



NORDECON

Investor
¹
Presentation
Q2 2020

STRATEGY OVERVIEW



Business model

Industrial buildings

Public buildings

Residential buildings

Commercial buildings



BUILDINGS



INFRASTRUCTURE

Other infrastructure
Environmental engineering
Utility networks

Specialist engineering
Bridges, viaducts
Port construction
Rail construction

Road construction
and maintenance
Road construction
Road maintenance

STRATEGIC AGENDA FOR 2019–2022

The Group will grow, mostly organically, with a focus on more efficient use of its existing resources.

In Estonia, we will operate, as market leader, in both the building and infrastructure construction segments.

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 and concrete works, primarily in Kiev and the surrounding area.

BUSINESS LINES AND MARKETS

Improving profitability through more precise planning of our design and construction operations.

Increasing our design and digitalisation capabilities.

Simplifying and automating work and decision-making processes.

Monitoring the balance between the contract portfolios of different business segments.

Valuing balanced teamwork where youthful energy and drive complement long-term experience.

Noticing and recognising each employee's individual contribution and initiative.

ACTIVITIES

Revenue will grow at least 10% per year.

The contribution of foreign markets will increase to 20% of revenue.

Real estate development revenue will grow to at least 10% of revenue earned in Estonia.

Operating margin per year will be consistently above 3%.

Operating profit per employee will increase to at least 10 thousand euros per year.

On average, at least 30% of profit for the year will be distributed as dividends.

FINANCIAL TARGETS

ESTONIAN ACADEMY OF SECURITY SCIENCES

LOCATION
Tallinn

CUSTOMER
Academy of Security Sciences

ARCHITECT
Arhitekt11 OÜ

CONSTRUCTION PERIOD
July 2017 – February 2019

CONTRACTOR
Nordecon AS

PROJECT MANAGER
Kaido Aunre



PERIOD IN BRIEF

The Group's **revenue** for in the first half of 2020 amounted to 136,798 thousand euros, a roughly 36% improvement on the 100,441 thousand euros generated in the first half of 2019.

Based on the order book at the end of 2019, revenue growth was entirely expected.

Growth was driven by the Buildings segment which increased revenue by 48%. The revenue of the Infrastructure segment remained comparable to the first half of 2019.

Nordecon ended the first half of 2020 with a **gross profit** of 6,007 thousand euros (H1 2019: 3,294 thousand euros).

The gross margin improved noticeably year on year, rising to 4.4% for the first half (H1 2019: 3.3%) and 5.9% for the second quarter (Q2 2019: 4.9%).

Both of our operating segments, Buildings and Infrastructure, earned a profit in the first half and the second quarter of 2020.

The Group's **administrative expenses** for the first half of 2020 totalled 3,860 thousand euros. Compared to the same period in 2019, administrative expenses increased by around 27% (H1 2019: 3,048 thousand euros).

The rise is attributable to growth in personnel expenses and depreciation as well as the fact that Embach Ehitus OÜ became a subsidiary of the Group.

The ratio of administrative expenses to revenue (12 months rolling) decreased compared to the same period last year and was 2.8% (H1 2019: 2.9%).

The Group ended the first half of 2020 with an **operating profit** of 2,013 thousand euros (H1 2019: an operating loss of 205 thousand euros).

EBITDA was positive at 3,694 thousand euros (H1 2019: 1,281 thousand euros).

The Group's **order book** stood at 187,018 thousand euros at 30 June 2020, a 4% increase year on year.

In the second quarter, we signed new contracts of 47,850 thousand euros (Q2 2019: 65,901 thousand euros).

In the first half of 2020, operating activities produced a **net cash inflow** of 1,787 thousand euros (H1 2019: an inflow of 1,502 thousand euros).

The key factor that affects operating cash flow is the mismatch between the settlement terms agreed with customers and suppliers.

KOHTLA-JÄRVE STATE GYMNASIUM

LOCATION

Kohtla-Järve, Ida-Viru county

CUSTOMER

The State Real Estate

ARCHITECT

BOA OÜ

CONSTRUCTION PERIOD

September 2018 – August 2019

CONTRACTOR

Nordecon AS

PROJECT MANAGER

Kristo Leede, Marko Mägi

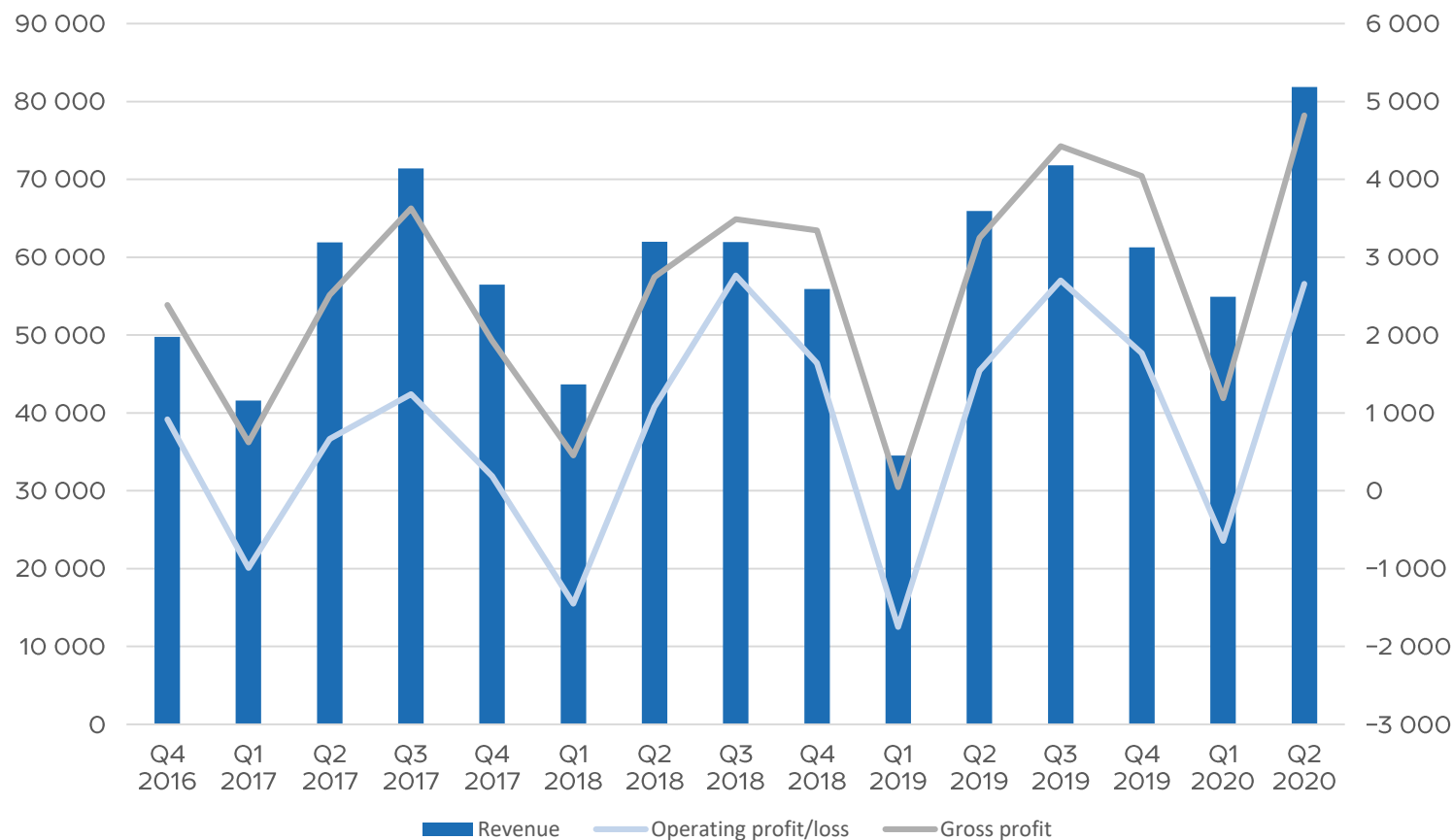


REVENUE AND OPERATING PROFIT

Revenue growth was driven by the Buildings segment which increased revenue by 48%. The revenue of the Infrastructure segment remained comparable to the first half of 2019.

The **gross margin** of the Buildings segment dropped somewhat to 5.0% for the first half while the Infrastructure segment margin improved from -1.4% to 3.4%.

Figure / Ratio	6M 2018	6M 2019	6M 2020
Revenue (EUR '000)	105,658	100,441	136,798
Revenue change	2%	-5%	36%
Net profit/loss (EUR '000)	-524	-574	1,419
Gross margin	3,0%	3,3%	4,4%
EBITDA margin	0,6%	1,3%	2,7%
Net margin	-0,5%	-0,6%	1,0%
Administrative expenses to revenue (12 month rolling)	3,1%	2,9%	2,8%



VESKITAMMI JUNCTION

LOCATION

National road no 4, 13.0–13.7 kilometers of the Tallinn–Pärnu–Ikla road

CUSTOMER

Road Administration

DESIGNER

Reaalprojekt OÜ

CONSTRUCTION PERIOD

March 2018 – November 2019

CONTRACTOR

Nordecon AS

PROJECT MANAGER

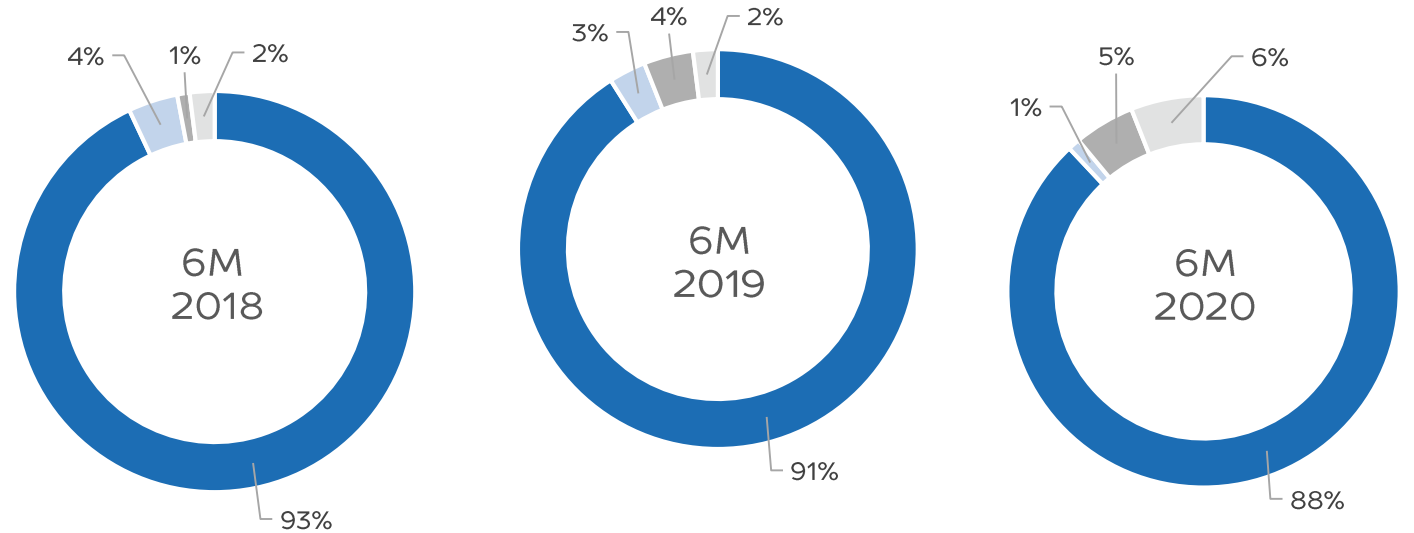
Madis Padu



Revenue by Geographic Regions

	6M 2018	6M 2019	6M 2020
Estonia	93%	91%	88%
Ukraine	4%	3%	1%
Finland	1%	4%	5%
Sweden	2%	2%	6%

■ Estonia ■ Ukraine ■ Finland ■ Sweden



The revenue contribution of **foreign markets** continued to grow. Revenue earned outside Estonia accounted for 12% of total revenue for in the first half of 2020 compared with 9% for the same period in 2019.

The revenue contribution of the **Swedish market** grew significantly year on year. During the period, we worked in Sweden on three building construction contracts secured as a general contractor and one concrete work subcontract.

Finnish revenues remained stable compared with the same period last year and resulted from concrete works in the building construction segment.

Revenue generated in the **Ukrainian market** and its proportionate share in our total revenue decreased.

Order book and revenues

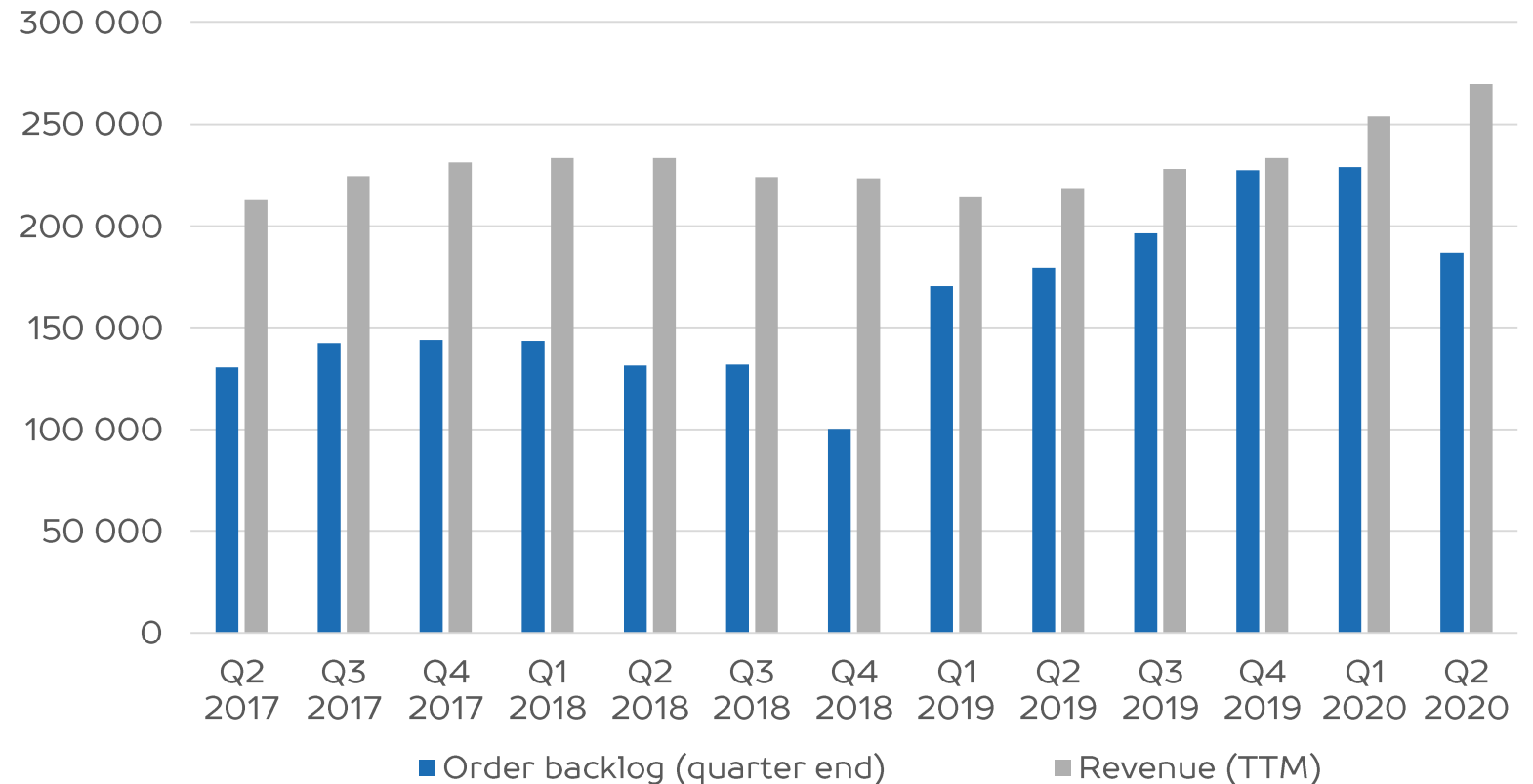
The Group's order book stood at 187,018 thousand euros at 30 June 2020, a 4% increase year on year.

At the reporting date, contracts secured by the Buildings segment and the Infrastructure segment accounted for 76% and 24% of the Group's total order book, respectively (30 June 2019: 81% and 19%, respectively).

Compared to 30 June 2019, the order book of the Buildings segment has decreased by around 3% and the order book of the Infrastructure segment has increased by 33%.

In the second quarter, we signed new contracts of 47,850 thousand euros (Q2 2019: 65,901 thousand euros).

ORDER BOOK



TU HOSPITAL PARKING GARAGE

LOCATION
Tartu

CUSTOMER
Citypark Eesti OÜ

DESIGNER
Nordecon Betoon OÜ

CONSTRUCTION PERIOD
January 2019 – January 2020

CONTRACTOR
Nordecon Betoon OÜ

PROJECT MANAGER
Mihhail Varep

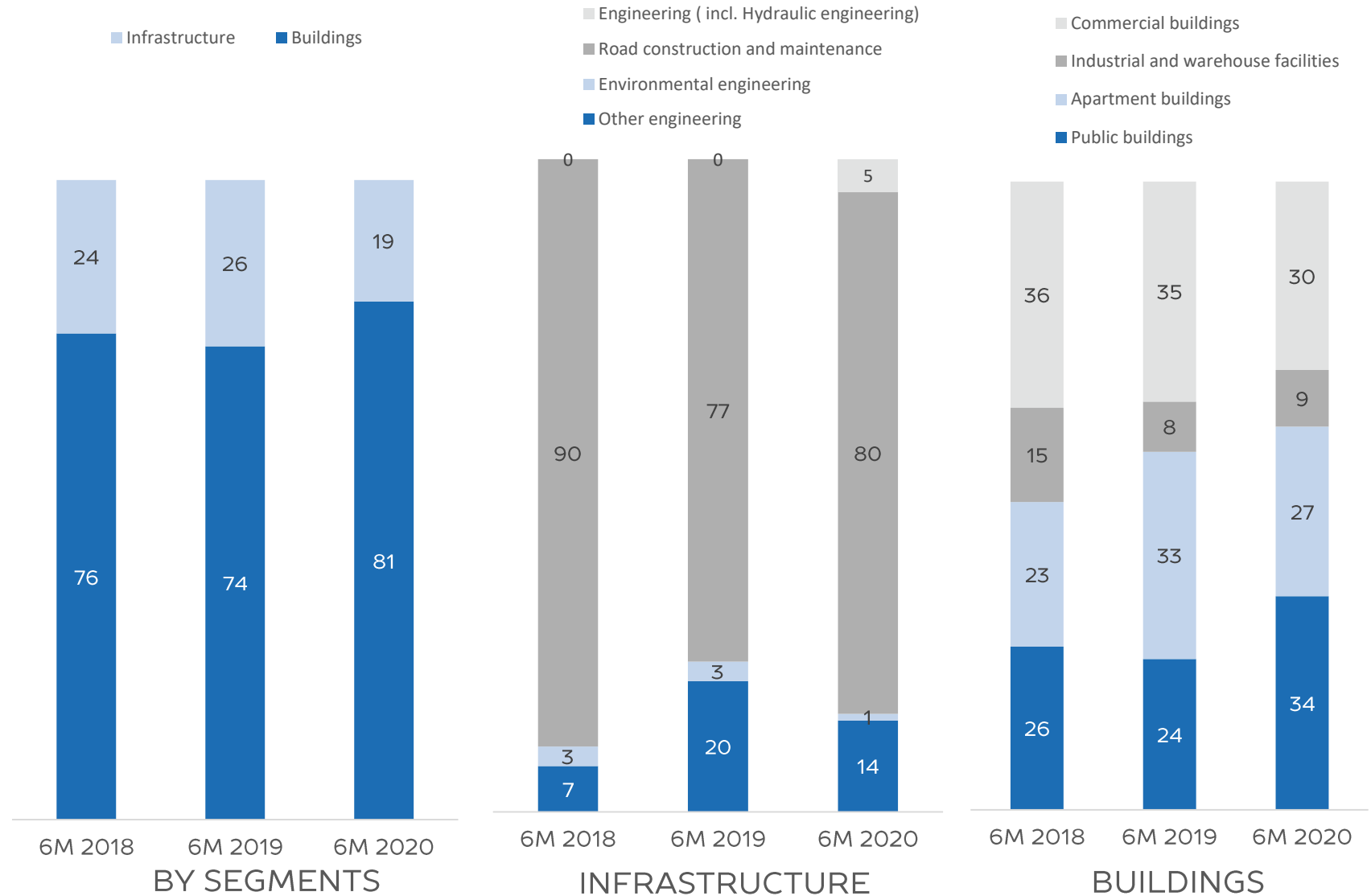


Revenue distribution

In the first half of 2020, our Buildings and Infrastructure segments generated revenue of 112,607 thousand euros and 24,106 thousand euros, respectively. The corresponding figures for in the first half of 2019 were 76,065 thousand euros and 24,213 thousand euros.

All subsegments in the Buildings segment improved their revenue year on year. The strongest revenue contributors were the public buildings, commercial buildings and apartment buildings subsegments while the revenue contribution of the industrial and warehouse facilities subsegment continued to be modest.

Similarly to previous periods, the main revenue source in the Infrastructure segment was road construction and maintenance. A significant share of revenue resulted from the performance of construction contracts secured in 2019.



3 APARTMENT BUILDINGS OF KALDA HOME

LOCATION
Tartu

CUSTOMER
Nordecon AS

ARCHITECT
Indrek Näkk

CONSTRUCTION PERIOD
September 2018 – October 2019

CONTRACTOR
Embach Ehitus OÜ

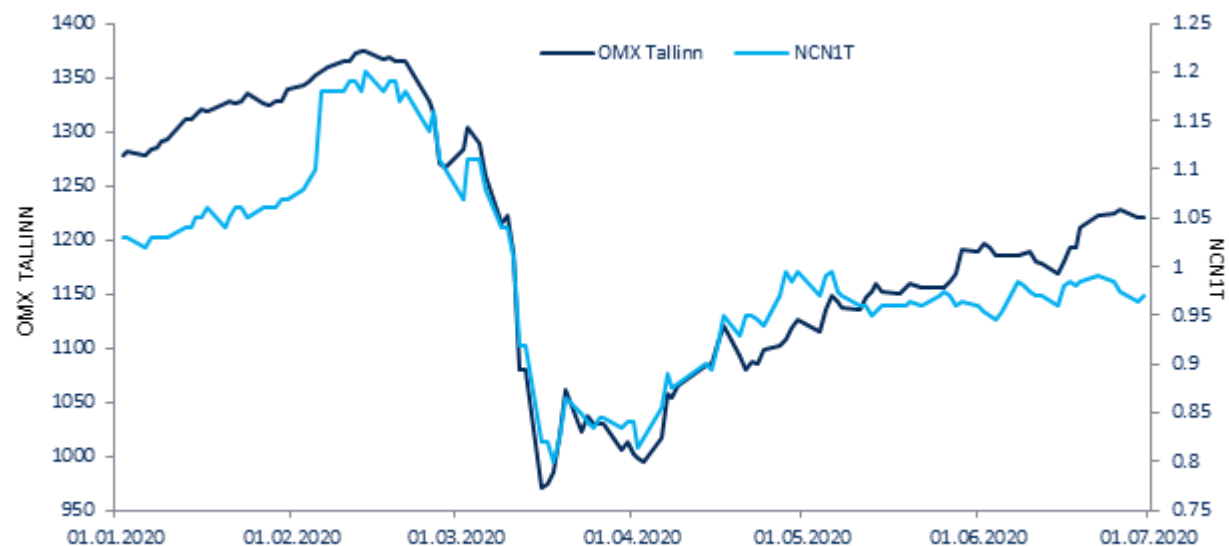
PROJECT MANAGER
Ahti Kala



Share and shareholders

Largest shareholders in Nordecon AS at 30 June 2020

	Number of shares	Ownership interest (%)
AS Nordic Contractors	17 507 464	54.08
Luksusjaht AS	4 288 403	13.25
SEB Pank AS kliendid	553 188	1.71
Olegs Radcenko	517 029	1.60
Mati Kalme	490 000	1.51
Lembit Talpsepp	349 786	1.08
ASM Investments OÜ	310 000	0.96
SEB Life and Pension Baltic SE Estonian branch	255 000	0.79
Genadi Bulatov	250 600	0.77
Svenska Handelsbanken clients	211 112	0.65



Index/Share	01 January 2020	30 June 2020	+/-
OMX Tallinn	1,279.70	1,219.97	-4.67%
NCN1T	EUR 1.03	EUR 0.97	-5.83%

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