

REPLY TO THE SHAREHOLDER'S QUESTION

How does Merko currently assess its possibilities to use its experience in apartment and other real estate development in the St. Petersburg market? Can turnover be expected from Merko's Russian subsidiary in this or the following financial year? What are the main difficulties to be overcome in Russia?

Merko's home markets currently include the Estonian, Latvian and Lithuanian construction and real estate sector. Interest in analysing business opportunities in the St. Petersburg market is related to the weak growth prospects in the Baltic countries in the coming years. We believe that the long-standing experience of the Merko companies in the area of construction and real estate development in the Baltic countries could create value also in the St. Petersburg market. At the same time, we acknowledge that construction and real estate development is, above all, a local business. We have registered a subsidiary named OOO Lenko Stroi in St. Petersburg. The company does not currently carry out substantive activities and we are at the stage of analysing the market. Whether the company will engage in substantive activities and generate an actual turnover depends on our assessment of the business opportunities and our ability to create competitive advantage and partnerships in the St. Petersburg market. We also have to analyse the risks. We are not expecting actual turnover from the St. Petersburg market this year and we also do not wish to create unfounded expectations for the future.