



Investor Presentation

Q3 2017



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



In Third Quarter 2017

Period in Brief

Nordecon's **revenue** for the first nine months of 2017 amounted to 174,909 thousand euros, a roughly 31% increase on the 133,570 thousand euros generated in the first nine months 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 profit for the first nine months of 2017 amounted to 913 thousand euros (9M 2016: 3,292 thousand euros).

EBITDA was positive at 2,419 thousand euros (9M 2016: 4,723 thousand euros).

Nordecon Group ended the first nine months of 2017 with a **gross profit** of 6,768 thousand euros (9M 2016: 8,591 thousand euros) and a gross margin of 3.9% (9M 2016: 6.4%).

The weakening of the gross margin stemmed mainly from the Buildings segment whose gross margin dropped to 4.3% (9M 2016: 8.1%).

The performance of our Infrastructure segment improved somewhat compared to the same period last year, its gross margin rising to 3.9% (9M 2016: 3.7%).

At 30 September 2017, the Group's **order book** stood at 142,553 thousand euros, 7% up on a year ago.

In the third quarter, we secured new contracts of 66,371 thousand euros.

Despite changes in the composition of the board, structural streamlining, and sustained investment in foreign markets which in the start-up phase is inevitably accompanied by planned growth in administrative expenses, 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% (9M 2016: 3.8%).

In the first nine months of 2017, **operating** activities produced a **net cash outflow** of 8,241 thousand euros (9M 2016: a net outflow of 1,348 thousand euros).

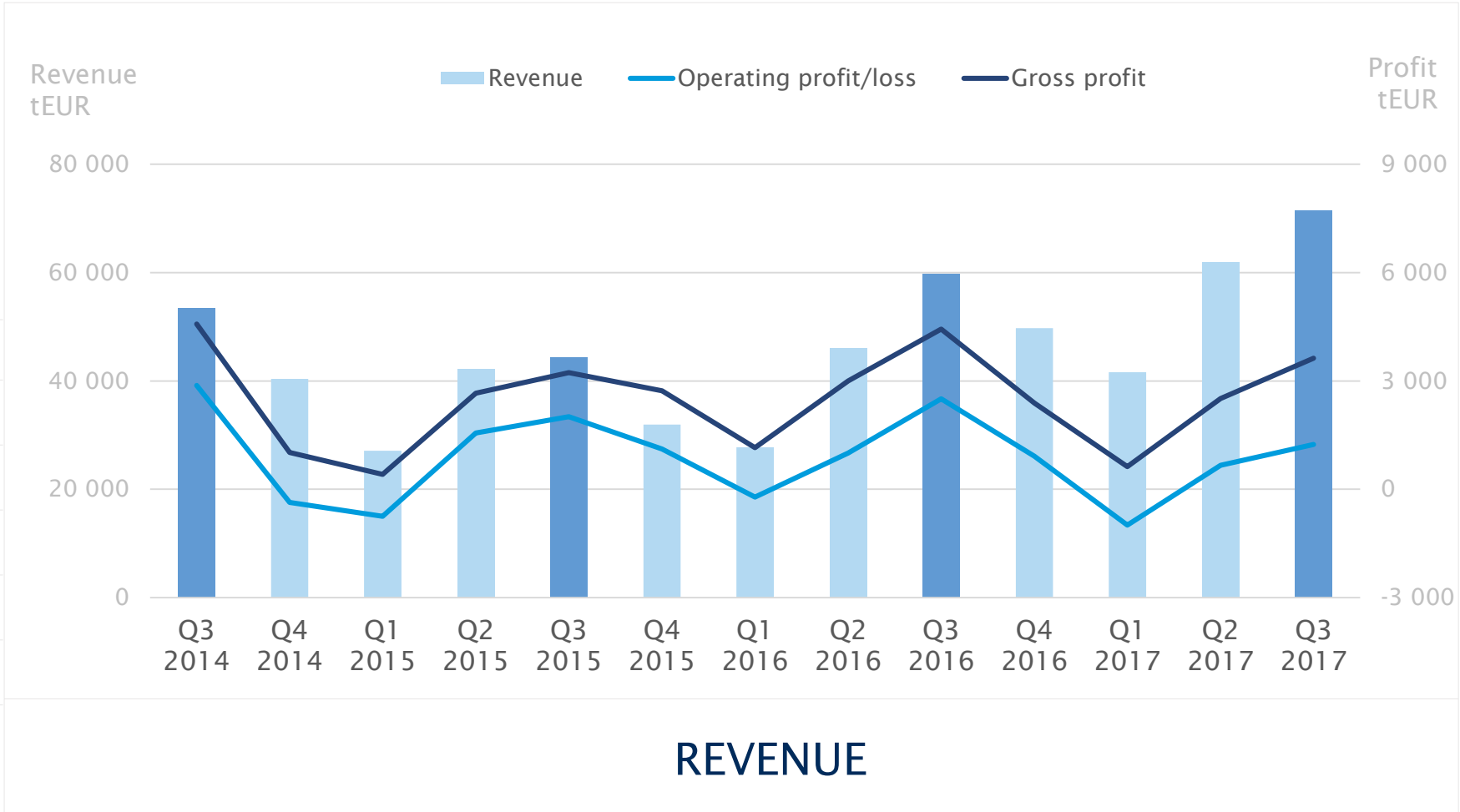
Operating cash flow continues to be strongly affected by the fact that neither public nor private sector customers have the obligation to make advance payments while the Group has to make prepayments to subcontractors, materials suppliers, etc.

Revenue and operating profit

Revenues in the Buildings segment increased by +35% and in the Infrastructure segment by +21%.

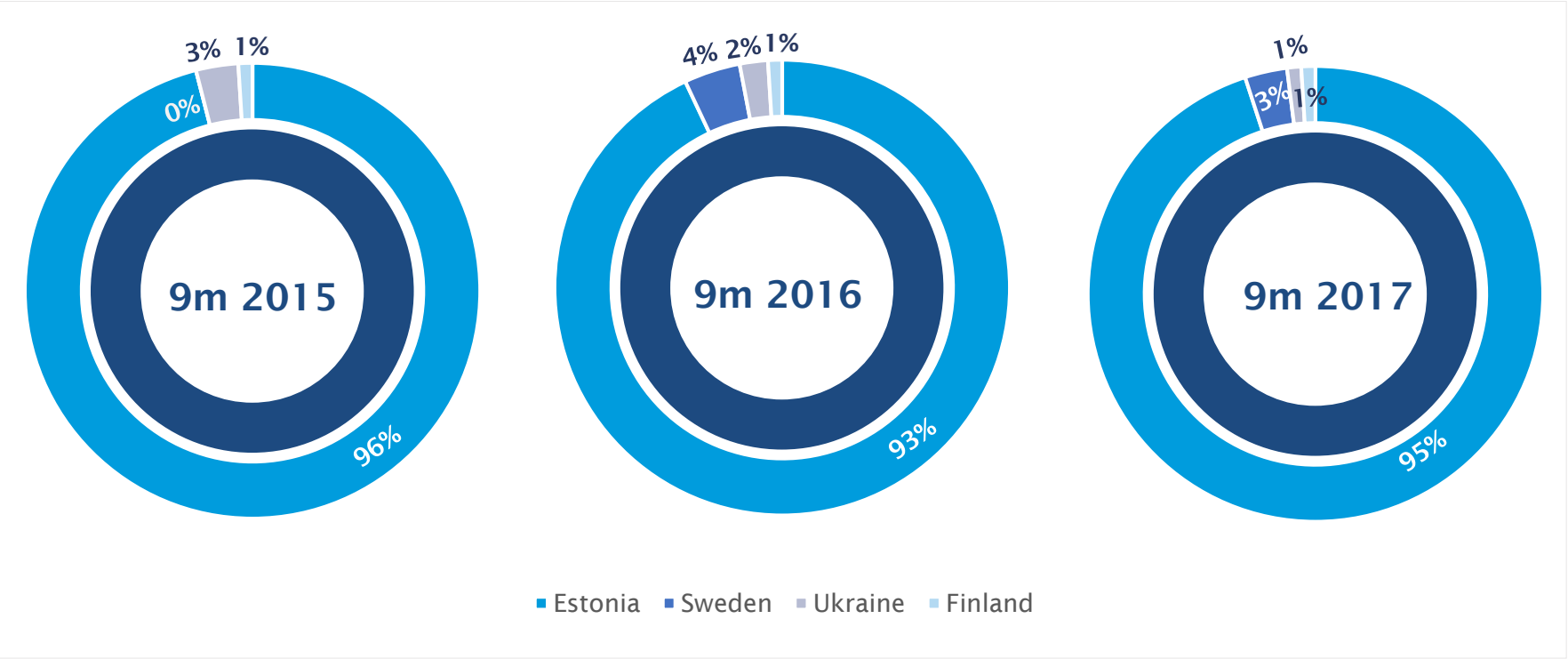
The decline in **margins** is attributable to growth in input costs in Estonia, particularly materials and labour, resulting from the shortage of subcontractors, and also to the loss of the Swedish subsidiary.

Figure / Ratio	9m 2015	9m 2016	9m 2017
Revenue (tEUR)	113,553	133,570	174,909
Revenue growth, %	-6.1%	17.6%	30.9%
Net profit (tEUR)	2,317	3,315	2,716
Gross margin, %	5.5%	6.4%	3.9%
EBITDA margin, %	3.7%	3.5%	1.4%
Net margin, %	2.0%	2.5%	1.6%
Administrative expenses to revenue (12 month rolling)	3.3%	3.8%	3.0%



REVENUE

Revenue by Geographic Regions



In the first nine months of 2017, Nordecon earned around 5% of its revenue **outside Estonia**, compared with 7% in 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.

The share of our **Ukrainian revenues** and business volumes decreased somewhat compared with a year earlier: during the period, we provided services under two building construction contracts.

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 September 2017, the Group's **order book** stood at 142,553 thousand euros, 7% up on a year ago.

At the reporting date, contracts secured by the Buildings segment and the Infrastructure segment accounted for 70% and 30% of the Group's order book respectively (30 September 2016: 78% and 22% respectively).

The order book of the **Buildings** segment decreased by around 5%, while the **Infrastructure** segment's backlog has grown by around 45%.

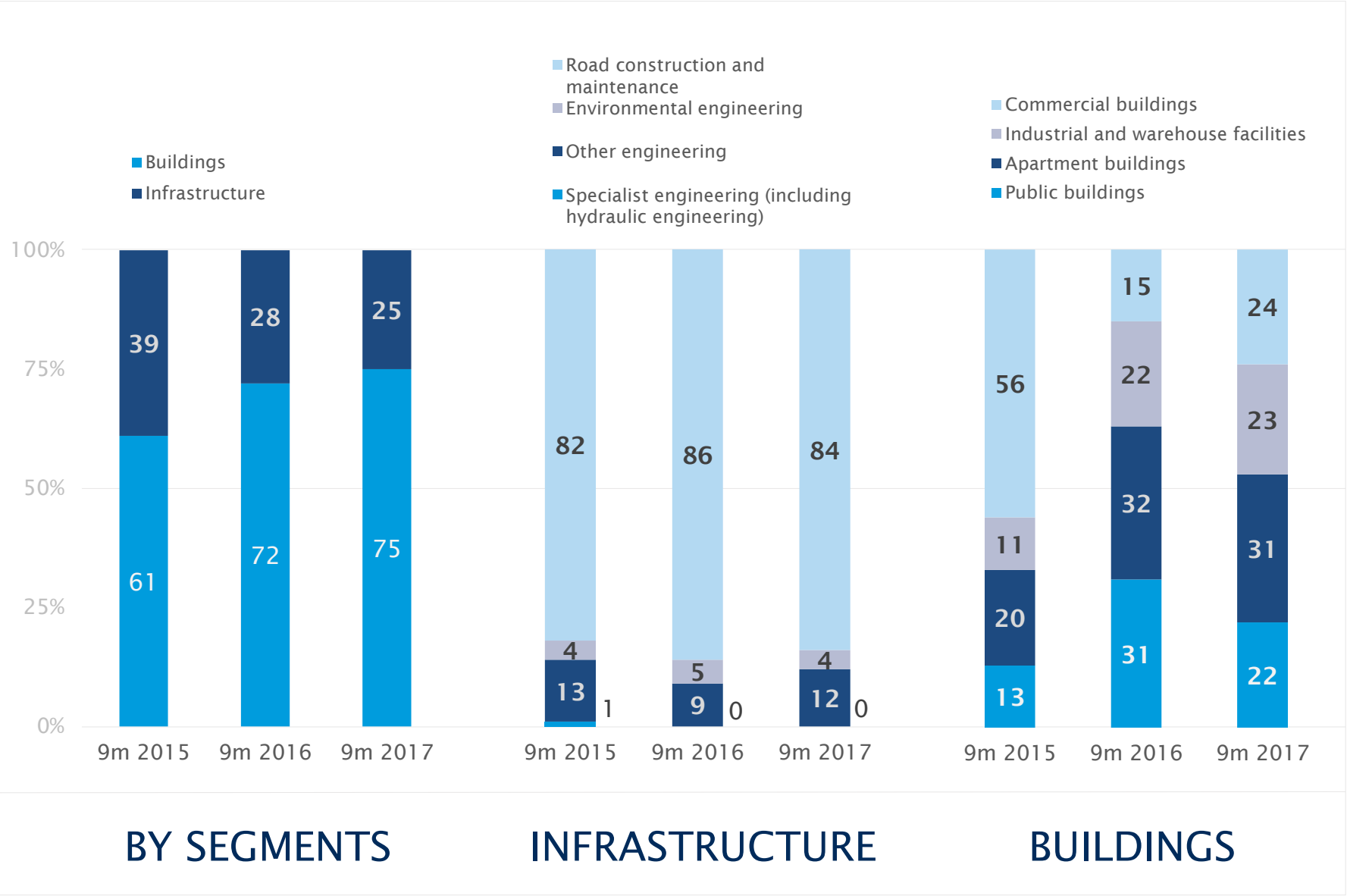


Revenue distribution

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 revenue contributions of all sub-segments were quite equal, with apartment buildings slightly the largest.

The main revenue source in the **Infrastructure** segment has been road construction and maintenance, which posted 17% year on year revenue growth in the first nine months of 2017.





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

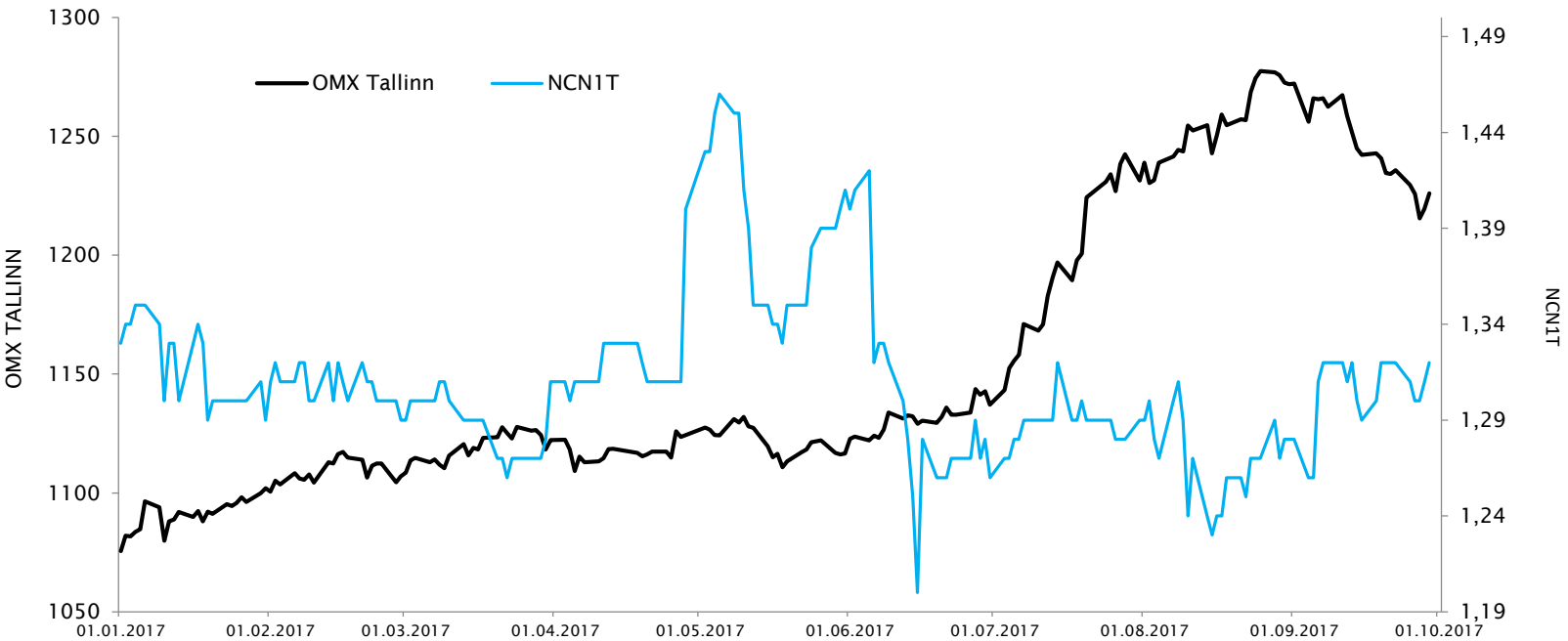
Contractor: Nordecon AS

Project manager: Kaspar Kasemaa

Share and shareholders

Largest shareholders of Nordecon AS at 30 September 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	693,567	2.14
ASM Investments OÜ	519,600	1.60
State Street Bank and Trust Omnibus Account A Fund	368,656	1.14
Ain Tromp	303,960	0.94
Alforme OÜ	258,000	0.80
SEB Elu- ja Pensionikindlustus AS	255,000	0.79



Index/share	1/1/2017	30/09/2017	+/-%
OMX Tallinn	1,075.50	1,225.95	13.99%
NCN1T	1.33 EUR	1.32 EUR	-0.75%

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