

AS MERKO EHITUS

Annual General Meeting of Shareholders

27 April 2016
Nordic Hotel Forum, Tallinn

1. Approval of the annual report of the year 2015 and overview of the economic results and the perspectives
2. Distribution of profits and reserve capital
3. Amendment of articles of association



- 1. Approval of the annual report of the year 2015 and overview of the economic results and the perspectives**

Merko Group 2015



The largest listed construction company in the Baltics

- General construction
- Engineering construction
- Road construction
- Real estate projects – residential real estate

Home markets: Estonia, Latvia and Lithuania
2015 approximately 40% of revenues outside Estonia



MERKO EHITUS



Revenue in 2015
€251 mln



31.12.2015:
791 employees



Net Profit 2015:
€10 mln

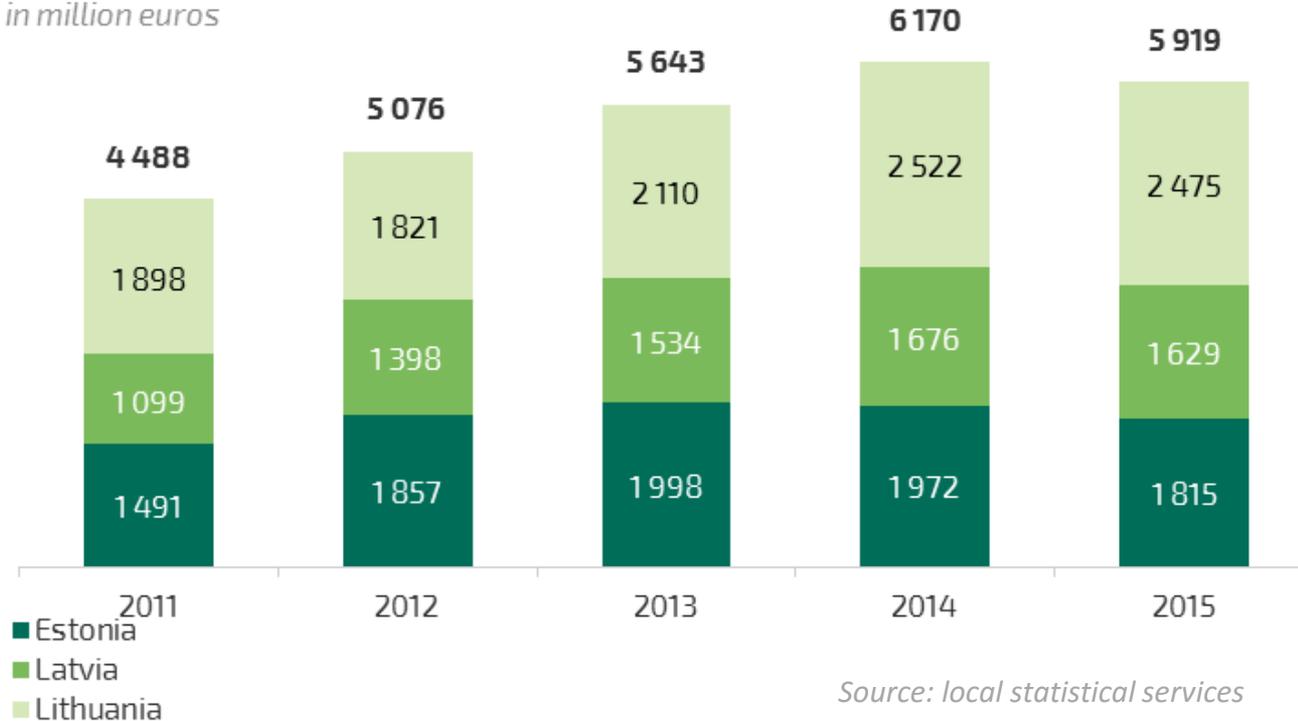
EBITDA 2015:
€16 mln

Recognitions

- The Most Competitive Large-Scale Enterprise and Construction Enterprise 2015
- The third Best Investor Relations in the Baltics
- The biggest payer of workforce taxes in the Estonian construction sector 2015

Baltic construction market

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



Source: local statistical services

- Construction market downturn started in the second half of 2014 and deepened in 2015, biggest decrease in Estonia
- Construction market supported by the active residential development and private investment in commercial real estate, construction of facilities and public funding still in decline
- Clients pressure on margins remains strong

Merko 2015 construction volumes



GENERAL CONSTRUCTION

- 2015 completed different buildings with total gross area of nearly 75,000 m², including industrial and manufacturing buildings, cultural and social attractions, commercial buildings



CIVIL ENGINEERING

- 2015 built approximately 90 km water and sewage pipelines, reconstructed 11 km of tram tracks and built 12 substations



ROAD CONSTRUCTION

- 2015 built more than 70 km and over 670,000 m² roads and built new green areas more than a million m²



REAL ESTATE DEVELOPMENT

- 2015 developed and built approximately 550 apartments, total area of nearly 73,000 m²

2015 Largest projects completed



Reconstruction of the infrastructure of Tallinn tram line No 4



Liepaja concert hall

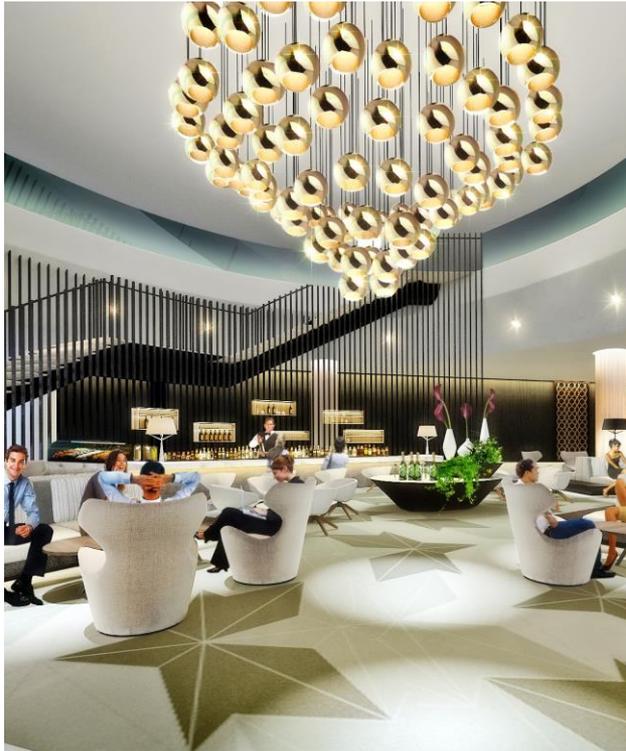


NordBalt Klaipeda converter station



Polipaks factory building in Latvia

2016 Largest projects in progress Estonia



Hilton Tallinn Park Hotel



Maakri Kvartal business complex



Ülemiste City office building

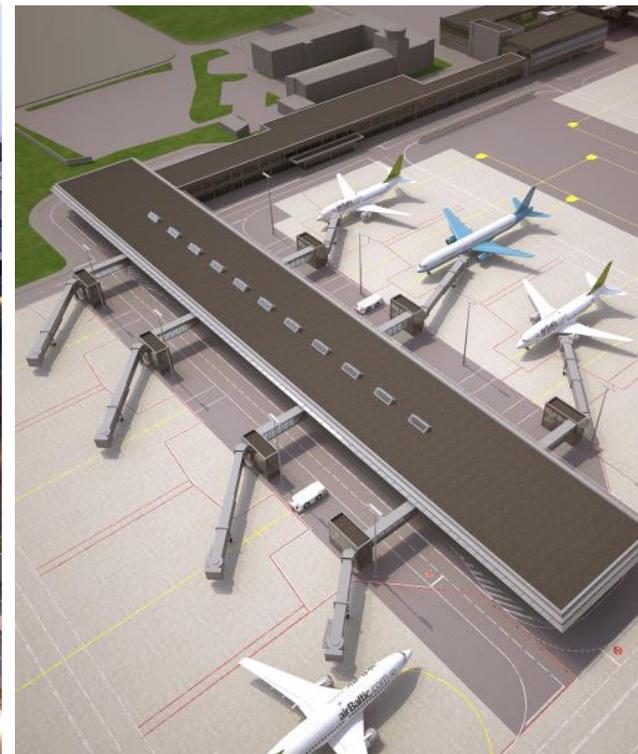
2016 Largest projects in progress Latvia and Lithuania



Kauno Algirdo residential and business complex in Vilnius



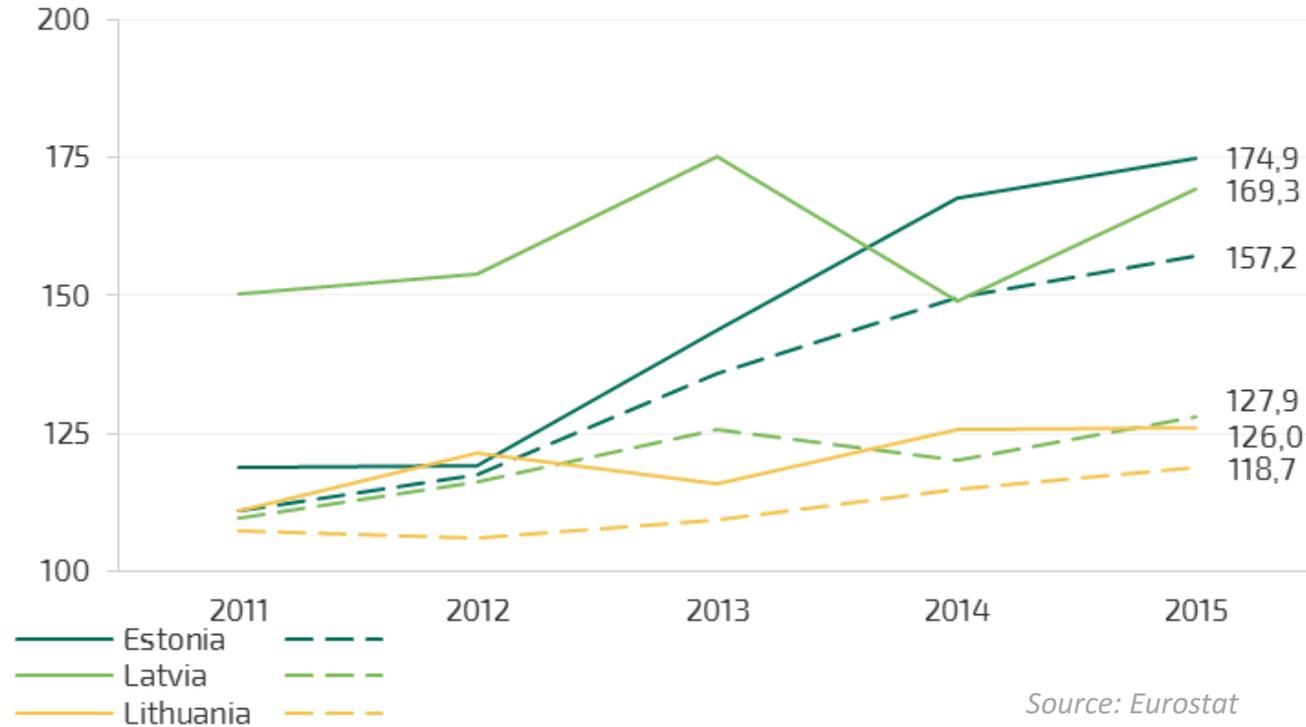
Narbuto 5 office building in Vilnius



Riga International Airport passenger terminal

Housing market in Baltics

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

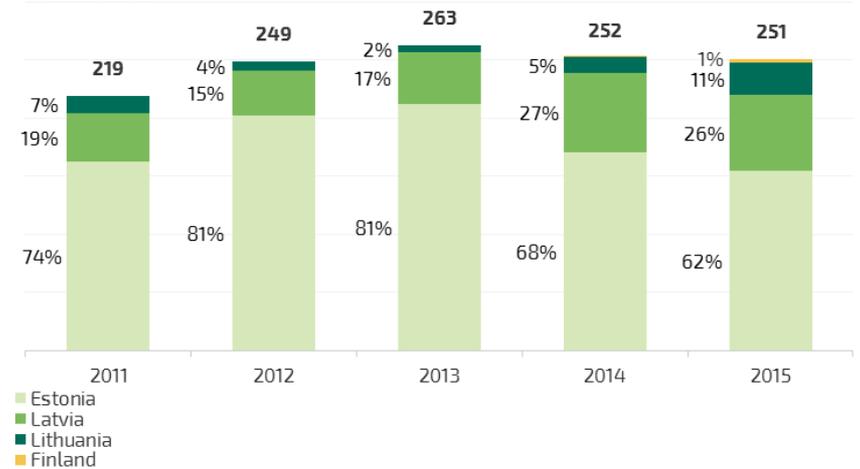


- New apartment market in the capitals of Baltic States remains strong, especially in Tallinn and Vilnius
- The number of construction permits and volume of completed apartments continued to grow, which will curb the price increase
- Although construction prices are stable, the prices of land plots have increased, which hampers the addition of new developments

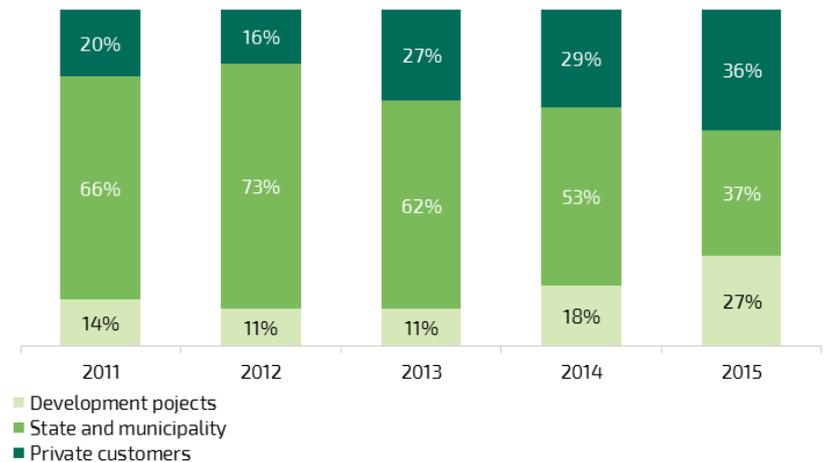
2015 Developments in Merko Group

- Revenue outside Estonia increased to 40%
- Revenue decline in Estonia balanced by revenue increase in Lithuania
- Continued to participate in selected tenders in Finland, where first contracts were in work. Preparations to enter Norwegian market realised in Q1 2016
- Concluded first substation construction contract in Latvia, where we entered the electrical construction segment in 2013.
- Share of private sector revenue continued to increase and public sector still in decline
- Maintained strong liquidity position and financial capability

DISTRIBUTION OF GROUP REVENUE BY GEOGRAPHICAL LOCATION
in million euros



DISTRIBUTION OF GROUP REVENUE ACCORDING TO CUSTOMERS
percentages



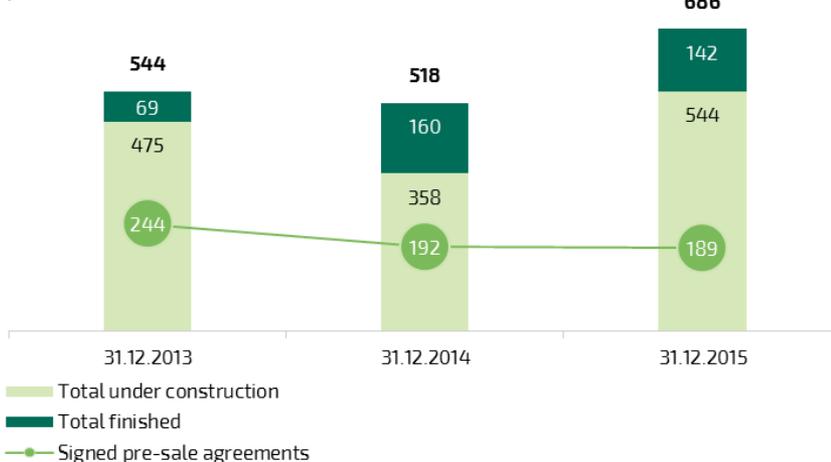
2015 Developments in Merko Group

Residential real estate development

APARTMENTS SOLD / APARTMENT REVENUE
pcs / in million euros



GROUP APARTMENTS INVENTORY
pcs



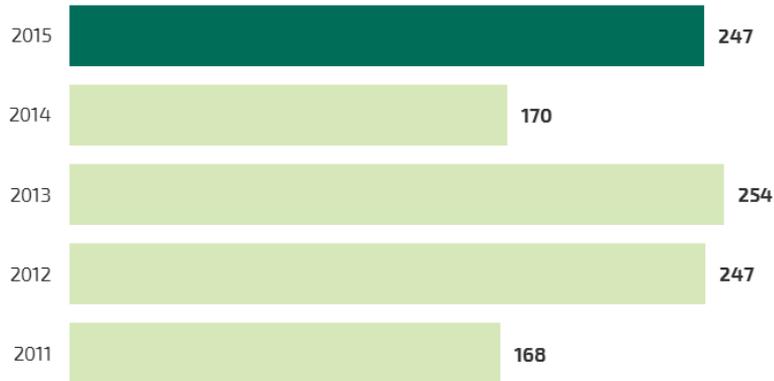
Tartu road 52 apartment development project: 183 apartments
1. stage to be completed in 2016, 2. stage in 2017

- Sold over 400 new apartments and real estate development segment revenue exceeded EUR 70m
- Started construction of 574 new apartments and invested EUR 42m into new projects. Additionally EUR 12m into new land plots in Estonia and Lithuania. First own development in Finland
- Focusing more on quality, functional design and living environment in apartment development

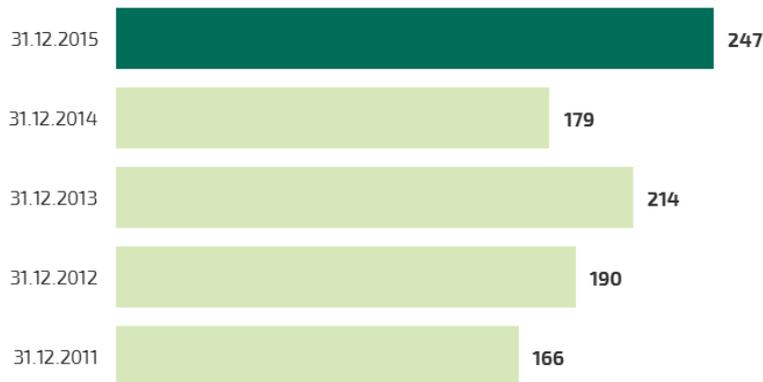
New contracts and secured order book 2015

Public sector orders down at 20%

NEW CONTRACTS SIGNED
in million euros



SECURED ORDER BOOK
in million euros



Maakri Kvartali business complex (2018): EUR 30m

Merko group key financial highlights

EUR million	2015	2014	Variance	2013
Revenue	251.0	252.3	-0.5%	262.7
Gross profit	23.0	24.7	-7.1%	22.7
Gross profit margin (%)	9.1	9.8	-6.6%	8.6
EBITDA	15.5	16.4	-5.7%	15.1
Profit before tax	11.7	13.3	-12.1%	11.1
Net profit, attr. to equity holders of the parent	10.0	12.4	-19.5%	10.4
Earnings per share (EPS), in euros	0.56	0.70	-19.5%	0.59
Secured order book	246.9	179.1	+37.9%	213.7
Employees	791	765	+3.4%	860

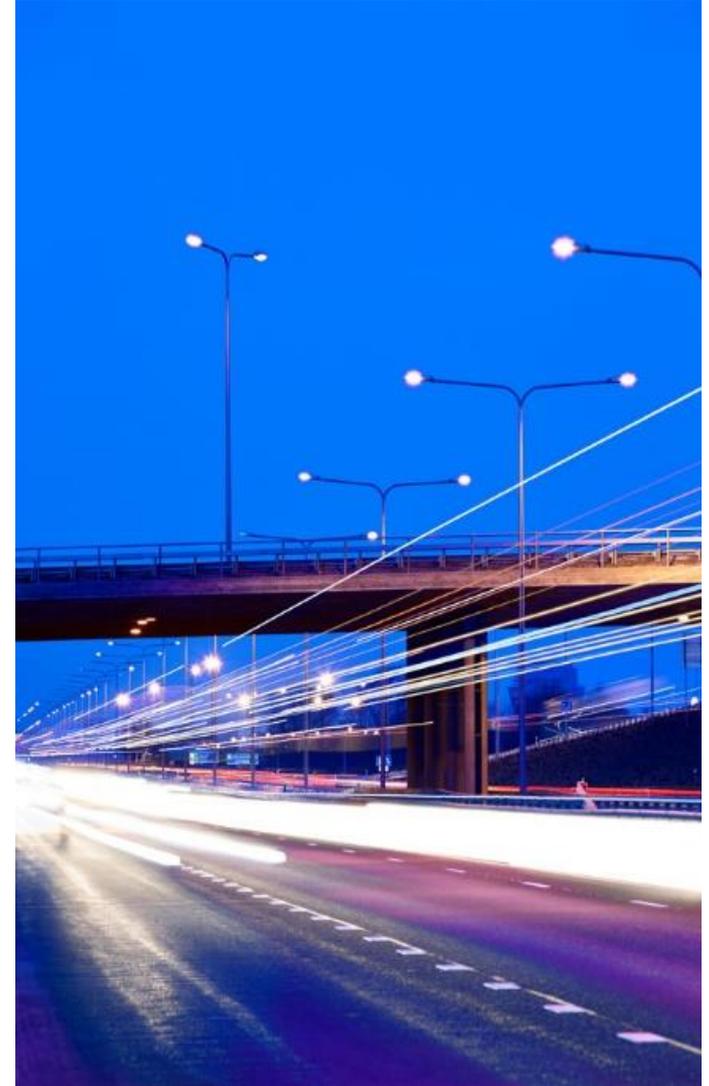
* Variance calculated based on consolidated annual financial reports.

Leading regional construction company. Preferred general contractor to private clients and large projects.

- To distinguish with the best and most motivated specialist and construction managers, to be a reliable partner and hold a high standard of quality
- We believe that public procurement tenders for facilities and public buildings will start to activate in Q3-Q4 2016 with the support of EU funding
- Acquisition of majority share in Norwegian company has created the basis for Norwegian market entry. 2016-2017 objective to increase revenues outside Baltics
- Continue to develop the new capabilities: digitalization, building information modelling.
- Although Rail Baltic remains a vision in the coming years, it's realisation will lead to a significant increase in construction volumes starting from 2019

A trusted brand and high construction quality in apartment development

- Continue investments in residential real estate development in 3 Baltic capitals, develop modern and quality living environment. 2016 planned investments of EUR 40-45m.



2. Distribution of profits and reserve capital



3. Amendment of articles of association



Amendment of section 21

21. The general meeting may adopt resolutions if over one-half of the votes represented by shares are present. Shareholders may take part in the general meeting and exercise their rights via electronic means without being physically present at the general meeting and without appointing a representative, using electronic voting. The procedure for electronic voting shall be determined by the management board.

Amendment of section 25 and 26

25. The supervisory board shall plan the activity of the Company ~~and the Company's group~~, organise ~~the management of the Company~~ and ~~supervise-perform oversight over~~ the ~~activities-activity~~ of the management board. The supervisory board shall notify the general meeting of the results of a review....

26. The supervisory board shall give orders to the management board for the organisation of the management of the Company. The consent of the supervisory board is required by the management board for concluding transactions, which are beyond regular economic activities, in the name of the Company. The consent of the supervisory board is required ~~by-for~~ the management board ~~for-concluding-to conduct~~ transactions, ~~which-involve~~ and approve transactions by Company's subsidiaries if the transaction involves:

Amendment of section 26.6

26.6 granting loans to ~~any~~ third parties or ~~securing~~ guaranteeing the ~~commitments~~ obligations of ~~any~~ third parties, including providing guarantees, except ~~in cases where the loan amount does not exceed 3,000,000 Euros;~~ and for:

26.6.1 ~~granting a loan of up to 3,000,000 Euros and the entity being granted a loan or whose commitments are secured is~~ ~~the Company's~~ a subsidiary or ~~related company;~~ or affiliate of the Company;

26.6.2 ~~the granting a loan concerned is granted to fund of up to 3,000,000 Euros to third parties for financing construction works, conducted by the Company, and work, if the loan is secured~~ ~~with a~~ by mortgage, established on the registered immovable, ~~serving as the location of a building,~~ property on which buildings shall be built as ~~the~~ a result of the relevant construction ~~works, financed with the granted, in the favour of the Company.~~ work;

26.6.3 granting a loan of up to 100,000 Euros.

Thank you!



Disclaimer

- ❖ This presentation has been prepared by AS Merko Ehitus (the Company) solely for your use and benefit for information purposes only. By accessing, downloading, reading or otherwise making available to yourself any content of the presentation, in whole or in part, you hereby agree to be bound by the following limitations and accept the terms and conditions as set out below.
- ❖ You are only authorized to view, print and retain a copy of the presentation solely for your own use. No information contained in the presentation may be copied, photocopied, duplicated, reproduced, passed on, redistributed, published, exhibited or the contents otherwise divulged, released or disseminated, directly or indirectly, in whole or in part, in any form by any means and for any purpose to any other person than your directors, officers, employees or those persons retained to advise you, who agree to be bound by the limitations set out herein.
- ❖ The presentation does not constitute or form part of, and should not be construed as, an offer, solicitation or invitation to subscribe for, underwrite or otherwise acquire, any securities of the Company or any member of its group nor should it or any part of it form the basis of, or be relied on in connection with, any contract to purchase or subscribe for any securities of the Company or any member of its group, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever. Any person considering the purchase of any securities of the Company must inform himself or herself independently before taking any investment decision. The presentation has been provided to you solely for your information and background and is subject to amendment. Further, the information in this presentation has been compiled based on information from a number of sources and reflects prevailing conditions as of its date, which are subject to change.
- ❖ The information contained in this presentation has not been independently verified. The information in this presentation is subject to verification, completion and change without notice and the Company is not under any obligation to update or keep current the information contained herein. Accordingly, no representation or warranty, express or implied, is made or given by or on behalf of the Company or any of its respective members, directors, officers or employees or any other person as to the accuracy, completeness or fairness of the information or opinions contained in this presentation, and any reliance you place on such information or opinions will be at your sole risk. Neither the Company nor any of its respective members, directors, officers or employees nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection therewith.
- ❖ This presentation includes "forward-looking statements," which include all statements other than statements of historical facts, including, without limitation, any statements preceded by, followed by or that include the words "targets," "believes," "expects," "aims," "intends," "will," "may," "anticipates," "would," "plans," "could" or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Accordingly, any reliance you place on such forward-looking statements will be at your sole risk. These forward-looking statements speak only as at the date as of which they are made, and neither the Company or any of its respective agents, employees or advisors intends or has any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained herein to reflect any change in the Company. Past performance of the Company cannot be relied on as a guide to future performance. No statement in this presentation is intended to be a profit forecast.