



Investor presentation

6m 2015

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 690 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

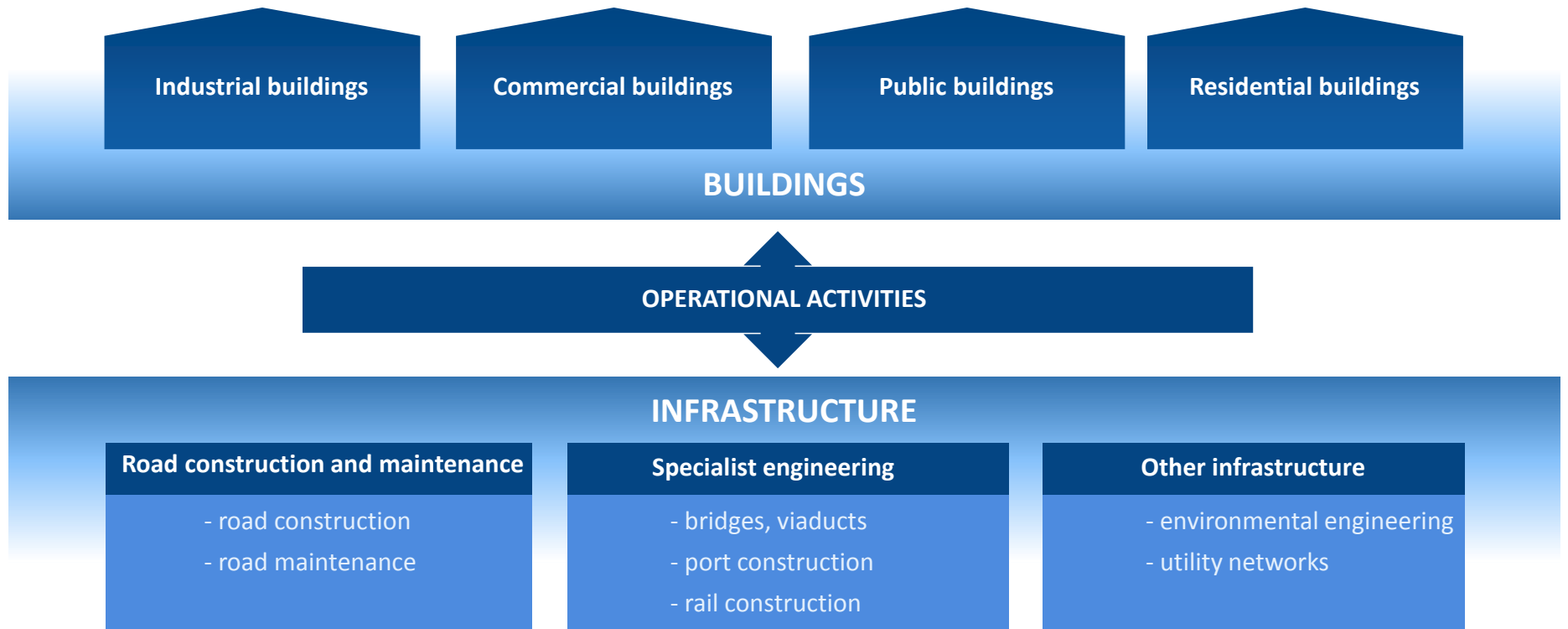
Group structure and organisation

- 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

6m 2015

Period in brief

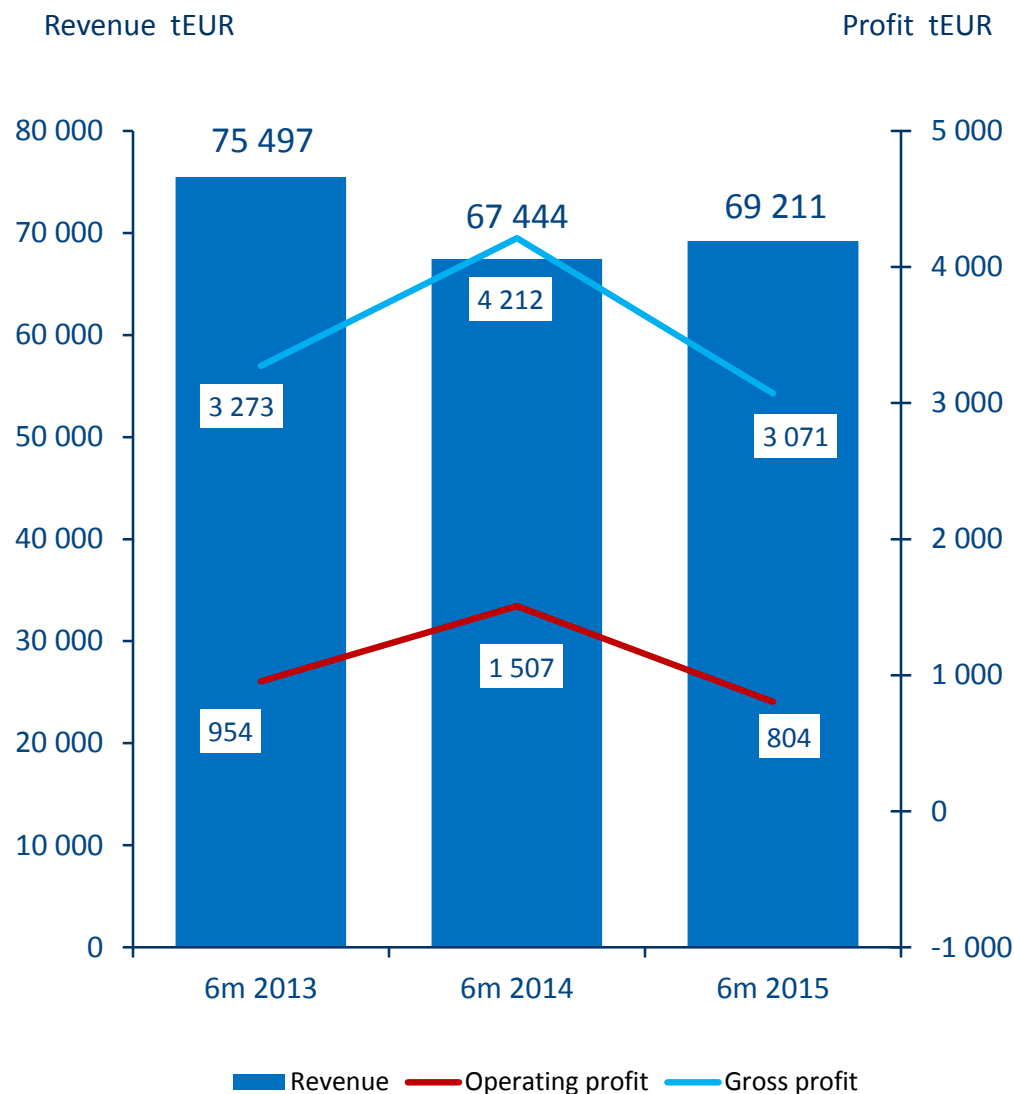
- Revenue above 2014 comparative figure by 3%. Revenue grew in both the Buildings and the Infrastructure segment. In the Buildings segment, the strongest growth was achieved in housing construction. In the Infrastructure segment, revenue growth continues to be underpinned by slight growth in road construction volumes that have not yet regained the level measured a few years ago.
- Gross margin decreased compared to previous period (4.4% vs 6.2%), as is operating margin 1.2% vs 2.2%). Compared with the same period last year, gross margin declined in the Buildings segment and improved slightly in the Infrastructure segment where the main sources of profit were road construction and road maintenance.
- The Group's second-quarter gross margin was comparable to that of second quarter 2014 but not sufficient to offset the weaker result for the first quarter.
- Administrative expenses in general remained under control at 3.3% (12 months rolling) to revenue (2014: 3.1%) and are well below the strategic target of 4%.
- Exchange rate losses from Ukrainian subsidiaries amounted to 0.316 mEUR as hryvna weakened against the euro by 18% during the period. However, the same exchange loss gave rise to a positive 0.331 mEUR change in the translation reserve reported in equity and the net effect of the exchange loss on the Group's net assets was 15.0 thEUR.
- The order book decreased in both the Buildings segment and the Infrastructure segment.

Key figures / ratios

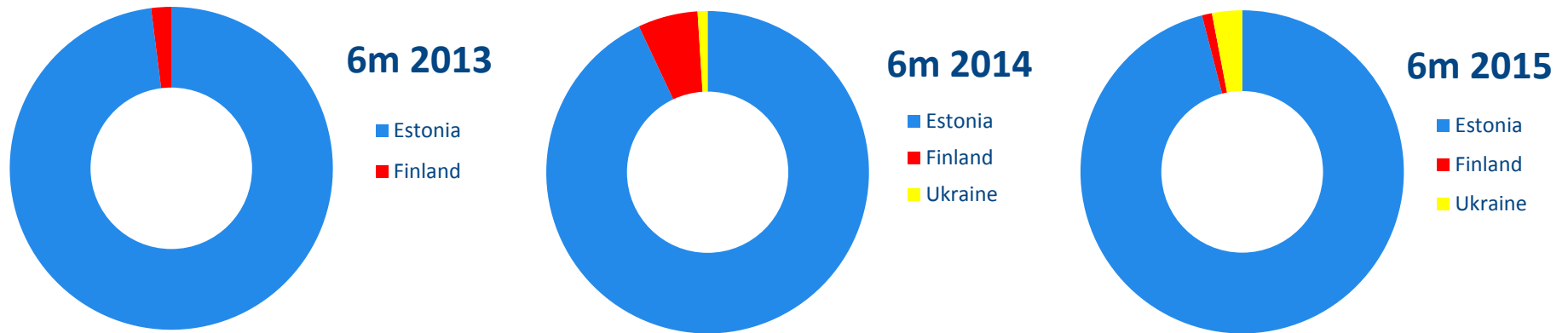
Figure / Ratio	6m 2015	6m 2014
Revenue (tEUR)	69,211	67,444
Revenue growth/decrease, %	3.0%	-11.0%
Net profit (tEUR)	243	454
Gross margin, %	4.4%	6.2%
EBITDA margin, %	2.5%	3.6%
Net margin, %	0.4%	0.7%
Earnings per share (EUR)	0.01	0.01
Equity ratio, %	33.8%	33.8%
Administrative expenses to revenue (12 months rolling)	3.3%	3.1%

Revenue and profit

- Revenue increase led by buildings segment (+2.8%) that has been less affected by the contraction in public sector spending.
- Revenue growth in the Infrastructure segment (+3.4%) resulted from growth in road construction volumes.
- Profit margins fell in the first half due to the declined margins in Buildings segment that was not fully compensated by the slight increase in margins of road construction and maintenance.
- The Group's second-quarter gross margin was comparable to that of second quarter 2014 but not sufficient to offset the weaker result for the first quarter.
- The Group's administrative expenses for the first half of 2015 totalled 2.22 mEur, which is lower than a year ago (Q2 2014: 2.47 mEur).
- Generally, in the infrastructure segment, the expected recovery has not materialized and launches of new projects have mostly been deferred. In the buildings segment, bidding activity is relatively high but the prices of most new contracts do not cover the risks involved and instigate caution.



Revenue by geographic regions

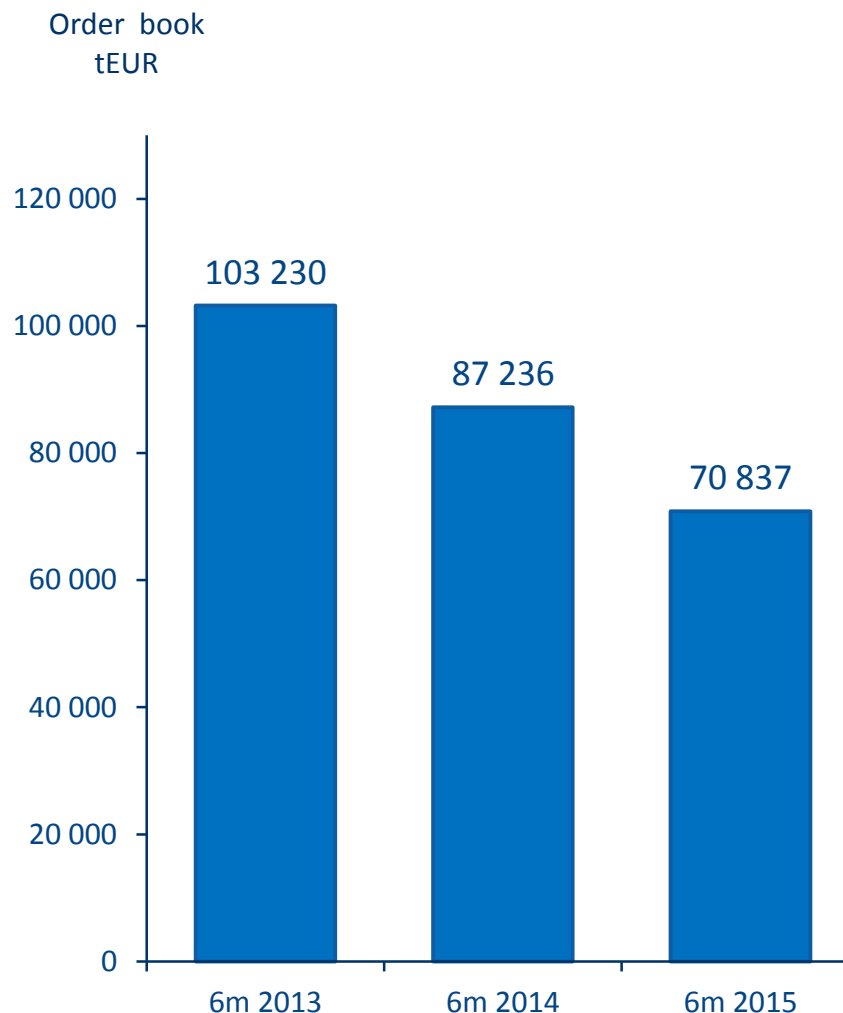


	6m 2013	6m 2014	6m 2015
Estonia	98%	93%	96%
Finland	2%	6%	1%
Ukraine	0%	1%	3%

- Main focus are the operations in Estonia
- Finnish revenue comprises revenue from concrete works in the building construction segment. The contribution of the Finnish market has decreased because major projects in Finland have been completed.
- The contribution of the Ukrainian market where we continue work under one building construction contract has increased.
- In 2015, we started preparations for potential expansion into the Swedish market. We are planning to offer construction of residential and non-residential buildings, particularly in central Sweden.

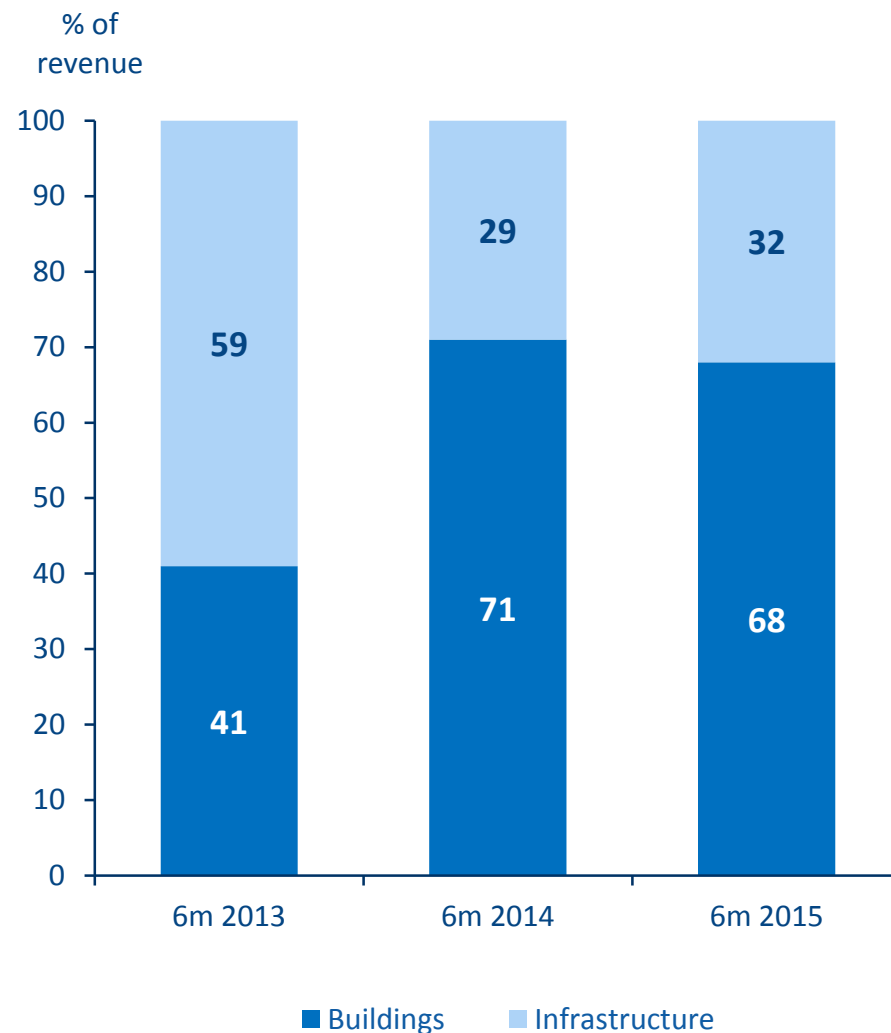
Order book

- Order book total has decreased by 19% as compared to 30.06.2014. The order book decreased in both the Buildings segment and the Infrastructure segment.
- In the Infrastructure segment, there was a slight increase in the order book of the road construction sub-segment that is engaged in two large road construction projects started in 2014 in Tartu and Keila.
- In the Buildings segment, the order books of the apartment buildings and public buildings sub-segments grew while the order book of the industrial and warehouse facilities sub-segment decreased.
- Buildings segment orders continuously exceed infrastructure ones (63% and 37% 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

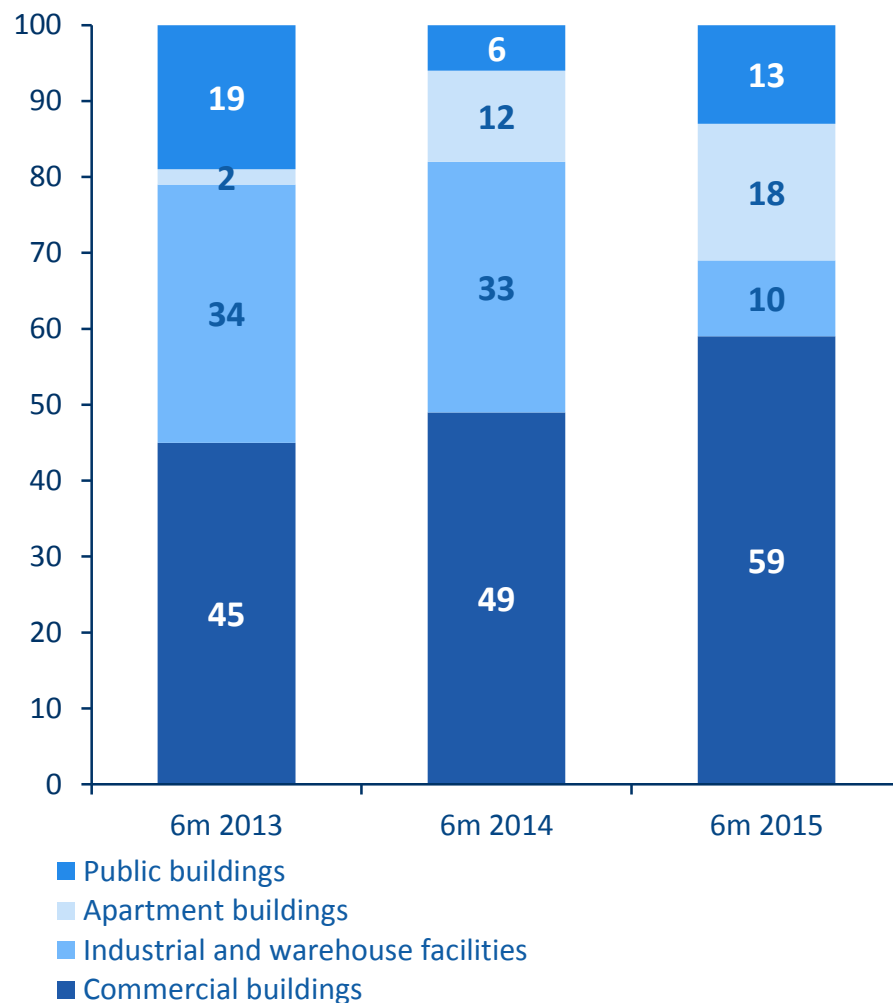
- We strive to maintain the revenues of our operating segments (buildings and infrastructure) in balance as this helps disperse risks and provides better opportunities for continuing construction operations also in stressed circumstances where one segment experiences noticeable shrinkage.
- However, 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.
- Both segments experienced an increase in the first half of 2015 – buildings +2.8% and infrastructure +3.4%.
- Due to larger share in the revenues, growth is led by the buildings segment which is less affected by the contraction in the public spending.
- Structure likely to remain at this in 2015 as order book similarly structured.



Revenue distribution – buildings

- We expect private sector investment activity to remain robust and the contribution of the sub-segment to remain at a similar or higher level throughout the year.
- The volumes of the public buildings sub-segment have grown mainly through an increase in the state’s investments in national defence.
- In the industrial and warehouse facilities sub-segment volumes have declined due to a decrease in both agricultural projects that used to dominate for a long time based on EU support and warehouse and logistics facility projects.
- Revenues in apartment buildings sub-segment increased and earned mainly from general contracting.
- Magasini 29 own development (www.magasini.ee) phase I and II are in sale and phase III under construction with sales ongoing (7 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 or reserved 27 units by the period end. II phase construction of Tammelinn with 20 apartments project started with over half already sold or reserved.

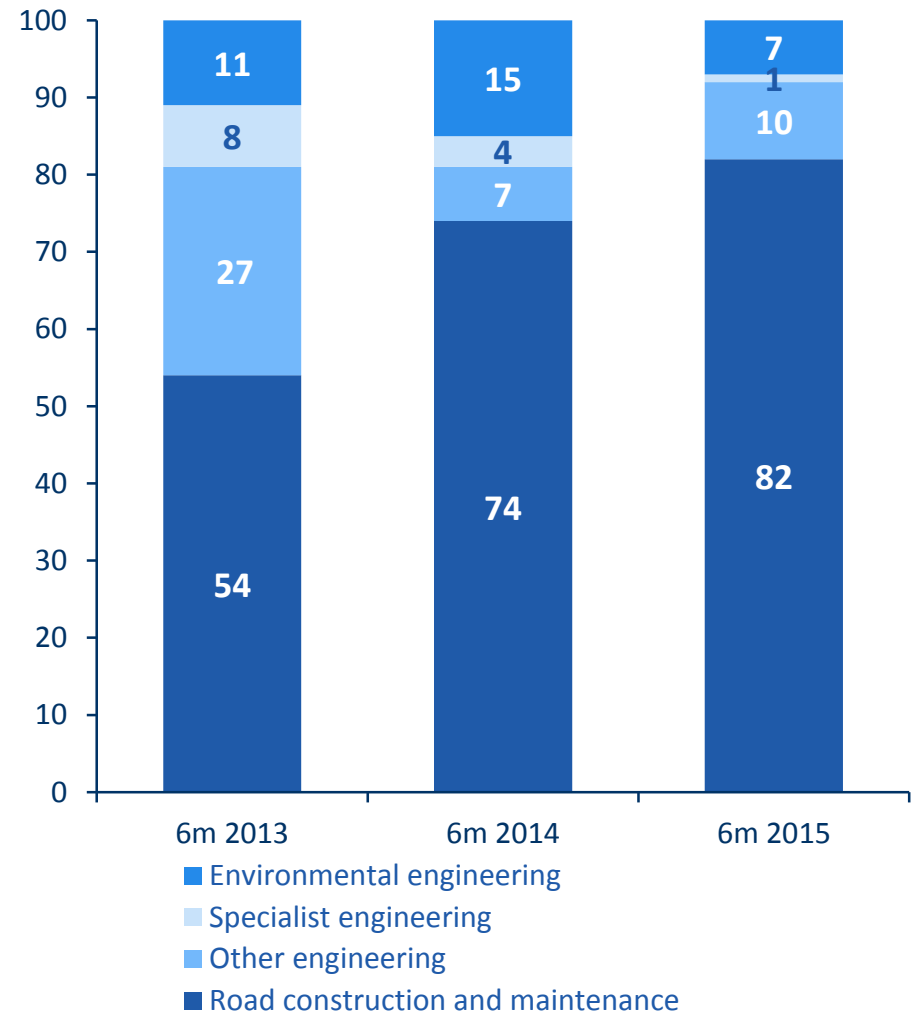
% of revenue



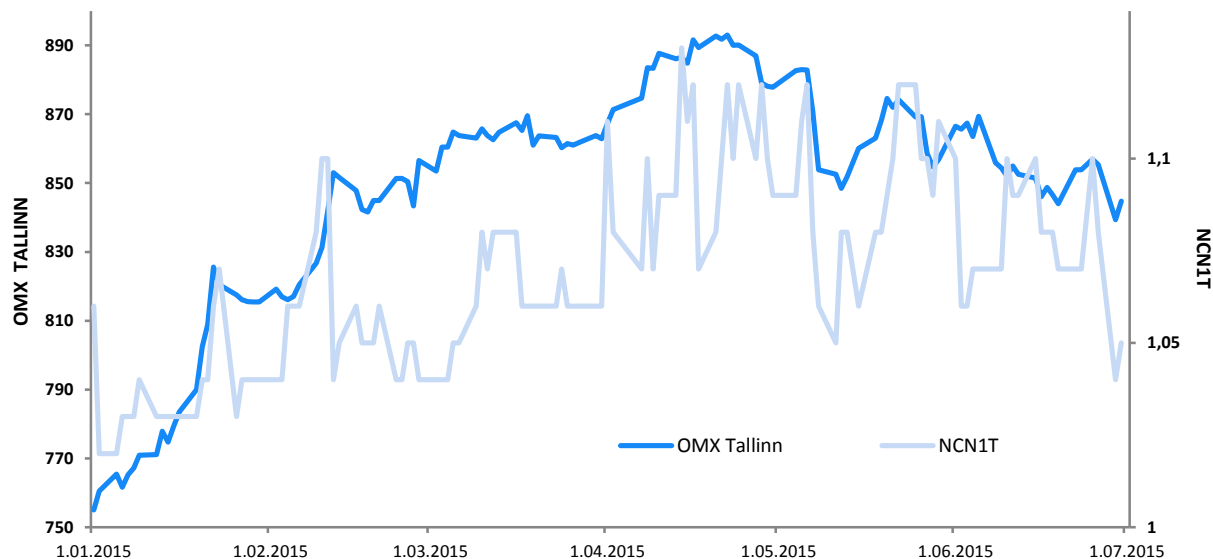
Revenue distribution – infrastructure

- We expect that road construction will remain the main revenue source in the infrastructure segment and, similarly to last year, most of the road construction revenue will result from small or medium-sized reconstruction and repair projects.
- Road maintenance revenues remain stable.
- The revenues of the specialist engineering sub-segment may increase through other complex engineering work than hydraulic engineering but relevant volumes are likely to be irregular.
- The decline in EU support continues to have a strong impact on environmental engineering work whose volumes have decreased more rapidly than those of other sub-segments.
- The contribution of utility network construction (other engineering) has increased slightly but contracts that have been secured are small and continuing growth of the sub-segment is unlikely.

% of revenue



Share and shareholders information



Index/share	1.01.2015	30.06.2015	+/-%
OMX Tallinn	755.05	844.70	11.87
NCN1T	1.06 EUR	1.05 EUR	-0.94

Largest shareholders of Nordecon AS at 30 June 2015

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,507,464	50.99
Lukusjaht AS	3,353,803	10.36
ING Luxembourg S.A.	2,007,949	6.20
Rondam AS	947,792	2.93
SEB Pank AS clients	737,508	2.28
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
SEB Elu- ja pensionikindlustus AS	262 000	0.81
Genadi Bulatov	250 600	0.77

Shareholder structure of Nordecon AS by ownership interest at 30 June 2015

	Number of shareholders	Ownership interest (%)
Shareholders with interest exceeding 5%	3	67.55
Shareholders with interest between 1% and 5%	5	9.67
Shareholders with interest below 1%	1,668	17.78
Holder of own (treasury) shares	1	5.00
Total	1,677	100.00

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