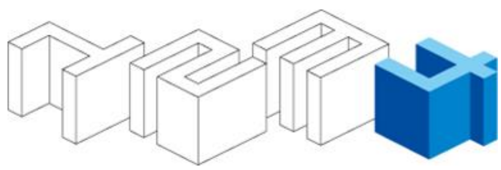
NORDECON

Financial report for the fourth quarter and 12 months of 2018
(unaudited)



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Business name	Nordecon AS
Registry number	10099962
Address	Pärnu mnt 158/1, 11317 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 2018 – 31 December 2018
Reporting period	1 January 2018 – 31 December 2018
Council	Toomas Luman (chairman of the council), Andri Hõbemägi, Vello Kahro, Sandor Liive, Meelis Milder
Board	Gerd Müller (chairman of the board), Priit Luman, Maret Tambek, Ando Voogma
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. We have gradually extended our offering with various activities which support the core business such as 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, landfill sites, 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 market leader, in both the building and infrastructure construction segments.
- In Sweden, we will focus on general contracting in Stockholm and the surrounding area.
- In Finland, we will focus on general contracting and concrete works in Helsinki and the surrounding area.
- In Ukraine, we will focus on general contracting and concrete works, primarily in Kiev and the surrounding area.

Activities for implementing the strategy

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

Financial targets

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

Outlooks of the Group's geographical markets

Estonia

Processes and developments characterising the Estonian construction market:

- In 2019, public investments that have a strong impact on the construction market will not increase considerably compared to 2018. In terms of the market as a whole, investments made by the largest public sector customers (the state-owned real estate company Riigi Kinnisvara AS, the National Road Administration, the Centre for Defence Investment, etc.) that will reach signature of a construction contract in 2019 will not grow substantially. There are no signs of significant year-on-year growth in the volume of orders placed by the private sector either. Thus, it is expected that after two years of rapid growth the Estonian construction market will start cooling down.
- Competition remains stiff across the construction market, intensifying in different segments in line with market developments. A continuously high number of bidders for construction contracts reflects this. 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, are more successful.
- In developing new residential real estate, the success of a project depends 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 and credit institutions' more limited financing of buyers will lengthen the sale of real estate. In particular, this will affect more expensive housing. While the market in Tallinn is becoming saturated, Estonia's other significant housing market in Tartu has sufficient development potential.
- There is a growing contrast between the stringent terms of public contracts, which impose an increasing number of obligations, strict sanctions, different financial guarantee commitments, long settlement terms, 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 will continue to rise at a moderate pace, driven by growth in labour costs. General contractors have been trying to absorb the cost increase by making margin concessions but those measures are practically exhausted. The construction market includes a growing number of areas where changes in the environment (e.g. materials producers' rapid and successful entry into foreign markets) may trigger a sharp price increase.
- Growth in construction prices has created a situation where the prices proposed by bidders exceed public customers' planned budgetary resources or do not fit private customers' business plans. As a result, construction work procurements are either cancelled or the processes extend beyond the initial deadlines.
- The persisting shortage of skilled labour (including project and site managers) is restricting companies' performance capacities and affecting different aspects of the construction process, including quality. Labour migration to the Nordic countries remains steady and it is not likely that workers who have left will return to the Estonian construction market in large numbers. Migrant workers who in turn have started moving to Estonia are not able to fill the gap. All of the above factors sustain pressure for a wage increase, particularly in the category of the younger and less experienced workforce whose natural mobility and willingness to change jobs is higher.

Ukraine

In Ukraine, we mainly offer general contracting and project management services to private sector customers in the segment of building construction. Political and economic instability continues to restrict the adoption of business decisions but construction activity in Kiev and the surrounding area has increased in recent years. Hard times have reduced the number of inefficient (construction) companies and when the economy normalises we will have considerably better prospects for increasing our operations and profitability. In 2019, we will continue our Ukrainian operations, mainly in the Kiev region. Despite the military conflict in eastern Ukraine, for Nordecon the market situation has improved in recent years and we expect that in 2019 the Group's business volumes will remain at a level comparable to 2018. The Group assesses the situation in the Ukrainian market regularly and critically and is ready to restructure its 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.

At the end of 2018, the Group increased its interest in Technopolis-2 TOV from 50% to 100% (see the chapter *Group structure*). The company owns one of the above real estate projects. Sole ownership provides an opportunity to realise the project more flexibly.

Finland

In Finland, we have mainly been providing subcontracting services in the concrete work segment but, based on experience gained over the years, have started preparations for expanding into the general contracting market. 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. As expected, Finland's economic growth has also had a positive impact on the construction sector. According to forecasts, in 2019 the construction sector will continue to expand.

Sweden

We have been operating in Sweden since July 2015. 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. As regards our longer-term goal and the plan to build a viable and strong organisation that would compete successfully in the Swedish market, we are positive about the developments so far and see potential for further growth and ensuring profitability in a large market when we have been able to stabilise our order book growth at the desired level. The decline in real estate prices that took place in 2018 has reduced the demand for housing construction. Therefore, the starting dates of many projects are being postponed. According to forecasts, in the next few years housing construction in Sweden will decrease compared to the peak level of 2017. However, the construction market will be positively influenced by sustained growth in investments made by the government and high demand for office space in large cities.

Description of the main risks

Business risks

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

Competition continues to be stiff in all segments of the construction market. However, bidders' prices are under strong competitive pressure in a situation where the prices of construction inputs have been consistently rising, driven by growth in labour costs. 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 qualification requirements of public procurements low, which sometimes results in sacrificing quality and adherence to deadlines to the lowest price. We acknowledge the risks involved in the performance of contracts signed in an environment of stiff competition and continuously rising input prices. Securing a long-term construction contract at an unreasonably low price in a situation where input prices cannot be lowered noticeably and competition is tough is risky because negative developments in the economy may quickly render the contract onerous. 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 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 disperse 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. Our long-term goal is to be flexible and keep our two operating segments in relative balance (see the chapter *Performance by business line*). Where possible, our entities implement different technical solutions that also allow working efficiently in changing conditions.

Operational risks

To manage their daily construction risks, Group companies purchase contractors' all risks insurance. Depending on the nature of the project and the requests of the customer, both general frame agreements and special, project-specific insurance contracts are used. In addition, as a rule, subcontractors are required to secure the performance of their obligations with a bank guarantee provided to a Group company or the Group retains part of the amount due until the contract has been completed. To remedy construction deficiencies which may be detected during the warranty period, Group companies create warranty provisions based on their historical experience. At 31 December 2018, the Group's warranty provisions (including current and non-current ones) totalled 900 thousand euros (31 December 2017: 1,262 thousand euros).

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

Financial risks

Credit risk

The Group's credit losses for the period totalled 16 thousand euros. In 2017, credit losses totalled 37 thousand euros. The overall credit risk exposure of the portfolio of receivables is low because the solvency of prospective customers is evaluated, the share of public sector customers is large and customers' settlement behaviour is continuously monitored. The main indicator of the realisation of credit risk is settlement default that exceeds 180 days along with no activity on the part of the debtor that would confirm the intent to settle.

Liquidity risk

The Group remains exposed to higher than usual liquidity risk. At the reporting date, the Group's current ratio was 1.12 (31 December 2017: 1.11). 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, at the reporting date the Group's loan to its Ukrainian associate of 7,780 thousand euros was classified as a non-current asset.

For better cash flow management, we use overdraft facilities and factoring by which we counter the mismatch between the settlement terms agreed with customers and subcontractors. Under IFRS EU, borrowings have to be classified into current and non-current based on contract terms in force at the reporting date. At 31 December 2018, the Group's short-term borrowings totalled 9,374 thousand euros.

At the reporting date, the Group's cash and cash equivalents totalled 7,678 thousand euros (31 December 2017: 8,915 thousand euros).

Interest rate risk

The Group's interest-bearing liabilities to banks have both fixed and floating interest rates. Finance lease liabilities have mainly floating interest rates. The base rate for most floating-rate contracts is EURIBOR. During the period, interest-bearing borrowings decreased by 5,786 thousand euros. Factoring liabilities and current loan liabilities declined (see the section *Liquidity risk*). At 31 December 2018, interest-bearing borrowings totalled 24,204 thousand euros (31 December 2017: 29,990 thousand euros). Interest expense for 2018 amounted to 781 thousand euros (2017: 655 thousand euros). Interest expense increased due to more extensive use of overdrafts.

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 cause a significant rise in interest expense, which would have an adverse impact on profit. We mitigate the risk by pursuing a policy of entering, where possible, into fixed-rate contracts when the market interest rates are low. As regards loan products offered by banks, observance of the policy has proved difficult and most new contracts have a floating interest rate. We have signed a derivative contract to manage the risks resulting from changes in the interest rate of the finance lease contract 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. In 2018, the hryvnia/euro exchange rate strengthened by approximately 5.6%. As a result, the Group's Ukrainian subsidiary had to translate its euro-denominated loans into the local currency, which gave rise to a foreign exchange gain of 147 thousand euros (2017: an exchange loss of 416 thousand euros). The exchange gain and loss on financial instruments have been 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 does the loan provided to the Ukrainian associate in euros give rise to any exchange gains or losses in the Group's financial statements.

In 2018, the Swedish krona weakened against the euro by around 4.0%. Due to adverse movements in the krona/euro exchange rate, the translation of operating receivables and payables resulted in an exchange loss of 76 thousand euros (2017: 15 thousand euros). The exchange loss has been recognised in *Other operating expenses.* The translation of a loan provided to the Swedish subsidiary in euros into the local currency gave rise to an exchange loss of 121 thousand euros (2017: 35 thousand euros). The exchange loss has been recognised in *Finance costs*.

We have not acquired derivatives to hedge our currency risk.

Employee and work environment risks

Finding permanent labour is a serious challenge for the entire construction sector and one of the main factors that influences business results. The Group depends extensively on its subcontractors' ability to ensure the availability of skilled labour. To strengthen Nordecon's reputation as an employer and make sure that we can also find employees in the future, we collaborate with educational institutions.

As a construction company, we strive to minimise the occupational health and safety risks of people working on our construction sites, including both our own employees and the teams of our subcontractors. The goal is to make sure that all measures required by law are applied in full. In addition, the parent company follows the requirements of international occupational health and safety management standard OHSAS 18001. Subcontractors must ensure that their employees follow applicable work safety requirements; the Group's role is to work with them and create conditions that enable and foster compliance.

Environmental risks

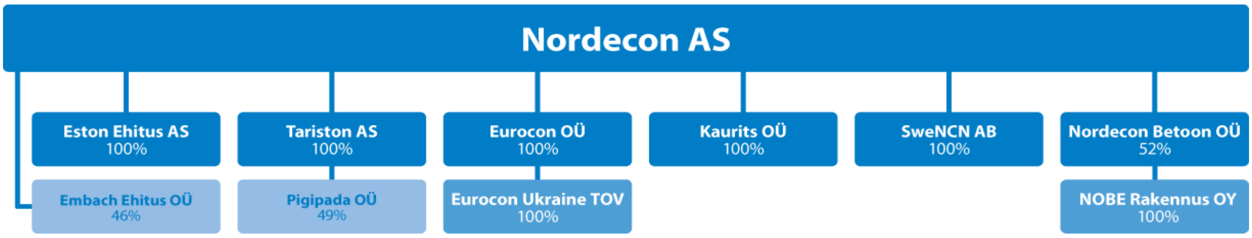
Construction activities change landscapes and the physical environment of cities and settlements. The Group's goal is to do its work and at the same time protect the natural environment as much as possible. Our assets and operations which have the strongest impact on the environment and, thus, involve the highest environmental risk are asphalt plants, quarries and road construction sites. To prevent leaks, spills, pollution, destruction of wildlife and other damage to the environment, we comply with legal requirements. All of our largest construction entities have implemented environmental management standard ISO 14001.

Corruption and ethical risks

As one of the leading construction companies in Estonia, we realise that it is important to be aware of the risks involved in the breach of honest and ethical business practices and to make sure that our entities' management quality, organisational culture and internal communication emphasise zero tolerance for dishonest, unethical and corrupt behaviour.

Group structure

The Group's structure at 31 December 2018, 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, Magasini 29 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

Merger of subsidiaries

In August 2018, the merger of Nordecon AS's wholly-held subsidiaries Eurocon Vara OÜ and Eurocon OÜ was finalised. In the transaction, Eurocon Vara OÜ was the acquirer and Eurocon OÜ the acquiree. The merger was entered in the Commercial Register on 7 August 2018. The combined entity continues to operate under the name of Eurocon OÜ.

Name change of a subsidiary

In September 2018, the business name of Nordecon Betoon OÜ's wholly-held Finnish subsidiary Estcon OY was changed for NOBE Rakennus OY. The purpose of the name change was to adopt the same trade name, NOBE, which Nordecon Betoon OÜ uses in Estonia.

Acquisition of interests

OÜ Kaurits

In October 2018, Nordecon AS acquired a 34% non-controlling interest in its subsidiary OÜ Kaurits in which it already held a 66% stake. The purpose of the transaction was to improve construction management efficiency in the Infrastructure segment. After the transaction, OÜ Kaurits is a wholly-held subsidiary of Nordecon AS.

SWENCN OÜ

In December 2018, Nordecon AS acquired a 40% non-controlling interest in its subsidiary, SWENCN OÜ. SWENCN OÜ held 100% of the shares in SWENCN AB, a construction company belonging to Nordecon Group that is registered and provides general contractor's services in Sweden. The purpose of the transaction was to gain full ownership of a subsidiary that operates in a foreign market important for Nordecon AS. Through the transaction, SWENCN OÜ became a wholly-held subsidiary of Nordecon AS. After the acquisition of full ownership, Nordecon AS purchased from the subsidiary, SWENCN OÜ, 100% of the shares in SWENCN AB.

Technopolis-2 TOV

In December 2018, Nordecon AS's wholly-held subsidiary, Eurocon OÜ, acquired a 50% interest in an associate, Technopolis-2 TOV, registered in Ukraine in which Nordecon AS already had, through subsidiaries, a 50% stake. By the transaction, Nordecon AS became, through wholly-held subsidiaries, the sole owner of Technopolis-2 TOV. The purpose of the transaction was to gain full ownership of a development project on terms attractive for the Group.

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 sub-segments. 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 and AS Eston Ehitus.

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.

Changes in the Group's foreign operations

Ukraine

There were no changes in our Ukrainian operations during the period under review. Ukraine's political and economic environment continued to be influenced by the conflict between Ukraine and Russia which broke out at the beginning of 2014. In recent years, our business activity in Ukraine has increased but we have remained conservative about the contracts we sign. The Group's projects are mainly located in the capital Kiev and the surrounding area. The ongoing military conflict, 700 km away in eastern Ukraine, has not had a direct impact on our operations. We have accepted contracts only when we have been certain that the risks involved are reasonable, considering the circumstances. The situation in the Kiev region is stable, considering the backdrop, and companies have adapted to the new environment. In the period under review, our Ukrainian business volumes doubled compared to 2017.

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

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 Finnish concrete work segment.

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 a building construction contract secured as a general contractor. The subsidiary continues to develop its organisation and active sales activities in order to win new contracts.

Performance by geographical market

The contribution of the Group's foreign markets has remained stable in the past three years. In 2018, revenue earned outside Estonia accounted for 7% of our total revenue.

	2018	2017	2016
Estonia	93%	94%	93%
Ukraine	4%	2%	2%
Sweden	2%	3%	4%
Finland	1%	1%	1%

The share of the Group's Ukrainian revenues grew substantially compared to 2017. In Ukraine, we provided general contractor's services under one infrastructure and two building construction contracts and the share of concrete works performed in the building construction segment also increased significantly. The share of Swedish revenues decreased year on year. During the period, we provided services under two construction contracts secured as a general contractor. Our Finnish revenues resulted from concrete works in the building construction segment.

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 affect 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

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

Nordecon's revenues for 2018 totalled 223,496 thousand euros, a roughly 3.4% decrease from the 231,387 thousand euros generated in 2017. The revenue generated by the Infrastructure segment grew by around 7% but due to the difference in the segments' revenue volumes, this did not counterbalance the decline (7%) in the revenue generated by the Buildings segment. In 2018, our Buildings and Infrastructure segments generated revenue of 162,909 thousand euros and 60,086 thousand euros respectively. The corresponding figures for 2017 were 174,447 thousand euros and 56,335 thousand euros (see note 8). The current revenue structure is also reflected in our order book where building construction contracts continue to prevail.

Operating segments*	2018	2017	2016
Buildings	72%	74%	73%
Infrastructure	28%	26%	27%

* * 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 company are allocated in both parts of the interim report based on the nature of the work.

Sub-segment revenues

In the Buildings segment, the largest revenue source is the commercial buildings sub-segment. In 2018, its revenue grew significantly: by around 27% compared to 2017. During the period, we completed the construction of an office building at Lõõtsa 12 and a multi-storey car park at Sepise 8 in Ülemiste City in Tallinn, a 14-floor commercial and residential building in the WoHo quarter at Mustamäe tee 3 in Tallinn and the Møller Auto car sales and service centre and the Omniva logistics centre in Rae parish near Tallinn. We continue work on the reconstruction and extension of the building of Terminal D in the Old City Harbour in Tallinn.

In 2018, the revenue of the public buildings sub-segment grew by 28% compared to 2017. The results of the sub-segment continue to be strongly influenced by investments made in national defence. During the period, we continued to build the Estonian Academy of Security Sciences building in Tallinn. The construction of infrastructure for armoured vehicles has reached its final stage. We delivered to customers the Abja Health Centre and barracks completed at the defence forces' base at Tapa.

The share of revenue generated by the apartment buildings sub-segment decreased by around a quarter compared to 2017. In Estonia, a substantial part of the Group's apartment building projects is located in Tallinn. In 2018, the largest of them were apartment buildings at Sõjakooli 12 (phases III and IV) and Lesta 10. We completed and delivered to customers the Meerhof 2.0 apartment building complex at Pirita tee 20a and phase II of the Sõjakooli 12 project. Foreign markets continue to contribute a major share of the sub-segment's revenue. In Ukraine, we completed the construction of a residential area in the city of Brovary in the Kiev region. In Sweden, we completed the design and construction of an eight-floor apartment building in Stockholm.

We continue work on our own housing developments in Tartu and Tallinn (reported in the apartment buildings sub-segment). During the period, we completed the development of a new residential area in the Tammelinn district in Tartu. In the course of development which began in March 2014, we built nine apartment buildings with a total of 193 apartments (www.tammelinn.ee). We also began work in two new development projects: at Nõmme tee 97 in Tallinn where we are going to build a four-floor apartment building with 21 apartments (www.nommetee.ee) and at Aruküla tee in Tartu where we are going to build three apartment buildings with 10 apartments each (www.kaldakodu.ee). We continue to sell apartments in both of the above development projects as well as in the project completed in 2017 at Magasini 29 (www.magasini.ee) in Tallinn. Our development revenues for 2018 totalled 9,369 thousand euros (2017: 6,533 thousand euros). In carrying out development activities, we monitor closely potential risks in the housing development market.

The revenue of the industrial and warehouse facilities sub-segment decreased substantially compared with 2017. The largest project was the construction of the Metsä Wood plywood factory in Pärnu, which was successfully completed. The volumes of the sub-segment continue to be supported by orders placed by the agricultural sector. During the period, the largest of these included the construction of the Mätliku robotic dairy shed, a cattle shed for Kraavi Põllumajandus OÜ and the Lähtru grain terminal as well as the reconstruction (phase IV) of the fattening unit of the pig farm of Rakvere Farmid AS (EKSEKO). We continue to perform a design and build contract for the construction of a warehouse and office building at Kaldase tee 4 in Maardu.

Based on the order book at the end of the reporting period and contracts secured in 2019, the Buildings segment will continue to be dominated by the commercial and public buildings sub-segments.

Revenue breakdown in the Buildings segment	2018	2017	2016
Commercial buildings	35%	25%	16%
Public buildings	25%	19%	30%
Apartment buildings	25%	30%	34%
Industrial and warehouse facilities	15%	26%	20%

For a long time, the Infrastructure segment has been dominated by the road construction and maintenance sub-segment whose relative importance has been increasing year by year. During the period, a significant portion of its revenue resulted from major projects performed under contracts secured in 2017: the reconstruction of the Haabersti intersection in Tallinn, the reconstruction of a section of the Tallinn ring road (km 0.6-2.8) and the construction of passing lanes for a 2+1 road on the Valmaotsa–Kärevere section of the Tallinn–Tartu–Võru–Luhamaa road. In 2018, we also secured contracts for the reconstruction of two sections of the Riga-Pskov road (km 195.6-205.8 and 207.8-209.2) and the construction of the Veskitammi intersection in Laagri, on the border of Tallinn. The construction of the latter will continue in 2019.

A substantial share of the period’s revenue also resulted from forest road improvement services provided to the State Forest Management Centre. We continued to render road maintenance services in Järva and Hiiu counties and the Kose maintenance area in Harju county.

Contracts secured by the environmental engineering and other engineering (utility network construction) sub-segments are generally small. Thanks to a contract signed in 2018 for performing earthworks on the Kiili-Paldiski section of the mainland part of Balticconnector (a gas pipeline), it is likely that in 2019 other engineering revenue will remain at the level of the reporting period.

We do not expect any significant change in revenue breakdown in 2019 and believe that road construction will remain the main revenue source in the Infrastructure segment.

Revenue breakdown in the Infrastructure segment	2018	2017	2016
Road construction and maintenance	89%	86%	86%
Other engineering	7%	8%	9%
Environmental engineering	4%	6%	5%

Financial review

Financial performance

Despite continuously stiff competition, Nordecon increased gross profit compared to 2017. The Group ended 2018 with a gross profit of 10,033 thousand euros (2017: 8,695 thousand euros) and a gross margin of 4.5% (2017: 3.8%). In the fourth quarter, the gross margin improved considerably, rising to 6% (Q4 2017: 3.4%). In annual terms, both operating segments increased their profitability. The gross margin of the Buildings segment was 4.7% for 2018 and 8.3% for the fourth quarter (2017: 4.0% for the year and 3.3% for Q4) while the gross margin of the Infrastructure segment was 5.6% for 2018 and 1.9% for the fourth quarter (2017: 4.1% for the year and 4.5% for Q4). Due to very changeable weather conditions, the end of the year was more complicated than expected in the provision of winter maintenance on national roads. This weakened the fourth-quarter results of the Infrastructure segment. The gross margin of the Buildings segment was affected, particularly in the first half of the year, by a lower than expected gross margin in the apartment buildings sub-segment. The margins of long-term contracts secured in 2016 and 2017 were undermined by a continuous rise in subcontracting charges, particularly growth in labour costs during the performance phase. Margins also continue to be affected by the conclusion of an insufficient volume of new contracts in Sweden, which gives rise to uncovered fixed costs. We monitor the proportions of different segments in the Group's portfolio closely in order to better manage the risks resulting from changes in input prices.

The Group's administrative expenses for 2018 amounted to 6,725 thousand euros. Compared to 2017, administrative expenses decreased by around 3.0% (2017: 6,936 thousand euros) and the ratio of administrative expenses to revenue (12 months rolling) was 3.0% (2017: 3.0%). Both in the reporting and the comparative period, administrative expenses were influenced by changes on the Group's board (see also the chapter *Employees and personnel expenses*).

The Group's operating profit for 2018 amounted to 4,031 thousand euros (2017: 1,102 thousand euros). EBITDA amounted to 6,021 thousand euros (2017: 3,123 thousand euros).

Finance income and costs for the period continued to be influenced by exchange rate fluctuations in the Group's foreign markets. Although the Ukrainian hryvnia strengthened against the euro by around 5.6% and the Group recognised an exchange gain of 147 thousand euros (2017: an exchange loss of 416 thousand euros) on the translation of a loan provided to the Ukrainian subsidiary in euros, the Swedish krona weakened against the euro by around 4% and the Group recognised an exchange loss of 121 thousand euros (2017: 35 thousand euros) on the translation of a loan provided to the Swedish subsidiary in euros.

The Group's net profit amounted to 3,821 thousand euros (2017: 1,725 thousand euros), of which the net profit attributable to owners of the parent, Nordecon AS, was 3,381 thousand euros (2017: 1,388 thousand euros).

Cash flows

In 2018, operating activities produced a net cash inflow of 4,748 thousand euros (2017: an outflow of 1,748 thousand euros). Positive net operating cash flow is attributable to growth in the Group's own development operations and the collection of the contractual retentions (5-10% of the contract price) of major construction projects which have been completed. Operating cash flow continues to be strongly influenced by the fact that the contracts signed with both 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 lowered 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 2,878 thousand euros (2017: an inflow of 4,660 thousand euros, which was influenced by the sale of a subsidiary and a joint venture). Cash flow was strongly influenced by proceeds from the sale of property, plant and equipment of 1,847 thousand euros (2017: 49 thousand euros) and investment property of 1,300 thousand euros (2017: 0 euros) and acquisition of property, plant and equipment of 442 thousand euros (2017: 348 thousand euros). Dividends received amounted to 249 thousand euros (2017: 153 thousand euros).

Financing activities generated a net cash outflow of 8,863 thousand euros (2017: an outflow of 3,770 thousand euros). The largest items were loan and finance lease payments. Proceeds from loans received amounted to 2,898 thousand euros, consisting of development loans and overdrafts (2017: 9,207 thousand euros). Loan repayments totalled 4,671 thousand euros (2017: 4,245 thousand euros), consisting of scheduled repayments of long-term investment and development loans. Finance lease payments amounted to 1,879 thousand euros (2017: 2,252 thousand euros). Dividends paid in 2018 totalled 2,627 thousand euros (2017: 4,497 thousand euros). Payments made on the reduction of share capital totalled 1,847 thousand euros (2017: 1,384 thousand euros).

At 31 December 2018, the Group's cash and cash equivalents totalled 7,678 thousand euros (31 December 2017: 8,915 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 for the period	2018	2017	2016
Revenue (EUR '000)	223,496	231,387	183,329
Revenue change	-3.4%	26.2%	26.0%
Net profit (EUR '000)	3,821	1,725	3,933
Net profit attributable to owners of the parent (EUR '000)	3,381	1,388	3,044
Average number of shares	31,528,585	30,913,031	30,756,728
Earnings per share (EUR)	0.11	0.04	0.10
Administrative expenses to revenue	3.0%	3.0%	3.3%
EBITDA (EUR '000)	6,021	3,123	6,017
EBITDA margin	2.7%	1.3%	3.3%
Gross margin	4.5%	3.8%	6.0%
Operating margin	1.8%	0.5%	2.3%
Operating margin excluding gain on asset sales	1.3%	0.5%	2.2%
Net margin	1.7%	0.7%	2.2%
Return on invested capital	8.4%	5.9%	8.5%
Return on equity	11.2%	4.8%	10.6%
Equity ratio	32.4%	30.8%	28.6%
Return on assets	3.5%	1.6%	4.2%
Gearing	28.5%	32.7%	16.7%
Current ratio	1.12	1.11	1.20
As at 31 December	**2018**	**2017**	**2016**
Order book (EUR '000)	100,352	144,122	131,335

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

At 31 December 2018, the Group's order book (backlog of contracts signed but not yet performed) stood at 100,352 thousand euros, a decrease of roughly 30% compared to the end of 2017. One of the reasons for the decrease in the Group's order book is that the decision-making processes of public procurements carried out in the second half of 2018 (periods from the submission of a bid to the conclusion of a contract) took longer than usual.

Between the reporting date (31 December 2018) and the date of release of this report, Group companies have secured additional construction contracts in the region of 42,888 thousand euros of which 36% is attributable to the above public procurement contracts.

As at 31 December	2018	2017	2016
Order book (EUR '000)	100,352	144,122	131,335

At the reporting date, contracts secured by the Buildings segment and the Infrastructure segment accounted for 72% and 28% of the Group's total order book respectively (31 December 2017: 75% and 25% respectively). Compared to 31 December 2017, the order books of the Buildings segment and the Infrastructure segment have decreased by 34% and 20% respectively.

The order books of the commercial buildings and apartment buildings sub-segments account for an equal share, approximately a third each, of the order book of the Buildings segment. In the commercial buildings sub-segment, the largest projects in progress are in Tallinn: the reconstruction and extension of the building of Terminal D in the Old City Harbour at Lootsi 13/4, the design and construction of an eight-floor accommodation building on the property at Liimi 1B and the construction of a multi-storey car park at Sepapaja 1. The order book of the apartment buildings sub-segment includes mainly contracts for the construction of apartment buildings in Tallinn. However, there is also a housing development project in the Stockholm area in Sweden. A major share of the order book of the public buildings sub-segment it is made up of contracts for the construction of a state secondary school at Kohtla-Järve and the Peetri sports and leisure centre in Rae parish. The order book of the industrial and warehouse facilities sub-segment has decreased significantly.

The order book of the Infrastructure segment continues to be underpinned by contracts of the road construction and maintenance sub-segment which account for around 72% of the Infrastructure segment's order book. The largest projects in the road construction order book are the construction of the Veskitammi intersection in Laagri, on the border of Tallinn, passing lanes for a 2+1 road on the Pikknurme-Puurmani section (km 142.2-146.9) of the Tallinn–Tartu–Võru–Luhamaa road, and roads and bridges for the defence forces' central training area in Kuusalu parish. The Group continues to provide road maintenance services in three road maintenance areas: Järva, Hiiu and Kose. In July 2018, the Group signed a contract for the performance of earthworks on the 53 kilometre-long Kiili-Paldiski section of the mainland part of Balticconnector (a gas pipeline), which accounts for a significant share of the order book of the Infrastructure segment.

Based on the size of the Group's order book and known developments in our chosen markets, we expect that in 2019 the Group's revenue will remain at the level of 2018. In an environment of exceptionally stiff competition, we avoid 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 2018, the Group (the parent and the subsidiaries) employed, on average, 687 people including 419 engineers and technical personnel (ETP). Headcount dropped by around 7% compared to 2017. The number of workers decreased noticeably, mostly because the contract for providing road maintenance services in Keila area expired.

Average number of the Group's employees (at the parent and the subsidiaries)

	2018	2017	2016
ETP	419	426	381
Workers	268	309	303
Total average	**687**	**735**	**684**

Despite the decline in headcount, personnel expenses grew by around 0.4% through a rise in wages and salaries. The Group's personnel expenses for 2018, including all taxes, totalled 22,964 thousand euros. In 2017, personnel expenses amounted to 22,872 thousand euros.

The service fees of the members of the council of Nordecon AS for 2018 amounted to 187 thousand euros and associated social security charges totalled 62 thousand euros (2017: 167 thousand euros and 55 thousand euros respectively).

The service fees of the members of the board of Nordecon AS amounted to 656 thousand euros and associated social security charges totalled 217 thousand euros (2017: 1,001 thousand euros and 330 thousand euros respectively). The figures include termination benefits of 180 thousand euros paid to a member of the board and associated social security charges of 60 thousand euros. In 2017, board members' service fees included termination benefits of 550 thousand euros paid to two members of the board and associated social security charges of 182 thousand euros.

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:

	2018	2017	2016
Nominal labour productivity (rolling), (EUR '000)	325.4	314.9	267.8
Change against the comparative period, %	3.3%	17.6%	27.0%
Nominal labour cost efficiency (rolling), (EUR)	9.7	10.1	9.0
Change against the comparative period, %	-3.8%	12.6%	12.8%

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

The Group's nominal labour productivity increased compared to 2017 through a decrease in headcount. Labour cost efficiency declined, mainly due to lower revenue.

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.

Reduction of share capital

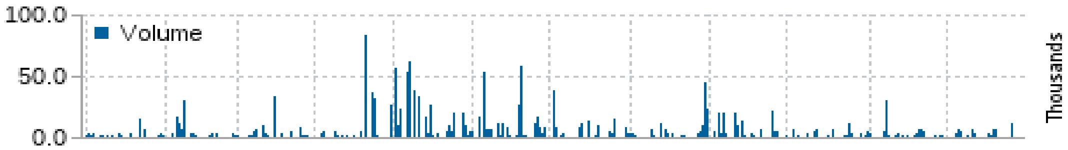
On 23 May 2018 the annual general meeting of Nordecon AS adopted a resolution on the reduction of the company's share capital and on 14 September 2018 the reduction was registered at the Commercial Register.

In accordance with the resolution of the general meeting, the company's share capital was reduced by 1,942,528.98 euros, from 18,263,543.68 euros to 16,321,014.70 euros. The reduction was carried out by reducing the book value of the shares by 0.06 euros per share. The number of the company's shares remained the same and the book value of the shares decreased in proportion to the reduction of share capital. After the reduction, the company's share capital amounts to 16,321,014.70 euros and is made up of 32,375,483 shares with no par value.

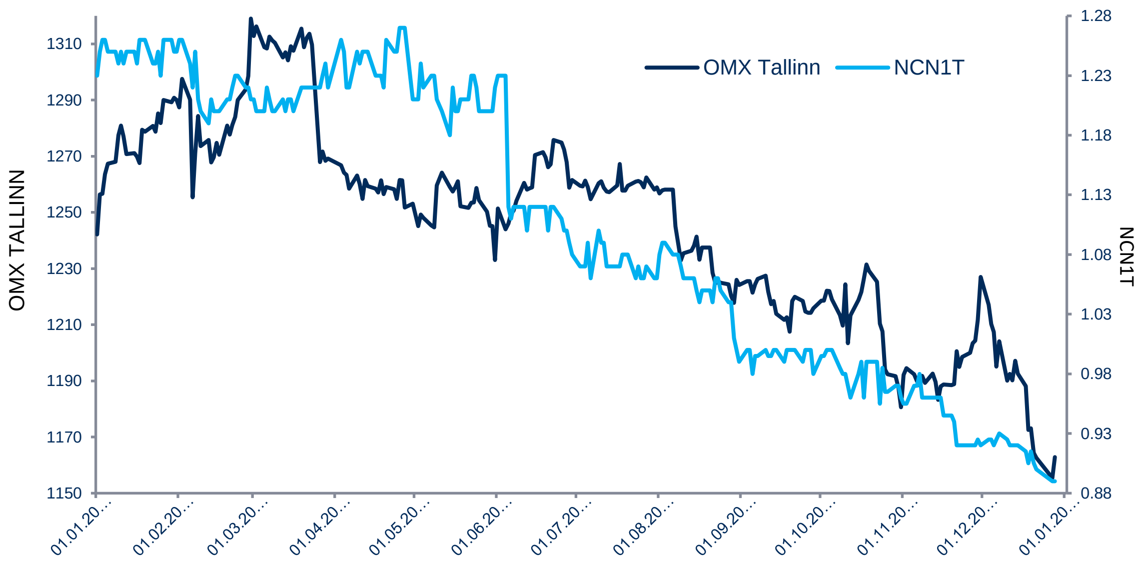
The reduction of share capital by 0.06 euros per share was paid out to shareholders on 18 December 2018. No payments were made to Nordecon AS for own shares held by the company.

Movements in the price and trading volume of the Nordecon AS share in 2018

Movements in 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 2018



Index/equity	1 January 2018*	31 December 2018	+/-
OMX Tallinn	1,242.12	1,162.86	-6.38%
NCN1T	EUR 1.23	EUR 0.89	-27.64%

* Closing price on the Nasdaq Tallinn Stock Exchange at 31 December 2017

Summarised trading results

Share trading history (EUR)

Price	2018	2017	2016
Open	1.25	1.34	1.03
High	1.29	1.46	1.25
Low	0.89	1.20	0.98
Last closing price	0.89	1.23	1.33
Traded volume (number of securities traded)	1,707,399	1,977,849	1,164,430
Turnover, in millions	1.93	2.60	1.30
Listed volume (31 December), in thousands	32,375	32,375	32,375
Market capitalisation (31 December), in millions	28.81	39.82	43.06

Shareholder structure

Largest shareholders of Nordecon AS at 31 December 2018

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,507,464	50.99
Luksusjaht AS	4,211,925	13.01
ING Luxembourg S.A.	1,383,063	4.27
Rondam AS	1,000,000	3.09
SEB Pank AS clients	710,000	2.19
ASM Investments OÜ	519,600	1.60
Mati Kalme	500,000	1.54
State Street Bank and Trust Omnibus Account A Fund	368,656	1.14
Ain Tromp	303,960	0.94
Lembit Talpsepp	291,103	0.91

Shareholder structure of Nordecon AS at 31 December 2018

	Number of shares	Ownership interest (%)
Shareholders with interest exceeding 5%	2	64.00
Shareholders with interest from 1% to 5%	6	13.84
Shareholders with interest below 1%	1,846	19.54
Holder of own (treasury) shares	1	2.62
Total	**1,855**	**100**

Shares controlled by members of the council of Nordecon AS at 31 December 2018

Council member		Number of shares	Ownership interest (%)
Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad)*	Chairman of the Council	16,579,144	51.21
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
Meelis Milder	Member of the Council	0	0.00
Total		**16,639,144**	**51.39**

* Companies controlled by the individual

Shares controlled by members of the board of Nordecon AS at 31 December 2018

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 1,618,755 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 1,618,755 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 at the same price.

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

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

At 31 December 2018, 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	7 February 2019
Priit Luman	Member of the Board	7 February 2019
Maret Tambek	Member of the Board	7 February 2019
Ando Voogma	Member of the Board	7 February 2019

Condensed consolidated interim financial statements

Condensed consolidated interim statement of financial position

EUR '000	Note	31 December 2018	31 December 2017
ASSETS			
Current assets			
Cash and cash equivalents		7,678	8,915
Trade and other receivables	2	31,627	35,193
Prepayments		1,383	1,642
Inventories	3	20,444	23,230
Total current assets		**61,132**	**68,980**
Non-current assets			
Investments in equity-accounted investees		2,266	1,888
Other investments		26	26
Trade and other receivables	2	8,225	8,950
Investment property		5,526	4,929
Property plant and equipment	4	12,288	12,566
Intangible assets	4	14,674	14,639
Total non-current assets		**43,005**	**42,998**
TOTAL ASSETS		**104,137**	**111,978**
LIABILITIES			
Current liabilities			
Borrowings	5, 6	9,374	16,197
Trade payables		32,847	36,057
Other payables		7,294	5,654
Deferred income		3,932	3,651
Provisions		1,000	*533*
Total current liabilities		**54,447**	**62,092**
Non-current liabilities			
Borrowings	5, 6	14,830	13,955
Trade payables		98	98
Other payables		71	71
Provisions		982	1,273
Total non-current liabilities		**15,981**	**15,397**
TOTAL LIABILITIES		**70,428**	**77,489**
EQUITY			
Share capital		16,321	18,263
Own (treasury) shares		-693	-1,349
Share premium		618	589
Statutory capital reserve		2,554	2,554
Translation reserve		1,992	1,995
Retained earnings		10,896	11,086
Total equity attributable to owners of the parent		**31,688**	**33,138**
Non-controlling interests		**2,021**	**1,351**
TOTAL EQUITY		**33,709**	**34,489**
TOTAL LIABILITIES AND EQUITY		**104,137**	**111,978**

Condensed consolidated interim statement of comprehensive income

EUR '000	Note	Q4 2018	2018	Q4 2017	2017
Revenue	8, 9	55,908	223,496	56,478	231,387
Cost of sales	10	-52,563	-213,463	-54,551	-222,692
Gross profit		**3,345**	**10,033**	**1,927**	**8,695**
Marketing and distribution expenses		-156	-626	-175	-623
Administrative expenses	11	-1,748	-6,725	-1,561	-6,936
Other operating income	12	247	1,471	9	107
Other operating expenses	12	-49	-122	-11	-141
Operating profit		**1,639**	**4,031**	**189**	**1,102**
Finance income	13	190	431	99	2,901
Finance costs	13	-168	-909	-844	-1,570
Net finance income/costs		**22**	**-478**	**-745**	**1,331**
Share of profit/loss of equity-accounted investees		-9	835	-33	485
Profit/loss before income tax		**1,652**	**4,388**	**-589**	**2,918**
Income tax income/expense		15	-567	-402	-1,193
Profit/loss for the period		**1,667**	**3,821**	**-991**	**1,725**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		-105	-4	187	446
Total other comprehensive expense/income		**-105**	**-4**	**187**	**446**
TOTAL COMPREHENSIVE INCOME/EXPENSE		**1,562**	**3,817**	**-804**	**2,171**
Profit attributable to:					
- Owners of the parent		1,409	3,381	-1,590	1,388
- Non-controlling interests		258	440	599	337
Profit/loss for the period		**1,667**	**3,821**	**-991**	**1,725**
Total comprehensive income attributable to:					
- Owners of the parent		1,304	3,377	-1,403	1,834
- Non-controlling interests		258	440	599	337
Total comprehensive income/expense for the period		**1,562**	**3,817**	**-804**	**2,171**
Earnings per share attributable to owners of the parent:					
Basic earnings per share (EUR)	7	0.04	0.11	-0.05	0.04
Diluted earnings per share (EUR)	7	0.04	0.11	-0.05	0.04

Condensed consolidated interim statement of cash flows

EUR '000	Note	2018	2017
Cash flows from operating activities			
Cash receipts from customers[1]		269,321	268,013
Cash paid to suppliers[2]		-232,642	-239,592
VAT paid		-8,269	-6,971
Cash paid to and for employees		-23,066	-22,593
Income tax paid		-596	-605
Net cash from/used in operating activities		**4,748**	**-1,748**
Cash flows from investing activities			
Paid on acquisition of property, plant and equipment		-442	-343
Paid on acquisition of intangible assets		0	-5
Proceeds from sale of property, plant and equipment	4	1,847	49
Paid on acquisition of investment property		-88	0
Proceeds from sale of investment property		1,300	0
Disposal of a subsidiary and a joint venture		0	2,744
Loans provided		-12	-45
Repayment of loans provided		14	1,739
Dividends received		249	153
Interest received		10	368
Net cash from investing activities		**2,878**	**4,660**
Cash flows from financing activities			
Proceeds from loans received		2,898	9,207
Repayment of loans received		-4,671	-4,245
Finance lease principal paid	6	-1,879	-2,252
Interest paid		-737	-752
Dividends paid		-2,627	-4,497
Reduction of share capital		-1,847	-1,384
Sale of own shares		0	153
Net cash used in financing activities		**-8,863**	**-3,770**
Net cash flow		**-1,237**	**-858**
Cash and cash equivalents at beginning of period		**8,915**	**9,786**
Effect of movements in foreign exchange rates		0	-13
Decrease in cash and cash equivalents		-1,237	-858
Cash and cash equivalents at end of period		**7,678**	**8,915**

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

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

Condensed consolidated interim statement of changes in equity

EUR '000	Share capital	Own shares	Capital reserve	Share premium	Translation reserve	Retained earnings	Total	Non-controlling interests	Total
	Equity attributable to owners of the parent								
Balance at 31 December 2016	**19,720**	**-1,550**	**2,554**	**564**	**1,549**	**13,091**	**35,928**	**2,118**	**38,046**
Profit for the period	0	0	0	0	0	1,388	1,388	337	1,725
Other comprehensive income	0	0	0	0	446	0	446	0	446
Transactions with owners									
Exercise of share options	0	153	0	0	0	0	153	0	153
Dividend distribution	0	0	0	0	0	-3,393	-3,393	-1,104	-4,497
Reduction of share capital	-1,457	48	0	25	0	0	-1,384	0	-1,384
Total transactions with owners	**-1,457**	**201**	**0**	**25**	**0**	**-3,393**	**-4,625**	**-1,104**	**5,728**
Balance at 31 December 2017	**18,263**	**-1,349**	**2,554**	**589**	**1,995**	**11,086**	**33,138**	**1,351**	**34,489**
Profit for the period	0	0	0	0	0	3,381	3,381	440	3,821
Other comprehensive expense	0	0	0	0	-3	0	-3	0	-3
Transactions with non-controlling interests	0	530	0	0	0	-1,746	-1,216	998	-217
Transactions with owners									
Exercise of share options	0	71	0	0	0	0	71	0	71
Dividend distribution	0	0	0	0	0	-1,859	-1,859	-768	-2,627
Cancellation of dividends	0	0	0	0	0	34	34	0	34
Reduction of share capital	-1,942	55	0	28	0	0	-1,859	0	-1,859
Total transactions with owners	**-1,942**	**126**	**0**	**28**	**0**	**-1,825**	**-3,612**	**-768**	**-4,381**
Balance at 31 December 2018	**16,321**	**-693**	**2,554**	**618**	**1,992**	**10,896**	**31,688**	**2,021**	**33,709**

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 Pärnu mnt 158/1, Tallinn 11317, Estonia. Nordecon AS's majority shareholder and the party controlling Nordecon Group is AS Nordic Contractors that holds 50.99% 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 2018 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 2017.

According to management's assessment, the condensed consolidated interim financial statements of Nordecon AS for the fourth quarter and 12 months of 2018 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.

Changes in accounting policies

From 1 January 2018 the Group adopted and began to apply IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, when and how much revenue may be recognised. The standard superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the interpretations related to them. According to the core principle of the new standard, revenue is recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be recognised separately, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, a minimum amount of revenue is recognised unless there is significant risk of reversal. The costs incurred to secure contracts with customers are capitalised and amortised over the period in which the benefits of the contract are consumed.

On the initial application of IFRS 15, the Group used the cumulative effect method whereby comparative information is not restated and the effect of the initial application of the standard is recognised on 1 January 2018.

Details of new accounting policies and changes in previously applied policies which are related to the Group's different goods and services are set out below.

Recognition of revenue from construction contracts

Construction contract revenue and costs are recognised as soon as they can be measured reliably using the stage of completion method. Contract revenue comprises the initial amount of revenue agreed in the contract, which may be adjusted for variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and are capable of being measured reliably. The stage of completion of a contract is determined using the cost method, i.e. based on the proportion that costs incurred bear to the estimated total contract costs. When it is probable that the estimated total contract costs will exceed contract revenue, the expected loss is recognised immediately as an expense as well as a provision in the statement of financial position.

The Group's management analysed the effect of the change in the stage of completion method applied to construction contracts in progress on revenue as at 1 January 2018 and determined that the change in the accounting method did not have a significant effect on revenue. On the adoption of IFRS 15, the losses recognised for onerous contracts in progress of 131 thousand euros which at 31 December 2017 were recognised within trade payables were reclassified to provisions in the statement of financial position.

IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standard superseded in material respects IAS 39 *Financial Instruments: Recognition and Measurement*.

The Group applied IFRS 9 retrospectively without restating comparative information in which case the effect of initial application is recognised on 1 January 2018.

Classification of financial instruments

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income and fair value through profit or loss – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortised cost if both of the following two conditions are met and the asset has not been designated as measured at fair value through profit or loss:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

At initial recognition financial assets (except for trade receivables that do not have a significant financing component, which are measured at initial recognition at their transaction price) are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

After initial recognition, such assets are measured at amortised cost using the effective interest rate method. Interest revenue, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss arising on derecognition is also recognised in profit or loss.

Because of the nature of the Group's operations and the types of financial instruments it holds, the classification and measurement of its financial instruments did not change on the adoption of IFRS 9.

Expected credit loss model

The impairment model in IFRS 9 replaced the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event no longer needs to occur before an impairment allowance is recognised.

Under IFRS 9, after the initial recognition of a financial asset a loss allowance for its expected credit losses is recognised and measured using one of the following bases:

- 12-month expected credit losses - these are credit losses that result from default events on a financial instrument that are possible within 12 months after the reporting date; and
- lifetime expected credit losses - these are credit losses that result from all possible default events over the expected life of a financial instrument.

Expected credit losses are probability-weighted estimated credit losses. Credit loss is the difference between the contractual cash flows that are due under the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

On determining whether the credit risk of a financial asset has increased significantly since its initial recognition and on assessing credit losses, the Group considers reasonable and supportable information which is relevant and available without undue cost and effort.

According to the Group's assessment a financial asset is credit-impaired when:

- the debtor is probably unable to meet all its credit-related obligations to the Group; or
- more than 180 days have passed since a payment date.

Because of the types of the Group's financial instruments, their risks and settlement dates as well as the methods used to assess credit losses at 31 December 2017, the adoption of IFRS 9 and the application of the expected credit loss model did not cause any significant increase in the Group's credit losses.

NOTE 2. Trade and other receivables

EUR '000	Note	31 December 2018	31 December 2017
Current items			
Trade receivables		21,818	25,009
Retentions receivable		1,085	950
Receivables from related parties		2	19
Miscellaneous receivables		26	275
Total receivables and loans provided		**22,931**	**26,253**
Due from customers for contract work		8,696	8,940
Total current trade and other receivables		**31,627**	**35,193**

EUR '000	Note	31 December 2018	31 December 2017
Non-current items			
Loans provided to related parties	14	7,780	8,492
Other non-current receivables		445	458
Total non-current trade and other receivables		**8,225**	**8,950**

NOTE 3. Inventories

EUR '000	31 December 2018	31 December 2017
Raw materials and consumables	3,559	2,802
Work in progress	6,434	5,788
Apartments for sale	467	3,700
Properties purchased for development and pre-development costs	9,984	10,940
Total inventories	**20,444**	**23,230**

NOTE 4. Property, plant and equipment and intangible assets

Property, plant and equipment

In 2018, the Group acquired new property, plant and equipment of 1,995 thousand euros (2017: 2,306 thousand euros). Additions comprised equipment and construction machinery required for the Group's operating activities. Proceeds from sales of property, plant and equipment amounted to 1,847 thousand euros (see the statement of cash flows). The largest transaction was the sale of a plot of land with buildings in Keila. Gain on the sale of property, plant and equipment totalled 1,113 thousand euros (2017: 1 thousand euros) (note 12).

Intangible assets

In 2018, the Group did not conduct any significant transactions with intangible assets.

NOTE 5. Borrowings

Current borrowings

EUR '000	Note	31 December 2018	31 December 2017
Short-term portion of long-term loans		634	1,117
Short-term portion of finance lease liabilities	6	1,755	1,644
Short-term bank loans		5,334	7,787
Factoring liabilities		1,651	5,649
Total current borrowings		**9,374**	**16,197**

Non-current borrowings

EUR '000	Note	31 December 2018	31 December 2017
Long-term portion of long-term bank loans		11,165	10,001
Other long-term loans		0	9
Derivative financial instruments		11	13
Long-term portion of finance lease liabilities	6	3,654	3,932
Total non-current borrowings		**14,830**	**13,955**

NOTE 6. Finance and operating leases

EUR '000	31 December 2018	31 December 2017
Finance lease liabilities at end of reporting period	**5,409**	**5,576**
Of which payable not later than 1 year	1,755	1,644
Of which payable later than 1 year and not later than 5 years	3,654	3,932
Base currency EUR	5,409	5,576
Interest rates of contracts denominated in EUR [1]	1.7%-3.9%	2.0%-3.9%
Frequency of payments	Monthly	Monthly

[1] Includes leases with floating interest rates

Finance lease payments

EUR '000	2018	2017
Principal payments made during the period	1,890	2,252
Interest payments made during the period	95	159

Operating lease payments

EUR '000	2018	2017
Operating lease payments made for cars	1,015	865
Operating lease payments made for construction equipment	3,870	3,534
Operating lease payments made for premises	713	742
Operating lease payments made for IT equipment	370	332
Total operating lease payments	**5,968**	**5,473**

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 weighted average number of shares outstanding during the period, both adjusted for the effects of all dilutive equity instruments.

EUR '000	2018	2017
Profit for the period attributable to owners of the parent	3,381	1,388
Weighted average number of shares (in thousands)	31,528	30,913
Basic earnings per share (EUR)	0.11	0.04
Diluted earnings per share (EUR)	0.11	0.04

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. The board 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 (construction of buildings)
- Infrastructure (construction of infrastructure assets)

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

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

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

Fourth quarter

EUR '000 Q4 2018	Buildings	Infrastructure	Total
Total revenue	42,143	13,631	55,774
Of which: general contracting services	36,658	11,067	47,725
subcontracting services	738	1,371	2,109
own development activities	3,813	0	3,813
investment property	934	0	934
road maintenance services	0	939	939
rental services	0	254	254
Inter-segment revenue	0	0	0
Revenue from external customers	**42,143**	**13,631**	**55,774**
Gross profit of the segment	**3,483**	**256**	**3,739**

EUR '000 Q4 2017	Buildings	Infrastructure	Total
Total revenue	43,830	14,225	58,055
Of which: general contracting services	41,279	9,902	51,181
subcontracting services	645	2,671	3,316
own development activities	1,906	0	1,906
road maintenance services	0	1,427	1,427
rental services	0	225	225
Inter-segment revenue	-2	-195	-197
Revenue from external customers	**43,828**	**14,030**	**57,858**
Gross profit of the segment	**1,433**	**638**	**2,071**

12 months

EUR '000 12 months 2018	Buildings	Infrastructure	Total
Total revenue	162,909	60,138	223,047
Of which: general contracting services	148,913	52,234	201,147
subcontracting services	2,393	3,386	5,779
own development activities	9,369	0	9,369
investment property	2,234	0	2,234
road maintenance services	0	3,461	3,461
rental services	0	1,057	1,057
Inter-segment revenue	0	-52	-52
Revenue from external customers	**162,909**	**60,086**	**222,995**
Gross profit of the segment	**7,614**	**3,378**	**10,992**

EUR '000 12 months 2017	Buildings	Infrastructure	Total
Total revenue	174,448	56,530	230,978
Of which: general contracting services	164,977	46,072	211,049
subcontracting services	2,938	3,980	6,918
own development activities	6,533	0	6,533
road maintenance services	0	5,504	5,504
rental services	0	974	974
Inter-segment revenue	-1	-195	-196
Revenue from external customers	**174,447**	**56,335**	**230,782**
Gross profit of the segment	**7,035**	**2,292**	**9,327**

Reconciliation of segment revenues

EUR '000	2018	Q4 2018	2017	Q4 2017
Total revenues for reportable segments	223,047	55,774	230,978	58,055
Elimination of inter-segment revenues	-52	0	-197	-197
Other revenue	501	134	606	-1,381
Total consolidated revenue	**223,496**	**55,908**	**231,387**	**56,478**

Reconciliation of segment profit

EUR '000	2018	Q4 2018	2017	Q4 2017
Total profit for reportable segments	10,992	3,739	9,327	2,071
Unallocated profits and losses	-959	-394	-632	-144
Consolidated gross profit	**10,033**	**3,345**	**8,695**	**1,927**
Unallocated expenses:				
Marketing and distribution expenses	-626	-156	-623	-175
Administrative expenses	-6,725	-1,748	-6,936	-1,561
Other operating income and expenses	1,349	198	-34	-2
Consolidated operating profit	**4,031**	**1,639**	**1,102**	**189**
Finance income	431	190	2,901	99
Finance costs	-909	-168	-1,570	-844
Share of profit/loss of equity-accounted investees	835	-9	485	-33
Consolidated profit/loss before tax	**4,388**	**1,652**	**2,918**	**-589**

NOTE 9. Segment reporting – geographical information

EUR '000	2018	Q4 2018	2017	Q4 2017
Estonia	210,584	52,000	217,558	51,782
Ukraine	8,222	3,091	4,138	2,375
Finland	2,393	738	2,950	657
Sweden	3,246	469	7,744	1,946
Elimination of inter-segment revenues	-949	-390	-1,003	-282
Total revenue	**223,496**	**55,908**	**231,387**	**56,478**

NOTE 10. Cost of sales

EUR '000	2018	2017
Cost of materials, goods and services	192,133	202,127
Personnel expenses	19,175	18,521
Depreciation expense	1,913	1,935
Other expenses	242	109
Total cost of sales	**213,463**	**222,692**

NOTE 11. Administrative expenses

EUR '000	2018	2017
Personnel expenses	3,757	4,351
Cost of materials, goods and services	2,646	2,335
Depreciation and amortisation expense	77	86
Other expenses	245	164
Total administrative expenses	**6,725**	**6,936**

NOTE 12. Other operating income and expenses

EUR '000	2018	2017
Other operating income		
Gain on sale of property, plant and equipment	1,113	1
Other income	358	106
Total other operating income	**1,471**	**107**

EUR '000	2018	2017
Other operating expenses		
Foreign exchange loss	76	15
Net loss on recognition and reversal of impairment losses on receivables	16	37
Loss on write-off of property, plant and equipment	10	10
Other expenses	20	79
Total other operating expenses	**122**	**141**

NOTE 13. Finance income and costs

EUR '000	2018	2017
Finance income		
Interest income on loans	278	372
Foreign exchange gain	147	0
Gain on disposal of a subsidiary and a joint venture	0	2,513
Other finance income	6	16
Total finance income	**431**	**2,901**

EUR '000	2018	2017
Finance costs		
Interest expense	781	655
Foreign exchange loss	121	451
Other finance costs	7	464
Total finance costs	**909**	**1,570**

NOTE 14. Transactions with related parties

The Group considers parties to be related if one has control of the other or significant influence over the other's operating decisions (assumes holding 20% or more 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		2018		2017
Counterparty	**Purchases**	**Sales**	**Purchases**	**Sales**
AS Nordic Contractors	276	0	314	0
Companies of AS Nordic Contractors group	4	8	3	5
Companies related to owners of AS Nordic Contractors	655	0	677	0
Equity-accounted investees	4,794	200	3,629	279
Companies related to members of the council and board	93	0	85	0
Total	**5,822**	**208**	**4,708**	**284**

EUR '000		2018		2017
Nature of transactions	**Purchases**	**Sales**	**Purchases**	**Sales**
Construction services	4,794	14	3,629	0
Goods	655	164	677	0
Lease and other services	290	30	319	26
Other transactions	83	0	83	258
Total	**5,822**	**208**	**4,708**	**284**

During the period, the Group recognised interest income on loans to associates of 269 thousand euros (2017: 268 thousand euros).

Receivables from and liabilities to related parties at period-end

EUR '000	31 December 2018 Receivables	31 December 2018 Liabilities	31 December 2017 Receivables	31 December 2017 Liabilities
AS Nordic Contractors	0	10	0	8
Companies of AS Nordic Contractors group – receivables	0	0	0	0
Companies related to owners of AS Nordic Contractors	0	164	0	27
Associates – receivables and liabilities	2	2,097	19	1,225
Associates – loans and interest	7,780	0	8,492	0
Total	**7,782**	**2,271**	**8,511**	**1,260**

Compensation provided to the council and the board

The service fees of the members of the council of Nordecon AS for 2018 amounted to 187 thousand euros and associated social security charges totalled 62 thousand euros (2017: 167 thousand euros and 55 thousand euros respectively).

The service fees of the members of the board of Nordecon AS amounted to 656 thousand euros and associated social security charges totalled 217 thousand euros (2017: 1,001 thousand euros and 330 thousand euros respectively). The figures include termination benefits of 180 thousand euros paid to a member of the board and associated social security charges of 60 thousand euros. In the comparative period in 2017, board members' service fees included termination benefits of 550 thousand euros paid to two members of the board and associated social security charges of 182 thousand euros.

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 12 months of 2018 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	7 February 2019
Priit Luman	Member of the Board	7 February 2019
Maret Tambek	Member of the Board	7 February 2019
Ando Voogma	Member of the Board	7 February 2019