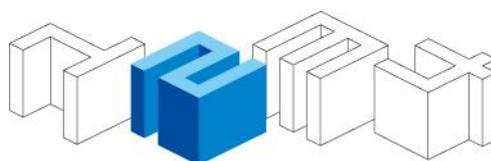




**Financial report for the second
quarter and first half of 2021**
(unaudited)





Financial report for the second quarter and first half of 2021 (unaudited)

Business name	Nordecon AS
Registry 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 2021 – 31 December 2021
Reporting period	1 January 2021 – 30 June 2021
Council	Toomas Luman (chairman of the council), Andri Hõbemägi, Andre Luman, Vello Kahro, Sandor Liive
Board	Gerd Müller (chairman of the board), Priit Luman, Maret Tambek
Auditor	KPMG Baltics OÜ



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Nordecon group at a glance

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

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

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

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

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

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

VISION

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

MISSION

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

SHARED VALUES

Professionalism

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

Reliability

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

Openness

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

Employees

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



Directors' report

Strategic agenda for 2019-2022

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

Business lines and markets

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

Activities for implementing the strategy

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

Financial targets

- Revenue will grow by at least 10% per year.
- Foreign markets' contribution will increase to 20% of revenue.
- Real estate development revenue will grow to 10% of revenue earned in Estonia.
- Operating margin for the year will be consistently above 3%.
- Operating profit per employee will increase to at least €10 thousand 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:

- Public investments, which have a strong impact on the construction market, are expected to increase in 2021. Investments by the largest public sector entities (the state-owned real estate company Riigi Kinnisvara AS, the Transport Administration, the Centre for Defence Investment, etc.) that reach the signature of a construction contract in 2021 are likely to have an increasing effect on the market as a whole. The negative economic effects of the COVID-19 pandemic have started to subside and private investment is also recovering. The construction market resumed growth in the second quarter of 2021, driven by high demand for housing development. Demand has also picked up in other segments and many projects that were postponed in 2020 are being relaunched. The construction sector is expected to sustain growth, supported by the rapid bounce back of the economy.
- Competition will remain fierce across the construction market, intensifying in specific segments based on market developments. Recent years' rapid growth in input prices, which halted briefly in the middle of 2020 due to a decrease in new private projects, re-emerged at the end of 2020 and accelerated considerably both in the first and the second quarter of 2021. Fuelled by a sharp rise in materials prices, the construction price index for the second quarter recorded a historically high growth rate. Supply-chain disruptions, which are driving up prices, are also making it difficult to meet the contractual delivery dates for construction work. The upsurge in the prices of some raw materials such as steel (70-100%) and wood (up to 200%) is already outside normal business risk: it is not only inflating the prices of construction materials and work but also putting the completion of started projects at risk. Construction prices grew by 20-30% on average in the first half of 2021 and the trend is likely to continue. While the rise in materials prices seems to be slowing, labour costs are expected to see rapid growth, which will sustain the hike in construction prices. Although soaring prices will cool demand to a certain extent, overall optimism and high consumer demand will support market growth.
- There is often a striking contrast between the stringent terms of public construction contracts, which impose numerous obligations, strict sanctions, different financial guarantee commitments, etc., and the modest eligibility criteria. 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 period.
- The shortage of skilled and qualified labour (including project and site managers) has not decreased and the sector continues to need additional competent professionals, including foreign labour whose contribution has supported recent years' market growth. Labour mobility is currently restricted due to the COVID-19 pandemic and foreign workers who have gone to their home countries are finding it difficult to return.

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 has increased in recent years. We expect that in 2021 our business volumes in Ukraine will remain at a level comparable to 2020. 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 to exit our two real estate projects, which have been put on hold, or signing a construction contract with a prospective new owner.

Finland

In Finland, we have been offering mainly subcontracting services in the concrete work segment. The local concrete work market allows competing for projects where the customer wishes to source all concrete works from one reliable partner. However, in recent years we have also secured some smaller general contracts. Our policy is to maintain a rational approach and avoid excessive risks, particularly in an environment of the COVID-19 pandemic, which has increased pressure on profit margins.



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, which has left its mark on profitability. The decline in real estate prices that emerged in 2018 has reduced demand for housing construction. As a result, the starting dates of many projects have been postponed. Compared to the peak in 2017, housing construction volumes have dropped by around a third. The slowdown has hit the Stockholm area the hardest. Even though the worst downturn seems to be over, there are no signs of growth and housing construction volumes are expected to shrink further in 2021. The trend is also influenced by the COVID-19 pandemic: there are signs that customers are deferring 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 the demand for construction services. The 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. Bid prices are under strong competitive pressure and bidders increasingly include not only rival general contractors but also former subcontractors. This is mainly attributable to the central and local governments' policy to keep the eligibility requirements for public contracts low. As a result, quality and timely completion are sometimes sacrificed to the lowest price. We acknowledge the risks involved in performing contracts signed in an environment of stiff competition and the current economic uncertainties. In setting 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 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.

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. Our long-term goal is to be flexible and keep our two operating segments in relative balance. Where possible, our entities also implement various 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. The group's warranty provisions (including current and non-current) at 30 June 2021 totalled €1,434 thousand (30 June 2020: €1,149 thousand).

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

Financial risks

Credit risk

Credit losses for the period totalled €10 thousand compared with €62 thousand in the same period last year. The overall credit risk exposure of the portfolio of receivables is low because the solvency of prospective customers is evaluated, the share of public sector customers is large and customers' settlement behaviour is continuously monitored. The main indicator of the realisation of credit risk is a settlement default that exceeds 180 days along with no activity on the part of the debtor that would confirm the intent to settle.

Liquidity risk

The group remains exposed to higher than usual liquidity risk. At the reporting date, the group's current assets exceeded its current liabilities 0.97 times (30 June 2020: 1.0 times). 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.



Because the political and economic situation in Ukraine continues to be complicated, 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 €8,356 thousand were classified as non-current 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 30 June 2021 totalled €19,002 thousand (30 June 2020: €17,215 thousand).

The group's cash and cash equivalents as at the reporting date amounted to €7,732 thousand (30 June 2020: €9,421 thousand).

Interest rate risk

The group's interest-bearing liabilities to banks have both fixed and floating interest rates. Lease liabilities have mainly floating interest rates. The base rate for most floating-rate contracts is EURIBOR. The amounts of the group's interest-bearing borrowings and interest expense have remained comparable to the same period last year. Interest-bearing borrowings at 30 June 2021 totalled €26,092 thousand (30 June 2020: €25,987 thousand). Interest expense for the first half of 2021 was €499 thousand (H1 2020: €507 thousand).

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

Currency risk

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

The exchange rate of the hryvnia is volatile because Ukraine's political and economic environment is unstable and the National Bank of Ukraine discontinued determining the national currency's indicative exchange rate at the beginning of 2015. In the first half of 2021, the hryvnia strengthened against the euro by nearly 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 gain of €374 thousand (H1 2020: a loss of €704 thousand). Exchange gains and losses on financial instruments are recognised in finance income and finance costs, respectively. The translation of receivables and liabilities from operating activities did not give rise to any exchange gains or losses.

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

The exchange rate of the Swedish krona against the euro did not change significantly in the first half of 2021. The translation of a loan provided to the Swedish subsidiary in euros into the local currency (the difference between the exchange rates at the date the loan was provided and at the reporting date) gave rise to an exchange gain of €34 thousand (H1 2020: an exchange gain of €132 thousand). The exchange differences are reported within finance income and finance costs.

We have not acquired derivatives to hedge currency risk.

Employee and work environment risks

Finding a permanent quality workforce is a challenge for the entire construction sector and one of the main factors that influences business performance. To strengthen Nordecon's reputation as an employer and make sure that we will have employees in the future, we collaborate with educational institutions. Consistent employee development is essential and one of our acknowledged priorities. We also rely on our subcontractors' ability to find personnel 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 all measures required by law and our own management systems. Subcontractors are responsible for ensuring the safety of their operations and employees while our role is to create conditions that enable and foster compliance with safety regulations.



Environmental risks

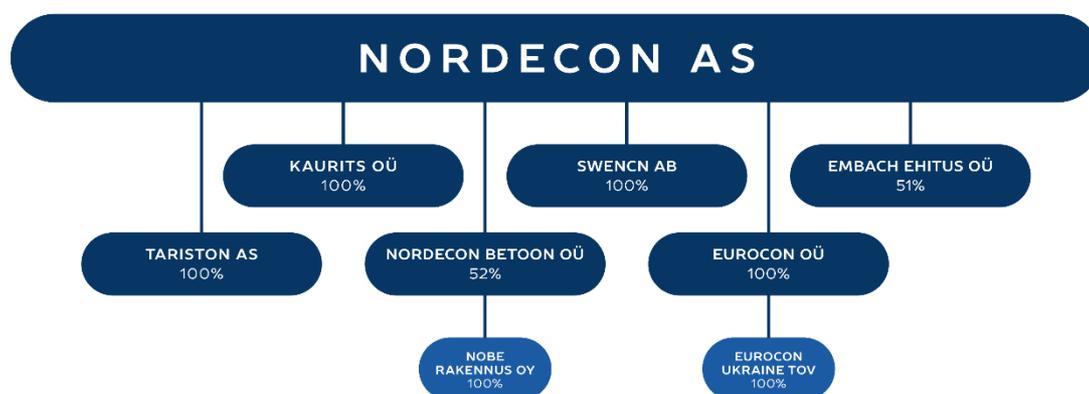
Construction activities have a direct impact on wildlife, soil and the physical environment. Therefore, in conducting our operations we strive to protect the surrounding environment and nature as much as possible. The group's assets and operations which have the strongest impact on the environment and thus involve the highest environmental 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 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 also supported by the continuously increasing implementation of IT solutions.

Business and financial review

The group's structure at 30 June 2021, including interests in subsidiaries and associates*



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



The group's operations in Estonia and foreign markets

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

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

Ukraine

There were no changes in our Ukrainian operations during the period under review. In H1 2021, our business activity in Ukraine remained at a level comparable to a year earlier. 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 the investments made and the 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. In the past two years, they have also been awarded some small general contracts.

Sweden

In the first quarter of 2021, we completed work on construction projects started in 2019 and 2020. On 22 July 2021, Swencn AB filed an application with the Nacka District Court in Stockholm, Sweden, to initiate corporate restructuring proceedings. Through restructuring, Swencn AB wants to overcome the difficulties in paying bills, restructure creditors' claims and improve its liquidity. The purpose of the restructuring is to ensure equal treatment of creditors and the continuation of the activities of Swencn AB (see note 15). The Swedish construction market is not yet showing signs of recovery and demand is weak. Swencn AB does currently not have any major construction projects in progress but the company is seeking new opportunities to continue its business in the Swedish market.



Performance by geographical market

The revenue contribution of foreign markets has decreased. Revenue generated outside Estonia accounted for around 4% of the group's total revenue for the first half of 2021 compared with 12% a year earlier.

	H1 2021	H1 2020	H1 2019	2020
Estonia	96%	88%	91%	82%
Finland	3%	5%	4%	6%
Sweden	0%	6%	2%	11%
Ukraine	1%	1%	3%	1%

Revenue generated in the Swedish market decreased significantly year on year, dropping below 1% of the group's total revenue, while the revenue contribution of the Ukrainian market remained comparable to a year earlier. In Finland, we continue to focus on the provision of subcontracting services in the concrete works segment.

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

Performance by business line

Segment revenues

We strive to maintain the revenues of our operating segments (Buildings and Infrastructure) as balanced as possible in the light of market developments because this helps diversify risks and provides better opportunities for continuing construction operations in more challenging circumstances where the volumes of one subsegment decline sharply while another begins to grow more rapidly.

The groups' revenue for the first half of 2021 was €117,966 thousand, around 14% less than a year earlier when revenue amounted to €136,798 thousand. The decline is largely attributable to revenue from foreign operations that dropped by 68%. Revenue generated in Estonia decreased by 6% compared to the first half of 2020. In segment terms, revenue from the Buildings segment decreased by 19% while revenue from the Infrastructure segment grew by 9% year on year. In a situation where the order book of the Buildings has grown and includes large-scale design and construction contracts, the segment's revenue decline is partly attributable to the fact that design activities, which precede construction operations, are time-consuming.

The low volumes of infrastructure construction that affected the entire construction market also influenced the group's revenue structure. In the first half of 2021, the Buildings and the Infrastructure segment generated revenue of €91,557 thousand and €26,217 thousand, respectively. The corresponding figures for the first half of 2020 were €112,607 thousand and €24,106 thousand (see note 8).

Revenue by operating segment *	H1 2021	H1 2020	H1 2019	2020
Buildings	78%	81%	74%	72%
Infrastructure	22%	19%	26%	28%

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

In the Buildings segment, the revenues of all subsegments decreased year on year. The revenue contributions of the commercial, public, and apartment buildings subsegments were practically equal and the revenue generated by the industrial and warehouse facilities subsegment continued to be modest.

The largest projects under construction in the commercial buildings subsegment were a seven-floor commercial building in Rotermann City and the LEED Gold compliant Alma Tomingas office building in Ülemiste City in Tallinn and an IKEA store in Rae rural municipality near Tallinn.

The order book of the public buildings subsegment has grown considerably, supporting the subsegment's annual revenue growth. During the period, the subsegment's largest projects were a basic school in Järveküla, an upper secondary school on the island of Saaremaa, the Medical Campus of the Tartu University Hospital, a family health centre in Tartu, an extension to the building of the Estonian Foreign Intelligence Service in Rahumäe tee in Tallinn and a barracks in Paldiski.

A significant share of the group's apartment building projects is located in Tallinn. During the period under review, the largest of them were the design and construction of the first two phases of the Kalaranna quarter and the design and construction of the Tiskreoja housing estate on the western border of the city.

The group also continues to build its own housing development projects in Tallinn and Tartu (reported in the apartment buildings subsegment). During the period, work continued on the construction of the first two apartment buildings in the Mõisavahe homes project (<https://moisavahe.ee>) and the development of plots for Kivimäe Süda – a new housing estate in the Nõmme district in Tallinn. In carrying out our own development activities, we carefully monitor potential risks in the housing development market.

The share of revenue generated by the industrial and warehouse facilities subsegment remained stable year on year. We are working mostly on small-scale projects with an average cost of €2 million. The largest projects of the period were a two-floor warehouse and office building in the Tähetorni Technopark and a logistics centre for the packaging supplier Pakendikeskus AS in Tallinn.

Revenue breakdown in the Buildings segment	H1 2021	H1 2020	H1 2019	2020
Commercial buildings	31%	30%	35%	23%
Public buildings	30%	34%	24%	37%
Apartment buildings	30%	27%	33%	28%
Industrial and warehouse facilities	9%	9%	8%	12%

In the Infrastructure segment, the largest revenue contributor is the road construction and maintenance subsegment, which increased its revenue year on year. A major share of its revenue resulted from contracts secured in 2020, the largest of which are the construction the Vão junction on the eastern border of Tallinn and the performance of earthworks on the Võõbu-Mäo section of the Tallinn-Tartu road. We also continued to deliver road maintenance services in Järva and Hiiu counties and the Kose maintenance area in Harju county.

The group has won several contracts for the construction of small harbours. During the period, work was done on the construction of Salmistu harbour and Vasknarva boat harbour and the expansion of berths in Roomassaare harbour on the island of Saaremaa, which accounted for a major share of the revenue of the specialist engineering subsegment.

Revenue breakdown in the Infrastructure segment	H1 2021	H1 2020	H1 2019	2020
Road construction and maintenance	86%	80%	77%	74%
Specialist engineering (including hydraulic engineering)	5%	5%	0%	4%
Environmental engineering	5%	1%	3%	1%
Other engineering	4%	14%	20%	21%



Financial review

Financial performance

Nordecon ended the first half of 2021 with a gross profit of €1,306 thousand (H1 2020: €6,007 thousand) and gross margins that were considerably lower than a year earlier: 1.1% for the first half-year (H1 2020: 4.4%) and 2.0% for the second quarter (Q2 2020: 5.9%). Gross margin dropped in both main operating segments. The gross margins of the Buildings segment were 2.5% for the half-year and 2.8% for the second quarter compared with 5.0% and 5.5% in the same periods last year. The segment's half-year results were strongly influenced by one-off expenses incurred in connection with the completion of work on the Nysäter wind farm but the key factor was a significant rise in input prices, which affects mainly the profitability of contracts secured in 2020. Materials prices began to stabilise at the end of the second quarter and, if the trend continues, the downsides of a rise in input prices should decrease in the following quarters. The Infrastructure segment ended the first half of 2021 with a slight loss and thus a negative gross margin of 0.5% (H1 2020: a positive gross margin of 3.4%). Its gross margin for the second quarter was 3.2% (Q2 2020: 8.7%). A decline in asphalt concrete production and laying works has increased the share of uncovered fixed costs. The performance of both segments was undermined by a surge in input prices as well as supply-chain disruptions which are making it difficult to meet contractual delivery dates.

The group's administrative expenses for the first half of 2021 were €2,833 thousand. Compared to the first half of 2020, administrative expenses decreased by around 27% (H1 2020: €3,860 thousand), mainly through a decline in personnel expenses (see note 11). The ratio of administrative expenses to revenue (12 months rolling) decreased to 2.2% (H1 2020: 2.8%).

The group's operating loss for the first half of 2021 was €1,643 thousand (H1 2020: an operating profit of €2,013 thousand). EBITDA amounted to €92 thousand (H1 2020: €3,694 thousand).

The group's finance income and costs are affected by exchange rate fluctuations in the group's foreign markets (see the chapter *Financial risks*). During the period, the exchange rate of the Ukrainian hryvnia strengthened against the euro by around 8% while the exchange rate of the Swedish krona/euro exchange rate did not change significantly. Translation of the loans provided to the group's Ukrainian and Swedish subsidiaries in euros into the local currencies gave rise to an exchange gain of €408 thousand in total (H1 2020: the exchange loss on movements in the exchange rate of the Ukrainian hryvnia was €704 thousand and the exchange gain on movements in the exchange rate of the Swedish krona was €132 thousand)).

The group incurred a net loss of €2,390 thousand (H1 2020: a net profit of €1,419 thousand). The loss attributable to owners of the parent, Nordecon AS, was €2,148 thousand (H1 2020: a loss of €156 thousand).

Cash flows

Operating activities produced a net cash outflow of €163 thousand in the first half of 2021 (H1 2020: an inflow of €1,787 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 suppliers. In particular, there has been rapid year-on-year growth in prepayments for materials. Cash inflow is also reduced by contractual retentions, which extend from 5 to 10% of the contract price and are released at the end of the construction period only.

Investing activities resulted in a net cash inflow of €77 thousand (H1 2020: an inflow of 3,929 thousand). Cash flow was strongly influenced by investments made in the acquisition of property, plant and equipment and intangible assets of €120 thousand (H1 2020: €102 thousand) and proceeds from the sale of property, plant and equipment of €158 thousand (H1 2020: €165 thousand). Cash flow for the comparative period was strongly influenced by the transformation of Embach Ehitus OÜ from an associate into a subsidiary, which generated cash inflow of €3,605 thousand, and dividends received of €251 thousand.

Financing activities generated a net cash outflow of €4,758 thousand (H1 2020: an outflow of €3,316 thousand). The largest items were loan and lease payments and dividends paid. Proceeds from loans received totalled €1,418 thousand, consisting of the use of the overdraft facility and development loans (H1 2020: €1,228 thousand). Repayments of loans received totalled €1,243 thousand, consisting of regular repayments of long-term investment and development loans (H1 2020: €2,077 thousand) Lease payments totalled €1,574 thousand (H1 2020: €1,487 thousand). Dividends paid in the first half of 2021 amounted to €2,814 thousand (H1 2020: €472 thousand).



The group's cash and cash equivalents at 30 June 2021 totalled €7,732 thousand (30 June 2020: €9,421 thousand). Management's commentary on liquidity risks is presented in the chapter *Description of the main risks*.

Key financial figures and ratios

Figure/ratio	H1 2021	H1 2020	H1 2019	2020
Revenue (€'000)	117,966	136,798	100,441	296,082
Revenue change	(14)%	36%	(5)%	26.5%
Net profit (loss) (€'000)	(2,390)	1,419	(574)	4,118
Net profit (loss) attributable to owners of the parent (€'000)	(2,148)	(156)	(793)	2,466
Weighted average number of shares	31,528,585	31,528,585	31,528,585	31,528,585
Earnings per share (€)	(0.07)	0.00	(0.03)	0.08
Administrative expenses to revenue	2.4%	2.8%	3.0%	2.4%
Administrative expenses to revenue (rolling)	2.2%	2.8%	2.9%	2.4%
EBITDA (€'000)	92	3,694	1,281	7,003
EBITDA margin	0.1%	2.7%	1.3%	2.4%
Gross margin	1.1%	4.4%	3.3%	3.7%
Operating margin	(1.4)%	1.5%	(0.2)%	1.2%
Operating margin excluding gain on asset sales	(1.4)%	1.5%	(0.3)%	1.2%
Net margin	(2.0)%	1.0%	(0.6)%	1.4%
Return on invested capital	(2.1)%	3.3%	0.6%	9.3%
Return on equity	(6.9)%	4.1%	(1.8)%	11.8%
Equity ratio	22.6%	25.8%	25.5%	27.6%
Return on assets	(1.7)%	1.1%	(0.5)%	3.3%
Gearing	31.4%	26.8%	36.7%	21.1%
Current ratio	0.97	1.00	0.93	1.01
	30 June 2021	30 June 2020	30 June 2019	31 Dec 2020
Order book (€'000)	269,448	187,018	179,691	215,796

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

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

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

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 €269,448 thousand at 30 June 2021, a 44% increase year on year. In the second quarter, we signed new contracts of €69,938 thousand (Q2 2020: €47,850 thousand).

Between the reporting date (30 June 2021) and the date of release of this report, group companies have secured additional construction contracts in the region of €81,771 thousand, the largest of which include:

- the design and construction of apartment buildings with commercial space in the Vektor development project at Pärnu mnt 137 in Tallinn with an approximate cost of €38,000 thousand;
- the construction of an office building at Ahtri 4 in Tallinn with an approximate cost of €16,700 thousand.

	30 June 2021	30 June 2020	30 June 2019	31 Dec 2020
Order book (€'000)	269,448	187,018	179,691	215,796

The proportions of the two main operating segments in the group's order book have not changed substantially: the Buildings segment still dominates, accounting for 79%, while the Infrastructure accounts for 21% of the total order book (30 June 2020: 76% and 24%, respectively). Compared with 30 June 2020, the order book of the Buildings segment has grown by 50% and that of the Infrastructure segment by 27%.

A major share of the value of new contracts signed in the second quarter was made up of contracts secured by the Buildings segment, the largest of which were:

- the construction of concrete structures for the Kemi bioproduct mill in Northern Finland with an approximate cost of €6,800 thousand.
- the design and construction of the Luccaranna housing estate to be built near the sea on the western border of Tallinn with an approximate cost of €25,700 thousand.
- the design and construction of phase two of the Tiskreoja housing estate to be built on the western border of Tallinn with an approximate cost of €10,600 thousand.

A major share of the order book of the Buildings segment is also made up of contracts secured in the first quarter of 2021 and earlier periods, the largest of them including the construction of the main building of the Estonian Foreign Intelligence Service in Tallinn, an IKEA store in Rae rural municipality near Tallinn, a dairy complex for E-Piim in Paide, phase III of the Maarjamõisa Medical Campus of the Tartu University Hospital, the LEED Gold compliant Alma Tomingas office building in Ülemiste City in Tallinn and the first two phases of apartment buildings in the Kalaranna quarter in Tallinn.

In the Infrastructure segment, the order book of the road construction and maintenance subsegment is still the largest, accounting for 87% of the segment's total order book. The largest contracts signed in the second quarter were:

- the design and construction of the outdoor space around Terminal D in Old City Harbour with an approximate cost of €5,900 thousand;
- the reconstruction and rehabilitation of national roads in Hiiu county with an approximate cost of €3,500 thousand.

The order book also includes some large-scale contracts awarded to the group in the first quarter of 2021: the construction of 2+2 passing lanes on the Kärevere-Kardla section of the Tallinn-Tartu-Võru-Luhamaa road, additional earthworks on the Võõbu-Mäo section of the Tallinn-Tartu road, the construction of a wind farm in the Targale rural municipality in Latvia and expansion of berths in Roomassaare harbour on the island of Saaremaa.

Based on the size of the group's order book, including the share of work to be performed in 2022 and 2023, and fierce competition in the general contracting market, the group's management expects that in 2021 the group's revenue will decline somewhat compared to 2020. The current situation along with the rise in input prices and supply-chain disruptions, which affect mainly contracts secured in 2020, have put profit margins under strong pressure. In an environment of stiff competition, we have avoided taking unjustified risks whose realisation in the contract performance phase would have an adverse impact on the group's results. Our main focus is on cost control as well as pre-construction and design activities where we can harness our professional competitive advantages.



People

Employees and personnel expenses

The group employed, on average, 680 people, including 426 engineers and technical personnel, in the first half of 2021. Headcount decreased by around 4% year on year.

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

	H1 2021	H1 2020	H1 2019	2020
ETP	426	442	405	450
Workers	254	265	273	258
Total average	680	707	678	708

The group's personnel expenses for the first half of 2021, including all taxes, totalled €12,020 thousand compared with €13,703 thousand for the same period last year. Personnel expenses decreased by around 12% year on year, mainly through a decrease in the number of employees, a reduction of salaries carried out in the middle of 2020 and a decline in the share of performance bonuses.

The service fees of the members of the council of Nordecon AS for the first half of 2021 amounted to €75 thousand and associated social security charges totalled €25 thousand (H1 2020: €93 thousand and €31 thousand, respectively).

The service fees of the members of the board of Nordecon AS amounted to €182 thousand and associated social security charges totalled €60 thousand (H1 2020: €266 thousand and €88 thousand, respectively).

Labour productivity and labour cost efficiency

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

	H1 2021	H1 2020	H1 2019	2020
Nominal labour productivity (rolling), (€ '000)	403.3	385.7	321.5	422.9
Change against the comparative period, %	4.6%	20.0%	(1.8)%	24.2%
Nominal labour cost efficiency (rolling), (€)	10.9	9.7	9.3	10.9
Change against the comparative period, %	12.7%	3.7%	(6.3)%	18.0%

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

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

The group's nominal labour productivity and nominal labour cost efficiency improved year on year, mainly through a decline in the number of staff and personnel expenses.



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 H1 2021

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





Movement of the share price compared to the OMX Tallinn index in H1 2021



Index/equity	1 January 2021*	30 June 2021	+/-
OMX Tallinn	1,343.72	1,656.33	23.26%
NCN1T	€1.14	€1.41	23.68%

* Closing price on the Nasdaq Tallinn Stock Exchange at 31 December 2020

Summarised trading results

Share trading history, €

Price	H1 2021	H1 2020	H1 2019
Open	1.15	1.04	0.91
High	1.84	1.20	1.05
Low	1.08	0.78	0.89
Last closing price	1.41	0.97	0.93
Traded volume (number of securities traded)	4,188,426	4,158,595	2,428,642
Turnover, € million	5.65	3.96	2.41
Listed volume (30 June 2021), thousand	32,375	32,375	32,375
Market capitalisation (30 June 2021), € million	45.65	31.40	30.11

Shareholder structure

Largest shareholders in Nordecon AS at 30 June 2021

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	17,607,464	54.39
Luksusjaht AS	4,288,403	13.25
Olegs Radcenko	525,962	1.62
SEB Pank AS clients	425,000	1.31
Mati Kalme	360,000	1.11
Lembit Talpsepp	354,239	1.09
SEB Life and Pension Baltic SE Estonian branch	255,000	0.79
Genadi Bulatov	250,600	0.77
Svenska Handelsbanken clients	210,556	0.65
Ain Tromp	203,960	0.63



Shareholder structure of Nordecon AS at 30 June 2021

	Number of shareholders	Ownership interest (%)
Shareholders with interest exceeding 5%	2	67.63
Shareholders with interest from 1% to 5%	4	5.14
Shareholders with interest below 1%	5,033	24.61
Holder of own (treasury) shares	1	2.62
Total	5,040	100

Shares controlled by members of the council of Nordecon AS at 30 June 2021

Council member		Number of shares	Ownership interest (%)
Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad)*	Chairman of the Council	17,679,144	54.61
Andri Hõbemägi	Member of the Council	50,000	0.15
Andre Luman	Member of the Council	25,000	0.08
Vello Kahro	Member of the Council	10,000	0.03
Sandor Liive	Member of the Council	0	0.00
Total		17,764,144	54.87

* Companies controlled by the individual

Shares controlled by members of the board of Nordecon AS at 30 June 2021

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

Share option plan

The annual general meeting that convened on 27 May 2014 approved a share option plan aimed at motivating the executive management of Nordecon AS by including them among the company's shareholders to ensure consistency in the company's management and improvement of the company's performance, and to enable the executive management to benefit from their contribution to growth in the value of the company's share. 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, increasing share capital by €1,035 thousand to €20,692 thousand, and acquired the same number of own (treasury) shares at the same price.

The annual general meeting that 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 that 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 to €12,167 thousand).

At 30 June 2021, 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

5 August 2021

Priit Luman

Member of the Board

5 August 2021

Maret Tambek

Member of the Board

5 August 2021



Condensed consolidated interim financial statements

Consolidated statement of financial position

€'000	Note	30 June 2021	31 December 2020
ASSETS			
Current assets			
Cash and cash equivalents		7,732	12,576
Trade and other receivables	2	55,790	50,029
Prepayments		3,425	2,678
Inventories	3	28,942	22,454
Total current assets		95,889	87,737
Non-current assets			
Other investments		26	26
Trade and other receivables	2	8,811	8,654
Investment property		5,639	5,639
Property, plant and equipment		18,110	18,053
Intangible assets		14,995	14,966
Total non-current assets		47,581	47,338
TOTAL ASSETS		143,470	135,075
LIABILITIES			
Current liabilities			
Borrowings	5, 6	19,002	18,508
Trade payables		55,044	47,390
Other payables		9,944	11,814
Deferred income		13,698	7,738
Provisions		1,118	1,059
Total current liabilities		98,806	86,509
Non-current liabilities			
Borrowings	5, 6	7,090	7,352
Trade payables		3,563	2,332
Provisions		1,593	1,647
Total non-current liabilities		12,246	11,331
TOTAL LIABILITIES		111,052	97,840
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		2,829	2,423
Retained earnings		10,503	14,543
Total equity attributable to owners of the parent		30,240	33,874
Non-controlling interests		2,178	3,361
TOTAL EQUITY		32,418	37,235
TOTAL LIABILITIES AND EQUITY		143,470	135,075



Consolidated statement of comprehensive income

€'000	Note	H1 2021	Q2 2021	H1 2020	Q2 2020	2020
Revenue	8, 9	117,966	68,979	136,798	81,874	296,082
Cost of sales	10	(116,660)	(67,580)	(130,791)	(77,055)	(285,086)
Gross profit		1,306	1,399	6,007	4,819	10,996
Marketing and distribution expenses		(214)	(108)	(202)	(74)	(528)
Administrative expenses	11	(2,833)	(1,362)	(3,860)	(2,061)	(7,073)
Other operating income	12	127	92	178	29	453
Other operating expenses	12	(29)	(6)	(110)	(57)	(273)
Operating profit (loss)		(1,643)	15	2,013	2,656	3,575
Finance income	13	537	132	249	193	2,995
Finance costs	13	(665)	(376)	(1,241)	338	(2,678)
Net finance income (costs)		(128)	(244)	(992)	531	317
Share of profit of equity-accounted investees		0	0	479	510	734
Profit (loss) before income tax		(1,771)	(229)	1,500	3,697	4,626
Income tax expense		(619)	(250)	(81)	(81)	(508)
Profit (loss) for the period		(2,390)	(479)	1,419	3,616	4,118
Other comprehensive income (expense):						
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translating foreign operations		406	587	815	(434)	1,254
Total other comprehensive income (expense)		406	587	815	(434)	1,254
TOTAL COMPREHENSIVE INCOME (EXPENSE)		(1,984)	108	2,234	3,182	5,372
Profit (loss) attributable to:						
- Owners of the parent		(2,148)	(584)	(156)	2,513	2,466
- Non-controlling interests		(242)	105	1,575	1,103	1,652
Profit (loss) for the period		(2,390)	(479)	1,419	3,616	4,118
Comprehensive income (expense) attributable to:						
- Owners of the parent		(1,742)	3	659	2,079	3,720
- Non-controlling interests		(242)	105	1,575	1,103	1,652
Comprehensive income (expense) for the period		(1,984)	108	2,234	3,182	5,372
Earnings per share attributable to owners of the parent:						
Basic earnings per share (€)	7	(0.07)	(0.02)	(0.01)	0.08	0.08
Diluted earnings per share (€)	7	(0.07)	(0.02)	(0.01)	0.08	0.08



Consolidated statement of cash flows

€'000	Note	H1 2021	H1 2020
Cash flows from operating activities			
Cash receipts from customers ¹		142,892	154,207
Cash paid to suppliers ²		(124,977)	(132,626)
VAT paid		(4,387)	(6,055)
Cash paid to and for employees		(13,075)	(13,658)
Income tax paid		(616)	(81)
Net cash from (used in) operating activities		(163)	1,787
Cash flows from investing activities			
Paid on acquisition of property, plant and equipment		(104)	(102)
Proceeds from sale of property, plant and equipment	4	158	165
Paid on acquisition of intangible assets		(16)	0
Acquisition of a subsidiary		0	(2)
Cash received on acquisition of a subsidiary		0	3,605
Loans provided		(25)	(14)
Repayments of loans provided		60	21
Dividends received		0	251
Interest received		4	5
Net cash from investing activities		77	3,929
Cash flows from financing activities			
Proceeds from loans received		1,418	1,228
Repayments of loans received		(1,243)	(2,077)
Lease payments made	6	(1,574)	(1,487)
Interest paid		(545)	(508)
Dividends paid		(2,814)	(472)
Net cash used in financing activities		(4,758)	(3,316)
Net cash flow		(4,844)	2,400
Cash and cash equivalents at beginning of period		12,576	7,032
Effect of movements in foreign exchange rates		0	(11)
Increase (decrease) in cash and cash equivalents		(4,844)	2,400
Cash and cash equivalents at end of period		7,732	9,421

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 2019	14,379	(660)	2,554	635	1,169	12,383	30,460	2,313	32,773
Profit for the period	0	0	0	0	0	(156)	(156)	1,575	1,419
Other comprehensive income	0	0	0	0	815	0	815	0	815
Changes in non-controlling interests	0	0	0	0	0	1,496	1,496	(604)	892
Balance at 30 June 2020	14,379	(660)	2,554	635	1,984	13,723	32,615	3,284	35,899
Balance at 31 December 2020	14,379	(660)	2,554	635	2,423	14,543	33,874	3,361	37,235
Loss for the period	0	0	0	0	0	(2,148)	(2,148)	(242)	(2,390)
Other comprehensive income	0	0	0	0	406	0	406	0	406
Transactions with owners									
Dividend distributed	0	0	0	0	0	0	0	(941)	(941)
Dividend declared	0	0	0	0	0	(1,892)	(1,892)	0	(1,892)
Total transactions with owners	0	0	0	0	0	(1,892)	(1,892)	(941)	(2,833)
Balance at 30 June 2021	14,379	(660)	2,554	635	2,829	10,503	30,240	2,178	32,418



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, Tallinn 10149, Estonia. Nordecon AS's majority shareholder and the party controlling Nordecon group is AS Nordic Contractors that holds 54.39% of the shares in Nordecon AS. The Nordecon AS shares have been listed on the Nasdaq Tallinn Stock Exchange since 18 May 2006.

The condensed consolidated interim financial statements as at and for the period ended 30 June 2021 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 2020.

According to management's assessment, the condensed consolidated interim financial statements of Nordecon AS for the second quarter and first half of 2021 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	30 June 2021	31 December 2020
Current items			
Trade receivables		39,200	32,331
Retentions receivable		4,137	2,117
Receivables from related parties	14	633	494
Other receivables		76	113
Total receivables		44,046	35,055
Due from customers for contract work		11,744	14,974
Total current trade and other receivables		55,790	50,029

€'000	Note	30 June 2021	31 December 2020
Non-current items			
Loans to related parties	14	8,356	8,237
Other non-current receivables		455	417
Total non-current trade and other receivables		8,811	8,654

NOTE 3. Inventories

€'000	30 June 2021	31 December 2020
Raw materials and consumables	3,784	3,007
Work in progress	12,154	5,559
Parking spaces for sale	230	400
Properties purchased for development and pre-development costs	12,774	13,488
Total inventories	28,942	22,454



NOTE 4. Property, plant and equipment and intangible assets

Property, plant and equipment

Additions to property, plant and equipment in the first half of 2021 totalled €1,804 thousand (H1 2020: €436 thousand) and comprised of equipment and construction machinery required for the group's operating activities.

Proceeds from the sale of property, plant and equipment totalled €158 thousand (H1 2020: €165 thousand) (see the statement of cash flows). Gain on the sale of property, plant and equipment amounted to €7 thousand (H1 2020: €22 thousand) (see note 12).

Intangible assets

There were no significant transactions with intangible assets in the first half of 2021.

NOTE 5. Borrowings

Current borrowings

€'000	Note	30 June 2021	31 December 2020
Short-term portion of long-term loans		9,319	3,850
Lease liabilities	6	3,183	3,131
Short-term bank loans		6,500	11,527
Total current borrowings		19,002	18,508

Non-current borrowings

€'000	Note	30 June 2021	31 December 2020
Long-term portion of long-term bank loans		563	827
Derivative financial instruments		0	1
Lease liabilities	6	6,527	6,524
Total non-current borrowings		7,090	7,352

NOTE 6. Lease liabilities

Lease liabilities

€'000	30 June 2021	31 December 2020
Lease liabilities at end of period, of which	9,710	9,655
Not later than 1 year	3,183	3,131
Later than 1 year and not later than 5 years	6,527	6,524
Base currency €	9,710	9,655
Interest rate for contracts denominated in € ¹	1.8-3.5%	2.3-3.5%
Frequency of payments	Monthly	Monthly

¹ Includes leases with floating interest rates

Lease payments

€'000	H1 2021	H1 2020
Principal payments made during the period	1,574	1,487
Interest payments made during the period	146	172

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 12 months or less.



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	H1 2021	H1 2020
Loss for the period attributable to owners of the parent (€'000)	(2,148)	(156)
Weighted average number of shares (thousand)	31,521	31,521
Basic earnings per share (€)	(0.07)	(0.01)
Diluted earnings per share (€)	(0.07)	(0.01)

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

NOTE 8. Segment reporting – operating segments

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

The group's reportable operating segments are:

- Buildings
- Infrastructure

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

Preparation of segment reporting

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

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

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



Second quarter

€'000 Q2 2021	Buildings	Infrastructure	Total
Total revenue	53,724	15,140	68,864
Of which: General contracting services	51,754	10,961	62,715
Subcontracting services	1,970	3,410	5,380
Road maintenance services	0	401	401
Rental services	0	368	368
Inter-segment revenue	0	(17)	(17)
Revenue from external customers	53,724	15,123	68,847
Gross profit of the segment	1,488	487	1,975

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

Half-year

€'000 H1 2021	Buildings	Infrastructure	Total
Total revenue	91,557	26,286	117,843
Of which: General contracting services	88,676	16,423	105,099
Subcontracting services	2,881	8,110	10,991
Road maintenance services	0	1,089	1,089
Rental services	0	664	664
Inter-segment revenue	0	(69)	(69)
Revenue from external customers	91,557	26,217	117,774
Gross profit (loss) of the segment	2,287	(144)	2,143

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



Reconciliation of segment revenues

€'000	H1 2021	Q2 2021	H1 2020	Q2 2020
Total revenues for reportable segments	117,843	68,864	136,781	81,868
Elimination of inter-segment revenues	(69)	(17)	(68)	(67)
Other revenue	192	132	85	73
Total revenue	117,966	68,979	136,798	81,874

Reconciliation of segment profit (loss)

€'000	H1 2021	Q2 2021	H1 2020	Q2 2020
Total profit for reportable segments	2,143	1,975	6,482	5,056
Unallocated profit (loss)	(837)	(576)	(475)	(237)
Gross profit	1,306	1,399	6,007	4,819
Unallocated expenses:				
Marketing and distribution expenses	(214)	(108)	(202)	(74)
Administrative expenses	(2,833)	(1,362)	(3,860)	(2,061)
Other operating income (expenses)	98	86	68	(28)
Operating profit (loss)	(1,643)	15	2,013	2,656
Finance income	537	132	249	193
Finance costs	(665)	(376)	(1,241)	338
Share of profit of equity-accounted investees	0	0	479	510
Profit (loss) before tax	(1,771)	(229)	1,500	3,697

NOTE 9. Segment reporting – geographical information

€'000	H1 2021	Q2 2021	H1 2020	Q2 2020
Estonia	112,840	65,863	120,596	73,063
Ukraine	1,553	1,135	1,135	721
Finland	3,041	1,981	6,281	3,604
Sweden	532	0	8,786	4,486
Total revenue	117,966	68,979	136,798	81,874

NOTE 10. Cost of sales

€'000	H1 2021	H1 2020
Cost of materials, goods and services	104,590	117,847
Personnel expenses	10,612	11,394
Depreciation expense	1,291	1,286
Other expenses	167	264
Total cost of sales	116,660	130,791

NOTE 11. Administrative expenses

€'000	H1 2021	H1 2020
Personnel expenses	1,373	2,267
Cost of materials, goods and services	958	1,102
Depreciation and amortisation expense	444	395
Other expenses	58	96
Total administrative expenses	2,833	3,860



NOTE 12. Other operating income and expenses

€'000	H1 2021	H1 2020
Other operating income		
Gain on a bargain purchase	0	139
Gain on disposal of property, plant and equipment	15	28
Other income	112	11
Total other operating income	127	178

€'000	H1 2021	H1 2020
Other operating expenses		
Foreign exchange loss	4	1
Loss on disposal of property, plant and equipment	8	6
Loss on write-down of receivables	10	62
Other expenses	7	41
Total other operating expenses	29	110

NOTE 13. Finance income and costs

€'000	H1 2021	H1 2020
Finance income		
Interest income on loans	112	111
Foreign exchange gain	419	132
Other finance income	6	6
Total finance income	537	249

€'000	H1 2021	H1 2020
Finance costs		
Interest expense	499	507
Foreign exchange loss	0	710
Other finance costs	166	24
Total finance costs	665	1,241

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	H1 2021		H1 2020	
Counterparty	Purchases	Sales	Purchases	Sales
AS Nordic Contractors	254	0	121	0
Companies of the AS Nordic Contractors group	100	4	72	7
Companies related to owners of AS Nordic Contractors	593	346	42	0
Equity-accounted investees	0	0	374	293
Companies related to members of the council	5	0	44	0
Total	952	350	653	300



€'000 Nature of transactions	H1 2021		H1 2020	
	Purchases	Sales	Purchases	Sales
Construction services	0	346	374	0
Transactions with goods	593	0	42	0
Lease and other services	223	4	193	7
Other transactions	136	0	44	293
Total	952	350	653	300

During the period, the group recognised interest income on loans to an associate of €108 thousand (H1 2020: €108 thousand).

Receivables from and liabilities to related parties at period-end

€'000	30 June 2021		31 December 2020	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	0	120	0	15
Companies of the AS Nordic Contractors group – receivables	455	0	492	411
Companies related to owners of AS Nordic Contractors	178	105	0	58
Associates – receivables and liabilities	0	0	2	32
Associate – loans and interest	8,356	0	8,237	0
Total	8,989	225	8,731	516

Remuneration of the council and the board

The service fees of the members of the council of Nordecon AS for the first half of 2021 amounted to €75 thousand and associated social security charges totalled €25 thousand (H1 2020: €93 thousand and €31 thousand, respectively).

The service fees of the members of the board of Nordecon AS for the first half of 2021 amounted to €182 thousand and associated social security charges totalled €60 thousand (H1 2020: €266 thousand and €88 thousand, respectively).

NOTE 15. Events after the reporting period

Restructuring of the group's subsidiary Swencn AB

On 22 July 2021, Swencn AB filed an application with the Nacka District Court in Stockholm, Sweden, to initiate corporate restructuring proceedings. Through restructuring, Swencn AB wants to overcome the difficulties in paying bills, restructure creditors' claims and improve its liquidity. The purpose of the restructuring is to ensure equal treatment of creditors and the continuation of the activities of Swencn AB.

The Nacka District Court initiated restructuring proceedings on 22 July 2021 and set the first meeting of creditors on 19 August 2021 to present the restructuring plan submitted by Swencn AB

The described activities are related only to Swencn AB's activities in the Swedish market and do not affect the economic activities, goals or performance of other entities of the Nordecon group.



Statements and signatures

Statement of management's responsibility

The board of Nordecon AS acknowledges its responsibility for the preparation of the group's condensed consolidated interim financial statements for the second quarter and first half of 2021 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

5 August 2021

Priit Luman

Member of the Board

5 August 2021

Maret Tambek

Member of the Board

5 August 2021