

MERKO EHITUS GROUP

3 months 2015

May 2015



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Merko group key highlights 3M 2015

- 3M results in line with expectations and reflect the developments on the Baltic construction market started in 2014.
- Low level of orders and pressure on margins, which will continue to have an effect in 2015 and likely in 2016.
- Continuing revenue growth outside Estonia. Approximately 42% of total revenues from Latvia and Lithuania.
- Due to low level of public orders, less civil engineering projects, particularly in Estonia.
- Increased share of real estate development up to 24% (3M 2014: 21%) of total revenues.
- Sold 62 apartments and started construction of 100 new apartments. New land plot acquisitions in Estonia.



Merko group key financial highlights

<i>EUR millions</i>	3M 2015	3M 2014	Variance	2014
Revenue	45.6	48.9	-6.7%	252.3
Gross profit	3.6	3.9	-9.5%	24.7
Gross profit margin (%)	7.8	8.1	-3.0%	9.8
EBITDA	1.9	1.9	+0.7%	16.4
Profit before tax	0.8	1.1	-26.5%	13.3
Net profit, attr. to equity holders of the parent	0.8	0.7	+13.9%	12.4
Earnings per share (EPS), in euros	0.05	0.04	+13.9%	0.70
Secured order book	167.2	224.0	-25.4%	179.1
Employees	776	824	-5.8%	765

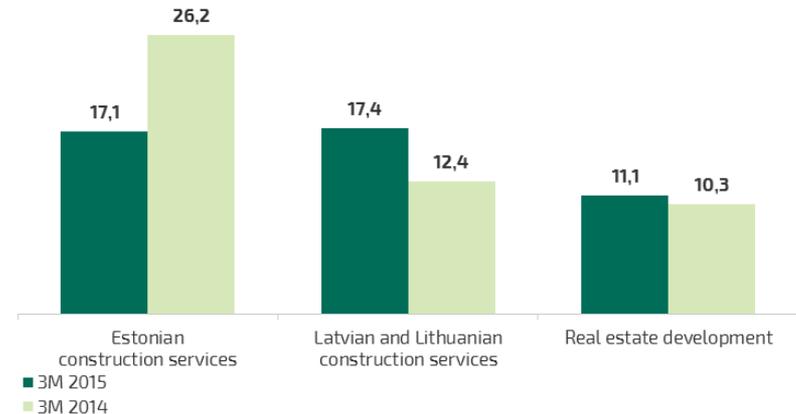
** Variance calculated based on consolidated interim reports*

Revenues and gross profit 3M 2015

REVENUES

- Strong performance from Latvian and Lithuanian construction service (revenues up by 40.7% y-o-y) and real estate development segment (up by 7.6%).
- Decrease of Estonian construction service segment (down by 34.7%). No comparable amount of engineering projects compared to last year.
- Merko earned 41.8% of its revenues outside Estonia (3M 2014: 33.4%), mainly attributable to the share of Latvian revenues which have increased by 20.1% compared to 3M 2014.

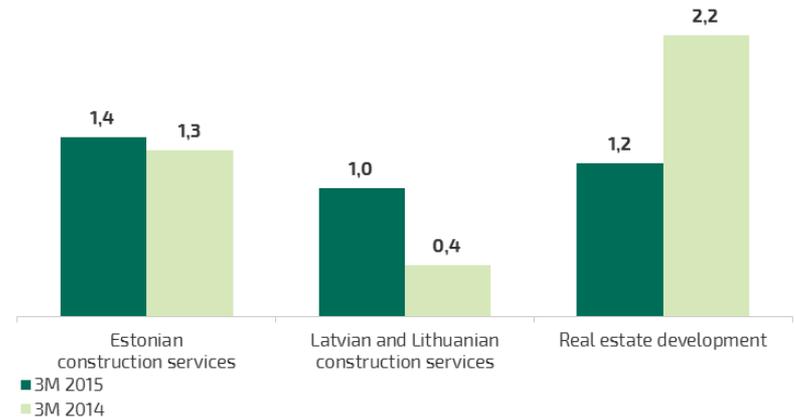
GROUP REVENUE BY SEGMENT
in million euros



GROSS PROFIT

- Gross margin down from 8.1% to 7.8% y-o-y.
- Main contribution from Estonian construction service segment (39.2% of total), with Latvian and Lithuanian construction service and real estate development segments both amounting to approximately 30%.
- Good performance from Estonian construction service segment, despite the decline in sales volumes, mainly supported by the slight decrease in input prices and internal efficiencies, which may not necessarily continue over the whole of 2015.

GROUP GROSS PROFIT BY SEGMENT
in million euros



Real estate development - apartments

Objective to keep the adequate level of inventory to meet the market demand, new project launch depending on market conditions at the time.

- 7.6% increase of revenues compared to 3M 2014. Mainly attributable to apartments sold in a more exclusive development project than averagely. Increased focus on our own developments.
- Q1 2015 62 apartments (EUR 10.8m) compared to 99 (EUR 9.0m) during Q1 2014. Relates to timing of completion of construction works and finally handling over the apartments (completing the sales).
- 361 apartments on active sale (31.03.2014: 304; 31.12.2014: 326).
- Construction of 103 apartments launched during 3M 2015 (3M 2014: 108; 2014: 369).
- Plan to launch construction of 500-550 new apartments in 2015 and total investment in apartment construction will be in the range of EUR 45-50m.
- During 3M 2015 new land plots in amount of EUR 5.1m acquired in Estonia (3M 2014: EUR 0.0m). Additionally a notarized contract of sale of registered immovables signed to realise the option agreement for EUR 4.0m and in April a contract to acquire 1.7 hectares of land in Noblessner quarter.

APARTMENTS SOLD AND APARTMENT REVENUE
pcs / in million euros



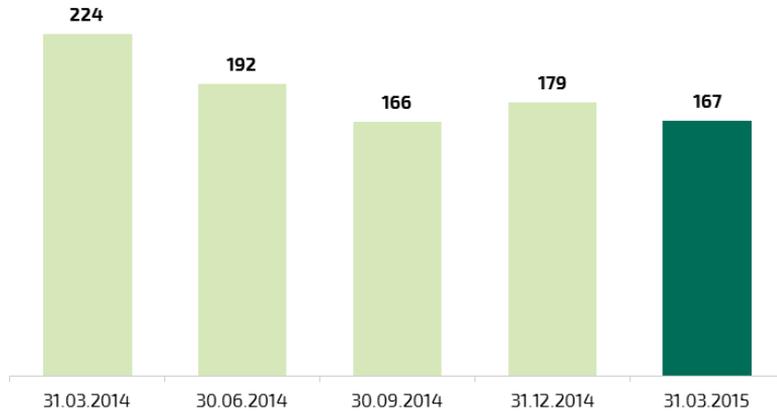
GROUP APARTMENTS INVENTORY
pcs



The volume of new contracts reflects the situation in the construction market

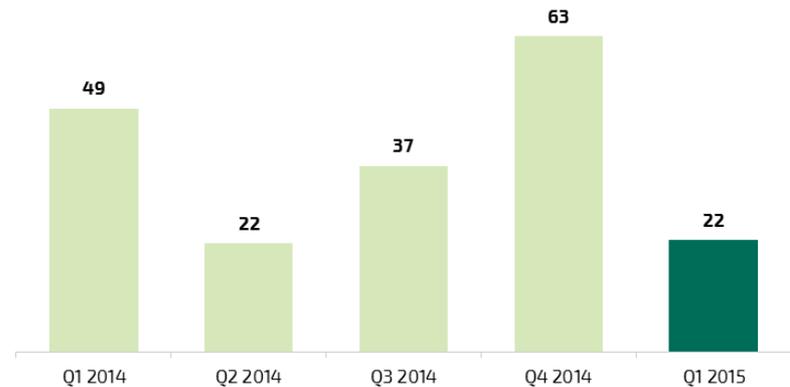
SECURED ORDER BOOK

at the end of the period, in million euros



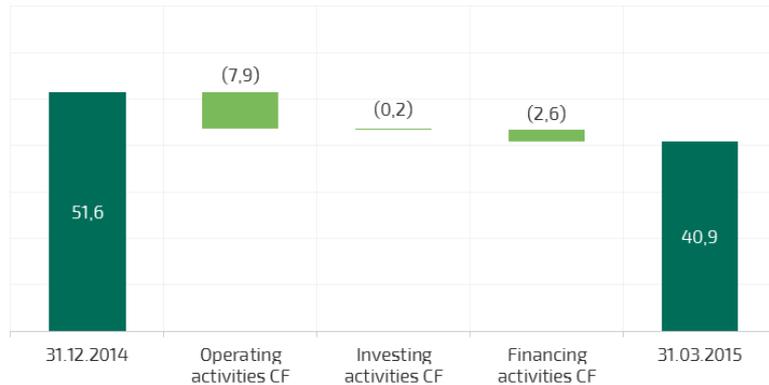
NEW CONTRACTS SIGNED

during the period, in million euros



- Secured order book 25.4% lower compared to same period last year.
- 3M 2015 new contracts signed EUR 22.4m vs EUR 48.6m in 3M 2014. Q1 2014 includes very large contracts signed in Estonia for the design and renovation of the infrastructure of Tallinn tram line No. 4. No EUR 26.0m.
- Continuing decrease in the volume of public tenders due to expiry of the previous EU budget period. Of the contracts signed in 3M 2015, private sector orders accounted for the majority proportion. Private sector orders in secured order book from projects in progress constitute approximately 3/5.
- Challenge for next 12 months to maintain the group's secured order book at the level of 2014 or growing it.
- Given the weak growth outlook of Baltic construction market, the group has started to follow developments and opportunities near abroad. Merko has selectively and on a project basis started to participate in Sweden, Finland and Norway on construction tenders to acquire the experience and knowledge to qualify on tenders, as well as understanding the risk profiles.

3M CHANGE IN CASH AND CASH EQUIVALENTS
in million euros



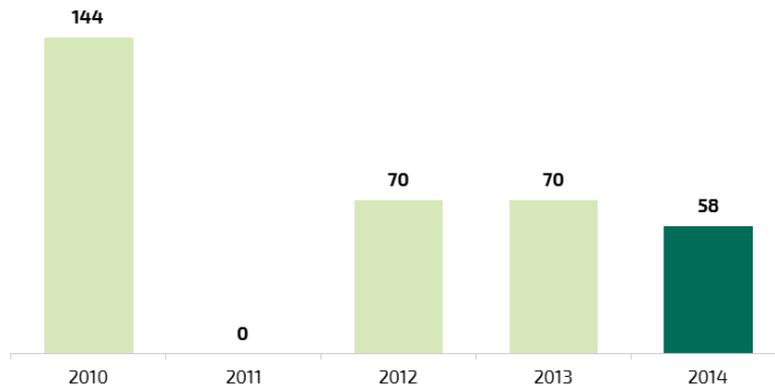
TOTAL ASSETS AND DEBT TO ASSETS RATIO
in million euros / percentages



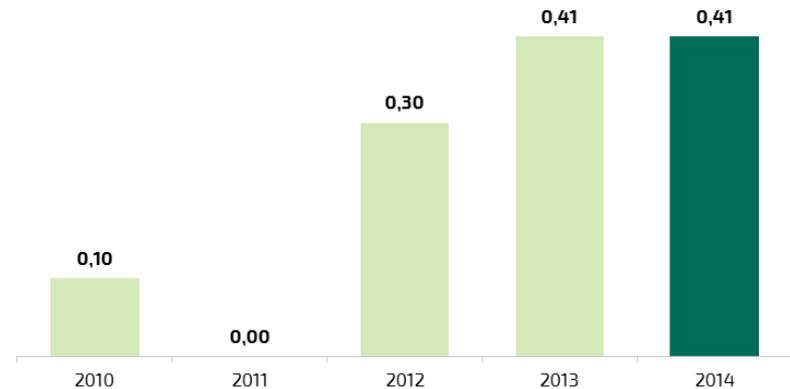
- Group's liquidity position maintained, cash at EUR 40.9m (31.03.2014: EUR 51.9m; 31.12.2014: EUR 51.6m).
- The net debt amounted to EUR -5.8m and debt ratio at 14.6% (31.03.2014: EUR -19.8m and 13.4%; 31.12.2014: EUR -13.9m and 15.1%).
- Group will start drawing more loans to support own developments during 2015.
- Current assets are at 2.6x current liabilities (31.03.2014: 2.0x; 31.12.2014: 2.3x).
- Equity at 53.1% (31.03.2014: 51.0%; 31.12.2014: 51.0%).

Dividend and share capital reduction

DIVIDEND RATE
percentages



DIVIDEND PER SHARE
in euros



- Dividend pay-out ratio according to long-term financial objectives: 50-70% of the annual profit.
- The AGM of shareholders decided to pay the shareholders the total amount of EUR 7.3 million as dividends (EUR 0.41 per share) in 2015.
- Additionally the AGM of shareholders decided to reduce the share capital on AS Merko Ehitus in the amount of EUR 4.1 million (EUR 0.23 per share).

DIVIDEND YIELD*
percentages



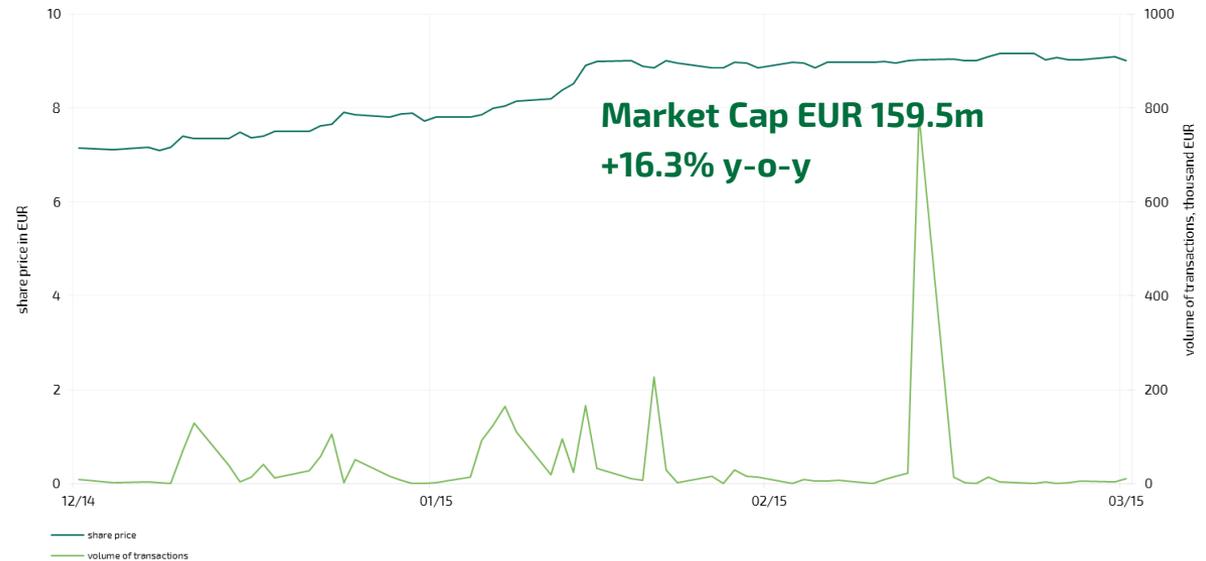
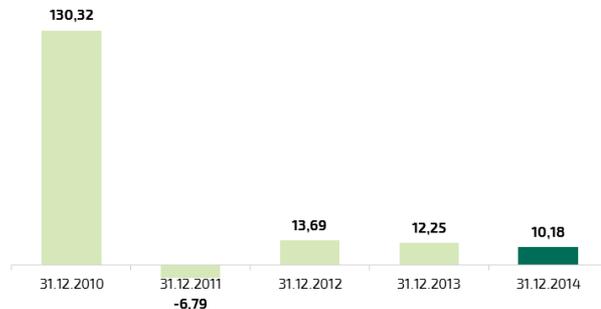
* Using share price as at 31.12

Stock Exchange overview

P/B RATIO
times



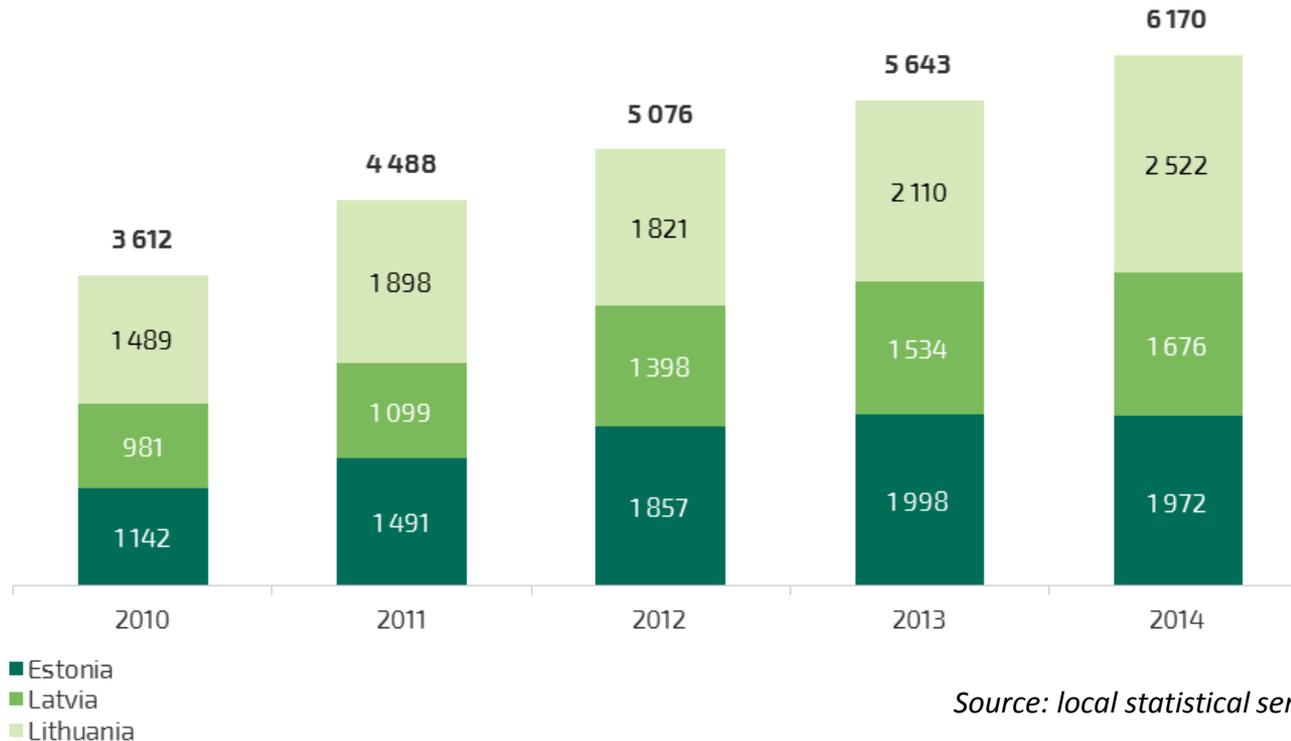
P/E RATIO
times



Shareholders

Shareholders	No of shares	% of total 31.03.2015	% of total 31.12.2014	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	2,12%	2,12%	20 000
Skandinaviska Enskilda Banken S.A.	314 074	2,35%	2,35%	-102 189
Skandinaviska Enskilda Banken AB, Swedish clients	251 272	1,66%	1,66%	-42 388
Firebird Aurora Fund Ltd	220 519	1,25%	1,25%	0
Skandinaviska Enskilda Banken AB, Finnish clients	192 869	1,04%	1,04%	8 887
State Street Bank and Trust Omnibus Account a Fund No OM01	153 018	0,86%	0,86%	-
SEB Elu- ja Pensionikindlustus AS	148 020	0,84%	0,84%	-
Clearstream Banking Luxembourg S.A. clients	143 137	0,81%	0,81%	-515
Total largest shareholders	15 535 425	88,42%	88,42%	-116 205
Other shareholders	2 164 575	11,58%	11,58%	116 205
Total shares	17 700 000	100,00%	100,00%	

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

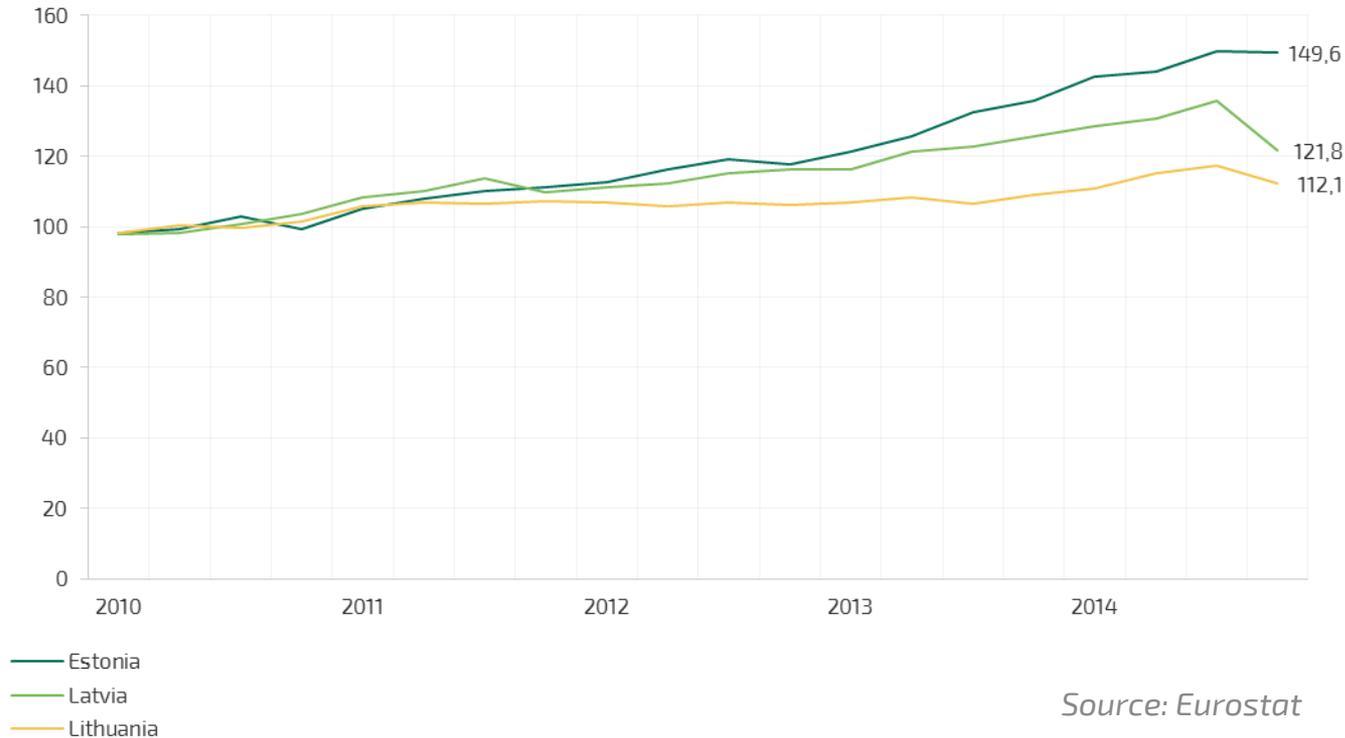


- Public sector orders at a modest level with regard to external networks.
- Commercial real estate development is limited by the lack of developers own equity and the weakened investment confidence. Development projects are optimised.
- Housing development has supported construction market, particularly in Lithuania.
- Aggressive pricing, high risks taken at tender submissions.

Housing market in Baltics

Market calming, fast growth over last 3 years is ending

HOUSE PRICE INDEX (2010=100)

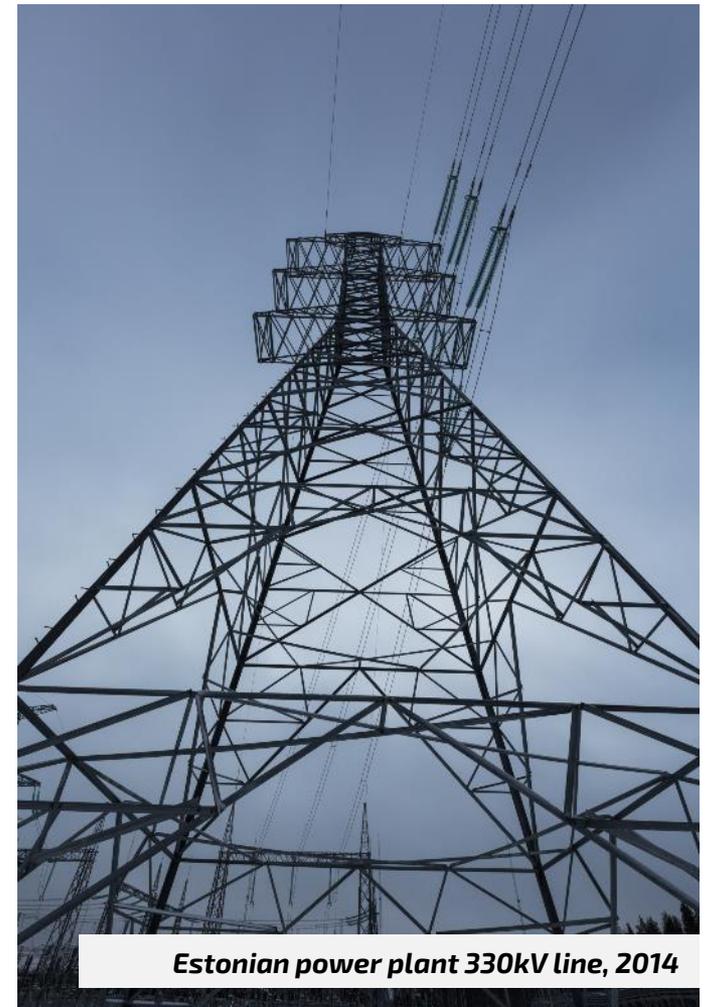


- Demand remains for good quality and optimal price level residential premises.
- Low interest rates.
- Apartment markets more active in Tallinn and Vilnius compared to Riga.

Orders not increasing and pricing competition tightening in Baltic construction market

Focus for next year: private sector orders and apartment development + internal efficiency

- Private sector focus in general construction. Increased effort on design and built contracts with aim to provide optimal outcome for the clients.
- For selected clients, who order construction services, and at acceptable conditions possibility to offer co-financing.
- Continuing new apartment development: 2015 plan to invest 45-50 million euros.
- Elering and Eesti Energia investments will not decrease in the near future, supports the electrical engineering market.
- Cost efficiency in-lined with the volumes of construction orders. Development possibilities for the best project managers and engineers.



Long term outlook

Long term outlook: the leading Baltic construction and development business

- Post 2015-2016 EU funds will support the increase in civil and public sector building orders.
- Strengthen our position as leading apartment developer in the Baltic. We develop modern and quality living environments.
- Objective to grow in Lithuania.
- Tax and regulatory developments support more level playing field.
- Develop new capabilities: as example model designing.
- Continue ascertain our competitive advantages in Finland and Norway at an acceptable risk level. Objective to earn revenues from new markets during 2015-2016.





The largest listed construction company in the Baltics

Wide scope of construction services:

- General construction
- Engineering construction
- Road construction
- Real estate projects

Operates in Estonia (68% of revenue), Latvia (27%), Lithuania (5%)



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 2014
€252.3 mln**



**31.12.2014:
765 employees**



**Net Profit 2014:
€12.4 mln**

**EBITDA 2014:
€16.4 mln**



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