

AS MERKO EHITUS

Construction, Engineering & Real Estate

LHV Road Show
6 April 2017



1. Merko in brief
2. Market
3. Business segments

4. Dividends and share performance
5. Outlook



Noblessner residential quarter (2017-2018)



Key facts



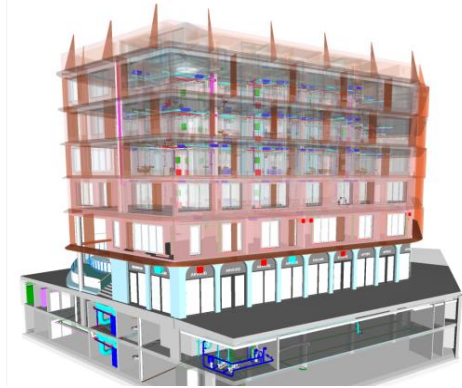
The largest listed construction company in the Baltics

Wide scope of construction services:

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

Share quoted on Nasdaq
OMX Tallinn since 1997

Home markets: Estonia, Latvia,
Lithuania, 2016 Norway



Construction digitalization, BIM



Revenue in 2016
€252 mln



31.12.2016:
797 employees



EBITDA 2016:
€11 mln



Net Profit 2016:
€6.1 mln

Merko value offering

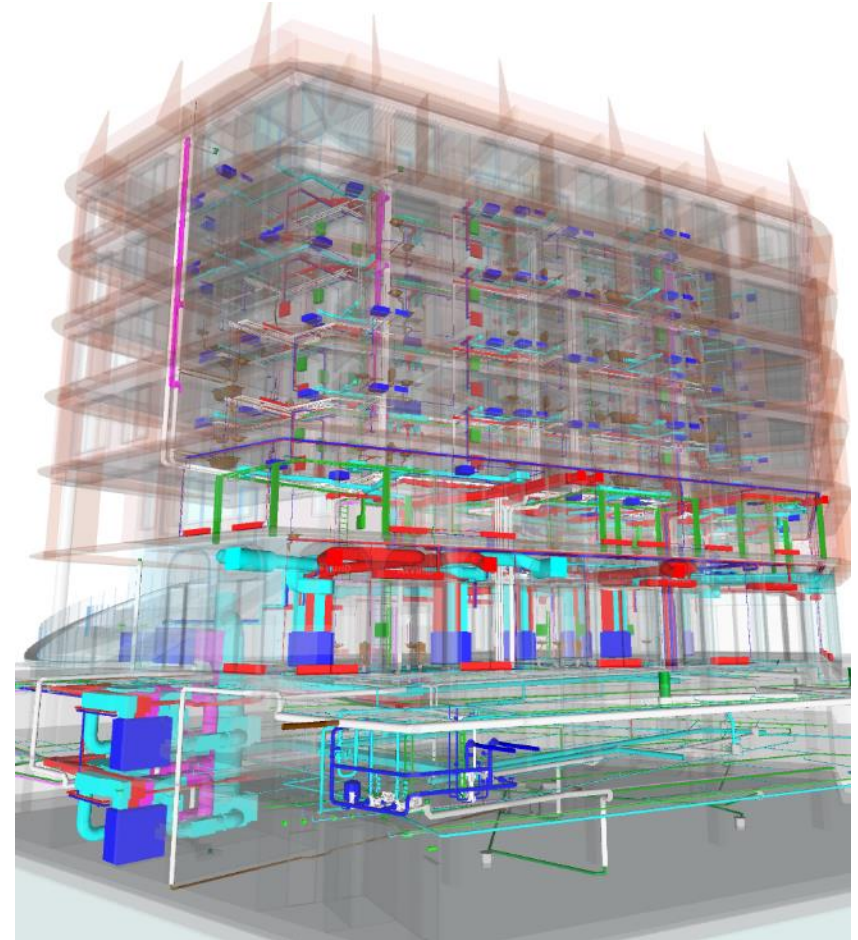
Service over full life cycle of construction projects

What we provide

- ❑ We are a **project management** company - we take full responsibility to deliver the Project. Subcontractors & own workforce
- ❑ **Design & build:** from idea to planning to engineering design to site works to warranty
- ❑ **We develop homes** for sale directly to consumers under our own **brand**
- ❑ Selective co-**financing**

How we differentiate:

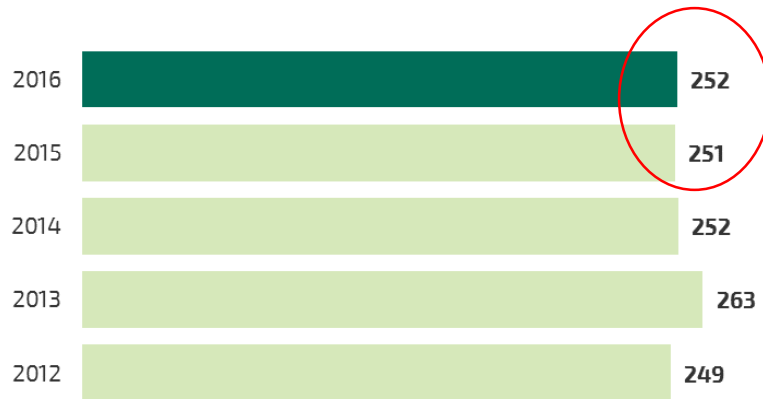
- ❑ strong quality control system: embedded in culture
- ❑ experienced project managers and engineers
- ❑ scale and influence on subcontractor market
- ❑ leader in visualization, digitalization of processes
- ❑ strong financial capability relative to peers
- ❑ strong residential developer brand
- ❑ segment-wise and geographically balanced business



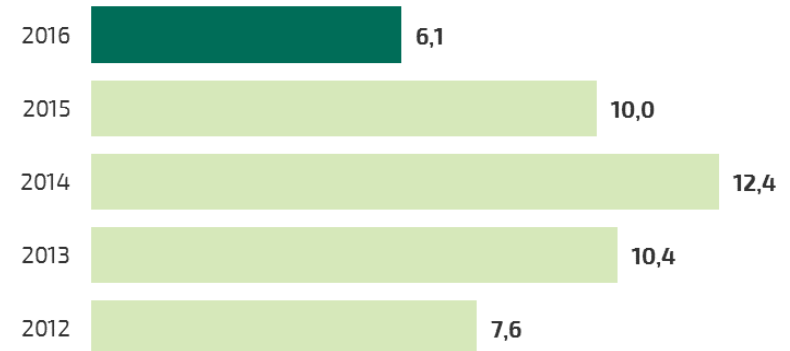
Merko is actively using Building Information Modeling (BIM) with the intention to offer clients more integral, higher-quality service and improve co-operation between different parties.

2016 results below management expectations mainly due to lower execution rate of existing contracts

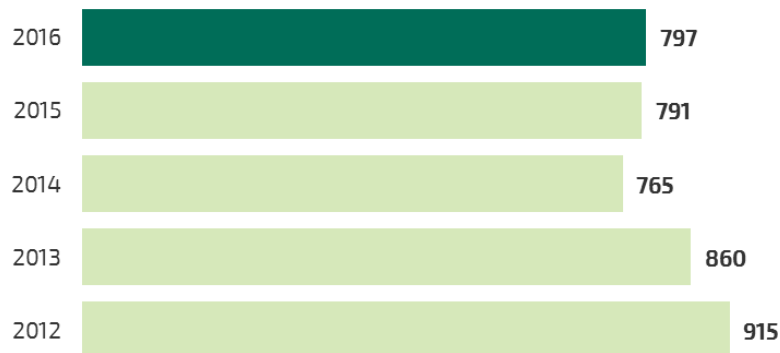
REVENUE
in million euros



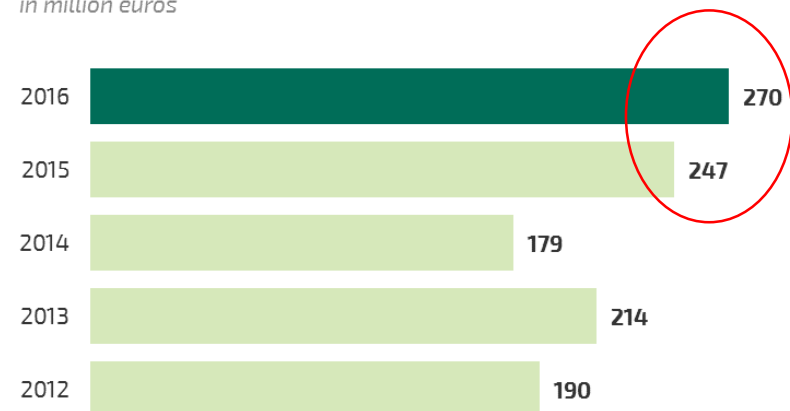
NET PROFIT
in million euros



NUMBER OF EMPLOYEES, AT YEAR-END
people



SECURED ORDER BOOK, AT YEAR-END
in million euros



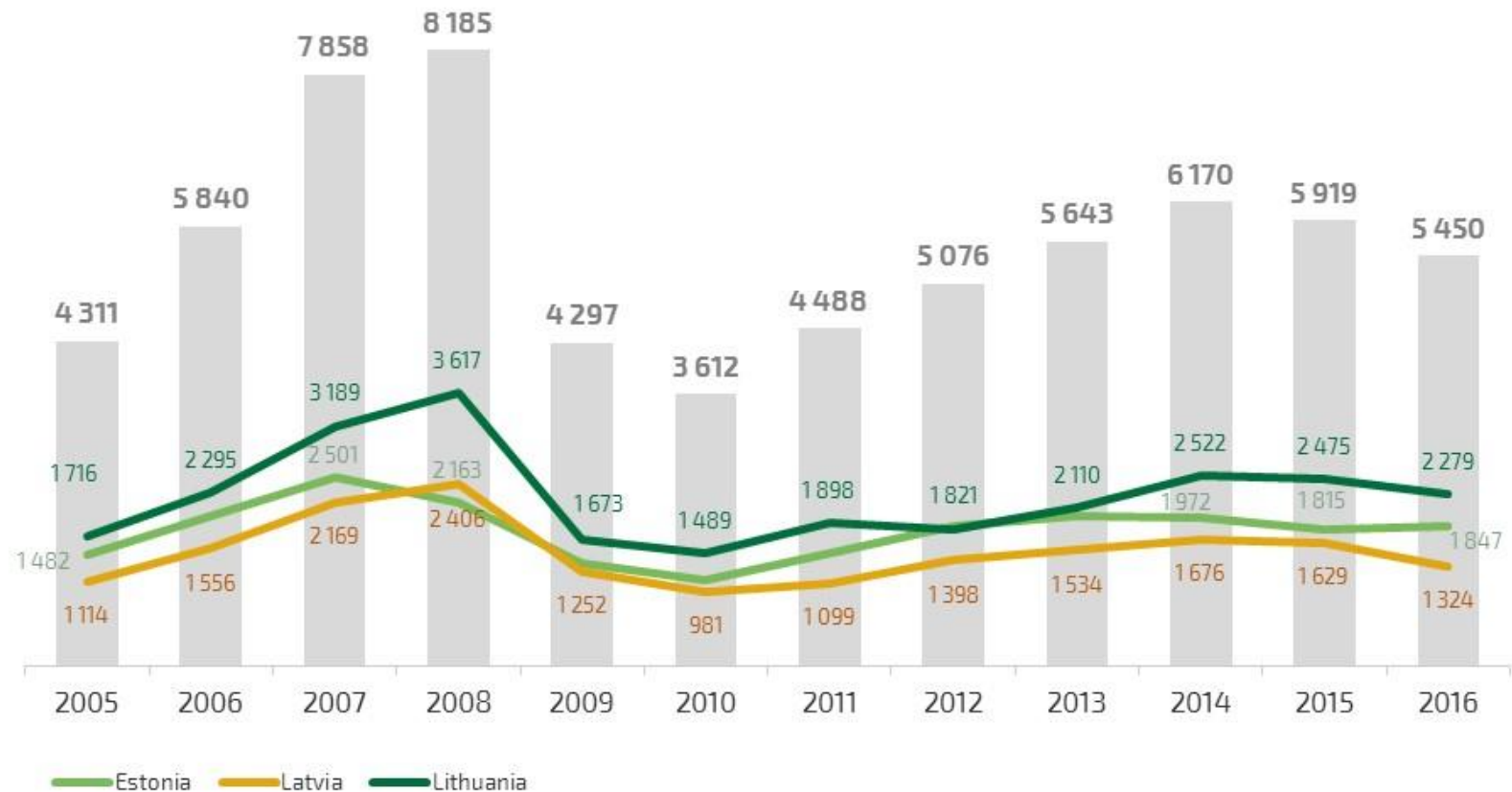


MARKET

Market: construction services

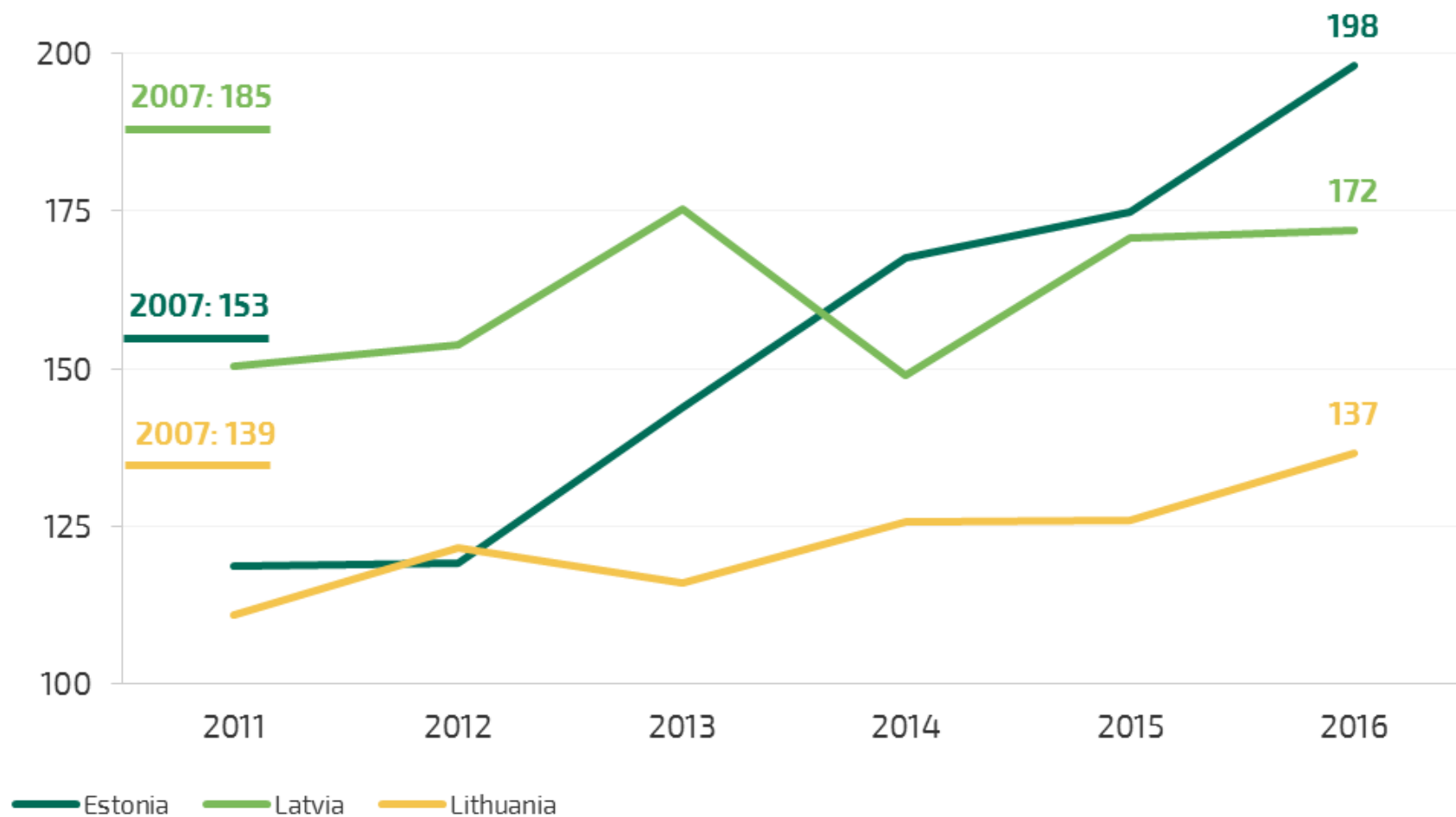
2014-2016: weak demand in infrastructure, quite healthy residential market, tough price competition in commercial and industrial buildings

CONSTRUCTION MARKET VOLUMES (WITH OWN FORCES) IN THE BALTIC STATES
in million euros



Source: Local statistical services

NEW DWELLINGS HOUSE PRICE INDEX (2010=100)



T1 shopping and entertainment centre



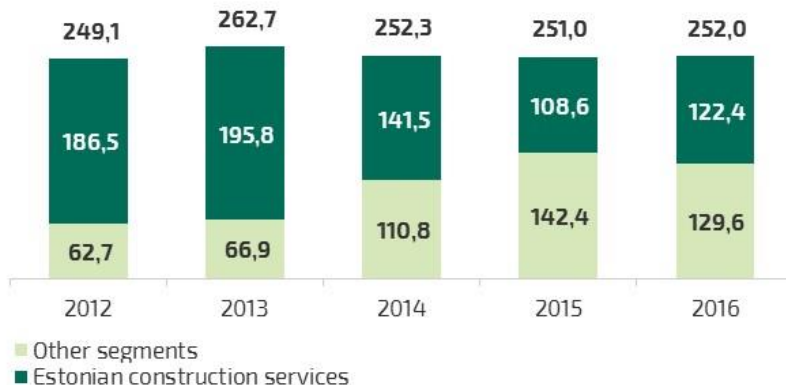
BUSINESS SEGMENTS

Estonian construction services

Construction services include:

- Buildings and different facilities;
- Infrastructure engineering projects, including water, environmental and electrical projects;
- Road construction and maintenance
- Includes one-off projects in Finland
- **49% of 2016 revenues**
- **Private and public clients. 2012-2016: revenue base changed from mainly public infra to private commercial**

REVENUE
in million euros



Öpiku Maja office building (2018)

Other markets construction services

Construction services include:



- Buildings and different facilities
- Infrastructure engineering projects, including water, environmental and electrical projects in Latvia
- 2016 acquired a small Norwegian general construction company
- **21% of 2016 revenues**
- **Private and public clients, different client segment focus on each market**

REVENUE
in million euros



Radisson Blu Hotel Lietuva extension in Vilnius (2018)

Largest construction projects in progress

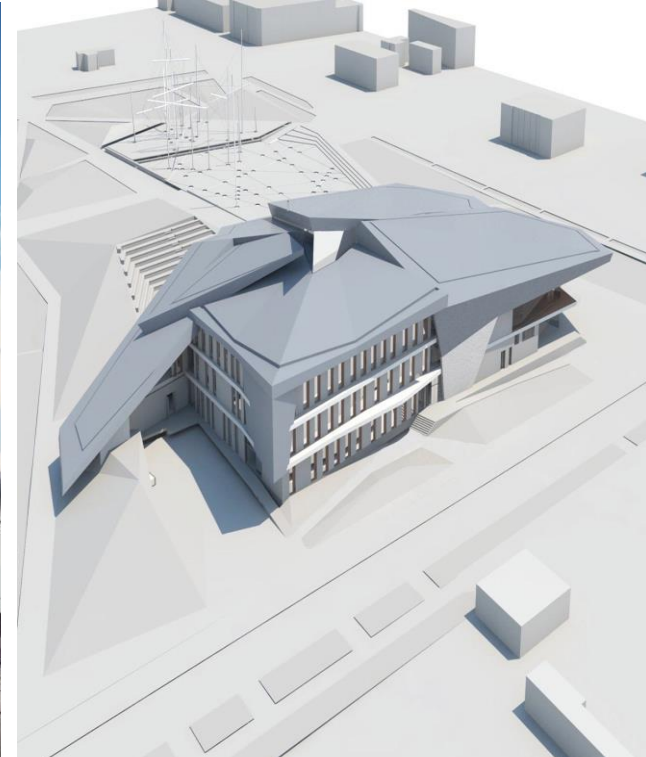
Continuing active tendering in all markets



T1 shopping and entertainment centre (70m, 2018)



Maakri business complex (30m, 2018)



Ventspils music school and concert hall (26m, 2018)

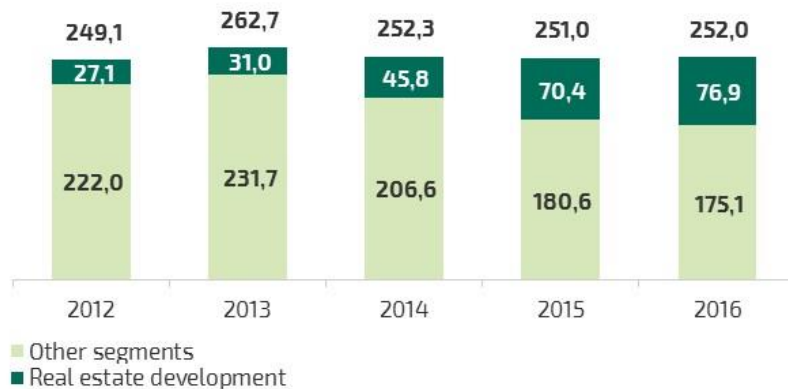
Real estate development

Development of real estate owned by group:



- Core business residential apartments
- Some commercial real estate development projects on own land plot
- Long-term investments (PPP).
- **30% of 2016 revenues**

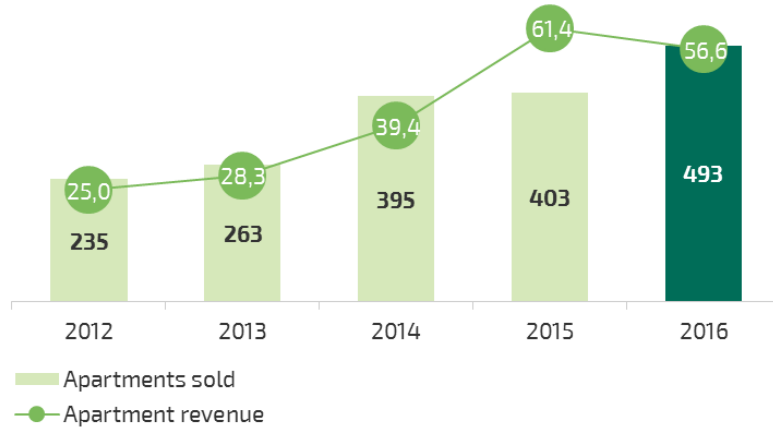
REVENUE
in million euros



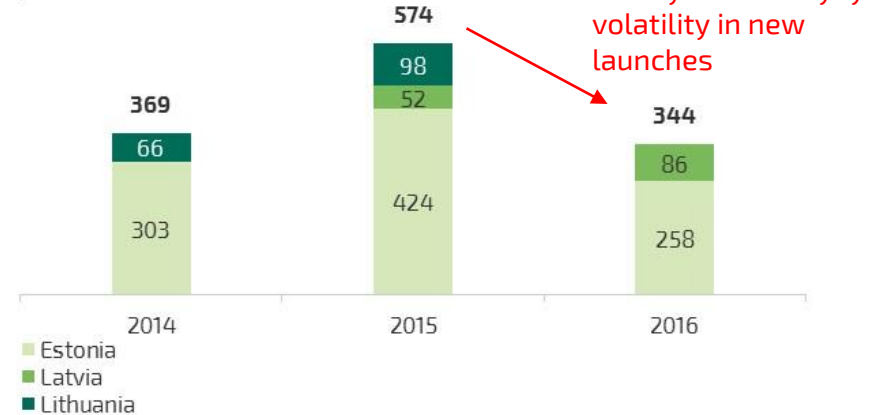
Jahu 1A apartment building, Tallinn

Apartment development & sales

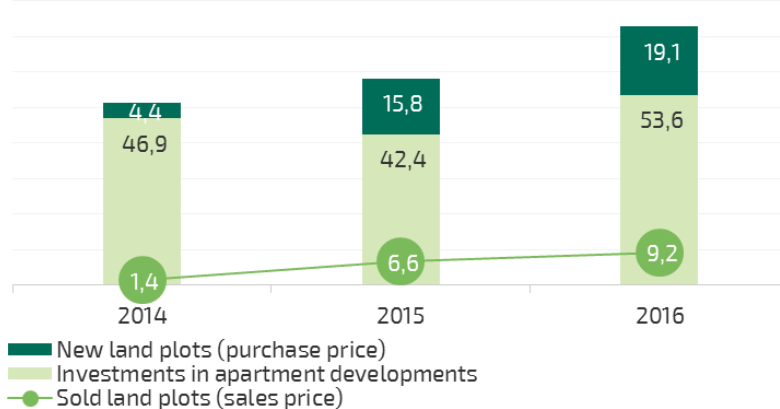
APARTMENTS SOLD / APARTMENT REVENUE
pcs / in million euros



APARTMENTS LAUNCHED BY GEOGRAPHICAL LOCATION
pcs



INVESTMENTS IN APARTMENT DEVELOPMENT PROJECTS AND
LAND PLOT ACQUISITIONS AND DISPOSALS
in million euros



- Sales growth reflects capturing residential market growth in the Baltics.
- New plot acquisitions in Lithuania since 2013
- 2016 new land plot acquisitions for EUR 19m: EUR 17m in Estonia and 2m in Lithuania. 2017 in Latvia for EUR 4m. Total ca 2000 apartments.
- A solid basis for long term supply.

Largest residential projects in progress

2017 target to launch 650-700 new apartments, subject to permits



***Noblessner Home Port, Tallinn: 220 apartments
(2017-2018)***



***Riga, „Gailezera nami“ residential development,
96 apartments (2017-2018)***



***Rinktinės Urban, Vilnius: 120 apartments
(2018)***

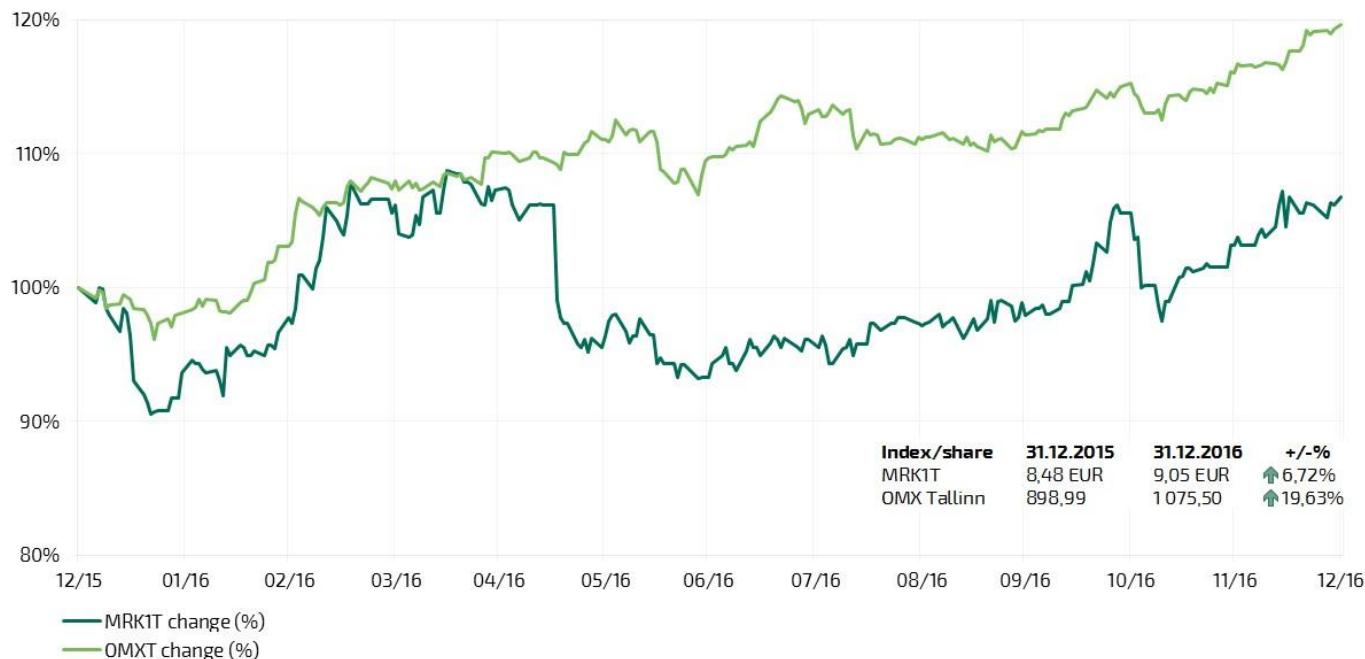


SHAREHOLDERS AND DIVIDENDS

Shareholders and share price

Shareholders	No of shares	% of total 31.12.2016	% of total 31.12.2015	Variance
AS Riverito (management)	12 742 686	71,99%	71,99%	-
ING Luxembourg S.A. AIF Account	974 126	5,50%	5,50%	-
Firebird Republics Fund Ltd	389 432	2,20%	2,24%	(6 272)
Skandinaviska Enskilda Banken AB, Swedish clients	260 813	1,47%	1,45%	+4 160
SEB S.A. UCITS client assets	232 222	1,31%	1,48%	(29 000)
Firebird Aurora Fund Ltd	220 519	1,25%	1,25%	-
State Street Bank and Trust Omnibus Account a Fund No OM01	153 018	0,86%	0,86%	-
SEB Elu- ja Pensionikindlustus AS	143 887	0,81%	0,82%	(1 133)
Clearstream Banking Luxembourg S.A. clients	143 054	0,81%	0,80%	+1 345
OÜ Midas Invest	138 185	0,78%	0,46%	+56 500
Total largest shareholders	15 397 942	86,98%	86,85%	+25 600
Other shareholders	2 302 058	13,02%	13,15%	(25 600)
Total shares	17 700 000	100,00%	100,00%	

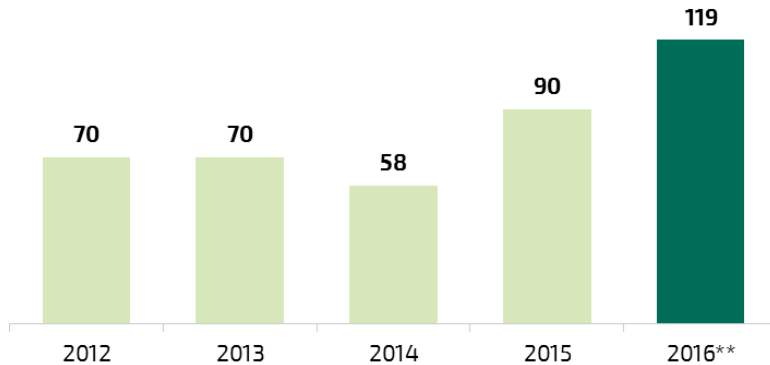
**Total 1,813 shareholders,
increased by +11.6% from
31.12.2015**



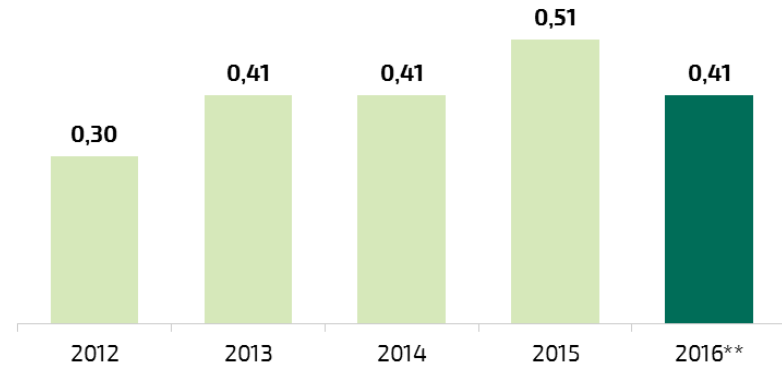
**Market Cap EUR 161m
(31.12.2015: EUR 150m)
+6.7% during 12M**

Dividends

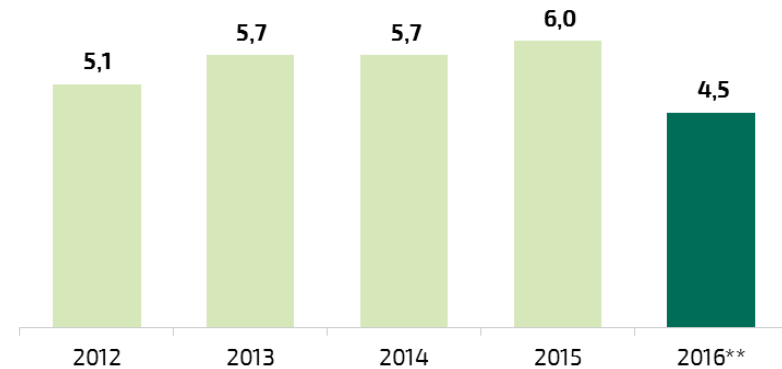
DIVIDEND RATE
percentages



DIVIDEND PER SHARE
in euros



DIVIDEND YIELD*
percentages



- ❑ The Management Board proposes to pay EUR 7.3m as dividends (EUR 0.41 per share) giving 2016 dividend rate of 119% and yield* 4.5%.
- ❑ Higher than policy rate pay-out reflecting following factors:
 - ❑ Group's 2016 return on equity level;
 - ❑ Group's relatively comfortable liquidity position;
 - ❑ Mixed construction market outlook, where civil engineering procurement volumes may start picking up while commercial is likely to slow down.

* Using share price as at 31.12

** 2016 figures based on Management Board proposal

Estonian construction services

- ❑ Focus on internal efficiency in a price-driven market, including further implementation of BIM processes
- ❑ Expect slower demand in new commercial buildings
- ❑ Develop capability to participate in infrastructure tenders

Other home markets

- ❑ Continue search for growth outside Estonia
- ❑ In Latvia we compete in most larger private and public sector tenders in buildings segment
- ❑ In Lithuania we have a strong market share in private international projects. In 2017 started to participate in public tenders
- ❑ In Norway long-term goal is to develop main contractor capacity for new buildings and operate as a local company
- ❑ Continue searching competitive advantages in the Finnish market

A trusted brand and high construction quality in apartment development

- ❑ Real estate development remains our key business area
- ❑ 2017 plan to launch construction of 650-700 (incl. joint ventures) new apartments and the investment in apartment construction in the range of EUR 45m
- ❑ Land plot acquisitions to support long-term strategy



THANK YOU!



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