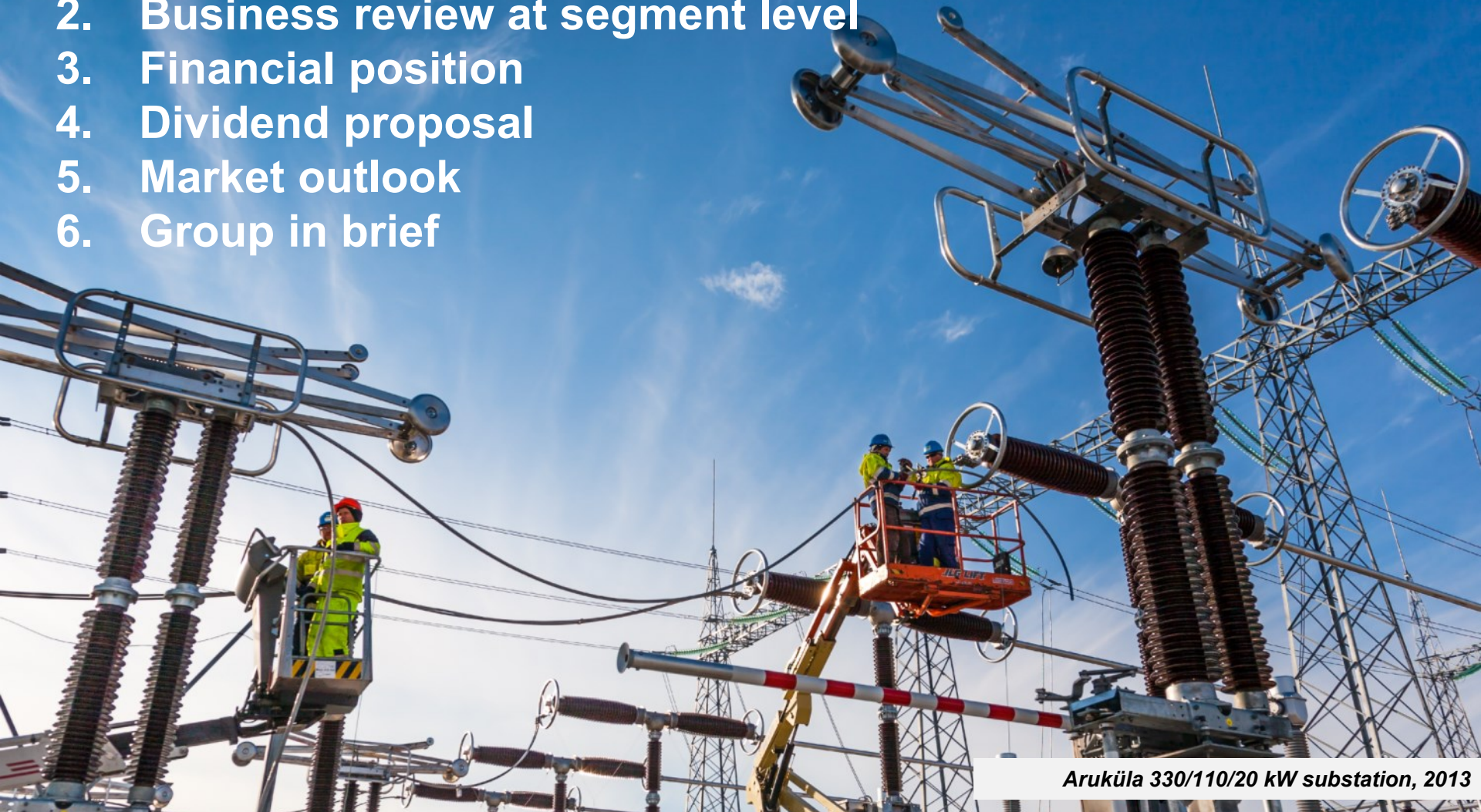


Merko Ehitus Group 12 months and Q4 2013

February 2014



1. Key highlights
2. Business review at segment level
3. Financial position
4. Dividend proposal
5. Market outlook
6. Group in brief



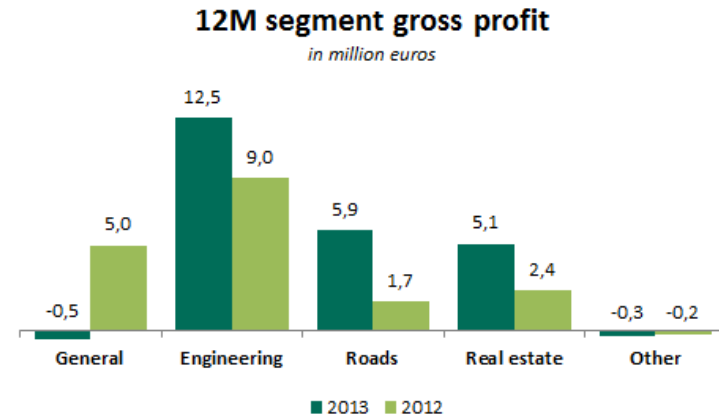
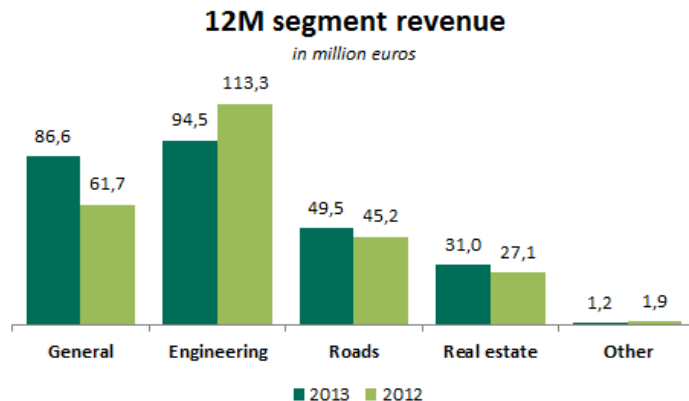
Key highlights

EUR millions	12M 2013	12M 2012	Variance	Q4 2013	Q4 2012	Variance
Revenue	262.7	249.1	+5.5%	64.9	71.4	-9.1%
Gross profit	22.7	17.9	+26.8%	5.4	7.3	-26.0%
Gross profit margin (%)	8.6	7.2	+20.3%	8.3	10.2	-18.8%
EBITDA	15.1	11.4	+32.4%	3.5	5.4	-35.2%
Net profit, attributable to equity holders of the parent	10.4	7.6	+36.3%	2.5	4.4	-44.6%
Earnings per share (EPS), in euros	0.59	0.43	+36.4%	0.14	0.25	-44.5%

** Variance calculated based on interim consolidated financial reports*

- ❖ **Revenue:** increased 5.5% during the 12M period and decreased by 9.1% in Q4 compared y-o-y.
- ❖ **Profitability:** improved mainly due to road construction and real estate development segments.
- ❖ **Strong cash position:** at EUR 46.6m (31 December 2013: EUR 35.3m).
- ❖ **Solid secured order book:** at EUR 213.7m (31 December 2012: EUR 189.9m).
- ❖ **Dividend proposal:** Management Board proposal to pay dividends EUR 0.41 per share that gives dividend rate of 70% for 2013.
- ❖ **Group structure:** changes in the structure for the purpose of more effective management and saving administrative costs. The first changes are in progress and the activity plan will continue to be implemented during 2014. No affect on significant subsidiaries.

Business review - 12 months



REVENUES

- ❖ Strongest performance from general construction segment (revenues up by 40.3% y-o-y), that is also supported by increased real estate development segment (up by 14.3%) and road construction segment (up by 9.6%) revenues. Revenues from engineering segment in turn were down by 16.6%.
- ❖ Private sector orders increased as ongoing trend but the largest proportion of revenues is still related to civil engineering projects financed with support from EU funds and state orders.

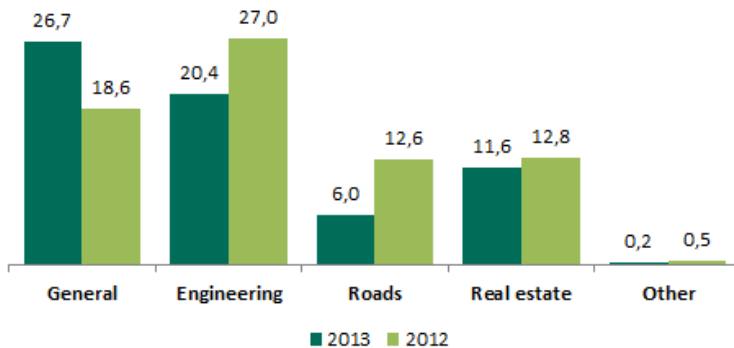
GROSS PROFIT

- ❖ Main contribution from engineering segment due to projects completed before deadlines, road construction and gradually improving apartment market in all Baltic States.
- ❖ Improved overall margin level from 7.2% to 8.6%. Positively impacted by road construction segment and real estate development segment however the general construction gives a negative downside due to risks identified in the last quarter.

Business review – Q4

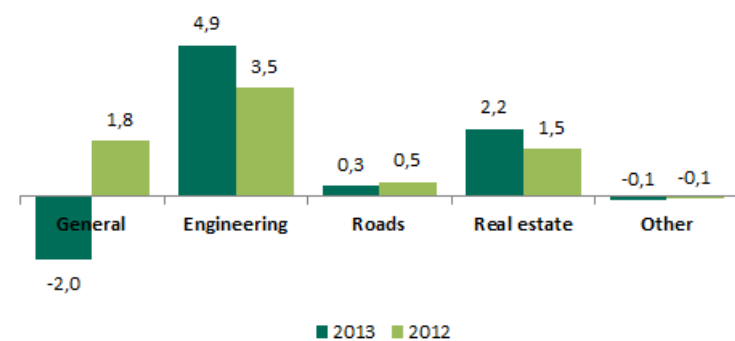
Q4 segment revenue

in million euros



Q4 segment gross profit

in million euros



REVENUES

- ❖ Q4 revenue decrease shows solid trend of reduced volumes in civil engineering and road construction segments.
- ❖ 2013 Q4 largest proportion from general construction 41% (2012:26%).

GROSS PROFIT

- ❖ General construction performance disappointed due to risks, unforeseen in the earlier phases, materialising on one reconstruction project in progress. Measures are being implemented to prevent similar project management risks and losses in the future.
- ❖ General construction with the challenge of continuing pressure on margins by even more tightening competition.
- ❖ Positive outcome from civil engineering segment that relates to completion of certain stages of Vääna-Jõesuu water and sewerage pipelines reconstruction project almost 18 months earlier than foreseen by the contract.

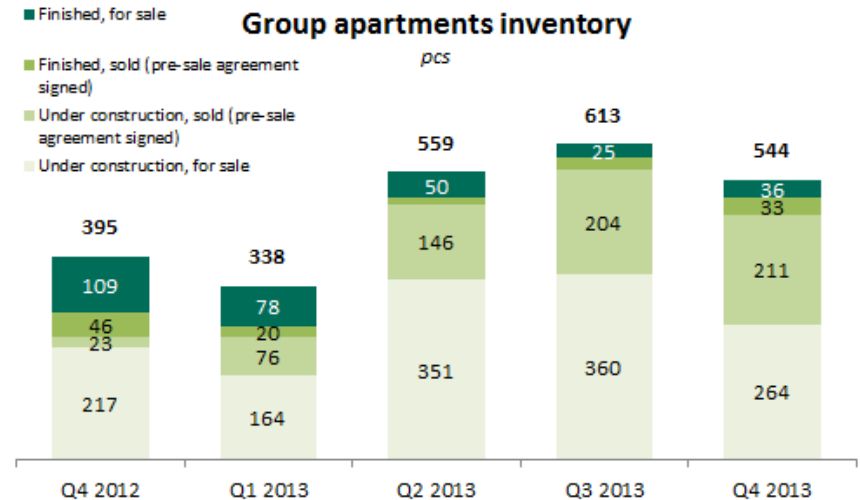
Real estate development- apartments

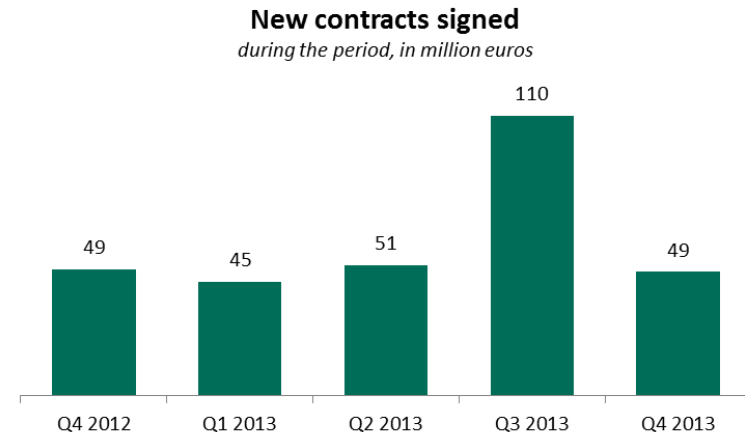
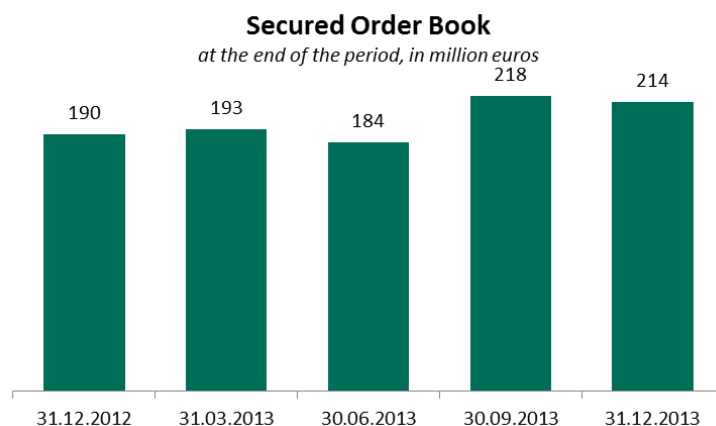
MARKET

- ❖ Gradually improving in all Baltic States.
- ❖ Focus to keep the moderate level of inventory to meet the market demand.

REVENUES

- ❖ 263 apartments sold with sales revenues of EUR 28.3 million (2012: 235 apartments, EUR 25.0 million) in 12 months 2013.
- ❖ 300 apartments on active sale (2012: 326).
- ❖ Construction of 409 apartments launched during 2013 (2012: 308 apartments).

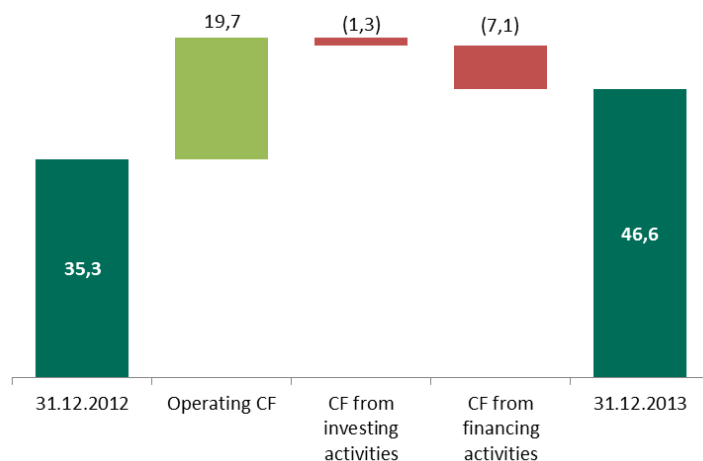




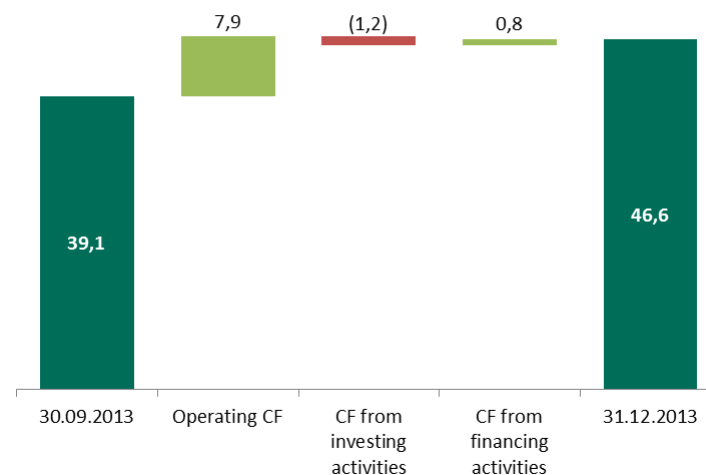
- ❖ Secured order book at EUR 213.7m (a decrease by 2.1% compared to Q3 2013 and an increase by 12.5% compared to the secured order book value at the end of 2012).
- ❖ EUR 48.6m worth of new contracts signed in Q4 2013 compared to EUR 49.6m during Q4 2012.
- ❖ Order book is still dominated by public orders, however about half of new signed contracts during 12 month period are related to private orders.
- ❖ Steady decrease in the volume of public tenders in the II half of 2013 due to expiry of the current EU budget period.
- ❖ Challenge for next 12 months to keep the current volume of new contracts.

Financial position

Change in cash and cash equivalents
in million euros

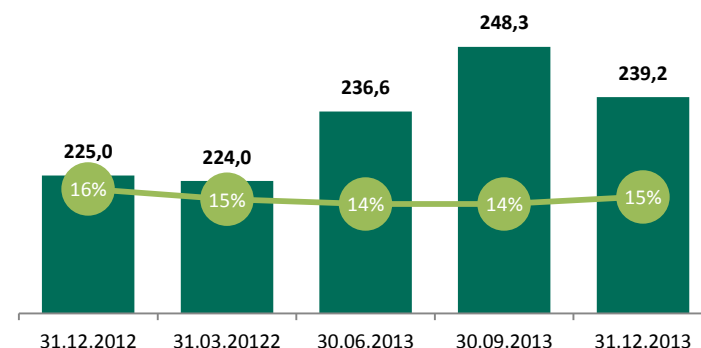


Change in cash and cash equivalents Q4
in million euros



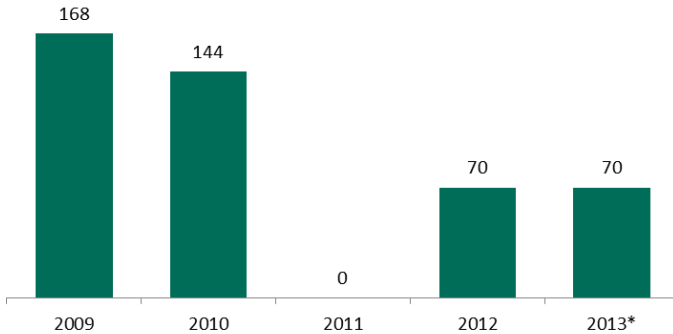
- ❖ Group's cash position at EUR 46.6m (31.12.2012: EUR 35,3m).
- ❖ The net debt amounted to EUR –11.2m and debt ratio is at a modest level of 14.8% (31.12.2012: EUR +0.2 and 15.8%).
- ❖ Current assets are at 2.0x current liabilities (Q4 2012: 2.1x).
- ❖ Equity at 50.9% (31.12.2012: 52.0%).

Total assets and debt ratio
in million euros and %

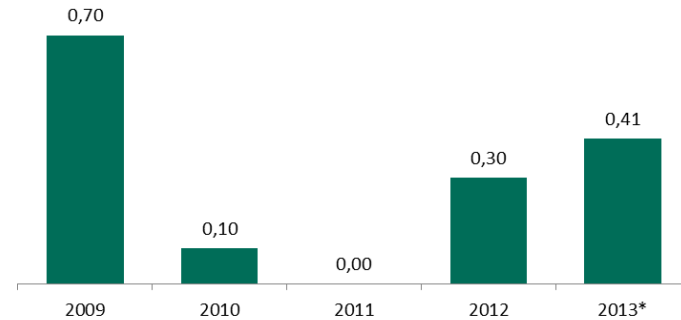


Dividend proposal

Dividend rate
percentages

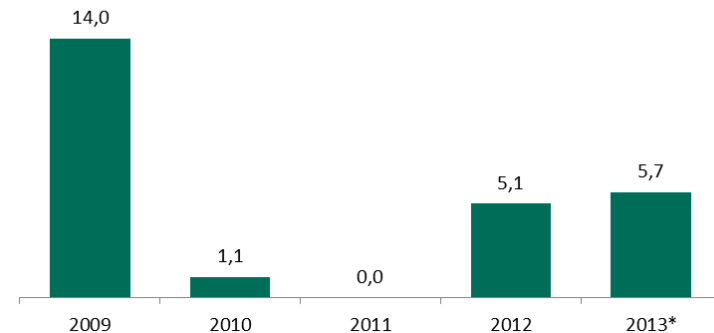


Dividend per share
in euros



- ❖ Dividend pay-out ratio according to long-term financial objectives: 50-70% of the annual profit.
- ❖ Dividend payment of EUR 5.3m in July 2013 (EUR 0.3 per share).
- ❖ **The Management Board proposes to pay the shareholders the total amount of EUR 7.6 million as dividends (EUR 0.43 per share) in 2014.**

Dividend yield
percentages

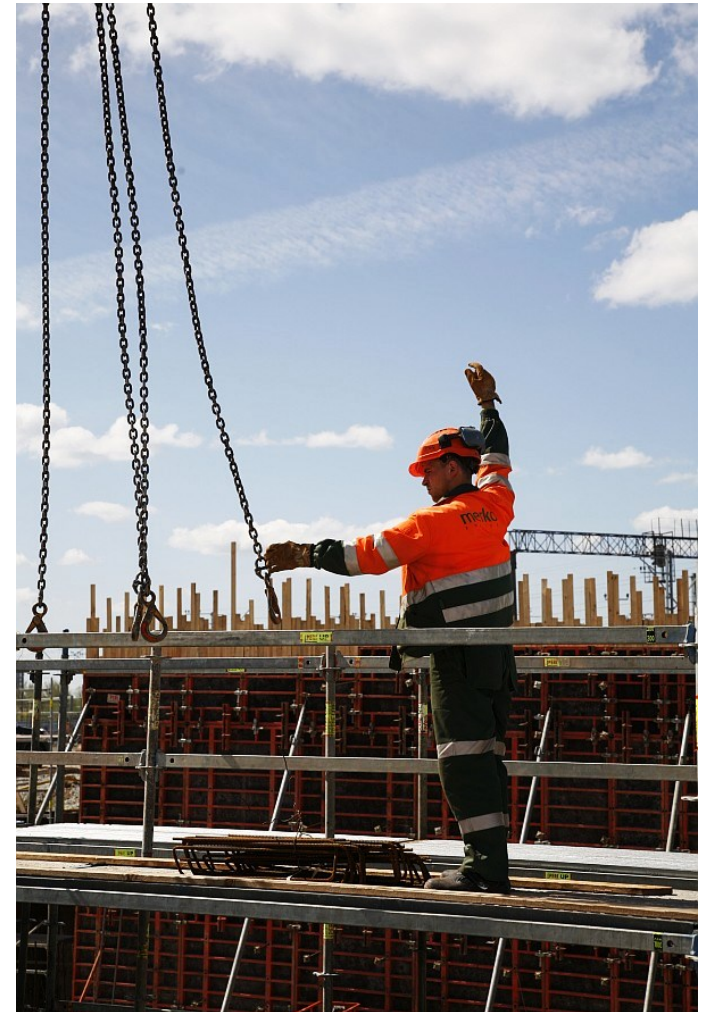


Construction market

- ❖ Group's outlook largely unchanged compared to previous quarter.
- ❖ Decrease in construction volumes is expected in the Baltic States during 2014 and 2015.
- ❖ Continuing decrease of public sector procurements due to the end of funding period 2007-2013 and uncertainties around distribution of fund in EUs budget period 2014-2020.
- ❖ Positive trends from private sector as the market is picking up. The number of projects launched by private sector has grown significantly over the last 12 months. Nevertheless the private sector will not be able to compensate in the full reduction in procurement by the public sector (specially external networks).
- ❖ Market becomes more competitive and aggressive on margins. This leads to a challenging position to keep the profitability levels.
- ❖ High demands on customers side to warranty's and payment periods demand continuous cash flow management.

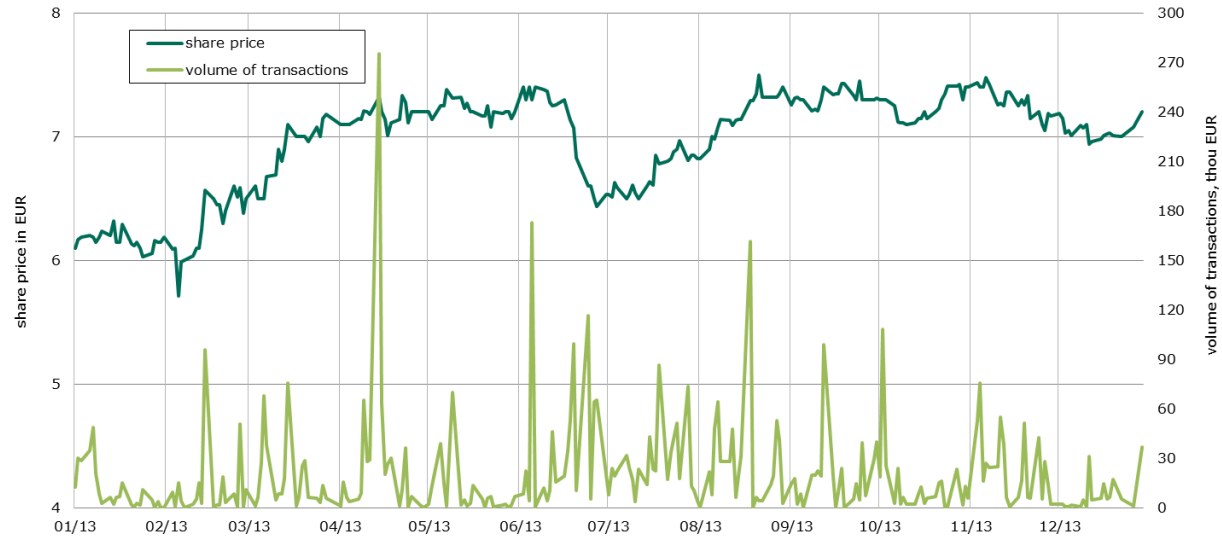
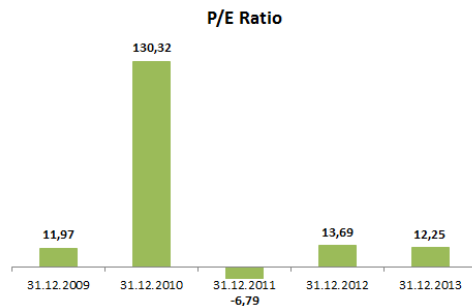
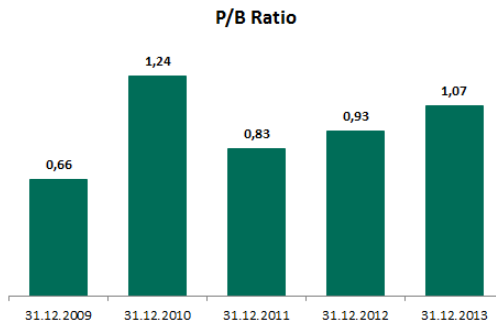
Real estate development

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



Stock Exchange overview

Market Cap at EUR 127.4m (2012: EUR 104.4m). Up by 22% y-o-y basis.



Shareholders	No of shares	% of total 31.12.2013	% of total 30.09.2013	Variance
AS Riverito (management)	12 742 686	71,99%	71,99%	-
ING Luxembourg S.A. AIF Account	974 126	5,50%	5,50%	-
Skandinaviska Enskilda Banken S.A.	481 379	2,72%	0,00%	481 379
Skandinaviska Enskilda Banken AB, Swedish clients	330 060	1,86%	4,58%	-481 379
Firebird Republics Fund Ltd	302 395	1,71%	1,71%	-
Gamma Holding OÜ	188 762	1,07%	1,05%	3 200
State Street Bank and Trust Omnibus Account a Fund No OM01	153 018	0,86%	0,86%	-
Clearstream Banking Luxembourg S.A. clients	141 262	0,80%	0,80%	-
Skandinaviska Enskilda Banken AB, Finnish clients	134 982	0,76%	0,81%	-8 209
OÜ Midas Invest	131 185	0,74%	0,68%	10 000
TOP 10 shareholders	15 579 855	88,01%	87,98%	4 991
Other shareholders	2 120 145	11,99%	12,02%	-4 991
Total shares	17 700 000	100,00%	100,00%	

Group in brief

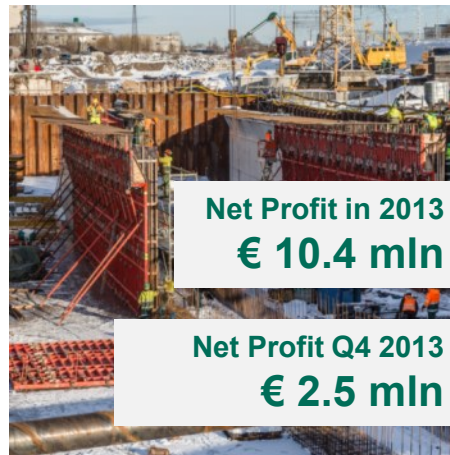


Construction services:

- General construction
- Engineering construction
- Road construction

Own developed real estate projects

Operates in
Estonia (81% of revenue),
Latvia (17%), Lithuania (2%)



Share quoted on
Nasdaq OMX
Tallinn since 1997





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