



AS MERKO EHITUS

GROUP

2025 12 months and IV quarter consolidated unaudited interim report

Business name:	AS Merko Ehitus
Main activities:	Holding companies General contracting of construction Real estate development
Commercial Register No.:	11520257
Address:	Järvevana tee 9G, 11314 Tallinn
Postal address:	Pärnu mnt 141, 11314 Tallinn
Phone:	+372 650 1250
E-mail:	group@merko.ee
Web site:	group.merko.ee
Financial year:	01.01.2025 – 31.12.2025
Reporting period:	01.01.2025 – 31.12.2025
Supervisory Board:	Toomas Annus, Indrek Neivelt, Kristina Siimar
Management Board:	Ivo Volkov, Tõnu Toomik, Urmas Somelar
Auditor:	AS PricewaterhouseCoopers

TABLE OF CONTENTS

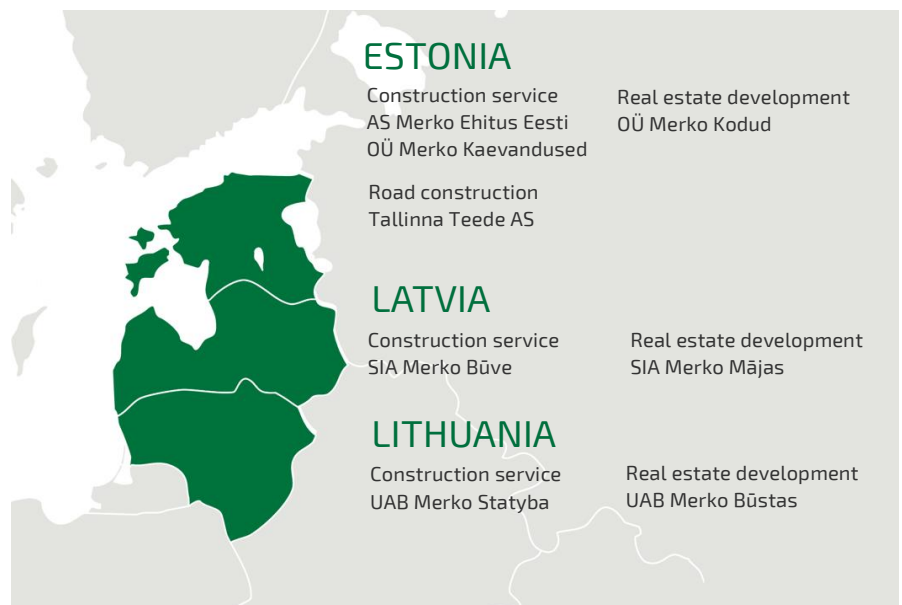
BRIEF OVERVIEW OF THE GROUP.....	3
MANAGEMENT REPORT	5
MANAGEMENT BOARD'S DECLARATION	19
INTERIM FINANCIAL STATEMENTS	20
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	20
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	21
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	22
CONSOLIDATED CASH FLOW STATEMENT	23
NOTES	24
NOTE 1 ACCOUNTING POLICIES USED.....	24
NOTE 2 OPERATING SEGMENTS	24
NOTE 3 COST OF GOODS SOLD	27
NOTE 4 EARNINGS AND DIVIDENDS PER SHARE	28
NOTE 5 CASH AND CASH EQUIVALENTS.....	28
NOTE 6 TRADE AND OTHER RECEIVABLES	28
NOTE 7 INVENTORIES	29
NOTE 8 OTHER LONG-TERM LOANS AND RECEIVABLES.....	29
NOTE 9 INVESTMENT PROPERTY	29
NOTE 10 PROPERTY, PLANT AND EQUIPMENT	30
NOTE 11 INTANGIBLE ASSETS	30
NOTE 12 BORROWINGS	31
NOTE 13 PAYABLES AND PREPAYMENTS	31
NOTE 14 SHORT-TERM PROVISIONS	32
NOTE 15 OTHER LONG-TERM PAYABLES	32
NOTE 16 RELATED PARTY TRANSACTIONS	32
NOTE 17 CONTINGENT LIABILITIES.....	35
DEFINITION OF RATIOS.....	36

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%**)

2025 KEY FIGURES

Revenue **310.9 million** euros

Net profit **39.9 million** euros

617 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

In the fourth quarter of 2025, Merko Ehitus generated revenue of EUR 69 million and net profit of EUR 3.2 million; for the full year, revenue was EUR 311 million and net profit EUR 39.9 million. In coordination with the supervisory board, the management board of Merko Ehitus proposes paying a dividend of 1.25 euros per share.

According to the management of Merko Ehitus, the results in 2024 were remarkably strong in terms of both turnover and profit, as contracts signed a few years ago in turbulent market conditions reached completion and various large-scale projects were delivered. In 2025, more typical volumes and revenue structure returned, with real estate development playing a larger role in results. The group's financial position remains solid and net debt is negative.

In 2025, Merko completed construction of two of the largest projects in history: the Arter Quarter in Tallinn and the Pabradė defence campus in Lithuania. Gradually improving consumer confidence and economic growth recorded for several consecutive quarters are reflected above all in increasing demand in the real estate market. Private-sector clients remain cautious in ordering construction services, while tenders are dominated by large public-sector defence infrastructure projects. As the market is extremely concentrated, competition in tenders is strong and margins have been driven down to very low levels.

In 2025, Merko signed new construction contracts worth EUR 363 million, the largest of which were agreements for the Rail Baltica Ülemiste passenger terminal and the Tallinn–Pärnu main line, a hotel and event centre in Pärnu, the Viktor Masing office building in Tallinn, and the construction of foundations for the Augstkalni wind farm in Latvia. The balance of secured order-book work for external clients stood at EUR 467 million at the end of 2025. In 2025, group companies signed new construction contracts in a slightly higher volume than in 2024. As a result of the long-term and thorough preparatory work of our Lithuanian colleagues, Merko concluded largest contracts in the first days of 2026 for the construction of two stages of the Rūdninkai defence force campus, which has by now raised portfolio of unfinished work for external clients to a historically highest level of more than 800 million euros.

Companies operating under the Connecto brand, in which Merko holds a financial investment, also made a strong contribution to the group's 2025 results. Connecto's workload has been high over the past couple of years, but the outlook is notably more modest due to the completion of many large-scale projects in 2025 and gradually declining investments in energy infrastructure.

The residential real estate market has taken an upward turn across all our home markets. Compared to 2024, in 2025 Merko handed over more apartments to buyers, signed significantly more pre-sale agreements in its developments under construction, and launched construction of over three times more apartments, the majority of them in Vilnius, which remains the most active market. In 2025, Merko delivered 358 apartments and 3 commercial units to buyers in Estonia, Latvia and Lithuania and started the construction and sale of 894 apartments and 21 commercial premises, of which 26% are covered by pre-sale agreements. Larger development projects underway in 2025 included Uus-Veerenni, Noblessner and Lahekalda in Tallinn, Ūielehe in the settlement of Jūri, and Erminurme and Leedri in Tartu; Lucavsala, Arena Garden Towers and Mežpilsēta in Riga; and Vilnelės Skverai and Šnipiškis Urban in Vilnius.

In the fourth quarter of 2025, the larger construction projects in progress included 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, as well as the Rail Baltica Ülemiste passenger terminal and the fourth stage of the Rail Baltica mainline in Harju County and the Tallinn–Pärnu section. In Lithuania, the largest construction projects were wind farm infrastructure in the Pagėgiai, Telšiai and Pasvalys districts, as well as various national defence buildings and infrastructure. In Latvia, a student hotel was under construction in Riga and infrastructure facilities at the Augstkalni wind farm.

**2025 12M
REVENUE**
311 MILLION EUROS

**PROFIT
BEFORE TAX**
44.8 MILLION EUROS

OVERVIEW OF THE IV QUARTER AND 12 MONTHS RESULTS

PROFITABILITY

2025 12 months' pre-tax profit was EUR 44.8 million and Q4 2025 was EUR 4.6 million (12M 2024: EUR 76.4 million and Q4 2024 was EUR 26.8 million), which brought the pre-tax profit margin to 14.4% (12M 2024: 14.2%).

Net profit attributable to shareholders for 12 months 2025 was EUR 39.9 million (12M 2024: EUR 64.7 million) and for Q4 2025 net profit attributable to shareholders was EUR 3.2 million (Q4 2024: EUR 19.9 million). 12 months net profit margin was 12.8% (12M 2024: 12.0%).

REVENUE

Q4 2025 revenue was EUR 69.1 million (Q4 2024: EUR 160.4 million) and 12 months' revenue was EUR 310.9 million (12M 2024: EUR 539.0 million). 12 months' revenue decreased by 42.3% compared to same period last year. The share of revenue earned outside Estonia in 12 months 2025 was 45.1% (12M 2024: 58.3%).

SECURED ORDER BOOK

As of 31 December 2025, the group's secured order book was EUR 466.9 million (31 December 2024: EUR 340.6 million). In 12 months 2025, group companies signed contracts in the amount of EUR 362.8 million (12M 2024: EUR 338.0 million). In Q4 2025, new contracts were signed in the amount of EUR 40.1 million (Q4 2024: EUR 45.9 million).

REAL ESTATE DEVELOPMENT

In 12 months 2025, the group sold a total of 358 apartments; in 12 months 2024, the group sold 323 apartments. The group earned a revenue of EUR 67.8 million from sale of own developed apartments in 12 months 2025 and EUR 58.9 million in 12 months 2024. In Q4 of 2025 a total of 43 apartments were sold, compared to 129 apartments in Q4 2024, and earned a revenue of EUR 8.1 million from sale of own developed apartments (Q4 2024: EUR 22.9 million).

CASH POSITION

At the end of the reporting period, the group had EUR 41.4 million in cash and cash equivalents, and equity of EUR 260.6 million (62.8% of total assets). Comparable figures as of 31 December 2024 were EUR 91.9 million and EUR 254.3 million (56.9% of total assets), respectively. As of 31 December 2025, the group's net debt was negative EUR 8.3 million (31 December 2024: negative EUR 58.5 million).

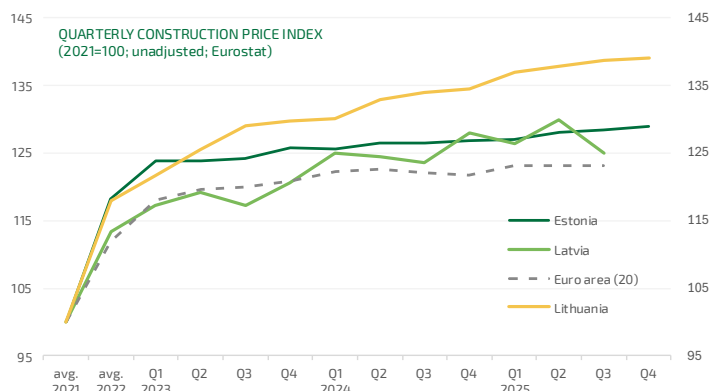
PROPOSAL FOR DISTRIBUTION OF PROFITS

The Management Board proposes to the Supervisory Board to distribute to shareholders EUR 22.1 million in dividends (1.25 euros per share) from retained earnings in 2026. This is equivalent to a 55% dividend rate for 2025.

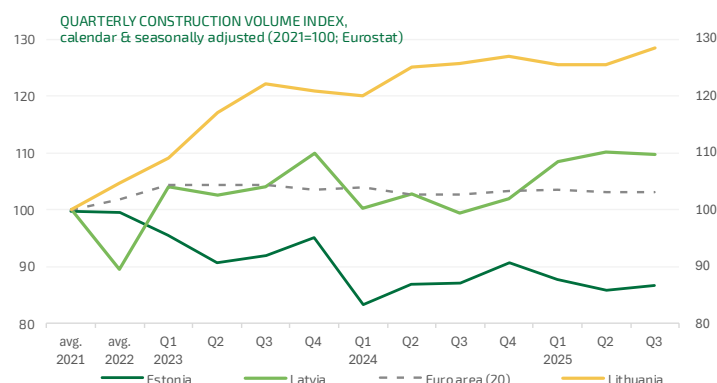
OUTLOOK OF CONSTRUCTION AND REAL ESTATE MARKET

CONSTRUCTION SERVICES

The trend of steady growth in construction prices that has prevailed over the past three years did not change at the end of 2025. Construction prices have increased across the EU with a similar trend. Even in Sweden, where the decline in construction sector volumes is second only to Estonia in the entire Nordic-Baltic region, construction price growth has been ~8% over the past 3 years. The sources of growth have varied, but overall construction prices have increased by approximately 8% over the past 3 years across the euro area. This trend is fuelled by the continued adjustment of universal input prices – labour and energy – to the high inflation of the 2020-2024 period and increased carbon emission prices. The moderate price growth in low-activity markets does not offset the faster growth of construction prices in more active markets – the Lithuanian construction price index continues to grow faster due to high market activity. The increase in construction prices in Lithuania over the past 3 years has been in the order of 14%, compared to construction prices in Europe and region that have increased by approximately 8% over the same period. In low-activity markets, the asking prices of construction companies have been under pressure, with minimal margins. There is no room for a price drop, and there are no serious initiatives that would allow price growth to stop, let alone decrease of prices. Therefore, 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.



Intense competition in the construction market and a persistent shortage of private orders have increased the sector's dependence on public or publicly funded orders. At the time of writing, Eurostat had not yet published construction volumes for the last quarter of 2025, but it is known that the market in Estonia and Latvia has become more active in residential construction and could show a slight increase. Orders for defence facilities continue to be high in all Baltic countries, but renewable energy sector has become quieter, as private investors are waiting for national decisions on the next minimum revenue guarantee mechanisms. Dependence on budgetary opportunities and political will makes the financial position of construction companies more volatile, but it is difficult to find a good remedy for this.

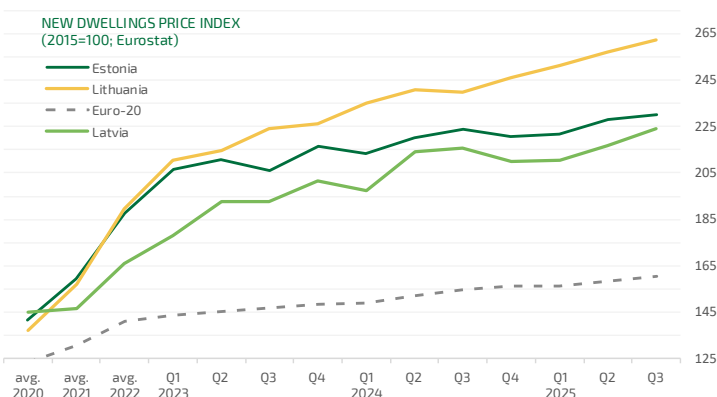


The elimination of 'tax hump' in Estonia and the pension reform in Lithuania should in theory also generate new investments in residential construction, but they will not bring large-scale changes in the construction sector. In conclusion, we remain of the opinion that there will be no decline in volumes in the Baltic construction market in the near future.

Based on the January economic forecasts, which, in addition to describing the uncertainty of the US political course, provide expectations for economic growth in markets important to us, we predict some growth in the construction sector in the Baltics for the coming year.

DEVELOPMENT OF APARTMENTS

The new housing market in Estonia recovered in 2025, while Latvia and Lithuania showed steady growth in both activity and prices. In our opinion, growth stopped in the last months of the year, but this may also be a return of seasonality to generally buoyant markets. Price growth has not stopped, it continued steadily throughout the year, and in our opinion, this mainly reflects the situation with the population's confidence indices. In Estonia, the index has turned upward, showing, among other things, an improved assessment of the population in durable goods purchases. Riga was clearly the most affordable Baltic capital at the end of the year, but Tallinn and Vilnius have also improved affordability thanks to wage growth that was faster than the growth in new housing prices. Given that economic analysts predict continued wage growth at a pace that exceeds inflation, we expect an increase in the population's prosperity in 2026 and, accordingly, a stable housing market with slight price growth.



We also reiterate our medium-term expectation that new requirements for energy efficiency and civil defence shelters will have an impact on housing price increases. Even if developers have secured a cache of building permits before the new requirements come into effect, this may delay price increase to some extent but not cancel it.

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

	12M 2025	12M 2024	VARIANCE	Q4 2025	Q4 2024	VARIANCE
Revenue	237.6	474.6	-49.9%	59.8	136.3	-56.2%
% of total revenue	76.4%	88.0%		86.5%	85.0%	
Operating profit	25.7	59.4	-56.8%	5.8	20.2	-71.2%
Operating profit margin	10.8%	12.5%		9.7%	14.8%	

In the 12 months of 2025, the revenue of the construction service segment was EUR 237.6 million (12M 2024: EUR 474.6 million). The sales revenue of construction service has decreased by 49.9% compared to the same period last year. The construction service segment revenue for 12 months 2025 made up 76.4% of the group's total revenue (12M 2024: 88.0%). In this segment, the group earned an operating profit of EUR 25.7 million for 12 months (12M 2024: EUR 59.4 million). The operating profit margin was 10.8% (12M 2024: 12.5%). The operating profit margin was mainly impacted by the expiration of successful contracts highlighted in 2024 and a return to sector's more typical margins in a highly competitive environment.

Larger projects in progress in the fourth quarter in construction service segment in Estonia included the office building City Plaza 2 and Hobby Centre Kullo 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 districts and NATO training centres buildings and infrastructures were underway. In Latvia, the group was working on the construction of a 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 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

	12M 2025	12M 2024	VARIANCE	Q4 2025	Q4 2024	VARIANCE
Revenue	73.4	64.5	+13.8%	9.4	24.0	-61.0%
incl. revenue from sale of apartments	67.8	58.9		8.1	22.9	
% of total revenue	23.6%	12.0%		13.5%	15.0%	
Operating profit	13.4	16.5	-18.8%	-1.2	6.2	-119.9%
Operating profit margin	18.2%	25.5%		-13.2%	25.9%	

In 12 months 2025, the group sold a total of 358 apartments (incl. 11 apartments in a joint venture) and 3 commercial premises; in 12 months 2024, 323 apartments (incl. 31 apartments in a joint venture) and 11 commercial premises (incl. 10 in a joint venture). The group earned a revenue of EUR 67.8 million (VAT not included) from sale of developed apartments in 12 months 2025 and EUR 58.9 million in 12 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 12 months of 2025, real estate development segment revenues increased by 13.8% compared to the same period last year and formed 23.6% of the group's total revenue (12 months of 2024: 12.0%).

The segment's operating profit for the 12 months of 2025 amounted to EUR 13.4 million (12 months of 2024: EUR 16.5 million) and the operating profit margin was 18.2% (12 months of 2024: 25.5%). 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. The negative operating profit margin in the fourth quarter was caused by a write-down of a property in Norway, which the group made after recognizing that there was no buyer for the property at the acquisition price level in the given market situation.

In 12 months of 2025, the group launched the construction of a total of 894 new apartments in the Baltic states (12 months of 2024: 259 apartments). In the 12 months, the group invested a total of EUR 56.2 million (12 months of 2024: EUR 41.6 million) in the ongoing development projects.

One of the group's objectives is to keep a sufficient portfolio of land plots to ensure stable inventory of property development projects, which considers the market conditions. As of 31 December 2025, the group's inventories included land plots with development potential, where the construction works have not started, in the amount of EUR 88.8 million (31.12.2024: EUR 87.7 million).

GROUP'S INVENTORIES WITH DEVELOPMENT POTENTIAL BY COUNTRY

million EUR

	31.12.2025	31.12.2024
Estonia	30.9	30.9
Latvia	22.5	23.0
Lithuania	34.7	32.4
Norway	0.7	1.4
Total	88.8	87.7

In 12 months of 2025, the group has obtained new land plots for real estate development purposes worth EUR 14.8 million (12 months of 2024: in the amount of EUR 2.0 million).

SECURED ORDER BOOK

As of 31 December 2025, the group's secured order book amounted to EUR 466.9 million, compared to EUR 340.6 million as of 31 December 2024, having increased by 37.1% 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 12 months of 2025, EUR 362.8 million worth of new contracts were signed, which is EUR 24.8 million more compared to the same period of the previous year (12 months of 2024: EUR 338.0 million). The value of new contracts signed in the fourth quarter of 2025 amounted to EUR 40.1 million; in the fourth quarter of 2024 the value of new contracts signed amounted to EUR 45.9 million.

LARGEST CONSTRUCTION CONTRACTS SIGNED IN THE FOURTH QUARTER OF 2025

BRIEF DESCRIPTION OF CONTRACT	COUNTRY	COMPLETION TIME	VALUE MILLION EUR
Design and construction contract for the construction of an office building at Lõõtsa 1 B/C in Tallinn	Estonia	November 2027	35.0

As of 31 December 2025, the private sector orders accounted for approximately 42% of the total balance in the group's secured order book (31.12.2024: approximately 48%). 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 41.4 million (31.12.2024: EUR 91.9 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, all of which were unused (31.12.2024: EUR 51.1 million, of which EUR 44.0 million was unused).

The 12-month cash flow from operating activity was negative at EUR 1.7 million (12 months of 2024: positive EUR 57.8 million), cash flow from investing activity was negative at EUR 13.3 million (12 months of 2024: positive EUR 3.2 million) and the cash flow from financing activity was negative at EUR 35.5 million (12 months of 2024: negative EUR 46.4 million).

The cash flow from operating activities had positive effect from EBITDA of EUR 37.5 million (12 months of 2024: positive effect of EUR 75.7 million) and from the change in trade and other receivables related to operating activities of EUR 21.6 million (12 months of 2024: positive effect of EUR 0.8 million). The negative effects to cash flow from operating activities came from the changes in receivables and liabilities related to construction contracts of EUR 11.9 million (12 months 2024: positive effect of EUR 6.3 million), from the changes in trade and other payables related to operating activities of EUR 15.2 million (12 months of 2024: negative effect of EUR 14.0 million) and from the change in the provisions of EUR 0.1 million (12 months of 2024: positive effect of EUR 5.6 million) as well from the change in inventories of EUR 22.9 million (12 months of 2024: negative effect of EUR 1.9 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 1.2 million (12 months of 2024: EUR 2.4 million) and corporate income tax was paid at EUR 9.0 million (12 months of 2024: EUR 9.3 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 (8.0% as of 31.12.2025; 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 6.6 million (12 months of 2024: EUR 1.9 million) as well from the net change in short-term deposits of EUR 8.0 million (12 months of 2024: negative cash flow in the net amount of EUR 10.0 million). The positive impact in cash flows from investing activities came from the sale of non-current assets in the amount of EUR 0.3 million (12 months of 2024: EUR 0.6 million) and EUR 1.2 million interest received from the banks (12 months of 2024: EUR 2.0 million).

In cash flows from financing, the larger negative factors were the dividend payment in the amount of EUR 33.6 million (12 months of 2024: EUR 22.9 million), the repayments of lease liabilities in the amount of EUR 1.7 million (12 months of 2024: net negative cash flow of EUR 1.6 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 1.5 million (12 months of 2024: negative cash flow in the net amount of EUR 1.7 million) as well from the net change in loans related to other activities in the amount of EUR 7.0 million (12 months of 2024: net negative cash flow of EUR 1.3 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 8.3 million, which resulted from the increase in loans taken for residential development projects (12 months of 2024: net negative cash flow of EUR 18.8 million).

RATIOS

(attributable to equity holders of the parent)

INCOME STATEMENT SUMMARY		12M 2025	12M 2024	12M 2023	Q4 2025	Q4 2024	Q4 2023
Revenue	million EUR	310.9	539.0	466.3	69.1	160.4	126.5
Gross profit	million EUR	55.9	95.9	65.0	8.8	32.8	21.8
Gross profit margin	%	18.0	17.8	13.9	12.7	20.5	17.3
Operating profit	million EUR	34.3	72.5	44.5	2.7	25.4	14.4
Operating profit margin	%	11.0	13.4	9.5	3.9	15.9	11.4
Pre-tax profit	million EUR	44.8	76.4	52.0	4.6	26.8	18.1
Pre-tax profit margin	%	14.4	14.2	11.1	6.7	16.7	14.3
Net profit	million EUR	39.9	64.6	45.9	3.2	19.9	13.9
attributable to equity holders of the parent	million EUR	39.9	64.7	46.0	3.2	19.9	13.9
attributable to non-controlling interest	million EUR	-	(0.1)	(0.1)	-	(0.0)	(0.0)
Net profit margin	%	12.8	12.0	9.9	4.7	12.4	11.0
Other income statement indicators		12M 2025	12M 2024	12M 2023	Q4 2025	Q4 2024	Q4 2023
EBITDA	million EUR	37.5	75.7	48.1	3.6	26.3	15.7
EBITDA margin	%	12.0	14.0	10.3	5.2	16.4	12.5
General expense ratio	%	7.5	5.0	5.1	9.5	5.3	6.2
Labour cost ratio	%	16.2	9.8	10.8	17.5	10.5	12.4
Revenue per employee	thousand EUR	515	882	718	114	262	195

OTHER SIGNIFICANT INDICATORS		31.12.2025	31.12.2024	31.12.2023
Return on equity	%	15.6	28.4	23.4
Return on assets	%	9.7	14.8	11.8
Return on invested capital	%	16.2	29.8	20.6
Assets	million EUR	415.0	447.1	425.3
Equity	million EUR	260.6	254.3	211.9
Equity attributable to equity holders of the parent	million EUR	260.6	254.3	212.1
Equity ratio	%	62.8	56.9	49.9
Debt ratio	%	8.0	7.5	12.9
Current ratio	times	2.9	2.1	2.0
Quick ratio	times	0.9	0.9	0.9
Accounts receivable turnover	days	50	43	38
Accounts payable turnover	days	56	46	40
Average number of employees	people	604	611	649
Secured order book	million EUR	466.9	340.6	477.5

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 31 December 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 (31.12.2024: EUR 0.4 million).

Below is presented an overview of the key legal disputes and proceedings, which have taken place or ended during 2025 or are ongoing as of 31 December 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. On 23 December 2025, the Supreme Court of Latvia annulled the previous decisions and sent the dispute back to the court of appeal for a new hearing, finding that the use of materials collected during secret surveillance as evidence in administrative proceedings was not permissible. At the time of writing, there was no further information on the next deadlines and steps in 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 31 December 2025, Merko Ehitus group employed 617 people (including temporary and part-time staff). Compared to the same period last year, the number of group's employees increased by 12 (+2.0%). The number of employees decreased in Estonia and Lithuania; 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 12 months 2025, the labour cost was EUR 50.5 million (12 months 2024: EUR 52.8 million), which decreased by 4.4% compared to the same period previous year and the labour cost ratio increased by 6.4 pp from 9.8% to 16.2% 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

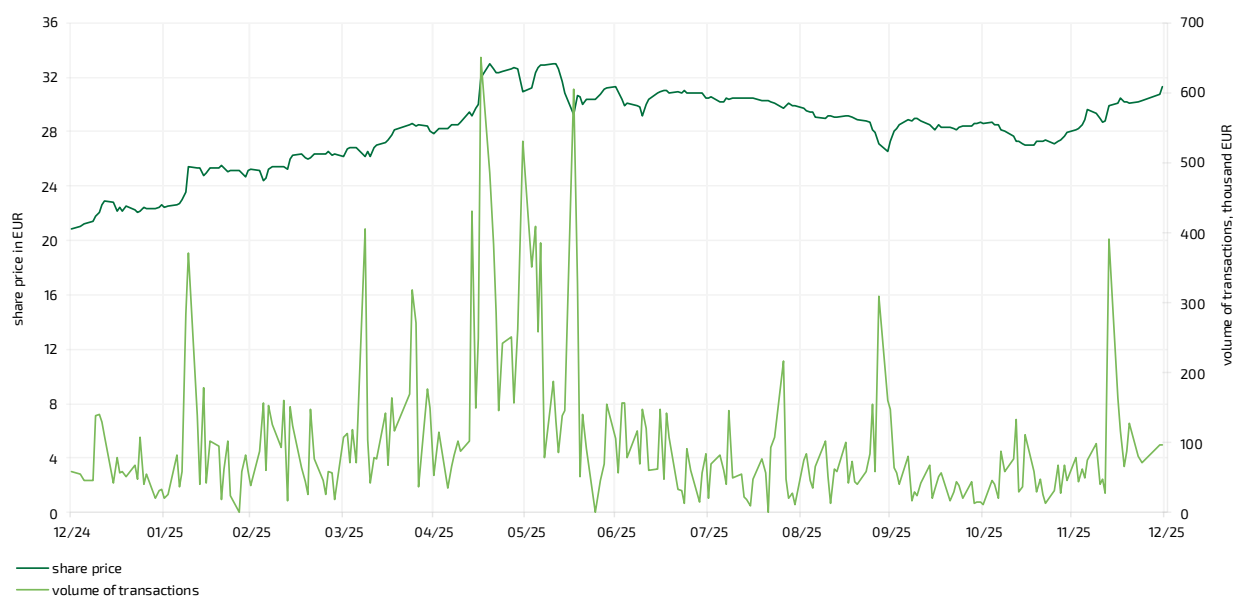
The shares of Merko Ehitus are listed in the Main List of Nasdaq Tallinn. As of 31 December 2025, the company has 17,700,000 shares. The number of shares has not changed during 2025.

A total of 31,882 transactions were conducted with the shares of Merko Ehitus in 12 months of 2025, with 0.88 million shares (5.0% of total shares) traded, generating a turnover of EUR 25.1 million (comparable figures in 12 months 2024 were accordingly: 23,384 transactions with 0.79 million shares traded (4.5% of total shares), generating a turnover of EUR 13.6 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 (12 months of 2024: EUR 15.10 and EUR 21.55, accordingly). On 31 December 2025, the closing price of the share was EUR 31.30 (31.12.2024: EUR 20.85). As of 31 December 2025, by the Nasdaq Baltic stock exchange, the market capitalisation of AS Merko Ehitus was EUR 554.0 million, which has increased by 50.1% compared to the end of the equivalent period of the prior year (31.12.2024: EUR 369.0 million).

	31.12.2025	31.12.2024	31.12.2023
Number of shares	17,700,000	17,700,000	17,700,000
Earnings per share (EPS), euros	2.26	3.65	2.60
Equity per share, euros	14.48	12.88	11.11
P/B ratio	2.16	1.62	1.38
P/E ratio	13.88	5.71	5.88
Market value, million EUR	554.0	369.0	270.8

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



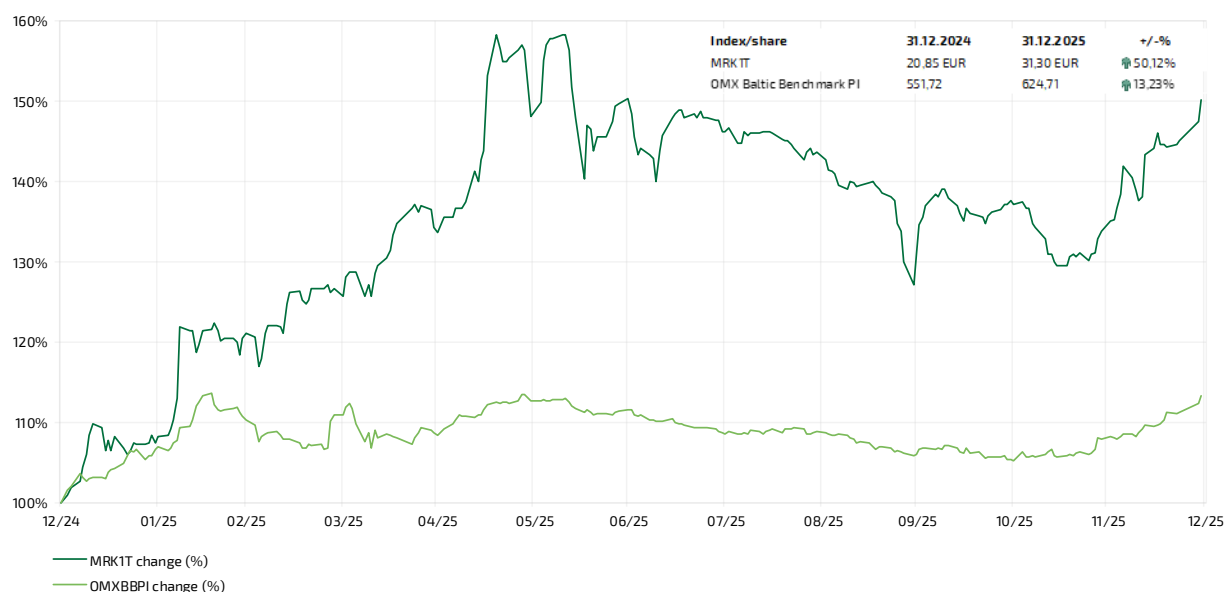
STRUCTURE OF SHAREHOLDERS ACCORDING TO NUMBER OF SHARES AS OF 31.12.2025

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%	1,366,081	7.72%
10,001 – 100,000	47	0.36%	995,833	5.62%
1,001-10,000	529	4.02%	1,404,829	7.94%
101-1,000	2,854	21.69%	944,567	5.34%
1-100	9,718	73.87%	246,004	1.39%
Total	13,155	100%	17,700,000	100%

SHAREHOLDERS OF AS MERKO EHITUS AS OF 31.12.2025 AND CHANGE COMPARED TO THE PREVIOUS QUARTER

	NUMBER OF SHARES	% OF TOTAL 31.12.2025	% OF TOTAL 30.09.2025	CHANGE
AS Riverito	12,742,686	71.99%	71.99%	-
OÜ Midas Invest	427,100	2.41%	2.41%	-
Firebird Republics Fund Ltd	352,162	1.99%	2.01%	(4,173)
Firebird Aurora Fund Ltd	211,215	1.19%	1.20%	(1,113)
OÜ Alar Invest	136,000	0.77%	0.77%	-
Clearstream Europe AG	122,975	0.69%	0.69%	96
Firebird Fund L.P.	116,629	0.66%	0.67%	(1,614)
Siseinfo OÜ	100,000	0.56%	0.56%	-
AB SEB Bankas	43,412	0.25%	0.23%	1,894
Swedbank AS clients	40,766	0.23%	0.23%	737
Total largest shareholders	14,292,945	80.75%	80.77%	(4,173)
Total other shareholders	3,407,055	19.25%	19.23%	4,173
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).

In cooperation with the Supervisory Board, the Management Board proposes to pay the shareholders EUR 22.1 million as dividends from net profits brought forward (EUR 1.25 per share) in 2026, which is equivalent to a 55% dividend rate and a 4.0% dividend yield for the year 2025 (using the share price as at 31 December 2025).

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 31 December 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.

On 10 November 2025, OÜ Merko Kodud, a member of the AS Merko Ehitus group, and AS Krulli Kvartal established a 50:50 joint venture, Krulli Kodud OÜ, with the purpose to jointly develop the residential buildings of the Krulli Quarter in Northern Tallinn.

On 22 December 2025, UAB Merko Statyba, fully owned subsidiary of AS Merko Ehitus in Lithuania, established the 100% subsidiaries UAB VPSP B and UAB VPSP C.

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 31 December 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 31 December 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 31 December 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 12 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	05.02.2026
------------	----------------------------------	------------

Tõnu Toomik	Member of the Management Board	05.02.2026
-------------	--------------------------------	------------

Urmas Somelar	Member of the Management Board	05.02.2026
---------------	--------------------------------	------------

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited

in thousand euros

	Note	2025 12 months	2024 12 months	2025 IV quarter	2024 IV quarter
Revenue	2	310,941	539,049	69,142	160,373
Cost of goods sold	3	(255,081)	(443,162)	(60,332)	(127,565)
Gross profit		55,860	95,887	8,810	32,808
Marketing expenses		(5,823)	(5,030)	(2,070)	(1,664)
General and administrative expenses		(17,478)	(21,908)	(4,480)	(6,793)
Other operating income		2,285	5,724	688	759
Other operating expenses		(501)	(2,190)	(230)	322
Operating profit		34,343	72,483	2,718	25,432
Finance income/costs		10,425	3,931	1,894	1,407
incl. finance income/costs from investments in subsidiaries		-	(5,087)	-	(1,968)
finance income/costs from joint ventures		10,381	9,951	1,895	3,317
interest expense		(836)	(1,823)	(225)	(354)
foreign exchange gain (loss)		(18)	(948)	(37)	(17)
other financial income (expenses)		898	1,838	261	429
Profit before tax		44,768	76,414	4,612	26,839
Corporate income tax expense		(4,850)	(11,820)	(1,378)	(6,953)
Net profit for financial year		39,918	64,594	3,234	19,886
incl. net profit attributable to equity holders of the parent		39,918	64,668	3,234	19,887
net profit attributable to non-controlling interest		-	(74)	-	(1)
Other comprehensive income, which can subsequently be classified in the income statement					
Currency translation differences of foreign entities		20	105	31	(24)
Comprehensive income for the period		39,938	64,699	3,265	19,862
incl. net profit attributable to equity holders of the parent		39,938	64,764	3,265	19,862
net profit attributable to non-controlling interest		-	(65)	-	-
Earnings per share for profit attributable to equity holders of the parent (basic and diluted, in EUR)	4	2.26	3.65	0.18	1.12

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	31.12.2025	31.12.2024
ASSETS			
Current assets			
Cash and cash equivalents	5	41,424	91,879
Short-term deposits		18,000	10,000
Trade and other receivables	6	43,658	51,419
Prepaid corporate income tax		1,347	270
Inventories	7	219,812	196,521
		324,241	350,089
Non-current assets			
Investments in joint ventures		31,957	21,571
Other shares and securities		80	80
Other long-term loans and receivables	8	20,658	40,196
Deferred income tax assets		2,874	5,056
Investment property	9	12,395	12,606
Property, plant and equipment	10	22,117	17,147
Intangible assets	11	714	350
		90,795	97,006
TOTAL ASSETS		415,036	447,095
LIABILITIES			
Current liabilities			
Borrowings	12	3,079	21,303
Payables and prepayments	13	95,920	129,786
Income tax liability		510	7,101
Deferred income from government grant		2	-
Short-term provisions	14	10,426	7,678
		109,937	165,868
Non-current liabilities			
Long-term borrowings	12	30,012	12,102
Deferred income tax liability		7,448	6,148
Other long-term payables	15	7,073	8,719
		44,533	26,969
TOTAL LIABILITIES		154,470	192,837
EQUITY			
Equity attributable to equity holders of the parent			
Share capital		7,929	7,929
Statutory reserve capital		793	793
Currency translation differences		(21)	(41)
Retained earnings		251,865	245,577
		260,566	254,258
TOTAL EQUITY		260,566	254,258
TOTAL LIABILITIES AND EQUITY		415,036	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	-	-	-	64,668	64,668	(74)	64,594
Other comprehensive income	-	-	96	-	96	9	105
Total comprehensive income (loss) for the reporting period	-	-	96	64,668	64,764	(65)	64,699
Disposal of subsidiary (Note 16)	-	-	701	-	701	-	701
Buyout of non-controlling interest (Note 16)	-	-	-	(252)	(252)	220	(32)
Dividends (Note 4)	-	-	-	(23,010)	(23,010)	-	(23,010)
Total transactions with owners	-	-	701	(23,262)	(22,561)	220	(22,341)
Balance as of 31.12.2024	7,929	793	(41)	245,577	254,258	-	254,258
Balance as at 31.12.2024	7,929	793	(41)	245,577	254,258	-	254,258
Profit (loss) for the reporting period	-	-	-	39,918	39,918	-	39,918
Other comprehensive income	-	-	20	-	20	-	20
Total comprehensive income (loss) for the reporting period	-	-	20	39,918	39,938	-	39,938
Dividends (Note 4)	-	-	-	(33,630)	(33,630)	-	(33,630)
Total transactions with owners	-	-	-	(33,630)	(33,630)	-	(33,630)
Balance as at 31.12.2025	7,929	793	(21)	251,865	260,566	-	260,566

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 12 months	2024 12 months
Cash flows from operating activities			
Operating profit		34,343	72,483
Adjustments:			
Depreciation and impairment		3,182	3,235
(Profit)/loss from sale of non-current assets		(244)	(2,916)
Change in receivables and liabilities related to construction contracts		(11,901)	6,302
Interest income from operating activities		(1,832)	(1,917)
Change in provisions		(101)	5,636
Change in government grant		2	-
Change in trade and other receivables related to operating activities		21,613	826
Change in inventories		(22,929)	(1,860)
Change in trade and other payables related to operating activities		(15,194)	(14,044)
Interest received		1,850	1,900
Interest paid		(1,176)	(2,404)
Other finance income (costs)		(221)	(180)
Corporate income tax paid		(9,045)	(9,297)
Total cash flows from operating activities		(1,653)	57,764
Cash flows from investing activities			
Disposal of subsidiary		-	(4,303)
Acquisition of associate		(5)	(5)
Net change in purchase of deposits with maturities greater than 3 months		(8,000)	(10,000)
Purchase of investment property		(128)	(45)
Disposal of investment property		-	6,499
Purchase of property, plant and equipment (excl. leased assets)		(6,124)	(1,736)
Proceeds from sale of property, plant and equipment		269	612
Purchase of intangible assets		(503)	(140)
Interest received		1,208	2,017
Dividends received		-	10,300
Total cash flows from investing activities		(13,283)	3,199
Cash flows from financing activities			
Proceeds from borrowings		14,816	18,701
Repayments of borrowings		(15,045)	(40,546)
Repayments of lease liabilities		(1,660)	(1,551)
Buyout of non-controlling interest		-	(33)
Dividends paid		(33,630)	(22,940)
Total cash flows from financing activities		(35,519)	(46,369)
Net increase/decrease in cash and cash equivalents		(50,455)	14,594
Change of deposits with maturities greater than 3 months		8,000	10,000
Total change		(42,455)	24,594
Cash and cash equivalents at the beginning of the period	5	91,879	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
Effect of exchange rate changes		-	(45)
Cash and cash equivalents at the end of the period	5	41,424	91,879
Deposits with maturities greater than 3 months at the end of period		18,000	10,000
Total at the end of the period		59,424	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 12 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 12 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 12 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 12 months	Construction service	Real estate development	Total segments
Revenue	241,374	110,698	352,072
Inter-segment revenue	(3,806)	(37,325)	(41,131)
Revenue from clients	237,568	73,373	310,941
incl. timing of revenue recognition at a point in time	2,194	69,156	71,350
timing of revenue recognition over time	235,374	4,217	239,591
Operating profit (loss)	25,660	13,364	39,024
Profit (loss) before tax	36,389	13,059	49,448
incl. interest income from operating activities	55	1,769	1,824
depreciation	(2,454)	(655)	(3,109)
impairment of inventories	-	(1,000)	(1,000)
recognition of provisions	(2,342)	(2,810)	(5,152)
reversal of provisions	196	-	196
profit from joint ventures	9,980	401	10,381
other finance income (costs)	906	(638)	268
incl. interest income	1,065	46	1,111
interest expenses	(78)	(617)	(695)
Assets 31.12.2025	99,571	252,063	351,634
incl. joint ventures	23,319	8,638	31,957

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

2025 IV quarter	Construction service	Real estate development	Total segments
Revenue	62,715	22,001	84,716
Inter-segment revenue	(2,939)	(12,635)	(15,574)
Revenue from clients	59,776	9,366	69,142
incl. timing of revenue recognition at a point in time	819	8,258	9,077
timing of revenue recognition over time	58,957	1,108	60,065
Operating profit (loss)	5,813	(1,239)	4,574
Profit (loss) before tax	7,839	(1,376)	6,463
incl. interest income from operating activities	9	464	473
depreciation	(707)	(166)	(873)
impairment of inventories	-	(1,000)	(1,000)
recognition of provisions	(923)	(1,194)	(2,117)
reversal of provisions	176	-	176
profit from joint ventures	1,808	87	1,895
other finance income (costs)	277	(218)	59
incl. interest income	300	4	304
interest expenses	(16)	(172)	(188)
Assets' change in IV quarter	1,432	13,850	15,282
incl. joint ventures	1,808	89	1,897

2024 IV quarter	Construction service	Real estate development	Total segments
Revenue	137,482	30,331	167,813
Inter-segment revenue	(1,141)	(6,299)	(7,440)
Revenue from clients	136,341	24,032	160,373
incl. timing of revenue recognition at a point in time	188	23,035	23,223
timing of revenue recognition over time	136,153	997	137,150
Operating profit (loss)	20,211	6,223	26,434
Profit (loss) before tax	21,856	6,011	27,867
incl. interest income from operating activities	65	451	516
depreciation	(746)	(141)	(887)
recognition of provisions	(1,658)	(339)	(1,997)
reversal of provisions	1,212	-	1,212
finance income/costs from investments in subsidiaries	(1,968)	-	(1,968)
profit from joint ventures	3,235	82	3,317
other finance income (costs)	394	(282)	112
incl. interest income	445	23	468
interest expenses	(34)	(287)	(321)
Assets' change in IV quarter	(42,803)	(1,716)	(44,519)
incl. joint ventures	(4,060)	82	(3,978)

In addition to the segment assets, as at 31.12.2025 the group holds assets in the amount of EUR 63,402 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 12 months	2024 12 months	2025 IV quarter	2024 IV quarter
Pre-tax profit from reporting segments	49,448	80,051	6,463	27,867
Other operating profit (loss)	(4,681)	(3,388)	(1,856)	(1,003)
incl. recognition of provisions	(43)	(185)	(43)	(185)
finance income (costs)	1	(249)	5	(25)
incl. interest income (expenses)	93	(176)	24	(5)
Total profit before tax	44,768	76,414	4,612	26,839

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 12 months		2024 12 months		2025 IV quarter		2024 IV quarter	
Estonia	170,771	55%	224,655	42%	43,663	63%	73,452	46%
Latvia	51,562	17%	30,536	6%	18,472	27%	12,006	7%
Lithuania	88,608	28%	283,613	52%	7,007	10%	74,896	47%
Norway	-	0%	245	0%	-	0%	19	0%
Total	310,941	100%	539,049	100%	69,142	100%	160,373	100%

CONTRACT ASSETS AND LIABILITIES

in thousand euros

	31.12.2025	31.12.2024
Accrued income from construction services (Note 6)	3,164	8,965
Prepayments for construction services (Note 13)	(23,910)	(41,612)
Advance payments received for construction contract works (Notes 13, 15)	(7,070)	(7,969)
Recognised provision for onerous construction contracts (Note 14)	(7)	(7)

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

in thousand euros

	31.12.2025	31.12.2024
Estonia	57,292	42,556
Latvia	7,515	6,480
Lithuania	2,456	2,718
Total	67,263	51,754

NOTE 3 COST OF GOODS SOLD

in thousand euros

	2025 12 months	2024 12 months	2025 IV quarter	2024 IV quarter
Construction services and properties purchased for resale	153,944	332,065	30,946	98,385
Materials	30,625	41,566	8,794	8,273
Labour costs	34,204	32,888	8,319	10,926
Construction mechanisms and transport	8,301	7,719	3,029	1,818
Design	7,717	7,641	2,634	2,274
Real estate management costs	1,345	1,444	313	385
Depreciation	2,288	2,182	663	538
Impairment of inventories	1,000	-	1,000	-
Provisions	4,798	3,866	1,783	1,142
Other expenses	10,859	13,791	2,851	3,824
Total cost of goods sold	255,081	443,162	60,332	127,565

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 12 months	2024 12 months	2025 IV quarter	2024 IV quarter
Net profit (loss) attributable to shareholders (<i>in thousand EUR</i>)	39,918	64,668	3,234	19,887
Weighted average number of ordinary shares (<i>thousand pcs</i>)	17,700	17,700	17,700	17,700
Earnings (loss) per share (<i>in euros</i>)	2.26	3.65	0.18	1.12

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 31.12.2025 the balance of deferred income tax liability includes deferred income tax on dividends in the amount of 5,787 thousand euros (31.12.2024: EUR 4,642 thousand euros).

As of 31.12.2025, the parent company AS Merko Ehitus has EUR 24,735 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 31.12.2025, it is possible to pay out dividends to shareholders from retained earnings in the amount of EUR 201,880 thousand (31.12.2024: EUR 193,562 thousand). Considering the dividends received and income tax withheld on foreign income totalling EUR 6,977 thousand (31.12.2024: EUR 2,621 thousand), the corresponding income tax on dividends would amount to EUR 49,964 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

	31.12.2025	31.12.2024
Bank accounts	34,802	90,375
Overnight deposits	6,622	1,504
Total cash and cash equivalents	41,424	91,879

NOTE 6 TRADE AND OTHER RECEIVABLES

in thousand euros

	31.12.2025	31.12.2024
Trade receivables		
Accounts receivable	31,003	37,883
Allowance for doubtful receivables	-	(3)
	31,003	37,880
Tax prepayments excluding corporate income tax		
Value added tax	689	570
Other taxes	2	-
	691	570
Accrued income from construction services	3,164	8,965
Other short-term receivables		
Short-term loans	500	-
Interest receivables	19	19
Other short-term receivables	115	88
	634	107
Prepayments for services		

	31.12.2025	31.12.2024
Prepayments for construction services	7,186	2,555
Prepaid insurance	692	901
Other prepaid expenses	288	441
	8,166	3,897
Total trade and other receivables	43,658	51,419
incl. other short-term receivables and prepayments to related parties (Note 16)	1,393	4,746

NOTE 7 INVENTORIES

in thousand euros

	31.12.2025	31.12.2024
Materials	553	625
Work-in-progress	102,274	63,459
Finished goods	27,249	43,996
Goods for resale		
Registered immovables purchased for resale/development	88,850	87,720
Other goods purchased for resale	696	405
	89,546	88,125
Prepayments for inventories		
Prepayments for real estate properties	8	13
Prepayments for other inventories	182	303
	190	316
Total inventories	219,812	196,521

NOTE 8 OTHER LONG-TERM LOANS AND RECEIVABLES

in thousand euros

	31.12.2025	31.12.2024
Long-term loan receivables	2,800	7,300
Long-term receivables from customers of construction services	17,858	32,896
Total other long-term loans and receivables	20,658	40,196
incl. long-term loan receivables from related parties (Note 16)	2,800	7,300

NOTE 9 INVESTMENT PROPERTY

in thousand euros

	31.12.2025	31.12.2024
Land	6,109	6,109
Right of superficies at carrying amount		
Cost	29	29
Accumulated depreciation	(16)	(16)
	13	13
Buildings at carrying amount		
Cost	8,026	8,026
Accumulated depreciation	(1,926)	(1,587)
	6,100	6,439
Construction in progress	173	45
Total investment property	12,395	12,606

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

in thousand euros

	31.12.2025	31.12.2024
Land	1,266	1,266
Buildings at carrying amount*		
Cost	8,055	7,468
Accumulated depreciation	(3,880)	(3,519)
	4,175	3,949
Machinery and equipment at carrying amount*		
Cost	20,089	19,264
Accumulated depreciation	(10,913)	(9,855)
	9,176	9,409
Other fixtures at carrying amount		
Cost	6,723	3,584
Accumulated depreciation	(2,346)	(2,320)
	4,377	1,264
Construction in progress and prepayments for property, plant and equipment	3,123	1,259
Total property, plant and equipment	22,117	17,147

* As of 31 December 2025, the balance of buildings at carrying amount includes leased assets in a sum of EUR 770 thousand (31.12.2024: EUR 365 thousand). The balance of machinery and equipment at carrying amount includes leased assets in a sum of EUR 3,627 thousand (31.12.2024: EUR 4,086 thousand).

NOTE 11 INTANGIBLE ASSETS

in thousand euros

	31.12.2025	31.12.2024
Goodwill		
Cost	1	1
Software at carrying amount		
Cost	2,031	1,537
Accumulated depreciation	(1,318)	(1,198)
	713	339
Prepayments for intangible assets	-	10
Total intangible assets	714	350

NOTE 12 BORROWINGS

in thousand euros

	31.12.2025	31.12.2024
Lease liabilities*		
Lease liabilities balance	4,435	4,520
incl. current portion	1,131	1,031
non-current portion 2...5 years	3,304	3,489
Bank loans		
Loan balance	28,317	28,511
incl. current portion	1,609	19,898
non-current portion 2...5 years	26,708	8,613
Loans from other entities		
Loan balance	339	374
incl. current portion	339	374
Total loans		
Loans balance	28,656	28,885
incl. current portion	1,948	20,272
non-current portion 2...5 years	26,708	8,613
Total borrowings	33,091	33,405
incl. current portion	3,079	21,303
non-current portion 2...5 years	30,012	12,102

* As of 31 December 2025, the lease liabilities include a balance of EUR 675 thousand to related parties (31.12.2024: EUR 158 thousand) (Note 16).

NOTE 13 PAYABLES AND PREPAYMENTS

in thousand euros

	31.12.2025	31.12.2024
Trade payables	33,970	55,469
Payables to employees	15,230	18,206
Tax liabilities, except for corporate income tax		
Value added tax	2,311	3,309
Personal income tax	647	612
Social security tax	1,637	1,947
Unemployment insurance tax	73	77
Contributions to mandatory funded pension	65	42
Other taxes	310	148
	5,043	6,135
Prepayments for construction services	23,910	41,612
Other liabilities		
Interest liabilities	140	88
Other liabilities	169	171
	309	259
Prepayments received *	17,458	8,105
Total payables and prepayments	95,920	129,786
incl. payables to related parties (Note 16)	58	47

* As of 31 December 2025, the balance of prepayments received consists of prepayments received in connection with construction contracts (advance payments received for construction contract works) in a sum of EUR 7,070 thousand (31.12.2024: EUR 4,373 thousand) and of prepayments received in connection with residential properties (apartment buyers) in a sum of EUR 10,388 thousand (31.12.2024: EUR 3,732 thousand) (Note 2).

NOTE 14 SHORT-TERM PROVISIONS

in thousand euros

	31.12.2025	31.12.2024
Provision for warranty obligation for construction	5,183	5,181
Provision for costs of projects sold and work-in-progress projects	4,448	1,702
Provision for onerous construction contracts	7	7
Provision for legal costs and claims filed	377	410
Other provisions	411	378
Total short-term provisions	10,426	7,678

NOTE 15 OTHER LONG-TERM PAYABLES

in thousand euros

	31.12.2025	31.12.2024
Trade payables	5,758	5,123
Prepayments received *	1,204	3,596
Other long-term liabilities	88	-
Other long-term provisions	23	-
Other long-term payables total	7,073	8,719

* As of 31 December 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 1,204 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 31.12.2025 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
	31.12.2025	31.12.2024		
Subsidiaries				
AS Merko Ehitus Eesti	100	100	Estonia, Tallinn	Construction
OÜ Tähelinna Kinnisvara	100	100	Estonia, Tallinn	Real estate
OÜ Vahi Lasteoid	100	100	Estonia, Tallinn	Real estate
OÜ Merko Kaevandused	100	100	Estonia, Tallinn	Mining
Tallinna Teede AS	100	100	Estonia, Tallinn	Road construction
OÜ Merko Kodud	100	100	Estonia, Tallinn	Real estate
UAB Merko Statyba	100	100	Lithuania, Vilnius	Construction
UAB Timana	100	100	Lithuania, Vilnius	Real estate
UAB VPSP 2	100	100	Lithuania, Vilnius	Real estate
UAB VPSP Projektai	100	100	Lithuania, Vilnius	Real estate
UAB VPSP B	100	-	Lithuania, Vilnius	Real estate
UAB VPSP C	100	-	Lithuania, Vilnius	Real estate

	Ownership and voting rights %		Location	Area of operation
	31.12.2025	31.12.2024		
OÜ Merko Property	100	100	Estonia, Tallinn	Real estate
UAB Balsiu Mokyklos SPV	100	100	Lithuania, Vilnius	Real estate
UAB Merko Bustas	100	100	Lithuania, Vilnius	Real estate
UAB MN Projektas	100	100	Lithuania, Vilnius	Real estate
UAB MN 2 Projektas	100	100	Lithuania, Vilnius	Real estate
UAB MB Projektas	100	100	Lithuania, Vilnius	Real estate
UAB Statinių Priežiūra ir Administravimas	100	100	Lithuania, Vilnius	Real estate
UAB MB 4 Projektas	100	100	Lithuania, Vilnius	Real estate
OÜ Merko Investments	100	100	Estonia, Tallinn	Holding
SIA Merko Būve	100	100	Latvia, Riga	Construction
PS MB.MEE	100	100	Latvia, Riga	Construction
PS MB.MS	100	-	Latvia, Riga	Construction
SIA Merko Management Latvia	100	100	Latvia, Riga	Real estate
OÜ Merko Residential Investments	100	100	Estonia, Tallinn	Holding
SIA Merko Mājas (ex-SIA Merks Mājas)	100	100	Latvia, Riga	Real estate
SIA Ropažu Priedes	100	100	Latvia, Riga	Real estate
SIA Zakusala Estates	100	100	Latvia, Riga	Real estate
Merko Investments AS	100	100	Norway, Sofiemyr	Holding
Løkenskogen Bolig AS	100	100	Norway, Sofiemyr	Real estate
OÜ Merko Ehitus Ventures	100	100	Estonia, Tallinn	Holding
Joint ventures				
Kodusadam OÜ	50	50	Estonia, Tallinn	Real estate
Turu 18 Kodud OÜ	50	-	Estonia, Tallinn	Real estate
Krulli 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 12 months	2024 12 months
Provided services and goods sold		
Joint ventures	4,907	3,904
Entities under common control	39,975	47,003
Members of the management	22	31
Total services provided and goods sold	44,904	50,938
Interest income		
Joint ventures	100	32
Entities under common control	8	6
Total interest income	108	38
Purchased services and goods		
Joint ventures	177	18
Entities under common control	87	80
Total purchased services and goods	264	98
Interest expense		
Entities under common control	-	130
Total interest expense	-	130

BALANCES WITH RELATED PARTIES

in thousand euros

	31.12.2025	31.12.2024
Receivables from related parties		
Loans granted (Note 8)		
Joint venture	2,800	7,300
Receivables and prepayments (Note 6)		
Joint ventures	1,172	142
Entities under common control	24	4,585
Members of the management	197	19
Total receivables and prepayments	1,393	4,746
Total receivables from related parties	4,193	12,046
Payables to related parties		
Lease liabilities (Note 12)		
Entities under common control	675	158
Payables and prepayments (Note 13)		
Joint ventures	39	12
Entities under common control	19	35
Total payables and prepayments	58	47
Total payables to related parties	733	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 12 months of 2025 were EUR 2,537 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 12 months of 2025, the Management Board members of AS Merko Ehitus did not receive benefits (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 31.12.2025:

		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 31.12.2025:

		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.

	31.12.2025	31.12.2024
Performance period's warranty to the customer	46,243	42,115
Tender warranty	100	6
Guarantee for warranty period	17,342	22,632
Prepayment guarantee	7,773	23,300
Payment guarantee	-	57
Contracts of surety	6,755	2,108
Total contingent liabilities	78,213	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	=	$\frac{\text{Share price 31.12}}{\text{Earnings per share of the current 4 quarters}}$
P/B	=	$\frac{\text{Share price 31.12}}{\text{Equity per share (average of the current 4 quarters)}}$
Market value	=	Share price 31.12 x Number of shares