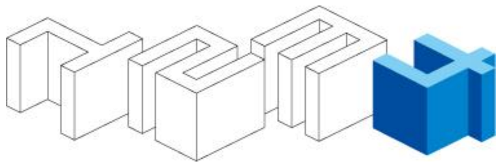
NORDECON

Financial report for the fourth quarter and twelve months of 2009
(unaudited)



Financial report for the fourth quarter and twelve months of 2009
(unaudited)

Business name	Nordecon International AS
Registration number	10099962
Address	Pärnu mnt 158/1, 11317 Tallinn
Domicile	Republic of Estonia
Telephone	+ 372 615 4400
Fax	+ 372 615 4401
E-mail	nordecon@nordecon.com
Corporate website	www.nordecon.com
Core activities	Construction of buildings (EMTAK 411; 412) Civil engineering (EMTAK 421; 422; 429) Other construction work involving special trades (EMTAK 431; 433; 439) Architectural and engineering activities (EMTAK 7112)
Financial year	1 January 2009 – 31 December 2009
Reporting period	1 January 2009 – 31 December 2009
Council	Toomas Luman, Alar Kroodo, Ain Tromp, Andri Hõbemägi, Tiina Mõis, Meelis Milder
Board	Jaano Vink, Priit Tiru
Auditor	KPMG Baltics AS

Contents

Directors' report

OUR MISSION

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

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

VISION

Our goal is to become the fastest growing construction group on the Nordic and Baltic stock exchanges by 2013 in terms of revenue growth.

SHARED VALUES

Reliability

We keep our promises and honour our agreements. We act openly and transparently. We consistently support and promote the best construction practices. We do not take risks at the expense of our customers.

Quality

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

Innovation

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

Change in the Group's business name

On 26 March 2009, the extraordinary general meeting of the shareholders of AS Eesti Ehitus changed the company's business name for Nordecon International AS. The purpose of the name change was to replace a name that had been chosen to target the Estonian market with a more international one that would underpin the Group's foreign expansion strategy. The new brand was also adopted to harmonise the names of the main subsidiaries both in the home market and in selected foreign markets with a view to creating a more coherent and uniform image of the Group. As an exception, the Ukrainian Group companies currently maintain the Eurocon brand.

Preparations for the name change began several years ago. Among other things, it was necessary to secure complete intellectual property rights to the name. The fact that the Nordecon name was previously used by the Group's ultimate controlling party (AS Nordic Contractors) helped introduce it to investors and business associates and the construction and real estate development sectors. By March 2009, the Group had obtained all relevant approvals and confirmations regarding its rights to the brand and there were no restrictions for its implementation by a listed company. The Nordecon brand has been registered in the Baltic countries, Ukraine and Belarus. In addition, the Group has registered the domain name www.nordecon.com.

Changes in the names of Group companies in 2009

AS Eesti Ehitus → Nordecon International AS

AS Linnaehitus → Nordecon Ehitus AS

AS Aspi → Nordecon Infra AS

OÜ Mapri Projekt → Nordecon Betoon OÜ

SIA Abagars → Nordecon Infra SIA

UAB Eurocon LT → Nordecon Statyba UAB

The Group has prepared this interim report under the name of Nordecon International, because at the date this report is authorised for issue, the new name has been approved by the shareholders and registered in all relevant registers. The former business name is used or referred to wherever necessary for legal reasons or clarity. New business names are also used in the case of significant subsidiaries that have participated in the name change.

The Group's strategy and objectives for 2009-2013

During the period 2005-2008 the revenue of Nordecon International Group grew, on average, by 30% per year. Within the same time, the Group's foreign operations expanded more than three-fold. At the end of 2008, foreign markets were generating already 20% of the Group's revenue. In view of the changes in the external environment and the fact that thanks to vigorous growth the Group had reached the end of one stage of development, the Group's management devised a new development strategy for the period 2009-2013. The parent company's council approved the new strategy on 12 March 2009.

The Group's strategic basis and strengths

The growth of the Group has outlined particular strengths that underpin the new development strategy:

- An organisation / shareholders oriented towards long-term profitable growth
- Organisationally separate infrastructure and buildings construction businesses
- A flexible, horizontally integrated business model across the Group
- Experienced management
- Professional and loyal employees
- Relative conservatism in risk-taking
- Centralised support services in combination with strong business organisations
- A balanced revenue base that is equally divided between buildings and infrastructure construction

The Group's objectives for 2009-2013

The Group's development strategy for 2009-2013 that was approved by the council at the beginning of 2009 was governed by two primary goals – to improve operating efficiency at all Group entities and to sustain internationalisation. To achieve the goals, management allocated the desired objectives and the activities required for achieving them to specific time periods.

In 2009-2010 the objective of Nordecon International was to reinforce its positions in the home market and to prepare for dynamic growth in foreign markets during 2011-2013. This was to be achieved by:

- Redesigning the corporate structure and division of operations and activities between Group entities
- Specifying the customer focus and transforming from the supplier of mass offerings into a proactive seller – designing the services aimed at customer segments based on customer needs and circumstances
- Identifying and taking advantage of additional synergies in enhancing the efficiency of the subsidiaries' sales, performance and purchasing operations
- Reasonably centralising the support services so as to improve their efficiency and developing a uniform organisational culture and identity
- Preparing a sufficient real estate platform in Estonia (including Tallinn) in anticipation for future growth
- Creating partnerships for the performance of PPP (public-private partnership) projects
- Continuing the development of operating principles that correspond to projected growth in foreign markets, and implementing and consolidating processes aimed at increasing the contribution of foreign markets at the parent company
- Acquiring new and developing existing companies

According plan, by 2013 the potential created in 2009-2010 should have been realised and Nordecon International should have become the fastest-growing construction group listed on the Nordic and Baltic stock exchanges. The objectives were:

- To be the market leader in Estonia in both buildings and infrastructure construction in terms of revenue
- To earn approximately 50% of the revenue for 2013 in foreign markets
- To have separate buildings and infrastructure construction subsidiaries in both Latvia and Lithuania
- To penetrate the Ukrainian infrastructure market, if possible
- To be ready to penetrate the Belarusian construction market if there are adequate arguments for this

Revision of the Group's strategy for 2009-2010 and the ultimate strategic goal

The Group's business strategy for 2009-2010 foresaw, among other things, acquiring new companies in selected markets and developing existing ones. However, in the middle of 2009 the Group suspended its buildings construction operations in Lithuania because, owing to changes in the market situation, there were not sufficiently sizeable contracts on offer that, if won, would have allowed sustaining a reasonable volume of operations. In addition, in February 2010 the Group sold its Latvian subsidiary and exited the Latvian infrastructure construction market due to unsatisfactory results and continuing instability of the economic environment. Because of the above, in the next few years the Group does not intend to continue active operations in Latvia and Lithuania except for participation in project-based tenders that may be expected to yield a reasonable profit margin.

Owing to an adverse economic environment, the Group's management has also decided to suspend dynamic expansion in Ukraine. Instead, the main efforts will be aimed at cost-cutting and other measures relevant to responding adequately to declining volumes and margins. In Ukraine, the construction market slump has made winning new contracts extremely complicated and the private sector customer base has become almost nonexistent. Therefore, the main task for Group entities is to align their structure so that they could effectively manage their costs while maintaining readiness for re-launching construction operations as soon as the market situation improves. The Group is currently not involved in any active real estate projects outside Estonia.

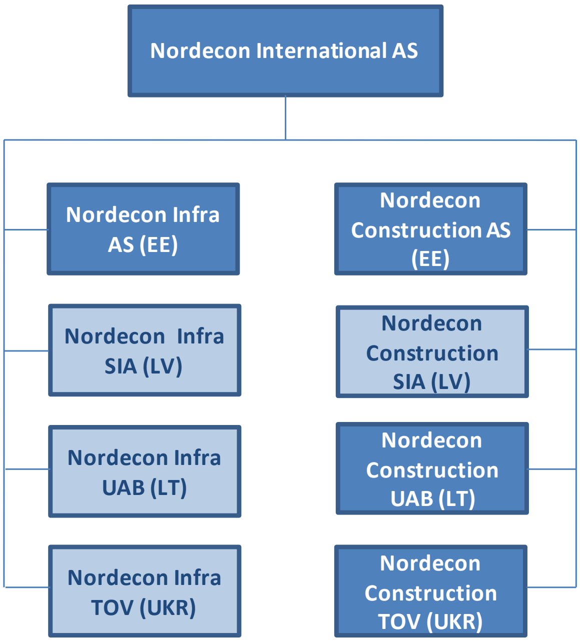
The Group's management is of the opinion that the situation in the Group's present foreign markets may improve more slowly than anticipated and, consequently, attainment of the strategic goal of increasing the revenue earned outside Estonia to roughly 50% of the total by 2013 has become doubtful and requires revision. At the date of release of this report, the Group's council has not made any changes to the Group's development strategy for 2009-2013.

Accordingly, in 2010 the Group's management will concentrate on consolidating the positions the Group has achieved over the years in the Estonian market

The Group's structure by 2013

According to the development strategy, by 2013 the Group was to be represented in its four main target markets in both the buildings and infrastructure construction segments. In each country, the Group was to have a company or subgroup involved in buildings construction and another engaged in infrastructure. All companies were to focus on their assigned core business and all or the majority of their shares were to be held by the Group's parent Nordecon International AS. The above corporate structure was selected in consideration of the following factors:

- The construction business is local by nature and to succeed a company needs to be locally flexible and focused on a particular business.
- The Group's sustainable and coordinated development in its selected markets assumes assembling all activities that could yield synergies, such as financing, development, etc. under single management.



Note: Light colours indicate subgroups that currently do not exist but reflect the Group's opportunities for future growth. The Group was operating in the Latvian infrastructure market in 2008-2009 but exited the market at the beginning of 2010. At the date of release of this report, the Group has no entities registered in Latvia.

Changes in the Group's management structure and operations in 2009

Changes in the Group's management structure

The first steps for implementing the Group's new development strategy were made in the first quarter of 2009. The management structures of the Group's parent and major subsidiaries were changed as of 5 January 2009. The purpose was to prepare for the adoption of a new management model where the parent would deal with the Group's strategic management and the expertise for managing the Group's anchor skills would be assembled to the largest subsidiaries, which would then focus on maintaining and increasing their market shares in their separate, clearly defined lines of business. By the end of 2009, this had basically been achieved.

Changes in the board of Nordecon International AS

On 5 January 2009, the board of Nordecon International AS started with three members – Jaano Vink (Chairman of the Board), Sulev Luiga (Member of the Board, Director of Finance) and Priit Tiru (Member of the Board, Buildings Construction Director).

Sulev Luiga was recalled from the board early based on a council resolution effective as of 16 October 2009. At the level of the board, his responsibilities as the director of finance were taken over by Jaano Vink. Routine finance and investor relations management activities were assigned to the Head of Investor Relations Raimo Talviste. The council of the Group does not intend to appoint any additional board member within the forthcoming months but expects activities to be even more effectively reassigned among Group entities' managements.

Changes in the management structures of major subsidiaries

Erkki Suurorg and Priit Pluutus who were members of the board of Nordecon International AS (at the time AS Eesti Ehitus) in 2008 continue working for the Group as the chairman and a member of the board of Nordecon Infra AS (formerly AS Aspi) respectively. The former chairman of the board of Nordecon Infra AS, Margus Vaim has stepped up as the director of the infrastructure division of Nordecon International AS.

Avo Ambur who was also a member of the board of Nordecon International AS in 2008 continues working for the Group as a member of the board of Nordecon Ehitus AS (formerly AS Linnaehitus). Since 5 January 2009, the chairman of the board of Nordecon Ehitus AS has been Priit Jaagant who was previously the chairman of the board of Group company Nordecon Betoon OÜ (formerly OÜ Mapri Projekt). The former chairman of the board of Nordecon Ehitus AS Priit Tiru has stepped up as a member of the board of the Group's parent company (Buildings Construction Director).

Since January 2010, the chairman of the board of the subsidiary Eston Ehitus has been Peep Sakk who replaced in this position Priit Tiru, a member of the board of Nordecon International who was appointed to the position in 2009 for supervising the restructuring of the company.

In December, Ahto Altjõe was appointed chairman of the board of Eurocon OÜ that organises the Group's business in Ukraine. He replaced in this position Toomas Jõgeva who stepped down after years of service.

Redistribution of responsibilities within the Group

One of the aims of the new development strategy was to streamline the corporate structure and the allocation of responsibilities between Group entities.

In the first stage of streamlining, the responsibilities of Group companies were clearly defined and assigned. The Group's strategic management and the management of the Group's support processes have been gradually transferred to the parent company by which Nordecon International AS has become essentially a holding company that has to ensure the coordinated development of the Group. Despite this, if necessary, Nordecon International AS will continue participating in major domestic and international construction tenders, where it expects to derive its competitive edge by harnessing and combining the competencies of its subsidiaries. In 2010, the parent will concentrate, above all, on further development of centralised Group-wide support functions (financial, legal, personnel and similar services) and strategic business management.

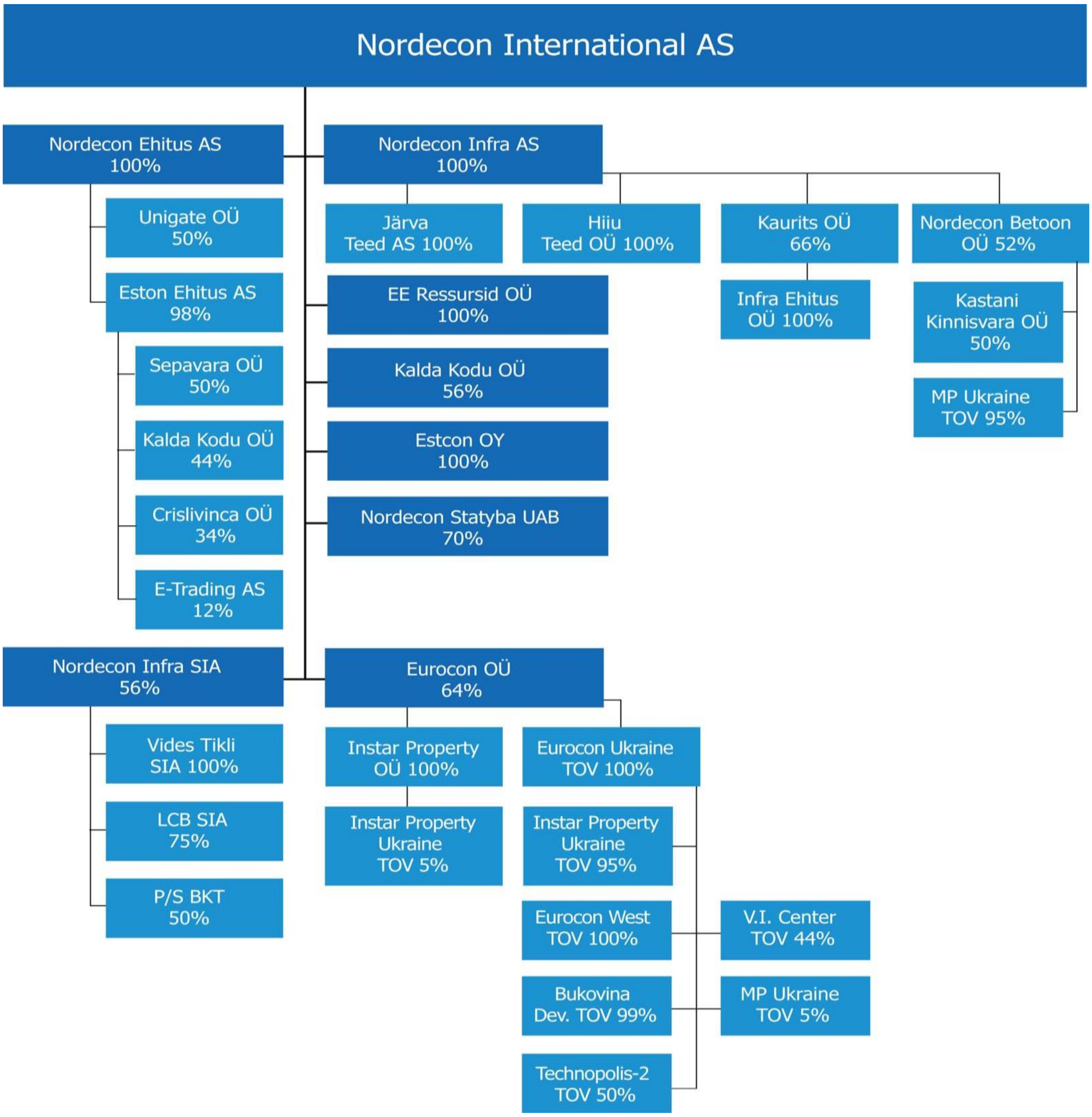
The Group's core business is conducted by its independent subsidiaries. For structural streamlining, the core competencies have been separated into two main groups – buildings and infrastructure. Business activities have been divided between the main subsidiaries on the same principle (see the next section). This allows assembling the Group's expertise in companies that can best employ it for improving operating efficiency and effectiveness.

Changes in the subsidiaries' business activities in 2009

- In Estonia, the main buildings construction operations have been assembled in Nordecon Ehitus AS (formerly AS Linnaehitus) that is represented in Northern Estonia (Tallinn) and Southern Estonia (Tartu). At the beginning of 2010, Nordecon Ehitus AS became a subgroup comprising all of the Group's Estonian buildings construction and real estate development companies. The last step in the process was the intra-Group acquisition of AS Eston Ehitus that is engaged in buildings construction mostly in Western Estonia (see the section *The Group's structure and major structural changes*).
- Infrastructure operations in Estonia have been assembled in the Nordecon Infra AS subgroup (formerly AS Aspi), which also includes subsidiaries involved in road maintenance and the sale and maintenance of construction equipment and machinery.
- Nordecon Betoon OÜ (formerly OÜ Mapri Projekt), which is one of the largest concrete works companies in Estonia, continues as a subsidiary of Nordecon Infra AS, providing, where necessary, its services also to the Group's buildings construction and engineering companies.
- In 2009, the performance of the Latvian-based Nordecon Infra SIA (formerly SIA Abagars) whose core business is the construction of water and sewerage networks was unsatisfactory and in February 2010 the Group sold its interest in the entity (see the section *The Group's structure and major structural changes*).
- The active operations of the Lithuanian-based UAB Nordecon Statyba (formerly UAB Eurocon LT) have been suspended and the Group is monitoring market developments. The suspension of activities does not involve any major costs for the Group. The decision has not changed the Group's strategic objectives in the Lithuanian construction market and does not imply the sale or liquidation of the company.
- No strategic changes have been made at the Group's Ukrainian entities, which will continue operating in their current segments and locations (primarily in Kiev and Lvov), although at significantly reduced capacities. The Group's Ukrainian operations have been extensively restructured with a view to minimising their operating expenses while maintaining readiness for re-launching project management services as soon as the need and opportunities arise. Owing to the situation in the real estate market, the Group has suspended the development of its two remaining Ukrainian real estate projects in which it is also a stakeholder.

The Group's structure and major structural changes

The Group's structure at 31 December 2009, including interests in subsidiaries and associates*



* The chart has been adjusted to reflect the name changes that took place in 2009 (see *Change in the Group's business name* in *Director's report*).

Major changes in the Group's structure in 2009

Nordecon Infra SIA

In December 2008, the Latvian subsidiary Nordecon Infra SIA signed a contract by which it acquired a 75% direct interest (and the Group a 42% indirect interest) in the Latvian company SIA LCB. The title to the shares transferred in January 2009. See also *Significant structural changes after the reporting date*.

Nordecon International AS

In January 2009, Nordecon International AS acquired a 56% stake in the Estonian company OÜ Kalda Kodu. The remaining 44% of the entity's capital was already held by AS Eston Ehitus (the Group's interest at the date of release of this report is approximately 98%). Altogether, at the end of 2009 Nordecon International AS held 99% of the shares in OÜ Kalda Kodu.

In April, Nordecon International AS acquired a 56% stake in the Latvian entity Nordecon Infra SIA from Nordecon Infra AS. After the intra-Group transaction, Nordecon Infra SIA became a direct subsidiary of the Group's parent company. The transaction did not change the Group's interest in Nordecon Infra SIA. The restructuring was prompted by the Group's development strategy (see *The Group's structure by 2013*). See also *Significant structural changes after the reporting date.*

In April, Nordecon International AS registered its wholly owned subsidiary OÜ Eesti Ehitus. The entity was established to protect the former business name ("Eesti Ehitus") from potential misuse. The company is not going to engage in any real business activities.

In July and August 2009, Nordecon International AS acquired an additional 45.7% stake in AS Eston Ehitus from the non-controlling shareholders, raising the Group's interest in AS Eston Ehitus to 97.7%.

OÜ Kaurits

In February 2009, OÜ Kaurits acquired an additional 34% interest in OÜ DSN Ehitusmasinad, becoming the entity's sole shareholder. After the transaction, the Group's indirect ownership interest in OÜ DSN Ehitusmasinad is 66%.

In September 2009, the shareholders of OÜ Kaurits and OÜ DSN Ehitusmasinad approved the merger of the two companies. The financial statements of the entities were combined as of 1 October 2009. At the date of the merger, OÜ Kaurits owned 100% of the shares in OÜ DSN Ehitusmasinad. The merger did not change Nordecon International AS' interest in OÜ Kaurits.

Nordecon Ehitus AS

In March 2009, Nordecon Ehitus AS acquired a 50% stake in the Estonian property developer OÜ Unigate. In line with the shareholder agreements, the investment is an interest in a joint venture.

In April, Nordecon Ehitus AS registered its wholly owned subsidiary OÜ Linnaehitus. The entity was established to protect the former business name ("Linnaehitus") from potential misuse. The company is not going to engage in any real business activities.

In December, Nordecon Ehitus AS acquired through an intra-Group transaction a 98% interest in Nordecon International AS' former Estonian subsidiary AS Eston Ehitus. The transaction did not change the Group's interest in AS Eston Ehitus. The restructuring was prompted by the Group's development strategy (see *The Group's structure by 2013*).

Nordecon Infra AS

In April 2009, Nordecon Infra AS registered its wholly owned subsidiary OÜ Aspi. The entity was established to protect the former business name ("Aspi") from potential misuse. The company is not going to engage in any real business activities.

In May 2009, Nordecon Infra AS acquired a 52% interest in Nordecon Betoon OÜ (formerly OÜ Mapri Projekt) from Nordecon International AS. The intra-Group transaction did not change the Group's interest in Nordecon Betoon OÜ. The restructuring was prompted by the Group's development strategy (see *The Group's structure by 2013*).

Nordecon Betoon OÜ

In June 2009, Nordecon Betoon OÜ registered its wholly owned subsidiary OÜ Mapri Projekt. The entity was established to protect the former business name ("Mapri Projekt") from potential misuse. The company is not going to engage in any real business activities.

Eurocon Ukraine TOV

In June 2009, Eurocon Ukraine TOV completed the divestment of its 3% interest in Passage Theatre TOV. After the transaction, the Group has no stake in Passage Theatre TOV.

In July 2009, Eurocon Ukraine TOV completed the sale of its 51% interest in the subsidiary EA Reng Proekt TOV. After the transaction, the Group has no stake in EA Reng Proekt TOV.

In December 2009, Eurocon Ukraine TOV acquired from Instar Property OÜ-a 95% stake in the Ukrainian entity Instar Porperty Ukraine TOV. The intra-Group restructuring did not change the Group's interest in Instar Ukraine TOV.

Significant structural changes after the reporting date

Nordecon International AS

In February 2010, Nordecon International AS sold its 56% stake in the Latvian subsidiary Nordecon Infra SIA along with interests in its subsidiaries. The subsidiary was sold to an external party (a non-controlling shareholder). After the transaction, the Group has no ownership interests in companies registered in Latvia.

Financial review

Margins

Nordecon International Group ended 2009 with a gross profit of 136.3 million kroons (8.7 million euros), 62% down from the 357.9 million kroons (22.9 million euros) earned in 2008. The decrease is mainly attributable to a significant decline in the profitability of construction contracts across all segments and the completion of more profitable contracts started in previous periods. In ordinary circumstances, lower than average profitability in the first and fourth quarter results from seasonal factors that impact mainly the road construction business and are counteracted in the second and third quarters. In 2009, however, they were accompanied by exceptionally weak demand in the buildings construction sector throughout the year, which triggered fierce competition and, accordingly, a steep decrease in margins. This caused also a decrease in gross profit for 12 months compared with gross profit for the third quarter.

The Group ended the year with an operating loss of 126.7 million kroons (8.1 million euros). The comparative period, 2008, ended with an operating profit of 208.5 million kroons (13.3 million euros). The incurrence of an operating loss can be explained by shrinkage in gross profit and the year-end re-measurement of the Group's assets and liabilities.

In 2009, the Group responded to the anticipated decline in gross profit already at the beginning of the year by applying decisive measures for cutting administrative costs with a view to reducing the cost base compared with the previous year by 30%. Consolidated administrative expenses for 2009 totalled 186.4 million kroons (11.9 million euros). However, a significant proportion of administrative expenses is made up of items that are not impacted by cost-cutting (such as impairment losses on goodwill). Excluding such items, administrative expenses for 2009 totalled 125.2 million kroons (8 million euros), reflecting a roughly 33% decrease in comparable administrative expenses for 2008. In addition, the restructuring conducted in 2009 gave rise to certain non-recurring expenditures in the form of operating expenses and termination benefits. Excluding the non-recurring items, the ratio of administrative expenses to revenue was 5.2%, which is slightly above the 5% target set by management but perfectly acceptable in view of the plunge in volumes experienced by the construction market.

The Group's operating result was also influenced by the impairment losses recognised for other assets (trade receivables and investment properties) within *Other expenses*. Impairment losses on receivables and investment properties totalled 42.0 million kroons (2.7 million euros) and 12.5 million kroons (0.8 million euros) respectively. Altogether, the impact of the one-off write-down expenses on operating profit was 115.7 million kroons (7.4 million euros).

The Group remains committed to the aim of reducing the cost base in 2009-2010 by up to 30% compared with 2007-2008 and is prepared to adopt resolute measures also in the future.

Fiscal 2009 ended with a consolidated net loss of 88.7 million kroons (5.7 million euros). The loss attributable to owners of the parent amounted to 45.3 million kroons (2.9 million euros) while the loss attributable to non-controlling interests equalled 43.4 million kroons (2.8 million euros).

The profitability ratios monitored by the Group's management have changed significantly due to dramatic deterioration in the operating environment. The Group's margins have dropped (in all markets) year-over-year primarily on account of a steep decline in demand. The main sector-specific trend has been the increasing excess of construction capacities over the number of projects on offer. Demand that is insufficient for meeting the needs of all market players has heightened pressure for lowering the prices. Under the circumstances, the Group's gross margin for 2009 dropped to 5.7% (2008: 9.3%).

The Group believes that in the current market situation, the above level of gross margin is still acceptable for profitable operation. In the light of new trends emerging in the construction market, the Group intends to continue redesigning its internal processes (improving the efficiency of purchase of services, cost cutting, etc) so as to maintain its gross margin at a level that would ensure that the next financial year will end in an operating profit.

Cash flows

The Group's operating activities generated a net cash inflow of 99.9 million kroons (6.4 million euros), a strong improvement on the net outflow of 57.1 million kroons (3.6 million euros) posted for the first half-year. In the current market situation, due to renegotiated and extended settlement terms, cash is received over a considerably longer period than previously. In addition, the period's receipts were influenced by the approaching end of the construction season that is accompanied by the signature of completion documents. The Group's ability to maintain a positive net operating cash flow depends on how well it can adapt to the new economic environment (e.g. by extending settlement terms with subcontractors) and the extent to which operating costs can be cut.

Investing activities for 2009 resulted in a net outflow of 54.0 million kroons (3.5 million euros) compared with an outflow of 156.6 million kroons (10.0 million euros) for 2008. Acquisitions of investments in subsidiaries, associates and joint ventures (including disposals) generated a net outflow of 30.5 million kroons (2.0 million euros). The corresponding figure for 2008 was a net outflow of 139.1 million kroons (8.9 million euros).

Financing activities generated a net outflow of 116.9 million kroons (7.5 million euros). The corresponding figure for 2008 was an outflow of 88.2 million kroons (5.6 million euros). Debt financing has decelerated because business volumes are not growing and in net terms financial liabilities are decreasing. The period's net outflow from interest-bearing loans and borrowings (excluding interest expense) was 56.1 million kroons (3.6 million euros) against a net inflow of 49.4 million kroons (3.2 million euros) in 2008. The remainder of financing cash flows was made up of a dividend distribution of 31.9 million kroons (2.0 million euros) compared with 104.1 million kroons (6.7 million euros) in 2008.

Key financial figures and ratios

Figure / ratio	2009	2008	2007
Weighted average number of shares*	30,756,728	30,756,728	30,756,728
Earnings per share (in kroons)	-1.47	4.73	8.70
Earnings per share (in euros)	-0.09	0.30	0.56
Revenue growth	-37.7%	3.1%	49.9%
Average number of employees	1,128	1,232	1,103
Revenue per employee (in thousands of kroons)	2,137	3,140	3,402
Revenue per employee (in thousands of euros)	137	201	217
Personnel expenses to revenue, %	15.1%	12.7%	12.3%
Administrative expenses to revenue, %	7.7%	4.7%	4.6%
EBITDA (in thousands of kroons)	-56,897	281,161	370,581
EBITDA (in thousands of euros)	-3,636	17,969	23,684
EBITDA margin, %	-2.4%	7.3%	9.9%
Gross margin, %	5.7%	9.3%	13.3%
Operating margin, %	-5.3%	5.4%	8.2%
Operating margin excluding gains on asset sales, %	-5.4%	5.3%	7.8%
Net margin, %	-3.7%	4.4%	7.7%
Return on invested capital, %	-4.1%	19.1%	37.2%
Return on assets, %	-6.0%	9.1%	17.1%
Return on equity, %	-11.3%	20.5%	44.1%
Equity ratio, %	37.1%	36.5%	36.9%
Gearing, %	26.5%	18.2%	13.5%
Current ratio	1.47	1.33	1.30

* For comparability, the weighted average number of shares is the number of shares after the bonus issues.

As at 31 December	2009	2008	2007
Order book (in thousands of kroons)	1,530,661	2,220,748	2,526,652
Order book (in thousands of euros)	97,827	141,932	161,482

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

Revenue per employee = revenue / average number of employees

Personnel expenses to revenue = personnel expenses / revenue

Administrative expenses to revenue = administrative expenses / revenue

EBITDA = earnings before interest, taxes, depreciation and amortisation

EBITDA margin = EBITDA / revenue

Gross margin = gross profit / revenue

Operating margin = operating profit / revenue

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

Net margin = net profit for the period / revenue

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

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

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

Equity ratio = total equity / total equity and liabilities

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

Current ratio = total current assets / total current liabilities

Performance by geographical market

Revenue earned outside Estonia in 2009 accounted for approximately 15% of consolidated revenue against approximately 20% a year ago. The decline is primarily attributable to developments in the Ukrainian market.

In 2009, the Group expanded its operations in Latvia – at the end of the year Latvian revenues accounted for around 11% of the total while in 2008 the proportion was 6%. However, since the Latvian operations were generating a loss, the Group sold its interest in the Latvian entities at the beginning of 2010. As a result, the Group expects that its Latvian revenues will decline significantly in 2010. In the next few years, the Group plans to continue project-based business in Latvia through its Estonian entities, involving partners where necessary. Continuation of project-based operations assumes the availability of profitable projects.

At the same time, the contribution of Ukrainian revenues has dropped to approximately 3%. The downturn is mainly attributable to the completion of major projects started in the previous period and the complexity of entering into new contracts during a steep recession. In Lithuania, the Group has suspended active operations for the time being (see *Changes in the Group's management structure and operations in 2009*).

Further information on developments in the Group's markets can be found in the section *Outlooks of the Group's geographical markets*.

	2009	2008	2007
Estonia	85.7%	80.3%	87.9%
Ukraine	2.7%	11.4%	11.6%
Lithuania	0.4%	2.4%	0.5%
Latvia	11.2%	5.9%	0%

Performance by business line

The core business of Nordecon International Group is general contracting and project management in buildings and infrastructure construction. In addition, the Group is involved in road construction and maintenance, environmental engineering, concrete works and real estate development.

Consolidated revenue for 2009 amounted to 2,410.8 million kroons (154.1 million euros), a 37.7% decrease from the 3,867.9 million kroons (247.2 million euros) generated in 2008. Revenue has decreased mainly on account of shrinkage in demand in all of the Group's markets. In addition, the absolute revenue figure has been impacted by stiff competition that has lowered the construction prices (see further commentary and forecasts for the future in *Outlooks of the Group's geographical markets*).

The Group aims to maintain the revenues generated by its main segments (Buildings and Infrastructure) in balance as this helps disperse risks and provides a more solid foundation under stressed circumstances when one segment experiences shrinkage in operating volumes. In view of estimated demand for apartments in the real estate market and housing development risks, in subsequent years the proportion of housing construction revenue from apartment buildings (the Group as a developer or a builder) will remain significantly below the strategic 20% limit.

Segment revenue

In contrast to previous years, in 2009 the revenue generated by the Infrastructure segment exceeded that of Buildings. This results mainly from the situation in the construction market (particularly in Estonia) that has caused the order book of the Infrastructure segment to develop more favourably already since the second half of 2008.

In 2009, the Buildings and Infrastructure segments generated revenue of 1,047.4 million kroons (66.9 million euros) and 1,339.2 million kroons (85.6 million euros) respectively. The corresponding figures for 2008 were 2,136.9 million kroons (136.6 million euros) and 1,698.5 million kroons (108.6 million euros) respectively. The 51%-decrease in the revenue generated by the Buildings segment corresponded to management's assessment of the market situation and was therefore anticipated.

Revenue distribution between segments *

Business segments	2009	2008	2007
Buildings	45%	63%	53%
Infrastructure	55%	37%	47%

* In connection with the entry into force of IFRS 8 *Operating Segments* during the reporting period, the Group has changed segment reporting in its financial statements. In the *Directors' report* the Ukrainian and EU Buildings segments which are disclosed separately in the financial statements are presented as a single segment. In addition, the segment information presented in the *Directors' report* does not include the disclosures on "other segments" that are presented in the financial statements.

Management estimates that because of the market situation the proportion of revenue generated by the Infrastructure segment in 2010 will continue increasing compared with 2009. The assessment is supported by the Group's order book as at 31 December 2009 where the contracts of the Infrastructure segment exceed those of the Buildings segment (see *Order book* in *Director's report*).

Revenue distribution within segments

The distribution of the Group's buildings construction revenue has remained stable, with Commercial buildings accounting for over 50% of the total. The growth in the contribution of the Commercial buildings sub-segment to two thirds of segment revenue is attributable to two large projects: the building of the Nordea Bank in Tallinn and an extension to the Lõunakeskus shopping mall in Tartu. As anticipated, revenues from the construction of industrial and warehouse facilities and apartment buildings have decreased. On the other hand, the downturn in construction prices has triggered slight growth in the construction of public buildings thanks to municipal investments in schools, nurseries and other public buildings. However, despite attractive construction prices, further growth in local government projects may be undermined by financing difficulties.

Revenue distribution in the Buildings segment	2009	2008	2007
Commercial buildings	66%	59%	58%
Industrial and warehouse facilities	10%	16%	9%
Public buildings	18%	14%	19%
Apartment buildings	6%	11%	14%

Growth in the operations of the Nordecon Infra SIA subgroup in 2008-2009 caused structural shifts in revenue distribution within the Infrastructure segment. The contribution of other engineering projects increased largely on account of growth in pipeline and outdoor network construction. Due to the divestment of Nordecon Infra SIA in 2010, the contribution of other engineering projects is expected to decline (see *Outlooks of the Group's geographical markets*). Environmental engineering revenues have expanded thanks to a decline in construction prices that has increased investments by state and local government.

Revenue distribution in the Infrastructure segment	2009	2008	2007
Road construction and maintenance	49%	45%	41%
Port construction	12%	24%	33%
Other engineering	31%	25%	13%
Environmental engineering	8%	6%	13%

Order book

At 31 December 2009, the Group's order book stood at 1,531 million kroons (98 million euros), approximately a third down from the 2,221 million kroons (142 million euros) posted a year ago.

As at 31 December	2009	2008	2007
Order book, in thousands of kroons	1,530,661	2,220,748	2,526,652
Order book, in thousands of euros	97,827	141,932	161,482

The order book of the Infrastructure segment has been growing year-over-year. At 31 December 2009 it accounted for 74% of the Group's total order book (31 December 2008: 59%), reflecting the situation in the construction market where shrinkage in the Buildings segment has significantly outpaced growth in the Infrastructure segment. In absolute terms, the order book figures have been severely weakened by tumbling construction prices.

Between the reporting date (31 December 2009) and the date of release of this report, Group companies have been awarded additional construction contracts of approximately 61 million kroons (3.9 million euros).

People

Nordecon believes that its most important assets are its people and that the value of the company depends on the professionalism, motivation and loyalty of its employees. Accordingly, the Group's management is committed to creating a contemporary work environment that fosters professional growth and development in terms of working conditions, career opportunities and the nature of the work.

People and personnel expenses

In 2009, the Group (including the parent and the subsidiaries) employed, on average, 1,128 people including around 470 engineers and technical personnel (ETP). The acquisition of the Latvian company SIA LCB in 2009 increased the number of staff by more than 100. However, since the end of 2008 personnel growth has been replaced by a decline owing to downsizing triggered by a significant decrease in the Group's operations.

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

Year	ETP	Workers	Total average
2009	467	661	**1,128**
2008	511	721	**1,232**
2007	425	678	**1,103**

The Group's personnel expenses for 2009, including associated taxes, totalled 363.5 million kroons (23.2 million euros), a 27% decrease compared with the 498.6 million kroons (31.9 million euros) incurred in 2008.

Personnel expenses have declined on account of downsizing and the cutting of basic salaries. Employee salaries have been lowered at all Group entities; the average pay-cut for engineers and technical personnel was 15%. The performance pay of project staff that is linked to the projects' profit margins has also dropped.

Owing to the overall economic situation and the slump in the construction market, in 2009 Group entities terminated employment relations with approximately 620 people. However, this is not directly reflected in the total average number of employees because the latter is increased by the staff taken over on the acquisition of subsidiaries and the people hired under fixed term contracts. The decrease in the number of staff may continue in 2010 but considerably more slowly except for the effect of the divestment of Nordecon Infra SIA that has reduced the number of the Group's employees by around 150.

In 2009, the remuneration of the members of the council of Nordecon International AS including social security charges amounted to 1,436 thousand kroons (92 thousand euros). The corresponding figure for 2008 was 1,443 thousand kroons (92 thousand euros). The remuneration and benefits of the members of the board of Nordecon International AS including social security charges totalled 3,254 thousand kroons (208 thousand euros) compared with 14,514 thousand kroons (928 thousand euros) in 2008. The differences in the remuneration of the board stem from the fact that from 5 January 2009 the board had three members and since October 2009 there have been two members while in 2008 the number was five (see *Changes in the Group's management structure and operations in 2009*). In addition, the figure has been impacted by a 15% reduction in board member remuneration across the Group.

Share and shareholders

Share information

ISIN code	EE3100039496
Short name of the security	NCN1T (until 3 April 2009 EEH1T)
Nominal value	10.00 kroons / 0.64 euros
Total number of securities issued	30,756,728
Number of listed securities	30,756,728
Listing date	18 May 2006

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

Movements in the price and traded volume of the Nordecon International share, January-December 2009

In Estonian kroons (EEK)

In euros (EUR)

Movement of the Nordecon International share compared with the OMX Tallinn main index, January-December 2009

Index/Equity	1 Jan 2009	31 Dec 2009	+/- %
OMX Tallinn	274.83	404.58	+47.21
NCN1T	EUR 1.02	EUR 1.58	+54.90

Summarised trading results

Share trading history (EEK)

Price	2009	2008	2007
Open	16.43	76.51	166.64
High	29.26	76.51	224.53
Low	8.61	14.86	69.00
Last closing price	24.72	15.96	76.67
Traded volume	9,627,956	6,447,283	7,284,775
Turnover, millions	188.24	313.68	845.09
Listed volume (31 December), thousands	30,757	30,757	15,378
Market capitalisation (31 December), millions	760.36	490.86	2,358.07

Share trading history (EUR)

Price	2009	2008	2007
Open	1.05	4.89	10.65
High	1.87	4.89	14.35
Low	0.55	0.95	4.41
Last closing price	1.58	1.02	4.90
Traded volume	9,627,956	6,447,283	7,284,775
Turnover, millions	12.03	20.05	54.01
Listed volume (31 December), thousands	30,757	30,757	15,378
Market capitalisation (31 December), millions	48.60	31.37	150.71

Shareholder structure

The largest shareholders of Nordecon International AS at 31 December 2009

Shareholder	Number of shrares	Ownership interest
AS Nordic Contractors	16,507,464	53.67
Skandinaviska Enskilda Banken Ab Clients	2,608,822	8.48
State Street Bank and Trust Omnibus Account A Fund	1,147,911	3.73
ING Luxembourg S.A.	1,111,853	3.61
Ain Tromp	678,960	2.21

ASM Investments OÜ	519,600	1.69
SEB Pank AS	405,757	1.32
Aivo Kont	339,480	1.10
Raul Rebane	316,104	1.03

On 4 September 2009 AS Nordic Contractors announced that it had sold 2,300,000 of its shares in Nordecon International AS (7.48% of all shares) to institutional investors. By the transaction, the ultimate controlling party's interest in Nordecon International AS dropped to 53.67%. On 16 September 2009, East Capital Asset Management AB announced that East Capital Group's total stake in Nordecon International AS (through nominee accounts) was 5.04%.

Shareholder structure at 31 December 2009

	Number of shareholders	Ownership interest
Shareholders with interest exceeding 5%	1	53.67%
Shareholders with interest between 1% and 5%	8	23.18%
Shareholders with interest below 1%	1,882	23.15%
Total	**1,891**	**100.00%**

Shares controlled by members of the council of Nordecon International AS at 31 December 2009

Council		Number of shares	Ownership interest
Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad)*	Chairman of the Council	16,559,144	53.84
Ain Tromp	Member of the Council	678,960	2.21
Alar Kroodo (ASM Investments OÜ)*	Member of the Council	519,600	1.69
Andri Hõbemägi	Member of the Council	40,000	0.13
Tiina Mõis	Member of the Council	0	0.00
Meelis Milder	Member of the Council	0	0.00

* Companies controlled by the individual

Shares controlled by members of the board of Nordecon International AS at 31 December 2009

Board		Number of shares	Ownership interest
Jaano Vink	Chairman of the Board	34,000	0.11%
Priit Tiru	Member of the Board	0	0.00%

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

Information on significant transactions with related parties

On 26 March 2009, Nordecon Ehitus AS acquired a 50% stake in OÜ Unigate from AS Arealis, a subsidiary of the Group's controlling shareholder Nordic Contractors AS.

OÜ Unigate is a housing developer incorporated in Estonia that has been developing properties belonging to it in Paekalda street in Tallinn. The investment was made in line with the Group's strategy according to which in 2009-2010 the Group is to prepare for a potential rise of the Estonian real estate market that may take place after 2010. For this, the Group's subsidiaries will acquire property portfolios that will allow launching housing construction projects as soon as the market situation changes.

In accordance with the terms of the transaction, AS Arealis was paid 20.0 million kroons (1.3 million euros) including 1.5 million kroons (0.1 million euros) for an interest in the entity's share capital and 18.5 million kroons (1.2 million euros) for AS Arealis' loan receivables from OÜ Unigate. Depending on the success of the development operations, AS Arealis will also be paid a variable price component that will be calculated at 450 kroons (28.8 euros) per square metre sold. In February 2009, the market value of the properties belonging to OÜ Unigate (the proportion acquired by Nordecon Ehitus AS) was approximately 47.5 million kroons (3.0 million euros).

Outlooks of the Group's geographical markets
Estonia

According to assessment of the Group's management, in 2010 the Estonian construction market will be characterised by the following features:

- Total demand in the construction market will depend heavily on public procurement tenders and the number and pricing of infrastructure, environmental and other projects conducted with the financial support of the European Union (the latter will be critically influenced by the administrative capabilities of the central and local governments). However, the more moderate decline in the infrastructure sector will not be able to compensate for the steep contraction of the buildings construction market that has currently been abandoned by most private sector corporates and individuals. The Group's management assumes that by 2010 the total volumes of the construction market will have decreased by over 50% compared with 2008
- The number of development and buildings construction companies will decrease (market consolidation). Companies focused on residential construction that in 2008 began seeking opportunities for penetrating other market segments such as infrastructure will continue to do so, heightening competition in the segments involved. The continuing slump will lead to mergers, takeovers and bankruptcies.
- Construction prices will probably cease declining in 2010 and may even start rising compared with 2008-2009. In such a situation, completion of contracts concluded at unreasonably low margins or below cost may have an adverse impact and may cause serious difficulties for companies not noticing the trend.
- After the global financial crisis that peaked in 2009, the financing terms offered by banks have started improving but many private sector companies are still finding it difficult to raise debt in order to finance new construction projects. The steep decrease in demand may be somewhat alleviated by a competition-induced decrease in prices, which will render investment in construction projects more attractive than it was during the boom of 2006 and 2007.
- In 2009, building materials manufacturers that had significantly increased their output during the growth phase of the market were faced by continuing shrinkage in demand and, consequently, greater strain in meeting the obligations taken for increasing their capacities. To date, the decline in building materials prices has notably decelerated and the prices are expected to start rising in 2010.
- Companies involved in general contracting and project management will probably have to face growth in doubtful and irrecoverable receivables.
- Because of the increasing importance of infrastructure projects, critical success factors include specialised engineering expertise and experience as well as the availability of relevant resources.
- The deteriorating economic climate and fierce competition in the construction market along with falling demand have caused continuing unemployment for construction workers. The ensuing increase in the availability of labour has lowered construction companies' personnel expenses.
- The change in construction projects' financing schemes (including significant extension of customers' settlement terms) and additional requirements to the financing provided by general contractors during the construction period put pressure on contractors' liquidity.

Nordecon International Group operates in accordance with its long-term objectives that are adjusted for changes in the external environment. Relevant strategic management is the responsibility of the Group's board (see *The Group's strategy and objectives for 2009-2013*).

The Group has prepared for changes in the economic environment by:

- Ensuring profitability by cutting costs an seeking effective technical solutions that should halt year-over-year decrease in profit margins in 2010
- Performing a more thorough preliminary analysis of the customers' solvency and creditworthiness and dealing proactively with the collection of overdue receivables
- Dispersing risks through portfolio design
- Rapidly reducing the operations in foreign markets and focusing on the home market

Latvia and Lithuania

In its third quarter financial statements, the Group reported that its Latvian subsidiary Nordecon Infra SIA was experiencing liquidity difficulties because owing to a lack of resources and administrative weaknesses the customers of major projects did not settle their accounts on a timely basis. Moreover, the entity was operating in an environment where profitable performance was not possible without taking disproportionate risks. Because the Group incurred losses in the Latvian market in 2009 and the market situation was not expected to improve in the foreseeable future, the Group sold its stake in Nordecon Infra SIA in February 2010.

Recent economic developments in Lithuania have been similar to the ones in the other Baltic countries. Slowdown in investment, both in the public and private sectors, and similar factors have directly influenced the construction market. The commercial and residential construction markets (the Group as a general contractor not a developer) have contracted visibly and the launch of any new private sector projects in the near future is unlikely.

In response to this, the business operations of the Group’s Lithuanian subsidiary Nordecon Statyba UAB (formerly UAB Eurocon LT) have been essentially suspended and the Group is monitoring the market situation. The temporary suspension of operations does not result in any major costs for the Group. The Group’s management does not exclude the possibility that the Lithuanian operations will remain suspended also after 2010. The decision does not change the Group’s strategic objectives in the Lithuanian construction market and does not imply the sale or liquidation of the company.

Ukraine

In Ukraine, the Group will continue mainly as a general contractor and project manager in the construction of commercial buildings and production facilities. In 2009, the number of projects started in the buildings construction market has decreased substantially. The situation in the sector is not expected to improve until after the first half of 2010.

Activities on development projects that require major investment (currently two) have been suspended and conserved to minimise the risks until the situation in the Ukrainian and global financial markets has eased up.

The main risks in the Ukrainian market are connected with the low administrative efficiency of the central and local governments and the judicial system, inflation, and the availability of quality construction inputs. Demand is currently mainly undermined by the lack of financing. To date, the weakening of the local currency that began in 2008 has stopped and the Group’s exposure to market-based currency risk has decreased considerably.

Nevertheless, the Group believes that the construction market of a country with a population of 46 million will offer business opportunities also in the future. The Group’s main success factor is negligible competition in the project management sector (the Group offers flexible construction management in combination with European practices and competencies). The Group’s management is confident that the current crisis in the Ukrainian construction market and economy as a whole will transform the local understanding and expectations of general contracting and project management in the construction business, which will improve the Group’s position in the long-term perspective.

Description of the main risks

Business risks

To mitigate the risks arising from the seasonal nature of the construction business (primarily the weather conditions during the winter months), the Group has acquired road maintenance contracts that generate year-round business. In addition, Group companies are constantly seeking new technical solutions that would allow working more efficiently under changeable weather conditions.

To manage their daily construction risks, Group companies purchase Contractors' All Risks insurance. Depending on the nature of the project, both general frame agreements and specially tailored project-specific contracts are used. In addition, as a rule, subcontractors are required to secure the performance of their obligations with a bank guarantee issued for the benefit of a Group company. To remedy builder-caused deficiencies which may be detected during the warranty period, all Group companies create warranties provisions. At 31 December 2009, the provisions (including current and non-current ones) totalled 15.7 million kroons (1.0 million euros). The corresponding figure at 31 December 2008 was 14.6 million kroons (0.93 million euros).

Credit risks

For credit risk management, a potential customer's settlement behaviour and creditworthiness are analysed already in the tendering stage. Subsequent to the signature of a contract, the customer's settlement behaviour is monitored on an ongoing basis from the making of an advance payment to adherence to the contractual settlement schedule, which usually depends on the documentation of the delivery of work performed. We believe that the system in place allows us to respond to customers' settlement difficulties with sufficient speed. As at the end of the reporting period, our customers' settlement behaviour was good, considering the current economic situation; however, there were also some large problem customers. The proportion of overdue receivables has increased, increasing the probability of credit losses also in subsequent periods. In accordance with the Group's accounting policies, all receivables that are more than 180 days overdue or in respect of which no additional settlement agreements have been reached are recognised as an expense.

In 2009, net loss on doubtful receivables amounted to 42.0 million kroons (2.7 million euros). The figure includes the impairment loss recognised for the receivables connected with the construction of the St Petersburg Business Quarter referred to in the third quarter financial statements. In 2008, recoveries of receivables written down in preceding periods exceeded the period's impairment losses on receivables by 9.0 million kroons (0.6 million euros).

Liquidity risks

Free funds are placed in overnight or fixed-interest term deposits with the largest banks of the markets where the Group operates. To ensure timely settlement of liabilities, approximately two weeks' working capital is kept in current accounts or overnight deposits. Where necessary, overdraft facilities are used. At the reporting date, the Group's current assets exceeded its current liabilities 1.47-fold (31 December 2008: 1.33-fold) and available cash funds totalled 225.2 million kroons (14.4 million euros) (31 December 2008: 296.2 million kroons / 18.9 million euros), providing a sufficient liquidity buffer for operating in an economic environment that is more uncertain than in the previous year.

Interest rate risks

The Group's interest-bearing liabilities to banks have mainly fixed interest rates. Finance lease liabilities have floating interest rates and are linked to EURIBOR. At 31 December 2009, the Group's interest-bearing loans and borrowings totalled 558.8 million kroons (35.7 million euros), a 4.3 million kroon (0.3 million euro) increase year-over-year. Interest expense for 2009 amounted to 26.6 million kroons (1.7 million euros). Compared with 2008, interest expense has contracted by 11.3 million kroons (0.7 million euros) thanks to a decline in the EURIBOR base rate and a decrease in loans and borrowings.

Currency risks

As a rule, construction contracts and subcontractors' service contracts are made in the currency of the host country: in Estonia contracts are made in Estonian kroons (EEK), in Latvia in Latvian lats (LVL), in Lithuania in Lithuanian litas (LTL) and in Ukraine in Ukrainian hryvnas (UAH). Services purchased from other countries are mostly priced in euros, which does not constitute a currency risk for the Group's Estonian, Latvian and Lithuanian entities.

The Group's foreign exchange gains and losses result mainly from its Ukrainian operations because the Ukrainian national currency floats against the euro and, consequently, against the Estonian kroon. To date, the weakening of the Ukrainian hryvna against the euro that began in the last quarter of 2008 has stopped. The Group's net exchange loss for 2009 was 0.7 million kroons (0.04 million euros). In 2008, the Group's exchange differences resulted in a gain of 6.6 million kroons (0.4 million euros).

Management's confirmation and signatures

The board confirms that the Directors' report presents fairly all significant events that occurred during the reporting period as well as their impact on the condensed consolidated interim financial statements, contains a description of the main risks and uncertainties, and provides an overview of all significant transactions with related parties.

Jaano Vink	Chairman of the Board	25 February 2010
Priit Tiru	Member of the Board	25 February 2010

Condensed consolidated interim financial statements

Statement of management's responsibility

The board of Nordecon International AS acknowledges its responsibility for the preparation of the Group's condensed consolidated interim financial statements (unaudited) as at and for the twelve months and fourth quarter ended 31 December 2009, presented on pages 25 to 46 of this report, and confirms that:

- the policies applied on the preparation of the condensed consolidated interim financial statements comply with International Financial Reporting Standards as adopted by the European Union;
- the condensed consolidated interim financial statements, which have been prepared in accordance with effective financial reporting standards, give a true and fair view of the assets and liabilities of the Group comprising of the parent company and other Group entities as well as its financial position, its financial performance, and its cash flows;
- all significant events that occurred before the date on which the condensed consolidated interim financial statements were authorised for issue (25 February 2010) have been properly recognised and disclosed; and;
- Nordecon International AS and its subsidiaries are going concerns.

Jaano Vink	Chairman of the Board	25 February 2010
Priit Tiru	Member of the Board	25 February 2010

Condensed consolidated interim statement of financial position

EEK '000 As at 31 December	Note	2009	2008
Current assets			
Cash and cash equivalents			
Trade receivables		225,191	296,184
Other receivables and prepayments	2	338,767	473,935
Deferred tax assets		322,283	408,541
Income tax assets		776	776
Inventories		0	3,207
Non-current assets held for sale	3	403,307	386,733
Total current assets		4,616	0
Current assets		**1,294,941**	**1,569,376**
Non-current assets			
Long-term investments		35,933	112,605
Investment property		87,975	116,783
Property, plant and equipment	5	204,115	263,295
Intangible assets	5	268,233	305,188
Total non-current assets		**596,256**	**797,871**
TOTAL ASSETS		**1,891,197**	**2,367,247**
LIABILITIES			
Current liabilities			
Interest-bearing loans and borrowings	6, 7	262,959	235,948
Trade payables		244,764	439,615
Taxes payable		45,169	65,760
Other payables		318,742	423,270
Provisions		10,364	11,600
Total current liabilities		**881,998**	**1,176,193**
Non-current liabilities			
Interest-bearing loans and borrowings	6, 7	295,828	318,578
Other liabilities		4,846	2,534
Provisions		7,041	6,630
Total non-current liabilities		**307,715**	**327,742**
TOTAL LIABILITIES		**1,189,712**	**1,503,935**
EQUITY			
Share capital		307,567	307,567
Statutory capital reserve		40,012	34,800
Translation reserve		-3,201	-4,106
Retained earnings		345,777	426,995
Equity attributable to owners of the parent		**690,155**	**765,256**
Non-controlling interests		**11,330**	**98,056**
TOTAL EQUITY		**701,485**	**863,312**
TOTAL LIABILITIES AND EQUITY		**1,891,197**	**2,367,247**

Condensed consolidated interim statement of financial position (continued)

EUR `000

As at 31 December	Note	2009	2008
Current assets			
Cash and cash equivalents			
Trade receivables		14,392	18,930
Other receivables and prepayments	2	21,651	30,290
Deferred tax assets		20,598	26,110
Income tax assets		50	50
Inventories		0	205
Non-current assets held for sale	3	25,776	24,717
Total current assets		295	0
Current assets		**82,762**	**100,301**
Non-current assets			
Long-term investments		2,297	7,197
Investment property		5,623	7,464
Property, plant and equipment	5	13,045	16,828
Intangible assets	5	17,143	19,505
Total non-current assets		**38,108**	**50,993**
TOTAL ASSETS		**120,870**	**151,295**
LIABILITIES			
Current liabilities			
Interest-bearing loans and borrowings	6, 7	16,806	15,080
Trade payables		15,644	28,096
Taxes payable		2,887	4,203
Other payables		20,371	27,052
Provisions		662	741
Total current liabilities		**56,370**	**75,172**
Non-current liabilities			
Interest-bearing loans and borrowings	6, 7	18,908	20,361
Other liabilities		310	162
Provisions		450	424
Total non-current liabilities		**19,668**	**20,947**
TOTAL LIABILITIES		**76,038**	**96,119**
EQUITY			
Share capital		19,657	19,657
Statutory capital reserve		2,557	2,224
Translation reserve		-205	-262
Retained earnings		22,099	27,290
Equity attributable to owners of the parent		**44,108**	**48,909**
Non-controlling interests		**724**	**6,267**
TOTAL EQUITY		**44,832**	**55,176**
TOTAL LIABILITIES AND EQUITY		**120,870**	**151,295**

Condensed consolidated interim statement of comprehensive income

EEK '000	Note	Q4 2009	Q4 2008	12M 2009	12M 2008
Revenue	9, 10	443,158	945,036	2,410,798	3,867,917
Cost of sales	11	472,075	899,262	2,274,493	3,510,006
Gross profit / loss		**-28,917**	**45,774**	**136,305**	**357,911**
Distribution expenses		2,626	1,795	9,416	8,007
Administrative expenses	12	90,494	45,376	186,376	182,526
Including impairment losses on goodwill	5	*61,206*	*0*	*61,206*	*0*
Other operating income	13	3,282	45,435	25,458	63,947
Other operating expenses	13	52,592	14,268	92,710	22,845
Operating profit / loss		**-171,347**	**29,770**	**-126,738**	**208,480**
Finance income	14	48,848	19,690	84,657	96,877
Finance expenses	14	8,205	37,765	33,910	68,019
Net finance income / expense		**40,643**	**-18,075**	**50,747**	**28,858**
Share of profit of equity accounted investees		340	-2,181	1,855	17
Share of loss of equity accounted investees		4,653	22,672	7,691	24,770
Net share of profit and loss of equity accounted investees		**-4,313**	**-24,853**	**-5,836**	**-24,753**
Profit / loss before income tax		**-135,017**	**-13,158**	**-81,827**	**212,585**
Income tax expense		1,525	-1,176	6,842	41,269
Profit / loss for the period		**-136,542**	**-11,982**	**-88,669**	**171,316**
Other comprehensive income / expense:					
Exchange differences on translating foreign operations		569	-3,263	905	-6,371
Total other comprehensive income / expense for the period		569	-3,263	905	-6,371
TOTAL COMPREHENSIVE INCOME / EXPENSE FOR THE PERIOD		**-135,973**	**-15,245**	**-87,764**	**164,945**
Profit / loss attributable to:					
- Owners of the parent		-111,818	-9,722	-45,242	145,580
- Non-controlling interests		-24,724	-2,260	-43,427	25,736
		-136,542	**-11,982**	**-88,669**	**171,316**
Total comprehensive income / expense attributable to:					
- Owners of the parent		-111,249	-12,045	-44,337	139,120
- Non-controlling interests		-24,724	-3,200	-43,427	25,825
		-135,973	**-15,245**	**-87,764**	**164,945**
Earnings per share attributable to owners of the parent:					
Basic earnings per share (EEK/share)		-3.64	-0.32	-1.47	4.73
Diluted earnings per share (EEK/share)		-3.64	-0.32	-1.47	4.73

Condensed consolidated interim statement of comprehensive income (continued)

EUR '000	Note	Q4 2009	Q4 2008	12M 2009	12M 2008
Revenue	9, 10	28,323	60,399	154,078	247,205
Cost of sales	11	30,171	57,473	145,367	224,330
Gross profit / loss		**-1,848**	**2,925**	**8,711**	**22,875**
Distribution expenses		168	115	602	512
Administrative expenses	12	5,784	2,900	11,912	11,666
Including impairment losses on goodwill	*5*	*3,912*	*0*	*3,912*	*0*
Other operating income	13	210	2,904	1,627	4,087
Other operating expenses	13	3,361	912	5,925	1,460
Operating profit / loss		**-10,951**	**1,903**	**-8,100**	**13,324**
Finance income	14	3,122	1,258	5411	6,192
Finance expenses	14	524	2,414	2,167	4,347
Net finance income / expense		**2,598**	**-1,155**	**3,244**	**1,844**
Share of profit of equity accounted investees		21	-139	118	1
Share of loss of equity accounted investees		297	1,449	492	1,583
Net share of profit and loss of equity accounted investees		**-276**	**-1,588**	**-374**	**-1,582**
Profit / loss before income tax		**-8,629**	**-841**	**-5,230**	**13,587**
Income tax expense		97	-75	437	2,638
Profit / loss for the period		**-8,727**	**-766**	**-5,667**	**10,949**
Other comprehensive income / expense:					
Exchange differences on translating foreign operations		36	-208	58	-407
Total other comprehensive income / expense for the period		36	-208	58	-407
TOTAL COMPREHENSIVE INCOME / EXPENSE FOR THE PERIOD		**-8,690**	**-974**	**-5,609**	**10,542**
Profit / loss attributable to:		-7,147	-621	-2,892	9,304
- Owners of the parent		-1,580	-144	-2,775	1,645
- Non-controlling interests		**-8,727**	**-766**	**-5,667**	**10,949**
Total comprehensive income / expense attributable to:		-7,110	-770	-2,834	8,891
- Owners of the parent		-1,580	-204	-2,775	1,651
		-8,690	**-974**	**-5,609**	**10,542**
Earnings per share attributable to owners of the parent:					
Basic earnings per share (EUR/share)	8	-0.23	-0.02	-0.09	0.30
Diluted earnings per share (EUR/share)	8	-0.23	-0.02	-0.09	0.30

Condensed consolidated interim statement of cash flows

		EEK '000		EUR '000	
For twelve months	**Note**	**2009**	**2008**	**2009**	**2008**
Cash flows from operating activities					
Cash receipts from customers		3,337,467	4,693,418	213,303	282,802
Cash paid to suppliers		-2,799,616	-3,809,442	-178,928	-243,468
Cash paid to and for employees		-427,098	-540,926	-27,296	-34,571
Income taxes paid		-10,858	-38,041	-694	-2,431
Net cash from operating activities		**99,895**	**305,009**	**6,385**	**19,494**
Cash flows from investing activities					
Acquisition of property, plant and equipment		-2,156	-11,856	-138	-758
Acquisition of intangible assets		-7,609	-929	-486	-59
Proceeds from sale of property, plant and equipment and intangible assets		17,406	11,989	1,112	766
Acquisition of investment properties		-200	0	-13	
Acquisition of subsidiaries, net of cash acquired	4	-11,688	-211,331	-747	-13,507
Proceeds from disposal of subsidiaries	4	0	2,063	0	132
Acquisition of associates	4	-6,000	-7,615	-383	-487
Proceeds from disposal of associates	4	7,230	77,812	462	-4,973
Acquisition of interests in joint ventures	4	-20,000	0	-1,278	0
Loans granted		-80,828	-120,756	-5,166	-7,718
Repayment of loans granted		34,897	86,721	2,230	-5,542
Dividends received		61	183	4	12
Interest received		14,907	17,079	953	-1,092
Net cash used in investing activities		**-53,980**	**-159,640**	**-3,450**	**-10,011**
Cash flows from financing activities					
Proceeds from loans received		343,242	415,558	21,937	26,559
Repayment of loans received		-348,364	-309,607	-22,265	-19,787
Dividends paid	8	-31,933	-104,130	-2,041	-6,655
Payment of finance lease liabilities		-51,029	-56,517	-3,261	-3,612
Interest paid		-28,284	-33,283	-1,808	-2,127
Other payments made		-487	-258	-31	-16
Net cash used in financing activities		**-116,855**	**-88,237**	**-7,469**	**-5,639**
Net cash flow		**-70,940**	**60,132**	**-4,534**	**3,843**
Cash and cash equivalents at beginning of period		**296,184**	**236,112**	**18,930**	**15,090**
Effect of exchange rate fluctuations		-53	-60	-3	-4
Decrease / increase in cash and cash equivalents		-70,940	60,132	-4,534	3,843
Cash and cash equivalents at end of period		**225,191**	**296,184**	**14,393**	**18,930**

Condensed consolidated interim statement of changes in equity

EEK '000	Share capital	Statutory capital reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total
	Equity attributable to equity holders of the parent						
Balance at 31 December 2007	**307,567**	**11,766**	**2,354**	**397,810**	**719,497**	**90,095**	**809,592**
Total comprehensive income for the period	0	0	-6,460	145,580	139,120	25,825	164,945
Dividends declared	0	0	0	-92,270	-92,270	-11,860	-104,130
Transfer to capital reserve	0	23,034	0	-23,034	0	0	0
Changes in non-controlling interests	0	0	0	-1,091	-1,091	-6,004	-7,095
Balance at 31 December 2008	**307,567**	**34,800**	**-4,106**	**426,995**	**765,256**	**98,056**	**863,312**
Balance at 31 December 2008	**307,567**	**34,800**	**-4,106**	**426,995**	**765,256**	**98,056**	**863,312**
Total comprehensive income for the period	0	0	905	-45,242	-44,337	-43,427	-87,764
Dividends declared	0	0	0	-30,756	-30,756	-1,176	-31,932
Transfer to capital reserve		5,212	0	-5,212	0	0	0
Changes in non-controlling interests	0	0	0	-8	-8	-42,123	-42,131
Balance at 30 December 2009	**307,567**	**40,012**	**-3,201**	**345,776**	**690,155**	**11,330**	**701,485**

Condensed consolidated interim statement of changes in equity (continued)

EUR '000	Equity attributable to equity holders of the parent						
	Share capital	Statutory capital reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total
Balance at 31 December 2007	**19,657**	**752**	**150**	**25,425**	**45,984**	**5,758**	**51,742**
Total comprehensive income for the period	0	0	-413	9,304	8,891	1,651	10,542
Dividends declared	0	0	0	-5,897	-5,897	-758	-6,655
Transfer to capital reserve	0	1,472	0	-1,472	0	0	0
Changes in non-controlling interests	0	0	0	-70	-70	-384	-454
Balance at 31 December 2008	**19,657**	**2,224**	**-262**	**27,290**	**48,909**	**6,267**	**55,176**
Balance at 31 December 2008	**19,657**	**2,224**	**-262**	**27,290**	**48,909**	**6,267**	**55,176**
Total comprehensive income for the period	0	0	57,	-2,891	-2,834	-2,775	-5,609
Dividends declared	0	0	0	-1,966	-1,966	-75	-2,041
Transfer to capital reserve	0	333	0	-333	0	0	0
Changes in non-controlling interests	0	0	0	0,	0	-2,693	-2,693
Balance at 30 December 2009	**19,657**	**2,557**	**-205**	**22,099**	**44,108**	**724**	**44,832**

Notes to the condensed consolidated interim financial statements

NOTE 1. Significant accounting policies

Nordecon International AS (formerly AS Eesti Ehitus) is a company incorporated and domiciled in Estonia. The shares of Nordecon International AS (the Company) have been listed on the NASDAQ OMX Tallinn Stock Exchange since 18 May 2006. The Company's controlling shareholder is AS Nordic Contractors that holds 53.67% of the shares in Nordecon International AS.

On 26 March 2009, an extraordinary general meeting of AS Eesti Ehitus changed the Company's business name for Nordecon International AS. These financial statements have been prepared under the new business name (referring, were necessary due to legal or other circumstances, to the former business name).

The condensed consolidated interim financial statements for the twelve months ended 31 December 2009 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 to be presented in the annual financial statements and they should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2008.

The Group has not changed its significant accounting policies compared with the consolidated financial statements as at and for the year ended 31 December 2008. The effect of any new and revised standards effective for the reporting period is described in this note.

According to management's assessment, the condensed consolidated interim financial statements of Nordecon International AS for the fourth quarter and twelve months of 2009 give a true and fair view of the Group's result of operations and the parent and all its subsidiaries that are included in these financial statements are going concerns. The condensed consolidated interim financial statements have not been audited or otherwise checked by auditors and they contain only the consolidated financial statements of the Group.

These condensed consolidated interim financial statements are presented in Estonian kroons (EEK) and in euros (EUR), rounded to the nearest thousand, unless indicated otherwise. Numerical data in the tables is presented in thousands of currency units. According to the quotation of the Bank of Estonia, the Estonian kroon – euro exchange rate is 15.6466 kroons to 1 euro.

Standards effective from 1 January 2009 and their impact on the Group's financial statements:

- IAS 1 (revised) – *Presentation of Financial Statements*

  The revised Standard requires information in the financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income (effectively combining the income statement and all non-owner changes in equity in a single statement), or in two separate statements (a separate income statement followed by a statement of comprehensive income).

  The Group has decided to present a single statement of comprehensive income that combines the income statement and non-owner changes in equity.

- IFRS 8 – *Operating Segments*

  The Standard introduces the "management approach" to segment reporting and requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the Group's management in deciding how to allocate resources and in assessing performance.

  The application of the Standard has increased the number of reportable segments. In place of the previously reported two segments (Buildings and Infrastructure) the Group now discloses segment information in respect of Buildings (European Union), Buildings (Ukraine), Infrastructure (European Union) and other segments. IFRS 8 is effective for the annual financial statements. In the interim financial statements information on operating segments has been presented in accordance with IAS 34 *Interim Financial Reporting*.

Reportable operating segments are identified on the basis of how the internally generated financial information is used by the Group's chief operating decision maker. The chief operating decision maker is the group of persons that allocates resources to and assesses the performance of the operating segments. The Group's chief operating decision maker is the board of the parent Nordecon International AS along with the director of the infrastructure department.

The new segment reporting approach does not change the principles of allocating goodwill to the Group's cash-generating units.

- New and revised standards and interpretations effective as of 1 January 2009 that are not relevant for the Group on the preparation of the interim financial statements:

  IFRS 2 (amended) – *Share-based Payment*

  IAS 23 (revised) – *Borrowing Costs*

  IAS 27 (revised) – *Consolidated and Separate Financial Statements*

  IAS 32 (amended) – *Financial Instruments: Presentation*

  IAS 39 (amended) – *Financial Instruments: Recognition and Measurement*

  IFRIC 13 – *Customer Loyalty Programmes*

  IFRIC 15 – *Agreements for the Construction of Real Estate*

  Standards and interpretations issued as at 1 January 2009 but not yet effective:

  IFRS 3 (revised) – *Business Combinations* (effective for annual periods beginning on or after 1 July 2009)

  IFRIC 17 – *Distributions of Non-cash Assets to Owners* (effective for annual periods beginning on or after 15 July 2009)

Changes in the presentation of interim financial statements

In accordance with the guidance of IAS 34 *Interim Financial Reporting*, interim financial statements have to provide primarily significant updates to the information reported in the latest complete set of annual financial statements. In addition, interim financial statements have to include explanatory comments about events caused by the seasonality of operations that have had a significant impact on financial information. In presenting these condensed interim financial statements, the Group has reduced the number of notes whose explanations are not significant in view of the above disclosure principles.

NOTE 2. Trade receivables

		EEK '000		EUR '000
As at 31 December	**2009**	**2008**	**2009**	**2008**
Trade receivables	350,029	482,046	22,371	30,808
Allowance for impairment	-11,262	-8,111	-720	-518
Total trade receivables	**338,767**	**473,935**	**21,651**	**30,290**

Trade receivables have decreased year-over-year mainly in connection with a decline in sales. On the other hand, the decrease in sales revenue (38%) has been more rapid than the decrease in receivables (28%). This can be explained by the extension of settlement terms and, partly, deterioration in the customers' settlement behaviour.

The Group has written down the receivables from the bankrupt companies Peterburi Ärikvartal OÜ and Kobe Investments described also in the third quarter financial statements by 24,567 thousand kroons (1,570 thousand euros). Altogether, in 2009 impairment losses on receivables totalled 42,049 thousand kroons (2,687 thousand euros). Some of the items have been considered irrecoverable and are therefore not included in the impairment allowance presented in *Trade receivables*.

NOTE 3. Inventories

As at 31 December	2009	EEK '000 2008	2009	EUR '000 2008
Raw and other materials	48,365	46,069	3,091	2,944
Work in progress	70,349	51,717	4,496	3,305
Property acquired for resale	193,851	126,498	12,389	8,085
Finished goods	83,539	133,621	5,339	8,540
Prepayments to materials suppliers	7,203	28,828	460	1,842
Total inventories	**403,307**	**386,733**	**25,776**	**24,717**

The growth in property acquired for resale, which includes mainly properties designed for development, is largely attributable to the acquisition of the subsidiary OÜ Kalda Kodu in 2009. In addition, the class of assets has increased through the acquisition of legal title to properties which in the previous period were accounted for as prepayments.

Finished goods comprise the construction cost of apartments completed but not sold. The decrease in finished goods results from the sale of apartments. In addition, owing to a decline in apartment prices, in 2009 the Group wrote finished goods down by 21,893 thousand kroons (1,399 thousand euros).

NOTE 4. Acquisitions and disposals

Business combinations and disposals of investments in subsidiaries

Acquisition of a stake in OÜ Kalda Kodu

On 9 January 2009, Nordecon International AS acquired a 56% stake in OÜ Kalda Kodu, a company domiciled in the Republic of Estonia in order to gain control of a development project of OÜ Kalda Kodu. AS EKE Invest divested of its shareholding in OÜ Kalda Kodu but has a repurchase option effective until 2010 (inclusive).

The remaining 44% of OÜ Kalda Kodu belongs to AS Eston Ehitus (a 98% subsidiary of Nordecon International AS). Through its direct and indirect holdings, Nordecon International AS has a 99% interest in OÜ Kalda Kodu. The negative goodwill on the acquisition has been recognised in the statement of comprehensive income.

Net assets of OÜ Kalda Kodu at the date of acquisition:

	EEK´000 Pre-acquisition carrying amount	Total fair value (100%)	Recognised value on acquisition (56%)	EUR´000 Pre-acquisition carrying amount	Total fair value (100%)	Recognised value on acquisition (56%)
Current assets	54,168	54,168	30,334	3,462	3,462	1,939
Current liabilities	1,501	1,501	840	96	96	54
Non-current liabilities	52,629	52,629	29,472	3,364	3,364	1,884
Total net assets	**38**	**38**	**22**	**2**	**2**	**1**
Negative goodwill			-22			-1
Cost			0			0
Paid in cash			0			0

Acquisition of a stake in SIA LCB

In January, Nordecon Infra SIA, the Latvian subsidiary of Nordecon Infra AS (the stake of Nordecon Infra AS was 56%), completed the acquisition of a 75% stake in the Latvian company SIA LCB. The cost of the transaction was 23,470 thousand kroons (1,500 thousand euros).

Net assets of SIA LCB at the date of acquisition:

	EEK´000			EUR´000		
	Pre-acquisition carrying amount	Total fair value (100%)	Recognised value on acquisition (75%)	Pre-acquisition carrying amount	Total fair value (100%)	Recognised value on acquisition (75%)
Current assets	11,788	11,788	8,841	753	753	565
Non-current assets	5,725	5,725	4,293	366	366	274
Current liabilities	10,571	10,571	7,928	676	676	507
Non-current liabilities	3,764	3,764	2,823	241	241	180
Total net assets	**3,178**	**3,178**	**2,383**	**202**	**202**	**152**
Goodwill			20,867			1,334
Cost			23,250			1,486
Paid in cash			15,500			991
Payable at 31 December 2009			7,750			495

Acquisition of a stake in Nordecon Infra SIA

On 7 April 2009, Nordecon International AS and its wholly owned subsidiary Nordecon Infra AS signed an agreement by which Nordecon Infra AS sold its entire 56% stake in the Latvian entity Nordecon Infra SIA to the Group's parent Nordecon International AS. The transaction was part of intra-Group restructuring and did not change the Group's interest in Nordecon Infra SIA.

Subsequent to the reporting date, the Group has sold its ownership interest in Nordecon Infra SIA. For further information, please refer to note 16.

Disposal of the investment in Nordecon Betoon OÜ

On 20 May 2009, Nordecon International AS and its wholly owned subsidiary Nordecon Infra AS signed an agreement by which Nordecon International AS sold its entire 52% stake in the Estonian entity Nordecon Betoon OÜ to Nordecon Infra AS. The transaction was part of intra-Group restructuring and did not change the Group's interest in Nordecon Betoon OÜ. According to the contract, the date of transfer was 31 May 2009.

Nordecon Betoon OÜ operates in the Estonian market and is mainly involved in the performance of concrete works.

Disposal of the investment in EA Reng Proekt TOV

In June, Eurocon Ukraine TOV, a Ukrainian subsidiary of Nordecon International AS (indirect interest 64%), signed an agreement by which it divested of its entire stake in EA Reng Proekt TOV, a building design services company incorporated in Ukraine.

The share capital of EA Reng Proekt TOV was 162 thousand hryvnas (approximately 237 thousand kroons / 15 thousand euros); the stake of Eurocon Ukraine TOV was 51%. The shares were sold to the entity's existing shareholders. The transaction gave rise to a gain of 372 thousand kroons (24 thousand euros).

Transactions with non-controlling interests

Acquisition of an additional stake in OÜ DSN Ehitusmasinad

On 13 February 2009, OÜ Kaurits, a 66% subsidiary of Nordecon Infra AS, acquired the remaining 34% interest in OÜ DSN Ehitusmasinad, raising its interest in the entity to 100%. Due to the non-controlling interest in OÜ Kaurits, the stake acquired by the Group was 22%.

The price paid for the transaction was 700 thousand kroons (45 thousand euros). The transaction gave rise to goodwill of 55 thousand kroons (3 thousand euros).

Acquisition of an additional stake in AS Eston Ehitus

During the period 27 July to 3 August, Nordecon International AS acquired from 13 individuals and a legal person an additional 45.7% stake in the subsidiary AS Eston Ehitus, raising its direct interest in the entity from 52% to 97.7%.

By that time AS Eston Ehitus had filed a bankruptcy petition against its customers (OÜ Peterburi Ärikvartal OÜ and Kobe Investments AS) receivables from whom totalled in the region of 25 million kroons (1.6 million euros). The non-controlling shareholders would have had to make additional investments in the company facing a falling construction market and the difficulties of collecting payments from major customers. Therefore, the minority shareholders decided to transfer their interests without additional compensation.

After obtaining more precise information, the Group's management has adjusted the final outcome of the transaction (acquisition of the additional stake) compared with the one reported in the third quarter interim report for 2009. As a result of the transaction, the Group recognised in finance income negative goodwill of 45,056 thousand kroons (2,880 thousand euros) (Q3 financial statements: 52,110 thousand kroons / 3,330 thousand euros). However, in view of the problems in the construction market, the Group wrote down the goodwill acquired on the acquisition of AS Eston Ehitus by 43,776 thousand kroons (2,798 thousand euros) recognising the impairment loss in the statement of comprehensive income in *Administrative expenses*.

Acquisition of interests in joint ventures

Acquisition of a stake in OÜ Unigate

On 26 March 2009, Nordecon Ehitus AS, a wholly owned subsidiary of Nordecon International AS, and AS Arealis signed an agreement by which Nordecon Ehitus AS acquired from AS Arealis its 50% interest in OÜ Unigate.

In accordance with the terms of the agreement, AS Arealis was paid 20,000 thousand kroons (1,278 thousand euros) and a variable component that depends on the result of development operations will be settled in subsequent years. The cost of the business combination amounted to 1,556 thousand kroons (100 thousand euros), which was paid for the share in OÜ Unigate. Goodwill on the transaction amounted to 582 thousand kroons (37 thousand euros).

For the remaining 18,444 thousand kroons (1,179 thousand euros) Nordecon Ehitus AS acquired AS Arealis' loan and interest receivables from OÜ Unigate.

Transactions with investments in associates

In January, Group company Nordecon Betoon OÜ made an additional contribution of 6,000 thousand kroons (383 thousand euros) in the share capital of the associate OÜ Kastani Kinnisvara.

In the first quarter of 2009 cash of 6,724 thousand kroons (430 thousand euros) was received for sale of an investment in the associate TOV Passage Theatre in 2008. The remaining 3% stake in TOV Passage Theatre was sold in the second quarter. The transaction generated gain of 777 thousand kroons (49 thousand euros).

NOTE 5. Property, plant and equipment and intangible assets

Property, plant and equipment

In 2009, the Group did not perform any major transactions with items of property, plant and equipment. The carrying amount of property, plant and equipment has decreased compared with 31 December 2008 mainly through depreciation.

Intangible assets

The carrying amount of intangible assets has increased because of goodwill acquired in business combinations. Information on goodwill acquired in the reporting period is presented in note 4.

Write-down of goodwill

The Group tested the cash-generating units containing goodwill for impairment as at 31 December 2009. The recoverable amounts of the units containing goodwill were determined based on the following information and assumptions:

- Recoverable amounts were calculated based on detailed cash flow forecasts and investment plans made by the companies' managements (for the years 2010-2012).
- The growth rates applied to revenue and expenses were estimated by management. In view of the slump in the construction market in 2009 and 2010, the growth rates applied to subsequent periods were 5 to 15%; the growth rate applied to the terminal year was 1% per year
- The discount rate (10.5%) applied in calculating the present value of a unit's free operating cash flows was estimated based on the weighted average cost of capital (WACC) calculated based on the debt and equity structures of similar entities.

Impairment losses recognised for goodwill as at 31 December 2009:

	EEK '000	EUR '000
Eston Ehitus AS	43,776	2,798
DSN Ehitusmasinad OÜ	8,289	530
Vides Tikli SIA	8,199	524
Nordecon Infra SIA	985	63
Total inventories	**61,206**	**3,912**

Expenses from the write-down of goodwill have been recognised in *Administrative expenses* in the statement of comprehensive income.

NOTE 6. Finance and operating leases

Finance lease liability		EEK '000		EUR '000
As at 31 December	**2009**	**2008**	**2009**	**2008**
Payable in less than 1 year	42,434	46,860	2,712	2,995
Payable between 1 and 5 years	64,836	98,422	4,144	6,290
Total	**107,270**	**145,282**	**6,856**	**9,285**
Base currency EUR	107,270	142,841	6,856	9,129
Base currency UAH	0	2,441	0	156
Frequency of payments	Monthly	Monthly	Monthly	Monthly
Interest rates in Estonia	3.0%-8.0%	3.0%-8.0%	3.0%-8.0%	3.0%-8.0%
Interest rates in Ukraine	17%-19%	10%-12%	17%-19%	10%-12%

For twelve months	2009	2008	2009	2008
Finance lease payments made				
Principal payments	53,912	56,782	3,446	3,629
Interest payments	4,555	8,906	291	569

For twelve months		EEK '000		EUR '000
Operating lease rentals paid for:	**2009**	**2008**	**2009**	**2008**
Cars	27,066	16,824	1,730	1,075
Construction equipment	36,631	37,742	2,341	2,412
Premises	9,783	13,471	625	861
Software	8,794	8,389	562	536
Total operating lease rentals paid	**82,274**	**76,426**	**5,258**	**4,884**

NOTE 7. Interest-bearing loans and borrowings

		EEK '000		EUR '000
As at 31 December	**2009**	**2008**	**2009**	**2008**
Short-term bank loans	142,548	43,317	9,110	2,768
Current portion of long-term bank loans	77,976	145,771	4,984	9,316
Short-term portion of finance lease liabilities	42,434	46,860	2,712	2,995
Total current loans and borrowings	**262,958**	**235,948**	**16,806**	**15,080**
Long-term bank loans	214,092	220,156	13,683	14,071
Other long-term loans	16,900	0	1,080	0
Long-term finance lease-liabilities	64,836	98,422	4,144	6,290
Total non-current loans and borrowings	**295,828**	**318,578**	**18,907**	**20,361**

NOTE 8. Earnings per share and dividends paid

Earnings per share

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

		EEK '000		EUR '000
For twelve months	**2009**	**2008**	**2009**	**2008**
Profit for the period attributable to owners of the parent	-45,242	145,580	-2,891	9,304
Weighted average number of shares (in thousands)	30,757	30,757	30,757	30,757
		EEK		**EUR**
Basic earnings per share	-1.47	4.73	-0.09	0.30
Diluted earnings per share	-1.47	4.73	-0.09	0.30

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

Dividends

Based on a decision by the general meeting, in 2009 shareholders were distributed the following dividend using the profit for 2008:

Dividend per share*	Total dividend
EEK 1.00	30,757 thousand kroons
EUR 0.06	1,966 thousand euros

* Nordecon International AS has 30,756,728 outstanding shares that entitle the holder to a dividend.

NOTE 9. Segment reporting – business segments

The Group's chief operating decision maker is the board of the parent company Nordecon International AS along with the director of the infrastructure department. This group of persons monitors the Group's internally generated financial information on a regular basis to better allocate the resources and assess their utilisation. Reportable operating segments are identified by reference to monitored information.

The operating segments monitored by the chief operating decision maker include both a business and a geographical dimension. The Group's reportable operating segments are:

- Buildings (European Union)
- Buildings (Ukraine)
- Infrastructure (European Union)

Other segments comprise insignificant operating segments whose results are not reviewed by the chief operating decision maker on the basis of internally generated financial information.

The chief operating decision maker assesses the performance of an operating segment and the utilisation of the resources allocated to it through the profit generated by the segment. The profit of an operating segment is its gross profit that does not include any major exceptional expenditures (such as non-recurring asset write-downs). The expenses after the profit of an operating segment (including distribution and administrative expenses, interest expense, income tax expense) are not used by the chief operating decision maker to assess the performance of the segment on the basis of internally generated financial information. Such expenses are recorded in segment reporting using the same principles that are applied on their recognition in the financial statements.

Significant adjustments are related to the revenue, profit and assets of the Group's parent company because a holding company that does not engage in the core business activities does not constitute an operating segment. In the comparative period, the parent was engaged in the core business.

12 months

EEK '000 12M 2009	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Total revenue	984,158	65,642	1,451,257	69,710	2,570,767
Inter-segment revenue	-2,368	-91	-112,091	-51,572	-166,122
Revenue from external customers	**981,790**	**65,551**	**1,339,166**	**18,138**	**2,404,645**
Segment profit / loss	**79,663**	**698**	**20,357**	**-330**	**100,388**

12M 2008	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Total revenue	1,847,317	441,037	1,717,735	74,681	4,080,770
Inter-segment revenue	-91,452	0	-79,238	-42,163	-212,853
Revenue from external customers	**1,755,865**	**441,037**	**1,638,497**	**32,518**	**3,867,917**
Segment profit / loss	**254,026**	**34,773**	**72,515**	**-3,403**	**357,911**

Segment assets	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
As at 31 December 2008	999,826	271,534	968,892	126,995	2,367,247
As at 31 December 2008	**834,580**	**175,264**	**646,928**	**115,928**	**1,772,700**

EUR '000 12M 2009	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Total revenue	62,899	4,195	92,752	4,455	164,301
Inter-segment revenue	-151	-6	-7,164	-3,296	-10,617
Revenue from external customers	**62,748**	**4,189**	**85,588**	**1,159**	**153,684**
Segment profit / loss	**5,091**	**45**	**1,301**	**-21**	**6,416**

12M 2008	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Total revenue	118,065	28,187	109,783	4,773	260,808
Inter-segment revenue	-5,845	0	-5,065	-2,695	-13,605
Revenue from external customers	**112,220**	**28,187**	**104,718**	**2,078**	**247,205**
Segment profit / loss	**16,235**	**2,222**	**4,635**	**-217**	**22,875**

Segment assets	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
As at 31 December 2008	63,901	17,354	61,923	8,116	151,294
As at 31 December 2008	**53,339**	**11,201**	**41,346**	**7,409**	**113,295**

Q4

EEK '000 Q4 2009	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Total revenue	155,815	21,784	265,926	15,188	458,713
Inter-segment revenue	-2,236	-86	-2,708	-12,863	-17,893
Revenue from external customers	**153,579**	**21,698**	**263,218**	**2,325**	**440,820**
Segment profit / loss	**-6,670**	**-1,906**	**-14,992**	**-2,808**	**-26,376**

Q4 2008	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Total revenue	592,090	48,837	416,462	-14,011	1,043,378
Inter-segment revenue	-86,227	0	-5,119	-6,996	-98,342
Revenue from external customers	**505,863**	**48,837**	**411,343**	**-21,007**	**945,036**
Segment profit / loss	**73,029**	**2,671**	**-27,171**	**-2,755**	**45,774**

EUR '000 Q4 2009	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Total revenue	9,958	1,392	16,996	970	29,316
Inter-segment revenue	-143	-6	-173	-822	-1,144
Revenue from external customers	**9,815**	**1,386**	**16,823**	**148**	**28,174**
Segment profit / loss	**-427**	**-121**	**-958**	**-179**	**-1,685**

Q4 2008	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Total revenue	37,841	3,121	26,617	-895	66,684
Inter-segment revenue	-5,511	0	-328	-447	-6,286
Revenue from external customers	**32,330**	**3,121**	**26,289**	**-1,342**	**60,398**
Segment profit / loss	**4,667**	**170**	**-1,736**	**-176**	**2,925**

Reconciliation of segment revenues

EEK '000	Q4 2009	12M 2009	Q4 2008	12M 2008
Total revenues for reportable segments	443,525	2,501,057	1,057,389	4,006,089
Revenue for other segments	15,188	69,710	-14,011	74,681
Elimination of inter-segment revenues	-17,893	-166,122	-98,342	-212,853
Other revenue	2,338	6,153	0	0
Total consolidated revenue	**443,158**	**2,410,798**	**945,036**	**3,867,917**

EUR '000	Q4 2009	12M 2009	Q4 2008	12M 2008
Total revenues for reportable segments	28,346	159,847	67,579	256,036
Revenue for other segments	971	4,455	-895	4,773
Elimination of inter-segment revenues	-1,144	-10,617	-6,285	-13,604
Other revenue	149	393	0	0
Total consolidated revenue	**28,323**	**154,078**	**60,399**	**247,205**

Reconciliation of segment profit

EEK '000	Q4 2009	12M 2009	Q4 2008	12M 2008
Total profit for reportable segments	-23,568	100,718	48,529	361,314
Total profit or loss for other segments	-2,808	-330	-2,755	-3,403
Other profit	-2,541	35,917	0	0
Total	**-28,916**	**136,305**	**45,774**	**357,911**
Unallocated expenses:				
Distribution expenses	-2,626	-9,416	-1,795	-8,007
Administrative expenses	-90,494	-186,376	-45,376	-182,526
Other operating income / expenses	-49,311	-67,251	31,167	41,102
Consolidated operating profit /loss	**-171,347**	**-126,738**	**29,770**	**208,480**
Finance income	48,848	84,657	19,690	96,877
Finance expenses	-8,205	-33,910	-37,765	-68,019
Share of profit / loss of equity accounted investees	-4,313	-5,836	-24,853	-24,753
Consolidated profit / loss before tax	**-135,017**	**-81,827**	**-13,158**	**212,585**

EUR '000	Q4 2009	12M 2009	Q4 2008	12M 2008
Total profit for reportable segments	-1,506	6,437	3,102	23,092
Total profit or loss for other segments	-179	-21	-176	-217
Other profit	-162	2,296	0	0
Total	**-1,848**	**8,711**	**2,925**	**22,875**
Unallocated expenses:				
Distribution expenses	-168	-602	-115	-512
Administrative expenses	-5,784	-11,912	-2,900	-11,666
Other operating income / expenses	-3,152	-4,298	1,992	2,627
Consolidated operating profit / loss	**-10,951**	**-8,100**	**1,903**	**13,324**
Finance income	3,122	5,411	1,258	6,192
Finance expenses	-524	-2,167	-2,414	-4,347
Share of profit / loss of equity accounted investees				
Consolidated profit / loss before tax	-276	-373	-1,588	-1,582
Total profit for reportable segments	**-8,629**	**-5,230**	**-841**	**13,587**

Reconciliation of segment assets

As at 31 December	2009	EEK '000 2008	2009	EUR '000 2008
Total assets for reportable segments	1,712,277	2,307,134	109,434	147,453
Total assets from other segments	142,885	171,637	9,132	10,970
Inter-segment eliminations	-82,462	-111,524	-5,270	-7,128
Other assets	118,497	0	7,573	0
Total consolidated assets	**1,891,197**	**2,367,247**	**120,870**	**151,295**

NOTE 10. Segment reporting – geographical information

EEK '000	Q4 2009	12M 2009	Q4 2008	12M 2008
Revenue				
Estonia	393,957	2,065,366	764,471	3,107,253
Ukraine	21,784	65,642	48,837	441,037
Lithuania	12	10,678	21,259	91,081
Latvia	27,683	270,277	110,693	229,757
Inter-segment eliminations	-277	-1,165	-224	-1,211
Total revenue	**443,158**	**2,410,798**	**945,036**	**3,867,917**

EUR '000	Q4 2009	12M 2009	Q4 2008	12M 2008
Revenue				
Estonia	25,178	132,001	48,859	198,590
Ukraine	1,392	4,195	3,121	28,187
Lithuania	0	682	1,359	5,821
Latvia	1,769	17,274	7,074	14,684
Inter-segment eliminations	-17	-74	-14	-77
Total revenue	**28,322**	**154,078**	**60,399**	**247,205**

NOTE 11. Cost of sales

For twelve months	2009	EEK '000 2008	2009	EUR '000 2008
Depreciation and amortisation expense	64,705	69,217	4,135	4,424
Personnel expenses	287,859	381,360	18,397	24,373
Materials, goods and services used	1,911,838	3,041,487	122,189	194,386
Other expenses	10,091	17,942	645	1,147
Total cost of sales	**2,274,493**	**3,510,006**	**145,366**	**224,330**

NOTE 12. Administrative expenses

For twelve months	2009	EEK '000 2008	2009	EUR '000 2008
Depreciation and amortisation expense	5,136	3,464	328	221
Personnel expenses	75,630	117,074	4,834	7,482
Materials, goods and services used	38,189	50,913	2,441	3,254
Other expenses	6,215	11,075	397	708
Impairment losses on goodwill	61,206	0	3,912	0
Total administrative expenses	**186,376**	**182,526**	**11,912**	**11,666**

NOTE 13. Other operating income and expenses

Other operating income		EEK '000		EUR '000
For twelve months	**2009**	**2008**	**2009**	**2008**
Gains on sale of property, plant and equipment and intangible assets	3,576	4,858	228	310
Gain on sale and revaluation of real estate	0	256	0	16
Foreign exchange gain	0	37,235	0	2,380
Other income	21,882	21,598	1,399	1,380
Total other operating income	**25,458**	**63,947**	**1,627**	**4,087**

Other income of 21,883 thousand kroons (1,399 thousand euros) includes income of 15,065 thousand kroons (963 thousand euros) from sale of materials.

Other operating expenses		EEK '000		EUR '000
For twelve months	**2009**	**2008**	**2009**	**2008**
Losses on sale and write-off of property, plant and equipment and intangible assets	2,293	789	147	50
Losses on sale of investment property	7,823	0	500	0
Impairment losses on investment property	12,460	11,530	796	737
Foreign exchange losses	28	1,530	2	98
Impairment losses on receivables	42,049	-9,031	2,687	-577
Membership fees	134	60	9	4
Other expenses	27,923	17,967	1,785	1,148
Total other operating expenses	**92,710**	**22,845**	**5,925**	**1,460**

Other expenses of 27,923 thousand kroons (1,785 thousand euros) include expenses of 15,065 thousand kroons (963 thousand euros) from sale of materials.

NOTE 14. Finance income and expenses

Finance income		EEK '000		EUR '000
For twelve months	**2009**	**2008**	**2009**	**2008**
Gains on disposal of investments in subsidiaries and associates	774	67,022	49	4,284
Finance income on other investments	45,489	5,233	2,907	334
Interest income on loans	8,698	9,413	556	602
Other finance income	29,183	14,561	1,865	931
Foreign exchange gains	513	648	33	41
Total finance income	**84,657**	**96,877**	**5,410**	**6,192**

Finance income on other investments includes goodwill of 45,056 thousand kroons (2,880 thousand euros) acquired on the acquisition of an additional stake in AS Eston Ehitus from the non-controlling shareholders. See also note 4.

Finance expenses		EEK '000		EUR '000
For twelve months	**2009**	**2008**	**2009**	**2008**
Interest expense	26,637	37,879	1,702	2,421
Other finance expenses	2,969	422	190	27
Finance expenses on other investments	3,160	0	202	0
Foreign exchange losses	1,144	29,718	73	1,899
Total finance expenses	**33,910**	**68,019**	**2,167**	**4,347**

NOTE 15. Transactions with related parties

Parties are related if one controls the other or exerts significant influence (holds more than 20% of the voting power) on the other's operating decisions. Related parties include:

- AS Nordic Contractors (the parent of AS Nordecon International) and its shareholders
- Other companies of AS Nordic Contractors group
- Associates of Nordecon International AS
- Members of the board and council of AS Nordecon International, their close family members and companies related to them
- Individuals whose shareholding implies significant influence

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

12M 2009		EEK '000		EUR '000
Volume of transactions performed	**Purchases**	**Sales**	**Purchases**	**Sales**
AS Nordic Contractors	7,589	778	485	50
Subsidiaries of AS Nordic Contractors	0	159,614	0	10,201
Companies related to a member of the council of Nordecon International AS	479	0	31	0
Total	**8,068**	**160,392**	**516**	**10,251**

12M 2009		EEK '000		EUR '000
Substance of transactions performed	**Purchases**	**Sales**	**Purchases**	**Sales**
Construction contracts	0	159,126	0	10,170
Purchase and sale of goods	0	1,266	0	81
Lease and other services	8,068	0	516	0
Total	**8,068**	**160,392**	**516**	**10,251**

12M 2008		EEK '000		EUR '000
Volume of transactions performed	**Purchases**	**Sales**	**Purchases**	**Sales**
AS Nordic Contractors	13,518	4,296	864	275
Subsidiaries of AS Nordic Contractors	3,012	218,849	193	13,987
Companies related to a member of the council of Nordecon International AS	2,244	6,185	143	395
Associates	0	761	0	49
Total	**18,774**	**230,091**	**1,200**	**14,705**

12M 2008		EEK '000		EUR '000
Substance of transactions performed	**Purchases**	**Sales**	**Purchases**	**Sales**
Construction contracts	0	219,610	0	14,036
Purchase and sale of goods	0	0	0	0
Lease and other services	18,774	10,481	1,200	670
Total	**18,774**	**230,091**	**1,200**	**14,705**

Receivables from and payables to related parties:

EEK '000		2009		2008
	Receivables	Payables	Receivables	Payables
AS Nordic Contractors	20	809	1,173	1,378
Subsidiaries of AS Nordic Contractors	56,454	15	52,726	961
Companies related to a member of the council of Nordecon International AS	0	0	236	0
Associates – trade items	24,807	6	23,824	4
Associates - loans	131,633		116,262	0
Total	**212,914**	**830**	**194,221**	**2,343**

EUR '000		2009		2008
As at 31 December	Receivables	Payables	Receivables	Payables
AS Nordic Contractors	1	52	75	88
Subsidiaries of AS Nordic Contractors	3,608	1	3,370	61
Companies related to a member of the council of Nordecon International AS	0	0	15	0
Associates – trade items	1,585	0	1,523	0
Associates - loans	8,413		7,430	0
Total	**13,607**	**53**	**12,413**	**150**

In 2009, the remuneration of the members of the council of Nordecon International AS including social security charges totalled 1,436 thousand kroons (92 thousand euros). In 2008, the corresponding figure was 1,443 thousand kroons (92 thousand euros). In 2009, the remuneration and benefits of the members of the board of Nordecon International AS including social security charges totalled 3,254 thousand kroons (208 thousand euros). The corresponding figure for 2008 was 14,514 thousand kroons (928 thousand euros). The differences in the remuneration of the board stem from the fact that from 5 January 2009 the board had three members and since October 2009 there have been two members while in 2008 the number was five (see *Changes in the Group's management structure and operations in 2009*). In addition, the figure has been impacted by a 15% reduction in board member remuneration across the Group.

NOTE 16. Subsequent events

On 15 February 2010, the Group divested its 56% stake in the Latvian subsidiary Nordecon Infra SIA (including investments in its subsidiaries Vides Tikli SIA, LCB SIA and B/S PKT). The transaction was undertaken because the subsidiary was operating with a loss and according to the assessment of the Group's management this would have continued in the foreseeable future. The investment was sold for 0.1 thousand kroons (0 thousand euros). At the date of release of this report, the Group is still determining the impact of the transaction on its results of operation.