



**Financial report for the third quarter
and nine months of 2018**
(unaudited)





Financial report for the third quarter and nine months of 2018 (unaudited)

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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 2018 – 31 December 2018
Reporting period	1 January 2018 – 30 September 2018
Council	Toomas Luman (chairman of the council), Andri Hõbemägi, Vello Kahro, Sandor Liive, Meelis Milder
Board	Gerd Müller (chairman of the board), Priit Luman, Maret Tambek, Ando Voogma
Auditor	KPMG Baltics OÜ



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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. We have gradually extended our offering with activities which support the core business such as 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, landfill sites, 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 2016-2020

The Group's strategic business agenda and targets for the period 2016-2020

Business activities until 2020

- The Group will grow, mostly organically, with a focus on a more efficient use of its existing resources.
- In Estonia, we will compete in both the building and the infrastructure construction segments.
- Our Estonian entities will be among their segments' market leaders.
- 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, primarily in Kiev and the surrounding area.

Employees until 2020

- We expect the TRI*M Index, which reflects employee satisfaction and commitment, to improve across the Group by 3 percentage points per year on average.
- We value balanced teamwork where youthful energy and drive complement long-term experience.
- We recognise employees that are dedicated and responsible and contribute to the Group's success.
- We expect to raise operating profit per employee to at least 12 thousand euros.

Financial targets until 2020

- Revenue will grow by at least 10% per year.
- Foreign markets' contribution will increase to 25% of revenue.
- Our housing development revenue will account for at least 5% of our Estonian revenue.
- Operating margin for the year will be consistently above 3%.
- We will, on average, distribute at least 30% of profit for the year as dividends.
- Return on invested capital (ROIC) will average 13%.



Outlooks of the Group's geographical markets

Estonia

Processes and developments characterising the Estonian construction market:

- In 2018, public investments that have a strong impact on the construction market will not increase compared to 2017. In terms of the market as a whole, investments made by the largest public sector customers (the state-owned real estate company Riigi Kinnisvara AS, the National Road Administration, etc.) that will reach signature of a construction contract in 2018 will not grow substantially. The Ministry of Defence has been a positive exception for builders as its needs and use of a single agency, the Centre for Defence Investment, for carrying out new procurement tenders and placing orders have made a major contribution to market revival. Hence, on the whole, the Estonian construction market (particularly the infrastructure construction segments) will remain relatively stable.
- Competition remains stiff across the construction market, intensifying in different segments in line with market developments. A continuously high number of bidders for construction contracts reflects this. It is clear that in an environment of rising input prices, which has emerged in recent years, efficiency is the key to success.
- In new housing development, the success of a project depends on the developer's ability to control the input prices included in its business plan and thus set sales prices that are affordable for prospective buyers. Despite the market situation it is expected that the housing market, which accounts for a somewhat disproportionately large share of the total construction market and thus amplifies associated risks, will also sustain growth in 2018.
- There is a growing contrast between the stringent terms of public contracts, which impose an increasing number of obligations, strict sanctions, different financial guarantee commitments, long settlement terms, etc. and the modest eligibility criteria. Lenient qualification requirements and the precondition of making a low bid have made it relatively easy for an increasing number of builders to win a contract. However, they have also heightened the financial, completion delay and quality risks taken by customers during the contract performance and the subsequent warranty periods.
- Recent years have brought a rise in the prices of construction inputs, particularly in building construction. Initially, general contractors tried to absorb the cost increase by making margin concessions but their capacity for doing so has been practically exhausted. The construction market includes a growing number of areas where changes in the environment (e.g. materials producers' rapid and successful entry into foreign markets) may trigger a sharp price increase. The rise in housing construction has lengthened the supply terms of various essential materials and services considerably, making it impossible to carry out all processes in the former optimistic timeframes. As a result, activities require more extensive planning or may need to be postponed.
- The persisting shortage of skilled labour (including project and site managers) is restricting companies' performance capacities and affecting different aspects of the construction process, including quality. Labour migration to the Nordic countries remains steady and it is not likely that workers who have left will return to the Estonian construction market in large numbers. Migrant workers who in turn have started moving to Estonia are not able to fill the gap. All of the above factors sustain pressure for a wage increase, particularly in the category of the younger and less experienced workforce whose natural mobility and willingness to change jobs is higher.

Ukraine

In Ukraine, we mainly offer general contracting and project management services to private sector customers in the segment of building construction. Political and economic instability continues to restrict the adoption of business decisions but construction activity in Kiev and the surrounding area has picked up in recent years. In 2018, we will continue our Ukrainian operations in the Kiev region. Despite the military conflict in eastern Ukraine, for Nordecon the market situation has improved compared to a year or two ago. Hard times have reduced the number of inefficient local (construction) companies and when the economy normalises we will have considerably better prospects for increasing our operations and profitability. The Ukrainian government's recent crackdown on cash-in-hand work is definitely a step in the right direction. In the longer term, this should improve our position in the Ukrainian construction market. In 2018, our business operations in Ukraine will increase compared to 2017.



We assess the situation in the Ukrainian market regularly and critically and are ready to restructure our operations as and when necessary. Should the crisis in eastern Ukraine spread (which at the date of release of this report is highly unlikely), we can suspend our operations immediately. We continue to seek opportunities for exiting our two real estate projects, which have been put on hold, or signing a construction contract with a prospective new owner.

Finland

In Finland, we have mainly been providing subcontracting services in the concrete work segment but, based on experience gained, have started preparations for expanding into the general contracting market. The local concrete work market allows competing for projects where the customer wishes to source all concrete works from one reliable partner. However, our policy is to maintain a rational approach and avoid taking excessive risks.

Sweden

We have been operating in Sweden since July 2015. In the Swedish market, we offer mainly the construction of residential and non-residential buildings in the central part of the country. In gaining experience in the new market, we have prioritised quality and adherence to deadlines over profitability. As regards our longer-term goal and the plan to build a viable and strong organisation that would compete successfully in the Swedish market, we are positive about the developments so far and see potential for further growth and ensuring profitability in a large market when we have been able to stabilise our order book growth at the desired level.



Description of the main risks

Business risks

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

Competition continues to be stiff in all segments of the construction market and in 2018 public investment is not expected to grow compared to 2017. Thus, builders' bid prices are under strong competitive pressure in a situation where the prices of construction inputs have been trending upwards moderately but consistently. Bidders for contracts include not only rival general contractors but also former subcontractors. This is mainly attributable to the state and local governments' policy to keep the qualification requirements of public procurement tenders low, which sometimes results in the sacrifice of quality and adherence to deadlines to the lowest possible price. We acknowledge the risks inherent in the performance of contracts signed in an environment of stiff competition and rising input prices. Securing a long-term construction contract at an unreasonably low price in a situation where input prices cannot be lowered noticeably and competition is tough is risky because negative developments in the economy may quickly render the contract onerous. In setting our prices in such an environment, we focus on ensuring a reasonable balance between contract performance risks and tight cost control.

In the light of the above factors, we expect that in 2018 as a whole our business volumes will decrease slightly compared to 2017. Our action plan foresees flexible resource allocation aimed at finding more profitable contracts and performing them effectively. According to its business model, Nordecon operates in all segments of the construction market. Therefore, we are somewhat better positioned than companies that operate in one narrow (and in the current market situation, particularly some infrastructure) segment.

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

Operational risks

To manage their daily construction risks, Group companies purchase contractors' all risks insurance. Depending on the nature of the project and the requests of the customer, both general frame agreements and special, project-specific insurance contracts are used. In addition, as a rule, subcontractors are required to secure the performance of their obligations with a bank guarantee provided to a Group company or the Group retains part of the amount due until the contract has been completed. To remedy construction deficiencies which may be detected during the warranty period, Group companies create warranty provisions based on their historical experience. At 30 September 2018, the Group's warranty provisions (including current and non-current ones) totalled 920 thousand euros (30 September 2017: 1,085 thousand euros).

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



Financial risks

Credit risk

During the period, the Group did not incur any credit losses. In the comparative period in 2017, credit losses totalled 37 thousand euros. The overall credit risk exposure of the portfolio of receivables is low because the solvency of prospective customers is evaluated, the share of public sector customers is large and customers' settlement behaviour is continuously monitored. The main indicator of the realisation of credit risk is settlement default that exceeds 180 days along with no activity on the part of the debtor that would confirm the intent to settle.

Liquidity risk

The Group remains exposed to higher than usual liquidity risk. At the reporting date, the Group's current ratio was 0.96 (30 September 2017: 1.04). The key factor which influences the current ratio is the classification of the Group's loans to its Ukrainian associates as non-current assets and the banks' general policy not to refinance interest-bearing liabilities (particularly overdrafts) for a period exceeding twelve months.

Because the political and economic situation in Ukraine is still complicated, we believe that the Group's Ukrainian investment properties cannot be realised in the short term. Accordingly, at the reporting date the Group's loans to its Ukrainian associates of 8,715 thousand euros were classified as non-current assets.

For better cash flow management, we use overdraft facilities and factoring by which we counter the mismatch between the settlement terms agreed with customers and subcontractors. Under IFRS EU, borrowings have to be classified into current and non-current based on contract terms in force at the reporting date. At 30 September 2018, the Group's short-term borrowings totalled 21,491 thousand euros.

At the reporting date, the Group's cash and cash equivalents totalled 9,364 thousand euros (30 September 2017: 8,062 thousand euros).

Interest rate risk

The Group's interest-bearing liabilities to banks have both fixed and floating interest rates. Finance lease liabilities have mainly floating interest rates. The base rate for most floating-rate contracts is EURIBOR. During the period, interest-bearing borrowings decreased by 2,512 thousand euros year on year. Factoring and finance lease liabilities decreased whereas current loan liabilities increased (see also the section *Liquidity risk*). At 30 September 2018, interest-bearing borrowings totalled 26,498 thousand euros (30 September 2017: 29,011 thousand euros). Interest expense for the first nine months of 2018 amounted to 612 thousand euros (9M 2017: 487 thousand euros). In the reporting period, we had a large volume of contracts with long (up to 90-day) settlement terms. For better management of their cash flows, we used factoring, which caused year-on-year growth in interest expense.

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

Currency risk

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

The exchange rate of the hryvnia is unstable because the political and economic environment in Ukraine continues to be strained due to the conflict between Ukraine and Russia which broke out at the beginning of 2014 and at the beginning of 2015 the National Bank of Ukraine decided to discontinue the determination of the national currency's indicative exchange rate. In the first nine months of 2018, the hryvnia/euro exchange rate remained essentially at the same level as at the end of 2017. Due to a slight (1%) strengthening of the hryvnia, the Ukrainian subsidiary had to translate its euro-denominated loans into the local currency, which gave rise to a foreign exchange gain of 29 thousand euros (9M 2017: an exchange loss of 247 thousand euros). The exchange gain and loss on financial instruments have been recognised in *Finance income* and *Finance costs* respectively. Translation of receivables and liabilities from operating activities did not give rise to any exchange gains or losses.



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

In the first nine months of 2018, the Swedish krona weakened against the euro by around 4.5%. Due to adverse movements in the krona/euro exchange rate, the translation of operating receivables and payables resulted in an exchange loss of 61 thousand euros (9M 2017: 8 thousand euros). The exchange loss has been recognised in *Other operating expenses*. The translation of a loan provided to the Swedish subsidiary in euros into the local currency gave rise to an exchange loss of 124 thousand euros. The exchange loss has been recognised in *Finance costs*. In the comparative period, there was no exchange loss.

We have not acquired derivatives to hedge our currency risk.

Employee and work environment risks

Finding permanent labour is a serious challenge for the entire construction sector and one of the main factors that influences business results. The Group depends extensively on its subcontractors' ability to ensure the availability of skilled labour. To strengthen Nordecon's reputation as an employer and make sure that we can find employees also in the future, we collaborate with educational institutions.

As a construction company, we strive to minimise the occupational health and safety risks of people working on our construction sites including both our own employees and the teams of our subcontractors. The goal is to make sure that all measures required by law are applied in full. In addition, the parent company follows the requirements of international occupational health and safety management standard OHSAS 18001. Subcontractors must ensure that their employees follow applicable work safety requirements; the Group's role is to work with them and create conditions that enable and foster compliance.

Environmental risks

Construction activities change landscapes and the physical environment of cities and settlements. The Group's goal is to do its work and at the same time protect the natural environment as much as possible. Our assets and operations which have the strongest impact on the environment and, thus, involve the highest environmental risk are asphalt plants, quarries and road construction sites. To prevent leaks, spills, pollution, destruction of wildlife and other damage to the environment, we comply with legal requirements. All of our largest construction entities have implemented environmental management standard ISO 14001.

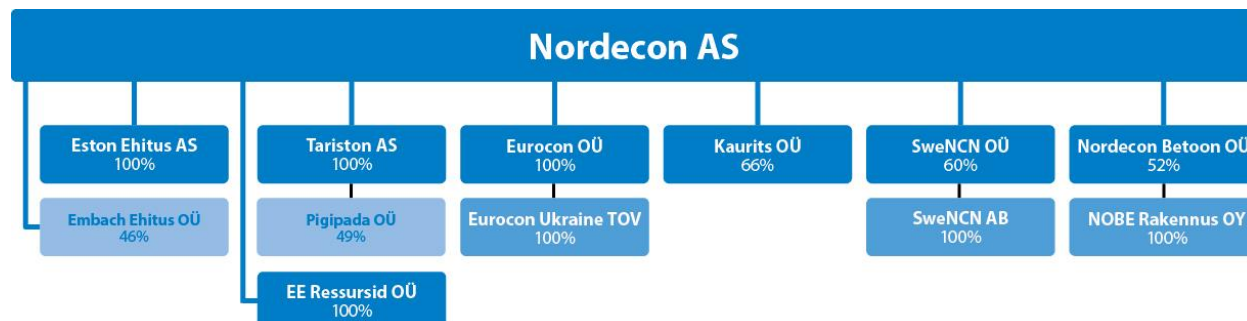
Corruption and ethical risks

As one of the leading construction companies in Estonia, we realise that it is important to be aware of the risks involved in the breach of honest and ethical business practices and to make sure that our entities' management quality, organisational culture and internal communication emphasise zero tolerance for dishonest, unethical and corrupt behaviour.



Group structure

The Group's structure at 30 September 2018, including interests in subsidiaries and associates*



* The structure does not include the subsidiaries OÜ Eesti Ehitus, OÜ Aspi, OÜ Linnaehitus, OÜ NOBE, Infra Ehitus OÜ, Kalda Kodu OÜ, Magasini 29 OÜ, Kastani Kinnisvara OÜ, Eurocon Bud TOV and Nordecon Statyba UAB and the associates Technopolis-2 TOV and V.I. Center TOV, which currently do not engage in any significant business activities. The first four were established to protect business names. Nor does the structure include investments in entities in which the Group's interest is less than 20%.

Significant changes in Group structure

Merger of subsidiaries

In August 2018, the merger of Nordecon AS's wholly-held subsidiaries Eurocon Vara OÜ and Eurocon OÜ was finalised. In the transaction, Eurocon Vara OÜ was the acquirer and Eurocon OÜ the acquiree. The merger was entered in the Commercial Register on 7 August 2018 and the combined entity continues to operate under the name of Eurocon OÜ.

Name change of a subsidiary

In September 2018, the business name of Nordecon Betoon OÜ's wholly-held Finnish subsidiary Estcon OY was changed for NOBE Rakennus OY. The purpose of the name change was to adopt the same trade name, NOBE, which Nordecon Betoon OÜ uses in Estonia.

Significant changes in Group structure after the reporting date

Acquisition of an interest

On 12 October 2018, Nordecon AS acquired a 34% non-controlling interest in its Estonian subsidiary OÜ Kaurits in which it already held a 66% stake. The purpose of the transaction was to improve construction management efficiency in the Infrastructure segment. After the transaction, OÜ Kaurits is a wholly-held subsidiary of Nordecon AS.



The Group's operations in Estonia and foreign markets

Changes in the Group's Estonian operations

There were no changes in our Estonian operations during the period under review. The Group was involved in building and infrastructure construction, being active in practically all market sub-segments. 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 and AS Eston Ehitus.

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

We did not enter any new operating segments in Estonia.

Changes in the Group's foreign operations

Ukraine

There were no changes in our Ukrainian operations during the period under review. Ukraine's political and economic environment continued to be influenced by the conflict between Ukraine and Russia which broke out at the beginning of 2014. In recent years, our business activity in Ukraine has increased but we have remained conservative about the contracts we sign. The Group's projects are mainly located in the capital Kiev and the surrounding area. The ongoing military conflict, 700 km away in eastern Ukraine, has not had a direct impact on our operations, mostly because we already right-sized the workforce during earlier recessionary periods and have accepted only such contracts whose risks have been reasonable under the circumstances. The situation in the Kiev region has stabilised, considering the backdrop, and companies have started to adapt to the new environment. In the period under review, our Ukrainian business volumes tripled compared to the first nine months of 2017.

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

Finland

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

Sweden

There were no significant changes in our Swedish operations during the period under review. The Group's subsidiary SWENCN AB continued to deliver services under a building construction contract secured as a general contractor. The subsidiary also continues to develop its organisation and active sales activities in order to win new contracts.



Performance by geographical market

The contribution of the Group's foreign markets has remained stable in the past three years. In the first nine months of 2018, revenue earned outside Estonia accounted for 6% of our total revenue.

	9M 2018	9M 2017	9M 2016	2017
Estonia	94%	95%	93%	94%
Ukraine	3%	1%	2%	2%
Sweden	2%	3%	4%	3%
Finland	1%	1%	1%	1%

The share of the Group's Ukrainian revenues grew substantially compared to the same period last year. In Ukraine, we provided general contractor's services under one infrastructure and two building construction contracts and the share of concrete works performed in the building construction segment also increased significantly. The share of Swedish revenues decreased year on year. During the period, we provided services under one construction contract secured as a general contractor. Our Finnish revenues resulted from concrete works in the building construction segment.

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

Performance by business line

Segment revenues

We strive to maintain the revenues of our operating segments (Buildings and Infrastructure) as balanced as possible because this helps to diversify risks and provides better opportunities for continuing construction operations in more challenging market conditions where the volumes of one or several sub-segments decline substantially.

Nordecon's revenues for the first nine months of 2018 totalled 167,588 thousand euros, a roughly 4.2% decrease from the 174,909 thousand euros generated in the same period last year. Revenue generated by the Infrastructure segment grew by around 10% but this did not counterbalance the decline (7.5%) in revenue generated by the Buildings segment. In the first nine months of 2018, our Buildings and Infrastructure segments generated revenue of 120,766 thousand euros and 46,454 thousand euros respectively. The corresponding figures for the first nine months of 2017 were 130,618 thousand euros and 42,303 thousand euros (see note 8). The current revenue structure is also reflected in our order book where building construction contracts continue to prevail.

Operating segments*	9M 2018	9M 2017	9M 2016	2017
Buildings	71%	75%	72%	74%
Infrastructure	29%	25%	28%	26%

* 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 Betoón OÜ that is involved in both building and infrastructure construction. The figures for the parent company are allocated in both parts of the interim report based on the nature of the work.



Sub-segment revenues

In the Buildings segment, the largest revenue source is the commercial buildings sub-segment. In the first nine months of 2018, its revenue grew significantly: by around 39% year on year. During the period, we completed the construction of an office building at Lõdtsa 12 and a multi-storey car park at Sepise 8 in Ülemiste City in Tallinn and the Møller Auto sales and service centre in Rae parish near Tallinn. We continued work on the Omniva logistics centre in Rae parish near Tallinn and a 14-floor commercial and residential building in the WoHo quarter at Mustamäe tee 3 in Tallinn. We began the reconstruction and extension of the building of Terminal D in the Old City Harbour in Tallinn. On the basis of the order book, we expect that in 2018 the revenue of the commercial buildings sub-segment will increase compared to 2017.

The revenue of the public buildings sub-segment increased by 12% year on year. The results of the sub-segment continue to be strongly influenced by investments made in national defence. During the period, we continued to build infrastructure for armoured vehicles and two barracks at the defence forces' base at Tapa as well as the Estonian Academy of Security Sciences building in Tallinn. We delivered the Abja Health Centre to the customer.

The proportion of revenue generated by the apartment buildings sub-segment decreased by more than a third compared to the same period last year. In Estonia, a substantial share of our apartment building projects is located in Tallinn. In the period under review, the largest of them included apartment buildings at Sõjakooli 12 (phase III) and Lesta 10 as well as two projects which we completed and delivered to customers: the Meerhof 2.0 apartment building complex at Pirita tee 20a and apartment buildings at Sõjakooli 12 (phase II). Foreign markets continue to contribute a major share of the sub-segment's revenue. In Ukraine, we continued the construction of a residential quarter in the city of Brovary in the Kiev region. In Sweden, we completed the design and construction of an eight-floor apartment building in Stockholm.

We continue to carry out our own housing development projects in Tartu and Tallinn (reported in the apartment buildings sub-segment). During the period, we completed the development of a new residential area in the Tammelinn district in Tartu. In the course of development, which began in March 2014, we built nine apartment buildings with a total of 193 apartments (www.tammelinn.ee). We also began work in new development projects at Nõmme tee 97 in Tallinn where we are going to build a four-floor apartment building with 21 apartments (www.nommetee.ee) and at Aruküla tee in Tartu where we are going to build three apartment buildings with 10 apartments each (www.kaldakodu.ee). We continue to sell apartments in the above development projects in Tartu and Tallinn as well as in the projects completed in 2017 at Magasini 29 (www.magasini.ee) and Hane 2 and 2a (www.hane.ee) in Tallinn. The period's housing development revenues totalled 5,556 thousand euros (9M 2017: 4,627 thousand euros). In carrying out development activities, we closely monitor potential risks in the housing development market that stem from rapid growth in the supply of new housing and relative growth in input prices.

The revenue of the industrial and warehouse facilities sub-segment decreased substantially compared with the same period last year. The largest project was the construction of the Metsä Wood plywood factory in Pärnu, which was successfully completed. The volumes of the sub-segment continue to be supported by orders placed by the agricultural sector. During the period, the largest of these included the construction of the Mätliku robotic dairy shed, a cattle shed for Kraavi Põllumajandus OÜ and the Lähtru grain terminal as well as the reconstruction (phase IV) of the fattening unit of the pig farm of Rakvere Farmid AS (EKSEKO).

Revenue breakdown in the Buildings segment	9M 2018	9M 2017	9M 2016	2017
Commercial buildings	36%	24%	15%	25%
Public buildings	27%	22%	31%	19%
Apartment buildings	22%	31%	32%	30%
Industrial and warehouse facilities	15%	23%	22%	26%

For a long time, the Infrastructure segment has been dominated by the road construction and maintenance sub-segment whose relative importance has been increasing year by year. During the period, a significant portion of its revenue resulted from major projects performed under contracts secured in 2017: the reconstruction of the Haabersti intersection in Tallinn, the reconstruction of a section of the Tallinn ring road (km 0.6-2.8) and the construction of passing lanes for a 2+1 road on the Valmaotsa-Kärevere section of the Tallinn-Tartu-Võru-Luhamaa road. A substantial share of the period's revenue also resulted from forest road improvement services provided to the State Forest Management Centre. We continued to render road maintenance services in Järva and Hiiumaa counties and the Kose maintenance area in Harju county. We expect that road construction will remain the largest revenue source in the Infrastructure segment through 2018.



Contracts secured by the environmental engineering and other engineering (utility network construction) sub-segments are generally small. The contract signed in the reporting period for the performance of earthworks on the Kiili-Paldiski section of the mainland part of Balticconnector (a natural gas pipeline), creates a basis for certain growth in other engineering revenue.

Revenue breakdown in the Infrastructure segment	9M 2018	9M 2017	9M 2016	2017
Road construction and maintenance	91%	84%	86%	86%
Other engineering	6%	12%	9%	8%
Environmental engineering	3%	4%	5%	6%



Financial review

Financial performance

Nordecon Group ended the first nine months of 2018 with a gross profit of 6,688 thousand euros (9M 2017: 6,768 thousand euros) and a gross margin of 4.0% (9M 2017: 3.9%). In an environment of continuously stiff competition, the Group's gross margin for the first nine months remained basically at the same level as in the same period last year. However, the gross margin for the third quarter improved, rising to 5.6% (Q3 2017: 5.1%). The gross margin of the Infrastructure segment increased to 6.7% for nine months and 10.1% for the third quarter compared to 3.9% for nine months and 6.5% for the third quarter in 2017. Among other factors, the rise in profitability is attributable to intra-Group restructuring undertaken to increase operating efficiency and provide better-quality service to customers. However, we would like to see an improvement in the profitability of the Buildings segment whose gross margin dropped to 3.4% for nine months and 3.7% for the third quarter (2017: 4.3% for nine months and 4.5% for the third quarter). The profitability of the Buildings segment, particularly in the first half of 2018, was influenced by the fact that a significant share of the Group's revenue results from the construction of apartment buildings. The margins of long-term contracts secured in 2016 and 2017 were undermined in the performance phase by a continuous rise in subcontracting charges, particularly labour costs. Profitability was also lowered by the conclusion of an insufficient volume of new contracts in Sweden, which caused uncovered fixed costs. We rigorously monitor the proportions of different segments in the Group's portfolio in order to better manage the risks resulting from changes in input prices.

The Group's administrative expenses for the first nine months of 2018 amounted to 4,977 thousand euros. Compared to the same period last year, administrative expenses decreased by around 7.4% (9M 2017: 5,375 thousand euros) and the ratio of administrative expenses to revenue (12 months rolling) was 2.9% (9M 2017: 3.0%). Both in the reporting and the comparative period, administrative expenses were influenced by changes on the Group's board (see also the chapter *Employees and personnel expenses*). However, our cost-control measures continue to produce good results and we have been able to keep administrative expenses below the target ceiling of 4% of revenue.

The Group's operating profit for the first nine months of 2018 amounted to 2,392 thousand euros (9M 2017: 913 thousand euros). EBITDA amounted to 3,879 thousand euros (9M 2017: 2,419 thousand euros).

Finance income and costs for the period continued to be influenced by exchange rate fluctuations in the Group's foreign markets. Although the Ukrainian hryvnia strengthened slightly against the euro and the Group recognised an exchange gain of 29 thousand euros (9M 2017: an exchange loss of 247 thousand euros) on the translation of a loan provided to the Ukrainian subsidiary in euros, the Swedish krona weakened against the euro by around 5% and the Group recognised an exchange loss of 124 thousand euros (9M 2017: nil euros) on the translation of a loan provided to the Swedish subsidiary in euros.

The Group's net profit amounted to 2,154 thousand euros (9M 2017: a net profit of 2,716 thousand euros), of which the net profit attributable to owners of the parent, Nordecon AS, was 1,972 thousand euros (9M 2017: 2,978 thousand euros).

Cash flows

In the first nine months of 2018, operating activities produced a net cash inflow of 6,741 thousand euros (9M 2017: an outflow of 5,772 thousand euros). Positive net operating cash flow is attributable to growth in the Group's own development operations and the collection of the contractual retentions (5-10% of the contract price) of major construction projects which have been completed. Operating cash flow continues to be strongly influenced by the fact that the contracts signed with public and private sector customers do not require them to make advance payments while the Group has to make prepayments to subcontractors, materials suppliers, etc. Cash inflow is also lowered 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 of the first nine months produced a net cash outflow of 117 thousand euros (9M 2017: an inflow of 4,627 thousand euros, which was influenced by the sale of a subsidiary and a joint venture). The largest items were payments for property, plant and equipment of 384 thousand euros (9M 2017: 297 thousand euros) and dividends received of 249 thousand euros (9M 2017: 153 thousand euros).



Financing activities generated a net cash outflow of 6,177 thousand euros (9M 2017: an outflow of 567 thousand euros). The largest items were loan, finance lease and dividend payments. Proceeds from loans received amounted to 1,916 thousand euros, consisting of development loans and overdraft facilities used (9M 2017: 7,457 thousand euros). Loan repayments totalled 3,513 thousand euros (9M 2017: 3,189 thousand euros), consisting of scheduled repayments of long-term investment and development loans. Finance lease payments amounted to 1,365 thousand euros (9M 2017: 1,758 thousand euros). Dividends paid in the first nine months of 2018 totalled 2,627 thousand euros (9M 2017: 2,488 thousand euros).

At 30 September 2018, the Group's cash and cash equivalents totalled 9,364 thousand euros (30 September 2017: 8,062 thousand euros). Management's commentary on liquidity risks is presented in the chapter *Description of the main risks*.

Key financial figures and ratios

Figure/ratio for the period	9M 2018	9M 2017	9M 2016	2017
Revenue (EUR '000)	167,588	174,909	133,570	231,387
Revenue change	-4.2%	30.9%	17.6%	26.2%
Net profit (EUR '000)	2,154	2,716	3,315	1,725
Net profit attributable to owners of the parent (EUR '000)	1,972	2,978	2,437	1,388
Weighted average number of shares	30,986,585	30,913,031	30,756,728	30,913,031
Earnings per share (EUR)	0.06	0.10	0.08	0.04
Administrative expenses to revenue	3.0%	3.1%	3.5%	3.0%
Administrative expenses to revenue (rolling)	2.9%	3.0%	3.8%	3.0%
EBITDA (EUR '000)	3,879	2,419	4,723	3,123
EBITDA margin	2.3%	1.4%	3.5%	1.3%
Gross margin	4.0%	3.9%	6.4%	3.8%
Operating margin	1.4%	0.5%	2.5%	0.5%
Operating margin excluding gain on asset sales	0.8%	0.5%	2.4%	0.5%
Net margin	1.3%	1.6%	2.5%	0.7%
Return on invested capital	5.4%	6.5%	6.8%	5.9%
Return on equity	6.4%	7.2%	9.0%	4.8%
Equity ratio	28.6%	29.3%	33.2%	30.8%
Return on assets	1.9%	2.4%	3.3%	1.6%
Gearing	29.1%	31.6%	28.3%	32.7%
Current ratio	0.96	1.04	1.05	1.11
As at	30 Sept 2018	30 Sept 2017	30 Sept 2016	31 Dec 2017
Order book (EUR '000)	131,953	142,553	133,846	144,122

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

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

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

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

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

EBITDA margin = (EBITDA / revenue) * 100

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

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

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

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

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

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

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

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

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

Current ratio = total current assets / total current liabilities



Order book

At 30 September 2018, the Group's order book (backlog of contracts signed but not yet performed) stood at 131,953 thousand euros, a decrease of roughly 7% compared to the same period last year.

	30 Sept 2018	30 Sept 2017	30 Sept 2016	31 Dec 2017
Order book (EUR '000)	131,953	142,553	133,846	144,122

At the reporting date, contracts secured by the Buildings segment and the Infrastructure segment accounted for 73% and 27% of the Group's total order book respectively (30 September 2017: 78% and 22% respectively). Compared to 30 September 2017, the order books of the Buildings segment and the Infrastructure segment have decreased by 3% and 17% respectively.

The order books of the commercial buildings and apartment buildings sub-segments account for an equal share, approximately a third each, of the order book of the Buildings segment. In the commercial buildings sub-segment, the largest projects in progress are in Tallinn: the reconstruction and extension of the building of Terminal D in the Old City Harbour at Lootsi 13/4 and the design and construction of an eight-floor accommodation building on the property at Liimi 1B. The order book of the apartment buildings sub-segment includes mainly contracts for the construction of apartment buildings in Tallinn. However, in the third quarter of 2018 the Group also secured a housing development project in the Stockholm area in Sweden. The order book of the public buildings sub-segment, which accounts for 19% of the order book of the Buildings segment, has grown as well. A major share of it is made up of contracts secured in the reporting period for the construction of a state secondary school at Kohtla-Järve and the Peetri sports and leisure centre in Rae parish. The Group continues to build the Estonian Academy of Security Sciences building in Tallinn and infrastructure for armoured vehicles and two barracks at the defence forces' base at Tapa. The order book of the industrial and warehouse facilities sub-segment has decreased.

The order book of the Infrastructure segment continues to be strongly influenced by the contracts of the road construction and maintenance sub-segment which account for around 76% of the Infrastructure segment's order book. The road construction order book includes the remaining portions of contracts signed in 2017 as well as two new contracts secured in 2018 for the construction of the Veskitammi intersection on the border of Tallinn in Laagri and passing lanes for a 2+1 road on the Pikknurme-Puurmani section (km 142.2-146.9) of the Tallinn-Tartu-Võru-Luhamaa road. The Group continues to provide road maintenance services in three road maintenance areas: Järva, Hiiu and Kose. In July this year, the Group signed a contract for the performance of earthworks on the 53 kilometre-long Kiili-Paldiski section of the mainland part of Balticconnector (a natural gas pipeline), which made a strong contribution to the order book of the Infrastructure segment. Although according to our projections in 2018 public investments will not increase substantially, our order book allows us to expect that in 2018 the revenue of the Infrastructure segment will grow somewhat compared to 2017 (for further information, see the *Business risks* section of the chapter *Description of the main risks*).

Based on the Group's order book and known developments in our chosen markets, we expect that the Group's revenue for 2018 will decrease slightly compared to 2017. In an environment of stiff competition, we avoid taking unjustified risks whose realisation in the contract performance phase would have an adverse impact on the Group's results. Our preferred policy is to keep fixed costs under control and rigorously monitor market developments.

Between the reporting date (30 September 2018) and the date of release of this report, Group companies have secured additional construction contracts in the region of 5,586 thousand euros.



People

Employees and personnel expenses

In the first nine months of 2018, the Group (the parent and the subsidiaries) employed, on average, 697 people including 425 engineers and technical personnel (ETP). The number of employees, particularly workers, decreased by around 6% year on year, mostly because the contract for providing road maintenance services in the Keila maintenance area expired.

Average number of the Group's employees (at the parent and the subsidiaries):

	9M 2018	9M 2017	9M 2016	2017
ETP	425	425	374	426
Workers	272	314	305	309
Total average	697	739	679	735

The Group's personnel expenses for the first nine months of 2018, including all taxes, totalled 16,820 thousand euros. In the same period of 2017, personnel expenses amounted to 16,343 thousand euros. The roughly 3% growth in personnel expenses is mainly attributable to pay rises.

The service fees of the members of the council of Nordecon AS for the first nine months of 2018 amounted to 140 thousand euros and associated social security charges totalled 46 thousand euros (9M 2017: 120 thousand euros and 40 thousand euros respectively).

The service fees of the members of the board of Nordecon AS amounted to 536 thousand euros and associated social security charges totalled 177 thousand euros (9M 2017: 923 thousand euros and 272 thousand euros respectively). The figures include termination benefits of 180 thousand euros paid to a member of the board and associated social security charges of 60 thousand euros. In the comparative period in 2017, board members' service fees included termination benefits of 550 thousand euros paid to two members of the board and associated social security charges of 182 thousand euros.

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:

	9M 2018	9M 2017	9M 2016	2017
Nominal labour productivity (rolling), (EUR '000)	318.6	308.1	245.1	314.9
Change against the comparative period, %	3.4%	25.7%	12.7%	17.6%
Nominal labour cost efficiency (rolling), (EUR)	9.6	10.3	8.2	10.1
Change against the comparative period, %	-6.7%	24.8%	-0.6%	12.6%

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 increased year on year, mainly through a decrease in headcount. Labour cost efficiency declined because the rise in personnel expenses outpaced revenue growth.



Share and shareholders

Share information

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

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

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

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

Reduction of share capital

On 23 May 2018 the annual general meeting of Nordecon AS adopted a resolution on the reduction of the company's share capital and on 14 September 2018 the reduction was registered at the Commercial Register.

In accordance with the resolution of the general meeting, the company's share capital was reduced by 1,942,528.98 euros, from 18,263,543.68 euros to 16,321,014.70 euros. The reduction was carried out by reducing the book value of the shares by 0.06 euros per share. The number of the company's shares remained the same and the book value of the shares decreased in proportion to the reduction of share capital. After the reduction, the company's share capital amounts to 16,321,014.70 euros and is made up of 32,375,483 shares with no par value.

The reduction of share capital by 0.06 euros per share will be paid out to shareholders on 18 December 2018. No payments will be made to Nordecon AS for own shares held by the company.

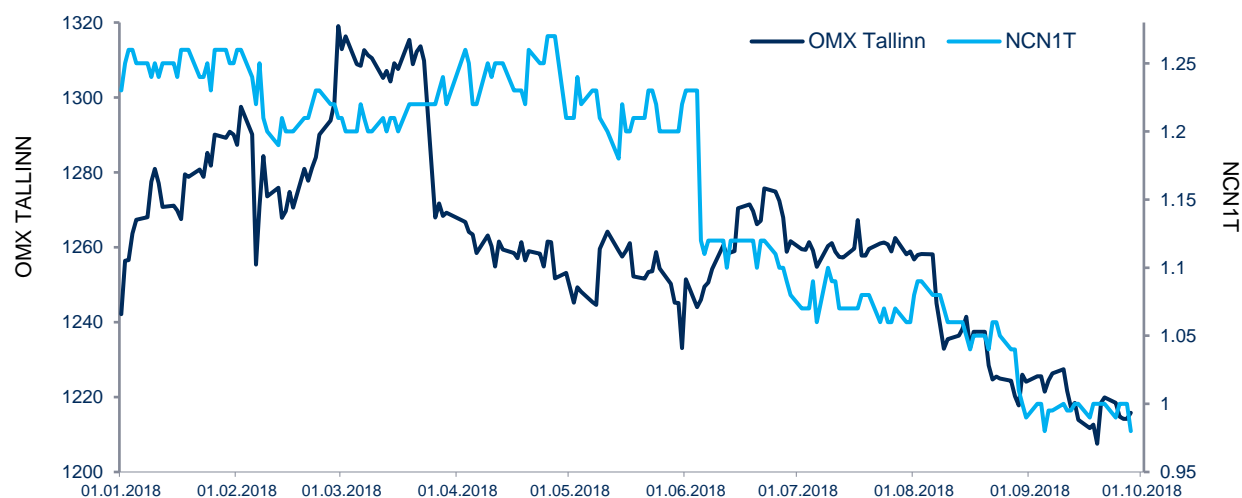


Movements in the price and trading volume of the Nordecon AS share in the first nine months of 2018

Movements in 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 the first nine months of 2018



Index/equity	1 January 2018*	30 September 2018	+/-
OMX Tallinn	1,242.12	1,215.84	-2.12%
NCN1T	EUR 1.23	EUR 0.98	-20.33%

* Closing price on the Nasdaq Tallinn Stock Exchange at 31 December 2017



Summarised trading results

Share trading history (EUR)

Price	9M 2018	9M 2017	9M 2016
Open	1.25	1.34	1.03
High	1.29	1.46	1.25
Low	0.98	1.20	0.98
Last closing price	0.98	1.32	1.21
Traded volume (number of securities traded)	1,512,959	1,421,816	974,459
Turnover, in millions	1.74	1.87	1.06
Listed volume (30 September), in thousands	32,375	32,375	32,375
Market capitalisation (30 September), in millions	31.73	42.74	39.17

Shareholder structure

Largest shareholders of Nordecon AS at 30 September 2018:

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,507,464	50.99
Luksusjaht AS	4,167,385	12.87
ING Luxembourg S.A.	1,404,120	4.34
Rondam AS	1,000,000	3.09
SEB Pank AS clients	705,000	2.18
ASM Investments OÜ	519,600	1.60
State Street Bank and Trust Omnibus Account A Fund	368,656	1.14
Ain Tromp	303,960	0.94
Lembit Talpsepp	291,103	0.90
Alforme OÜ	260,000	0.80

Shareholder structure of Nordecon AS at 30 September 2018

	Number of shareholders	Ownership interest (%)
Shareholders with interest exceeding 5%	2	63.86
Shareholders with interest from 1% to 5%	5	12.35
Shareholders with interest below 1%	1,848	19.50
Holder of own (treasury) shares	1	4.29
Total	1,856	100

Shares controlled by members of the council of Nordecon AS at 30 September 2018

Council member		Number of shares	Ownership interest (%)
Toomas Luman (AS Nordic Contractors, OÜ Luman ja Pojad)*	Chairman of the Council	16,579,144	51.21
Andri Hõbemägi	Member of the Council	50,000	0.15
Vello Kahro	Member of the Council	10,000	0.03
Sandor Liive	Member of the Council	0	0.00
Meelis Milder	Member of the Council	0	0.00
Total		16,639,144	51.39

* Companies controlled by the individual

Shares controlled by members of the board of Nordecon AS at 30 September 2018

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



Share option plan

The annual general meeting that convened on 27 May 2014 approved a share option plan aimed at motivating the executive management of Nordecon AS by including them among the company's shareholders to ensure consistency in the company's management and improvement of the company's performance and enable the executive management to benefit from their contribution to growth in the value of the company's share. Under the share option plan, the company granted options for acquiring up to 1,618,755 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 1,618,755 new shares with a total cost of 1,581,523.64 euros, increasing share capital by 1,034,573.01 euros to 20,691,704.91 euros, and acquired the same number of own (treasury) shares at the same price.

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

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

At 30 September 2018, options for the acquisition of 229,857 shares had been exercised, options for the acquisition of 800,398 shares had expired and options for the acquisition of 588,500 shares were still exercisable.



Management's confirmation and signatures

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

Gerd Müller

Chairman of the Board

8 November 2018

Priit Luman

Member of the Board

8 November 2018

Maret Tambek

Member of the Board

8 November 2018

Ando Voogma

Member of the Board

8 November 2018



Condensed consolidated interim financial statements

Condensed consolidated interim statement of financial position

EUR '000	Note	30 September 2018	31 December 2017
ASSETS			
Current assets			
Cash and cash equivalents		9,364	8,915
Trade and other receivables	2	38,543	35,193
Prepayments		2,562	1,641
Inventories	3	20,664	23,230
Total current assets		71,133	68,980
Non-current assets			
Investments in equity-accounted investees		2,275	1,888
Other investments		26	26
Trade and other receivables	2	9,163	8,950
Investment property		3,549	4,929
Property plant and equipment	4	12,235	12,566
Intangible assets	4	14,649	14,639
Total non-current assets		41,897	42,998
TOTAL ASSETS		113,030	111,978
LIABILITIES			
Current liabilities			
Borrowings	5, 6	21,491	16,197
Trade payables		36,767	35,926
Other payables		9,779	5,654
Deferred income		5,784	3,651
Provisions		591	664
Total current liabilities		74,412	62,092
Non-current liabilities			
Borrowings	5, 6	5,007	13,955
Trade payables		98	98
Other payables		71	71
Provisions		1,112	1,273
Total non-current liabilities		6,288	15,397
TOTAL LIABILITIES		80,700	77,489
EQUITY			
Share capital		16,321	18,263
Own (treasury) shares		-1,223	-1,349
Share premium		617	589
Statutory capital reserve		2,554	2,554
Translation reserve		2,094	1,992
Retained earnings		11,202	11,089
Total equity attributable to owners of the parent		31,565	33,138
Non-controlling interests		765	1,351
TOTAL EQUITY		32,330	34,489
TOTAL LIABILITIES AND EQUITY		113,030	111,978



Condensed consolidated interim statement of comprehensive income

EUR '000	Note	9M 2018	Q3 2018	9M 2017	Q3 2017	2017
Revenue	8, 9	167,588	61,930	174,909	71,408	231,387
Cost of sales	10	-160,900	-58,441	-168,141	67,779	-222,692
Gross profit		6,688	3,489	6,768	3,629	8,695
Marketing and distribution expenses		-470	-139	-448	-114	-623
Administrative expenses	11	-4,977	-1,591	-5,375	-2,297	-6,936
Other operating income	12	1,225	1,005	98	44	107
Other operating expenses	12	-74	3	-130	-23	-141
Operating profit		2,392	2,767	913	1,239	1,102
Finance income	13	241	-144	2,802	2,598	2,901
Finance costs	13	-741	-155	-726	-298	-1,570
Net finance costs/income		-500	-299	2,076	2,300	1,331
Share of profit of equity-accounted investees		844	392	518	325	485
Profit before income tax		2,736	2,860	3,507	3,864	2,918
Income tax expense		-582	-182	-791	-251	-1,193
Profit for the period		2,154	2,678	2,716	3,613	1,725
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translating foreign operations		102	162	259	132	446
Total other comprehensive income		102	162	259	132	446
TOTAL COMPREHENSIVE INCOME		2,256	2,840	2,975	3,745	2,171
Profit attributable to:						
- Owners of the parent		1,972	2,504	2,978	3,868	1,388
- Non-controlling interests		182	174	-262	-255	337
Profit for the period		2,154	2,678	2,716	3,613	1,725
Total comprehensive income attributable to:						
- Owners of the parent		2,074	2,666	3,237	4,000	1,834
- Non-controlling interests		182	174	-262	-255	337
Total comprehensive income for the period		2,256	2,840	2,975	3,745	2,171
Earnings per share attributable to owners of the parent:						
Basic earnings per share (EUR)	7	0.06	0.08	0.10	0.13	0.04
Diluted earnings per share (EUR)	7	0.06	0.08	0.10	0.13	0.04



Condensed consolidated interim statement of cash flows

EUR '000	Note	9M 2018	9M 2017
Cash flows from operating activities			
Cash receipts from customers ¹		201,839	186,228
Cash paid to suppliers ²		-171,860	-170,133
VAT paid		-5,892	-4,479
Cash paid to and for employees		-16,764	-17,063
Income tax paid		-582	-325
Net cash from/used in operating activities		6,741	-5,772
Cash flows from investing activities			
Paid on acquisition of property, plant and equipment		-384	-292
Paid on acquisition of intangible assets		0	-5
Proceeds from sale of property, plant and equipment	4	22	48
Disposal of a subsidiary and a joint venture		0	2,744
Loans provided		-22	-38
Repayment of loans provided		10	1,487
Dividends received		249	153
Interest received		8	377
Sale of own shares		0	153
Net cash used in/from investing activities		-117	4,627
Cash flows from financing activities			
Proceeds from loans received		1,916	7,457
Repayment of loans received		-3,513	-3,189
Finance lease principal paid	6	-1,365	-1,758
Interest paid		-588	-589
Dividends paid		-2,627	-2,488
Net cash used in financing activities		-6,177	-567
Net cash flow		447	-1,712
Cash and cash equivalents at beginning of period		8,915	9,786
Effect of movements in foreign exchange rates		2	-12
Increase/decrease in cash and cash equivalents		447	-1,712
Cash and cash equivalents at end of period		9,364	8,062

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

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



Condensed consolidated interim statement of changes in equity

EUR '000	Equity attributable to owners of the parent							Non-controlling interests	Total
	Share capital	Own shares	Capital reserve	Share premium	Translation reserve	Retained earnings	Total		
Balance at 31 December 2016	19,720	-1,550	2,554	564	1,549	13,091	35,928	2,118	38,046
Profit for the period	0	0	0	0	0	2,978	2,978	-262	2,716
Other comprehensive income	0	0	0	0	259	0	259	0	259
Transactions with owners									
Exercise of share options	0	153	0	0	0	0	153	0	153
Dividend distribution	0	0	0	0	0	-1,384	-1,384	-1,104	-2,488
Reduction of share capital	-1,457	48	0	25	0	0	-1,384	0	-1,384
Total transactions with owners	-1,457	201	0	25	0	-1,384	-2,615	-1,104	-3,719
Balance at 30 September 2017	18,263	-1,349	2,554	589	1,808	14,685	36,550	752	37,302
Balance at 31 December 2017	18,263	-1,349	2,554	589	1,992	11,089	33,138	1,351	34,489
Profit for the period	0	0	0	0	0	1,972	1,972	182	2,154
Other comprehensive income	0	0	0	0	102	0	102	0	102
Transactions with owners									
Exercise of share options	0	71	0	0	0	0	71	0	71
Dividend distribution	0	0	0	0	0	-1,859	-1,859	-768	-2,627
Reduction of share capital	-1,942	55	0	28	0	0	-1,859	0	-1,859
Total transactions with owners	-1,942	126	0	28	0	-1,859	-3,647	-768	-4,415
Balance at 30 September 2018	16,321	-1,223	2,554	617	2,094	11,202	31,565	765	32,330



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 Pärnu mnt 158/1, Tallinn 11317, Estonia. Nordecon AS's majority shareholder and the party controlling Nordecon Group is AS Nordic Contractors that holds 50.99% of the shares in Nordecon AS. The Nordecon AS shares have been listed on the Nasdaq Tallinn Stock Exchange since 18 May 2006.

The condensed consolidated interim financial statements as at and for the period ended 30 September 2018 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 2017.

According to management's assessment, the condensed consolidated interim financial statements of Nordecon AS for the third quarter and first nine months of 2018 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.

Changes in accounting policies

From 1 January 2018 the Group adopted and began to apply IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, when and how much revenue may be recognised. The standard superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the interpretations related to them. According to the core principle of the new standard, revenue is recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be recognised separately, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, a minimum amount of revenue is recognised unless there is significant risk of reversal. The costs incurred to secure contracts with customers are capitalised and amortised over the period in which the benefits of the contract are consumed.

On the initial application of IFRS 15, the Group used the cumulative effect method whereby comparative information is not restated and the effect of the initial application of the standard is recognised on 1 January 2018.

Details of new accounting policies and changes in previously applied policies which are related to the Group's different goods and services are set out below.

Recognition of revenue from construction contracts

Construction contract revenue and costs are recognised as soon as they can be measured reliably using the stage of completion method. Contract revenue comprises the initial amount of revenue agreed in the contract, which may be adjusted for variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and are capable of being measured reliably. The stage of completion of a contract is determined using the cost method, i.e. based on the proportion that costs incurred bear to the estimated total contract costs. When it is probable that the estimated total contract costs will exceed contract revenue, the expected loss is recognised immediately as an expense as well as a provision in the statement of financial position.

The Group's management analysed the effect of the change in the stage of completion method applied to construction contracts in progress on revenue as at 1 January 2018 and determined that the change in the accounting method did not have a significant effect on revenue. On the adoption of IFRS 15, the losses recognised for onerous contracts in progress of 131 thousand euros which at 31 December 2017 were recognised within trade payables were reclassified to provisions in the statement of financial position.



IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standard superseded in material respects IAS 39 *Financial Instruments: Recognition and Measurement*.

The Group applied IFRS 9 retrospectively without restating comparative information in which case the effect of initial application is recognised on 1 January 2018.

Classification of financial instruments

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income and fair value through profit or loss – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortised cost if both of the following two conditions are met and the asset has not been designated as measured at fair value through profit or loss:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

At initial recognition financial assets (except for trade receivables that do not have a significant financing component, which are measured at initial recognition at their transaction price) are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

After initial recognition, such assets are measured at amortised cost using the effective interest rate method. Interest revenue, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss arising on derecognition is also recognised in profit or loss.

Because of the nature of the Group's operations and the types of financial instruments it holds, the classification and measurement of its financial instruments did not change on the adoption of IFRS 9.

Expected credit loss model

The impairment model in IFRS 9 replaced the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event no longer needs to occur before an impairment allowance is recognised.

Under IFRS 9, after the initial recognition of a financial asset a loss allowance for its expected credit losses is recognised and measured using one of the following bases:

- 12-month expected credit losses - these are credit losses that result from default events on a financial instrument that are possible within 12 months after the reporting date; and
- lifetime expected credit losses - these are credit losses that result from all possible default events over the expected life of a financial instrument.

Expected credit losses are probability-weighted estimated credit losses. Credit loss is the difference between the contractual cash flows that are due under the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

On determining whether the credit risk of a financial asset has increased significantly since its initial recognition and on assessing credit losses, the Group considers reasonable and supportable information which is relevant and available without undue cost and effort.

According to the Group's assessment a financial asset is credit-impaired when:

- the debtor is probably unable to meet all its credit-related obligations to the Group; or
- more than 180 days have passed since a payment date.

Because of the types of the Group's financial instruments, their risks and settlement dates as well as the methods used to assess credit losses at 31 December 2017, the adoption of IFRS 9 and the application of the expected credit loss model did not cause any significant increase in the Group's credit losses.



NOTE 2. Trade and other receivables

EUR '000	Note	30 September 2018	31 December 2017
Current items			
Trade receivables		29,689	25,009
Retentions receivable		1,444	950
Receivables from related parties		35	19
Miscellaneous receivables		41	275
Total receivables and loans provided		31,209	26,253
Due from customers for contract work		7,334	8,940
Total current trade and other receivables		38,543	35,193

EUR '000	Note	30 September 2018	31 December 2017
Non-current items			
Loans provided to related parties	14	8,715	8,492
Other non-current receivables		448	458
Total non-current trade and other receivables		9,163	8,950

NOTE 3. Inventories

EUR '000	30 September 2018	31 December 2017
Raw materials and consumables	3,244	2,802
Work in progress	5,172	5,788
Apartments for sale	1,746	3,700
Properties purchased for development and pre-development costs	10,502	10,940
Total inventories	20,664	23,230

NOTE 4. Property, plant and equipment and intangible assets

Property, plant and equipment

In the first nine months of 2018, the Group acquired new property, plant and equipment of 1,284 thousand euros (9M 2017: 2,072 thousand euros). Additions comprised equipment and construction machinery required for the Group's operating activities.

Proceeds from the sale of property, plant and equipment amounted to 22 thousand euros (see the statement of cash flows).

In September 2018, Nordecon AS sold a built-up property located in Keila. The sales price of the property was 1,359 thousand euros which was received in October. Gain on the sale of property, plant and equipment totalled 996 thousand euros (9M 2017: 1 thousand euros) (note 12).

Intangible assets

In the first nine months of 2018, the Group did not conduct any significant transactions with intangible assets.

NOTE 5. Borrowings

Current borrowings

EUR '000	Note	30 September 2018	31 December 2017
Short-term portion of long-term loans		8,364	1,117
Short-term portion of finance lease liabilities	6	1,635	1,644
Short-term bank loans		7,738	7,787
Factoring liabilities		3,754	5,649
Total current borrowings		21,491	16,197



Non-current borrowings

EUR '000	Note	30 September 2018	31 December 2017
Long-term portion of long-term bank loans		1,205	10,001
Other long-term loans		11	9
Derivative financial instruments		10	13
Long-term portion of finance lease liabilities	6	3,781	3,932
Total non-current borrowings		5,007	13,955

NOTE 6. Finance and operating leases

EUR '000	30 September 2018	31 December 2017
Finance lease liabilities at end of reporting period	5,416	5,576
Of which payable not later than 1 year	1,635	1,644
Of which payable later than 1 year and not later than 5 years	3,781	3,932
Base currency EUR	5,416	5,576
Interest rates of contracts denominated in EUR ¹	1.7%-3.9%	2.0%-3.9%
Frequency of payments	Monthly	Monthly

¹ Includes leases with floating interest rates.

Finance lease payments

EUR '000	9M 2018	9M 2017
Principal payments made during the period	1,365	1,758
Interest payments made during the period	95	124

Operating lease payments

EUR '000	9M 2018	9M 2017
Operating lease payments made for cars	760	661
Operating lease payments made for construction equipment	3,104	2,508
Operating lease payments made for premises	527	558
Operating lease payments made for IT equipment	246	200
Total operating lease payments	4,637	3,927

NOTE 7. Earnings per share

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

EUR '000	9M 2018	9M 2017
Profit for the period attributable to owners of the parent	1,972	2,978
Weighted average number of shares (in thousands)	30,913	30,913
Basic earnings per share (EUR)	0.06	0.10
Diluted earnings per share (EUR)	0.06	0.10

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. The board 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 (construction of buildings)
- Infrastructure (construction of infrastructure assets)

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

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 the utilisation of the resources allocated to it through the profit generated by the segment. The profit of an operating segment is its gross profit that does not include any 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.

Third quarter

EUR '000			
Q3 2018	Buildings	Infrastructure	Total
Total revenue	39,939	21,866	61,805
Of which: general contracting services	37,081	19,873	56,954
subcontracting services	530	998	1,528
own development activities	2,328	0	2,328
road maintenance services	0	664	664
rental services	0	331	331
Inter-segment revenue	0	0	0
Revenue from external customers	39,939	21,866	61,805
Gross profit of the segment	1,471	2,207	3,678

EUR '000			
Q3 2017	Buildings	Infrastructure	Total
Total revenue	46,784	23,696	70,480
Of which: general contracting services	42,721	21,539	64,260
subcontracting services	538	407	945
own development activities	3,525	0	3,525
road maintenance services	0	1,222	1,222
rental services	0	528	528
Inter-segment revenue	0	0	0
Revenue from external customers	46,784	23,696	70,480
Gross profit of the segment	2,126	1,548	3,674



9 months

EUR '000

9 months 2018	Buildings	Infrastructure	Total
Total revenue	120,766	46,506	167,272
Of which: general contracting services	113,555	41,166	154,721
subcontracting services	1,655	2,015	3,670
own development activities	5,556	0	5,556
road maintenance services	0	2,522	2,522
rental services	0	803	803
Inter-segment revenue	0	-52	-52
Revenue from external customers	120,766	46,454	167,220
Gross profit of the segment	4,131	3,122	7,253

EUR '000

9 months 2017	Buildings	Infrastructure	Total
Total revenue	130,619	42,303	172,922
Of which: general contracting services	123,699	36,170	159,869
subcontracting services	2,293	1,309	3,602
own development activities	4,627	0	4,627
road maintenance services	0	4,077	4,077
rental services	0	747	747
Inter-segment revenue	-1	0	-1
Revenue from external customers	130,618	42,303	172,921
Gross profit of the segment	5,602	1,654	7,256

Reconciliation of segment revenues

EUR '000	9M 2018	Q3 2018	9M 2017	Q3 2017
Total revenues for reportable segments	167,272	61,805	172,922	70,480
Elimination of inter-segment revenues	-52	0	-1	0
Other revenue	368	125	1,988	928
Total consolidated revenue	167,588	61,930	174,909	71,408

Reconciliation of segment profit

EUR '000	9M 2018	Q3 2018	9M 2017	Q3 2017
Total profit for reportable segments	7,253	3,678	7,256	3,674
Unallocated profits and losses	-565	-189	-488	-45
Consolidated gross profit	6,688	3,489	6,768	3,629
Unallocated expenses:				
Marketing and distribution expenses	-470	-139	-448	-114
Administrative expenses	-4,977	-1,591	-5,375	-2,297
Other operating income and expenses	1,151	1,008	-32	21
Consolidated operating profit	2,392	2,767	913	1,239
Finance income	241	-144	2,802	2,598
Finance costs	-741	-155	-726	-298
Share of profit of equity-accounted investees	844	392	518	325
Consolidated profit before tax	2,736	2,860	3,507	3,864



NOTE 9. Segment reporting – geographical information

EUR '000	9M 2018	Q3 2018	9M 2017	Q3 2017
Estonia	158,584	60,552	165,776	69,123
Ukraine	5,131	963	1,763	510
Finland	1,655	531	2,293	538
Sweden	2,777	82	5,798	1,400
Elimination of inter-segment revenues	-559	-198	-721	-163
Total revenue	167,588	61,930	174,909	71,408

NOTE 10. Cost of sales

EUR '000	9M 2018	9M 2017
Cost of materials, goods and services	145,459	153,761
Personnel expenses	13,858	12,873
Depreciation expense	1,426	1,446
Other expenses	157	61
Total cost of sales	160,900	168,141

NOTE 11. Administrative expenses

EUR '000	9M 2018	9M 2017
Personnel expenses	2,936	3,470
Cost of materials, goods and services	1,838	1,737
Depreciation and amortisation expense	61	60
Other expenses	142	108
Total administrative expenses	4,977	5,375

NOTE 12. Other operating income and expenses

EUR '000	9M 2018	9M 2017
Other operating income		
Gain on sale of property, plant and equipment	996	1
Other income	229	97
Total other operating income	1,225	98

EUR '000	9M 2018	9M 2017
Other operating expenses		
Foreign exchange loss	61	0
Net loss on recognition and reversal of impairment losses on receivables	0	37
Loss on write-off of property, plant and equipment	0	10
Other expenses	13	83
Total other operating expenses	74	130



NOTE 13. Finance income and costs

EUR '000	9M 2018	9M 2017
Finance income		
Interest income on loans	208	275
Foreign exchange gain	29	0
Gain on disposal of a subsidiary and a joint venture	0	2,527
Other finance income	4	0
Total finance income	241	2,802

EUR '000	9M 2018	9M 2017
Finance costs		
Interest expense	612	487
Foreign exchange loss	124	247
Other finance costs	5	-8
Total finance costs	741	726

NOTE 14. Transactions with related parties

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

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

The Group's purchase and sales transactions with related parties

EUR '000	9M 2018		9M 2017	
Counterparty	Purchases	Sales	Purchases	Sales
AS Nordic Contractors	205	0	234	0
Companies of AS Nordic Contractors group	3	5	2	4
Companies related to owners of AS Nordic Contractors	498	0	597	0
Equity-accounted investees	4,019	180	1,926	21
Companies related to members of the council	62	0	62	0
Total	4,787	185	2,821	25

EUR '000	9M 2018		9M 2017	
Nature of transactions	Purchases	Sales	Purchases	Sales
Construction services	4,019	0	1,967	0
Goods	482	164	597	0
Lease and other services	224	21	195	25
Other transactions	62	0	62	0
Total	4,787	185	2,821	25

During the period, the Group recognised interest income on loans to associates of 201 thousand euros (9M 2017: 200 thousand euros).



Receivables from and liabilities to related parties at period-end

EUR '000	30 September 2018		31 December 2017	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	0	8	0	8
Companies of AS Nordic Contractors group – receivables	20	0	0	0
Companies related to owners of AS Nordic Contractors	0	343	0	27
Associates – receivables and liabilities	15	2,187	19	1,225
Associates – loans and interest	8,715	0	8,492	0
Total	8,750	2,538	8,511	1,260

Compensation provided to the council and the board

The service fees of the members of the council of Nordecon AS for the first nine months of 2018 amounted to 140 thousand euros and associated social security charges totalled 46 thousand euros (9M 2017: 120 thousand euros and 40 thousand euros respectively).

The service fees of the members of the board of Nordecon AS amounted to 536 thousand euros and associated social security charges totalled 177 thousand euros (9M 2017: 923 thousand euros and 272 thousand euros respectively). The figures include termination benefits of 180 thousand euros paid to a member of the board and associated social security charges of 60 thousand euros. In the comparative period in 2017, board members' service fees included termination benefits of 550 thousand euros paid to two members of the board and associated social security charges of 182 thousand euros.

NOTE 15. Events after the reporting period

Acquisition of an interest

On 12 October 2018, Nordecon AS acquired a 34% non-controlling interest in its Estonian subsidiary OÜ Kaurits in which it already held a 66% stake. The purpose of the transaction was to improve construction management efficiency in the Infrastructure segment. After the transaction, OÜ Kaurits is a wholly-held subsidiary of Nordecon AS.



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 third quarter and first nine months of 2018 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

8 November 2018

Priit Luman

Member of the Board

8 November 2018

Maret Tambek

Member of the Board

8 November 2018

Ando Voogma

Member of the Board

8 November 2018