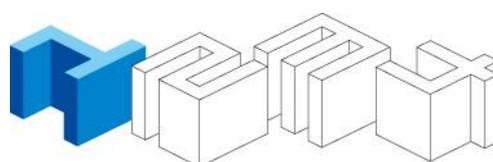




**Financial report for the first quarter
of 2022**
(unaudited)





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



Contents

Nordecon group at a glance	3
Directors' report	4
Condensed consolidated interim financial statements	21
Consolidated statement of financial position	21
Consolidated statement of comprehensive income	22
Consolidated statement of cash flows	23
Consolidated statement of changes in equity	24
NOTE 1. Significant accounting policies	25
NOTE 2. Trade and other receivables	25
NOTE 3. Inventories	25
NOTE 4. Property, plant and equipment and intangible assets	26
NOTE 5. Borrowings	26
NOTE 6. Lease liabilities	26
NOTE 7. Earnings per share	27
NOTE 8. Segment reporting – operating segments	27
NOTE 9. Segment reporting – geographical information	29
NOTE 10. Cost of sales	29
NOTE 11. Administrative expenses	29
NOTE 12. Other operating income and expenses	29
NOTE 13. Finance income and costs	30
NOTE 14. Transactions with related parties	30
Statements and signatures	32



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 holds international quality management certificate ISO 9001, environmental management certificate ISO 14001 and occupational health and safety management certificate ISO 45001.

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:

- The construction market has seen rapid change. The market continues to be strongly influenced by investments made by the public sector. Growing demand and soaring input prices have raised construction prices by an estimated 30%. Thus, it is likely that public investments will decrease in 2022 because the building and infrastructure investments which have been planned can no longer be funded with originally allocated resources. In particular, the investments of the Transport Administration are expected to decrease, which will intensify competition in the infrastructure segment and will have a direct effect on asphalt concrete production in a situation where relevant market supply is already significantly outstripping demand. Moreover, the state has not been able to carry out the procurements related to Rail Baltica, which would counterbalance the decrease in the road construction and rehabilitation investments made by the Transport Administration, as planned. Against the backdrop of a general economic slowdown, it is likely that the construction sector will sustain growth in 2022, mainly due to contracts signed in 2021.
- While competition in the buildings segment has weakened due to market growth, competition in the infrastructure segment remains stiff and the situation is not likely to change in 2022. Supply-chain disruptions, which are driving up prices, are also making it difficult to meet the delivery dates agreed in construction contracts. So far, the surge in prices has exceeded the scope of normal business risk – it is not only inflating the cost of construction materials and work but is also putting the completion of started projects at risk. The hike in the prices of raw materials and supplies has triggered an unprecedented rise in the Construction Price Index. The price increase is partly attributable to the sanctions imposed on Russia and Belarus, which have increased materials prices, but the effects of growing labour costs and an acute shortage of labour are increasing as well. It is clear that the price increase is not temporary. Soaring prices will cool demand to a certain extent and some investments which have a business plan that cannot be realised will be deferred or considerably adjusted. However, it is difficult to forecast how the price situation will affect the demand for construction services in the long term.
- There is often a striking contrast between the stringent terms of public construction contracts, which impose numerous obligations, strict sanctions, different financial guarantee commitments, etc., and the modest eligibility criteria. While lenient qualification requirements and the precondition of making a low bid have made it relatively easy for an increasing number of builders to win a contract, they have also heightened the financial, completion delay, and quality risks taken by customers during the contract performance and the subsequent warranty period.
- The shortage of skilled and qualified labour (including project and site managers) has not decreased and the sector continues to need additional competent professionals, including foreign labour whose contribution has supported recent years' market growth.

Ukraine

In Ukraine, we are mainly involved in general contracting and project management in the segment of building construction. In addition, the group has investments in two real estate projects located in Ukraine. Due to the military conflict between Russia and Ukraine as well as uncertainty about the time when it will end, it is not possible to estimate how the situation in the Ukrainian economy and construction market will evolve in 2022.

Finland

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

Sweden

In the Swedish market, we offer mainly the construction of residential and non-residential buildings 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 Swedish construction market began to recover in 2021 and it is anticipated that the year 2022 will see market growth, particularly in the building construction segment.



Description of the main risks

Business risks

The main factors which affect the group's business volumes and profit margins are competition in the construction market, changes in demand for construction services and rapidly rising input prices. Demand for construction services continues to be strongly influenced by the volume of public investments, particularly in the infrastructure segment. Public investments, in turn, depend on the co-financing received from the EU structural funds.

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

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

The group's business is 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.). 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. Our investments in digital solutions which allow planning and managing construction processes more precisely grew substantially last year. A key challenge for the construction sector is low productivity, which is attributable to the shortage of time in the preparatory and planning phases and outdated process management methods. Nordecon expects the digital solutions it has implemented to deliver a rise in productivity in 2022 already.

Operational risks

To manage their daily construction risks, group companies purchase contractors' all risks insurance. Depending on the nature of the project and the requests of the customer, both general frame agreements and special, project-specific insurance contracts are used. In addition, as a rule, subcontractors are required to secure the performance of their obligations with a bank guarantee provided to a group company or the group retains part of the amount due until the contract has been completed. To remedy construction deficiencies which may be detected during the warranty period, group companies create warranty provisions based on their historical experience. The group's warranty provisions (including current and non-current) at 31 March 2022 totalled €1,317 thousand (31 March 2021: €1,488 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 cause a direct financial loss.

Financial risks

Credit risk

The group's credit losses for the period totalled €183 thousand (31 March 2021: €9 thousand). The credit risk exposure of the portfolio of receivables is low because the solvency of prospective customers is evaluated, the share of public sector customers is large and customers' settlement behaviour is continuously monitored. The main indicator of the realisation of credit risk is a settlement default that exceeds 180 days along with no activity on the part of the debtor that would confirm the intent to settle.

Liquidity risk

The group remains exposed to higher than usual liquidity risk. At the reporting date, the group's current ratio was 0.91 (31 March 2021: 0.99). 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 loans provided to the Ukrainian associate of €7,709 thousand were classified as non-current receivables at the reporting date.

For better cash flow management, we use overdraft facilities and factoring by which we counter the mismatch between the settlement terms agreed with customers and subcontractors. Under IFRS EU, borrowings have to be classified into current and non-current based on contract terms in force at the reporting date. The group's short-term borrowings at 31 March 2022 totalled €17,401 thousand (31 March 2021: €18,169 thousand).

The group's cash and cash equivalents as at the reporting date amounted to €5,617 thousand (31 March 2021: €8,416 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 group's interest-bearing borrowings decreased by €597 thousand compared with a year earlier. Mainly loan liabilities decreased. Interest-bearing borrowings at 31 March 2022 totalled €24,554 thousand (31 March 2021: €25,151 thousand). Interest expense for the period decreased somewhat year on year, amounting to €194 thousand (Q1 2021: €253 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).

Due to Russia's military invasion of Ukraine in February 2022 and previous political and economic instability in the country, the exchange rate of the hryvnia is volatile. In the first quarter of 2022, the hryvnia weakened against the euro by around 5%. 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 €310 thousand (Q1 2021: a gain of €346 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 Swedish krona weakened against the euro by around 1% in the first quarter of 2022. The translation of a loan provided to the Swedish subsidiary in euros into the local currency gave rise to a foreign exchange loss of €3 thousand (Q1 2021: a loss of €28 thousand). The exchange loss has been recognised in *Finance costs*.

The group has 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.

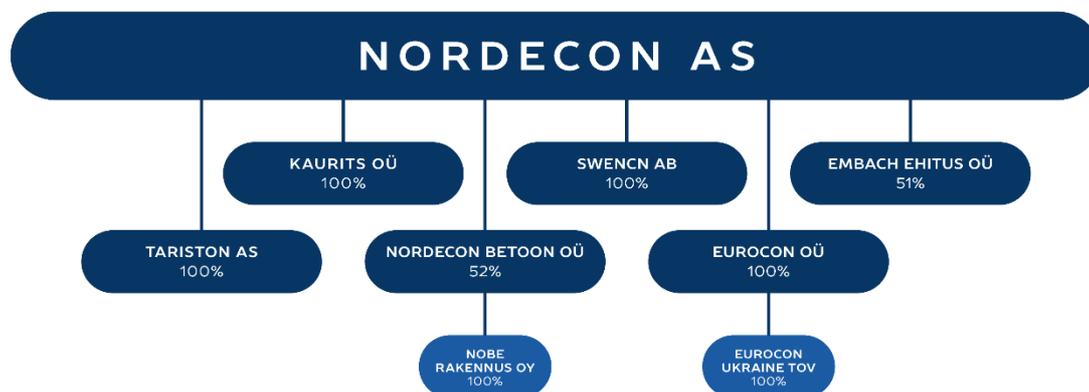
Corruption and ethical risks

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 supported by the continuously increasing implementation of IT solutions.



Group structure

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



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



The group's operations in Estonia and foreign markets

The group's operations in Estonia

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

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

We did not enter any new operating segments in Estonia.

The group's operations in foreign markets

Ukraine

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

Finland

There were no changes in our Finnish operations during the period under review. The group's subsidiary Nordecon Batoon OÜ and its Finnish subsidiary NOBE Rakennus OY continued to provide subcontracting services in the concrete work segment in Finland. In recent years, they have also provided general contractor services under some smaller-scale contracts.

Sweden

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

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



Performance by geographical market

Revenue generated outside Estonia in the first quarter of 2022 remained practically at the same level as in the first quarter of 2021, accounting for 5% of the group's total revenue. However, the revenue contributions of foreign markets changed. The group did not generate any revenue and had no ongoing construction contracts in the Swedish market. Revenue generated in the Ukrainian market amounted to €231 thousand and due to Russia's military invasion of Ukraine the activity of the Ukrainian subsidiary Eurocon Ukraine TOV has been temporarily suspended. The group also operates on a project basis in Latvia where it was building a wind farm in the reporting period.

	Q1 2022	Q1 2021	Q1 2020	2021
Estonia	95%	96%	86%	94%
Latvia	3%	0%	0%	1%
Finland	2%	2%	5%	3%
Sweden	0%	1%	8%	0%
Ukraine	0%	1%	1%	2%

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 noticeably 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 two main 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 market conditions where the volumes of one subsegment substantially decline while another begins to grow more rapidly

The group's revenue for the first quarter of 2022 was €68,453 thousand, 39.7% up on a year earlier when revenue amounted to €48,987 thousand. Revenue growth was attributable to the revenue of the Buildings segment, which grew by 66%. The revenue of the Infrastructure segment decreased by around 50%.

The low volumes of infrastructure construction that are affecting the entire construction market also influence the group's revenue structure. In the first quarter of 2022, the Buildings and the Infrastructure segment generated revenue of €62,814 thousand and €5,569 thousand, respectively. The corresponding figures for the first quarter of 2021 were €37,833 thousand and €11,094 thousand (see note 8).

Revenue by operating segment *	Q1 2022	Q1 2021	Q1 2020	2021
Buildings	89%	80%	89%	75%
Infrastructure	11%	20%	11%	25%

* In the directors' report, projects have been allocated to operating segments based on their nature (i.e. building or infrastructure construction). In the segment reporting presented in the consolidated financial statements, allocation is based on the subsidiaries' main field of activity (as required by IFRS 8 *Operating Segments*). In the consolidated financial statements, the results of a subsidiary that is primarily engaged in infrastructure construction are presented in the Infrastructure segment. In the directors' report, the revenues of such a subsidiary are presented based on their nature. The differences between the two reports are not significant because in general group entities specialise in specific areas except for the subsidiary Nordecon Betoön 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 grew compared with the same period last year. The revenue contributions of the apartment buildings and the public buildings subsegments were practically equal while the revenue contributions of the commercial buildings and the industrial and warehouse facilities subsegments were somewhat smaller.

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

The revenue of the public buildings subsegment has increased significantly year on year. The largest projects in progress during the period were construction works in the Medical Campus of the Tartu University Hospital in Tartu, the construction of the main building of the Estonian Internal Security Service in Tallinn and the design and construction of warehouses and external networks for the Centre for Defence Investment in Harju county.

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 and Luccaranna housing estates 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 Mõisavahe Kodu housing estate in Tartu (<https://moisavahe.ee>) and the development of plots for Kivimäe Süda – a new housing estate in the Nõmme district in Tallinn. The period's revenue from own development projects amounted to €2,893 thousand (Q1 2021: €0). In carrying out our own development activities, we carefully monitor potential risks in the housing development market.

The revenue contribution of the industrial and warehouse facilities subsegment has grown considerably compared with the first quarter of 2021. The subsegment's largest ongoing project is the construction of a factory complex for the dairy company E-Piim in Paide but there also numerous smaller projects such as the construction of a production building at Kurna tee in Harju county.

Revenue breakdown in the Buildings segment	Q1 2022	Q1 2021	Q1 2020	2021
Apartment buildings	31%	30%	27%	29%
Public buildings	28%	31%	30%	28%
Commercial buildings	23%	33%	36%	29%
Industrial and warehouse facilities	18%	6%	7%	14%

In the Infrastructure segment, the largest revenue contributor is still road construction and maintenance although its revenue and proportionate contribution have decreased. During the period, most of the subsegment's revenue resulted from the performance of contracts secured in 2021, the largest of which were the construction of 2+2 passing lanes on the Kärevere–Kardla section of the Tallinn–Tartu–Võru–Luhamaa road and the design and construction of outdoor space around Terminal D in Old City Harbour in Tallinn. We also continued to deliver road maintenance services in Järva county.

The group has won several contracts for the construction of small harbours. During the period, work was done on the expansion of quays in Roomassaare harbour, which accounted for a major share of the specialist engineering revenue. The revenue of the other engineering subsegment resulted mostly from the construction of the Vanessa wind farm in Latvia.

Revenue breakdown in the Infrastructure segment	Q1 2022	Q1 2021	Q1 2020	2021
Road construction and maintenance	66%	88%	77%	87%
Specialist engineering (including hydraulic engineering)	7%	6%	14%	4%
Environmental engineering	0%	5%	4%	3%
Other engineering	27%	1%	5%	6%



Financial review

Financial performance

The reporting period was strongly affected by materials supply issues and price inflation, the impact of which has not yet fully emerged due to the ongoing supply chain disruptions and volatility. The Nordecon group ended the first quarter of 2022 with a gross profit of €1,147 thousand (Q1 2021: a gross loss of €92 thousand) and a gross margin of 1.7% (Q1 2021: a negative gross margin of 0.2%). The period's gross profit was earned in the Buildings segment, which delivered a gross margin of 4.1% (Q1 2021: 2.1%). Due to the seasonal nature of the construction business, first-quarter results are affected by a large share of uncovered fixed costs, particularly in the Infrastructure segment. Above all, this applies to asphalt concrete production and laying in road construction, where plant and equipment expenses account for a major share of fixed costs. A large share of fixed costs in combination with a 50% decrease in revenue triggered a sharp margin decline in the Infrastructure segment, which delivered a negative gross margin of 23.0% (Q1 2021: a negative gross margin of 5.7%).

The group's administrative expenses for the first quarter of 2022 amounted to €1,601 thousand. Compared with the same period last year, administrative expenses grew by around 9% (Q1 2021: €1,471 thousand). The increase is mainly attributable to growth in personnel expenses. The ratio of administrative expenses to revenue (12 months rolling) declined year on year, decreasing to 2.0% (Q1 2021: 2.3%).

The group ended the first quarter of 2022 with an operating profit of €950 thousand (Q1 2021: an operating loss of €1,658 thousand). EBITDA for the period was positive at €1,817 thousand (Q1 2021: negative at €811 thousand). According to the restructuring plan approved by the creditors of Swencn AB, the claims of the entity's creditors are to be settled to the extent of 25%. As a result, the group recognised other income of €1,560 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 Ukrainian hryvnia weakened against the euro by around 5% and the Swedish krona weakened against the euro by around 1%. The translation of the loans provided to the group's subsidiaries in euros into the Ukrainian hryvnias and Swedish krona gave rise to exchange losses of €313 thousand (Q1 2021: a gain of €346 thousand in Ukraine and a loss of €28 thousand in Sweden). Finance costs were strongly influenced by the write-down of a loan provided to the group's Ukrainian associate V.I. Center TOV by €825 thousand. Due to the lack of more recent reliable data, the fair value of the loan was measured using the inputs of the valuation reports issued at the end of 2021 by an internationally recognised independent appraiser. The asset had to be written down due to the time factor, i.e. the deferral of the completion of the development projects.

The group incurred a net loss of €318 thousand (Q1 2021: a net loss of €1,911 thousand). The loss attributable to owners of the parent, Nordecon AS, was €919 thousand (Q1 2021: a loss of €1,564 thousand).

Cash flows

Operating activities produced a net cash outflow of €3,061 thousand the first quarter of 2022 (Q1 2021: an outflow of €613 thousand). Negative operating cash flow in the first quarter is attributable to the cyclical nature of the construction business. The period's larger fixed costs and expenses on pre-construction activities 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 and materials suppliers. Prepayments have increased sharply compared with the same time last year due to rapid price inflation and continuing supply chain disruptions. 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 €148 thousand (Q1 2021: €30 thousand). Payments made to purchase property, plant and equipment amounted to €63 thousand (Q1 2021: €43 thousand) and proceeds from the sale of property, plant and equipment amounted to €200 thousand (Q1 2021: €71 thousand).

Financing activities generated a net cash outflow of €496 thousand (Q1 2021: an outflow of €3,578 thousand). The largest items were loan repayments and lease payments of €300 thousand and €786 thousand, respectively (Q1 2021: €606 thousand and €806 thousand, respectively). Proceeds from loans received amounted to €832 thousand (Q1 2021: €5 thousand) and interest payments totalled €239 thousand (Q1 2021: €277 thousand). The largest item in financing cash flows in the comparative period was a dividend distribution of €1,884 thousand.

The group's cash and cash equivalents at 31 March 2022 totalled €5,617 thousand (31 March 2021: €8,416 thousand). Management's commentary on liquidity risks is presented in the chapter *Description of the main risks*.



Key financial figures and ratios

Figure/ratio	Q1 2022	Q1 2021	Q1 2020	2021
Revenue (€'000)	68,453	48,987	54,924	288,534
Revenue change	39.7%	(10.8)%	59.1%	(2.5)%
Net profit (loss) (€'000)	(318)	(1,911)	(2,196)	(5,506)
Net profit (loss) attributable to owners of the parent (€'000)	(919)	(1,564)	(2,669)	(6,310)
Average number of shares	31,528,585	31,528,585	31,528,585	31,528,585
Earnings per share (€)	(0.03)	(0.05)	(0.08)	(0.20)
Administrative expenses to revenue	2.3%	3.0%	3.3%	2.1%
Administrative expenses to revenue (rolling)	2.0%	2.3%	2.8%	2.1%
EBITDA (€'000)	1,817	(811)	194	(797)
EBITDA margin	2.7%	(1.7)%	0.4%	(0.3)%
Gross margin	1.7%	(0.2)%	2.2%	1.4%
Operating margin	1.4%	(3.4)%	(1.2)%	(1.5)%
Operating margin excluding gain on asset sales	1.2%	(3.4)%	(1.2)%	(1.6)%
Net margin	(0.5)%	(3.9)%	(4.0)%	(1.9)%
Return on invested capital	(0.2)%	(2.1)%	(3.3)%	(6.5)%
Return on equity	(1.1)%	(5.3)%	(6.7)%	(16.8)%
Equity ratio	20.4%	28.0%	28.2%	20.8%
Return on assets	(0.2)%	(1.8)%	(2.1)%	(4.1)%
Gearing	36.1%	27.8%	32.7%	28.3%
Current ratio	0.91	0.99	0.95	0.94
	31 March 2022	31 March 2021	31 March 2020	31 Dec 2021
Order book (€'000)	251,781	281,431	229,018	266,856

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

Earnings per share (EPS) = net profit or loss attributable to owners of the parent / 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 €251,781 thousand at 31 March 2022, a roughly 11% decrease year on year. In the first quarter of 2022, we signed new contracts of €63,167 thousand (Q1 2021: €104,882 thousand). Russia's military invasion of Ukraine and the consequent sanctions on Russia and Belarus have disrupted the supply of building materials, particularly metal, wood and oil-based products, which is also affecting the prices of relevant materials. The surge in materials prices has caused a sharp increase in the costs of development projects as well as the postponement of new projects.

	31 March 2022	31 March 2021	31 March 2020	31 Dec 2021
Order book (€'000)	251,781	281,431	229,018	266,856

The share of the Buildings segment in the group's order book has increased: the Buildings segment accounted for 88% and the Infrastructure segment for 12% of the group's total order book at 31 March 2022 (31 March 2021: the respective shares were 80% and 20%). Compared with 31 March 2021, the order books of both segments have decreased: by 3% in the Buildings segment and 44% in the Infrastructure segment.

A major share of new contracts was secured by the Buildings segment. The largest of them are:

- the design and construction of the Uus-Järveküla housing estate in Rae rural municipality (28 terraced houses and 8 semi-detached houses with a total of 165 housing units) with a cost of around €28,300 thousand.
- construction works on floors 2 to 4 of Wing A of the Medical Campus of the Tartu University Hospital with a cost of around €4,200 thousand.
- the design and construction of the Ülemiste City education complex with an estimated cost of €16,000 thousand (the cost will be specified in the design phase).

Besides the above, a significant share of the segment's order book is made up of contracts signed in 2021, the largest of which are the design and construction of the commercial and residential complex Vektor, the construction of the main building of the Estonian Internal Security Service and the office building Roseni Maja in Tallinn, phase III of the Maarjamõisa Medical Campus of the Tartu University Hospital in Tartu and a factory complex for E-Piim in Paide.

In the Infrastructure segment, new contracts were signed in various subsegments but the order book of the road construction and maintenance subsegment is still the largest, accounting for nearly 88% of the segment's order book. The largest contracts signed in the reporting period were:

- design and construction works for the removal of residual contamination from the Erra river and Kiviõli ditch with a cost of around €2,100 thousand;
- reconstruction of the Tubala–Tammela section of national road no. 81 Kärkla–Käina, km 4.9-11.36, on the island of Hiiumaa with a cost of around €2,480 thousand.

The segment's largest ongoing contracts signed in 2021 are the construction of 2+2 passing lanes on the Kärevere–Kardla section of the Tallinn–Tartu–Võru–Luhamaa road and the design and construction of outdoor space around Terminal D in Old City Harbour in Tallinn. We also continue to deliver road maintenance services in Järva county under a five-year contract signed in 2020.

Based on the size of the group's order book, including the share of work to be performed in 2023, management expects that in 2022 the group's revenue will grow compared with 2021. The uptrend in the prices of materials, energy carriers and labour costs will continue to increase input prices and pressure on profit margins. In an environment of stiff competition, we have avoided taking unjustified risks whose realisation in the contract performance phase would have an adverse impact on the group's results. To mitigate input price risk, we have been signing cost-plus contracts with private sector customers (contracts with an open book arrangement under which we can invoice the customer based on the actual costs incurred plus an agreed margin). Our focus remains 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's average number of employees in the first quarter of 2022 was 659, including 434 engineers and technical personnel (ETP). Headcount decreased by around 2% year on year.

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

	Q1 2022	Q1 2021	Q1 2020	2021
ETP	434	422	429	434
Workers	225	253	266	251
Total average	659	675	695	685

The group's personnel expenses for the first quarter of 2022, including all taxes, totalled €6,030 thousand compared with €5,931 thousand for the first quarter of 2021. While the number of employees decreased, personnel expenses grew because wages and salaries increased by around 2% compared with the same period last year.

The service fees of the members of the council of Nordecon AS for the first quarter of 2022 amounted to €37 thousand and associated social security charges totalled €12 thousand (Q1 2021: €37 thousand and €12 thousand, respectively).

The service fees of the members of the board of Nordecon AS amounted to €99 thousand and associated social security charges totalled €33 thousand (Q1 2021: €99 thousand and €33 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:

	Q1 2022	Q1 2021	Q1 2020	2021
Nominal labour productivity (rolling), (€ '000)	451.9	417.4	365.8	420.8
Change against the comparative period, %	8.3%	14.1%	16%	(0.5)%
Nominal labour cost efficiency (rolling), (€)	12.2	11.0	9.6	11.5
Change against the comparative period, %	11.4%	14.9%	4.3%	5.5%

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

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

The group's nominal labour productivity and nominal labour cost efficiency improved year on year. The rise is attributable to growth in the past four quarters' revenue compared with a year earlier.



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.

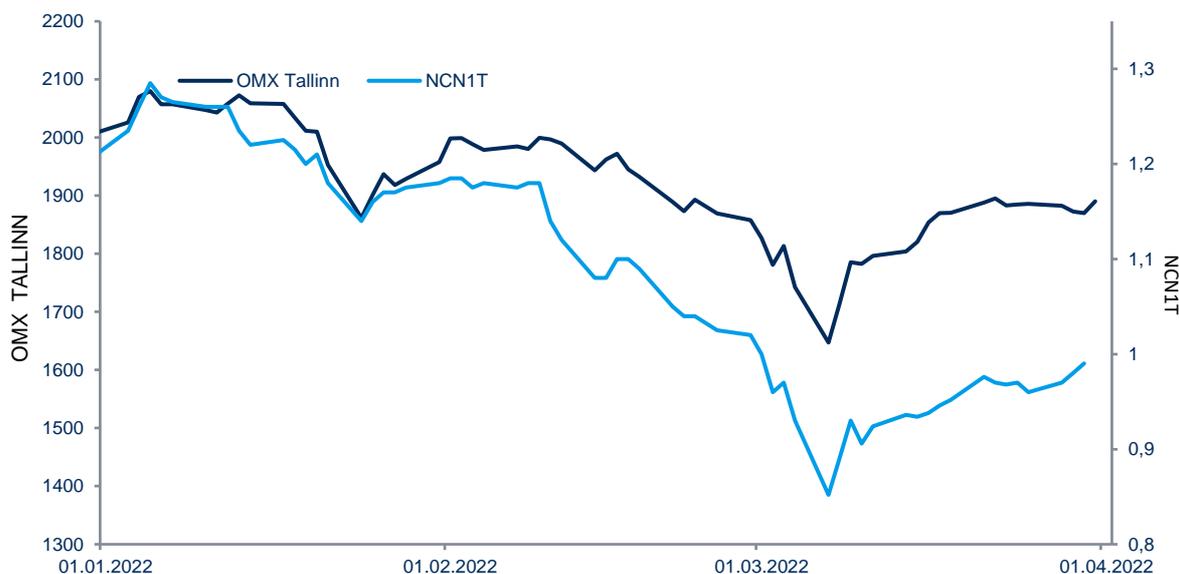
Movements in the price and trading volume of the Nordecon AS share in Q1 2022

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





Movement of the share price compared to the OMX Tallinn Index in Q1 2022



Index/equity	1 January 2022*	31 March 2022	+/-
OMX Tallinn	2,001.03	1,890.35	(5.53)%
NCN1T	€1.2	€1.03	(14.17)%

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

Summarised trading results

Share trading history, €

Price	Q1 2022	Q1 2021	Q1 2020
Open	1.21	1.15	1.04
High	1.29	1.37	1.20
Low	0.83	1.08	0.78
Last closing price	1.03	1.31	0.84
Traded volume (number of securities traded)	1,159,528	1,695,201	2,591,511
Turnover, € million	1.27	1.97	2.50
Listed volume (31 March), thousand	32,375	32,375	32,375
Market capitalisation (31 March), € million	33.35	42.41	27.20

Shareholder structure

Largest shareholders in Nordecon AS at 31 March 2022

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,563,145	51.16
Luksusjaht AS	4,281,103	13.22
Toomas Luman	655,000	2.02
Olegs Radcenko	580,000	1.79
SEB Pank AS clients	425,000	1.31
Lembit Talpsepp	376,239	1.16
Nõmme Erahariduse SA	370,370	1.14
Mati Kalme	265,000	0.82
SEB Life and Pension Baltic SE Estonian branch	255,000	0.79
Genadi Bulatov	250,600	0.77



Shareholder structure of Nordecon AS at 31 March 2022

	Number of shareholders	Ownership interest (%)
Shareholders with interest exceeding 5%	2	64.38
Shareholders with interest from 1% to 5%	5	7.43
Shareholders with interest below 1%	6,542	25.57
Holder of own (treasury) shares	1	2.62
Total	6,550	100

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

Council member		Number of shares	Ownership interest (%)
Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad)*	Chairman of the Council	17,245,295	53.27
Andri Hõbemägi	Member of the Council	50,000	0.15
Vello Kahro	Member of the Council	10,000	0.03
Sandor Liive	Member of the Council	0	0.00
Andre Luman	Member of the Council	25,000	0.08
Total		17,330,295	53.53

* Companies controlled by the individual

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

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

Share option plan

The annual general meeting that convened on 27 May 2014 approved a share option plan aimed at motivating the executive management of Nordecon AS by including them among the company's shareholders to ensure consistency in the company's management and improvement of the company's performance, and to enable the executive management to benefit from their contribution to growth in the value of the company's share. 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). In connection with the achievement of the EBITDA target for 2020, the members of the board of Nordecon AS are entitled to acquire 69,408 shares in total under the share option plan.

At 31 March 2022, options for the acquisition of 229,857 shares had been exercised, options for the acquisition of 1,299,907 shares had expired and options for the acquisition of 88,991 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 May 2022

Priit Luman

Member of the Board

5 May 2022

Maret Tambek

Member of the Board

5 May 2022



Condensed consolidated interim financial statements

Consolidated statement of financial position

€'000	Note	31 March 2022	31 December 2021
ASSETS			
Current assets			
Cash and cash equivalents		5,617	9,031
Trade and other receivables	2	50,815	48,091
Prepayments		6,396	4,947
Inventories	3	24,922	25,637
Total current assets		87,750	87,706
Non-current assets			
Other investments		76	76
Trade and other receivables	2	8,434	9,206
Investment property		8,233	5,599
Property, plant and equipment		17,626	17,433
Intangible assets		15,070	15,051
Total non-current assets		49,439	47,365
TOTAL ASSETS		137,189	135,071
LIABILITIES			
Current liabilities			
Borrowings	5, 6	17,401	16,289
Trade payables		56,119	57,324
Other payables		8,683	7,459
Deferred income		13,076	11,539
Provisions		1,286	707
Total current liabilities		96,565	93,318
Non-current liabilities			
Borrowings	5, 6	7,153	7,405
Trade payables		3,433	4,178
Provisions		2,076	2,044
Total non-current liabilities		12,662	13,627
TOTAL LIABILITIES		109,227	106,945
EQUITY			
Share capital		14,379	14,379
Own (treasury) shares		(660)	(660)
Share premium		635	635
Statutory capital reserve		2,554	2,554
Translation reserve		2,102	1,948
Retained earnings		5,422	6,341
Total equity attributable to owners of the parent		24,432	25,197
Non-controlling interests		3,530	2,929
TOTAL EQUITY		27,962	28,126
TOTAL LIABILITIES AND EQUITY		137,189	135,071



Consolidated statement of comprehensive income

€'000	Note	Q1 2022	Q1 2021	2021
Revenue	8, 9	68,453	48,987	288,534
Cost of sales	10	(67,306)	(49,079)	(284,513)
Gross profit (loss)		1,147	(92)	4,021
Marketing and distribution expenses		(71)	(107)	(559)
Administrative expenses	11	(1,601)	(1,471)	(6,053)
Other operating income	12	1,753	35	519
Other operating expenses	12	(278)	(23)	(2,264)
Operating profit (loss)		950	(1,658)	(4,336)
Finance income	13	67	405	958
Finance costs	13	(1,335)	(289)	(1,320)
Net finance income (costs)		(1,268)	116	(362)
Loss before income tax		(318)	(1,542)	(4,698)
Income tax expense		0	(369)	(808)
Loss for the period		(318)	(1,911)	(5,506)
Other comprehensive income (expense):				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations		154	(181)	(475)
Total other comprehensive income (expense)		154	(181)	(475)
TOTAL COMPREHENSIVE EXPENSE		(164)	(2,092)	(5,981)
Profit (loss) attributable to:				
- Owners of the parent		(919)	(1,564)	(6,310)
- Non-controlling interests		601	(347)	804
Loss for the period		(318)	(1,911)	(5,506)
Comprehensive income (expense) attributable to:				
- Owners of the parent		(765)	(1,745)	(6,785)
- Non-controlling interests		601	(347)	804
Comprehensive expense for the period		(164)	(2,092)	(5,981)
Earnings per share attributable to owners of the parent:				
Basic earnings per share (€)	7	(0.03)	(0.05)	(0.20)
Diluted earnings per share (€)	7	(0.03)	(0.05)	(0.20)



Consolidated statement of cash flows

€'000	Note	Q1 2022	Q1 2021
Cash flows from operating activities			
Cash receipts from customers ¹		81,287	68,075
Cash paid to suppliers ²		(76,240)	(59,677)
VAT paid		(2,011)	(2,338)
Cash paid to and for employees		(5,947)	(6,215)
Income tax paid		(150)	(458)
Net cash used in operating activities		(3,061)	(613)
Cash flows from investing activities			
Paid on acquisition of property, plant and equipment		(63)	(43)
Proceeds from sale of property, plant and equipment	4	200	71
Loans provided		0	(5)
Repayments of loans provided		3	5
Dividends received		6	0
Interest received		2	2
Net cash from investing activities		148	30
Cash flows from financing activities			
Proceeds from loans received		832	5
Repayments of loans received		(300)	(606)
Dividends paid		0	(1,884)
Lease payments made		(786)	(806)
Interest paid		(239)	(277)
Other payments		(3)	(10)
Net cash used in financing activities		(496)	(3,578)
Net cash flow		(3,409)	(4,161)
Cash and cash equivalents at beginning of period		9,031	12,576
Effect of movements in foreign exchange rates		(5)	1
Decrease in cash and cash equivalents		(3,409)	(4,161)
Cash and cash equivalents at end of period		5,617	8,416

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

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



Consolidated statement of changes in equity

€'000	Equity attributable to owners of the parent							Non-controlling interests	Total
	Share capital	Treasury shares	Capital reserve	Share premium	Translation reserve	Retained earnings	Total		
Balance at 31 December 2020	14,379	(660)	2,554	635	2,423	14,543	33,874	3,361	37,235
Loss for the period	0	0	0	0	0	(1,564)	(1,564)	(347)	(1,911)
Other comprehensive expense	0	0	0	0	(181)	0	(181)	0	(181)
Balance at 31 March 2021	14,379	(660)	2,554	635	2,242	12,979	32,129	3,014	35,143
Balance at 31 December 2021	14,379	(660)	2,554	635	1,948	6,341	25,197	2,929	28,126
Loss for the period	0	0	0	0	0	(919)	(919)	601	(318)
Other comprehensive income	0	0	0	0	154	0	154	0	154
Balance at 31 March 2022	14,379	(660)	2,554	635	2,102	5,422	24,432	3,530	27,962



Notes to the condensed consolidated interim financial statements

NOTE 1. Significant accounting policies

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

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

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

NOTE 2. Trade and other receivables

€'000	Note	31 March 2022	31 December 2021
Current items			
Trade receivables		31,794	31,160
Retentions receivable		7,262	6,063
Receivables from related parties	14	369	211
Other receivables		141	78
Total receivables and loans provided		39,566	37,512
Due from customers for contract work		11,249	10,579
Total current trade and other receivables		50,815	48,091

€'000	Note	31 March 2022	31 December 2021
Non-current items			
Receivables from related parties		328	328
Loans to related parties	14	7,709	8,481
Other non-current receivables		397	397
Total non-current trade and other receivables		8,434	9,206

NOTE 3. Inventories

€'000	31 March 2022	31 December 2021
Raw materials and consumables	4,849	3,885
Work in progress	9,664	8,619
Parking spaces for sale	230	230
Properties purchased for development and pre-development costs	10,179	12,903
Total inventories	24,922	25,637



NOTE 4. Property, plant and equipment and intangible assets

Property, plant and equipment

Additions to property, plant and equipment during the period totalled €1,215 thousand (Q1 2021: €708 thousand) and comprised equipment and construction machinery required for the group's operating activities.

Proceeds from the sale of property, plant and equipment amounted to €200 thousand (see the statement of cash flows) and sales gain amounted to €118 thousand (see note 12). In the comparative period, proceeds from the sale of property, plant and equipment amounted to €71 thousand and sales gain amounted to €1 thousand.

Intangible assets

There were no significant transactions with intangible assets during the first three months of 2022.

NOTE 5. Borrowings

Current borrowings

EUR'000	31 March 2022	31 December 2021
Short-term portion of long-term loans	3,091	3,074
Lease liabilities	3,230	2,967
Short-term bank loans	11,080	10,248
Total current borrowings	17,401	16,289

Non-current borrowings

€'000	31 March 2022	31 December 2021
Long-term portion of long-term bank loans	756	1,073
Lease liabilities	6,397	6,332
Total non-current borrowings	7,153	7,405

NOTE 6. Lease liabilities

Lease liability

€'000	31 March 2022	31 December 2021
Lease liabilities at end of period, of which	9,627	9,299
Not later than 1 year	3,230	2,967
Later than 1 year and not later than 5 years	6,397	6,332
Base currency €	9,627	9,299
Interest rate for contracts denominated in € ¹	1.9%-4.2%	1.9%-4.2%
Frequency of payments	Monthly	Monthly

¹ Includes leases with floating interest rates



Lease payments

€'000	Q1 2022	Q1 2021
Principal payments made during the period	786	806
Interest payments made during the period	72	87

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 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	Q1 2022	Q1 2021
Loss for the period attributable to owners of the parent (€'000)	(919)	(1,564)
Average number of shares (thousand)	31,528	31,528
Basic earnings per share (€)	(0.03)	(0.05)
Diluted earnings per share (€)	(0.03)	(0.05)

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

€'000			
Q1 2022	Buildings	Infrastructure	Total
Total revenue	62,814	5,600	68,414
Of which: General contracting services	57,775	2,481	60,256
Subcontracting services	1,346	1,757	3,103
Road maintenance services	0	1,238	1,238
Rental services	0	124	124
Own development activities	2,893	0	2,893
Investment properties	800	0	800
Inter-segment revenue	0	(31)	(31)
Revenue from external customers	62,814	5,569	68,383
Gross profit (loss) of the segment	2,596	(1,280)	1,316

€'000			
Q1 2021	Buildings	Infrastructure	Total
Total revenue	37,833	11,146	48,979
Of which: General contracting services	36,922	5,462	42,384
Subcontracting services	911	4,700	5,611
Road maintenance services	0	688	688
Rental services	0	296	296
Inter-segment revenue	0	(52)	(52)
Revenue from external customers	37,833	11,094	48,927
Gross profit (loss) of the segment	799	(631)	168

Reconciliation of segment revenues

€'000	Q1 2022	Q1 2021
Total revenues for reportable segments	68,414	48,979
Elimination of inter-segment revenues	(31)	(52)
Reportable segments' unallocated revenue	70	60
Total consolidated revenue	68,453	48,987

Reconciliation of segment profit (loss)

€'000	Q1 2022	Q1 2021
Total profit for reportable segments	1,316	168
Unallocated loss	(169)	(260)
Gross profit (loss)	1,147	(92)
Unallocated expenses:		
Marketing and distribution expenses	(71)	(107)
Administrative expenses	(1,601)	(1,471)
Other operating income and expenses	1,475	12
Operating profit (loss)	950	(1,658)
Finance income	67	405
Finance costs	(1,335)	(289)
Loss before tax	(318)	(1,542)



NOTE 9. Segment reporting – geographical information

€'000	Q1 2022	Q1 2021
Estonia	64,830	46,978
Latvia	1,898	0
Finland	1,494	1,060
Ukraine	231	418
Sweden	0	531
Total revenue	68,453	48,987

NOTE 10. Cost of sales

€'000	Q1 2022	Q1 2021
Cost of materials, goods and services	61,406	42,953
Personnel expenses	5,189	5,188
Depreciation expense	628	625
Other expenses	83	313
Total cost of sales	67,306	49,079

NOTE 11. Administrative expenses

€'000	Q1 2022	Q1 2021
Personnel expenses	826	725
Cost of materials, goods and services	501	488
Depreciation and amortisation expense	239	222
Other expenses	35	36
Total administrative expenses	1,601	1,471

NOTE 12. Other operating income and expenses

€'000	Q1 2022	Q1 2021
Other operating income		
Gain on disposal of property, plant and equipment	120	1
Other income	1,633	34
Total other operating income	1,753	35

€'000	Q1 2022	Q1 2021
Other operating expenses		
Foreign exchange loss	1	3
Loss on sale of property, plant and equipment	2	8
Net loss on recognition and reversal of impairment losses on receivables	183	9
Other expenses	92	3
Total other operating expenses	278	23



NOTE 13. Finance income and costs

€'000	Q1 2022	Q1 2021
Finance income		
Interest income on loans	61	56
Foreign exchange gain	0	346
Other finance income	6	3
Total finance income	67	405

€'000	Q1 2022	Q1 2021
Finance costs		
Interest expense	194	253
Foreign exchange loss	313	28
Other finance costs	828	8
Total finance costs	1,335	289

NOTE 14. Transactions with related parties

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

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

The group's purchase and sales transactions with related parties

€'000 Counterparty	Q1 2022		Q1 2021	
	Purchases	Sales	Purchases	Sales
AS Nordic Contractors	44	0	46	0
Companies of the AS Nordic Contractors group	62	2	53	2
Companies related to owners of AS Nordic Contractors	7	315	484	170
Companies related to members of the council and board	3	0	5	0
Total	116	317	588	172

€'000 Nature of transactions	Q1 2022		Q1 2021	
	Purchases	Sales	Purchases	Sales
Construction services	0	315	0	170
Transactions with goods	7	0	484	0
Lease and other services	109	2	104	2
Total	116	317	588	172

During the period, the group recognised interest income on loans to an associate of €54 thousand (Q1 2021: €54 thousand).

Receivables from and liabilities to related parties at period-end

€'000	31 March 2022		31 December 2021	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	0	17	0	16
Companies of the AS Nordic Contractors group	383	15	130	135
Companies related to owners of AS Nordic Contractors	311	0	406	21
Associates – receivables and liabilities	3	0	3	0
Associate – loans and interest	7,709	0	8,481	0
Total	8,406	32	9,020	172



Remuneration of the council and the board

The service fees of the members of the council of Nordecon AS for the first quarter of 2022 amounted to €37 thousand and associated social security charges totalled €12 thousand (Q1 2021: €37 thousand and €12 thousand, respectively).

The service fees of the members of the board of Nordecon AS amounted to €99 thousand and associated social security charges totalled €33 thousand (Q1 2021: €99 thousand and €33 thousand, respectively).



Statements and signatures

Statement of management's responsibility

The board of Nordecon AS acknowledges its responsibility for the preparation of the group's condensed consolidated interim financial statements for the first quarter of 2022 and confirms that:

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

Gerd Müller

Chairman of the Board

5 May 2022

Priit Luman

Member of the Board

5 May 2022

Maret Tambek

Member of the Board

5 May 2022