

# Merko Ehitus Group

## 6 months and II quarter 2013

August 2013



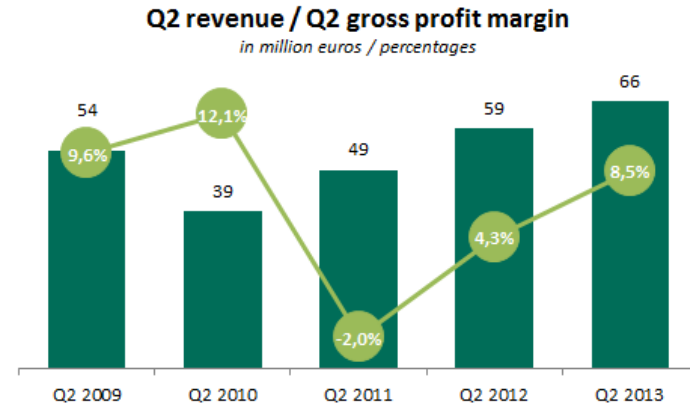
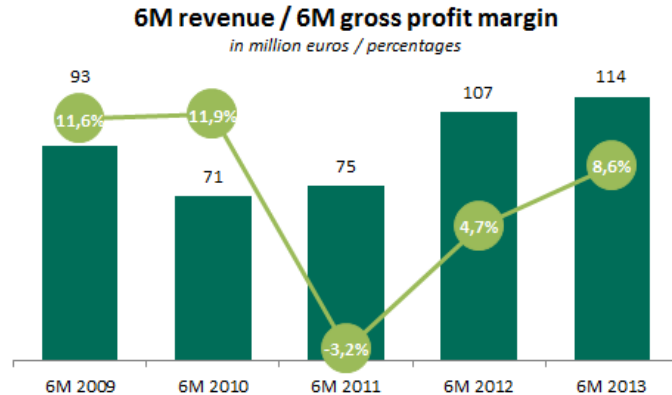
# Key Q2 highlights

<i>EUR millions</i>	6M 2013	6M 2012	Variance	2Q 2013	2Q 2012	Variance
Revenue	<b>113.7</b>	106.9	+6.4%	<b>65.9</b>	59.1	+11.5%
Gross profit margin (%)	<b>8.6</b>	4.7	+83.2%	<b>8.5</b>	4.3	+97.7%
Net profit, attributable to equity holders of the parent	<b>4.0</b>	0.6	+599.5%	<b>2.3</b>	0.4	+438.7%
Earnings per share (EPS), in euros	<b>0.23</b>	0.03	+599.5%	<b>0.13</b>	0.02	+438.7%

*\* Variance calculated based on interim consolidated financial reports*

- ❖ **Profitability:** improved due to road construction and real estate development segments.
- ❖ **Revenue:** increased 6.4% during the 6M period and 11.5% for 2Q compared y-o-y.
- ❖ **Strong cash position:** at EUR 31.3m (30 June 2012: EUR 11.7m).
- ❖ **Secured order book:** stable at EUR 184m (30 June 2012: EUR 233m).
- ❖ **Changes in Merko Ehitus Management Board:** new member Tõnu Toomik.

# Revenue and gross profit improved y-o-y



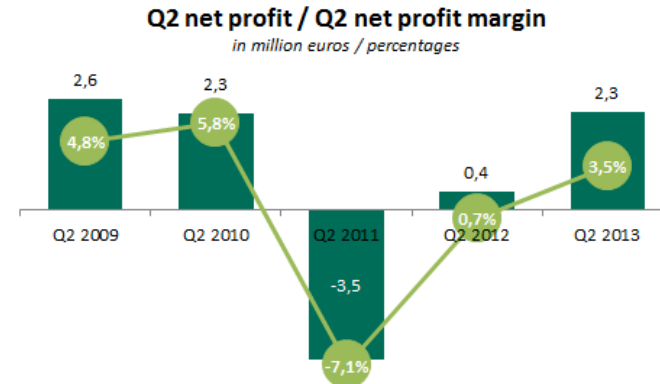
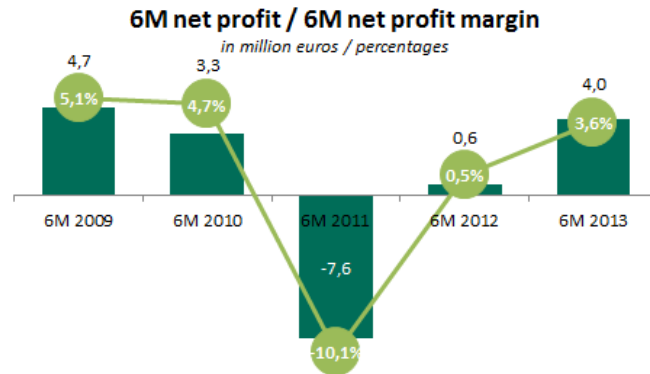
## REVENUES

- ❖ 6M 2013 revenues improved by 6.4%. Strongest performance from general construction segment (revenues up by 44% y-o-y), that is also supported by increased road construction (up by 22%) and real estate development segment (up by 28%) revenues.
- ❖ The largest proportion of revenues is still from engineering segment (6M 2013: 40%; 6M 2012: 52%), followed by general construction segment (6M 2013: 29%; 6M 2012: 22%).

## GROSS PROFIT

- ❖ 6M 2013 gross profit of EUR 9.8m (2Q 2013: EUR 5,6m) compared to EUR 5.0m in 6M 2012 (2Q 2012: EUR 2,5m).
- ❖ Increase in margin by 3.9%, primarily impacted by road construction segment and real estate development segment. The positive upside from road construction segment is mainly due to higher road maintenance works compared to 2012.
- ❖ Maintaining the gross profit margins remains a challenge. The impact is seen already in general construction as the gross profit margins have decreased during 2013 more than 50% compared to 2012 levels (6M 2013: 3,7% and 6M 2012: 8,1%).

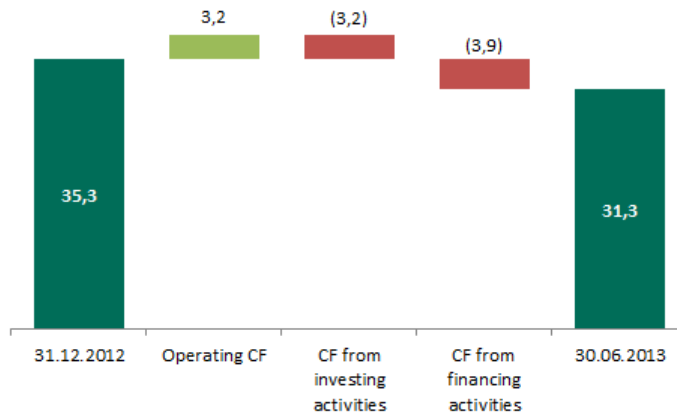
# Profitability



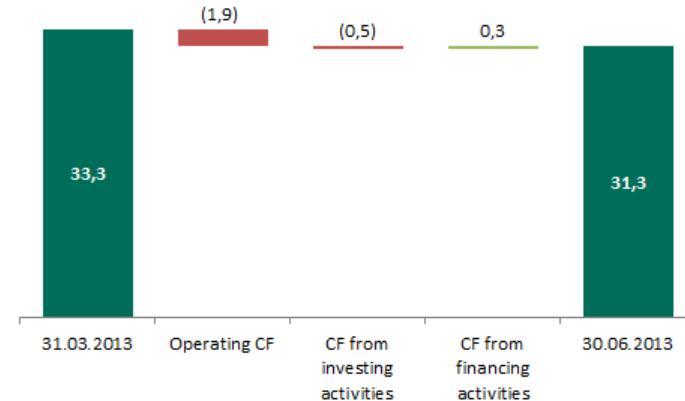
- ❖ 6M 2013 net profit EUR 4.0m IIQ 2013 EUR 2,3m shows a positive trend.
- ❖ 2Q 2013 profit at 2Q 2009 and 2010 levels.
- ❖ 6M 2013 Marketing and Administrative expenses are up by 15.6% y-o-y. 2012 as a comparison gives a lower basis due to the fact that the overall profit level was lower and hence the bonus reserves were lower.
- ❖ Corporate Income Tax expense on distributed dividends marginal, due to efficient tax planning.
- ❖ Our key focus is to enhance the efficiency of the cost base.

# Net debt decreased, strong balance sheet

**Change in cash and cash equivalents**  
in million euros

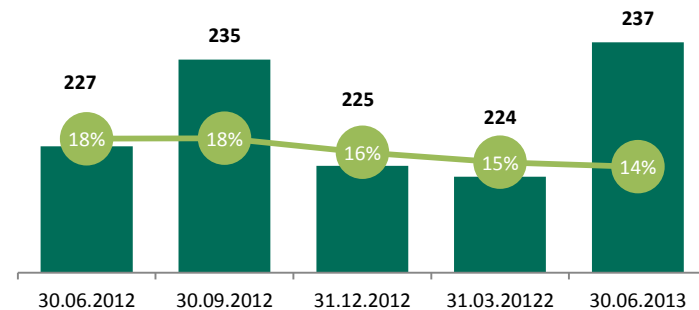


**Change in cash and cash equivalents Q2**  
in million euros

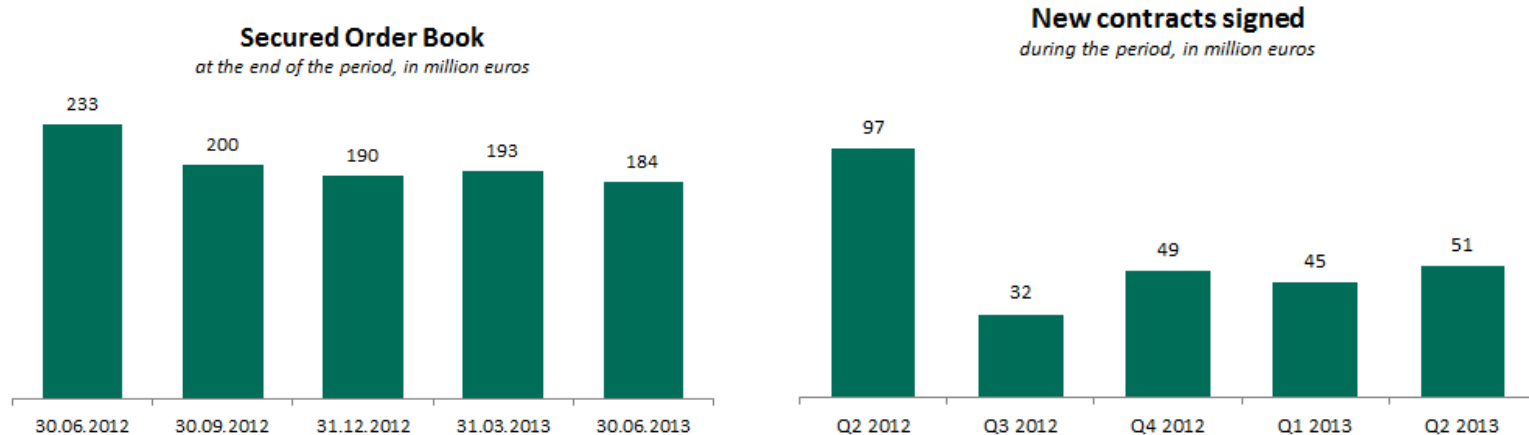


- ❖ Group's cash position at EUR 31.3m. Group has also EUR 2.5m in short-term deposits.
- ❖ The net debt amounted to EUR –1.0m and debt ratio is at a modest level of 14%.
- ❖ Current assets are at 1.9x current liabilities (Q2 2012: 1.8x).
- ❖ Equity at 48.8% (Q2 2012: 48.5%).

**Total assets and debt ratio**  
in million euros and %



# Stable secured order book



- ❖ Secured order book has decreased slightly to EUR 184m (by -4.7% compared to Q1 2013). There is a decrease of 21% compared to the secured order book value in 2012. Prior year balance gives an unusually high comparison basis.
- ❖ EUR 51m worth of new contracts compared to EUR 97m during Q2 2012. Public procurement remained the greatest contributor to the volume of contracts signed in the Q2 2012. Major contracts included the Narva City water treatment plant (EUR 21m), Nort-Estonia Medical Centre (EUR 24m) and Ülemiste traffic interchange (EUR 8m), which influenced the comparison level most.
- ❖ 2 large contacts signed in a total amount of EUR 59m in July and early August (Olympic Entertainment Group hotel and entertainment complex and Liepaja concert hall).
- ❖ Pressure on 2013 contract wins, as public sector procurements are potentially decreasing in the II half of 2013 due to end of current EU budget period.

# Market outlook for 2013

## Construction market

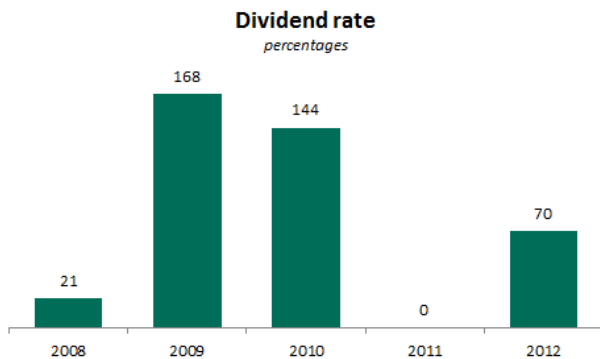
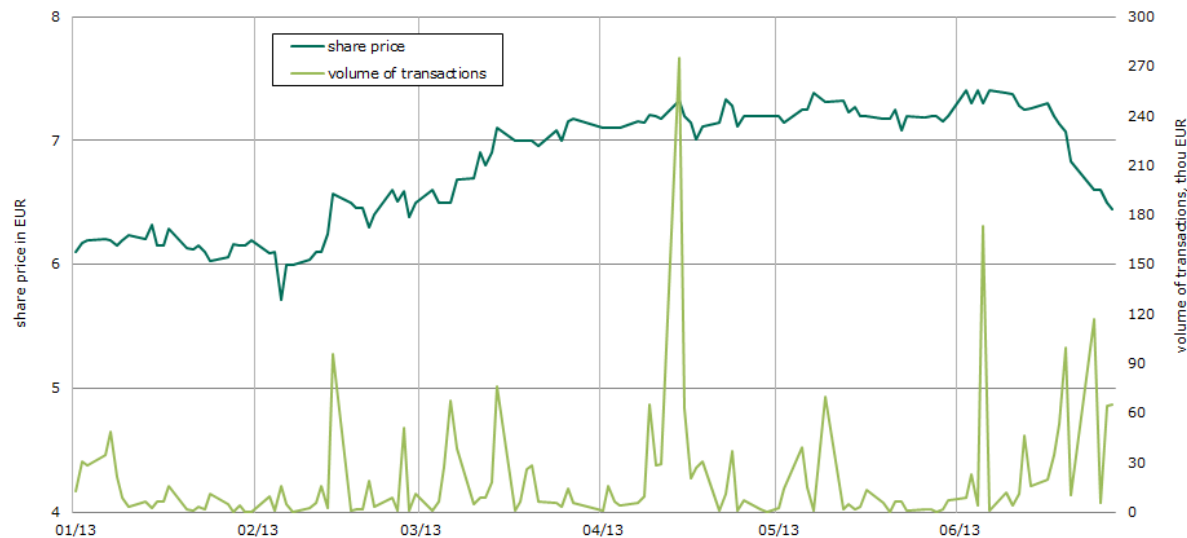
- ❖ Group's outlook largely unchanged compared to previous quarter.
- ❖ Continuing decrease of public sector procurements due to the end of funding period 2007-2013 and uncertainties around distribution of fund in EUs budget period 2014-2020.
- ❖ Positive trends from private sector as the market is slowly picking up, but the number of projects is still modest.
- ❖ 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.

## Property 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 capitalization as at 30 June 2013 amounted to EUR 114m (31 March 2013: EUR 127m)
- ❖ The closing share price on 30 June 2013 was EUR 6.44 (31 March 2013: EUR 7.18)
- ❖ Dividend payment of EUR 5,3m made in July 2013 (EUR 0,3 per share)

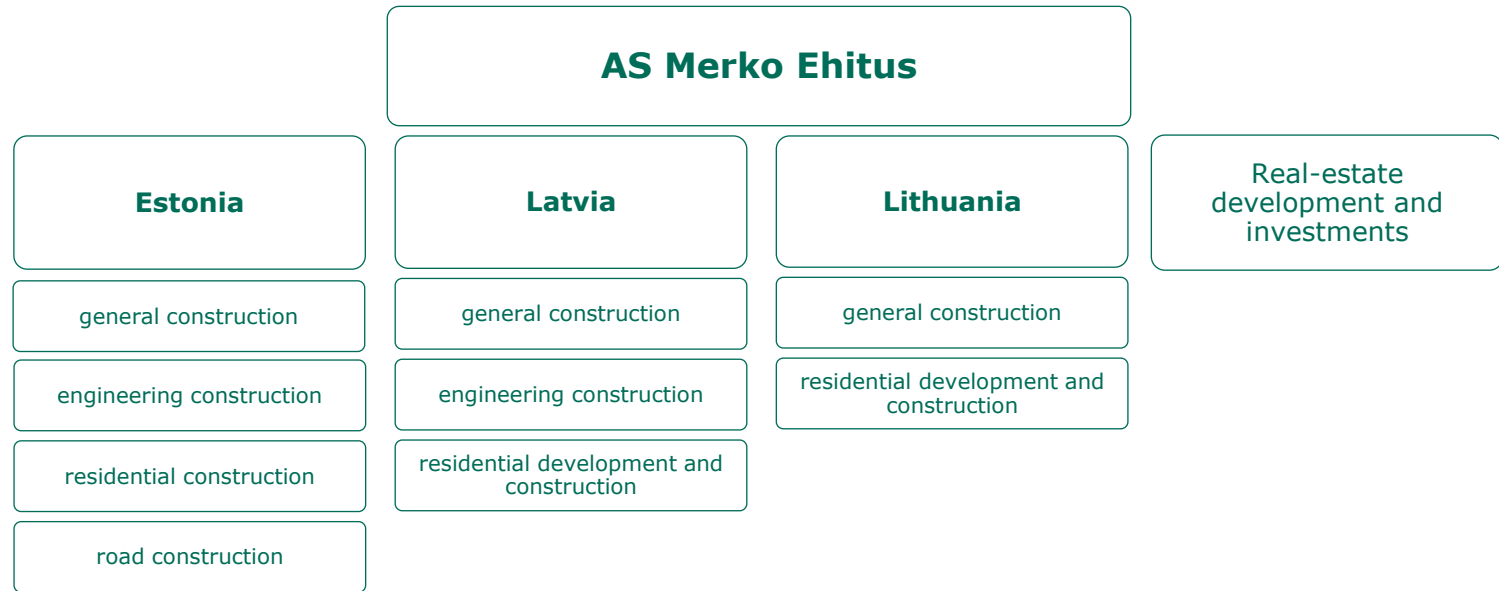


Shareholders	No of shares	% of total 30.06.2013	% of total 31.03.2013	Variance
AS Riverito (management)	12 742 686	71,99%	71,99%	-
ING Luxembourg S.A., clients	974 126	5,50%	5,50%	-
Skandinaviska Enskilda Banken Ab, clients	845 611	4,78%	4,90%	-21 957
Firebird Republics Fund Ltd	302 395	1,71%	1,71%	-
Arvo Nõges	178 600	1,01%	1,00%	900
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%	0,76%	8 000
Clearstream Banking Luxembourg S.A. clients	140 947	0,80%	0,58%	38 450
SEB Elu- ja Pensionikindlustus AS	128 020	0,72%	0,72%	-
AS Midas Invest	121 185	0,68%	0,67%	2 630
<b>TOP 10 shareholders</b>	<b>15 729 779</b>	<b>88,86%</b>	<b>88,69%</b>	<b>28 023</b>
Other shareholders	1 970 221	11,14%	11,31%	-28 023
<b>Total shares</b>	<b>17 700 000</b>	<b>100,00%</b>	<b>100,00%</b>	



# About Merko Ehitus Group

AS Merko Ehitus operates as a holding company incorporating construction and real estate development subsidiaries offering integrated construction solutions and developing own real estate.



- ❖ Merko Ehitus is the largest listed construction company in the Baltics – with revenues of €249.1 million in 2012 (€219.3 million in 2011).
- ❖ Home markets are – Estonia (81.1%), Latvia (15.4%), Lithuania (3.5%).
- ❖ Core activities include - general construction (25%), civil engineering (45%), roads (18%), property development and other (12%).
- ❖ 943 employees at the end of Q2 2013 (31 December 2012: 915).

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