

# **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

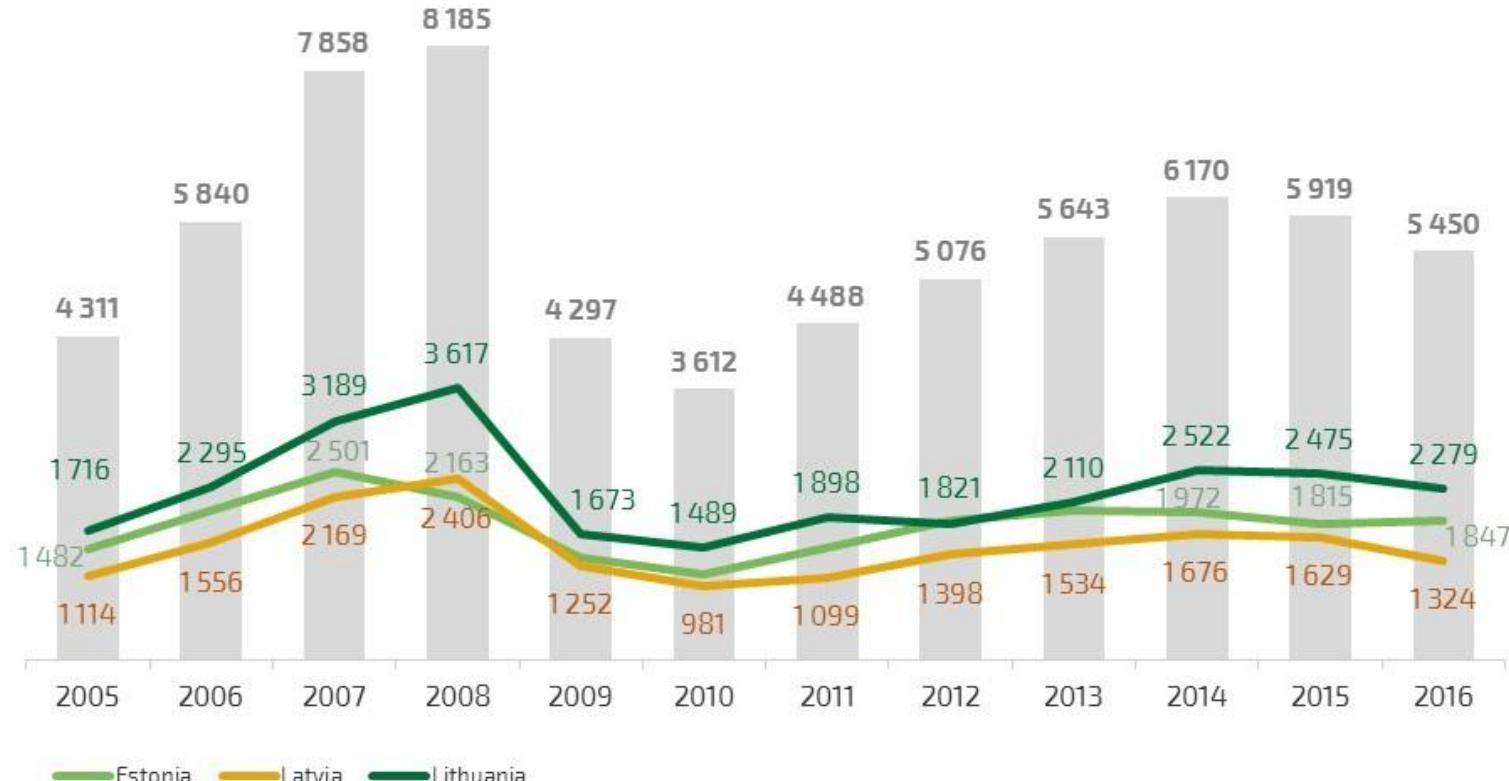
- Building construction
- Real estate development
- 101 employees



# Market: construction services

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

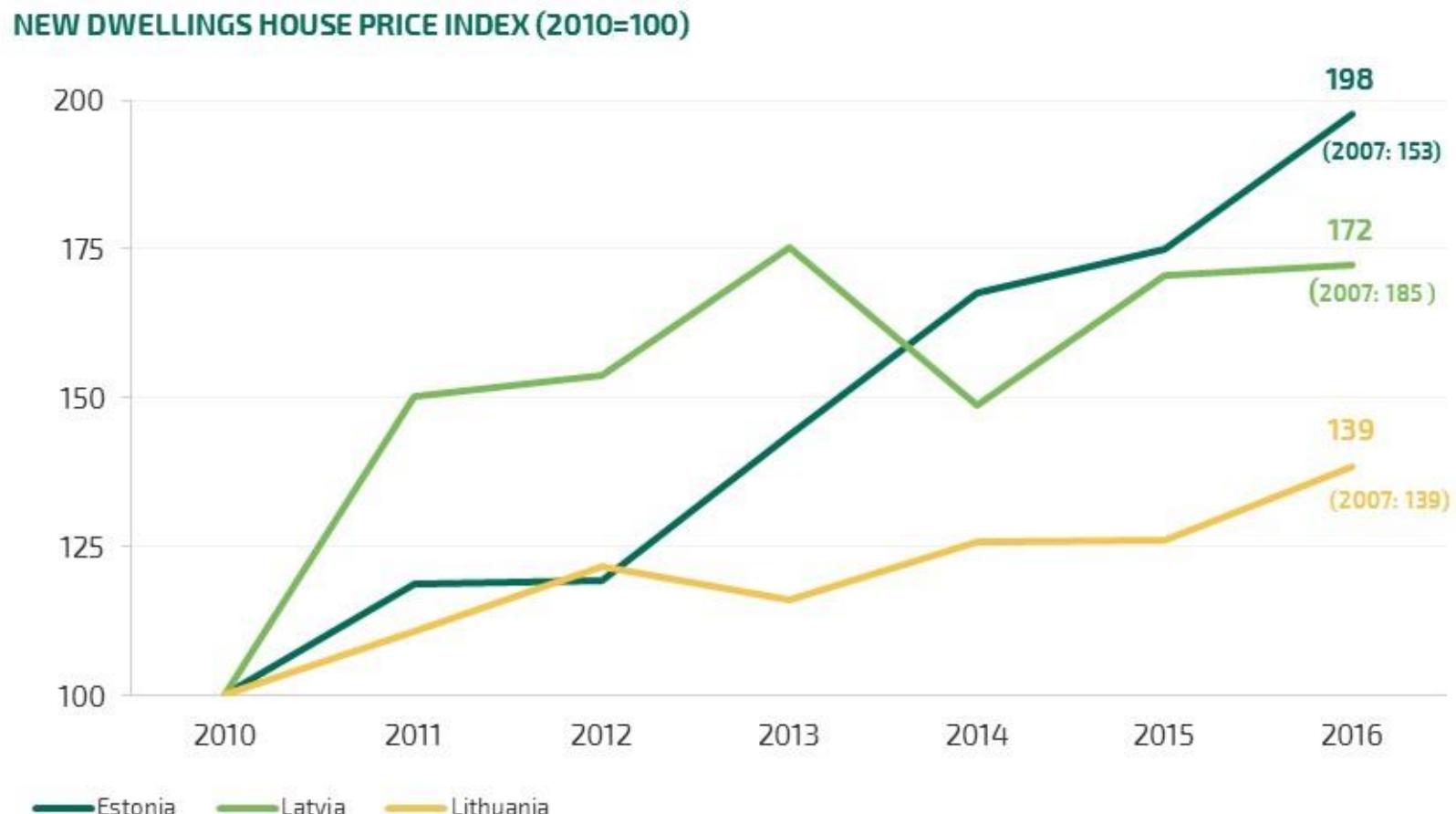
**CONSTRUCTION MARKET VOLUMES (WITH OWN FORCES) IN THE BALTIC STATES**  
in million euros



Source: Local statistical services

# Housing market in Baltics

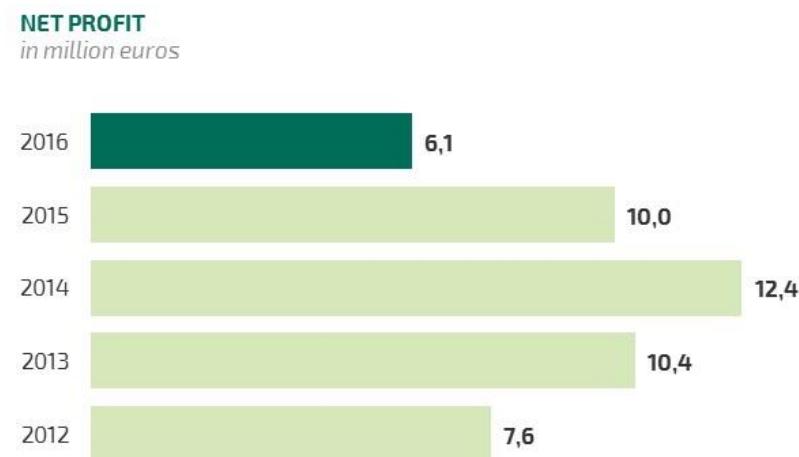
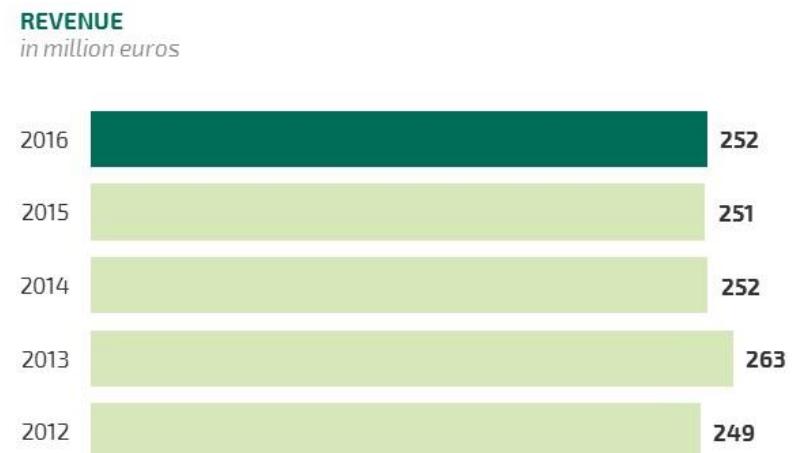
Growth in Tallinn and Vilnius, demand recovery slower in Riga



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



# 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:

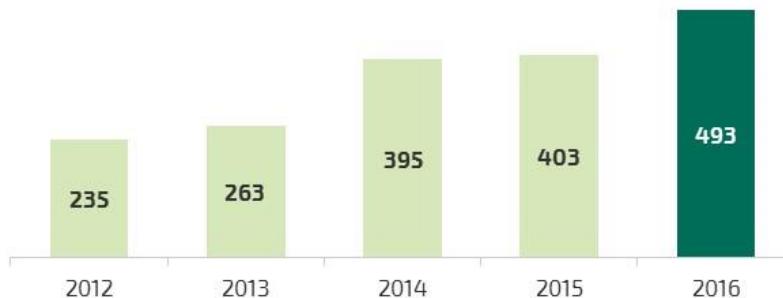
- EUR 100m contract in Latvia to build Multifunctional Centre Akropole in Riga
- First major project in Norway, EUR 4m Blakstad Hospital extension in Oslo area

**LARGEST CONTRACTS IN 2016**  
in million euros

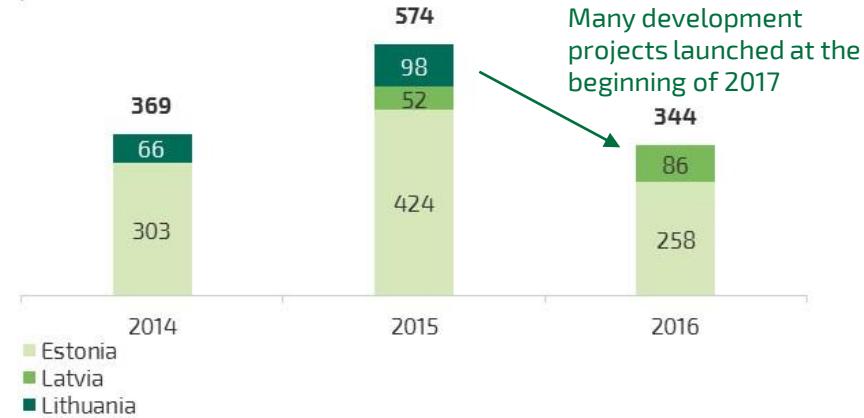
<b>Ventspils music school and concert hall</b> <i>Construction contract</i>	<b>26</b>
<b>Staabli 4 apartment building in Tallinn</b> <i>Design and construction contract</i>	<b>20</b>
<b>Radisson Blu Hotel Lietuva extension in Vilnius</b> <i>Design and construction contract</i>	<b>16</b>
<b>Juuliku road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

# 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



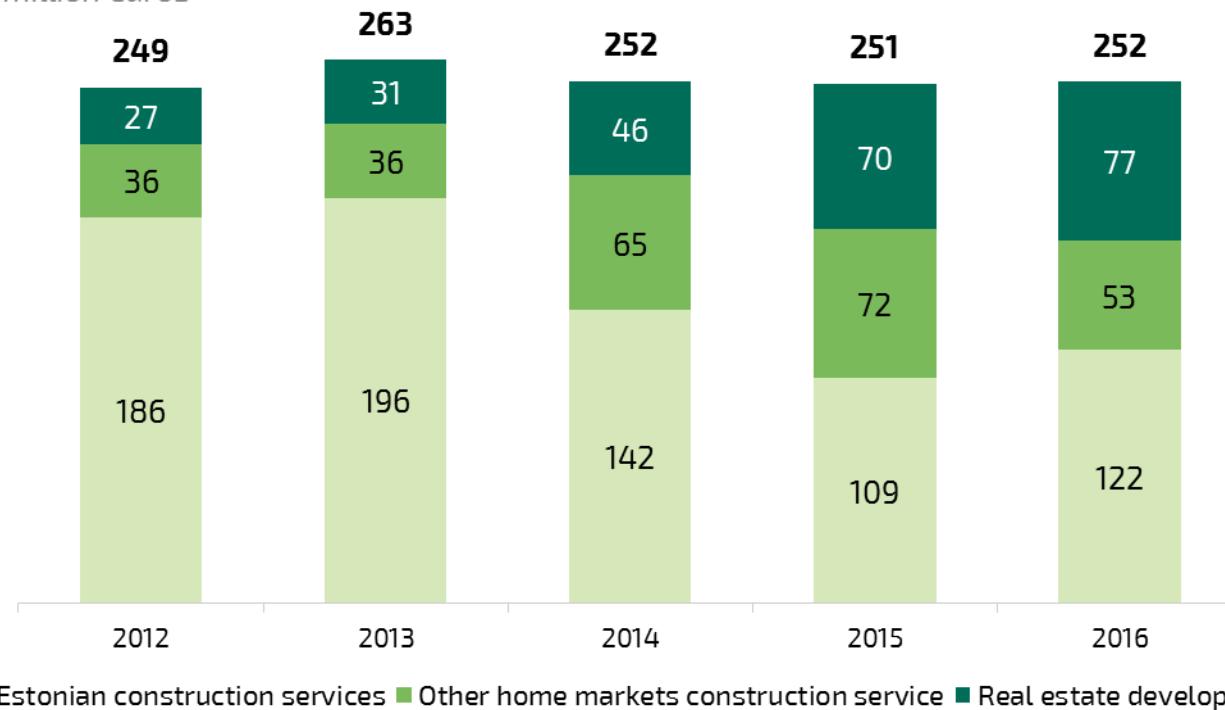
- Launched construction of nearly 350 new apartments and invested in development projects nearly EUR 54m
- Investments in new land plots in Estonia and Lithuania amounted to EUR 19m
- As at 31.12.2016 land plots on balance sheet approx. EUR 63m

# 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**

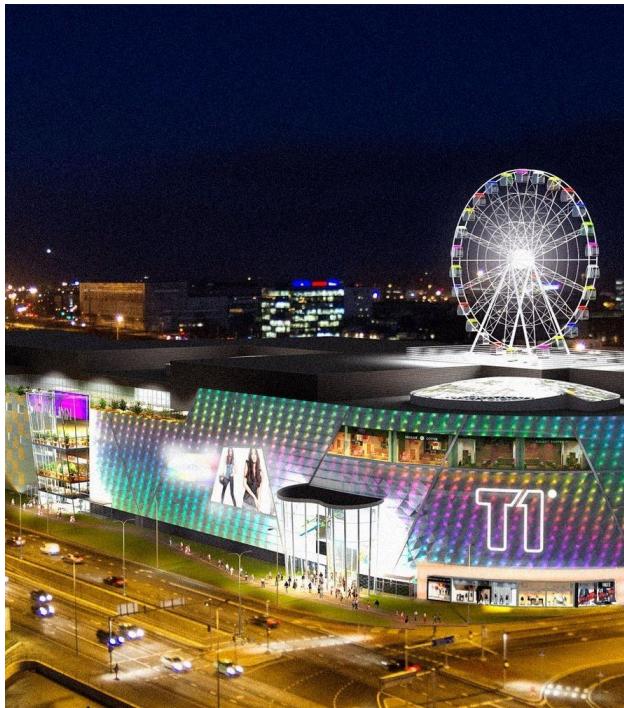


**Kindergarten and school buildings complex in Pinki (Latvia)**

# Largest construction projects in progress 2017



*Akropole centre in Riga (100m, 2019)*



*T1 shopping and entertainment centre (70m, 2018)*



*Mackri 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)*



*Rinktines 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



*Reconstruction of Leisi 110 kV substation*



## **2. Distribution of profits**

Hilton Tallinn Park Hotel



### 3. Deciding on the number of the supervisory board members

*Jahu 1A apartment building*



## **4. Extension of powers of Supervisory Board members**

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