



AS MERKO EHITUS GROUP

2013 9 months and III quarter consolidated unaudited interim report

Business name: AS Merko Ehitus

Primary activities: activities of holding companies
general contracting in construction sector
real estate development

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Financial year: 01.01.2013 – 31.12.2013

Reporting period: 01.01.2013 – 30.09.2013

Supervisory Board: Toomas Annus, Teet Roopalu,
Indrek Neivelt, Olari Taal

Management Board: Andres Trink, Tõnu Toomik

Auditor: AS PricewaterhouseCoopers

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BRIEF OVERVIEW OF THE GROUP

AS Merko Ehitus, a company founded in 1990, currently operates as a holding company. Group companies in Estonia, Latvia and Lithuania offer complete solutions in the field of construction and real estate development. Major construction companies incorporated under the holding company include AS Merko Ehitus Eesti (100%), SIA Merks (100%), UAB Merko Statyba (100%), as well as the AS Merko Ehitus Eesti group companies Tallinna Teede AS (100%) and AS Merko Infra (100%).

The main activity of the holding company is development and implementation of the strategies of Merko Ehitus group's separate business areas primarily through long-term planning of resources. The shares of Merko are listed on Tallinn Stock Exchange since 1997. As at the year-end 2012, the Group employed more than 900 people.

Merko Ehitus has the highest owners' equity in the Estonian construction sector and is able to finance projects by itself. Our objective is to maintain liquidity. We have been conservative in involving debt capital. We observe that we would have sufficient necessary resources to continuously invest in attractive projects.

Merko Ehitus Eesti group is the market leader of the Estonian construction sector with about 7% of the total volume of the Estonian construction market as at 2012 year-end.

In Latvia and Lithuania, Merko Ehitus operates through its subsidiaries SIA Merks and UAB Merko Statyba, focusing selectively on projects where the competitive advantage is perceivable as compared to other market players.

Long-term experience in different markets, a wide scope of construction services, flexibility, reliability and meeting of deadlines and primarily quality have helped Merko Ehitus group companies to achieve and maintain the position of the market leader in the Baltics. Depending on the expectations of contracting entities, the group companies perform both small-scale construction works as well as large scale, complicated and innovative projects, with a focus on general contracting and project management.

International quality, environmental protection and occupational safety certificates ISO 9001, ISO 14001 and OHSAS 18001 have been assigned to the group's larger construction companies.

VISION

Our vision is reliable solutions and quality performance for your ideas.

VALUES

RESPONSIBILITY - We decide based on business thinking/awareness and ethical beliefs. We offer continuous and environment-friendly solutions.

KEEPING PROMISES - We give realistic promises to the shareholders, contracting entities, cooperation partners, employees and we keep our promises. Good solutions are born in cooperation; the keeping of one's promises is mutual.

COMPETENCE - We value quality and professionalism. We constantly develop our professional knowledge and skills.

INITIATIVE - We manage processes and we are result-oriented. We accept the challenges which presume more.

CREATIVITY - We are open, innovative and creative in working out and implementing the solutions. We are willing to carry out our thoughts.

STRATEGY

The business strategy of AS Merko Ehitus subsidiaries focuses on improving profitability and enhancing the efficiency of the cost base, offering general contracting services in the field of construction of buildings and infrastructure facilities and developing residential real estate in its home markets Estonia, Latvia and Lithuania. The group's objective is to remain the leader in the Baltic construction market.

LONG-TERM FINANCIAL OBJECTIVES UNTIL 2018

At the meeting held on 8 April 2013, the Management Board and the Supervisory Board of AS Merko Ehitus reviewed the company's strategic development directions and approved long-term financial objectives until 2018.

Considering the weak growth perspective of the Baltic construction and real estate market in the coming few years, the overall low interest environment and the company's high equity base, the strategy and the financial objectives are focussed on improving the return on invested capital and increasing the efficiency of the balance structure.

The objectives are based on the following assumptions concerning the external environment:

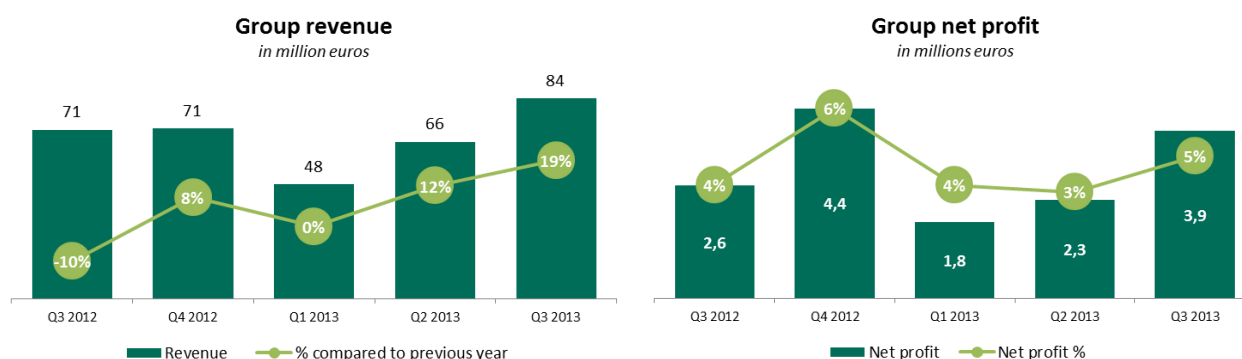
- The Baltic construction market will not experience considerable growth in the coming two years;
- The share of public procurements in construction contracts will remain high, but their volume will temporarily decrease as of the second half of 2013 due to the end of the current EU funding period. On the whole, the financial resources allocated to economy will remain at the same level in the new EU funding period (2014-2020), but the structure thereof will change. The activity of private clients in developing and launching larger construction projects will recover slowly.
- The number of service providers in the construction sector exceeds the demand and there is still a surplus capacity of property, plant and equipment. The tightening competition in the construction market puts increasing pressure on the profit margins of construction companies.
- The Baltic apartment market will continue to see a moderate growth in transaction activity and prices, particularly in capital cities.

The long-term financial objectives of AS Merko Ehitus cover the period until 2018 and will be reviewed annually based on the market situation, the company's financial standing and strategy:

- The minimum period average return on equity (ROE): 10%
- Dividend pay-out ratio: 50-70% of the annual profit
- Equity ratio: at least 40%

MANAGEMENT REPORT

Overview of the 9 months and Q3 results



- ❖ **Profitability:** net profit in 9M 2013 was EUR 7.9 million (9M 2012: EUR 3.2 million) and net profit in Q3 was EUR 3.9 million (Q3 2012: EUR 2.6 million).
- ❖ **Revenue has increased:** 9M 2013 revenue was EUR 197.8 million (9M 2012: EUR 177.7 million). Revenue in Q3 was EUR 84.1 million (Q3 2012: EUR 70.9 million), which has increased 18.7% compared to the same period last year.
- ❖ **Strong cash position:** by the end of the reporting period, the group had EUR 39.1 million in cash and cash equivalents and equity EUR 119.4 million (48.1% of total assets). Comparable figures in 2012 were accordingly EUR 15.5 million and EUR 112.5 million (47.9% of total assets).
- ❖ **Secured order book is stable:** In Q3 2013, EUR 109.8 million worth of new contracts were signed (Q3 2012: EUR 32.4 million) and as at 30 September 2013, the group's secured order book amounted to EUR 218.1 million (30 September 2012: EUR 199.5 million).

		9M '13	9M '12	Variance	Q3 '13	Q3 '12	Variance
Revenue	million EUR	197.8	177.7	+11.3%	84.1	70.9	+18.7%
Gross profit	million EUR	17.4	10.7	+63.0%	7.5	5.6	+34.3%
Gross profit margin	%	8.8	6.0	+46.4%	9.0	7.9	+13.2%
Net profit (parent)	million EUR	7.9	3.2	+148.2%	3.9	2.6	+48.6%
Net profit margin	%	4.0	1.8	+122.9%	4.6	3.7	+25.2%
EPS	EUR	0.45	0.18	+148.2%	0.22	0.15	+48.6%

		30.09.13	30.09.12	Variance
ROE (on yearly basis)	%	10.5	-3.2	+426.5%
Equity ratio	%	48.1	47.9	+0.8%
Secured order book	million EUR	218.1	199.5	+9.3%
Total assets	million EUR	248.3	235.0	+5.7%
Number of employees	people	902	936	-3.6%

Calculations of ratios are provided on page 31 of the report.

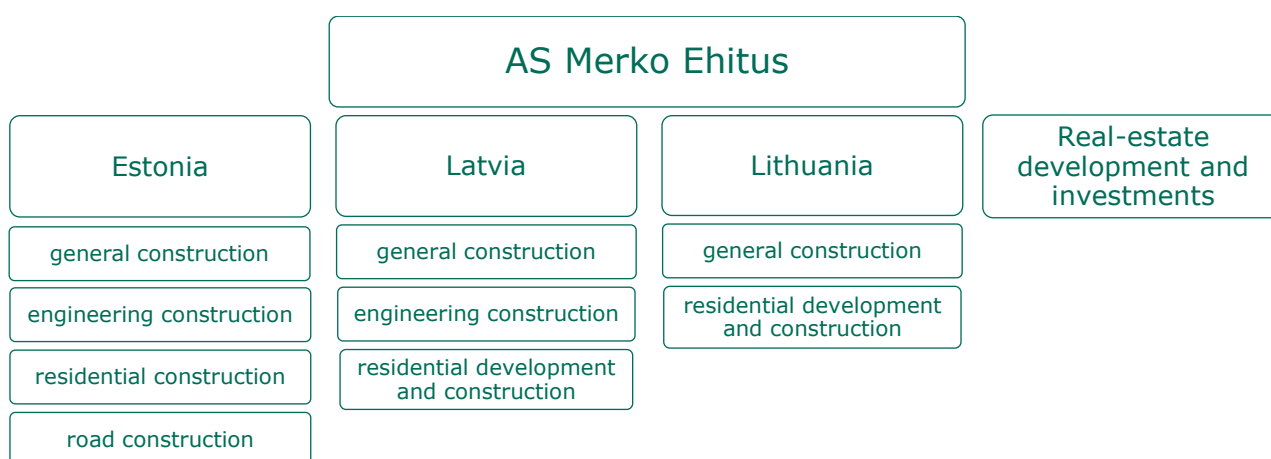
Background information and major changes introduced in the corporate structure

AS Merko Ehitus is a holding company incorporating construction and real estate development companies offering integrated construction solutions in Estonia, Latvia and Lithuania. Major construction companies incorporated under the holding company include AS Merko Ehitus Eesti (100%), SIA Merks (100%), UAB Merko Statyba (100%), as well as the AS Merko Ehitus Eesti group companies Tallinna Teede AS (100%) and AS Merko Infra (100%).

The main activity of the holding company is development and implementation of the strategies of Merko Ehitus group's separate business areas primarily through long-term planning of resources. The Management Board of the holding company AS Merko Ehitus has two members: Andres Trink and Tõnu Toomik.

The profiles of the members of the Management Board and Supervisory Board have been presented in pages 23-27 and Note 15 to the financial statements, and published, together with the track record and photographs, on the company's website at www.merko.ee.

The structure of the group's business areas as at 30 September 2013 has been presented below:



Annual General Meeting and changes in the management structure of AS Merko Ehitus

The general meeting of the shareholders was held on 5 June 2013. The general meeting resolved to approve the annual report and the profit allocation proposal for 2012. Pursuant to the profit allocation proposal, a dividend payable of EUR 5.3 million (EUR 0.3 per share) was recognised in the consolidated balance sheet as at 30 June 2013. The dividends were paid out to shareholders on 3 July 2013.

In addition, the annual general meeting resolved to recall Member of the Supervisory Board Tõnu Toomik in connection with the Supervisory Board's resolution to appoint Tõnu Toomik as Member of the Management Board of AS Merko Ehitus. The Supervisory Board of AS Merko Ehitus resolved to recall Member of the Management Board Viktor Mõisja from 5 June 2013, with Mr Mõisja continuing service in the engineering division of the company's subsidiary AS Merko Ehitus Eesti, and to appoint the former member of the Supervisory Board Tõnu Toomik as a new member of the Management Board.

Changes in the legal structure of the group

In the first quarter of 2013, OÜ Paepargi 57 was established as a 100% subsidiary of AS Merko Ehitus group. The share capital of the private limited company is EUR 2,500. The company was founded for the purpose of ensuring company-based accounting for development projects.

In the second quarter of 2013, OÜ Baltic Electricity Engineering, a 100% subsidiary of AS Merko Ehitus, was renamed OÜ Merko Investments. The private limited company has a share capital of EUR 10,000.

On 22 May 2013, AS Merko Ehitus concluded an intra-group transaction, disposing a 100% stake in SIA Merks, a subsidiary engaged in construction, to OÜ Merko Investments, which is fully owned by AS Merko Ehitus. The transaction served the technical purpose of reorganising the legal structure of the group.

By 4 July 2013, the liquidation of Merko Ukraine LLC, initiated in the autumn of 2012, was completed, with the company deleted from the registers.

On 10 June 2013, the shareholders of OÜ Unigate, a 50%-owned joint venture of AS Merko Ehitus, resolved to increase the nominal value of the share of the joint venture by EUR 887.07 to EUR 6,000 with the aim of bringing the company's share capital into line with the requirements arising from the Commercial Code. A monetary contribution of EUR 350,000 was made by both shareholders, with the nominal value of the share capital amounting to EUR 444 and the share premium to EUR 349,556.

On 17 July 2013, UAB Merko Bustas, a 100% subsidiary of AS Merko Ehitus, established a 100% subsidiary UAB Kražiu Projektas in Lithuania, with a share capital of LTL 10,000 (EUR 2,896). The subsidiary was established with the aim of acquiring registered immovables for development purposes in Lithuania.

On 16 August 2013, OÜ Paepargi, a 100% subsidiary of AS Merko Ehitus 100% subsidiary OÜ Constancia, was sold at a sales price of EUR 2,500 to Capital Mill OÜ.

AS Merko infra branch in Latvia was registered on 10 September 2013. The branch was established with the aim of participating in large-scale infrastructure facilities construction tenders where the competence and references of SIA Merks alone would fall short.

On 3 October 2013, AS Merko Ehitus Eesti, a 100% subsidiary of AS Merko Ehitus, established a 51% subsidiary OÜ Heamaja. The company was established with the aim of participating in the Suur-Ameerika 1, Tallinn building construction works concession contract tender organized by AS Riigi Kinnisvara.

The Entrepreneurship Award 2013

AS Merko Ehitus was granted the most competitive enterprise award in the field of construction for the second year in a row at the Entrepreneurship Award competition organised by Enterprise Estonia, the Estonian Chamber of Commerce and the Estonian Employers' Confederation.

GREATEST CONTRIBUTORS TO THE CONSTRUCTION MARKET IN THE FIRST NINE MONTHS OF 2013

The company's prediction of the greatest contributors to the construction market in the upcoming quarters has not changed since the 6 months interim report 2013.

While in 2012, a majority of large-scale contracts for construction in the Baltic States were initiated by the public sector and financed largely from the EU Structural Funds, these trends have been reversed in the first 9 months of 2013, with new life breathed into the private sector, which sees favourable terms to carry out their investments that the general weakness of the construction market provides. All in all, a decrease in construction volumes is expected in the Baltic States in 2013 and 2014. This can mostly be attributed to the decrease in public procurement volumes in connection with the expiry of the EU budget period 2007-2013 and continuing uncertainties regarding the distribution of funds for the budget period 2014-2020. With civil engineering works still taking the majority of construction volumes, the year 2013 has seen a revitalization of building projects by private contracting entities in the sectors of trade, logistics and other commercial space. The total number of projects launched by the private sector has grown significantly over the last few months. As at 30 September 2013 about half of new contracts signed in the year 2013 are related to private contracting entities. Nevertheless the private contracting entities will surely fail to compensate in full the reduction in procurement by the public sector, especially in the field of external networks.

In 2013, the Baltic construction market is still characterized by tight competition and aggressive pricing in construction procurements. Due to the contracting entities' persistent focus on the most favourable construction price, it is still difficult for the main contractors to maintain their competitive edge.

The contracting entities' high demands with regard to guarantees, and the long terms of payment lay a heavy burden on the current assets of construction companies. Cash flow management skills are required for companies to remain competitive. We therefore make an effort to maintain a stable equity base, and make use of the group's strong financial position as a competitive advantage when negotiating payment terms.

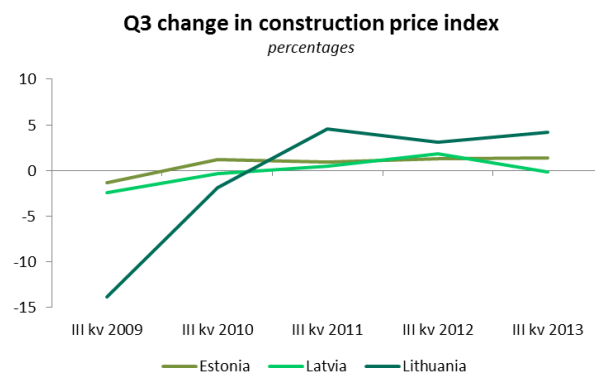
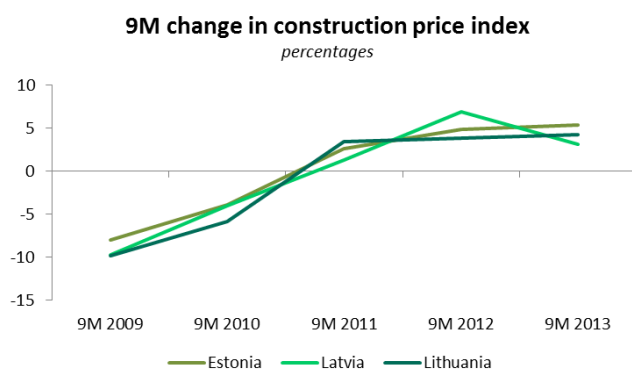
The apartment market has been gradually improving in all Baltic States. Despite the price-sensitive consumer, the demand for well-located, high-quality residential space remains high in all three Baltic States. Developers in all three Baltic countries and in particular the capitals are bolder when launching new projects, which will increase the supply of new apartments. We see that the demand continues to remain strong in 2013, but the bigger apartment offering in the future may bring about downward pressure on prices and the prolongation of sales periods. More and more apartment buyers are focusing on the quality of construction (energy efficiency, sound insulation) and base their purchase decisions on the availability of infrastructure (parking, services, logistics) in the area. The low Euribor level continues to enhance availability of bank loans. Still, the customers' enthusiasm in applying for bank loans remains lower in both Latvia and Lithuania than in Estonia.

The banks, in turn, show no enthusiasm for financing the residential development projects of smaller-scale developers, and tend to demand greater self-financing and that a high proportion (up to 50% of total project volume) be covered by preliminary contracts. These trends provide the group with a competitive edge in the marketing of new development projects and endorse the launch of new development projects in the capitals of all Baltic States.

In Latvia, the apartment market continues to be supported by the involvement of foreign investors in the new apartments market, motivated by the prospects of acquiring an EU residence permit, as well as the final decision regarding the changeover to the euro at the beginning of 2014. However, there is some uncertainty about future demand in Latvia in light of the proposed amendments to the procedures for issuing residence permits that are to take effect starting next year. The apartment market continues to be active in Vilnius, the capital of Lithuania, particularly in the lower price segment; also the sale of so called "grey box" apartments continues as an ongoing trend.

Considering the poor prospects for growth in the construction market, no wage pressures are foreseen. Neither are we expecting major changes in the input price level. Even though the weak construction market could be expected to exert a downward pressure on input prices, the general price inflation is expected to negate the trend. The prices of subcontractors have not shown the same decrease as main contractors, which means that the pressure on margins remains in particular at the main contractors. Nonetheless, sudden fluctuations in input prices cannot be ruled out against the backdrop of global economic events.

	9 months 2013			III quarter 2013		
	Estonia	Latvia	Lithuania	Estonia	Latvia	Lithuania
Construction price index change, y-o-y	5.4%	3.2%	4.3%	5.3%	1.2%	4.2%
Labour force	14.2%	7.1%	7.6%	12.6%	2.0%	7.0%
Building machines	4.4%	2.7%	1.9%	4.2%	2.1%	1.8%
Building materials	1.3%	1.1%	3.0%	1.6%	0.3%	2.9%

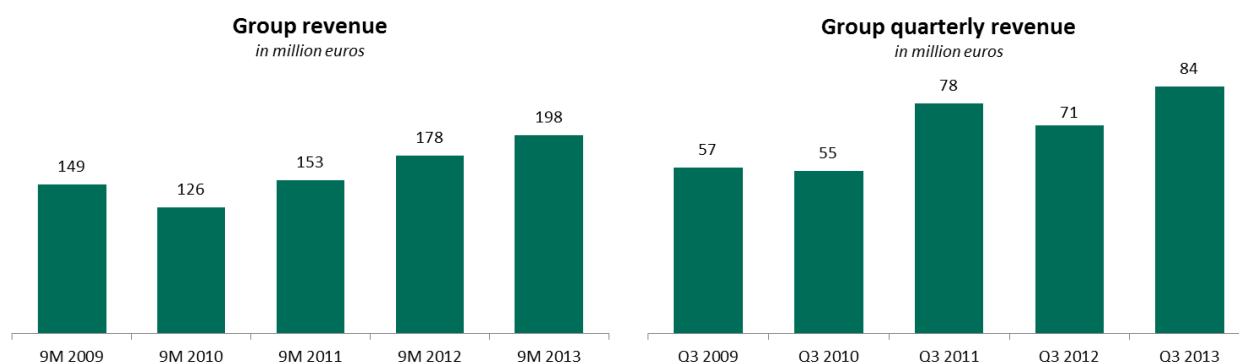


AS Merko Ehitus's subsidiary AS Merko Ehitus Eesti – the number one main contractor in the Estonian construction market – is well-positioned and able to compete in all of the activities pursued. In Latvia, AS Merko Ehitus's subsidiary SIA Merks is among the 5-6 leading main contractors; we believe in our ability to maintain the position. In Lithuania, the activities of AS Merko Ehitus's subsidiary UAB Merko Statyba revolve, above all, around apartment development projects and the buildings (general construction) segment, which is witnessing a tight competition with regard to procurements. The position of the main contractors in the Lithuanian market continues to be affected by the activities of the so-called contracting entity consulting companies, who complicate the main contractors' pursuit of favourable construction orders. In both Latvia and Lithuania, it remains a huge challenge for foreign companies to participate in public procurements.

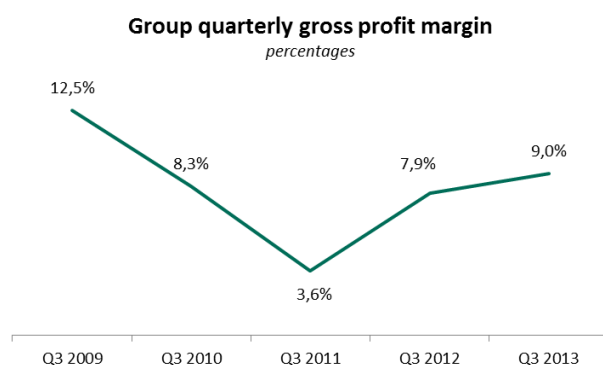
OPERATING RESULTS**Business activities**

Key financial indicators (in million of euros):

	9M 2013	9M 2012	Q3 2013	Q3 2012
Revenue				
Estonia	163.4	152.8	70.6	58.6
Latvia	29.4	18.9	11.9	10.4
Lithuania	5.0	6.0	1.6	1.9
Revenue total	197.8	177.7	84.1	70.9
Gross profit	17.4	10.7	7.5	5.6
Operating profit (EBIT)	9.5	4.0	4.4	2.9
attributable to equity holders of the parent	7.9	3.2	3.9	2.6
attributable to non-controlling interest	(0.0)	(0.1)	(0.0)	(0.0)
Net profit	7.9	3.1	3.9	2.6
Earnings per share (EPS), in euros	0.45	0.18	0.22	0.15
Cash and cash equivalents closing position	39.1	15.5	39.1	15.5

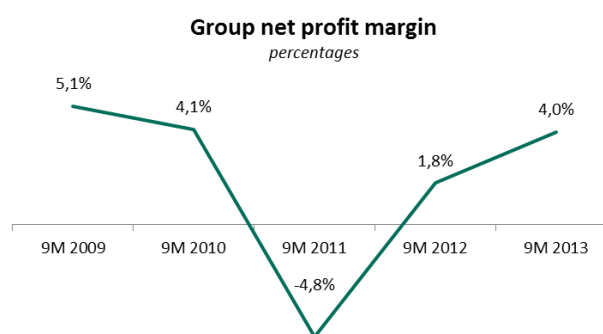
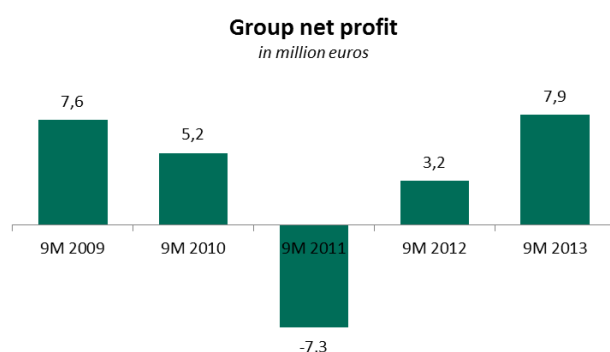
Revenue and gross profit

Merko Ehitus group generated a total of EUR 197.8 million in revenue in 9 months of 2013 (9 months of 2012: EUR 177.7 million). 82.6% of the revenue was generated in Estonia, 14.9% in Latvia and 2.5% in Lithuania (9 months of 2012: 86.0% in Estonia, 10.6% in Latvia and 3.4% in Lithuania). Compared to the first 9 months of 2012 the group revenue increased by 11.3%. During the reporting period, orders from the private sector have increased as an ongoing trend, but the majority of revenue is still related to projects financed with support from the EU structural funds – state orders. Revenue in Q3 2013 was EUR 84.1 million, which has increased 18.7% compared to the previous year (Q3 2012: EUR 70.9 million). The increase in revenue, compared to last year, can be mainly attributed to projects pursued in the general and road construction segment.

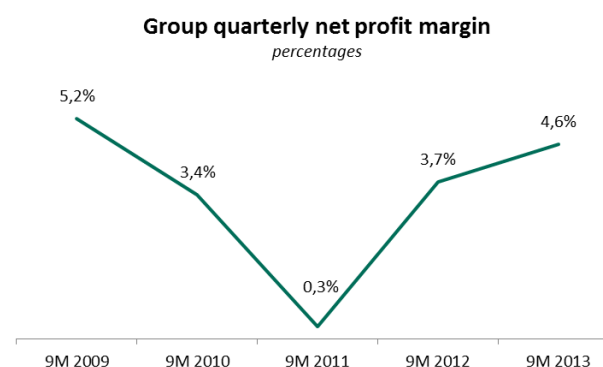
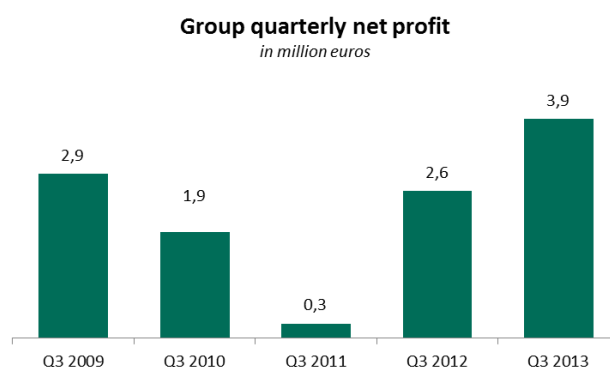


In 9 months of 2013 the group's gross profit from development and construction activities totalled EUR 17.4 million (9 months of 2012: EUR 10.7 million). The gross profit in Q3 2013 was EUR 7.5 million (Q3 2012: EUR 5.6 million). Both the 9 month (8.8%) and the quarterly (9.0%) gross profit margin has improved, compared to the same period last year (first 9 months of 2012: 6.0%; Q3 2012: 7.9%). Key contributors to the rise in the profit margin are the road construction segment and the real estate development segment. At the same time, the margin has fallen at the expense of the profitability of the general construction segment. The scarcity of projects and the ever-tightening competition in the construction sector pose a huge challenge in the maintaining of the current gross profit margin for new procurements in all segments, but especially in general construction, where competition and the number of companies participating at the procurements is the highest.

Net profit



In 9 months of 2013, the group's pre-tax profit totalled EUR 8.7 million and net profit was EUR 7.9 million as compared to the pre-tax profit of EUR 3.5 million and net profit of EUR 3.2 million in 9 months of 2012. Group's net profit margin was 4.0% (9 months of 2012: 1.8%).



In Q3 of 2013, the group's pre-tax profit totalled EUR 4.2 million and net profit was EUR 3.9 million as compared to the pre-tax profit of EUR 2.6 million and net profit of EUR 2.6 million in Q3 of 2012.

Business segments

The group business activities are managed according to the following areas:

- General construction – includes the construction of buildings for different purposes including offices, hotels, museums, culture and business centres, social, production and service buildings as well as buildings of various industrial structures.
- Engineering construction – The engineering construction segment of Merko builds port structures, landfilling areas at landfills, various road structures (tunnels, overpasses, bridges), water and sewerage pipelines, water treatment plants, up to 330 kV electrical construction projects and other complex engineering and environmental projects.
- Road construction – In this segment, Merko carries out road construction and builds the associated infrastructure. In addition, we carry out road maintenance works and maintenance repair.
- Real estate development – including development of apartment projects, long-term financial investments and commercial real estate projects.

General construction

General construction <i>million EUR</i>	9M 2013	9M 2012	Variance	Q3 2013	Q3 2012	Variance
Revenue	59.9	43.1	+38.9%	39.0	31.4	+24.2%
% of revenue	30.3%	24.3%	+24.7%	29.5%	26.4%	+11.7%
Gross profit	1.5	3.2	-52.3%	0.8	2.1	-63.8%
Gross profit margin	2.6%	7.4%	-65.7%	2.0%	6.7%	-70.9%

In the first 9 months of 2013, the revenue of the general construction segment increased by 38.9% from the same period last year. At the same time, the gross profit of the segment has decreased by 52.3%, mainly due to the pressure on the margins exerted by tightening competition caused by the scarcity of projects. While in 2012 the market was primarily dominated by public sector projects, the 2013 has seen an increase also in private sector orders. Nevertheless, public procurements continue to make up a bulk of the work-in-progress.

Our major projects in the third quarter included reconstruction work at the North-Estonia Medical Centre in Mustamäe, the launch of construction of Polipaks NT manufacturing and logistics centre in Marupe and the multifunctional concert hall in Liepaja and the continuation of Tondiraba ice arena construction.

Engineering or infrastructure construction

Civil engineering <i>million EUR</i>	9M 2013	9M 2012	Variance	Q3 2013	Q3 2012	Variance
Revenue	74.1	86.3	-14.1%	49.3	56.7	-12.9%
% of revenue	37.5%	48.5%	-22.8%	37.4%	47.8%	-21.7%
Gross profit	7.6	5.5	+38.6%	6.0	3.8	+58.4%
Gross profit margin	10.2%	6.3%	+61.4%	12.2%	6.7%	+81.9%

The revenue of the civil engineering segment amounted to EUR 74.1 million in the first 9 months of 2013 (9 months of 2012: EUR 55.3 million), which is 14.1% less than in 2012. The decrease from the previous year is mainly due to a drop in the volume of pipeline projects. In the third quarter of 2013, our main projects included the reconstruction of pipelines in Vääna-Jõesuu and the closing of industrial waste and semi-coke landfill in Kohtla-Järve. Vääna-Jõesuu water and sewerage pipelines reconstruction project was almost completed at the moment of writing the interim report, which was approximately 18 months earlier than foreseen by the contract. The civil engineering segment continues to form the largest proportion in the group's revenue (3 months of 2013: 37.5%). The gross profit of the civil engineering segment amounted to EUR 7.6 million (9 months of 2012: EUR 5.5 million) and the gross profit

margin was 10.2% (9 months of 2012: 6.3%). The positive shift compared to the previous year is mainly due to the fact that the results of loss-making projects had already been recorded in the previous period.

The civil engineering segment includes challenges, primarily in connection with the end of the 2007-2013 EU budgeting period and due to the fact that the pace of launching new projects has decreased. This applies particularly to water management projects.

Road construction

Road construction <i>million EUR</i>	9M 2013	9M 2012	Variance	Q3 2013	Q3 2012	Variance
Revenue	43.5	32.6	+33.5%	28.7	21.5	+33.8%
% of revenue	22.0%	18.3%	+19.9%	21.8%	18.1%	+20.3%
Gross profit	5.6	1.2	+351.1%	3.3	2.1	+58.7%
Gross profit margin	12.9%	3.8%	+237.9%	11.6%	9.8%	+18.6%

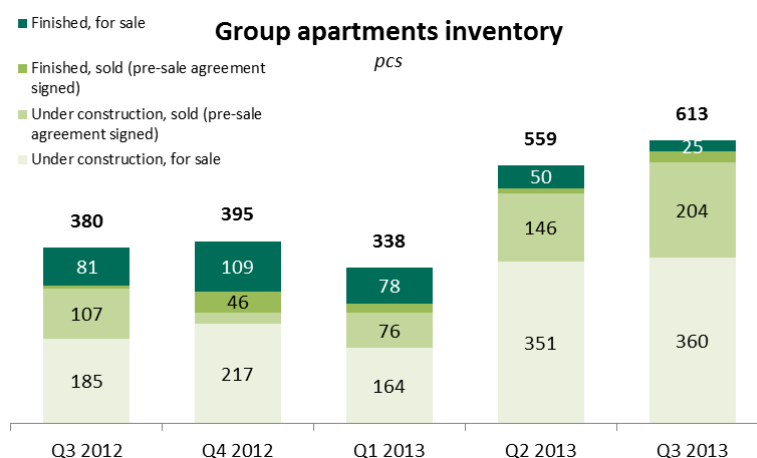
The revenue of the road construction segment amounted to EUR 43.5 million in the first 9 months of 2013, which means a 33.5% increase from 2012. In the first 9 months of 2013, the segment earned a gross profit of EUR 5.6 million, which yields a gross profit margin of 12.9%. The increase in both revenue and profit was supported by the increase in road construction and maintenance volumes in the second and third quarter of 2013.

The largest construction projects in the third quarter were the maintenance works done under the service agreement with Tallinn as well as the completing of constructing at the Ülemiste traffic junction in the beginning of October.

Real estate development

Real estate development <i>million EUR</i>	9M 2013	9M 2012	Variance	Q3 2013	Q3 2012	Variance
Revenue	19.4	14.3	+35.6%	14.2	8.4	+70.2%
% of revenue	9.8%	8.0%	+21.8%	10.8%	7.0%	+53.1%
Gross profit	2.9	0.9	+236.5%	1.9	0.4	+363.3%
Gross profit margin	15.0%	6.0%	+148.2%	13.7%	5.0%	+172.2%

A total of 165 apartments were sold in 9 months of 2013 at the total value of EUR 17.3 million (excl. VAT), (9 months of 2012: 119 apartments and EUR 12.8 million, respectively). At the end of the period, Merko Ehitus group's inventory comprised 25 completed but not yet sold apartments (14 in Estonia, 2 in Latvia and 9 in Lithuania) and 24 completed and pre-sold apartments (12 in Estonia, 9 in Latvia and 3 in Lithuania).



As at 30 September 2013, Merko Ehitus group had 385 apartments on active sale (as at 30 September 2012: 266 apartments), meaning apartments that had no signed pre-sale agreement.

The following table lists the apartment projects in progress and their indicative completion time:

Project	Town/Country	Completion time	No of apartments*
Tartu road 50a	Tallinn, Estonia	Completed	4
Pärna Avenue 5 and 6	Tartu, Estonia	Completed	10
Pallasti 46	Tallinn, Estonia	Completed	9
Räägu 9	Tallinn, Estonia	Completed	3
Skanstes Virsotnes 4th thower	Riga, Latvia	Completed	11
Mokslininku I stage	Vilnius, Lithuania	Completed	12
			49
Eha 4 / Paldiski 17	Tallinn, Estonia	2013 autumn	27
Pallasti 48	Tallinn, Estonia	2013 autumn	23
Grostonas 17	Riga, Latvia	2013 year-end	64
Pärna Avenue 8	Tartu, Estonia	2013 year-end	27
Pallasti 50	Tallinn, Estonia	2014 spring	23
Tedre 55	Tallinn, Estonia	2014 spring	47
Grostonas 19	Riga, Latvia	2014 autumn	82
Mokslininku II stage	Vilnius, Lithuania	2014 autumn	54
Kentmanni 6	Tallinn, Estonia	2014 year-end	92
			439
Started in Q3 2013			
Grostonas 21	Riga, Latvia	2015 spring	125
			125
Total			613

* Included under completed apartments is the number of apartments that are unsold and not delivered to the customers

Two previously frozen development projects were re-launched in the second quarter of 2013. In Tallinn, the company launched construction of the Kentmanni 6 residential and commercial building (number of apartments in the new design: 92), a project frozen in 2008. The first two floors of the building have been designed as commercial space, with the remaining 12 floors allocated for apartments. Two underground parking lots had been constructed for the building by the end of 2008. The building is scheduled to be completed at the end of 2014.

In the second quarter of 2013, we partially re-launched the Pärna Avenue development project (number of apartments for sale according to the new design: 27 apartments) in Raadi district, Tartu. As at 30 September 2013, the company thus has a single frozen project in Tartu – the 158-apartment project shelved in 2007 (the comparable number in Tallinn and Tartu as at 30 September 2012 was 311 apartments).

We launched new development projects in both Riga and Vilnius in the second quarter of 2013. In Riga we launched a 82 apartment development project at Grostonas 17 and in Vilnius 54 apartment in the second stage of the Mokslininku project.

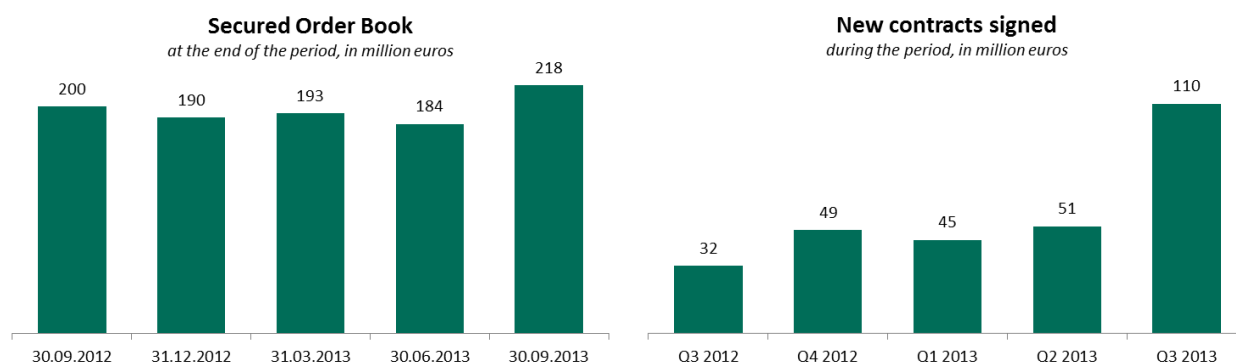
In the third quarter of 2013 we launched a new development projects in Riga. The development project launched constitutes a continuation of the apartment building block in the Skanstese district where we will build a residential building with the 125 apartments at Grostonas 21. The building is scheduled to be completed in the spring of 2015.

One of our objectives is to keep a moderate portfolio of land plots to ensure stable implementation of property development projects considering the market conditions. At the same time the real estate market has become more

selective – key aspects considered in the evaluation of risks prior to the launch of each project are the location, scale of development, design solutions and the target group. In view of the low mortgage interest rates and the limited supply on the market of new apartments over the last three years, demand and transaction activity in the apartment market has grown moderately.

Secured Order Book

As at 30 September 2013, the group's secured order book amounted to EUR 218,1 million as compared to EUR 199.5 million as at 30 September 2012. The group does not include residential building projects developed by the group and development of the investment property in the order book.



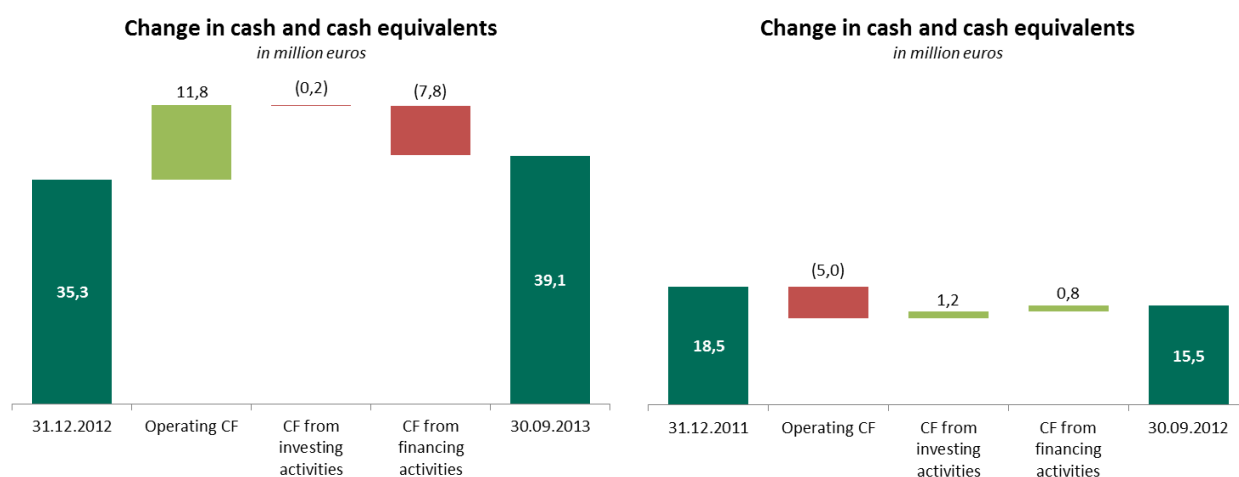
In third quarter of 2013, EUR 109.8 million worth of new contracts were signed (without own developments) as compared to EUR 32.4 million in same period previous year. The table below shows the largest construction contracts that were signed in the third quarter of 2013:

Brief description of contract	Cost million EUR	Completion time	Country
OEG/Hilton hotel- and entertainment complex	31.0	December 2015	Estonia
Liepaja multifunctional center "Lielais Dzintars"	28.3	July 2015	Latvia
Polipaks NT production and logistics center	17.8	February 2015	Latvia
Gipša Fabrika apartment building finishing works	5.3	August 2014	Latvia

As at 30 September 2013 the secured order book is still dominated by public orders, which show a clear tendency of decreasing when compared with new private sector orders. If the public procurements made up the bulk of construction orders in the end of 2012 and the beginning of 2013, then the private sector has recovered in all three Baltic States during the first 9 months of 2013. As at 30 September about half of the new contracts entered into during the year 2013 are in connection with the private sector. We are expecting a steady decrease in the volume of public procurements in the end of 2013 due to the expiry of the current EU budget period. Consequently, it will prove quite challenging during the next 12 months to keep the volume of new contracts at its current level.

Cash flows

The cash position of the group is stable. As at the end of the reporting period, the cash and cash equivalents of Merko Ehitus group amounted to EUR 39.1 million (as at 30 September 2012: EUR 15.5 million). The strategic cash position and investment capability of the holding company AS Merko Ehitus has improved during the year.

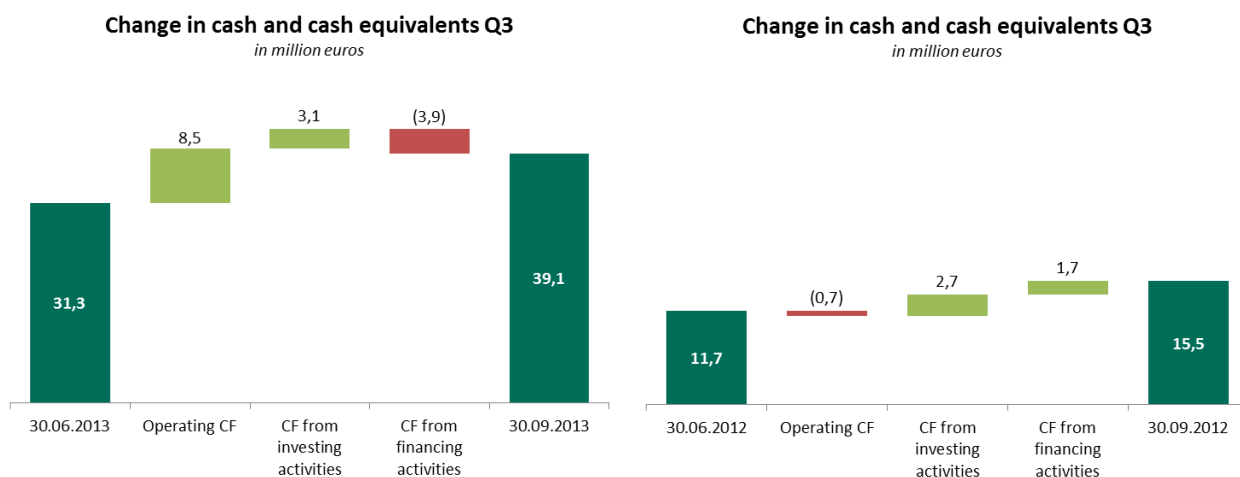


The 9-month cash flow from operating activity was positive at EUR 11.8 million (9 months of 2012: negative EUR 5.0 million), cash flow from investing activity was negative at EUR 0.2 million (9 months of 2012: positive EUR 1.2 million) and the cash flow from financing activity was negative at EUR 7.8 million (9 months of 2012: positive EUR 0.9 million). The cash flow from operating activity was mostly influenced by the operating profit EUR 9.5 million, by the negative change in trade and other receivables related to operating activities EUR 14.6 million, by the negative change in inventory EUR 5.9 million, and by the positive change in trade and other payables related to operating activities EUR 22.5 million (incl. significant positive inflow from the advances for real estate development projects).

The share of public orders remains high in the consolidated cash flows, with long terms of payment (an average of 56 days after registered delivery of the work) and a persistent burden on current assets, including cash flow management. To support cash flows arising from operating activity, the group has been prudent in raising additional external capital, including factoring. At the same time, the debt ratio has remained at a moderate level (13.9% as at 9 months of 2013, 17.9% as at 9 months of 2013).

The balance of other investments and acquisition of PPE included in cash flows from investing activities was EUR -1.0 million and the balance of sale of PPE EUR +0.8 million.

The largest single item in cash flows from financing was the dividend payment in the amount of EUR -5.3 million. The other contributors in the cash flow from financing activities were net of loans received and loans repaid in connection with development projects that amounted to EUR -2.0 million, new loans received in connection with investment property projects amounted to EUR +2.0 million, factoring to EUR -1.5 million and financial lease repayments to EUR -0.9 million.



The Q3 2013 cash flow from operating activity was positive at EUR 8.5 million (Q3 2012: negative EUR 0.7 million), cash flow from investing activity was positive at EUR 3.1 million (Q3 2012: positive EUR 2.7 million) and the cash flow from financing activity was negative at EUR 3.9 million (Q3 2012: positive EUR 1.7 million). The positive quarterly cash flow from operating activities was mainly influenced by the advances received from the pre-sales for real estate development projects.

Cash flow from investing activities in the third quarter of 2013 includes the termination of short-term deposit with a maturity term of more than 3 months in the amount of EUR +2.5 million.

Cash flow from financing activities was negative in the third quarter of 2013 EUR 3.9 million, which is primarily due to the dividend payment in the amount of EUR 5.3 million.

Financial ratios

(per share attributable to equity holders of the parent company)

		9M 2013	9M 2012	9M 2011	Q3 2013	Q3 2012	Q3 2011
Income statement summary							
Revenue	million EUR	197.8	177.7	153.4	84.1	70.9	78.3
Gross profit	million EUR	17.4	10.7	0.4	7.5	5.6	2.8
Gross profit margin	%	8.8	6.0	0.2	9.0	7.9	3.6
Operating profit	million EUR	9.5	4.0	(6.7)	4.4	2.9	0.5
Operating profit margin	%	4.8	2.3	-4.4	5.3	4.1	0.7
Profit before tax	million EUR	8.7	3.5	(7.1)	4.2	2.6	0.4
EBT margin	%	4.4	1.9	-4.7	5.0	3.7	0.5
Net profit	million EUR	7.9	3.1	(7.4)	3.9	2.6	(0.2)
equity holders of the parent	million EUR	7.9	3.2	(7.3)	3.9	2.6	0.3
non-controlling interest	million EUR	(0.0)	(0.1)	(0.1)	(0.0)	(0.0)	(0.1)
Net profit margin	%	4.0	1.8	-4.8	4.6	3.7	0.3
Other income statement figures							
EBITDA margin	%	5.9	3.3	-3.3	6.3	5.1	1.4
General expense ratio	%	4.7	4.5	4.9	4.2	4.4	3.2
Labour cost ratio	%	12.1	11.0	10.7	11.2	10.5	7.4
Revenue per employee	thousand	226	194	162	96	77	83

		30.09.13	30.09.12	30.09.11
Other key figures				
ROE	%	10.5	-3.2	-9.5
ROA	%	5.3	-1.6	-5.5
ROIC	%	14.3	-1.7	-6.9
Equity ratio	%	48.1	47.9	52.7
Debt ratio	%	13.9	17.6	15.0
Current ratio	times	2.0	1.9	2.1
Quick ratio	times	1.1	1.0	1.0
Accounts receivable turnover	days	35	60	55
Accounts payable turnover	days	27	51	42
Average number of employees	people	877	916	944
Secured Order Book	million EUR	218.1	199.5	195.0

Calculations of ratios are provided on page 31 of the report.

Risk management

Risk management is part of strategic management and is inseparable from daily operations of the company. In managing risks, the main objective of the company is to determine larger and more significant risks and to optimally manage these risks so that the company achieves its strategic and financial objectives. The company considers it important to assess aggregate group's risks, instead of the impact factors of individual risks. Turning constant attention to risk management enables to exclude or minimise a possible financial loss. For the company, the most important risks are market risk, operating risk and financial risks. The latter including interest rate risk, foreign currency risk, credit risk, liquidity risk, equity risk and legal risks.

Because of the group's balance sheet structure and the market position, none of these risks has a significant impact as at the date of this report.

Market risk. One of the peculiarities of construction activities is the fact that the execution of the contracts concluded is a long-term process, making the sector inert to changes in the economic environment. Due to this, both positive and negative changes in the economic environment reach the construction industry with a lag of approximately 12-18 months. This time lag enables the sector to arrange its activities to be prepared for potential setbacks as well as booms.

Significantly more attention is being paid to potentially major volatility of input prices in the construction sector that could complicate the budgeting process, completion of projects at planned costs, cause additional risks in carrying out fixed-price construction contracts and weaken projects' profitability. Therefore, the overall economic development is being closely monitored and taking excessive price risks already in the bidding phase is avoided.

The residential development area is one of the main sources of market risk arising from the value of real estate for Merko Ehitus group. The real estate market has become more selective and in pre-launch risk assessment, consideration is given to such important aspects as the project's location, development volume, planning solutions and the target group. Taking into account low interest rates on loans and limited supply on the market of new apartments, in the last three years the demand and transaction activity on the apartment market has grown moderately. Because of the selectiveness of the real estate market, setting the right sale price for new development projects in the given region have become very important. For hedging the area's price risk, price statistics collected by the group and available from other public sources is being constantly analysed.

Interest risk arises from interest rate changes in the financial markets as a result of which it may be necessary to revalue the group's financial assets and take into consideration higher financing costs in the future. Most of the group's bank loans have floating interest rates based on either Euribor or the interbank rates of the countries of incorporation of the entities. Management considers the share of interest-bearing liabilities in the group's capital structure to be moderate (as at 30.09.2013, 13.9% of the balance sheet total) and effect of changes in the interest rate environment to be insignificant for the group's results over the next 12-month.

Foreign exchange risk. The group's economic activities are conducted mainly in the currencies of the countries of location of the companies: euros in Estonia, Latvian lats in Latvia and Lithuanian litas in Lithuania. From 1 January 2011, Estonia adopted the euro as its national currency. Latvian lats and Lithuanian litas are pegged to the euro. The exchange rate of the Latvian lats is 1 EUR= LVL 0.702804 +/-1% and currently it is assured that Latvia is adopting the euro at 1 January 2014. In order to eliminate foreign exchange risk, the proportions of assets and liabilities denominated in different currencies are monitored and key foreign contracts and the preferred currency for conclusion of long-term loan contracts is the euro. As Estonia uses the euro and Latvia adopts the euro at 1 January 2014, the need and probability for devaluation of the Lithuanian national currency is low and the situation as a whole is stable in the Baltic States.

Operating risk. The group concludes total risk insurance contracts with insurance companies in order to hedge the risk of unanticipated loss events occurring in the construction process. The general policy is entered into for one year and it compensates the customer, subcontractors and third parties for any losses caused by Merko Ehitus or its subcontractor for up to EUR 9.6 million. The risks of the projects which cost exceeds EUR 9.6 million or the annual policy does not cover (water construction, railroad construction, bridges, etc.) are additionally mapped out and an insurance contract is concluded separately for each object taking into consideration its peculiarities. In concluding contracts for services involving design work, an insurance contract for professional liability is required from subcontractors or an insurance contract at own expense is concluded, covering the damage arising from design, erroneous measurement, advice and instructions. The services of insurance brokers are used in mapping out risks, concluding insurance contracts and handling loss events.

A warranty provision has been provided at the company to cover for the construction errors which have become evident during the warranty period. As at the period-end, the group's warranty provision amounted to EUR 1.8 million. With regard to work performed by subcontractors, the subcontractor is responsible for elimination of defects that became evident during the warranty period. With regard to critically significant contracts, the performance of contractual obligations of the contractor arising from contracts of services is guaranteed with bank guarantees to be paid upon first demand.

One important part of managing operating risks is the mapping out of the situation and anticipation of risks. ISO 9001/14001 management systems have been set up the largest group entities and the occupational health and safety system OHSAS 18001 has been set up at Merko Ehitus Eesti, Merko Infra, Merko Tartu as well as the Latvian and Lithuanian subsidiaries. Full-time quality control specialists work at the group whose work responsibilities include ensuring the development and functioning of quality, occupational safety and management systems.

Credit risk relates to a potential damage which would occur if the parties to the contract are unable to fulfil their contractual obligations. For mitigating credit risk, the payment behaviour of clients is constantly monitored, their financial position is analysed and if necessary, third persons are engaged as a guarantor in transactions. Construction activities are partially financed by customer prepayments. As a rule, a precondition for receiving a prepayment is a bank guarantee for the prepayment submitted to the customer. Free cash is mostly held in overnight deposits or term deposits at Swedbank, SEB and Nordea bank groups. The management estimates that the group is not exposed to significant credit risk.

Liquidity risk. The company's liquidity or solvency represents its ability to settle its liabilities to creditors on time. As at 30.09.2013, the group's current ratio was 2.0 (30.09.2012: 1.9) and the quick ratio 1.1 (30.09.2012: 1.0). To complement available current assets, and to ensure liquidity and better management of cash flows, the group has concluded overdraft agreements with banks. As at period-end, the group entities had concluded overdraft contracts with banks in the total amount of EUR 9.9 million, which had not been withdrawn in the amount of EUR 9.7 million. In addition to the overdraft facility, the company has a current loan facility with the limit of EUR 3.5 million from AS Riverito, which had not been withdrawn in full as at the period-end.

The management estimates that the group's capital structure – a solid proportion of equity at 48.1% of the balance sheet total and a moderate proportion of interest bearing liabilities at 13.9% of the balance sheet total – ensures the company's trustworthiness for creditors in the changing economic climate and significantly improves the feasibility of the extension of existing financial liabilities and raising of additional debt.

Legal risk. Due to different interpretations of contracts, regulations and laws related to group's principal activities, there is a risk that some buyers, contractors or supervisory authorities evaluate the company's activities from the perspective of laws or contracts from a different position and dispute the legitimacy of the company's activities.

As at 30 September 2013, a provision has been set up at the group in the amount of EUR 0.4 million for covering potential claims and legal costs.

An overview of the key legal disputes of group entities as at 30 September 2013 is presented below:

Estonia

On 30 March 2012 Harju County Court proclaimed the judgment on criminal case 1-09-20251. According to the judgement AS Merko Ehitus, OÜ Metsailu, OÜ Woody, OÜ Constancia were convicted based on Penal Code section 297 subsection 3 (granting or promising a gratuity by a legal person) imposing a pecuniary punishment to AS Merko Ehitus in the amount of EUR 300,000, to OÜ Woody and OÜ Constancia each in the amount of EUR 200,000 and to OÜ Metsailu in the amount of EUR 100,000.

At 21 January 2013, Tallinna District Court upheld the judgement of Harju County Court and dismissed the appeals of AS Merko Ehitus, OÜ Metsailu, OÜ Woody and OÜ Constancia. On 8 May 2013, the Supreme Court resolved not to accept the appeal in cassation submitted by OÜ Metsailu, OÜ Woody, AS Merko Ehitus and OÜ Constancia in criminal matter No 1-09-20251. This means that the judgement of Tallinn District Court of 21 January 2013, by which the judgement of conviction by Harju County Court of 30 March 2012 was not amended, entered into force.

AS Merko Ehitus and the convicted subsidiaries paid the fines ordered in the amount of EUR 800,000 in the second quarter of 2013.

Merko Tartu

On 23 August 2013, Harju County Court made the judgement, which partially satisfied OÜ Sanitex IM (in liquidation) claim and ordered AS Merko Tartu to pay principal debt in the amount of EUR 95,867, interest in the amount of EUR 641 and starting from 1 June 2011 interest on principal debt of 15% p.a. until the payment of the principal debt (the accruing interest charge was EUR 33,449 as at 27 September 2013). The claim resulted from disputes held over the quality and deadline of construction works performed in Ringtee Selver Tartu in the year 2008. AS Merko Tartu decided not to appeal the case and the judgement entered into force on 24 September 2013. The total claim in the sum of EUR 129,957 has been paid in September by AS Merko Tartu.

Latvia

On 27 September 2013 SIA Merks submitted a Request for Arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce thereby commencing the arbitration proceedings against Tritan Group AS for failure to fulfil obligations, under Share Purchase Agreement and its annexes, in the joint venture SIA Zakusala Estates where Merko Ehitus group owns 50%.

The relief sought from Titan Group AS by SIA Merks with the claim is payment of compensation in the amount of EUR 1,400,000 and late payment penalty in the form of annual interest Euribor+1% from 10 January 2009. The claim has not been recognized on the balance sheet of the group based on the principal of conservatism.

Tritan Group AS has submitted a response to the Request for Arbitration rejecting the claim and requested an extension of the deadline for appointment of its arbitrator until 24 October 2013, which has been granted. Pursuant to the composition of the arbitral tribunal it will be decided whether the claim is fit for arbitration proceedings or not after which SIA Merks will be able to submit an official statement of claim.

Lithuania

Vakaru

At 25 May 2012, RUAB Vakaru inžineriniai tinklai (hereinafter „Vakaru“) filed a claim against the Lithuanian branch of AS Merko Ehitus in the amount of LTL 680 thousand (EUR 197 thousand), related to the repeal of the joint venture contract concerning the sewerage and wastewater pipeline project (project „Construction of Sewerage and Wastewater Pipelines in Seda, Plinkšiai and Bugeniai“). AS Merko Ehitus does not believe that the joint venture contract was terminated illegally, but rather that it was related to the breach of the contract by the partner. As a bankruptcy procedure has been launched for Vakaru the court procedures are stopped at the moment.

As a bankruptcy procedure has been launched for Vakaru, AS Merko Ehitus has filed a creditor's claim in the amount of LTL 490 thousand (EUR 142 thousand) in respect of the failure to fulfil the project's obligations. At 25 February 2013, AS Merko Ehitus filed an additional claim against Vakaru regarding a partial repeal of the invoice in the amount of LTL

242 thousand (EUR 70 thousand) that had been included in the claim by Vakaru at 25 May 2012 in the amount of LTL 680 thousand (EUR 197 thousand). As at 31 December 2012, allowances have been set up in full by the group in respect of these claims.

Šiaulių Vandenys

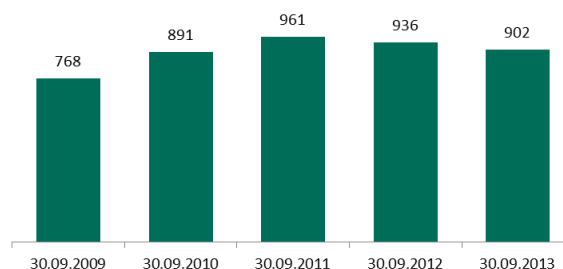
At 10 October 2012, UAB Šiaulių Vandenys filed a claim against UAB Merko Statyba, because according to UAB Šiaulių Vandenys, UAB Merko Statyba failed to meet the deadline for works. The claim included a fine for delay, 7,75% interest and state fees in the amount of LTL 237 thousand (EUR 69 thousand). At 11 January 2013, UAB Merko Statyba filed a counterclaim in the amount of LTL 537 thousand (EUR 155 thousand) and extension of the deadline for works by 154 days, primarily due to the refusal by the counterparty to pay for the additional works contracted by UAB Šiaulių Vandenys and to extend the deadline for works. The pre-court institution – the Dispute Settlement Council – decided to satisfy the claim of UAB Merko Statyba regarding payment for additional works and extension of the deadline for works. The dispute will continue in the court. The hearings of the Court of First Instance started on 27 June 2013 and continued on 3 July 2013 and on 10 September 2013. The court took the decision to request an expertise in the case to further clarify the facts. The parties have until 6 November 2013 to provide the court with their candidates to carry out the expertise. The court will then select one expert to perform the expertise and also determine the deadline for the final report. The court will schedule a new hearing after the results of the expertise are known.

Employees and labour costs

Compared to the same period end last year the number of the group's employees has decreased by 34 employees (-3.6%) and as at 30 September 2013, the group had a total of 902 employees (including fixed-term and part-time employees).

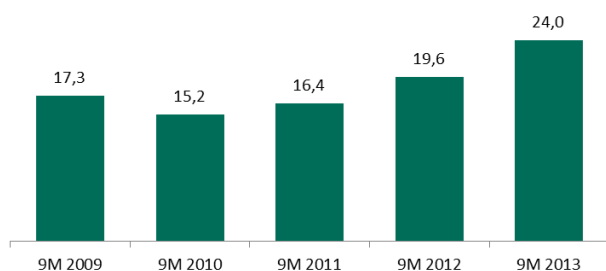
The group's objective is to pay its employees competitive salary. The interests of employees and the company are balanced by performance-based remuneration.

No of employees

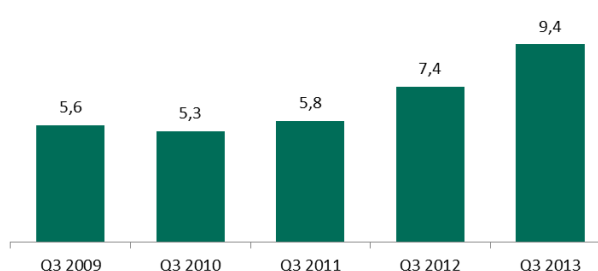


Labour cost is recognized by the group as being salary (basic salary, additional remuneration (night hours, overtime and public holidays), holiday pay, and bonuses), taxes on salaries, fringe benefits and taxes on fringe benefits. Labour costs accounted for in the first 9 months of 2013 amounted EUR 24.0 million (9 months of 2012: EUR 19.6 million), a growth of 22.6% compared to the same period last year. This increase mainly occurred due to the additional performance bonuses in the conditions of higher profitability and minor impact of selective basic salary increases.

Labour cost
in million euros



Quarterly labour cost
in million euros



CORPORATE GOVERNANCE

General Meeting of Shareholders

The Company's highest governing body is the General Meeting of Shareholders, the authorities of which are regulated by legislation and the articles of association of the Company.

The annual general meeting of shareholders of AS Merko Ehitus held at 5 June 2013 approved the consolidated annual report for the financial year 2012, decided on the distribution of profit and the recalling of a Supervisory Board member. The Management Board made a presentation about the operating results and outlook of the company.

In accordance with the Commercial Code, its Articles of Association and Good Governance Code, AS Merko Ehitus calls the annual and extraordinary general meeting of shareholders by notifying the shareholders through the Tallinn Stock Exchange and by publishing a meeting call in one national daily newspaper at least 3 weeks in advance. The general meeting shall be held at the place shown in the notice, on a working day and between 9 a.m. and 6 p.m., enabling most of the shareholders to participate in the General Meeting of Shareholders.

Before their publication, agendas at annual and extraordinary general meetings of the company's shareholders are approved by the Supervisory Board that shall also present to the general meeting subjects for discussion and voting. Agenda items of the general meeting, recommendations of the Supervisory Board with relevant explanations, procedural guidance for participation in the general meeting and how and when new agenda items can be proposed are published together with the notice on calling the general meeting.

General meetings can be attended by any shareholder or his or her authorised representative. AS Merko Ehitus does not allow participation in general meetings by means of communication equipment electronic since the deployment of reliable solutions for the identification of shareholders some of whom live abroad would be too complicated and costly. No picture taking or filming is allowed at the general meeting, because it may disturb the privacy of shareholders. Participation in the general meeting cannot be accomplished through the means of communication because there are no reliable ways to identify shareholders and to ensure the privacy of participating shareholders.

Annual and extraordinary general meeting of shareholders shall be chaired by an independent person. In 2013, the general meeting was chaired by attorney-at-law Vesse Võhma who introduced the procedure for conducting the general meeting and the procedure of asking questions from the Management Board and Supervisory Board about the company's activities.

On behalf of the company, usually the Chairman of the Management Board and the Chairman of the Supervisory Board shall participate in the General Meeting of AS Merko Ehitus, and if necessary, other members of the Management and Supervisory Boards shall be involved. If necessary, the company's auditor shall participate.

The annual general meeting of shareholders of AS Merko Ehitus held in 2013 was attended by Andres Trink (Chairman of the Management Board), Toomas Annus (Chairman of the Supervisory Board) and Ago Vilu (Auditor).

Supervisory Board

The Supervisory Board shall plan the activities of the company, organise the management of the company and supervise the activities of the Management Board. The Supervisory Board will inform the general meeting of the results of the inspection. According to the Articles of Association of Merko Ehitus, the Supervisory Board has 3 to 5 members who shall be elected for the term of three years.

MANAGEMENT REPORT

At the annual general meeting of shareholders held at 28 June 2011, it was decided to extend the term of office of Supervisory Board members Tõnu Toomik, Teet Roopalu, Indrek Neivelt and Olari Taal until 28 June 2014, i.e. for three years and, in addition, to elect Toomas Annus as the additional member of the Supervisory Board of AS Merko Ehitus with a term of office until 28 June 2014.

The annual general meeting held on 5 June 2013 resolved to recall Member of the Supervisory Board Tõnu Toomik in connection with the Supervisory Board's request of appointing Mr Toomik as Member of the Management Board of AS Merko Ehitus. The authority of Tõnu Toomik as a member of the Supervisory Board expired on 5 June 2013.

The Supervisory Board of AS Merko Ehitus has 4 members of whom, in accordance with the requirements of the Good Governance Code, two - Indrek Neivelt and Olari Taal - are independent members:

Toomas Annus (52)	Teet Roopalu (64)
Chairman of the Supervisory Board	Member of the Supervisory Board
 Positions held: 2011-... Merko Ehitus AS, Chairman of the Supervisory Board. 2009-... E.L.L.Kinnisvara AS, Member of the Management Board. 2008-... Järvevana AS, Chairman of the Management Board. 1999-2009 E.L.L.Kinnisvara, Chairman of the Supervisory Board. 1997-2008 Merko Ehitus AS, Chairman of the Supervisory Board. 1996-... Riverito AS, Chairman of the Management Board. 1991-1996 EKE MRK, Chairman of the Management Board. 1989-1991 EKE MRK, director of the company. Education: Tallinn University of Technology, industrial and civil engineering. Tallinn Technical School of Building and Mechanics (TEMT; presently known as the University of Applied Sciences), industrial and civil engineering. Number of shares: 8,322,914	 Positions held: 2004-... Merko Ehitus AS, Member of the Supervisory Board. 2010-... Riverito AS, Member of the Management Board. 2002-2004 Merko Ehitus AS, Adviser to the Management Board. Has worked for different construction companies, including as a director of finance. Has been in charge of economic activities in the EKE (Estonian Collective Farm Construction) as a chief economist; worked as a bank director; and has also worked in building design. Member of Supervisory Boards of subsidiaries and associated companies. Education: Tallinn University of Technology construction economics and organisation. Number of shares: –
Indrek Neivelt (46)	Olari Taal (60)
Member of the Supervisory Board	Member of the Supervisory Board
 Positions held: 2008-... Merko Ehitus AS, Member of the Supervisory Board. 2005-... Bank Saint PeterSupervisory Boardurg, Chairman of the Supervisory Board. 1999-2005 Hansabank, Director General of the Group, Chairman of the Management Board. 1991-1999 Hansabank, various positions. Belongs to Supervisory Boards of various companies. Education: Tallinn University of Technology civil engineering economics and management. Stockholm University, banking and finance, MBA. Number of shares: 31,635	 Positions held: 2008-... Merko Ehitus AS, Member of the Supervisory Board. Has been the head of the Tartu Elamuehituskombinaat (Tartu Housing Plant; Tartu Maja) and Eesti Hoiupank (Estonian Savings Bank). Has served the Republic of Estonia as Minister of Construction, Minister of Economic Affairs, Minister of the Interior and as a Member of the 10th Riigikogu (Parliament of Estonia). Education: Tallinn University of Technology, civil engineering. Number of shares: 2,500

Management Board

The Management Board is a governing body which represents and manages AS Merko Ehitus in its daily activities in accordance with the law and the Articles of Association. The Management Board has to act in the most economically purposeful manner, taking into consideration the best interests of all shareholders and ensures the company's sustainable development in accordance with set objectives and strategy. To ensure that the company's interests are met in the best way possible, the Management and Supervisory Boards shall extensively collaborate. At least once a month, a joint meeting of the members of the Supervisory and Management Boards shall take place, in which the Management Board shall inform the Supervisory Board of significant issues regarding the company's business operations, the fulfilment of the company's short and long-term goals and the risks impacting them. For every meeting of the Supervisory Board, the Management Board shall prepare a management report and submit it well in advance of the meeting so that the Supervisory Board can study it. The Management Board prepares reports for the Supervisory Board also in between the meetings, if it is considered necessary by the Supervisory Board or its Chairman.

The Supervisory Board of AS Merko Ehitus resolved to recall Member of the Management Board Viktor Mõisja from 5 June 2013, with Mr Mõisja continuing service in the engineering division of the company's subsidiary AS Merko Ehitus Eesti, and to appoint the former member of the Supervisory Board Tõnu Toomik as a new member of the Management Board. The Management Board of the holding company AS Merko Ehitus will continue with two members: Andres Trink (Chairman of the Management Board) and Tõnu Toomik (Member of the Management Board).

Andres Trink (46)	Tõnu Toomik (52)
Chairman of the Management Board Appointed: 1 January 2012 Term ends: 31 December 2014	Member of the Management Board Appointed: 6 June 2013 Term ends: 5 June 2016
 Positions held: 2012-... Merko Ehitus AS, Chairman of the Management Board. Chairman of the Supervisory Board of Merko Ehitus Eesti AS and SIA Merks and Member of the Supervisory Board of UAB Merko Statyba. Has held various executive positions in the private and public sector. Before being hired at Merko Ehitus, worked for 15 years in the financial sector, including as a member of the Management Board of Baltic banking at Hansabank (now Swedbank). Education: Tallinn University of Technology, automated management systems engineering (summa cum laude) Estonian Business School, international business administration Graduate of the INSEAD University (France), executive management programme. Number of shares: –	 Positions held: 2013-... Merko Ehitus AS, Member of the Management Board 2011-2013 Merko Ehitus AS, Member of the Supervisory Board 2008-2011 Merko Ehitus AS, Chairman of the Supervisory Board 1997-2008 Merko Ehitus AS, Chairman of the Management Board 1993-1997 Merko Ehitus AS, Project Manager Member of the Supervisory Boards of the group's subsidiaries and associated companies. Education: Tallinn University of Technology industrial and civil engineering. Number of shares: 1,607,185

Among other things, Chairman of the Management Board Andres Trink has been charged with the task of performing the daily duties of the CEO of AS Merko Ehitus, managing and representing the company, ensuring compliance with the articles of association, organising the work of the Management Board and the key subsidiaries, coordinating strategies and their implementation, and taking responsibility for business development and finances. Tõnu Toomik is responsible for management of the real estate portfolio and coordination of the development of the construction area across the group companies.

Supervisory and management boards of subsidiaries

Authorisation and responsibility of supervisory boards of subsidiaries of AS Merko Ehitus are based on their Articles of Association and intergroup rules. Generally, Supervisory Boards of subsidiaries consist of members of the Management Board or Supervisory Board of the company that is the main shareholder of the specific subsidiary. Supervisory Board meetings of the most significant subsidiaries are held usually once a month, otherwise according to the group's needs, Articles of Association of subsidiaries and legal provisions. Generally, no separate fee is paid to members of the Supervisory Board of subsidiaries. Members of the Supervisory Board will also receive no termination benefit in case their contract of service is terminated before due date or not extended.

The chairman or member of the Management Board of the subsidiary shall be named by the subsidiary's Supervisory Board. Below are the supervisory boards and management boards of the most significant subsidiaries that are wholly-owned by AS Merko Ehitus as at 30 September 2013:

Company	Supervisory Board	Management Board
AS Merko Ehitus Eesti	Andres Trink (Chairman), Teet Roopalu, Tõnu Toomik, Taavi Ojala	Tiit Roben (Chairman), Andres Agukas, Jaan Mäe, Alar Lagus, Veljo Viitmann
AS Merko Infra	-	Tarmo Pohlak, Arno Elias
AS Tallinna Teed	Tiit Roben (Chairman), Andres Agukas, Alar Lagus	Jüri Läll (Chairman), Jüri Helila
OÜ Merko Investments	-	Andres Trink, Signe Kukin
SIA Merks	Andres Trink (Chairman), Tõnu Toomik, Jaan Mäe	Oskars Ozoliņš (Chairman), Jānis Šperbergs
UAB Merko Statyba	Gediminas Tursa (Chairman), Andres Trink, Tõnu Toomik, Jaan Mäe	Saulius Putrimas (Chairman), Jaanus Rästas

The authority of Richard Viies, Member of the Management Board of Tallinna Teede AS, expired on 5 January 2013 in connection with the lapse of the contract of service. The authority of Richard Viies as a member of the Management Board was not extended. The Management Board of Tallinna Teede AS will continue with two members: Jüri Läll (Chairman) and Jüri Helila.

On 22 May 2013, the Supervisory Board of OÜ Merko Investments resolved to recall members of the Management Board Jaanus Ojangu and Boris Tehnikov, and appoint Andres Trink and Signe Kukin as new members of the Management Board from 23 May 2013 onwards.

In conjunction with a review of the management structure, there will be a change in the composition of the Supervisory Board of UAB Merko Statyba, a 100% subsidiary of AS Merko Ehitus. Gediminas Tursa, the Chairman of the Supervisory Board will be recalled as of 1 October 2013 and the Board will continue with three members: Andres Trink (Chairman), Tõnu Toomik and Jaan Mäe.

Share and shareholders

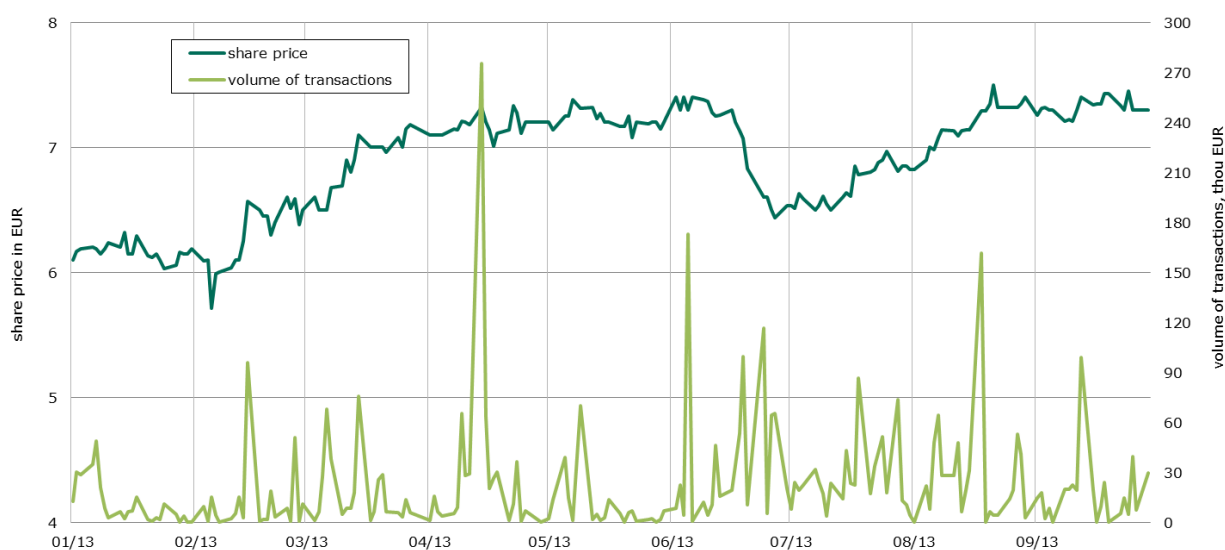
Information on security

Issuer	AS Merko Ehitus
Name of security	Share of Merko Ehitus
Residency of issuer	Estonia
Stock Exchange List	Main List
ISIN	EE3100098328
Nominal value	without nominal value
No of securities	17,700,000
Volume of issue	12,000,000
Currency	EUR
Date of listing	11 August 2008

The shares of Merko Ehitus have been listed in the main list of NASDAQ OMX Tallinn. A total of 1 732 transactions were conducted with the shares of Merko Ehitus in 9 months of 2013, with 0.59 million shares (3.3% of total shares) traded, generating a turnover of EUR 4.08 million. The lowest share price amounted to EUR 5.71 and the highest to EUR 7.70 per share. The closing price of the share was EUR 7.30 on 30 September 2013. As at 30 September 2013, the market value of AS Merko Ehitus amounted to EUR 129.2 million, which has risen 21.3% compared to the same period end last year (as at 30 September 2012: EUR 106.6 million).

	30.09.2013	30.09.2012	30.09.2011
No of shares	17,700,000	17,700,000	17,700,000
Earnings per share (EPS), in euros	0.45	0.18	-0.41
Equity per share, in euros	6.64	6.23	6.73
P/B (price to book ratio)	1.10	0.97	0.79
P/E (price / earnings ratio)	10.44	-29.99	-8.3
Market value, million EUR	129.2	106.6	93.8

Performance of Merko Ehitus share at NASDAQ OMX Tallinn Stock Exchange in 2013



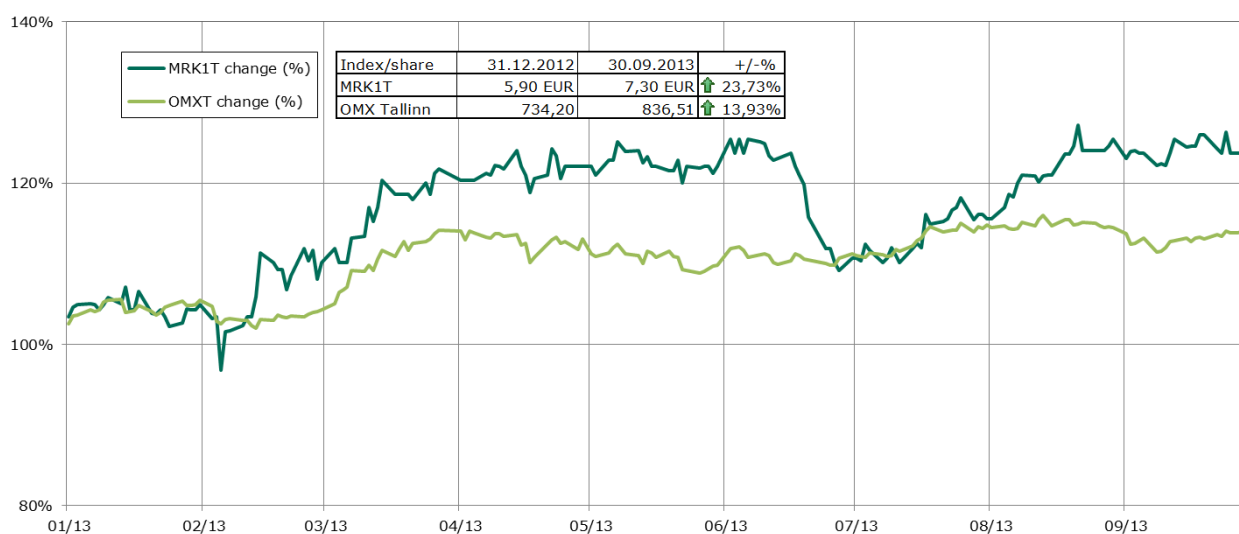
Structure of shareholders as at 30.09.2013

No. of shares	No. of shareholders	% of shareholders	No. of shares	% of shares
1,000,001 - ...	1	0.07%	12,742,686	71.99%
100,001 – 1,000,000	9	0.64%	2,960,198	16.72%
10,001 – 100,000	31	2.19%	955,010	5.40%
1,001-10,000	246	17.37%	712,912	4.03%
101-1,000	729	51.48%	307,846	1.74%
1-100	400	28.25%	21,348	0.12%
Total	1,416	100%	17,700,000	100%

Shareholders of AS Merko Ehitus as of 30 June 2013 and the change compared to the previous quarter:

	No of shares	% of total 30.09.2013	% of total 31.06.2013	Variance
AS Riverito	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%	-
Main shareholders total	15,702,884	88.70%	87.85%	+151,705
Minority shareholders total	1,997,116	11.30%	12.15%	-151,705
Total	17,700,000	100%	100%	

Performance of the share of Merko Ehitus and comparison index OMX Tallinn in 2013

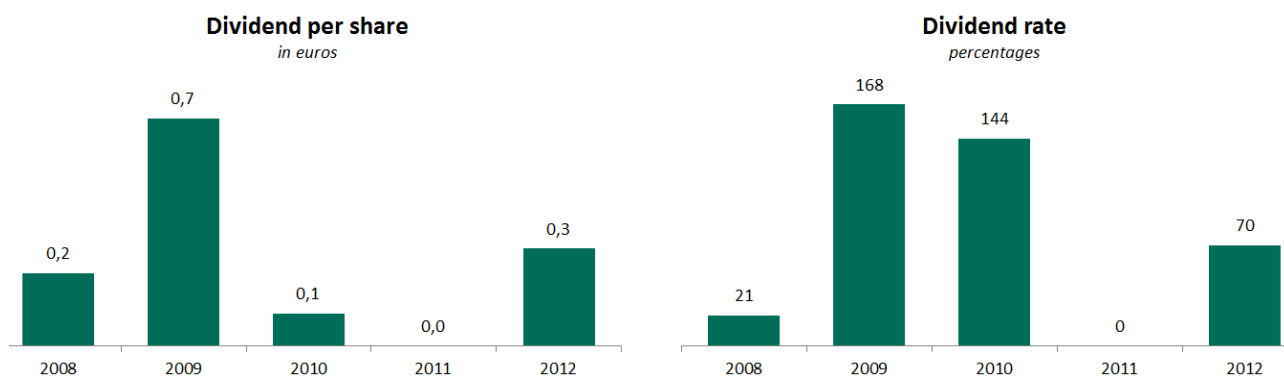


Dividend policy

The distribution of dividends to the shareholders of the company is recorded as a liability in the financial statements as of the moment when the payment of dividends is approved by the company's shareholders.

Dividends in the amount of EUR 5.3 million (EUR 0.3 per share) were paid out to shareholders on 3 July 2013. AS Merko Ehitus did not have to pay any income tax on dividend pay-out in light of previously received and taxed dividends from subsidiaries. In the year 2012 no dividends were paid. Additional explanations are described in Note 4.

At the meeting held on 8 April 2013, the Management Board and Supervisory Board of AS Merko Ehitus reviewed the company's strategic development trends and approved the long-term financial objectives until 2018, under which a new objective of paying the shareholders 50-70% of the annual profit as dividends was established. In the past five years, the shareholders have received dividends from the net profit for the accounting year as follows:



Dividend payments in the next fiscal year are carried out in accordance with the decisions of the general meeting of the shareholders.

DEFINITIONS OF THE KEY FINANCIAL FIGURES

Gross profit margin (%)	$= \frac{\text{Gross profit}}{\text{Revenue}}$
Operating profit margin (%)	$= \frac{\text{Operating profit}}{\text{Revenue}}$
EBT margin (%)	$= \frac{\text{Profit before tax}}{\text{Revenue}}$
Net profit margin (%)	$= \frac{\text{Net profit (attributable to equity holders of the parent)}}{\text{Revenue}}$
Return on equity (%)	$= \frac{\text{Rolling last 4 quarter net profit (attributable to equity holders of the parent)}}{\text{Shareholders equity (average)}}$
Return on assets (%)	$= \frac{\text{Rolling last 4 quarter net profit (attributable to equity holders of the parent)}}{\text{Total assets (average)}}$
Return on invested capital (%)	$= \frac{\text{Rolling last 4 quarter (EBT + interest income - foreign exchange gain (losses) + other financial income)}}{\text{Shareholders equity (average) + interest-bearing liabilities (average)}}$
Equity ratio (%)	$= \frac{\text{Shareholders equity}}{\text{Total assets}}$
Debt to equity ratio (%)	$= \frac{\text{Interest-bearing liabilities}}{\text{Total assets}}$
Current ratio	$= \frac{\text{Current assets}}{\text{Current liabilities}}$
Quick ratio	$= \frac{\text{Current assets - inventories}}{\text{Current liabilities}}$
Accounts receivable turnover (days)	$= \frac{\text{Rolling last 4 quarter trade receivables (average)} \times 365}{\text{Rolling last 4 quarter revenue}}$
Accounts payable turnover (days)	$= \frac{\text{Rolling last 4 quarter payables to suppliers (average)} \times 365}{\text{Rolling last 4 quarter cost of goods sold}}$
EBITDA margin (%)	$= \frac{\text{Operating profit + depreciation}}{\text{Revenue}}$
General expense ratio (%)	$= \frac{\text{General expenses}}{\text{Revenue}}$
Labour cost ratio (%)	$= \frac{\text{Labour costs}}{\text{Revenue}}$
Revenue per employee (EUR)	$= \frac{\text{Revenue}}{\text{Number of employees (average)}}$
Earnings per share, EPS (EUR)	$= \frac{\text{Net profit (attributable to equity holders of the parent)}}{\text{Number of shares}}$
Equity / share (EUR)	$= \frac{\text{Shareholders equity (last 4 quarter average)}}{\text{Number of shares}}$
Dividend per share (EUR)	$= \frac{\text{Payable dividends}}{\text{Number of shares}}$
Dividend rate (%)	$= \frac{\text{Payable dividends} \times 100}{\text{Net profit (attributable to equity holders of the parent)}}$
Price per earnings ratio, P/E	$= \frac{\text{Share price 30.09}}{\text{Rolling last 4 quarter earnings per share}}$
Price to book ratio, P/B	$= \frac{\text{Share price 30.09}}{\text{Equity per share (last 4 quarter average)}}$
Market capitalisation	$= \text{Share price 30.09} \times \text{Number of shares}$

CONSOLIDATED FINANCIAL STATEMENT

in thousand euros

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited

	note	2013 9 months	2012 9 months
Revenue	2	197,844	177,729
Cost of goods sold	3	(180,479)	(167,077)
Gross profit (loss)		17,365	10,652
Marketing expenses		(2,229)	(1,385)
Administrative and general expenses		(7,041)	(6,688)
Other operating income		1,771	1,619
Other operating expenses		(318)	(180)
Operating profit (loss)		9,548	4,018
Finance income/costs		(852)	(554)
incl. finance income/costs from investments in associates and joint ventures			(103)
finance income/costs from other long-term investments		32	1
interest expense		(615)	(921)
foreign exchange gain		(185)	37
other financial income (expenses)		19	140
Profit (loss) before tax		8,696	3,464
Corporate income tax expense		(847)	(340)
Net profit (loss) for current period		7,849	3,124
incl. net profit (loss) attributable to equity holders of the parent		7,947	3,202
net profit (loss) attributable to non-controlling interest		(98)	(78)
Other comprehensive income (loss)			
Currency translation differences of foreign entities		(155)	107
Comprehensive income (loss) for the period		7,694	3,231
incl. net profit (loss) attributable to equity holders of the parent		7,792	3,309
net profit (loss) attributable to non-controlling interest		(98)	(78)
Earnings per share for profit (loss) attributable to equity holders of the parent (basic and diluted, in euros)	4	0.45	0.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited

in thousand euros

	2013 III quarter	2012 III quarter
Revenue	84,101	70,874
Cost of goods sold	(76,561)	(65,260)
Gross profit (loss)	7,540	5,614
Marketing expenses	(838)	(483)
Administrative and general expenses	(2,702)	(2,632)
Other operating income	553	487
Other operating expenses	(132)	(60)
Operating profit (loss)	4,421	2,926
Finance income/costs	(238)	(277)
incl. finance income/costs from investments in associates and joint ventures	(33)	7
finance income/costs from other long-term investments	9	1
interest expense	(199)	(278)
foreign exchange gain	(18)	(19)
other financial income (expenses)	3	12
Profit (loss) before tax	4,183	2,649
Corporate income tax expense	(326)	(35)
Net profit (loss) for current period	3,857	2,614
incl. net profit (loss) attributable to equity holders of the parent	3,897	2,623
net profit (loss) attributable to non-controlling interest	(40)	(9)
Other comprehensive income (loss)		
Currency translation differences of foreign entities	(7)	19
Comprehensive income (loss) for the period		
incl. net profit (loss) attributable to equity holders of the parent	3,850	2,633
net profit (loss) attributable to non-controlling interest	3,890	2,642
Other comprehensive income (loss)	(40)	(9)
Earnings per share for profit (loss) attributable to equity holders of the parent (basic and diluted, in euros)	0.22	0.15

in thousand euros

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

unaudited

	<i>note</i>	30.09.2013	31.12.2012
ASSETS			
Current assets			
Cash and cash equivalents	5	39,082	35,316
Trade and other receivables	6	74,049	60,343
Prepaid corporate income tax		39	478
Inventories	7	88,614	82,830
Total current assets		<u>201,784</u>	<u>178,967</u>
Non-current assets			
Long-term financial assets	8	26,646	24,378
Deferred income tax assets		1,616	1,919
Investment property	9	3,396	3,566
Property, plant and equipment	10	13,630	14,853
Intangible assets	11	1,271	1,365
Total non-current assets		<u>46,559</u>	<u>46,081</u>
TOTAL ASSETS		<u>248,343</u>	<u>225,048</u>
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	12	11,312	16,299
Payables and prepayments	13	86,409	63,209
Income tax liability		184	-
Short-term provisions	14	4,281	6,165
Total current liabilities		<u>102,186</u>	<u>85,673</u>
Non-current liabilities			
Long-term borrowings	12	23,240	19,205
Long-term interest liabilities		7	3
Long-term trade payables		1,868	1,553
Other long-term liabilities		20	-
Deferred corporate income tax liability		464	327
Long-term provisions		5	20
Total non-current liabilities		<u>25,604</u>	<u>21,108</u>
Total liabilities		<u>127,790</u>	<u>106,781</u>
Equity			
Non-controlling interest		1,140	1,342
Equity attributable to equity holders of the parent			
Share capital		12,000	12,000
Statutory reserve capital		1,200	1,200
Currency translation differences		(667)	(512)
Retained earnings		106,880	104,237
Total equity attributable to equity holders of parent		<u>119,413</u>	<u>116,925</u>
Total equity		<u>120,553</u>	<u>118,267</u>
TOTAL LIABILITIES AND EQUITY		<u>248,343</u>	<u>225,048</u>

in thousand euros
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

unaudited

	Equity attributable to equity holders of the parent					Non-controlling interest	Total
	Share capital	Statutory reserve capital	Currency translation differences	Retained earnings/accumulated losses	Total		
Balance as at 31.12.2011	12,000	1,131	(570)	96,679	109,240	1,356	110,596
Profit (loss) for the reporting period	-	-	-	3,202	3,202	(78)	3,124
Other comprehensive income	-	-	107	-	107	-	107
Total comprehensive income (loss) for the reporting period	-	-	107	3,202	3,309	(78)	3,231
Transfer to statutory reserve capital	-	69	-	(69)	-	-	-
Balance as at 30.09.2012	12,000	1,200	(463)	99,812	112,549	1,278	113,827
Balance as at 31.12.2012	12,000	1,200	(512)	104,237	116,925	1,342	118,267
Profit (loss) for the reporting period	-	-	-	7,947	7,947	(98)	7,849
Other comprehensive income	-	-	(155)	-	(155)	-	(155)
Total comprehensive income (loss) for the reporting period	-	-	(155)	7,947	7,792	(98)	7,694
Purchase of minority share	-	-	-	6	6	(104)	(98)
Dividends	-	-	-	(5,310)	(5,310)	-	(5,310)
Total transactions with owners	-	-	-	(5,304)	(5,304)	(104)	(5,408)
Balance as at 30.09.2013	12,000	1,200	(667)	106,880	119,413	1 140	120,553

The share capital of AS Merko Ehitus consists of 17,700,000 shares with non-par value.

in thousand euros

CONSOLIDATED CASH FLOW STATEMENT

unaudited

	<i>note</i>	2013 9 months	2012 9 months
Cash flows used in operating activities			
Operating profit (loss)		9,548	4,018
Adjustments:			
depreciation and impairment charge		2,064	1,928
(profit) loss from sales of non-current assets		(209)	(104)
change in construction contracts recognised under the stage of completion method		(1,363)	(3,685)
interest income from business activities		(1,113)	(1,271)
change in provisions		130	873
Change in trade and other receivables related to operating activities		(14,637)	(10,617)
Change in inventories		(5,901)	(1,909)
Change in trade and other payables related to operating activities		22,548	5,317
Interest received		1,431	896
Interest paid		(629)	(758)
Other finance costs/income		(107)	92
Corporate income tax (paid)/reclaimed		(9)	208
Total cash flows used in operating activities		11,753	(5,012)
Cash flows from investing activities			
Purchase of joint ventures		(350)	-
		-	2,750
Purchase/proceeds from deposits with maturities greater than 3 months		-	140
Purchase of investment property		(52)	(1,437)
Purchase of property, plant and equipment		(635)	(526)
Proceeds from sale of property, plant and equipment		842	157
Purchase of intangible assets		(18)	(11)
Interest received		55	3
Dividends received		-	88
Total cash flows from investing activities		(158)	1,164
Cash flows from (used in) financing activities			
Proceeds from borrowings		6,119	11,562
Repayments of borrowings		(6,170)	(12,086)
Factorings		(1,523)	2,086
Finance lease principal payments		(876)	(682)
Dividends paid		(5,310)	-
Total cash flows from financing activities		(7,760)	880
Net increase/decrease in cash and cash equivalents		3,835	(2,968)
Change in deposits with maturities greater than 3 months		-	(140)
Total change		3,835	(3,108)
Cash and cash equivalents at the beginning of the period		35,316	18,510
Deposits with maturities greater than 3 months at the beginning of period		-	140
Total at the beginning of the period		35,316	18,650
Effect of exchange rate changes		(69)	(63)
Cash and cash equivalents at the end of the period	5	39,082	15,479

NOTES

Note 1 Accounting policies used

The consolidated interim financial statements of the AS Merko Ehitus group for 9 months 2013 and III quarter were prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" for condensed interim financial statements. The interim financial statements follow the same accounting principles and methods used in the 2012 financial statements. The accounting methods used to prepare the interim financial statements are in conformity with the International Financial Reporting Standards as they were adopted by the European Union. 2012 9 months and III quarter unaudited comparative figures are presented in the present financial report.

According to the best knowledge of the Management Board, the consolidated interim financial statements for the 9 months and III quarter of 2013 present a true and fair view of the group's economic results based on the principle of going concern. While the influence of seasonality of construction and the influence of the cyclical nature of development activity on the period's results can be considered insignificant.

Note 1.1. Changes in presentation of information

- a. In 2012 9 months and III quarter interim report issued loans and issued loans repayments were recognised as investing activities in the cash flow statement of Merko Ehitus group. However, loans have been granted to real estate developers under the assumption that Merko Ehitus group will get an opportunity to provide a construction service in development projects. Due to the direct connection between the loans granted and the group's business, these loans and the related interest charges are recognised in the cash flows from operating activities in the cash flow statement.
- b. In the cash flow statement of the 9 month and III quarter interim report of 2012, Merko Ehitus group recorded the repayments of bank loans taken for apartment development as non-monetary transactions in cases where upon the sales of an apartment the client or the client's bank pays the money directly to cover the development loan assumed by the company. However, the essence of such transactions is the sales of an apartment (receipt of cash) and the repayment of the loan by the company to the bank, which are recorded as monetary transactions under financing activities in the cash flow statement.
- c. In 2012 9 months and III quarter interim report finance income recognised in the income statement included interest income earned on a receivable not paid off by the buyer of Balsiu schoolhouse. Considering the fact that the construction of Balsiu schoolhouse was essentially the group's business, the respective interest income was reclassified from finance income to operating income in the income statement. Interest received on the receivable from the buyer of Balsiu schoolhouse is also included within cash flows from operating activities.

The comparative information of the previous financial year that is presented in the consolidated financial statements for 2013 9 months and III quarter has been changed to correspond to the new presentation. Thus, the following items have been adjusted in the financial statements:

- granted loan repayments that are related to operating activities are included in the item *Change in payments and receivables related to operating activities* under cash flows from operating activities in the consolidated cash flow statement, last year 9 month and III quarter interim report they were included in the items *Repayments of loans granted* (2012: EUR 6,051 thousand) under cash flows from investing activities;
 - interest income from operating activities is included in the item *Interest received* under cash flows from operating activities in the consolidated cash flow statement, last year 9 months and III quarter interim report it was included in the item *Interest received* (2012: EUR 896 thousand) under the cash flows from investing activities;
 - Repayments of the bank loans related to apartment development are recorded in the cash flow statement on the line *Repayments of borrowings* under financing activities (2012: EUR 3,805 thousand);
 - interest income on accounts receivable is included in the item *Other income* in the consolidated statement of comprehensive income; last year 9 months and III quarter interim report it was included in the item *Finance income* (2012: EUR 1,015 thousand);
- Due to the change in the income statement, the items *Operating profit* and *Interest income from operating activities*, the items *Other finance income* and *incl. interest income* in Note 2 *Operating Segments* has been changed by the same amount in the cash flow statement;

The comparative information for 2012 has been changed in the financial statements as follows: in the consolidated statement of comprehensive income, other income and operating profit have increased by EUR 1,015 thousand; finance income has decreased by the same amount. In the consolidated cash flow statement, cash flows from operating activities increased by EUR 10,752 thousand, at the same time cash flows from investing activities decreased by EUR 6,947 thousand and cash flows from financing activities by EUR 3,805 thousand.

Note 2 Operating segments

in thousand euros

The highest instance of business decision-making in the group – the Management Board of the parent AS Merko Ehitus, keeps track of the group's operating activity by each field of activity. The result of the business segments is evaluated by the highest decision-maker on the basis of the revenue from outside the group and profit before taxes. The pre-tax profit of the segments is essentially made up of their revenue and costs of goods sold; other expense and income are not divided into segments, as they are monitored at the group level as a whole and they lack a direct connection with the business segments.

The amount of each cost item in segment reporting is a figure presented to management for making decision about allocation of resources to segments and valuation of segment operating results. The costs that come after the profit of reporting segments are recognised in segment reporting using the same principles as in the financial statements and they are not used for evaluation of the results of operating segments by the company's management. In segment reporting, all intra-group transactions with income, expenses and assets and unrealised gains and losses between reportable segments have been eliminated unless the loss is due to impairment.

2013 9 months	General construc- tion	Enginee- ring const- ruction	Road construc- tion	Real estate develop- ment	Other	Total segments
Segment revenue	60,013	75,056	43,510	29,840	1,008	209,427
Inter-segment revenue	(142)	(941)	-	(10,449)	(51)	(11,583)
Revenue from external clients	59,871	74,115	43,510	19,391	957	197,844
Gross profit (-loss)	1,527	7,588	5,594	2,911	(255)	17,365
Segment pre-tax profit (loss)	1,491	7,645	5,509	3,663	(251)	18,057
incl. interest income from operating activities	-	-	-	1,106	-	1,106
depreciation	(66)	(434)	(770)	(140)	(379)	(1,789)
recognition of provisions	(549)	(243)	(165)	(395)	(2)	(1,354)
gain (loss) on associates and joint ventures	-	-	-	(103)	-	(103)
other finance income (costs)	(9)	(16)	(44)	(240)	-	(309)
incl. interest expenses	(9)	(16)	(44)	(236)	-	(305)
Segment assets 30.09.2013	21,373	42,878	23,637	136,853	1,374	226,115
incl. associates and joint ventures	-	18	-	7,368	-	7,386
2012 9 months	General construc- tion	Enginee- ring const- ruction	Road construc- tion	Real estate develop- ment	Other	Total segments
Segment revenue	43,250	86,413	32,593	22,467	1,886	186,609
Inter-segment revenue	(132)	(134)	-	(8,166)	(448)	(8,880)
Revenue from external clients	43,118	86,279	32,593	14,301	1,438	177,729
Gross profit (-loss)	3,203	5,473	1,239	865	(128)	10,652
Segment pre-tax profit (loss)	3,266	5,475	1,213	1,571	117	11,642
incl. interest income from operating activities	4	-	-	1,015	-	1,019
depreciation	(52)	(368)	(780)	(84)	(363)	(1,647)
recognition of provisions	(193)	(1,238)	(99)	(352)	-	(1,882)
gain (loss) on associates and joint ventures	-	-	-	(45)	234	189
other finance income (costs)	(23)	(21)	(70)	(275)	(1)	(390)
incl. interest income	-	-	-	39	-	39
interest expenses	(23)	(21)	(70)	(314)	(2)	(430)
Segment assets 30.09.2012	10,467	46,559	30,913	125,846	1,625	215,410
incl. associates and joint ventures	-	18	-	7,353	-	7,371

Besides segments' assets, the group's assets as at 30 September 2013 were EUR 22,228 thousand (30 September 2012: EUR 19,557 thousand) that are not possible or expedient to associate with a specific segment. The following are recognized as the group's undistributed assets: cash and cash equivalents, deposits, loans, not including loans to associated companies or joint ventures, prepayments of taxes, other receivables and the undistributed non-current assets.

Reconciliation of the pre-tax profit (loss) of segments and the group

	2013 9 months	2012 9 months
Pre-tax profit (loss) from reporting segments	18,057	11,642
Unallocated expense (income)		
marketing expenses	(2,229)	(1,385)
general and administrative expenses	(7,041)	(6,688)
incl. recognition of provisions	-	(100)
other operating income (expense)	349	248
incl. interest income from operating activities	7	253
finance income (costs)	(440)	(353)
incl. interest income	61	11
interest expense	(311)	(491)
Total profit (loss) before tax	8,696	3,464

Unallocated finance costs and income include income from bank deposits, foreign exchange gains (losses), uncapitalised loan interest expenses and other finance income and costs.

Revenue by client location

	2013 9 months	2012 9 months
Estonia	163,403	152,854
Latvia	29,451	18,864
Lithuania	4,990	6,011
Total	197,844	177,729

Non-current assets (except for financial assets and deferred income tax assets) by location of assets:

	30.09.2013	30.09.2012
Estonia	17,805	19,464
Latvia	414	442
Lithuania	78	103
Total	18,297	20,009

Note 3 Cost of goods sold
in thousand euros

	2013 9 months	2012 9 months
Construction services	103,042	99,364
Materials	30,209	28,740
Properties purchased for resale	8,670	4,965
Staff costs	17,574	14,373
Construction mechanisms and transport	9,878	8,630
Design	1,455	827
Real estate management costs	171	138
Depreciation and impairment charge	1,789	1,647
Provisions	1,354	1,882
Other expenses	6,337	6,511
Total cost of goods sold	180,479	167,077

Note 4 Earnings per share

EPS (earnings per share) is derived as a ratio of the net profit belonging to shareholders and the weighted average number of ordinary shares.

	2013 9 months	2012 9 months
Net profit (loss) attributable to shareholders <i>(in thousands of euros)</i>	7,947	3,202
Weighted average number of ordinary shares <i>(thousand pcs)</i>	17,700	17,700
Earnings (loss) per share <i>(in euros)</i>	0.45	0.18

The group did not have any potential ordinary shares to be issued; therefore the diluted earnings per share equal the basic earnings per share.

In the third quarter of 2013 the parent company AS Merko Ehitus paid out dividends in the amount of EUR 5,310 thousand (EUR 0.30 per share). AS Merko Ehitus did not have to pay any income tax on dividend pay-out in light of previously received and taxed dividends from subsidiaries. In the year 2012 no dividends were paid.

As at 30 September 2013, a total of EUR 85,529 thousand (as at 30 September 2012: EUR 80,101 thousand) can be paid as dividends to shareholders from retained earnings. Considering the dividends received and the taxes withheld on income received abroad as at 30 September 2013 in the amount of EUR 2,051 thousand (as at 30 September 2012: EUR 2,045 thousand), the respective income tax expense in case of dividend payment would amount to EUR 20,684 thousand (as at 30 September 2012: EUR 19,248 thousand).

Note 5 Cash and cash equivalents
in thousand euros

	30.09.2013	31.12.2012
Cash on hand	22	16
Bank accounts	15,085	5,808
Overnight deposits	14,975	17,492
Bank deposits with maturities less than 3 months	9,000	12,000
Total cash and cash equivalents	39,082	35,316

Note 6 Trade and other receivables
in thousand euros

	30.09.2013	31.12.2012
Trade receivables		
accounts receivable	47,462	34,967
allowance for doubtful receivables	(814)	(864)
	<u>46,648</u>	<u>34,103</u>
Tax prepayments excluding corporate income tax		
value added tax	720	791
other taxes	9	10
	<u>729</u>	<u>801</u>
Amounts due from customers of contract works	20,553	18,981
Other short-term receivables		
short-term loans	1,398	1,887
interest receivables	627	948
receivable from buyer of subsidiary	-	96
other short-term receivables	829	1,256
	<u>2,854</u>	<u>4,187</u>
Prepayments for services		
prepayments for construction services	2,400	1,388
prepaid insurance	385	416
other prepaid expenses	480	467
	<u>3,265</u>	<u>2,271</u>
Total trade and other receivables	<u>74,049</u>	<u>60,343</u>

Note 7 Inventories
in thousand euros

	30.09.2013	31.12.2012
Materials	586	563
Work-in-progress	31,992	18,528
Finished goods	14,366	21,499
Goods for resale		
registered immovables purchased for resale	38,643	39,548
other goods purchased for resale	976	1,000
	<u>39,619</u>	<u>40,548</u>
Prepayments for inventories		
prepayments for real estate properties	1,087	1,097
prepayments for other inventories	964	595
	<u>2,051</u>	<u>1,692</u>
Total inventories	<u>88,614</u>	<u>82,830</u>

Note 8 Long-term financial assets
in thousand euros

	30.09.2013	31.12.2012
Investments in associates and joint ventures	7,386	7,190
Long-term loans	3,639	3,666
Long-term bank deposit	49	49
Long-term receivables from customers of construction services	15,572	13,473
Total long-term financial assets	26,646	24,378

Note 9 Investment property
in thousand euros

	30.09.2013	31.12.2012
Land	51	136
Right of superficies at carrying amount		
cost	29	29
accumulated depreciation	(9)	(9)
	20	20
Buildings at carrying amount		
cost	3,712	3,662
accumulated depreciation	(387)	(252)
	3,325	3,410
Total investment property	3,396	3,566

Note 10 Property, plant and equipment
in thousand euros

	30.09.2013	31.12.2012
Land	824	825
Buildings at carrying amount		
cost	5,784	5,788
accumulated depreciation	(1,407)	(1,268)
	4,377	4,520
Machinery and equipment at carrying amount		
cost	15,846	16,963
accumulated depreciation	(9,098)	(9,624)
	6,748	7,339
Other fixtures at carrying amount		
cost	5,526	5,518
accumulated depreciation	(3,845)	(3,360)
	1,681	2,158
Prepayments for property, plant and equipment	-	11
Total property, plant and equipment	13,630	14,853

Note 11 Intangible assets
in thousand euros

	30.09.2013	31.12.2012
Goodwill	891	891
Software at carrying amount		
cost	1,245	1,231
accumulated depreciation	(865)	(809)
	380	422
Prepayments for intangible assets	-	52
Total intangible assets	1,271	1,365

Note 12 Borrowings
in thousand euros

	30.09.2013	31.12.2012
Finance lease payables		
Present value of lease payments	3,161	2,441
incl. current portion	990	782
non-current portion 1...4 years	2,171	1,659
Bank loans		
Loan balance	22,810	22,957
incl. current portion	1,843	5,513
non-current portion 1...5 years	20,967	17,444
Factoring liability		
Factoring balance	21	1,544
incl. current portion	21	1,544
Loans from entities under common control		
Loan balance	8,145	8,145
incl. current portion	8,145	8,145
Loans from related parties		
Loan balance	102	102
incl. non-current portion 1...5 years	102	102
Loans from other entities		
Loan balance	313	315
incl. current portion	313	315
Total loans		
Loans balance	31,391	33,063
incl. current portion	10,322	15,517
non-current portion 1...5 years	21,069	17,546
Total borrowings	34,552	35,504
incl. current portion	11,312	16,299
non-current portion 1...5 years	23,240	19,205

Note 13 Payables and prepayments
in thousand euros

	30.09.2013	31.12.2012
Trade payables	33,508	21,602
Payables to employees	7,714	5,541
Tax liabilities, except for corporate income tax		
value added tax	1,313	2,186
personal income tax	546	533
social security tax	1,017	989
unemployment insurance tax	73	88
contributions to mandatory funded pension	42	40
other taxes	133	240
	3,124	4,076
Amounts due to customers for contract works	12,760	12,550
Other liabilities		
interest liabilities	115	113
payable for registered immovables from demerger	5,288	5,380
other liabilities	1,432	2,639
	6,835	8,132
Prepayments received	22,468	11,308
Total payables and prepayments	86,409	63,209

Note 14 Short-term provisions
in thousand euros

	30.09.2013	31.12.2012
Provision for warranty obligation for construction	1,829	1,619
Provision for onerous construction contracts	1,221	2,067
Provision for legal costs and claims filed	263	1,342
Other provisions	968	1,137
Total short-term provisions	4,281	6,165

Note 15 Related party transactions

In compiling the report, the following entities have been considered as related parties:

- parent company AS Riverito;
- shareholders of AS Riverito with significant influence over AS Merko Ehitus through AS Riverito;
- other shareholders with significant influence;
- other subsidiaries of AS Riverito, so-called 'entities controlled by the parent';
- associates and joint ventures;
- key members of the management, their close relatives and entities under their control or significant influence.

Significant influence is presumed to exist when the person has more than 20% of the voting power.

Transactions among related parties are executed on equivalent terms as transactions among independent parties.

The parent of AS Merko Ehitus is AS Riverito. As at 30.09.2013 and 31.12.2012, AS Riverito owned 72% of the shares of AS Merko Ehitus. The ultimate controlling party of the group is Mr Toomas Annus.

AS Merko Ehitus subsidiaries and joint ventures

	Ownership %		Location	Area of operation
	30.09.2013	31.12.2012		
Subsidiaries				
AS Merko Ehitus Eesti	100	100	Estonia, Tallinn	construction
Tallinna Teede AS	100	100	Estonia, Tallinn	road construction
OÜ Tevener	100	100	Estonia, Tallinn	mining
AS Vooremaa Teed	100	100	Estonia, Jõgeva	road construction
AS Merko Infra	100	100	Estonia, Tallinn	construction
AS Gustaf	92,5	85	Estonia, Pärnu	construction
OÜ Gustaf Tallinn	80	80	Estonia, Tallinn	construction
AS Merko Tartu	66	66	Estonia, Tartu	construction
OÜ Raadi Kortermaja	100	100	Estonia, Tartu	real estate
OÜ Fort Ehitus	75	75	Estonia, Viimsi	construction
OÜ Mineraal	100	100	Estonia, Tallinn	mining
UAB Merko Statyba	100	100	Lithuania, Vilnius	construction
UAB Merko Inžinerija	100	100	Lithuania, Vilnius	construction
OÜ Merko Property	100	100	Estonia, Tallinn	real estate
UAB Balsiu mokyklos SPV	100	100	Lithuania, Vilnius	real estate
UAB Merko Bustas	100	100	Lithuania, Vilnius	real estate
UAB MN Projektas	100	100	Lithuania, Vilnius	real estate
UAB Jurininku aikštele	100	100	Lithuania, Vilnius	real estate
UAB Kražiu Projektas	100	-	Lithuania, Vilnius	real estate
Ringtee Tehnopark OÜ	100	100	Estonia, Tallinn	construction
OÜ Jõgeva Haldus	100	100	Estonia, Tallinn	real estate
OÜ Metsailu	100	100	Estonia, Tallinn	real estate
OÜ Woody	100	100	Estonia, Tallinn	real estate
OÜ Maryplus	100	100	Estonia, Tallinn	real estate
OÜ Constancia	100	100	Estonia, Tallinn	real estate
OÜ Käibevara	100	100	Estonia, Tallinn	real estate
OÜ Merko Investments	100	100	Estonia, Tallinn	holding
SIA Merks*	100	100	Latvia, Riga	construction
SIA SK Viesturdarzs	100	100	Latvia, Riga	real estate
SIA Merks Investicijas	100	100	Latvia, Riga	real estate
SIA Industrialas Parks	100	100	Latvia, Riga	real estate
SIA Elniko	100	100	Latvia, Riga	real estate
SIA Ropažu Priedes	100	100	Latvia, Riga	real estate
SIA Skanstes Virsotnes	100	100	Latvia, Riga	real estate
SIA Polystar	100	99,96	Latvia, Riga	real estate
PS Merko-Merks	100	100	Latvia, Riga	construction
OÜ Tähelinna Kinnisvara	100	100	Estonia, Tallinn	real estate
Väike-Paekalda OÜ	100	100	Estonia, Tallinn	real estate
Suur-Paekalda OÜ	100	100	Estonia, Tallinn	real estate
Merko Ukraine LLC**	100	100	Ukraine, Kharkiv	construction
Merko Finland OY	100	100	Finland, Helsinki	construction
Lenko Stroi LLC	100	100	Russia, St. Petersburg	construction
Joint ventures				
OÜ Unigate	50	50	Estonia, Tallinn	real estate
Poolkoksimäe Sulgemise OÜ	50	50	Estonia, Tallinn	construction
OÜ Kortermaja	50	50	Estonia, Tartu	real estate
SIA Zakusala Estates	50	50	Latvia, Riga	real estate

* On 22 May 2013, AS Merko Ehitus concluded an intra-group transaction, selling a 100% stake in its subsidiary SIA Merks to OÜ Merko Investments.

** In the second quarter of 2013, the liquidation of AS Merko Ehitus's 100% subsidiary Merko Ukraine LLC was completed. The company was deleted from the commercial register as at 4 July 2013.

Goods and services

in thousand euros

	2013 9 months	2012 9 months
Construction services rendered		
Parent company	10	-
Associates and joint ventures	209	191
Entities under common control	548	81
Management members	68	2
Other related parties	1	464
Total construction services rendered	836	738
Services and materials purchased		
Parent company	80	86
Associates and joint ventures	-	75
Entities under common control	95	102
Other related parties	-	125
Total services and materials purchased	175	388
Interest income		
Associates and joint ventures	84	83
Interest expense		
Parent company	-	79
Entities under common control	114	153
Management members	4	-
Total interest expense	118	232

Balances with the related parties

in thousand euros

	30.09.2013	31.12.2012
Short-term receivables		
Trade receivables		
Parent company	3	9
Associates and joint ventures	52	24
Entities under common control	17	13
Management members	52	-
Other related parties	-	1
Total trade receivables	124	47
Short-term loans		
Associates and joint ventures	1 398	1 382
Interest receivables		
Associates and joint ventures	627	896
Prepayments for inventories		
Entities under common control	-	3 806
Total short-term receivables	2 149	6 131
Long-term receivables		
Long-term loans		
Associates and joint ventures	3,587	3,610

Current liabilities

Short-term loans

CONSOLIDATED FINANCIAL STATEMENT

Entities under common control	8 145	8 145
Trade payables		
Parent company	9	12
Entities under common control	1	5
Total trade payables	10	17
Interest liabilities		
Entities under common control	10	12
Other liabilities		
Entities under common control	5,288	5,380
Prepayments received		
Entities under common control	101	-
Management members	614	-
Total prepayments received	715	-
Total current liabilities	14,168	13,554
Non-current liabilities		
Long-term loans		
Management members	102	102
Long-term interest liabilities		
Management members	7	3
Total non-current liabilities	109	105

Remuneration of the members of the Supervisory and Management Boards

The gross remuneration to members of the Supervisory Board and Management Board of AS Merko Ehitus group and the members of the management board of major subsidiaries for the 9 months of 2013 was EUR 1,809 thousand (9 months of 2012: EUR 1,037 thousand).

Termination benefits of members of the Supervisory and Management Boards

Authorization agreements have been entered into with the Supervisory Board members according to whom no termination benefits are paid to them upon termination of the contract. In the 9 months of 2012, the Management Board members of major subsidiaries received EUR 38 thousand in compensation (9 months of 2012: EUR 118 thousand).

Members of the Supervisory and Management Board

Track record and photographs of the members of the Supervisory Board can be found on AS Merko Ehitus website at: www.merko.ee.

Shares held by members of the Supervisory Board of AS Merko Ehitus as at 30 September 2013

		No. of shares	% of total
Toomas Annus (AS Riverito)	Chairman of the Supervisory Board	8,322,914	47.02%
Indrek Neivelt (OÜ Trust IN)	Member of the Supervisory Board	31,635	0.18%
Olari Taal (OÜ Eggera)	Member of the Supervisory Board	2,500	0.01%
Teet Roopalu	Member of the Supervisory Board	0	0.00%
		8,357,049	47.21%

The Management Board of the holding company AS Merko Ehitus has two members: Andres Trink and Tõnu Toomik.

Shares held by members of the Management Board of AS Merko Ehitus as at 30 September 2013

		No. of shares	% of total
Andres Trink	Chairman of the Management Board	0	0.00%
Tõnu Toomik (AS Riverito)	Member of the Management Board	1,607,185	9.08%
		1,607,185	9.08%

Note 16 Contingent liabilities

The group has purchased the following guarantees from financial institutions to ensure the group's obligations to third parties. The said amounts constitute the maximum extent of the third-party claims against the group should the group fail to perform its contractual obligations. In the estimation of the Management Board, it is unlikely that expenditures will be incurred in connection with these guarantees.

<i>in thousand euros</i>	30.09.2013	31.12.2012
Performance period's warranty to the customer	29,201	26,731
Tender warranty	611	1,929
Guarantee warranty period	11,246	11,627
Prepayment guarantee	8,763	10,020
Contracts of surety	2,281	1,507
Payment guarantee	64	-
Total contingent liabilities	52,166	51,814

Performance period's warranty to the customer – warranty provider guarantees to the customer that the contractor's obligations arising from construction contract will be adequately completed.

Tender warranty – guarantor ensures to the bid organiser that the tenderer does not withdraw a tender during its validity period.

Guarantee for warranty period – warranty provider guarantees to the customer that the construction defects discovered during the warranty period will be repaired.

Prepayment guarantee – warranty provider guarantees to the customer that advances will be reimbursed, if contractor fails to deliver goods or services agreed.

Payment guarantee – warranty provider guarantees to the customer a payment for goods or services.

MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED INTERIM REPORT

The Management Board of AS Merko Ehitus has prepared the consolidated interim financial statements for the 9 months and III quarter of 2013, which are set out on pages 5-48.

The Management Board confirms that to the best of its knowledge:

- The accounting methods used to prepare the interim financial statements are in conformity with the International Financial Reporting Standards as adopted by the European Union;
- the financial statements give a true and fair view of the Group's financial position and the results of its operations and cash flows;
- the parent company and the group companies are going concerns.

The Management Board of AS Merko Ehitus declares and confirms that the interim financial statements provide, to the best of the knowledge of the Management Board, a true and fair view of the development, results and financial position of the company and the consolidated undertakings as a whole, include a description of the principal risks and uncertainties, and reflect transactions with related parties.

Andres Trink Chairman of the Management Board



07.11.2013

Tõnu Toomik Member of the Management Board



07.11.2013