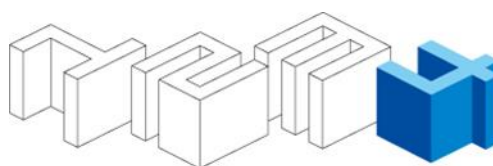




**Financial report for the fourth quarter
and 12 months of 2019
(unaudited)**





Financial report for the fourth quarter and 12 months of 2019 (unaudited)

Business name	Nordecon AS
Registry number	10099962
Address	Toompuiestee 35, 10133 Tallinn
Domicile	Republic of Estonia
Telephone	+ 372 615 4400
E-mail	nordecon@nordecon.com
Corporate website	www.nordecon.com
Core business lines	Construction of residential and non-residential buildings (EMTAK 4120) Construction of roads and motorways (EMTAK 4211) Road maintenance (EMTAK 4211) Construction of utility projects for fluids (EMTAK 4221) Construction of water projects (EMTAK 4291) Construction of other civil engineering projects (EMTAK 4299)
Financial year	1 January 2019 – 31 December 2019
Reporting period	1 January 2019 – 31 December 2019
Council	Toomas Luman (chairman of the council), Andri Hõbemägi, Vello Kahro, Sandor Liive, Meelis Milder
Board	Gerd Müller (chairman of the board), Priit Luman, Maret Tambek, Ando Voogma
Auditor	KPMG Baltics OÜ



Contents

Nordecon Group at a glance	3
Directors' report	4
Condensed consolidated interim financial statements	24
Condensed consolidated interim statement of financial position	24
Condensed consolidated interim statement of comprehensive income	25
Condensed consolidated interim statement of cash flows	26
Condensed consolidated interim statement of changes in equity	27
NOTE 1. Significant accounting policies	28
NOTE 2. Trade and other receivables	30
NOTE 3. Inventories	30
NOTE 4. Property, plant and equipment and intangible assets	30
NOTE 5. Borrowings	30
NOTE 6. Finance and operating leases	31
NOTE 7. Earnings per share	32
NOTE 8. Segment reporting – operating segments	32
NOTE 9. Segment reporting – geographical information	34
NOTE 10. Cost of sales	34
NOTE 11. Administrative expenses	34
NOTE 12. Other operating income and expenses	35
NOTE 13. Finance income and costs	35
NOTE 14. Transactions with related parties	35
Statements and signatures	37

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. We have gradually extended our offering with various activities which support the core business such as 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 currently 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.



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 Kyiv 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 at least 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 euros per year.
- We will, on average, distribute at least 30% of profit for the year as dividends.

Outlooks of the Group's geographical markets

Estonia

Processes and developments characterising the Estonian construction market

- In 2020, public investments that influence the construction market will not increase considerably compared to 2019. In terms of the market as a whole, investments made by the largest public-sector entities (the state-owned real estate company Riigi Kinnisvara AS, the National Road Administration, the Centre for Defence Investment, etc.) that will reach the signature of a construction contract in 2020 will not grow substantially. There are no signs of a significant year-on-year change in the volume of orders placed by the private sector either. Thus, it is expected that market growth will be negligible.
- Competition remains stiff across the construction market, intensifying in different segments in line with market developments. A continuously high number of bidders for construction contracts reflects this. It is clear that in an environment of continuously rising input prices, which has emerged in recent years, companies that can operate more efficiently and invest more in the pre-construction phase, particularly design, are more successful.
- In developing new residential real estate, the success of a project depends on the developer's ability to control the input prices included in its business plan and thus set sales prices that are affordable for prospective buyers. A certain market saturation and credit institutions' more limited financing of buyers are prolonging real estate sales. In particular, this applies to more expensive housing.
- There is often a contrast between the stringent terms of public contracts, which impose an increasing number of 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 periods.
- The prices of construction inputs will continue to rise at a moderate pace, driven mainly by growth in labour costs and materials prices. General contractors have been trying to absorb the cost increase by making margin concessions but those measures have been practically exhausted. The construction market includes a growing number of areas where changes in the business environment may trigger a sharp price increase.
- Growth in construction prices has created a situation where the prices proposed by bidders exceed public customers' planned budget allocations or do not fit private customers' business plans. As a result, construction tenders are either cancelled or the procurement processes last considerably longer than initially planned. In particular, this applies to major investment projects whose share has grown significantly in the past year.
- The shortage of skilled labour (including project and site managers) continues to restrict companies' performance capacities, affecting different aspects of the construction process, including time and quality. Labour migration to the Nordic countries remains steady and it is not likely that workers who have left will return to the Estonian construction market in large numbers. Migrant workers who, in turn, have started moving to Estonia are not able to fill the gap. The above factors sustain pressure for a wage increase, particularly in the category of the younger and less experienced workforce whose natural mobility and willingness to change jobs is higher.

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 in Kyiv and the surrounding area has increased in recent years. We expect that in 2020 our business volumes in Ukraine will remain at a level comparable to 2019. 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 for exiting our two real estate projects, which have been put on hold, or signing a construction contract with a prospective new owner.



Finland

In Finland, our main focus has been on subcontracting in the concrete work segment but we are ready to provide the services of a general contractor where needed. The local concrete work market allows competing for projects where the customer wishes to source all concrete works from one reliable partner. However, our policy is to maintain a rational approach and avoid taking excessive risks. Finland's moderate economic growth has also had a certain positive effect on the construction sector. According to forecasts, the size of the Finnish construction sector is expected to remain steady in 2020.

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 over profitability. As regards our longer-term goal and the plan to build a viable and strong organization that could compete successfully in the Swedish market, we are positive about the developments so far and see potential for further growth and ensuring profitability in a large market when we have been able to stabilise our order book growth at the desired level. 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 are being postponed. Compared to the peak in 2017, housing construction volumes have dropped by around a third. The slowdown has affected the Stockholm area the most. Even though the worst downturn seems to have ceased, there are no signs of growth yet and housing construction volumes are expected to shrink further in 2020. Still, the Swedish construction market as a whole is supported by sustained growth in government investment and high demand for office space in large cities.

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 demand for construction services. 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.

Competition continues to be stiff in all segments of the construction market. Bidders' prices are under strong competitive pressure in a situation where the prices of construction inputs have been consistently rising, driven by growth in labour costs. Increasingly, bidders 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 bidders for public contracts low, which sometimes results in quality and timely completion being sacrificed to the lowest price. We acknowledge the risks involved in performing contracts signed in an environment of stiff competition and rising input prices. Securing a long-term construction contract at an unreasonably low price in a situation where input prices cannot be lowered substantially and competition is fierce is risky because negative developments in the economy may quickly render the contract onerous. 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 its 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. The Group's long-term goal is to be flexible and keep its 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 December 2019, the Group's warranty provisions (including current and non-current) totalled 1,321 thousand euros (31 December 2018: 900 thousand euros).

In addition to managing the risks directly related to construction operations, in the past few years we have sought to mitigate the risks inherent in pre-construction activities. We pay particular attention to bidding activities, including the compliance with tendering terms and conditions and budgeting. The errors made in the planning stage are usually irreversible and, in a situation where the price is contractually fixed, may result in a direct financial loss.

Financial risks

Credit risk

The Group's credit losses of the period amounted to 63 thousand euros. In 2018, credit losses amounted to 16 thousand euros. 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 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 ratio was 1.01 (31 December 2018: 1.12). The key factor which influences the current ratio is the classification of the Group's loans to its Ukrainian associate as non-current assets and the banks' general policy not to refinance interest-bearing liabilities (particularly overdrafts) for a period exceeding twelve 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, at the reporting date the Group's loan receivable from its Ukrainian associate of 8,016 thousand euros was classified as a non-current asset.

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 December 2019, the Group's short-term borrowings totalled 11,058 thousand euros (31 December 2018: 9,374 thousand euros).

At the reporting date, the Group's cash and cash equivalents totalled 7,032 thousand euros (31 December 2018: 7,678 thousand euros).

Interest rate risk

The Group's interest-bearing liabilities to banks have both fixed and floating interest rates. Finance lease liabilities have mainly floating interest rates. The base rate for most floating-rate contracts is Euribor. Compared to 2018, the Group's interest-bearing borrowings have increased by 3,180 thousand euros and the structure of borrowings has changed substantially. At the reporting date, the Group did not use factoring because, as a rule, customers' settlement terms do not exceed 30 days. However, a change in lease accounting policies that took effect at the beginning of 2019 (IFRS 16 *Leases*) has brought operating lease liabilities that previously were accounted for off the statement of financial position on the statement of financial position where they are reported within borrowings (see note 1 *Significant accounting policies*). This has increased borrowings significantly. At 31 December 2019, interest-bearing borrowings totalled 27,384 thousand euros (31 December 2018: 24,204 thousand euros). Interest expense for 2019 amounted to 1,002 thousand euros (2018: 781 thousand euros). The rise in interest expense is attributable to both the change in lease accounting policies and a certain rise in the interest rates of overdraft facilities and leases.

The main source of interest rate risk is a possible rise in the base rates of floating interest rates. 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 a floating interest rate. We have signed a derivative contract to manage the risks resulting from changes in the interest rate of the finance 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 euros (EUR), Ukrainian hryvnias (UAH) and Swedish kronas (SEK).

The exchange rate of the hryvnia is unstable because the political and economic environment in Ukraine continues to be strained due to the conflict between Ukraine and Russia, which broke out at the beginning of 2014, and the discontinuance of the determination of the national currency's indicative exchange rate by the National Bank of Ukraine at the beginning of 2015. In 2019, the hryvnia strengthened against the euro by around 20%. As a result, the Group's Ukrainian subsidiary, which has to translate its euro-denominated loans into the local currency, recognised a foreign exchange gain of 1,044 thousand euros (2018: 147 thousand euros). Exchange gains and losses on financial instruments are recognised in *Finance income* and *Finance costs*, respectively. 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 any exchange gains or losses. Nor do the loans provided to the Ukrainian associate in euros give rise to any exchange gains or losses in the Group's financial statements.

In 2019, the Swedish krona weakened against the euro by around 2%. Due to the change in the krona/euro exchange rate, the translation of operating receivables and payables resulted in an exchange loss of 16 thousand euros (2018: 76 thousand euros). The exchange loss has been recognised in *Other operating expenses*. The translation of a loan provided to the Swedish subsidiary in euros into the local currency gave rise to an exchange loss of 196 thousand euros (2018: 121 thousand euros). The exchange loss has been recognised in *Finance costs*.

We have not acquired derivatives to hedge our currency risk.

Employee and work environment risks

Finding permanent labour is a serious 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. We also depend heavily on our subcontractors' ability to ensure the availability of personnel with the required skills and qualifications.

To successfully overcome the challenges of management and meet our customers' expectations regarding professional competence, it is important to continuously develop our people. We invest in improving the leadership and management competencies of our key personnel and the professional skills of our employees by providing training and ensuring that they hold the appropriate professional certificates.

As a construction company, we strive to minimise the occupational health and safety risks of people working on our construction sites, including both our own employees and the teams of our subcontractors. The goal is to make sure that all measures required by law are applied in full. In addition, the parent's operations meet the requirements of international occupational health and safety management standard OHSAS 18001. Subcontractors must ensure that their employees follow all applicable work safety requirements; our role is to work with them and create conditions that support compliance.

Environmental risks

Construction activities change landscapes and the physical environment of cities and settlements. The Group's goal is to do its work and at the same time protect the natural environment as much as possible. Our assets and operations which have the strongest impact on the environment and, thus, involve the highest environmental risk are asphalt plants, quarries used for the extraction of construction materials and road construction sites. We protect the environment on our construction sites by using materials efficiently and handling and managing waste properly. To prevent excessive waste, leaks, spills, pollution, destruction of wildlife and other damage to the environment, we comply with legal requirements. All our construction entities have implemented environmental management standard ISO 14001.

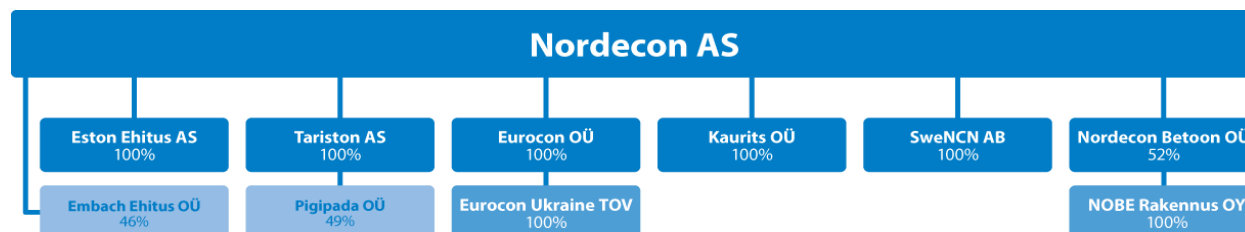
Corruption and ethical risks

As one of the leading construction companies in Estonia, we realise that it is important to be aware of the risks involved in breaching honest and ethical business practices and to make sure that our entities' management quality, organizational culture and internal communication emphasise zero tolerance for dishonest, unethical and corrupt behaviour. Transparent decisions and relations are based on effective internal and external cooperation and communication as well as the implementation of IT solutions that increase openness. We have established relevant internal procedures and regulations, observe the rules of the Tallinn Stock Exchange and cooperate with external and internal auditors as well as supervisory agencies.



Group structure

The Group's structure at 31 December 2019, including interests in subsidiaries and associates*



* The structure does not include the subsidiaries OÜ Eesti Ehitus, OÜ Aspi, OÜ Linnaehitus, OÜ NOBE, 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 four were established to protect business names. Nor does the structure include investments in entities in which the Group's interest is less than 20%.

Significant changes in Group structure

Merger of subsidiaries

The merger of Eston Ehitus AS (a wholly-held subsidiary of Nordecon AS) and its wholly-held subsidiary Magasini 29 OÜ was finalised in July 2019. In the transaction, Magasini 29 OÜ merged with Eston Ehitus AS. Magasini 29 OÜ was established to carry out a real estate development project in Tallinn. After the completion of development activities, including the sale of the terraced homes, the company's continuance as a separate entity was no longer practical. The merger was registered at the Commercial Registry on 9 July 2019.



The Group's operations in Estonia and foreign markets

Changes in the Group's 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 and Eston Ehitus AS.

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 markets

Ukraine

There were no changes in our Ukrainian operations during the period under review. In the past year, our business activity in Ukraine has decreased somewhat. The Group remains conservative about the projects it undertakes. We have signed contracts only when we have been 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 2019, our business volumes in Finland grew significantly compared to previous years.

Sweden

There were no significant changes in our Swedish operations during the period under review. The Group's subsidiary SweNCN AB continued to deliver services under building construction contracts secured as a general contractor. In 2019, the Group's operations in Sweden grew compared to 2018.

Performance by geographical market

In 2019, revenue generated outside Estonia accounted for around 11% of the Group's total revenue, rising to recent years' highest level.

	2019	2018	2017
Estonia	89%	93%	94%
Ukraine	2%	4%	2%
Sweden	5%	2%	3%
Finland	4%	1%	1%

In 2019, the Group brought in its largest-ever Finnish revenue. Our biggest project in the Finnish market is a subcontract for building concrete constructions for the Raitinkartano commercial and residential building. The Group's Swedish revenue also grew year on year, underpinned by two new apartment building contracts secured as a general contractor and a concrete works contract secured as a subcontractor for building foundations for 73 wind turbines in a wind farm being built in northern Sweden (all signed in 2019). The contribution of the Ukrainian market, on the other hand, decreased by almost a half compared to 2018.

Geographical diversification of the revenue base is a consciously deployed strategy by which we mitigate the risks resulting from excessive reliance on one market. However, conditions in some of our chosen foreign markets are also volatile and affect our current results. Increasing the contribution of foreign markets is one of Nordecon's strategic targets. 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 keep the revenues of our operating segments (Buildings and Infrastructure) as balanced as possible because this helps to diversify risks and provides better opportunities for continuing construction operations in more challenging market conditions, for example when the volumes of a subsegment decline sharply.

The Group's revenue for 2019 amounted to 233,508 thousand euros, 4.5% up on the 223,496 thousand euros generated in 2018. Revenue grew by 4% in the Buildings segment and 7% in the Infrastructure segment. Buildings and Infrastructure generated revenue of 169,124 thousand euros and 64,023 thousand euros, respectively. The corresponding figures for 2018 were 162,909 thousand euros and 60,086 thousand euros (see note 8). The period's revenue structure is also reflected in the Group's order book, where the Buildings segment continues to dominate.

Operating segments*	2019	2018	2017
Buildings	70%	72%	74%
Infrastructure	30%	28%	26%

* 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 Betoon 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

The largest revenue source in the Buildings segment is still the commercial buildings subsegment whose revenue for 2019 remained comparable to 2018. The largest projects of the period were the reconstruction and extension of the building of Terminal D in the Old City Harbour, the construction of phase I of the Porto Franco commercial and office development next to the Admiralty Basin and a multi-storey car park at Sepapaja 1 and the design and construction of an eight-floor accommodation building at Liimi 1B and a concrete frame for an eight-floor car park and commercial building at Tammsaare tee 92 in Tallinn as well as the design and construction of a multi-storey car park for Tartu University Hospital in Tartu.

The strongest-growing subsegments were public buildings and apartment buildings, which increased their revenue by 14% and 16% year on year, respectively. Major public buildings completed and delivered in 2019 were an academic building of the Estonian Academy of Security Sciences in Tallinn, the building of a state upper secondary school at Kohtla-Järve, the Peetri sports and leisure centre in Rae parish, an assembly area for the defence forces' base at Tapa and a barracks for 300 people at the defence forces' base at Jõhvi.

A significant share of our Estonian apartment building projects is located in or near Tallinn. Large projects completed in Tallinn in 2019 included phases III and IV of the Sõjakooli project and apartment buildings at Lesta 10, Sammu 6 and Valge 16. The subsegment's revenue is also strengthened by contracts signed in Sweden, where the Group continues to provide services under three housing development contracts.

We continue to build our own housing development projects in Tallinn and Tartu (reported in the apartment buildings subsegment). During the period, we completed the construction and sale of a four-floor apartment building with 21 apartments at Nõmme tee 97 in Tallinn and three apartment buildings with 10 apartments each at Aruküla tee in Tartu. Work continues on a five-floor apartment building with 24 apartments at Võidujooksu 8c in Tallinn (www.voidujooksu.ee). Our own housing development revenue amounted to 6,528 thousand euros in 2019 (2018: 9,369 thousand euros). In carrying out real estate development activities, we monitor closely potential risks in the housing development market.

The largest projects in the industrial and warehouse facilities subsegment were the construction of a warehouse and office building at Kaldase tee in Maardu, the reconstruction (phase V) of the fattening unit of a pig farm of Rakvere Farmid AS (EKSEKO), the construction of micro-warehouses in Betooni street in Tallinn and the construction of a commercial and warehouse building in Savi street in Pärnu. Compared to previous periods, the contribution of contracts signed with the agricultural sector has decreased significantly, which is one of the reasons for the subsegment's revenue decline. In 2019, the subsegment's revenue decreased by around 48% year on year.

Revenue breakdown in the Buildings segment	2019	2018	2017
Commercial buildings	36%	35%	25%
Public buildings	29%	25%	19%
Apartment buildings	27%	25%	30%
Industrial and warehouse facilities	8%	15%	26%

In the Infrastructure segment, the share of revenue generated by the road construction and maintenance subsegment decreased for the first time in several years. However, this was mostly due to a few large other engineering projects. There is no general trend indicating a rise in investments in subsegments other than road construction and maintenance. During the period, a major share of the revenue of the road construction and maintenance subsegment resulted from contracts secured in 2018: the construction of passing lanes on the Pikknurme-Puurmani section of the Tallinn–Tartu–Võru–Luhamaa road (a 2+1 road section) and roads and bridges for the defence forces' central training area in Kuusalu parish. The strongest revenue contributors among contracts secured in 2019 were two large projects: one for the construction of the Missoküla-Hindsa section (8 km) and the Misso small town section (2 km) of main road no. 7 (Riga-Pskov) and the other for the construction of the Kernu bypass and the Kernu filling station and Haiba junctions. A significant share of the subsegment's revenue results from forest road improvement services provided to the State Forest Management Centre. The Group also continues to provide road maintenance services in Järva and Hiiu counties and the Kose maintenance area in Harju county.

In 2019, the Group completed the construction of the Kiili-Paldiski section of the onshore part of Balticconnector (a gas pipeline between Estonia and Finland), which made a strong contribution to other engineering revenue. The subsegment's revenue was also influenced by the construction of foundations for 73 wind turbines in the Nysäter wind farm being built in northern Sweden, near Sundsvall, which will continue in 2020.



Revenue breakdown in the Infrastructure segment	2019	2018	2017
Road construction and maintenance	80%	89%	86%
Other engineering	16%	7%	8%
Environmental engineering	3%	4%	6%
Specialist engineering (including hydraulic engineering)	1%	0%	0%

Financial review

Financial performance

In an environment of continuously stiff competition, Nordecon's gross profit and gross margin improved. The Group ended the year with a gross profit of 11,763 thousand euros (2018: 10,033 thousand euros) and a gross margin of 5.0% (2018: 4.5%). The gross margin of the Buildings segment increased considerably, rising to 6.3% for 2019 (2018: 4.7%) and 8.8% for the fourth quarter (Q4 2018: 8.3%). The gross margin of the Infrastructure segment, on the other hand, weakened noticeably, dropping to 3.5% for 2019 (2018: 5.6%) and 1.9% for the fourth quarter (Q4 2018: 1.9%), which is certainly less than satisfactory. The Infrastructure segment is mainly involved in the performance of road construction and maintenance contracts. Road construction, which is capital intensive, requires a certain critical amount of work to cover its fixed costs, the largest share of which is made up of costs related to asphalt production and laying equipment. The road maintenance result is mainly influenced by the weather. Exceptionally challenging weather conditions in the first two months of 2019 had an adverse impact on the profitability of national road maintenance contracts. The average cost of new road construction projects put out to tender in 2019 decreased compared to 2018, which, in turn, increased the number of bidders. Also, the gap between contractors' asphalt concrete production capacity and market demand has widened: according to estimates, production capacity exceeds demand by at least 25%. All this has had a negative impact on bid prices and the Group has not been sufficiently successful in winning public road construction contracts. Input costs continue to rise, which has a particularly strong effect on the profitability of general contractors. According to Statistics Estonia, in 2019 the construction price index increased by 1.9% compared to the average figure for 2018. Labour costs increased by 4.3%, plant and equipment costs by 2.0% and materials costs by 0.7% (also compared to the average figures for 2018).

The Group's administrative expenses for 2019 totalled 6,837 thousand euros. Compared to 2018, administrative expenses increased by around 2.0% (2018: 6,725 thousand euros) and the ratio of administrative expenses to revenue (12 months rolling) was 2.9% (2018: 3.0%).

The Group ended 2019 with an operating profit of 4,264 thousand euros (2018: 4,031 thousand euros). EBITDA amounted to 7,300 thousand euros (2018: 6,021 thousand euros) and EBITDA margin was 3.1% (2018: 2.7%).

Finance income and costs of the period continued to be influenced by exchange rate fluctuations in the Group's foreign markets. During the period, the Ukrainian hryvnia strengthened against the euro by around 20% and the Group recognised an exchange gain of 1,044 thousand euros (2018: 147 thousand euros) on the translation of loans provided to the Ukrainian subsidiary in euros. The Swedish krona, on the other hand, weakened against the euro by around 2% and the Group recognised an exchange loss of 196 thousand euros (2018: 121 thousand euros) on the translation of a loan provided to the Swedish subsidiary in euros. In addition, interest expense increased by 221 thousand euros year on year due to changes in lease accounting policies (see note 1 *Significant accounting policies*).

The Group earned a net profit of 4,130 thousand euros (2018: 3,821 thousand euros) of which the net profit attributable to owners of the parent, Nordecon AS, was 3,367 thousand euros (2018: 3,381 thousand euros).

Cash flows

Operating activities of 2019 produced a net cash inflow of 8,003 thousand euros (2018: 4,692 thousand euros). The key factor that affects operating cash flow is the mismatch between customers' and suppliers' settlement terms. Cash flow is also strongly influenced by the fact that the contracts signed with both public- and private-sector customers do not require the customer to make advance payments while the Group has to make prepayments to subcontractors, materials suppliers, etc. 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 220 thousand euros (2018: 2,934 thousand euros). The largest items were amounts paid for property, plant and equipment of 594 thousand euros (2018: 534 thousand euros) and proceeds from sales of property, plant and equipment of 377 thousand euros (2018: 1,784 thousand euros). Dividends received amounted to 489 thousand euros (2018: 460 thousand euros). In 2018, cash flows from investing activities were also influenced by the sale of investment property for 1,300 thousand euros.

Financing activities generated a net cash outflow of 8,863 thousand euros (2018: an outflow of 8,863 thousand euros). The largest items in financing cash flows were loan and finance lease payments. Proceeds from loans received totalled 3,705 thousand euros, comprising development loans and overdrafts used (2018: 2,898 thousand euros).

Loan repayments totalled 4,032 thousand euros (2018: 4,671 thousand euros), consisting of scheduled repayments of long-term investment and development loans. Lease payments totalled 3,276 thousand euros (2018: 1,879 thousand euros). Lease payments increased in connection with changes in lease accounting policies (see note 1 *Significant accounting policies*). Dividends paid amounted to 2,360 thousand euros (2018: 2,627 thousand euros). Payments made on the reduction of share capital amounted to 1,892 thousand euros (2018: 1,847 thousand euros).

At 31 December 2019, the Group's cash and cash equivalents totalled 7,032 thousand euros (31 December 2018: 7,678 thousand euros). Management's commentary on liquidity risks is presented in the chapter *Description of the main risks*.

Key financial figures and ratios

Figure/ratio for the period	2019	2018	2017
Revenue (EUR '000)	233,508	223,496	231,387
Revenue change	4.5%	-3.4%	26.2%
Net profit (EUR '000)	4,130	3,821	1,725
Net profit attributable to owners of the parent (EUR '000)	3,367	3,381	1,388
Average number of shares	31,528,585	31,528,585	30,913,031
Earnings per share (EUR)	0.11	0.11	0.04
Administrative expenses to revenue	2.9%	3.0%	3.0%
EBITDA (EUR '000)	7,300	6,021	3,123
EBITDA margin	3.1%	2.7%	1.3%
Gross margin	5.0%	4.5%	3.8%
Operating margin	1.8%	1.8%	0.5%
Operating margin excluding gain on asset sales	1.7%	1.3%	0.5%
Net margin	1.8%	1.7%	0.7%
Return on invested capital	10.0%	8.4%	5.9%
Return on equity	12.4%	11.2%	4.8%
Equity ratio	27.6%	32.4%	30.8%
Return on assets	3.7%	3.5%	1.6%
Gearing	33.8%	28.5%	32.7%
Current ratio	1.01	1.12	1.11
As at 31 December	2019	2018	2017
Order book (EUR '000)	227,568	100,352	144,122

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

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

At 31 December 2019, the Group's order book (backlog of contracts signed but not yet performed) stood at 227,568 thousand euros. Compared to the end of 2018, the order book has increased more than two times. In 2019, the Group signed new contracts of 305,695 thousand euros (2018: 134,419 thousand euros). The Group has been equally successful in winning both public and private contracts.

As at 31 December	2019	2018	2017
Order book (EUR '000)	227,568	100,352	144,122

At the reporting date, contracts secured by the Buildings segment and the Infrastructure segment accounted for 85% and 15% of the Group's total order book, respectively (31 December 2018: 72% and 28%, respectively). Compared to 31 December 2018, the order books of both segments have grown. The order book of the Buildings segment has increased more than 2.5 times and that of the Infrastructure segment by 21%.

In the Buildings segment, the order books of all subsegments have increased year on year. Growth has been the strongest in the apartment buildings subsegment whose order book is the largest in the Buildings segment, accounting for 39% of the total. A major share of the order book of the apartment buildings subsegment is made up of the contract of around 40 million euros for the design and construction of the first two phases of the Kalaranna quarter in Tallinn. The subsegment's order book also includes the work secured but not yet performed in Sweden where the Group continues to build two apartment buildings: one near Uppsala city centre and the other in the Bromma district in Stockholm. The order books of the public buildings and the commercial buildings subsegments account for 23% and 20% of the of the segment's order book, respectively. A large share of the order book of the public buildings subsegment is made up of contracts for the construction of the Estonian Academy of Security Sciences and the University of Tartu Training Centre in Narva, a sports and health centre at Kohtla-Järve, a storage complex at the defence forces' base at Tapa and a new basic school, Kindluse Kool, in Järveküla, near Tallinn. In the commercial buildings subsegment, the largest projects in progress are in Tallinn: the construction of a new seven-floor commercial building in Rotermann City and phase I of the Porto Franco development as well as the design and construction of phase II of a multi-storey car park in Ülemiste City. The order book of the industrial and warehouse facilities subsegment has grown through a contract for the construction of a dairy complex for E-Piim in Paide.

For a long time, the order book of the Infrastructure segment has been dominated by contracts secured by the road construction and maintenance subsegment. However, in the reporting period the structure of the segment's order book changed significantly. At the reporting date, other engineering contracts accounted for roughly a half of the order book of the Infrastructure segment. A major share of the order book of the other engineering subsegment is made up of a contract secured in the third quarter for the construction of foundations for 73 wind turbines in the Nysäter wind farm in northern Sweden, near Sundsvall. The other half of the Infrastructure order book is made up of contracts awarded to the road construction and maintenance subsegment whose largest projects include a contract secured in the second quarter of 2019 for building the Kernu bypass and the Kernu filling station and Haiba junctions on the Tallinn-Pärnu-Ikla road and a contract secured at the end of the financial year for the reconstruction of the Vinso-Kirmsi section of the Võru-Räpina road. The Group continues to provide road maintenance services in three road maintenance areas: Järva, Hiiu and Kose.

Although the Group's order book includes a considerable amount of work that will continue into 2021, we expect that in 2020 the Group's revenue will grow compared to 2019. In an environment of exceptionally 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. Despite this, where suitable opportunities arise, we strive to increase the portfolio to counteract the pressure on margins that is caused by the market situation. Our preferred policy is to keep fixed costs under control and monitor market developments closely.

People

Employees and personnel expenses

In 2019, the Group (the parent and the subsidiaries) employed, on average, 687 people, including 414 engineers and technical personnel (ETP). Total headcount remained stable compared to 2018.

Average number of employees at Group entities (including the parent and the subsidiaries)

	2019	2018	2017
ETP	414	419	426
Workers	273	268	309
Total average	687	687	735

The Group's personnel expenses increased by around 10%. In 2019, personnel expenses, including all taxes, totalled 25,323 thousand euros. In 2018, the figure was 22,964 thousand euros. The main factors that underpin growth in personnel expenses are the general pressure for a wage increase, the shortage of qualified labour and improvements in the Group's performance, which have increased the share of performance-related pay.

The service fees of the members of the council of Nordecon AS for 2019 amounted to 187 thousand euros and associated social security charges totalled 62 thousand euros (2018: 187 thousand euros and 62 thousand euros, respectively).

The service fees of the members of the board of Nordecon AS amounted to 480 thousand euros and associated social security charges totalled 158 thousand euros (2018: 656 thousand euros and 217 thousand euros, respectively). The figures for 2018 include termination benefits of 180 thousand euros paid to a member of the board and associated social security charges of 60 thousand euros.

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:

	2019	2018	2017
Nominal labour productivity (rolling), (EUR '000)	339.8	325.4	314.9
Change against the comparative period, %	4.4%	3.3%	17.6%
Nominal labour cost efficiency (rolling), (EUR)	9.2	9.7	10.1
Change against the comparative period, %	-5.3%	-3.8%	12.6%

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

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

The Group's nominal labour productivity increased year on year through revenue growth. Nominal labour cost efficiency, on the other hand, decreased because the rise in personnel expenses exceeded revenue growth.

Share and shareholders

Share information

Name of security	Nordecon AS ordinary share
Issuer	Nordecon AS
ISIN code	EE3100039496
Ticker symbol	NCN1T
Nominal value	No par value*
Total number of securities issued	32,375,483
Number of listed securities	32,375,483
Listing date	18 May 2006
Market	Nasdaq Tallinn, Baltic Main List
Industry	Construction and engineering
Indexes	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 307,567,280 Estonian kroons to 19,657,131.9 euros. Concurrently with the conversion, the company adopted shares with no par value.

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

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

Reduction of share capital

On 29 May 2019 the general meeting of Nordecon AS adopted a resolution on the reduction of the company's share capital and on 3 September 2019 the reduction was registered at the Commercial Registry.

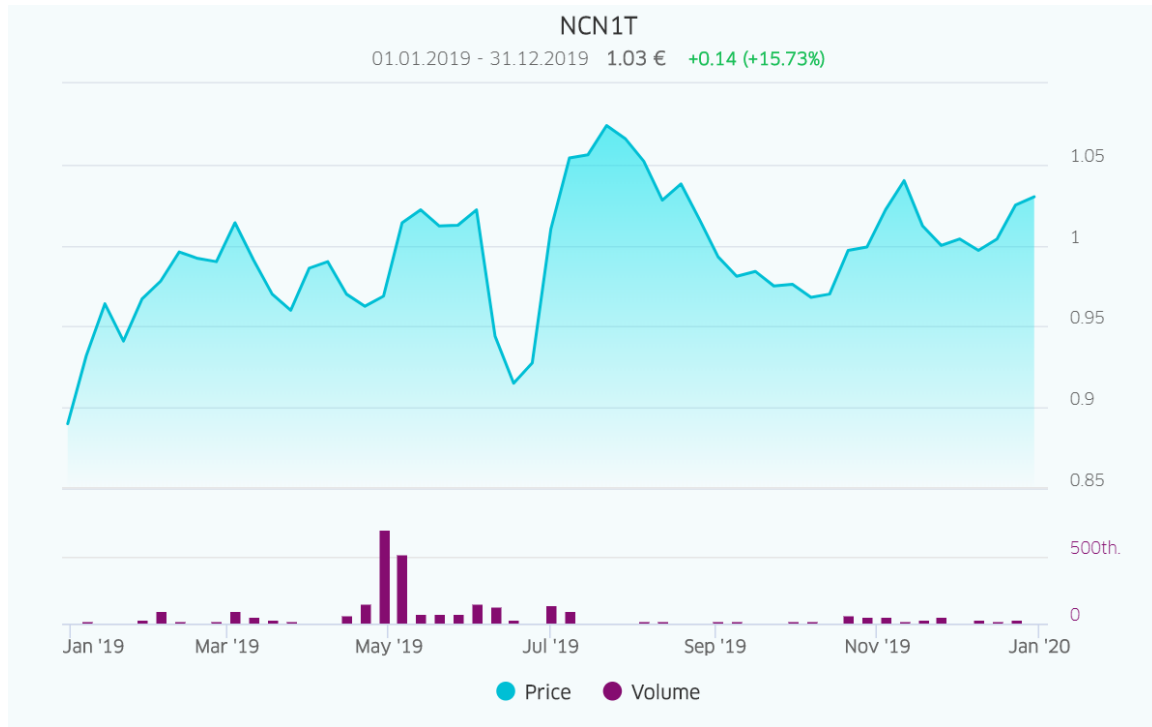
In accordance with the resolution of the general meeting, the company's share capital was reduced by 1,942,528.98 euros, from 16,321,014.70 euros to 14,378,485.72 euros. The reduction was carried out by reducing the book value of the shares by 0.06 euros per share. The number of the company's shares remained the same and the book value of the shares decreased in proportion to the reduction of share capital. After the reduction, the company's share capital amounts to 14,378,485.72 euros and is made up of 32,375,483 shares with no par value.

The reduction of share capital by 0.06 euros per share was paid out to shareholders on 18 December 2019. No payments were made to Nordecon AS for own (treasury) shares held by the company.

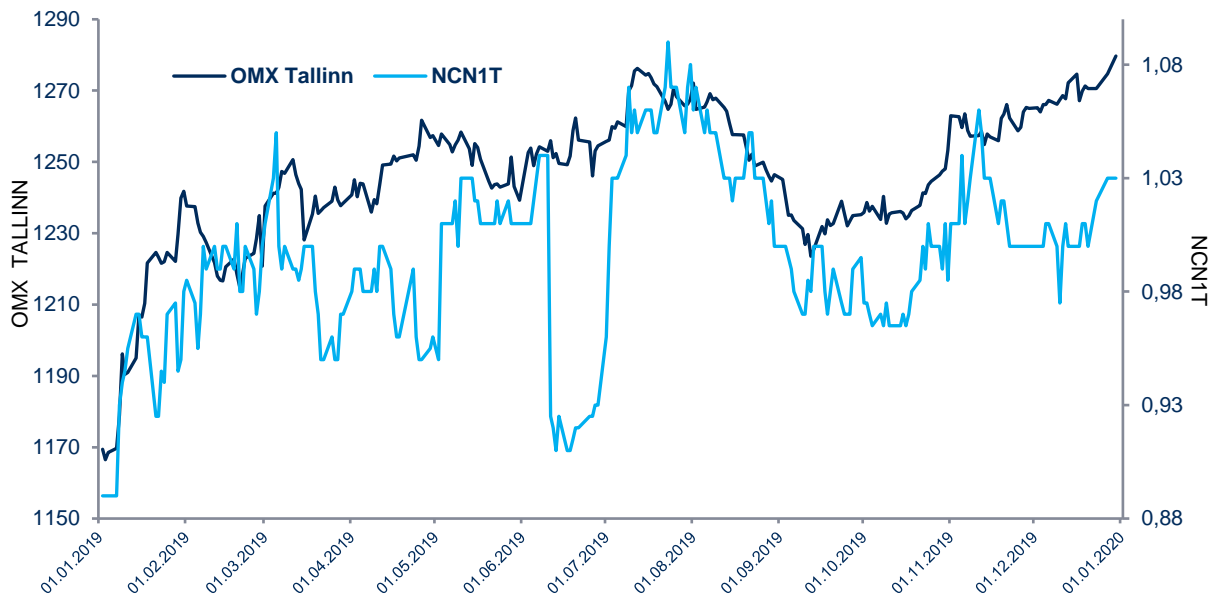


Movements in the price and trading volume of the Nordecon AS share in 2019

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 2019



Index/equity	1 January 2019*	31 December 2019	+/-
OMX Tallinn	1,162.86	1,279.7	10.05%
NCN1T	EUR 0.89	EUR 1.03	15.73%

* Closing price on the Nasdaq Tallinn Stock Exchange at 31 December 2018

Summarised trading results

Share trading history (EUR)

Price	2019	2018	2017
Open	0.91	1.25	1.34
High	1.09	1.29	1.46
Low	0.89	0.89	1.20
Last closing price	1.03	0.89	1.23
Traded volume (number of securities traded)	3,254,930	1,707,399	1,977,849
Turnover, in EUR millions	3.24	1.93	2.60
Listed volume (31 December), in thousands	32,375	32,375	32,375
Market capitalisation (31 December), in EUR millions	33.35	28.81	39.82

Shareholder structure

Largest shareholders in Nordecon AS at 31 December 2019

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,507,464	50.99
Lüksusjaht AS	4,221,522	13.04
Rondam AS	1,000,000	3.09
SEB Pank AS clients	710,000	2.19
ASM Investments OÜ	506,000	1.60
Mati Kalme	400,000	1.24
Midas Invest OÜ	385,000	1.19
State Street Bank and Trust Omnibus Account A Fund	368,656	1.14
Lembit Talpsepp	381,751	0.98
SEB Elu-ja Pensionikindlustus AS	255,000	0.79

Shareholder structure of Nordecon AS at 31 December 2019

	Number of shares	Ownership interest (%)
Shareholders with interest exceeding 5%	2	64.03
Shareholders with interest from 1% to 5%	6	10.41
Shareholders with interest below 1%	2,072	22.94
Holder of own (treasury) shares	1	2.62
Total	2,081	100

Shares controlled by members of the council of Nordecon AS at 31 December 2019

Council member		Number of shares	Ownership interest (%)
Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad)*	Chairman of the Council	16,579,144	51.21
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
Meelis Milder	Member of the Council	0	0.00
Total		16,639,144	51.39

* Companies controlled by the individual

Shares controlled by members of the board of Nordecon AS at 31 December 2019

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
Ando Voogma	Member of the Board	0	0.00
Total		7,000	0.02

Share options

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 plan, the company granted options for acquiring up to 1,618,755 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 1,618,755 new shares with a total cost of 1,581,523.64 euros, increasing share capital by 1,034,573.01 euros to 20,691,704.91 euros, and acquired the same number of own (treasury) shares at the same price.

The annual general meeting which 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 which convened on 23 May 2018 adopted some further amendments to the 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 euros to 12,167 thousand euros).

At 31 December 2019, 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.

Proposals for a dividend distribution and the reduction of share capital


Having agreed it with the council, the board proposes that the shareholders distribute in 2020 a dividend of 0.06 euros per share (1,892 thousand euros in total) for 2019. Own (treasury) shares do not give the company any shareholder rights.


In addition, the Group's ultimate controlling party has notified the board of its intention to propose at the annual general meeting a motion for reducing the share capital of Nordecon AS by 1,943 thousand euros (0.06 euros per share). If the motion is approved, share capital will decrease from 14,379 thousand euros to 12,436 thousand euros. According to the motion, share capital will be reduced by reducing the book value of the shares so that the number of the shares will remain the same, i.e. 32,375,483 shares, including the 846,898 own (treasury) shares held at 31 December 2019.




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 February 2020
-------------	-----------------------	--	-----------------

Priit Luman	Member of the Board		6 February 2020
-------------	---------------------	--	-----------------

Maret Tambek	Member of the Board		6 February 2020
--------------	---------------------	--	-----------------

Ando Voogma	Member of the Board		6 February 2020
-------------	---------------------	--	-----------------

Condensed consolidated interim financial statements

Condensed consolidated interim statement of financial position

EUR '000	Note	31 December 2019	31 December 2018
ASSETS			
Current assets			
Cash and cash equivalents		7,032	7,678
Trade and other receivables	2	37,003	31,627
Prepayments		1,813	1,383
Inventories	3	22,655	20,444
Total current assets		68,503	61,132
Non-current assets			
Investments in equity-accounted investees		2,369	2,266
Other investments		26	26
Trade and other receivables	2	8,435	8,225
Investment property		5,530	5,526
Property, plant and equipment		19,002	12,288
Intangible assets		14,736	14,674
Total non-current assets		50,098	43,005
TOTAL ASSETS		118,601	104,137
LIABILITIES			
Current liabilities			
Borrowings	5, 6	11,058	9,374
Trade payables		40,726	34,954
Other payables		7,966	5,187
Deferred income		7,355	3,932
Provisions		716	1,013
Total current liabilities		67,821	54,460
Non-current liabilities			
Borrowings	5, 6	16,326	14,830
Trade payables		98	98
Other payables		177	71
Provisions		1,425	969
Total non-current liabilities		18,026	15,968
TOTAL LIABILITIES		85,847	70,428
EQUITY			
Share capital		14,379	16,321
Own (treasury) shares		-660	-693
Share premium		635	618
Statutory capital reserve		2,554	2,554
Translation reserve		1,169	1,992
Retained earnings		12,372	10,896
Total equity attributable to owners of the parent		30,449	31,688
Non-controlling interests		2,305	2,021
TOTAL EQUITY		32,754	33,709
TOTAL LIABILITIES AND EQUITY		118,601	104,137

Condensed consolidated interim statement of comprehensive income

EUR '000	Note	Q4 2019	2019	Q4 2018	2018
Revenue	8, 9	61,271	233,508	55,908	223,496
Cost of sales	10	-57,229	-221,745	-52,563	-213,463
Gross profit		4,042	11,763	3,345	10,033
Marketing and distribution expenses		-149	-784	-156	-626
Administrative expenses	11	-2,169	-6,837	-1,748	-6,725
Other operating income	12	187	315	247	1,471
Other operating expenses	12	-145	-193	-49	-122
Operating profit		1,766	4,264	1,639	4,031
Finance income	13	62	1,277	190	431
Finance costs	13	-213	-1,219	-168	-909
Net finance costs/income		-151	58	22	-478
Share of loss/profit of equity-accounted investees		-37	585	-9	835
Profit before income tax		1,578	4,907	1,652	4,388
Income tax expense		-324	-777	15	-567
Profit for the period		1,254	4,130	1,667	3,821
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		-42	-823	-105	-3
Total other comprehensive expense		-42	-823	-105	-4
TOTAL COMPREHENSIVE INCOME		1,212	3,307	1,562	3,818
Profit attributable to:					
- Owners of the parent		835	3,367	1,409	3,381
- Non-controlling interests		419	763	258	440
Profit for the period		1,254	4,130	1,667	3,821
Total comprehensive income attributable to:					
- Owners of the parent		793	2,544	1,304	3,378
- Non-controlling interests		419	763	258	440
Total comprehensive income for the period		1,212	3,307	1,562	3,818
Earnings per share attributable to owners of the parent:					
Basic earnings per share (EUR)	7	0.03	0.11	0.04	0.11
Diluted earnings per share (EUR)	7	0.03	0.11	0.04	0.11

Condensed consolidated interim statement of cash flows

EUR '000	Note	2019	2018
Cash flows from operating activities			
Cash receipts from customers ¹		277,941	269,292
Cash paid to suppliers ²		-239,901	-232,669
VAT paid		-6,816	-8,269
Cash paid to and for employees		-22,989	-22,593
Income tax paid		-232	-596
Net cash from operating activities		8,003	4,692
Cash flows from investing activities			
Paid on acquisition of property, plant and equipment		-594	-534
Paid on acquisition of intangible assets		0	0
Proceeds from sale of property, plant and equipment	4	377	1,784
Paid on acquisition of investment property		0	-88
Proceeds from sale of investment property		0	1,300
Loans provided		-74	-12
Repayment of loans provided		13	14
Dividends received		489	460
Interest received		9	10
Net cash from investing activities		220	2,934
Cash flows from financing activities			
Proceeds from loans received		3,705	2,898
Repayment of loans received		-4,032	-4,671
Lease payments made		-3,276	-1,879
Interest paid		-1,004	-737
Dividends paid		-2,360	-2,627
Reduction of share capital		-1,892	-1,847
Other payments		-4	0
Net cash used in financing activities		-8,863	-8,863
Net cash flow		-638	-1,237
Cash and cash equivalents at beginning of period		7,678	8,915
Effect of movements in foreign exchange rates		-8	0
Increase in cash and cash equivalents		-638	-1,237
Cash and cash equivalents at end of period		7,032	7,678

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

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

Condensed consolidated interim statement of changes in equity

EUR '000	Equity attributable to owners of the parent							Non-controlling interests	Total
	Share capital	Treasury shares	Capital reserve	Share premium	Translation reserve	Retained earnings	Total		
Balance at 31 December 2017	18,263	-1,349	2,554	589	1,995	11,086	33,138	1,351	34,489
Profit for the period	0	0	0	0	0	3,381	3,381	440	3,821
Other comprehensive expense	0	0	0	0	-4	0	-4	0	-4
Transactions with non-controlling interests	0	530	0	0	0	-1,746	-1,216	998	-218
Transactions with owners									
Exercise of share options	0	71	0	0	0	0	71	0	71
Dividend distribution	0	0	0	0	0	-1,859	-1,859	-768	-2,627
Cancellation of dividends	0	0	0	0	0	34	34	0	34
Reduction of share capital	-1,942	55	0	29	0	0	-1,858	0	-1,858
Total transactions with owners	-1,942	126	0	29	0	-1,825	-3,612	-768	-4,380
Balance at 31 December 2018	16,321	-693	2,554	618	1,992	10,896	31,688	2,021	33,709
Profit for the period	0	0	0	0	0	3,367	3,367	763	4,130
Other comprehensive expense	0	0	0	0	-823	0	-823	0	-823
Transactions with owners									
Dividend distribution	0	0	0	0	0	-1,891	-1,891	-479	-2,370
Reduction of share capital	-1,942	33	0	17	0	0	-1,892	0	-1,892
Total transactions with owners	-1,942	33	0	17	0	-1,891	-3,783	-479	-4,262
Balance at 31 December 2019	14,379	-660	2,554	635	1,169	12,372	30,449	2,305	32,754

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, 10133 Tallinn, Estonia. Nordecon AS's majority shareholder and the party controlling Nordecon Group is AS Nordic Contractors that holds 50.99% 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 December 2019 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 2018.

According to management's assessment, the condensed consolidated interim financial statements of Nordecon AS for the fourth quarter and 12 months of 2019 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.

Changes in accounting policies

From 1 January 2019 the Group began to apply IFRS 16 *Leases*.

IFRS 16 *Leases*

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the commencement of the lease and, if lease payments are made over time, in obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases into operating and finance leases that was provided in IAS 17 and, instead, introduces a single accounting model for lessees. Lessees are required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases and to account for those two types of leases differently.

The Group adopted IFRS 16 from the beginning of 2019 and did not restate the comparative figures for 2018, as permitted under the transition provisions of the standard. On the adoption of IFRS 16, the Group recognised leases that were classified as operating leases under IAS 17 as items of property, plant and equipment and lease liabilities.

The Group leases buildings, commercial premises and cars. Most lease contracts have been signed for a fixed term (5 years on average) and, as a rule, include extension and termination options. Leases are negotiated on an individual basis and may contain different terms and conditions. Leases are recognised as right-of-use assets and lease liabilities (within borrowings) at the commencement date of the lease, i.e. at the date on which the lessor makes the underlying asset available for use by the Group. Assets and liabilities arising from a lease are measured in the statement of financial position at the present value of the lease payments. Lease payments are apportioned between payments for the principal lease liability and finance cost (interest expense). The finance cost is allocated to each period during the lease term so that it would produce a constant periodic rate of interest on the remaining balance of the lease liability.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life and lease term of the asset. Assets and liabilities arising from a lease are measured in the statement of financial position at the present value of the lease payments (except for exceptions).

Lease payments include the following payments made during the lease term:

- fixed lease payments, less any lease incentives receivable (payments, or reimbursements of costs, by the lessor);
- variable lease payments that are based on an index or rate (e.g. inflation, Euribor);
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option (if the lessee is reasonably certain to exercise the option) and payments resulting from extending or terminating the lease (if the lease term reflects the lessee exercising an option to terminate the lease).

Lease payments are discounted using the interest rate implicit in the lease or, alternatively, the lessee's incremental borrowing rate. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow the funds necessary to obtain an asset similar to the right-of-use asset.

Right-of-use assets are measured at cost, which comprises the following components:

- the present value of the lease payments;
- any initial direct costs incurred by the lessee;
- any lease payments made before the commencement date of the lease;
- costs to be incurred in removing the underlying asset (if required by the lease) or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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. In determining the lease term, management assesses how probable it is that the Group will exercise, or not exercise, an extension or termination option, considering all relevant facts and circumstances that create an economic incentive to exercise, or not exercise, an option. Periods covered by an option to extend the lease (or periods covered by an option to terminate the lease) are only included in the lease term if it is reasonably certain that the extension option will be exercised (or the termination option will not be exercised). Management reviews its assessments regarding the extension and termination options upon the occurrence of a significant event or a significant change in circumstances that affects the probability of the Group exercising an option or when there is a change in the non-cancellable period of the lease. On the adoption of the standard on 1 January 2019, the remaining lease payments were discounted at the Group's incremental borrowing rate of 2.4% on average. The Group applied the practical expedient permitted by the standard of applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group also applied the following expedients:

- operating leases with the remaining lease term of up to 12 months were classified as short-term leases from 1 January 2019;
- initial direct costs were excluded from the measurement of the right-of-use assets at the date of initial application;
- the lease term was determined by taking into account the option to extend or terminate the lease.

Effect of the changes on the consolidated statement of financial position:

EUR '000

Effect of the changes at 1 January 2019

Right-of-use assets	4,260
Short-term lease liability	1,061
Long-term lease liability	3,199

NOTE 2. Trade and other receivables

EUR '000	Note	31 December 2019	31 December 2018
Current items			
Trade receivables		29,141	21,818
Retentions receivable		761	1,085
Receivables from related parties		739	2
Other receivables		46	26
Total receivables and loans provided		30,687	22,931
Due from customers for contract work		6,316	8,696
Total current trade and other receivables		37,003	31,627

EUR '000	Note	31 December 2019	31 December 2018
Non-current items			
Loans to related parties	14	8,015	7,780
Other non-current receivables		420	445
Total non-current trade and other receivables		8,435	8,225

NOTE 3. Inventories

EUR '000	31 December 2019	31 December 2018
Raw materials and consumables	3,149	3,559
Work in progress	8,478	6,434
Apartments for sale	229	467
Properties purchased for development and pre-development costs	10,799	9,984
Total inventories	22,655	20,444

NOTE 4. Property, plant and equipment and intangible assets

Property, plant and equipment

In 2019, the Group acquired property, plant and equipment of 2,961 thousand euros (2018: 1,995 thousand euros). Assets acquired comprised equipment and construction machinery required for the Group's operating activities. Proceeds from sales of property, plant and equipment amounted to 377 thousand euros (see the statement of cash flows). In 2018, proceeds from sales of property, plant and equipment amounted to 1,784 thousand euros; the largest transaction was the sale of an improved property in Keila. Sales gain on the transactions amounted to 258 thousand euros (2018: 1,113 thousand euros) (see note 12).

Intangible assets

In 2019, the Group did not conduct any significant transactions with intangible assets.

NOTE 5. Borrowings

Current borrowings

EUR '000	Note	31 December 2019	31 December 2018
Short-term portion of long-term loans		3	634
Lease liabilities	6	2,670	1,755
Short-term bank loans		8,385	5,334
Factoring liabilities		0	1,651
Total current borrowings		11,058	9,374



Non-current borrowings

EUR '000	Note	31 December 2019	31 December 2018
Long-term portion of long-term bank loans		8,418	11,165
Other long-term loans		0	0
Derivative financial instruments		6	11
Lease liabilities	6	7,902	3,654
Total non-current borrowings		16,326	14,830

NOTE 6. Finance and operating leases

EUR '000	31 December 2019	31 December 2018
Finance lease liabilities at end of period, of which:	4,284	5,409
Not later than 1 year	1,505	1,755
Later than 1 year and not later than 5 years	2,779	3,654
Base currency EUR	4,284	5,409
Interest rate for contracts denominated in EUR ¹	2.0%-3.9%	1.7%-3.9%
Frequency of payments	Monthly	Monthly

¹ Includes leases with floating interest rates

Finance lease payments

EUR '000	2019	2018
Principal payments made during the period	1,973	1,890
Interest payments made during the period	147	95

Lease liability

EUR '000	31 December 2019	31 December 2018
Lease liability at end of period, of which:	6,288	0
Not later than 1 year	1,165	0
Later than 1 year and not later than 5 years	5,123	0
Base currency EUR	6,288	0
Interest rate for contracts denominated in EUR	1.8%-2.9%	-
Frequency of payments	Monthly	-

Settlements of lease liability

EUR '000	2019	2018
Principal payments made during the period	1,318	0
Interest payments made during the period	121	0

Operating lease payments

EUR '000	2019	2018
Cars	121	865
Construction equipment	4,574	3,534
Premises	769	742
IT equipment	366	332
Total operating lease payments	5,830	5,473

NOTE 7. Earnings per share

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

EUR '000	2019	2018
Profit for the year attributable to owners of the parent (EUR '000)	3,367	3,381
Average number of shares (in thousands)	31,528	31,528
Basic earnings per share (EUR)	0.11	0.11
Diluted earnings per share (EUR)	0.11	0.11

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 that 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.

Fourth quarter

EUR '000	Buildings	Infrastructure	Total
Q4 2019			
Total revenue	46,299	15,044	61,343
Of which: General contracting services	43,579	10,765	54,344
Subcontracting services	2,576	3,021	5,597
Own development activities	140	0	140
Investment property	4	0	4
Road maintenance services	0	973	973
Rental services	0	285	285
Inter-segment revenue	0	-159	-159
Revenue from external customers	46,299	14,885	61,184
Gross profit of the segment	4,091	286	4,377

EUR '000 Q4 2018	Buildings	Infrastructure	Total
Total revenue	42,143	13,631	55,774
Of which: General contracting services	36,658	11,067	47,725
Subcontracting services	738	1,371	2,109
Own development activities	3,813	0	3,813
Investment property	934	0	934
Road maintenance services	0	939	939
Rental services	0	254	254
Inter-segment revenue	0	0	0
Revenue from external customers	42,143	13,631	55,774
Gross profit of the segment	3,483	256	3,739

12 months

EUR '000 12 months 2019	Buildings	Infrastructure	Total
Total revenue	169,130	64,285	233,415
Of which: General contracting services	152,340	51,006	203,346
Subcontracting services	10,258	8,667	18,925
Own development activities	6,528	0	6,528
Investment property	4	0	4
Road maintenance services	0	3,523	3,523
Rental services	0	1,089	1,089
Inter-segment revenue	-6	-262	-268
Revenue from external customers	169,124	64,023	233,147
Gross profit of the segment	10,673	2,231	12,904

EUR '000 12 months 2018	Buildings	Infrastructure	Total
Total revenue	162,909	60,138	223,047
Of which: General contracting services	148,913	52,234	201,147
Subcontracting services	2,393	3,386	5,779
Own development activities	9,369	0	9,369
Investment property	2,234	0	2,234
Road maintenance services	0	3,461	3,461
Rental services	0	1,057	1,057
Inter-segment revenue	0	-52	-52
Revenue from external customers	162,909	60,086	222,995
Gross profit of the segment	7,614	3,378	10,992

Reconciliation of segment revenues

EUR '000	2019	Q4 2019	2018	Q4 2018
Total revenues for reportable segments	233,415	61,343	223,047	55,774
Elimination of inter-segment revenues	-268	-159	-52	0
Other revenue	361	87	501	134
Total revenue	233,508	61,271	223,496	55,908

Reconciliation of segment profit

EUR '000	2019	Q4 2019	2018	Q4 2018
Total profit for reportable segments	12,904	4,377	10,992	3,739
Unallocated loss	-1,141	-335	-959	-394
Gross profit	11,763	4,042	10,033	3,345
Unallocated expenses:				
Marketing and distribution expenses	-784	-149	-626	-156
Administrative expenses	-6,837	-2,169	-6,725	-1,748
Other operating income and expenses	122	42	1,349	198
Operating profit	4,264	1,766	4,031	1,639
Finance income	1,277	62	431	190
Finance costs	-1,219	-213	-909	-168
Share of profit/loss of equity-accounted investees	585	-37	835	-9
Profit before tax	4,907	1,578	4,388	1,652

NOTE 9. Segment reporting – geographical information

EUR '000	2019	Q4 2019	2018	Q4 2018
Estonia	212,737	53,164	210,584	52,000
Ukraine	4,008	696	8,222	3,091
Finland	10,258	2,575	2,393	738
Sweden	11,060	6,301	3,246	469
Elimination of inter-segment revenues	-4,555	-1,465	-949	-390
Total revenue	233,508	61,271	223,496	55,908

NOTE 10. Cost of sales

EUR '000	2019	2018
Cost of materials, goods and services	197,274	192,133
Personnel expenses	21,501	19,175
Depreciation expense	2,708	1,913
Other expenses	262	242
Total cost of sales	221,745	213,463

NOTE 11. Administrative expenses

EUR '000	2019	2018
Personnel expenses	3,717	3,757
Cost of materials, goods and services	2,523	2,646
Depreciation and amortisation expense	328	77
Other expenses	269	245
Total administrative expenses	6,837	6,725



NOTE 12. Other operating income and expenses

EUR '000	2019	2018
Other operating income		
Gain on sale of property, plant and equipment	258	1,113
Other income	57	358
Total other operating income	315	1,471

EUR '000	2019	2018
Other operating expenses		
Foreign exchange loss	16	76
Net loss on the recognition and reversal of impairment losses on receivables	63	16
Loss on the write-off of property, plant and equipment	9	10
Other expenses	105	20
Total other operating expenses	193	122

NOTE 13. Finance income and costs

EUR '000	2019	2018
Finance income		
Interest income on loans	225	278
Foreign exchange gain	1,044	147
Other finance income	8	6
Total finance income	1,277	431

EUR '000	2019	2018
Finance costs		
Interest expense	1,002	781
Foreign exchange loss	196	121
Other finance costs	21	7
Total finance costs	1,219	909

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



The Group's purchase and sales transactions with related parties

EUR '000	2019		2018	
Counterparty	Purchases	Sales	Purchases	Sales
AS Nordic Contractors	291	0	276	0
Companies of AS Nordic Contractors group	1,344	419	4	8
Companies related to owners of AS Nordic Contractors	576	0	655	0
Equity-accounted investees	2,677	309	5,575	200
Companies related to members of the council and board	88	0	93	0
Total	4,979	728	6,603	208

EUR '000	2019		2018	
Nature of transactions	Purchases	Sales	Purchases	Sales
Construction services	2,677	2	4,794	14
Transactions with goods	1,876	307	1,436	164
Lease and other services	340	410	290	30
Other transactions	83	9	83	0
Total	4,976	728	6,603	208

During the period, the Group recognised interest income on loans to an associate of 216 thousand euros (2018: 269 thousand euros).

Receivables from and liabilities to related parties at period-end

EUR '000	31 December 2019		31 December 2018	
	Receivables	Liabilities	EUR '000	Receivables
AS Nordic Contractors	0	9	0	10
Companies of AS Nordic Contractors group	495	11	0	0
Companies related to owners of AS Nordic Contractors	0	316	0	164
Associates – receivables and liabilities	244	1	2	2,097
Associate – loans and interest	8,015	0	7,780	0
Total	8,754	337	7,782	2,271

Remuneration of the council and the board

The service fees of the members of the council of Nordecon AS for 2019 amounted to 187 thousand euros and associated social security charges totalled 62 thousand euros (2018: 187 thousand euros and 62 thousand euros, respectively).

The service fees of the members of the board of Nordecon AS amounted to 480 thousand euros and associated social security charges totalled 158 thousand euros (2018: 656 thousand euros and 217 thousand euros, respectively). The figures for 2018 include termination benefits of 180 thousand euros paid to a member of the board and associated social security charges of 60 thousand euros.

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 fourth quarter and 12 months of 2019 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 February 2020

Priit Luman

Member of the Board



6 February 2020

Maret Tambek

Member of the Board



6 February 2020

Ando Voogma

Member of the Board



6 February 2020