



Investor Presentation

Q2 2017

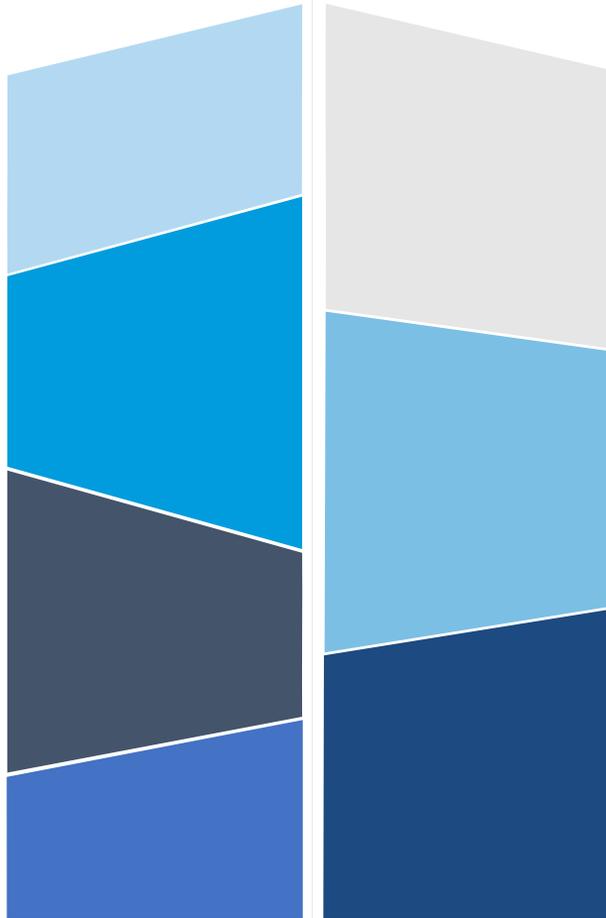


NORDECON

Strategy Overview

Business model

Residential buildings
Public buildings
Commercial buildings
Industrial buildings



BUILDINGS

Other infrastructure
Environmental engineering
Utility networks

Specialist engineering
Bridges, viaducts
Port construction
Rail construction

Road construction and maintenance
Road construction
Road maintenance

INFRASTRUCTURE

Strategic agenda for 2016-2020

- We expect the TRI*M Index, which reflects employee satisfaction and commitment, to improve across the Group by 3 percentage points per year on average.
 - We value balanced teamwork where youthful energy and drive complement long-term experience.
 - We will recognise employees that are dedicated and responsible and contribute to the Group's success.
 - We expect to raise operating profit per employee to at least 12 thousand euros.
- Revenue will grow at least 10% per year
 - The contribution of foreign markets will increase to 25% of revenue.
 - Our own housing development revenue will account for at least 5% of our Estonian revenues.
 - Operating margin per year will be consistently above 3%.
 - On average, at least 30% of profit for the year will be distributed as dividends.
 - Return on invested capital (ROIC) will average 13%.
- The Group will grow, mostly organically, with a focus on more efficient use of its existing resources.
 - In Estonia, we will compete in both the building and the infrastructure construction segments.
 - Our Estonian entities will be among their segments' market leaders.
 - In Sweden, we will focus on general contracting in Stockholm and the surrounding area.
 - In Finland, we will focus on general contracting and concrete works in Helsinki and the surrounding area.
 - In Ukraine, we will focus on general contracting primarily in Kiev and the surrounding area.

EMPLOYEES

FINANCIAL TARGETS

BUSINESS ACTIVITIES



 **NORDECON**

In Second Quarter 2017

Period in Brief

Nordecon's **revenue** for the first half of 2017 amounted to 103,501 thousand euros, a roughly 40% increase on the 73,829 thousand euros generated in the first half of 2016.

Although revenue increased in both the Buildings and the Infrastructure segment, the main growth driver was the Buildings segment where growth was underpinned by a rise in contracts secured from the private sector.

Operating loss for the first half of 2017 amounted to 326 thousand euros (H1 2016: operating profit of 790 thousand euros).

EBITDA was positive at 664 thousand euros (H1 2016: positive at 1,714 thousand euros).

Nordecon Group ended the first half of 2017 with a **gross profit** of 3,139 thousand euros (H1 2016: 4,153 thousand euros) and a gross margin of 3% (H1 2016: 5.6%).

We earned the period's gross profit from building construction even though the gross margin of our Buildings segment dropped to 4.2% (H1 2016: 9.2%), partly due to the loss of the Swedish subsidiary.

The performance of our Infrastructure segment improved, its gross margin rising from -5.3% for the comparative period to 0.1% for the reporting period, but still not satisfactory.

At 30 June 2017, the Group's **order book** stood at 130,601 thousand euros, roughly at the same level as a year ago.

In the second quarter, we secured new contracts of 50,010 thousand euros.

Despite structural streamlining and sustained investment in foreign markets, which inevitably increase administrative expenses in the start-up phase, our cost-control measures continued to produce good results and we were able to keep **administrative expenses** below the target ceiling of 4% of revenue.

The ratio of administrative expenses to revenue (12 months rolling) was 3.0% (H1 2016: 3.7%).

In the first half of 2017, **operating** activities produced a **net cash outflow** of 5,067 thousand euros (H1 2016: a net outflow of 4,005 thousand euros).

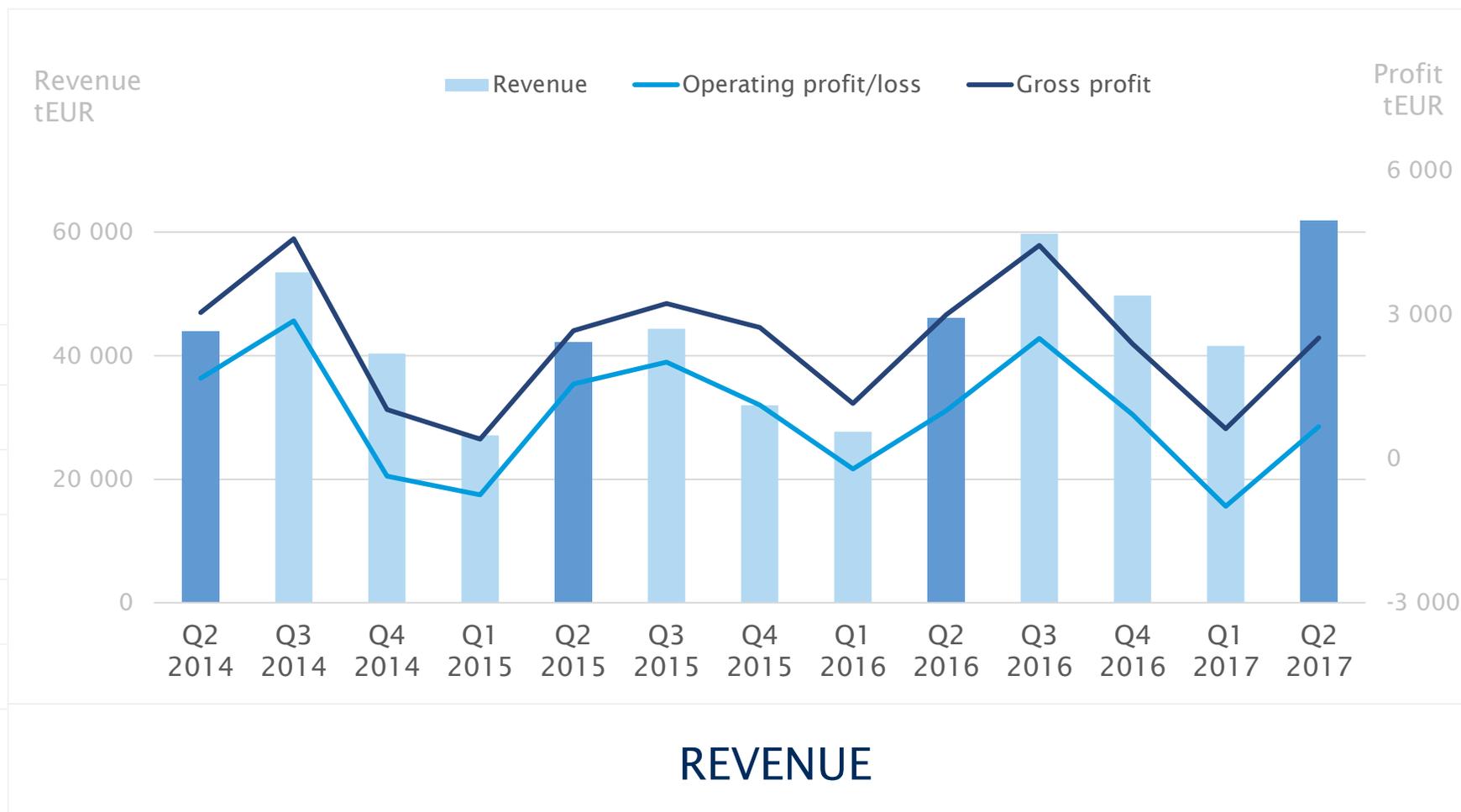
Negative operating cash flow is typical of the first half-year and stems from the cyclical nature of the construction business.

Revenue and operating profit

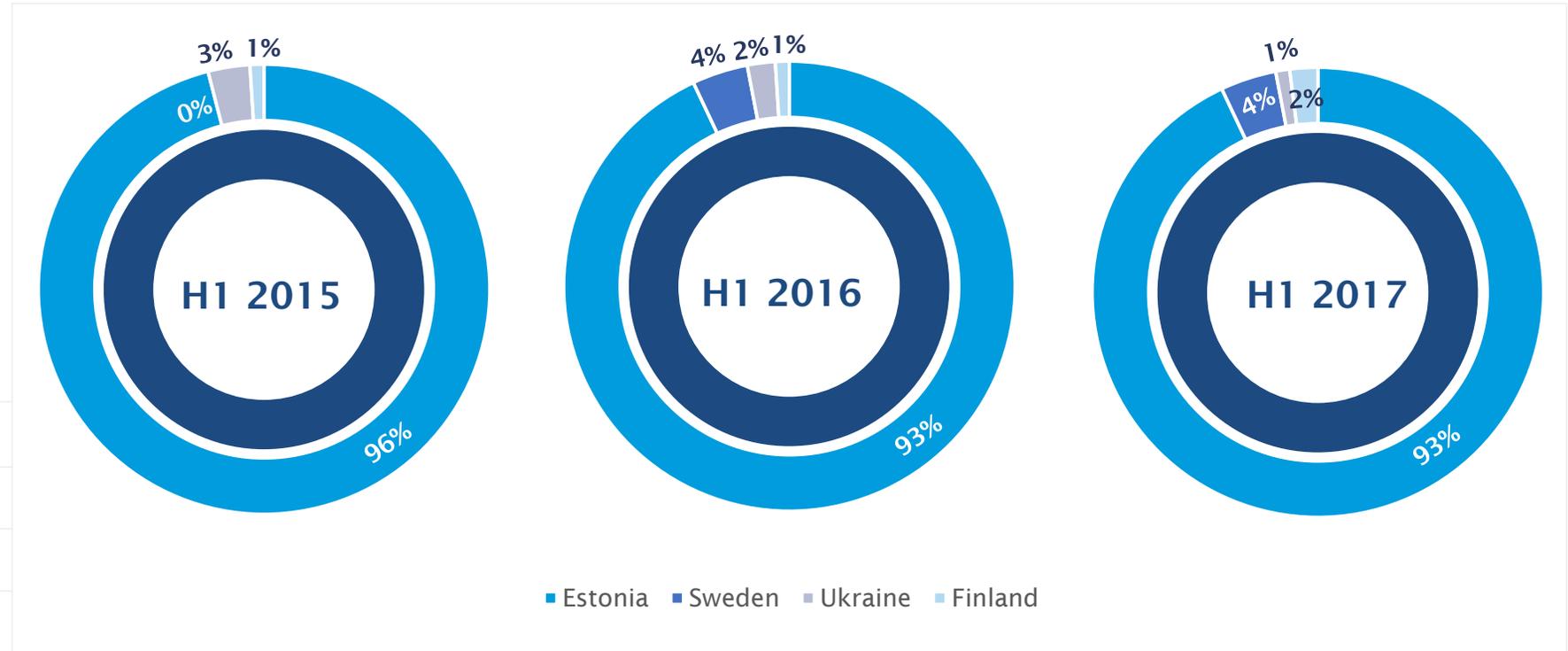
Revenues in the Buildings segment increased by +45% and in the Infrastructure segment by +25%.

Loss resulted from Swedish subsidiary in Buildings segment, as well as growth in the input prices for materials and labour influenced by shortage of subcontractors stemming from high activity in the Buildings segment.

Figure / Ratio	H1 2015	H1 2016	H1 2017
Revenue (tEUR)	69,211	73,829	103,501
Revenue growth, %	3.0%	7.0%	40.0%
Net loss/profit (tEUR)	243	798	-897
Gross margin, %	4.4%	5.6%	3.0%
EBITDA margin, %	2.5%	2.3%	0.6%
Net margin, %	0.4%	1.1%	-0.9%
Administrative expenses to revenue (12 month rolling)	3.3%	3.7%	3.0%



Revenue by Geographic Regions



In the first half of 2017, Nordecon earned around 7% of its revenue **outside Estonia**, the figure remaining stable compared with the same period last year.

The strongest revenue contributor was **Sweden** where we completed two apartment buildings and continued the design and construction of a third, an 8-floor apartment building in Stockholm.

The share of our **Ukrainian revenues** decreased year on year because our business volumes in the Ukrainian market decreased somewhat.

Our **Finnish revenues** resulted from concrete works in the building construction segment.

Geographical diversification of the revenue base is a consciously deployed strategy by which we mitigate the risks resulting from excessive reliance on a single market.



NORDECON

Järveküla school, Rae parish

Location: Reti tee 20, Peetri borough, Rae parish, Harju county

Customer: Rae Parish Government

Architect: Sweco Projekt AS

Construction period: November 2015 – October 2016

Contractor: Nordecon AS

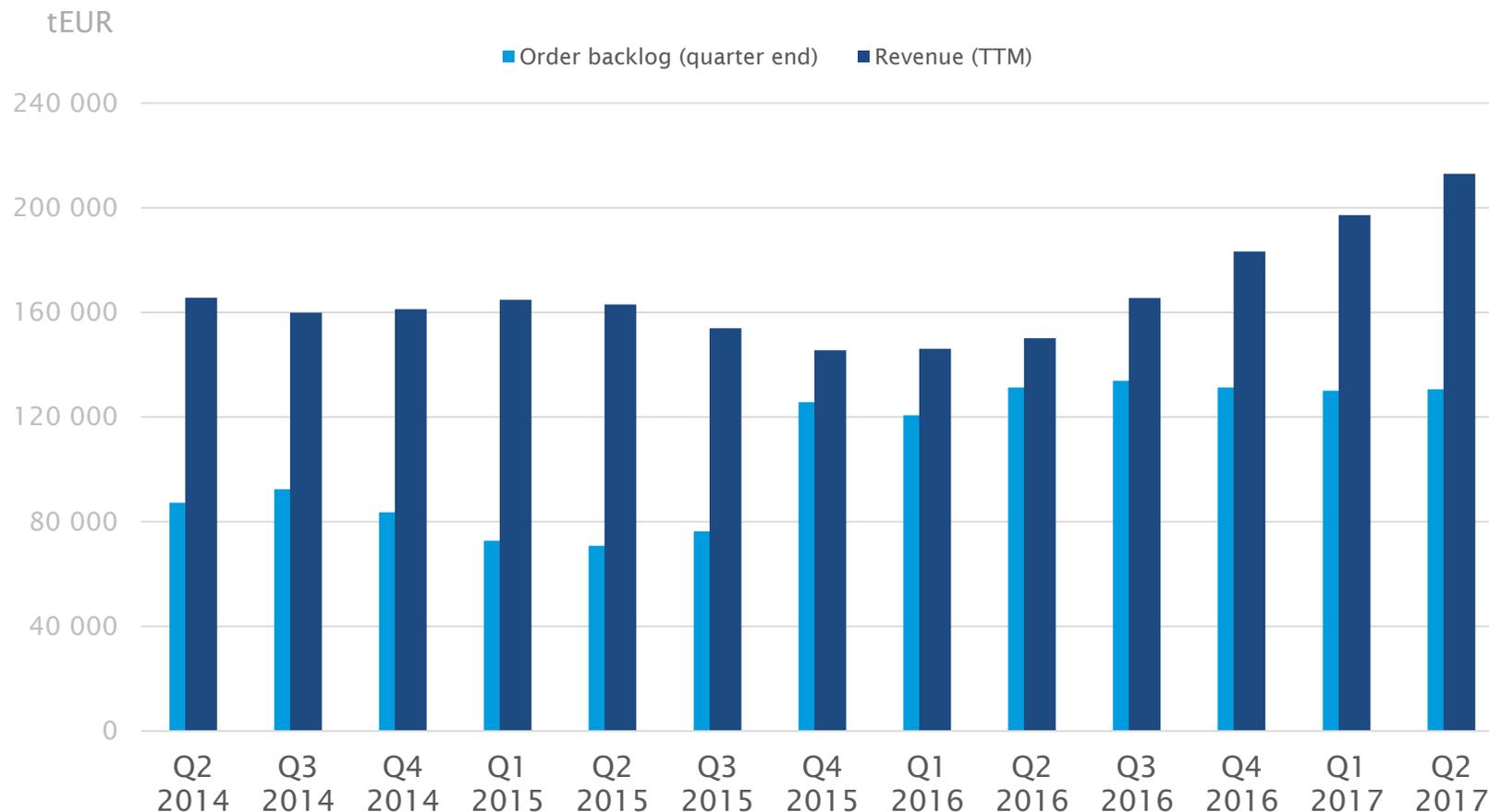
Project manager: Marek Sööt

Order book and revenues

At 30 June 2017, the Group's **order book** stood at 130,601 thousand euros, roughly at the same level as a year ago.

At the reporting date, contracts secured by the Buildings segment and the Infrastructure segment accounted for 72% and 28% of the Group's order book respectively (31 March 2016: 71% and 29% respectively).

The order book of the **Buildings** segment has grown by around 2%, while the **Infrastructure** segment's backlog has decreased by around 6%.



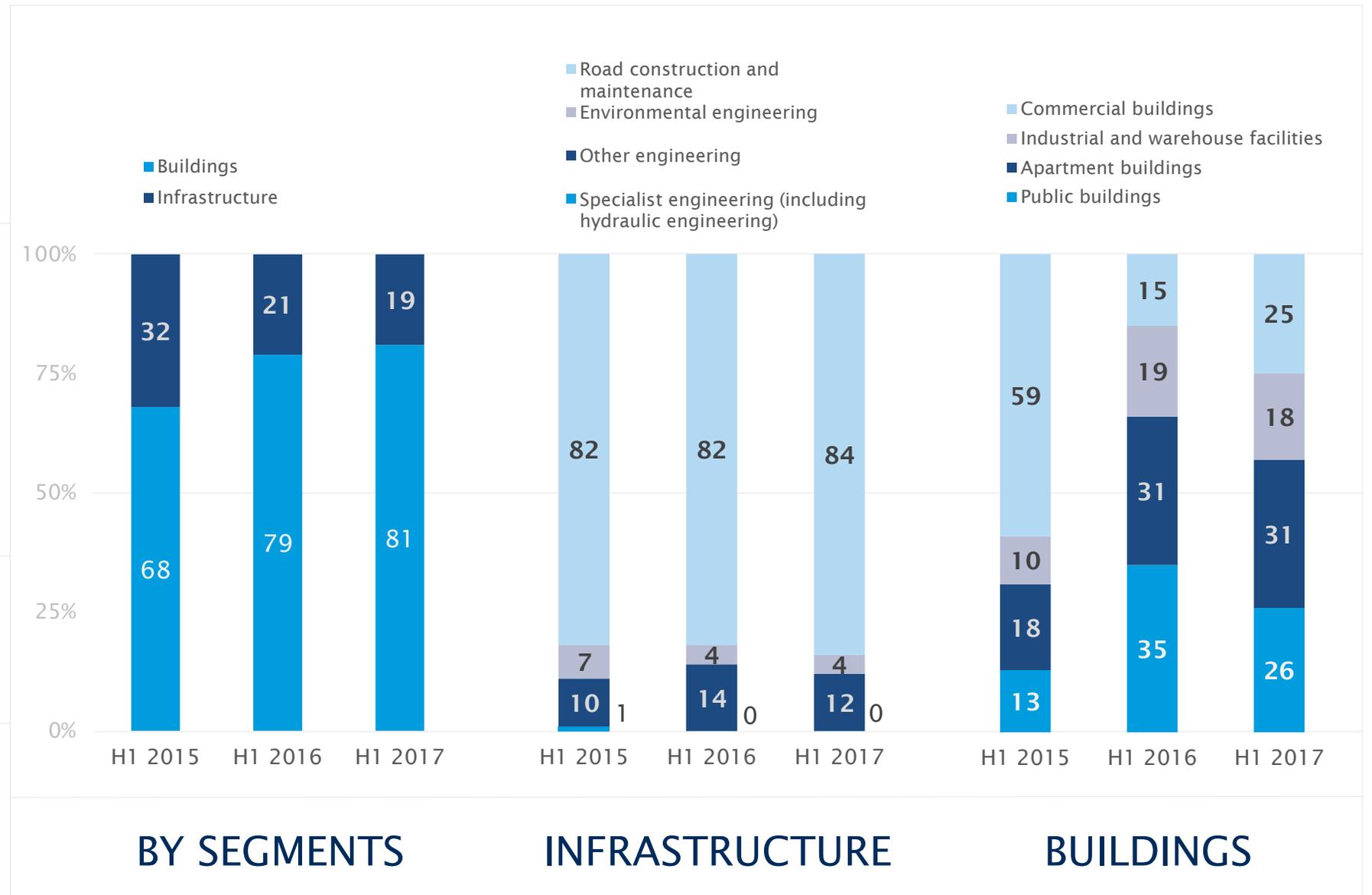
ORDER BOOK

Revenue distribution

As we strive to maintain the revenues of our operating segments – Buildings and Infrastructure – in balance to help to disperse the risks, the downturn in infrastructure construction in Estonia has also left its noticeable mark on our revenue structure.

In the **Buildings** segment, the strongest revenue contributors were the apartment buildings and the public buildings sub-segments.

The main revenue source in the **Infrastructure** segment has been road construction and in the first half of 2017 its revenue contribution (compared to a year earlier) grew even further.





NORDECON

Norwegian House, an office building at Veerenni 24, Tallinn

Location: Veerenni 24, Tallinn

Customer: AS Kawe

Architect: PIN Arhitektid OÜ

Construction period: September 2014 – March 2016

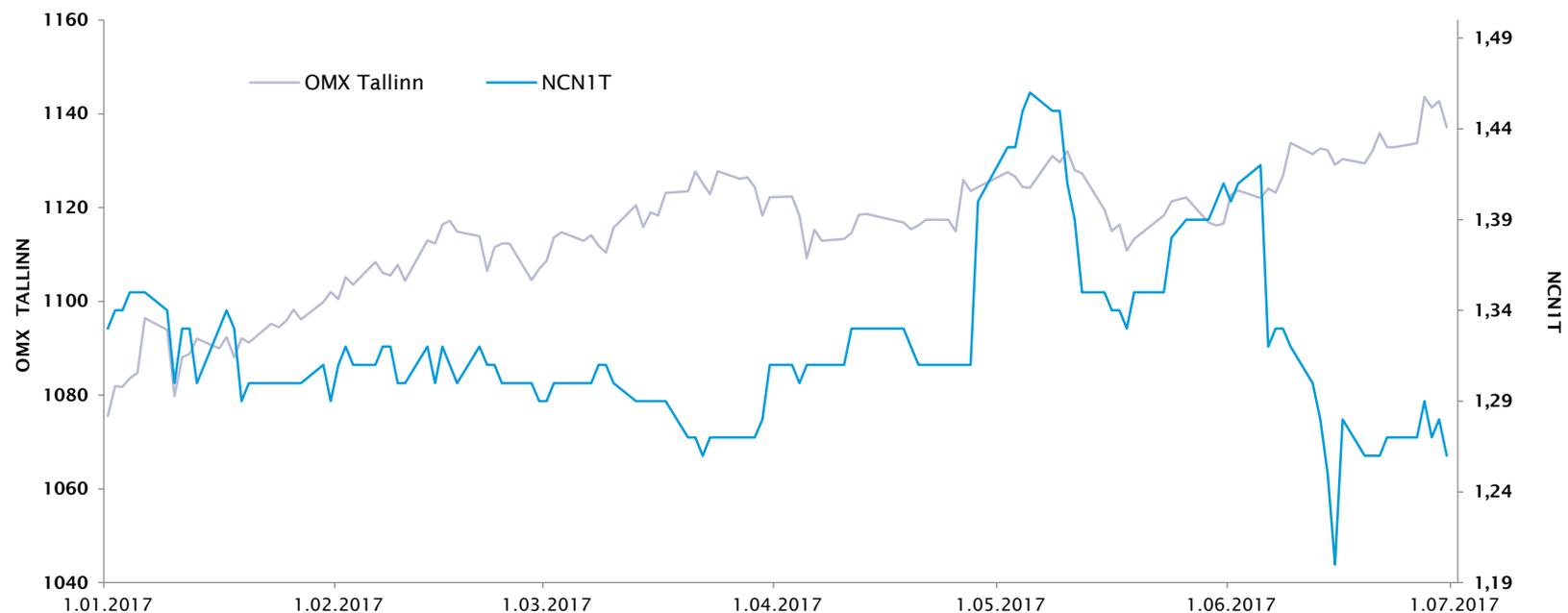
Contractor: Nordecon AS

Project manager: Kaspar Kasemaa

Share and shareholders

Largest shareholders of Nordecon AS at 30 June 2017

	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,507,464	50.99
Luksusjaht AS	4,172,385	12.89
ING Luxembourg S.A.	2,007,949	6.20
Rondam AS	1,000,000	3.09
SEB Pank AS clients	759,145	2.34
ASM Investments OÜ	519,600	1.60
State Street Bank and Trust Omnibus Account A Fund	363,656	1.14
Ain Tromp	303,960	0.94
Alforme OÜ	258,000	0.80
SEB Elu- ja Pensionikindlustus AS	255,000	0.79



Index/share	1/1/2017	30/06/2017	+/-%
OMX Tallinn	1,075.50	1,137.08	5.73%
NCN1T	1.33 EUR	1.26 EUR	-5.26%

SHARE AND SHAREHOLDERS



Nordecon AS
Tel: +372 615 4400
www.nordecon.com
Pärnu mnt 158/1 Tallinn 11317
Estonia

Head of Investor Relations
Andri Hõbemägi
Tel: +372 615 4400
andri.hobemagi@nordecon.com