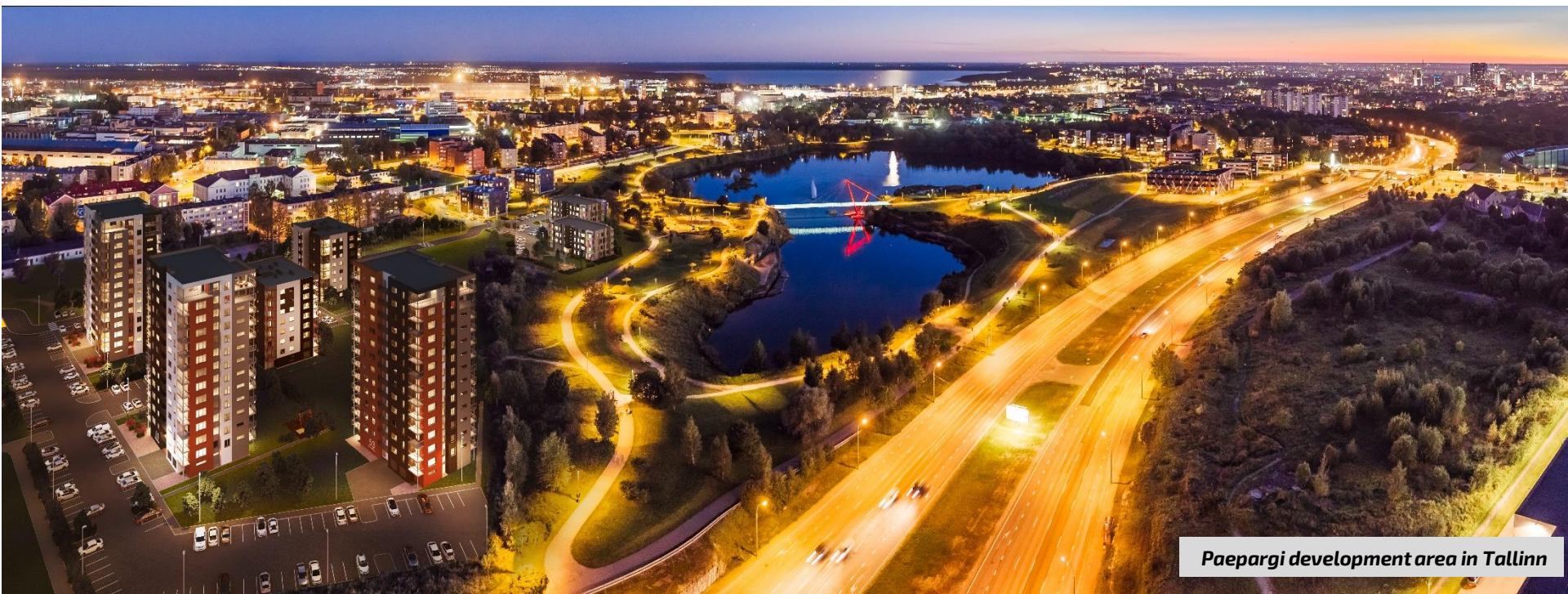


AS MERKO EHITUS

3 months 2017 interim report

11 May 2017



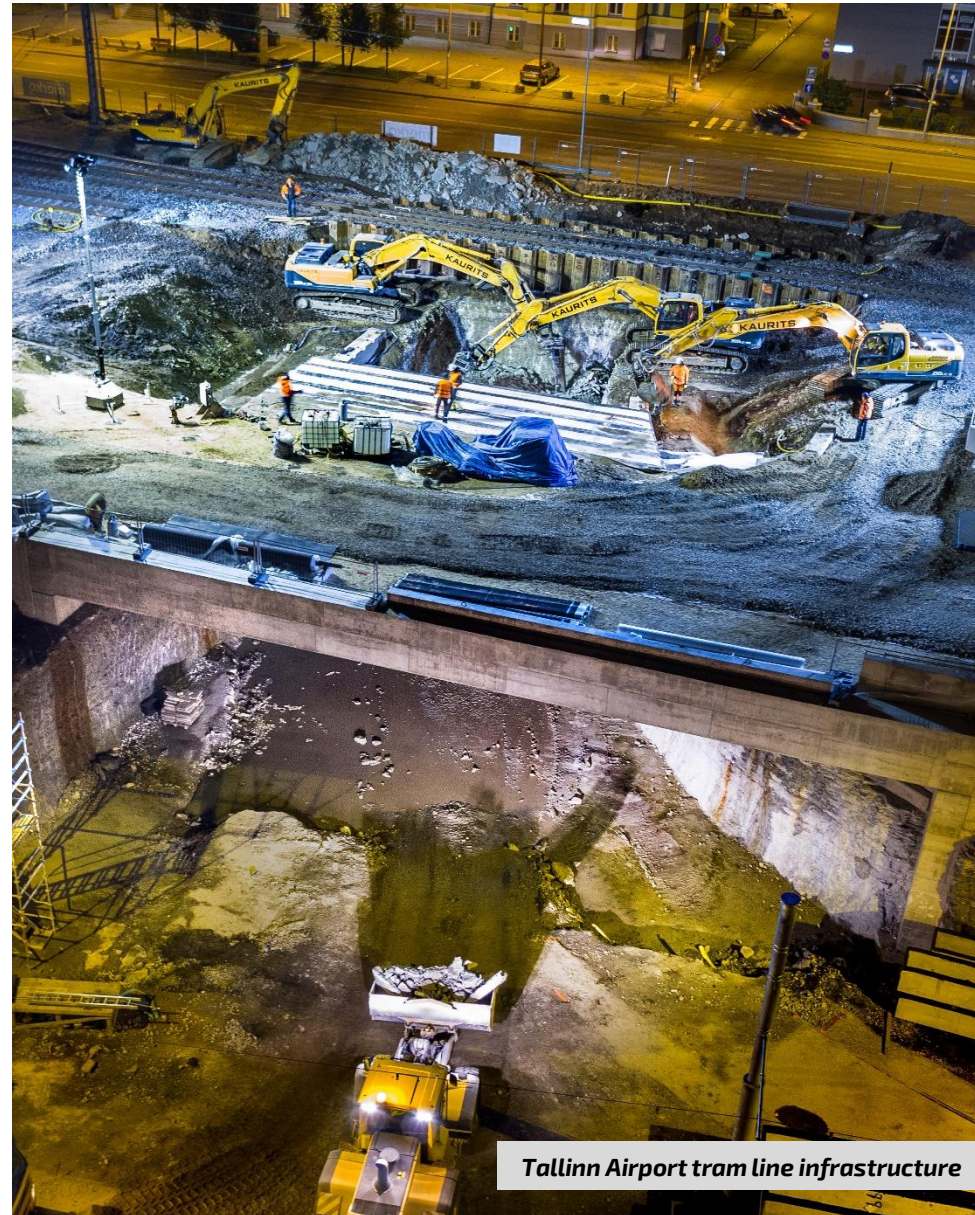


1. Key highlights
3. Financial position

2. Business review
4. Market outlook

Merko group key highlights

- ❑ Revenue EUR 58m in 3M up approx. 25% compared to 2016, in line with management expectations.
- ❑ Strong apartment sales in Q1.
- ❑ As expected growth in revenues from general construction projects in Estonian construction service segment.
- ❑ Profitability's from the construction segments remain under pressure.
- ❑ The group continued to implement its long-term apartments development strategy by investing a total of EUR 12m, including EUR 4m in new land plots.
- ❑ Secured order book strong at EUR 288m (up 18% y-o-y).
- ❑ 3M 2017 sold 141 apartments and started construction of 408 new apartments.



Tallinn Airport tram line infrastructure

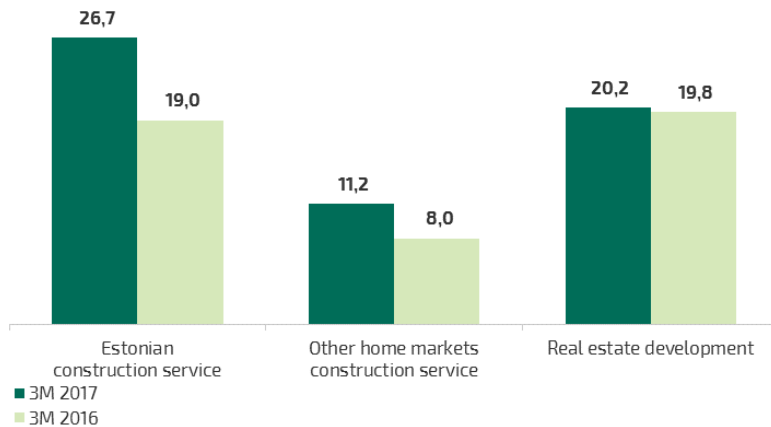
Merko group key financial highlights

<i>EUR million</i>	3M 2017	3M 2016	Variance	12M 2016
Revenue	58.1	46.8	+24.2%	252.0
EBITDA	1.9	1.2	+60.8%	11.2
EBITDA margin (%)	3.3	2.5	+29.5%	4.4
Operating profit	1.3	0.5	+159.6%	7.7
Operating profit margin (%)	2.2	1.0	+109.0%	3.1
Profit before tax	1.1	0.3	+261.7%	7.3
Net profit, attr. to equity holders of the parent	1.0	0.1	+822.8%	6.1
Earnings per share (EPS), in euros	0.06	0.01	+822.8%	0.35
Secured order book	287.7	243.5	+18.2%	269.6
Employees	799	782	+2.2%	797

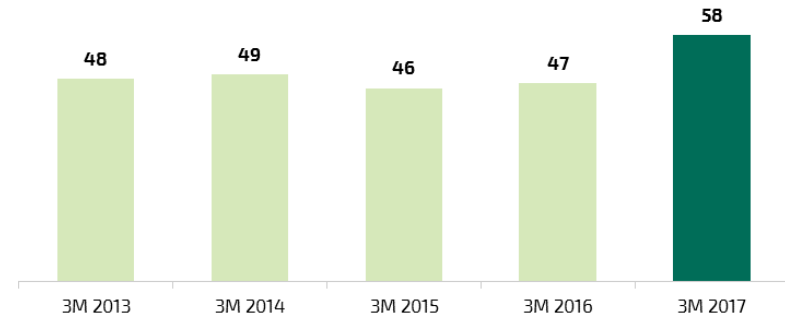
* Variance calculated based on consolidated financial statements of interim reports.

Business review 3M 2017

GROUP REVENUE BY SEGMENT
in million euros



GROUP REVENUE
in million euros



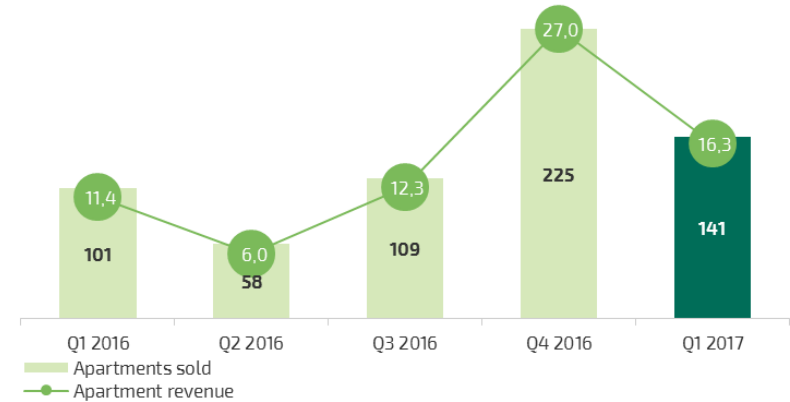
- ❑ The growth in general construction and apartment sales allowed us to increase revenue from last year's level, but profitability from construction sector remains under pressure.
- ❑ The construction services revenue has been in line with managements expectations as several large-scale projects that lagged in the last year gained momentum in Q1 2017. Public investments in infrastructure projects have remained in a slump.
- ❑ Real estate development segment revenues strong in 3M 2017. Supported also by sale of construction service of joint venture development projects, which yields lower margins compared to apartments.
- ❑ Profitability continues to be under pressure. Price competition in construction procurements is extremely tight, slimming down the margins and forcing both main contractors and contracting entities to take huge risks. Efficiency and management of contractual risks is becoming very important.

Real estate development - apartments

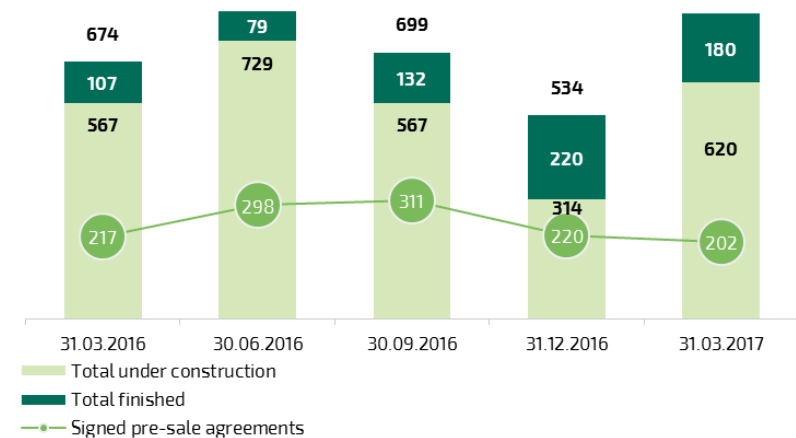
Demand stabilising in Tallinn and Vilnius, demand still slower in Riga.

- ❑ 141 (incl. 11 in joint venture) apartments sold in 3M (3M 2016: 101) for EUR 16.3m (3M 2016: EUR 11.4m).
- ❑ Construction of 408 apartments launched during 3M 2017 (3M 2016: 90) and invested EUR 7.5m in apartment construction (3M 2016: EUR 10.1m).
- ❑ 2017 new land plot acquisitions for EUR 4m in Riga. Supporting our long-term strategic view in apartments development.
- ❑ 598 apartments on active sale out of which approx. 50% in Estonia. Stock balance higher due to new launches in last 3M.
- ❑ Solid land plot portfolio of EUR 67m (31.03.2016: EUR 51m):
 - ❑ Estonia EUR 27m
 - ❑ Latvia EUR 32m
 - ❑ Lithuania EUR 8m
- ❑ New land plot acquisition in Riga for EUR 4m (Rūpniecības street, approx. 350 apartments).

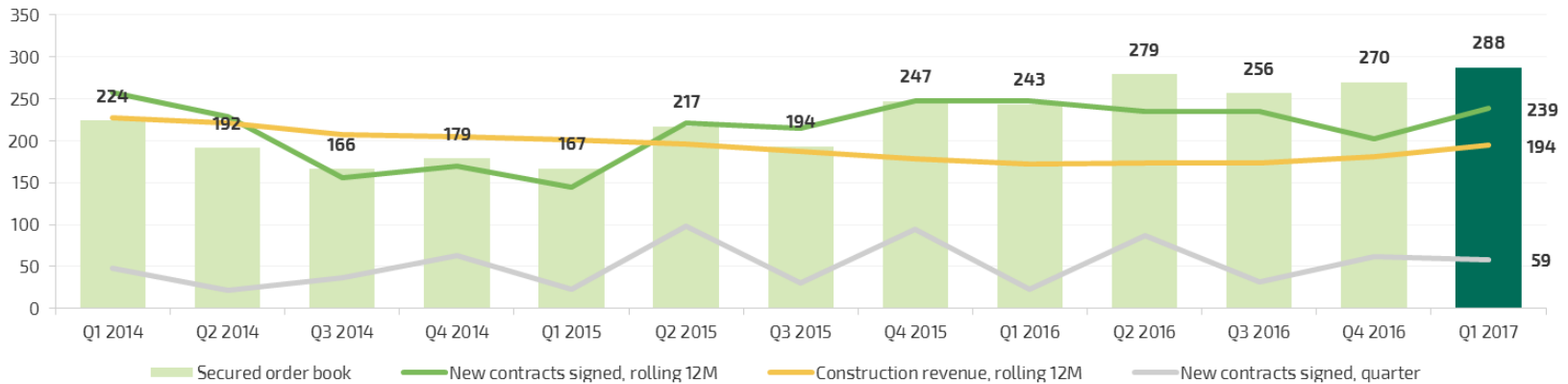
APARTMENTS SOLD AND APARTMENT REVENUE
pcs / in million euros



GROUP APARTMENTS INVENTORY
pcs



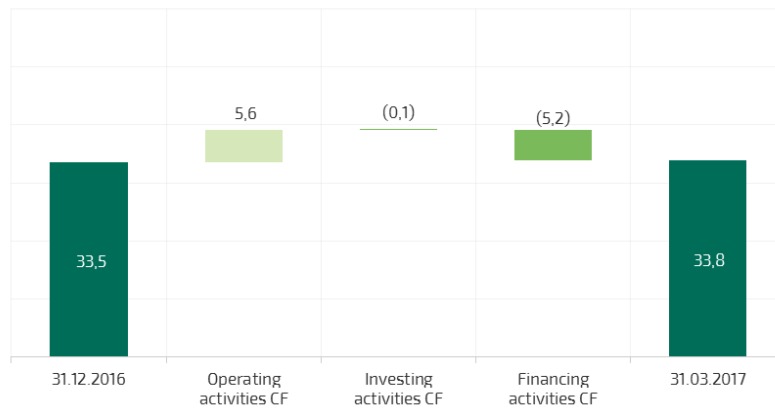
SECURED ORDER BOOK
in million euros



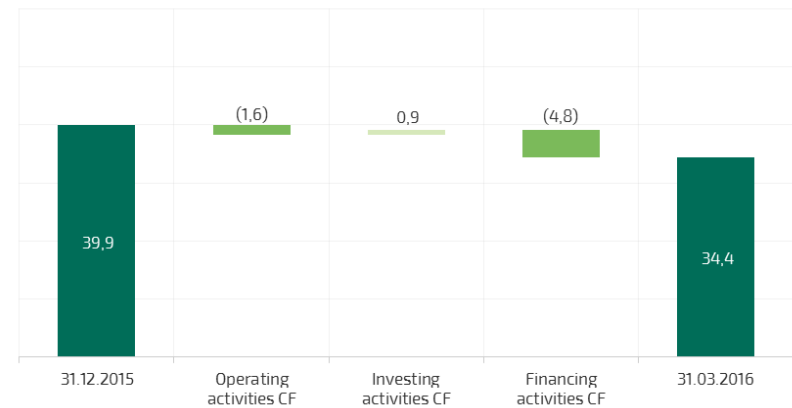
- ❑ Secured order book at EUR 288m (31.03.2016: EUR 243m). Level of new contracts in Latvia and Lithuania perceivably better than a year ago.
- ❑ Total new contracts signed 3M 2017 EUR 59m (3M 2016: EUR 22m; 12M 2016: EUR 202m), incl. a contract with Kodusadam OÜ, a joint venture, for EUR 15m and the first major contract in Norway for EUR 4m.
- ❑ Additionally EUR 100m contract in Latvia to build Multifunctional Centre Akropole in Riga signed at the beginning of April.
- ❑ The construction volumes of new commercial buildings in Tallinna and Vilnius are stabilising. Road and infrastructure procurements are on the way in Estonia; in Lithuania we expect more public sector orders. In Latvia we see a room for new commercial buildings, however the economic growth rate is a question as a whole.

Financial position

3 MONTHS CHANGE IN CASH AND CASH EQUIVALENTS
in million euros

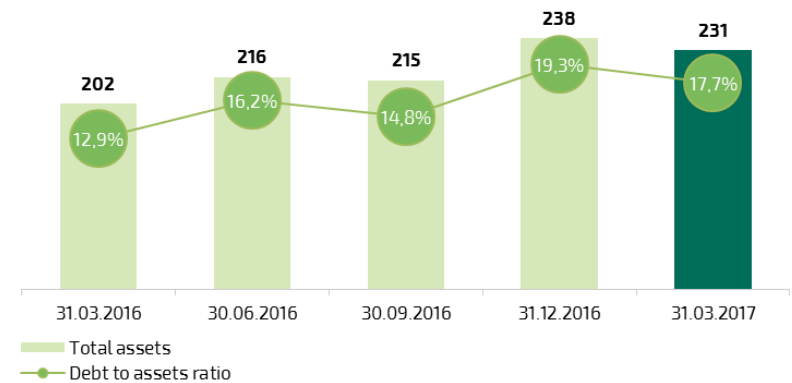


3 MONTHS CHANGE IN CASH AND CASH EQUIVALENTS
in million euros



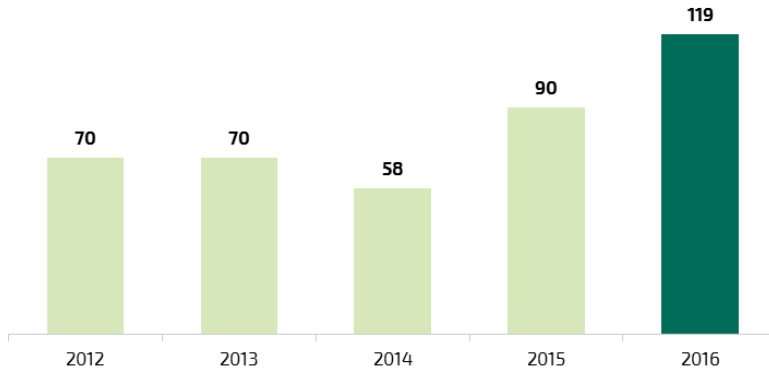
- ❑ Liquidity position maintained strong, cash at EUR 34m (31.03.2016: EUR 34m).
- ❑ Net debt amounted to EUR 7m and debt ratio at 18% (31.03.2016: EUR -8m and 13%). Group is self-funding a large proportion of its own development projects construction activities and has not used any overdraft facilities.
- ❑ Current assets are at 2.7x current liabilities (31.03.2016: 3.4x).
- ❑ Equity at 54% (31.03.2016: 62%).

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

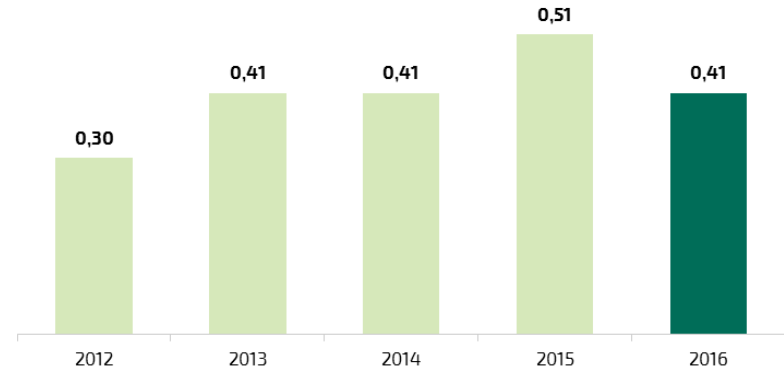


Dividends approved at AGM in April

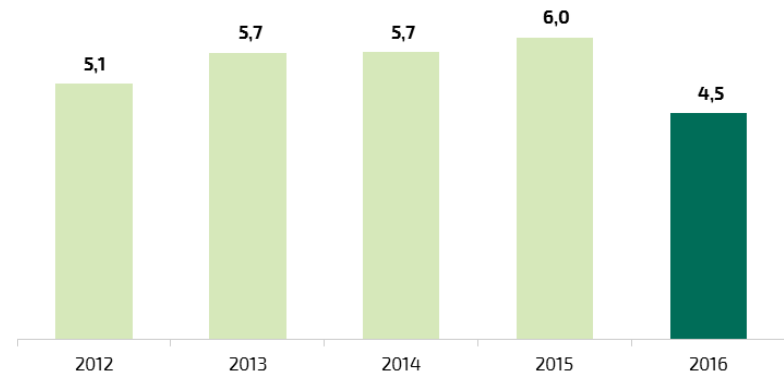
DIVIDEND RATE
percentages



DIVIDEND PER SHARE
in euros



DIVIDEND YIELD*
percentages

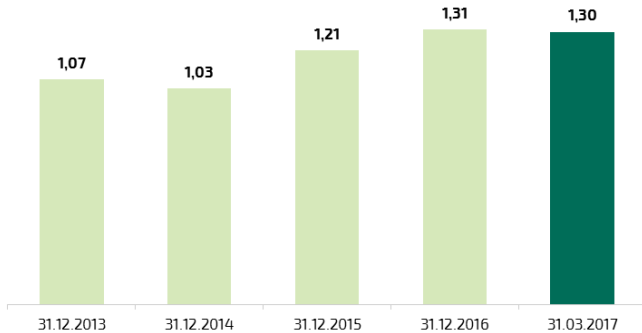


* Using share price as at 31.12

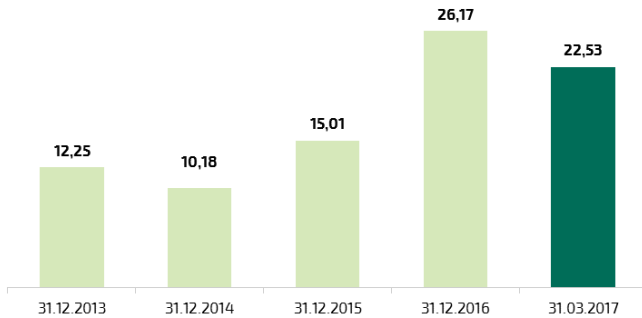
- ❑ **The AGM of shareholders approved to pay the shareholders the total amount of EUR 7.3m as dividends (EUR 0.41 per share) in 2017.**
- ❑ 2016 dividend rate of 119% and yield* 4.5%.
- ❑ Dividend payment will be made on 26 May 2017.
- ❑ To pay in excess of the financial target of 50-70%, is reflecting following factors:
 - ❑ Group's 2016 return on equity level;
 - ❑ Group's strong liquidity position which has ensured investment capabilities;
 - ❑ Overall construction market growth perspectives, where civil engineering procurement volumes shall start picking up.

Stock Exchange overview

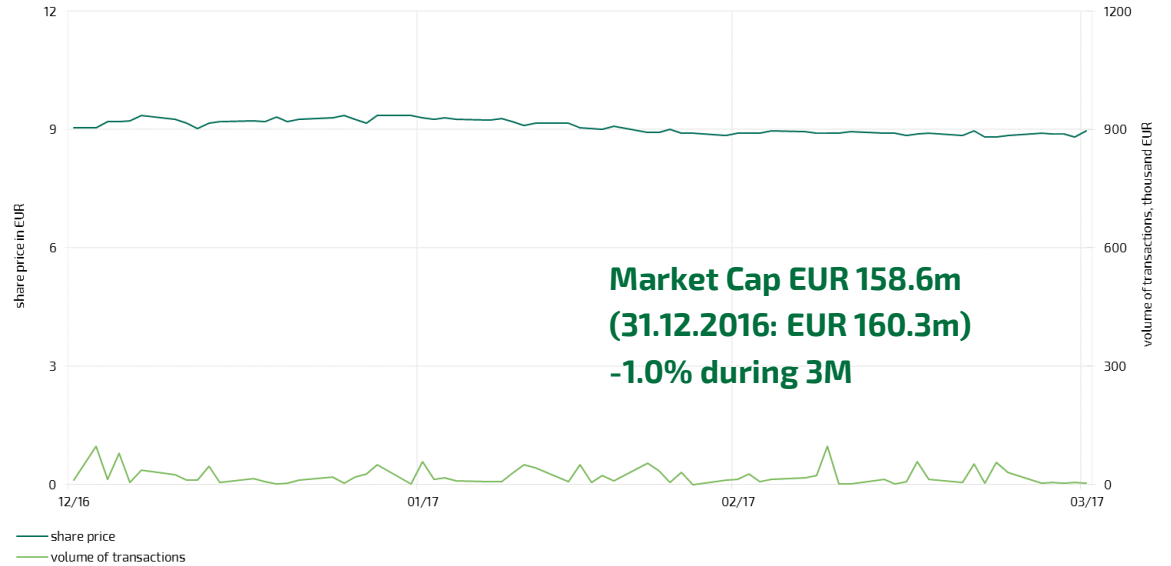
P/B RATIO
times



P/E RATIO
times



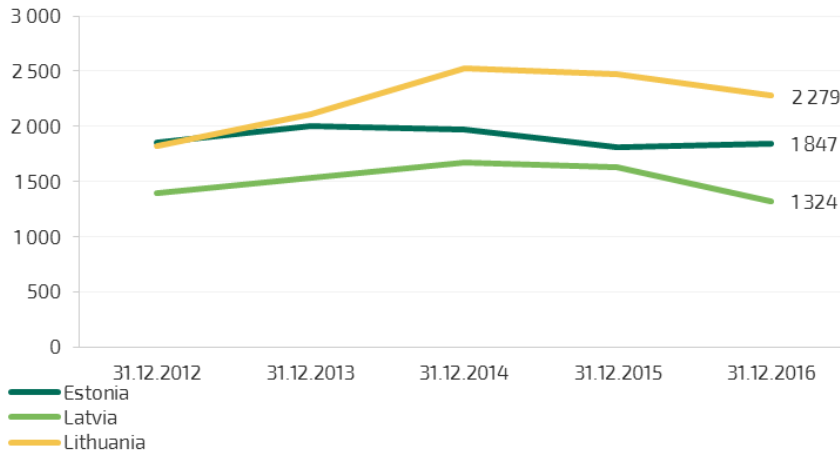
1,921 shareholders
+6.0% from 31.12.2016



Shareholders	No of shares	% of total 31.03.2017	% of total 31.12.2016	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	363 094	2,05%	2,20%	(26 338)
SEB S.A. UCITS client assets	232 222	1,31%	1,31%	-
Skandinaviska Enskilda Banken AB, Swedish clients	227 881	1,29%	1,47%	(32 932)
Firebird Aurora Fund Ltd	220 519	1,25%	1,25%	-
State Street Bank and Trust Omnibus Account a Fund No OM01	153 018	0,86%	0,86%	-
SEB Elu- ja Pensionikindlustus AS	143 887	0,81%	0,81%	-
Clearstream Banking Luxembourg S.A. clients	142 954	0,81%	0,81%	(100)
OÜ Midas Invest	138 485	0,78%	0,78%	+300
Total largest shareholders	15 338 872	86,65%	86,98%	(59 070)
Other shareholders	2 361 128	13,35%	13,02%	+59 070
Total shares	17 700 000	100,00%	100,00%	

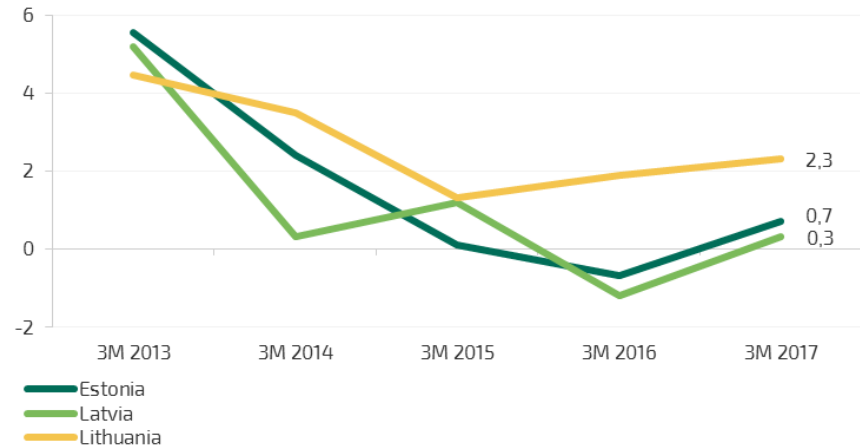
BALTIC STATES CONSTRUCTION MARKETS (WITH OWN FORCES) ROLLING 12 MONTHS

in million euros



Source: Local national statistical offices

3 MONTHS CHANGE IN CONSTRUCTION PRICE INDEX percentages



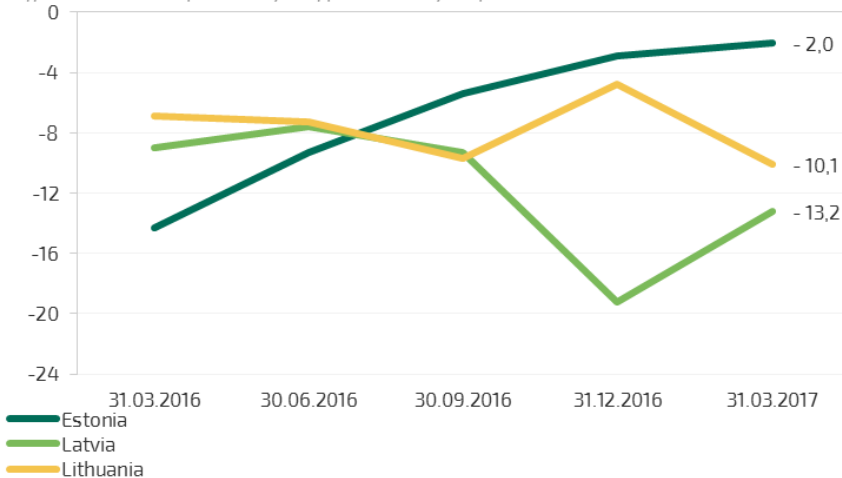
Source: Local national statistical offices

- ❑ Volumes of construction orders has continued to be at a low, for both infrastructure and in public procurements. We expect large road construction and infrastructure procurements in Estonia.
- ❑ The past growth rate is also becoming calmer in residential construction in Vilnius and Tallinn.
- ❑ Developments in the construction sector will be influenced by the activity level of public sector contracts, as it is clear that there is no growth in private sector order volumes.
- ❑ Construction prices turned to modest growth in Q1 2017 in all Baltic states, with labour force costs leading the increase.

Housing market in Baltics

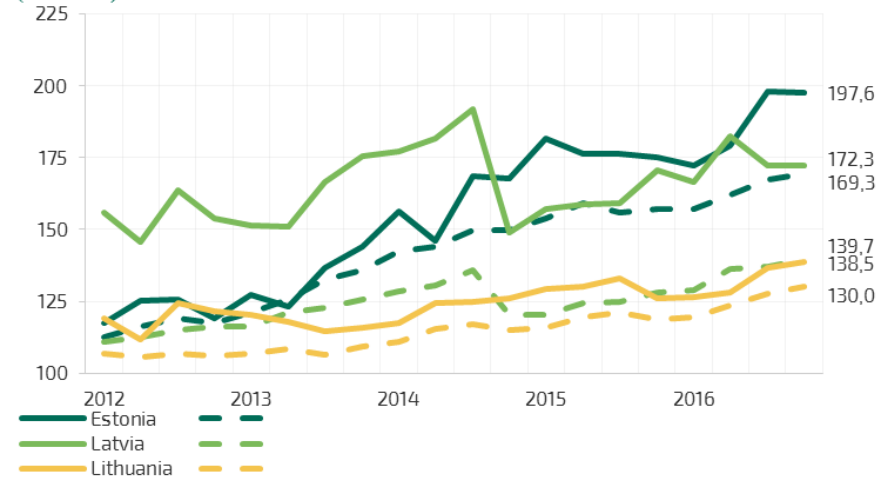
CONSUMER CONFIDENCE INDICATOR

difference between percentages of pos. and neg. responses



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

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



Source: Eurostat

- ❑ In 2016 apartment market continued to stabilise in Tallinn and Vilnius and the trend is expected to continue. Riga's apartment market still less active, but with gradual increases in the activity level.
- ❑ Supply levels still strong in Tallinn and Vilnius, however demand remains for good quality and optimal price level residential premises in all Baltic capitals.
- ❑ Prices for new apartments have exceeded the pre-crisis level (2007: 153) in Estonia. The price level has been more stable in Lithuania and has shown steady increase in Latvia (2007: 185), however is still lower compared to pre-crisis level.
- ❑ Continuing positive macro development is supporting the residential market – salaries growth, low interest rates and consumers' access to financing has remained good.
- ❑ Although construction prices are stable, the prices of land plots have increased, which hampers the addition of new developments.

Future perspectives for 2017+

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



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, Lithuania and Norway



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 2016
€252 mln



31.12.2016:
797 employees



Net Profit 2016:
€6.1 mln

EBITDA 2016:
€11 mln



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