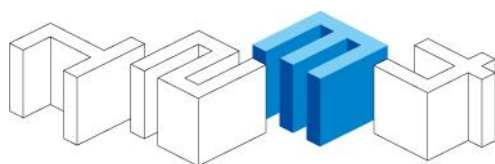




**Financial report for the third quarter  
and nine months of 2019**  
(unaudited)

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## Financial report for the third quarter and nine months of 2019 (unaudited)

<b>Business name</b>	Nordecon AS
<b>Registry number</b>	10099962
<b>Address</b>	Toompuiestee 35, 10133 Tallinn
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<b>Corporate website</b>	<a href="http://www.nordecon.com">www.nordecon.com</a>
<b>Core business lines</b>	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)
<b>Financial year</b>	1 January 2019 – 31 December 2019
<b>Reporting period</b>	1 January 2019 – 30 September 2019
<b>Council</b>	Toomas Luman (chairman of the council), Andri Hõbemägi, Vello Kahro, Sandor Liive, Meelis Milder
<b>Board</b>	Gerd Müller (chairman of the board), Priit Luman, Maret Tambek, Ando Voogma
<b>Auditor</b>	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 various 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, 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 Kyiv 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 euros per year.
- We will, on average, distribute at least 30% of profit for the year as dividends.

## Outlooks of the Group's geographical markets

### Estonia

#### Processes and developments characterising the Estonian construction market

- In 2019, public investments that influence the construction market will not increase considerably compared to 2018. In the market as a whole, investments made by the largest public-sector entities (the state-owned real estate company Riigi Kinnisvara AS, the National Road Administration, the Centre for Defence Investment, etc.) that will reach the signature of a construction contract in 2019 will not grow substantially. There are no signs of significant year-on-year growth in the volume of orders placed by the private sector either. Thus, it is expected that after two years of rapid growth the Estonian construction market will start cooling.
- 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 continuously rising input prices, which has emerged in recent years, companies that can operate more efficiently and invest more in the pre-construction phase, particularly design, are more successful.
- In developing new residential real estate, 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. A certain market saturation and credit institutions' more limited financing of buyers are prolonging real estate sales. In particular, this applies to more expensive housing.
- There is often a 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.
- The prices of construction inputs will continue to rise at a moderate pace, driven by growth in labour costs. General contractors have been trying to absorb the cost increase by making margin concessions but those measures have been practically exhausted. The construction market includes a growing number of areas where changes in the business environment may trigger a sharp price increase.
- Growth in construction prices has created a situation where the prices proposed by bidders exceed public customers' planned budget allocations or do not fit private customers' business plans. As a result, construction tenders are either cancelled or the procurement processes last considerably longer than initially planned. In particular, this applies to major investment projects whose share has grown in the past year.
- 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. 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 Kyiv and the surrounding area has increased in recent years. We will continue our Ukrainian business operations in the Kyiv region in 2019. We expect that this year our business volumes in Ukraine will decrease compared to 2018. We assess the situation in the Ukrainian construction market regularly and are ready to restructure our operations as and when necessary. We continue to seek opportunities for exiting our two real estate projects, which have been put on hold, or signing a construction contract with a prospective new owner. At the end of 2018, the Group increased its interest in Technopolis-2 TOV from 50% to 100%. The entity owns one of the above real estate projects. Sole ownership provides an opportunity to realise the project more flexibly.

## Finland

In Finland, we have mainly been providing subcontracting services in the concrete work segment but, based on experience gained over the years, have also 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. As expected, Finland's economic growth has had a positive impact on the construction sector. According to forecasts, in 2019 the construction sector will continue to expand.

## Sweden

We have been operating in Sweden since 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 organization 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. The decline in real estate prices that emerged in 2018 has reduced demand for housing construction. As a result, the starting dates of many projects are being postponed. Compared to the peak in 2017, housing construction volumes have dropped by around a third. The slowdown has had the strongest impact on the Stockholm area. The market is expected to stabilise in 2019-2020. Factors that have a positive effect on the construction market include sustained growth in government investment and high demand for office space in large cities.

## Description of the main risks

### Business risks

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

Competition continues to be stiff in all segments of the construction market. Bidders' prices are under strong competitive pressure in a situation where the prices of construction inputs have been consistently rising, driven by growth in labour costs. Increasingly, bidders include not only rival general contractors but also former subcontractors. This is mainly attributable to the central and local governments' policy to keep the eligibility requirements for bidders for public contracts low, which sometimes results in quality and timely completion being sacrificed to the lowest price. We acknowledge the risks involved in performing contracts signed in an environment of stiff competition and rising input prices. Securing a long-term construction contract at an unreasonably low price in a situation where input prices cannot be lowered substantially and competition is fierce 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.

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

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

### Operational risks

To manage their daily construction risks, Group companies purchase contractors' all risks insurance. Depending on the nature of the project and the requests of the customer, both general frame agreements and special, project-specific insurance contracts are used. In addition, as a rule, subcontractors are required to secure the performance of their obligations with a bank guarantee provided to a Group company or the Group retains part of the amount due until the contract has been completed. To remedy construction deficiencies which may be detected during the warranty period, Group companies create warranty provisions based on their historical experience. At 30 September 2019, the Group's warranty provisions (including current and non-current) totalled 728 thousand euros (30 September 2018: 920 thousand euros).

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



## Financial risks

### Credit risk

The Group's credit losses of the reporting period amounted to 10 thousand euros. In the comparative period, the Group did not incur any credit losses. 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 assets exceeded its current liabilities 0.93 times (30 September 2018: 0.96 times). The key factor which influences the current ratio is the classification of the Group's loans to its Ukrainian associate 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 continues to be 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 associate of 7,957 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 2019, the Group's short-term borrowings totalled 17,243 thousand euros (30 September 2018: 21,491 thousand euros).

At the reporting date, the Group's cash and cash equivalents totalled 8,630 thousand euros (30 September 2018: 9,364 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. Compared to the same period last year, the Group's interest-bearing borrowings have decreased by 686 thousand euros and the structure of borrowings has changed substantially. At the reporting date, the Group did not use factoring because, as a rule, customers' settlement terms do not exceed 30 days. However, a change in lease accounting policies that took effect at the beginning of 2019 (IFRS 16 *Leases*) has brought operating lease liabilities that previously were accounted for off the statement of financial position on the statement of financial position where they are reported within borrowings (see also note 1 *Significant accounting policies and Liquidity risk*). This has increased borrowings significantly. At 30 September 2019, interest-bearing borrowings totalled 25,812 thousand euros (30 September 2018: 26,498 thousand euros). Interest expense for the first nine months of 2019 amounted to 738 thousand euros (9M 2018: 612 thousand euros).

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

### Currency risk

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

The exchange rate of the hryvnia is unstable because the political and economic environment in Ukraine continues to be strained due to the conflict between Ukraine and Russia, which broke out at the beginning of 2014, and the discontinuance of the determination of the national currency's indicative exchange rate by the National Bank of Ukraine at the beginning of 2015. In the first nine months of 2019, the hryvnia strengthened against the euro by around 20%. 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 1,040 thousand euros (9M 2018: 29 thousand euros).

Exchange gains on financial instruments are recognised in *Finance income*. Translation of receivables and liabilities from operating activities did not give rise to any exchange gains or losses.

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

In the first nine months of 2019, the Swedish krona weakened against the euro by around 4%. Due to the change in the krona/euro exchange rate, the translation of operating receivables and payables resulted in an exchange loss of 10 thousand euros (9M 2018: 61 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 258 thousand euros (9M 2018: a loss of 124 thousand euros). The exchange loss has been recognised in *Finance costs*.

We have not acquired derivatives to hedge our currency risk.

### **Employee and work environment risks**

Finding permanent labour is a serious 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. We also depend heavily on our subcontractors' ability to ensure the availability of personnel with the required skills and qualifications.

To successfully overcome the challenges of management and meet our customers' expectations regarding professional competence, it is important to continuously develop our people. We invest in improving the leadership and management competencies of our key personnel and the professional skills of our employees by providing training and ensuring that they hold the appropriate professional certificates.

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's operations meet the requirements of international occupational health and safety management standard OHSAS 18001. Subcontractors must ensure that their employees follow all applicable work safety requirements; our role is to work with them and create conditions that support compliance.

### **Environmental risks**

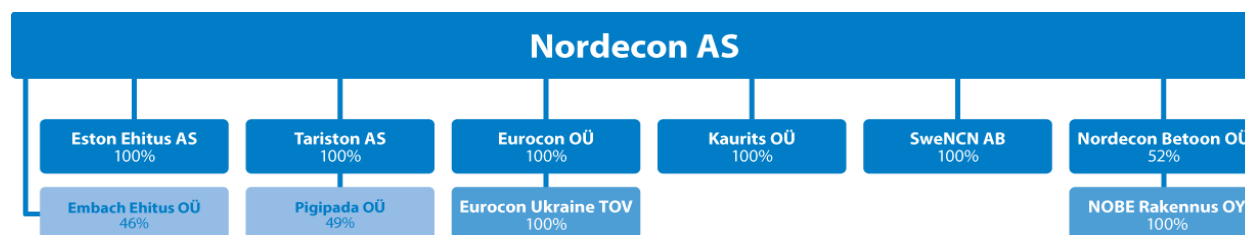
Construction activities change landscapes and the physical environment of cities and settlements. The Group's goal is to do its work and at the same time protect the natural environment as much as possible. Our assets and operations which have the strongest impact on the environment and, thus, involve the highest environmental risk are asphalt plants, quarries used for the extraction of construction materials and road construction sites. We protect the environment on our construction sites by using materials efficiently and handling and managing waste properly. To prevent excessive waste, leaks, spills, pollution, destruction of wildlife and other damage to the environment, we comply with legal requirements. All our 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 breaching honest and ethical business practices and to make sure that our entities' management quality, organizational culture and internal communication emphasise zero tolerance for dishonest, unethical and corrupt behaviour. Transparent decisions and relations are based on effective internal and external cooperation and communication as well as the implementation of IT solutions that increase openness. We have established relevant internal procedures and regulations, observe the rules of the Tallinn Stock Exchange and cooperate with external and internal auditors as well as supervisory agencies.

## Group structure

The Group's structure at 30 September 2019, including interests in subsidiaries and associates\*



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

### Significant changes in Group structure

#### Merger of subsidiaries

The merger of Eston Ehitus AS (a wholly-held subsidiary of Nordecon AS) and its wholly-held subsidiary Magasini 29 OÜ was finalised in July 2019. In the transaction, Magasini 29 OÜ merged with Eston Ehitus AS. Magasini 29 OÜ was established to carry out a real estate development project in Tallinn. After the completion of development activities, including the sale of the terraced homes, the company's continuance as a separate entity was no longer practical. The merger was registered at the Commercial Registry on 9 July 2019.

## The Group's operations in Estonia and foreign markets

### Changes in the Group's Estonian operations

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

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

We did not enter any new operating segments in Estonia.

### Foreign markets

#### Ukraine

There were no changes in our Ukrainian operations during the period under review. In the past year, our business activity in Ukraine has decreased somewhat. The Group remains conservative about the projects it undertakes. We have signed contracts only when we have been certain that the risks involved are reasonable given the circumstances.

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

#### Finland

There were no changes in our Finnish operations during the period under review. The Group's subsidiary Nordecon Betoon OÜ and its Finnish subsidiary NOBE Rakennus OY continued to provide subcontracting services in the concrete work segment in Finland. In the first nine months of 2019, our business volumes in Finland grew significantly compared to previous years.

#### Sweden

There were no significant changes in our Swedish operations during the period under review. The Group's subsidiary SWENCN AB continued to deliver services under building construction contracts secured as a general contractor. The focus is on the development of the organization and active sales activities aimed at winning new contracts.

## Performance by geographical market

In the first nine months of 2019, the contribution of the Group's foreign markets increased compared to the same period last year, rising to around 9% of total revenue.

	9M 2019	9M 2018	9M 2017	2018
Estonia	91%	94%	95%	93%
Finland	4%	1%	1%	1%
Sweden	3%	2%	3%	2%
Ukraine	2%	3%	1%	4%

It is worth noting that the share of revenue earned in Finland has increased. Based on nine-month results and our Finnish order book, where the largest project is a subcontract for supplying concrete constructions for the Raitinkartano commercial and residential building, in 2019 our Finnish revenues will be the largest ever. The Group's Swedish revenue has also grown year on year, underpinned by two new general construction contracts secured in 2019. The contribution of the Ukrainian market where we are currently providing general contractor's services under two building construction contracts has decreased compared to the same period last year.

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

In the first nine months of 2019, Nordecon generated revenue of 172,237 thousand euros, roughly 3% more than in the same period last year when revenue amounted to 167,588 thousand euros. Revenue grew in both the Buildings and the Infrastructure segment, by 2% and 6% respectively. In the light of the Group's order book, revenue growth met expectations (see *Order book*).

The limited volume of infrastructure projects, which is affecting the entire Estonian construction market, is also reflected in our revenue structure. In the first nine months of 2019, our Buildings and Infrastructure segments generated revenue of 122,825 thousand euros and 49,138 thousand euros respectively. In the same period last year, the corresponding figures were 120,766 thousand euros and 46,454 thousand euros (see note 8).

Operating segments*	9M 2019	9M 2018	9M 2017	2018
Buildings	70%	71%	75%	72%
Infrastructure	30%	29%	25%	28%

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

## Sub-segment revenues

The largest revenue source in the Buildings segment continues to be the commercial buildings sub-segment. The period's largest projects were the reconstruction and extension of the building of Terminal D in the Old City Harbour, the construction of phase I of the Porto Franco commercial and office development next to the Admiralty Basin and a multi-storey car park at Sepapaja 1, and the design and construction of an eight-floor accommodation building at Liimi 1B and a concrete frame for an eight-floor car park and commercial building at Tammsaare tee 92 in Tallinn.

Based on the Group's order book, we expect that in 2019 the revenue of the public buildings sub-segment will increase compared to 2018. The sub-segment's revenue for the period was influenced the most by the construction of the Peetri sports and leisure centre in Rae parish and a state upper secondary school at Kohtla-Järve. The state's investments in national defence also continue to play an important role. During the period, we continued to build an assembly area at the defence forces' base at Tapa and a barracks for 300 people at the defence forces' base at Jõhvi. The buildings of the Estonian Academy of Security Sciences in Tallinn and Kohtla-Järve state upper secondary school were delivered to the customer on schedule.

A significant share of the Group's Estonian apartment building projects is located in Tallinn and its immediate vicinity. During the period, the largest of them were located at Lesta 10, Sammu 6 and Valge 16. Sweden, where we are providing services under three housing development contracts, also continues to influence the sub-segment's revenue. Apartment buildings in phases III and IV of the Sõjakooli project and at Lesta 10 were delivered to the customer on schedule.

We continue to carry out our own housing development projects in Tallinn and Tartu (reported in the apartment buildings sub-segment). During the period, we completed a four-floor apartment building with 21 apartments at Nõmme tee 97 in Tallinn and three apartment buildings with 10 apartments each at Aruküla tee in Tartu. Work continues on a five-floor apartment building with 24 apartments at Võidujooksu 8c in Tallinn ([www.voidujooksu.ee](http://www.voidujooksu.ee)). During the period, our own housing developments generated revenue of 6,388 thousand euros (9M 2018: 5,566 thousand euros). In conducting real estate development activities, we monitor closely potential risks in the housing development market.

The largest projects in the industrial and warehouse facilities sub-segment are the construction of a warehouse and office building at Kaldase tee in Maardu, the reconstruction (phase V) of the fattening unit of a pig farm of Rakvere Farmid AS (EKSEKO) and the construction of micro-warehouses in Betooni street in Tallinn. Compared to previous periods, the share of contracts signed with the agricultural sector has decreased significantly, which is one of the reasons for the sub-segment's revenue decline.

Revenue breakdown in the Buildings segment	9M 2019	9M 2018	9M 2017	2018
Commercial buildings	35%	36%	24%	35%
Apartment buildings	30%	22%	31%	25%
Public buildings	28%	27%	22%	25%
Industrial and warehouse facilities	7%	15%	23%	15%

We do not expect revenue breakdown in the Infrastructure segment to change significantly in 2019. The segment will continue to be dominated by road construction and maintenance despite the fact that the contribution of other engineering work has grown. During the period, a major share of the revenue of the road construction and maintenance sub-segment resulted from contracts secured in 2018: the construction of passing lanes on the Pikknurme-Puurmani section of the Tallinn–Tartu–Võru–Luhamaa road (a 2+1 road section) and roads and bridges for the defence forces' central training area in Kuusalu parish. The strongest revenue contributors among contracts secured in 2019 were two large projects: one for the construction of the Missokülä-Hindsa section (8 km) and the Misso small town section (2 km) of main road no. 7 (Riga-Pskov) and the other for the construction of the Kernu bypass, and the Kernu filling station and Haiba junctions. A significant share of the sub-segment's revenue results from forest road improvement services provided to the State Forest Management Centre. The Group also continues to provide road maintenance services in Järva and Hiiu counties and the Kose maintenance area in Harju county.

During the period, the Group continued earthworks on the Kiili-Paldiski section of the onshore part of Balticconnector (a gas pipeline between Estonia and Finland) that generated a major share of other engineering revenue. The sub-segment's revenue is also influenced by the construction of foundations for 73 wind turbines in the Nysäter wind farm being built in northern Sweden, near Sundsvall.

Revenue breakdown in the Infrastructure segment	9M 2019	9M 2018	9M 2017	2018
Road construction and maintenance	81%	91%	84%	89%
Other engineering	16%	6%	12%	7%
Environmental engineering	3%	3%	4%	4%

## Financial review

### Financial performance

Nordecon ended the first nine months of 2019 with a gross profit of 7,721 thousand euros (9M 2018: 6,688 thousand euros). The Group's gross margin was 4.5% for nine months (9M 2018: 4%) and 6.2% for the third quarter (Q3 2018: 5.6%). In contrast to the gross margin of the Buildings segment, which improved significantly, rising to 5.4% for nine months (9M 2018: 3.4%) and 5.1% for the third quarter (Q3 2018: 3.7%), the gross margin of the Infrastructure segment moved in the opposite direction, decreasing substantially. The Infrastructure segment's nine-month gross margin was 4.0% (9M 2018: 6.7%) and third-quarter gross margin was 9.2% (Q3 2018: 10.1%). The Infrastructure segment is mainly involved in the performance of road construction and maintenance contracts. Road construction, which is capital intensive, requires a certain critical amount of work to cover its fixed costs, the largest share of which is made up of expenses related to asphalt production and laying equipment. The road maintenance result is mainly influenced by the weather. Exceptionally challenging weather conditions in the first two months of 2019 had an adverse impact on the profitability of national road maintenance contracts. The average cost of new road construction projects put out to tender in 2019 has decreased compared to 2018, which, in turn, has increased the number of bidders. Also, the gap between contractors' asphalt concrete production capacity and market demand has widened: according to estimates, production capacity exceeds demand by at least 25%. All this has had a negative impact on bid prices and the Group has not been sufficiently successful in winning public road construction contracts.

The Group's administrative expenses for the first nine months of 2019 totalled 4,668 thousand euros. Compared to the same period last year, administrative expenses decreased by around 6% (9M 2018: 4,977 thousand euros) and the ratio of administrative expenses to revenue (12 months rolling) dropped to 2.8% (9M 2018: 2.9%).

The Group ended the first nine months of 2019 with an operating profit of 2,498 thousand euros (9M 2018: 2,392 thousand euros). EBITDA amounted to 4,732 thousand euros (9M 2018: 3,879 thousand euros).

Finance income and costs of the period continued to be influenced by exchange rate fluctuations in the Group's foreign markets. The Ukrainian hryvnia strengthened against the euro by around 20% and the Group recognised an exchange gain of 1,040 thousand euros (9M 2018: 29 thousand euros) on the translation of the loans provided to the Ukrainian subsidiaries in euros. The Swedish krona, on the other hand, weakened against the euro by around 4% and the Group recognised an exchange loss of 258 thousand euros (9M 2018: 124 thousand euros) on the translation of a loan provided to the Swedish subsidiary in euros.

The Group earned a net profit of 2,876 thousand euros (9M 2018: 2,154 thousand euros) of which the net profit attributable to owners of the parent, Nordecon AS, was 2,532 thousand euros (9M 2018: 1,972 thousand euros).

### Cash flows

Operating activities of the first nine months of 2019 produced a net cash inflow of 6,189 thousand euros (9M 2018: 6,741 thousand euros). The key factor that affects operating cash flow is the mismatch between customers' and suppliers' settlement terms. Cash flow is also strongly influenced by the fact that the contracts signed with both public- and private-sector customers do not require the customer to make advance payments while the Group has to make prepayments to subcontractors, materials suppliers, etc. Cash inflow is also reduced by contractual retentions, which extend from 5 to 10% of the contract price and are released at the end of the construction period only.

Investing activities resulted in a net cash inflow of 489 thousand euros (9M 2018: an outflow 117 thousand euros). The largest items were amounts paid for the acquisition of property, plant and equipment of 216 thousand euros (9M 2018: 384 thousand euros) and proceeds from sales of property, plant and equipment of 215 thousand euros (9M 2018: 22 thousand euros). Dividends received amounted to 489 thousand euros (9M 2018: 249 thousand euros).

Financing activities generated a net cash outflow of 5,713 thousand euros (9M 2018: 6,177 thousand euros). The largest items were loan, finance lease and dividend payments. Proceeds from loans received totalled 3,036 thousand euros, comprising development loans and overdrafts used (9M 2018: 1,916 thousand euros). Loan repayments totalled 3,245 thousand euros (9M 2018: 3,513 thousand euros), consisting of scheduled repayments of long-term investment and development loans. Finance lease payments totalled 1,532 thousand euros (9M 2018: 1,365 thousand euros). Dividends paid amounted to 2,360 thousand euros (9M 2018: 2,627 thousand euros).

At 30 September 2019, the Group's cash and cash equivalents totalled 8,630 thousand euros (30 September 2018: 9,364 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 2019	9M 2018	9M 2017	2018
Revenue (EUR '000)	172,237	167,588	174,909	223,496
Revenue change	2.8%	-4.2%	30.9%	-3.4%
Net profit (EUR '000)	2,876	2,154	2,716	3,821
Net profit attributable to owners of the parent (EUR '000)	2,532	1,972	2,978	3,381
Weighted average number of shares	30,986,585	30,986,585	30,913,031	31,528,585
Earnings per share (EUR)	0.08	0.06	0.10	0.11
Administrative expenses to revenue	2.7%	3.0%	3.1%	3.0%
Administrative expenses to revenue (rolling)	2.8%	2.9%	3.0%	3.0%
EBITDA (EUR '000)	4,732	3,879	2,419	6,021
EBITDA margin	2.7%	2.3%	1.4%	2.7%
Gross margin	4.5%	4.0%	3.9%	4.5%
Operating margin	1.5%	1.4%	0.5%	1.8%
Operating margin excluding gain on asset sales	1.4%	0.8%	0.5%	1.3%
Net margin	1.7%	1.3%	1.6%	1.7%
Return on invested capital	5.8%	5.4%	6.5%	8.4%
Return on equity	8.8%	6.4%	7.2%	11.2%
Equity ratio	25.9%	28.6%	29.3%	32.4%
Return on assets	2.5%	1.9%	2.4%	3.5%
Gearing	30%	29.1%	31.6%	28.5%
Current ratio	0.93	0.96	1.04	1.12
<b>As at</b>	<b>30 Sept 2019</b>	<b>30 Sept 2018</b>	<b>30 Sept 2017</b>	<b>31 Dec 2018</b>
Order book (EUR '000)	196,493	131,953	142,553	100,352

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

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

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

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

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

EBITDA margin = (EBITDA / revenue) \* 100

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

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

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

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

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

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

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

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

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

Current ratio = total current assets / total current liabilities



## Order book

At 30 September 2019, the Group's order book (backlog of contracts signed but not yet performed) stood at 196,493 thousand euros, an increase of 49% year on year. In the third quarter of 2019, we signed new contracts of 69,894 thousand euros (Q3 2018: 61,761 thousand euros).

As at	30 Sept 2019	30 Sept 2018	30 Sept 2017	31 Dec 2018
Order book (EUR '000)	196,493	131,953	142,553	100,352

At the reporting date, contracts secured by the Buildings segment and the Infrastructure segment accounted for 80% and 20% of the Group's total order book respectively (30 September 2018: 73% and 27% respectively). Compared to 30 September 2018, the order book of the Buildings segment has increased by around 65% and that of the Infrastructure segment by around 6%.

In the Buildings segment, the largest order books are those of the commercial and the public buildings sub-segments, which account for 29% and 27% of the of the segment's order book respectively. Besides the above, the order book of the industrial and warehouse facilities sub-segment has also grown considerably compared to the same period last year. The order book of the apartment buildings sub-segment has decreased slightly year on year. In the commercial buildings sub-segment, the largest projects in progress are mostly in Tallinn: the construction of a new seven-floor commercial building in Rotermann City and phase I of the Porto Franco development as well as the design and construction of a concrete load-bearing structure for an office building and multi-storey car park at Veskiposti 2. A large part of the order book of the public buildings sub-segment is made up of contracts signed at the beginning of 2019 for the construction of the Estonian Academy of Security Sciences and the University of Tartu Training Centre in Narva, a sports and health centre at Kohtla-Järve and a storage area at the defence forces' base at Tapa, and the reconstruction and extension of a research and academic building of Tallinn University of Technology at Mäepealse 3. The order book of the apartment buildings sub-segment includes contracts for the construction of apartment buildings in Tallinn and its immediate vicinity. At the beginning of 2019 we were also awarded contracts for the construction of two apartment buildings in Sweden: one near Uppsala city centre and the other in the Bromma district in Stockholm.

For a long time, the order book of the Infrastructure segment was dominated by contracts secured by the road construction and maintenance sub-segment. However, in the reporting period the structure of the segment's order book changed significantly. At the reporting date, other engineering contracts accounted for roughly a half of the order book of the Infrastructure segment. A major share of the order book of the other engineering sub-segment is made up of a contract secured in the third quarter for the construction of foundations for 73 wind turbines in the Nysäter wind farm in northern Sweden, near Sundsvall. The other half of the Infrastructure order book is made up of contracts awarded to the road construction and maintenance sub-segment whose largest projects include a contract secured in the second quarter of 2019 for building the Kernu bypass and the Kernu filling station and Haiba junctions on the Tallinn-Pärnu-Ikla road and roads in the target area of the defence forces' central training area. The Group continues to provide road maintenance services in three road maintenance areas: Järva, Hiiu and Kose.

Based on the size of the Group's order book and known developments in our chosen markets, we expect that in 2019 the Group's revenue will grow slightly compared to 2018. In an environment of exceptionally stiff competition, we avoid taking unjustified risks whose realisation in the contract performance phase would have an adverse impact on the Group's results. Despite this, where suitable opportunities arise, we strive to increase the portfolio to counteract the pressure on margins that is caused by the market situation. Our preferred policy is to keep fixed costs under control and monitor market developments closely.

Between the reporting date (30 September 2019) and the date of release of this report, Group companies have secured additional construction contracts in the region of 58,238 thousand euros.

## People

### Employees and personnel expenses

In the first nine months of 2019, the Group (the parent and the subsidiaries) employed, on average, 689 people including 413 engineers and technical personnel (ETP). Headcount decreased by around 1% compared to the same period last year.

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

	9M 2019	9M 2018	9M 2017	2018
ETP	413	425	425	419
Workers	276	272	314	268
<b>Total average</b>	<b>689</b>	<b>697</b>	<b>739</b>	<b>687</b>

The Group's personnel expenses for the first nine months of 2019, including all taxes, totalled 17,772 thousand euros. In the same period last year, personnel expenses amounted to 16,820 thousand euros. Despite a decline in the number of staff, personnel expenses grew by around 5.7% year on year. Due to a persisting shortage of qualified and experienced labour, employers are under strong pressure to increase wages and salaries.

The service fees of the members of the council of Nordecon AS for the first nine months of 2019 amounted to 140 thousand euros and associated social security charges totalled 46 thousand euros (9M 2018: 140 thousand euros and 46 thousand euros respectively).

The service fees of the members of the board of Nordecon AS amounted to 356 thousand euros and associated social security charges totalled 117 thousand euros (9M 2018: 536 thousand euros and 177 thousand euros respectively). The figures for the first nine months of 2018 include termination benefits of 180 thousand euros paid to a member of the board and associated social security charges of 60 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 2019	9M 2018	9M 2017	2018
Nominal labour productivity (rolling), (EUR '000)	335.0	318.6	308.1	325.4
Change against the comparative period, %	5.1%	3.4%	25.7%	3.3%
Nominal labour cost efficiency (rolling), (EUR)	9.5	9.6	10.3	9.7
Change against the comparative period, %	-0.6%	-6.7%	24.8%	-3.8%

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, mostly in connection with revenue growth. At the same time, nominal labour cost efficiency decreased because the rise in personnel expenses outpaced revenue growth.

## Share and shareholders

### Share information

<b>Name of security</b>	Nordecon AS ordinary share
<b>Issuer</b>	Nordecon AS
<b>ISIN code</b>	EE3100039496
<b>Ticker symbol</b>	NCN1T
<b>Nominal value</b>	No par value*
<b>Total number of securities issued</b>	32,375,483
<b>Number of listed securities</b>	32,375,483
<b>Listing date</b>	18 May 2006
<b>Market</b>	Nasdaq Tallinn, Baltic Main List
<b>Industry</b>	Construction and engineering
<b>Indexes</b>	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

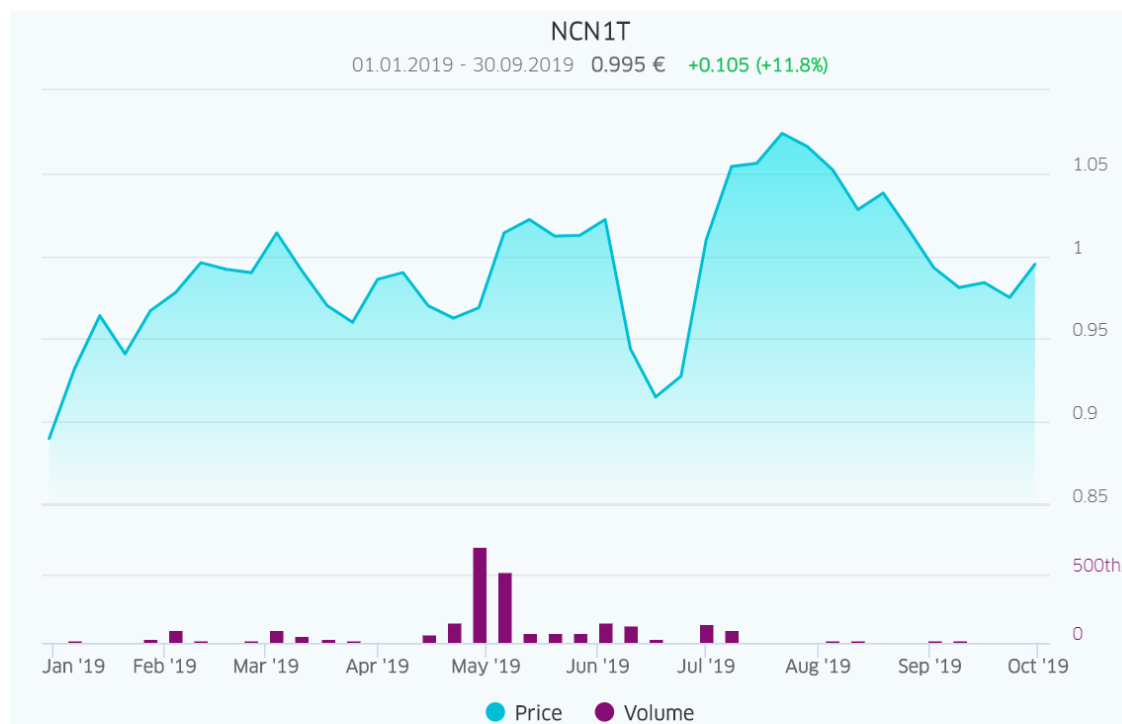
On 29 May 2019 the general meeting of Nordecon AS adopted a resolution on the reduction of the company's share capital and on 3 September 2019 the reduction was registered at the Commercial Registry.

In accordance with the resolution of the general meeting, the company's share capital was reduced by 1,942,528.98 euros, from 16,321,014.70 euros to 14,378,485.72 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 14,378,485.72 euros and is made up of 32,375,483 shares with no par value.

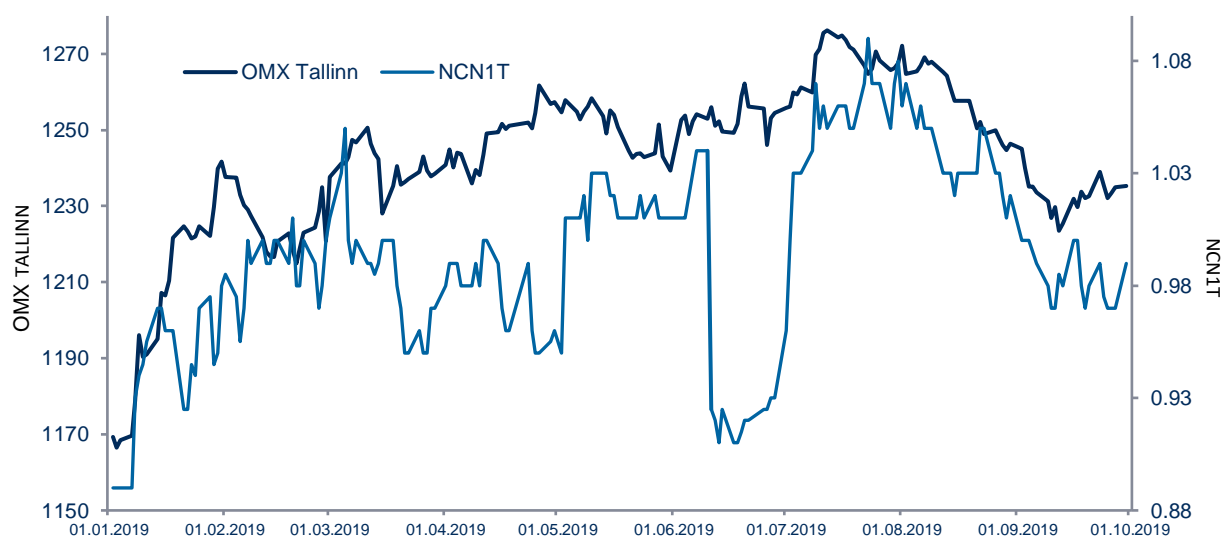
The reduction of share capital by 0.06 euros per share will be paid out to shareholders on 18 December 2019. No payments will be made to Nordecon AS for own shares held by the company.

### Movements in the price and trading volume of the Nordecon AS share in the first nine months of 2019

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 the first nine months of 2019



Index/equity	1 January 2019*	30 September 2019	+/-
OMX Tallinn	1,162.86	1,235.22	6.22%
NCN1T	EUR 0.89	EUR 1.00	11.8%

\* Closing price on the Nasdaq Tallinn Stock Exchange at 31 December 2018

## Summarised trading results

### Share trading history (EUR)

Price	9M 2019	9M 2018	9M 2017
Open	0.91	1.25	1.34
High	1.09	1.29	1.46
Low	0.89	0.98	1.20
Last closing price	1.00	0.98	1.32
Traded volume (number of securities traded)	2,831,083	1,512,959	1,421,816
Turnover, in EUR millions	2.82	1.74	1.87
Listed volume (30 September), in thousands	32,375	32,375	32,375
Market capitalisation (30 September), in EUR millions	32.21	31.73	42.74

## Shareholder structure

### Largest shareholders in Nordecon AS at 30 September 2019

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,507,464	50.99
Lüksusjaht AS	4,221,522	13.04
Rondam AS	1,000,000	3.09
SEB Pank AS clients	710,000	2.19
ASM Investments OÜ	518,440	1.60
Mati Kalme	475,000	1.47
State Street Bank and Trust Omnibus Account A Fund	368,656	1.14
Midas Invest OÜ	350,000	1.08
Lembit Talpsepp	329,193	1.02
Alforme OÜ	260,000	0.80

### Shareholder structure of Nordecon AS at 30 September 2019

	Number of shares	Ownership interest (%)
Shareholders with interest exceeding 5%	2	64.03
Shareholders with interest from 1% to 5%	7	11.59
Shareholders with interest below 1%	2,043	21.76
Holder of own (treasury) shares	1	2.62
<b>Total</b>	<b>2,053</b>	<b>100</b>

### Shares controlled by members of the council of Nordecon AS at 30 September 2019

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
<b>Total</b>		<b>16,639,144</b>	<b>51.39</b>

\* Companies controlled by the individual

### Shares controlled by members of the board of Nordecon AS at 30 September 2019

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
<b>Total</b>		<b>7,000</b>	<b>0.02</b>

### Share option plan

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

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

The annual general meeting which convened on 24 May 2017 approved some changes to the 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 2019, options for the acquisition of 229,857 shares had been exercised, options for the acquisition of 800,398 shares had expired and options for the acquisition of 588,500 shares were still exercisable.




## Management's confirmation and signatures

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

Gerd Müller	Chairman of the Board		7 November 2019
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Priit Luman	Member of the Board		7 November 2019
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Maret Tambek	Member of the Board		7 November 2019
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Ando Voogma	Member of the Board		7 November 2019
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## Condensed consolidated interim financial statements

### Condensed consolidated interim statement of financial position

EUR '000	Note	30 September 2019	31 December 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		8,630	7,678
Trade and other receivables	2	42,128	31,627
Prepayments		3,656	1,383
Inventories	3	20,355	20,444
<b>Total current assets</b>		<b>74,769</b>	<b>61,132</b>
<b>Non-current assets</b>			
Investments in equity-accounted investees		2,406	2,266
Other investments		26	26
Trade and other receivables	2	8,394	8,225
Investment property		5,526	5,526
Property, plant and equipment	4	16,114	12,288
Intangible assets	4	14,665	14,674
<b>Total non-current assets</b>		<b>47,131</b>	<b>43,005</b>
<b>TOTAL ASSETS</b>		<b>121,900</b>	<b>104,137</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	5, 6	17,243	9,374
Trade payables		52,258	34,954
Other payables		8,176	5,187
Deferred income		2,577	3,932
Provisions		444	1,013
<b>Total current liabilities</b>		<b>80,698</b>	<b>54,460</b>
<b>Non-current liabilities</b>			
Borrowings	5, 6	8,569	14,830
Trade payables		98	98
Other payables		177	71
Provisions		812	969
<b>Total non-current liabilities</b>		<b>9,656</b>	<b>15,968</b>
<b>TOTAL LIABILITIES</b>		<b>90,354</b>	<b>70,428</b>
<b>EQUITY</b>			
Share capital		14,379	16,321
Own (treasury) shares		-660	-693
Share premium		635	618
Statutory capital reserve		2,554	2,554
Translation reserve		1,215	1,992
Retained earnings		11,537	10,896
<b>Total equity attributable to owners of the parent</b>		<b>29,660</b>	<b>31,688</b>
<b>Non-controlling interests</b>		<b>1,886</b>	<b>2,021</b>
<b>TOTAL EQUITY</b>		<b>31,546</b>	<b>33,709</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>121,900</b>	<b>104,137</b>



## Condensed consolidated interim statement of comprehensive income

EUR '000	Note	9M 2019	Q3 2019	9M 2018	Q3 2018	2018
Revenue	8, 9	172,237	71,796	167,588	61,930	223,496
Cost of sales	10	-164,516	-67,369	-160,900	-58,441	-213,463
<b>Gross profit</b>		<b>7,721</b>	<b>4,427</b>	<b>6,688</b>	<b>3,489</b>	<b>10,033</b>
Marketing and distribution expenses		-635	-137	-470	-139	-626
Administrative expenses	11	-4,668	-1,620	-4,977	-1,591	-6,725
Other operating income	12	128	61	1,225	1,005	1,471
Other operating expenses	12	-48	-28	-74	3	-122
<b>Operating profit</b>		<b>2,498</b>	<b>2,703</b>	<b>2,392</b>	<b>2,767</b>	<b>4,031</b>
Finance income	13	1,215	720	241	-144	431
Finance costs	13	-1,006	-343	-741	-155	-909
<b>Net finance income/costs</b>		<b>209</b>	<b>377</b>	<b>-500</b>	<b>-299</b>	<b>-478</b>
Share of profit of equity-accounted investees		622	370	844	392	835
<b>Profit before income tax</b>		<b>3,329</b>	<b>3,450</b>	<b>2,736</b>	<b>2,860</b>	<b>4,388</b>
Income tax expense		-453	0	-582	-182	-567
<b>Profit for the period</b>		<b>2,876</b>	<b>3,450</b>	<b>2,154</b>	<b>2,678</b>	<b>3,821</b>
<b>Other comprehensive income</b>						
<b>Items that may be reclassified subsequently to profit or loss</b>						
Exchange differences on translating foreign operations		-777	-514	102	162	-3
<b>Total other comprehensive expense/income</b>		<b>-777</b>	<b>-514</b>	<b>102</b>	<b>162</b>	<b>-3</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>2,099</b>	<b>2,936</b>	<b>2,256</b>	<b>2,840</b>	<b>3,818</b>
<b>Profit attributable to:</b>						
- Owners of the parent		2,532	3,325	1,972	2,504	3,381
- Non-controlling interests		344	125	182	174	440
<b>Profit for the period</b>		<b>2,876</b>	<b>3,450</b>	<b>2,154</b>	<b>2,678</b>	<b>3,821</b>
<b>Total comprehensive income attributable to:</b>						
- Owners of the parent		1,755	2,811	2,074	2,666	3,378
- Non-controlling interests		344	125	182	174	440
<b>Total comprehensive income for the period</b>		<b>2,099</b>	<b>2,936</b>	<b>2,256</b>	<b>2,840</b>	<b>3,818</b>
<b>Earnings per share attributable to owners of the parent:</b>						
Basic earnings per share (EUR)	7	0.08	0.10	0.06	0.08	0.11
Diluted earnings per share (EUR)	7	0.08	0.10	0.06	0.08	0.11

## Condensed consolidated interim statement of cash flows

EUR '000	Note	9M 2019	9M 2018
<b>Cash flows from operating activities</b>			
Cash receipts from customers <sup>1</sup>		193,567	201,839
Cash paid to suppliers <sup>2</sup>		-165,291	-171,860
VAT paid		-4,606	-5,892
Cash paid to and for employees		-17,332	-16,764
Income tax paid		-149	-582
<b>Net cash from operating activities</b>		<b>6,189</b>	<b>6,741</b>
<b>Cash flows from investing activities</b>			
Paid on acquisition of property, plant and equipment		-216	-384
Proceeds from sale of property, plant and equipment	4	215	22
Loans provided		-14	-22
Repayment of loans provided		9	10
Dividends received		489	249
Interest received		6	8
<b>Net cash from/used in investing activities</b>		<b>489</b>	<b>-117</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans received		3,036	1,916
Repayment of loans received		-3,245	-3,513
Finance lease payments made	6	-1,532	-1,365
Settlements of lease liability		-868	0
Interest paid		-744	-588
Dividends paid		-2,360	-2,627
<b>Net cash used in financing activities</b>		<b>-5,713</b>	<b>-6,177</b>
<b>Net cash flow</b>		<b>965</b>	<b>447</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>7,678</b>	<b>8,915</b>
Effect of movements in foreign exchange rates		-13	2
Increase in cash and cash equivalents		965	447
<b>Cash and cash equivalents at end of period</b>		<b>8,630</b>	<b>9,364</b>

<sup>1</sup> Line item *Cash receipts from customers* includes VAT paid by customers.

<sup>2</sup> 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	Treasury shares	Capital reserve	Share premium	Translation reserve	Retained earnings	Total		
<b>Balance at 31 December 2017</b>	<b>18,263</b>	<b>-1,349</b>	<b>2,554</b>	<b>589</b>	<b>1,992</b>	<b>11,089</b>	<b>33,138</b>	<b>1,351</b>	<b>34,489</b>
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
<b>Transactions with owners</b>									
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
<b>Total transactions with owners</b>	<b>-1,942</b>	<b>126</b>	<b>0</b>	<b>28</b>	<b>0</b>	<b>-1,859</b>	<b>-3,647</b>	<b>-768</b>	<b>-4,415</b>
<b>Balance at 30 September 2018</b>	<b>16,321</b>	<b>-1,223</b>	<b>2,554</b>	<b>617</b>	<b>2,094</b>	<b>11,202</b>	<b>31,565</b>	<b>765</b>	<b>32,330</b>
<b>Balance at 31 December 2018</b>	<b>16,321</b>	<b>-693</b>	<b>2,554</b>	<b>618</b>	<b>1,992</b>	<b>10,896</b>	<b>31,688</b>	<b>2,021</b>	<b>33,709</b>
Profit for the period	0	0	0	0	0	2,532	2,532	344	2,876
Other comprehensive expense	0	0	0	0	-777	0	-777	0	-777
<b>Transactions with owners</b>									
Dividend distribution	0	0	0	0	0	-1,891	-1,891	-479	-2,370
Reduction of share capital	-1,942	33	0	17	0	0	-1,892	0	-1,892
<b>Total transactions with owners</b>	<b>-1,942</b>	<b>33</b>	<b>0</b>	<b>17</b>	<b>0</b>	<b>-1,891</b>	<b>-3,783</b>	<b>-479</b>	<b>-4,262</b>
<b>Balance at 30 September 2019</b>	<b>14,379</b>	<b>-660</b>	<b>2,554</b>	<b>635</b>	<b>1,215</b>	<b>11,537</b>	<b>29,660</b>	<b>1,886</b>	<b>31,546</b>

## Notes to the condensed consolidated interim financial statements

### NOTE 1. Significant accounting policies

Nordecon AS is a company incorporated and domiciled in Estonia. The address of the company's registered office is Toompuiestee 35, 10133 Tallinn, Estonia. Nordecon AS's majority shareholder and the party controlling Nordecon Group is AS Nordic Contractors that holds 50.99% of the shares in Nordecon AS. The Nordecon AS shares have been listed on the Nasdaq Tallinn Stock Exchange since 18 May 2006.

The condensed consolidated interim financial statements as at and for the period ended 30 September 2019 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 2018.

According to management's assessment, the condensed consolidated interim financial statements of Nordecon AS for the third quarter and first nine months of 2019 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 2019 the Group began to apply IFRS 16 *Leases*.

#### IFRS 16 *Leases*

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the commencement of the lease and, if lease payments are made over time, in obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases into operating and finance leases that was provided in IAS 17 and, instead, introduces a single accounting model for lessees. Lessees are required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group adopted IFRS 16 from the beginning of 2019 and did not restate the comparative figures for 2018, as permitted under the transition provisions of the standard. On the adoption of IFRS 16, the Group recognised leases that were classified as operating leases under IAS 17 as items of property, plant and equipment and lease liabilities.

The Group leases buildings, commercial premises and cars. Most lease contracts have been signed for a fixed term (5 years on average) and, as a rule, include extension and termination options. Leases are negotiated on an individual basis and may contain different terms and conditions. Leases are recognised as right-of-use assets and lease liabilities (within borrowings) at the commencement date of the lease, i.e. at the date on which the lessor makes the underlying asset available for use by the Group. Assets and liabilities arising from a lease are measured in the statement of financial position at the present value of the lease payments. Lease payments are apportioned between payments for the principal lease liability and finance cost (interest expense). The finance cost is allocated to each period during the lease term so that it would produce a constant periodic rate of interest on the remaining balance of the lease liability.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life and lease term of the asset. Assets and liabilities arising from a lease are measured in the statement of financial position at the present value of the lease payments (except for exceptions).

Lease payments include the following payments made during the lease term:

- fixed lease payments, less any lease incentives receivable (payments, or reimbursements of costs, by the lessor);
- variable lease payments that are based on an index or rate (e.g. inflation, Euribor);
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option (if the lessee is reasonably certain to exercise the option) and payments resulting from extending or terminating the lease (if the lease term reflects the lessee exercising an option to terminate the lease).

Lease payments are discounted using the interest rate implicit in the lease or, alternatively, the lessee's incremental borrowing rate. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow the funds necessary to obtain an asset similar to the right-of-use asset.

Right-of-use assets are measured at cost, which comprises the following components:

- the present value of the lease payments;
- any initial direct costs incurred by the lessee;
- any lease payments made before the commencement date of the lease;
- costs to be incurred in removing the underlying asset (if required by the lease) or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Short-term leases and leases for which the underlying asset is of low value are recognised as an expense on a straight-line basis over the lease term. In determining the lease term, management assesses how probable it is that the Group will exercise, or not exercise, an extension or termination option, considering all relevant facts and circumstances that create an economic incentive to exercise, or not exercise, an option. Periods covered by an option to extend the lease (or periods covered by an option to terminate the lease) are only included in the lease term if it is reasonably certain that the extension option will be exercised (or the termination option will not be exercised). Management reviews its assessments regarding the extension and termination options upon the occurrence of a significant event or a significant change in circumstances that affects the probability of the Group exercising an option or when there is a change in the non-cancellable period of the lease. On the adoption of the standard on 1 January 2019, the remaining lease payments were discounted at the Group's incremental borrowing rate of 2.4% on average. The Group applied the practical expedient permitted by the standard of applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group also applied the following expedients:

- operating leases with the remaining lease term of up to 12 months were classified as short-term leases from 1 January 2019;
- initial direct costs were excluded from the measurement of the right-of-use assets at the date of initial application;
- the lease term was determined by taking into account the option to extend or terminate the lease.

#### Effect of the changes on the consolidated statement of financial position:

EUR '000	Effect of the changes at 1 January 2019
Right-of-use assets	4,260
Short-term lease liability	1,061
Long-term lease liability	3,199

## NOTE 2. Trade and other receivables

EUR '000	Note	30 September 2019	31 December 2018
<b>Current items</b>			
Trade receivables		26,769	21,818
Retentions receivable		421	1,085
Receivables from related parties	14	8	2
Other receivables		29	26
<b>Total receivables</b>		<b>27,227</b>	<b>22,931</b>
Due from customers for contract work		14,901	8,696
<b>Total current trade and other receivables</b>		<b>42,128</b>	<b>31,627</b>

EUR '000	Note	30 September 2019	31 December 2018
<b>Non-current items</b>			
Loans to related parties	14	7,957	7,780
Other non-current receivables		437	445
<b>Total non-current trade and other receivables</b>		<b>8,394</b>	<b>8,225</b>

## NOTE 3. Inventories

EUR '000	30 September 2019	31 December 2018
Raw materials and consumables	3,574	3,560
Work in progress	6,484	6,434
Apartments for sale	230	707
Properties purchased for development and pre-development costs	10,067	9,743
<b>Total inventories</b>	<b>20,355</b>	<b>20,444</b>

## NOTE 4. Property, plant and equipment and intangible assets

### Property, plant and equipment

In the first nine months of 2019, the Group acquired property, plant and equipment of 1,543 thousand euros (9M 2018: 1,284 thousand euros). Assets acquired comprised equipment and construction machinery required for the Group's operating activities.

Proceeds from sales of property, plant and equipment amounted to 215 thousand euros (see the statement of cash flows) and sales gain on the transactions amounted to 101 thousand euros (see note 12). In the comparative period, proceeds from sales of property, plant and equipment amounted to 22 thousand euros and sales gain on the transactions amounted to 996 thousand euros

### Intangible assets

In the first nine months of 2019, the Group did not conduct any significant transactions with intangible assets.

## NOTE 5. Borrowings

### Current borrowings

EUR '000	Note	30 September 2019	31 December 2018
Short-term portion of long-term loans		8,646	634
Short-term portion of finance lease liabilities	6	1,591	1,755
Lease liability	6	797	0
Short-term bank loans		6,209	5,334
Factoring liabilities		0	1,651
<b>Total current borrowings</b>		<b>17,243</b>	<b>9,374</b>

## Non-current borrowings

EUR '000	Note	30 September 2019	31 December 2018
Long-term portion of long-term bank loans		2,068	11,165
Derivative financial instruments		9	11
Long-term portion of finance lease liabilities	6	3,131	3,654
Lease liability	6	3,361	0
<b>Total non-current borrowings</b>		<b>8,569</b>	<b>14,830</b>

## NOTE 6. Finance and operating leases

### Finance lease liabilities

EUR '000	30 September 2019	31 December 2018
<b>Finance lease liabilities at end of period, of which:</b>	<b>4,722</b>	<b>5,409</b>
Not later than 1 year	1,591	1,755
Later than 1 year and not later than 5 years	3,131	3,654
Base currency EUR	4,722	5,409
Interest rate for contracts denominated in EUR <sup>1</sup>	2.0%-3.9%	2.0%-3.9%
Frequency of payments	Monthly	Monthly

<sup>1</sup> Includes leases with floating interest rates

### Finance lease payments

EUR '000	9M 2019	9M 2018
Principal payments made during the period	1,537	1,365
Interest payments made during the period	112	95

### Lease liability

EUR '000	30 September 2019	31 December 2018
<b>Lease liability at end of period, of which:</b>	<b>4,158</b>	<b>0</b>
Not later than 1 year	797	0
Later than 1 year and not later than 5 years	3,361	0
Base currency EUR	4,158	0
Interest rate for contracts denominated in EUR <sup>1</sup>	1.8%-2.9%	-
Frequency of payments	Monthly	-

<sup>1</sup> Includes leases with floating interest rates

### Settlements of lease liability

EUR '000	9M 2019	9M 2018
Principal payments made during the period	884	0
Interest payments made during the period	65	0

### Operating lease payments

EUR '000	9M 2019	9M 2018
Cars	89	760
Construction equipment	2,984	3,104
Premises	549	527
IT equipment	268	246
<b>Total operating lease payments</b>	<b>3,890</b>	<b>4,637</b>

On the adoption of IFRS 16 *Leases* from 1 January 2019, the Group classified lease expenses on cars of 884 thousand euros to settlements of a lease liability (see note 1).

The leases that underlie the lease liability have terms of up to 5 years. The lease liability in the statement of financial position as at 30 September 2019 was recognised on the initial application of IFRS 16 on 1 January 2019. The discount rate applied was the incremental borrowing rate as at 1 January 2019. The weighted average interest rate applied on recognising the lease liability was 2.4%.

## NOTE 7. Earnings per share

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

EUR '000	9M 2019	9M 2018
Profit for the year attributable to owners of the parent (EUR '000)	2,532	1,972
Average number of shares (in thousands)	31,521	30,913
Basic earnings per share (EUR)	0.08	0.06
Diluted earnings per share (EUR)	0.08	0.06

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

## NOTE 8. Segment reporting – operating segments

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

The Group's reportable operating segments are:

- Buildings
- Infrastructure

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

### Preparation of segment reporting

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

The chief operating decision maker assesses the performance of an operating segment and utilisation of the resources allocated to it through the segment's profit. The profit of an operating segment is its gross profit that 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.



## Third quarter

EUR '000 Q3 2019	Buildings	Infrastructure	Total
Total revenue	46,760	24,979	71,739
Of which: general contracting services	40,507	22,845	63,352
subcontracting services	3,657	1,095	4,752
own development activities	2,596	0	2,596
road maintenance services	0	627	627
rental services	0	358	358
Inter-segment revenue	0	-54	-54
<b>Revenue from external customers</b>	<b>46,760</b>	<b>24,925</b>	<b>71,685</b>
<b>Gross profit of the segment</b>	<b>2,399</b>	<b>2,295</b>	<b>4,694</b>

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
<b>Revenue from external customers</b>	<b>39,939</b>	<b>21,866</b>	<b>61,805</b>
<b>Gross profit of the segment</b>	<b>1,471</b>	<b>2,207</b>	<b>3,678</b>

## 9 months

EUR '000 9M 2019	Buildings	Infrastructure	Total
Total revenue	122,831	49,241	172,072
Of which: general contracting services	108,755	40,138	148,893
subcontracting services	7,682	5,646	13,328
own development activities	6,388	0	6,388
road maintenance services	0	2,550	2,550
rental services	0	804	804
Inter-segment revenue	-6	-103	-109
<b>Revenue from external customers</b>	<b>122,825</b>	<b>49,138</b>	<b>171,963</b>
<b>Gross profit of the segment</b>	<b>6,582</b>	<b>1,945</b>	<b>8,527</b>

EUR '000 9M 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
<b>Revenue from external customers</b>	<b>120,766</b>	<b>46,454</b>	<b>167,220</b>
<b>Gross profit of the segment</b>	<b>4,131</b>	<b>3,122</b>	<b>7,253</b>

## Reconciliation of segment revenues

EUR '000	9M 2019	Q3 2019	9M 2018	Q3 2018
Total revenues for reportable segments	172,072	71,739	167,272	61,805
Elimination of inter-segment revenues	-109	-54	-52	0
Other revenue	274	111	368	125
<b>Total revenue</b>	<b>172,237</b>	<b>71,796</b>	<b>167,588</b>	<b>61,930</b>

## Reconciliation of segment profit

EUR '000	9M 2019	Q3 2019	9M 2018	Q3 2018
Total profit for reportable segments	8,527	4,694	7,253	3,678
Unallocated loss	-806	-267	-565	-189
<b>Gross profit</b>	<b>7,721</b>	<b>4,427</b>	<b>6,688</b>	<b>3,489</b>
Unallocated expenses:				
Marketing and distribution expenses	-635	-137	-470	-139
Administrative expenses	-4,668	-1,620	-4,977	-1,591
Other operating income and expenses	80	33	1,151	1,008
<b>Operating profit</b>	<b>2,498</b>	<b>2,703</b>	<b>2,392</b>	<b>2,767</b>
Finance income	1,215	720	241	-144
Finance costs	-1,006	-343	-741	-155
Share of profit of equity-accounted investees	622	370	844	392
<b>Profit before tax</b>	<b>3,329</b>	<b>3,450</b>	<b>2,736</b>	<b>2,860</b>

## NOTE 9. Segment reporting – geographical information

EUR '000	9M 2019	Q3 2019	9M 2018	Q3 2018
Estonia	159,573	66,551	158,584	60,552
Ukraine	3,312	562	5,131	963
Finland	7,683	3,658	1,655	531
Sweden	4,758	2,583	2,777	82
Elimination of inter-segment revenues	-3,089	-1,558	-559	-198
<b>Total revenue</b>	<b>172,237</b>	<b>71,796</b>	<b>167,588</b>	<b>61,930</b>

## NOTE 10. Cost of sales

EUR '000	9M 2019	9M 2018
Cost of materials, goods and services	147,012	145,459
Personnel expenses	15,259	13,858
Depreciation expense	2,053	1,426
Other expenses	192	157
<b>Total cost of sales</b>	<b>164,516</b>	<b>160,900</b>

## NOTE 11. Administrative expenses

EUR '000	9M 2019	9M 2018
Personnel expenses	2,450	2,936
Cost of materials, goods and services	1,910	1,838
Depreciation and amortisation expense	181	61
Other expenses	127	142
<b>Total administrative expenses</b>	<b>4,668</b>	<b>4,977</b>

## NOTE 12. Other operating income and expenses

EUR '000	9M 2019	9M 2018
<b>Other operating income</b>		
Gain on sale of property, plant and equipment	101	996
Other income	27	229
<b>Total other operating income</b>	<b>128</b>	<b>1,225</b>

EUR '000	9M 2019	9M 2018
<b>Other operating expenses</b>		
Foreign exchange loss	10	61
Net loss on the recognition and reversal of impairment losses on receivables	10	0
Other expenses	28	13
<b>Total other operating expenses</b>	<b>48</b>	<b>74</b>

## NOTE 13. Finance income and costs

EUR '000	9M 2019	9M 2018
<b>Finance income</b>		
Interest income on loans	175	208
Foreign exchange gain	1,040	29
Other finance income	0	4
<b>Total finance income</b>	<b>1,215</b>	<b>241</b>

EUR '000	9M 2019	9M 2018
<b>Finance costs</b>		
Interest expense	738	612
Foreign exchange loss	258	124
Other finance costs	10	5
<b>Total finance costs</b>	<b>1,006</b>	<b>741</b>

## NOTE 14. Transactions with related parties

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

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

### The Group's purchase and sales transactions with related parties

EUR '000	9M 2019		9M 2018	
Counterparty	Purchases	Sales	Purchases	Sales
AS Nordic Contractors	216	0	205	0
Companies of AS Nordic Contractors group	15	7	3	5
Companies related to owners of AS Nordic Contractors	369	0	498	0
Equity-accounted investees	2,457	17	4,019	180
Companies related to members of the council	67	0	62	0
<b>Total</b>	<b>3,124</b>	<b>24</b>	<b>4,787</b>	<b>185</b>



EUR '000 Nature of transactions	9M 2019		9M 2018	
	Purchases	Sales	Purchases	Sales
Construction services	2,457	0	4,019	0
Transactions with goods	369	0	482	164
Lease and other services	231	24	224	21
Other transactions	67	0	62	0
<b>Total</b>	<b>3,124</b>	<b>24</b>	<b>4,787</b>	<b>185</b>

During the period, the Group recognised interest income on loans to an associate of 162 thousand euros (9M 2018: 201 thousand euros).

#### Receivables from and liabilities to related parties at period-end

EUR '000	30 September 2019		31 December 2018	
	Receivables	Liabilities	Receivables	Liabilities
AS Nordic Contractors	0	10	0	10
Companies of AS Nordic Contractors group – receivables	2	3	0	0
Companies related to owners of AS Nordic Contractors	0	56	0	164
Associates – receivables and liabilities	6	519	2	2,097
Associate – loans and interest	7,957	0	7,780	0
<b>Total</b>	<b>7,965</b>	<b>588</b>	<b>7,782</b>	<b>2,271</b>

#### Remuneration of the council and the board

The service fees of the members of the council of Nordecon AS for the first nine months of 2019 amounted to 140 thousand euros and associated social security charges totalled 46 thousand euros (9M 2018: 140 thousand euros and 46 thousand euros respectively).

The service fees of the members of the board of Nordecon AS amounted to 356 thousand euros and associated social security charges totalled 117 thousand euros (9M 2018: 536 thousand euros and 177 thousand euros respectively). The figures for the first nine months of 2018 include termination benefits of 180 thousand euros paid to a member of the board and associated social security charges of 60 thousand euros.

## 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 2019 and confirms that:

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

Gerd Müller

Chairman of the Board

7 November 2019

Priit Luman

Member of the Board

7 November 2019

Maret Tambek

Member of the Board

7 November 2019

Ando Voogma

Member of the Board

7 November 2019