



AS MERKO EHITUS

GROUP

2019 9 months and III quarter consolidated unaudited interim report

Business name:	AS Merko Ehitus
Main activities:	Holding companies General contracting of construction Real estate development
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Reporting period:	01.01.2019 – 30.09.2019
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Auditor:	AS PricewaterhouseCoopers

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BRIEF OVERVIEW OF THE GROUP

AS Merko Ehitus is a construction and real estate development group operating in Estonia, Latvia, Lithuania and Norway.



BUSINESS SEGMENTS

ESTONIA

General construction
Civil engineering
Electrical construction
Road construction
Residential real estate development and investments

LATVIA

General construction
Civil engineering
Electrical construction
Residential real estate development and investments

LITHUANIA

General construction
Residential real estate development and investments

NORWAY

General construction

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, OHSAS 18001**

SHARES

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

The main shareholder is AS Riverito (72%)

2018 KEY FIGURES

Revenue **418.0 million** euros

Net profit **19.3 million** euros

764 employees



VISION

Our vision is reliable solutions and quality performance for your ideas.

VALUES

RESPONSIBILITY	We decide based on business thinking, awareness and ethical beliefs. We offer enduring and environmentally friendly solutions.
KEEPING PROMISES	We give realistic promises to the shareholders, contracting entities, cooperation partners, employees and we keep our promises. Good solutions are born in cooperation, the keeping of one's promises is mutual.
COMPETENCE	We value quality and professionalism. We constantly develop our professional knowledge and skills.
INITIATIVE	We manage processes and we are result-oriented. We accept the challenges which presume more.
CREATIVITY	We are open, innovative and creative in working out and implementing the solutions. We have a will to carry out forward-looking ideas.

STRATEGY

The business strategy of AS Merko Ehitus is focussed on increasing the company value by offering general contracting services in the field of construction of buildings and infrastructure facilities as well as developing residential real estate in its main home markets of Estonia, Latvia, Lithuania and Norway. Merko Ehitus aims to be a preferred partner to its clients for construction works.

MANAGEMENT REPORT

COMMENTARY FROM MANAGEMENT

Merko Ehitus posted revenue of EUR 73 million in Q3 and EUR 228 million for the first nine months of 2019. Sales revenue for nine months decreased year-over-year in Estonia and Latvia, increased significantly in Norway and stayed more or less the same in Lithuania. The profit before taxes in Q3 was EUR 2.8 million and for the first nine months EUR 10.3 million. The group's net profit attributable to equity holders of the parent in Q3 was EUR 2.5 million, and the nine-month net profit was EUR 7 million.

Due to the completion of major construction projects in progress over the last two years, the cooling off of the construction market and the fact that the group is placing its strategic focus more firmly on apartment development, revenue decreased by 24% compared to last year; while pre-tax earnings decreased by 18%. Considering the declining trend in the portfolio of construction contracts in the last 1.5 years, a drop in volumes was to be expected this year. Yet the civil engineering services area has fallen short of management expectations this year. The group has taken a clearer direction toward apartment development and providing main contracting services for construction on projects where the group's subsidiaries have competitive advantages, such as in the form of engineering and technical knowhow, construction and financial capability and long-term cooperative relations. Ensuring higher construction volumes is not a goal in its own right if it should come at the expense of larger contractual risks (unrealistic deadlines, contractual penalties, lack of clarity regarding the scope of contracting) or customer insolvency. Public-private partnership (PPP) projects also continue to be in the group's focus, and the greatest market activity in this area has thus far been seen in Lithuania.

2019 9M
REVENUE
228 MILLION EUROS

PROFIT
BEFORE TAX
10.3 MILLION EUROS

Based on developments in the economy and the real estate market, the volume of construction orders in the Baltics is seeing an overall declining trend. The greater caution exercised by banks as to selection of customers and projects for financing and the growth in loan margins are also having an increasing impact on the construction market. The orders from the public sector have not managed to compensate for the decrease in the activity of private sector customers. This places main contractors in an increasingly difficult competitive situation and increases pressure on them to reduce costs. The decreasing level of construction activity may at some point also mean concessions in terms of input prices, though this has not yet occurred. Thus, general contractors are working in an environment where on the one hand they face pressure from customers (contract conditions) and on the other hand from subcontractors (expenses).

The group has continued investments in residential real estate development as planned. During 2019, Merko Ehitus has invested EUR 83 million into the real estate development business segment, of which close to EUR 65 million into building apartments and nearly EUR 19 million into acquiring new land for development in Lithuania and Estonia to ensure development capability in years to come. In Estonia, Latvia and Lithuania, the group currently has a total of more than 1,100 apartments in development. Considering the cycle for completion of apartment development projects, investments will start yielding results to a greater extent in the form of apartment sales starting in Q4 of this year and even more so next year. Sales and pre-sales of apartments are going according to plan. We see the new apartment markets remaining active at current levels in Tallinn and Vilnius, while in Riga, general activity continues to be lower. The group will continue focusing on the real estate development business segment on all three markets.

The biggest projects in Tallinn are the Uus-Veerenni, Lahekalda and Pikaliiva residential projects; in Riga, the Gaiļezers and Viesturdārzs developments; and, in Vilnius, the Vilneles slenis and Rinktinės Urban developments. In Q3, the group sold 106 apartments compared to 87 in the third quarter last year. At the end of September, there were a total of 123 apartments in the three Baltic states ready to be sold and not covered by pre-sale agreements.

The group's secured order book decreased by end of September 2019 to EUR 152 million, decreasing 36% compared to the level at the same time last year (EUR 239 million). EUR 128 million in new contracts were signed in the first nine months, this being 19% less than in the same period last year (EUR 157 million). The largest contracts in Q3 were signed, in Latvia, for the reconstruction of the Riga Technical University Civil Engineering Faculty building and the construction of college building and dormitory in Babites county in Pinki, and, in Tallinn, the construction of Terminal D parking house at the Tallinn passenger port. In addition to the abovementioned ones, the largest projects in progress were, in Estonia, reconstruction of the Aaspere-Haljala road section, construction of Türi Basic School, establishing water supply and sewerage piping for the Metsanurme, Kasemetsa and Üksnurme area, the commercial building at Pärnu mnt 186, construction of undersea electric power cables of Suur Väin and Väike Väin straits, student home for Rakvere Vocational School, as well as reconstruction and dredging of the Port of Hundipea; in Latvia, construction of Lidl's logistics centre, Alfa shopping centre and Laima chocolate factory; and in Lithuania, Neringa Hotel, Quadrum office building, and a private school in Vilnius.

OVERVIEW OF THE III QUARTER AND 9 MONTHS RESULTS

PROFITABILITY

2019 9 months profit before tax was EUR 10.3 million and Q3 2019 was EUR 2.8 million (9M 2018: EUR 12.6 million and Q3 2018: EUR 5.6 million), which brought the profit before tax margin to 4.5% (9M 2018: 4.2%).

Net profit attributable to equity holders of the parent in 9 months 2019 was EUR 7.0 million (9M 2018: EUR 12.3 million) and Q3 2019 net profit attributable to equity holders of the parent was EUR 2.5 million (Q3 2018: EUR 5.6 million). 9 months net profit margin was 3.1% (9M 2018: 4.1%). Net profitability was influenced by, among other things, a significantly increased income tax expense: in Q2, the group's income tax expense on paid dividends was EUR 2.7 million greater than the year before. There was no income tax expense on the dividends paid in 2018 – the dividends were distributed from dividends paid by foreign subsidiaries to the parent.

REVENUE

Q3 2019 revenue was EUR 73.4 million (Q3 2018: EUR 115.1 million) and 9 months revenue was EUR 227.6 million (9M 2018: EUR 298.8 million). 9 months revenue has decreased by 23.8% compared to same period last year. The share of revenue earned outside Estonia in 9 months 2019 was 53.2% (9M 2018: 51.5%).

SECURED ORDER BOOK

As at 30 September 2019, the group's secured order book was EUR 152.2 million (30 September 2018: EUR 239.4 million). In 9 months 2019, group companies signed new contracts in the amount of EUR 127.6 million (9M 2018: EUR 157.0 million). In Q3 2019, new contracts were signed in the amount of EUR 41.6 million (Q3 2018: EUR 89.4 million).

REAL ESTATE DEVELOPMENT

In 9 months 2019, the group sold a total of 206 apartments (incl. 36 apartments in a joint venture); in 9 months 2018, the group sold 255 apartments (incl. 47 apartments in a joint venture). The group earned a revenue of EUR 20.2 million from sale of own developed apartments in 9 months 2019 and EUR 24.3 million in 9 months 2018. In Q3 of 2019 a total of 106 apartments (incl. 3 apartments in a joint venture) were sold compared to 87 apartments (incl. 13 apartments in a joint venture) in Q3 2018, and earned a revenue of EUR 10.9 million from sale of own developed apartments (Q3 2018: EUR 8.0 million).

CASH POSITION

At the end of the reporting period, the group had EUR 13.4 million in cash and cash equivalents, and equity of EUR 121.1 million (39.4% of total assets). Comparable figures as at 30 September 2018 were EUR 23.9 million and EUR 124.8 million (43.1% of total assets), respectively. As at 30 September 2019, the group had net debt of EUR 71.0 million (30 September 2018: EUR 29.8 million).

OUTLOOK OF CONSTRUCTION AND REAL ESTATE MARKET

CONSTRUCTION SERVICES

The standstill on the Estonian and Latvian construction markets that started earlier this year continued also in the second quarter. The volume of construction works in current prices performed with own forces on a rolling 12 months' basis has stayed at the same level since the end of last year. In Lithuania, on the other hand, growth has continued. In Q2, the volume of construction increased by +1% in Estonia compared to the same period last year (the corresponding growth last year in total +22%) while in Latvia it declined by -3% (2018 in total +28%). Q2 growth in Lithuania was +14% (2018 in total +17%). Compared to the peak of the boom in 2007-2008, construction volumes in the last four quarters in Estonia were 13% larger, while in Latvia and Lithuania, they were smaller by about one-fifth.

A new surge in the volume of building permits for residential units took place in Q3 in Estonia. Whereas the number of building permits issued for residential space decreased by about 10% in 2018 and in the first half of 2019, the volumes remained practically unchanged, in Q3, close to 40% more building permits were issued than in the same period the previous year. Here, the fact that stricter near-zero energy requirements will come into force for residential buildings in 2020 may play a role. Because of these requirements, developers prefer to obtain as many building permits as possible before the end of the current year.

In Latvia, the volumes of building permits for residential units have remained on a par with last year. Lithuania has seen a continuation of the decline that started after volumes peaked in early 2017. It seems that certain stabilization in residential development has taken or is taking place in all three Baltic states. With regard to building permits for non-residential spaces in Estonia, the total volumes in the last four quarters have declined to a point 26% lower than the peak in late 2017. Fewer commercial real estate projects are emerging than before. In Latvia and Lithuania, however, the trend in the last couple of years has been positive. In Latvia, the volumes of building permits for non-residential premises are more than 50% greater than during the low point in 2017. They have also grown by more than 10% in Lithuania compared to a few years ago. Thus, at the moment, the construction markets in the three countries are progressing in somewhat different directions and speeds. The question is, whether and when the trend in Latvia and Lithuania might take the same direction as in Estonia.

The Norwegian construction market, in the last five years, has grown by an average of slightly more than 3% per year without major fluctuations. In Q2, growth did drop to just a rate of 1% compared to the same period last year, but the average annual growth over the last four quarters has continued to be more than 3 per cent.

The construction price index has clearly continued to rise in Latvia and Lithuania (the nine-month figure for this year is +4.4% compared to the same period last year) and growth has continued in Estonia as well (+2%). Although a certain transition phase can be sensed from a very rapid growth to a calmer period in the construction market, this has not yet shown up in construction prices – input prices have not dropped. The increase in workforce expenses accounts for the greatest share of rising prices. The increase is around 5% in Estonia and occasionally testing even the 10% mark in Latvia and Lithuania, while averaging about 8% for the last four quarters.

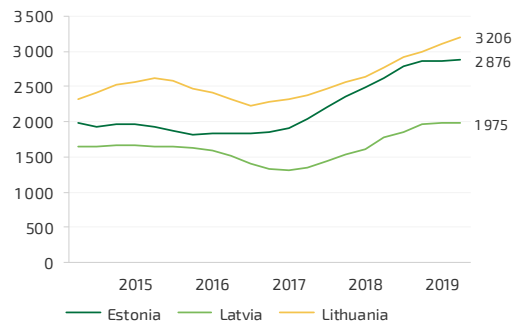
DEVELOPMENT OF APARTMENTS

In Estonia, the volume of permits for use issued for residential buildings is continuing to rise and the pace picked up even more in Q3. In the last four quarters, 14% more permits for use were issued than during the same period at peak of the boom (2007/2008). In Lithuania, the volume of permits for use has remained on a stable course for the last 2 years or so, being about one-tenth higher than at the peak of the boom. In Latvia, the volume of permits for use has seen a slight rising trend (about 10% per year), but the general volume continues to be much lower than in Estonia and Lithuania. The volume of building permits issued is about double the volume of permits for use issued in Latvia, while in Estonia and Lithuania the building permits volume has fallen to the same level as permits for use. It continues to appear that Riga has potential for more, but in reality, unlike in Estonia and Lithuania, market activity has not recovered after the recession of the previous decade.

In Estonia and Lithuania, the dynamics of housing prices is essentially the same as it has been the past few years – a relatively stable, consistent increase coupled with growth of incomes. In Latvia, we see that new housing prices have remained stable for the last 1.5 years while housing as a whole continues to get more expensive. This, too, indicates that demand for new apartments is clearly more limited in Latvia than it is in Estonia and Lithuania – market transactions with older apartments are showing more activity.

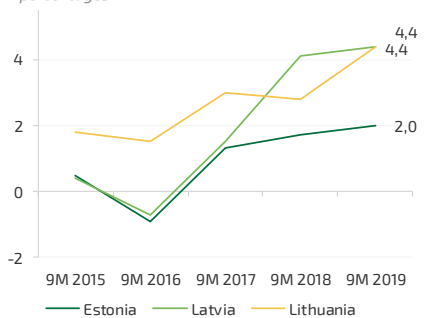
In general, the developments on the apartment market in all three countries seem fairly stable. A clear oversupply or price bubble cannot be seen. Rather, the risks are stemming from possible changes in the external markets. As long as local sentiment remains fairly positive with rising incomes, low unemployment, moderate inflation and favourable loan terms, there is no clear reason to expect a significant decline on the real estate market, either.

BALTIC STATES CONSTRUCTION MARKETS (WITH OWN FORCES)
ROLLING 12 MONTHS
in million euros



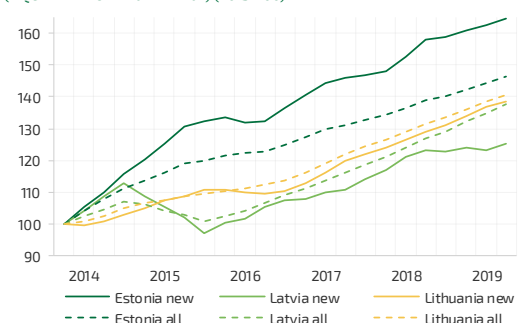
Source: national statistical offices

9 MONTHS' CHANGE IN CONSTRUCTION PRICE INDEX
percentages



Source: national statistical offices

NEW AND ALL (dotted line) DWELLINGS QUARTERLY HOUSE PRICE INDEX
(4 QUARTER ROLLING AVERAGE) (2013=100)



Source: Eurostat

BUSINESS ACTIVITIES

Starting from 2019, the management board of AS Merko Ehitus decided to change the segment reporting structure in the group's financial reports and harmonise it with the group's internal reporting structure.

As a result of the change, the Estonian construction service and other home market construction service will be merged and instead of three business segment there will be two:

- construction service;
- real estate development.

The change is due to the fact that the volumes of construction services provided in group's home markets have become more evenly distributed. Therefore, the management board of AS Merko Ehitus is focusing on the construction service business segment as a whole and does not deem it necessary to treat Estonian construction service as a separate business segment.

CONSTRUCTION SERVICE

The construction service in Estonia consists of services in the field of general construction, civil engineering, electricity, external networks and road construction, as well as concrete works: in Latvia general construction, provision of civil engineering and electricity construction services; and in Lithuania and Norway general construction works.

million EUR

	9M 2019	9M 2018	VARIANCE	Q3 2019	Q3 2018	VARIANCE	12M 2018
Revenue	204.0	250.5	-18.6%	61.9	93.1	-33.5%	347.1
% of total revenue	89.6%	83.8%		94.4%	80.9%		83.0%
Operating profit	9.0	7.5	+20.7%	1.4	2.6	-48.3%	10.7
Operating profit margin	4.4%	3.0%		2.2%	2.8%		3.1%

In the 9 months of 2019, the revenue of the construction service segment was EUR 204.0 million (9M 2018: EUR 250.5 million), including EUR 93.2 million (9M 2018: EUR 118.4 million) in Estonia, EUR 70.7 million (9M 2018: EUR 106.6 million) in Latvia, EUR 23.2 million (9M 2018: EUR 17.9 million) in Lithuania and EUR 16.9 million (9M 2018: EUR 7.6 million) in Norway. The sales revenue of construction service has decreased by 18.6% compared to the same period last year. The construction service segment revenue for 9 months 2019 made up 89.6% of the group's total revenue (9M 2018: 83.8%). In this segment, the group earned an operating profit of EUR 9.0 million for 9 months (9M 2018: EUR 7.5 million). The operating profit margin was 4.4% (9M 2018: 3.0%).

In Q3 the profit margins of the construction service decreased to 2.2%. Fierce competition among main contractors and the overall situation on the construction market in which main contractors are taking heightened contractual risks, continue to be the dominant themes. All the financial components of main contracting need to be assessed critically, including the certainty of input prices and their continuous upward trend, the feasibility of meeting the contractual obligations concerning the timing and corresponding penalties, as well as the payment terms agreed with the customers and the inherent credit risks.

The group continues to focus primarily on projects, in case of which it is possible to generate added value to the client through high quality of project management, and the provided service can be priced accordingly. It is important that the pricing is fair and transparent, and that the contractual risks are distributed in a balanced way between the client and the main contractor. Focusing only on underbidding is short-sighted and does not, in the end of the day, work on the client's favour either. Because of low price, the quality of the works suffers, staying on schedule becomes questionable, and at times even the completion of the works might not be a given. For the group, maintaining or increasing the revenue is not a goal onto itself. Revenue must be balanced against taken risks and estimated profitability.

Larger projects in progress in the third quarter in construction service segment in Estonia included the construction works of commercial building at Pärnu mnt 186, Terminal D parking house at the Tallinn passenger port, student home of Rakvere Vocational School, Türi Basic School buildings, support warehouse and medical centre in Tapa armed forces campus, dredging and reconstruction works of Hundipea port, construction of electric power cables of Suur Väin and Väike Väin straits, construction works of water supply and sewerage piping in Metsanurme, Kasemetsa and Üksnurme area, reconstruction of Aaspere-Haljälä road section, and road repair and maintenance works in Tallinn. In Latvia, larger ongoing projects in Q3 included the construction works of Alfa shopping centre, Lidl logistics centre, Laima chocolate factory, college building and dormitory in Pinki, as well as reconstruction of Riga Technical University Civil Engineering Faculty building. In Lithuania, larger projects were the construction works of Neringa hotel, Quadrum office building, and a private school building in Vilnius. In Norway, mostly smaller scale contracts were in the works for the group in the third quarter.

REAL ESTATE DEVELOPMENT

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

million EUR

	9M 2019	9M 2018	VARIANCE	Q3 2019	Q3 2018	VARIANCE	12M 2018
Revenue	23.6	48.3	-51.1%	11.5	22.0	-47.9%	70.9
incl. sale of apartments	20.2	24.3		10.9	8.0		41.3
construction service to joint venture projects	1.9	12.5		0.2	4.5		15.5
sale of immovable properties	0.4	9.5		-	8.8		9.5
% of total revenue	10.4%	16.2%		15.6%	19.1%		17.0%
Operating profit	2.2	6.8	-68.1%	1.3	3.6	-64.4%	11.3
Operating profit margin	9.2%	14.2%		11.2%	16.3%		16.0%

In 9 months 2019, the group sold a total of 206 apartments (incl. 36 apartments in a joint venture); in 9 months 2018, 255 apartments (incl. 47 apartment in a joint venture). The group earned a revenue of EUR 20.2 million (VAT not included) from sale of own developed apartments in 9 months 2019 and EUR 24.3 million (VAT not included) in 9 months 2018.

In the case of projects developed in joint ventures, the real estate development business segment revenue reflects the construction services provided to the project by the group and the operating profit includes the realised construction profit for the period. The profit from development gained from sale of those apartments to end-customers is recognised in the group's reporting based on the equity method.

In 9 months of 2019, real estate development segment revenues decreased by 51.1% compared to the same period last year. In the 9 months of 2019, the share of revenue from the real estate development segment formed 10.4% of the group's total revenue (9 months of 2018: 16.2%).

The segment's operating profit for the 9 months of 2019 amounted to EUR 2.2 million (9 months of 2018: EUR 6.8 million) and the operating profit margin was 9.2% (9 months of 2018: 14.2%), which decreased by 5.0 pp compared to the same period previous year. 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. Compared to 2019, the segment's profitability of 2018 was positively influenced by the sale of immovable property that had little strategic importance for the group. Operating profitability is dependent also on the amount of revenue – in case of smaller revenue, overhead decreases the profitability. During the first nine months of 2019 both the sale of apartments as well as the construction service to joint venture projects has decreased. The sales level of apartments depends mainly on the current development phase of the projects. Previous larger projects have mostly been completed and the apartments largely sold; new projects are in the construction phase and will be finished partly in Q4 of this year and mostly during the next year of 2020. Construction service to joint venture projects has decreased to a minimum, as the majority of this activity was carried out last year, in 2018 – the jointly developed project is mostly finished. Therefore, the decrease in the revenue and operating profit of real estate development segment so far has been as expected.

At the end of the period, group's inventory comprised 411 apartments where a preliminary agreement had been signed (as at 30 September 2018: 275 apartments; as at 31 December 2018: 193 apartments): 46 completed apartments (43 in Estonia and 3 in Lithuania) and 365 apartments under construction (130 in Estonia, 41 in Latvia and 194 in Lithuania). The sale of these apartments had not yet been finalised and delivered to customers, because the development site is still under construction or the site was completed at the end of the reporting period and the sales transactions have not all been finalised yet.

As at 30 September 2019, the group had a total of 869 apartments for active sale (as at 30 September 2018: 945 apartments; as at 31 December 2018: 989 apartments), for which there are no pre-sale agreements and of which 123 have been completed (40 in Estonia, 50 in Latvia and 33 in Lithuania) and 746 are under construction (309 in Estonia, 151 in Latvia and 286 in Lithuania).

In 9 months of 2019, the group launched the construction of a total of 302 new apartments in the Baltic states (9 months of 2018: 840 apartments). In the 9 months, the group invested a total of EUR 64.5 million (9 months of 2018: EUR 22.0 million) in new development projects launched in 2019 as well as projects already in progress.

After the reporting date, the group has started the construction of the third stage of Pikaliiva residential development project in Tallinn with 66 apartments.

One of 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 at 30 September 2019, the group's inventories included land plots with development potential, where the construction works have not started, in amount of EUR 70.9 million (30.09.2018: EUR 54.7 million).

GROUP'S INVENTORIES WITH DEVELOPMENT POTENTIAL BY COUNTRY

million EUR

	30.09.2019	30.09.2018	31.12.2018
Estonia	30.0	27.2	26.9
Latvia	26.9	26.5	26.6
Lithuania	14.0	1.0	1.0
Total	70.9	54.7	54.5

In the 9 months of 2019, the group has purchased new land plots for real estate development purposes at an acquisition cost of EUR 18.7 million (9 months of 2018: EUR 1.7 million), including an acquisition of a real estate development area in Vilnius for EUR 13 million and land plots in Estonia for a total of EUR 5.7 million.

SECURED ORDER BOOK

As at 30 September 2019, the group's secured order book amounted to EUR 152.2 million, compared to EUR 239.4 million as at 30 September 2018, having decreased by 36.4% in the annual comparison. The secured order book excludes the group's own residential development projects and construction works related to developing real estate investments.

In 9 months of 2019, EUR 127.6 million worth of new contracts were signed, while EUR 157.0 million were signed during the same period in 2018. The value of new contracts signed in the third quarter of 2019 amounted to EUR 41.6 million; in the third quarter of 2018 the value of new contracts signed amounted to EUR 89.4 million.

LARGEST CONSTRUCTION CONTRACTS SIGNED IN THE THIRD QUARTER OF 2019

BRIEF DESCRIPTION OF CONTRACT	COUNTRY	COMPLETION TIME	VALUE MILLION EUR
Construction contract for the reconstruction of Riga Technical University Civil Engineering Faculty building	Latvia	March of 2021	11.9
Construction contract for the construction of a new college building and a dormitory in Piņķi, Babītes county	Latvia	August of 2020	10.1
Construction contract for the construction of Terminal D parking house at the Tallinn passenger port	Estonia	End of 2020	3.7

As at 30 September 2019, the private sector orders accounted for approximately 41% of the total balance in the group's secured order book (30.09.2018: approximately 83%; 31.12.2018: approximately 70%). The share of public sector in the secured order book has increased to above 50%. This is in large part due to civil engineering and road construction areas for which the group has specific knowhow and experience. In terms of general construction, Merko participates selectively only in those public procurements where the group sees certain competitive edge, which lies outside the usual narrow price-based approach of public sector clients. In general, the level of private sector procurements has decreased – there are fewer large objects, and the competition among main contractor is very strong for the existing ones.

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. The group has gained a strong foothold in all the Baltic states and continues a gradual growth in Norway. Retaining the foothold and growing further must be done in a profitable way. The group is therefore focused on ensuring that sales revenue is grown only on the basis of projects with an acceptable risk to reward ratio.

CASH FLOWS

At the end of reporting period, the group had cash and cash equivalents in the amount of EUR 13.4 million (30.09.2018: EUR 23.9 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 at the end of the reporting period, the group entities had concluded overdraft contracts with banks in a total amount of EUR 37.6 million, of which EUR 20.4 million was unused (30.09.2018: EUR 35.6 million of which EUR 27.8 was unused). In addition to the overdraft facilities, the company has a working capital loan facility with a limit of EUR 3.5 million (30.09.2018: EUR 3.5 million) from AS Riverito, which was not withdrawn at the end of current period (30.09.2018: not withdrawn).

The 9-month cash flow from operating activity was negative at EUR 45.5 million (9 months of 2018: positive EUR 6.7 million), cash flow from investing activity was negative at EUR 1.6 million (9 months of 2018: positive EUR 0.3 million) and the cash flow from financing activity was positive at EUR 20.4 million (9 months of 2018: negative EUR 22.3 million).

The cash flow from operating activities had positive effect from EBITDA of EUR 11.7 million (9 months of 2018: positive effect of EUR 14.3 million), from the changes in trade and other receivables related to operating activities of EUR 7.6 million (9 months of 2018: negative effect of EUR 15.2 million) and change in trade and other payables related to operating activities of EUR 13.9 million (9 months of 2018: positive effect of EUR 11.5 million). The negative effects to cash flow from operating activities came from changes in receivables and liabilities related to construction contracts of EUR 8.6 million (9 months 2018: negative effect of EUR 6.3 million), change in the provisions of EUR 1.7 million (9 months of 2018: positive effect of EUR 2.5 million), change in inventories of EUR 64.5 million (9 months of 2018: positive effect of EUR 1.5 million), and from the corporate income tax of EUR 2.8 million (9 months of 2018: EUR 0.3 million). The group is focusing on investments to apartment development, which has brought about significant increase in the volume of inventories during the nine months.

To support cash flows from operating activities, including raising the volumes in apartment development, the group has raised additional external capital. At the same time, the debt ratio has remained at a moderate level (27.5% as at 30.09.2019; 18.5% as at 30.09.2018; 16.4% as at 31.12.2018).

Cash flows from investing activities include negative effect from the acquisition of non-current assets and investment property in the amount of EUR 2.0 million (9 months of 2018 EUR 0.7 million) and positive effect from the sale of non-current assets in the amount of EUR 0.4 million (9 months of 2018: EUR 0.6 million).

In cash flows from financing, the larger negative factors were dividend payment of EUR 17.8 million (9 months 2018: EUR 17.7 million), repayments of lease liabilities in the amount of EUR 0.8 million (9 months of 2018: net negative cash flow of EUR 0.4 million) and net amount of loans received and repaid of project specific loans obtained using investment property as collateral in the amount of EUR 0.4 million (9 months of 2018: negative cash flow in the net amount of EUR 2.4 million). Positive cash flow from financing activity was gained from net amount of loans received and repaid in connection with development projects in the amount of EUR 36.5 million (9 months of 2018: net positive cash flow of EUR 15.7 million), as well as from positive change in loans related to construction projects and other activities in the net amount of EUR 2.9 million (9 months of 2018: net positive cash flow of EUR 3.7 million).

The Q3 2019 cash flow from operating activity was negative at EUR 21.6 million (Q3 2018: negative EUR 2.8 million), cash flow from investing activity was negative at EUR 0.3 million (Q3 2018: negative EUR 0.1 million) and the cash flow from financing activity was positive at EUR 21.2 million (Q3 2018: negative EUR 0.4 million)

RATIOS

(attributable to equity holders of the parent)

INCOME STATEMENT SUMMARY		9M 2019	9M 2018	9M 2017	Q3 2019	Q3 2018	Q3 2017	12M 2018
Revenue	million EUR	227.6	298.8	214.8	73.4	115.1	86.0	418.0
Gross profit	million EUR	20.9	21.8	16.7	6.2	8.8	6.5	33.0
Gross profit margin	%	9.2	7.3	7.8	8.5	7.6	7.6	7.9
Operating profit	million EUR	9.9	12.9	8.8	2.3	5.7	4.1	19.9
Operating profit margin	%	4.4	4.3	4.1	3.2	4.9	4.8	4.8
Profit before tax (PBT)	million EUR	10.3	12.6	8.2	2.8	5.6	3.9	19.8
PBT margin	%	4.5	4.2	3.8	3.8	4.9	4.5	4.7
Net profit	million EUR	7.3	12.5	6.8	2.7	5.6	3.6	19.4
attributable to equity holders of the parent	million EUR	7.0	12.3	6.6	2.5	5.6	3.4	19.3
attributable to non-controlling interest	million EUR	0.3	0.2	0.2	0.1	(0.0)	0.2	0.1
Net profit margin	%	3.1	4.1	3.1	3.5	4.9	3.9	4.6
Other income statement indicators		9M 2019	9M 2018	9M 2017	Q3 2019	Q3 2018	Q3 2017	12M 2018
EBITDA	million EUR	11.7	14.3	11.0	2.9	6.2	5.0	21.9
EBITDA margin	%	5.2	4.8	5.1	4.0	5.4	5.8	5.2
General expense ratio	%	5.0	3.7	4.8	4.7	3.2	4.2	3.7
Labour cost ratio	%	12.0	8.1	10.9	11.9	7.4	9.7	8.2
Revenue per employee	thousand EUR	318	399	284	102	154	114	563
OTHER SIGNIFICANT INDICATORS		30.09.2019	30.09.2018	30.09.2017	31.12.2018			
Return on equity	%	11.1	16.2	6.5	15.3			
Return on assets	%	4.9	7.3	3.3	6.9			
Return on invested capital	%	9.8	13.3	6.3	11.5			
Equity ratio	%	39.4	43.1	46.4	48.9			
Debt ratio	%	27.5	18.5	18.1	16.4			
Current ratio	times	2.0	2.1	2.5	2.2			
Quick ratio	times	0.6	1.1	1.1	1.1			
Accounts receivable turnover	days	45	40	42	40			
Accounts payable turnover	days	52	42	39	41			
Average number of employees	people	717	748	757	743			
Secured order book	million EUR	152.2	239.4	396.4	229.0			

Ratio definitions are provided on page 40 of the report.

RISK MANAGEMENT

Risk management is part of strategic management and is inseparable from daily operations of the company. In managing risks, the main objective of the company is to determine significant risks and to optimally manage risks so that the company 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 at 30 September 2019, a provision has been set up at the group in the amount of EUR 0.1 million (30.09.2018: EUR 0.1 million) for covering potential claims and legal costs.

Below an overview of the key legal disputes and proceedings, which have taken place or ended during 2019 or are ongoing as of 30 September 2019 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 Suur-Paekalda OÜ and Väike-Paekalda OÜ (now merged with AS Merko Ehitus Eesti, part of AS Merko Ehitus group). On 2 February 2016, AS Merko Ehitus group companies, Suur-Paekalda OÜ and Väike-Paekalda OÜ, filed a complaint in Tallinn Administrative Court for compensation of damage. The plaintiffs are seeking a ruling ordering that the state pay damages of approximately EUR 3.2 million to Suur-Paekalda OÜ (exact amount to be determined) and approximately EUR 1.6 million to Väike-Paekalda (exact amount to be determined) as well as late interest at the rate specified in subsection 113 (1) of the Law of Obligations Act starting from 2 February 2016 until due compliance with the demand for compensation. 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 2005-2007). On April 22, 2019 the Tallinn Administrative Court partially satisfied the appeal and order the Republic of Estonia to pay AS Merko Ehitus Eesti EUR 760 thousand and late interest until the principal claim is duly discharged. The court also ordered that procedural costs of EUR 12 thousand be paid to AS Merko Ehitus Eesti. Both sides filed an appeal and the dispute continues at the Tallinn District Court. The impact of this claim has not been taken into account in the group's reporting.

Latvia

Lawsuit against former employee

On 5 May 2015, SIA Merks filed suit in Riga District Court against former SIA Merks employee Rolands Mēnesis in a claim for the compensation of damage amounting to EUR 337 thousand. The object of the statement of claim is damage deliberately caused by project manager Rolands Mēnesis by entering into fictitious transactions on behalf of SIA Merks and purchase of items not necessary for contractual work. The next court hearing is scheduled on 27 February 2020. The possible effect of the potential positive outcome of this claim has not been taken into account in the group's financial reporting.

Starptautiskā lidosta "Rīga"

On 21 September 2017, SIA Merks has initiated court proceedings against VAS "Starptautiskā lidosta "Rīga"" (Riga International Airport). The basis of the court proceeding is a dispute with Riga International Airport on the terms and conditions of signing the final completion certificate of the new passenger terminal of Riga International Airport. SIA Merks seeks court decision requiring Riga International Airport to sign the final completion certificate and thus entitling SIA Merks for payment of EUR 449 thousand (EUR 414 thousand being the principal claim and EUR 35 thousand late interest) for the works.

On 5 March 2018, SIA Merks prepared an additional claim to the court to confirm that the works are fully and properly performed and should be duly accepted by Riga International Airport and, releasing the retention money for the warranty period guarantee in the amount of EUR 920 thousand.

On 8 June 2018, Riga International Airport paid partly the claim submitted on September 21, 2017, therefore SIA Merks reduced the claim to EUR 248 thousand (EUR 76 thousand being the principal claim and EUR 172 thousand late interest). The next court hearing is scheduled on 13 January 2020. No additional provisions are recognised in relation to the potential outcome of this claim.

Latvian Competition Council administrative proceeding

On 3 September 2019, Latvian Competition Council (*Konkurences padome*) officials carried out administrative proceeding activities in the office of SIA Merks. As part of the activities the Chairman of SIA Merks's Management Board was interviewed by the officials. To the group's knowledge, the purpose of the proceeding is to ascertain whether there have been infringements of competition law in Latvia by construction companies. SIA Merks is among the construction companies involved in the proceeding. SIA Merks has not been involved in any other procedural actions since 3 September 2019 and the management has no information about the future of the proceeding. No provisions are recognised in relation to the effect of this proceeding.

Lithuania

Vilniaus vandenys

On 18 May 2016, AS Merko Ehitus and UAB Merko Statyba, acting pursuant to the joint venture agreement, filed an action against UAB Vilniaus vandenys in the total amount of EUR 183 thousand. The plaintiffs maintain that due to the actions of UAB Vilniaus vandenys, both the construction period became longer and also additional works were carried out – works that the customer later refused to pay for. By decision of 9 January 2018, the court appointed an expertise, the result of which was submitted on 14 December 2018. By the decision of 7 June 2019 the court dismissed the claim. On 5 July an appeal was presented to the higher court. The potential positive outcome of this claim is not recognised in the group's financial reporting.

UAB Axis

On 3 September 2018, UAB Axis power (sub-contractor) filed an action against UAB Merko Statyba (main contractor), part of AS Merko Ehitus group, in the total amount of EUR 846 thousand as compensation for carrying out concrete works, which were more complicated than foreseen at signing of the contract. By the decision of 18 August 2019 the court appointed court expertise, the expected term of which is up to 6 months. The group finds the claim unsubstantiated and has not recognised provisions in relation to this claim.

EMPLOYEES AND LABOUR COSTS

As of 30 September 2019, Merko Ehitus group employed 712 people (including temporary and part-time staff). Compared to the same period last year, the number of group's employees decreased by 61 (-7.9%). The number of employees has decreased in Estonia, Latvia and Lithuania and increased in Norway due to increase of construction volumes.

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

The group defines labour cost as salary (incl. fixed salary, additional pay, holiday pay, and performance pay), taxes based on salary, fringe benefits and taxes on fringe benefits. In 9 months 2019, the labour cost was EUR 27.3 million (9 months 2018: EUR 24.2 million), which increased by 12.9% compared to the same period previous year. The labour cost ratio increased by 3.9 pp from 8.1% to 12.0%.

During 9 months of 2019, AS Merko Ehitus Eesti, one of the largest Estonian construction companies, part of AS Merko Ehitus group, paid EUR 6.2 million in labour taxes in Estonia, making it the largest labour tax payer in the construction sector (9 months 2018: EUR 4.7 million).

ETHICAL BUSINESS PRACTICES

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

We do business honestly, follow ethical principles in our activities and make sure our employees know and follow business ethics standards in their everyday work. To allow the principles to take firmer root, 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-governance-2/responsibility/ethical-business-practices/.

SHARE AND SHAREHOLDERS

INFORMATION ON SECURITY

Issuer	AS Merko Ehitus
Name of security	Share of Merko Ehitus
Ticker	MRKIT
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	11.08.2008

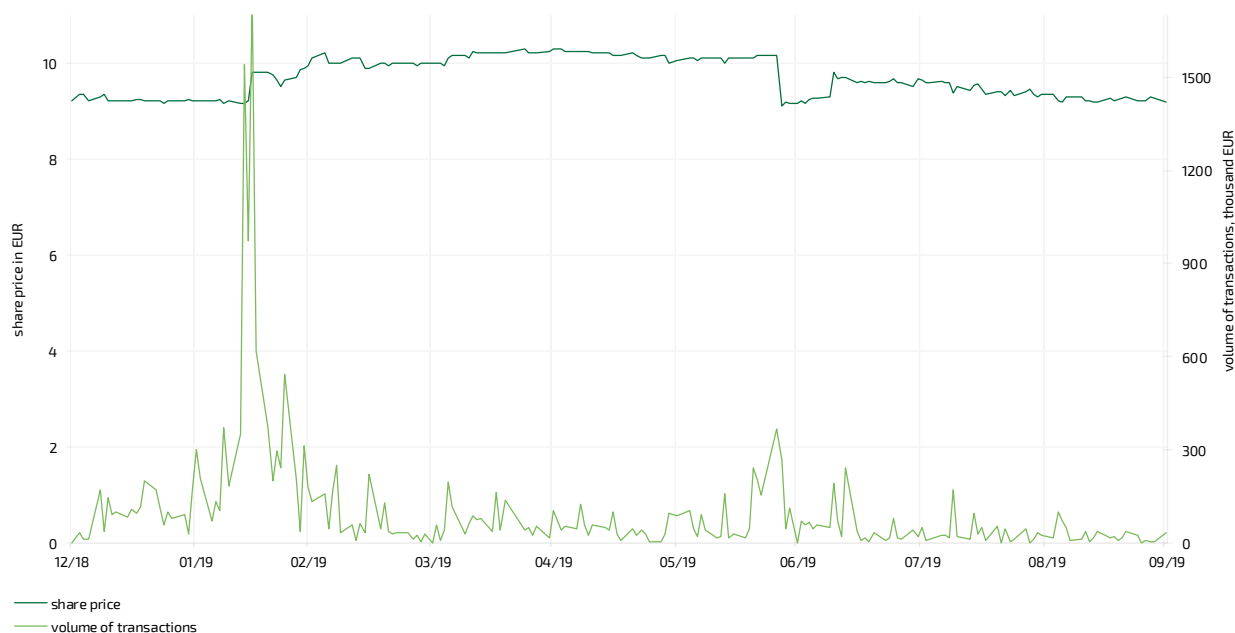
The shares of Merko Ehitus are listed in the Main List of Nasdaq Tallinn. As at 30 September 2019, the company has 17,700,000 shares. The number of shares has not changed during 2019.

A total of 7,179 transactions were conducted with the shares of Merko Ehitus in 9 months of 2019, with 2.02 million shares (11.4% of total shares) traded, generating a turnover of EUR 19.4 million (comparable figures in 9 months 2018 were accordingly: 3,230 transactions with 0.91 million shares traded (5.1% of total shares), generating a turnover of EUR 9.6 million). The lowest transaction was carried out with a price of EUR 8.90 and the highest with EUR 10.30 per share (9 months of 2018: EUR 8.70 and EUR 11.80, accordingly). On 30 September 2019, the closing price of the share was EUR 9.18 (30.09.2018: EUR 9.80; 31.12.2018: EUR 9.20). As at 30 September 2019, by the Nasdaq Baltic stock exchange, the market capitalisation of AS Merko Ehitus was EUR 162.5 million, down 6.3% compared to the end of the equivalent period of the prior year (30.09.2018: EUR 173.5 million).

	30.09.2019	30.09.2018	30.09.2017	31.12.2018
Number of shares	17,700,000	17,700,000	17,700,000	17,700,000
Earnings per share (EPS), euros	0.40	0.70	0.37	1.09
Equity per share, euros	7.15	7.14	6.88	7.16
P/B ratio	1.28	1.37	1.40	1.28
P/E ratio	11.58	8.48	21.37	8.42
Market value, million EUR	162.5	173.5	170.3	162.8

Ratio definitions are provided on page 40 of the report.

CHANGE IN THE PRICE AND TRANSACTION VOLUME OF MERKO EHITUS SHARE AT NASDAQ TALLINN STOCK EXCHANGE IN 2019



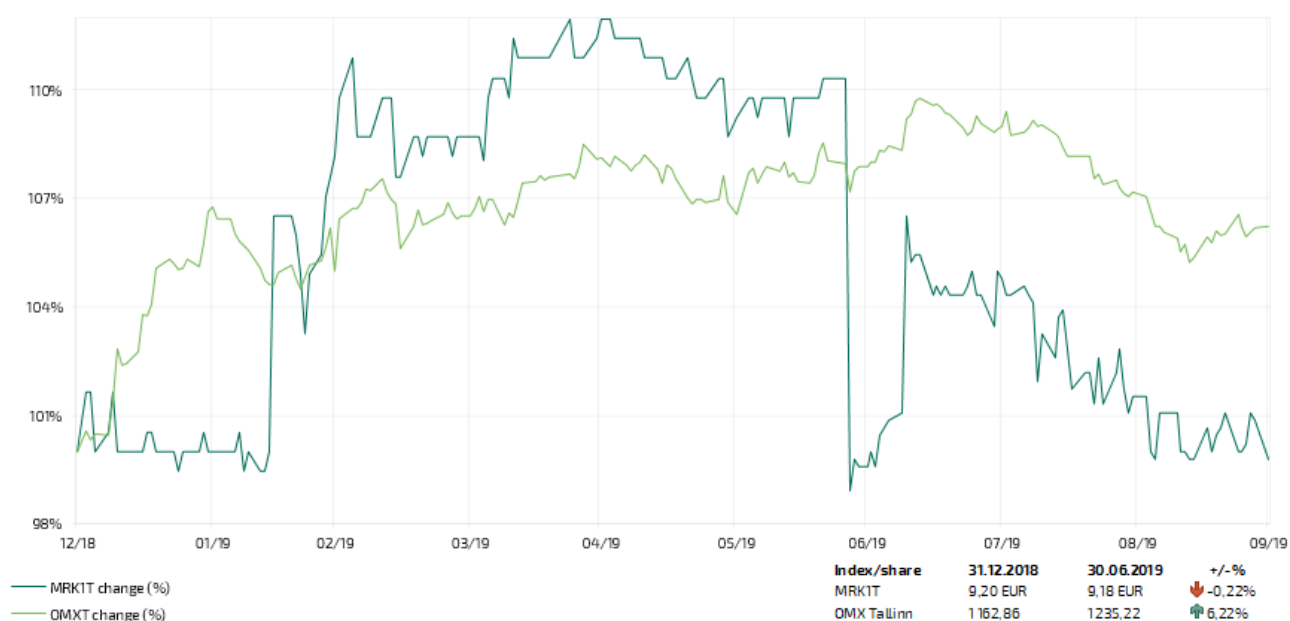
STRUCTURE OF SHAREHOLDERS ACCORDING TO NUMBER OF SHARES AS AT 30.09.2019

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF SHARES	% OF SHARES
1,000,001 - ...	1	0.03%	12,742,686	71.99%
100,001 – 1,000,000	10	0.27%	1,739,470	9.83%
10,001 – 100,000	41	1.11%	964,731	5.45%
1,001-10,000	511	13.78%	1,476,107	8.34%
101-1,000	1,823	49.16%	706,452	3.99%
1-100	1,322	35.65%	70,554	0.40%
Total	3,708	100%	17,700,000	100%

SHAREHOLDERS OF AS MERKO EHITUS AS AT 30.09.2019 AND CHANGE COMPARED TO THE PREVIOUS QUARTER

	NUMBER OF SHARES	% OF TOTAL 30.09.2019	% OF TOTAL 30.06.2019	CHANGE
AS Riverito	12,742,686	71.99%	71.99%	-
Firebird Republics Fund Ltd	329,602	1.86%	1.86%	-
OÜ Midas Invest	293,800	1.66%	1.50%	29,020
Firebird Avrora Fund Ltd	188,927	1.07%	1.07%	-
Skandinaviska Enskilda Banken AB, Swedish customers	162,438	0.92%	0.92%	-
State Street Bank and Trust Omnibus Account a Fund No OM01	153,018	0.86%	0.86%	-
SEB Elu- ja Pensionikindlustus AS	148,787	0.84%	0.84%	-
BNYM AS AGT/CLTS	126,685	0.72%	0.83%	(19,312)
Siseinfo OÜ	115,000	0.65%	0.56%	15,000
Firebird Fund L.P.	114,585	0.65%	0.65%	-
Total largest shareholders	14,375,528	81.22%	81.08%	24,708
Total other shareholders	3,324,472	18.78%	18.92%	-24,708
Total	17,700,000	100%	100%	-

PERFORMANCE OF THE SHARE OF MERKO EHITUS AND COMPARISON INDEX OMX TALLINN IN 2019



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.

The annual general meeting of shareholders of AS Merko Ehitus held at 8 May 2019 approved the Supervisory Board's proposal to pay the shareholders the total amount of EUR 17.7 million (EUR 1.00 per share) as dividends from net profit brought forward, which is equivalent to a 92% dividend rate and a 10.9% dividend yield for the year 2018 (using the share price as at 31 December 2018). Comparable figures in 2018 were accordingly: EUR 17.7 million (EUR 1.00 per share) as dividends, which is equivalent to a 120% dividend rate and a 11.4% dividend yield for the year 2017 (using the share price as at 31 December 2017).

According to the Estonian Income Tax Law subsection 50 (1¹), AS Merko Ehitus can pay dividends, without any additional income tax expense and liabilities occurring, up to the amount it has received dividends from subsidiaries, which are resident companies of a Contracting State of the European Economic Area (EEA) Agreement subject to that state's income tax legislation. As the group did not incur income tax expenses arising in connection with disbursement of dividends in Estonia in 2018, only the 20/80 regular rate of income tax was applied to dividends paid in 2019 and no additional income tax was withheld from dividends paid to shareholders that were resident natural persons. The dividend payment to the shareholders took place on 1 July 2019.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE AND STRUCTURE

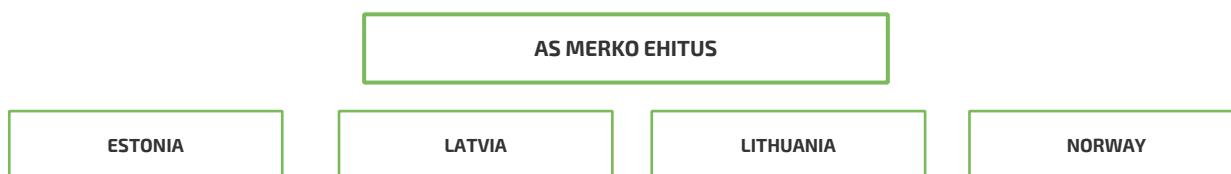
AS Merko Ehitus operates as a holding company to a group, the companies of which in Estonia, Latvia, Lithuania and Norway offer complete solutions in the field of construction and real estate development. The group's largest companies are AS Merko Ehitus Eesti (100%), SIA Merks (100%), UAB Merko Statyba (100%), UAB Merko Bustas (100%), Peritus Entreprenør AS (56%) and the companies belonging to the AS Merko Ehitus Eesti group: Tallinna Teede AS (100%) and AS Merko Infra (100%).

The main area of activity of the holding company is developing and implementing strategies for the Merko Ehitus group's various business domains 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 two-member Management Board: Andres Trink and Tõnu Toomik.

The overview of the Management Board and Supervisory Board have been presented on pages 18-19 and in Note 16 of the consolidated financial statements, and published, together with the track record and photographs, on the company's website at group.merko.ee/en/corporate-governance-2/.

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

As of 30 September 2019, the management structure is as follows:



GROUP'S LEGAL STRUCTURE

As at 30 September 2019, the group comprises 32 companies (30.09.2018: 32). The group's legal structure is predominantly based on regulatory requirements and there is not in all cases a direct linear relationship with the group's effective management structure. The detailed list of group companies is provided in Notes 16 of the financial statements.

Changes in the legal structure of the group

On 29 October 2018, a merger between OY Merko Finland and Hartian OY, both belonging to AS Merko Ehitus group, was initiated. The acquiring company was OY Merko Finland. As a result of the merger, the company being acquired (Hartian OY) wound up without liquidation proceedings and OY Merko Finland become the legal successor of the company being acquired. The merger date was 1 January 2019, after which all transactions of the acquired company will be deemed to be made on the account of the acquiring company. The final entry in the Commercial Register was made on 30 April 2019.

On 17 December 2018, Merko Ehitus Eesti, fully owned subsidiary of AS Merko Ehitus, signed a notarised division plan. According to the plan, company OÜ Vahi Lastehoid will be established as a result of the division, to which apartment ownerships, located on

Pärna allee in Tartu, will be transferred as per the division plan. The division came into force with the entry in the Commercial Register made on 20 June 2019.

On 28 December 2018, AS Merko Ehitus launched a process for restructuring its fully owned subsidiary in Lithuania, UAB Merko Bustas. In accordance with the restructuring plan, UAB Merko Bustas's 100% subsidiary UAB Rinktinės projektai will be merged with the parent company. The restructuring is planned to be completed and the final merger entry to be made in the Commercial Register within 2019.

On 14 January 2019, UAB Merko Statyba, fully owned subsidiary of AS Merko Ehitus, established company UAB VPSP 2 in Lithuania, through which the public-private partnership (PPP) project for the design and construction works of the new Kaunas district Police headquarters of the Police Department under the Ministry of the Interior of the Republic of Lithuania is being carried out in Kaunas.

On 1 April 2019, UAB Merko Bustas, fully owned subsidiary of AS Merko Ehitus in Lithuania established a fully owned subsidiary UAB MB Projektas.

On 5 April 2019, AS Merko Ehitus management board decided to start liquidation procedures of a fully owned subsidiary OÜ Kiviaia Kinnisvara. The liquidation of the company is scheduled to be completed within 2019.

On 10 April 2019, UAB Merko Statyba, fully owned subsidiary of AS Merko Ehitus in Lithuania, established a 100% subsidiary UAB VPSP Projektas.

On 10 May 2019, AS Merko Ehitus supervisory board decided to start liquidation procedures of 100% owned subsidiary SIA Merko Investments. The liquidation of the company was completed and deleted from the Commercial Register on 2 September 2019.

On 17 September 2019, the supervisory board of AS Merko Infra, part of AS Merko Ehitus group, decided to start liquidation procedures of AS Merko Infra branch in Latvia. The liquidation is scheduled to be completed within 2019.

GENERAL MEETING OF SHAREHOLDERS

The Company's highest governing body is the General Meeting of Shareholders, the authorities of which are regulated by legislation and the articles of association of the Company.

The annual general meeting of shareholders was held on 8 May 2019. The general meeting resolved to approve the annual report and the profit allocation proposal for 2018. The dividends in the sum of EUR 17.7 million (EUR 1 per share) were paid out to the shareholders on 1 July 2019.

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

Annual and extraordinary general meeting of shareholders shall be chaired by an independent person. In 2019, the annual general meeting was chaired by attorney-at-law Vesse Vöhma 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 Board shall be involved. The company's auditor also participates in the meeting.

The annual general meeting of shareholders of AS Merko Ehitus held in 2019 was attended by Andres Trink (Chairman of the Management Board), Tõnu Toomik (Member of the Management Board), Priit Roosimägi (Head of Group Finance Unit) and Janno Hermanson (Auditor).

SUPERVISORY BOARD

The Supervisory Board shall plan the activities of the company, organise the management of the company and supervise the activities of the Management Board. The Supervisory Board shall notify 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 at 30 September 2019, the Supervisory Board of AS Merko Ehitus had three members, of whom, in accordance with the requirements of the Good Governance Code, Indrek Neivelt was an independent member.

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 members 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 impacting them. 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 Chairman.

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

The responsibilities of Andres Trink, 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 business development and finance. Tõnu Toomik is responsible for the management of the portfolio of properties and coordination of construction segment development activities across the whole group.

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, starting from 6 June 2019 for the next three years. The Management Board of AS Merko Ehitus will continue with two members: Mr. Andres Trink (Chairman) and Mr. Tõnu Toomik

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 intergroup 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 termination benefit 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 at 30 September 2019:

COMPANY	SUPERVISORY BOARD	MANAGEMENT BOARD
AS Merko Ehitus Eesti	Andres Trink (Chairman), Teet Roopalu, Tõnu Toomik, Martin Rebane	Keit Paal (Chairman), Jaan Mäe, Alar Lagus, Veljo Viitmann
Tallinna Teede AS	Tõnu Toomik (Chairman), Keit Paal, Alar Lagus, Veljo Viitmann	Jüri Läll (Chairman), Jüri Helila
OÜ Merko Investments	-	Andres Trink, Priit Roosimägi
SIA Merks	Andres Trink (Chairman), Tõnu Toomik, Priit Roosimägi, Janis Šperbergs	Oskars Ozoliņš (Chairman), Andris Bišmeistars
UAB Merko Bustas	Andres Trink (Chairman), Tõnu Toomik, Priit Roosimägi	Saulius Putrimas (Manager)

Changes in the management of group subsidiaries

The Management Board of AS Merko Ehitus appointed Mr. Martin Rebane as a Member of the Supervisory Board of AS Merko Ehitus Eesti, part of AS Merko Ehitus group, starting from 30 April 2019. The Supervisory Board of AS Merko Ehitus Eesti will continue with four members: Mr. Andres Trink (Chairman), Mr. Tõnu Toomik, Mr. Teet Roopalu and Mr. Martin Rebane. According to the articles of association of AS Merko Ehitus Eesti, a Member of the Supervisory Board is appointed for three years.

The Supervisory Board of AS Merko Ehitus Eesti, part of AS Merko Ehitus group, extended the powers of the Chairman of the Management Board, Mr. Keit Paal, until 31 December 2019, and appointed Mr. Ivo Volkov as the new Chairman of the Management Board starting from 1 January 2020. The powers of Mr. Ivo Volkov as the Chairman of AS Merko Ehitus Management Board are in place from 1 January 2020 until 31 December 2022. Mr. Jaan Mäe, Mr. Alar Lagus and Mr. Veljo Viitmann remain as members of the Management Board of AS Merko Ehitus Eesti.

MANAGEMENT BOARD'S DECLARATION TO THE MANAGEMENT REPORT

The Management Board of AS Merko Ehitus declares and confirms that the interim financial statements provide, to the best of the knowledge of the Management Board, a true and fair view of the development, results and financial position of the company and the consolidated undertakings as a whole, include a description of the principal risks and uncertainties, and reflect transactions with related parties.

Andres Trink

Chairman of the Management Board



07.11.2019

Tõnu Toomik

Member of the Management Board

07.11.2019

CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited

in thousand euros

	Note	2019 9 months	2018 9 months	2019 III quarter	2018 III quarter	2018 12 months
Revenue	2	227,620	298,768	73,418	115,118	418,011
Cost of goods sold	3	(206,723)	(276,984)	(67,191)	(106,363)	(384,962)
Gross profit		20,897	21,784	6,227	8,755	33,049
Marketing expenses		(2,626)	(2,482)	(842)	(753)	(3,285)
General and administrative expenses		(8,841)	(8,583)	(2,600)	(2,919)	(12,304)
Other operating income		1,740	2,477	510	782	3,527
Other operating expenses		(1,222)	(277)	(969)	(172)	(1,115)
Operating profit		9,948	12,919	2,326	5,693	19,872
Finance income/costs		363	(273)	460	(102)	(97)
incl. finance income/costs from sale of subsidiary and liquidation		-	(59)	-	-	(62)
finance income/costs from joint venture		845	274	642	48	653
interest expense		(471)	(452)	(185)	(143)	(652)
foreign exchange gain (loss)		-	(1)	4	-	5
other financial income (expenses)		(11)	(35)	(1)	(7)	(41)
Profit before tax		10,311	12,646	2,786	5,591	19,775
Corporate income tax expense		(2,983)	(169)	(95)	32	(375)
Net profit for financial year		7,328	12,477	2,691	5,623	19,400
incl. net profit attributable to equity holders of the parent		7,003	12,312	2,550	5,643	19,343
net profit attributable to non-controlling interest		325	165	141	(20)	57
Other comprehensive income, which can subsequently be classified in the income statement						
Currency translation differences of foreign entities		(10)	31	(39)	3	(6)
Comprehensive income for the period		7,318	12,508	2,652	5,626	19,394
incl. net profit attributable to equity holders of the parent		7,002	12,343	2,552	5,647	19,324
net profit attributable to non-controlling interest		316	165	130	(21)	70
Earnings per share for profit attributable to equity holders of the parent (basic and diluted, in EUR)	4	0.40	0.70	0.14	0.32	1.09

The notes set out on pages 25-38 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

unaudited

in thousand euros

	Note	30.09.2019	30.09.2018	31.12.2018
ASSETS				
Current assets				
Cash and cash equivalents	5	13,355	23,868	39,978
Trade and other receivables	6	72,280	114,150	76,183
Prepaid corporate income tax		94	163	224
Inventories	7	183,056	116,601	117,992
		268,785	254,782	234,377
Non-current assets				
Investments in joint venture		1,577	353	732
Other long-term loans and receivables	8	10,590	10,707	10,391
Deferred income tax assets		-	5	-
Investment property	9	14,077	13,785	13,771
Property, plant and equipment	10	11,336	9,443	9,715
Intangible assets	11	777	593	671
		38,357	34,886	35,280
TOTAL ASSETS		307,142	289,668	269,657
LIABILITIES				
Current liabilities				
Borrowings	12	41,750	17,758	19,900
Payables and prepayments	13	84,643	95,410	77,016
Income tax liability		309	306	381
Short-term provisions	14	7,675	7,755	8,100
		134,377	121,229	105,397
Non-current liabilities				
Long-term borrowings	12	42,571	35,878	24,266
Deferred income tax liability		1,589	1,370	1,481
Other long-term payables	15	2,653	1,647	2,179
		46,813	38,895	27,926
TOTAL LIABILITIES		181,190	160,124	133,323
EQUITY				
Non-controlling interests		4,893	4,768	4,577
Equity attributable to equity holders of the parent				
Share capital		7,929	7,929	7,929
Statutory reserve capital		793	793	793
Currency translation differences		(722)	(671)	(721)
Retained earnings		113,059	116,725	123,756
		121,059	124,776	131,757
TOTAL EQUITY		125,952	129,544	136,334
TOTAL LIABILITIES AND EQUITY		307,142	289,668	269,657

The notes set out on pages 25-38 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

unaudited

in thousand euros

	Equity attributable to equity holders of the parent				Total	Non-controlling interest	Total
	Share capital	Statutory reserve capital	Currency translation differences	Retained earnings			
Balance as at 31.12.2017	7,929	793	(702)	122,150	130,170	4,567	134,737
Profit (loss) for the reporting period	-	-	-	12,312	12,312	165	12,477
Other comprehensive income	-	-	31	-	31	0	31
Total comprehensive income (loss) for the reporting period	-	-	31	12,312	12,343	165	12,508
Transactions with owners							
Non-controlling interest of purchased subsidiary	-	-	-	(37)	(37)	36	(1)
Dividends (Note 4)	-	-	-	(17,700)	(17,700)	-	(17,700)
Total transactions with owners	-	-	-	(17,737)	(17,737)	36	(17,701)
Balance as at 30.09.2018	7,929	793	(671)	116,725	124,776	4,768	129,544
Balance as at 31.12.2018	7,929	793	(721)	123,756	131,757	4,577	136,334
Profit (loss) for the reporting period	-	-	-	7,003	7,003	325	7,328
Other comprehensive income	-	-	(1)	-	(1)	(9)	(10)
Total comprehensive income (loss) for the reporting period	-	-	(1)	7,003	7,002	316	7,318
Transactions with owners							
Option over shares relating to non-controlling interests	-	-	-	-	-	72	72
Dividends (Note 4)	-	-	-	(17,700)	(17,700)	(72)	(17,772)
Total transactions with owners	-	-	-	(17,700)	(17,700)	-	(17,700)
Balance as at 30.09.2019	7,929	793	(722)	113,059	121,059	4,893	125,952

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

The notes set out on pages 25-38 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

unaudited

in thousand euros

	Note	2019 9 months	2018 9 months	2018 12 months
Cash flows from operating activities				
Operating profit		9,948	12,919	19,872
Adjustments:				
Depreciation and impairment		1,779	1,402	2,073
(Profit)/loss from sale of non-current assets		(244)	(427)	(473)
Change in receivables and liabilities related to construction contracts		(8,593)	(6,291)	11,153
Interest income from operating activities		(1,286)	(1,781)	(2,351)
Change in provisions		(1,709)	2,491	4,732
Change in trade and other receivables related to operating activities		7,613	(15,195)	(1,256)
Change in inventories		(64,487)	1,506	571
Change in trade and other payables related to operating activities		13,926	11,473	(1,759)
Interest received		1,192	1,509	2,450
Interest paid		(745)	(575)	(799)
Other finance income (costs)		(40)	(38)	(44)
Corporate income tax paid		(2,817)	(320)	(383)
Total cash flows from operating activities		(45,463)	6,673	33,786
Cash flows from investing activities				
Disposal of subsidiary		-	385	385
Liquidation of subsidiary		-	-	(3)
Purchase of investment property		(407)	(73)	(92)
Purchase of property, plant and equipment (excl. finance lease)		(1,391)	(471)	(712)
Proceeds from sale of property, plant and equipment		422	601	664
Purchase of intangible assets		(231)	(172)	(281)
Interest received		2	2	3
Total cash flows from investing activities		(1,605)	272	(36)
Cash flows from financing activities				
Proceeds from borrowings		57,252	22,992	30,139
Repayments of borrowings		(18,296)	(32,219)	(44,670)
Factoring		-	5,000	-
Repayments of lease liabilities		(762)	(418)	(605)
Non-controlling interest buyout		-	(1)	(1)
Dividends paid		(17,772)	(17,700)	(17,816)
Total cash flows from financing activities		(20,422)	(22,346)	(32,953)
Net increase/decrease in cash and cash equivalents		(26,646)	(15,401)	797
Cash and cash equivalents at the beginning of the period	5	39,978	39,210	39,210
Effect of exchange rate changes		23	59	(29)
Cash and cash equivalents at the end of the period	5	13,355	23,868	39,978

The notes set out on pages 25-38 are an integral part of these consolidated financial statements.

NOTES

NOTE 1 ACCOUNTING POLICIES USED

The consolidated interim financial statements of the AS Merko Ehitus group for 9 months 2019 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 2018 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. 2018 audited annual report and 2018 9 months unaudited interim report comparative figures are presented in the present financial report.

According to the best knowledge of the Management Board, the consolidated interim financial statements for the 9 months 2019 present a true and fair view of the group's economic results based on the principle of going concern. While 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 1.1 CHANGES IN THE PRESENTATION OF INFORMATION

In previous reporting periods of AS Merko Ehitus group, financial information was presented in segment reporting under the "Estonian construction service", "other home markets construction service" and "real estate development" segments. Due to the fact that the volumes of construction service on the home markets have become more evenly distributed, as of this year the AS Merko Ehitus management board views construction services as a whole in a single segment.

Starting from 1 January 2019, business segments are presented as two segments, based on the segment reporting structure laid out in Note 2: construction service and real estate development.

The comparative data for previous periods has been adjusted accordingly to new presentation in 2019 9 months consolidated interim report, including the fact that the recognition of the real estate development segment has not changed and the comparative data of this segment have not been adjusted.

NOTE 1.2 NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND AMENDMENTS TO PUBLISHED STANDARDS

The following new or revised standards and interpretations became obligatory for the group starting from 1 January 2019:

IFRS 16, Leases (effective for annual periods beginning on 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The group implemented the standard from 1 January 2019, applying the modified retrospective approach, as a result of which the impact of the implementation of the standard was recognised as of the date of initial implementation (1 January 2019) and the comparative data from 2018 were not restated.

The group uses simplifications for short-term leases and rent of low value assets. Cancellable vehicle leasing contracts with a leasing period up to 12 months are not recognised as assets and all new vehicle leasing contracts are signed under the financial lease terms. As at 31 December 2018, the balance of vehicles acquired under the financial lease terms was 1,734 thousand euros.

Leased assets ("right of use assets") are reflected in the statement of financial position in the same line item together with similar owned assets (tangible non-current assets) using acquisition cost less depreciation method. The depreciation period is usually the same as the lease period. Implementing the amendments, the amount of non-current assets in the group's balance sheet increased by 1,009 thousand euros as of 01.01.2019 and the amount of liabilities increased by 1,009 thousand euros (Notes 10, 12). In accordance with the principles of the IAS 17 standard previously in force, lease payments were recognized under cost of goods sold, marketing expenses or general and administrative expenses, which were taken into account for obtaining EBITDA. As a result of adoption of the IFRS 16, EBITDA rose by EUR 200 thousand during 9 months of 2019, because lease payments are recognized as depreciation and interest expense on lease liabilities.

Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (effective for annual periods beginning on 1 January 2019). The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in the investee. The group assesses the impact of the amendments on its financial statements immaterial as of the preparation of this report and in the light of existing investments.

The other new or revised standards or interpretations, which are not yet effective, are not expected to have a material impact on the group.

NOTE 2 OPERATING SEGMENTS

in thousand euros

The chief 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 all projects of the home markets in general construction, civil engineering and road construction. Other operating areas (management services, supervision service, etc.) are insignificant to the group and they are recognised 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 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 directly related to the segment. Other income and expenses not directly 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 intra-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.

2019 9 months	Construction service	Real estate development	Total segments
Revenue	204,049	45,339	249,388
Inter-segment revenue	(24)	(21,744)	(21,768)
Revenue from clients	204,025	23,595	227,620
incl. timing of revenue recognition at a point in time	1,580	20,804	22,384
timing of revenue recognition over time	202,445	2,791	205,236
Operating profit (loss)	9,046	2,179	11,225
Profit (loss) before tax	8,894	2,826	11,720
incl. interest income from operating activities	39	1,247	1,286
depreciation	(1,509)	(270)	(1,779)
impairment of inventories	(175)	-	(175)
recognition of provisions	(3,556)	(580)	(4,136)
profit from joint venture	-	845	845
other finance income (costs)	(6)	(190)	(196)
incl. interest expenses	(10)	(181)	(191)
Assets 30.09.2019	76,338	214,271	290,609
incl. joint venture	-	1,577	1,577

2018 9 months	Construction service	Real estate development	Total segments
Revenue	250,529	58,287	308,816
Inter-segment revenue	(26)	(10,022)	(10,048)
Revenue from clients	250,503	48,265	298,768
incl. timing of revenue recognition at a point in time	1,920	34,326	36,246
timing of revenue recognition over time	248,583	13,939	262,522
Operating profit (loss)	7,498	6,831	14,329
Profit (loss) before tax	7,312	6,869	14,181
incl. interest income from operating activities	219	1,562	1,781
depreciation	(914)	(152)	(1,066)
recognition of provisions	(4,117)	(844)	(4,961)
reversal of provisions	350	20	370
profit from joint venture	-	274	274
other finance income (costs)	(9)	(158)	(167)
incl. interest expenses	(9)	(145)	(154)
Assets 30.09.2018	108,225	160,937	269,162
incl. joint venture	-	353	353

2019 III quarter	Construction service	Real estate development	Total segments
Revenue	61,949	20,586	82,535
Inter-segment revenue	(10)	(9,107)	(9,117)
Revenue from clients	61,939	11,479	73,418
incl. timing of revenue recognition at a point in time	696	11,019	11,715
timing of revenue recognition over time	61,243	460	61,703
Operating profit (loss)	1,364	1,280	2,644
Profit (loss) before tax	1,320	1,838	3,158
incl. interest income from operating activities	9	383	392
depreciation	(509)	(100)	(609)
recognition of provisions	(1,724)	(251)	(1,975)
profit from joint venture	-	642	642
other finance income (costs)	(1)	(83)	(84)
incl. interest expenses	(5)	(83)	(88)
Assets' change in II quarter	(3,519)	14,314	17,833
incl. joint venture	-	642	642

2018 III quarter	Construction service	Real estate development	Total segments
Revenue	93,070	25,727	118,797
Inter-segment revenue	9	(3,688)	(3,679)
Revenue from clients	93,079	22,039	115,118
incl. timing of revenue recognition at a point in time	949	16,947	17,896
timing of revenue recognition over time	92,130	5,092	97,222
Operating profit (loss)	2,639	3,595	6,234
Profit (loss) before tax	2,583	3,585	6,168
incl. interest income from operating activities	74	498	572
depreciation	(313)	(40)	(353)
recognition of provisions	(3,512)	(404)	(3,916)
reversal of provisions	300	-	300
profit from joint venture	-	48	48
other finance income (costs)	(1)	(55)	(56)
incl. interest expenses	-	(50)	(50)
Assets' change in III quarter	15,336	(1,370)	13,966
incl. joint venture	-	47	47
2018 12 months	Construction service	Real estate development	Total segments
Revenue	347,100	85,343	432,443
Inter-segment revenue	(37)	(14,395)	(14,432)
Revenue from clients	347,063	70,948	418,011
incl. timing of revenue recognition at a point in time	2,226	52,846	55,072
timing of revenue recognition over time	344,837	18,102	362,939
Operating profit (loss)	10,719	11,319	22,038
Profit (loss) before tax	10,397	11,658	22,055
incl. interest income from operating activities	289	2,061	2,350
depreciation	(1,718)	(290)	(2,008)
impairment of assets	(66)	-	(66)
impairment of inventories	-	(300)	(300)
recognition of provisions	(5,144)	(480)	(5,624)
reversal of provisions	350	20	370
profit from joint venture	-	653	653
other finance income (costs)	(27)	(223)	(250)
incl. interest expenses	(28)	(206)	(234)
Assets 31.12.2018	71,773	161,151	232,924
incl. joint venture	-	732	732

In addition to the segment assets, as at 30.09.2019 the group holds assets in the amount of EUR 16,533 thousand (30.09.2018: EUR 20,506 thousand; 31.12.2018: EUR 36,733 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

	2019 9 months	2018 9 months	2019 III quarter	2018 III quarter	2018 12 months
Pre-tax profit from reporting segments	11,720	14,181	3,158	6,168	22,055
Other operating profit (loss)	(1,278)	(1,410)	(320)	(540)	(2,166)
incl. recognition of provisions	-	-	-	-	(7)
finance income (costs)	(131)	(125)	(52)	(37)	(114)
incl. interest income	-	1	-	1	1
interest expenses	(127)	(109)	(51)	(37)	(146)
Total profit before tax	10,311	12,646	2,786	5,591	19,775

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

	2019 9 months		2018 9 months		2019 III quarter		2018 III quarter		2018 12 months	
Estonia	106,565	47%	144,886	48%	40,307	55%	57,749	51%	202,627	48%
Latvia	74,699	33%	115,816	39%	19,060	26%	40,793	35%	157,496	38%
Lithuania	29,455	13%	30,485	10%	10,883	15%	15,347	13%	46,765	11%
Norway	16,901	7%	7,581	3%	3,168	4%	1,229	1%	11,123	3%
Total	227,620	100%	298,768	100%	73,418	100%	115,118	100%	418,011	100%

CONTRACT ASSETS AND LIABILITIES

in thousands of euros

	30.09.2019	30.09.2018	31.12.2018
Accrued income from construction services (Note 6)	13,712	33,620	9,847
Prepayments for construction services (Note 13)	(12,209)	(23,236)	(16,912)
Advance payments received for construction contract works (Note 13)	(7,503)	(7,449)	(3,363)
Recognised provision for onerous construction contracts (Note 14)	(1,758)	(184)	(248)

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

in thousand euros

	30.09.2019	30.09.2018	31.12.2018
Estonia	13,810	11,544	11,970
Latvia	13,391	12,494	12,782
Lithuania	448	4	13
Norway	118	132	124
Total	27,767	24,174	24,889

NOTE 3 COST OF GOODS SOLD

in thousand euros

	2019 9 months	2018 9 months	2019 III quarter	2018 III quarter	2018 12 months
Construction services and properties purchased for resale	123,304	185,454	42,660	67,964	262,190
Materials	39,792	46,119	10,099	18,988	60,096
Labour costs	19,511	16,556	6,321	5,926	23,666
Construction mechanisms and transport	6,747	7,761	2,442	3,254	10,214
Design	2,918	5,960	867	3,023	8,345
Real estate management costs	295	264	88	90	190
Depreciation	1,134	1,066	402	353	1,554
Impairment of inventories	175	-	-	-	300
Provisions	4,136	4,591	1,975	3,616	5,242
Other expenses	8,711	9,213	2,337	3,149	13,165
Total cost of goods sold	206,723	276,984	67,191	106,363	384,962

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.

	2019 9 months	2018 9 months	2019 III quarter	2018 III quarter	2018 12 months
Net profit (loss) attributable to shareholders (<i>in thousand EUR</i>)	7,003	12,312	2,550	5,643	19,343
Weighted average number of ordinary shares (<i>thousand pcs</i>)	17,700	17,700	17,700	17,700	17,700
Earnings (loss) per share (<i>in euros</i>)	0.40	0.70	0.14	0.32	1.09

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 at the general meeting of shareholders. In accordance with the profit allocation decision, dividends are paid by parent company AS Merko Ehitus in 2019 in the amount of EUR 17,700 thousand, i.e. EUR 1.00 per share (Q2 2018: 17,000 thousand, i.e. EUR 1.00 per share). The group incurred income tax expenses in 2019 in connection with dividend payments in an amount of 2,749 thousand euros (the group did not incur income tax expenses in 2018 in connection with dividend payments, as these were covered by dividends paid prior to AS Merko Ehitus by its foreign subsidiaries).

As at 30.09.2019, the parent company AS Merko Ehitus has no previously taxed dividends and income received from abroad on which income tax has been withheld (30.09.2018: EUR 2,879 thousand; 31.12.2018: EUR 2,879 thousand).

As at 30.09.2019, it is possible to pay out dividends to shareholders from retained earnings in the amount of EUR 89,870 thousand (30.09.2018: EUR 93,419 thousand; 31.12.2018: EUR 99,004 thousand). Considering the dividends received and income tax withheld on foreign income totalling EUR 0 thousand (30.09.2018: EUR 720 thousand; 31.12.2018: EUR 720 thousand), the corresponding income tax on dividends would amount to EUR 22,467 thousand (30.09.2018: EUR 22,635 thousand; 31.12.2018: EUR 24,031 thousand). For calculating the additional income tax on dividends, the income tax regular rate in force in 2019 has been used, which is 20/80 of the amount paid as net dividends. The income tax related to disbursement of dividends is recognised as a liability and income tax expense upon the announcement of dividends.

NOTE 5 CASH AND CASH EQUIVALENTS

in thousand euros

	30.09.2019	30.09.2018	31.12.2018
Bank accounts	13,312	23,789	39,915
Overnight deposits	43	79	63
Total cash and cash equivalents	13,355	23,868	39,978

NOTE 6 TRADE AND OTHER RECEIVABLES

in thousand euros

	30.09.2019	30.09.2018	31.12.2018
Trade receivables			
Accounts receivable	46,922	54,816	42,835
Allowance for doubtful receivables	(1,106)	(167)	(81)
	45,816	54,649	42,754
Tax prepayments excluding corporate income tax			
Value added tax	1,613	1,878	944
Other taxes	2	3	2
	1,615	1,881	946
Accrued income form construction services	13,712	33,620	9,847
Other short-term receivables			
Short-term loans	6,040	14,590	14,590
Interest receivables	184	488	112
Other short-term receivables	201	534	271
	6,425	15,612	14,973
Prepayments for services			
Prepayments for construction services	4,240	7,745	7,064
Prepaid insurance	148	244	195
Other prepaid expenses	324	399	404
	4,712	8,388	7,663
Total trade and other receivables	72,280	114,150	76,183
incl. short-term loan receivables from related parties (Note 16)	4,450	9,000	9,000
other short-term receivables and prepayments to related parties (Note 16)	295	2,342	1,521

During the reporting year accounts receivables in overdue have been written down in the amount of EUR 1,035 thousand (during 9 months of 2018: EUR 63 thousand; during 12 months of 2018: EUR 292 thousand).

NOTE 7 INVENTORIES

in thousand euros

	30.09.2019	30.09.2018	31.12.2018
Materials	762	1,068	797
Work-in-progress	82,376	39,821	43,081
Finished goods	26,745	19,181	15,991
Goods for resale			
Registered immovables purchased for resale	70,860	54,680	54,532
Other goods purchased for resale	543	715	705
	71,403	55,395	55,237
Prepayments for inventories			
Prepayments for real estate properties	-	690	1,300
Prepayments for other inventories	1,770	446	1,586
	1,770	1,136	2,886
Total inventories	183,056	116,601	117,992

NOTE 8 OTHER LONG-TERM LOANS AND RECEIVABLES

in thousand euros

	30.09.2019	30.09.2018	31.12.2018
Long-term receivables from customers of construction services	10,590	10,707	10,391
Total other long-term loans and receivables	10,590	10,707	10,391

NOTE 9 INVESTMENT PROPERTY

in thousand euros

	30.09.2019	30.09.2018	31.12.2018
Land	12,397	11,972	11,991
Right of superficies at carrying amount			
Cost	29	29	29
Accumulated depreciation	(13)	(12)	(12)
	16	17	17
Buildings at carrying amount			
Cost	2,631	2,631	2,631
Accumulated depreciation	(967)	(835)	(868)
	1,664	1,796	1,763
Total investment property	14,077	13,785	13,771

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

in thousand euros

	30.09.2019	30.09.2018	31.12.2018
Land	712	809	743
Buildings at carrying amount*			
Cost	6,535	5,747	5,765
Accumulated depreciation	(2,507)	(2,137)	(2,180)
	4,028	3,610	3,585
Machinery and equipment at carrying amount*			
Cost	14,511	13,934	14,473
Accumulated depreciation	(8,489)	(9,708)	(9,764)
	6,022	4,226	4,709
Other fixtures at carrying amount			
Cost	3,443	5,490	5,474
Accumulated depreciation	(2,913)	(4,752)	(4,906)
	530	738	568
Prepayments for property, plant and equipment	44	60	110
Total property, plant and equipment	11,336	9,443	9,715

* As of 30 September 2019 the balance of buildings at carrying amount includes leased assets "right of use assets" in a sum of EUR 605 thousand. The balance of machinery and equipment at carrying amount includes leased assets "right of use assets" in a sum of EUR 203 thousand and leased assets acquired under finance lease terms in a sum of EUR 2,176 thousand (Note 1.2).

NOTE 11 INTANGIBLE ASSETS

in thousand euros

	30.09.2019	30.09.2018	31.12.2018
Goodwill			
Cost	73	76	73
	73	76	73
Software at carrying amount			
Cost	1,819	1,496	1,716
Accumulated depreciation	(1,278)	(1,130)	(1,157)
	541	366	559
Prepayments for intangible assets	163	151	39
Total intangible assets	777	593	671

NOTE 12 BORROWINGS

in thousand euros

	30.09.2019	30.09.2018	31.12.2018
Lease liabilities*			
Lease liabilities balance	2,846	1,149	1,647
incl. current portion	791	484	524
non-current portion 2...5 years	2,055	665	1,123
Bank loans			
Loan balance	75,475	33,937	30,694
incl. current portion	39,959	3,724	12,551
non-current portion 2...5 years	35,516	30,213	18,143
Factoring liability			
Factoring balance	-	5,000	-
incl. current portion	-	5,000	-
Loans from entities under common control			
Loan balance	6,000	6,000	6,000
incl. current portion (Note 16)	1,000	1,000	1,000
non-current portion 2...5 years (Note 16)	5,000	5,000	5,000
Loans from other entities			
Loan balance	-	7,550	5,825
incl. current portion	-	7,550	5,825
Total loans			
Loans balance	81,475	52,487	42,519
incl. current portion	40,959	17,274	19,376
non-current portion 2...5 years	40,516	35,213	23,143
Total borrowings	84,321	53,636	44,166
incl. current portion	41,750	17,758	19,900
non-current portion 2...5 years	42,571	35,878	24,266

* As of 30 September 2019 the balance of lease payables consists of "right of use assets" in current portion in a sum of EUR 313 thousand, finance lease payables in current portion in a sum of EUR 478 thousand and "right of use assets" in non-current portion 2...5 years in a sum of EUR 461 thousand and finance lease payables in non-current portion 2...5 years in a sum of EUR 1,594 thousand (Note 1.2). Lease liabilities include a balance of EUR 136 thousand to related parties (Note 16).

NOTE 13 PAYABLES AND PREPAYMENTS

in thousand euros

	30.09.2019	30.09.2018	31.12.2018
Trade payables	42,213	48,505	38,327
Payables to employees	9,178	8,248	10,067
Tax liabilities, except for corporate income tax			
Value added tax	974	1,008	1,102
Personal income tax	424	546	648
Social security tax	1,113	993	1,166
Unemployment insurance tax	41	49	57
Contributions to mandatory funded pension	26	37	42
Other taxes	182	184	229
	2,760	2,817	3,244
Prepayments for construction services	12,209	23,236	16,912
Other liabilities			
Interest liabilities	21	15	6
Dividends payables	-	117	-
Other liabilities	228	413	345
	249	545	351
Prepayments received *	18,034	12,059	8,115
Total payables and prepayments	84,643	95,410	77,016
incl. payables to related parties (Note 16)	237	97	293

* As of 30 September 2019 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 7,503 thousand (30.09.2018: EUR 7,449 thousand; 31.12.2018: EUR 3,363 thousand) and of prepayments received connection with residential properties (apartment buyers) in a sum of EUR 10,531 thousand (30.09.2018: EUR 4,610 thousand; 31.12.2018: EUR 4,752 thousand) (Note 2).

NOTE 14 SHORT-TERM PROVISIONS

in thousand euros

	30.09.2019	30.09.2018	31.12.2018
Provision for warranty obligation for construction	3,564	3,166	3,373
Provision for costs of projects sold and work-in-progress projects	2,162	4,285	4,330
Provision for onerous construction contracts	1,758	184	248
Provision for legal costs and claims filed	120	120	120
Other provisions	71	-	29
Total short-term provisions	7,675	7,755	8,100

NOTE 15 OTHER LONG-TERM PAYABLES

in thousand euros

	30.09.2019	30.09.2018	31.12.2018
Trade payables	2,218	1,202	1,675
Other long-term liabilities	435	445	504
Other long-term payables total	2,653	1,647	2,179
incl. other long-term payables to related parties (Note 16)	435	445	504

NOTE 16 RELATED PARTY TRANSACTIONS

in thousand euros

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 of AS Riverito or so-called sister companies, in the Note 'Entities under common control';
- associates and joint ventures;
- key members of the management (supervisory and management board), their close relatives and entities under their control or significant influence.

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

The parent of AS Merko Ehitus is AS Riverito. As at 30.09.2019, 30.09.2018 and 31.12.2018, AS Riverito owned 71.99% of the shares of AS Merko Ehitus. The ultimate controlling party of the group is Mr. Toomas Annus.

AS MERKO EHITUS SUBSIDIARIES AND JOINT VENTURES

	Ownership and voting rights %			Location	Area of operation
	30.09.2019	30.09.2018	31.12.2018		
Subsidiaries					
AS Merko Ehitus Eesti	100	100	100	Estonia, Tallinn	Construction
Tallinna Teede AS	100	100	100	Estonia, Tallinn	Road construction
AS Merko Infra	100	100	100	Estonia, Tallinn	Construction
OÜ Tähelinna Kinnisvara	100	100	100	Estonia, Tallinn	Real estate
OÜ Vahi Lastehoid	100	-	-	Estonia, Tallinn	Real estate
UAB Merko Statyba	100	100	100	Lithuania, Vilnius	Construction
UAB Statinių priežiūra ir administravimas	100	100	100	Lithuania, Vilnius	Real estate
UAB Timana	100	100	100	Lithuania, Vilnius	Real estate
UAB VPSP 2	100	-	-	Lithuania, Vilnius	Real estate
UAB VPSP Projektas	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 Jurininku aikštele	100	100	100	Lithuania, Vilnius	Real estate
UAB Rinktinės projektai	-	100	100	Lithuania, Vilnius	Real estate
UAB MB Projektas	100	-	-	Lithuania, Vilnius	Real estate
OÜ Kiviaia Kinnisvara	100	100	100	Estonia, Tallinn	Real estate
SIA Merko Investments	-	100	100	Latvia, Riga	Holding
OÜ Merko Investments	100	100	100	Estonia, Tallinn	Holding
SIA Merks	100	100	100	Latvia, Riga	Construction
SIA SK Viesturdarzs	100	100	100	Latvia, Riga	Real estate
SIA Merks Investicijas	100	100	100	Latvia, Riga	Real estate
SIA Industrialais Parks	100	100	100	Latvia, Riga	Real estate
SIA Ropažu Priedes	100	100	100	Latvia, Riga	Real estate
PS Merko-Merks	100	100	100	Latvia, Riga	Construction
SIA Zakusala Estates	75	75	75	Latvia, Riga	Real estate
PS Merks-Ostas celtnieks	65	65	65	Latvia, Riga	Construction
PS Merks Merko Infra	100	100	100	Latvia, Riga	Construction
Merko Finland Oy	100	100	100	Finland, Helsinki	Construction
Hartian Oy	-	100	100	Finland, Helsinki	Real estate
Lenko Stroi LLC	-	100	-	Russia, St. Petersburg	Holding
Merko Investments AS	100	100	100	Norway, Sofiemyr	Holding
Peritus Entreprenør AS	56	56	56	Norway, Sofiemyr	Construction
Joint venture					
Kodusadam OÜ	50	50	50	Estonia, Tallinn	Real estate

Additional information of the changes in reported period is provided in chapter Corporate Governance in Management report on pages 17-18.

GOODS AND SERVICES

in thousand euros

	2019 9 months	2018 9 months	2018 12 months
Provided services and goods sold			
Parent company	11	11	15
Joint venture	2,657	12,573	16,505
Entities under common control	560	91	91
Members of the management	415	-	43
Other related parties	-	25	28
Total services provided and goods sold	3,643	12,700	16,682
Interest income			
Joint venture	325	419	559
Purchased services and goods			
Parent company	68	68	90
Entities under common control	43	42	57
Total purchased services and goods	111	110	147
Interest expense			
Entities under common control	109	108	145
Total interest expense	109	108	145

BALANCES WITH RELATED PARTIES

in thousand euros

	30.09.2019	30.09.2018	31.12.2018
Receivables from related parties			
Loans granted (Notes 6, 8)			
Joint ventures	4,450	9,000	9,000
Receivables and prepayments (Note 6)			
Parent company	4	4	4
Joint venture	128	2,247	1,385
Entities under common control	163	88	88
Members of the management	-	-	44
Other related parties	-	3	-
Total receivables and prepayments	295	2,342	1,521
Total receivables from related parties	4,745	11,342	10,521
Payables to related parties			
Lease liabilities (Note 12)			
Entities under common control	136	-	-
Short-term loans received (Note 12)			
Entities under common control	1,000	1,000	1,000
Payables and prepayments (Note 13)			
Parent company	9	9	9
Joint venture	-	7	14
Entities under common control	15	13	1
Members of the management	213	-	269
Other related parties	-	68	-
Total payables and prepayments	237	97	293
Long-term loans received (Note 12)			
Entities under common control	5,000	5,000	5,000
Other long-term payables (Note 15)			
Other related parties	435	445	504
Total payables to related parties	6,808	6,542	6,797

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

The gross remuneration to members of the Supervisory Board and Management Board of AS Merko Ehitus group and the members of the Management Board of major subsidiaries for the 9 months of 2019 was EUR 1,982 thousand (9 months of 2018: EUR 1,703 thousand; 12 months of 2018: EUR 2,643 thousand).

TERMINATION BENEFITS OF MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

Authorization agreements have been entered into with the Supervisory Board members, according to which no termination benefits are paid to them upon termination of the contract. In the 9 months of 2019, the Management Board members of major subsidiaries did not receive benefits (9 months of 2018: EUR 34 thousand, 12 months of 2018: EUR 34 thousand).

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/corporate-governance-2/supervisory-council/.

Shares held by members of the Supervisory Board of AS Merko Ehitus as at 30.09.2019:

		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%
Teet Roopalu	Member of the Supervisory Board	-	-
		12,774,321	72.17%

* Toomas Annus holds the majority of the votes represented by shares in AS Riverito directly and through holding companies (176,351 shares out of a total of 270,000 shares). With that the votes held by AS Riverito in AS Merko Ehitus (12,742,686 shares) are deemed to belong to Toomas Annus.

The Management Board of the holding company AS Merko Ehitus has two members: Andres Trink and Tõnu Toomik.

Shares held by members of the Management Board of AS Merko Ehitus as at 30.09.2019:

		NO OF SHARES	% OF SHARES
Andres Trink	Chairman of the Management Board	600	0.00%
Tõnu Toomik (AS Riverito) *	Member of the Management Board	-	-
		600	0.00%

* In AS Riverito, Tõnu Toomik holds votes represented by 34,054 shares (total of 270,000 shares).

NOTE 17 CONTINGENT LIABILITIES

in thousand euros

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

	30.09.2019	30.09.2018	31.12.2018
Performance period's warranty to the customer	30,358	31,685	34,511
Tender warranty	1,101	1,087	655
Guarantee for warranty period	21,066	17,454	17,666
Prepayment guarantee	6,835	13,341	12,098
Payment guarantee	-	30,500	30,500
Contracts of surety	7,864	6,302	7,734
Letter of credit	-	428	428
Total contingent liabilities	67,224	100,797	103,592

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).

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

MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED INTERIM REPORT

The Management Board of AS Merko Ehitus has prepared the consolidated interim financial statements for the 9 months of 2019, which are set out on pages 5-38.

The Management Board confirms that to the best of its knowledge:

- The accounting methods used to prepare the interim financial statements are in conformity with the International Financial Reporting Standards as adopted by the European Union;
- the financial statements give a true and fair view of the Group's financial position and the results of its operations and cash flows;
- the parent company and the group companies are going concerns.

Andres Trink

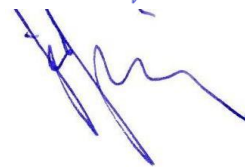
Chairman of the Management Board



07.11.2019

Tõnu Toomik

Member of the Management Board



07.11.2019

DEFINITION OF RATIOS

Gross profit margin (%)	=	$\frac{\text{Gross profit}}{\text{Revenue}}$
Operating profit margin (%)	=	$\frac{\text{Operating profit}}{\text{Revenue}}$
EBT margin (%)	=	$\frac{\text{Earnings before tax}}{\text{Revenue}}$
Net profit margin (%)	=	$\frac{\text{Net profit (attributable to equity holders of the parent)}}{\text{Revenue}}$
Return on equity, ROE (%)	=	$\frac{\text{Net profit (attributable to equity holders of the parent) of the current 4 quarters}}{\text{Shareholders equity (average of the current 4 quarters)}}$
Return on assets, ROA (%)	=	$\frac{\text{Net profit (attributable to equity holders of the parent) of the current 4 quarters}}{\text{Total assets (average of the current 4 quarters)}}$
Return on invested capital, ROIC (%)	=	$\frac{(\text{Profit before tax} + \text{interest expense} - \text{foreign exchange gain (loss)} + \text{other financial income}) \text{ of the current 4 quarters}}{(\text{Shareholders equity (average)} + \text{interest-bearing liabilities (average)}) \text{ of the current 4 quarters}}$
Equity ratio (%)	=	$\frac{\text{Shareholders' equity}}{\text{Total assets}}$
Debt ratio (%)	=	$\frac{\text{Interest-bearing liabilities}}{\text{Total assets}}$
Current ratio	=	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Quick ratio	=	$\frac{\text{Current assets} - \text{inventories}}{\text{Current liabilities}}$
Accounts receivable turnover(days)	=	$\frac{\text{Trade receivables of the current 4 quarters (average)} \times 365}{\text{Revenue of the current 4 quarters}}$
Accounts payable turnover (days)	=	$\frac{\text{Payables to suppliers of the current 4 quarters (average)} \times 365}{\text{Cost of goods sold of the current 4 quarters}}$
EBITDA (million EUR)	=	Operating profit + depreciation
EBITDA margin (%)	=	$\frac{\text{Operating profit} + \text{depreciation}}{\text{Revenue}}$
General expense ratio (%)	=	$\frac{\text{Marketing expenses} + \text{General and administrative expenses}}{\text{Revenue}}$
Labour cost ratio (%)	=	$\frac{\text{Labour costs}}{\text{Revenue}}$
Revenue per employee (EUR)	=	$\frac{\text{Revenue}}{\text{Number of employees (average)}}$
Earnings per share, EPS (EUR)	=	$\frac{\text{Net profit (attributable to equity holders of the parent)}}{\text{Number of shares}}$
Equity/share (EUR)	=	$\frac{\text{Shareholders equity (average of the current 4 quarters)}}{\text{Number of shares}}$
Dividend per share (EUR)	=	$\frac{\text{Payable dividends}}{\text{Number of shares}}$
Dividend rate (%)	=	$\frac{\text{Payable dividends} \times 100}{\text{Net profit (attributable to equity holders of the parent)}}$
Dividend yield (%)	=	$\frac{\text{Dividends payable per share}}{\text{Share price 31.12}}$
P/E	=	$\frac{\text{Share price 30.09}}{\text{Earnings per share of the current 4 quarters}}$
P/B	=	$\frac{\text{Share price 30.09}}{\text{Equity per share (average of the current 4 quarters)}}$
Market value	=	Share price 30.09 × Number of shares