



AS MERKO EHITUS

GROUP

2024 3 months 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:	01.01.2024 – 31.03.2024
Supervisory Board:	Toomas Annus, Indrek Neivelt, Kristina Siimar
Management Board:	Ivo Volkov, Tõnu Toomik, Urmas Somelar
Auditor:	AS PricewaterhouseCoopers

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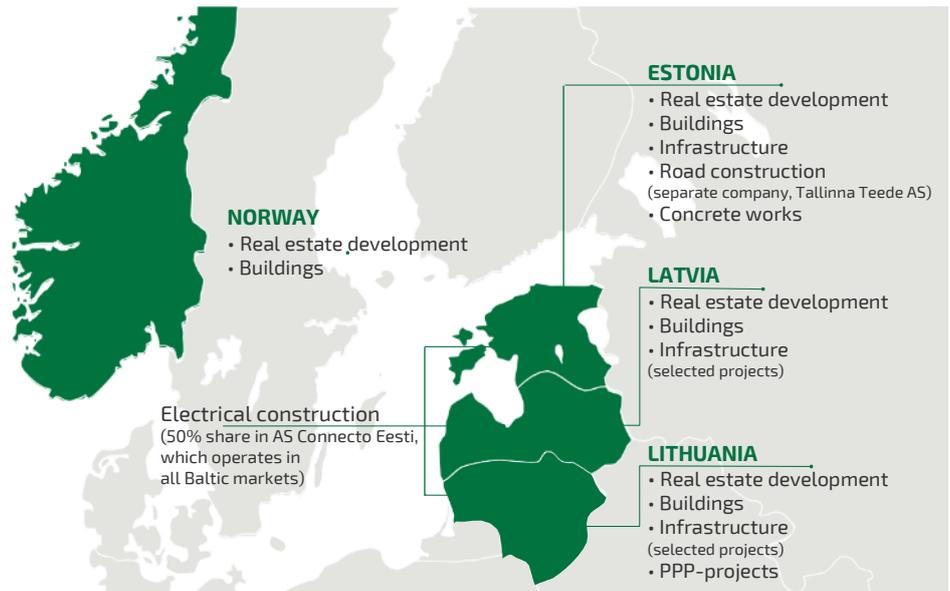
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BRIEF OVERVIEW OF THE GROUP

Companies in the Merko Ehitus group develop real estate, construct buildings and infrastructure. We operate in the Baltic states and Norway.

We create a better living environment and build the future.

Long-term experience, a wide scope of construction services, quality and reliability have made Merko the brand of the leading construction company and apartment developer in the Baltics.



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

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

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

SHARES

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

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

2023 KEY FIGURES

Revenue **466.3 million** euros

Net profit **46.0 million** euros

635 employees





MERKO VALUES

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

MERKO ESSENCE



STRATEGY

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

MANAGEMENT REPORT

COMMENTARY FROM MANAGEMENT

Merko Ehitus revenue was EUR 81.2 million in Q1 2024, representing 7.2% growth compared to the same period a year ago. Net profit for the quarter was EUR 4.4 million. Merko delivered 59 apartments and 7 commercial units to buyers in 3 months this year.

According to the management of Merko Ehitus, the apartment market behaved as expected in the first quarter and Merko group figures for first sales reflected that and there is no basis for expecting results comparable to 2023 in real estate development. In the new and different market situation, Merko has successfully refocused its activities and been able to compensate the drop in volumes from residential development with construction service sales. Merko Ehitus net profit decreased, but the result was better than anticipated based on the changes in the proportion of our core business.

In Q1 2024, the group companies entered into new construction contracts worth EUR 10.5 million and the balance of secured order book was EUR 419 million at quarter's end. In the first three months of the year, construction service business area accounted for 83.7% of the group's revenue. Private sector clients have grown somewhat more active on the construction services market, apparently accustomed to new building price levels, and are again contemplating expansion of their business. Contracts for defence facilities and energy infrastructure are active and hopefully the next Rail Baltica projects will come up for procurement soon. Merko's secured order book is strong and in April, a noteworthy energy infrastructure contract in Latvia and a contract for additional work on the NATO training centre in Lithuania were added.

In Q1, Merko delivered 59 apartments and 7 commercial units to buyers, invested a total of EUR 11.6 million into development projects, and launched construction and sales of 112 new apartments in three new development projects: Õielehe in Jüri, the new phase of Erminurme in Tartu and Lucavsala in Riga. As of the end of Q1, the group companies had 450 apartments under construction, 9% of which were covered by preliminary sale contracts. The largest projects in progress were Uus-Veerenni, Noblessneri and Lahekalda in Tallinn, Erminurme in Tartu, Viesturdärzs, Mežpilsēta and Magnolijas in Riga and Vilnelės Skverai in Vilnius.

In Q1 of 2024, the largest sites under construction in Estonia were Hampton by Hilton and Hyatt hotel buildings, Arter Quarter, the logistics centre for TKM Group, barracks at the Defence Forces' Ämari base, the Rail Baltica road viaducts in Harjumaa, a tram line between Old City Harbour and Rail Baltica Ülemiste passenger terminal, as well the first phase of Ülemiste terminal. Projects in Lithuania were wind farm infrastructure works in Kelme and Pagėgiai regions, and various buildings and infrastructure for NATO training centres.

2024 3M
REVENUE
81 MILLION EUROS

PROFIT
BEFORE TAX
5.2 MILLION EUROS

OVERVIEW OF THE 3 MONTHS RESULTS

PROFITABILITY

2024 3 months' pre-tax profit was EUR 5.2 million (3M 2023: EUR 6.1 million), which brought the pre-tax profit margin to 6.4% (3M 2023: 8.0%).

Net profit attributable to shareholders for 3 months 2024 was EUR 4.4 million (3M 2023: EUR 5.9 million) and 3 months net profit margin was 5.5% (3M 2023: 7.8%).

REVENUE

2024 3 months' revenue was EUR 81.2 million (3M 2023: EUR 75.8 million). 3 months' revenue increased by 7.2% compared to same period last year. The share of revenue earned outside Estonia in 3 months 2024 was 62.3% (3M 2023: 46.7%).

SECURED ORDER BOOK

As of 31 March 2024, the group's secured order book was EUR 419.0 million (31 March 2023: EUR 412.2 million). In 3 months 2024, group companies signed contracts in the amount of EUR 10.5 million (3M 2023: EUR 170.3 million).

REAL ESTATE DEVELOPMENT

In 3 months 2024, the group sold a total of 59 apartments; in 3 months 2023, the group sold 145 apartments. The group earned a revenue of EUR 10.8 million from sale of own developed apartments in 3 months 2024 and EUR 19.4 million in 3 months 2023.

CASH POSITION

At the end of the reporting period, the group had EUR 88.4 million in cash and cash equivalents, and equity of EUR 216.6 million (50.8% of total assets). Comparable figures as of 31 March 2023 were EUR 14.3 million and EUR 190.1 million (50.0% of total assets), respectively. As of 31 March 2024, the group's net debt was negative EUR 39.6 million (31 March 2023: EUR 72.8 million).

OUTLOOK OF CONSTRUCTION AND REAL ESTATE MARKET

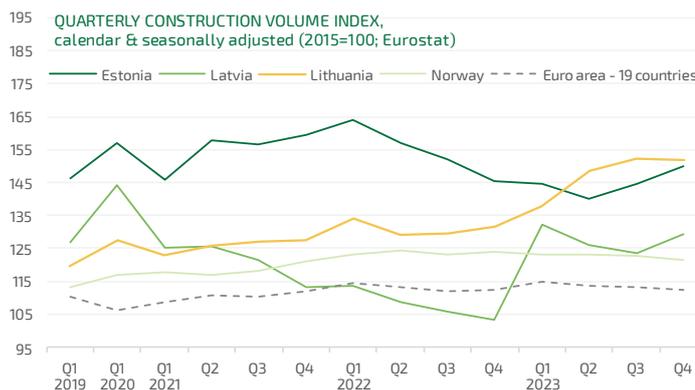
CONSTRUCTION SERVICES

The construction prices remained stable through 2023, and also in the first quarter of 2024, the increase in the Baltics was within margin of error and mainly due to labour costs. Although statistical data for all of the Baltic states are not available yet through Eurostat, as far as we know the Estonian construction price index fell slightly and Lithuania's rose somewhat, mainly reflecting market activity. We expect that upward pressure will remain prevalent and short-lived drops are mainly due to falling market volumes being mirrored in prices, i.e. temporary discounts provided by sellers of materials. The expectation of falling interest rate costs has been postponed more than half a year, nor is there a reason to expect labour costs to drop. The latest government announcements and actions are indicative of the expectation that energy prices – including those of renewables – will rise, which inevitably must show up in the prices of construction materials and machinery.



When it comes to statistics on construction volumes and prices, as of the 2024 half-year report, we are changing over to the 2021=100 basis, since Eurostat is phasing out the calculation and publication of values for 2015=100 indices.

With regard to construction volumes, we expect a rise of a few percentage points in the Baltics. In Lithuania, which displayed the most growth in 2023, growth is expected to be more modest since the capacity of suppliers and subcontractors limits the possibility for growth. In Latvia and Estonia, there are more preconditions for growth of construction volumes, but this will largely depend on how work on defence infrastructure and Rail Baltica progresses. The decline in housing and commercial construction caused by weakness in the real estate market will continue to pull down the total volumes. We are not forecasting a drop in overall volumes, although the expected volume of orders in the road construction segment announced for 2024 is very modest. A situation where certain gaining segments will offset the decline in others will continue.



As to longer-term outlook, we remain conservative, proceeding from the subdued forecasts for economic growth in our region. It is very likely that construction orders for defence purposes will grow even more throughout the region, but their broader impact on the economy will pale compared to investments into production or residential and commercial units. The continuing war in Ukraine and the conflicts in the Middle East will still curtail investments that translate into construction contracts. We believe that public sector contracts will help keep the construction sector from falling into major financial difficulty, but a budding dependency on public sector is not a good solution for any construction company.

DEVELOPMENT OF APARTMENTS

Activity on the real estate market has started to recover, as shown by growing transaction volumes first and foremost in the cheaper segments. Still, the transaction volume remains low, clearly below the long-term average level. Persisting insecurity and weakness of the economy deals a blow to the developments aimed at the more affluent middle class who buy real estate not just to cover personal needs but as alternative investments. During the current uncertain times, they have forgone alternative investments. The price level of new developments has stabilized and in the absence of excess supply, it is not very likely that prices will fall. We maintain our current opinion that through the end of 2024, stable prices are to be expected with insignificant statistical fluctuations. We still believe that the balance between existing demand and additional supply will be maintained during 2024 with market activity being low. Activity will likely start picking up on the aftermarket, but it is unlikely to spill over to the new developments segment this year, since interest rates will not drop all that rapidly and banks that issue home loans are maintaining a conservative profile. A number of the new developments launched during Q1 of the ongoing year will not be completed before 2025 and their developers are counting on market activity returning to growth and buyer interest recovering only in 2025 or even later.



BUSINESS ACTIVITIES

The group business reporting is divided into two business segments:

- construction service;
- real estate development.

CONSTRUCTION SERVICE

The construction service in Baltic states consists of services in the fields of general construction, civil engineering and, through the joint venture AS Connecto Eesti also electrical construction. Additionally in Estonia road construction and concrete works services and in Norway general construction.

million EUR

	3M 2024	3M 2023	VARIANCE	12M 2023
Revenue	68.0	49.3	+37.9%	298.2
% of total revenue	83.7%	65.0%		63.9%
Operating profit	3.0	0.5	+446.2%	20.5
Operating profit margin	4.4%	1.1%		6.9%

In the 3 months of 2024, the revenue of the construction service segment was EUR 68.0 million (3M 2023: EUR 49.3 million). The sales revenue of construction service has increased by 37.9% compared to the same period last year. The construction service segment revenue for 3 months 2024 made up 83.7% of the group's total revenue (3M 2023: 65.0%). In this segment, the group earned an operating profit of EUR 3.0 million for 3 months (3M 2023: EUR 0.5 million). The operating profit margin was 4.4% (3M 2023: 1.1%). The operating profit was mainly affected by expiration of the old fixed-price contracts, the decrease of their share in turnover of the reporting period.

Larger projects in progress in the first quarter in construction service segment in Estonia included the logistics centre for TKM Group, Hampton by Hilton and Hyatt hotel buildings, Arter Quarter, Defence Forces' buildings in the Ämari campus, tram line connecting Old Harbour and Rail Baltic's Ülemiste passenger terminal and the first phase of Ülemiste terminal as well as Rail Baltica road viaducts in Tõdva. In Lithuania, larger projects were construction of wind farm infrastructure works in Kelmė and Pagėgiai region and a substation in Kelmė as well as various NATO training centres buildings and infrastructures were underway. In Norway and Latvia, the group worked with smaller-volume contracts.

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, Lithuania and Norway. To ensure the finest quality, as well as maximum convenience and assurance for apartment buyers, Merko handles all phases of development: acquisition of the real estate, planning, design of the development project, construction, marketing and sales, and warranty-period customer service.

million EUR

	3M 2024	3M 2023	VARIANCE	12M 2023
Revenue	13.2	26.5	-50.0%	168.1
incl. revenue from sale of apartments	10.8	19.4		137.5
incl. construction service to joint venture projects	1.4	6.2		24.7
% of total revenue	16.3%	35.0%		36.1%
Operating profit	1.6	5.7	-71.2%	26.7
Operating profit margin	12.4%	21.5%		15.9%

In 3 months 2024, the group sold a total of 59 apartments (incl. 12 apartments in a joint venture) and 7 commercial premises (incl. 6 in a joint venture); in 3 months 2023, 145 apartments (incl. 32 apartments in a joint venture) and 3 commercial premises (incl. 2 in a joint venture). The group earned a revenue of EUR 10.8 million (VAT not included) from sale of developed apartments in 3 months 2024 and EUR 19.4 million (VAT not included) in 3 months 2023. In the revenue and operating profit of the real estate development segment also are reflected the sales of commercial premises and parking spaces of the real estate development projects and the result of public-private-partnership contracts, based on which the group companies provide property management services for earlier constructed buildings.

For development projects in joint venture, the 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 3 months of 2024, real estate development segment revenues decreased by 50.0% compared to the same period last year and formed 16.3% of the group's total revenue (3 months of 2023: 35.0%).

The segment's operating profit for the 3 months of 2024 amounted to EUR 1.6 million (3 months of 2023: EUR 5.7 million) and the operating profit margin was 12.4% (3 months of 2023: 21.5%). The profitability of the apartment development projects varies by project and depends greatly on the cost structure of the specific project, including the land acquisition price.

In 3 months of 2024, the group launched the construction of a total of 112 new apartments in the Baltic states (3 months of 2023: the group did not launch apartments construction). In the 3 months, the group invested a total of EUR 11.6 million (3 months of 2023: EUR 28.0 million) in the ongoing development projects.

After the reporting date, the group has started the construction of 63 apartments in the sixth stage of the Uus-Veerenni residential development project in Tallinn.

One of the group's objectives is to keep a sufficient portfolio of land plots to ensure stable inventory of property development projects, which considers the market conditions. As of 31 March 2024, the group's inventories included land plots with development potential, where the construction works have not started, in the amount of EUR 88.1 million (31.03.2023: EUR 89.4 million).

GROUP'S INVENTORIES WITH DEVELOPMENT POTENTIAL BY COUNTRY

million EUR

	31.03.2024	31.03.2023	31.12.2023
Estonia	31.5	32.5	32.5
Latvia	23.7	24.1	23.9
Lithuania	31.5	31.3	31.5
Norway	1.4	1.5	1.5
Total	88.1	89.4	89.4

In 3 months of 2024, the group has not acquired new land plots for real estate development purposes (3 months of 2023: in the amount of EUR 5.6 million).

SECURED ORDER BOOK

As of 31 March 2024, the group's secured order book amounted to EUR 419.0 million, compared to EUR 412.2 million as of 31 March 2023, having increased by 1.6% 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 3 months of 2024, EUR 10.5 million worth of new contracts were signed, which is decreased by 93.8% compared to the same period of the previous year (3 months of 2023: EUR 170.3 million).

After the balance sheet date, the group has concluded the following larger construction contract:

- On 15 April 2024, Tallinna Teede AS, part of AS Merko Ehitus group, and Tallinn Urban Environment and Public Works Department signed a contract for the maintenance and repair of road sections and facilities necessary for the functioning of the roads in the city of Tallinn. The value of the contract is approximately EUR 5.5 million and the duration of the contract is 24 months.
- On 15 April 2024, the addendum to the design-build contract between UAB Merko Statyba, part of AS Merko Ehitus group, and North Atlantic Treaty Organization (NATO) Support and Procurement Agency entered into force for additional works on the construction of new infrastructures of the training centre in Lithuania. The value of additional works exceeds EUR 20 million and works are scheduled to be completed by 2026.
- On 18 April 2024, PS MB.MEE, part of AS Merko Ehitus group, and SIA SP Venta, which sole shareholder and financier of the project development is UAB Ignitis Renewables, entered into a contract to for the construction of solar panel power plant located in Latvia. The value of the contract is approximately EUR 20 million and works are scheduled to be completed in August 2025.

As of 31 March 2024, the private sector orders accounted for approximately 53% of the total balance in the group's secured order book (31.03.2023: approximately 54%). The private sector is rather taking a wait-and-see approach when making new investments, assessing the profitability of investments in the environment of higher interest rates and a weaker economy. Planned high-priority investments in the public sector will continue, as the budgetary financing is less affected by the rise in interest rates.

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

CASH FLOWS

At the end of reporting period, the group had cash and cash equivalents in the amount of EUR 88.4 million (31.03.2023: EUR 14.3 million). As the group's cash position continues to be strong, the group has not utilised all its credit lines of existing overdrafts and loan agreements within reporting period. As of the end of the reporting period, the group entities had concluded overdraft contracts with banks in a total amount of EUR 57.0 million, of which EUR 52.9 million was unused (31.03.2023: EUR 53.0 million, of which EUR 22.4 million was unused).

The 3-month cash flow from operating activity was positive at EUR 16.6 million (3 months of 2023: positive EUR 1.8 million), cash flow from investing activity was positive at EUR 0.6 million (3 months of 2023: negative EUR 0.3 million) and the cash flow from financing activity was negative at EUR 6.2 million (3 months of 2023: negative EUR 4.9 million).

The cash flow from operating activities had positive effect from EBITDA of EUR 4.9 million (3 months of 2023: positive effect of EUR 6.4 million), from the changes in receivables and liabilities related to construction contracts of EUR 13.1 million (3 months of 2023: positive effect of EUR 3.2 million) and from the changes in trade and other receivables related to operating activities of EUR 9.4 million (3 months of 2023: positive effect of EUR 23.3 million). The negative effects to cash flow from operating activities came from the change in trade and other payables related to operating activities of EUR 4.4 million (3 months of 2023: negative effect of EUR 7.7 million), from the change in the provisions of EUR 3.9 million (3 months of 2023: negative effect of EUR 2.9 million) as well from the change in inventories of EUR 1.0 million (3 months of 2023: negative effect of EUR 18.9 million). The cash flows from inventories are mainly affected by the construction and sales cyclicity of developed apartments: the negative cash flow is due to the increase in the volume of inventories related to the construction of apartments, then the positive cash flow is due to the decrease in inventories at the sale of the apartments. Interest was paid EUR 0.7 million (3 months of 2023: EUR 0.8 million) and corporate income tax was paid at EUR 0.4 million (3 months of 2023: EUR 0.5 million).

To support cash flows from operating activities, including increased volumes in apartment development, the group has raised additional external capital. At the same time, the debt ratio has remained at a moderate level (11.5% as of 31.03.2024; 22.9% as of 31.03.2023; 12.9% as of 31.12.2023).

Cash flows from investing activities include negative effect from the acquisition of non-current assets in the amount of EUR 0.1 million, which is mainly related to the renewal of equipment in the field of construction (3 months of 2023: EUR 0.5 million) and the positive effect came from the sale of non-current assets in the amount of EUR 0.3 million (3 months of 2023: EUR 0.2 million) and EUR 0.5 million interest received from banks (3 months of 2023: EUR 0).

In cash flows from financing, the larger negative factors were the repayments of lease liabilities in the amount of EUR 0.3 million (3 months of 2023: net negative cash flow of EUR 0.3 million) and the change in loans related to net amount of loans received and repaid of project specific loans obtained using investment property as collateral in the amount of EUR 0.4 million (3 months of 2023: negative cash flow in the net amount of EUR 0.5 million) and as well from the net change in loans received and repaid in connection with development projects in the amount of EUR 7.2 million (3 months of 2023: net negative cash flow of EUR 9.9 million), which resulted from the repayment of loans taken for residential development projects. Positive cash flow from financing activity resulted from the change in loans related to other activities in the amount of EUR 1.7 million (3 months of 2023: net positive cash flow of EUR 5.7 million).

RATIOS

(attributable to equity holders of the parent)

INCOME STATEMENT SUMMARY		3M 2024	3M 2023	3M 2022	12M 2023
Revenue	million EUR	81.2	75.8	68.4	466.3
Gross profit	million EUR	8.9	10.0	7.9	65.0
Gross profit margin	%	10.9	13.2	11.5	13.9
Operating profit	million EUR	4.0	5.7	3.7	44.5
Operating profit margin	%	5.0	7.5	5.3	9.5
Pre-tax profit	million EUR	5.2	6.1	3.5	52.0
Pre-tax profit margin	%	6.4	8.0	5.1	11.1
Net profit	million EUR	4.4	5.8	3.1	45.9
attributable to equity holders of the parent	million EUR	4.4	5.9	3.0	46.0
attributable to non-controlling interest	million EUR	(0.0)	(0.1)	0.1	(0.1)
Net profit margin	%	5.5	7.8	4.4	9.9
Other income statement indicators		3M 2024	3M 2023	3M 2022	12M 2023
EBITDA	million EUR	4.9	6.4	4.4	48.1
EBITDA margin	%	6.0	8.5	6.4	10.3
General expense ratio	%	6.4	6.7	7.1	5.1
Labour cost ratio	%	14.8	14.9	15.6	10.8
Revenue per employee	thousand EUR	134	118	104	718

OTHER SIGNIFICANT INDICATORS		31.03.2024	31.03.2023	31.03.2022	31.12.2023
Return on equity	%	21.9	21.5	18.2	23.4
Return on assets	%	11.1	9.7	9.3	11.8
Return on invested capital	%	20.5	15.5	16.0	20.6
Assets	million EUR	426.1	380.2	340.6	425.3
Equity	million EUR	216.4	189.5	170.1	211.9
Equity attributable to equity holders of the parent	million EUR	216.6	190.1	170.3	212.1
Equity ratio	%	50.8	50.0	50.0	49.9
Debt ratio	%	11.5	22.9	15.7	12.9
Current ratio	times	2.1	2.0	2.2	2.0
Quick ratio	times	0.9	0.4	0.7	0.9
Accounts receivable turnover	days	42	33	32	38
Accounts payable turnover	days	40	54	45	40
Average number of employees	people	608	643	659	649
Secured order book	million EUR	419.0	412.2	376.1	477.5

Ratio definitions are provided on page 37 of the report.

RISK MANAGEMENT

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

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

Legal risk

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

As of 31 March 2024, a provision has been set up at the group in the amount of EUR 2.6 million for covering potential claims and legal costs (31.03.2023: EUR 1.2 million).

Below is presented an overview of the key legal disputes and proceedings, which have taken place or ended during 2024 or are ongoing as of 31 March 2024 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 filed a complaint in Tallinn Administrative Court for compensation of damage. The claims consist of direct patrimonial damage (reduction in the value of immovable property and expenditures made on development activity) and claims for revenue foregone (failed development activity in 2006-2015). On 22 April 2019 the Tallinn Administrative Court partially satisfied the appeal and ordered 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 to the Tallinn District Court, which partially annulled the decision of the Tallinn Administrative Court and sent the case back to Administrative Court to determine the amount of compensation. Both parties to the dispute filed cassation appeals with the Supreme Court. By a decision of 5 March 2021, the Supreme Court dismissed the cassation appeal of AS Merko Ehitus Eesti but sent the appeal regarding the claim for compensation for direct property damage caused by the lawful activities of the Republic of Estonia to the Tallinn Administrative Court for reconsideration. In accordance with the division agreement concluded between AS Merko Ehitus Eesti and OÜ Merko Kodud on 1 January 2024, Merko's real estate development activities in Estonia, together with their respective assets and liabilities, transferred to the OÜ Merko Kodud. As a result, the plaintiff in the proceedings is now OÜ Merko Kodud in place of AS Merko Ehitus Eesti. In its decision of 19 April 2024, Tallinn Administrative Court rejected the complaint. The court ruled that the value of the disputed immovable properties has not significantly dropped. The decision may be appealed to Tallinn Circuit Court by 20 May 2024 at the latest. The impact of this claim has not been taken into account in the group's reporting.

Latvia

Latvian Competition Council administrative proceeding

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

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

The last court session to discuss the content of the appeal claim took place on 26 September 2023. In its judgement, announced on 25 January 2024, the court of appeal upheld the decision of the Competition Council. On 26 February 2024, SIA Merks and AS Merko Ehitus filed an appeal in cassation with the Supreme Court of Latvia in appeal against the decision of the Latvian Competition Council.

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

Considering that judicial proceedings have reached the stage of substantive discussions and based on the principle of conservatism, the group has formed a provision of 2/3 of the potential fine claim, i.e. EUR 1,800 thousand.

SIA Ostas Celtnieks

On 6 November 2019, SIA Merks filed an action against SIA "Ostas Celtnieks" in an amount of EUR 257 thousand (EUR 236 thousand being the principal claim and EUR 21 thousand penalty interest). The basis for this claim is the loss incurred from the construction

of Ventspils music school and concert hall carried out as per consortium contract of which 35% is to be covered by SIA "Ostas Celtnieks" according to its share in the consortium. So far, SIA "Ostas Celtnieks" has not covered its share of the loss. In July 2023, SIA Merks received a positive judgment from the regional court, and it has entered into force. Simultaneously SIA "Ostas Celtnieks" has been declared insolvent and liquidation sale of its assets is in process. SIA Merks was recognized as a creditor in the insolvency proceeding of SIA "Ostas Celtnieks". The claim is reflected in the balance sheet with a value of approximately 54 thousand euros.

Salaspils County Council

On 29 July 2022, SIA Merks filed a lawsuit against the Salaspils county government in the Court of Economic Affairs in order to find a solution to the disagreements arising from the interpretation of the Salaspils kindergarten construction contract. At the end of 2022, SIA Merks signed the Delivery-acceptance deed and based on the expert decision, submitted a claim to the court against the Salaspils county government in the amount of EUR 1,892 thousand (EUR 1,304 thousand being the principal claim and EUR 588 thousand penalty interest). Salaspils County government has filed a counterclaim in the amount of 1,003 thousand euros. Disputes are still ongoing on the substance and the next hearings will take place in May-June 2024. The group has not made provisions as of the date of the report.

EMPLOYEES AND LABOUR COSTS

As of 31 March 2024, Merko Ehitus group employed 621 people (including temporary and part-time staff). Compared to the same period last year, the number of group's employees decreased by 36 (-5.5%). The number of employees decreased in Estonia, Latvia and Norway and increased in Lithuania.

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

The group defines labour cost as salary (incl. fixed salary, additional pay, holiday pay, and performance pay), taxes based on salary, fringe benefits and taxes on fringe benefits. In 3 months 2024, the labour cost was EUR 12.0 million (3 months 2023: EUR 11.3 million), which increased by 6.4% compared to the same period previous year and the labour cost ratio decreased by 0.1 pp from 14.9% to 14.8% in comparable periods.

During 3 months of 2024, AS Merko Ehitus Eesti, one of the largest Estonian construction companies, part of AS Merko Ehitus group, paid EUR 2.7 million in labour taxes in Estonia, being one of the largest labour taxpayer in the construction sector (3 months 2023: EUR 2.5 million).

ETHICAL BUSINESS PRACTICES

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

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

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

SHARE AND SHAREHOLDERS

INFORMATION ON SECURITY

Issuer	AS Merko Ehitus
Name of security	Share of Merko Ehitus
Ticker	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 August 2008

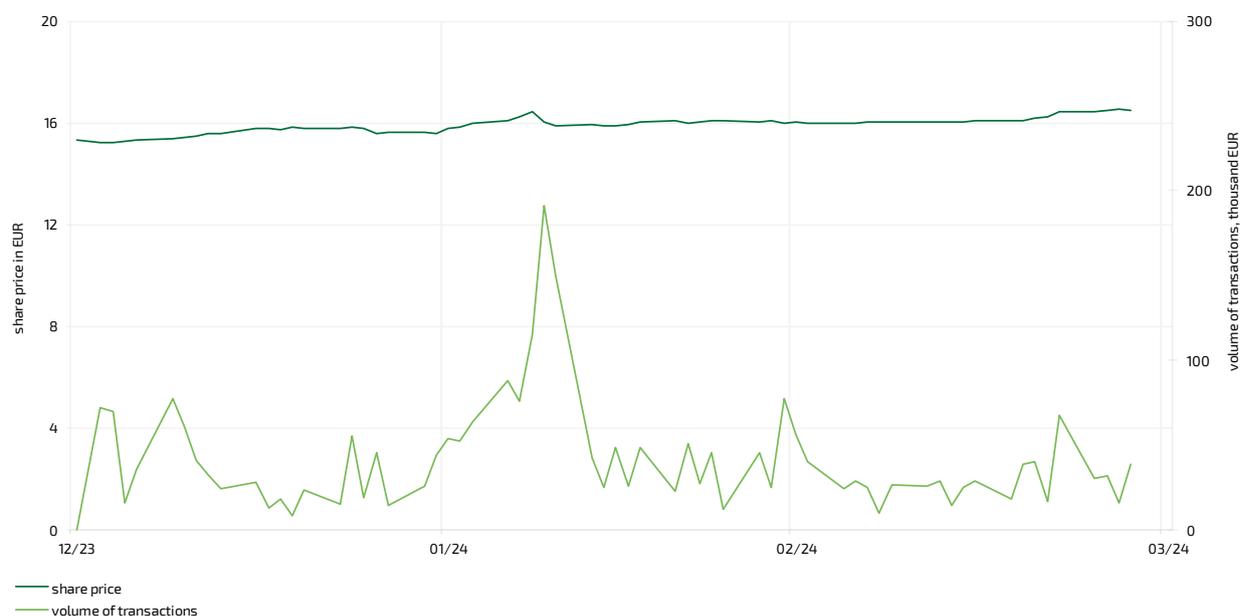
The shares of Merko Ehitus are listed in the Main List of Nasdaq Tallinn. As of 31 March 2024, the company has 17,700,000 shares. The number of shares has not changed during 2024.

A total of 5,983 transactions were conducted with the shares of Merko Ehitus in 3 months of 2024, with 0.17 million shares (0.9% of total shares) traded, generating a turnover of EUR 2.7 million (comparable figures in 3 months 2023 were accordingly: 7,017 transactions with 0.23 million shares traded (1.3% of total shares), generating a turnover of EUR 3.5 million). The lowest value-per-share transaction was recorded at the price of EUR 15.10 and the highest at EUR 16.56 per share (3 months of 2023: EUR 14.14 and EUR 16.02, accordingly). On 31 March 2024, the closing price of the share was EUR 16.50 (31.03.2023: EUR 15.54). As of 31 March 2024, by the Nasdaq Baltic stock exchange, the market capitalisation of AS Merko Ehitus was EUR 292.1 million, which has increased by 6.2% compared to the end of the equivalent period of the prior year (31.03.2023: EUR 275.1 million).

	31.03.2024	31.03.2023	31.03.2022	31.12.2023
Number of shares	17,700,000	17,700,000	17,700,000	17,700,000
Earnings per share (EPS), euros	0.25	0.33	0.17	2.60
Equity per share, euros	11.48	9.85	8.95	11.11
P/B ratio	1.44	1.58	1.76	1.38
P/E ratio	6.55	7.33	9.67	5.88
Market value, million EUR	292.1	275.1	278.2	270.8

Ratio definitions are provided on page 37 of the report.

CHANGE IN THE PRICE AND TRANSACTION VOLUME OF MERKO EHITUS SHARE AT NASDAQ TALLINN STOCK EXCHANGE IN 2024



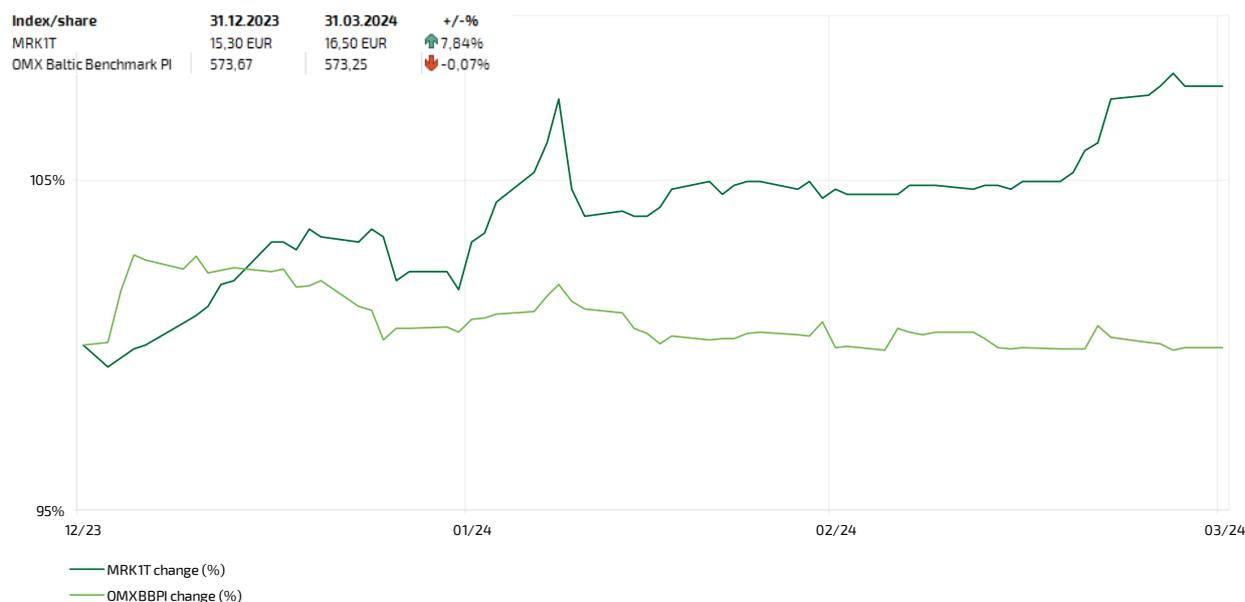
STRUCTURE OF SHAREHOLDERS ACCORDING TO NUMBER OF SHARES AS OF 31.03.2024

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF SHARES	% OF SHARES
1,000,001 - ...	1	0.01%	12,742,686	71.99%
100,001 – 1,000,000	6	0.05%	1,304,628	7.37%
10,001 – 100,000	45	0.34%	935,244	5.28%
1,001-10,000	550	4.19%	1,491,216	8.43%
101-1,000	2,924	22.25%	972,839	5.50%
1-100	9,612	73.16%	253,387	1.43%
Total	13,138	100%	17,700,000	100%

SHAREHOLDERS OF AS MERKO EHITUS AS OF 31.03.2024 AND CHANGE COMPARED TO THE PREVIOUS QUARTER

	NUMBER OF SHARES	% OF TOTAL 31.03.2024	% OF TOTAL 31.12.2023	CHANGE
AS Riverito	12,742,686	71.99%	71.99%	-
OÜ Midas Invest	428,500	2.42%	2.42%	-
Firebird Republics Fund Ltd	327,859	1.85%	1.81%	8,273
Firebird Avrora Fund Ltd	194,768	1.10%	1.07%	4,651
OÜ Alar Invest	136,000	0.77%	0.77%	-
Clearstream Banking AG	112,404	0.64%	0.64%	(1,227)
Firebird Fund L.P.	105,097	0.59%	0.59%	1,376
Siseinfo OÜ	100,000	0.56%	0.56%	-
Hans Palla	61,000	0.34%	0.34%	-
Alforme OÜ	50,000	0.28%	0.28%	-
Total largest shareholders	14,258,314	80.56%	80.47%	13,073
Total other shareholders	3,441,686	19.44%	19.53%	(13,073)
Total	17,700,000	100%	100%	-

PERFORMANCE OF THE SHARE OF MERKO EHITUS AND COMPARISON INDEX OMX BALTIC BENCHMARK PRICE INDEX IN 2024



DIVIDENDS AND DIVIDEND POLICY

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

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

On 8 May 2024, the shareholders of AS Merko Ehitus approved the Supervisory Board's proposal to the shareholders to pay out the total amount of EUR 23.0 million (EUR 1.30 per share) as dividends from net profit brought forward, which is equivalent to a 50% dividend rate and an 8.5% dividend yield for the year 2023 (using the share price as of 31 December 2023). Comparable figures in 2023 were accordingly: EUR 17.7 million (EUR 1.00 per share) as dividends, which is equivalent to a 51% dividend rate and a 7.1% dividend yield for the year 2022 (using the share price as at 31 December 2022).

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE AND STRUCTURE

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

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

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

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

As of 31 March 2024, the management structure is as follows:



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

GROUP'S LEGAL STRUCTURE

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

Changes in the legal structure of the group

On 27 July 2023, OÜ Merko Kaevandused and OÜ Metsara-Metspere Kinnisvara, both belonging to AS Merko Ehitus group, signed a merger agreement. The merging company is OÜ Merko Kaevandused, as a result of the merger, the merged company OÜ Metsara-Metspere Kinnisvara ends without liquidation proceedings. The merger date is 1st of January 2024, after which all transactions of the acquired company will be deemed to be made on the account of OÜ Merko Kaevandused. The Commercial Register made the final entry in its registers on 11 January 2024.

On 5 October 2023 AS Merko Ehitus' 100% subsidiaries AS Merko Ehitus Eesti and OÜ Merko Kodud signed a notarised division agreement, according to which AS Merko Ehitus Eesti transfers the assets and liabilities related to property development activities to OÜ Merko Kodud. The purpose of the division is to align legal structure with structure of the business segments of the AS Merko Ehitus group and harmonize the structure across the home markets of Merko Ehitus. The balance sheet date of the division is 1 January 2024. The division entered into force on 29 February 2024 with an entry in the commercial register.

On March 20, Merko Ehitus group's 100% subsidiary OÜ Merko Investments signed a division plan, according to which real estate development activities along with the corresponding assets and liabilities will be transferred to OÜ Merko Residential

Investments, which is established as a result of the division. The balance sheet date of the division shall be 1 April 2024. The division will take effect with an entry in the commercial register, which is expected to take place in the second quarter.

On March 21, 2024, the joint venture PS MB.MEE was registered in the Latvian Commercial Register, founded by SIA Merko Būve as the lead partner and AS Merko Ehitus Eesti, both being 100% subsidiaries of AS Merko Ehitus group.

After the balance sheet date, on 1 April 2024 was sold 100% share in SIA Industrialais Parks, a company belonging to AS Merko Ehitus group.

GENERAL MEETING OF SHAREHOLDERS

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

The annual general meeting of shareholders was held on 8 May 2024. The general meeting resolved to approve the annual report and the profit allocation proposal for 2023. The dividends in the sum of EUR 23.0 million (EUR 1.30 per share) will be paid out to the shareholders on 21 June 2024.

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

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

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

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

Annual and extraordinary general meeting of shareholders shall be chaired by an independent person. In 2024, the general meeting was chaired by groups' Head of Finance Urmas Somelar who introduced the procedure for conducting the general meeting and the procedure of asking questions from the Management Board and Supervisory Board about the company's activities.

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

The annual general meeting of shareholders of AS Merko Ehitus held in 2024 was attended by Ivo Volkov (Chairman of the Management Board), Tõnu Toomik (Member of the Management Board), Urmas Somelar (Head of Finance) and Janno Hermanson (Auditor).

SUPERVISORY BOARD

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

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

As of 31 March 2024, the Supervisory Board of AS Merko Ehitus had three members, of whom, in accordance with the requirements of the Corporate Governance Recommendations, Kristina Siimar and Indrek Neivelt were independent members.

MANAGEMENT BOARD

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

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

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

The Supervisory Board of AS Merko Ehitus appointed current Chairman of the Management Board of group's subsidiary AS Merko Ehitus Eesti Mr. Ivo Volkov as the Chairman of the Management Board of AS Merko Ehitus for the three-year period, starting from 1 January 2024. As of 1 January 2024, the Management Board of AS Merko Ehitus will continue with three members: Mr. Ivo Volkov (Chairman), Mr. Tõnu Toomik and Mr. Urmas Somelar.

The responsibilities of Ivo Volkov, Chairman of the Management Board, include, among others, fulfilling daily obligations of the CEO of AS Merko Ehitus, managing and representing the company, ensuring compliance with the Articles of Association, legal acts, organising the work of the Management Board and supervisory boards of the more important subsidiaries, coordinating the development of strategies and providing for their implementation, being responsible for 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. Urmas Somelar is responsible for the financial management, investor relations and compliance.

SUPERVISORY AND MANAGEMENT BOARDS OF SUBSIDIARIES

Authorisation and responsibility of supervisory boards of subsidiaries of AS Merko Ehitus are based on their Articles of Association and 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 of 31 March 2024:

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

Changes in the management of group subsidiaries

The Supervisory Board of AS Merko Ehitus Eesti, part of AS Merko Ehitus group, decided to extend the powers of the Members of the Management Board, Mr. Jaan Mäe and Mr. Veljo Viitmann from 1 January 2024 for three years. As of 1 January 2024, the Management Board of AS Merko Ehitus Eesti will continue with two members: Mr. Jaan Mäe (Chairman) and Mr. Veljo Viitmann.

AS Merko Ehitus appointed Mr. Ivo Volkov as a Member of the Supervisory Board of AS Merko Ehitus Eesti for the three-year period, starting from 1 January 2024. With the same decision, the powers of the current council member Tõnu Toomik were extended until December 31, 2026. The Supervisory Board of AS Merko Ehitus Eesti will continue with four members: Mr. Ivo Volkov (Chairman), Mr. Tõnu Toomik, Mr. Martin Rebane and Mr. Urmas Somelar.

With the 21.03.2024 decisions of AS Merko Ehitus, the powers of Ivo Volkov, Tõnu Toomik and Urmas Somelar, the current Supervisory Board members of UAB Merko Statyba and UAB Merko Bustas, were extended for the next three years.

The Management Board of AS Merko Ehitus decided to appoint Ms. Egija Smila as the country head for the group's Latvian subsidiaries for a period of three years, with the term of authority beginning on 1 May 2024. In addition, Ms. Egija Smila was appointed as a Member of the Management Board of SIA Merks Mājas, with the term of authority beginning on 15 May 2024. Mr. Mikus Freimanis' term as a Member of the Management Board of SIA Merks Mājas will end on 22 July 2024.

MANAGEMENT BOARD'S DECLARATION

Members of the Management Board of AS Merko Ehitus declare and confirm that the consolidated unaudited interim report for the 3 months of 2024, which consists of the management report and the interim financial statements, prepared according to the current International Financial Reporting Standards as adopted by the European Union, provides, to the best of their knowledge, a true and fair view of the development of business operations, assets, liabilities, financial position, results of the operations, cash flows, and profit or loss of AS Merko Ehitus and the consolidated undertakings as a whole, includes a description of the principal risks and uncertainties, and reflects transactions with related parties. The parent company and the companies, which are part of the consolidation group, are going concerns.

Ivo Volkov	Chairman of the Management Board	09.05.2024
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Tõnu Toomik	Member of the Management Board	09.05.2024
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Urmas Somelar	Member of the Management Board	09.05.2024
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INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited

in thousand euros

	Note	2024 3 months	2023 3 months	2023 12 months
Revenue	2	81,185	75,751	466,304
Cost of goods sold	3	(72,301)	(65,776)	(401,267)
Gross profit		8,884	9,975	65,037
Marketing expenses		(1,068)	(1,077)	(4,312)
General and administrative expenses		(4,142)	(3,965)	(19,423)
Other operating income		1,324	817	4,171
Other operating expenses		(953)	(62)	(991)
Operating profit		4,045	5,688	44,482
Finance income/costs		1,157	391	7,500
incl. finance income/costs from joint ventures		1,568	1,280	10,220
interest expense		(655)	(655)	(2,697)
foreign exchange gain (loss)		(190)	(210)	(153)
other financial income (expenses)		434	(24)	130
Profit before tax		5,202	6,079	51,982
Corporate income tax expense		(818)	(292)	(6,081)
Net profit for financial year		4,384	5,787	45,901
incl. net profit attributable to equity holders of the parent		4,427	5,880	46,048
net profit attributable to non-controlling interest		(43)	(93)	(147)
Other comprehensive income, which can subsequently be classified in the income statement				
Currency translation differences of foreign entities		106	53	(41)
Comprehensive income for the period		4,490	5,840	45,860
incl. net profit attributable to equity holders of the parent		4,526	5,910	45,993
net profit attributable to non-controlling interest		(36)	(70)	(133)
Earnings per share for profit attributable to equity holders of the parent (basic and diluted, in EUR)	4	0.25	0.33	2.60

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

unaudited

in thousand euros

	Note	31.03.2024	31.03.2023	31.12.2023
ASSETS				
Current assets				
Cash and cash equivalents	5	88,353	14,295	77,330
Trade and other receivables	6	58,929	54,206	68,754
Prepaid corporate income tax		6	89	2
Inventories	7	196,518	244,549	195,435
		343,806	313,139	341,521
Non-current assets				
Investments in joint ventures		23,483	14,175	21,915
Other shares and securities		80	-	80
Other long-term loans and receivables	8	20,427	22,685	24,490
Deferred income tax assets		4,998	873	3,298
Investment property	9	16,740	11,460	16,823
Property, plant and equipment	10	16,093	17,287	16,613
Intangible assets	11	487	564	520
		82,308	67,044	83,739
TOTAL ASSETS		426,114	380,183	425,260
LIABILITIES				
Current liabilities				
Borrowings	12	12,909	59,753	19,673
Payables and prepayments	13	134,216	88,907	133,898
Income tax liability		6,335	1,290	4,260
Short-term provisions	14	10,551	8,973	10,451
		164,011	158,923	168,282
Non-current liabilities				
Long-term borrowings	12	35,882	27,347	35,142
Deferred income tax liability		4,489	2,327	4,441
Other long-term payables	15	5,342	2,054	5,495
		45,713	31,728	45,078
TOTAL LIABILITIES		209,724	190,651	213,360
EQUITY				
Non-controlling interests		(191)	(565)	(155)
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		(739)	(753)	(838)
Retained earnings		208,598	182,128	204,171
		216,581	190,097	212,055
TOTAL EQUITY		216,390	189,532	211,900
TOTAL LIABILITIES AND EQUITY		426,114	380,183	425,260

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

unaudited

in thousand euros

	Equity attributable to equity holders of the parent				Total	Non- control- ling interest	Total
	Share capital	Statuto- ry reserve capital	Currency translation differences	Retained earnings			
Balance as at 31.12.2022	7,929	793	(783)	176,248	184,187	(495)	183,692
Profit (loss) for the reporting period	-	-	-	5,880	5,880	(93)	5,787
Other comprehensive income	-	-	30	-	30	23	53
Total comprehensive income (loss) for the reporting period	-	-	30	5,880	5,910	(70)	5,840
Balance as of 31.03.2023	7,929	793	(753)	182,128	190,097	(565)	189,532
Balance as at 31.12.2023	7,929	793	(838)	204,171	212,055	(155)	211,900
Profit (loss) for the reporting period	-	-	-	4,427	4,427	(43)	4,384
Other comprehensive income	-	-	99	-	99	7	106
Total comprehensive income (loss) for the reporting period	-	-	99	4,427	4,526	(36)	4,490
Balance as at 31.03.2024	7,929	793	(739)	208,598	216,581	(191)	216,390

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

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

CONSOLIDATED CASH FLOW STATEMENT

unaudited

in thousand euros

	Note	2024 3 months	2023 3 months	2023 12 months
Cash flows from operating activities				
Operating profit		4,045	5,688	44,482
Adjustments:				
Depreciation and impairment		826	728	3,658
(Profit)/loss from sale of non-current assets		(186)	(169)	(960)
Change in receivables and liabilities related to construction contracts		13,065	3,238	35,359
Interest income from operating activities		(475)	(571)	(2,146)
Change in provisions		(3,928)	(2,907)	3,878
Change in trade and other receivables related to operating activities		9,384	23,310	777
Change in inventories		(1,033)	(18,876)	25,713
Change in trade and other payables related to operating activities		(4,378)	(7,730)	9,379
Interest received		475	496	2,145
Interest paid		(749)	(833)	(3,524)
Other finance income (costs)		(43)	(24)	(268)
Corporate income tax paid		(400)	(506)	(3,550)
Total cash flows from operating activities		16,603	1,844	114,943
Cash flows from investing activities				
Purchase of investment property		-	-	(357)
Purchase of property, plant and equipment (excl. leased assets)		(89)	(415)	(1,204)
Proceeds from sale of property, plant and equipment		261	164	1,232
Purchase of intangible assets		(10)	(41)	(194)
Interest received		476	-	297
Dividends received		-	-	1,200
Total cash flows from investing activities		638	(292)	974
Cash flows from financing activities				
Proceeds from borrowings		2,406	33,870	48,160
Repayments of borrowings		(8,269)	(38,453)	(85,364)
Repayments of lease liabilities		(324)	(302)	(1,312)
Dividends paid		-	-	(17,679)
Total cash flows from financing activities		(6,187)	(4,885)	(56,195)
Net increase/decrease in cash and cash equivalents		11,054	(3,333)	59,722
Cash and cash equivalents at the beginning of the period	5	77,330	17,665	17,665
Effect of exchange rate changes		(31)	(37)	(57)
Cash and cash equivalents at the end of the period	5	88,353	14,295	77,330

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

NOTES

NOTE 1 ACCOUNTING POLICIES USED

The consolidated interim financial statements of the AS Merko Ehitus group for 3 months 2024 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 2023 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. 2023 audited annual report and 2023 3 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 3 months 2024 presents a true and fair view of the group's economic results based on the principle of going concern. The influence of seasonality of construction and the influence of the cyclical nature of development activity on the period's results can be considered insignificant.

NOTE 2 OPERATING SEGMENTS

in thousand euros

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

Reporting of the group's operations are segmented as:

- construction service,
- real estate development.

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

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

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

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

2024 3 months	Construction service	Real estate development	Total segments
Revenue	68,189	18,555	86,744
Inter-segment revenue	(232)	(5,327)	(5,559)
Revenue from clients	67,957	13,228	81,185
incl. timing of revenue recognition at a point in time	105	11,084	11,189
timing of revenue recognition over time	67,852	2,144	69,996
Operating profit (loss)	2,997	1,634	4,631
Profit (loss) before tax	4,523	1,424	5,947
incl. interest income from operating activities	-	475	475
depreciation	(655)	(171)	(826)
impairment of inventories	-	-	-
recognition of provisions	(1,273)	(212)	(1,485)
reversal of provisions	145	-	145
profit from joint ventures	1,293	275	1,568
other finance income (costs)	118	(477)	(359)
incl. interest income	207	1	208
interest expenses	(28)	(373)	(401)
Assets 31.03.2024	91,494	246,988	338,482
incl. joint ventures	15,531	7,952	23,483

2023 3 months	Construction service	Real estate development	Total segments
Revenue	49,487	38,947	88,434
Inter-segment revenue	(216)	(12,467)	(12,683)
Revenue from clients	49,271	26,480	75,751
incl. timing of revenue recognition at a point in time	207	19,727	19,934
timing of revenue recognition over time	49,064	6,753	55,817
Operating profit (loss)	549	5,683	6,232
Profit (loss) before tax	784	6,023	6,807
incl. interest income from operating activities	-	571	571
depreciation	(582)	(146)	(728)
recognition of provisions	(1,012)	(64)	(1,076)
profit from joint ventures	366	914	1,280
other finance income (costs)	(70)	(552)	(622)
incl. interest expenses	(20)	(382)	(402)
Assets 31.03.2023	69,408	284,062	353,470
incl. joint ventures	10,033	4,142	14,175

2023 12 months	Construction service	Real estate development	Total segments
Revenue	299,338	208,332	507,670
Inter-segment revenue	(1,168)	(40,198)	(41,366)
Revenue from clients	298,170	168,134	466,304
incl. timing of revenue recognition at a point in time	2,418	141,098	143,516
timing of revenue recognition over time	295,752	27,036	322,788

2023 12 months	Construction service	Real estate development	Total segments
Operating profit (loss)	20,504	26,731	47,235
Profit (loss) before tax	26,200	29,344	55,544
incl. interest income from operating activities	-	2,146	2,146
depreciation	(2,805)	(853)	(3,658)
impairment of inventories	-	(2,200)	(2,200)
recognition of provisions	(5,659)	(1,128)	(6,787)
reversal of provisions	144	156	300
profit from joint ventures	5,771	4,449	10,220
other finance income (costs)	113	(1,743)	(1,630)
incl. interest income	259	-	259
interest expenses	(101)	(1,531)	(1,632)
Assets 31.12.2023	96,111	249,513	345,624
incl. joint ventures	14,238	7,677	21,915

In addition to the segment assets, as at 31.03.2024 the group holds assets in the amount of EUR 87,632 thousand (31.03.2023: EUR 26,713 thousand; 31.12.2023: EUR 79,636 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

	2024 3 months	2023 3 months	2023 12 months
Pre-tax profit from reporting segments	5,947	6,807	55,544
Other operating profit (loss)	(587)	(544)	(2,752)
incl. recognition of provisions	-	-	(238)
reversal of provisions	-	-	900
finance income (costs)	(158)	(184)	(810)
incl. interest expenses	(142)	(175)	(735)
Total profit before tax	5,202	6,079	51,982

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

	2024 3 months		2023 3 months		2023 12 months	
Estonia	30,643	38%	40,358	53%	283,147	61%
Latvia	2,394	3%	22,480	30%	61,843	13%
Lithuania	47,931	59%	11,878	16%	115,232	25%
Norway	217	0%	1,035	1%	6,082	1%
Total	81,185	100%	75,751	100%	466,304	100%

CONTRACT ASSETS AND LIABILITIES

in thousand euros

	31.03.2024	31.03.2023	31.12.2023
Accrued income from construction services (Note 6)	4,524	14,571	8,305
Prepayments for construction services (Note 13)	(43,876)	(8,743)	(34,584)
Advance payments received for construction contract works (Notes 13, 15)	(28,719)	(6,373)	(33,727)
Recognised provision for onerous construction contracts (Note 14)	(8)	(8)	(8)

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

in thousand euros

	31.03.2024	31.03.2023	31.12.2023
Estonia	43,484	31,458	42,317
Latvia	10,717	10,730	10,837
Lithuania	2,653	1,187	2,762
Norway	29	111	35
Total	56,883	43,486	55,951

NOTE 3 COST OF GOODS SOLD

in thousand euros

	2024 3 months	2023 3 months	2023 12 months
Construction services and properties purchased for resale	52,114	38,764	279,421
Materials	4,741	10,323	47,970
Labour costs	8,256	7,705	32,999
Construction mechanisms and transport	1,134	1,846	8,881
Design	1,417	1,806	7,703
Real estate management costs	359	283	1,105
Depreciation	587	510	2,599
Impairment of inventories	-	-	2,200
Provisions	487	1,076	5,296
Other expenses	3,206	3,463	13,093
Total cost of goods sold	72,301	65,776	401,267

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.

	2024 3 months	2023 3 months	2023 12 months
Net profit (loss) attributable to shareholders (in thousand EUR)	4,427	5,880	46,048
Weighted average number of ordinary shares (thousand pcs)	17,700	17,700	17,700
Earnings (loss) per share (in euros)	0.25	0.33	2.60

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

Dividends payable are recognised after the approval of profit allocation by the shareholders. In accordance with the profit allocation decision, in 2024 the parent company AS Merko Ehitus will pay dividends of EUR 23,010 thousand, i.e. EUR 1.30 per share (in 2023 were paid EUR 17,700 thousand). The income tax expense of EUR 2,894 thousand related to the payment of dividends is due in 2024, of which EUR 2,894 thousand was recognised as deferred tax expense in the group in 2023.

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

As at 31.03.2024 the balance of deferred income tax liability includes deferred income tax on dividends in the amount of 2,950 thousand euros (31.03.2023: EUR 761 thousand euros; 31.12.2023: EUR 2,894 thousand euros).

As of 31.03.2024, the parent company AS Merko Ehitus has EUR 1,513 thousand (31.03.2023: EUR 1,660 thousand; 31.12.2023: EUR 1,513 thousand) in dividends received from subsidiaries in previous periods and income from abroad, on which the income tax has been withheld.

As at 31.03.2023, it is possible to pay out dividends to shareholders from retained earnings in the amount of EUR 166,590 thousand (31.03.2023: EUR 145,776 thousand; 31.12.2023: EUR 162,969 thousand). Considering the dividends received and income tax withheld on foreign income totalling EUR 378 thousand (31.03.2023: EUR 415 thousand; 31.12.2023: EUR 378 thousand), the corresponding income tax on dividends would amount to EUR 41,269 thousand (31.03.2023: EUR 35,599 thousand; 31.12.2023: EUR 40,364 thousand). Regarding the additional income tax on dividends, the 14% tax rate on regularly payable dividends (14/86 on net dividends), which is applied on the average amount of the paid dividends taxed in Estonia during the previous 3 years, has been taken into consideration. Above that amount, a regular 20% tax rate is applied to the dividends (i.e. a 20/80 tax rate applied to the

sum paid out 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

	31.03.2024	31.03.2023	31.12.2023
Bank accounts	75,580	9,931	61,545
Overnight deposits	2,773	4,364	785
Term deposits with maturities of 3 months or less	10,000	-	15,000
Total cash and cash equivalents	88,353	14,295	77,330

NOTE 6 TRADE AND OTHER RECEIVABLES

in thousand euros

	31.03.2024	31.03.2023	31.12.2023
Trade receivables			
Accounts receivable	48,515	30,644	54,692
Allowance for doubtful receivables	(134)	(3,276)	(134)
	48,381	27,368	54,558
Tax prepayments excluding corporate income tax			
Value added tax	542	900	661
Other taxes	15	42	-
	557	942	661
Accrued income from construction services	4,524	14,571	8,305
Other short-term receivables			
Short-term loans	-	5,000	-
Interest receivables	-	75	-
Other short-term receivables	1,017	1,188	1,029
	1,017	6,263	1,029
Prepayments for services			
Prepayments for construction services	3,286	3,977	2,922
Prepaid insurance	1,012	936	1,137
Other prepaid expenses	152	149	142
	4,450	5,062	4,201
Total trade and other receivables	58,929	54,206	68,754
incl. short-term loan receivables from related parties (Note 16)	-	5,000	-
other short-term receivables and prepayments to related parties (Note 16)	3,723	7,131	10,743

NOTE 7 INVENTORIES

in thousand euros

	31.03.2024	31.03.2023	31.12.2023
Materials	379	744	358
Work-in-progress	56,738	91,596	60,244
Finished goods	49,088	58,226	43,357
Goods for resale			
Registered immovables purchased for resale/development	88,120	89,409	89,434
Other goods purchased for resale	1,160	3,730	1,558
	89,280	93,139	90,992
Prepayments for inventories			
Prepayments for real estate properties	-	-	-
Prepayments for other inventories	1,033	844	484
Total inventories	196,518	244,549	195,435

NOTE 8 OTHER LONG-TERM LOANS AND RECEIVABLES

in thousand euros

	31.03.2024	31.03.2023	31.12.2023
Long-term receivables from customers of construction services	20,427	22,685	24,490
Total other long-term loans and receivables	20,427	22,685	24,490

NOTE 9 INVESTMENT PROPERTY

in thousand euros

	31.03.2024	31.03.2023	31.12.2023
Land	10,172	10,172	10,172
Right of superficies at carrying amount			
Cost	29	29	29
Accumulated depreciation	(15)	(15)	(15)
	14	14	14
Buildings at carrying amount			
Cost	8,012	2,455	8,012
Accumulated depreciation	(1,458)	(1,181)	(1,375)
	6,554	1,274	6,637
Total investment property	16,740	11,460	16,823

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

in thousand euros

	31.03.2024	31.03.2023	31.12.2023
Land	1,266	1,266	1,266
Buildings at carrying amount*			
Cost	8,322	8,251	8,322
Accumulated depreciation	(4,087)	(3,304)	(3,997)
	4,235	4,947	4,325
Machinery and equipment at carrying amount*			
Cost	18,610	18,995	18,588
Accumulated depreciation	(9,965)	(10,472)	(9,639)
	8,645	8,523	8,949
Other fixtures at carrying amount			
Cost	4,527	4,810	4,526
Accumulated depreciation	(3,120)	(3,266)	(3,085)
	1,407	1,544	1,441
Prepayments for property, plant and equipment	540	1,007	632
Total property, plant and equipment	16,093	17,287	16,613

* As of 31 March 2024, the balance of buildings at carrying amount includes leased assets in a sum of EUR 515 thousand (31.03.2023: EUR 621 thousand; 31.12.2023: EUR 561 thousand). The balance of machinery and equipment at carrying amount includes leased assets in a sum of EUR 3,606 thousand (31.03.2023: EUR 3,280 thousand; 31.12.2023: EUR 3,708 thousand).

NOTE 11 INTANGIBLE ASSETS

in thousand euros

	31.03.2024	31.03.2023	31.12.2023
Goodwill			
Cost	62	64	65
Impairment	(61)	-	(64)
	1	64	1
Software at carrying amount			
Cost	1,428	1,356	1,431
Accumulated depreciation	(1,137)	(1,003)	(1,097)
	291	353	334
Prepayments for intangible assets	195	147	185
Total intangible assets	487	564	520

NOTE 12 BORROWINGS

in thousand euros

	31.03.2024	31.03.2023	31.12.2023
Lease liabilities*			
Lease liabilities balance	4,244	4,067	4,402
incl. current portion	1,089	1,121	1,092
non-current portion 2...5 years	3,155	2,946	3,310
Bank loans			
Loan balance	38,493	76,977	44,356
incl. current portion	5,766	58,576	12,524
non-current portion 2...5 years	32,727	18,401	31,832
Loans from entities under common control			
Loan balance (Note 16)	6,000	6,000	6,000
incl. current portion	6,000	-	6,000
non-current portion 2...5 years	-	6,000	-
Loans from other related parties			
Loan balance (Note 16)	-	56	-
incl. current portion	-	56	-
Loans from other entities			
Loan balance	54	-	57
incl. current portion	54	-	57
Total loans			
Loans balance	44,547	83,033	50,413
incl. current portion	11,820	58,632	18,581
non-current portion 2...5 years	32,727	24,401	31,832
Total borrowings	48,791	87,100	54,815
incl. current portion	12,909	59,753	19,673
non-current portion 2...5 years	35,882	27,347	35,142

* As of 31 March 2024, the lease liabilities include a balance of EUR 201 thousand to related parties (31.03.2023: EUR 240 thousand; 31.12.2023: EUR 216 thousand) (Note 16).

NOTE 13 PAYABLES AND PREPAYMENTS

in thousand euros

	31.03.2024	31.03.2023	31.12.2023
Trade payables	43,549	43,439	42,472
Payables to employees	11,555	10,214	14,846
Tax liabilities, except for corporate income tax			
Value added tax	2,349	911	4,258
Personal income tax	1,351	763	769
Social security tax	2,452	1,981	2,075
Unemployment insurance tax	93	76	70
Contributions to mandatory funded pension	62	50	48
Other taxes	144	114	113
	6,451	3,895	7,333
Prepayments for construction services	43,876	8,743	34,584
Other liabilities			
Interest liabilities	131	93	98
Other liabilities	514	480	537
	645	573	635
Prepayments received *	28,140	22,043	34,028
Total payables and prepayments	134,216	88,907	133,898
incl. payables to related parties (Note 16)	58	2,532	173

* As of 31 March 2024, 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 26,352 thousand (31.03.2023: EUR 6,373; 31.12.2023: EUR 31,360 thousand) and of prepayments received in connection with residential properties (apartment buyers) in a sum of EUR 1,788 thousand (31.03.2023: EUR 15,670 thousand; 31.12.2023: EUR 2,668 thousand) (Note 2).

NOTE 14 SHORT-TERM PROVISIONS

in thousand euros

	31.03.2024	31.03.2023	31.12.2023
Provision for warranty obligation for construction	5,827	4,362	5,954
Provision for costs of projects sold and work-in-progress projects	1,910	3,384	2,460
Provision for onerous construction contracts	8	8	8
Provision for legal costs and claims filed	2,560	1,200	1,706
Other provisions	246	19	323
Total short-term provisions	10,551	8,973	10,451

NOTE 15 OTHER LONG-TERM PAYABLES

in thousand euros

	31.03.2024	31.03.2023	31.12.2023
Trade payables	2,975	2,054	3,128
Prepayments received *	2,367	-	2,367
Other long-term payables total	5,342	2,054	5,495

* As of 31 March 2024, the balance of prepayments received consists of prepayments received in connection with construction contracts (advance payments received for construction contract works) in a sum of EUR 2,367 thousand (31.03.2023: EUR 0; 31.12.2023: EUR 2,367 thousand) (Note 2).

NOTE 16 RELATED PARTY TRANSACTIONS

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

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

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

The parent of AS Merko Ehitus is AS Riverito. As at 31.03.2024, 31.03.2023 and 31.12.2024, AS Riverito owned 71.99% of the shares of AS Merko Ehitus. The ultimate controlling party of the group is Mr. Toomas Annus.

AS MERKO EHITUS SUBSIDIARIES AND JOINT VENTURES

	Ownership and voting rights %			Location	Area of operation
	31.03.2024	31.03.2023	31.12.2023		
Subsidiaries					
AS Merko Ehitus Eesti	100	100	100	Estonia, Tallinn	Construction
OÜ Tähelinna Kinnisvara	100	100	100	Estonia, Tallinn	Real estate
OÜ Vahi Lastehoid	100	100	100	Estonia, Tallinn	Real estate
OÜ Merko Kaevandused	100	100	100	Estonia, Tallinn	Mining
OÜ Metsara-Metspere Kinnisvara	-	100	100	Estonia, Tallinn	Mining
Tallinna Teede AS	100	100	100	Estonia, Tallinn	Road construction
OÜ Merko Kodud	100	-	100	Estonia, Tallinn	Real estate
UAB Merko Statyba	100	100	100	Lithuania, Vilnius	Construction
UAB Timana	100	100	100	Lithuania, Vilnius	Real estate
UAB VPSP 2	100	100	100	Lithuania, Vilnius	Real estate
UAB VPSP Projektai	100	100	100	Lithuania, Vilnius	Real estate
OÜ Merko Property	100	100	100	Estonia, Tallinn	Real estate
UAB Balsiu Mokyklos SPV	100	100	100	Lithuania, Vilnius	Real estate
UAB Merko Bustas	100	100	100	Lithuania, Vilnius	Real estate
UAB MN Projektas	100	100	100	Lithuania, Vilnius	Real estate
UAB MN 2 Projektas	100	-	100	Lithuania, Vilnius	Real estate
UAB MB Projektas	100	100	100	Lithuania, Vilnius	Real estate
UAB Statinių Priežiūra ir Administravimas	100	100	100	Lithuania, Vilnius	Real estate
UAB MB 4 Projektas	100	-	100	Lithuania, Vilnius	Real estate
OÜ Merko Investments	100	100	100	Estonia, Tallinn	Holding
SIA Merks	100	100	100	Latvia, Riga	Construction
SIA Merko Management Latvia (ex-SIA SK Viesturdarzs)	-	100	-	Latvia, Riga	Real estate
SIA Industrialais Parks	100	100	100	Latvia, Riga	Real estate
SIA Merks Mājas	-	100	-	Latvia, Riga	Real estate
SIA Ropažu Priedes	-	100	-	Latvia, Riga	Real estate
SIA Zakusala Estates	-	100	-	Latvia, Riga	Real estate
PS Merks-Ostas Celtnieks	65	65	65	Latvia, Riga	Construction
PS Merks Merko Infra	100	100	100	Latvia, Riga	Construction
SIA Merks Mājas	100	-	100	Latvia, Riga	Real estate
SIA Ropažu Priedes	100	-	100	Latvia, Riga	Real estate
SIA Zakusala Estates	100	-	100	Latvia, Riga	Real estate
SIA Merko Būve	100	100	100	Latvia, Riga	Construction
PS MB.MEE	100	-	-	Latvia, Riga	Construction
SIA Merko Management Latvia (ex- SIA SK Viesturdarzs)	100	-	100	Latvia, Riga	Real estate
Merko Finland Oy	-	100	-	Finland, Helsinki	Construction
Merko Investments AS	100	100	100	Norway, Sofiemyr	Holding
Peritus Entreprenør AS (ex-Merko Bygg AS)	100	56	100	Norway, Sofiemyr	Construction

	Ownership and voting rights %			Location	Area of operation
	31.03.2024	31.03.2023	31.12.2023		
Løkenskogen Bolig AS	62	62	62	Norway, Sofiemyr	Real estate
Joint ventures					
Kodusadam OÜ	50	50	50	Estonia, Tallinn	Real estate
AS Connecto Eesti	50	50	50	Estonia, Tallinn	Construction

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

GOODS AND SERVICES

in thousand euros

	2024 3 months	2023 3 months	2023 12 months
Provided services and goods sold			
Parent company	-	4	6
Joint ventures	2,634	7,285	26,708
Entities under common control	8,636	20,920	82,058
Members of the management	-	-	161
Total services provided and goods sold	11,270	28,209	108,933
Interest income			
Joint ventures	13	75	215
Purchased services and goods			
Parent company	-	30	49
Joint ventures	-	23	268
Entities under common control	16	19	75
Total purchased services and goods	16	72	392
Interest expense			
Parent company	-	30	30
Entities under common control	99	80	362
Other related parties	-	1	1
Total interest expense	99	111	393

BALANCES WITH RELATED PARTIES

in thousand euros

	31.03.2024	31.03.2023	31.12.2023
Receivables from related parties			
Loans granted (Notes 6,8)			
Joint venture	-	5,000	-
Receivables and prepayments (Note 6)			
Parent company	-	5	-
Joint ventures	569	2,235	1,852
Entities under common control	3,154	4,891	8,862
Members of the management	-	-	29
Total receivables and prepayments	3,723	7,131	10,743
Total receivables from related parties	3,723	12,131	10,743

	31.03.2024	31.03.2023	31.12.2023
Payables to related parties			
Lease liabilities (Note 12)			
Entities under common control	201	240	216
Short-term loans received (Note 12)			
Entities under common control	6,000	-	6,000
Other related parties	-	56	-
Total Short-term loans received	6,000	56	6,000
Payables and prepayments (Note 13)			
Parent company	-	12	-
Joint ventures	-	9	142
Entities under common control	58	2,471	31
Members of the management	-	40	-
Total payables and prepayments	58	2,532	173
Long-term loans received (Note 12)			
Entities under common control	-	6,000	-
Total payables to related parties	6,259	8,828	6,389

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

The cost of remuneration to members of the Supervisory Board and Management Board of AS Merko Ehitus incl. basic salaries and performance pay, as well as taxes and changes in reserves for the 3 months of 2024 were EUR 431 thousand (3 months of 2023: EUR 216 thousand; 12 months of 2023: EUR 1,843 thousand).

TERMINATION BENEFITS OF MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

Authorization agreements have been concluded with the Supervisory Board members, according to which no termination benefits are paid to them upon termination of the contract. In the 3 months of 2024, the Management Board members of AS Merko Ehitus did not receive benefits (3 months of 2023: EUR 0; 12 months of 2023: EUR 120 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/management-and-supervisory-board/.

Shares held by members of the Supervisory Board of AS Merko Ehitus as of 31.03.2024:

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

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

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

Shares held by members of the Management Board of AS Merko Ehitus as of 31.03.2024:

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

NOTE 17 CONTINGENT LIABILITIES

in thousand euros

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

	31.03.2024	31.03.2023	31.12.2023
Performance period's warranty to the customer	35,843	26,314	39,359
Tender warranty	-	10	32
Guarantee for warranty period	26,905	22,810	27,194
Prepayment guarantee	31,466	540	31,466
Payment guarantee	57	51	-
Letter of credit	-	1,071	-
Contracts of surety	500	500	500
Total contingent liabilities	94,771	51,296	98,551

Performance period's warranty to the customer – warranty provider guarantees to the customer that the contractor's obligations arising from construction contract will be adequately fulfilled.

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

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

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

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

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

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

DEFINITION OF RATIOS

Gross profit margin (%)	=	$\frac{\text{Gross profit}}{\text{Revenue}}$
Operating profit margin (%)	=	$\frac{\text{Operating profit}}{\text{Revenue}}$
EBT margin (%)	=	$\frac{\text{Pre-tax profit}}{\text{Revenue}}$
Net profit margin (%)	=	$\frac{\text{Net profit (attributable to equity holders of the parent)}}{\text{Revenue}}$
Return on equity, ROE (%)	=	$\frac{\text{Net profit (attributable to equity holders of the parent) of the current 4 quarters}}{\text{Shareholders equity (average of the current 4 quarters)}}$
Return on assets, ROA (%)	=	$\frac{\text{Net profit (attributable to equity holders of the parent) of the current 4 quarters}}{\text{Total assets (average of the current 4 quarters)}}$
Return on invested capital, ROIC (%)	=	$\frac{(\text{Profit before tax} + \text{interest expense} - \text{foreign exchange gain (loss)} + \text{other financial income}) \text{ of the current 4 quarters}}{(\text{Shareholders equity (average)} + \text{interest-bearing liabilities (average)}) \text{ of the current 4 quarters}}$
Equity ratio (%)	=	$\frac{\text{Shareholders' equity}}{\text{Total assets}}$
Debt ratio (%)	=	$\frac{\text{Interest-bearing liabilities}}{\text{Total assets}}$
Current ratio	=	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Quick ratio	=	$\frac{\text{Current assets} - \text{inventories}}{\text{Current liabilities}}$
Accounts receivable turnover(days)	=	$\frac{\text{Trade receivables of the current 4 quarters (average)} \times 365}{\text{Revenue of the current 4 quarters}}$
Accounts payable turnover (days)	=	$\frac{\text{Payables to suppliers of the current 4 quarters (average)} \times 365}{\text{Cost of goods sold of the current 4 quarters}}$
EBITDA (million EUR)	=	Operating profit + depreciation
EBITDA margin (%)	=	$\frac{\text{Operating profit} + \text{depreciation}}{\text{Revenue}}$
General expense ratio (%)	=	$\frac{\text{Marketing expenses} + \text{General and administrative expenses}}{\text{Revenue}}$
Labour cost ratio (%)	=	$\frac{\text{Labour costs}}{\text{Revenue}}$
Revenue per employee (EUR)	=	$\frac{\text{Revenue}}{\text{Number of employees (average)}}$
Earnings per share, EPS (EUR)	=	$\frac{\text{Net profit (attributable to equity holders of the parent)}}{\text{Number of shares}}$
Equity/share (EUR)	=	$\frac{\text{Shareholders equity (average of the current 4 quarters)}}{\text{Number of shares}}$
Dividend per share (EUR)	=	$\frac{\text{Payable dividends}}{\text{Number of shares}}$
Dividend rate (%)	=	$\frac{\text{Payable dividends} \times 100}{\text{Net profit (attributable to equity holders of the parent)}}$
Dividend yield (%)	=	$\frac{\text{Dividends payable per share}}{\text{Share price 31.12}}$
P/E	=	$\frac{\text{Share price 31.03}}{\text{Earnings per share of the current 4 quarters}}$
P/B	=	$\frac{\text{Share price 31.03}}{\text{Equity per share (average of the current 4 quarters)}}$
Market value	=	Share price 31.03 x Number of shares