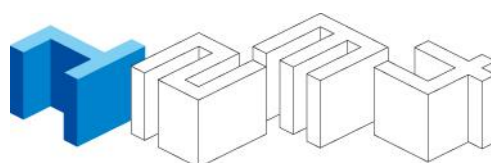




**Financial report for the first quarter
of 2015**
(unaudited)





Financial report for the first quarter of 2015 (unaudited)

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



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About the Group

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

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

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

Besides Estonia, Group entities 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 core business was conducted by the parent, Nordecon AS, which continued to act as a holding company for the Group's largest subsidiaries. In addition to the parent, construction management services were rendered by the subsidiaries Nordecon Betoon OÜ and AS Eston Ehitus, which operates mostly in western and central Estonia.

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

We did not enter any new 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 differences between Ukraine and Russia. Economic uncertainty caused the Ukrainian hryvnia to plummet against the euro. In the reporting period, the Group's exchange loss from the weakening of the hryvnia amounted to around 0.5 million euros. In recent years, the Group's activity under its existing Ukrainian contracts has been subdued and highly conservative, with work done in the capital Kiev only. In 2014, the military conflict raging 700 km away in eastern Ukraine did not have a direct impact on our activities, mostly because the number of local employees had already been reduced to a minimum during earlier periods of the recession and the Group has only accepted contracts where we have been certain that the risks involved are reasonable, considering the circumstances. We see opportunities for increasing our operating volumes in Kiev somewhat, compared with 2014, if the accompanying risks can be sufficiently mitigated.

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

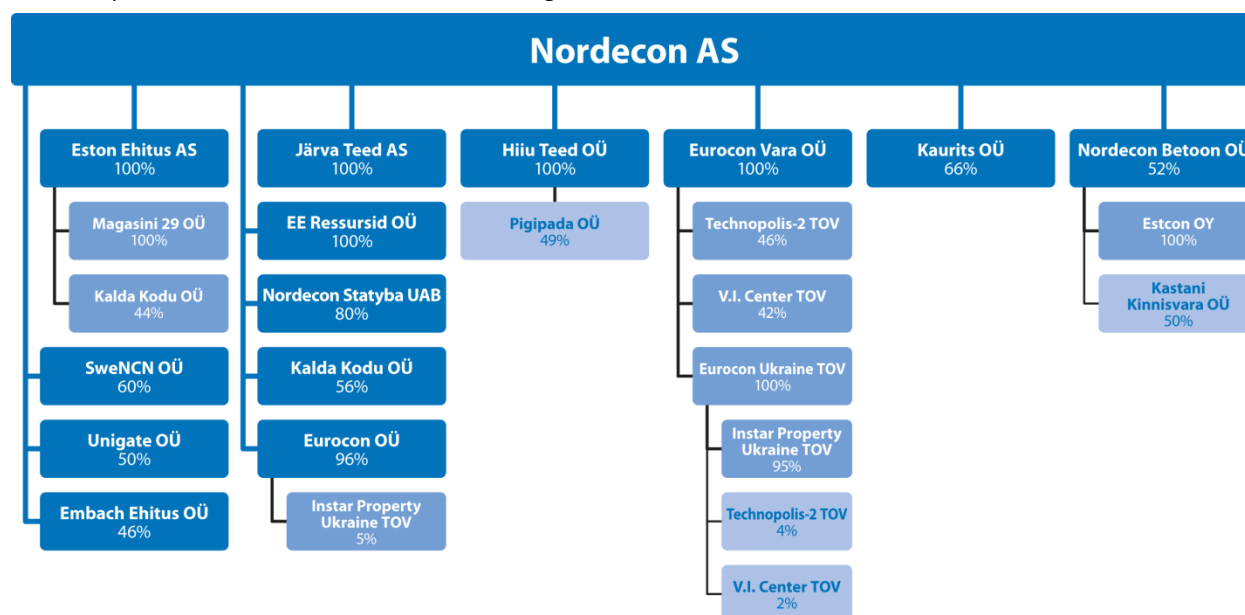
Finland

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 31 March 2015, including interests in subsidiaries and associates*



* The chart does not include the subsidiaries OÜ Eesti Ehitus, OÜ Aspi, OÜ Linnaehitus, OÜ Mapri Projekt, Infra Ehitus OÜ, OÜ Paekalda 2, OÜ Paekalda 3, OÜ Paekalda 7 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%.

Significant changes in the Group's structure

SweNCN OÜ

On 6 February 2015 (the date of signature of the memorandum of association), Nordecon AS acquired a 60% stake in SweNCN OÜ (an entity under establishment). The remaining 40% stake was acquired by Luksusjaht AS, which has a 9.85% interest in Nordecon AS. The sole owner of Luksusjaht AS, Sven Lennart Alpstål, has a 0.09% interest in Nordecon AS.

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

Embach Ehitus OÜ

On 3 February 2015 (the date of signature of the memorandum of association), Nordecon AS acquired a 46% stake in Embach Ehitus OÜ (an entity under establishment). According to plan, Embach Ehitus OÜ is going to operate as a contractor in the building construction segment. It will focus on offering services to private sector customers that are interested in carrying out construction and development projects in southern Estonia. At the date of establishment, the share capital of Embach Ehitus OÜ amounted to 2,500 euros. Nordecon AS made the investment to be able to respond flexibly to changes in the construction market and to move closer to prospective customers.

V.I. Center TOV

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



Financial review

Financial performance

Nordecon group ended the first quarter of 2015 with a gross profit of 409 thousand euros (Q1 2014: 1,170 thousand euros) and a gross margin of 1.5% (Q1 2014: 5%). Compared with the same period last year, gross margin declined in both of the main operating segments, Buildings and Infrastructure. The factor, which had the strongest impact on the Group's overall performance, was the loss of the Infrastructure segment that resulted from a sharp decrease in major self-performed winter works (large-scale earthworks) and a large proportion of uncovered fixed costs.

Most of the first-quarter revenue resulted from projects started in 2014 whose margins were affected by the decrease in demand and ensuing rise in competitive pressure that characterised the previous financial year. In the following quarters, revenue will increasingly result from contracts secured in the current market and competitive environment. The Group's management projected a decline or stagnation in the construction market and the accompanying 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 adopted measures for maintaining and, where possible, improving profitability. We are aware that potential rises in input prices pose a risk for long-term contracts and continue to prioritize a contract's expected profitability over revenue growth or retention.

The Group's administrative expenses for the first quarter of 2015 totalled 1,109 thousand euros, which is comparable to a year ago (Q1 2014: 1,124 thousand euros). The ratio of administrative expenses to revenue (12 months rolling) was 3.4% (Q1 2014: 2.9%). Our cost-control measures continued to yield strong results: administrative expenses remained below the target ceiling, i.e., 4% of revenue.

The first quarter of 2015 resulted in an operating loss of 752 thousand euros (Q1 2014: an operating loss of 167 thousand euros) and a negative EBITDA of 285 thousand euros (Q1 2014: a positive EBITDA of 297 thousand euros).

Adverse movements in the euro/hryvnia exchange rate gave rise to exchange losses that were smaller than those of the comparative period. The Ukrainian hryvnia weakened by around 24%, which meant that Group companies whose functional currency is the hryvnia had to re-measure their euro-denominated liabilities. Exchange losses that are reported within finance costs totalled 516 thousand euros (Q1 2014: 776 thousand euros). In accounting, the same movements in the exchange rate gave rise to a positive 524 thousand-euro change in the translation reserve reported in equity (Q1 2014: 721 thousand euros) and the net effect of the exchange loss on the Group's net assets was a gain of 8 thousand euros (Q1 2014: a loss of 55 thousand euros).

Accordingly, the Group ended the first quarter with a net loss of 1,354 thousand euros (Q1 2014: a net loss of 1,026 thousand euros), of which the net loss attributable to owners of the parent, Nordecon AS, was 1,284 thousand euros (Q1 2014: a net loss of 1,074 thousand euros).

Cash flows

Operating activities of the first quarter of 2015 resulted in a net cash outflow of 3,972 thousand euros (Q1 2014: and outflow of 5,181 thousand euros). Negative operating cash flow is typical of the first quarter and stems from the cyclical nature of the construction business. Larger fixed costs and preparations made for more active construction operations in the second quarter cause outflows to exceed inflows. In addition, operating cash flows continued to be influenced by a mismatch in settlement terms: the ones agreed with customers are relatively long and in the case of public procurement mostly extend from 30 to 56 days while subcontractors generally have to be paid within 21 to 45 days.

Investing activities of the first quarter resulted in a net cash outflow of 112 thousand euros (Q1 2014: a net outflow of 84 thousand euros). Payments made for property, plant and equipment totalled 275 thousand euros (Q1 2014: 12 thousand euros). Dividends received amounted to 103 thousand euros (Q1 2014: 4 thousand euros).

Financing activities resulted in a net cash outflow of 2,519 thousand euros (Q1 2014: a net outflow of 2,606 thousand euros). Loan repayments exceeded loan receipts by 2,019 thousand euros (Q1 2014: by 2,048 thousand euros). Repayments comprise changes in overdraft balances as well as regular payments made under long-term loan agreements of 943 thousand euros (Q1 2014: 364 thousand euros).



At 31 March 2015, the Group's cash and cash equivalents totalled 2,198 thousand euros (31 March 2014: 4,702 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	Q1 2015	Q1 2014	Q1 2013	2014
Revenue (EUR'000)	27,113	23,544	27,081	161,289
Revenue change	15.2%	-13.1%	20.5%	-7.1%
Net loss/profit (EUR'000)	-1,354	-1,026	-652	2,298
Loss/profit attributable to owners of the parent (EUR'000)	-1,284	-1,074	-673	1,956
Weighted average number of shares	30,756,726	30,756,726	30,756,727	30,756,728
Earnings per share (EUR)	-0.04	-0.03	-0.02	0.06
Administrative expenses to revenue	4.1%	4.8%	4.6%	3.5%
Administrative expenses to revenue (rolling)	3.4%	2.9%	3.3%	3.5%
EBITDA (EUR'000)	-285	297	-35	5,585
EBITDA margin	-1.1%	1.3%	-0.1%	3.5%
Gross margin	1.5%	5.0%	2.2%	6.1%
Operating margin	-2.8%	-0.7%	-2.0%	2.5%
Operating margin excluding gains on sale of real estate	-3.1%	-0.8%	-2.3%	2.3%
Net margin	-5.0%	-4.4%	-2.4%	1.4%
Return on invested capital	-2.0%	-1.4%	-0.7%	5.8%
Return on equity	-3.8%	-3.0%	-2.2%	6.4%
Equity ratio	38.8%	38.5%	29.5%	37.3%
Return on assets	-1.4%	-1.1%	-0.6%	2.3%
Gearing	35.5%	31.7%	39.4%	24.8%
Current ratio	1.01	1.01	1.08	1.02
As at	31 March 2015	31 March 2014	31 March 2013	31 Dec 2014
Order book (EUR'000)	72,689	83,864	126,740	83,544

Revenue change = (revenue for the reporting period/revenue for the previous period) – 1*100	Net margin = (net profit for the period/revenue)*100
Earnings per share (EPS) = net profit attributable to owners of the parent / weighted average number of shares outstanding	Return on invested capital = ((profit before tax + interest expense)/ the period's average (interest-bearing liabilities + equity))*100
Administrative expenses to revenue = (administrative expenses/revenue)*100	Return on equity = (net profit for the period/ the period's average total equity)*100
Administrative expenses to revenue (rolling) = (past four quarters' administrative expenses/past four quarters' revenue)*100	Equity ratio = (total equity/ total liabilities and equity)*100
EBITDA = operating profit + depreciation and amortisation + impairment losses on goodwill	Return on assets = (net profit for the period/ the period's average total assets)*100
EBITDA margin = (EBITDA/revenue)*100	Gearing = ((interest-bearing liabilities – cash and cash equivalents)/ (interest-bearing liabilities + equity))*100
Gross margin = (gross profit/revenue)*100	Current ratio = total current assets/ total current liabilities
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	



Performance by geographical market

In the first quarter of 2015, around 5% of the Group's revenue was generated outside Estonia compared with 8% in the first quarter of 2014.

	Q1 2015	Q1 2014	Q1 2013	2014
Estonia	95%	92%	97%	94%
Finland	2%	7%	3%	2%
Ukraine	3%	1%	0%	4%

Finnish revenue comprises revenue from concrete works in the building construction segment. The contribution of the Finnish market has decreased because major projects in Finland have been completed. The contribution of the Ukrainian market where we continue work under one building construction contract has increased.

Geographical diversification of the revenue base is a consciously deployed strategy by which we mitigate the risks resulting from excessive reliance on a single market. 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

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

Nordecon's revenues for the first quarter of 2015 totalled 27,113 thousand euros, a 15% increase on the 23,544 thousand euros generated in the first quarter of 2014. As anticipated, most of the revenue growth resulted from the Buildings segment that has been less affected by the contraction in public sector spending. Revenue growth in the Infrastructure segment was underpinned by slight growth in road construction volumes; however, the rise in road construction is not comparable to the level achieved a few years ago. In 2015, the volumes of projects performed with EU support are expected to remain at the level of 2014.

Hence, the two segments' revenue figures for the first quarter of 2015 were 21,815 thousand euros for Buildings and 4,914 thousand euros for Infrastructure. The corresponding figures for the first quarter of 2014 were 18,826 thousand euros and 4,314 thousand euros (see note 8). The same revenue structure is reflected in our order book as at the end of the first quarter of 2015 where 62% of contracts (in terms of value) belonged to the Buildings segment (Q1 2014: 72%).

Operating segments*	Q1 2015	Q1 2014	Q1 2013	2014
Buildings	78%	80%	46%	65%
Infrastructure	22%	20%	54%	35%

* 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

Compared with the same period last year, the revenue structure of the Buildings segment has changed somewhat. The largest contributor is still the commercial buildings sub-segment whose largest ongoing projects are in Tallinn (e.g., Viimsi Centre and the Eesti Loto and Lõõtsa commercial buildings) and Pärnu (reconstruction of Estonia Spa). We expect private sector investment activity to remain robust and the contribution of the sub-segment to remain at a similar or higher level throughout the year.

The volumes of the industrial and warehouse facilities sub-segment have declined. In previous periods, most of the sub-segment's revenue resulted from agricultural projects carried out with EU-investment support. Currently, EU-supported projects have been replaced by warehouse and logistics centres (e.g., the Smarten logistics centre) that do not counterbalance the decrease in agricultural projects. There has also been a rise in work done for the heavy industry (e.g., different construction works on the Petroter 3 oil plant). We do not expect the revenues of the sub-segment to increase substantially.

Competition in the public buildings sub-segment is particularly challenging: it is hard to win a procurement without taking risks but our current policy is to avoid unreasonable risks. The period's largest projects were the construction of the Võru State Secondary School and work done on the premises of the Kuperjanov Infantry Battalion. If competition remains fierce, it is not likely that the contribution of the sub-segment will increase significantly.

Our apartment building revenues resulted mostly from general contracting. The main revenue contributors were the apartment building at Kentmanni põik 3 and phase II of the Tondi residential quarter in Tallinn that were secured last year. The contribution of our own development projects in Tartu and Tallinn continues to increase. At the end of 2014, we completed two new apartment buildings with a total of 35 apartments in the Tammelinn district in Tartu. Sales of the apartments have been successful: by period-end 22 apartments had been sold. We have started construction of phase II of the development where one third of the 20 apartments that will be built have already been sold or reserved (www.tammelinn.ee). In Tallinn, we continue to sell apartment ownerships in phase I and build phase II of our Magasini 29 development project (www.magasini.ee). By the end of the reporting period, 6 of the 8 apartment ownerships in phase I had been sold.

Revenue distribution within Buildings segment	Q1 2015	Q1 2014	Q1 2013	2014
Commercial buildings	58%	45%	47%	42%
Industrial and warehouse facilities	11%	26%	28%	33%
Public buildings	12%	18%	18%	7%
Apartment buildings	19%	11%	7%	18%

In the first quarter of 2015, the main revenue source in the Infrastructure segment was road construction. We continue to provide services under road maintenance contracts in the Järva and Hiiu counties and the Keila maintenance area. Favourable weather conditions also allowed to do work on two major road construction projects in Tartu (construction package 5 of the Tartu western bypass) and Keila (Keila-Valkse section of national road no. 8 Tallinn – Paldiski, km 24.9-29.5). We expect that road construction will remain the main revenue source in the Infrastructure segment and, similarly to last year, most of the road construction revenue will result from small or medium-sized reconstruction and repair projects.

In specialist engineering, we did small-scale port construction work on the island of Hiiumaa. At present, there is currently no information about any major investments involving hydraulic engineering work. The revenues of the sub-segment may increase through other complex engineering work but relevant volumes are likely to be irregular.

The decline in EU support continues to have a strong impact on environmental engineering work whose volumes have decreased more rapidly than those of other sub-segments. The contribution of utility network construction (other engineering) has increased slightly but contracts that have been secured are small and continuing growth of the sub-segment is unlikely.

Revenue distribution within Infrastructure segment	Q1 2015	Q1 2014	Q1 2013	2014
Road construction and maintenance	79%	46%	44%	72%
Specialist engineering (including hydraulic engineering)	1%	10%	10%	2%
Other engineering	15%	12%	32%	19%
Environmental engineering	5%	32%	14%	7%



Order book

At 31 March 2015, the Group's order book (backlog of contracts signed but not yet performed) stood at 72,689 thousand euros, a 13% decrease compared with a year ago. The order book of the Infrastructure segment has increased but the rise has not compensated for the decline in work secured by the Buildings segment.

	Q1 2015	Q1 2014	Q1 2013	2014
Order book (EUR'000)	72,689	83,864	113,983	83,544

In the Infrastructure segment, the road construction sub-segment that is engaged in two large road construction projects in Tartu and Keila (see the chapter *Sub-segment revenues*) increased its order book. The order books of other sub-segments remained stable compared with a year ago.

In the Buildings segment, the order books of the apartment buildings and public buildings sub-segments grew while the order book of the industrial and warehouse facilities sub-segment that is more strongly affected by the fall in EU-supported agricultural projects decreased.

At the reporting date, contracts secured by Buildings and Infrastructure accounted for 62% and 38% of the Group's order book respectively (31 March 2014: 72% and 28% respectively). The distribution is typical of the past two years but radically different from earlier periods when the order books of the two segments were more or less equal. It is likely that the change in the order book structure will persist for the next few years. In the current EU budget period (2014-2020) investments in infrastructure construction, made mostly with the support of the EU structural funds, will not be as large as in 2007-2013. The new EU budget period will have an impact on the construction sector at the end of 2015 at the earliest. Hence, we expect that the revenues of the Infrastructure segment will decline in 2015 (for further information, see the *Business risks* section of the chapter *Description of the main risks*).

We believe that in a situation of exceptionally stiff competition, the main challenge is to maintain the Group's revenue and profitability.

Between the reporting date (31 March 2015) and the date of release of this report, Group companies have secured additional construction contracts in the region of 9,891 thousand euros.

People

Staff and personnel expenses

In the first quarter of 2015, the Group (the parent and the subsidiaries) employed, on average, 711 people including 362 engineers and technical personnel (ETP). Headcount remained practically the same as a year ago.

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

	Q1 2015	Q1 2014	Q1 2013	2014
ETP	362	341	361	357
Workers	349	359	379	375
Total average	711	700	739	732

The Group's personnel expenses for the first quarter of 2015 including all taxes totalled 3,781 thousand euros, which is comparable to the first quarter of 2014 when the figure was 3,741 thousand euros.

In the first quarter of 2015, the service fees of the members of the council of Nordecon AS amounted to 35 thousand euros and associated social security charges totalled 12 thousand euros (Q1 2014: 35 thousand euros and 12 thousand euros respectively).



The service fees of the members of the board of Nordecon AS amounted to 74 thousand euros and associated social security charges totalled 24 thousand euros (Q1 2014: 69 thousand euros and 23 thousand euros respectively).

Labour productivity and labour cost efficiency

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:

	Q1 2015	Q1 2014	Q1 2013	2014
Nominal labour productivity (rolling), (EUR'000)	224.5	227.7	214.3	220.4
Change against the comparative period	-1.4%	6.3%	3.9%	-4.0%
Nominal labour cost efficiency (rolling), (EUR)	8.2	8.4	9.3	8.0
Change against the comparative period	-2.1%	-9.7%	-13.2%	4.8%

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

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



Share and shareholders

Share information

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

*In connection with Estonia's accession to the euro area on 1 January 2011 and based on amendments to the Estonian Commercial Code that took effect on 1 July 2010 as well as a resolution adopted by the annual general meeting of Nordecon AS in May 2011, the company's share capital was converted from 307,567,280 Estonian kroons to 19,657,131.9 euros. Concurrently with the conversion, the company adopted shares with no par value.

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

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

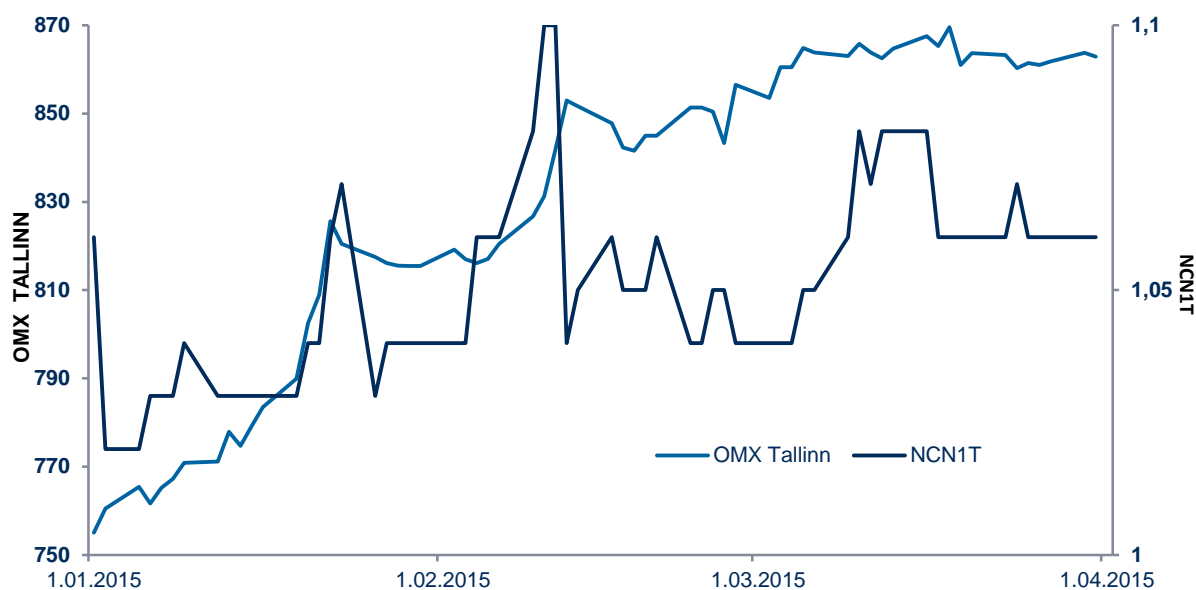
Movements in the price and turnover of the Nordecon AS share in the first quarter of 2015

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





Movement of the share price compared with the OMX Tallinn index in the first quarter of 2015



Index/equity	1 January 2015*	31 March 2015	+/-
OMX Tallinn	755.05	862.86	14.28%
NCN1T	EUR 1.06	EUR 1.06	0.00%

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

Summarised trading results

Share trading history (EUR)

Price	Q1 2015	Q1 2014	Q1 2013
Open	1.02	1.05	1.17
High	1.11	1.09	1.29
Low	1.02	0.93	1.15
Last closing price	1.06	0.97	1.18
Traded volume (number of securities traded)	462,695	476,726	975,828
Turnover, in millions	0.49	0.49	1.16
Listed volume (31 March), in thousands	32,375	30,757	30,757
Market capitalisation (31 March), in millions	34.32	29.83	36.29

Shareholder structure

Largest shareholders of Nordecon AS at 31 March 2015

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,507,464	50.99
Lukusjaht AS	3,209,346	9.91
ING Luxembourg S.A.	2,007,949	6.20
Rondam AS	936,567	2.89
SEB Pank AS clients	727,727	2.25
ASM Investments OÜ	519,600	1.60
Ain Tromp	478,960	1.48
State Street Bank and Trust Omnibus Account A Fund	447,365	1.38
SEB Elu- ja pensionikindlustus AS	262,000	0.81
Genadi Bulatov	250,600	0.77



Shareholder structure of Nordecon AS at 31 March 2015

	Number of shareholders	Ownership interest (%)
Shareholders with interest exceeding 5%	3	67.10
Shareholders with interest from 1% to 5%	5	9.61
Shareholders with interest below 1%	1,709	18.29
Holder of own (treasury) shares	1	5.00
Total	1,718	100

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

Council member		Number of shares	Ownership interest (%)
Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad)*	Chairman of the Council	16,579,144	51.21
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
Total		17,627,704	54.44

* Companies controlled by the individual

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

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

* Companies controlled by the individual

Share option plan

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

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



Description of the main risks

Business risks

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

Competition is fierce in all segments of the construction market. In 2015, public sector investment is not expected to increase substantially compared with 2014. There is strong competitive pressure on builders' bid prices in a situation where input prices have remained relatively stable. Competition is particularly aggressive in general building and utility network construction. We acknowledge the risks inherent in the execution of contracts concluded in an environment of stiff competition. Securing a long-term construction contract at an unreasonably low price in a situation where input prices cannot be lowered significantly and competition is fierce is risky because negative developments in the economy may quickly render the contract onerous. Thus, in price-setting we currently prioritize a reasonable balance of contract performance risks over plain revenue growth.

Demand for construction services continues to be strongly influenced by the volume of public sector investment, which in turn depends on the co-financing received from the EU structural funds. Total support allocated to Estonia during the current EU budget period (2014-2020) amounts to 5.9 billion euros, exceeding the figure of the previous financial framework, but the amounts earmarked for construction work are substantially smaller. In the construction market, the effects of the EU funding are not likely to have an impact before the end of 2015.

In the light of the above factors, we do not expect any significant business growth in 2015. It is probable that the volumes of the Infrastructure segment will shrink but the decline should be counterbalanced by increasing investment activity in the Buildings segment. Our action plan foresees redirecting our resources (including some of the labour of the Infrastructure segment) to increasing the share 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 one narrow (and, in the current market situation, particularly some infrastructure) segment.

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, earthworks, 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, our long-term goal is 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 also in changeable weather conditions.

Operational risks

To manage their daily construction risks, Group companies purchase contractors' all risks insurance. Depending on the nature of the project and the requests of the customer, both general frame agreements and special, project-specific contracts are used. In addition, as a rule, subcontractors are required to secure performance of their obligations with a bank guarantee provided to a Group company or the Group retains part of the amount payable until the completion of the contract. To remedy builder-caused deficiencies, which may be detected during the warranty period, Group companies create warranty provisions based on their historical experience. At 31 March 2015, the Group's warranty provisions (including current and non-current ones) totalled 1,066 thousand euros. The figure for the comparative period was 1,416 thousand euros.

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

Financial risks

Credit risk

In 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 quarter of 2015 as well as in the comparative period, the Group did not incur any impairment losses on receivables.

Liquidity risk

The Group remains exposed to higher than usual liquidity risk resulting from a mismatch between the long settlement terms demanded by customers (mostly 30 to 56 days) and increasingly shorter settlement terms negotiated by subcontractors (mostly 21 to 45 days). The Group counteracts the differences in settlement terms by using factoring where possible.

At the reporting date, the Group's current assets exceeded its current liabilities 1.01-fold (31 March 2014: 1.01-fold). The key factors which influence the current ratio are classification of the Group's loans to its Ukrainian associates as non-current assets and the banks' general policy not to refinance interest-bearing liabilities for a period exceeding twelve months.

The political situation in Ukraine remains tense and we believe that realization of our Ukrainian investment properties may take longer than originally expected. Accordingly, at the reporting date the Group's loan receivables from its Ukrainian associates of 10,894 thousand euros were classified as non-current assets.

At the reporting date, interest-bearing liabilities accounted for a significant share of our current liabilities. In accordance with IFRS EU, loan commitments have to be classified into current and non-current liabilities based on contract terms in force 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 31 March 2015, the Group's current loan liabilities totalled 14,472 thousand euros. During the first quarter and after the reporting period banks have committed to refinancing current loan liabilities of 7,155 thousand euros, settlement of 6,555 thousand euros of which will be deferred to 2016.

At the reporting date, the Group's cash and cash equivalents totalled 2,198 thousand euros (31 March 2014: 4,702 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. The amount of the Group's interest-bearing liabilities has remained similar to a year ago but the liability structure has changed. Current and non-current bank loans have decreased by 3,346 thousand euros while factoring liabilities and, to a lesser extent, finance lease liabilities have increased. The Group uses factoring to counteract the difference in settlement terms agreed with customers and subcontractors (see also the chapter *Liquidity risk*). At 31 March 2015, the Group's interest-bearing loans and borrowings totalled 22,930 thousand euros (31 March 2014: 22,953 thousand euros). Interest expense for the first quarter of 2015 amounted to 152 thousand euros, a decrease of 31 thousand euros compared with the first quarter of 2014.

The main source of the Group's interest rate risk is a possible rise in the base rate of floating interest rates (EURIBOR, EONIA or the creditor's own base rate). In the light of the Group's relatively heavy loan burden this would cause a significant 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 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 derivatives to hedge its interest rate risk.

Currency risk

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

The hryvnia has been weakening because the political and economic environment in Ukraine continues to be strained due to the conflict between Ukraine and Russia which broke out at the beginning of 2014 and at the beginning of 2015 the National Bank of Ukraine decided to discontinue determination of the national currency's indicative exchange rate. During the period, the hryvnia weakened against the euro by around 24%. For the Group's Ukrainian subsidiaries, this meant additional foreign exchange losses on the translation of their euro-



denominated loan commitments into the local currency. Relevant exchange losses totalled 516 thousand euros (Q1 2014: 776 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 from operating activities did not give rise to any exchange gains or losses.

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

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



Outlooks of the Group's geographical markets

Estonia

Processes and developments characterising the Estonian construction market

- In 2015, public sector investments will not grow significantly and the extent to which they can be realised is still unclear. Although in the 2014-2020 EU budget period the support allocated to Estonia will increase to 5.9 billion euros (2007-2013: 4.6 billion euros), the share of support that will influence the construction market will not increase. Instead, compared with the previous period, there will be a rise in allocations to other areas.

Investments made by the largest public sector customers (e.g., state-owned real estate company Riigi Kinnisvara AS and National Road Administration) that reach signature of a construction contract in 2015 will not increase significantly and may be postponed to 2016. As a result, the Estonian construction market (particularly infrastructure construction segments) will remain in relative stagnation. To some extent, the situation will be improved by the positive level of private sector investments in building construction.

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

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

- In new housing development, the success of a project depends on the developer's ability to control the input prices included in the business plan and, thus, set affordable sales prices. 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.
- There is an increasing contrast between the stringent terms of public sector contracts, which impose on builders extensive obligations, strict sanctions, different financial guarantees, long settlement terms, etc. and modest tendering requirements. Low qualification requirements and the precondition of making a low bid have made it easier to win a contract but have heightened the risks taken by customers in respect of contract performance and delivery.
- The prices of construction inputs will remain relatively stable. For a short term, shrinkage in demand may lower local subcontracting prices. However, taking into account subcontractors' financial and human resources, the decline cannot be large or long-lasting. In some areas, price fluctuations will be unpredictable and, thus, may be 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 but this will weaken the quality of the construction process/service rather than the companies' performance capabilities. Shrinkage in the Estonian construction volumes may increase labour supply but not substantially. Labour migration to the Nordic countries will remain steady and even though Nordic construction volumes (particularly in Finland) will decline as well, the number of job seekers that will return will not increase considerably. This sustains pressure for a wage increase.



Latvia and Lithuania

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 2015 it will probably be adversely affected by a slowdown in public sector demand. Accordingly, it is unlikely that we will enter the Latvian construction market permanently in 2015.

In the near term 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 goal to operate in our neighbouring construction markets through local subsidiaries.

The operations of the Group's Lithuanian subsidiary, Nordecon Statyba UAB, are suspended. We monitor the market situation and may resume operations in the next few years because developments in the Lithuanian construction market have been quite positive in the Baltic context. Temporary suspension of operations does not cause any major costs for the Group and does not change our strategy for the future, i.e., the goal to operate in the Lithuanian construction market through local subsidiaries.

Ukraine

In Ukraine, we prefer to provide general contracting and project management services to foreign private sector customers in the segment of building construction. However, due to the market situation, we have also signed contracts with local investors where the terms have not involved any unreasonable or uncontrollable risks. The unstable political and economic situation hinders adoption of business decisions but construction activity in Kiev has not halted. In 2015, the Group will continue its business in the Kiev region and our current Ukrainian order book is larger than a year ago. Despite the armed conflict in eastern Ukraine, for Nordecon the market situation in Kiev has not deteriorated compared with a year or two ago. Hard times have reduced the number of inefficient local (construction) companies and when the economy normalises we will have much better prospects for increasing our operations and profitability. We monitor the situation in the Ukrainian construction market closely and consistently and are ready to restructure our operations as and when necessary. Should the crisis spread to Kiev (currently highly unlikely), we can suspend our operations immediately. We continue to seek opportunities for exiting our two real estate projects that have been put on hold or signing a construction contract with a prospective new owner.

Finland

In Finland, we offer mainly subcontracting services in the concrete works segment but based on experience gained, have also started to perform some more complex works. The local concrete works market allows competing for projects where the customer wishes to source all concrete works from one reliable partner. Our policy is to maintain a rational approach and avoid taking excessive risks. At present, we are not planning to penetrate any other segments of the Finnish construction market (general contracting, project management, etc.).

Sweden


In 2015, we started preparations for potential expansion into the Swedish market. We are planning to offer construction of residential and non-residential buildings, particularly in central Sweden.




Management's confirmation and signatures

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

Jaano Vink	Chairman of the Board		7 May 2015
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Avo Ambur	Member of the Board		7 May 2015
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Erkki Suurorg	Member of the Board		7 May 2015
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Condensed consolidated interim financial statements

Condensed consolidated interim statement of financial position

EUR '000	Note	31 March 2015	31 December 2014
ASSETS			
Current assets			
Cash and cash equivalents		2,198	8,802
Trade and other receivables	2	23,145	23,235
Prepayments		1,816	1,201
Inventories	3	24,821	24,788
Total current assets		51,980	58,026
Non-current assets			
Investments in equity-accounted investees		502	694
Other investments		26	26
Trade and other receivables	2	11,276	11,211
Investment property		3,549	3,549
Property, plant and equipment	4	9,648	9,319
Intangible assets	4	14,637	14,633
Total non-current assets		39,638	39,432
TOTAL ASSETS		91,618	97,458
LIABILITIES			
Current liabilities			
Loans and borrowings	5, 6	19,548	20,588
Trade payables		21,256	26,267
Other payables		7,052	7,542
Deferred income		3,157	1,786
Provisions		674	799
Total current liabilities		51,687	56,982
Non-current liabilities			
Loans and borrowings	5, 6	3,382	3,145
Trade payables		109	109
Other payables		96	96
Provisions		807	759
Total non-current liabilities		4,394	4,109
TOTAL LIABILITIES		56,081	61,091
EQUITY			
Share capital		20,692	20,692
Own (treasury) shares		-1,582	-1,582
Share premium		547	547
Statutory capital reserve		2,554	2,554
Translation reserve		1,295	771
Retained earnings		10,430	11,714
Total equity attributable to owners of the parent		33,936	34,696
Non-controlling interests		1,601	1,671
TOTAL EQUITY		35,537	36,367
TOTAL LIABILITIES AND EQUITY		91,618	97,458



Condensed consolidated interim statement of comprehensive income

EUR'000	Note	Q1 2015	Q1 2014	2014
Revenue	8, 9	27,113	23,544	161,289
Cost of sales	10	-26,704	-22,374	-151,476
Gross profit		409	1,170	9,813
Marketing and distribution expenses		-118	-249	-558
Administrative expenses	11	-1,109	-1,124	-5,656
Other operating income	12	104	65	792
Other operating expenses	12	-38	-29	-376
Operating profit/loss		-752	-167	4,015
Finance income	13	165	164	738
Finance costs	13	-671	-961	-2,301
Net finance costs		-506	-797	-1,563
Share of profit/loss of equity-accounted investees		-96	-61	85
Profit/loss before income tax		-1,354	-1,025	2,537
Income tax		0	-1	-239
Profit/loss for the period		-1,354	-1,026	2,298
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations		524	721	1,069
Total other comprehensive income		524	721	1,069
TOTAL COMPREHENSIVE INCOME/EXPENSE		-830	-305	3,367
Profit/loss attributable to:				
- Owners of the parent		-1,284	-1,074	1,956
- Non-controlling interests		-70	48	342
Profit/loss for the period		-1,354	-1,026	2,298
Total comprehensive income/expense attributable to:				
- Owners of the parent		-760	-353	3,025
- Non-controlling interests		-70	48	342
Total comprehensive income/expense for the period		-830	-305	3,367
Earnings per share attributable to owners of the parent:				
Basic earnings per share (EUR)	7	-0.04	-0.03	0.06
Diluted earnings per share (EUR)	7	-0.04	-0.03	0.06



Condensed consolidated interim statement of cash flows

EUR'000	Note	Q1 2015	Q1 2014
Cash flows from operating activities			
Cash receipts from customers ¹		35,789	33,370
Cash paid to suppliers ²		-34,416	-32,404
VAT paid		-1,239	-1,488
Cash paid to and for employees		-4,069	-4,659
Income tax paid		-37	0
Net cash used in operating activities		-3,972	-5,181
Cash flows from investing activities			
Paid on acquisition of property, plant and equipment		-275	-12
Proceeds from sale of property, plant and equipment	4	34	22
Acquisition of a subsidiary		0	-180
Acquisition of investments in associates		-1	0
Loans provided		-19	-13
Repayment of loans provided		40	95
Dividends received		103	4
Interest received		6	0
Net cash used in investing activities		-112	-84
Cash flows from financing activities			
Proceeds from loans received		331	8
Repayment of loans received		-2,350	-2,056
Payment of finance lease liabilities		-313	-356
Interest paid		-157	-202
Dividends paid		-30	0
Net cash used in financing activities		-2,519	-2,606
Net cash flow		-6,603	-7,871
Cash and cash equivalents at beginning of period		8,802	12,575
Effect of movements in foreign exchange rates		-1	-2
Decrease in cash and cash equivalents		-6,603	-7,871
Cash and cash equivalents at end of period		2,198	4,702

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

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



Condensed consolidated interim statement of changes in equity

EUR`000	Equity attributable to owners of the parent							Non-controlling interests	Total
	Share capital	Treasury shares	Capital reserve	Share premium	Translation reserve	Retained earnings	Total		
Balance at 31 December 2013	19,657	0	2,554	0	-298	10,681	32,594	2,332	34,926
Loss for the period	0	0	0	0	0	-1,074	-1,074	48	-1,026
Other comprehensive income	0	0	0	0	721	0	721	0	721
Change in non-controlling interests	0	0	0	0	0	0	0	-82	-82
Balance at 31 March 2014	19,657	0	2,554	0	423	9,607	32,241	2,298	34,539
Balance at 31 December 2014	20,692	-1,582	2,554	547	771	11,714	34,696	1,671	36,367
Loss for the period	0	0	0	0	0	-1,284	-1,284	-70	-1,354
Other comprehensive income	0	0	0	0	524	0	524	0	524
Balance at 31 March 2015	20,692	-1,582	2,554	547	1,295	10,430	33,936	1,601	35,537



Notes to the condensed consolidated interim financial statements

NOTE 1. Significant accounting policies

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

The condensed consolidated interim financial statements as at and for the period ended 31 March 2015 have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. The condensed interim financial statements do not contain all the information presented in the annual financial statements and should be read in conjunction with the Group's latest published annual financial statements as at and for the year ended 31 December 2014.

The Group has not changed its significant accounting policies compared with the consolidated financial statements as at and for the year ended 31 December 2014. The effect of any new and revised standards that have taken effect is described in the notes to the interim financial statements.

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

NOTE 2. Trade and other receivables

EUR'000	Note	31 March 2015	31 December 2014
Current items			
Trade receivables		13,401	13,435
Retentions receivable		592	858
Receivables from related parties		61	2
Loans to related parties	14	2,209	2,116
Miscellaneous receivables		1,532	1,505
Total receivables and loans provided		17,795	17,916
Due from customers for contract work		5,350	5,319
Total current trade and other receivables		23,145	23,235

EUR'000	Note	31 March 2015	31 December 2014
Non-current items			
Loans to related parties	14	10,894	10,768
Miscellaneous non-current receivables		382	443
Total non-current trade and other receivables		11,276	11,211

NOTE 3. Inventories

EUR'000	31 March 2015	31 December 2014
Raw materials and consumables	4,375	3,963
Work in progress	4,694	4,192
Goods for resale and properties held for development	13,565	13,718
Finished goods	2,187	2,915
Total inventories	24,821	24,788



NOTE 4. Property, plant and equipment and intangible assets

Property, plant and equipment

In the first quarter of 2015, the Group did not conduct any significant transactions with items of property, plant and equipment. The period's additions totalled 658 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 34 thousand euros (see the statement of cash flows) and sales gain on the transactions amounted to 90 thousand euros (note 12).

Intangible assets

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

NOTE 5. Loans and borrowings

Current loans and borrowings

EUR'000	Note	31 March 2015	31 December 2014
Current portion of long-term loans		8,027	8,586
Current portion of finance lease liabilities	6	1,362	1,211
Short-term bank loans		6,445	7,938
Factoring liabilities		3,714	2,853
Total current loans and borrowings		19,548	20,588

Non-current loans and borrowings

EUR'000	Note	31 March 2015	31 December 2014
Long-term bank loans		135	102
Finance lease liabilities	6	3,247	3,043
Total non-current loans and borrowings		3,382	3,145

NOTE 6. Finance and operating leases

EUR'000	31 March 2015	31 December 2014
Finance lease liabilities at end of reporting period	4,609	4,254
Of which payable within not later than 1 year	1,362	1,211
Of which payable later than 1 year and not later than 5 years	3,247	3,043
Base currency EUR	4,609	4,254
Interest rates of contracts denominated in EUR ¹	2.0%-5.2%	2.0%-5.2%
Frequency of payments	Monthly	Monthly

¹ Includes leases with floating interest rates

Finance lease payments made

EUR'000	Q1 2015	Q1 2014
Principal payments made during the period	313	356
Interest payments made during the period	34	34

Operating lease payments made

EUR'000	Q1 2015	Q1 2014
Payments made for cars	183	162
Payments made for construction equipment	419	338
Payments made for premises	153	169
Payments made for software	48	80
Total operating lease payments made	803	749



NOTE 7. Earnings per share

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

EUR'000	Q1 2015	Q1 2014
Profit for the period attributable to owners of the parent	-1,284	-1,074
Weighted average number of shares (in thousands)	30,757	30,757
Basic earnings per share (EUR)	-0.04	-0.03
Diluted earnings per share (EUR)	-0.04	-0.03

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

NOTE 8. Segment reporting – operating segments

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

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

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

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

Preparation of segment reporting

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

The chief operating decision maker assesses the performance of an operating segment and the utilisation of the resources allocated to it through the profit generated by the segment. The profit of an operating segment is its gross profit that does not include any major exceptional expenditures (such as non-recurring asset write-downs). Items after the gross profit of an operating segment (including marketing and distribution and administrative expenses, interest expense, income tax expense) are not used by the chief operating decision maker to assess the performance of the segment.

First quarter

EUR'000	Buildings	Buildings	Infrastructure	Other	
Q1 2015	EU	UKR	EU	segments	Total
Total revenue	20,988	827	4,920	376	27,111
Inter-segment revenue	0	0	-6	-242	-248
Revenue from external customers	20,988	827	4,914	134	26,863
Gross profit/loss of the segment	1,308	12	-395	-234	691



EUR'000 Q1 2014	Buildings EU	Buildings UKR	Infrastructure EU	Other segments	Total
Total revenue	18,592	234	4,478	1,216	24,520
Inter-segment revenue	0	0	-164	-990	-1,154
Revenue from external customers	18,592	234	4,314	226	23,366
Gross profit/loss of the segment	1,599	21	-43	-89	1,488

Reconciliation of segment revenues

EUR'000	Q1 2015	Q1 2014
Total revenues for reportable segments	26,735	23,304
Revenue for other segments	376	1,216
Elimination of inter-segment revenues	-248	-1,154
Unallocated revenue	250	178
Total consolidated revenue	27,113	23,544

Reconciliation of segment profit

EUR'000	Q1 2015	Q1 2014
Total profit for reportable segments	925	1,577
Total loss for other segments	-234	-89
Elimination of inter-segment profits and losses	-4	-4
Unallocated profits and losses	-278	-314
Consolidated gross profit	409	1,170
Unallocated expenses:		
Marketing and distribution expenses	-118	-249
Administrative expenses	-1,109	-1,124
Other operating income and expenses	66	36
Consolidated operating loss	-752	-167
Finance income	165	164
Finance costs	-671	-961
Share of loss of equity-accounted investees	-96	-61
Consolidated loss before tax	-1,354	-1,025

NOTE 9. Segment reporting – geographical information

EUR'000	Q1 2015	Q1 2014
Estonia	25,773	21,549
Ukraine	827	234
Finland	513	1,761
Total revenue	27,113	23,544

NOTE 10. Cost of sales

EUR'000	Q1 2015	Q1 2014
Cost of materials, goods and services used	23,000	18,734
Personnel expenses	3,207	3,160
Depreciation and amortisation expense	467	454
Other expenses	30	26
Total cost of sales	26,704	22,374



NOTE 11. Administrative expenses

EUR'000	Q1 2015	Q1 2014
Personnel expenses	574	581
Cost of materials, goods and services used	498	503
Depreciation and amortisation expense	0	10
Other expenses	37	30
Total administrative expenses	1,109	1,124

NOTE 12. Other operating income and expenses

EUR'000	Q1 2015	Q1 2014
Other operating income		
Gain on sale of property, plant and equipment	90	22
Other income	14	43
Total other operating income	104	65

EUR'000	Q1 2015	Q1 2014
Other operating expenses		
Foreign exchange loss	0	6
Other expenses	38	23
Total other operating expenses	38	29

NOTE 13. Finance income and costs

EUR'000	Q1 2015	Q1 2014
Finance income		
Interest income on loans	155	159
Other finance income	10	5
Total finance income	165	164

EUR'000	Q1 2015	Q1 2014
Finance costs		
Interest expense	152	183
Foreign exchange loss	516	776
Other finance costs	3	2
Total finance costs	671	961

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	Q1 2015		Q1 2014	
	Purchases	Sales	Purchases	Sales
Volume of transactions				
AS Nordic Contractors	84	0	88	0
Companies of AS Nordic Contractors group	1	1	1	3
Equity-accounted investees	1,547	45	0	0
Companies related to members of the council	204	0	15	0
Total	1,836	46	104	3

EUR'000	Q1 2015		Q1 2014	
	Purchases	Sales	Purchases	Sales
Nature of transactions				
Construction services	1,547	0	0	0
Lease and other services	289	46	104	3
Total	1,836	46	104	3

In the period, the Group recognised interest income on loans to associates of 120 thousand euros (Q1 2014: 121 thousand euros), on loans to the joint venture of 28 thousand euros (Q1 2014: 28 thousand euros) and on a loan to a company of AS Nordic Contractors group of 3 thousand euros (Q1 2014: nil euros).

Receivables from and liabilities to related parties

EUR'000	31 March 2015		31 December 2014	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	1	10	1	9
Companies of AS Nordic Contractors group – loans and interest	253	0	256	0
Associates - receivables	60	0	1	1
Associates – loans and interest	11,015	0	10,829	0
Joint venture – loans and interest	1,835	0	1,799	0
Total	13,164	10	12,886	10

Remuneration of the council and the board

In the first quarter of 2015, the service fees of the members of the council of Nordecon AS amounted to 35 thousand euros and associated social security charges totalled 12 thousand euros (Q1 2014: 35 thousand euros and 12 thousand euros respectively).

The service fees of the members of the board of Nordecon AS amounted to 74 thousand euros and associated social security charges totalled 24 thousand euros (Q1 2014: 69 thousand euros and 23 thousand euros respectively).

NOTE 15. Transactions with shares in subsidiaries

On 6 February 2015 (the date of signature of the entity's memorandum of association), Nordecon AS acquired a 60% stake in SweNCN OÜ (an entity under establishment).

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



NOTE 16. Events after the reporting period

Court's decision in the Group's dispute with Tivoli Arendus OÜ

On 23 April 2015, Harju County Court made a decision in civil matter "Nordecon AS's action against Tivoli Arendus OÜ seeking establishment of termination of contract, collection of debt, late payment interest, return of guarantee and Tivoli Arendus OÜ's counter-action against Nordecon AS seeking collection of a contractual penalty, late payment interest, alternatively compensation for loss and associated late payment interest."

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

The court dismissed the claims filed in Tivoli Arendus OÜ's counter-action in full. Tivoli Arendus OÜ may file an appeal until 23 May 2015.






Statements and signatures

Statement of management's responsibility

The board of Nordecon AS acknowledges its responsibility for the preparation of the Group's condensed consolidated interim financial statements for the first quarter of 2015 and confirms that:

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

Jaano Vink	Chairman of the Board		7 May 2015
Avo Ambur	Member of the Board		7 May 2015
Erkki Suurorg	Member of the Board		7 May 2015