



Investor presentation

12m 2014

Nordecon overview

Nordecon in brief

KEY FACTS

- Nordecon is a group of construction companies whose core business is construction project management and general contracting in the buildings and infrastructures segment
- Geographically the Group operates currently in Estonia, Ukraine and Finland. The parent of the Group is Nordecon AS, a company registered and located in Tallinn, Estonia. In addition to the parent company, there are more than 10 subsidiaries in the Group
- Currently Nordecon employs more than 700 people
- Since 18 May 2006, the company's shares have been quoted in the main list of the NASDAQ OMX Tallinn Stock Exchange

Nordecon in brief

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 add value to 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 inspire our people to grow through needs-based training and career opportunities consistent with their experience. We value our employees by providing them with a modern work environment that encourages creativity and a motivation system that fosters initiative.

Strategic agenda for 2014-2017

Business activities

- Our business operations in Estonia will be equally divided between two segments, building and infrastructure construction, where we will compete in all major sub-segments.
- Our chosen foreign markets are Finland, Ukraine, Latvia and Lithuania. In the first two, we will conduct our business through local subsidiaries. Entering the Latvian and Lithuanian construction market through local subsidiaries assumes an economic rationale and the earliest time for this will be 2015. Where economic rationale exists, we may also deliver construction services in our neighbouring countries (Latvia, Lithuania and Sweden) on a project basis.
- We will focus on our real estate development operations in Estonia (in Tallinn, Tartu, Pärnu and Narva).
- We will develop our energy efficiency and building information modelling (BIM) competencies as developments in these areas are likely to lead to a new quality standard in the construction market.
- We will build strategic alliances in areas where we lack competence.

Strategic agenda for 2014-2017

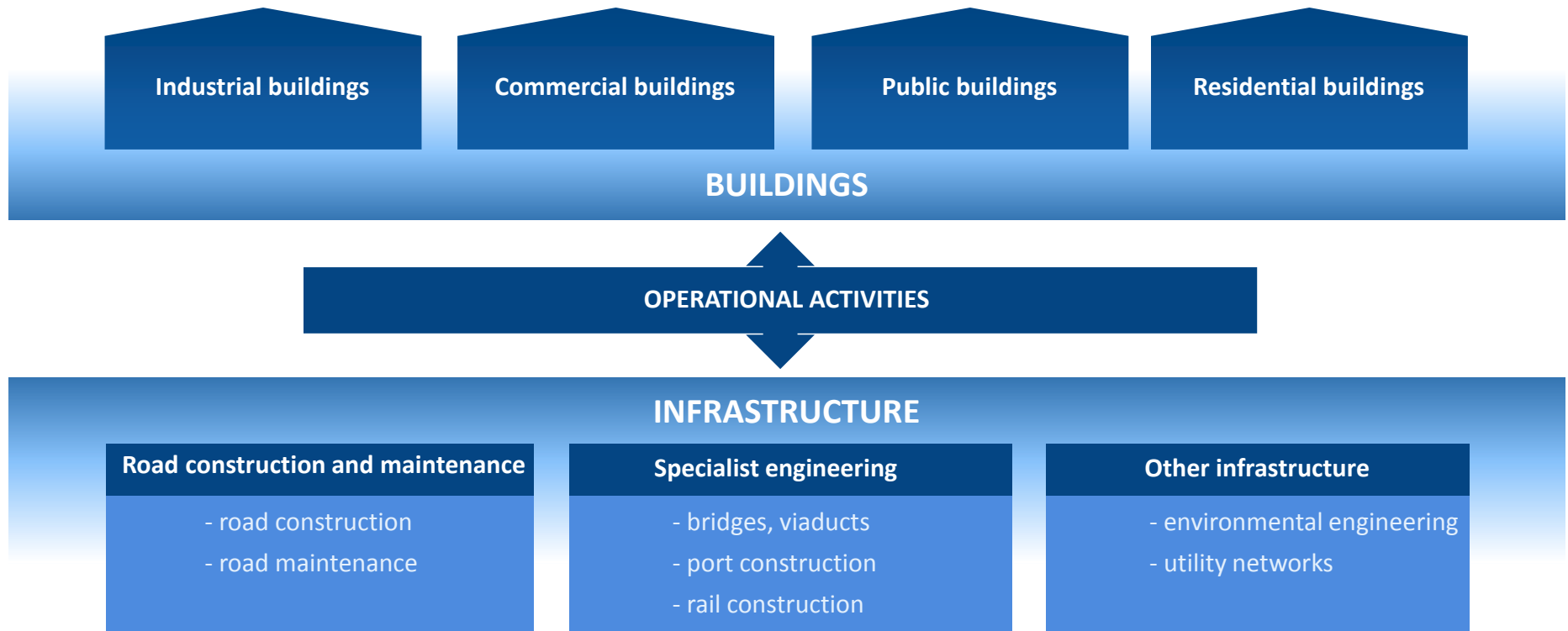
Group structure and organisation

- The Group's structure is optimal and we are not going to change it unless significant changes take place in the construction market.
- We will continue consistent investment in our IT-capabilities and -integration both at the level of the organisation and the employee.
- We will apply additional measures for improving cooperation between Group entities and structural units.

Financial targets

- By 2017 our gross margin will be at least 8% and EBITDA margin at least 6%.
- Administrative expenses will not exceed 4% of annual revenue.
- We will distribute, whenever possible, at least 15% of profit before tax for the year as dividends.
- In Estonia, our own real estate development operations will generate up to 5% of total revenue.

Business model



Group's strengths

- An organisation with shareholders oriented towards long-term profitable growth
- A flexible, horizontally integrated business model across the Group
- Experienced management
- Professional and loyal employees
- Relative conservatism in risk-taking
- Selected support services centralised group wide (e.g. IT, legal) to streamline costs
- Revenue base aimed at dividing activities between buildings and infrastructure segments equally to minimise volume risk
- Group covers all main sub-segments in the construction markets

Core Competencies

Road construction and
maintenance

Environmental
construction

Other infrastructure

Industrial, civil and
commercial buildings

Real estate
development

Nordecon financial information and key facts

12m 2014

Period in brief

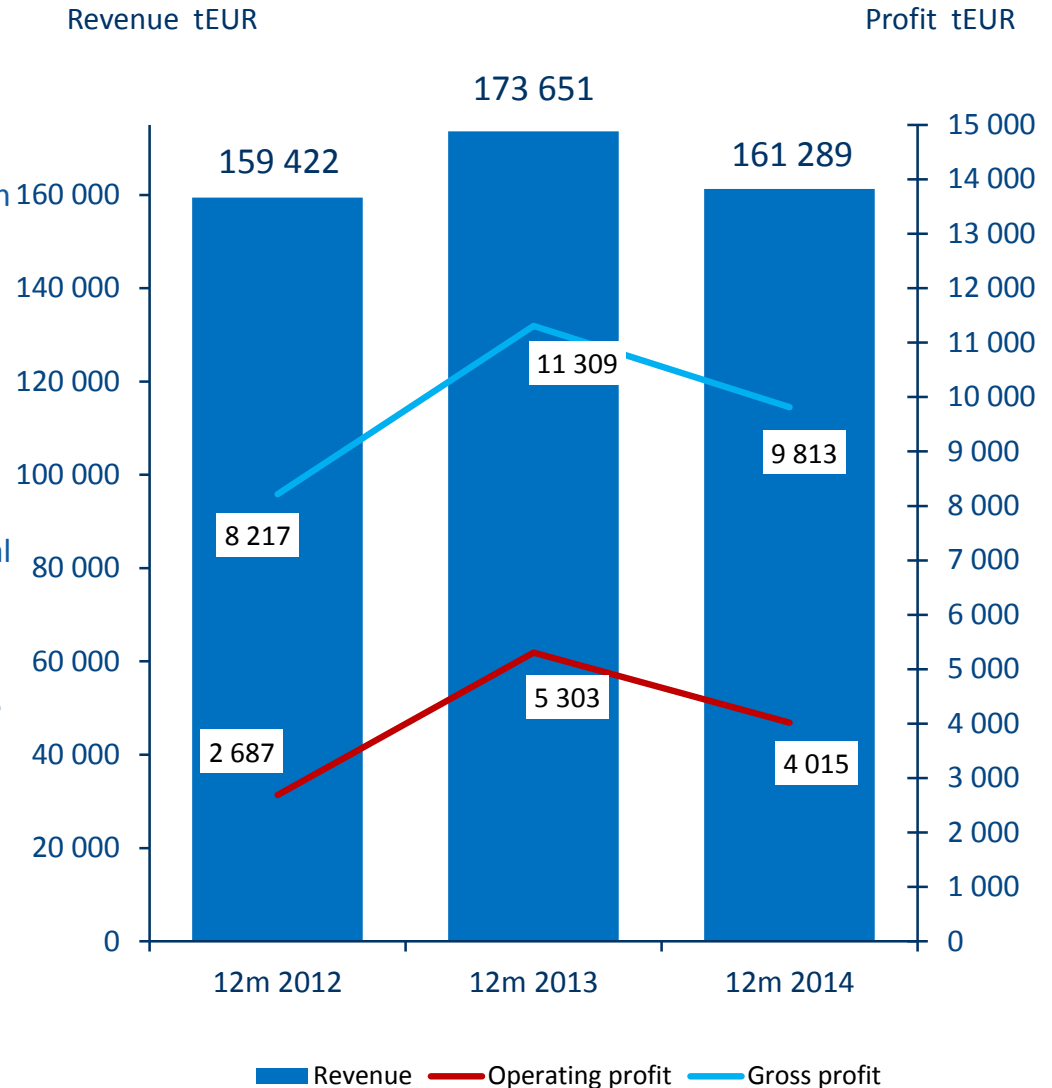
- Revenue below 2013 comparative figure by 7%. Caused by significant drop of sales in infrastructure segment as Group finished major projects in 2013 and slow start of new EU backed investments in 2014 (first year of 2014-2020 EU budget period). The revenue of the buildings segment grew as expected through a rise in both the number and average cost of contracts secured from the private sector.
- Gross margin decreased compared to previous period (6.1% vs 6.5%), as is operating margin (2.5% vs 3.1%). Most of the period's profit was earned in the third quarter, which is typically most active quarter in the construction business. Increase in administrative expenses, affecting the operating profit, came from the rise in payroll expenses and the performance pay provisions recognised in the third quarter.
- Administrative expenses in general remained under control at 3.5% (12 months rolling) to revenue (2013: 2.8%) and are well below the strategic target of 4%.
- Exchange rate losses from Ukrainian subsidiaries amounted to 1.3 mEUR as hryvna weakened against the euro by 44% during the period. However, the same exchange loss gave rise to a positive 1.07 mEUR change in the translation reserve reported in equity and the net effect of the exchange loss on the Group's net assets was 0.23 mEUR.
- Order book increased by 30% compared to 2013 as both the buildings and the infrastructure segment increased their order books.
- Dividends of 0.03 euros per share were paid in June 2014, first time since 2009.

Key figures / ratios

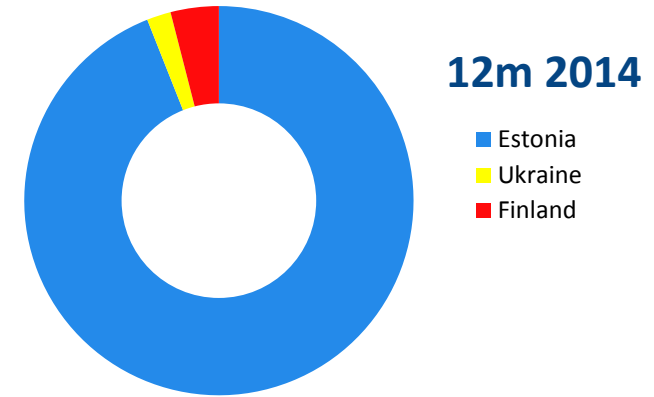
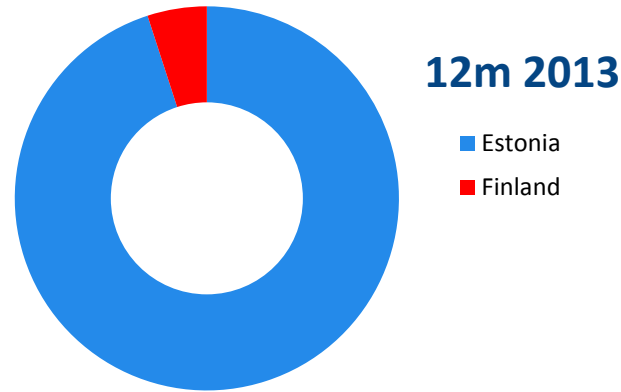
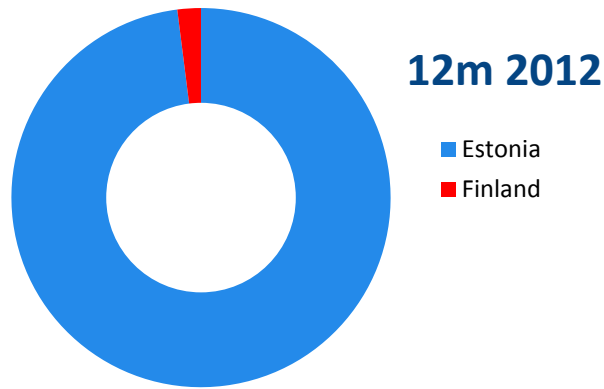
Figure / Ratio	12m 2014	12m 2013
Revenue (tEUR)	161,289	173,651
Revenue growth/decrease, %	-7.1%	8.9%
Net profit (tEUR)	2,298	4,639
Gross margin, %	6.1%	6.5%
EBITDA margin, %	3.5%	4.4%
Net margin, %	1.4%	2.7%
Earnings per share (EUR)	0.06	0.15
Equity ratio, %	37.1%	33.4%
Administrative expenses to revenue (12 months rolling)	3.5%	2.8%

Revenue and profit

- Revenue decrease led by infrastructure segment (-48%). Large infrastructure (road construction) projects ended in 2013. Decreased public investments in 2014 as EU new budget period (2014-2020) begin slowly.
- Extent of infrastructure segment revenue decrease is emphasised by 47% increase of buildings segment revenue.
- Profit margins fell in the fourth quarter due to performance pay provisions, lower usage of technological capacity and the realisation of risks in certain projects.
- Most of the period's profit was earned in the third quarter when performance was not impacted by adverse weather conditions and the utilisation of the technological capacity was full.
- Total marketing and administrative expenses higher 0.84 mEUR than in 2013 due to Nordecon's 25 year anniversary costs and increase in payroll expenses.



Revenue by geographic regions

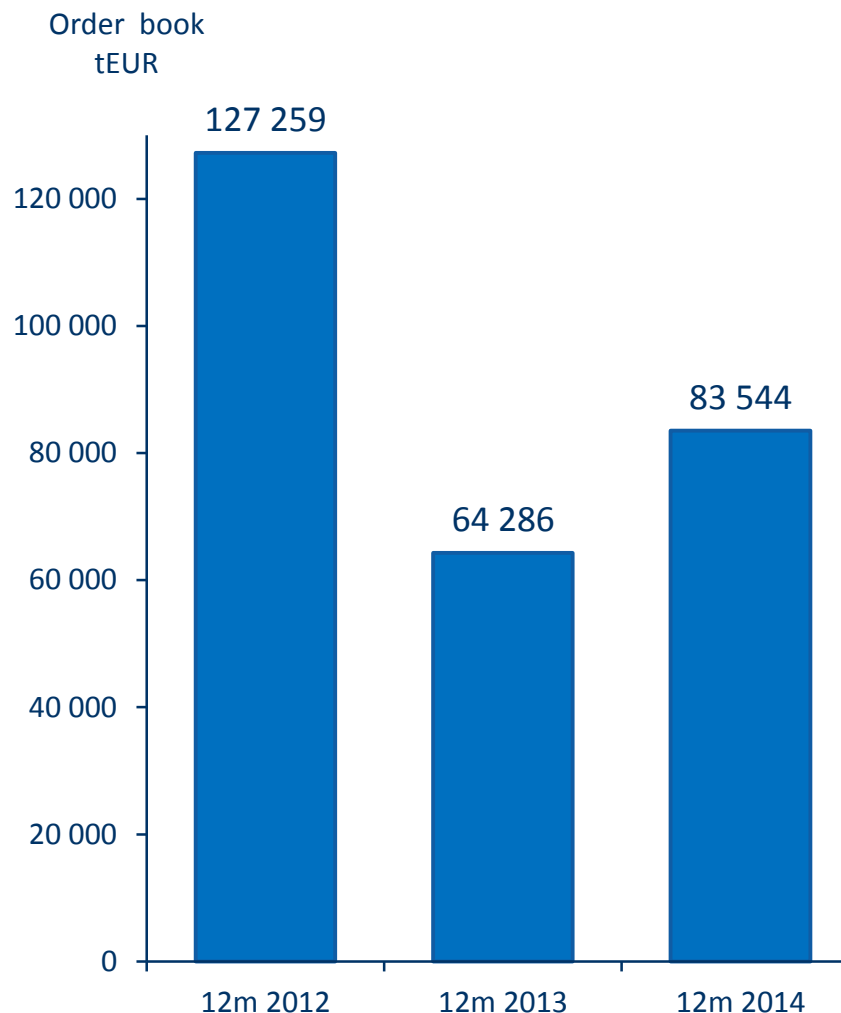


	12m 2012	12m 2013	12m 2014
Estonia	98%	95%	94%
Finland	2%	5%	4%
Ukraine	0%	0%	2%

- The chosen foreign markets are Finland, Ukraine, Latvia and Lithuania
- Main focus to remain in Estonia
- Business in Finland remains limited to existing sub-segment (concrete works)
- In Ukraine ability to start again maintained
- Entering Latvian and Lithuanian markets through subsidiaries when economic rational exists, but not before 2015

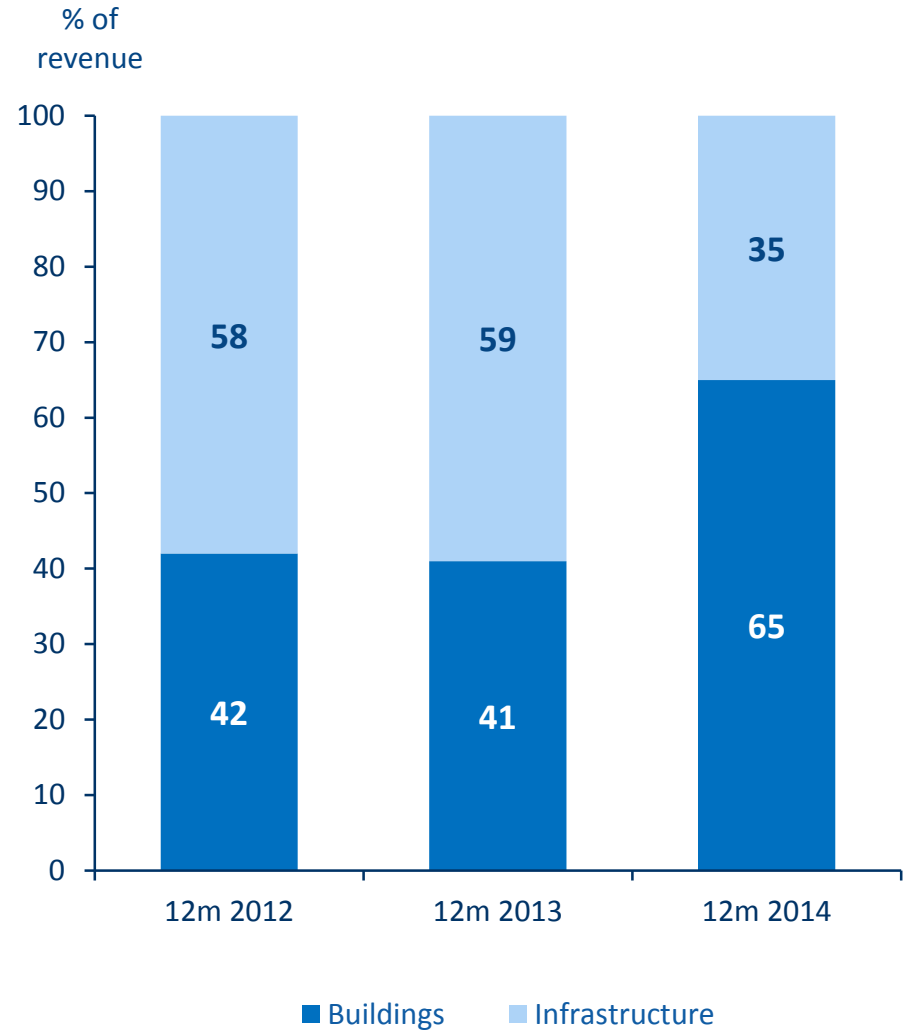
Order book

- Order book total has increased by 30% as compared to 2013 due to increase in both buildings and infrastructure segments.
- Increase in infrastructure segment (+51%) is mainly due to the increase in road construction sub-segment.
- Increase in buildings segment (+23%) comes from the commercial buildings sub-segment, thanks to a rise in private sector investment.
- Buildings segment orders continuously exceed infrastructure ones (73% and 27% resp.). This structure likely to remain for 2015 as well thus resulting in decreased revenue in infrastructure segment.
- In the current EU budget period (2014-2020) investments in infrastructure construction, which to date have mostly been made with the support of the EU structural funds, will not be as large as in 2007-2013. The new EU budget period is likely to have an impact on the construction sector at the end of 2015 at the earliest.



Revenue distribution by segments

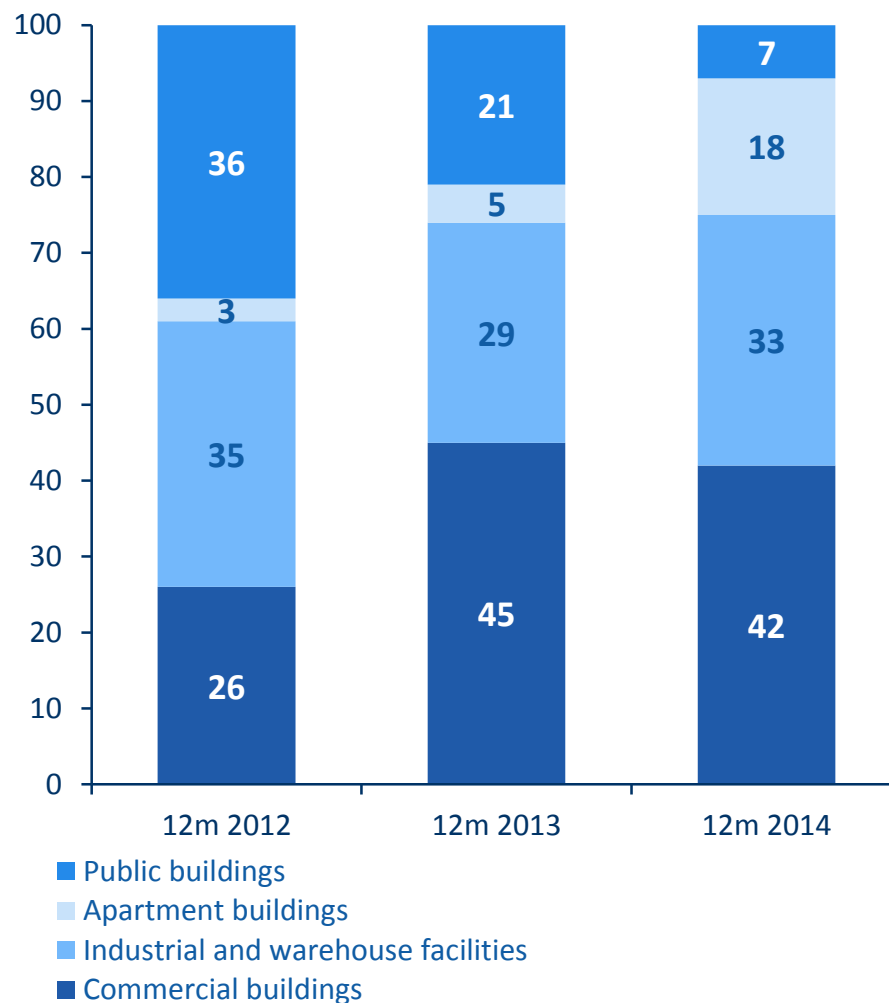
- Finishing of major road construction projects in 2013 and overall decrease of EU backed public investments to infrastructure led to sharp decrease of infrastructure segment revenue.
- Private sector investments to buildings segment have increased significantly. An increase of 47% in segment's total revenue.
- Structure likely to remain at this in 2015 as order book similarly structured.



Revenue distribution – buildings

- Private investments are dominating the buildings segment as public investments account only approx. 7% of revenue.
- EU backed public investments not decreasing as much as in infrastructure segment. Still competition in public tenders very intense. Nordecon is avoiding risks related to low bidding prices.
- Investments to commercial and industrial buildings remained at current levels thus compensating for declining infrastructure segment.
- Revenues in apartment buildings sub-segment increased and earned mainly from general contracting.
- Magasini 29 own development (www.magasini.ee) phase I is in sale and phase two under construction with sales ongoing (5 of 13 sold). Development project in Tartu (www.tammelinn.ee) where two new buildings with a total of 35 apartments were completed by the end of 2014 has sold 17 units by the year end.

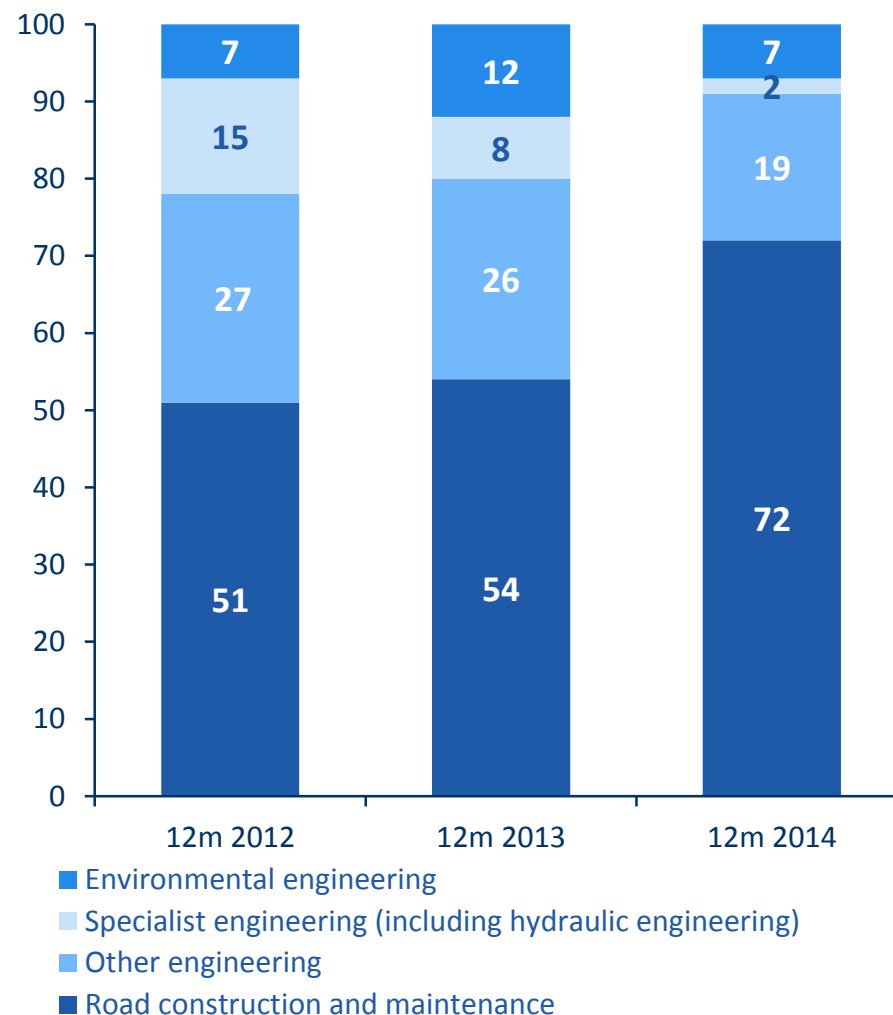
% of revenue



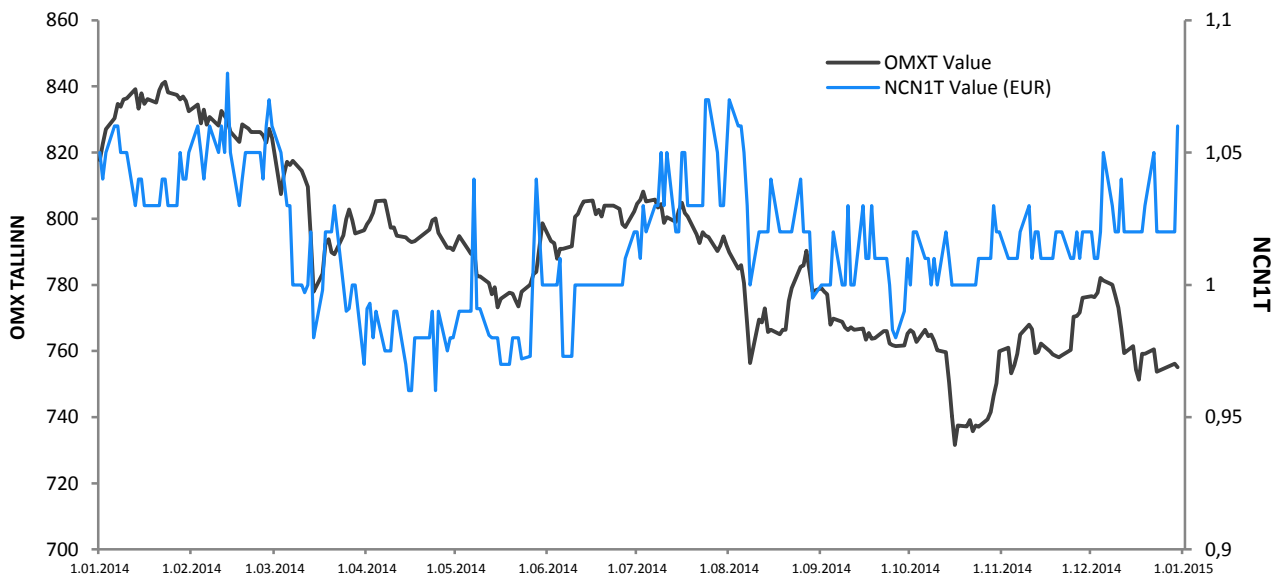
Revenue distribution – infrastructure

- Environmental infrastructure got more funding from EU during last years of 2007-2013 budget period. Nordecon secured in 2013 many environmental engineering contracts that have been completed in 2014, therefore the decrease in this sub-segment.
- Specialist engineering share decreasing as major port construction contracts were nearly finished in 2013. New large investments in port construction or other complex engineering projects are irregular.
- EU supported utility networks (other engineering) construction volumes declining as the projects from 2007-2013 EU budget were completed. Addition of new contracts in the first year of the new budget period (2014-2020) are considerably smaller than in previous years.
- Road construction and maintenance sub-segment is and will be the main revenue source, whereas the average cost of the contracts has fallen and 2013 volumes were not met. Large-scale design and construction work has been replaced by smaller reconstruction and repair projects. Road maintenance revenues remain stable.

% of revenue



Share and shareholders information



Index/share	1.01.2014	31.12.2014	+/-%
OMX Tallinn	817.72	755.05	-7.66
NCN1T	1.05 EUR	1.06 EUR	0.95

Largest shareholders of Nordecon AS at 31 December 2014

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	16 507 464	50.99
Lukusjaht AS	3 143 584	9.71
ING Luxembourg S.A.	2 007 949	6.20
SEB Pank AS clients	679 279	2.10
Rondam AS	660 099	2.04
ASM Investments OÜ	519 600	1.60
Ain Tromp	478 960	1.48
State Street Bank and Trust Omnibus Account A Fund	447 365	1.38
Central Securities Depository Of Lithuania	351 024	0.81
SEB Elu- ja pensionikindlustus AS	262 000	0.81

Shareholder structure of Nordecon AS by ownership interest at 31 December 2014

	Number of shareholders	Ownership interest (%)
Shareholders with interest exceeding 5%	3	66.90
Shareholders with interest between 1% and 5%	6	9.69
Shareholders with interest below 1%	1,744	18.41
Holder of own (treasury) shares	1	5.00
Total	1,754	100.00

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