NORDECON

Investor Presentation

Q4 2017

NORDECON

Strategy Overview

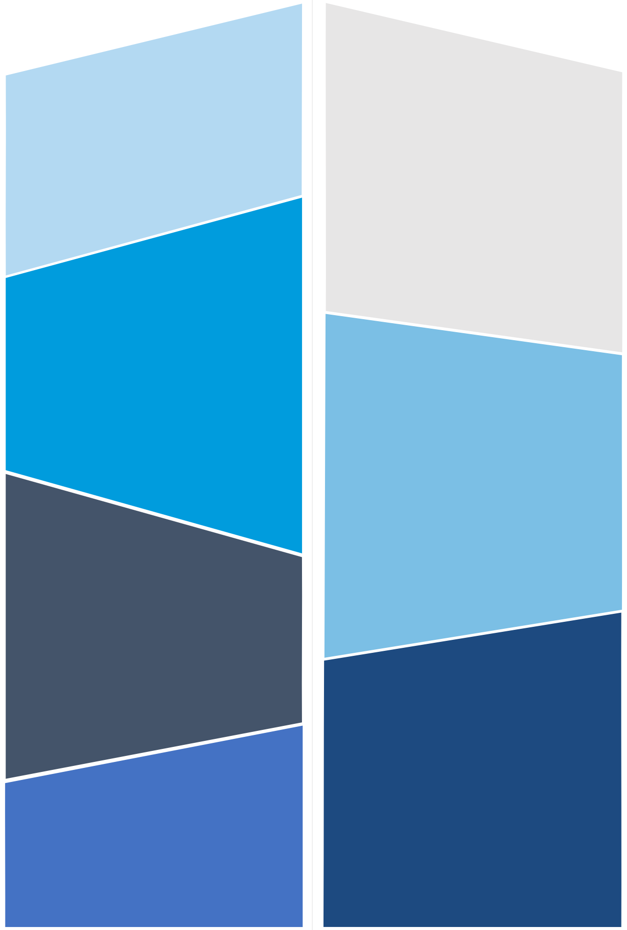
Business model

Residential buildings

Public buildings

Commercial buildings

Industrial buildings



Other infrastructure

- Environmental engineering
- Utility networks

Specialist engineering

- Bridges, viaducts
- Port construction
- Rail construction

Road construction and maintenance

- Road construction
- Road maintenance

BUILDINGS

INFRASTRUCTURE

Strategic agenda for 2016-2020

EMPLOYEES

- 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

- 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 ACTIVITIES

- 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.

NORDECON

In Fourth Quarter 2017

Period in Brief

Nordecon's **revenues** for 2017 totalled 231,387 thousand euros, a roughly 26% increase on the 183,329 thousand euros generated in 2016.

Although revenue increased in both the Buildings and the Infrastructure segment, the main growth driver was the Buildings segment where growth was underpinned by a rise in contracts secured from the private sector.

Nordecon Group ended the year 2017 with a **gross profit** of 8,695 thousand euros (2016: 10,979 thousand euros) and a gross margin of 3.8% (2016: 6.0%).

The weakening of the gross margin resulted mainly from the Buildings segment where gross margin dropped to 4.0% (2016: 7.5%).

The performance of the Infrastructure segment improved compared to 2016, its gross margin rising to 4.1% (2016: 3.9%).

Despite changes in the composition of the board, structural streamlining, and sustained investment in foreign markets which in the start-up phase is inevitably accompanied by planned growth in administrative expenses, our cost-control measures continued to produce good results and we were able to keep **administrative expenses** below the target ceiling of 4% of revenue.

The ratio of administrative expenses to revenue was 3.0% (2016: 3.3%).

Operating profit for 2017 amounted to 1,102 thousand euros (2016: 4,208 thousand euros).

EBITDA amounted to 3,123 thousand euros (2016: 6,017 thousand euros).

At 31 December 2017, the Group's **order book** stood at 144,122 thousand euros, around 10% up on 2016.

In the fourth quarter, we secured new contracts of 49,683 thousand euros.

In 2017, **operating** activities produced a net **cash** outflow of 4,870 thousand euros (2016: a net inflow of 7,937 thousand euros).

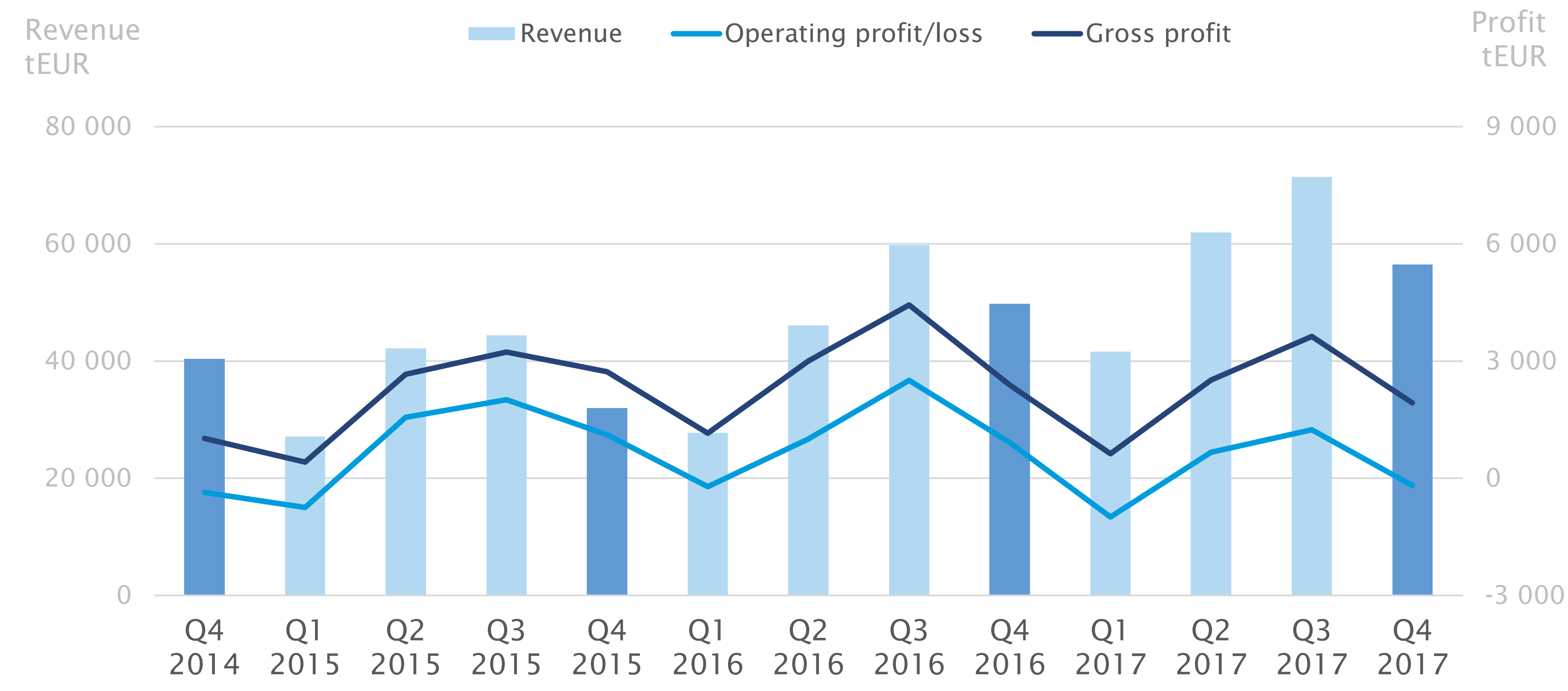
Operating cash flow continues to be strongly affected by the fact that neither public nor private sector customers have the obligation to make advance payments while the Group has to make prepayments to subcontractors, materials suppliers, etc.

Revenue and operating profit

Revenues in the Buildings segment increased by +30% and in the Infrastructure segment by +23%.

The decline in **margins** is attributable to growth in input costs in Estonia, particularly materials and labour, resulting from the shortage of subcontractors, and also to the loss of the Swedish subsidiary.

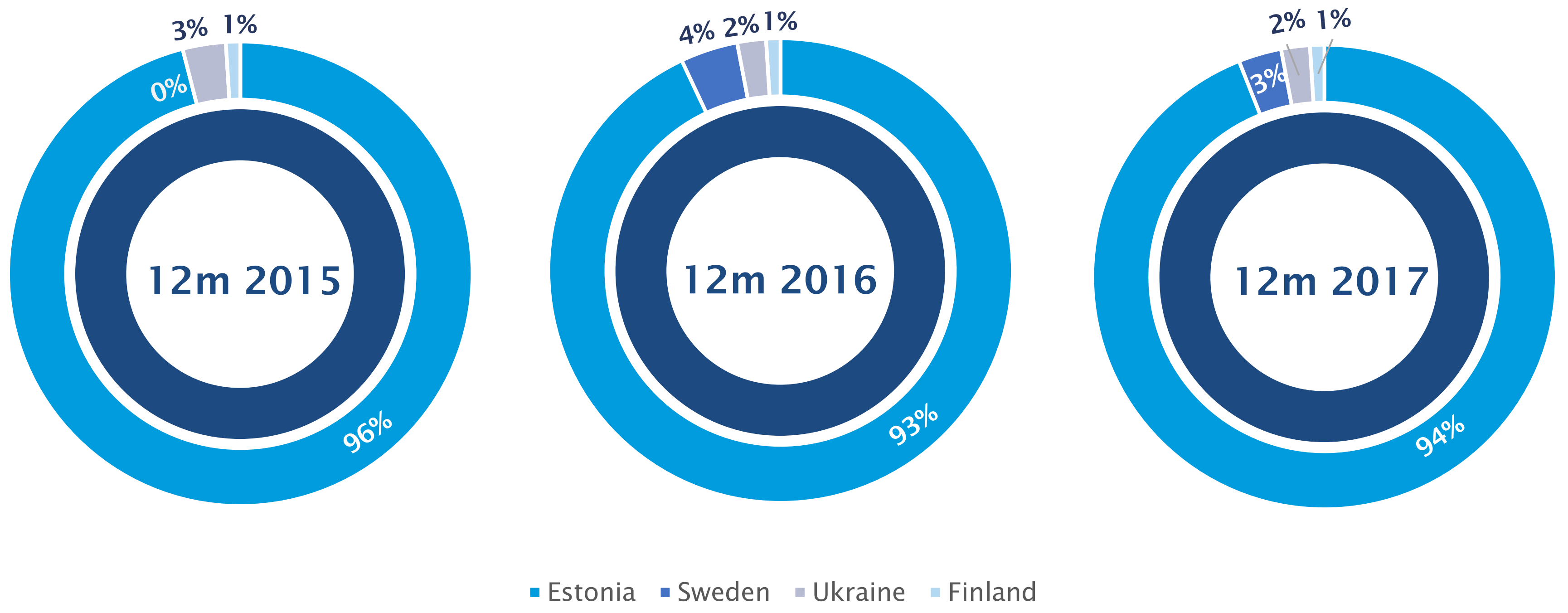
Figure / Ratio	12m 2015	12m 2016	12m 2017
Revenue (tEUR)	145,515	183,329	231,387
Revenue growth, %	-9.8%	26.0%	26.2%
Net profit (tEUR)	174	3,933	1,725
Gross margin, %	6.2%	6.0%	3.8%
EBITDA margin, %	4.0%	3.3%	1.3%
Net margin, %	0.1%	2.1%	0.7%
Administrative expenses to revenue (12 month rolling)	3.5%	3.3%	3.0%



REVENUE

Revenue by Geographic Regions

	12m 2015	12m 2016	12m 2017
Estonia	96%	93%	94%
Sweden	0%	4%	3%
Ukraine	3%	2%	2%
Finland	1%	1%	1%



In 2017, Nordecon earned around 6% of its revenue **outside Estonia**, compared with 7% in 2016.

The strongest revenue contributor was **Sweden** where we provided general contractor's services under three contracts.

The share of **Ukrainian revenues** remained stable. In Ukraine, we are providing general contractor's services under three building construction contracts and one infrastructure construction contract.

Our **Finnish revenues** resulted from concrete works in the building construction segment.

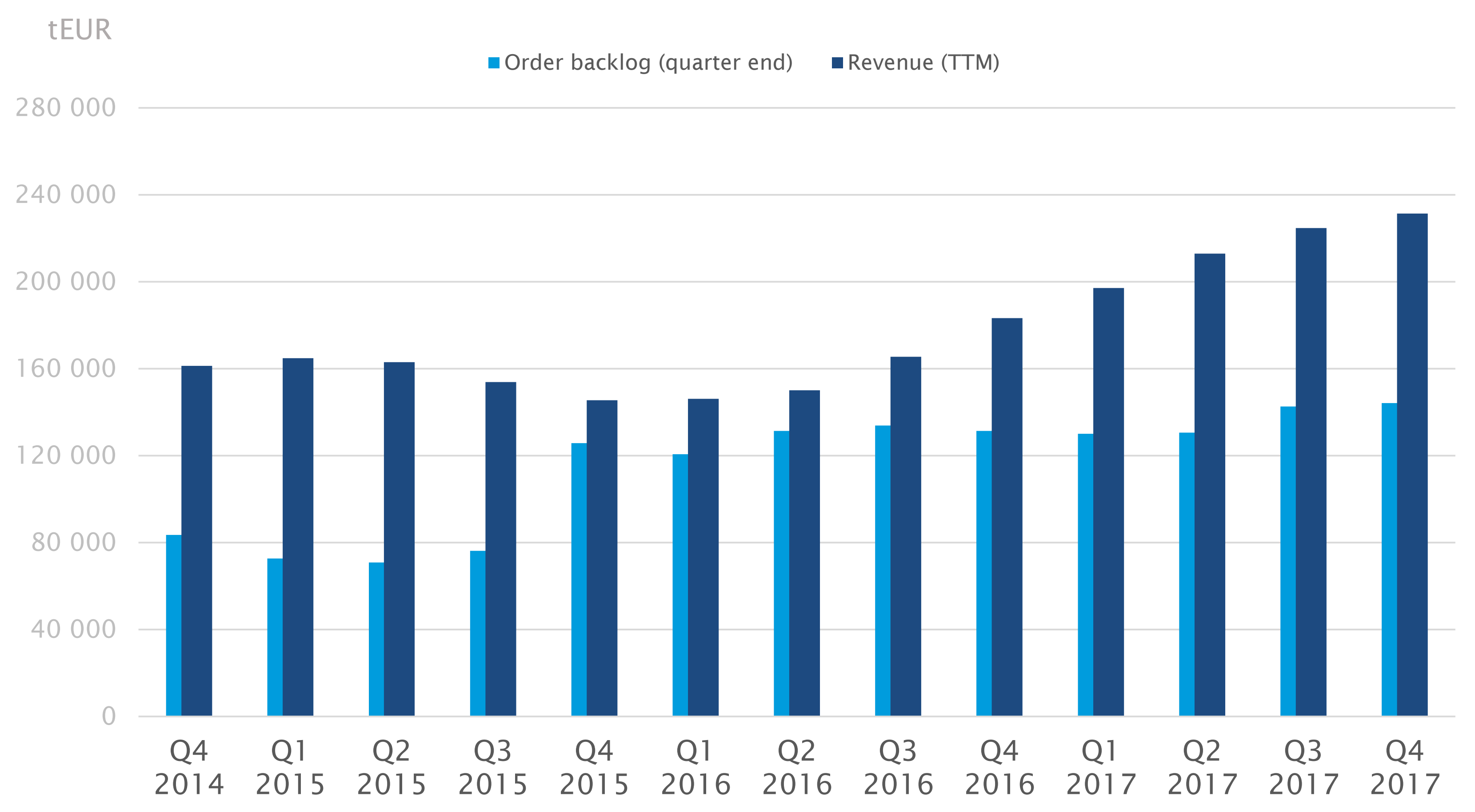
Geographical diversification of the revenue base is a consciously deployed strategy by which we mitigate the risks resulting from excessive reliance on a single market.

Order book and revenues

At 31 December 2017, the Group's **order book** stood at 144,122 thousand euros, around 10% up on 2016.

At the reporting date, contracts secured by the Buildings segment and the Infrastructure segment accounted for 75% and 25% of the Group's order book respectively (31 December 2016: 76% and 24% respectively).

Both the Buildings and the Infrastructure segment increased their order books by around 10%.



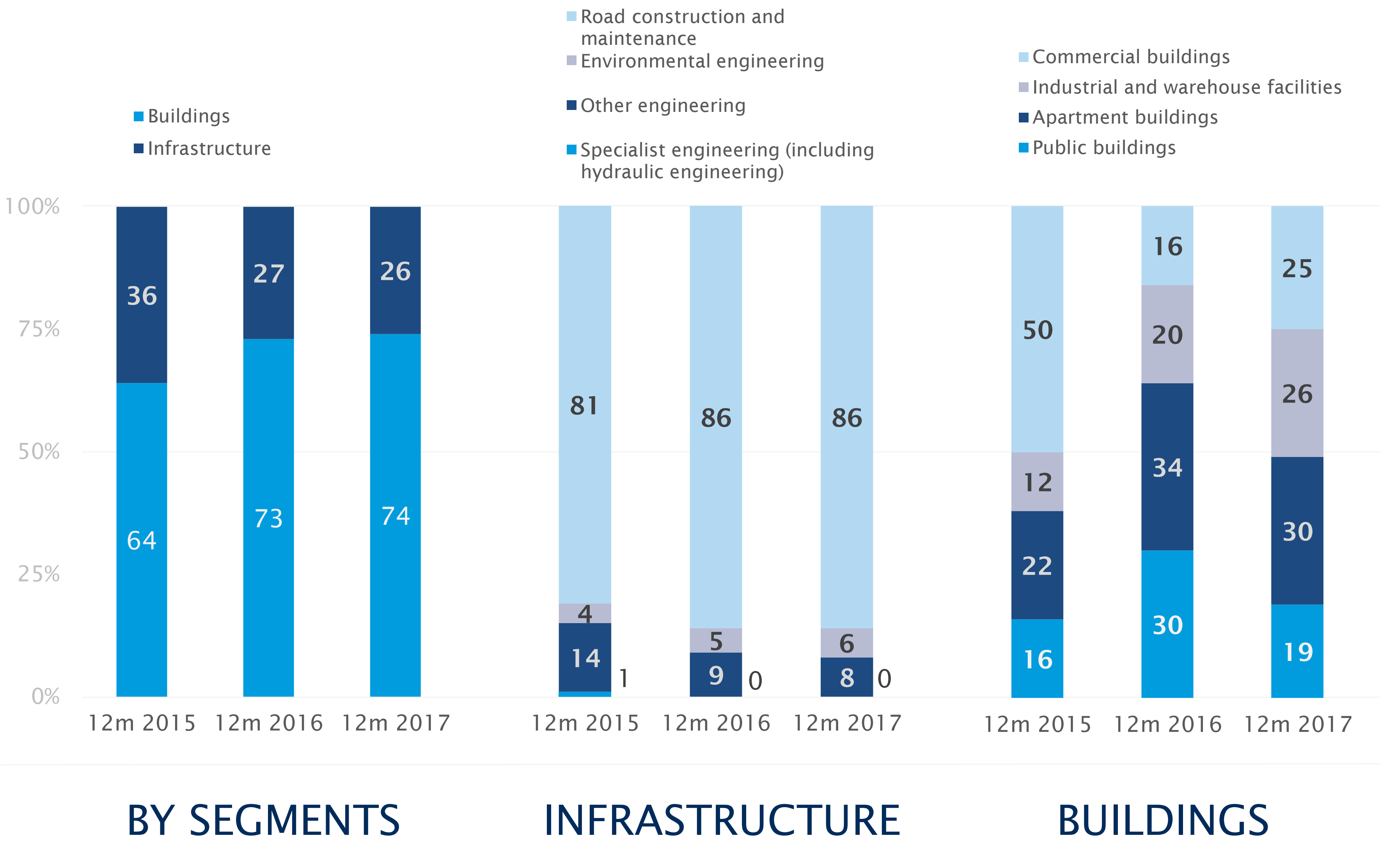
ORDER BOOK

Revenue distribution

As we strive to maintain the revenues of our operating segments – Buildings and Infrastructure – in balance to help to disperse the risks, the downturn in infrastructure construction in Estonia has also left its noticeable mark on our revenue structure.

In the **Buildings** segment, the revenue contributions of all sub-segments were quite equal, with apartment buildings the largest.

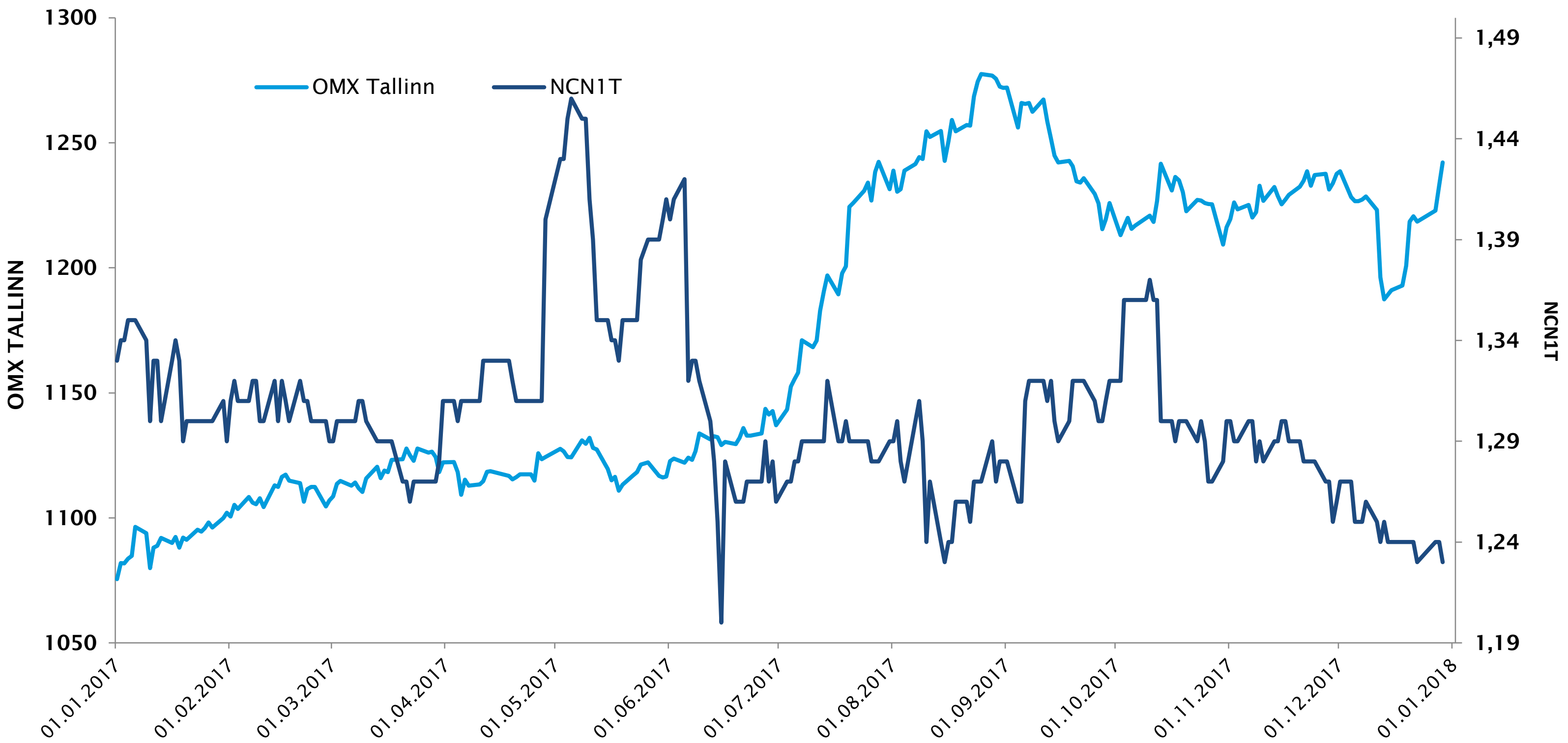
The main revenue source in the **Infrastructure** segment has been road construction and maintenance, which posted 20% year on year revenue growth in 2017.



Share and shareholders

Largest shareholders of Nordecon AS at 31 December 2017

	Number of shares	Ownership interest (%)
AS Nordic Contractors	16,507,464	50.99
Luksusjaht AS	4,172,385	12.89
ING Luxembourg S.A.	1,907,949	5.89
Rondam AS	1,000,000	3.09
SEB Pank AS clients	693,567	2.14
ASM Investments OÜ	519,600	1.60
State Street Bank and Trust Omnibus Account A Fund	368,656	1.14
Ain Tromp	303,960	0.94
Alforme OÜ	260,000	0.80
SEB Elu- ja Pensionikindlustus AS	255,000	0.79



Index/share	1/1/2017	31/12/2017	+/-%
OMX Tallinn	1,075.50	1,242.12	15.49%
NCN1T	1.33 EUR	1.23 EUR	-7.52%

SHARE AND SHAREHOLDERS

NORDECON

Nordecon AS
Tel: +372 615 4400
www.nordecon.com
Pärnu mnt 158/1 Tallinn 11317
Estonia

Head of Investor Relations
Andri Hõbemägi
Tel: +372 615 4400
andri.hobemagi@nordecon.com