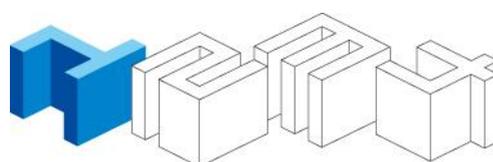




**Financial report for the
first quarter of 2024**
(unaudited)





Financial report for the first quarter of 2024 (unaudited)

| | |
|----------------------------|---|
| Business name | Nordecon AS |
| Registration number | 10099962 |
| Address | Toompuiestee 35, 10149 Tallinn, Estonia |
| 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 2024 – 31 December 2024 |
| Reporting period | 1 January 2024 – 31 March 2024 |
| Council | Toomas Luman (chairman of the council), Andri Hõbemägi, Vello Kahro, Sandor Liive, Andre Luman |
| Board | Maret Tambek (chairman of the board), Priit Luman, Tarmo Pohlak |
| 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 in our order book. Our core business is supported by road maintenance, property development 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 property development, leasing out heavy construction equipment, and road maintenance.

Besides Estonia, the companies of the Nordecon group operate in Sweden and Ukraine.

Nordecon AS is a member of the Estonian Association of Construction Entrepreneurs and the Estonian Chamber of Commerce and Industry. Nordecon AS has developed and implemented a quality management system that complies with ISO 9001, an environmental management system that complies with ISO 14001 and an occupational safety management system that complies with ISO 45001. Compliance with the standards has been certified by DNV.

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 customers sustainable 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

As industry professionals, we apply appropriate construction techniques and technologies and observe generally accepted quality standards. Our people are results-oriented and go-ahead, and successfully combine their extensive industry experience with the opportunities provided by innovation.

Reliability

We are reliable partners – we always keep our promises. Together we can overcome any construction challenge and achieve the best possible results. We act openly, transparently and consistent with the best practices of the construction industry.

Teamwork

We value balanced teamwork and create the best possible environment for sharing knowledge and experience. We notice and recognise each employee's contribution and initiative.

Sustainability

We uphold responsibility and sustainability in the construction sector and contribute to the achievement of the sustainable development goals supported by society both through our own activities and in cooperation with other market participants.



Directors' report

Strategic agenda for 2023–2027

Business lines and markets

- The group will grow, mostly organically, with a focus on efficient use of resources.
- In Estonia, we will operate in the building and infrastructure construction as well as housing development segments.
- In foreign markets (Ukraine, Sweden), we will compete as a general contractor and a provider of concrete works.

Activities for implementing the strategy

- We will provide our people with a modern and inspiring work environment and a motivation system that fosters collaboration and initiative.
- We will improve our profitability by planning and managing our design and construction operations more precisely.
- We will streamline our work and decision-making processes by implementing modern digital solutions.
- We will maintain a balance between operating segments in our order book.
- We will set our sustainable development goals and adopt an action plan to achieve them.

Financial targets

- Revenue will grow by at least 5% per year.
- 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 deliver a strong dividend yield for Nordecon's shareholders.



Outlooks of the group's geographical markets

Estonia

Processes and developments characterising the Estonian construction market:

- Input prices in the construction sector have stabilised: in the first quarter of 2024, the construction price index rose by 0.2% and the cost of materials, machinery and equipment decreased compared with the fourth quarter of 2023. The key factor influencing construction prices is weak demand, which has not recovered despite the stabilisation of input prices. Companies and organisations continue to look for ways to adjust their business plans to the new level of input prices, which significantly prolongs the pre-construction process. The process often ends with the customer deciding to freeze the project for the time being. The market continues to be driven by public investment, which on the whole will decline in 2024. Investments by the Centre for Defence Investment, which previously boosted public investment in the construction sector, have also decreased. Investments by the Estonian Transport Administration are expected to decrease further, which will put strong pressure on companies in the infrastructure and asphalt concrete production segments, where market supply already significantly exceeds demand. The volume long-awaited procurements for the Rail Baltica project will increase, which should partially offset the sharp decline in the road construction and rehabilitation work procured by the Transport Administration. Against the backdrop of a general economic downturn, the construction market is expected to contract further in 2024.
- The slowdown in economic activity and the decline in construction volumes have intensified competition in both building and infrastructure construction. While competition in the infrastructure construction segment has been fierce for a number of years due to the decline in volumes, competition in the building construction segment has also increased significantly over the past year. As a result of high inflation and rising interest rates, investment confidence has plummeted, leading, among other things, to a significant decline in housing development. At the same time, labour costs risen rapidly, putting upward pressure on construction prices in a context of falling demand. It is difficult to predict how the situation will affect demand for construction services in the long term, but in the short term demand will continue to decline.
- Contracts signed with both public and private sector customers impose strict requirements on construction companies, including extensive obligations, severe sanctions, various financial guarantees, very tight deadlines, etc., which are in striking contrast to the modest eligibility criteria. While lenient qualification requirements and the prerequisite of a low bid have made it relatively easy for an increasing number of contractors to win a contract, they have also increased the financial, completion delay and quality risks taken by customers during the execution of the contract and the subsequent warranty period.
- Despite the downturn the construction market, the shortage of skilled and qualified personnel (including project and site managers) has not disappeared and the sector continues to need additional competent professionals.

Ukraine

In Ukraine, we are mainly involved in general contracting and project management in the segment of building construction. In addition, we have investments in two real estate projects located in Ukraine. Due to the military conflict between Russia and Ukraine and the uncertainty as to when it will end, it is not possible to estimate how the situation in the Ukrainian economy and construction market will develop in 2024. At the same time, there is an increasing focus on restoring war-damaged buildings and infrastructure, and on strengthening them against military action.

Sweden

In the Swedish market, we offer mainly the construction of residential and non-residential buildings and operate primarily in the central part of the country. Rapid inflation and rising interest rates have weakened demand in the Swedish construction market. In 2024, the Swedish economy is expected to stabilise and grow slightly in the second half of the year. In a challenging market environment, we will focus on finding new opportunities while critically assessing potential risks.



Description of the main risks

Business risks

The main factors affecting the group's business volumes and profit margins are competition in the construction market and changes in demand for construction services. Demand for construction services in both the infrastructure and the buildings segments continues to be strongly influenced by the level of public investment.

Bid prices in both infrastructure and building construction are under strong competitive pressure, and bidders increasingly include not only competing general contractors but also former subcontractors. This is mainly due to the policy of central and local governments to keep the eligibility requirements for public contracts low. As a result, quality and timely completion are sometimes sacrificed to the lowest price. We are aware of the risks involved in executing contracts signed in an environment of fierce competition and current economic uncertainty. When setting prices in such conditions, we seek to strike a reasonable balance between contract performance risks and tight cost control.

Our action plan includes flexible allocation of resources to find more profitable contracts and execute 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 the infrastructure business with building construction, which is less exposed to seasonal fluctuations. Our long-term goal is to be flexible and maintain a relative balance between our two business segments, although the current market situation, particularly the decline in public investment, makes this difficult to achieve. Where possible, our entities implement technical solutions that help them operate efficiently in changing conditions. A key challenge for the construction sector is low productivity, which is attributable to lack of time in the preparation and planning phases and outdated process management methods. The group will continue to invest in digital solutions that enable more accurate planning and management of construction processes. In 2023, a pilot project was launched to manage the construction process using artificial intelligence.

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, subcontractors are generally 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 31 March 2024 amounted to €1,849 thousand (31 March 2023: €1,491 thousand).

In addition to managing the risks directly related to construction operations, we continue to pay considerable attention to mitigating the risks associated with pre-construction activities. In particular, this applies to the bidding process, i.e. compliance with the procurement conditions and budgeting. The errors made in the planning phase are usually irreversible and, in a situation where the price is contractually fixed, will result in direct financial loss.

Financial risks

Credit risk

The group did not incur any credit losses during the reporting period or the comparative period. 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' payment behaviour is continuously monitored. The main indicator of the realisation of credit risk is a payment delay of more than 180 days and no activity on the part of the debtor that would confirm the intention to pay.



Liquidity risk

The group's exposure to liquidity risk remains higher than usual. At the reporting date, the group's current assets exceeded current liabilities and the current ratio was 0.85 (31 March 2023: 0.85). 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.

As the political and economic situation in Ukraine remains complicated, we believe that the group's Ukrainian investment properties cannot be realised in the short term. Accordingly, the receivables related to the loans provided to the Ukrainian associate of €8,252 thousand were classified as non-current items at the reporting date.

For better cash flow management, we use overdraft facilities 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 31 March 2024 amounted to €13,751 thousand (31 March 2023: €16,830 thousand).

The group's cash and cash equivalents as at the reporting date amounted to €16,083 thousand (31 March 2023: €5,901 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, interest-bearing liabilities decreased by €5,222 thousand year on year, of which €1,101 thousand was attributable to a discontinued operation. Both loan and lease liabilities decreased. At 31 March 2024, the group had interest-bearing liabilities of €17,841 thousand (31 March 2023: €23,063 thousand). Due to higher EURIBOR, interest expense increased compared to the first quarter of 2023, amounting to €230 thousand (Q1 2023: €212 thousand).

The main source of interest rate risk is a potential rise in the base rates of floating interest rates. In the light of the group's relatively heavy loan burden, this would significantly increase interest expense, 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. In the first quarter of 2024, the exchange rate of the hryvnia against the euro remained stable. 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 €25 thousand (Q1 2023: €114 thousand). Exchange losses on financial instruments are recognised within finance costs in the statement of comprehensive income. 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.

In the first quarter of 2024, the Swedish krona weakened against the euro by around 4%. Due to the change in the exchange rate, the translation of the euro-denominated loan granted to the group's Swedish subsidiary into the local currency resulted in an exchange loss of €5 thousand (Q1 2023: €19 thousand). The exchange loss was recognised within finance costs in the statement of comprehensive income.

The group has not acquired derivatives to hedge currency risk.



Employee and work environment risks

Finding a permanent, skilled and qualified workforce is a challenge for the entire construction industry and one of the most important factors influencing business performance. To strengthen Nordecon's reputation as an employer and to ensure that we have employees in the future, we work with educational institutions. Continuous employee development is essential and one of our acknowledged priorities. We also rely on our subcontractors' ability to find employees with the necessary skills and qualifications.

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

Environmental risks

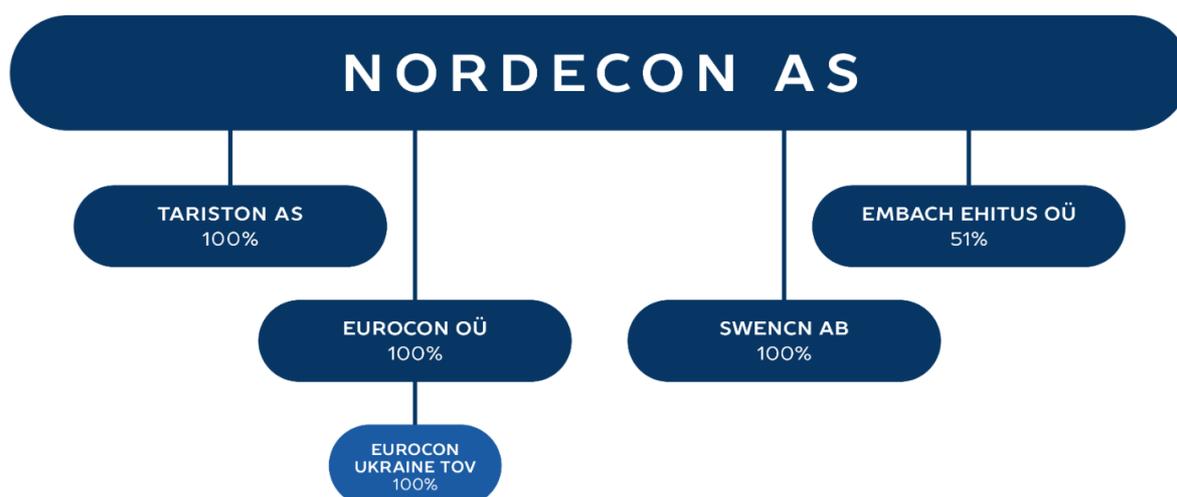
Construction activities have a direct impact on wildlife, soil and the physical environment. In carrying out our operations, we therefore strive to protect the surrounding environment and nature as much as possible. The group's assets and operations with the greatest environmental impact and thus the highest environmental risks are asphalt plants, quarries used for the extraction of construction materials and road construction operations. The main environmental protection measures at construction sites include efficient use of materials and proper waste management. Excessive waste, leaks, spills, pollution, destruction of wildlife and other environmental damage is prevented by complying with legal and regulatory requirements. All of the group's construction companies 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, follow the rules of the Tallinn Stock Exchange and work with external and internal auditors and supervisory authorities. We make every effort to ensure that our companies' management quality, organisational culture and internal communication emphasise zero tolerance for dishonest, unethical and corrupt behaviour. Transparent decision-making and open communication are underpinned by effective internal cooperation and external communication. Openness is supported by the continuously increasing use of IT solutions.

Group structure

The group's structure at 31 March 2024, including interests in subsidiaries and associates*



*The structure does not include the subsidiaries OÜ Eesti Ehitus, OÜ Aspi, OÜ Linnaehitus, OÜ Eston Ehitus, Kaurits OÜ, Kalda Kodu 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

Operations in Estonia

At the beginning of December 2023, the group divested its ownership interest in Nordecon Batoon OÜ and exited the concrete work market, where it had competed as a subcontractor. 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 Tariston AS and Embach Ehitus OÜ.

The group also continued with its other main business activities: property development (Embach Ehitus OÜ), the rental of heavy construction machinery and equipment and the provision of regional road maintenance services (Tariston AS).

The group did not enter any new operating segments in Estonia.

Operations in foreign markets

Ukraine

Russia's military invasion of Ukraine on 24 February 2022 has strongly affected the operations of our Ukrainian subsidiary Eurocon Ukraine TOV. However, our business volumes in Ukraine have recovered to their pre-war levels. The activity of Eurocon Ukraine TOV does not have a significant impact on the group's revenue, profit and assets. The group has interests in two real estate projects in Ukraine but the commencement of development activities has been postponed due to the war. The properties have not been damaged in the military conflict and the group has control of the plots.

Sweden

There were no changes in our Swedish operations during the period under review. Swencn AB did not have any construction projects in progress at 31 March 2024 but the company is seeking new opportunities to continue its business in the Swedish market.



Performance by geographical market

Revenue generated outside Estonia in the first quarter of 2024 decreased compared to the same period in 2023 and accounted for 1% of the group's total revenue for the period. Despite the ongoing war, Nordecon's construction volumes in Ukraine increased. During the period, work continued on the reconstruction of substations and the installation of associated physical protection systems in the Poltava, Zhytomyr, Volyn and Ivano-Frankivsk regions of Ukraine. The group did not generate any revenue and had no ongoing construction contracts in the Swedish market. With the sale of Nordecon Betocon OÜ at the beginning of December 2023, the group also withdrew from the Finnish market, where it had operated through Nordecon Betocon OÜ's subsidiary NOBE Rakennus OY. The group operated on a project basis in Latvia and Lithuania.

| | Q1 2024 | Q1 2023 | Q1 2022 | 2023 |
|---------|---------|---------|---------|------|
| Estonia | 99% | 98% | 95% | 97% |
| Ukraine | 1% | 0% | 0% | 2% |
| Finland | - | 2% | 2% | 1% |
| Latvia | - | 0% | 3% | 0% |

Performance by business line

Segment revenues

We strive to maintain the revenues of our two main operating segments (Buildings and Infrastructure) in balance, if this is permitted by market conditions, because this helps diversify risks and provides better opportunities to continue construction operations in more challenging market conditions where the volumes of one subsegment decline sharply while the volumes of another may grow more rapidly.

The group's revenue for the first quarter of 2024 was €46,245 thousand, around 38% larger than a year earlier, when revenue from continuing operations amounted to €33,549 thousand. The Buildings segment generated revenue of €43,408 thousand and the Infrastructure segment revenue of €2,808 thousand. The corresponding figures for the first quarter of 2023 were €30,673 thousand and €2,849 thousand (see note 8). Revenue generated by the Buildings segment increased by 42%, while revenue generated by the Infrastructure segment remained more or less stable compared to the same period last year. The revenue growth and changes in performance of the reportable segments were expected and in line with the group's order book.

| Revenue by operating segment* | Q1 2024 | Q1 2023 | Q1 2022 | 2023 |
|-------------------------------|---------|---------|---------|------|
| Buildings | 94% | 92% | 87% | 74% |
| Infrastructure | 6% | 8% | 13% | 26% |

* In the directors' report, projects have been allocated to operating segments based on their nature (i.e. building or infrastructure construction). In the segment reporting presented in the consolidated financial statements, allocation is based on the subsidiaries' main field of activity (as required by IFRS 8 Operating Segments). In the consolidated financial statements, the results of a subsidiary that primarily operates in the Buildings or the Infrastructure segment are presented in the respective 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 group companies mostly specialise in specific areas. The figures for the parent are allocated in both parts of the report based on the nature of the work.



Subsegment revenues

In the Buildings segment, the main revenue contributor was the public buildings subsegment, which delivered approximately 83% growth compared to the same period last year. Revenue generated by the commercial and apartment buildings subsegments also increased, while the revenue contribution of the industrial and warehouse facilities subsegment decreased sharply with only one construction contract in progress.

The period's largest projects in the public buildings subsegment were the construction of the main building of the Estonian Internal Security Service and Loodusmaja (Nature Hub) in Tallinn, the design and construction of warehouse complexes for the Centre for Defence Investment in Luunja and Nõo rural municipalities in Tartu county and in Ida-Viru county, the design and construction of a new study and sports building for the Saku upper secondary school near Tallinn and the reconstruction of the building of the Karlova school in Tartu.

The revenue of the apartment buildings subsegment resulted from the construction of the commercial and residential complex Vektor and the group's own development projects. Revenue from the group's own development operations increased year on year, rising to €3,952 thousand (Q1 2023: €2,173 thousand). Nordecon is continuing the development of the Mõisavahe Kodu housing estate (<https://moisavahe.ee>) and the construction of the Emajõe Residents housing estate, located close to the city centre on the banks of the Emajõgi river (<https://emajoesidents.ee>), in Tartu. In the first quarter, the group also started the construction of phase 1 of the Seileri Kvartal housing estate in Pärnu (<https://seileri.ee>). In carrying out our own development activities, we carefully monitor potential risks in the housing development market.

The largest projects under construction in the commercial buildings subsegment were the commercial and residential complex Vektor and the LEED Gold compliant Golden Gate office building at Ahtri 6 in Tallinn and the design and construction of a commercial building at Nõlvakaare 4 at Raadi in Tartu county.

| Revenue breakdown in the Buildings segment | Q1 2024 | Q1 2023 | Q1 2022 | 2023 |
|--|---------|---------|---------|------|
| Public buildings | 67% | 43% | 28% | 37% |
| Commercial buildings | 19% | 25% | 23% | 23% |
| Apartment buildings | 14% | 22% | 31% | 27% |
| Industrial and warehouse facilities | 0% | 10% | 18% | 13% |

The largest revenue contributor in the Infrastructure segment is road construction and maintenance although in the first quarter of 2024 its revenue decreased by around 6% compared with a year earlier. A major share of the subsegment's revenue for the period resulted from the construction of an armoured manoeuvre shooting range and roads in Harju county, the provision of road maintenance services in Järva county and the construction of the Tagadi ecoduct (wildlife crossing) on the Rail Baltica route.

| Revenue breakdown in the Infrastructure segment | Q1 2024 | Q1 2023 | Q1 2022 | 2023 |
|--|---------|---------|---------|------|
| Road construction and maintenance | 83% | 61% | 66% | 63% |
| Other engineering | 17% | 33% | 27% | 30% |
| Environmental engineering | 0% | 6% | 0% | 7% |
| Specialist engineering (incl. hydraulic engineering) | 0% | 0% | 7% | 0% |



Financial review

Financial performance

Nordecon delivered a gross profit of €2,138 thousand and a gross margin of 4.6% in the first quarter of 2024 (Q1 2023: €985 thousand and 2.9%). The improvement in profitability was driven by the Buildings segment, which increased its gross margin to 7.8% (Q1 2023: 6.3%). Due to the seasonal nature of the construction business, first-quarter results are affected by a large share of uncovered fixed costs, particularly in the Infrastructure segment. Above all, this applies to asphalt concrete production and laying in road construction, where plant and equipment expenses account for a major share of fixed costs. As a result, the gross margin of the Infrastructure segment was negative at 30.9% (Q1 2023: negative at 26.3%).

The group's administrative expenses for the first quarter of 2024 amounted to €1,564 thousand. Administrative expenses from continuing operations remained at the same level as in the first quarter of 2023, when the figure was €1,587 thousand. The ratio of administrative expenses to revenue (12 months rolling) increased year on year, rising to 3.3% (Q1 2023: 2.9%).

The group ended the first quarter of 2024 with an operating profit of €386 thousand (Q1 2023: an operating loss of €625 thousand). EBITDA for the period was €1,094 thousand (Q1 2023: €155 thousand).

The group's finance income and costs are affected by exchange rate fluctuations in the group's foreign markets (see the chapter *Financial risks*). During the period, the exchange rate of the Ukrainian hryvnia remained stable against the euro, while the exchange rate of the Swedish krona weakened against the euro by around 4%. As a result, the translation of the loans provided to the group's Ukrainian and Swedish subsidiaries in euros into the local currencies gave rise to an exchange loss of €30 thousand (Q1 2023: €133 thousand). Due to the group's relatively high loan burden, finance costs were strongly influenced by interest expense, which amounted to €230 thousand (Q1 2023: €212 thousand).

The group ended the period with a net loss of €182 thousand (Q1 2023: €1,674 thousand). The net loss attributable to owners of the parent, Nordecon AS, was €593 thousand (Q1 2023: €1,874 thousand).

Cash flows

Operating activities produced a net cash inflow of €5,422 thousand in the first quarter of 2024 (Q1 2023: an inflow of €705 thousand). Operating cash flow is 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. 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 €31 thousand (Q1 2023: an outflow of €326 thousand). Payments for the purchase of property, plant and equipment totalled €21 thousand (Q1 2023: €37 thousand) and proceeds from the sale of property, plant and equipment totalled €25 thousand (Q1 2023: 201 thousand). Loans provided amounted to €18 thousand (Q1 2023: €508 thousand) and interest received amounted to €39 thousand (Q1 2023: 2 thousand).

Financing activities generated a net cash outflow of €1,259 thousand (Q1 2023: an outflow of €1,713 thousand). The largest items were loan repayments and lease payments of €633 thousand and €555 thousand, respectively (Q1 2023: €1,330 thousand and €735 thousand, respectively). Proceeds from loans received amounted to €108 thousand (Q1 2023: €1,234 thousand) and interest payments to €278 thousand (Q1 2023: €294 thousand). In the first quarter of 2023, the group also paid dividends of €588 thousand.

The group's cash and cash equivalents at 31 March 2024 amounted to €16,083 thousand (31 March 2023: €5,901 thousand). Management's commentary on liquidity risks is presented in the chapter *Description of the main risks*.



Key financial figures and ratios

| Figure/ratio | Q1 2024 | Q1 2023 | Q1 2022 | 2023 |
|---|----------------------|----------------------|----------------------|--------------------|
| Revenue (€'000)* | 46,245 | 33,549 | 44,539 | 186,464 |
| Revenue change* | 37.8% | (24.7)% | 22.1% | (15.4)% |
| Net loss (€'000)* | (182) | (1,674) | (1,166) | (6,418) |
| Net loss attributable to owners of the parent (€'000) | (593) | (1,874) | (919) | (942) |
| Average number of shares | 31,528,585 | 31,528,585 | 31,528,585 | 31,528,585 |
| Earnings per share (€) | (0.02) | (0.06) | (0.03) | (0.03) |
| Administrative expenses to revenue* | 3.4% | 4.7% | 2.8% | 3.5% |
| Administrative expenses to revenue (rolling)* | 3.3% | 2.9% | 2.1% | 3.5% |
| EBITDA (€'000)* | 1,094 | 155 | 912 | (412) |
| EBITDA margin* | 2.4% | 0.5% | 2.0% | (0.2)% |
| Gross margin* | 4.6% | 2.9% | (0.2)% | 2.0% |
| Operating margin* | 0.8% | (1.9)% | 0.2% | (1.8)% |
| Operating margin excluding gain on non-current asset sales* | 0.8% | (2.2)% | 0.0% | (2.0)% |
| Net margin* | (0.4)% | (5.0)% | (2.6)% | (3.4)% |
| Return on invested capital | 0.1% | (2.4)% | (0.2)% | 8.0% |
| Return on equity | (0.8)% | (6.4)% | (1.1)% | 8.3% |
| Equity ratio | 19.1% | 19.5% | 20.4% | 18.7% |
| Return on assets | (0.2)% | (1.3)% | (0.2)% | (1.6)% |
| Gearing | 4.4% | 35.6% | 36.1% | 16.6% |
| Current ratio | 0.85 | 0.85 | 0.91 | 0.95 |
| | 31 March 2024 | 31 March 2023 | 31 March 2022 | 31 Dec 2023 |
| Order book (€'000)* | 198,737 | 148,302 | 204,495 | 216,732 |

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 non-current 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

* Continuing operations

Due to the sale of Nordecon Betoön OÜ and NOBE Rakennus OY at the beginning of December 2023, the business activities of those companies have been classified as a discontinued operation whose revenues and expenses for comparative periods are presented separately in the consolidated statement of comprehensive income within *Profit (loss) from a discontinued operation*.



Order book

The group's order book (backlog of contracts signed but not yet performed) stood at €198,737 thousand at 31 March 2024, reflecting an increase of approximately 34% year on year. In the first quarter of 2024, we signed new contracts for €17,617 thousand (Q1 2023: €41,860 thousand). After the reporting date, we have signed additional new contracts for €14,900 thousand. The rise in material prices and interest rates in recent years, due to the uptrend in EURIBOR rates, has caused a sharp increase in the cost of development projects and, consequently, the postponement of new projects. The volume of investments made by the Transport Administration has decreased significantly, which has had a direct impact on the size of the order book of our Infrastructure segment. The volume of procurements for the Rail Baltica project has increased and will partially offset the decline in investments by the Transport Administration, but the excessive length of the procurement processes makes it difficult to predict the potential start dates of the work and the impact on revenue. While public investment in building construction has also decreased, we see some investment activity at local authority level.

| | 31 March 2024 | 31 March 2023 | 31 March 2022 | 31 Dec 2023 |
|---------------------|---------------|---------------|---------------|-------------|
| Order book (€'000)* | 198,737 | 148,302 | 204,495 | 216,732 |

* Continuing operations

The share of the Buildings segment in the group's order book has increased: at 31 March 2024, the Buildings segment accounted for 93% and the Infrastructure segment for 7% of the group's total order book (31 March 2023: 81% and 19%, respectively). Compared with 31 March 2023, the order book of the Buildings segment has increased by 53%, while the order book of the Infrastructure segment has decreased by 49% and now consists solely of contracts secured by the road construction and maintenance subsegment.

Major contracts secured during the period include:

- the construction of an armoured manoeuvre shooting range and roads for the Centre for Defence Investment in Harju county with an approximate cost of €5,450 thousand;
- the construction of a modern war and disaster medicine centre for the Centre for Defence Investment in Tartu with an approximate cost of €15,000 thousand (the group is one of the joint bidders).

Management expects the group's revenue to increase slightly in 2024 compared to the revenue generated by continuing operations in 2023. In a highly competitive environment, we will avoid taking unjustified risks that could materialise during the contract execution phase and have an adverse impact on the group's results. We will focus on cost management and pre-construction and design activities where we can leverage our professional competitive advantages.



People

Employees and staff costs

The group's average number of employees in the first quarter of 2024 was 423, including 281 engineers and technical professionals (ETP). Headcount decreased by around 28% year on year, due to the restructuring of the group's Infrastructure segment and the sale of Nordecon Betoön OÜ and NOBE Rakennus OY at the beginning of December 2023.

Average number of employees at group companies (the parent and the subsidiaries):

| | Q1 2024 | Q1 2023 | Q1 2022 | 2023 |
|----------------------|------------|------------|------------|------------|
| ETP | 281 | 392 | 434 | 374 |
| Workers | 142 | 192 | 225 | 184 |
| Total average | 423 | 584 | 659 | 558 |

The group's staff costs, including all taxes, were €3,939 thousand in the first quarter of 2024, compared with €4,531 thousand from continuing operations in the same period last year. The decrease is mainly due to a lower headcount following the reorganisation of the Infrastructure segment.

The service fees of the members of the council of Nordecon AS for Q1 2024 totalled €50 thousand and the associated social security charges amounted to €17 thousand (Q1 2023: €37 thousand and €12 thousand, respectively).

The service fees of the members of the board of Nordecon AS totalled €130 thousand and the associated social security charges amounted to €43 thousand (Q1 2023: €115 thousand and €38 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 staff costs incurred:

| | Q1 2024 | Q1 2023 | Q1 2022 | 2023 |
|--|---------|---------|---------|---------|
| Nominal labour productivity (rolling), (€'000) | 535.4 | 472.3 | 451.9 | 499.3 |
| Change against the comparative period, % | 13.4% | 4.5% | 8.3% | 1.8% |
| Nominal labour cost efficiency (rolling), (€) | 11.1 | 11.0 | 12.2 | 10.3 |
| Change against the comparative period, % | 0.5% | (9.8)% | 11.4% | (13.4)% |

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' staff costs)

The group's nominal labour productivity for the period increased year on year due to a decrease in the average number of employees.



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 EEK 307,567,280 (Estonian kroons) to €19,657,131.9. Concurrently with the conversion, the company adopted shares with no par value.

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

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

Movements in the price and trading volume of the Nordecon AS share in Q1 2024

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 with the OMX Tallinn Index in Q1 2024



| Index/equity | 1 January 2023* | 31 March 2024 | +/- |
|--------------|-----------------|---------------|---------|
| OMX Tallinn | 1,768.56 | 1,743.11 | (1.44)% |
| NCN1T | €0.62 | €0.52 | (16.4)% |

*Closing price on the Nasdaq Tallinn Stock Exchange at 31 December 2023

Summarised trading results

Share trading history

| Price, € | Q1 2024 | Q1 2023 | Q1 2022 |
|---|---------|---------|-----------|
| Open | 0.62 | 0.69 | 1.21 |
| High | 0.62 | 0.93 | 1.29 |
| Low | 0.50 | 0.67 | 0.83 |
| Last closing price | 0.52 | 0.79 | 1.03 |
| Traded volume (number of securities traded) | 498,784 | 556,838 | 1,159,528 |
| Turnover, € million | 0.28 | 0.44 | 1.27 |
| Listed volume (31 March), thousand | 32,375 | 32,375 | 32,375 |
| Market capitalisation (31 March), € million | 16.84 | 25.58 | 33.35 |

Shareholder structure

Largest shareholders of Nordecon AS at 31 March 2024

| Shareholder | Number of shares | Ownership interest (%) |
|-----------------------|------------------|------------------------|
| AS Nordic Contractors | 16,563,145 | 51.16 |
| Lüksusjaht AS | 4,332,342 | 13.38 |
| Toomas Luman | 770,500 | 2.38 |
| Olegs Radcenko | 574,200 | 1.77 |
| Nõmme Erahariduse SA | 370,370 | 1.14 |
| Lembit Talpsepp | 370,100 | 1.14 |
| SEB Pank AS clients | 300,000 | 0.93 |
| OÜ Alar Invest | 255,000 | 0.79 |
| Genadi Bulatov | 250,600 | 0.77 |
| Endel Palla | 200,600 | 0.62 |



Shareholder structure of Nordecon AS at 31 March 2024

| | Number of shareholders | Ownership interest (%) |
|--|------------------------|------------------------|
| Shareholders with interest exceeding 5% | 2 | 64.54 |
| Shareholders with interest from 1% to 5% | 4 | 6.44 |
| Shareholders with interest below 1% | 6,574 | 26.40 |
| Holder of own (treasury) shares | 1 | 2.62 |
| Total | 6,581 | 100 |

Shares controlled by members of the council of Nordecon AS at 31 March 2024

| Council member | | Number of shares | Ownership interest (%) |
|--|-------------------------|-------------------|------------------------|
| Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad)* | Chairman of the Council | 17,493,645 | 54.03 |
| 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 | | 17,578,645 | 54.29 |

* Companies controlled by the individual

Shares controlled by members of the board of Nordecon AS at 31 March 2024

| Board member | | Number of shares | Ownership interest (%) |
|--------------|-----------------------|------------------|------------------------|
| Maret Tambek | Chairman of the Board | 0 | 0.00 |
| Priit Luman | Member of the Board | 7,000 | 0.02 |
| Tarmo Pohlak | Member of the Board | 3,942 | 0.01 |
| Total | | 10,942 | 0.03 |



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.

Maret Tambek

Chairman of the Board

9 May 2024

Priit Luman

Member of the Board

9 May 2024

Tarmo Pohlak

Member of the Board

9 May 2024



Condensed consolidated interim financial statements

Consolidated statement of financial position

| €'000 | Note | 31 March 2024 | 31 December 2023 |
|--|------|----------------|------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 16,083 | 11,892 |
| Trade and other receivables | 2 | 30,117 | 37,010 |
| Prepayments | | 2,812 | 1,789 |
| Inventories | 3 | 24,766 | 25,879 |
| Total current assets | | 73,778 | 76,570 |
| Non-current assets | | | |
| Other investments | | 76 | 76 |
| Trade and other receivables | 2 | 9,198 | 9,113 |
| Investment property | | 5,517 | 5,517 |
| Property, plant and equipment | | 13,979 | 14,292 |
| Intangible assets | | 14,979 | 14,964 |
| Total non-current assets | | 43,749 | 43,962 |
| TOTAL ASSETS | | 117,527 | 120,532 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Borrowings | 5 | 13,751 | 10,188 |
| Trade payables | | 52,355 | 39,855 |
| Other payables | | 6,367 | 9,241 |
| Deferred income | | 12,996 | 20,602 |
| Provisions | | 1,006 | 1,129 |
| Total current liabilities | | 86,475 | 81,015 |
| Non-current liabilities | | | |
| Borrowings | 5, 6 | 4,090 | 8,563 |
| Trade payables | | 2,115 | 6,011 |
| Provisions | | 2,440 | 2,405 |
| Total non-current liabilities | | 8,645 | 16,979 |
| TOTAL LIABILITIES | | 95,120 | 97,994 |
| 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 | | 3,837 | 3,786 |
| Retained earnings | | 326 | 919 |
| Total equity attributable to owners of the parent | | 21,071 | 21,613 |
| Non-controlling interests | | 1,336 | 925 |
| TOTAL EQUITY | | 22,407 | 22,538 |
| TOTAL LIABILITIES AND EQUITY | | 117,527 | 120,532 |



Consolidated statement of comprehensive income

| €'000 | Note | Q1 2024 | Q1 2023 | 2023 |
|---|------|--------------|----------------|----------------|
| Continuing operations | | | | |
| Revenue | 8, 9 | 46,245 | 33,549 | 186,464 |
| Cost of sales | 10 | (44,107) | (32,564) | (182,655) |
| Gross profit | | 2,138 | 985 | 3,809 |
| Marketing and distribution expenses | | (68) | (104) | (497) |
| Administrative expenses | 11 | (1,564) | (1,587) | (6,564) |
| Other operating income | 12 | 26 | 109 | 286 |
| Other operating expenses | 12 | (146) | (28) | (465) |
| Operating profit (loss) | | 386 | (625) | (3,431) |
| Finance income | 13 | 137 | 69 | 613 |
| Finance costs | 13 | (705) | (885) | (3,356) |
| Net finance costs | | (568) | (816) | (2,743) |
| Loss before tax | | (182) | (1,441) | (6,174) |
| Income tax expense | | 0 | (243) | (244) |
| Loss for the period from continuing operations | | (182) | (1,684) | (6,418) |
| Profit for the period from a discontinued operation | 14 | - | 10 | 8,474 |
| Profit (loss) for the period | | (182) | (1,674) | 2,056 |
| Other comprehensive income | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Exchange differences on translating foreign operations | | 51 | 169 | 470 |
| Total other comprehensive income | | 51 | 169 | 470 |
| TOTAL COMPREHENSIVE INCOME (EXPENSE) | | (131) | (1,505) | 2,526 |
| Profit (loss) attributable to: | | | | |
| - Owners of the parent | | (593) | (1,874) | (942) |
| - Non-controlling interests | | 411 | 200 | 2,998 |
| Profit (loss) for the period | | (182) | (1,674) | 2,056 |
| Comprehensive income (expense) attributable to: | | | | |
| - Owners of the parent | | (542) | (1,705) | (472) |
| - Non-controlling interests | | 411 | 200 | 2,998 |
| Comprehensive income (expense) for the period | | (131) | (1,505) | 2,526 |
| Earnings per share from continuing operations attributable to owners of the parent: | | | | |
| Basic earnings per share (€) | 7 | (0.02) | (0.06) | (0.31) |
| Diluted earnings per share (€) | 7 | (0.02) | (0.06) | (0.31) |
| Earnings per share from a discontinued operation attributable to owners of the parent: | | | | |
| Basic earnings per share (€) | 14 | - | 0.00 | 0.28 |
| Diluted earnings per share (€) | | - | 0.00 | 0.28 |



Consolidated statement of cash flows

| €'000 | Note | Q1 2024 | Q1 2023* |
|---|------|----------------|----------------|
| Cash flows from operating activities | | | |
| Cash receipts from customers ¹ | | 53,333 | 77,360 |
| Cash paid to suppliers ² | | (39,940) | (67,923) |
| VAT paid | | (3,112) | (2,692) |
| Cash paid to and for employees | | (4,859) | (5,716) |
| Income tax paid | | 0 | (324) |
| Net cash from operating activities | | 5,422 | 705 |
| Cash flows from investing activities | | | |
| Apaid for acquisition of property, plant and equipment | | (21) | (37) |
| Proceeds from sale of property, plant and equipment | 4 | 25 | 201 |
| Loans provided | | (18) | (508) |
| Repayments of loans provided | | 0 | 4 |
| Dividends received | | 6 | 12 |
| Interest received | | 39 | 2 |
| Net cash from (used in) investing activities | | 31 | (326) |
| Cash flows from financing activities | | | |
| Proceeds from loans received | | 108 | 1,234 |
| Repayments of loans received | | (633) | (1,330) |
| Dividends paid | | 0 | (588) |
| Lease payments | | (555) | (735) |
| Interest paid | | (278) | (294) |
| Other payments | | 99 | 0 |
| Net cash used in financing activities | | (1,259) | (1,713) |
| Net cash flow | | 4,194 | (1,334) |
| Cash and cash equivalents at beginning of period | | 11,892 | 7,238 |
| Effect of movements in foreign exchange rates | | (3) | (3) |
| Change in cash and cash equivalents | | 4,194 | (1,334) |
| Cash and cash equivalents at end of period | | 16,083 | 5,901 |

* In accordance with IFRS, the consolidated cash flows for 2023 have not been adjusted. The cash flows associated with Nordecon Betoön OÜ and NOBE Rakennus OY have been consolidated line by line.

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

| €'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 2022 | 14,379 | (660) | 2,554 | 635 | 3,316 | 2,691 | 22,915 | 4,345 | 27,260 |
| Profit (loss) for the period | 0 | 0 | 0 | 0 | 0 | (1,874) | (1,874) | 200 | (1,674) |
| Other comprehensive income | 0 | 0 | 0 | 0 | 169 | 0 | 169 | 0 | 169 |
| Transactions with owners | | | | | | | | | |
| Dividend distribution | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (588) | (588) |
| Total transactions with owners | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (588) | (588) |
| Balance at 31 March 2023 | 14,379 | (660) | 2,554 | 635 | 3,485 | 817 | 21,210 | 3,957 | 25,167 |
| Balance at 31 December 2023 | 14,379 | (660) | 2,554 | 635 | 3,786 | 919 | 21,613 | 925 | 22,538 |
| Profit (loss) for the period | 0 | 0 | 0 | 0 | 0 | (593) | (593) | 411 | (182) |
| Other comprehensive income | 0 | 0 | 0 | 0 | 51 | 0 | 51 | 0 | 51 |
| Balance at 31 March 2024 | 14,379 | (660) | 2,554 | 635 | 3,837 | 326 | 21,071 | 1,336 | 22,407 |



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 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 31 March 2024 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 2023.

According to management's assessment, the condensed consolidated interim financial statements of Nordecon AS for the first quarter of 2024 give a true and fair view of the group's financial performance and the parent and all its subsidiaries that are included in the financial statements are going concerns. The condensed consolidated interim financial statements have not been audited or otherwise checked by auditors and contain only the consolidated financial statements of the group.

NOTE 2. Trade and other receivables

| €'000 | Note | 31 March 2024 | 31 December 2023 |
|--|------|---------------|------------------|
| Current items | | | |
| Trade receivables | | 19,271 | 28,053 |
| Retentions receivable | | 2,435 | 3,042 |
| Receivables from related parties | 15 | 279 | 262 |
| Other receivables | | 170 | 217 |
| Total receivables and loans provided | | 22,155 | 31,574 |
| Due from customers for contract work | | 7,962 | 5,436 |
| Total current trade and other receivables | | 30,117 | 37,010 |

| €'000 | Note | 31 March 2024 | 31 December 2023 |
|--|------|---------------|------------------|
| Non-current items | | | |
| Receivables from related parties | 15 | 151 | 172 |
| Loans provided to related parties | 15 | 8,252 | 8,146 |
| Other non-current receivables | | 795 | 795 |
| Total non-current trade and other receivables | | 9,198 | 9,113 |

NOTE 3. Inventories

| €'000 | 31 March 2024 | 31 December 2023 |
|--|---------------|------------------|
| Raw materials and consumables | 5,915 | 5,749 |
| Work in progress | 8,824 | 10,440 |
| Parking spaces for sale | 215 | 223 |
| Properties purchased for development and pre-development costs | 9,812 | 9,467 |
| Total inventories | 24,766 | 25,879 |



NOTE 4. Property, plant and equipment and intangible assets

Property, plant and equipment

Additions to property, plant and equipment during the period totalled €464 thousand (Q1 2023: €534 thousand) and consisted of equipment and machinery required for the group's operating activities.

Proceeds from the sale of property, plant and equipment amounted to €25 thousand (see the statement of cash flows) and associated sales gain was €6 thousand (note 12). In the comparative period, sales proceeds and gain amounted to €201 thousand and €104 thousand, respectively.

Intangible assets

There were no significant transactions with intangible assets during the period.

NOTE 5. Borrowings

Current borrowings:

| €'000 | 31 March 2024 | 31 December 2023 |
|---------------------------------------|---------------|------------------|
| Short-term portion of long-term loans | 6,187 | 2,704 |
| Lease liabilities | 2,035 | 2,112 |
| Short-term bank loans | 5,529 | 5,372 |
| Total current borrowings | 13,751 | 10,188 |

Non-current borrowings:

| €'000 | 31 March 2024 | 31 December 2023 |
|-------------------------------------|---------------|------------------|
| Lease liabilities | 4,090 | 4,399 |
| Bank loans | 0 | 4,164 |
| Total non-current borrowings | 4,090 | 8,563 |

NOTE 6. Lease liabilities

Lease liabilities

| €'000 | 31 March 2024 | 31 December 2023 |
|---|---------------|------------------|
| Lease liabilities at end of period, of which | 6,125 | 6,511 |
| Not later than 1 year | 2,035 | 2,112 |
| Later than 1 year and not later than 5 years | 4,090 | 4,399 |
| Base currency € | 6,125 | 6,511 |
| Interest rate for contracts denominated in € ¹ | 5.0%-7.3% | 2.9%-7.2% |
| Frequency of payments | Monthly | Monthly |

¹ Includes leases with floating interest rates

Lease payments

| €'000 | Q1 2024 | Q1 2023 |
|---|---------|---------|
| Principal payments made during the period | 555 | 735 |
| Interest payments made during the period | 92 | 103 |

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



NOTE 7. Earnings per share

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

| €'000 | Q1 2024 | Q1 2023 |
|--|---------|---------|
| Net loss for the period attributable to owners of the parent (€'000) | (593) | (1,874) |
| Average number of shares (thousand) | 31,528 | 31,528 |
| Basic earnings per share (€) | (0.02) | (0.06) |
| Diluted earnings per share (€) | (0.02) | (0.06) |

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 intersegment transactions do not differ significantly from market prices. The chief operating decision maker reviews intersegment 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, intersegment transactions are conducted on regular market terms, which do not differ significantly from the terms applied in transactions with third parties.

Information about the results of the discontinued operation is presented in note 14.



First quarter

| €'000 | | | |
|---|---------------|----------------|---------------|
| Q1 2024 | Buildings | Infrastructure | Total |
| Continuing operations | | | |
| Total revenue | 43,408 | 2,808 | 46,216 |
| Of which: General contracting services | 39,456 | 1,517 | 40,973 |
| Road maintenance services | 0 | 895 | 895 |
| Lease services | 0 | 396 | 396 |
| Own development activities | 3,952 | 0 | 3,952 |
| Gross profit (loss) of the segment | 3,377 | (868) | 2,509 |

| €'000 | | | |
|---|---------------|----------------|---------------|
| Q1 2023 | Buildings | Infrastructure | Total |
| Continuing operations | | | |
| Total revenue | 30,673 | 2,849 | 33,522 |
| Of which: General contracting services | 28,500 | 560 | 29,060 |
| Subcontracting services | 0 | 927 | 927 |
| Road maintenance services | 0 | 1,112 | 1,112 |
| Lease services | 0 | 250 | 250 |
| Own development activities | 2,173 | 0 | 2,173 |
| Gross profit (loss) of the segment | 1,939 | (749) | 1,190 |

Reconciliation of segment revenues

| €'000 | Q1 2024 | Q1 2023 |
|--|---------------|---------------|
| Total revenues for reportable segments | 46,216 | 33,522 |
| Reportable segments' unallocated revenue | 29 | 27 |
| Consolidated revenue | 46,245 | 33,549 |

Reconciliation of segment profit (loss)

| €'000 | Q1 2024 | Q1 2023 |
|--------------------------------------|--------------|----------------|
| Total profit for reportable segments | 2,509 | 1,190 |
| Unallocated loss | (371) | (204) |
| Gross profit | 2,138 | 985 |
| Unallocated expenses: | | |
| Marketing and distribution expenses | (68) | (104) |
| Administrative expenses | (1,564) | (1,587) |
| Other operating income and expenses | (120) | 81 |
| Operating profit (loss) | 386 | (625) |
| Finance income | 137 | 69 |
| Finance costs | (705) | (885) |
| Loss before tax | (182) | (1,441) |

NOTE 9. Segment reporting – geographical information

| €'000 | Q1 2024 | Q1 2023 |
|------------------------------|---------------|---------------|
| Continuing operations | | |
| Estonia | 45,946 | 33,383 |
| Ukraine | 299 | 166 |
| Total revenue | 46,245 | 33,549 |

Information about the discontinued operation is presented in note 14.



NOTE 10. Cost of sales

| €'000 | Q1 2024 | Q1 2023 |
|---------------------------------------|---------------|---------------|
| Continuing operations | | |
| Cost of materials, goods and services | 40,348 | 28,211 |
| Staff costs | 3,135 | 3,683 |
| Depreciation expense | 524 | 573 |
| Other expenses | 100 | 97 |
| Total cost of sales | 44,107 | 32,564 |

Information about the discontinued operation is presented in note 14.

NOTE 11. Administrative expenses

| €'000 | Q1 2024 | Q1 2023 |
|---------------------------------------|--------------|--------------|
| Continuing operations | | |
| Staff costs | 787 | 831 |
| Cost of materials, goods and services | 492 | 484 |
| Depreciation and amortisation expense | 184 | 207 |
| Other expenses | 101 | 65 |
| Total administrative expenses | 1,564 | 1,587 |

Information about the discontinued operation is presented in note 14.

NOTE 12. Other operating income and expenses

| €'000 | Q1 2024 | Q1 2023 |
|---|-----------|------------|
| Continuing operations | | |
| Other operating income | | |
| Gain on disposal of property, plant and equipment | 6 | 104 |
| Other income | 20 | 5 |
| Total other operating income | 26 | 109 |

| €'000 | Q1 2024 | Q1 2023 |
|---------------------------------------|------------|-----------|
| Other operating expenses | | |
| Other expenses | 146 | 28 |
| Total other operating expenses | 146 | 28 |

Information about the discontinued operation is presented in note 14.

NOTE 13. Finance income and costs

| €'000 | Q1 2024 | Q1 2023 |
|------------------------------|------------|-----------|
| Continuing operations | | |
| Finance income | | |
| Interest income on loans | 92 | 54 |
| Other finance income | 45 | 15 |
| Total finance income | 137 | 69 |



| €'000 | Q1 2024 | Q1 2023 |
|----------------------------|------------|------------|
| Finance costs | | |
| Interest expense | 230 | 212 |
| Foreign exchange loss | 30 | 133 |
| Other finance costs | 445 | 540 |
| Total finance costs | 705 | 885 |

Information about the discontinued operation is presented in note 14.

NOTE 14. Discontinued operation

Sale of the investment in the subsidiary Nordecon Betoön OÜ

An extraordinary general meeting of Nordecon AS held on 29 November 2023 resolved to sell Nordecon AS's 52% stake in Nordecon Betoön OÜ. The transaction was finalised in early December 2023. The divested companies have been classified as a discontinued operation whose revenues and expenses for comparative periods are presented separately in the consolidated statement of comprehensive income within *Profit (loss) from a discontinued operation* and cash flows are presented in the consolidated statement of cash flows. The impact of the discontinued operation on the group's results for the reporting and the comparative period is presented below.

With the sale of its investment in Nordecon Betoön OÜ, the Nordecon group profitably exited the concrete work market, where it had competed as a subcontractor, and will subsequently focus on its core services: general contracting and design management. With the transaction, the group also withdrew from the Finnish market, where it had been operating through Nordecon Betoön OÜ's subsidiary NOBE Rakennus OY.

Impact of the discontinued operation on the consolidated statement of comprehensive income

| €'000 | Q1 2023 | 2023 |
|--|-------------|--------------|
| Discontinued operation | | |
| Revenue | 14,104 | 91,918 |
| Cost of sales | (13,767) | (85,401) |
| Gross profit | 337 | 6,517 |
| Marketing and distribution expenses | (32) | (218) |
| Administrative expenses | (283) | (2,351) |
| Other operating income | 3 | 63 |
| Other operating expenses | (5) | (24) |
| Operating profit | 20 | 3,987 |
| Finance income | 5 | 4,897 |
| Finance costs | (15) | (58) |
| Net finance income (costs) | (10) | 4,839 |
| Profit before tax | 10 | 8,826 |
| Income tax expense | 0 | (352) |
| Profit for the period from a discontinued operation | 10 | 8,474 |
| Basic earnings per share (€) from a discontinued operation | 0.00 | 0.28 |

NOTE 15. 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 | Q1 2024 | | Q1 2023 | |
|---|------------|----------|------------|-----------|
| Counterparty | Purchases | Sales | Purchases | Sales |
| AS Nordic Contractors | 512 | 0 | 614 | 0 |
| Companies of the AS Nordic Contractors group | 48 | 3 | 53 | 5 |
| Companies related to owners of AS Nordic Contractors | 0 | 0 | 168 | 43 |
| Companies related to members of the council and board | 0 | 0 | 3 | 0 |
| Total | 560 | 3 | 838 | 48 |

| €'000 | Q1 2024 | | Q1 2023 | |
|--------------------------|------------|----------|------------|-----------|
| Nature of transaction | Purchases | Sales | Purchases | Sales |
| Construction services | 0 | 0 | 0 | 43 |
| Transactions with goods | 0 | 0 | 168 | 0 |
| Lease and other services | 560 | 3 | 670 | 5 |
| Total | 560 | 3 | 838 | 48 |

During the period, the group recognised interest income on loans to an associate of €91 thousand (Q1 2023: €61 thousand).

Receivables from and liabilities to related parties at period-end

| €'000 | 31 March 2024 | | 31 December 2023 | |
|--|---------------|-------------|------------------|-------------|
| | Receivables | Liabilities | Receivables | Liabilities |
| AS Nordic Contractors | 0 | 110 | 0 | 10 |
| Companies of the AS Nordic Contractors group | 0 | 0 | 0 | 1 |
| Companies related to owners of AS Nordic Contractors | 427 | 38 | 433 | 46 |
| Associates – receivables and liabilities | 3 | 0 | 1 | 1 |
| Associate – loans and interest | 8,252 | 0 | 8,146 | 0 |
| Total | 8,682 | 148 | 8,580 | 58 |

Remuneration of the council and the board

The service fees of the members of the council of Nordecon AS for Q1 2024 totalled €50 thousand and the associated social security charges amounted to €17 thousand (Q1 2023: €37 thousand and €12 thousand, respectively).

The service fees of the members of the board of Nordecon AS totalled €130 thousand and the associated social security charges amounted to €43 thousand (Q1 2023: €115 thousand and €38 thousand, 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 first quarter of 2024 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.

Maret Tambek

Chairman of the Board

9 May 2024

Priit Luman

Member of the Board

9 May 2024

Tarmo Pohlak

Member of the Board

9 May 2024