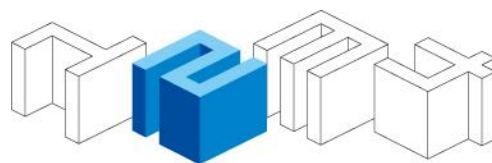




**Financial report for
the second quarter and first half of 2020
(unaudited)**





Financial report for the second quarter and first half of 2020 (unaudited)

Business name	Nordecon AS
Registry number	10099962
Address	Toompuiestee 35, 10133 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 2020 – 31 December 2020
Reporting period	1 January 2020 – 30 June 2020
Council	Toomas Luman (chairman of the council), Andri Hõbemägi, Andre Luman, Vello Kahro, Sandor Liive
Board	Gerd Müller (chairman of the board), Priit Luman, Maret Tambek
Auditor	KPMG Baltics OÜ



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Nordecon Group at a glance

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

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

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

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

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

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

VISION

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

MISSION

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

SHARED VALUES

Professionalism

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

Reliability

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

Openness

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

Employees

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



Directors' report

Strategic agenda for 2019-2022

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

Business lines and markets

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

Activities for implementing the strategy

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

Financial targets

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



Outlooks of the Group's geographical markets

Estonia

Processes and developments characterising the Estonian construction market:

- In 2020, public investments that influence the construction market will not increase significantly compared to 2019. In terms of the market as a whole, however, the impact of investments made by the largest public-sector entities (the state-owned real estate company Riigi Kinnisvara AS, the National Road Administration, the Centre for Defence Investment, etc.) that will reach the signature of a construction contract in 2020 will grow. The negative economic effects of the coronavirus (COVID-19) pandemic will reduce the volume of new orders placed by the private sector, which will affect mainly the second half of 2020 and next year.
- Competition remains stiff across the construction market, intensifying in different segments consistent with market developments. This is reflected in the consistently high number of bidders for construction contracts, which has grown even further against a backdrop of projections of an economic downturn. It is clear that in an environment of continuously rising input prices, which has emerged in recent years, companies that can operate more efficiently and invest more in the pre-construction phase, particularly design, will be more successful.
- In housing development, the success of a project will depend on the developer's ability to control the input prices included in its business plan and, thus, set sales prices that are affordable for prospective buyers. A certain market saturation, credit institutions' more limited financing of buyers and the COVID-19 pandemic, which has triggered an economic slowdown and growth in unemployment, are prolonging real estate sales.
- There is often a striking contrast between the stringent terms of public contracts, which impose on the contractor an increasing number of obligations, strict sanctions, different financial guarantee commitments, etc. and the modest eligibility criteria. Lenient qualification requirements and the precondition of making a low bid have made it relatively easy for an increasing number of builders to win a contract. However, they have also heightened the financial, completion delay and quality risks taken by customers during the contract performance and the subsequent warranty periods.
- The prices of construction inputs need not change in the near term but due to the adverse economic impacts of the COVID-19 pandemic the building construction market is going to contract in the second half of the year, which will probably lower relevant input prices.
- The shortage of skilled labour (including project and site managers) may decrease temporarily when the market shrinks, but in the long term the sector will need additional competent professionals, including foreign labour whose contribution has supported recent years' market growth. The restrictions imposed on labour mobility and the departure of foreign workers in connection with the COVID-19 pandemic have started causing some temporary delays in construction work, which may affect the originally planned construction schedules.

Ukraine

In Ukraine, we are mainly involved in general contracting and project management in the segment of building construction. Political and economic instability continues to restrict the adoption of business decisions but construction activity in Kyiv and the surrounding area has increased in recent years. We expect that in 2020 our business volumes in Ukraine will remain at a level comparable to 2019. We assess the situation in the Ukrainian construction market regularly and are ready to restructure our operations as and when necessary. We continue to seek opportunities for exiting our two real estate projects, which have been put on hold, or signing a construction contract with a prospective new owner.

Finland

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



Sweden

In the Swedish market, we offer mainly the construction of residential and non-residential buildings in the central part of the country. In gaining experience in the new market, we have prioritised quality and adherence to deadlines over profitability. The decline in real estate prices that emerged in 2018 has reduced demand for housing construction. As a result, the starting dates of many projects are being postponed. Compared to the peak in 2017, housing construction volumes have dropped by around a third. The slowdown has affected the Stockholm area the most. Even though the worst downturn seems to have ceased, there are no signs of growth yet and housing construction volumes are expected to shrink further in 2020. The trend is also influenced by the COVID-19 pandemic: there are signs of customers postponing their investment decisions until the situation has stabilised.



Description of the main risks

Business risks

The main factors which affect the Group's business volumes and profit margins are competition in the construction market and changes in demand for construction services. Demand for construction services continues to be strongly influenced by the volume of public investment, which, in turn, depends partly on the co-financing received from the EU structural funds.

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

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

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

Operational risks

To manage their daily construction risks, Group companies purchase contractors' all risks insurance. Depending on the nature of the project and the requests of the customer, both general frame agreements and special, project-specific insurance contracts are used. In addition, as a rule, subcontractors are required to secure the performance of their obligations with a bank guarantee provided to a Group company or the Group retains part of the amount due until the contract has been completed. To remedy construction deficiencies which may be detected during the warranty period, Group companies create warranty provisions based on their historical experience. At 30 June 2020, the Group's warranty provisions (including current and non-current ones) totalled 1,419 thousand euros (30 June 2019: 789 thousand euros).

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

Financial risks

Credit risk

Credit losses of the period amounted to 62 thousand euros. The Group did not incur any credit losses in the comparative period. The overall credit risk exposure of the portfolio of receivables is low because the solvency of prospective customers is evaluated, the share of public sector customers is large and customers' settlement behaviour is continuously monitored. The main indicator of the realisation of credit risk is settlement default that exceeds 180 days along with no activity on the part of the debtor that would confirm the intent to settle.

Liquidity risk

The Group remains exposed to higher than usual liquidity risk. At the reporting date, the Group's current ratio was 1.0 (30 June 2019: 0.93). The key factor which influences the current ratio is the classification of the Group's loans to its Ukrainian associate as non-current assets and the banks' general policy not to refinance interest-bearing liabilities (particularly overdrafts) for a period exceeding twelve months.



Because the political and economic situation in Ukraine is still complicated, we believe that the Group's Ukrainian investment properties cannot be realised in the short term. Accordingly, the Group's loan receivables from its Ukrainian associate of 8,135 thousand euros were classified as non-current assets 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. At 30 June 2020, the Group's short-term borrowings totalled 17,215 thousand euros (30 June 2019: 18,093 thousand euros).

The Group's cash and cash equivalents as at the reporting date amounted to 9,421 thousand euros (30 June 2019: 6,220 thousand euros).

Interest rate risk

The Group's interest-bearing liabilities to banks have both fixed and floating interest rates. Lease liabilities have mainly floating interest rates. The base rate for most floating-rate contracts is Euribor. Compared to the same period in 2019, the Group's interest-bearing borrowings have decreased by 1,533 thousand euros. Loan liabilities have decreased and lease liabilities have increased. Interest-bearing borrowings totalled 25,987 thousand euros at 30 June 2020 (30 June 2019: 27,520 thousand euros). Interest expense for the first half of 2020 amounted to 507 thousand euros (H1 2019: 446 thousand euros). The rise in interest expense is attributable to a rise in interest rates.

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

Currency risk

As a rule, the prices of construction contracts and subcontracts are fixed in the currency of the host country, i.e. in euros (EUR), Ukrainian hryvnias (UAH) and Swedish kronas (SEK).

The exchange rate of the hryvnia is unstable because the political and economic environment in Ukraine continues to be strained due to the conflict between Ukraine and Russia, which broke out at the beginning of 2014, and the discontinuance of the determination of the national currency's indicative exchange rate by the National Bank of Ukraine at the beginning of 2015. The hryvnia weakened against the euro by approximately 11.8% in the first half of 2020. As a result, the Group's Ukrainian subsidiaries, which have to translate their euro-denominated loans into the local currency, recognised a foreign exchange loss of 704 thousand euros (H1 2019: a gain of 377 thousand euros). Exchange gains and losses on financial instruments are recognised in *Finance income* and *Finance costs*, respectively. Translation of receivables and liabilities from operating activities did not give rise to any exchange gains or losses.

Our Ukrainian and non-Ukrainian entities' reciprocal receivables and liabilities that are related to the construction business and denominated in hryvnias do not give rise to any exchange gains or losses. Nor do the loans provided to the Ukrainian associate in euros give rise to any exchange gains or losses in the Group's financial statements.

The exchange rate of the Swedish krona against the euro did not change significantly in the first half of 2020. The translation of a loan provided to the Swedish subsidiary in euros into the local currency (the difference between the exchange rates at the date the loan was provided and at the reporting date) gave rise to an exchange gain of 132 thousand euros (H1 2019: a loss of 206 thousand euros). The impacts of movements in the exchange rate are recognised within *Finance income* and *Finance costs* in the statement of comprehensive income.

We have not acquired derivatives to hedge our currency risk.



Employee and work environment risks

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

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

Environmental risks

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

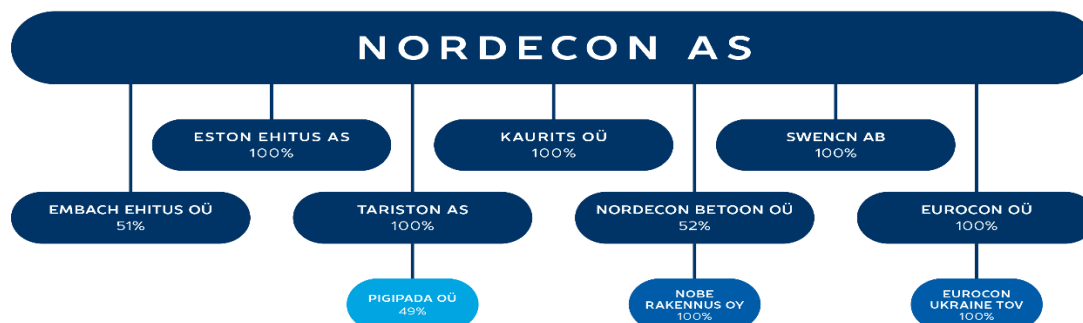
Corruption and ethical risks

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



Group structure

The Group's structure at 30 June 2020, including interests in subsidiaries and associates *



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

Significant changes in Group structure

Increase in ownership interest in Embach Ehitus OÜ

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



The Group's operations in Estonia and foreign markets

Changes in the Group's Estonian operations

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

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

We did not enter any new operating segments in Estonia.

Foreign markets

Ukraine

There were no changes in our Ukrainian operations during the period under review. In the first half of 2020, our business activity in Ukraine decreased compared to the same period in 2019. The Group maintains a conservative approach: we sign contracts only when we are certain that the risks involved are reasonable given the circumstances.

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

Finland

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.

Sweden

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



Performance by geographical market

The revenue contribution of foreign markets continued to grow. Revenue earned outside Estonia accounted for 12% of total revenue for in the first half of 2020 compared with 9% for the same period in 2019.

	H1 2020	H1 2019	H1 2018	2019
Estonia	88%	91%	93%	89%
Sweden	6%	2%	2%	5%
Finland	5%	4%	1%	4%
Ukraine	1%	3%	4%	2%

The revenue contribution of the Swedish market grew significantly year on year. During the period, we worked in Sweden on three building construction contracts secured as a general contractor and one concrete work subcontract. Finnish revenues remained stable compared with the same period last year and resulted from concrete works in the building construction segment. Revenue generated in the Ukrainian market and its proportionate share in our total revenue decreased.

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

Performance by business line

Segment revenues

The Group's revenue for in the first half of 2020 amounted to 136,798 thousand euros, a roughly 36% improvement on the 100,441 thousand euros generated in the first half of 2019. Based on the order book at the end of 2019, revenue growth was entirely expected (see the chapter *Order book*). Growth was driven by the Buildings segment which increased revenue by 48%. The revenue of the Infrastructure segment remained comparable to the first half of 2019.

The limited volume of infrastructure construction projects, which is affecting the entire Estonian construction market, is also reflected in our revenue structure. In in the first half of 2020, our Buildings and Infrastructure segments generated revenue of 112,607 thousand euros and 24,106 thousand euros, respectively. The corresponding figures for in the first half of 2019 were 76,065 thousand euros and 24,213 thousand euros (see note 8).

Operating segments *	H1 2020	H1 2019	H1 2018	2019
Buildings	81%	74%	76%	70%
Infrastructure	19%	26%	24%	30%

* 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

All subsegments in the Buildings segment improved their revenue year on year. The strongest revenue contributors were the public buildings, commercial buildings and apartment buildings subsegments while the revenue contribution of the industrial and warehouse facilities subsegment continued to be modest.

The largest revenue source in the Buildings segment was the public buildings subsegment, which increased its revenue more than two times compared to the first half of 2019. The subsegment's biggest projects were the Estonian Academy of Security Sciences and the University of Tartu Learning Centre in Narva, a storage complex at the defence forces' base at Tapa, Kindluse Kool – a new basic school in Järveküla near Tallinn and the Annelinn upper secondary school in Tartu.

During the period, the largest projects of the commercial buildings subsegment were in Tallinn: the reconstruction and extension of the building of Terminal D in the Old City Harbour, construction works in phase I and concrete works in phase II of the Porto Franco commercial and office development next to the Admiralty Basin, and the construction of a seven-floor commercial building in Rotermann City and a multi-storey car park at Sepapaja 1.

A significant share of our Estonian apartment building projects is located in Tallinn. During the period under review, the largest of them were the design and construction of the first two phases of the Kalaranna quarter and the design and construction of the Tiskreoja residential area on the western border of Tallinn. Similarly to previous periods, a major share of the subsegment's revenue came from the construction of apartment buildings in Sweden.

We continue to build our own housing development projects in Tallinn and Tartu (reported in the apartment buildings subsegment). During the period, we completed a five-floor apartment building with 24 apartments at Võidujooksu 8c in Tallinn (www.voidujooksu.ee). Revenue from our own real estate development operations amounted to 2,354 thousand euros (H1 2019: 3,792 thousand euros). In carrying out our own real estate development activities, we monitor closely potential risks in the housing development market.

The amount and share of revenue generated by the industrial and warehouse facilities subsegment grew year on year. However, the values of projects in progress have decreased, amounting to 2 million euros on average. Based on the order book, we expect that the subsegment's revenue contribution will remain modest in 2020.

Revenue breakdown in the Buildings segment	H1 2020	H1 2019	H1 2018	2019
Public buildings	34%	24%	26%	29%
Commercial buildings	30%	35%	36%	36%
Apartment buildings	27%	33%	23%	27%
Industrial and warehouse facilities	9%	8%	15%	8%

Similarly to previous periods, the main revenue source in the Infrastructure segment was road construction and maintenance. A significant share of revenue resulted from the performance of construction contracts secured in 2019: the construction of the Kernu bypass and the Kernu filling station and Haiba junctions on the Tallinn-Pärnu-Ikla road, the reconstruction of the Vinso-Kirmsi section of the Võru-Räpina road and the construction of roads in the northern and southern parts of the defence forces' central training area. We also continued to provide road maintenance services in Järva and Hiiu counties and the Kose maintenance area in Harju county.

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

Work continued on the construction of a 640-metre waterfront promenade at Sillamäe, which accounted for a significant share of the revenue of the specialist engineering subsegment.

Revenue breakdown in the Infrastructure segment	H1 2020	H1 2019	H1 2018	2019
Road construction and maintenance	80%	77%	90%	78%
Other engineering	14%	20%	7%	18%
Specialist engineering (including hydraulic engineering)	5%	0%	0%	1%
Environmental engineering	1%	3%	3%	3%



Financial review

Financial performance

Nordecon ended the first half of 2020 with a gross profit of 6,007 thousand euros (H1 2019: 3,294 thousand euros). The gross margin improved noticeably year on year, rising to 4.4% for the first half (H1 2019: 3.3%) and 5.9% for the second quarter (Q2 2019: 4.9%). Both of our operating segments, Buildings and Infrastructure, earned a profit in the first half and the second quarter of 2020. The gross margin of the Buildings segment, which was 5.0% for the first half and 5.5% for the second quarter, dropped somewhat compared the same period in 2019 (H1 2019: 5.5% and Q2 2019: 6.1%). The slight margin decrease is attributable to a housing development project completed in Sweden, which resulted in a loss. The Infrastructure segment, on the other hand, succeeded in improving its gross margin substantially. This was supported by an earlier start of the road construction season and a strong order book. Asphalt concrete production in the second quarter grew year on year, providing cover for fixed costs, the largest share of which is made up of costs related to plant and equipment required for asphalt concrete production and laying. The Infrastructure segment's gross margins were 3.4% for the first half and 8.7% for the second quarter compared to -1.4% and 3.5% in the corresponding periods in 2019.

The Group's administrative expenses for the first half of 2020 totalled 3,860 thousand euros. Compared to the same period in 2019, administrative expenses increased by around 27% (H1 2019: 3,048 thousand euros). The rise is attributable to growth in personnel expenses and depreciation (see note 11) as well as the fact that Embach Ehitus OÜ became a subsidiary of the Group (see the chapter *Group structure*). The ratio of administrative expenses to revenue (12 months rolling) decreased compared to the same period last year and was 2.8% (H1 2019: 2.9%).

The Group ended the first half of 2020 with an operating profit of 2,013 thousand euros (H1 2019: an operating loss of 205 thousand euros). EBITDA was positive at 3,694 thousand euros (H1 2019: 1,281 thousand euros).

Finance income and costs continued to be influenced by exchange rate fluctuations in the Group's foreign markets. During the period, the Ukrainian hryvnia weakened against the euro by 11.8% and the Group recognised a foreign exchange loss of 704 thousand euros from the translation of loans provided to the Ukrainian subsidiaries in euros (H1 2019: an exchange gain of 377 thousand euros). The Swedish krona/euro exchange rate did not change significantly in the first half of 2020. The exchange gain recognised in finance income in connection with the translation of the loan provided to the Swedish subsidiary in euros amounted to 132 thousand euros (H1 2019: an exchange loss of 206 thousand euros). On the other hand, the movements in foreign exchange rates increased the foreign currency translation reserve in equity by 815 thousand euros (H1 2019: reduced by 262 thousand euros).

The Group's net profit amounted to 1,419 thousand euros (H1 2019: a net loss of 574 thousand euros). The amount attributable to owners of the parent, Nordecon AS, was a loss of 156 thousand euros (H1 2019: a loss of 793 thousand euros).

Cash flows

In the first half of 2020, operating activities produced a net cash inflow of 1,787 thousand euros (H1 2019: an inflow of 1,502 thousand euros). The key factor that affects operating cash flow is the mismatch between the settlement terms agreed with customers and suppliers. Operating cash flow is also strongly influenced by the fact that the contracts signed with most public and private sector customers do not require them to make advance payments while the Group has to make prepayments to subcontractors, materials suppliers, etc. Cash inflow is also reduced by contractual retentions, which extend from 5 to 10% of the contract price and are released at the end of the construction period only.

Investing activities resulted in a net cash inflow of 3,929 thousand euros (H1 2019: an inflow of 175 thousand euros). The transaction with the strongest impact was the transformation of Embach Ehitus OÜ from an associate into a subsidiary, which generated cash inflow of 3,605 thousand euros. Cash flow was also influenced by payments made for the acquisition of property, plant and equipment of 102 thousand euros (H1 2019: 165 thousand euros), proceeds from the sale of property, plant and equipment of 165 thousand euros (H1 2019: 99 thousand euros) and dividends received of 251 thousand euros (H1 2019: 244 thousand euros).



Financing activities generated a net cash outflow of 3,316 thousand euros (H1 2019: an outflow of 3,121 thousand euros). The largest items were loan and lease payments and dividends paid. Proceeds from loans received totalled 1,228 thousand euros, comprising the use of the overdraft facility and development loans (H1 2019: 3,328 thousand euros). Loan repayments totalled 2,077 thousand euros (H1 2019: 2,265 thousand euros), consisting of regular repayments of long-term investment and development loans. Lease payments totalled 1,487 thousand euros (H1 2019: 1,574 thousand euros). Dividends paid in the first half of 2020 amounted to 472 thousand euros (H1 2019: 2,129 thousand euros).

The Group's cash and cash equivalents totalled 9,421 thousand euros at 30 June 2020 (30 June 2019: 6,220 thousand euros). Management's commentary on liquidity risks is presented in the chapter *Description of the main risks*.

Key financial figures and ratios

Figure/ratio	H1 2020	H1 2019	H1 2018	2019
Revenue (EUR '000)	136,798	100,441	105,658	234,071
Revenue change	36%	-5%	2%	4.7%
Net profit/loss (EUR '000)	1,419	-574	-524	4,149
Net profit/loss attributable to owners of the parent (EUR '000)	-156	-793	-532	3,378
Weighted average number of shares	31,528,585	31,528,585	30,986,585	31,528,585
Earnings per share (EUR)	0.00	-0.03	-0.02	0.11
Administrative expenses to revenue	2.8%	3.0%	3.2%	2.9%
Administrative expenses to revenue (rolling)	2.8%	2.9%	3.1%	2.9%
EBITDA (EUR '000)	3,694	1,281	606	7,311
EBITDA margin	2.7%	1.3%	0.6%	3.1%
Gross margin	4.4%	3.3%	3.0%	5.0%
Operating margin	1.5%	-0.2%	-0.4%	1.8%
Operating margin excluding gain on asset sales	1.5%	-0.3%	-0.4%	1.7%
Net margin	1.0%	-0.6%	-0.5%	1.8%
Return on invested capital	3.3%	0.6%	0.5%	10.0%
Return on equity	4.1%	-1.8%	-1.6%	12.5%
Equity ratio	25.8%	25.5%	25.4%	27.9%
Return on assets	1.1%	-0.5%	-0.4%	3.7%
Gearing	26.8%	36.7%	35.2%	33.8%
Current ratio	1.00	0.93	0.98	1.01
As at	30 June 2020	30 June 2019	30 June 2018	31 Dec 2019
Order book (EUR '000)	187,018	179,691	131,552	227,545

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 187,018 thousand euros at 30 June 2020, a 4% increase year on year. In the second quarter, we signed new contracts of 47,850 thousand euros (Q2 2019: 65,901 thousand euros). Between the reporting date (30 June 2020) and the date of release of this report, Group companies have secured additional construction contracts in the region of 62,679 thousand euros, the largest of which are the contracts for the construction of a new academic building for the Saaremaa Upper Secondary School and phase III of the Maarjamõisa Medical Campus of the Tartu University Hospital (Tartu Ülikooli Kliinikum).

As at	30 June 2020	30 June 2019	30 June 2018	31 Dec 2019
Order book (EUR '000)	187,018	179,691	131,552	227,545

At the reporting date, contracts secured by the Buildings segment and the Infrastructure segment accounted for 76% and 24% of the Group's total order book, respectively (30 June 2019: 81% and 19%, respectively). Compared to 30 June 2019, the order book of the Buildings segment has decreased by around 3% and the order book of the Infrastructure segment has increased by 33%.

Both the apartment buildings and the public buildings subsegment account for a third of the order book of the Buildings segment: 32% and 30%, respectively. A significant share of the order book of the apartment buildings subsegment is made up of a contract of around 40 million euros for the design and construction of the first two phases of the Kalaranna quarter in Tallinn. The subsegment's order book also includes the work secured but not yet performed in Sweden where the Group continues to build two apartment buildings: one near Uppsala city centre and the other in the Bromma district in Stockholm. A major share of the order book of the public buildings subsegment is made up of contracts signed in 2019 for the construction of the Kohtla-Järve sports and health centre, a storage complex at the defence forces' base at Tapa and Kindluse Kool – a basic school in Järveküla near Tallinn. In 2020, the portfolio has increased by contracts for the extension of the office building of the Estonian Foreign Intelligence Service in Rahumäe tee in Tallinn and the construction of a family health centre and multi-storey car park for Tartu Kesklinna Perearstikeskus in Tartu and two contracts for the reconstruction of two schools in East Ukraine with the total value of 3.5 million euros. A significant share of the order book of the industrial and warehouse facilities subsegment is made up of contracts for the construction of a dairy complex for E-Piim in Paide and two shed complexes in Finland. The order book of the commercial buildings subsegment has decreased substantially year on year. The largest project in progress is in Tallinn: the construction of a new seven-floor commercial building in Rotermann City.

Contracts secured by the road construction and maintenance subsegment account for 65% of the order book of the Infrastructure segment. The size of the order book is strongly influenced by the contract secured in the second quarter for the construction of the Vão junction on the eastern border of Tallinn. In 2020, we have also signed five contracts of 2-3 million euros each and 12 million euros in total with the National Road Administration. Nordecon Group continues to provide road maintenance services in three road maintenance areas: Järva, Hiiu and Kose. Other engineering contracts account for 24% of the order book of the Infrastructure segment. A major share of the order book of the other engineering subsegment is made up of a contract secured in 2019 for the construction of foundations for 73 wind turbines in the Nysäter wind farm in northern Sweden, near Sundsvall.

Based on our order book where around half is made up of contracts that will continue into 2021 and 2022, we expect that in 2020 the Group's revenue will increase compared with 2019. However, the volume of orders placed by private sector customers has dropped significantly. Customers' pressure on general contractors for lowering prices has increased while the input prices offered by subcontractors have not decreased as expected. This has put profit margins under strong pressure. In an environment of stiff competition, we have avoided taking unjustified risks whose realisation in the contract performance phase would have an adverse impact on the Group's results. Our preferred policy is to keep fixed costs under control and monitor market developments closely.



People

Employees and personnel expenses

In the first half of 2020, the Group (the parent and the subsidiaries) employed, on average, 707 people, including 442 engineers and technical personnel (ETP). Headcount increased by around 4% compared with the same period in 2019. The number of engineers and technical personnel grew, partly due to a change in the Group's structure: Embach Ehitus OÜ became a subsidiary (see the chapter *Group structure*).

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

	H1 2020	H1 2019	H1 2018	2019
ETP	442	405	426	414
Workers	265	273	268	273
Total average	707	678	694	687

The Group's personnel expenses for the first half of 2020 including all taxes, totalled 13,703 thousand euros. The figure for the first half of 2019 was 11,036 thousand euros. Personnel expenses grew by around 24% year on year due to the payment of performance bonuses as well as the fact that Embach Ehitus OÜ became a subsidiary as described above.

The service fees of the members of the council of Nordecon AS for the first half of 2020 amounted to 93 thousand euros and associated social security charges totalled 31 thousand euros (H1 2019: 94 thousand euros and 31 thousand euros, respectively).

The service fees of the members of the board of Nordecon AS amounted to 266 thousand euros and associated social security charges totalled 88 thousand euros (H1 2019: 278 thousand euros and 93 thousand euros, respectively).

Labour productivity and labour cost efficiency

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

	H1 2020	H1 2019	H1 2018	2019
Nominal labour productivity (rolling), (EUR '000)	385.4	321.5	327.4	340.6
Change against the comparative period, %	19.9%	-1.8%	10.4%	4.7%
Nominal labour cost efficiency (rolling), (EUR)	9.7	9.3	9.9	9.2
Change against the comparative period, %	3.7%	-6.3%	-2.1%	-5.0%

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

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

The Group's nominal labour productivity and nominal labour cost efficiency increased year on year in connection with revenue growth.



Share and shareholders

Share information

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

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

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

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

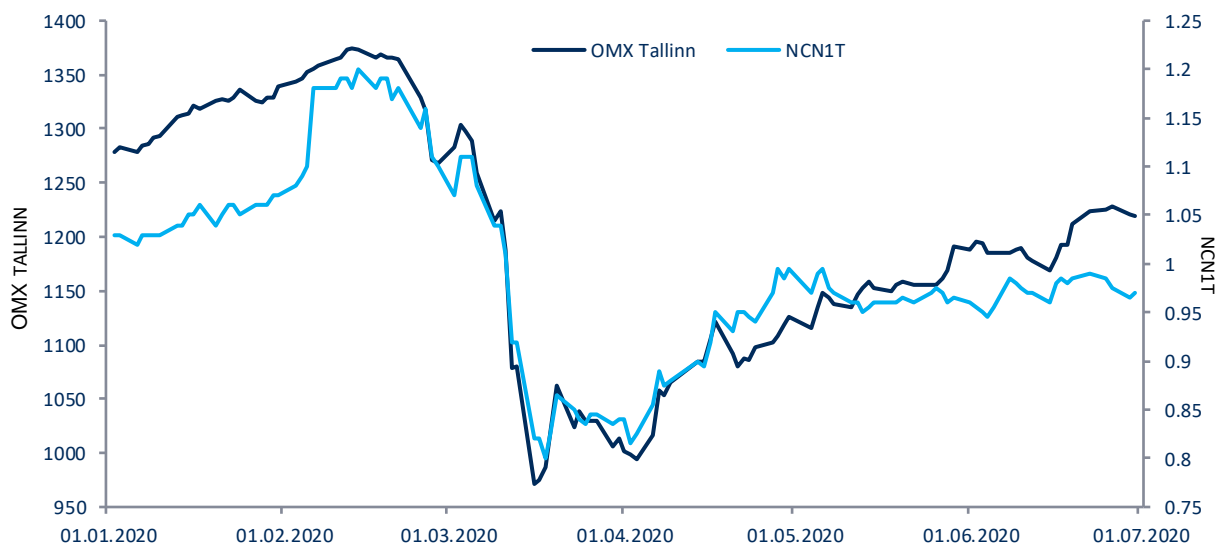
Movements in the price and trading volume of the Nordecon AS share in H1 2020

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





Movement of the share price compared to the OMX Tallinn index in H1 2020



Index/equity	1 January 2020*	30 June 2020	+/-
■ OMX Tallinn	1,279.70	1,219.97	-4.67%
■ NCN1T	EUR 1.03	EUR 0.97	-5.83%

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

Summarised trading results

Share trading history (EUR)

Price	H1 2020	H1 2019	H1 2018
Open	1.04	0.91	1.25
High	1.20	1.05	1.29
Low	0.78	0.89	1.08
Last closing price	0.97	0.93	1.08
Traded volume (number of securities traded)	4,158,595	2,428,642	1,103,785
Turnover, in EUR millions	3.96	2.41	1.32
Listed volume (30 June), in thousands	32,375	32,375	32,375
Market capitalisation (30 June), in EUR millions	31.40	30.11	34.97

Shareholder structure

Largest shareholders in Nordecon AS at 30 June 2020

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	17,507,464	54.08
Luksusjaht AS	4,288,403	13.25
SEB Pank AS clients	553,188	1.71
Olegs Radcenko	517,029	1.60
Mati Kalme	490,000	1.51
Lembit Talpsepp	349,786	1.08
ASM Investments OÜ	310,000	0.96
SEB Life and Pension Baltic SE Estonian branch	255,000	0.79
Genadi Bulatov	250,600	0.77
Svenska Handelsbanken clients	211,112	0.65



Shareholder structure of Nordecon AS at 30 June 2020

	Number of shareholders	Ownership interest (%)
Shareholders with interest exceeding 5%	2	67.32
Shareholders with interest from 1% to 5%	4	5.90
Shareholders with interest below 1%	2,986	24.16
Holder of own (treasury) shares	1	2.62
Total	2,993	100

Shares controlled by members of the council of Nordecon AS at 30 June 2020

Council member		Number of shares	Ownership interest (%)
Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad)*	Chairman of the Council	17,579,144	54.30
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
Total		17,664,144	54.56

* Companies controlled by the individual

Shares controlled by members of the board of Nordecon AS at 30 June 2020

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

Share option plan

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

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

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

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

At 30 June 2020, options for the acquisition of 229,857 shares had been exercised, options for the acquisition of 800,398 shares had expired and options for the acquisition of 588,500 shares were still exercisable.



Management's confirmation and signatures

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

Gerd Müller

Chairman of the Board

6 August 2020

Priit Luman

Member of the Board

6 August 2020

Maret Tambek

Member of the Board

6 August 2020



Condensed consolidated interim financial statements

Consolidated statement of financial position

EUR '000	Note	30 June 2020	31 December 2019
ASSETS			
Current assets			
Cash and cash equivalents		9,421	7,032
Trade and other receivables	2	53,272	37,563
Prepayments		3,987	1,813
Inventories	3	22,856	21,142
Total current assets		89,536	67,550
Non-current assets			
Investments in equity-accounted investees		1,316	2,369
Other investments		26	26
Trade and other receivables	2	8,575	8,435
Investment property		6,301	5,530
Property, plant and equipment		18,401	19,002
Intangible assets		14,815	14,736
Total non-current assets		49,434	50,098
TOTAL ASSETS		138,970	117,648
LIABILITIES			
Current liabilities			
Borrowings	5, 6	17,215	11,058
Trade payables		51,339	40,730
Other payables		10,492	7,954
Deferred income		9,824	6,391
Provisions		628	716
Total current liabilities		89,498	66,849
Non-current liabilities			
Borrowings	5, 6	8,776	16,326
Trade payables		2,889	98
Other payables		177	177
Provisions		1,731	1,425
Total non-current liabilities		13,573	18,026
TOTAL LIABILITIES		103,071	84,875
EQUITY			
Share capital		14,379	14,379
Own (treasury) shares		-660	-660
Share premium		635	635
Statutory capital reserve		2,554	2,554
Translation reserve		1,984	1,169
Retained earnings		13,723	12,383
Total equity attributable to owners of the parent		32,615	30,460
Non-controlling interests		3,284	2,313
TOTAL EQUITY		35,899	32,773
TOTAL LIABILITIES AND EQUITY		138,970	117,648



Consolidated statement of comprehensive income

EUR '000	Note	H1 2020	Q2 2020	H1 2019	Q2 2019	2019
Revenue	8, 9	136,798	81,874	100,441	65,917	234,071
Cost of sales	10	-130,791	-77,055	-97,147	-62,669	-222,302
Gross profit		6,007	4,819	3,294	3,248	11,769
Marketing and distribution expenses		-202	-74	-498	-152	-784
Administrative expenses	11	-3,860	-2,061	-3,048	-1,555	-6,837
Other operating income	12	178	29	67	11	315
Other operating expenses	12	-110	-57	-20	-7	-193
Operating profit/loss		2,013	2,656	-205	1,545	4,270
Finance income	13	249	193	495	224	1,277
Finance costs	13	-1,241	338	-663	-299	-1,219
Net finance costs/income		-992	531	-168	-75	58
Share of profit of equity-accounted investees		479	510	252	302	585
Profit/loss before income tax		1,500	3,697	-121	1,772	4,913
Income tax expense		-81	-81	-453	-453	-764
Profit/loss for the period		1,419	3,616	-574	1,319	4,149
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translating foreign operations		815	-434	-262	-218	-823
Total other comprehensive income/expense		815	-434	-262	-218	-823
TOTAL COMPREHENSIVE INCOME/EXPENSE		2,234	3,182	-836	1,101	3,326
Profit/loss attributable to:						
- Owners of the parent		-156	2,513	-793	1,169	3,378
- Non-controlling interests		1,575	1,103	219	150	771
Profit/loss for the period		1,419	3,616	-574	1,319	4,149
Total comprehensive income/expense attributable to:						
- Owners of the parent		659	2,079	-1,055	951	2,555
- Non-controlling interests		1,575	1,103	219	150	771
Total comprehensive income/expense for the period		2,234	3,182	-836	1,101	3,326
Earnings per share attributable to owners of the parent:						
Basic earnings per share (EUR)	7	-0.01	0.08	-0.03	0.04	0.11
Diluted earnings per share (EUR)	7	-0.01	0.08	-0.03	0.04	0.11



Consolidated statement of cash flows

EUR '000	Note	H1 2020	H1 2019
Cash flows from operating activities			
Cash receipts from customers ¹		154,207	108,300
Cash paid to suppliers ²		-132,626	-93,163
VAT paid		-6,055	-2,104
Cash paid to and for employees		-13,658	-11,385
Income tax paid		-81	-146
Net cash from operating activities		1,787	1,502
Cash flows from investing activities			
Paid on acquisition of property, plant and equipment		-102	-165
Proceeds from sale of property, plant and equipment	4	165	99
Acquisition of a subsidiary		-2	0
Cash received on acquisition of a subsidiary		3,605	0
Loans provided		-14	-14
Repayment of loans provided		21	6
Dividends received		251	244
Interest received		5	5
Net cash from investing activities		3,929	175
Cash flows from financing activities			
Proceeds from loans received		1,228	3,328
Repayment of loans received		-2,077	-2,265
Lease payments made	6	-1,487	-1,574
Interest paid		-508	-481
Dividends paid		-472	-2,129
Net cash used in financing activities		-3,316	-3,121
Net cash flow		2,400	-1,444
Cash and cash equivalents at beginning of period		7,032	7,678
Effect of movements in foreign exchange rates		-11	-14
Increase/decrease in cash and cash equivalents		2,400	-1,444
Cash and cash equivalents at end of period		9,421	6,220

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

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



Consolidated statement of changes in equity

EUR '000	Equity attributable to owners of the parent							Non-controlling interests	Total
	Share capital	Treasury shares	Capital reserve	Share premium	Translation reserve	Retained earnings	Total		
Balance at 31 December 2018	16,321	-693	2,554	618	1,992	10,896	31,688	2,021	33,709
Loss for the period	0	0	0	0	0	-793	-793	219	-574
Other comprehensive expense	0	0	0	0	-262	0	-262	0	-262
Transactions with owners									
Dividend distribution	0	0	0	0	0	-1,891	-1,891	-479	-2,370
Total transactions with owners	0	0	0	0	0	-1,891	-1,891	-479	-2,370
Balance at 30 June 2019	16,321	-693	2,554	618	1,730	8,212	28,742	1,761	30,503
Balance at 31 December 2019	14,379	-660	2,554	635	1,169	12,383	30,460	2,313	32,773
Profit for the period	0	0	0	0	0	-156	-156	1,575	1,419
Other comprehensive income	0	0	0	0	815	0	815	0	815
Changes in non-controlling interests	0	0	0	0	0	1,496	1,496	-604	892
Balance at 30 June 2020	14,379	-660	2,554	635	1,984	13,723	32,615	3,284	35,899



Notes to the condensed consolidated interim financial statements

NOTE 1. Significant accounting policies

Nordecon AS is a company incorporated and domiciled in Estonia. The address of the company's registered office is Toompuiestee 35, 10133 Tallinn, Estonia. Nordecon AS's majority shareholder and the party controlling Nordecon Group is AS Nordic Contractors that holds 54.08% 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 June 2020 have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. The condensed interim financial statements do not contain all the information presented in the annual financial statements and should be read in conjunction with the Group's latest published annual financial statements as at and for the year ended 31 December 2019.

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

NOTE 2. Trade and other receivables

EUR '000	Note	30 June 2020	31 December 2019
Current items			
Trade receivables		34,323	29,141
Retentions receivable		557	763
Receivables from related parties	14	496	739
Other receivables		302	46
Total receivables		35,678	30,689
Due from customers for contract work		17,594	6,874
Total current trade and other receivables		53,272	37,563

EUR '000	Note	30 June 2020	31 December 2019
Non-current items			
Loans to related parties	14	8,136	8,015
Other non-current receivables		439	420
Total non-current trade and other receivables		8,575	8,435

NOTE 3. Inventories

EUR '000	30 June 2020	31 December 2019
Raw materials and consumables	3,582	3,149
Work in progress	4,581	6,964
Apartments and parking spaces for sale	734	230
Properties purchased for development and pre-development costs	13,959	10,799
Total inventories	22,856	21,142



NOTE 4. Property, plant and equipment and intangible assets

Property, plant and equipment

In the first half of 2020, additions to property, plant and equipment totalled 436 thousand euros (H1 2019: 1,334 thousand euros) and comprised equipment and construction machinery required for the Group's business.

Proceeds from sales of property, plant and equipment amounted to 165 thousand euros (see the statement of cash flows) and sales gain on the transactions amounted to 22 thousand euros (note 12). In the comparative period, proceeds from sales of property, plant and equipment amounted to 99 thousand euros and sales gain on the transactions amounted to 60 thousand euros.

Intangible assets

There were no significant transactions with intangible assets in the first half of 2020.

NOTE 5. Borrowings

Current borrowings

EUR '000	Note	30 June 2020	31 December 2019
Short-term portion of long-term loans		7,640	3
Lease liabilities	6	3,282	2,670
Short-term bank loans		6,293	8,385
Total current borrowings		17,215	11,058

Non-current borrowings

EUR '000	Note	30 June 2020	31 December 2019
Long-term portion of long-term bank loans		2,024	8,418
Derivative financial instruments		4	6
Lease liabilities	6	6,748	7,902
Total non-current borrowings		8,776	16,326

NOTE 6. Leases

Lease liabilities

EUR '000	30 June 2020	31 December 2019
Lease liabilities at end of period, of which	10,030	10,572
Not later than 1 year	3,282	2,670
Later than 1 year and not later than 5 years	6,748	7,902
Base currency EUR	10,030	10,572
Interest rate for contracts denominated in EUR ¹	2.0%-4.0%	2.0%-4.0%
Frequency of payments	Monthly	Monthly

¹ Includes leases with floating interest rates

Lease payments

EUR '000	H1 2020	H1 2019
Principal payments made during the period	1,487	1,578
Interest payments made during the period	172	106

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 twelve months or less.



NOTE 7. Earnings per share

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

EUR '000	H1 2020	H1 2019
Profit/loss for the period attributable to owners of the parent (EUR '000)	-156	-793
Weighted average number of shares (in thousands)	31,521	31,521
Basic earnings per share (EUR)	-0.01	-0.03
Diluted earnings per share (EUR)	-0.01	-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.



Second quarter

EUR '000 Q2 2020	Buildings	Infrastructure	Total
Total revenue	63,652	18,214	81,866
Of which: General contracting services	57,694	16,768	74,462
Subcontracting services	3,604	279	3,883
Own development activities	2,354	0	2,354
Road maintenance services	0	845	845
Rental services	0	389	389
Inter-segment revenue	0	-67	-67
Revenue from external customers	63,652	18,214	81,866
Gross profit of the segment	3,472	1,584	5,056

EUR '000 Q2 2019	Buildings	Infrastructure	Total
Total revenue	47,433	18,470	65,903
Of which: General contracting services	41,122	14,568	55,690
Subcontracting services	2,519	2,661	5,180
Own development activities	3,792	0	3,792
Road maintenance services	0	919	919
Rental services	0	322	322
Inter-segment revenue	-5	-49	-54
Revenue from external customers	47,428	18,421	65,849
Gross profit of the segment	2,896	643	3,539

First half-year

EUR '000 H1 2020	Buildings	Infrastructure	Total
Total revenue	112,607	24,106	136,713
Total revenue	102,621	20,917	123,538
Of which: General contracting services	6,282	573	6,855
Subcontracting services	2,354	0	2,354
Own development activities	1,350	0	1,350
Road maintenance services	0	2,039	2,039
Rental services	0	645	645
Inter-segment revenue	0	-68	-68
Revenue from external customers	112,607	24,106	136,713
Gross profit of the segment	5,661	821	6,482

EUR '000 H1 2019	Buildings	Infrastructure	Total
Total revenue	76,070	24,262	100,332
Of which: General contracting services	68,253	17,292	85,545
Subcontracting services	4,025	4,600	8,625
Own development activities	3,792	0	3,792
Road maintenance services	0	1,924	1,924
Rental services	0	446	446
Inter-segment revenue	-5	-49	-54
Revenue from external customers	76,065	24,213	100,278
Gross profit/loss of the segment	4,183	-350	3,833



Reconciliation of segment revenues

EUR '000	H1 2020	Q2 2020	H1 2019	Q2 2019
Total revenues for reportable segments	136,781	81,868	100,332	65,903
Elimination of inter-segment revenues	-68	-67	-54	-54
Other revenue	85	73	163	68
Total revenue	136,798	81,874	100,441	65,917

Reconciliation of segment profit

EUR '000	H1 2020	Q2 2020	H1 2019	Q2 2019
Total profit for reportable segments	6,482	5,056	3,833	3,539
Unallocated loss	-475	-237	-539	-291
Gross profit	6,007	4,819	3,294	3,248
Unallocated expenses:				
Marketing and distribution expenses	-202	-74	-498	-152
Administrative expenses	-3,860	-2,061	-3,048	-1,555
Other operating income and expenses	68	-28	47	4
Operating profit/loss	2,013	2,656	-205	1,545
Finance income	249	193	495	224
Finance costs	-1,241	338	-663	-299
Share of profit of equity-accounted investees	479	510	252	302
Profit/loss before tax	1,500	3,697	-121	1,772

NOTE 9. Segment reporting – geographical information

EUR '000	H1 2020	Q2 2020	H1 2019	Q2 2019
Estonia	120,596	73,063	93,022	61,601
Ukraine	1,135	721	2,750	1,058
Finland	6,281	3,604	4,025	2,518
Sweden	8,786	4,486	2,176	1,714
Elimination of inter-segment revenues	0	0	-1,532	-974
Total revenue	136,798	81,874	100,441	65,917

NOTE 10. Cost of sales

EUR '000	H1 2020	H1 2019
Cost of materials, goods and services	117,847	86,245
Personnel expenses	11,394	9,405
Depreciation expense	1,286	1,369
Other expenses	264	128
Total cost of sales	130,791	97,147

NOTE 11. Administrative expenses

EUR '000	H1 2020	H1 2019
Personnel expenses	2,267	1,584
Cost of materials, goods and services	1,102	1,252
Depreciation and amortisation expense	395	117
Other expenses	96	95
Total administrative expenses	3,860	3,048



NOTE 12. Other operating income and expenses

EUR '000	H1 2020	H1 2019
Other operating income		
Gain on a bargain purchase	139	0
Gain on sale of property, plant and equipment	28	60
Other income	11	7
Total other operating income	178	67

EUR '000	H1 2020	H1 2019
Other operating expenses		
Foreign exchange loss	1	4
Loss on sale of property, plant and equipment	6	0
Loss on write-down of receivables	62	0
Other expenses	41	16
Total other operating expenses	110	20

NOTE 13. Finance income and costs

EUR '000	H1 2020	H1 2019
Finance income		
Interest income on loans	111	117
Foreign exchange gain	132	377
Other finance income	6	1
Total finance income	249	495

EUR '000	H1 2020	H1 2019
Finance costs		
Interest expense	507	446
Foreign exchange loss	710	206
Other finance costs	24	11
Total finance costs	1,241	663

NOTE 14. Transactions with related parties

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

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

The Group's purchase and sales transactions with related parties

EUR '000 Nature of transactions	H1 2020		H1 2019	
	Purchases	Sales	Purchases	Sales
AS Nordic Contractors	121	0	143	0
Companies of AS Nordic Contractors group	72	7	1	5
Companies related to owners of AS Nordic Contractors	42	0	318	0
Equity-accounted investees	374	293	1,464	3
Companies related to members of the council and board	44	0	42	0
Total	653	300	1,968	8



EUR '000 Nature of transactions	H1 2020		H1 2019	
	Purchases	Sales	Purchases	Sales
Construction services	374	0	1,464	0
Transactions with goods	42	0	318	0
Lease and other services	193	7	143	8
Other transactions	44	293	42	0
Total	653	300	1,967	8

During the period, the Group recognised interest income on loans to associates of 108 thousand euros (H1 2019: 107 thousand euros).

Receivables from and liabilities to related parties at period-end

EUR '000	30 June 2020		31 December 2019	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	0	8	0	10
Companies of AS Nordic Contractors group – receivables	493	1,509	0	316
Companies related to owners of AS Nordic Contractors	0	0	495	660
Associates – receivables and liabilities	3	202	244	1
Associate – loans and interest	8,136	0	8,015	0
Total	8,632	1,719	8,754	987

Remuneration of the council and the board

The service fees of the members of the council of Nordecon AS for the first half of 2020 amounted to 93 thousand euros and associated social security charges totalled 31 thousand euros (H1 2019: 94 thousand euros and 31 thousand euros, respectively).

The service fees of the members of the board of Nordecon AS for the first half of 2020 amounted to 266 thousand euros and associated social security charges totalled 88 thousand euros (H1 2019: 278 thousand euros and 93 thousand euros, respectively).

NOTE 15. Events after the reporting period

Changes in the composition of the board of Nordecon AS and the appointment of authorised signatories

In connection with the structural change being carried out at Nordecon AS by which the sales and pre-construction function will be divided into two divisions: design and real estate development, and budgeting and special works, on 20 July 2020 the council of Nordecon AS decided to terminate the powers of Ando Voogma as a member of the board effective from 31 July 2020. To make sure that the company can be flexibly represented in matters relating to special works and real estate development, the council of Nordecon AS appointed Ando Voogma and Avo Ambur as authorised signatories for the company effective from 1 August 2020.

As from 1 August 2020 the board of Nordecon AS has three members.


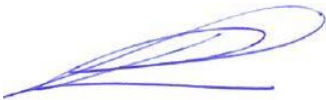



Statements and signatures

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 second quarter and first half of 2020 and confirms that:

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

Gerd Müller	Chairman of the Board		6 August 2020
Priit Luman	Member of the Board		6 August 2020
Maret Tambek	Member of the Board		6 August 2020