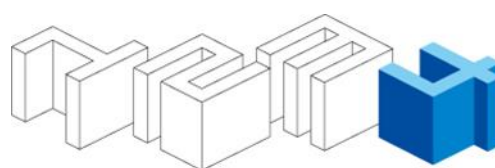




**Financial report for the fourth
quarter and twelve months of 2023**
(unaudited)





Financial report for the fourth quarter and twelve months of 2023 (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 2023 – 31 December 2023
Reporting period	1 January 2023 – 31 December 2023
Council	Toomas Luman (chairman of the council), Andri Hõbemägi , Vello Kahro, Sandor Liive, Andre Luman
Board	Maret Tambek (acting chairman of the board), Priit Luman, Tarmo Pohlak
Auditor	KPMG Baltics OÜ



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Nordecon group at a glance

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

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

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

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

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

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

VISION

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

MISSION

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

SHARED VALUES

Professionalism

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

Reliability

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

Teamwork

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

Sustainability

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



Directors' report

Strategic agenda for 2023–2027

Business lines and markets

- The group will grow, mostly organically, with a focus on efficient use of resources.
- In Estonia, we will operate in the building and infrastructure construction as well as housing development segments.
- In foreign markets (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 has seen rapid change in recent years. According to Statistics Estonia, the construction price index has increased for two consecutive years. In 2023, the construction price index increased by 6.1% compared to 2022, reflecting increases of 7.0% for labour, 9.8% for the use of machinery and 5.2% for materials. Despite the rise in the index, input prices have more or less stabilised as a result of falling demand, but not enough to trigger an immediate increase in demand as previously planned resources, both in the public and private sectors, are no longer sufficient to make the planned investments. Companies and organisations are looking for ways to adjust their business plans to the new level of input prices, which is significantly prolonging the pre-construction process. The market continues to be driven by public investment, which will generally decline in 2024. Due to the current security situation, investment by the Centre for Defence Investment will remain at the level of previous years. Investment by the Estonian Transport Administration, on the other hand, is expected to continue to decline, which will put strong pressure on companies in the infrastructure and asphalt concrete production segments, where market supply already significantly exceeds demand. Contracted work for the long-awaited Rail Baltica project will increase, which should partly offset the sharp decline in the road construction and rehabilitation work procured by the Transport Administration. Against the backdrop of a general economic downturn, the construction market is expected to contract in 2024.
- The slowdown in economic activity and the decline in construction volumes have intensified competition in both building and infrastructure construction. While competition in the infrastructure construction segment has been fierce for a number of years due to the decline in volumes, competition in the building construction segment has also increased significantly in the past year. As a result of high inflation and soaring interest rates, investment confidence has plummeted, leading, among other things, to a significant decrease in housing construction. At the same time, labour costs have been rising rapidly, putting upward pressure on construction prices in a context of falling demand. It is difficult to predict how the situation will affect demand for construction services in the long term, but in the short term demand will continue to decline.
- There is often a striking contrast between the strict terms of public construction contracts, with their numerous obligations, severe sanctions, various 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 execution of the contract and the subsequent warranty period.
- The shortage of skilled and qualified labour (incl. project and site managers) has not decreased in the long term and the sector continues to need additional competent professionals.

Ukraine

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

Sweden

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



Description of the main risks

Business risks

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

Bid prices are under strong competitive pressure in both 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 uncertainty. In setting prices in such an environment, we strive to ensure a reasonable balance between contract performance risks and tight cost control.

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

The group's business is influenced by seasonal changes in weather conditions, which have the strongest impact on infrastructure construction, where a lot of work is done outdoors (road construction, earthworks, etc.). Our strategy is to counteract the seasonality of the infrastructure business with building construction, which is less exposed to seasonal fluctuations. Our long-term goal is to be flexible and maintain a relative balance between our two business segments, although the current market situation, particularly the decline in public investment, makes this difficult to achieve. Where possible, our entities implement technical solutions that help them operate efficiently in changing conditions. A key challenge for the construction sector is low productivity, which is attributable to lack of time in the preparation and planning phases and outdated process management methods. The group will continue to invest in digital solutions that enable more accurate planning and management of construction processes. In 2023, a pilot project was launched to manage the construction process using artificial intelligence.

Operational risks

To manage their daily construction risks, group companies purchase contractors' all risks insurance. Depending on the nature of the project and the requests of the customer, both general frame agreements and special, project-specific insurance contracts are used. In addition, subcontractors are generally required to secure the performance of their obligations with a bank guarantee provided to a group company or the group retains part of the amount due until the contract has been completed. To remedy construction deficiencies which may be detected during the warranty period, group companies create warranty provisions based on their historical experience. The group's warranty provisions (incl. current and non-current) at 31 December 2023 amounted to €1,880 thousand (31 December 2022: €1,604 thousand).

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

Financial risks

Credit risk

The group did not have any credit losses during the financial year. A year earlier, credit losses amounted to €319 thousand. 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' payment 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's liquidity risk has decreased, but exposure to liquidity risk still remains higher than normal. At the reporting date, the group's current ratio was 0.95 (31 December 2022: 0.88). The key factors that influence the current ratio are the classification of the group's loans to its Ukrainian associate as non-current and the banks' general policy not to refinance interest-bearing liabilities (particularly overdrafts) for a period exceeding 12 months.

As the political and economic situation in Ukraine continues to be difficult, we believe that the group's Ukrainian investment properties cannot be realised in the short term. Accordingly, the receivables related to the loans provided to the Ukrainian associate of €8,146 thousand were classified as non-current items at the reporting date.

For better cash flow management, we use overdraft facilities by which we counter the mismatch between the settlement terms agreed with customers and subcontractors. Under IFRS EU, borrowings have to be classified into current and non-current based on contract terms in force at the reporting date. The group's short-term borrowings at 31 December 2023 amounted to €10,188 thousand (31 December 2022: €17,193 thousand). A major share of short-term borrowings was made up of overdrafts of €5,372 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 €11,892 thousand (31 December 2022: €7,238 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. As at 31 December 2023, the group had interest-bearing liabilities of €18,751 thousand (31 December 2022: €23,504 thousand). Interest-bearing liabilities decreased by €4,753 thousand compared to the previous year and thus the group's interest expenses did not increase significantly despite the overall increase in interest rates. Interest expense for 2023 was €1,036 thousand (2022: €929 thousand).

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

Currency risk

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

Due to Russia's military invasion of Ukraine in February 2022 and Ukraine's previous political and economic instability, the exchange rate of the hryvnia has been volatile. In 2023, the exchange rate of the hryvnia against the euro weakened by approximately 8%. As a result, the group's Ukrainian subsidiaries, which have to translate their euro-denominated loans into the local currency, recognised a foreign exchange loss of €480 thousand (2022: a loss of €1,416 thousand). Exchange gains and losses on financial instruments are recognised in profit or loss within 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 exchange rate of the Swedish krona against the euro remained stable in 2023, and the translation of the euro-denominated loan granted to the group's Swedish subsidiary into the local currency did not result in any exchange gain or loss (2022: a loss of €112 thousand). Exchange gains and losses on financial instruments are recognised in profit or loss within finance income and finance costs. The translation of receivables and liabilities from operating activities gave rise to an exchange loss of €37 thousand (2022: no gain or loss was recognised).

The group has not acquired derivatives to hedge currency risk.



Employee and work environment risks

Finding permanent skilled and qualified labour 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. Continuous 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 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.

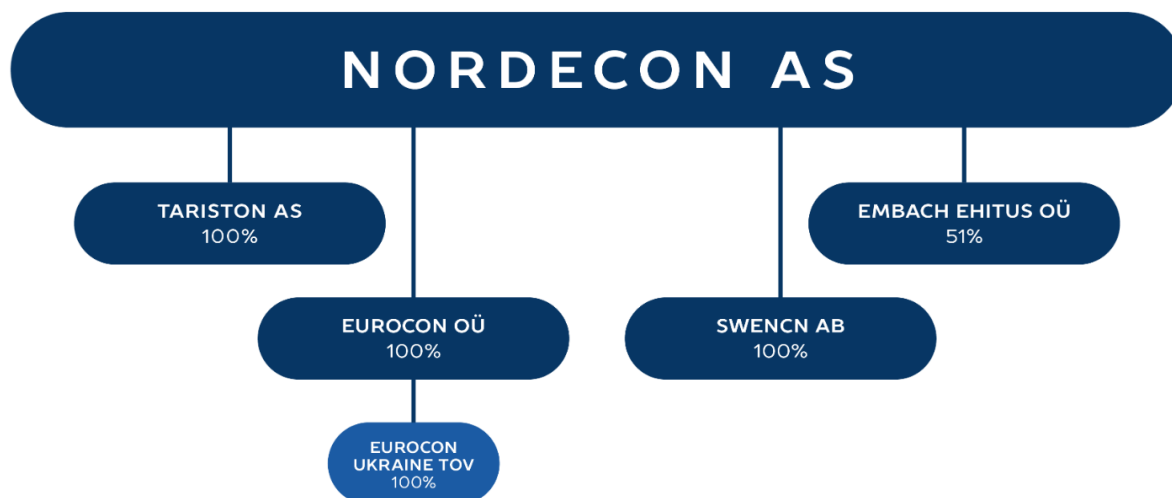
Corruption and ethical risks

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 2023, including interests in subsidiaries and associates*



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

Significant changes in group structure

Merger of Kaurits OÜ with Tariston AS

At the beginning of April 2023, Nordecon AS decided to merge two wholly-held subsidiaries, Tariston AS and Kaurits OÜ. The purpose of merging the two successful infrastructure construction companies with a good long-term track record was to complete the group's strategic plan of consolidating all infrastructure construction resources, competencies and operations into a single entity. The merger was finalised on 7 July 2023.

Sale of the investment in the subsidiary Nordecon Betoon OÜ

The extraordinary general meeting of Nordecon AS, which took place on 29 November 2023, decided to sell Nordecon AS's 52% stake in Nordecon Betoon OÜ. The transaction was finalised at the beginning of December 2023. With the sale of its interest in Nordecon Betoon OÜ, the Nordecon group has profitably exited the market for subcontracting in concrete works and will focus on its core services: general contracting and construction design management. With the sale of Nordecon Betoon OÜ, the group also left the Finnish market, where it had been operating through Nordecon Betoon OÜ's subsidiary NOBE Rakennus OY.



The group's operations in Estonia and foreign markets

Changes in the group's operations in Estonia

There were no changes in our Estonian business operations during the period under review. The sale of the subsidiary Nordecon Betoon OÜ in early December did not have a significant impact on the group's business in the reporting period. The group was involved in building and infrastructure construction, providing services in practically all market subsegments. A significant share of the core business was conducted by the parent, Nordecon AS, which is also a holding company for the group's larger subsidiaries. In addition to the parent, construction management services were rendered by the subsidiaries Tariston AS, Embach Ehitus OÜ and Nordecon Betoon OÜ.

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

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

Changes in the group's operations in foreign markets

Ukraine

Russia's military invasion of Ukraine on 24 February 2022 has strongly affected the operations of our Ukrainian subsidiary Eurocon Ukraine TOV. In 2023, however, our business volumes in Ukraine reached their pre-war levels. The activity of Eurocon Ukraine TOV does not have a significant impact on the group's revenue, profit and assets. The group has interests in two real estate projects in Ukraine but the commencement of development activities has been postponed due to the war. The properties have not been damaged in the military conflict and the group has control of the plots.

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. The economic downturn in Finland also affected the group: in 2023 business volumes dropped significantly compared to 2022.

Sweden

There were no changes in our Swedish operations during the period under review. Swencn AB did not have any construction projects in progress at 31 December 2023 but the company is seeking new opportunities to continue its business in the Swedish market.



Performance by geographical market

Revenue generated outside Estonia, mostly in Ukraine and Finland, accounted for approximately 3% of the group's total revenue in 2023. Despite the ongoing war, Nordecon's construction volumes in Ukraine have increased. In 2023, we completed and delivered construction phases I and II of a modular kindergarten with a bomb shelter in the city of Ovruch. Work continues on the reconstruction of substations and the installation of their physical protection. Finnish revenues, which mainly include subcontracting revenue from the provision of concrete works, have decreased. 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, but in the period under review Lithuania accounted for less than 1% of the group's revenue and the group did not earn any revenue in Latvia.

	2023	2022	2021
Estonia	97%	96%	94%
Ukraine	2%	0%	2%
Finland	1%	2%	3%
Lithuania	0%	1%	0%
Latvia	0%	1%	1%

Performance by business line

Segment revenues

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

The group's revenue for 2023 was €278,382 thousand, roughly 14% lower than in 2022, when the figure was €322,860 thousand. The Buildings segment generated revenue of €211,082 thousand and the Infrastructure segment revenue of €67,233 thousand. The corresponding figures for 2022 were €260,585 thousand and €62,048 thousand (see note 8). The overall decrease in revenue was expected and is attributable to market contraction. Revenue declined by 19% in the Buildings segment, but increased by 8% in the Infrastructure segment. Although the group was successful in winning new contracts in 2023, these did not yet affect revenue for the period. High construction prices, mainly due to increased labour costs, combined with high interest rates and low demand, have delayed the start of development projects. The time lag between bidding and contract award may be several months, including for work tendered by the public sector. This also affected the group's order book in the reporting period. Investments by the Transport Administration, one of the main customers of the Infrastructure segment, have decreased sharply, and the segment's revenue growth is mainly driven by renewable energy projects and the pick-up in the Rail Baltica construction works.

Revenue by operating segment*	2023	2022	2021
Buildings	76%	81%	75%
Infrastructure	24%	19%	25%

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

In the Buildings segment, the largest contributor is still the public buildings subsegment, with revenue for 2023 roughly at the same level as in 2022. In other subsegments, revenues have contracted significantly: by 40% in the industrial and warehouse facilities subsegment, by 21% in the commercial buildings subsegment and by 22% in the apartment buildings subsegment.

The period's largest projects in the public buildings subsegment were 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, the construction of the building and outdoor premises of the Karlsson kindergarten in Viljandi and the construction of the Viljandi Rescue Station. The extension of the Maarjamõisa Medical Campus of the University of Tartu Hospital (construction phase III) was completed in 2023 after a construction period of around three years.

The apartment buildings subsegment generates most of its revenue from the construction of apartment buildings for third parties. During the period, the largest projects were the design and construction of the Luccaranna and Kastanikodu housing estates near Tallinn. Revenue from the group's own development operations amounted to €10,273 thousand (2022: €11,459 thousand). Nordecon is continuing the development of the Mõisavahe Kodu housing estate (<https://moisavahe.ee>) and the construction of the Emajõe Residents housing estate, which is situated near the city centre on the banks of the Emajõgi river (<https://emajoeresidents.ee>) in Tartu. The group is also proceeding with the design and preconstruction activities for the Seileri Kvartal housing estate in Pärnu (<https://seileri.ee/en>). In carrying out our own development activities, we carefully monitor potential risks in the housing development market.

The largest projects in the commercial buildings subsegment were the construction of the Vektor commercial and residential complex and the Ahtri 4 and Kopli 68A office buildings in Tallinn, the design and construction of the Männiku commercial building in the Kandiküla district of Tartu, and the construction of a biopharmaceutical manufacturing facility for Icosagen AS in Kambja municipality.

The largest projects under construction in the industrial and warehouse facilities subsegment were a production facility for E-Piim in Paide, a production and office building for Harju Elekter AS in Hüüru, and a production and office building in Maardu.

Revenue breakdown in the Buildings segment	2023	2022	2021
Public buildings	37%	30%	28%
Apartment buildings	27%	28%	29%
Commercial buildings	23%	24%	29%
Industrial and warehouse facilities	13%	18%	14%

The largest revenue contributor in the Infrastructure segment is still road construction and maintenance although in 2023 its revenue decreased by around 17%. During the period, a major share of the subsegment's revenue resulted from the construction of the Tagadi ecoduct on the Rail Baltica route, the construction of the Neanurme–Pikknurme 2+1 road section of the Tallinn–Tartu–Võru–Luhamaa road in Jõgeva county and the reconstruction of the Hageri–Kohila road section in Harju county. The group also provides road maintenance services in Järva county.

The amount and share of revenue generated by the other engineering subsegment, which is currently involved in the construction of two wind farms (Tootsi-Sopi and Aidu) in Estonia, increased significantly compared with 2022. The revenue of the environmental engineering subsegment includes revenue from the design and construction of the Erra river and the Kiviõli ditch remediation projects.

Revenue breakdown in the Infrastructure segment	2023	2022	2021
Road construction and maintenance	63%	78%	87%
Other engineering	30%	20%	10%
Specialist engineering (incl. hydraulic engineering)	0%	2%	0%
Environmental engineering	7%	0%	3%



Financial review

Financial performance

The group's profitability has improved in challenging market conditions. Nordecon ended 2023 with a gross profit of €10,326 thousand (2022: €8,495 thousand) and a gross margin of 3.7% (2022: 2.6%). Profitability improved for both operating segments, although the fourth quarter performance of the Buildings segment was weaker than a year earlier. The gross margins of the Buildings segment were 4.4% for the full year and 3.2% for the fourth quarter of 2023 (2022: 4.1%, Q4: 6.7%). The gross margins of the Infrastructure segment were 3.1% for the full year and (2.8)% for the fourth quarter (2022: (2.4)%, Q4: (12.1)%). The restructuring of the group's Infrastructure segment, which started in 2022 and was completed in the first half of 2023, has had a significant positive impact. Elimination of duplication of work has increased resource efficiency and thus profitability. Due to the surge in construction prices in recent years, the Buildings segment recorded a one-off loss on a long-term contract signed in 2019.

The group's administrative expenses for 2023 were €8,915 thousand. Compared with 2022, administrative expenses grew by 22% (2022: €7,287 thousand) due to growth in staff costs and an overall rise in the prices of goods and services (see note 11). The ratio of administrative expenses to revenue (12 months rolling) was 3.2% (2022: 2.3%).

The group earned an operating profit of €556 thousand in 2023 (2022: €2,305 thousand). EBITDA for the period was €3,938 thousand and EBITDA margin was 1.4% (2022: €5,766 thousand and 1.8%). Operating profit and EBITDA for the comparative period were influenced by other income of €1,560 thousand, recognised after the approval of the restructuring plan of Swencn AB.

The group's finance income and costs resulted in net finance income of €2,096 thousand (2022: net finance costs of €3,482 thousand). The sale of the group's subsidiary Nordecon Betoön OÜ had the strongest effect on finance income. Finance income and costs are also influenced by exchange rate fluctuations in the group's foreign markets, particularly in Ukraine (see the chapter *Financial risks*). In 2023, the Ukrainian hryvnia weakened against the euro by around 8%. The translation of the loans received by the group's Ukrainian subsidiaries in euros into the local currency gave rise to an exchange loss of €480 thousand (2022: a loss of €1,416 thousand). In 2022, finance income was affected by the write-down of a loan granted to the Ukrainian associate V.I. Center TOV by €825 thousand. Neither the foreign exchange loss nor the write-down affected cash flow.

The group ended the year with a net profit of €2,056 thousand (2022: a net loss of €1,441 thousand). The net loss attributable to owners of the parent, Nordecon AS, was €942 thousand (2022: a net loss of €3,650 thousand).

Cash flows

Operating activities produced a net cash inflow of €12,877 thousand in 2023 (2022: an inflow of €3,466 thousand). Operating cash flow is strongly influenced by the fact that the contracts signed with most public and private sector customers do not require them to make advance payments while the group has to make prepayments to subcontractors and materials suppliers. Cash inflow is also reduced by contractual retentions, which extend from 5 to 10% of the contract price and are released at the end of the construction period only.

Investing activities resulted in a net cash outflow of €1,348 thousand (2022: an inflow of €21 thousand). Payments made to acquire property, plant and equipment and intangible assets amounted to €362 thousand (2022: €810 thousand) and proceeds from the sale of property, plant and equipment amounted to €431 thousand (2022: €816 thousand). Loans provided amounted to €531 thousand (2022: €25 thousand). Proceeds from the sale of the subsidiary Nordecon Betoön OÜ were €9,050 thousand and cash outflow from the group's statement of financial position as a result of the sale was €10,030 thousand; the net effect of the transaction on the group's statement of cash flows was €(970) thousand.

Financing activities generated a net cash outflow of €6,874 thousand (2022: an outflow of €5,259 thousand). The largest items were cash flows related to loans and leases. Loans received amounted to €1,197 thousand, consisting of the use overdrafts and development loans (2022: €4,581 thousand). Repayments of loans received were €2,291 thousand (2022: €4,879 thousand), consisting of regular repayments of long-term investment and development loans. Lease payments were €3,060 thousand (2022: €3,481 thousand). Dividends paid in 2023 amounted to €1,494 thousand (2022: €488 thousand).

The group's cash and cash equivalents at 31 December 2023 amounted to €11,892 thousand (31 December 2022: €7,238 thousand). Management's commentary on liquidity risks is presented in the chapter *Description of the main risks*.



Key financial figures and ratios

Figure/ratio	2023	2022	2021
Revenue (€'000)	278,382	322,860	288,534
Revenue change	(13.8)%	11.9%	(2.5)%
Net profit (loss) (€'000)	2,056	(1,441)	(5,506)
Net profit (loss) attributable to owners of the parent (€'000)	(942)	(3,650)	(6,310)
Average number of shares	31,528,585	31,528,585	31,528,585
Earnings per share (€)	(0.03)	(0.12)	(0.20)
Administrative expenses to revenue	3.2%	2.3%	2.1%
EBITDA (€'000)	3,938	5,766	(797)
EBITDA margin	1.4%	1.8%	(0.3)%
Gross margin	3.7%	2.6%	1.4%
Operating margin	0.2%	0.7%	(1.5)%
Operating margin excluding gain on non-current asset sales	0.1%	0.6%	(1.6)%
Net margin	0.7%	(0.4)%	(1.9)%
Return on invested capital	8.0%	(0.5)%	(6.5)%
Return on equity	8.3%	(5.2)%	(16.8)%
Equity ratio	18.7%	19.8%	20.8%
Return on assets	1.6%	(1.1)%	(4.1)%
Gearing	16.6%	32.0%	28.3%
Current ratio	0.95	0.88	0.94
	31 Dec 2023	31 Dec 2022	31 Dec 2021
Order book (€'000)	216,732	149,799	266,856

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

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

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

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

EBITDA margin = (EBITDA / revenue) * 100

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

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

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

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

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

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

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

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

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

Current ratio = total current assets / total current liabilities



Order book

The group's order book (backlog of contracts signed but not yet performed) stood at €216,732 thousand at 31 December 2023, reflecting 45% growth compared to the end of 2022. In 2023, new contracts were signed for €276,901 thousand, including contracts of €85,575 thousand signed in the fourth quarter (excluding the contracts signed in 2023 by Nordecon Betoon OÜ, the subsidiary sold at the beginning of December). The corresponding amounts for 2022 were €163,498 thousand and €25,381 thousand.

	31 December 2023	31 December 2022	31 December 2021
Order book (€'000)	216,732	149,799	266,856

In terms of the breakdown of the order book between the two main operating segments, the share of the Buildings segment has further increased: it now accounts for 96% of the group's order book, while the Infrastructure segment accounts for 4% (31 December 2022: 88% and 12%, respectively). Compared with 31 December 2022, the order book of the Buildings segment has increased by 58% and that of the Infrastructure segment has decreased by 47%. The volume of investments made by the Transport Administration has decreased sharply and this has had a direct impact on the size of the order book of the Infrastructure segment. The volume of procurements for the Rail Baltica project has increased and is partly offsetting the decline in investments made by the Transport Administration. Public investment in building construction has also declined, but according to currently available information investment in national defence infrastructure, a subsegment in which Nordecon has traditionally been very successful, will increase.

A significant proportion of contracts secured in the fourth quarter were signed by the Buildings segment. The largest of these were:

- the design and construction of the LEED Gold compliant Golden Gate office building at Ahtri 6 in Tallinn with an approximate cost of €23,500 thousand;
- the design and construction of a commercial building at Nõlvakaare 4 in Raadi village in Tartu county with an approximate cost of €4,900 thousand;
- the construction of Loodusmaja (Nature Hub) at Vesilennuki 12 in Tallinn with an approximate cost of €54,300 thousand.

Although the order book has increased, management expects that in 2024 the group's business volumes will decline compared to 2023, mainly due to the sale of Nordecon Betoon OÜ. The increase in materials and energy prices and the rise in labour costs will continue to push up input prices, which will keep profit margins under pressure. In a fiercely competitive environment, we will avoid taking unjustified risks that could materialise in the contract execution phase and have an adverse impact on the group's results. We will continue to focus on cost control and pre-construction and design activities, where we can leverage our professional competitive advantages.



People

Employees and staff costs

The group's average number of employees in 2023 was 558, including 374 engineers and technical professionals (ETP). Headcount decreased by around 15% year on year, due to the restructuring of the group's Infrastructure segment and the sale of Nordecon Betocon OÜ at the beginning of December 2023.

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

	2023	2022	2021
ETP	374	432	434
Workers	184	226	251
Total average	558	658	685

The group's staff costs for 2023, including all taxes, were €27,145 thousand compared with €27,248 thousand for 2022. Against a backdrop of continued upward pressure on wages, labour costs have remained at a level comparable to last year because the number of employees has decreased.

The service fees of the members of the council of Nordecon AS for 2023 were €179 thousand and the associated social security charges were €59 thousand (2022: €150 thousand and €50 thousand, respectively).

The service fees of the members of the board of Nordecon AS were €775 thousand and the associated social security charges were €255 thousand (2022: €417 thousand and €138 thousand, respectively). The fees include severance payments and associated social security charges for one member of the board, which amounted to €222 thousand (2022: nil) and €73 thousand, respectively.

Labour productivity and labour cost efficiency

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

	2023	2022	2021
Nominal labour productivity (rolling), (€ '000)	499.3	490.4	420.8
Change against the comparative period, %	1.8%	16.5%	(0.5)%
Nominal labour cost efficiency (rolling), (€)	10.3	11.8	11.5
Change against the comparative period, %	(13.4)%	2.9%	5.5%

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

Nominal labour cost efficiency (rolling) = (past four quarters' revenue) / (past four quarters' staff costs)

The group's nominal labour productivity increased year on year, mainly due to a decrease in the number of staff. Revenue decline has reduced nominal labour cost efficiency.



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

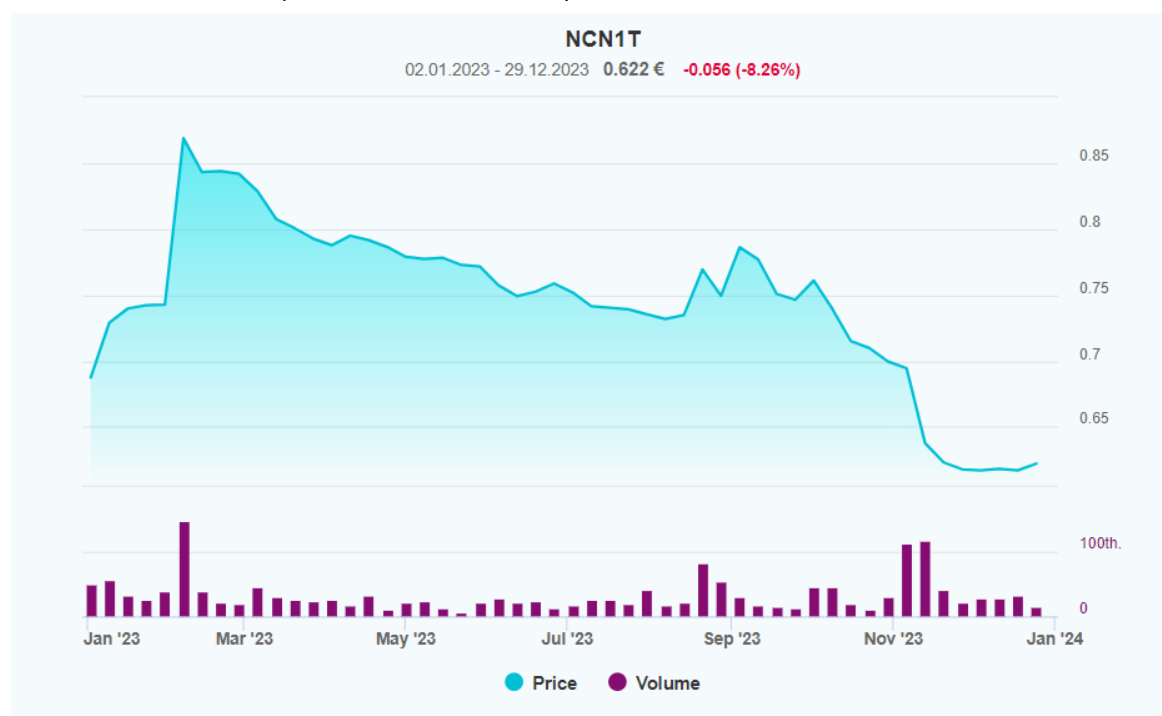
*In connection with Estonia's accession to the euro area on 1 January 2011 and based on amendments to the Estonian Commercial Code which took effect on 1 July 2010 as well as a resolution adopted by the annual general meeting of Nordecon AS in May 2011, the company's share capital was converted from 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.

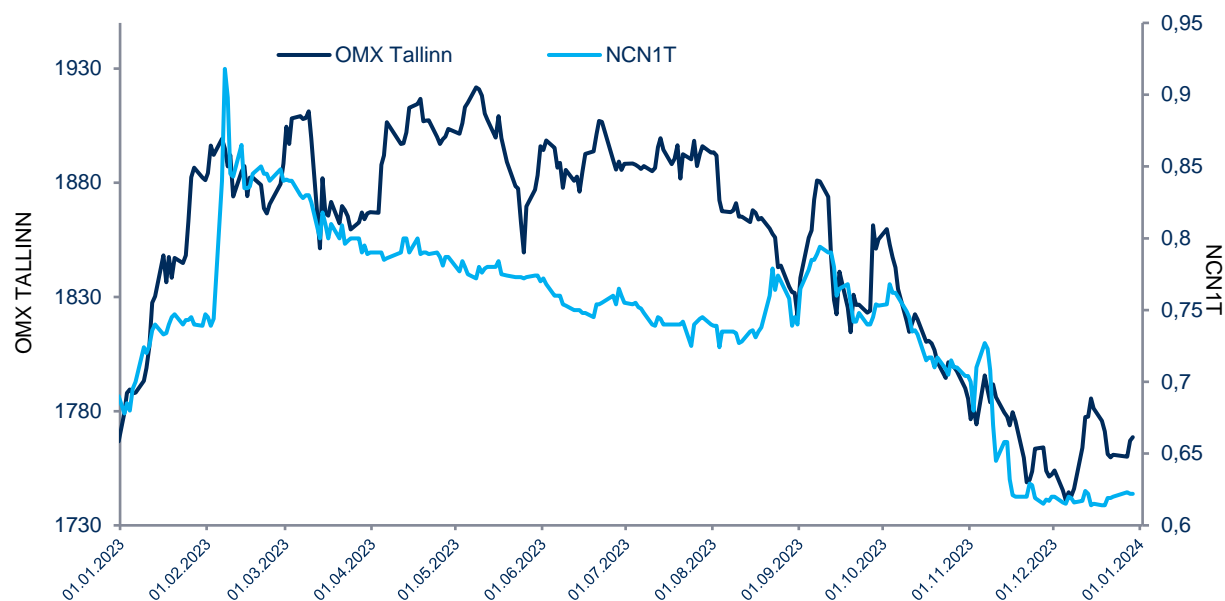
Movements in the price and trading volume of the Nordecon AS share in 2023

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 2023



Index/equity	1 January 2023*	31 December 2023	+/-
OMX Tallinn	1,766.73	1,768.56	+0.1%
NCN1T	€0.69	€0.62	(9.86)%

* Closing price on the Nasdaq Tallinn Stock Exchange at 31 December 2022

Summarised trading results

Share trading history

Price, €	2023	2022	2021
Open	0.69	1.21	1.15
High	0.93	1.29	1.84
Low	0.61	0.65	1.08
Last closing price	0.62	0.69	1.20
Traded volume (number of securities traded)	1,749,055	2,599,303	7,037,117
Turnover, € million	1.30	2.40	9.32
Listed volume (31 Dec), thousand	32,375	32,375	32,375
Market capitalisation (31 Dec), € million	20.14	22.34	38.85

Shareholder structure

Largest shareholders of Nordecon AS at 31 December 2023

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,563,145	51.16
Luksusjaht AS	4,322,342	13.35
Toomas Luman	763,200	2.36
Olegs Radcenko	574,200	1.77
Lembit Talpsepp	374,500	1.16
Nõmme Erahariiduse SA	370,370	1.14
SEB Pank AS clients	300,000	0.93
OÜ Alar Invest	255,000	0.79
Genadi Bulatov	250,600	0.77
Endel Palla	200,000	0.62



Shareholder structure of Nordecon AS at 31 December 2023

	Number of shareholders	Ownership interest (%)
Shareholders with interest exceeding 5%	2	64.51
Shareholders with interest from 1% to 5%	4	6.43
Shareholders with interest below 1%	6,660	26.44
Holder of own (treasury) shares	1	2.62
Total	6,667	100

Shares controlled by members of the council of Nordecon AS at 31 December 2023

Council member		Number of shares	Ownership interest (%)
Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad)*	Chairman of the Council	17,471,345	53.96
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		17,556,345	54.22

* Companies controlled by the individual


Shares controlled by members of the board of Nordecon AS at 31 December 2023


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



Management's confirmation and signatures

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

Maret Tambek Acting Chairman of the Board  8 February 2024

Priit Luman Member of the Board  8 February 2024

Tarmo Pohlak Member of the Board  8 February 2024



Condensed consolidated interim financial statements

Consolidated statement of financial position

€'000	Note	31 December 2023	31 December 2022
ASSETS			
Current assets			
Cash and cash equivalents		11,892	7,238
Trade and other receivables	2	37,010	48,084
Prepayments		1,789	6,728
Inventories	3	25,879	25,454
Total current assets		76,570	87,504
Non-current assets			
Other investments		76	76
Trade and other receivables	2	9,113	8,604
Investment property		5,517	8,347
Property, plant and equipment		14,292	17,669
Intangible assets		14,964	15,134
Total non-current assets		43,962	49,830
TOTAL ASSETS		120,532	137,334
LIABILITIES			
Current liabilities			
Borrowings	5, 6	10,188	17,193
Trade payables		39,797	65,144
Other payables		9,299	8,324
Deferred income		20,602	6,996
Provisions		1,129	1,288
Total current liabilities		81,015	98,945
Non-current liabilities			
Borrowings	5, 6	8,563	6,311
Trade payables		6,011	2,769
Provisions		2,405	2,049
Total non-current liabilities		16,979	11,129
TOTAL LIABILITIES		97,994	110,074
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		3,786	3,316
Retained earnings		919	2,691
Total equity attributable to owners of the parent		21,613	22,915
Non-controlling interests		925	4,345
TOTAL EQUITY		22,538	27,260
TOTAL LIABILITIES AND EQUITY		120,532	137,334



Consolidated statement of comprehensive income

€'000	Note	Q4 2023	12M 2023	Q4 2022	12M 2022
Revenue	8, 9	77,998	278,382	83,685	322,860
Cost of sales	10	(76,442)	(268,056)	(80,454)	(314,365)
Gross profit		1,556	10,326	3,231	8,495
Marketing and distribution expenses		(153)	(715)	(177)	(490)
Administrative expenses	11	(2,899)	(8,915)	(2,148)	(7,287)
Other operating income	12	45	349	129	2,049
Other operating expenses	12	(277)	(489)	(70)	(462)
Operating profit (loss)		(1,728)	556	965	2,305
Finance income	13	5,219	5,510	84	258
Finance costs	13	(1,071)	(3,414)	(1,037)	(3,740)
Net finance income (costs)		4,148	2,096	(953)	(3,482)
Profit (loss) before tax		2,420	2,652	12	(1,177)
Income tax expense		0	(596)	(64)	(264)
Profit (loss) for the period		2,420	2,056	(52)	(1,441)
Other comprehensive income (expense)					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		518	470	606	1,368
Total other comprehensive income (expense)		518	470	606	1,368
TOTAL COMPREHENSIVE INCOME (EXPENSE)		2,938	2,526	554	(73)
Profit (loss) attributable to:					
- Owners of the parent		1,510	(942)	(998)	(3,650)
- Non-controlling interests		910	2,998	946	2,209
Profit (loss) for the period		2,420	2,056	(52)	(1,441)
Comprehensive income (expense) attributable to:					
- Owners of the parent		2,028	(472)	(392)	(2,282)
- Non-controlling interests		910	2,998	946	2,209
Comprehensive income (expense) for the period		2,938	2,526	554	(73)
Earnings per share attributable to owners of the parent:					
Basic earnings per share (€)	7	0.05	(0.03)	(0.03)	(0.12)
Diluted earnings per share (€)	7	0.05	(0.03)	(0.03)	(0.12)



Consolidated statement of cash flows

€'000	Note	12M 2023	12M 2022
Cash flows from operating activities			
Cash receipts from customers ¹		345,372	390,195
Cash paid to suppliers ²		(294,828)	(351,483)
VAT paid		(12,337)	(8,880)
Cash paid to and for employees		(24,715)	(26,075)
Income tax paid		(615)	(291)
Net cash from operating activities		12,877	3,466
Cash flows from investing activities			
Acquisition of property, plant and equipment		(362)	(688)
Acquisition of intangible assets		0	(122)
Proceeds from sale of property, plant and equipment	4	431	816
Sale of subsidiary, net cash flow		(970)	0
Loans provided		(531)	(25)
Repayments of loans provided		22	25
Dividends received		12	6
Interest received		50	9
Net cash from (used in) investing activities		(1,348)	21
Cash flows from financing activities			
Proceeds from loans received		1,197	4,581
Repayments of loans received		(2,291)	(4,879)
Lease payments		(3,060)	(3,481)
Interest paid		(1,232)	(984)
Dividends paid		(1,494)	(488)
Other payments		6	(8)
Net cash used in financing activities		(6,874)	(5,259)
Net cash flow		4,655	(1,772)
Cash and cash equivalents at beginning of period		7,238	9,031
Effect of movements in foreign exchange rates		(1)	(21)
Change in cash and cash equivalents		4,655	(1,772)
Cash and cash equivalents at end of period		11,892	7,238

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 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 distribution	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
Profit for the period	0	0	0	0	0	(942)	(942)	2,998	2,056
Other comprehensive income	0	0	0	0	470	0	470	0	470
Change in non-controlling interest due to sale of subsidiary	0	0	0	0	0	0	0	(4,915)	(4,915)
Other movements	0	0	0	0	0	(830)	(830)	0	(830)
Transactions with owners									
Dividend distribution	0	0	0	0	0	0	0	(1,503)	(1,503)
Total transactions with owners	0	0	0	0	0	0	0	(1,503)	(1,503)
Balance at 31 December 2023	14,379	(660)	2,554	635	3,786	919	21,613	925	22,538



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 2023 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 2022.

According to management's assessment, the condensed consolidated interim financial statements of Nordecon AS for the fourth quarter and twelve months of 2023 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 2023	31 December 2022
Current items			
Trade receivables		28,053	31,882
Retentions receivable		3,042	6,501
Receivables from related parties		262	373
Other receivables		217	147
Total receivables and loans provided		31,574	38,903
Due from customers for contract work		5,436	9,181
Total current trade and other receivables		37,010	48,084

€'000	Note	31 December 2023	31 December 2022
Non-current items			
Loans provided to related parties	14	8,146	7,899
Receivables from related parties		172	235
Other non-current receivables		795	470
Total non-current trade and other receivables		9,113	8,604

NOTE 3. Inventories

€'000	31 December 2023	31 December 2022
Raw materials and consumables	5,749	4,228
Work in progress	10,440	10,793
Apartments for sale	223	223
Properties purchased for development and pre-development costs	9,467	10,210
Total inventories	25,879	25,454



NOTE 4. Property, plant and equipment and intangible assets

Property, plant and equipment

Additions to property, plant and equipment in 2023 amounted to €3,059 thousand (2022: €4,642 thousand) and comprised equipment and machinery required for the group's operating activities.

Proceeds from the sale of property, plant and equipment amounted to €431 thousand (see the statement of cash flows) (2022:€816 thousand). The associated sales gain was €286 thousand (2022: €458 thousand) (note 12).

Intangible assets

In December 2023, Nordecon AS sold its interest in its subsidiary Nordecon Betoön OÜ. As a result of the transaction, goodwill decreased by €181 thousand. For further information on the sale of the subsidiary, see the chapter *Group structure* in the directors' report.

NOTE 5. Borrowings

Current borrowings

€'000	Note	31 December 2023	31 December 2022
Short-term portion of long-term loans		2,704	2,625
Lease liabilities	6	2,112	3,096
Short-term bank loans		5,372	11,472
Total current borrowings		10,188	17,193

Non-current borrowings

€'000	Note	31 December 2023	31 December 2022
Long-term bank loans		4,164	0
Lease liabilities	6	4,399	6,311
Total non-current borrowings		8,563	6,311

NOTE 6. Lease liabilities

€'000	31 December 2023	31 December 2022
Lease liabilities at end of period, of which	6,511	9,407
Not later than 1 year	2,112	3,096
Later than 1 year and not later than 5 years	4,399	6,311
Base currency €	6,511	9,407
Interest rate for contracts denominated in € ¹	2.9%-7.2%	2.9%-5.9%
Frequency of payments	Monthly	Monthly

¹ Includes leases with floating interest rates

Lease payments

€'000	12M 2023	12M 2022
Principal payments made during the period	3,060	3,333
Interest payments made during the period	430	291



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 2023	12M 2022
Net loss for the period attributable to owners of the parent (€'000)	(942)	(3,650)
Average number of shares (thousand)	31,528	31,528
Basic earnings per share (€)	(0.03)	(0.12)
Diluted earnings per share (€)	(0.03)	(0.12)

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

NOTE 8. Segment reporting – operating segments

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

The group's reportable operating segments are:

- Buildings
- Infrastructure

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

Preparation of segment reporting

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

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

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

Fourth quarter

€'000			
Q4 2023	Buildings	Infrastructure	Total
General contracting services	63,492	10,703	74,195
Subcontracting services	251	0	251
Own development activities	2,356	0	2,356
Road maintenance services	0	815	815
Lease services	0	386	386
Revaluation of investment property	(30)	0	(30)
Total revenue	66,069	11,904	77,973
Gross profit (loss) of the segment	2,136	(336)	1,800



€'000			
Q4 2022	Buildings	Infrastructure	Total
General contracting services	65,707	8,407	74,114
Subcontracting services	2,669	1,530	4,199
Own development activities	3,579	0	3,579
Road maintenance services	0	1,284	1,284
Lease services	0	341	341
Revaluation of investment property	114	0	114
Total revenue	72,069	11,562	83,631
Gross profit (loss) of the segment	4,832	(1,401)	3,431

Twelve months

€'000			
12M 2023	Buildings	Infrastructure	Total
General contracting services	197,003	59,433	256,436
Subcontracting services	1,336	1,333	2,669
Own development activities	10,273	0	10,273
Road maintenance services	0	3,021	3,021
Lease services	0	3,446	3,446
Sale of investment property	2,500	0	2,500
Revaluation of investment property	(30)	0	(30)
Total revenue	211,082	67,233	278,315
Gross profit of the segment	9,225	2,085	11,310

€'000			
12M 2022	Buildings	Infrastructure	Total
General contracting services	241,882	48,479	290,361
Subcontracting services	6,330	7,816	14,146
Own development activities	11,459	0	11,459
Road maintenance services	0	4,465	4,465
Lease services	0	1,288	1,288
Revaluation of investment property	914	0	914
Total revenue	260,585	62,048	322,633
Gross profit (loss) of the segment	10,725	(1,480)	9,245

Reconciliation of segment revenues

€'000	12M 2023	Q4 2023	12M 2022	Q4 2022
Total revenues for reportable segments	278,315	77,973	322,633	83,631
Other revenue	67	25	227	54
Total revenue	278,382	77,998	322,860	83,685



Reconciliation of segment profit (loss)

€'000	12M 2023	Q4 2023	12M 2022	Q4 2022
Total profit for reportable segments	11,310	1,800	9,245	3,431
Unallocated loss	(984)	(244)	(750)	(200)
Gross profit	10,326	1,556	8,495	3,231
Unallocated expenses:				
Marketing and distribution expenses	(715)	(153)	(490)	(177)
Administrative expenses	(8,915)	(2,899)	(7,287)	(2,148)
Other operating income and expenses	(140)	(232)	(1,587)	59
Operating profit (loss)	556	(1,728)	2,305	965
Finance income	5,510	5,219	258	84
Finance costs	(3,414)	(1,071)	(3,740)	(1,037)
Profit (loss) before tax	2,652	2,420	(1,177)	12

NOTE 9. Segment reporting – geographical information

€'000	12M 2023	Q4 2023	12M 2022	Q4 2022
Estonia	272,077	74,615	308,982	79,375
Ukraine	4,937	3,131	1,202	433
Finland	1,336	251	6,684	3,024
Lithuania	32	1	3,418	853
Latvia	0	0	2,574	0
Total revenue	278,382	77,998	322,860	83,685

NOTE 10. Cost of sales

€'000	12M 2023	12M 2022
Cost of materials, goods and services	242,977	287,791
Staff costs	22,252	23,609
Depreciation expense	2,343	2,514
Other expenses	484	451
Total cost of sales	268,056	314,365

NOTE 11. Administrative expenses

€'000	12M 2023	12M 2022
Cost of materials, goods and services	2,833	2,534
Staff costs	4,825	3,574
Depreciation and amortisation expense	1,039	947
Other expenses	218	232
Total administrative expenses	8,915	7,287

NOTE 12. Other operating income and expenses

€'000	12M 2023	12M 2022
Other operating income		
Gain on disposal of property, plant and equipment	286	458
Other income	63	1,591
Total other operating income	349	2,049



€'000	12M 2023	12M 2022
Other operating expenses		
Foreign exchange loss	37	3
Net loss on recognition and reversal of impairment losses on receivables	0	319
Loss on write-off of property, plant and equipment	7	14
Other expenses	445	126
Total other operating expenses	489	462

NOTE 13. Finance income and costs

€'000	12M 2023	12M 2022
Finance income		
Gain on sale of shares in subsidiary	4,852	0
Interest income on loans	553	237
Other finance income	105	21
Total finance income	5,510	258

€'000	12M 2023	12M 2022
Finance costs		
Interest expense	1,036	929
Foreign exchange loss	480	1,528
Other finance costs	1,898	1,283
Total finance costs	3,414	3,740

The gain on the sale of shares in a subsidiary recognised in finance income is the difference between the selling price of €9,050 thousand and the cost of the non-controlling interest in the subsidiary as recognised in equity. For further information on the sale of the subsidiary, see the chapter *Group structure* in the directors' report.

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 2023		12M 2022	
	Purchases	Sales	Purchases	Sales
AS Nordic Contractors	2,209	0	885	0
Companies of the AS Nordic Contractors group	0	27	247	23
Companies related to owners of AS Nordic Contractors	583	0	851	0
Companies related to members of the council and board	5	0	5	639
Total	2,797	27	1,988	662

€'000 Nature of transaction	12M 2023		12M 2022	
	Purchases	Sales	Purchases	Sales
Construction services	0	0	0	639
Transactions with goods	268	0	851	0
Lease and other services	503	8	626	8
Other transactions	2,026	19	511	15
Total	2,797	27	1,988	662

During the period, the group recognised interest income on loans to an associate of €218 thousand (2022: €218 thousand).

Receivables from and liabilities to related parties at period-end

€'000	31 December 2023		31 December 2022	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	0	10	0	16
Companies of the AS Nordic Contractors group	1	0	329	18
Companies related to owners of AS Nordic Contractors	433	13	278	234
Associates – receivables and liabilities	1	1	1	1
Associate – loans and interest	8,146	0	7,899	0
Total	8,580	24	8,507	269

Remuneration of the council and the board

The service fees of the members of the council of Nordecon AS for 2023 were €179 thousand and the associated social security charges were €59 thousand (2022: €150 thousand and €50 thousand, respectively).

The service fees of the members of the board of Nordecon AS were €775 thousand and the associated social security charges were €255 thousand (2022: €417 thousand and €138 thousand, respectively). The fees include severance payments and associated social security charges for one member of the board, which amounted to €222 thousand (2022: nil) and €73 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 2023 and confirms that:

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

Maret Tambek

Acting Chairman of the Board

8 February 2024

Priit Luman

Member of the Board

8 February 2024

Tarmo Pohlak

Member of the Board

8 February 2024