nordecon AS
ISIN code	EE3100039496
Ticker symbol	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
Market	NASDAQ OMX Tallinn, Baltic Main List
Industry	Construction and engineering
Indexes	OMX_Baltic_Benchmark_Cap_GI; OMX_Baltic_Benchmark_Cap_PI OMX_Baltic_Benchmark_GI; OMX_Baltic_Benchmark_PI; OMX_Baltic_GI OMX_Baltic_PI; OMX Tallinn_GI; OMX_Baltic_Industrials_GI; OMX_Baltic_Industrials_PI

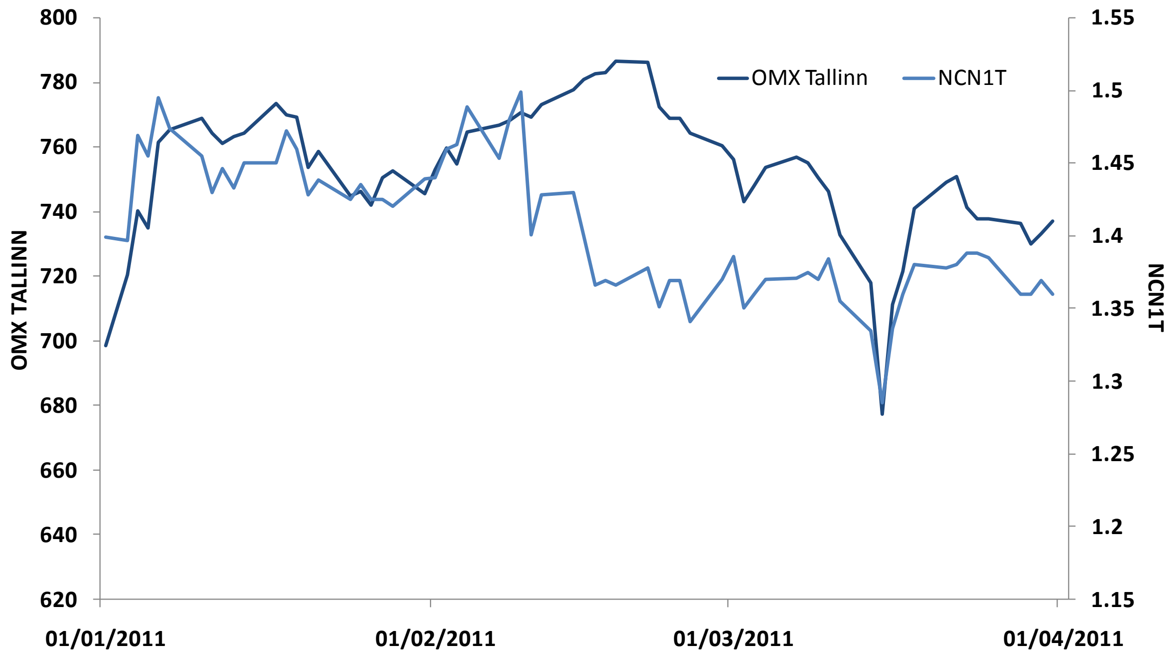
The share capital of Nordecon AS consists of 30,756,728 ordinary shares with a par value of 10 Estonian kroons (0.64 euros) each. Owners of ordinary shares are entitled to dividends as distributed from time to time. Each share carries one vote at the general meetings of the shareholders of Nordecon AS.

In connection with the adoption of the euro in the Republic of Estonia as from 1 January 2011 and in conformity with the amendments to the Estonian Commercial Code that took effect on 1 July 2010, the council of Nordecon AS has proposed to the shareholders that the share capital of Nordecon AS be converted from 307,567,280 Estonian kroons to 19,657,131.9 euros and that the company change the shares issued with par value into shares without par value. After the transaction the share capital of Nordecon AS would consist of 30,756,728 registered shares with no par value. The proposal has been included in the agenda of the annual general meeting that will convene on 12 May 2011.

Movements in the price and turnover of the Nordecon AS share in the first quarter of 2011

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

Movement of the share price compared with the OMX Tallinn main index in the first quarter of 2011



Index/equity	1 Jan 2011	31 Mar 2011	+/-%
OMX Tallinn	698.38	737.07	5.54
NCN1T	EUR 1.40	EUR 1.36	-2.79

Summarised trading results

Share trading history (EUR)

Price	Q1 2011	Q1 2010	Q12009
Open	1.38	1.62	1.05
High	1.5	2.60	1.30
Low	1.25	1.60	0.55
Last closing price	1.36	1.92	0.61
Traded volume (number of securities traded)	1,378,703	2,014,452	881,595
Turnover, millions	1.96	4.23	0.67
Listed volume (31 March), thousands	30,757	30,757	30,757
Market capitalisation (31 March), millions	41.83	59.05	18.75

Shareholder structure

Largest shareholders of Nordecon AS at 31 March 2011

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,507,464	53.67
Skandinaviska Enskilda Banken Ab Clients	2,615,614	8.50
ING Luxembourg S.A.	1,111,853	3.61
State Street Bank and Trust Omnibus Account A Fund	647,964	2.11
Ain Tromp	578,960	1.88
ASM Investments OÜ	519,600	1.69
SEB Pank AS Clients	412,750	1.34
Aivo Kont	300,000	0.98
Martin Sööt	292,473	0.95
SEB Elu- ja pensionikindlustus AS	262,700	0.85

Shareholder structure of Nordecon AS by ownership interest at 31 March 2011

	Number of shares	Ownership interest (%)
Shareholders with interest exceeding 5%	2	62.18
Shareholders with interest between 1% and 5%	5	10.64
Shareholders with interest below 1%	2,146	27.18
Total	**2,153**	**100**

Shares controlled by members of the council of Nordecon AS at 31 March 2011

Council member		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 Mõis	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 March 2011

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

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 disproportionately dependent on public procurement tenders and projects performed with the support of the EU structural funds. Project performance success is closely related to the administrative capabilities and procurement organisation skills of the central and local government which have improved compared with previous periods but are still of unreliable quality, causing hold-ups and difficulties both during the procurement proceedings and the performance of construction work.
- The contraction of the construction market ended with 2010. In 2011 the market will start recovering and construction volumes will grow somewhat. In addition to the infrastructure sector, where volumes are expected to remain steady, new projects will gradually be launched in the buildings construction sector. The latter should offer the main opportunities for growth, primarily because of the return of private sector customers (including foreign investors) that abandoned the market in previous years. However, in 2011 demand is not yet expected to recover 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, 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 were forced to exit the market. 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 chosen to ignore it due to cash flow problems. It is quite probable that in 2011 or 2012 even some fairly well-known companies (including those engaged in infrastructure construction) will have to discontinue or restructure their operations. Above all, construction companies’ ability to continue their operation will depend on how well they can manage their finances and whether they can maintain sufficient liquidity.
- Both active projects and those secured in 2011 will be significantly influenced by various terms and conditions (including different warranties, extended settlement terms, etc) dictated by customers that are becoming increasingly unfavourable for construction companies.
- Construction contracts’ profit margins will remain under pressure from continuously fierce competition and rising input prices. In addition, companies may continue challenging the results of poorly prepared public procurement tenders. The time and finance costs of the proceedings are high for all involved. It seems, though, that the most problematic time was in 2010 and the situation has started to improve. It will be increasingly important to meticulously comply with every detail of the tender requirements
- 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 but when volumes recover the availability of qualified labour will again be an issue. In 2011 the base wages paid by construction companies that have to maintain tight cost control are not expected to increase.
- In 2011 and 2012 the construction market will be seriously and unfortunately somewhat unpredictably impacted by a massive and rapid allocation of funds raised from the sale of the carbon dioxide emission quotas for improving the energy efficiency of buildings. Around 150 million euros will be distributed for that purpose within roughly one and a half years. This will trigger rapid demand hikes in some specialized construction segments (e.g. joint filling, facade and roof works, and heating systems) as well as related segments, which will cause an unreasonable rise in respective prices and may cause temporary problems for the entire sector.
- The post-depression macroeconomic and construction market indicators will continue to improve. As a result, the banks will be increasingly interested 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 will not 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 various aspects of its core operations
2. Maintaining strict control over fixed costs
3. Keeping up and improving the team spirit and dedication of the Nordecon people

Latvia and Lithuania

According to the Group's assessment, the Latvian construction market will continue adjusting to the post-recession environment also in 2011. The Group does not exclude the possibility that in the next few years it will undertake some projects in Latvia 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.

The Lithuanian construction market does not show any signs of recovery in areas where Group entity Nordecon Statyba UAB is competitive. Therefore, the operations of the Lithuanian-based Nordecon Statyba UAB have been suspended and the Group is monitoring the market situation. The temporary suspension of operations does not cause any major costs for the Group. It is possible 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

The Group will continue operating in Ukraine as a general contractor and project manager in the construction of commercial buildings and production facilities. In 2009 and 2010, there were practically no private foreign customers in those sub-segments. Although the Ukrainian construction market is not expected to recover notably in 2011 there are some signs of improvement. The Group has decided to continue its operation in Ukraine. Costs are kept minimal and the Group is maintaining readiness for re-launching more active operations.

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 private customers' lack of financing. The political situation has not stabilised as quickly as anticipated and private sector customers have not started investing in projects where the Group has a competitive advantage.

However, the construction market of a country with a population of around 46 million has strong business potential. 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. We are confident that the crisis experienced by 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 and, in the long-term perspective, the new thinking will improve the Group's position.

Belarus

The Belarusian business environment has features similar to the Ukrainian one although there is a certain temporal shift: bureaucracy, complex taxation principles and constraints on providing cross-border services. The potential of the Belarusian construction market is also 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 will operate in Belarus on a project basis, completing the only active project. After this, for the time being no new projects will be started.

Finland

In Finland, the Group provides subcontracting services in the field of concrete works. This is an area where Estonian companies still have an edge over local entities through lower personnel expenses. The Finnish concrete works market allows the Group to compete for selected projects (the main criteria are the location and the customer's risk profile). In 2011 demand for concrete works should remain stable. Nevertheless, the Group will maintain a rational approach and will avoid taking excessive risks in Finland. The Group is currently not planning to penetrate other segments of the Finnish construction 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 companies to bid unreasonably low prices in a situation where input prices have started rising and may cause steep losses. In the construction market, 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 austerity measures as well as attention to detail and thorough analysis 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, Group companies create warranties provisions. At 31 March 2011, the provisions (including current and non-current ones) totalled 1,109 thousand euros. At 31 March 2010, the corresponding figure was 916 thousand 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 although there were also some large problem customers. The proportion of overdue receivables has increased. On the one hand, this heightens the risk of future credit losses but on the other hand, many debtors with overdue accounts are state or local government institutions with whom major problems are less likely. In accordance with the Group's accounting policies, all receivables that are more than 180 days overdue or in respect of which no additional settlement agreements have been reached are recognised as an expense.

In the first quarter of 2011, expenses from write-down of receivables totalled 2 thousand euros. In the first quarter of 2010, recoveries of previously expensed receivables exceeded expenses from the write-down of receivables and the Group could recognise a reduction of expenses of 9 thousand euros.

Liquidity risk

Free funds are placed in overnight or fixed-interest term deposits with the largest banks in the markets where the Group operates. To ensure timely settlement of liabilities, approximately two weeks' working capital is kept in current accounts or overnight deposits. Where necessary, overdraft facilities are used. At the reporting date, the Group's current assets exceeded its current liabilities 1.36-fold (31 March 2010: 1.74-fold) and available cash funds totalled 2,303 thousand euros (31 March 2010: 12,376 thousand euros).

The balance of free cash funds has decreased compared with the end of 2010. This is attributable to the commencement of full-scale construction operations after the technological standstill of the winter season, particularly in the Infrastructure segment. The customers' settlement terms have lengthened and extend to 45 to 100 days as a rule. According to management's estimates the decrease in cash funds is of a cyclical nature and will reverse in the following quarters because settlement dates generally fall in the second to fourth quarters. The cash balance should see gradual growth also on account of new projects whose margins are higher than the current ones that were secured in an environment of aggressive competition.

Interest rate risk

The Group's interest-bearing liabilities to banks have mainly fixed interest rates. Finance lease liabilities have floating interest rates and are linked to EURIBOR. At 31 March 2011, the Group's interest-bearing loans and borrowings totalled 30,361 thousand euros, an increase of 1,217 thousand euros year-over-year. Interest expense for the first quarter of 2011 amounted to 273 thousand euros. Compared with the same period in 2010, interest expense has contracted by 21 thousand euros. The Group's interest rate risk is currently influenced by two factors: a rise in the base rate for floating interest rates (EURIBOR) and comparative weakness of operating cash flows. 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 has not acquired derivatives to hedge its interest rate risks.

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 discontinuance of 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. The Group has not acquired derivatives to hedge its currency risks.

The Group's exchange gains and losses for the first quarter of 2011 resulted in a net exchange loss of 139 thousand euros. In the comparative period, exchange differences resulted in a net exchange gain of 174 thousand 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	11 May 2011
Avo Ambur	Member of the Board	11 May 2011
Marko Raudsik	Member of the Board	11 May 2011
Erkki Suurorg	Member of the Board	11 May 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 first three months and first quarter of 2011 and confirms that:

- the policies applied on the preparation of the Group's 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 (11 May 2011) have been properly recognised and disclosed; and

- Nordecon AS and its subsidiaries are going concerns.

Jaano Vink	Chairman of the Board	11 May 2011
Avo Ambur	Member of the Board	11 May 2011
Marko Raudsik	Member of the Board	11 May 2011
Erkki Suurorg	Member of the Board	11 May 2011

Condensed consolidated interim statement of financial position

EUR´000	Note	31 March 2011	31 December 2010
ASSETS			
Current assets			
Cash and cash equivalents		2,303	5,818
Trade and other receivables	2	29,348	31,266
Prepayments		1,322	1,060
Inventories	3	26,516	24,982
Non-current assets held for sale		321	321
Total current assets		**59,810**	**63,447**
Non-current assets			
Investments in equity-accounted investees		99	99
Other investments		26	26
Trade and other receivables		2,421	2,215
Investment property		4,930	4,930
Property, plant and equipment	4	8,359	9,038
Intangible assets	4	15,459	15,486
Total non-current assets		**31,294**	**31,794**
TOTAL ASSETS		**91,104**	**95,241**
LIABILITIES			
Current liabilities			
Loans and borrowings	5, 6	16,366	19,231
Trade payables		18,245	17,429
Other payables		3,935	3,446
Deferred income		4,658	4,425
Provisions		871	1,160
Total current liabilities		**44,075**	**45,691**
Non-current liabilities			
Loans and borrowings	5, 6	13,994	15,377
Trade payables		295	215
Other payables		0	96
Provisions		423	423
Total non-current liabilities		**14,712**	**16,111**
TOTAL LIABILITIES		**58,787**	**61,802**
EQUITY			
Share capital		19,657	19,657
Statutory capital reserve		2,555	2,558
Translation reserve		-146	-233
Retained earnings		9,081	10,257
Total equity attributable to equity holders of the parent		**31,147**	**32,240**
Non-controlling interest		**1,170**	**1,199**
TOTAL EQUITY		**32,317**	**33,439**
TOTAL LIABILITIES AND EQUITY		**91,104**	**95,241**

Condensed consolidated interim statement of comprehensive income

EUR´000	Note	Q1 2011	Q1 2010	2010
Revenue	8, 9	17,723	11,248	99,312
Cost of sales	10	-17,796	-12,765	-100,012
Gross loss		**-73**	**-1,517**	**-700**
Distribution expenses		-96	-128	-401
Administrative expenses	11	-1,067	-1,168	-4,887
Other operating income	12	226	43	820
Other operating expenses	12	-106	-144	-3,807
Operating loss		**-1,116**	**-2,912**	**-8,975**
Finance income	13	183	2,508	3,059
Finance expenses	13	-305	-1,201	-6,338
Net finance income / expense		**-122**	**1,307**	**-3,279**
Share of loss of equity-accounted investees		0	-1	-517
Loss before income tax		**-1,238**	**-1,606**	**-12,771**
Income tax expense / income		4	0	33
Loss for the period		**-1,234**	**-1,606**	**-12,738**
Other comprehensive income / expense:				
Exchange differences on translating foreign operations		115	-36	-28
Total other comprehensive income / expense for the period		**115**	**-36**	**-28**
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		**-1,119**	**-1,642**	**-12,766**
Loss attributable to:				
- Owners of the parent		-1,177	-1,316	-11,811
- Non-controlling interests		-57	-290	-927
Loss for the period		**-1,234**	**-1,606**	**-12,738**
Total comprehensive expense attributable to:				
- Owners of the parent		-1,090	-1,352	-11,839
- Non-controlling interests		-29	-290	-927
Total comprehensive expense		**-1,119**	**-1,642**	**-12,766**
Earnings per share attributable to owners of the parent:				
Basic earnings per share (EUR)	7	-0.04	-0.04	-0.38
Diluted earnings per share (EUR)	7	-0.04	-0.04	-0.38

Condensed consolidated interim statement of cash flows

EUR´000	Note	Q1 2011	Q1 2010
Cash flows from operating activities			
Cash receipts from customers		21,774	22,017
Cash paid to suppliers		-20,525	-14,374
VAT paid		-372	-1,336
Cash paid to and for employees		-2,853	-3,937
Income tax paid		-1	-11
Net cash used in / from operating activities		**-1,977**	**2,359**
Cash flows from investing activities			
Acquisition of property, plant and equipment		-6	-52
Proceeds from sale of property, plant and equipment and intangible assets	4	277	27
Disposal of subsidiaries, net of cash transferred		0	-633
Loans granted		-39	-75
Repayment of loans granted		13	170
Dividends received		0	2
Interest received		3	85
Net cash from / used in investing activities		**248**	**-476**
Cash flows from financing activities			
Proceeds from loans received		163	1,222
Repayment of loans received		-1,164	-4,202
Payment of finance lease liabilities		-493	-711
Interest paid		-289	-217
Other payments made		0	-6
Net cash used in financing activities		**-1,783**	**-3,914**
Net cash flow		**-3,512**	**-2,031**
Cash and cash equivalents at beginning of period		**5,818**	**14,392**
Effect of exchange rate fluctuations		-3	15
Decrease in cash and cash equivalents		-3,512	-2,031
Cash and cash equivalents at end of period		**2,303**	**12,376**

Condensed consolidated interim statement of changes in equity

EUR`000	Equity attributable to equity holders of the parent: Share capital	Statutory capital reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
Balance at 31 December 2009	**19,657**	**2,557**	**-205**	**22,067**	**44,077**	**706**	**44,783**
Loss for the period	0	0	0	-1,316	-1,316	-290	-1,606
Other comprehensive expense	0	0	-36	0	-36	0	-36
Increase of capital reserve	0	1	0	0	1	0	1
Changes in non-controlling interest	0	0	0	0	0	1,410	1,410
Balance at 31 March 2010	**19,657**	**2,558**	**-241**	**20,751**	**42,726**	**1,826**	**44,552**
Balance at 31 December 2010	**19,657**	**2,558**	**-233**	**10,257**	**32,240**	**1,199**	**33,439**
Loss for the period	0	0	0	-1,177	-1,177	-57	-1,234
Other comprehensive income	0	0	87	0	87	28	115
Reduction of capital reserve	0	-3	0	0	-3	0	-3
Changes in non-controlling interest	0	0	0	0	0	0	0
Balance at 31 March 2011	**19,657**	**2,555**	**-146**	**9,081**	**31,147**	**1,170**	**32,317**

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 consolidated interim financial statements as at and for the three months ended 31 March 2011 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 2010.

The Group has not changed its significant accounting policies compared with the consolidated financial statements as at and for the year ended 31 December 2010. The effect of any new and revised standards that have taken effect is described in this note.

According to management's assessment, the condensed consolidated interim financial statements of Nordecon AS for the first quarter and three months of 2011 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.

Standards effective from 1 January 2011 that have an impact on the Group's financial statements:

None.

New and revised standards and interpretations effective as at 1 January 2011 that are not relevant for the Group on the preparation of the interim financial statements:

- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2011);
- IAS 32 *Financial Instruments: Presentation* (effective for annual periods beginning on or after 1 February 2010);
- Revised IAS 24 *Related Party Disclosures* (effective for annual periods beginning on or after 1 January 2011)

Changes in the presentation of the interim financial statements

On preparing the annual financial statements for 2010, the Group changed its segment reporting policies. The results of the subsidiary Nordecon Betoon OÜ were reclassified to the Buildings (EU) segment because historically most of its business has been related to buildings construction. In previous periods, the subsidiary was included in the Infrastructure (EU) segment because it was part of the Nordecon Infra subgroup that was primarily engaged in infrastructure construction. In connection with the merger of Nordecon Infra AS with the parent Nordecon AS at the end of 2010, the Group's chief operating decision maker analyses the results of Nordecon Betoon OÜ within the composition of the Buildings (EU) segment. In addition, the Group specified the allocation and elimination of inter-segment transactions. For further information on the changes, please refer to note 8.

NOTE 2. Trade and other receivables

EUR`000	Note	31 Mar 2011	31 Dec 2010
Current portion			
Trade receivables		11,039	15,319
Retentions receivable		1,257	1,121
Receivables from related parties		1,002	1,741
Loans to related parties	14	9,471	9,354
Miscellaneous receivables		784	757
Total receivables and loans granted		**23,553**	**28,292**
Due from customers for contract work		5,795	2,974
Total trade and other receivables		**29,348**	**31,266**

EUR´000	Note	31 Mar 2011	31 Dec 2010
Non-current portion			
Loans to related parties	14	2,029	1,994
Receivables from related parties		62	0
Miscellaneous receivables		330	221
Total trade and other receivables		**2,421**	**2,215**

NOTE 3. Inventories

EUR`000	31 Mar 2011	31 Dec 2010
Raw and other materials	3,265	3,125
Work in progress	6,050	4,290
Real estate held for resale	13,446	13,535
Finished goods	3,755	4,032
Total inventories	**26,516**	**24,982**

NOTE 4. Property, plant and equipment and intangible assets

Property, plant and equipment

In the first quarter of 2011, 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 2010 mainly through depreciation and sales of property, plant and equipment. Cash proceeds from the sale of property, plant and equipment totalled 277 thousand euros (see statement of cash flows) and sales gain amounted to 213 thousand euros (note 12)

Intangible assets

In the first quarter of 2011, the Group did not perform any major transactions with intangible assets. The carrying amount of intangible assets has decreased compared with 31 December 2010 mainly through amortisation.

NOTE 5. Finance and operating leases

EUR´000	31 Mar 2011	31 Dec 2010
Finance lease liabilities at end of reporting period	**3,686**	**4,183**
Of which payable in less than 1 year	1,978	2,105
Of which payable between 1 and 5 years	1,708	2,078
Base currency EUR	3,676	4,166
Base currency UAH	10	17
Interest rates of contracts denominated in EUR[1]	3.0%-8.0%	3.0%-8.0%
Interest rates of contracts denominated in UAH	10%-12%	10%-12%
Periodicity of payments	Monthly	Monthly

[1] Including leases with floating interest rates

Finance lease payments made	Q1 2011	Q1 2010
Principal payments	494	711
Interest payments	34	43

Operating lease rentals paid for	Q1 2011	Q1 2010
Cars	164	189
Construction equipment	632	235
Premises	119	93
Software	87	128
Total operating lease rentals paid	**1,002**	**645**

NOTE 6. Interest-bearing loans and borrowings

Current loans and borrowings:

EUR´000	Note	31 Mar 2011	31 Dec 2010
Short-term portion of long-term bank loans		5,822	5,666
Short-term portion of finance lease liabilities	5	1,978	2,105
Short-term bank loans		8,415	8,611
Factoring liabilities		151	2,849
Total current loans and borrowings		**16,366**	**19,231**

Non-current loans and borrowings:

EUR´000	Note	31 Mar 2011	31 Dec 2010
Long-term portion of bank loans		11,302	12,315
Long-term portion of finance lease-liabilities	5	1,708	2,078
Other long-term loans		984	984
Total non-current loans and borrowings		**13,994**	**15,377**

NOTE 7. 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.

EUR´000	Q1 2011	Q1 2010
Loss for the period attributable to owners of the parent	-1,177	-1,316
Weighted average number of shares (in thousands)	30,757	30,757
Basic earnings per share	-0.04	-0.04
Diluted earnings per share	-0.04	-0.04

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

NOTE 8. 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

During the period 2009-2010 the parent of the Group (at that time named Nordecon International AS) operated as a holding company and did not participate in operating activities. Accordingly, its results were not included in segment reporting. After internal restructuring, from 2011 the parent Nordecon AS is involved in the Group's core business activities and its revenues and profit/loss from those activities are included in segment reporting. The parent company operates in both Buildings and Infrastructure segments. Revenues and profit/loss from activities not related to core business operations or which cannot be allocated to operating segments on a reliable basis (e.g. support functions that provide services concurrently to both Infrastructure and Buildings segments) are reported in the segment and consolidated information reconciliation tables.

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.

Q1

EUR´000 Q1 2011	Buildings EU	Buildings UKR/BLR	Infrastructure EU	Other segments	Total
Total revenue	9,715	976	8,402	1,939	21,032
Inter-segment revenue	-1,967	0	-13	-1,583	-3,563
Revenue from external customers	**7,748**	**976**	**8,389**	**356**	**17,469**
Segment profit/loss	**1,064**	**338**	**-978**	**-119**	**305**

EUR´000 Q1 2010	Buildings EU	Buildings UKR/BLR	Infrastructure EU	Other segments	Total
Total revenue	8,012	438	2,804	252	11,506
Inter-segment revenue	-119	-5	-2	-151	-277
Revenue from external customers	**7,893**	**433**	**2,802**	**101**	**11,229**
Segment profit/loss	**370**	**-113**	**-1,373**	**-332**	**-1,448**

Changes in segment reporting and comparative data

In connection with the reclassification of the subsidiary Nordecon Betoon OÜ and other specifications comparative data was restated as follows:

EUR´000 Q1 2010	Buildings EU	Buildings UKR/BLR	Infrastructure EU	Other segments	Total
Total revenue	+326	0	-412	0	-86
Inter-segment revenue	-45	-5	+117	+19	+86
Revenue from external customers	**+281**	**-5**	**-295**	**+19**	**0**
Segment profit/loss	**+145**	**0**	**+317**	**0**	**464**

Reconciliation of segment revenues

EUR´000	Q1 2011	Q1 2010
Total revenues for reportable segments	19,093	11,254
Revenue for other segments	1,939	252
Elimination of inter-segment revenues	-3,563	-277
Other revenue	254	19
Total consolidated revenue	**17,723**	**11,248**

Reconciliation of segment profit

EUR´000	Q1 2011	Q1 2010
Total profit or loss for reportable segments	424	-1,116
Total loss for other segments	-119	-332
Inter-segment loss	-5	-6
Other loss	-373	-62
Consolidated gross loss	**-73**	**-1,517**
Unallocated expenses:		
Distribution expenses	-96	-128
Administrative expenses	-1,067	-1,168
Other operating income / expenses	120	-99
Consolidated operating loss	**-1,116**	**-2,912**
Finance income	183	2,508
Finance expenses	-305	-1,201
Share of loss of equity-accounted investees	0	-1
Consolidated loss before tax	**-1,238**	**-1,606**

NOTE 9. Segment reporting – geographical segments

EUR´000	Q1 2011	Q1 2010
Estonia	16,224	10,811
Ukraine	40	438
Belarus	936	0
Finland	536	0
Inter-segment eliminations	-13	-1
Total revenue	**17,723**	**11,248**

NOTE 10. Cost of sales

EUR´000	Q1 2011	Q1 2010
Cost of materials, goods and services used	14,590	9,224
Personnel expenses	2,565	2,657
Depreciation and amortisation expense	585	766
Other expenses	56	118
Total cost of sales	**17,796**	**12,765**

NOTE 11. Administrative expenses

EUR´000	Q1 2011	Q1 2010
Personnel expenses	511	675
Cost of materials, goods and services used	471	379
Depreciation and amortisation expense	47	69
Other expenses	38	45
Total administrative expenses	**1,067**	**1,168**

NOTE 12. Other operating income and other operating expenses

EUR´000	Q1 2011	Q1 2010
Other operating income		
Gains on sale of property, plant and equipment and intangible assets	213	3
Other income	13	40
Total other operating income	**226**	**43**

EUR´000	Q1 2011	Q1 2010
Other operating expenses		
Losses on write-off of property, plant and equipment and intangible assets	1	0
Foreign exchange losses	85	0
Impairment losses on receivables	2	-9
Impairment losses on goodwill	0	109
Membership fees	0	5
Other expenses	18	39
Total other operating expenses	**106**	**144**

NOTE 13. Finance income and finance expenses

EUR´000	Q1 2011	Q1 2010
Finance income		
Gains on disposal of investments in subsidiaries and associates	0	2,086
Interest income on loans	173	190
Foreign exchange gains	0	172
Other finance income	10	60
Total finance income	**183**	**2,508**

EUR´000	Q1 2011	Q1 2010
Finance expenses		
Interest expense	250	294
Foreign exchange losses	55	0
Other finance expenses	0	907
Total finance expenses	**305**	**1,201**

NOTE 14. Transactions with related parties

For the purposes of these financial statements, parties are related if one controls the other or exerts significant influence on the other's operating decisions (assumes holding more than 20% of the voting power). Related parties include:

- Nordecon AS' parent company AS Nordic Contractors and its shareholders
- Other companies of AS Nordic Contractors group
- Associates and joint ventures (equity-accounted investees) 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:

EUR´000		Q1 2011		Q1 2010
Volume of transactions	**Purchase**	**Sale**	**Purchase**	**Sale**
AS Nordic Contractors	86	2	99	221
Companies of AS Nordic Contractors group	379	437	0	206
Associates	0	0	0	3
Companies related to a member of the council	0	0	0	8
Total	**465**	**439**	**99**	**438**

EUR´000		Q1 2011		Q1 2010
Volume of transactions	**Purchase**	**Sale**	**Purchase**	**Sale**
Construction services	379	436	14	225
Purchase and sale of goods	0	0	0	0
Lease and other services	86	3	85	213
Total	**465**	**439**	**99**	**438**

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

In the reporting period, interest income on loans to associates amounted to 111 thousand euros (Q1 2010: 104 thousand euros), interest income on loans to joint ventures amounted to 26 thousand euros (Q1 2010: 14 thousand euros) and interest income on loans to other related parties amounted to 36 thousand euros (Q1 2010:36 thousand euros).

Receivables from and liabilities to related parties at the end of reporting period:

		31 Mar 2011		31 Dec 2010
EUR´000	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
AS Nordic Contractors	0	44	0	97
Companies of AS Nordic Contractors group	1,806	0	2,374	0
Companies related to a member of the council	0	0	70	4
Associates - receivables	1,002	0	1,004	1
Associates – loans and interest	8,126	0	8,040	0
Joint ventures – loans and interest	1,630	0	1,601	0
Total	**12,564**	**44**	**13,089**	**102**

In the first quarter of 2011, the remuneration of the members of the council of Nordecon AS including associated social security charges amounted to 21 thousand euros. The corresponding figure for the first quarter of 2010 was 25 thousand euros. The remuneration of the members of the board of Nordecon AS including social security charges totalled 72 thousand euros compared with 36 thousand euros in the first quarter of 2010. The remuneration provided to the board has increased because in the comparative period the board had two members while the current number is four. The composition of board changed in connection with the merger of two subsidiaries and the Group's parent that took place at the end of 2010.