



## AS MERKO EHITUS GROUP

### 2012 12 months and IV quarter consolidated unaudited interim report

Business name: AS Merko Ehitus

Primary activity: general contracting in construction sector

Registration no: 11520257

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Financial year: 01.01.2012 – 31.12.2012  
Reporting period: 01.01.2012 – 31.12.2012

Supervisory Board: Toomas Annus, Tõnu Toomik, Teet Roopalu,  
Indrek Neivelt, Olari Taal  
Management Board: Andres Trink, Viktor Mõisja

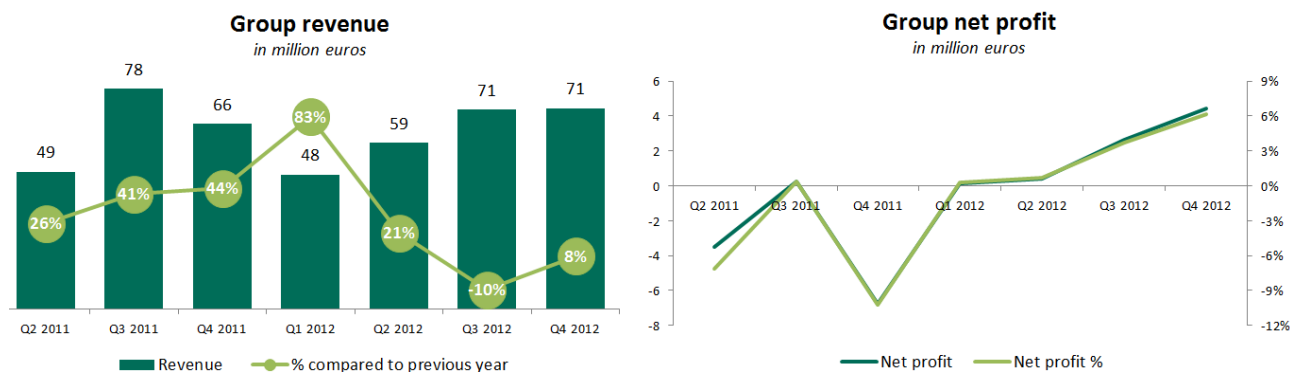
Auditor: AS PricewaterhouseCoopers

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## MANAGEMENT REPORT

### Overview of the 12 months results



- ❖ **Profitability has improved:** net profit in Q4 was EUR 4.42 million (Q3 2012: EUR 2.62 million), which shows a positive trend toward increased profitability. The profit from sale of Latvian apartments also contributed in the last quarter. The 12-month net profit was EUR 7.63 million (12 months of 2011: net loss of EUR 14.08 million).
- ❖ **Revenue is up:** the revenue for Q4 of 2012 was EUR 71.40 million (Q3 2012: EUR 70.87 million), which was EUR 5.47 million higher compared to the results for Q4 in the previous year. The 12-month revenue totalled EUR 249.13 million, which is 13.6% more than the revenue in the same period in the previous year (12 months of 2011: EUR 219.32 million).
- ❖ **Strong cash position:** by the end of the reporting period, the group had EUR 35.32 million in cash and cash equivalents, EUR 116.93 million in equity (52.0% of the balance sheet volume). Comparable data as of 2011 were, respectively EUR 18.65 million and EUR 109.24 million (49.6% of the balance sheet volume). The group's net debt was EUR 0.19 million as at 31 December 2012 (31 December 2011: EUR 21.69 million; 30 September 2012: EUR 25.94 million).
- ❖ **Secured order book is stable:** in Q4 of 2012, the group's companies entered into new contracts worth a volume of EUR 49 million (Q4 2011: EUR 32 million) and the secured order book balance as at 31 December 2012 was EUR 190 million (31 December 2011: EUR 166 million).

## **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 Management Board of the holding company AS Merko Ehitus has two members: Andres Trink and Viktor Mõisja.

The profiles of the members of the Management Board and Supervisory Board have been presented in Note 15 to the financial statements, and published, together with the track record and photographs, on the company's website at [www.merko.ee](http://www.merko.ee).

On 6 July 2012, AS Merko Ehitus transferred, in connection with review of its investment strategy, its 25% stake in the reinforced concrete element manufacturer AS TMB to the company management.

The changes introduced in the management of SIA Merks, the Latvian-based subsidiary of AS Merko Ehitus, took effect in September 2012, with the former Chairman of the Management Board Ivars Geidāns being appointed a member of the Supervisory Board of SIA Merks, and the former CFO Oskars Ozoliņš the Chairman of the Management Board of SIA Merks. The Management Board of SIA Merks will continue with two members: Oskars Ozoliņš as the chairman and construction director Jānis Šperbergs as member of the Management Board. The company's Supervisory Board will continue with Andres Trink serving as the chairman, and Tõnu Toomik, Jaan Mäe and Ivars Geidāns as members.

In connection with the review of the Lithuanian business strategy, the Supervisory Board of UAB Merko Statyba decided to end the implementation of water management projects on the Lithuanian market and focus on the field of general construction and apartment development.

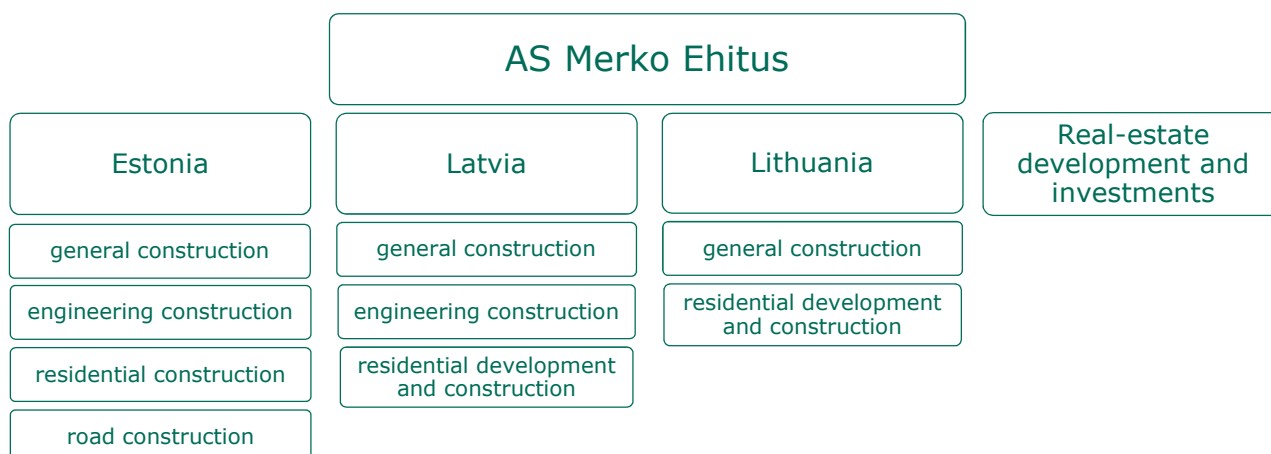
In connection with the revising of the Ukrainian market prospects, the Supervisory Board of AS Merko Ehitus approved, on 4 September 2012, the management's proposal for the initiation of the liquidation of the 100% subsidiary Merko Ukraine LLC. The company has no work-in-progress, contracts that needed to be served, or employees in Ukraine.

In December 2012, a 100% subsidiary in Russia was founded and registered, OOO Lenko Stroi (registry code 1129847028288). The subsidiary was founded through the 100% Finnish subsidiary Merko Finland OY. The share capital of the new subsidiary is EUR 4,986. This was a technicality aimed at establishing a legal platform for operations in Russia. No actual business activity is currently taking place in Russia.

In October 2012, the shareholders of OÜ Unigate signed a notarized plan for a division under which registered immovable property with natural conservation restrictions were separated from OÜ Unigate and distributed among the owners equally. AS Merko Ehitus founded two 100% subsidiaries in order to receive the five immovables arising from the transaction: Väike-Paekalda OÜ and Suur-Paekalda OÜ.

In 2012, the business strategy of AS Merko Ehitus subsidiary companies focused on improving profitability, enhancing the efficiency of the cost base and strengthening the long-term liquidity position, concentrating on general contracting and real estate development at the domestic markets of Estonia, Latvia and Lithuania.

The structure of the group's business areas as at 31 December 2012 has been presented below:



In 2012, the activities of AS Merko Ehitus were recognized in the form of the following prizes:

**International Olympic Committee (ROK) prize - Sport and the environment**

At a gala evening taking place on 27 December 2012, the foundation behind Estonian recreational trails won an International Olympic Committee (ROK) prize - Sport and the environment. The foundation, SA Eesti Terviserajad (Estonian Recreational Trails), is the initiative of three companies – Merko Ehitus, Eesti Energia and Swedbank – for creating and improving Estonian trails and sports opportunities in natural settings. The goal of the joint venture is to support development of Estonian recreational trails to ensure that the public has free of charge access to places where they can exercise and play sports throughout the year. From 2004 to 2012, over EUR 23 million had been invested into the development of recreational trails, and among others contributors include SA Eesti Terviserajad, local governments, the Ministry of Culture and the European Union. Across Estonia, pro and amateur sportsmen and -women have close to 90 trails – 750 km worth of maintained and mostly illuminated trails.

**The Entrepreneurship Award 2012**

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

**Euromoney – Real Estate Survey 2012**

In its real estate market survey for 2012, Euromoney – the international financial journal with a history of more than 40 years – declared AS Merko Ehitus Estonia's best developer. The Real Estate Survey 2012 is the eighth survey conducted by Euromoney with the aim of ranking the best in real estate on the basis of the market data, as well as the assessments of developers, counsellors, business customers, investors and banks.

**Business activities**

Key financial indicators (in millions of euros):

	<b>12m 2012</b>	<b>12m 2011</b>	<b>Q4 2012</b>	<b>Q4 2011</b>
<b>Revenue</b>				
Estonia	202,1	162,2	49,3	55,1
Latvia	38,3	41,8	19,4	9,9
Lithuania	8,7	15,3	2,7	0,9
<b>Revenue total</b>	<b>249,1</b>	<b>219,3</b>	<b>71,4</b>	<b>65,9</b>
<b>Operating profit (EBIT)</b>	<b>7,4</b>	<b>(13,3)</b>	<b>4,4</b>	<b>(6,6)</b>
attributable to equity holders of the parent	7,6	(14,1)	4,4	(6,8)
attributable to non-controlling interest	(0,0)	(0,1)	0,1	(0,0)
<b>Net profit</b>	<b>7,6</b>	<b>(14,2)</b>	<b>4,5</b>	<b>(6,8)</b>
<b>Earnings per share (EPS), in euros</b>	<b>0,43</b>	<b>(0,80)</b>	<b>0,25</b>	<b>(0,38)</b>
<b>Cash and cash equivalents at the end of period</b>	<b>35,3</b>	<b>18,5</b>	<b>35,3</b>	<b>18,5</b>

Merko Ehitus generated a total of EUR 249.1 million in revenue in 12 months of 2012, including the EUR 71.4 million generated in the fourth quarter. 81.1% of the revenue was generated in Estonia, 15.4% in Latvia and 3.5% in Lithuania. The consolidated revenue grew by 13.6%, compared to 12 months of 2011. This can mainly be attributed to the increase in the revenue generated from engineering projects in Estonia and apartment projects in all three Baltic counties. A bulk of the revenue generated from the construction sector can be attributed to projects co-financed by the European Structural Funds.

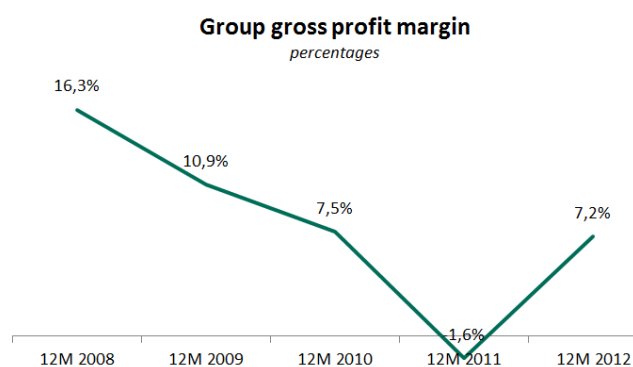
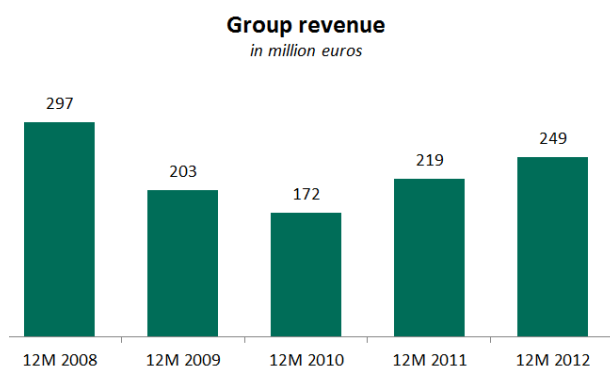
A total of 235 apartments were sold in 12 months of 2012 at the total value of EUR 25.0 million (w/o VAT) (159 apartments and EUR 18.2 million in 12 months of 2011). In the last quarter, 116 apartments were sold for a total price of EUR 12.3 million (not including VAT) compared to 46 sold apartments in Q4 2011. In the fourth quarter, a 115-unit apartment building in Riga on Skanstese street and a 68-flat apartment in Vilnius on Mokslininkų street were completed. At the end of the period, the Merko Ehitus group's inventory consisted of a total of 155 completed but not yet sold apartments (55 in Estonia, 47 in Latvia and 53 in Lithuania).

The following table lists the apartment projects in progress:

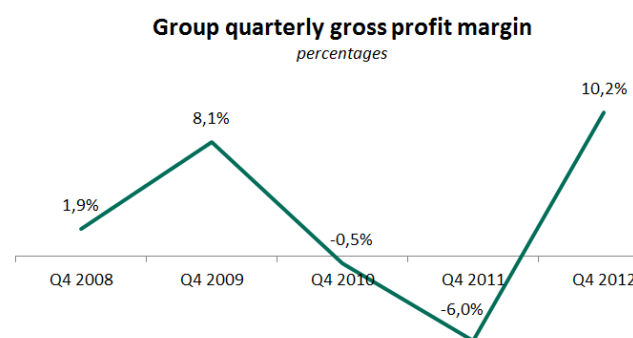
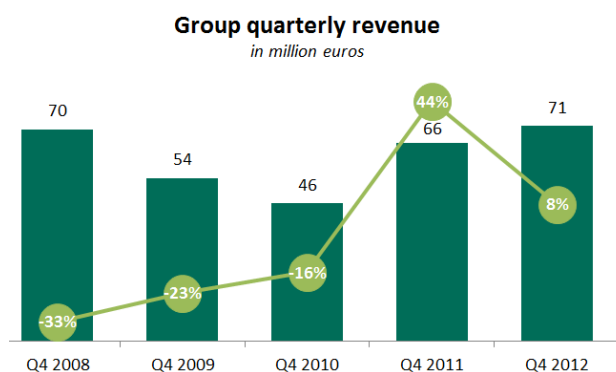
	<b>Town</b>	<b>Completion time</b>	<b>No of apartments</b>
Räägu 9	Tallinn	2013 spring	20
Eha 4 / Paldiski 17	Tallinn	2013 summer	27
Vaarika 5	Tartu	2013 summer	15
Pallasti 46, 48, 50	Tallinn	2013 autumn	69
Grostonas 17	Riga	2013 autumn	62
Tedre 55	Tallinn	2014 spring	47
<b>Total</b>			<b>240</b>

In addition, the construction activity on 311 apartments from 2007 and 2011 has been frozen.

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

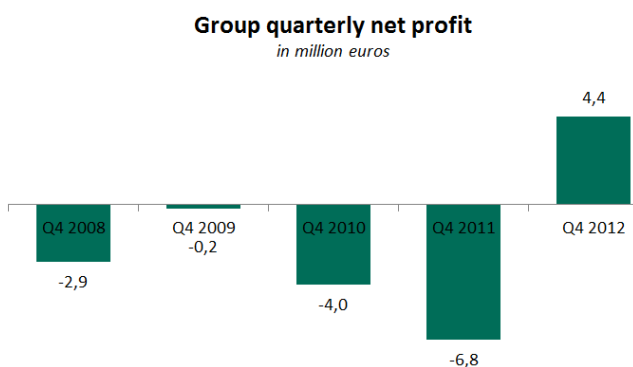
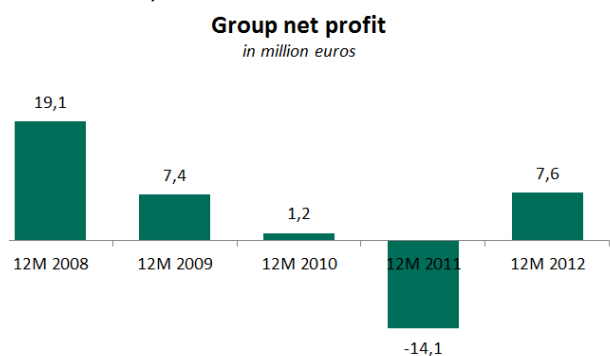


In 12 months of 2012, the group earned a gross profit from development and construction activity of EUR 17.9 million (12 months of 2011: EUR 3.6 million). The impact of seasonal factors in construction on the 12-month results for 2012 were insignificant compared to that of previous years. Considering the fact that Q3 is generally the most active construction period in the annual cycle, it nevertheless proved possible in the Q4 to increase the revenue compared to that of the previous quarter – by EUR 0.5 million. Sales of apartments in the amount of EUR 12.3 million gave a boost in this direction. The said sales made up 49.0% of the annual apartment sales. Primarily due to the above-mentioned result, the quarterly sales were 8.3% higher than last year in the same period. New and profitable projects and sales of apartment developments in Q4 have led to a positive gross profit trend compared to the same period the previous year. In addition, positive influence stems from the fact that the losses from problematic projects were already recognized in previous periods. For the same reasons, the gross profit margin has improved by 8.8% (12 months of 2012: 7.2%) compared to the 12 months of 2011 (-1.6%). In light of the ever more competitive construction sector, it is a major challenge for subsidiaries in the field of construction to maintain their gross margin at the same level.

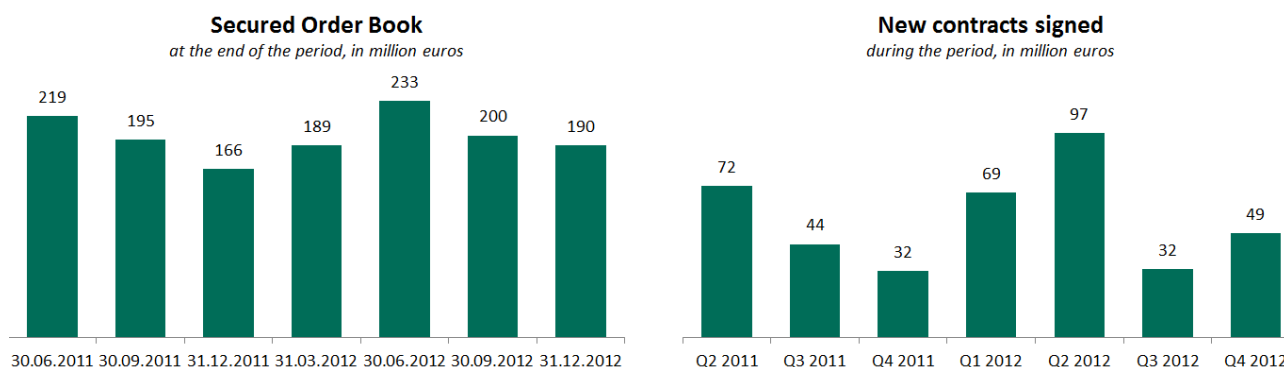


The consolidated earnings before taxes (EBT) for the 12 months of 2012 amounted to EUR 7.9 million and net profit to EUR 7.6 million, compared to the negative EBT of EUR 14.0 million and net loss of EUR 14.1 million for the 12 months of 2011.

The group posted a net profit of EUR 4.4 million in the fourth quarter of 2012, compared to the EUR 6.8 million net loss for the fourth quarter of 2011. The result in the final quarter of 2011 was most impacted by impairment of inventories by EUR 6.0 million.



As at 31 December 2012, secured order book amounted to EUR 190 million, compared to the EUR 166 million as at 31 December 2011. The group does not include residential building projects developed by the group and development of investment property in the order book.

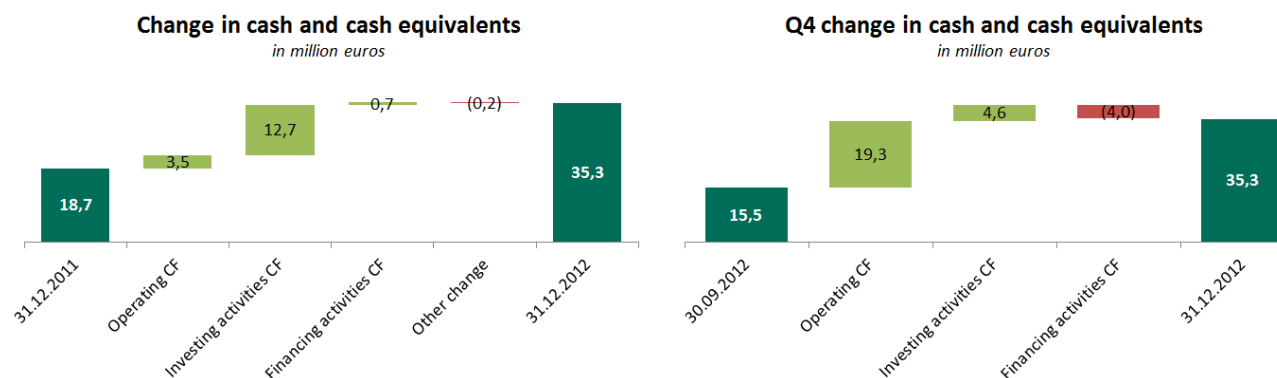


A total of EUR 247 million worth of new contracts (without sold apartments) were concluded in 12 months of 2012, compared to the EUR 168 million in the same period last year. The largest construction agreements concluded in fourth quarter of 2012 have been brought out below:

Contracts	Cost in million euros
Construction of Vääna-Jõesuu water- and sewer pipelines, part 2 and part 3	14.6
The design and construction work for the Narva-Jõesuu public water supply and sewerage pipelines, their renovation and expansion, part 1 and part 2	8.8
Riga Technical University, Faculty of Electronics and Telecommunication	6.6
The design and construction work for the Tõrva public water supply and sewerage pipelines	5.6

Although the share of public procurements was still predominant among construction contracts in 2012, the private customer segment became more active in the construction markets of all three Baltics. With the current EU financial framework period ending, a certain drop in the volume of public procurements can be forecasted starting in the latter half of 2013. As a result, it will be a challenge in its own right to keep the volume of new construction agreements at the 2012 level.

The group has improved on its financial resources. As at the end of the reporting period the Merko Ehitus group's financial resources amounted to EUR 35.3 million, compared to the EUR 18.7 million in the same period last year. During the year, the strategic cash position and investment capability of the AS Merko Ehitus holding company have improved.



The 12-month cash flow from operating activity was positive at EUR 3.5 million (12 months of 2011: negative EUR 12.3 million), cash flow from investing activity was positive at EUR 12.7 million (12 months of 2011: EUR 8.7 million)



and the cash flow from financing activity was positive at EUR 0.7 million (12 months of 2011: EUR 12.1 million). The cash flow from operating activity was most influenced by the negative change in trade and other receivables related to operating activity – EUR 8.2 million, by the operating profit of EUR 7.4 million and positive change in trade payables and inventories related to operating activity – EUR 5.4 million. The group’s cash flows from operating activity were positive in the last quarter – EUR 19.3 million – compared to the EUR 9.9 million in Q4 2011. The significantly greater cash inflow in the last quarter of the year was due to the seasonality of construction activity. It should still be emphasized in this connection that the share of public sector orders with a long payment term has increased as a proportion of the group’s cash flow from operating activity (by contract, an average of 56 days after evaluation of the work) and there is an additional burden on working capital, including optimal management of cash flows. To support cash flows arising from operating activity, the group, in deliberated fashion, brought in additional external capital, including factoring. At the same time, the debt ratio has remained at a moderate level (15.8% as of 12 months of 2012).

The EUR 12.7 million cash flow from investing activities is made up of the positive EUR 9.9 million of repayment of loans related to the financing of development activities as well as the EUR 2.8 million generated from the disposal of the share in AS TMB. Negative cash flows consist of the EUR 1.5 million spent on the acquisition of investment property (mainly the construction of the court and police department building in Jõgeva).

The balance of loans received and loans repaid contributed EUR 1.6 million and the repayment of the finance lease principal EUR 0.9 million to the cash flow from financing activities.

The financial ratios of Merko Ehitus for the 12 months of 2012, and the methods for calculating the financial ratios (per share attributable to equity holders of the parent company):

		<b>12 months 2012</b>	<b>12 months 2011</b>	<b>12 months 2010</b>
Net profit margin	%	3,1	-6,4	0,7
EBT margin	%	3,2	-6,4	1,0
Operating margin	%	3,0	-6,1	1,4
Gross profit margin	%	7,2	-1,6	7,5
EBITDA margin	%	4,0	-5,0	2,8
ROE	%	6,8	-12,2	1,0
ROA	%	3,4	-6,6	0,6
Equity ratio	%	52,0	49,6	63,8
Debt ratio	%	15,8	18,3	13,2
Current ratio	multiplier	2,1	2,0	2,7
Quick ratio	multiplier	1,1	1,0	1,1
General expense ratio	%	4,5	4,6	6,4
Gross remuneration ratio	%	8,3	7,6	9,3
Accounts receivable turnover	days	58	56	46
Accounts payable turnover	days	47	45	40
Revenue per employee	thousand	278	235	208
Average number of employees (in group)	people	895	920	809

Net profit margin = net profit / revenue

EBT margin = EBT / revenue

Operating profit margin = operating profit / revenue

Gross margin = gross profit / revenue

EBITDA margin = (operating profit + depreciation, amortisation and impairment) / revenue

ROE = rolling 4 last quarter net profit / average equity

ROA = rolling 4 last quarter net profit / average total assets

Equity ratio = equity / total assets

Debt ratio: interest-bearing liabilities / total assets

Current ratio = current assets / current liabilities

Quick ratio = (current assets - inventories) / current liabilities

General expense ratio = general expenses / revenue

Gross remuneration ratio = gross remuneration / revenue

Accounts receivable turnover = average accounts receivable / rolling 4 last quarter revenue x 365

Accounts payable turnover = average accounts payable / rolling 4 last quarter cost of goods sold x 365

Revenue per employee = revenue / average number of employees

**Employees and remuneration**

The number of the group’s employees has dropped by 2 in the last 12 months (-0.2%). As at 31 December 2012, the group had a total of 915 employees (including fixed-term and part-time employees). The 12-month gross remuneration for employees in the 12 months of 2012 was EUR 20.7 million, of which the share of basic wages made up 74.8% and bonuses accounted for 25.2% (12 months of 2011: EUR 16.7 million, basic wages 84.6% and bonuses 15.4%). Gross remuneration grew 24.0% compared to last year, including basic wage 9.7% and bonuses 102.4%.



## Share and shareholders

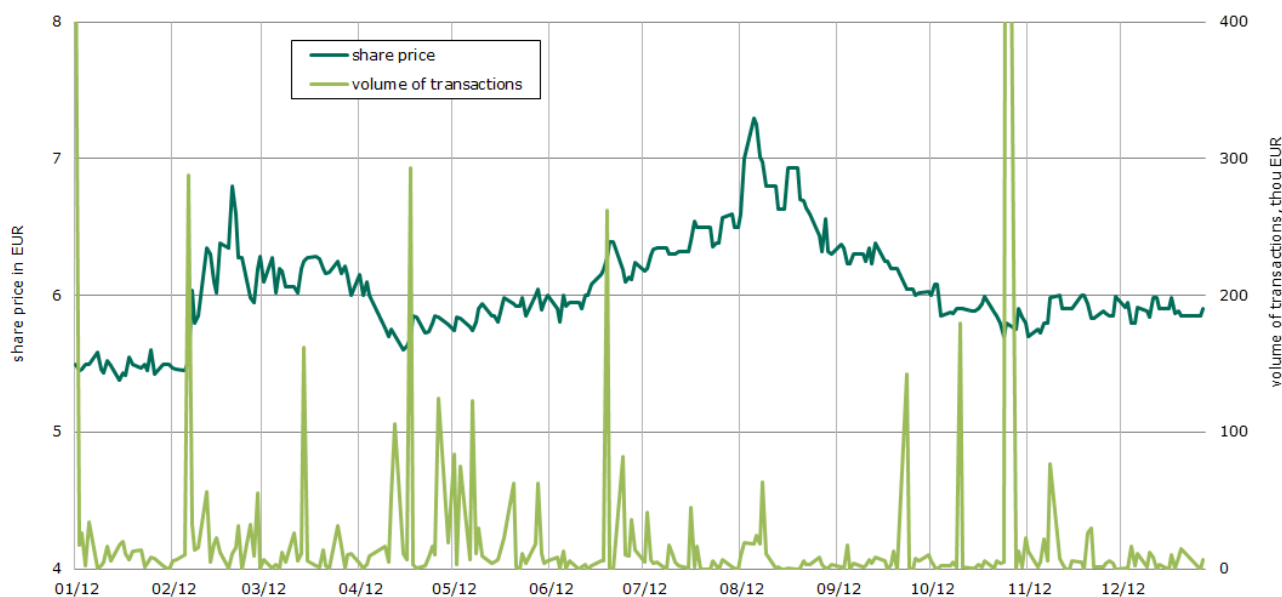
### Information on security

ISIN	EE3100098328
Short name	MRK1T
List	Baltic Main List
Nominal value	no par value
Securities issued	17 700 000
Securities listed	17 700 000
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 1,662 transactions were conducted with the shares of Merko Ehitus in 12 months of 2012, with 0.94 million shares traded, generating a turnover of EUR 5.5 million. The lowest share price amounted to EUR 5.37 and the highest to EUR 7.30 per share. The closing price of the share was EUR 5.90 on 31 December 2012. As at 31 December 2012, the market value of AS Merko Ehitus amounted to EUR 104 million.

	31.12.2012	31.12.2011	31.12.2010
No. of shares, pcs	17 700 000	17 700 000	17 700 000
Earnings per share (EPS), in euros	0,43	-0,80	0,07
Equity per share, in euros	6,61	6,17	7,05
P/B (price to book ratio)	0,89	0,87	1,28

### Performance of Merko Ehitus share at NASDAQ OMX Tallinn Stock Exchange in 2012



### Structure of shareholders as at 31.12.2012

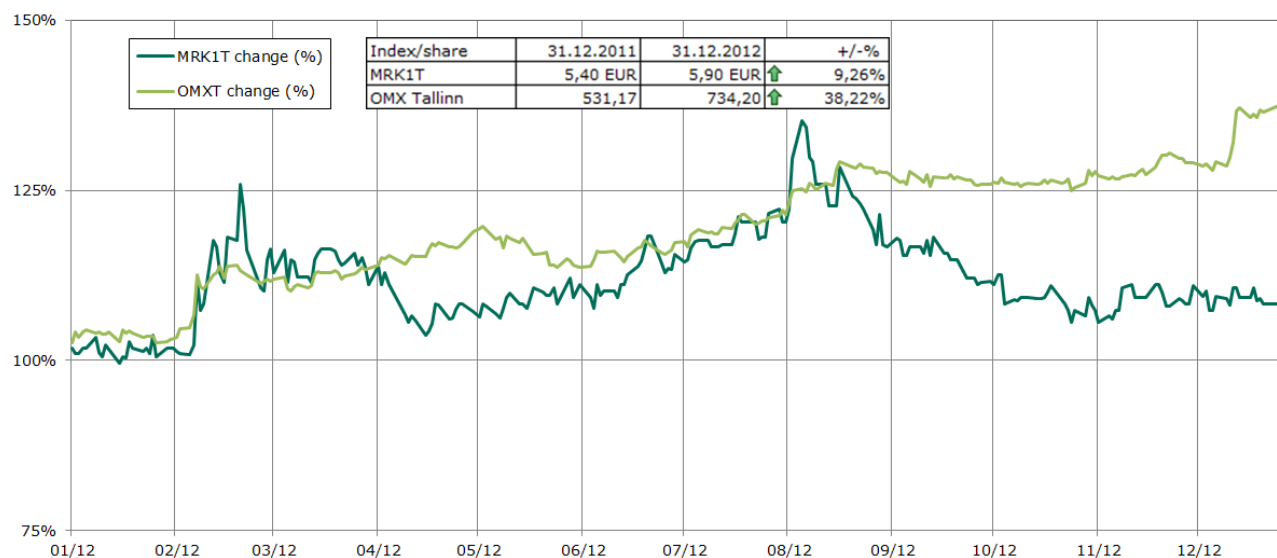
No. of shares	No. of shareholders	% of shareholders	No. of shares	% of shares
1 000 001 - ...	1	0,07%	12 742 686	71,99%
100 001 – 1 000 000	10	0,71%	3 079 937	17,40%
10 001 – 100 000	28	1,99%	845 449	4,77%
1001-10 000	236	16,79%	709 342	4,01%
101-1000	731	51,99%	300 686	1,70%
1-100	400	28,45%	21 900	0,13%
<b>Total</b>	<b>1406</b>	<b>100%</b>	<b>17 700 000</b>	<b>100%</b>

MANAGEMENT REPORT

Main shareholders of AS Merko Ehitus as at 31.12.2012 and change compared to previous quarter:

	No. of shares	% of total	Change
AS Riverito	12 742 686	71,99%	-
ING Luxembourg S.A., clients	974 126	5,50%	-
Skandinaviska Enskilda Banken Ab, clients	896 864	5,07%	+160 000
Firebird Republics Fund Ltd	302 395	1,71%	-
Gamma Holding OÜ	163 256	0,92%	+690
State Street Bank and Trust Omnibus Account a Fund No OM01	153 018	0,86%	-
SEB Elu- ja Pensionikindlustus AS	125 520	0,71%	-
Skandinaviska Enskilda Banken Finnish clients	125 191	0,71%	-
Andersson Investeeringud OÜ	120 015	0,68%	+8 174
AS Midas Invest	117 055	0,66%	+4 500
Clearstream Banking Luxembourg S.A. clients	102 497	0,58%	-440

Performance of the share of Merko Ehitus and comparison index OMX Tallinn in 2012



## CONSOLIDATED FINANCIAL STATEMENT

*in thousand euros*

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited

	<i>note</i>	<b>2012</b> <b>12 months</b>	<b>2011</b> <b>12 months</b>
Revenue	2	249 131	219 322
Cost of goods sold	3	<u>(231 220)</u>	<u>(222 928)</u>
<b>Gross profit (loss)</b>		17 911	(3 606)
Marketing expenses		(2 107)	(2 104)
Administrative and general expenses		(9 173)	(7 910)
Other operating income		1 604	1 611
Other operating expenses		<u>(834)</u>	<u>(1 308)</u>
<b>Operating profit (loss)</b>		7 401	(13 317)
Finance income/costs		<u>501</u>	<u>(718)</u>
incl. finance income/costs from investments in associates and joint ventures		163	(1 120)
finance income/costs from other long-term investments		1 359	973
interest expense		(1 156)	(1 149)
foreign exchange gain		(44)	501
other financial income (expenses)		<u>179</u>	<u>77</u>
<b>Profit (loss) before tax</b>		7 902	(14 035)
Corporate income tax expense		(289)	(121)
<b>Net profit (loss) for current period</b>		<u>7 613</u>	<u>(14 156)</u>
incl. net profit (loss) attributable to equity holders of the parent		7 627	(14 084)
net profit (loss) attributable to non-controlling interest		(14)	(72)
<b>Other comprehensive income (loss)</b>			
Currency translation differences of foreign entities		58	354
<b>Comprehensive income (loss) for the period</b>		<u>7 671</u>	<u>(13 802)</u>
incl. net profit (loss) attributable to equity holders of the parent		7 685	(13 730)
net profit (loss) attributable to non-controlling interest		(14)	(72)
Earnings per share for profit (loss) attributable to equity holders of the parent (basic and diluted, in euros)	4	0,43	(0,80)

*in thousand euros*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

unaudited

	<b>2012</b>	<b>2011</b>
	<b>IV quarter</b>	<b>IV quarter</b>
Revenue	71 402	65 931
Cost of goods sold	(64 143)	(69 892)
<b>Gross profit (loss)</b>	<u>7 259</u>	<u>(3 961)</u>
Marketing expenses	(722)	(530)
Administrative and general expenses	(2 485)	(1 936)
Other operating income	1 000	1 024
Other operating expenses	(654)	(1 207)
<b>Operating profit (loss)</b>	<u>4 398</u>	<u>(6 610)</u>
Finance income/costs	40	(293)
incl. finance income/costs from investments in subsidiaries	-	(14)
finance income/costs from investments in associates and joint ventures	(26)	(1 277)
finance income/costs from other long-term investments	343	973
interest expense	(235)	(393)
foreign exchange gain	(81)	397
other financial income (expenses)	39	21
<b>Profit (loss) before tax</b>	<u>4 438</u>	<u>(6 903)</u>
Corporate income tax expense	51	117
<b>Net profit (loss) for current period</b>	<u>4 489</u>	<u>(6 786)</u>
incl. net profit (loss) attributable to equity holders of the parent	4 425	(6 755)
net profit (loss) attributable to non-controlling interest	64	(31)
<b>Other comprehensive income (loss)</b>		
Currency translation differences of foreign entities	(49)	331
<b>Comprehensive income (loss) for the period</b>	<u>4 440</u>	<u>(6 455)</u>
incl. net profit (loss) attributable to equity holders of the parent	4 376	(6 424)
net profit (loss) attributable to non-controlling interest	64	(31)
Earnings per share for profit (loss) attributable to equity holders of the parent (basic and diluted, in euros)	0,25	(0,38)

*in thousand euros*

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

unaudited

	<i>note</i>	<b>31.12.2012</b>	<b>31.12.2011</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	35 316	18 510
Short-term deposits		-	140
Trade and other receivables	6	60 343	64 449
Prepaid corporate income tax		478	686
Inventories	7	82 830	87 834
<b>Total current assets</b>		<u>178 967</u>	<u>171 619</u>
<b>Non-current assets</b>			
Long-term financial assets	8	24 378	27 051
Deferred income tax assets		1 919	1 870
Investment property	9	3 566	2 313
Property, plant and equipment	10	14 853	16 057
Intangible assets	11	1 365	1 427
<b>Total non-current assets</b>		<u>46 081</u>	<u>48 718</u>
<b>TOTAL ASSETS</b>		<u>225 048</u>	<u>220 337</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Borrowings	12	16 299	16 574
Payables and prepayments	13	63 209	61 635
Short-term provisions	14	6 165	6 781
<b>Total current liabilities</b>		<u>85 673</u>	<u>84 990</u>
<b>Non-current liabilities</b>			
Long-term borrowings	12	19 205	23 764
Long-term interest liabilities		3	-
Long-term trade payables		1 553	790
Deferred corporate income tax liability		327	131
Long-term provisions		20	66
<b>Total non-current liabilities</b>		<u>21 108</u>	<u>24 751</u>
<b>Total liabilities</b>		<u>106 781</u>	<u>109 741</u>
<b>Equity</b>			
Non-controlling interest		1 342	1 356
Equity attributable to equity holders of the parent			
Share capital		12 000	12 000
Statutory reserve capital		1 200	1 131
Currency translation differences		(512)	(570)
Retained earnings		104 237	96 679
Total equity attributable to equity holders of parent		<u>116 925</u>	<u>109 240</u>
<b>Total equity</b>		<u>118 267</u>	<u>110 596</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>225 048</u>	<u>220 337</u>

*in thousand euros*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

unaudited

	Equity attributable to equity holders of the parent				Total	Non-controlling interest	Total
	Share capital	Statutory reserve capital	Currency translation differences	Retained earnings/accumulated losses			
<b>Balance as at 31.12.2010</b>	11 312	1 131	(924)	113 221	124 740	1 428	126 168
Profit (loss) for the financial year	-	-	-	(14 084)	(14 084)	(72)	(14 156)
Other comprehensive income	-	-	354	-	354	-	354
<b>Total comprehensive income (loss) for the financial year</b>	-	-	354	(14 084)	(13 730)	(72)	(13 802)
Bonus issue	688	-	-	(688)	-	-	-
Dividends	-	-	-	(1 770)	(1 770)	-	(1 770)
<b>Total transactions with owners</b>	688	-	-	(2 458)	(1 770)	-	(1 770)
<b>Balance as at 31.12.2011</b>	12 000	1 131	(570)	96 679	109 240	1 356	110 596
<b>Balance as at 31.12.2011</b>	12 000	1 131	(570)	96 679	109 240	1 356	110 596
Profit (loss) for the financial year	-	-	-	7 627	7 627	(14)	7 613
Other comprehensive income	-	-	58	-	58	-	58
<b>Total comprehensive income (loss) for the financial year</b>	-	-	58	7 627	7 685	(14)	7 671
Transfer to statutory reserve capital	-	69	-	(69)	-	-	-
<b>Balance as at 31.12.2012</b>	12 000	1 200	(512)	104 237	116 925	1 342	118 267

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

	<b>2012</b>	<b>2011</b>
	<b>12 months</b>	<b>12 months</b>
<b>Cash flows used in operating activities</b>		
Operating profit (loss)	7 401	(13 317)
Adjustments:		
depreciation and impairment charge	2 608	2 242
(profit) loss from sales of non-current assets	(123)	(722)
change in construction contracts recognised under the stage of completion method	(729)	3 979
interest income from business activities	(816)	(450)
change in provisions	1 974	2 931
Change in trade and other receivables related to operating activities	(8 227)	(30 296)
Change in inventories	5 420	8 146
Change in trade and other payables related to operating activities	(3 039)	15 755
Interest paid	(1 281)	(1 208)
Other finance income/costs	90	(18)
Corporate income tax (paid)/reclaimed	209	688
<b>Total cash flows used in operating activities</b>	<b>3 487</b>	<b>(12 270)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of associate	2 750	-
Purchase/proceeds from deposits with maturities greater than 3 months	140	2 511
Purchase/proceeds from long-term deposits	131	-
Purchase of investment property	(1 463)	(3 648)
Proceeds from sale of investment property	-	3 334
Purchase of property, plant and equipment	(890)	(1 008)
Proceeds from sale of property, plant and equipment	186	1 426
Purchase of intangible assets	(23)	(64)
Proceeds from sale of intangible assets	-	3
Loans granted	(54)	(310)
Loan repayments received	9 872	5 613
Interest received	1 966	780
Dividends received	88	59
<b>Total cash flows from investing activities</b>	<b>12 703</b>	<b>8 696</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from borrowings	14 518	20 995
Repayments of borrowings	(12 896)	(5 484)
Selling-leaseback on terms of capital lease	-	65
Finance lease principal payments	(902)	(1 747)
Dividends paid	-	(1 770)
<b>Total cash flows from financing activities</b>	<b>720</b>	<b>12 059</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>16 910</b>	<b>8 485</b>
Change in deposits with maturities greater than 3 months	(140)	(2 511)
Total change	16 770	5 974
<b>Cash and cash equivalents at the beginning of the period</b>	<b>18 510</b>	<b>9 856</b>
Deposits with maturities greater than 3 months at the beginning of period	140	2 651
Total at the beginning of the period	18 650	12 507
<b>Effect of exchange rate changes</b>	<b>(104)</b>	<b>169</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>35 316</b>	<b>18 510</b>
Deposits with maturities greater than 3 months at the end of the period	-	140
Total at the end of the period	35 316	18 650

**NOTES**

**Note 1 Accounting policies used**

The consolidated interim financial statements of the AS Merko Ehitus group for 12 months and IV quarter of 2012 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 2011 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. 2011 comparative figures presented in the present financial report are audited and differ from 2011 12 month and IV quarter unaudited interim report figures.

According to the best knowledge of the Management Board, the consolidated interim financial statements for the 12 months and IV quarter of 2012 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 on the period's results was insignificant, the influence of the cyclical nature of development activity on the IV quarter results can be considered significant.

**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 segments' income statement figures reported and the segment assets are recognized in conformity with the accounting policies used in these financial statements. All segments are engaged in sales of construction service, except for the real estate development segment, whose revenue consists of sales of apartments developed for the purpose of sale.

<b>2012 12 months</b>	<b>Buildings</b>	<b>Facilities</b>	<b>Roads</b>	<b>Develop- ment of real estate</b>	<b>Other</b>	<b>Total segments</b>
Segment revenue	61 953	113 586	45 152	37 493	2 527	260 711
Inter-segment revenue	(263)	(293)	-	(10 386)	(638)	(11 580)
<b>Revenue from external clients</b>	<b>61 690</b>	<b>113 293</b>	<b>45 152</b>	<b>27 107</b>	<b>1 889</b>	<b>249 131</b>
<b>Profit (loss) before tax</b>	<b>5 040</b>	<b>8 569</b>	<b>1 671</b>	<b>3 404</b>	<b>21</b>	<b>18 705</b>
incl. depreciation	(76)	(502)	(1 035)	(131)	(491)	(2 235)
inventory write-down (note 3)	-	-	-	(23)	-	(23)
setting up provisions	(422)	(926)	(148)	(374)	(1)	(1 871)
profit (loss) from associates and joint ventures	-	-	-	(71)	234	163
other finance income/costs	(38)	(27)	(87)	1 094	(2)	940
incl. interest income	-	-	-	1 408	-	1 408
interest expense	(38)	(27)	(87)	(314)	(2)	(468)
<b>Segment assets 31.12.2012</b>	<b>13 092</b>	<b>27 091</b>	<b>24 651</b>	<b>120 248</b>	<b>1 572</b>	<b>186 654</b>
incl. associates and joint ventures	-	18	-	7 172	-	7 190

CONSOLIDATED FINANCIAL STATEMENT

<b>2011 12 months</b>	<b>Buildings</b>	<b>Facilities</b>	<b>Roads</b>	<b>Develop- ment of real estate</b>	<b>Other</b>	<b>Total segments</b>
Segment revenue	68 837	109 928	52 019	24 014	2 588	257 386
Inter-segment revenue	(4 089)	(19 177)	(8 718)	(5 107)	(973)	(38 064)
<b>Revenue from external clients</b>	<b>64 748</b>	<b>90 751</b>	<b>43 301</b>	<b>18 907</b>	<b>1 615</b>	<b>219 322</b>
<b>Profit (loss) before tax</b>	<b>5 010</b>	<b>1 922</b>	<b>(5 736)</b>	<b>(4 906)</b>	<b>(72)</b>	<b>(3 782)</b>
incl. depreciation	(72)	(212)	(1 161)	(90)	(302)	(1 837)
inventory write-down (note 3)	-	-	-	(4 562)	-	(4 562)
reversal of inventory write-downs (note 3)	-	-	-	252	-	252
setting up provisions	(860)	(536)	(2 878)	(338)	(278)	(4 890)
profit (loss) from associates and joint ventures	-	17	-	(1 457)	320	(1 120)
other finance income/costs	430	(12)	-	(190)	(30)	198
incl. interest income	971	-	-	-	-	971
interest expense	(541)	(12)	-	(179)	(29)	(761)
<b>Segment assets 31.12.2011</b>	<b>21 704</b>	<b>31 448</b>	<b>25 171</b>	<b>108 002</b>	<b>5 843</b>	<b>192 168</b>
incl. associates and joint ventures	-	18	-	7 367	2 601	9 986

Besides segments' assets, the group's assets as at 31 December 2012 were EUR 38,394 thousand (31 December 2011: EUR 28,169 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**

	<b>2012 12 months</b>	<b>2011 12 months</b>
Profit (loss) from reporting segments	18 705	(3 782)
Unallocated expense (income)		
marketing expenses	(2 107)	(2 104)
general and administrative expenses	(9 173)	(7 910)
incl. setting up provisions	(32)	(20)
other operating income (expense)	1 079	(443)
incl. setting up provisions	-	(1 013)
finance income (costs)	(602)	204
incl. interest income	39	91
interest expense	(688)	(388)
<b>Total profit (loss) before tax</b>	<b>7 902</b>	<b>(14 035)</b>

Un allocated 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**

	<b>2012 12 months</b>	<b>2011 12 months</b>
Estonia	202 149	162 217
Latvia	38 305	41 754
Lithuania	8 677	15 351
<b>Total</b>	249 131	219 322

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

	<b>31.12.2012</b>	<b>31.12.2011</b>
Estonia	19 168	19 154
Latvia	523	532
Lithuania	93	111
<b>Total</b>	19 784	19 797

**Note 3 Cost of goods sold**

*in thousand euros*

	<b>2012 12 months</b>	<b>2011 12 months</b>
Construction services	130 455	108 742
Materials	38 266	45 956
Properties purchased for resale	14 369	17 941
Staff costs	20 770	16 448
Construction mechanisms and transport	11 871	11 244
Design	1 273	1 964
Real estate management costs	193	313
Depreciation and impairment charge	2 235	1 837
Inventory write-down	23	4 562
Reversal of inventory write-downs	-	(252)
Provisions	1 871	4 890
Other expenses	9 894	9 283
<b>Total cost of goods sold</b>	231 220	222 928

**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.

	<b>2012 12 months</b>	<b>2011 12 months</b>
Net profit (loss) attributable to shareholders <i>(in thousands of euros)</i>	7 627	(14 084)
Weighted average number of ordinary shares <i>(thousand pcs)</i>	17 700	17 700
<b>Earnings (loss) per share <i>(in euros)</i></b>	<b>0,43</b>	<b>(0,80)</b>

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

**Note 5 Cash and cash equivalents**

*in thousand euros*

	<b>31.12.2012</b>	<b>31.12.2011</b>
Cash on hand	16	10
Bank accounts	5 808	9 173
Overnight deposits	17 492	9 327
Bank deposits with maturities less than 3 months	12 000	-
<b>Total cash and cash equivalents</b>	<b>35 316</b>	<b>18 510</b>

**Note 6 Trade and other receivables**

*in thousand euros*

	<b>31.12.2012</b>	<b>31.12.2011</b>
Trade receivables		
accounts receivable	34 967	36 151
allowance for doubtful receivables	(864)	(544)
	<u>34 103</u>	<u>35 607</u>
Tax prepayments excluding corporate income tax		
value added tax	791	618
other taxes	10	5
	<u>801</u>	<u>623</u>
Amounts due from customers of contract works	18 981	16 016
Other short-term receivables		
short-term loans	1 888	7 673
interest receivables	948	881
receivable from buyer of subsidiary	96	-
other short-term receivables	1 255	1 444
	<u>4 187</u>	<u>9 998</u>
Prepayments for services		
prepayments for construction services	1 388	1 499
prepaid insurance	416	296
other prepaid expenses	467	410
	<u>2 271</u>	<u>2 205</u>
<b>Total trade and other receivables</b>	<b>60 343</b>	<b>64 449</b>

**Note 7 Inventories**

*in thousand euros*

	<b>31.12.2012</b>	<b>31.12.2011</b>
Materials	563	807
Work-in-progress	18 528	33 056
Finished goods	21 499	10 549
Goods for resale		
registered immovables purchased for resale	39 548	36 570
other goods purchased for resale	1 000	1 062
	<u>40 548</u>	<u>37 632</u>
Prepayments for inventories		
prepayments for real estate properties	1 097	5 560
prepayments for other inventories	595	230
	<u>1 692</u>	<u>5 790</u>
<b>Total inventories</b>	<b>82 830</b>	<b>87 834</b>

**Note 8 Long-term financial assets**

*in thousand euros*

	<b>31.12.2012</b>	<b>31.12.2011</b>
Investments in associates and joint ventures	7 190	9 986
Long-term loans	3 666	5 096
Long-term interest receivables	-	17
Long-term bank deposit	49	180
Long-term receivable from buyer of subsidiary	-	96
Long-term receivables from customers of construction services	13 473	11 676
<b>Total long-term financial assets</b>	<b>24 378</b>	<b>27 051</b>

**Note 9 Investment property**

*in thousand euros*

	<b>31.12.2012</b>	<b>31.12.2011</b>
Land	136	136
Right of superficies at carrying amount		
cost	29	29
accumulated depreciation	(9)	(8)
	<u>20</u>	<u>21</u>
Buildings at carrying amount		
cost	3 662	1 215
accumulated depreciation	(252)	(171)
	<u>3 410</u>	<u>1 044</u>
Construction in progress	-	1 112
<b>Total investment property</b>	<b>3 566</b>	<b>2 313</b>

**Note 10 Property, plant and equipment**

*in thousand euros*

	<b>31.12.2012</b>	<b>31.12.2011</b>
Land	825	825
Buildings at carrying amount		
cost	5 788	5 726
accumulated depreciation	(1 268)	(1 080)
	<u>4 520</u>	<u>4 646</u>
Machinery and equipment at carrying amount		
cost	16 955	16 947
accumulated depreciation	(9 616)	(8 733)
	<u>7 339</u>	<u>8 214</u>
Other fixtures at carrying amount		
cost	5 518	5 169
accumulated depreciation	(3 360)	(2 797)
	<u>2 158</u>	<u>2 372</u>
Prepayments for property, plant and equipment	11	-
<b>Total property, plant and equipment</b>	<b>14 853</b>	<b>16 057</b>

**Note 11 Intangible assets**  
*in thousand euros*

	<b>31.12.2012</b>	<b>31.12.2011</b>
Goodwill	891	891
Software at carrying amount		
cost	1 231	1 209
accumulated depreciation	(809)	(725)
	<u>422</u>	<u>484</u>
Prepayments for intangible assets	52	52
<b>Total intangible assets</b>	<u>1 365</u>	<u>1 427</u>

**Note 12 Borrowings**  
*in thousand euros*

	<b>31.12.2012</b>	<b>31.12.2011</b>
<b>Finance lease payables</b>		
Present value of lease payments	<u>2 441</u>	<u>2 974</u>
incl. current portion	781	825
non-current portion 1...4 years	1 660	2 149
<b>Bank loans</b>		
Loan balance	<u>22 957</u>	<u>29 909</u>
incl. current portion	5 514	8 294
non-current portion 1...5 years	17 443	21 615
<b>Factoring liability</b>		
Factoring balance	<u>1 544</u>	-
incl. current portion	1 544	-
<b>Loans from entities under common control</b>		
Loan balance	<u>8 145</u>	<u>6 945</u>
incl. current portion	8 145	6 945
<b>Loans from related parties</b>		
Loan balance	<u>102</u>	-
incl. non-current portion 1...5 years	102	-
<b>Loans from other entities</b>		
Loan balance	<u>315</u>	<u>510</u>
incl. current portion	315	510
<b>Total loans</b>		
Loans balance	<u>33 063</u>	<u>37 364</u>
incl. current portion	15 518	15 749
non-current portion 1...5 years	17 545	21 615
<b>Total borrowings</b>	<u>35 504</u>	<u>40 338</u>
incl. current portion	16 299	16 574
non-current portion 1...5 years	19 205	23 764

**Note 13 Payables and prepayments**

*in thousand euros*

	<b>31.12.2012</b>	<b>31.12.2011</b>
Trade payables	21 602	34 206
Payables to employees	5 541	2 835
Tax liabilities, except for corporate income tax		
value added tax	2 186	837
personal income tax	533	458
social security tax	989	871
unemployment insurance tax	88	86
contributions to mandatory funded pension	40	28
other taxes	240	224
	<u>4 076</u>	<u>2 504</u>
Amounts due to customers for contract works	12 550	10 314
Other liabilities		
interest liabilities	113	111
payable for registered immovables from demerger	5 380	6 391
other liabilities	2 639	402
	<u>8 132</u>	<u>6 904</u>
Prepayments received	11 308	4 872
<b>Total payables and prepayments</b>	<u>63 209</u>	<u>61 635</u>

**Note 14 Short-term provisions**

*in thousand euros*

	<b>31.12.2012</b>	<b>31.12.2011</b>
Provision for warranty obligation for construction	1 619	1 367
Provision for onerous construction contracts	2 067	3 526
Provision for legal costs and claims filed	1 342	1 326
Other provisions	1 137	562
<b>Total short-term provisions</b>	<u>6 165</u>	<u>6 781</u>

**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 31.12.2012 and 31.12.2011, 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, associates and joint ventures**

	Ownership %		Location	Area of operation
	31.12.2012	31.12.2011		
<b>Subsidiaries</b>				
AS Merko Ehitus Eesti	100	-	Tallinn	construction
Tallinna Teede AS	100	100	Tallinn	road construction
OÜ Tevener	100	100	Tallinn	mining
AS Vooremaa Teed	100	100	Jõgeva	road construction
AS Gustaf	85	85	Pärnu	construction
OÜ Gustaf Tallinn	80	80	Tallinn	construction
AS Merko Tartu	66	66	Tartu	construction
OÜ Raadi Kortermaja	100	100	Tartu	real estate
OÜ Fort Ehitus	75	75	Harjumaa, Viimsi	construction
OÜ Mineraal	100	100	Tallinn	mining
AS Merko Infra	100	100	Tallinn	construction
SIA Merks	100	100	Republic of Latvia, Riga	construction
SIA SK Viesturdarzs	100	100	Republic of Latvia, Riga	real estate
SIA Merks Investicijas	100	100	Republic of Latvia, Riga	real estate
SIA Industrialas Parks	100	100	Republic of Latvia, Riga	real estate
SIA Elniko	100	100	Republic of Latvia, Riga	real estate
SIA Ropažu Priedes	100	100	Republic of Latvia, Riga	real estate
SIA Skanstes Virsotnes	100	100	Republic of Latvia, Riga	real estate
SIA Polystar	99,96	-	Republic of Latvia, Riga	real estate
PS Merko-Merks	100	100	Republic of Latvia, Riga	construction
UAB Merko Statyba	100	100	Republic of Lithuania, Vilnius	construction
UAB Merko Inžinerija	100	100	Republic of Lithuania, Vilnius	construction
UAB Merko Bustas	100	100	Republic of Lithuania, Vilnius	real estate
UAB MN Projekts	100	100	Republic of Lithuania, Vilnius	real estate
UAB Jurininku aikšte	100	100	Republic of Lithuania, Vilnius	real estate
Ringtee Tehnopark OÜ	100	100	Tallinn	construction
OÜ Jõgeva Haldus	100	100	Tallinn	real estate
OÜ Metsailu	100	100	Tallinn	real estate
OÜ Woody	100	100	Tallinn	real estate
OÜ Maryplus	100	100	Tallinn	real estate
OÜ Constancia	100	100	Tallinn	real estate
OÜ Käibevara	100	100	Tallinn	real estate
OÜ Baltic Electricity Engineering	100	100	Tallinn	electricity systems
OÜ Tähelinna Kinnisvara	100	100	Tallinn	real estate
Väike-Paekalda OÜ	100	-	Tallinn	real estate
Suur-Paekalda OÜ	100	-	Tallinn	real estate
OÜ Merko Property	100	100	Tallinn	real estate
UAB Balsiu Mokyklos SPV	100	100	Republic of Lithuania, Vilnius	real estate
Merko Ukraine LLC	100	100	Republic of Ukraine, Kharkiv	construction
Merko Finland OY	100	-	Republic of Finland, Helsinki	construction
Lenko Stroi LLC	100	-	Russia, Peterburg	construction
<b>Associates and joint ventures</b>				
OÜ Unigate	50	50	Tallinn	real estate
Poolkoksimeä Sulgemise OÜ	50	50	Tallinn	construction
OÜ Kortermaja	50	50	Tartu	real estate
SIA Zakusala Estates	50	50	Republic of Latvia, Riga	real estate
AS TMB	-	25	Tartu	concrete elements

**Goods and services**

*in thousand euros*

	<b>2012 12 months</b>	<b>2011 12 months</b>
<b>Construction services rendered</b>		
Parent company	6	-
Associates and joint ventures	251	159
Entities under common control	29	1 462
Management members	2	27
Other related parties	668	2
<b>Total construction services rendered</b>	<u>956</u>	<u>1 650</u>
<b>Services and materials purchased</b>		
Parent company	115	115
Associates and joint ventures	-	74
Entities under common control	153	137
Management members	15	-
Other related parties	126	204
<b>Total services and materials purchased</b>	<u>409</u>	<u>530</u>
<b>Interest income</b>		
Associates and joint ventures	111	108
Entities under common control	-	44
Management members	1	-
<b>Total interest income</b>	<u>112</u>	<u>152</u>
<b>Interest expense</b>		
Parent company	79	122
Entities under common control	188	193
Management members	3	-
<b>Total interest expense</b>	<u>270</u>	<u>315</u>

**Balances with the related parties**

*in thousand euros*

	<b>31.12.2012</b>	<b>31.12.2011</b>
<b>Short-term receivables</b>		
Trade receivables		
Parent company	9	3
Associates and joint ventures	24	23
Entities under common control	13	191
Management members	-	25
Other related parties	1	1
Total trade receivables	<u>47</u>	<u>243</u>
Short-term loans		
Associates and joint ventures	1 382	1 343
Management members	30	-
Total short-term loans	<u>1 412</u>	<u>1 343</u>
Interest receivables		
Associates and joint ventures	896	784
Prepayments for inventories		
Entities under common control	-	3 810
<b>Total short-term receivables</b>	<u>2 355</u>	<u>6 180</u>

**Long-term receivables**

Long-term loans		
Associates and joint ventures	3 610	3 587
Management members	56	-
Total long-term loans	<u>3 666</u>	<u>3 587</u>

**Current liabilities**

Short-term loans		
Entities under common control	8 145	6 945
Trade payables		
Parent company	12	12
Entities under common control	5	553
Associates and joint ventures	-	51
Other related parties	-	52
Total trade payables	<u>17</u>	<u>668</u>
Interest liabilities		
Parent company	-	15
Entities under common control	12	19
Total interest liabilities	<u>12</u>	<u>34</u>
Other liabilities		
Entities under common control	5 380	6 391
<b>Total current liabilities</b>	<u>13 554</u>	<u>14 038</u>

**Non-current liabilities**

Long-term loans		
Management members	102	-
Long-term interest liabilities		
Management members	3	-
<b>Total non-current liabilities</b>	<u>105</u>	<u>-</u>

**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 12 months of 2012 was EUR 1,821 thousand (12 months of 2011: EUR 1,269 thousand).

**Termination benefits of members of the Supervisory and Management Boards**

Authorization agreements have been signed with Supervisory Board members, under which they do not receive compensation upon termination of agreement. In the 12 months of 2012, the Management Board members received EUR 157 thousand in compensation. No compensation was paid to management board members in the 12 months of 2011.

## 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](http://www.merko.ee)

Shares held by members of the Supervisory Board of AS Merko Ehitus as at 31.12.2012

		No. of shares	% of total
Toomas Annus (AS Riverito)	Chairman of the Supervisory Board	8 322 914	47,02%
Tõnu Toomik (AS Riverito)	Member of the Supervisory Board	1 607 185	9,08%
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%
		<b>9 964 234</b>	<b>56,29%</b>

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

Shares held by members of the Management Board of AS Merko Ehitus as at 31.12.2012

		No. of shares	% of total
Andres Trink	Chairman of the Management Board	0	0,00%
Viktor Mõisja (AS Riverito / private person)	Member of the Management Board	1 103 734	6,23%
		<b>1 103 734</b>	<b>6,23%</b>

## 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>	<b>31.12.2012</b>	<b>31.12.2011</b>
Performance period's warranty to the customer	26 678	22 276
Tender warranty	1 835	3 309
Guarantee warranty period	11 627	9 347
Prepayment guarantee	10 020	12 270
Contracts of surety	1 507	1 248
Payment guarantee	-	1 255
<b>Total contingent liabilities</b>	<b>51 667</b>	<b>49 705</b>

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 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 12 months and IV quarter of 2012, which are set out on pages 3-28.

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



14.02.2013

Viktor Mõisja                      Member of the Management Board



14.02.2013