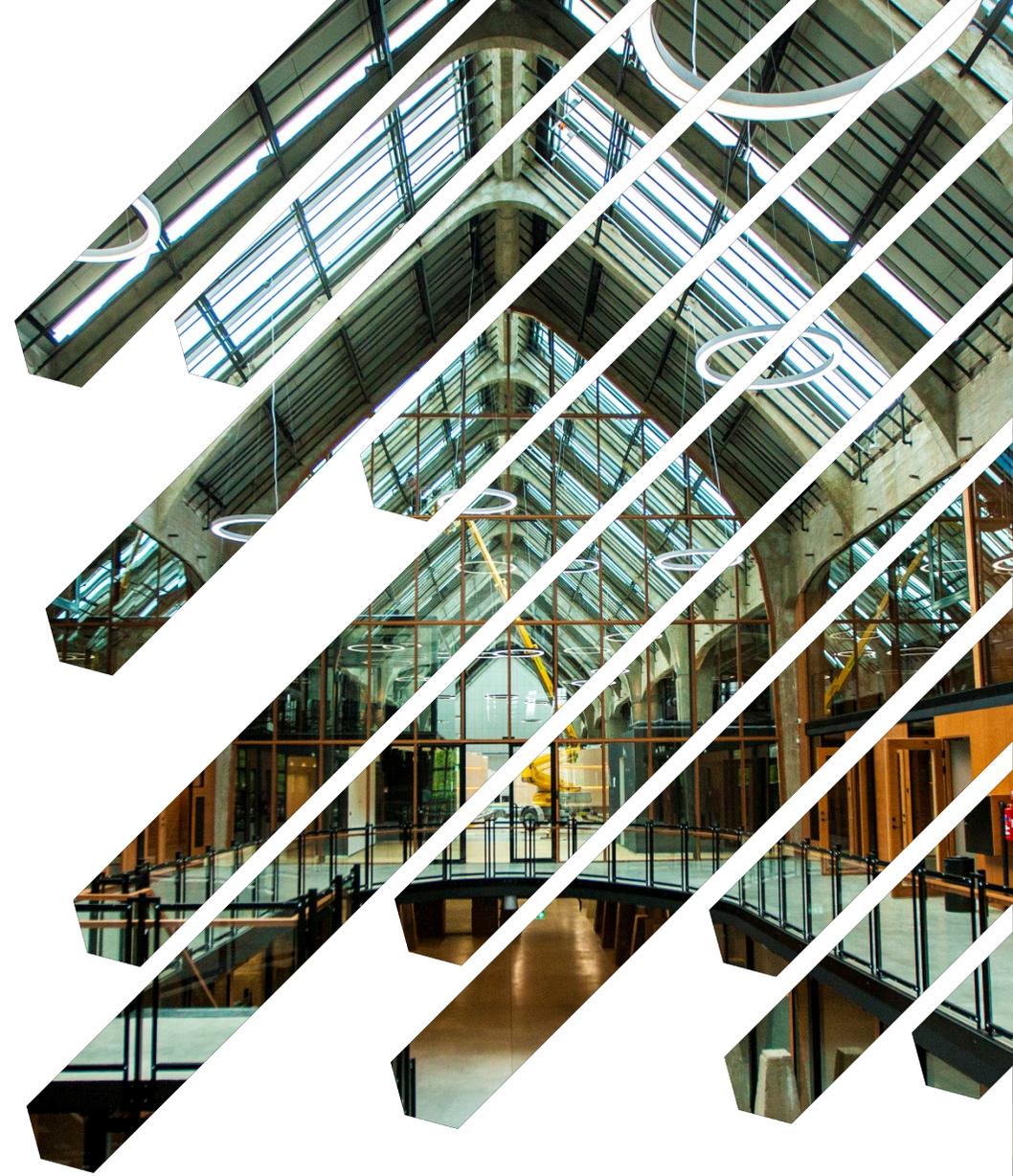




 **NORDECON** 30  
Investor Presentation  
Q3 2019

# 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 nine months of 2019, Nordecon generated **revenue** of 172,237 thousand euros, roughly 3% more than in the same period last year when revenue amounted to 167,588 thousand euros.

Revenue grew in both the Buildings and the Infrastructure segment, by 2% and 6% respectively.

In the light of the Group's order book, revenue growth met expectations.

The Group ended the first nine months of 2019 with an **operating profit** of 2,498 thousand euros (9M 2018: 2,392 thousand euros).

**EBITDA** amounted to 4,732 thousand euros (9M 2018: 3,879 thousand euros).

The Group's **gross margin** was 4.5% for nine months (9M 2018: 4%) and 6.2% for the third quarter (Q3 2018: 5.6%).

The gross margin of the Buildings segment improved significantly, rising to 5.4% for nine months (9M 2018: 3.4%) and 5.1% for the third quarter (Q3 2018: 3.7%).

The gross margin of the Infrastructure segment moved in the opposite direction, decreasing to 4.0% (9M 2018: 6.7%), whereas third-quarter gross margin was 9.2% (Q3 2018: 10.1%).

At 30 September 2019, the Group's **order book** stood at 196,493 thousand euros, an increase of 49% year on year.

In the third quarter of 2019, we signed new contracts of 69,894 thousand euros (Q3 2018: 61,761 thousand euros).

The Group's **administrative expenses** for the first nine months of 2019 totalled 4,668 thousand euros. Compared to the same period last year, administrative expenses decreased by around 6% (9M 2018: 4,977 thousand euros).

The ratio of administrative expenses to revenue (12 months rolling) dropped to 2.8% (9M 2018: 2.9%).

**Operating activities** of the first nine months of 2019 produced a **net cash** inflow of 6,189 thousand euros (9M 2018: 6,741 thousand 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

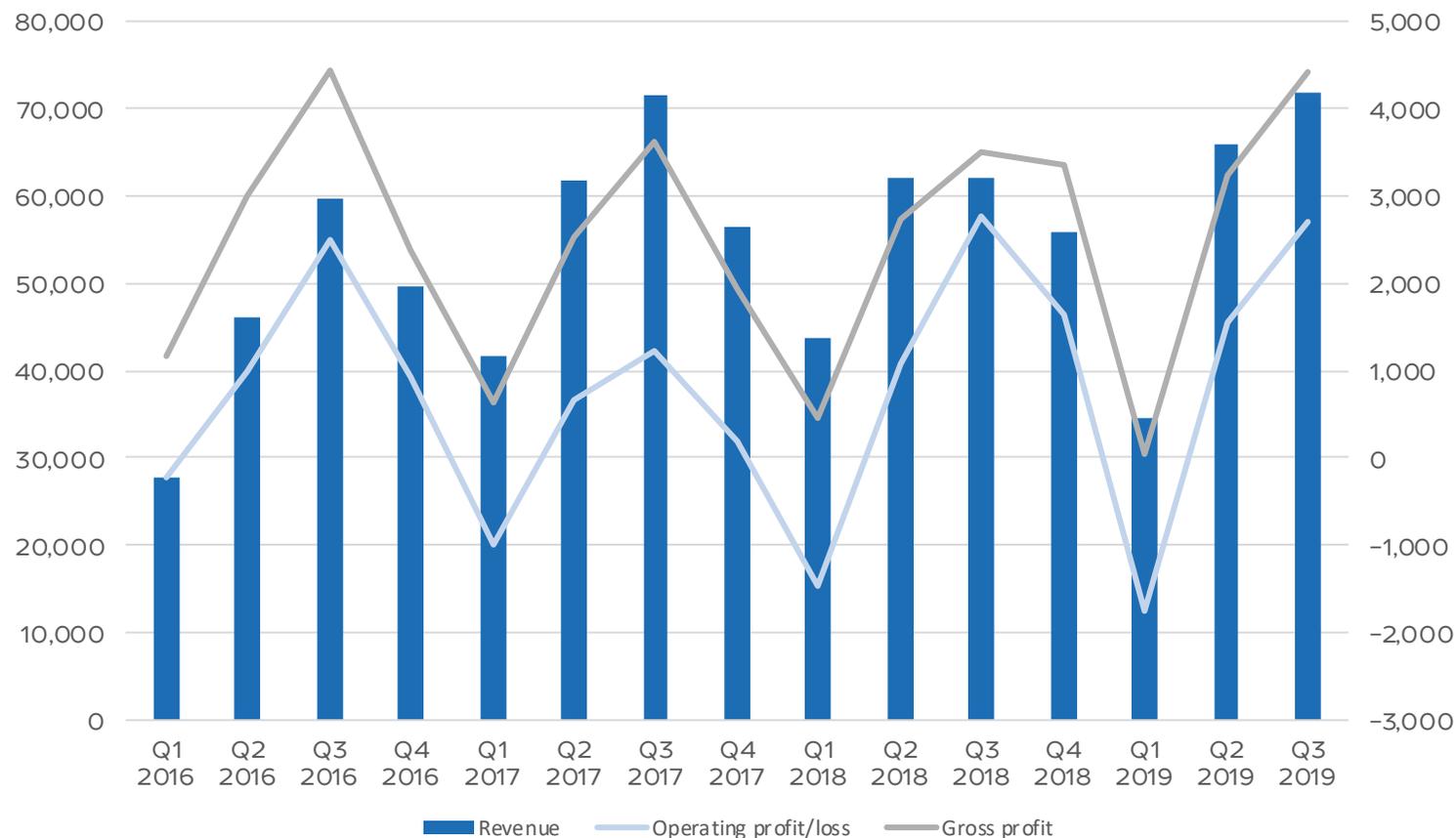


# Revenue and operating profit

**Revenue** grew in both the Buildings and the Infrastructure segment, by 2% and 6% respectively.

The **gross margin** of the Buildings segment increased to 5.4% for the first nine months while the Infrastructure segment margin fell to 4.0%.

Figure / Ratio	9M 2017	9M 2018	9M 2019
Revenue (EUR '000)	174,909	167,588	172,237
Revenue change	30.9%	-4.2%	2.8%
Net profit/loss (EUR '000)	2,716	2,154	2,876
Gross margin	3.9%	4.0%	4.5%
EBITDA margin	1.4%	2.3%	2.7%
Net margin	1.6%	1.3%	1.7%
Administrative expenses to revenue (12 month rolling)	3.0%	2.9%	2.8%



# 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

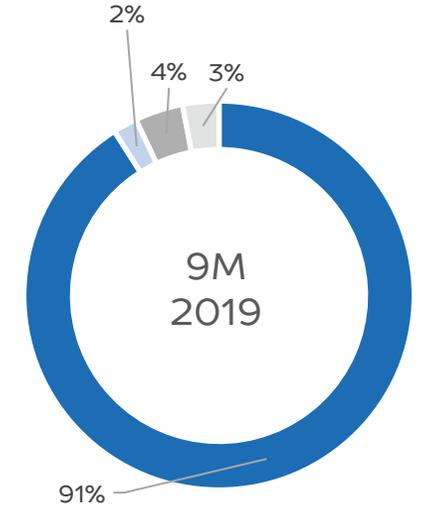
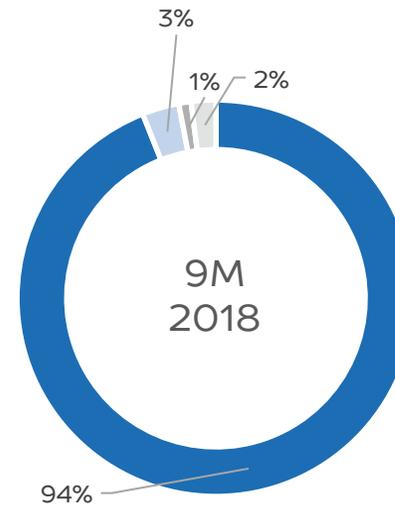
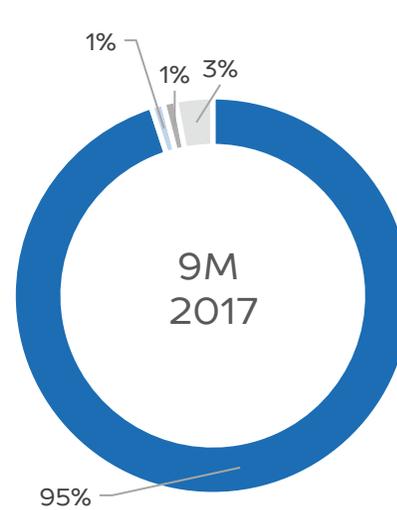
Project manager: Lauri Tomp



# Revenue by Geographic Regions

	9M 2017	9M 2018	9M 2019
Estonia	95%	94%	91%
Ukraine	1%	3%	2%
Finland	1%	1%	4%
Sweden	3%	2%	3%

■ Estonia ■ Ukraine ■ Finland ■ Sweden



In the first nine months of 2019, the contribution of the Group's **foreign markets** increased compared to the same period last year, rising to around 9% of total revenue.

The Group's **Swedish revenue** has grown year on year, underpinned by two new general construction contracts secured in 2019.

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 nine-month results and our Finnish order book, in 2019 our Finnish revenues will be the largest ever.

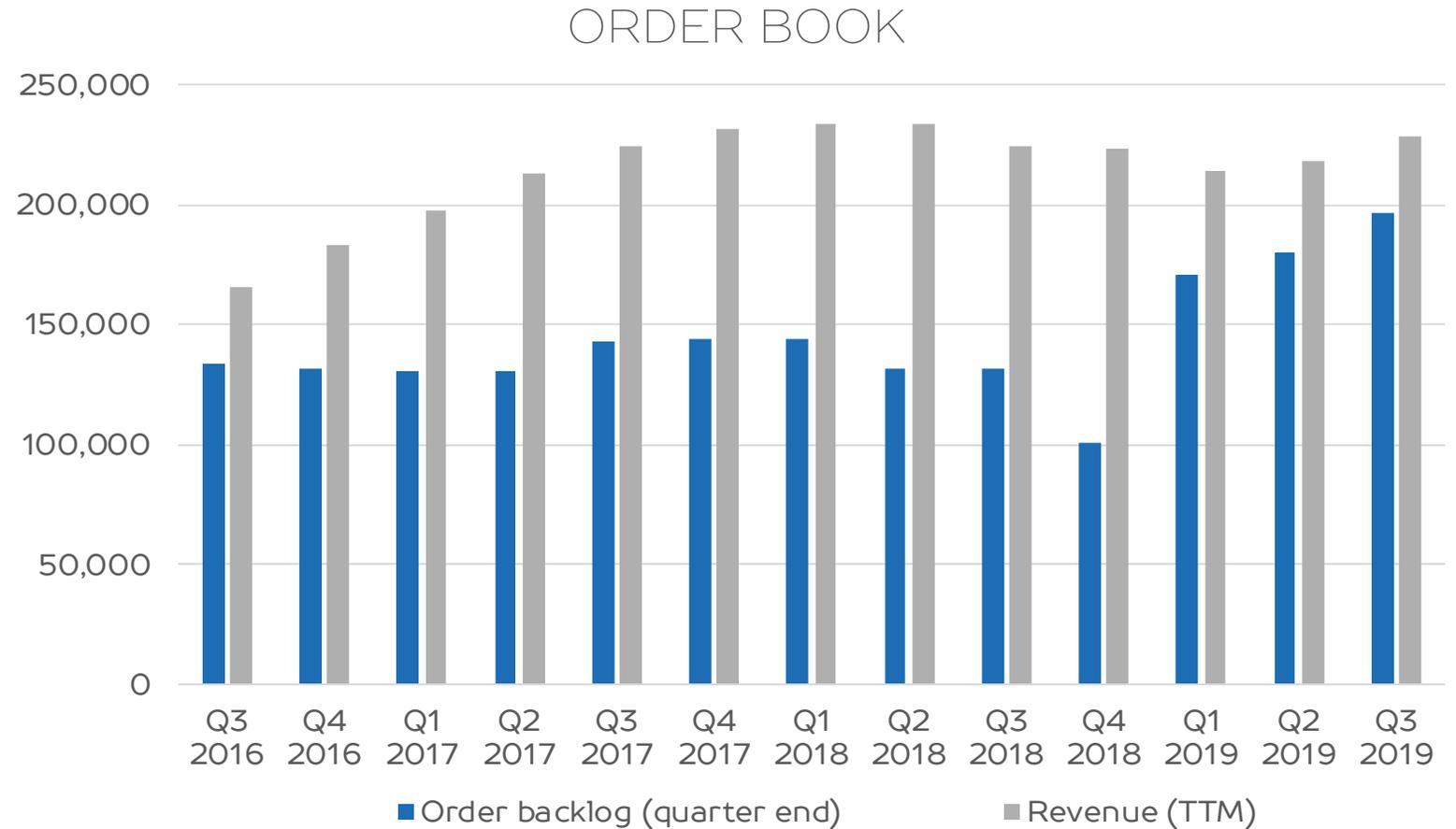
# Order book and revenues

At 30 September 2019, the Group's order book stood at 196,493 thousand euros, an increase of 49% year on year.

At the reporting date, contracts secured by the Buildings segment and the Infrastructure segment accounted for 80% and 20% of the Group's total order book respectively (30 September 2018: 73% and 27% respectively).

Compared to 30 September 2018, the order book of the Buildings segment has increased by around 65% and that of the Infrastructure segment by around 6%.

In the third quarter of 2019, we signed new contracts of 69,894 thousand euros (Q3 2018: 61,761 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



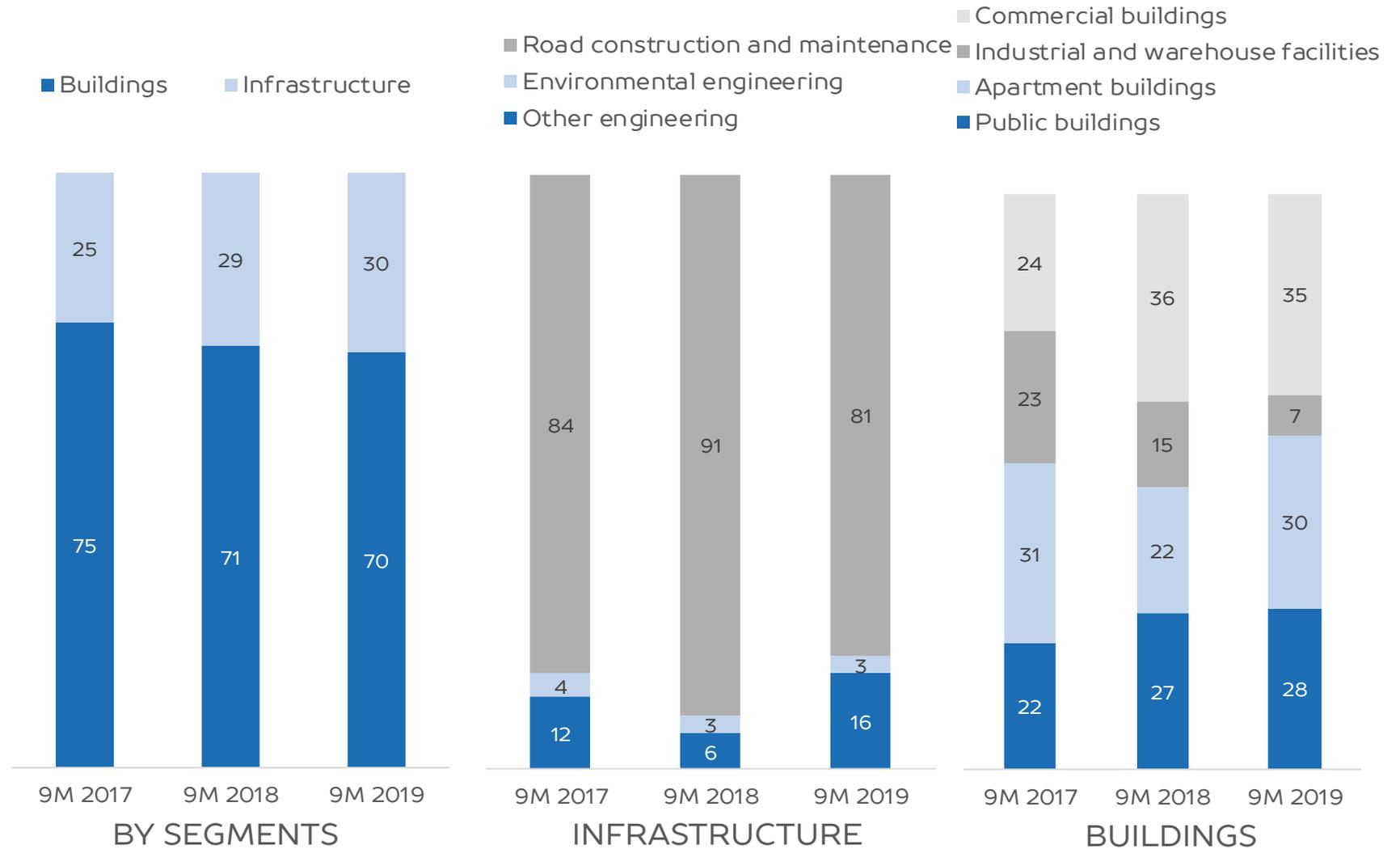
# Revenue distribution

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

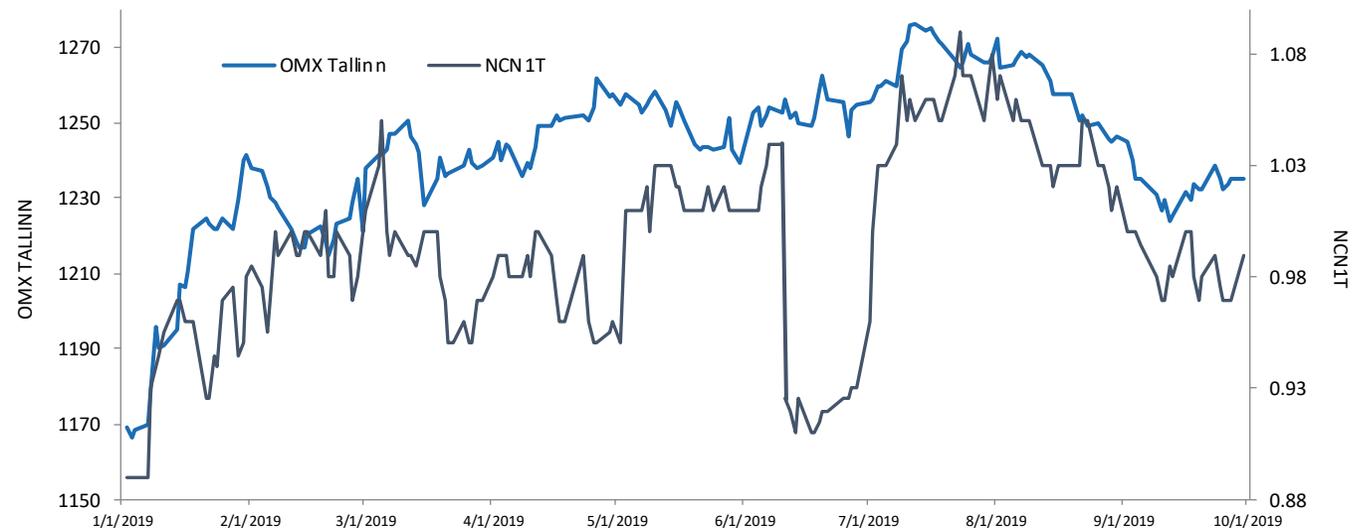
Project manager: Oleg Kaas



# Share and shareholders

## Largest shareholders in Nordecon AS at 30 September 2019

	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,507,464	50.99
Luksusjaht AS	4,221,522	13.04
Rondam AS	1,000,000	3.09
SEB Pank AS clients	710,000	2.19
ASM Investments OÜ	518,440	1.60
Mati Kalme	475,000	1.47
State Street Bank and Trust Omnibus Account A Fund	368,656	1.14
Midas Invest OÜ	350,000	1.08
Lembit Talpsepp	329,193	1.02
Alforme OÜ	260,000	0.80



Index/Equity	1 January 2019	30 September 2019	+/-
<b>OMX Tallinn</b>	1,162.86	1,235.22	6.22%
<b>NCN1T</b>	EUR 0.89	EUR 1.00	11.8%

## SHARE AND SHAREHOLDERS

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