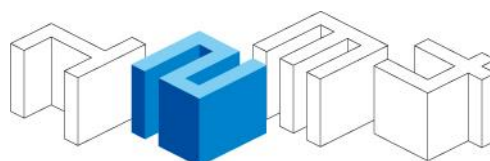




**Financial report for the second
quarter and first half-year of 2009**
(unaudited)





**Financial report for the second quarter
and first half-year 2009**
(unaudited)

Business name	Nordecon International AS
Registration number	10099962
Address	Pärnu mnt 158/1, 11317 Tallinn
Domicile	Republic of Estonia
Telephone	+ 372 615 4400
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E-mail	nordecon@nordecon.com
Corporate website	www.nordecon.com
Core activities	Construction of buildings (EMTAK 411; 412) Civil engineering (EMTAK 421; 422; 429) Other construction work involving special trades (EMTAK 431; 433; 439) Architectural and engineering activities (EMTAK 7112)
Financial year	1 January 2009 – 31 December 2009
Reporting period	1 January 2009 - 30 June 2009
Council	Toomas Luman, Alar Kroodo, Ain Tromp, Andri Hõbemägi, Tiina Mõis, Meelis Milder
Board	Jaano Vink, Sulev Luiga, Priit Tiru
Auditor	KPMG Baltics AS



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DIRECTORS' REPORT

OUR MISSION

Our mission is to offer our customers complete premier value adding construction and engineering solutions. We add value to the company by motivating our employees and providing them with clear development opportunities and a contemporary work environment.

VISION

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

SHARED VALUES

Reliability

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

Quality

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

Innovation

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



Change in the Group's business name

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

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

Changes in the names of Group companies in 2009

AS Eesti Ehitus → Nordecon International AS

AS Linnaehitus → Nordecon Ehitus AS

AS Aspi → Nordecon Infra AS

OÜ Mapri Projekt → Nordecon Betoon OÜ

SIA Abagars → Nordecon Infra SIA

UAB Eurocon LT → Nordecon Statyba UAB

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

The Group's strategy and objectives for 2009-2013

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

The Group's strategic basis and strengths

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

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



The Group's objectives for 2009-2013

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

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

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

By 2013 Nordecon International expects to have realised the potential created in 2009-2010 and to be the fastest-growing construction group listed on the Nordic and Baltic stock exchanges. The objectives are:

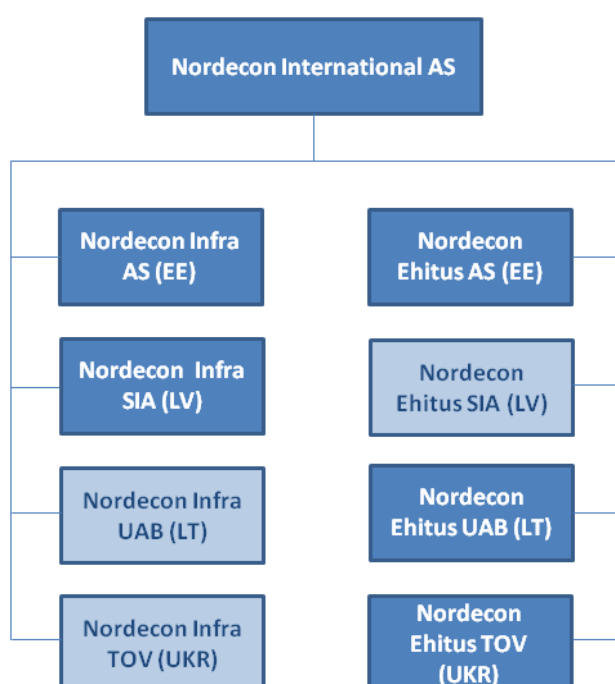
- To be the market leader in Estonia in both buildings and infrastructure construction
- To earn approximately 50% of the revenue for 2013 in foreign markets
- To have separate buildings and infrastructure construction subsidiaries in both Latvia and Lithuania
- To penetrate the Ukrainian infrastructure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



The Group's structure by 2013

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

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



Note: Light colours indicate subgroups which currently do not yet exist but reflect the Group's opportunities for future growth.

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

Changes in the Group's management structure

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

Board of directors of Nordecon International AS from 5 January 2009

Jaano Vink, Chairman of the Board

Sulev Luiga, Member of the Board, Director of Finance

Priit Tiru, Member of the Board, Buildings Construction Director



In the new structure, Jaano Vink and Sulev Luiga are going to focus on improving the efficiency of Group-wide centralised support services. Priit Tiru will be responsible for the strategic management and international expansion of the buildings construction division. The strategic management and international expansion of the infrastructure division will be the responsibility of the director of the relevant business line – Margus Vaim.

Changes in the management structures of the main subsidiaries

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

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

Since 15 June 2009 the director of AS Eston Ehitus has been Priit Tiru who replaced the previous director that was recalled by the council. Priit Tiru will also continue as a member of the board of Nordecon International AS.

Changes in the Group's business structure

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

In the first stage of streamlining the responsibilities of Group companies were clearly defined and assigned. The Group's strategic management and the management of the Group's support processes will gradually transfer to the parent company. After that, Nordecon International AS will become essentially a holding company that has to ensure the development of the Group in all the markets where it operates. Despite this, Nordecon International AS will continue participating in major domestic and international construction tenders, where it expects to derive its competitive edge by harnessing and combining the competencies of its subsidiaries. The most important objective for the parent is to ensure the Group's international expansion.

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

Along with the name change across the Group (see *Change in the Group's business name in Directors' report*), business activities have been divided as follows:

- In Estonia, the main buildings construction operations have been assembled in Nordecon Ehitus AS (formerly AS Linnaehitus) that is represented in Northern Estonia (Tallinn) and Southern Estonia (Tartu). AS Eston Ehitus will continue as a regionally strong buildings construction company in Western Estonia. In the near future, Nordecon Ehitus AS will be transformed into a subgroup uniting all of the Group's buildings construction and development companies in Estonia.
- Infrastructure operations in Estonia have been assembled in the Nordecon Infra AS subgroup (formerly AS Aspi), which also includes subsidiaries involved in road maintenance and the sale and maintenance of construction equipment and machinery.
- Nordecon Batoon OÜ (formerly Mapri Projekt OÜ), which is one of the largest concrete works companies in Estonia, will continue as a subsidiary of Nordecon Infra AS, providing, where necessary, its services also to the Group's buildings construction and engineering companies.
- The Latvian-based Nordecon Infra SIA (formerly SIA Abagars) will continue operating in its previous segments. In January 2009 the Group completed the acquisition of a new subsidiary SIA LCB with a view to entering the Latvian road construction market. As a result of intra-Group restructuring, in April 2009 the Group's parent became the direct majority shareholder of Nordecon Infra SIA (previously the Group's parent had an interest in the entity through Nordecon Infra AS).

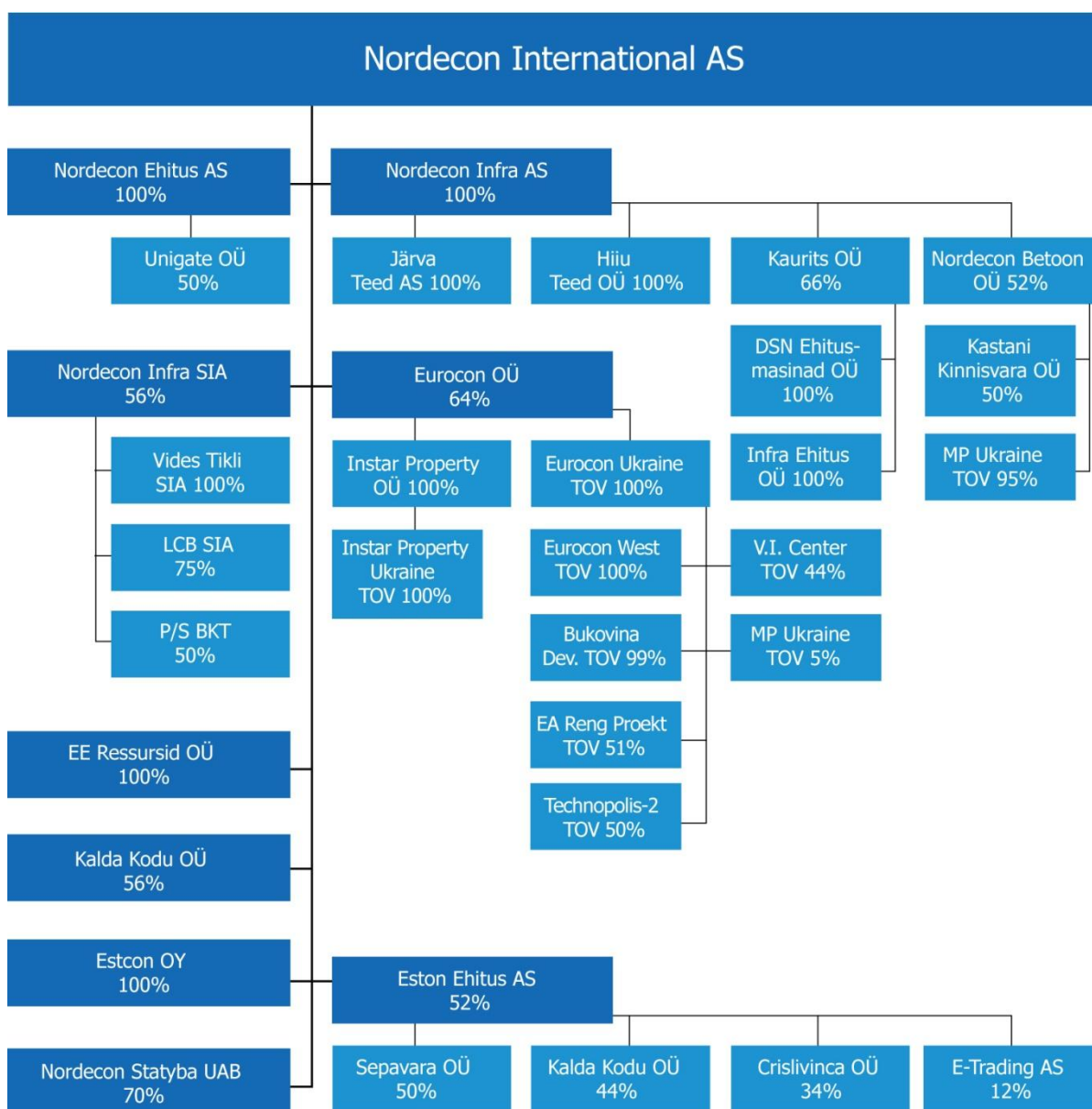


- The business operations of the Lithuanian-based UAB Nordecon Statyba (formerly UAB Eurocon LT) have been practically suspended and the Group is monitoring the market situation. The short-term decision will not change the Group's strategic objectives in the Lithuanian construction market and does not imply the sale or liquidation of the company.
- No strategic changes have been made at the Group's Ukrainian entities, which will continue operating in their current segments and locations (primarily in Kiev and Lvov), although at reduced capacities. Owing to the situation in the real estate market, the Group has suspended the development of its two Ukrainian real estate projects.



The Group's structure

The Group's structure at 30 June 2009, including the parent company's direct and indirect interests in subsidiaries and associates*



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

Major changes in the Group's structure in the first half of 2009

Nordecon Infra SIA

In December 2008, the Latvian subsidiary Nordecon Infra SIA signed a contract by which it acquired a 75% interest in the Latvian company SIA LCB. The title to the shares transferred in January 2009. The Group's indirect interest in SIA LCB is 42%.



Nordecon International AS

In January 2009, Nordecon International AS acquired a 56% stake in the Estonian company OÜ Kalda Kodu. The remaining 44% of the entity's capital was already held by AS Eston Ehitus in which the Group's interest is 52%. Altogether, through its direct and indirect ownership interests, Nordecon International AS currently has a 79% stake in OÜ Kalda Kodu.

In April 2009, Nordecon International AS acquired a 56% stake in the Latvian entity Nordecon Infra SIA from Nordecon Infra AS. After the intra-Group transaction, Nordecon Infra SIA is a direct subsidiary of the Group's parent company. The transaction did not change the Group's interest in Nordecon Infra SIA. The restructuring was prompted by the Group's development strategy (see *The Group's structure by 2013*).

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

OÜ Kaurits

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

Nordecon Ehitus AS

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

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

Nordecon Infra AS

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

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

Eurocon Ukraine TOV

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

Significant changes in the Group's structure after the reporting date

Nordecon International AS

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

Eurocon Ukraine TOV

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



Financial review

Margins

Nordecon International Group ended the first half of 2009 with a gross profit of 84.4 million kroons (5.4 million euros), 65% down from the 238.7 million kroons (15.3 million euros) earned in the first half of 2008. The decrease results largely from a decline in the profitability of construction contracts across all segments. In ordinary circumstances, lower than average profitability in the first quarter results from seasonal factors that impact mainly the road construction business and are counteracted in the second quarter. This year, however, they have been accompanied by exceptionally weak demand in the buildings construction sector, which has triggered fierce competition and, accordingly, a steep decrease in relevant margins.

Management set the Group the objective of ending the first half-year with an operating profit following the first quarter, which had ended with an operating loss mainly because of non-recurring restructuring and downsizing expenses. Consolidated operating profit for the first half-year was 5.2 million kroons (0.3 million euros). The positive operating result is attributable, among other factors, to the reduction of administrative expenses. At period-end, the ratio of administrative expenses to revenue stood at 5.3% (1 half 2008: 5.0%); considering one-off costs from the name change, the figure tallies with management's 5% target. The Group remains committed to its stated aim of reducing the cost base during 2009-2010 by up to 30% compared with 2007-2008 and is prepared to act resolutely to achieve this.

In the first half-year, the Group earned a net profit of 5.2 million kroons (0.3 million euros), a substantial decrease compared with the 110.8 million kroons (7.1 million euros) generated in the first half of 2008. Consolidated net profit was significantly influenced by income tax expense of 5.9 million kroons (0.4 million euros) recognised in the second quarter (mostly dividend tax).

The key profitability ratios monitored by the Group's management are following the same trends that emerged in the last quarter of 2008 as a result of adverse changes in the operating environment. The Group's margins have dropped (in all markets) year-over-year primarily on account of a steep decline in demand. The main sector-specific trend has been the increasing excess of construction capacities over the number of projects on offer. Low demand that is insufficient for meeting the business needs of all market players has heightened pressure for lowering the prices. To remain competitive, the Group was forced to lower the half-year's gross margin to 6.9%, a notable decrease from the 12.8% posted for the first half of 2008. In the light of the trends prevailing in the construction market, the Group will focus on redesigning its internal processes (improving the efficiency of purchase of services, cost cutting, etc) so as to maintain its gross margin at a level that would ensure that the year will end in an operating profit.

Cash flows

The Group's net operating cash flow was negative at 57.1 million kroons (3.6 million euros), reflecting developments in the markets where the Group operates. Contractual settlement terms have lengthened (particularly as regards the public sector projects) and the overall economic situation is causing difficulties that cause settlement delays. Receipts from customers exceed disbursements to suppliers but not enough to render the net operating cash flow positive. The ability and speed of achieving a positive net operating cash flow depend on how quickly and effectively the Group will adjust to the new economic environment (settlement dates with subcontractors) and the extent to which operating costs can be cut.

Investing activities of the first half of 2009 resulted in a net outflow of 41.1 million kroons (2.6 million euros) compared with an outflow of 130.2 million kroons (8.3 million euros) for the first half of 2008. Acquisitions of investments in subsidiaries, associates and joint ventures (including disposals) generated a net outflow of 30.2 million kroons (1.9 million euros) and lending activities (including interest received) resulted in a net outflow 7.0 million kroons (0.4 million euros). Corresponding figures for the first half of 2008 were an outflow of 168.9 million kroons (10.8 million euros) for acquisitions and an inflow of 38.4 million kroons (2.5 million euros) for lending.

Financing activities generated a net outflow of 39.9 million kroons (2.5 million euros). The corresponding figure for the first half of 2008 was an inflow of 109.0 million kroons (7.0 million euros). The result of financing cash flows has changed because the Group has reduced borrowing but is continuing the servicing of existing debt. In



the first half of 2009, net outflow from interest-bearing loans and borrowings was negative at 6.8 million kroons (0.4 million euros) against an inflow of 212.8 million kroons (13.6 million euros) in the first half of 2008. The remainder of financing cash flows is made up of a dividend distribution of 31.9 million kroons (2.0 million euros) compared with 103.8 million kroons (6.6 million euros) a year ago.

Key financial figures and ratios

Figure / ratio	1 st half 2009	1 st half 2008	1 st half 2007	2008
Weighted average number of shares *	30,756,728	30,756,728	30,756,728	30,756,728
Earnings per share (in kroons)	0.69	3.39	4.03	4.73
Earnings per share (in euros)	0.04	0.22	0.26	0.30
Revenue growth	-34.5%	23.1%	64.0%	3.1%
Average number of employees	1,174	1209	1113	1,232
Revenue per employee (in thousands of kroons)	1,044	1,547	1,365	3,140
Revenue per employee (in thousands of euros)	67	98	87	201
Personnel expenses to revenue, %	15.4%	12.4%	11.6%	12.7%
Administrative expenses to revenue, %	5.3%	5.0%	4.6%	4.7%
EBITDA (in thousands of kroons)	41,125	179,579	176,310	281,161
EBITDA (in thousands of euros)	2,628	11,477	11,268	17,969
EBITDA margin, %	3.4%	9.6%	11.6%	7.3%
Gross margin, %	6.9%	12.8%	14.2%	9.3%
Operating margin, %	0.4%	7.8%	9.6%	5.4%
Operating margin excluding gains on asset sales, %	0.3%	7.6%	9.2%	5.3%
Net margin, %	0.4%	5.9%	8.6%	4.4%
Return on invested capital, %	1.9%	11.7%	17.8%	19.1%
Return on assets, %	0.2%	6.3%	9.3%	9.1%
Return on equity, %	0.6%	13.7%	23.9%	20.5%
Equity ratio, %	35.8%	33.0%	33.7%	36.5%
Gearing, %	31.7%	27.4%	32.5%	18.2%
Current ratio	1.36	1.45	1.45	1.33
	30 June 2009	30 June 2008	30 June 2007	31 December 2008
Order book (in thousands of kroons)	1,568,004	3,196,937	2,730,813	2,220,748
Order book (in thousands of euros)	100,214	204,322	174,531	141,932

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

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



Performance by geographical market

In the first half of 2009, revenue earned outside Estonia accounted for approximately 16% of consolidated revenue against approximately 20% a year ago. The Group has expanded operations in Latvia - in the first six months of 2009, Latvian revenues accounted for around 13% of the total while in 2008 (full year) the proportion was 6%.

At the same time, the contribution of Ukrainian revenues dropped to 2%. The downturn is attributable to the completion of major projects started in the previous period and the complexity of entering into new contracts during the steep recession. Lithuanian revenues decreased in line with the decisions made by the Group regarding the Lithuanian market (see *Changes in the Group's management structure and operations in 2009* in *Directors' report*).

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

	1 st half 2009	1 st half 2008	1 st half 2007	2008
Estonia	83.9%	80.1%	90.0%	80.3%
Ukraine	2.3%	14.9%	10.0%	11.4%
Lithuania	0.9%	2.2%	0%	2.4%
Latvia	12.9%	2.8%	0%	5.9%

Revenue distribution across different geographical areas is a consistently deployed strategy aimed at mitigating the risks arising from undue reliance on a single market. In addition, increasing the proportion of revenue earned outside Estonia remains one of the Group's strategic objectives – in 2013 the Group expects to earn half of its revenue outside Estonia.

Performance by business line

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

Consolidated revenue for the first half of 2009 was 1,225.1 million kroons (78.3 million euros), a 34.5% decrease from the 1,870.6 million kroons (119.6 million euros) generated in the first half of 2008. Revenue has decreased mainly on account of shrinkage in demand in all of the Group's markets. In addition, the absolute revenue figure has been impacted by stiff competition that has lowered the construction prices (see further commentary in *Outlooks of the Group's geographical markets*).

The Group aims to maintain the revenues generated by its main segments (Buildings and Infrastructure) in balance as this helps disperse risks and provides a more solid foundation under stressed circumstances when one segment experiences shrinkage in operating volumes. In view of estimates of demand for apartments, the proportion of housing construction revenue from apartment buildings will remain within the strategically defined 20%.

Segment revenue

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

In the first half of 2009, the Buildings and Infrastructure segments generated revenue of 600.8 million kroons (38.4 million euros) and 616.4 million kroons (39.4 million euros) respectively. The corresponding figures for the first half of 2008 were 1,332.0 million kroons (85.1 million euros) and 534.2 million kroons (34.1 million euros) respectively. In response to market developments, the revenue of the Buildings segment has declined and that of Infrastructure has grown. However, the approximately 80-million kroon (5.1-million euro) growth in the Infrastructure segment is not wholly organic but includes also Latvian revenues which in the first half of 2008 were not yet consolidated.



Revenue distribution between segments*

Business segments	1 st half 2009	1 st half 2008	1 st half 2007	2008
Buildings	49%	72%	54%	63%
Infrastructure	51%	28%	46%	37%

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

Management believes that because of the market situation the proportion of revenue generated by the Infrastructure segment will continue increasing compared with 2008. The assessment is supported by the Group's order book as at 30 June 2009 where the contracts of the Infrastructure segment surpass those of the Buildings segment (see *Order book* in *Director's report*).

Revenue distribution within segments

The distribution of the Group's buildings construction revenue has remained stable, with commercial buildings accounting for over 50% of the total. As anticipated, revenues from the construction of industrial and warehouse facilities and apartment buildings have decreased. On the other hand, the downturn in construction prices has triggered growth in the construction of public buildings thanks to municipal investments in schools, nurseries and other public buildings. However, despite attractive construction prices, further growth in local government projects may be undermined by financing difficulties.

Revenue distribution in the Buildings segment	1 st half 2009	1 st half 2008	1 st half 2007	2008
Commercial buildings	71%	59%	53%	59%
Industrial and warehouse facilities	11%	20%	10%	16%
Public buildings	16%	13%	20%	14%
Apartment buildings	1%	8%	17%	11%

Changes in the structure of the Group's infrastructure revenues are attributable to the acquisition of subsidiaries (the subgroup of the Latvian subsidiary SIA Nordecon Infra). The contribution of other engineering projects has increased, year-over-year, largely on account of growth in pipeline and outdoor network construction, while environmental engineering revenues have expanded thanks to a decline in construction prices that has increased investment by state and local government.

Revenue distribution in the Infrastructure segment	1 st half 2009	1 st half 2008	1 st half 2007	2008
Road construction and maintenance	32%	51%	30%	45%
Port construction	17%	26%	28%	24%
Other engineering	38%	19%	17%	6%
Environmental engineering	14%	4%	25%	25%

Order book

At 30 June 2009, the Group's order book was 1,560 million kroons (100 million euros), 50% down from the 3,197 million kroons (204 million euros) posted a year ago.

	30 June 2009	30 June 2008	30 June 2007	31 Dec 2008
Order book, in thousands of kroons	1,568,004	3,196,937	2,730,813	2,220,748
Order book, in thousands of euros	100,214	204,322	174,531	141,932

In the Infrastructure segment, the order book has been growing year-over-year. At 30 June 2009 it accounted for 68% of the Group's total order book portfolio (30 June 2008: 53%), reflecting the situation in the construction market where shrinkage in the Buildings segment is outpacing growth in the Infrastructure segment. In absolute terms, the order book figures have been severely weakened by tumbling construction prices.



Between the reporting date (30 June 2009) and the date of release of this report, Group companies have been awarded additional construction contracts of approximately 380 million kroons (24.3 million euros).

People

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

People and personnel expenses

In the first half of 2009 the Group (including the parent and the subsidiaries) employed, on average, 1,187 people including around 500 engineers and technical personnel. In 2009, the acquisition of the Latvian company SIA LCB increased the number of staff by more than 100. However, since the end of 2008 personnel growth has been replaced by a decline because of downsizing triggered by a significant decrease in the Group's operations.

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

Period	ETP	Workers	Total average
1 st half 2009	480	707	1,187
1 st half 2008	493	716	1,209
1 st half 2007	412	701	1,113
2008	511	721	1,232

The Group's personnel expenses for the first half of 2009, including associated taxes, totalled 188.4 million kroons (12.0 million euros), a 19% decrease compared with the 232.9 million kroons (14.9 million euros) incurred in the same period in 2008.

The Group has been able to reduce personnel expenses in a situation where the number of staff has remained more or less stable by cutting the basic pay. Employee salaries have been lowered at all Group entities; the average pay-cut for engineers and technical personnel was 15%. The performance pay of project staff that is linked the projects' profit margins has also declined.

Owing to the overall economic situation and the slump in the construction market, in the first half of 2009 Group entities were forced to terminate employment relations with approximately 450 people. This however does not influence directly the total average number of employees of the period, taken also into account the additions.

In the first half of 2009, the remuneration of the members of the council of Nordecon International AS including associated taxes amounted to 718 thousand kroons (46 thousand euros). The corresponding figure for the first half of 2008 was 725 thousand kroons (46 thousand euros). The remuneration and benefits of the members of the board of Nordecon International AS including associated taxes totalled 1,674 thousand kroons (107 thousand euros) compared with 8,257 thousand kroons (528 thousand euros) a year ago. The differences in the remuneration of the board stem from the fact that since 5 January 2009 the board has had three members while in 2008 the number was five (see *Changes in the Group's management structure and operations in 2009*). In addition, the figure has been impacted by a 15% reduction in board member remuneration across the Group.



Share and shareholders

Share information

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

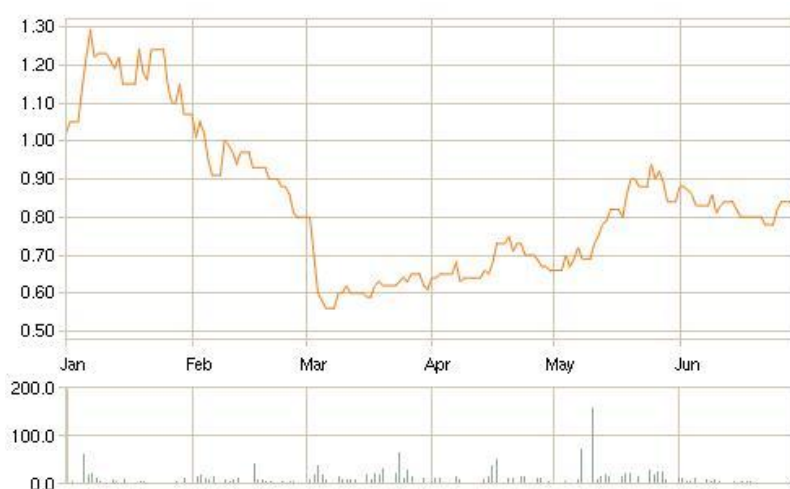
The share capital of Nordecon International AS consists of 30,756,728 ordinary shares with a par value of 10 Estonian kroons each. Owners of ordinary shares are entitled to dividends as distributed from time to time. Each share carries one vote at general meetings of Nordecon International AS.

Movements in the price and traded volume of the Nordecon International share, 1st half 2009

In Estonian kroons (EEK)



In euros (EUR)





Nordecon International share movement compared with main index OMX Tallinn, 1st half 2009



Summarised trading results

Share trading history (EEK)

Price	1 st half 2009	1 st half 2008	1 st half 2007
Open	16.43	76.51	166.64
High	20.34	76.51	224.53
Low	8.61	50.85	96.54
Last closing price	13.61	53.98	93.88
Traded volume	1,875,140	4,112,826	2,480,799
Turnover, millions	22.2	229.8	425.8
Listed volume (30 June), thousands	30,757	30,757	15,378
Market capitalisation (30 June), millions	418.60	1,650.44	1,443.69

Share trading history (EUR)

Price	1 st half 2009	1 st half 2008	1 st half 2007
Open	1.05	4.89	10.65
High	1.30	4.89	14.35
Low	0.55	3.25	6.17
Last closing price	0.87	3.45	6.00
Traded volume	881,595	759,958	1,745,628
Turnover, millions	1.42	14.69	27.21
Listed volume (30 June), thousands	30 757	30 757	15 378
Market capitalisation (30 June), millions	26.75	105.48	92.27

Shareholder structure

The largest shareholders of Nordecon International AS at 30 June 2009

Shareholder	Number of shares	Ownership interest
AS Nordic Contractors	18,807,464	61.15%
ING Luxembourg S.A.	1,111,853	3.61%
Ain Tromp	678,960	2.21%
ASM Investments OÜ	519,600	1.69%
Skandinaviska Enskilda Banken Ab Clients	456,758	1.49%
State Street Bank & Trust Co.	355,199	1.15%
The Bank of New York Mellon	353,323	1.15%
Aivo Kont	339,480	1.10%
SEB Pank AS	322,200	1.05%
Raul Rebane	316,104	1.03%



Shareholder structure at 30 June 2009

	Number of shareholders	Ownership interest
Shareholders with interest exceeding 5%	1	61.15%
Shareholders with interest between 1% and 5%	9	14.48%
Shareholders with interest below 1%	1,741	24.37%
Total	1,751	100.00%

Shares controlled by members of the council of Nordecon International AS at 30 June 2009

Council		Number of shares	Ownership interest
Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad)*	Chairman of the Council	19,059,144	61.97%
Ain Tromp	Member of the Council	678,960	2.21%
Alar Kroodo (ASM Investments OÜ)*	Member of the Council	519,600	1.69%
Andri Hõbemägi	Member of the Council	40,000	0.13%
Tiina Mõis	Member of the Council	0	0.00%
Meelis Milder	Member of the Council	0	0.00%

* Companies controlled by the individual

Shares controlled by members of the board of Nordecon International AS at 30 June 2009

Board		Number of shares	Ownership interest
Jaano Vink	Chairman of the Board	34,000	0.11%
Sulev Luiga	Member of the Board	1,000	0.00%
Priit Tiru	Member of the Board	0	0.00%

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

Information on significant transactions with related parties

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

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

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



Outlooks of the Group's geographical markets

Estonia

According to management's assessment, in 2009-2010 the Estonian construction market will be characterised by the following features:

- Total demand in the construction market will depend heavily on public procurement tenders and the number and pricing of infrastructure, environmental and other projects launched with the support of the European Union funds (the latter will be critically influenced by the administrative capabilities of the central and local governments). However, the more moderate decline in the infrastructure sector will not be able to compensate for the steep contraction of the buildings construction market that has currently been abandoned by most private sector corporates and individuals. The Group's management estimates that by 2010 the total volumes of the construction market will have decreased 50% compared with 2008.
- The number of development and buildings construction companies will decrease (market consolidation). Companies focused on residential construction which in 2008 began seeking opportunities to penetrate other market segments such as infrastructure will continue to do so, heightening competition in the segments involved. The continuing slump will lead to mergers, takeovers and bankruptcies.
- Owing to the global financial crisis, the amount of money circulating in the economy has decreased considerably. As a result, more and more private sector companies will have difficulty in raising debt to finance new construction projects. The steep decrease in demand may be somewhat alleviated by a competition-induced decrease in prices, which will render investment in construction projects more attractive than it was during the boom of 2006 and 2007.
- Building materials manufacturers that significantly increased their output during the growth phase of the market will be faced by shrinking demand and, consequently, greater strain in meeting the obligations taken for increasing capacities.
- Real estate development companies' ability to service and repay existing loans will weaken and their creditworthiness will decrease. For companies involved in general contracting and project management, this may mean an increase in doubtful and irrecoverable receivables.
- The importance of infrastructure projects will increase and, accordingly, critical success factors will include specialised engineering expertise and experience as well as the availability of relevant resources.
- The deteriorating economic climate and fierce competition in the construction market along with falling demand will cause continuing unemployment for construction workers. The ensuing increase in the availability of labour will lower construction companies' personnel expenses although in the short term the decrease will be lessened by the disbursement of redundancy benefits.
- The change in construction projects' financing schemes (customers' settlement terms will extend significantly) in combination with additional requirements to the financing provided by general contractors during the construction period will put pressure on contractors' liquidity.

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

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

- Setting the objective of reducing the cost base by 30% (by cutting personnel expenses by downsizing and lowering salaries, reducing the costs of goods and services purchased, etc)
- Restructuring the Group for better management of the business lines (buildings and infrastructure construction) and maintaining the competitive advantages
- Performing a more thorough preliminary analysis of the customers' solvency and creditworthiness and dealing proactively with the collection of overdue receivables
- Dispersing risks through portfolio design
- Dispersing activities across geographical areas and business segments



Latvia and Lithuania

Despite the difficulties of the Latvian political and monetary systems, the volumes of various infrastructure projects financed by the state and local government with the support of EU funding will remain stable or, hopefully, will even increase (such as projects for the rehabilitation of the water supply and central heating systems). Construction activities will be mainly affected by the situation of financing institutions, a significant decrease in private sector demand, still high inflation and heightening competition. The ability of the Latvian central and local governments to provide self-financing for projects financed with the support of the EU and, accordingly, their ability to pay to contractors, has also become dependent on whether Latvia will receive the loan agreed with IMF.

Recent economic developments in Lithuania have been similar to the ones in the other Baltic countries. Slowdown in investment both in the public and private sectors and similar factors directly influence the construction market. The commercial and residential construction (the Group as a general contractor not a developer) markets have contracted visibly and the situation remains strained. Other relevant risks include the stability of banks, increasing competition and the impact of inflation on the construction prices.

The Group's management has suspended major decisions and remains alert to developments in Latvia and Lithuania because similarly to Estonia, their whole economy is in difficulty and this can also be felt in the construction sector. Management is analysing the Group's operation in the Latvian and Lithuanian markets in the light of developments in the external environment and is prepared to revise current plans swiftly and decisively.

The business operations of the Lithuanian-based UAB Nordecon Statyba (formerly UAB Eurocon LT) have been practically suspended and the Group is monitoring the market situation. The short-term decision will not change the Group's strategic objectives in the Lithuanian construction market and does not imply the sale or liquidation of the company.

The Group designs its activities in the Latvian and Lithuanian construction markets in accordance with its international expansion strategy (see *The Group's strategy and objectives for 2009-2013*) and believes that in the long term the two markets will have a logical place in the Group's internationalisation.

Ukraine

In Ukraine, the Group will continue as a general contractor and project manager in the construction of commercial buildings and production facilities. Activities on development projects that require major investment (currently two) have been suspended to minimise the risks until the situation in the Ukrainian and global financial markets has eased up.

The main risks in the Ukrainian market are connected with the low administrative efficiency of the central and local governments and the judicial system, inflation, and the availability of quality construction inputs. Demand is mainly undermined by the lack of financing. Since October 2008 the Ukrainian monetary and banking systems have been under severe pressure. The Ukrainian national currency hryvna (UAH) has weakened significantly against both the US dollar and the euro, which is causing substantial foreign exchange losses for foreign companies operating in Ukraine that have not hedged their currency risk exposures. To date, the weakening of the currency has stopped and the Group's exposure to market-based currency risk has decreased considerably.

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



Description of the main risks

Business risks

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

To manage their daily construction risks, Group companies purchase Contractors' All Risks insurance. Depending on the nature of the project, both general frame agreements and specially tailored project-specific contracts are used. In addition, as a rule, subcontractors are required to secure the performance of their obligations with a bank guarantee issued for the benefit of a Group company. To remedy builder-caused deficiencies which may be detected during the warranty period, all Group companies create warranties provisions. At 30 June 2009 the provisions (including current and non-current ones) totalled 15.1 million kroons (1.0 million euros). The corresponding figure at 30 June 2008 was 7.8 million kroons (0.5 million euros).

Credit risks

For credit risk management, a potential customer's settlement behaviour and creditworthiness are analysed already in the tendering stage. Subsequent to the signature of a contract, the customer's settlement behaviour is monitored on an ongoing basis from the making of an advance payment to adherence to the contractual settlement schedule, which usually depends on the documentation of the delivery of work performed. We believe that the system in place allows us to respond to customers' settlement difficulties with sufficient speed. As at the end of the reporting period, our customers' settlement practice was good. However, the customers' settlement behaviour has changed. The proportion of overdue receivables has increased somewhat, increasing the probability of credit losses in subsequent periods. In accordance with the Group's accounting policies, all receivables that are more than 180 days overdue are recognised as an expense.

In the first half of 2009, net loss on doubtful receivables amounted to 9.2 million kroons (0.6 million euros). In the first half of 2008, losses from the write-down of receivables totalled 7.1 million kroons (0.5 million euros).

Liquidity risks

Free funds are placed in overnight or fixed-interest term deposits with the largest banks of the markets where the Group operates. To ensure timely settlement of liabilities, approximately two weeks' working capital is kept in current accounts or overnight deposits. Where necessary, overdraft facilities are used. At the reporting date, the Group's current assets exceeded its current liabilities 1.36-fold (30 June 2008: 1.45-fold) and available cash funds totalled 158.1 million kroons (10.1 million euros) (30 June 2008: 321.8 million kroons / 20.6 million euros), providing a sufficient liquidity buffer for operating in an economic environment that is more uncertain than in the previous year.

Interest rate risks

The loans taken by Group companies from banks operating in Estonia, Latvia and Ukraine have mainly fixed interest rates. Finance lease contracts have floating interest rates and are linked to EURIBOR. By 30 June 2009, the Group's interest-bearing loans and borrowings had decreased by 127.1 million kroons (8.1 million euros) year-over-year to 619.7 million kroons (39.6 million euros). Interest expense for the first half of 2009 amounted to 15.7 million kroons (1.0 million euros). Compared with the first half of 2008, interest expense has contracted by 2.7 million kroons (0.2 million euros) thanks to a decline in the EURIBOR base rate and a decrease in loans and borrowings.

Currency risks

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

In the last quarter of 2008, the Ukrainian economy and its national currency (the Ukrainian hryvna / UAH) were seriously hit by the global financial crisis. The exchange rate of the local currency that was not officially pegged to any international currency was deeply impacted by a slump in exports and foreign investment and concerns



about the general reliability of the Ukrainian banking system. Despite counter-measures, the local central bank was unable to maintain a stable exchange rate for the Ukrainian hryvna and in 2008 the latter weakened against the US dollar and the euro by more than 30% year-over-year.

In 2009 the weakening of the Ukrainian hryvna against the euro has stopped and in the first half of 2009 the Group's exchange losses (including the ones recognised in finance expenses and other operating expenses) totalled 0.3 million kroons (0.02 million euros). The net effect of exchange differences (including exchange gains) on the Group's net profit was gain of 1.1 million kroons (0.07 million euros).

Management's confirmation and signatures

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

Jaano Vink

Chairman of the Board

11 August 2009

Sulev Luiga

Member of the Board

11 August 2009

Priit Tiru

Member of the Board

11 August 2009



Condensed consolidated interim financial statements

Statement of management's responsibility

The board of Nordecon International AS acknowledges its responsibility for the preparation of the Group's condensed consolidated interim financial statements (unaudited) as at and for the six months ended 30 June 2009, presented on pages 23 to 43, and confirms that:

- the policies applied on the preparation of the condensed consolidated interim financial statements comply with International Financial Reporting Standards as adopted by the European Union;
- the condensed consolidated interim financial statements, which have been prepared in accordance with effective financial reporting standards, give a true and fair view of the assets and liabilities of the Group comprising of the parent company and other Group entities as well as its financial position, its financial performance, and its cash flows;
- all significant events that occurred before the date on which the condensed consolidated interim financial statements were authorised for issue (11 August 2009) have been properly recognised and disclosed; and
- Nordecon International AS and its subsidiaries are going concerns.

Jaano Vink

Chairman of the Board

11 August 2009

Sulev Luiga

Member of the Board

11 August 2009

Priit Tiru

Member of the Board

11 August 2009



Condensed consolidated interim statement of financial position

EEK '000	Note	30 June 2009	31 December 2008
ASSETS			
Current assets			
Cash and cash equivalents		158,089	296,184
Trade receivables	2	526,234	473,935
Other receivables and prepayments		357,663	408,541
Deferred tax assets		776	776
Income tax assets		0	3,207
Inventories	3	475,653	386,733
Non-current assets held for sale		4,924	0
Total current assets		1,523,339	1,569,376
Non-current assets			
Long-term investments		134,013	112,605
Investment property		116,783	116,783
Property, plant and equipment	5	238,057	263,295
Intangible assets	5	332,253	305,188
Total non-current assets		821,105	797,871
TOTAL ASSETS		2,344,444	2,367,247
LIABILITIES			
Current liabilities			
Interest-bearing loans and borrowings	6, 7	253,486	235,948
Trade payables		392,740	439,615
Taxes payable		43,806	65,760
Other payables		416,117	423,270
Provisions		15,541	11,600
Total current liabilities		1,121,690	1,176,193
Non-current liabilities			
Interest-bearing loans and borrowings	6, 7	366,235	318,578
Other liabilities		15,568	2,534
Provisions		2,307	6,630
Total non-current liabilities		384,110	327,742
TOTAL LIABILITIES		1,505,800	1,503,935
EQUITY			
Share capital		307,567	307,567
Statutory capital reserve		40,012	34,800
Translation reserve		-2,813	-4,106
Retained earnings		412,195	426,995
Equity attributable to owners of the parent		756,961	765,256
Non-controlling interests		81,683	98,056
TOTAL EQUITY		838,644	863,312
TOTAL LIABILITIES AND EQUITY		2,344,444	2,367,247



Condensed consolidated interim statement of financial position (continued)

EUR '000	Note	30 June 2009	31 December 2008
ASSETS			
Current assets			
Cash and cash equivalents		10,104	18,930
Trade receivables	2	33,632	30,290
Other receivables and prepayments		22,858	26,110
Deferred tax assets		50	50
Income tax assets		0	205
Inventories	3	30,400	24,717
Non-current assets held for sale		315	0
Total current assets		97,359	100,301
Non-current assets			
Long-term investments		8,565	7,197
Investment property		7,464	7,464
Property, plant and equipment	5	15,215	16,828
Intangible assets	5	21,234	19,505
Total non-current assets		52,478	50,993
TOTAL ASSETS		149,837	151,295
LIABILITIES			
Current liabilities			
Interest-bearing loans and borrowings	6, 7	16,201	15,080
Trade payables		25,100	28,096
Taxes payable		2,800	4,203
Other payables		26,595	27,052
Provisions		993	741
Total current liabilities		71,689	75,172
Non-current liabilities			
Interest-bearing loans and borrowings	6, 7	23,407	20,361
Other liabilities		995	162
Provisions		147	424
Total non-current liabilities		24,549	20,947
TOTAL LIABILITIES		96,238	96,119
EQUITY			
Share capital		19,657	19,657
Statutory capital reserve		2,558	2,224
Translation reserve		-180	-262
Retained earnings		26,344	27,290
Equity attributable to owners of the parent		48,379	48,909
Non-controlling interests		5,220	6,267
TOTAL EQUITY		53,599	55,176
TOTAL LIABILITIES AND EQUITY		149,837	151,295



Condensed consolidated interim statement of comprehensive income

EEK '000	Note	Q2 2009	Q2 2008	1 st half 2009	1 st half 2008	2008
Revenue	9, 10	634,430	1,097,125	1,225,094	1,870,635	3,867,917
Cost of sales	11	586,932	959,741	1,140,741	1,631,897	3,510,006
Gross profit		47,498	137,384	84,353	238,738	357,911
Distribution expenses		2,140	2,575	4,363	3,402	8,007
Administrative expenses	12	27,946	49,595	65,350	93,088	182,526
Other operating income	13	18,209	11,298	19,898	18,420	63,947
Other operating expenses	13	26,950	12,577	29,373	15,690	22,845
Operating profit		8,671	83,935	5,165	144,978	208,480
Finance income	14	12,128	18,868	30,903	23,427	96,877
Finance expenses	14	9,131	5,284	22,913	25,135	68,019
Net finance income / expense		2,997	13,584	7,990	-1,708	28,858
Share of profit of equity accounted investees		777	-16	777	0	17
Share of loss of equity accounted investees		239	-381	2,883	347	24,770
Net share of profit and loss of equity accounted investees		538	365	-2,106	-347	-24,753
Profit before income tax		12,206	97,884	11,049	142,923	212,585
Income tax expense		6,513	32,005	5,895	32,150	41,269
Profit for the period		5,693	65,879	5,154	110,773	171,316
Other comprehensive income:						
Exchange differences on translating foreign operations		-231	-3,818	-1,711	-1,489	-6,371
Total other comprehensive income for the period		-231	-3,818	-1,711	-1,489	-6,371
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5,462	62,061	3,443	109,284	164,945
Profit attributable to:						
- Owners of the parent		14,130	58,134	21,176	104,272	145,580
- Non-controlling interests		-8,437	7,745	-16,022	6,501	25,736
		5,693	65,879	5,154	110,773	171,316
Total comprehensive income attributable to:						
- Owners of the parent		14,031	52,669	22,469	101,025	139,120
- Non-controlling interests		-8,569	9,392	-19,026	8,259	25,825
		5,462	62,061	3,443	109,284	164,945
Earnings per share attributable to owners of the parent:						
Basic earnings per share	8	0.46	1.89	0.69	3.39	4.73
Diluted earnings per share	8	0.46	1.89	0.69	3.39	4.73



Condensed consolidated interim statement of comprehensive income (continued)

EUR '000	Note	Q2 2009	Q2 2008	1 st half 2009	1 st half 2008	2008
Revenue	9, 10	40,547	70,119	78,298	119,555	247,205
Cost of sales	11	37,512	61,339	72,907	104,297	224,330
Gross profit		3,036	8,780	5,391	15,258	22,875
Distribution expenses		137	165	279	217	512
Administrative expenses	12	1,786	3,170	4,177	5,949	11,666
Other operating income	13	1,164	722	1,272	1,177	4,087
Other operating expenses	13	1,722	804	1,877	1,003	1,460
Operating profit		554	5,364	330	9,266	13,324
Finance income	14	775,	1,206	1,975	1,497	6,192
Finance expenses	14	584	338	1,464	1,606	4,347
Net finance income / expense		192	868	511	-109	1,844
Share of profit of equity accounted investees		50	-1	50	0	1
Share of loss of equity accounted investees		15	-24	184	22	1,583
Net share of profit and loss of equity accounted investees		34	23	-135	-22	-1,582
Profit before income tax		780	6,256	706	9,134	13,587
Income tax expense		416	2,045	377	2,055	2,638
Profit for the period		364	4,210	329	7,080	10,949
Other comprehensive income:						
Exchange differences on translating foreign operations		-15	-244	-109	-95	-407
Total other comprehensive income for the period		-15	-244	-109	-95	-407
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		349	3,966	220	6,985	10,542
Profit attributable to:						
- Owners of the parent		903	3,715	1,353	6,664	9,304
- Non-controlling interests		-539	495	-1,024	415	1,645
		364	4,210	329	7,080	10,949
Total comprehensive income attributable to:						
- Owners of the parent		897	3,366	1,436	6,457	8,891
- Non-controlling interests		-548	600	-1,216	528	1,651
		349	3,966	220	6,985	10,542
Earnings per share attributable to owners of the parent:						
Basic earnings per share	8	0.03	0.12	0.04	0.22	0.30
Diluted earnings per share	8	0.03	0.12	0.04	0.22	0.30



Condensed consolidated interim statement of cash flows

	Note	EEK '000		EUR '000	
		1 st half 2009	1 st half 2008	1 st half 2009	1 st half 2008
Cash flows from operating activities					
Cash receipts from customers		1,448,843	2,235,724	92,598	142,889
Cash paid to suppliers		-1,271,981	-1,828,465	-81,294	-116,860
Cash paid to and for employees		-225,462	-286,494	-14,410	-18,310
Income taxes paid		-8,538	-13,868	-546	-886
Net cash used in / from operating activities		-57,138	106,897	-3,652	6,832
Cash flows from investing activities					
Acquisition of property, plant and equipment		-839	-6,109	-54	-390
Acquisition of intangible assets		-7,530	0	-481	0
Proceeds from sale of property, plant and equipment and intangible assets		4,762	6,329	304	404
Acquisition of investment properties		-200	0	-13	
Acquisition of subsidiaries, net of cash acquired	4	-11,720	-211,254	-749	-13,502
Proceeds from disposal of subsidiaries	4	0	9,800	0	626
Acquisition of associates	4	-6,000	0	-383	0
Proceeds from disposal of associates	4	7,465	32,605	477	2,084
Acquisition of interests in joint ventures	4	-20,000	0	-1,278	0
Loans granted		-54,803	-17,776	-3,502	-1,136
Repayment of loans granted		38,094	46,815	2,435	2,992
Interest received		9,707	9,357	620	598
Net cash used in investing activities		-41,064	-130,233	-2,624	-8,323
Cash flows from financing activities					
Proceeds from loans received		141,095	332,686	9,018	21,263
Repayment of loans received		-108,970	-78,279	-6,965	-5,003
Dividends paid	8	-31,933	-103,790	-2,041	-6,633
Payment of finance lease liabilities		-25,305	-29,295	-1,618	-1,872
Interest paid		-14,444	-12,465	-923	-797
Other payments made		-381	148	-24	9
Net cash used in / from financing activities		-39,938	109,005	-2,553	6,967
Net cash flow		-138,140	85,669	-8,829	5,475
Cash and cash equivalents at beginning of period		296,184	236,112	18,930	15,090
Effect of exchange rate fluctuations		45	-13	3	-1
Decrease / increase in cash and cash equivalents		-138,140	85,669	-8,829	5,475
Cash and cash equivalents at end of period		158,089	321,768	10,104	20,565



Condensed consolidated interim statement of changes in equity

EEK '000	Equity attributable to equity holders of the parent					Non-controlling interests	Total
	Share capital	Statutory capital reserve	Translation reserve	Retained earnings	Total		
Balance at 31 December 2007	307,567	11,766	2,354	397,810	719,497	90,095	809,592
Total comprehensive income for the period	0	0	-3,247	104,272	101,025	8,259	109,284
Dividends declared	0	0	0	-92,270	-92,270	-11,520	-103,790
Transfer to capital reserve	0	23,034	0	-23,034	0	0	0
Changes in non-controlling interests	0	0	0	-1,016	-1,016	-8,403	-9,419
Balance at 30 June 2008	307,567	34,800	-893	385,762	727,236	78,431	805,668
Balance at 31 December 2008	307,567	34,800	-4,106	426,995	765,256	98,056	863,312
Total comprehensive income for the period	0	0	1,293	21,176	22,469	-19,026	3,443
Dividends declared	0	0	0	-30,756	-30,756	-1,176	-31,932
Transfer to capital reserve	0	5,212	0	-5,212	0	0	0
Changes in non-controlling interests	0	0	0	-8	-8	3,829	3,821
Balance at 30 June 2009	307,567	40,012	-2,813	412,195	756,961	81,683	838,644



Condensed consolidated interim statement of changes in equity (continued)

EUR '000	Equity attributable to equity holders of the parent					Non-controlling interests	Total
	Share capital	Statutory capital reserve	Translation reserve	Retained earnings	Total		
Balance at 31 December 2007	19,657	752	150	25,425	45,984	5,758	51,742
Total comprehensive income for the period	0	0	-207	6,664	6,457	528	6,985
Dividends declared	0	0	0	-5,897	-5,897	-736	-6,633
Transfer to capital reserve	0	1,472	0	-1,472	0	0	0
Changes in non-controlling interests	0	0	0	-64	-64	-537	-601
Balance at 30 June 2008	19,657	2,224	-57	24,655	46,479	5,013	51,492
Balance at 31 December 2008	19,657	2,224	-262	27,290	48,909	6,267	55,176
Total comprehensive income for the period	0	0	82	1,353	1,436	-1,216	220
Dividends declared	0	0	0	-1,966	-1,966	-75	-2,041
Transfer to capital reserve	0	334	0	-333	0	0	0
Changes in non-controlling interests	0	0	0	0	0	244	244
Balance at 30 June 2009	19,657	2,558	-180	26,344	48,379	5,220	53,599



Notes to the condensed consolidated interim financial statements

NOTE 1. Significant accounting policies

Nordecon International AS (formerly AS Eesti Ehitus) is a company domiciled in Estonia. The shares of Nordecon International AS (the Company) have been listed on the NASDAQ OMX Tallinn Stock Exchange since 18 May 2006. The Company's controlling shareholder is AS Nordic Contractors that holds 61.15% of the shares in Nordecon International AS.

The business name of AS Eesti Ehitus was changed by an extraordinary general meeting of the Company's shareholders on 26 March 2009. The extraordinary general meeting decided that the Company's new business name should be Nordecon International AS. These financial statements have been prepared under the new business name (referring, where necessary due to legal or other circumstances, to the former business name).

The condensed consolidated interim financial statements for the six months ended 30 June 2009 have been prepared in accordance with the 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 that has to be presented in the annual financial statements and they should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2008.

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

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

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

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

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

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

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

- IFRS 8 – *Operating Segments*

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



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

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

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

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

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

IAS 23 (revised) – *Borrowing Costs*

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

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

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

IFRIC 13 – *Customer Loyalty Programmes*

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

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

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

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

Changes in the presentation of interim financial statements

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

NOTE 2. Trade receivables

	30 June 2009	EEK '000 31 December 2008	30 June 2009	EUR '000 31 December 2008
Trade receivables	542,660	482,046	34,682	30,808
Allowance for impairment	-16,426	-8,111	-1,050	-518
Total trade receivables	526,234	473,935	33,632	30,290

Trade receivables have increased since 31 December 2008 mainly because of two factors: the seasonal nature of the construction business and changes in customers' settlement behaviour - adverse developments in the economic environment have lengthened both contractual settlement terms and the past due periods. The proportion of doubtful receivables (impairment allowance) as at 30 June 2009 is typical in view of the nature of the Group's business.



NOTE 3. Inventories

	EEK '000		EUR '000	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
Raw and other materials	50,662	46,069	3,238	2,944
Work in progress	78,855	51,717	5,040	3,305
Property acquired for resale	193,497	126,498	12,367	8,085
Finished goods	126,285	133,621	8,071	8,540
Prepayments to materials suppliers	26,354	28,828	1,684	1,842
Total inventories	475,653	386,733	30,400	24,717

In line with the Group's business, inventories (raw and other materials and work in progress) increase in the middle of the financial year in connection with a rise in construction activity. The growth in property acquired for resale, which includes mainly properties designed for development, is largely attributable to the acquisition of the subsidiary OÜ Kalda Kodu in 2009. No inventories were written down during the reporting period.

NOTE 4. Acquisitions and disposals

Business combinations

Acquisition of a stake in OÜ Kalda Kodu

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

The remaining 44% of OÜ Kalda Kodu belongs to AS Eston Ehitus (a 52% subsidiary of Nordecon International AS). Through its direct and indirect holdings, Nordecon International AS has a 78.9% interest in OÜ Kalda Kodu. The negative goodwill on the acquisition has been recognised in the income statement.

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

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

Acquisition of a stake in SIA LCB

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



Net assets of SIA LCB at the date of acquisition:

	Pre-acquisition carrying amount	Total fair value (100%)	EEK '000 Recognised value on acquisition (75%)	Pre-acquisition carrying amount	Total fair value (100%)	EUR '000 Recognised value on acquisition (75%)
Current assets	11,788	11,788	8,841	753	753	565
Non-current assets	5,725	5,725	4,293	366	366	274
Current liabilities	10,571	10,571	7,928	676	676	507
Non-current liabilities	3,764	3,764	2,823	241	241	180
Total net assets	3,178	3,178	2,383	202	202	152
Goodwill			20,867			1,334
Cost			23,250			1,486
Paid in cash			15,500			991
Payable at 30 June 2009			7,750			495

Acquisition of a stake in Nordecon Infra SIA

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

The core business of Nordecon Infra SIA is performance of infrastructure projects (installation of underground pipelines and performance of environmental engineering contracts) in Latvia. Since 2009 the Nordecon Infra SIA subgroup also includes SIA LCB, which is involved in road-construction.

Disposal of the investment in Nordecon Betoon OÜ

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

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

Transactions with non-controlling interests

Acquisition of a stake in OÜ DSN Ehitusmasinad

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



Net assets of OÜ DSN Ehitusmasinad at the date of acquisition:

	Pre-acquisition carrying amount	Total fair value (100%)	EEK '000 Recognised value on acquisition (22%)	Pre-acquisition carrying amount	Total fair value (100%)	EUR '000 Recognised value on acquisition (22%)
Current assets	10,779	10,779	2,419	689	689	155
Non-current assets	14,054	14,054	3,154	898	898	201
Current liabilities	15,075	15,075	3,383	963	963	216
Non-current liabilities	6,883	6,883	1,544	440	440	98
Total net assets	2,875	2,875	645	184	184	42
Goodwill			55			3
Cost			700			45
Paid in cash			700			45

Acquisition of a stake in AS Eston Ehitus

After the reporting date (during the period 24 July to 3 August), Nordecon International AS acquired from non-controlling shareholders an additional 45.7% stake in the subsidiary AS Eston Ehitus, raising its direct interest in the entity 97.7%. The purchase price allocation has not yet been completed.

Acquisition of interests in joint ventures

Acquisition of a stake in OÜ Unigate

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

In accordance with the terms of the agreement, AS Arealis was paid 20,000 thousand kroons (1,278 thousand euros) and a variable component that depends on the result of development operations will be settled in subsequent years. The cost of the business combination amounted to 1,556 thousand kroons (100 thousand euros), which was paid for the share in OÜ Unigate. For the remaining 18,444 thousand kroons (1,179 thousand euros) Nordecon Ehitus AS acquired AS Arealis' loan and interest receivables from OÜ Unigate.

Net assets of OÜ Unigate at the date of acquisition:

	Pre-acquisition carrying amount	Total fair value (100%)	EEK '000 Recognised value on acquisition (50%)	Pre-acquisition carrying amount	Total fair value (100%)	EUR '000 Recognised value on acquisition (50%)
Current assets	50,401	50,401	25,201	3,221	3,221	1,611
Current liabilities	46,603	46,603	23,301	2,978	2,978	1,489
Non-current liabilities	1,851	1,851	926	118	118	59
Total net assets	1,947	1,947	974	125	125	63
Goodwill			582			37
Cost			1,556			100
Paid in cash			1,556			100

Transactions with investments in associates

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



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

NOTE 5. Property, plant and equipment and intangible assets

Property, plant and equipment

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

Intangible assets

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

NOTE 6. Finance and operating leases

Finance lease liability	EEK '000		EUR '000	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
Payable in less than 1 year	43,044	46,860	2,751	2,995
Payable between 1 and 5 years	85,833	98,422	5,486	6,290
Total	128,877	145,282	8,237	9,285
Base currency EUR	112,469	142,841	7,188	9,129
Base currency UAH	2,749	2,441	176	156
Base currency LVL	13,659	0	873	0
Frequency of payments	Monthly	Monthly	Monthly	Monthly
Interest rates in Estonia	3.0%-8.0%	3.0%-8.0%	3.0%-8.0%	3.0%-8.0%
Interest rates in Ukraine	10%-12%	10%-12%	10%-12%	10%-12%
Finance lease payments	1st half 2009	1st half 2008	1st half 2009	1st half 2008
Principal payments	23,941	29,295	1,530	1,872
Interest payments	3,206	3,850	205	246
Operating lease rentals paid for:	1st half 2009	1st half 2008	1st half 2009	1st half 2008
Cars	8,590	6,327	549	404
Construction equipment	19,666	6,531	1,257	417
Premises	6,376	3,731	408	238
Software	4,538,	3,923	290	251
Total operating lease rentals paid	39,170	20,512	2,503	1,311

NOTE 7. Interest-bearing loans and borrowings

	EEK '000		EUR '000	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
Short-term bank loans	138,813	43,317	8,872	2,768
Current portion of long-term bank loans	56,529	145,771	3,613	9,316
Current portion of other loans	15,100	0	965	0
Short-term finance lease liabilities	43,044	46,860	2,751	2,995
Total current loans and borrowings	253,486	235,948	16,201	15,080
Long-term bank loans	280,403	220,156	17,921	14,071
Long-term finance lease-liabilities	85,833	98,422	5,486	6,290
Total non-current loans and borrowings	366,235	318,578	23,407	20,361



NOTE 8. Earnings per share and dividends paid

Earnings per share

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

		EEK '000		EUR '000	
		1 st half 2009	1 st half 2008	1 st half 2009	1 st half 2008
Profit for the period attributable to owners of the parent	In thousands	21,176	104,272	1,353	6,664
Weighted average number of shares	In thousands	30,757	30,757	30,757	30,757
Basic earnings per share		0.69	3.39	0.04	0.22
Diluted earnings per share		0.69	3.39	0.04	0.22

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

Dividends

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

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

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

NOTE 9. Segment reporting – business segments

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

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

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

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

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

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



1st half-year

EEK '000 1 st half 2009	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Total revenue	574,583	28,360	635,440	27,080	1,265,463
Inter-segment revenue	-2,095	0	-19,002	-21,834	-42,931
Revenue from external customers	572,488	28,360	616,438	5,246	1,222,532
Segment profit	57,265	-508	8,584	-4,121	61,220
1 st half 2008	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Total revenue	1,070,754	290,896	556,419	30,933	1,949,002
Inter-segment revenue	-39,099	-547	-22,190	-16,531	-78,367
Revenue from external customers	1,031,655	290,655	534,229	14,402	1,870,635
Segment profit	203,153	11,758	25,864	-2,037	238,738
Segment assets	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
As at 30 June 2008	1,303,150	283,904	1,132,738	144,468	2,864,260
As at 31 December 2008	1,057,344	245,683	1,004,107	171,637	2,478,771
As at 30 June 2009	1,061,584	211,738	909,375	146,020	2,328,717

EUR '000 1 st half 2009	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Total revenue	36,723	1,813	40,612	1,731	80,879
Inter-segment revenue	-134	0	-1,214	-1,395	-2,743
Revenue from external customers	36,589	1,813	39,398	336	78,136
Segment profit	3,660	-32	549	-263	3,914
1 st half 2008	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Total revenue	68,433	18,592	35,562	1,977	124,564
Inter-segment revenue	-2,499	-35	-1,418	-1,057	-5,009
Revenue from external customers	65,934	18,557	34,144	920	119,555
Segment profit	4,591	364	1,720	-197	6,478
Segment assets	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
As at 30 June 2008	83,286	18,145	72,395	9,233	183,059
As at 31 December 2008	67,577	15,702	64,174	10,970	158,422
As at 30 June 2009	67,848	13,533	58,120	9,332	148,833

Q2

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



	Buildings EU	Buildings Ukraine	Infrastructure EU	Other segments	Total
Q2 2008					
Total revenue	561,394	165,235	411,448	20,431	1,158,508
Inter-segment revenue	-34,197	-547	-17,862	-8,777	-61,383
Revenue from external customers	527,197	164,688	393,586	11,654	1,097,125
Segment profit	131,320	6,064	-1,052	1,052	137,384
EUR '000					
Q2 2009					
Total revenue	16,250	587	24,661	1,117	42,615
Inter-segment revenue	-130	0	-1,020	-903	-2,053
Revenue from external customers	16,120	587	23,641	214	40,562
Segment profit	1,981	-270	499	20	2,230
Q2 2008					
Total revenue	35,880	10,561	26,297	1,306	74,044
Inter-segment revenue	-2,186	-35	-1,141	-561	-3,923
Revenue from external customers	33,694	10,526	25,156	745	70,121
Segment profit	8,393	387	-67	67	8,780

Reconciliation of segment revenues

EEK '000	1 st half 2009	Q2 2009	1 st half 2008	Q2 2008
Total revenues for reportable segments	1,238,383	649,296	1,918,069	1,138,077
Revenue for other segments	27,080	17,469	30,933	20,431
Elimination of inter-segment revenues	-42,931	-32,146	-78,367	-61,383
Other revenue	2,562	-189	0	0
Total consolidated revenue	1,225,094	634,430	1,870,635	1,097,125
EUR '000				
Total revenues for reportable segments	79,147	41,498	122,587	72,736
Revenue for other segments	1,731	1,116	1,977	1,306
Elimination of inter-segment revenues	-2,744	-2,055	-5,009	-3,923
Other revenue	164	-12	0	0
Total consolidated revenue	78,298	40,547	119,555	70,119

Reconciliation of segment profit

EEK '000	1 st half 2009	Q2 2009	1 st half 2008	Q2 2008
Total profit for reportable segments	65,341	34,570	240,775	136,332
Total profit or loss for other segments	-4,121	310	-2,037	1,052
Other profit	23,133	12,617	0	0
Total	84,353	47,497	238,738	137,384
Unallocated expenses:				
Distribution expenses	-4,363	-2,140	-3,402	-2,840
Administrative expenses	-65,350	-27,946	-93,088	-49,595
Other operating income / expenses	-9,475	-8,740	2,730	-1,014
Consolidated operating profit	5,165	8,671	144,978	83,935
Finance income	31,680	12,905	23,427	18,868
Finance expenses	-22,913	-9,131	-25,135	-5,284
Share of profit / loss of equity accounted investees	-2,883	-239	-347	365
Consolidated profit before tax	11,049	12,206	142,923	97,884



EUR '000	1 st half 2009	Q2 2009	1 st half 2008	Q2 2008
Total profit for reportable segments	4,176	2,209	15,388	8,713
Total profit or loss for other segments	-263	20	-130	67
Other profit	1,478	806	0	0
Total	5,391	3,036	15,258	8,780
Unallocated expenses:				
Distribution expenses	-279	-137	-217	-182
Administrative expenses	-4,177	-1,786	-5,949	-3,170
Other operating income / expenses	-605	-559	174	-65
Consolidated operating profit	330	554	9,266	5,364
Finance income	2,025	825	1,497	1,206
Finance expenses	-1,464	-584	-1,606	-338
Share of profit / loss of equity accounted investees	-184	-15	-22	23
Consolidated profit before tax	706	780	9,134	6,256

Reconciliation of segment assets

	30 June		31 December		EEK '000		EUR '000	
	2009	2008	2009	2008	30 June 2009	31 December 2008	30 June 2008	30 June 2008
Total assets for reportable segments	2,182,697	2,307,134	2,519,792	139,500	147,453	161,044		
Total assets from other segments	146,020	171,637	144,468	9,332	10,970	9,233		
Inter-segment eliminations	-429,037	-111,524	-421,227	-27,420	-7,128	-26,921		
Other assets	444,764	0	0	28,425	0	0		
Total consolidated assets	2,344,444	2,367,247	2,243,033	149,837	151,295	143,356		

NOTE 10. Segment reporting – geographical information

EEK '000	1 st half 2009	Q2 2009	1 st half 2008	Q2 2008
Revenue				
Estonia	1,028,236	539,504	1,486,764	853,918
Ukraine	28,360	9,184	290,896	165,215
Lithuania	10,662	0	41,508	26,456
Latvia	158,512	86,238	52,098	52,098
Inter-segment eliminations	-676	-542	-631	-562
Total revenue	1,225,094	634,384	1,870,635	1,097,125

EUR '000	1 st half 2009	Q2 2009	1 st half 2008	Q2 2008
Revenue				
Estonia	65,716	34,480	95,022	54,576
Ukraine	1,813	587	18,592	10,560
Lithuania	681	0	2,653	1,691
Latvia	10,131	5,512	3,330	3,330
Inter-segment eliminations	-43	-34	-40	-36
Total revenue	78,298	40,545	119,557	70,121



NOTE 11. Cost of sales

	EEK '000		EUR '000	
	1 st half 2009	1 st half 2008	1 st half 2009	1 st half 2008
Depreciation and amortisation expense	33,486	32,075	2,140	2,050
Personnel expenses	152,072	173,610	9,719	11,096
Materials, goods and services used	931,303	1,416,848	59,521	90,553
Other expenses	23,880	9,364	1,526	598
Total cost of sales	1,140,741	1,631,897	72,907	104,297

NOTE 12. Administrative expenses

	EEK '000		EUR '000	
	1 st half 2009	1 st half 2008	1 st half 2009	1 st half 2008
Depreciation and amortisation expense	2,474	2,526	158	161
Personnel expenses	36,353	59,267	2,323	3,788
Materials, goods and services used	23,080	24,204	1,475	1,547
Other expenses	3,443	7,091	220	453
Total administrative expenses	65,350	93,088	4,177	5,949

NOTE 13. Other operating income and expenses

Other operating income	EEK '000		EUR '000	
	1 st half 2009	1 st half 2008	1 st half 2009	1 st half 2008
Gains on sale of property, plant and equipment and intangible assets	1,840	2,725	118	174
Foreign exchange gains	905	0	58	0
Other income	17,153	15,695	1,096	1,003
Total other operating income	19,898	18,420	1,272	1,177

Other operating expenses	EEK '000		EUR '000	
	1 st half 2009	1 st half 2008	1 st half 2009	1 st half 2008
Losses on write-off of property, plant and equipment and intangible assets	439	709	28	45
Foreign exchange losses	18	95	1	6
Losses from write-down of receivables	9,236	7,126	590	455
Membership fees	91	49	6	3
Other expenses	19,589	7,711	1,252	494
Total other operating expenses	29,373	15,690	1,877	1,003

NOTE 14. Finance income and expenses

Finance income	EEK '000		EUR '000	
	1 st half 2009	1 st half 2008	1 st half 2009	1 st half 2008
Gains on disposal of investments in subsidiaries and associates	0	17,065	0	1,090
Finance income on other investments	1,054	0	67	0
Interest income on loans	24,984	0	1,597	
Other finance income	4,382	6,177	280	395
Foreign exchange gains	483	185	31	12
Total finance income	30,903	23,427	1,975	1,497



Finance expenses	EEK '000		EUR '000	
	1 st half 2009	1 st half 2008	1 st half 2009	1 st half 2008
Interest expense	15,742	18,413	1,006	1,177
Other finance expenses	0	515	0	33
Finance expenses on other investments	6,905	0	441	0
Foreign exchange losses	266	6,206	17	397
Total finance expenses	22,913	25,134	1,464	1,606

NOTE 15. Transactions with related parties

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

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

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

1 st half 2009 Volume of transactions performed	EEK '000		EUR '000	
	Purchases	Sales	Purchases	Sales
AS Nordic Contractors	4,063	1,304	260	83
Subsidiaries of AS Nordic Contractors	0	103,655	0	6,625
Companies related to a member of the council of Nordecon International AS	1,127	0	72	0
Total	5,190	104,959	332	6,708

1 st half 2009 Substance of transactions performed	EEK '000		EUR '000	
	Purchases	Sales	Purchases	Sales
Construction contracts	0	104,429	0	6,674
Purchase and sale of goods	0	530	0	34
Lease and other services	5,190	0	332	0
Total	5,190	104,959	332	6,708

1 st half 2008 Volume of transactions performed	EEK '000		EUR '000	
	Purchases	Sales	Purchases	Sales
AS Nordic Contractors	9,262	634	592	41
Subsidiaries of AS Nordic Contractors	2,143	134,009	137	8,565
Companies related to a member of the council of Nordecon International AS	0	988	0	63
Total	11,405	135,631	729	8,668

1 st half 2008 Substance of transactions performed	EEK '000		EUR '000	
	Purchases	Sales	Purchases	Sales
Construction contracts	0	134,009	0	8,565
Purchase and sale of goods	0	0	0	0
Lease and other services	11,405	1,622	729	104
Total	11,405	135,631	729	8,668



Receivables from and payables to related parties:

EEK '000	30 June 2009		31 December 2008	
	Receivables	Payables	Receivables	Payables
AS Nordic Contractors	7	725	1,173	1,378
Subsidiaries of AS Nordic Contractors	68,038	13	52,726	961
Companies related to a member of the council of Nordecon International AS	0,	0	236,	0
Associates – trade items	28,962	26	23,824	4
Associates - loans	134,084		116,262	0
Total	231,091	764	194,221,	2,343

EUR '000	30 June 2009		30 June 2008	
	Receivables	Payables	Receivables	Payables
AS Nordic Contractors	1	46	75	88
Subsidiaries of AS Nordic Contractors	4,348	1	3,370	61
Companies related to a member of the council of Nordecon International AS	0	0	15	0
Associates – trade items	1,851	2	1,523	0
Associates - loans	8,569		7,430	0
Total	14,769	49	12,413	150

In the first half of 2009, the remuneration of the members of the council of Nordecon International AS including associated taxes totalled 718 thousand kroons (46 thousand euros). A year ago, the corresponding figure was also 725 thousand kroons (46 thousand euros). In the first half of 2009, the remuneration and benefits of the members of the board of Nordecon International AS including associated taxes totalled 1,674 thousand kroons (107 thousand euros). The corresponding figure for the first half of 2008 was 8,257 thousand kroons (528 thousand euros). The differences in the remuneration of the board stem from the fact that since 5 January 2009 the board has had three members while in 2008 the number was five (see *Changes in the Group's management structure and operations in 2009*). In addition, the figure has been impacted by a 15% reduction in board member service fees across the Group.

NOTE 16. Subsequent events

During the period 24 July to 3 August 2009 Nordecon International AS and the non-controlling shareholders of AS Eston Ehitus (13 individuals and 1 legal person) concluded share purchase agreements as a result of which Nordecon International AS' direct interest in the share capital of AS Eston Ehitus rose to 97.7% (share capital amounts to 1,000,400 kroons / 63,937 euros). At the date these interim financial statements are authorised for issue, the purchase price allocation has not yet been completed.