



MERKO EHITUS GROUP

12 months and IV quarter 2014

February 2015



Agenda



1. Key highlights
2. Business review
3. Financial position
4. Market outlook
5. Group in brief

<i>EUR millions</i>	12M 2014	12M 2013	Var	Q4 2014	Q4 2013	Var
Revenue	252.3	262.7	-4.0%	70.1	64.9	+8.0%
Gross profit	24.7	22.7	+8.8%	8.5	5.4	+58.1%
Gross profit margin (%)	9.8	8.6	+13.3%	12.1	8.3	+46.4%
EBITDA	16.4	15.1	+8.9%	6.2	3.5	+79.5%
Profit before tax	13.3	11.1	+19.4%	5.3	2.4	+116.9%
Net profit, attr. to equity holders of the parent	12.4	10.4	+19.4%	4.8	2.5	+95.6%
Earnings per share (EPS), in euros	0.70	0.59	+19.4%	0.27	0.14	+95.6%
Secured order book	179.1	213.7	-16.2%			
Employees	765	860	-11.0%			

* Variance calculated based on interim consolidated financial reports

Revenues Q4 and 12M 2014

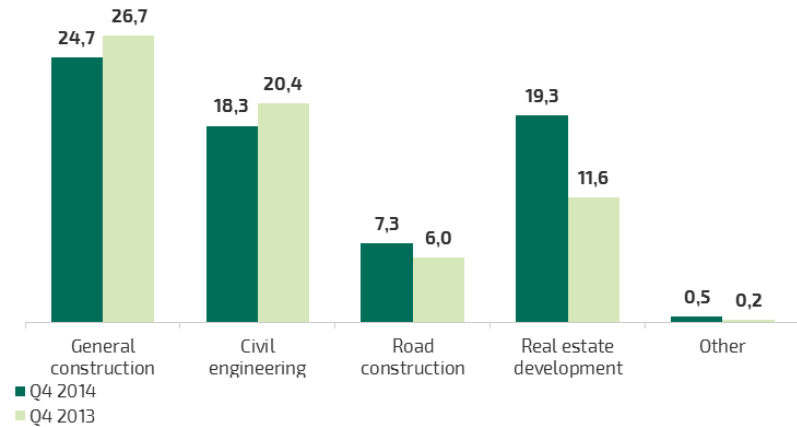
Q4 2014 REVENUES

- ❖ Increase in real estate development and road construction segments revenues (up by 66.6% and 22.5% y-o-y, respectively).
- ❖ Decrease of revenues in civil engineering segment (down by 10.7%) and general construction segment (down by 7.4%).

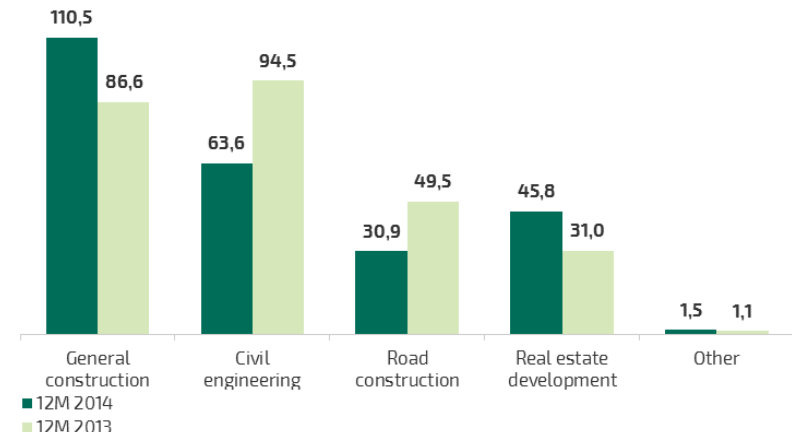
12M 2014 REVENUES

- ❖ Strong performance from general construction (revenues up by 27.7% y-o-y) and real estate development segment (up by 47.6%).
- ❖ Decrease of revenues in road construction (down by 37.5%) and civil engineering segment (down by 32.7%). No comparable amount of EU funded projects compared to last year.
- ❖ Merko earned 32.3% of its revenues outside Estonia (12M 2013: 19.3%), mainly attributable to the share of Latvian revenues which have increased almost by half and Lithuanian sales that doubled compared to 2013.

GROUP QUARTERLY REVENUE BY SEGMENT
in million euros



GROUP REVENUE BY SEGMENT
in million euros

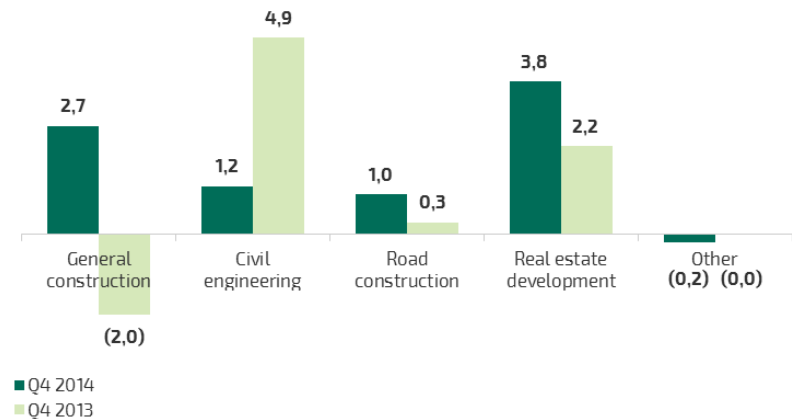


Gross profit Q4 and 12M 2014

Q4 2014 GROSS PROFIT

- ❖ Gross profit margin 12.1%, despite declining construction revenues.
- ❖ Main contribution from real estate development segment (44.4% of total), where 40% of 2014 apartment sales were finalised in Q4 and;
- ❖ General construction segment (32.2%), where certain project risks for projects in final phases have not materialised, having one-off positive effect in the quarter.

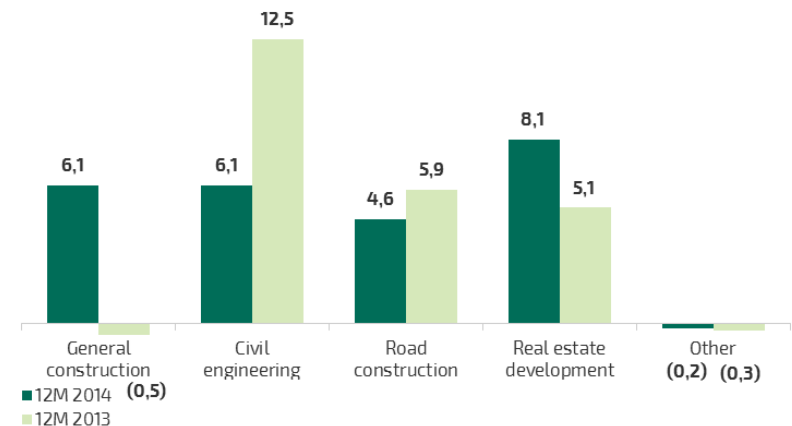
GROUP QUARTERLY GROSS PROFIT BY SEGMENT
in million euros



12M 2014 GROSS PROFIT

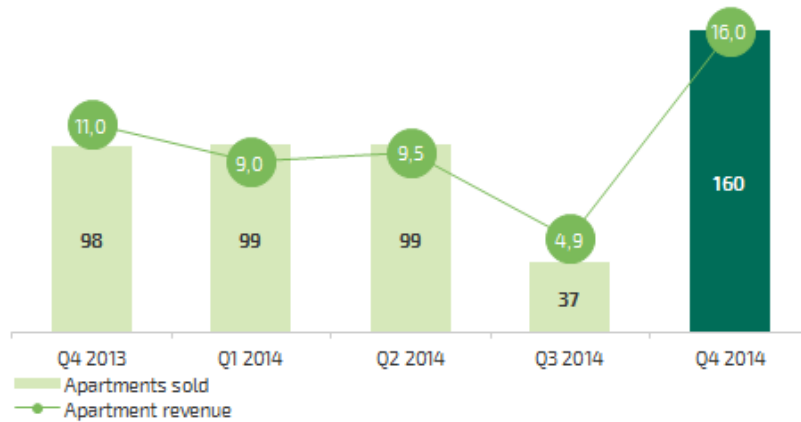
- ❖ Gross margin up from 8.6% to 9.8% y-o-y.
- ❖ Main contribution from real estate development segment (32.8% of total), with general construction and civil engineering segments both amounting to approximately 25%.
- ❖ Good performance from both general construction and civil engineering, mainly related to effective project management (risks not realised and quicker completion periods).

GROUP GROSS PROFIT BY SEGMENT
in million euros

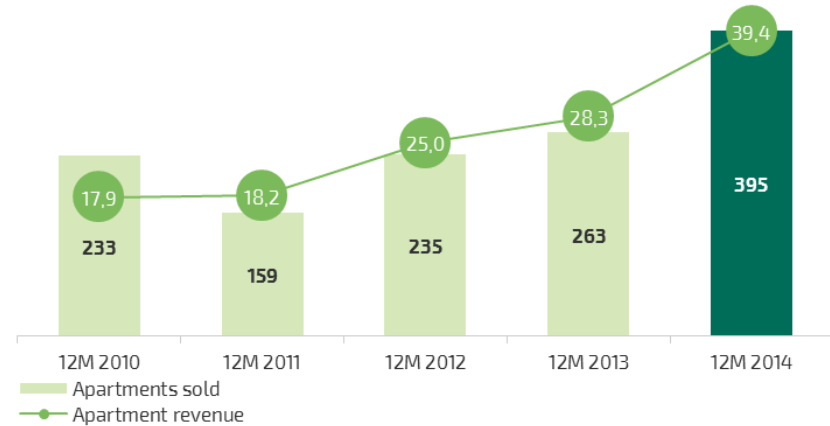


Real estate development – apartments

APARTMENTS SOLD AND APARTMENT REVENUE
pcs / in million euros

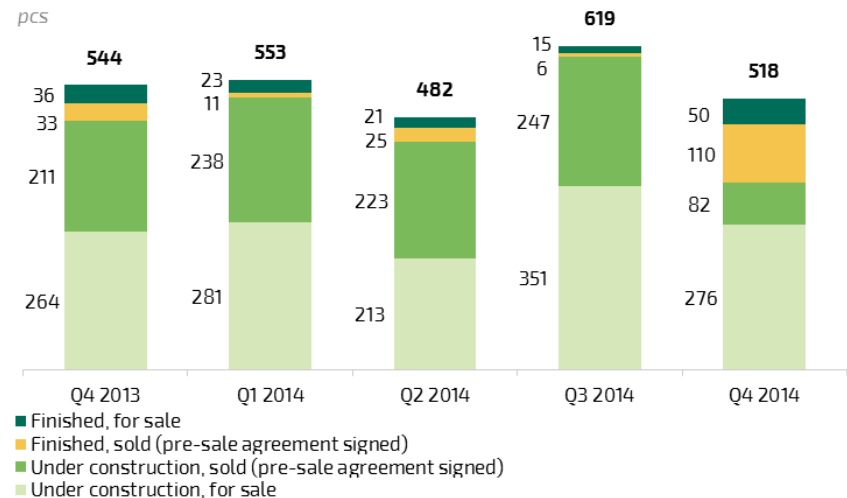


APARTMENTS SOLD AND APARTMENT REVENUE
pcs / in million euros

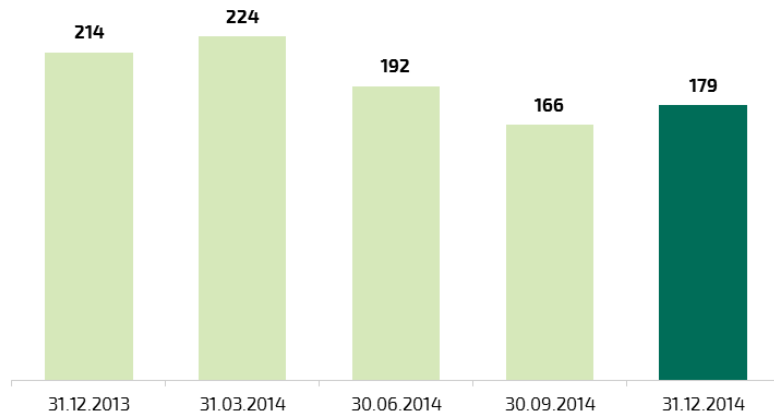


- ❖ 326 apartments on active sale (31.12.2013: 300).
- ❖ Construction of 369 apartments launched during 12M 2014, including 60 in Q4 (12M 2013: 409).
- ❖ During 12 months new land plots for development in amount of EUR 4.4m acquired in Lithuania and Estonia (12M 2013: EUR 2.1m).
- ❖ Plan to launch construction of 500-550 new apartments in 2015 and total investment in apartment building will be in the range of EUR 45-50m.

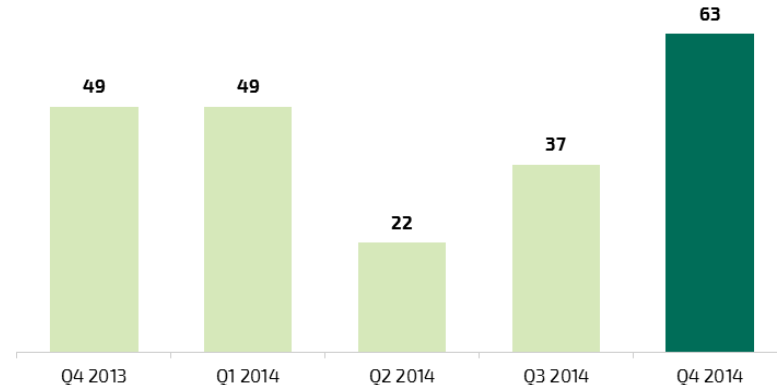
GROUP APARTMENTS INVENTORY
pcs



SECURED ORDER BOOK
at the end of the period, in million euros

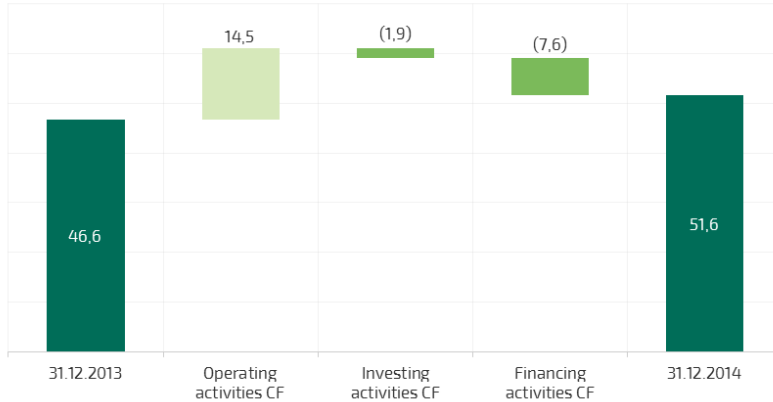


NEW CONTRACTS SIGNED
during the period, in million euros

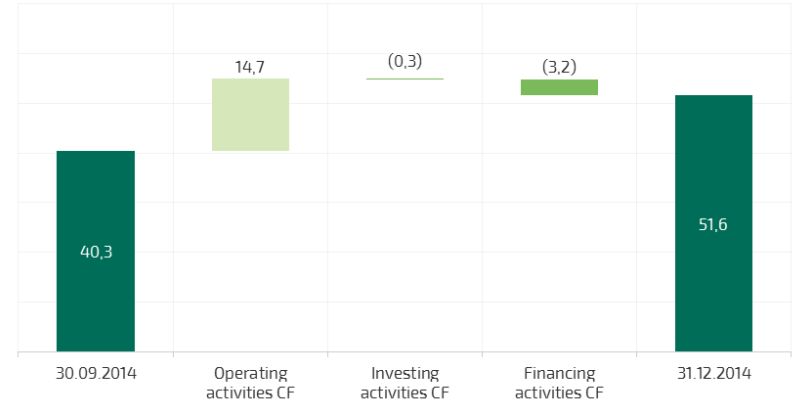


- ❖ Secured order book 16.2% lower compared to last year.
- ❖ 12M 2014 new contracts signed EUR 170.4m vs EUR 254.3m in 12M 2013. Q3 2013 includes very large contracts signed in Estonia and Latvia: Hilton EUR 31m, Liepaja EUR 28m, Polipaks EUR 18m.
- ❖ Continuing decrease in the volume of public tenders due to expiry of the previous EU budget period. Of the contracts signed in 2014, public and private sector orders accounted for an equal proportion. Still signing of private sector orders has not been at the expected level.
- ❖ 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.

12M CHANGE IN CASH AND CASH EQUIVALENTS
in million euros

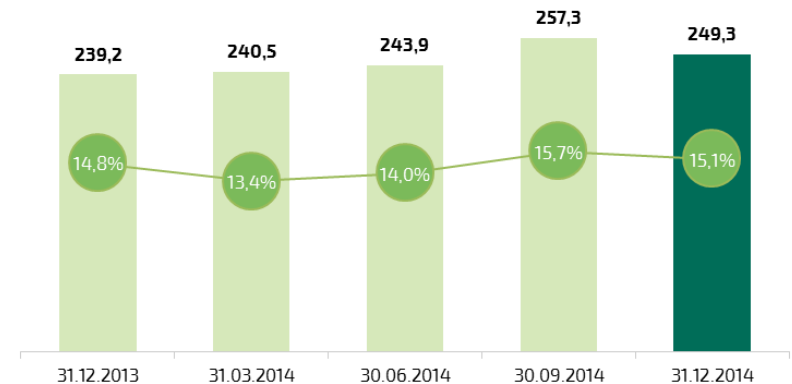


QUARTERLY CHANGE IN CASH AND CASH EQUIVALENTS
in million euros



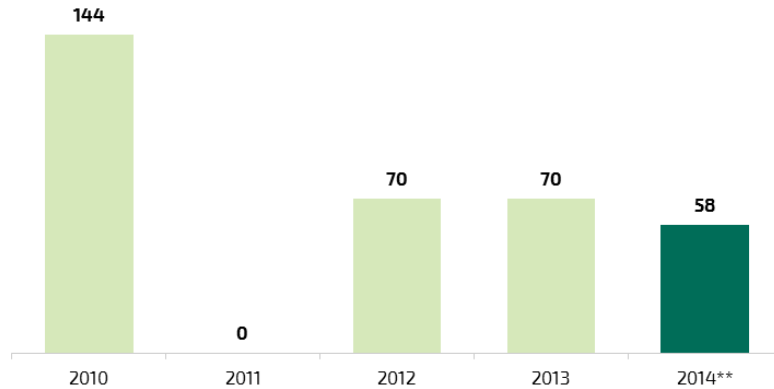
- ❖ Group's strong liquidity position maintained, cash at EUR 51.6m.
- ❖ The net debt amounted to EUR -13.9m and debt ratio at 15.1% (31.12.2013: EUR -11.2m and 14.8%). Group will start drawing more loans to support own developments in 2015.
- ❖ Current assets are at 2.3x current liabilities (31.12.2013: 2.0x).
- ❖ Equity at 51.0% (31.12.2013: 50.9%).

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

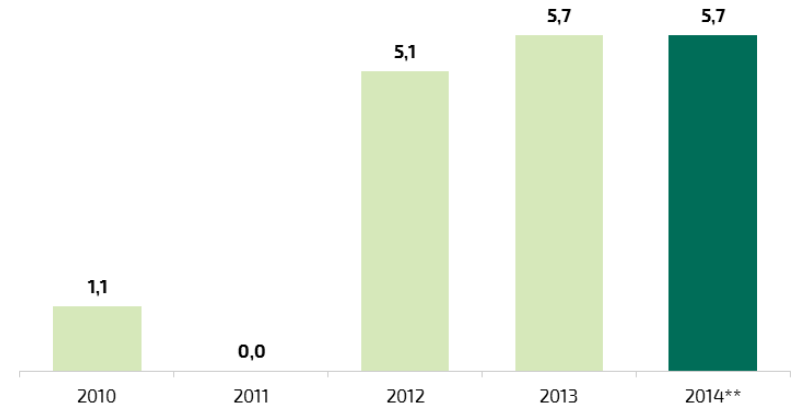


Dividend and share capital reduction proposals

DIVIDEND RATE
percentages

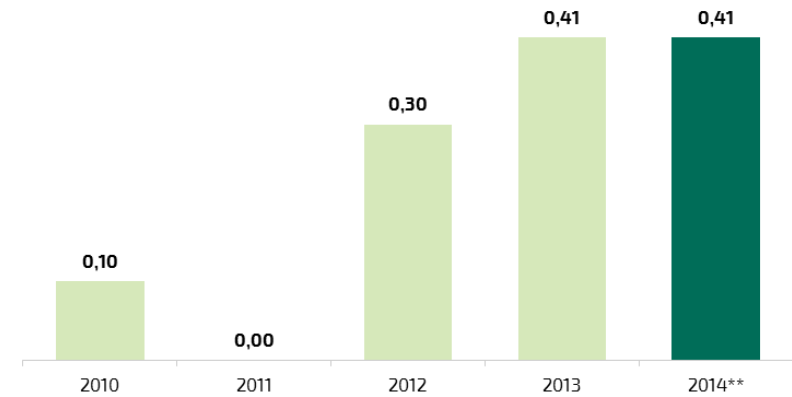


DIVIDEND YIELD*
percentages



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

DIVIDEND PER SHARE
in euros



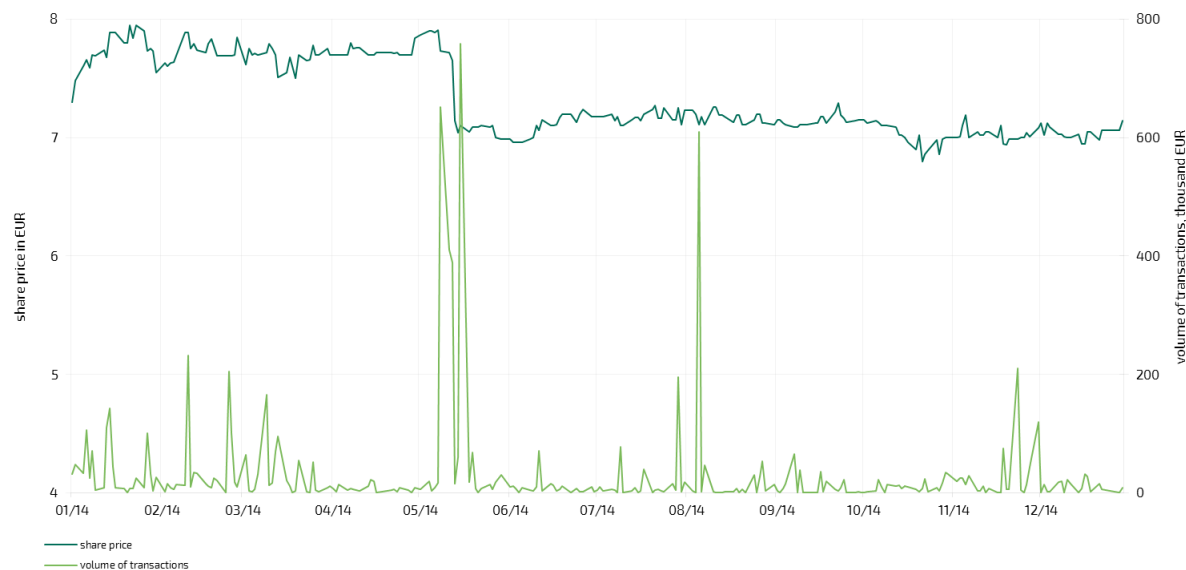
* Using share price as at 31.12

** 2014 figures based on Management Board proposal

Stock Exchange overview



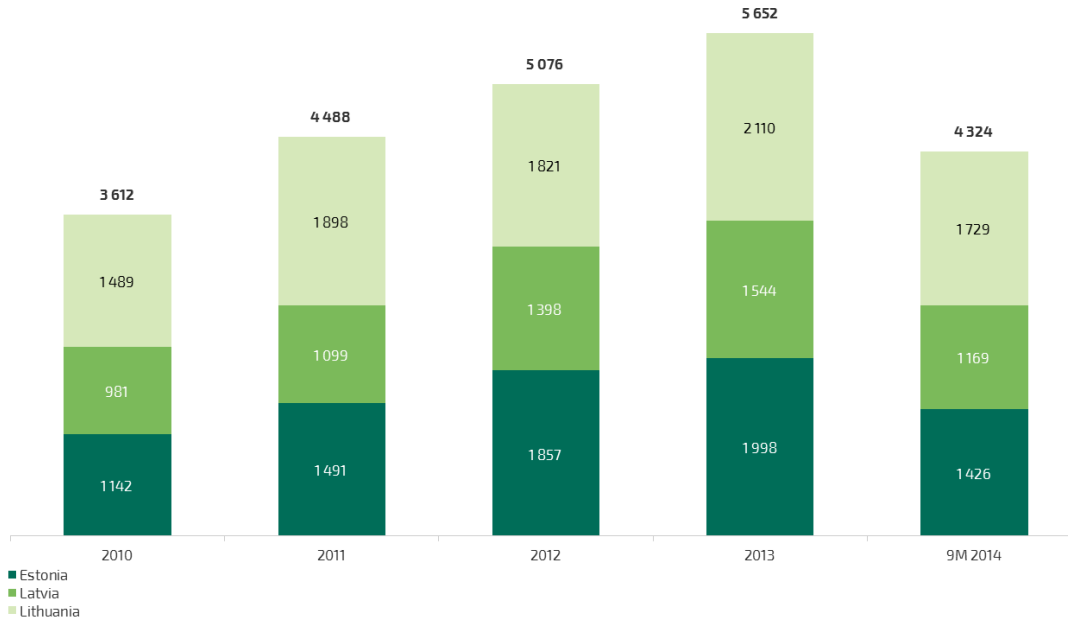
**Market Cap at EUR 126.4m.
Down by 0.8% y-o-y basis.**



Shareholders	No of shares	% of total 31.12.2014	% of total 30.09.2014	Variance
AS Riverito (management)	12 742 686	71,99%	71,99%	-
ING Luxembourg S.A. AIF Account	974 126	5,50%	5,50%	-
Skandinaviska Enskilda Banken S.A.	416 263	2,35%	2,65%	-53 115
Firebird Republics Fund Ltd	375 704	2,12%	2,12%	-
Skandinaviska Enskilda Banken AB, Swedish clients	293 660	1,66%	1,66%	-
Firebird Aurora Fund Ltd	220 519	1,25%	1,08%	30 000
Skandinaviska Enskilda Banken AB, Finnish clients	183 982	1,04%	0,87%	29 178
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	143 652	0,81%	0,81%	-
Total largest shareholders	15 651 630	88,42%	88,38%	6 063
Other shareholders	2 048 370	11,58%	11,62%	-6 063
Total shares	17 700 000	100,00%	100,00%	

Market outlook: construction

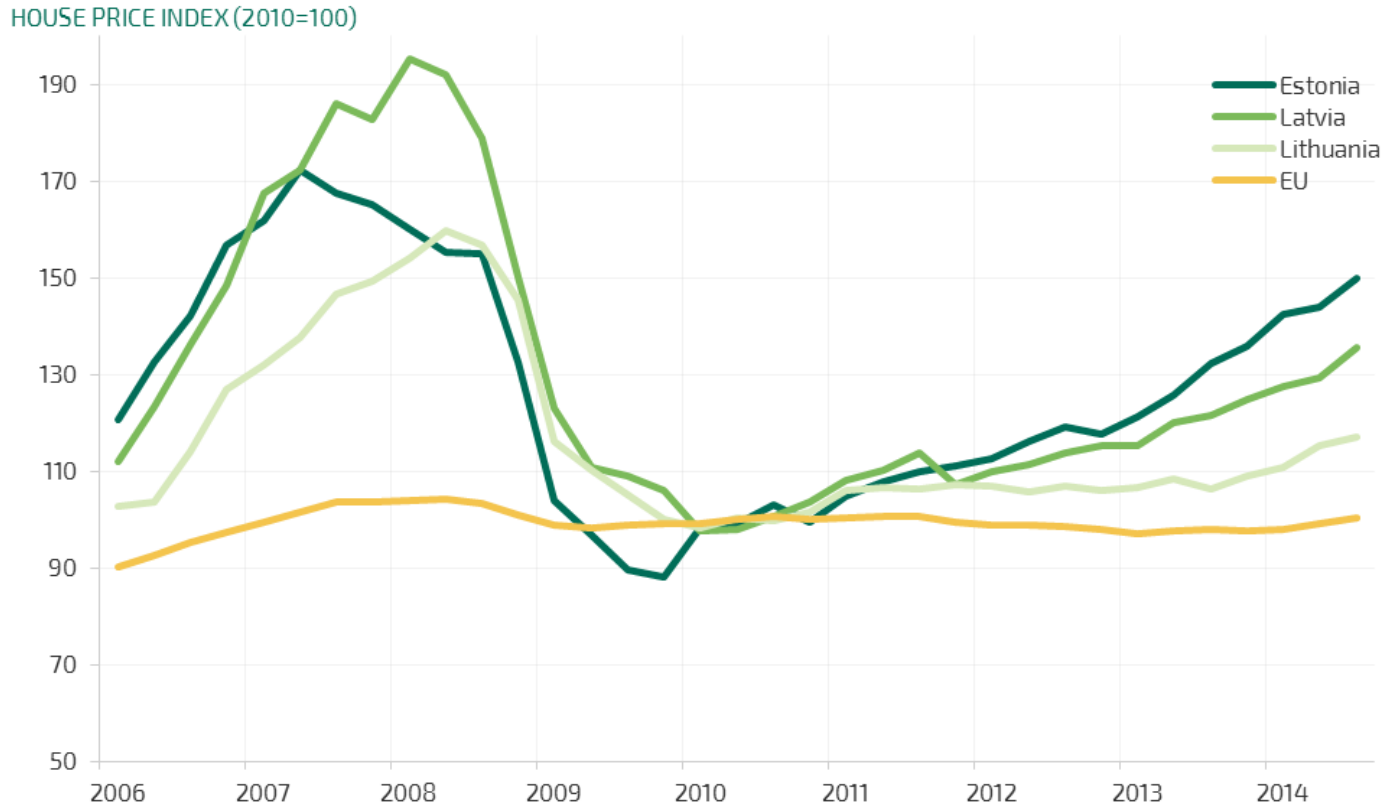
BUILDING MARKET VOLUMES (WITH OWN FORCES) IN THE BALTIC STATES
in million euros



We are forecasting a continuing decline in the volume of Baltic construction contracts for general contractors.

- ❖ Continuing decrease of public sector procurements due to the switchover to the new EU funding period and uncertainties around allocation of funds by sectors and projects. Somewhat less funding expected for construction and infrastructure projects, but overall EU funding in Baltics is ok compared to previous EU budget:
 - Estonia, growth of EUR 2.5 billion to EUR 5.9 billion;
 - Latvia, contraction of EUR 0.1 billion to EUR 5.6 billion;
 - Lithuania, growth of EUR 1.8 billion to EUR 8.4 billion.
- ❖ The number of projects launched by private sector shows a positive trend. Nevertheless the private sector will not be able to compensate in the full reduction in procurement by the public sector (specially external networks).
- ❖ Market has become more competitive and aggressive on margins, especially in buildings segment. This leads to a challenging position to win contracts and keep the profitability levels.

Market outlook: real estate



- ❖ Number of transactions and price per m2 have shown growth trend up during 2014 due to low interest rates and limited supply of new flats during the last few years.
- ❖ Market is calming down. Increased apartment offering is likely to cause price stabilisation and the prolongation of sales periods.

Focus going forward

- ❖ Good cooperation with private sector customers. Still low level of public orders, pickup starting 2016.
- ❖ Active positioning in residential real-estate and Lithuanian construction market.
- ❖ Electrical construction important segment.
- ❖ Closely following the developments in the nearby markets and new opportunities. Aim to identify non-Baltic revenue potential at acceptable risk level.
- ❖ Continued focus on costs. Keeping and recruiting the best employees.





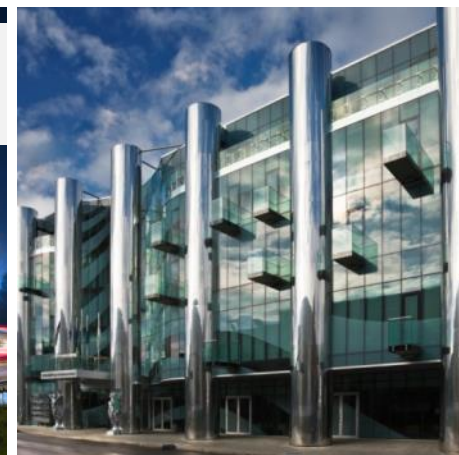
The largest listed construction company in the Baltics

Construction services:

- General construction
- Engineering construction
- Road construction

Own developed real estate projects

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



Revenue in 2014
€252.3 mln



31.12.2014:
765 employees



Net Profit 2014:
€12.4 mln

EBITDA 2014:
€16.4 mln

Share quoted on Nasdaq OMX Tallinn since 1997





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