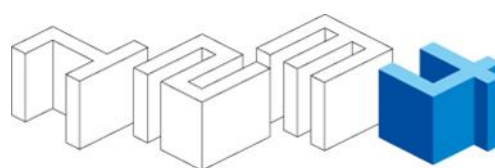




**Financial report for the fourth quarter
and twelve months of 2021**
(unaudited)





Financial report for the fourth quarter and twelve months 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 – 31 December 2021
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



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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 at least 10% of revenue earned in Estonia.
- Operating margin for the year will be consistently above 3%.
- Operating profit per employee will increase to at least €10 thousand 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 decline experienced in 2020 was replaced by a swift upswing in 2021. Surging demand triggered a steep rise in input prices while the COVID-19 pandemic disrupted supply chains. The market continues to be strongly influenced by investments made by the public sector, which grew in 2021 at the same pace as the market. 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 made with the originally planned resources. In particular, the investments made by the Transport Administration are expected to decrease, which will intensify competition in the infrastructure segment and 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 should counterbalance the decrease in the road construction and rehabilitation investments made by the Transport Administration, as planned. In view of the overall economic growth in the country, however, it is likely that the construction sector will sustain growth.
- While competition in the buildings segment has been weakened by 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. The surge in the prices of some raw materials such as steel (up to 200%), oil-based insulation materials (up to 150%) and wood (up to 100%) is already outside normal business risk: it is not only inflating the prices 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, which grew in the fourth quarter of 2021 by 14.7% year on year and in 2021 by 8.3% compared with a year earlier. The rise is mainly attributable to growth in materials prices but the effects of growing labour costs and an acute shortage of labour are increasing as well. The prices of energy carriers, which have seen swift growth, will have a strong effect on the market in 2022. It is clear that the rise is not temporary. Although 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, overall optimism and high consumer demand will continue to fuel 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. We expect that in 2022 our business volumes in Ukraine will remain at a level comparable to 2021. 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. So far, the political tensions which have been rising since the last quarter of 2021 have not affected the behaviour of market participants or caused any problems in daily business operations.



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 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 partly 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 our prices in such an environment, we strive to ensure a reasonable balance of the risks associated with contract performance 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.). 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. Investments in digital solutions which allow planning and managing construction processes more precisely grew substantially in 2021. 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 December 2021 totalled €1,335 thousand (31 December 2020: €1,287 thousand).

In addition to managing the risks directly related to construction operations, in the past few years we have sought 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 €2,144 thousand (2020: €157 thousand). A major share of the credit losses resulted from expensing the receivables due from a customer of the Swedish subsidiary. 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 ratio was 0.94 (31 December 2020: 1.01). 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, a receivable for the loans provided to the Ukrainian associate of €8,481 thousand was classified as non-current 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 December 2021 totalled €16,289 thousand (31 December 2020: €18,508 thousand). A significant share of current borrowings is made up of overdrafts which are expected to be extended after the reporting date.

The group's cash and cash equivalents as at the reporting date amounted to €9,031 thousand (31 December 2020: €12,576 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 liabilities decreased by €2,167 thousand compared with a year earlier. Both lease and loan liabilities decreased. Interest-bearing borrowings at 31 December 2021 totalled €23,694 thousand (31 December 2020: €25,861 thousand). Interest expense for the 2021 was €982 thousand (2020: €1,078 thousand).

The main source of interest rate risk is a possible rise in the base rates of floating interest rates. In the light of the group's relatively heavy loan burden, this would 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 the conflict between Ukraine and Russia has caused tensions in Ukraine's political and economic environment and the National Bank of Ukraine discontinued determining the national currency's indicative exchange rate at the beginning of 2015. In 2021, the hryvnia strengthened against the euro by nearly 12%. 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 €711 thousand (2020: a loss of €1,485 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 strengthened against the euro by around 2% in 2021. The translation of a loan provided to the Swedish subsidiary in euros into the local currency gave rise to an exchange gain of €16 thousand (2020: a loss of €24 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. In the comparative period, there was an exchange loss of €48 thousand, which was recognised in *Other operating expenses*.

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.

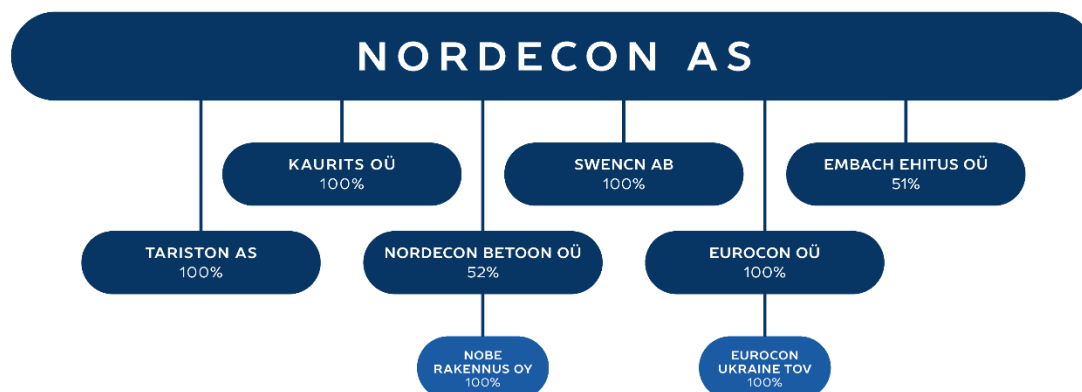
Corruption and ethical risks

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.



Group structure

The group's structure at 31 December 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

Changes in 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 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 (Tariston AS).

We did not enter any new operating segments in Estonia.

Changes in the group's operations in foreign markets

Ukraine

There were no changes in our Ukrainian operations during the period under review. In 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

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 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. 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. The restructuring proceedings were still in progress at 31 December 2021.

Swencn AB does 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 earned outside Estonia decreased substantially in 2021, accounting for 6% of the group's total revenue.

	2021	2020	2019
Estonia	94%	82%	89%
Finland	3%	6%	4%
Ukraine	2%	1%	2%
Latvia	1%	0%	0%
Sweden	0%	11%	5%

The contribution of foreign markets declined primarily due to the impact of the Swedish market where sales plummeted because previously started projects were being completed and no new contracts were signed. The share of Finnish revenues decreased as well. Revenue earned in Ukraine remained stable year on year. The group also does project-based work in Latvia where we were building a wind farm in 2021.

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 affect our current results. 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 because this helps diversify risks and provides better opportunities for continuing construction operations in more challenging market conditions where the volumes of one or several subsegments substantially decline.

The group's revenue for 2021 was €288,534 thousand, 2.5% down from a year earlier when revenue amounted to €296,082 thousand. Revenue decline is attributable to a decrease in foreign revenues, particularly no revenue from the Swedish market. Revenue generated in Estonia grew by 13% compared with a year earlier. In segment terms, revenue from the Buildings segment decreased by 5%, primarily due to the revenue change in the Swedish market, while revenue from the Infrastructure segment grew by 7% year on year. In a situation where the order book of the Buildings segment has grown to include large-scale design and construction contracts, the segment's revenue is also affected by the fact that design activities, which precede construction, take a long time.

The low volumes of infrastructure construction that continue to affect the entire construction market also influence the group's revenue structure. In 2021, the Buildings and the Infrastructure segment generated revenue of €216,070 thousand and €72,115 thousand, respectively. The corresponding figures for 2020 were €228,515 thousand and €67,142 thousand (see note 8).

Revenue by operating segment*	2021	2020	2019
Buildings	75%	72%	70%
Infrastructure	25%	28%	30%

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



Subsegment revenues

In the Buildings segment, the revenue contributions of the commercial, public, and apartment buildings subsegments were practically equal while the revenue generated by the industrial and warehouse facilities subsegment continued to be modest. Revenue from the commercial and the industrial and warehouse facilities subsegments grew by 21% and 13% year-on-year, respectively. Revenue from the apartment buildings subsegment remained stable and revenue from the public buildings subsegment decreased by around 23%.

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 concept store in Rae rural municipality near Tallinn.

The order book of the public buildings subsegment has grown considerably, supporting the subsegment's revenue growth in 2022. The largest projects completed in the reporting period included an upper secondary school on the island of Saaremaa, 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. We continued work on the Medical Campus of the Tartu University Hospital and the main building of the Estonian Internal Security Service in Tallinn.

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 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 €3,097 thousand (2020: €2,866 thousand). In carrying out our own development activities, we carefully monitor potential risks in the housing development market.

The largest ongoing project in the industrial and warehouse facilities subsegment is the construction of a factory complex for the dairy company E-Piim in Paide. However, most of the subsegment's projects are small, 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, a logistics centre for the packaging supplier Pakendikeskus in Tallinn, and a production building for Viljandi Aken ja Uks in Piiri street in Viljandi.

Revenue breakdown in the Buildings segment	2021	2020	2019
Apartment buildings	29%	28%	27%
Commercial buildings	29%	23%	36%
Public buildings	28%	37%	29%
Industrial and warehouse facilities	14%	12%	8%

In the Infrastructure segment, the largest revenue contributor is the road construction and maintenance subsegment, which increased its revenue by around 11% year on year. The period's largest ongoing projects were the construction of the Vão junction on the eastern border of Tallinn and 2+2 passing lanes on the Kärevere-Kardla section of the Tallinn-Tartu-Võru-Luhamaa road, the performance of earthworks on the Võõbu-Mäo section of the Tallinn-Tartu road, and the reconstruction and rehabilitation of national roads in Hiiu county. We also delivered 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 specialist engineering revenue.

Revenue breakdown in the Infrastructure segment	2021	2020	2019
Road construction and maintenance	87%	74%	78%
Other engineering	10%	21%	18%
Environmental engineering	3%	1%	3%
Specialist engineering (including hydraulic engineering)	0%	4%	1%



Financial review

Financial performance

The Nordecon group ended 2021 with a gross profit of €4,021 thousand (2020: €10,996 thousand) and a gross margin of 1.4% (2020: 3.7%). Gross margins decreased in both operating segments. The gross margin of the Buildings segment was 2.0% for the year and a negative 0.7% for the fourth quarter (2020: 3.6%; Q4 2020: 0.7%). The figures of the Infrastructure segment were 1.0% for the year and a negative 1.4% for the fourth quarter (2020: 5.1%; Q4 2020: 6.1%). The gross margin of the Buildings segment was mainly influenced by:

- Growth in input prices, which mainly affected contracts signed in 2020. The prices of raw materials and supplies stabilised somewhat in the third quarter but soaring energy prices and labour costs had a strong impact on fourth-quarter inputs.
- Supply chain disruptions, which continue to put pressure on the timely completion of construction projects. Extensions of contract terms cause additional costs.
- One-off losses in the Swedish market. The costs related to the completion of two projects (the Nysäter wind farm and an apartment building) totalled €3,346 thousand.

The performance of the Infrastructure segment was also influenced by the upswing in materials prices, especially the prices of metal and energy carriers, which increased the production cost of asphalt concrete. Another factor was the order book structure: the share of projects involving the production and laying of asphalt concrete was small and thus the share of uncovered fixed costs was higher than usual.

The group's administrative expenses for 2021 were €6,053 thousand. Compared with 2020, administrative expenses decreased by around 14% (2020: €7,073 thousand), mainly through a decline in personnel expenses (see note 11). The ratio of administrative expenses to revenue (12 months rolling) was 2.1% (2020: 2.4%).

The group ended 2021 with an operating loss of €4,336 thousand (2020: operating profit of €3,575 thousand). Operating profit was affected by the recognition of credit losses of €2,144 thousand. A major share of the credit losses resulted from expensing the receivables due from a customer of the Swedish subsidiary. EBITDA was negative at €797 thousand and EBITDA margin was negative at 0.3% (2020: positive at €7,003 thousand and 2.4%).

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 strengthened against the euro by around 12% while the Swedish krona strengthened against the euro by around 2%. Translation of the loans provided to the group's subsidiaries in euros into the Ukrainian hryvnias and Swedish krona gave rise to exchange gains of €711 thousand and €16 thousand, respectively (2020: an exchange loss of €1,485 thousand and an exchange gain of €24 thousand, respectively). Finance income for 2020 was also influenced by the sale of the group's investment in the associate Pigipada OÜ, which produced sales gain of €2,749 thousand (see note 13).

The group incurred a net loss of €5,506 thousand (2020: earned a net profit of €4,118 thousand). The loss attributable to owners of the parent, Nordecon AS, was €6,310 thousand (2020: a profit of €2,466 thousand).

Cash flows

Operating activities produced a net cash inflow of €7,365 thousand in 2021 (2020: €2,443 thousand). The key factor that affects operating cash flow is the mismatch between the settlement terms agreed with customers and suppliers. 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. The share of prepayments increased in 2021 due to the COVID-19 pandemic. 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 €312 thousand (2020: 8,286 thousand). Investments in the acquisition of property, plant and equipment and intangible assets totalled €251 thousand (2020: €271 thousand) and proceeds from the sale of property, plant and equipment amounted to €489 thousand (2020: €332 thousand). Cash flow for the comparative period was strongly influenced by the reclassification of Embach Ehitus OÜ from an associate into a subsidiary, which generated cash inflow of €3,605 thousand, and the sale of the investment in the associate Pigipada OÜ, which generated cash inflow of €3,596 thousand.



Financing activities generated a net cash outflow of €11,225 thousand (2020: an outflow of €5,165 thousand). The largest items were loan and lease payments. Proceeds from loans received totalled €1,922 thousand, consisting of the use of overdraft facilities and development loans (2020: €2,026 thousand). Repayments of loans received totalled €3,766 thousand, consisting of regular repayments of long-term investment and development loans (2020: €2,629 thousand). Lease payments totalled €3,318 thousand (2020: €3,086 thousand). Dividends paid in 2021 amounted to €5,000 thousand (2020: €472 thousand).

The group's cash and cash equivalents at 31 December 2021 totalled €9,031 thousand (31 December 2020: €12,576 thousand). Management's commentary on liquidity risks is presented in the chapter *Description of the main risks*.

Key financial figures and ratios

Figure/ratio	2021	2020	2019
Revenue (€'000)	288,534	296,082	234,071
Revenue change	(2.5)%	26.5%	4.7%
Net profit (loss) (€'000)	(5,506)	4,118	4,149
Net profit (loss) attributable to owners of the parent (€'000)	(6,310)	2,466	3,378
Average number of shares	31,528,585	31,528,585	31,528,585
Earnings per share (€)	(0.20)	0.08	0.11
Administrative expenses to revenue	2.1%	2.4%	2.9%
EBITDA (€'000)	(797)	7,003	7,311
EBITDA margin	(0.3)%	2.4%	3.1%
Gross margin	1.4%	3.7%	5.0%
Operating margin	(1.5)%	1.2%	1.8%
Operating margin excluding gain on asset sales	(1.6)%	1.1%	1.7%
Net margin	(1.9)%	1.4%	1.8%
Return on invested capital	(6.5)%	9.3%	10.0%
Return on equity	(16.8)%	11.8%	12.5%
Equity ratio	20.8%	27.6%	27.9%
Return on assets	(4.1)%	3.3%	3.7%
Gearing	28.3%	21.1%	33.8%
Current ratio	0.94	1.01	1.01

At 31 December	2021	2020	2019
Order book (€'000)	266,856	215,796	227,545

Revenue change = (revenue for the reporting period / revenue for the previous period) - 1 * 100	Return on invested capital = ((profit or loss before tax + interest expense) / the period's average (interest-bearing liabilities + equity)) * 100
Earnings per share (EPS) = net profit or loss attributable to owners of the parent / weighted average number of shares outstanding	Return on equity = (net profit or loss for the period / the period's average total equity) * 100
Administrative expenses to revenue = (administrative expenses / revenue) * 100	Equity ratio = (total equity / total liabilities and equity) * 100
EBITDA = operating profit or loss + depreciation and amortisation + impairment losses on goodwill	Return on assets = (net profit or loss for the period / the period's average total assets) * 100
EBITDA margin = (EBITDA / revenue) * 100	Gearing = ((interest-bearing liabilities - cash and cash equivalents) / (interest-bearing liabilities + equity)) * 100
Gross margin = (gross profit or loss / revenue) * 100	Current ratio = total current assets / total current liabilities
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	



Order book

The group's order book (backlog of contracts signed but not yet performed) stood at €266,856 thousand at 31 December 2021, a 24% increase year on year. In 2021, we signed new contracts of €314,758 thousand, including contracts of €37,612 thousand signed in the fourth quarter. The corresponding figures for 2020 were €236,577 thousand and €55,511 thousand. The group was equally successful in winning both public and private contracts.

At 31 December	2021	2020	2019
Order book (€'000)	266,856	215,796	227,545

The proportions of the two main operating segments in the group's order book have not changed substantially: the Buildings segment continues to dominate with 87% while the share of the Infrastructure segment is 13% (31 December 2020: 81% and 19%, respectively). Compared with 31 December 2020, the order book of the Buildings segment has grown by 37% and the order book of the Infrastructure segment had decreased by 34%. The decline in the Infrastructure order book is attributable to a lack of large-scale contracts with the Transport Administration.

A significant share of the order book of the Buildings segment is made up of contracts signed in 2021, the largest of which include: the design and construction of commercial and residential complex Vektor, the construction of the main building of the Estonian Foreign Intelligence Service and office building Roseni Maja in Tallinn and the design and construction of warehouses and related outdoor infrastructure for the Centre for Defence Investment in Harju county. The order book also includes some large-scale contracts signed in earlier periods such as the construction of phase III of the Maarjamõisa Medical Campus of the Tartu University Hospital and a factory complex for E-Piim in Paide.

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

- the construction of building III in the Porto Franco development in Kai street in Tallinn (a joint bid);
- the design and construction of an expansion to the production building of Viljandi Aken ja Uks in Raua street in Viljandi.

In the Infrastructure segment, 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 projects include: the construction of 2+2 passing lanes on the Kärevere-Kardla section of the Tallinn-Tartu-Võru-Luhamaa road, the design and construction of the outdoor space around Terminal D in Old City Harbour in Tallinn and the construction of access roads for the premises of the IKEA concept store and a new Kurna-Tuhala circular intersection in Rae rural municipality. We also continued 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 energy carriers and labour costs, however, will continue to increase input prices and thus undermine 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 the input price risk, we have been signing cost-plus contracts with private sector customers (these are contracts with an open book arrangement under which we can invoice the customer based on the actual costs incurred plus the 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 2021 was 685, including 434 engineers and technical personnel (ETP). Headcount decreased by around 3% year on year.

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

	2021	2020	2019
ETP	434	450	414
Workers	251	258	273
Total average	685	708	687

The group's personnel expenses for 2021, including all taxes, totalled €25,054 thousand compared with €27,130 thousand for 2020. Personnel expenses decreased by around 8% year on year, mainly through a decrease in the number of employees, a decline in the share of performance bonuses, and a reduction of salaries carried out in the middle of 2020.

The service fees of the members of the council of Nordecon AS for 2021 amounted to €150 thousand and associated social security charges totalled €50 thousand (2020: €165 thousand and €54 thousand, respectively).

The service fees of the members of the board of Nordecon AS amounted to €369 thousand and associated social security charges totalled €122 thousand (2020: €432 thousand and €143 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:

	2021	2020	2019
Nominal labour productivity (rolling), (€ '000)	420.8	422.9	340.6
Change against the comparative period, %	-0.5%	24.2%	4.7%
Nominal labour cost efficiency (rolling), (€)	11.5	10.9	9.2
Change against the comparative period, %	5.5%	18.0%	-5.0%

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

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

The group's nominal labour productivity for the period remained essentially at the same level as a year earlier. Nominal labour cost efficiency improved year on year, supported by a decrease in 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.

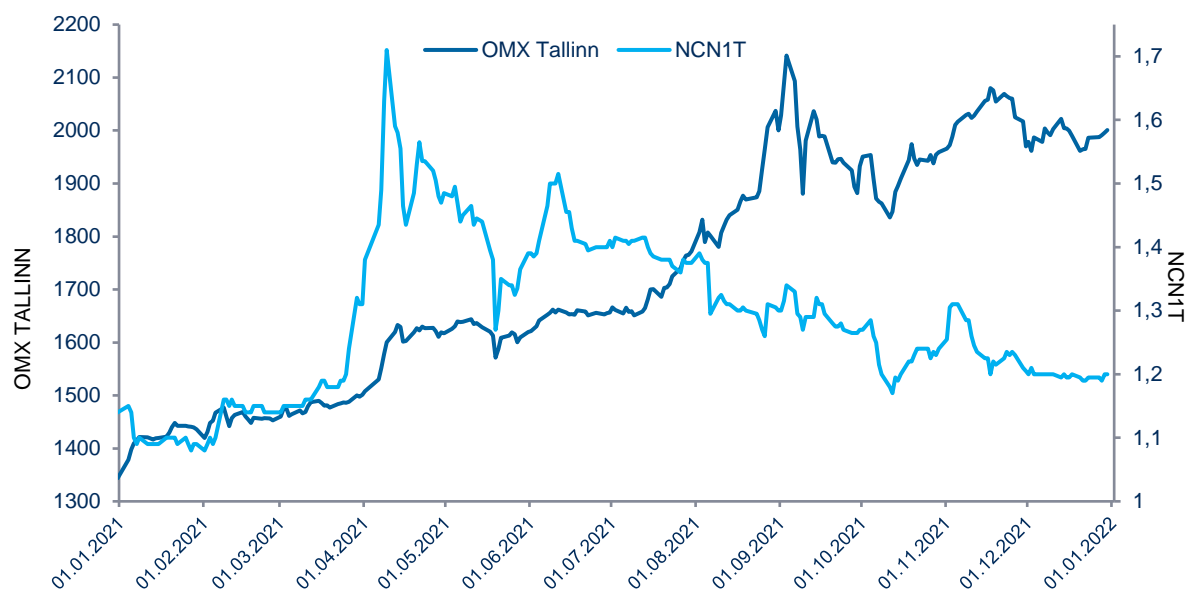
Movements in the price and trading volume of the Nordecon AS share in 2021

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 2021



Index/equity	1 January 2021*	31 December 2021	+/-
OMX Tallinn	1,343.72	2,001.03	48.92%
NCN1T	€1.14	€1.20	5.26%

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

Summarised trading results

Share trading history, €

Price	2021	2020	2019
Open	1.15	1.04	0.91
High	1.84	1.21	1.09
Low	1.08	0.78	0.89
Last closing price	1.20	1.14	1.03
Traded volume (number of securities traded)	7,037,117	6,021,881	3,254,930
Turnover, € million	9.32	5.99	3.24
Listed volume (31 December), thousand	32,375	32,375	32,375
Market capitalisation (31 December), € million	38.85	36.91	33.35

Shareholder structure

Largest shareholders in Nordecon AS at 31 December 2021

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,933,515	52.30
Luksusjaht AS	4,278,403	13.22
Toomas Luman	651,500	2.01
Olegs Radcenko	584,867	1.81
SEB Pank AS clients	425,000	1.31
Lembit Talpsepp	364,239	1.13
Mati Kalme	271,000	0.84
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



Shareholder structure of Nordecon AS at 31 December 2021

	Number of shareholders	Ownership interest (%)
Shareholders with interest exceeding 5%	2	65.52
Shareholders with interest from 1% to 5%	4	6.26
Shareholders with interest below 1%	6,199	25.60
Holder of own (treasury) shares	1	2.62
Total	6,206	100

Shares controlled by members of the council of Nordecon AS at 31 December 2021

Council member		Number of shares	Ownership interest (%)
Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad)*	Chairman of the Council	17,612,165	54.40
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		17,697,165	54.66

* Companies controlled by the individual

Shares controlled by members of the board of Nordecon AS at 31 December 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). 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 December 2021, options for the acquisition of 229,857 shares had been exercised, options for the acquisition of 1,229,907 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

10 February 2022

Priit Luman

Member of the Board

10 February 2022

Maret Tambek

Member of the Board

10 February 2022



Condensed consolidated interim financial statements

Consolidated statement of financial position

€'000	Note	31 December 2021	31 December 2020
ASSETS			
Current assets			
Cash and cash equivalents		9,031	12,576
Trade and other receivables	2	48,091	50,029
Prepayments		4,947	2,638
Inventories	3	25,637	22,454
Total current assets		87,706	87,697
Non-current assets			
Investments in equity-accounted investees		0	0
Other investments		76	26
Trade and other receivables	2	9,206	8,654
Investment property		5,599	5,639
Property, plant and equipment		17,433	18,053
Intangible assets		15,051	14,966
Total non-current assets		47,365	47,338
TOTAL ASSETS		135,071	135,035
LIABILITIES			
Current liabilities			
Borrowings	5, 6	16,289	18,508
Trade payables		57,287	46,932
Other payables		7,496	12,232
Deferred income		11,539	7,738
Provisions		707	1,059
Total current liabilities		93,318	86,469
Non-current liabilities			
Borrowings	5, 6	7,405	7,352
Trade payables		4,178	2,332
Provisions		2,044	1,647
Total non-current liabilities		13,627	11,331
TOTAL LIABILITIES		106,945	97,800
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		1,948	2,423
Retained earnings		6,341	14,543
Total equity attributable to owners of the parent		25,197	33,874
Non-controlling interests		2,929	3,361
TOTAL EQUITY		28,126	37,235
TOTAL LIABILITIES AND EQUITY		135,071	135,035



Consolidated statement of comprehensive income

€'000	Note	Q4 2021	12M 2021	Q4 2020	12M 2020
Revenue	8, 9	79,640	288,534	78,418	296,082
Cost of sales	10	(80,514)	(284,513)	(76,937)	(285,086)
Gross profit (loss)		(874)	4,021	1,481	10,996
Marketing and distribution expenses		(165)	(559)	(142)	(528)
Administrative expenses	11	(1,786)	(6,053)	(1,761)	(7,073)
Other operating income	12	321	519	180	453
Other operating expenses	12	(2,171)	(2,264)	(135)	(273)
Operating profit (loss)		(4,675)	(4,336)	(377)	3,575
Finance income	13	81	958	2,725	2,995
Finance costs	13	(378)	(1,320)	(576)	(2,678)
Net finance income (costs)		(297)	(362)	2,149	317
Share of profit (loss) of equity-accounted investees		0	0	(232)	734
Profit (loss) before income tax		(4,972)	(4,698)	1,540	4,626
Income tax expense		(166)	(808)	(426)	(508)
Profit (loss) for the period		(5,138)	(5,506)	1,114	4,118
Other comprehensive income (expense):					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		85	(475)	(121)	1,254
Total other comprehensive income (expense)		85	(475)	(121)	1,254
TOTAL COMPREHENSIVE INCOME (EXPENSE)		(5,053)	(5,981)	993	5,372
Profit (loss) attributable to:					
- Owners of the parent		(5,514)	(6,310)	1,426	2,466
- Non-controlling interests		376	804	(312)	1,652
Profit (loss) for the period		(5,138)	(5,506)	1,114	4,118
Comprehensive income attributable to:					
- Owners of the parent		(5,429)	(6,785)	1,305	3,720
- Non-controlling interests		376	804	(312)	1,652
Comprehensive income (expense) for the period		(5,053)	(5,981)	993	5,372
Earnings per share attributable to owners of the parent:					
Basic earnings per share (€)	7	(0.17)	(0.20)	0.05	0.08
Diluted earnings per share (€)	7	(0.17)	(0.20)	0.05	0.08



Consolidated statement of cash flows

€'000	Note	12M 2021	12M 2020
Cash flows from operating activities			
Cash receipts from customers ¹		352,378	345,552
Cash paid to suppliers ²		(310,183)	(305,500)
VAT paid		(8,140)	(9,909)
Cash paid to and for employees		(25,893)	(27,409)
Income tax paid		(797)	(291)
Net cash from operating activities		7,365	2,443
Cash flows from investing activities			
Paid on acquisition of property, plant and equipment		(232)	(254)
Paid on acquisition of intangible assets		(19)	(17)
Proceeds from sale of property, plant and equipment	4	489	332
Cash received on acquisition of a subsidiary		0	3,605
Proceeds from sale of an investment in an associate		0	3,596
Loans provided		(34)	(17)
Repayments of loans provided		96	44
Dividends received		0	974
Interest received		12	23
Net cash from investing activities		312	8,286
Cash flows from financing activities			
Proceeds from loans received		1,922	2,026
Repayments of loans received		(3,766)	(2,629)
Lease payments made		(3,318)	(3,086)
Interest paid		(1,051)	(927)
Dividends paid		(5,000)	(472)
Other payments		(12)	(77)
Net cash used in financing activities		(11,225)	(5,165)
Net cash flow		(3,548)	5,564
Cash and cash equivalents at beginning of period		12,576)	7,032
Effect of movements in foreign exchange rates		3	(20)
Increase (decrease) in cash and cash equivalents		(3,548)	5,563
Cash and cash equivalents at end of period		9,031	12,576

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	2,466	2,466	1,652	4,118
Other comprehensive income	0	0	0	0	1,254	0	1,254	0	1,254
Changes in non-controlling interests	0	0	0	0	0	1,497	1,497	(132)	1,365
Transactions with owners									
Dividend declared	0	0	0	0	0	(1,892)	(1,892)	0	(1,892)
Dividend distributed	0	0	0	0	0	0	0	(472)	(472)
Cancellation of dividend	0	0	0	0	0	89	89	0	89
Total transactions with owners	0	0	0	0	0	(1,803)	(1,803)	(472)	(2,275)
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	(6,310)	(6,310)	804	(5,506)
Other comprehensive expense	0	0	0	0	(475)	0	(475)	0	(475)
Transactions with owners									
Dividend distributed	0	0	0	0	0	(1,892)	(1,892)	(1,236)	(3,128)
Total transactions with owners	0	0	0	0	0	(1,892)	(1,892)	(1,236)	(3,128)
Balance at 31 December 2021	14,379	(660)	2,554	635	1,948	6,341	25,197	2,929	28,126



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 52.3% of the shares in Nordecon AS. The Nordecon AS shares have been listed on the Nasdaq Tallinn Stock Exchange since 18 May 2006.

The condensed consolidated interim financial statements as at and for the period ended 31 December 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 fourth quarter and twelve months 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	31 December 2021	31 December 2020
Current items			
Trade receivables		31,160	32,331
Retentions receivable		6,063	2,117
Receivables from related parties		211	494
Other receivables		78	113
Total receivables and loans provided		37,840	35,055
Due from customers for contract work		10,579	14,974
Total current trade and other receivables		48,091	50,029

€'000	Note	31 December 2021	31 December 2020
Non-current items			
Loans to related parties	14	8,481	8,237
Receivables from related parties		328	299
Other non-current receivables		397	118
Total non-current trade and other receivables		9,206	8,654

NOTE 3. Inventories

€'000	31 December 2021	31 December 2020
Raw materials and consumables	3,886	3,007
Work in progress	9,119	5,559
Apartments for sale	230	400
Properties purchased for development and pre-development costs	12,402	13,488
Total inventories	25,637	22,454



NOTE 4. Property, plant and equipment and intangible assets

Property, plant and equipment

Additions to property, plant and equipment in 2021 totalled €3,214 thousand (2020: €2,539 thousand) and comprised of equipment and construction machinery required for the group's operating activities.

Proceeds from the sale of property, plant and equipment amounted to €489 thousand (see the statement of cash flows). Proceeds from the sale of property, plant and equipment in 2020 totalled €332 thousand. Gain on the sale of property, plant and equipment amounted to €280 thousand (2020: €199 thousand) (note 12).

Intangible assets

There were no significant transactions with intangible assets in 2021.

NOTE 5. Borrowings

Current borrowings

€'000	Note	31 December 2021	31 December 2020
Short-term portion of long-term loans		3,074	9,640
Lease liabilities	6	2,967	3,131
Short-term bank loans		10,248	5,737
Total current borrowings		16,289	18,508

Non-current borrowings

€'000	Note	31 December 2021	31 December 2020
Long-term portion of long-term bank loans		1,073	827
Derivative financial instruments		0	1
Lease liabilities	6	6,332	6,524
Total non-current borrowings		7,405	7,352

NOTE 6. Lease liabilities

€'000	31 December 2021	31 December 2020
Lease liabilities at end of period, of which	9,299	9,655
Not later than 1 year	2,967	3,131
Later than 1 year and not later than 5 years	6,332	6,524
Base currency €	9,299	9,655
Interest rate for contracts denominated in € ¹	2.0%-4.0%	2.0%-4.0%
Frequency of payments	Monthly	Monthly

¹ Includes leases with floating interest rates

Lease payments

€'000	12M 2021	12M 2020
Principal payments made during the period	3,318	3,086
Interest payments made during the period	300	203



NOTE 7. Earnings per share

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

€'000	12M 2021	12M 2020
Profit (loss) for the period attributable to owners of the parent (€'000)	(6,310)	2,466
Average number of shares (thousand)	31,528	31,528
Basic earnings per share (€)	(0.20)	0.08
Diluted earnings per share (€)	(0.20)	0.08

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.

Fourth quarter

€'000			
Q4 2021	Buildings	Infrastructure	Total
Total revenue	61,471	18,100	79,571
Of which: General contracting services	58,481	15,089	73,570
Subcontracting services	282	2,032	2,314
Own development activities	2,708	0	2,708
Road maintenance services	0	776	776
Rental services	0	203	203
Inter-segment revenue	0	(14)	(14)
Revenue from external customers	61,471	18,086	79,557
Gross loss of the segment	(436)	(253)	(689)



€'000				
Q4 2020	Buildings	Infrastructure		Total
Total revenue	59,077	19,131		78,208
Of which: General contracting services	56,451	14,679		71,130
Subcontracting services	2,215	3,224		5,439
Own development activities	411	0		411
Road maintenance services	0	1,006		1,006
Rental services	0	222		222
Inter-segment revenue	0	(15)		(15)
Revenue from external customers	59,077	19,116		78,193
Gross profit of the segment	419	1,175		1,594

12 months

€'000				
12M 2021	Buildings	Infrastructure		Total
Total revenue	216,070	72,200		288,270
Of which: General contracting services	204,692	53,171		257,863
Subcontracting services	8,281	13,929		22,210
Own development activities	3,097	0		3,097
Road maintenance services	0	3,814		3,814
Rental services	0	1,285		1,285
Inter-segment revenue	0	(85)		(85)
Revenue from external customers	216,070	72,115		288,185
Gross profit of the segment	4,250	712		4,962

€'000				
12M 2020	Buildings	Infrastructure		Total
Total revenue	228,516	67,733		296,248
Of which: General contracting services	211,852	58,166		270,018
Subcontracting services	12,447	4,322		16,769
Own development activities	2,866	0		2,866
Investment property	1,350	0		1,350
Road maintenance services	0	3,845		3,845
Rental services	0	1,400		1,400
Inter-segment revenue	0	(591)		(591)
Revenue from external customers	228,515	67,142		295,657
Gross profit of the segment	8,327	3,396		11,723

Reconciliation of segment revenues

€'000	12M 2021	Q4 2021	12M 2020	Q4 2020
Total revenues for reportable segments	288,270	79,571	296,248	78,208
Elimination of inter-segment revenues	(85)	(14)	(591)	(15)
Other revenue	349	83	425	225
Total revenue	288,534	79,640	296,082	78,418



Reconciliation of segment profit (loss)

€'000	12M 2021	Q4 2021	12M 2020	Q4 2020
Total profit (loss) for reportable segments	4,962	(689)	11,723	1,594
Unallocated profit (loss)	(941)	(185)	(727)	(113)
Gross profit (loss)	4,021	(874)	10,996	1,481
Unallocated expenses:				
Marketing and distribution expenses	(559)	(165)	(528)	(142)
Administrative expenses	(6,053)	(1,786)	(7,073)	(1,761)
Other operating income and expenses	(1,745)	(1,850)	180	45
Operating profit (loss)	(4,336)	(4,675)	3,575	(377)
Finance income	958	81	2,995	2,725
Finance costs	(1,320)	(378)	(2,678)	(576)
Share of profit (loss) of equity-accounted investees	0	0	734	(232)
Profit (loss) before tax	(4,698)	(4,972)	4,626	1,540

NOTE 9. Segment reporting – geographical information

€'000	12M 2021	Q4 2021	12M 2020	Q4 2020
Estonia	272,051	74,396	241,674	50,625
Latvia	3,801	3,801	0	0
Finland	8,293	294	17,359	7,127
Sweden	126	-439	32,766	18,895
Ukraine	4,263	1,588	4,283	1,771
Total revenue	288,534	79,640	296,082	78,418

NOTE 10. Cost of sales

€'000	12M 2021	12M 2020
Cost of materials, goods and services	259,320	258,920
Personnel expenses	22,019	23,062
Depreciation expense	2,621	2,520
Other expenses	553	584
Total cost of sales	284,513	285,086

NOTE 11. Administrative expenses

€'000	12M 2021	12M 2020
Personnel expenses	2,973	3,995
Cost of materials, goods and services	1,959	1,947
Depreciation and amortisation expense	918	908
Other expenses	203	223
Total administrative expenses	6,053	7,073



NOTE 12. Other operating income and expenses

€'000	12M 2021	12M 2020
Other operating income		
Gain on disposal of property, plant and equipment	280	199
Gain on sale of real estate	28	19
Gain on a bargain purchase	0	139
Other income	211	96
Total other operating income	519	453

€'000	12M 2021	12M 2020
Other operating expenses		
Foreign exchange loss	0	48
Net loss on recognition and reversal of impairment losses on receivables	2,144	157
Loss on write-off of property, plant and equipment	8	7
Other expenses	112	61
Total other operating expenses	2,264	273

NOTE 13. Finance income and costs

€'000	12M 2021	12M 2020
Finance income		
Interest income on loans	213	225
Gain on sale of an investment in an associate	0	2,749
Foreign exchange gain	731	1
Other finance income	14	20
Total finance income	958	2,995

€'000	12M 2021	12M 2020
Finance costs		
Interest expense	982	1,078
Foreign exchange loss	0	1,509
Other finance costs	338	91
Total finance costs	1,320	2,678

NOTE 14. Transactions with related parties

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

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



The group's purchase and sales transactions with related parties

€'000 Counterparty	12M 2021		12M 2020	
	Purchases	Sales	Purchases	Sales
AS Nordic Contractors	509	0	253	0
Companies of the AS Nordic Contractors group	231	8	2,147	11
Companies related to owners of AS Nordic Contractors	740	0	321	0
Equity-accounted investees	0	0	1,201	313
Companies related to members of the council and board	83	781	89	0
Total	1,563	789	4,011	324

€'000 Nature of transactions	12M 2021		12M 2020	
	Purchases	Sales	Purchases	Sales
Construction services	0	781	1,201	21
Transactions with goods	740	0	321	0
Lease and other services	540	8	406	11
Other transactions	283	0	2,083	292
Total	1,563	789	4,011	324

During the period, the group recognised interest income on loans to an associate of €217 thousand (2020: €216 thousand).

Receivables from and liabilities to related parties at period-end

€'000	31 December 2021		31 December 2020	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	0	16	0	15
Companies of the AS Nordic Contractors group	406	21	492	411
Companies related to owners of AS Nordic Contractors	130	135	0	58
Associates – receivables and liabilities	3	0	2	32
Associate – loans and interest	8,481	0	8,237	0
Total	9,020	172	8,731	516

Remuneration of the council and the board

The service fees of the members of the council of Nordecon AS for 2021 amounted to €150 thousand and associated social security charges totalled €50 thousand (2020: €165 thousand and €54 thousand, respectively).

The service fees of the members of the board of Nordecon AS for 2021 amounted to €369 thousand and associated social security charges totalled €122 thousand (2020: €432 thousand and €143 thousand, respectively).



Statements and signatures

Statement of management's responsibility

The board of Nordecon AS acknowledges its responsibility for the preparation of the group's condensed consolidated interim financial statements for the fourth quarter and twelve months of 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

10 February 2022

Priit Luman

Member of the Board

10 February 2022

Maret Tambek

Member of the Board

10 February 2022