Company Nordecon AS

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Attachments:
- Nordecon_Interim_report_Q3_2022.pdf (http://oam.fi.ee/en/download?id=6873)
- NCN investor presentation Q3_2022.pdf (http://oam.fi.ee/en/download?id=6874)
- Nordecon_Aruanne_3Q_2022.pdf (http://oam.fi.ee/en/download?id=6875)
- NCN investor presentation Q3_2022.pdf (http://oam.fi.ee/en/download?id=6876)

Currency

Title 2022 III quarter and 9 months consolidated interim report (unaudited)

Despite the difficult economic environment, the group's 9-month result is characterized by an increase in sales revenue and operating profit. Results for the Buildings and Infrastructure segments differ significantly.
Although the profitability of the Buildings segment decreased in the 3rd quarter compared to the same period last year, in 9 months, despite the increase in input prices, profitability has improved compared to the same period last year, and we predict that the margin will continue to improve.
The result of the Infrastructure segment - a segment with high fixed costs - has been illustrated by the decrease in sales revenue that is directly affected by the decision made by the main customer, the Transport Administration, in the spring of 2022 to reduce investments in infrastructure construction. Due to the sharp decrease in investments in road construction, the group has already reorganized its road construction sub-segment in order to ensure more efficient use of resources and return to profit through the elimination of duplicative activities.
As of 30.09.2022, the order book of the group was 188,847 thousand euros. The profile of new contracts signed in the third quarter of 2022 is dominated by wind farm construction in Estonia and Lithuania and the construction of apartment buildings. The group also continued with successful housing development projects in Tartu (Mõisavahe Homes, Emajõe Residence) and started new projects in Tallinn (Kivimäe Süda) and Pärnu (Seiler Quarter).
The group's gross profitability was 2.2% in 9 months of 2022 and 2.7% in the third quarter. The group ended 9 months with a net loss, which is due to the write-down of Ukrainian investments made in the 1st quarter and the exchange rate loss due to the devaluation of the Ukrainian hryvnia in the 3rd quarter. Both expenses are non-cash financial expense and the exchange rate loss has no effect on the consolidated equity of the group.

Condensed consolidated interim statement of financial position

| EUR'000 | 30 September 2022 | 31 December 2021 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 5,065 | 9,031 |
| Trade and other receivables | 61,220 | 48,091 |
| Prepayments | 7,801 | 4,947 |
| Inventories | 26,647 | 25,637 |
| Total current assets | 100,733 | 87,706 |
| Non-current assets | | |
| Other investments | 76 | 76 |
| Trade and other receivables | 8,664 | 9,206 |
| Investment property | 8,233 | 5,599 |
| Property, plant and equipment | 17,045 | 17,433 |
| Intangible assets | 15,098 | 15,051 |
| Total non-current assets | 49,116 | 47,365 |
| TOTAL ASSETS | 149,849 | 135,071 |
| LIABILITIES | | |
| Current liabilities | | |
| Borrowings | 17,546 | 16,289 |
| Trade payables | 69,790 | 57,324 |
| Other payables | 8,291 | 7,459 |
| Deferred income | 14,992 | 11,539 |
| Provisions | 1,452 | 707 |

| | | |
|---|---|---|
| Total current liabilities | 112,071 | 93,318 |
| Non-current liabilities | | |
| Borrowings | 5,879 | 7,405 |
| Trade payables | 3,414 | 4,178 |
| Provisions | 1,778 | 2,044 |
| Total non-current liabilities | 11,071 | 13,627 |
| TOTAL LIABILITIES | 123,142 | 106,945 |
| | | |
| EQUITY | | |
| Share capital | 14,379 | 14,379 |
| Own (treasury) shares | (660) | (660) |
| Share premium | 635 | 635 |
| Statutory capital reserve | 2,554 | 2,554 |
| Translation reserve | 2,710 | 1,948 |
| Retained earnings | 3,690 | 6,341 |
| Total equity attributable to owners of the parent | 23,308 | 25,197 |
| Non-controlling interests | 3,399 | 2,929 |
| TOTAL EQUITY | 26,707 | 28,126 |
| TOTAL LIABILITIES AND EQUITY | 149,849 | 135,071 |

Condensed consolidated interim statement of comprehensive income

| EUR'000 | 9M 2022 | Q3 2022 | 9M 2021 | Q3 2021 | 2021 |
|---|---|---|---|---|---|
| Revenue | 239,175 | 89,919 | 208,894 | 90,928 | 288,534 |
| Cost of sales | (233,911) | (87,836) | (203,999) | (87,339) | (284,513) |
| Gross profit | 5,264 | 2,083 | 4,895 | 3,589 | 4,021 |

| | | | | | |
|---|---|---|---|---|---|
| Marketing and distribution expenses | (313) | (127) | (394) | (180) | (559) |
| Administrative expenses | (5,139) | (2,021) | (4,267) | (1,434) | (6,053) |
| Other operating income | 1,920 | 64 | 198 | 71 | 519 |
| Other operating expenses | (392) | (116) | (93) | (64) | (2,264) |
| Operating profit (loss) | 1,340 | (117) | 339 | 1,982 | (4,336) |
| | | | | | |
| Finance income | 174 | 28 | 877 | 340 | 958 |
| Finance costs | (2,702) | (1,325) | (942) | (277) | (1,320) |
| Net finance income (costs) | (2,528) | (1,297) | (65) | 63 | (362) |
| | | | | | |
| Profit (loss) before income tax | (1,188) | (1,414) | 274 | 2,045 | (4,698) |
| Income tax expense | (200) | 0 | (642) | (23) | (808) |
| Profit (loss) for the period | (1,388) | (1,414) | (368) | 2,022 | (5,506) |
| | | | | | |
| Other comprehensive income (expense) | | | | | |
| Exchange differences on translating foreign operations | 762 | 1,021 | (561) | 155 | (475) |
| Total other comprehensive income (expense) | 762 | 1,021 | (561) | 155 | (475) |
| TOTAL COMPREHENSIVE INCOME (EXPENSE) | (626) | (393) | (929) | 2,177 | (5,981) |
| | | | | | |
| Profit (loss) attributable | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| to: | | | | | |
| - Owners of the parent | (2,651) | (1,723) | (796) | 1,352 | (6,310) |
| - Non-controlling interests | 1,263 | 309 | 428 | 670 | 804 |
| Profit (loss) for the period | (1,388) | (1,414) | (368) | 2,022 | (5,506) |
| Comprehensive income (expense) attributable to: | | | | | |
| - Owners of the parent | (1,889) | (702) | (1,357) | 1,507 | (6,785) |
| - Non-controlling interests | 1,263 | 309 | 428 | 670 | 804 |
| Comprehensive income (expense) for the period | (626) | (393) | (929) | 2,177 | (5,981) |
| Earnings per share attributable to owners of the parent: | | | | | |
| Basic earnings per share (EUR) | (0.08) | (0.05) | (0.03) | 0.04 | (0.20) |
| Diluted earnings per share (EUR) | (0.08) | (0.05) | (0.03) | 0.04 | (0.20) |

Condensed consolidated interim statement of cash flows

| EUR'000 | 9M 2022 | 9M 2021 |
|---|---|---|
| Cash flows from operating activities | | |
| Cash receipts from customers | 281,240 | 243,632 |
| Cash paid to suppliers | (255,661) | (214,901) |
| VAT paid | (6,348) | (6,548) |
| Cash paid to and for employees | (19,192) | (19,128) |
| Income tax paid | (244) | (617) |
| Net cash (used in) from operating activities | (205) | 2,438 |

| | | |
|---|---|---|
| Cash flows from investing activities | | |
| Paid on acquisition of property, plant and equipment | (289) | (134) |
| Proceeds from sale of property, plant and equipment | 537 | 246 |
| Paid on acquisition of intangible assets | 0 | (16) |
| Loans provided | (18) | (18) |
| Repayments of loans provided | 14 | 83 |
| Dividends received | 6 | 0 |
| Interest received | 5 | 7 |
| Net cash from investing activities | 255 | 168 |
| | | |
| Cash flows from financing activities | | |
| Proceeds from loans received | 3,264 | 1,535 |
| Repayments of loans received | (3,134) | (3,086) |
| Lease payments made | (2,619) | (2,388) |
| Interest paid | (722) | (841) |
| Dividends paid | (792) | (4,706) |
| Net cash used in financing activities | (4,003) | (9,486) |
| | | |
| Net cash flow | (3,953) | (6,880) |
| | | |
| Cash and cash equivalents at beginning of period | 9,031 | 12,576 |
| Effect of movements in foreign exchange rates | (13) | 1 |
| Decrease in cash and cash equivalents | (3,953) | (6,880) |
| Cash and cash equivalents at end of period | 5,065 | 5,697 |

## Financial review

### Financial performance

Nordecon ended the first nine months of 2022 with a gross profit of EUR5,264 thousand (9M 2021: EUR4,895 thousand) and a gross margin of 2.2% (9M 2020: 2.3%). While the gross margin for nine months remained essentially stable, the gross margin for the third quarter, which was 2.7%, decreased compared with the same period last year (Q3 2021: 3.9%). The group's gross margin was strongly affected by the Infrastructure segment whose performance was significantly weaker than a year earlier: it ended nine months with a loss and the third quarter with a modest result. The segment's gross margins for nine months and third quarter were (2.0)% and 2.0% in 2022 compared with 1.8% and 4.0% in 2021, respectively. Its largest customer, the Transport Administration, has cancelled several announced procurements and made significant cutbacks in its investments in 2022. This has had a significant effect on the performance of our Infrastructure segment whose fixed costs are high. In response to a sharp decrease in road construction investments, we have reorganised our road construction operations and eliminated duplication of activities to ensure more efficient use of resources and profitability. In the Buildings segment, the third-quarter gross margin was lower than a year earlier but the nine-month gross margin was higher than a year earlier despite growth in input prices and disruptions in the supply of materials. The segment's gross margins for nine months and the third quarter of 2022 were 3.4% and 2.7%, respectively, compared with 3.0% and 3.8% in 2021.
The group's administrative expenses for the first nine months of 2022 amounted to EUR5,139 thousand. Compared with the same period last year, administrative expenses grew by around 20% (9M 2021: EUR4,267 thousand) due to a general uptrend in the cost of goods and services and growth in personnel expenses. The ratio of administrative expenses to revenue (12 months rolling) remained essentially stable at 2.2% (9M 2021: 2.1%).
The group ended the first nine months of 2022 with an operating profit of EUR1,340 thousand (9M 2021: EUR339 thousand). EBITDA for the period amounted to EUR3,920 thousand (9M 2021: EUR2,961 thousand). According to the restructuring plan approved by the creditors of Swencn AB, the claims of the entity's creditors were to be settled to the extent of 25%. As a result, the group recognised other income of EUR1,560 thousand in the reporting period.
The group's finance costs were significantly affected by the events in Ukraine. Russia's invasion of Ukraine in February 2022 had a strong effect on the exchange rate of the Ukrainian hryvnia, which was already unstable. The hryvnia was devalued in July and the exchange rate of the hryvnia weakened against the euro in the nine months of 2022 by around 13%. Translation of the loans provided to the group's Ukrainian subsidiaries in euros into the local currency gave rise to an exchange loss of EUR859 thousand (9M 2021: an exchange gain of EUR697 thousand). The same movements in foreign exchange rates increased the translation reserve in equity by EUR762 thousand (9M 2021: reduced by EUR561 thousand) and the net effect of the exchange differences on the group's net assets was negative at EUR97 thousand (9M 2021: positive at EUR233 thousand). In addition, the group wrote down the loan provided to the Ukrainian associate V.I.

Center TOV by EUR825 thousand. Due to the lack of more recent reliable data, the fair value of the loan was measured using the inputs of the valuation reports issued at the end of 2021 by an internationally recognised independent appraiser. The asset had to be written down due to the time factor, i.e. the deferral of the completion of the development projects.
The group ended the period with a net loss of EUR1,388 thousand (9M 2021: EUR368 thousand). The net loss attributable to owners of the parent, Nordecon AS, was EUR2,651 thousand (9M 2021: EUR796 thousand).

Cash flows

Operating activities produced a net cash outflow of EUR205 thousand in the first nine months of 2022 (9M 2021: an inflow of EUR2,438 thousand). Operating cash flow is increasingly affected by the need to make prepayments to materials suppliers, which have grown due to spikes in materials prices and continuing supply disruptions, in a situation where the contracts signed with both public and private sector customers do not require them to make advance payments. 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 of the period resulted in a net cash inflow of EUR255 thousand (9M 2021: an inflow of EUR168 thousand). The largest items were payments made to acquire property, plant and equipment of EUR289 thousand (9M 2021: EUR150 thousand) and proceeds from the sale of property, plant and equipment of EUR537 thousand (9M 2021: EUR246 thousand). Repayments of loans provided totalled EUR14 thousand (9M 2021: EUR83 thousand)

Financing activities generated a net cash outflow of EUR4,003 thousand (9M 2021: an outflow of EUR9,486 thousand). The largest items were cash flows related to loans and leases. Proceeds from loans received totalled EUR3,264 thousand, consisting of the use of the overdraft facility and development loans (9M 2021: EUR1,535 thousand). Repayments of loans received totalled EUR3,134 thousand, consisting of regular repayments of long-term investment and development loans (9M 2021: EUR3,086 thousand). Lease payments totalled EUR2,619 thousand (9M 2021: EUR2,388 thousand). Dividends paid in the first nine months of 2022 amounted to EUR651 thousand (9M 2021: EUR4,706 thousand).
The group's cash and cash equivalents at 30 September 2022 totalled EUR5,065 thousand (30 September 2021: EUR5,697 thousand).

Key financial figures and ratios

| Figure/ratio | 9M 2022 | 9M 2021 | 9M 2020 | 2021 |
|---|---|---|---|---|
| Revenue (EUR'000) | 239,175 | 208,894 | 217,664 | 288,534 |
| Revenue change | 14.5% | (4)% | 26.4% | (2.5)% |
| Net profit (loss) (EUR'000) | (1,388) | (368) | 3,004 | (5,506) |
| Net profit (loss) | | | | |

| | | | | |
|---|---|---|---|---|
| attributable to owners of the parent (EUR'000) | (2,651) | (796) | 1,040 | (6,310) |
| Weighted average number of shares | 31,528,585 | 31,528,585 | 31,528,585 | 31,528,585 |
| Earnings per share (EUR) | (0.08) | (0.03) | 0.03 | (0.20) |
| Administrative expenses to revenue | 2.1% | 2.0% | 2.4% | 2.1% |
| Administrative expenses to revenue (rolling) | 2.2% | 2.1% | 2.7% | 2.1% |
| EBITDA (EUR'000) | 3,920 | 2,961 | 6,512 | (797) |
| EBITDA margin | 1.6% | 1.4% | 3.0% | (0.3)% |
| Gross margin | 2.2% | 2.3% | 4.4% | 1.4% |
| Operating margin | 0.6% | 0.2% | 1.8% | (1.5)% |
| Operating margin excluding gain on asset sales | 0.4% | 0.1% | 1.8% | (1.6)% |
| Net margin | (0.6)% | (0.2)% | 1.4% | (1.9)% |
| Return on invested capital | (1.1)% | 1.7% | 6.2% | (6.5)% |
| Return on equity | (5.1)% | (1.0)% | 8.5% | (16.8)% |
| Equity ratio | 17.8% | 22.9% | 25.8% | 20.8% |
| Return on assets | (1.0)% | (0.3)% | 2.3% | (4.1)% |
| Gearing | 36.6% | 32.1% | 30.2% | 28.3% |
| Current ratio | 0.90 | 0.98 | 1.00 | 0.94 |

| | 30 Sept 2022 | 30 Sept 2021 | 30 Sept 2020 | 31 Dec 2021 |
|---|---|---|---|---|
| Order book (EUR'000) | 188,847 | 293,141 | 215,494 | 266,856 |

Performance by geographical market

Foreign markets accounted for around 4% of the group's total revenue for the first nine months of 2022, which is similar to the same period last year. Due to

Russia's military invasion of Ukraine, major operations of the group's Ukrainian subsidiary Eurocon Ukraine TOV have been temporarily suspended: in the second quarter it continued work on an ongoing building project in Kiev and it is currently restoring an administrative building that was damaged during the war. Ukrainian revenues for the reporting period amounted to EUR770 thousand. The group did not generate any revenue and had no ongoing construction contracts in the Swedish market. The group operates on a project basis in Latvia and Lithuania where it was building two wind farms in the reporting period.

| | 9M 2022 | 9M 2021 | 9M 2020 | 2021 |
|---|---|---|---|---|
| Estonia | 96% | 95% | 88% | 94% |
| Finland | 2% | 4% | 5% | 3% |
| Latvia | 1% | 0% | 0% | 1% |
| Lithuania | 1% | 0% | 0% | 0% |
| Ukraine | 0% | 1% | 1% | 2% |
| Sweden | 0% | 0% | 6% | 0% |

Geographical diversification of the revenue base is a consciously deployed strategy by which we mitigate the risks resulting from excessive reliance on a single market. However, conditions in some of our chosen foreign markets are volatile and noticeably affect our current results. Increasing the contribution of foreign markets is one of Nordecon's strategic goals.

Performance by business line

Segment revenues

The group's revenue for the first nine months of 2022 was EUR239,175 thousand, roughly 15% larger than in the same period last year when the group generated revenue of EUR208,894 thousand. Revenue growth resulted from the Buildings segment whose revenue grew by 26%. The revenue of the Infrastructure segment decreased by 19%. The decline is attributable to cutbacks in the investments of the largest customer, the Transport Administration, made due to the spike in input prices which was triggered by the impacts of the war in Ukraine. Growth in the revenue of the Buildings segment is mainly supported by major contracts secured in 2021.
The low volumes of infrastructure construction that continue to affect the entire construction market also influence the group's revenue structure. In the first nine months of 2022, the Buildings and the Infrastructure segment generated revenue of EUR195,157 thousand and EUR43,845 thousand, respectively. The corresponding figures for the first nine months of 2021 were EUR154,599 thousand and EUR54,029 thousand.

| Revenue by operating segment | 9M 2022 | 9M 2021 | 9M 2020 | 2021 |
|---|---|---|---|---|
| Buildings | 78% | 72% | 75% | 75% |
| Infrastructure | 22% | 28% | 25% | 25% |

Subsegment revenues

The nine-month revenue of the commercial buildings subsegment remained essentially stable while the revenues of other subsegments grew compared with the same period last year. Revenue growth was the strongest in the industrial and warehouse facilities subsegment whose contribution to the total revenue of the Buildings segment is still the smallest. The largest subsegments in terms of revenue are apartment buildings and public buildings which showed nearly 25% revenue growth.
The largest projects under construction in the commercial buildings subsegment were the LEED Gold compliant Alma Tomingas office building in Ülemiste City and the commercial and residential complex Vektor in Tallinn, and an IKEA store in Rae rural municipality near Tallinn. The latter was completed and delivered to the customer on schedule.
The revenue of the public buildings subsegment has increased significantly year on year. The largest projects in progress during the period were construction works in the Medical Campus of the Tartu University Hospital in Tartu, the construction of the main building of the Estonian Internal Security Service in Tallinn, the design and construction of storage facilities and utility networks for the Centre for Defence Investment in Harju county and the design and renovation of the Ülenurme upper secondary school in Kambja rural municipality near Tartu.
The apartment buildings subsegment earns most of its revenue from the construction of apartment buildings for third parties. During the period under review, the largest of them were the design and construction of the first two phases of the Kalaranna quarter in Tallinn and the design and construction of the Tiskreoja and Luccaranna housing estates on the western border of Tallinn. The volume of our own development operations (reported in the apartment buildings subsegment), however, continues to grow as well. We have development projects in both Tallinn and Tartu. During the period, work continued on the construction of the Mõisavahe Kodu housing estate in Tartu (https://moisavahe.ee) and the development of plots for Kivimäe Süda, a new housing estate in the Nõmme district in Tallinn, where we have started preparations for phase II - the construction of an apartment building (https://www.kivimaesuda.ee/en). We have also started the design of the Seiler Quarter housing estate in Pärnu (https://seileri.ee). The period's revenue from own development projects amounted to EUR7,880 thousand (9M 2021: EUR388 thousand). In carrying out our own development activities, we carefully monitor potential risks in the housing development market.
The industrial and warehouse facilities subsegment roughly doubled its nine-month revenue compared with last year. The subsegment's largest ongoing project is the construction of a factory complex for the dairy company E-Piim in Paide but there are also smaller projects such as the construction of a production

building at Kurna tee in Harju county and the design and construction of an extension to the production building of Viljandi Aken ja Uks AS.

| Buildings segment | 9M 2022 | 9M 2021 | 9M 2020 | 2021 |
|---|---|---|---|---|
| Commercial buildings | 23% | 30% | 25% | 29% |
| Public buildings | 29% | 29% | 36% | 28% |
| Apartment buildings | 29% | 29% | 28% | 29% |
| Industrial and warehouse facilities | 19% | 12% | 11% | 14% |

In the Infrastructure segment, the largest revenue contributor is still road construction and maintenance although its revenue and proportionate contribution have decreased year on year. During the period, a major share of its revenue resulted from the performance of contracts secured in 2021, the largest of which were the construction of 2+2 passing lanes on the Kärevere-Kardla section of the Tallinn-Tartu-Võru-Luhamaa road and the design and construction of the outdoor area around Terminal D in Old City Harbour in Tallinn, as well as smaller contracts of EUR2-3 million each signed in 2022. The group continued to deliver road maintenance services in Järva county.
The revenue contribution of other engineering, which is currently generating most of its revenue from the construction of wind farms in Latvia and Lithuania, increased year on year.

| Infrastructure segment | 9M 2022 | 9M 2021 | 9M 2020 | 2021 |
|---|---|---|---|---|
| Road construction and maintenance | 80% | 85% | 77% | 87% |
| Other engineering | 16% | 5% | 18% | 6% |
| Specialist engineering | 4% | 5% | 4% | 4% |
| Environmental engineering | 0% | 5% | 1% | 3% |

Order book

The group's order book (backlog of contracts signed but not yet performed) stood at EUR188,847 thousand at 30 September 2022, reflecting a 36% decrease year on year. In the third quarter of 2022, we signed new contracts of EUR48,408 thousand (Q3 2021: EUR102,326 thousand). Russia's military invasion of Ukraine and the consequent sanctions against Russia and Belarus caused disruptions in the supply chains of building materials, particularly metal, wood and oil-based products, which continue to affect the prices of relevant materials. The surge in materials prices has caused a sharp increase in the costs of development projects as well as the postponement of new projects. As mentioned in the previous chapters, the volume of investments made by the Transport Administration has decreased substantially. This has affected the group's order book through a decline in the order book of the Infrastructure segment.

| | 30 Sept 2022 | 30 Sept 2021 | 30 Sept 2020 | 31 Dec 2021 |
|---|---|---|---|---|
| Order book (EUR'000) | 188,847 | 293,141 | 215,494 | 266,856 |

The proportion of the Buildings segment in the group's total order book has increased to 91% (30 September 2021: the Buildings segment accounted for 87% and the Infrastructure segment for 13% of the total order book). The order books of both operating segments have decreased compared with 30 September 2021: the order book of the Buildings segment by 33% and the order book of the Infrastructure segment by 55%.
The largest contracts secured in the third quarter were:

* The construction of foundations for turbines in a wind farm being built near the city of Telshiai, Lithuania, with an approximate cost of EUR3,000 thousand.
* The construction of apartment buildings at Loo, in Jõelähtme rural municipality near Tallinn. The approximate cost of phase II of the Kastanikodu housing estate is EUR10,300 thousand.
* The construction of road and electricity networks and foundations for turbines in a wind farm being built in Saarde rural municipality in Pärnu county (a joint bid). The approximate cost of the works performed by the group is EUR3,850 thousand.
* The design and construction of an extension to the storage facilities of the Centre for Defence Investment in Harju county with an approximate cost of EUR17,700 thousand.

Based on the size of the group's order book, including the share of work to be performed in 2023, management expects that in 2022 the group's revenue will grow compared with 2021. The uptrend in the prices of materials, energy carriers and labour costs will continue to drive up input prices, which will increase pressure on profit margins. In an environment of stiff competition, we have avoided taking unjustified risks whose realisation in the contract performance phase would have an adverse impact on the group's results. To mitigate input price risk, we have been signing cost-plus contracts with private sector customers (contracts with an open book arrangement under which we can invoice the customer based on the actual costs incurred plus an agreed margin). Our focus remains on cost control as well as pre-construction and design activities, where we can deploy our professional competitive advantages.

People

Employees and personnel expenses

The group's average number of employees in the first nine months of 2022 was 669, including 437 engineers and technical personnel (ETP). Headcount decreased by around 3% year on year.

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

| | 9M 2022 | 9M 2021 | 9M 2020 | 2021 |
|---|---|---|---|---|
| ETP | 437 | 432 | 422 | 434 |
| Workers | 232 | 258 | 261 | 251 |
| Total average | 669 | 690 | 703 | 685 |

The group's personnel expenses for the first nine months of 2022, including all taxes, totalled EUR19,932 thousand compared with EUR18,325 thousand in the same period last year. Personnel expense have increased by around 9% in connection with growth in wages and salaries.
The service fees of the members of the council of Nordecon AS for the first nine months of 2022 amounted to EUR112 thousand and associated social security charges totalled EUR37 thousand (9M 2021: EUR112 thousand and EUR37 thousand, respectively).
The service fees of the members of the board of Nordecon AS amounted to EUR310 thousand and associated social security charges totalled EUR102 thousand (9M 2021: EUR276 thousand and EUR91 thousand, respectively).

Labour productivity and labour cost efficiency

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

| | 9M 2022 | 9M 2021 | 9M 2020 | 2021 |
|---|---|---|---|---|
| Nominal labour productivity (rolling), (EUR '000) | 475.7 | 416.5 | 400.4 | 420.8 |
| Change against the comparative period, % | 14.2% | 4.0% | 19.5% | (0.5)% |
| Nominal labour cost efficiency (rolling), (EUR) | 12.0 | 11.1 | 10.3 | 11.5 |
| Change against the comparative period, % | 8.1% | 6.9% | 8.4% | 5.5% |

The group's nominal labour productivity and nominal labour cost efficiency improved year on year, mainly due to revenue growth.

Andri Hõbemägi
Nordecon AS
Head of Investor Relations
Tel: +372 6272 022
Email: andri.hobemagi@nordecon.com (mailto:andri.hobemagi@nordecon.com)
www.nordecon.com (http://www.nordecon.com)