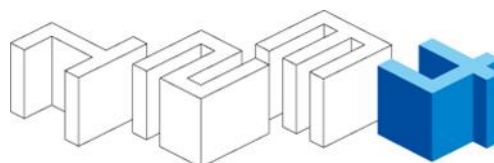




**Financial report for the fourth
quarter and 12 months of 2015**
(unaudited)





Financial report for the fourth quarter and 12 months of 2015 (unaudited)

Business name	Nordecon AS
Registry number	10099962
Address	Pärnu mnt 158/1, 11317 Tallinn
Domicile	Republic of Estonia
Telephone	+ 372 615 4400
E-mail	nordecon@nordecon.com
Corporate website	www.nordecon.com
Core business lines	Construction of residential and non-residential buildings (EMTAK 4120) Construction of roads and motorways (EMTAK 4211) Road maintenance (EMTAK 4211) Construction of utility projects for fluids (EMTAK 4221) Construction of water projects (EMTAK 4291) Construction of other civil engineering projects (EMTAK 4299)
Financial year	1 January 2015 – 31 December 2015
Reporting period	1 January 2015 – 31 December 2015
Council	Toomas Luman (chairman of the council), Andri Hõbemägi, Vello Kahro, Sandor Liive, Meelis Milder
Board	Jaano Vink (chairman of the board), Avo Ambur, Erkki Suurorg
Auditor	KPMG Baltics OÜ



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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 high-quality integrated solutions in the construction of commercial, residential, 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 are currently active in Ukraine, Finland and Sweden.

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's shares have 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 increase the value of 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

Strategic agenda for 2014-2017

The Group's strategic business agenda and targets for the period 2014-2017

Business activities

- Our business operations in Estonia are equally divided between two segments, building and infrastructure construction, where we compete in all major sub-segments.
- We have chosen Finland, Sweden, and Ukraine as our active foreign markets, where we operate through local subsidiaries. We are not planning to re-enter the Latvian and Lithuanian construction markets in the near term but continue to monitor developments in the region and do not rule out relevant decisions if there is an economic rationale for it.
- In Estonia, the focus is not only on the construction business but also on carrying out our own housing development projects in the Tallinn, Tartu, Pärnu, and Narva areas.
- We develop our energy efficiency and building information modelling (BIM) competencies as developments in these areas are likely to lead to a new quality standard in the construction market.
- We build strategic alliances in areas where we lack competence.

Group structure and organisation

- The Group's structure is optimal and we are not going to change it unless significant changes take place in the construction market.
- We invest consistently in our IT-capabilities and integration both at the level of the organisation and the employee.
- We apply additional measures for improving cooperation between our entities and structural units.

Financial targets

- By 2017 our gross margin will be at least 8% and EBITDA margin at least 6%.
- Administrative expenses will not exceed 4% of annual revenue.
- We will distribute, whenever possible, at least 15% of profit before tax for the year as dividends.
- Our own real estate development projects in Estonia will generate up to 5% of total revenue.



Changes in the Group's business operations

Changes in the Group's Estonian operations

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

As regards our other main business lines, we continued to provide concrete services (Nordecon Betoon OÜ), lease out heavy construction machinery and equipment (Kaurits OÜ), and render 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 market segments in Estonia.

Changes in the Group's foreign operations

In line with the Group's strategy, our chosen foreign markets are Ukraine, Finland, and Sweden. Developments in Latvia and Lithuania are monitored on a regular basis.

Ukraine

The conflict between Ukraine and Russia that broke out at the beginning of 2014 continued to influence the political and economic environment in Ukraine also in 2015. Due to economic uncertainty, the Ukrainian hryvnia continued to plummet against the euro, causing us to incur exchange losses of around 0.6 million euros for the period. In recent years, the Group's bidding activities in Ukraine have been intentionally conservative, with work done in the capital Kiev and the surrounding area only. The ongoing military conflict, 700 km away in eastern Ukraine, has not had a direct impact on our operations, mostly because we already right-sized our workforce during earlier periods of the recession and have accepted only such contracts whose risks we have considered reasonable under the circumstances. Compared with 2014, there has been slight growth in our Ukrainian business volumes.

Real estate development activities that require extensive investment (we have currently stakes in two development projects that have been put on hold) remain suspended to minimise the risks until the situation in Ukraine stabilises. To secure their investments, the Group and the co-owners have privatised the plots held by the associate V.I. Center TOV; the plots have also been mortgaged to secure the loans provided by the Group and the co-owners.

Finland

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

Sweden

In 2014, we made the strategic decision to start preparations for entering the Swedish construction market. In 2015, the necessary preparations were made and we began bidding in order to win contracts. In October 2015, we secured the first contract for the construction of a five-storey apartment building in Stockholm.

Latvia

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

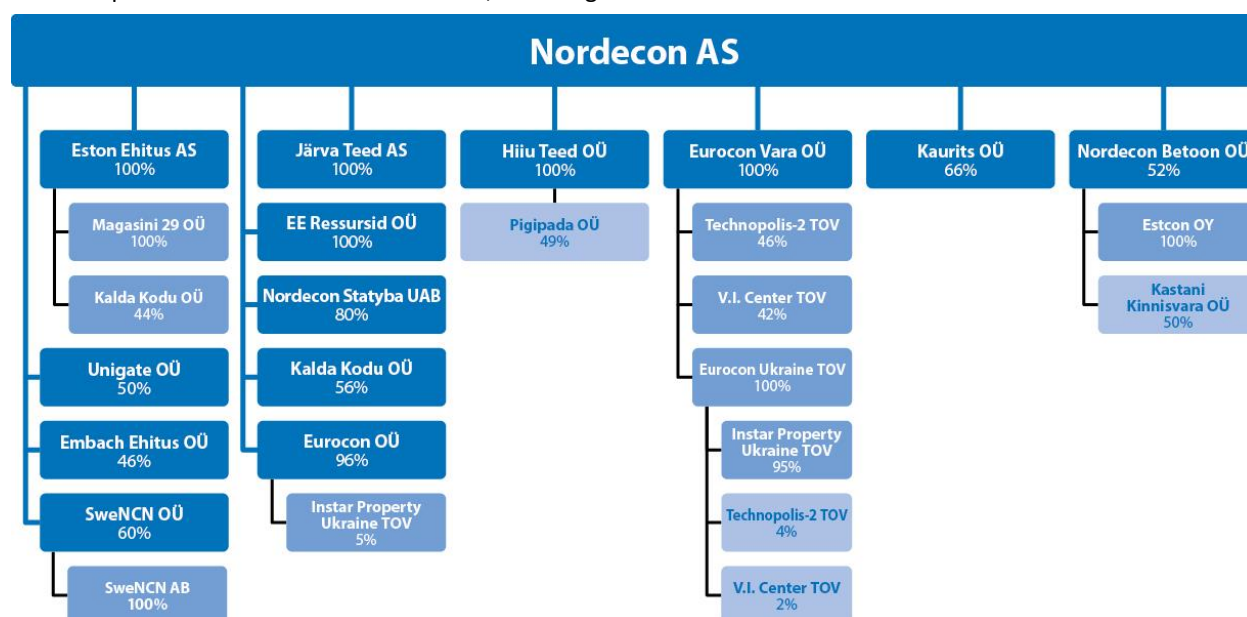
Lithuania

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



Group structure

The Group's structure at 31 December 2015, 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, OÜ Paekalda 9 and Eurocon Bud TOV that are currently dormant. The first four were established to protect former business names. Nor does the chart include investments in entities in which the Group's interest is less than 20%.

Significant changes in the Group's structure

SweNCN OÜ

Nordecon AS acquired a 60% stake in SweNCN OÜ, a company being formed, on 6 February 2015 (the date of signature of the memorandum of association). The remaining 40% stake was acquired by Luksusjaht AS which has an 11.78% interest in Nordecon AS. The sole owner of Luksusjaht AS, Sven Lennart Alpstål, has a 0.09% stake in Nordecon AS.

The core business of SweNCN OÜ is construction of residential and non-residential buildings, particularly in central Sweden, through a wholly-owned subsidiary established in Sweden. At the date of establishment, the share capital of SweNCN OÜ amounted to 2,500 euros. Nordecon AS made the investment to carry out research and make preparations for a prospective expansion into a new geographical market and to organise operations in the Swedish construction market.

Embach Ehitus OÜ

Nordecon AS acquired a 46% stake in Embach Ehitus OÜ, a company being formed, on 3 February 2015 (the date of signature of the memorandum of association). The core business of Embach Ehitus OÜ is general contracting in the building construction segment. The company offers services to private sector customers that are interested in carrying out construction and development projects, particularly in southern Estonia. At the date of establishment, the share capital of Embach Ehitus OÜ amounted to 2,500 euros. Nordecon AS made the investment in order to respond flexibly to changes taking place in the construction market and to move closer to prospective customers.

V.I. Center TOV

To better manage its business risks, in February 2015 the Group's Ukrainian subsidiary Eurocon Ukraine TOV sold most of its 44% stake in V.I. Center TOV, an entity holding a real estate development project, to Eurocon Vara OÜ. The transaction did not change the Group's ownership interest in V.I. Center TOV, which remained 44% through Eurocon Vara OÜ's 42% and Eurocon Ukraine TOV's 2%.



SWENCN AB

On 2 July 2015, Nordecon AS's subsidiary SweNCN OÜ acquired 100% ownership in SWENCN AB, a company registered in the Kingdom of Sweden, from the company's sole shareholder Lennart Alpstål who is, through Luksusjaht AS, a shareholder in both Nordecon AS and SweNCN OÜ. At the date of acquisition, the share capital of SWENCN AB was 100,000 Swedish kronas (10,697 euros); the company's core business is provision of construction services. Acquisition of the company was a strategic decision aimed at enabling the Group to expand its operations and provide construction services in the Kingdom of Sweden.



Financial review

Financial performance

Nordecon group ended the year 2015 with a gross profit of 9,031 thousand euros (2014: 9,813 thousand euros) and a gross margin of 6.2% (2014: 6.1%). Despite increasing competition, we were able to maintain our gross margin at the level of 2014. Compared with the preceding year, the gross margin of the Infrastructure segment strengthened noticeably: from 6.8% to 8.6%. Most of the profit was earned in road construction and maintenance where margin improvement was underpinned by operational streamlining as well as a decline in certain input prices (materials such as bitumen). The profitability of the Buildings segment declined somewhat, largely due to strong competitive pressure that affected the margins of new contracts secured in 2015. However, we would like to highlight the fourth quarter where the Group's gross margin rose to 9.3% compared with 3.6% a year earlier and both of our main operating segments delivered margin improvement.

The Group's administrative expenses for 2015 totalled 5,026 thousand euros, a decrease of around 11% from a year earlier (2014: 5,656 thousand euros). The ratio of administrative expenses to revenue was 3.5% (2014: 3.5%). Our cost-control measures continue to yield strong results: we have been able to keep administrative expenses below the target ceiling, i.e., 4% of revenue.

The Group ended 2015 with an operating profit of 3,933 thousand euros (2014: 4,015 thousand euros) and EBITDA of 5,769 thousand euros (2014: 5,585 thousand euros).

Adverse movements in the euro/hryvnia exchange rate gave rise to exchange losses that were smaller than a year earlier. In 2015, the Ukrainian currency weakened by around 27%, which meant that Group companies whose functional currency is the hryvnia had to restate their euro-denominated liabilities. Exchange losses reported within finance costs totalled 574 thousand euros (2014: 1,299 thousand euros). The same movements in the exchange rate increased the translation reserve reported in equity by 584 thousand euros (2014: 1,069 thousand euros) and the net effect of exchange differences on the Group's net assets was a gain of 10 thousand euros (2014: a loss of 230 thousand euros).

Net profit for 2015 was strongly influenced by the fourth-quarter write-down of loans provided for two real estate development projects in Ukraine. The write-down of 2,977 thousand euros, which was recognised in finance costs, is attributable to Ukraine's continuing economic difficulties and the weakening of the hryvnia, which have lowered the prices of commercial real estate and relevant demand.

Nordecon group's net profit for 2015 amounted to 173 thousand euros (2014: 2,298 thousand euros), of which net profit attributable to owners of the parent, Nordecon AS, was 167 thousand euros (2014: 1,956 thousand euros).

Cash flows

In 2015, operating activities generated a net cash inflow of 2,655 thousand euros (2014: an inflow of 4,014 thousand euros). Cash flows continue to be strongly affected by the fact that neither public nor private sector customers are required to make advance payments while the Group has to make prepayments to sub-contractors, materials suppliers, etc. In the current market situation, a prepayment from a customer is an exception rather than a rule, which puts additional pressure on construction companies' cash flows. Cash inflow is also reduced by retentions, which generally extend from 5 to 10% of the contract price and are released only at the end of the construction period. In addition, cash flow is influenced by a mismatch between settlement terms: the ones agreed with customers are relatively long and in the case of public procurement mostly extend from 30 to 56 days while subcontractors generally have to be paid within 21 to 45 days. We use factoring to counteract the cyclical nature of the construction business and overdraft facilities to raise additional working capital. The slight increase in payments to employees results from bonuses paid for projects completed in the prior year with higher than expected profit margins.

Investing activities resulted in a net outflow of 191 thousand euros (2014: a net outflow of 1,013 thousand euros). Cash flows from investing activities were mainly influenced by acquisitions of property, plant and equipment of 480 thousand euros (2014: 355 thousand euros) and sales of used property, plant and equipment for 337 thousand euros (2014: 189 thousand euros). In 2015, the Group restored an associate's negative share capital by making a capital contribution of 355 thousand euros. Through the same transaction, the associate settled its loan interest liabilities to the Group. Dividends received amounted to 108 thousand euros (2014: 4 thousand euros).



Financing activities resulted in a net cash outflow of 4,934 thousand euros (2014: a net outflow of 6,771 thousand euros). Financing cash flows are strongly influenced by loan and finance lease payments. The Group continued to repay long-term investment loans; loan repayments exceeded loan receipts by 1,350 thousand euros (2014: by 3,379 thousand euros). Investments made in new road construction and maintenance equipment increased finance lease payments, which amounted to 1,726 thousand euros (2014: 1,432 thousand euros). Dividends distributed in 2015 totalled 1,091 thousand euros (2014: 940 thousand euros).

At 31 December 2015, the Group's cash and cash equivalents totalled 6,332 thousand euros (31 December 2014: 8,802 thousand euros). Management's comments on liquidity risks are presented in the chapter *Description of the main risks*.

Key financial figures and ratios

Figure/ratio	2015	2014	2013
Revenue (EUR'000)	145,515	161,289	173,651
Revenue change	-9.8%	-7.1%	8.9%
Net profit (EUR'000)	173	2,298	4,639
Net profit attributable to owners of the parent (EUR'000)	167	1,956	4,642
Weighted average number of shares	30,756,728	30,756,728	30,756,728
Earnings per share (EUR)	0.01	0.06	0.15
Administrative expenses to revenue	3.5%	3.5%	2.8%
EBITDA (EUR'000)	5,769	5,585	7,639
EBITDA margin	4.0%	3.5%	4.4%
Gross margin	6.2%	6.1%	6.5%
Operating margin	2.7%	2.5%	3.1%
Operating margin excluding gain on asset sales	2.4%	2.3%	2.9%
Net margin	0.1%	1.4%	2.7%
Return on invested capital	2.1%	5.8%	9.5%
Return on equity	0.5%	6.4%	14.2%
Equity ratio	40.1%	37.3%	33.4%
Return on assets	0.2%	2.3%	4.3%
Gearing	25.5%	24.8%	23.5%
Current ratio	1.09	1.02	1.02
As at 31 December	2015	2014	2013
Order book (EUR'000)	125,698	83,544	64,286

Revenue change = (revenue for the reporting period/revenue for the previous period) - 1*100	Net margin = (net profit for the period/revenue)*100
Earnings per share (EPS) = net profit attributable to owners of the parent/weighted average number of shares outstanding	Return on invested capital = ((profit before tax + interest expense)/ the period's average (interest-bearing liabilities + equity))*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 + impairment losses on goodwill	Equity ratio = (total equity/total liabilities and equity)*100
EBITDA margin = (EBITDA/revenue)*100	Return on assets = (net profit for the period/the period's average total assets)*100
Gross margin = (gross profit/revenue)*100	Gearing = ((interest-bearing liabilities - cash and cash equivalents)/ (interest-bearing liabilities + equity))*100
Operating margin = (operating profit/revenue)*100	Current ratio = total current assets/total current liabilities
Operating margin excluding gain on asset sales = ((operating profit - gain on sales of non-current assets - gain on sales of real estate)/revenue) *100	



Performance by geographical market

In 2015, around 4% of the Group's revenue was generated outside Estonia compared with 6% in 2014. The contribution of foreign markets has decline due to lower sales in Finland.

	2015	2014	2013
Estonia	96%	94%	95%
Ukraine	3%	2%	0%
Finland	1%	4%	5%

Finnish revenues resulted from concrete works in the building construction segment. The contribution of the Ukrainian market, where we mainly continued to perform one building construction contract, increased.

Geographical diversification of the revenue base is a consciously deployed strategy by which we mitigate the risks resulting from excessive reliance on a single market. However, economic conditions in our chosen foreign markets are also volatile and have a strong impact on our current results. Increasing the contribution of foreign markets is on Nordecon's longer-term strategic agenda. The Group's vision of its foreign operations is described in the chapter *Outlooks of the Group's geographical markets*.

Performance by business line

Segment revenues

We strive to maintain the revenues of our operating segments (Buildings and Infrastructure) in balance as this helps disperse risks and provides better opportunities for continuing construction operations also in stressed circumstances where one segment experiences noticeable shrinkage.

Nordecon's revenues for 2015 totalled 145,515 thousand euros, 9.8% down from the 161,289 thousand euros generated in 2014. Revenue declined in both of the main operating segments. In the Buildings segment, the decrease resulted from lower volumes in the industrial and warehouse facilities sub-segment. In other sub-segments, revenues grew. The revenues of Infrastructure segment continued to be supported by the road construction sub-segment whose volumes grew somewhat compared with 2014. In other sub-segments, revenue declined sharply.

The segments' revenues for 2015 were 94,341 thousand euros for Buildings and 47,628 thousand euros for Infrastructure. The corresponding figures for 2014 were 105,145 thousand euros and 51,585 thousand euros (see note 8).

Operating segments*	2015	2014	2013
Buildings	64%	65%	41%
Infrastructure	36%	35%	59%

* In the 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 the 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 the 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 Betocon OÜ that is involved in both building and infrastructure construction. The figures for the parent company are allocated in both parts of the interim report based on the nature of the work.



Sub-segment revenues

Compared with 2014, the revenue structure of the Buildings segment has changed considerably. The contribution of the industrial and warehouse facilities sub-segment has contracted sharply while the contributions of other sub-segments have increased. The largest revenue source continues to be the commercial buildings sub-segment.

The largest project in progress in the commercial buildings sub-segment is the Arsenal Centre in Tallinn. The construction of the Veerenni business building in Tallinn has reached the final phase. In 2015, we completed the reconstruction of the Estonia Spa in Pärnu and the construction of an office building in Lõõtsa street in Tallinn and the Viimsi Centre in Viimsi. In recent years, the commercial buildings sub-segment has generated around half of the revenue of the Buildings segment. It is not likely that investment in commercial properties will continue at the same rate. Thus, we expect the revenues of the commercial buildings sub-segment to decline in 2016.

Most of the revenue of the apartment buildings sub-segment resulted from general contracting. A substantial share of the work was done in Tallinn and the main revenue contributors were phases II and III of the Tondi residential quarter and phases I and II of the Pikksilma homes in Kadriorg. We are proud to report that the residential quarter we are completing in Lepse street in Kiev, the capital of Ukraine, was selected as one of the city's three best housing development projects of the year. Work on all those projects will continue in 2016. We expect the contribution of the apartment buildings sub-segment to continue growing also in the current year. The contribution of our own development projects in Tartu and Tallinn continues to increase as well. In the first two development phases of the Tammelinn project in Tartu we have completed 3 apartment buildings. Sales have been very successful: by the year-end, 52 of the 55 apartments had been sold. In phase III, which is still under construction, 9 of the 20 apartments have been sold (www.tammelinn.ee). By the year-end, we had also sold 9 of the 20 apartment ownerships in the first three phases of our Magasini 29 development project in Tallinn (www.magasini.ee). While carrying out our own development projects, we monitor with due care potential risks in the housing development market which may result from rapid growth in the supply of new housing and a comparative price increase.

The volumes of the public buildings sub-segment have grown mainly through the state's increasing investment in national defence. In 2015, we completed and delivered on time the buildings of the Võru state secondary school and the Lasva kindergarten and the work done on the premises of the Kuperjanov infantry battalion. We will continue building the Piusa border guard station, a building complex at the Ämari air base, and a barracks at the Tapa military base and have started with the design and construction of a warehouse complex at Lintsi.

In the industrial and warehouse facilities sub-segment, volumes have declined due to a decrease in both agricultural projects, which used to dominate the sub-segment for a long time thanks to the EU support, and warehouse and logistics projects. The industrial and warehouse facilities sub-segment is not expected to grow significantly in 2016.

Revenue distribution in Buildings segment	2015	2014	2013
Commercial buildings	50%	42%	45%
Apartment buildings	22%	18%	5%
Public buildings	16%	7%	21%
Industrial and warehouse facilities	12%	33%	29%

Similarly to the two previous years, in 2015 the main revenue source in the Infrastructure segment was road construction. We completed the work started in 2014 on two major road construction projects: one in Tartu (construction package 5 of the Tartu western bypass) and the other in Keila (Keila-Valkse section of national road no. 8 Tallinn-Paldiski, km 24.9-29.5). In addition, we performed numerous smaller road repair projects whose total volume was substantial. The more important ones included surface dressing in Võru and Põlva counties and the reconstruction of the Tartu-Märja road. Compared with 2014, the volume of road construction for the private sector increased (e.g., ETK logistics centre). In addition, Nordecon continues to deliver road maintenance services in the Järva and Hiiu counties and the Keila and Kose maintenance areas in Harju county. We expect that road construction will remain the main revenue source in the Infrastructure segment also in 2016 and that similarly to 2015 most of the work will be done under small or medium-sized reconstruction and repair contracts.

Shrinkage in support granted from the EU structural funds continues to have a strong impact on environmental engineering whose volumes have decreased more rapidly than those of other sub-segments. The contracts secured by other engineering sub-segment (utility network construction) are small and growth of the sub-segment is unlikely.



In specialist engineering, we did small-scale port construction work on the island of Hiiumaa. Investments in hydraulic engineering as well as the Group's relevant revenue have declined in recent years and we do not expect to secure any large hydraulic engineering projects in the near term. The revenues of the sub-segment may increase through other complex engineering projects but their addition is likely to be irregular.

Revenue distribution in Infrastructure segment	2015	2014	2013
Road construction and maintenance	81%	72%	54%
Other engineering	14%	19%	26%
Environmental engineering	4%	7%	12%
Specialist engineering (including hydraulic engineering)	1%	2%	8%

Order book

At 31 December 2015, the Group's order book (backlog of contracts signed but not yet performed) stood at 125,698 thousand euros, a roughly 50% increase on the previous year-end. Order books grew in both the Buildings and the Infrastructure segment. In the fourth quarter of 2015, we secured new contracts of 56 million euros, which is recent years' largest quarterly order book growth.

As at 31 December	2015	2014	2013
Order book (EUR'000)	125,698	83,544	64,286

At the reporting date, contracts secured by the Buildings segment and the Infrastructure segment accounted for 72% and 28% of the Group's order book respectively (31 December 2014: 73% and 27% respectively). It is likely that the Buildings segment will continue to dominate the order book in the next few years.

Compared with a year earlier, the order book of the Buildings segment grew by around 48%. Major growth was posted in all sub-segments except commercial buildings whose order book contracted by over 60%. The order book of the apartment buildings sub-segment grew mostly through contracts signed at the end of 2015 for the construction of the Meerhof 2.0 building complex at Pirita tee 20a and an apartment building at Virbi 8/10 in Tallinn, Estonia, and five apartment buildings in the city of Brovary in the Kiev region in Ukraine (the contracts were secured under a frame agreement signed in autumn 2015). It should also be noted that in October 2015 we signed a contract for the construction of a five-storey apartment building in Stockholm, Sweden, where most of the construction work will be done in 2016. Growth in the order book of the public buildings sub-segment is attributable to the design and construction of the Järveküla school and the Lintsi warehouse complex that started at the end of 2015. A substantial share of work under those contracts will be performed in 2016. Slight growth in the order book of the industrial and warehouse facilities sub-segment results from the construction of a warehouse for Riigiressursside Keskus and the South Terminal (a cereals storage and handling complex) for farmers' cooperative KEVILI.

Compared with a year earlier, the order book of the Infrastructure segment grew by around 57%. The rise was mainly underpinned by growth in the road construction sub-segment, which was supported by the contracts secured for the performance of road maintenance services in the Järva, Hiiu, and Kose road maintenance areas in the period 2016-2021. The order books of the environmental engineering sub-segment, which signed a contract for the design and construction of an extension to the Kohtla-Järve wastewater treatment plant, and other engineering sub-segment also grew somewhat. However, due to the small size of their contracts, this did not have a strong impact on the segment's overall portfolio growth. According to our estimates, in 2016 the volume of public sector investments will not increase substantially compared with 2015 and the new EU budget period (2014-2020) will not have any significant impact on the construction sector before the second half of the year. Hence, we do not expect the revenues of the Infrastructure segment to increase in 2016 (for further information, see the *Business risks* section of the chapter *Description of the main risks*).

In the light of order book growth and the developments reported in our chosen markets, we forecast probable volume growth for 2016. In an environment of stiff competition, we pursue the policy of avoiding unjustified risks that could realize on the execution of contracts and have an adverse impact on our performance. Instead, we prefer to keep costs under control and focus on projects with positive prospects.

Between the reporting date (31 December 2015) and the date of release of this report, Group companies have secured additional construction contracts in the region of 12 125 thousand euros.



People

Staff and personnel expenses

In 2015, the Group (the parent and the subsidiaries) employed, on average, 690 people including 356 engineers and technical personnel (ETP).

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

	2015	2014	2013
ETP	356	357	357
Workers	334	375	400
Total average	690	732	757

Compared with a year earlier, headcount decreased by around 6% through a decline in the number of workers, which resulted from shrinkage in the work performed with own resources. Personnel expenses dropped by around 9%, year over year, through a smaller headcount and a decrease in performance bonuses paid. The Group's personnel expenses for 2015 including all taxes totalled 18,248 thousand euros (2014: 20,099 thousand euros).

The service fees of members of the council of Nordecon AS for 2015 amounted to 139 thousand euros and associated social security charges totalled 46 thousand euros (2014: 141 thousand euros and 47 thousand euros respectively). The provision for the council's performance bonuses, made based on the Group's performance indicators, amounted to 37 thousand euros and the provision for associated social security charges totalled 12 thousand euros (2014: 113 thousand euros and 37 thousand euros respectively).

The service fees of members of the board of Nordecon AS for 2015 amounted to 322 thousand euros and associated social security charges totalled 106 thousand euros (2014: 262 thousand euros and 87 thousand euros respectively). The provision for the board's performance bonuses, made based on the Group's performance indicators, amounted to 188 thousand euros and the provision for associated social security charges totalled 62 thousand euros (2014: 387 thousand euros and 128 thousand euros respectively).

Labour productivity and labour cost efficiency

Nominal labour productivity dropped compared with 2014 because revenue decrease outstripped the decline in workforce.

We measure the efficiency of our operating activities using the following productivity and efficiency indicators, which are based on the number of employees and personnel expenses incurred:

	2015	2014	2013
Nominal labour productivity (rolling), (EUR'000)	210.9	220.4	229.4
Change against the comparative period	-4.3%	-4.0%	9.9%
Nominal labour cost efficiency (rolling), (EUR)	8.0	8.0	8.4
Change against the comparative period	-0.6%	-4.8%	-11.6%

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	32,375,483
Number of listed securities	32,375,483
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 area on 1 January 2011 and based on 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 with no par value.

In July 2014, Nordecon AS issued 1,618,755 new shares with a total cost of 1,581,523.64 euros, increasing its share capital by 1,034,573.01 euros to 20,691,704.91 euros, and acquired the same number of own (treasury) shares for the same price. The share capital of Nordecon AS consists of 32,375,483 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.

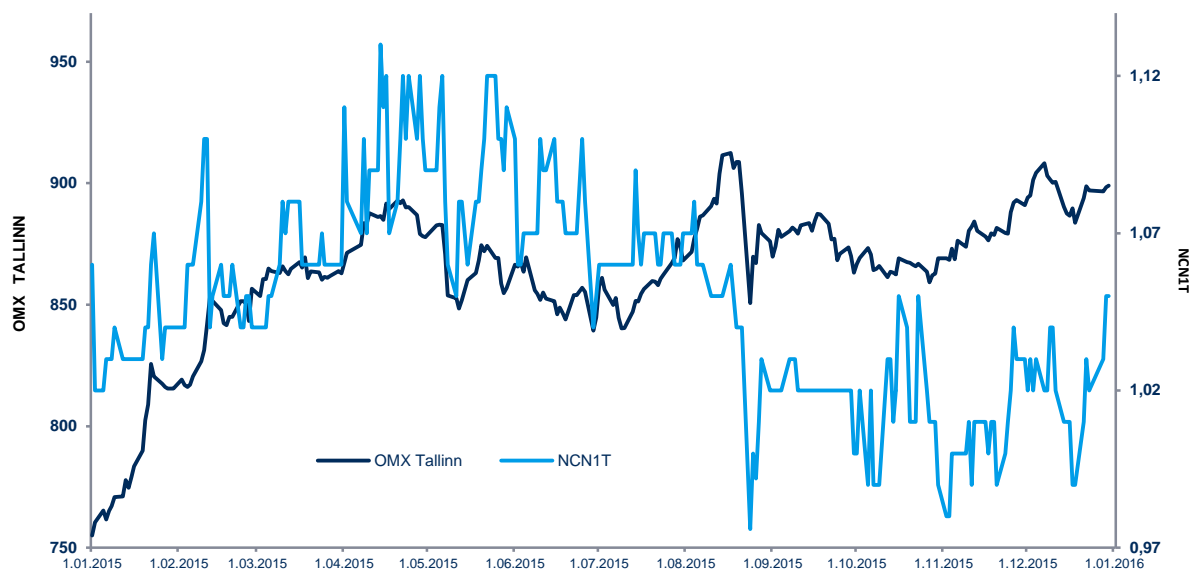
Movements in the price and turnover of the Nordecon AS share in 2015

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 2015



Index/equity	1 January 2015*	31 December 2015	+/-
OMX Tallinn	755.05	898.88	19.06%
NCN1T	EUR 1.06	EUR 1.05	-0.94%

* Closing price on the NASDAQ OMX Tallinn Stock Exchange at 31 December 2014

Summarised trading results

Share trading history (EUR)

Price	2015	2014	2013
Open	1.02	1.05	1.17
High	1.14	1.09	1.29
Low	0.98	0.93	0.99
Last closing price	1.05	1.06	1.05
Traded volume (number of securities traded)	1,656,376	1,799,724	2,443,809
Turnover, in millions	1.71	1.85	2.81
Listed volume (31 December), in thousands	32,375	32,375	30,757
Market capitalisation (31 December), in millions	33.99	34.32	32.29

Shareholder structure

Largest shareholders of Nordecon AS at 31 December 2015

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,507,464	50.99
Luksusjaht AS	3,815,255	11.78
ING Luxembourg S.A.	2,007,949	6.20
Rondam AS	1,000,000	3.09
SEB Pank AS clients	795,662	2.46
ASM Investments OÜ	519,600	1.60
State Street Bank and Trust Omnibus Account A Fund	447,365	1.38
Ain Tromp	378,960	1.17
SEB Elu- ja Pensionikindlustus AS	257,000	0.79
Genadi Bulatov	250,600	0.77



Shareholder structure of Nordecon AS at 31 December 2015

	Number of shareholders	Ownership interest (%)
Shareholders with interest exceeding 5%	3	68.97
Shareholders with interest from 1% to 5%	5	9.70
Shareholders with interest below 1%	1,620	16.33
Holder of own (treasury) shares	1	5.00
Total	1,629	100

Shares controlled by members of the council of Nordecon AS at 31 December 2015

Council member		Number of shares	Ownership interest (%)
Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad)*	Chairman of the Council	16,579,144	51.21
Andri Hõbemägi	Member of the Council	50,000	0.15
Vello Kahro	Member of the Council	10,000	0.03
Sandor Liive	Member of the Council	0	0.00
Meelis Milder	Member of the Council	0	0.00
Total		16,639,144	51.39

* Companies controlled by the individual

Shares controlled by members of the board of Nordecon AS at 31 December 2015

Board member		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	0.10
Erkki Suurorg	Member of the Board	0	0.00
Total		70,243	0.22

* Companies controlled by the individual

Share option plan

The annual general meeting that convened on 27 May 2014 approved a share option plan aimed at motivating the executive management of Nordecon AS by including them among the company's shareholders to ensure consistency in the company's management and improvement of the company's performance, and enable the executive management to benefit from their contribution to growth in the value of the company's share. Under the share option plan, the company has granted options for acquiring up to 1,618,755 shares in Nordecon AS. In line with the plan, the chairman of the board of Nordecon AS may acquire up to 291,380 shares, both members of the board may acquire up to 259,000 shares each and all other members of the executive staff may acquire up to 129,500 shares each. An option may be exercised when three years have passed since the signature of the option agreement but not before the company's general meeting has approved the company's annual report for 2016. In the case of members of the company's board, exercise of the options is linked to achievement of the Group's EBITDA target for 2016 (from 4,491 thousand euros to 11,228 thousand euros).

To satisfy the terms and conditions of the option plan, in July 2014 Nordecon AS issued a total of 1,618,755 new shares with a total cost of 1,581,523.64 euros, increasing share capital by 1,034,573.01 euros to 20,691,704.91 euros, and acquired the same number of own (treasury) shares at the same price.



Changes in the council of Nordecon AS

In connection with the expiry of the term of office of five members of the council of Nordecon AS, the annual general meeting that convened on 20 May 2015 elected new members of the council for the term specified in the articles of association (five years). Toomas Luman, Meelis Milder, and Andri Hõbemägi whose term of office will end in 2018 will continue as members of the council. Vello Kahro and Sandor Liive were elected as new members of the council.

Vello Kahro has graduated from the University of Tartu, faculty of Economics, with higher education in Economics. He has been working for Nordecon AS and its parent AS Nordic Contractors since 1989. From 2012 to 2015, Vello Kahro was a member of the audit committee of Nordecon AS. Vello Kahro is a member of the board of OÜ Kaarlaid, OÜ Niverto and OÜ Niveraalis and a member of the council of Arealis AS.

Sandor Liive has graduated from Tallinn University of Technology, faculty of Economics, with higher education in Economics. From 1992 to 1995, he was on the board of Uus Maa OÜ. From 1995 to 1998 he was head of finance department and chief financial officer and from 1996 to 1998 also a member of the board of Tallinna Sadam AS. From 1998, Sandor Liive started working for Eesti Energia AS, first as chief financial officer and a member of the board and later, from 1 December 2005 until 30 November 2014, as chairman of the board.



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.

Competition continues to be fierce in all segments of the construction market. In 2016, public sector investment is not likely to grow substantially compared with 2015. There is strong competitive pressure on builders' bid prices in a situation where input prices have not decreased noticeably. Competition is particularly aggressive in general building construction. We acknowledge 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 cannot be lowered significantly and competition is tough is risky because negative developments in the economy may quickly render the contract onerous. Thus, in price-setting we currently prioritise a reasonable balance of contract performance risks and tight cost control over revenue growth.

Demand for construction services continues to be strongly influenced by the volume of public sector investment, which in turn depends on the co-financing received from the EU structural funds. Total support allocated to Estonia during the current EU budget period (2014-2020) amounts to 5.9 billion euros, exceeding the figure of the previous financial framework, but the amounts earmarked for construction work are substantially smaller. Moreover, these allocations are not expected to have an impact on the construction sector before the second half of 2016.

In the light of the above factors, we see opportunities for business growth compared with 2015 mostly in our chosen foreign markets. We expect that in Estonia infrastructure construction volumes will remain at the level of 2015 while investment in building construction may grow slightly. Our action plan foresees directing our resources (including some of the labour of the Infrastructure segment) to increasing the share of contracts secured from the private sector. According to its business model, Nordecon operates in all segments of the construction market. Therefore, we are somewhat better positioned than companies that operate in one narrow (and in the current market situation particularly some infrastructure) segment.

The Group's business is also influenced the seasonal nature of construction operations. Seasonality is the strongest in infrastructure construction, which is more exposed to changes in weather conditions (road and port construction, earthwork, etc.). To disperse the risk, we secure road maintenance contracts that generate year-round business. Our strategy is to counteract the seasonality of infrastructure operations with building construction that is less exposed to seasonal fluctuations. Thus, our long-term goal is to be flexible and keep our two operating segments in relative balance (see also the chapter *Performance by business line*). In addition, where possible, our entities implement appropriate technical solutions that allow working efficiently also in 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 insurance 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 December 2015, the Group's warranty provisions (including current and non-current ones) totalled 1,184 thousand euros (31 December 2014: 1,162 thousand euros).

In addition to managing the risks directly related to construction operations, in recent years we have sought to mitigate the risks inherent in preliminary activities. In particular, we have focused on the bidding process, i.e., 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 2015, the Group did not incur any significant credit losses. The credit risk exposure of the Group's receivables is low because the solvency of all prospective customers is assessed, the share of public sector customers is large and the customers' settlement behaviour is monitored on a continuous basis. The main indicator of the realization 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 2015, impairment losses on receivables totalled 17 thousand euros (2014: 14 thousand euros).

Liquidity risk

The Group remains exposed to higher than usual liquidity risk resulting from a mismatch between the long settlement terms demanded by customers (mostly 30 to 56 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 1.09-fold (31 December 2014: 1.02-fold). The key factors which influence the current ratio are the classification of the Group's loans to its Ukrainian associates as non-current assets and the banks' general policy not to refinance interest-bearing liabilities for a period exceeding twelve months.

The political situation in Ukraine remains tense and we believe that the realization of our Ukrainian investment properties may take longer than originally expected. Accordingly, at the reporting date the Group's loan receivables from its Ukrainian associates of 8,302 thousand euros were classified as non-current assets.

Interest-bearing liabilities account for a significant share of our current liabilities. Under IFRS EU, loan commitments have to be classified into current and non-current items based on contract terms in force at the reporting date. So far, banks have generally refinanced liabilities for periods not exceeding 12 months, which is why a substantial portion of loans is classified as current although it is probable that some borrowings, particularly overdraft facilities which account for around a half of current loan liabilities, will be refinanced when the 12 months have passed.

At the reporting date, the Group's cash and cash equivalents totalled 6,332 thousand euros (31 December 2014: 8,802 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. In 2015, the Group's interest-bearing liabilities decreased by 2,920 thousand euros compared with the year before. Current and non-current bank loans decreased by 2,614 thousand euros and factoring liabilities by 710 thousand euros. Finance lease liabilities grew slightly. The Group uses factoring to counteract the difference in the settlement terms agreed with customers and subcontractors (see also the chapter *Liquidity risk*). At 31 December 2015, the Group's interest-bearing loans and borrowings totalled 20,813 thousand euros (31 December 2014: 23,733 thousand euros). Interest expense for 2015 amounted to 770 thousand euros, a decrease of 231 thousand euros compared with 2014.

The main source of the Group's interest rate risk is a possible rise in the base rate of floating interest rates (EURIBOR, EONIA or the creditor's own base rate). In the light of the Group's relatively heavy loan burden this would cause a significant rise in interest expense, which would have an adverse impact on profit. We mitigate the risk by pursuing a policy of entering, where possible, into fixed-rate contracts when the market interest rates are low. As regards loan products offered by banks, observance of the policy has proved difficult and most new contracts have a floating interest rate. In 2015, the Group did not use derivatives to hedge its interest rate risk.

Currency risk

As a rule, the prices of construction contracts and subcontracts are fixed in the currency of the host country, i.e., in euros (EUR), Ukrainian hryvnias (UAH) and Swedish kronas (SEK).

The hryvnia has been weakening because the political and economic environment in Ukraine continues to be strained due to the conflict between Ukraine and Russia which broke out at the beginning of 2014 and at the



beginning of 2015 the National Bank of Ukraine decided to discontinue determination of the national currency's indicative exchange rate.

In 2015, the hryvnia weakened against the euro by around 27%. For the Group's Ukrainian subsidiaries, this meant additional foreign exchange losses on the translation of their euro-denominated loan commitments into the local currency. Relevant exchange losses totalled 574 thousand euros (2014: 1,299 thousand euros). Exchange gains and losses on financial instruments have been recognised in *Finance income* and *Finance costs* in the statement of comprehensive income. Translation of receivables and liabilities from operating activities did not give rise to any exchange gains or losses.

The reciprocal receivables and liabilities of the Group's Ukrainian and non-Ukrainian entities which are connected with the construction business and denominated in hryvnias do not give rise to exchange losses. Nor do the loans provided to the Group's Ukrainian associates in euros give rise to exchange losses that ought to be recognised in the Group's statement of comprehensive income.

The Group has not acquired derivatives to hedge its currency risk.



Outlooks of the Group's geographical markets

Estonia

Processes and developments characterising the Estonian construction market

- In 2016, public sector investments will not grow significantly and the extent to which they can be realised is still unclear. Although in the 2014-2020 EU budget period the support allocated to Estonia will increase to 5.9 billion euros (2007-2013: 4.6 billion euros), the share of support that will influence the construction market will not increase. Instead, compared with the previous period, there will be a rise in allocations to intangible areas.

Investments made by the largest public sector customers (e.g., state-owned real estate company Riigi Kinnisvara AS and National Road Administration) that reach signature of a construction contract in 2016 will not increase significantly. As a result, the Estonian construction market (particularly infrastructure construction segments) will remain in relative stagnation. To some extent, the situation will be improved by the positive level of private sector investments in building construction.

- The long and painful process of construction market consolidation will continue, albeit slowly. In particular, this applies to general contracting in building construction where the number of medium-sized construction service intermediaries (annual turnover of around 15-40 million euros) is too large. Based on recent years' experience it is likely that stiff competition and insufficient demand will cause some general contractors to go slowly out of business or shrink in size rather than merge or exit the market. According to our assessment, in recent years the process has been slowed down by the customers' (particularly public sector customers') increasing desire to apply less stringent tendering requirements to increase competition and lower the price even though this increases the risks related to security, quality, adherence to deadlines and the builder's liability.

Competition will increase in all segments of the construction market. The average number of bidders for a contract has increased and there is a wide gap between the lowest bids made by the winners and the average bids. The situation is somewhat similar to 2009 when expectations of shrinkage in demand prompted a fall in construction prices, which triggered a slide in the prices of many construction inputs. However, currently we do not see any noticeable downshift in input prices and companies that are banking on this in the bidding phase may run into difficulty. Aggressive competition is putting visible pressure on contract prices and, thus, also profit margins.

- In new housing development, the success of a project depends on the developer's ability to control the input prices included in the business plan and, thus, set sales prices that are affordable for prospective buyers. The prices of new apartments are relatively high compared to the standard of living and the banks' lending terms are strict. This has held back rapid growth of the housing market but in the second half of 2015 the supply of new apartments grew significantly, slowing down the sale of apartments with relatively high sales prices. Similarly to previous periods, successful projects include those that create or fill a niche.
- There is an increasing contrast between the stringent terms of public sector contracts, which require the builder to agree to extensive obligations, strict sanctions, various financial guarantees, long settlement terms, etc., and modest tendering requirements. Low qualification requirements and the precondition of making a low bid have made it easier for builders to win a contract but have heightened the risks taken by customers in respect of contract performance and delivery.
- The prices of construction inputs will remain relatively stable but growth in housing development has made it unlikely that the prices charged by local building construction subcontractors would decline any further. Certainly there are areas where major changes in the environment may trigger more abrupt price changes.
- Shortage of skilled labour (including project and site managers) will persist but this will weaken the quality of the construction process/service rather than the companies' performance capabilities. Labour migration to the Nordic countries will remain steady and even though construction volumes (particularly in Finland) will decline, the number of job seekers that will return to the Estonian construction market will not increase considerably. In combination with the above, this will sustain pressure for a wage increase.



Latvia and Lithuania

It is not likely that the Group will enter the Latvian construction market in 2016. However, we do not rule out the possibility of carrying out certain projects in Latvia through our Estonian entities, with the involvement of partners where necessary. Undertaking a project assumes that it can be performed profitably.

The decision does not change our strategy for the future, i.e., the goal to operate in our neighbouring construction market through local subsidiaries.

The operations of the Group's Lithuanian subsidiary, Nordecon Statyba UAB, have been suspended. We continue to monitor developments in the Lithuanian construction market that have been quite positive in the Baltic context. 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 goal to operate in the Lithuanian construction market through local subsidiaries.

Ukraine

In Ukraine, we provide general contracting and project management services to private sector customers in the segment of building construction. The unstable political and economic situation hinders adoption of business decisions but construction activity in Kiev and its vicinity has not halted. In 2016, the Group will continue its business in the Kiev region and our current Ukrainian order book is larger than a year ago. Despite the armed conflict in eastern Ukraine, for Nordecon the market situation in Kiev has not deteriorated compared with a year or two ago. Hard times have reduced the number of inefficient local (construction) companies and when the economy normalises we will have considerably better prospects for increasing our operations and profitability. We monitor the situation in the Ukrainian construction market closely and consistently and are ready to restructure our operations as and when necessary. Should the crisis spread to Kiev (highly unlikely), we can suspend our operations immediately. We continue to seek opportunities for exiting our two real estate projects that have been put on hold or signing a construction contract with a prospective new owner.

Finland

In Finland, we have provided mainly subcontracting services in the concrete segment but based on experience gained, we are ready to start performing some more complex works. The local concrete works market allows competing for projects where the customer wishes to source all concrete works from one reliable partner. Our policy is to maintain a rational approach and avoid taking excessive risks.

Sweden

In July 2015, Nordecon acquired 100% ownership interest in SWENCN AB, a company registered in the Kingdom of Sweden, and entered the Swedish market. We intend to offer mainly construction of residential and non-residential buildings, particularly in central Sweden. In October 2015, the first contract for the construction of a five-storey apartment building in Stockholm was concluded. The cost of the work amounts to around 8.4 million euros. We will continue the work aimed at increasing our business volumes in Sweden.



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 significant transactions with related parties.

Jaano Vink	Chairman of the Board		11 February 2016
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Avo Ambur	Member of the Board		11 February 2016
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Erkki Suurorg	Member of the Board		11 February 2016
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Condensed consolidated interim financial statements

Condensed consolidated interim statement of financial position

EUR'000	Note	31 December 2015	31 December 2014
ASSETS			
Current assets			
Cash and cash equivalents		6,332	8,802
Trade and other receivables	2	19,078	23,235
Prepayments		1,579	1,201
Inventories	3	24,983	24,788
Total current assets		51,972	58,026
Non-current assets			
Investments in equity-accounted investees		1,178	694
Other investments		26	26
Trade and other receivables	2	8,940	11,211
Investment property		3,549	3,549
Property, plant and equipment	4	9,654	9,319
Intangible assets	4	14,609	14,633
Total non-current assets		37,956	39,432
TOTAL ASSETS		89,928	97,458
LIABILITIES			
Current liabilities			
Loans and borrowings	5, 6	15,715	20,588
Trade payables		20,715	26,267
Other payables		7,309	7,542
Deferred income		3,233	1,786
Provisions		825	799
Total current liabilities		47,797	56,982
Non-current liabilities			
Loans and borrowings	5, 6	5,098	3,145
Trade payables		104	109
Other payables		96	96
Provisions		768	759
Total non-current liabilities		6,066	4,109
TOTAL LIABILITIES		53,863	61,091
EQUITY			
Share capital		20,692	20,692
Own (treasury) shares		-1,582	-1,582
Share premium		547	547
Statutory capital reserve		2,554	2,554
Translation reserve		1,355	771
Retained earnings		10,960	11,714
Total equity attributable to owners of the parent		34,526	34,696
Non-controlling interests		1,539	1,671
TOTAL EQUITY		36,065	36,367
TOTAL LIABILITIES AND EQUITY		89,928	97,458



Condensed consolidated interim statement of comprehensive income

EUR'000	Note	Q4 2015	Q4 2014	FY 2015	FY 2014
Revenue	8, 9	31,962	40,353	145,515	161,289
Cost of sales	10	-29,232	-39,331	-136,484	-151,476
Gross profit		2,730	1,022	9,031	9,813
Marketing and distribution expenses		-138	-138	-412	-558
Administrative expenses	11	-1,608	-1,650	-5,026	-5,656
Other operating income	12	175	489	464	792
Other operating expenses	12	-41	-87	-124	-376
Operating profit/loss		1,118	-364	3,933	4,015
Finance income	13	164	252	655	738
Finance costs	13	-3,418	-720	-4,383	-2,301
Net finance costs		-3,254	-468	-3,728	-1,563
Share of profit/loss of equity-accounted investees		-8	-123	225	85
Profit/loss before income tax		-2,144	-955	430	2,537
Income tax		0	3	-257	-239
Profit/loss for the period		-2,144	-952	173	2,298
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		197	348	584	1,069
Total other comprehensive income		197	348	584	1,069
TOTAL COMPREHENSIVE INCOME/EXPENSE		-1,947	-604	757	3,367
Profit/loss attributable to:					
- Owners of the parent		-2,315	-651	167	1,956
- Non-controlling interests		171	-301	6	342
Profit/loss for the period		-2,144	-952	173	2,298
Total comprehensive income/expense attributable to:					
- Owners of the parent		-2,118	-303	751	3,025
- Non-controlling interests		171	-301	6	342
Total comprehensive income/expense for the period		-1,947	-604	757	3,367
Earnings per share attributable to owners of the parent:					
Basic earnings per share (EUR)	7	-0.08	-0.02	0.01	0.06
Diluted earnings per share (EUR)	7	-0.08	-0.02	0.01	0.06



Condensed consolidated interim statement of cash flows

EUR'000	Note	FY 2015	FY 2014
Cash flows from operating activities			
Cash receipts from customers ¹		179,119	192,701
Cash paid to suppliers ²		-151,033	-163,690
VAT paid		-5,407	-5,429
Cash paid to and for employees		-19,921	-19,384
Income tax paid		-103	-184
Net cash from operating activities		2,655	4,014
Cash flows from investing activities			
Acquisition of property, plant and equipment		-480	-355
Acquisition of intangible assets		0	-13
Proceeds from sale of property, plant and equipment	4	337	189
Acquisition of a subsidiary		0	-737
Acquisition of investments in associates		-355	-44
Cash received from liquidation of investments in associates		0	1
Loans provided		-291	-292
Repayment of loans provided		124	227
Dividends received		108	4
Interest received		366	7
Net cash used in investing activities		-191	-1,013
Cash flows from financing activities			
Proceeds from loans received		2,099	7,815
Repayment of loans received		-3,449	-11,194
Payment of finance lease liabilities		-1,726	-1,432
Interest paid		-767	-852
Dividends paid		-1,091	-940
Other payments made		0	-168
Net cash used in financing activities		-4,934	-6,771
Net cash flow		-2,470	-3,770
Cash and cash equivalents at beginning of period		8,802	12,575
Effect of movements in foreign exchange rates		0	-3
Decrease in cash and cash equivalents		-2,470	-3,770
Cash and cash equivalents at end of period		6,332	8,802

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						Total	Non-controlling interests	Total
	Share capital	Treasury shares	Capital reserve	Share premium	Translation reserve	Retained earnings			
Balance at 31 December 2013	19,657	0	2,554	0	-298	10,681	32,594	2,332	34,926
Profit for the period	0	0	0	0	0	1,956	1,956	342	2,298
Other comprehensive income	0	0	0	0	1,069	0	1,069	0	1,069
Changes in non-controlling interests	0	0	0	0	0	0	0	-922	-922
Transactions with owners									
Increase of share capital	1,035	-1,582	0	547	0	0	0	0	0
Dividend distribution	0	0	0	0	0	-923	-923	-81	-1,004
Total transactions with owners	1,035	-1,582	0	547	0	-923	-923	-81	-1,004
Balance at 31 December 2014	20,692	-1,582	2,554	547	771	11,714	34,696	1,671	36,367
Profit for the period	0	0	0	0	0	167	167	6	173
Other comprehensive income	0	0	0	0	584	0	584	0	584
Transactions with owners									
Dividend distribution	0	0	0	0	0	-921	-921	-138	-1,059
Total transactions with owners	0	0	0	0	0	-921	-921	-138	-1,059
Balance at 31 December 2015	20,692	-1,582	2,554	547	1,355	10,960	34,526	1,539	36,065



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 50.99% 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 December 2015 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 2014.

The Group has not changed its significant accounting policies compared with the consolidated financial statements as at and for the year ended 31 December 2014.

According to management's assessment, the condensed consolidated interim financial statements of Nordecon AS for the fourth quarter and 12 months of 2015 give a true and fair view of the Group's financial performance and the parent and all its subsidiaries that are included in the financial statements are going concerns. The condensed consolidated interim financial statements have not been audited or otherwise checked by auditors and contain only the consolidated financial statements of the Group.

NOTE 2. Trade and other receivables

EUR'000	Note	31 December 2015	31 December 2014
Current items			
Trade receivables		11,519	13,435
Retentions receivable		97	858
Receivables from related parties	14	211	2
Loans to related parties	14	1,881	2,116
Miscellaneous receivables		1,275	1,505
Total receivables and loans provided		14,983	17,916
Due from customers for contract work		4,095	5,319
Total current trade and other receivables		19,078	23,235

EUR'000	Note	31 December 2015	31 December 2014
Non-current items			
Loans to related parties	14	8,302	10,768
Miscellaneous non-current receivables		638	443
Total non-current trade and other receivables		8,940	11,211

NOTE 3. Inventories

EUR'000	31 December 2015	31 December 2014
Raw materials and consumables	4,603	3,963
Work in progress	4,138	4,192
Goods for resale and properties held for development	14,142	13,718
Finished goods	2,100	2,915
Total inventories	24,983	24,788



NOTE 4. Property, plant and equipment and intangible assets

Property, plant and equipment

In 2015, the Group acquired new property, plant and equipment of 2,289 thousand euros (2014: 2,299 thousand euros). The period's additions consisted of equipment and construction machinery required for the Group's operating activities.

Proceeds from sale of property, plant and equipment totalled 337 thousand euros (2014: 189 thousand euros) (see the statement of cash flows) and sales gain on the transactions amounted to 327 thousand euros (2014: 249 thousand euros) (note 12).

Intangible assets

In 2015, the Group did not conduct any significant transactions with intangible assets.

NOTE 5. Loans and borrowings

Current loans and borrowings

EUR'000	Note	31 December 2015	31 December 2014
Current portion of long-term loans		4,322	8,586
Current portion of finance lease liabilities	6	1,519	1,211
Short-term bank loans		7,731	7,938
Factoring liabilities		2,143	2,853
Total current loans and borrowings		15,715	20,588

Non-current loans and borrowings

EUR'000	Note	31 December 2015	31 December 2014
Non-current portion of long-term bank loans		1,960	102
Non-current portion of finance lease liabilities	6	3,138	3,043
Total non-current loans and borrowings		5,098	3,145

NOTE 6. Finance and operating leases

EUR'000	31 December 2015	31 December 2014
Finance lease liabilities at end of reporting period	4,657	4,254
Of which payable not later than 1 year	1,519	1,211
Of which payable later than 1 year and not later than 5 years	3,138	3,043
Base currency EUR	4,657	4,254
Interest rates of contracts denominated in EUR ¹	2.0%-3.3%	2.0%-3.3%
Frequency of payments	Monthly	Monthly

¹ Includes leases with floating interest rates

Finance lease payments

EUR'000	FY 2015	FY 2014
Principal payments made during the period	1,758	1,432
Interest payments made during the period	144	135

Operating lease payments

EUR'000	FY 2015	FY 2014
Payments made for cars	795	661
Payments made for construction equipment	1,772	2,562
Payments made for premises	646	682
Payments made for software	244	247
Total operating lease payments	3,457	4,152



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	FY 2015	FY 2014
Profit for the period attributable to owners of the parent	167	1,956
Weighted average number of shares (in thousands)	30,757	30,757
Basic earnings per share (EUR)	0.01	0.06
Diluted earnings per share (EUR)	0.01	0.06

During the period, Nordecon AS had no dilutive share options. Thus, 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)

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 in 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). Items after the gross profit of an operating segment (including marketing and distribution expenses, administrative expenses, interest expense, and income tax expense) are not used by the chief operating decision maker to assess the performance of the segment.

12 months

EUR'000 FY 2015	Buildings EU	Buildings UKR	Infrastructure EU	Other segments	Total
Total revenue	89,860	4,481	47,727	4,778	146,846
Inter-segment revenue	0	0	-99	-2,149	-2,248
Revenue from external customers	89,860	4,481	47,628	2,629	144,598
Gross profit/loss of the segment	6,244	41	4,117	-233	10,169



EUR'000 FY 2014	Buildings EU	Buildings UKR	Infrastructure EU	Other segments	Total
Total revenue	101,981	3,197	51,958	5,784	162,920
Inter-segment revenue	-33	0	-373	-2,284	-2,690
Revenue from external customers	101,948	3,197	51,585	3,500	160,230
Gross profit of the segment	7,260	22	3,528	319	11,129

Fourth quarter

EUR'000 Q4 2015	Buildings EU	Buildings UKR	Infrastructure EU	Other segments	Total
Total revenue	22,065	1,332	7,855	961	32,213
Inter-segment revenue	0	0	-16	-577	-593
Revenue from external customers	22,065	1,332	7,839	384	31,620
Gross profit/loss of the segment	2,489	-6	545	-74	2,954

EUR'000 Q4 2014	Buildings EU	Buildings UKR	Infrastructure EU	Other segments	Total
Total revenue	27,365	1,078	10,637	1,388	40,468
Inter-segment revenue	12	0	-3	-434	-425
Revenue from external customers	27,377	1,078	10,634	954	40,043
Gross profit/loss of the segment	1,020	-40	340	104	1,424

Reconciliation of segment revenues

EUR'000	FY 2015	Q4 2015	FY 2014	Q4 2014
Total revenue for reportable segments	142,068	31,252	157,136	39,080
Revenue for other segments	4,778	961	5,784	1,388
Elimination of inter-segment revenues	-2,248	-593	-2,690	-425
Unallocated revenue of reportable segments	917	342	1,059	310
Total consolidated revenue	145,515	31,962	161,289	40,353

Reconciliation of segment profit

EUR'000	FY 2015	Q4 2015	FY 2014	Q4 2014
Total profit for reportable segments	10,402	3,028	10,810	1,320
Total profit/loss for other segments	-233	-74	319	104
Elimination of inter-segment profits and losses	-19	-3	-16	-4
Unallocated losses of reportable segments	-1,119	-221	-1,300	-398
Consolidated gross profit	9,031	2,730	9,813	1,022
Unallocated expenses:				
Marketing and distribution expenses	-412	-138	-558	-138
Administrative expenses	-5,026	-1,608	-5,656	-1,650
Other operating income and expenses	340	134	416	402
Consolidated operating profit/loss	3,933	1,118	4,015	-364
Finance income	655	164	738	252
Finance costs	-4,383	-3,418	-2,301	-720
Share of profit/loss of equity-accounted investees	225	-8	85	-123
Consolidated profit/loss before tax	430	-2,144	2,537	-955



NOTE 9. Segment reporting – geographical information

EUR'000	FY 2015	Q4 2015	FY 2014	Q4 2014
Estonia	139,495	30,209	151,739	37,768
Ukraine	4,481	1,332	3,197	1,078
Finland	1,539	421	6,565	1,495
Inter-segment revenue	0	0	-212	12
Total revenue	145,515	31,962	161,289	40,353

NOTE 10. Cost of sales

EUR'000	FY 2015	FY 2014
Cost of materials, goods and services	119,083	132,869
Personnel expenses	15,317	16,695
Depreciation and amortisation expense	1,807	1,762
Other expenses	277	150
Total cost of sales	136,484	151,476

NOTE 11. Administrative expenses

EUR'000	FY 2015	FY 2014
Personnel expenses	2,931	3,404
Cost of materials, goods and services	1,935	2,093
Depreciation and amortisation expense	29	30
Other expenses	131	129
Total administrative expenses	5,026	5,656

NOTE 12. Other operating income and expenses

EUR'000	FY 2015	FY 2014
Other operating income		
Gain on sale of property, plant and equipment	379	256
Negative goodwill	0	414
Other income	85	122
Total other operating income	464	792

EUR'000	FY 2015	FY 2014
Other operating expenses		
Loss on sale of property, plant and equipment	52	7
Impairment loss on goodwill	0	192
Net loss on recognition and reversal of impairment losses on receivables	17	14
Other expenses	55	163
Total other operating expenses	124	376



NOTE 13. Finance income and costs

EUR'000	FY 2015	FY 2014
Finance income		
Interest income on loans	655	642
Foreign exchange gain	0	96
Total finance income	655	738

EUR'000	FY 2015	FY 2014
Finance costs		
Interest expense	770	1,001
Foreign exchange loss	574	1,299
Other finance costs	3,039	1
Total finance costs	4,383	2,301

NOTE 14. Transactions with related parties

The Group considers parties to be related if one has control of the other or significant influence over the other's operating decisions (assumes holding 20% or more of the 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 related to them;
- individuals whose shareholding implies significant influence.

Purchase and sales transactions conducted with related parties during the period

EUR'000 Related party	FY 2015		FY 2014	
	Purchases	Sales	Purchases	Sales
AS Nordic Contractors	328	0	350	0
Companies of AS Nordic Contractors group	3	10	3	7
Equity-accounted investees	5,549	112	1,505	22
Companies related to members of the council	743	0	294	0
Total	6,623	122	2,152	29

EUR'000 Nature of transactions	FY 2015		FY 2014	
	Purchases	Sales	Purchases	Sales
Construction services	6,262	0	1,820	0
Lease and other services	361	122	332	29
Total	6,623	122	2,152	29

During the period, the Group recognised interest income on loans to associates of 487 thousand euros (2014: 490 thousand euros), on loans to a joint venture of 115 thousand euros (2014: 114 thousand euros) and on a loan to a company of AS Nordic Contractors group of 13 thousand euros (2014: 9 thousand euros). The loans provided to the related parties are not secured.

Receivables from and liabilities to related parties

EUR'000	31 December 2015		31 December 2014	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	0	9	1	9
Companies of AS Nordic Contractors group – loans and interest	263	0	256	0
Associates - receivables	211	1,821	1	1
Associates – loans and interest	8,344	0	10,829	0
Joint venture – loans and interest	1,576	0	1,799	0
Total	10,394	1,830	12,886	10



Remuneration of the council and the board

The service fees of members of the council of Nordecon AS for 2015 amounted to 139 thousand euros and associated social security charges totalled 46 thousand euros (2014: 141 thousand euros and 47 thousand euros respectively). The provision for the council's performance bonuses, made based on the Group's performance indicators, amounted to 37 thousand euros and the provision for associated social security charges totalled 12 thousand euros (2014: 113 thousand euros and 37 thousand euros respectively).

The service fees of members of the board of Nordecon AS for 2015 amounted to 322 thousand euros and associated social security charges totalled 106 thousand euros (2014: 262 thousand euros and 87 thousand euros respectively). The provision for the board's performance bonuses, made based on the Group's performance indicators, amounted to 188 thousand euros and the provision for associated social security charges totalled 62 thousand euros (2014: 387 thousand euros and 128 thousand euros respectively).

NOTE 15. Transactions with shares in subsidiaries

Nordecon AS acquired a 60% stake in SweNCN OÜ, a company being formed, on 6 February 2015 (the date of signature of the memorandum of association).

The core business of SweNCN OÜ is construction of residential and non-residential buildings, particularly in central Sweden, through a wholly-owned subsidiary established in Sweden. At the date of establishment, the share capital of SweNCN OÜ amounted to 2,500 euros. Nordecon AS made the investment to carry out research and make preparations for a prospective expansion into a new geographical market.

NOTE 16. Litigation and claims

Court judgment on the Group's dispute with Tivoli Arendus OÜ

On 23 April 2015, Harju County Court rendered a judgment in the civil matter of Nordecon AS's action against Tivoli Arendus OÜ for establishment of termination of the contract, recovery of debt and late payment interest and return of the guarantee, and Tivoli Arendus OÜ's counter-action against Nordecon AS for recovery of the contractual penalty and late payment interest or alternatively compensation for damages and associated late payment interest.

The court established that the contract had been terminated in connection with Nordecon AS's withdrawal from the contract and that Tivoli Arendus OÜ did not have the right to realize the bank guarantee of around 1.3 million euros provided by Nordecon AS as security for the construction contract. In addition, the court ordered payment of the debt and late payment interest of around 182 thousand euros to Nordecon AS.

The court dismissed the claims filed in Tivoli Arendus OÜ's counter-action in full. Tivoli Arendus OÜ filed an appeal against the judgment but on 8 January 2016 the circuit court rejected the appeal. Tivoli Arendus OÜ has 30 days to file an appeal against the judgement.

Court judgment on the Group's dispute with Kantauro OÜ

On 26 May 2015, Harju County Court rendered a judgment in the civil matter of Nordecon AS's action against Kantauro OÜ for recovery of debt. Based on an order placed by Kantauro OÜ, Nordecon AS built in Tallinn a shopping centre with a net area 15,000 square metres (Stroomi Keskus). The shopping centre was opened to customers on 4 December 2014 but, regrettably, the developer failed to pay the builder part of the amounts due under the contract. As Kantauro OÜ did not settle its debt despite repeated reminders, Nordecon AS went to court.

Taking into account the fact that Kantauro OÜ had not responded to the action, the court made a judgment by default and satisfied Nordecon AS's claim in full. Kantauro OÜ was ordered to pay Nordecon AS the principal debt of 201 thousand euros and the interest accrued on it by the date the action was filed of 316 thousand euros as well as associated procedure expenses. On 1 May 2015, Kantauro OÜ filed a petition against the judgment but on 26 June 2015 the county court issued a ruling by which the petition was denied. Kantauro OÜ has paid



Nordecon AS the principal debt and late payment interest as ordered by the court. On 13 July, Kantauro OÜ filed an appeal with the circuit court against the ruling by which its petition was denied.




On 31 August 2015, the circuit court annulled the ruling of Harju County Court of 26 June 2015 by which the petition was denied and proceedings were not reopened and referred the case back to the county court for new adjudication on the petition. On 7 September 2015, Harju County Court again denied the petition. On 21 September 2015, Kantauro OÜ filed an appeal with the circuit court against the ruling by which its petition was denied. On 21 October 2015, the circuit court again annulled the ruling of Harju County Court of 7 September 2015 by which the petition was denied and proceedings were not reopened and referred the case back to the county court for new adjudication on the petition.

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 fourth quarter and 12 months of 2015 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 financial reporting standards in force, 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 and other consolidated entities.

Jaano Vink	Chairman of the Board		11 February 2016
Avo Ambur	Member of the Board		11 February 2016
Erkki Suurorg	Member of the Board		11 February 2016