

MERKO EHITUS GROUP

Construction, Engineering & Real Estate

Investor presentation

15 April 2016

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Group in brief



The largest listed construction company in the Baltics

Wide scope of construction services:

- General construction
- Engineering construction
- Road construction
- Real estate projects

Estonian construction services (43% of revenue), Latvian and Lithuanian construction services (29%), Real Estate Development (28%)



Share quoted on Nasdaq OMX Tallinn since 1997

Competitive advantages:

- Broad range of construction services and products, comprehensive solutions offered to clients
- Experienced project managers and engineers
- Longstanding experience on the subcontractors and suppliers market
- Innovative technological approaches and construction solutions
- Strong financial capability
- Inventory of residential development projects



**Revenue in 2015
€251 mln**



**31.12.2015:
791 employees**



**Net Profit 2015:
€10 mln**

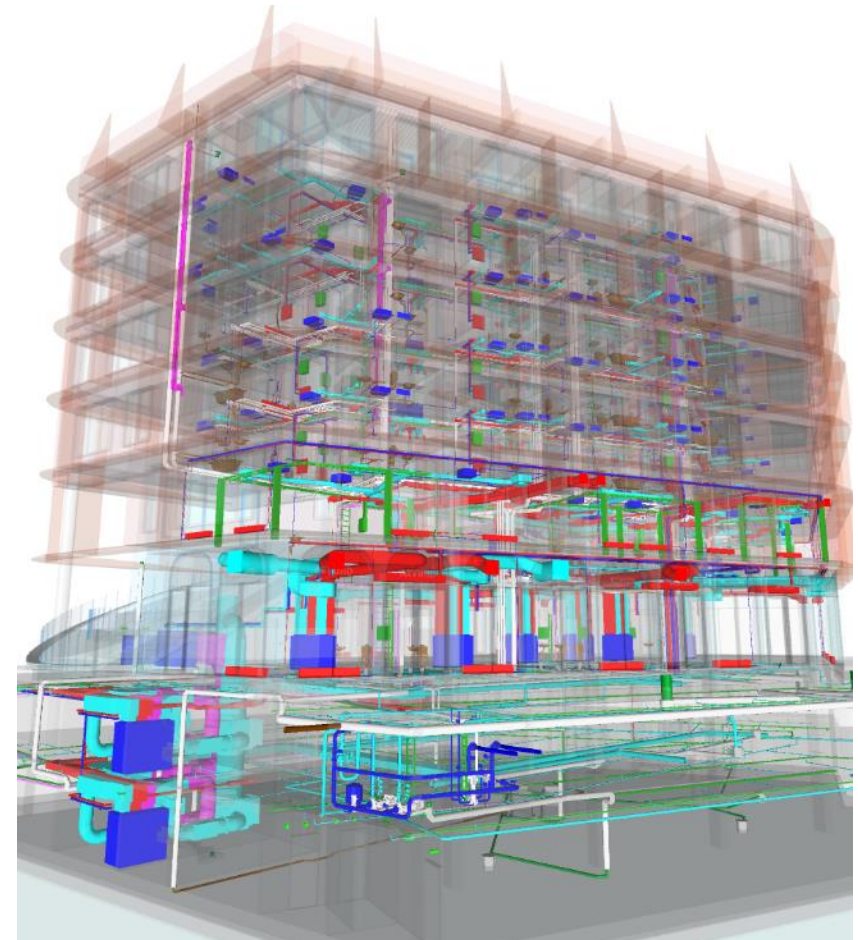
**EBITDA 2015:
€16 mln**

Integrated project management and general contracting service across the full life cycle of construction projects.

- ❖ From idea to planning to engineering design to site works to warranty: full responsibility to deliver the project.
- ❖ We mainly contract subcontractors, but also use own workforce in concrete works, road construction, high-and medium voltage electrical engineering, external pipe networks.
- ❖ We invest in real estate and develop homes for sale directly to consumers.
- ❖ We can provide co-financing and share project risks, also in PPP

Our differentiation:

- ❖ Experienced project managers and engineers
- ❖ Experience and influence on subcontractor market
- ❖ New engineering and construction solutions
- ❖ Strong financial capability relative to peers
- ❖ Balanced business model: segment-wise and geographically



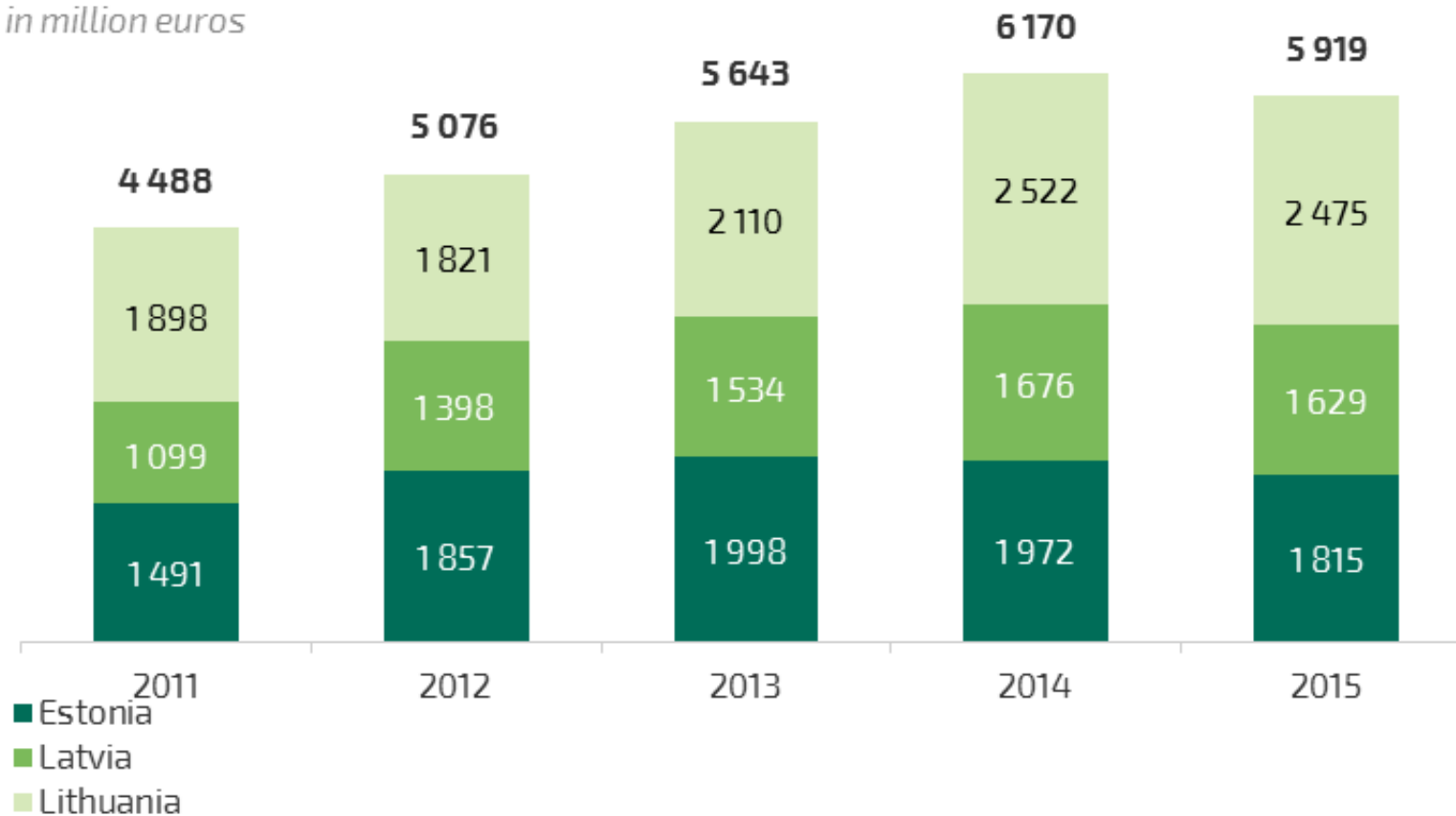
Merko is actively using Building Information Modeling (BIM) with the intention to offer clients more integral, higher-quality service and improve the co-operation between different parties.

MARKET

Market: construction

BUILDING MARKET VOLUMES (WITH OWN FORCES) IN THE BALTIC STATES BY GEOGRAPHICAL LOCATION

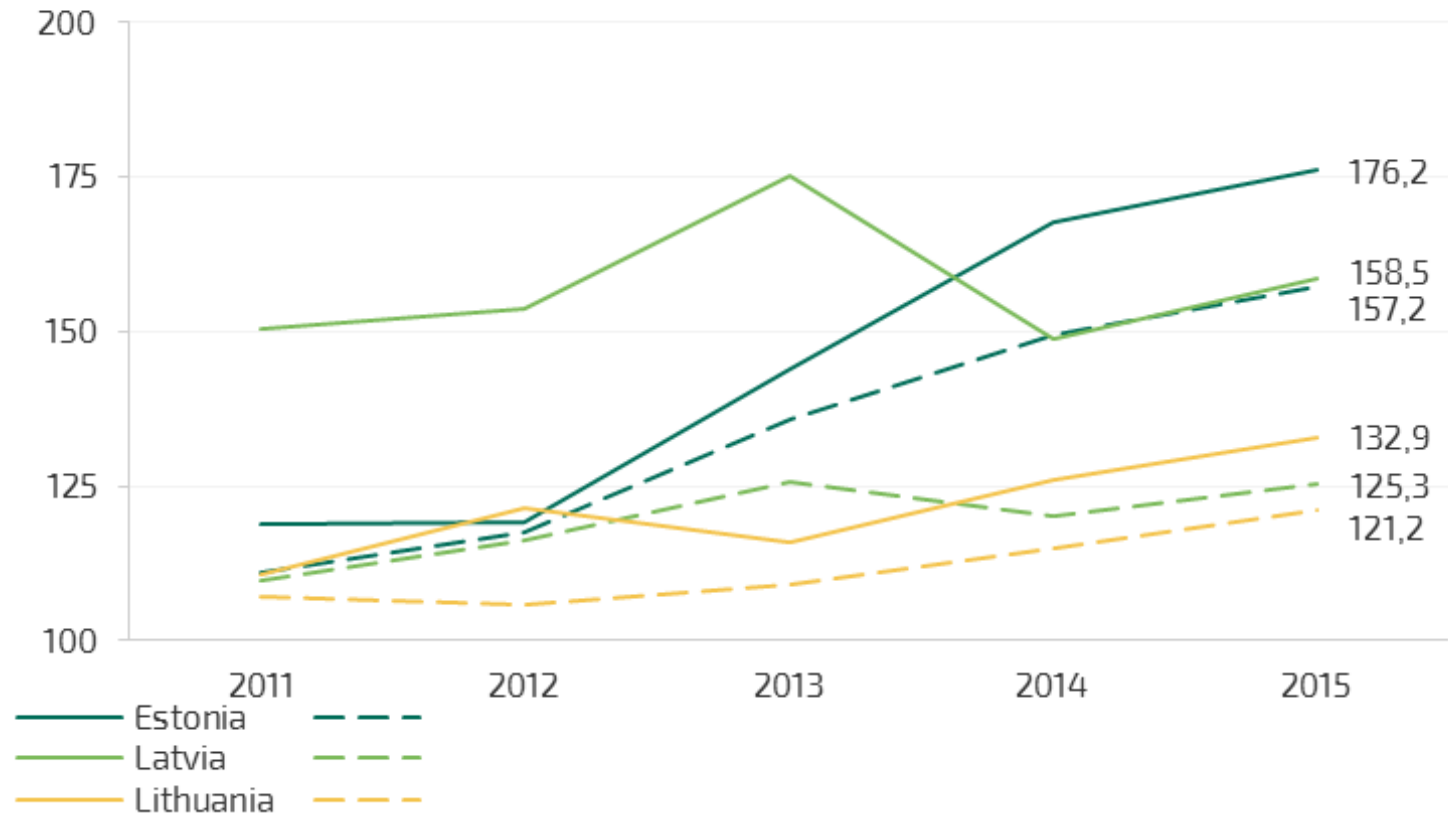
in million euros



Source: Local statistical services

Market: Housing market in Baltics

NEW AND ALL (dotted line) DWELLINGS HOUSE PRICE INDEX (2010=100)



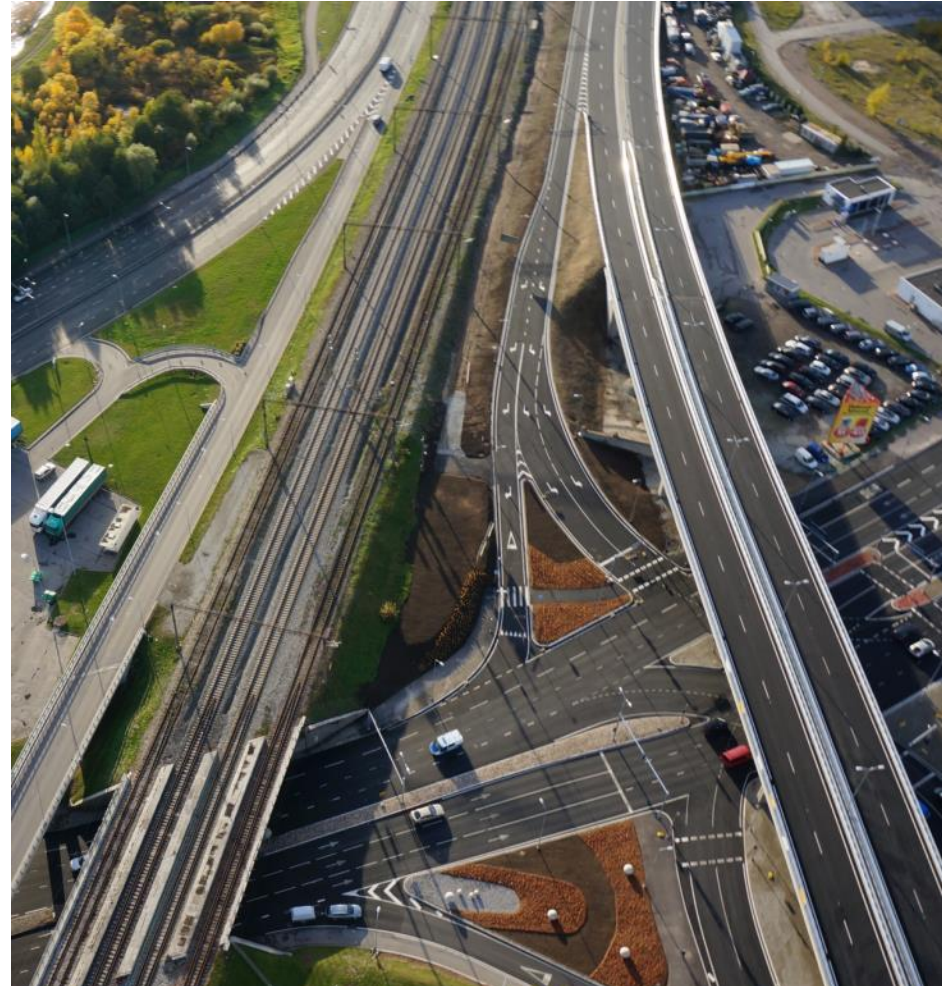
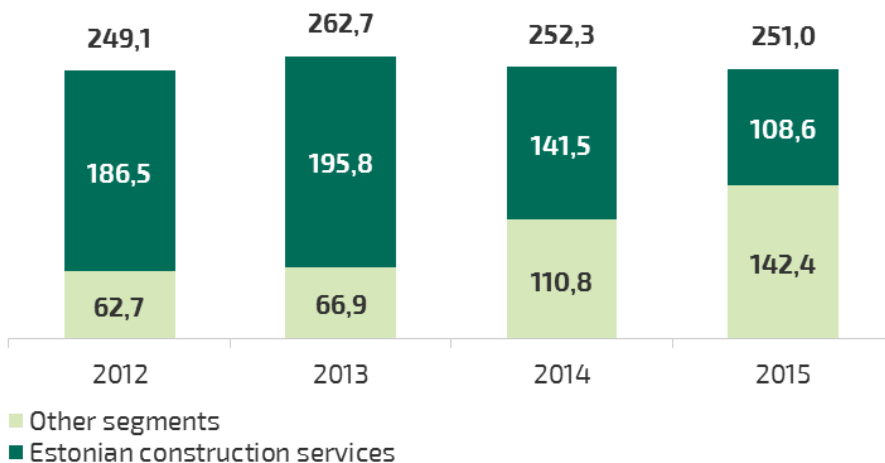
Source: Eurostat

BUSINESS ACTIVITIES

Construction services include:

- Buildings and different facilities;
- Infrastructure engineering projects, including water, environmental and electrical projects;
- Road construction and maintenance.
- **43% of 2015 revenues (incl. revenues from Finland 3m)**
- **Private and public clients**

REVENUE
in million euros



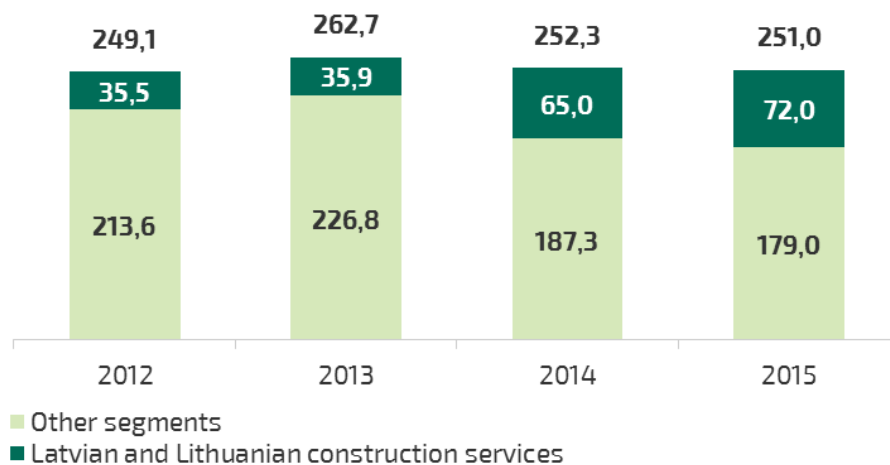
Reconstruction of Ülemiste traffic junction, 2013

Latvian and Lithuanian Construction Services

Construction services include:

- Buildings and different facilities;
- Infrastructure engineering projects, including water, environmental and electrical projects;
- **29% of 2015 revenues**
- **Private and public clients**
- **Q1 2016 acquisition: a small Norwegian construction company**

REVENUE
in million euros

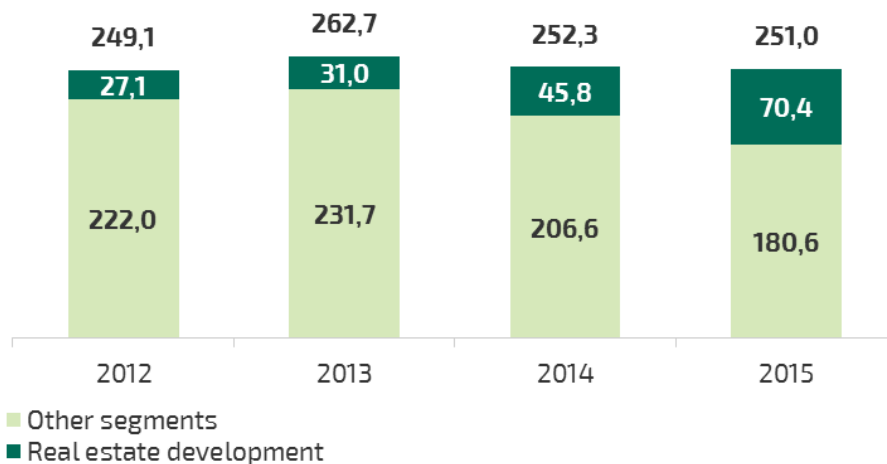


Liepeja concert hall, 2015

Development of real estate owned by group:

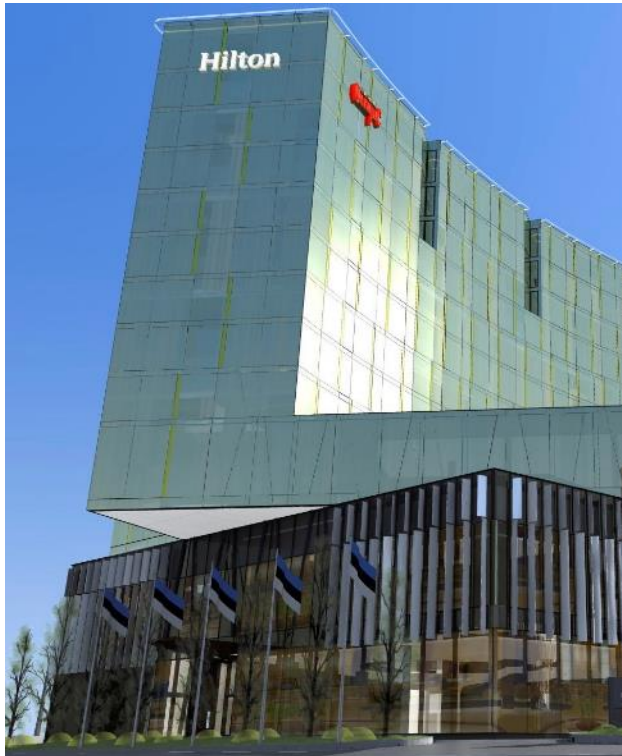
- Main focus on apartments development for consumers;
- Real estate projects for business;
- Long-term investments (PPP).
- **28% of 2015 revenues**

REVENUE
in million euros



**Tartu mnt 52 residential quarter, Tallinn: 183 apartments in total
1st phase completed in the end of 2016, 2nd phase in the enf of 2017**

2016 Largest Projects in Progress Estonia



Hilton Hotel (2016): €31 mln



Maakri business complex (2018): €30 mln



Ülemiste City office building (2016): €17 mln

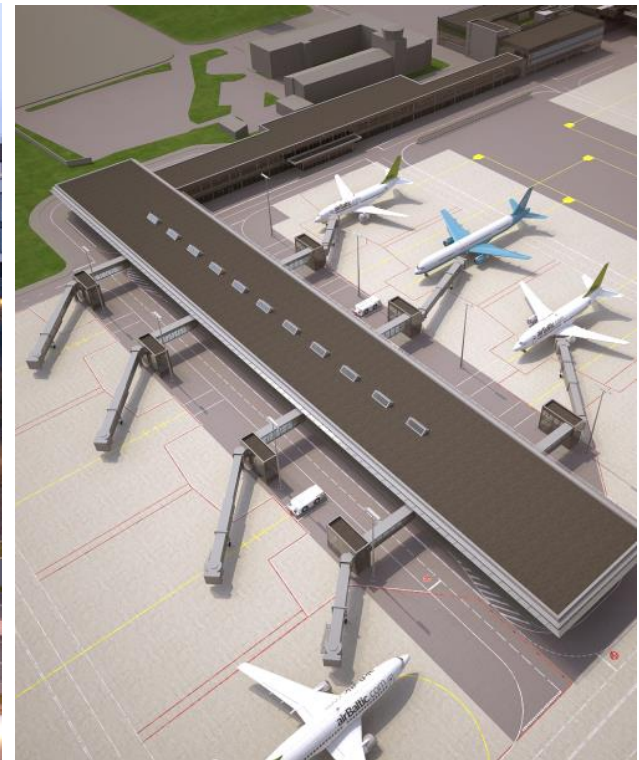
2016 Largest Projects in Progress Latvia and Lithuania



Vilnius, Kauno Algirdo residential and administrative buildings (2016)



Vilnius, Narbuto 5 office building (2017): €8.5 mln



Riga International Airport (2016): €8.9 mln

Apartment developments in Progress



Tartu mnt 52, Tallinn: 1st and 2nd phase (2016 and 2017), 185 apartments



Krokuvos 73, Vilnius: 98 apartments (2016)

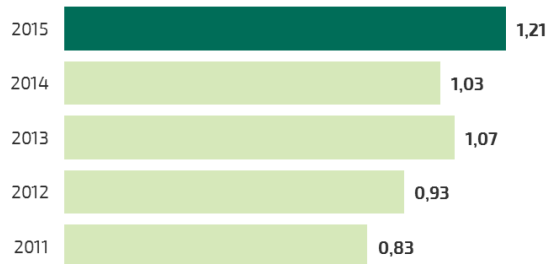


Skanstes Parks, Riga: 138 apartments (2017)

SHAREHOLDERS AND DIVIDENDS

Stock Exchange overview

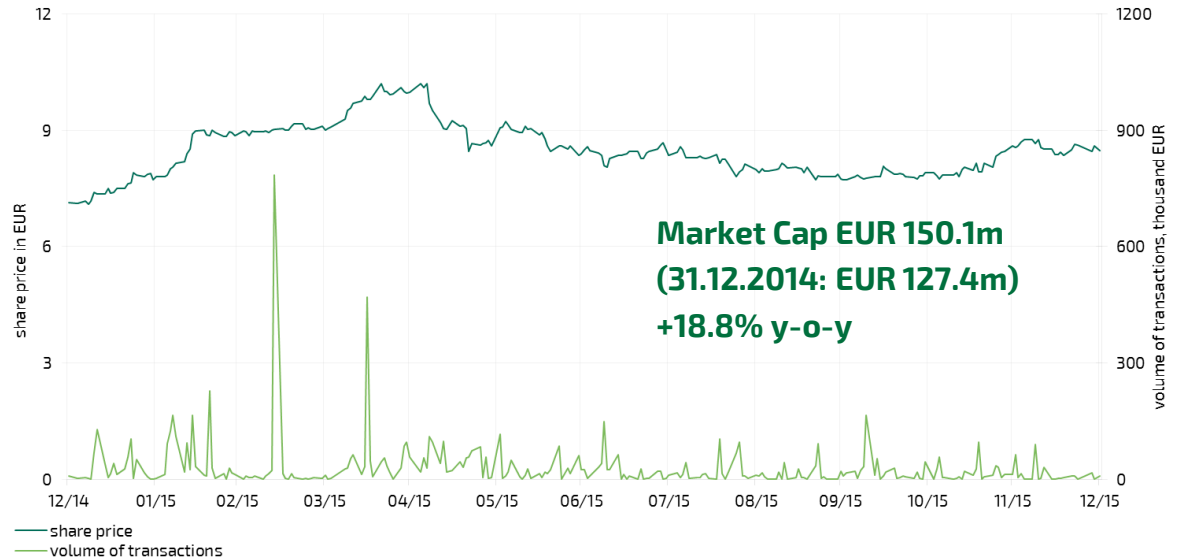
P/B RATIO
times



P/E RATIO
times

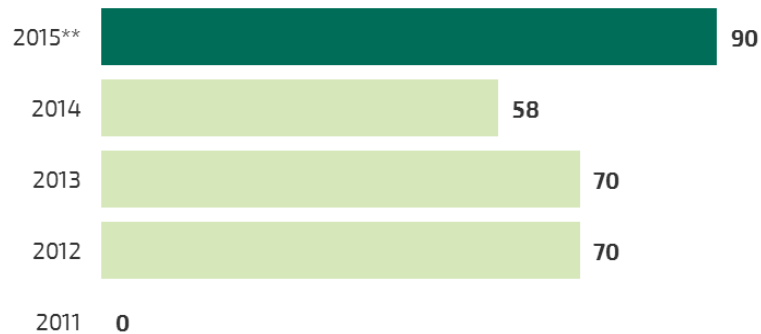


1,624 shareholders
+14.1% from 31.12.2014

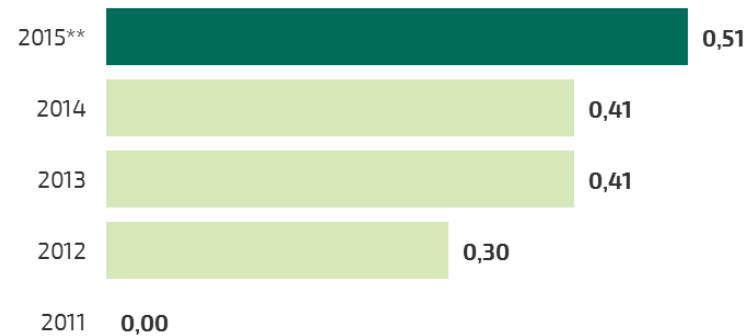


Shareholders	No of shares	% of total 31.12.2015
AS Riverito (management)	12,742,686	71.99%
ING Luxembourg S.A. AIF Account	974,126	5.50%
Firebird Republics Fund Ltd	395,704	2.24%
Skandinaviska Enskilda Banken S.A.	261,222	1.48%
Skandinaviska Enskilda Banken AB, Swedish clients	256,653	1.45%
Firebird Avrora Fund Ltd	220,519	1.25%
Skandinaviska Enskilda Banken AB, Finnish clients	167,966	0.95%
State Street Bank and Trust Omnibus Account a Fund No OM01	153,018	0.86%
SEB Elu- ja Pensionikindlustus AS	145,020	0.82%
Clearstream Banking Luxembourg S.A. clients	141,709	0.80%
Total largest shareholders	15,458,623	87.34%
Other shareholders	2,241,377	12.66%
Total shares	17,700,000	100.00%

DIVIDEND RATE
percentages

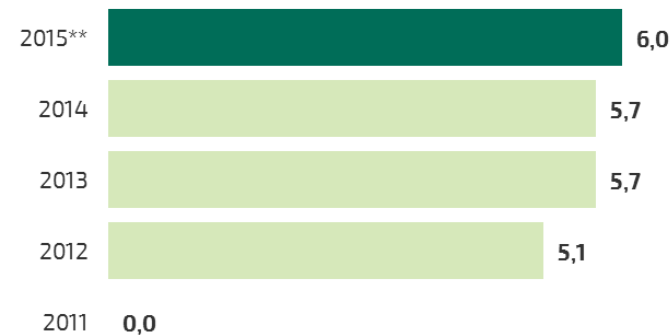


DIVIDEND PER SHARE
euro



Dividend pay-out ratio according to long-term financial objectives: 50-70% of the annual profit.

DIVIDEND YIELD *
percentages



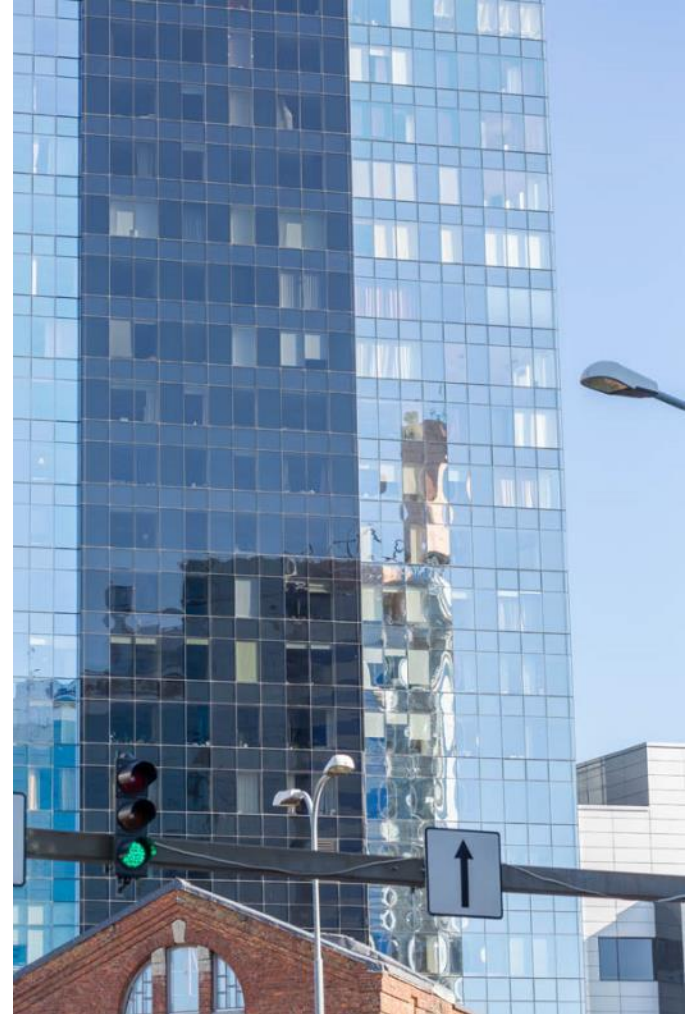
* Using share price as at 31.12

** 2015 figures based on Management Board proposal

Merko: long term outlook

Long term outlook: the leading Baltic construction and development business

- EU funds will support the increase in civil and public sector building orders (Rail Baltica etc) but not yet reflecting 2016 revenues.
- Strengthen our position as leading apartment developer in the Baltic. We develop modern and quality living environments.
- Develop new capabilities: as example model designing.
- Develop and put a premium on best people and quality work with a bias to action and delivery of value.
- Continue ascertain our competitive advantages in Finland and Norway at an acceptable risk level. Objective to continue to earn revenues from new markets during 2016-2017.





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