



**Financial report for the third quarter  
and nine months of 2014**  
(unaudited)

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## Financial report for the third quarter and nine months of 2014 (unaudited)

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<b>Corporate website</b>	<a href="http://www.nordecon.com">www.nordecon.com</a>
<b>Core business lines</b>	Construction of residential and non-residential buildings (EMTAK 4120) Construction of roads and motorways (EMTAK 4211) Road maintenance (EMTAK 4211) Construction of utility projects for fluids (EMTAK 4221) Construction of water projects (EMTAK 4291) Construction of other civil engineering projects (EMTAK 4299)
<b>Financial year</b>	1 January 2014 – 31 December 2014
<b>Reporting period</b>	1 January 2014 – 30 September 2014
<b>Council</b>	Toomas Luman (chairman of the council), Alar Kroodo, Andri Hõbemägi, Tiina Mõis, Meelis Milder, Ain Tromp
<b>Board</b>	Jaano Vink (chairman of the board), Avo Ambur, Erkki Suurorg
<b>Auditor</b>	KPMG Baltics OÜ



## Contents

<b>About the Group</b>	<b>3</b>
<b>Directors' report</b>	<b>4</b>
<b>Condensed consolidated interim financial statements</b>	<b>21</b>
Condensed consolidated interim statement of financial position	21
Condensed consolidated interim statement of comprehensive income	22
Condensed consolidated interim statement of cash flows	23
Condensed consolidated interim statement of changes in equity	24
NOTE 1. Significant accounting policies	25
NOTE 2. Trade and other receivables	25
NOTE 3. Inventories	26
NOTE 4. Property, plant and equipment and intangible assets	26
NOTE 5. Finance and operating leases	26
NOTE 6. Loans and borrowings	27
NOTE 7. Earnings per share	27
NOTE 8. Segment reporting – operating segments	27
NOTE 9. Segment reporting – geographical information	29
NOTE 10. Cost of sales	29
NOTE 11. Administrative expenses	29
NOTE 12. Other operating income and expenses	29
NOTE 13. Finance income and costs	30
NOTE 14. Transactions with related parties	30
NOTE 15. Transactions with shares in subsidiaries	31
NOTE 16. Share-based payments	32
NOTE 17. Events after the reporting period	32
Statements and signatures	33



## About the Group

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

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

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

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

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

The shares in Nordecon AS have been listed on the NASDAQ OMX Tallinn Stock Exchange since 18 May 2006.

## VISION

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

## MISSION

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

## SHARED VALUES

### Professionalism

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

### Reliability

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

### Openness

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

### Employees

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



## Directors' report

### Strategic agenda for 2014-2017

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

#### Business activities

- Our business operations in Estonia will be equally divided between two segments, building and infrastructure construction, where we will compete in all major sub-segments.
- Our chosen foreign markets are Finland, Ukraine, Latvia and Lithuania. In the first two, we will conduct our business through local subsidiaries. Entering the Latvian and Lithuanian construction markets through local subsidiaries assumes an economic rationale and the earliest time for this will be 2015. Where economic rationale exists, we may also deliver construction services in our neighbouring countries (Latvia, Lithuania and Sweden) on a project basis.
- We will focus on our own real estate development operations in Estonia (in Tallinn, Tartu, Pärnu and Narva).
- We will develop our energy efficiency and building information modelling (BIM) competencies as developments in these areas are likely to lead to a new quality standard in the construction market.
- We will build strategic alliances in areas where we lack competence.

#### Group structure and organisation

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

#### Financial targets

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



## Changes in the Group's business operations

### Changes in the Group's Estonian operations

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

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

We did not enter any new segments in Estonia.

### Changes in the Group's foreign operations

In line with the Group's strategy, our chosen foreign markets are Latvia, Lithuania, Ukraine and Finland.

#### Latvia

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

#### Lithuania

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

#### Ukraine

At the beginning of 2014 the political and economic situation in Ukraine became strained due to the conflict between Ukraine and Russia. Economic uncertainty caused the Ukrainian hryvna to plummet against the euro. Due to the weakening of the hryvna, the Group recognised within nine months of 2014 exchange losses in the region of 0.8 million euros. Although recent developments in the country allow hoping that the worst is over and the overall situation may start improving, it is clear that we cannot expect any rapid changes.

Real estate development projects that require extensive investment (we have currently stakes in two conserved development projects) remain suspended to minimise risks until the situation in Ukraine stabilises. To secure one of the investments, the Group and its co-owners privatised the land held by the associate V.I. Center TOV and encumbered it with mortgages to secure the loans provided by the Group.

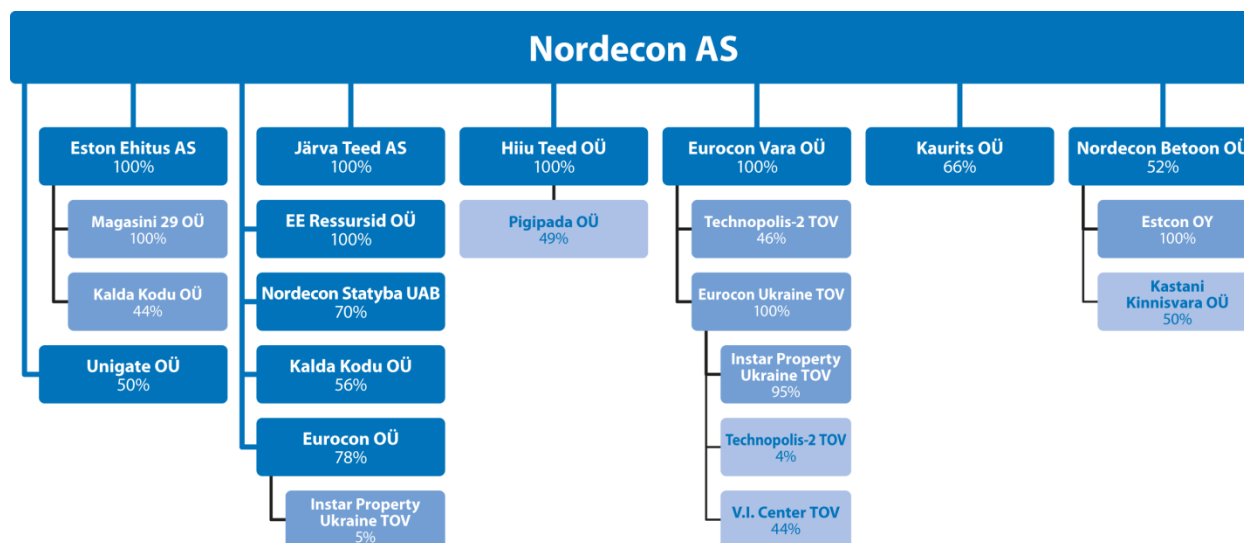
#### Finland

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



## Group structure

The Group's structure at 30 September 2014, including interests in subsidiaries and associates\*



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

### Sepavara OÜ

Substantive proceedings for the liquidation of the Group's Estonian associate Sepavara OÜ in which AS Eston Ehitus had a 50% stake were completed in April 2014. The entity did not conduct any business operations from 2013.

### Eurocon OÜ

In line with the court ruling that took effect on 7 August 2014, Nordecon AS settled the principal claims of Aivar Noormets which amounted to 539 thousand euros and the interest accrued on them. Following the execution of the ruling, Nordecon AS acquired an additional 5.8% stake in Eurocon OÜ in August 2014 and a further 8.2% stake in the entity in September 2014. As at 30 September 2014, Nordecon AS's interest in Eurocon OÜ was 78%. After the reporting date, on 31 October 2014, Nordecon AS acquired an additional 18% stake in Eurocon OÜ, raising its ownership interest to 96%.

### Technopolis-2 TOV

To better manage its business risks, in August 2014 the Group's Ukrainian subsidiary Eurocon Ukraine TOV sold most of its 50% stake in Technopolis-2 TOV, an entity holding a real estate development project, to Eurocon Vara OÜ. The transaction did not change the Group's ownership interest in Technopolis-2 TOV, which remained 50% through Eurocon Vara OÜ's 46% and Eurocon Ukraine TOV's 4%.



## Financial review

### Financial performance

Nordecon group ended the first nine months of 2014 with a gross profit of 8,791 thousand euros (9M 2013: 9,426 thousand euros) and a gross margin of 7.3% (9M 2013: 7.0%). Most of the period's profit was earned in the third quarter when performance was not impacted by adverse weather conditions and the fixed costs of a technological standstill that typically characterise the beginning of the year. In contrast to the previous year, profit was not undermined by loss-making contracts and all segments succeeded in either maintaining or improving their profit margins.

The Group's management has highlighted the expected fall in demand and the ensuing rise in competitive pressure in previous periods already (see also the chapters *Order book*, *Description of the main risks* and *Outlooks of the Group's geographical markets*) and has enforced measures for maintaining and, possibly, improving profitability in a situation where volumes decrease. We are aware that rises in input prices pose a risk for long-term contracts and continue to prioritize a contract's anticipated profitability over revenue growth or retention.

The Group's administrative expenses for the first nine months of 2014 totalled 4,006 thousand euros, 12% up on a year ago (9M 2013: 3,567 thousand euros). The ratio of administrative expenses to revenue (12 months rolling) was 3.4% (9M 2013: 2.8%). Administrative expenses have grown through a rise in payroll expenses and the provisions recognised in the third quarter based on the Group's performance indicators. Our cost-control measures continue to yield strong results – administrative expenses remain below the target ceiling, i.e. 4% of revenue.

Operating profit for the first nine months amounted to 4,379 thousand euros (9M 2013: 5,587 thousand euros) while EBITDA was 5,743 thousand euros (9M 2013: 7,088 thousand euros).

Adverse movements in the euro/hryvna exchange rate gave rise to exchange losses that were significantly larger than those of previous periods. The Ukrainian hryvna weakened by around 33%, which meant that Group entities whose functional currency is the hryvna had to re-measure their euro-denominated liabilities. The Group's exchange losses, which are reported within finance costs, totalled 817 thousand euros (9M 2013: an exchange loss of 43 thousand euros). The same exchange loss gave rise to a positive 721 thousand-euro change in the translation reserve reported in equity (9M 2013: a positive change of 49 thousand euros) and the net effect of the exchange loss on the Group's net assets was 96 thousand euros (9M 2013: a positive net effect of 6 thousand euros).

As a result, the Group's net profit amounted to 3,250 thousand euros (9M 2013: 5,309 thousand euros) of which the profit attributable to owners of the parent, Nordecon AS, was 2,607 thousand euros (9M 2013: 5,137 thousand euros).

### Cash flows

Operating activities for the first nine months of 2014 resulted in a net cash outflow of 5,661 thousand euros (9M 2013: a net outflow of 5,133 thousand euros). In a situation where operating activities generate a profit, negative operating cash flow results primarily from a mismatch between the projects' actual stage of completion (recognised revenue) and the amounts billed to customers. Cash inflow is also reduced by the amounts retained under the terms of construction contracts, which are released when construction activity ends. Retentions extend from 5% to 10% of the volume of a contract, being comparable to the profit margin. In addition, we continue to work on our own housing development projects but the cash flows of such projects are negative until sales commence. Projects completed in the previous year with higher than expected profit margins have also resulted in larger performance bonuses and accompanying tax charges. Operating cash flows continue to be influenced by a mismatch in settlement terms: the ones agreed with customers are long and in the case of public procurement mostly extend from 45 to 56 days while subcontractors generally have to be paid within 21 to 45 days.

Investing activities resulted in a net cash outflow of 992 thousand euros (9M 2013: a net outflow of 286 thousand euros). The largest one-off outflows resulted from a loan of 250 thousand euros to an entity of AS Nordic Contractors group (see note 14), a payment of 180 thousand euros made to purchase the remaining shares in the subsidiary AS Eston Ehitus from the non-controlling shareholders and acquisition of a further stake in Eurocon OÜ for 539 thousand euros (see note 15).





Financing activities resulted in a net cash inflow of 1,785 thousand euros (9M 2013: a net inflow of 4,330 thousand euros). Loan receipts exceeded loan repayments by 4,664 thousand euros compared with 6,483 thousand euros a year ago. The change is mainly attributable to changes in the Group's overdraft balances.

Finance lease payments declined slightly year over year. Dividends distributed in the period totalled 940 thousand euros (9M 2013: 107 thousand euros).

At 30 September 2014, the Group's cash and cash equivalents totalled 7,704 thousand euros (30 September 2013: 9,140 thousand euros). Management's comments on liquidity risks are presented in the chapter *Description of the main risks*.

## Key financial figures and ratios

Figure/ratio	9M 2014	9M 2013	9M 2012	2013
Revenue (EUR'000)	120,936	134,733	117,054	173,651
Revenue change	-10.2%	15.1%	13.4%	8.9%
Net profit (EUR'000)	3,250	5,309	1,988	4,639
Profit attributable to owners of the parent (EUR'000)	2,607	5,137	1,630	4,642
Weighted average number of shares	30,756,728	30,756,728	30,756,728	30,756,728
Earnings per share (EUR)	0.08	0.17	0.05	0.15
Administrative expenses to revenue	3.3%	2.6%	3.4%	2.8%
Administrative expenses to revenue (rolling)	3.4%	2.8%	3.3%	2.8%
EBITDA (EUR'000)	5,743	7,088	3,735	7,639
EBITDA margin	4.7%	5.3%	3.2%	4.4%
Gross margin	7.3%	7.0%	5.1%	6.5%
Operating margin	3.6%	4.1%	1.8%	3.1%
Operating margin excluding gains on sale of real estate	3.5%	4.0%	1.4%	2.9%
Net margin	2.7%	3.9%	1.7%	2.7%
Return on invested capital	6.5%	8.9%	4.6%	9.5%
Return on equity	9.0%	16.1%	6.8%	14.2%
Equity ratio	34.2%	27.0%	25.7%	33.4%
Return on assets	3.0%	4.4%	1.8%	4.3%
Gearing	33.4%	42.8%	41.1%	23.5%
Current ratio	1.05	1.12	1.08	1.02
	<b>30 Sept 2014</b>	<b>30 Sept 2013</b>	<b>30 Sept 2012</b>	<b>31 Dec 2013</b>
Order book (EUR'000)	92,455	85,765	146,070	64,286

Revenue change = (revenue for the reporting period/revenue for the previous period) - 1\*100

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

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

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

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

EBITDA margin = (EBITDA/revenue)\*100

Gross margin = (gross profit/revenue)\*100

Operating margin = (operating profit/revenue)\*100

Operating margin excluding gains on sale of real estate = ((operating profit - gains on sale of non-current assets - gains on sale of real estate)/revenue) \*100

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

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

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

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

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

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

Current ratio = total current assets/ total current liabilities



## Performance by geographical market

In the first nine months of 2014, around 6% of the Group's revenue was generated outside Estonia compared with 2% in the first nine months of 2013.

	9M 2014	9M 2013	9M 2012	2013
Estonia	94%	98%	99%	95%
Finland	4%	2%	1%	5%
Ukraine	2%	0%	0%	0%

Finnish revenues comprise revenue from concrete works performed in the building construction segment. The contribution of the Finnish market has increased year over year through growth in Finnish revenues, which has been amplified by a year over year decrease in the Group's total revenue. The contribution of the Ukrainian market has increased because we started work under a building construction contract. Still, foreign revenues for the year as a whole will probably not prove significantly larger than those of 2013.

Geographical diversification of the revenue base is a consciously deployed strategy by which we mitigate the risks resulting from excessive concentration on a single market. Our strategy foresees increasing foreign operations in the longer term; for further information, see the chapter *Strategic agenda for 2014-2017*. Our vision of the Group's operations in foreign markets is described in the chapter *Outlooks of the Group's geographical markets*.

## Performance by business line

### Segment revenues

The Group strives to maintain the revenues of its operating segments (Buildings and Infrastructure) in balance as this helps disperse risks and provides better opportunities for continuing construction operations in stressed circumstances where one segment may experience shrinkage.

Our revenue for the first nine months of 2014 amounted to 120,936 thousand euros, a 10% decrease from the 134,733 thousand euros generated in the nine months of 2013. A year ago, we were working on three large road construction projects of around 70 million euros whose contribution to the period's revenue was considerable. Also, a year ago the volume of projects supported by the EU structural funds was larger. We drew attention to the fact that the volume of such projects would decline last year already. The revenues of the Buildings segment increased as expected through a rise in both the number and average cost of contracts secured from the private sector.

Consequently, the revenues of our two operating segments, Buildings and Infrastructure, for the first nine months of 2014 amounted to 76,690 thousand euros and 40,951 thousand euros respectively. The corresponding figures for the first nine months of 2013 were 52,294 thousand euros and 79,587 thousand euros (see note 8).

Operating segments*	9M 2014	9M 2013	9M 2012	2013
Buildings	63%	38%	42%	41%
Infrastructure	37%	62%	58%	59%

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

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



### Sub-segment revenues

In the revenue structure of the Buildings segment, the contribution of public buildings has decreased while the contributions of industrial and warehouse facilities and apartment buildings have increased. The contribution of commercial buildings has remained stable. The segment's main revenue contributors were contracts on the construction of commercial buildings in Tallinn (the Stroomi shopping centre, an office building in Ülemiste City and Eesti Loto Maja (a commercial building)) and Narva (an extension to the ASTRI shopping centre). In Pärnu, we started the reconstruction of Estonia Spa. We expect the investment activity of private sector customers to remain robust and the contribution of the sub-segment to remain at a similar or even higher level throughout the year.

In the industrial and warehouse facilities sub-segment there has been a structural shift. In previous years, most of the revenue resulted from agricultural projects undertaken with the EU investment support. To date, the share of EU-supported projects has decreased visibly and the main contributors are warehouse facilities and logistics centres (e.g. the Smarten logistics centre). The work done for companies engaged in heavy industry has increased as well. Estonia's economic growth is slowing but this has not yet had a negative impact on the long-cycle investment plans launched by companies in 2012 and 2013. Accordingly, we expect the revenues of the sub-segment to remain stable.

The competitive situation in the public buildings sub-segment is particularly challenging: it is hard to win a contract without taking excessive risks but our current policy is to avoid such risks. The largest projects of the period were the construction of the Translational Medicine Centre of the University of Tartu, the academic building of the NCO School of the Estonian National Defence College, phase V of St Paul's Church in Tartu and the Võru State Secondary School. The first two were completed by the end of the reporting period. If competition remains fierce, the contribution of the sub-segment is likely to decline.

Our apartment building revenues resulted mostly from general contracting. Major revenue contributors were an apartment building at Piritaa tee 26 and phase I in the construction of the Tondi residential quarter in Tallinn. We have been successful in selling the last apartments in our Tigutorn development project where only one apartment is still for sale. We continue to sell apartment ownerships in phase I and build phase II of our Magasini 29 development project in Tallinn ([www.magasini.ee](http://www.magasini.ee)) and have re-launched real estate development in Tartu where two new buildings with a total of 35 apartments will be completed in Tammelinna by the end of 2014 ([www.tammelinn.ee](http://www.tammelinn.ee)).

Revenue distribution within Buildings segment	9M 2014	9M 2013	9M 2012	2013
Commercial buildings	43%	47%	24%	45%
Industrial and warehouse facilities	37%	29%	28%	29%
Public buildings	6%	20%	44%	21%
Apartment buildings	14%	4%	4%	5%

In the first nine months of 2014, the main revenue source in the Infrastructure segment was road construction. The average cost of the sub-segment's contracts has fallen and operating volumes are not going to rise to the level of 2013 because procurement of large-scale design and construction work has been replaced by smaller-scale reconstruction and repair work. Nevertheless, the contribution of the sub-segment will remain the strongest, partly thanks to road maintenance services delivered under long-term contracts in the Järva and Hiiumaa counties and the Keila maintenance area.

In specialist engineering, a major project was the construction of the Sõpruse bridge boat harbour in Tartu. There is currently no information about any major projects that might require hydraulic engineering work this year. The revenues of the sub-segment may increase through other complex engineering work but relevant revenue flows are likely to be irregular.

The decline in EU support due to the change of budget periods has had a strong impact on our environmental engineering and utility network construction (other engineering) revenues, which have decreased more rapidly than the revenues of other sub-segments. It is likely that the contributions of the two sub-segments will see further contraction because a relatively large portion of their revenue for the first nine months of 2014 resulted from long-term contracts secured in the previous period. Most new contracts are small.

Revenue distribution within Infrastructure segment	9M 2014	9M 2013	9M 2012	2013
Road construction and maintenance	74%	56%	49%	54%
Specialist engineering (including hydraulic engineering)	3%	8%	15%	8%
Other engineering	15%	24%	31%	26%
Environmental engineering	8%	12%	5%	12%



## Order book

At 30 September 2014, our order book (backlog of contracts signed but not yet performed) stood at 92,455 thousand euros, an 8% increase compared with a year ago. Both the Buildings and the Infrastructure segment increased their order books.

The order book of the Infrastructure segment grew by 5% thanks to work secured by the road construction sub-segment. In other sub-segments of the Infrastructure segment order books shrank. The largest decreases occurred in contracts signed for the construction of utility networks (other engineering sub-segment) and environmental engineering as in the last year of the EU 2007-2013 budget period allocations of relevant investment support were expectedly smaller. The backlog of hydraulic engineering work decreased as well.

The order book of the Buildings segment grew by around 9%. The order book of the commercial buildings sub-segment grew substantially, mostly thanks to a rise in private sector investments.

	9M 2014	9M 2013	9M 2012	2013
Order book (EUR'000)	92,455	85,765	146,070	64,286

At the reporting date, contracts secured by the Buildings segment and the Infrastructure segment accounted for 70% and 30% of our order book respectively (30 September 2013: 69% and 31% respectively). The distribution is typical of the past year but radically different from the preceding periods when the figures for the two segments were more or less equal. It is likely that building construction contracts will continue to dominate the order book in the next few years. In the current EU budget period (2014-2020) investments in infrastructure construction, which to date have mostly been made with the support of the EU structural funds, will not be as large as in 2007-2013. In particular, this applies to 2014, which is becoming a switchover year between two budget periods, where most efforts are directed at preparatory administrative activities required for enabling the investments. Hence, we expect the revenues of the Infrastructure segment to decline in 2014 (for further information, see the *Business risks* section of the chapter *Description of the main risks*).

We believe that in a situation where the market is expected to shrink, our priority, at least in the current year, cannot be increasing the Group's revenue or maintaining it at the level of 2013. Instead, the main focus must be on improving profitability. Compared with the end of 2013, our order book has grown by 44%.

Between the reporting date (30 September 2014) and the date of release of this report, Group companies have secured additional construction contracts in the region of 7,939 thousand euros.

## People

### Staff and personnel expenses

In the first nine months of 2014, the Group (the parent and the subsidiaries) employed, on average, 751 people including 364 engineers and technical personnel (ETP). Workforce has decreased compared with a year ago due to shrinkage in operating volumes.

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

	9M 2014	9M 2013	9M 2012	2013
ETP	364	360	372	357
Workers	387	424	417	400
<b>Total average</b>	<b>751</b>	<b>784</b>	<b>789</b>	<b>757</b>

The Group's personnel expenses for the first nine months of 2014 including all taxes totalled 14,357 thousand euros, 6% up on the comparative period when the figure was 13,584 thousand euros. The rise is mostly attributable to an increase in basic salaries as well as payment of project-based performance pay. Personnel expenses (also for the comparative period) include the provisions made in the third quarter for performance bonuses that may be paid based on the Group's performance indicators.



The service fees of the members of the council of Nordecon AS for the first nine months of 2014 amounted to 166 thousand euros and associated social security charges totalled 55 thousand euros (9M 2013: 120 thousand euros and 40 thousand euros respectively).

The service fees of the members of the board of Nordecon AS amounted to 411 thousand euros and associated social security charges totalled 136 thousand euros (9M 2013: 195 thousand euros and 64 thousand euros respectively).

The fees (also for the previous year) include the provisions made in the third quarter for performance bonuses that may be paid based on the Group's performance indicators.

#### Labour productivity and labour cost efficiency

The period's nominal labour productivity declined because revenue decreased and bonus payments made in the context of increased profitability grew. In comparative periods, the proportion of performance bonuses in the Group's personnel expenses was significantly smaller. In addition, basic salaries have increased.

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

	9M 2014	9M 2013	9M 2012	2013
Nominal labour productivity (rolling), (EUR'000)	218.8	231.6	213.0	229.4
Change against the comparative period	-5.5%	8.7%	22.5%	9.9%
Nominal labour cost efficiency (rolling), (EUR'000)	7.5	9.5	10.4	8.4
Change against the comparative period	-21.9%	-8.3%	18.5%	-11.6%

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



## Share and shareholders

### Share information

<b>Name of security</b>	Nordecon AS ordinary share
<b>Issuer</b>	Nordecon AS
<b>ISIN code</b>	EE3100039496
<b>Ticker symbol</b>	NCN1T
<b>Nominal value</b>	No par value*
<b>Total number of securities issued</b>	32,375,483
<b>Number of listed securities</b>	32,375,483
<b>Listing date</b>	18 May 2006
<b>Market</b>	NASDAQ OMX Tallinn, Baltic Main List
<b>Industry</b>	Construction and engineering
<b>Indexes</b>	OMX_Baltic_Benchmark_Cap_GI; OMX_Baltic_Benchmark_Cap_PI OMX_Baltic_Benchmark_GI; OMX_Baltic_Benchmark_PI; OMX_Baltic_GI OMX_Baltic_PI; OMX Tallinn_GI; OMX_Baltic_Industrials_GI; OMX_Baltic_Industrials_PI

\* In connection with Estonia's accession to the euro area on 1 January 2011 and in line with the amendments to the Estonian Commercial Code that took effect on 1 July 2010 as well as a resolution adopted by the annual general meeting of Nordecon AS in May 2011, the company's share capital was converted from 307,567,280 Estonian kroons to 19,657,131.9 euros. Concurrently with the conversion, the company adopted shares without par value.

In July 2014, Nordecon AS issued 1,618,755 new shares with a total cost of 1,581,523.64 euros, increasing its share capital by 1,034,573.01 euros to 20,691,704.91 euros, and acquired the same number of own (treasury) shares for the same price. The total number of issued shares is 32,375,483. The shares have no par value.

Owners of ordinary shares are entitled to dividends as distributed from time to time. Each share carries one vote at the general meeting of Nordecon AS.

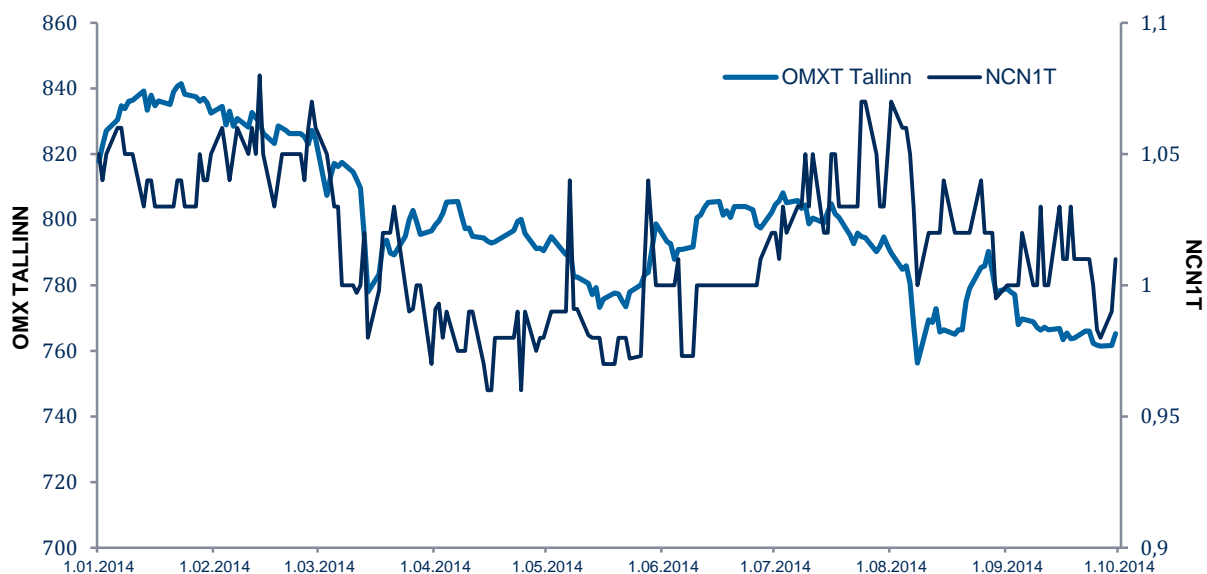
### Movements in the price and turnover of the Nordecon AS share in the first nine months of 2014

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





### Movement of the share price compared with the OMX Tallinn index in the first nine months of 2014



Index/equity	1 January 2014*	30 September 2014	+/-
OMX Tallinn	817.72	765.22	-6.42%
NCN1T	EUR 1.05	EUR 1.01	-1.01%

\* Closing price on the NASDAQ OMX Tallinn Stock Exchange at 31 December 2013

## Summarised trading results

### Share trading history (EUR)

Price	9M 2014	9M 2013	9M 2012
Open	1.05	1.17	0.92
High	1.09	1.29	1.26
Low	0.93	1.00	0.88
Last closing price	1.01	1.07	1.19
Traded volume (number of securities traded)	1,453,387	2,108,144	3,014,331
Turnover, in millions	1.50	2.46	3.29
Listed volume (30 September), in thousands	32,375	30,757	30,757
Market capitalisation (30 September), in millions	32.70	32.91	36.60

## Shareholder structure

### Largest shareholders of Nordecon AS at 30 September 2014

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,507,464	50.99
Lukusjaht AS	3,048,067	9.41
ING Luxembourg S.A.	2,007,949	6.20
SEB Pank AS clients	679,279	2.10
State Street Bank and Trust Omnibus Account A Fund	567,464	1.75
Rondam AS	540,000	1.67
ASM Investments OÜ	519,600	1.60
Ain Tromp	478,960	1.48
SEB Elu- ja pensionikindlustus AS	262,700	0.81
Genadi Bulatov	250,600	0.77



### Shareholder structure of Nordecon AS at 30 September 2014

	Number of shareholders	Ownership interest (%)
Shareholders with interest exceeding 5%	3	66.60
Shareholders with interest between 1% and 5%	5	8.60
Shareholders with interest below 1%	1,777	19.80
Holder of own (treasury) shares	1	5
<b>Total</b>	<b>1,786</b>	<b>100</b>

### Shares controlled by members of the council of Nordecon AS at 30 September 2014

Council member		Number of shares	Ownership interest (%)
Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad)*	Chairman of the Council	16,579,144	51.21
Alar Kroodo (ASM Investments OÜ)	Member of the Council	519,600	1.60
Ain Tromp	Member of the Council	478,960	1.48
Andri Hõbemägi	Member of the Council	50,000	0.15
Tiina Mõis	Member of the Council	0	0.00
Meelis Milder	Member of the Council	0	0.00
<b>Total</b>		<b>17,627,704</b>	<b>54.44</b>

\* Companies controlled by the individual

### Shares controlled by members of the board of Nordecon AS at 30 September 2014

Board member		Number of shares	Ownership interest (%)
Jaano Vink (OÜ Brandhouse)*	Chairman of the Board	37,921	0.12
Avo Ambur	Member of the Board	32,322	0.10
Erkki Suurorg	Member of the Board	0	0.00
<b>Total</b>		<b>70,243</b>	<b>0.22</b>

\* Companies controlled by the individual

### Share option plan

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

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





## Description of the main risks

### Business risks

The main factors, which affect the Group's business volumes and profit margins, are competition in the construction market and changes in the demand for construction services.

Compared with a year ago, competition for public sector contracts has intensified visibly. The volume of public sector investments decreased in 2013 and the prospects of maintaining volumes in 2014 are not good. There is strong competitive pressure on builders' bid prices although input prices mostly continue to climb. Competition is particularly fierce in the building construction segment. We acknowledge the risks inherent in the execution of contracts concluded in an environment of stiff competition. Securing a long-term construction contract at an unreasonably low price in a situation where input prices cannot be lowered noticeably and competition is fierce involves high risk, because the contract may quickly start generating a loss. Thus, in price-setting we currently prioritize profitability over increasing or retaining the revenue figure.

In the next periods, demand for construction services will be driven by public sector investments. In previous years, a major share of investments was made with the assistance of allocations from the EU structural funds that were determined, both in terms of size and timing, by the EU financial framework 2007-2013. In general, the amounts allocated to Estonia under the current EU financial framework (2014-2020) are known (5.9 billion euros) but the volume and schedule of investments involving construction work have not yet been finalised. According to information released to date, the overall volume of construction-related investments is going to decline compared with the previous budget period and 2014 will become a so-called 'gap' year between the two budget periods, where most efforts are directed at preparatory administrative activities required for enabling the investments.

In light of the above, it is likely that in 2014 our business volumes will shrink, particularly in the Infrastructure segment where the proportion of public sector investments has been the largest. Our action plan foresees redirecting our resources (including some of the labour of the Infrastructure segment) to increasing the proportion of contracts secured from the private sector. According to our business model, Nordecon operates in all segments of the construction market. Therefore, we are somewhat better positioned than companies that operate in only one narrow (particularly some infrastructure) segment.

Our primary goal is to maintain profitability even when construction volumes shrink. Thanks to decisions adopted in previous periods, we will not have to undertake any extensive restructuring when construction volumes change.

The Group's business is also influenced by the fact that construction operations are seasonal. The impacts of seasonal fluctuations are the strongest in the Infrastructure segment where a lot of work is done outdoors (road and port construction, earthwork, etc). To disperse the risk, we secure road maintenance contracts that generate year-round business. Our business strategy is to counteract seasonal fluctuations in infrastructure operations with building construction that is less exposed to seasonality. Thus, we endeavour to keep the two segments in balance (see also the chapter *Performance by business line*). In addition, where possible, our companies implement appropriate technical solutions that allow working efficiently even in changeable weather conditions.

### Operational risks

To manage their daily construction risks, Group companies purchase contractors' all risks insurance. Depending on the nature of the project and the requests of the customer, both general frame agreements and special, project-specific contracts are used. In addition, as a rule, subcontractors are required to secure performance of their obligations with a bank guarantee provided to a Group company or the Group retains part of the amount payable until the completion of the contract. To remedy builder-caused deficiencies, which may be detected during the warranty period, Group companies create warranty provisions based on their historical experience. At 30 September 2014, the Group's warranty provisions (including current and non-current ones) totalled 1,096 thousand euros. The comparative figure for a year ago was 998 thousand euros.

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



## Financial risks

### Credit risk

In the period, the Group did not incur any major credit losses. The credit risk exposure of the Group's receivables continued to be low because the share of public sector customers is significant and the customers' settlement behaviour is monitored on an ongoing basis. The main indicator of the realization of credit risk is settlement default that exceeds 180 days coupled with no activity on the part of the debtor that would confirm the intent to settle.

In the first nine months of 2014, impairment losses incurred on receivables amounted to 10 thousand euros (9M 2013: 261 thousand euros).

### Liquidity risk

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

At the reporting date, the Group's current assets exceeded its current liabilities 1.05-fold (30 September 2013: 1.12-fold). Factors influencing the ratio include reclassification of loans provided to the Group's Ukrainian associates to non-current assets and the fact that generally banks do not refinance interest-bearing liabilities for a period exceeding 12 months.

The political situation in Ukraine remains tense and we believe that realization of our Ukrainian investment properties may take longer than originally expected. Accordingly, at the reporting date loan receivables from our Ukrainian associates of 10,632 thousand euros were classified as non-current assets.

Interest-bearing liabilities account for a significant proportion of our current liabilities. In accordance with IFRS EU, loan commitments have to be classified into current and non-current liabilities based on the contractual conditions effective at the reporting date. To date, banks have refinanced the Group's liabilities for periods not exceeding 12 months, which is why a substantial portion of loans are classified as current liabilities although it is probable that some borrowings (particularly overdraft facilities) will be refinanced again when the 12 months have passed.

At the reporting date, the Group's cash and cash equivalents totalled 7,704 thousand euros (30 September 2013: 9,140 thousand euros).

### Interest rate risk

The Group's interest-bearing liabilities to banks have both fixed and floating interest rates. Finance lease liabilities have mainly floating interest rates. The base rate for most floating-rate contracts is EURIBOR. At 30 September 2014, the Group's interest-bearing loans and borrowings totalled 30,372 thousand euros, a decrease of 12,156 thousand euros year over year. An important factor that contributed to the decrease was a decline in factoring. Interest expense for the period amounted to 762 thousand euros, 21 thousand euros down from a year ago.

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

### Currency risk

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

At the beginning of 2014, the political and economic environment in Ukraine became strained due to the conflict between Ukraine and Russia, which caused the exchange rate of the hryvna to tumble. Although in the third quarter the fall began to slow, by the reporting date the hryvna had weakened against the euro by around 33%. For the Group's Ukrainian subsidiaries, this meant additional exchange losses on the translation of their euro-denominated loan commitments into the local currency. Relevant exchange losses totalled 817 thousand euros (9M 2013: an exchange loss of 43 thousand euros).



Exchange gains and losses on financial instruments are reported within *Finance income* and *Finance costs* in the statement of comprehensive income. Translation of receivables and liabilities related to operating activities did not give rise to any exchange gains or losses.

The reciprocal receivables and liabilities of the Group's Ukrainian and non-Ukrainian entities (items connected with the construction business that are denominated in hryvnas) do not give rise to any material exchange losses. Nor do the loans provided to the Group's Ukrainian associates in euros give rise to exchange losses that ought to be recognised in the Group's financial statements.

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



## Outlooks of the Group's geographical markets

### Estonia

#### Processes and developments characterising the Estonian construction market

- In 2014 public sector investment will decrease in connection with the change of the EU budget periods because implementation of measures requires time. Although during the 2014-2020 financial framework allocations to Estonia will increase to 5.9 billion euros (2007-2013: 4.6 billion euros), support payments from the structural funds that influence the construction market will not increase significantly. Instead, compared with the previous budget period, there will be an increase in allocations to projects not related to tangible assets.

Investments made by the largest public sector customers (state-owned real estate company Riigi Kinnisvara AS and the National Road Administration), which will reach the stage of conclusion of a construction contract in 2014 will either not increase significantly or may even decrease. As a result, the Estonian construction market (particularly segments related to infrastructure construction) will shrink. The situation will be somewhat alleviated by private customers' increasing investment in building construction.

- The construction market will see further consolidation, particularly in the field of general contracting in building construction where the number of medium-sized operators (annual turnover of around 15-40 million euros) is still too large, but the process will be slower than expected. Based on the past three years' experience it is likely that stiff competition and insufficient demand will induce some general contractors to go slowly out of business or shrink in size rather than merge with another or exit the market. However, it is also increasingly common that two to four smaller players that are seeking ways to remain in business will form a consortium to bid for major procurement contracts, meet tendering terms and secure the required funding.
- Competition will increase in all segments of the construction market. We see a rise in the average number of bidders for a contract and there is already a notable gap between the lowest bids made by the winners and the average bids. The situation is somewhat similar to 2009 when anticipation of a fall in demand caused a rapid decline in construction prices, which triggered a slide in the prices of many construction inputs. However, there are currently no massive decreases in input prices and companies that are banking on this in the bidding phase may run into difficulty. Construction prices and thus also profit margins are under strong competitive pressure.
- In new housing development, the success of a project depends on the developer's ability to control the input prices included in the business plan and thus to set an affordable sales price. Although the overall situation is improving steadily, the offering of new residential real estate cannot be increased dramatically because the prices of new apartments are relatively high compared with the standard of living and the banks' lending terms remain strict. Similarly to previous periods, successful projects include those that create or fill a niche.
- The contracts signed with public sector customers continue to impose tough conditions on construction companies: extensive obligations, strict sanctions, various financial guarantees, long settlement terms, etc. Contractors cannot implement more optimal solutions identified in the construction phase that would reduce the construction or operating costs of the asset without sanctions because procurement terms do not allow this. In a situation where public procurement is based on underbidding, the above factors increase the risks of all market participants. Still, compared to two or three years ago, the situation has improved and in some respects procurement terms have become more reasonable for construction companies.
- The prices of construction inputs will remain relatively stable. In the short term, weakening demand may lower local subcontracting prices. However, taking into account the subcontractors' financial and human resources, the decline cannot be substantial or long-lasting. In some areas, price fluctuations are unpredictable and, thus, notably greater and hard or even impossible to influence (oil and metal products, certain materials and equipment).
- Shortage of skilled labour (including project and site managers) will persist. This will undermine not so much the companies' performance capabilities as the quality of carrying out the construction process, i.e. delivering the service. Shrinkage in construction volumes in Estonia may increase labour supply but not substantially. Labour migration to the Nordic countries will remain steady and although those markets (particularly the Finnish one) may also shrink, the number of job seekers that will return will not increase considerably. Accordingly, the basic wage of construction-sector employees will not decrease. Instead, the rise in the cost of living is creating pressure for a wage increase.



## Latvia and Lithuania

In our opinion, the Latvian construction market, which was hit by a severe downturn a few years ago, has not regained sufficient stability and similarly to the Estonian market in 2014 it will probably see shrinkage in public sector demand. Accordingly, it is unlikely that we will enter the Latvian construction market permanently in 2014.

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

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

## Ukraine

The Group prefers to operate in Ukraine as a general contractor and project manager that serves foreign private sector customers in the segment of building construction. Even though the political situation in Ukraine shows signs of improvement, it continues to restrict adoption of business decisions by construction market participants. Regardless of this, we will continue our business in Ukraine in 2014 and our current Ukrainian order book is significantly larger than in the comparative period. We continue to monitor the situation in the Ukrainian construction market closely and will restructure our operations as appropriate. We also continue to seek opportunities for exiting our two conserved real estate projects or signing a construction contract with a potential new owner.

## Finland


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

## Management's confirmation and signatures

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

Jaano Vink	Chairman of the Board		6 November 2014
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Avo Ambur	Member of the Board		6 November 2014
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Erkki Suurorg	Member of the Board		6 November 2014
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## Condensed consolidated interim financial statements

### Condensed consolidated interim statement of financial position

EUR'000	Note	30 September 2014	31 December 2013
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		7,704	12,575
Trade and other receivables	2	34,652	28,101
Prepayments		1,429	1,923
Inventories	3	26,346	23,785
<b>Total current assets</b>		<b>70,131</b>	<b>66,384</b>
<b>Non-current assets</b>			
Investments in equity-accounted investees		771	566
Other investments		26	26
Trade and other receivables	2	11,253	10,645
Investment property		3,560	3,549
Property, plant and equipment	4	9,033	9,030
Intangible assets	4	14,590	14,494
<b>Total non-current assets</b>		<b>39,233</b>	<b>38,310</b>
<b>TOTAL ASSETS</b>		<b>109,364</b>	<b>104,694</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Loans and borrowings	5, 6	26,396	23,875
Trade payables		30,252	26,372
Other payables		6,539	7,982
Deferred income		3,053	6,102
Provisions		508	913
<b>Total current liabilities</b>		<b>66,748</b>	<b>65,244</b>
<b>Non-current liabilities</b>			
Loans and borrowings	5, 6	3,976	3,303
Trade payables		155	156
Other payables		96	96
Provisions		969	969
<b>Total non-current liabilities</b>		<b>5,196</b>	<b>4,524</b>
<b>TOTAL LIABILITIES</b>		<b>71,944</b>	<b>69,768</b>
<b>EQUITY</b>			
Share capital		20,692	19,657
Treasury shares		-1,582	0
Share premium		547	0
Statutory capital reserve		2,554	2,554
Other reserves		20	0
Translation reserve		423	-298
Retained earnings		12,365	10,681
<b>Total equity attributable to owners of the parent</b>		<b>35,019</b>	<b>32,594</b>
<b>Non-controlling interests</b>		<b>2,401</b>	<b>2,332</b>
<b>TOTAL EQUITY</b>		<b>37,420</b>	<b>34,926</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>109,364</b>	<b>104,694</b>



## Condensed consolidated interim statement of comprehensive income

EUR'000	Note	Q3 2014	Q3 2013	9M 2014	9M 2013	2013
Revenue	8, 9	53,492	59,236	120,936	134,733	173,651
Cost of sales	10	-48,913	-53,083	-112,145	-125,307	-162,342
<b>Gross profit</b>		<b>4,579</b>	<b>6,153</b>	<b>8,791</b>	<b>9,426</b>	<b>11,309</b>
Marketing and distribution expenses		-76	-142	-420	-281	-452
Administrative expenses	11	-1,535	-1,240	-4,006	-3,567	-4,922
Other operating income	12	129	154	270	360	464
Other operating expenses	12	-225	-292	-256	-351	-1,096
<b>Operating profit</b>		<b>2,872</b>	<b>4,633</b>	<b>4,379</b>	<b>5,587</b>	<b>5,303</b>
Finance income	13	160	124	486	507	668
Finance costs	13	-359	-329	-1,581	-887	-1,027
<b>Net finance costs</b>		<b>-199</b>	<b>-205</b>	<b>-1,095</b>	<b>-380</b>	<b>-359</b>
Share of profit/loss of equity-accounted investees		186	120	208	197	-170
<b>Profit before income tax</b>		<b>2,859</b>	<b>4,548</b>	<b>3,492</b>	<b>5,404</b>	<b>4,774</b>
Income tax expense		-63	-51	-242	-95	-135
<b>Profit for the period</b>		<b>2,796</b>	<b>4,497</b>	<b>3,250</b>	<b>5,309</b>	<b>4,639</b>
<b>Other comprehensive income</b>						
<b>Items that may be reclassified subsequently to profit or loss</b>						
Exchange differences on translating foreign operations		-89	82	721	49	106
<b>Total other comprehensive income/expense</b>		<b>-89</b>	<b>82</b>	<b>721</b>	<b>49</b>	<b>106</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>2,707</b>	<b>4,579</b>	<b>3,971</b>	<b>5,358</b>	<b>4,745</b>
<b>Profit attributable to:</b>						
- Owners of the parent		2,386	4,409	2,607	5,137	4,642
- Non-controlling interests		410	88	643	172	-3
<b>Profit for the period</b>		<b>2,796</b>	<b>4,497</b>	<b>3,250</b>	<b>5,309</b>	<b>4,639</b>
<b>Total comprehensive income attributable to:</b>						
- Owners of the parent		2,297	4,491	3,328	5,186	4,748
- Non-controlling interests		410	88	643	172	-3
<b>Total comprehensive income for the period</b>		<b>2,707</b>	<b>4,579</b>	<b>3,971</b>	<b>5,358</b>	<b>4,745</b>
<b>Earnings per share attributable to owners of the parent:</b>						
Basic earnings per share (EUR)	7	0.08	0.14	0.08	0.17	0.15
Diluted earnings per share (EUR)	7	0.08	0.14	0.08	0.17	0.15



## Condensed consolidated interim statement of cash flows

EUR'000	Note	9M 2014	9M 2013
<b>Cash flows from operating activities</b>			
Cash receipts from customers <sup>1</sup>		131,291	136,517
Cash paid to suppliers <sup>2</sup>		-118,250	-125,826
VAT paid		-3,907	-2,419
Cash paid to and for employees		-14,618	-13,403
Income tax paid		-177	-2
<b>Net cash used in operating activities</b>		<b>-5,661</b>	<b>-5,133</b>
<b>Cash flows from investing activities</b>			
Paid on acquisition of property, plant and equipment		-284	-315
Paid on acquisition of intangible assets		-14	0
Proceeds from sale of property, plant and equipment	4	185	191
Acquisition of a subsidiary		-719	0
Acquisition of investments in associates		0	-350
Cash from liquidation of investments in associates		1	0
Loans provided		-275	-377
Repayment of loans provided		106	202
Dividends received		4	4
Interest received		4	359
<b>Net cash used in investing activities</b>		<b>-992</b>	<b>-286</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans received		10,551	10,243
Repayment of loans received		-5,887	-3,760
Payment of finance lease liabilities		-1,110	-1,310
Interest paid		-654	-736
Dividends paid		-940	-107
Other payments made		-175	0
<b>Net cash from financing activities</b>		<b>1,785</b>	<b>4,330</b>
<b>Net cash flow</b>		<b>-4,868</b>	<b>-1,089</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>12,575</b>	<b>10,231</b>
Effect of exchange rate fluctuations on cash and cash equivalents		-3	-2
Decrease in cash and cash equivalents		-4,868	-1,089
<b>Cash and cash equivalents at end of period</b>		<b>7,704</b>	<b>9,140</b>

<sup>1</sup> Line item *Cash receipts from customers* includes VAT paid by customers.

<sup>2</sup> Line item *Cash paid to suppliers* includes VAT paid.





## Condensed consolidated interim statement of changes in equity

EUR'000	Equity attributable to owners of the parent								Non-controlling interests	Total
	Share capital	Treasury shares	Capital reserve	Share premium	Other reserves	Translation reserve	Retained earnings	Total		
<b>Balance at 31 December 2012</b>	<b>19,657</b>	<b>0</b>	<b>2,554</b>	<b>0</b>	<b>0</b>	<b>-404</b>	<b>6,039</b>	<b>27,846</b>	<b>2,456</b>	<b>30,302</b>
Profit for the period	0	0	0	0	0	0	5,137	5,137	172	5,309
Other comprehensive income	0	0	0	0	0	49	0	49	0	49
Dividend distribution	0	0	0	0	0	0	0	0	-121	-121
<b>Balance at 30 September 2013</b>	<b>19,657</b>	<b>0</b>	<b>2,554</b>	<b>0</b>	<b>0</b>	<b>-355</b>	<b>11,176</b>	<b>33,032</b>	<b>2,507</b>	<b>35,539</b>
<b>Balance at 31 December 2013</b>	<b>19,657</b>	<b>0</b>	<b>2,554</b>	<b>0</b>	<b>0</b>	<b>-298</b>	<b>10,681</b>	<b>32,594</b>	<b>2,332</b>	<b>34,926</b>
Increase of share capital	1,035	-1,582	0	547	0	0	0	0	0	0
Profit for the period	0	0	0	0	0	0	2,607	2,607	643	3,250
Other comprehensive income	0	0	0	0	0	721	0	721	0	721
Transfer to other reserves	0	0	0	0	20	0	0	20	0	20
Change in non-controlling interests	0	0	0	0	0	0	0	0	-493	-493
Dividend distribution	0	0	0	0	0	0	-923	-923	-81	-1,004
<b>Balance at 30 September 2014</b>	<b>20,692</b>	<b>-1,582</b>	<b>2,554</b>	<b>547</b>	<b>20</b>	<b>423</b>	<b>12,365</b>	<b>35,019</b>	<b>2,401</b>	<b>37,420</b>



## Notes to the condensed consolidated interim financial statements

### NOTE 1. Significant accounting policies

Nordecon AS is a company incorporated and domiciled in Estonia. The address of the company's registered office is Pärnu mnt 158/1, Tallinn 11317, Estonia. The company's ultimate controlling shareholder is AS Nordic Contractors that holds 50.99% of the shares in Nordecon AS. The Nordecon AS shares have been listed on the NASDAQ OMX Tallinn Stock Exchange since 18 May 2006.

The condensed consolidated interim financial statements as at and for the period ended 30 September 2014 have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. The condensed interim financial statements do not contain all the information presented in the annual financial statements and should be read in conjunction with the Group's latest published annual financial statements as at and for the year ended 31 December 2013.

The Group has not changed its significant accounting policies compared with the consolidated financial statements as at and for the year ended 31 December 2013. The effect of any new and revised standards that have taken effect is described in the notes to the interim financial statements.

#### Share-based payments

The option agreements signed with the Group's key personnel are accounted for as consideration provided in the form of equity instruments for services rendered to the Group. Owing to the difficulty of measuring directly the fair value of services received by the Group, the fair value of services received from the Group's key personnel is measured by reference to the fair value of the equity instruments granted at grant date. The cost of equity-settled share-based payment transactions is recognised as an expense and a corresponding increase in equity over the periods in which the employee renders the services until the vesting date. At each reporting date, the Group recognises expenses from share-based payment transactions based on an estimate of the number of equity instruments expected to vest. Any change in the cumulatively calculated consideration since the beginning of the reporting period is recognised as an expense or income in the statement of comprehensive income, as appropriate. The grant of share options is conditional upon the member of the key personnel remaining in the Group's employ until the vesting date and the satisfaction of certain performance conditions.

The fair value of the share option plan designed for the Group's key personnel is measured by independent appraisers. The fair value of the share options and the rights arising from the share appreciation (increase in the share price) is measured using the Bermuda model. The pricing inputs used include: the current price of the underlying shares at the measurement date, the exercise price of the option, the expected volatility of the share price, the life of the option, the risk-free interest rate and the dividends expected on the shares.

According to management's assessment, the condensed consolidated interim financial statements of Nordecon AS for the third quarter and nine months of 2014 give a true and fair view of the Group's financial performance and the parent and all its subsidiaries that are included in the financial statements are going concerns. The condensed consolidated interim financial statements have not been audited or otherwise checked by auditors and contain only the consolidated financial statements of the Group.

### NOTE 2. Trade and other receivables

EUR'000	Note	30 September 2014	31 December 2013
<b>Current portion</b>			
Trade receivables		21,529	17,255
Retentions receivable		640	3,541
Receivables from related parties		96	138
Loans to related parties	14	1,898	1,786
Miscellaneous receivables		1,702	1,733
<b>Total receivables and loans provided</b>		<b>25,865</b>	<b>24,453</b>
Due from customers for contract work		8,787	3,648
<b>Total trade and other receivables</b>		<b>34,652</b>	<b>28,101</b>



EUR'000	Note	30 September 2014	31 December 2013
<b>Non-current portion</b>			
Loans to related parties	14	10,883	10,267
Receivables from related parties		61	61
Miscellaneous long-term receivables		309	317
<b>Total trade and other receivables</b>		<b>11,253</b>	<b>10,645</b>

### NOTE 3. Inventories

EUR'000	30 September 2014	31 December 2013
Raw materials and consumables	3,810	3,623
Work in progress	8,148	5,061
Goods for resale and properties held for development	13,918	14,223
Finished goods	470	878
<b>Total inventories</b>	<b>26,346</b>	<b>23,785</b>

### NOTE 4. Property, plant and equipment and intangible assets

#### Property, plant and equipment

In the first nine months of 2014, the Group did not conduct any significant transactions with items of property, plant and equipment. The period's additions totalled 1,342 thousand euros and consisted of equipment and construction machinery acquired for the Group's operating activities.

Proceeds from sale of property, plant and equipment totalled 185 thousand euros (see the statement of cash flows) and sales gain on the transactions amounted to 194 thousand euros (note 12).

#### Intangible assets

In the first nine months of 2014, goodwill increased by 93 thousand euros in connection with the purchase of shares in AS Eston Ehitus from the non-controlling shareholders (note 15). There were no other significant transactions with intangible assets.

### NOTE 5. Finance and operating leases

EUR'000	30 September 2014	31 December 2013
<b>Finance lease liabilities at end of reporting period</b>	<b>3,962</b>	<b>3,834</b>
Of which payable in less than 1 year	1,147	1,076
Of which payable between 1 and 5 years	2,815	2,758
Base currency EUR	3,962	3,834
Interest rates of contracts denominated in EUR <sup>1</sup>	2.0%-5.2%	2.0%-5.2%
Periodicity of payments	Monthly	Monthly

<sup>1</sup> Includes leases with floating interest rates

#### Finance lease payments made

EUR'000	9M 2014	9M 2013
Principal payments made during the period	1,110	1,310
Interest payments made during the period	100	110

#### Operating lease payments made

EUR'000	9M 2014	9M 2013
Payments made for cars	488	490
Payments made for construction equipment	1,990	1,383
Payments made for premises	456	447
Payments made for software	199	201
<b>Total operating lease payments made</b>	<b>3,133</b>	<b>2,521</b>



## NOTE 6. Loans and borrowings

### Short-term loans and borrowings

EUR'000	Note	30 September 2014	31 December 2013
Current portion of long-term loans		8,470	8,575
Current portion of finance lease liabilities	5	1,147	1,076
Short-term bank loans		15,031	10,849
Factoring liabilities		1,748	3,375
<b>Total short-term loans and borrowings</b>		<b>26,396</b>	<b>23,875</b>

### Long-term loans and borrowings

EUR'000	Note	30 September 2014	31 December 2013
Long-term bank loans		1,161	545
Finance lease liabilities	5	2,815	2,758
<b>Total long-term loans and borrowings</b>		<b>3,976</b>	<b>3,303</b>

## NOTE 7. Earnings per share

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

EUR'000	9M 2014	9M 2013
Profit for the period attributable to owners of the parent	2,607	5,137
Weighted average number of shares (in thousands)	30,757	30,757
Basic earnings per share (EUR)	0.08	0.17
Diluted earnings per share (EUR)	0.08	0.17

During the period, Nordecon AS had no dilutive share options. Thus, diluted earnings per share equal basic earnings per share.

## NOTE 8. Segment reporting – operating segments

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

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

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

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

### Preparation of segment reporting

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

The chief operating decision maker assesses the performance of an operating segment and the utilisation of the resources allocated to it through the profit generated by the segment. The profit of an operating segment is its gross profit that does not include any major exceptional expenditures (such as non-recurring asset write-downs).



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

## 9 months

EUR'000 9M 2014	Buildings EU	Buildings UKR	Infrastructure EU	Other segments	Total
Total revenue	74,617	2,119	41,321	4,396	122,453
Inter-segment revenue	-46	0	-370	-1,850	-2,266
<b>Revenue from external customers</b>	<b>74,571</b>	<b>2,119</b>	<b>40,951</b>	<b>2,546</b>	<b>120,187</b>
<b>Gross profit of the segment</b>	<b>6,240</b>	<b>62</b>	<b>3,188</b>	<b>215</b>	<b>9,705</b>

EUR'000 9M 2013	Buildings EU	Buildings UKR	Infrastructure EU	Other segments	Total
Total revenue	52,202	139	79,992	3,366	135,699
Inter-segment revenue	0	-47	-405	-1,600	-2,052
<b>Revenue from external customers</b>	<b>52,202</b>	<b>92</b>	<b>79,587</b>	<b>1,766</b>	<b>133,647</b>
<b>Gross profit of the segment</b>	<b>3,926</b>	<b>37</b>	<b>5,644</b>	<b>420</b>	<b>10,027</b>

## Third quarter

EUR'000 Q3 2014	Buildings EU	Buildings UKR	Infrastructure EU	Other segments	Total
Total revenue	27,629	1,274	23,129	1,856	53,888
Inter-segment revenue	-39	0	-114	-655	-808
<b>Revenue from external customers</b>	<b>27,590</b>	<b>1,274</b>	<b>23,015</b>	<b>1,201</b>	<b>53,080</b>
<b>Gross profit of the segment</b>	<b>2,229</b>	<b>24</b>	<b>2,302</b>	<b>272</b>	<b>4,827</b>

EUR'000 Q3 2013	Buildings EU	Buildings UKR	Infrastructure EU	Other segments	Total
Total revenue	21,409	89	36,988	1,306	59,792
Inter-segment revenue	0	0	-396	-579	-975
<b>Revenue from external customers</b>	<b>21,049</b>	<b>89</b>	<b>36,592</b>	<b>727</b>	<b>58,817</b>
<b>Gross profit of the segment</b>	<b>1,591</b>	<b>4</b>	<b>4,490</b>	<b>289</b>	<b>6,374</b>

## Reconciliation of segment revenues

EUR'000	9M 2014	Q3 2014	9M 2013	Q3 2013
Total revenues for reportable segments	118,057	52,033	132,333	58,486
Revenue for other segments	4,396	1,856	3,366	1,306
Elimination of inter-segment revenues	-2,266	-808	-2,052	-975
Unallocated revenue	749	412	1,086	419
<b>Total consolidated revenue</b>	<b>120,936</b>	<b>53,492</b>	<b>134,733</b>	<b>59,236</b>



## Reconciliation of segment profit

EUR'000	9M 2014	Q3 2014	9M 2013	Q3 2013
Total profit for reportable segments	9,490	4,555	9,607	6,085
Total profit for other segments	215	272	420	289
Elimination of inter-segment profits and losses	-12	-4	-7	2
Unallocated profits and losses	-902	-244	-594	-223
<b>Consolidated gross profit</b>	<b>8,791</b>	<b>4,579</b>	<b>9,426</b>	<b>6,153</b>
Unallocated expenses:				
Marketing and distribution expenses	-420	-76	-281	-142
Administrative expenses	-4,006	-1,535	-3,567	-1,240
Other operating income and expenses	14	-96	9	-138
<b>Consolidated operating profit</b>	<b>4,379</b>	<b>2,872</b>	<b>5,587</b>	<b>4,633</b>
Finance income	486	160	507	124
Finance costs	-1,581	-359	-887	-329
Share of profit of equity-accounted investees	208	186	197	120
<b>Consolidated profit before tax</b>	<b>3,492</b>	<b>2,859</b>	<b>5,404</b>	<b>4,548</b>

## NOTE 9. Segment reporting – geographical information

EUR'000	9M 2014	Q3 2014	9M 2013	Q3 2013
Estonia	113,971	51,537	131,578	57,530
Ukraine	2,119	1,274	139	89
Finland	5,070	897	3,066	1,618
Inter-segment eliminations	-224	-216	-50	-1
<b>Total revenue</b>	<b>120,936</b>	<b>53,492</b>	<b>134,733</b>	<b>59,236</b>

## NOTE 10. Cost of sales

EUR'000	9M 2014	9M 2013
Cost of materials, goods and services used	98,669	112,016
Personnel expenses	12,022	11,786
Depreciation and amortisation expense	1,340	1,379
Other expenses	114	126
<b>Total cost of sales</b>	<b>112,145</b>	<b>125,307</b>

## NOTE 11. Administrative expenses

EUR'000	9M 2014	9M 2013
Personnel expenses	2,335	1,798
Cost of materials, goods and services used	1,574	1,539
Depreciation and amortisation expense	12	122
Other expenses	85	108
<b>Total administrative expenses</b>	<b>4,006</b>	<b>3,567</b>

## NOTE 12. Other operating income and expenses

EUR'000	9M 2014	9M 2013
<b>Other operating income</b>		
Gain on sale of property, plant and equipment	194	204
Other income	76	156
<b>Total other operating income</b>	<b>270</b>	<b>360</b>



EUR'000	9M 2014	9M 2013
<b>Other operating expenses</b>		
Loss on disposal of property, plant and equipment	1	15
Impairment loss on goodwill	128	0
Foreign exchange loss	0	1
Net loss on recognition and reversal of impairment losses on receivables	10	261
Other expenses	117	74
<b>Total other operating expenses</b>	<b>256</b>	<b>351</b>

## NOTE 13. Finance income and costs

EUR'000	9M 2014	9M 2013
<b>Finance income</b>		
Interest income on loans	476	469
Foreign exchange gain	0	36
Other finance income	10	2
<b>Total finance income</b>	<b>486</b>	<b>507</b>

EUR'000	9M 2014	9M 2013
<b>Finance costs</b>		
Interest expense	762	783
Foreign exchange loss	817	79
Other finance costs	2	25
<b>Total finance costs</b>	<b>1,581</b>	<b>887</b>

## NOTE 14. Transactions with related parties

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

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

### Purchase and sales transactions conducted with related parties during the period

EUR'000 Counterparty	9M 2014		9M 2013	
	Purchases	Sales	Purchases	Sales
AS Nordic Contractors	253	0	256	0
Companies of AS Nordic Contractors group	2	5	5	689
Associates	1,500	17	1,140	23
Companies related to members of the council	44	0	40	0
<b>Total</b>	<b>1,799</b>	<b>22</b>	<b>1,441</b>	<b>712</b>

EUR'000 Nature of transactions performed	9M 2014		9M 2013	
	Purchases	Sales	Purchases	Sales
Construction services	1,500	0	1,143	685
Lease and other services	299	22	298	27
<b>Total</b>	<b>1,799</b>	<b>22</b>	<b>1,441</b>	<b>712</b>



During the reporting period, the Group gave a company of AS Nordic Contractors group a loan of 250 thousand euros (9M 2013: nil euros). In the period, the Group recognised interest income on loans to associates of 367 thousand euros (9M 2013: 381 thousand euros), on loans to joint ventures of 85 thousand euros (9M 2013: 84 thousand euros) and on a loan to a company of AS Nordic Contractors group of 5 thousand euros (9M 2013: nil euros).

#### Receivables from and liabilities to related parties

EUR'000	30 September 2014		31 December 2013	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	0	13	0	9
Companies of AS Nordic Contractors group – receivables	63	0	63	0
Companies of AS Nordic Contractors group – loans and interest	253	0	0	0
Associates - receivables	94	147	137	167
Associates – loans and interest	10,760	0	10,385	0
Joint ventures – loans and interest	1,768	0	1,668	0
<b>Total</b>	<b>12,938</b>	<b>160</b>	<b>12,253</b>	<b>176</b>

#### Remuneration of the council and the board

The service fees of the members of the council of Nordecon AS for the first nine months of 2014 amounted to 166 thousand euros and associated social security charges totalled 55 thousand euros (9M 2013: 120 thousand euros and 40 thousand euros respectively). The fees (also for 2013) include the provisions made in the third quarter for performance bonuses that may be paid based on the Group's performance indicators.

The service fees of the members of the board of Nordecon AS for the first nine months of 2014 amounted to 411 thousand euros and associated social security charges totalled 136 thousand euros (9M 2013: 195 thousand euros and 64 thousand euros respectively). The fees (also for 2013) include the provisions made in the third quarter for performance bonuses that may be paid based on the Group's performance indicators.

#### NOTE 15. Transactions with shares in subsidiaries

In January 2014, Nordecon AS acquired from the non-controlling owners 228 shares, i.e. a further 2.3% stake, in AS Eston Ehitus and became the subsidiary's sole owner. The transaction was performed because the obligation to purchase the remainder of the shares, assumed by Nordecon AS under the agreement on the purchase of the majority stake in AS Eston Ehitus in 2007, fell due.

Through the transaction, the Group also became the sole shareholder in the subsidiaries Kalda Kodu OÜ and Magasini 29 OÜ.

#### Cost of the transaction and goodwill acquired

	EUR'000
Cost of interest acquired	180
Fair value of net assets acquired	87
<b>Goodwill</b>	<b>93</b>

The goodwill of 93 thousand euros was recognised in the statement of financial position and has not been written down.





In September 2014, Nordecon AS acquired from the non-controlling owners additional shares in Eurocon OÜ, which accounted for 14% of share capital, raising its ownership interest in Eurocon OÜ to 78%.

#### Cost of the transaction and goodwill acquired

	EUR'000
Cost of interest acquired	539
Fair value of net assets acquired	411
<b>Goodwill</b>	<b>128</b>

The goodwill of 128 thousand euros was written down and the impairment loss is reported within other operating expenses in the statement of comprehensive income.

#### NOTE 16. Share-based payments

The annual general meeting that convened in May 2014 approved a share option plan aimed at motivating the executive management of Nordecon AS by including them among the Company's shareholders in order to ensure consistency in the company's management and improvement of the company's performance, and to enable the company's executive management to benefit from their contribution to growth in the value of the company's share. The numbers of shares that may be subscribed for under the share option agreements signed with the members of the Group's executive management differ by person.

A person eligible to the option plan may exercise an option when three years have passed since the signature of the option agreement but not before the company's general meeting has approved the company's annual report for 2016 in accordance with the procedure specified in the option agreement and the terms and conditions of the option plan as approved by the general meeting of Nordecon AS. Eligible persons may not transfer the share options granted to them. In the case of members of the company's board, exercise of the options is linked to achievement of the Group's EBITDA target for 2016 (from 4,491 thousand euros to 11,228 thousand euros).

Under the share option plan, Nordecon AS has granted options for acquiring a total of 1,618,755 ordinary shares in Nordecon AS.

The share capital of Nordecon AS was increased by 1,035 thousand euros by issuing 1,618,755 new shares without par value. The new shares were issued at a premium of 547 thousand euros. The issue price of the shares was 0.977 euros per share.

At the grant date, the fair value of the share options was measured using the Bermuda model. The pricing inputs that were taken into account included: the current price of the underlying shares at the measuring date (1 euro), the exercise price of the option (0.977 euros), the expected volatility of the share price (30%), the life of the option (37 months), the risk-free interest rate (0.323%) and the dividends expected on the shares.

During the period, the Group recognised 20 thousand euros (2013: nil euros) within personnel expenses and a reserve in equity.

#### NOTE 17. Events after the reporting period

After the reporting period, on 31 October 2014, Nordecon AS acquired an additional 18% stake in Eurocon OÜ, raising its ownership interest to 96%.



## Statements and signatures

### Statement of management's responsibility

The board of Nordecon AS acknowledges its responsibility for the preparation of the Group's condensed consolidated interim financial statements for the third quarter and nine months of 2014 and confirms that:

- the policies applied on the preparation of the consolidated interim financial statements comply with International Financial Reporting Standards as adopted by the European Union (IFRS EU);
- the consolidated interim financial statements, which have been prepared in accordance with effective financial reporting standards, give a true and fair view of the assets and liabilities, the financial position, the financial performance, and the cash flows of the Group consisting of the parent company and other consolidated entities.

Jaano Vink

Chairman of the Board

6 November 2014

Avo Ambur

Member of the Board

6 November 2014

Erkki Suurorg

Member of the Board

6 November 2014