



Baltic States construction market and Merko Ehitus



Tõnu Toomik
Chairman of the Board

February 19 2008



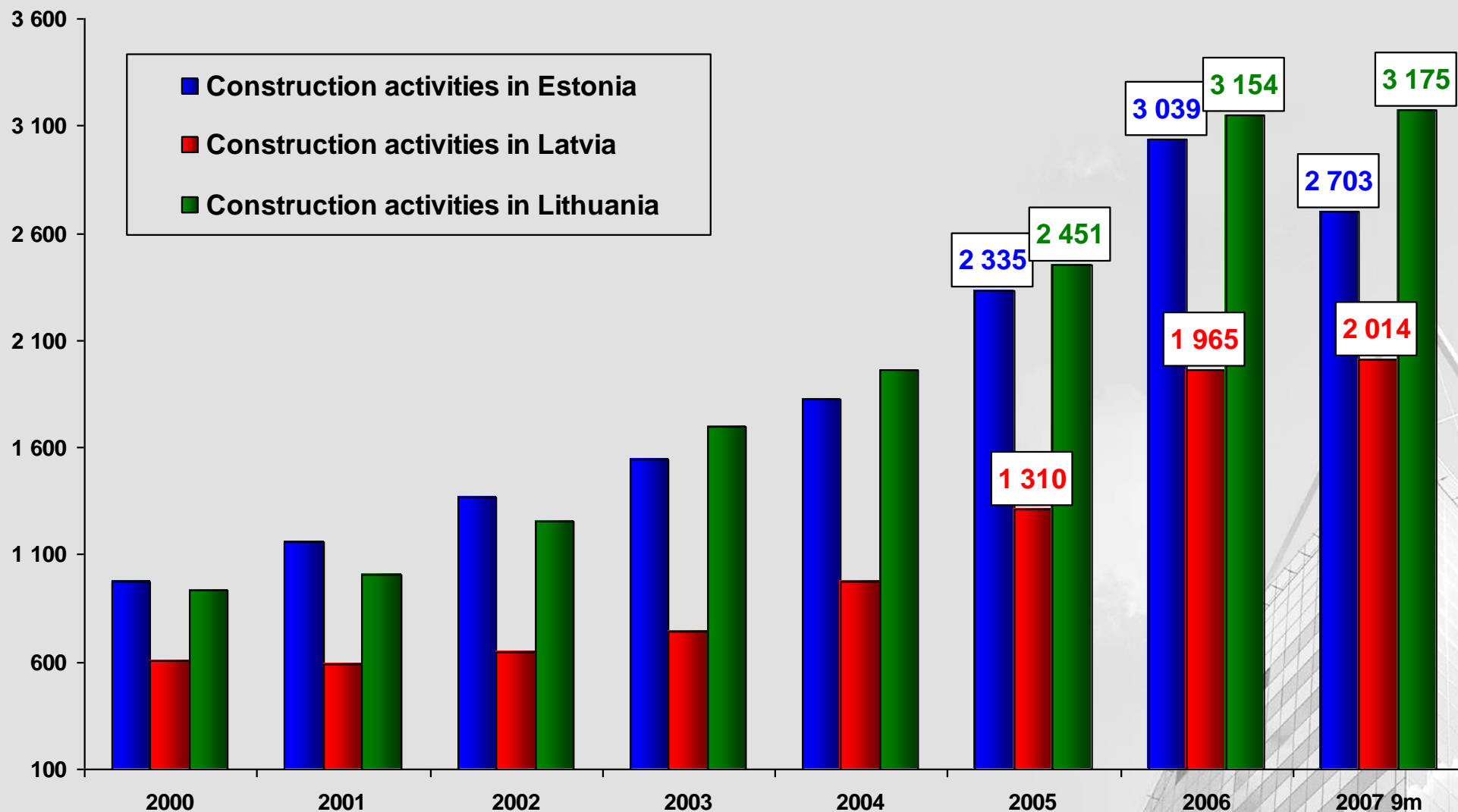
Baltic States construction market

- Competition is getting fierce, margins will decrease in general construction sector.
- Civil engineering market is more stable. Several environmental projects are coming to market, also road projects and crossings. The future of ports is disputable.
- Inflation in Estonia will most likely exceed construction price index growth, not yet in Latvia and Lithuania.
- Construction market in Estonia in 2008 will stay at the same level as in 2007, following growth will be in the same pace as GDP growth. In Latvia and Lithuania we expect construction market to grow faster.



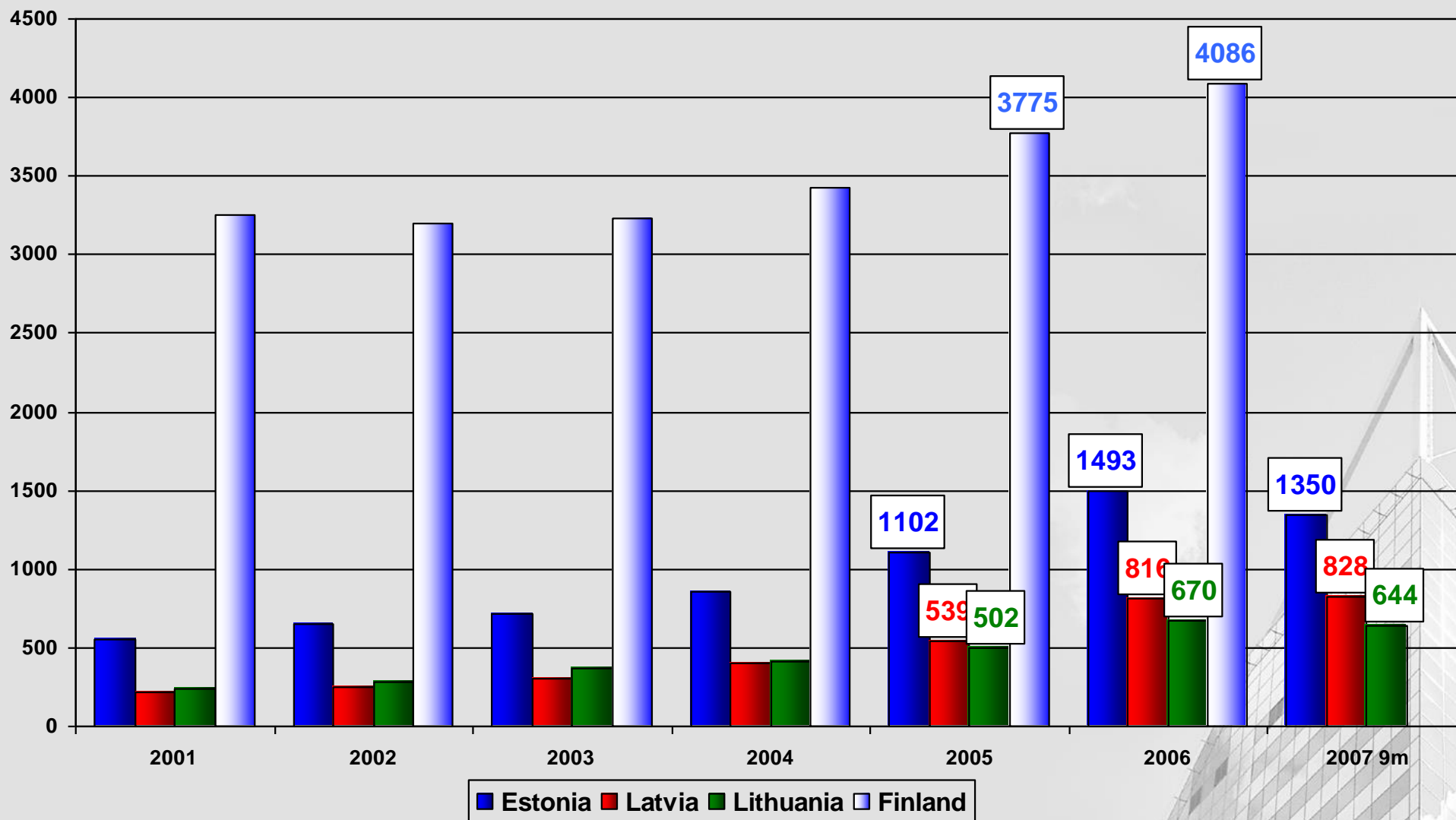
Baltic States construction market

(in million euros)



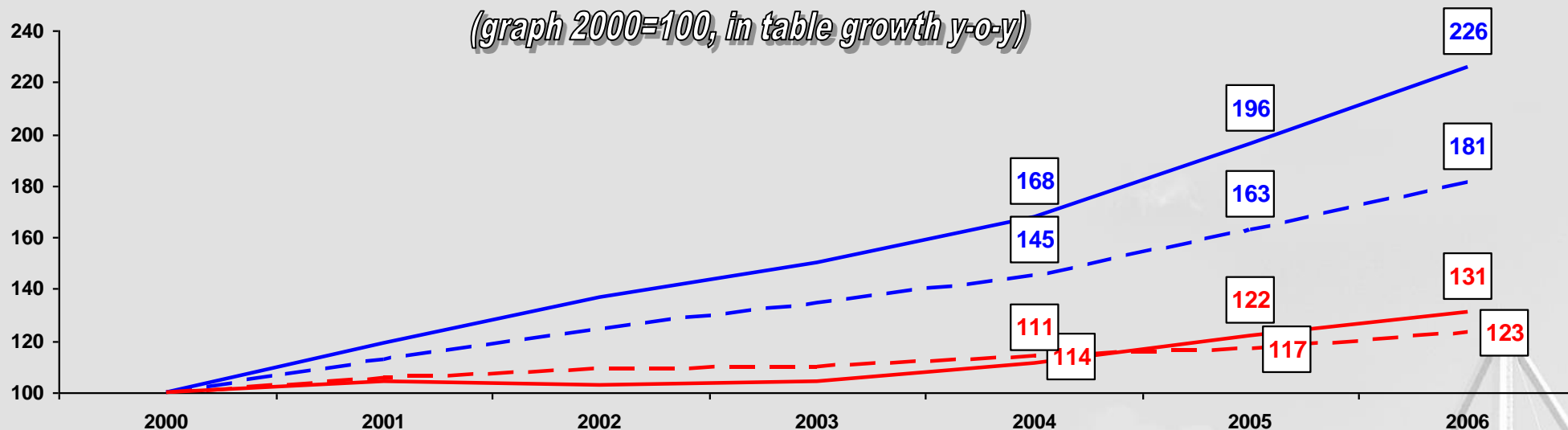
Baltic States construction market

Construction production per person compared to Finland, EUR



Growth of GDP and construction market in Estonia and Finland

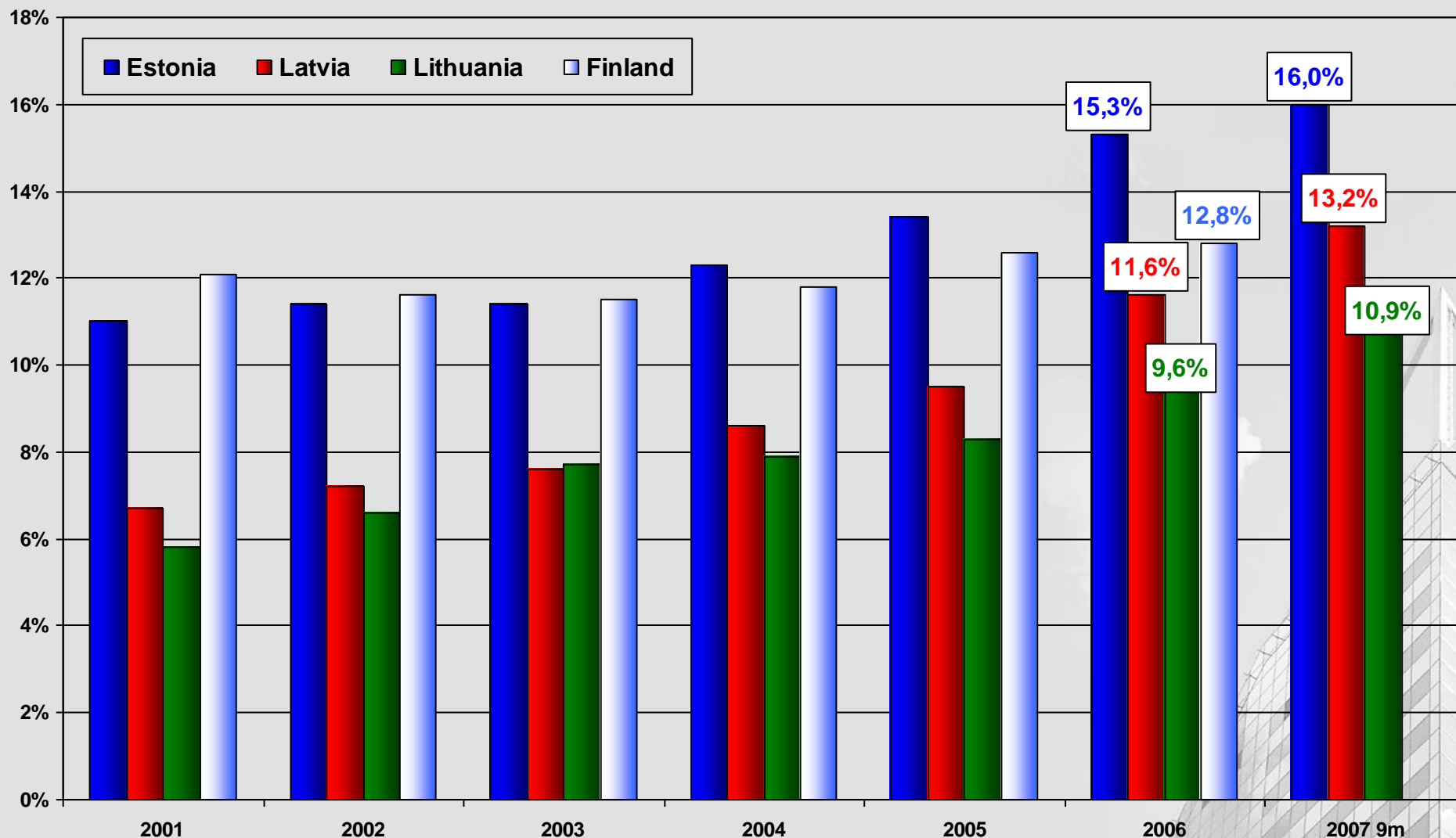
(graph 2000=100, in table growth y-o-y)



	2001	2002	2003	2004	2005	2006
Growth of construction activities in Estonia, market prices —	19%	18%	13%	18%	28%	30%
GDP growth in Estonia, market prices - -	13%	12%	10%	10%	18%	18%
Growth of construction activities in Finland, market prices —	4%	-1%	1%	7%	11%	9%
GDP growth in Finland, market prices - -	6%	3%	1%	4%	3%	6%

Baltic States construction market

Construction production to GDP, compared to Finland



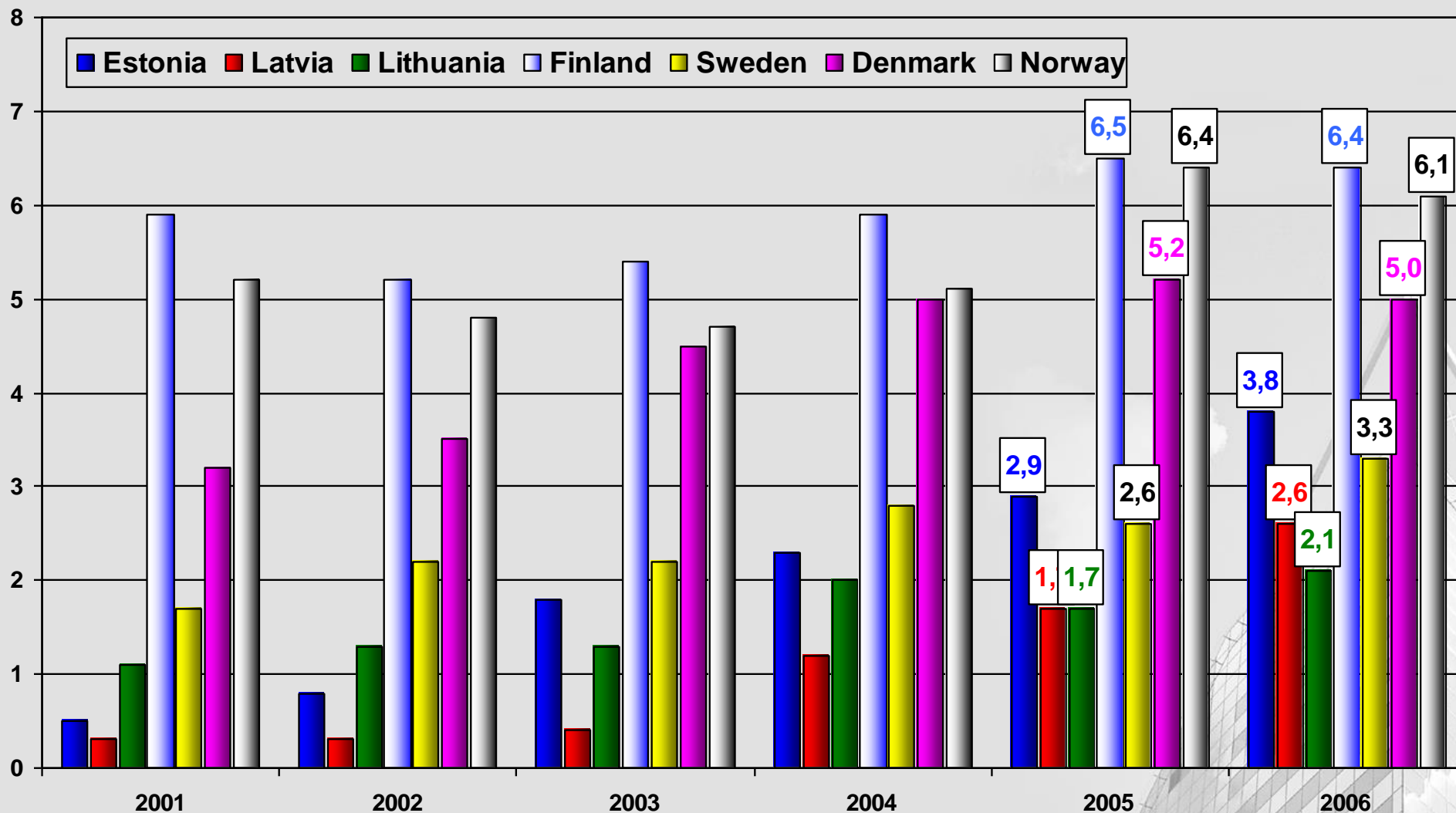
Baltic States construction market

- Main contractors with low liquidity, who is now oriented to narrow operating area, will face difficulties.
- Residential construction sector will decrease significantly in Estonia and Latvia. Growth will continue in Lithuania still for about a year.
- Market shares of the companies are small and consolidation will take place.



Baltic States construction market

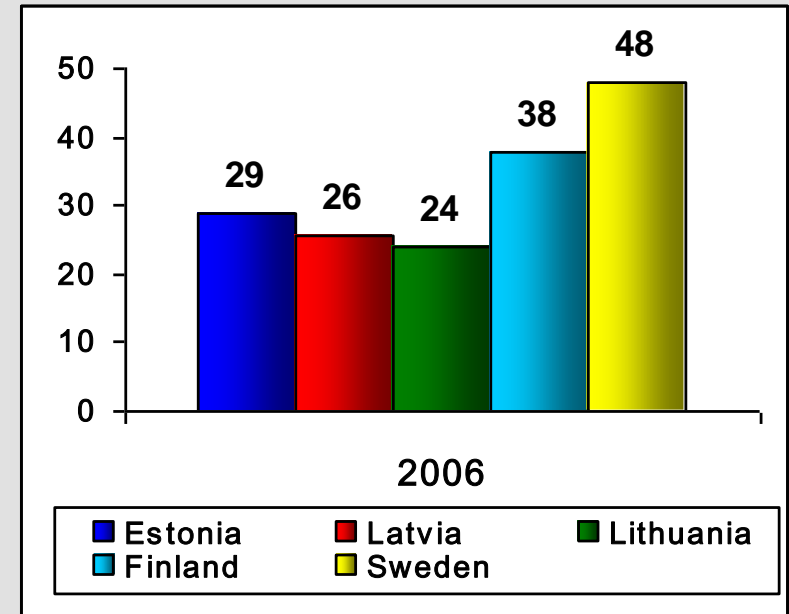
New dwellings per 1000 inhabitants compared to Nordic countries



Baltic States construction market

Living space m² per inhabitant compared to Finland and Sweden

- There is 30% less living space per inhabitant in Estonia compared to Finland and 40% less compared to Sweden. Living space increased in Estonia 0,5m² per inhabitant in 2006. If such a residential construction pace continues we will reach the same level to Finland today by the year 2029 and to Sweden level by the year 2043.
- Therefore there is a demand for new living space, but purchasing power of inhabitants and strict loan conditions limits the potentiality.





Merko Ehitus market share in Estonia and Baltic States

<i>million EUR</i>	2005	2006	2007
Construction activities in Estonia	2 240	2 953	3 500*
Merko Ehitus sales in Estonia	156	179	217
Merko Ehitus market share in Estonia	7,0%	6,1%	6,2%
Construction activities in Baltic States	5 900	8 000	11 000*
Merko Ehitus sales in Baltic States	207	282	353
Merko Ehitus market share in Baltic States	3,5%	3,5%	3,2%

* prognosis