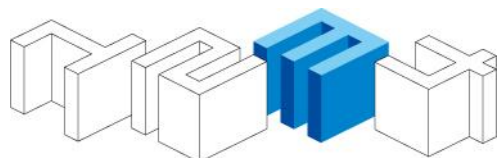




**Financial report for the third quarter and
nine months ended 30 September 2011**
(unaudited)





Financial report for the third quarter and nine months ended 30 September 2011 (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 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 – 30 September 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 |



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ABOUT THE GROUP

Founded as a construction company in 1989, Nordecon AS (previous names AS Eesti Ehitus and Nordecon International AS) has grown into one of the leading construction groups in Estonia that is a strong partner in all segments of the construction market.

For years, the Group's operating strategy has been underpinned by a consistent focus on general contracting and project management and a policy of maintaining a fair balance between buildings and infrastructure construction. Over the years we have extended our offering with activities that support the core business such as road maintenance, concrete works and other services that provide added value, improve the Group's operating efficiency and help manage our business risks.

Nordecon's specialists offer the customers complete high quality solutions in the construction of commercial, industrial and public buildings as well as infrastructure – roads, landfills, utility networks and port facilities. In addition, the Group is involved in the construction of concrete structures, renting out heavy construction equipment and road maintenance.

Besides Estonia, Group entities currently operate in Ukraine and Finland and, on a project basis, in Belarus.

Nordecon is a member of the Estonian Association of Construction Entrepreneurs and the Estonian Chamber of Commerce and Industry. The Group's parent and subsidiaries are internationally certified and hold the international quality management certificate ISO 9001, the international environment management certificate ISO 14001 and the international occupational health and safety certificate OHSAS 18001.

Nordecon AS has been listed on the NASDAQ OMX Tallinn Stock Exchange since 18 May 2006.

MISSION

Our mission is to offer our customers complete premier value adding construction and engineering solutions.

We add value to the company by motivating our employees and providing them with clear development opportunities and a contemporary work environment.

SHARED VALUES

Reliability

By keeping our promises and honouring our agreements we are reliable partners for our customers. We act openly and transparently. We consistently support and promote the best construction practices. We do not take risks at the expense of our customers.

Quality

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

Innovation

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



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 strategy¹
- 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 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 is aimed at supporting the Group's recovery from the slump in the construction market and preparing 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 reporting period*.



Changes in the Group's business operations in the reporting period

Changes in the Group's Estonian operations

There were no major changes in the Group's Estonian operations in the first nine months 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 that were involved in buildings and infrastructure construction respectively. At the same time, Nordecon AS continues to act as a holding company for the Group's main Estonian and foreign subsidiaries (except for the Ukrainian ones).

Changes in the Group's foreign operations

Latvia

There have been no changes in the Group's Latvian operations compared with the end 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 end 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

There have been no changes in the Group's Belarusian operations compared with the end of 2010. The Group is completing its only active contract, the construction of a production facility for a Finnish food industry company. The project is being performed through the Group's Belarusian subsidiary Eurocon Stroi IOOO. According to the Group's development strategy, Belarus is not a target foreign market and the project was undertaken to explore the opportunities. We have decided that after 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 doing business in the 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. The decision to remain in Ukraine was underpinned by well-planned activities during the slump and the prospects for 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 becomes clearer.

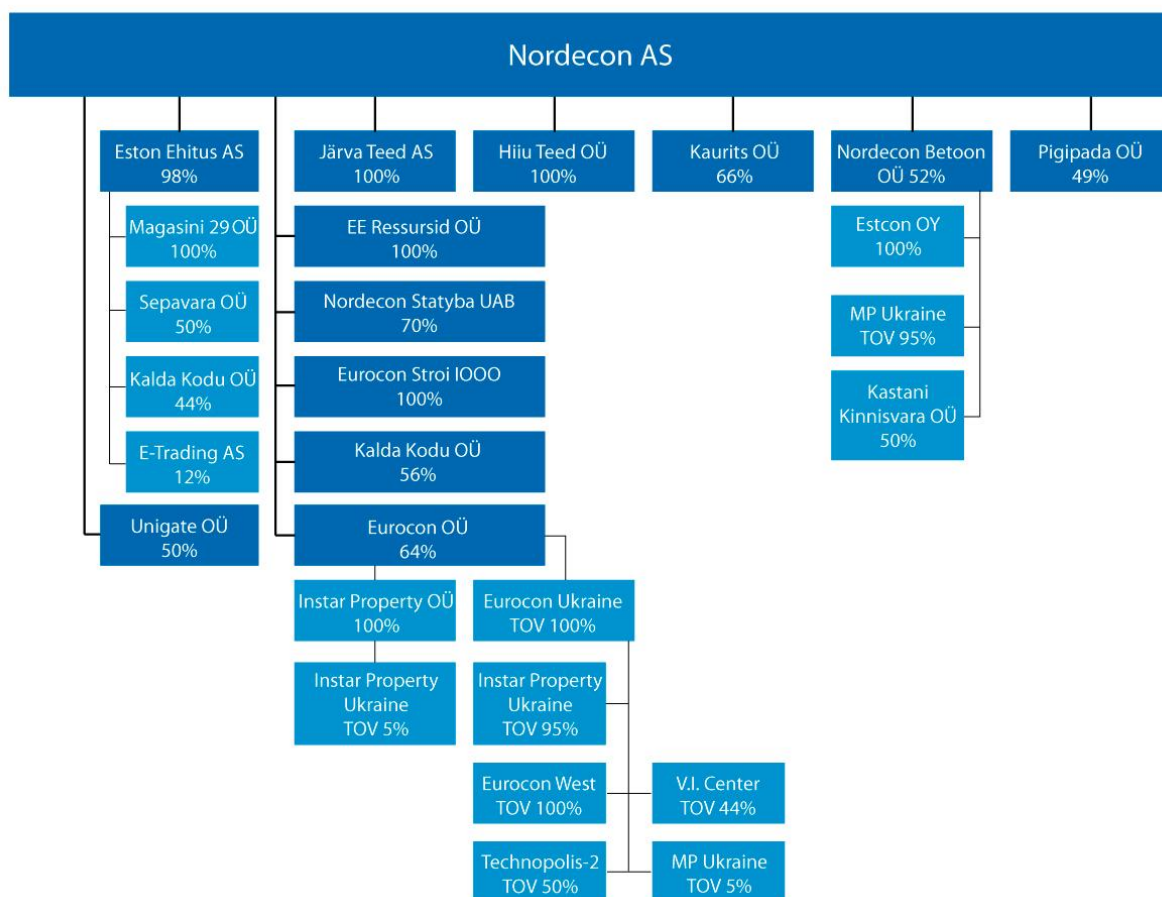
Finland

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



The Group's structure and major structural changes

The Group's structure at 30 September 2011 including interests in subsidiaries and associates¹



¹ The chart does not include the subsidiaries OÜ Eesti Ehitus, OÜ Aspi, OÜ Linnaehitus, OÜ Mapri Projekt, OÜ Rendiekspert 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 nine months of 2011

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



Financial review

Margins

Nordecon Group ended the first nine months of 2011 with a gross loss of 717 thousand euros (9M 2010: gross loss of 546 thousand euros). The gross losses incurred in the first and second quarters due to seasonal factors and re-estimation of the outcomes of some loss-making contracts signed in 2009 and 2010 respectively could not be counterbalanced by the Group's third quarter gross profit of 711 thousand euros. Results for the reporting period are somewhat weaker than those for the comparative period (particularly the third quarter). In the third quarter of 2010, Nordecon completed the construction of the Mäo bypass, a major contract whose revenue and profit figures had a significant impact on the Group's overall performance indicators.

Gross result for the period was strongly influenced by re-estimation of the outcomes of the Group's loss-generating projects, a step taken in the second quarter due to changes in the operating environment. Additional losses were recognised because of a rise in the prices of construction inputs and identification of some unforeseen project performance costs. A major share of the additional loss is attributable to a few contracts secured in 2009 and 2010 for which losses have also been recognised earlier. The Group's estimates of the losses expected to be incurred until delivery are based on the current best knowledge.

As regards loss-generating contracts, the strongest adverse impact was exerted by the exhibition building of the Estonian Maritime Museum that is being built inside the seaplane hangars near Tallinn Bay and is currently scheduled for completion at the end of 2011. It is a unique renovation project where the exceptionally poor condition of the building and the true complexity of the work have been discovered only in the course of the project. In line with the contract, we have asked the customer for an extension of the delivery term and additional compensation for costs incurred due to circumstances that could not be foreseen at the time of the public procurement tender or additional work requested by the customer. By the date of release of this report, however, only part of the problems that have emerged have found contractually fixed solutions while many of the Group's justified claims have still no cover.

Setting aside a few loss-making projects secured during the downswing of the market, the average profit margins of the Group's contracts show a gradual but consistent improvement in relation to comparative periods. Recognition of contract profits depends on the stage of completion of contract activity. Therefore, the higher profitability of contracts secured in the reporting period will have an impact only in the following quarters when actual on-site activity reaches a greater volume. Above all, the improvement in profitability is underpinned by the following factors:

- Since 2010 the Group has prioritized profitability over growth of the contracts portfolio.
- In previous periods, a full set of stringent austerity measures was enforced across the Group.
- We continue to streamline our internal processes and operations.

According to the Group's assessment, in 2011 competition in some segments of the construction market (e.g. road construction and water and wastewater network construction) has somewhat weakened. The main reason is not yet 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 that is undermining their bidding capabilities compared with previous years. Furthermore, many companies are being held back by increasingly tougher financial requirements imposed by customers holding tenders and the limited availability of the guarantee facilities provided by financing institutions. To date, a vast majority of construction companies have become aware that long-term construction contracts entail the risk of growth in input prices. In general, all this is exerting a 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 in restoring sustainable profitability in its operating activities.

Administrative expenses for the first nine months totalled 3,284 thousand euros. Compared with the same period in 2010, administrative expenses have decreased by 2.5%, reaching relative stability in relation to current operating volumes. The ratio of administrative expenses to revenue was 3.2% (9M 2010: 4.5%). We are pleased to report that our cost-saving measures have yielded strong results and according to management's estimates on a full-year basis the Group will be able to maintain administrative expenses below the target ceiling, i.e. 5% of revenue.



The Group's operating loss for the first nine months was 3,737 thousand euros (9M 2010: 4,514 thousand euros). EBITDA for the period was negative at 1,939 thousand euros (9M 2010: 2,052 thousand euros).

The Group's net loss was 4,039 thousand euros. The loss attributable to owners of the parent, Nordecon AS, was 4,250 thousand euros. The first nine months of 2010 ended in a net loss of 6,233 thousand euros, including non-recurring finance income and expenses on the sale of the Latvian subsidiary and the write-down of loans. Excluding those, the Group's net loss for the first nine months of 2010 would have been 4,838 thousand euros.

Cash flows

In the first nine months of 2011, the Group's operating activities resulted in a net cash inflow of 3,953 thousand euros (9M 2010: outflow of 2,540 thousand euros). Operating cash flow continued to be strongly influenced by cyclical fluctuations in project-related cash flows (differences between the settlement terms agreed with customers and subcontractors) and the performance of the aforementioned loss-making projects. Positive cash flow was supported by factoring implemented for reducing the cyclical nature of cash flows and proceeds from new large contracts. The negative cash flow of unprofitable projects realises as the work is performed although the estimated loss has already been recognised in previous periods.

Investing activities generated a net inflow of 2,638 thousand euros (9M 2010: inflow of 630 thousand euros) that consisted mostly of repayments of loans granted in prior periods of 2,056 thousand euros.

Financing activities resulted in a net cash outflow of 5,242 thousand euros (9M 2010: outflow of 5,017 thousand euros). The structure of financing cash flows has remained more or less stable. The Group is settling its loan obligations faster than it is raising new debt. On the other hand, repayments have decreased in relation to the comparative period thanks to agreements reached with the banks. Renegotiation of settlement terms has not resulted in any significant changes in the Group's interest rates.

At 30 September 2011, the Group's cash and cash equivalents totalled 6,822 thousand euros (30 September 2010: 5,818 thousand euros). For information on liquidity risks, see the chapter *Description of the main risks*.

Key financial figures and ratios

| Figure / ratio | 9M 2011 | 9M 2010 | 9M 2009 | 2010 |
|--|------------|------------|------------|------------|
| Revenue (EUR'000) | 103,260 | 75,257 | 125,755 | 99,312 |
| Revenue growth/decrease, % | 37.2% | -40.2% | -32.7% | -36% |
| Net profit/loss (EUR'000) | -4,039 | -6,233 | 2,987 | -12,738 |
| Profit/loss attributable to owners of the parent (EUR'000) | -4,250 | -5,722 | 4,182 | -11,811 |
| Weighted average number of shares | 30,756,728 | 30,756,728 | 30,756,728 | 30,756,728 |
| Earnings per share (EUR) | -0.14 | -0.19 | 0.14 | -0.38 |
| Average number of employees | 752 | 808 | 1,110 | 774 |
| Revenue per employee (EUR'000) | 137 | 93 | 113 | 128 |
| Personnel expenses to revenue, % | 10.2% | 14.0% | 14.2% | 14.6% |
| Administrative expenses to revenue, % | 3.2% | 4.5% | 4.9% | 4.9% |
| EBITDA ¹ (EUR'000) | -1,939 | -2,052 | 6,230 | -5,512 |
| EBITDA margin, % | -1.9% | -2.7% | 5.0% | -5.6% |
| Gross margin, % | -0.7% | -0.7% | 8.4% | -0.7% |
| Operating margin, % | -3.6% | -6.0% | 2.3% | -9.0% |
| Operating margin excluding gains on asset sales, % | -4.0% | -6.3% | 2.1% | -9.4% |
| Net margin, % | -3.9% | -8.3% | 2.4% | -12.8% |
| Return on invested capital, % | -5.1% | -7.4% | 5.3% | -15.8% |
| Return on assets, % | -3.7% | -3.9% | 1.9% | -8.3% |
| Return on equity, % | -12.8% | -14.7% | 5.5% | -32.6% |
| Equity ratio, % | 27.6% | 36.7% | 36.9% | 35.1% |
| Gearing, % | 37.6% | 33.0% | 25.7% | 42.3% |
| Current ratio | 1.18 | 1.56 | 1.43 | 1.39 |

| | 30 Sept 2011 | 30 Sept 2010 | 30 Sept 2009 | 31 Dec 2010 |
|----------------------|--------------|--------------|--------------|-------------|
| Order book (EUR'000) | 155,421 | 89,430 | 100,214 | 85,607 |

¹ For the purpose of calculating EBITDA, non-cash items include not only depreciation and amortisation but also impairment losses on goodwill



| | |
|--|---|
| Revenue growth/decrease = (revenue for the reporting period/ revenue for the previous period) – 1*100 | 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) *100 |
| 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)*100 |
| 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))*100 |
| Personnel expenses to revenue = (personnel expenses/revenue) *100 | Return on assets = (operating profit/the period's average total assets)*100 |
| Administrative expenses to revenue = (administrative expenses/ revenue)*100 | Return on equity = (net profit for the period/ the period's average total equity)*100 |
| EBITDA = operating profit + depreciation and amortisation | Equity ratio = (total equity/ total equity and liabilities)*100 |
| EBITDA margin = (EBITDA/revenue)*100 | Gearing = ((interest-bearing liabilities – cash and cash equivalents)/ (interest bearing liabilities + equity))*100 |
| Gross margin = (gross profit/revenue)*100 | Current ratio = total current assets/ total current liabilities |
| Operating margin = (operating profit/revenue)*100 | |

Performance by geographical market

In the first nine months of 2011, roughly 4% of the Group's revenue was generated outside Estonia. In the comparative period, foreign operations also accounted for 4% of the Group's revenue.

| | 9M 2011 | 9M 2010 | 9M 2009 | 2010 |
|-----------|---------|---------|---------|------|
| Estonia | 96% | 96% | 85% | 94% |
| Ukraine | 0% | 3% | 2% | 2% |
| Lithuania | 0% | 0% | 1% | 0% |
| Latvia | 0% | 0% | 12% | 0% |
| Belarus | 2% | 1% | 0% | 3% |
| Finland | 2% | 0% | 0% | 1% |

Half of the Group's foreign revenue resulted from project-based construction activity in Belarus that will be completed at the end of this 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 reporting period*). The other half of foreign revenue was earned on concrete works performed in Finland.

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 our 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 known 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 development of residential real estate.

The Group's revenue for the first nine months of 2011 was 103,260 thousand euros, 37% up on the 75,257 thousand euros generated a year ago and also an improvement on the full-year figure for 2010. Last year, the downturn that had ravaged the Estonian construction market for almost three years bottomed out. Revenue growth is attributable to a decline in competition in certain market segments, successful bidding for projects in various infrastructure sub-segments, and moderate growth in the buildings construction segment.

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

In the first nine months of 2011, the revenues of our two main business segments were practically equal. The Buildings and Infrastructure segments ended nine months with revenue of 48,757 thousand euros and 50,525 thousand euros respectively. The corresponding figures for the comparative period were 34,859 thousand euros and 39,149 thousand euros.

For a long 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 (74%) 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 on a full-year basis the contributions of the Buildings and Infrastructure segments will have similar proportions.

Revenue distribution between segments *

| Business segments | 9M 2011 | 9M 2010 | 9M 2009 | 2010 |
|-------------------|---------|---------|---------|------|
| Buildings | 48% | 47% | 44% | 48% |
| Infrastructure | 52% | 53% | 56% | 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 nine-month revenue resulted from construction of public buildings and industrial facilities. In the public buildings sub-segment, the largest contracts included construction of buildings for the Koidula border station, an academic building for the Social Sciences Faculty of the University of Tartu, buildings for the Ämari Air Base and an exhibition building (the seaplane hangars) for the Estonian Maritime Museum. In the industrial and warehouse facilities sub-segment, most of the revenue resulted from the construction of various agricultural facilities and a food production facility that is being built in Belarus. Compared with prior periods, the contribution of the commercial buildings sub-segment has decreased considerably, primarily because of a relative scarcity of private sector customers. However, the number of private sector customers has started to increase – this is indicated by a four-percentage point growth in the contribution of the sub-segment compared with the first half-year. In the construction of apartment buildings, the Group was a general contractor, not a developer.

| Revenue distribution within the Buildings segment | 9M 2011 | 9M 2010 | 9M 2009 | 2010 |
|---|---------|---------|---------|------|
| Commercial buildings | 10% | 24% | 64% | 37% |
| Industrial and warehouse facilities | 43% | 31% | 9% | 18% |
| Public buildings | 45% | 33% | 23% | 35% |
| Apartment buildings | 2% | 12% | 4% | 10% |

As usual, in the Infrastructure segment most of the revenue was generated by road construction and maintenance. The contribution of the construction of water and wastewater networks where the Group has won several new tenders also in 2011 (other engineering) was expectedly large as well. Thanks to support from the EU structural funds, this is one of the best-funded areas in Estonia. The European Union also supports performance of various environmental engineering projects where the Group is well represented. In forthcoming quarters, the contribution of specialist engineering should increase in connection with the realization of a major project - the construction of new berths for Sillamäe port.



| Revenue distribution within the Infrastructure segment | 9M 2011 | 9M 2010 | 9M 2009 | 2010 |
|--|---------|---------|---------|------|
| Road construction and maintenance | 56% | 69% | 43% | 62% |
| Specialist engineering (including hydraulic engineering) | 1% | 1% | 16% | 1% |
| Other engineering | 33% | 22% | 31% | 28% |
| Environmental engineering | 10% | 8% | 10% | 8% |

Order book

At 30 September 2011, the Group's order book stood at 155,421 thousand euros, being significantly larger than at 30 September 2010 when the figure was 89,430 thousand euros. In addition to an increase attributable to general growth in the Estonian construction market compared with the slump of 2010, the figure includes the remaining value of the design and build of the Aruvalla-Kose section of the E263 Tallinn-Tartu highway, a project with a major individual impact (total contractual value approx. 39.3 million euros).

| | 9M 2011 | 9M 2010 | 9M 2009 | 2010 |
|-----------------------------------|---------|---------|---------|--------|
| Order book, in thousands of euros | 155,421 | 89,430 | 100,214 | 85,607 |

At 74% the Infrastructure segment continues to account for a major proportion of the Group's total order book (30 September 2010: 72%).

In a situation where the decrease in input prices has been replaced by a rise in all areas of the construction sector, the Group's management continues to focus on improving the profitability of the contract portfolio.

Between the reporting date (30 September 2011) and the date of release of this report, Group companies have been awarded additional construction contracts of approximately 8,033 thousand euros.

People

Staff and personnel expenses

At the end of September 2011, the Group (including the parent and the subsidiaries) employed, on average, 752 people including 362 engineers and technical personnel (ETP). In the past year, the decrease in personnel has decelerated. In 2011 headcount is expected to remain stable or to grow slightly. Besides additional seasonal labour hired for the second and third quarters, the figure is influenced by year-over-year growth in the Group's operating volumes.

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

| | 9M 2011 | 9M 2010 | 9M 2009 | 2010 |
|----------------------|------------|------------|--------------|------------|
| ETP | 362 | 380 | 456 | 362 |
| Workers | 390 | 428 | 654 | 412 |
| Total average | 752 | 808 | 1,110 | 774 |

The Group's personnel expenses for the first nine months of 2011 including all associated taxes totalled 10,543 thousand euros, a figure similar to the 10,550 thousand euros incurred in the first nine months of 2010.

In the first nine months of 2011, the remuneration of the members of the council of Nordecon AS including associated social security charges amounted to 69 thousand euros. The corresponding figure for the first nine months of 2010 was also 69 thousand euros. The remuneration of the members of the board of Nordecon AS including social security charges totalled 204 thousand euros compared with 95 thousand euros for the comparative period. 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 the 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) – representative of AS Nordic Contractors and 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 board or council for over 20 years. Besides construction companies, he has held senior positions at various other enterprises (AS Tallinna Kaubamaja, AS E-Betoonement, OÜ Vääkivi, AS Eesti Energia, etc). He is an active member of the community and has 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. As its chairman, he was actively involved in preparatory activities for Estonia's accession to the EU and the euro-zone. Before Estonia joined the EU, Toomas Luman acted for four years as chairman of the consultative committee of the head of the Estonian state delegation in EU accession negotiations (the minister of foreign affairs). 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 other state and non-profit organisations. He has also received state awards from several foreign countries.

Membership in the governing bodies of other organisations: OÜ Luman ja Pojad and its subsidiaries and associates (including the board of AS Nordic Contractors), 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

Interests (exceeding 5%) in other companies: 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 the 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).

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

Interests (exceeding 5%) in other companies: 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). From 1997 to 2011 Ain Tromp was 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 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 (board), Healthy Estonia Foundation (council)

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 | No par value* |
| 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 |

*In connection with Estonia's accession to the euro-zone on 1 January 2011 and in line with amendments to the Estonian Commercial Code that took effect on 1 July 2010 as well as a resolution adopted by the annual general meeting of the shareholders of Nordecon AS in May 2011, the company's share capital has been converted from 307,567,280 Estonian kroons to 19,657,131.9 euros. Concurrently with the conversion, the company adopted shares without par value. The share capital of Nordecon AS now consists of 30,756,728 ordinary registered shares with no par value.

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.

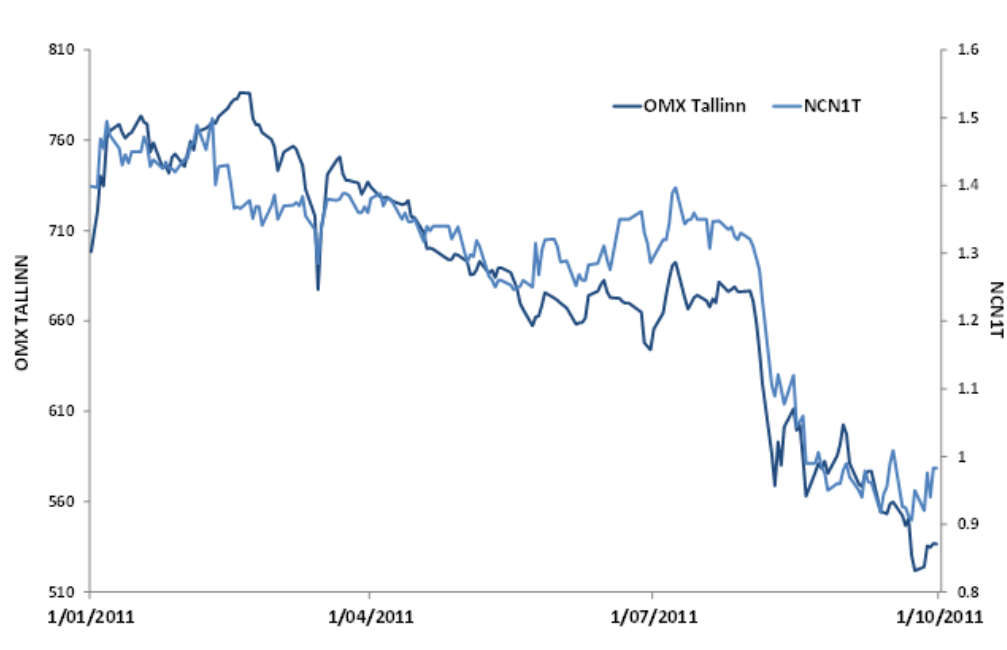
Movements in the price and turnover of the Nordecon AS share in the first nine months of 2011

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 nine months of 2011



| Index/equity | 1 Jan2011 | 30 Sept 2011 | +/-% |
|--------------|-----------|--------------|--------|
| OMX Tallinn | 698.38 | 536.60 | -23.17 |
| NCN1T | EUR 1.40 | EUR 0.98 | -29.74 |

Summarised trading results

Share trading history (EUR)

| Price | 9M 2011 | 9M 2010 | 9M 2009 |
|--|-----------|-----------|-----------|
| Open | 1.38 | 1.62 | 1.05 |
| High | 1.50 | 2.60 | 1.66 |
| Low | 0.88 | 1.05 | 0.55 |
| Last closing price | 0.98 | 1.35 | 1.52 |
| Traded volume (number of securities traded) | 3,430,730 | 5,921,420 | 7,157,618 |
| Turnover, millions | 4.38 | 9.59 | 8.20 |
| Listed volume (30 September), thousands | 30,757 | 30,757 | 30,757 |
| Market capitalisation (30 September), millions | 30.14 | 41.52 | 46.75 |

Shareholder structure

Largest shareholders of Nordecon AS at 30 September 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 | 466,093 | 1.52 |
| Aivo Kont | 298,000 | 0.97 |
| Martin Sööt | 292,473 | 0.95 |
| SEB Elu- ja pensionikindlustus AS | 262,700 | 0.85 |



Shareholder structure of Nordecon AS by ownership interest at 30 September 2011

| | Number of shares | Ownership interest (%) |
|--|------------------|------------------------|
| Shareholders with interest exceeding 5% | 2 | 62.18 |
| Shareholders with interest between 1% and 5% | 5 | 10.81 |
| Shareholders with interest below 1% | 2,208 | 27.02 |
| Total | 2,215 | 100 |

Shares controlled by members of the council of Nordecon AS at 30 September 2011

| Council member | | Number of shares | Ownership interest (%) |
|--|-------------------------|------------------|------------------------|
| Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad) ¹ | Chairman of the Council | 16,574,144 | 53.89 |
| 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 | 50,000 | 0.16 |
| 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 30 September 2011

| Board member | | Number of shares | Ownership interest (%) |
|---------------|-----------------------|------------------|------------------------|
| Jaano Vink | Chairman of the Board | 37,921 | 0.12 |
| 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 the current year, the market will start picking up and construction volumes will grow somewhat. In addition to the infrastructure sector, new projects will be launched in the buildings construction sector. The latter should offer the main opportunities for growth, primarily through 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 profitable 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. Above all, construction companies' ability to continue their operation still depends 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, long 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. Although in 2011 growth in input prices has started decelerating, remaining at a few percent on a quarterly basis, there are areas where price volatility is notably greater and hard or impossible to influence (petroleum and metal products, building materials).
- Companies may continue challenging the results of poorly prepared public procurement tenders. However, an even larger number of (public procurement) tenders will be cancelled because customers have prepared their budgets using the construction prices of 2009-2010 which in the current situation are no longer realistic and the bids made by construction companies exceed them by tens of percents. The time and finance costs of the proceedings are high for all involved.
- The situation in the labour market has stabilised to a certain extent 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. On the whole, in 2011 the base wage paid by construction companies that have to maintain tight cost control is not yet 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 (joint filling, facade and roof works, heating systems, etc), which will cause an unreasonable rise in respective prices and may cause temporary problems for the entire sector.
- Overall economic recovery should increase the banks' interest in granting 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 market growth but will give a much-needed signal of the stabilisation of the investment climate, creating a basis for some growth in the Estonian construction market in 2012 unless global developments reverse the process. Realisation of the growth will depend heavily on the euro-zone countries' ability to stabilise the emerged debt crisis and prevent it from spreading further in the banking sector as well as its impacts on the Group's home market as a whole.

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 that the projects can be performed profitably. The decision does not change the Group's strategic objectives in Latvia, i.e. the objective of conducting future operations in the Latvian construction market through local subsidiaries.

For the time being, the Group has suspended the operations of its Lithuanian-based subsidiary, Nordecon Statyba UAB. We are monitoring market developments and do not rule out the possibility that in the next few years the Group will resume its Lithuanian operations on a project basis. Temporary suspension of operations does not cause any major costs for the Group. It does not change the Group's strategic objectives in Lithuania, i.e. the objective of conducting future operations in the Lithuanian construction market through local subsidiaries.

Ukraine

The Group will continue in Ukraine primarily 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. Regrettably, the Ukrainian construction market has not recovered notably in 2011 although there are some signs of improvement. Maintaining minimal readiness at the current cost base, the Group has decided to carry on its business in Ukraine.

The main risks in the Ukrainian market are connected with the low administrative efficiency of the central and local government and the judicial system. The recovery of the Ukrainian economy from the crisis of 2008-2009 has been slow, which has affected inflation and the availability of quality construction inputs. Demand has mainly been undermined by private customers' inability to raise financing for commencing construction. Stabilisation of the political situation has not occurred at the expected pace and private sector customers have not started investing in projects where the Group has a competitive advantage.

Still, the construction market of a country with a population of around 46 million has strong business potential. Our key success factor is relatively little competition among project management companies offering flexible construction management in combination with European practices and competencies. We are confident that the present downturn 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 and, in the long term, the new thinking will improve the Group's position.

Belarus

Although developing with a certain time lag, the Belarusian business environment has features similar to the Ukrainian one: bureaucracy, complex taxation principles and various constraints on 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 its only active project. After this, no new projects will be started in Belarus.

Finland

In the Finnish market the Group focuses solely on providing subcontracting services in the field of concrete works. This is an area where Estonian companies continue to have a certain edge over local entities because their total personnel expenses are lower. The Finnish concrete works (subcontracting) market allows us to compete for selected projects (the main criteria are the location and the customer's low risk level). We expect demand for concrete works to remain stable in 2011. 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 an exponential slide in profitability. 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 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 30 September 2011, the provisions (including current and non-current ones) totalled 925 thousand euros. At 30 September 2010, the corresponding figure was 1,332 thousand euros.

Institution of criminal proceedings against Nordecon AS and a member of its board

The Estonian Road Administration published a notice of the public procurement tender for the design and build of the E263 Aruvalla-Kose road section on 25 September 2008. Nordecon AS (at that date the Group's subsidiary Nordecon Infra AS) and Ramboll Eesti AS participated in the tender with a joint bid of 506.2 million kroons (32.4 million euros).

The tender gave rise to numerous disputes and challenges between 2008 and 2010. Owing to the challenges, the Road Administration endeavoured to cancel the procurement tender but the public procurement dispute review committee declared the Road Administration's resolution for cancellation invalid. The tender reached the stage where the joint bid of Nordecon AS and Ramboll Eesti AS was selected as the successful one and only the contract needed to be signed. However, on 26 October 2010 the financial control department of the ministry of finance, exercising state supervision, adopted a resolution that declared the public procurement tender invalid on the basis that during the procurement proceedings the Road Administration had repeatedly and seriously violated the Public Procurement Act.

Nordecon AS and Ramboll Eesti AS challenged the resolution of the financial control department of the ministry of finance in the administrative court and applied for preliminary legal protection that would have allowed moving on with the public procurement proceedings. The court did not apply preliminary legal protection although it found that the challenge had potential.

The Security Police Board instituted criminal proceedings for investigation of circumstances surrounding the public procurement tender for the design and build of the Aruvalla-Kose road section. Member of the management board of Nordecon AS Erkki Suurorg and Nordecon AS (at the time Nordecon Infra AS) were



charged with suspicion of attempting to conclude an agreement for distorting competition. Suspicion charges were also brought against the director general of the Road Administration and the chancellor of the ministry of economics. Nordecon AS and Erkki Suurorg have given their testimony to the Security Police Board and have affirmed that the charges against them are baseless. By the date of release of this report, no criminal charges have been filed against any of the suspects.

If criminal charges are brought and a conviction takes effect, then under section 400 of the Penal Code the maximum pecuniary punishment for Nordecon AS may extend to 10% of turnover and for a time the company may not be allowed to participate in public procurement tenders.

Credit risk

For credit risk management, a potential customer's settlement behaviour and creditworthiness are analysed already in the tendering stage. When the contract has been signed, 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 sufficiently promptly. At the end of the first nine months of 2011, our customers' settlement behaviour was relatively good considering the economic situation although there were also a few problem customers. The proportion of overdue receivables is stable; the figure consists mostly of items that are not significantly past due and stem from the routines to be completed between public sector companies and their financing authorities. 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 agreement has been reached are recognised as an expense.

In the first nine months of 2011, expenses from write-down of receivables totalled 28 thousand euros (9M 2010: 2 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 1.18-fold (30 September 2010: 1.56-fold) and available cash funds totalled 6,822 thousand euros (30 September 2010: 7,473 thousand euros).

The Group remains exposed to higher than average liquidity risk resulting from a gap between the customers' long settlement terms (mostly 45 to 56 days) and the subcontractors' increasing interest to negotiate shorter settlement terms (mostly 21-45 days). In the reporting period, the liquidity position was further weakened by the completion of loss-making projects. Moreover, business growth is increasing the Group's need for working capital, the impacts of which will emerge in subsequent quarters. The Group counteracts the differences in settlement terms by using factoring where possible. In order to raise additional working capital, the Group has started negotiations with banks based on the Nordecon Group Business Plan and Financing Program 2011-2014, prepared at the request of Nordecon AS by one of the world's leading consulting firms Roland Berger Strategy Consultants GmbH. At the date of release of this report, negotiations are reaching a close and we believe that relevant agreements will be signed in 2011.

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 30 September 2011, the Group's interest-bearing loans and borrowings totalled 28,718 thousand euros, an increase of 2,017 thousand euros year-over-year. Interest expense for the first nine months of 2011 amounted to 774 thousand euros. Compared with the same period in 2010, interest expense has increased by 36 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 a low interest coverage ratio caused by low 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 interest payment cash flow risk depends on the success of operating activities. The Group has not acquired derivatives to hedge its 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 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 foreign exchange gains and losses for the first nine months of 2011 resulted in a net exchange gain of 35 thousand euros. In the comparative period, exchange differences resulted in a net exchange loss of 400 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

10 November 2011

Avo Ambur

Member of the Board

10 November 2011

Marko Raudsik

Member of the Board

10 November 2011

Erkki Suurorg

Member of the Board

10 November 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 nine months and third 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 (10 November 2011) have been properly recognised and disclosed; and;
- Nordecon AS and its subsidiaries are going concerns.

Jaano Vink

Chairman of the Board

10 November 2011

Avo Ambur

Member of the Board

10 November 2011

Marko Raudsik

Member of the Board

10 November 2011

Erkki Suurorg

Member of the Board

10 November 2011



Condensed consolidated interim statement of financial position

| EUR`000 | Note | 30 September 2011 | 31 December 2010 |
|--|------|-------------------|------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 6,822 | 5,818 |
| Trade and other receivables | 2 | 42,242 | 31,266 |
| Prepayments | | 1,638 | 1,060 |
| Inventories | 3 | 25,245 | 24,982 |
| Non-current assets held for sale | | 331 | 321 |
| Total current assets | | 76,278 | 63,447 |
| Non-current assets | | | |
| Investments in equity-accounted investees | | 203 | 99 |
| Other investments | | 26 | 26 |
| Trade and other receivables | | 2,583 | 2,215 |
| Investment property | | 4,929 | 4,930 |
| Property, plant and equipment | 4 | 7,554 | 9,038 |
| Intangible assets | 4 | 15,407 | 15,486 |
| Total non-current assets | | 30,702 | 31,794 |
| TOTAL ASSETS | | 106,980 | 95,241 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Loans and borrowings | 5, 6 | 16,691 | 19,231 |
| Trade payables | | 35,473 | 17,429 |
| Other payables | | 3,565 | 3,446 |
| Deferred income | | 8,220 | 4,425 |
| Provisions | | 631 | 1,160 |
| Total current liabilities | | 64,580 | 45,691 |
| Non-current liabilities | | | |
| Loans and borrowings | 5, 6 | 12,027 | 15,377 |
| Trade payables | | 199 | 215 |
| Other payables | | 96 | 96 |
| Provisions | | 435 | 423 |
| Total non-current liabilities | | 12,757 | 16,111 |
| TOTAL LIABILITIES | | 77,337 | 61,802 |
| EQUITY | | | |
| Share capital | | 19,657 | 19,657 |
| Statutory capital reserve | | 2,554 | 2,558 |
| Translation reserve | | -135 | -233 |
| Retained earnings | | 6,100 | 10,257 |
| Total equity attributable to equity holders of the parent | | 28,176 | 32,240 |
| Non-controlling interest | | 1,467 | 1,199 |
| TOTAL EQUITY | | 29,643 | 33,439 |
| TOTAL LIABILITIES AND EQUITY | | 106,980 | 95,241 |



Condensed consolidated interim statement of comprehensive income

| EUR`000 | Note | Q3 2011 | Q3 2010 | 9M 2011 | 9M 2010 | 2010 |
|---|-------|-------------|---------------|---------------|---------------|----------------|
| Revenue | 9, 10 | 48,831 | 37,856 | 103,260 | 75,257 | 99,312 |
| Cost of sales | 11 | -48,120 | -35,512 | -103,977 | -75,803 | -100,012 |
| Gross profit/loss | | 711 | 2,344 | -717 | -546 | -700 |
| Distribution expenses | | -74 | -84 | -238 | -284 | -401 |
| Administrative expenses | 12 | -1,160 | -1,096 | -3,284 | -3,368 | -4,887 |
| Other operating income | 13 | 367 | 135 | 746 | 497 | 820 |
| Other operating expenses | 13 | 13 | -345 | -151 | -813 | -3,807 |
| Operating profit/loss | | -143 | 954 | -3,644 | -4,514 | -8,975 |
| Finance income | 14 | 144 | 114 | 494 | 2,817 | 3,059 |
| Finance expenses | 14 | -2,71 | -2,847 | -884 | -4,332 | -6,338 |
| Net finance expense | | -127 | -2,733 | -390 | -1,515 | -3,279 |
| Share of profit/loss of equity-accounted investees | | 55 | -239 | 104 | -279 | -517 |
| Loss before income tax | | -215 | -2,017 | -3,930 | -6,308 | -12,771 |
| Income tax expense/income | | -15 | -41 | -16 | 75 | 33 |
| Loss for the period | | -230 | -2,058 | -3,946 | -6,233 | -12,738 |
| Other comprehensive income/expense: | | | | | | |
| Exchange differences on translating foreign operations | | -61 | 71 | 155 | -24 | -28 |
| Total other comprehensive income/expense for the period | | -61 | 71 | 155 | -24 | -28 |
| TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD | | -291 | -1,987 | -3,884 | -6,257 | -12,766 |
| Profit/loss attributable to: | | | | | | |
| - Owners of the parent | | -506 | -1,934 | -4,157 | -5,722 | -11,811 |
| - Non-controlling interests | | 276 | -124 | 211 | -511 | -927 |
| Loss for the period | | -230 | -2,058 | -3,946 | -6,233 | -12,738 |
| Total comprehensive income/expense attributable to: | | | | | | |
| - Owners of the parent | | -550 | -1,863 | -4,152 | -5,746 | -11,839 |
| - Non-controlling interests | | 259 | -124 | 268 | -511 | -927 |
| Total comprehensive expense | | -291 | -1,987 | -3,884 | -6,257 | -12,766 |
| Earnings per share attributable to owners of the parent: | | | | | | |
| Basic earnings per share (EUR) | 8 | -0.02 | -0.06 | -0.14 | -0.19 | -0.38 |
| Diluted earnings per share (EUR) | 8 | -0.02 | -0.06 | -0.14 | -0.19 | -0.38 |



Condensed consolidated interim statement of cash flows

| | | EUR`000 | |
|---|------|---------------|---------------|
| | Note | 9M 2011 | 9M 2010 |
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 116,904 | 79,613 |
| Cash paid to suppliers | | -101,479 | -68,191 |
| VAT paid | | -2,064 | -2,978 |
| Cash paid to and for employees | | -9,475 | -10,908 |
| Income tax recovered/paid | | 67 | -76 |
| Net cash from/used in operating activities | | 3,953 | -2,540 |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment | | -31 | -87 |
| Acquisition of intangible assets | | 0 | 0 |
| Proceeds from sale of property, plant and equipment and intangible assets | | 306 | 616 |
| Proceeds from sale of investment property | 4 | 352 | 677 |
| Acquisition of subsidiaries, net of cash acquired | | 0 | 1 |
| Disposal of subsidiaries, net of cash transferred | | 0 | -618 |
| Acquisition of associates | | 0 | -321 |
| Loans granted | | -151 | -497 |
| Repayment of loans granted | | 2,056 | 559 |
| Dividends received | | 4 | 4 |
| Interest received | | 102 | 295 |
| Net cash from investing activities | | 2,638 | 630 |
| Cash flows from financing activities | | | |
| Proceeds from loans received | | 1,795 | 5,305 |
| Repayment of loans received | | -4,746 | -7,423 |
| Dividends paid | 7 | 0 | 0 |
| Payment of finance lease liabilities | | -1,401 | -1,950 |
| Interest paid | | -886 | -935 |
| Other payments made | | -4 | -16 |
| Net cash used in financing activities | | -5,242 | -5,017 |
| Net cash flow | | 1,349 | -6,928 |
| Cash and cash equivalents at beginning of period | | 5,818 | 14,392 |
| Effect of exchange rate fluctuations | | -345 | 9 |
| Increase/decrease in cash and cash equivalents | | 1,349 | -6,928 |
| Cash and cash equivalents at end of period | | 6,822 | 7,473 |



Condensed consolidated interim statement of changes in equity

| EUR`000 | Equity attributable to equity holders of the parent | | | | | Non-controlling interest | Total |
|-------------------------------------|---|---------------------------|---------------------|-------------------|---------------|--------------------------|---------------|
| | Share capital | Statutory capital reserve | Translation reserve | Retained earnings | Total | | |
| Balance at 31 December 2009 | 19,657 | 2,557 | -205 | 22,067 | 44,077 | 706 | 44,783 |
| Total comprehensive expense | 0 | 0 | -24 | -5,722 | -5,746 | -511 | -6,257 |
| Increase of capital reserve | 0 | 1 | 0 | 0 | 1 | 0 | 1 |
| Changes in non-controlling interest | 0 | 0 | 0 | 0 | 0 | 1,423 | 1,423 |
| Balance at 30 September 2010 | 19,657 | 2,558 | -228 | 16,345 | 38,332 | 1,618 | 39,950 |
| Balance at 31 December 2010 | 19,657 | 2,558 | -233 | 10,257 | 32,240 | 1,199 | 33,439 |
| Profit/loss for the period | 0 | 0 | 0 | -4,157 | -4,157 | 211 | -3,946 |
| Other comprehensive income | 0 | 0 | 98 | 0 | 98 | 57 | 155 |
| Increase of capital reserve | | -4 | 0 | 0 | -4 | 0 | -4 |
| Balance at 30 September 2011 | 19,657 | 2,554 | -135 | 6,100 | 28,176 | 1,467 | 29,643 |



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 nine months ended 30 September 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 third quarter and nine 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 from 1 January 2011 or the current reporting period 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)
- *Classification of Rights Issues – Amendment to 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 Betoön 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 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 Betoön 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

| | Note | 30 September 2011 | 31 December 2010 |
|--|------|-------------------|------------------|
| Current portion | | | EUR '000 |
| Trade receivables | | 18,136 | 15,319 |
| Retentions receivable | | 3,336 | 1,121 |
| Receivables from related parties | | 1,076 | 1,741 |
| Loans to related parties | 14 | 7,946 | 9,354 |
| Miscellaneous receivables | 13 | 980 | 757 |
| Total receivables and loans granted | | 31,474 | 28,292 |
| Due from customers for contract work | | 10,768 | 2,974 |
| Total trade and other receivables | | 42,242 | 31,266 |

| | Note | 30 September 2011 | 31 December 2010 |
|--|------|-------------------|------------------|
| Non-current portion | | | EUR '000 |
| Receivables from related parties | | 0 | 0 |
| Loans to related parties | 14 | 2,195 | 1,994 |
| Miscellaneous receivables | | 388 | 221 |
| Total trade and other receivables | | 2,583 | 2,215 |

NOTE 3. Inventories

| | 30 September 2011 | 31 December 2010 |
|-----------------------------|-------------------|------------------|
| | | EUR '000 |
| Raw and other materials | 2,900 | 3,125 |
| Work in progress | 6,193 | 4,290 |
| Real estate held for resale | 13,367 | 13,535 |
| Finished goods | 2,785 | 4,032 |
| Total inventories | 25,245 | 24,982 |

NOTE 4. Property, plant and equipment and intangible assets

Property, plant and equipment

In the first nine months 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 306 thousand euros (see statement of cash flows) and sales gain amounted to 255 thousand euros (note 12).

Intangible assets

In the first nine months 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 | |
|---|-------------------|------------------|
| | 30 September 2011 | 31 December 2010 |
| Finance lease liabilities | | |
| Payable in less than 1 year | 1,833 | 2,105 |
| Payable between 1 and 5 years | 1,233 | 2,078 |
| Total finance lease liabilities | 3,066 | 4,183 |
| Base currency EUR | 3,066 | 4,166 |
| Base currency UAH | 0 | 17 |
| Periodicity of payments | Monthly | Monthly |
| Interest rates in Estonia | 3.0%-8.0% | 3.0%-8.0% |
| Interest rates in Ukraine | - | 10%-12% |
| Finance lease payments made | 9M 2011 | 9M 2010 |
| Principal payments made during the period | 1,401 | 1,950 |
| Interest payments made during the period | 100 | 124 |
| | | |
| | | EUR`000 |
| Operating lease rentals paid for | 9M 2011 | 9M 2010 |
| Cars | 523 | 552 |
| Construction equipment | 1,862 | 919 |
| Premises | 348 | 296 |
| Software | 265 | 174 |
| Total operating lease rentals paid during the period | 2,998 | 1,941 |

NOTE 6. Interest-bearing loans and borrowings

| | EUR`000 | |
|---|-------------------|------------------|
| | 30 September 2011 | 31 December 2010 |
| Short-term bank loans | 8,575 | 8,611 |
| Short-term portion of long-term bank loans | 5,456 | 5,666 |
| Short-term portion of finance lease liabilities | 1,833 | 2,105 |
| Factoring liabilities | 827 | 2,849 |
| Total current loans and borrowings | 16,691 | 19,231 |
| Long-term portion of bank loans | 9,810 | 12,315 |
| Long-term portion of finance lease-liabilities | 1,233 | 2,078 |
| Other long-term loans | 984 | 984 |
| Total non-current loans and borrowings | 12,027 | 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.

| | Unit | 9M 2011 | 9M 2010 |
|--|---------|---------|---------|
| Loss for the period attributable to owners of the parent | EUR`000 | -4,157 | -5,722 |
| Weighted average number of shares | '000 | 30,757 | 30,757 |
| Basic earnings per share | | -0.14 | -0.19 |
| Diluted earnings per share | | -0.14 | -0.19 |



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 the 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, and 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.

9 months

| EUR'000 9M 2011 | Buildings EU | Buildings UKR/BLR | Infrastructure EU | Other segments | Total |
|--|-------------------------|------------------------------|------------------------------|---------------------------|----------------|
| Total revenue | 46,174 | 2,686 | 55,925 | 5,084 | 109,869 |
| Inter-segment revenue | -104 | 0 | -5,400 | -3,433 | -8,937 |
| Revenue from external customers | 46,070 | 2,686 | 50,525 | 1,651 | 100,932 |
| Segment profit/loss | -706 | -182 | 1,862 | 48 | 1,022 |
| 9M 2010 | Buildings EU | Buildings UKR/BLR | Infrastructure EU | Other segments | Total |
| Total revenue | 36,343 | 3,187 | 38,127 | 2,807 | 80,464 |
| Inter-segment revenue | -3,002 | -11 | -640 | -1,618 | -5,271 |
| Revenue from external customers | 33,341 | 3,176 | 37,487 | 1,189 | 75,193 |
| Segment profit/loss | -43 | 473 | -254 | -351 | -175 |



Q3

| EUR'000 Q3 2011 | Buildings EU | Buildings UKR/BLR | Infrastructure EU | Other segments | Total |
|--|-----------------|----------------------|----------------------|-------------------|---------------|
| Total revenue | 19,890 | 601 | 28,509 | 1,542 | 50,544 |
| Inter-segment revenue | 2,560 | 0 | -5,387 | -661 | -3,489 |
| Revenue from external customers | 22,450 | 601 | 23,122 | 881 | 47,055 |
| Segment profit/loss | -193 | -283 | 2,586 | 142 | 2,252 |
| Q3 2010 | Buildings EU | Buildings UKR/BLR | Infrastructure EU | Other segments | Total |
| Total revenue | 18,724 | 956 | 19,502 | 1,645 | 40,828 |
| Inter-segment revenue | -1,415 | -2 | -634 | -945 | -2,996 |
| Revenue from external customers | 17,309 | 954 | 18,869 | 700 | 37,833 |
| Segment profit/loss | 1,094 | 279 | 1,127 | -11 | 2,489 |

Reconciliation of segment revenues

| EUR'000 | 9M 2011 | Q3 2011 | 9M 2010 | Q3 2010 |
|--|----------------|---------------|---------------|---------------|
| Total revenues for reportable segments | 104,785 | 49,001 | 77,657 | 39,183 |
| Revenue for other segments | 5,084 | 1,542 | 2,807 | 1,645 |
| Elimination of inter-segment revenues | -8,937 | -3,489 | -5,271 | -2,996 |
| Other revenue | 2,328 | 1,777 | 63 | 23 |
| Total consolidated revenue | 103,260 | 48,831 | 75,257 | 37,856 |

Reconciliation of segment profit

| EUR'000 | 9M 2011 | Q3 2011 | 9M 2010 | Q3 2010 |
|--|---------------|-------------|---------------|---------------|
| Total profit for reportable segments | 974 | 2,110 | 176 | 2,500 |
| Total profit/ loss for other segments | 47 | 142 | -351 | -11 |
| Inter-segment profit/loss | -16 | 4 | -42 | 503 |
| Other loss | -1,722 | -1,545 | -329 | -649 |
| Consolidated gross profit/loss | -717 | 711 | -546 | 2,344 |
| Unallocated expenses: | | | | |
| Distribution expenses | -238 | -74 | -284 | -84 |
| Administrative expenses | -3,284 | -1,160 | -3,368 | -1,096 |
| Other operating income / expenses | 595 | 380 | -316 | -209 |
| Consolidated operating profit/loss | -3,644 | -143 | -4,514 | 954 |
| Finance income | 494 | 144 | 2,817 | 114 |
| Finance expenses | -884 | -271 | -4,332 | -2,847 |
| Share of profit/loss of equity-accounted investees | 104 | 55 | -279 | -239 |
| Consolidated loss before tax | -3,930 | -215 | -6,308 | -2,017 |

NOTE 9. Segment reporting – geographical segments

| EUR'000 | 9M 2011 | Q3 2011 | 9M 2010 | Q3 2010 |
|----------------------------|----------------|---------------|---------------|---------------|
| Revenue | | | | |
| Estonia | 98,453 | 46,828 | 72,080 | 36,891 |
| Ukraine | 289 | 67 | 2,279 | 123 |
| Belarus | 2,397 | 534 | 909 | 833 |
| Finland | 2,255 | 1,523 | 0 | 0 |
| Inter-segment eliminations | -134 | -121 | -11 | 9 |
| Total revenue | 103,260 | 48,831 | 75,257 | 37,856 |



NOTE 10. Cost of sales

| | 9M 2011 | EUR`000 9M 2010 |
|--|----------------|--------------------|
| Cost of materials, goods and services used | 93,011 | 64,267 |
| Personnel expenses | 9,051 | 8,643 |
| Depreciation and amortisation expense | 1,661 | 2,147 |
| Other expenses | 254 | 746 |
| Total cost of sales | 103,977 | 75,803 |

NOTE 11. Administrative expenses

| | 9M 2011 | EUR`000 9M 2010 |
|--|--------------|--------------------|
| Personnel expenses | 1,492 | 1,907 |
| Cost of materials, goods and services used | 1,586 | 1,083 |
| Depreciation and amortisation expense | 137 | 206 |
| Other expenses | 69 | 173 |
| Total administrative expenses | 3,284 | 3,368 |

NOTE 12. Other operating income and other operating expenses

Other operating income

| | 9M 2011 | EUR`000 9M 2010 |
|--|------------|--------------------|
| Gains on sale of property, plant and equipment and intangible assets | 255 | 208 |
| Gains on sale of investment property | 221 | 18 |
| Foreign exchange gains | 204 | 50 |
| Other income | 66 | 220 |
| Total other operating income | 746 | 497 |

Other operating expenses

| | 9M 2011 | EUR`000 9M 2010 |
|--|------------|--------------------|
| Losses on write-off of property, plant and equipment and intangible assets | 5 | 1 |
| Impairment losses on goodwill | 0 | 109 |
| Loss on sale of investment properties | 0 | 130 |
| Foreign exchange losses | 44 | 448 |
| Impairment losses on receivables | 28 | 2 |
| Membership fees | 2 | 5 |
| Other expenses | 72 | 118 |
| Total other operating expenses | 151 | 813 |

NOTE 13. Finance income and finance expenses

Finance income

| | 9M 2011 | EUR`000 9M 2010 |
|---|------------|--------------------|
| Gains on disposal of investments in subsidiaries and associates | 0 | 2,085 |
| Interest income on loans | 479 | 556 |
| Foreign exchange gains | 1 | 36 |
| Other finance income | 14 | 140 |
| Total finance income | 494 | 2,817 |



Finance expenses

| | 9M 2011 | EUR`000 9M 2010 |
|-------------------------------|------------|--------------------|
| Interest expense | 774 | 738 |
| Foreign exchange losses | 125 | 5 |
| Other finance expenses | -15 | 3,589 |
| Total finance expenses | 884 | 4,332 |

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:

| | 9M 2011 | | EUR`000 9M 2010 | |
|--|------------|------------|--------------------|------------|
| Volume of transactions | Purchase | Sale | Purchase | Sale |
| AS Nordic Contractors | 301 | 4 | 355 | 3 |
| Companies of AS Nordic Contractors group | 665 | 776 | 2 | 939 |
| Equity-accounted investees | 0 | 0 | 0 | 26 |
| Companies related to a member of the council | 0 | 0 | 0 | 3 |
| Total | 966 | 780 | 357 | 971 |

| | 9M 2011 | | EUR`000 9M 2010 | |
|--------------------------|------------|------------|--------------------|------------|
| Volume of transactions | Purchase | Sale | Purchase | Sale |
| Construction services | 663 | 741 | 0 | 924 |
| Lease and other services | 303 | 39 | 357 | 47 |
| Total | 966 | 780 | 357 | 971 |

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

| EUR`000 | 30 September 2011 | | 31 December 2010 | |
|--|-------------------|-------------|------------------|-------------|
| | Receivables | Liabilities | Receivables | Liabilities |
| AS Nordic Contractors | 1 | 44 | 0 | 97 |
| Companies of AS Nordic Contractors group | 116 | 0 | 2,374 | 0 |
| Companies related to a member of the council | 0 | 0 | 70 | 4 |
| Associates - receivables | 1,004 | 27 | 1,004 | 1 |
| Associates – loans and interest | 8,452 | 0 | 8,040 | 0 |
| Joint ventures – loans and interest | 1,706 | 0 | 1,601 | 0 |
| Total | 11,279 | 71 | 13,089 | 102 |

Receivables from the companies of AS Nordic Contractors group and associates consist mostly of amounts due for construction services.



In the first nine months of 2011, the remuneration of the members of the council of Nordecon AS including associated social security charges amounted to 69 thousand euros. The corresponding figure for the first nine months of 2010 was also 69 thousand euros. The remuneration and bonus benefits of the members of the board of Nordecon AS including social security charges totalled 204 thousand euros compared with 95 thousand euros for the first half 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 the board changed in connection with the merger of two subsidiaries and the Group's parent that took place at the end of 2010.