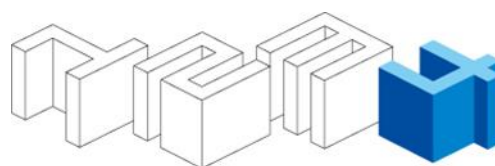




**Financial report for the fourth quarter
and twelve months of 2022**
(unaudited)





Financial report for the fourth quarter and twelve months of 2022 (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 2022 – 31 December 2022
Reporting period	1 January 2022 – 31 December 2022
Council	Toomas Luman (chairman of the council), Andri Hõbemägi, Vello Kahro, Sandor Liive, Andre Luman
Board	Gerd Müller (chairman of the board), Priit Luman, Maret Tambek
Auditor	KPMG Baltics OÜ



Contents

Nordecon group at a glance	3
Directors' report	4
Condensed consolidated interim financial statements	22
Consolidated statement of financial position	22
Consolidated statement of comprehensive income	23
Consolidated statement of cash flows	24
Consolidated statement of changes in equity	25
NOTE 1. Significant accounting policies	26
NOTE 2. Trade and other receivables	26
NOTE 3. Inventories	26
NOTE 4. Property, plant and equipment and intangible assets	27
NOTE 5. Borrowings	27
NOTE 6. Lease liabilities	27
NOTE 7. Earnings per share	28
NOTE 8. Segment reporting – operating segments	28
NOTE 9. Segment reporting – geographical information	30
NOTE 10. Cost of sales	30
NOTE 11. Administrative expenses	30
NOTE 12. Other operating income and expenses	31
NOTE 13. Finance income and costs	31
NOTE 14. Transactions with related parties	31
Statements and signatures	33



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 Finland, Sweden and Ukraine.

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

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

VISION

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

MISSION

To offer our customers 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 and goals 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 (Finland, Sweden and Ukraine), 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 the order books of our different operating segments in balance.
- 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:

- The construction market continues to be exposed to volatility and strongly influenced by investments made by the public sector. Due to soaring input prices (according to Statistics Estonia, the construction price index increased by 17.8% in 2022), public capital investments as a whole will dwindle in 2023 because previously planned building and infrastructure projects can no longer be funded with originally allocated resources. While the investments made by the Centre for Defence Investment have increased in connection with the current security situation, the investments made by the Transport Administration have plummeted. This is intensifying competition in the infrastructure segment and having a direct effect on asphalt concrete production in a situation where relevant market supply is already significantly outstripping demand. Procurements for the Rail Baltica project are expected to increase, which should partly counterbalance the significant decrease in the road construction and rehabilitation work procured by the Transport Administration. Against the backdrop of a general economic slowdown, the construction market is expected to fall in 2023.
- While competition in the infrastructure segment was fierce throughout 2022, competition in the buildings segment intensified considerably in the fourth quarter due to the onset of an economic downturn. Although the rise in input prices has decelerated, the supplies of various commodities and product groups remain disrupted. This in combination with a prices increase is putting pressure on builders' ability to meet their contractual delivery dates. On the whole, price inflation in 2022 exceeded the range factored into ordinary business risk: it pushed up the prices of construction materials and work and put the completion of started projects at risk. The price increase is partly attributable to the sanctions against Russia and Belarus which have increased materials prices, but the effects of growing labour costs, an acute shortage of labour, high energy prices and rising interest rates are growing as well. It is clear that the price increase is not temporary. Soaring prices have cooled demand and some investments which have a business plan that cannot be realised will have to be deferred or significantly adjusted. It is difficult to forecast how the situation will affect the demand for construction services in the long term, but in the short term demand will decline.
- There is often a striking contrast between the stringent terms of public construction contracts, which impose numerous obligations, strict sanctions, different financial guarantee commitments, etc., and the modest eligibility criteria. While lenient qualification requirements and the precondition of making a low bid have made it relatively easy for an increasing number of builders to win a contract, they have also heightened the financial, completion delay and quality risks taken by customers during the contract performance and the subsequent warranty period.
- The shortage of skilled and qualified labour (including project and site managers) has not decreased and the sector continues to need additional competent professionals, including foreign labour whose contribution has supported recent years' market growth.

Ukraine

In Ukraine, we are mainly involved in general contracting and project management in the segment of building construction. In addition, the group has investments in two real estate projects located in Ukraine. Due to the military conflict between Russia and Ukraine as well as uncertainty about the time when it will end, it is not possible to estimate how the situation in the Ukrainian economy and construction market will evolve in 2023.

Finland

In Finland, we have been offering mainly subcontracting services in the concrete work segment. The local concrete work market allows competing for projects where the customer wishes to source all concrete works from one reliable partner. In recent years we have also secured some smaller contracts as a general contractor. Our policy is to maintain a rational approach and avoid taking excessive risks.



Sweden

In the Swedish market, we offer mainly the construction of residential and non-residential buildings and operate mostly in the central part of the country.

Rapid inflation and spikes in interest rates weakened demand in the Swedish construction market in 2022. Construction volumes are expected to decrease in 2023, particularly in the segment of housing construction. In a challenging market environment, we will focus on finding new opportunities and critically assessing potential risks.



Description of the main risks

Business risks

The main factors which affect the group's business volumes and profit margins are competition in the construction market, changes in the demand for construction services and rapidly rising input prices. The demand for construction services continues to be strongly influenced by the volume of public investments, particularly in the infrastructure segment.

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

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

The group's business is influenced by seasonal changes in weather conditions, which have the strongest impact on infrastructure construction where a lot of work is done outdoors (road construction, earthworks, etc.). Our strategy is to counteract the seasonality of infrastructure operations with building construction, which is less exposed to seasonal fluctuations. Our long-term goal is to be flexible and keep our two operating segments in relative balance. Where possible, our entities implement technical solutions that help them work efficiently in changing conditions. Our investments in digital solutions which allow planning and managing construction processes more precisely have grown substantially. A key challenge for the construction sector is low productivity, which is attributable to the shortage of time in the preparatory and planning phases and outdated process management methods.

Operational risks

To manage their daily construction risks, group companies purchase contractors' all risks insurance. Depending on the nature of the project and the requests of the customer, both general frame agreements and special, project-specific insurance contracts are used. In addition, as a rule, subcontractors are required to secure the performance of their obligations with a bank guarantee provided to a group company or the group retains part of the amount due until the contract has been completed. To remedy construction deficiencies which may be detected during the warranty period, group companies create warranty provisions based on their historical experience. The group's warranty provisions (including current and non-current) at 31 December 2022 totalled €1,604 thousand (31 December 2021: €1,335 thousand).

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

Financial risks

Credit risk

Credit losses for the period totalled €319 thousand. At 31 December 2021 credit losses amounted to €2,144 thousand and were mainly attributable to the write-off of trade receivables at the Swedish subsidiary. 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 a settlement default that exceeds 180 days along with no activity on the part of the debtor that would confirm the intent to settle.

Liquidity risk

The group remains exposed to higher than usual liquidity risk. At the reporting date, the group's current ratio was 0.88 (31 December 2021: 0.94). The key factors that influence the current ratio are the classification of the group's loans to its Ukrainian associate as non-current and the banks' general policy not to refinance interest-bearing liabilities (particularly overdrafts) for a period exceeding 12 months.



Due to the difficult political and economic situation in Ukraine, 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 €7,899 thousand were classified as non-current items at the reporting date.

For better cash flow management, we use overdraft facilities and factoring by which we counter the mismatch between the settlement terms agreed with customers and subcontractors. Under IFRS EU, borrowings have to be classified into current and non-current based on contract terms in force at the reporting date. The group's short-term borrowings at 31 December 2022 totalled €17,193 thousand (31 December 2021: €16,289 thousand). A major share of short-term borrowings was made up of overdrafts of €11,071 thousand. According to the group's assessment, it is likely that the overdrafts will be extended after the reporting date.

The group's cash and cash equivalents as at the reporting date amounted to €7,238 thousand (31 December 2021: €9,031 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. The amount of interest-bearing liabilities remained stable year on year. At 31 December 2022, the group's interest-bearing liabilities totalled €23,504 thousand (31 December 2021: €23,694 thousand). Interest expense for 2022 was €929 thousand (2021: €982 thousand).

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

Currency risk

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

Due to Russia's military invasion of Ukraine in February 2022 and Ukraine's previous political and economic instability, the exchange rate of the hryvnia has been volatile. The Ukrainian hryvnia was devalued in July and the exchange rate of the hryvnia weakened against the euro by approximately 21% in 2022. The group's Ukrainian subsidiaries, which have to translate their euro-denominated loans into the local currency, recognised a foreign exchange loss of €1,416 thousand (2021: a gain of €711 thousand). Exchange gains and losses on financial instruments are recognised in profit or loss in *Finance income* and *Finance costs*, respectively. The translation of receivables and liabilities from operating activities did not give rise to any exchange gains or losses.

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

The Swedish krona weakened against the euro by around 8% in 2022. The translation of a loan provided to the Swedish subsidiary in euros into the local currency gave rise to a foreign exchange loss of €112 thousand (2021: a gain of €16 thousand). Exchange gains and losses on financial instruments are recognised in profit or loss in *Finance income* and *Finance costs*, respectively. The translation of receivables and liabilities from operating activities did not give rise to any exchange gains or losses.

The group has not acquired derivatives to hedge currency risk.

Employee and work environment risks

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

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



Environmental risks

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

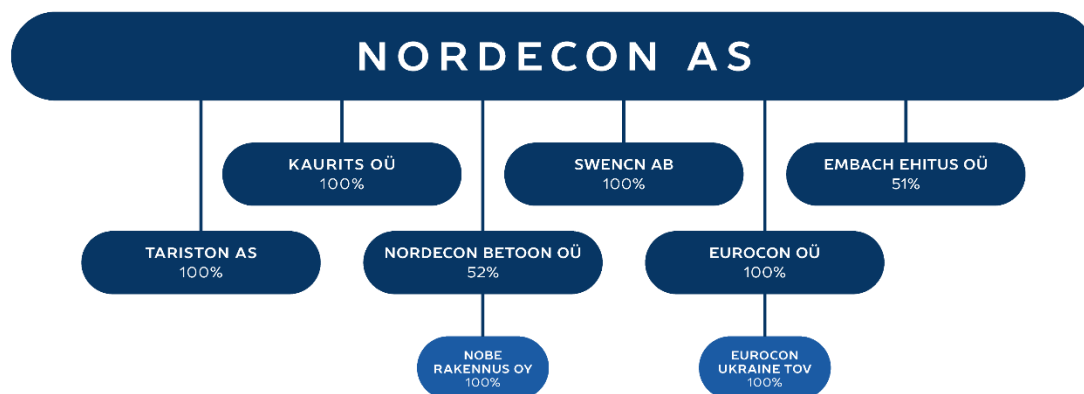
Corruption and ethical risks

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



Group structure

The group's structure at 31 December 2022, including interests in subsidiaries and associates*



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

The group's operations in Estonia and foreign markets

The group's operations in Estonia

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

As regards our other main business lines, we continued to provide concrete services (Nordecon Betoon OÜ), lease out heavy construction machinery and equipment (Kaurits OÜ) and render regional road maintenance services (Tariston AS).

We did not enter any new operating segments in Estonia.

The group's operations in foreign markets

Ukraine

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

Finland

The group's subsidiary Nordecon Betoon OÜ and its Finnish subsidiary NOBE Rakennus OY continued to provide subcontracting services in the concrete work segment in Finland. In the past two years, they have also provided general contractor services under some smaller contracts.



Sweden

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

Swencn AB did not have any ongoing construction projects at 31 December 2022 but the company is seeking new opportunities to continue its business in the Swedish market.



Performance by geographical market

The revenue contribution of foreign markets decreased substantially year on year, dropping to 4% of the group's total revenue for 2022. Due to Russia's military invasion of Ukraine, the business volumes of our Ukrainian subsidiary Eurocon Ukraine TOV have plummeted. The subsidiary halted its operations during the first months of the war but in the second quarter resumed work on a previously started building project in Kiev and is now also restoring an administrative building of the Kiev TV tower, which was damaged in the war. At the end of the year, we signed a contract for the construction of concrete structures for a modular kindergarten, a bomb shelter and outdoor infrastructure in the city of Ovruch. Ukrainian revenues for the reporting period amounted to €1,202 thousand. Nordecon did not generate any revenue and had no ongoing construction contracts in the Swedish market. The group operates on a project basis in Latvia and Lithuania where it was building two wind farms in the reporting period. Finnish revenues mainly consist of subcontracting revenue from concrete works.

	2022	2021	2020
Estonia	96%	94%	82%
Finland	2%	3%	6%
Lithuania	1%	0%	0%
Latvia	1%	1%	0%
Ukraine	0%	2%	1%
Sweden	0%	0%	11%

Performance by business line

Segment revenues

We strive to maintain the revenues of our two main operating segments (Buildings and Infrastructure) as balanced as possible because this helps diversify risks and provides better opportunities for continuing construction operations in more challenging market conditions where the volumes of one or several subsegments may substantially decline.

The group's revenue for 2022 was €322,860 thousand, roughly 12% larger than in 2021 when the group generated revenue of €288,543 thousand. The revenue of the Buildings segment grew by 21% while the revenue of the Infrastructure segment decreased by 14%. Revenue decline in the Infrastructure segment is attributable to cutbacks in the investments of the largest customer, the Transport Administration, made due to the effects of the war in Ukraine that have caused a rampant surge in input prices. The growth delivered by the Buildings segment is mainly underpinned by large contracts secured in 2021.

The low volumes of infrastructure construction that continue to affect the entire construction market also influence the group's revenue structure. In 2022, the Buildings segment and the Infrastructure segment generated revenue of €260,585 thousand and €62,048 thousand, respectively. The corresponding figures for 2021 were €216,070 thousand and €72,115 thousand (see note 8).

Revenue by operating segment*	2022	2021	2020
Buildings	81%	75%	72%
Infrastructure	19%	25%	28%

*In the directors' report, projects have been allocated to operating segments based on their nature (i.e. building or infrastructure construction). In the segment reporting presented in the consolidated financial statements, allocation is based on the subsidiaries' main field of activity (as required by IFRS 8 *Operating Segments*). In the consolidated financial statements, the results of a subsidiary that is primarily engaged in infrastructure construction are presented in the Infrastructure segment. In the directors' report, the revenues of such a subsidiary are presented based on their nature. The differences between the two reports are not significant because group entities mostly specialise in specific areas. The figures for Nordecon Betoon OÜ and the parent are allocated in both parts of the report based on the nature of the work.



Subsegment revenues

The revenue of the commercial buildings subsegment remained essentially stable while the revenues of other subsegments grew compared with 2021. The largest revenue contributors in the Buildings segment were the public buildings and the apartment buildings subsegments, which increased their revenue by 31% and 21%, respectively. The strongest revenue growth (57%) was delivered by the industrial and warehouse facilities subsegment, which contributed 18% to the revenue of the Buildings segment.

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

The apartment buildings subsegment earns most of its revenue from the construction of apartment buildings for third parties. In the reporting period, the largest of them were the design and construction of the Tiskreoja and the Luccaranna housing estates on the western border of Tallinn. The volume of our own development operations (reported in the apartment buildings subsegment), however, has grown as well. We have development projects in both Tallinn and Tartu. During the period, work continued on the construction of the Mõisavahe Kodu housing estate in Tartu (<https://moisavahe.ee>) and the development of plots for Kivimäe Süda, a new housing estate in the Nõmme district in Tallinn, where we have started preparations for phase II – the construction of an apartment building (<https://www.kivimaesuda.ee/en>). We have also started the design of the Seiler Quarter housing estate in Pärnu (<https://seileri.ee>). The period's revenue from own development projects amounted to €11,459 thousand (2021: €3,097 thousand). In carrying out our own development activities, we carefully monitor potential risks in the housing development market.

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

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

Revenue breakdown in the Buildings segment

	2022	2021	2020
Public buildings	30%	28%	37%
Apartment buildings	28%	29%	28%
Commercial buildings	24%	29%	23%
Industrial and warehouse facilities	18%	14%	12%

In the Infrastructure segment, the largest revenue contributor is still road construction and maintenance although its revenue has decreased year on year by roughly 28%. During the period, a major share of its revenue resulted from the performance of contracts secured in 2021, the largest of which were the construction of 2+2 passing lanes on the Kärevere–Kardla section of the Tallinn–Tartu–Võru–Luhamaa road and the design and construction of the outdoor area near Terminal D in Old City Harbour in Tallinn, as well as smaller contracts of €2–3 million each signed in 2022. The group continued to deliver road maintenance services in Järva county.

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

Revenue breakdown in the Infrastructure segment

	2022	2021	2020
Road construction and maintenance	78%	87%	74%
Other engineering	20%	10%	21%
Specialist engineering (including hydraulic engineering)	2%	0%	4%
Environmental engineering	0%	3%	1%



Financial review

Financial performance

Nordecon ended 2022 with a gross profit of €8,495 thousand (2021: €4,021 thousand) and a gross margin of 2.6% (2021: 1.4%). Margin improvement was due to the Buildings segment, which strongly improved its gross margin. However, the performance of the Infrastructure segment, which ended both the fourth quarter and the year with a loss, was less than satisfactory. The gross margins of the Buildings segment were 4.1% for the full year and 6.7% for the fourth quarter of 2022 compared with 2.0% for the full year and (0.7)% for the fourth quarter in 2021. The gross margins of the Infrastructure segment, on the other hand, were (2.4)% for the full year and (12.1)% for the fourth quarter compared with 1.0% for the full year and (1.4)% in 2021. The key factors, which affected the performance of both segments were as follows:

- rampantly rising input prices (the construction price index increased by 17.8% year on year), which had a particularly strong impact on large and long-term construction contracts secured before 2022;
- persisting difficulties with the supply of materials, which make it difficult to complete construction projects on time but contract extensions involve additional costs.

The largest customer, the Transport Administration, cancelled several announced procurements and made significant cutbacks in its investments in 2022. This has had a significant effect on the performance of the Infrastructure segment whose fixed costs are high. In response to a sharp decrease in road construction investments, we have reorganised our road construction operations and eliminated duplication of activities to ensure more efficient use of resources and profitability.

The group's administrative expenses for 2022 amounted to €7,287 thousand. Compared with a year earlier, administrative expenses grew by 20% (2021: €6,053 thousand) due to a general uptrend in the cost of goods and services and growth in personnel expenses (see note 11). The ratio of administrative expenses to revenue (12 months rolling) was 2.3% (2021: 2.1%).

The group earned an operating profit of €2,305 thousand in 2022 (2021: an operating loss of €4,336 thousand). EBITDA for the period amounted to €5,766 thousand and the EBITDA margin was 1.8% (2021: EBITDA was negative at €797 thousand and the EBITDA margin was (0.3)%).

The group's finance costs were strongly affected by the events in Ukraine. Russia's invasion of Ukraine in February 2022 had a strong effect on the exchange rate of the Ukrainian hryvnia, which was already unstable. The hryvnia, which was devalued in July, weakened against the euro by approximately 21% and the Swedish krona weakened against the euro by approximately 8% in 2022. The translation of the loans provided to the group's subsidiaries in euros into the local currency gave rise to an exchange loss of €1,416 thousand on movements in the exchange rate of the Ukrainian hryvnia and an exchange loss of €112 thousand on movements in the exchange rate of Swedish krona (2021: an exchange gain of €711 thousand on movements in the exchange rate of the Ukrainian hryvnia and an exchange gain of €16 thousand on movements in the exchange rate of Swedish krona). The same movements in foreign exchange rates increased the translation reserve in equity by €1,368 thousand (2021: reduced by €475 thousand) and the net effect of the exchange differences on the group's net assets was negative at €160 thousand (2021: positive at €256 thousand). In addition, the group wrote down the loans provided to the Ukrainian associate V.I. Center TOV by €825 thousand. Due to the lack of more recent reliable data, the fair value of the loan was measured using the inputs of the valuation reports issued at the end of 2021 by an internationally recognised independent appraiser. The asset had to be written down due to the time factor, i.e. the deferral of the completion of the development projects. The foreign exchange loss and the impairment loss on the loan were non-cash transactions with a total effect of €2,353 thousand on the net result for 2022.

The group ended the year with a net loss of €1,441 thousand (2021: a net loss of €5,506 thousand). The net loss attributable to owners of the parent, Nordecon AS, was €3,650 thousand (2021: a net loss of €6,310 thousand).

Cash flows

Operating activities produced a net cash inflow of €2,620 thousand in 2022 (2021: an inflow of €7,365 thousand). Operating cash flow is increasingly affected by the need to make prepayments to materials suppliers, which have grown due to spikes in materials prices and continuing supply disruptions, in a situation where the contracts signed with both public and private sector customers do not require them to make advance payments.



Cash inflow is also reduced by contractual retentions, which extend from 5 to 10% of the contract price and are released at the end of the construction period only.

Investing activities of the period resulted in a net cash inflow of €21 thousand (2021: an inflow of €312 thousand). Payments made to acquire property, plant and equipment and intangible assets amounted to €810 thousand (2021: €251 thousand) and proceeds from the sale of property, plant and equipment totalled €816 thousand (2021: €489 thousand).

Financing activities generated a net cash outflow of €4,413 thousand (2021: an outflow of €11,225 thousand). The largest items were cash flows related to loans and leases. Proceeds from loans received totalled €4,631 thousand, consisting of the use of the overdraft facility and development loans (2021: €1,922 thousand). Repayments of loans received amounted to €4,231 thousand, consisting of regular repayments of long-term investment and development loans (2021: €3,766 thousand). Lease payments totalled €3,333 thousand (2021: €3,318 thousand). Dividends paid in 2022 amounted to €488 thousand (2021: €5,000 thousand).

The group's cash and cash equivalents at 31 December 2022 totalled €7,238 thousand (31 December 2021: €9,031 thousand). Management's commentary on liquidity risks is presented in the chapter *Description of the main risks*.

Key financial figures and ratios

Figure/ratio	2022	2021	2020
Revenue (€'000)	322,860	288,534	296,082
Revenue change	11.9%	(2.5)%	26.5%
Net profit (loss) (€'000)	(1,441)	(5,506)	4,118
Net profit (loss) attributable to owners of the parent (€'000)	(3,650)	(6,310)	2,466
Average number of shares	31,528,585	31,528,585	31,528,585
Earnings per share (€)	(0.12)	(0.20)	0.08
Administrative expenses to revenue	2.3%	2.1%	2.4%
EBITDA (€'000)	5,766	(797)	7,003
EBITDA margin	1.8%	(0.3)%	2.4%
Gross margin	2.6%	1.4%	3.7%
Operating margin	0.7%	(1.5)%	1.2%
Operating margin excluding gain on asset sales	0.6%	(1.6)%	1.1%
Net margin	(0.4)%	(1.9)%	1.4%
Return on invested capital	(0.5)%	(6.5)%	9.3%
Return on equity	(5.2)%	(16.8)%	11.8%
Equity ratio	19.8%	20.8%	27.6%
Return on assets	(1.1)%	(4.1)%	3.3%
Gearing	32.0%	28.3%	21.1%
Current ratio	0.88	0.94	1.01

At 31 December	2022	2021	2020
Order book (€'000)	149,799	266,856	215,796

Revenue change = (revenue for the reporting period / revenue for the previous period) - 1 * 100

Earnings per share (EPS) = net profit or loss attributable to owners of the parent / weighted average number of shares outstanding

Administrative expenses to revenue = (administrative expenses / revenue) * 100

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

EBITDA margin = (EBITDA / revenue) * 100

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

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

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

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

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

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

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

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

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

Current ratio = total current assets / total current liabilities



Order book

The group's order book (backlog of contracts signed but not yet performed) stood at €149,799 thousand at 31 December 2022, reflecting a roughly 44% decrease year on year. In 2022, we signed new contracts of €163,498 thousand, of which contracts of €25,381 thousand in the fourth quarter. The corresponding figures for 2021 were €314,758 thousand and €37,612 thousand. The surge in materials prices and a rise in interest rates due to the increase in EURIBOR have substantially increased the costs of development projects as well as the postponement of new projects. As mentioned in the previous chapters, the volume of investments made by the Transport Administration has decreased significantly. This has affected the group's order book through a decline in the order book of the Infrastructure segment. On the other hand, the volume of procurements for the Rail Baltica project has increased and this has partly counterbalanced the decline in the investments of the Transport Administration. While public investments in the buildings construction segment have also decreased, investments in national defence infrastructure are going to increase according to currently available information and this a subsegment where Nordecon has traditionally been very successful.

At 31 December	2022	2021	2021
Order book (€'000)	149,799	266,856	215,796

The proportions of the two main operating segments in the group's order book have not changed substantially: the Buildings segment continues to dominate with 88% while the share of the Infrastructure segment is 12% (31 December 2021: 87% and 13%, respectively). The order books of both the Buildings segment and the Infrastructure segment have decreased compared with 31 December 2021: by 45% and 32%, respectively.

A major share of contracts secured in the fourth quarter were attributable to the Buildings segment. The largest of them were:

- the construction of a biological pharmaceuticals manufacturing facility for Icosagen AS in Kambja rural municipality in Tartu county with an approximate cost of €4,000 thousand;
- the construction of the building and outdoor premises for the Karlsson kindergarten in Viljandi city with an approximate cost of €5,100 thousand;
- the construction of the Tagadi ecoduct on the route of Rail Baltica in Harju county with an approximate cost of €5,300 thousand;
- the construction of the Viljandi Rescue Station building with an approximate cost of €3,900 thousand.

Between the end of the financial year (31 December 2022) and the date this report is authorised for issue, group companies have secured additional construction contracts of approximately €73,280 thousand. The new contracts include, for example, the design and construction of the Sopi-Tootsi wind farm in the northern part of Pärnu County with an approximate cost of €67,300 thousand, which was won in a joint bid. The group's share of the cost of the contract is 50%.

Based on the size of the group's order book, management forecasts that in 2023 the group's revenue will decrease compared with 2022. The uptrend in the prices of materials, energy carriers and labour costs will continue to drive up input prices, which will increase pressure on profit margins. In an environment of stiff competition, we have avoided taking unjustified risks whose realisation in the contract performance phase would have an adverse impact on the group's results. Our focus remains on cost control as well as pre-construction and design activities, where we can deploy our professional competitive advantages.



People

Employees and personnel expenses

The group's average number of employees in 2022 was 658, including 432 engineers and technical personnel (ETP). Headcount decreased by around 4% year on year.

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

	2022	2021	2020
ETP	432	434	450
Workers	226	251	258
Total average	658	685	708

The group's personnel expenses for 2022, including all taxes, totalled €27,248 thousand compared with €25,054 thousand in 2021. Personnel expense have increased by around 9% in connection with growth in wages and salaries.

The service fees of the members of the council of Nordecon AS for 2022 amounted to €150 thousand and associated social security charges totalled €50 thousand (2021: €150 thousand and €50 thousand, respectively).

The service fees of the members of the board of Nordecon AS amounted to €417 thousand and associated social security charges totalled €138 thousand (2021: €369 thousand and €122 thousand, respectively).

Labour productivity and labour cost efficiency

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

	2022	2021	2020
Nominal labour productivity (rolling), (€ '000)	490.4	420.8	422.9
Change against the comparative period, %	16.5%	(0.5)%	24.2%
Nominal labour cost efficiency (rolling), (€)	11.8	11.5	10.9
Change against the comparative period, %	2.9%	5.5%	18.0%

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 improved year on year, mainly due to revenue growth. Nominal labour productivity was also influenced by a decrease in the number of staff.



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.

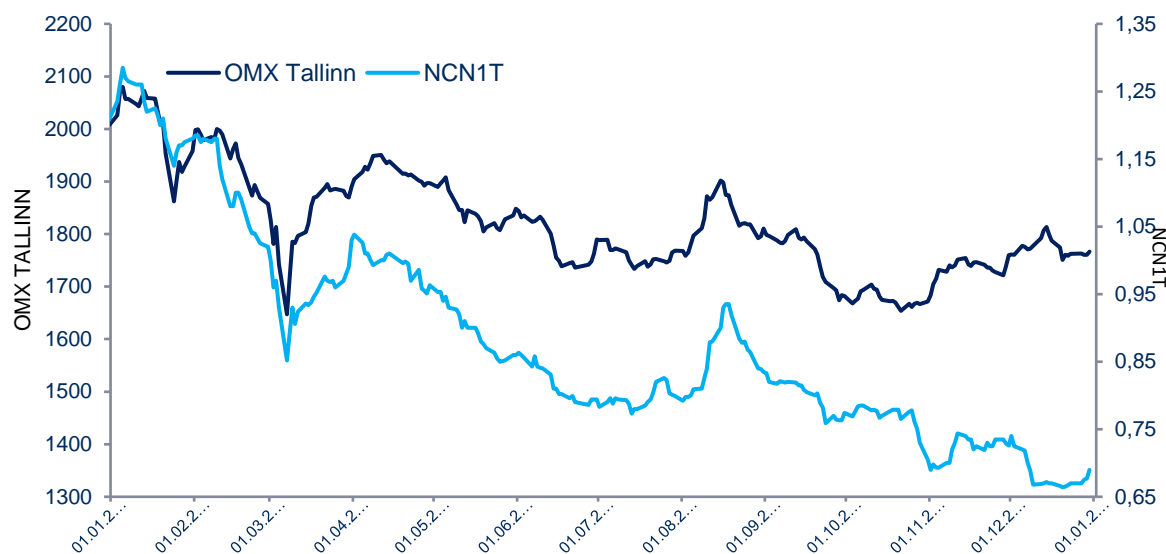
Movements in the price and trading volume of the Nordecon AS share in 2022

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





Movement of the share price compared with the OMX Tallinn Index in 2022



Index/equity	1 January 2022*	31 December 2022	+/-
OMX Tallinn	2,001.03	1,766.73	(11.71)%
NCN1T	€1.2	€0.69	(42.5)%

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

Summarised trading results

Share trading history, €

Price	2022	2021	2020
Open	1.21	1.15	1.04
High	1.29	1.84	1.21
Low	0.65	1.08	0.78
Last closing price	0.69	1.20	1.14
Traded volume (number of securities traded)	2,599,303	7,037,117	6,021,881
Turnover, € million	2.40	9.32	5.99
Listed volume (31 December), thousand	32,375	32,375	32,375
Market capitalisation (31 December), € million	22.34	38.85	36.91

Shareholder structure

Largest shareholders of Nordecon AS at 31 December 2022

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,563,145	51.16
Lüksusjaht AS	4,322,342	13.35
Toomas Luman	700,300	2.16
Olegs Radcenko	574,200	1.77
Lembit Talpsepp	376,239	1.16
Nõmme Erahariduse SA	370,370	1.14
SEB Pank AS clients	300,000	0.93
SEB Life and Pension Baltic SE Estonian branch	255,000	0.79
Genadi Bulatov	250,600	0.77
Endel Palla	200,000	0.62



Shareholder structure of Nordecon AS at 31 December 2022

	Number of shareholders	Ownership interest (%)
Shareholders with interest exceeding 5%	2	64.51
Shareholders with interest from 1% to 5%	4	6.23
Shareholders with interest below 1%	6,622	26.64
Holder of own (treasury) shares	1	2.62
Total	6,629	100

Shares controlled by members of the council of Nordecon AS at 31 December 2022

Council member		Number of shares	Ownership interest (%)
Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad)*	Chairman of the Council	17,288,445	53.40
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		17,373,445	53.66

* Companies controlled by the individual

Shares controlled by members of the board of Nordecon AS at 31 December 2022

Board member		Number of shares	Ownership interest (%)
Gerd Müller	Chairman of the Board	0	0.00
Priit Luman	Member of the Board	7,000	0.02
Maret Tambek	Member of the Board	0	0.00
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 to enable the executive management to benefit from their contribution to growth in the value of the company's share. To satisfy the terms and conditions of the option plan, Nordecon AS issued a total of 1,618 thousand new shares with a total cost of €1,582 thousand in July 2014, increasing share capital by €1,035 thousand to €20,692 thousand, and acquired the same number of own (treasury) shares at the same price. The general meetings which convened on 24 May 2017 and 23 May 2018 amended the terms and conditions of the share option plan, extended the duration of the exercise period and changed the number of shares that could be acquired with the share options granted to the members of the board. The share option plan expired in September 2022.

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



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

9 February 2023

Priit Luman

Member of the Board

9 February 2023

Maret Tambek

Member of the Board

9 February 2023



Condensed consolidated interim financial statements

Consolidated statement of financial position

€'000	Note	31 December 2022	31 December 2021
ASSETS			
Current assets			
Cash and cash equivalents		7,238	9,031
Trade and other receivables	2	48,084	48,091
Prepayments		6,728	4,947
Inventories	3	25,454	25,637
Total current assets		87,504	87,706
Non-current assets			
Other investments		76	76
Trade and other receivables	2	8,604	9,206
Investment property		8,347	5,599
Property, plant and equipment		17,669	17,433
Intangible assets		15,134	15,051
Total non-current assets		49,830	47,365
TOTAL ASSETS		137,334	135,071
LIABILITIES			
Current liabilities			
Borrowings	5, 6	17,193	16,289
Trade payables		65,109	57,287
Other payables		8,359	7,496
Deferred income		6,996	11,539
Provisions		1,288	707
Total current liabilities		98,945	93,318
Non-current liabilities			
Borrowings	5, 6	6,311	7,405
Trade payables		2,769	4,178
Provisions		2,049	2,044
Total non-current liabilities		11,129	13,627
TOTAL LIABILITIES		110,074	106,945
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		3,316	1,948
Retained earnings		2,691	6,341
Total equity attributable to owners of the parent		22,915	25,197
Non-controlling interests		4,345	2,929
TOTAL EQUITY		27,260	28,126
TOTAL LIABILITIES AND EQUITY		137,334	135,071



Consolidated statement of comprehensive income

€'000	Note	Q4 2022	12M 2022	Q4 2021	12M 2021
Revenue	8, 9	83,685	322,860	79,640	288,534
Cost of sales	10	(80,454)	(314,365)	(80,514)	(284,513)
Gross profit (loss)		3,231	8,495	(874)	4,021
Marketing and distribution expenses		(177)	(490)	(165)	(559)
Administrative expenses	11	(2,148)	(7,287)	(1,786)	(6,053)
Other operating income	12	129	2,049	321	519
Other operating expenses	12	(70)	(462)	(2,171)	(2,264)
Operating profit (loss)		965	2,305	(4,675)	(4,336)
Finance income	13	84	258	81	958
Finance costs	13	(1,037)	(3,740)	(378)	(1,320)
Net finance costs		(953)	(3,482)	(297)	(362)
Profit (loss) before income tax		12	(1,177)	(4,972)	(4,698)
Income tax expense		(64)	(264)	(166)	(808)
Loss for the period		(52)	(1,441)	(5,138)	(5,506)
Other comprehensive income (expense)					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		606	1,368	85	(475)
Total other comprehensive income (expense)		606	1,368	85	(475)
TOTAL COMPREHENSIVE INCOME (EXPENSE)		554	(73)	(5,053)	(5,981)
Profit (loss) attributable to:					
- Owners of the parent		(998)	(3,650)	(5,514)	(6,310)
- Non-controlling interests		946	2,209	376	804
Loss for the period		(52)	(1,441)	(5,138)	(5,506)
Comprehensive income (expense) attributable to:					
- Owners of the parent		(392)	(2,282)	(5,429)	(6,785)
- Non-controlling interests		946	2,209	376	804
Comprehensive income (expense) for the period		554	(73)	(5,053)	(5,981)
Earnings per share attributable to owners of the parent:					
Basic earnings per share (€)	7	(0.03)	(0.12)	(0.17)	(0.20)
Diluted earnings per share (€)	7	(0.03)	(0.12)	(0.17)	(0.20)



Consolidated statement of cash flows

€'000	Note	12M 2022	12M 2021
Cash flows from operating activities			
Cash receipts from customers ¹		389,548	352,378
Cash paid to suppliers ²		(351,682)	(310,183)
VAT paid		(8,880)	(8,140)
Cash paid to and for employees		(26,075)	(25,893)
Income tax paid		(291)	(797)
Net cash from operating activities		2,620	7,365
Cash flows from investing activities			
Paid on acquisition of property, plant and equipment		(688)	(232)
Paid on acquisition of intangible assets	4	(122)	(19)
Proceeds from sale of property, plant and equipment	4	816	489
Loans provided		(25)	(34)
Repayments of loans provided		25	96
Dividends received		6	0
Interest received		9	12
Net cash from investing activities		21	312
Cash flows from financing activities			
Proceeds from loans received		4,631	1,922
Repayments of loans received		(4,231)	(3,766)
Lease payments made		(3,333)	(3,318)
Interest paid		(984)	(1,051)
Dividends paid		(488)	(5,000)
Other payments made		(8)	(12)
Net cash used in financing activities		(4,413)	(11,225)
Net cash flow		(1,772)	(3,548)
Cash and cash equivalents at beginning of period			
Effect of movements in foreign exchange rates		9,031	12,576
Decrease in cash and cash equivalents		(21)	3
Cash and cash equivalents at end of period		7,238	9,031

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 2020	14,379	(660)	2,554	635	2,423	14,543	33,874	3,361	37,235
Loss for the period	0	0	0	0	0	(6,310)	(6,310)	804	(5,506)
Other comprehensive expense	0	0	0	0	(475)	0	(475)	0	(475)
Transactions with owners									
Dividend distributed	0	0	0	0	0	(1,892)	(1,892)	(1,236)	(3,128)
Total transactions with owners	0	0	0	0	0	(1,892)	(1,892)	(1,236)	(3,128)
Balance at 31 December 2021	14,379	(660)	2,554	635	1,948	6,341	25,197	2,929	28,126
Loss for the period	0	0	0	0	0	(3,650)	(3,650)	2,209	(1,441)
Other comprehensive income	0	0	0	0	1,368	0	1,368	0	1,368
Transactions with owners									
Dividend distributed	0	0	0	0	0	0	0	(793)	(793)
Total transactions with owners	0	0	0	0	0	0	0	(793)	(793)
Balance at 31 December 2022	14,379	(660)	2,554	635	3,316	2,691	22,915	4,345	27,260



Notes to the condensed consolidated interim financial statements

NOTE 1. Significant accounting policies

Nordecon AS is a company incorporated and domiciled in Estonia. The address of the company's registered office is Toompuiestee 35, 10149 Tallinn, Estonia. Nordecon AS's majority shareholder and the party controlling the Nordecon group is AS Nordic Contractors that holds 51.16% of the shares in Nordecon AS. The Nordecon AS shares have been listed on the Nasdaq Tallinn Stock Exchange since 18 May 2006.

The condensed consolidated interim financial statements as at and for the period ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union. The condensed interim financial statements do not contain all the information presented in the annual financial statements and should be read in conjunction with the group's latest published annual financial statements as at and for the year ended 31 December 2021.

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

NOTE 2. Trade and other receivables

€'000	Note	31 December 2022	31 December 2021
Current items			
Trade receivables		31,882	31,160
Retentions receivable		6,501	6,063
Receivables from related parties		373	211
Other receivables		147	78
Total receivables and loans provided		38,903	37,512
Due from customers for contract work		9,181	10,579
Total current trade and other receivables		48,084	48,091

€'000	Note	31 December 2022	31 December 2021
Non-current items			
Loans to related parties	14	7,899	8,481
Receivables from related parties		235	328
Other non-current receivables		470	397
Total non-current trade and other receivables		8,604	9,206

NOTE 3. Inventories

€'000	31 December 2022	31 December 2021
Raw materials and consumables	4,228	3,885
Work in progress	10,793	8,619
Apartments for sale	223	230
Properties purchased for development and pre-development costs	10,210	12,903
Total inventories	25,454	25,637



NOTE 4. Property, plant and equipment and intangible assets

Property, plant and equipment

Additions to property, plant and equipment in 2022 totalled €4,642 thousand (2021: €3,214 thousand) and comprised equipment and construction machinery required for the group's operating activities.

Proceeds from the sale of property, plant and equipment amounted to €816 thousand (see the statement of cash flows). Proceeds from the sale of property, plant and equipment in 2021 totalled €489 thousand. Gain on the sale of property, plant and equipment amounted to €458 thousand (2021: €280 thousand) (note 12).

Intangible assets

There were no significant transactions with intangible assets during 2022.

NOTE 5. Borrowings

Current borrowings

€'000	Note	31 December 2022	31 December 2021
Short-term portion of long-term loans		2,624	3,074
Lease liabilities	6	3,096	2,967
Short-term bank loans		11,473	10,248
Total current borrowings		17,193	16,289

Non-current borrowings

€'000	Note	31 December 2022	31 December 2021
Long-term portion of long-term bank loans		0	1,073
Lease liabilities	6	6,311	6,332
Total non-current borrowings		6,311	7,405

NOTE 6. Lease liabilities

€'000	31 December 2022	31 December 2021
Lease liabilities at end of period, of which	9,407	9,299
Not later than 1 year	3,096	2,967
Later than 1 year and not later than 5 years	6,311	6,332
Base currency €	9,407	9,299
Interest rate for contracts denominated in € ¹	2.9%-5.9%	1.9%-4.2%
Frequency of payments	Monthly	Monthly

¹ Includes leases with floating interest rates

Lease payments

€'000	12M 2022	12M 2021
Principal payments made during the period	3,333	3,318
Interest payments made during the period	291	300



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	12M 2022	12M 2021
Net loss for the period attributable to owners of the parent (€'000)	(3,650)	(6,310)
Average number of shares (thousand)	31,528	31,528
Basic earnings per share (€)	(0.12)	(0.20)
Diluted earnings per share (€)	(0.12)	(0.20)

At the reporting date, Nordecon AS had no dilutive share options. Therefore, diluted earnings per share equal basic earnings per share.

NOTE 8. Segment reporting – operating segments

The group's chief operating decision maker is the board of the parent company Nordecon AS. This group of persons monitors the group's internally generated financial information on a regular basis to better allocate the resources and assess their utilisation. Reportable operating segments are identified by reference to monitored information.

The group's reportable operating segments are:

- Buildings
- Infrastructure

Reportable operating segments are engaged in the provision of construction services in the buildings and infrastructure segments.

Preparation of segment reporting

The prices applied in inter-segment transactions do not differ significantly from market prices. The chief operating decision maker reviews inter-segment transactions separately and analyses their proportion in segment revenue. Respective figures are separately outlined in segment reporting.

The chief operating decision maker assesses the performance of an operating segment and utilisation of the resources allocated to it through the segment's profit. The profit of an operating segment is its gross profit, which does not include major exceptional expenses (such as non-recurring asset write-downs). Items after the gross profit of an operating segment (including marketing and distribution expenses, administrative expenses, interest expense and income tax expense) are not used by the chief operating decision maker to assess the performance of the segment.

According to management's assessment, inter-segment transactions are conducted on regular market terms, which do not differ significantly from the terms applied in transactions with third parties.

Fourth quarter

€'000	Buildings	Infrastructure	Total
Q4 2022			
Total revenue	72,069	11,590	83,659
Of which: General contracting services	65,707	8,435	74,142
Subcontracting services	2,669	1,530	4,199
Own development activities	3,579	0	3,579
Road maintenance services	0	1,284	1,284
Rental services	0	341	341
Revaluation of investment property	114	0	114
Inter-segment revenue	0	(28)	(28)
Revenue from external customers	72,069	11,562	83,631
Gross profit (loss) of the segment	4,832	(1,401)	3,431



€'000			
Q4 2021	Buildings	Infrastructure	Total
Total revenue	61,471	18,100	79,571
Of which: General contracting services	58,481	15,089	73,570
Subcontracting services	282	2,032	2,314
Own development activities	2,708	0	2,708
Road maintenance services	0	776	776
Rental services	0	203	203
Inter-segment revenue	0	(14)	(14)
Revenue from external customers	61,471	18,086	79,557
Gross loss of the segment	(436)	(253)	(689)

12 months

€'000			
12M 2022	Buildings	Infrastructure	Total
Total revenue	260,585	62,848	323,433
Of which: General contracting services	241,882	49,279	291,161
Subcontracting services	6,330	7,816	14,146
Own development activities	11,459	0	11,459
Road maintenance services	0	4,465	4,465
Rental services	0	1,288	1,288
Revaluation of investment property	914	0	914
Inter-segment revenue	0	(800)	(800)
Revenue from external customers	260,585	62,048	322,633
Gross profit (loss) of the segment	10,725	(1,480)	9,245

€'000			
12M 2021	Buildings	Infrastructure	Total
Total revenue	216,070	72,200	288,270
Of which: General contracting services	204,692	53,171	257,863
Subcontracting services	8,281	13,929	22,210
Own development activities	3,097	0	3,097
Investment property	0	0	0
Road maintenance services	0	3,814	3,814
Rental services	0	1,285	1,285
Inter-segment revenue	0	(85)	(85)
Revenue from external customers	216,070	72,115	288,185
Gross profit of the segment	4,250	712	4,962

Reconciliation of segment revenues

€'000	12M 2022	Q4 2022	12M 2021	Q4 2021
Total revenues for reportable segments	323,433	83,659	288,270	79,571
Elimination of inter-segment revenues	(800)	(28)	(85)	(14)
Other revenue	227	54	349	83
Total revenue	322,860	83,685	288,534	79,640



Reconciliation of segment profit (loss)

€'000	12M 2022	Q4 2022	12M 2021	Q4 2021
Total profit (loss) for reportable segments	9,245	3,431	4,962	(689)
Unallocated profit (loss)	(750)	(200)	(941)	(185)
Gross profit (loss)	8,495	3,231	4,021	(874)
Unallocated expenses:				
Marketing and distribution expenses	(490)	(177)	(559)	(165)
Administrative expenses	(7,287)	(2,148)	(6,053)	(1,786)
Other operating income and expenses	(1,587)	59	(1,745)	(1,850)
Operating profit (loss)	2,305	965	(4,336)	(4,675)
Finance income	258	84	958	81
Finance costs	(3,740)	(1,037)	(1,320)	(378)
Profit (loss) before tax	(1,177)	12	(4,698)	(4,972)

NOTE 9. Segment reporting – geographical information

€'000	12M 2022	Q4 2022	12M 2021	Q4 2021
Estonia	309,256	79,375	272,051	74,396
Latvia	2,314	0	3,801	3,801
Lithuania	3,404	853	0	0
Finland	6,684	3,024	8,293	294
Sweden	0	0	126	(439)
Ukraine	1,202	433	4,263	1,588
Total revenue	322,860	83,685	288,534	79,640

NOTE 10. Cost of sales

€'000	12M 2022	12M 2021
Cost of materials, goods and services	287,791	259,320
Personnel expenses	23,609	22,019
Depreciation expense	2,514	2,621
Other expenses	451	553
Total cost of sales	314,365	284,513

NOTE 11. Administrative expenses

€'000	12M 2022	12M 2021
Cost of materials, goods and services	2,534	1,959
Personnel expenses	3,574	2,973
Depreciation and amortisation expense	947	918
Other expenses	232	203
Total administrative expenses	7,287	6,053



NOTE 12. Other operating income and expenses

€'000	12M 2022	12M 2021
Other operating income		
Gain on disposal of property, plant and equipment	458	280
Gain on sale of real estate	0	28
Other income	1,591	211
Total other operating income	2,049	519

€'000	12M 2022	12M 2021
Other operating expenses		
Foreign exchange loss	3	0
Net loss on recognition and reversal of impairment losses on receivables	319	2,144
Loss on write-off of property, plant and equipment	14	8
Other expenses	126	112
Total other operating expenses	462	2,264

NOTE 13. Finance income and costs

€'000	12M 2022	12M 2021
Finance income		
Interest income on loans	237	213
Foreign exchange gain	0	731
Other finance income	21	14
Total finance income	258	958

€'000	12M 2022	12M 2021
Finance costs		
Interest expense	929	982
Foreign exchange loss	1,528	0
Other finance costs	1,283	338
Total finance costs	3,740	1,320

NOTE 14. Transactions with related parties

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

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



The group's purchase and sales transactions with related parties

€'000 Counterparty	12M 2022		12M 2021	
	Purchases	Sales	Purchases	Sales
AS Nordic Contractors	885	0	509	0
Companies of the AS Nordic Contractors group	247	23	231	8
Companies related to owners of AS Nordic Contractors	851	0	740	0
Companies related to members of the council and the board	5	639	83	781
Total	1,988	662	1,563	789

€'000 Nature of transaction	12M 2022		12M 2021	
	Purchases	Sales	Purchases	Sales
Construction services	0	639	0	781
Transactions with goods	851	0	740	0
Lease and other services	626	8	540	8
Other transactions	511	15	283	0
Total	1,988	662	1,563	789

During the period, the group recognised interest income on loans to an associate of €218 thousand (2021: €217 thousand).

Receivables from and liabilities to related parties at period-end

€'000	31 December 2022		31 December 2021	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	0	16	0	16
Companies of the AS Nordic Contractors group	329	18	406	21
Companies related to owners of AS Nordic Contractors	278	233	130	135
Associates – receivables and liabilities	1	1	3	0
Associate – loans and interest	7,899	0	8,481	0
Total	8,507	268	9,020	172

Remuneration of the council and the board

The service fees of the members of the council of Nordecon AS for 2022 amounted to €150 thousand and associated social security charges totalled €50 thousand (2021: €150 thousand and €50 thousand, respectively).

The service fees of the members of the board of Nordecon AS amounted to €417 thousand and associated social security charges totalled €138 thousand (2021: €369 thousand and €122 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 fourth quarter and twelve months of 2022 and confirms that:

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

Gerd Müller

Chairman of the Board

9 February 2023

Priit Luman

Member of the Board

9 February 2023

Maret Tambek

Member of the Board

9 February 2023