



AS MERKO EHITUS

GROUP

2024 6 months and II quarter consolidated unaudited interim report

Business name:	AS Merko Ehitus
Main activities:	Holding companies General contracting of construction Real estate development
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Reporting period:	01.01.2024 – 30.06.2024
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Management Board:	Ivo Volkov, Tõnu Toomik, Urmas Somelar
Auditor:	AS PricewaterhouseCoopers

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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.

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.

ESTONIA

- Real estate development
- Buildings
- Infrastructure
- Road construction (separate company Tallinna Teede AS)
- Concrete works
- Electrical construction (50% share in AS Connecto Eesti)

LATVIA

- Real estate development
- Buildings
- Infrastructure (selected projects)

LITHUANIA

- Real estate development
- Buildings
- Infrastructure (selected projects)
- PPP-projects

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 and Lithuania. We want to be the preferred partner for those who value quality, both in the performance of construction works and in the development and sale of apartments, as well as in contributing to society. As a caring and development-oriented employer, we ensure that our employees are professional and motivated, each of whom contributes to the joint result of each company, each unit and Merko itself. By focusing on profitability, cost base efficiency and the best employees, we ensure the investor a long-term profitable investment.

MANAGEMENT REPORT

COMMENTARY FROM MANAGEMENT

Merko Ehitus revenue for the 6 months of 2024 was EUR 204 million and net profit was EUR 17.5 million. Second-quarter revenue was EUR 122 million; net profit, EUR 13.1 million. The lower volumes from real estate development have been compensated by higher sales of construction services, which made up nearly 90% of revenue in the first half-year.

Considering general sentiment on the construction and real estate market, Merko Ehitus management were satisfied with second quarter and first half of 2024 results. According to the management of Merko Ehitus, group has managed well in the changed market situation. Profitability for the half-year has declined compared to last year due to the decrease in the share of the real estate development business. Orders are dramatically down in road construction. In the group at large, this does not constitute a business area with too great an impact. To sum up, Merko construction service portfolio continues to be strong and apartment sales in Q2 grew somewhat. Hopefully, the market trough is behind us.

The private sector's outlook on the future and investing has become more positive over the last year and orders for construction service have grown somewhat. Contracts for defence infrastructure and civil engineering also help offset the dearth of the usual orders from the public sector. Merko group home markets are acting in very different ways. Lithuania stands out with its clearly distinct government support for the economy and the resulting high consumer confidence and private sector appetite for investment, which towers over the others. Since the total volumes on the market are still down from the all-time peak, competition between providers is high and margins on contracts being concluded are very low. It is still a good time to order construction service. Merko decision to exit the Norwegian market also stems from our adjustments to the new circumstances. The Norwegian construction market, like that of the Nordics as a whole, is in the throes of the effects of inflation, all too familiar to us as well, and there are no grounds to expect a rapid improvement.

In the first six months of 2024, Merko entered into new contracts worth EUR 140 million and the secured order-book grew by the end of H1 to EUR 438 million. The largest new contracts in Q2 were construction of wind farm infrastructure in Telšiai and additional work on NATO training centre infrastructure in Pabrade, Lithuania; in Latvia, the establishment of Ignitis solar park; and in Estonia, additional work on the construction of Arter Quarter, construction of Putukaväil in Tallinn and Tallinn city road maintenance.

In Q2 2024, the largest projects under construction were the TKM Group's logistics centre, and the Hampton by Hilton and Hyatt hotel buildings, Arter Quarter, Estonian Defence Forces buildings on Ämari base, a tram line between Old City Harbour and Rail Baltica Ülemiste passenger terminal and the first stage of Ülemiste multimodal transport junction and the Tõdva highway overpasses, also for Rail Baltica. In Lithuania, the largest construction projects were infrastructure works in the regions of Kelmė and Pagėgiai, a substation in Kelmė and buildings and infrastructure for various NATO training centres.

In the first six months of 2024, Merko delivered 120 apartments and 9 commercial units to buyers, invested a total of EUR 21.3 million into development projects. As of the end of H1, the group companies had 671 unsold apartments which were either ready or under construction, and 81 apartments covered by preliminary sale contracts. Merko launched construction and sales of four new projects this year: a new stage of Veerenni in Tallinn, Õielehe in Jüri, a new stage of Erminurme in Tartu, and Lucavsala in Riga. The largest development projects under construction were Uus-Veerenni, Noblessner and Lahekalda in Tallinn, Erminurme in Tartu; Viesturdarzs, Mežpilseta and Magnolijas in Riga and Vilneles Skverai in Vilnius.

2024 6M
REVENUE
204 MILLION EUROS

PROFIT
BEFORE TAX
18.3 MILLION EUROS

OVERVIEW OF THE II QUARTER AND 6 MONTHS RESULTS

PROFITABILITY

2024 6 months' pre-tax profit was EUR 18.3 million and Q2 2024 was EUR 13.1 million (6M 2023: EUR 20.2 million and Q2 2023 was EUR 14.1 million), which brought the pre-tax profit margin to 9.0% (6M 2023: 9.3%).

Net profit attributable to shareholders for 6 months 2024 was EUR 17.5 million (6M 2023: EUR 19.4 million) and for Q2 2024 net profit attributable to shareholders was EUR 13.1 million (Q2 2023: EUR 13.6 million). 6 months net profit margin was 8.6% (6M 2023: 8.9%).

REVENUE

Q2 2024 revenue was EUR 122.4 million (Q2 2023: EUR 141.6 million) and 6 months' revenue was EUR 203.6 million (6M 2023: EUR 217.3 million). 6 months' revenue decreased by 6.3% compared to same period last year. The share of revenue earned outside Estonia in 6 months 2024 was 57.9% (6M 2023: 30.6%).

SECURED ORDER BOOK

As of 30 June 2024, the group's secured order book was EUR 437.5 million (30 June 2023: EUR 418.2 million). In 6 months 2024, group companies signed contracts in the amount of EUR 139.5 million (6M 2023: EUR 254.8 million). In Q2 2024, new contracts were signed in the amount of EUR 129.0 million (Q2 2023: EUR 84.4 million).

REAL ESTATE DEVELOPMENT

In 6 months 2024, the group sold a total of 120 apartments; in 6 months 2023, the group sold 512 apartments. The group earned a revenue of EUR 21.3 million from sale of own developed apartments in 6 months 2024 and EUR 80.5 million in 6 months 2023. In Q2 of 2024 a total of 61 apartments were sold, compared to 367 apartments in Q2 2023, and earned a revenue of EUR 10.6 million from sale of own developed apartments (Q2 2023: EUR 61.2 million).

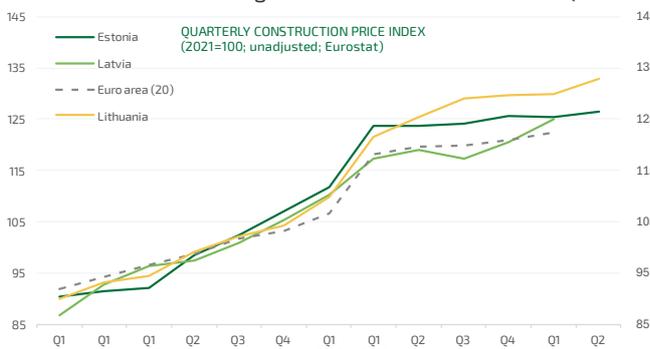
CASH POSITION

At the end of the reporting period, the group had EUR 44.2 million in cash and cash equivalents, and equity of EUR 206.5 million (49.4% of total assets). Comparable figures as of 30 June 2023 were EUR 9.8 million and EUR 186.0 million (51.3% of total assets), respectively. As of 30 June 2024, the group's net debt was negative EUR 10.9 million (30 June 2023: positive EUR 68.0 million).

OUTLOOK OF CONSTRUCTION AND REAL ESTATE MARKET

CONSTRUCTION SERVICES

Construction prices remained stable throughout H1 of 2024. The ups and downs in the index seen over the last six quarters in the Baltic states are within the margins of measurement error and are often contingent on market activity. The Lithuanian construction price index shows a little growth, which in our opinion comes from the relative strength of the construction market (see also dynamics of the construction volumes). Various components (materials, machinery and workforce) exhibit different trends in different quarters, but the overall tendency is that for the last six quarters, prices of materials have undergone a correction and the price of labour has risen. The cost of construction machinery rental has also started rising as of 2024. We anticipate that upward pressure on prices will prevail and temporary decreases will tend to reflect lower market activity and volumes. There is still no reason to expect payroll expenses to decrease or construction machinery rental prices to come down. Tax hikes and other factors that cut into economic stability and confidence are pushing the population and business community to be cautious about making long-term investments.



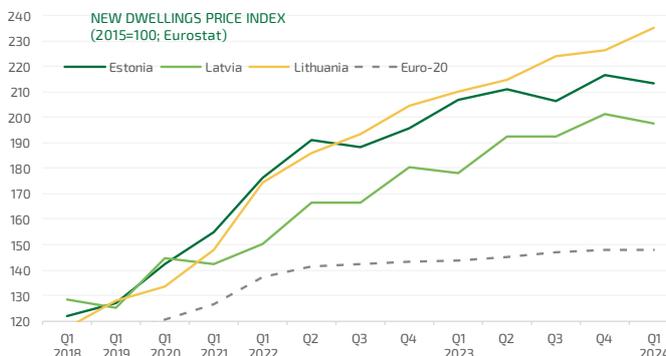
In regard to construction volumes, it must be said that our previous expectations in Estonia were mistaken and the decline in construction volumes starting in Q1 of 2024 was deeper than we believed, encompassing all of the Baltic states. In Estonia, the defence investments and Rail Baltica orders will not succeed compensating for the drop in road and residential construction. Similar factors were not noted in Latvia or Lithuania and accordingly, the drop in volumes can be attributed to unfavourable weather conditions for construction at the start of the year. In spite of the weaker beginning of the year and the slowing of the housing market, we expect construction volumes to grow overall this year in Lithuania, and Estonia to begin its recovery, once the Rail Baltica projects that were long in the procurement stage finally get going. Latvian construction volumes are the hardest to forecast because the results of large defence procurements and Rail Baltica procurements are still pending, and the postponement of signing the contracts will reduce the probability that work will go ahead in any appreciable volume this year. The total volume in the Baltics as a whole will be pulled down by the weakness of the real estate market, and the resulting decline in the volumes of housing and commercial units being constructed.



As to longer-term outlooks, we take a conservative view, based on the lack of economic growth in Estonia and only modest growth in Latvia and Lithuania. Defence investments remain strong in the whole region, but the drop in investments into manufacturing and residential and commercial real estate is greater. The more limited funding for Rail Baltica compared to the requested price tag will also mean lower construction volumes in the longer term – project budgets will have to be cut. The continuing military conflicts elsewhere in the world curtail investments that yield construction orders. The tax hikes implemented to cover defence needs and the green deal will not stimulate the economy in the Baltic region since the majority of the money generated from the economy is spent outside our region.

DEVELOPMENT OF APARTMENTS

The real estate market is still muted, with activity below the long-term average level. There were no developments or changes in the first half of 2024 that would dispel consumers' jitters. Lithuania, which stands out positively so far poses a question mark due to the general elections in October. Will this have an effect on the economy and consumer confidence, and what exactly it will be, is not clear.



We will stick to our current forecast that up to the end of 2024, we expect stable prices with statistically insignificant fluctuations. We believe that balance between existing demand and additional supply will be preserved in 2024, with subdued market activity. From that point on, real estate market developments depend on whether confidence returns, and also on new requirements that might be established by lawmakers for housing due to the green deal, prohibitions on buying and selling housing that do not meet requirements, and support measures for renovating housing to meet the requirements. We do not consider it likely that activity will grow in the new real-estate developments segment before the end of 2024, since a rapid decrease of interest rates is not on the horizon, and rental investors are less keen to invest due to the decreasing rental price levels caused by low demand. The growth of the supply of new developments is also limited and as a result, the most likely scenario is that the status quo will continue on the market until early 2025.

BUSINESS ACTIVITIES

The group business reporting is divided into two business segments:

- construction service;
- real estate development.

CONSTRUCTION SERVICE

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

million EUR

	6M 2024	6M 2023	VARIANCE	Q2 2024	Q2 2023	VARIANCE	12M 2023
Revenue	178.7	120.9	+47.7%	110.7	71.7	+54.5%	298.2
% of total revenue	87.8%	55.6%		90.5%	50.6%		63.9%
Operating profit	9.9	4.7	+112.6%	6.9	4.1	+68.3%	20.5
Operating profit margin	5.6%	3.9%		6.3%	5.8%		6.9%

In the 6 months of 2024, the revenue of the construction service segment was EUR 178.7 million (6M 2023: EUR 120.9 million). The sales revenue of construction service has increased by 47.7% compared to the same period last year. The construction service segment revenue for 6 months 2024 made up 87.8% of the group's total revenue (6M 2023: 55.6%). In this segment, the group earned an operating profit of EUR 9.9 million for 6 months (6M 2023: EUR 4.7 million). The operating profit margin was 5.6% (6M 2023: 3.9%). 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 second 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 Latvia, the group was working on the construction of a solar panel power plant in Vārme parish.

REAL ESTATE DEVELOPMENT

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

million EUR

	6M 2024	6M 2023	VARIANCE	Q2 2024	Q2 2023	VARIANCE	12M 2023
Revenue	24.9	96.4	-74.2%	11.7	69.9	-83.3%	168.1
incl. revenue from sale of apartments	21.3	80.5		10.6	61.2		137.5
incl. construction service to joint venture projects	1.6	13.2		0.2	7.0		24.7
% of total revenue	12.2%	44.4%		9.5%	49.4%		36.1%
Operating profit	6.5	14.8	-56.2%	4.8	9.1	-46.7%	26.7
Operating profit margin	26.0%	15.3%		41.5%	13.0%		15.9%

In 6 months 2024, the group sold a total of 120 apartments (incl. 21 apartments in a joint venture) and 9 commercial premises (incl. 8 in a joint venture); in 6 months 2023, 512 apartments (incl. 78 apartments in a joint venture) and 15 commercial premises (incl. 7 in a joint venture). The group earned a revenue of EUR 21.3 million (VAT not included) from sale of developed apartments in 6 months 2024 and EUR 80.5 million (VAT not included) in 6 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 6 months of 2024, real estate development segment revenues decreased by 74.2% compared to the same period last year and formed 12.2% of the group's total revenue (6 months of 2023: 44.4%).

The segment's operating profit for the 6 months of 2024 amounted to EUR 6.5 million (6 months of 2023: EUR 14.8 million) and the operating profit margin was 26.0% (6 months of 2023: 15.3%). The profitability of the apartment development projects varies by project and depends greatly on the cost structure of the specific project, including the land acquisition price. In addition, the group earned one-off profit from the sale of investment property.

In 6 months of 2024, the group launched the construction of a total of 175 new apartments in the Baltic states (6 months of 2023: the group did not launch apartments construction). In the 6 months, the group invested a total of EUR 20.2 million (6 months of 2023: EUR 50.8 million) in the ongoing development projects.

One of the group's objectives is to keep a sufficient portfolio of land plots to ensure stable inventory of property development projects, which considers the market conditions. As of 30 June 2024, the group's inventories included land plots with development potential, where the construction works have not started, in the amount of EUR 87.5 million (30.06.2023: EUR 89.5 million).

GROUP'S INVENTORIES WITH DEVELOPMENT POTENTIAL BY COUNTRY

million EUR

	30.06.2024	30.06.2023	31.12.2023
Estonia	30.9	32.5	32.5
Latvia	23.7	24.1	23.9
Lithuania	31.5	31.5	31.5
Norway	1.4	1.4	1.5
Total	87.5	89.5	89.4

In 6 months of 2024, the group has obtained new land plots for real estate development purposes at acquisition cost of EUR 1.1 million (6 months of 2023: in the amount of EUR 5.7 million).

SECURED ORDER BOOK

As of 30 June 2024, the group's secured order book amounted to EUR 437.5 million, compared to EUR 418.2 million as of 30 June 2023, having increased by 4.6% 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 6 months of 2024, EUR 139.5 million worth of new contracts were signed, which is decreased by 45.2% compared to the same period of the previous year (6 months of 2023: EUR 254.8 million). The value of new contracts signed in the second quarter of 2024 amounted to EUR 129.0 million; in the second quarter of 2023 the value of new contracts signed amounted to EUR 84.4 million.

LARGEST CONSTRUCTION CONTRACTS SIGNED IN THE SECOND QUARTER OF 2024

BRIEF DESCRIPTION OF CONTRACT	COUNTRY	COMPLETION TIME	VALUE MILLION EUR
Construction contract for performing the construction works of the wind farm balance of plant in Telšiai district	Lithuania	First half of 2026	55.0
Design- and construction contract for additional works on the construction of new infrastructures of the NATO training centre in Lithuania	Lithuania	In early 2026	20.0
Construction contract for the construction of solar panel power plant located in Latvia	Latvia	August of 2025	20.0

As of 30 June 2024, the private sector orders accounted for approximately 56% of the total balance in the group's secured order book (30.06.2023: approximately 44%). Private sector share growth was affected by contracts for large-scale renewable energy park facilities. In other areas, the private sector remains in a wait-and-see approach, assessing profitability conservatively and risks as high in an environment of stably high interest rates and weak economic growth. Planned high-priority investments in the public sector will continue despite the factors inhibiting the private sector.

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

CASH FLOWS

At the end of reporting period, the group had cash and cash equivalents in the amount of EUR 44.2 million (30.06.2023: EUR 9.8 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 55.0 million, of which EUR 54.5 million was unused (30.06.2023: EUR 57.0 million, of which EUR 39.5 million was unused).

The 6-month cash flow from operating activity was positive at EUR 1.8 million (6 months of 2023: positive EUR 23.7 million), cash flow from investing activity was positive at EUR 10.4 million (6 months of 2023: positive EUR 1.0 million) and the cash flow from financing activity was negative at EUR 45.4 million (6 months of 2023: negative EUR 32.5 million).

The cash flow from operating activities had positive effect from EBITDA of EUR 16.3 million (6 months of 2023: positive effect of EUR 19.6 million), from the changes in receivables and liabilities related to construction contracts of EUR 21.2 million (6 months of 2023: positive effect of EUR 1.0 million) and from the changes in trade and other payables related to operating activities of EUR 2.5 million (6 months of 2023: negative effect of EUR 10.8 million). The negative effects to cash flow from operating activities came from the change in trade and other receivables related to operating activities of EUR 21.4 million (6 months of 2023: positive effect of EUR 10.2 million), from the change in the provisions of EUR 2.5 million (6 months of 2023: negative effect of EUR 1.3 million) as well from the change in inventories of EUR 5.2 million (6 months of 2023: positive effect of EUR 9.7 million). The cash flows from inventories are mainly affected by the construction and sales cyclicity of developed apartments: the negative cash flow is due to the increase in the volume of inventories related to the construction of apartments, then the positive cash flow is due to the decrease in inventories at the sale of the apartments. Interest was paid EUR 1.4 million (6 months of 2023: EUR 1.8 million) and corporate income tax was paid at EUR 5.1 million (6 months of 2023: EUR 1.8 million).

To support cash flows from operating activities, including increased volumes in apartment development, the group has raised additional external capital. At the same time, the debt ratio has remained at a moderate level (8.0% as of 30.06.2024; 21.4% as of 30.06.2023; 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 0.7 million (6 months of 2023: EUR 1.2 million) and the positive effect came from the sale of non-current assets in the amount of EUR 0.4 million (6 months of 2023: EUR 1.0 million), from the sale of investment property of EUR 6.5 million (6 months of 2023: EUR 0 million), EUR 3.0 million from the dividends received from the joint venture (6 months of 2023: EUR 1.2 million) and EUR 1.2 million interest received from banks (6 months of 2023: EUR 0).

In cash flows from financing, the larger negative factors were dividend payment of EUR 22.9 million (6 months of 2023: EUR 17.7 million), the repayments of lease liabilities in the amount of EUR 1.0 million (6 months of 2023: net negative cash flow of EUR 0.6 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 0.8 million (6 months of 2023: negative cash flow in the net amount of EUR 0.9 million), from the net change in loans received and repaid in connection with development projects in the amount of EUR 12.7 million (6 months of 2023: net negative cash flow of EUR 6.0 million), which resulted from the repayment of loans taken for residential development projects, as well from the change in loans related to other activities in the amount of EUR 7.9 million (6 months of 2023: net negative cash flow of EUR 7.3 million).

RATIOS

(attributable to equity holders of the parent)

INCOME STATEMENT SUMMARY		6M 2024	6M 2023	6M 2022	Q2 2024	Q2 2023	Q2 2022	12M 2023
Revenue	million EUR	203.6	217.3	156.2	122.4	141.6	87.8	466.3
Gross profit	million EUR	23.7	25.8	17.3	14.8	15.8	9.4	65.0
Gross profit margin	%	11.6	11.9	11.1	12.1	11.2	10.7	13.9
Operating profit	million EUR	14.7	18.1	8.6	10.7	12.4	4.9	44.5
Operating profit margin	%	7.2	8.3	5.5	8.7	8.8	5.6	9.5
Pre-tax profit	million EUR	18.3	20.2	8.4	13.1	14.1	4.9	52.0
Pre-tax profit margin	%	9.0	9.3	5.4	10.7	10.0	5.5	11.1
Net profit	million EUR	17.4	19.3	7.2	13.1	13.5	4.1	45.9
attributable to equity holders of the parent	million EUR	17.5	19.4	7.2	13.1	13.6	4.2	46.0
attributable to non-controlling interest	million EUR	(0.0)	(0.1)	(0.0)	0.0	(0.1)	(0.1)	(0.1)
Net profit margin	%	8.6	8.9	4.6	10.7	9.6	4.8	9.9
Other income statement indicators		6M 2024	6M 2023	6M 2022	Q2 2024	Q2 2023	Q2 2022	12M 2023
EBITDA	million EUR	16.3	19.6	10.0	11.4	13.1	5.6	48.1
EBITDA margin	%	8.0	9.0	6.4	9.4	9.3	6.4	10.3
General expense ratio	%	5.4	4.8	6.2	4.7	3.8	5.5	5.1
Labour cost ratio	%	11.1	10.6	13.3	8.6	8.3	11.4	10.8
Revenue per employee	thousand EUR	334	333	237	201	217	133	718

OTHER SIGNIFICANT INDICATORS		30.06.2024	30.06.2023	30.06.2022	31.12.2023
Return on equity	%	21.2	25.8	16.5	23.4
Return on assets	%	10.6	12.2	7.9	11.8
Return on invested capital	%	20.4	18.9	14.1	20.6
Assets	million EUR	418.3	362.5	377.3	425.3
Equity	million EUR	206.4	185.4	156.5	211.9
Equity attributable to equity holders of the parent	million EUR	206.5	186.0	156.7	212.1
Equity ratio	%	49.4	51.3	41.5	49.9
Debt ratio	%	8.0	21.4	23.9	12.9
Current ratio	times	1.9	2.2	1.8	2.0
Quick ratio	times	0.8	0.6	0.5	0.9
Accounts receivable turnover	days	51	31	33	38
Accounts payable turnover	days	45	44	52	40
Average number of employees	people	610	652	658	649
Secured order book	million EUR	437.5	418.2	322.9	477.5

Ratio definitions are provided on page 39 of the report.

RISK MANAGEMENT

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

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

Legal risk

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

As of 30 June 2024, a provision has been set up at the group in the amount of EUR 3.4 million for covering potential claims and legal costs (30.06.2023: EUR 1.5 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 30 June 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. On 2 February 2016, AS Merko Ehitus group companies filed a complaint in Tallinn Administrative Court for compensation of damage. The claims consist of direct patrimonial damage (reduction in the value of immovable property and expenditures made on development activity) and claims for revenue foregone (failed development activity in 2006-2015). By a decision of 5 March 2021, the Supreme Court sent the appeal regarding the claim for compensation for direct property damage caused by the lawful activities of the Republic of Estonia to the Tallinn Administrative Court for reconsideration. In its decision of 19 April 2024, Tallinn Administrative Court rejected the complaint. The court ruled that the value of the disputed immovable properties has not significantly dropped. OÜ Merko Kodud appealed to Tallinn Circuit Court. The 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.

In preparation for the sale of SIA Merks, a 100% provision has been formed for a conservative assessment of potential liabilities to cover a potential fine claim.

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 zero value.

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 August 2024. The group has reflected the impact of the dispute in this report.

EMPLOYEES AND LABOUR COSTS

As of 30 June 2024, Merko Ehitus group employed 632 people (including temporary and part-time staff). Compared to the same period last year, the number of group's employees decreased by 42 (-6.2%). 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 6 months 2024, the labour cost was EUR 22.5 million (6 months 2023: EUR 23.0 million), which decreased by 2.2% compared to the same period previous year and the labour cost ratio increased by 0.5 pp from 10.6% to 11.1% in comparable periods.

ETHICAL BUSINESS PRACTICES

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

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

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

SHARE AND SHAREHOLDERS

INFORMATION ON SECURITY

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

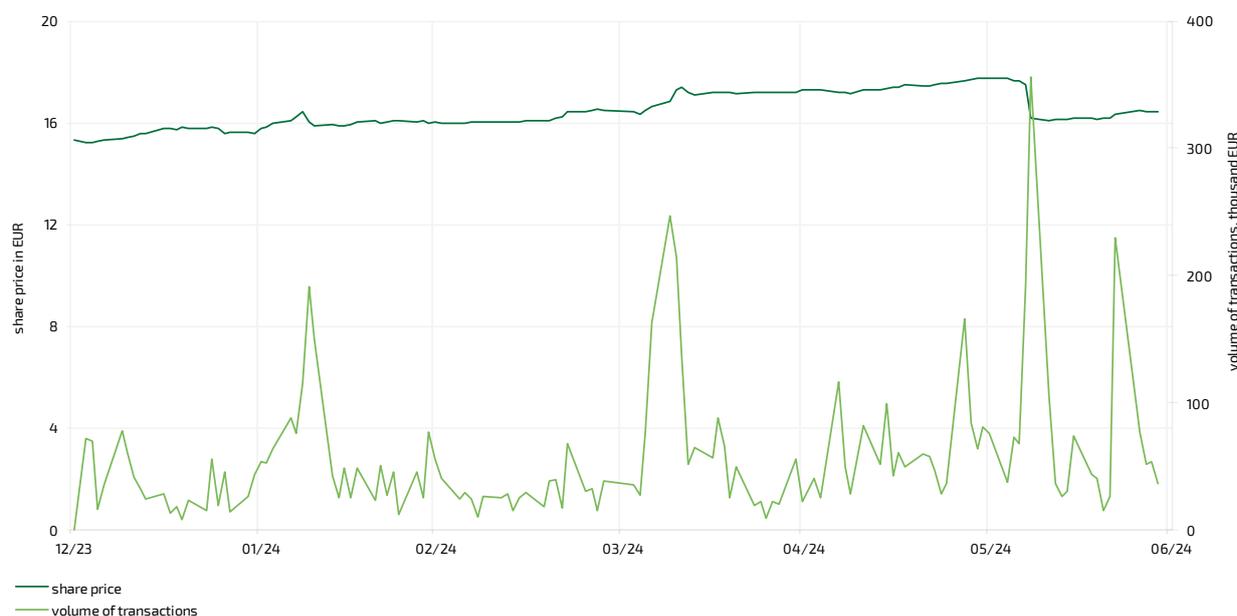
The shares of Merko Ehitus are listed in the Main List of Nasdaq Tallinn. As of 30 June 2024, the company has 17,700,000 shares. The number of shares has not changed during 2024.

A total of 13,304 transactions were conducted with the shares of Merko Ehitus in 6 months of 2024, with 0.43 million shares (2.4% of total shares) traded, generating a turnover of EUR 7.0 million (comparable figures in 6 months 2023 were accordingly: 16,511 transactions with 0.51 million shares traded (2.9% of total shares), generating a turnover of EUR 7.9 million). The lowest value-per-share transaction was recorded at the price of EUR 15.10 and the highest at EUR 17.78 per share (6 months of 2023: EUR 14.14 and EUR 16.36, accordingly). On 30 June 2024, the closing price of the share was EUR 16.44 (30.06.2023: EUR 14.96). As of 30 June 2024, by the Nasdaq Baltic stock exchange, the market capitalisation of AS Merko Ehitus was EUR 291.0 million, which has increased by 9.9% compared to the end of the equivalent period of the prior year (30.06.2023: EUR 264.8 million).

	30.06.2024	30.06.2023	30.06.2022	31.12.2023
Number of shares	17,700,000	17,700,000	17,700,000	17,700,000
Earnings per share (EPS), euros	0.99	1.10	0.41	2.60
Equity per share, euros	11.77	10.27	9.11	11.11
P/B ratio	1.40	1.46	1.53	1.38
P/E ratio	6.60	5.65	9.27	5.88
Market value, million EUR	291.0	264.8	246.4	270.8

Ratio definitions are provided on page 39 of the report.

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



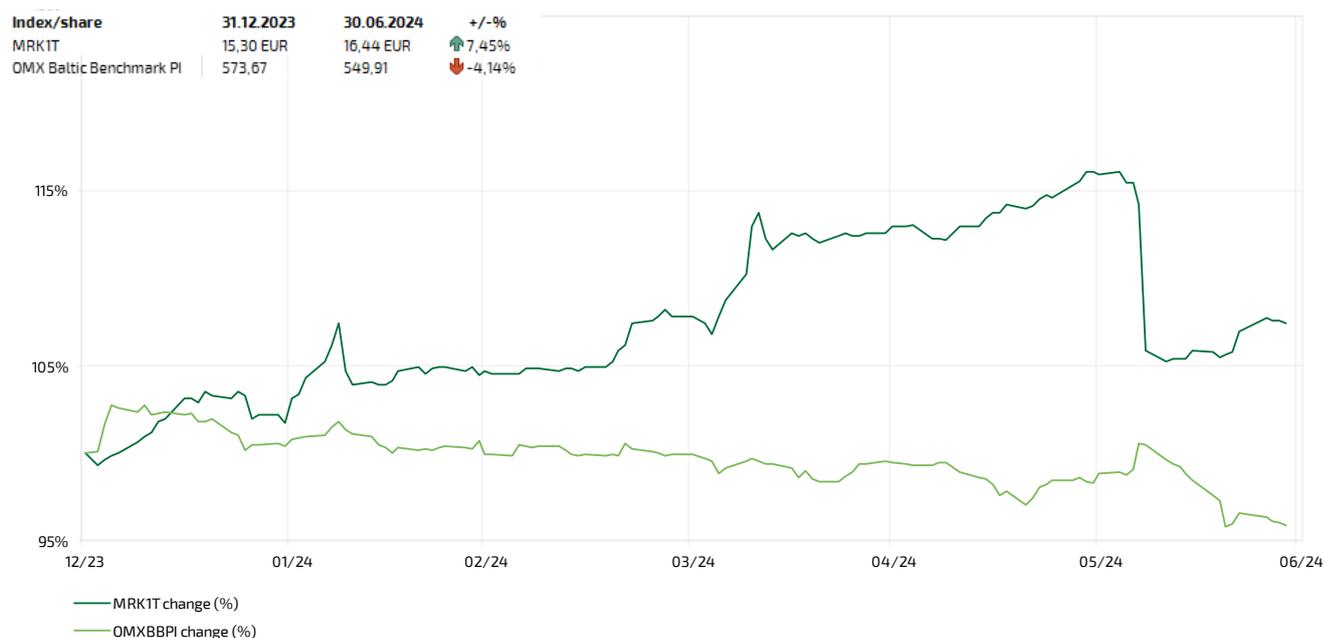
STRUCTURE OF SHAREHOLDERS ACCORDING TO NUMBER OF SHARES AS OF 30.06.2024

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%	1,333,925	7.54%
10,001 – 100,000	44	0.33%	931,730	5.26%
1,001-10,000	543	4.12%	1,462,448	8.26%
101-1,000	2,929	22.21%	976,698	5.52%
1-100	9,663	73.28%	252,513	1.43%
Total	13,186	100%	17,700,000	100%

SHAREHOLDERS OF AS MERKO EHITUS AS OF 30.06.2024 AND CHANGE COMPARED TO THE PREVIOUS QUARTER

	NUMBER OF SHARES	% OF TOTAL 30.06.2024	% OF TOTAL 31.03.2024	CHANGE
AS Riverito	12,742,686	71.99%	71.99%	-
OÜ Midas Invest	429,500	2.43%	2.42%	1,000
Firebird Republics Fund Ltd	341,619	1.93%	1.85%	13,760
Firebird Avrora Fund Ltd	199,688	1.13%	1.10%	4,920
OÜ Alar Invest	136,000	0.77%	0.77%	-
Clearstream Banking AG	113,969	0.64%	0.64%	1,565
Firebird Fund L.P.	113,149	0.64%	0.59%	8,052
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	14,287,611	80.72%	80.56%	29,297
Total other shareholders	3,412,389	19.28%	19.44%	(29,297)
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 and Lithuania that offer complete solutions in the field of construction and real estate development. The group's largest companies are AS Merko Ehitus Eesti (100%), OÜ Merko Kodud (100%), Tallinna Teede AS (100%), SIA 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 30 June 2024, the management structure is as follows:



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

GROUP'S LEGAL STRUCTURE

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

Changes in the legal structure of the group

On 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 ended without liquidation proceedings. The merger date was 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 was 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 were transferred to OÜ Merko Residential Investments,

which was established as a result of the division. The balance sheet date of the division was 1 April 2024. The division entered into force on 14 May 2024 with an entry in the commercial register.

On 21 March 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.

On 1 April 2024 was sold 100% share in SIA Industrials Parks, a company belonging to AS Merko Ehitus group. Since this was a single-asset entity, the sale of the company was not recognized as a business combination but as a sale of investment property.

After the balance sheet date, on 1 August 2024 came into effect the sale-purchase agreement of 100% share in SIA Merks, a company that belonged to AS Merko Ehitus group.

On 1 August 2024, the Management Board of AS Merko Ehitus, in coordination with the Supervisory Board, decided to stop offering construction services and making further investments in Norway. After completion of the existing construction contracts, the 100% subsidiary AS Peritus Entreprenør will be sold or liquidated.

The Management Board of the group decided that the ownership of the 50% stake in AS Connecto Eesti will be transferred to AS Merko Ehitus from the group's subsidiary AS Merko Ehitus Eesti. AS Merko Ehitus will set up a subsidiary to hold the stake.

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) 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). The Supervisory Board was represented by Indrek Neivelt, per agreement between the members of the Supervisory Board.

SUPERVISORY BOARD

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

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

As of 30 June 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 30 June 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
OÜ Merko Residential Investments	-	Ivo Volkov, Urmas Somelar
SIA Merks Mājas	-	Egija Smila (Chairman), Mikus Freimanis, Roberts Rēboks
UAB Merko Statyba	Ivo Volkov (Chairman), Tõnu Toomik, Urmas Somelar	Saulius Putrimas (Chairman) Jaanus Rästas
UAB Merko Bustas	Ivo Volkov (Chairman), Tõnu Toomik, Urmas Somelar	Saulius Putrimas (Manager)

Changes in the management of group subsidiaries

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 31 December 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 March 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.

The sole shareholder of SIA Merks Mājas, part of AS Merko Ehitus group, decided to appoint Mr. Roberts Rēboks as a Member of the Management Board of the company, starting from 6 June 2024. Mr. Roberts Rēboks replaces in the Management Board of SIA Merks Mājas Mr. Mikus Freimanis. Mr. Mikus Freimanis' term as a Member of the Management Board of SIA Merks Mājas ended on 22 July 2024, thereafter the Management Board of SIA Merks Mājas continued with two members: Mrs. Egija Smila and Mr. Roberts Rēboks.

MANAGEMENT BOARD'S DECLARATION

Members of the Management Board of AS Merko Ehitus declare and confirm that the consolidated unaudited interim report for the 6 months of 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	08.08.2024
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Tõnu Toomik	Member of the Management Board	08.08.2024
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Urmas Somelar	Member of the Management Board	08.08.2024
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INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited

in thousand euros

	Note	2024 6 months	2023 6 months	2024 II quarter	2023 II quarter	2023 12 months
Revenue	2	203,568	217,347	122,383	141,596	466,304
Cost of goods sold	3	(179,859)	(191,528)	(107,558)	(125,752)	(401,267)
Gross profit		23,709	25,819	14,825	15,844	65,037
Marketing expenses		(2,293)	(2,095)	(1,225)	(1,018)	(4,312)
General and administrative expenses		(8,630)	(8,261)	(4,488)	(4,296)	(19,423)
Other operating income		4,393	2,778	3,069	1,961	4,171
Other operating expenses		(2,466)	(147)	(1,513)	(85)	(991)
Operating profit		14,713	18,094	10,668	12,406	44,482
Finance income/costs		3,595	2,126	2,438	1,735	7,500
incl. finance income/costs from joint ventures		3,655	3,819	2,087	2,539	10,220
interest expense		(1,116)	(1,337)	(461)	(682)	(2,697)
foreign exchange gain (loss)		(56)	(290)	134	(80)	(153)
other financial income (expenses)		1,112	(66)	678	(42)	130
Profit before tax		18,308	20,220	13,106	14,141	51,982
Corporate income tax expense		(863)	(929)	(45)	(637)	(6,081)
Net profit for financial year		17,445	19,291	13,061	13,504	45,901
incl. net profit attributable to equity holders of the parent		17,479	19,450	13,052	13,570	46,048
net profit attributable to non-controlling interest		(34)	(159)	9	(66)	(147)
Other comprehensive income, which can subsequently be classified in the income statement						
Currency translation differences of foreign entities		24	72	(82)	19	(41)
Comprehensive income for the period		17,469	19,363	12,979	13,523	45,860
incl. net profit attributable to equity holders of the parent		17,501	19,490	12,975	13,580	45,993
net profit attributable to non-controlling interest		(32)	(127)	4	(57)	(133)
Earnings per share for profit attributable to equity holders of the parent (basic and diluted, in EUR)	4	0.99	1.10	0.74	0.77	2.60

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

unaudited

in thousand euros

	Note	30.06.2024	30.06.2023	31.12.2023
ASSETS				
Current assets				
Cash and cash equivalents	5	44,180	9,795	77,330
Trade and other receivables	6	94,401	68,627	68,754
Prepaid corporate income tax		310	146	2
Inventories	7	200,768	216,142	195,435
		339,659	294,710	341,521
Non-current assets				
Investments in joint ventures		22,570	15,514	21,915
Other shares and securities		80	80	80
Other long-term loans and receivables	8	20,057	21,457	24,490
Deferred income tax assets		6,077	1,044	3,298
Investment property	9	12,674	11,435	16,823
Property, plant and equipment	10	16,648	17,640	16,613
Intangible assets	11	488	582	520
		78,594	67,752	83,739
TOTAL ASSETS		418,253	362,462	425,260
LIABILITIES				
Current liabilities				
Borrowings	12	5,840	39,783	19,673
Payables and prepayments	13	153,595	83,889	133,898
Income tax liability		5,971	1,419	4,260
Short-term provisions	14	12,301	9,805	10,451
		177,707	134,896	168,282
Non-current liabilities				
Long-term borrowings	12	27,426	37,965	35,142
Deferred income tax liability		1,626	1,774	4,441
Other long-term payables	15	5,135	2,472	5,495
		34,187	42,211	45,078
TOTAL LIABILITIES		211,894	177,107	213,360
EQUITY				
Non-controlling interests		(187)	(622)	(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		(816)	(743)	(838)
Retained earnings		198,640	177,998	204,171
		206,546	185,977	212,055
TOTAL EQUITY		206,359	185,355	211,900
TOTAL LIABILITIES AND EQUITY		418,253	362,462	425,260

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

unaudited

in thousand euros

	Equity attributable to equity holders of the parent					Non- control- ling interest	Total
	Share capital	Statuto- ry reserve capital	Currency translation differences	Retained earnings	Total		
Balance as at 31.12.2022	7,929	793	(783)	176,248	184,187	(495)	183,692
Profit (loss) for the reporting period	-	-	-	19,450	19,450	(159)	19,291
Other comprehensive income	-	-	40	-	40	32	72
Total comprehensive income (loss) for the reporting period	-	-	40	19,450	19,490	(127)	19,363
Dividends (Note 4)	-	-	-	(17,700)	(17,700)	-	(17,700)
Total transactions with owners	-	-	-	(17,700)	(17,700)	-	(17,700)
Balance as of 30.06.2023	7,929	793	(743)	177,998	185,977	(622)	185,355
Balance as at 31.12.2023	7,929	793	(838)	204,171	212,055	(155)	211,900
Profit (loss) for the reporting period	-	-	-	17,479	17,479	(34)	17,445
Other comprehensive income	-	-	22	-	22	2	24
Total comprehensive income (loss) for the reporting period	-	-	22	17,479	17,501	(32)	17,469
Dividends (Note 4)	-	-	-	(23,010)	(23,010)	-	(23,010)
Total transactions with owners	-	-	-	(23,010)	(23,010)	-	(23,010)
Balance as at 30.06.2024	7,929	793	(816)	198,640	206,546	(187)	206,359

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

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

CONSOLIDATED CASH FLOW STATEMENT

unaudited

in thousand euros

	Note	2024 6 months	2023 6 months	2023 12 months
Cash flows from operating activities				
Operating profit		14,713	18,094	44,482
Adjustments:				
Depreciation and impairment		1,603	1,468	3,658
(Profit)/loss from sale of non-current assets		(2,736)	(767)	(960)
Change in receivables and liabilities related to construction contracts		21,248	986	35,359
Interest income from operating activities		(935)	(1,119)	(2,146)
Change in provisions		(2,495)	(1,332)	3,878
Change in trade and other receivables related to operating activities		(21,355)	10,192	777
Change in inventories		(5,190)	9,698	25,713
Change in trade and other payables related to operating activities		2,545	(10,798)	9,379
Interest received		936	998	2,145
Interest paid		(1,375)	(1,767)	(3,524)
Other finance income (costs)		(94)	(168)	(268)
Corporate income tax paid		(5,055)	(1,807)	(3,550)
Total cash flows from operating activities		1,810	23,678	114,943
Cash flows from investing activities				
Purchase of investment property		-	-	(357)
Disposal of investment property		6,499	-	-
Purchase of property, plant and equipment (excl. leased assets)		(596)	(1,062)	(1,204)
Proceeds from sale of property, plant and equipment		393	998	1,232
Purchase of intangible assets		(54)	(111)	(194)
Interest received		1,206	1	297
Dividends received		3,000	1,200	1,200
Total cash flows from investing activities		10,448	1,026	974
Cash flows from financing activities				
Proceeds from borrowings		4,312	46,881	48,160
Repayments of borrowings		(25,751)	(61,094)	(85,364)
Repayments of lease liabilities		(991)	(632)	(1,312)
Dividends paid		(22,940)	(17,679)	(17,679)
Total cash flows from financing activities		(45,370)	(32,524)	(56,195)
Net increase/decrease in cash and cash equivalents		(33,112)	(7,820)	59,722
Cash and cash equivalents at the beginning of the period	5	77,330	17,665	17,665
Effect of exchange rate changes		(38)	(50)	(57)
Cash and cash equivalents at the end of the period	5	44,180	9,795	77,330

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

NOTES

NOTE 1 ACCOUNTING POLICIES USED

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

According to the best knowledge of the Management Board, the consolidated interim financial statements for the 6 months 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, electrical construction and concrete works services, additionally in Estonia road construction. Other operating areas (managerial services, supervision service, etc.) are insignificant to the group and they are reported within the construction service segment. The real estate development segment primarily consists of the group's own real estate development – construction and sale; to a lesser degree, it also includes real estate maintenance and leasing.

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

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

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

2024 6 months	Construction service	Real estate development	Total segments
Revenue	179,216	36,490	215,706
Inter-segment revenue	(527)	(11,611)	(12,138)
Revenue from clients	178,689	24,879	203,568
incl. timing of revenue recognition at a point in time	688	21,757	22,445
timing of revenue recognition over time	178,001	3,122	181,123
Operating profit (loss)	9,946	6,474	16,420
Profit (loss) before tax	14,109	6,119	20,228
incl. interest income from operating activities	-	935	935
depreciation	(1,295)	(308)	(1,603)
recognition of provisions	(3,677)	(400)	(4,077)
reversal of provisions	145	-	145
profit from joint ventures	3,262	393	3,655
other finance income (costs)	711	(713)	(2)
incl. interest income	788	43	831
interest expenses	(57)	(687)	(744)
Assets 30.06.2024	131,865	241,261	373,126
incl. joint ventures	14,500	8,070	22,570
2023 6 months	Construction service	Real estate development	Total segments
Revenue	121,490	119,834	241,324
Inter-segment revenue	(542)	(23,435)	(23,977)
Revenue from clients	120,948	96,399	217,347
incl. timing of revenue recognition at a point in time	384	82,123	82,507
timing of revenue recognition over time	120,564	14,276	134,840
Operating profit (loss)	4,677	14,771	19,448
Profit (loss) before tax	5,928	16,040	21,968
incl. interest income from operating activities	-	1,119	1,119
depreciation	(1,120)	(348)	(1,468)
impairment of inventories	-	(2,200)	(2,200)
recognition of provisions	(1,834)	(1,028)	(2,862)
profit from joint ventures	1,496	2,323	3,819
other finance income (costs)	(122)	(1,011)	(1,133)
incl. interest expenses	(43)	(776)	(819)
Assets 30.06.2023	87,272	252,551	339,823
incl. joint ventures	9,963	5,551	15,514
2024 II quarter	Construction service	Real estate development	Total segments
Revenue	111,027	17,935	128,962
Inter-segment revenue	(295)	(6,284)	(6,579)
Revenue from clients	110,732	11,651	122,383
incl. timing of revenue recognition at a point in time	583	10,673	11,256
timing of revenue recognition over time	110,149	978	111,127

2024 II quarter	Construction service	Real estate development	Total segments
Operating profit (loss)	6,949	4,840	11,789
Profit (loss) before tax	9,586	4,695	14,281
incl. interest income from operating activities	-	460	460
depreciation	(640)	(137)	(777)
recognition of provisions	(2,404)	(188)	(2,592)
profit from joint ventures	1,969	118	2,087
other finance income (costs)	593	(236)	357
incl. interest income	581	42	623
interest expenses	(29)	(314)	(343)
Assets' change in II quarter	40,371	(5,727)	34,644
incl. joint ventures	(1,031)	118	(913)

2023 II quarter	Construction service	Real estate development	Total segments
Revenue	72,003	80,887	152,890
Inter-segment revenue	(326)	(10,968)	(11,294)
Revenue from clients	71,677	69,919	141,596
incl. timing of revenue recognition at a point in time	177	62,396	62,573
timing of revenue recognition over time	71,500	7,523	79,023
Operating profit (loss)	4,128	9,088	13,216
Profit (loss) before tax	5,144	10,017	15,161
incl. interest income from operating activities	-	548	548
depreciation	(538)	(202)	(740)
impairment of inventories	-	(2,200)	(2,200)
recognition of provisions	(822)	(964)	(1,786)
profit from joint ventures	1,130	1,409	2,539
other finance income (costs)	(52)	(459)	(511)
incl. interest expenses	(23)	(394)	(417)
Assets' change in II quarter	17,864	(31,511)	(13,647)
incl. joint ventures	(70)	1,409	1,339

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
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)

2023 12 months	Construction service	Real estate development	Total segments
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 30.06.2024 the group holds assets in the amount of EUR 45,127 thousand (30.06.2023: EUR 22,639 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 6 months	2023 6 months	2024 II quarter	2023 II quarter	2023 12 months
Pre-tax profit from reporting segments	20,228	21,968	14,281	15,161	55,544
Other operating profit (loss)	(1,708)	(1,355)	(1,121)	(811)	(2,752)
incl. recognition of provisions	-	-	-	-	(238)
reversal of provisions	-	-	-	-	900
finance income (costs)	(212)	(393)	(54)	(209)	(810)
incl. interest expenses	(178)	(356)	(37)	(181)	(735)
Total profit before tax	18,308	20,220	13,106	14,141	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 6 months		2023 6 months		2024 II quarter		2023 II quarter		2023 12 months	
Estonia	85,641	42%	150,783	70%	54,998	45%	110,425	78%	283,147	61%
Latvia	6,970	4%	37,424	17%	4,576	4%	14,944	11%	61,843	13%
Lithuania	110,664	54%	26,363	12%	62,733	51%	14,485	10%	115,232	25%
Norway	293	0%	2,777	1%	76	0%	1,742	1%	6,082	1%
Total	203,568	100%	217,347	100%	122,383	100%	141,596	100%	466,304	100%

CONTRACT ASSETS AND LIABILITIES

in thousand euros

	30.06.2024	30.06.2023	31.12.2023
Accrued income from construction services (Note 6)	7,987	14,218	8,305
Prepayments for construction services (Note 13)	(55,517)	(6,137)	(34,584)
Advance payments received for construction contract works (Notes 13, 15)	(23,491)	(8,762)	(33,727)
Recognised provision for onerous construction contracts (Note 14)	(61)	(7)	(8)

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

in thousand euros

	30.06.2024	30.06.2023	31.12.2023
Estonia	43,099	33,027	42,317
Latvia	6,599	10,877	10,837
Lithuania	2,736	1,244	2,762
Norway	26	103	35
Total	52,460	45,251	55,951

NOTE 3 COST OF GOODS SOLD

in thousand euros

	2024 6 months	2023 6 months	2024 II quarter	2023 II quarter	2023 12 months
Construction services and properties purchased for resale	129,509	125,761	77,395	86,997	279,421
Materials	18,191	28,470	13,450	18,147	47,970
Labour costs	14,688	15,651	6,432	7,946	32,999
Construction mechanisms and transport	3,395	4,714	2,261	2,868	8,881
Design	3,313	3,767	1,896	1,961	7,703
Real estate management costs	701	500	342	217	1,105
Depreciation	1,113	1,029	526	519	2,599
Impairment of inventories	-	2,200	-	2,200	2,200
Provisions	2,190	2,862	1,703	1,786	5,296
Other expenses	6,759	6,574	3,553	3,111	13,093
Total cost of goods sold	179,859	191,528	107,558	125,752	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 6 months	2023 6 months	2024 II quarter	2023 II quarter	2023 12 months
Net profit (loss) attributable to shareholders (in thousand EUR)	17,479	19,450	13,052	13,570	46,048
Weighted average number of ordinary shares (thousand pcs)	17,700	17,700	17,700	17,700	17,700
Earnings (loss) per share (in euros)	0.99	1.10	0.74	0.77	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 paid 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 related to the payment of dividends, 1,538 thousand euros, which was recognised as deferred tax expense in the group in 2023, will be paid in third quarter. The group withheld an additional 7% income tax, in the amount of 70 thousand euros, on the part of the dividends paid to private shareholders taxable at 14/86 income tax rate.

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

As at 30.06.2024 the balance of deferred income tax liability includes deferred income tax on dividends in the amount of 101 thousand euros (30.06.2023: EUR 215 thousand euros; 31.12.2023: EUR 2,894 thousand euros).

As of 30.06.2024, the parent company AS Merko Ehitus has EUR 9,296 thousand (30.06.2023: EUR 313 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 30.06.2023, it is possible to pay out dividends to shareholders from retained earnings in the amount of EUR 160,118 thousand (30.06.2023: EUR 141,994 thousand; 31.12.2023: EUR 162,969 thousand). Considering the dividends received and income tax withheld on foreign income totalling EUR 2,324 thousand (30.06.2023: EUR 78 thousand; 31.12.2023: EUR 378 thousand), the corresponding income tax on dividends would amount to EUR 37,706 thousand (30.06.2023: EUR 35,261 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

	30.06.2024	30.06.2023	31.12.2023
Bank accounts	42,037	9,609	61,545
Overnight deposits	1,139	186	785
Term deposits with maturities of 3 months or less	1,004	-	15,000
Total cash and cash equivalents	44,180	9,795	77,330

NOTE 6 TRADE AND OTHER RECEIVABLES

in thousand euros

	30.06.2024	30.06.2023	31.12.2023
Trade receivables			
Accounts receivable	80,109	45,218	54,692
Allowance for doubtful receivables	(629)	(109)	(134)
	79,480	45,109	54,558
Tax prepayments excluding corporate income tax			
Value added tax	691	1,093	661
Other taxes	20	70	-
	711	1,163	661
Accrued income from construction services	7,987	14,218	8,305
Other short-term receivables			
Short-term loans	-	3,000	-
Interest receivables	-	137	-
Other short-term receivables	1,028	86	1,029
	1,028	3,223	1,029
Prepayments for services			
Prepayments for construction services	4,018	3,823	2,922
Prepaid insurance	939	938	1,137
Other prepaid expenses	238	153	142
	5,195	4,914	4,201
Total trade and other receivables	94,401	68,627	68,754
incl. short-term loan receivables from related parties (Note 16)	-	3,000	-
other short-term receivables and prepayments to related parties (Note 16)	4,439	13,633	10,743

NOTE 7 INVENTORIES

in thousand euros

	30.06.2024	30.06.2023	31.12.2023
Materials	503	586	358
Work-in-progress	58,704	79,608	60,244
Finished goods	52,496	42,083	43,357
Goods for resale			
Registered immovables purchased for resale/development	87,511	89,521	89,434
Other goods purchased for resale	785	3,285	1,558
	88,296	92,806	90,992
Prepayments for inventories			
Prepayments for real estate properties	13	-	-
Prepayments for other inventories	756	1,059	484
Total inventories	200,768	216,142	195,435

NOTE 8 OTHER LONG-TERM LOANS AND RECEIVABLES

in thousand euros

	30.06.2024	30.06.2023	31.12.2023
Long-term receivables from customers of construction services	20,057	21,457	24,490
Total other long-term loans and receivables	20,057	21,457	24,490

NOTE 9 INVESTMENT PROPERTY

in thousand euros

	30.06.2024	30.06.2023	31.12.2023
Land	6,109	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	8,092	2,455	8,012
Accumulated depreciation	(1,541)	(1,206)	(1,375)
	6,551	1,249	6,637
Total investment property	12,674	11,435	16,823

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

in thousand euros

	30.06.2024	30.06.2023	31.12.2023
Land	1,266	1,266	1,266
Buildings at carrying amount*			
Cost	8,330	8,263	8,322
Accumulated depreciation	(4,178)	(3,399)	(3,997)
	4,152	4,864	4,325
Machinery and equipment at carrying amount*			
Cost	19,036	18,362	18,588
Accumulated depreciation	(9,852)	(9,018)	(9,639)
	9,184	9,344	8,949
Other fixtures at carrying amount			
Cost	4,520	4,608	4,526
Accumulated depreciation	(3,165)	(3,064)	(3,085)
	1,355	1,544	1,441
Prepayments for property, plant and equipment	691	622	632
Total property, plant and equipment	16,648	17,640	16,613

* As of 30 June 2024, the balance of buildings at carrying amount includes leased assets in a sum of EUR 479 thousand (30.06.2023: EUR 592 thousand; 31.12.2023: EUR 561 thousand). The balance of machinery and equipment at carrying amount includes leased assets in a sum of EUR 3,750 thousand (30.06.2023: EUR 3,616 thousand; 31.12.2023: EUR 3,708 thousand).

NOTE 11 INTANGIBLE ASSETS

in thousand euros

	30.06.2024	30.06.2023	31.12.2023
Goodwill			
Cost	64	62	65
Impairment	(63)	-	(64)
	1	62	1
Software at carrying amount			
Cost	1,465	1,355	1,431
Accumulated depreciation	(1,179)	(1,052)	(1,097)
	286	303	334
Prepayments for intangible assets	201	217	185
Total intangible assets	488	582	520

NOTE 12 BORROWINGS

in thousand euros

	30.06.2024	30.06.2023	31.12.2023
Lease liabilities*			
Lease liabilities balance	4,294	4,346	4,402
incl. current portion	993	1,144	1,092
non-current portion 2...5 years	3,301	3,202	3,310
Bank loans			
Loan balance	28,917	67,347	44,356
incl. current portion	4,792	32,584	12,524
non-current portion 2...5 years	24,125	34,763	31,832
Loans from entities under common control			
Loan balance (Note 16)	-	6,000	6,000
incl. current portion	-	6,000	6,000
Loans from other related parties			
Loan balance (Note 16)	-	55	-
incl. current portion	-	55	-
Loans from other entities			
Loan balance	55	-	57
incl. current portion	55	-	57
Total loans			
Loans balance	28,972	73,402	50,413
incl. current portion	4,847	38,639	18,581
non-current portion 2...5 years	24,125	34,763	31,832
Total borrowings	33,266	77,748	54,815
incl. current portion	5,840	39,783	19,673
non-current portion 2...5 years	27,426	37,965	35,142

* As of 30 June 2024, the lease liabilities include a balance of EUR 187 thousand to related parties (30.06.2023: EUR 227 thousand; 31.12.2023: EUR 216 thousand) (Note 16).

NOTE 13 PAYABLES AND PREPAYMENTS

in thousand euros

	30.06.2024	30.06.2023	31.12.2023
Trade payables	56,364	43,376	42,472
Payables to employees	10,930	10,834	14,846
Tax liabilities, except for corporate income tax			
Value added tax	3,619	4,544	4,258
Personal income tax	613	556	769
Social security tax	1,341	1,494	2,075
Unemployment insurance tax	50	53	70
Contributions to mandatory funded pension	27	29	48
Other taxes	242	140	113
	5,892	6,816	7,333
Prepayments for construction services	55,517	6,137	34,584
Other liabilities			
Interest liabilities	89	57	98
Other liabilities	482	479	537
	571	536	635
Prepayments received *	24,321	16,190	34,028
Total payables and prepayments	153,595	83,889	133,898
incl. payables to related parties (Note 16)	16	2,484	173

* As of 30 June 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 21,337 thousand (30.06.2023: EUR 8,762 thousand; 31.12.2023: EUR 31,360 thousand) and of prepayments received in connection with residential properties (apartment buyers) in a sum of EUR 2,984 thousand (30.06.2023: EUR 7,428 thousand; 31.12.2023: EUR 2,668 thousand) (Note 2).

NOTE 14 SHORT-TERM PROVISIONS

in thousand euros

	30.06.2024	30.06.2023	31.12.2023
Provision for warranty obligation for construction	6,664	4,406	5,954
Provision for costs of projects sold and work-in-progress projects	1,927	3,892	2,460
Provision for onerous construction contracts	61	7	8
Provision for legal costs and claims filed	3,449	1,500	1,706
Other provisions	200	-	323
Total short-term provisions	12,301	9,805	10,451

NOTE 15 OTHER LONG-TERM PAYABLES

in thousand euros

	30.06.2024	30.06.2023	31.12.2023
Trade payables	2,981	2,472	3,128
Prepayments received *	2,154	-	2,367
Other long-term payables total	5,135	2,472	5,495

* As of 30 June 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 2,154 thousand (30.06.2023: 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 30.06.2024, 30.06.2023 and 31.12.2023, AS Riverito owned 71.99% of the shares of AS Merko Ehitus. The ultimate controlling party of the group is Mr. Toomas Annus.

AS MERKO EHITUS SUBSIDIARIES AND JOINT VENTURES

	Ownership and voting rights %			Location	Area of operation
	30.06.2024	30.06.2023	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	100	Lithuania, Vilnius	Real estate
UAB MB Projektas	100	100	100	Lithuania, Vilnius	Real estate
UAB Statinių Priežiūra ir Administravimas	100	100	100	Lithuania, Vilnius	Real estate
UAB MB 4 Projektas	100	100	100	Lithuania, Vilnius	Real estate
OÜ Merko Investments	100	100	100	Estonia, Tallinn	Holding
SIA 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	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	Latvia, Riga	Real estate
SIA Ropažu Priedes	-	-	100	Latvia, Riga	Real estate
SIA Zakusala Estates	-	-	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
OÜ Merko Residential Investments	100	-	-	Estonia, Tallinn	Holding
SIA Merks Mājas	100	-	-	Latvia, Riga	Real estate
SIA Ropažu Priedes	100	-	-	Latvia, Riga	Real estate
SIA Zakusala Estates	100	-	-	Latvia, Riga	Real estate

	Ownership and voting rights %			Location	Area of operation
	30.06.2024	30.06.2023	31.12.2023		
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
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 6 months	2023 6 months	2023 12 months
Provided services and goods sold			
Parent company	-	6	6
Joint ventures	3,100	14,280	26,708
Entities under common control	19,576	44,029	82,058
Members of the management	-	108	161
Total services provided and goods sold	22,676	58,423	108,933
Interest income			
Joint ventures	13	136	215
Purchased services and goods			
Parent company	-	49	49
Joint ventures	1	45	268
Entities under common control	40	36	75
Total purchased services and goods	41	130	392
Interest expense			
Parent company	-	30	30
Entities under common control	130	161	362
Other related parties	-	1	1
Total interest expense	130	192	393

BALANCES WITH RELATED PARTIES

in thousand euros

	30.06.2024	30.06.2023	31.12.2023
Receivables from related parties			
Loans granted (Notes 6,8)			
Joint venture	-	3,000	-
Receivables and prepayments (Note 6)			
Parent company	-	3	-
Joint ventures	74	2,933	1,852
Entities under common control	4,365	10,697	8,862
Members of the management	-	-	29
Total receivables and prepayments	4,439	13,633	10,743
Total receivables from related parties	4,439	16,633	10,743

	30.06.2024	30.06.2023	31.12.2023
Payables to related parties			
Lease liabilities (Note 12)			
Entities under common control	187	227	216
Short-term loans received (Note 12)			
Entities under common control	-	6,000	6,000
Other related parties	-	55	-
Total Short-term loans received	-	6,055	6,000
Payables and prepayments (Note 13)			
Joint ventures	-	9	142
Entities under common control	16	2,474	31
Members of the management	-	40	-
Other related parties	-	1	-
Total payables and prepayments	16	2,484	173
Total payables to related parties	203	8,766	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 6 months of 2024 were EUR 1,036 thousand (6 months of 2023: EUR 645 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 6 months of 2024, the Management Board members of AS Merko Ehitus did not receive benefits (6 months of 2023: EUR 0). In 2023, a member of the management was paid the compensation for non-competition observance in the amount of one year's service fee, 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 30.06.2024:

		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 30.06.2024:

		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.

	30.06.2024	30.06.2023	31.12.2023
Performance period's warranty to the customer	36,073	26,015	39,359
Tender warranty	6,580	34	32
Guarantee for warranty period	27,292	24,055	27,194
Prepayment guarantee	25,567	-	31,466
Payment guarantee	57	-	-
Letter of credit	159	-	-
Contracts of surety	2,037	500	500
Total contingent liabilities	97,765	50,604	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	=	$\frac{\text{Share price 30.06}}{\text{Earnings per share of the current 4 quarters}}$
P/B	=	$\frac{\text{Share price 30.06}}{\text{Equity per share (average of the current 4 quarters)}}$
Market value	=	Share price 30.06 x Number of shares