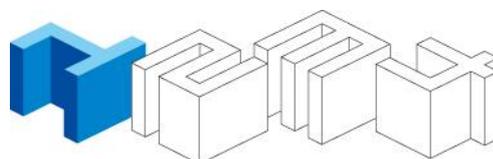




**Financial report for
the first quarter of 2020**
(unaudited)





Financial report for the first quarter of 2020
(unaudited)

Business name	Nordecon AS
Registry number	10099962
Address	Toompuiestee 35, 10133 Tallinn, Estonia
Domicile	Republic of Estonia
Telephone	+372 615 4400
E-mail	nordecon@nordecon.com
Corporate website	www.nordecon.com
Core business lines	Construction of residential and non-residential buildings (EMTAK 4120) Construction of roads and motorways (EMTAK 4211) Road maintenance (EMTAK 4211) Construction of utility projects for fluids (EMTAK 4221) Construction of water projects (EMTAK 4291) Construction of other civil engineering projects (EMTAK 4299)
Financial year	1 January 2020 – 31 December 2020
Reporting period	1 January 2020 – 31 March 2020
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



Contents

Nordecon Group at a glance	3
Directors' report	4
Condensed consolidated interim financial statements	22
Consolidated statement of financial position	22
Consolidated statement of comprehensive income	23
Consolidated statement of cash flows	24
Consolidated statement of changes in equity	25
NOTE 1. Significant accounting policies	26
NOTE 2. Trade and other receivables	26
NOTE 3. Inventories	26
NOTE 4. Property, plant and equipment and intangible assets	27
NOTE 5. Borrowings	27
NOTE 6. Leases	27
NOTE 7. Earnings per share	28
NOTE 8. Segment reporting – operating segments	28
NOTE 9. Segment reporting – geographical information	30
NOTE 10. Cost of sales	30
NOTE 11. Administrative expenses	30
NOTE 12. Other operating income and expenses	30
NOTE 13. Finance income and costs	31
NOTE 14. Transactions with related parties	31
NOTE 15. Transactions with shares in an associate	32
Statements and signatures	33



Nordecon Group at a glance

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

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

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

Besides Estonia, Group entities operate in 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 VALUE

Professionalism

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

Reliability

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

Openness

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

Employees

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



Directors' report

Strategic agenda for 2019-2022

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

Business lines and markets

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

Activities for implementing the strategy

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

Financial targets

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



Outlooks of the Group's geographical markets

Estonia

Processes and developments characterising the Estonian construction market:

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

Ukraine

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

Finland

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



Sweden

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



Description of the main risks

Business risks

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

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

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

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

Operational risks

To manage their daily construction risks, Group companies purchase contractors' all risks insurance. Depending on the nature of the project and the requests of the customer, both general frame agreements and special, project-specific insurance contracts are used. In addition, as a rule, subcontractors are required to secure the performance of their obligations with a bank guarantee provided to a Group company or the Group retains part of the amount due until the contract has been completed. To remedy construction deficiencies which may be detected during the warranty period, Group companies create warranty provisions based on their historical experience. At 31 March 2020, the Group's warranty provisions (including current and non-current ones) totalled 1,430 thousand euros (31 March 2019: 901 thousand euros).

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



Financial risks

Credit risk

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

Liquidity risk

The Group remains exposed to higher than usual liquidity risk. At the reporting date, the Group's current ratio was 0.95 (31 March 2019: 0.97). The key factor which influences the current ratio is the classification of the Group's loan to its Ukrainian associate as a non-current asset 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 8,075 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 March 2020, the Group's short-term borrowings totalled 16,270 thousand euros (31 March 2019: 17,318 thousand euros).

The Group's cash and cash equivalents as at the reporting date amounted to 7,129 thousand euros (31 March 2019: 5,391 thousand euros).

Interest rate risk

The Group's interest-bearing liabilities to banks have both fixed and floating interest rates. Lease liabilities have mainly floating interest rates. The base rate for most floating-rate contracts is Euribor. Compared to the same period in 2019, the Group's interest-bearing borrowings have decreased by 1,842 thousand euros. Loan and factoring liabilities have decreased and lease liabilities have increased. The Group did not use factoring at the reporting date because, as a rule, customers' settlement terms do not exceed 30 days. At the end of the comparative period, factoring liabilities totalled 515 thousand euros. Interest-bearing borrowings totalled 26,679 thousand euros at 31 March 2020 (31 March 2019: 28,521 thousand euros). Interest expense for the first quarter of 2020 amounted to 241 thousand euros (Q1 2019: 200 thousand euros). The rise in interest expense is attributable to a rise in interest rates.

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

Currency risk

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

The exchange rate of the hryvnia is unstable because the political and economic environment in Ukraine continues to be strained due to the conflict between Ukraine and Russia, which broke out at the beginning of 2014, and the discontinuance of the determination of the national currency's indicative exchange rate by the National Bank of Ukraine at the beginning of 2015. The hryvnia weakened against the euro by approximately 14.7% in the first quarter of 2020. As a result, the Group's Ukrainian subsidiaries, which have to translate their euro-denominated loans into the local currency, recognised a foreign exchange loss of 943 thousand euros (Q1 2019: a gain of 215 thousand euros). Exchange gains and losses on financial instruments are recognised in *Finance income* and *Finance costs*, respectively. Translation of receivables and liabilities from operating activities did not give rise to any exchange gains or losses.



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

The Swedish krona weakened against the euro by around 5.6% in the first quarter of 2020. Due to the change in the krona/euro exchange rate, the translation of operating receivables and payables resulted in an exchange loss of 14 thousand euros (Q1 2019: 1 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 389 thousand euros (Q1 2019: 163 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 a permanent quality workforce is a challenge for the entire construction sector and also one of the main factors that influences business performance. To strengthen Nordecon's reputation as an employer and make sure that we will have employees in the future, we collaborate with educational institutions. Consistent employee development is essential and one of our acknowledged priorities. We also rely on our subcontractors' ability to find personnel with the required skills and qualifications.

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

Environmental risks

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

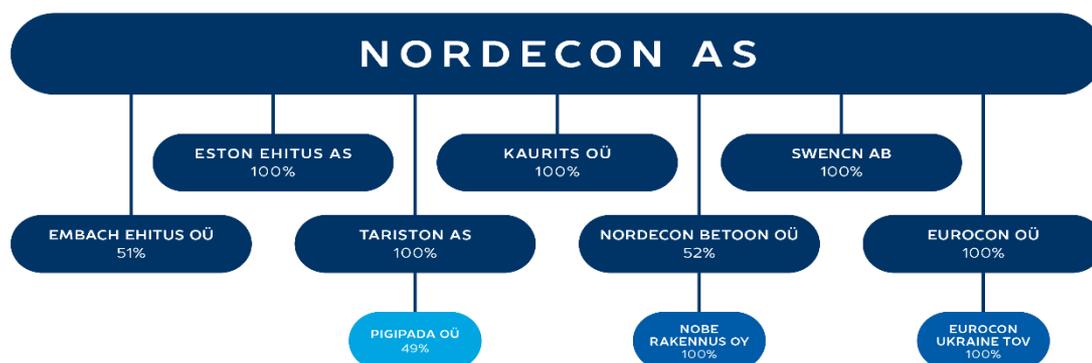
Corruption and ethical risks

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



Group structure

The Group's structure at 31 March 2020, including interests in subsidiaries and associates*



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

Significant changes in Group structure

Increase in ownership interest in Embach Ehitus OÜ

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



The Group's operations in Estonia and foreign markets

Changes in the Group's Estonian operations

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

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

We did not enter any new operating segments in Estonia.

Foreign markets

Ukraine

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

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

Finland

There were no changes in our Finnish operations during the period under review. The Group's subsidiary Nordecon Betoon OÜ and its Finnish subsidiary NOBE Rakennus OY continued to provide subcontracting services in the concrete work segment in Finland.

Sweden

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



Performance by geographical market

The revenue contribution of foreign markets continued to grow. Revenue earned outside Estonia accounted for 14% of total revenue for the first quarter of 2020 compared with 10% for the same period in 2019.

	Q1 2020	Q1 2019	Q1 2018	2019
Estonia	86%	90%	92%	89%
Sweden	8%	1%	4%	5%
Finland	5%	4%	1%	4%
Ukraine	1%	5%	3%	2%

The revenue contribution of the Swedish market grew significantly year on year. We are currently providing general contractor's services under three building construction contracts in Sweden. Finnish revenues remained stable compared with the same period last year and resulted from concrete works in the building construction segment. Revenue generated in the Ukrainian market and its proportionate share in our total revenue decreased.

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

Performance by business line

Segment revenues

We strive to maintain the revenues of our operating segments (Buildings and Infrastructure) as even as possible as this helps diversify risks and provides better opportunities for continuing construction operations in more challenging circumstances where the volumes of one subsegment decline sharply.

The Group's revenue for the first quarter of 2020 amounted to 54,924 thousand euros, a roughly 59% improvement on the 34,524 thousand euros generated in the first quarter of 2019. Revenue grew in the Buildings segment, which increased sales by 71%, but remained practically at the same level as a year ago in the Infrastructure segment. Based on the order book at the end of 2019, revenue growth met expectations (see the chapter *Order book*).

The limited volume of infrastructure construction projects, which is affecting the entire Estonian construction market, is also reflected in our revenue structure. In the first quarter of 2020, our Buildings and Infrastructure segments generated revenue of 48,954 thousand euros and 5,959 thousand euros, respectively. The corresponding figures for the first quarter of 2019 were 28,638 thousand euros and 5,791 thousand euros (see note 8).

Operating segments *	Q1 2020	Q1 2019	Q1 2018	2019
Buildings	89%	82%	86%	70%
Infrastructure	11%	18%	14%	30%

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



Subsegment revenues

All subsegments improved their revenue compared with the same period last year.

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

The fastest year-on-year growth was delivered by the public buildings subsegment, which increased its revenue more than two times. The subsegment's biggest projects were the Estonian Academy of Security Sciences and the University of Tartu Learning Centre in Narva, a storage complex at the defence forces' base at Tapa, Kindluse Kool – a new basic school in Järveküla near Tallinn and the Annelinn upper secondary school in Tartu.

A significant share of our Estonian apartment building projects is located in Tallinn. In the first quarter, the largest of them were the design and construction of the first two phases of the Kalaranna quarter and the design and construction of the Tiskreoja residential area on the western border of Tallinn. A significant contributor to the subsegment's revenue is the Swedish market, where we continue to provide services under three housing development contracts.

We continue to build our own housing development projects in Tallinn and Tartu (reported in the apartment buildings subsegment). During the period, we continued to build a five-floor apartment building with 24 apartments at Võidujooksu 8c in Tallinn (www.voidujooksu.ee). In carrying out our own real estate development activities, we monitor closely potential risks in the housing development market.

Although the revenue of the industrial and warehouse facilities subsegment grew slightly year on year, its proportionate contribution continued to decrease. The contractual costs of projects in progress have decreased, amounting to 2 million euros on average. Based on the order book, we expect that the subsegment's revenue contribution will remain modest in 2020.

Revenue breakdown in the Buildings segment	Q1 2020	Q1 2019	Q1 2018	2019
Commercial buildings	36%	39%	38%	36%
Public buildings	30%	21%	23%	29%
Apartment buildings	27%	30%	25%	27%
Industrial and warehouse facilities	7%	10%	14%	8%

Similarly to previous periods, the main revenue source in the Infrastructure segment was road construction and maintenance whose first-quarter revenue is generally modest due to seasonal factors. A significant share of revenue resulted from the performance of construction contracts secured in 2019: the construction of the Kernu bypass, the Kernu filling station and the Haiba junctions on the Tallinn-Pärnu-Ikla road and the construction of roads in the northern and southern parts of the defence forces' central training area, as well as forest road improvement services provided to the State Forest Management Centre under a number of smaller contracts. We also continued to provide road maintenance services in Järva and Hiiu counties and the Kose maintenance area in Harju county.

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

Revenue breakdown in the Infrastructure segment	Q1 2020	Q1 2019	Q1 2018	2019
Road construction and maintenance	77%	65%	85%	78%
Specialist engineering (including hydraulic engineering)	14%	0%	0%	1%
Other engineering	5%	33%	12%	18%
Environmental engineering	4%	2%	3%	3%



Financial review

Financial performance

Nordecon ended the first quarter of 2020 with a gross profit of 1,188 thousand euros (Q1 2019: 46 thousand euros) and a gross margin of 2.2% (Q1 2019: 0.1%). Due to the seasonality of the construction business, first-quarter results, particularly in the Infrastructure segment, are affected by a large share of uncovered fixed costs. Road construction, which is capital intensive, requires a certain critical amount of work to cover its fixed costs, the largest share of which is made up of costs related to asphalt concrete production and laying equipment. Although the loss of the Infrastructure segment decreased year on year, its negative result had a strong impact on the Group's overall result. The Group's first-quarter gross profit was earned in the Buildings segment, where the gross margin remained at the same level as in the comparative period: 4.5% (Q1 2019: 4.5%).

The Group's administrative expenses for the first quarter of 2020 totalled 1,799 thousand euros. Compared to the same period in 2019, administrative expenses increased by around 20% (Q1 2019: 1,493 thousand euros). The rise is attributable to growth in personnel expenses and depreciation (see note 11) as well as the fact that Embach Ehitus OÜ became a subsidiary of the Group (see the chapter *Group structure*). The ratio of administrative expenses to revenue (12 months rolling) decreased compared to the same period last year and was 2.8% (Q1 2019: 3.1%).

The Group ended the first quarter of 2020 with an operating loss of 643 thousand euros (Q1 2019: 1,750 thousand euros). EBITDA was positive at 194 thousand euros (Q1 2019: negative at 1,018 thousand euros).

Finance costs of the period were strongly influenced by exchange rate fluctuations in the Group's foreign markets. In the first quarter, the Ukrainian hryvnia and Swedish krona weakened against the euro by 14.7% and 5.6%, respectively. As a result, the Group recognised foreign exchange losses of 1,338 thousand euros. In the first quarter of 2019, the Group recognised a net exchange gain of 52 thousand euros. The foreign exchange differences resulted from the translation of loans provided to the Ukrainian and Swedish subsidiaries in euros into the local currency. On the other hand, the movements in foreign exchange rates increased the foreign currency translation reserve in equity by 1,248 thousand euros (Q1 2019: reduced by 44 thousand euros). The net effect of exchange differences on the Group's net assets was a loss of 90 thousand euros (Q1 2019: a gain of 8 thousand euros).

The Group's net loss amounted to 2,196 thousand euros (Q1 2019: 1,893 thousand euros) of which the net loss attributable to owners of the parent, Nordecon AS, was 2,669 thousand euros (Q1 2019: 1,962 thousand euros).

Cash flows

In the first quarter of 2020, operating activities produced a net cash outflow of 2,318 thousand euros (Q1 2019: an outflow of 3,182 thousand euros). Negative operating cash flow is typical of the first quarter and stems from the cyclical nature of the construction business. Larger fixed costs and preparations made for starting more active construction operations in the second quarter, particularly in the Infrastructure segment, cause outflows to exceed inflows. Operating cash flow is also strongly influenced by the fact that the contracts signed with most public and private sector customers do not require them to make advance payments while the Group has to make prepayments to subcontractors, materials suppliers, etc. Cash inflow is also reduced by contractual retentions, which extend from 5 to 10% of the contract price and are released at the end of the construction period only. The Group has concluded a frame agreement for reverse factoring which enables our subcontractors that do not have sufficient credit standing to obtain a factoring facility from a financing institution to use the Group's facility.

Investing activities resulted in a net cash inflow of 3,929 thousand euros (Q1 2019: 208 thousand euros). The transaction with the strongest impact was the transformation of Embach Ehitus OÜ from an associate into a subsidiary, which generated cash inflow of 3,605 thousand euros. Cash flow was also influenced by payments made for the acquisition of property, plant and equipment of 58 thousand euros (Q1 2019: 43 thousand euros), proceeds from the sale of property, plant and equipment of 138 thousand euros (Q1 2019: 18 thousand euros) and dividends received of 245 thousand euros (Q1 2019: 238 thousand euros).

Financing activities generated a net cash outflow of 1,511 thousand euros (Q1 2019: an inflow of 692 thousand euros). The largest items were loan and lease payments. Proceeds from loans received totalled 393 thousand euros, consisting of the use of the overdraft facility and development loans (Q1 2019: 1,737 thousand euros), loan repayments amounted to 891 thousand euros (Q1 2019: 9 thousand euros) and lease payments totalled 737 thousand euros (Q1 2019: 828 thousand euros). Interest payments amounted to 276 thousand euros (Q1 2019: 208 thousand euros).



The Group's cash and cash equivalents totalled 7,129 thousand euros at 31 March 2020 (31 March 2019: 5,391 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	Q1 2020	Q1 2019	Q1 2018	2019
Revenue (EUR '000)	54,924	34,524	43,662	234,071
Revenue change	59.1%	-20.9%	4.9%	4.7%
Net loss/profit (EUR '000)	-2,196	-1,893	-1,883	4,149
Net loss/profit attributable to owners of the parent (EUR '000)	-2,669	-1,962	-1,806	3,378
Average number of shares	31,528,585	31,528,585	30,913,031	31,528,585
Earnings per share (EUR)	-0.08	-0.06	-0.06	0.11
Administrative expenses to revenue	3.3%	4.3%	3.8%	2.9%
Administrative expenses to revenue (rolling)	2.8%	3.1%	3.1%	2.9%
EBITDA (EUR '000)	194	-1,018	-944	7,311
EBITDA margin	0.4%	-2.9%	-2.2%	3.1%
Gross margin	2.2%	0.1%	1.0%	5.0%
Operating margin	-1.2%	-5.1%	-3.3%	1.8%
Operating margin excluding gain on asset sales	-1.2%	-5.2%	-3.3%	1.7%
Net margin	-4.0%	-5.5%	-4.3%	1.8%
Return on invested capital	-3.3%	-2.9%	-2.6%	10.0%
Return on equity	-6.7%	-5.8%	-5.0%	12.5%
Equity ratio	28.2%	30.2%	31.1%	27.9%
Return on assets	-2.1%	-1.8%	-1.9%	3.7%
Gearing	32.7%	38.4%	35.3%	33.8%
Current ratio	0.95	0.97	1.01	1.01
As at 31 March	2020	2019	2018	2019
Order book (EUR '000)	229,018	170,509	143,589	227,545

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

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

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

Administrative expenses to revenue (rolling) = (past four quarters' administrative expenses / past four quarters' revenue) * 100

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

EBITDA margin = (EBITDA / revenue) * 100

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

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

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

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

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

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

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

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

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

Current ratio = total current assets / total current liabilities



Order book

The Group's order book (backlog of contracts signed but not yet performed) stood at 229,018 thousand euros at 31 March 2020, an increase of around 34% year on year. In the first quarter of 2020, we signed new contracts of 43,325 thousand euros (Q1 2019: 92,556 thousand euros).

As at	31 March 2020	31 March 2019	31 March 2018	31 December 2019
Order book (EUR '000)	229,018	170,509	143,589	227,545

At the reporting date, contracts secured by the Buildings segment and the Infrastructure segment accounted for 81% and 19% of the Group's total order book, respectively (31 March 2019: 86% and 14%, respectively). Compared to 31 March 2019, the order book of the Buildings segment has increased by 26% and the order book of the Infrastructure segment by 84%.

Both the apartment buildings and the public buildings subsegment account for a third of the order book of the Buildings segment: 33% and 31%, respectively. A significant share of the order book of the apartment buildings subsegment is made up of a contract of around 40 million euros for the design and construction of the first two phases of the Kalaranna quarter in Tallinn. The subsegment's order book also includes the work secured but not yet performed in Sweden where the Group continues to build two apartment buildings: one near Uppsala city centre and the other in the Bromma district in Stockholm. A major share of the order book of the public buildings subsegment is made up of contracts signed in 2019 for the construction of the Estonian Academy of Security Sciences and the University of Tartu Learning Centre in Narva, the Kohtla-Järve sports and health centre, a storage complex at the defence forces' base at Tapa and Kindluse Kool – a basic school in Järveküla near Tallinn. In 2020, the portfolio has increased by contracts for the extension of the office building of the Estonian Foreign Intelligence Service in Rahumäe tee in Tallinn and the construction of a family health centre and multi-storey car park for Tartu Kesklinna Perearstikeskus in Tartu. A significant share of the order book of the industrial and warehouse facilities subsegment is made up of a contract for the construction of a dairy complex for E-Piim in Paide. The order book of the commercial buildings subsegment has decreased substantially year on year. The largest projects in progress are in Tallinn: the construction of a new seven-floor commercial building in Rotermann City and the design and construction of phase II of a multi-storey car park in Ülemiste City.

Around two thirds of the order book of the Infrastructure segment is made up of contracts secured by the road construction and maintenance subsegment. The largest projects were secured in 2019: the construction of the Kernu bypass, the Kernu filling station and the Haiba junctions on the Tallinn-Pärnu-Ikla road and the reconstruction of the Vinso-Kirmsi section of the Võru-Räpina road. In 2020, the Group as signed five contracts of 2-3 million euros each and 12 million euros in total with the National Road Administration. The Group also continues to provide road maintenance services in three road maintenance areas: Järva, Hiiu and Kose. Other engineering contracts account for 31% of the order book of the Infrastructure segment. A major share of the order book of the other engineering subsegment is made up of a contract secured in 2019 for the construction of foundations for 73 wind turbines in the Nysäter wind farm in northern Sweden, near Sundsvall.

At present it is not possible to assess the impacts of the coronavirus (COVID-19) pandemic on the Group's financial performance as a whole. Based on our order book of which around a third is made up of contracts that will continue into 2021, we expect that in 2020 the Group's revenue will increase somewhat compared with 2019. In an environment of stiff competition, we have avoided taking unjustified risks whose realisation in the contract performance phase would have an adverse impact on the Group's results. Despite this, where suitable opportunities arise, we strive to increase the portfolio to counteract the pressure on margins that is caused by the market situation. Our preferred policy is to keep fixed costs under control and monitor market developments closely.

Between the reporting date (31 March 2020) and the date of release of this report, Group companies have secured additional construction contracts in the region of 30,024 thousand euros, a significant part of which is made up of contracts signed by the Infrastructure segment.



People

Employees and personnel expenses

In the first quarter of 2020, the Group (the parent and the subsidiaries) employed, on average, 695 people, including 429 engineers and technical personnel (ETP). Headcount increased by around 5% compared with the same period in 2019. The number of ETP staff grew, partly due to a change in the Group's structure: Embach Ehitus OÜ became a subsidiary (see the chapter *Group structure*)

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

	Q1 2020	Q1 2019	Q1 2018	2019
ETP	429	391	427	414
Workers	266	271	264	273
Total average	695	662	691	687

The Group's personnel expenses for the first quarter of 2020 including all taxes, totalled 6,660 thousand euros. The figure for the first quarter of 2019 was 5,363 thousand euros. Personnel expenses grew by around 24% due to both pay rises and the payment of performance-related bonuses.

The service fees of the members of the council of Nordecon AS for the first quarter of 2020 amounted to 47 thousand euros and associated social security charges totalled 15 thousand euros (Q1 2019: 47 thousand euros and 15 thousand euros, respectively).

The service fees of the members of the board of Nordecon AS amounted to 132 thousand euros and associated social security charges totalled 44 thousand euros (Q1 2019: 123 thousand euros and 42 thousand euros, respectively).

Labour productivity and labour cost efficiency

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

	Q1 2020	Q1 2019	Q1 2018	2019
Nominal labour productivity (rolling), (EUR '000)	365.8	315.5	320.4	340.6
Change against the comparative period, %	16%	-1.5%	13.7%	4.7%
Nominal labour cost efficiency (rolling), (EUR)	9.6	9.2	10.0	9.2
Change against the comparative period, %	4.3%	-8.4%	5.4%	-5.0%

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

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

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



Share and shareholders

Share information

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

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

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

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

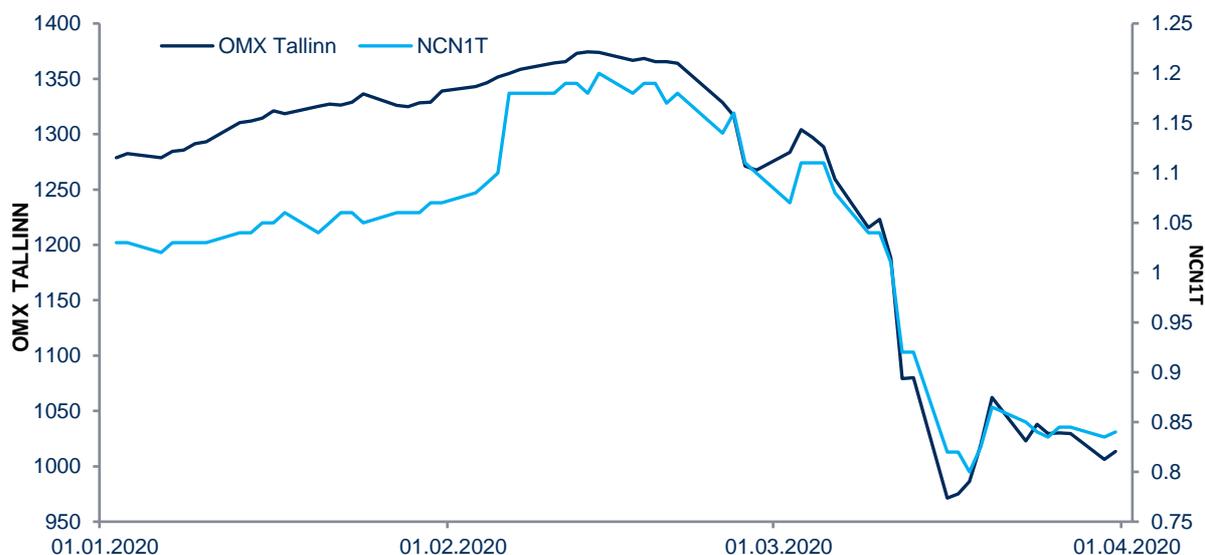
Movements in the price and trading volume of the Nordecon AS share in Q1 2020

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





Movement of the share price compared to the OMX Tallinn index in Q1 2020



Index/equity	1 January 2020*	31 March 2020	+/-
OMX Tallinn	1,279.70	1,013.54	-20.80%
NCN1T	1.03 EUR	0.84 EUR	-18.45%

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

Summarised trading results

Share trading history (EUR)

Price	Q1 2020	Q1 2019	Q1 2018
Open	1.04	0.91	1.25
High	1.20	1.05	1.26
Low	0.78	0.89	1.18
Last closing price	0.84	0.97	1.22
Traded volume (number of securities traded)	2,591,511	418,206	227,978
Turnover, in EUR millions	2.50	0.41	0.28
Listed volume (31 March), in thousands	32,375	32,375	32,375
Market capitalisation (31 March), in EUR millions	27.20	31.40	39.50

Shareholder structure

Largest shareholders in Nordecon AS at 31 March 2020

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,507,464	50.99
Luksusjaht AS	4,274,153	13.20
Rondam AS	1,000,000	3.09
SEB Pank AS clients	553,188	1.71
Mati Kalme	525,000	1.62
ASM Investments OÜ	387,000	1.20
Olegs Radcenko	370,668	1.14
Lembit Talpsepp	367,486	1.14
SEB Elu- ja Pensionikindlustus AS	255,000	0.79
Ain Tromp	253,960	0.78



Shareholder structure of Nordecon AS at 31 March 2020

	Number of shareholders	Ownership interest (%)
Shareholders with interest exceeding 5%	2	64.19
Shareholders with interest from 1% to 5%	6	9.89
Shareholders with interest below 1%	2,627	23.30
Holder of own (treasury) shares	1	2.62
Total	2,636	100

Shares controlled by members of the council of Nordecon AS at 31 March 2020

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	4,000	0.01
Total		16,643,144	51.40

* Companies controlled by the individual

Shares controlled by members of the board of Nordecon AS at 31 March 2020

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

Share option plan

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

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

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

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

At 31 March 2020, options for the acquisition of 229,857 shares had been exercised, options for the acquisition of 800,398 shares had expired and options for the acquisition of 588,500 shares were still exercisable.



Management's confirmation and signatures

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

Gerd Müller

Chairman of the Board

7 May 2020

Priit Luman

Member of the Board

7 May 2020

Maret Tambek

Member of the Board

7 May 2020

Ando Voogma

Member of the Board

7 May 2020



Condensed consolidated interim financial statements

Consolidated statement of financial position

EUR '000	Note	31 March 2020	31 December 2019
ASSETS			
Current assets			
Cash and cash equivalents		7,129	7,032
Trade and other receivables	2	37,610	37,563
Prepayments		2,514	1,813
Inventories	3	21,382	21,142
Total current assets		68,635	67,550
Non-current assets			
Investments in equity-accounted investees		806	2,369
Other investments		26	26
Trade and other receivables	2	8,494	8,435
Investment property		6,301	5,530
Property, plant and equipment		18,922	19,002
Intangible assets		14,664	14,736
Total non-current assets		49,213	50,098
TOTAL ASSETS		117,848	117,648
LIABILITIES			
Current liabilities			
Borrowings	5, 6	16,270	11,058
Trade payables		38,665	40,730
Other payables		9,252	7,954
Deferred income		7,301	6,391
Provisions		835	716
Total current liabilities		72,323	66,849
Non-current liabilities			
Borrowings	5, 6	10,409	16,326
Trade payables		98	98
Other payables		80	177
Provisions		1,743	1,425
Total non-current liabilities		12,330	18,026
TOTAL LIABILITIES		84,653	84,875
EQUITY			
Share capital		14,379	14,379
Own (treasury) shares		-660	-660
Share premium		635	635
Statutory capital reserve		2,554	2,554
Translation reserve		2,417	1,169
Retained earnings		11,209	12,383
Total equity attributable to owners of the parent		30,534	30,460
Non-controlling interests		2,661	2,313
TOTAL EQUITY		33,195	32,773
TOTAL LIABILITIES AND EQUITY		117,848	117,648



Consolidated statement of comprehensive income

EUR '000	Note	Q1 2020	Q1 2019	2019
Revenue	8, 9	54,924	34,524	234,071
Cost of sales	10	-53,736	-34,478	-222,302
Gross profit		1,188	46	11,769
Marketing and distribution expenses		-128	-346	-784
Administrative expenses	11	-1,799	-1,493	-6,837
Other operating income	12	149	56	315
Other operating expenses	12	-53	-13	-193
Operating loss/profit		-643	-1,750	4,270
Finance income	13	56	271	1,277
Finance costs	13	-1,579	-364	-1,219
Net finance costs/income		-1,523	-93	58
Share of loss/profit of equity-accounted investees		-30	-50	585
Loss/profit before income tax		-2,196	-1,893	4,913
Income tax expense		0	0	-764
Loss/profit for the period		-2,196	-1,893	4,149
Other comprehensive income/expense:				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations		1,248	-44	-823
Total other comprehensive income/expense		1,248	-44	-823
TOTAL COMPREHENSIVE EXPENSE/INCOME		-948	-1,937	3,326
Loss/profit attributable to:				
- Owners of the parent		-2,669	-1,962	3,378
- Non-controlling interests		473	69	771
Loss/profit for the period		-2,196	-1,893	4,149
Total comprehensive expense/income attributable to:				
- Owners of the parent		-1,421	-2,006	2,555
- Non-controlling interests		473	69	771
Total comprehensive expense/income for the period		-948	-1,937	3,326
Earnings per share attributable to owners of the parent:				
Basic earnings per share (EUR)	7	-0.08	-0.06	0.11
Diluted earnings per share (EUR)	7	-0.08	-0.06	0.11



Consolidated statement of cash flows

EUR '000	Note	Q1 2020	Q1 2019
Cash flows from operating activities			
Cash receipts from customers ¹		70,309	46,964
Cash paid to suppliers ²		-63,575	-43,997
VAT paid		-2,936	-846
Cash paid to and for employees		-6,116	-5,292
Income tax paid		0	-11
Net cash used in operating activities		-2,318	-3,182
Cash flows from investing activities			
Paid on acquisition of property, plant and equipment		-58	-43
Proceeds from sale of property, plant and equipment	4	138	18
Loans provided		-5	-9
Repayment of loans provided		3	2
Acquisition of a subsidiary		-2	0
Cash received on the acquisition of a subsidiary		3,605	0
Dividends received		245	238
Interest received		3	2
Net cash from investing activities		3,929	208
Cash flows from financing activities			
Proceeds from loans received		393	1,737
Repayment of loans received		-891	-9
Lease payments made		-737	-828
Interest paid		-276	-208
Net cash used in/from financing activities		-1,511	692
Net cash flow		100	-2,282
Cash and cash equivalents at beginning of period		7,032	7,678
Effect of movements in foreign exchange rates		-3	-5
Increase/decrease in cash and cash equivalents		100	-2,282
Cash and cash equivalents at end of period		7,129	5,391

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

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



Consolidated statement of changes in equity

EUR '000	Equity attributable to owners of the parent							Non-controlling interests	Total
	Share capital	Treasury shares	Capital reserve	Share premium	Translation reserve	Retained earnings	Total		
Balance at 31 December 2018	16,321	-693	2,554	618	1,992	10,896	31,688	2,021	33,709
Loss for the period	0	0	0	0	0	-1,962	-1,962	69	-1,893
Other comprehensive expense	0	0	0	0	-44	0	-44	0	-44
Balance at 31 March 2019	16,321	-693	2,554	618	1,948	8,934	29,682	2,090	31,772
Balance at 31 December 2019	14,379	-660	2,554	635	1,169	12,383	30,460	2,313	32,773
Loss for the period	0	0	0	0	0	-2,669	-2,669	473	-2,196
Other comprehensive income	0	0	0	0	1,248	0	1,248	0	1,248
Changes in non-controlling interests	0	0	0	0	0	1,495	1,495	-125	1,370
Balance at 31 March 2020	14,379	-660	2,554	635	2,417	11,209	30,534	2,661	33,195



Notes to the condensed consolidated interim financial statements

NOTE 1. Significant accounting policies

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

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

NOTE 2. Trade and other receivables

EUR '000	Note	31 March 2020	31 December 2019
Current items			
Trade receivables		28,564	29,141
Retentions receivable		145	763
Receivables from related parties	14	494	739
Other receivables		55	46
Total receivables and loans provided		29,258	30,689
Due from customers for contract work		8,352	6,874
Total current trade and other receivables		37,610	37,563

EUR '000	Note	31 March 2020	31 December 2019
Non-current items			
Loans to related parties	14	8,075	8,015
Other non-current receivables		419	420
Total non-current trade and other receivables		8,494	8,435

NOTE 3. Inventories

EUR '000	31 March 2020	31 December 2019
Raw materials and consumables	3,009	3,149
Work in progress	6,396	6,964
Parking spaces for sale	230	230
Properties purchased for development and pre-development costs	11,747	10,799
Total inventories	21,382	21,142



NOTE 4. Property, plant and equipment and intangible assets

Property, plant and equipment

The Group did not conduct any significant transactions with property, plant and equipment in the first three months of 2020. Additions to property, plant and equipment totalled 176 thousand euros (Q1 2019: 252 thousand euros). Assets acquired comprised equipment and construction machinery required for the Group's operating activities.

Proceeds from sales of property, plant and equipment amounted to 138 thousand euros (see the statement of cash flows) and sales gain on the transactions amounted to 9 thousand euros (note 12). In the comparative period, proceeds from sales of property, plant and equipment amounted to 18 thousand euros and sales gain on the transactions amounted to 53 thousand euros.

Intangible assets

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

NOTE 5. Borrowings

Current borrowings

EUR '000	Note	31 March 2020	31 December 2019
Short-term portion of long-term loans		5,790	3
Lease liabilities		2,710	2,670
Short-term bank loans		7,770	8,385
Total current borrowings		16,270	11,058

Non-current borrowings

EUR '000	Note	31 March 2020	31 December 2019
Long-term portion of long-term bank loans		2,749	8,418
Derivative financial instruments		7	6
Lease liabilities		7,653	7,902
Total non-current borrowings		10,409	16,326

NOTE 6. Leases

Lease liabilities

EUR '000	31 March 2020	31 December 2019
Lease liabilities at end of period, of which	10,363	10,572
Not later than 1 year	2,710	2,670
Later than 1 year and not later than 5 years	7,653	7,902
Base currency EUR	10,363	10,572
Interest rate for contracts denominated in EUR ¹	2.0%-4.0%	2.0%-4.0%
Frequency of payments	Monthly	Monthly

¹ Includes leases with floating interest rates



Lease payments

EUR '000	Q1 2020	Q1 2019
Principal payments made during the period	733	832
Interest payments made during the period	86	59

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

NOTE 7. Earnings per share

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

EUR '000	Q1 2020	Q1 2019
Loss for the period attributable to owners of the parent (EUR '000)	-2,669	-1,962
Average number of shares (in thousands)	31,521	31,521
Basic earnings per share (EUR)	-0.08	-0.06
Diluted earnings per share (EUR)	-0.08	-0.06

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

NOTE 8. Segment reporting – operating segments

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

The Group's reportable operating segments are:

- Buildings
- Infrastructure

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

Preparation of segment reporting

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

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

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



First quarter

EUR '000	Buildings	Infrastructure	Total
Q1 2020			
Total revenue	48,954	5,960	54,914
<i>Of which: General contracting services</i>	44,927	4,216	49,143
<i>Subcontracting services</i>	2,677	294	2,971
<i>Sale of a property</i>	1,350	0	1,350
<i>Road maintenance services</i>	0	1,194	1,194
<i>Rental services</i>	0	256	256
<i>Inter-segment revenue</i>	0	-1	-1
Revenue from external customers	48,954	5,959	54,913
Gross profit/loss of the segment	2,189	-763	1,426
EUR '000	Buildings	Infrastructure	Total
Q1 2019			
Total revenue	28,638	5,791	34,429
<i>Of which: General contracting services</i>	27,131	2,724	29,855
<i>Subcontracting services</i>	1,507	1,938	3,445
<i>Road maintenance services</i>	0	1,005	1,005
<i>Rental services</i>	0	124	124
Revenue from external customers	28,638	5,791	34,429
Gross profit/loss of the segment	1,287	-993	294

Reconciliation of segment revenues

EUR '000	Q1 2020	Q1 2019
Total revenues for reportable segments	54,914	34,429
Elimination of inter-segment revenues	-1	0
Reportable segments' unallocated revenue	11	95
Consolidated revenue	54,924	34,524

Reconciliation of segment profit/loss

EUR '000	Q1 2020	Q1 2019
Total profit for reportable segments	1,426	294
Unallocated loss	-238	-248
Gross profit	1,188	46
Unallocated expenses:		
Marketing and distribution expenses	-128	-346
Administrative expenses	-1,799	-1,493
Other operating income and expenses	96	43
Operating loss	-643	-1,750
Finance income	56	271
Finance costs	-1,579	-364
Share of loss of equity-accounted investees	-30	-50
Loss before tax	-2,196	-1,893



NOTE 9. Segment reporting – geographical information

EUR '000	Q1 2020	Q1 2019
Estonia	47,534	31,421
Ukraine	414	1,692
Finland	2,677	1,507
Sweden	4,299	462
Elimination of inter-segment revenues	0	-558
Total revenue	54,924	34,524

NOTE 10. Cost of sales

EUR '000	Q1 2020	Q1 2019
Cost of materials, goods and services	47,296	29,165
Personnel expenses	5,641	4,579
Depreciation expense	648	675
Other expenses	151	59
Total cost of sales	53,736	34,478

NOTE 11. Administrative expenses

EUR '000	Q1 2020	Q1 2019
Personnel expenses	998	763
Cost of materials, goods and services	549	615
Depreciation and amortisation expense	189	57
Other expenses	63	58
Total administrative expenses	1,799	1,493

NOTE 12. Other operating income and expenses

EUR '000	Q1 2020	Q1 2019
Other operating income		
Gain on a bargain purchase	139	0
Gain on sale of property, plant and equipment	9	53
Other income	1	3
Total other operating income	149	56

EUR '000	Q1 2020	Q1 2019
Other operating expenses		
Foreign exchange loss	14	1
Other expenses	39	12
Total other operating expenses	53	13



NOTE 13. Finance income and costs

EUR '000	Q1 2020	Q1 2019
Finance income		
Interest income on loans	56	56
Foreign exchange gain	0	215
Total finance income	56	271

EUR '000	Q1 2020	Q1 2019
Finance costs		
Interest expense	241	200
Foreign exchange loss	1,338	163
Other finance costs	0	1
Total finance costs	1,579	364

NOTE 14. Transactions with related parties

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

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

The Group's purchase and sales transactions with related parties

EUR '000	Q1 2020		Q1 2019	
Nature of transactions	Purchases	Sales	Purchases	Sales
AS Nordic Contractors	61	0	71	0
Companies of AS Nordic Contractors group	30	2	1	2
Companies related to owners of AS Nordic Contractors	42	0	212	0
Equity-accounted investees	9	1	853	0
Companies related to members of the council and board	44	0	21	0
Total	186	3	1,158	2

EUR '000	Q1 2020		Q1 2019	
Nature of transactions	Purchases	Sales	Purchases	Sales
Construction services	0	0	853	0
Transactions with goods	51	0	212	0
Lease and other services	93	3	72	2
Other transactions	42	0	21	0
Total	186	3	1,158	2

During the period, the Group recognised interest income on loans to an associate of 54 thousand euros (Q1 2019: 66 thousand euros).

Receivables from and liabilities to related parties at period-end

EUR '000	31 March 2020		31 December 2019	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	0	9	0	10
Companies of AS Nordic Contractors group	494	46	0	316
Companies related to owners of AS Nordic Contractors	0	101	495	660
Associates – receivables and liabilities	0	6	244	1
Associate – loans and interest	8,075	0	8,015	0
Total	8,569	162	8,754	987



Remuneration of the council and the board

The service fees of the members of the council of Nordecon AS for the first quarter of 2020 amounted to 47 thousand euros and associated social security charges totalled 15 thousand euros (Q1 2019: 47 thousand euros and 15 thousand euros, respectively).

The service fees of the members of the board of Nordecon AS for the first quarter of 2020 amounted to 132 thousand euros and associated social security charges totalled 44 thousand euros (Q1 2019: 123 thousand euros and 42 thousand euros, respectively).

NOTE 15. Transactions with shares in an associate

A change in the capital structure of Nordecon AS's associate Embach Ehitus OÜ was finalised in March. Through the transaction, Nordecon AS increased its ownership interest to 51% and Embach Ehitus OÜ became a subsidiary of Nordecon AS.

Purchase price and gain on a bargain purchase

	EUR '000
Cost of interest acquired	2
Fair value of net assets acquired	142
Gain on a bargain purchase	-139

The gain on a bargain purchase of 139 thousand euros has been recognised in other operating income.

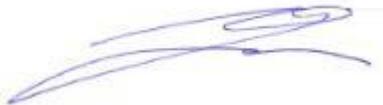
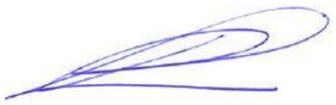


Statements and signatures

Statement of management's responsibility

The board of Nordecon AS acknowledges its responsibility for the preparation of the Group's condensed consolidated interim financial statements for the first quarter of 2020 and confirms that:

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

Gerd Müller	Chairman of the Board		7 May 2020
Priit Luman	Member of the Board		7 May 2020
Maret Tambek	Member of the Board		7 May 2020
Ando Voogma	Member of the Board		7 May 2020