



NORDECON

Investor presentation

9m 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 close to 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

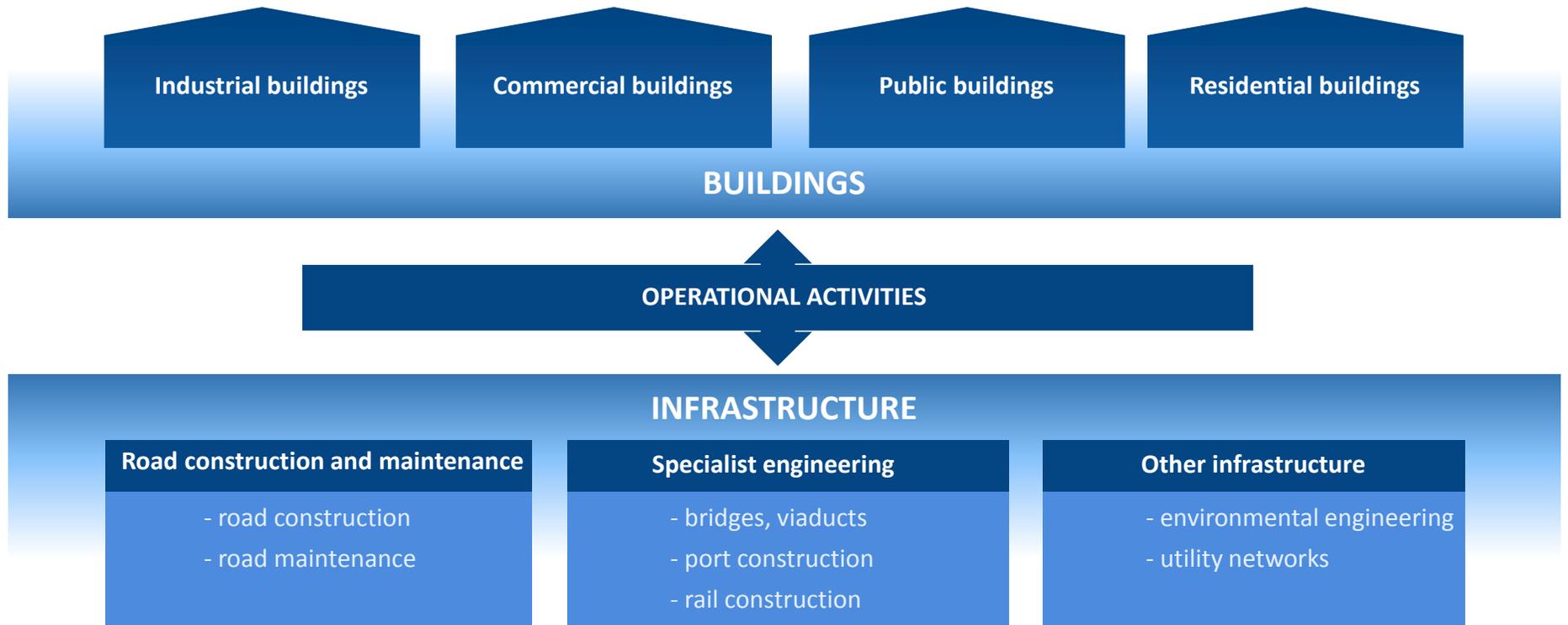
Group structure and organisation

- 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

9m 2015

Period in brief

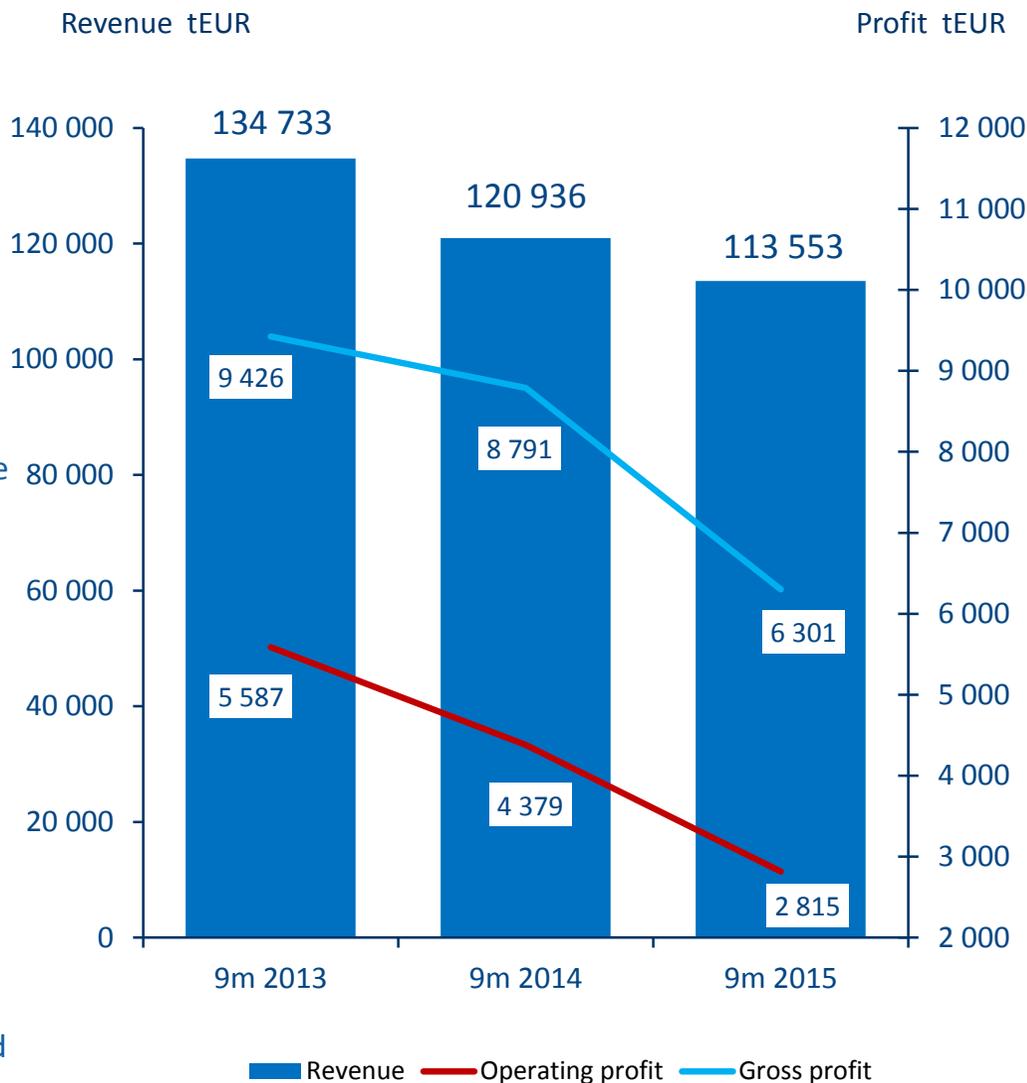
- 2015 nine months revenue below 2014 comparative figure by 6.1%. Revenue declined in both the Buildings and the Infrastructure segment.
- Gross margin decreased compared to previous period (5.5% vs 7.3%), as did operating margin (2.5% vs 3.6%). Compared with the same period last year, gross margin declined in the Buildings segment and improved slightly in the Infrastructure segment where the main sources of profit were road construction and road maintenance.
- Administrative expenses in general remained under control at 3.3% (12 months rolling) to revenue (2014: 3.4%) and are well below the strategic target of 4%.
- Exchange rate losses from Ukrainian subsidiaries amounted to 0.375 mEUR as hryvna weakened against the euro by 20% during the period. However, the same exchange loss gave rise to a positive 0.389 mEUR change in the translation reserve reported in equity and the net effect of the exchange loss on the Group's net assets was 14.0 thEUR.
- In the third quarter the order book in total increased slightly, but declined in both the Buildings segment and the Infrastructure segment as compared to year ago.

Key figures / ratios

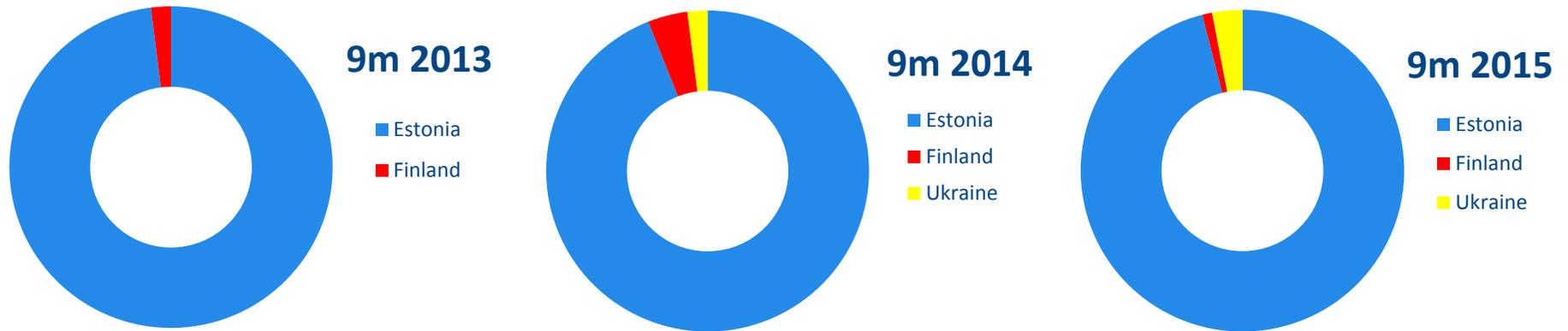
Figure / Ratio	9m 2015	9m 2014
Revenue (tEUR)	113,553	120,936
Revenue growth/decrease, %	-6.1%	-10.2%
Net profit (tEUR)	2,317	3,250
Gross margin, %	5.5%	7.3%
EBITDA margin, %	3.7%	4.9%
Net margin, %	2.0%	2.7%
Earnings per share (EUR)	0.08	0.08
Equity ratio, %	35.9%	34.2%
Administrative expenses to revenue (12 months rolling)	3.3%	3.4%

Revenue and profit

- Revenue decrease in the Buildings segment (-7.5%) has been affected by the contraction in industrial and warehouse facilities sub-segment.
- Revenue decrease in the Infrastructure segment (-2.8%) resulted from the fall in revenues in our engineering sub-segments.
- Profit margins weakened in the Buildings segment and improved slightly in the Infrastructure segment where the main sources of profit were road construction and road maintenance.
- Our third quarter result was strongly affected by the continuing year-on-year decline in the profitability of the Buildings segment.
- The Group's administrative expenses for the nine months of 2015 totalled 3.4 mEur, which is lower than a year ago (9m 2014: 4.0 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

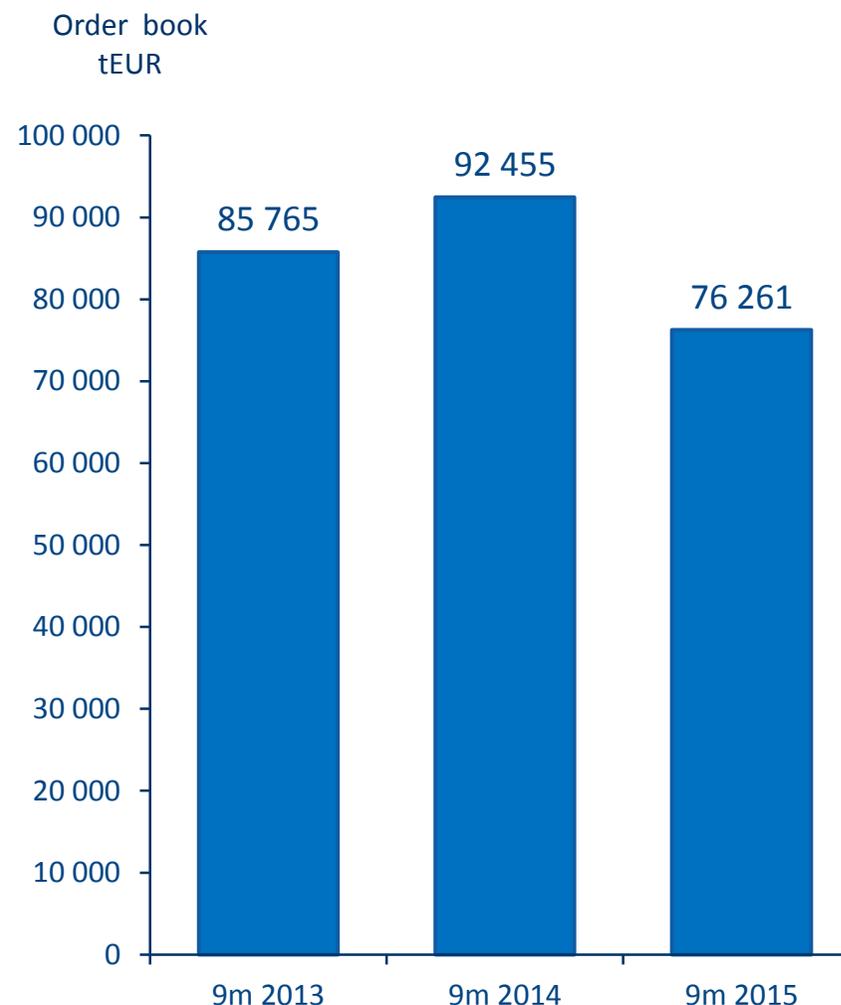


	9m 2013	9m 2014	9m 2015
Estonia	98%	94%	96%
Finland	2%	4%	1%
Ukraine	0%	2%	3%

- 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.

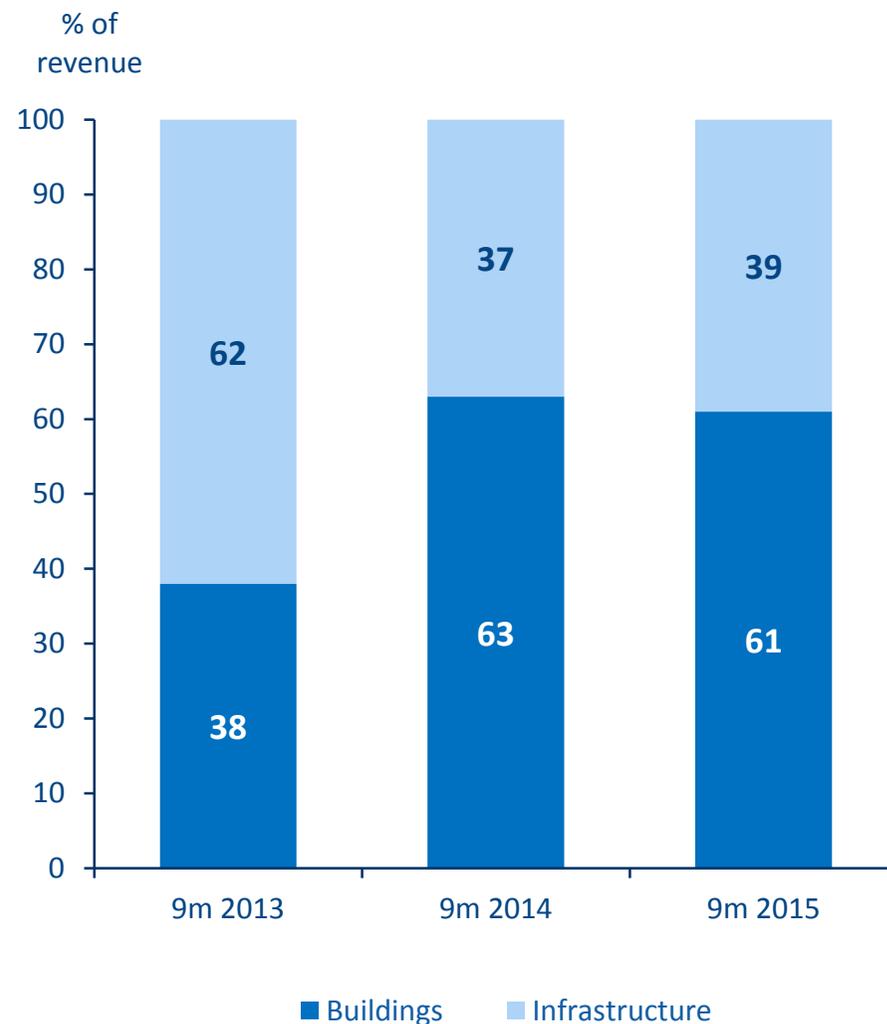
Order book

- Order book total has decreased by 18% as compared to 30.09.2014. 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 other engineering sub-segment, but weakened the most in the road construction sub-segment.
- In the Buildings segment, the order book of the commercial buildings sub-segment contracted by around 64% compared with a year ago. Growth in the order books of the public buildings and apartment buildings sub-segments could not counterbalance that shrinkage.
- 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.
- Investments made with the support of the EU structural funds have not increased to the expected level and it is evident that the new EU budget period (2014-2020) will not have any significant impact on the construction sector in the current year.



Revenue distribution by segments

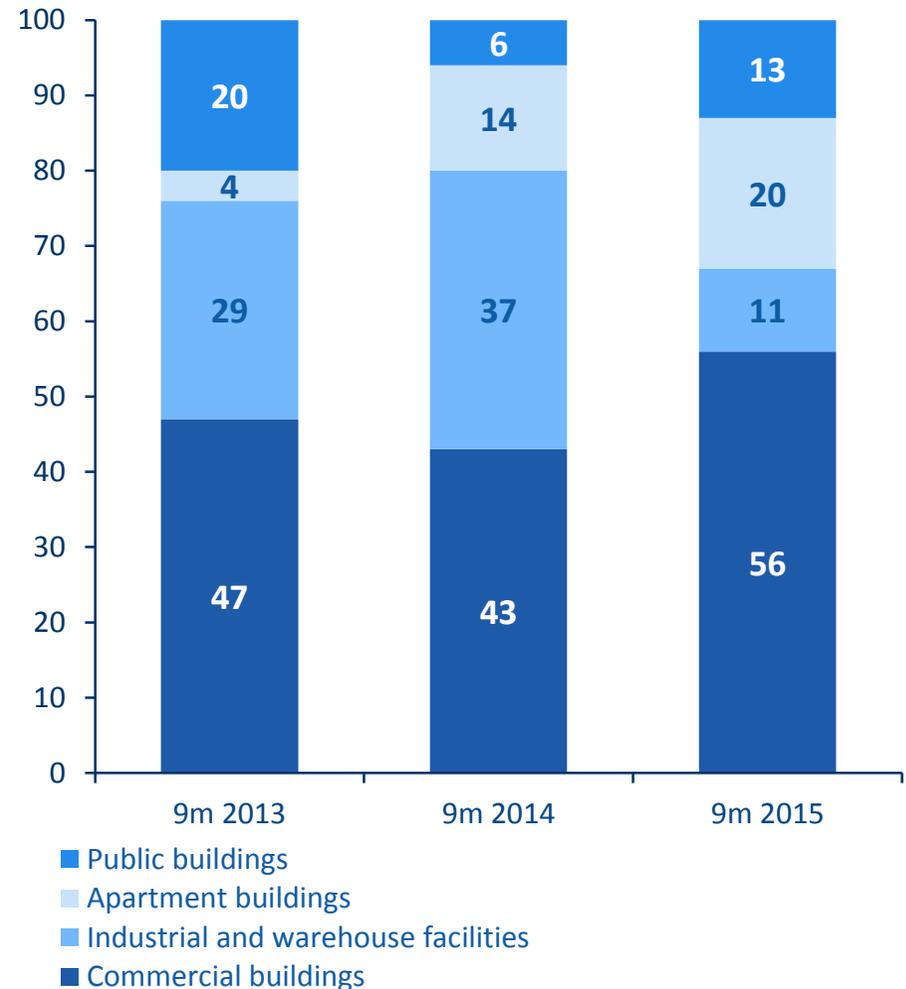
- We strive to maintain the revenues of our operating segments (Buildings and Infrastructure) in balance as this helps disperse risks and provides better opportunities for continuing construction operations also in stressed circumstances where one segment experiences noticeable shrinkage.
- However, the overall decrease of EU backed public investments to infrastructure led to sharp decrease of infrastructure segment revenue.
- Both segments experienced a decrease in the nine months of 2015 – buildings -7.5% and infrastructure - 2.8%.
- Due to larger share in the revenues, decrease is led by the buildings segment with the sharp contraction in industrial and warehouse facilities sub-segment.
- Structure likely to remain at this in 2015 as order book similarly structured.



Revenue distribution – buildings

- Compared with the same period last year, the revenue structure of the Buildings segment has changed considerably.
- 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.
- The volumes of the public buildings sub-segment have grown mainly through the increase in the state’s investments in national defence.
- 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 three new buildings with a total of 55 apartments were completed has sold or reserved 45 units by the period end. The next phase construction of Tammelinn with 20 apartments project is under preparations.

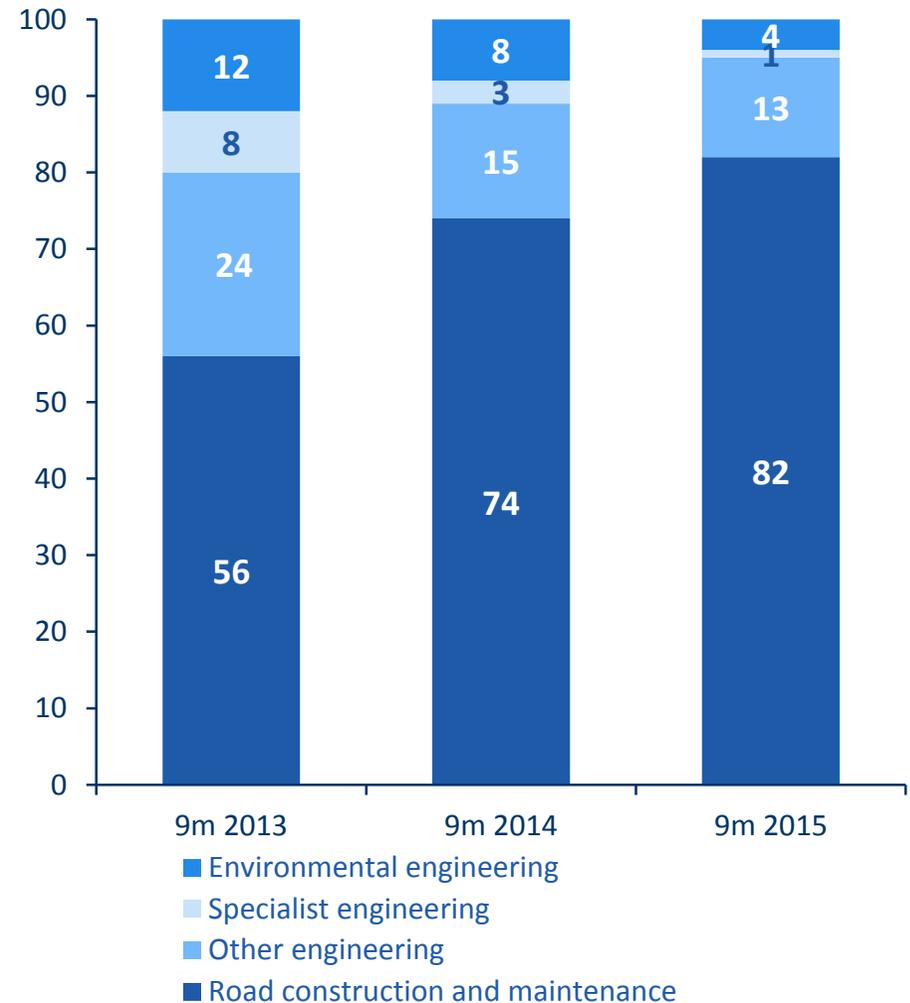
% of revenue



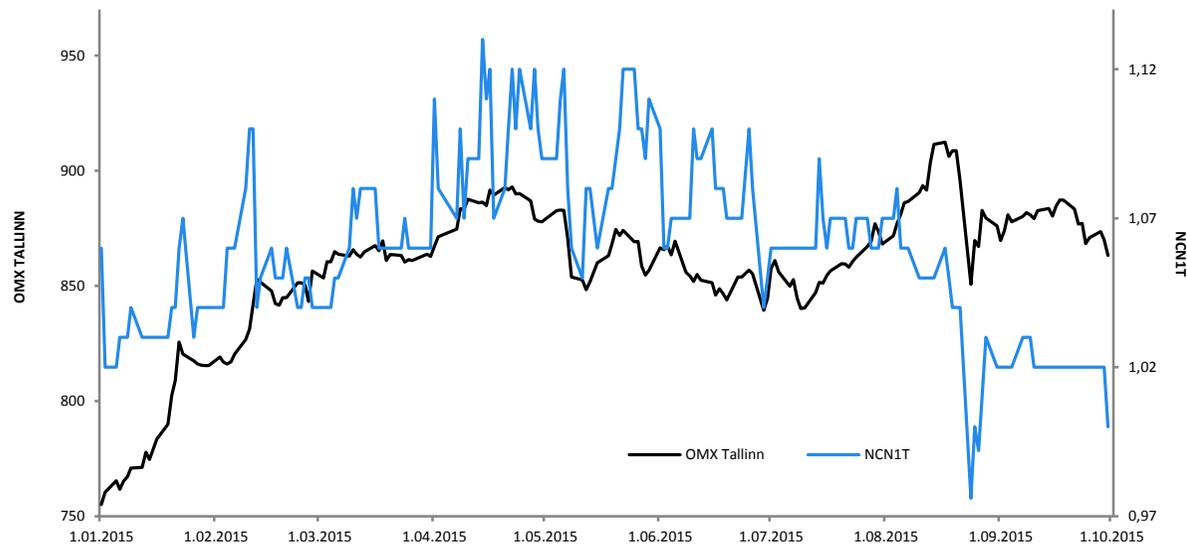
Revenue distribution – infrastructure

- 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 been small and continuing growth of the sub-segment is unlikely.

% of revenue



Share and shareholders information



Index/share	1.01.2015	30.09.2015	+/-%
OMX Tallinn	755.05	863.21	14.32
NCN1T	1.06 EUR	1.00 EUR	-5.66

Largest shareholders of Nordecon AS at 30 September 2015

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,507,464	50.99
Lukusjaht AS	3,435,689	10.61
ING Luxembourg S.A.	2,007,949	6.20
Rondam AS	1,000,000	3.09
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	257,000	0.79
Genadi Bulatov	250,600	0.77

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

	Number of shareholders	Ownership interest (%)
Shareholders with interest exceeding 5%	3	67.80
Shareholders with interest between 1% and 5%	5	9.83
Shareholders with interest below 1%	1,642	17.37
Holder of own (treasury) shares	1	5.00
Total	1,651	100.00

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