AS MERKO EHITUS

GROUP

2026 6 months and II quarter consolidated unaudited interim report

Business name:	AS Merko Ehitus
Main activities:	Holding companies General contracting of construction Real estate development
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Financial year:	01.01.2026 – 31.12.2026
Reporting period:	01.01.2026 – 30.06.2026
Supervisory Board:	Toomas Annus, Indrek Neivelt, Kristina Siimar, Tõnu Toomik
Management Board:	Ivo Volkov, Urmas Somelar
Auditor:	Ernst & Young Baltic AS

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BRIEF OVERVIEW OF THE GROUP

Companies in the Merko Ehitus group develop real estate, construct buildingsand 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 | **613** employees

PURPOSE

We create a better living environment. We build the future.

BUSINESS

We construct buildings and infrastructure and develop real estate. We operate in Estonia, Latvia and Lithuania.

PRINCIPLES

We operate as one Merko. We see opportunities, act upon them and have a long-term view. Our focus is on profitable growth.

MERKO VALUES

- I am competent
- I keep my word
- I care and take responsibility
- I initiate and make it happen
- I look for new ideas

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 93 million in the second quarter of 2026 and EUR 150 million in the first half of the year. Net profit amounted to EUR 8.5 million for the second quarter and EUR 12.8 million for the first six months of 2026. As of the end of the first half of the year, the company's secured order-book reached an all-time high of EUR 836 million.

2026 6M
REVENUE
150 MILLION EUROS

AS OF 30.06.2026
SECURED ORDER BOOK
836 MILLION EUROS

According to the management of Merko Ehitus, there was an increase in activity in both the construction services and development segment in the second quarter. Several large-scale projects secured last year entered a more active construction phase, which was reflected in Merko's revenue figures. In addition, more than twice as many apartments were delivered to customers in the second quarter as in the first quarter of this year. The increase in construction input prices that anticipated in the first quarter has materialised, and there are currently no developments in the economy or global politics that would suggest any easing of price pressures. There were no unexpected changes in the construction and real estate markets during the second quarter, and all of Merko's home markets performed in line with expectations.

In early July, completed all preparatory stages required for the development of the Rūdninkai defence force campus project. The contract entered into full force, and construction activities have now commenced in full scale. The construction cost of the two phases exceeds 370 million euros in total, and the project's contribution to revenue will increase significantly in the coming quarters. In the second quarter, signed new construction contracts worth approximately 80 million euros, including the main building, an event center and infrastructure in Krulli quarter in Tallinn. As of the end of the first half of the year, the group's companies secured order-book reached an all-time high of EUR 836 million.

Following a prolonged period of growth, activity in Vilnius's new apartment market has moderated somewhat, while the pace of signing new presale agreements has picked up in Riga. During the second quarter, group launched the construction of more than 160 apartments in Riga, including the Pētersala residential development, which incorporates architecturally significant heritage buildings, as well as the second phase of the Magnolijas development. The market for new residential developments in Tallinn is moving at a pace similar to last year. Across all Merko's home markets, customers remain highly price-sensitive, with the majority of transactions involving more affordable apartments.

During the first six months of the year, Merko delivered 120 apartments and five commercial units to buyers and launched the construction and sales of 204 apartments and four commercial units. As of the end of the first half of the year, Merko had a total of 1,253 apartments under construction and completed, of which approximately 40% are covered by presale agreements. In the second quarter of 2026, major development projects included Uus-Veerenni, Noblessner and Lahekalda in Tallinn, Õielehe near Tallinn, and Erminurme and Leedri in Tartu; Lucavsala, Arena Garden Towers and Mežpilsēta in Riga; and Vilnelės Skverai and Šnipiškių Urban in Vilnius.

In Estonia, the group's larger construction projects in progress during the second quarter of 2026 included the City Plaza 2 and Viktor Masing office buildings, the Kullo Hobby Centre in Tallinn, the National Defence Building in Tartu, a hotel and event centre in Pärnu, the Rail Baltica Ülemiste passenger terminal, and the fourth stage of the Rail Baltica main line in Harju County, including the Tallinn–Pärnu section. In Lithuania, the major projects under construction were wind farm infrastructure facilities in the Pagėgiai and Telšiai districts and the Rūdninkai military campus. In Latvia, the group was engaged in the construction of military campuses, a student hotel in Riga, and wind farm infrastructure facilities in the Smiltene municipality.

OVERVIEW OF THE II QUARTER AND 6 MONTHS RESULTS

PROFITABILITY

2026 6 months' pre-tax profit was EUR 10.8 million and Q2 2026 was EUR 9.1 million (6M 2025: EUR 23.5 million and Q2 2025 was EUR 11.9 million), which brought the pre-tax profit margin to 7.2% (6M 2025: 14.0%).

Net profit attributable to shareholders for 6 months 2026 was EUR 12.8 million (6M 2025: EUR 21.7 million) and for Q2 2026 net profit attributable to shareholders was EUR 8.5 million (Q2 2025: EUR 11.2 million). 6 months net profit margin was 8.6% (6M 2025: 12.9%).

REVENUE

Q2 2026 revenue was EUR 92.7 million (Q2 2025: EUR 82.6 million) and 6 months' revenue was EUR 149.9 million (6M 2025: EUR 167.9 million). 6 months' revenue decreased by 10.7% compared to same period last year. The share of revenue earned outside Estonia in 6 months 2026 was 41.2% (6M 2025: 43.8%).

SECURED ORDER BOOK

As of 30 June 2026, the group's secured order book was EUR 835.7 million (30 June 2025: EUR 443.8 million). In 6 months 2026, group companies signed contracts in the amount of EUR 486.4 million (6M 2025: EUR 223.1 million). In Q2 2026, new contracts were signed in the amount of EUR 79.6 million (Q2 2025: EUR 172.6 million).

REAL ESTATE DEVELOPMENT

In 6 months 2026, the group sold a total of 120 apartments; in 6 months 2025, the group sold 222 apartments. The group earned a revenue of EUR 27.6 million from sale of own developed apartments in 6 months 2026 and EUR 44.9 million in 6 months 2025. In Q2 of 2026 a total of 84 apartments were sold, compared to 101 apartments in Q2 2025, and earned a revenue of EUR 20.6 million from sale of own developed apartments (Q2 2025: EUR 20.2 million).

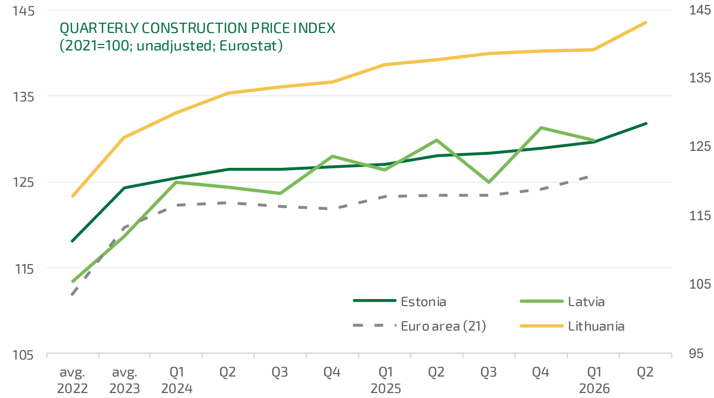
CASH POSITION

At the end of the reporting period, the group had EUR 39.6 million in cash and cash equivalents, and equity of EUR 251.1 million (57.4% of total assets). Comparable figures as of 30 June 2025 were EUR 25.9 million and EUR 242.3 million (60.1% of total assets), respectively. As of 30 June 2026, the group's net debt was EUR 29.6 million (30 June 2025: negative EUR 1.1 million).

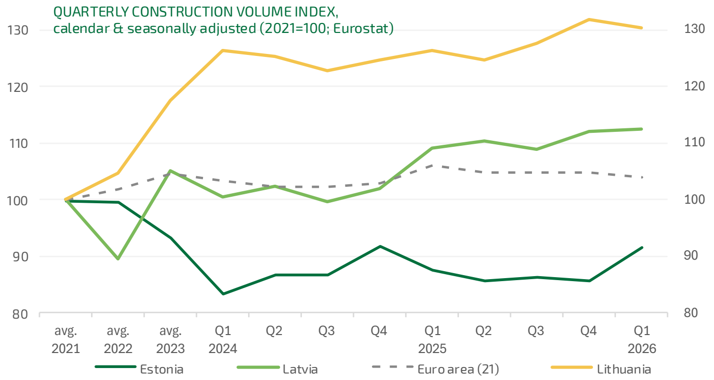
OUTLOOK OF CONSTRUCTION AND REAL ESTATE MARKET

CONSTRUCTION SERVICES

Although it is still too early to sum up the year, the war with Iran will most likely prove to have been the single factor with the greatest impact. Together with Ukraine's systematic attacks on Russian oil-processing facilities, it will keep energy prices above their 2025 levels, and the resulting inflationary pressures will inevitably feed through into virtually every area of economic life. The impact was felt particularly sharply in the construction sector in the second quarter, when the prices of materials and construction equipment increased. At the time of writing the war with Iran is once again escalating into a full-scale conflict, making a new period of faster growth in the prices of key inputs (labour and energy) an increasingly unavoidable reality for the economy. The persistence of inflationary pressures over a longer period also means that prices are likely to continue rising through the end of this year, even in markets where activity remains subdued. There is little prospect of the upward pressure on prices coming to an end: the expected changes to the ETS/ETS2 framework have turned out to be largely cosmetic, while the ECB left its key interest rates unchanged in July. At this point, talking about a fall in prices is simply pointless. We maintain our view that construction price indices will not decline over the coming year. If anything, the greater risk is that we are heading towards another wave of price increases.

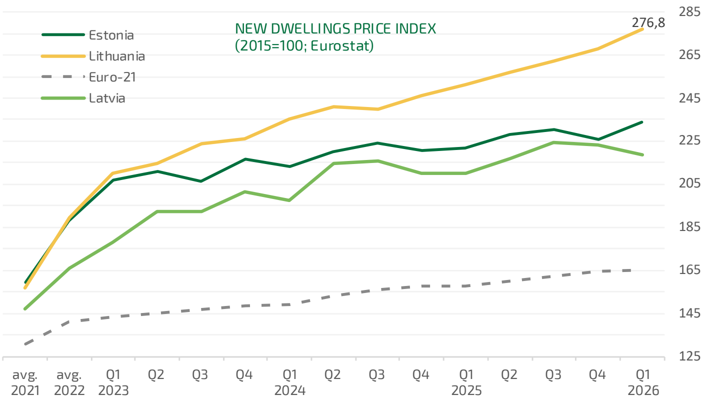


The lack of private-sector orders and intense competition continue to leave the construction sector heavily dependent on public-sector and publicly funded projects. While Lithuania has recorded strong construction activity for the past three years, in parallel with economic growth, and Latvia's construction sector returned to growth as early as the end of 2024, activity in Estonia remained stagnant throughout 2025. Against this backdrop, the sharp increase in construction volumes in the first quarter of 2026 came as a surprise, particularly given the unfavourable weather conditions for construction activity at the beginning of the year. Several Rail Baltica projects were under way in Estonia, while the recovery in residential construction also undoubtedly contributed to the increase in volumes. Orders for defence-related facilities remain high across all three Baltic states. At the time of writing, Eurostat has not yet published construction volume indices for the second quarter, but we expect activity to have increased in construction. Given that the construction order book is heavily weighted towards the public sector, further developments will depend to a significant extent on the resolution or escalation of the ongoing armed conflicts. While rising energy prices are expected to put downward pressure on construction volumes, the geopolitical uncertainty and the course of the war in Ukraine continue to influence the scale of defence-related and energy-independence investment by the Baltic states. We continue to view the growth outlook in our key markets positively, with moderate growth in the Baltic construction sector among our base-case expectations.



DEVELOPMENT OF APARTMENTS

Newly built home prices across the Baltics continue to diverge. The Lithuanian price index continues to show strong growth, with absolute price levels in Vilnius already overtaking those in Tallinn. Weaker consumer confidence in Estonia is keeping the market generally subdued. In Latvia, where transaction activity increased in the first half of 2026, activity has shifted towards the lower-priced segment despite already lower absolute price levels, resulting in a decline in average prices. A common feature across all three markets is weakening demand from the upper-middle-class segment, which is likely to be affected both by slower growth in financial wealth and by demographic trends.



According to Swedbank's Baltic Housing Affordability Index, Riga was the most affordable Baltic capital at the beginning of 2026. Housing affordability in Tallinn and Vilnius has declined despite wage growth and the efforts of many developers to bring more affordable (lower-priced) new-build developments to the market. Although inflation and interest rates are once again expected to rise against the backdrop of higher energy prices, we still expect the market volume of new developments to remain stable in 2026. Demand for more affordable housing is growing, and if sufficient numbers of lower-priced new homes are not brought to market, some of this demand will spill over into the secondary market. Despite the shift in activity towards the lower-priced segment, we believe that the probability of an increase in the price index remains statistically higher than the probability of a decline.

BUSINESS ACTIVITIES

The group business reporting is divided into two business segments:

- construction service;
- real estate development.

CONSTRUCTION SERVICE

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

million EUR

	6M 2026	6M 2025	VARIANCE	Q2 2026	Q2 2025	VARIANCE	12M 2025
Revenue	118.3	120.1	-1.5%	70.1	61.0	+14.8%	237.6
% of total revenue	78.9%	71.5%		75.6%	73.8%		76.4%
Operating profit	3.0	8.8	-65.5%	2.9	5.1	-43.3%	25.7
Operating profit margin	2.6%	7.3%		4.1%	8.3%		10.8%

In the 6 months of 2026, the revenue of the construction service segment was EUR 118.3 million (6M 2025: EUR 120.1 million). The sales revenue of construction service has decreased by 1.5% compared to the same period last year. The construction service segment revenue for 6 months 2026 made up 78.9% of the group's total revenue (6M 2025: 71.5%). In this segment, the group earned an operating profit of EUR 3.0 million for 6 months (6M 2025: EUR 8.8 million). The operating profit margin was 2.6% (6M 2025: 7.3%). The operating profit margin was mainly impacted by the expiration of successful contracts highlighted in previous periods and a return to sector's more typical margins in a highly competitive environment, in half-year totals still affected by Q1 seasonality.

Larger projects in progress in the second quarter in construction service segment in Estonia included the office buildings City Plaza 2 and Viktor Masing house, the event centre and main building with infrastructure of the Krulli Quarter as well as 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 and Telšiai districts and Rūdninkai Defence Force Campus were underway. In Latvia, the group was working on the construction of defence campus, 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

	6M 2026	6M 2025	VARIANCE	Q2 2026	Q2 2025	VARIANCE	12M 2025
Revenue	31.6	47.8	-33.9%	22.6	21.6	+4.5%	73.4
incl. revenue from sale of apartments	27.6	44.9		20.6	20.2		67.8
% of total revenue	21.1%	28.5%		24.4%	26.2%		23.6%
Operating profit	7.0	11.9	-40.8%	5.2	4.9	+5.9%	13.4
Operating profit margin	22.2%	24.8%		23.0%	22.7%		18.2%

In 6 months 2026, the group sold a total of 120 apartments (incl. 4 apartments in a joint venture) and 5 commercial premises; in 6 months 2025, 222 apartments (incl. 8 apartments in a joint venture) and 2 commercial premises. The group earned a revenue of EUR 27.6 million (VAT not included) from sale of developed apartments in 6 months 2026 and EUR 44.9 million in 6 months 2025. In the revenue and operating profit of the real estate development segment also are reflected the sales of commercial premises and parking spaces of the real estate development projects and the result of public-private-partnership contracts, based on which the group companies provide property management services for earlier constructed buildings. For development projects in joint venture, the profit from development gained from sale of those apartments to end-customers is recognised in the group's reporting based on the equity method.

In 6 months of 2026, real estate development segment revenues decreased by 33.9% compared to the same period last year and formed 21.1% of the group's total revenue (6 months of 2025: 28.5%).

The segment's operating profit for the 6 months of 2026 amounted to EUR 7.0 million (6 months of 2025: EUR 11.9 million) and the operating profit margin was 22.2% (6 months of 2025: 24.8%). 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 6 months of 2026, the group launched the construction of a total of 204 new apartments in the Baltic states (6 months of 2025: 713 apartments). In the 6 months, the group invested a total of EUR 42.6 million (6 months of 2025: EUR 22.5 million) in the ongoing development projects.

After the reporting date, the group has started the construction of 50 apartments in Lahekalda VII stage apartments development project in Tallinn.

One of the group's objectives is to keep a sufficient portfolio of land plots to ensure stable inventory of property development projects, which considers the market conditions. As of 30 June 2026, the group's inventories included land plots with development potential, where the construction works have not started, in the amount of EUR 87.3 million (30.06.2025: EUR 83.8 million).

GROUP'S INVENTORIES WITH DEVELOPMENT POTENTIAL BY COUNTRY
million EUR

	30.06.2026	30.06.2025	31.12.2025
Estonia	30.8	30.7	30.9
Latvia	21.1	23.3	22.5
Lithuania	34.7	28.4	34.7
Norway	0.7	1.4	0.7
Total	**87.3**	**83.8**	**88.8**

In 6 months of 2026, the group has not obtained new land plots for real estate development purposes (6 months of 2025: in the amount of EUR 7.3 million).

SECURED ORDER BOOK

As of 30 June 2026, the group's secured order book amounted to EUR 835.7 million, compared to EUR 443.8 million as of 30 June 2025, having increased approximately 88% in the annual comparison. The secured order book excludes the group's own residential development projects and construction works related to developing real estate investments.

In 6 months of 2026, EUR 486.4 million worth of new contracts were signed, which is EUR 263.3 million more compared to the same period of the previous year (6 months of 2025: EUR 223.1 million). The value of new contracts signed in the second quarter of 2026 amounted to EUR 79.6 million; in the second quarter of 2025 the value of new contracts signed amounted to EUR 172.6 million.

LARGEST CONSTRUCTION CONTRACTS SIGNED IN THE SECOND QUARTER OF 2026

BRIEF DESCRIPTION OF CONTRACT	COUNTRY	COMPLETION TIME	VALUE MILLION EUR
Construction contract or the construction of a commercial building named Kasvuhoone in Tallinn at Krulli Quarter	Estonia	Q2 2028	41.0
Construction contract amendment to the design-and-build contract from 5 September 2024, for the construction of an office building in Tallinn	Estonia	Q1 2028	11.6
Construction contract for the construction of an event centre in Tallinn at Krulli Quarter	Estonia	September 2027	7.0
Construction contract for the construction of infrastructure in the Krulli Quarter in Tallinn	Estonia	Summer 2028	7.0

As of 30 June 2026, the private sector orders accounted for approximately 25% of the total balance in the group's secured order book (30.06.2025: approximately 27%). 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 39.6 million (30.06.2025: EUR 25.9 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 54.1 million, of which all was unused (30.06.2025: EUR 49.4 million, of which almost all was unused).

The 6-month cash flow from operating activity was negative at EUR 31.6 million (6 months of 2025: negative EUR 8.8 million), cash flow from investing activity was positive at EUR 16.4 million (6 months of 2025: negative EUR 14.5 million) and the cash flow from financing activity was positive at EUR 13.4 million (6 months of 2025: negative EUR 42.7 million).

The cash flow from operating activities had positive effect from EBITDA of EUR 10.3 million (6 months of 2025: positive effect of EUR 20.1 million) and from the changes in trade and other payables related to operating activities of EUR 6.0 million (6 months of 2025: negative effect of EUR 8.4 million). The negative effects to cash flow from operating activities came from the changes in receivables and liabilities related to construction contracts of EUR 15.1 million (6 months 2025: negative effect of EUR 5.4 million), from the change in trade and other receivables related to operating activities of EUR 2.5 million (6 months of 2025: negative effect of EUR 0.8 million), from the change in the provisions of EUR 3.5 million (6 months of 2025: negative effect of EUR 5.1 million) and from the change in inventories of EUR 24.1 million (6 months of 2025: positive effect of EUR 0.1 million). The cash flows from inventories are mainly affected by the construction and sales cyclicality 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 1.0 million (6 months of 2025: EUR 0.6 million) and corporate income tax was paid at EUR 1.5 million (6 months of 2025: EUR 8.7 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 (15.8% as of 30.06.2026; 6.1% as of 30.06.2025; 8.0% as of 31.12.2025).

Cash flows from investing activities include negative effect from the acquisition of non-current assets in the amount of EUR 1.0 million (6 months of 2025: EUR 2.2 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 (6 months of 2025: EUR 0.1 million), from the net change in short-term deposits of EUR 12.0 million (6 months of 2025: negative cash flow in the net amount of EUR 13.0 million) as well EUR 5.0 million from the dividends received from the joint venture (6 months of 2025: EUR 0) and EUR 0.3 million interest received from the banks (6 months of 2025: EUR 0.6 million).

In cash flows from financing, the larger negative factors were the dividend payment in the amount of EUR 22.1 million (6 months of 2025: EUR 33.6 million), the repayments of lease liabilities in the amount of EUR 0.6 million (6 months of 2025: 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 0.8 million (6 months of 2025: negative cash flow in the net amount of EUR 0.8 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 36.9 million, which resulted from the increase in loans taken for residential development projects (6 months of 2025: net negative cash flow of EUR 0.0 million) and from the net change in loans related to other activities in the amount of EUR 0.0 million (6 months of 2025: net negative cash flow of EUR 7.1 million).

RATIOS

(attributable to equity holders of the parent)

INCOME STATEMENT SUMMARY		6M 2026	6M 2025	6M 2024	Q2 2026	Q2 2025	Q2 2024	12M 2025
Revenue	million EUR	149.9	167.9	203.6	92.7	82.6	122.4	310.9
Gross profit	million EUR	17.4	29.1	23.7	11.9	14.2	14.8	55.9
Gross profit margin	%	11.6	17.3	11.6	12.9	17.1	12.1	18.0
Operating profit	million EUR	8.4	18.6	14.7	7.0	8.7	10.7	34.3
Operating profit margin	%	5.6	11.1	7.2	7.6	10.6	8.7	11.0
Pre-tax profit	million EUR	10.8	23.5	18.3	9.1	11.9	13.1	44.8
Pre-tax profit margin	%	7.2	14.0	9.0	9.8	14.4	10.7	14.4
Net profit	million EUR	12.8	21.7	17.4	8.5	11.2	13.1	39.9
attributable to equity holders of the parent	million EUR	12.8	21.7	17.5	8.5	11.2	13.1	39.9
attributable to non-controlling interest	million EUR	-	-	(0.0)	-	-	0.0	-
Net profit margin	%	8.6	12.9	8.6	9.2	13.6	10.7	12.8

Other income statement indicators		6M 2026	6M 2025	6M 2024	Q2 2026	Q2 2025	Q2 2024	12M 2025
EBITDA	million EUR	10.3	20.1	16.3	8.1	9.5	11.4	37.5
EBITDA margin	%	6.9	12.0	8.0	8.7	11.5	9.4	12.0
General expense ratio	%	6.7	6.8	5.4	5.9	7.1	4.7	7.5
Labour cost ratio	%	13.6	13.6	11.1	11.6	14.1	8.6	16.2
Revenue per employee	thousand EUR	245	283	334	151	139	201	516

OTHER SIGNIFICANT INDICATORS		30.06.2026	30.06.2025	30.06.2024	31.12.2025
Return on equity	%	12.0	27.7	21.2	15.6
Return on assets	%	7.4	15.8	10.6	9.7
Return on invested capital	%	10.9	30.0	20.4	16.2
Assets	million EUR	437.9	403.5	418.3	415.0
Equity	million EUR	251.1	242.3	206.4	260.6
Equity attributable to equity holders of the parent	million EUR	251.1	242.3	206.5	260.6
Equity ratio	%	57.4	60.1	49.4	62.8
Debt ratio	%	15.8	6.1	8.0	8.0
Current ratio	times	3.0	2.5	1.9	2.9
Quick ratio	times	0.9	1.0	0.8	0.9
Accounts receivable turnover	days	39	41	51	50
Accounts payable turnover	days	52	49	45	56
Average number of employees	people	612	593	610	603
Secured order book	million EUR	835.7	443.8	437.5	466.9

Ratio definitions are provided on page 35 of the report.

RISK MANAGEMENT

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

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

Legal risk

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

As of 30 June 2026, a provision has been set up at the group in the amount of EUR 0.1 million for covering potential claims and legal costs (30.06.2025: EUR 0.4 million).

Below is presented an overview of the key legal disputes and proceedings, which have taken place or ended during 2026 or are ongoing as of 30 June 2026 and which concern group entities is presented:

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 30 June 2026, Merko Ehitus group employed 635 people (including temporary and part-time staff). Compared to the same period last year, the number of group's employees increased by 30 (+5.0%). The number of employees increased in Estonia, Latvia and Lithuania.

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

The group defines labour cost as salary (incl. fixed salary, additional pay, holiday pay, and performance pay), taxes based on salary, fringe benefits and taxes on fringe benefits. In 6 months 2026, the labour cost was EUR 20.4 million (6 months 2025: EUR 22.8 million), which decreased by 10.4% compared to the same period previous year and the labour cost ratio remained at the same level, i.e. 13.6% in comparable periods.

ETHICAL BUSINESS PRACTICES

Group's core values include ethical business practices, considered a long-term important success factor. By following highly ethical principles, we promote profitable growth, gain the trust of our stakeholders, and support fair competition and equal treatment.
We conduct business honestly, follow ethical principles in our activities and make sure our employees know and follow business ethics standards in their everyday work. To embed the principles the Group has established a Code of Business Ethics.
The topic of business ethics has been thoroughly covered on the group's website: group.merko.ee/en/corporate-responsibility/.

SHARE AND SHAREHOLDERS

INFORMATION ON SECURITY

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

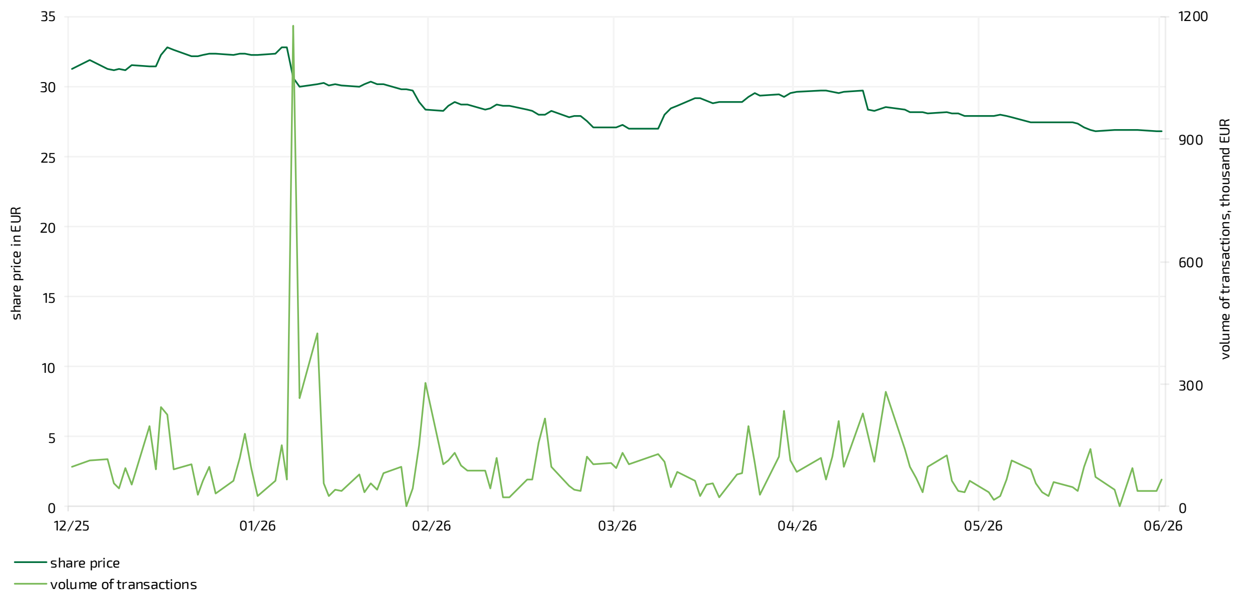
The shares of Merko Ehitus are listed in the Main List of Nasdaq Tallinn. As of 30 June 2026, the company has 17,700,000 shares. The number of shares has not changed during 2026.

A total of 16,617 transactions were conducted with the shares of Merko Ehitus in 6 months of 2026, with 0.43 million shares (2.4% of total shares) traded, generating a turnover of EUR 12.6 million (comparable figures in 6 months 2025 were accordingly: 18,056 transactions with 0.58 million shares traded (3.3% of total shares), generating a turnover of EUR 16.4 million). The lowest value-per-share transaction was recorded at the price of EUR 26.75 and the highest at EUR 33.10 per share (6 months of 2025: EUR 20.90 and EUR 33.35, accordingly). On 30 June 2026, the closing price of the share was EUR 26.80 (30.06.2025: EUR 31.35). As of 30 June 2026, by the Nasdaq Baltic stock exchange, the market capitalisation of AS Merko Ehitus was EUR 474.4 million, which has decreased by 14.5% compared to the end of the equivalent period of the prior year (30.06.2025: EUR 554.9 million).

	30.06.2026	**30.06.2025**	**30.06.2024**	**31.12.2025**
Number of shares	17,700,000	17,700,000	17,700,000	17,700,000
Earnings per share (EPS), euros	0.73	1.22	0.99	2.26
Equity per share, euros	14.60	14.07	11.77	14.48
P/B ratio	1.84	2.23	1.40	2.16
P/E ratio	15.26	8.06	6.60	13.88
Market value, million EUR	474.4	554.9	291.0	554.0

Ratio definitions are provided on page 35 of the report.

CHANGE IN THE PRICE AND TRANSACTION VOLUME OF MERKO EHITUS SHARE AT NASDAQ TALLINN STOCK EXCHANGE IN 2026



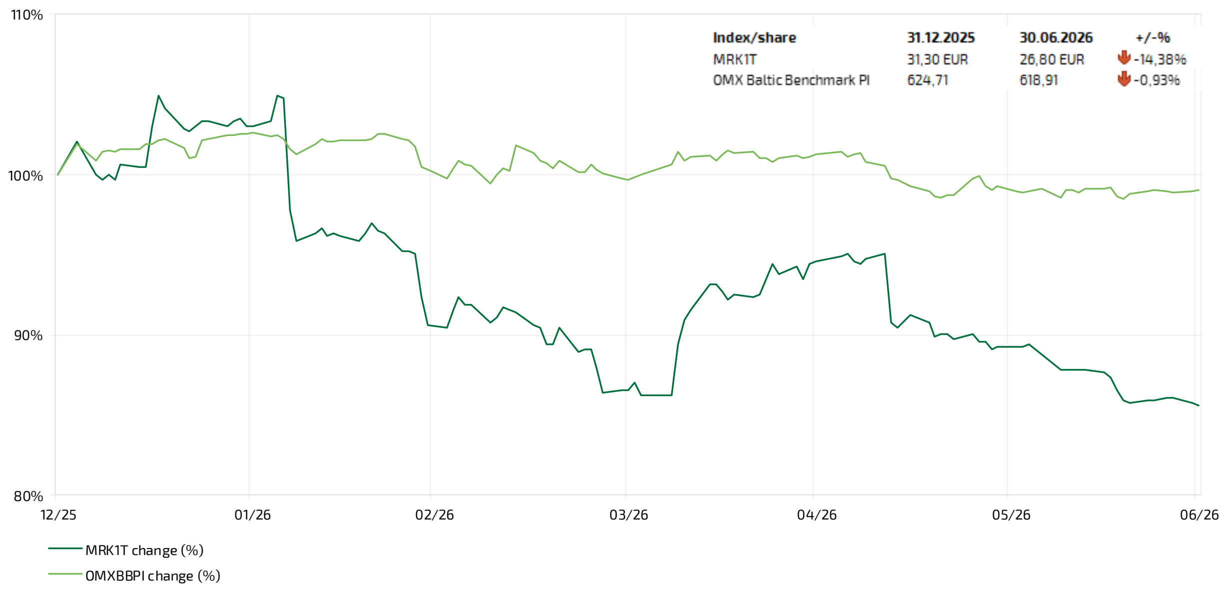
STRUCTURE OF SHAREHOLDERS ACCORDING TO NUMBER OF SHARES AS OF 30.06.2026

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	0.04%	1,354,864	7.66%
10,001 – 100,000	47	0.35%	968,904	5.47%
1,001-10,000	526	3.89%	1,416,786	8.00%
101-1,000	2,937	21.74%	966,115	5.46%
1-100	9,993	73.97%	250,645	1.42%
Total	**13,510**	**100%**	**17,700,000**	**100%**

SHAREHOLDERS OF AS MERKO EHITUS AS OF 30.06.2026 AND CHANGE COMPARED TO THE PREVIOUS QUARTER

	NUMBER OF SHARES	% OF TOTAL 30.06.2026	% OF TOTAL 31.03.2026	CHANGE
AS Riverito	12,742,686	71.99%	71.99%	-
OÜ Midas Invest	434,100	2.45%	2.41%	7,000
Firebird Republics Fund Ltd	339,706	1.92%	1.92%	(665)
Firebird Avrora Fund Ltd	208,611	1.18%	1.18%	(665)
OÜ Alar Invest	136,000	0.77%	0.77%	-
Clearstream Europe AG	121,383	0.69%	0.70%	(3,304)
Firebird Fund L.P.	115,064	0.65%	0.65%	(665)
Siseinfo OÜ	100,000	0.56%	0.56%	-
AB SEB Bankas	46,798	0.26%	0.26%	1,348
Andrus Rand	43,850	0.25%	0.21%	6,000
Total largest shareholders	**14,288,198**	**80.72%**	**80.67%**	**9,049**
Total other shareholders	3,411,802	19.28%	19.33%	(9,049)
Total	**17,700,000**	**100%**	**100%**	-

PERFORMANCE OF THE SHARE OF MERKO EHITUS AND COMPARISON INDEX OMX BALTIC BENCHMARK PRICE INDEX IN 2026



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 28 April 2026, the shareholders of AS Merko Ehitus approved the Supervisory Board's proposal to the shareholders to pay out the total amount of EUR 22.1 million (EUR 1.25 per share) as dividends from net profit brought forward, which is equivalent to a 55% dividend rate and a 4.0% dividend yield for the year 2025 (using the share price as of 31 December 2025). Comparable figures in 2025 were accordingly: EUR 33.6 million (EUR 1.90 per share) as dividends, which is equivalent to a 52% dividend rate and a 9.1% dividend yield for the year 2024 (using the share price as at 31 December 2024).

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE AND STRUCTURE

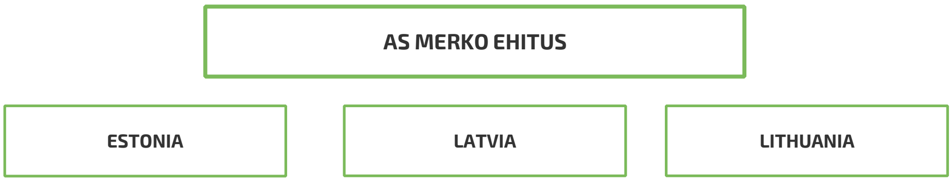
AS Merko Ehitus operates as a holding company for group of companies in Estonia, Latvia and Lithuania that offer complete solutions in the field of construction and real estate development. The group's largest companies are AS Merko Ehitus Eesti (100%), OÜ Merko Kodud (100%), Tallinna Teede AS (100%), 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. In the first quarter, the holding company AS Merko Ehitus had a three-member Management Board: Ivo Volkov, Tõnu Toomik and Urmas Somelar. Due to election to the Supervisory Board at AGM, Tõnu Toomik resigned from the Management Board on 04.05.2026.

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

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

As of 30 June 2026, 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.

Subsequent to the reporting date, a transaction was completed in respect of UAB VPSP B and UAB VPSP C, subsidiaries of AS Merko Ehitus established to implement the Rūdninkai military campus public-private partnership (PPP) project. As a result, ELL Real Estate Holding B.V., a subsidiary of AS Kapitel, acquired a 70% controlling interest in the companies by buying newly issued shares as part of a share capital increase.

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 28 April 2026. The general meeting resolved to approve the annual report and the profit allocation proposal for 2025. The dividends in the sum of EUR 22.1 million (EUR 1.25 per share) paid out to the shareholders on 14 May 2026.
The general meeting confirmed four-member Supervisory Board until 06.05.2028 and elected Toomas Annus, Indrek Neivelt and Tõnu Toomik as the members of the Supervisory Board for a term of office to 6 May 2029 (inclusive). In addition, the shareholders

decided to appoint the audit company Ernst & Young Baltic AS as the auditor of AS Merko Ehitus for the financial years 2026 to 2027 and to pay the remuneration for auditing in accordance with the contract to be entered into with Ernst & Young Baltic AS. The general meeting approved the principles of remuneration of the members of the Management Board of AS Merko Ehitus („AS Merko Ehitus juhatuse liikmete tasustamise põhimõtted ja kontrolli protseduur") and the goal of gender balance required by §135[6] of the Securities Market Act was also approved.

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 2026, the general meeting was chaired by attorney-at-law Vesse Võhma 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 is also invited to the Annual General Meeting.

The AGM of AS Merko Ehitus held in 2026 was attended by Ivo Volkov (Chairman of the Management Board), Tõnu Toomik (Member of the Management Board), Urmas Somelar (Head of Finance). The Supervisory Board was represented by Indrek Neivelt, per agreement between the members of the Supervisory Board. This time the auditing company did not send its representative to the meeting.

SUPERVISORY BOARD

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

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

As of 30 June 2026, the Supervisory Board of AS Merko Ehitus had four members: Toomas Annus (chairman), Tõnu Toomik, Indrek Neivelt and Kristina Siimar, of whom, in accordance with the requirements of the Corporate Governance Recommendations, Kristina Siimar and Indrek Neivelt were independent members.

MANAGEMENT BOARD

The Management Board is a governing body, which represents and manages AS Merko Ehitus in its daily activities in accordance with the law and the Articles of Association. The Management Board has to act in the most economically purposeful manner, taking into consideration the best interests of the company and all shareholders, while ensuring the company's sustainable development in accordance with set objectives and strategy. To ensure that the company's interests are met in the best way possible, the Management and Supervisory Boards shall extensively collaborate. At least once a quarter, a joint meeting of the Supervisory and Management Boards shall take place, in which the Management Board shall inform the Supervisory Board of significant issues regarding the company's business operations, the fulfilment of the company's short and long-term goals and the risks possibly influencing it. For every meeting of the Supervisory Board, the Management Board shall prepare a management report and submit it well in advance of the meeting so that the Supervisory Board can study it. The Management Board prepares reports for the Supervisory Board also in between the meetings, if it is considered necessary by the Supervisory Board or its Chairperson.

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

As of 30 June 2026, the Management Board of AS Merko Ehitus had two members: Ivo Volkov (Chairman) and 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 was responsible for the management of the portfolio of properties and coordination of construction and development segments activities across the whole group. Urmas Somelar is responsible for the financial management, investor relations and compliance.

SUPERVISORY AND MANAGEMENT BOARDS OF SUBSIDIARIES

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

Below are the supervisory boards and management boards of the significant subsidiaries that are wholly-owned by AS Merko Ehitus as of 30 June 2026:

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 AS Merko Ehitus, the powers of the Member of the Supervisory Board of AS Merko Ehitus Eesti, Mr. Urmas Somelar, have been extended until 31 May 2029. 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.

MANAGEMENT BOARD'S DECLARATION

Members of the Management Board of AS Merko Ehitus declare and confirm that the consolidated unaudited interim report for the 6 months of 2026, 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	06.08.2026
Urmas Somelar	Member of the Management Board	06.08.2026

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited

in thousand euros

	Note	2026 6 months	2025 6 months	2026 II quarter	2025 II quarter	2025 12 months
Revenue	2	149,893	167,882	92,670	82,646	310,941
Cost of goods sold	3	(132,508)	(138,811)	(80,761)	(68,488)	(255,081)
Gross profit		**17,385**	**29,071**	**11,909**	**14,158**	**55,860**
Marketing expenses		(2,724)	(2,701)	(1,395)	(1,426)	(5,823)
General and administrative expenses		(7,289)	(8,747)	(4,072)	(4,472)	(17,478)
Other operating income		1,244	1,083	736	522	2,285
Other operating expenses		(257)	(96)	(135)	(55)	(501)
Operating profit		**8,359**	**18,610**	**7,043**	**8,727**	**34,343**
Finance income/costs		2,428	4,901	2,045	3,184	10,425
incl. finance income/costs from joint ventures		2,451	4,844	2,133	3,343	10,381
interest expense		(359)	(395)	(186)	(185)	(836)
foreign exchange gain (loss)		176	(14)	(28)	(129)	(18)
other financial income (expenses)		160	466	126	155	898
Profit before tax		**10,787**	**23,511**	**9,088**	**11,911**	**44,768**
Corporate income tax expense		2,056	(1,835)	(588)	(695)	(4,850)
Net profit for financial year		**12,843**	**21,676**	**8,500**	**11,216**	**39,918**
Other comprehensive income, which can subsequently be classified in the income statement						
Currency translation differences of foreign entities		(143)	7	22	66	20
Comprehensive income for the period		**12,700**	**21,683**	**8,522**	**11,282**	**39,938**
Earnings per share for profit attributable to equity holders of the parent (basic and diluted, in EUR)	4	0.73	1.22	0.48	0.63	2.26

The notes set out on pages 23-34 are an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

unaudited

in thousand euros

	Note	30.06.2026	30.06.2025	31.12.2025
ASSETS				
Current assets				
Cash and cash equivalents	5	39,593	25,862	41,424
Short-term deposits		6,000	23,000	18,000
Trade and other receivables	6	59,491	75,989	43,658
Prepaid corporate income tax		486	934	1,347
Inventories	7	245,853	196,552	219,812
		351,423	**322,337**	**324,241**
Non-current assets				
Investments in joint ventures		29,408	26,415	31,957
Other shares and securities		80	80	80
Other long-term loans and receivables	8	20,109	18,645	20,658
Deferred income tax assets		3,221	4,789	2,874
Investment property	9	11,174	12,475	12,395
Property, plant and equipment	10	21,770	18,171	22,117
Intangible assets	11	669	593	714
		86,431	**81,168**	**90,795**
TOTAL ASSETS		**437,854**	**403,505**	**415,036**
LIABILITIES				
Current liabilities				
Borrowings	12	7,830	9,712	3,079
Payables and prepayments	13	95,921	112,484	95,920
Income tax liability		111	112	510
Deferred income from government grant		5	-	2
Short-term provisions	14	11,494	9,165	10,426
		115,361	**131,473**	**109,937**
Non-current liabilities				
Long-term borrowings	12	61,339	15,018	30,012
Deferred income tax liability		3,923	6,623	7,448
Other long-term payables	15	6,090	8,080	7,073
		71,352	**29,721**	**44,533**
TOTAL LIABILITIES		**186,713**	**161,194**	**154,470**
EQUITY				
Share capital		7,929	7,929	7,929
Statutory reserve capital		793	793	793
Currency translation differences		(164)	(34)	(21)
Retained earnings		242,583	233,623	251,865
TOTAL EQUITY		**251,141**	**242,311**	**260,566**
TOTAL LIABILITIES AND EQUITY		**437,854**	**403,505**	**415,036**

The notes set out on pages 23-34 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				
	Share capital	Statutory reserve capital	Currency translation differences	Retained earnings	Total
Balance as at 31.12.2024	**7,929**	**793**	**(41)**	**245,577**	**254,258**
Profit (loss) for the reporting period	-	-	-	21,676	21,676
Other comprehensive income	-	-	7	-	7
Total comprehensive income (loss) for the reporting period	**-**	**-**	**7**	**21,676**	**21,683**
Dividends (Note 4)	-	-	-	(33,630)	(33,630)
Total transactions with owners	**-**	**-**	**-**	**(33,630)**	**(33,630)**
Balance as of 30.06.2025	**7,929**	**793**	**(34)**	**233,623**	**242,311**
Balance as at 31.12.2025	**7,929**	**793**	**(21)**	**251,865**	**260,566**
Profit (loss) for the reporting period	-	-	-	12,843	12,843
Other comprehensive income	-	-	(143)	-	(143)
Total comprehensive income (loss) for the reporting period	**-**	**-**	**(143)**	**12,843**	**12,700**
Dividends (Note 4)	-	-	-	(22,125)	(22,125)
Total transactions with owners	**-**	**-**	**-**	**(22,125)**	**(22,125)**
Balance as at 30.06.2026	**7,929**	**793**	**(164)**	**242,583**	**251,141**

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

The notes set out on pages 23-34 are an integral part of these interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT

unaudited

in thousand euros

	Note	2026 6 months	2025 6 months	2025 12 months
Cash flows from operating activities				
Operating profit		8,359	18,610	34,343
Adjustments:				
Depreciation and impairment		1,984	1,483	3,182
(Profit)/loss from sale of non-current assets		(148)	(87)	(244)
Change in receivables and liabilities related to construction contracts		(15,128)	(5,364)	(11,901)
Interest income from operating activities		(908)	(929)	(1,832)
Change in provisions		(3,473)	(5,064)	(101)
Change in government grant		4	-	2
Change in trade and other receivables related to operating activities		(2,546)	(774)	21,613
Change in inventories		(24,081)	138	(22,929)
Change in trade and other payables related to operating activities		5,960	(8,373)	(15,194)
Interest received		912	965	1,850
Interest paid		(963)	(573)	(1,176)
Other finance income (costs)		(80)	(95)	(221)
Corporate income tax paid		(1,494)	(8,741)	(9,045)
Total cash flows from operating activities		**(31,602)**	**(8,804)**	**(1,653)**
Cash flows from investing activities				
Acquisition of joint venture		-	-	(5)
Net change in purchase of deposits with maturities greater than 3 months		12,000	(13,000)	(8,000)
Purchase of investment property		(168)	(38)	(128)
Purchase of property, plant and equipment (excl. leased assets)		(898)	(1,897)	(6,124)
Proceeds from sale of property, plant and equipment		281	86	269
Purchase of intangible assets		(67)	(315)	(503)
Interest received		273	622	1,208
Dividends received		5,000	-	-
Total cash flows from investing activities		**16,421**	**(14,542)**	**(13,283)**
Cash flows from financing activities				
Proceeds from borrowings		38,375	3,816	14,816
Repayments of borrowings		(2,266)	(11,694)	(15,045)
Repayments of lease liabilities		(634)	(1,163)	(1,660)
Dividends paid		(22,125)	(33,630)	(33,630)
Total cash flows from financing activities		**13,350**	**(42,671)**	**(35,519)**
Net increase/decrease in cash and cash equivalents		**(1,831)**	**(66,017)**	**(50,455)**
Change of deposits with maturities greater than 3 months		(12,000)	13,000	8,000
Total change		(13,831)	(53,017)	(42,455)
Cash and cash equivalents at the beginning of the period	5	**41,424**	**91,879**	**91,879**
Deposits with maturities greater than 3 months at the beginning of period		18,000	10,000	10,000
Total at the beginning of the period		59,424	101,879	101,879
Effect of exchange rate changes		-	-	-
Cash and cash equivalents at the end of the period	5	**39,593**	**25,862**	**41,424**
Deposits with maturities greater than 3 months at the end of period		6,000	23,000	18,000
Total at the end of the period		45,593	48,862	59,424

The notes set out on pages 23-34 are an integral part of these interim financial statements.

NOTES

NOTE 1 ACCOUNTING POLICIES USED

The consolidated interim financial statements of the AS Merko Ehitus group for 6 months 2026 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 2025 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. 2025 audited annual report and 2025 6 months unaudited interim report comparative figures are presented in the present financial report.

According to the best knowledge of the Management Board, the consolidated interim financial statements for the 6 months 2026 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.

2026 6 months	Construction service	Real estate development	Total segments
Revenue	144,088	63,052	207,140
Elimination	(25,773)	(31,474)	(57,247)
Revenue from clients	**118,315**	**31,578**	**149,893**
incl. timing of revenue recognition at a point in time	1,550	29,254	30,804
timing of revenue recognition over time	116,765	2,324	119,089
Operating profit (loss)	**3,042**	**7,021**	**10,063**
Profit (loss) before tax	**5,696**	**6,778**	**12,474**
incl. interest income from operating activities	5	903	908
depreciation	(1,576)	(408)	(1,984)
recognition of provisions	(1,050)	(2,403)	(3,453)
reversal of provisions	543	-	543
profit from joint ventures	2,575	(124)	2,451
other finance income (costs)	153	(101)	52
incl. interest income	206	9	215
interest expenses	(38)	(260)	(298)
Assets 30.06.2026	**111,550**	**279,279**	**390,829**
incl. joint ventures	20,894	8,514	29,408

2025 6 months	Construction service	Real estate development	Total segments
Revenue	130,166	61,705	191,871
Elimination	(10,072)	(13,917)	(23,989)
Revenue from clients	**120,094**	**47,788**	**167,882**
incl. timing of revenue recognition at a point in time	694	45,674	46,368
timing of revenue recognition over time	119,400	2,114	121,514
Operating profit (loss)	**8,808**	**11,862**	**20,670**
Profit (loss) before tax	**13,958**	**11,618**	**25,576**
incl. interest income from operating activities	43	878	921
depreciation	(1,160)	(323)	(1,483)
recognition of provisions	(572)	(1,388)	(1,960)
profit from joint ventures	4,740	104	4,844
other finance income (costs)	470	(304)	166
incl. interest income	533	37	570
interest expenses	(46)	(304)	(350)
Assets 30.06.2025	**116,221**	**236,259**	**352,480**
incl. joint ventures	18,079	8,336	26,415

2026 II quarter	Construction service	Real estate development	Total segments
Revenue	85,194	40,988	126,182
Elimination	(15,106)	(18,406)	(33,512)
Revenue from clients	**70,088**	**22,582**	**92,670**
incl. timing of revenue recognition at a point in time	807	21,396	22,203
timing of revenue recognition over time	69,281	1,186	70,467

2026 II quarter	Construction service	Real estate development	Total segments
Operating profit (loss)	**2,885**	**5,203**	**8,088**
Profit (loss) before tax	**5,107**	**5,012**	**10,119**
incl. interest income from operating activities	-	445	445
depreciation	(827)	(196)	(1,023)
recognition of provisions	(730)	(2,202)	(2,932)
reversal of provisions	276	-	276
profit from joint ventures	2,138	(5)	2,133
other finance income (costs)	136	(175)	(39)
incl. interest income	164	3	167
interest expenses	(21)	(135)	(156)
Assets' change in II quarter	**14,288**	**16,708**	**30,996**
incl. joint ventures	(2,862)	(5)	(2,867)

2025 II quarter	Construction service	Real estate development	Total segments
Revenue	65,846	29,870	95,716
Elimination	(4,814)	(8,256)	(13,070)
Revenue from clients	**61,032**	**21,614**	**82,646**
incl. timing of revenue recognition at a point in time	458	20,710	21,168
timing of revenue recognition over time	60,574	904	61,478
Operating profit (loss)	**5,088**	**4,912**	**10,000**
Profit (loss) before tax	**8,517**	**4,669**	**13,186**
incl. interest income from operating activities	-	431	431
depreciation	(585)	(164)	(749)
recognition of provisions	(230)	(211)	(441)
profit from joint ventures	3,278	65	3,343
other finance income (costs)	195	(275)	(80)
incl. interest income	223	12	235
interest expenses	(21)	(147)	(168)
Assets' change in II quarter	**15,770**	**916**	**16,686**
incl. joint ventures	3,278	65	3,343

2025 12 months	Construction service	Real estate development	Total segments
Revenue	264,948	110,698	375,646
Elimination	(27,380)	(37,325)	(64,705)
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**

2025 12 months	Construction service	Real estate development	Total segments
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

In addition to the segment assets, as at 30.06.2026 the group holds assets in the amount of EUR 47,025 thousand (30.06.2025: EUR 51,025 thousand; 31.12.2025: EUR 63,402 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

	2026 6 months	2025 6 months	2026 II quarter	2025 II quarter	2025 12 months
Pre-tax profit from reporting segments	**12,474**	**25,576**	**10,119**	**13,186**	**49,448**
Other operating profit (loss)	(1,705)	(2,060)	(1,045)	(1,274)	(4,681)
incl. recognition of provisions	-	-	-	-	(43)
finance income (costs)	18	(5)	14	(1)	1
incl. interest income (expenses)	57	48	33	33	93
Total profit before tax	**10,787**	**23,511**	**9,088**	**11,911**	**44,768**

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

	2026 6 months		2025 6 months		2026 II quarter		2025 II quarter		2025 12 months	
Estonia	88,164	59%	94,395	56%	55,006	59%	48,008	58%	170,771	55%
Latvia	38,526	26%	17,087	10%	18,463	20%	9,781	12%	51,562	17%
Lithuania	23,203	15%	56,400	34%	19,201	21%	24,857	30%	88,608	28%
Total	**149,893**	**100%**	**167,882**	**100%**	**92,670**	**100%**	**82,646**	**100%**	**310,941**	**100%**

CONTRACT ASSETS AND LIABILITIES

in thousand euros

	30.06.2026	30.06.2025	31.12.2025
Accrued income from construction services (Note 6)	15,904	11,228	3,164
Prepayments for construction services (Note 13)	(21,522)	(38,511)	(23,910)
Advance payments received for construction contract works (Notes 13, 15)	(3,211)	(9,075)	(8,274)
Recognised provision for onerous construction contracts (Note 14)	(106)	(20)	(7)

NON-CURRENT ASSETS (EXCEPT FOR FINANCIAL ASSETS AND DEFERRED INCOME TAX) BY LOCATION OF ASSETS
in thousand euros

	30.06.2026	30.06.2025	31.12.2025
Estonia	54,704	48,435	57,292
Latvia	7,360	6,743	7,515
Lithuania	1,037	2,556	2,456
Total	**63,101**	**57,734**	**67,263**

NOTE 3 COST OF GOODS SOLD

in thousand euros

	2026 6 months	2025 6 months	2026 II quarter	2025 II quarter	2025 12 months
Construction services and properties purchased for resale	81,142	96,176	52,644	44,238	153,944
Materials	17,236	12,594	9,500	8,910	30,625
Labour costs	13,834	14,236	7,004	7,302	34,204
Construction mechanisms and transport	5,020	2,838	2,929	1,774	8,301
Design	3,958	3,419	2,138	2,062	7,717
Real estate management costs	688	716	349	309	1,345
Depreciation	1,412	1,074	769	546	2,288
Impairment of inventories	-	-	-	-	1,000
Provisions	2,910	1,960	2,656	441	4,798
Other expenses	6,308	5,798	2,772	2,906	10,859
Total cost of goods sold	**132,508**	**138,811**	**80,761**	**68,488**	**255,081**

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.

	2026 6 months	2025 6 months	2026 II quarter	2025 II quarter	2025 12 months
Net profit (loss) attributable to shareholders *(in thousand EUR)*	12,843	21,676	8,500	11,216	39,918
Weighted average number of ordinary shares *(thousand pcs)*	17,700	17,700	17,700	17,700	17,700
Earnings (loss) per share *(in euros)*	**0.73**	**1.22**	**0.48**	**0.63**	**2.26**

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 2026 the parent company AS Merko Ehitus paid dividends of EUR 22,125 thousand, i.e. EUR 1.25 per share (in 2025 were paid EUR 33,630 thousand). On that, the company did not incur income tax obligation, as the dividend payments were covered by dividends already paid to the parent company by subsidiaries.

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

As at 30.06.2026 the balance of deferred income tax liability includes deferred income tax on dividends in the amount of 2,284 thousand euros (30.06.2025: EUR 5,032 thousand euros; 31.12.2025: EUR 5,787 thousand euros).

As of 30.06.2026, the parent company AS Merko Ehitus has EUR 37,981 thousand (30.06.2025: EUR 24,735 thousand; 31.12.2025: EUR 24,735 thousand) in dividends received from subsidiaries in previous periods and income from abroad, on which the income tax has been withheld.

As at 30.06.2026, it is possible to pay out dividends to shareholders from retained earnings in the amount of EUR 197,442 thousand (30.06.2025: EUR 187,641 thousand; 31.12.2025: EUR 201,880 thousand). Considering the dividends received and income tax withheld on foreign income totalling EUR 10,713 thousand (30.06.2025: EUR 6,977 thousand; 31.12.2025: EUR 6,977 thousand), the corresponding income tax on dividends would amount to EUR 44,977 thousand (30.06.2025: EUR 45,948 thousand; 31.12.2025: EUR 49,964 thousand). The calculation of additional income tax on dividends is based on the income tax rate of 22% (22/78 of net dividends). The income tax related to disbursement of dividends is recognised as a liability and income tax expense upon the announcement of dividends.

NOTE 5 CASH AND CASH EQUIVALENTS

in thousand euros

	30.06.2026	30.06.2025	31.12.2025
Bank accounts	39,539	18,330	34,802
Overnight deposits	54	4,532	6,622
Term deposits with maturities of 3 months of less	-	3,000	-
Total cash and cash equivalents	**39,593**	**25,862**	**41,424**

NOTE 6 TRADE AND OTHER RECEIVABLES

in thousand euros

	30.06.2026	30.06.2025	31.12.2025
Trade receivables			
Accounts receivable	35,643	55,987	31,003
Allowance for doubtful receivables	(46)	(1)	-
	35,597	**55,986**	**31,003**
Tax prepayments excluding corporate income tax			
Value added tax	1,486	994	689
Other taxes	35	62	2
	1,521	**1,056**	**691**
Accrued income from construction services	15,904	11,228	3,164
Other short-term receivables			
Short-term loans	-	-	500
Interest receivables	16	-	19
Other short-term receivables	86	105	115
	102	**105**	**634**
Prepayments for services			
Prepayments for construction services	5,138	6,650	7,186
Prepaid insurance	859	591	692
Other prepaid expenses	370	373	288
	6,367	**7,614**	**8,166**
Total trade and other receivables	**59,491**	**75,989**	**43,658**
incl. other short-term receivables and prepayments to related parties (Note 16)	1,731	5,167	1,393

NOTE 7 INVENTORIES

in thousand euros

	30.06.2026	30.06.2025	31.12.2025
Materials	681	695	553
Work-in-progress	120,873	69,443	102,274
Finished goods	35,596	41,717	27,249
Goods for resale			
Registered immovables purchased for resale/development	87,289	83,795	88,850
Other goods purchased for resale	1,090	401	696
	88,379	**84,196**	**89,546**
Prepayments for inventories			
Prepayments for real estate properties	8	13	8
Prepayments for other inventories	316	488	182
	324	**501**	**190**
Total inventories	**245,853**	**196,552**	**219,812**

NOTE 8 OTHER LONG-TERM LOANS AND RECEIVABLES

in thousand euros

	30.06.2025	30.06.2025	31.12.2025
Long-term loan receivables	3,075	-	2,800
Long-term receivables from customers of construction services	17,034	18,645	17,858
Total other long-term loans and receivables	**20,109**	**18,645**	**20,658**
incl. long-term loan receivables from related parties (Note 16)	3,075	-	2,800

NOTE 9 INVESTMENT PROPERTY

in thousand euros

	30.06.2026	30.06.2025	31.12.2025
Land	6,109	6,109	6,109
Right of superficies at carrying amount			
Cost	29	29	29
Accumulated depreciation	(17)	(16)	(16)
	12	**13**	**13**
Buildings at carrying amount			
Cost	6,625	8,026	8,026
Accumulated depreciation	(1,913)	(1,756)	(1,926)
	4,712	**6,270**	**6,100**
Construction in progress	341	83	173
Total investment property	**11,174**	**12,475**	**12,395**

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

in thousand euros

	30.06.2026	30.06.2025	31.12.2025
Land	1,266	1,266	1,266
Buildings at carrying amount*			
Cost	10,722	7,469	8,055
Accumulated depreciation	(4,190)	(3,694)	(3,880)
	6,532	**3,775**	**4,175**
Machinery and equipment at carrying amount*			
Cost	20,710	19,859	20,089
Accumulated depreciation	(11,352)	(10,612)	(10,913)
	9,358	**9,247**	**9,176**
Other fixtures at carrying amount			
Cost	6,849	3,922	6,723
Accumulated depreciation	(2,721)	(2,400)	(2,346)
	4,128	**1,522**	**4,377**
Construction in progress and prepayments for property, plant and equipment	486	2,361	3,123
Total property, plant and equipment	**21,770**	**18,171**	**22,117**

* As of 30 June 2026, the balance of buildings at carrying amount includes leased assets in a sum of EUR 634 thousand (30.06.2025: EUR 280 thousand; 31.12.2025: EUR 770 thousand). The balance of machinery and equipment at carrying amount includes leased assets in a sum of EUR 3,769 thousand (30.06.2025: EUR 3,425 thousand; 31.12.2025: EUR 3,627 thousand).

NOTE 11 INTANGIBLE ASSETS

in thousand euros

	30.06.2026	30.06.2025	31.12.2025
Goodwill			
Cost	1	1	1
Software at carrying amount			
Cost	2,035	1,537	2,031
Accumulated depreciation	(1,430)	(1,270)	(1,318)
	605	**267**	**713**
Prepayments for intangible assets	63	325	-
Total intangible assets	**669**	**593**	**714**

NOTE 12 BORROWINGS

in thousand euros

	30.06.2026	30.06.2025	31.12.2025
Lease liabilities*			
Lease liabilities balance	**4,404**	**3,724**	**4,435**
incl. current portion	1,159	873	1,131
non-current portion 2...5 years	3,245	2,851	3,304
Bank loans			
Loan balance	**64,426**	**20,632**	**28,317**
incl. current portion	6,332	8,465	1,609
non-current portion 2...5 years	58,094	12,167	26,708
Loans from other entities			
Loan balance	**339**	**374**	**339**
incl. current portion	339	374	339
Total loans			
Loans balance	**64,765**	**21,006**	**28,656**
incl. current portion	6,671	8,839	1,948
non-current portion 2…5 years	58,094	12,167	26,708
Total borrowings	**69,169**	**24,730**	**33,091**
incl. current portion	7,830	9,712	3,079
non-current portion 2...5 years	61,339	15,018	30,012

* As of 30 June 2026, the lease liabilities include a balance of EUR 585 thousand to related parties (30.06.2025: EUR 129 thousand; 31.12.2025: EUR 675 thousand) (Note 16).

NOTE 13 PAYABLES AND PREPAYMENTS

in thousand euros

	30.06.2026	30.06.2025	31.12.2025
Trade payables	37,640	43,938	33,970
Payables to employees	11,122	12,223	15,230
Tax liabilities, except for corporate income tax			
Value added tax	3,522	2,435	2,311
Personal income tax	499	666	647
Social security tax	1,446	1,447	1,637
Unemployment insurance tax	53	53	73
Contributions to mandatory funded pension	46	38	65
Other taxes	375	232	310
	5,941	**4,871**	**5,043**
Prepayments for construction services	21,522	38,511	23,910
Other liabilities			
Interest liabilities	233	87	140
Other liabilities	204	132	169
	437	**219**	**309**
Prepayments received *	19,259	12,722	17,458
Total payables and prepayments	**95,921**	**112,484**	**95,920**
incl. payables to related parties (Note 16)	102	35	58

* As of 30 June 2026, the balance of prepayments received consists of prepayments received in connection with construction contracts (advance payments received for construction contract works) in a sum of EUR 2,497 thousand (30.06.2025: EUR 7,017 thousand; 31.12.2025: EUR 7,070 thousand) and of prepayments received in connection with residential properties (apartment buyers) in a sum of EUR 16,762 thousand (30.06.2025: EUR 5,705 thousand; 31.12.2025: EUR 10,388 thousand) (Note 2).

NOTE 14 SHORT-TERM PROVISIONS

in thousand euros

	30.06.2026	30.06.2025	31.12.2025
Provision for warranty obligation for construction	5,085	4,960	5,183
Provision for costs of projects sold and work-in-progress projects	5,993	3,598	4,448
Provision for onerous construction contracts	106	20	7
Provision for legal costs and claims filed	110	387	377
Other provisions	200	200	411
Total short-term provisions	**11,494**	**9,165**	**10,426**

NOTE 15 OTHER LONG-TERM PAYABLES

in thousand euros

	30.06.2026	30.06.2025	31.12.2025
Trade payables	5,213	5,962	5,758
Prepayments received *	714	2,058	1,204
Other long-term liabilities	121	60	88
Other long-term provisions	42	-	23
Other long-term payables total	**6,090**	**8,080**	**7,073**

* As of 30 June 2026, 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 714 thousand (30.06.2025: EUR 2,058 thousand; 31.12.2025: EUR 1,204 thousand) (Note 2).

NOTE 16 RELATED PARTY TRANSACTIONS

In compiling the group report, the following entities have been considered as related parties:

- parent company AS Riverito;
- shareholders of AS Riverito with significant influence over AS Merko Ehitus through AS Riverito;
- other shareholders with significant influence;
- other subsidiaries under control of AS Riverito shareholders or so-called sister companies, in the Note 'Entities under common control';
- associates and joint ventures;
- key members of the management (supervisory and management board), their close relatives and entities under their control or significant influence.

Significant influence is presumed to exist when the person has more than 20% of the voting power.

The parent of AS Merko Ehitus is AS Riverito. As at 30.06.2026, 30.06.2025 and 31.12.2025, AS Riverito owned 71.99% of the shares of AS Merko Ehitus. The ultimate controlling party of the group is Mr. Toomas Annus.

AS MERKO EHITUS SUBSIDIARIES AND JOINT VENTURES

	Ownership and voting rights %			Location	Area of operation
	30.06.2026	**30.06.2025**	**31.12.2025**		
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
UAB VPSP B	100	-	100	Lithuania, Vilnius	Real estate
UAB VPSP C	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	100	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	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
Løkenskogen Bolig AS	100	100	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	-	50	Estonia, Tallinn	Real estate

	Ownership and voting rights %			Location	Area of operation
	30.06.2026	30.06.2025	31.12.2025		
Krulli Kodud OÜ	50	-	50	Estonia, Tallinn	Real estate
OÜ Connecto Varad	50	50	50	Estonia, Tallinn	Holding

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

GOODS AND SERVICES

in thousand euros

	2026 6 months	2025 6 months	2025 12 months
Provided services and goods sold			
Joint ventures	6,431	1,248	4,907
Entities under common control	120	28,834	39,975
Members of the management	197	11	22
Total services provided and goods sold	**6,748**	**30,093**	**44,904**
Interest income			
Joint ventures	100	56	100
Entities under common control	-	8	8
Total interest income	**100**	**64**	**108**
Purchased services and goods			
Joint ventures	440	1	177
Entities under common control	71	43	87
Total purchased services and goods	**511**	**44**	**264**

BALANCES WITH RELATED PARTIES

in thousand euros

	30.06.2026	30.06.2025	31.12.2025
Receivables from related parties			
Loans granted (Note 8)			
Joint venture	3,075	-	2,800
Receivables and prepayments (Note 6)			
Joint ventures	1,707	599	1,172
Entities under common control	24	4,554	24
Members of the management	-	14	197
Total receivables and prepayments	**1,731**	**5,167**	**1,393**
Total receivables from related parties	**4,806**	**5,167**	**4,193**
Payables to related parties			
Lease liabilities (Note 12)			
Entities under common control	585	129	675
Payables and prepayments (Note 13)			
Joint ventures	97	-	39
Entities under common control	5	35	19
Total payables and prepayments	**102**	**35**	**58**
Total payables to related parties	**687**	**164**	**733**

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

The cost of remuneration to members of the Supervisory Board and Management Board of AS Merko Ehitus incl. basic salaries and performance pay, as well as taxes and changes in reserves for the 6 months of 2026 were EUR 936 thousand (6 months of 2025: EUR 1,353 thousand; 12 months of 2025: EUR 2,537 thousand).

SEVERANCE BENEFITS OF MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

Authorization agreements have been concluded with the Supervisory Board members, according to which no severance benefits are paid to them upon termination of the contract. In the 6 months of 2026, the Management Board members of AS Merko Ehitus did not receive benefits (6 months of 2025: EUR 0; 12 months of 2025: EUR 0).

MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARD

Track record and photographs of the members of the Supervisory Board can be found on AS Merko Ehitus website at group.merko.ee/en/management-and-supervisory-board/.

Shares held by members of the Supervisory Board of AS Merko Ehitus as of 30.06.2026:

		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	-	-
Tõnu Toomik	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 two members: Ivo Volkov and Urmas Somelar.

Shares held by members of the Management Board of AS Merko Ehitus as of 30.06.2026:

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

NOTE 17 CONTINGENT LIABILITIES

in thousand euros

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

	30.06.2026	30.06.2025	31.12.2025
Performance period's warranty to the customer	25,167	39,856	46,243
Tender warranty	100	55	100
Guarantee for warranty period	17,050	8,675	17,342
Prepayment guarantee	4,558	9,797	7,773
Contracts of surety	8,941	12,219	6,755
Total contingent liabilities	**55,816**	**70,602**	**78,213**

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.
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

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