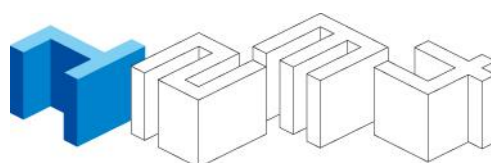




**Financial report for the first quarter  
of 2021**  
(unaudited)

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Financial report for the first quarter of 2021  
(unaudited)

<b>Business name</b>	Nordecon AS
<b>Registry number</b>	10099962
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<b>Corporate website</b>	<a href="http://www.nordecon.com">www.nordecon.com</a>
<b>Core business lines</b>	Construction of residential and non-residential buildings (EMTAK 4120) Construction of roads and motorways (EMTAK 4211) Road maintenance (EMTAK 4211) Construction of utility projects for fluids (EMTAK 4221) Construction of water projects (EMTAK 4291) Construction of other civil engineering projects (EMTAK 4299)
<b>Financial year</b>	1 January 2021 – 31 December 2021
<b>Reporting period</b>	1 January 2021 – 31 March 2021
<b>Council</b>	Toomas Luman (chairman of the council), Andri Hõbemägi, Vello Kahro, Sandor Liive, Andre Luman
<b>Board</b>	Gerd Müller (chairman of the board), Priit Luman, Maret Tambek
<b>Auditor</b>	KPMG Baltics OÜ



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## Nordecon group at a glance

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

For years, our business strategy has been underpinned by a consistent focus on general contracting and project management and a policy of maintaining a reasonable balance between building and infrastructure construction. Our core business is supported by road maintenance, concrete works and other services that provide added value, improve our operating efficiency and help manage risks.

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

Besides Estonia, group entities operate in Sweden, Finland and Ukraine.

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

Nordecon AS's shares have been listed on the Nasdaq Tallinn Stock Exchange since 18 May 2006.

## VISION

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

## MISSION

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

## SHARED VALUES

### **Professionalism**

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

### **Reliability**

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

### **Openness**

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

### **Employees**

We support employee development through needs-based training and career opportunities consistent with their experience. We value our people and provide them with a modern work environment that encourages creativity and a motivation system that fosters initiative.



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## Directors' report

### Strategic agenda for 2019-2022

The group's strategic business agenda and targets for the period 2019-2022

#### Business lines and markets

- The group will grow, mostly organically, with a focus on a more efficient use of its existing resources.
- In Estonia, we will operate, as a market leader, in both the building and infrastructure construction segments.
- In Sweden, we will focus on general contracting in Stockholm and the surrounding area.
- In Finland, we will focus on general contracting and concrete works in Helsinki and the surrounding area.
- In Ukraine, we will focus on general contracting and concrete works, primarily in Kiev and the surrounding area.

#### Activities for implementing the strategy

- Improving profitability through more precise planning of our design and construction operations.
- Increasing our design and digitalisation capabilities.
- Simplifying and automating work and decision-making processes.
- Monitoring the balance between the contract portfolios of different business segments.
- Valuing balanced teamwork where youthful energy and drive complement long-term experience.
- Noticing and recognising each employee's individual contribution and initiative.

#### Financial targets

- Revenue will grow by at least 10% per year.
- Foreign markets' contribution will increase to 20% of revenue.
- Real estate development revenue will grow to 10% of revenue earned in Estonia.
- Operating margin for the year will be consistently above 3%.
- Operating profit per employee will increase to at least €10 thousand per year.
- We will, on average, distribute at least 30% of profit for the year as dividends.



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## Outlooks of the group's geographical markets

### Estonia

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

- Public investments which have a strong impact on the construction market are expected to increase in 2021. Investments by the largest public sector entities (the state-owned real estate company Riigi Kinnisvara AS, the Transport Administration, the Centre for Defence Investment, etc.) that reach the signature of a construction contract in 2021 will have an increasing effect on the market as a whole. The negative effects of the COVID-19 pandemic have started to subside and private investment is showing signs of recovery. In contrast to the overall market trend, the number of housing developments surged in the first quarter and strong demand will probably fuel the start of new projects throughout 2021. Construction market contraction has been replaced by moderate growth, which is expected to continue in the following years.
- Competition will remain fierce across the construction market, intensifying in specific segments based on market developments. This is reflected in the consistently high number of bidders for construction contracts that has grown even further during the economic downturn. Recent years' rapid growth in input prices, which halted briefly in the middle of 2020 due to a decrease in new private projects, resumed at the year-end. The prices of commodities such as steel continued to grow quickly in the first quarter. Although the negative effects of the COVID-19 pandemic are no longer suppressing demand, they still continue to affect the availability and delivery times of building materials, which in turn is driving up construction prices. The construction sector's continuing shortage of skilled and qualified workforce and growing labour costs will sustain growth in construction prices. The construction market grew dramatically in 2018 and 2019 (compared to earlier periods). Thus, despite a slight downtrend in 2020, construction volumes are still at the past decade's highest levels. In an environment of continuously growing materials and labour costs, it is essential to focus not only on the usual activities that improve competitiveness but also on cost management and the capacity to respond swiftly to market changes.
- There is often a striking contrast between the stringent terms of public construction contracts, which impose numerous obligations, strict sanctions, different financial guarantee commitments, etc., and the modest eligibility criteria. Lenient qualification requirements and the precondition of making a low bid have made it relatively easy for an increasing number of builders to win a contract. However, they have also heightened the financial, completion delay, and quality risks taken by customers during the contract performance and the subsequent warranty period.
- The shortage of skilled and qualified labour (including project and site managers) has not decreased and the sector continues to need additional competent professionals, including foreign labour whose contribution has supported recent years' market growth. Labour mobility is currently restricted due to the COVID-19 pandemic and foreign workers who have gone to their home countries are finding it difficult to return.

### Ukraine

In Ukraine, we are mainly involved in general contracting and project management in the segment of building construction. Political and economic instability continues to restrict the adoption of business decisions but construction activity has increased in recent years. We expect that in 2021 our business volumes in Ukraine will remain at a level comparable to 2020. We assess the situation in the Ukrainian construction market regularly and are ready to restructure our operations as and when necessary. We continue to seek opportunities to exit our two real estate projects, which have been put on hold, or signing a construction contract with a prospective new owner.

### Finland

In Finland, we have been offering mainly subcontracting services in the concrete work segment. The local concrete work market allows competing for projects where the customer wishes to source all concrete works from one reliable partner. However, in recent years we have also secured some smaller general contracts. Our policy is to maintain a rational approach and avoid excessive risks, particularly in an environment of the COVID-19 pandemic, which has increased pressure on profit margins.



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## Sweden

In the Swedish market, we offer mainly the construction of residential and non-residential buildings in the central part of the country. In gaining experience in the new market, we have prioritised quality and adherence to deadlines, which has left its mark on profitability. The decline in real estate prices that emerged in 2018 has reduced demand for housing construction. As a result, the starting dates of many projects have been postponed. Compared to the peak in 2017, housing construction volumes have dropped by around a third. The slowdown has hit the Stockholm area the hardest. Even though the worst downturn seems to be over, there are no signs of growth and housing construction volumes are expected to shrink further in 2021. The trend is also influenced by the COVID-19 pandemic: there are signs that customers are deferring their investment decisions until the situation has stabilised.



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## Description of the main risks

### Business risks

The main factors which affect the group's business volumes and profit margins are competition in the construction market and changes in the demand for construction services. The demand for construction services continues to be strongly influenced by the volume of public investment which, in turn, depends partly on the co-financing received from the EU structural funds. The construction market is also strongly affected by the COVID-19 pandemic, which has slowed down private investment.

Competition continues to be stiff in all segments of the construction market. Bid prices are under strong competitive pressure and bidders increasingly include not only rival general contractors but also former subcontractors. This is mainly attributable to the central and local governments' policy to keep the eligibility requirements for public contracts low. As a result, quality and timely completion are sometimes sacrificed to the lowest price. We acknowledge the risks involved in performing contracts signed in an environment of stiff competition and the current economic uncertainties. In setting our prices in such an environment, we focus on ensuring a reasonable balance between contract performance risks and tight cost control.

Our action plan foresees flexible resource allocation aimed at finding more profitable contracts and performing them effectively. According to our business model, Nordecon operates in all segments of the construction market. Therefore, we are somewhat better positioned than companies that operate in only one narrow segment.

Our business is also influenced by seasonal changes in weather conditions, which have the strongest impact on infrastructure construction where a lot of work is done outdoors (road construction, earthworks, etc.). To mitigate the risk, we secure road maintenance contracts that generate year-round business. Our strategy is to counteract the seasonality of infrastructure operations with building construction that is less exposed to seasonal fluctuations. Our long-term goal is to be flexible and keep our two operating segments in relative balance. Where possible, our entities also implement different technical solutions that help them work efficiently in changing conditions.

### Operational risks

To manage their daily construction risks, group companies purchase contractors' all risks insurance. Depending on the nature of the project and the requests of the customer, both general frame agreements and special, project-specific insurance contracts are used. In addition, as a rule, subcontractors are required to secure the performance of their obligations with a bank guarantee provided to a group company or the group retains part of the amount due until the contract has been completed. To remedy construction deficiencies which may be detected during the warranty period, group companies create warranty provisions based on their historical experience. At 31 March 2021, the group's warranty provisions (including current and non-current) totalled €1,488 thousand (31 March 2020: €1,430 thousand).

In addition to managing the risks directly related to construction operations, we seek to mitigate the risks inherent in pre-construction activities. In particular, this applies to the bidding process, i.e. compliance with the procurement terms and budgeting. The errors made in the planning stage are usually irreversible and, in a situation where the price is contractually fixed, may result in a direct financial loss.

### Financial risks

#### Credit risk

The group's credit losses for the period totalled €9 thousand, while in the same period last year there were no credit losses. The overall credit risk exposure of the portfolio of receivables is low because the solvency of prospective customers is evaluated, the share of public sector customers is large and customers' settlement behaviour is continuously monitored. The main indicator of the realisation of credit risk is a settlement default that exceeds 180 days along with no activity on the part of the debtor that would confirm the intent to settle.

#### Liquidity risk

The group remains exposed to higher than usual liquidity risk. At the reporting date, the group's current assets exceeded its current liabilities 0.99 times (31 March 2020: 0.95 times). The key factor that influences the current ratio is the classification of the group's loans to its Ukrainian associate as non-current and the banks' general policy not to refinance interest-bearing liabilities (particularly overdrafts) for a period exceeding 12 months.





Because the political and economic situation in Ukraine continues to be complicated, we believe that the group's Ukrainian investment properties cannot be realised in the short term. Accordingly, the receivables related to the loans provided to the Ukrainian associate of €8,295 thousand were classified as non-current at the reporting date.

For better cash flow management, we use overdraft facilities and factoring by which we counter the mismatch between the settlement terms agreed with customers and subcontractors. Under IFRS EU, borrowings have to be classified into current and non-current based on contract terms in force at the reporting date. At 31 March 2021, the group's short-term borrowings totalled €18,169 thousand (31 March 2020: €16,270 thousand).

The group's cash and cash equivalents as at the reporting date amounted to €8,416 thousand (31 March 2020: €7,129 thousand).

#### **Interest rate risk**

The group's interest-bearing liabilities to banks have both fixed and floating interest rates. Lease liabilities have mainly floating interest rates. The base rate for most floating-rate contracts is EURIBOR. Compared to the same period in 2020, the group's interest-bearing borrowings have decreased by €1,528 thousand. Both loan and lease liabilities have decreased and practically equally. Interest-bearing borrowings totalled €25,151 thousand at 31 March 2021 (31 March 2020: €26,679 thousand). Interest expense on has remained stable year on year, amounting to €253 thousand (Q1 2020: €241 thousand).

The main source of interest rate risk is a possible rise in the base rates of floating interest rates (EURIBOR, EONIA or the lender's base rate). In the light of the group's relatively heavy loan burden, this would increase interest expense significantly, which would have an adverse impact on profit. We mitigate the risk by pursuing a policy of entering, where possible, into fixed-rate contracts when the market interest rates are low. As regards loan products offered by banks, observance of the policy has proved difficult and most new contracts have floating interest rates. We have signed a derivative contract to manage the risks resulting from changes in the interest rate of the lease of an asphalt concrete plant acquired in 2016.

#### **Currency risk**

As a rule, the prices of construction contracts and subcontracts are fixed in the currency of the host country, i.e. in the euro (€), the Ukrainian hryvnia (UAH) and the Swedish krona (SEK).

The exchange rate of the hryvnia is volatile because Ukraine's political and economic environment is unstable and the National Bank of Ukraine discontinued determining the national currency's indicative exchange rate at the beginning of 2015. In the first quarter of 2021, the hryvnia strengthened against the euro by nearly 6.2%. As a result, the group's Ukrainian subsidiaries, which have to translate their euro-denominated loans into the local currency, recognised a foreign exchange gain of €346 thousand (Q1 2020: a loss of €943 thousand). Exchange gains and losses on financial instruments are recognised in finance income and finance costs, respectively. The translation of receivables and liabilities from operating activities did not give rise to any exchange gains or losses.

Our Ukrainian and non-Ukrainian entities' reciprocal receivables and liabilities that are related to the construction business and denominated in hryvnias do not give rise to exchange gains or losses. The loans provided to the Ukrainian associate in euros do not give rise to exchange differences to be reported in the group's accounts either.

The Swedish krona weakened against the euro by around 2% in the first quarter of 2021. The translation of a loan provided to the Swedish subsidiary in euros into the local currency gave rise to an exchange loss of €28 thousand (Q1 2020: €389 thousand). The exchange loss has been recognised within finance costs.

We have not acquired derivatives to hedge currency risk.

#### **Employee and work environment risks**

Finding a permanent quality workforce is a challenge for the entire construction sector and one of the main factors that influences business performance. To strengthen Nordecon's reputation as an employer and make sure that we will have employees in the future, we collaborate with educational institutions. Consistent employee development is essential and one of our acknowledged priorities. We also rely on our subcontractors' ability to find personnel with the required skills and qualifications.

We strive to minimise the health and safety risks of people working on our construction sites, including our own teams and those of our subcontractors, by applying all measures required by law and our own management systems. Subcontractors are responsible for ensuring the safety of their operations and employees and our role is to create conditions that enable and foster compliance with safety regulations.



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### **Environmental risks**

Construction activities have a direct impact on wildlife, soil and the physical environment. Therefore, in conducting our operations we strive to protect the surrounding environment and nature as much as possible. The group's assets and operations which have the strongest impact on the environment and thus involve the highest environmental risks are asphalt plants, quarries used for the extraction of construction materials and road construction operations. The main environmental protection measures on construction sites include efficient use of materials and proper waste management. Excessive waste, leakage, spillage, pollution, destruction of wildlife and other damage to the environment is prevented by complying with legal requirements. All of the group's construction entities have implemented environmental management standard ISO 14001.

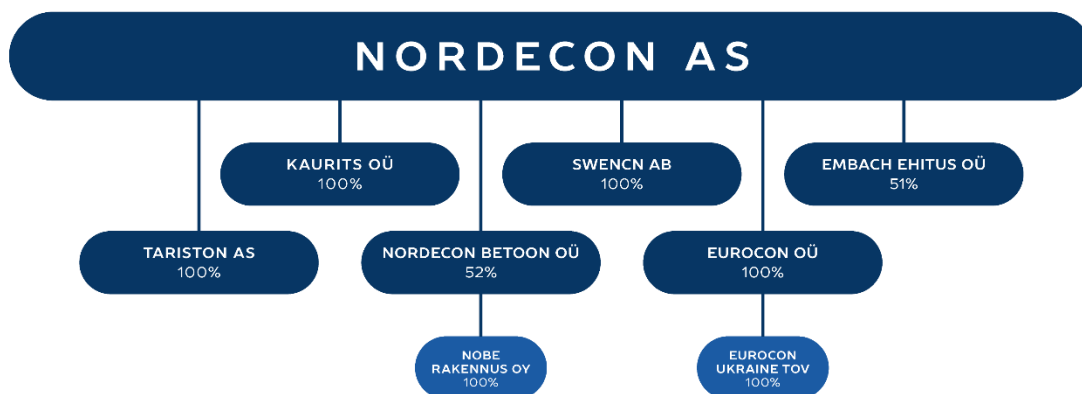
### **Corruption and ethical risks**

Nordecon is one of the leading construction companies in the Estonian market. Therefore, it is important for us to be aware of the risks involved in breaching honest and ethical business practices. We have put in place internal procedures and policies, observe the rules of the Tallinn Stock Exchange and work with external and internal auditors as well as supervisory agencies. We make every effort to ensure that our entities' management quality, organisational culture and internal communication emphasise zero tolerance for dishonest, unethical and corrupt behaviour. Transparent decisions and open communication are underpinned by effective internal cooperation and external communication. Openness is also supported by the continuously increasing implementation of IT solutions.



## Business and financial review

The group's structure at 31 March 2021, including interests in subsidiaries and associates\*



\* The structure does not include the subsidiaries OÜ Eesti Ehitus, OÜ Aspi, OÜ Linnaehitus, OÜ NOBE, OÜ Eston Ehitus, Infra Ehitus OÜ, Kalda Kodu OÜ, Kastani Kinnisvara OÜ, EE Ressursid OÜ, SweNCN OÜ, Nordecon Statyba UAB, Eurocon Bud TOV, Technopolis-2 TOV and the associate V.I. Center TOV, which currently do not engage in any significant business activities. The first five were established to protect business names. Nor does the structure include investments in entities in which the group's interest is less than 20%.



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## The group's operations in Estonia and foreign markets

### Estonian operations

There were no changes in our Estonian operations during the period under review. The group was involved in building and infrastructure construction, providing services in practically all market subsegments. A significant share of the core business was conducted by the parent, Nordecon AS, which is also a holding company for the group's larger subsidiaries. In addition to the parent, construction management services were rendered by the subsidiaries Nordecon Betoon OÜ (brand name NOBE) and Embach Ehitus OÜ.

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

We did not enter any new operating segments in Estonia.

### Foreign operations

#### Ukraine

There were no changes in our Ukrainian operations during the period under review. In Q1 2021, our business activity in Ukraine remained at a level comparable to a year earlier. The group maintains a conservative approach: we sign contracts only when we are certain that the risks involved are reasonable given the circumstances.

Real estate development activities which require major investments remain suspended to minimise risks until the situation in Ukraine improves (we have currently interests in two development projects that have been put on hold). To safeguard investments made and loans provided, the group and the co-owners have privatised the property held by the associate V.I. Center TOV and created mortgages on it.

#### Finland

There were no changes in our Finnish operations during the period under review. The group's subsidiary Nordecon Betoon OÜ and its Finnish subsidiary NOBE Rakennus OY continued to provide subcontracting services in the concrete work segment in Finland. In the past two years, they have also been awarded some smaller general contracts.

#### Sweden

There were no significant changes in our Swedish operations during the period under review. In the first quarter, we completed projects started in 2019 and 2020. The Swedish market is not yet showing signs of recovery and demand remains subdued. Therefore, we expect that our Swedish revenues will decline in the near term.



## Performance by geographical market

The revenue contribution of foreign markets has decreased. Revenue generated outside Estonia accounted for around 4% of the group's total revenue for the first quarter of 2021 compared with 14% a year earlier.

	Q1 2021	Q1 2020	Q1 2019	2020
Estonia	96%	86%	90%	82%
Finland	2%	5%	4%	6%
Sweden	1%	8%	1%	11%
Ukraine	1%	1%	5%	1%

Revenue generated in Sweden and Finland decreased year on year due the completion of large-scale contracts at the end of 2020 and the start of 2021. We continue to bid for new contracts and to prepare for new projects. The amount and proportion of revenue generated in Ukraine remained stable.

Geographical diversification of the revenue base is a consciously deployed strategy by which we mitigate the risks resulting from excessive reliance on a single market. However, conditions in some of our chosen foreign markets are also volatile and strongly affect our current results. Increasing the contribution of foreign markets is one of Nordecon's strategic goals. Our vision of the group's foreign operations is described in the chapter *Outlooks of the group's geographical markets*.

## Performance by business line

### Segment revenues

We strive to maintain the revenues of our operating segments (Buildings and Infrastructure) as balanced as possible in the light of market developments because this helps diversify risks and provides better opportunities for continuing construction operations in more challenging circumstances where the volumes of one subsegment decline sharply while another begins to grow more rapidly.

The groups' revenue for the first quarter of 2021 was €48,987 thousand, 10.8% less than a year earlier when revenue amounted to €54,924 thousand. The decline is largely attributable to foreign operations whose revenue contribution dropped by 73%. Revenue generated in Estonia remained comparable to the first quarter of 2020. In segment terms, revenue from the Buildings segment decreased by 23% while revenue from the Infrastructure segment grew by 86% year on year.

The low volumes of infrastructure construction that affected the entire construction market also influenced the group's revenue structure. In the first quarter of 2021, the Buildings and the Infrastructure segment generated revenue of €37,833 thousand and €11,094 thousand, respectively. The corresponding figures for the first quarter of 2020 were €48,954 thousand and €5,959 thousand (see note 8).

Revenue by operating segment*	Q1 2021	Q1 2020	Q1 2019	2020
Buildings	80%	89%	82%	72%
Infrastructure	20%	11%	18%	28%

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



## Subsegment revenues

In the Buildings segment, the revenues of all subsegments decreased year on year. The revenue contributions of the commercial, public and apartment buildings subsegments were practically equal and the revenue generated by the industrial and warehouse facilities subsegment continued to be modest.

The largest projects under construction in the commercial buildings subsegment were a seven-floor commercial building in Rotermann City and the LEED Gold compliant Alma Tomingas office building in Ülemiste City in Tallinn and a Lidl store in Tartu.

The order book of the public buildings subsegment has grown considerably, supporting the subsegment's annual revenue growth. During the period, the subsegment's largest projects were Kindluse Kool – a basic school in Järveküla, a sports and health centre in Kohtla-Järve, a family health centre in Tartu, an extension to the office building of the Estonian Foreign Intelligence Service at Rahumäe tee in Tallinn and a barracks in Paldiski.

A significant share of the group's apartment building projects is located in Tallinn. During the period under review, the largest of them were the design and construction of the first two phases of the Kalaranna quarter and the design and construction of the Tiskreoja residential area on the western border of the city.

The group also continues to build its own housing development projects in Tallinn and Tartu (reported in the apartment buildings subsegment). During the period, work continued on the first two apartment buildings in the Mõisavahe homes project (<https://moisavahe.ee>) and the development of plots for Kivimäe Süda – a new residential area in the Nõmme district of Tallinn. In carrying out our own development activities, we carefully monitor potential risks in the housing development market.

The share of revenue generated by the industrial and warehouse facilities subsegment remained stable year on year. The group is working on smaller-scale projects with an average cost of €2 million. The largest projects of the period were a two-floor stock-office type commercial facility in the Tähetorni Technopark and a logistics centre for the packaging supplier Pakendikeskus AS in Tallinn.

Revenue breakdown in the Buildings segment	Q1 2021	Q1 2020	Q1 2019	2020
Commercial buildings	33%	36%	39%	23%
Public buildings	31%	30%	21%	37%
Apartment buildings	30%	27%	30%	28%
Industrial and warehouse facilities	6%	7%	10%	12%

In the Infrastructure segment, road construction and maintenance continued to dominate with revenues almost twice larger than in the same period last year. A major share of its revenue resulted from contracts secured in 2020, the largest of which are the construction the Vão junction on the eastern border of Tallinn and the performance of earthworks on the Võõbu-Mäo section of the Tallinn-Tartu road. The group also continued to deliver road maintenance services in Järva and Hiiu counties and the Kose maintenance area in Harju county.

The group has won several contracts for the construction of small harbours. During the period, work was done on the construction of Salmistu harbour and Vasknarva boat harbour, which accounted for a major share of the revenue of the specialist engineering subsegment.

Revenue breakdown in the Infrastructure segment	Q1 2021	Q1 2020	Q1 2019	2020
Road construction and maintenance	88%	77%	65%	74%
Specialist engineering (including hydraulic engineering)	6%	14%	0%	4%
Environmental engineering	5%	4%	2%	1%
Other engineering	1%	5%	33%	21%



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## Financial review

### Financial performance

Nordecon ended the first quarter of 2021 with a gross loss of €92 thousand (Q1 2020: a gross profit of €1,188 thousand) and a negative gross margin of 0.2% (Q1 2020: a positive gross margin of 2.2%). Due to the seasonal nature of the construction business, first-quarter results are affected by a large share of uncovered fixed costs, particularly in the Infrastructure segment. Above all, this applies to asphalt concrete production and laying in road construction where plant and equipment costs account for a major share of fixed costs. Although the Infrastructure segment improved its gross margin year on year, its loss had a significant impact on the group's overall performance. The segment's gross margin for the first quarter was negative at 5.7% compared with a negative margin of 12.8% in the same period last year. Margin improvement is mainly attributable to the large-scale earthworks. The Buildings segment earned a gross profit but its gross margin weakened almost twofold, dropping to 2.1% (Q1 2020: 4.5%). A key factor in the margin decline was one-off costs incurred on the completion of work on the Nysäter wind farm.

The group's administrative expenses for the first quarter of 2021 were €1,471 thousand. Compared to the first quarter of 2020, administrative expenses decreased by around 18% (Q1 2020: €1,799 thousand), mainly through a decline in personnel expenses. The ratio of administrative expenses to revenue (12 months rolling) decreased to 2.3% (Q1 2020: 2.8%).

The group's operating loss for the first quarter of 2021 was €1,658 thousand (Q1 2020: €643 thousand). EBITDA was negative at €811 thousand (Q1 2020: positive at €194 thousand).

The group's finance income and costs are affected by exchange rate fluctuations in the group's foreign markets (see the chapter *Financial risks*). During the period, the exchange rate of the Ukrainian hryvnia strengthened against the euro by around 6.2% and the Swedish krona weakened against the euro by around 2%. Translation of the loans provided to the group's Ukrainian and Swedish subsidiaries in euros into the local currencies gave rise to an exchange gain of €346 thousand and an exchange loss of €28 thousand (Q1 2020: an exchange loss of €1,338 thousand).

The group incurred a net loss of €1,911 thousand (Q1 2020: €2,196 thousand). The loss attributable to owners of the parent, Nordecon AS, was €1,564 thousand (Q1 2020: €2,669 thousand).

### Cash flows

Operating activities produced a net cash outflow of €613 thousand in the first quarter of 2021 (Q1 2020: an outflow of €2,318 thousand). Negative operating cash flow is typical of the first quarter and stems from the cyclical nature of the construction business. The period's larger fixed and preparation costs cause outflows to exceed inflows. Operating cash flow is also strongly influenced by the fact that the contracts signed with most public and private sector customers do not require them to make advance payments, while the group has to make prepayments to subcontractors and suppliers. In particular, there has been growth in prepayments for materials. Cash inflow is also reduced by contractual retentions, which extend from 5 to 10% of the contract price and are released at the end of the construction period only.

Investing activities resulted in a net cash inflow of €30 thousand (Q1 2020: an inflow of 3,929 thousand). Cash flow was influenced by payments made to purchase property, plant and equipment of €43 thousand (Q1 2020: €58 thousand) and proceeds from the sale of property, plant and equipment of €71 thousand (Q1 2020: €138 thousand). Cash flow for the comparative period was strongly influenced by the transformation of Embach Ehitus OÜ from an associate into a subsidiary, which generated cash inflow of €3,605 thousand.

Financing activities generated a net cash outflow of €3,578 thousand (Q1 2020: an outflow of €1,511 thousand). The largest item was a dividend distribution of €1,884 thousand (Q1 2020: no dividend distribution). Loan and lease payments totalled €606 thousand and €806 thousand, respectively (Q1 2020: €891 thousand and €737 thousand, respectively). Interest payments amounted to €277 thousand (Q1 2020: €276 thousand).

The group's cash and cash equivalents as at 31 March 2021 totalled €8,416 thousand (31 March 2020: €7,129 thousand). Management's commentary on liquidity risks is presented in the chapter *Description of the main risks*.



## Key financial figures and ratios

Figure/ratio	Q1 2021	Q1 2020	Q1 2019	2020
Revenue (€'000)	48,987	54,924	34,524	296,082
Revenue change	(10.8)%	59.1%	(20.9)%	26.5%
Net profit (loss) (€'000)	(1,911)	(2,196)	(1,893)	4,118
Net profit (loss) attributable to owners of the parent (€'000)	(1,564)	(2,669)	(1,962)	2,466
Average number of shares	31,528,585	31,528,585	31,528,585	31,528,585
Earnings per share (€)	(0.05)	(0.08)	(0.06)	0.08
Administrative expenses to revenue	3.0%	3.3%	4.3%	2.4%
Administrative expenses to revenue (rolling)	2.3%	2.8%	3.1%	2.4%
EBITDA (€'000)	(811)	194	(1,018)	7,003
EBITDA margin	(1.7)%	0.4%	(2.9)%	2.4%
Gross margin	(0.2)%	2.2%	0.1%	3.7%
Operating margin	(3.4)%	(1.2)%	(5.1)%	1.2%
Operating margin excluding gain on asset sales	(3.4)%	(1.2)%	(5.2)%	1.2%
Net margin	(3.9)%	(4.0)%	(5.5)%	1.4%
Return on invested capital	(2.1)%	(3.3)%	(2.9)%	9.3%
Return on equity	(5.3)%	(6.7)%	(5.8)%	11.8%
Equity ratio	28.0%	28.2%	30.2%	27.6%
Return on assets	(1.8)%	(2.1)%	(1.8)%	3.3%
Gearing	27.8%	32.7%	38.4%	21.1%
Current ratio	0.99	0.95	0.97	1.01
	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2019</b>	<b>31 Dec 2020</b>
Order book (€'000)	281,431	229,018	170,509	215,796

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

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

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

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

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

EBITDA margin = (EBITDA / revenue) \* 100

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

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

Operating margin excluding gain on asset sales = ((operating profit or loss - gain on sales of non-current assets - gain on sales of real estate) / revenue) \* 100

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

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

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

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

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

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

Current ratio = total current assets / total current liabilities





## Order book

The group's order book (backlog of contracts signed but not yet performed) stood at €281,431 thousand at 31 March 2021, a 23% increase year on year. In the first quarter of 2021, we signed new contracts of €104,882 thousand (Q1 2020: €43,325 thousand). Both figures (total order book and volume of contracts signed per quarter) are the largest in the group's history.

	31 March 2021	31 March 2020	31 March 2019	31 Dec 2020
Order book (€'000)	281,431	229,018	170,509	215,796

The proportions of the two main operating segments in the group's order book have not changed substantially: the Buildings segment still dominates, accounting for 80% while the Infrastructure accounts for 20% of the total order book (31 March 2020: 81% and 19%, respectively). Compared with 31 March 2020, the order book of the Buildings segment has grown by 22% and that of the Infrastructure segment by 27%.

A significant share of new contracts was secured by the Buildings segment, the largest of them including:

- the extension and reconstruction of the main building of the Estonian Foreign Intelligence Service of around €42,300 thousand;
- the construction of an IKEA concept store in Rae rural municipality near Tallinn of around €23,000 thousand;
- the construction of apartment buildings in the Uusmäe residential area in the Saku small town near Tallinn of around €3,400 thousand.

A large share of the order book of the Buildings segment is also made up of contracts secured in prior periods, the largest of them including the construction of a dairy complex for E-Piim in Paide, phase III of the Maarjamõisa Medical Campus of the Tartu University Hospital, the LEED Gold compliant Alma Tomingas office building in Ülemiste City in Tallinn and the first two phases of apartment buildings in the Kalaranna quarter in Tallinn.

Although new contracts were also signed in other subsegments of the Infrastructure segment, the road construction and maintenance order book is still the largest, accounting for 81% of the segment's order book. The largest contracts signed during the period include:

- the construction of 2+2 passing lanes on the Kärevere-Kardla section of the Tallinn-Tartu-Võru-Luhamaa road with a cost of €12,600 thousand;
- additional earthworks on the Võõbu-Mäo section of the Tallinn-Tartu road with a cost of around €3,900 thousand;
- the construction of a wind farm in the Targale rural municipality in Latvia – the total cost of the contract in which Nordecon Betoon OÜ is one of the joint contractors is around €13,500 thousand;
- expansion of berths in Roomassaare harbour on the island of Saaremaa with a cost of around €2,600 thousand.

Based on the size of the group's order book, including the share of work to be performed in 2022 and 2023, and fierce competition in the general contracting market, the group's management expects that in 2021 the group's revenue will decline somewhat compared to 2020. Customers are increasingly expecting that general contractors should lower their prices but the input prices charged by subcontractors have not decreased as anticipated. This has put profit margins under strong pressure. In an environment of stiff competition, we have avoided taking unjustified risks whose realisation in the contract performance phase would have an adverse impact on the group's results. Our main focus is on cost control as well as pre-construction and design activities where we can harness our professional competitive advantages.



## People

### Employees and personnel expenses

The group had, on average, 675 employees, including 422 engineers and technical personnel, in the first quarter of 2021. Headcount decreased by around 3% year on year.

#### Average number of employees at group entities (including the parent and the subsidiaries):

	Q1 2021	Q1 2020	Q1 2019	2020
ETP	422	429	391	450
Workers	253	266	271	258
<b>Total average</b>	<b>675</b>	<b>695</b>	<b>662</b>	<b>708</b>

The group's personnel expenses for the first quarter of 2021, including all taxes, totalled €5,931 thousand compared with €6,660 thousand for the same period last year. Personnel expenses decreased by around 11% year on year, mainly through a decrease in the number of employees, a reduction of salaries carried out in the middle of 2020 and a decline in the share of performance bonuses.

The service fees of the members of the council of Nordecon AS for the first quarter of 2021 amounted to €37 thousand and associated social security charges totalled €12 thousand (Q1 2020: €47 thousand and €15 thousand, respectively).

The service fees of the members of the board of Nordecon AS amounted to €99 thousand and associated social security charges totalled €33 thousand (Q1 2020: €132 thousand and €44 thousand, respectively).

### Labour productivity and labour cost efficiency

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

	Q1 2021	Q1 2020	Q1 2019	2020
Nominal labour productivity (rolling), (€ '000)	417.4	365.8	315.5	418.2
Change against the comparative period, %	14.1%	16%	(1.5)%	22.8%
Nominal labour cost efficiency (rolling), (€)	11.0	9.6	9.2	10.9
Change against the comparative period, %	14.9%	4.3%	(8.4)%	18.1%

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

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

The group's nominal labour productivity and nominal labour cost efficiency improved year on year. The rise is attributable to growth in revenue generated in the past four quarters.



## Share and shareholders

### Share information

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

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

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

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

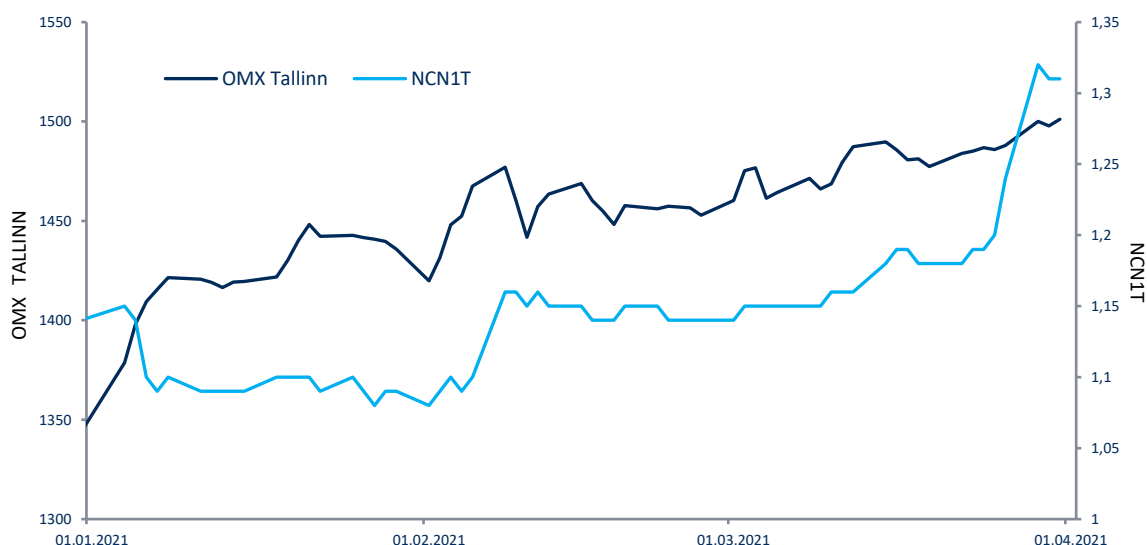
### Movements in the price and trading volume of the Nordecon AS share in Q1 2021

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





## Movement of the share price compared to the OMX Tallinn index in Q1 2021



Index/equity	1 January 2021*	31 March 2021	+/-
OMX Tallinn	1,343.72	1,501.15	11.72%
NCN1T	€1.14	€1.13	14.91%

\* Closing price on the Nasdaq Tallinn Stock Exchange at 31 December 2020

## Summarised trading results

### Share trading history, €

Price	Q1 2021	Q1 2020	Q1 2019
Open	1.15	1.04	0.91
High	1.37	1.20	1.05
Low	1.08	0.78	0.89
Last closing price	1.31	0.84	0.97
Traded volume (number of securities traded)	1,695,201	2,591,511	418,206
Turnover, in € million	1.97	2.50	0.41
Listed volume (31 March 2021) (number of listed shares)	32,375	32,375	32,375
Market capitalisation (31 March 2021), € million	42.41	27.20	31.40

## Shareholder structure

### Largest shareholders in Nordecon AS at 31 March 2021

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	17,607,464	54.39
Luksusjaht AS	4,288,403	13.25
Olegs Radcenko	602,648	1.86
SEB Pank AS clients	483,188	1.49
Lembit Talpsepp	350,786	1.08
Mati Kalme	314,500	0.97
SEB Life and Pension Baltic SE Estonian branch	255,000	0.79
Genadi Bulatov	250,600	0.77
Svenska Handelsbanken clients	211,112	0.65
Ain Tromp	203,960	0.63



## Shareholder structure of Nordecon AS at 31 March 2021

	Number of shareholders	Ownership interest (%)
Shareholders with interest exceeding 5%	2	67.63
Shareholders with interest from 1% to 5%	3	4.44
Shareholders with interest below 1%	3,689	25.31
Holder of own (treasury) shares	1	2.62
<b>Total</b>	<b>3,695</b>	<b>100</b>

## Shares controlled by members of the council of Nordecon AS at 31 March 2021

Council member		Number of shares	Ownership interest (%)
Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad)*	Chairman of the Council	17,679,144	54.61
Andri Hõbemägi	Member of the Council	50,000	0.15
Vello Kahro	Member of the Council	10,000	0.03
Sandor Liive	Member of the Council	0	0.00
Andre Luman	Member of the Council	25,000	0.08
<b>Total</b>		<b>17,764,144</b>	<b>54.87</b>

\* Companies controlled by the individual

## Shares controlled by members of the board of Nordecon AS at 31 March 2021

Board member		Number of shares	Ownership interest (%)
Gerd Müller	Chairman of the Board	0	0.00
Priit Luman	Member of the Board	7,000	0.02
Maret Tambek	Member of the Board	0	0.00
<b>Total</b>		<b>7,000</b>	<b>0.02</b>

## Share option plan

The annual general meeting that convened on 27 May 2014 approved a share option plan aimed at motivating the executive management of Nordecon AS by including them among the company's shareholders to ensure consistency in the company's management and improvement of the company's performance, and to enable the executive management to benefit from their contribution to growth in the value of the company's share. Under the share option plan, the company granted options for acquiring up to 1,618 thousand shares in Nordecon AS. An option could be exercised when three years had passed since the signature of the option agreement but not before the general meeting had approved the company's annual report for 2016.

To satisfy the terms and conditions of the option plan, in July 2014 Nordecon AS issued a total of 1,618 thousand new shares with a total cost of €1,582 thousand, increasing share capital by €1,035 thousand to €20,692 thousand, and acquired the same number of own (treasury) shares at the same price.

The annual general meeting that convened on 24 May 2017 approved some changes to the option plan. The term for exercising a share option was extended. An option could be exercised within 15 months after the general meeting had approved Nordecon AS's annual report for 2016. In addition, the conditions for exercising the options granted to persons who at the grant date were members of the board were amended.

The annual general meeting that convened on 23 May 2018 adopted some amendments to the share option plan which grant Nordecon AS's chairman of the board the right to acquire up to 200,000 shares and each member of the board the right to acquire up to 129,500 shares in Nordecon AS. An option may be exercised when three years have passed since the signature of the option agreement but not before the general meeting has approved the company's annual report for 2020. Exercise of the options is linked to the achievement of the group's EBITDA target for 2020 (from €6,083 thousand to €12,167 thousand).

At 31 March 2021, options for the acquisition of 229,857 shares had been exercised, options for the acquisition of 800,398 shares had expired and options for the acquisition of 588,500 shares were still exercisable.



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## Management's confirmation and signatures

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

Gerd Müller

Chairman of the Board

6 May 2021

Priit Luman

Member of the Board

6 May 2021

Maret Tambek

Member of the Board

6 May 2021



## Condensed consolidated interim financial statements

### Consolidated statement of financial position

€'000	Note	31 March 2021	31 December 2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		8,416	12,576
Trade and other receivables	2	42,352	50,029
Prepayments		2,558	2,678
Inventories	3	24,467	22,454
<b>Total current assets</b>		<b>77,793</b>	<b>87,737</b>
<b>Non-current assets</b>			
Other investments		26	26
Trade and other receivables	2	8,950	8,654
Investment property		5,639	5,639
Property, plant and equipment		17,903	18,053
Intangible assets		14,978	14,966
<b>Total non-current assets</b>		<b>47,496</b>	<b>47,338</b>
<b>TOTAL ASSETS</b>		<b>125,289</b>	<b>135,075</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	5, 6	18,169	18,508
Trade payables		40,678	47,390
Other payables		8,618	11,814
Deferred income		10,312	7,738
Provisions		914	1,059
<b>Total current liabilities</b>		<b>78,691</b>	<b>86,509</b>
<b>Non-current liabilities</b>			
Borrowings	5, 6	6,982	7,352
Trade payables		2,720	2,332
Provisions		1,753	1,647
<b>Total non-current liabilities</b>		<b>11,455</b>	<b>11,331</b>
<b>TOTAL LIABILITIES</b>		<b>90,146</b>	<b>97,840</b>
<b>EQUITY</b>			
Share capital		14,379	14,379
Own (treasury) shares		(660)	(660)
Share premium		635	635
Statutory capital reserve		2,554	2,554
Translation reserve		2,242	2,423
Retained earnings		12,979	14,543
<b>Total equity attributable to owners of the parent</b>		<b>32,129</b>	<b>33,874</b>
<b>Non-controlling interests</b>		<b>3,014</b>	<b>3,361</b>
<b>TOTAL EQUITY</b>		<b>35,143</b>	<b>37,235</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>125,289</b>	<b>135,075</b>



## Consolidated statement of comprehensive income

€'000	Note	Q1 2021	Q1 2020	2020
Revenue	8, 9	48,987	54,924	296,082
Cost of sales	10	(49,079)	(53,736)	(285,086)
<b>Gross profit (loss)</b>		<b>(92)</b>	<b>1,188</b>	<b>10,996</b>
Marketing and distribution expenses		(107)	(128)	(528)
Administrative expenses	11	(1,471)	(1,799)	(7,073)
Other operating income	12	35	149	453
Other operating expenses	12	(23)	(53)	(273)
<b>Operating profit (loss)</b>		<b>(1,658)</b>	<b>(643)</b>	<b>3,575</b>
Finance income	13	405	56	2,995
Finance costs	13	(289)	(1,579)	(2,678)
<b>Net finance income (costs)</b>		<b>116</b>	<b>(1,523)</b>	<b>317</b>
Share of profit (loss) of equity-accounted investees		0	(30)	734
<b>Profit (loss) before income tax</b>		<b>(1,542)</b>	<b>(2,196)</b>	<b>4,626</b>
Income tax expense		(369)	0	(508)
<b>Profit (loss) for the period</b>		<b>(1,911)</b>	<b>(2,196)</b>	<b>4,118</b>
<b>Other comprehensive income (expense):</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Exchange differences on translating foreign operations		(181)	1,248	1,254
<b>Total other comprehensive income (expense)</b>		<b>(181)</b>	<b>1,248</b>	<b>1,254</b>
<b>TOTAL COMPREHENSIVE INCOME (EXPENSE)</b>		<b>(2,092)</b>	<b>(948)</b>	<b>5,372</b>
<b>Profit (loss) attributable to:</b>				
- Owners of the parent		(1,564)	(2,669)	2,466
- Non-controlling interests		(347)	473	1,652
<b>Profit (loss) for the period</b>		<b>(1,911)</b>	<b>(2,196)</b>	<b>4,118</b>
<b>Comprehensive income (expense) attributable to:</b>				
- Owners of the parent		(1,745)	(1,421)	3,720
- Non-controlling interests		(347)	473	1,652
<b>Comprehensive income (expense) for the period</b>		<b>(2,092)</b>	<b>(948)</b>	<b>5,372</b>
<b>Earnings per share attributable to owners of the parent:</b>				
Basic earnings per share (€)	7	(0.05)	(0.08)	0.08
Diluted earnings per share (€)	7	(0.05)	(0.08)	0.08





## Consolidated statement of cash flows

€'000	Note	Q1 2021	Q1 2020
<b>Cash flows from operating activities</b>			
Cash receipts from customers <sup>1</sup>		68,075	70,309
Cash paid to suppliers <sup>2</sup>		(59,677)	(63,575)
VAT paid		(2,338)	(2,936)
Cash paid to and for employees		(6,215)	(6,116)
Income tax paid		(458)	0
<b>Net cash used in operating activities</b>		<b>(613)</b>	<b>(2,318)</b>
<b>Cash flows from investing activities</b>			
Paid on acquisition of property, plant and equipment		(43)	(58)
Proceeds from sale of property, plant and equipment	4	71	138
Loans provided		(5)	(5)
Repayments of loans provided		5	3
Acquisition of a subsidiary		0	(2)
Cash received on acquisition of a subsidiary		0	3,605
Dividends received		0	245
Interest received		2	3
<b>Net cash from investing activities</b>		<b>30</b>	<b>3,929</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans received		5	393
Repayments of loans received		(606)	(891)
Dividends paid		(1,884)	0
Lease payments made		(806)	(737)
Interest paid		(277)	(276)
Other payments		(10)	0
<b>Net cash used in financing activities</b>		<b>(3,578)</b>	<b>(1,511)</b>
<b>Net cash flow</b>		<b>(4,161)</b>	<b>100</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>12,576</b>	<b>7,032</b>
Effect of movements in foreign exchange rates		1	(3)
Increase (decrease) in cash and cash equivalents		(4,161)	100
<b>Cash and cash equivalents at end of period</b>		<b>8,416</b>	<b>7,129</b>

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

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



## Consolidated statement of changes in equity

€'000	Equity attributable to owners of the parent							Non-controlling interests	Total
	Share capital	Treasury shares	Capital reserve	Share premium	Translation reserve	Retained earnings	Total		
<b>Balance at 31 December 2019</b>	<b>14,379</b>	<b>(660)</b>	<b>2,554</b>	<b>635</b>	<b>1,169</b>	<b>12,383</b>	<b>30,460</b>	<b>2,313</b>	<b>32,773</b>
Loss for the period	0	0	0	0	0	(2,669)	(2,669)	473	(2,196)
Other comprehensive income	0	0	0	0	1,248	0	1,248	0	1,248
Changes in non-controlling interests	0	0	0	0	0	1,495	1,495	(125)	1,370
<b>Balance at 31 March 2020</b>	<b>14,379</b>	<b>(660)</b>	<b>2,554</b>	<b>635</b>	<b>2,417</b>	<b>11,209</b>	<b>30,534</b>	<b>2,661</b>	<b>33,195</b>
<b>Balance at 31 December 2020</b>	<b>14,379</b>	<b>(660)</b>	<b>2,554</b>	<b>635</b>	<b>2,423</b>	<b>14,543</b>	<b>33,874</b>	<b>3,361</b>	<b>37,235</b>
Loss for the period	0	0	0	0	0	(1,564)	(1,564)	(347)	(1,911)
Other comprehensive expense	0	0	0	0	(181)	0	(181)	0	(181)
<b>Balance at 31 March 2021</b>	<b>14,379</b>	<b>(660)</b>	<b>2,554</b>	<b>635</b>	<b>2,242</b>	<b>12,979</b>	<b>32,129</b>	<b>3,014</b>	<b>35,143</b>



## Notes to the condensed consolidated interim financial statements

### NOTE 1. Significant accounting policies

Nordecon AS is a company incorporated and domiciled in Estonia. The address of the company's registered office is Toompuiestee 35, Tallinn 10149, Estonia. Nordecon AS's majority shareholder and the party controlling Nordecon group is AS Nordic Contractors that holds 54.39% of the shares in Nordecon AS. The Nordecon AS shares have been listed on the Nasdaq Tallinn Stock Exchange since 18 May 2006.

The condensed consolidated interim financial statements as at and for the period ended 31 March 2021 have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. The condensed interim financial statements do not contain all the information presented in the annual financial statements and should be read in conjunction with the group's latest published annual financial statements as at and for the year ended 31 December 2020.

According to management's assessment, the condensed consolidated interim financial statements of Nordecon AS for the first quarter of 2021 give a true and fair view of the group's financial performance and the parent and all its subsidiaries that are included in the financial statements are going concerns. The condensed consolidated interim financial statements have not been audited or otherwise checked by auditors and contain only the consolidated financial statements of the group.

### NOTE 2. Trade and other receivables

€'000	Note	31 March 2021	31 December 2020
<b>Current items</b>			
Trade receivables		28,053	32,331
Retentions receivable		2,827	2,117
Receivables from related parties	14	519	494
Other receivables		77	113
<b>Total receivables and loans provided</b>		<b>31,476</b>	<b>35,055</b>
Due from customers for contract work		10,876	14,974
<b>Total current trade and other receivables</b>		<b>42,352</b>	<b>50,029</b>

€'000	Note	31 March 2021	31 December 2020
<b>Non-current items</b>			
Loans to related parties	14	8,295	8,237
Other non-current receivables		655	417
<b>Total non-current trade and other receivables</b>		<b>8,950</b>	<b>8,654</b>

### NOTE 3. Inventories

€'000	31 March 2021	31 December 2020
Raw materials and consumables	3,717	3,007
Work in progress	7,162	5,559
Parking spaces for sale	380	400
Properties purchased for development and pre-development costs	13,208	13,488
<b>Total inventories</b>	<b>24,467</b>	<b>22,454</b>



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

### Property, plant and equipment

There were no significant transactions with property, plant and equipment in the first three months of 2021. Additions to property, plant and equipment totalled €708 thousand (Q1 2020: €176 thousand) and comprised of equipment and construction machinery required for the group's operating activities.

Proceeds from the sale of property, plant and equipment totalled €71 thousand (Q1 2020: €138 thousand) (see the statement of cash flows). Gain on the sale of property, plant and equipment amounted to €1 thousand (Q1 2020: €9 thousand).

### Intangible assets

There were no significant transactions with intangible assets in the first three months of 2021.

## NOTE 5. Borrowings

### Current borrowings

€'000	31 March 2021	31 December 2020
Short-term portion of long-term loans	9,640	3,850
Lease liabilities	3,391	3,131
Short-term bank loans	5,138	11,527
<b>Total current borrowings</b>	<b>18,169</b>	<b>18,508</b>

### Non-current borrowings

€'000	31 March 2021	31 December 2020
Long-term portion of long-term bank loans	827	827
Derivative financial instruments	0	1
Lease liability	6,155	6,524
<b>Total non-current borrowings</b>	<b>6,982</b>	<b>7,352</b>

## NOTE 6. Lease liabilities

### Lease liability

€'000	31 March 2021	31 December 2020
<b>Lease liabilities at end of period, of which</b>	<b>9,546</b>	<b>9,655</b>
Not later than 1 year	3,391	3,131
Later than 1 year and not later than 5 years	6,155	6,524
Base currency €	10,363	10,572
Interest rate for contracts denominated in € <sup>1</sup>	1.8-3.5%	2.3-3.5%
Frequency of payments	Monthly	Monthly

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



## Lease liabilities

€'000

	Q1 2021	Q1 2020
Principal payments made during the period	806	733
Interest payments made during the period	87	86

Short-term leases and leases for which the underlying asset is of low value are recognised as an expense on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

## NOTE 7. Earnings per share

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

€'000	Q1 2021	Q1 2020
Loss for the period attributable to owners of the parent (€'000)	(1,564)	(2,669)
Weighted average number of shares (in thousands)	31,521	31,521
Basic earnings per share (€)	(0.05)	(0.08)
Diluted earnings per share (€)	(0.05)	(0.08)

At the reporting date, Nordecon AS had no dilutive share options. Therefore, diluted earnings per share equal basic earnings per share.

## NOTE 8. Segment reporting – operating segments

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

The group's reportable operating segments are:

- Buildings
- Infrastructure

Reportable operating segments are engaged in the provision of construction services in the buildings and infrastructure segments.

### Preparation of segment reporting

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

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

According to management's assessment, inter-segment transactions are conducted on regular market terms, which do not differ significantly from the terms applied in transactions with third parties.



## First quarter

€'000	Buildings	Infrastructure	Total
<b>Q1 2021</b>			
Total revenue	37,833	11,146	48,979
<i>Of which: General contracting services</i>	36,922	5,462	42,384
<i>Subcontracting services</i>	911	4,700	5,611
<i>Road maintenance services</i>	0	688	688
<i>Rental services</i>	0	296	296
<i>Inter-segment revenue</i>	0	(52)	(52)
<b>Revenue from external customers</b>	<b>37,833</b>	<b>11,094</b>	<b>48,927</b>
<b>Gross profit (loss) of the segment</b>	<b>799</b>	<b>(631)</b>	<b>168</b>

€'000	Buildings	Infrastructure	Total
<b>Q1 2020</b>			
Total revenue	48,954	5,960	54,914
<i>Of which: General contracting services</i>	44,927	4,216	49,143
<i>Subcontracting services</i>	2,677	294	2,971
<i>Sale of a property</i>	1,350	0	1,350
<i>Road maintenance services</i>	0	1,194	1,194
<i>Rental services</i>	0	256	256
<i>Inter-segment revenue</i>	0	(1)	(1)
<b>Revenue from external customers</b>	<b>48,954</b>	<b>5,959</b>	<b>54,913</b>
<b>Gross profit (loss) of the segment</b>	<b>2,189</b>	<b>(763)</b>	<b>1,426</b>

## Reconciliation of segment revenues

€'000	Q1 2021	Q1 2020
Total revenues for reportable segments	48,979	54,914
Elimination of inter-segment revenues	(52)	(1)
Reportable segments' unallocated revenue	60	11
<b>Total consolidated revenue</b>	<b>48,987</b>	<b>54,924</b>

## Reconciliation of segment profit (loss)

€'000	Q1 2021	Q1 2020
Total profit for reportable segments	168	1,426
Unallocated loss	(260)	(238)
<b>Gross profit (loss)</b>	<b>(92)</b>	<b>1,188</b>
Unallocated expenses:		
Marketing and distribution expenses	(107)	(128)
Administrative expenses	(1,471)	(1,799)
Other operating income (expenses)	12	96
<b>Operating loss</b>	<b>(1,658)</b>	<b>(643)</b>
Finance income	405	56
Finance costs	(289)	(1,579)
Share of profit (loss) of equity-accounted investees	0	(30)
<b>Loss before tax</b>	<b>(1,542)</b>	<b>(2,196)</b>



## NOTE 9. Segment reporting – geographical information

€'000	Q1 2021	Q1 2020
Estonia	46,978	47,534
Ukraine	418	414
Finland	1,060	2,677
Sweden	531	4,299
<b>Total revenue</b>	<b>48,987</b>	<b>54,924</b>

## NOTE 10. Cost of sales

€'000	Q1 2021	Q1 2020
Cost of materials, goods and services	42,953	47,296
Personnel expenses	5,188	5,641
Depreciation expense	625	648
Other expenses	313	151
<b>Total cost of sales</b>	<b>49,079</b>	<b>53,736</b>

## NOTE 11. Administrative expenses

€'000	Q1 2021	Q1 2020
Personnel expenses	725	998
Cost of materials, goods and services	488	549
Depreciation and amortisation expense	222	189
Other expenses	36	63
<b>Total administrative expenses</b>	<b>1,471</b>	<b>1,799</b>

## NOTE 12. Other operating income and expenses

€'000	Q1 2021	Q1 2020
<b>Other operating income</b>		
Gain on a bargain purchase	0	139
Gain on sale of property, plant and equipment	1	9
Other income	34	1
<b>Total other operating income</b>	<b>35</b>	<b>149</b>

€'000	Q1 2021	Q1 2020
<b>Other operating expenses</b>		
Foreign exchange loss	3	14
Loss on write-off of property, plant and equipment	8	0
Net loss on impairment losses and reversals of impairment losses on receivables	9	0
Other expenses	3	39
<b>Total other operating expenses</b>	<b>23</b>	<b>53</b>



## NOTE 13. Finance income and costs

€'000	Q1 2021	Q1 2020
<b>Finance income</b>		
Interest income on loans	56	56
Foreign exchange gain	346	0
Other finance income	3	0
<b>Total finance income</b>	<b>405</b>	<b>56</b>

€'000	Q1 2021	Q1 2020
<b>Finance costs</b>		
Interest expense	253	241
Foreign exchange loss	28	1,338
Other finance costs	8	0
<b>Total finance costs</b>	<b>289</b>	<b>1,579</b>

## NOTE 14. Transactions with related parties

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

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

### The group's purchase and sales transactions with related parties

€'000 Counterparty	Q1 2021		Q1 2020	
	Purchases	Sales	Purchases	Sales
AS Nordic Contractors	46	0	61	0
Companies of the AS Nordic Contractors group	53	2	30	2
Companies related to owners of AS Nordic Contractors	484	170	42	0
Equity-accounted investees	0	0	9	1
Companies related to members of the council and board	5	0	44	0
<b>Total</b>	<b>588</b>	<b>172</b>	<b>186</b>	<b>3</b>

€'000 Nature of transactions	Q1 2021		Q1 2020	
	Purchases	Sales	Purchases	Sales
Construction services	0	170	0	0
Transactions with goods	484	0	51	0
Lease and other services	104	2	93	3
Other transactions	0	0	42	0
<b>Total</b>	<b>588</b>	<b>172</b>	<b>186</b>	<b>3</b>

During the period, the group recognised interest income on loans to an associate of €54 thousand (Q1 2020: €54 thousand).

### Receivables from and liabilities to related parties at period-end

€'000	31 March 2021		31 March 2020	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	0	13	0	15
Companies of the AS Nordic Contractors group	470	12	0	58
Companies related to owners of AS Nordic Contractors	49	314	492	411
Associates – receivables and liabilities	0	1	2	32
Associate – loans and interest	8,295	0	8,237	0
<b>Total</b>	<b>8,814</b>	<b>340</b>	<b>8,731</b>	<b>516</b>





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#### **Remuneration of the council and the board**

The service fees of the members of the council of Nordecon AS for the first quarter of 2021 amounted to €37 thousand and associated social security charges totalled €12 thousand (Q1 2020: €47 thousand and €15 thousand, respectively).

The service fees of the members of the board of Nordecon AS for the first quarter of 2021 amounted to €99 thousand and associated social security charges totalled €33 thousand (Q1 2020: €132 thousand and €44 thousand, respectively).



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## Statements and signatures

### Statement of management's responsibility

The board of Nordecon AS acknowledges its responsibility for the preparation of the group's condensed consolidated interim financial statements for the first quarter of 2021 and confirms that:

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

Gerd Müller

Chairman of the Board

6 May 2021

Priit Luman

Member of the Board

6 May 2021

Maret Tambek

Member of the Board

6 May 2021