



AS MERKO EHITUS

GROUP

2025 9 months and III 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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Reporting period:	01.01.2025 – 30.09.2025
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Management Board:	Ivo Volkov, Tõnu Toomik, Urmas Somelar
Auditor:	AS PricewaterhouseCoopers

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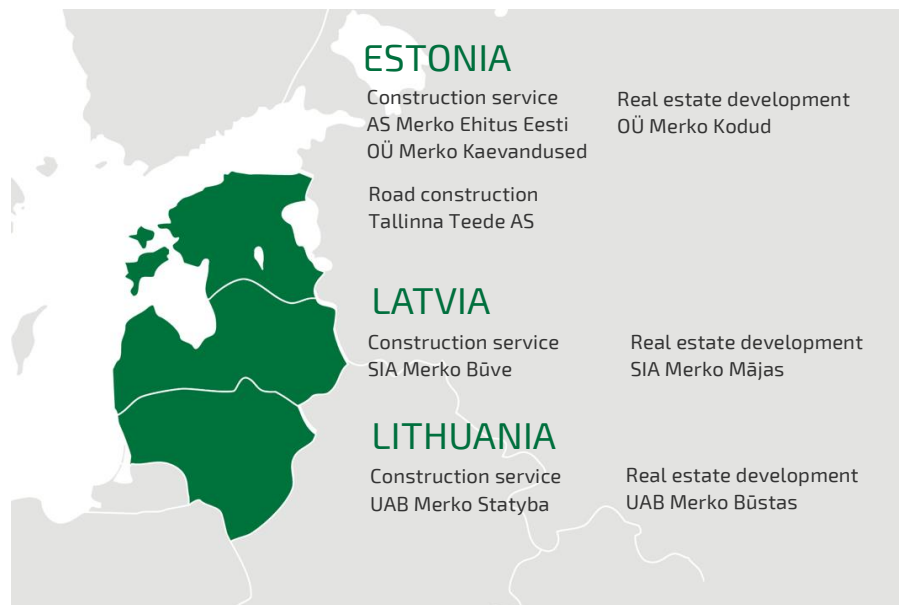
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BRIEF OVERVIEW OF THE GROUP

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 74 million in the third quarter of 2025 and EUR 242 million in the first 9 months of the year. Net profit for Q3 amounted to EUR 15.0 million, while net profit for the 9-month period was EUR 36.7 million. So far this year, Merko has handed over 55% more apartments and commercial premises to buyers than in the first nine months of last year.

According to the management of Merko Ehitus, the third quarter, some of the most significant construction projects in recent times and the largest in Merko's history were completed – the Arter quarter together with the interior works of the Swedbank headquarters in Tallinn and the Pabradė defence campus in Lithuania. As a result, group is returning to its more usual revenue structure. During the first nine months of this year, the share of real estate development increased and accounted for more than a quarter of sales revenue. Consequently, the operating profit margin has also improved.

The real estate market remains most active in Lithuania, while year-on-year conditions have improved in Estonia, and Latvia continues on a slightly upward trend. The market recovery is well illustrated by the fact that, in a nine-month comparison, group companies have handed over more than 55% more apartments and commercial units to buyers. The volume of apartments under construction and completed has slightly decreased compared to the end of the second quarter of this year, and half of them are located in Vilnius, which has the most active market. Management continues to forecast real estate market developments hand in hand with changes in consumer confidence.

In the construction market, there are few tenders and mostly they involve large-scale works. Competition remains extremely intense and, as a result, service margins are low. This year and last year, Merko companies have signed several large-scale contracts related to the construction of Rail Baltica, including Estonia's largest alliance contract as part of an international consortium. Due to the nature of these contracts, where a significant amount of time is spent on design, actual construction will begin in the coming quarters and will be reflected in sales revenue accordingly. The volume of unfinished construction work in the group is at a historical high.

The group's financial position is strong, and net debt is negative. Joint ventures involved in the construction and maintenance of energy infrastructure, Connecto Infra and Connecto Eesti, continue to contribute strongly to the results. For Merko, these are financial investments, and the revenue of these companies is not reflected in Merko's consolidated sales revenue. Connecto has a high volume of work due to significant investments directed into the sector, but many large-scale projects in this sector are also nearing completion, and network operators' investment plans are expected to decline in the foreseeable future.

In the first nine months of 2025, Merko signed new construction contracts worth EUR 323 million, the largest of which were the Rail Baltica Ülemiste terminal in Tallinn, the Rail Baltica mainline section from Tallinn to Pärnu, a hotel and event centre in Pärnu, and the construction of foundations and infrastructure for the Augstkalni wind farm in Latvia. As of the end of the third quarter, the balance of secured order-book for external clients amounted to EUR 486 million.

During the nine months of 2025, Merko handed over 315 apartments and three commercial units to buyers in Estonia, Latvia, and Lithuania. In the same period, Merko started the construction and sale of 771 new apartments and 21 commercial units, nearly two-thirds of them in the Šnipiškis Urban and Vilnelės Skverai projects in Vilnius. As of the end of the third quarter, the balance sheet included 1,089 apartments, of which 19% were covered by pre-sale agreements. The largest ongoing development projects were Uus-Veerenni, Noblessner and Lahekalda in Tallinn, Ūielehe in Jūri, and Erminurme in Tartu; Lucavsala, Arena Garden Towers and Mežpilsēta in Riga; and Vilnelės Skverai and Šnipiškis Urban in Vilnius.

In the third quarter of 2025, the largest construction sites were the Hyatt hotel building, the Kullo Hobby Centre and the City Plaza 2 office building in Tallinn, the National Defence Building in Tartu, and the hotel and event centre in Pärnu, the Rail Baltica Ülemiste joint terminal, and the fourth stage of the Rail Baltica mainline in Harju County and the Tallinn-Pärnu section. In Lithuania, the largest construction sites were wind farm infrastructure in the Pagėgiai, Telšiai and Pasvalys regions, as well as various national defence buildings and infrastructure. In Latvia, construction is underway on a solar power plant in Vārme Parish, a student hotel in Riga, and infrastructure in Augstkalni wind farm.

**2025 9M
REVENUE**
242 MILLION EUROS

**PROFIT
BEFORE TAX**
40.2 MILLION EUROS

OVERVIEW OF THE III QUARTER AND 9 MONTHS RESULTS

PROFITABILITY

2025 9 months' pre-tax profit was EUR 40.2 million and Q3 2025 was EUR 16.6 million (9M 2024: EUR 49.6 million and Q3 2024 was EUR 31.3 million), which brought the pre-tax profit margin to 16.6% (9M 2024: 13.1%).

Net profit attributable to shareholders for 9 months 2025 was EUR 36.7 million (9M 2024: EUR 44.8 million) and for Q3 2025 net profit attributable to shareholders was EUR 15.0 million (Q3 2024: EUR 27.3 million). 9 months net profit margin was 15.2% (9M 2024: 11.8%).

REVENUE

Q3 2025 revenue was EUR 73.9 million (Q3 2024: EUR 175.1 million) and 9 months' revenue was EUR 241.8 million (9M 2024: EUR 378.7 million). 9 months' revenue decreased by 36.1% compared to same period last year. The share of revenue earned outside Estonia in 9 months 2025 was 47.4% (9M 2024: 60.1%).

SECURED ORDER BOOK

As of 30 September 2025, the group's secured order book was EUR 486.2 million (30 September 2024: EUR 430.9 million). In 9 months 2025, group companies signed contracts in the amount of EUR 322.8 million (9M 2024: EUR 292.1 million). In Q3 2025, new contracts were signed in the amount of EUR 99.6 million (Q3 2024: EUR 152.6 million).

REAL ESTATE DEVELOPMENT

In 9 months 2025, the group sold a total of 315 apartments; in 9 months 2024, the group sold 194 apartments. The group earned a revenue of EUR 59.7 million from sale of own developed apartments in 9 months 2025 and EUR 36.0 million in 9 months 2024. In Q3 of 2025 a total of 93 apartments were sold, compared to 74 apartments in Q3 2024, and earned a revenue of EUR 14.9 million from sale of own developed apartments (Q3 2024: EUR 14.6 million).

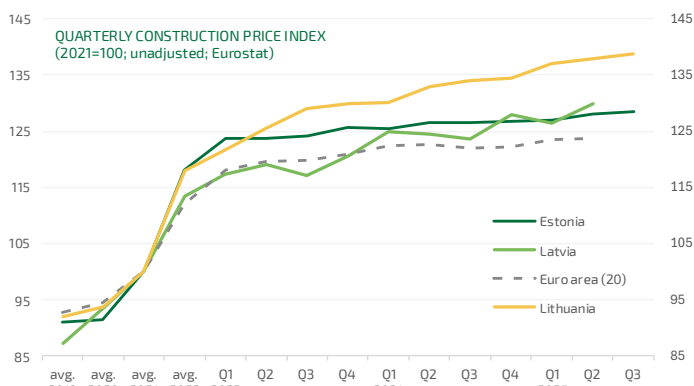
CASH POSITION

At the end of the reporting period, the group had EUR 34.3 million in cash and cash equivalents, and equity of EUR 257.3 million (64.4% of total assets). Comparable figures as of 30 September 2024 were EUR 61.1 million and EUR 234.6 million (51.3% of total assets), respectively. As of 30 September 2025, the group's net debt was negative EUR 8.0 million (30 September 2024: negative EUR 22.2 million).

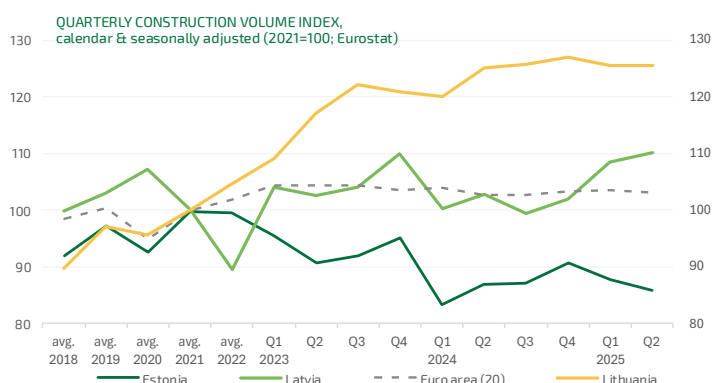
OUTLOOK OF CONSTRUCTION AND REAL ESTATE MARKET

CONSTRUCTION SERVICES

The trend of low but steady growth in construction prices, ongoing for 10 quarters now, did not change in the third quarter of this year. Also, this is not a Baltic phenomenon, the construction prices throughout the EU have increased at a broadly similar pace. The sources of growth have varied, but overall construction prices have increased by around 5% in the entire euro area over the past 10 quarters. This reflects the ongoing adjustment of universal input prices – labour and energy – to the high inflation of the 2020-2022 and carbon emission prices. There continue to be temporary and local exceptions due to the activity of a specific market. For example, the Lithuanian construction price index continues to rise faster, reflecting a more active market and stronger demand. The increase in construction prices in Lithuania over the past 10 quarters has been in the order of approximately 14%, compared to rise of only 4% in Estonia over the same period. In Estonia, construction volumes have remained below the levels of 2021-2022, and accordingly, the prices quoted by construction firms have been under pressure, with minimal margins. Although recently even government and its agencies have begun to understand the additional costs that are likely to arise from the Green Deal implementation and have begun to stand up at EU meetings to change or at least postpone these measures, changing political agreements will probably take at least as long as their original conclusion. Accordingly, we reiterate our position that construction price indices will not fall in the next year and a half, and we will see the next substantial movements after the arrival of new political agreements on the implementation of the Green Deal.



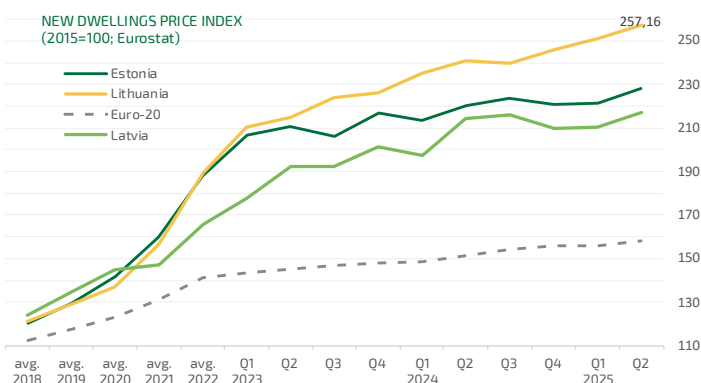
Competition in the construction market remains elevated and the share of orders from the public sector or those dependent on public-sector funding is high. At the time of writing the review, Eurostat had not yet released construction volume data for the third quarter of 2025, but it is known that the volume of orders and works in Estonia continues to be modest in the roadbuilding segment and commercial property development. In Latvia, the market is active in residential construction and this has helped aggregate construction volumes to turn upward. In all Baltic countries, construction volumes continue to be high in defence and renewable energy. At the same time, it must be considered that the high share of public sector orders and public financing increases the dependence on budgetary opportunities and political will. The near future may therefore be more volatile in terms of construction volumes than before. We remain with the expectation given in the previous interim report that there will be no decline in volumes in the Baltic construction market at the end of the year.



Based on the autumn economic forecasts, which, in light of the ongoing US tariff turmoil, mainly talk about increased uncertainty in markets important to us and expect very limited economic growth, we also see moderate growth in construction sector in the Baltics as a whole, with the source of weakness still being moderate private sector investments.

DEVELOPMENT OF APARTMENTS

The housing market continues to recover, and the growth in volumes that began in the second half of 2024 has not stopped. Price increase is more modest in Tallinn, brisker in Riga and powerful in Vilnius. At the same time, the activities of the housing market and price growth in the respective capitals reflect the situation of the consumer confidence indicators in the Baltics. According to the housing affordability survey published by Swedbank, Riga is clearly the most affordable Baltic capital, but Tallinn and Vilnius have also returned to the affordability level seen in 2012-2014, during the aftermath the financial crisis. In terms of new housing prices, we reiterate our current expectation that the new housing price index will continue to grow in 2025, faster in Vilnius and Riga, less in Tallinn.



In addition to the increase in construction prices cited above, the continued price increase in the medium term will also be caused by new requirements for energy efficiency and civil protection shelters. The easing of capital costs related to the extremely long planning and construction permit timelines, which became a hot topic in the run-up to the local government elections in Estonia, may remain an election promise, and it will not change the costs related to the new requirements in any way, so we attribute little probability to a decrease in prices.

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

	9M 2025	9M 2024	VARIANCE	Q3 2025	Q3 2024	VARIANCE	12M 2024
Revenue	177.8	338.2	-47.4%	57.7	159.5	-63.8%	474.6
% of total revenue	73.5%	89.3%		78.1%	91.1%		88.0%
Operating profit	19.8	39.2	-49.4%	11.0	29.3	-62.3%	59.4
Operating profit margin	11.2%	11.6%		19.1%	18.3%		12.5%

In the 9 months of 2025, the revenue of the construction service segment was EUR 177.8 million (9M 2024: EUR 338.2 million). The sales revenue of construction service has decreased by 47.4% compared to the same period last year. The construction service segment revenue for 9 months 2025 made up 73.5% of the group's total revenue (9M 2024: 89.3%). In this segment, the group earned an operating profit of EUR 19.8 million for 9 months (9M 2024: EUR 39.2 million). The operating profit margin was 11.2% (9M 2024: 11.6%). The operating profit margin was mainly affected by the contracts highlighted already in 2024 with reference to faster progress, in current period contributing release of the cost reserves upon completion in contracts, as well as successful tactics and actions in mitigating material and subcontracting price risks.

Larger projects in progress in the third quarter in construction service segment in Estonia included the office building City Plaza 2, Hobby Center Kullo, Hyatt hotel building in Tallinn, the national defence building in Tartu, the hotel and event-centre in Pärnu, the Rail Baltic's Ülemiste passenger terminal as well as the fourth stage of Rail Baltica Harjumaa mainline and mainline Tallinn-Pärnu section. 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 Riga as well wind farm infrastructure works in Smiltene parish.

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

	9M 2025	9M 2024	VARIANCE	Q3 2025	Q3 2024	VARIANCE	12M 2024
Revenue	64.0	40.5	+58.2%	16.2	15.6	+4.1%	64.5
incl. revenue from sale of apartments	59.7	36.0		14.9	14.6		58.9
% of total revenue	26.5%	10.7%		21.9%	8.9%		12.0%
Operating profit	14.6	10.2	+42.8%	2.7	3.8	-27.0%	16.5
Operating profit margin	22.8%	25.3%		16.9%	24.1%		25.5%

In 9 months 2025, the group sold a total of 315 apartments (incl. 9 apartments in a joint venture) and 3 commercial premises; in 9 months 2024, 194 apartments (incl. 23 apartments in a joint venture) and 11 commercial premises (incl. 10 in a joint venture). The group earned a revenue of EUR 59.7 million (VAT not included) from sale of developed apartments in 9 months 2025 and EUR 36.0 million in 9 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 9 months of 2025, real estate development segment revenues increased by 58.2% compared to the same period last year and formed 26.5% of the group's total revenue (9 months of 2024: 10.7%).

The segment's operating profit for the 9 months of 2025 amounted to EUR 14.6 million (9 months of 2024: EUR 10.2 million) and the operating profit margin was 22.8% (9 months of 2024: 25.3%). 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 9 months of 2025, the group launched the construction of a total of 771 new apartments in the Baltic states (9 months of 2024: 175 apartments). In the 9 months, the group invested a total of EUR 36.5 million (9 months of 2024: EUR 29.9 million) in the ongoing development projects.

After the reporting date, the group has started the construction of 80 apartments in the second stage of the Arena Garden Towers residential development project in Riga.

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 September 2025, the group's inventories included land plots with development potential, where the construction works have not started, in the amount of EUR 84.7 million (30.09.2024: EUR 87.4 million).

GROUP'S INVENTORIES WITH DEVELOPMENT POTENTIAL BY COUNTRY

million EUR

	30.09.2025	30.09.2024	31.12.2024
Estonia	31.8	30.9	30.9
Latvia	23.1	23.6	23.0
Lithuania	28.4	31.5	32.4
Norway	1.4	1.4	1.4
Total	84.7	87.4	87.7

In 9 months of 2025, the group has obtained new land plots for real estate development purposes worth EUR 8.5 million (9 months of 2024: in the amount of EUR 1.1 million).

SECURED ORDER BOOK

As of 30 September 2025, the group's secured order book amounted to EUR 486.2 million, compared to EUR 430.9 million as of 30 September 2024, having increased by 12.8% 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 9 months of 2025, EUR 322.8 million worth of new contracts were signed, which is EUR 30.7 million more compared to the same period of the previous year (9 months of 2024: EUR 292.1 million). The value of new contracts signed in the third quarter of 2025 amounted to EUR 99.6 million; in the third quarter of 2024 the value of new contracts signed amounted to EUR 152.6 million.

LARGEST CONSTRUCTION CONTRACTS SIGNED IN THE THIRD QUARTER OF 2025

BRIEF DESCRIPTION OF CONTRACT	COUNTRY	COMPLETION TIME	VALUE MILLION EUR
Design and construction contract for the construction of a hotel and entertainment and conference centre in Pärnu	Estonia	Summer 2027	50.0
Construction contract to perform the construction of foundations for 16 wind turbines, electrical cables and roads in a windfarm located in the Smiltene parish in Latvia	Latvia	Q2 of 2027	30.0

As of 30 September 2025, the private sector orders accounted for approximately 37% of the total balance in the group's secured order book (30.09.2024: approximately 53%). 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 34.3 million (30.09.2024: EUR 61.1 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 49.8 million, of which almost all was unused (30.09.2024: EUR 55.0 million, of which EUR 53.2 million was unused).

The 9-month cash flow from operating activity was positive at EUR 1.7 million (9 months of 2024: positive EUR 23.0 million), cash flow from investing activity was negative at EUR 18.0 million (9 months of 2024: positive EUR 1.2 million) and the cash flow from financing activity was negative at EUR 41.4 million (9 months of 2024: negative EUR 40.4 million).

The cash flow from operating activities had positive effect from EBITDA of EUR 33.9 million (9 months of 2024: positive effect of EUR 49.4 million) and from the change in trade and other receivables related to operating activities of EUR 16.8 million (9 months of 2024: negative effect of EUR 31.5 million). The negative effects to cash flow from operating activities came from the changes in receivables and liabilities related to construction contracts of EUR 16.5 million (9 months 2024: positive effect of EUR 15.4 million), from the changes in trade and other payables related to operating activities of EUR 18.3 million (9 months of 2024: positive effect of EUR 6.4 million), and from the change in the provisions of EUR 0.2 million (9 months of 2024: positive effect of EUR 1.2 million) as well from the change in inventories of EUR 3.9 million (9 months of 2024: negative effect of EUR 5.1 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. Interest was paid EUR 0.8 million (9 months of 2024: EUR 1.9 million) and corporate income tax was paid at EUR 8.9 million (9 months of 2024: EUR 7.9 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 (6.6% as of 30.09.2025; 8.5% as of 30.09.2024; 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 2.9 million (9 months of 2024: EUR 1.1 million) as well from the net change in short-term deposits of EUR 16.0 million (9 months of 2024: EUR 5.0 million). 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 (9 months of 2024: EUR 0.5 million) and EUR 0.9 million interest received from the banks (9 months of 2024: EUR 1.5 million).

In cash flows from financing, the larger negative factors were the dividend payment in the amount of EUR 33.6 million (9 months of 2024: EUR 22.9 million), the repayments of lease liabilities in the amount of EUR 1.4 million (9 months of 2024: net negative cash flow of EUR 1.2 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 1.2 million (9 months of 2024: negative cash flow in the net amount of EUR 1.3 million) as well from the net change in loans related to other activities in the amount of EUR 7.1 million (9 months of 2024: net negative cash flow of EUR 6.6 million). Positive cash flow from financing activity resulted from the net change in loans received and repaid in connection with development projects in the amount of EUR 1.9 million, which resulted from the increase in loans taken for residential development projects, (9 months of 2024: net negative cash flow of EUR 8.3 million).

RATIOS

(attributable to equity holders of the parent)

INCOME STATEMENT SUMMARY		9M 2025	9M 2024	9M 2023	Q3 2025	Q3 2024	Q3 2023	12M 2024
Revenue	million EUR	241.8	378.7	339.8	73.9	175.1	122.5	539.0
Gross profit	million EUR	47.1	63.1	43.2	18.0	39.4	17.4	95.9
Gross profit margin	%	19.5	16.7	12.7	24.3	22.5	14.2	17.8
Operating profit	million EUR	31.6	47.1	30.1	13.0	32.3	12.0	72.5
Operating profit margin	%	13.1	12.4	8.8	17.6	18.5	9.8	13.4
Pre-tax profit	million EUR	40.2	49.6	33.8	16.6	31.3	13.6	76.4
Pre-tax profit margin	%	16.6	13.1	10.0	22.5	17.9	11.1	14.2
Net profit	million EUR	36.7	44.7	32.0	15.0	27.3	12.7	64.6
attributable to equity holders of the parent	million EUR	36.7	44.8	32.1	15.0	27.3	12.7	64.7
attributable to non-controlling interest	million EUR	-	(0.1)	(0.1)	-	(0.0)	0.0	(0.1)
Net profit margin	%	15.2	11.8	9.5	20.3	15.6	10.4	12.0
Other income statement indicators		9M 2025	9M 2024	9M 2023	Q3 2025	Q3 2024	Q3 2023	12M 2024
EBITDA	million EUR	33.9	49.4	32.4	13.8	33.1	12.8	75.7
EBITDA margin	%	14.0	13.0	9.5	18.6	18.9	10.5	14.0
General expense ratio	%	6.9	4.9	4.7	7.2	4.3	4.5	5.0
Labour cost ratio	%	15.9	9.5	10.2	21.0	7.7	9.5	9.8
Revenue per employee	thousand EUR	405	618	521	124	286	188	882

OTHER SIGNIFICANT INDICATORS		30.09.2025	30.09.2024	30.09.2023	31.12.2024
Return on equity	%	22.2	27.0	26.2	28.4
Return on assets	%	13.4	13.6	13.0	14.8
Return on invested capital	%	24.2	27.1	20.5	29.8
Assets	million EUR	399.6	457.8	398.9	447.1
Equity	million EUR	257.3	234.4	198.0	254.3
Equity attributable to equity holders of the parent	million EUR	257.3	234.6	198.4	254.3
Equity ratio	%	64.4	51.3	49.7	56.9
Debt ratio	%	6.6	8.5	15.0	7.5
Current ratio	times	2.9	2.0	2.0	2.1
Quick ratio	times	1.0	0.9	0.7	0.9
Accounts receivable turnover	days	40	49	36	43
Accounts payable turnover	days	50	46	39	46
Average number of employees	people	597	613	652	611
Secured order book	million EUR	486.2	430.9	448.6	340.6

Ratio definitions are provided on page 36 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 September 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 (30.09.2024: EUR 0.8 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 September 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 September 2025, Merko Ehitus group employed 614 people (including temporary and part-time staff). Compared to the same period last year, the number of group's employees decreased by 2 (-0.3%). 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 9 months 2025, the labour cost was EUR 38.4 million (9 months 2024:

EUR 35.9 million), which increased by 6.8% compared to the same period previous year and the labour cost ratio increased by 6.4 pp from 9.5% to 15.9% 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

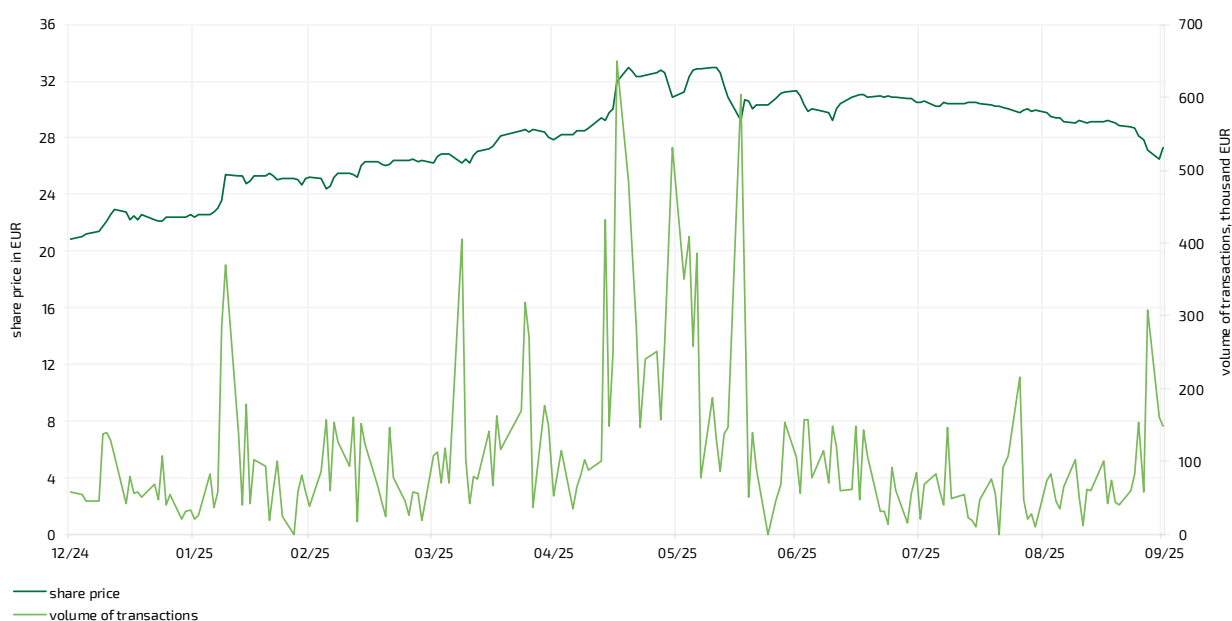
The shares of Merko Ehitus are listed in the Main List of Nasdaq Tallinn. As of 30 September 2025, the company has 17,700,000 shares. The number of shares has not changed during 2025.

A total of 26,110 transactions were conducted with the shares of Merko Ehitus in 9 months of 2025, with 0.75 million shares (4.3% of total shares) traded, generating a turnover of EUR 21.4 million (comparable figures in 9 months 2024 were accordingly: 18,312 transactions with 0.59 million shares traded (3.3% of total shares), generating a turnover of EUR 9.8 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 (9 months of 2024: EUR 15.10 and EUR 17.78, accordingly). On 30 September 2025, the closing price of the share was EUR 27.30 (30.09.2024: EUR 16.60). As of 30 September 2025, by the Nasdaq Baltic stock exchange, the market capitalisation of AS Merko Ehitus was EUR 483.2 million, which has increased by 64.5% compared to the end of the equivalent period of the prior year (30.09.2024: EUR 293.8 million).

	30.09.2025	30.09.2024	30.09.2023	31.12.2024
Number of shares	17,700,000	17,700,000	17,700,000	17,700,000
Earnings per share (EPS), euros	2.07	2.53	1.82	3.65
Equity per share, euros	14.39	12.29	10.72	12.88
P/B ratio	1.90	1.35	1.37	1.62
P/E ratio	8.54	5.01	5.23	5.71
Market value, million EUR	483.2	293.8	260.2	369.0

Ratio definitions are provided on page 36 of the report.

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



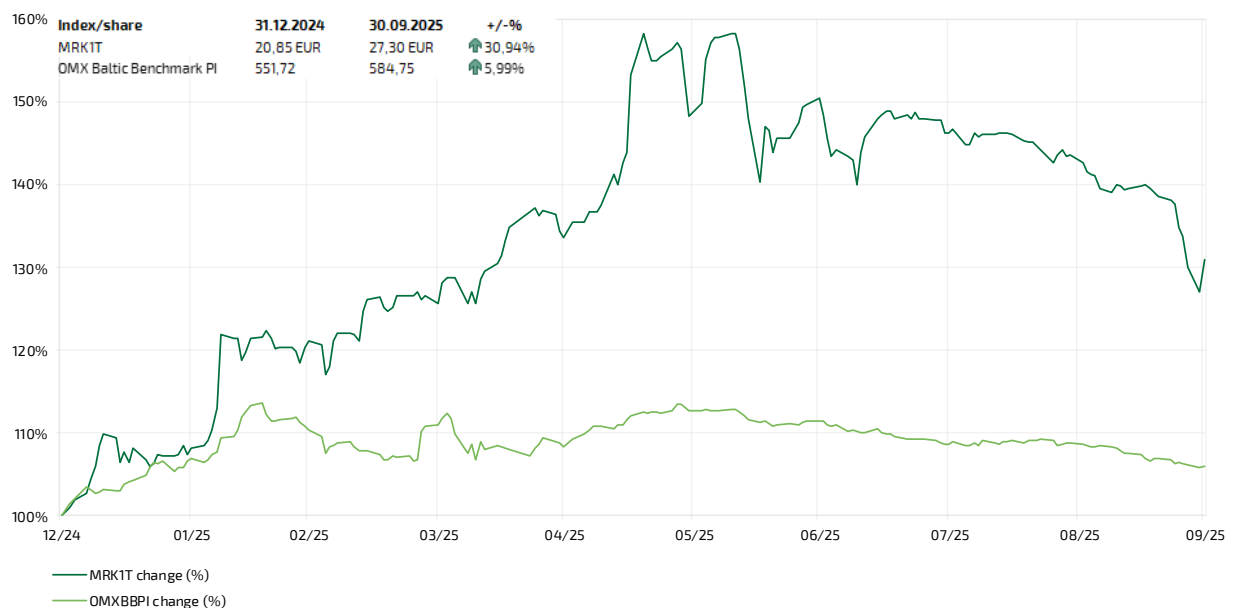
STRUCTURE OF SHAREHOLDERS ACCORDING TO NUMBER OF SHARES AS OF 30.09.2025

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%	1,372,885	7.76%
10,001 – 100,000	47	0.35%	985,035	5.57%
1,001-10,000	526	3.96%	1,400,537	7.91%
101-1,000	2,886	21.75%	951,109	5.37%
1-100	9,805	73.88%	247,748	1.40%
Total	13,271	100%	17,700,000	100%

SHAREHOLDERS OF AS MERKO EHITUS AS OF 30.09.2025 AND CHANGE COMPARED TO THE PREVIOUS QUARTER

	NUMBER OF SHARES	% OF TOTAL 30.09.2025	% OF TOTAL 30.06.2025	CHANGE
AS Riverito	12,742,686	71.99%	71.99%	-
OÜ Midas Invest	427,100	2.41%	2.41%	-
Firebird Republics Fund Ltd	356,335	2.01%	2.01%	-
Firebird Avrora Fund Ltd	212,328	1.20%	1.20%	-
OÜ Alar Invest	136,000	0.77%	0.77%	-
Clearstream Europe AG	122,879	0.69%	0.69%	1,340
Firebird Fund L.P.	118,243	0.67%	0.67%	-
Siseinfo OÜ	100,000	0.56%	0.56%	-
AB SEB Bankas	41,518	0.23%	0.22%	2,587
Swedbank AS clients	40,029	0.23%	0.24%	(1,797)
Total largest shareholders	14,297,118	80.77%	80.76%	2,130
Total other shareholders	3,402,882	19.23%	19.24%	(2,130)
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 September 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.

On 25 August 2025, OÜ Merko Kodud, a 100% subsidiary of the AS Merko Ehitus group, and OÜ Giga Investeeringud established a 50:50 joint venture, Turu 18 Kodud OÜ, which goal is to build three residential and commercial buildings.

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 September 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 September 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 September 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 9 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	06.11.2025
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Tõnu Toomik	Member of the Management Board	06.11.2025
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Urmas Somelar	Member of the Management Board	06.11.2025
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INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited

in thousand euros

	Note	2025 9 months	2024 9 months	2025 III quarter	2024 III quarter	2024 12 months
Revenue	2	241,799	378,676	73,917	175,108	539,049
Cost of goods sold	3	(194,749)	(315,597)	(55,938)	(135,738)	(443,162)
Gross profit		47,050	63,079	17,979	39,370	95,887
Marketing expenses		(3,753)	(3,366)	(1,052)	(1,073)	(5,030)
General and administrative expenses		(12,998)	(15,115)	(4,251)	(6,485)	(21,908)
Other operating income		1,597	4,965	514	572	5,724
Other operating expenses		(271)	(2,512)	(175)	(46)	(2,190)
Operating profit		31,625	47,051	13,015	32,338	72,483
Finance income/costs		8,531	2,524	3,630	(1,071)	3,931
incl. finance income/costs from investments in subsidiaries		-	(3,119)	-	(3,119)	(5,087)
finance income/costs from joint ventures		8,486	6,634	3,642	2,979	9,951
interest expense		(611)	(1,469)	(216)	(353)	(1,823)
foreign exchange gain (loss)		19	(931)	33	(875)	(948)
other financial income (expenses)		637	1,409	171	297	1,838
Profit before tax		40,156	49,575	16,645	31,267	76,414
Corporate income tax expense		(3,472)	(4,867)	(1,637)	(4,004)	(11,820)
Net profit for financial year		36,684	44,708	15,008	27,263	64,594
incl. net profit attributable to equity holders of the parent		36,684	44,781	15,008	27,302	64,668
net profit attributable to non-controlling interest		-	(73)	-	(39)	(74)
Other comprehensive income, which can subsequently be classified in the income statement						
Currency translation differences of foreign entities		(11)	129	(18)	105	105
Comprehensive income for the period		36,673	44,837	14,990	27,368	64,699
incl. net profit attributable to equity holders of the parent		36,673	44,902	14,990	27,401	64,764
net profit attributable to non-controlling interest		-	(65)	-	(33)	(65)
Earnings per share for profit attributable to equity holders of the parent (basic and diluted, in EUR)	4	2.07	2.53	0.85	1.54	3.65

The notes set out on pages 24-35 are an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

unaudited

in thousand euros

	Note	30.09.2025	30.09.2024	31.12.2024
ASSETS				
Current assets				
Cash and cash equivalents	5	34,279	61,115	91,879
Short-term deposits		26,000	5,000	10,000
Trade and other receivables	6	54,537	108,930	51,419
Prepaid corporate income tax		714	377	270
Inventories	7	200,646	199,628	196,521
		316,176	375,050	350,089
Non-current assets				
Investments in joint ventures		30,060	25,549	21,571
Other shares and securities		80	80	80
Other long-term loans and receivables	8	18,281	21,580	40,196
Deferred income tax assets		3,594	5,849	5,056
Investment property	9	12,426	12,645	12,606
Property, plant and equipment	10	18,306	16,609	17,147
Intangible assets	11	703	466	350
		83,450	82,778	97,006
TOTAL ASSETS		399,626	457,828	447,095
LIABILITIES				
Current liabilities				
Borrowings	12	9,549	11,541	21,303
Payables and prepayments	13	92,325	161,699	129,786
Income tax liability		31	6,838	7,101
Short-term provisions	14	8,978	7,325	7,678
		110,883	187,403	165,868
Non-current liabilities				
Long-term borrowings	12	16,710	27,357	12,102
Deferred income tax liability		6,773	1,715	6,148
Other long-term payables	15	7,959	6,925	8,719
		31,442	35,997	26,969
TOTAL LIABILITIES		142,325	223,400	192,837
EQUITY				
Non-controlling interests		-	(220)	-
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		(52)	(16)	(41)
Retained earnings		248,631	225,942	245,577
		257,301	234,648	254,258
TOTAL EQUITY		257,301	234,428	254,258
TOTAL LIABILITIES AND EQUITY		399,626	457,828	447,095

The notes set out on pages 24-35 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	-	-	-	44,781	44,781	(73)	44,708
Other comprehensive income	-	-	121	-	121	8	129
Total comprehensive income (loss) for the reporting period	-	-	121	44,781	44,902	(65)	44,837
Disposal of subsidiary (Note 16)	-	-	701	-	701	-	701
Dividends (Note 4)	-	-	-	(23,010)	(23,010)	-	(23,010)
Total transactions with owners	-	-	701	(23,010)	(22,309)	-	(22,309)
Balance as of 30.09.2024	7,929	793	(16)	225,942	234,648	(220)	234,428
Balance as at 31.12.2024	7,929	793	(41)	245,577	254,258	-	254,258
Profit (loss) for the reporting period	-	-	-	36,684	36,684	-	36,684
Other comprehensive income	-	-	(11)	-	(11)	-	(11)
Total comprehensive income (loss) for the reporting period	-	-	(11)	36,684	36,673	-	36,673
Dividends (Note 4)	-	-	-	(33,630)	(33,630)	-	(33,630)
Total transactions with owners	-	-	-	(33,630)	(33,630)	-	(33,630)
Balance as at 30.09.2025	7,929	793	(52)	248,631	257,301	-	257,301

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

The notes set out on pages 24-35 are an integral part of these interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT

unaudited

in thousand euros

	Note	2025 9 months	2024 9 months	2024 12 months
Cash flows from operating activities				
Operating profit		31,625	47,051	72,483
Adjustments:				
Depreciation and impairment		2,236	2,348	3,235
(Profit)/loss from sale of non-current assets		(136)	(2,808)	(2,916)
Change in receivables and liabilities related to construction contracts		(16,465)	15,427	6,302
Interest income from operating activities		(1,359)	(1,401)	(1,917)
Change in provisions		(229)	1,235	5,636
Change in trade and other receivables related to operating activities		16,787	(31,519)	826
Change in inventories		(3,889)	(5,074)	(1,860)
Change in trade and other payables related to operating activities		(18,323)	6,375	(14,044)
Interest received		1,396	1,403	1,900
Interest paid		(836)	(1,932)	(2,404)
Other finance income (costs)		(182)	(138)	(180)
Corporate income tax paid		(8,893)	(7,942)	(9,297)
Total cash flows from operating activities		1,732	23,025	57,764
Cash flows from investing activities				
Disposal of subsidiary		-	(4,217)	(4,303)
Acquisition of associate		(3)	-	(5)
Net change in purchase of deposits with maturities greater than 3 months		(16,000)	(5,000)	(10,000)
Purchase of investment property		(74)	-	(45)
Disposal of investment property		-	6,499	6,499
Purchase of property, plant and equipment (excl. leased assets)		(2,446)	(1,060)	(1,736)
Proceeds from sale of property, plant and equipment		145	475	612
Purchase of intangible assets		(459)	(67)	(140)
Interest received		880	1,547	2,017
Dividends received		-	3,000	10,300
Total cash flows from investing activities		(17,957)	1,177	3,199
Cash flows from financing activities				
Proceeds from borrowings		7,836	13,245	18,701
Repayments of borrowings		(14,193)	(29,437)	(40,546)
Repayments of lease liabilities		(1,387)	(1,244)	(1,551)
Buyout of non-controlling interest		-	-	(33)
Dividends paid		(33,630)	(22,940)	(22,940)
Total cash flows from financing activities		(41,374)	(40,376)	(46,369)
Net increase/decrease in cash and cash equivalents		(57,599)	(16,174)	14,594
Change of deposits with maturities greater than 3 months		16,000	5,000	10,000
Total change		(41,599)	(11,174)	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		(1)	(41)	(45)
Cash and cash equivalents at the end of the period	5	34,279	61,115	91,879
Deposits with maturities greater than 3 months at the end of period		26,000	5,000	10,000
Total at the end of the period		60,279	66,115	101,879

The notes set out on pages 24-35 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 9 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 9 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 9 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 9 months	Construction service	Real estate development	Total segments
Revenue	178,659	88,697	267,356
Inter-segment revenue	(867)	(24,690)	(25,557)
Revenue from clients	177,792	64,007	241,799
incl. timing of revenue recognition at a point in time	1,375	60,898	62,273
timing of revenue recognition over time	176,417	3,109	179,526
Operating profit (loss)	19,847	14,603	34,450
Profit (loss) before tax	28,550	14,435	42,985
incl. interest income from operating activities	46	1,305	1,351
depreciation	(1,747)	(489)	(2,236)
recognition of provisions	(1,419)	(1,616)	(3,035)
reversal of provisions	20	-	20
profit from joint ventures	8,172	314	8,486
other finance income (costs)	629	(420)	209
incl. interest income	765	42	807
interest expenses	(62)	(445)	(507)
Assets 30.09.2025	98,139	238,213	336,352
incl. joint ventures	21,511	8,549	30,060

2024 9 months	Construction service	Real estate development	Total segments
Revenue	339,064	56,036	395,100
Inter-segment revenue	(848)	(15,576)	(16,424)
Revenue from clients	338,216	40,460	378,676
incl. timing of revenue recognition at a point in time	1,362	36,534	37,896
timing of revenue recognition over time	336,854	3,926	340,780
Operating profit (loss)	39,209	10,227	49,436
Profit (loss) before tax	42,586	9,598	52,184
incl. interest income from operating activities	-	1,391	1,391
depreciation	(1,906)	(442)	(2,348)
recognition of provisions	(4,149)	(514)	(4,663)
reversal of provisions	196	-	196
finance income/costs from investments in subsidiaries	(3,119)	-	(3,119)
profit from joint ventures	6,161	473	6,634
other finance income (costs)	226	(1,092)	(866)
incl. interest income	1,116	44	1,160
interest expenses	(88)	(981)	(1,069)
Assets 30.09.2024	146,213	241,453	387,666
incl. joint ventures	17,399	8,150	25,549

2025 III quarter	Construction service	Real estate development	Total segments
Revenue	58,014	26,992	85,006
Inter-segment revenue	(316)	(10,773)	(11,089)
Revenue from clients	57,698	16,219	73,917
incl. timing of revenue recognition at a point in time	681	15,224	15,905
timing of revenue recognition over time	57,017	995	58,012
Operating profit (loss)	11,039	2,741	13,780
Profit (loss) before tax	14,592	2,817	17,409
incl. interest income from operating activities	3	427	430
depreciation	(587)	(166)	(753)
recognition of provisions	(847)	(228)	(1,075)
reversal of provisions	20	-	20
profit from joint ventures	3,432	210	3,642
other finance income (costs)	159	(116)	43
incl. interest income	232	5	237
interest expenses	(16)	(141)	(157)
Assets' change in III quarter	(18,082)	1,954	(16,128)
incl. joint ventures	3,432	213	3,645

2024 III quarter	Construction service	Real estate development	Total segments
Revenue	159,848	19,546	179,394
Inter-segment revenue	(321)	(3,965)	(4,286)
Revenue from clients	159,527	15,581	175,108
incl. timing of revenue recognition at a point in time	674	14,777	15,451
timing of revenue recognition over time	158,853	804	159,657
Operating profit (loss)	29,263	3,753	33,016
Profit (loss) before tax	28,477	3,479	31,956
incl. interest income from operating activities	-	456	456
depreciation	(611)	(134)	(745)
recognition of provisions	(472)	(114)	(586)
reversal of provisions	51	-	51
finance income/costs from investments in subsidiaries	(3,119)	-	(3,119)
profit from joint ventures	2,899	80	2,979
other finance income (costs)	(485)	(379)	(864)
incl. interest income	328	1	329
interest expenses	(31)	(294)	(325)
Assets' change in III quarter	14,348	192	14,540
incl. joint ventures	2,899	80	2,979

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 30.09.2025 the group holds assets in the amount of EUR 63,274 thousand (30.09.2024: EUR 70,162 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 9 months	2024 9 months	2025 III quarter	2024 III quarter	2024 12 months
Pre-tax profit from reporting segments	42,985	52,184	17,409	31,956	80,051
Other operating profit (loss)	(2,825)	(2,385)	(765)	(677)	(3,388)
incl. recognition of provisions	-	-	-	-	(185)
finance income (costs)	(4)	(224)	1	(12)	(249)
incl. interest expenses	69	(171)	21	7	(176)
Total profit before tax	40,156	49,575	16,645	31,267	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 9 months		2024 9 months		2025 III quarter		2024 III quarter		2024 12 months	
Estonia	127,108	52%	151,203	40%	32,713	44%	65,562	37%	224,655	42%
Latvia	33,090	14%	18,530	5%	16,003	22%	11,560	7%	30,536	6%
Lithuania	81,601	34%	208,717	55%	25,201	34%	98,053	56%	283,613	52%
Norway	-	0%	226	0%	-	0%	-67	0%	245	0%
Total	241,799	100%	378,676	100%	73,917	100%	175,108	100%	539,049	100%

CONTRACT ASSETS AND LIABILITIES

in thousand euros

	30.09.2025	30.09.2024	31.12.2024
Accrued income from construction services (Note 6)	6,971	13,568	8,965
Prepayments for construction services (Note 13)	(23,153)	(55,320)	(41,612)
Advance payments received for construction contract works (Notes 13, 15)	(8,300)	(15,628)	(7,969)
Recognised provision for onerous construction contracts (Note 14)	(11)	(9)	(7)

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

in thousand euros

	30.09.2025	30.09.2024	31.12.2024
Estonia	52,330	46,175	42,556
Latvia	6,704	6,422	6,480
Lithuania	2,541	2,732	2,718
Norway	-	20	-
Total	61,575	55,349	51,754

NOTE 3 COST OF GOODS SOLD

in thousand euros

	2025 9 months	2024 9 months	2025 III quarter	2024 III quarter	2024 12 months
Construction services and properties purchased for resale	122,998	233,680	26,822	104,171	332,065
Materials	21,831	33,293	9,237	15,102	41,566
Labour costs	25,885	21,962	11,649	7,274	32,888
Construction mechanisms and transport	5,272	5,901	2,434	2,506	7,719
Design	5,083	5,367	1,664	2,054	7,641
Real estate management costs	1,032	1,059	316	358	1,444
Depreciation	1,625	1,644	551	531	2,182
Provisions	3,015	2,724	1,055	534	3,866
Other expenses	8,008	9,967	2,210	3,208	13,791
Total cost of goods sold	194,749	315,597	55,938	135,738	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 9 months	2024 9 months	2025 III quarter	2024 III quarter	2024 12 months
Net profit (loss) attributable to shareholders <i>(in thousand EUR)</i>	36,684	44,781	15,008	27,302	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>	2.07	2.53	0.85	1.54	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 30.09.2025 the balance of deferred income tax liability includes deferred income tax on dividends in the amount of 5,195 thousand euros (30.09.2024: EUR 207 thousand euros; 31.12.2024: EUR 4,642 thousand euros).

As of 30.09.2025, the parent company AS Merko Ehitus has EUR 24,735 thousand (30.09.2024: 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 30.09.2025, it is possible to pay out dividends to shareholders from retained earnings in the amount of EUR 199,333 thousand (30.09.2024: EUR 182,600 thousand; 31.12.2024: EUR 193,562 thousand). Considering the dividends received and income tax withheld on foreign income totalling EUR 6,977 thousand (30.09.2024: EUR 2,324 thousand; 31.12.2024: EUR 2,621 thousand), the corresponding income tax on dividends would amount to EUR 49,246 thousand (30.09.2024: EUR 43,326 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

	30.09.2025	30.09.2024	31.12.2024
Bank accounts	28,086	54,222	90,375
Overnight deposits	6,193	1,893	1,504
Term deposits with maturities of 3 months or less	-	5,000	-
Total cash and cash equivalents	34,279	61,115	91,879

NOTE 6 TRADE AND OTHER RECEIVABLES

in thousand euros

	30.09.2025	30.09.2024	31.12.2024
Trade receivables			
Accounts receivable	39,201	90,078	37,883
Allowance for doubtful receivables	(1)	(30)	(3)
	39,200	90,048	37,880
Tax prepayments excluding corporate income tax			
Value added tax	884	742	570
Other taxes	80	20	-
	964	762	570
Accrued income from construction services	6,971	13,568	8,965
Other short-term receivables			
Interest receivables	-	-	19
Other short-term receivables	66	1,075	88
	66	1,075	107
Prepayments for services			
Prepayments for construction services	6,437	2,335	2,555
Prepaid insurance	572	961	901
Other prepaid expenses	327	181	441
	7,336	3,477	3,897
Total trade and other receivables	54,537	108,930	51,419
incl. other short-term receivables and prepayments to related parties (Note 16)	1,511	4,453	4,746

NOTE 7 INVENTORIES

in thousand euros

	30.09.2025	30.09.2024	31.12.2024
Materials	693	632	625
Work-in-progress	83,691	59,289	63,459
Finished goods	30,885	51,403	43,996
Goods for resale			
Registered immovables purchased for resale/development	84,691	87,387	87,720
Other goods purchased for resale	401	395	405
	85,092	87,782	88,125
Prepayments for inventories			
Prepayments for real estate properties	8	13	13
Prepayments for other inventories	277	509	303
	285	522	316
Total inventories	200,646	199,628	196,521

NOTE 8 OTHER LONG-TERM LOANS AND RECEIVABLES

in thousand euros

	30.09.2025	30.09.2024	31.12.2024
Long-term loan receivables	50	-	7,300
Long-term receivables from customers of construction services	18,231	21,580	32,896
Total other long-term loans and receivables	18,281	21,580	40,196
incl. short-term loan receivables from related parties (Note 16)	50	-	7,300

NOTE 9 INVESTMENT PROPERTY

in thousand euros

	30.09.2025	30.09.2024	31.12.2024
Land	6,109	6,109	6,109
Right of superficies at carrying amount			
Cost	29	29	29
Accumulated depreciation	(16)	(16)	(16)
	13	13	13
Buildings at carrying amount			
Cost	8,026	8,148	8,026
Accumulated depreciation	(1,841)	(1,625)	(1,587)
	6,185	6,523	6,439
Construction in progress	119	-	45
Total investment property	12,426	12,645	12,606

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

in thousand euros

	30.09.2025	30.09.2024	31.12.2024
Land	1,266	1,266	1,266
Buildings at carrying amount*			
Cost	7,469	8,289	7,468
Accumulated depreciation	(3,783)	(4,252)	(3,519)
	3,686	4,037	3,949
Machinery and equipment at carrying amount*			
Cost	19,758	18,856	19,264
Accumulated depreciation	(10,754)	(9,767)	(9,855)
	9,004	9,089	9,409
Other fixtures at carrying amount			
Cost	3,939	3,730	3,584
Accumulated depreciation	(2,462)	(2,440)	(2,320)
	1,477	1,290	1,264
Construction in progress and prepayments for property, plant and equipment	2,873	927	1,259
Total property, plant and equipment	18,306	16,609	17,147

* As of 30 September 2025, the balance of buildings at carrying amount includes leased assets in a sum of EUR 236 thousand (30.09.2024: EUR 407 thousand; 31.12.2024: EUR 365 thousand). The balance of machinery and equipment at carrying amount includes leased assets in a sum of EUR 3,445 thousand (30.09.2024: EUR 3,825 thousand; 31.12.2024: EUR 4,086 thousand).

NOTE 11 INTANGIBLE ASSETS

in thousand euros

	30.09.2025	30.09.2024	31.12.2024
Goodwill			
Cost	1	62	1
Impairment	-	(61)	-
	1	1	1
Software at carrying amount			
Cost	1,537	1,479	1,537
Accumulated depreciation	(1,304)	(1,209)	(1,198)
	233	270	339
Prepayments for intangible assets	469	195	10
Total intangible assets	703	466	350

NOTE 12 BORROWINGS

in thousand euros

	30.09.2025	30.09.2024	31.12.2024
Lease liabilities*			
Lease liabilities balance	3,732	4,308	4,520
incl. current portion	951	997	1,031
non-current portion 2...5 years	2,781	3,311	3,489
Bank loans			
Loan balance	22,153	34,163	28,511
incl. current portion	8,224	10,490	19,898
non-current portion 2...5 years	13,929	23,673	8,613
Loans from other entities			
Loan balance	374	427	374
incl. current portion	374	54	374
non-current portion 2...5 years	-	373	-
Total loans			
Loans balance	22,527	34,590	28,885
incl. current portion	8,598	10,544	20,272
non-current portion 2...5 years	13,929	24,046	8,613
Total borrowings	26,259	38,898	33,405
incl. current portion	9,549	11,541	21,303
non-current portion 2...5 years	16,710	27,357	12,102

* As of 30 September 2025, the lease liabilities include a balance of EUR 113 thousand to related parties (30.09.2024: EUR 172 thousand; 31.12.2024: EUR 158 thousand) (Note 16).

NOTE 13 PAYABLES AND PREPAYMENTS

in thousand euros

	30.09.2025	30.09.2024	31.12.2024
Trade payables	34,247	69,928	55,469
Payables to employees	17,219	14,252	18,206
Tax liabilities, except for corporate income tax			
Value added tax	1,023	2,892	3,309
Personal income tax	612	519	612
Social security tax	1,489	1,230	1,947
Unemployment insurance tax	57	47	77
Contributions to mandatory funded pension	41	20	42
Other taxes	248	160	148
	3,470	4,868	6,135
Prepayments for construction services	23,153	55,320	41,612
Other liabilities			
Interest liabilities	90	41	88
Other liabilities	163	175	171
	253	216	259
Prepayments received *	13,983	17,115	8,105
Total payables and prepayments	92,325	161,699	129,786
incl. payables to related parties (Note 16)	2	27	47

* As of 30 September 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 6,896 thousand (30.09.2024: EUR 13,860 thousand; 31.12.2024: EUR 4,373 thousand) and of prepayments received in connection with residential properties (apartment buyers) in a sum of EUR 7,087 thousand (30.09.2024: EUR 3,255 thousand; 31.12.2024: EUR 3,732 thousand) (Note 2).

NOTE 14 SHORT-TERM PROVISIONS

in thousand euros

	30.09.2025	30.09.2024	31.12.2024
Provision for warranty obligation for construction	4,941	4,684	5,181
Provision for costs of projects sold and work-in-progress projects	3,190	1,672	1,702
Provision for onerous construction contracts	11	9	7
Provision for legal costs and claims filed	383	760	410
Other provisions	453	200	378
Total short-term provisions	8,978	7,325	7,678

NOTE 15 OTHER LONG-TERM PAYABLES

in thousand euros

	30.09.2025	30.09.2024	31.12.2024
Trade payables	6,494	5,099	5,123
Prepayments received *	1,404	1,768	3,596
Other long-term liabilities	61	58	-
Other long-term payables total	7,959	6,925	8,719

* As of 30 September 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 1,404 thousand (30.09.2024: EUR 1,768 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 30.09.2025, 30.09.2024 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
	30.09.2025	30.09.2024	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 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	100	Estonia, Tallinn	Holding
Joint ventures					
Kodusadam OÜ	50	50	50	Estonia, Tallinn	Real estate
Turu 18 Kodud OÜ	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 9 months	2024 9 months	2024 12 months
Provided services and goods sold			
Joint ventures	2,676	3,492	3,904
Entities under common control	39,300	30,966	47,003
Members of the management	11	-	31
Total services provided and goods sold	41,987	34,458	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	133	8	18
Entities under common control	62	59	80
Total purchased services and goods	195	67	98
Interest expense			
Entities under common control	-	130	130
Total interest expense	-	130	130

BALANCES WITH RELATED PARTIES

in thousand euros

	30.09.2025	30.09.2024	31.12.2024
Receivables from related parties			
Loans granted (Notes 6,8)			
Joint venture	50	-	7,300
Receivables and prepayments (Note 6)			
Joint ventures	873	192	142
Entities under common control	638	4,261	4,585
Members of the management	-	-	19
Total receivables and prepayments	1,511	4,453	4,746
Total receivables from related parties	1,561	4,453	12,046
Payables to related parties			
Lease liabilities (Note 12)			
Entities under common control	113	172	158
Payables and prepayments (Note 13)			
Joint ventures	-	8	12
Entities under common control	2	19	35
Total payables and prepayments	2	27	47
Total payables to related parties	115	199	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 9 months of 2025 were EUR 1,695 thousand (9 months of 2024: EUR 1,415 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 9 months of 2025, the Management Board members of AS Merko Ehitus did not receive benefits (9 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 30.09.2025:

		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 30.09.2025:

		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.

	30.09.2025	30.09.2024	31.12.2024
Performance period's warranty to the customer	44,615	43,400	42,115
Tender warranty	100	6,540	6
Guarantee for warranty period	16,520	23,103	22,632
Prepayment guarantee	7,773	24,541	23,300
Payment guarantee	-	57	57
Contracts of surety	9,607	2,108	2,108
Total contingent liabilities	78,615	99,749	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.

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	=	$\frac{\text{Share price 30.09}}{\text{Earnings per share of the current 4 quarters}}$
P/B	=	$\frac{\text{Share price 30.09}}{\text{Equity per share (average of the current 4 quarters)}}$
Market value	=	Share price 30.09 x Number of shares