

AS MERKO EHITUS

Consolidated 3 months interim report

5 May 2016



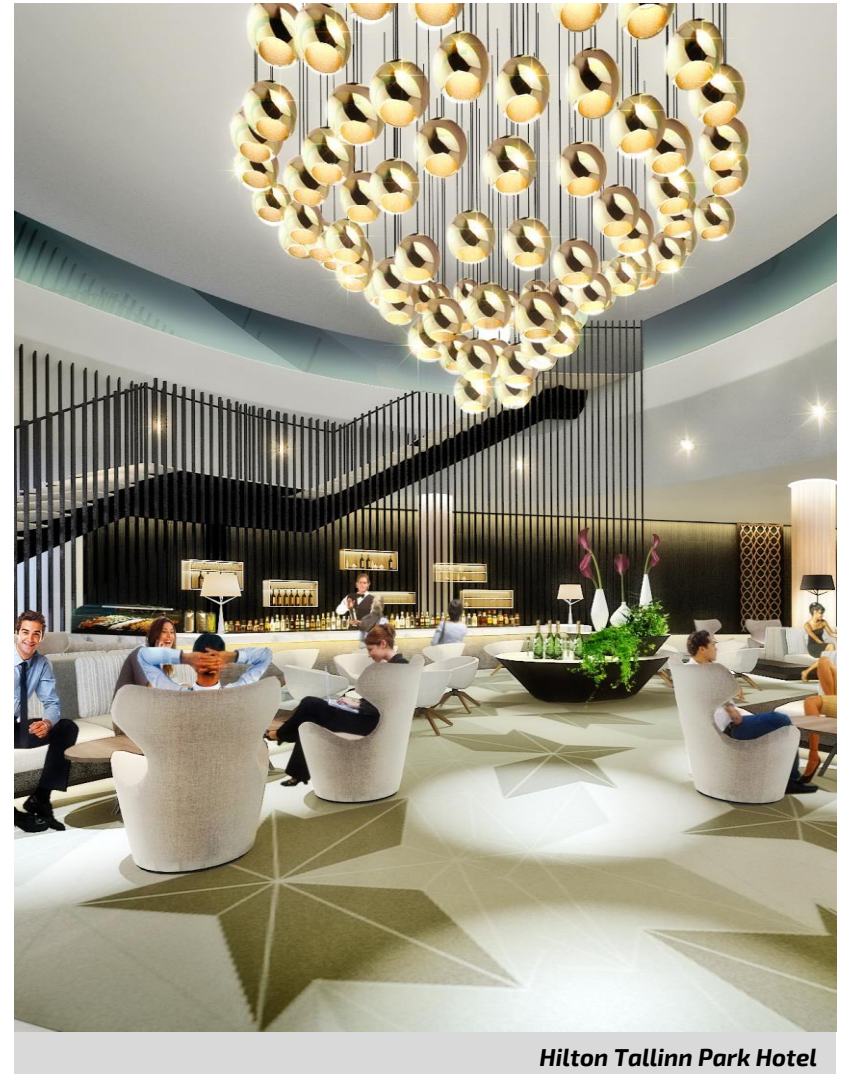


1. Key highlights
3. Financial position

2. Business review
4. Market outlook

Merko group key highlights 3M 2016

- Revenue EUR 47m in 3m remain on par with 2015.
- Q1 profit below expectations.
- Expected growth in revenues from general construction projects in Estonian construction service segment
- Sale of non-strategic land plots in Estonia and Latvia.
- Acquisition of a majority share in a small Norwegian construction company.
- Secured order book at EUR 243m (up 46% y-o-y). Low level new contracts in Latvia.
- The share of real estate development at 42% (3M 2015: 24%) of total revenues.
- Sold 101 apartments and started construction of 90 new apartments.



Merko group key financial highlights

<i>EUR million</i>	3M 2016	3M 2015	Variance	2015
Revenue	46.8	45.6	+2.7%	251.0
Gross profit	3.1	3.6	-14.0%	23.0
Gross profit margin (%)	6.5	7.8	-16.3%	9.1
EBITDA	1.2	1.9	-36.6%	15.5
Profit before tax	0.3	0.8	-63.7%	11.7
Net profit, attr. to equity holders of the parent	0.1	0.8	-86.2%	10.0
Earnings per share (EPS), in euros	0.01	0.05	-86.2%	0.56
Secured order book	243.5	167.2	+45.6%	246.9
Employees	782	776	+0.8%	791

* Variance calculated based on consolidated financial statements of interim reports.

Revenues and gross profit 3M 2016

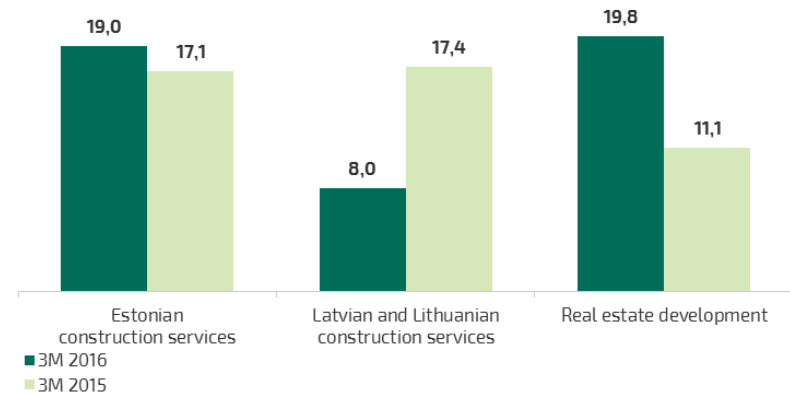
REVENUES

- Strong performance from real estate development (revenues up by 79% y-o-y) and Estonian construction service segment (up by 11%).
- Continuing decline of public orders (only 20% share in portfolio). Civil engineering construction volumes in a slump which has affected profitability
- Decrease of Latvian and Lithuanian construction service segment (down by 55%) due to lower level of construction work in Latvia.
- Slower than planned launch of several major sites due to changes in project solutions and delays in getting approvals.

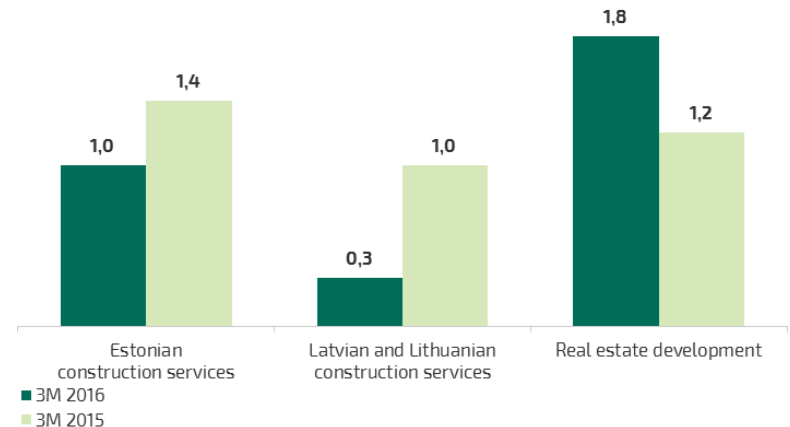
GROSS PROFIT

- Profitability still under pressure, gross margin down from 7.8% to 6.5% y-o-y.
- Main contribution from real estate development (59% of total), with Estonian construction amounting to 31% and Latvian and Lithuanian construction to 10%.
- Management not fully satisfied with results of construction services segments due to Baltic construction market developments.

GROUP REVENUE BY SEGMENT
in million euros



GROUP GROSS PROFIT BY SEGMENT
in million euros

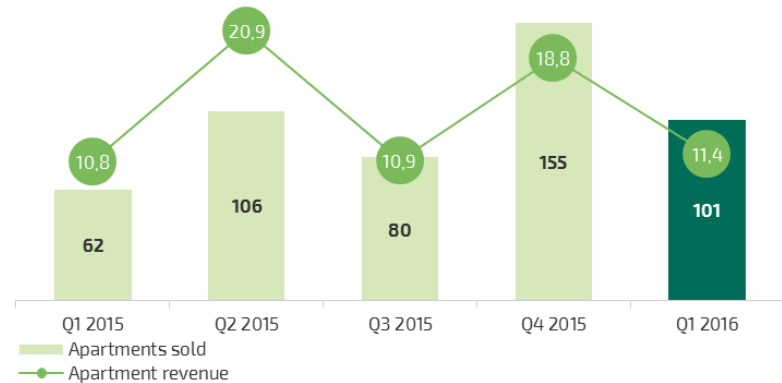


Real estate development - apartments

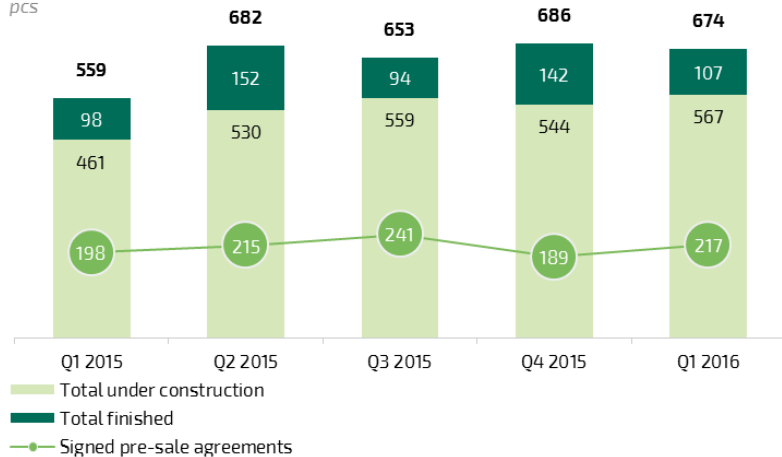
Q1 projects launched as planned. Closely monitoring increased supply in Tallinn and Vilnius, to be prepared for longer sales periods.

- 101 apartments sold in 3M (3M 2015: 62; 12M 2015: 403).
- Construction of 90 apartments launched during 3M 2015 (3m 2015: 103; 12M 2015: 574) and invested EUR 10.1m in apartment construction (3M 2015: EUR 10.7m; 2015: EUR 42.4m).
- Plan to launch construction of 500-550 new apartments in 2016 and total investment in apartment construction will be in the range of EUR 45-50m.
- 457 apartments on active sale out of which 68% in Estonia.
- During 3M 2016 sale of non-strategic land plots for EUR 7.5m including EUR 4.9m in Estonia and EUR 2.6m in Latvia (3M 2015: EUR 0m). Margin of land plot sales below segment average.
- Focusing more on quality, functional design and living environment in apartment development

APARTMENTS SOLD AND APARTMENT REVENUE
pcs / in million euros

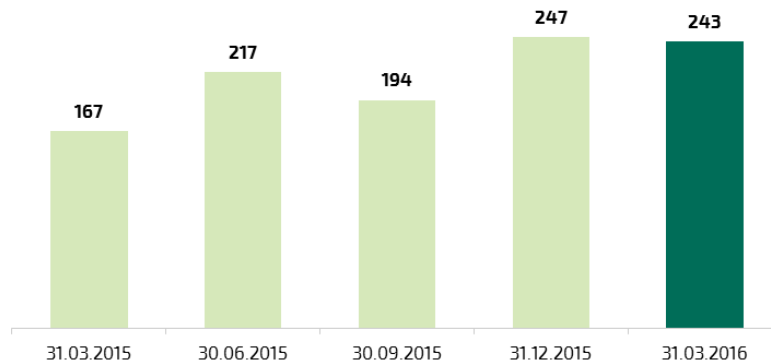


GROUP APARTMENTS INVENTORY
pcs

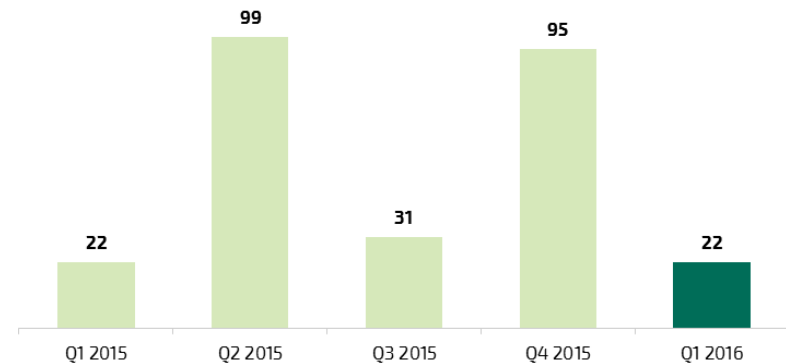


Secured Order Book

SECURED ORDER BOOK
at the end of the period, in million euros



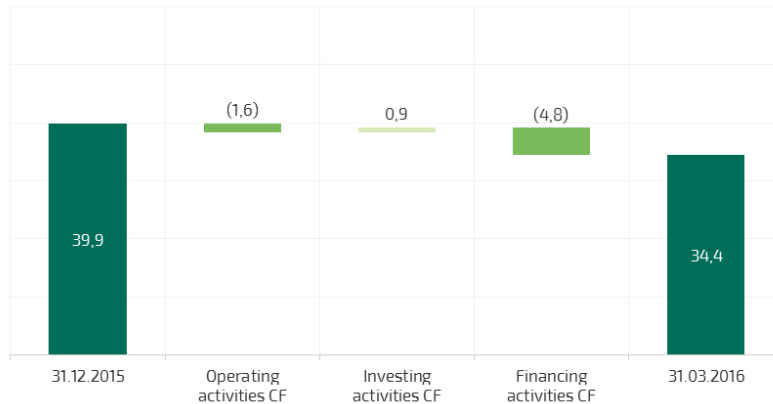
NEW CONTRACTS SIGNED
during the period, in million euros



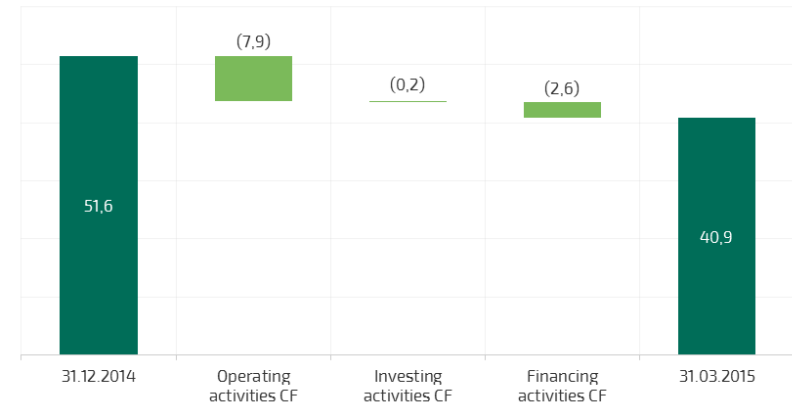
- Secured order book 46% higher compared to same period last year.
- Total new contracts signed 3M 2016 EUR 22m (3M 2015: 22m; 12M 2015: 247m)
- Additional contract for EUR 5m signed in Latvia at the beginning of Q2 2016.
- Construction orders have dropped in engineering construction as expected. 2016 public orders still at a very low level. Share of public orders only 20%.

Financial position

3M CHANGE IN CASH AND CASH EQUIVALENTS
in million euros

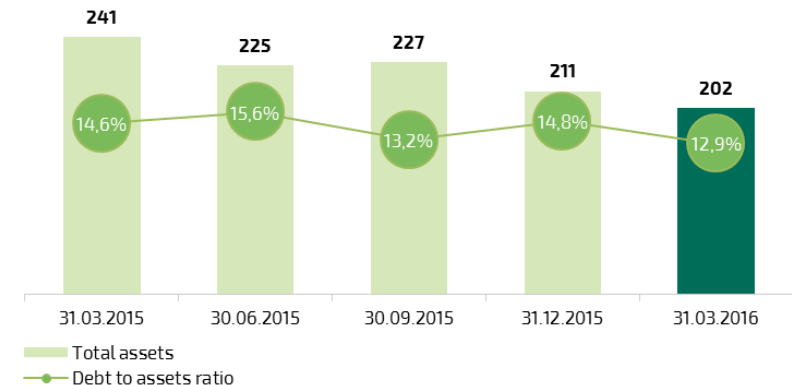


3M CHANGE IN CASH AND CASH EQUIVALENTS
in million euros

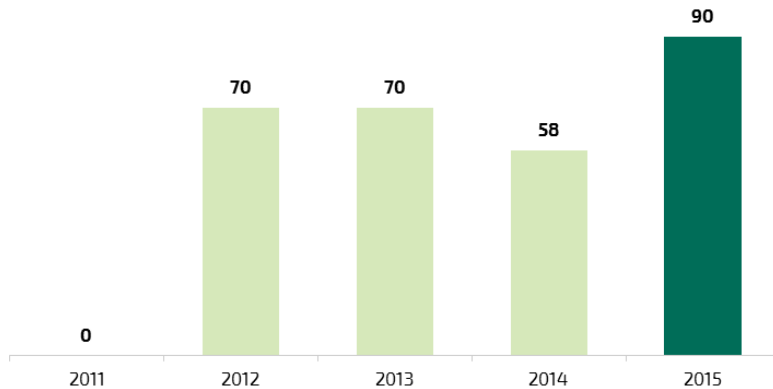


- Group's liquidity position maintained, cash at EUR 34.4m.
- The net debt amounted to EUR -8m and debt ratio at modest level of 13% (31.03.2015: EUR -6m and 15%; 31.12.2015: EUR -9m and 15%). Strong liquidity buffer as group is still self-funding a big proportion of its development projects and has not used any overdraft facilities.
- Current assets are at 3.4x current liabilities (31.03.2015: 2.6x; 31.12.2015: 3.2x).
- Equity at 62% (31.03.2015: 53%; 31.12.2015: 60%).

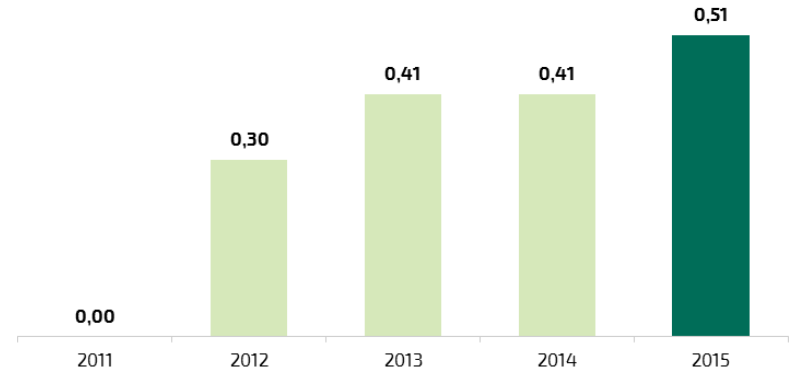
TOTAL ASSETS AND DEBT TO ASSETS RATIO
in million euros / percentages



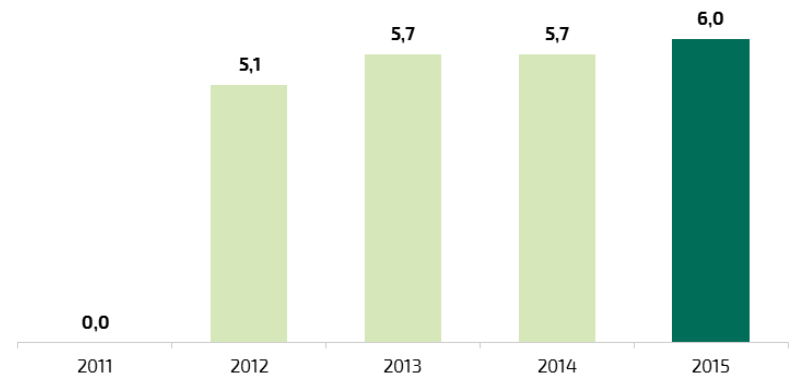
DIVIDEND RATE
percentages



DIVIDEND PER SHARE
in euros



DIVIDEND YIELD*
percentages

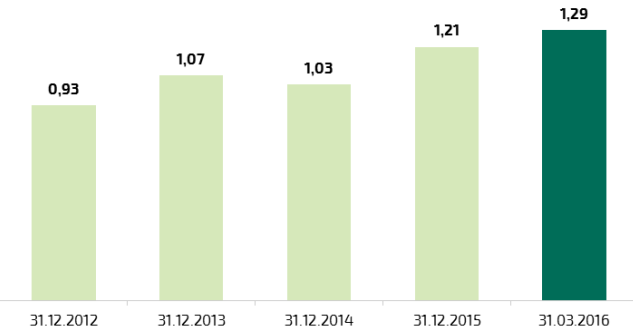


- The AGM of shareholders decided to pay the shareholders the total amount of EUR 9m as dividends (EUR 0.51 per share) in 2016.
- 2016 dividend rate at 90% and gives a yield of 6%.
- Dividend payment will be made on 20 May 2016.

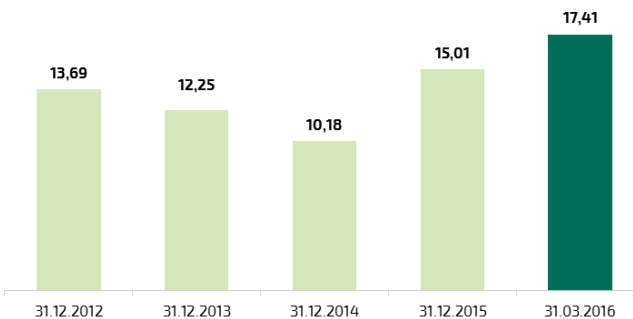
* Using share price as at 31.12

Stock Exchange overview

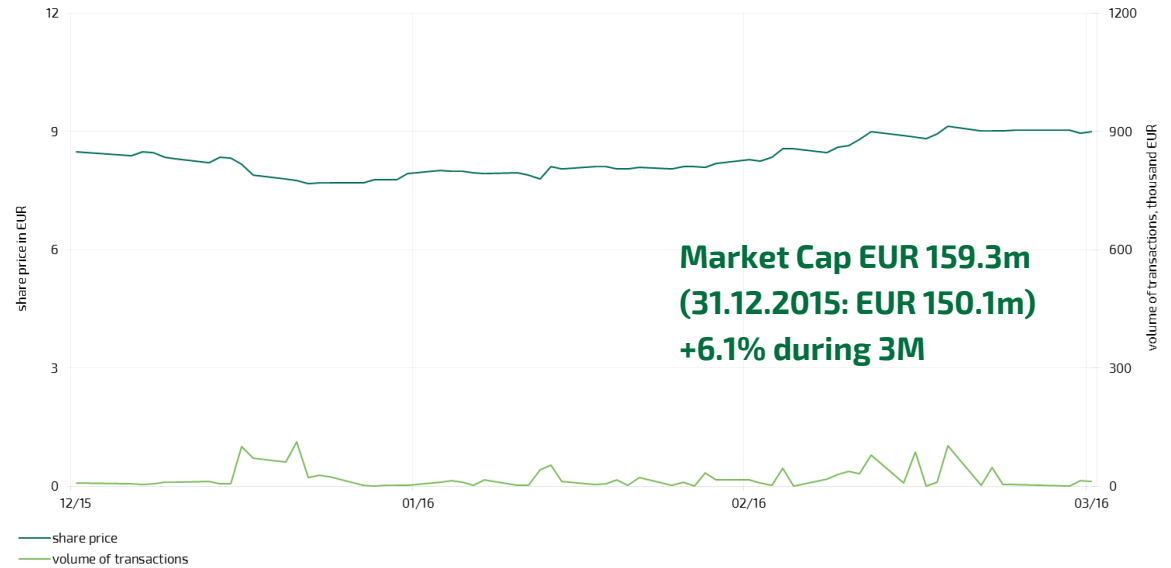
P/B RATIO
times



P/E RATIO
times

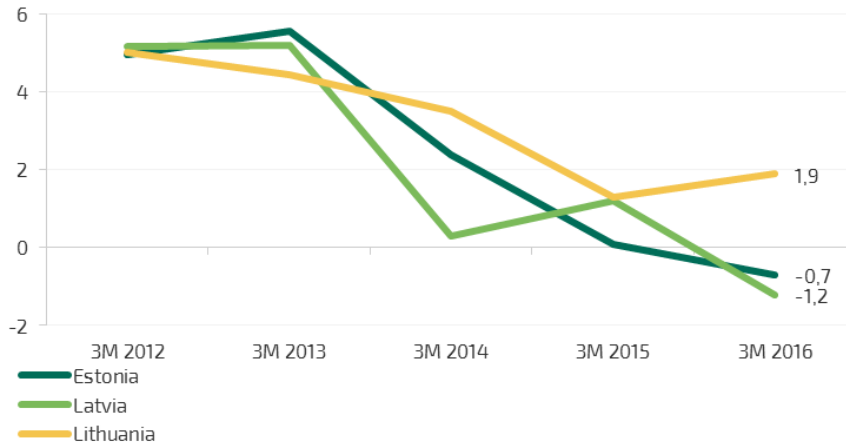


1,724 shareholders
+6.1% from 31.12.2015



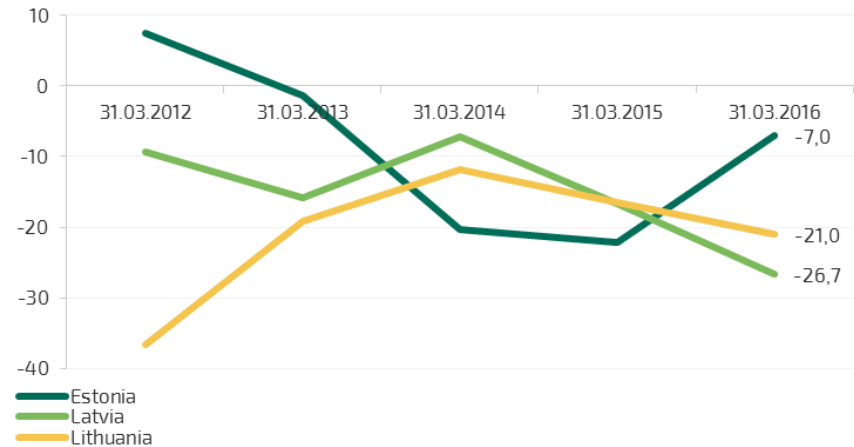
Shareholders	No of shares	% of total 31.03.2016	% of total 31.12.2015	Variance
AS Riverito (management)	12 742 686	71,99%	71,99%	-
ING Luxembourg S.A. AIF Account	974 126	5,50%	5,50%	-
Firebird Republics Fund Ltd	395 704	2,24%	2,24%	-
Skandinaviska Enskilda Banken AB, Swedish clients	261 701	1,48%	1,45%	5 048
SEB S.A. client assets UCITS	261 222	1,48%	1,48%	-
Firebird Aurora Fund Ltd	220 519	1,25%	1,25%	-
Skandinaviska Enskilda Banken AB, Finnish clients	165 026	0,93%	0,95%	-2 940
State Street Bank and Trust Omnibus Account a Fund No OM01	153 018	0,86%	0,86%	-
SEB Elu- ja Pensionikindlustus AS	145 020	0,82%	0,82%	-
Clearstream Banking Luxembourg S.A. clients	141 954	0,80%	0,80%	245
Total largest shareholders	15 460 976	87,35%	87,34%	2 353
Other shareholders	2 239 024	12,65%	12,66%	-2 353
Total shares	17 700 000	100,00%	100,00%	

3M CHANGE IN CONSTRUCTION PRICE INDEX
percentages



Source: Local national statistical offices

CONSTRUCTION CONFIDENCE INDICATOR
difference between percentages of pos. and neg. responses



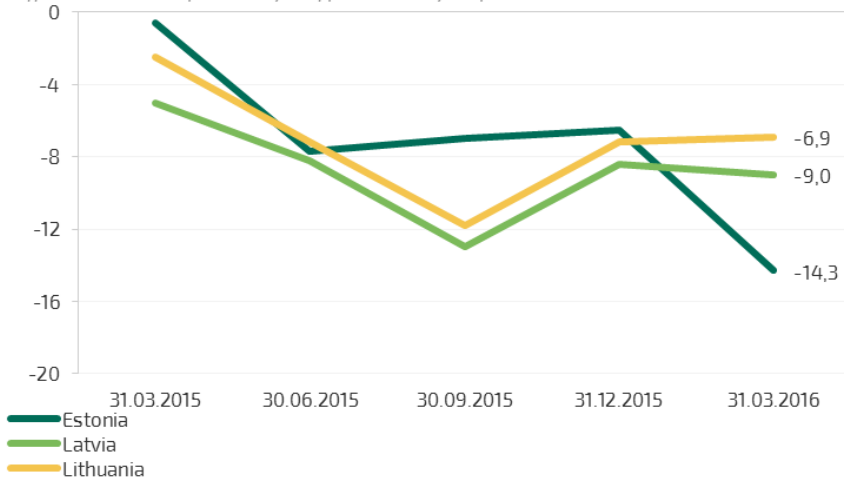
Source: European Commission Directorate-General for Economic and Financial Affairs

- Marginal increase in construction prices, main impact due to labour force costs. No significant pressure on input prices expected as weak outlook for overall market growth.
- Confidence levels continue to be unfavourable in all three Baltic states. Aggressive pricing, high risks taken at tender submissions.
- Public sector orders at a low level. Private sector modest demand for business premises, investor activity on a moderate level.
- Housing development has supported the construction market.

Housing market in Baltics

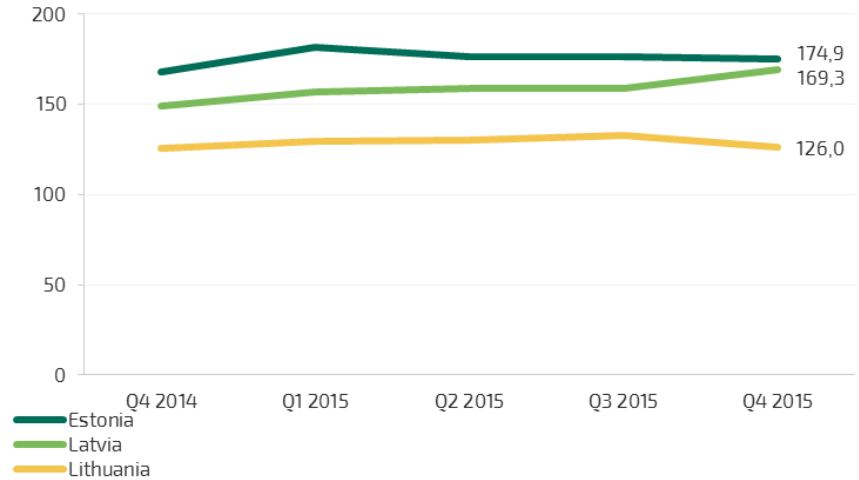
CONSUMER CONFIDENCE INDICATOR

difference between percentages of pos. and neg. responses



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

NEW DWELLINGS HOUSE PRICE INDEX (2010=100)



Source: Eurostat

- Demand remains for good quality and optimal price level residential premises in all Baltic capitals.
- Continuing positive macro development supported the residential market - interest rates of mortgages have remained on a low level, consumers' access to financing has remained good.
- Prices remained relatively stable over last 12 months.
- Apartment markets remain strong, especially in Tallinn and Vilnius. We expect the Riga's apartment market to become more active as the supply of new apartments has been at a very low levels.
- Although construction prices are stable, the prices of land plots have increased, which hampers the addition of new developments.

Future perspectives 2016+

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.



Maakri Kvartali business complex (2018): EUR 30m

Merko 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

Home markets: Estonia, Latvia and Lithuania



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

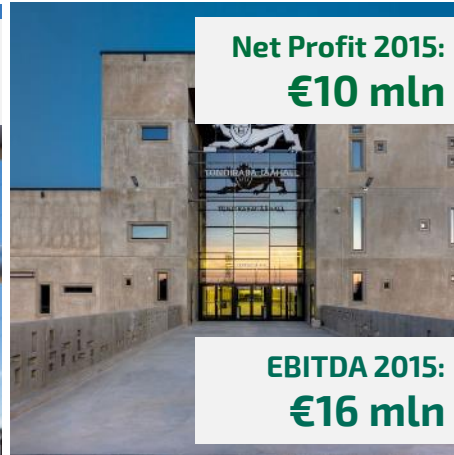


Revenue in 2015
€251 mln



31.12.2015:
791 employees

Net Profit 2015:
€10 mln



EBITDA 2015:
€16 mln



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