

AS MERKO EHITUS

Annual General Meeting of Shareholders

Nordic Hotel Forum, Tallinn
28 April 2017



1. Approval of the annual report of the year 2016 and overview of the economic results and the perspectives
2. Distribution of profits
3. Deciding on the number of the Supervisory Board members
4. Extension of powers of the Supervisory Board members





- 1. Approval of the annual report of the year 2016 and overview of the economic results and the perspectives**

peritus

Norway

- Renovation works and building construction
- 11 employees

Finland

- Buildings and facilities
- Project based

Estonia

- Buildings, facilities, electrical and road construction, concrete works
- Real estate development
- 597 employees

Latvia

- Buildings, facilities, electrical construction
- Real estate development
- 88 employees

Lithuania

- Building construction
- Real estate development
- 101 employees

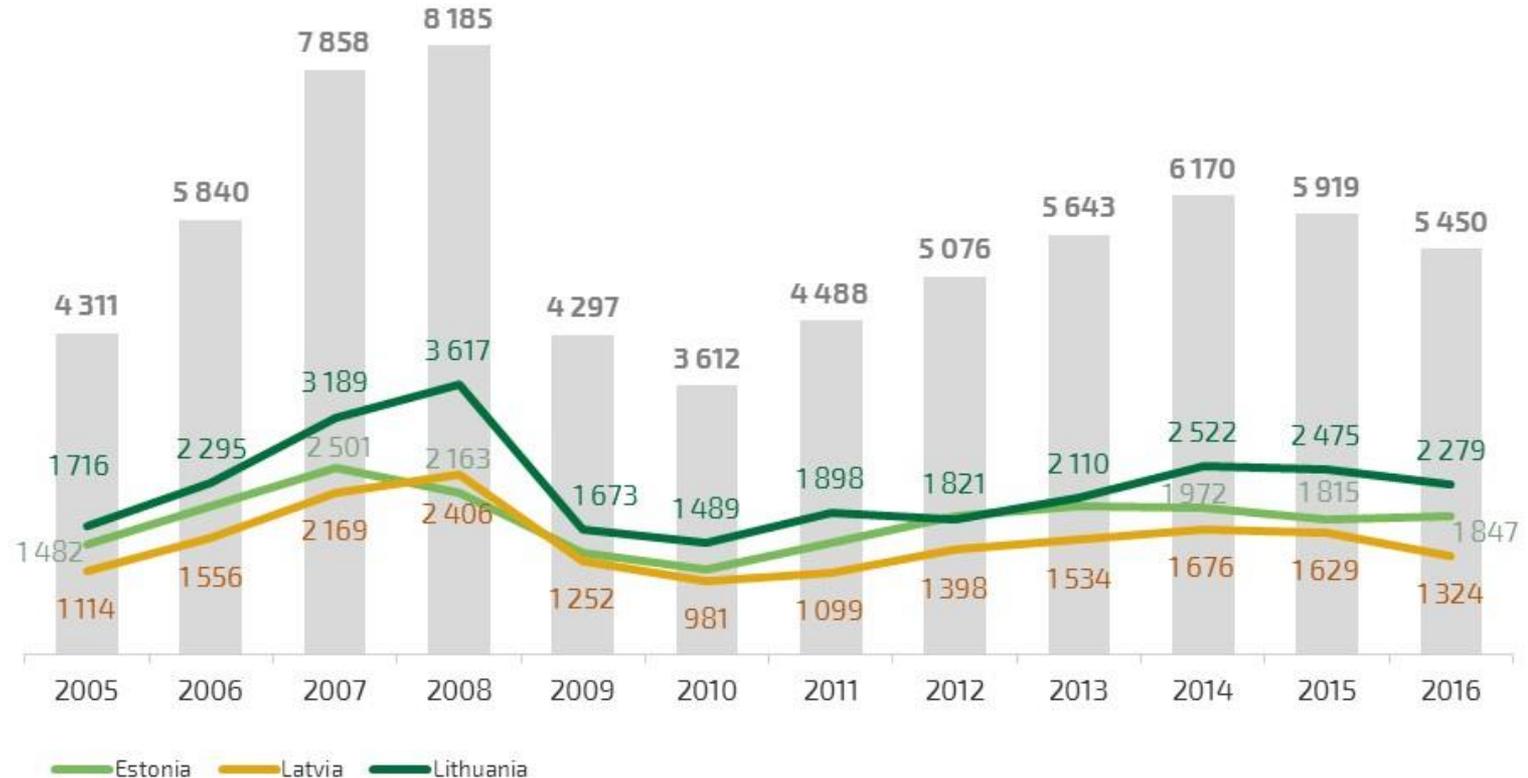


Market: construction services

2014-2016: infrastructure market in its low, good demand in residential market, tough price competition in building construction market

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

in million euros

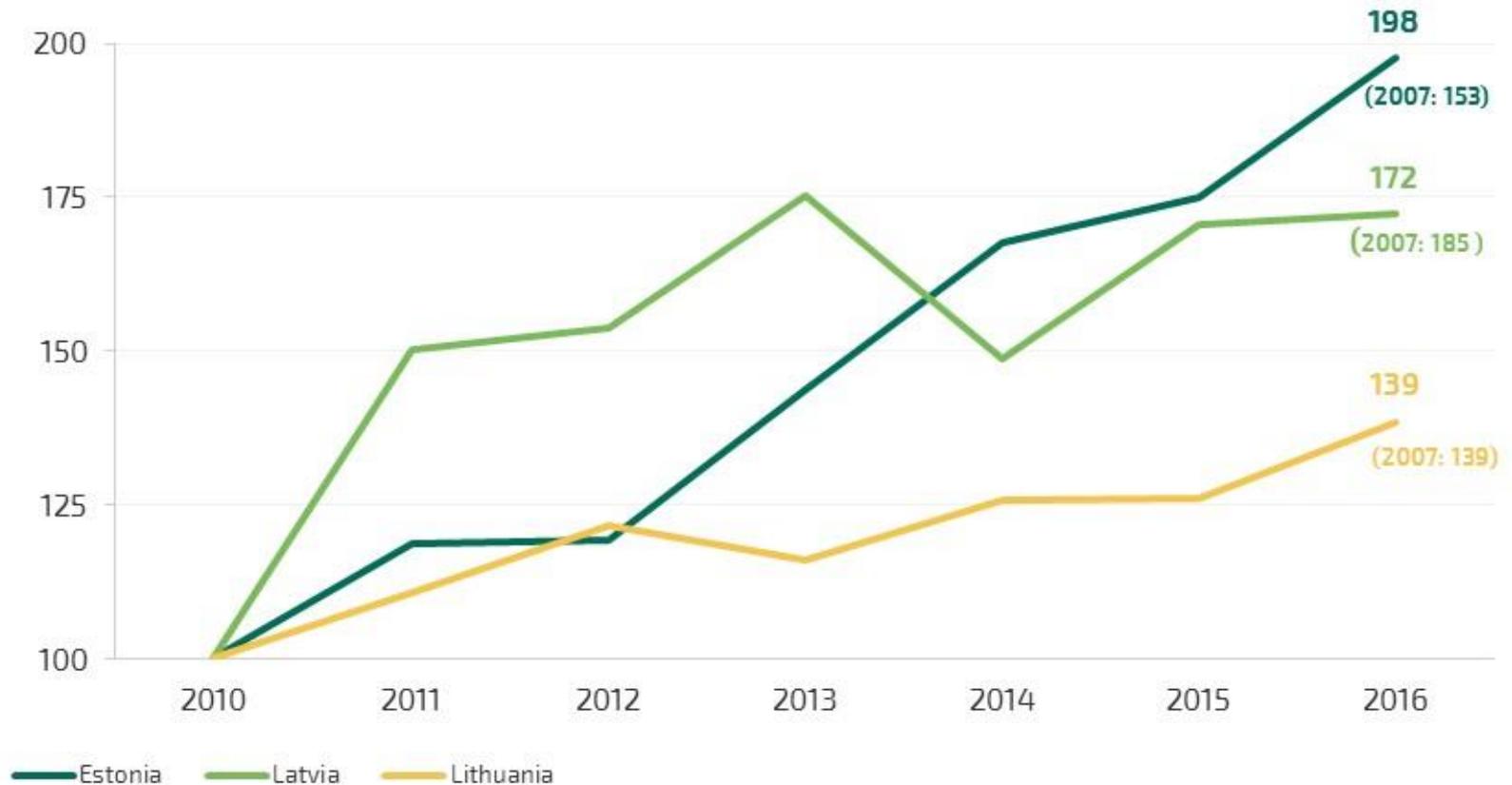


Source: Local statistical services

Housing market in Baltics

Growth in Tallinn and Vilnius, demand recovery slower in Riga

NEW DWELLINGS HOUSE PRICE INDEX (2010=100)

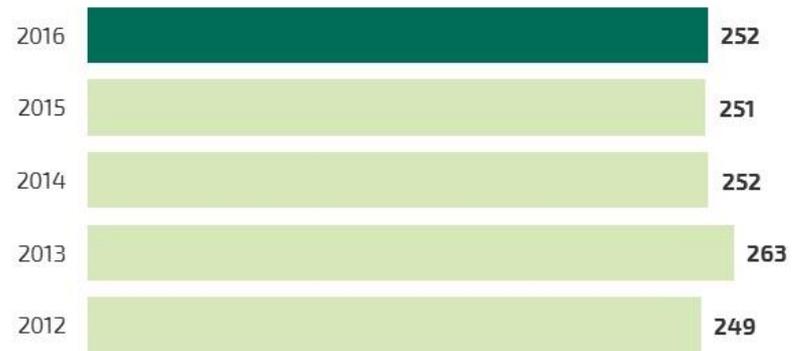


Source: European Commission Directorate-General for Economic and Financial Affairs / Eurostat

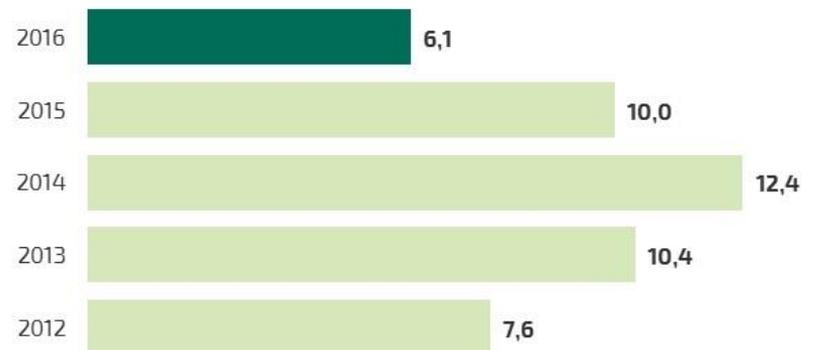
2016 results below our expectations

- ❑ The fulfilment of multiple large construction contracts did not realise at the expected pace and sifted to 2017
- ❑ Civil engineering segment in a slump due to lower volume of public procurement
- ❑ In 2016 the proportion of new construction contracts as a whole lower than expected, aggressive price competition in putting pressure on margins
- ❑ Apartment sales slightly exceeded expectations
- ❑ Sold approx. EUR 9m worth of immovable properties not needed by the group
- ❑ Financial capability remained good
- ❑ Secured order book increased

REVENUE
in million euros



NET PROFIT
in million euros



New construction contracts signed for EUR 200m

Secured order book increased, partly due to 2016 projects sifted

SECURED ORDER BOOK
in million euros



Beginning of 2017:

- ❑ EUR 100m contract in Latvia to build Multifunctional Centre Akropole in Riga
- ❑ First major project in Norway, EUR 4m Blakstad Hospital extension in Oslo area

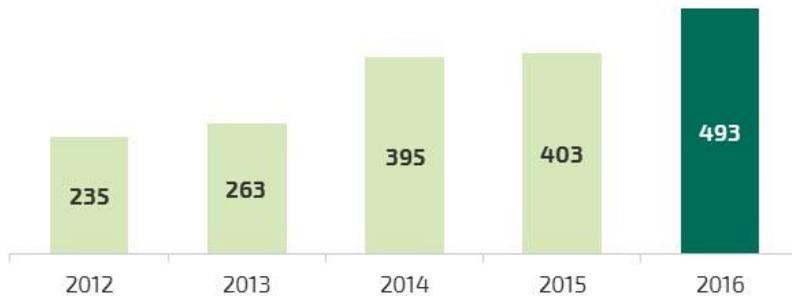
LARGEST CONTRACTS IN 2016
in million euros

Ventspils music school and concert hall <i>Construction contract</i>	26
Staapli 4 apartment building in Tallinn <i>Design and construction contract</i>	20
Radisson Blu Hotel Lietuva extension in Vilnius <i>Design and construction contract</i>	16
Juuliku road junction and road section <i>Construction contract</i>	11
Reconstruction and extension of Philip Morris plant in Klaipeda <i>Construction contract</i>	11
Pärnu mnt 22 commercial building in Tallinn <i>Design and construction</i>	10

No of sold apartments increased to approx. 500

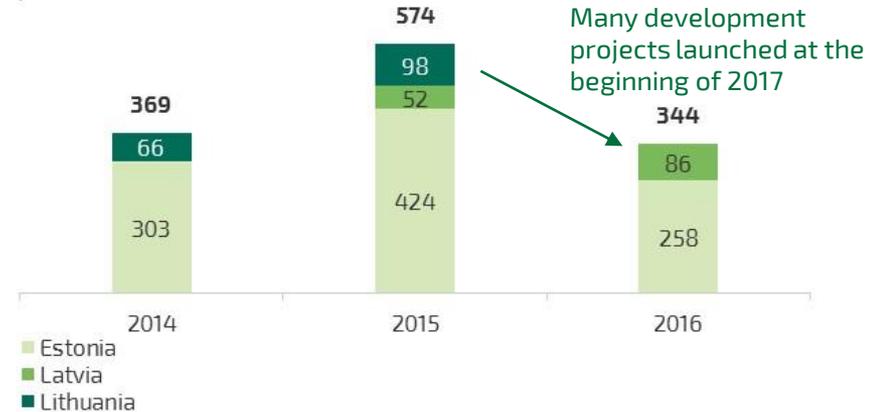
APARTMENTS SOLD

pcs



APARTMENTS LAUNCHED BY GEOGRAPHICAL LOCATION

pcs



INVESTMENTS IN APARTMENT DEVELOPMENT PROJECTS AND LAND PLOT ACQUISITIONS

in million euros



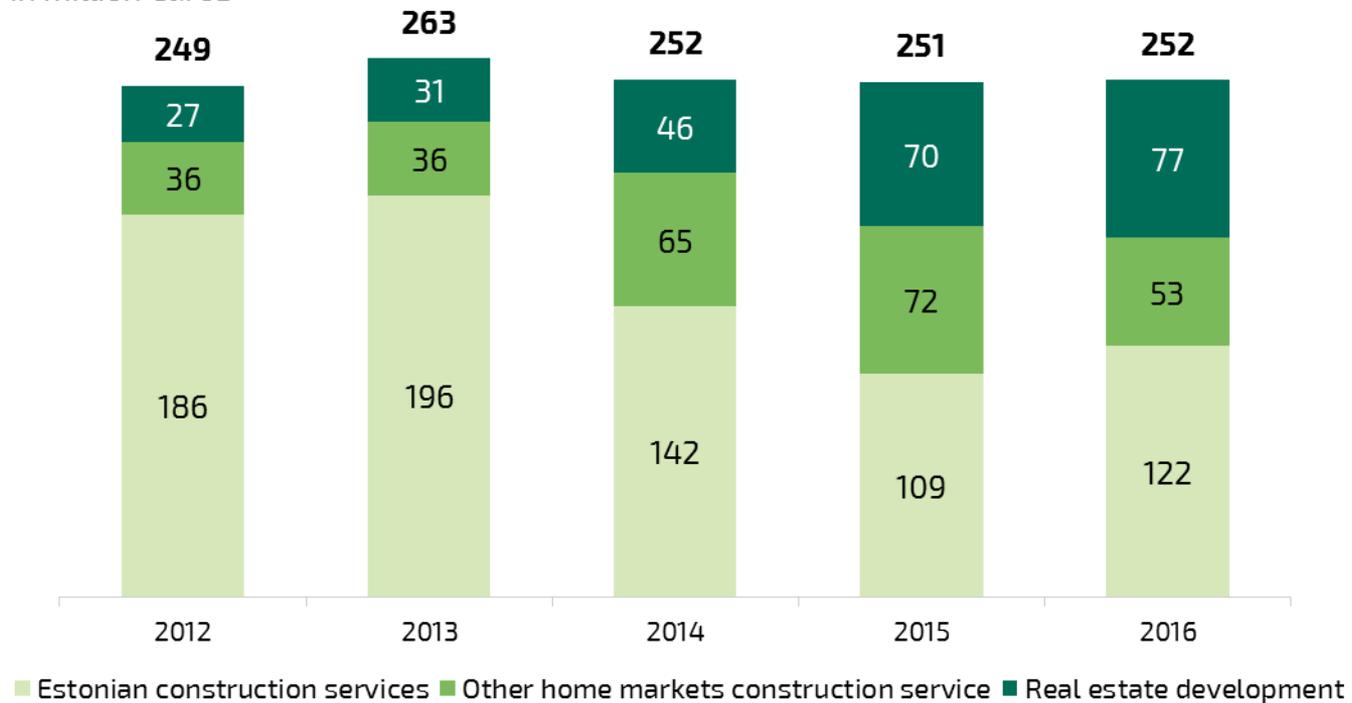
- Launched construction of nearly 350 new apartments and invested in development projects nearly EUR 54m
- Investments in new land plots in Estonia and Lithuania amounted to EUR 19m
- As at 31.12.2016 land plots on balance sheet approx. EUR 63m

Group revenue 2012-2016

Share of residential development and construction services outside Estonia have increased in the group's revenue mix

DISTRIBUTION OF GROUP REVENUE ACCORDING TO SEGMENTS

in million euros



Other developments in Merko group during 2016

- ❑ A good position among international customers in Lithuania. Investments in apartment development and land plots.
- ❑ Improved the market position in general contracting market both in public tenders as among private customers
- ❑ Acquisition of development area in the city centre of Tallinn, which allows the construction of approximately 1,500 apartments
- ❑ Q1 2016 entered the Norwegian market, by acquiring a 56% ownership in a local construction company
- ❑ Project based construction activities in Finland have yet to yield expected results
- ❑ Implementation of BIM processes in the project management



Largest projects completed in 2016



Hilton Tallinn Park Hotel



Tallink Tennis Centre



Öpiku Office building A



Kindergarten and school buildings complex in Pinki (Latvia)

Largest construction projects in progress 2017



Akropole centre in Riga (100m, 2019)



T1 shopping and entertainment centre (70m, 2018)



Maakri business complex (30m, 2018)



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

Largest residential projects in progress



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



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



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

Estonian construction service

- ❑ Internal efficiency
- ❑ Road and other infrastructure tenders
- ❑ Close cooperation with private customers

Other home markets construction service

- ❑ Continue search for growth outside Estonia
- ❑ In Latvia active participation in both private and public sector tenders in buildings segment. Large projects risk management.
- ❑ In Lithuania actively enter the public tenders market
- ❑ In Norway increase revenue and develop new buildings general contracting capability
- ❑ Continue searching competitive advantages in the Finnish market

Real estate development

- ❑ Real estate development continuingly a strategic business area
- ❑ 2017 plan to launch construction of 650 (incl. joint ventures) new apartments and the investment in apartment construction in the range of EUR 45m
- ❑ Product development





2. Distribution of profits



3. Deciding on the number of the supervisory board members





4. Extension of powers of Supervisory Board members



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