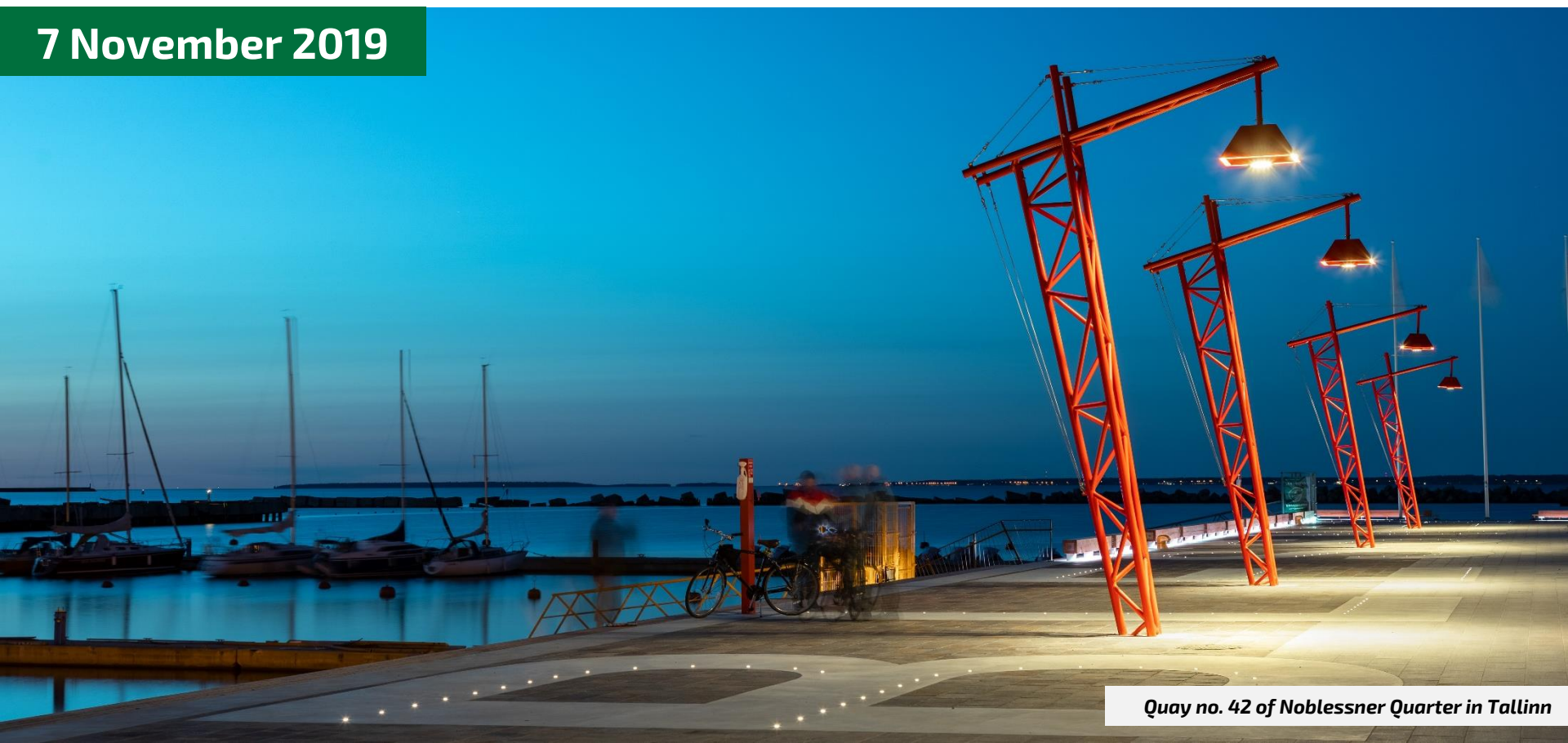


AS MERKO EHITUS

9 months and Q3 2019 interim report

7 November 2019



Quay no. 42 of Noblessner Quarter in Tallinn

1. Key Highlights
2. Business Review
3. Financial Position
4. Stock Exchange Overview
5. Market Outlook
6. Strategic Directions



Merko Group Key Highlights

- ❑ Q3 2019 revenue EUR 73m and 9M 2019 EUR 228m, down 24% compared to 9M 2018.

Decline was expected: markets are cooling off, secured order book decreased -36% y-o-y (EUR 152m).

- ❑ More than half of revenue (53%) in 9 months earned outside Estonia.
- ❑ 2019 Q3 profit before tax EUR 2.8m and 9M EUR 10.3m.
- ❑ 2019 Q3 net profit EUR 2.5m and 9M EUR 7m, including EUR -2.7m impact from income tax on dividends paid.
- ❑ In Q3 2019 106 apartments sold and in 9M 206 apartments sold.

More than 1,100 apartments in total under construction in Estonia, Latvia, Lithuania

Will be finished in the end of 2019, but mostly during 2020

- ❑ The group continued to implement its long-term apartment development strategy by investing a total of EUR 83m in this field in 9M 2019, including EUR 19m in new land for development.



Laying of electric power cables of Suur Väin and Väike Väin straits in Estonia

Merko Group Key Financial Highlights

<i>EUR million</i>	9M 2019	9M 2018	Variance *	Q3 2019	Q3 2018	Variance *
Revenue	227.6	298.8	-23.8%	73.4	115.1	-36.2%
EBITDA	11.7	14.3	-18.1%	2.9	6.2	-52.4%
EBITDA margin (%)	5.2	4.8		4.0	5.4	
Operating profit	9.9	12.9	-23.0%	2.3	5.7	-59.2%
Operating profit margin (%)	4.4	4.3		3.2	4.9	
Profit before tax	10.3	12.6	-18.5%	2.8	5.6	-50.2%
Net profit, attributable to equity holders of the parent	7.0	12.3	-43.1%	2.5	5.6	-54.8%
Earnings per share (EPS), in euros	0.40	0.70	-43.1%	0.14	0.32	-54.8%
Secured order book	152.2	239.4	-36.4%	152.2	239.4	-36.4%
Employees	712	773	-7.9%	712	773	-7.9%

* Variance calculated based on consolidated financial statements of interim reports

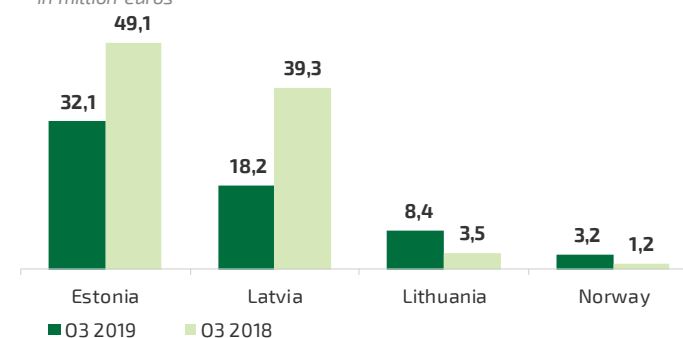
Construction Service

<i>EUR million</i>	9M 2019	9M 2018	Variance	Q3 2019	Q3 2018	Variance
Revenue	227.6	298.8	-23.8%	73.4	115.1	-36.2%
Construction service	204.0	250.5	-18.6%	61.9	93.1	-33.5%
Real estate development	23.6	48.3	-51.1%	11.5	22.0	-47.9%

- ❑ The decline in group's revenue is due to completion of major projects, the cooling off of the construction market and strategic focus on apartment development
- ❑ The group continues to focus on Public-Private Partnership (PPP) projects
- ❑ The group focuses on projects where it can generate value added for customers in terms of quality of project management, where pricing is fair and transparent, and contractual risks are distributed in a reasonable manner
- ❑ Ensuring higher construction volumes is not a goal in its own right if it should come at the expense of larger contractual risks or customer insolvency

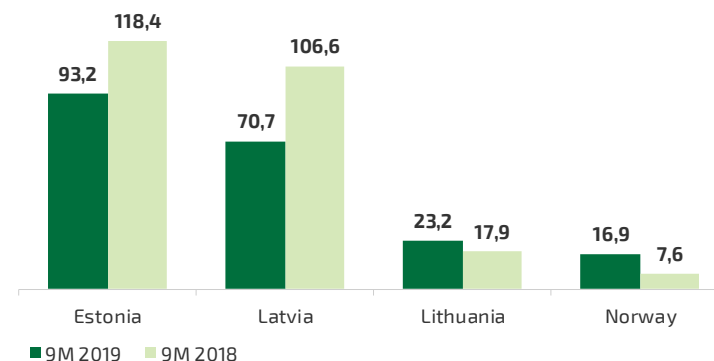
QUARTERLY CONSTRUCTION SERVICE REVENUE BY COUNTRIES

in million euros



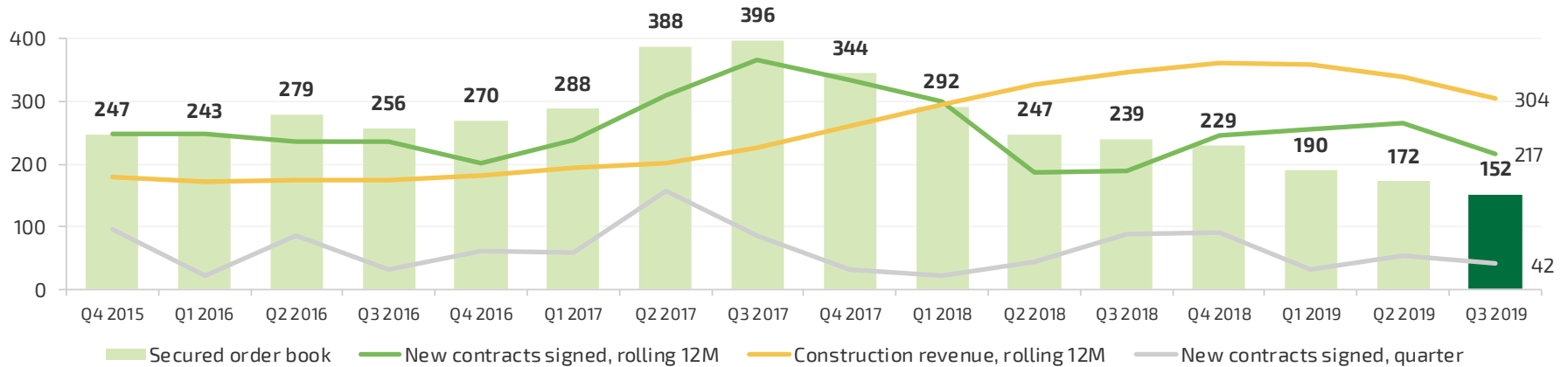
9 MONTHS CONSTRUCTION SERVICE REVENUE BY COUNTRIES

in million euros



SECURED ORDER BOOK

in million euros



- ❑ Secured order book EUR 152m (30.09.2018: EUR 239m)
- ❑ Private sector orders from projects in progress constitute 41% (30.09.2018: 83%)
- ❑ Total new contracts signed during 9M 2019: EUR 128m (9M 2018: EUR 157m)
- ❑ The volume of construction orders in the Baltics as a whole is on a declining trend. The orders from the public sector have not managed to compensate for the decrease in the activity of private sector customers
- ❑ The greater caution exercised by banks as to selection of customers and projects for financing and the growth in loan margins are also having an increasing impact on the construction market
- ❑ Main contractors in an increasingly difficult competitive situation, increases pressure to reduce costs

Real Estate Development

Group's central business line

- 206 apartments, incl. 36 in joint venture, sold in 9M 2019 (9M 2018: 255, incl. 47 in joint venture)

- Revenue from sale of own developed apartments EUR 20m in 9M 2019 (9M 2018: EUR 24m)

In addition, there were 411 pre-sale agreements signed as of 30.09.2019 (275 on 30.09.2018)

- Construction of 302 apartments launched during 9M 2019 (9M 2018: 840) and EUR 65m invested in apartment developments (9M 2018: EUR 22m)

- As of 30.09.2019, 869 apartments on active sale without pre-sale agreements, of which 14% (123 apt.) completed

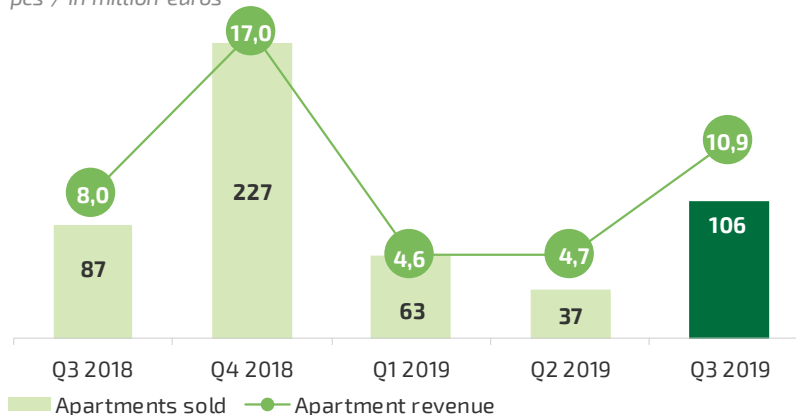
- Land for development acquisitions for EUR 19m in 9M 2019 (9M 2018: EUR 2m)

- Land plot portfolio of EUR 71m (30.09.2018: EUR 55m):

- Estonia EUR 30m
- Latvia EUR 27m
- Lithuania EUR 14m

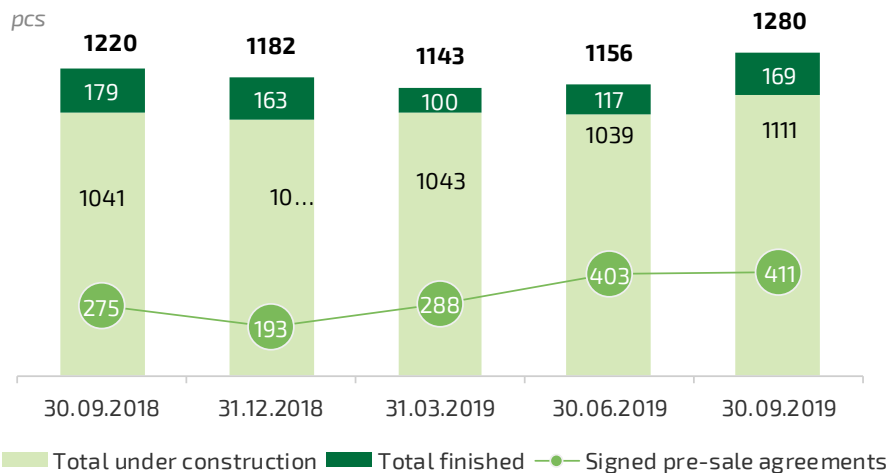
APARTMENTS SOLD AND APARTMENT REVENUE

pcs / in million euros



GROUP APARTMENTS INVENTORY

pcs



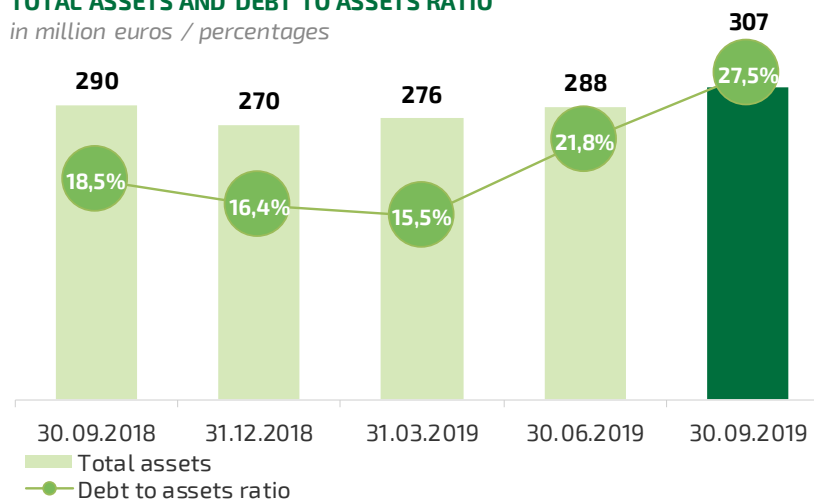
	m EUR
Balance of cash and cash equivalents 31.12.2018	40.0
Operating activities CF	-45.5
Investing activities CF	-1.6
Financing activities CF	+20.4
Currency exchange rate change	+0.1
Balance of cash and cash equivalents 30.09.2019	13.4

	m EUR
Balance of cash and cash equivalents 31.12.2017	39.2
Operating activities CF	+6.7
Investing activities CF	+0.3
Financing activities CF	-22.3
Currency exchange rate change	0
Balance of cash and cash equivalents 30.09.2018	23.9

Robust capitalization, decent liquidity, debt level has increased

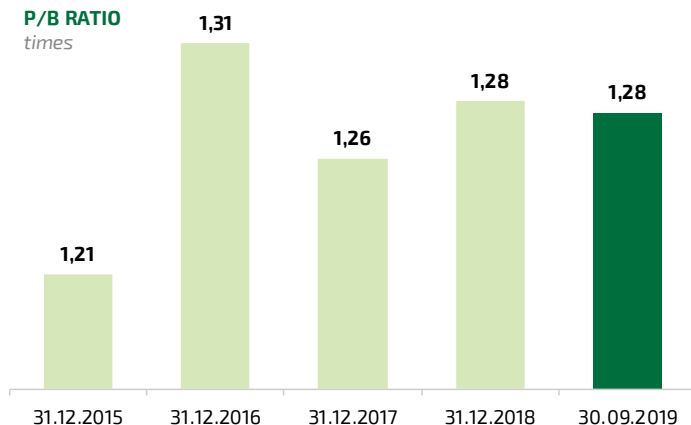
- ❑ Good cash position maintained, cash at EUR 13m as at 30.09.2019 (30.09.2018: EUR 24m).
- ❑ Net debt amounted to EUR 71m and debt ratio at 28% (30.09.2018: EUR 30m and 19%). Group is self-funding a large proportion of its own development projects construction activities and has not used all its overdraft facilities (unused limits of EUR 20m).
- ❑ Current assets are at 2.0x current liabilities (30.09.2018: 2.1x).
- ❑ Equity ratio at 39% (30.09.2018: 43%).

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

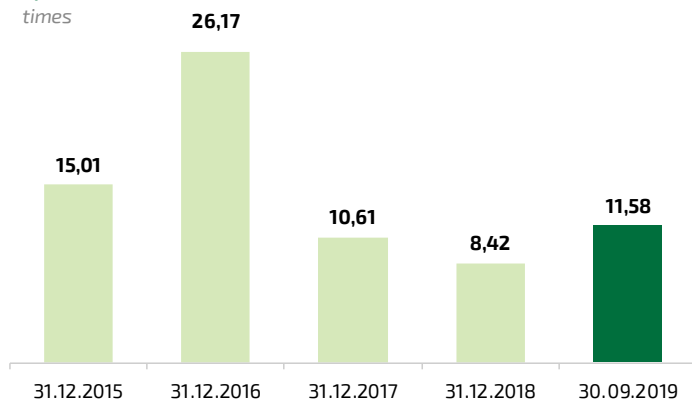


Stock Exchange Overview

P/B RATIO
times

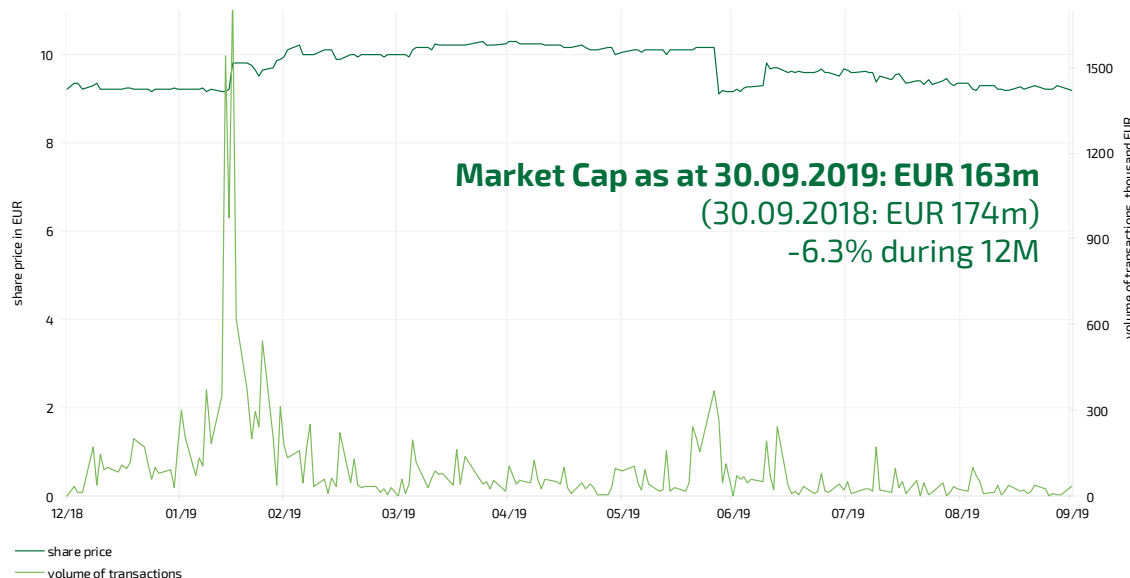


P/E RATIO
times



9M 2019: 7,179 transactions, turnover
EUR 19.4 million (9M 2018: 3,230; EUR 9.6m)

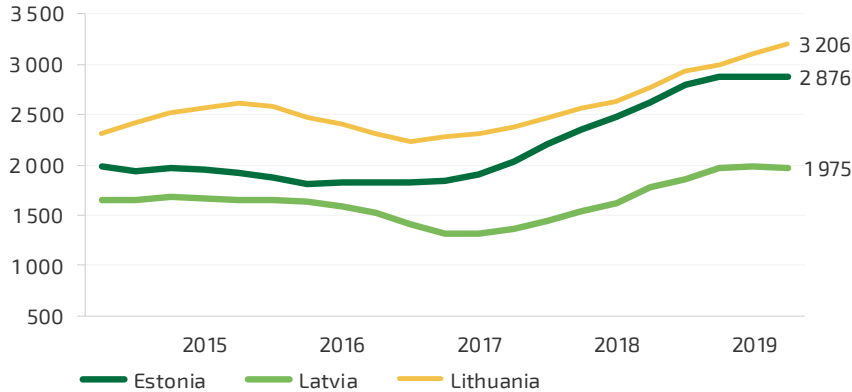
30.09.2019 (30.09.2018):
3,708 shareholders (2,542)



Shareholders	Number of shares	% of total 30.09.2019	% of total 30.06.2019	Variance
AS Riverito	12,742,686	71.99%	71.99%	-
Firebird Republics Fund Ltd	329,602	1.86%	1.86%	-
OÜ Midas Invest	293,800	1.66%	1.50%	29,020
Firebird Avrora Fund Ltd	188,927	1.07%	1.07%	-
Skandinaviska Enskilda Banken AB, Swedish customers	162,438	0.92%	0.92%	-
State Street Bank and Trust Omnibus Account at Fund No OM01	153,018	0.86%	0.86%	-
SEB Elu- ja Pensionikindlustus AS	148,787	0.84%	0.84%	-
BNYM AS AGT/CLTS	126,685	0.72%	0.83%	(19,312)
Siseinfo OÜ	115,000	0.65%	0.56%	15,000
Firebird Fund L.P.	114,585	0.65%	0.65%	-
Total largest shareholders	14,375,528	81.22%	81.08%	24,708
Total others shareholders	3,324,472	18.78%	18.92%	(24,708)
Total	17,700,000	100%	100%	-

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

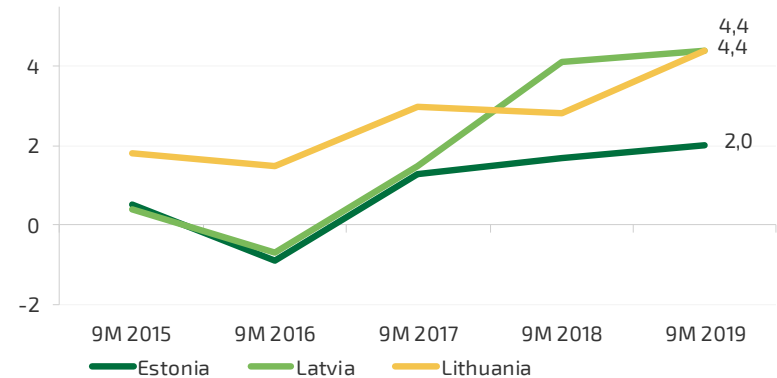
in million euros



Source: Local national statistical offices

9 MONTHS' CHANGE IN CONSTRUCTION PRICE INDEX

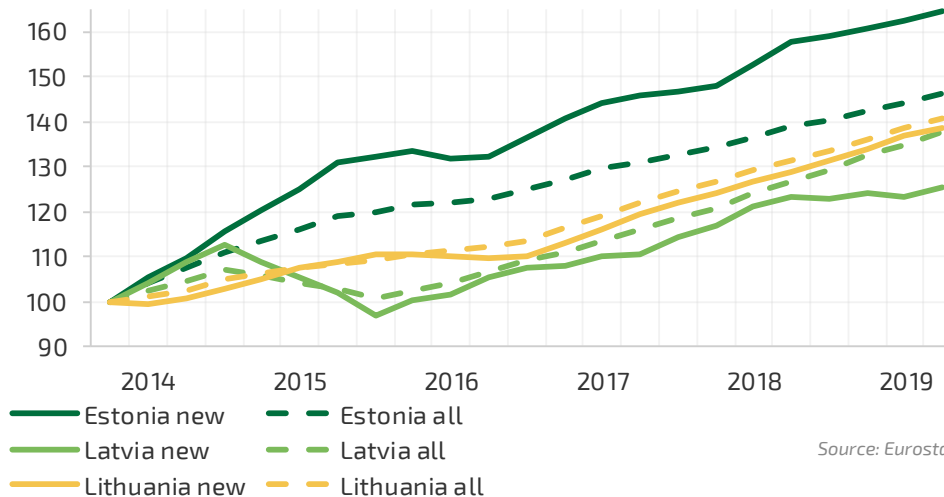
percentages



Source: Local national statistical offices

- ❑ The standstill on the Estonian and Latvian construction markets that started earlier this year continued, Lithuania is still growing
- ❑ In Estonia, the boom era peak was exceeded by 13%, while Latvia and Lithuania are below the peak by about one-fifth
- ❑ In Estonia, a new surge in the volume of building permits for residential units took place in Q3: close to 40% more building permits were issued than in the same period the previous year
- ❑ In Latvia, the volumes of building permits for residential units have remained on a par with last year, while in Lithuania the decline continues
- ❑ Regarding building permits for non-residential spaces in Estonia, the total volumes in the last four quarters have declined to a point 26% lower than the peak in late 2017. In Latvia, the volumes are more than 50% greater than during the low point in 2017. In Lithuania volume have increased by more than 10% compared to a few years ago
- ❑ In Norway, construction market, in the last five years, has grown by an average of slightly more than 3% per year
- ❑ The construction price index has continued to rise in Latvia and Lithuania, in Estonia maintaining around 2%. Employment cost component in Estonia ca +5%, in Latvia and Lithuania at times close to even +10%

NEW AND ALL (dotted line) DWELLINGS QUARTERLY HOUSE PRICE INDEX (4 QUARTER ROLLING AVERAGE) (2013=100)



- ❑ In Estonia, the volume of permits for use issued for residential buildings is continuing to rise. In the last four quarters, 14% more permits for use were issued than during the same period at peak of the boom (2007/2008)
- ❑ In Lithuania, the volume of permits for use has remained on a stable course for the last 2 years, being about one-tenth higher than at the peak of the boom
- ❑ In Latvia, the volume of permits for use has seen a slight rising trend (about 10% per year), the general volume continues to be much lower than in Estonia and Lithuania
- ❑ In Estonia and Lithuania, housing prices on a continuous upward trend, coupled with growth of incomes. In Latvia, new housing prices have remained stable for the last 1.5 years
- ❑ In all three markets, developments on the apartment market seem rather stable, a clear oversupply or price bubble cannot be seen
- ❑ As long as local sentiment remains fairly positive with rising incomes, low unemployment, moderate inflation and favourable loan terms, there is no clear reason to expect a significant decline on the real estate market. Risks are stemming from possible changes in the external markets



Lahekalda apartment development in Tallinn

Construction for clients:

- ❑ Finalization of large objects and managing risks
- ❑ Preferred partner for private customers who value reliability and quality
- ❑ Selective participation in construction tenders. Efficiency of bidding resources.
- ❑ Internal efficiency and cost savings, incl. with the help of technology. Continue with expanding the usage area of building information modeling (BIM)
- ❑ Flexibility also to construct smaller objects
- ❑ Construction tenders for infrastructure facilities

Development of residential real estate:

- ❑ Selling the best apartments of their price range: to cover different segments. Product development, based on pricing
- ❑ Continued focus on the capitals of the Baltic states
- ❑ Integral development concept for large development areas
- ❑ On average, launch 650-700 new apartments and invest ca EUR 60m annually, depending on receiving building permits. 2019 investments higher, due to projects launched in 2018
- ❑ Ensuring investment capability

AS Merko Ehitus Group in Brief



AS Merko Ehitus is a construction and real estate development group operating in Estonia, Latvia, Lithuania and Norway

BUSINESS SEGMENTS

ESTONIA

- General construction
- Civil engineering
- Electrical construction
- Road construction
- Residential real estate development and investments

LATVIA

- General construction
- Civil engineering
- Electrical construction
- Residential real estate development and investments

LITHUANIA

- General construction
- Residential real estate development and investments

NORWAY

- General construction

The construction company with the largest equity in the Baltics, long-term capability to self-finance its projects

A strong position on the Baltic construction market, the leading residential real estate developer

International quality, environmental protection and occupational safety **certificates ISO 9001, ISO 14001, OHSAS 18001**

SHARES

The shares are listed in the Main List of NASDAQ Tallinn since 1997.

The main shareholder is AS Riverito (**72%**)

2018 KEY FIGURES

Revenue **418.0 million** euros

Net profit **19.3 million** euros

764 employees



Andres Trink

Chief Executive Officer

andres.trink@merko.ee



Priit Roosimägi

Head of Group Finance Unit

priit.roosimagi@merko.ee

AS Merko Ehitus

Delta Plaza, 7th floor

Pärnu road 141, 11314 Tallinn, Estonia

Phone: +372 650 1250

group.merko.ee

- 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.