



**Investor  
Presentation  
Q3 2018**

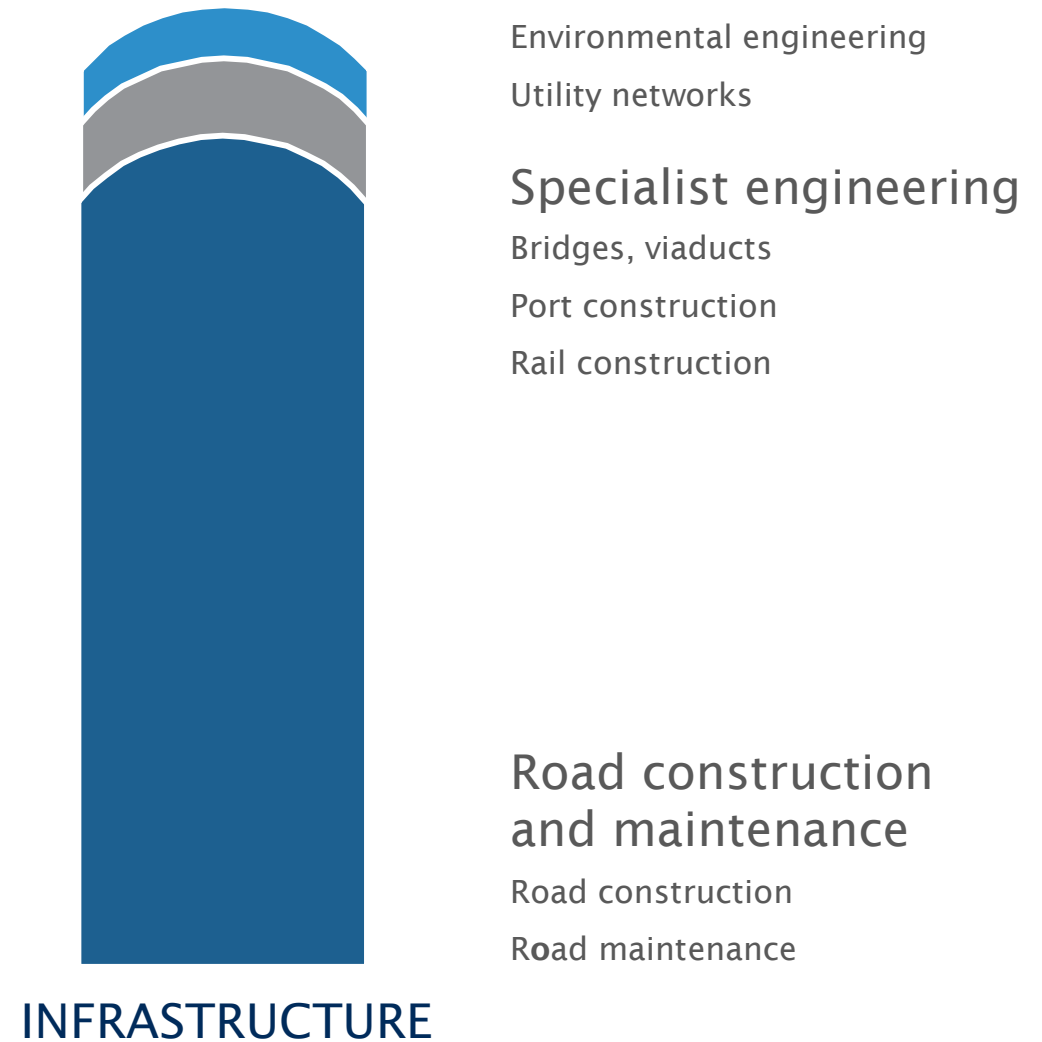
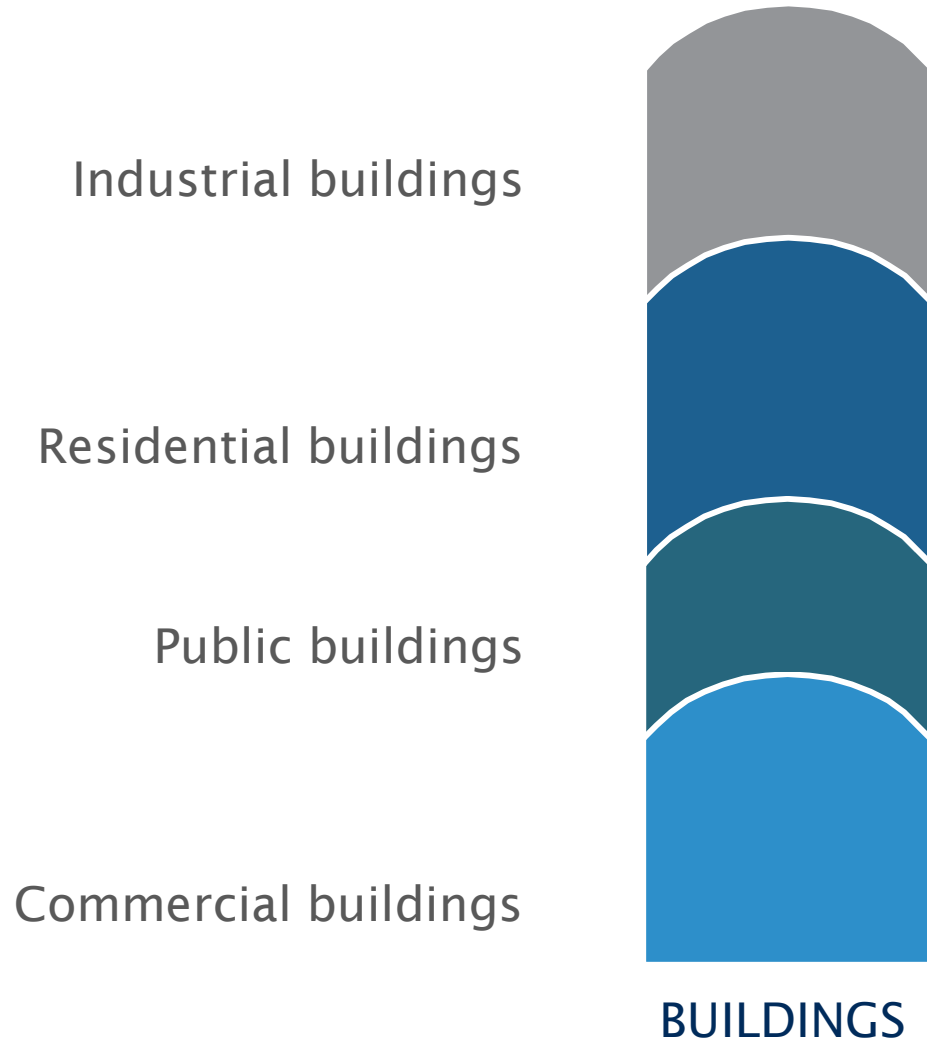




 **NORDECON**

# Strategy Overview

# Business model





# 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.

## EMPLOYEES

- 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%.

## FINANCIAL TARGETS

- 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.

## BUSINESS ACTIVITIES



## Apartment buildings with commercial space at Kopli 4a and 6 in Tallinn

Location:	Kopli 4a and 6, Tallinn
Customer:	OÜ Novamaja
Architect:	Martin Aunin FIE, Aet Piel Disain OÜ, IB Püloon OÜ
Construction period:	March 2016 – April 2017
Contractor:	Nordecon AS
Project manager:	Jürgen Klooren

# Period in Brief

Nordecon's **revenues** for the first nine months of 2018 totalled 167,588 thousand euros, a roughly 4.2% decrease from the 174,909 thousand euros generated in the same period last year.

Revenue generated by the Infrastructure segment grew by around 10% but this did not counterbalance the decline (7.5%) in revenue generated by the Buildings segment.

The Group's **operating profit** for the first nine months of 2018 amounted to 2,392 thousand euros (9M 2017: 913 thousand euros).

**EBITDA** amounted to 3,879 thousand euros (9M 2017: 2,419 thousand euros).

Nordecon Group ended the first nine months of 2018 with a **gross profit** of 6,688 thousand euros (9M 2017: 6,768 thousand euros) and a **gross margin** of 4.0% (9M 2017: 3.9%).

We are satisfied with the profitability of the Infrastructure segment, which has improved considerably compared with last year.

However, we would like to see better results in the Buildings segment whose gross margin has dropped.

At 30 September 2018, the Group's **order book** stood at 131,953 thousand euros, a decrease of roughly 7% compared to the same period last year.

Compared to the same period last year, **administrative expenses** decreased by around 7.4% (4,977 thousand euros vs 5,375 thousand euros) and the ratio of administrative expenses to revenue (12 months rolling) was 2.9% (9M 2017: 3.0%).

Expenses increased in connection with changes made to the Group's management and the payment of termination benefits to a member of the parent company's board, remaining still below the target ceiling of 4% of revenue.

In the first nine months of 2018, **operating** activities produced a **net cash inflow** of 6,741 thousand euros (9M 2017: an outflow of 5,772 thousand euros).

Positive net operating cash flow is attributable to growth in the volume of the Group's own development operations and the collection of the contractual retentions (5-10% of the contract price) of major construction projects which have been completed.





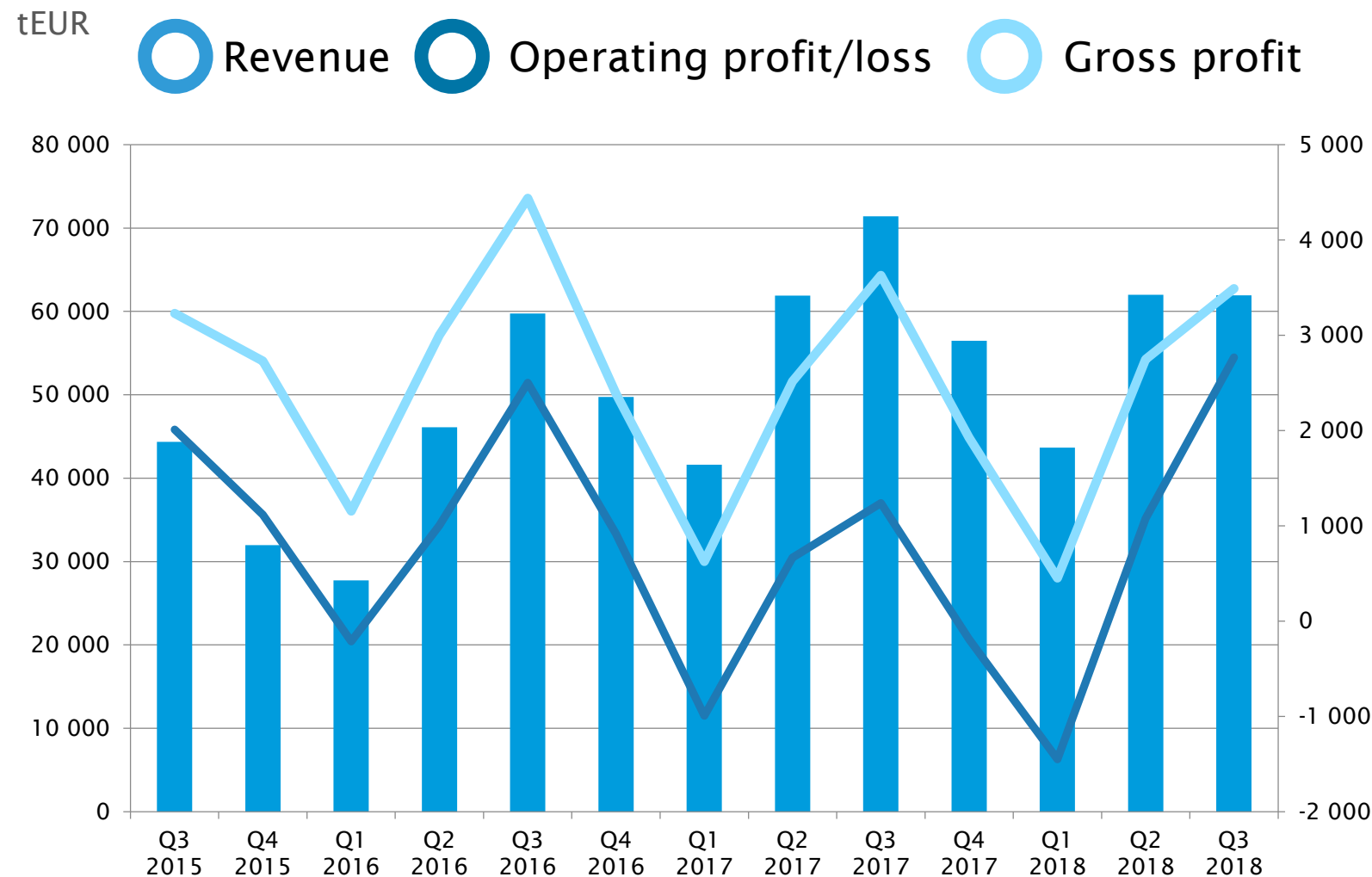
## Reconstruction of the building of the Ugala

Location:	Vaksali 7, Viljandi
Customer:	UGALA TEATER SA
Architect:	R-Konsult OÜ
Construction period:	February 2016 – July 2017
Contractor:	Nordecon AS
Project manager:	Olev Jõerand

# Revenue and operating profit

- **Revenues** in the Buildings segment decreased by -7.5% and increased in the Infrastructure segment by +10%.
- The **gross margin** of the Buildings segment dropped to 3.4% for nine months while the Infrastructure segment margin increased to 6.7%.

Figure / Ratio	9M 2016	9M 2017	9M 2018
Revenue (tEUR)	133,570	174,909	167,588
Revenue change, %	17.6%	30.9%	-4.2%
Net profit (tEUR)	3,315	2,716	2,154
Gross margin, %	6.4%	3.9%	4.0%
EBITDA margin, %	3.5%	1.4%	2.3%
Net margin, %	2.5%	1.6%	1.3%
Administrative expenses to revenue (12 month rolling)	3.8%	3.0%	2.9%





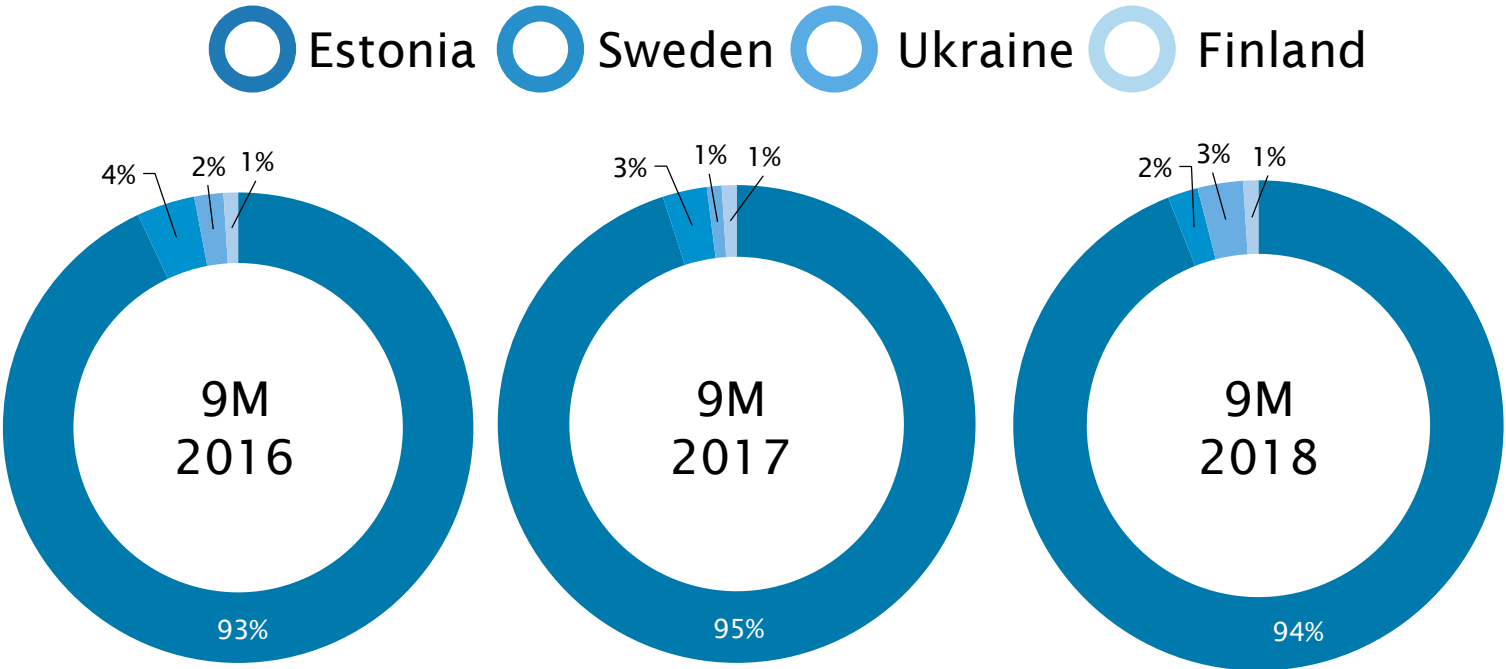


## BRF Sicklaön 10

Location:	Nacka, Stockholm
Customer:	Innovation Properties AB
Architect:	Hultman-Vogt AB
Construction period:	October 2016 – June 2017
Contractor:	SweNCN AB
Project manager:	Marek Soomlais

# Revenue by Geographic Regions

	9M 2016	9M 2017	9M 2018
Estonia	93%	95%	94%
Sweden	4%	3%	2%
Ukraine	2%	1%	3%
Finland	1%	1%	1%



In the first nine months of 2018, revenue earned **outside Estonia** accounted for 6% of our total revenue.

The share of **Swedish revenues** has decreased year on year. During the period, we provided services under one construction contract secured as a general contractor.

The share of the Group’s **Ukrainian revenues** has grown substantially compared with the same period last year.

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.





## Construction of the Kehra cogeneration

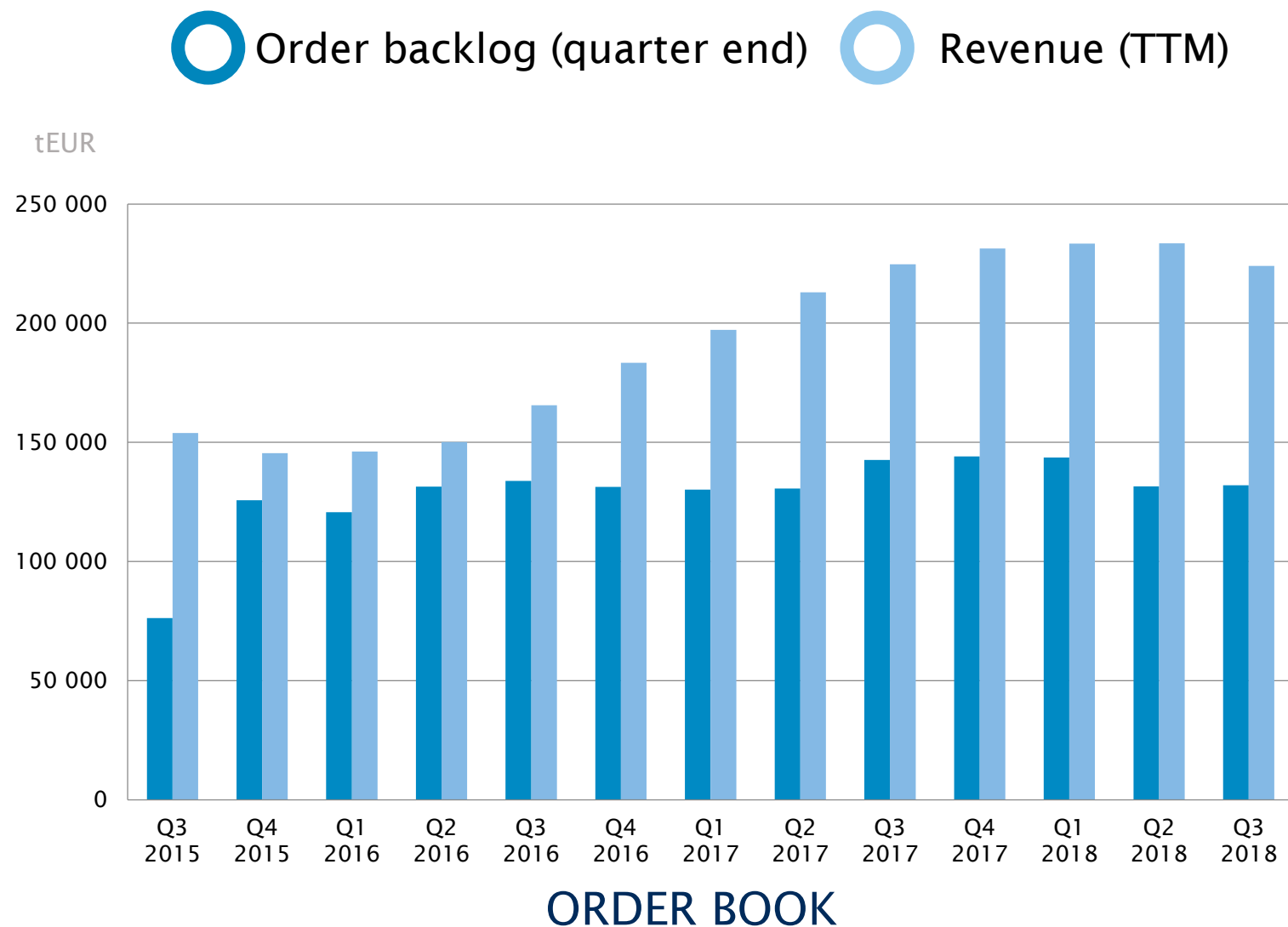
Location:	Kehra, Anija vald, Harju maakond
Customer:	„Horizon“ Tselluloosi and Paberi AS
Architect:	URBAS Energietechnik GmbH
Construction period:	February – December 2017
Contractor:	Nordecon Betoon OÜ
Project manager:	Mihhail Varep

# Order book and revenues

At 30 September 2018, the Group's **order book** stood at 131,953 thousand euros, a decrease of roughly 7% compared to the same period last year.

At the reporting date, contracts secured by the **Buildings** segment and the **Infrastructure** segment accounted for 73% and 27% of the Group's total order book respectively (30 September 2017: 78% and 22% respectively).

Compared to 30 September 2017, the order books of the **Buildings** segment and the **Infrastructure** segment have decreased by 3% and 17% respectively.







## Reconstruction of Tähetorni intersection on km 11.3 of national road no. 8 Tallinn-Paldiski

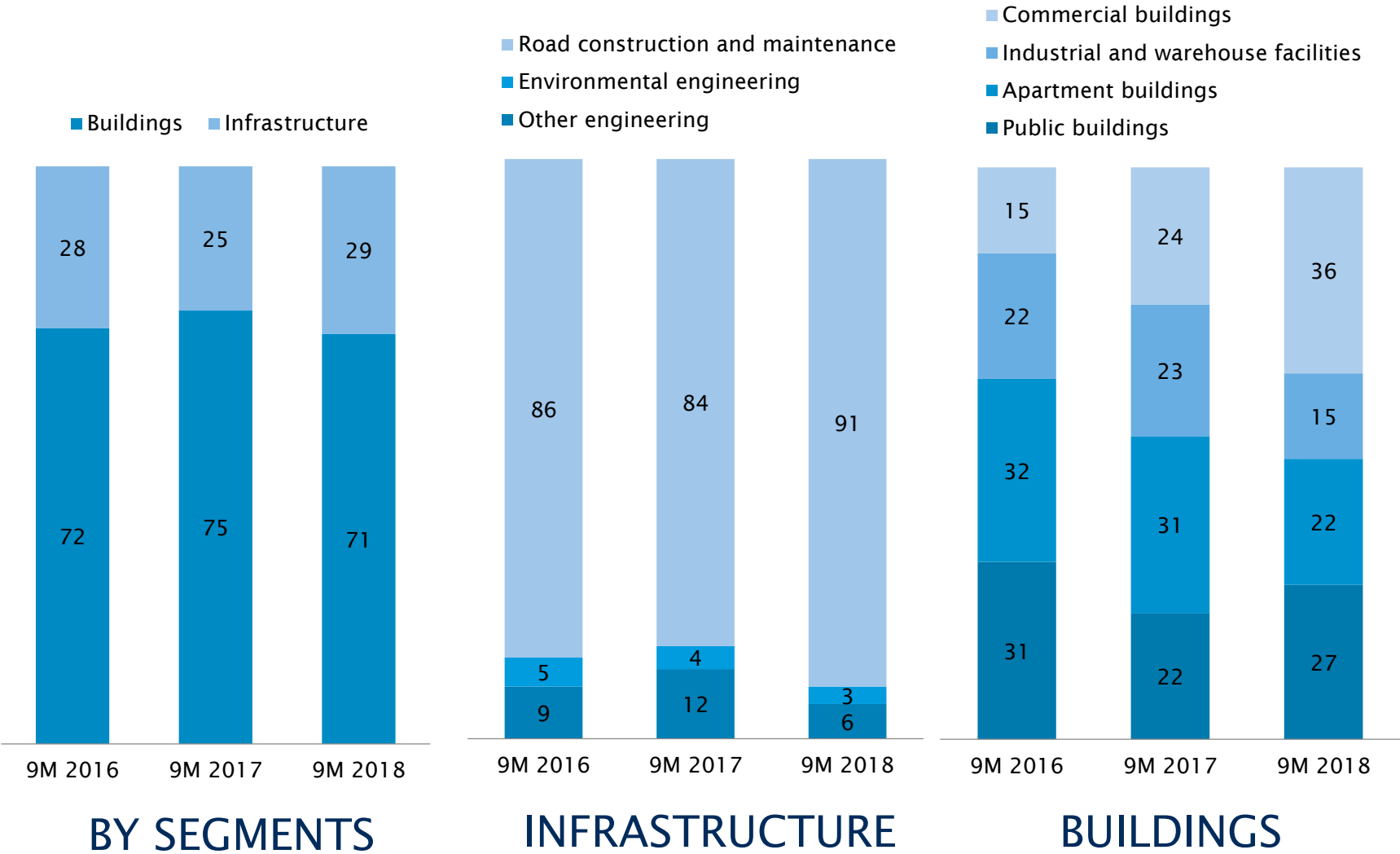
Location:	Tallinna linn, Harku- and Saue vald, Harju maakond
Customer:	Estonian Road Administration
Architect:	OÜ Keskkonnaprojekt
Construction period:	August 2016 – June 2017
Contractor:	Nordecon AS
Project manager:	Rait Kärner

# 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 largest revenue source is the commercial buildings sub-segment.

The **Infrastructure** segment has been dominated by the road construction and maintenance sub-segment whose relative importance has been increasing year by year







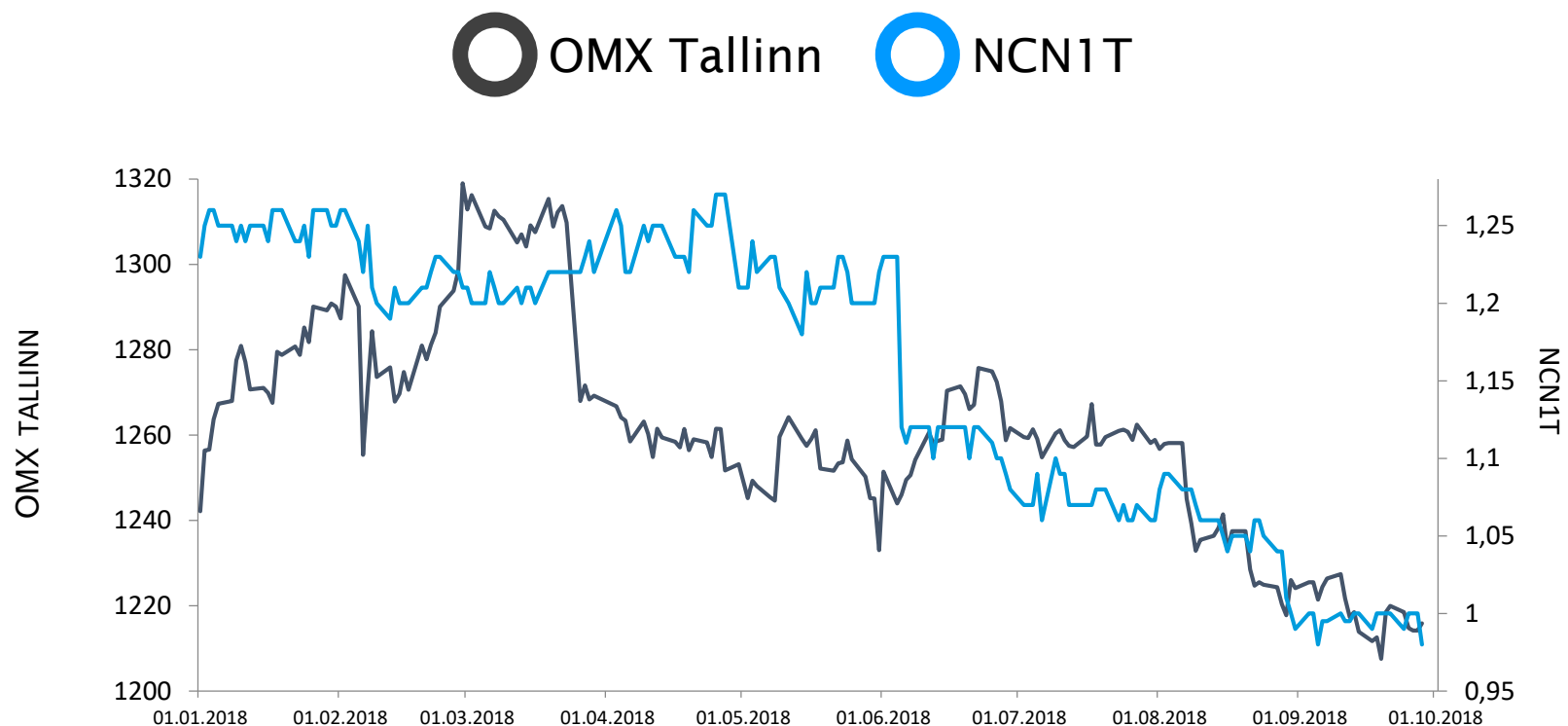
## Residential and commercial buildings at Rotermanni 18 in Tallinn

Location:	Rotermanni 18, Tallinn
Customer:	Dollimar Invest OÜ
Architect:	HG Arhitektuur OÜ, Novarc Group AS
Construction period:	August 2016 – November 2017
Contractor:	Nordecon AS
Project manager:	Oleg Kaas

# Share and shareholders

## Largest shareholders of Nordecon AS at 30 September 2018

	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,507,464	50.99
Luksusjaht AS	4,167,385	12.87
ING Luxembourg S.A.	1,404,120	4.34
Rondam AS	1,000,000	3.09
SEB Pank AS clients	705,000	2.18
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
Lembit Talpsepp	291,103	0.90
Alforme OÜ	260,000	0.80



Index/Share	2018-01-01	2018-09-30	+/-
OMX Tallinn	1,242.12	1,215.84	-2.12%
NCN1T	1.23 EUR	0.98 EUR	-20.33%

## SHARE AND SHAREHOLDERS





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