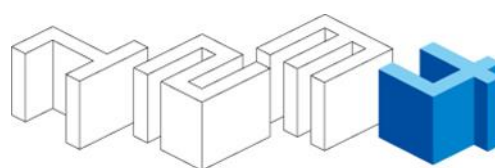




**Financial report for the fourth quarter
and twelve months of 2020**
(unaudited)





Financial report for the fourth quarter and twelve months of 2020 (unaudited)

Business name	Nordecon AS
Registry number	10099962
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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 2020 – 31 December 2020
Reporting period	1 January 2020 – 31 December 2020
Council	Toomas Luman (chairman of the council), Andri Hõbemägi, Vello Kahro, Sandor Liive, Andre Luman
Board	Gerd Müller (chairman of the board), Priit Luman, Maret Tambek
Auditor	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.



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 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:

- Public investments that significantly influence the construction market are expected to increase in 2021 compared to 2020. The market as a whole will be increasingly influenced by investments made by the largest public sector entities (the state-owned real estate company Riigi Kinnisvara AS, the Transport Administration, the Centre for Defence Investment, etc.) which reach the signature of a construction contract in 2021, because due to the adverse impacts of the COVID-19 pandemic private sector investment will remain weak. Only the housing segment will see certain recovery because demand for new dwellings has not substantially decreased. The construction market will continue to contract at a moderate pace and the trend is likely to persist in the coming years.
- Competition will remain intense across the construction market and will intensify in specific segments based on market developments. This is reflected in the consistently high number of bidders for construction contracts, which has grown further during the economic downturn. Recent years' rapid rise in input prices was halted by a fall in new private sector contracts that hit the market in the second and third quarter of 2020. However, prices began to edge upward again in the fourth quarter, supported by a surge in the prices of raw materials such as steel. The construction sector's continuing shortage of skilled and qualified labour and growing labour costs will sustain growth in construction prices even in a moderately shrinking market. The construction market grew dramatically in 2018 and 2019 (compared to previous periods). Thus, despite the slight downtrend which emerged 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.
- In housing development, the success of a project will depend on the developer's ability to control the input prices included in the business plan and, thus, set sales prices that are affordable for prospective buyers. A somewhat cautious market sentiment, credit institutions' more limited financing of buyers, and the COVID-19 pandemic, which has triggered an economic slowdown and growth in unemployment, are prolonging real estate sales.
- 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) did not decrease in 2020 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 the past two 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.



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. 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 affected the Stockholm area the most. 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 postponing their investment decisions until the situation has stabilised.



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. Bidders' prices are under strong competitive pressure. 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 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 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 2020, the Group's warranty provisions (including current and non-current ones) totalled 1,287 thousand euros (31 December 2019: 1,321 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. In particular, we have focused on the bidding process, i.e. compliance with the procurement terms and conditions, and budgeting. The errors made in the planning stage are usually irreversible and, in a situation where the price is contractually fixed, may result in a direct financial loss.

Financial risks

Credit risk

Credit losses of the period totalled 157 thousand euros. In 2019, credit losses amounted to 63 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 2019: 1.01). The key factor that 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, the Group's loan receivable from its Ukrainian associate of 8,237 thousand euros was classified as a non-current asset 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 December 2020, the Group's short-term borrowings totalled 18,508 thousand euros (31 December 2019: 11,058 thousand euros). A significant share of short-term borrowings is made up of bank overdrafts, of which overdrafts of 6,205 thousand euros have been extended for the next twelve months after the reporting date.

The Group's cash and cash equivalents as at the reporting date amounted to 12,576 thousand euros (31 December 2019: 7,032 thousand euros).

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 2019, the Group's interest-bearing borrowings have decreased by 1,523 thousand euros. Both loan and lease liabilities have decreased. Interest-bearing borrowings totalled 25,861 thousand euros at 31 December 2020 (31 December 2019: 27,384 thousand euros). Interest expense for the year 2020 amounted to 1,078 thousand euros (2019: 1,002 thousand euros).

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 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. The hryvnia weakened against the euro by approximately 24% in 2020. As a result, the Group's Ukrainian subsidiaries, which have to translate their euro-denominated loans into the local currency, recognised a foreign exchange loss of 1,485 thousand euros (2019: a gain of 1,044 thousand euros). 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 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.

The Swedish krona strengthened against the euro by around 4% in 2020. Due to the change in the krona/euro exchange rate, the translation of receivables and liabilities related to operating activities resulted in an exchange loss of 48 thousand euros (2019: 16 thousand euros). The exchange loss has been recognised within *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 24 thousand euros (2019: 196 thousand euros). The exchange loss has been recognised within *Finance costs*.

We have not acquired derivatives to hedge our currency risk.



Employee and work environment risks

Finding a permanent quality workforce is a challenge for the entire construction sector and also 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 occupational health and safety risks of people working on our construction sites, including both our own teams and those of our subcontractors, by applying all measures required by law and our management systems. Subcontractors are responsible for ensuring occupational safety in their work and for their employees and our role is to create conditions that enable and foster compliance with safety regulations.

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 risk 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 materials utilisation 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.

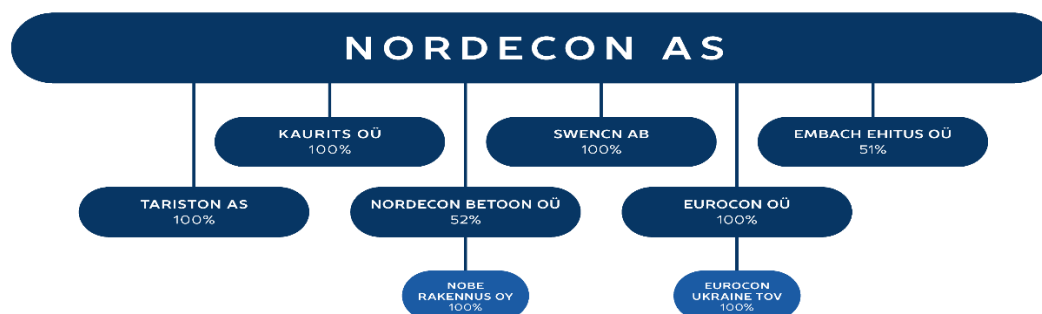
Corruption and ethical risks

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. The Group has established internal procedures and policies, observes the rules of the Tallinn Stock Exchange and works with external and internal auditors as well as supervisory agencies. We make every effort to ensure that our entities' management quality, organizational 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.



Group structure

The Group's structure at 31 December 2020, 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%.

Significant changes in Group structure

Increase in ownership interest in Embach Ehitus OÜ

A change in the capital structure of Nordecon AS's former associate Embach Ehitus OÜ was finalised and entered in the Commercial Registry on 5 March 2020. As a result of the transaction, Nordecon AS increased its ownership interest to 51% and Embach Ehitus OÜ became a subsidiary of Nordecon AS. The share capital of Embach Ehitus OÜ amounts to 30,000 euros of which 15,300 euros is held by Nordecon AS. Embach Ehitus OÜ has been accounted for as a subsidiary and its financial information has been consolidated in the financial statements of Nordecon AS since 1 March 2020.

Merger of Eston Ehitus AS with Nordecon AS

Nordecon AS and its wholly-owned subsidiary Eston Ehitus AS signed a merger agreement on 2 September 2020. The purpose of the transaction was to improve the Group's internal efficiency and to streamline its management structure. Consistent with the merger agreement, the acquirer was Nordecon AS that became the legal successor to Eston Ehitus AS which was dissolved. The merger was finalised on 15 October 2020.

Sale of the associate Pigipada OÜ

Nordecon AS's subsidiary Tariston AS and Tõrvatilk OÜ signed an agreement on 8 December 2020 for the disposal of Tariston AS's 49% interest in Pigipada OÜ. The purpose of the transaction was to resolve the issue of the entity's ownership and to dispose of the investment on terms favourable for Tariston AS. The total transaction price was 3,596 thousand euros. As a result of the transaction, control of Pigipada OÜ changed, which is why the completion of the transaction, including the transfer of the rights and obligations, required the consent of the Competition Authority, which was granted on 28 December 2020. The disposal of the investment in the associate Pigipada OÜ was subsequently finalised on 30 December 2020.



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 (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 markets

Ukraine

There were no changes in our Ukrainian operations during the period under review. In 2020, our business activity in Ukraine remained at a level comparable to 2019. 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

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. The Group's subsidiary SweNCN AB continued to deliver services under building construction contracts secured as a general contractor.



Performance by geographical market

Revenue generated outside Estonia accounted for approximately 18% of the Group's total revenue, which is the highest level for recent years'.

	2020	2019	2018
Estonia	82%	89%	93%
Sweden	11%	5%	2%
Finland	6%	4%	1%
Ukraine	1%	2%	4%

Revenue generated in Sweden has increased year on year, driven by two new general contracts for the construction of apartment buildings and a concrete works subcontract for the construction of foundations for 73 turbines in a wind farm being built in northern Sweden, all signed in 2019. The revenue contribution of the Finnish market has increased as well: a significant share of it resulted from contracts for the construction of the Raitinkartano commercial and residential building and two farm complexes. The revenue contribution of the Ukrainian market has decreased by about a half compared to 2019.

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 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 because this helps us diversify risks and provides better opportunities for continuing construction operations in more challenging market conditions where the volumes of one or several sub-segments substantially decline.

The Group ended 2020 with revenue of 296,082 thousand euros, a roughly 26% improvement on the 234,071 thousand euros generated in 2019. The Buildings segment increased its revenue by around 34% and the Infrastructure segment by around 7%. In 2020, the Buildings and Infrastructure segments generated revenue of 228,515 thousand euros and 67,142 thousand euros, respectively. The corresponding figures for 2019 were 170,647 thousand euros and 63,063 thousand euros (see note 8). The current revenue structure is also reflected in the Group's order book, where the Buildings segment continues to dominate.

Operating segments *	2020	2019	2018
Buildings	72%	70%	72%
Infrastructure	28%	30%	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, revenue generated by the commercial buildings subsegment decreased while revenue generated by other subsegments increased compared to 2019. The largest subsegment in terms of revenue was public buildings, which accounted for over a third of total segment revenue and showed 67% year-on-year revenue growth. During the year, we completed and delivered on time the buildings of the Estonian Academy of Security Sciences and the University of Tartu Learning Centre in Narva, phase I of Kindluse Kool – a basic school in Järveküla near Tallinn, the Annelinn upper secondary school in Tartu and a storage complex for the defence forces' base at Tapa. The largest projects in progress in the public buildings subsegment are the construction of a sports and health centre at Kohtla-Järve, a family health centre in Tartu, and an extension to the building of the Estonian Foreign Intelligence Service in Rahumäe tee in Tallinn, and the reconstruction of two schools in East Ukraine.

A significant share of our Estonian 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 Tallinn. A large share of the subsegment's revenue also came from the construction of apartment buildings in Sweden.

We continue to build our own housing development projects in Tallinn and Tartu (reported in the apartment buildings subsegment). During the period, we completed a five-floor apartment building with 24 apartments at Võidujooksu 8c in Tallinn (www.voidujooksu.ee). Revenue from our own real estate development operations amounted to 2,866 thousand euros (2019: 6,528 thousand euros). The uncertainty of the economic environment, caused by the COVID-19 pandemic, has also affected our development operations. The construction of the Mõisavahe Kodu (<https://moisavahe.ee>) project, which started at the beginning of the year, continued in the autumn after a break of around six months. In carrying out our own real estate development activities, we closely monitor potential risks in the housing development market.

The largest projects of the commercial buildings subsegment were in Tallinn in 2020. We completed and delivered on time the building of Terminal D in the Old City Harbour, phase I of the Porto Franco commercial and office development next to the Admiralty Basin, and a multi-storey car park at Sepapaja 1 in Tallinn. Work continues on a seven-floor commercial building in Rotermann City.

Although the amount and share of revenue generated by the industrial and warehouse facilities subsegment remained modest compared to other subsegments, its revenue grew more than two times compared to 2019. Still, the costs of projects in progress are small, amounting to 2 million euros on average.

Revenue breakdown in the Buildings segment	2020	2019	2018
Public buildings	37%	29%	25%
Apartment buildings	28%	27%	25%
Commercial buildings	23%	36%	35%
Industrial and warehouse facilities	12%	8%	15%

Although the largest revenue contributor in the Infrastructure segment is still road construction and maintenance, its proportionate contribution has decreased year on year. A major share of its revenue results from road rehabilitation contracts of 2 to 3 million euros each. The largest projects in progress include a contract secured in 2019 for the construction of the Kernu bypass as well as the Kernu filling station and Haiba junctions on the Tallinn-Pärnu-Ikla road, and a contract signed this year for the construction of the Vão junction on the eastern border of Tallinn. Construction of the latter will continue in 2021. In addition to road construction and maintenance, the subsegment builds infrastructure assets for the defence forces and improves forest roads under a number of small contracts signed with 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.

Other engineering revenue is strongly influenced by the construction of foundations for 73 wind turbines in the Nysäter wind farm, which is being built in northern Sweden, near Sundsvall.

A significant share of specialist engineering revenue resulted from the construction of a 640-metre waterfront promenade at Sillamäe.

Revenue breakdown in the Infrastructure segment	2020	2019	2018
Road construction and maintenance	74%	78%	89%
Other engineering	21%	18%	7%
Specialist engineering (including hydraulic engineering)	4%	1%	0%
Environmental engineering	1%	3%	4%



Financial review

Financial performance

Nordecon ended the year 2020 with a gross profit of 10,996 thousand euros (2019: 11,769 thousand euros). Gross margin for the financial year was 3.7% (2019: 5.0%). The gross margin of the Infrastructure segment improved, rising to 5.1% for 2020 and 6.1% for the fourth quarter (2019: 3.5%, Q4 2019: 1.9%). The gross margin of the Buildings segment, on the other hand, fell sharply, dropping to 3.6% for 2020 and 0.7% for the fourth quarter (2019: 6.3%, Q4 2019: 8.8%). The Infrastructure segment's performance was supported by an earlier start of the road construction season and a strong order book. Even though market players' capacity to produce asphalt concrete continues to exceed market demand, the Group's asphalt concrete output grew year on year, providing cover for fixed costs, the largest share of which is made up of costs related to the plant and equipment required for asphalt concrete production and laying. The low profitability of the Buildings segment, which had a strong impact on the Group's results for 2020, is attributable to some unsuccessful projects in the Swedish market. The weak performance of the Swedish market was largely due to the COVID-19 pandemic and its impacts on the economic environment. Mobility restrictions disrupted the Group's management of its Swedish operations as well as the movement of the projects' subcontractors, which were mostly from Estonia. This delayed the performance of the projects and caused the Group additional unbudgeted site costs, which customers did not cover in full.

The Group's administrative expenses for 2020 totalled 7,073 thousand euros. Compared to 2019, administrative expenses increased by around 3.5% (2019: 6,837 thousand euros). The rise is attributable to the fact that Embach Ehitus OÜ became a subsidiary (see the chapter *Group structure*). The ratio of administrative expenses to revenue (12 months rolling) was 2.4% (2019: 2.9%).

The Group's operating profit 2020 was 3,575 thousand euros (2019: 4,270 thousand euros). EBITDA amounted to 7,003 thousand euros and EBITDA margin was 2.4% (2019: 7,311 thousand euros and 3.1%).

Finance income for 2020 was influenced by the sale of the Group's investment in the associate Pigipada OÜ at the end of the year (see the chapter *Group structure*). Gain on the transaction amounted to 2,749 thousand euros (see note 13). Finance income and expenses for the year were also strongly affected by exchange rate fluctuations in the Group's foreign markets, particularly the movements in the exchange rate of the Ukrainian hryvnia, which weakened against the euro by around 24%. Translation of the loans provided to the Group's Ukrainian subsidiaries in euros gave rise to an exchange loss of 1,485 thousand euros in 2020 (2019: a gain of 1,044 thousand euros). The Group's total exchange loss for the year was 1,509 thousand euros (2019: 196 thousand euros). The movements in foreign exchange rates also increased the translation reserve in equity by 1,254 thousand euros (2019: reduced by 823 thousand euros).

The Group earned a net profit of 4,118 thousand euros (2019: 4,149 thousand euros). The profit attributable to owners of the parent, Nordecon AS, was 2,466 thousand euros (2019: 3,378 thousand euros).

Cash flows

Operating activities produced a net cash inflow of 2,464 thousand euros in 2020 (2019: an inflow of 8,003 thousand euros). The key factor that affects operating cash flow is the mismatch between the settlement terms agreed with customers and suppliers. 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 materials suppliers. In 2020, the share of prepayments increased due to the COVID-19 pandemic. 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 8,274 thousand euros (2019: an inflow of 220 thousand euros). Transactions with the strongest impact were the transformation of Embach Ehitus OÜ from an associate into a subsidiary, which generated cash inflow of 3,605 thousand euros, and the sale of the investment in the associate Pigipada OÜ, which generated inflow of 3,596 thousand euros. Investments in the acquisition of property, plant and equipment and intangible assets totalled 271 thousand euros (2019: 594 thousand euros) and proceeds from the sale of property, plant and equipment amounted to 332 thousand euros (2019: 377 thousand euros). Dividends received amounted to 974 thousand euros (2019: 489 thousand euros).



Financing activities generated a net cash outflow of 5,174 thousand euros (2019: an outflow of 8,863 thousand euros). The largest items were loan and lease payments. Proceeds from loans received totalled 2,026 thousand euros, comprising the use of overdrafts and development loans (2019: 3,705 thousand euros). Loan repayments totalled 2,629 thousand euros (2019: 4,032 thousand euros), consisting of regular repayments of long-term investment and development loans. Lease payments totalled 3,086 thousand euros (2019: 3,276 thousand euros). Dividends paid in 2020 amounted to 472 thousand euros (2019: 2,360 thousand euros). Cash flows of the comparative period, 2019, were also influenced by payments of 1,892 thousand euros made in connection with the reduction of share capital.

The Group's cash and cash equivalents totalled 12,576 thousand euros at 31 December 2020 (31 December 2019: 7,032 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	2020	2019	2018
Revenue (EUR '000)	296,082	234,071	223,496
Revenue change	26.5%	4.7%	-3.4%
Net profit (EUR '000)	4,118	4,149	3,821
Net profit attributable to owners of the parent (EUR '000)	2,466	3,378	3,381
Average number of shares	31,528,585	31,528,585	31,528,585
Earnings per share (EUR)	0.08	0.11	0.11
Administrative expenses to revenue	2.4%	2.9%	3.0%
EBITDA (EUR '000)	7,003	7,311	6,021
EBITDA margin	2.4%	3.1%	2.7%
Gross margin	3.7%	5.0%	4.5%
Operating margin	1.2%	1.8%	1.8%
Operating margin excluding gain on asset sales	1.1%	1.7%	1.3%
Net margin	1.4%	1.8%	1.7%
Return on invested capital	9.3%	10.0%	8.4%
Return on equity	11.8%	12.5%	11.2%
Equity ratio	27.6%	27.9%	32.4%
Return on assets	3.3%	3.7%	3.5%
Gearing	21.1%	33.8%	28.5%
Current ratio	1.01	1.01	1.12
As at 31 December	2020	2019	2018
Order book (EUR '000)	215,796	227,545	100,352

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 / weighted 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

The Group's order book (backlog of contracts signed but not yet performed) stood at 215,796 thousand euros at 31 December 2020, a 5% decrease year on year. In 2020, we signed new contracts of 236,577 thousand euros, of which contracts of 55,511 thousand euros in the fourth quarter. The corresponding figures for 2019 were 305,695 thousand euros and 75,083 thousand euros. The Group was equally successful in winning both public and private contracts.

As at 31 December	2020	2019	2018
Order book (EUR '000)	215,796	227,545	100,352

At 31 December 2020, the order books of the Buildings segment and the Infrastructure segment accounted for 81% and 19% of the Group's total order book, respectively (31 December 2019: 85% and 15%, respectively). Compared to 31 December 2019, the order book of the Infrastructure segment has grown by around 19% while the order book of the Buildings segment has decreased by around 10% due to an almost twofold decline in the order book of the apartment buildings subsegment.

The order book of the public buildings subsegment accounts for roughly 40% of the order book of the Buildings segment. The subsegment's order book is strongly influenced by the contracts secured in the third quarter for the construction of phase III of the Maarjamõisa Medical Campus of the Tartu University Hospital with a cost of 47.3 million euros, the construction of an academic building for an upper secondary school in Kuressaare on the island of Saaremaa and the design and construction of a barracks for 300 people in the defence forces base at Paldiski. The order books of the commercial buildings and the industrial and warehouse facilities subsegments have remained at the same level as at 31 December 2019. A significant share of the order book of the industrial and warehouse facilities subsegment is made up of a contract for the construction of a dairy complex for E-Piim in Paide. The order book of the commercial buildings subsegment is dominated by the construction of a new seven-floor commercial building in Rotermann City in Tallinn and a contract of over 22 million euros secured in the fourth quarter for the construction of the Alma Tomingas office building in conformity with the requirements of the LEED Gold certificate at Sepise 7 in Ülemiste City in Tallinn. A major share of the order book of the apartment buildings subsegment is made up of a contract of around 40 million euros for the design and construction of the first two phases of the Kalaranna quarter in Tallinn and the construction of the next phases of the Tiskreoja residential area on the western border of Tallinn.

The order book of the road construction and maintenance subsegment accounts for 87% of the order book of the Infrastructure segment. In the fourth quarter, the Group signed a contract of around 9.5 million euros for the performance of earthworks at the Võõbu-Mäo road construction site on the Võõbu-Anna section of Tartu road and a contract for the reconstruction of the Sillamäe city section of national road no. 1 Tallinn-Narva (km 184.7-187.5). The subsegment's order book is also strongly influenced by a contract secured in the second quarter for the construction of the Vão junction on the eastern border of Tallinn. The Group continues to provide road maintenance services in three road maintenance areas: Järva, Hiiu and Kose. We have signed a new five-year contract for maintaining national roads in the Järva maintenance area. The contract involves year-round maintenance of around 950 km of national roads in Järva county. Based on the rates for 2020, the total cost of the contract is around 10.7 million euros.

Based on the size of the Group's order book, including the share of work to be performed in 2022, 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 and pre-construction and design activities where we can harness our professional competitive advantages.



People

Employees and personnel expenses

In 2020, the Group (the parent and the subsidiaries) employed, on average, 708 people, including 450 engineers and technical personnel (ETP). Headcount increased by around 3% compared to 2019. The number of engineers and technical personnel grew due to a change in the Group's structure: Embach Ehitus OÜ became a subsidiary, which increased the group's workforce by 43 employees (see the chapter *Group structure*):

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

	2020	2019	2018
ETP	450	414	419
Workers	258	273	268
Total average	708	687	687

The Group's personnel expenses for 2020, including all taxes, totalled 27,130 thousand euros. The figure for 2019 was 25,323 thousand euros. Personnel expenses grew by around 7% year on year, mainly in connection with Embach Ehitus OÜ becoming a subsidiary and the payment of project-based performance bonuses.

The service fees of the members of the council of Nordecon AS for 2020 amounted to 165 thousand euros and associated social security charges totalled 54 thousand euros (2019: 187 thousand euros and 62 thousand euros, respectively).

The service fees of the members of the board of Nordecon AS amounted to 432 thousand euros and associated social security charges totalled 143 thousand euros (2019: 480 thousand euros and 158 thousand euros, respectively).

Labour productivity and labour cost efficiency

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

	2020	2019	2018
Nominal labour productivity (rolling), (EUR '000)	422.2	340.6	325.4
Change against the comparative period, %	24.0%	4.7%	3.3%
Nominal labour cost efficiency (rolling), (EUR)	10.9	9.2	9.7
Change against the comparative period, %	17.9%	-5.0%	-3.8%

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

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

The Group's nominal labour productivity and nominal labour cost efficiency improved significantly year on year. The rise is attributable to 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.

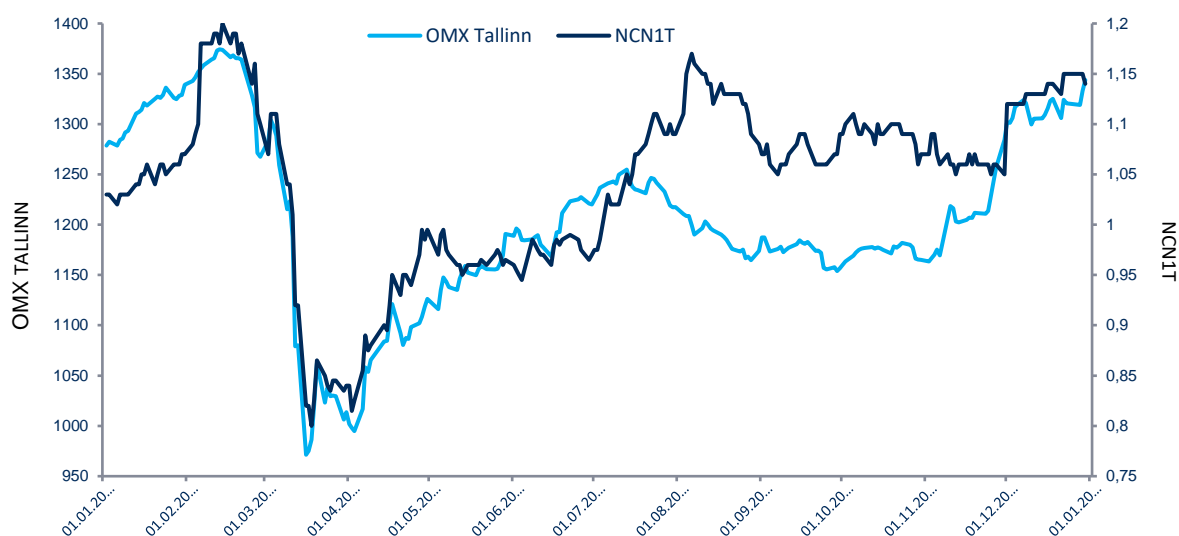
Movements in the price and trading volume of the Nordecon AS share in 2020

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 2020



Index/equity	1 January 2020*	31 December 2020	+/-
■ OMX Tallinn	1,279.70	1,343.72	5.00%
■ NCN1T	EUR 1.03	EUR 1.14	10.68%

* Closing price on the Nasdaq Tallinn Stock Exchange at 31 December 2019

Summarised trading results

Share trading history (EUR)

Price	2020	2019	2018
Open	1.04	0.91	1.25
High	1.21	1.09	1.29
Low	0.78	0.89	0.89
Last closing price	1.14	1.03	0.89
Traded volume (number of securities traded)	6,021,881	3,254,930	1,707,399
Turnover, in EUR millions	5.99	3.24	1.93
Listed volume (31 December), in thousands	32,375	32,375	32,375
Market capitalisation (31 December), in EUR millions	36.91	33.35	28.81

Shareholder structure

Largest shareholders in Nordecon AS at 31 December 2020

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	17,607,464	54.39
Luksusjaht AS	4,288,403	13.25
Olegs Radcenko	583,404	1.80
SEB Pank AS clients	503,188	1.55
Lembit Talpsepp	350,786	1.08
Mati Kalme	280,000	0.86
SEB Life and Pension Baltic SE Estonian branch	255,000	0.79
Genadi Bulaton	250,600	0.77
Swenska Handelsbanken clients	211,112	0.65
Ain Tromp	203,960	0.63



Shareholder structure of Nordecon AS at 31 December 2020

	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%	3,107	25.31
Holder of own (treasury) shares	1	2.62
Total	3,113	100

Shares controlled by members of the council of Nordecon AS at 31 December 2020

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
Total		17,764,144	54.87

* Companies controlled by the individual

Shares controlled by members of the board of Nordecon AS at 31 December 2020

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
Total		7,000	0.02

Share option plan

The annual general meeting that convened on 27 May 2014 approved a share option plan aimed at motivating the executive management of Nordecon AS by including them among the company's shareholders to ensure consistency in the company's management and improvement of the company's performance, and enable the executive management to benefit from their contribution to growth in the value of the company's share. Under the share option plan, the company 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 euros, increasing share capital by 1,035 thousand euros to 20,692 thousand 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 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 euros to 12,167 thousand euros).

At 31 December 2020, 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 2021 a dividend of 0.06 euros per share (1,892 thousand euros in total) for 2020. 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 972 thousand euros (0.03 euros per share). If the motion is approved, share capital will decrease from 14,379 thousand euros to 13,407 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 2020.



Condensed consolidated interim financial statements

Consolidated statement of financial position

EUR '000	Note	31 December 2020	31 December 2019
ASSETS			
Current assets			
Cash and cash equivalents		12,576	7,032
Trade and other receivables	2	50,029	37,563
Prepayments		2,638	1,813
Inventories	3	22,454	21,142
Total current assets		87,697	67,550
Non-current assets			
Investments in equity-accounted investees		0	2,369
Other investments		26	26
Trade and other receivables	2	8,654	8,435
Investment property		5,639	5,530
Property, plant and equipment		18,053	19,002
Intangible assets		14,966	14,736
Total non-current assets		47,338	50,098
TOTAL ASSETS		135,035	117,648
LIABILITIES			
Current liabilities			
Borrowings	5, 6	18,508	11,058
Trade payables		46,932	40,730
Other payables		12,232	7,954
Deferred income		7,738	6,391
Provisions		1,059	716
Total current liabilities		86,469	66,849
Non-current liabilities			
Borrowings	5, 6	7,353	16,326
Trade payables		98	98
Other payables		2,233	177
Provisions		1,647	1,425
Total non-current liabilities		11,331	18,026
TOTAL LIABILITIES		97,800	84,875
EQUITY			
Share capital		14,379	14,379
Own (treasury) shares		-660	-660
Share premium		635	635
Statutory capital reserve		2,554	2,554
Translation reserve		2,423	1,169
Retained earnings		14,543	12,383
Total equity attributable to owners of the parent		33,874	30,460
Non-controlling interests		3,361	2,313
TOTAL EQUITY		37,235	32,773
TOTAL LIABILITIES AND EQUITY		135,035	117,648



Consolidated statement of comprehensive income

EUR '000	Note	Q4 2020	12M 2020	Q4 2019	12M 2019
Revenue	8, 9	78,418	296,082	61,271	234,071
Cost of sales	10	-76,937	-285,086	-57,229	-222,302
Gross profit		1,481	10,996	4,042	11,769
Marketing and distribution expenses		-142	-528	-149	-784
Administrative expenses	11	-1,761	-7,073	-2,169	-6,837
Other operating income	12	180	453	187	315
Other operating expenses	12	-135	-273	-145	-193
Operating profit		-377	3,575	1,766	4,270
Finance income	13	2,725	2,995	62	1,277
Finance costs	13	-576	-2,678	-213	-1,219
Net finance income		2,149	317	151	58
Share of profit/loss of equity-accounted investees		-232	734	-37	585
Profit before income tax		1,540	4,626	1,578	4,913
Income tax expense		-426	-508	-324	-764
Profit for the period		1,114	4,118	1,254	4,149
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		-121	1,254	-42	-823
Total other comprehensive income/expense		-121	1,254	-42	-823
TOTAL COMPREHENSIVE INCOME		993	5,372	1,212	3,326
Profit attributable to:					
- Owners of the parent		1,426	2,466	835	3,378
- Non-controlling interests		-312	1,652	419	771
Profit for the period		1,114	4,118	1,254	4,149
Total comprehensive income attributable to:					
- Owners of the parent		1,305	3,720	793	2,555
- Non-controlling interests		-312	1,652	419	771
Total comprehensive income for the period		993	5,372	1,212	3,326
Earnings per share attributable to owners of the parent:					
Basic earnings per share (EUR)	7	0.05	0.08	0.03	0.11
Diluted earnings per share (EUR)	7	0.05	0.08	0.03	0.11



Consolidated statement of cash flows

EUR '000	Note	12M 2020	12M 2019
Cash flows from operating activities			
Cash receipts from customers ¹		345,967	277,941
Cash paid to suppliers ²		-305,894	-239,901
VAT paid		-9,909	-6,816
Cash paid to and for employees		-27,409	-22,989
Income tax paid		-291	-232
Net cash from operating activities		2,464	8,003
Cash flows from investing activities			
Paid on acquisition of property, plant and equipment		-254	-594
Acquisition of intangible assets		-17	0
Proceeds from sale of property, plant and equipment	4	332	377
Cash received on acquisition of a subsidiary		3,605	0
Proceeds from sale of an investment in an associate		3,596	0
Loans provided		-17	-74
Repayment of loans provided		44	13
Dividends received		974	489
Interest received		11	9
Net cash from investing activities		8,274	220
Cash flows from financing activities			
Proceeds from loans received		2,026	3,705
Repayment of loans received		-2,629	-4,032
Lease payments made		-3,086	-3,276
Interest paid		-936	-1,004
Dividends paid		-472	-2,360
Reduction of share capital		0	-1,892
Other payments		-77	-4
Net cash used in financing activities		-5,174	-8,863
Net cash flow		5,564	-638
Cash and cash equivalents at beginning of period		7,032	7,678
Effect of movements in foreign exchange rates		-20	-8
Increase in cash and cash equivalents		5,563	-638
Cash and cash equivalents at end of period		12,576	7,032

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

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



Consolidated 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 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	3,378	3,378	771	4,149
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	12,383	30,460	2,313	32,773
Profit for the period	0	0	0	0	0	2,466	2,466	1,652	4,118
Other comprehensive income	0	0	0	0	1,254	0	1,254	0	1,254
Changes in non-controlling interests	0	0	0	0	0	1,496	1,496	-604	892
Transactions with owners									
Declaration of dividend	0	0	0	0	0	-1,891	-1,891	0	-1,891
Cancellation of dividend	0	0	0	0	0	89	89	0	89
Total transactions with owners	0	0	0	0	0	-1,802	-1,802	0	-1,802
Balance at 31 December 2020	14,379	-660	2,554	635	2,423	14,543	33,874	3,361	37,235



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 December 2020 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 2019.

According to management's assessment, the condensed consolidated interim financial statements of Nordecon AS for the fourth quarter and twelve months of 2020 give a true and fair view of the Group's financial performance and the parent and all its subsidiaries that are included in the financial statements are going concerns. The condensed consolidated interim financial statements have not been audited or otherwise checked by auditors and contain only the consolidated financial statements of the Group.

NOTE 2. Trade and other receivables

EUR '000	Note	31 December 2020	31 December 2019
Current items			
Trade receivables		32,331	29,141
Retentions receivable		2,117	763
Receivables from related parties		494	739
Other receivables		113	46
Total receivables and loans provided		35,055	30,689
Due from customers for contract work		14,974	6,874
Total current trade and other receivables		50,029	37,563

EUR '000	Note	31 December 2020	31 December 2019
Non-current items			
Loans to related parties	14	8,237	8,015
Receivables from related parties		299	0
Other non-current receivables		118	420
Total non-current trade and other receivables		8,654	8,435

NOTE 3. Inventories

EUR '000	31 December 2020	31 December 2019
Raw materials and consumables	3,007	3,149
Work in progress	6,232	6,964
Apartments for sale	230	230
Properties purchased for development and pre-development costs	12,985	10,799
Total inventories	22,454	21,142



NOTE 4. Property, plant and equipment and intangible assets

Property, plant and equipment

Additions to property, plant and equipment totalled 2,116 thousand euros in 2020 (2019: 2,961 thousand euros) and comprised equipment and construction machinery required for the Group's operating activities.

Proceeds from the sale of property, plant and equipment amounted to 332 thousand euros (see the statement of cash flows). In 2019, proceeds from the sale of property, plant and equipment were 377 thousand euros. Gain on the sale of property, plant and equipment amounted to 199 thousand euros (2019: 258 thousand euros) (note 12).

Intangible assets

There were no significant transactions with intangible assets in 2020.

NOTE 5. Borrowings

Current borrowings

EUR '000	Note	31 December 2020	31 December 2019
Short-term portion of long-term loans		9,640	3
Lease liabilities	6	3,131	2,670
Short-term bank loans		5,737	8,385
Total current borrowings		18,508	11,058

Non-current borrowings

EUR '000	Note	31 December 2020	31 December 2019
Long-term portion of long-term bank loans		827	8,418
Derivative financial instruments		2	6
Lease liabilities	6	6,524	7,902
Total non-current borrowings		7,353	16,326

NOTE 6. Leases

EUR '000	31 December 2020	31 December 2019
Lease liabilities at end of period, of which	9,655	10,572
Not later than 1 year	3,131	2,670
Later than 1 year and not later than 5 years	6,524	7,902
Base currency EUR	9,655	10,572
Interest rate for contracts denominated in EUR ¹	2.0%-4.0%	2.0%-4.0%
Frequency of payments	Monthly	Monthly

¹ Includes leases with floating interest rates

Settlement of lease liabilities

EUR '000	12M 2020	12M 2019
Principal payments made during the period	3,086	3,276
Interest payments made during the period	203	268



NOTE 7. Earnings per share

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

EUR '000	12M 2020	12M 2019
Profit for the period attributable to owners of the parent (EUR '000)	2,466	3,378
Weighted average number of shares (in thousands)	31,521	31,521
Basic earnings per share (EUR)	0.08	0.11
Diluted earnings per share (EUR)	0.08	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, 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.

Fourth quarter

EUR '000 Q4 2020	Buildings	Infrastructure	Total
Total revenue	59,077	19,131	78,208
Of which: General contracting services	56,451	15,192	71,643
Subcontracting services	2,215	3,224	5,439
Own development activities	411	0	411
Investment property	0	0	0
Road maintenance services	0	493	493
Rental services	0	222	222
Inter-segment revenue	0	-15	-15
Revenue from external customers	59,077	19,116	78,193
Gross profit of the segment	419	1,175	1,594



EUR '000 Q4 2019	Buildings	Infrastructure	Total
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

Twelve months

EUR '000 12M 2020	Buildings	Infrastructure	Total
Total revenue	228,516	67,733	296,248
Of which: General contracting services	211,852	58,679	270,531
Subcontracting services	12,447	4,322	16,769
Own development activities	2,866	0	2,866
Investment property	1,350	0	1,350
Road maintenance services	0	3,332	3,332
Rental services	0	1,400	1,400
Inter-segment revenue	0	-591	-591
Revenue from external customers	228,515	67,142	295,657
Gross profit of the segment	8,327	3,396	11,723

EUR '000 12M 2019	Buildings	Infrastructure	Total
Total revenue	170,653	63,325	233,978
Of which: General contracting services	153,862	50,047	203,909
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	170,647	63,063	233,710
Gross profit of the segment	10,679	2,231	12,910

Reconciliation of segment revenues

EUR '000	12M 2020	Q4 2020	12M 2019	Q4 2019
Total revenues for reportable segments	296,248	78,208	233,978	61,343
Elimination of inter-segment revenues	-591	-15	-268	-159
Other revenue	425	225	361	8.7
Total revenue	296,082	78,418	234,071	61,271



Reconciliation of segment profit

EUR '000	12M 2020	Q4 2020	12M 2019	Q4 2019
Total profit for reportable segments	11,723	1,594	12,910	4,377
Unallocated loss	-727	-113	-1,141	-335
Gross profit	10,996	1,481	11,769	4,042
Unallocated expenses:				
Marketing and distribution expenses	-528	-142	-784	-149
Administrative expenses	-7,073	-1,761	-6,837	-2,169
Other operating income and expenses	180	45	122	42
Operating profit	3,575	-377	4,270	1,766
Finance income	2,995	2,725	1,277	62
Finance costs	-2,678	-576	-1,219	-213
Share of profit/loss of equity-accounted investees	734	-232	585	-37
Profit before tax	4,626	1,540	4,913	1,578

NOTE 9. Segment reporting – geographical information

EUR '000	12M 2020	Q4 2020	12M 2019	Q4 2019
Estonia	241,674	50,625	213,300	53,164
Ukraine	4,283	1,771	4,008	696
Finland	17,359	7,127	10,258	2,575
Sweden	32,766	18,895	11,060	6,301
Elimination of inter-segment revenues	0	0	-4,555	-1,465
Total revenue	296,082	78,418	234,071	61,271

NOTE 10. Cost of sales

EUR '000	12M 2020	12M 2019
Cost of materials, goods and services	258,920	197,831
Personnel expenses	23,062	21,496
Depreciation expense	2,520	2,713
Other expenses	584	262
Total cost of sales	285,086	222,302

NOTE 11. Administrative expenses

EUR '000	12M 2020	12M 2019
Personnel expenses	3,995	3,717
Cost of materials, goods and services	1,947	2,523
Depreciation and amortisation expense	908	328
Other expenses	223	269
Total administrative expenses	7,073	6,837



NOTE 12. Other operating income and expenses

EUR '000	12M 2020	12M 2019
Other operating income		
Gain on sale of property, plant and equipment	199	258
Gain on sale of real estate	19	0
Gain on a bargain purchase	139	0
Other income	96	57
Total other operating income	453	315

EUR '000	12M 2020	12M 2019
Other operating expenses		
Foreign exchange loss	48	16
Net loss on impairment losses and reversals of impairment losses on receivables	157	63
Loss on write-off of property, plant and equipment	7	9
Other expenses	61	105
Total other operating expenses	273	193

NOTE 13. Finance income and costs

EUR '000	12M 2020	12M 2019
Finance income		
Interest income on loans	225	225
Gain on sale of an investment in an associate	2,749	0
Foreign exchange gain	1	1,044
Other finance income	20	8
Total finance income	2,995	1,277

EUR '000	12M 2020	12M 2019
Finance costs		
Interest expense	1,078	1,002
Foreign exchange loss	1,509	196
Other finance costs	91	21
Total finance costs	2,678	1,219

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 Counterparty	12M 2020		12M 2019	
	Purchases	Sales	Purchases	Sales
AS Nordic Contractors	253	0	291	0
Companies of AS Nordic Contractors group	2,147	11	1,344	419
Companies related to owners of AS Nordic Contractors	321	0	576	0
Equity-accounted investees	1,201	313	2,677	309
Companies related to members of the council and board	89	0	88	0
Total	4,011	324	4,976	728

EUR '000 Nature of transactions	12M 2020		12M 2019	
	Purchases	Sales	Purchases	Sales
Construction services	1,201	21	2,677	2
Transactions with goods	321	0	1,876	307
Lease and other services	406	11	340	410
Other transactions	2,083	292	83	9
Total	4,011	324	4,976	728

During the period, the Group recognised interest income on loans to an associate of 216 thousand euros (2019: 269 thousand euros).

Receivables from and liabilities to related parties at period-end

EUR '000	31 December 2020		31 December 2019	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	0	15	0	10
Companies of AS Nordic Contractors group	492	411	495	660
Companies related to owners of AS Nordic Contractors	0	58	0	316
Associates – receivables and liabilities	2	32	244	1
Associate – loans and interest	8,237	0	8,015	0
Total	8,731	516	8,754	987

Remuneration of the council and the board

The service fees of the members of the council of Nordecon AS for 2020 amounted to 165 thousand euros and associated social security charges totalled 54 thousand euros (2019: 187 thousand euros and 62 thousand euros, respectively).

The service fees of the members of the board of Nordecon AS for 2020 amounted to 432 thousand euros and associated social security charges totalled 143 thousand euros (2019: 480 thousand euros and 158 thousand euros, respectively).



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 twelve months of 2020 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

11 February 2021

Priit Luman

Member of the Board

11 February 2021

Maret Tambek

Member of the Board

11 February 2021