



 **NORDECON**

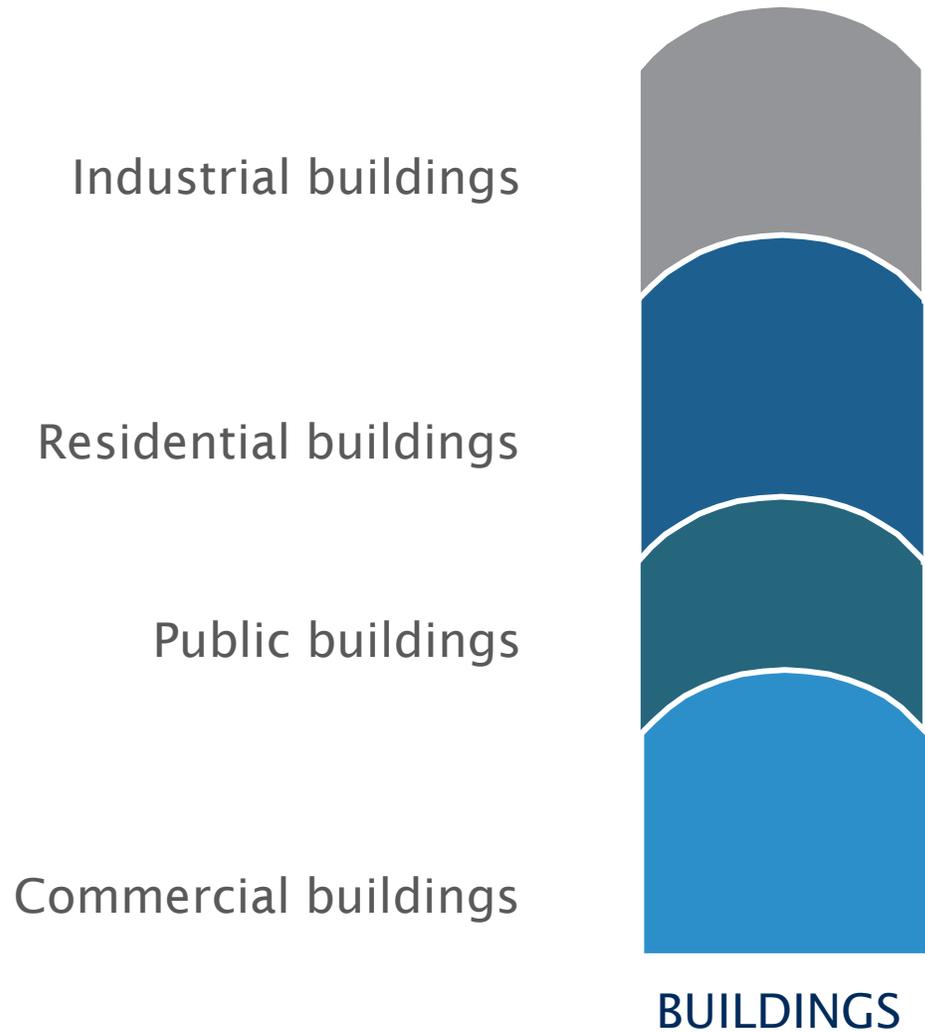
**Investor  
Presentation  
Q4 2018**



 **NORDECON**

# Strategy Overview

# Business model



## 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



## 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 2018 totalled 223,496 thousand euros, a roughly 3.4% decrease from the 231,387 thousand euros generated in 2017.

Revenue generated by the Infrastructure segment grew by around 7% but this did not counterbalance the decline (7%) in the revenue generated by the Buildings segment.

The Group's **operating profit** for 2018 amounted to 4,031 thousand euros (2017: 1,102 thousand euros).

**EBITDA** amounted to 6,021 thousand euros (2017: 3,123 thousand euros).

Nordecon Group ended 2018 with a **gross profit** of 10,033 thousand euros (2017: 8,695 thousand euros) and a **gross margin** of 4.5% (2017: 3.8%).

Both operating segments increased their profitability – the gross margin of the Buildings segment was 4.7% for 2018 (2017: 4.0%) while the gross margin of the Infrastructure segment was 5.6% for 2018 (2017: 4.1%).

At 31 December 2018, the Group's **order book** stood at 100,352 thousand euros, a decrease of roughly 30% compared to the end of 2017.

In 2018, **administrative expenses** amounted to 6,725 thousand euros (2017: 6,936 thousand euros) and the ratio of administrative expenses to revenue (12 months rolling) was 3.0% (2017: 3.0%).

Both in the reporting and the comparative period, administrative expenses were influenced by changes on the Group's board, remaining still below the target ceiling of 4% of revenue.

In 2018, **operating** activities produced a **net cash inflow** of 4,748 thousand euros (2017: an outflow of 1,748 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 of major construction projects which have been completed.



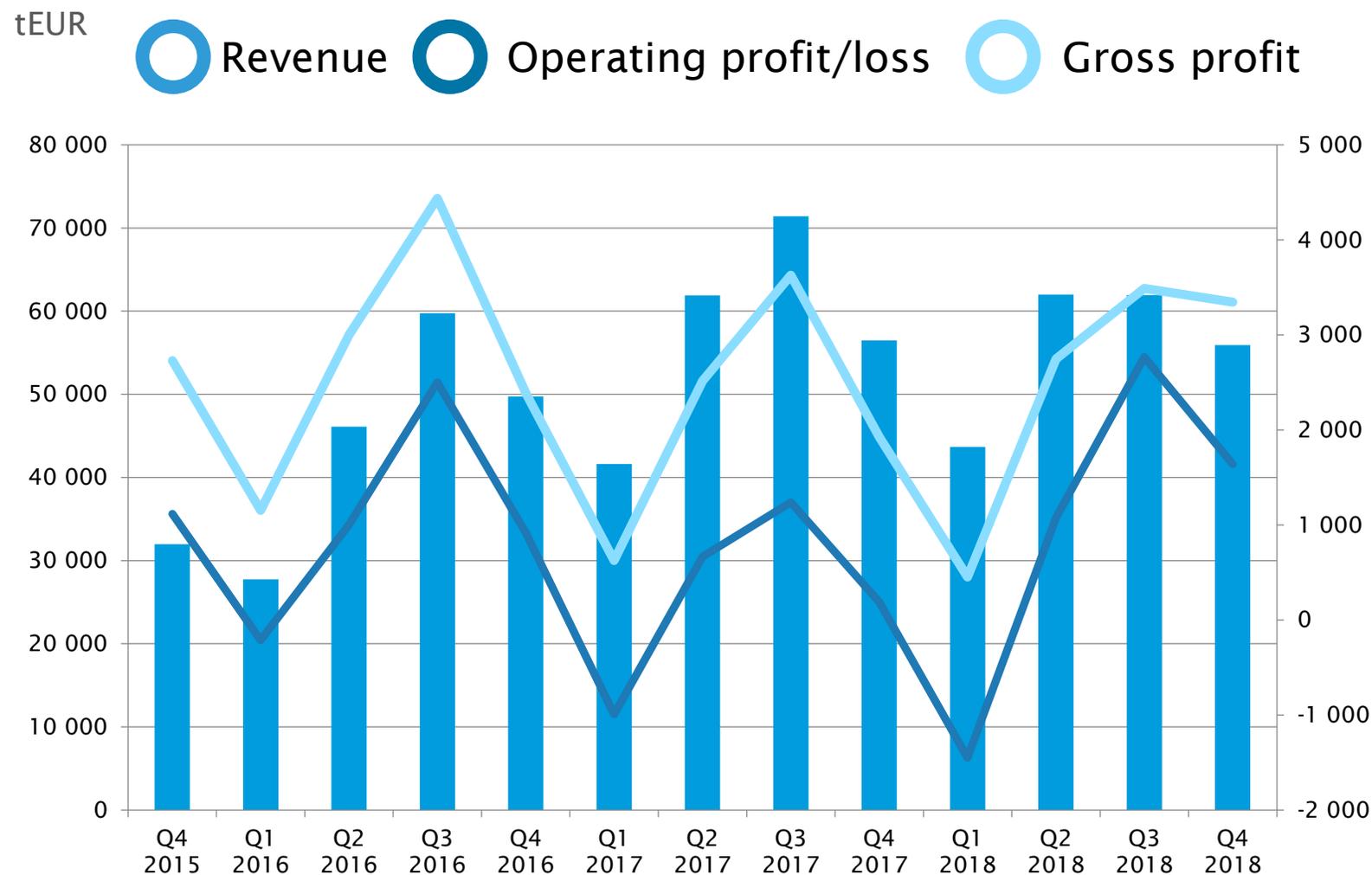
## Reconstruction of the building of the Ugala

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 -6.6% and increased in the Infrastructure segment by +6.6%.
- The gross margin of the Buildings segment increased to 4.7% for nine months while the Infrastructure segment margin increased to 5.6%.

Figure / Ratio	12M 2016	12M 2017	12M 2018
Revenue (tEUR)	183,329	231,387	223,496
Revenue change, %	26.0%	26.2%	-3.4%
Net profit (tEUR)	3,933	1,725	3,821
Gross margin, %	6.0%	3.8%	4.5%
EBITDA margin, %	3.3%	1.3%	2.7%
Net margin, %	2.2%	0.7%	1.7%
Administrative expenses to revenue (12 month rolling)	3.3%	3.0%	3.0%





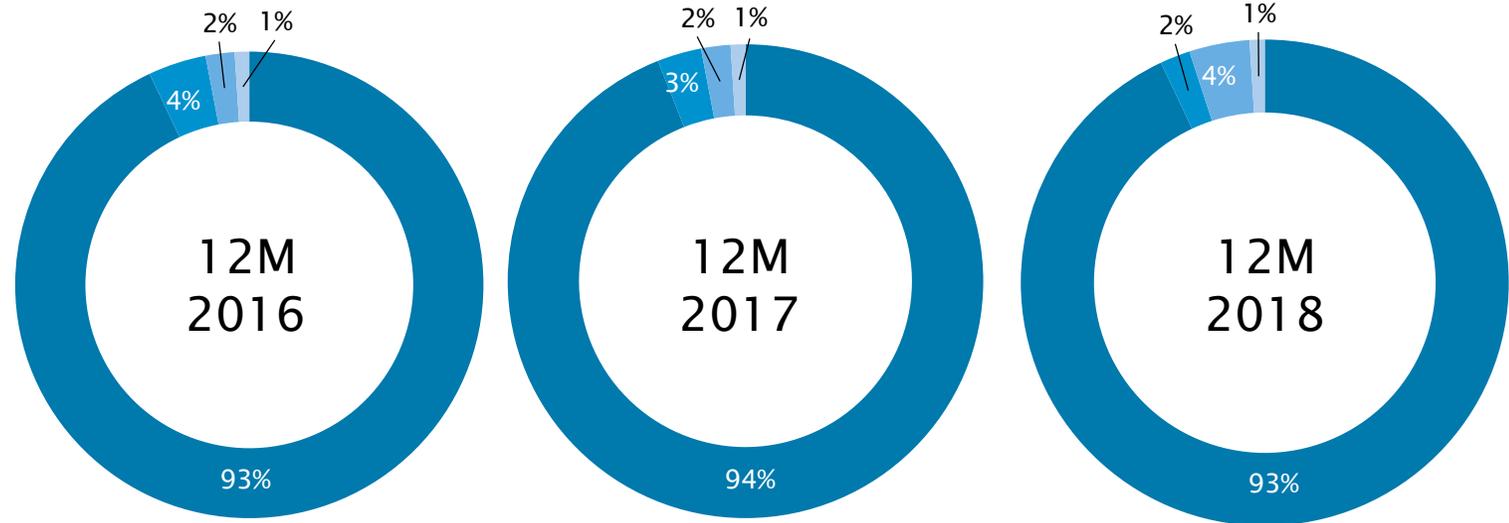
## BRF Sicklaön 10

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

	12M 2016	12M 2017	12M 2018
Estonia	93%	94%	93%
Sweden	4%	3%	2%
Ukraine	2%	2%	4%
Finland	1%	1%	1%

○ Estonia 
 ○ Sweden 
 ○ Ukraine 
 ○ Finland



In 2018, revenue earned **outside Estonia** accounted for 7% of our total revenue.

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

The share of the Group's **Ukrainian revenues** has grown substantially compared to 2017.

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 31 December 2018, the Group's **order book** stood at 100,352 thousand euros, a decrease of roughly 30% compared to the end of 2017.

At the reporting date, contracts secured by the **Buildings** segment and the **Infrastructure** segment accounted for 72% and 28% of the Group's total order book respectively (30 December 2017: 75% and 25% respectively).

Compared to 31 December 2017, the order books of the **Buildings** segment and the **Infrastructure** segment have decreased by 34% and 20% respectively.

○ Order backlog (quarter end)
 ○ Revenue (TTM)





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

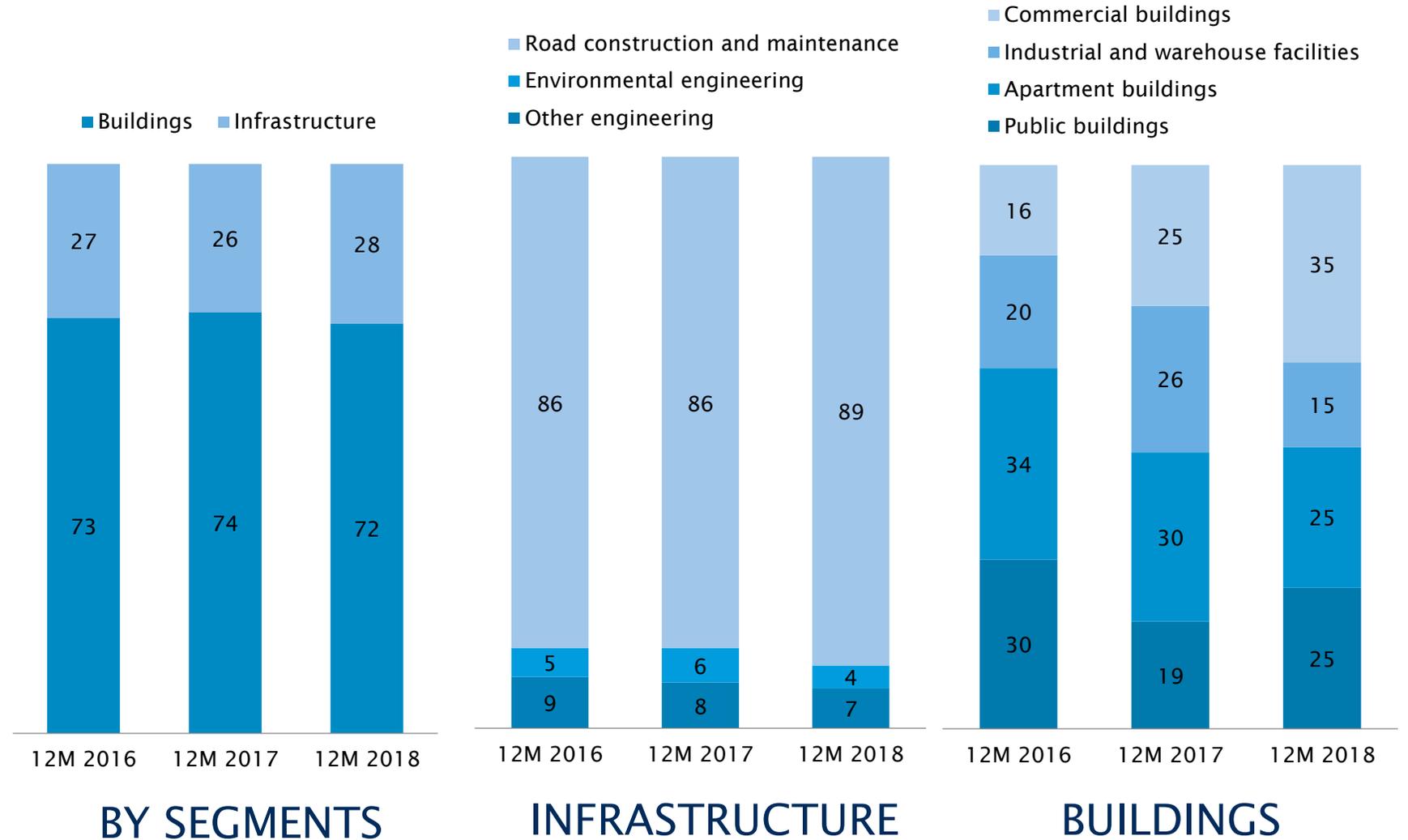
Location:	Tallinna linn, Harku- and Saue vald, Harju maakond
Customer:	Estonian Road Administration
Architect:	OÜ Keskkonnaprojekt
Construction period:	August 2016 - June 2017
Contractor:	Nordecon AS
Project manager:	Rait Kärner

# 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

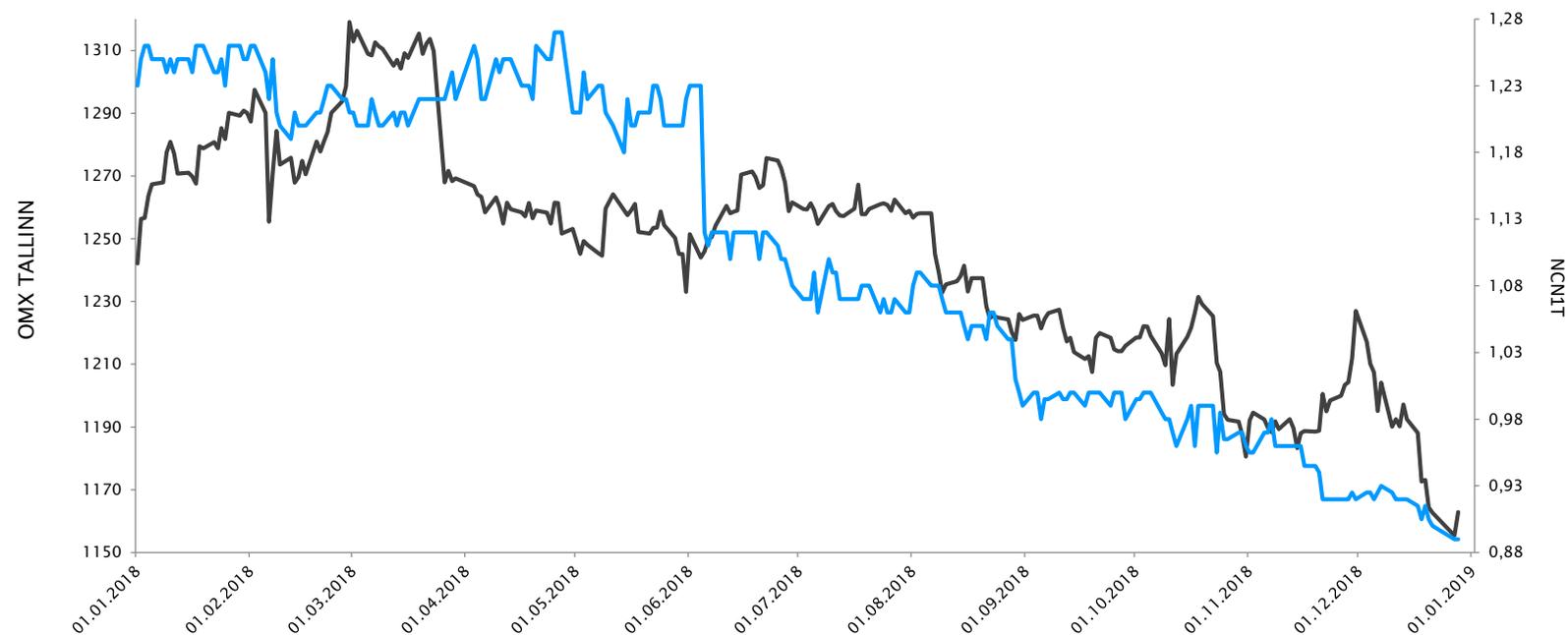
Location:	Rotermanni 18, Tallinn
Customer:	Dollimar Invest OÜ
Architect:	HG Arhitektuur OÜ, Novarc Group AS
Construction period:	August 2016 – November 2017
Contractor:	Nordecon AS
Project manager:	Oleg Kaas

# Share and shareholders



## Largest shareholders of Nordecon AS at 31 December 2018

	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,507,464	50.99
Luksusjaht AS	4,211,925	13.01
ING Luxembourg S.A.	1,383,063	4.27
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
Ain Tromp	303,960	0.94
Lembit Talpsepp	291,103	0.91



Index/Share	2018-01-01	2018-12-31	+/-
<b>OMX Tallinn</b>	1,242.12	1,162.86	-6.38%
<b>NCN1T</b>	1.23 EUR	0.89 EUR	-27.64%

## SHARE AND SHAREHOLDERS



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