



AS MERKO EHITUS

GROUP

2025 6 months and II quarter consolidated unaudited interim report

Business name:	AS Merko Ehitus
Main activities:	Holding companies General contracting of construction Real estate development
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Financial year:	01.01.2025 – 31.12.2025
Reporting period:	01.01.2025 – 30.06.2025
Supervisory Board:	Toomas Annus, Indrek Neivelt, Kristina Siimar
Management Board:	Ivo Volkov, Tõnu Toomik, Urmas Somelar
Auditor:	AS PricewaterhouseCoopers

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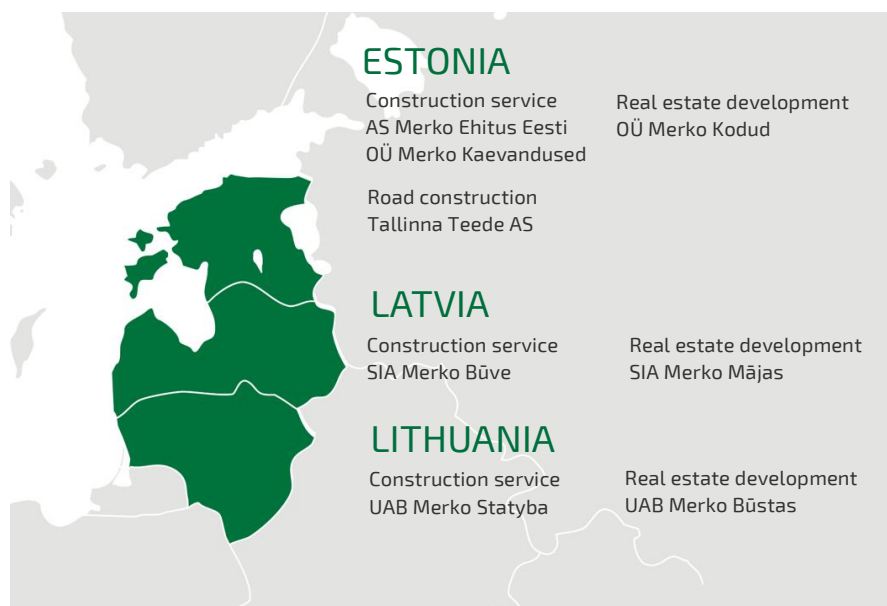
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BRIEF OVERVIEW OF THE GROUP

Companies in the Merko Ehitus group develop real estate, construct buildings and infrastructure.

We operate in Estonia, Latvia and Lithuania. We create a better living environment and build the future.

We are the largest listed construction company and residential developer in the Baltics



The construction company with the largest equity in the Baltics, long-term capability to self-finance its projects

A strong position on the Baltic construction market, the leading residential real estate developer

International quality, environmental protection and occupational safety **certificates ISO 9001, ISO 14001, ISO 45001**

SHARES

The shares are listed in the Main List of NASDAQ Tallinn since 1997.

The main shareholder is AS Riverito (**72%**)

2024 KEY FIGURES

Revenue **539.0 million** euros

Net profit **64.7 million** euros

605 employees





MERKO VALUES



MERKO ESSENCE



STRATEGY

AS Merko Ehitus subsidiaries provide construction services in the field of building and infrastructure construction and develop residential real estate in their home markets of Estonia, Latvia and Lithuania. We want to be the preferred partner for those who value quality, both in the performance of construction works and in the development and sale of apartments, as well as in contributing to society. As a caring and development-oriented employer, we ensure that our employees are professional and motivated, each of whom contributes to the joint result of each company, each unit and Merko itself. By focusing on profitability, cost base efficiency and the best employees, we ensure the investor a long-term profitable investment.

MANAGEMENT REPORT

COMMENTARY FROM MANAGEMENT

Merko Ehitus generated revenue of EUR 83 million in the second quarter of 2025 and EUR 168 million in the first half of the year. Net profit for Q2 amounted to EUR 11.2 million, while net profit for the six-month period was EUR 21.7 million. The share of real estate development in revenue and profit increased in the second quarter. Merko launched the construction and sale of 723 new apartments in the first half of the year, most of them in Vilnius, where the real estate market remains active.

According to the management of Merko Ehitus, the second quarter results were in line with expectations with no significant market changes during the quarter. Supported by a more active real estate market, Merko performance in the real estate development business has improved, accounting for nearly 30% of our half-year sales revenue and with the number of apartments handed over to buyers increasing by almost 85%. In terms of positivity, the Vilnius real estate market continues to outperform Tallinn and Riga significantly. The Estonian real estate market has activated in the second quarter, but time will tell whether this was due to consumers trying to avoid price increases related to the upcoming VAT hike or it signals a real improvement in consumer confidence.

The volumes in the construction market remain low-side and competition is very tight across all Merko home markets. Group construction contracts portfolio increased by EUR 223 million euros in the first half of the year, which is remarkable considering market situation. According to the management, the public sector with its infrastructure and defence-related projects, as well as large energy companies, continue to be the biggest construction services buyers in Estonia, Latvia, and Lithuania in the upcoming few years.

The largest construction contracts signed in Q2 were the Ülemiste terminal in Tallinn (worth EUR 84.8 million) and the Rail Baltica mainline section between Tallinn and Pärnu (expected to be worth approximately EUR 75 million to Merko as part of the consortium). At the end of Q2, the balance of secured order-book for external clients stood at EUR 444 million.

During the first half of 2025, Merko handed over 222 apartments and two commercial units to buyers in Estonia, Latvia, and Lithuania. In the first six months, Merko launched the construction and sale of 723 new apartments and 21 commercial premises, including total 530 apartments and 15 commercial premises in the new Šnipiškių Urban project and the next stage of the Vilnelės Skverai development in Vilnius. As of the end of Q2, Merko's balance sheet included 1,134 apartments, of which 17% were covered by pre-sale agreements. Merko's largest ongoing development projects included Uus-Veerenni, Noblessner, and Lahekalda in Tallinn; Ūielehe in Jūri township; and Erminurme in Tartu; Lucavsala, Arena Garden Towers, Viesturdārzs, Mežpilsēta, and Magnolijas in Riga; and Vilnelės Skverai and Šnipiškių Urban in Vilnius.

The largest projects underway in Q2 of 2025 in Estonia were the Hyatt hotel building, Tallinna Hobby Center Kullo, and the City Plaza 2 office building in Tallinn, as well as the national defence building in Tartu, the Rail Baltica Ülemiste passenger terminal and fourth stage of the Rail Baltica mainline. In Lithuania, the largest ones were wind farm infrastructure projects in the Pagėgiai, Telšiai and Pasvalys regions and various national defence buildings and infrastructures. In Latvia, a solar energy park in Vārme Municipality and a student hotel in Riga were under construction.

**2025 6M
REVENUE**
168 MILLION EUROS

**PROFIT
BEFORE TAX**
23.5 MILLION EUROS

OVERVIEW OF THE II QUARTER AND 6 MONTHS RESULTS

PROFITABILITY

2025 6 months' pre-tax profit was EUR 23.5 million and Q2 2025 was EUR 11.9 million (6M 2024: EUR 18.3 million and Q2 2024 was EUR 13.1 million), which brought the pre-tax profit margin to 14.0% (6M 2024: 9.0%).

Net profit attributable to shareholders for 6 months 2025 was EUR 21.7 million (6M 2024: EUR 17.5 million) and for Q2 2025 net profit attributable to shareholders was EUR 11.2 million (Q2 2024: EUR 13.1 million). 6 months net profit margin was 12.9% (6M 2024: 8.6%).

REVENUE

Q2 2025 revenue was EUR 82.6 million (Q2 2024: EUR 122.4 million) and 6 months' revenue was EUR 167.9 million (6M 2024: EUR 203.6 million). 6 months' revenue decreased by 17.5% compared to same period last year. The share of revenue earned outside Estonia in 6 months 2025 was 43.8% (6M 2024: 57.9%).

SECURED ORDER BOOK

As of 30 June 2025, the group's secured order book was EUR 443.8 million (30 June 2024: EUR 437.5 million). In 6 months 2025, group companies signed contracts in the amount of EUR 223.1 million (6M 2024: EUR 139.5 million). In Q2 2025, new contracts were signed in the amount of EUR 172.6 million (Q2 2024: EUR 129.0 million).

REAL ESTATE DEVELOPMENT

In 6 months 2025, the group sold a total of 222 apartments; in 6 months 2024, the group sold 120 apartments. The group earned a revenue of EUR 44.9 million from sale of own developed apartments in 6 months 2025 and EUR 21.3 million in 6 months 2024. In Q2 of 2025 a total of 101 apartments were sold, compared to 61 apartments in Q2 2024, and earned a revenue of EUR 20.2 million from sale of own developed apartments (Q2 2024: EUR 10.6 million).

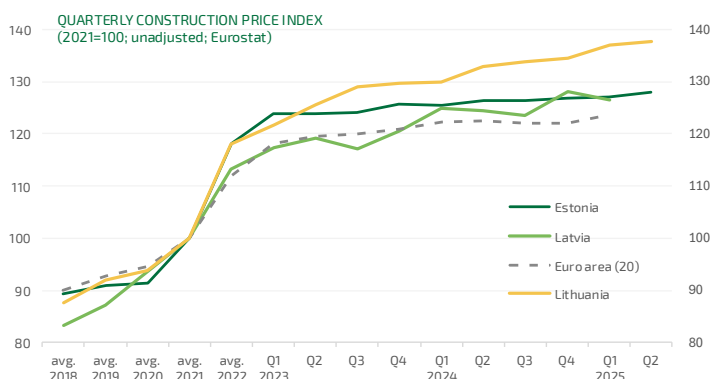
CASH POSITION

At the end of the reporting period, the group had EUR 25.9 million in cash and cash equivalents, and equity of EUR 242.3 million (60.1% of total assets). Comparable figures as of 30 June 2024 were EUR 44.2 million and EUR 206.5 million (49.4% of total assets), respectively. As of 30 June 2025, the group's net debt was negative EUR 1.1 million (30 June 2024: negative EUR 10.9 million).

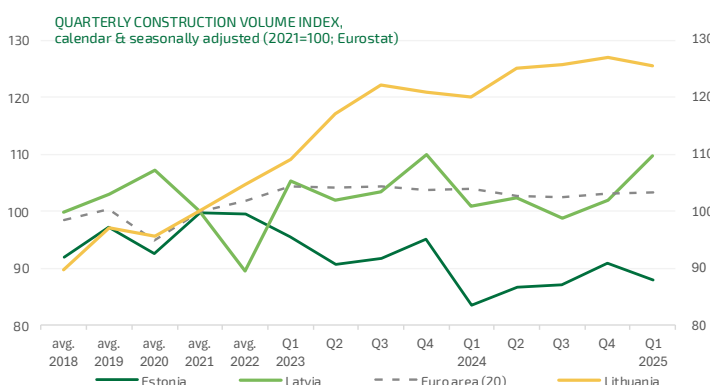
OUTLOOK OF CONSTRUCTION AND REAL ESTATE MARKET

CONSTRUCTION SERVICES

The second quarter of the current year did not bring any changes to the already 2-year-long trend that the aggregate construction price index has been showing slight growth. News headlines about the occasional drop in material prices have turned out to be temporary and local exceptions. The construction machinery and labour components are still sources of general price growth. The Lithuanian construction price index continues to rise faster, reflecting a generally more active market and stronger demand. Competition in the construction market remains high, and the share of orders from the public sector or those dependent on public sector financing has continued to increase. In Estonia, construction volumes have remained clearly below the levels of 2021-2022 and have kept construction companies' submitting bid prices with minimal margins. Considering that the EU's Green Deal measures, the additional costs that will most likely arise from them, have not been cancelled, but only their implementation has been somewhat postponed, there are no economic factors that could lead to a decline in construction prices. We assess that construction price indices will not change significantly over the next year and a half, and we will see the next movements after political agreements are reached regarding the implementation of CBAM and ETS2 and the applicable transitional measures.



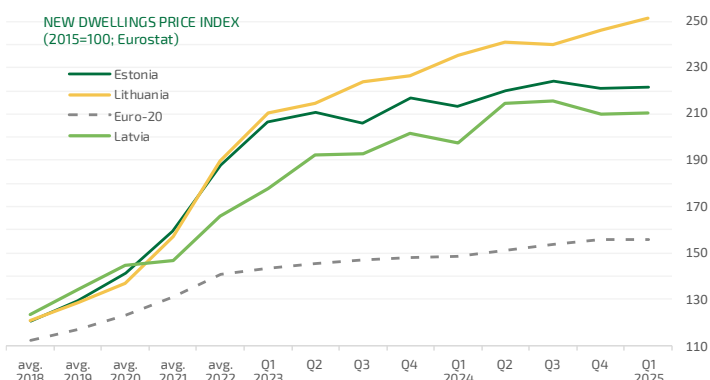
At the time of compiling the report, data on construction volumes for the second quarter of 2025 had not been published, but it is known that the volume of orders and performed works in the road construction segment in Estonia continues to be very small and in Latvia, Rail Baltica volumes have not been unleashed from the stoppage. On the other hand, the market in Latvia has clearly become more active in the field of residential construction and this has helped the total construction volume return to pre-Covid levels. In all Baltic countries, construction volumes continue to be high in the fields of defence and renewable energy. At the same time, one must consider that the high share of the public sector orders and their financing has increased the dependence of the actual volume of works on budgetary capabilities, and the near future may therefore be more volatile in terms of construction volumes than we would like to see. However, we are revising the previous report's assessment of no growth in the Baltics in 2025 and are re-formulating our expectations into not having total volumes decline for the year as a whole.



Based on the latest published economic forecasts, which in light of the US tariffs being implemented have mostly revised the expected growth in 2025 downwards in our key markets, we expect modest growth in the construction sector in the Baltics as a whole, with the source of weakness still being limited private sector investments.

DEVELOPMENT OF APARTMENTS

The real estate market has entered a period of positivity, and the growth in volumes that began in the second half of 2024 has continued throughout the first half of 2025. Even though in our opinion the low level of consumer confidence among the Estonian population continues to slow down the new housing market, the revival of the new housing market is felt in Riga and the market has continued to be strong in Vilnius, which has the unrivalled highest consumer confidence index in the Baltics. Regarding the future of the Estonian new housing market, it is difficult to see further rapid growth of the market in the environment of continued tax increases and declining free purchasing power, but in general, developers have been balanced and there are no signs of oversupply or oversaturation in the market. According to the housing affordability survey published by Swedbank, Riga is clearly the most affordable capital in the Baltics, and this is also reflected in the increased market activity in Riga. We reiterate our current expectation that the new housing price index will continue to grow in 2025, faster in Vilnius and Riga, and less in Tallinn.



The continued price increase is caused by new requirements for energy efficiency, as well as safety and population protection that will be implemented in the medium term. Relief from capital costs related to the long planning and building permit periods is difficult to come by and will hardly compensate for the costs associated with the new requirements, so we attribute a low probability to a price decline.

BUSINESS ACTIVITIES

The group business reporting is divided into two business segments:

- construction service;
- real estate development.

CONSTRUCTION SERVICE

The construction service in Baltic states consists of services in the fields of general construction, civil engineering and concrete works and, through the joint ventures operating under Connecto brand, Merko provides services for the construction of energy infrastructure. In addition, the group company Tallinn Teede AS offers road construction services in Estonia.

million EUR

	6M 2025	6M 2024	VARIANCE	Q2 2025	Q2 2024	VARIANCE	12M 2024
Revenue	120.1	178.7	-32.8%	61.0	110.7	-44.9%	474.6
% of total revenue	71.5%	87.8%		73.8%	90.5%		88.0%
Operating profit	8.8	9.9	-11.4%	5.1	6.9	-26.8%	59.4
Operating profit margin	7.3%	5.6%		8.3%	6.3%		12.5%

In the 6 months of 2025, the revenue of the construction service segment was EUR 120.1 million (6M 2024: EUR 178.7 million). The sales revenue of construction service has decreased by 32.8% compared to the same period last year. The construction service segment revenue for 6 months 2025 made up 71.5% of the group's total revenue (6M 2024: 87.8%). In this segment, the group earned an operating profit of EUR 8.8 million for 6 months (6M 2024: EUR 9.9 million). The operating profit margin was 7.3% (6M 2024: 5.6%). The operating profit margin was mainly affected by the continuation of the impact of the faster-than-expected progress in certain contracts highlighted in 2024 and the resulting savings in site costs, as well as successful tactics and actions in mitigating material and subcontracting price risks.

Larger projects in progress in the second quarter in construction service segment in Estonia included the office building City Plaza 2, Hobby Center Kullo, Hyatt hotel building, Arter Quarter in Tallinn, the national defence building in Tartu, the Rail Baltic's Ülemiste passenger terminal as well as the fourth stage of Rail Baltica Harjumaa mainline. In Lithuania, larger projects were construction of wind farm infrastructure works in Pagėgiai, Telšiai and Pasvalys regions and NATO training centres buildings and infrastructures were underway. In Latvia, the group was working on the construction of a solar panel power plant in Vārme parish and student hotel in Rīga.

REAL ESTATE DEVELOPMENT

The real estate development segment includes residential real estate development and construction of joint venture projects, long-term real estate investments and commercial real estate projects in Estonia, Latvia and Lithuania. To ensure the finest quality, as well as maximum convenience and assurance for apartment buyers, Merko handles all phases of development: acquisition of the real estate, planning, design of the development project, construction, marketing and sales, and warranty-period customer service.

million EUR

	6M 2025	6M 2024	VARIANCE	Q2 2025	Q2 2024	VARIANCE	12M 2024
Revenue	47.8	24.9	+92.1%	21.6	11.7	+85.5%	64.5
incl. revenue from sale of apartments	44.9	21.3		20.2	10.6		58.9
% of total revenue	28.5%	12.2%		26.2%	9.5%		12.0%
Operating profit	11.9	6.5	+83.2%	4.9	4.8	+1.5%	16.5
Operating profit margin	24.8%	26.0%		22.7%	41.5%		25.5%

In 6 months 2025, the group sold a total of 222 apartments (incl. 8 apartments in a joint venture) and 2 commercial premises; in 6 months 2024, 120 apartments (incl. 21 apartments in a joint venture) and 9 commercial premises (incl. 8 in a joint venture). The group earned a revenue of EUR 44.9 million (VAT not included) from sale of developed apartments in 6 months 2025 and EUR 21.3 million in 6 months 2024. In the revenue and operating profit of the real estate development segment also are reflected the sales of commercial premises and parking spaces of the real estate development projects and the result of public-private-partnership contracts, based on which the group companies provide property management services for earlier constructed buildings. For development projects in joint venture, the profit from development gained from sale of those apartments to end-customers is recognised in the group's reporting based on the equity method.

In 6 months of 2025, real estate development segment revenues increased by 92.1% compared to the same period last year and formed 28.5% of the group's total revenue (6 months of 2024: 12.2%).

The segment's operating profit for the 6 months of 2025 amounted to EUR 11.9 million (6 months of 2024: EUR 6.5 million) and the operating profit margin was 24.8% (6 months of 2024: 26.0%). The profitability of the apartment development projects varies by project and depends greatly on the cost structure of the specific project, including the land acquisition price. In 2024, the group earned one-off profit from the sale of investment property.

In 6 months of 2025, the group launched the construction of a total of 723 new apartments in the Baltic states (6 months of 2024: 175 apartments). In the 6 months, the group invested a total of EUR 22.5 million (6 months of 2024: EUR 20.2 million) in the ongoing development projects.

One of the group's objectives is to keep a sufficient portfolio of land plots to ensure stable inventory of property development projects, which considers the market conditions. As of 30 June 2025, the group's inventories included land plots with development potential, where the construction works have not started, in the amount of EUR 83.8 million (30.06.2024: EUR 87.5 million).

GROUP'S INVENTORIES WITH DEVELOPMENT POTENTIAL BY COUNTRY

million EUR

	30.06.2025	30.06.2024	31.12.2024
Estonia	30.7	30.9	30.9
Latvia	23.3	23.7	23.0
Lithuania	28.4	31.5	32.4
Norway	1.4	1.4	1.4
Total	83.8	87.5	87.7

In 6 months of 2025, the group has obtained new land plots for real estate development purposes worth EUR 7.3 million (6 months of 2024: in the amount of EUR 1.1 million).

SECURED ORDER BOOK

As of 30 June 2025, the group's secured order book amounted to EUR 443.8 million, compared to EUR 437.5 million as of 30 June 2024, having increased by 1.4% in the annual comparison. The secured order book excludes the group's own residential development projects and construction works related to developing real estate investments.

In 6 months of 2025, EUR 223.1 million worth of new contracts were signed, which is EUR 83.6 million more compared to the same period of the previous year (6 months of 2024: EUR 139.5 million). The value of new contracts signed in the second quarter of 2025 amounted to EUR 172.6 million; in the second quarter of 2024 the value of new contracts signed amounted to EUR 129.0 million.

LARGEST CONSTRUCTION CONTRACTS SIGNED IN THE SECOND QUARTER OF 2025

BRIEF DESCRIPTION OF CONTRACT	COUNTRY	COMPLETION TIME	VALUE MILLION EUR
Construction contract for the Rail Baltica Ülemiste international passenger terminal in Tallinn	Estonia	October 2028	85.0
Design and construction contract following alliance procurement model for construction of the section of the railway between Ülemiste passenger terminal and Pärnu, together with the Tootsi-Pärnu section. In carrying out the works, GRK Eesti AS is the leading partner. AS Merko Ehitus Eesti is estimated to have a 20% share of the construction works.	Estonia		74.8

As of 30 June 2025, the private sector orders accounted for approximately 27% of the total balance in the group's secured order book (30.06.2024: approximately 56%). The growth in the public sector's share is primarily driven by Rail Baltica and defence-related contracts. Private sector clients still remain cautious, assessing profitability conservatively and viewing risks as high in the context of weak economic growth. Planned high-priority public sector investments are proceeding despite the factors holding back the private sector.

The group is focusing on the existing home markets, keeping a diversified operating portfolio as a strategic aim, balancing construction activities with real estate development in different countries.

CASH FLOWS

At the end of reporting period, the group had cash and cash equivalents in the amount of EUR 25.9 million (30.06.2024: EUR 44.2 million). As the group's cash position continues to be strong, the group has not utilised all its credit lines of existing overdrafts and loan agreements within reporting period. As of the end of the reporting period, the group entities had concluded overdraft contracts with banks in a total amount of EUR 49.4 million, of which almost all was unused (30.06.2024: EUR 55.0 million, of which EUR 54.5 million was unused).

The 6-month cash flow from operating activity was negative at EUR 8.8 million (6 months of 2024: positive EUR 1.8 million), cash flow from investing activity was negative at EUR 14.5 million (6 months of 2024: positive EUR 10.4 million) and the cash flow from financing activity was negative at EUR 42.7 million (6 months of 2024: negative EUR 45.4 million).

The cash flow from operating activities had positive effect from EBITDA of EUR 20.1 million (6 months of 2024: positive effect of EUR 16.3 million) and from the change in inventories of EUR 0.1 million (6 months of 2024: negative effect of EUR 5.2 million). The cash flows from inventories are mainly affected by the construction and sales cyclicity of developed apartments: the negative cash flow is due to the increase in the volume of inventories related to the construction of apartments, then the positive cash flow is due to the decrease in inventories at the sale of the apartments. The negative effects to cash flow from operating activities came from the changes in receivables and liabilities related to construction contracts of EUR 5.4 million (6 months 2024: positive effect of EUR 21.2 million), from the changes in trade and other payables related to operating activities of EUR 8.4 million (6 months of 2024: positive effect of EUR 2.5 million) and from the change in trade and other receivables related to operating activities of EUR 0.8 million (6 months of 2024: negative effect of EUR 21.4 million) as well from the change in the provisions of EUR 5.1 million (6 months of 2024: negative effect of EUR 2.5 million). Interest was paid EUR 0.6 million (6 months of 2024: EUR 1.4 million) and corporate income tax was paid at EUR 8.7 million (6 months of 2024: EUR 5.1 million).

To support cash flows from operating activities, including increased volumes in apartment development, the group has raised additional external capital. At the same time, the debt ratio has remained at a moderate level (6.1% as of 30.06.2025; 8.0% as of 30.06.2024; 7.5% as of 31.12.2024).

Cash flows from investing activities include negative effect from the acquisition of non-current assets in the amount of EUR 2.2 million (6 months of 2024: EUR 0.7 million) as well from the net change in short-term deposits of EUR 13.0 million (6 months of 2024: EUR 0). The positive impact in cash flows from investing activities came from the sale of non-current assets in the amount of EUR 0.1 million (6 months of 2024: EUR 0.4 million) and EUR 0.6 million interest received from the banks (6 months of 2024: EUR 1.2 million).

In cash flows from financing, the larger negative factors were the dividend payment in the amount of EUR 33.6 million (6 months of 2024: EUR 22.9 million), the repayments of lease liabilities in the amount of EUR 1.2 million (6 months of 2024: net negative cash flow of EUR 1.0 million) and the net change in loans related to net amount of loans received and repaid of project specific loans obtained using investment property as collateral in the amount of EUR 0.8 million (6 months of 2024: negative cash flow in the net amount of EUR 0.8 million), as well from the net change in loans received and repaid in connection with development projects in the amount of EUR 0.0 million (6 months of 2024: net negative cash flow of EUR 12.7) million and from the net change in loans related to other activities in the amount of EUR 7.1 million (6 months of 2024: net negative cash flow of EUR 7.9 million).

RATIOS

(attributable to equity holders of the parent)

INCOME STATEMENT SUMMARY		6M 2025	6M 2024	6M 2023	Q2 2025	Q2 2024	Q2 2023	12M 2024
Revenue	million EUR	167.9	203.6	217.3	82.6	122.4	141.6	539.0
Gross profit	million EUR	29.1	23.7	25.8	14.2	14.8	15.8	95.9
Gross profit margin	%	17.3	11.6	11.9	17.1	12.1	11.2	17.8
Operating profit	million EUR	18.6	14.7	18.1	8.7	10.7	12.4	72.5
Operating profit margin	%	11.1	7.2	8.3	10.6	8.7	8.8	13.4
Pre-tax profit	million EUR	23.5	18.3	20.2	11.9	13.1	14.1	76.4
Pre-tax profit margin	%	14.0	9.0	9.3	14.4	10.7	10.0	14.2
Net profit	million EUR	21.7	17.4	19.3	11.2	13.1	13.5	64.6
attributable to equity holders of the parent	million EUR	21.7	17.5	19.4	11.2	13.1	13.6	64.7
attributable to non-controlling interest	million EUR	-	(0.0)	(0.1)	-	0.0	(0.1)	(0.1)
Net profit margin	%	12.9	8.6	8.9	13.6	10.7	9.6	12.0
Other income statement indicators		6M 2025	6M 2024	6M 2023	Q2 2025	Q2 2024	Q2 2023	12M 2024
EBITDA	million EUR	20.1	16.3	19.6	9.5	11.4	13.1	75.7
EBITDA margin	%	12.0	8.0	9.0	11.5	9.4	9.3	14.0
General expense ratio	%	6.8	5.4	4.8	7.1	4.7	3.8	5.0
Labour cost ratio	%	13.6	11.1	10.6	14.1	8.6	8.3	9.8
Revenue per employee	thousand EUR	283	334	333	139	201	217	882

OTHER SIGNIFICANT INDICATORS		30.06.2025	30.06.2024	30.06.2023	31.12.2024
Return on equity	%	27.7	21.2	25.8	28.4
Return on assets	%	15.8	10.6	12.2	14.8
Return on invested capital	%	30.0	20.4	18.9	29.8
Assets	million EUR	403.5	418.3	362.5	447.1
Equity	million EUR	242.3	206.4	185.4	254.3
Equity attributable to equity holders of the parent	million EUR	242.3	206.5	186.0	254.3
Equity ratio	%	60.1	49.4	51.3	56.9
Debt ratio	%	6.1	8.0	21.4	7.5
Current ratio	times	2.5	1.9	2.2	2.1
Quick ratio	times	1.0	0.8	0.6	0.9
Accounts receivable turnover	days	41	51	31	43
Accounts payable turnover	days	49	45	44	46
Average number of employees	people	593	610	652	611
Secured order book	million EUR	443.8	437.5	418.2	340.6

Ratio definitions are provided on page 37 of the report.

RISK MANAGEMENT

Risk management is part of strategic management and is inseparable from daily operations of the group. In managing risks, the main objective of the group is to determine most significant risks and to manage these risks in a balanced way so that the group achieves its strategic and financial objectives.

Merko Ehitus divides risks into four main categories: business risk, market risk (incl. interest risk and foreign exchange risk), financial risk (incl. credit risk and liquidity risk) and operational risk (incl. health and safety risk and environmental risk). The topic of risk management has been thoroughly covered on the group's website: group.merko.ee/en/investors/risk-management/.

Legal risk

Due to different interpretations of contracts, regulations and laws related to group's principal activities, there is a risk that some buyers, contractors or supervisory authorities evaluate the company's activities from the perspective of laws or contracts from a different position and dispute the legitimacy of the company's activities.

As of 30 June 2025, a provision has been set up at the group in the amount of EUR 0.4 million for covering potential claims and legal costs (30.06.2024: EUR 3.4 million).

Below is presented an overview of the key legal disputes and proceedings, which have taken place or ended during 2025 or are ongoing as of 30 June 2025 and which concern group entities is presented:

Estonia

Appeal for the revocation of the order of the Minister of the Environment

The court cases in connection with Minister of the Environment regulation No 22 of 27 March 2015, which redrew the boundaries of species protection sites to exclude properties on Paekalda street owned by AS Merko Ehitus subsidiaries. On 2 February 2016, AS Merko Ehitus group companies filed a complaint in Tallinn Administrative Court for compensation of damage. The claims consist of direct patrimonial damage (reduction in the value of immovable property and expenditures made on development activity) and claims for revenue foregone (failed development activity in 2006-2015). By a decision of 5 March 2021, the Supreme Court sent the appeal regarding the claim for compensation for direct property damage caused by the lawful activities of the Republic of Estonia to the Tallinn Administrative Court for reconsideration. In its decision of 19 April 2024, Tallinn Administrative Court rejected the complaint. The court ruled that the value of the disputed immovable properties has not significantly dropped. OÜ Merko Kodud appealed to Tallinn Circuit Court. The Tallinn Circuit Court dismissed the appeal by its decision of 30 April 2025 and left the resolution of the Tallinn Administrative Court's decision of 19 April 2024 unchanged. The decision was not appealed, and the decision has entered into force.

Latvia

Latvian Competition Council administrative proceeding

On 9 August 2021, SIA Merks, a subsidiary of AS Merko Ehitus, received the [decision of the Latvian Competition Council](#) in the administrative proceedings initiated with regard to the company in 2019. The Group has disclosed information about the proceedings on an ongoing basis in stock market notices, annual and interim reports and in the [relevant subsection of the website](#).

On 13 September 2021, SIA Merks and AS Merko Ehitus contested the decision of the Latvian Competition Council in the Latvian administrative court. Before the court decision comes into effect, the fine of EUR 2.7 million levied by the Competition Council will not become payable and the possible claims for damages of third persons will not be subject to review nor other possible consequences arising from law will be applicable before the court decision enters into force. Currently it has not been possible to assess reliably the impact of potential damage claims on the company due to the large number of inputs open to change, the lack of practice of implementing joint and several liability and the ambiguity of other legal aspects.

The last court session to discuss the content of the appeal claim took place on 26 September 2023. In its judgement, announced on 25 January 2024, the court of appeal upheld the decision of the Competition Council. On 26 February 2024, SIA Merks and AS Merko Ehitus filed an appeal in cassation with the Supreme Court of Latvia in appeal against the decision of the Latvian Competition Council. The cassation appeal has been accepted and respective proceedings started, yet at the time of the preparation of the report there is no additional information about the deadlines and actions of the proceedings.

AS Merko Ehitus continues to hold the conclusions of the Latvian Competition Council with regard to the business activities of SIA Merks both factually and legally unjustified and will use all the possibilities granted under the rule of law to overturn such conclusions.

SIA Merks was sold with sufficient provisions to cover a potential fine.

EMPLOYEES AND LABOUR COSTS

As of 30 June 2025, Merko Ehitus group employed 605 people (including temporary and part-time staff). Compared to the same period last year, the number of group's employees decreased by 27 (-4.3%). The number of employees decreased in Estonia, Lithuania and Norway, and increased in Latvia.

Professionals with longstanding experience are the company's key value. The group's objective is to pay its employees competitive salary. The interests of employees and the company are balanced by performance-based remuneration.

The group defines labour cost as salary (incl. fixed salary, additional pay, holiday pay, and performance pay), taxes based on salary, fringe benefits and taxes on fringe benefits. In 6 months 2025, the labour cost was EUR 22.8 million (6 months 2024:

EUR 22.5 million), which increased by 1.5% compared to the same period previous year and the labour cost ratio increased by 2.5 pp from 11.1% to 13.6% in comparable periods.

ETHICAL BUSINESS PRACTICES

Group's core values include ethical business practices, considered a long-term important success factor. By following highly ethical principles, we promote profitable growth, gain the trust of our stakeholders, and support fair competition and equal treatment.

We conduct business honestly, follow ethical principles in our activities and make sure our employees know and follow business ethics standards in their everyday work. To embed the principles the Group has established a Code of Business Ethics.

The topic of business ethics has been thoroughly covered on the group's website: group.merko.ee/en/corporate-responsibility/.

SHARE AND SHAREHOLDERS

INFORMATION ON SECURITY

Issuer	AS Merko Ehitus
Name of security	Share of Merko Ehitus
Ticker	MRK1T
Residency of issuer	Estonia
Stock Exchange List	Nasdaq Tallinn, Baltic Main List
Industry	Construction
ISIN	EE3100098328
Nominal value	Without nominal value
Number of issued securities	17,700,000
Number of listed securities	17,700,000
Currency	EUR
Listing date	11 August 2008

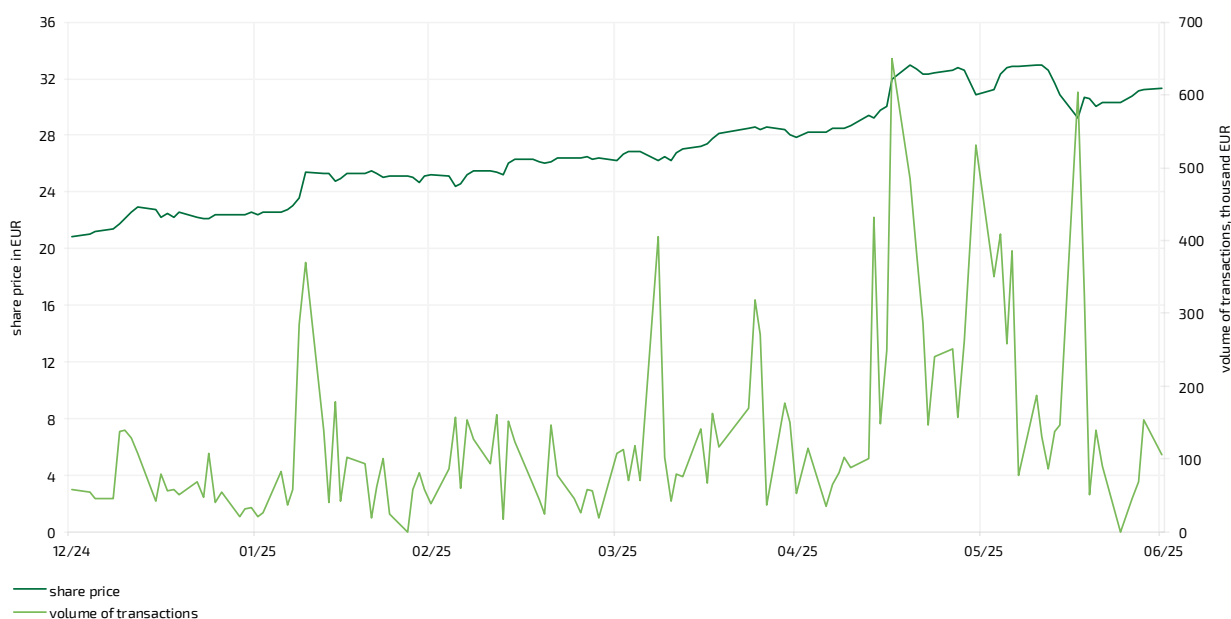
The shares of Merko Ehitus are listed in the Main List of Nasdaq Tallinn. As of 30 June 2025, the company has 17,700,000 shares. The number of shares has not changed during 2025.

A total of 18,056 transactions were conducted with the shares of Merko Ehitus in 6 months of 2025, with 0.58 million shares (3.3% of total shares) traded, generating a turnover of EUR 16.4 million (comparable figures in 6 months 2024 were accordingly: 13,304 transactions with 0.43 million shares traded (2.4% of total shares), generating a turnover of EUR 7.0 million). The lowest value-per-share transaction was recorded at the price of EUR 20.90 and the highest at EUR 33.35 per share (6 months of 2024: EUR 15.10 and EUR 17.78, accordingly). On 30 June 2025, the closing price of the share was EUR 31.35 (30.06.2024: EUR 16.44). As of 30 June 2025, by the Nasdaq Baltic stock exchange, the market capitalisation of AS Merko Ehitus was EUR 554.9 million, which has increased by 90.7% compared to the end of the equivalent period of the prior year (30.06.2024: EUR 291.0 million).

	30.06.2025	30.06.2024	30.06.2023	31.12.2024
Number of shares	17,700,000	17,700,000	17,700,000	17,700,000
Earnings per share (EPS), euros	1.22	0.99	1.10	3.65
Equity per share, euros	14.07	11.77	10.27	12.88
P/B ratio	2.23	1.40	1.46	1.62
P/E ratio	8.06	6.60	5.65	5.71
Market value, million EUR	554.9	291.0	264.8	369.0

Ratio definitions are provided on page 37 of the report.

CHANGE IN THE PRICE AND TRANSACTION VOLUME OF MERKO EHITUS SHARE AT NASDAQ TALLINN STOCK EXCHANGE IN 2025



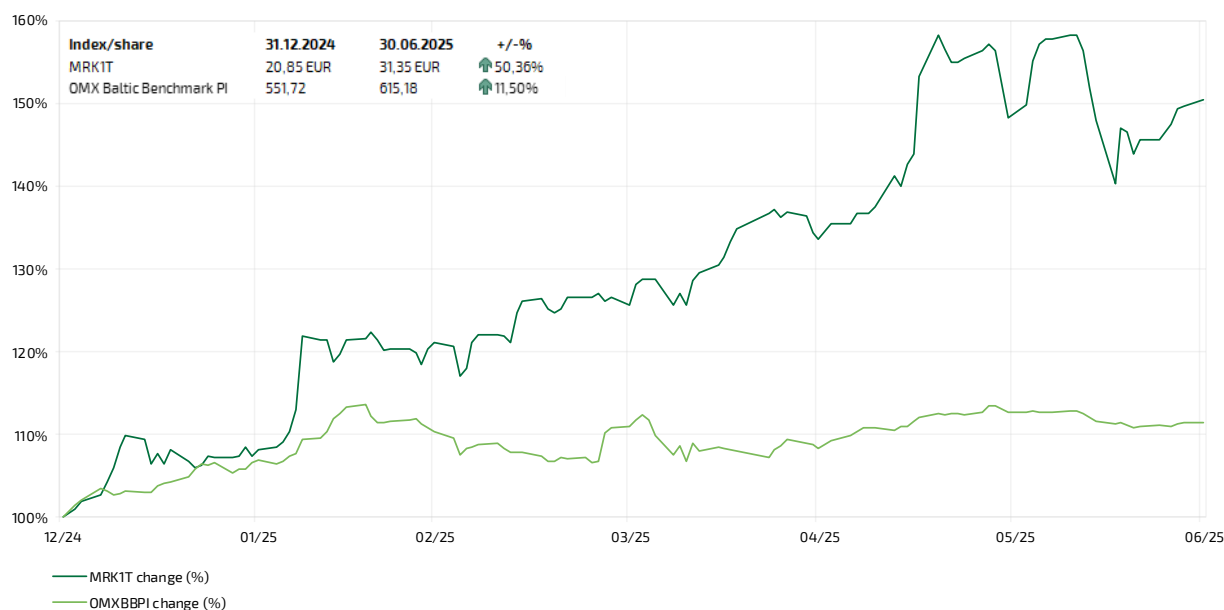
STRUCTURE OF SHAREHOLDERS ACCORDING TO NUMBER OF SHARES AS OF 30.06.2025

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF SHARES	% OF SHARES
1,000,001 - ...	1	0.01%	12,742,686	71.99%
100,001 – 1,000,000	6	0.05%	1,371,545	7.75%
10,001 – 100,000	46	0.35%	979,717	5.54%
1,001-10,000	524	3.97%	1,396,510	7.89%
101-1,000	2,902	22.02%	963,769	5.44%
1-100	9,701	73.60%	245,773	1.39%
Total	13,180	100%	17,700,000	100%

SHAREHOLDERS OF AS MERKO EHITUS AS OF 30.06.2025 AND CHANGE COMPARED TO THE PREVIOUS QUARTER

	NUMBER OF SHARES	% OF TOTAL 30.06.2025	% OF TOTAL 31.03.2025	CHANGE
AS Riverito	12,742,686	71.99%	71.99%	-
OÜ Midas Invest	427,100	2.41%	2.34%	13,600
Firebird Republics Fund Ltd	356,335	2.01%	2.01%	-
Firebird Aurora Fund Ltd	212,328	1.20%	1.20%	-
OÜ Alar Invest	136,000	0.77%	0.77%	-
Clearstream Banking AG	121,539	0.69%	0.68%	1,990
Firebird Fund L.P.	118,243	0.67%	0.67%	-
Siseinfo OÜ	100,000	0.56%	0.56%	-
Hans Palla	61,000	0.34%	0.34%	-
Swedbank AS clients	41,826	0.24%	0.23%	1,666
Total largest shareholders	14,317,057	80.88%	80.79%	17,256
Total other shareholders	3,382,943	19.12%	19.21%	(17,256)
Total	17,700,000	100%	100%	-

PERFORMANCE OF THE SHARE OF MERKO EHITUS AND COMPARISON INDEX OMX BALTIC BENCHMARK PRICE INDEX IN 2025



DIVIDENDS AND DIVIDEND POLICY

The distribution of dividends to the shareholders of the company is recorded as a liability in the financial statements as of the moment when the payment of dividends is approved by the company's shareholders.

According to the current dividends policy the objective is paying the shareholders 50-70% of the annual profit.

On 15 May 2025, the shareholders of AS Merko Ehitus approved the Supervisory Board's proposal to the shareholders to pay out the total amount of EUR 33.6 million (EUR 1.90 per share) as dividends from net profit brought forward, which is equivalent to a 52% dividend rate and an 9.1% dividend yield for the year 2024 (using the share price as of 31 December 2024). Comparable figures in 2024 were accordingly: EUR 23.0 million (EUR 1.30 per share) as dividends, which is equivalent to a 50% dividend rate and an 8.5% dividend yield for the year 2023 (using the share price as at 31 December 2023).

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE AND STRUCTURE

AS Merko Ehitus operates as a holding company for group of companies in Estonia, Latvia and Lithuania that offer complete solutions in the field of construction and real estate development. The group's largest companies are AS Merko Ehitus Eesti (100%), OÜ Merko Kodud (100%), Tallinna Teede AS (100%), SIA Merko Mājas (100%), UAB Merko Statyba (100%) and UAB Merko Bustas (100%).

The main area of activity of the holding company is developing and implementing strategies for the Merko Ehitus group's various business segments by way of planning resources, deciding on major investments, targeting and overseeing the activity of subsidiaries and coordinating partner relations. The holding company AS Merko Ehitus has a three-member Management Board: Ivo Volkov, Tõnu Toomik and Urmas Somelar.

The overview of the Management Board and Supervisory Board have been presented on pages 17-18 and in Note 16 of the interim financial statements, and published, together with the track record and photographs, on the company's website at group.merko.ee/en/corporate-governance-2/.

It is important to maintain a simple organisational structure in the group and in management to be guided primarily by the group's objectives and requirements. For the purposes of maximum efficiency in the group management, we in some cases differentiate the management structure and legal structure. Management of the group's operating activity takes place in a country-specific manner and is coordinated at the level of the holding company.

As of 30 June 2025, the management structure is as follows:



**In Estonia, the sister companies Merko Ehitus Eesti AS, Merko Kodud OÜ and Tallinna Teede AS are from the group's point of view managed based on the same principles, but have their executive management formed completely independent from each other.*

GROUP'S LEGAL STRUCTURE

The group's legal structure is predominantly based on economic and legal rationality and does not in all cases conform one-to-one to the group's management structure. The detailed list of group companies is provided in Note 16 of the interim financial statements.

Changes in the legal structure of the group

On 25 September 2024, Merko Ehitus group's 100% subsidiaries OÜ Merko Ehitus Ventures and AS Merko Ehitus Eesti signed an agreement, according to which 50% of the share in AS Connecto Infra (ex- AS Connecto Eesti), so far owned by Merko Ehitus Eesti, was transferred to OÜ Merko Ehitus Ventures through the division. The balance sheet date of the division was 1 January 2025. The division entered into force on 16 January 2025 with an entry in the commercial register.

On 30 January 2025, the 50% joint ventures of AS Merko Ehitus Ventures — AS Connecto Infra and OÜ Connecto Varad — signed a notarised demerger agreement, under which AS Connecto Infra transferred the part of its business related to electricity infrastructure construction, OÜ Connecto Eesti (formerly OÜ Connecto Võrgud), to OÜ Connecto Varad. The demerger balance sheet date is 1 April 2025. The demerger took effect with an entry in the commercial register on 21 April 2025.

On 13 Mai 2025, the 50% shareholders of OÜ Connecto Varad — OÜ Aardekapp and OÜ Merko Ehitus Ventures — signed a resolution to increase the company's share capital. The increase in the share capital of OÜ Connecto Varad was paid for by a non-monetary contribution, consisting of shares in AS Connecto Infra.

On 2 June 2025, the joint venture PS MB.MS was registered in the Latvian Commercial Register, founded by SIA Merko Būve and AS UAB Merko Statyba, both being 100% subsidiaries of AS Merko Ehitus group.

GENERAL MEETING OF SHAREHOLDERS

The company's highest governing body is the General Meeting of Shareholders, the competencies of which are established by legislation and the articles of association of the company.

The annual general meeting of shareholders was held on 15 May 2025. The general meeting resolved to approve the annual report and the profit allocation proposal for 2024. The dividends in the sum of EUR 33.6 million (EUR 1.90 per share) paid out to the shareholders on 2 June 2025.

The general meeting confirmed three-member Supervisory Board until 06.05.2026 and elected Kristina Siimar as the member of the Supervisory Board, for a term of office until 16 May 2028 (inclusive).

The Management Board made a presentation on the company's financial results and future prospects.

In accordance with the Commercial Code, its Articles of Association and Good Governance Code, AS Merko Ehitus calls the annual and extraordinary general meeting of shareholders by notifying the shareholders through the Tallinn Stock Exchange and by publishing a meeting call in one national daily newspaper at least 3 weeks in advance. The general meeting shall be held at the place shown in the notice, on a working day and between 9 a.m. and 6 p.m., enabling most of the shareholders to participate in the General Meeting of Shareholders.

Before their publication, agendas of annual and extraordinary general meetings of the company's shareholders are approved by the Supervisory Board that shall also present to the general meeting subjects for discussion and voting. Agenda items of the general meeting, recommendations of the Supervisory Board with relevant explanations, procedural guidance for participation in the general meeting and how and when new agenda items can be proposed are published together with the notice on calling the general meeting.

General meetings can be attended by any shareholder or their authorised representative. AS Merko Ehitus does not allow participation in general meetings by electronic means of communication equipment, since the deployment of reliable solutions for the identification of shareholders, some of whom reside abroad, while ensuring the privacy of participating shareholders, would be too complicated and costly.

Annual and extraordinary general meeting of shareholders shall be chaired by an independent person. In 2025, the general meeting was chaired by groups' Head of Finance Urmas Somelar who introduced the procedure for conducting the general meeting and the procedure of asking questions from the Management Board and Supervisory Board about the company's activities.

On behalf of the company, usually the Chairman of the Management Board shall participate in the General Meeting of AS Merko Ehitus, and if necessary, other members of the Management and Supervisory Boards shall be involved. The company's auditor also participates.

The annual general meeting of shareholders of AS Merko Ehitus held in 2025 was attended by Ivo Volkov (Chairman of the Management Board), Tõnu Toomik (Member of the Management Board), Urmas Somelar (Head of Finance) and Jüri Koltsov (Auditor). The Supervisory Board was represented by Indrek Neivelt, per agreement between the members of the Supervisory Board.

SUPERVISORY BOARD

The Supervisory Board plans the activities of the company, organises the management of the company and supervises the activities of the Management Board. The Supervisory Board notifies the general meeting of shareholders of the results of a review. The Chairman of the Supervisory Board organises the work of the Supervisory Board. The main duties of the Supervisory Board are to approve the group's material strategic and tactical decisions and to supervise the activities of the group's Management Board. The Supervisory Board's actions are guided by the company's articles of association, guidelines of the general meeting, and law.

According to the Articles of Association of AS Merko Ehitus, the Supervisory Board has 3 to 5 members who shall be elected for the term of three years.

As of 30 June 2025, the Supervisory Board of AS Merko Ehitus had three members: Toomas Annus (Chairman), Indrek Neivelt and Kristina Siimar, of whom, in accordance with the requirements of the Corporate Governance Recommendations, Kristina Siimar and Indrek Neivelt were independent members.

MANAGEMENT BOARD

The Management Board is a governing body, which represents and manages AS Merko Ehitus in its daily activities in accordance with the law and the Articles of Association. The Management Board has to act in the most economically purposeful manner, taking into consideration the best interests of the company and all shareholders, while ensuring the company's sustainable development in accordance with set objectives and strategy. To ensure that the company's interests are met in the best way possible, the Management and Supervisory Boards shall extensively collaborate. At least once a quarter, a joint meeting of the Supervisory and Management Boards shall take place, in which the Management Board shall inform the Supervisory Board of significant issues

regarding the company's business operations, the fulfilment of the company's short and long-term goals and the risks possibly influencing it. For every meeting of the Supervisory Board, the Management Board shall prepare a management report and submit it well in advance of the meeting so that the Supervisory Board can study it. The Management Board prepares reports for the Supervisory Board also in between the meetings, if it is considered necessary by the Supervisory Board or its Chairperson.

Pursuant to the Articles of Association approved at the general meeting of shareholders in 2012, the Management Board may have up to three members.

As of 30 June 2025, the Management Board of AS Merko Ehitus had three members: Mr. Ivo Volkov (Chairman), Mr. Tõnu Toomik and Mr. Urmas Somelar.

The responsibilities of Ivo Volkov, Chairman of the Management Board, include, among others, fulfilling daily obligations of the CEO of AS Merko Ehitus, managing and representing the company, ensuring compliance with the Articles of Association, legal acts, organising the work of the Management Board and supervisory boards of the more important subsidiaries, coordinating the development of strategies and providing for their implementation, being responsible for strategic business development and finance. Tõnu Toomik is responsible for the management of the portfolio of properties and coordination of construction and development segments activities across the whole group. Urmas Somelar is responsible for the financial management, investor relations and compliance.

SUPERVISORY AND MANAGEMENT BOARDS OF SUBSIDIARIES

Authorisation and responsibility of supervisory boards of subsidiaries of AS Merko Ehitus are based on their Articles of Association and intragroup rules. Generally, Supervisory Boards of subsidiaries consist of members of the Management Board and Supervisory Board of the company that is the main shareholder of the specific subsidiary. Supervisory Board meetings of the most significant subsidiaries are held usually once a month, otherwise according to the group's needs, Articles of Association of subsidiaries and legal provisions. Generally, no separate fee is paid to members of the Supervisory Board of subsidiaries. Members of the Supervisory Board will also receive no severance benefits in case their contract of service is terminated before due date or not extended. The chairman or member of the Management Board of the subsidiary shall be named by the subsidiary's Supervisory Board.

Below are the supervisory boards and management boards of the significant subsidiaries that are wholly-owned by AS Merko Ehitus as of 30 June 2025:

COMPANY	SUPERVISORY BOARD	MANAGEMENT BOARD
AS Merko Ehitus Eesti	Ivo Volkov (Chairman), Tõnu Toomik, Martin Rebane, Urmas Somelar	Jaan Mäe (Chairman), Veljo Viitmann
OÜ Merko Kodud	-	Indrek Tarto
OÜ Merko Residential Investments	-	Ivo Volkov, Urmas Somelar
SIA Merko Mājas	-	Egija Smila (Chairman), Roberts Rēboks
UAB Merko Statyba	Ivo Volkov (Chairman), Tõnu Toomik, Urmas Somelar	Saulius Putrimas (Chairman) Jaanus Rästas
UAB Merko Bustas	Ivo Volkov (Chairman), Tõnu Toomik, Urmas Somelar	Saulius Putrimas (Manager)

Changes in the management of group subsidiaries

According to a decision of the Management Board of AS Merko Ehitus from 9 May 2025, the powers of the Member of the Supervisory Board of AS Merko Ehitus Eesti, Mr. Martin Rebane, have been extended until 10 May 2028. The Supervisory Board of AS Merko Ehitus Eesti will continue with four members: Mr. Ivo Volkov (the Chairman), Mr. Tõnu Toomik, Mr. Urmas Somelar and Mr. Martin Rebane.

The Supervisory Board of AS Merko Ehitus decided to extend the powers of a Member of the Management Board of the company, Mr. Tõnu Toomik until 6 June 2028 (inclusive). The Management Board of AS Merko Ehitus will continue with three members: Mr. Ivo Volkov (Chairman), Mr. Tõnu Toomik and Mr. Urmas Somelar.

MANAGEMENT BOARD'S DECLARATION

Members of the Management Board of AS Merko Ehitus declare and confirm that the consolidated unaudited interim report for the 6 months of 2025, which consists of the management report and the interim financial statements, prepared according to the current International Financial Reporting Standards as adopted by the European Union, provides, to the best of their knowledge, a true and fair view of the development of business operations, assets, liabilities, financial position, results of the operations, cash flows, and profit or loss of AS Merko Ehitus and the consolidated undertakings as a whole, includes a description of the principal risks and uncertainties, and reflects transactions with related parties. The parent company and the companies, which are part of the consolidation group, are going concerns.

Ivo Volkov	Chairman of the Management Board	07.08.2025
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Tõnu Toomik	Member of the Management Board	07.08.2025
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Urmas Somelar	Member of the Management Board	07.08.2025
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INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited

in thousand euros

	Note	2025 6 months	2024 6 months	2025 II quarter	2024 II quarter	2024 12 months
Revenue	2	167,882	203,568	82,646	122,383	539,049
Cost of goods sold	3	(138,811)	(179,859)	(68,488)	(107,558)	(443,162)
Gross profit		29,071	23,709	14,158	14,825	95,887
Marketing expenses		(2,701)	(2,293)	(1,426)	(1,225)	(5,030)
General and administrative expenses		(8,747)	(8,630)	(4,472)	(4,488)	(21,908)
Other operating income		1,083	4,393	522	3,069	5,724
Other operating expenses		(96)	(2,466)	(55)	(1,513)	(2,190)
Operating profit		18,610	14,713	8,727	10,668	72,483
Finance income/costs		4,901	3,595	3,184	2,438	3,931
incl. finance income/costs from investments in subsidiaries		-	-	-	-	(5,087)
finance income/costs from joint ventures		4,844	3,655	3,343	2,087	9,951
interest expense		(395)	(1,116)	(185)	(461)	(1,823)
foreign exchange gain (loss)		(14)	(56)	(129)	134	(948)
other financial income (expenses)		466	1,112	155	678	1,838
Profit before tax		23,511	18,308	11,911	13,106	76,414
Corporate income tax expense		(1,835)	(863)	(695)	(45)	(11,820)
Net profit for financial year		21,676	17,445	11,216	13,061	64,594
incl. net profit attributable to equity holders of the parent		21,676	17,479	11,216	13,052	64,668
net profit attributable to non-controlling interest		-	(34)	-	9	(74)
Other comprehensive income, which can subsequently be classified in the income statement						
Currency translation differences of foreign entities		7	24	66	(82)	105
Comprehensive income for the period		21,683	17,469	11,282	12,979	64,699
incl. net profit attributable to equity holders of the parent		21,683	17,501	11,282	12,975	64,764
net profit attributable to non-controlling interest		-	(32)	-	4	(65)
Earnings per share for profit attributable to equity holders of the parent (basic and diluted, in EUR)	4	1.22	0.99	0.63	0.74	3.65

The notes set out on pages 24-36 are an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

unaudited

in thousand euros

	Note	30.06.2025	30.06.2024	31.12.2024
ASSETS				
Current assets				
Cash and cash equivalents	5	25,862	44,180	91,879
Short-term deposits		23,000	-	10,000
Trade and other receivables	6	75,989	94,401	51,419
Prepaid corporate income tax		934	310	270
Inventories	7	196,552	200,768	196,521
		322,337	339,659	350,089
Non-current assets				
Investments in joint ventures		26,415	22,570	21,571
Other shares and securities		80	80	80
Other long-term loans and receivables	8	18,645	20,057	40,196
Deferred income tax assets		4,789	6,077	5,056
Investment property	9	12,475	12,674	12,606
Property, plant and equipment	10	18,171	16,648	17,147
Intangible assets	11	593	488	350
		81,168	78,594	97,006
TOTAL ASSETS		403,505	418,253	447,095
LIABILITIES				
Current liabilities				
Borrowings	12	9,712	5,840	21,303
Payables and prepayments	13	112,484	153,595	129,786
Income tax liability		112	5,971	7,101
Short-term provisions	14	9,165	12,301	7,678
		131,473	177,707	165,868
Non-current liabilities				
Long-term borrowings	12	15,018	27,426	12,102
Deferred income tax liability		6,623	1,626	6,148
Other long-term payables	15	8,080	5,135	8,719
		29,721	34,187	26,969
TOTAL LIABILITIES		161,194	211,894	192,837
EQUITY				
Non-controlling interests		-	(187)	-
Equity attributable to equity holders of the parent				
Share capital		7,929	7,929	7,929
Statutory reserve capital		793	793	793
Currency translation differences		(34)	(816)	(41)
Retained earnings		233,623	198,640	245,577
		242,311	206,546	254,258
TOTAL EQUITY		242,311	206,359	254,258
TOTAL LIABILITIES AND EQUITY		403,505	418,253	447,095

The notes set out on pages 24-36 are an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

unaudited

in thousand euros

	Equity attributable to equity holders of the parent					Non- control- ling interest	Total
	Share capital	Statutory reserve capital	Currency translation differences	Retained earnings	Total		
Balance as at 31.12.2023	7,929	793	(838)	204,171	212,055	(155)	211,900
Profit (loss) for the reporting period	-	-	-	17,479	17,479	(34)	17,445
Other comprehensive income	-	-	22	-	22	2	24
Total comprehensive income (loss) for the reporting period	-	-	22	17,479	17,501	(32)	17,469
Dividends (Note 4)	-	-	-	(23,010)	(23,010)	-	(23,010)
Total transactions with owners	-	-	-	(23,010)	(23,010)	-	(23,010)
Balance as of 30.06.2024	7,929	793	(816)	198,640	206,546	(187)	206,359
Balance as at 31.12.2024	7,929	793	(41)	245,577	254,258	-	254,258
Profit (loss) for the reporting period	-	-	-	21,676	21,676	-	21,676
Other comprehensive income	-	-	7	-	7	-	7
Total comprehensive income (loss) for the reporting period	-	-	7	21,676	21,683	-	21,683
Dividends (Note 4)	-	-	-	(33,630)	(33,630)	-	(33,630)
Total transactions with owners	-	-	-	(33,630)	(33,630)	-	(33,630)
Balance as at 30.06.2025	7,929	793	(34)	233,623	242,311	-	242,311

The share capital of AS Merko Ehitus consists of 17,700,000 shares without nominal value.

The notes set out on pages 24-36 are an integral part of these interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT

unaudited

in thousand euros

	Note	2025 6 months	2024 6 months	2024 12 months
Cash flows from operating activities				
Operating profit		18,610	14,713	72,483
Adjustments:				
Depreciation and impairment		1,483	1,603	3,235
(Profit)/loss from sale of non-current assets		(87)	(2,736)	(2,916)
Change in receivables and liabilities related to construction contracts		(5,364)	21,248	6,302
Interest income from operating activities		(929)	(935)	(1,917)
Change in provisions		(5,064)	(2,495)	5,636
Change in trade and other receivables related to operating activities		(774)	(21,355)	826
Change in inventories		138	(5,190)	(1,860)
Change in trade and other payables related to operating activities		(8,373)	2,545	(14,044)
Interest received		965	936	1,900
Interest paid		(573)	(1,375)	(2,404)
Other finance income (costs)		(95)	(94)	(180)
Corporate income tax paid		(8,741)	(5,055)	(9,297)
Total cash flows from operating activities		(8,804)	1,810	57,764
Cash flows from investing activities				
Disposal of subsidiary		-	-	(4,303)
Acquisition of associate		-	-	(5)
Net change in purchase of deposits with maturities greater than 3 months		(13,000)	-	(10,000)
Purchase of investment property		(38)	-	(45)
Disposal of investment property		-	6,499	6,499
Purchase of property, plant and equipment (excl. leased assets)		(1,897)	(596)	(1,736)
Proceeds from sale of property, plant and equipment		86	393	612
Purchase of intangible assets		(315)	(54)	(140)
Interest received		622	1,206	2,017
Dividends received		-	3,000	10,300
Total cash flows from investing activities		(14,542)	10,448	3,199
Cash flows from financing activities				
Proceeds from borrowings		3,816	4,312	18,701
Repayments of borrowings		(11,694)	(25,751)	(40,546)
Repayments of lease liabilities		(1,163)	(991)	(1,551)
Buyout of non-controlling interest		-	-	(33)
Dividends paid		(33,630)	(22,940)	(22,940)
Total cash flows from financing activities		(42,671)	(45,370)	(46,369)
Net increase/decrease in cash and cash equivalents		(66,017)	(33,112)	14,594
Change of deposits with maturities greater than 3 months		13,000	-	10,000
Total change		(53,017)	(33,112)	24,594
Cash and cash equivalents at the beginning of the period	5	91,879	77,330	77,330
Deposits with maturities greater than 3 months at the beginning of period		10,000	-	-
Total at the beginning of the period		101,879	77,330	77,330
Effect of exchange rate changes		-	(38)	(45)
Cash and cash equivalents at the end of the period	5	25,862	44,180	91,879
Deposits with maturities greater than 3 months at the end of period		23,000	-	10,000
Total at the end of the period		48,862	44,180	101,879

The notes set out on pages 24-36 are an integral part of these interim financial statements.

NOTES

NOTE 1 ACCOUNTING POLICIES USED

The consolidated interim financial statements of the AS Merko Ehitus group for 6 months 2025 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 2024 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. 2024 audited annual report and 2024 6 months unaudited interim report comparative figures are presented in the present financial report.

According to the best knowledge of the Management Board, the consolidated interim financial statements for the 6 months 2025 presents a true and fair view of the group's economic results based on the principle of going concern. The influence of seasonality of construction and the influence of the cyclical nature of development activity on the period's results can be considered insignificant.

NOTE 2 OPERATING SEGMENTS

in thousand euros

The top operating decision-maker, i.e. the Management Board of parent company AS Merko Ehitus, monitors the business operations of the group by operating segments and countries.

Reporting of the group's operations are segmented as:

- construction service,
- real estate development.

Construction service segment includes in Baltic states the services in the fields of general construction, civil engineering, electrical construction and concrete works services, additionally in Estonia road construction. Other operating areas (managerial services, supervision service, etc.) are insignificant to the group and they are reported within the construction service segment. The real estate development segment primarily consists of the group's own real estate development – construction and sale; to a lesser degree, it also includes real estate maintenance and leasing.

The business result of a segment is assessed based on external revenue, operating profit and profit before tax of the business segment. The operating profit and profit before tax of the segment is composed of the income and expenditure related to the segment. Other income and expenses not related to the segments are attributable to the activities of holding companies and are monitored at group level.

Additional information on the segments is provided in the Business activities chapter of the Management report.

In the segment reporting, all inter-segment income and expenses have been eliminated from the pre-tax profit of the segments and all unrealised internal profits have been eliminated from the segment assets.

2025 6 months	Construction service	Real estate development	Total segments
Revenue	120,645	61,705	182,350
Inter-segment revenue	(551)	(13,917)	(14,468)
Revenue from clients	120,094	47,788	167,882
incl. timing of revenue recognition at a point in time	694	45,674	46,368
timing of revenue recognition over time	119,400	2,114	121,514
Operating profit (loss)	8,808	11,862	20,670
Profit (loss) before tax	13,958	11,618	25,576
incl. interest income from operating activities	43	878	921
depreciation	(1,160)	(323)	(1,483)
recognition of provisions	(572)	(1,388)	(1,960)
profit from joint ventures	4,740	104	4,844
other finance income (costs)	470	(304)	166
incl. interest income	533	37	570
interest expenses	(46)	(304)	(350)
Assets 30.06.2025	116,221	236,259	352,480
incl. joint ventures	18,079	8,336	26,415

2024 6 months	Construction service	Real estate development	Total segments
Revenue	179,216	36,490	215,706
Inter-segment revenue	(527)	(11,611)	(12,138)
Revenue from clients	178,689	24,879	203,568
incl. timing of revenue recognition at a point in time	688	21,757	22,445
timing of revenue recognition over time	178,001	3,122	181,123
Operating profit (loss)	9,946	6,474	16,420
Profit (loss) before tax	14,109	6,119	20,228
incl. interest income from operating activities	-	935	935
depreciation	(1,295)	(308)	(1,603)
recognition of provisions	(3,677)	(400)	(4,077)
reversal of provisions	145	-	145
profit from joint ventures	3,262	393	3,655
other finance income (costs)	711	(713)	(2)
incl. interest income	788	43	831
interest expenses	(57)	(687)	(744)
Assets 30.06.2024	131,865	241,261	373,126
incl. joint ventures	14,500	8,070	22,570

2025 II quarter	Construction service	Real estate development	Total segments
Revenue	61,298	29,870	91,168
Inter-segment revenue	(266)	(8,256)	(8,522)
Revenue from clients	61,032	21,614	82,646
incl. timing of revenue recognition at a point in time	458	20,710	21,168
timing of revenue recognition over time	60,574	904	61,478
Operating profit (loss)	5,088	4,912	10,000
Profit (loss) before tax	8,517	4,669	13,186
incl. interest income from operating activities	-	431	431
depreciation	(585)	(164)	(749)
recognition of provisions	(330)	(211)	(541)
profit from joint ventures	3,278	65	3,343
other finance income (costs)	195	(275)	(80)
incl. interest income	223	12	235
interest expenses	(21)	(147)	(168)
Assets' change in II quarter	15,770	916	16,686
incl. joint ventures	3,278	65	3,343

2024 II quarter	Construction service	Real estate development	Total segments
Revenue	111,027	17,935	128,962
Inter-segment revenue	(295)	(6,284)	(6,579)
Revenue from clients	110,732	11,651	122,383
incl. timing of revenue recognition at a point in time	583	10,673	11,256
timing of revenue recognition over time	110,149	978	111,127

2024 II quarter	Construction service	Real estate development	Total segments
Operating profit (loss)	6,949	4,840	11,789
Profit (loss) before tax	9,586	4,695	14,281
incl. interest income from operating activities	-	460	460
depreciation	(640)	(137)	(777)
recognition of provisions	(2,404)	(188)	(2,592)
profit from joint ventures	1,969	118	2,087
other finance income (costs)	593	(236)	357
incl. interest income	581	42	623
interest expenses	(29)	(314)	(343)
Assets' change in II quarter	40,371	(5,727)	34,644
incl. joint ventures	(1,031)	118	(913)

2024 12 months	Construction service	Real estate development	Total segments
Revenue	476,546	86,367	562,913
Inter-segment revenue	(1,989)	(21,875)	(23,864)
Revenue from clients	474,557	64,492	539,049
incl. timing of revenue recognition at a point in time	1,550	59,569	61,119
timing of revenue recognition over time	473,007	4,923	477,930
Operating profit (loss)	59,420	16,450	75,870
Profit (loss) before tax	64,442	15,609	80,051
incl. interest income from operating activities	65	1,842	1,907
depreciation	(2,652)	(583)	(3,235)
recognition of provisions	(5,807)	(853)	(6,660)
reversal of provisions	1,408	-	1,408
finance income/costs from investments in subsidiaries	(5,087)	-	(5,087)
profit from joint ventures	9,396	555	9,951
other finance income (costs)	620	(1,374)	(754)
incl. interest income	1,561	67	1,628
interest expenses	(122)	(1,268)	(1,390)
Assets 31.12.2024	103,410	239,737	343,147
incl. joint ventures	13,339	8,232	21,571

In addition to the segment assets, as at 30.06.2025 the group holds assets in the amount of EUR 51,025 thousand (30.06.2024: EUR 45,127 thousand; 31.12.2024: EUR 103,948 thousand) that cannot be associated with a specific segment or the allocation of which to segments would be impracticable. The unallocated assets of the group comprise cash and cash equivalents, deposits, tax prepayments, other receivables and an unallocated portion of property, plant and equipment.

RECONCILIATION OF THE PRE-TAX PROFIT OF SEGMENTS AND THE GROUP

in thousand euros

	2025 6 months	2024 6 months	2025 II quarter	2024 II quarter	2024 12 months
Pre-tax profit from reporting segments	25,576	20,228	13,186	14,281	80,051
Other operating profit (loss)	(2,060)	(1,708)	(1,274)	(1,121)	(3,388)
incl. recognition of provisions	-	-	-	-	(185)
finance income (costs)	(5)	(212)	(1)	(54)	(249)
incl. interest expenses	48	(178)	33	(37)	(176)
Total profit before tax	23,511	18,308	11,911	13,106	76,414

Other income and expenses, which are not directly associated with segments, are associated with holding companies.

REVENUE BY CLIENT LOCATION

in thousand euros and percentages

	2025 6 months		2024 6 months		2025 II quarter		2024 II quarter		2024 12 months	
Estonia	94,395	56%	85,641	42%	48,008	58%	54,998	45%	224,655	42%
Latvia	17,087	10%	6,970	4%	9,781	12%	4,576	4%	30,536	6%
Lithuania	56,400	34%	110,664	54%	24,857	30%	62,733	51%	283,613	52%
Norway	-	0%	293	0%	-	0%	76	0%	245	0%
Total	167,882	100%	203,568	100%	82,646	100%	122,383	100%	539,049	100%

CONTRACT ASSETS AND LIABILITIES

in thousand euros

	30.06.2025	30.06.2024	31.12.2024
Accrued income from construction services (Note 6)	11,228	7,987	8,965
Prepayments for construction services (Note 13)	(38,511)	(55,517)	(41,612)
Advance payments received for construction contract works (Notes 13, 15)	(9,075)	(23,491)	(7,969)
Recognised provision for onerous construction contracts (Note 14)	(20)	(61)	(7)

NON-CURRENT ASSETS (EXCEPT FOR FINANCIAL ASSETS) BY LOCATION OF ASSETS

in thousand euros

	30.06.2025	30.06.2024	31.12.2024
Estonia	48,435	43,099	42,556
Latvia	6,743	6,599	6,480
Lithuania	2,556	2,736	2,718
Norway	-	26	-
Total	57,734	52,460	51,754

NOTE 3 COST OF GOODS SOLD

in thousand euros

	2025 6 months	2024 6 months	2025 II quarter	2024 II quarter	2024 12 months
Construction services and properties purchased for resale	96,176	129,509	44,238	77,395	332,065
Materials	12,594	18,191	8,910	13,450	41,566
Labour costs	14,236	14,688	7,302	6,432	32,888
Construction mechanisms and transport	2,838	3,395	1,774	2,261	7,719
Design	3,419	3,313	2,062	1,896	7,641
Real estate management costs	716	701	309	342	1,444
Depreciation	1,074	1,113	546	526	2,182
Provisions	1,960	2,190	441	1,703	3,866
Other expenses	5,798	6,759	2,906	3,553	13,791
Total cost of goods sold	138,811	179,859	68,488	107,558	443,162

NOTE 4 EARNINGS AND DIVIDENDS PER SHARE

Basic earnings per share for profit attributable to equity holders of the parent have been derived by dividing the net profit attributable to shareholders by the weighted average number of shares.

	2025 6 months	2024 6 months	2025 II quarter	2024 II quarter	2024 12 months
Net profit (loss) attributable to shareholders <i>(in thousand EUR)</i>	21,676	17,479	11,216	13,052	64,668
Weighted average number of ordinary shares <i>(thousand pcs)</i>	17,700	17,700	17,700	17,700	17,700
Earnings (loss) per share <i>(in euros)</i>	1.22	0.99	0.63	0.74	3.65

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

Dividends payable are recognised after the approval of profit allocation by the shareholders. In accordance with the profit allocation decision, in 2025 the parent company AS Merko Ehitus paid dividends of EUR 33,630 thousand, i.e. EUR 1.90 per share (in 2024 were paid EUR 23,010 thousand). On that, the company did not incur income tax obligation, as the dividend payments were covered by dividends already paid to the parent company by subsidiaries.

Pursuant to IAS 12, the deferred income tax expense and liability will be recognized in AS Merko Ehitus group consolidated financial statements based on the share of net profit in the year ended that is planned to be paid out as dividends in the foreseeable future.

As at 30.06.2025 the balance of deferred income tax liability includes deferred income tax on dividends in the amount of 5,032 thousand euros (30.06.2024: EUR 101 thousand euros; 31.12.2024: EUR 4,642 thousand euros).

As of 30.06.2025, the parent company AS Merko Ehitus has EUR 23,735 thousand (30.06.2024: EUR 9,296 thousand; 31.12.2024: EUR 9,296 thousand) in dividends received from subsidiaries in previous periods and income from abroad, on which the income tax has been withheld.

As at 30.06.2025, it is possible to pay out dividends to shareholders from retained earnings in the amount of EUR 187,641 thousand (30.06.2024: EUR 160,118 thousand; 31.12.2024: EUR 193,562 thousand). Considering the dividends received and income tax withheld on foreign income totalling EUR 6,977 thousand (30.06.2024: EUR 2,324 thousand; 31.12.2024: EUR 2,621 thousand), the corresponding income tax on dividends would amount to EUR 45,948 thousand (30.06.2024: EUR 37,706 thousand; 31.12.2024: EUR 51,974 thousand). The calculation of additional income tax on dividends is based on the income tax rate of 22% (22/78 of net dividends). The income tax related to disbursement of dividends is recognised as a liability and income tax expense upon the announcement of dividends.

NOTE 5 CASH AND CASH EQUIVALENTS

in thousand euros

	30.06.2025	30.06.2024	31.12.2024
Bank accounts	18,330	42,037	90,375
Overnight deposits	4,532	1,139	1,504
Term deposits with maturities of 3 months or less	3,000	1,004	-
Total cash and cash equivalents	25,862	44,180	91,879

NOTE 6 TRADE AND OTHER RECEIVABLES

in thousand euros

	30.06.2025	30.06.2024	31.12.2024
Trade receivables			
Accounts receivable	55,987	80,109	37,883
Allowance for doubtful receivables	(1)	(629)	(3)
	55,986	79,480	37,880
Tax prepayments excluding corporate income tax			
Value added tax	994	691	570
Other taxes	62	20	-
	1,056	711	570
Accrued income from construction services	11,228	7,987	8,965
Other short-term receivables			
Interest receivables	-	-	19
Other short-term receivables	105	1,028	88
	105	1,028	107
Prepayments for services			
Prepayments for construction services	6,650	4,018	2,555
Prepaid insurance	591	939	901
Other prepaid expenses	373	238	441
	7,614	5,195	3,897
Total trade and other receivables	75,989	94,401	51,419
incl. other short-term receivables and prepayments to related parties (Note 16)	5,167	4,439	4,746

NOTE 7 INVENTORIES

in thousand euros

	30.06.2025	30.06.2024	31.12.2024
Materials	695	503	625
Work-in-progress	69,443	58,704	63,459
Finished goods	41,717	52,496	43,996
Goods for resale			
Registered immovables purchased for resale/development	83,795	87,511	87,720
Other goods purchased for resale	401	785	405
	84,196	88,296	88,125
Prepayments for inventories			
Prepayments for real estate properties	13	13	13
Prepayments for other inventories	488	756	303
	501	769	316
Total inventories	196,552	200,768	196,521

NOTE 8 OTHER LONG-TERM LOANS AND RECEIVABLES

in thousand euros

	30.06.2025	30.06.2024	31.12.2024
Long-term loan receivables	-	-	7,300
Long-term receivables from customers of construction services	18,645	20,057	32,896
Total other long-term loans and receivables	18,645	20,057	40,196
incl. short-term loan receivables from related parties (Note 16)	-	-	7,300

NOTE 9 INVESTMENT PROPERTY

in thousand euros

	30.06.2025	30.06.2024	31.12.2024
Land	6,109	6,109	6,109
Right of superficies at carrying amount			
Cost	29	29	29
Accumulated depreciation	(16)	(15)	(16)
	13	14	13
Buildings at carrying amount			
Cost	8,026	8,092	8,026
Accumulated depreciation	(1,756)	(1,541)	(1,587)
	6,270	6,551	6,439
Construction in progress	83	-	45
Total investment property	12,475	12,674	12,606

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

in thousand euros

	30.06.2025	30.06.2024	31.12.2024
Land	1,266	1,266	1,266
Buildings at carrying amount*			
Cost	7,469	8,330	7,468
Accumulated depreciation	(3,694)	(4,178)	(3,519)
	3,775	4,152	3,949
Machinery and equipment at carrying amount*			
Cost	19,859	19,036	19,264
Accumulated depreciation	(10,612)	(9,852)	(9,855)
	9,247	9,184	9,409
Other fixtures at carrying amount			
Cost	3,922	4,520	3,584
Accumulated depreciation	(2,400)	(3,165)	(2,320)
	1,522	1,355	1,264
Construction in progress and prepayments for property, plant and equipment	2,361	691	1,259
Total property, plant and equipment	18,171	16,648	17,147

* As of 30 June 2025, the balance of buildings at carrying amount includes leased assets in a sum of EUR 280 thousand (30.06.2024: EUR 479 thousand; 31.12.2024: EUR 365 thousand). The balance of machinery and equipment at carrying amount includes leased assets in a sum of EUR 3,425 thousand (30.06.2024: EUR 3,750 thousand; 31.12.2024: EUR 4,086 thousand).

NOTE 11 INTANGIBLE ASSETS

in thousand euros

	30.06.2025	30.06.2024	31.12.2024
Goodwill			
Cost	1	64	1
Impairment	-	(63)	-
	1	1	1
Software at carrying amount			
Cost	1,537	1,465	1,537
Accumulated depreciation	(1,270)	(1,179)	(1,198)
	267	286	339
Prepayments for intangible assets	325	201	10
Total intangible assets	593	488	350

NOTE 12 BORROWINGS

in thousand euros

	30.06.2025	30.06.2024	31.12.2024
Lease liabilities*			
Lease liabilities balance	3,724	4,294	4,520
incl. current portion	873	993	1,031
non-current portion 2...5 years	2,851	3,301	3,489
Bank loans			
Loan balance	20,632	28,917	28,511
incl. current portion	8,465	4,792	19,898
non-current portion 2...5 years	12,167	24,125	8,613
Loans from other entities			
Loan balance	374	55	374
incl. current portion	374	55	374
Total loans			
Loans balance	21,006	28,972	28,885
incl. current portion	8,839	4,847	20,272
non-current portion 2...5 years	12,167	24,125	8,613
Total borrowings	24,730	33,266	33,405
incl. current portion	9,712	5,840	21,303
non-current portion 2...5 years	15,018	27,426	12,102

* As of 30 June 2025, the lease liabilities include a balance of EUR 129 thousand to related parties (30.06.2024: EUR 187 thousand; 31.12.2024: EUR 158 thousand) (Note 16).

NOTE 13 PAYABLES AND PREPAYMENTS

in thousand euros

	30.06.2025	30.06.2024	31.12.2024
Trade payables	43,938	56,364	55,469
Payables to employees	12,223	10,930	18,206
Tax liabilities, except for corporate income tax			
Value added tax	2,435	3,619	3,309
Personal income tax	666	613	612
Social security tax	1,447	1,341	1,947
Unemployment insurance tax	53	50	77
Contributions to mandatory funded pension	38	27	42
Other taxes	232	242	148
	4,871	5,892	6,135
Prepayments for construction services	38,511	55,517	41,612
Other liabilities			
Interest liabilities	87	89	88
Other liabilities	132	482	171
	219	571	259
Prepayments received *	12,722	24,321	8,105
Total payables and prepayments	112,484	153,595	129,786
incl. payables to related parties (Note 16)	35	16	47

* As of 30 June 2025, the balance of prepayments received consists of prepayments received in connection with construction contracts (advance payments received for construction contract works) in a sum of EUR 7,017 thousand (30.06.2024: EUR 21,337 thousand; 31.12.2024: EUR 4,373 thousand) and of prepayments received in connection with residential properties (apartment buyers) in a sum of EUR 5,705 thousand (30.06.2024: EUR 2,984 thousand; 31.12.2024: EUR 3,732 thousand) (Note 2).

NOTE 14 SHORT-TERM PROVISIONS

in thousand euros

	30.06.2025	30.06.2024	31.12.2024
Provision for warranty obligation for construction	4,960	6,664	5,181
Provision for costs of projects sold and work-in-progress projects	3,598	1,927	1,702
Provision for onerous construction contracts	20	61	7
Provision for legal costs and claims filed	387	3,449	410
Other provisions	200	200	378
Total short-term provisions	9,165	12,301	7,678

NOTE 15 OTHER LONG-TERM PAYABLES

in thousand euros

	30.06.2025	30.06.2024	31.12.2024
Trade payables	5,962	2,981	5,123
Prepayments received *	2,058	2,154	3,596
Other long-term liabilities	60	-	-
Other long-term payables total	8,080	5,135	8,719

* As of 30 June 2025, the balance of prepayments received consists of prepayments received in connection with construction contracts (advance payments received for construction contract works) in a sum of EUR 2,058 thousand (30.06.2024: EUR 2,154 thousand; 31.12.2024: EUR 3,596 thousand) (Note 2).

NOTE 16 RELATED PARTY TRANSACTIONS

In compiling the group 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 under control of AS Riverito shareholders or so-called sister companies, in the Note 'Entities under common control';
- associates and joint ventures;
- key members of the management (supervisory and management board), 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.

The parent of AS Merko Ehitus is AS Riverito. As at 30.06.2025, 30.06.2024 and 31.12.2024, AS Riverito owned 71.99% of the shares of AS Merko Ehitus. The ultimate controlling party of the group is Mr. Toomas Annus.

AS MERKO EHITUS SUBSIDIARIES AND JOINT VENTURES

	Ownership and voting rights %			Location	Area of operation
	30.06.2025	30.06.2024	31.12.2024		
Subsidiaries					
AS Merko Ehitus Eesti	100	100	100	Estonia, Tallinn	Construction
OÜ Tähelinna Kinnisvara	100	100	100	Estonia, Tallinn	Real estate
OÜ Vahi Lastehoid	100	100	100	Estonia, Tallinn	Real estate
OÜ Merko Kaevandused	100	100	100	Estonia, Tallinn	Mining
Tallinna Teede AS	100	100	100	Estonia, Tallinn	Road construction
OÜ Merko Kodud	100	100	100	Estonia, Tallinn	Real estate
UAB Merko Statyba	100	100	100	Lithuania, Vilnius	Construction
UAB Timana	100	100	100	Lithuania, Vilnius	Real estate
UAB VPSP 2	100	100	100	Lithuania, Vilnius	Real estate
UAB VPSP Projektai	100	100	100	Lithuania, Vilnius	Real estate
OÜ Merko Property	100	100	100	Estonia, Tallinn	Real estate
UAB Balsiu Mokyklos SPV	100	100	100	Lithuania, Vilnius	Real estate
UAB Merko Bustas	100	100	100	Lithuania, Vilnius	Real estate
UAB MN Projektas	100	100	100	Lithuania, Vilnius	Real estate
UAB MN 2 Projektas	100	100	100	Lithuania, Vilnius	Real estate
UAB MB Projektas	100	100	100	Lithuania, Vilnius	Real estate
UAB Statinių Priežiūra ir Administravimas	100	100	100	Lithuania, Vilnius	Real estate
UAB MB 4 Projektas	100	100	100	Lithuania, Vilnius	Real estate
OÜ Merko Investments	100	100	100	Estonia, Tallinn	Holding
SIA Merks	-	100	-	Latvia, Riga	Construction
PS Merks-Ostas Celtnieks	-	65	-	Latvia, Riga	Construction
PS Merks Merko Infra	-	100	-	Latvia, Riga	Construction
SIA Merko Būve	100	100	100	Latvia, Riga	Construction
PS MB.MEE	100	100	100	Latvia, Riga	Construction
PS MB.MS	100	-	-	Latvia, Riga	Construction
SIA Merko Management Latvia	100	100	100	Latvia, Riga	Real estate
OÜ Merko Residential Investments	100	100	100	Estonia, Tallinn	Holding
SIA Merko Mājas (ex-SIA Merks Mājas)	100	100	100	Latvia, Riga	Real estate
SIA Ropažu Priedes	100	100	100	Latvia, Riga	Real estate
SIA Zakusala Estates	100	100	100	Latvia, Riga	Real estate
Merko Investments AS	100	100	100	Norway, Sofiemyr	Holding
Peritus Entreprenør AS	-	100	-	Norway, Sofiemyr	Construction
Løkenskogen Bolig AS	100	62	100	Norway, Sofiemyr	Real estate
OÜ Merko Ehitus Ventures	100	-	100	Estonia, Tallinn	Holding
Joint ventures					
Kodusadam OÜ	50	50	50	Estonia, Tallinn	Real estate
OÜ Connecto Varad*	50	-	50	Estonia, Tallinn	Holding

Additional information on the changes during the reported period is provided in chapter Corporate Governance in Management report.

* Information on the division of OÜ Connecto Varad is presented in the same chapter.

GOODS AND SERVICES

in thousand euros

	2025 6 months	2024 6 months	2024 12 months
Provided services and goods sold			
Joint ventures	1,248	3,100	3,904
Entities under common control	28,834	19,576	47,003
Members of the management	11	-	31
Total services provided and goods sold	30,093	22,676	50,938
Interest income			
Joint ventures	56	13	32
Entities under common control	8	-	6
Total interest income	64	13	38
Purchased services and goods			
Joint ventures	1	1	18
Entities under common control	43	40	80
Total purchased services and goods	44	41	98
Interest expense			
Entities under common control	-	130	130
Total interest expense	-	130	130

BALANCES WITH RELATED PARTIES

in thousand euros

	30.06.2025	30.06.2024	31.12.2024
Receivables from related parties			
Loans granted (Notes 6,8)			
Joint venture	-	-	7,300
Receivables and prepayments (Note 6)			
Joint ventures	599	74	142
Entities under common control	4,554	4,365	4,585
Members of the management	14	-	19
Total receivables and prepayments	5,167	4,439	4,746
Total receivables from related parties	5,167	4,439	12,046
Payables to related parties			
Lease liabilities (Note 12)			
Entities under common control	129	187	158
Payables and prepayments (Note 13)			
Joint ventures	-	-	12
Entities under common control	35	16	35
Total payables and prepayments	35	16	47
Total payables to related parties	164	203	205

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

The cost of remuneration to members of the Supervisory Board and Management Board of AS Merko Ehitus incl. basic salaries and performance pay, as well as taxes and changes in reserves for the 6 months of 2025 were EUR 1,353 thousand (6 months of 2024: EUR 1,015 thousand; 12 months of 2024: EUR 1,824 thousand).

SEVERANCE BENEFITS OF MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

Authorization agreements have been concluded with the Supervisory Board members, according to which no severance benefits are paid to them upon termination of the contract. In the 6 months of 2025, the Management Board members of AS Merko Ehitus did not receive benefits (6 months of 2024: EUR 0; 12 months of 2024: EUR 0).

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 group.merko.ee/en/management-and-supervisory-board/.

Shares held by members of the Supervisory Board of AS Merko Ehitus as of 30.06.2025:

		NO OF SHARES	% OF SHARES
Toomas Annus (AS Riverito) *	Chairman of the Supervisory Board	12,742,686	71.99%
Indrek Neivelt (OÜ Trust IN)	Member of the Supervisory Board	31,635	0.18%
Kristina Siimar	Member of the Supervisory Board	-	-
		12,774,321	72.17%

* Toomas Annus controls through a holding company the majority of the votes determined by shares in AS Riverito. Thus, the shares of AS Riverito and the votes determined by it in AS Merko Ehitus (12,742,686 shares) are considered to be under the control of Toomas Annus.

The Management Board of the holding company AS Merko Ehitus has three members: Ivo Volkov Tõnu Toomik and Urmas Somelar.

Shares held by members of the Management Board of AS Merko Ehitus as of 30.06.2025:

		NO OF SHARES	% OF SHARES
Ivo Volkov	Chairman of the Management Board	4,137	0.02%
Tõnu Toomik	Member of the Management Board	-	-
Urmas Somelar	Member of the Management Board	-	-
		4,137	0.02%

NOTE 17 CONTINGENT LIABILITIES

in thousand euros

The group has obtained the following guarantees from financial institutions and issued sureties to guarantee the group's obligations to third parties. These amounts represent the maximum right of claim by third persons against the group in case the group is unable to meet its contractual obligations. Management estimates that additional expenses related to these guarantees are unlikely.

	30.06.2025	30.06.2024	31.12.2024
Performance period's warranty to the customer	39,856	36,073	42,115
Tender warranty	55	6,580	6
Guarantee for warranty period	8,675	27,292	22,632
Prepayment guarantee	9,797	25,567	23,300
Payment guarantee	-	57	57
Letter of credit	-	159	-
Contracts of surety	12,219	2,037	2,108
Total contingent liabilities	70,602	97,765	90,218

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 fulfilled.

Tender warranty – warranty provider guarantees to the customer arranging the tender process that the tenderer will sign a contract as per tender conditions.

Guarantee for warranty period – guarantee provider guarantees to the customer that the construction defects discovered during the warranty period will be eliminated.

Prepayment guarantee – guarantee provider guarantees to the customer that advances will be reimbursed, if contractor fails to deliver goods or services agreed.

Payment guarantee – guarantee provider guarantees repayments of the customer's/developer's loan and/or guarantee provider guarantees to the customer payment for goods or services.

Letter of credit – a letter of credit is the obligation of the buyer (i.e. the bank opening the letter of credit) to pay the seller (i.e. the receiver of the letter of credit) the amount of the letter of credit, if the seller fulfils and presents documentation to the bank regarding the fulfilment of the conditions fixed with the letter of credit.

Contracts of surety – the group guarantees the timely fulfilment of group member's liabilities towards a third party (e.g. providing services by a certain date in the agreed amount).

DEFINITION OF RATIOS

Gross profit margin (%)	=	$\frac{\text{Gross profit}}{\text{Revenue}}$
Operating profit margin (%)	=	$\frac{\text{Operating profit}}{\text{Revenue}}$
EBT margin (%)	=	$\frac{\text{Pre-tax profit}}{\text{Revenue}}$
Net profit margin (%)	=	$\frac{\text{Net profit (attributable to equity holders of the parent)}}{\text{Revenue}}$
Return on equity, ROE (%)	=	$\frac{\text{Net profit (attributable to equity holders of the parent) of the current 4 quarters}}{\text{Shareholders equity (average of the current 4 quarters)}}$
Return on assets, ROA (%)	=	$\frac{\text{Net profit (attributable to equity holders of the parent) of the current 4 quarters}}{\text{Total assets (average of the current 4 quarters)}}$
Return on invested capital, ROIC (%)	=	$\frac{(\text{Profit before tax} + \text{interest expense} - \text{foreign exchange gain (loss)} + \text{other financial income}) \text{ of the current 4 quarters}}{(\text{Shareholders equity (average)} + \text{interest-bearing liabilities (average)}) \text{ of the current 4 quarters}}$
Equity ratio (%)	=	$\frac{\text{Shareholders' equity}}{\text{Total assets}}$
Debt ratio (%)	=	$\frac{\text{Interest-bearing liabilities}}{\text{Total assets}}$
Current ratio	=	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Quick ratio	=	$\frac{\text{Current assets} - \text{inventories}}{\text{Current liabilities}}$
Accounts receivable turnover(days)	=	$\frac{\text{Trade receivables of the current 4 quarters (average)} \times 365}{\text{Revenue of the current 4 quarters}}$
Accounts payable turnover (days)	=	$\frac{\text{Payables to suppliers of the current 4 quarters (average)} \times 365}{\text{Cost of goods sold of the current 4 quarters}}$
EBITDA (million EUR)	=	Operating profit + depreciation
EBITDA margin (%)	=	$\frac{\text{Operating profit} + \text{depreciation}}{\text{Revenue}}$
General expense ratio (%)	=	$\frac{\text{Marketing expenses} + \text{General and administrative expenses}}{\text{Revenue}}$
Labour cost ratio (%)	=	$\frac{\text{Labour costs}}{\text{Revenue}}$
Revenue per employee (EUR)	=	$\frac{\text{Revenue}}{\text{Number of employees (average)}}$
Earnings per share, EPS (EUR)	=	$\frac{\text{Net profit (attributable to equity holders of the parent)}}{\text{Number of shares}}$
Equity/share (EUR)	=	$\frac{\text{Shareholders equity (average of the current 4 quarters)}}{\text{Number of shares}}$
Dividend per share (EUR)	=	$\frac{\text{Payable dividends}}{\text{Number of shares}}$
Dividend rate (%)	=	$\frac{\text{Payable dividends} \times 100}{\text{Net profit (attributable to equity holders of the parent)}}$
Dividend yield (%)	=	$\frac{\text{Dividends payable per share}}{\text{Share price 31.12}}$
P/E	=	$\frac{\text{Share price 30.06}}{\text{Earnings per share of the current 4 quarters}}$
P/B	=	$\frac{\text{Share price 30.06}}{\text{Equity per share (average of the current 4 quarters)}}$
Market value	=	Share price 30.06 x Number of shares