

MERKO EHITUS GROUP

9 months and Q3 2015 interim report

November 2015

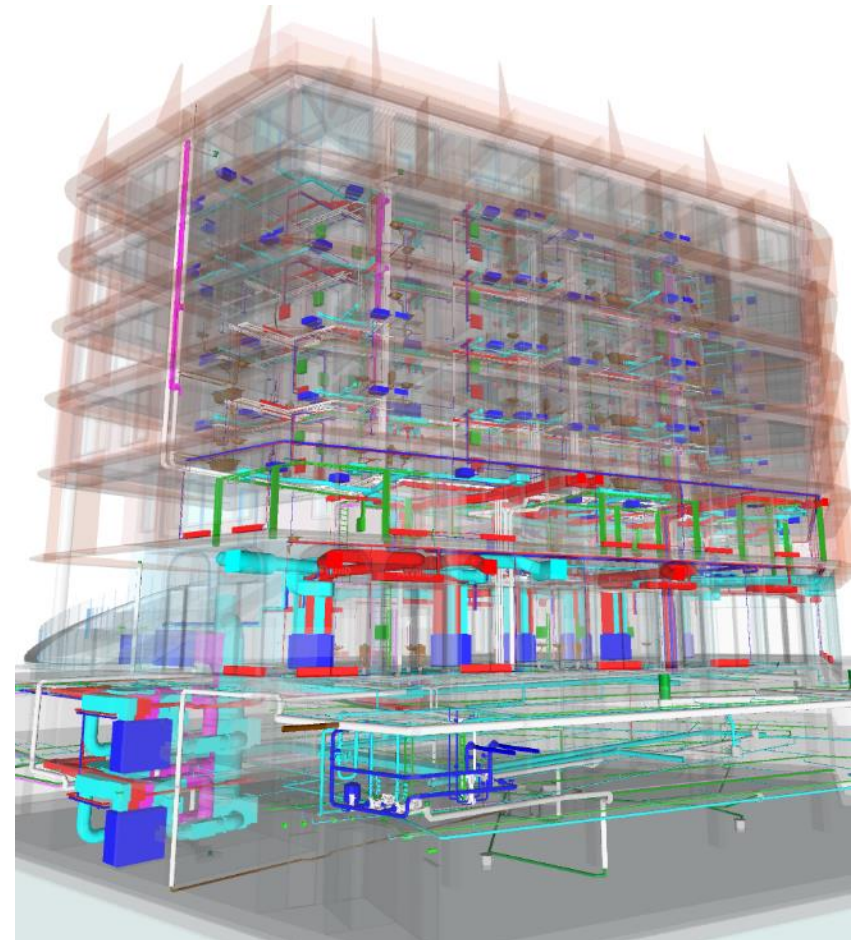


1. Key highlights
2. Business review
3. Financial position
4. Market outlook



Merko group key highlights 9M 2015

- Q3 results at comparable level to prior year. Reflect the market developments.
- Continuing construction services revenue growth outside Estonia, approximately 32% (9M 2014: 26%) of total revenues.
- Secured order book up 16% y-o-y. Low level new contracts in Latvia.
- The share of real estate development up to 25% (9M 2014: 15%) of total revenues.
- Sold 248 apartments and started construction of 386 new apartments. New land plot acquisitions in Estonia and Lithuania.
- Achieving last year's profitability will not be easy, considering also that there are no similar volumes of civil engineering projects compared to last year.



Merko is actively using Building Information Modeling (BIM) with the intention to offer clients more integral, higher-quality service and improve the co-operation between different parties.

Merko group key financial highlights

<i>EUR millions</i>	9M 2015	9M 2014	Variance	Q3 2015	Q3 2014	Variance	2014
Revenue	184.6	182.2	+1.3%	68.4	68.5	-0.3%	252.3
Gross profit	15.3	16.3	-6.1%	6.3	6.2	+2.4%	24.7
Gross profit margin (%)	8.3	8.9	-7.3%	9.3	9.0	+2.7%	9.8
EBITDA	9.9	10.2	-2.5%	4.4	4.1	+7.8%	16.4
Profit before tax	7.0	8.0	-12.0%	3.5	3.3	+4.9%	13.3
Net profit, attr. to equity holders of the parent	5.6	7.6	-27.1%	3.1	3.3	-3.8%	12.4
Earnings per share (EPS), in euros	0,31	0.43	-27.1%	0,18	0.18	-3.8%	0.70
Secured order book	193,6	166.4	+16.3%	193,6	166.4	+16.3%	179.1
Employees	798	804	-0.7%	798	804	-0.7%	765

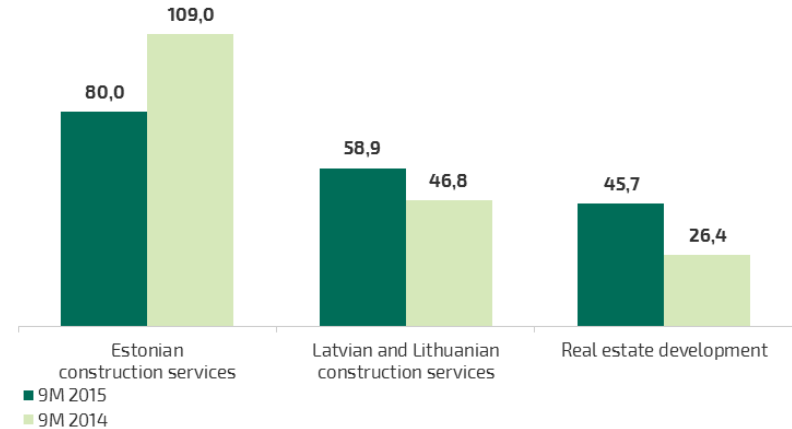
* Variance calculated based on consolidated financial statements of interim reports

Revenues and gross profit 9M 2015

REVENUES

- Strong performance from real estate development (revenues up by 72.7% y-o-y), Latvian and Lithuanian construction service segment (up by 25.7%).
- Revenues from our first electrical engineering project in Latvia and pile works contract in Finland.
- Decrease of Estonian construction service segment (down by 26.5%). Changes in business mix, no comparable amount of engineering projects and lower level of activities in buildings construction compared to last year. The start of some general construction projects has delayed – no change in end dates.

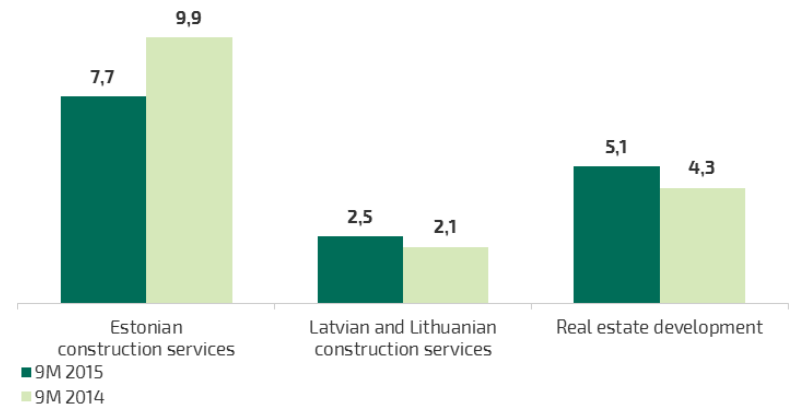
GROUP REVENUE BY SEGMENT
in million euros



GROSS PROFIT

- Profitability still under pressure, gross margin down from 8.9% to 8.3% y-o-y.
- Main contribution from Estonian construction service segment (50.3% of total), with real estate development segment amounting to 31.1% and Latvian and Lithuanian construction service to 16.6%.
- 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

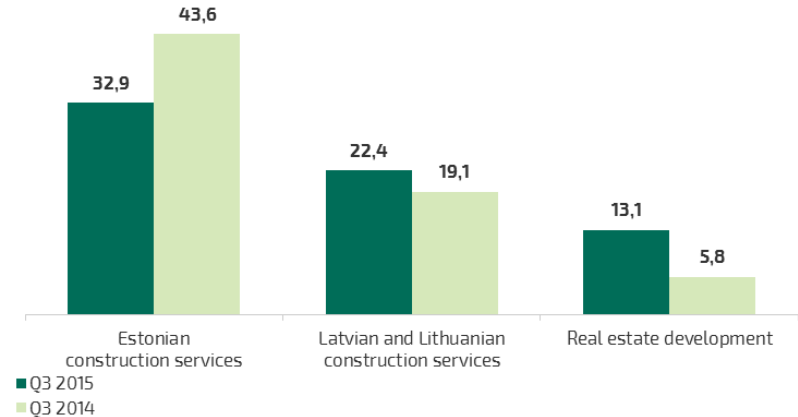


Revenues and gross profit Q3 2015

REVENUES

- Real estate development segment thriving as quarterly revenues are up by 127.4% y-o-y. Mainly related to sales of apartments in more exclusive developments and handing over more units.
- Latvian and Lithuanian construction service segment revenues increase (up by 17.2%) and Estonian construction service segment decreases (down by 24.8%) as anticipated.

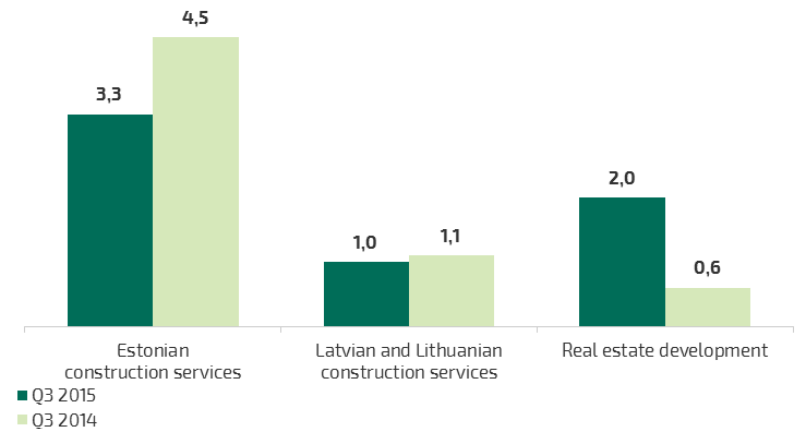
GROUP QUARTERLY REVENUE BY SEGMENT
in million euros



GROSS PROFIT

- Gross margin up from 9.0% to 9.3% y-o-y.
- Main contribution still from Estonian construction service segment (52.9% of total), followed by real estate development and Latvian and Lithuanian construction service and segments (31.2 and 15.9% respectively).
- Real estate development segment profitability back at its average level compared to Q2 2015. Each real estate development project return is influenced by project specific cost structure, incl. the cost of land.

GROUP QUARTERLY GROSS PROFIT BY SEGMENT
in million euros

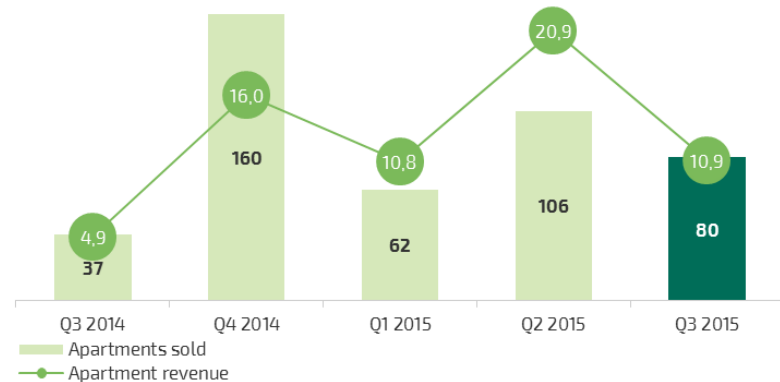


Real estate development - apartments

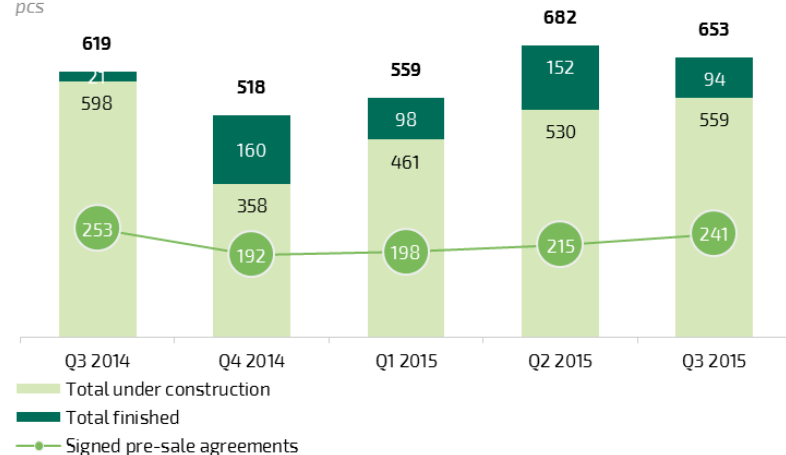
Q3 projects launched as planned. Closely monitoring increased supply in Tallinn and Vilnius, to be prepared for longer sales periods.

- 248 apartments sold in 9M (9M 2014: 235)
Revenue growth mainly attributable to apartments sold in a more exclusive development project than in average.
- Construction of 386 apartments launched during 9M 2015 (9M 2014: 310; 2014: 369).
- 412 apartments on active sale (30.09.2014: 366; 31.12.2014: 326), out of which 55% in Estonia.
- During 9M 2015 new land plot acquisitions in amount of EUR 6.6m in Estonia and EUR 5.1m in Lithuania (9M 2014: EUR 3.2m). Release of option agreement for EUR 4.0m and acquisition of 1.7 hectares in Noblessner quarter by a joint venture.

APARTMENTS SOLD AND APARTMENT REVENUE
pcs / in million euros

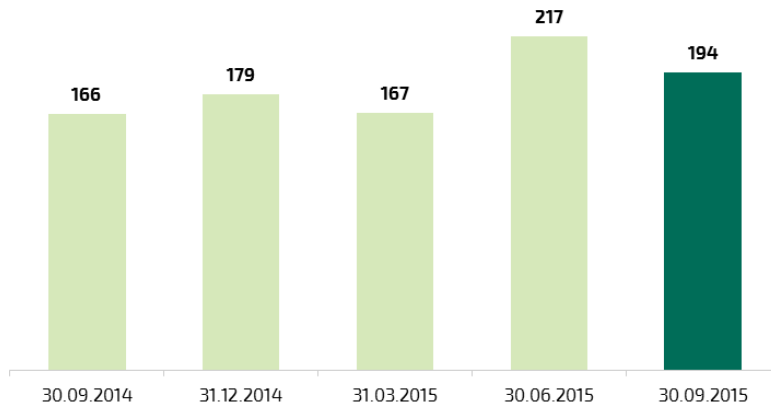


GROUP APARTMENTS INVENTORY
pcs

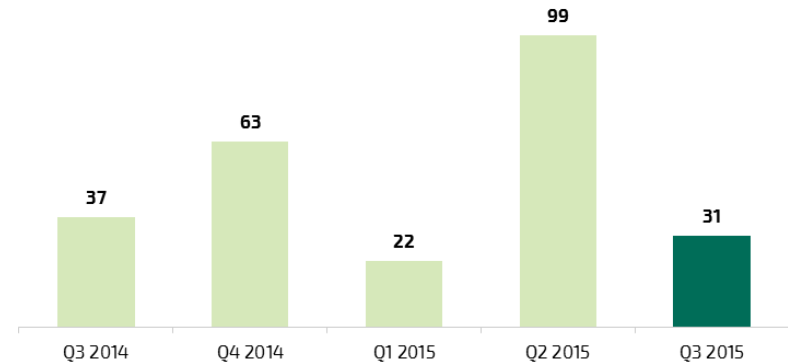


Secured Order Book

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

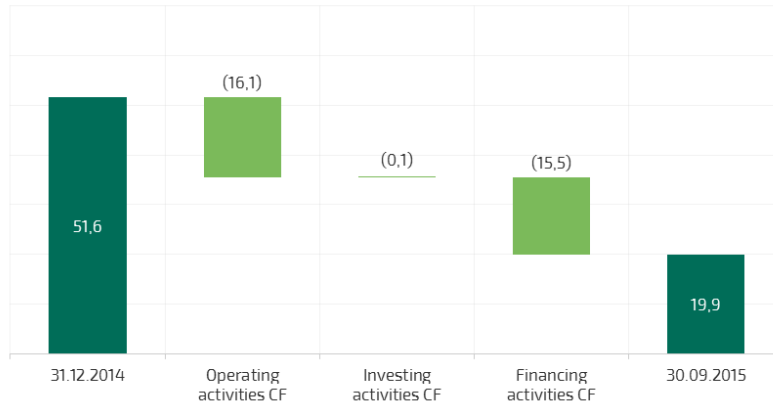


NEW CONTRACTS SIGNED
during the period, in million euros

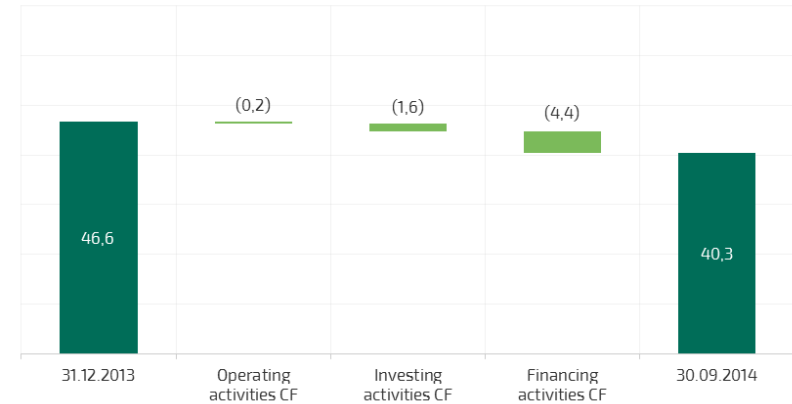


- Secured order book 16% higher.
- Q3 2015 new contracts EUR 31m. Additional 3 large contracts for EUR 28m signed at the beginning of Q4.
- Majority new contracts from Estonia, not pleased with the level secured in Latvia.
- 9M 2015 private sector orders account for the majority proportion of new contracts secured. The continuing low level of public tenders. Secured order book constitutes approx. 80% of private sector orders (9M 2014: 35%).

9M CHANGE IN CASH AND CASH EQUIVALENTS
in million euros

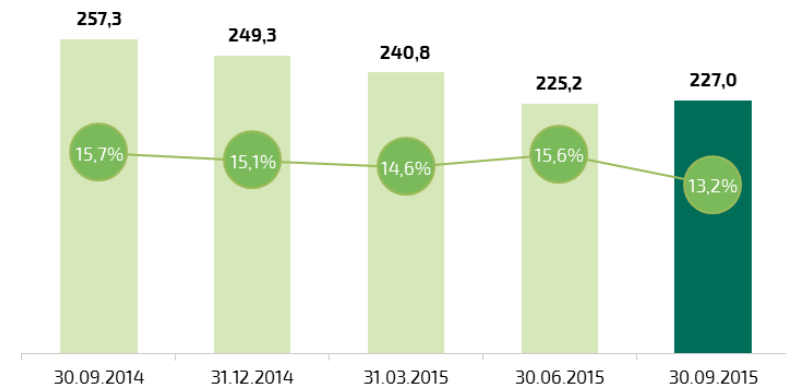


9M CHANGE IN CASH AND CASH EQUIVALENTS
in million euros



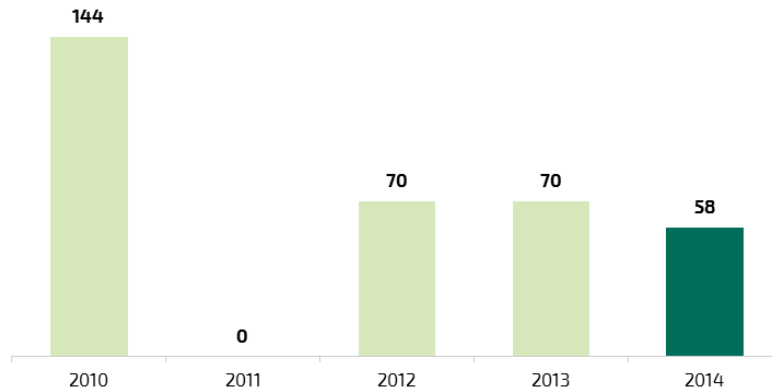
- Group's liquidity position impacted by increased level of investments in land EUR 11.7m, release of option and dividend payment in Q2 2015.
- The net debt amounted to EUR 10.0m and debt ratio at modest level of 13.2% (31.12.2014: EUR -13.9m and 15.1%). Strong liquidity buffer as group is still self-funding large proportion of its development projects and not used any overdraft facilities.
- Current assets are at 2.4x current liabilities (31.12.2014: 2.3x).
- Equity at 53.4% (31.12.2014: 51.0%).

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

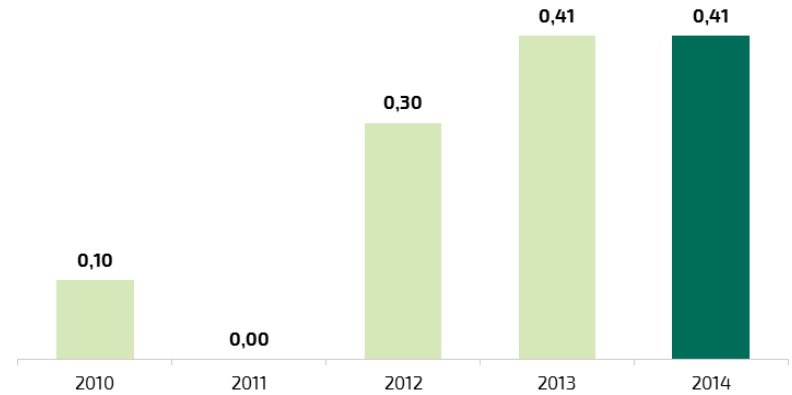


Dividend and share capital reduction

DIVIDEND RATE
percentages

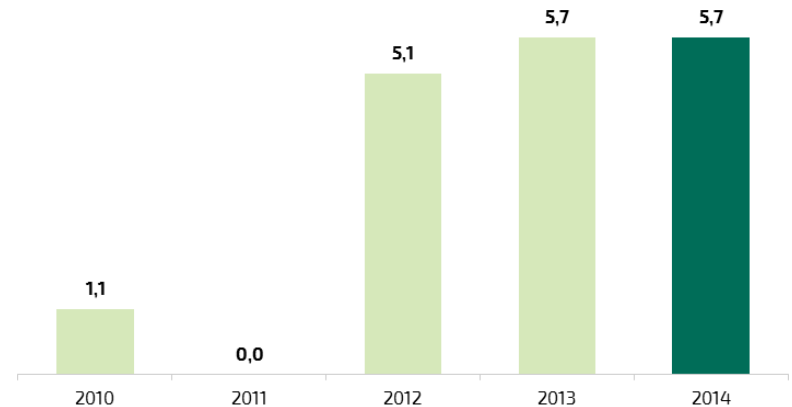


DIVIDEND PER SHARE
in euros



- Dividend pay-out ratio according to long-term financial objectives: 50-70% of the annual profit.
- EUR 7.3 million dividends (EUR 0.41 per share) paid in Q2 2015.
- The registration of share capital reduction in the amount of EUR 4.1 million (EUR 0.23 per share), as decided by AGM in April 2015, is in progress. Payments to shareholders on 16th November 2015.

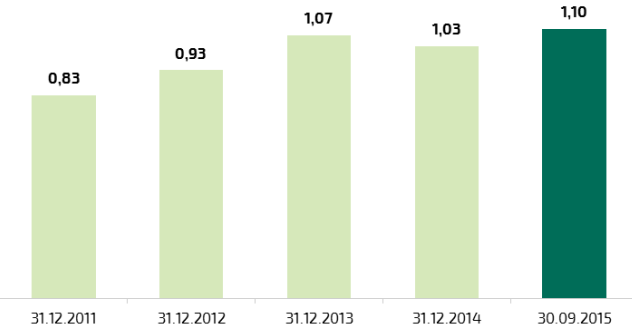
DIVIDEND YIELD*
percentages



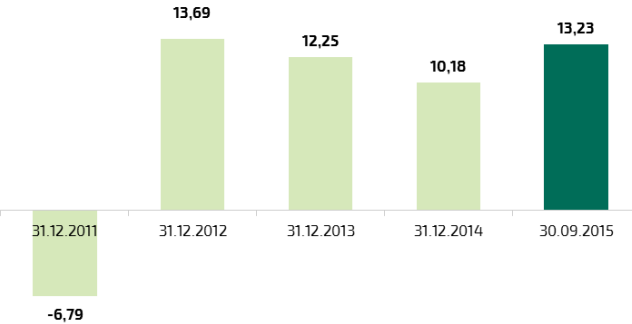
* Using share price as at 31.12

Stock Exchange overview

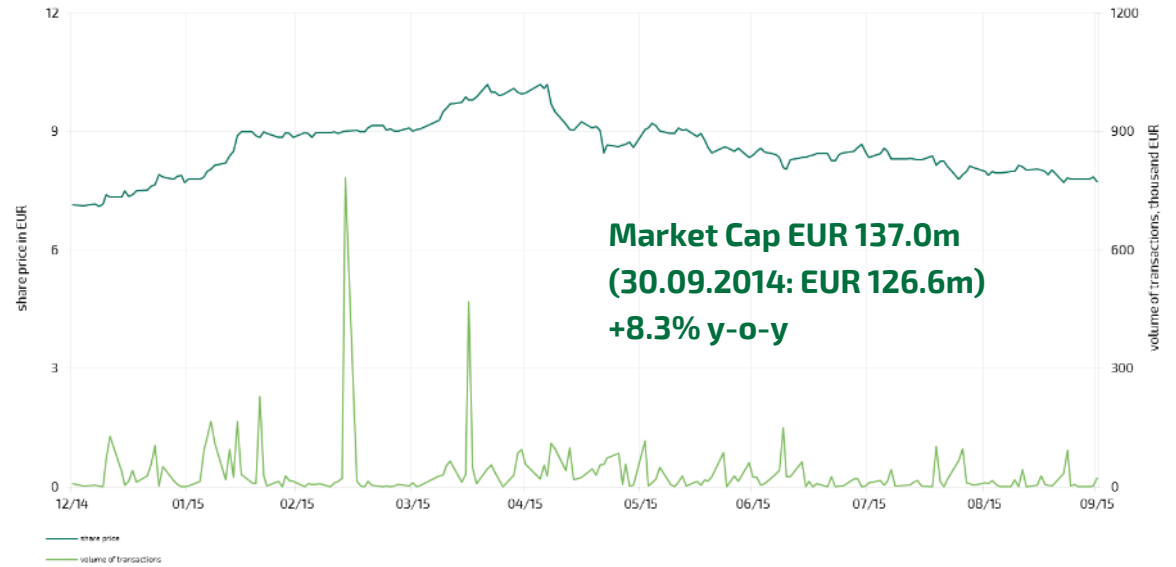
P/B RATIO
times



P/E RATIO
times

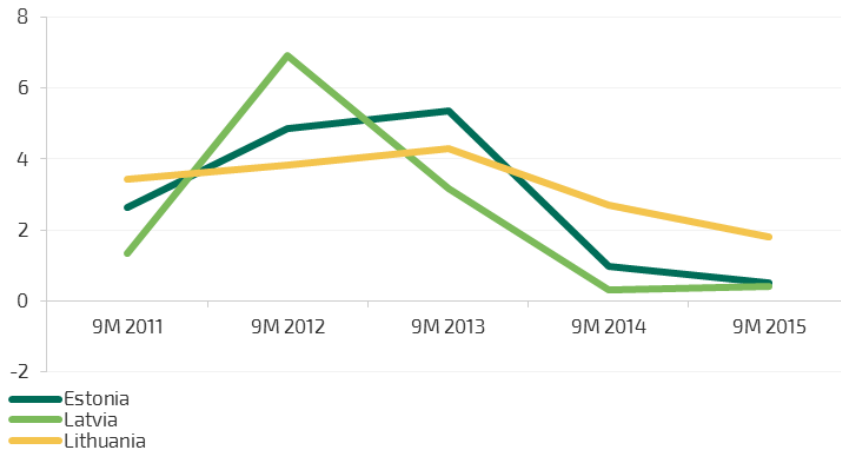


1,569 shareholders
+10.3% from 31.12.2014



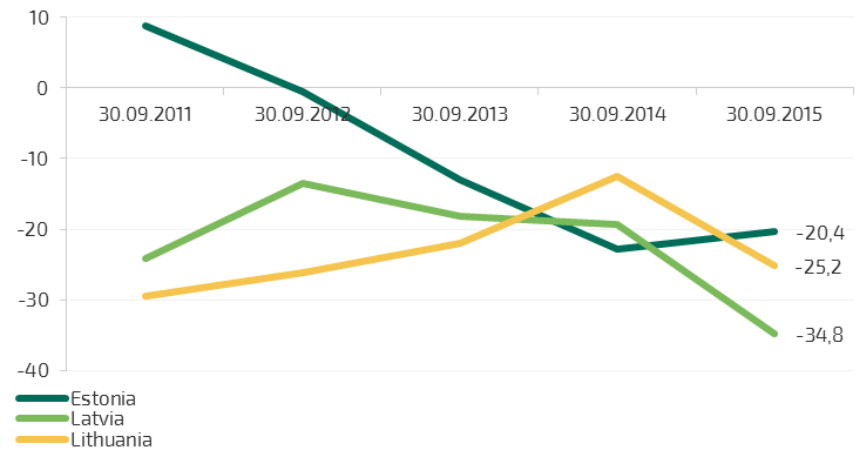
Shareholders	No of shares	% of total 30.09.2015	% of total 30.06.2015	Variance
AS Riverito (management)	12 742 686	71,99%	71,99%	-
ING Luxembourg S.A. AIF Account	974 126	5,50%	5,50%	-
Firebird Republics Fund Ltd	395 704	2,24%	2,24%	-
Skandinaviska Enskilda Banken S.A.	269 122	1,52%	1,52%	-
Skandinaviska Enskilda Banken AB, Swedish clients	236 221	1,33%	1,29%	7 720
Firebird Aurora Fund Ltd	220 519	1,25%	1,25%	-
Skandinaviska Enskilda Banken AB, Finnish clients	170 642	0,96%	0,96%	-
State Street Bank and Trust Omnibus Account a Fund No OM01	153 018	0,86%	0,86%	-
SEB Elu- ja Pensionikindlustus AS	149 020	0,84%	0,84%	1 000
Clearstream Banking Luxembourg S.A. clients	142 787	0,81%	0,81%	165
Total largest shareholders	15 453 845	87,30%	87,26%	8 885
Other shareholders	2 246 155	12,70%	12,74%	-8 885
Total shares	17 700 000	100,00%	100,00%	

9M CHANGE IN CONSTRUCTION PRICE INDEX
percentages



Source: Local national statistical offices

CONSTRUCTION CONFIDENCE INDICATOR
difference between percentages of pos. and neg. responses



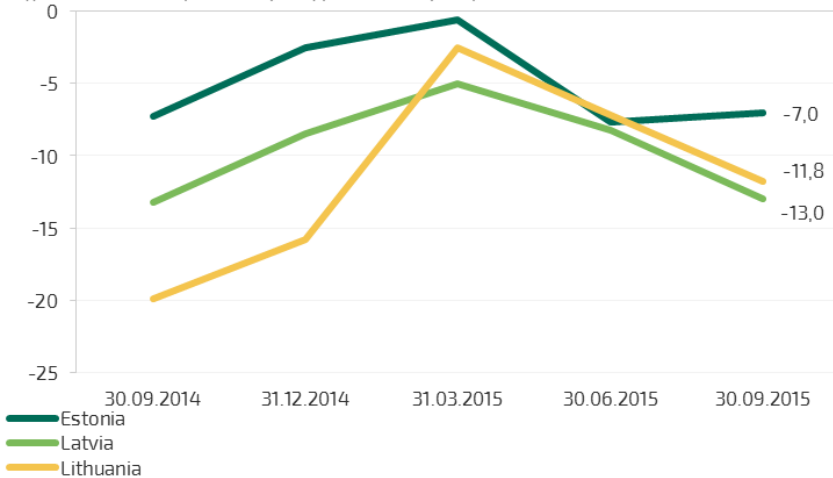
Source: European Commission Directorate-General for Economic and Financial Affairs

- Marginal increase in construction prices, main impact due to labour force costs. No significant pressure on input prices expected as weak outlook for overall market growth.
- Confidence levels continue to be unfavourable in all three Baltic states. Aggressive pricing, high risks taken at tender submissions.
- Public sector orders at a low level. Private sector modest demand for business premises, investor activity on a moderate level.
- Housing development has supported construction market, particularly in Lithuania.

Housing market in Baltics

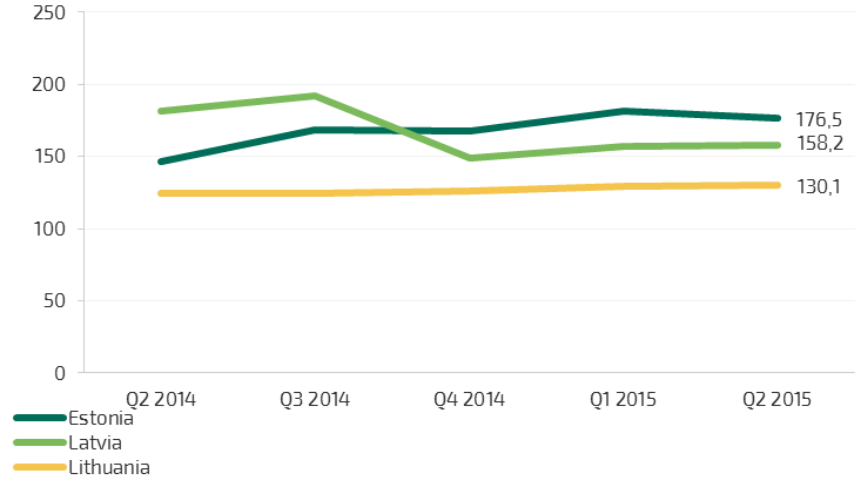
CONSUMER CONFIDENCE INDICATOR

difference between percentages of pos. and neg. responses



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

NEW DWELLINGS HOUSE PRICE INDEX (2010=100)

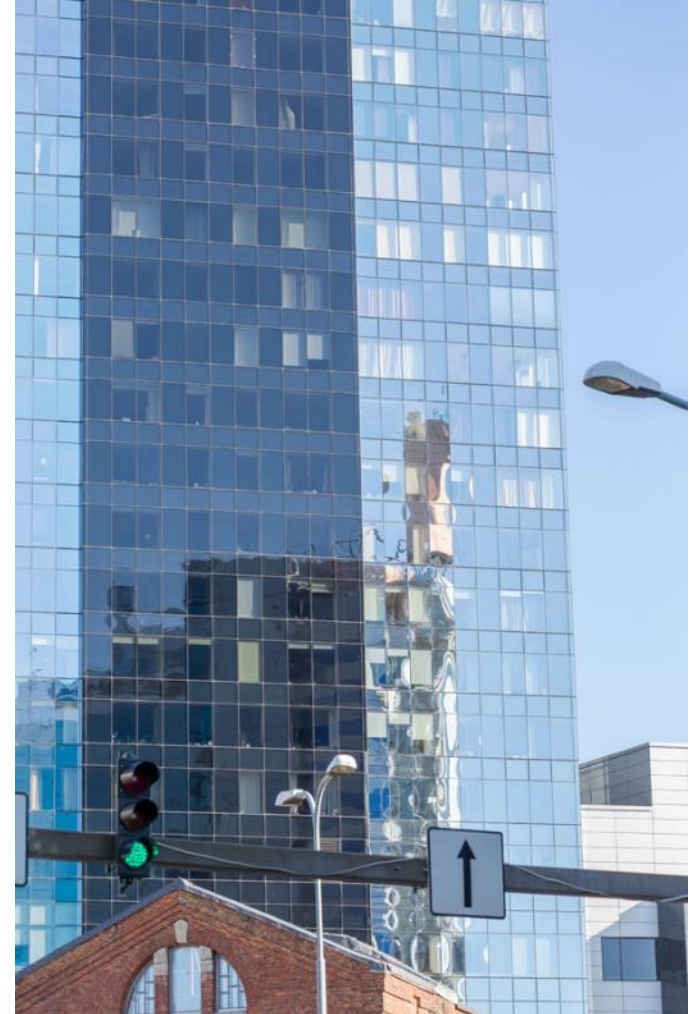


Source: Eurostat

- Demand remains for good quality and optimal price level residential premises in all capital cities.
- Interest rates of mortgages have remained on a low level, consumers' access to financing has remained good.
- Prices remained relatively stable over last 12 months in Estonia and Lithuania. Slight decrease in prices during Q4 2014 in Latvia due to euro and changes related to resident permits.
- Apartment markets more active in Tallinn and Vilnius compared to Riga.

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.
- 2016 still challenging due to timing of EU projects' tendering.
- Strengthen our position as leading apartment developer in the Baltic. We develop modern and quality living environments.
- Objective to grow in Lithuania.
- 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

Estonian construction services (56% of revenue), Latvian and Lithuanian construction services (26%), Real Estate Development (18%)



Share quoted on Nasdaq OMX Tallinn since 1997

Competitive advantages:

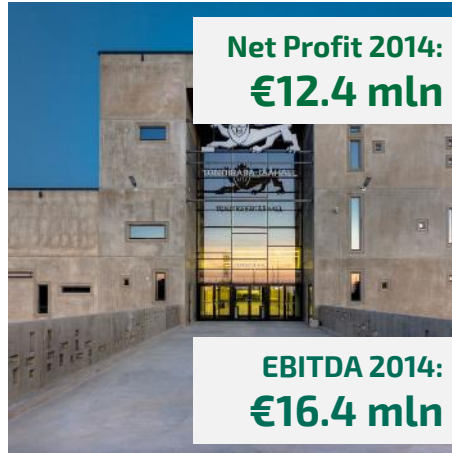
- Broad range of construction services and products, comprehensive solutions offered to clients
- Experienced project managers and engineers
- Longstanding experience on the subcontractors and suppliers market
- Innovative technological approaches and construction solutions
- Strong financial capability
- 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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