



Investor Presentation

Q1 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 First Quarter 2017

Period in Brief

Nordecon's **revenue** for the first quarter of 2017 amounted to 41,604 thousand euros, a roughly 50% increase on the 27,731 thousand euros generated in the first quarter of 2016.

Revenues increased in both the Buildings and the Infrastructure segment.

Nordecon Group ended the first quarter of 2017 with a **gross margin** of 1.5% (Q1 2016: 4.2%).

We earned our first-quarter gross profit in the building construction segment although the gross margin of our Buildings segment dropped to 4.1% (Q1 2016: 10.7%), partly due to the loss incurred while entering the new market in Sweden.

Our results in the infrastructure construction segment were expectedly modest although the loss of our Infrastructure segment decreased compared with a year earlier.

Administrative expenses in general remained under control at 3.2% to revenue (Q1 2016: 3.6%).

Although we made changes to the Group's structure and continued investing in foreign markets which unavoidably and expectedly increases 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.

Operating margin for the first quarter of 2017 was -2.4% (Q1 2016: -0.8%) and EBITDA margin was negative at -1.2% (Q1 2016: positive at 0.8%).

At 31 March 2017, the Group's **order book** stood at 130,109 thousand euros, an 8% increase year on year.

In the first quarter of 2017, operating activities produced a net cash outflow of 6,647 thousand euros (Q1 2016: an outflow of 2,818 thousand euros).

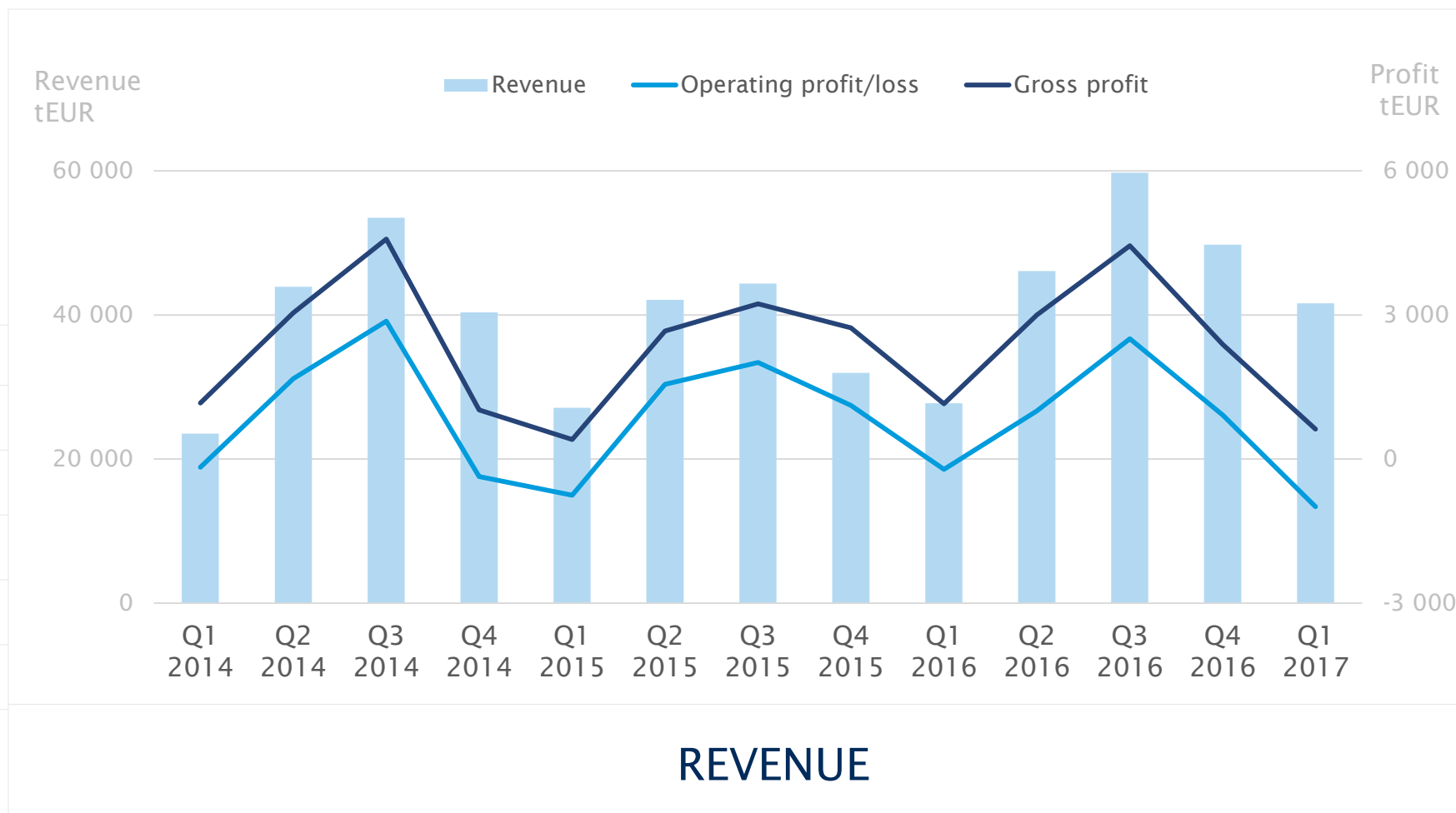
Negative operating cash flow is typical of the first quarter and stems from the cyclical nature of the construction business.

Revenue and operating profit

Revenues in the Buildings segment increased by +50.4% and in the Infrastructure segment by +44.4%.

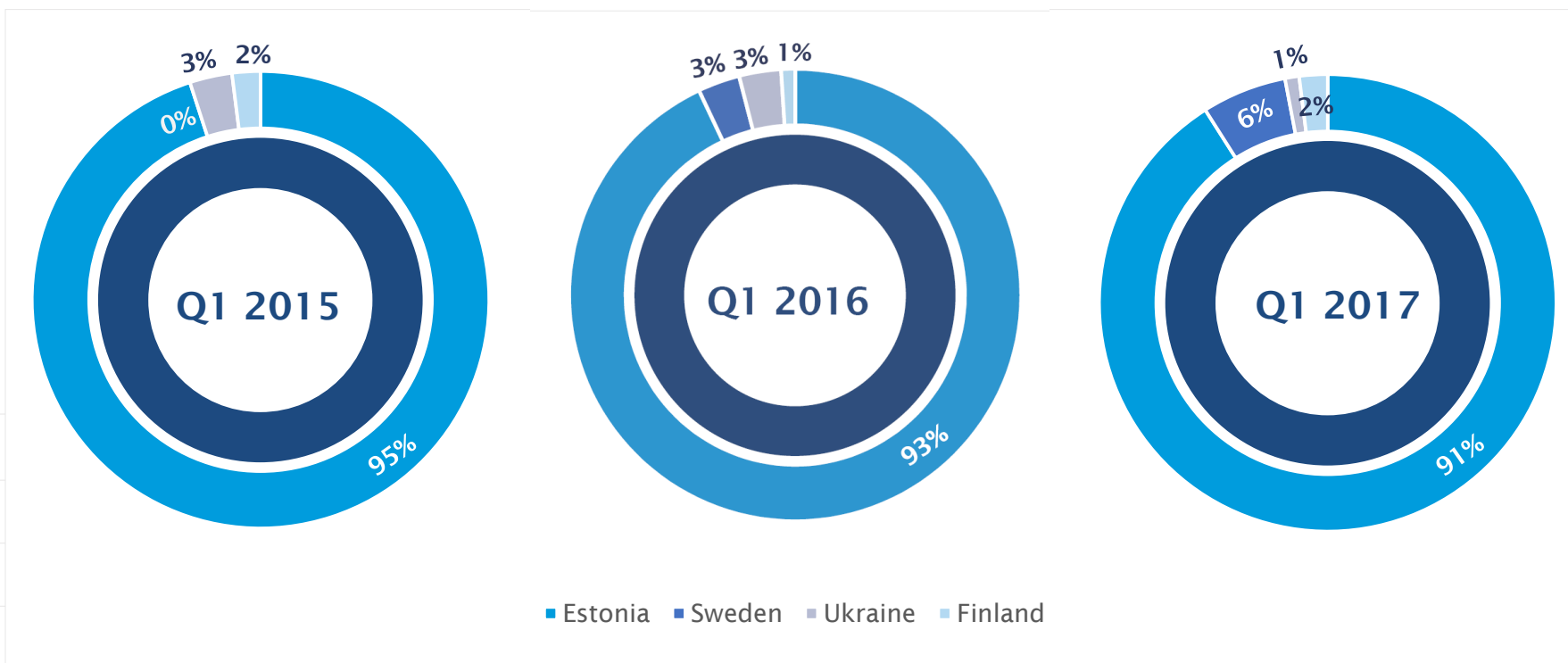
Loss resulted from Swedish subsidiary in Buildings segment, as well as lack of self performed works and uncovered fixed costs in Infrastructure segment.

Figure / Ratio	Q1 2015	Q1 2016	Q1 2017
Revenue (tEUR)	27,113	27,731	41,604
Revenue growth, %	15.2%	2.3%	50.0%
Net profit (tEUR)	-1,354	-409	-1,086
Gross margin, %	1.5%	4.2%	1.5%
EBITDA margin, %	-1.1%	0.8%	-1.2%
Net margin, %	-5.0%	-1.5%	-2.6%
Administrative expenses to revenue (12 month rolling)	3.4%	3.6%	3.2%



Revenue by Geographic Regions

	Q1 2015	Q1 2016	Q1 2017
Estonia	95%	93%	91%
Sweden	0%	3%	6%
Ukraine	3%	3%	1%
Finland	2%	1%	2%



In the first quarter of 2017, Nordecon earned around 9% of its revenue **outside Estonia** compared with 7% in the same period last year.

The proportion of revenue generated in the **Swedish market** increased considerably compared with a year earlier. We continued to build two apartment buildings and started preparations for the design and construction of a third one.

Although the proportion of revenue generated in **Ukraine** decreased, the amount of Ukrainian revenues remained comparable to the first quarter of 2016.

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.



ARSENAL

 **NORDECON**

Arsenal Keskus, a retail and leisure complex, Tallinn

Location: Eerika 4, Tallinn

Customer: Arsenal Center OÜ

Architect: PIN Arhitektid OÜ

Construction period: September 2015 – October 2016

Contractor: Nordecon AS

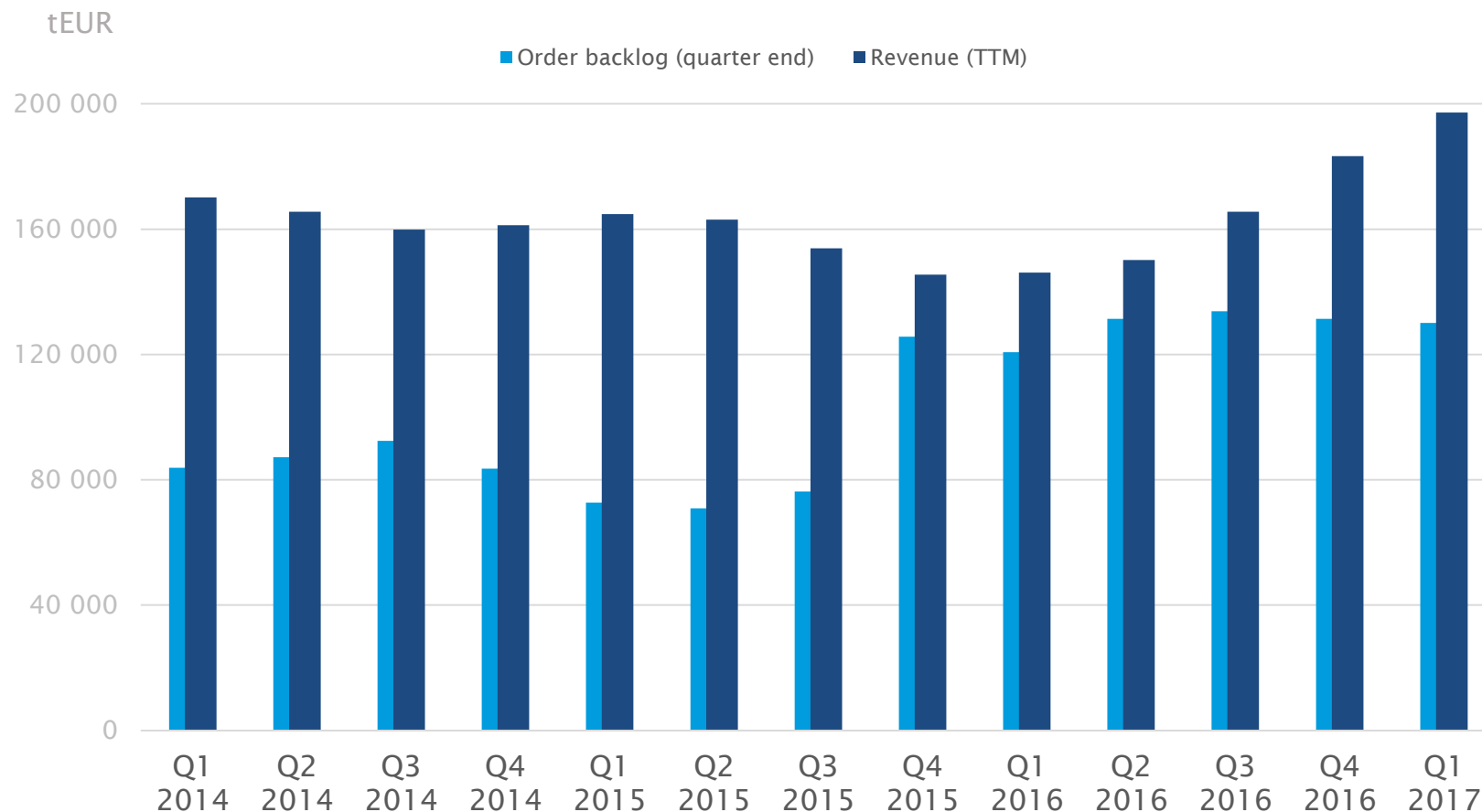
Project manager: Oleg Kaas

Order book and revenues

At 31 March 2017, the Group's **order book** (backlog of contracts signed but not yet performed) stood at 130,109 thousand euros, an 8% increase year on year.

At the reporting date, contracts secured by the Buildings segment and the Infrastructure segment accounted for 77% and 23% of the Group's order book respectively (31 March 2016: 70% and 30% respectively).

The order book of the **Buildings** segment has grown by around 18%, while the **Infrastructure** segment's backlog has decreased by around 16%.



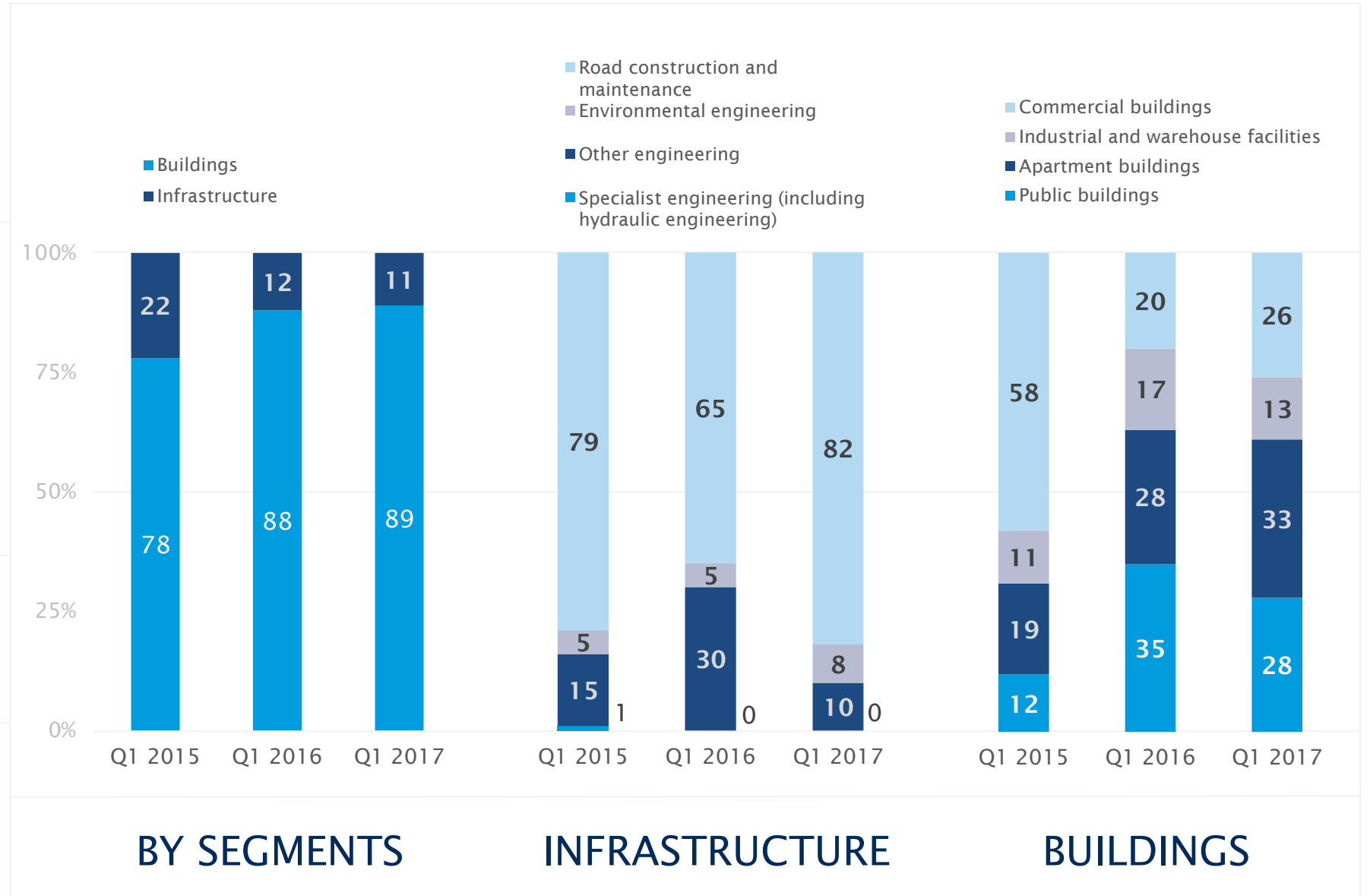
ORDER BOOK

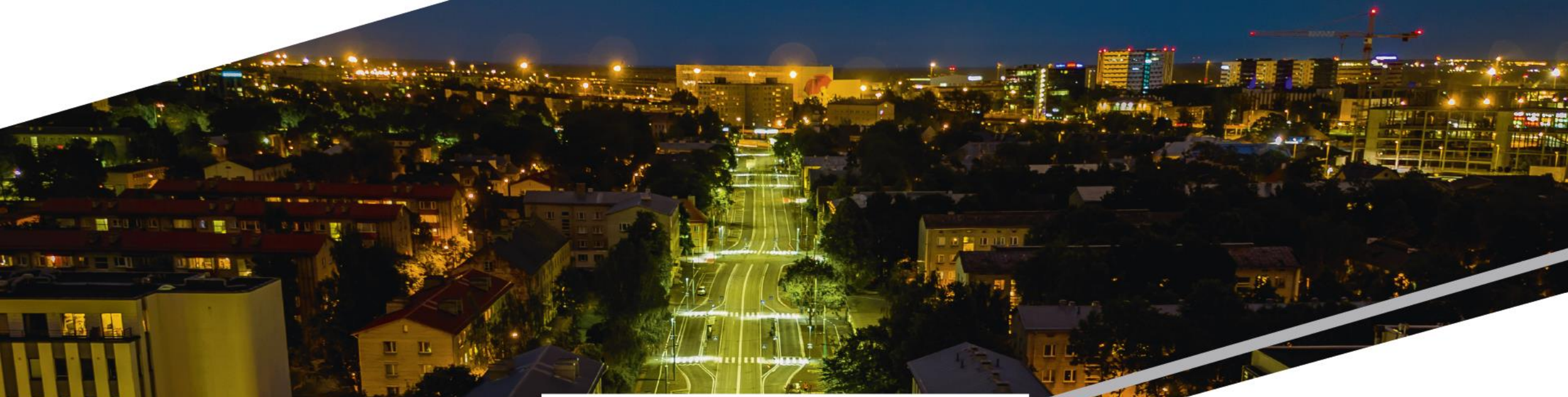
Revenue distribution

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.

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 quarter of 2017 its revenue contribution (compared to a year earlier) grew even further.





Reconstruction of Majaka street, Tallinn

Location: Majaka street, Tallinn

Customer: Tallinn City Municipal Engineering Services

Architect: K-Projekt AS

Construction period: August 2016 – July 2016

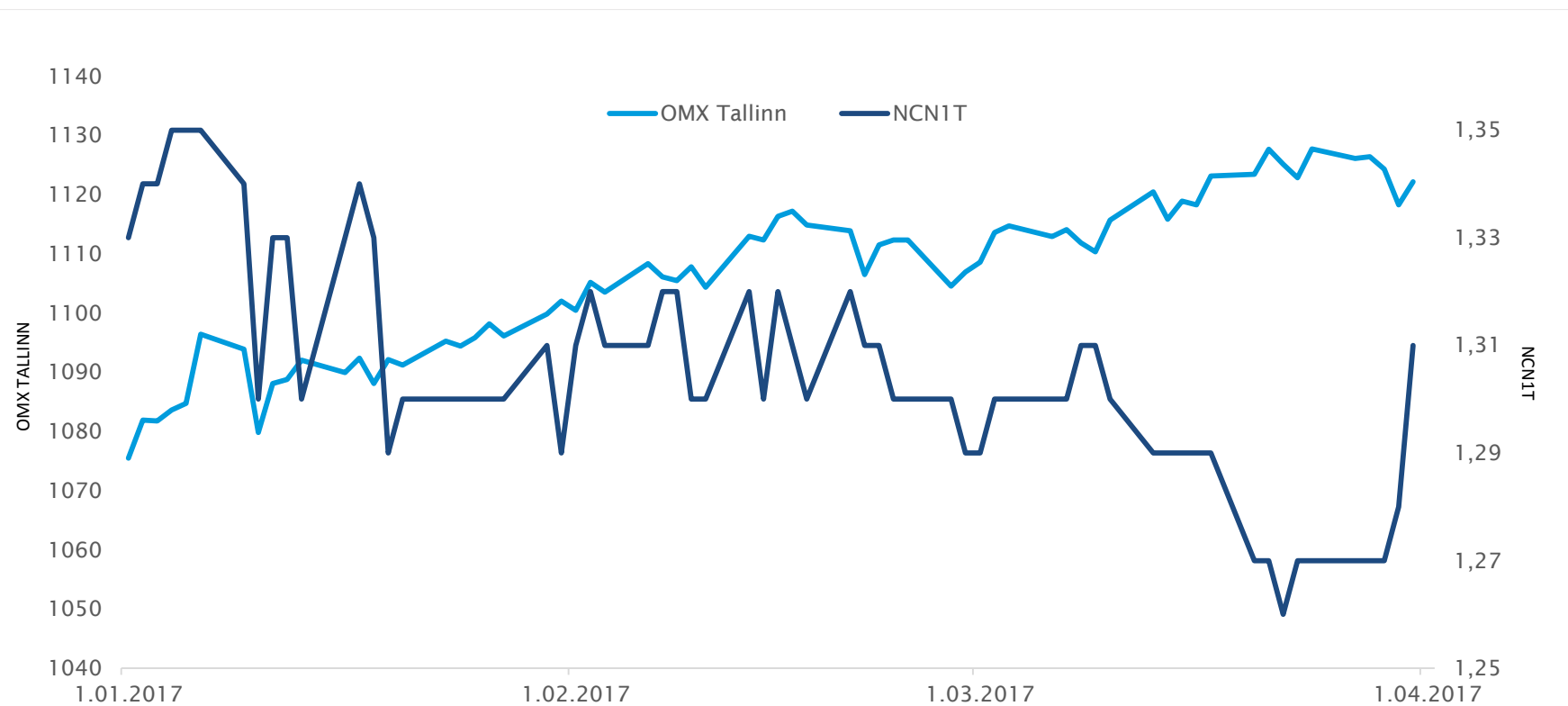
Contractor: Nordecon AS

Project manager: Arto Lille

Share and shareholders

Largest shareholders of Nordecon AS at 31 March 2017

	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,507,464	50.99
Luksusjaht AS	4,176,385	12.90
ING Luxembourg S.A.	2,007,949	6.20
Rondam AS	1,000,000	3.09
SEB Pank AS clients	977,160	3.02
ASM Investments OÜ	519,600	1.60
State Street Bank and Trust Omnibus Account A Fund	447,365	1.38
Ain Tromp	315,644	0.97
Alforme OÜ	256,000	0.79
SEB Elu- ja Pensionikindlustus AS	255,000	0.79



Index/share	1/1/2017	31/03/2017	+/-%
OMX Tallinn	1,075.50	1,122.40	4.34%
NCN1T	1.33 EUR	1.31 EUR	-1.50%

SHARE AND SHAREHOLDERS



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