

The logo features a stylized blue sphere with a white crescent on the left, followed by the word "NORDECON" in white uppercase letters, and a large, blue, stylized "30" on the right. The background is a dark blue gradient with a faint, semi-transparent image of a modern building facade with balconies and a grid of lines.

# NORDECON 30

Investor Presentation  
Q2 2019

# 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.

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.

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.

**BUSINESS LINES AND MARKETS**

**ACTIVITIES**

**FINANCIAL TARGETS**

# Haabersti traffic junction

Location: Tallinn

Customer: Tallinn Municipal Engineering Services  
Department

Construction period: March 2017 – September 2018

Contractor: Nordecon AS

Project manager: Martin Paabo



## Period in Brief

In the first half of 2019, Nordecon generated **revenue** of 100,441 th euros (H1 2018: 105,658 th euros), whereas for the second quarter the revenues were 65,917 th euros (Q2 2018: 61,996 th euros).

The six-month fall is attributable to longer than usual signing process in public procurements and longer than expected preparatory processes with some private sector customers.

However, based on the Group's strong order book and known developments in our chosen markets, we expect that in 2019 the Group's business volumes will grow somewhat compared to 2018.

The Group ended the first half of 2019 with an **operating loss** of 205 th euros (H1 2018: an operating loss of 375 th euros).

**EBITDA** amounted to 1,281 th euros (H1 2018: 606 th euros).

The Group's **gross margin** for the first half-year was 3.3% (H1 2018: 3%) and for the second quarter 4.9% (Q2 2018: 4.4%).

Gross profit was earned in the Buildings segment that posted a gross margin of 5.5% for the first half-year (H1 2018: 3.3%) and 6.1% for the second quarter (Q2 2018: 3.3%).

The Infrastructure segment's six-month gross margin was -1.4% (H1 2018: 3.7%) and second-quarter gross margin, which was 3.5%, was considerably lower than last year (Q2 2018: 8.6%).

At 30 June 2019, the Group's **order book** stood at 179,691 th euros, an increase of 37% year on year.

In the second quarter of 2019, we signed new contracts of 65,901 th euros (Q2 2018: 43,416 th euros).

Compared to the same period last year, **administrative expenses** decreased to 3,048 th euros by around 10% (H1 2018: 3,386 th euros) and the ratio of administrative expenses to revenue (12 months rolling) dropped to 2.9% (H1 2018: 3.1%)

In the first half of 2019, **operating** activities produced a **net cash inflow** of 1,502 th euros (H1 2018: 2,684 th euros).

Cash flow is mainly influenced by market-wide decrease in advance payments from the customers as well as contractual retentions, creating thereby a mismatch between customers' and suppliers' settlement terms.

# Kristina houses

Location: Tallinn

Customer: Pro Kapital Grupp AS

Architect: Allianss Arhitektid OÜ

Construction period:  
November 2016 – December 2019

Contractor: Nordecon AS

Project manager: Silver Sein

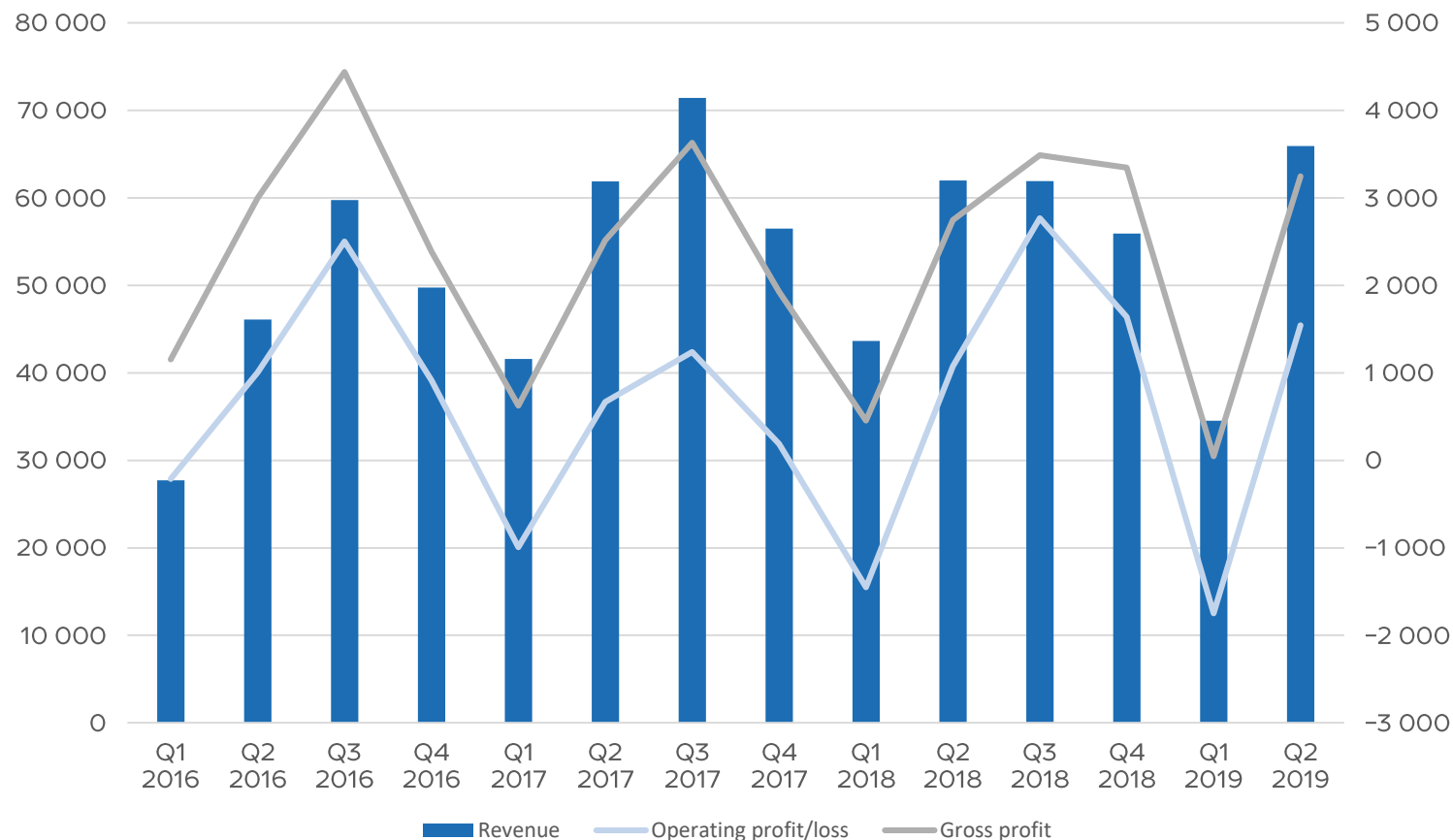


# Revenue and operating profit

Six months **revenues** in the Buildings segment decreased by -5.9% and in the Infrastructure segment by -1.5%.

The **gross margin** of the Buildings segment increased to 5.5% for the first half-year while the Infrastructure segment margin fell to -1.4%.

Figure / Ratio	H1 2017	H1 2018	H1 2019
Revenue (EUR '000)	103,501	105,658	100,441
Revenue change	40.0%	2.0%	-5.0%
Net profit/loss (EUR '000)	-897	-524	-574
Gross margin	3.0%	3.0%	3.3%
EBITDA margin	0.6%	0.6%	1.3%
Net margin	-0.9%	-0.5%	-0.6%
Administrative expenses to revenue (12 month rolling)	3.0%	3.1%	2.9%





# Apartment building at Nõmme tee 97

Location: Nõmme tee 97, Tallinn

Customer: Nordecon AS

Architect: Indrek Näkk

Construction  
period: April 2018 – May 2019

Contractor: Embach Ehitus OÜ

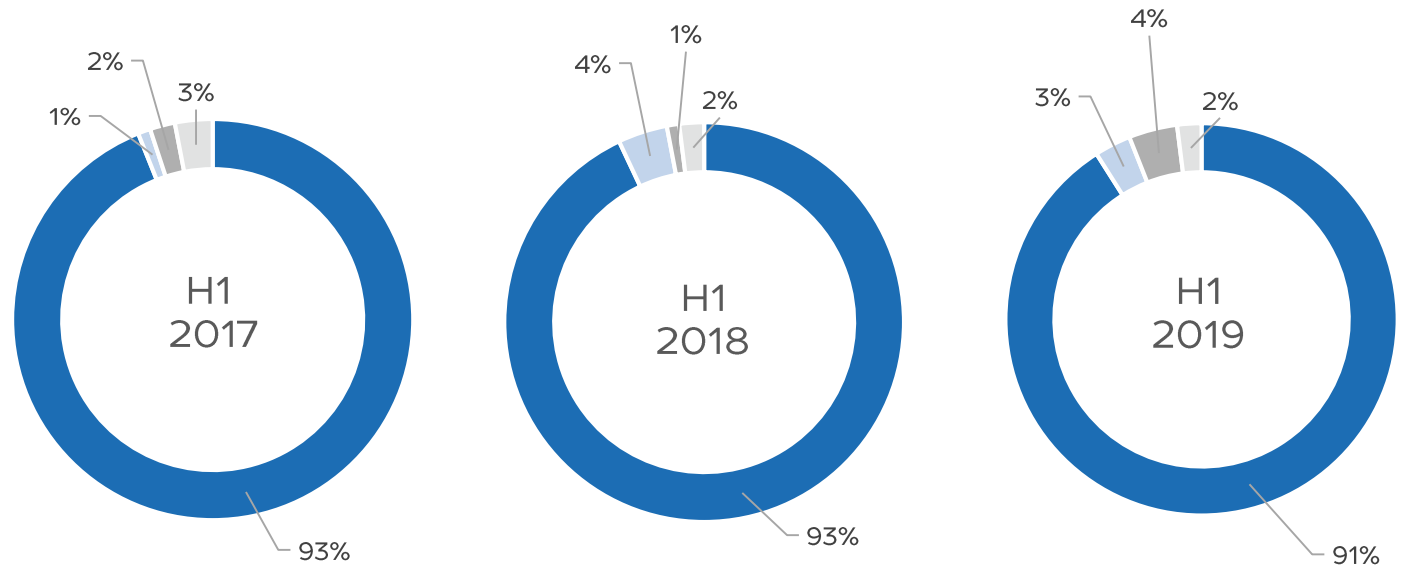
Project manager: Lauri Tomp



# Revenue by Geographic Regions

	H1 2017	H1 2018	H1 2019
Estonia	93%	93%	91%
Ukraine	1%	4%	3%
Finland	2%	1%	4%
Sweden	3%	2%	2%

■ Estonia ■ Ukraine ■ Finland ■ Sweden



In the first half of 2019, the contribution of the Group’s **foreign markets** increased somewhat compared to the same period last year, accounting for around 9% of total revenue.

**Swedish revenues** have decreased year on year: two new general construction contracts secured in Sweden in 2019 had only a modest impact on the period’s revenue because of the preparatory and design activities.

The contribution of the **Ukrainian market** where we are currently providing general contractor’s services under two building construction contracts has decreased compared to the same period last year.

The share of **revenue earned in Finland** has increased. Based on the Finnish order book, we expect that in 2019 our Finnish revenues will increase compared to previous years.

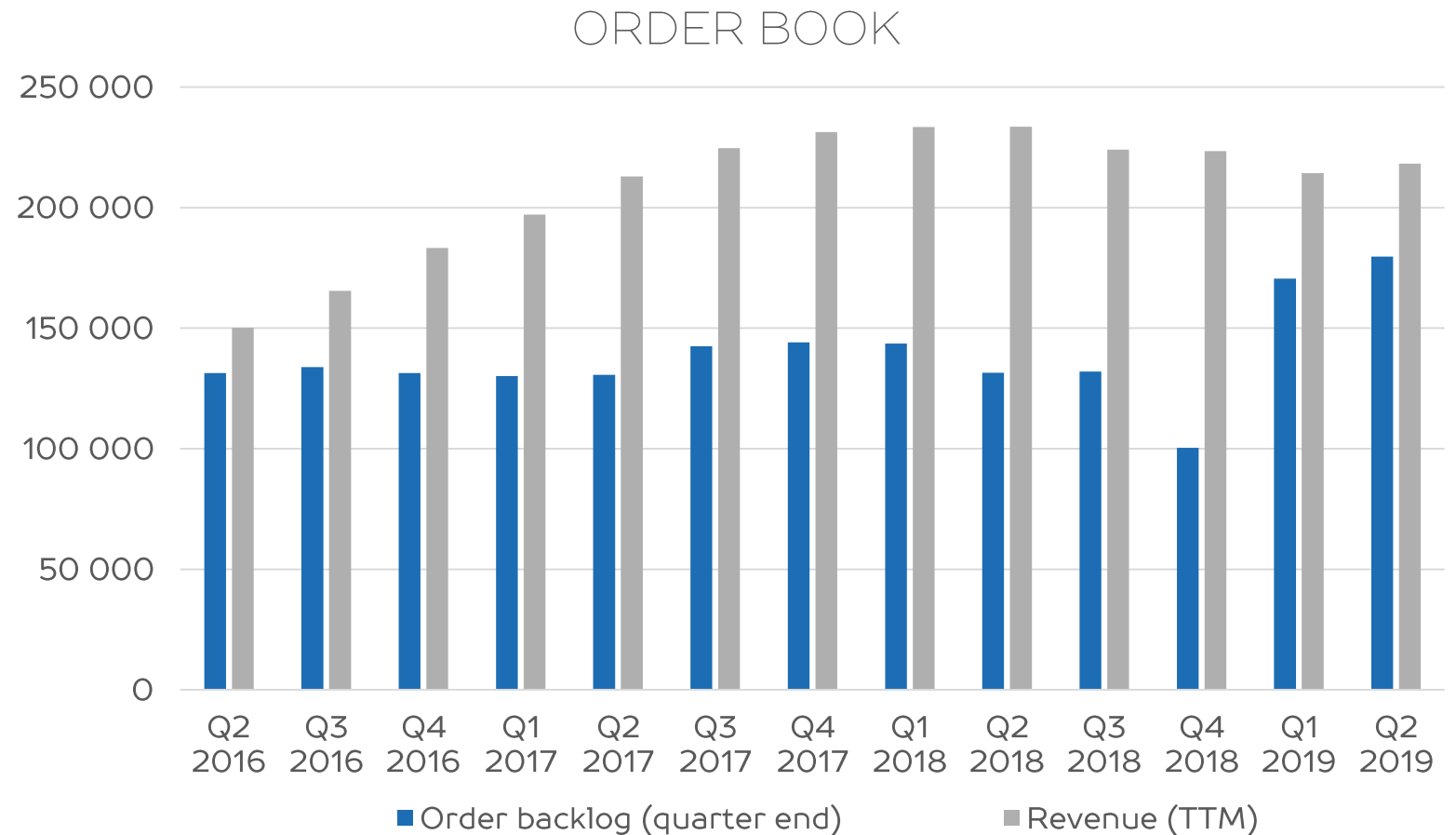
# Order book and revenues

At 30 June 2019, the Group's order book stood at 179,691 thousand euros, an increase of 37% year on year.

At the reporting date, contracts secured by the Buildings segment and the Infrastructure segment accounted for 81% and 19% of the Group's total order book respectively (30 June 2018: 73% and 27% respectively).

Compared to 30 June 2018, the order book of the Buildings segment has increased by around 52% and the order book of the Infrastructure segment has decreased by 6%.

In the second quarter of 2019, we signed new contracts of 65,901 thousand euros (Q2 2018: 43,416 thousand euros).



# Barracks of the defence forces base in Tapa

Location:	Tapa, Lääne-Viru county
Customer:	Centre for Defence Investment
Architect:	Loona Kikkas, Ene Kuljus (SWECO Projekt AS)
Construction period:	August 2015 – September 2018
Contractor:	Nordecon AS
Project manager:	Priit Murmann



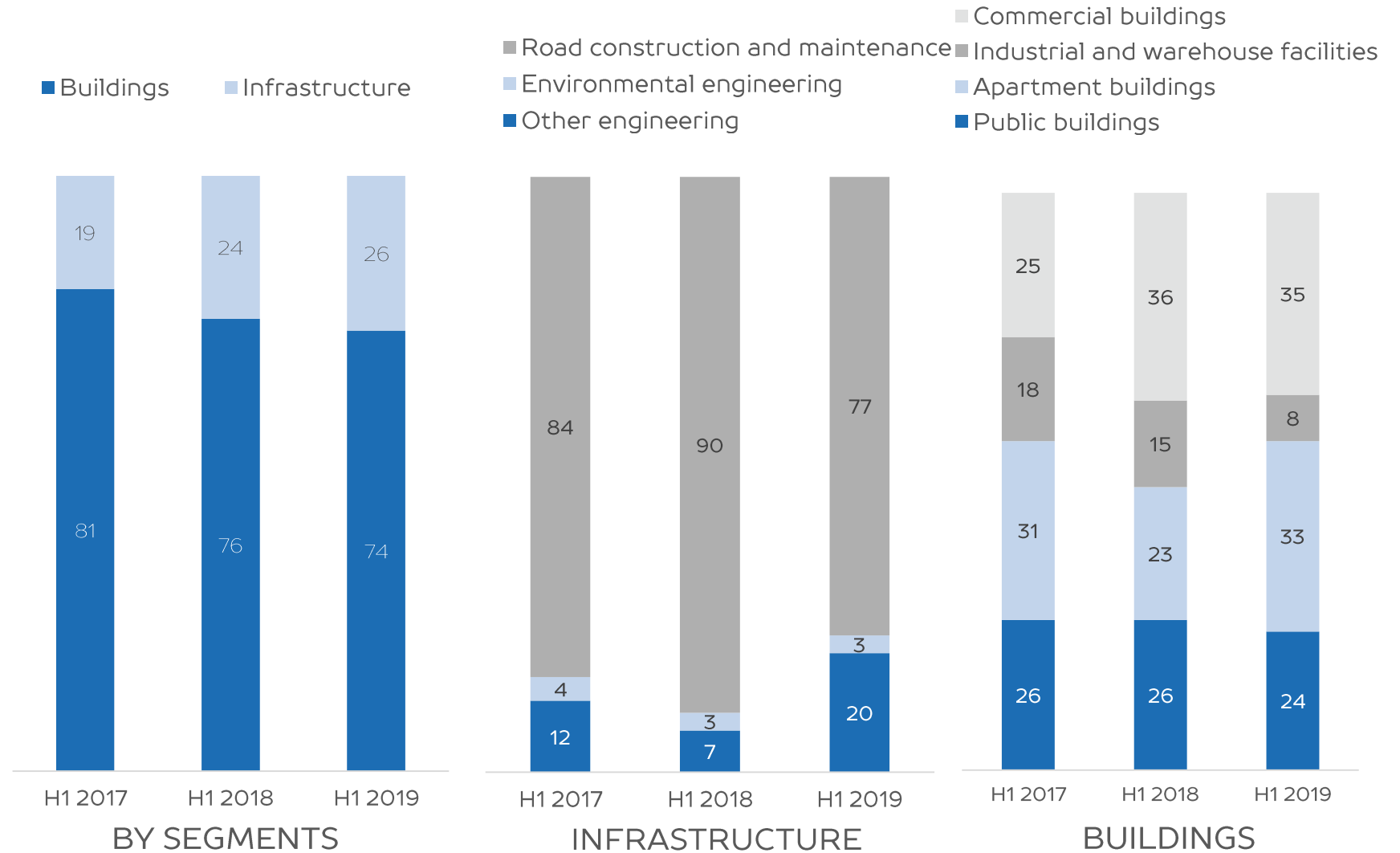
# Revenue distribution

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.

However, the limited volume of infrastructure construction projects, which is affecting the entire Estonian construction market, is also reflected in our revenue structure.

Similarly to previous periods, the largest revenue source in the Buildings segment was the commercial buildings sub-segment.

The Infrastructure segment will continue to be dominated by road construction and maintenance despite the fact that in the first quarter the contribution of other engineering grew.



# Apartment buildings at Lesta 10 in Tallinn

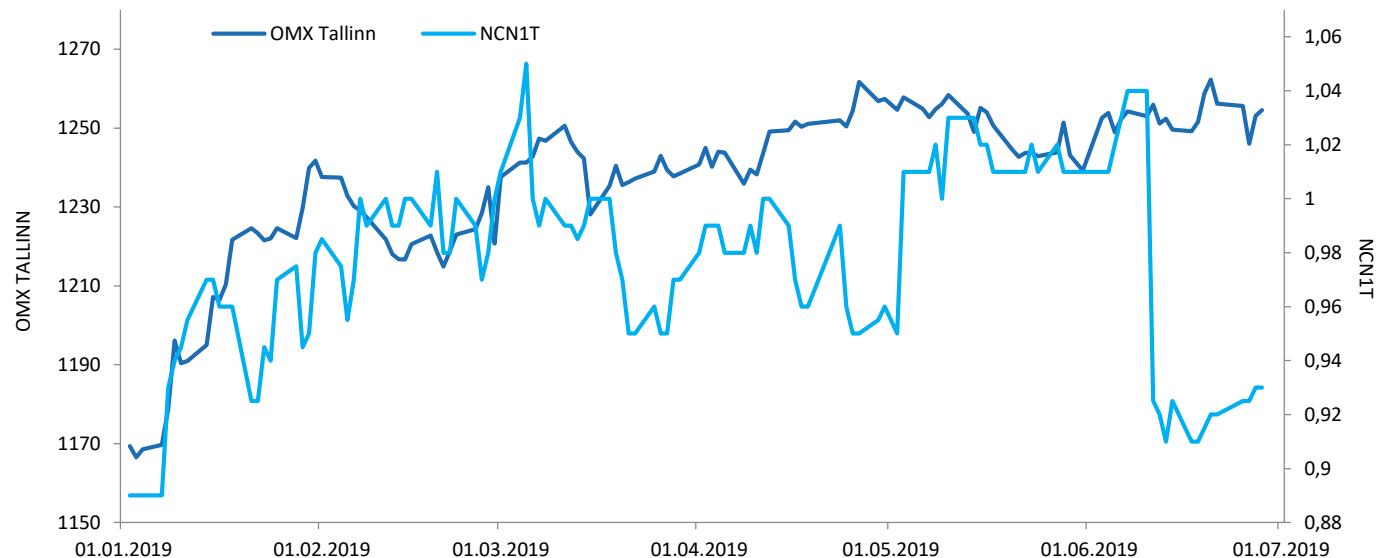
Location:	Lesta 10, Tallinn
Customer:	Haven Kakumäe OÜ
Architect:	Arch-D
Construction period:	September 2017 – July 2019
Contractor:	Nordecon AS
Project manager:	Oleg Kaas



# Share and shareholders

## Largest shareholders in Nordecon AS at 30 June 2019

	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,507,464	50.99
Luksusjaht AS	4,222,522	13.04
Rondam AS	1,000,000	3.09
SEB Pank AS clients	710,000	2.19
ASM Investments OÜ	519,600	1.60
Mati Kalme	500,000	1.54
State Street Bank and Trust Omnibus Account A Fund	368,656	1.14
Lembit Talpsepp	329,193	1.02
Midas Invest OÜ	293,000	0.91
Alforme OÜ	260,000	0.80



Index/Equity	2019-01-01	2019-06-30	+/-
OMX Tallinn	1,162.86	1,254.55	7.88%
NCN1T	EUR 0.89	EUR 0.93	4.49%

## SHARE AND SHAREHOLDERS

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