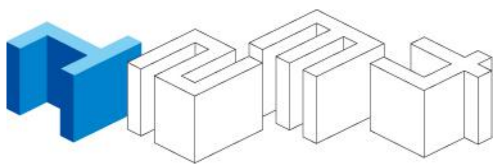
NORDECON

Financial report for the first quarter of 2013

(unaudited)



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(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 2013 – 31 December 2013
Reporting period	1 January 2013 – 31 March 2013
Council	Toomas Luman (chairman of the council), Alar Kroodo, Andri Hõbemägi, Tiina Mõis, Meelis Milder, Ain Tromp
Board	Jaano Vink (chairman of the board), Avo Ambur, Erkki Suurorg
Auditor	KPMG Baltics OÜ

Contents

About the Group

Nordecon AS (previous names AS Eesti Ehitus and Nordecon International AS) began operating as a construction company in 1989. Since then, we have grown to become one of the leading construction groups in Estonia and a strong player in all segments of the construction market.

For years, our operating strategy has been underpinned by a consistent focus on general contracting and project management and a policy of maintaining a reasonable balance between building and infrastructure construction. We have gradually 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 our customers high-quality integrated solutions in the construction of commercial, industrial and public buildings as well as infrastructure – roads, landfill sites, utility networks and port facilities. In addition, the Group is involved in the construction of concrete structures, leasing out heavy construction equipment, and road maintenance.

Besides Estonia, Group entities currently operate in Ukraine and Finland.

Nordecon AS is a member of the Estonian Association of Construction Entrepreneurs and the Estonian Chamber of Commerce and Industry and has been awarded international quality management certificate ISO 9001, international environment management certificate ISO 14001 and international occupational health and safety certificate OHSAS 18001.

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

VISION

To be the preferred partner in the construction industry for customers, subcontractors and employees.

MISSION

To offer our customers building and infrastructure construction solutions that meet their needs and fit their budget and thus help them maintain and add value to their assets.

SHARED VALUES

Professionalism

We are professional builders – we apply appropriate construction techniques and technologies and observe generally accepted quality standards. Our people are results-oriented and go-ahead; we successfully combine our extensive industry experience with the opportunities provided by innovation.

Reliability

We are reliable partners – we keep our promises and do not take risks at the expense of our customers. Together, we can overcome any construction challenge and achieve the best possible results.

Openness

We act openly and transparently. We observe best practice in the construction industry and uphold and promote it in society as a whole.

Employees

We inspire our people to grow through needs-based training and career opportunities consistent with their experience. We value our employees by providing them with a modern work environment that encourages creativity and a motivation system that fosters initiative.

Directors' report

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

Changes in the Group's Estonian operations

There were no changes in the Group's Estonian operations during the reporting period. The Group continued to operate in the buildings and infrastructure segments, being active in practically all market sub-segments. A significant proportion of the Group's core business was conducted by the parent, Nordecon AS, which continued to act as a holding company for the Group's main subsidiaries. In addition to the parent, construction management services were rendered by the subsidiary AS Eston Ehitus, which operates mostly in western and central Estonia.

As regards other main business lines, the Group continued to provide concrete services (Nordecon Betoon OÜ), leasing out heavy construction machinery and equipment (Kaurits OÜ), and providing regional road maintenance services in the Keila area in Harju county and in Järva and Hiiu counties (delivered by Nordecon AS, Järva Teed AS and Hiiu Teed OÜ respectively).

We did not enter any new operating segments in Estonia.

Changes in the Group's foreign operations

In line with the current strategy, our target foreign markets are Latvia, Lithuania and Ukraine. In Finland, we operate in a narrow market segment and do not intend to expand to other segments.

Latvia

During the period, there were no changes in our Latvian operations. We have currently no construction contracts in progress in Latvia and no subsidiaries incorporated in Latvia.

Lithuania

During the period, there were no changes in our Lithuanian operations. We have currently no construction contracts in progress in Lithuania and the operations of our Lithuanian subsidiary Nordecon Statyba UAB have been suspended.

Ukraine

There were no changes in our Ukrainian operations during the reporting period. The economic and political situation in the country did not improve and, thus, we were not able to grow our business in Ukraine. However, the number of bids requested for new construction projects has somewhat increased.

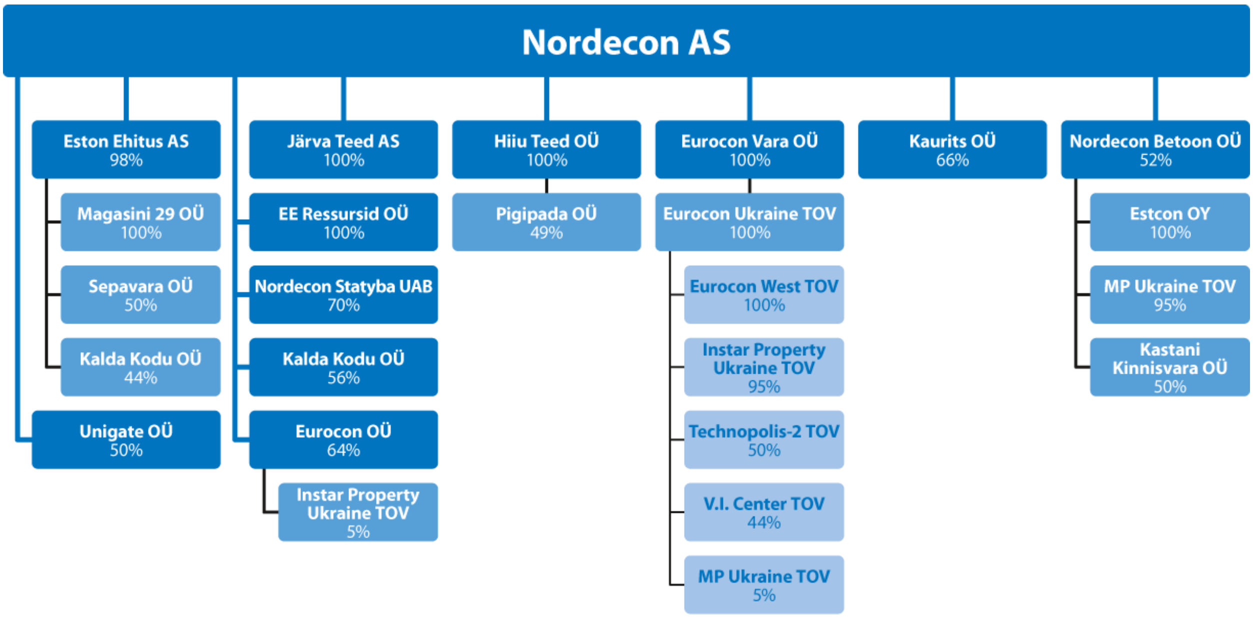
Real estate development projects that require extensive investment (we have currently an interest in two conserved development projects) remain suspended to minimise the risks until the situation in Ukraine becomes clearer. To secure the investment, in 2012 the Group and its co-owners privatised the land of the V.I. Center TOV development project and in the first quarter of 2013 the privatised plots were encumbered with mortgages created for the benefit of the owners.

Finland

There were no changes in our Finnish operations during the period. The Group's subsidiary Nordecon Betoon OÜ together with its Finnish subsidiary Estcon Oy continued to provide subcontracting services in the concrete works sector in Finland.

Group structure

The Group's structure at 31 March 2013, including interests in subsidiaries and associates*



* The chart does not include the subsidiaries OÜ Eesti Ehitus, OÜ Aspi, OÜ Linnaehitus, OÜ Mapri Projekt, Infra Ehitus OÜ, OÜ Paekalda 2, OÜ Paekalda 3, OÜ Paekalda 7 and OÜ Paekalda 9 that currently do not conduct any significant business operations. The first four were established to protect former business names. Nor does the chart include investments in which the Group's interest is less than 20%.

Significant changes in the Group's structure

Pigipada OÜ

In January 2013, Nordecon AS sold its 49% interest in the associate Pigipada OÜ to its subsidiary Hiiu Teed OÜ. The core business of Pigipada OÜ is refining oil products. In particular, the entity produces bitumen emulsion, a binder required in surfacing and asphalt laying works. The purpose of the intra-group restructuring was to allow the main consumer of Pigipada OÜ's output to acquire a stake in the entity and thereby to create synergies between the two companies that operate in the same value chain.

Financial review

Financial performance

Nordecon group's gross profit for the first quarter of 2013 was 593 thousand euros (Q1 2012: 36 thousand euros). Generally first quarter results are impacted by a high proportion of fixed costs in the Infrastructure segment because seasonal factors impede outdoor work. However, this year the share of infrastructure projects where work could be done also during the winter months was larger than usual (e.g. earthwork for some major road construction projects and the construction of structures). Gross margin for the period was 2.2% (Q1 2012: 0.2%).

In previous interim reports we have described the work done to restore the Group's profitability. The measures applied, including extensive internal restructuring and decisive cost cuts, have been effective but their effect on each subsequent year's profit is inherently limited. In interpreting the results, it should be noted that the profits of long-term construction contracts are earned gradually, based on the stage of completion of contract activity.

So far, the external environment has favoured the recovery of construction companies. In the first quarter, most builders performed contracts secured in previous periods. The combination of market growth and relatively stable input and subcontracting prices created a solid basis for a rise in the projects' average profit margin. However, competition for public procurement contracts that will be put out to tender this year will be fierce, as companies expect a decrease in the volume of work procured by the public sector due to the depletion of resources allocated from the EU financial framework that is coming to an end in 2013. This will intensify competition and pricing pressure in all segments of the construction market. The Group is aware that long-term construction contracts involve the risk of growth in input prices and remains committed to prioritizing the profitability of contracts secured over increasing or maintaining its revenue figures. On the other hand, the investment activity of private sector customers, which is expected to rise slightly in 2013, should have a positive impact on the margins of construction companies.

The Group's first-quarter administrative expenses totalled 1,236 thousand euros, remaining more or less stable compared with the 1,230 thousand euros incurred in the first quarter of 2012. The ratio of administrative expenses to revenue (12 months rolling) was 3.3% (Q1 2012: 3.1%). Our cost-control measures continue to yield strong results, allowing us to maintain administrative expenses below the target ceiling, i.e. 5% of revenue.

Operating loss for the first quarter of 2013 was 542 thousand euros (Q1 2012: an operating loss of 1,245 thousand euros) and EBITDA was negative at 35 thousand euros (Q1 2012: negative at 647 thousand euros).

The Group ended the first quarter with a net loss of 652 thousand euros (Q1 2012: a net loss of 1,408 thousand euros). The loss attributable to owners of the parent, Nordecon AS, was 673 thousand euros (Q1 2012: a loss of 1,364 thousand euros).

Cash flows

Operating activities of the first quarter of 2013 resulted in a net cash outflow of 4,181 thousand euros (Q1 2012: a net outflow of 3,814 thousand euros). Negative operating cash flow in the first quarter is quite common and attributable to the cyclical nature of construction activity. Higher fixed costs and preparations made for more active construction operations in the second quarter cause outflows to exceed inflows. Operating cash flow continued to be influenced by a difference between settlement terms. The settlement terms agreed with customers are long and in the case of public procurement generally extend from 45 to 56 days while subcontracts ordinarily have to be paid within 21 to 45 days. We counteract the mismatch between cash inflows and outflows with factoring and overdraft facilities obtained for meeting working capital requirements.

Cash flows from investing activities resulted in a net outflow of 195 thousand euros (Q1 2012: a net outflow of 445 thousand euros). We continued to invest in property, plant and equipment although not as extensively as a year ago. The volume of loans to associates was similar to the prior year but we received more loan repayments.

Financing activities resulted in a net cash inflow of 620 thousand euros (Q1 2012: a net outflow of 263 thousand euros). The net amount of loan receipts and repayments was positive at 1,349 thousand euros, being twice larger than a year ago, when the figure was 652 thousand euros. The Group borrowed more working capital because business volumes have increased compared with the previous year. Repayments, which were mostly related to meeting commitments under refinancing agreements, were larger as well.

At 31 March 2013, the Group's cash and cash equivalents totalled 6,474 thousand euros (31 March 2012: 5,385 thousand euros). Management's comments on liquidity risks are presented in *Description of the main risks*.

Key financial figures and ratios

Figure/ratio	Q1 2013	Q1 2012	Q1 2011	2012
Revenue (EUR'000)	27,081	22,475	17,723	159,422
Revenue growth, %	20%	27%	58%	7.9%
Net profit/loss (EUR'000)	-652	-1,408	-1,234	1,926
Profit/loss attributable to owners of the parent (EUR'000)	-673	-1,364	-1,177	1,477
Weighted average number of shares	30,756,727	30,756,728	30,756,728	30,756,728
Earnings per share (EUR)	-0.02	-0.04	-0.04	0.05
Administrative expenses to revenue, %	4.6%	5.5%	6.0%	3.4%
Administrative expenses to revenue (rolling)	3.3%	3.1%	4.5%	3.4%
EBITDA (EUR'000)	-35	-647	-484	4,833
EBITDA margin, %	-0.1%	-2.9%	-2.7%	3.0%
Gross margin, %	2.2%	0.2%	-0.4%	5.2%
Operating margin, %	-2.0%	-5.5%	-6.3%	1.7%
Operating margin excluding gains on asset sales, %	-2.3%	-6.0%	-7.5%	1.4%
Net margin, %	-2.4%	-6.3%	-7.0%	1.2%
Return on invested capital, %	-0.7%	-2.1%	-1.5%	5.2%
Return on equity, %	-2.2%	-5.1%	-3.8%	6.6%
Equity ratio, %	29.5%	29.9%	35.5%	27.1%
Gearing, %	39.4%	42.2%	44.8%	33.7%
Current ratio	1.08	1.07	1.36	1.08
	31 March 2013	**31 March 2012**	**31 March 2011**	**31 Dec 2012**
Order book (EUR'000)	126,740	136,235	91,974	127,259

Revenue growth = (revenue for the reporting period/ revenue for the previous period) – 1*100

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

Administrative expenses to revenue = (administrative expenses/ revenue)*100

Administrative expenses to revenue (rolling) = (past four quarters' administrative expenses/past four quarters' revenue)*100

EBITDA = operating profit + depreciation and amortisation + impairment losses on goodwill

EBITDA margin = (EBITDA/revenue)*100

Gross margin = (gross profit/revenue)*100

Operating margin = (operating profit/revenue)*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

Net margin = (net profit for the period/revenue)*100

Return on invested capital = ((profit before tax + interest expense)/ the period's average (interest-bearing liabilities + equity))*100

Return on equity = (net profit for the period/ the period's average total equity)*100

Equity ratio = (total equity/ total liabilities and equity)*100

Gearing = ((interest-bearing liabilities – cash and cash equivalents)/ (interest-bearing liabilities + equity))*100

Current ratio = total current assets/ total current liabilities

Performance by geographical market

In the first quarter of 2013, around 3% of the Group's revenue was generated outside Estonia compared with 2% in the first quarter of 2012.

	Q1 2013	Q1 2012	Q1 2011	2012
Estonia	97%	98%	92%	98%
Finland	3%	2%	3%	2%
Belarus	0%	0%	5%	0%

Finnish revenues comprise revenue from concrete works. We expect the contribution of foreign markets to remain at a similar level throughout the year.

Geographical diversification of the revenue base is a consciously deployed strategy by which we mitigate the risks resulting from excessive concentration. Although in the long term our strategy foresees increasing foreign operations, in the short term the Group will focus on the Estonian market that it knows best and which entails fewer known market risks. The Group's vision of its future operations in foreign markets is described in the chapter *Outlooks of the Group's geographical markets*.

Performance by business line

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

The Group's revenue for the first quarter of 2013 was 27,081 thousand euros, a 20% improvement on the 22,475 thousand euros generated in the first quarter of 2012.

The Group aims to maintain the revenues of its operating segments (Buildings and Infrastructure) in balance as this helps disperse risks and provides better opportunities for continuing operations under stressed circumstances when one segment experiences shrinkage. The Group has set a strategic ceiling for revenue from the construction of apartment buildings, which has to remain below 20% of total sales.

Segment revenues

In the first quarter of 2013, the revenues of the two main segments were more or less equal, amounting to 12,703 thousand euros for Buildings and 13,157 thousand euros for Infrastructure. The corresponding prior-year figures were 11,713 thousand euros and 10,043 thousand euros (see note 8). The Infrastructure segment increased its revenue by 30% and, in contrast to the past few years, outperformed the Buildings segment largely thanks to the fact that the number of Infrastructure projects where work could also be done in the winter season was somewhat larger than usual. Compared with the first quarter of 2012, the proportion of building construction contracts in the Group's portfolio has increased (mostly through contracts secured from the private sector), contributing to growth in building construction revenues.

Operating segments*	Q1 2013	Q1 2012	Q1 2011	2012
Buildings	46%	54%	51%	42%
Infrastructure	54%	46%	49%	58%

* In *Directors' report* the Ukrainian buildings segment and the EU buildings segment, which are disclosed separately in the financial statements as required by IFRS 8 *Operating Segments*, are presented as a single segment

In *Directors' report*, projects have been allocated to operating segments based on their nature (i.e. building or infrastructure construction). In the segment reporting presented in the financial statements, allocation is based on the subsidiaries' main field of activity (as required by IFRS 8 *Operating Segments*). In the financial statements, the results of a subsidiary that is primarily engaged in infrastructure construction are presented in the Infrastructure segment. In *Directors' report*, the revenues of such a subsidiary are presented based on their nature. The differences between the two reports are not significant because in general Group entities specialise in specific areas except for the subsidiary Nordecon Betoon OÜ that is involved in both building and infrastructure construction. The figures for the parent company have been allocated in both parts of the interim report based on the nature of the work.

Sub-segment revenues

Additional private sector contracts secured in 2012 facilitated revenue growth in the commercial buildings sub-segment. We are currently building several commercial buildings in Tallinn and Tartu and, at the end of the quarter, secured a contract of over 15 million euros for building an extension to the ASTRI shopping centre in Narva. We expect the investment activity of private sector customers to continue through 2013 and the proportion of the sub-segment to remain considerable.

The revenues of the public buildings sub-segment decreased because we did not have any major projects comparable to those performed a year ago. The competitive situation in this market segment is exceptionally challenging: it is difficult to win procurement tenders without taking excessive risks but our current policy is to avoid unjustified risks. No major procurement tenders are expected to be announced in this sub-segment in 2013 and, thus, volumes will probably not expand. Our largest ongoing projects in the sub-segment are the construction of the Translational Medicine Centre of the University of Tartu and Phase V of St Paul’s Church in Tartu.

Despite slight growth in private sector investment in industrial and warehouse facilities, most of the sub-segment’s revenue still resulted from contracts performed for the agricultural sector. However, compared with the first quarter of 2012, their volume has declined because the support allocated from the EU structural funds that co-finance the projects has decreased.

The Group built apartment buildings as a general contractor, not a developer. Within the apartment buildings sub-segment, revenue from sale of the Tigutorn apartments increased compared with a year ago.

Revenue distribution within Buildings segment	Q1 2013	Q1 2012	Q1 2011	2012
Commercial buildings	47%	19%	11%	26%
Industrial and warehouse facilities	28%	32%	28%	35%
Public buildings	18%	42%	58%	36%
Apartment buildings	7%	7%	3%	3%

In the first quarter of 2013, the main revenue source for the Infrastructure segment was road construction. We have several large projects involving not only seasonally restricted operations such as asphalt-laying but also various kinds of earthwork and construction of structures, which could also be done in the weather of the first quarter. Most of the work relating to those projects, which are still in progress, will be performed in 2013.

In specialist engineering, our main projects were construction of facilities for Sillamäe port and construction of Kärdla guest harbour. The bulk of work at Sillamäe port has been completed and the remaining operations require better weather conditions. This one of the reasons why the sub-segment’s contribution has decreased compared with the previous year.

In 2012 we secured a number of environmental engineering contracts. Most of the work relating to those contracts will be performed in 2013. In addition, in the reporting period, we signed a contract of 6.4 million euros on the reconstruction of the wastewater treatment plant of the town of Paide. Thus, the contribution of environmental engineering will probably remain larger than in the previous year with some of the rise resulting from shrinkage in the construction of water and wastewater networks (other engineering). The decrease in the latter is consistent with general market developments. The current year is the last one in the EU financial framework that is coming to an end and most of the work to be conducted with the support of allocated funds has already been tendered.

Revenue distribution within Infrastructure segment	Q1 2013	Q1 2012	Q1 2011	2012
Road construction and maintenance	44%	36%	21%	51%
Specialist engineering (including hydraulic engineering)	10%	19%	1%	15%
Other engineering	32%	41%	50%	27%
Environmental engineering	14%	4%	28%	7%

Order book

At 31 March 2013, our order book stood at 125,740 thousand euros, being 8% smaller than a year ago.

The decrease in order book compared with the first quarter of 2012 is attributable to the gradual performance of major contracts (e.g. the design and build of the Aruvalla-Kose road section and construction of berths at Sillamäe port). Addition of large contracts is irregular. Initially new contracts increase the order book considerably (positive impact on order book), but as they are performed, their balance declines (negative impact on order book).

Compared with the end of 2012, the order book has remained stable – the Group has won new contracts in the same volume as older contracts have been performed. This is a good indicator for the first quarter. The largest increase was in the commercial buildings sub-segment where we won the contract on building an extension to the ASTRI shopping centre in Narva.

The order book used to include the outstanding balance of the Tivoli housing development project in Tallinn city centre of 12,757 thousand euros. On 4 February 2013, Tivoli Arendus OÜ sent us a notice of termination of the contract, which in our opinion is baseless. Accordingly, as at the date of release of this report Nordecon AS considers the notice of termination unfounded and the contract still effective. However, in light of the circumstances, we believe that it is unlikely that construction work can continue under the same contract.

As at the end of	Q1 2013	Q1 2012	Q1 2011	2012
Order book (EUR'000)	125,740	136,235	91,974	127,259

Because of the general situation in the construction market, infrastructure contracts account for a larger proportion of the order book than building construction contracts. However, compared with a year ago, the lead of the Infrastructure segment has decreased significantly. At the reporting date, infrastructure contracts accounted for 56% of the order book compared with 78% at 31 March 2012.

Between the reporting date (31 March 2013) and the date of release of this report, Group companies have secured additional construction contracts of approximately 18,517 thousand euros.

People

Staff and personnel expenses

In the first quarter of 2013, the Group (the parent and the subsidiaries) employed, on average, 739 people including 349 engineers and technical personnel (ETP). The number of staff did not increase substantially compared with a year ago.

Average number of the Group's employees (comprising the parent and the subsidiaries)

	Q1 2013	Q1 2012	Q1 2011	2012
ETP	361	362	337	367
Workers	379	372	362	397
Total average	**739**	**734**	**699**	**764**

The Group's personnel expenses for the first quarter of 2013 including all taxes totalled 4,056 thousand euros, 29% up on the comparative period when personnel expenses were 3,147 thousand euros. The growth in personnel expenses is mainly attributable to performance pay provided on the completion of projects. Selective increases of basic salaries had less impact.

In the first quarter of 2013, the service fees of the members of the council of Nordecon AS amounted to 37 thousand euros and associated social security charges totalled 12 thousand euros (Q1 2012: 17 thousand euros and 6 thousand euros respectively). The figure has increased in connection with the decision of Nordecon AS's annual general meeting to increase the council's fees as from the beginning of 2012. The fees for the months preceding the general meeting were paid out and recognised retrospectively in the second quarter of 2012.

The service fees of the members of the board of Nordecon AS amounted to 51 thousand euros and associated social security charges totalled 17 thousand euros (Q1 2012: 56 thousand euros and 18 thousand euros respectively including the remuneration of the member of the board that was removed on 30 April 2012).

Labour productivity and labour cost efficiency

In measuring operating efficiency, the Group uses the following productivity and efficiency indicators, which are based on the number of employees and personnel expenses paid:

	Q1 2013	Q1 2012	Q1 2011	2012
Nominal labour productivity (rolling), (EUR'000)	214.3	206.4	138.7	208.7
Change against the comparative period, %	3.9%	48.8%	9.3%	3.2%
Nominal labour cost efficiency (rolling), (EUR'000)	9.3	10.7	7.4	9.5
Change against the comparative period, %	-13.2%	43.6%	17.6%	-8.6%

Nominal labour productivity (rolling) = (past four quarters' revenue) / (past four quarters' average number of employees)

Nominal labour cost efficiency (rolling) = (past four quarters' revenue) / (past four quarters' personnel expenses)

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

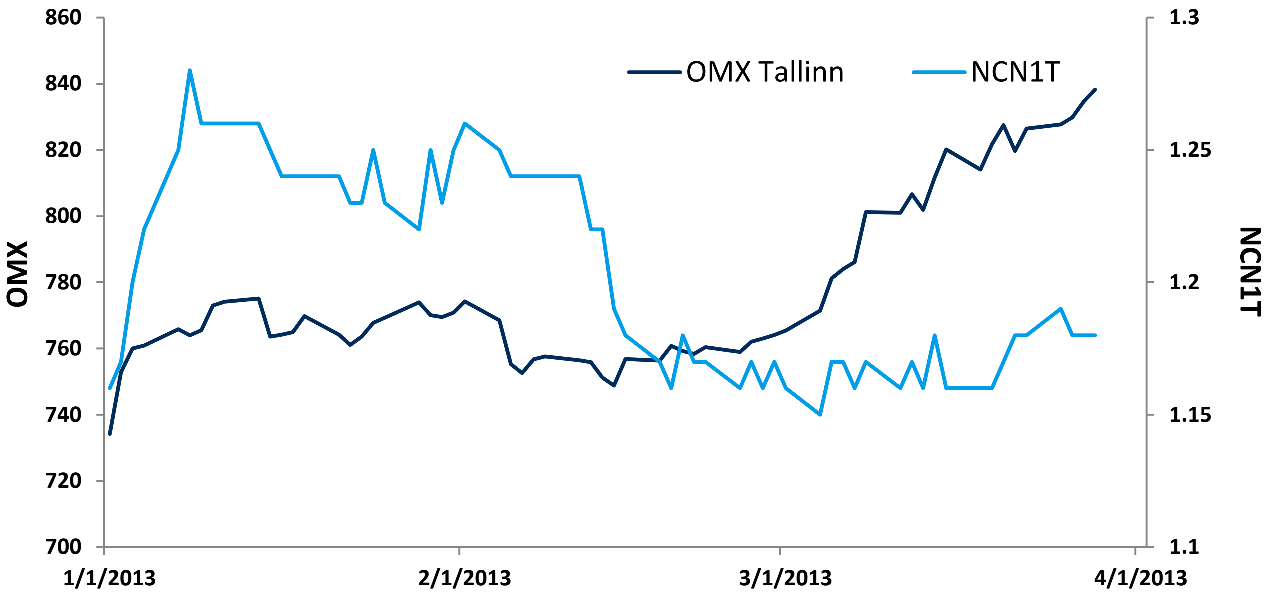
* In connection with Estonia's accession to the euro-zone on 1 January 2011 and in line with amendments to the Estonian Commercial Code that took effect on 1 July 2010 as well as a resolution adopted by the annual general meeting of Nordecon AS in May 2011, the company's share capital was converted from 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 meeting of Nordecon AS.

Movements in the price and turnover of the Nordecon AS share in the first quarter of 2013

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

Movement of the share price compared with the OMX Tallinn index in the first quarter of 2013



Index/equity	1 January 2013*	31 March 2013	+/-%
OMX Tallinn	734.20	838.20	14.17
NCN1T	EUR 1.16	EUR 1.18	1.72

* Closing price on the NASDAQ OMX Tallinn Stock Exchange at 31 December 2012

Summarised trading results

Share trading history (EUR)

Price	Q1 2013	Q1 2012	Q1 2011
Open	1.17	0.92	1.38
High	1.29	1.17	1.5
Low	1.15	0.88	1.25
Last closing price	1.18	1.15	1.36
Traded volume (number of securities traded)	975,828	984,673	1,378,703
Turnover, millions	1.16	0.94	1.96
Listed volume (31 March), thousands	30,757	30,757	30,757
Market capitalisation (31 March), millions	36.29	35.37	41.83

Shareholder structure

Largest shareholders of Nordecon AS at 31 March 2013

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,507,464	53.67
Luksusjaht AS	2,094,619	6.81
ING Luxembourg S.A.	2,007,949	6.53
Skandinaviska Enskilda Banken AB, Swedish Clients	1,211,308	3.94
SEB Pank AS Clients	669,344	2.18
State Street Bank and Trust Omnibus Account A Fund	597,464	1.94
Ain Tromp	578,960	1.88
ASM Investments OÜ	519,600	1.69
SEB Elu- ja pensionikindlustus AS	262,700	0.85
Skandinaviska Enskilda Banken, Finnish Clients	257,410	0.84

Shareholder structure of Nordecon AS by ownership interest at 31 March 2013

	Number of shareholders	Ownership interest (%)
Shareholders with interest exceeding 5%	3	67.01
Shareholders with interest between 1% and 5%	5	11.63
Shareholders with interest below 1%	1,955	21.36
Total	**1,963**	**100**

Shares controlled by members of the council of Nordecon AS at 31 March 2013

Council		Number of shares	Ownership interest (%)
Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad)*	Chairman of the Council	16,574,144	53.89
Ain Tromp	Member of the Council	578,960	1.88
Alar Kroodo (ASM Investments OÜ)*	Member of the Council	519,600	1.69
Andri Hõbemägi	Member of the Council	50,000	0.16
Tiina Mõis	Member of the Council	0	0.00
Meelis Milder	Member of the Council	0	0.00
Total		**17,722,704**	**57.62**

* Companies controlled by the individual

Shares controlled by members of the board of Nordecon AS at 31 March 2013

Board		Number of shares	Ownership interest (%)
Jaano Vink (OÜ Brandhouse)*	Chairman of the Board	37,921	0.12
Avo Ambur	Member of the Board	32,322	0.11
Erkki Suurorg	Member of the Board	0	0.00
Total		**70,243**	**0.23**

* Companies controlled by the individual

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.

Description of the main risks

Business risks

The main factors, which affect the Group's business volumes and profit margins, are competition in the construction market and changes in the demand for construction services. In addition, in the region where the Group operates construction operations are influenced by seasonality caused by the change of seasons.

The Group acknowledges the risks inherent in the execution of contracts concluded in an environment of stiff competition. Securing a long-term construction contract at an unreasonably low price in a situation where input prices tend to rise involves as high risk because the contract may quickly start generating a loss.

In the next periods, the Estonian construction market will depend mainly on public sector investments. A significant proportion of those investments will be funded with the assistance of the EU structural funds. The availability of EU support is relatively certain until the end of the current budget period (2007-2013). However, the allocations remaining for the last year of the budget period are smaller than in the previous years, which means, that the number of new projects started in 2013 will decrease significantly. The expenditures of the EU financial framework for 2014-2020 that will be designated for investments involving construction work are still unclear. Although the amounts allocated to Estonia under the cohesion policy programmes will increase, the national priorities may have changed. Nevertheless, the planned investments will have a significant and direct impact on the business volumes of construction companies.

The impacts of seasonality are the strongest in the Infrastructure segment where a lot of work is done outdoors (road and port construction, earthwork, etc). In order to disperse the risk, the Group has secured road maintenance contracts that generate year-round business. According to its business strategy, the Group counteracts seasonal fluctuations in its infrastructure operations with building construction operations that are less exposed to seasonality. Thus, the Group endeavours to keep the operating volumes of the two segments in balance (see also the chapter *Performance by business line*). In addition, Group companies consistently seek new technical solutions that would yield greater efficiency under changeable weather conditions.

Operational risks

To manage their daily construction risks, Group companies purchase contractors' all risks insurance. Depending on the nature of the project and the requests of the customer, 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 provided to a Group company or the Group retains part of the amount payable until the completion of the contract. To remedy builder-caused deficiencies, which may be detected during the warranty period, Group companies create warranty provisions based on their historical experience. At 31 March 2013, the Group's warranties provisions (including current and non-current ones) totalled 1,377 thousand euros. At 31 March 2012, the corresponding figure was 1,153 thousand euros.

In addition to managing the risks, which are directly related to construction operations, in recent years the Group has sought to mitigate also the risks inherent in preliminary activities. In particular, we have focused on the bidding process, i.e. the Group's compliance with the procurement terms and conditions and budgeting. The errors made in the planning stage are usually irreversible and, in a situation where the price is contractually fixed, may result in a direct financial loss.

Financial risks

Credit risk

In the reporting period, the Group did not recognise any significant credit losses. The credit risk exposure of the Group's receivables continued to be low because the proportion of public sector customers that receive their financing from the state and local governments as well as the EU structural funds continued to be high. The main indicator of the realisation of credit risk is settlement default that exceeds 180 days coupled with no activity on the part of the debtor that would confirm the intent to settle.

In the first quarter of 2013, reversals of prior period credit losses gave rise to a gain of 9 thousand euros (Q1 2012: credit losses on the write-down of receivables totalled 4 thousand euros).

The Group has recognised a trade receivable of approximately 2.4 million euros (includes a portion of late payment interest) due from the customer of the exhibition building of the Estonian Maritime Museum. Under the contract, determination of whether the claim has merit is at the discretion of the Arbitration Court of the Estonian Chamber of Commerce and Industry. The Group's management is convinced that the claim has merit and has therefore not written the receivable down. The case is expected to be ruled upon in the second half of 2013.

Liquidity risk

The Group remains exposed to higher than average liquidity risk resulting from a mismatch between the long settlement terms demanded by customers (mostly 45 to 56 days but sometimes up to 100 days) and increasingly shorter settlement terms negotiated by subcontractors (mostly 21 to 45 days). The Group counteracts the differences in settlement terms by using factoring where possible.

At the reporting date, the Group's current assets exceeded its current liabilities 1.08-fold (31 March 2012: 1.07-fold). Interest-bearing liabilities account for a significant proportion of current liabilities. In accordance with IFRS EU, loan commitments have to be classified into current and non-current liabilities based on the contractual conditions effective at the reporting date. To date, banks have refinanced the Group's liabilities for periods not exceeding 12 months, which is why a substantial portion of loans are classified as current liabilities although it is probable that some borrowings (particularly overdraft facilities) will be refinanced again when 12 months have passed. During and partly after the end of the reporting period, loans of 13,415 thousand euros which at 31 December 2012 were recognised as current liabilities (at 31 March 2013 corresponding loan balances totalled 16,729 thousand euros) were refinanced (or the Group obtained binding confirmations of their refinancing during 2013) and their settlement dates were (or will be) deferred to 2014.

At the reporting date, the Group's cash and cash equivalents totalled 6,474 thousand euros (31 March 2012: 5,385 thousand euros).

Interest rate risk

The Group's interest-bearing liabilities to banks have both fixed and floating interest rates. Finance lease liabilities have mainly floating interest rates. The base rate for most floating rate contracts is Euribor. At 31 March 2013, the Group's interest-bearing loans and borrowings totalled 29,884 thousand euros, an increase of 808 thousand euros year over year. Interest expense for the first quarter of 2013 amounted to 245 thousand euros. Compared with the first quarter of 2012, interest expense decreased by 2 thousand euros. The Group's interest rate risk results mainly from a rise in the base rate for floating interest rates (Euribor/EONIA). The risk is mitigated by fixing, where possible, the interest rates of liabilities during the period of low market interest rates.

The Group has not acquired any derivatives for hedging the risks arising from instruments with a floating interest rate.

Currency risk

In the first quarter of 2013, the exchange rate of the Ukrainian hryvna against the euro was stable. The Group's net foreign exchange gain for the period was 89 thousand euros (Q1 2012: a net foreign exchange loss of 91 thousand euros).

Since Estonia's adoption of the euro at the beginning of 2011, the Group's Finnish operations do not involve a currency risk. Nor does the Group have any currency risk in Lithuania where operations have been suspended. Currency risk is reduced by the fact that the prices of construction materials and services that the Group's Estonian entities purchase from abroad are mostly denominated in euros.

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

Outlooks of the Group's geographical markets

Estonia

Processes and developments characterising the Estonian construction market in 2013

- Construction volumes will be larger in the infrastructure segment but the segment's lead over building construction will diminish at an increasing pace. Private sector investments, which will grow compared with 2012, will mostly be channelled to the buildings segment. Moreover, the public sector will contribute to building construction through two major contracts - the construction of a new main building of the Estonian National Museum and the Maarjamõisa medical campus of Tartu University Hospital. The turnover of the infrastructure segment, on the other hand, will be undermined by the depletion of funds allocated from the EU budget for the period 2007-2013.
- The construction market will remain disproportionately reliant on public procurement and projects executed with the support of the EU structural funds. In the last year of the EU budget period, the volume of new procurements will decrease because most funds have already been allocated. Co-financing terms generally require that a project should be completed during the budget period. Thus, most of the remaining procurements will be announced in the first half of 2013. This means that in the second half of the year public procurement of construction work may plummet. The EU financial framework 2014-2020 has still not been finalised. This increases uncertainty about how the construction market will develop in 2014 and forces companies to make their decisions based on shorter-term prospects.
- The industry will see further consolidation, particularly in the field of general contracting in building construction where the number of medium-sized operators (annual turnover of around 15-40 million euros) is still too large. Based on the past three years' experience it is likely that stiff competition and insufficient demand will induce some general contractors to go slowly out of business or shrink in size rather than merge with another or exit the market. However, it will also become increasingly common that two to four smaller players that are seeking ways to remain in business will form a consortium to bid for major procurement contracts, meet stringent tendering conditions and secure the required funding.
- Competition will intensify in all segments of the construction market. The average number of bidders for a contract has increased and there is already a notable gap between the lowest bids made by the winners and the average bids. The situation is somewhat similar to 2009 when anticipation of a fall in demand caused a rapid decline in construction prices, which triggered a slide in the prices of many construction inputs. However, currently there are no massive decreases in the prices of construction inputs and companies that are banking on this in the bidding phase may run into difficulty. Profit margins are already under strong competitive pressure.
- In new housing development, the success of a project will depend on the developer's ability to control the input prices included in its business plan and thus to set an affordable sales price. Although the overall situation is improving steadily, the offering of new residential real estate cannot be increased dramatically because the prices of new apartments are relatively high compared with the standard of living and the banks' lending terms remain strict. Similarly to the previous year, successful projects will include those that create or fill a niche.
- The contracts signed with public sector customers will continue to impose tough conditions on construction companies: extensive obligations, strict sanctions, various financial guarantees, extremely long settlement terms, etc. Contractors cannot implement more optimal solutions identified in the construction phase that would reduce the construction or operating costs of the procured asset without sanctions because procurement terms do not allow this. In a situation where public procurement is based on underbidding, the above factors increase the risks of all market participants.
- The prices of construction inputs will remain relatively stable. Local subcontracting prices may decrease due to weakening demand but, taking into account the subcontractors' financial and human resources, the decline cannot be substantial or long-lasting. In some areas, price fluctuations continue to be unpredictable and, thus, notably greater and hard or even impossible to influence (petroleum and metal products, certain materials and equipment).
- The situation in the labour market will be comparatively stable. There is still a shortage of qualified labour (including project and site managers) but construction companies, which have to maintain tight cost control, are not ready for a general rise in the base wage. However, as the cost of living is increasing, pressure for a wage

increase remains strong. Labour migration to the Nordic countries will also remain steady and despite potential market shrinkage (particularly in Finland), the number of job seekers is not expected to increase.

Latvia and Lithuania

In our opinion, the Latvian construction market, which was hit by a severe downturn a few years ago, has not regained sufficient stability and similarly to Estonia in 2013 it will probably see shrinkage in public sector demand. Therefore, the Group is not going to enter to the Latvian construction market permanently in 2013.

In the next few years we may undertake some projects in Latvia through our Estonian entities, involving partners where necessary. Execution of project-based business assumes that the projects can be performed profitably. The decision does not change our strategy for the future, i.e. the objective of operating in our neighbouring construction markets through local subsidiaries.

We have suspended the operations of our Lithuanian subsidiary, Nordecon Statyba UAB. We are monitoring market developments and may resume our Lithuanian operations in the coming years on a project basis. Temporary suspension of operations does not cause any major costs for the Group and does not change our strategy for the future, i.e. the objective of operating in the Lithuanian construction market through local subsidiaries.

Ukraine

The Group operates in Ukraine as a general contractor and project manager in the segment of commercial buildings and production facilities, offering its services primarily to foreign private sector customers. In the past three years, there have been practically no private sector customers in that segment. Regardless of this, we will continue our business in Ukraine in 2013. There are some signs that investment activity in Ukraine may pick up in 2013 although the economic and political risks do not allow us to expect any rapid changes. We will monitor the situation in the Ukrainian construction market closely and will be ready to carry out additional restructuring at the companies involved. We will continue seeking opportunities for exiting the conserved real estate projects or signing a construction contract with a potential new owner.

Finland

In the Finnish market we offer mainly subcontracting services in the field of concrete works but based on experience gained, we are going to deliver some more complex services in 2013. The local concrete works market provides opportunities for competing for projects where the customer wishes to purchase all concrete works from one reliable company. Nevertheless, we will maintain a rational approach and will avoid taking excessive risks. We are not planning to penetrate other segments of the Finnish construction market (general contracting, project management, etc).

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	9 May 2013
Avo Ambur	Member of the Board	9 May 2013
Erkki Suurorg	Member of the Board	9 May 2013

Condensed consolidated interim financial statements

Condensed consolidated interim statement of financial position

EUR '000	Note	31 March 2013	31 December 2012
ASSETS			
Current assets			
Cash and cash equivalents		6,474	10,231
Trade and other receivables	2	36,692	42,896
Prepayments		2,251	1,840
Inventories	3	25,497	26,243
Total current assets		**70,914**	**81,210**
Non-current assets			
Investments in equity-accounted investees		193	202
Other investments		26	26
Trade and other receivables	2	384	1,554
Investment property		4,930	4,930
Property, plant and equipment	4	9,023	8,851
Intangible assets	4	14,832	14,857
Total non-current assets		**29,388**	**30,420**
TOTAL ASSETS		**100,302**	**111,630**
LIABILITIES			
Current liabilities			
Loans and borrowings	5, 6	26,225	27,185
Trade payables		27,504	31,968
Other payables		4,482	5,014
Deferred income		6,754	11,404
Provisions		446	521
Total current liabilities		**65,411**	**76,092**
Non-current liabilities			
Loans and borrowings	5, 6	3,659	3,671
Trade payables		259	259
Other payables		96	96
Provisions		1,281	1,210
Total non-current liabilities		**5,295**	**5,236**
TOTAL LIABILITIES		**70,706**	**81,328**
EQUITY			
Share capital		19,657	19,657
Statutory capital reserve		2,554	2,554
Translation reserve		-457	-404
Retained earnings		5,366	6,039
Total equity attributable to owners of the parent		**27,120**	**27,846**
Non-controlling interests		**2,476**	**2,456**
TOTAL EQUITY		**29,596**	**30,302**
TOTAL LIABILITIES AND EQUITY		**100,302**	**111,630**

Condensed consolidated interim statement of comprehensive income

EUR '000	Note	Q1 2013	Q1 2012	2012
Revenue	8, 9	27,081	22,475	159,422
Cost of sales	10	-26,488	-22,439	-151,205
Gross profit		**593**	**36**	**8,217**
Marketing and distribution expenses		-62	-76	-389
Administrative expenses	11	-1,236	-1,230	-5,385
Other operating income	12	200	113	810
Other operating expenses	12	-37	-88	-566
Operating profit/loss		**-542**	**-1,245**	**2,687**
Finance income	13	201	145	622
Finance costs	13	-301	-284	-1,248
Net finance costs		**-100**	**-139**	**-626**
Share of loss of equity-accounted investees		-9	-24	-79
Profit/loss before income tax		**-651**	**-1,408**	**1,982**
Income tax expense		-1	0	-56
Profit/loss for the period		**-652**	**-1,408**	**1,926**
Other comprehensive income/expense:				
Exchange differences on translating foreign operations		-53	61	59
Total other comprehensive income/expense for the period		**-53**	**61**	**59**
TOTAL COMPREHENSIVE INCOME/EXPENSE FOR THE PERIOD		**-705**	**-1,347**	**1,985**
Profit/loss attributable to:				
- Owners of the parent		-673	-1,364	1,477
- Non-controlling interests		21	-44	449
Profit/loss for the period		**-652**	**-1,408**	**1,926**
Total comprehensive income/expense attributable to:				
- Owners of the parent		-726	-1,303	1,536
- Non-controlling interests		21	-44	449
Total comprehensive income/expense		**-705**	**-1,347**	**1,985**
Earnings per share attributable to owners of the parent:				
Basic earnings per share (EUR)	7	-0.02	-0.04	0.05
Diluted earnings per share (EUR)	7	-0.02	-0.04	0.05

Condensed consolidated interim statement of cash flows

EUR '000	Q1 2013	Q1 2012
Cash flows from operating activities		
Cash receipts from customers[1]	33,379	33,481
Cash paid to suppliers[2]	-32,499	-31,652
VAT paid	-907	-1,558
Cash paid to and for employees	-4,151	-4,073
Income tax paid	-3	-12
Net cash used in operating activities	**-4,181**	**-3,814**
Cash flows from investing activities		
Purchase of property, plant and equipment	-127	-288
Proceeds from sale of property, plant and equipment and intangible assets	48	128
Loans provided	-322	-294
Repayment of loans provided	196	9
Dividends received	4	0
Interest received	6	0
Net cash used in investing activities	**-195**	**-445**
Cash flows from financing activities		
Proceeds from loans received	3,318	1,503
Repayment of loans received	-1,969	-851
Payment of finance lease liabilities	-476	-605
Interest paid	-253	-310
Net cash from/used in financing activities	**620**	**-263**
Net cash flow	**-3,756**	**-4,522**
Cash and cash equivalents at beginning of period	**10,231**	**9,908**
Effect of exchange rate fluctuations	-1	-1
Decrease in cash and cash equivalents	-3,756	-4,522
Cash and cash equivalents at end of period	**6,474**	**5,385**

[1] Line item *Cash receipts from customers* includes VAT paid by customers.

[2] Line item *Cash paid to suppliers* includes VAT paid.

Condensed consolidated interim statement of changes in equity

EUR '000	Equity attributable to owners of the parent						
	Share capital	Statutory capital reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total
Balance at 31 December 2011	**19,657**	**2,554**	**-463**	**4,563**	**26,311**	**2,086**	**28,397**
Loss for the period	0	0	0	-1,364	-1,364	-44	-1,408
Other comprehensive income	0	0	61	0	61	0	61
Balance at 31 March 2012	**19,657**	**2,554**	**-402**	**3,199**	**25,008**	**2,042**	**27,050**
Balance at 31 December 2012	**19,657**	**2,554**	**-404**	**6,039**	**27,846**	**2,456**	**30,302**
Loss for the period	0	0	0	-673	-673	21	-652
Other comprehensive expense	0	0	-53	0	-53	0	-53
Effect of rounding	0	0	0	0	0	-1	-1
Balance at 31 March 2013	**19,657**	**2,554**	**-457**	**5,366**	**27,120**	**2,476**	**29,596**

Notes to the condensed consolidated interim financial statements

NOTE 1. Significant accounting policies

Nordecon AS is a company incorporated and domiciled in Estonia. The address of the company's registered office is Pärnu mnt 158/1, Tallinn 11317, Estonia. The company's ultimate controlling shareholder is AS Nordic Contractors that holds 53.67% of the shares in Nordecon AS. The Nordecon AS shares have been listed on the NASDAQ OMX Tallinn Stock Exchange since 18 May 2006.

The condensed consolidated interim financial statements as at and for the period ended 31 March 2013 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 2012.

The Group has not changed its significant accounting policies compared with the consolidated financial statements as at and for the year ended 31 December 2012. The effect of any new and revised standards that have taken effect is described in this note.

According to management's assessment, the condensed consolidated interim financial statements of Nordecon AS for the first quarter of 2013 give a true and fair view of the Group's financial performance 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.

NOTE 2. Trade and other receivables

EUR '000

Current portion	**Note**	**31 March 2013**	**31 December 2012**
Trade receivables		14,294	20,408
Retentions receivable		4,647	4,479
Receivables from related parties		312	1,016
Loans to related parties	14	11,976	10,474
Miscellaneous receivables		1,043	1,014
Total receivables and loans provided		**32,272**	**37,391**
Due from customers for contract work		4,420	5,505
Total trade and other receivables		**36,692**	**42,896**

EUR '000

Non-current portion	**Note**	**31 March 2013**	**31 December 2012**
Loans to related parties	14	0	1,168
Miscellaneous receivables		384	386
Total trade and other receivables		**384**	**1,554**

NOTE 3. Inventories

EUR '000	**31 March 2013**	**31 December 2012**
Raw materials and consumables	3,539	3,524
Work in progress	7,073	7,374
Goods for resale and properties purchased for development	13,741	13,741
Finished goods	1,144	1,604
Total inventories	**25,497**	**26,243**

NOTE 4. Property, plant and equipment and intangible assets

Property, plant and equipment

The period's additions to property, plant and equipment totalled 526 thousand euros and consisted of equipment and construction machinery acquired for the Group's operating activities.

Intangible assets

In the first quarter of 2013, the Group did not conduct any significant transactions with intangible assets. The carrying amount of intangible assets decreased compared with 31 December 2012 through amortisation.

NOTE 5. Finance and operating leases

EUR '000	31 March 2013	31 December 2012
Finance lease liabilities at end of reporting period	**3,789**	**3,736**
Of which payable in less than 1 year	1,176	1,269
Of which payable between 1 and 5 years	2,613	2,467
Base currency EUR	3,789	3,736
Interest rates of contracts denominated in EUR*	2.0%-6.0%	2.0%-6.0%
Periodicity of payments	Monthly	Monthly

* Including leases with floating interest rates

Finance lease payments made	Q1 2013	Q1 2012
Principal payments made during the period	476	605
Interest payments made during the period	34	40

Operating lease payments made	Q1 2013	Q1 2012
Payments made for cars	159	156
Payments made for construction equipment	339	313
Payments made for premises	115	166
Payments made for software	38	114
Total operating lease payments made	**651**	**749**

NOTE 6. Loans and borrowings

Short-term loans and borrowings

EUR '000	Note	31 March 2013	31 December 2012
Short-term bank loans		10,782	7,463
Current portion of long-term loans		9,801	11,593
Current portion of finance lease liabilities	5	1,176	1,269
Factoring liabilities		4,466	6,860
Total short-term loans and borrowings		**26,225**	**27,185**

Long-term loans and borrowings

EUR '000	Note	31 March 2013	31 December 2012
Long-term bank loans		205	220
Finance lease liabilities	5	2,613	2,467
Other long-term loans		841	984
Total long-term loans and borrowings		**3,659**	**3,671**

During and partly after the end of the reporting period, loans of 13,415 thousand euros which at 31 December 2012 were recognised as current liabilities (at 31 March 2013 corresponding loan balances totalled 16,729 thousand euros) were refinanced (or the Group obtained binding confirmations of their refinancing during 2013) and their settlement dates were (or will be) deferred to 2014.

NOTE 7. Earnings per share

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

EUR '000	Q1 2013	Q1 2012
Loss for the period attributable to owners of the parent	-673	-1,364
Weighted average number of shares (in thousands)	30,757	30,757
Basic earnings per share	-0.02	-0.04
Diluted earnings per share	-0.02	-0.04

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

NOTE 8. Segment reporting – operating segments

The Group's chief operating decision maker is the board of the parent company Nordecon AS. The board 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)
- Infrastructure (European Union)

As from 2013, the Buildings segment does not include the figures for Belarus because the company that operated in Belarus was liquidated in 2012.

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.

Preparation of segment reporting

The prices applied in inter-segment transactions do not differ significantly from market prices. The chief operating decision maker reviews inter-segment transactions separately and analyses their proportion in segment revenue. Respective figures are separately outlined on preparing segment reporting.

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 gross profit of an operating segment (including marketing and distribution and administrative expenses, interest expense, income tax expense) are not used by the chief operating decision maker to assess the performance of the segment on the basis of internally generated financial information.

First quarter

EUR '000 Q1 2013	Buildings EU	Buildings UKR	Infrastructure EU	Other segments	Total
Total revenue	12,703	47	13,487	996	27,233
Inter-segment revenue	0	-47	-330	-146	-523
Revenue from external customers	**12,703**	**0**	**13,157**	**850**	**26,710**
Gross profit/loss of the segment	**1,036**	**39**	**-224**	**-59**	**792**

EUR '000 Q1 2012	Buildings EU	Buildings UKR	Infrastructure EU	Other segments	Total
Total revenue	11,692	100	10,048	497	22,337
Inter-segment revenue	0	-78	-5	-220	-303
Revenue from external customers	**11,691**	**22**	**10,043**	**277**	**22,034**
Gross profit/loss of the segment	**954**	**-14**	**-563**	**-182**	**195**

Reconciliation of segment revenues

EUR '000	Q1 2013	Q1 2012
Total revenues for reportable segments	26,237	21,840
Revenue for other segments	996	497
Elimination of inter-segment revenues	-523	-303
Unallocated revenue	371	441
Total consolidated revenue	**27,081**	**22,475**

Reconciliation of segment profit

EUR '000	Q1 2013	Q1 2012
Total profit for reportable segments	851	377
Total loss for other segments	-59	-182
Elimination of inter-segment profits and losses	-4	-4
Unallocated profits and losses	-195	-155
Consolidated gross profit	**593**	**36**
Unallocated expenses:		
Marketing and distribution expenses	-62	-76
Administrative expenses	-1,236	-1,230
Other operating income and expenses	163	25
Consolidated operating loss	**-542**	**-1,245**
Finance income	201	145
Finance costs	-301	-284
Share of loss of equity-accounted investees	-9	-24
Consolidated loss before tax	**-651**	**-1,408**

NOTE 9. Segment reporting – geographical information

EUR '000	Q1 2013	Q1 2012
Estonia	26,293	22,097
Ukraine	47	100
Finland	790	356
Inter-segment eliminations	-49	-78
Total revenue	**27,081**	**22,475**

NOTE 10. Cost of sales

EUR '000	Q1 2013	Q1 2012
Cost of materials, goods and services used	22,524	19,239
Personnel expenses	3,479	2,643
Depreciation and amortisation expense	453	505
Other expenses	32	52
Total cost of sales	**26,488**	**22,439**

NOTE 11. Administrative expenses

EUR '000	Q1 2013	Q1 2012
Cost of materials, goods and services used	564	602
Personnel expenses	577	504
Depreciation and amortisation expense	54	93
Other expenses	41	31
Total administrative expenses	**1,236**	**1,230**

NOTE 12. Other operating income and expenses

Other operating income

EUR '000	Q1 2013	Q1 2012
Gain on sale of property, plant and equipment and intangible assets	94	100
Foreign exchange gain	49	0
Other income	57	13
Total other operating income	**200**	**113**

Other operating expenses

EUR '000	Q1 2013	Q1 2012
Loss on disposal of property, plant and equipment and intangible assets	8	24
Foreign exchange loss	1	56
Net loss/gain on write-down and recovery of receivables	-9	4
Other expenses	37	4
Total other operating expenses	**37**	**88**

NOTE 13. Finance income and costs

Finance income

EUR '000	Q1 2013	Q1 2012
Interest income on loans provided	156	142
Foreign exchange gain	41	0
Other finance income	4	3
Total finance income	**201**	**145**

Finance costs

EUR '000	Q1 2013	Q1 2012
Interest expense	245	247
Foreign exchange loss	0	35
Other finance costs	56	2
Total finance costs	**301**	**284**

NOTE 14. Transactions with related parties

The Group considers parties to be related if one controls the other or exerts significant influence on the other's operating decisions (assumes holding more than 20% of voting power). Related parties include:

- Nordecon AS's parent company AS Nordic Contractors and its shareholders;
- other companies of AS Nordic Contractors group;
- equity-accounted investees (associates and joint ventures) of Nordecon group;
- members of the board and council of Nordecon AS, their close family members and companies connected with them;
- individuals whose shareholding implies significant influence.

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

EUR '000		Q1 2013		Q1 2012
Volume of transactions performed	**Purchase**	**Sale**	**Purchase**	**Sale**
AS Nordic Contractors	134	0	76	1
Companies of AS Nordic Contractors group	3	629	8	1
Companies connected with a member of the council	18	0	18	0
Total	**155**	**629**	**102**	**2**

EUR '000		Q1 2013		Q1 2012
Nature of transactions performed	**Purchase**	**Sale**	**Purchase**	**Sale**
Construction services	0	628	21	0
Lease and other services	155	1	81	2
Total	**155**	**629**	**102**	**2**

In the reporting period, the Group recognised interest income on loans to associates of 129 thousand euros (Q1 2012: 117 thousand euros) and on loans to joint ventures of 27 thousand euros (Q1 2012: 27 thousand euros).

The Group's receivables from and liabilities to related parties at period-end:

		31 March 2013		31 December 2012
EUR '000	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
AS Nordic Contractors	1	8	1	8
Companies of AS Nordic Contractors group	164	1	584	0
Associates - receivables	147	2	430	4
Associates – loans and interest	10,051	0	9,754	0
Joint ventures – loans and interest	1,925	0	1,889	0
Total	**12,288**	**11**	**12,658**	**12**

In the first quarter of 2013, the service fees of the members of the council of Nordecon AS amounted to 37 thousand euros and associated social security charges totalled 12 thousand euros (Q1 2012: 17 thousand euros and 6 thousand euros respectively). The figure has increased in connection with the decision of Nordecon AS's annual general meeting to increase the council's fees as from the beginning of 2012. The fees for the months preceding the general meeting were paid out and recognised retrospectively in the second quarter of 2012.

The service fees of the members of the board of Nordecon AS amounted to 51 thousand euros and associated social security charges totalled 17 thousand euros (Q1 2012: 56 thousand euros and 18 thousand euros respectively including the remuneration of the member of the board that was removed on 30 April 2012).

Statements and signatures

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 for the first quarter of 2013 and confirms that:

- the policies applied on the preparation of the consolidated interim financial statements comply with International Financial Reporting Standards as adopted by the European Union (IFRS EU);
- the 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, the financial position, the financial performance, and the cash flows of the Group consisting of the parent company and other consolidated entities.

Jaano Vink	Chairman of the Board	9 May 2013
Avo Ambur	Member of the Board	9 May 2013
Erkki Suurorg	Member of the Board	9 May 2013