

MERKO EHITUS GROUP

Annual General Meeting of Shareholders

29 April 2015
Nordic Hotel Forum, Tallinn



1. Approval of the annual report of the year 2014 and overview of the results and the prospective of the ongoing year
2. Proposal on distribution of profits
3. Proposal on reduction of share capital
4. Appointment of the auditor for the financial years 2015-2017



300 MW Estonia Power Plant of Eesti Energia

- 1. Approval of the annual report of the year 2014 and overview of the results and the prospective of the ongoing year**



The largest listed construction company in the Baltics



Home markets: Estonia, Latvia, Lithuania
1/3 revenues outside Estonia



31.12.2014: 765 employees



Group in brief



Estonia

- General construction
- Civil engineering
- Road construction
- Real estate development

Latvia

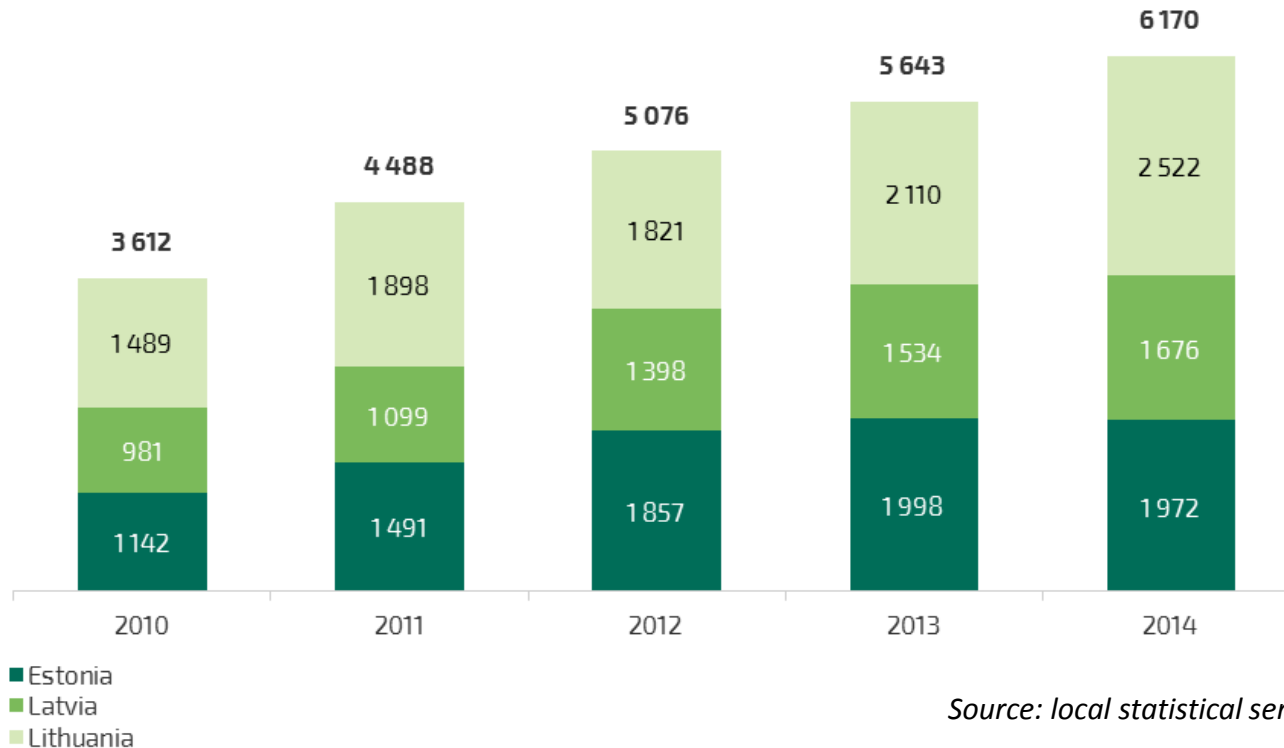
- General construction
- Civil engineering
- Real estate development

Lithuania

- General construction
- Real estate development

Baltic construction market

BUILDING MARKET VOLUMES (WITH OWN FORCES) IN THE BALTIC STATES
in million euros



- Main contractor tenders decreasing, specially in the second half of 2014.
- Public sector orders at a modest level with regard to external networks.
- Commercial real estate development is limited by the lack of developers own equity and the weakened investment confidence. Development projects are optimised.
- Housing development has supported construction market, particularly in Lithuania.
- Aggressive pricing, high risks taken at tender submissions.

Housing market in Baltics

Market calming, fast growth over last 3 years is ending

HOUSE PRICE INDEX (2010=100)



- Demand remains for good quality and optimal price level residential premises.
- Low interest rates.
- Apartment markets more active in Tallinn and Vilnius compared to Riga.

Merko 2014 construction volumes



GENERAL CONSTRUCTION

- 2014 constructed **111 million euros of different buildings**, including retail and office buildings, public sector and residential and industrial buildings.



CIVIL ENGINEERING

- 2014 built **around 64 million euros of water and sewerage networks, energy and transport facilities.**



ROAD CONSTRUCTION

- 2014 carried out **around 31 million euros of road construction**, including infrastructures and **road maintenance.**



REAL ESTATE DEVELOPMENT

- 2014 **developed and built hundreds of homes. Sold 395 apartments at the value of 39 million euros (excl. VAT).**

Merko group key highlights 2014

- Revenue growth in Latvia 50% and Lithuania 100%.
- Increased sale of apartment developments more than 40%.
- Due to lower level of public orders reduction in civil engineering revenues (and costs), particularly in Estonia.
- Started construction of 370 new apartments. New land plot acquisitions in Estonia and Lithuania. Increased shareholding in Zakusala Estates (long term investment).
- Increased efficiency, exit from non-strategic subsidiaries.
- Strong liquidity position and financial capability.
- Frozen business development in St Petersburg. Selectively started to participate in procurements in Nordic countries. Entered Latvian electrical engineering market.
- Improved profitability: profit increase 19.4% and equity return up at 10.1% (2013: 8.8%).



Eesti Energia 300MW Estonian power plant, 2014

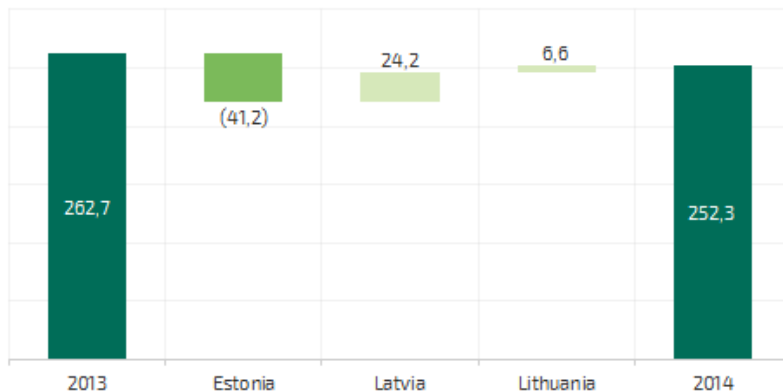
Group revenues 2014

Business segments „mix“ balanced market variations

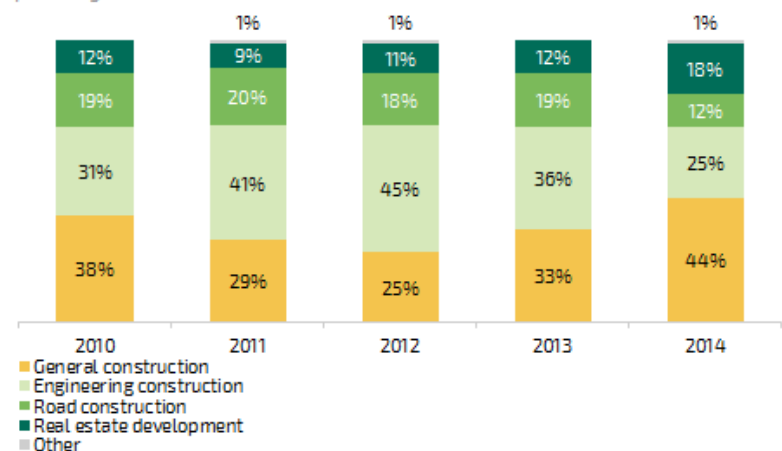
Same level revenues however significant change in sales mix:

- Reduced level of Estonian revenues compensated by the increase in Latvia and Lithuania;
- Decreased civil engineering but increased general construction revenues;
- Private sector orders increased to *approx.* 30% and own developments share up to 18%; public sector orders share reduced to 52%.

GROUP REVENUE
in million euros



DISTRIBUTION OF GROUP REVENUE ACCORDING TO SEGMENTS
percentages



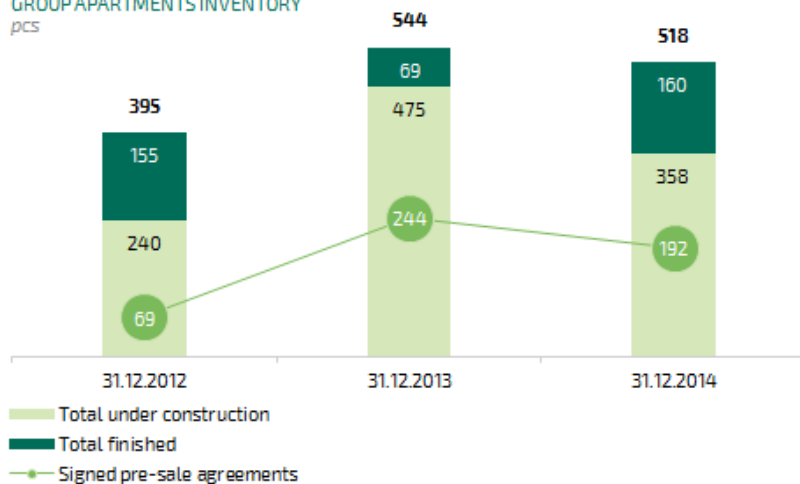
Apartment Development 2014

Living environment, quality, trust

APARTMENTS SOLD / APARTMENT REVENUE
pcs / in million euros



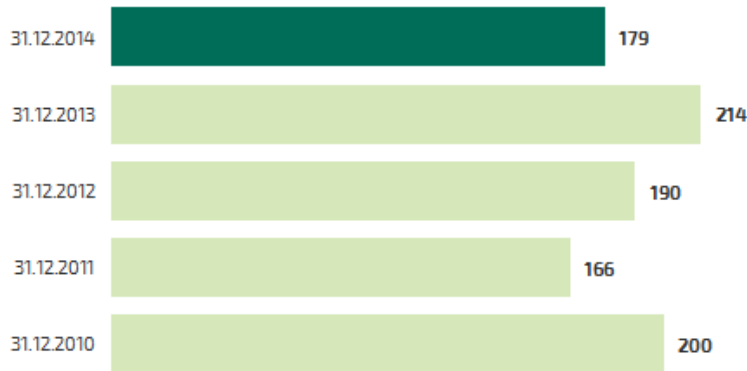
GROUP APARTMENTS INVENTORY
pcs



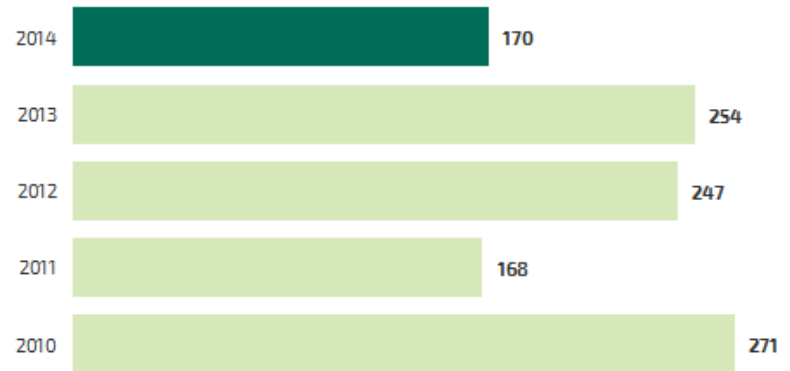
Secured Order Book

The volume of new contracts reflects the situation in the construction market

SECURED ORDER BOOK
in million euros



NEW CONTRACTS SIGNED
in million euros



Merko group key financial highlights

Profitability improvement affected by (temporary) reduced input prices in civil engineering and increased own apartment sales and also internal efficiency and risk management.

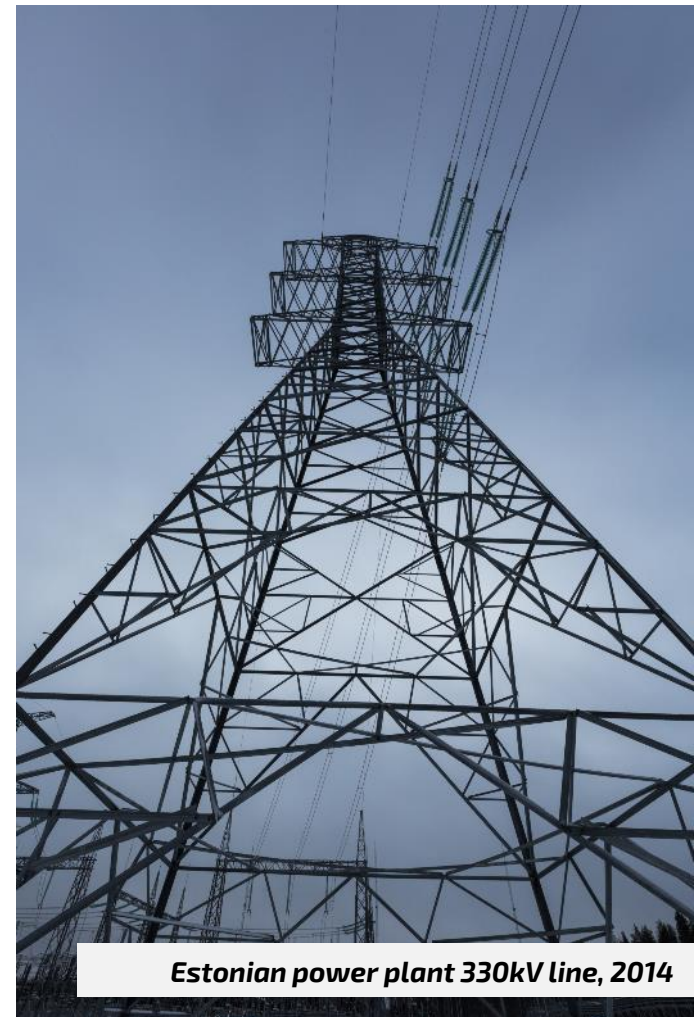
<i>EUR millions</i>	2014	2013	Var	2012
Revenue	252.3	262.7	-4.0%	249.1
Gross profit	24.7	22.7	+8.8%	17.9
Gross profit margin (%)	9.8	8.6	+13.3%	7.2
EBITDA	16.4	15.1	+8.9%	11.4
Profit before tax	13.3	11.1	+19.4%	7.9
Net profit, attr. to equity holders of the parent	12.4	10.4	+19.4%	7.6
Earnings per share (EPS), in euros	0.70	0.59	+19.4%	0.43
Secured order book	179.1	213.7	-16.2%	189.9
Employees	765	860	-11.0%	915

* Variance calculated based on consolidated annual financial reports

Orders not increasing and pricing competition tightening in Baltic construction market

Focus for next year: private sector orders and apartment development + internal efficiency

- Private sector focus in general construction. Increased effort on design and built contracts with aim to provide optimal outcome for the clients.
- For selected clients, who order construction services, and at acceptable conditions possibility to offer co-financing.
- Continuing new apartment development: 2015 plan to invest 45-50 million euros.
- Elering and Eesti Energia investments will not decrease in the near future, supports the electrical engineering market.
- Cost efficiency in-lined with the volumes of construction orders. Development possibilities for the best project managers and engineers.



Estonian power plant 330kV line, 2014

Long term outlook

Long term outlook: the leading Baltic construction and development business

- Post 2015-2016 EU funds will support the increase in civil and public sector building orders.
- Strengthen our position as leading apartment developer in the Baltic. We develop modern and quality living environments.
- Objective to grow in Lithuania.
- Tax and regulatory developments support more level playing field.
- Develop new capabilities: as example model designing.
- Continue ascertain our competitive advantages in Finland and Norway at an acceptable risk level. Objective to earn revenues from new markets during 2015-2016.



Estlink 2 underground cable, 2014

2. Proposal on distribution of profits



3. Proposal on reduction of share capital



4. Appointment of the auditor for the financial years 2015-2017



Closing of industrial waste and semi-coke landfill in Kohtla-Järve

Thank you!

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