



AS MERKO EHITUS

Annual General Meeting of Shareholders

30 April 2014
Nordic Hotel Forum



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- A wide-angle photograph of a runway under a cloudy sky. The runway is paved with dark asphalt and features a series of yellow chevron markings in the foreground, leading towards a white dashed center line and white crossbars in the distance. The runway is flanked by green grass and some construction equipment is visible on the right side.
1. Approval of the annual report of the year 2013 and overview of the results and the prospective of the ongoing year
 2. Proposal on distribution of profits
 3. Extension of powers of members of the Supervisory Board
 4. Appointment of auditor for the financial year 2014

1. APPROVAL OF THE ANNUAL REPORT 2013 AND OVERVIEW OF THE FINANCIAL RESULTS AND THE PROSPECTIVES

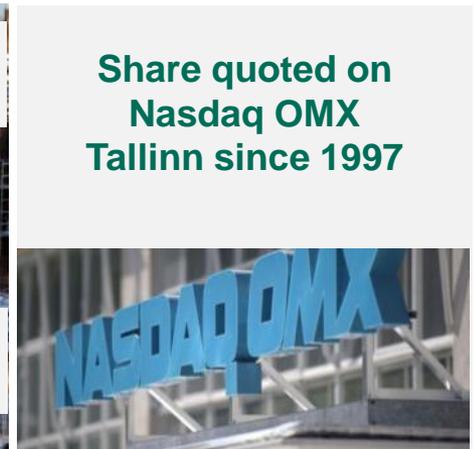
Group In Brief



Construction services:

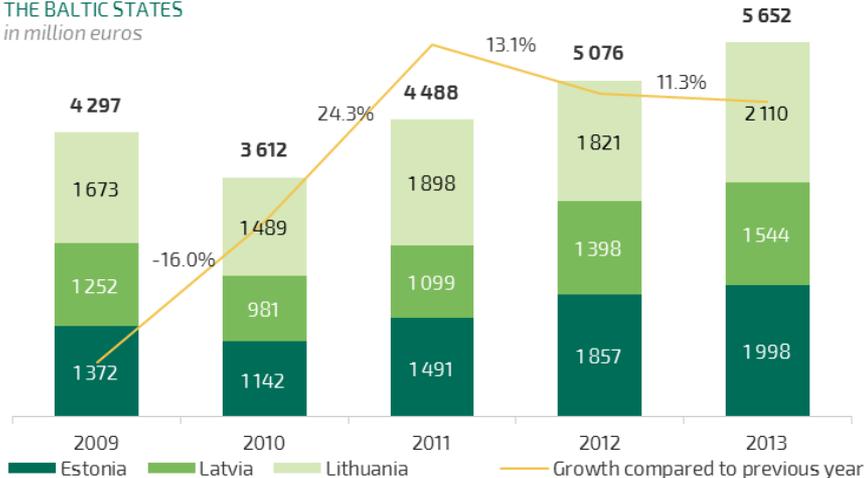
- General construction
- Civil engineering
- Road construction

Own developed real estate projects

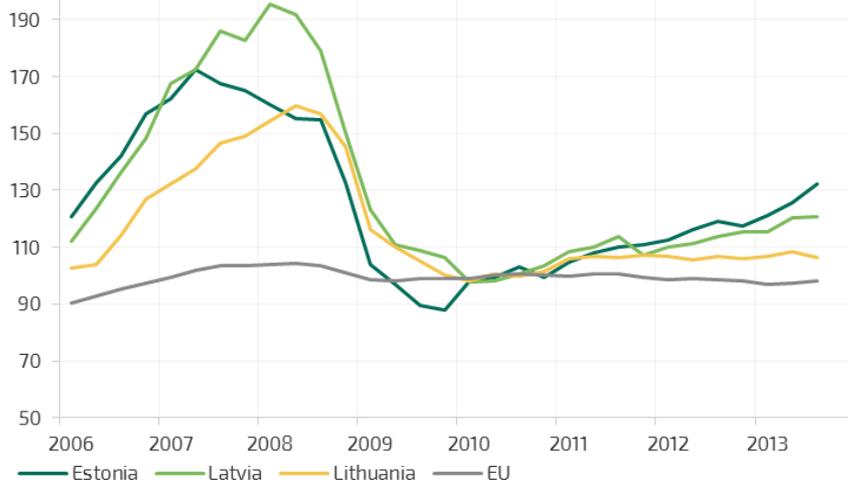


Baltic Construction and Real Estate Development Market

CONSTRUCTION MARKET VOLUMES (WITH OWN FORCES) AND GROWTH IN THE BALTIC STATES
in million euros



HOUSE PRICE INDEX (2010=100)



Construction market

- ❖ Baltic construction volumes grew by 11% during 2013.
- ❖ Continuing decrease of public sector procurements, above all in external networks, due to the start of the new EUs funding period.
- ❖ 2013 the private sector orders have increased.
- ❖ A decrease of 10-15% in construction volumes is expected in the Baltic States, primarily in Estonia, during 2014.
- ❖ Intense price competition in all segments.

Property development

- ❖ Number of transactions and price per m2 have shown growth trend. Limited supply and low interest rates have supported the price increase supremely in Estonia and Latvia.
- ❖ Room to start new developments in all Baltic capitals, however more selective in Vilnius. Supply of new apartments on sale to increase during 2014.
- ❖ Increased apartment offering in the future may influence price stabilisation and the prolongation of sales periods.

2013: Key Highlights

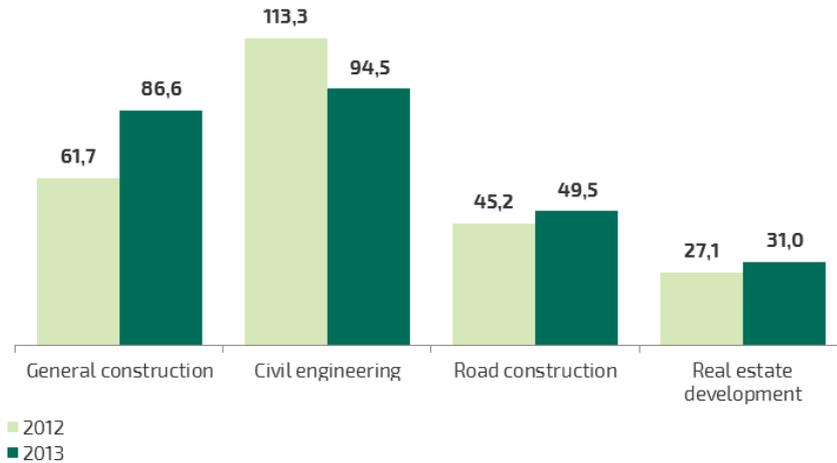
<i>EUR millions</i>	2013	2012	Variance
Revenue	262.7	249.1	+5.5%
Gross profit	22.7	17.9	+26.8%
Gross profit margin, %	8.6	7.2	+20.3%
EBITDA	15.1	11.4	+32.4%
Net profit, attributable to equity holders of the parent	10.4	7.6	+36.3%
Earnings per share (EPS), in euros	0.59	0.43	+36.4%
Secured order book	213.7	189.9	+12.5%
Employees	860	915	-6.0%

Group Structure

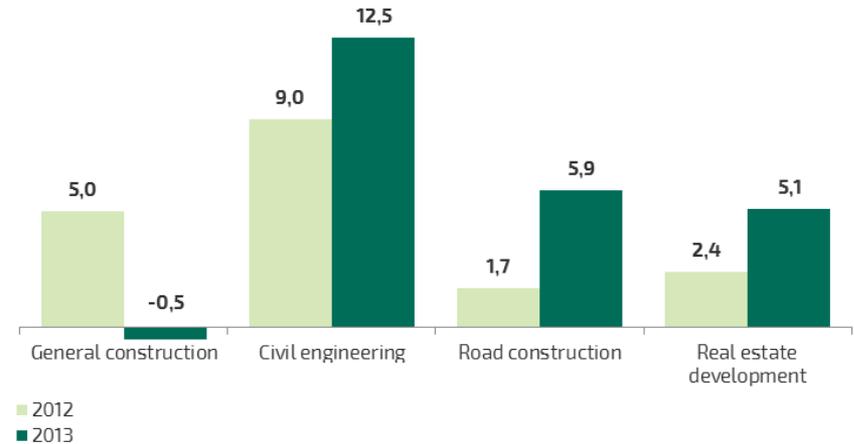
- 2013 decided to consolidate the corporate structure and exit of holdings in non-significant subsidiaries.
- 2013 summer completed the liquidation of Merko Ukraine LLC which started 2012.

2013 Profitability Improved

GROUP REVENUE BY SEGMENT
in million euros



GROUP GROSS PROFIT BY SEGMENT
in million euros



Revenues

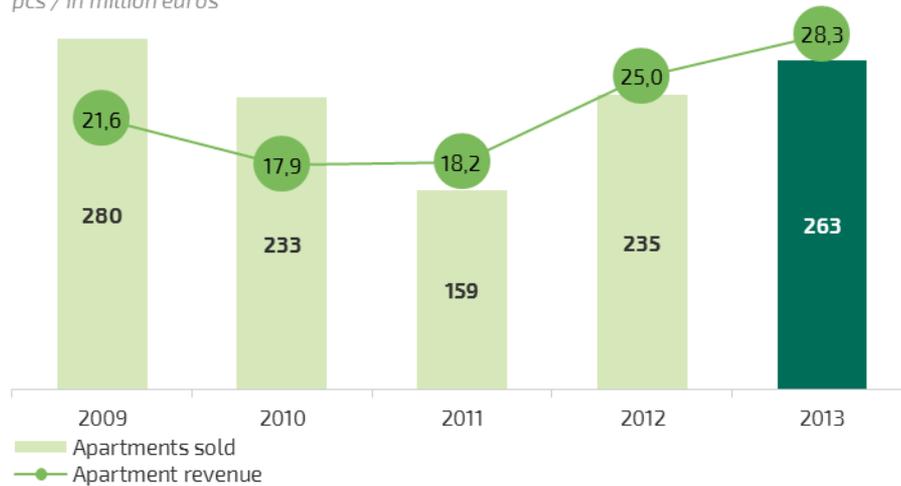
- ❖ The largest proportion of 2013 revenues still related to civil engineering projects financed with support from EU funds and state orders.
- ❖ General construction revenues increased, primarily due to private sector orders.

Gross Profit

- ❖ Improved overall margin level from 7.2% to 8.6%.
- ❖ Positive results from road construction segment and real estate development, additionally from external networks. However the general construction disappointed due to project management risks identified in the last quarter.

Real Estate Development Apartments

APARTMENTS SOLD AND APARTMENT REVENUE
pcs / in million euros



GROUP APARTMENTS INVENTORY
pcs

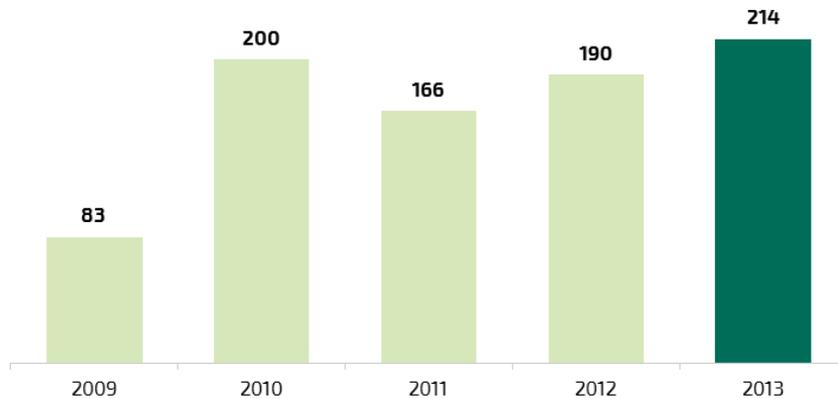


- ❖ 263 apartment sold (handed over) and revenues of EUR 28.3m during 2013.
- ❖ 300 apartments on active sale (2012: 326) at the end of the year.
- ❖ Construction of 409 apartments launched during 2013 (2012: 308 apartments).
- ❖ Objective to keep the adequate level of inventory to meet the market demand, new project launch depending on market conditions at the time.

Stable Secured Order Book

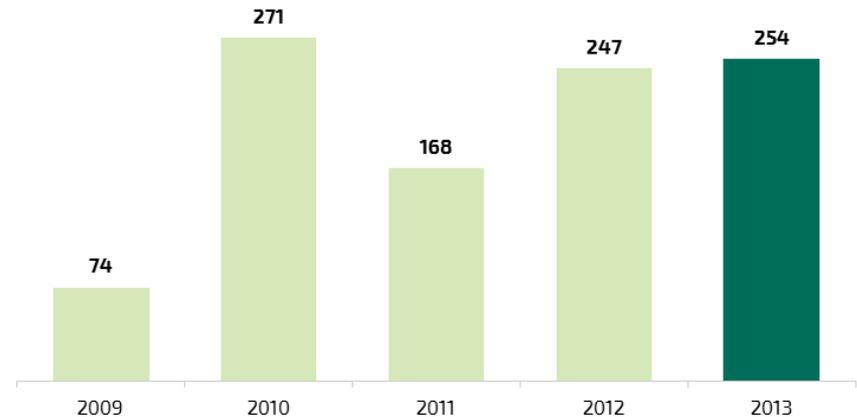
SECURED ORDER BOOK

at the end of the period, in million euros



NEW CONTRACTS SIGNED

during the period, in million euros



- ❖ Secured order book at EUR 213.7m (+12.5% compared to 2012).
- ❖ Order book is still dominated by public orders, however about half of new signed contracts during 2013 are related to private orders. The level of new contracts in Latvia exceeded expectations.
- ❖ Challenge for next 12 months to maintain the volume of new contracts at the same level.

Long-Term Financial Objectives from 2013 till 2018

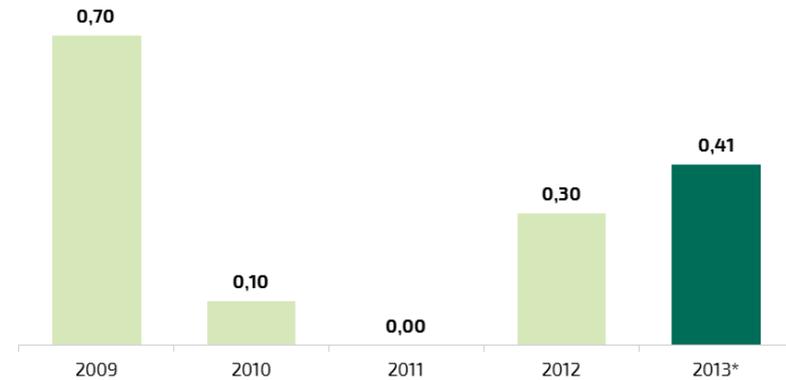
The long-term financial objectives cover the period from 2013 till 2018:

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

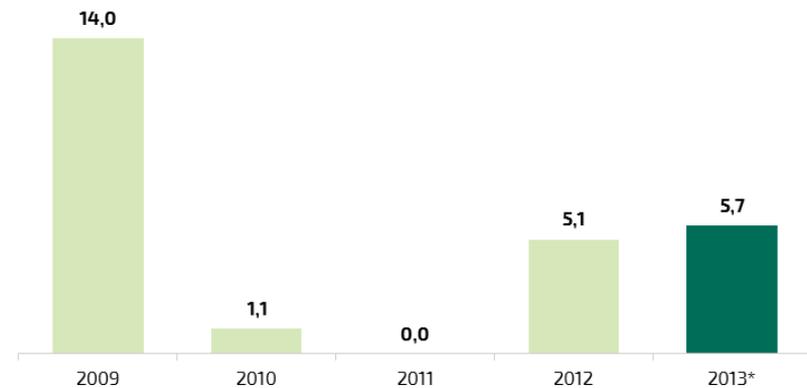
2013 actual:

- ❖ Annual return on equity (ROE): 8.8% (2012: 6.8%)
- ❖ Dividend pay-out ratio: 70% (2012: 70%)
- ❖ Equity ratio: 50.2% (2012: 52.0%)

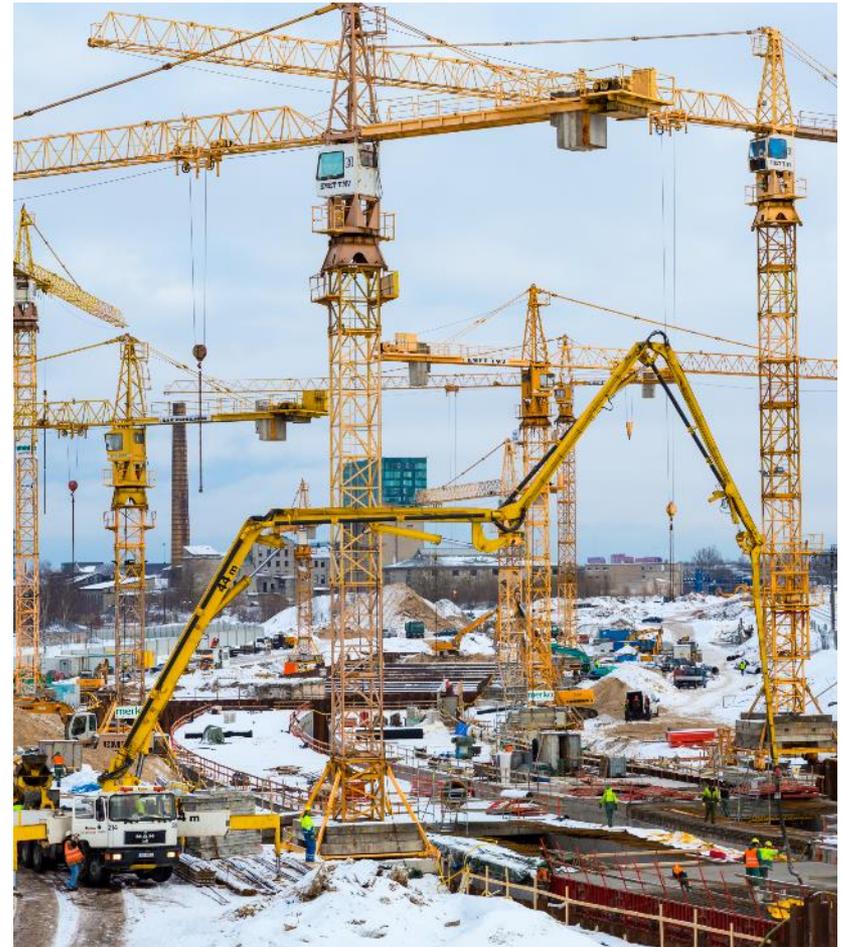
DIVIDEND PER SHARE
in euros



DIVIDEND YIELD
percentages



- ❖ Key challenge to increase and also keep the 2013 level of secured order book. Aim to increase the construction volumes in Lithuania.
- ❖ Contribute on work with private sector clients in all 3 Baltic countries.
- ❖ Active positioning in residential real-estate. Improving quality and continuously introducing new and innovative housing solutions for consumers.
- ❖ Mitigation of project management risks and improvement of control systems. Management of risks arising from the rapid growth in Latvia.
- ❖ A greater focus on costs. Harmonisation of group structure and business needs. Keeping and recruiting the best employees.
- ❖ Closely following the development in the nearby markets and opportunities.



2. PROPOSAL ON DISTRIBUTION OF PROFITS

3. EXTENSION OF POWERS OF MEMBERS OF THE SUPERVISORY BOARD

4. APPOINTMENT OF THE AUDITOR FOR THE FINANCIAL YEAR 2014



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