

Merko Ehitus Group

9 months and III quarter 2013

November 2013



Key Q3 highlights

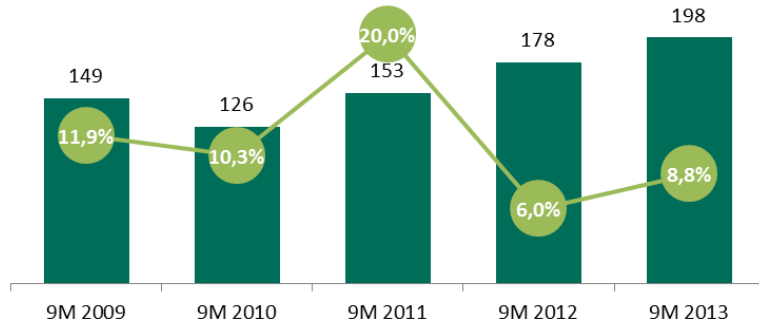
EUR millions	9M 2013	9M 2012	Variance	Q3 2013	Q3 2012	Variance
Revenue	197.8	177.7	+11.3%	84.1	70.9	+18.7%
Gross profit margin (%)	8.8	6.0	+46.4%	9.0	7.9	+13.2%
Net profit, attributable to equity holders of the parent	7.9	3.2	+148.2%	3.9	2.6	+48.6%
Earnings per share (EPS), in euros	0.45	0.18	+148.2%	0.22	0.15	+48.6%

** Variance calculated based on interim consolidated financial reports*

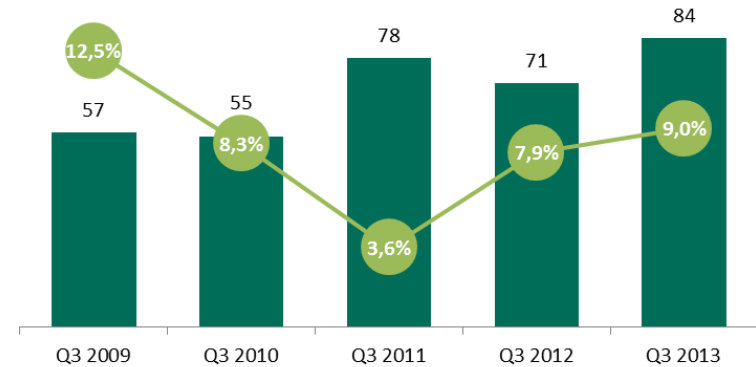
- ❖ **Profitability:** improved due to road construction and real estate development segments.
- ❖ **Revenue:** increased 11.3% during the 9M period and 18.7% in Q3 compared y-o-y.
- ❖ **Strong cash position:** at EUR 39.1m (30 September 2012: EUR 15.5m).
- ❖ **Secured order book:** stable at EUR 218.1m (30 September 2012: EUR 199.5m).

Revenue and gross profit improved y-o-y

9M revenue / 9M gross profit margin
in million euros / percentages



Q3 revenue / Q3 gross profit margin
in million euros / percentages



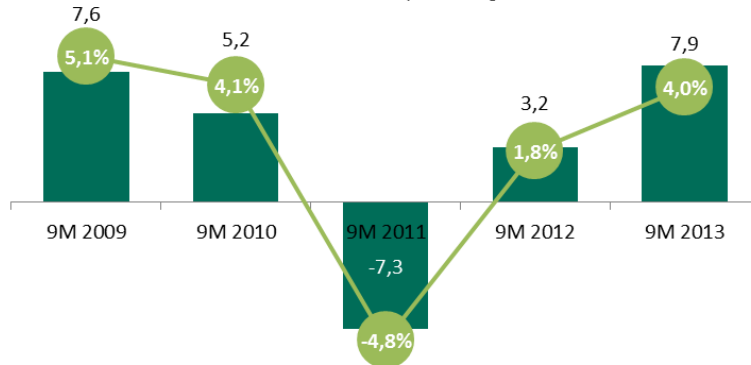
REVENUES

- ❖ 9M 2013 revenues improved by 11.3% y-o-y. Strongest performance from general construction segment (revenues up by 38.9% y-o-y), that is also supported by increased real estate development segment (up by 35.6%) and road construction segment (up by 33.5%) revenues.
- ❖ The largest proportion of revenues is still comes from engineering segment (9M 2013: 37.5%; 9M 2012: 48.5%), followed by general construction segment (9M 2013: 30.3%; 9M 2012: 24.3%).

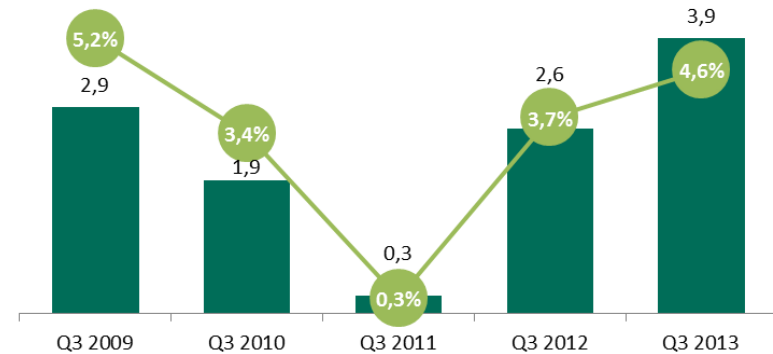
GROSS PROFIT

- ❖ 9M 2013 gross profit of EUR 17.4m (Q3 2013: EUR 7.5m) compared to EUR 10.7m in 9M 2012 (Q3 2012: EUR 5.6m). Main contributors are engineering segment (9M 2013: EUR 7.6m; 9M 2012: EUR 5.5 m) and road construction segment (9M 2013: EUR 5.6m; 9M 2012: EUR 1.2m)
- ❖ Increase in margin by 46.4%, primarily impacted by road construction segment and real estate development segment. The positive upside from road construction segment is mainly due to increased road construction and maintenance volumes in Q2 and Q3 of 2013.
- ❖ Maintaining the gross profit margins remains a challenge. The impact is seen already in general construction as the gross profit margins have decreased during 2013 almost 2/3 compared to 2012 levels (9M 2013: 2,6% and 6M 2012: 7,4%).

9M net profit / 9M net profit margin
in million euros / percentages



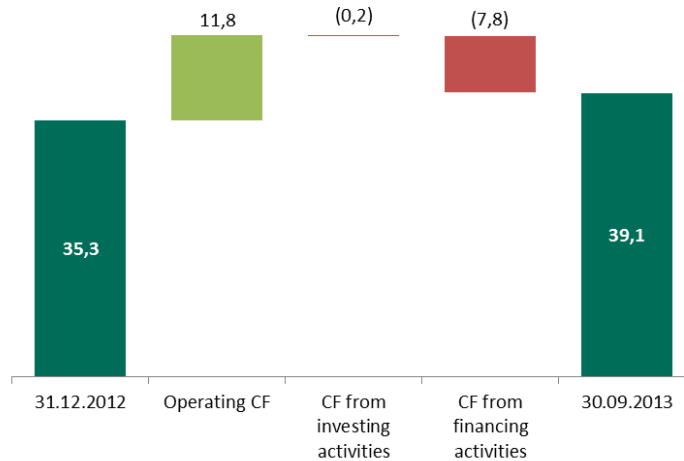
Q3 net profit / Q3 net profit margin
in million euros / percentages



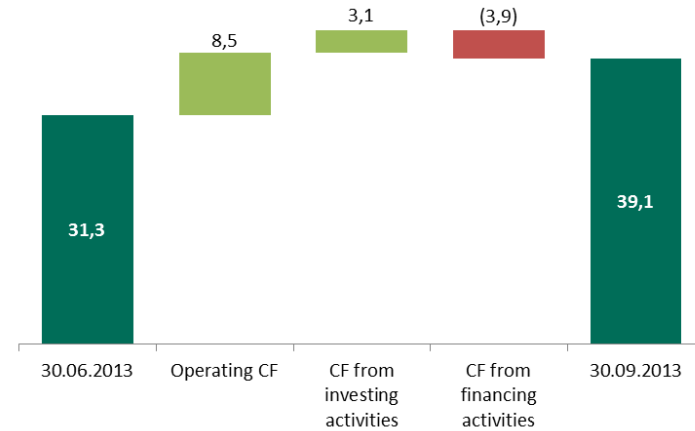
- ❖ 9M 2013 net profit EUR 7.9m Q3 2013 EUR 3.9m shows a positive trend.
- ❖ 9M 2013 Marketing and Administrative expenses are up by 14.8% y-o-y. 2012 as a comparison gives a lower basis due to the fact that the overall profit level was lower and hence the bonus reserves were lower.
- ❖ Corporate Income Tax expense on distributed dividends marginal, due to efficient tax planning.
- ❖ Our key focus is to enhance the efficiency of the cost base.

Strong balance sheet and cash position

Change in cash and cash equivalents
in million euros

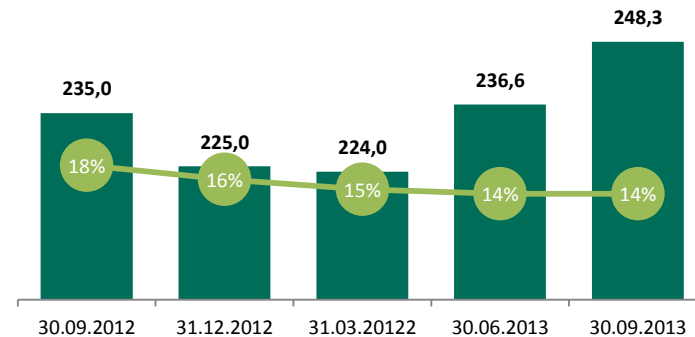


Change in cash and cash equivalents Q3
in million euros

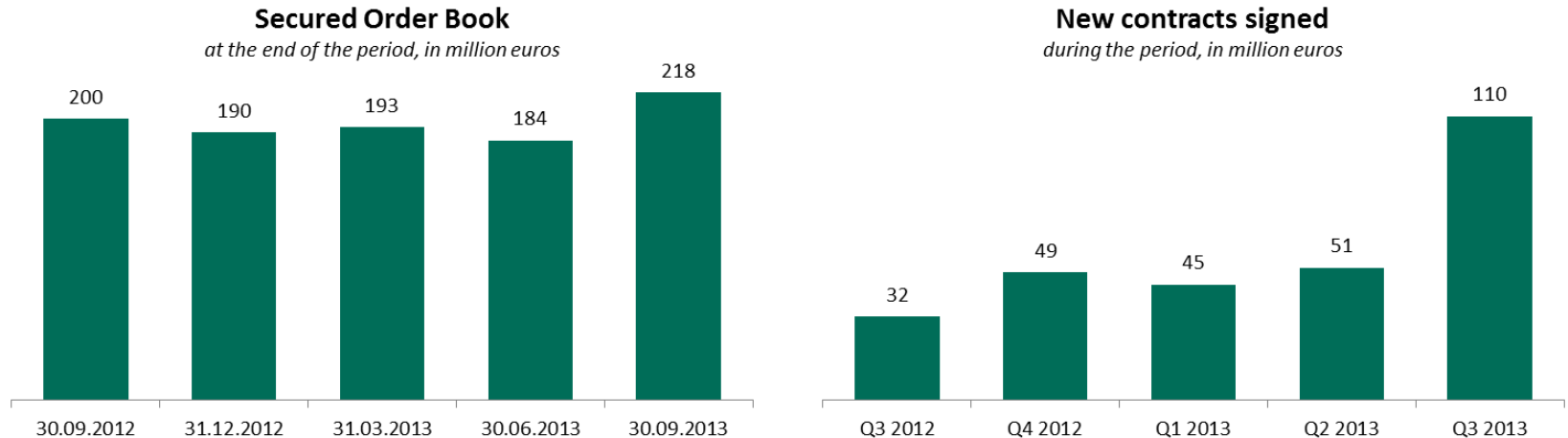


- ❖ Group's cash position at EUR 39.1m (31.12.2012: EUR 35,3m).
- ❖ The net debt amounted to EUR –4.5m and debt ratio is at a modest level of 13.9% (31.12.2012: EUR +0.2 and 15.8%).
- ❖ Current assets are at 2.0x current liabilities (Q3 2012: 1.9x).
- ❖ Equity at 48.1% (31.12.2012: 52.0%).

Total assets and debt ratio
in million euros and %



Stable secured order book



- ❖ Secured order book has increased to EUR 218.1m (by +18.3% compared to Q2 2013 and +9.3% compared to the secured order book value in 2012).
- ❖ EUR 109.8m worth of new contracts compared to EUR 32.4m during Q3 2012. The comparison level was influenced by fewer than usual public procurement contracts signed in Q3 2012.
- ❖ Order book is still dominated by public orders, however about half of new signed contracts during 9 month period are related to private orders.
- ❖ Steady decrease in the volume of public tenders in the II half of 2013 due to expiry of the current EU budget period.
- ❖ Challenge for next 12 months to keep the current volume of new contracts.

Construction market

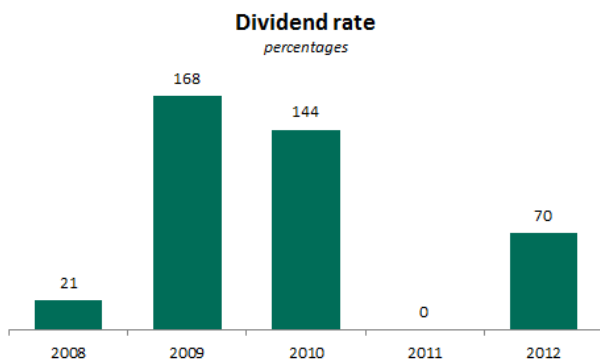
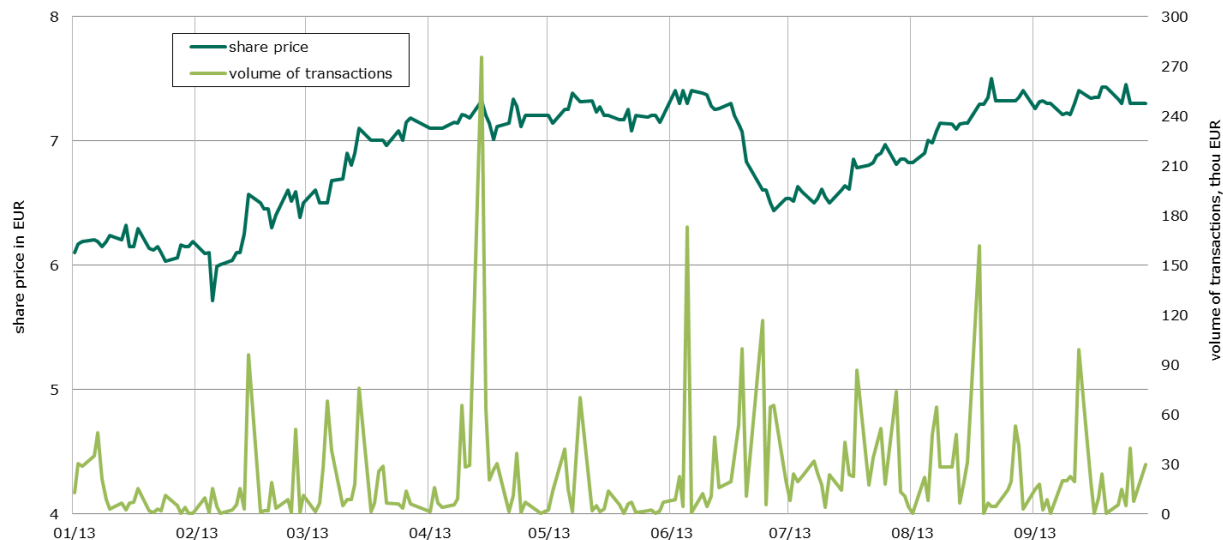
- ❖ Group's outlook largely unchanged compared to previous quarter.
- ❖ Decrease in construction volumes is expected in the Baltic States during 2013 and 2014.
- ❖ Continuing decrease of public sector procurements due to the end of funding period 2007-2013 and uncertainties around distribution of fund in EUs budget period 2014-2020.
- ❖ Positive trends from private sector as the market is picking up. The number of projects launched by private sector has grown significantly over the last 9 months. Nevertheless the private sector will not be able to compensate in the full reduction in procurement by the public sector (specially external networks).
- ❖ Market becomes more competitive and aggressive on margins. This leads to a challenging position to keep the profitability levels.
- ❖ High demands on customers side to warranty's and payment periods demand continuous cash flow management.

Property development

- ❖ Reasonable level of transactions and positive price movements due to low interest rates and limited supply of new flats during the last few years.
- ❖ Good potential to start new developments in all Baltic capitals.

Stock Exchange overview

- ❖ Market capitalization as at 30 September 2013 amounted to EUR 129.2m (30 June 2013: EUR 114,0m)
- ❖ The closing share price on 30 September 2013 was EUR 7.30 (30 June 2013: EUR 6.44)
- ❖ Dividend payment of EUR 5,3m in July 2013 (EUR 0,3 per share)

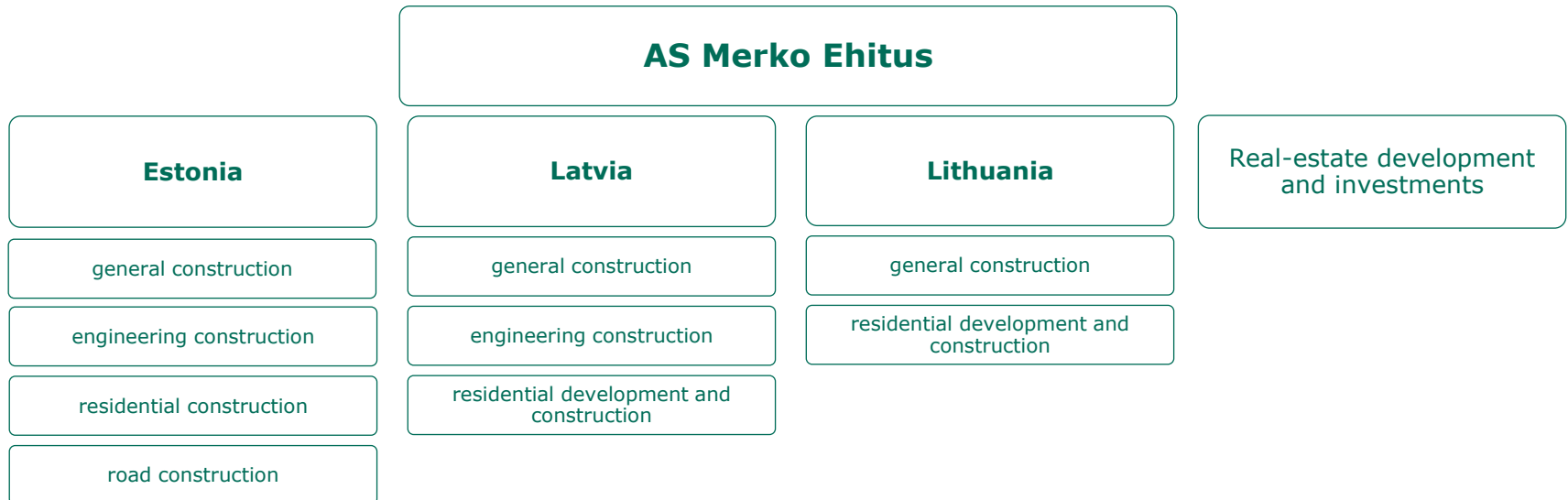


Shareholders	No of shares	% of total 30.09.2013	% of total 30.06.2013	Variance
AS Riverito (management)	12 742 686	71,99%	71,99%	-
ING Luxembourg S.A., clients	974 126	5,50%	5,50%	-
Skandinaviska Enskilda Banken Ab, clients	811 439	4,58%	4,78%	-34 172
Firebird Republics Fund Ltd	302 395	1,71%	1,71%	-
Gamma Holding OÜ	185 562	1,05%	0,00%	185 562
State Street Bank and Trust Omnibus Account a Fund No OM01	153 018	0,86%	0,86%	-
Skandinaviska Enskilda Banken Finnish clients	143 191	0,81%	0,81%	-
Clearstream Banking Luxembourg S.A. clients	141 262	0,80%	0,80%	315
SEB Elu- ja Pensionikindlustus AS	128 020	0,72%	0,72%	-
AS Midas Invest	121 185	0,68%	0,68%	-
TOP 10 shareholders	15 702 884	88,70%	87,85%	151 705
Other shareholders	1 997 116	11,30%	12,15%	-151 705
Total shares	17 700 000	100,00%	100,00%	

About Merko Ehitus Group

AS Merko Ehitus operates as a holding company incorporating construction and real estate development subsidiaries offering integrated construction solutions and developing own real estate.

- ❖ Merko Ehitus is the largest listed construction company in the Baltics – with revenues of €249.1 million in 2012 (€219.3 million in 2011).
- ❖ Home markets are – Estonia (81.1%), Latvia (15.4%), Lithuania (3.5%).
- ❖ Core activities include - general construction (25%), civil engineering (45%), roads (18%), property development and other (12%).
- ❖ 902 employees at the end of Q3 2013 (31 December 2012: 915).



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