



Investor presentation

6m 2016

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, Finland and Sweden. 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 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 2016-2020

Business activities until 2020

- 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.

Strategic agenda for 2016-2020

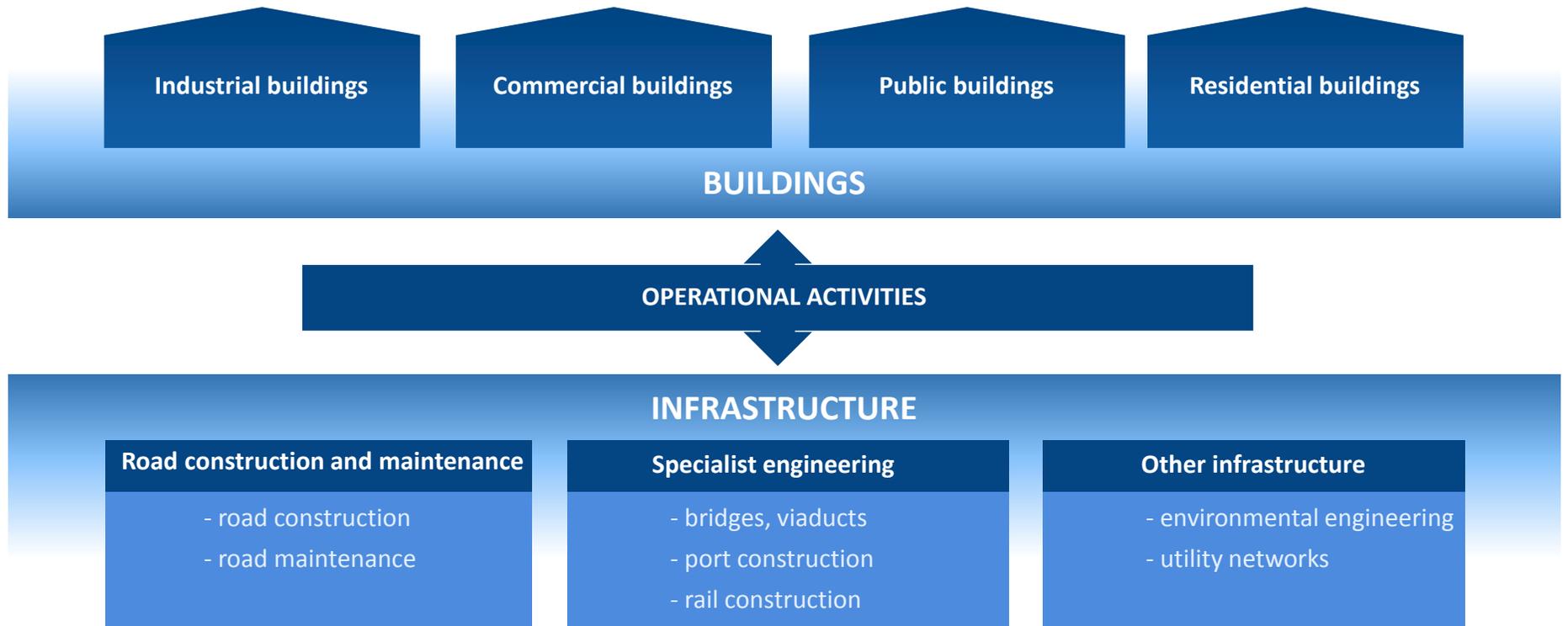
Employees until 2020

- 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.

Financial targets until 2020

- 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%.

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 2016

Period in brief

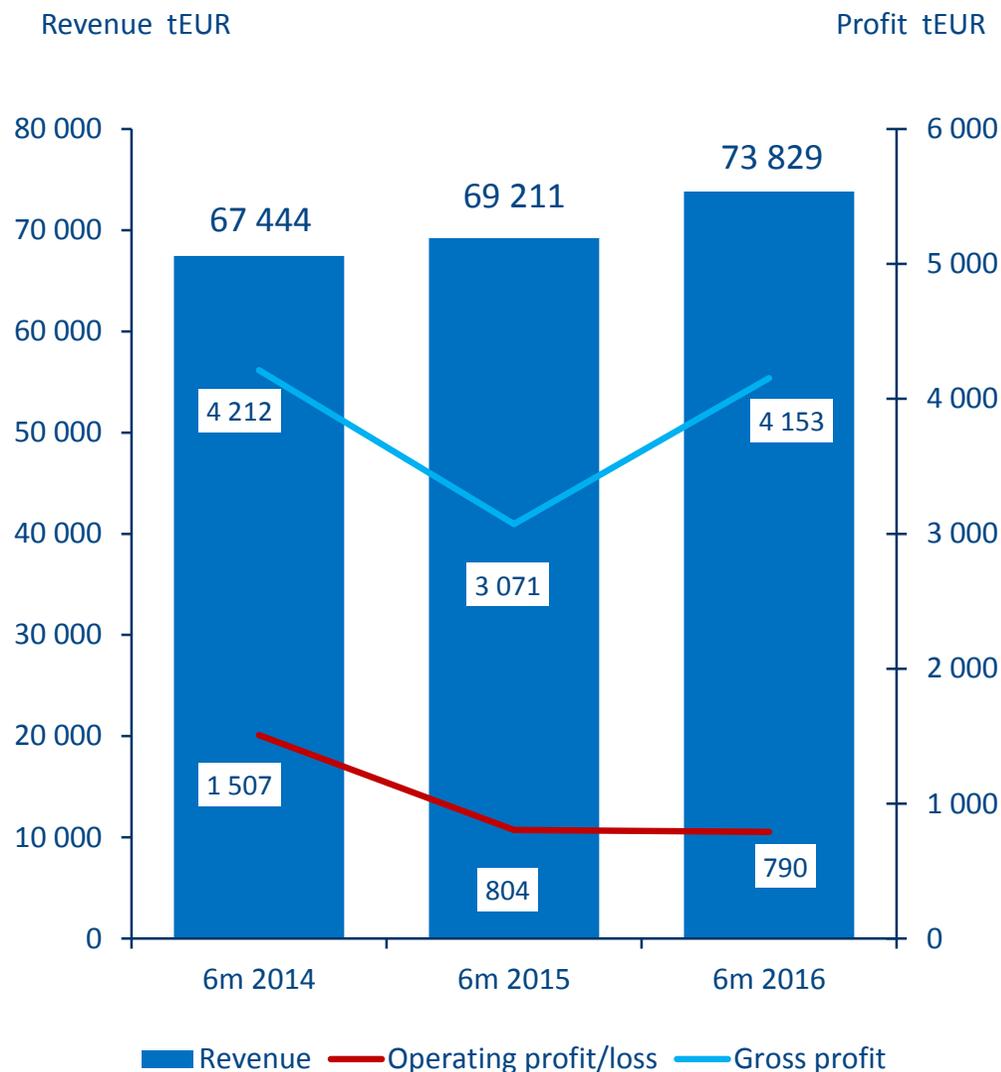
- Nordecon's revenues for the first half of 2016 totalled 73,829 thousand euros, a roughly 7% increase on the 69,211 thousand euros generated in the same period last year.
- Gross margin increased as compared to previous period (5.6% vs 4.4%), while operating margin level was maintained (1.1% vs 1.2%). Most of the profit was earned by the Buildings segment which raised its gross margin from 6% to 9%. The performance of the Infrastructure segment, however, proved less than satisfactory.
- Administrative expenses in general remained under control at 3.7% (trailing twelve months) to revenue (2015: 3.3%) and are well below the strategic target of 4%.
- Operating profit for the period was influenced by the write-down of other receivables by 409 thousand euros in connection with the entry into force of the final judgement in the Group's dispute with Teede REV-2 AS over the performance of the Koidula border crossing point contract in 2010 where our then venture partner ceased to fulfil its obligations and we had to complete the contract on our own.
- At 30 June 2016, the Group's order book stood at 131,363 thEur, a roughly 85% increase year over year.
- In the light of order book growth and developments in our chosen markets, we forecast volume growth for 2016.

Key figures / ratios

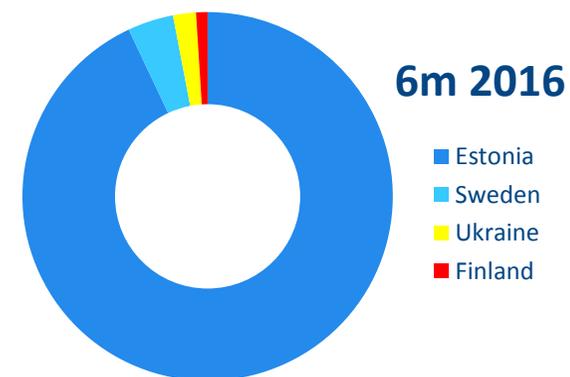
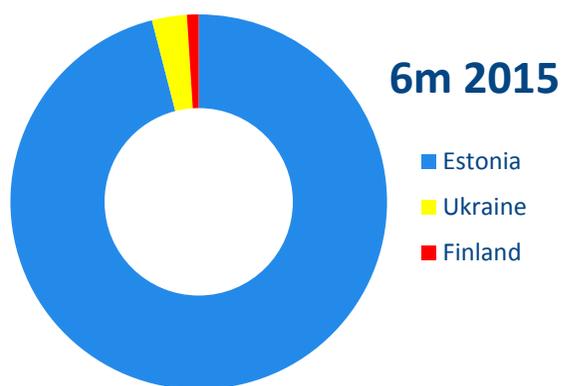
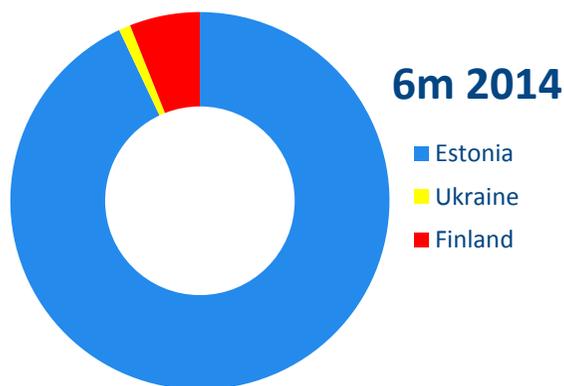
Figure / Ratio	6m 2016	6m 2015
Revenue (tEUR)	73,829	69,211
Revenue growth/decrease, %	7%	3%
Net profit (tEUR)	798	243
Gross margin, %	5.6%	4.4%
EBITDA margin, %	2.3%	2.5%
Net margin, %	1.1%	0.4%
Earnings per share (EUR)	0.01	0.01
Equity ratio, %	34.5%	33.8%
Administrative expenses to revenue (12 months rolling)	3.7%	3.3%

Revenue and profit

- Revenue in the Buildings segment (+19%) has increased primarily thanks to contracts secured from the private sector.
- Revenue decrease in the Infrastructure segment (-30%) resulted from the the overall downturn in the infrastructure construction market.
- While Buildings segment increased its gross margin, the Infrastructure segment's profit generated in the second quarter was not sufficient to cover the loss incurred at the beginning of the year due to the usual seasonal factors and thus the Infrastructure segment ended the first half-year with a loss.
- In the first six months the Group's gross margin rose to 5.6% compared with 4.4% a year earlier.
- The Group's administrative expenses for the six months of 2016 totalled 2.78 mEur, which is 25% higher than a year ago (2015: 2.22 mEur) due to expansion to the Swedish market.
- 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 we remain alert to the risks resulting from growth in input prices and strive to prioritise, where possible, the contracts' expected profitability over revenue growth.



Revenue by geographic regions

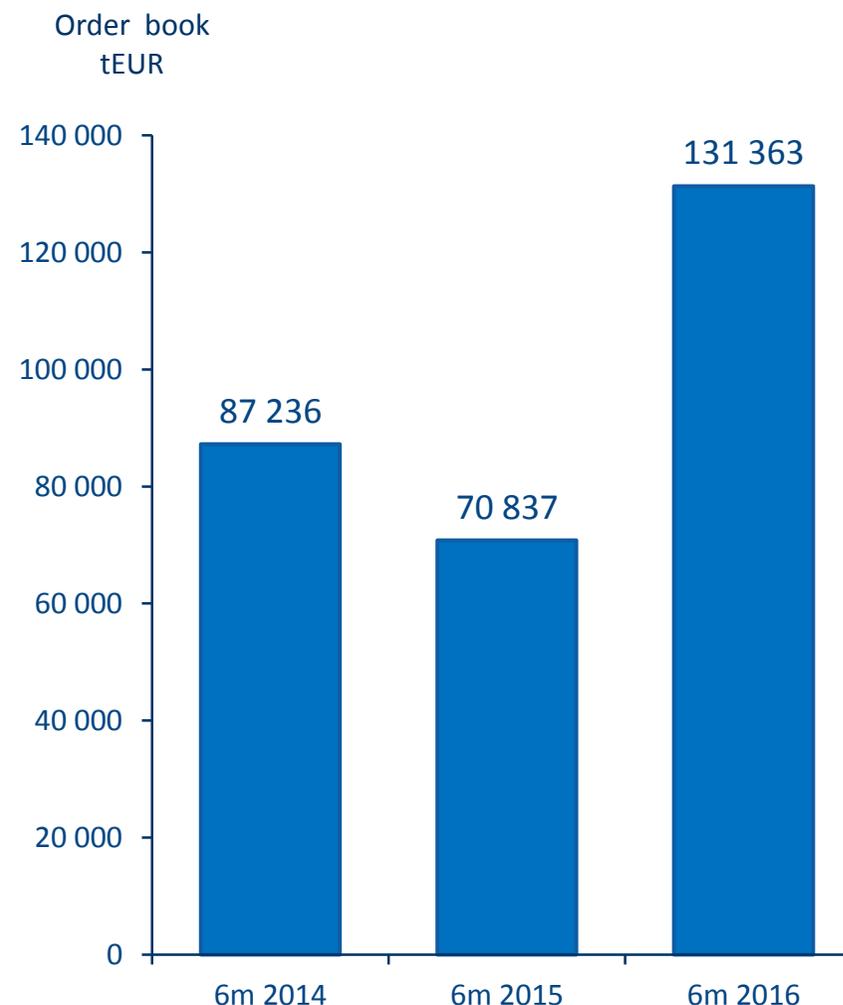


	6m 2014	6m 2015	6m 2016
Estonia	93%	96%	93%
Sweden	0%	0%	4%
Ukraine	1%	3%	2%
Finland	6%	1%	1%

- In the first half of 2016, Nordecon earned around 7% of its revenue outside Estonia compared with 4% in the same period last year.
- The contribution of foreign markets has increased through revenue generated in Sweden where the Group has a contract for the construction of a five-floor apartment building.
- The contribution of the Ukrainian market where we are performing two large building construction contracts has remained relatively stable.
- Finnish revenues result 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.

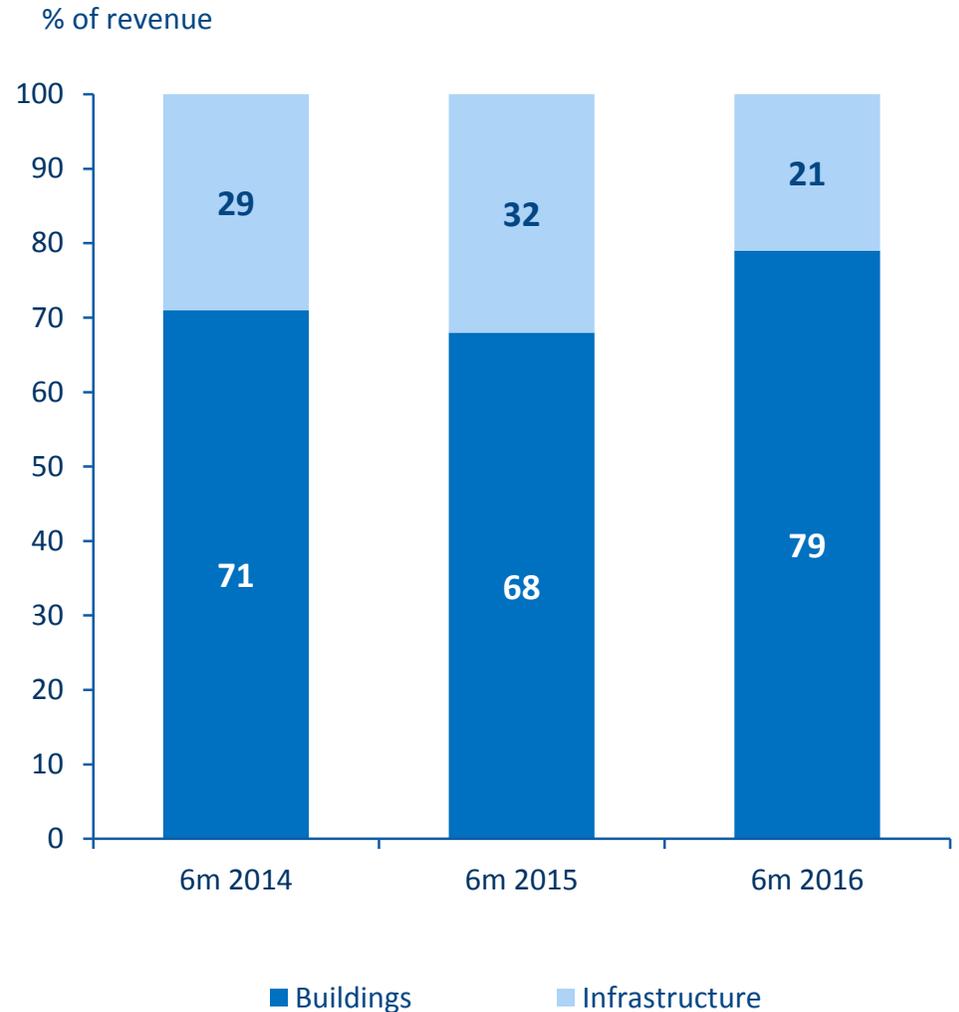
Order book

- At 30 June 2016, the Group's order book stood at 131,363 thousand euros, a 85% increase year over year. Order books grew in both the Buildings and the Infrastructure segment.
- Compared with a year earlier, the order book of the Buildings segment grown more than two-fold. Major growth has been posted in all sub-segments.
- Compared with a year earlier, the order book of the Infrastructure segment grew by around 49%. The rise was mainly underpinned by growth in the road construction sub-segment, which was supported by the contracts secured for the performance of road maintenance services.
- Buildings segment orders continuously exceed infrastructure ones (71% and 29% resp.). This structure likely to remain for 2016 as well thus resulting in decreased revenue in Infrastructure segment.
- In an environment of stiff competition, we pursue the policy of avoiding unjustified risks that could realize on the execution of contracts and have an adverse impact on our performance. Instead, we prefer to keep costs under control and focus on projects with positive prospects.



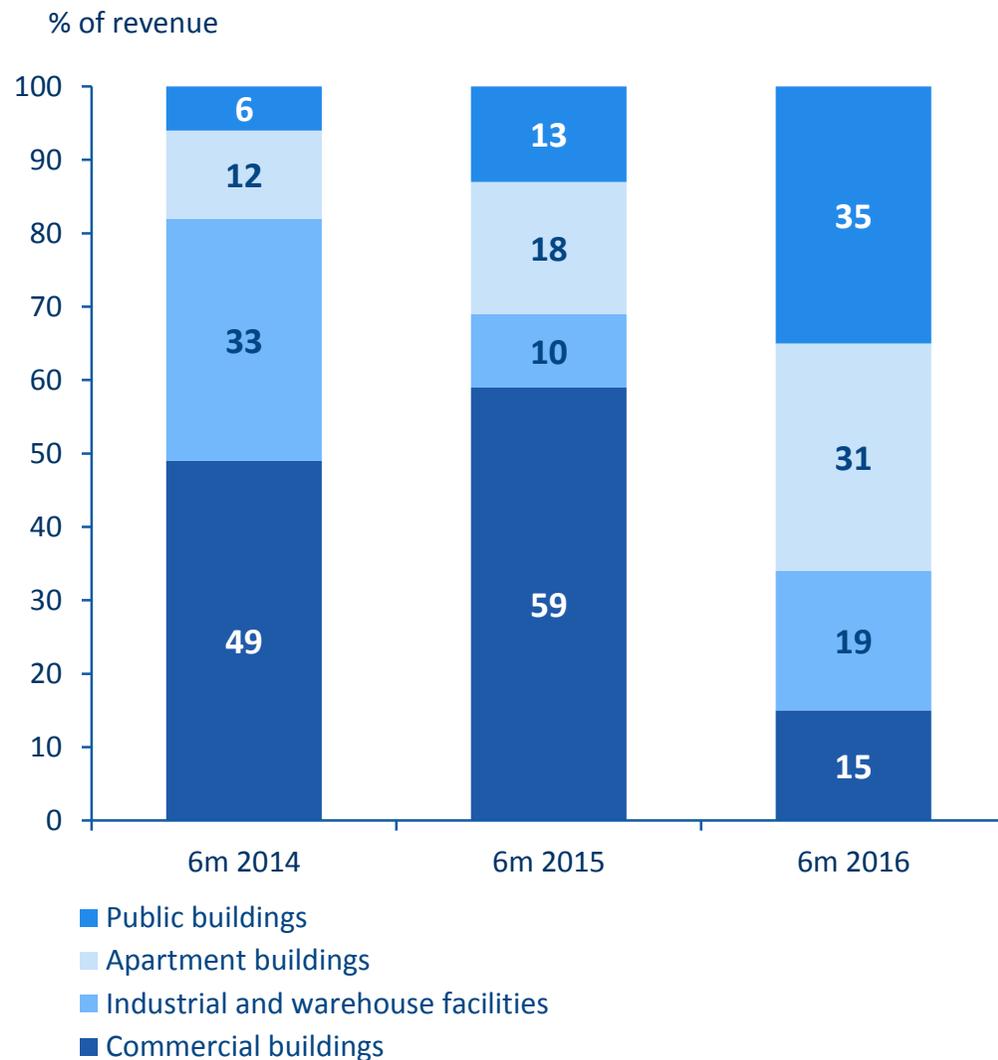
Revenue distribution by segments

- 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.
- The revenues of the Buildings segment grew +19% as anticipated while those of the Infrastructure segment decreased -30%.
- The overall downturn in infrastructure construction also left its mark on our revenue structure.
- Structure likely to remain at this in 2016 as order book similarly structured.



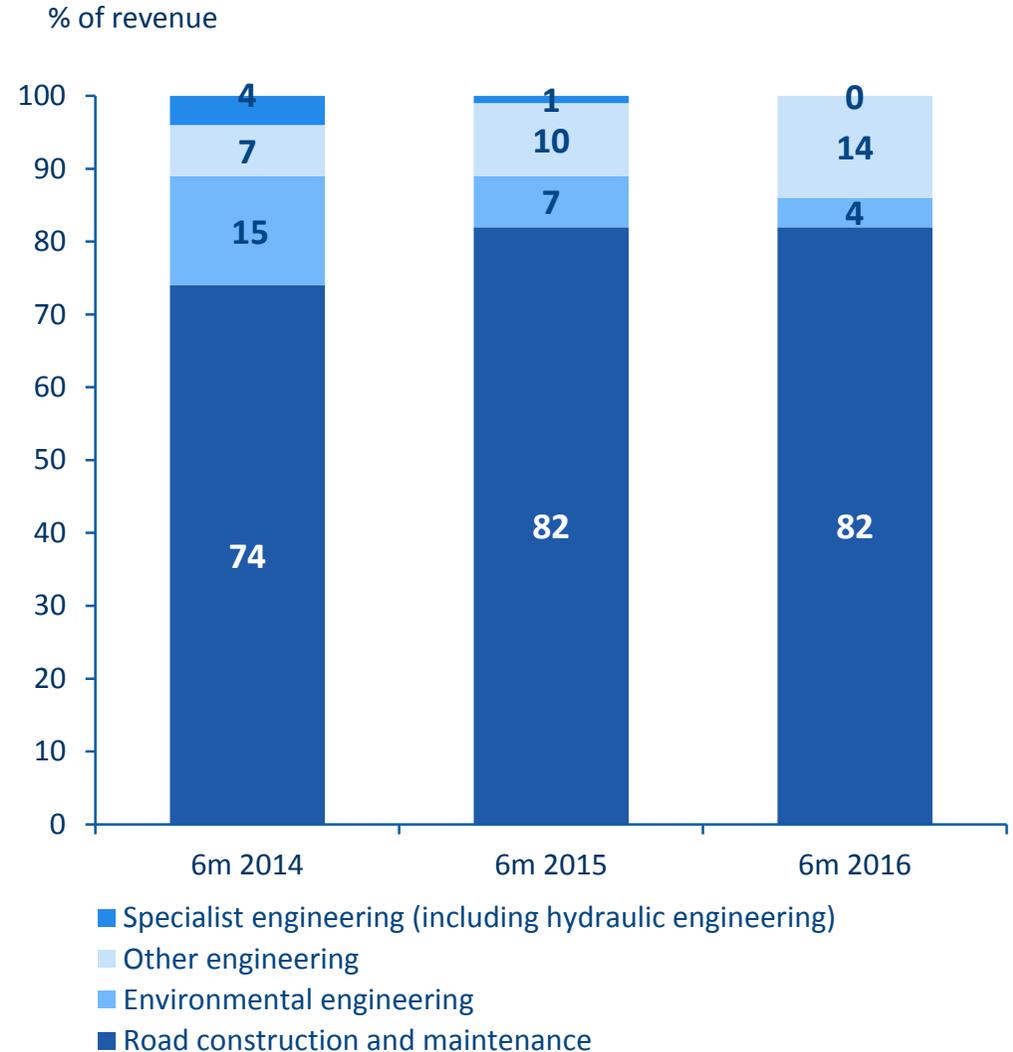
Revenue distribution – buildings

- Compared with the same period last year, the revenue structure of the Buildings segment has changed considerably.
- The largest revenue source was the public buildings sub-segment where growth was underpinned by the state's increasing investment in national defence.
- Most of our apartment building revenue resulted from general contracting in Tallinn with additional projects in Kiev and Stockholm.
- The contribution of our own development projects in Tartu (www.tammelinn.ee) and Tallinn (www.magasini.ee) continues to increase as well, with revenues of 1.88 mEur (2015: 1.37 mEur).
- The volumes of the industrial and warehouse facilities sub-segment grew compared with the same period last year. Private investment in industrial and warehouse buildings has increased.
- The volumes of the commercial buildings sub-segment, which used to dominate the Buildings segment for a long time, declined considerably.

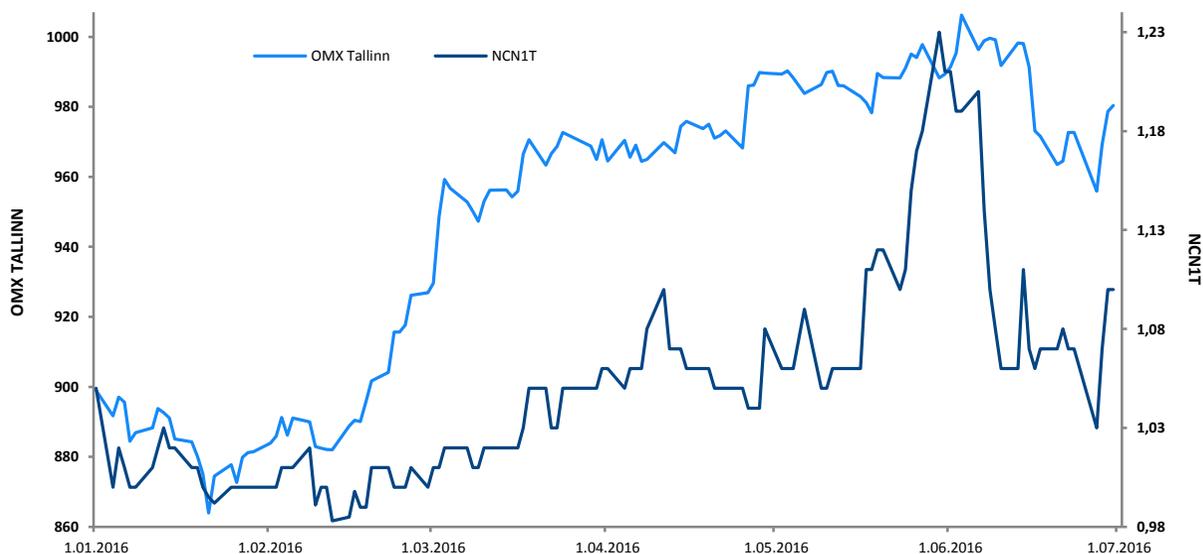


Revenue distribution – infrastructure

- Road construction to remain the main revenue source in the infrastructure segment. Most of the road construction revenue to result from small or medium-sized reconstruction and repair projects.
- In the first half of 2016 the main revenue source in the Infrastructure segment was road construction. We continued to deliver road maintenance services in the Järva and Hiiu counties and the Keila and Kose maintenance areas in Harju county.
- The contribution of other engineering (utility network construction) increased compared with a year ago. The contracts secured small and sustained growth of the sub-segment unlikely.
- Contraction in the EU support have an adverse impact on environmental engineering volumes. No growth expected in the sub-segment.
- In specialist engineering, no sign of any major hydraulic engineering investments in the current year. The addition of other complex engineering projects also likely to be irregular.



Share and shareholders information



Index/share	1.01.2016	30.06.2016	+/-%
OMX Tallinn	898.99	980.37	9.05%
NCN1T	1.05 EUR	1.10 EUR	4.76%

Largest shareholders of Nordecon AS at 30 June 2016

Shareholder	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,507,464	50.99
Luksusjaht AS	4,179,740	12.91
ING Luxembourg S.A.	2,007,949	6.20
Rondam AS	1,000,000	3.09
SEB Pank AS clients	865,544	2.67
ASM Investments OÜ	519,600	1.60
State Street Bank and Trust Omnibus Account A Fund	447,365	1.38
Ain Tromp	378,960	1.17
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 June 2016

	Number of shareholders	Ownership interest (%)
Shareholders with interest exceeding 5%	3	70.10
Shareholders with interest between 1% and 5%	5	9.92
Shareholders with interest below 1%	1,539	14.98
Holder of own (treasury) shares	1	5.00
Total	1,548	100

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