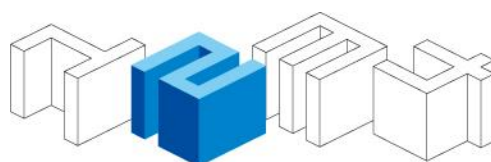




**Report for the second quarter and six
months ended 30 June 2010**
(unaudited)





Report for the second quarter and six months ended 30 June 2010 (unaudited)

Business name	Nordecon International AS
Registry number	10099962
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Domicile	Republic of Estonia
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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 2010 – 31 December 2010
Reporting period	1 January 2010 – 30 June 2010
Council	Toomas Luman, Alar Kroodo, Ain Tromp, Andri Hõbemägi, Tiina Mõis, Meelis Milder
Board	Jaano Vink, Priit Tiru
Auditor	KPMG Baltics AS



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Directors' report

The Group's strategy and objectives

Need for adjusting the Group's strategy

The Group's development strategy for 2009-2013 was underpinned by the assumption that in the forthcoming years the construction market would see shrinkage in volumes, downward pressure on the end-price of the service, increasing competition and subsequent market consolidation. The factors were interpreted not only as threats but also as opportunities to be exploited for reinforcing the Group's position and facilitating its international expansion. However, in 2009 the global financial crisis and the ensuing economic downturn had a more severe impact on the Group's markets and financial performance than anticipated.

To date, the Group has suspended the operations of its Lithuanian subsidiary Nordecon Statyba UAB and at the beginning of 2010 we divested our Latvian subsidiary Nordecon Infra SIA owing to its poor operating results. In the past year and a half, the Ukrainian buildings construction market has hit more or less a standstill. As a result, we have had to make deep expense and job cuts at our Ukrainian subsidiary Eurocon Ukraine TOV. At the reporting date, approximately 95% of our business is conducted in Estonia.

In July 2010, the board of Nordecon International AS proposed that the council revise the Group's development strategy because achieving one of the main strategic goals (continuing internationalization) and the ultimate strategic goal by 2013 had become unrealistic.

The board considered revision necessary in light of the following:

- In 2010 the construction markets of the Baltic countries and Ukraine will remain in a slump.
- In the next few years, economic growth in the Baltic countries will be modest and the construction market cannot be expected to recover before 2012.
- The construction market is dominated by public procurement tenders that induce underbidding and do not allow construction companies to operate at their average historical profit margins.
- The decline in input prices has been replaced by a rise and the forthcoming years will reveal the extent of the risks taken/losses incurred with the intent of lowering prices .

The Group's revised strategy for 2010-2012

The board is of the opinion that in the next couple of years, the Group should focus on its core business in its main market Estonia where Nordecon is represented in almost all sub-segments and can rely on extensive local experience. In order to adapt to adverse changes in the external environment, the Group will have to continue restructuring its operations, improving profitability by effective cost management, and creating opportunities for successfully entering the growth phase of the market (also in the foreign markets).

According to the board's proposal, in 2010-2012 the Group should focus on achieving the above. Thus, the new strategic outlook will be for a shorter term than the previous one (for an overview of the strategy for 2009-2013, see the annual report for 2009). The strategy for the next three years will have to support the Group's recovery from the slump and prepare ground for seizing the opportunities provided by the economic growth that is currently anticipated to emerge in 2012.

The ultimate goal of the Group's strategy for 2009-2013 was to become the fastest growing construction group on the Nordic and Baltic stock exchanges by 2013 in terms of revenue growth. In the next few years, revenue growth will not be a priority because this would assume taking unjustified risks at margins that are unnaturally low for the construction market.

The board submitted its proposals for revising the Group's strategy for 2010-2012 for review and approval by the council in July 2010. The council will make its decisions in the first half of the third quarter.



The board's proposals for revising the strategy for 2010-2012

- To complete adjustments to the Group's structure and governance that were launched in 2009 in order to secure profitable and rapid growth in the rise phase of the market
- To operate in Latvia, Lithuania and Belarus on a project basis, assuming that this is profitable
- To continue buildings construction operations in Ukraine in 2010 in line with the former strategy and to decide the need for revising the strategy in light of the economic situation in the country in the first quarter of 2011 at the latest
- To maintain preparedness for re-launching more active operations in foreign markets (as a general contractor) as soon as the situation in the construction market has become sufficiently supportive
- To penetrate the Finnish concrete works market (as a contractor) through a subsidiary in order to support development of the division
- To become the leading construction group in Estonia that earns half of its revenue from infrastructure and the other half from buildings construction by the end of 2012

The leitmotif of the strategy for 2010-2012 is "To respond to market changes swiftly and flexibly and to enter the next economic growth cycle successfully"



Changes in the Group's operations in the first half of 2010

Changes in the Group's Estonian operations

In the first half of 2010, the Group's Estonian operations did not change significantly. By the end of 2009 all major planned restructuring activities were completed and since the beginning of 2010 the Group has been conducting its core business through two subgroups - Nordecon Ehitus and Nordecon Infra that specialise in buildings and infrastructure construction respectively. Nordecon International acts mostly as a holding company, providing the Group with strategic management and intra-Group support services.

Changes in the Group's foreign operations

Latvia

The Group entered the Latvian market at the beginning of 2007 when the acquisition of OÜ Kaurits provided it with a stake in a Latvian company - SIA Abagars (later Nordecon Infra SIA). In order to avoid subsequent conflicts of interest, the Group acquired the majority shareholding in the Latvian entity in May 2008. The core business of the Latvian company was construction of water and wastewater networks. Business volumes in Latvia grew swiftly and the company was awarded and delivered several large public procurement projects. However, the over-rapid growth rate resulted in an accumulation of operational risks which in combination with drastic changes in the economic environment caused the company to incur losses in the second half of 2009. The overall downturn in the Latvian economy caused difficulties in collecting payments from customers including counterparties related to state and local governments.

As a result, in February 2010 the board of Nordecon International AS resolved to divest the Group's entire 56% interest in Nordecon Infra SIA because it was evident that in the next few years the entity would be operating with a loss. The stake was sold to an individual (a non-controlling shareholder). After the transaction, the Group does not have any ownership interests in companies domiciled in Latvia. The financial aspects of the transaction are described in greater detail in note 4 to the interim financial statements.

In the next years, the Group will continue operating in Latvia on a project basis through its Estonian subsidiaries, involving partners where necessary. However, the continuation of project-based operations assumes the availability of profitable projects.

Belarus

The Group has signed a contract with a Finnish food industry company for the construction of a factory in Belarus. The project is being performed through the Group's wholly-held Belarusian subsidiary Eurocon Stroi IOOO whose establishment was completed in January 2010. At the moment, this is the Group's only project in Belarus. The Group used a similar strategy, i.e. contracts tendered by well-known Nordic or Baltic companies, for penetrating the Ukrainian market more than twelve years ago. The Group is not holding any negotiations regarding other projects and according to the Group's development strategy penetrating the Belarusian market more extensively in 2010 is not a priority. The current year and the above project will serve as a basis for getting to know the market and conducting further analyses.

Ukraine

There have not been any significant changes in the Group's Ukrainian operations compared with the end of 2009.

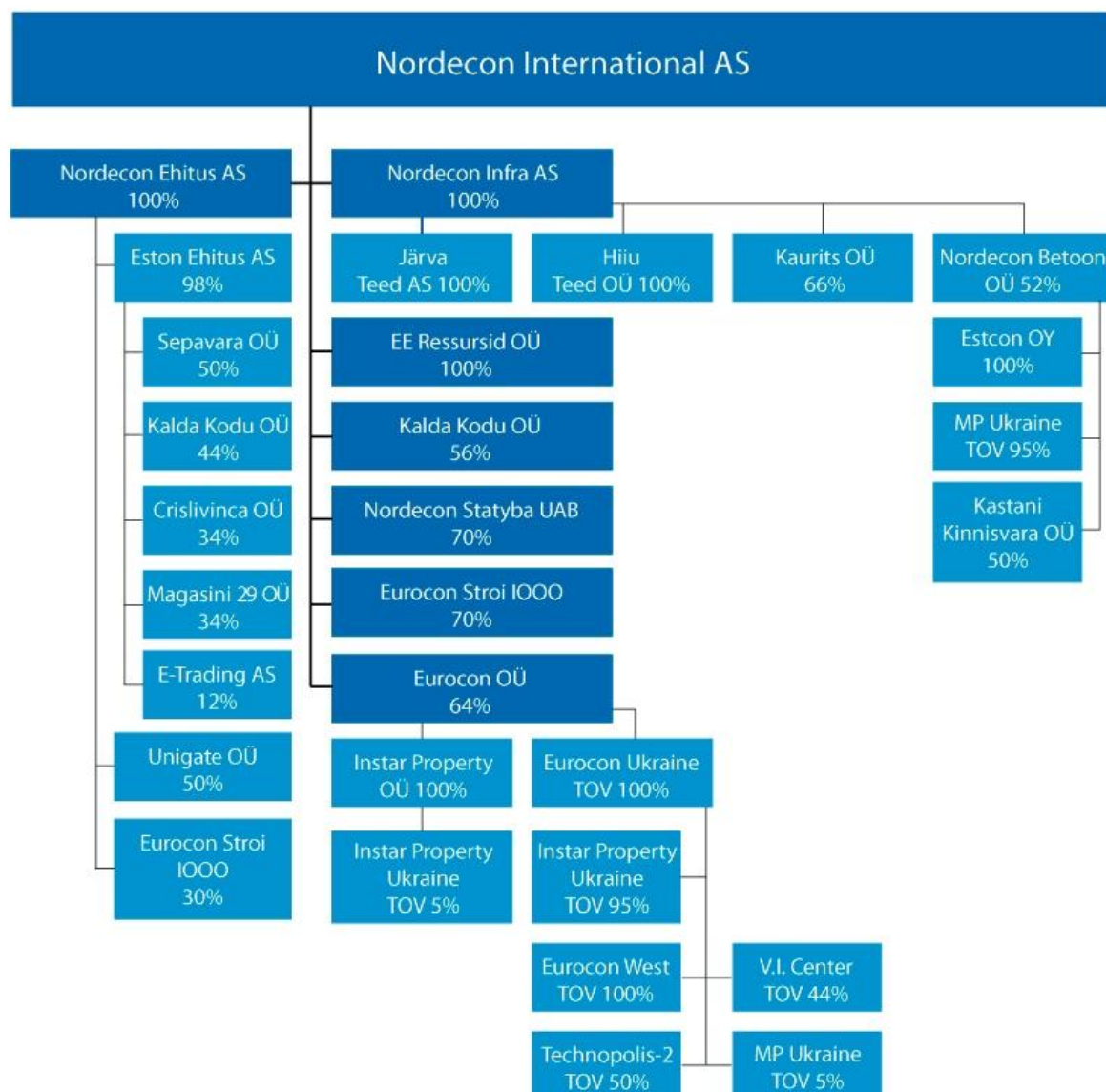
Finland

The Group's subsidiary Nordecon Batoon OÜ has been seeking opportunities for winning concrete works contracts in Finland since the end of 2009. For this, in the first half of 2010 a Finnish subsidiary Estcon OY was acquired from the parent. The Group undertook the transaction to support the development of its concrete works operations.



The Group's structure and major structural changes

The Group's structure at 30 June 2010 including interests in subsidiaries and associates ¹



¹ The chart does not include the subsidiaries Eesti Ehitus OÜ, Aspi OÜ, Linnaehitus OÜ, Mapri Projekt OÜ, Kaasa Vara OÜ and Infra Ehitus OÜ or the associate Pigipada OÜ and that currently do not conduct any significant business operations. The first four were established to protect the former business names of Group entities.

Major changes in the Group's structure in the first half of 2010

Nordecon International AS

In January, the establishment proceedings of Eurocon Stroi IOOO, a Belarusian company founded by Nordecon International AS and Nordecon Ehitus AS, were completed. The shareholders' interests are 70% and 30% respectively. The company was established for performing project-based construction work. Since Belarus is one of the Group's potential target markets, then in line with the corporate strategy the majority shareholding in the entity belongs to the Group's parent company.

In February, 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.



In April, Nordecon International AS sold 100% of its shares in the Finnish subsidiary Estcon OY to Group company Nordecon Batoon OÜ that is going to use the subsidiary for performing concrete works in Finland. Finland is not one of the Group's target markets. Therefore, the transfer of the investment was not in contradiction with the Group's general investment holding strategy.

Nordecon Infra AS

In April, Nordecon Infra AS participated in the establishment of Pigipada OÜ, paying for a 24% stake with a monetary contribution of 9.6 thousand kroons (0.6 thousand euros). Pigipada OÜ will engage in the production of bitumen emulsion. After the reporting date, Nordecon Infra AS has increased its interest in the company to 49% (see *Significant structural changes after the reporting date*). The operations of Pigipada OÜ have not yet been launched.

Eston Ehitus AS

In March, Eston Ehitus AS established a subsidiary Kaasa Vara OÜ. The share capital of the subsidiary is 40 thousand kroons (3 thousand euros). At the moment, the company is not active. The company was established for executing the corporate rehabilitation plans of major debtors of Eston Ehitus AS.

In May, Eston Ehitus AS participated in the establishment of Magasini 29 OÜ, acquiring a 34% stake for a monetary contribution of 13.6 thousand kroons (0.9 thousand euros). The entity was established so that it could be transferred some of the assets and liabilities of Crislivinca OÜ (in which the stake of Eston Ehitus AS was also 34%) that were related to an undeveloped property in Magasini street, Tallinn. After the reporting date, Eston Ehitus AS has raised its stake in the entity to 100% (see *Significant structural changes after the reporting date*).

Eurocon Ukraine TOV

In March, Eurocon Ukraine TOV sold its 99% stake in the subsidiary Bukovina Development TOV. The entity did not conduct any active business operations. After the transaction, the Group has no ownership interest in Bukovina Development TOV.

Significant structural changes after the reporting date

Nordecon Infra AS

Nordecon Infra AS has raised its 24% stake in Pigipada OÜ to 49%, paying for the additional interest 10 thousand kroons (0.64 thousand euros).

Eston Ehitus AS

In August, Eston Ehitus AS and AS EKE Invest completed a transaction by which they exchanged interests in Crislivinca OÜ and Magasini 29 OÜ. Before the transaction, the respective stakes of Eston Ehitus AS and AS EKE Invest were 34% and 66% in both companies. After the transaction, Eston Ehitus AS holds 100% of the shares in Magasini 29 OÜ and has no stake in Crislivinca OÜ while AS EKE Invest holds all the shares in Crislivinca OÜ and has no stake in Magasini 29 OÜ. See also note 16 to the interim financial statements.



Financial review

Margins

Nordecon International Group ended the first half of 2010 with a gross loss of 45.2 million kroons (2.9 million euros). In the comparative period (first half of 2009), the Group earned a gross profit of 84.4 million kroons (5.4 million euros). The loss of the first half-year is mainly attributable to the combined effect of the seasonal nature of the construction business, unfavourable weather conditions and estimates of potential losses on projects secured before the input prices started rising.

The following table provides an overview of seasonal fluctuations in gross profit development:

Percentage of annual gross profit	Q1	Q2	Q3	Q4	Total
2006	10%	20%	33%	37%	100%
2007	13%	30%	26%	31%	100%
2008	28%	38%	20%	13%	100%
2009	27%	35%	59%	-21%	100%

The past winter was considerably harsher for construction companies than the previous ones. Abundance of snow and temperature fluctuations did not allow continuing work on the majority of active projects or making preparations for new ones. On the other hand, regardless of the number of projects in progress and suspension of work, companies were incurring their fixed costs. Moreover, the long and snowy winter had a strong impact on road care and maintenance activities that are performed mostly in that period. Performance of fixed-price maintenance contracts in the first quarter of 2010 proved highly unprofitable because snow clearing and de-icing operations were much more time and labour consuming than usual.

Excluding the effect of seasonal factors, the decline in gross profit has continued owing to the slump prevailing in the external environment. Steep shrinkage in the volume of contracts on offer has heightened competition, triggering a rapid (and, to some extent, ongoing) decline in construction prices that has not always been in correlation with the decrease in input prices. In such a situation, long-term construction contracts carry the risk of loss. The Group's second quarter gross loss is mainly attributable to the recognition of potential losses that may result from increases in the prices of raw materials (such as bitumen, metal and others) as well as the exhaustion of opportunities for benefiting from stiff competition among the suppliers of subcontracting services and goods. In line with generally accepted accounting principles, potential contract losses have to be recognised immediately and in full, which concentrates their impact on a specific quarter although project work will continue. In view of the above, management believes that in the second half-year the Group's margins will start improving although this need not ensure that the year will end in a profit.

The Group's administrative expenses for the first half-year totalled 35.6 million kroons (2.3 million euros). Compared with the first half of 2009, the Group has cut its administrative expenses by 46%. As at the reporting date, the ratio of administrative expenses to revenue was 6.1% (HY1 2009: 5.3%). Management believes that the implementation of specific cost-cutting measures will reduce the Group's annual administrative expenses by at least a third compared with 2009. This should ensure that the annual ratio of administrative expenses to revenue will be at the 5% level targeted by management.

Because of the above factors, the Group ended the first half of 2010 with an operating loss of 85.6 million kroons (5.5 million euros) (HY1 2009: operating profit of 5.2 million kroons/0.3 million euros).

The Group's net loss for the period amounted to 65.3 million kroons (4.2 million euros). Consolidated operating loss was reduced by one-off finance income from the sale of the loss-generating Latvian operations (for further information, see note 4 to the interim financial statements). The loss attributable to owners of the parent Nordecon International AS amounted to 59.3 million kroons (3.8 million euros).

Cash flows

The Group's operating activities for the first half of 2010 generated a net inflow of 10.8 million kroons (0.7 million euros), a significant improvement on the net outflow of 57.1 million kroons (3.7 million euros) posted for the first half of 2009. The positive operating cash flow is mainly attributable to the work done with contract partners and suppliers in extending the Group's settlement terms in line with market conditions, a decrease in employee bonuses (the gross loss did not allow making bonus payments) and the deferral of the settlement terms of some projects started in 2009 to 2010 (e.g. those of institutions funded from the state budget). On the other hand, the customers' contractual settlement terms have also become longer (particularly in the case of



public sector entities) and owing to the ongoing economic downturn there occur significant settlement delays that give rise to overdue accounts. The Group's ability to maintain a positive operating cash flow depends on how well we can adapt to our operating environment and whether we are able to sustain the work done to reduce our operating expenses.

The Group's investing activities generated a net inflow of 7.2 million kroons (0.5 million euros) compared with a net outflow of 41.1 million kroons (2.6 million euros) for the first half of 2009. A significant proportion of cash outflows from investing activities (9.9 million kroons/0.6 million euros) are attributable to outflows related to the disposal of the subsidiary Nordecon Infra SIA and the discontinuance of its consolidation (see note 4 to the interim financial statements). A significant proportion of cash inflows resulted from the disposal of property, plant and equipment and investment properties that generated 16.0 million kroons (1.0 million euros).

Financing activities for the first half of 2010 resulted in a net cash outflow of 79.6 million kroons (5.1 million euros) compared with an outflow of 39.9 million kroons (2.6 million euros) in the first half of 2009. The structure of financing cash flows has changed because the Group has reduced borrowing and is settling its existing loan liabilities on a timely basis.

Key financial figures and ratios

Figure / ratio	6M 2010	6M 2009	6M 2008	2009
Weighted average number of shares ¹	30,756,728	30,756,728	30,756,728	30,756,728
Earnings per share (in kroons)	-1.93	0.69	3.39	-1.49
Earnings per share (in euros)	-0.12	0.04	0.22	-0.09
Revenue growth	-52.2%	-34.5%	23.1%	-37.5%
Average number of employees	797	1,187	1,209	1,128
Revenue per employee (in thousands of kroons)	734	1,032	1,547	2,144
Revenue per employee (in thousands of euros)	47	66	99	137
Personnel expenses to revenue	18.6%	15.4%	12.4%	15.0%
Administrative expenses to revenue	6.1%	5.3%	5.0%	5.2%
EBITDA ² (in thousands of kroons)	-58,170	41,125	179,579	4,308
EBITDA ² (in thousands of euros)	-3,718	2,628	11,477	275
EBITDA margin	-9.9%	3.4%	9.6%	0.2%
Gross margin	-7.7%	6.9%	12.8%	5.6%
Operating margin	-14.6%	0.4%	7.8%	-5.2%
Operating margin excluding gains on asset sales	-14.6%	0.3%	7.6%	-5.4%
Net margin	-11.2%	0.4%	5.9%	-3.7%
Return on invested capital	-5.0%	1.9%	11.7%	-4.1%
Return on assets	-4.7%	0.2%	6.3%	-6.0%
Return on equity	-9.6%	0.6%	13.7%	-11.4%
Equity ratio	38.2%	35.8%	33.0%	37.1%
Gearing	25.2%	31.7%	27.4%	26.4%
Current ratio	1.53	1.36	1.45	1.47
	30 June 2010	30 June 2009	30 June 2008	31 Dec 2009
Order book (in thousands of kroons)	1,399,433	1,568,004	3,196,937	1,530,661
Order book (in thousands of euros)	89,440	100,214	204,322	97,827

¹ For comparability, the weighted average number of shares is the number of shares after the bonus issues.

² On calculating EBITDA, non-cash expenses included depreciation and amortisation as well as impairment losses on goodwill.

Earnings per share (EPS) = net profit attributable to equity holders of the parent / weighted average number of shares outstanding	Operating margin excluding gains on asset sales = (operating profit - gains on sale of property, plant and equipment - gains on sale of real estate) / revenue
Revenue per employee = revenue / average number of employees	Net margin = net profit for the period / revenue
Personnel expenses to revenue = personnel expenses / revenue	Return on invested capital = (profit before tax + interest expense) / the period's average (interest-bearing liabilities + equity)
Administrative expenses to revenue = administrative expenses / revenue	Return on assets = operating profit / the period's average total assets
EBITDA = earnings before interest, taxes, depreciation and amortisation	Return on equity = net profit for the period / the period's average total equity
EBITDA margin = EBITDA / revenue	Equity ratio = total equity / total equity and liabilities
Gross margin = gross profit / revenue	Gearing = (interest-bearing liabilities - cash and cash equivalents) / (interest bearing liabilities + equity)
Operating margin = operating profit / revenue	Current ratio = total current assets / total current liabilities



Performance by geographical market

In the first half of 2010, revenue earned outside Estonia accounted for around 6% of the Group's total revenue. A year ago, the contribution of foreign markets was around 16%. The decrease results from the Group's decision to sell its Latvian operations in 2010 (see also the chapter *Changes in the Group's operations in the first half of 2010*). In addition, in contrast to the first half of 2009 the Group did not earn any revenue in Lithuania. The proportion of the Group's Ukrainian revenues has increased somewhat but mainly on account of a decrease in its Estonian revenues. The Group's vision of its operations in the Latvian, Lithuanian and Ukrainian markets is presented in the chapter *Outlooks of the Group's geographical markets*.

	6M 2010	6M 2009	6M 2008	2009
Estonia	94%	84%	80%	86%
Ukraine	6%	2%	15%	3%
Lithuania	0%	1%	2%	0%
Latvia	0%	13%	3%	11%

In the reporting period, we started performing a project-based construction contract in Belarus but the period's revenue was not significant. The work will continue in the second half-year. Concrete works in Finland did not yet account for a percentage of consolidated revenue either.

Revenue distribution between different geographical segments is a consciously deployed strategy by which the Group avoids excessive reliance on a single market. Although in the long-term perspective the Group's strategy foresees increasing foreign operations, in the short-term perspective the Group will focus on the Estonian market and seizing opportunities in an environment that it knows best and that entails comparatively fewer identified market risks.

Performance by business line

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

Consolidated revenue for the first half of 2010 amounted to 585.2 million kroons (37.4 million euros), a 52% decrease from the 1,225.1 million kroons (78.3 million euros) generated in the first half of 2009. Above all, the downturn is attributable to a significant decline in the demand for construction services in all of the Group's markets and, in the first quarter, an exceptionally snowy and cold winter that had the strongest impact on the Infrastructure segment where most of the work is done outdoors. In addition, the absolute revenue figure has been influenced by stiff competition that has lowered the construction prices.

The Group aims to maintain the revenues generated by its business segments (Buildings and Infrastructure) in balance as this helps disperse risks and provides a more solid foundation under stressed circumstances when one segment experiences shrinkage. In view of estimated demand for apartments, in subsequent years the proportion of housing construction revenue will remain within the strategic 20% limit.

Segment revenue

By the end of the first half-year, the Group's infrastructure construction revenues exceeded those of buildings construction. Considering that for some time most of the construction market tenders have been related to infrastructure (primarily projects financed by the state and with the support of the EU structural funds) and that the Infrastructure segment accounts for roughly two thirds of the Group's order book, this was an expected development. According to management's estimates, in the second half-year the relative importance of the Infrastructure segment will increase even further.

In the first half of 2010, the Buildings and Infrastructure segments generated revenue of 273.0 million kroons (17.4 million euros) and 305.0 million kroons (19.5 million euros) respectively. The corresponding figures for the first half of 2009 were 600.8 million kroons (38.4 million euros) and 616.4 million kroons (39.4 million euros).



Revenue distribution between segments *

Business segments	6M 2010	6M 2009	6M 2008	2009
Buildings	46%	49%	72%	45%
Infrastructure	54%	51%	28%	55%

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

Revenue distribution within segments

Distribution of projects within the Buildings segment has changed significantly compared with a year ago as well as with historical annual averages. There are two main reasons for this. The scarcity of projects forces companies to compete in all market segments and the number of contracts awarded is small compared with bids made. Such a situation does not allow concentrating on a specific business area. Another important factor is the general economic environment. During the past year, private companies' investments in commercial and industrial buildings and facilities have been almost nonexistent while local governments' investments in schools, nurseries and public buildings have increased, partly thanks to the support received from the EU structural funds. The proportion of industrial buildings in the Group's portfolio is large mainly because of the ongoing construction of the Ahtme peak load boiler plant. The Group builds apartment buildings for external customers as a general contractor, not a developer. Revenue distribution within the segment should remain similar throughout the rest of the year.

Revenue distribution in the Buildings segment	6M 2010	6M 2009	6M 2008	2009
Commercial buildings	26%	71%	59%	66%
Industrial and warehouse facilities	21%	11%	20%	10%
Public buildings	38%	16%	13%	18%
Apartment buildings	15%	1%	8%	6%

As anticipated, at the end of the first half-year roughly two thirds of the revenue generated by the Infrastructure segment is attributable to road construction and maintenance. The construction of other engineering facilities (mostly water and wastewater networks) is an area where the Group has won many tenders. Therefore, the contribution of other engineering projects will remain relatively large throughout the year. The contribution of environmental engineering projects (e.g. the closure of landfills) has remained stable compared with 2009. Hydraulic engineering that depends heavily on the ports' investment policies has plummeted to an all-time low and its recovery in the second half-year is not likely.

Revenue distribution in the Infrastructure segment	6M 2010	6M 2009	6M 2008	2009
Road construction and maintenance	65%	32%	51%	49%
Specialist engineering (including hydraulic engineering)	1%	17%	26%	12%
Other engineering	26%	38%	19%	31%
Environmental engineering	8%	14%	4%	8%

Order book

At 30 June 2010, the Group's order book stood at 1,399.4 million kroons (89.4 million euros), approximately 11% down from the 1,568.0 million kroons (100.2 million euros) posted a year ago. Over the past quarters, the decline in the Group's order book has decelerated and levelled off at around 1,350 to 1,500 million kroons (86 to 95 million euros).

	6M 2010	6M 2009	6M 2008	2009
Order book, in thousands of kroons	1,399,433	1,568,004	3,196,937	1,530,661
Order book, in thousands of euros	89,440	100,214	204,322	97,827

At 66% the Infrastructure segment continues to account for a significant proportion of the Group's total order book (HY1 2009: 68%).



The value of the order portfolio has decreased due to the downturn in the construction market. In absolute terms, the order book figures have also been influenced by the year-over-year decrease in construction prices. In many segments of the construction market the decrease in input prices has ceased or turned to a rise. Therefore, in the near future the Group's management will focus mainly on improving the profitability of the contract portfolio rather than increasing its size or growth rate.

Between the reporting date (30 June 2010) and the date of release of this report, Group companies have been awarded additional construction contracts of approximately 95 million kroons (6 million euros).

People

Staff and personnel expenses

In the first half of 2010, the Group (including the parent and the subsidiaries) employed, on average, 797 people including around 360 engineers and technical personnel (ETP). A significant one-off decrease in the number of staff is attributable to the divestment of the Latvian subsidiary Nordecon Infra SIA in the first quarter of 2010. At the end of 2009, the Nordecon Infra SIA subgroup employed over 160 people. In addition to disposals of companies, the number of staff has decreased on account of downsizing (lay-offs and termination of contracts). In a situation where construction volumes are expected to continue shrinking throughout the year, the headcount may decrease even further. However, due to the seasonal nature of the business, in the second and third quarters the number of staff should increase through fixed-term contracts.

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

	6M 2010	6M 2009	6M 2008	2009
ETP	362	480	493	467
Workers	435	707	716	661
Total average	797	1,187	1,209	1,128

The Group's personnel expenses for the first half of 2010 including associated taxes totalled 108.7 million kroons (6.9 million euros), a 42% decrease compared with the 188.4 million kroons (12.0 million euros) incurred in the first half of 2009.

Personnel expenses have declined on account of downsizing and the cutting of basic salaries. In 2009, employee salaries were 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.

In the first half of 2010, the remuneration of the members of the council of Nordecon International AS including social security charges amounted to 783 thousand kroons (50 thousand euros). The corresponding figure for the first half of 2009 was also 718 thousand kroons (46 thousand euros). The remuneration and benefits of the members of the board of Nordecon International AS including social security charges totalled 1,128 thousand kroons (72 thousand euros) compared with 1,674 thousand kroons (107 thousand euros) for the first half of 2009. The remuneration of the board has decreased because in the comparative period the board had three members whereas the current number is two.



Members of the council and board of Nordecon International AS

Council

The council has six members – two represent the controlling shareholder AS Nordic Contractors, two represent minority shareholders and two are independent. All members of the council have been elected by the general meeting for a term of five years.

Toomas Luman (chairman of the council) – a representative of AS Nordic Contractors and a major shareholder

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

Ain Tromp – a representative of minority shareholders

Andri Hõbemägi – a representative of AS Nordic Contractors

Tiina Mõis – an independent member

Meelis Milder – an independent member

Board

According to the articles of association, the company's board may have up to five members. Members of the board are elected and appointed by the council. The term of office of a member of the board is three years.

Jaano Vink (chairman of the board)

Jaano Vink is a qualified construction engineer. He joined the company in 2002 as an assistant to the managing director, having previously worked for AS Muuga CT as development director and for AS Tallinna Sadam in various managerial capacities in the infrastructure department. Jaano graduated from Tallinn University of Technology with a diploma in industrial and civil engineering in 1993 and has studied International Business Administration at the Estonian Business School.

Priit Tiru (member of the board)

Priit Tiru stepped up to his current position in 2009 after holding the position of chairman of the board of AS Linnaehitus (the current Nordecon Ehitus AS) in 2007 to 2008. Before that Priit managed SIA TMB Elements and SIA Koger & Partners in Latvia and held the position of export director at AS Koger & Partnerid. From 1994 to 2004 he filled various sales management positions at AS Tartu Maja Betoontooted. Priit graduated from the University of Tartu, the Faculty of Economics in 1992 and has continued his studies at the University of Helsinki, the Faculty of Social Sciences.

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



Share and shareholders

Share information

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

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 declared from time to time. Each share carries one vote at general meetings of Nordecon International AS.

Movements in the price and traded volume of the Nordecon International share, HY1 2010

Movements in the share price in kroons, daily traded volumes in the bar chart in thousands of kroons



Movements in the share price in euros, daily traded volumes in the bar chart in thousands of euros





Movement of the Nordecon International share compared with the OMX Tallinn main index in HY1 2010



Index/Equity	1 Jan 2010	30 June 2010	+/-%
—OMX Tallinn	404.58	519.95	28.52
—NCN1T	EUR 1.58	EUR 1.40	-11.39

Summarised trading results

Share trading history (EEK)

Price	6M 2010	6M 2009	6M 2008
Open	25.35	16.43	76.51
High	40.68	20.34	76.51
Low	20.97	8.61	50.85
Last closing price	21.91	13.61	53.98
Traded volume	3,161,382	1,875,140	4,112,826
Turnover, millions	97.9	22.2	229.8
Listed volume (30 June), thousands	30,757	30,757	30,757
Market capitalisation (30 June), millions	673.89	418.60	1,660.26

Share trading history (EUR)

Price	6M 2010	6M 2009	6M 2008
Open	1.62	1.05	4.89
High	2.60	1.30	4.89
Low	1.34	0.55	3.25
Last closing price	1.40	0.87	3.45
Traded volume	3,161,382	1,875,140	4,112,826
Turnover, millions	6.26	1.42	14.69
Listed volume (30 June), thousands	30,757	30,757	30,757
Market capitalisation (30 June), millions	43.07	26.75	106.11



Shareholder structure

The largest shareholders of Nordecon International AS at 30 June 2010

Shareholder	Number of shares	Ownership interest
AS Nordic Contractors	16,507,464	53.67
Skandinaviska Enskilda Banken Ab Clients	2,879,050	9.36
State Street Bank and Trust Omnibus Account A Fund	1,147,070	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	428,471	1.39
Aivo Kont	333,500	1.08
Mellon Treaty Omnibus	300,937	0.98
Martin Sööt	292,473	0.95

The shareholder structure of Nordecon International AS at 30 June 2010

	Number of shareholders	Ownership interest
Shareholders with interest exceeding 5%	2	63.03
Shareholders with interest between 1% and 5%	6	15.65
Shareholders with interest below 1%	2,055	21.32
Total	2,063	100.00

Shares controlled by members of the council of Nordecon International AS at 30 June 2010

Council		Number of shares	Ownership interest
Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad) ¹	Chairman of the Council	16,559,144	53.84
Ain Tromp	Member of the Council	678,960	2.21
Alar Kroodo (ASM Investments OÜ) ¹	Member of the Council	519,600	1.69
Andri Hõbemägi	Member of the Council	40,000	0.13
Tiina Mõis	Member of the Council	0	0.00
Meelis Milder	Member of the Council	0	0.00

¹ Companies controlled by the individual

Shares controlled by members of the board of Nordecon International AS at 30 June 2010

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.



Outlooks of the Group's geographical markets

Estonia

According to the 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 remain heavily dependent on public procurement tenders and projects performed with the support of the European Union funds. Project initiation success depends on the administrative capabilities of the central and local government which have improved compared with previous periods. However, the demand resulting from public sector projects will not be able to compensate for the steep contraction of the buildings construction market that remains abandoned by most private sector companies and individuals. Accordingly, the Group's management forecasts that by the end of 2010 the total volume of the construction market will have decreased by over 50% compared with 2008.
- The number of residential and general buildings construction companies is decreasing. Companies engaged in the sector are seeking opportunities for penetrating also other market segments such as infrastructure. This has heightened competition which, in turn, has increased the number of companies going bankrupt or needing corporate rehabilitation. The trend will continue through 2010. The Group does not forecast a significant number of mergers or takeovers because in the current market situation this would not have sufficient business rationale.
- In 2010 the decrease in construction prices is expected to cease after which the prices are expected to start rising compared with 2008-2009. In such a situation, performance of construction contracts concluded at unreasonably low margins or below cost may have extremely adverse consequences and may cause serious financial difficulties for companies that have not noticed the trend or have been forced to ignore it due to cash flow problems.
- Banks have divided companies operating in the construction market into different risk categories. Banks' risk exposures still include the real estate and investment loans granted to companies that were engaged in real estate development. In 2010, the survival of a number of companies will depend on the banks' risk management principles. On the other hand, the banks have announced that they are again ready to start financing the construction sector although to a limited extent.
- In 2009 building materials manufacturers that had significantly increased their output during the growth phase of the market experienced 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 halted and in 2010 prices are expected to start rising.
- Because of the increasing importance of infrastructure projects, the key competitive advantages will include industry-specific (engineering and technical) expertise, experience and references as well as the availability of relevant resources.
- Shrinkage in construction volumes has caused continuously rising unemployment among construction workers. The ensuing growth in the supply of labour will help construction companies control their personnel expenses.
- Construction projects' financing principles have changed. There are now additional requirements to the funding to be provided by the builder during the construction period. Moreover, contractual settlement terms have lengthened and there are settlement defaults. All this will increase the companies' liquidity risks.

Latvia and Lithuania

In February 2010, the Group sold its loss-generating Latvian subsidiary Nordecon Infra SIA whose core business was construction of water and wastewater networks. According to the Group's assessment, the Latvian construction market will be undergoing extensive adjustment to the recessionary environment through 2010-2011. Therefore, in the next few years the Group will continue operating in Latvia on a project basis, through its Estonian subsidiaries, involving partners where necessary. Continuation of project-based business assumes that the projects can be performed profitably. The decision does not change the Group's long-term strategic objectives in the Latvian market, i.e. the objective of operating there in the future through local subsidiaries.



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 had a direct impact on 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 operations of the Group's Lithuanian subsidiary Nordecon Statyba UAB have been suspended and the Group is monitoring the market situation. The temporary suspension of operations does not cause any major costs for the Group. 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 long-term strategic objectives in the Lithuanian construction market, i.e. the objective of operating there in the future through local subsidiaries.

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 decreased substantially. The situation in the sector is not expected to improve until after the second half of 2010. This implies, above all, the need for tight cost control.

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

The main risks in the Ukrainian market are connected with the low administrative efficiency of the central and local government and the judicial system, inflation, and the availability of quality construction inputs. Demand is mainly undermined by the customers' 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. It is also clear that the political climate has stabilised after the presidential elections, which may pave the way for an improvement in the general economic climate. This, in turn, would revive investment by local and foreign companies who account for a significant proportion of the Group's customers in the Ukrainian market.

Notwithstanding the above, the Group believes that the construction market of a country with a population of 46 million will offer excellent business opportunities also in the future. The Group's key success factor is relatively little competition among project management companies (the Group offers flexible construction management in combination with European practices and competencies) compared with the real needs of a normally functioning construction market. 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 significantly in the long-term perspective.



Description of the main risks

Business risks

Management believes that in the next few years the main business risk will be stiff competition that induces construction companies to bid unreasonably low prices in a situation where input prices have started rising and may cause steep losses. The situation is aggravated by the fact that the need for winning contracts that would cover fixed costs and overheads at a level ensuring normal operating capacities is increasing. The Group's management expects to mitigate the risks by tight cost control and effective cost cutting as well as detailed and precise analyses of new projects.

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

To manage their daily construction risks, Group companies purchase Contractors' All Risks insurance. Depending on the nature of the project, both general frame agreements and 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 30 June 2010, the provisions (including current and non-current ones) totalled 13.4 million kroons (0.9 million euros). At 30 June 2009, the corresponding figure was 15.1 million kroons (1.0 million euros).

Credit risk

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

In the first half of 2010, net gain on doubtful receivables (recoveries of items written down in previous periods exceeded the amount of items written down in the reporting period) amounted to 0.1 million kroons (0 million euros). In the first half of 2009, net loss on doubtful receivables amounted to 9.2 million kroons (0.6 million euros).

Liquidity risk

Free funds are placed in overnight or fixed-interest term deposits with the largest banks in the markets where the Group operates. To ensure timely settlement of liabilities, approximately two weeks' working capital is kept in current accounts or overnight deposits. Where necessary, overdraft facilities are used. At the reporting date, the Group's current assets exceeded its current liabilities 1.53-fold (30 June 2009: 1.36-fold) and available cash funds totalled 163.9 million kroons (10.5 million euros) (30 June 2009: 158.1 million kroons / 10.1 million euros), providing a sufficient liquidity buffer for operating in conditions that are more complicated than in the previous year.

Interest rate risk

The Group's interest-bearing liabilities to banks have mainly fixed interest rates. Finance lease liabilities have floating interest rates and are linked to EURIBOR. At 30 June 2010, the Group's interest-bearing loans and borrowings totalled 440.7 million kroons (28.2 million euros), a 179.0 million kroon (11.4 million euro) decrease year-over-year. Interest expense for the first half of 2010 amounted to 7.7 million kroons (0.5 million euros). Compared with the first half of 2009, interest expense has contracted by 8.0 million kroons (0.5 million euros) in connection with a decline in the EURIBOR base rate and a decrease in loans and borrowings.



The Group's interest rate risk results mainly from two factors: an increase in the base rate for floating interest rates (EURIBOR) and insufficient operating cash flow that may render the Group unable to settle its interest expense. The first factor is mitigated by fixing, where possible, the interest rates of liabilities during the period of low market interest rates. The realisation of the cash flow risk depends on the success of operating activities. The Group does not use derivatives to hedge the interest rate risk.

Currency risk

As a rule, construction contracts and subcontractors' service contracts are made in the currency of the host country: in Estonia in Estonian kroons (EEK) and in Ukraine in Ukrainian hryvnas (UAH). In connection with shrinkage in operations in Latvia and Lithuania, the currency risks of those countries are no longer relevant. Services purchased from other countries are mostly priced in euros, which does not constitute a currency risk for the Group's Estonian entities.

The Group's foreign exchange gains and losses result mainly from its Ukrainian 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 ceased. The Group's exchange gains and losses for the first half of 2010 resulted in a net exchange loss of 0.9 million kroons (0.1 million euros). In the first half of 2009, exchange differences resulted in a gain of 0.3 million kroons (0 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

11 August 2010

Priit Tiru

Member of the Board

11 August 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) for the first six months and second quarter of 2010 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 (11 August 2010) have been properly recognised and disclosed; and
- Nordecon International AS and its subsidiaries are going concerns.

Jaano Vink

Chairman of the Board

11 August 2010

Priit Tiru

Member of the Board

11 August 2010



Condensed consolidated interim statement of financial position

EEK`000	Note	30 June 2010	31 December 2009
ASSETS			
Current assets			
Cash and cash equivalents		163,911	225,191
Trade and other receivables	2	593,601	644,704
Prepayments		36,198	30,595
Inventories	3	395,293	389,328
Non-current assets held for sale		5,542	4,617
Total current assets		1,194,545	1,294,435
Non-current assets			
Investments in equity accounted investees		1,584	2,191
Other investments		414	414
Trade and other receivables		34,696	33,329
Investment property		77,135	87,975
Property, plant and equipment	5	164,275	204,115
Intangible assets	5	244,036	268,233
Total non-current assets		522,140	596,257
TOTAL ASSETS		1,716,685	1,890,692
LIABILITIES			
Current liabilities			
Loans and borrowings	6, 7	170,855	262,959
Trade payables		406,945	377,925
Other payables		79,358	94,580
Deferred income		116,210	136,438
Provisions		6,368	10,364
Total current liabilities		779,736	882,266
Non-current liabilities			
Loans and borrowings	6, 7	269,856	294,328
Trade payables		3,023	4,846
Other payables		1,500	1,500
Provisions		7,041	7,041
Total non-current liabilities		281,420	307,715
TOTAL LIABILITIES		1,061,156	1,189,981
EQUITY			
Share capital		307,567	307,567
Statutory capital reserve		40,024	40,012
Translation reserve		-4,686	-3,201
Retained earnings		286,006	345,280
Total equity attributable to equity holders of the parent		628,911	689,658
Non-controlling interest		26,617	11,053
TOTAL EQUITY		655,528	700,711
TOTAL LIABILITIES AND EQUITY		1,716,685	1,890,692



Condensed consolidated interim statement of financial position (continued)

EUR`000	Note	30 June 2010	31 December 2009
ASSETS			
Current assets			
Cash and cash equivalents		10,476	14,392
Trade and other receivables	2	37,938	41,204
Prepayments		2,313	1,955
Inventories	3	25,264	24,883
Non-current assets held for sale		354	295
Total current assets		76,345	82,729
Non-current assets			
Investments in equity accounted investees		101	140
Other investments		26	26
Trade and other receivables		2,218	2,130
Investment property		4,930	5,623
Property, plant and equipment	5	10,499	13,045
Intangible assets	5	15,597	17,143
Total non-current assets		33,371	38,108
TOTAL ASSETS		109,716	120,837
LIABILITIES			
Current liabilities			
Loans and borrowings	6, 7	10,920	16,806
Trade payables		26,008	24,154
Other payables		5,072	6,045
Deferred income		7,427	8,720
Provisions		407	662
Total current liabilities		49,834	56,387
Non-current liabilities			
Loans and borrowings	6, 7	17,246	18,811
Trade payables		194	310
Other payables		96	96
Provisions		450	450
Total non-current liabilities		17,986	19,667
TOTAL LIABILITIES		67,820	76,054
EQUITY			
Share capital		19,657	19,657
Statutory capital reserve		2,558	2,557
Translation reserve		-299	-205
Retained earnings		18,279	22,067
Total equity attributable to equity holders of the parent		40,195	44,077
Non-controlling interest		1,701	706
TOTAL EQUITY		41,896	44,784
TOTAL LIABILITIES AND EQUITY		109,716	120,837



Condensed consolidated interim statement of comprehensive income

EEK`000	Note	Q2 2010	Q2 2009	6M 2010	6M 2009	2009
Revenue	9, 10	409,202	634,430	585,200	1,225,094	2,418,880
Cost of sales	11	-430,677	-586,932	-630,404	-1,140,741	-2,282,575
Gross profit / loss		-21,475	47,498	-45,206	84,353	136,305
Distribution expenses		-1,129	-2,140	-3,126	-4,363	-9,416
Administrative expenses	12	-17,289	-27,946	-35,557	-65,350	-125,206
Other operating income	13	4,982	18,209	5,658	19,898	25,592
Other operating expenses	13	-5,088	-26,950	-7,333	-29,373	-154,014
Operating profit / loss		-39,999	8,671	-85,564	5,165	-126,739
Finance income	14	3,047	12,128	42,281	30,903	86,513
Finance expenses	14	-4,437	-9,131	-23,227	-22,913	-33,934
Net finance income / expense		-1,390	2,997	19,054	7,990	52,579
Share of profit / loss of equity accounted investees		-621	538	-631	-2,106	-7,666
Profit / loss before income tax		-42,010	12,206	-67,141	11,049	-81,826
Income tax expense / income		1,814	-6,513	1,814	-5,895	-7,618
Profit / loss for the period		-40,196	5,693	-65,327	5,154	-89,444
Other comprehensive income / expense:						
Exchange differences on translating foreign operations		-919	-231	-1,485	-1,711	905
Total other comprehensive income / expense for the period		-919	-231	-1,485	-1,711	905
TOTAL COMPREHENSIVE INCOME / EXPENSE FOR THE PERIOD		-41,115	5,462	-66,812	3,443	-88,539
Profit / loss attributable to:						
- Owners of the parent		-38,679	14,130	-59,274	21,176	-45,740
- Non-controlling interests		-1,517	-8,437	-6,053	-16,022	-43,704
Profit / loss for the period		-40,196	5,693	-65,327	5,154	-89,444
Total comprehensive income / expense attributable to:						
- Owners of the parent		-39,598	14,031	-60,759	22,469	-44,835
- Non-controlling interests		-1,517	-8,569	-6,053	-19,026	-43,704
Total comprehensive income / expense		-41,115	5,462	-66,812	3,443	-88,539
Earnings per share attributable to owners of the parent:						
Basic earnings per share (EEK)	8	-1.26	0.46	-1.93	0.69	-1.49
Diluted earnings per share (EEK)	8	-1.26	0.46	-1.93	0.69	-1.49



Condensed consolidated interim statement of comprehensive income (continued)

EUR`000	Note	Q2 2010	Q2 2009	6M 2010	6M 2009	2009
Revenue	9, 10	26,153	40,547	37,401	78,298	154,595
Cost of sales	11	-27,525	-37,512	-40,290	-72,907	-145,883
Gross profit / loss		-1,372	3,036	-2,889	5,391	8,711
Distribution expenses		-72	-137	-200	-279	-602
Administrative expenses	12	-1,105	-1,786	-2,273	-4,177	-8,002
Other operating income	13	319	1,164	362	1,272	1,636
Other operating expenses	13	-325	-1,722	-469	-1,877	-9,843
Operating profit / loss		-2,555	554	-5,469	330	-8,100
Finance income	14	195	775	2,702	1,975	5,529
Finance expenses	14	-284	-584	-1,484	-1,464	-2,169
Net finance income / expense		-89	192	1,218	511	3,360
Share of profit / loss of equity accounted investees		-40	34	-40	-135	-490
Profit / loss before income tax		-2,684	780	-4,291	706	-5,230
Income tax expense / income		116	-416	116	-377	-487
Profit / loss for the period		-2,568	364	-4,175	329	-5,717
Other comprehensive income / expense:						
Exchange differences on translating foreign operations		-59	-15	-95	-109	58
Total other comprehensive income / expense for the period		-59	-15	-95	-109	58
TOTAL COMPREHENSIVE INCOME / EXPENSE FOR THE PERIOD		-2,627	349	-4,270	220	-5,659
Profit / loss attributable to:						
- Owners of the parent		-2,471	903	-3,788	1,353	-2,923
- Non-controlling interests		-97	-539	-387	-1,024	-2,793
Profit / loss for the period		-2,568	364	-4,175	329	-5,717
Total comprehensive income / expense attributable to:						
- Owners of the parent		-2,530	897	-3,883	1,436	-2,865
- Non-controlling interests		-97	-548	-387	-1,216	-2,793
Total comprehensive income / expense		-2,627	349	-4,270	220	-5,659
Earnings per share attributable to owners of the parent:						
Basic earnings per share (EUR)	8	-0.08	0.03	-0.12	0.04	-0.10
Diluted earnings per share (EUR)	8	-0.08	0.03	-0.12	0.04	-0.10



Condensed consolidated interim statement of cash flows

	Note	EEK`000		EUR`000	
		6M 2010	6M 2009	6M 2010	6M 2009
Cash flows from operating activities					
Cash receipts from customers		720,137	1,448,843	46,025	92,598
Cash paid to suppliers		-559,476	-1,234,214	-35,757	-78,880
VAT paid		-31,452	-37,767	-2,010	-2,414
Cash paid to and for employees		-117,850	-225,462	-7,532	-14,410
Income tax paid		-558	-8,538	-36	-546
Net cash from / used in operating activities		10,801	-57,138	690	-3,652
Cash flows from investing activities					
Acquisition of property, plant and equipment		-1,217	-839	-78	-54
Acquisition of intangible assets		0	-7,530	0	-481
Proceeds from sale of property, plant and equipment and intangible assets		5,371	4,762	343	304
Proceeds from sale of investment property	5	10,600	-200	677	-13
Acquisition of subsidiaries, net of cash acquired	4	0	-11,720	0	-749
Disposal of subsidiaries, net of cash transferred	4	-9,648	0	-617	0
Acquisition of associates	4	-24	-6,000	-2	-383
Proceeds from disposal of associates	4	0	7,465	0	477
Acquisition of interests in joint ventures	4	0	-20,000	0	-1,278
Loans granted		-2,788	-54,803	-178	-3,502
Repayment of loans granted		2,763	38,094	177	2,435
Dividends received		61	0	4	0
Interest received		2,102	9,707	134	620
Net cash from / used in investing activities		7,220	-41,064	461	-2,624
Cash flows from financing activities					
Proceeds from loans received		36,669	141,095	2,344	9,018
Repayment of loans received		-88,798	-108,970	-5,675	-6,965
Dividends paid	8	0	-31,933	0	-2,041
Payment of finance lease liabilities		-21,145	-25,305	-1,351	-1,618
Interest paid		-6,361	-14,444	-407	-923
Other payments made		56	-381	4	-24
Net cash used in financing activities		-79,579	-39,938	-5,085	-2,553
Net cash flow		-61,558	-138,140	-3,934	-8,829
Cash and cash equivalents at beginning of period		225,191	296,184	14,392	18,930
Effect of exchange rate fluctuations		278	45	18	3
Decrease in cash and cash equivalents		-61,558	-138,140	-3,934	-8,829
Cash and cash equivalents at end of period		163,911	158,089	10,476	10,104



Condensed consolidated interim statement of changes in equity

EEK`000	Equity attributable to equity holders of the parent					Non-controlling interest	Total
	Share capital	Statutory capital reserve	Translation reserve	Retained earnings	Total		
At 31 December 2008	307,567	34,800	-4,106	426,995	765,256	98,056	863,312
Total comprehensive income / expense for the period	0	0	1,293	21,176	22,469	-19,026	3,443
Dividends declared	0	0	0	-30,756	-30,756	-1,176	-31,932
Transfer to capital reserve	0	5,212	0	-5,212	0	0	0
Changes in non-controlling interest	0	0	0	-8	-8	3,829	3,821
At 30 June 2009	307,567	40,012	-2,813	412,195	756,961	81,683	838,644
At 31 December 2009	307,567	40,012	-3,201	345,280	689,658	11,053	700,711
Total comprehensive income / expense for the period	0	0	-1,485	-59,274	-60,759	-6,053	-66,812
Transfer to capital reserve	0	12	0	0	12	0	12
Changes in non-controlling interest	0	0	0	0	0	21,617	21,617
At 30 June 2010	307,567	40,024	-4,686	286,006	628,911	26,617	655,528



Condensed consolidated interim statement of changes in equity (continued)

EUR`000	Equity attributable to equity holders of the parent					Non-controlling interest	Total
	Share capital	Statutory capital reserve	Translation reserve	Retained earnings	Total		
At 31 December 2008	19,657	2,224	-262	27,290	48,909	6,267	55,176
Total comprehensive income / expense for the period	0	0	83	1,353	1,436	-1,216	220
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 interest	0	0	0	-1	-1	245	244
At 30 June 2009	19,657	2,557	-180	26,344	48,379	5,220	53,599
At 31 December 2009	19,657	2,557	-205	22,067	44,077	706	44,784
Total comprehensive income / expense for the period	0	0	-95	-3,788	-3,883	-387	-4,270
Transfer to capital reserve	0	1	0	0	1	0	1
Changes in non-controlling interest	0	0	0	0	0	1,382	1,382
At 30 June 2010	19,657	2,558	-299	18,279	40,195	1,701	41,896



Notes to the condensed consolidated interim financial statements

NOTE 1. Significant accounting policies

Nordecon International AS 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.

The condensed consolidated interim financial statements as at and for the six months ended 30 June 2010 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 latest published annual consolidated financial statements as at and for the year ended 31 December 2009.

The Group has not changed its significant accounting policies compared with the consolidated financial statements as at and for the year ended 31 December 2009. 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 second quarter and first six months of 2010 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 2010 that have an impact on the Group's financial statements:

- IAS 27 (revised) – *Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after 1 July 2009)

The Group has adopted the terminological changes imposed by the standard as well as the principles provided by the standard for accounting for disposals of subsidiaries.

New and revised standards and interpretations effective as of 1 January 2010 that are not relevant for the Group on the preparation of the interim financial statements:

- IFRS 3 (revised) – *Business Combinations* (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 15 (revised) – *Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after 1 January 2010)

Changes in the presentation of the interim financial statements

The Group has made changes in the presentation of the consolidated statement of financial position and consolidated statement of comprehensive income with a view to improving the legibility of the financial statements. The changes comprise reclassifications as well as aggregations and separations of items. Because the changes constituted changes in presentation, they did not impact the Group's equity or the total amounts of the Group's assets and liabilities, the profit figures presented in the statement of comprehensive income (e.g. operating profit) or earnings per share for the periods presented in the financial statements. According to management's assessment, the changes in presentation are not so significant that as a whole they would influence the decisions made based on the information disclosed in the financial statements. Therefore, the changes are not described in detail in these financial statements.



NOTE 2. Trade and other receivables

Current portion	EEK`000		EUR`000	
	30 June 2010	31 Dec 2009	30 June 2010	31 Dec 2009
Trade receivables	258,187	338,767	16,501	21,651
Retentions receivable	43,847	36,884	2,802	2,357
Receivables from related parties	23,606	47,268	1,509	3,021
Loans to related parties	144,164	137,034	9,214	8,758
Loans to legal persons (including interest receivable)	40,245	40,241	2,572	2,572
Miscellaneous receivables	842	8,963	54	573
Total receivables and loans granted	510,891	609,157	32,652	38,932
Due from customers for contract work	82,710	35,547	5,286	2,272
Total trade and other receivables	593,601	644,704	37,938	41,204

Non-current portion	EEK`000		EUR`000	
	30 June 2010	31 Dec 2009	30 June 2010	31 Dec 2009
Retentions receivable	0	1,046	0	67
Receivables from related parties	967	967	62	62
Loans to related parties	31,178	28,765	1,993	1,838
Miscellaneous receivables	2,551	2,551	163	163
Total trade and other receivables	34,696	33,329	2,218	2,130

Trade and other receivables have decreased mainly on account of the divestment and subsequent discontinuance of the consolidation of the subsidiary Nordecon Infra SIA (see also note 4). Through the transaction, receivables decreased by 78,318 thousand kroons (5,005 thousand euros).

Trade receivables are presented net of impairment allowances which at the reporting date totalled -10,931 thousand kroons/-699 thousand euros (31 December 2009: -11,262 thousand kroons/-720 thousand euros).

Amounts due from customers have increased because of the seasonal nature of the construction business.

NOTE 3. Inventories

	EEK`000		EUR`000	
	30 June 2010	31 Dec 2009	30 June 2010	31 Dec 2009
Raw and other materials	42,671	48,365	2,727	3,091
Work in progress	90,884	63,573	5,809	4,063
Real estate held for resale	188,513	193,851	12,048	12,390
Finished goods	73,225	83,539	4,680	5,339
Total inventories	395,293	389,328	25,264	24,883

Work in progress has increased in connection with the seasonal nature of the construction business.

The balance of finished goods that comprises apartments completed but not yet sold has decreased through the sale of apartments. The Group did not perform any additional write-downs in the first half of 2010.

NOTE 4. Acquisitions and disposals

Subsidiaries

Disposal of the investment in Nordecon Infra SIA

In February 2010, Nordecon International AS sold its 56% stake in the Latvian subsidiary Nordecon Infra SIA. Nordecon Infra SIA operated mainly in the Riga region in Latvia and its core business was the construction of water and wastewater networks.

At the date of sale, the share capital of Nordecon Infra SIA amounted to 3,045 Latvian lats (approximately 67 thousand kroons/4.3 thousand euros). The investment was sold to a non-controlling shareholder for 0.1 thousand kroons (0 thousand euros). In the second half of 2009, Nordecon Infra SIA operated with a loss and,



therefore, its equity was negative. As a result of the transaction, the Group recognised sales gain of 32,594 thousand kroons (2,083 thousand euros), which was recorded in finance income (see note 14). In the cash flow statement, cash outflows from the transaction represent the subsidiary's cash and cash equivalents as at the date of sale of 9,899 thousand kroons (633 thousand euros).

On the sale of Nordecon Infra SIA, the Group derecognised the goodwill acquired on the acquisition of the subsidiary of 1,710 thousand kroons (109 thousand euros). Associated expenses were recorded in other operating expenses (see note 13). After the sale, the Group wrote down loans to Group companies and other receivables because the recovery of items due from Nordecon Infra SIA was doubtful. The write-down expenses amounted to 14,175 thousand kroons (906 thousand euros) and 343 thousand kroons (22 thousand euros) respectively. Expenses from the write-down of loans were recognised in finance expenses (see note 14) and expenses from the write-down of other receivables were recognised in other operating expenses (see note 13).

The Group will remain liable for the construction contract guarantees (mainly warranty period guarantees) issued in its name to Latvian customers. At the date of the transaction, the unexpired balance of such long-term guarantees was approximately 47,000 thousand kroons (3,000 thousand euros).

The Group discontinued consolidation of the Latvian subsidiary from January 2010 because after the date of sale it was no longer possible to obtain reliable financial data on the entity.

Disposal of the investment in Bukovina Development TOV

In the first quarter of 2010, Eurocon Ukraine TOV sold its 99% stake in the Ukrainian company Bukovina Development TOV. The Group's stake in Eurocon Ukraine TOV is 64%. Bukovina Development TOV never conducted any business operations. After the transaction, the Group has no stake in Bukovina Development TOV. The transaction gave rise to finance income of 33 thousand kroons (2 thousand euros).

Associates

Establishment of Pigipada OÜ

In April 2010, the Group's subsidiary Nordecon Infra AS participated in the establishment of Pigipada OÜ, a company domiciled in Estonia, paying for a 24% stake in the entity's share capital with a monetary contribution of 9.6 thousand kroons (0.6 thousand euros). According to plan, Pigipada OÜ will start producing bitumen emulsion. After the reporting date, Nordecon Infra AS has increased its interest in the entity to 49% (see note 16).

Establishment of Magasini 29 OÜ

In May 2010, the Group's subsidiary Eston Ehitus AS participated in the establishment of Magasini 29 OÜ, acquiring a 34% stake in the entity for a monetary contribution of 13.6 thousand kroons (0.9 thousand euros). The entity was established so that it could be transferred some of the assets and liabilities of Crislivinca OÜ (in which the stake of Eston Ehitus AS was also 34% stake) that were related to a property in Magasini street, Tallinn. After the reporting date, Eston Ehitus AS has raised its stake in Magasini 29 OÜ to 100% (see note 16).

NOTE 5. Property, plant and equipment and intangible assets

Property, plant and equipment

In the first half of 2010, 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 2009 mainly through depreciation and the discontinuance of the consolidation of the subsidiary Nordecon Infra SIA. The latter transaction reduced the carrying amount of property, plant and equipment by 18,736 thousand kroons (1,197 thousand euros).

Intangible assets

In the first half of 2010, the Group did not perform any major transactions with intangible assets. The carrying amount of intangible assets has decreased compared with 31 December 2009 mainly through amortisation and the discontinuance of the consolidation of the subsidiary Nordecon Infra SIA (see also note 4). The latter transaction reduced the carrying amount of intangible assets by 21,042 thousand kroons (1,345 thousand euros).



In connection with the disposal of Nordecon Infra SIA, the Group derecognised the goodwill acquired on the acquisition of the subsidiary of 1,710 thousand kroons (109 thousand euros) (see note 13).

NOTE 6. Finance and operating leases

Finance lease liabilities	EEK`000		EUR`000	
	30 June 2010	31 Dec 2009	30 June 2010	31 Dec 2009
Payable in less than 1 year	36,407	42,434	2,327	2,712
Payable between 1 and 5 years	43,722	64,836	2,794	4,145
Total	80,129	107,270	5,121	6,857
Base currency EUR	78,971	105,513	5,047	6,744
Base currency UAH	1,158	1,757	74	112
Periodicity of payment	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	10%-12%	10%-12%	10%-12%	10%-12%
Finance lease payments made	6M 2010	6M 2009	6M 2010	6M 2009
Principal payments	21,145	23,941	1,351	1,530
Interest payments	1,336	3,206	85	205
		EEK`000		EUR`000
Operating lease rentals paid for:	6M 2010	6M 2009	6M 2010	6M 2009
Cars	5,845	8,590	374	549
Construction equipment	9,015	19,666	576	1,257
Premises	2,770	6,376	177	408
Software	1,777	4,538	114	290
Total operating lease rentals paid	19,407	39,170	1,241	2,503

NOTE 7. Interest-bearing loans and borrowings

	EEK`000		EUR`000	
	30 June 2010	31 Dec 2009	30 June 2010	31 Dec 2009
Short-term bank loans	89,067	148,306	5,693	9,478
Short-term portion of long-term bank loans	45,381	72,219	2,900	4,616
Short-term portion of finance lease liabilities	36,407	42,434	2,327	2,712
Total current loans and borrowings	170,855	262,959	10,920	16,806
Long-term portion of bank loans	210,735	214,093	13,468	13,683
Long-term portion of finance lease-liabilities	43,722	64,836	2,794	4,145
Other long-term loans	15,399	15,399	984	983
Total non-current loans and borrowings	269,856	294,328	17,246	18,811

The discontinuance of the consolidation of the subsidiary Nordecon Infra SIA (see note 4) reduced interest-bearing loans and borrowings by 44,823 thousand kroons (2,865 thousand euros).

NOTE 8. 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.



	6M 2010	EEK`000 6 M 2009	6M 2010	EUR`000 6M 2009
Profit/loss for the period attributable to owners of the parent	-59,274	21,176	-3,788	1,353
Weighted average number of shares (in thousands)	30,757	30,757	30,757	30,757
		EEK		EUR
Basic earnings per share	-1.93	0.69	-0.12	0.04
Diluted earnings per share	-1.93	0.69	-0.12	0.04

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

NOTE 9. Segment reporting – business segments

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

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

- Buildings (European Union)
- Buildings (Ukraine)
- 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.

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EEK`000	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
6 months 2010					
Total revenue	244,267	34,903	336,603	18,184	633,957
Inter-segment revenue	-5,902	-306	-31,595	-11,583	-49,386
Revenue from external customers	238,365	34,597	305,008	6,601	584,571
Segment profit / loss	-22,356	3,045	-31,284	-5,323	-55,918
6 months 2009					
Total revenue	574,583	28,360	635,440	27,080	1,265,463
Inter-segment revenue	-2,095	0	-19,002	-21,834	-42,931
Revenue from external customers	572,488	28,360	616,438	5,246	1,222,532
Segment profit / loss	57,265	-508	8,584	-4,121	61,220



	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Segment assets					
At 30 June 2009	1,061,584	211,728	909,375	146,020	2,328,717
At 31 December 2009	834,580	174,488	646,928	115,928	1,771,924
At 30 June 2010	838,126	183,122	572,734	110,199	1,704,181

EUR'000	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
6 months 2010					
Total revenue	15,612	2,231	21,513	1,162	40,517
Inter-segment revenue	-377	-20	-2,019	-740	-3,156
Revenue from external customers	15,234	2,211	19,494	422	37,361
Segment profit / loss	-1,429	195	-1,999	-340	-3,574

	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
6 months 2009					
Total revenue	36,723	1,813	40,612	1,731	80,879
Inter-segment revenue	-134	0	-1,214	-1,395	-2,743
Revenue from external customers	36,589	1,813	39,398	336	78,136
Segment profit / loss	3,660	-32	549	-263	3,914

Segment assets	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
At 30 June 2009	67,848	13,533	58,120	9,332	148,833
At 31 December 2009	53,339	11,152	41,346	7,409	113,247
At 30 June 2010	53,566	11,704	36,604	7,043	108,917

Q2

EEK'000	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Q2 2010					
Total revenue	124,006	28,045	286,288	14,244	452,583
Inter-segment revenue	-4,738	-306	-29,737	-8,933	-43,714
Revenue from external customers	119,268	27,739	256,551	5,311	408,869
Segment profit / loss	-25,870	4,818	-4,832	-121	-26,005

	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Q2 2009					
Total revenue	254,247	9,184	385,865	17,469	666,765
Inter-segment revenue	-2,040	0	-15,966	-14,140	-32,146
Revenue from external customers	252,207	9,184	369,899	3,329	634,619
Segment profit / loss	31,000	-4,231	7,801	310	34,880

EUR'000	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Q2 2010					
Total revenue	7,925	1,792	18,297	910	28,925
Inter-segment revenue	-303	-20	-1,901	-571	-2,794
Revenue from external customers	7,623	1,773	16,397	339	26,131
Segment profit / loss	-1,653	308	-309	-8	-1,662



	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Q2 2009					
Total revenue	16,250	587	24,661	1,117	42,615
Inter-segment revenue	-130	0	-1,020	-903	-2,053
Revenue from external customers	16,120	587	23,641	214	40,562
Segment profit / loss	1,981	-270	499	20	2,230

Reconciliation of segment revenues

EEK'000	6M 2010	Q2 2010	6M 2009	Q2 2009
Total revenues for reportable segments	615,773	438,339	1,238,383	649,296
Revenue for other segments	18,184	14,244	27,080	17,469
Elimination of inter-segment revenues	-49,386	-43,714	-42,931	-32,146
Other revenue	629	333	2,562	-189
Total consolidated revenue	585,200	409,202	1,225,094	634,430
EUR'000	6M 2010	Q2 2010	6M 2009	Q2 2009
Total revenues for reportable segments	39,355	28,015	79,147	41,498
Revenue for other segments	1,162	910	1,731	1,116
Elimination of inter-segment revenues	-3,156	-2,794	-2,744	-2,055
Other revenue	40	22	164	-12
Total consolidated revenue	37,401	26,153	78,298	40,547

Reconciliation of segment profit

EEK'000	6M 2010	Q2 2010	6M 2009	Q2 2009
Total profit or loss for reportable segments	-50,595	-25,884	65,341	34,570
Total profit or loss for other segments	-5,323	-121	-4,121	310
Other profit	10,712	4,530	23,133	12,617
Total	-45,206	-21,475	84,353	47,497
Unallocated expenses:				
Distribution expenses	-3,126	-1,129	-4,363	-2,140
Administrative expenses	-35,557	-17,289	-65,350	-27,946
Other operating income / expenses	-1,675	-106	-9,475	-8,740
Consolidated operating profit / loss	-85,564	-39,999	5,165	8,671
Finance income	42,281	3,047	30,903	12,905
Finance expenses	-23,227	-4,437	-22,913	-9,131
Share of loss of equity accounted investees	-631	-621	-2,106	-239
Consolidated profit / loss before tax	-67,141	-42,010	11,049	12,206



EUR'000	6M 2010	Q2 2010	6M 2009	Q2 2009
Total profit or loss for reportable segments	-3,234	-1,654	4,176	2,209
Total profit or loss for other segments	-340	-8	-263	20
Other profit	685	290	1,478	806
Total	-2,889	-1,372	5,391	3,036
Unallocated expenses:				
Distribution expenses	-200	-72	-279	-137
Administrative expenses	-2,273	-1,105	-4,177	-1,786
Other operating income / expenses	-107	-7	-605	-559
Consolidated operating profit / loss	-5,469	-2,556	330	554
Finance income	2,702	195	1,975	775
Finance expenses	-1,484	-284	-1,464	-584
Share of loss of equity accounted investees	-40	-40	-135	34
Consolidated profit / loss before tax	-4,291	-2,685	706	780

Reconciliation of segment assets

	EEK'000				EUR'000	
	30 June 2010	31 Dec 2009	30 June 2009	30 June 2010	31 Dec 2009	30 June 2009
Total assets for reportable segments	1,593,982	1,711,771	2,182,697	101,874	109,402	139,500
Total assets from other segments	110,199	142,885	146,020	7,043	9,132	9,332
Inter-segment eliminations	-70,872	-82,462	-429,037	-4,530	-5,270	-27,420
Other assets	83,375	118,498	444,764	5,329	7,573	28,425
Total consolidated assets	1,716,684	1,890,692	2,344,444	109,716	120,837	149,837

NOTE 10. Segment reporting – geographical information

EEK'000	6M 2010	Q2 2010	6M 2009	Q2 2009
Revenue				
Estonia	550,603	381,444	1,028,236	539,504
Ukraine	33,720	26,862	28,360	9,184
Belarus	1,183	1,183	0	0
Lithuania	0	0	10,662	0
Latvia	0	0	158,512	86,238
Inter-segment eliminations	-306	-287	-676	-542
Total revenue	585,200	409,202	1,225,094	634,384

EUR'000	6M 2010	Q2 2010	6M 2009	Q2 2009
Revenue				
Estonia	35,190	24,379	65,716	34,480
Ukraine	2,155	1,717	1,813	587
Belarus	75	75	0	0
Lithuania	0	0	681	0
Latvia	0	0	10,131	5,512
Inter-segment eliminations	-19	-18	-43	-34
Total revenue	37,401	26,153	78,298	40,545



NOTE 11. Cost of sales

	EEK`000		EUR`000	
	6M 2010	6M 2009	6M 2010	6M 2009
Cost of materials, goods and services used	512,652	931,303	32,764	59,521
Personnel expenses	88,117	152,072	5,632	9,719
Depreciation and amortisation expense	23,525	33,486	1,504	2,140
Other expenses	6,110	23,880	391	1,526
Total cost of sales	630,404	1,140,741	40,290	72,907

NOTE 12. Administrative expenses

	EEK`000		EUR`000	
	6M 2010	6M 2009	6M 2010	6M 2009
Personnel expenses	20,546	36,353	1,313	2,323
Cost of materials, goods and services used	10,964	23,080	701	1,475
Depreciation and amortisation expense	2,159	2,474	138	158
Other expenses	1,888	3,443	121	220
Total administrative expenses	35,557	65,350	2,273	4,177

NOTE 13. Other operating income and expenses

Other operating income		EEK`000		EUR`000	
	6M 2010	6M 2009	6M 2010	6M 2009	
Gains on sale of property, plant and equipment and intangible assets	1,945	1,840	124	118	
Gains on sale of investment property	285	0	18	0	
Foreign exchange gain	1,607	905	103	58	
Other income	1,821	17,153	117	1,096	
Total other operating income	5,658	19,898	362	1,272	

Other operating expenses		EEK`000		EUR`000	
	6M 2010	6M 2009	6M 2010	6M 2009	
Losses on sale and write-off of property, plant and equipment and intangible assets	18	439	1	28	
Write-off of goodwill (note 4)	1,710	0	109	0	
Foreign exchange losses	4,413	18	282	1	
Impairment losses on receivables	-57	9,236	-4	590	
Membership fees	70	91	5	6	
Other expenses	1,179	19,589	76	1,252	
Total other operating expenses	7,333	29,373	469	1,877	

NOTE 14. Finance income and expenses

Finance income		EEK`000		EUR`000	
	6M 2010	6M 2009	6M 2010	6M 2009	
Gains on disposal of investments in subsidiaries and associates	32,622	0	2,085	0	
Finance income on other investments	0	1,054	0	67	
Interest income on loans	5,913	24,984	378	1,597	
Foreign exchange gains	2,048	483	131	31	
Other finance income	1,698	4,382	108	280	
Total finance income	42,281	30,903	2,702	1,975	



Gains on disposal of investments comprise gain on the sale of the subsidiary Nordecon Infra SIA of 32,594 thousand kroons (2,083 thousand euros) (see also note 4) and gain on the sale of the subsidiary Bukovina Development TOV of 33 thousand kroons (2 thousand euros).

Finance expenses	EEK`000		EUR`000	
	6M 2010	6M 2009	6M 2010	6M 2009
Interest expense	7,749	15,742	495	1,006
Finance expenses on investments	0	6,905	0	441
Foreign exchange losses	166	266	11	17
Other finance expenses	15,312	0	978	0
Total finance expenses	23,227	22,913	1,484	1,464

After the sale of the subsidiary Nordecon Infra SIA, the Group wrote down receivables from the Latvian entity which previously had been classified as intra-Group loans since their recovery had become doubtful. Write-down expenses totalled 14,175 thousand kroons (906 thousand euros).

NOTE 15. Transactions with related parties

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

- Nordecon International AS' parent company AS Nordic Contractors and its shareholders
- Other companies of AS Nordic Contractors group
- Equity accounted investees of Nordecon International Group
- Members of the board and council of Nordecon International AS, their close family members and companies related to them
- Individuals whose shareholding implies significant influence

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

Volume of transactions performed	6M 2010		EEK`000 6M 2009		6M 2010		EUR`000 6M 2009	
	Purchase	Sale	Purchase	Sale	Purchase	Sale	Purchase	Sale
AS Nordic Contractors	2,795	46	4,063	1,304	179	3	260	83
Companies of AS Nordic Contractors group	21	7,380	0	103,655	1	472	0	6,625
Equity accounted investees	0	403	0	0	0	26	0	0
Companies related to a member of the council	0	48	1,127	0	0	3	72	0
Total	2,816	7,877	5,190	104,959	180	504	332	6,708

Volume of transactions performed	6M 2010		EEK`000 6M 2009		6M 2010		EUR`000 6M 2009	
	Purchase	Sale	Purchase	Sale	Purchase	Sale	Purchase	Sale
Construction services	441	7,425	0	104,429	28	475	0	6,674
Purchase and sale of goods	0	0	0	530	0	0	0	34
Lease and other services	2,375	452	5,190	0	152	29	332	0
Total	2,816	7,877	5,190	104,959	180	504	332	6,708

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



At period-end, receivables from and liabilities to related parties broke down as follows:

EEK`000	30 June 2010		31 December 2009	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	8	715	21	809
Companies of AS Nordic Contractors group	33,667	1	32,421	15
Companies related to a member of the council	112	0	0	0
Equity accounted investees – receivables	16,355	0	15,793	6
Equity accounted investees – loans and interest	149,773	0	140,795	0
Total	199,915	716	189,031	830

EUR`000	30 June 2010		30 June 2009	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	1	46	1	52
Companies of AS Nordic Contractors group	2,152	0	2,072	1
Companies related to a member of the council	7	0	0	0
Equity accounted investees – receivables	1,045	0	1,009	0
Equity accounted investees – loans and interest	9,572	0	8,998	0
Total	12,777	46	12,080	53

Receivables from companies of AS Nordic Contractors group and equity accounted investees are mainly related to construction services.

In the first half of 2010, the remuneration of the members of the council of Nordecon International AS including social security charges totalled 783 thousand kroons (50 thousand euros). In the first half of 2009, the corresponding figure was 718 thousand kroons (46 thousand euros). In the first half of 2010, the service fees and bonus benefits of the members of the board of Nordecon International AS including social security charges totalled 1,128 thousand kroons (72 thousand euros). The corresponding figure for the first half of 2009 was 1,674 thousand kroons (107 thousand euros). The remuneration of the board has decreased because in the comparative period the board had three members whereas currently the number is two.

NOTE 16. Subsequent events

Acquisition of associates

In July, Nordecon Infra AS increased its ownership interest in the associate Pigipada OÜ from 24% to 49%, paying for the additional interest with a monetary contribution of 10 thousand kroons (0.6 thousand euros).

Acquisition and disposal of subsidiaries

In August, Eston Ehitus AS completed a transaction by which it increased its interest in the associate Magasini 29 OÜ from 34% to 100%. The additional 66% was acquired through a barter transaction in which Eston Ehitus AS exchanged its 34% stake in Crislivina OÜ for a 66% stake in Magasini 29 OÜ. After the transaction, Eston Ehitus AS has no ownership interest in Crislivina OÜ.

On the separation of Crislivina OÜ, one of its two real estate holdings in Magasini street, Tallinn, was transferred to Magasini 29 OÜ along with associated loan liabilities. The Group has not yet completed the purchase price allocation and will disclose the results in the next interim financial statements.