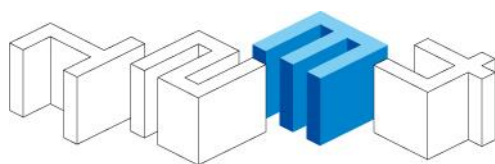




**Financial report for the third quarter  
and nine months of 2022**  
(unaudited)





## Financial report for the third quarter and nine months of 2022 (unaudited)

<b>Business name</b>	Nordecon AS
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<b>Corporate website</b>	<a href="http://www.nordecon.com">www.nordecon.com</a>
<b>Core business lines</b>	Construction of residential and non-residential buildings (EMTAK 4120) Construction of roads and motorways (EMTAK 4211) Road maintenance (EMTAK 4211) Construction of utility projects for fluids (EMTAK 4221) Construction of water projects (EMTAK 4291) Construction of other civil engineering projects (EMTAK 4299)
<b>Financial year</b>	1 January 2022 – 31 December 2022
<b>Reporting period</b>	1 January 2022 – 30 September 2022
<b>Council</b>	Toomas Luman (chairman of the council), Andri Hõbemägi, Andre Luman, Vello Kahro, Sandor Liive
<b>Board</b>	Gerd Müller (chairman of the board), Priit Luman, Maret Tambek
<b>Auditor</b>	KPMG Baltics OÜ



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## Nordecon group at a glance

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

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

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

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

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

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

## VISION

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

## MISSION

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

## SHARED VALUES

### **Professionalism**

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

### **Reliability**

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

### **Openness**

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

### **Employees**

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



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## Directors' report

### Strategic agenda for 2019-2022

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

#### Business lines and markets

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

#### Activities for implementing the strategy

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

#### Financial targets

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



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## Outlooks of the group's geographical markets

### Estonia

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

- The construction market has seen rapid change. The market continues to be strongly influenced by investments made by the public sector. Growing demand and soaring input prices have raised construction prices by an estimated 30%. Thus, public investments as a whole will decrease in 2022 because previously planned building and infrastructure investments can no longer be funded with originally allocated resources. While the investments of Estonia's Centre for Defence Investment have increased in connection with the current security situation, the investments of the Transport Administration have decreased significantly, which is intensifying competition in the infrastructure segment and having a direct effect on asphalt concrete production in a situation where relevant market supply is already significantly outstripping demand. Moreover, the state has not been able to carry out the procurements related to Rail Baltica, which would counterbalance the decrease in the road construction and rehabilitation investments made by the Transport Administration, as planned. Against the backdrop of a general economic slowdown, it is still likely that the construction sector will sustain growth in 2022, mainly due to contracts signed in 2021.
- While competition in the infrastructure segment continues to be stiff, the building segment also began to show signs of a slowdown in growth in demand and a rise in competition in the first half of 2022, which has continued in the second half of the year. Supply disruptions, which are driving up prices, are making it difficult to meet the delivery dates agreed in construction contracts. So far, the surge in prices has exceeded the scope of normal business risk – it is not only inflating the cost of construction materials and work but is also putting the completion of started projects at risk. The hike in the prices of raw materials and supplies has triggered an unprecedented rise in the Construction Price Index. The price increase is partly attributable to the sanctions imposed on Russia and Belarus, which have increased materials prices, but the effects of growing labour costs and an acute shortage of labour are increasing as well. It is clear that the price increase is not temporary. Soaring prices will cool demand to a certain extent and some investments which have a business plan that cannot be realised will be deferred or considerably adjusted. However, it is difficult to forecast how the price situation will affect the demand for construction services in the long term.
- 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. While 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, they have also heightened the financial, completion delay and quality risks taken by customers during the contract performance and the subsequent warranty period.
- The shortage of skilled and qualified labour (including project and site managers) has not decreased and the sector continues to need additional competent professionals, including foreign labour whose contribution has supported recent years' market growth.

### Ukraine

In Ukraine, we are mainly involved in general contracting and project management in the segment of building construction. In addition, the group has investments in two real estate projects located in Ukraine. Due to the military conflict between Russia and Ukraine as well as uncertainty about the time when it will end, it is not possible to estimate how the situation in the Ukrainian economy and construction market will evolve in 2022.

### 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. In recent years we have also secured some smaller contracts as a general contractor. Our policy is to maintain a rational approach and avoid taking excessive risks.



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## Sweden

In the Swedish market, we offer mainly the construction of residential and non-residential buildings in the central part of the country. In gaining experience in the new market, we have prioritised quality and adherence to deadlines, which has left its mark on profitability. Due to high inflation and a rise in interest rates, growth in the Swedish construction market is expected to slow in 2022.

## 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, changes in demand for construction services and rapidly rising input prices. Demand for construction services continues to be strongly influenced by the volume of public investments, particularly in the infrastructure segment. Public investments, in turn, depend on the co-financing received from the EU structural funds.

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

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

The group's business is 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.). Our strategy is to counteract the seasonality of infrastructure operations with building construction that is less exposed to seasonal fluctuations. Our long-term goal is to be flexible and keep our two operating segments in relative balance. Where possible, our entities implement technical solutions that help them work efficiently in changing conditions. Our investments in digital solutions which allow planning and managing construction processes more precisely have grown substantially. A key challenge for the construction sector is low productivity, which is attributable to the shortage of time in the preparatory and planning phases and outdated process management methods. Nordecon expects the digital solutions it has implemented to deliver a rise in productivity in 2022 already.

### 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. The group's warranty provisions (including current and non-current) at 30 September 2022 totalled €1,244 thousand (30 September 2021: €1,185 thousand).

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

### Financial risks

#### Credit risk

The group's credit losses for the period totalled €247 thousand (30 September 2021: €24 thousand). The 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.



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The main indicator of the realisation of credit risk is a settlement default that exceeds 180 days along with no activity on the part of the debtor that would confirm the intent to settle.

### **Liquidity risk**

The group remains exposed to higher than usual liquidity risk. At the reporting date, the group's current ratio was 0.90 (30 September 2021: 0.98). The key factors that influence the current ratio are the classification of the group's loans to its Ukrainian associate as non-current and the banks' general policy not to refinance interest-bearing liabilities (particularly overdrafts) for a period exceeding 12 months.

Due to the Russia-Ukraine military conflict, we believe that the group's Ukrainian investment properties cannot be realised in the short term. Accordingly, the receivables related to loans provided to the Ukrainian associate of €7,836 thousand were classified as non-current at the reporting date.

For better cash flow management, we use overdraft facilities and factoring by which we counter the mismatch between the settlement terms agreed with customers and subcontractors. Under IFRS EU, borrowings have to be classified into current and non-current based on contract terms in force at the reporting date. The group's short-term borrowings at 30 September 2022 totalled €17,546 thousand (30 September 2021: €17,618 thousand).

The group's cash and cash equivalents as at the reporting date amounted to €5,065 thousand (30 September 2021: €5,697 thousand).

### **Interest rate risk**

The group's interest-bearing liabilities to banks have both fixed and floating interest rates. Lease liabilities have mainly floating interest rates. The base rate for most floating-rate contracts is EURIBOR. During the period, the group's interest-bearing liabilities decreased by €776 thousand year on year. Both loan and lease liabilities decreased. At 30 September 2022, the group's interest-bearing liabilities totalled €23,425 thousand (30 September 2021: €24,201 thousand). Interest expense for nine months of 2022 was €617 thousand (9M 2021: €756 thousand).

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

### **Currency risk**

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

Due to Russia's military invasion of Ukraine in February 2022 and Ukraine's previous political and economic instability, the exchange rate of the hryvnia has been volatile. The Ukrainian hryvnia was devalued in July and the exchange rate of the hryvnia weakened against the euro in the nine months of 2022 by around 13%. The group's Ukrainian subsidiaries, which have to translate their euro-denominated loans into the local currency, recognised a foreign exchange loss of €859 thousand (9M 2021: a gain of €697 thousand). Exchange gains and losses on financial instruments are recognised in profit or loss in *Finance income* and *Finance costs*, respectively. The translation of receivables and liabilities from operating activities did not give rise to any exchange gains or losses.

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

The Swedish krona weakened against the euro by around 6% in the first nine months of 2022. The translation of a loan provided to the Swedish subsidiary in euros into the local currency gave rise to a foreign exchange loss of €57 thousand (9M 2021: no exchange gain or loss was recognised). The effects of movements in foreign exchange rates are recognised in profit or loss in *Finance income* and *Finance costs*.

The group has not acquired derivatives to hedge currency risk.





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

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

We strive to minimise the health and safety risks of people working on our construction sites, including our own teams and those of our subcontractors, by applying the measures required by law as well as our own management systems. Subcontractors are responsible for ensuring the safety of their operations and employees while our role is to build working relationships and 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 risks are asphalt plants, quarries used for the extraction of construction materials and road construction operations. The main environmental protection measures on construction sites include efficient use of materials and proper waste management. Excessive waste, leakage, spillage, pollution, destruction of wildlife and other damage to the environment is prevented by complying with legal and regulatory requirements. All of the group's construction entities have implemented environmental management standard ISO 14001.

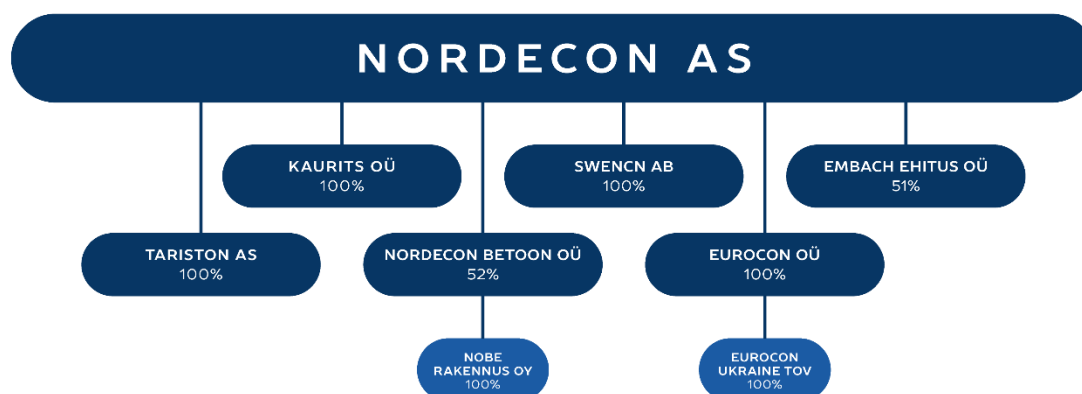
### **Corruption and ethical risks**

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



## Group structure

The group's structure at 30 September 2022, 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%.

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

### The group's operations in Estonia

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 (Tariston AS).

We did not enter any new operating segments in Estonia.

### The group's operations in foreign markets

#### Ukraine

In connection with Russia's military invasion of Ukraine on 24 February 2022, major operations of our Ukrainian subsidiary Eurocon Ukraine TOV have been suspended. The activity of Eurocon Ukraine TOV does not have a significant impact on the group's revenue, profit and assets.

#### 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 recent years, they have also provided general contractor services under some smaller-scale contracts.



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## Sweden

On 22 July 2021, Swencn AB filed an application with the Nacka District Court in Stockholm, Sweden, to initiate corporate restructuring proceedings. Through restructuring, Swencn AB wanted to overcome the difficulties in paying bills, restructure creditors' claims and improve its liquidity. The Nacka District Court initiated the restructuring proceedings on 22 July 2021 and the first meeting of the creditors, where Swencn AB also presented the restructuring plan, was held on 19 August 2021. The purpose of the restructuring was to ensure equal treatment of creditors and the continuation of the activities of Swencn AB. On 21 February 2022, the Nacka District Court in Stockholm, Sweden, confirmed the restructuring plan approved by the creditors of Swencn AB according to which the claims of Swencn AB's creditors were to be settled to the extent of 25% within six months after the court had confirmed the restructuring plan. Swencn AB fulfilled its obligations under the restructuring plan in August this year.

Swencn AB did not have any ongoing construction projects at 30 September 2022 but the company is seeking new opportunities to continue its business in the Swedish market.



## Performance by geographical market

Foreign markets accounted for around 4% of the group's total revenue for the first nine months of 2022, which is similar to the same period last year. Due to Russia's military invasion of Ukraine, major operations of the group's Ukrainian subsidiary Eurocon Ukraine TOV have been temporarily suspended: in the second quarter it continued work on an ongoing building project in Kiev and it is currently restoring an administrative building that was damaged during the war. Ukrainian revenues for the reporting period amounted to €770 thousand. The group did not generate any revenue and had no ongoing construction contracts in the Swedish market. The group operates on a project basis in Latvia and Lithuania where it was building two wind farms in the reporting period.

	9M 2022	9M 2021	9M 2020	2021
Estonia	96%	95%	88%	94%
Finland	2%	4%	5%	3%
Latvia	1%	0%	0%	1%
Lithuania	1%	0%	0%	0%
Ukraine	0%	1%	1%	2%
Sweden	0%	0%	6%	0%

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 volatile and noticeably 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

The group's revenue for the first nine months of 2022 was €239,175 thousand, roughly 15% larger than in the same period last year when the group generated revenue of €208,894 thousand. Revenue growth resulted from the Buildings segment whose revenue grew by 26%. The revenue of the Infrastructure segment decreased by 19%. The decline is attributable to cutbacks in the investments of the largest customer, the Transport Administration, made due to the spike in input prices which was triggered by the impacts of the war in Ukraine. Growth in the revenue of the Buildings segment is mainly supported by major contracts secured in 2021.

The low volumes of infrastructure construction that continue to affect the entire construction market also influence the group's revenue structure. In the first nine months of 2022, the Buildings and the Infrastructure segment generated revenue of €195,157 thousand and €43,845 thousand, respectively. The corresponding figures for the first nine months of 2021 were €154,599 thousand and €54,029 thousand (see note 8).

Revenue by operating segment*	9M 2022	9M 2021	9M 2020	2021
Buildings	78%	72%	75%	75%
Infrastructure	22%	28%	25%	25%

\*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 nine-month revenue of the commercial buildings subsegment remained essentially stable while the revenues of other subsegments grew compared with the same period last year. Revenue growth was the strongest in the industrial and warehouse facilities subsegment whose contribution to the total revenue of the Buildings segment is still the smallest. The largest subsegments in terms of revenue are apartment buildings and public buildings which showed nearly 25% revenue growth.

The largest projects under construction in the commercial buildings subsegment were the LEED Gold compliant Alma Tomingas office building in Ülemiste City and the commercial and residential complex Vektor in Tallinn, and an IKEA store in Rae rural municipality near Tallinn. The latter was completed and delivered to the customer on schedule.

The revenue of the public buildings subsegment has increased significantly year on year. The largest projects in progress during the period were construction works in the Medical Campus of the Tartu University Hospital in Tartu, the construction of the main building of the Estonian Internal Security Service in Tallinn, the design and construction of storage facilities and utility networks for the Centre for Defence Investment in Harju county and the design and renovation of the Ülenurme upper secondary school in Kambja rural municipality near Tartu.

The apartment buildings subsegment earns most of its revenue from the construction of apartment buildings for third parties. During the period under review, the largest of them were the design and construction of the first two phases of the Kalaranna quarter in Tallinn and the design and construction of the Tiskreoja and Luccaranna housing estates on the western border of Tallinn. The volume of our own development operations (reported in the apartment buildings subsegment), however, continues to grow as well. We have development projects in both Tallinn and Tartu. During the period, work continued on the construction of the Mõisavahe Kodu housing estate in Tartu (<https://moisavahe.ee>) and the development of plots for Kivimäe Süda, a new housing estate in the Nõmme district in Tallinn, where we have started preparations for phase II – the construction of an apartment building (<https://www.kivimaesuda.ee/en>). We have also started the design of the Seiler Quarter housing estate in Pärnu (<https://seileri.ee>). The period's revenue from own development projects amounted to €7,880 thousand (9M 2021: €388 thousand). In carrying out our own development activities, we carefully monitor potential risks in the housing development market.

The industrial and warehouse facilities subsegment roughly doubled its nine-month revenue compared with last year. The subsegment's largest ongoing project is the construction of a factory complex for the dairy company E-Piim in Paide but there are also smaller projects such as the construction of a production building at Kurna tee in Harju county and the design and construction of an extension to the production building of Viljandi Aken ja Uks AS.

Revenue breakdown in the Buildings segment	9M 2022	9M 2021	9M 2020	2021
Commercial buildings	23%	30%	25%	29%
Public buildings	29%	29%	36%	28%
Apartment buildings	29%	29%	28%	29%
Industrial and warehouse facilities	19%	12%	11%	14%

In the Infrastructure segment, the largest revenue contributor is still road construction and maintenance although its revenue and proportionate contribution have decreased year on year. During the period, a major share of its revenue resulted from the performance of contracts secured in 2021, the largest of which were the construction of 2+2 passing lanes on the Kärevere–Kardla section of the Tallinn–Tartu–Võru–Luhamaa road and the design and construction of the outdoor area around Terminal D in Old City Harbour in Tallinn, as well as smaller contracts of €2–3 million each signed in 2022. The group continued to deliver road maintenance services in Järva county.

The revenue contribution of other engineering, which is currently generating most of its revenue from the construction of wind farms in Latvia and Lithuania, increased year on year.

Revenue breakdown in the Infrastructure segment	9M 2022	9M 2021	9M 2020	2021
Road construction and maintenance	80%	85%	77%	87%
Other engineering	16%	5%	18%	6%
Specialist engineering (including hydraulic engineering)	4%	5%	4%	4%
Environmental engineering	0%	5%	1%	3%



## Financial review

### Financial performance

Nordecon ended the first nine months of 2022 with a gross profit of €5,264 thousand (9M 2021: €4,895 thousand) and a gross margin of 2.2% (9M 2020: 2.3%). While the gross margin for nine months remained essentially stable, the gross margin for the third quarter, which was 2.7%, decreased compared with the same period last year (Q3 2021: 3.9%). The group's gross margin was strongly affected by the Infrastructure segment whose performance was significantly weaker than a year earlier: it ended nine months with a loss and the third quarter with a modest result. The segment's gross margins for nine months and third quarter were (2.0)% and 2.0% in 2022 compared with 1.8% and 4.0% in 2021, respectively. Its largest customer, the Transport Administration, has cancelled several announced procurements and made significant cutbacks in its investments in 2022. This has had a significant effect on the performance of our Infrastructure segment whose fixed costs are high. In response to a sharp decrease in road construction investments, we have reorganised our road construction operations and eliminated duplication of activities to ensure more efficient use of resources and profitability. In the Buildings segment, the third-quarter gross margin was lower than a year earlier but the nine-month gross margin was higher than a year earlier despite growth in input prices and disruptions in the supply of materials. The segment's gross margins for nine months and the third quarter of 2022 were 3.4% and 2.7%, respectively, compared with 3.0% and 3.8% in 2021.

The group's administrative expenses for the first nine months of 2022 amounted to €5,139 thousand. Compared with the same period last year, administrative expenses grew by around 20% (9M 2021: €4,267 thousand) due to a general uptrend in the cost of goods and services and growth in personnel expenses (see note 11). The ratio of administrative expenses to revenue (12 months rolling) remained essentially stable at 2.2% (9M 2021: 2.1%).

The group ended the first nine months of 2022 with an operating profit of €1,340 thousand (9M 2021: €339 thousand). EBITDA for the period amounted to €3,920 thousand (9M 2021: €2,961 thousand). According to the restructuring plan approved by the creditors of Swencn AB, the claims of the entity's creditors were to be settled to the extent of 25%. As a result, the group recognised other income of €1,560 thousand in the reporting period (see *The group's operations in foreign markets*).

The group's finance costs were significantly affected by the events in Ukraine. Russia's invasion of Ukraine in February 2022 had a strong effect on the exchange rate of the Ukrainian hryvnia, which was already unstable. The hryvnia was devalued in July and the exchange rate of the hryvnia weakened against the euro in the nine months of 2022 by around 13%. Translation of the loans provided to the group's Ukrainian subsidiaries in euros into the local currency gave rise to an exchange loss of €859 thousand (9M 2021: an exchange gain of €697 thousand). The same movements in foreign exchange rates increased the translation reserve in equity by €762 thousand (9M 2021: reduced by €561 thousand) and the net effect of the exchange differences on the group's net assets was negative at €97 thousand (9M 2021: positive at €233 thousand). In addition, the group wrote down the loan provided to the Ukrainian associate V.I. Center TOV by €825 thousand. Due to the lack of more recent reliable data, the fair value of the loan was measured using the inputs of the valuation reports issued at the end of 2021 by an internationally recognised independent appraiser. The asset had to be written down due to the time factor, i.e. the deferral of the completion of the development projects.

The group ended the period with a net loss of €1,388 thousand (9M 2021: €368 thousand). The net loss attributable to owners of the parent, Nordecon AS, was €2,651 thousand (9M 2021: €796 thousand).

### Cash flows

Operating activities produced a net cash outflow of €205 thousand in the first nine months of 2022 (9M 2021: an inflow of €2,438 thousand). Operating cash flow is increasingly affected by the need to make prepayments to materials suppliers, which have grown due to spikes in materials prices and continuing supply disruptions, in a situation where the contracts signed with both public and private sector customers do not require them to make advance payments. 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 of the period resulted in a net cash inflow of €255 thousand (9M 2021: an inflow of €168 thousand). The largest items were payments made to acquire property, plant and equipment of €289 thousand (9M 2021: €150 thousand) and proceeds from the sale of property, plant and equipment of €537 thousand (9M 2021: €246 thousand). Repayments of loans provided totalled €14 thousand (9M 2021: €83 thousand)



Financing activities generated a net cash outflow of €4,003 thousand (9M 2021: an outflow of €9,486 thousand). The largest items were cash flows related to loans and leases. Proceeds from loans received totalled €3,264 thousand, consisting of the use of the overdraft facility and development loans (9M 2021: €1,535 thousand). Repayments of loans received totalled €3,134 thousand, consisting of regular repayments of long-term investment and development loans (9M 2021: €3,086 thousand). Lease payments totalled €2,619 thousand (9M 2021: €2,388 thousand). Dividends paid in the first nine months of 2022 amounted to €651 thousand (9M 2021: €4,706 thousand). The group's cash and cash equivalents at 30 September 2022 totalled €5,065 thousand (30 September 2021: €5,697 thousand). Management's commentary on liquidity risks is presented in the chapter *Description of the main risks*.

## Key financial figures and ratios

Figure/ratio	9M 2022	9M 2021	9M 2020	2021
Revenue (€'000)	239,175	208,894	217,664	288,534
Revenue change	14.5%	(4)%	26.4%	(2.5)%
Net profit (loss) (€'000)	(1,388)	(368)	3,004	(5,506)
Net profit (loss) attributable to owners of the parent (€'000)	(2,651)	(796)	1,040	(6,310)
Weighted average number of shares	31,528,585	31,528,585	31,528,585	31,528,585
Earnings per share (€)	(0.08)	(0.03)	0.03	(0.20)
Administrative expenses to revenue	2.1%	2.0%	2.4%	2.1%
Administrative expenses to revenue (rolling)	2.2%	2.1%	2.7%	2.1%
EBITDA (€'000)	3,920	2,961	6,512	(797)
EBITDA margin	1.6%	1.4%	3.0%	(0.3)%
Gross margin	2.2%	2.3%	4.4%	1.4%
Operating margin	0.6%	0.2%	1.8%	(1.5)%
Operating margin excluding gain on asset sales	0.4%	0.1%	1.8%	(1.6)%
Net margin	(0.6)%	(0.2)%	1.4%	(1.9)%
Return on invested capital	(1.1)%	1.7%	6.2%	(6.5)%
Return on equity	(5.1)%	(1.0)%	8.5%	(16.8)%
Equity ratio	17.8%	22.9%	25.8%	20.8%
Return on assets	(1.0)%	(0.3)%	2.3%	(4.1)%
Gearing	36.6%	32.1%	30.2%	28.3%
Current ratio	0.90	0.98	1.00	0.94
	<b>30 Sept 2022</b>	<b>30 Sept 2021</b>	<b>30 Sept 2020</b>	<b>31 Dec 2021</b>
Order book (€'000)	188,847	293,141	215,494	266,856

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

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

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

EBITDA margin = (EBITDA / revenue) \* 100

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

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

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

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

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

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

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

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

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

Current ratio = total current assets / total current liabilities



## Order book

The group's order book (backlog of contracts signed but not yet performed) stood at €188,847 thousand at 30 September 2022, reflecting a 36% decrease year on year. In the third quarter of 2022, we signed new contracts of €48,408 thousand (Q3 2021: €102,326 thousand). Russia's military invasion of Ukraine and the consequent sanctions against Russia and Belarus caused disruptions in the supply chains of building materials, particularly metal, wood and oil-based products, which continue to affect the prices of relevant materials. The surge in materials prices has caused a sharp increase in the costs of development projects as well as the postponement of new projects. As mentioned in the previous chapters, the volume of investments made by the Transport Administration has decreased substantially. This has affected the group's order book through a decline in the order book of the Infrastructure segment.

	30 Sept 2022	30 Sept 2021	30 Sept 2020	31 Dec 2021
Order book (€'000)	188,847	293,141	215,494	266,856

The proportion of the Buildings segment in the group's total order book has increased to 91% (30 September 2021: the Buildings segment accounted for 87% and the Infrastructure segment for 13% of the total order book). The order books of both operating segments have decreased compared with 30 September 2021: the order book of the Buildings segment by 33% and the order book of the Infrastructure segment by 55%.

The largest contracts secured in the third quarter were:

- The construction of foundations for turbines in a wind farm being built near the city of Telšiai, Lithuania, with an approximate cost of €3,000 thousand.
- The construction of apartment buildings at Loo, in Jõelähtme rural municipality near Tallinn. The approximate cost of phase II of the Kastanikodu housing estate is €10,300 thousand.
- The construction of road and electricity networks and foundations for turbines in a wind farm being built in Saarde rural municipality in Pärnu county (a joint bid). The approximate cost of the works performed by the group is €3,850 thousand.
- The design and construction of an extension to the storage facilities of the Centre for Defence Investment in Harju county with an approximate cost of €17,700 thousand.

Based on the size of the group's order book, including the share of work to be performed in 2023, management expects that in 2022 the group's revenue will grow compared with 2021. The uptrend in the prices of materials, energy carriers and labour costs will continue to drive up input prices, which will increase pressure on profit margins. 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. To mitigate input price risk, we have been signing cost-plus contracts with private sector customers (contracts with an open book arrangement under which we can invoice the customer based on the actual costs incurred plus an agreed margin). Our focus remains on cost control as well as pre-construction and design activities, where we can deploy our professional competitive advantages.





## People

### Employees and personnel expenses

The group's average number of employees in the first nine months of 2022 was 669, including 437 engineers and technical personnel (ETP). Headcount decreased by around 3% year on year.

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

	9M 2022	9M 2021	9M 2020	2021
ETP	437	432	422	434
Workers	232	258	261	251
<b>Total average</b>	<b>669</b>	<b>690</b>	<b>703</b>	<b>685</b>

The group's personnel expenses for the first nine months of 2022, including all taxes, totalled €19,932 thousand compared with €18,325 thousand in the same period last year. Personnel expense have increased by around 9% in connection with growth in wages and salaries.

The service fees of the members of the council of Nordecon AS for the first nine months of 2022 amounted to €112 thousand and associated social security charges totalled €37 thousand (9M 2021: €112 thousand and €37 thousand, respectively).

The service fees of the members of the board of Nordecon AS amounted to €310 thousand and associated social security charges totalled €102 thousand (9M 2021: €276 thousand and €91 thousand, respectively).

#### Labour productivity and labour cost efficiency

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

	9M 2022	9M 2021	9M 2020	2021
Nominal labour productivity (rolling), (€ '000)	475.7	416.5	400.4	420.8
Change against the comparative period, %	14.2%	4.0%	19.5%	(0.5)%
Nominal labour cost efficiency (rolling), (€)	12.0	11.1	10.3	11.5
Change against the comparative period, %	8.1%	6.9%	8.4%	5.5%

<p>Nominal labour productivity (rolling) = (past four quarters' revenue) / (past four quarters' average number of employees)</p> <p>Nominal labour cost efficiency (rolling) = (past four quarters' revenue) / (past four quarters' personnel expenses)</p>
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The group's nominal labour productivity and nominal labour cost efficiency improved year on year, mainly due to revenue growth.



## Share and shareholders

### Share information

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

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

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

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

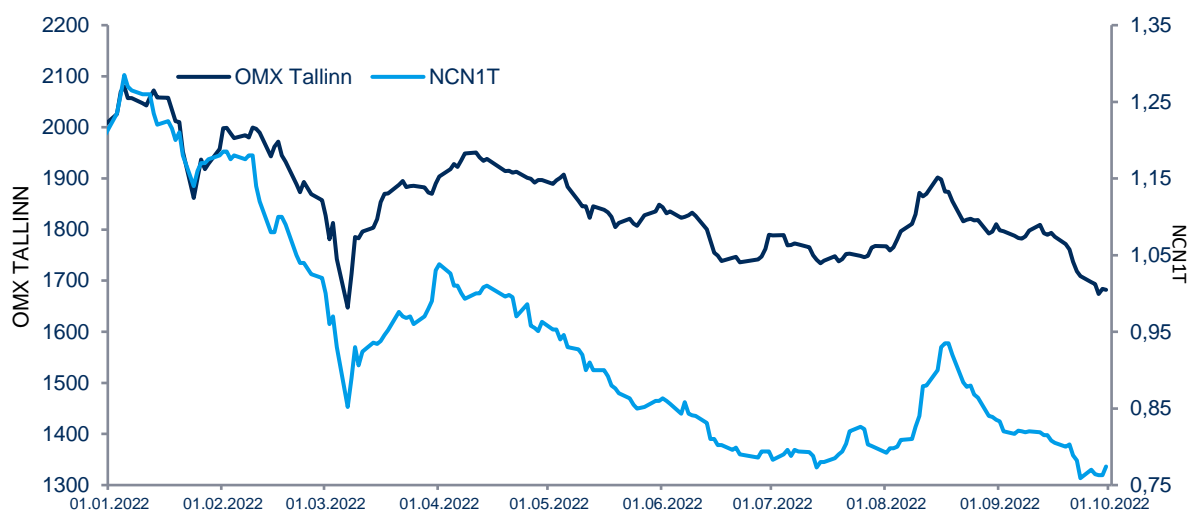
### Movements in the price and trading volume of the Nordecon AS share in 9M 2022

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 9M 2022



Index/equity	1 January 2022*	30 September 2022	+/-
OMX Tallinn	2,001.03	1,682.08	(15.94)%
NCN1T	€1.2	€0.77	(35.5)%

\* Closing price on the Nasdaq Tallinn Stock Exchange at 31 December 2021

## Summarised trading results

### Share trading history, €

Price	9M 2022	9M 2021	9M 2020
Open	1.21	1.15	1.04
High	1.29	1.84	1.21
Low	0.75	1.08	0.78
Last closing price	0.77	1.27	1.09
Traded volume (number of securities traded)	1,921,744	6,204,334	5,311,660
Turnover, € million	1.92	8.30	5.21
Listed volume (30 Sept), thousand	32,375	32,375	32,375
Market capitalisation (30 Sept), € million	25.06	41.12	35.29

## Shareholder structure

### Largest shareholders in Nordecon AS at 30 September 2022

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,563,145	51.16
Luksusjaht AS	4,314,642	13.33
Toomas Luman	687,000	2.12
Olegs Radcenko	580,000	1.79
Lembit Talpsepp	376,239	1.16
Nõmme Erahariduse SA	370,370	1.14
SEB Pank AS clients	300,000	0.93
SEB Life and Pension Baltic SE Estonian branch	255,000	0.79
Genadi Bulatov	250,600	0.77
Svenska Handelsbanken clients	210,556	0.65



## Shareholder structure of Nordecon AS at 30 September 2022

	Number of shareholders	Ownership interest (%)
Shareholders with interest exceeding 5%	2	64.49
Shareholders with interest from 1% to 5%	4	6.22
Shareholders with interest below 1%	6,562	26.67
Holder of own (treasury) shares	1	2.62
<b>Total</b>	<b>6,569</b>	<b>100</b>

## Shares controlled by members of the council of Nordecon AS at 30 September 2022

Council member		Number of shares	Ownership interest (%)
Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad)*	Chairman of the Council	17,277,295	53.37
Andri Hõbemägi	Member of the Council	50,000	0.15
Andre Luman	Member of the Council	25,000	0.08
Vello Kahro	Member of the Council	10,000	0.03
Sandor Liive	Member of the Council	0	0.00
<b>Total</b>		<b>17,362,295</b>	<b>53.63</b>

\* Companies controlled by the individual

## Shares controlled by members of the board of Nordecon AS at 30 September 2022

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

## Share option plan

The annual general meeting that convened on 27 May 2014 approved a share option plan aimed at motivating the executive management of Nordecon AS by including them among the company's shareholders to ensure consistency in the company's management and improvement of the company's performance, and to enable the executive management to benefit from their contribution to growth in the value of the company's share. To satisfy the terms and conditions of the option plan, Nordecon AS issued a total of 1,618 thousand new shares with a total cost of €1,582 thousand in July 2014, increasing share capital by €1,035 thousand to €20,692 thousand, and acquired the same number of own (treasury) shares at the same price. The general meetings which convened on 24 May 2017 and 23 May 2018 amended the terms and conditions of the share option plan, extended the duration of the exercise period and changed the number of shares that could be acquired with the share options granted to the members of the board. The share option plan expired in September 2022.

Under the plan, options for the acquisition of 229,857 shares were exercised and options for the acquisition of 1,388,898 shares expired.

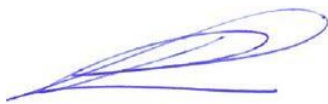



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## Management's confirmation and signatures

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

Gerd Müller Chairman of the Board  3 November 2022

Priit Luman Member of the Board  3 November 2022

Maret Tambek Member of the Board  3 November 2022



## Condensed consolidated interim financial statements

### Consolidated statement of financial position

€'000	Note	30 September 2022	31 December 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		5,065	9,031
Trade and other receivables	2	61,220	48,091
Prepayments		7,801	4,947
Inventories	3	26,647	25,637
<b>Total current assets</b>		<b>100,733</b>	<b>87,706</b>
<b>Non-current assets</b>			
Other investments		76	76
Trade and other receivables	2	8,664	9,206
Investment property		8,233	5,599
Property, plant and equipment		17,045	17,433
Intangible assets		15,098	15,051
<b>Total non-current assets</b>		<b>49,116</b>	<b>47,365</b>
<b>TOTAL ASSETS</b>		<b>149,849</b>	<b>135,071</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	5, 6	17,546	16,289
Trade payables		69,790	57,324
Other payables		8,291	7,459
Deferred income		14,992	11,539
Provisions		1,452	707
<b>Total current liabilities</b>		<b>112,071</b>	<b>93,318</b>
<b>Non-current liabilities</b>			
Borrowings	5, 6	5,879	7,405
Trade payables		3,414	4,178
Provisions		1,778	2,044
<b>Total non-current liabilities</b>		<b>11,071</b>	<b>13,627</b>
<b>TOTAL LIABILITIES</b>		<b>123,142</b>	<b>106,945</b>
<b>EQUITY</b>			
Share capital		14,379	14,379
Own (treasury) shares		(660)	(660)
Share premium		635	635
Statutory capital reserve		2,554	2,554
Translation reserve		2,710	1,948
Retained earnings		3,690	6,341
<b>Total equity attributable to owners of the parent</b>		<b>23,308</b>	<b>25,197</b>
<b>Non-controlling interests</b>		<b>3,399</b>	<b>2,929</b>
<b>TOTAL EQUITY</b>		<b>26,707</b>	<b>28,126</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>149,849</b>	<b>135,071</b>



## Consolidated statement of comprehensive income

€'000	Note	9M 2022	Q3 2022	9M 2021	Q3 2021	2021
Revenue	8, 9	239,175	89,919	208,894	90,928	288,534
Cost of sales	10	(233,911)	(87,836)	(203,999)	(87,339)	(284,513)
<b>Gross profit</b>		<b>5,264</b>	<b>2,083</b>	<b>4,895</b>	<b>3,589</b>	<b>4,021</b>
Marketing and distribution expenses		(313)	(127)	(394)	(180)	(559)
Administrative expenses	11	(5,139)	(2,021)	(4,267)	(1,434)	(6,053)
Other operating income	12	1,920	64	198	71	519
Other operating expenses	12	(392)	(116)	(93)	(64)	(2,264)
<b>Operating profit (loss)</b>		<b>1,340</b>	<b>(117)</b>	<b>339</b>	<b>1,982</b>	<b>(4,336)</b>
Finance income	13	174	28	877	340	958
Finance costs	13	(2,702)	(1,325)	(942)	(277)	(1,320)
<b>Net finance income (costs)</b>		<b>(2,528)</b>	<b>(1,297)</b>	<b>(65)</b>	<b>63</b>	<b>(362)</b>
<b>Profit (loss) before income tax</b>		<b>(1,188)</b>	<b>(1,414)</b>	<b>274</b>	<b>2,045</b>	<b>(4,698)</b>
Income tax expense		(200)	0	(642)	(23)	(808)
<b>Profit (loss) for the period</b>		<b>(1,388)</b>	<b>(1,414)</b>	<b>(368)</b>	<b>2,022</b>	<b>(5,506)</b>
<b>Other comprehensive income (expense)</b>						
<b>Items that may be reclassified subsequently to profit or loss</b>						
Exchange differences on translating foreign operations		762	1,021	(561)	155	(475)
<b>Total other comprehensive income (expense)</b>		<b>762</b>	<b>1,021</b>	<b>(561)</b>	<b>155</b>	<b>(475)</b>
<b>TOTAL COMPREHENSIVE INCOME (EXPENSE)</b>		<b>(626)</b>	<b>(393)</b>	<b>(929)</b>	<b>2,177</b>	<b>(5,981)</b>
<b>Profit (loss) attributable to:</b>						
- Owners of the parent		(2,651)	(1,723)	(796)	1,352	(6,310)
- Non-controlling interests		1,263	309	428	670	804
<b>Profit (loss) for the period</b>		<b>(1,388)</b>	<b>(1,414)</b>	<b>(368)</b>	<b>2,022</b>	<b>(5,506)</b>
<b>Comprehensive income (expense) attributable to:</b>						
- Owners of the parent		(1,889)	(702)	(1,357)	1,507	(6,785)
- Non-controlling interests		1,263	309	428	670	804
<b>Comprehensive income (expense) for the period</b>		<b>(626)</b>	<b>(393)</b>	<b>(929)</b>	<b>2,177</b>	<b>(5,981)</b>
<b>Earnings per share attributable to owners of the parent:</b>						
Basic earnings per share (€)	7	(0.08)	(0.05)	(0.03)	0.04	(0.20)
Diluted earnings per share (€)	7	(0.08)	(0.05)	(0.03)	0.04	(0.20)



## Consolidated statement of cash flows

€'000	Note	9M 2022	9M 2021
<b>Cash flows from operating activities</b>			
Cash receipts from customers <sup>1</sup>		281,240	243,632
Cash paid to suppliers <sup>2</sup>		(255,661)	(214,901)
VAT paid		(6,348)	(6,548)
Cash paid to and for employees		(19,192)	(19,128)
Income tax paid		(244)	(617)
<b>Net cash (used in) from operating activities</b>		<b>(205)</b>	<b>2,438</b>
<b>Cash flows from investing activities</b>			
Paid on acquisition of property, plant and equipment		(289)	(134)
Proceeds from sale of property, plant and equipment	4	537	246
Paid on acquisition of intangible assets		0	(16)
Loans provided		(18)	(18)
Repayments of loans provided		14	83
Dividends received		6	0
Interest received		5	7
<b>Net cash from investing activities</b>		<b>255</b>	<b>168</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans received		3,264	1,535
Repayments of loans received		(3,134)	(3,086)
Lease payments made	6	(2,619)	(2,388)
Interest paid		(722)	(841)
Dividends paid		(792)	(4,706)
<b>Net cash used in financing activities</b>		<b>(4,003)</b>	<b>(9,486)</b>
<b>Net cash flow</b>		<b>(3,953)</b>	<b>(6,880)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>9,031</b>	<b>12,576</b>
Effect of movements in foreign exchange rates		(13)	1
Decrease in cash and cash equivalents		(3,953)	(6,880)
<b>Cash and cash equivalents at end of period</b>		<b>5,065</b>	<b>5,697</b>

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

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





## Consolidated statement of changes in equity

€'000	Equity attributable to owners of the parent							Non-controlling interests	Total
	Share capital	Treasury shares	Capital reserve	Share premium	Translation reserve	Retained earnings	Total		
<b>Balance at 31 December 2020</b>	<b>14,379</b>	<b>(660)</b>	<b>2,554</b>	<b>635</b>	<b>2,423</b>	<b>14,543</b>	<b>33,874</b>	<b>3,361</b>	<b>37,235</b>
Loss for the period	0	0	0	0	0	(796)	(796)	428	(368)
Other comprehensive expense	0	0	0	0	(561)	0	(561)	0	(561)
<b>Transactions with owners</b>									
Dividend distributed	0	0	0	0	0	(1,892)	(1,892)	(941)	(2,833)
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,892)</b>	<b>(1,892)</b>	<b>(941)</b>	<b>(2,833)</b>
<b>Balance at 30 September 2021</b>	<b>14,379</b>	<b>(660)</b>	<b>2,554</b>	<b>635</b>	<b>1,862</b>	<b>11,855</b>	<b>30,625</b>	<b>2,848</b>	<b>33,473</b>
<b>Balance at 31 December 2021</b>	<b>14,379</b>	<b>(660)</b>	<b>2,554</b>	<b>635</b>	<b>1,948</b>	<b>6,341</b>	<b>25,197</b>	<b>2,929</b>	<b>28,126</b>
Loss for the period	0	0	0	0	0	(2,651)	(2,651)	1,263	(1,388)
Other comprehensive income	0	0	0	0	762	0	762	0	762
<b>Transactions with owners</b>									
Dividend distributed	0	0	0	0	0	0	0	(793)	(793)
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(793)</b>	<b>(793)</b>
<b>Balance at 30 September 2022</b>	<b>14,379</b>	<b>(660)</b>	<b>2,554</b>	<b>635</b>	<b>2,710</b>	<b>3,690</b>	<b>23,308</b>	<b>3,399</b>	<b>26,707</b>



## Notes to the condensed consolidated interim financial statements

### NOTE 1. Significant accounting policies

Nordecon AS is a company incorporated and domiciled in Estonia. The address of the company's registered office is Toompuiestee 35, 10149 Tallinn, Estonia. Nordecon AS's majority shareholder and the party controlling the Nordecon group is AS Nordic Contractors that holds 51.16% 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 30 September 2022 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 2021.

According to management's assessment, the condensed consolidated interim financial statements of Nordecon AS for the third quarter and nine months of 2022 give a true and fair view of the group's financial performance and the parent and all its subsidiaries that are included in the financial statements are going concerns. The condensed consolidated interim financial statements have not been audited or otherwise checked by auditors and contain only the consolidated financial statements of the group.

### NOTE 2. Trade and other receivables

€'000	Note	30 September 2022	31 December 2021
<b>Current items</b>			
Trade receivables		42,145	31,160
Retentions receivable		7,030	6,063
Receivables from related parties	14	666	211
Other receivables		59	78
<b>Total receivables</b>		<b>49,900</b>	<b>37,512</b>
Due from customers for contract work		11,320	10,579
<b>Total current trade and other receivables</b>		<b>61,220</b>	<b>48,091</b>

€'000	Note	30 September 2022	31 December 2021
<b>Non-current items</b>			
Loans to related parties	14	7,836	8,481
Receivables from related parties	14	270	328
Other non-current receivables		558	397
<b>Total non-current trade and other receivables</b>		<b>8,664</b>	<b>9,206</b>

### NOTE 3. Inventories

€'000	30 September 2022	31 December 2021
Raw materials and consumables	4,337	3,885
Work in progress	12,153	8,619
Apartments for sale	222	230
Properties purchased for development and pre-development costs	9,935	12,903
<b>Total inventories</b>	<b>26,647</b>	<b>25,637</b>



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

### Property, plant and equipment

Additions to property, plant and equipment in the first nine months of 2022 totalled €3,123 thousand (9M 2021: €2,238 thousand) and comprised equipment and construction machinery required for the group's operating activities.

Proceeds from the sale of property, plant and equipment amounted to €537 thousand (see the statement of cash flows) and sales gain amounted to €256 thousand (see note 12). In the comparative period, proceeds from the sale of property, plant and equipment amounted to €246 thousand and sales gain amounted to €124 thousand.

### Intangible assets

There were no significant transactions with intangible assets during the first nine months of 2022.

## NOTE 5. Borrowings

### Current borrowings

€'000	Note	30 September 2022	31 December 2021
Short-term portion of long-term loans		2,925	3,074
Lease liabilities	6	3,180	2,967
Short-term bank loans		11,441	10,248
<b>Total current borrowings</b>		<b>17,546</b>	<b>16,289</b>

### Non-current borrowings

€'000	Note	30 September 2022	31 December 2021
Long-term portion of long-term bank loans		109	1,073
Lease liabilities	6	5,770	6,332
<b>Total non-current borrowings</b>		<b>5,879</b>	<b>7,405</b>

## NOTE 6. Lease liabilities

### Lease liabilities

€'000	30 September 2022	31 December 2021
<b>Lease liabilities at end of period, of which</b>	<b>8,950</b>	<b>9,299</b>
Not later than 1 year	3,180	2,967
Later than 1 year and not later than 5 years	5,770	6,332
Base currency €	8,950	9,299
Interest rate for contracts denominated in € <sup>1</sup>	2.0–4.0%	2.3–3.5%
Frequency of payments	Monthly	Monthly

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

### Lease payments

€'000	9M 2022	9M 2021
Principal payments made during the period	2,619	2,388
Interest payments made during the period	201	226

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



## NOTE 7. Earnings per share

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

€'000	9M 2022	9M 2021
Net loss for the period attributable to owners of the parent (€'000)	(2,651)	(796)
Average number of shares (thousand)	31,521	31,521
Basic earnings per share (€)	(0.08)	(0.03)
Diluted earnings per share (€)	(0.08)	(0.03)

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.



## Third quarter

€'000

Q3 2022	Buildings	Infrastructure	Total
Total revenue	66,726	23,511	90,237
Of which: General contracting services	62,866	19,175	82,041
Subcontracting services	2,316	2,637	4,953
Own development activities	1,544	0	1,544
Road maintenance services	0	1,185	1,185
Rental services	0	514	514
Inter-segment revenue	0	(370)	(370)
<b>Revenue from external customers</b>	<b>66,726</b>	<b>23,141</b>	<b>89,867</b>
<b>Gross profit of the segment</b>	<b>1,813</b>	<b>470</b>	<b>2,283</b>

€'000

Q3 2021	Buildings	Infrastructure	Total
Total revenue	63,042	27,813	90,855
Of which: General contracting services	57,536	23,107	80,643
Subcontracting services	5,118	3,787	8,905
Own development activities	388	0	388
Road maintenance services	0	501	501
Rental services	0	418	418
Inter-segment revenue	0	(1)	(1)
<b>Revenue from external customers</b>	<b>63,042</b>	<b>27,812</b>	<b>90,854</b>
<b>Gross profit of the segment</b>	<b>2,399</b>	<b>1,109</b>	<b>3,508</b>

## Nine months

€'000

9M 2022	Buildings	Infrastructure	Total
Total revenue	195,157	44,617	239,774
Of which: General contracting services	182,816	34,203	217,019
Subcontracting services	3,661	6,286	9,947
Own development activities	7,880	0	7,880
Road maintenance services	0	3,181	3,181
Rental services	0	947	947
Revaluation of investment property	800	0	800
Inter-segment revenue	0	(772)	(772)
<b>Revenue from external customers</b>	<b>195,157</b>	<b>43,845</b>	<b>239,002</b>
<b>Gross profit (loss) of the segment</b>	<b>6,672</b>	<b>(858)</b>	<b>5,814</b>

€'000

9M 2021	Buildings	Infrastructure	Total
Total revenue	154,599	54,099	208,698
Of which: General contracting services	146,212	39,530	185,742
Subcontracting services	7,999	11,897	19,896
Own development activities	388	0	388
Road maintenance services	0	1,590	1,590
Rental services	0	1,082	1,082
Inter-segment revenue	0	(70)	(70)
<b>Revenue from external customers</b>	<b>154,599</b>	<b>54,029</b>	<b>208,628</b>
<b>Gross profit of the segment</b>	<b>4,686</b>	<b>965</b>	<b>5,651</b>



## Reconciliation of segment revenues

€'000	9M 2022	Q3 2022	9M 2021	Q3 2021
Total revenues for reportable segments	239,774	90,237	208,698	90,855
Elimination of inter-segment revenues	(772)	(370)	(70)	(1)
Other revenue	173	52	266	74
<b>Total revenue</b>	<b>239,175</b>	<b>89,919</b>	<b>208,894</b>	<b>90,928</b>

## Reconciliation of segment profit (loss)

€'000	9M 2022	Q3 2022	9M 2021	Q3 2021
Total profit for reportable segments	5,814	2,283	5,651	3,508
Unallocated profit (loss)	(550)	(200)	(756)	81
<b>Gross profit</b>	<b>5,264</b>	<b>2,083</b>	<b>4,895</b>	<b>3,589</b>
Unallocated expenses:				
Marketing and distribution expenses	(313)	(127)	(394)	(180)
Administrative expenses	(5,139)	(2,021)	(4,267)	(1,434)
Other operating income and expenses	1,528	(52)	105	7
<b>Operating profit (loss)</b>	<b>1,340</b>	<b>(117)</b>	<b>339</b>	<b>1,982</b>
Finance income	174	28	877	340
Finance costs	(2,702)	(1,325)	(942)	(277)
<b>Profit (loss) before tax</b>	<b>(1,188)</b>	<b>(1,414)</b>	<b>274</b>	<b>2,045</b>

## NOTE 9. Segment reporting – geographical information

€'000	9M 2022	Q3 2022	9M 2021	Q3 2020
Estonia	229,880	85,234	197,655	84,815
Ukraine	770	192	2,675	1,122
Finland	3,660	2,167	7,999	4,958
Latvia	2,314	(225)	0	0
Lithuania	2,551	2,551	0	0
Sweden	0	0	565	33
<b>Total revenue</b>	<b>239,175</b>	<b>89,919</b>	<b>208,894</b>	<b>90,928</b>

## NOTE 10. Cost of sales

€'000	9M 2022	9M 2021
Cost of materials, goods and services	214,259	185,426
Personnel expenses	17,456	16,244
Depreciation expense	1,890	1,938
Other expenses	306	391
<b>Total cost of sales</b>	<b>233,911</b>	<b>203,999</b>

## NOTE 11. Administrative expenses

€'000	9M 2022	9M 2021
Personnel expenses	2,429	2,034
Cost of materials, goods and services	1,866	1,410
Depreciation and amortisation expense	690	684
Other expenses	154	139
<b>Total administrative expenses</b>	<b>5,139</b>	<b>4,267</b>



## NOTE 12. Other operating income and expenses

€'000	9M 2022	9M 2021
<b>Other operating income</b>		
Gain on disposal of property, plant and equipment	264	132
Gain on sale of real estate	0	28
Other income	1,656	38
<b>Total other operating income</b>	<b>1,920</b>	<b>198</b>

€'000	9M 2022	9M 2021
<b>Other operating expenses</b>		
Foreign exchange loss	2	4
Loss on write-off of property, plant and equipment	8	8
Net loss on recognition and reversal of impairment losses on receivables	247	24
Other expenses	135	57
<b>Total other operating expenses</b>	<b>392</b>	<b>93</b>

## NOTE 13. Finance income and costs

€'000	9M 2022	9M 2021
<b>Finance income</b>		
Interest income on loans	168	170
Foreign exchange gain	0	697
Other finance income	6	10
<b>Total finance income</b>	<b>174</b>	<b>877</b>

€'000	9M 2022	9M 2021
<b>Finance costs</b>		
Interest expense	617	756
Foreign exchange loss	916	0
Other finance costs	1,169	186
<b>Total finance costs</b>	<b>2,702</b>	<b>942</b>

## NOTE 14. Transactions with related parties

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

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



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

€'000 Counterparty	9M 2022		9M 2021	
	Purchases	Sales	Purchases	Sales
AS Nordic Contractors	687	0	314	0
Companies of the AS Nordic Contractors group	188	6	168	7
Companies related to owners of AS Nordic Contractors	398	0	620	0
Companies related to members of the council	0	592	88	670
<b>Total</b>	<b>1,273</b>	<b>598</b>	<b>1,190</b>	<b>677</b>

€'000 Nature of transaction	9M 2022		9M 2021	
	Purchases	Sales	Purchases	Sales
Construction services	0	592	0	670
Transactions with goods	398	0	620	0
Lease and other services	490	6	302	7
Other transactions	385	0	268	0
<b>Total</b>	<b>1,273</b>	<b>598</b>	<b>1,190</b>	<b>677</b>

During the period, the group recognised interest income on loans to an associate of €163 thousand (9M 2021: €162 thousand).

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

€'000	30 September 2022		31 December 2021	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	0	17	0	16
Companies of the AS Nordic Contractors group	336	19	406	21
Companies related to owners of AS Nordic Contractors	599	309	130	135
Associates – receivables and liabilities	1	0	3	32
Associate – loans and interest	7,836	0	8,481	0
<b>Total</b>	<b>8,772</b>	<b>345</b>	<b>9,020</b>	<b>172</b>

### Remuneration of the council and the board

The service fees of the members of the council of Nordecon AS for the first nine months of 2022 amounted to €112 thousand and associated social security charges totalled €37 thousand (9M 2021: €112 thousand and €37 thousand, respectively).

The service fees of the members of the board of Nordecon AS amounted to €310 thousand and associated social security charges totalled €102 thousand (9M 2021: €276 thousand and €91 thousand, respectively).





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## Statements and signatures

### Statement of management's responsibility

The board of Nordecon AS acknowledges its responsibility for the preparation of the group's condensed consolidated interim financial statements for the third quarter and nine months of 2022 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

3 November 2022

Priit Luman

Member of the Board

3 November 2022

Maret Tambek

Member of the Board

3 November 2022