



# AS MERKO EHITUS

## GROUP

### 2025 3 months consolidated unaudited interim report

Business name:	AS Merko Ehitus
Main activities:	Holding companies General contracting of construction Real estate development
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Financial year:	01.01.2025 – 31.12.2025
Reporting period:	01.01.2025 – 31.03.2025
Supervisory Board:	Toomas Annus, Indrek Neivelt, Kristina Siimar
Management Board:	Ivo Volkov, Tõnu Toomik, Urmas Somelar
Auditor:	AS PricewaterhouseCoopers

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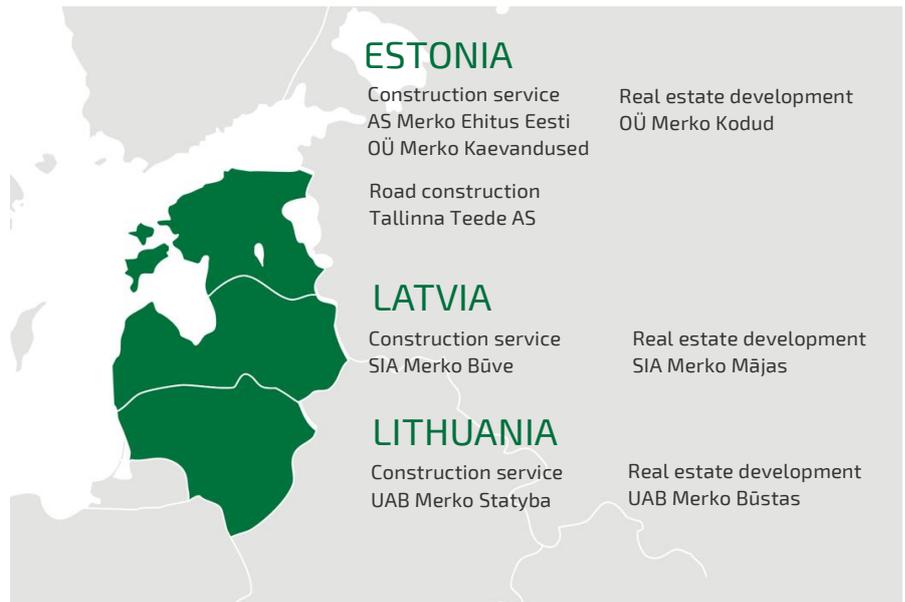
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# BRIEF OVERVIEW OF THE GROUP

**Companies in the Merko Ehitus group develop real estate, construct buildings and infrastructure.**

**We operate in Estonia, Latvia and Lithuania. We create a better living environment and build the future.**

We are the largest listed construction company and residential developer in the Baltics



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

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

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

## SHARES

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

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

## 2024 KEY FIGURES

Revenue **539.0 million** euros    Net profit **64.7 million** euros    **605** 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 posted revenue of EUR 85.2 million and net profit of EUR 10.5 million in Q1 2025. Real estate development accounted for 30% of the group's Q1 revenue, having more than doubled in this category compared to the same period a year ago.

According to the management of Merko Ehitus, the results of the first quarter are characterised primarily by increased activity on the real estate market in Lithuania and increase in sales from real estate development, as well as by the continuing realisation of the strong construction services portfolio and the completion of some projects ahead of schedule.

The real estate market has clearly improved in Lithuania compared to last year. Although the sale of new apartments is not up significantly in Estonia, Merko has increased its market share there as well. Whereas real estate development accounted for 16% of the group's revenue in Q1 of 2024, this year it provided close to 30%. The low comparison base in terms of sales volumes in 2024 should however be borne in mind. Apartment buyers are currently preferring finished apartments or ones that will be ready in the short term, with significantly less appetite for signing contracts for units in projects yet to be launched. As a result, the balance of the group's apartment is kept at slightly higher levels than previous years.

In Q1, the group's companies signed a significantly higher volume of new construction contracts compared to last year. Although the balance of secured order-book is lower than in Q1 of 2024, Merko portfolio is strong and comparable with 2022 volumes. The largest projects in progress are wind farms' infrastructure and national defence projects in Lithuania, the Vārme solar park in Latvia and City Plaza 2 office building in Tallinn, as well as the interior work on the 28-storey building in the Arter Quarter, where Swedbank will move its headquarters. In recent months, Merko has submitted the best or winning bids at several large public procurements, but due to the complexity of the projects, the customers have not yet made the final decisions. Merko group concluded new construction contracts worth EUR 50.6 million in Q1 of 2025, compared to EUR 10.5 million in the same period in 2024. The secured order-book stood at EUR 332 million at the end of the first quarter.

In Q1 of 2025, Merko delivered 121 apartments and one commercial unit to buyers in Estonia, Latvia and Lithuania, compared to 59 apartments and seven commercial units in the first quarter of last year. Revenue from real estate development was EUR 26 million in Q1 of 2025 compared to EUR 13 million in Q1 of 2024. In Q1 2025, Merko launched Allveelaeva 2 residential development in Tallinn and Šnipiškių Urban in Vilnius. The largest developments under construction were Uus-Veerenni, Noblessner and Lahekalda in Tallinn, Erminurme in Tartu; Lucavsala, Arena Garden Towers, Viesturdārzs, Mežpilsēta and Magnolijas in Riga; and Vilnelės Skverai in Vilnius.

The largest projects under way in Q1 of 2025 in Estonia were the Hyatt hotel building, Arter Quarter, the City Plaza 2 office building in Tallinn, the national defence building in Tartu, the first stage of the Ülemiste multimodal transport junction for Rail Baltica and the fourth stage of the mainline of the Rail Baltica. In Lithuania, the largest ones were wind farm infrastructure projects in the Pagėgiai, Telšiai and Pasvalys regions and various national defence buildings and infrastructures. In Latvia, a solar energy park in Vārme Municipality and a student hotel in Rīga were under construction.

**2025 3M  
REVENUE**  
**85 MILLION EUROS**

**PROFIT  
BEFORE TAX**  
**11.6 MILLION EUROS**

## OVERVIEW OF THE 3 MONTHS RESULTS

### PROFITABILITY

2025 3 months' pre-tax profit was EUR 11.6 million (3M 2024: EUR 5.2 million), which brought the pre-tax profit margin to 13.6% (3M 2024: 6.4%).

Net profit attributable to shareholders for 3 months 2025 was EUR 10.5 million (3M 2024: EUR 4.4 million) and 3 months net profit margin was 12.3% (3M 2024: 5.5%).

### REVENUE

2025 3 months' revenue was EUR 85.2 million (3M 2024: EUR 81.2 million). 3 months' revenue increased by 5.0% compared to same period last year. The share of revenue earned outside Estonia in 3 months 2025 was 45.6% (3M 2024: 62.3%).

### SECURED ORDER BOOK

As of 31 March 2025, the group's secured order book was EUR 331.9 million (31 March 2024: EUR 419.0 million). In 3 months 2025, group companies signed contracts in the amount of EUR 50.6 million (3M 2024: EUR 10.5 million).

### REAL ESTATE DEVELOPMENT

In 3 months 2025, the group sold a total of 121 apartments; in 3 months 2024, the group sold 59 apartments. The group earned a revenue of EUR 24.7 million from sale of own developed apartments in 3 months 2025 and EUR 10.8 million in 3 months 2024.

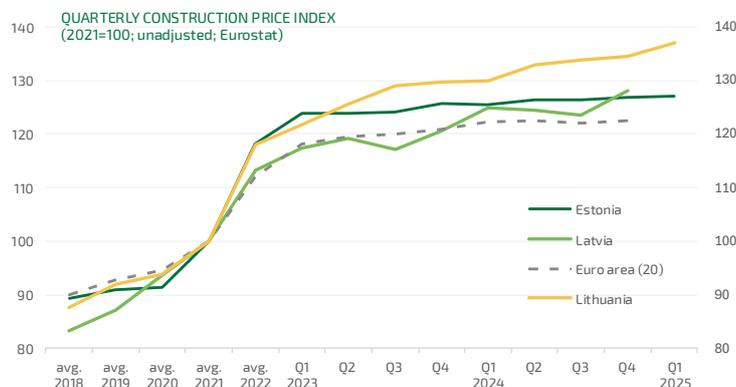
### CASH POSITION

At the end of the reporting period, the group had EUR 78.5 million in cash and cash equivalents, and equity of EUR 264.7 million (61.0% of total assets). Comparable figures as of 31 March 2024 were EUR 88.4 million and EUR 216.6 million (50.8% of total assets), respectively. As of 31 March 2025, the group's net debt was negative EUR 53.4 million (31 March 2024: negative EUR 39.6 million).

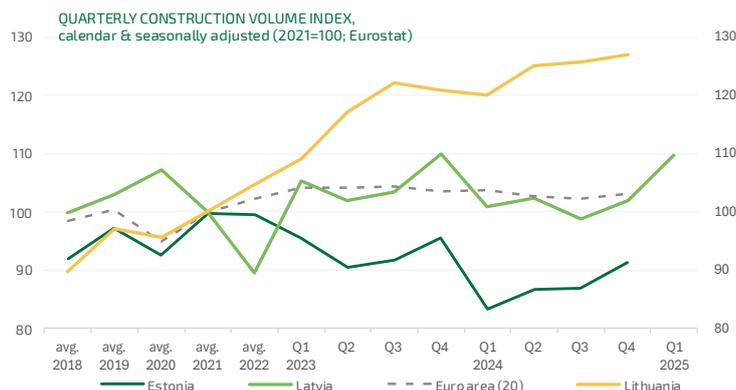
# OUTLOOK OF CONSTRUCTION AND REAL ESTATE MARKET

## CONSTRUCTION SERVICES

In the first quarter of the current year, the trend continued whereby the overall construction price index remained in slight growth, driven primarily by the rising cost of labour, fuelled further by persistent inflation. The prices of construction materials have, in some cases, declined depending on demand for specific materials. Construction prices in Lithuania continue to rise more rapidly – a more active market and stronger demand clearly distinguish Lithuania from Estonia and Latvia. Looking ahead to 2025, we maintain our forecast that upward pressure on prices will remain predominant, especially in the labour cost component. Any temporary decreases are expected to occur primarily in the area of construction materials, reflecting temporarily lower demand for specific materials in particular markets. The volumes of construction in the defence and renewable energy sectors remain significant enough to prevent a broad-based decline in prices. Competition in the construction market is high, and public sector orders will dominate throughout 2025. The tax increases already implemented this year, as well as those forthcoming, are expected to be largely passed on to clients through higher construction service prices. However, in the private sector segment, clients have started requesting fixed-price offers again, following the widespread use of indexed-price contracts prompted by the sharp price increases in 2021–2022. Developments in the road construction segment may diverge, as the concentrated tenders for Rail Baltica could leave some road builders with very thin order books for 2025 and unexpectedly weak market positions.



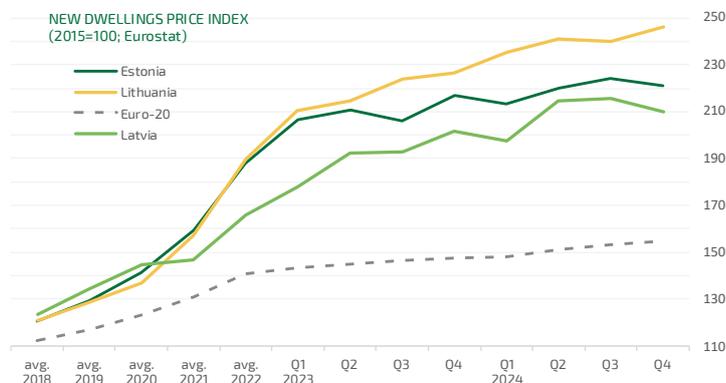
As of the preparation of this report, data on Q1 construction volumes had not been released. We guess that it is likely that actual construction volumes for Rail Baltica still fall short of expectations in both Estonia and Latvia. Additionally, the volume of work in the road construction segment remains low. The defence and renewable energy sectors have shown high volumes across all Baltic countries, with Lithuania standing out in particular. It is difficult to forecast the total construction volume for the full year, as the high share of public sector orders has increased the dependency of actual project volumes on changes in budgetary capacities and potential disputes over procurement outcomes. We believe broad-based growth in the Baltic region is unlikely in 2025, as weakness in the road construction and commercial real estate segments will continue to exert a negative impact that public sector orders will not be able to fully offset.



Based on the latest economic forecasts released, we expect modest growth in the first half of 2025 in the Baltics as a whole, supported by strong defence and renewable energy investments. However, this growth will still be constrained by limited private sector investment in commercial real estate construction.

## DEVELOPMENT OF APARTMENTS

The real estate market stabilised in 2024 and demonstrated healthy growth in the second half of the year compared to 2023. Although first-quarter data for 2025 has not yet been released, there is a strong sense that the recovery has continued, maintaining high transaction volumes and more active markets compared to the same period last year. While consumer uncertainty continues to dampen the housing market to some extent, there are clear signs of revival in the new housing market in both Vilnius and Tallinn. This has enabled residential developers to launch new projects. We expect the price index for new housing to continue rising in 2025, reflecting the gradual implementation of new requirements in energy efficiency, safety, and civil protection.



In general terms, prices are expected to remain stable, with growth in line with inflation. Market activity in Estonia will be influenced by taxes that have come into force and those still to come. In Lithuania, the easing of the construction permit bottleneck will play a role, while across the Baltic countries, the level of economic confidence among residents will be a key factor. The limited impact of interest rate reductions on construction prices means developers are unlikely to lower their sale prices. Furthermore, the rising tax burden is expected to offset most of the positive demand effects from lower interest rates.

## BUSINESS ACTIVITIES

The group business reporting is divided into two business segments:

- construction service;
- real estate development.

### CONSTRUCTION SERVICE

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

million EUR

	3M 2025	3M 2024	VARIANCE	12M 2024
Revenue	59.1	68.0	-13.1%	474.6
% of total revenue	69.3%	83.7%		88.0%
Operating profit	3.7	3.0	+24.1%	59.4
Operating profit margin	6.3%	4.4%		12.5%

In the 3 months of 2025, the revenue of the construction service segment was EUR 59.1 million (3M 2024: EUR 68.0 million). The sales revenue of construction service has decreased by 13.1% compared to the same period last year. The construction service segment revenue for 3 months 2025 made up 69.3% of the group's total revenue (3M 2024: 83.7%). In this segment, the group earned an operating profit of EUR 3.7 million for 3 months (3M 2024: EUR 3.0 million). The operating profit margin was 6.3% (3M 2024: 4.4%). The operating profit margin was mainly affected by faster-than-expected progress in contract execution and the resulting savings in site costs, as well as successful tactics and actions in mitigating material and subcontracting price risks.

Larger projects in progress in the first quarter in construction service segment in Estonia included the office building City Plaza 2, Hyatt hotel building, Arter Quarter in Tallinn, the national defence building in Tartu, the first phase of Rail Baltic's Ülemiste terminal as well as the fourth stage of Rail Baltica Harjumaa main line section. In Lithuania, larger projects were construction of wind farm infrastructure works in Pagėgiai, Telšiai and Pasvalys regions and 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 and student hotel in Riga.

### 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

	3M 2025	3M 2024	VARIANCE	12M 2024
Revenue	26.2	13.2	+97.9%	64.5
incl. revenue from sale of apartments	24.7	10.8		58.9
% of total revenue	30.7%	16.3%		12.0%
Operating profit	7.0	1.6	+325.2%	16.5
Operating profit margin	26.6%	12.4%		25.5%

In 3 months 2025, the group sold a total of 121 apartments (incl. 2 apartments in a joint venture) and 1 commercial premise; in 3 months 2024, 59 apartments (incl. 12 apartments in a joint venture) and 7 commercial premises (incl. 6 in a joint venture). The group earned a revenue of EUR 24.7 million (VAT not included) from sale of developed apartments in 3 months 2025 and EUR 10.8 million in 3 months 2024. In the revenue and operating profit of the real estate development segment also are reflected the sales of commercial premises and parking spaces of the real estate development projects, one-off profit from the sale of real estate and the result of public-private-partnership contracts, based on which the group companies provide property management services for earlier constructed buildings. For development projects in joint venture, the profit from development gained from sale of those apartments to end-customers is recognised in the group's reporting based on the equity method.

In 3 months of 2025, real estate development segment revenues increased by 97.9% compared to the same period last year and formed 30.7% of the group's total revenue (3 months of 2024: 16.3%).

The segment's operating profit for the 3 months of 2025 amounted to EUR 7.0 million (3 months of 2024: EUR 1.6 million) and the operating profit margin was 26.6% (3 months of 2024: 12.4%). 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 3 months of 2025, the group launched the construction of a total of 312 new apartments in the Baltic states (3 months of 2024: 112 apartments). In the 3 months, the group invested a total of EUR 10.0 million (3 months of 2024: EUR 11.6 million) in the ongoing development projects.

After the reporting date, the group has started the construction of 318 apartments in the fourth stage of the Vilneles Skverai residential project in Vilnius.

One of the group's objectives is to keep a sufficient portfolio of land plots to ensure stable inventory of property development projects, which considers the market conditions. As of 31 March 2025, the group's inventories included land plots with development potential, where the construction works have not started, in the amount of EUR 87.8 million (31.03.2024: EUR 88.1 million).

#### GROUP'S INVENTORIES WITH DEVELOPMENT POTENTIAL BY COUNTRY

million EUR

	31.03.2025	31.03.2024	31.12.2024
Estonia	30.9	31.5	30.9
Latvia	23.3	23.7	23.0
Lithuania	32.2	31.5	32.4
Norway	1.4	1.4	1.4
<b>Total</b>	<b>87.8</b>	<b>88.1</b>	<b>87.7</b>

In 3 months of 2025, the group has obtained new land plots for real estate development purposes worth EUR 7.3 million (3 months of 2024: not acquired new land plots).

## SECURED ORDER BOOK

As of 31 March 2025, the group's secured order book amounted to EUR 331.9 million, compared to EUR 419.0 million as of 31 March 2024, having decreased by 20.8% in the annual comparison. The secured order book excludes the group's own residential development projects and construction works related to developing real estate investments.

In 3 months of 2025, EUR 50.6 million worth of new contracts were signed, which is EUR 40.0 million more compared to the same period of the previous year (3 months of 2024: EUR 10.5 million).

#### LARGEST CONSTRUCTION CONTRACTS SIGNED IN THE FIRST QUARTER OF 2025

BRIEF DESCRIPTION OF CONTRACT	COUNTRY	COMPLETION TIME	VALUE MILLION EUR
Construction contract for the construction of the Tallinn Hobby Centre Kullo located at Mustamäe tee 59, Tallinn	Estonia	December 2026	24.9

As of 31 March 2025, the private sector orders accounted for approximately 44% of the total balance in the group's secured order book (31.03.2024: approximately 53%). The growth in the public sector's share is primarily driven by defence-related contracts and renewable energy projects undertaken by state-owned energy companies. Private sector clients remain cautious, assessing profitability conservatively and viewing risks as high in the context of weak economic growth. Planned high-priority public sector investments are proceeding despite the factors holding back the private sector.

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

## CASH FLOWS

At the end of reporting period, the group had cash and cash equivalents in the amount of EUR 78.5 million (31.03.2024: EUR 88.4 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 51.1 million, of which almost all was unused (31.03.2024: EUR 57.0 million, of which EUR 52.9 million was unused).

The 3-month cash flow from operating activity was positive at EUR 2.5 million (3 months of 2024: positive EUR 16.6 million), cash flow from investing activity was negative at EUR 7.5 million (3 months of 2024: positive EUR 0.6 million) and the cash flow from financing activity was negative at EUR 8.3 million (3 months of 2024: negative EUR 6.2 million).

The cash flow from operating activities had positive effect from EBITDA of EUR 10.6 million (3 months of 2024: positive effect of EUR 4.9 million) and from the change in trade and other receivables related to operating activities of EUR 13.6 million (3 months of 2024: positive effect of EUR 9.4 million). The negative effects to cash flow from operating activities came from the changes in receivables and liabilities related to construction contracts of EUR 3.3 million (3 months 2024: positive effect of EUR 13.1 million, from the changes in trade and other payables related to operating activities of EUR 9.9 million (3 months of 2024: negative effect of EUR 4.4 million) and from the change in the provisions of EUR 5.9 million (3 months of 2024: negative effect of EUR 3.9 million) as well from the change in inventories of EUR 1.2 million (3 months of 2024: negative effect of EUR 1.0 million). The cash flows from inventories are mainly affected by the construction and sales cyclicity of developed apartments: the negative cash flow is due to the increase in the volume of inventories related to the construction of apartments, then the positive cash flow is due to the decrease in inventories at the sale of the apartments. Interest was paid EUR 0.3 million (3 months of 2024: EUR 0.7 million) and corporate income tax was paid at EUR 1.0 million (3 months of 2024: EUR 0.4 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 (5.8% as of 31.03.2025; 11.5% as of 31.03.2024; 7.5% as of 31.12.2024).

Cash flows from investing activities include negative effect from the acquisition of non-current assets in the amount of EUR 0.9 million (3 months of 2024: EUR 0.1 million) as well from the net change in short-term deposits of EUR 7.0 million (3 months of 2024: EUR 0). The positive impact in cash flows from investing activities came from interest received from banks EUR 0.4 million (3 months of 2024: EUR 0.5 million).

In cash flows from financing, the larger negative factors were the repayments of lease liabilities in the amount of EUR 0.3 million (3 months of 2024: net negative cash flow of EUR 0.3 million) and the change in loans related to net amount of loans received and repaid of project specific loans obtained using investment property as collateral in the amount of EUR 0.4 million (3 months of 2024: negative cash flow in the net amount of EUR 0.4 million), from the net change in loans received and repaid in connection with development projects in the amount of EUR 0.6 million (3 months of 2024: net negative cash flow of EUR 7.2 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 7.0 million (3 months of 2024: net positive cash flow of EUR 1.7 million).

## RATIOS

(attributable to equity holders of the parent)

<b>INCOME STATEMENT SUMMARY</b>		<b>3M 2025</b>	<b>3M 2024</b>	<b>3M 2023</b>	<b>12M 2024</b>
Revenue	million EUR	85.2	81.2	75.8	539.0
Gross profit	million EUR	14.9	8.9	10.0	95.9
Gross profit margin	%	17.5	10.9	13.2	17.8
Operating profit	million EUR	9.9	4.0	5.7	72.5
Operating profit margin	%	11.6	5.0	7.5	13.4
Pre-tax profit	million EUR	11.6	5.2	6.1	76.4
Pre-tax profit margin	%	13.6	6.4	8.0	14.2
Net profit	million EUR	10.5	4.4	5.8	64.6
attributable to equity holders of the parent	million EUR	10.5	4.4	5.9	64.7
attributable to non-controlling interest	million EUR	-	(0.0)	(0.1)	(0.1)
Net profit margin	%	12.3	5.5	7.8	12.0
<b>Other income statement indicators</b>		<b>3M 2025</b>	<b>3M 2024</b>	<b>3M 2023</b>	<b>12M 2024</b>
EBITDA	million EUR	10.6	4.9	6.4	75.7
EBITDA margin	%	12.5	6.0	8.5	14.0
General expense ratio	%	6.5	6.4	6.7	5.0
Labour cost ratio	%	13.1	14.8	14.9	9.8
Revenue per employee	thousand EUR	143	134	118	882

<b>OTHER SIGNIFICANT INDICATORS</b>		<b>31.03.2025</b>	<b>31.03.2024</b>	<b>31.03.2023</b>	<b>31.12.2024</b>
Return on equity	%	29.5	21.9	21.5	28.4
Return on assets	%	16.1	11.1	9.7	14.8
Return on invested capital	%	31.2	20.5	15.5	29.8
Assets	million EUR	433.7	426.1	380.2	447.1
Equity	million EUR	264.7	216.4	189.5	254.3
Equity attributable to equity holders of the parent	million EUR	264.7	216.6	190.1	254.3
Equity ratio	%	61.0	50.8	50.0	56.9
Debt ratio	%	5.8	11.5	22.9	7.5
Current ratio	times	2.6	2.1	2.0	2.1
Quick ratio	times	1.1	0.9	0.4	0.9
Accounts receivable turnover	days	42	42	33	43
Accounts payable turnover	days	47	40	54	46
Average number of employees	people	594	608	643	611
Secured order book	million EUR	331.9	419.0	412.2	340.6

Ratio definitions are provided on page 36 of the report.

## RISK MANAGEMENT

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

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

### Legal risk

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

As of 31 March 2025, a provision has been set up at the group in the amount of EUR 0.4 million for covering potential claims and legal costs (31.03.2024: EUR 2.6 million).

Below is presented an overview of the key legal disputes and proceedings, which have taken place or ended during 2025 or are ongoing as of 31 March 2025 and which concern group entities is presented:

### Estonia

#### Appeal for the revocation of the order of the Minister of the Environment

The court cases in connection with Minister of the Environment regulation No 22 of 27 March 2015, which redrew the boundaries of species protection sites to exclude properties on Paekalda street owned by AS Merko Ehitus subsidiaries. On 2 February 2016, AS Merko Ehitus group companies filed a complaint in Tallinn Administrative Court for compensation of damage. The claims consist of direct patrimonial damage (reduction in the value of immovable property and expenditures made on development activity) and claims for revenue foregone (failed development activity in 2006-2015). By a decision of 5 March 2021, the Supreme Court sent the appeal regarding the claim for compensation for direct property damage caused by the lawful activities of the Republic of Estonia to the Tallinn Administrative Court for reconsideration. In its decision of 19 April 2024, Tallinn Administrative Court rejected the complaint. The court ruled that the value of the disputed immovable properties has not significantly dropped. OÜ Merko Kodud appealed to Tallinn Circuit Court. The Tallinn Circuit Court dismissed the appeal by its decision of 30 April 2025 and left the resolution of the Tallinn Administrative Court's decision of 19 April 2024 unchanged. The decision has not entered into force. 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. The cassation appeal has been accepted and respective proceedings started, yet at the time of the preparation of the report there is no additional information about the deadlines and actions of the proceedings.

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

SIA Merks was sold with sufficient provisions to cover a potential fine.

## EMPLOYEES AND LABOUR COSTS

As of 31 March 2025, Merko Ehitus group employed 604 people (including temporary and part-time staff). Compared to the same period last year, the number of group's employees decreased by 17 (-2.7%). The number of employees decreased in Estonia, Lithuania and Norway, and increased in Latvia.

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

The group defines labour cost as salary (incl. fixed salary, additional pay, holiday pay, and performance pay), taxes based on salary, fringe benefits and taxes on fringe benefits. In 3 months 2025, the labour cost was EUR 11.1 million (3 months 2024:

EUR 12.0 million), which decreased by 7.2% compared to the same period previous year and the labour cost ratio decreased by 1.7 pp from 14.8% to 13.1% 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/](https://group.merko.ee/en/corporate-responsibility/).

## SHARE AND SHAREHOLDERS

### INFORMATION ON SECURITY

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

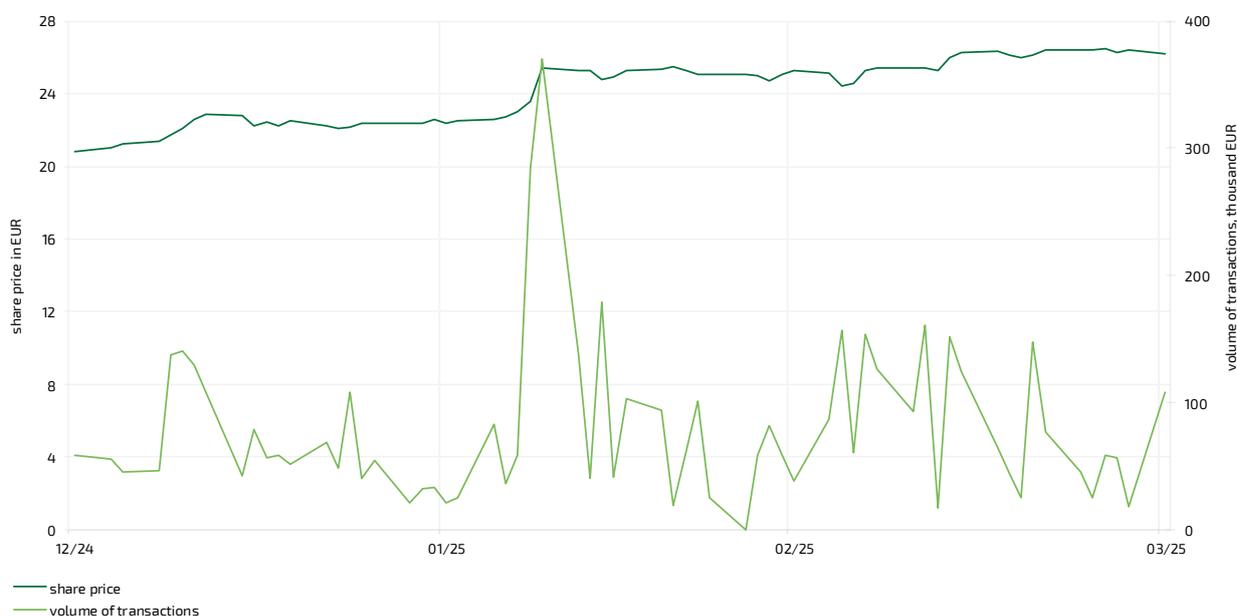
The shares of Merko Ehitus are listed in the Main List of Nasdaq Tallinn. As of 31 March 2025, the company has 17,700,000 shares. The number of shares has not changed during 2025.

A total of 6,848 transactions were conducted with the shares of Merko Ehitus in 3 months of 2025, with 0.21 million shares (1.2% of total shares) traded, generating a turnover of EUR 5.1 million (comparable figures in 3 months 2024 were accordingly: 5,983 transactions with 0.17 million shares traded (0.9% of total shares), generating a turnover of EUR 2.7 million). The lowest value-per-share transaction was recorded at the price of EUR 20.90 and the highest at EUR 26.50 per share (3 months of 2024: EUR 15.10 and EUR 16.56, accordingly). On 31 March 2025, the closing price of the share was EUR 26.20 (31.03.2024: EUR 16.50). As of 31 March 2025, by the Nasdaq Baltic stock exchange, the market capitalisation of AS Merko Ehitus was EUR 463.7 million, which has increased by 58.8% compared to the end of the equivalent period of the prior year (31.03.2024: EUR 292.1 million).

	31.03.2025	31.03.2024	31.03.2023	31.12.2024
Number of shares	17,700,000	17,700,000	17,700,000	17,700,000
Earnings per share (EPS), euros	0.59	0.25	0.33	3.65
Equity per share, euros	13.56	11.48	9.85	12.88
P/B ratio	1.93	1.44	1.58	1.62
P/E ratio	6.56	6.55	7.33	5.71
Market value, million EUR	463.7	292.1	275.1	369.0

Ratio definitions are provided on page 36 of the report.

### CHANGE IN THE PRICE AND TRANSACTION VOLUME OF MERKO EHITUS SHARE AT NASDAQ TALLINN STOCK EXCHANGE IN 2025



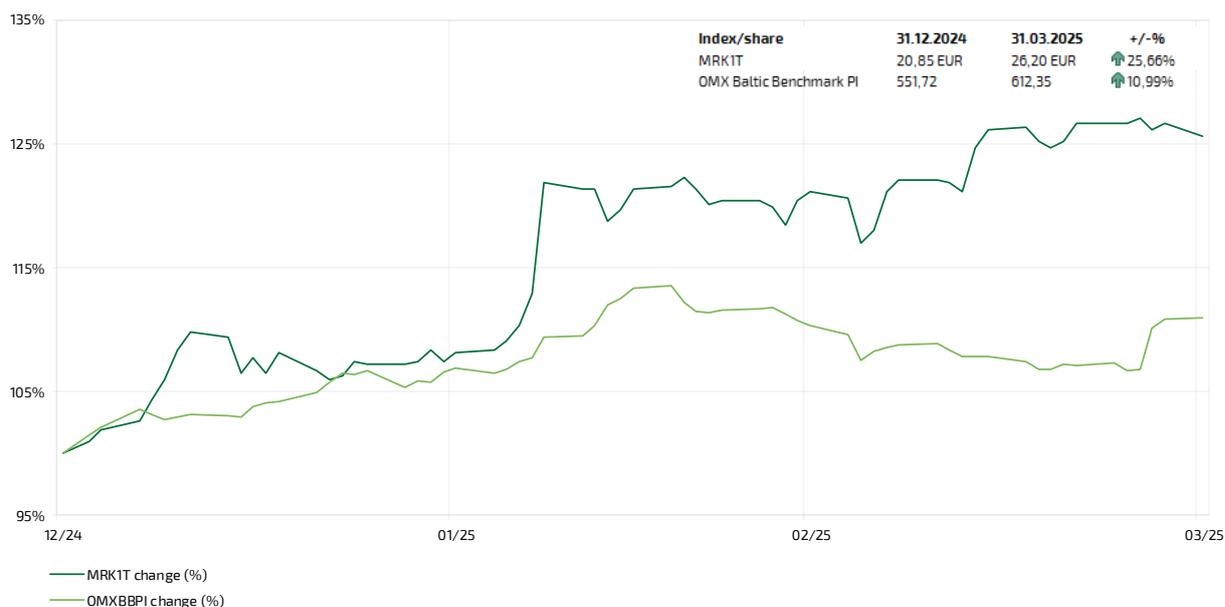
## STRUCTURE OF SHAREHOLDERS ACCORDING TO NUMBER OF SHARES AS OF 31.03.2025

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF SHARES	% OF SHARES
1,000,001 - ...	1	0.01%	12,742,686	71.99%
100,001 – 1,000,000	6	0.05%	1,355,955	7.66%
10,001 – 100,000	46	0.36%	1,005,246	5.68%
1,001-10,000	526	4.08%	1,401,523	7.92%
101-1,000	2,833	21.96%	949,381	5.36%
1-100	9,489	73.54%	245,209	1.39%
<b>Total</b>	<b>12,901</b>	<b>100%</b>	<b>17,700,000</b>	<b>100%</b>

## SHAREHOLDERS OF AS MERKO EHITUS AS OF 31.03.2025 AND CHANGE COMPARED TO THE PREVIOUS QUARTER

	NUMBER OF SHARES	% OF TOTAL 31.03.2025	% OF TOTAL 31.12.2024	CHANGE
AS Riverito	12,742,686	71.99%	71.99%	-
OÜ Midas Invest	413,500	2.34%	2.43%	(16,000)
Firebird Republics Fund Ltd	356,335	2.01%	2.01%	-
Firebird Avrora Fund Ltd	212,328	1.20%	1.18%	4,150
OÜ Alar Invest	136,000	0.77%	0.77%	-
Clearstream Banking AG	119,549	0.68%	0.67%	1,016
Firebird Fund L.P.	118,243	0.67%	0.67%	-
Siseinfo OÜ	100,000	0.56%	0.56%	-
Hans Palla	61,000	0.34%	0.34%	-
Alforme OÜ	50,000	0.28%	0.28%	-
<b>Total largest shareholders</b>	<b>14,309,641</b>	<b>80.85%</b>	<b>80.91%</b>	<b>(10,834)</b>
Total other shareholders	3,390,359	19.15%	19.09%	10,834
<b>Total</b>	<b>17,700,000</b>	<b>100%</b>	<b>100%</b>	<b>-</b>

## PERFORMANCE OF THE SHARE OF MERKO EHITUS AND COMPARISON INDEX OMX BALTIC BENCHMARK PRICE INDEX IN 2025



## DIVIDENDS AND DIVIDEND POLICY

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

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

On 15 May 2025, the shareholders of AS Merko Ehitus approved the Supervisory Board's proposal to the shareholders to pay out the total amount of EUR 33.6 million (EUR 1.90 per share) as dividends from net profit brought forward, which is equivalent to a 52% dividend rate and an 9.1% dividend yield for the year 2024 (using the share price as of 31 December 2024). Comparable figures in 2024 were accordingly: EUR 23.0 million (EUR 1.30 per share) as dividends, which is equivalent to a 50% dividend rate and an 8.5% dividend yield for the year 2023 (using the share price as at 31 December 2023).

## CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE AND STRUCTURE

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

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

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

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

As of 31 March 2025, the management structure is as follows:



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

### GROUP'S LEGAL STRUCTURE

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

#### *Changes in the legal structure of the group*

On 25 September 2024, Merko Ehitus group's 100% subsidiaries OÜ Merko Ehitus Ventures and AS Merko Ehitus Eesti signed an agreement, according to which 50% of the share in AS Connecto Infra (ex- AS Connecto Eesti), so far owned by Merko Ehitus Eesti, will be transferred to OÜ Merko Ehitus Ventures through the division. The balance sheet date of the division shall be 1 January 2025. The division entered into force on 16 January 2025 with an entry in the commercial register.

On 30 January 2025, the 50% joint ventures of AS Merko Ehitus Ventures — AS Connecto Infra and OÜ Connecto Varad — signed a notarised demerger agreement, under which AS Connecto Infra transferred the part of its business related to electricity infrastructure construction, OÜ Connecto Eesti (formerly OÜ Connecto Võrgud), to OÜ Connecto Varad. The demerger balance sheet date is 1 April 2025. The demerger took effect with an entry in the commercial register on 21 April 2025.

After the balance sheet date, the 50% shareholders of OÜ Connecto Varad — OÜ Aardekapp and OÜ Merko Ehitus Ventures — signed a resolution to increase the company's share capital. The increase in the share capital of OÜ Connecto Varad will be paid for by a non-monetary contribution, consisting of shares in AS Connecto Infra.

## GENERAL MEETING OF SHAREHOLDERS

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

The annual general meeting of shareholders was held on 15 May 2025. The general meeting resolved to approve the annual report and the profit allocation proposal for 2024. The dividends in the sum of EUR 33.6 million (EUR 1.90 per share) will be paid out to the shareholders on 2 June 2025.

The general meeting confirmed three-member Supervisory Board until 06.05.2026 and elected Kristina Siimar as the members of the Supervisory Board, for a term of office until 16 May 2028 (inclusive).

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

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

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

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

Annual and extraordinary general meeting of shareholders shall be chaired by an independent person. In 2025, the general meeting was chaired by groups' Head of Finance Urmas Somelar who introduced the procedure for conducting the general meeting and the procedure of asking questions from the Management Board and Supervisory Board about the company's activities.

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

The annual general meeting of shareholders of AS Merko Ehitus held in 2025 was attended by Ivo Volkov (Chairman of the Management Board), Tõnu Toomik (Member of the Management Board), Urmas Somelar (Head of Finance) and Jüri Koltsov (Auditor). The Supervisory Board was represented by Indrek Neivelt, per agreement between the members of the Supervisory Board.

## SUPERVISORY BOARD

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

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

As of 31 March 2025, the Supervisory Board of AS Merko Ehitus had three members: Toomas Annus (Chairman), Indrek Neivelt and Kristina Siimar, of whom, in accordance with the requirements of the Corporate Governance Recommendations, Kristina Siimar and Indrek Neivelt were independent members.

## MANAGEMENT BOARD

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

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

As of 31 March 2025, the Management Board of AS Merko Ehitus had three members: Mr. Ivo Volkov (Chairman), Mr. Tõnu Toomik and Mr. Urmas Somelar.

The responsibilities of Ivo Volkov, Chairman of the Management Board, include, among others, fulfilling daily obligations of the CEO of AS Merko Ehitus, managing and representing the company, ensuring compliance with the Articles of Association, legal acts, organising the work of the Management Board and supervisory boards of the more important subsidiaries, coordinating the development of strategies and providing for their implementation, being responsible for strategic business development and finance. Tõnu Toomik is responsible for the management of the portfolio of properties and coordination of construction and development segments activities across the whole group. Urmas Somelar is responsible for the financial management, investor relations and compliance.

## SUPERVISORY AND MANAGEMENT BOARDS OF SUBSIDIARIES

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

Below are the supervisory boards and management boards of the significant subsidiaries that are wholly-owned by AS Merko Ehitus as of 31 March 2025:

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

### *Changes in the management of group subsidiaries*

According to a decision of the Management Board of AS Merko Ehitus from 9 May 2025, the powers of the Member of the Supervisory Board of AS Merko Ehitus Eesti, Mr. Martin Rebane, have been extended until 10 May 2028. The Supervisory Board of AS Merko Ehitus Eesti will continue with four members: Mr. Ivo Volkov (the Chairman), Mr. Tõnu Toomik, Mr. Urmas Somelar and Mr. Martin Rebane.

## MANAGEMENT BOARD'S DECLARATION

Members of the Management Board of AS Merko Ehitus declare and confirm that the consolidated unaudited interim report for the 3 months of 2025, which consists of the management report and the interim financial statements, prepared according to the current International Financial Reporting Standards as adopted by the European Union, provides, to the best of their knowledge, a true and fair view of the development of business operations, assets, liabilities, financial position, results of the operations, cash flows, and profit or loss of AS Merko Ehitus and the consolidated undertakings as a whole, includes a description of the principal risks and uncertainties, and reflects transactions with related parties. The parent company and the companies, which are part of the consolidation group, are going concerns.

Ivo Volkov	Chairman of the Management Board	16.05.2025
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Tõnu Toomik	Member of the Management Board	16.05.2025
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Urmas Somelar	Member of the Management Board	16.05.2025
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# INTERIM FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited

in thousand euros

	Note	2025 3 months	2024 3 months	2024 12 months
Revenue	2	85,236	81,185	539,049
Cost of goods sold	3	(70,323)	(72,301)	(443,162)
<b>Gross profit</b>		<b>14,913</b>	<b>8,884</b>	<b>95,887</b>
Marketing expenses		(1,275)	(1,068)	(5,030)
General and administrative expenses		(4,275)	(4,142)	(21,908)
Other operating income		561	1,324	5,724
Other operating expenses		(41)	(953)	(2,190)
<b>Operating profit</b>		<b>9,883</b>	<b>4,045</b>	<b>72,483</b>
Finance income/costs		1,717	1,157	3,931
incl. finance income/costs from investments in subsidiaries		-	-	(5,087)
finance income/costs from joint ventures		1,501	1,568	9,951
interest expense		(210)	(655)	(1,823)
foreign exchange gain (loss)		115	(190)	(948)
other financial income (expenses)		311	434	1,838
<b>Profit before tax</b>		<b>11,600</b>	<b>5,202</b>	<b>76,414</b>
Corporate income tax expense		(1,140)	(818)	(11,820)
<b>Net profit for financial year</b>		<b>10,460</b>	<b>4,384</b>	<b>64,594</b>
incl. net profit attributable to equity holders of the parent		10,460	4,427	64,668
net profit attributable to non-controlling interest		-	(43)	(74)
<b>Other comprehensive income, which can subsequently be classified in the income statement</b>				
Currency translation differences of foreign entities		(59)	106	105
<b>Comprehensive income for the period</b>		<b>10,401</b>	<b>4,490</b>	<b>64,699</b>
incl. net profit attributable to equity holders of the parent		10,401	4,526	64,764
net profit attributable to non-controlling interest		-	(36)	(65)
Earnings per share for profit attributable to equity holders of the parent (basic and diluted, in EUR)	4	0.59	0.25	3.65

The notes set out on pages 24-35 are an integral part of these interim financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

unaudited

in thousand euros

	Note	31.03.2025	31.03.2024	31.12.2024
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	5	78,525	88,353	91,879
Short-term deposits		17,000	-	10,000
Trade and other receivables	6	62,815	58,929	51,419
Prepaid corporate income tax		105	6	270
Inventories	7	197,861	196,518	196,521
		<b>356,306</b>	<b>343,806</b>	<b>350,089</b>
<b>Non-current assets</b>				
Investments in joint ventures		23,072	23,483	21,571
Other shares and securities		80	80	80
Other long-term loans and receivables	8	19,044	20,427	40,196
Deferred income tax assets		4,830	4,998	5,056
Investment property	9	12,525	16,740	12,606
Property, plant and equipment	10	17,419	16,093	17,147
Intangible assets	11	388	487	350
		<b>77,358</b>	<b>82,308</b>	<b>97,006</b>
<b>TOTAL ASSETS</b>		<b>433,664</b>	<b>426,114</b>	<b>447,095</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowings	12	10,110	12,909	21,303
Payables and prepayments	13	114,153	134,216	129,786
Income tax liability		6,487	6,335	7,101
Short-term provisions	14	8,564	10,551	7,678
		<b>139,314</b>	<b>164,011</b>	<b>165,868</b>
<b>Non-current liabilities</b>				
Long-term borrowings	12	15,002	35,882	12,102
Deferred income tax liability		6,539	4,489	6,148
Other long-term payables	15	8,150	5,342	8,719
		<b>29,691</b>	<b>45,713</b>	<b>26,969</b>
<b>TOTAL LIABILITIES</b>		<b>169,005</b>	<b>209,724</b>	<b>192,837</b>
<b>EQUITY</b>				
Non-controlling interests		-	(191)	-
<b>Equity attributable to equity holders of the parent</b>				
Share capital		7,929	7,929	7,929
Statutory reserve capital		793	793	793
Currency translation differences		(100)	(739)	(41)
Retained earnings		256,037	208,598	245,577
		<b>264,659</b>	<b>216,581</b>	<b>254,258</b>
<b>TOTAL EQUITY</b>		<b>264,659</b>	<b>216,390</b>	<b>254,258</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>433,664</b>	<b>426,114</b>	<b>447,095</b>

The notes set out on pages 24-35 are an integral part of these interim financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

unaudited

in thousand euros

	Equity attributable to equity holders of the parent				Total	Non- control- ling interest	Total
	Share capital	Statutory reserve capital	Currency translation differences	Retained earnings			
<b>Balance as at 31.12.2023</b>	<b>7,929</b>	<b>793</b>	<b>(838)</b>	<b>204,171</b>	<b>212,055</b>	<b>(155)</b>	<b>211,900</b>
Profit (loss) for the reporting period	-	-	-	4,427	4,427	(43)	4,384
Other comprehensive income	-	-	99	-	99	7	106
<b>Total comprehensive income (loss) for the reporting period</b>	<b>-</b>	<b>-</b>	<b>99</b>	<b>4,427</b>	<b>4,526</b>	<b>(36)</b>	<b>4,490</b>
<b>Balance as of 31.03.2024</b>	<b>7,929</b>	<b>793</b>	<b>(739)</b>	<b>208,598</b>	<b>216,581</b>	<b>(191)</b>	<b>216,390</b>
<b>Balance as at 31.12.2024</b>	<b>7,929</b>	<b>793</b>	<b>(41)</b>	<b>245,577</b>	<b>254,258</b>	<b>-</b>	<b>254,258</b>
Profit (loss) for the reporting period	-	-	-	10,460	10,460	-	10,460
Other comprehensive income	-	-	(59)	-	(59)	-	(59)
<b>Total comprehensive income (loss) for the reporting period</b>	<b>-</b>	<b>-</b>	<b>(59)</b>	<b>10,460</b>	<b>10,401</b>	<b>-</b>	<b>10,401</b>
<b>Balance as at 31.03.2025</b>	<b>7,929</b>	<b>793</b>	<b>(100)</b>	<b>256,037</b>	<b>264,659</b>	<b>-</b>	<b>264,659</b>

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

*The notes set out on pages 24-35 are an integral part of these interim financial statements.*

# CONSOLIDATED CASH FLOW STATEMENT

unaudited

in thousand euros

	Note	2025 3 months	2024 3 months	2024 12 months
<b>Cash flows from operating activities</b>				
Operating profit		9,883	4,045	72,483
Adjustments:				
Depreciation and impairment		733	826	3,235
(Profit)/loss from sale of non-current assets		(26)	(186)	(2,916)
Change in receivables and liabilities related to construction contracts		(3,321)	13,065	6,302
Interest income from operating activities		(498)	(475)	(1,917)
Change in provisions		(5,931)	(3,928)	5,636
Change in trade and other receivables related to operating activities		13,573	9,384	826
Change in inventories		(1,208)	(1,033)	(1,860)
Change in trade and other payables related to operating activities		(9,915)	(4,378)	(14,044)
Interest received		518	475	1,900
Interest paid		(290)	(749)	(2,404)
Other finance income (costs)		(39)	(43)	(180)
Corporate income tax paid		(959)	(400)	(9,297)
<b>Total cash flows from operating activities</b>		<b>2,520</b>	<b>16,603</b>	<b>57,764</b>
<b>Cash flows from investing activities</b>				
Disposal of subsidiary		-	-	(4,303)
Acquisition of associate		-	-	(5)
Net change in purchase of deposits with maturities greater than 3 months		(7,000)	-	(10,000)
Purchase of investment property		(4)	-	(45)
Disposal of investment property		-	-	6,499
Purchase of property, plant and equipment (excl. leased assets)		(843)	(89)	(1,736)
Proceeds from sale of property, plant and equipment		26	261	612
Purchase of intangible assets		(76)	(10)	(140)
Interest received		352	476	2,017
Dividends received		-	-	10,300
<b>Total cash flows from investing activities</b>		<b>(7,545)</b>	<b>638</b>	<b>3,199</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings		3,256	2,406	18,701
Repayments of borrowings		(11,301)	(8,269)	(40,546)
Repayments of lease liabilities		(285)	(324)	(1,551)
Buyout of non-controlling interest		-	-	(33)
Dividends paid		-	-	(22,940)
<b>Total cash flows from financing activities</b>		<b>(8,330)</b>	<b>(6,187)</b>	<b>(46,369)</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>(13,355)</b>	<b>11,054</b>	<b>14,594</b>
Change of deposits with maturities greater than 3 months		7,000	-	10,000
Total change		(6,355)	11,054	24,594
<b>Cash and cash equivalents at the beginning of the period</b>	5	<b>91,879</b>	<b>77,330</b>	<b>77,330</b>
Deposits with maturities greater than 3 months at the beginning of period		10,000	-	-
Total at the beginning of the period		101,879	77,330	77,330
<b>Effect of exchange rate changes</b>		<b>1</b>	<b>(31)</b>	<b>(45)</b>
<b>Cash and cash equivalents at the end of the period</b>	5	<b>78,525</b>	<b>88,353</b>	<b>91,879</b>
Deposits with maturities greater than 3 months at the end of period		17,000	-	10,000
Total at the end of the period		95,525	88,353	101,879

The notes set out on pages 24-35 are an integral part of these interim financial statements.

# NOTES

## NOTE 1 ACCOUNTING POLICIES USED

The consolidated interim financial statements of the AS Merko Ehitus group for 3 months 2025 were prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" for condensed interim financial statements. The interim financial statements follow the same accounting principles and methods used in the 2024 financial statements. The accounting methods used to prepare the interim financial statements are in conformity with the International Financial Reporting Standards as they were adopted by the European Union. 2024 audited annual report and 2024 3 months unaudited interim report comparative figures are presented in the present financial report.

According to the best knowledge of the Management Board, the consolidated interim financial statements for the 3 months 2025 presents a true and fair view of the group's economic results based on the principle of going concern. The influence of seasonality of construction and the influence of the cyclical nature of development activity on the period's results can be considered insignificant.

## NOTE 2 OPERATING SEGMENTS

in thousand euros

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

Reporting of the group's operations are segmented as:

- construction service,
- real estate development.

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

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

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

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

2025 3 months	Construction service	Real estate development	Total segments
Revenue	59,347	31,835	91,182
Inter-segment revenue	(285)	(5,661)	(5,946)
<b>Revenue from clients</b>	<b>59,062</b>	<b>26,174</b>	<b>85,236</b>
incl. timing of revenue recognition at a point in time	236	24,964	25,200
timing of revenue recognition over time	58,826	1,210	60,036
<b>Operating profit (loss)</b>	<b>3,720</b>	<b>6,950</b>	<b>10,670</b>
<b>Profit (loss) before tax</b>	<b>5,441</b>	<b>6,949</b>	<b>12,390</b>
incl. interest income from operating activities	43	447	490
depreciation	(575)	(159)	(734)
recognition of provisions	(242)	(1,177)	(1,419)
profit from joint ventures	1,462	39	1,501
other finance income (costs)	275	(29)	246
incl. interest income	310	25	335
interest expenses	(25)	(157)	(182)
<b>Assets 31.03.2025</b>	<b>100,451</b>	<b>235,343</b>	<b>335,794</b>
incl. joint ventures	14,801	8,271	23,072

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

2024 12 months	Construction service	Real estate development	Total segments
Revenue	476,546	86,367	562,913
Inter-segment revenue	(1,989)	(21,875)	(23,864)
<b>Revenue from clients</b>	<b>474,557</b>	<b>64,492</b>	<b>539,049</b>
incl. timing of revenue recognition at a point in time	1,550	59,569	61,119
timing of revenue recognition over time	473,007	4,923	477,930
<b>Operating profit (loss)</b>	<b>59,420</b>	<b>16,450</b>	<b>75,870</b>
<b>Profit (loss) before tax</b>	<b>64,442</b>	<b>15,609</b>	<b>80,051</b>
incl. interest income from operating activities	65	1,842	1,907
depreciation	(2,652)	(583)	(3,235)
recognition of provisions	(5,807)	(853)	(6,660)
reversal of provisions	1,408	-	1,408
finance income/costs from investments in subsidiaries	(5,087)	-	(5,087)
profit from joint ventures	9,396	555	9,951
other finance income (costs)	620	(1,374)	(754)
incl. interest income	1,561	67	1,628
interest expenses	(122)	(1,268)	(1,390)
<b>Assets 31.12.2024</b>	<b>103,410</b>	<b>239,737</b>	<b>343,147</b>
incl. joint ventures	13,339	8,232	21,571

In addition to the segment assets, as at 31.03.2025 the group holds assets in the amount of EUR 97,870 thousand (31.03.2024: EUR 87,632 thousand; 31.12.2024: EUR 103,948 thousand) that cannot be associated with a specific segment or the allocation of which to segments would be impracticable. The unallocated assets of the group comprise cash and cash equivalents, deposits, tax prepayments, other receivables and an unallocated portion of property, plant and equipment.

### RECONCILIATION OF THE PRE-TAX PROFIT OF SEGMENTS AND THE GROUP

in thousand euros

	2025 3 months	2024 3 months	2024 12 months
<b>Pre-tax profit from reporting segments</b>	<b>12,390</b>	<b>5,947</b>	<b>80,051</b>
Other operating profit (loss)	(786)	(587)	(3,388)
incl. recognition of provisions	-	-	(185)
finance income (costs)	(4)	(158)	(249)
incl. interest expenses	15	(142)	(176)
<b>Total profit before tax</b>	<b>11,600</b>	<b>5,202</b>	<b>76,414</b>

Other income and expenses, which are not directly associated with segments, are associated with holding companies.

### REVENUE BY CLIENT LOCATION

in thousand euros and percentages

	2025 3 months		2024 3 months		2024 12 months	
Estonia	46,387	54%	30,643	38%	224,655	42%
Latvia	7,306	9%	2,394	3%	30,536	6%
Lithuania	31,543	37%	47,931	59%	283,613	52%
Norway	0	0%	217	0%	245	0%
<b>Total</b>	<b>85,236</b>	<b>100%</b>	<b>81,185</b>	<b>100%</b>	<b>539,049</b>	<b>100%</b>

### CONTRACT ASSETS AND LIABILITIES

in thousand euros

	31.03.2025	31.03.2024	31.12.2024
Accrued income from construction services (Note 6)	12,801	4,524	8,965
Prepayments for construction services (Note 13)	(42,127)	(43,876)	(41,612)
Advance payments received for construction contract works (Notes 13, 15)	(13,335)	(28,719)	(7,969)
Recognised provision for onerous construction contracts (Note 14)	(35)	(8)	(7)

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

in thousand euros

	31.03.2025	31.03.2024	31.12.2024
Estonia	44,175	43,484	42,556
Latvia	6,696	10,717	6,480
Lithuania	2,613	2,653	2,718
Norway	-	29	-
<b>Total</b>	<b>53,484</b>	<b>56,883</b>	<b>51,754</b>

## NOTE 3 COST OF GOODS SOLD

in thousand euros

	2025 3 months	2024 3 months	2024 12 months
Construction services and properties purchased for resale	51,938	52,114	332,065
Materials	3,684	4,741	41,566
Labour costs	6,934	8,256	32,888
Construction mechanisms and transport	1,064	1,134	7,719
Design	1,357	1,417	7,641
Real estate management costs	407	359	1,444
Depreciation	528	587	2,182
Provisions	1,519	487	3,866
Other expenses	2,892	3,206	13,791
<b>Total cost of goods sold</b>	<b>70,323</b>	<b>72,301</b>	<b>443,162</b>

## NOTE 4 EARNINGS AND DIVIDENDS PER SHARE

Basic earnings per share for profit attributable to equity holders of the parent have been derived by dividing the net profit attributable to shareholders by the weighted average number of shares.

	2025 3 months	2024 3 months	2024 12 months
Net profit (loss) attributable to shareholders (in thousand EUR)	10,460	4,427	64,668
Weighted average number of ordinary shares (thousand pcs)	17,700	17,700	17,700
<b>Earnings (loss) per share (in euros)</b>	<b>0.59</b>	<b>0.25</b>	<b>3.65</b>

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

Dividends payable are recognised after the approval of profit allocation by the shareholders. In accordance with the profit allocation decision, in 2024 the parent company AS Merko Ehitus will pay dividends of EUR 33,630 thousand, i.e. EUR 1.90 per share (in 2024 were paid EUR 23,010 thousand).

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

As at 31.03.2025 the balance of deferred income tax liability includes deferred income tax on dividends in the amount of 4,937 thousand euros (31.03.2024: EUR 2,950 thousand euros; 31.12.2024: EUR 4,642 thousand euros).

As of 31.03.2025, the parent company AS Merko Ehitus has EUR 9,296 thousand (31.03.2024: EUR 1,513 thousand; 31.12.2024: EUR 9,296 thousand) in dividends received from subsidiaries in previous periods and income from abroad, on which the income tax has been withheld.

As at 31.03.2025, it is possible to pay out dividends to shareholders from retained earnings in the amount of EUR 201,676 thousand (31.03.2024: EUR 166,590 thousand; 31.12.2024: EUR 193,562 thousand). Considering the dividends received and income tax withheld on foreign income totalling EUR 2,621 thousand (31.03.2024: EUR 378 thousand; 31.12.2024: EUR 2,621 thousand), the corresponding income tax on dividends would amount to EUR 54,261 thousand (31.03.2024: EUR 41,269 thousand; 31.12.2024: EUR 51,974 thousand). The calculation of additional income tax on dividends is based on the income tax rate of 22% (22/78 of net dividends). The income tax related to disbursement of dividends is recognised as a liability and income tax expense upon the announcement of dividends.

## NOTE 5 CASH AND CASH EQUIVALENTS

in thousand euros

	31.03.2025	31.03.2024	31.12.2024
Bank accounts	75,455	75,580	90,375
Overnight deposits	3,070	2,773	1,504
Term deposits with maturities of 3 months or less	-	10,000	-
<b>Total cash and cash equivalents</b>	<b>78,525</b>	<b>88,353</b>	<b>91,879</b>

## NOTE 6 TRADE AND OTHER RECEIVABLES

in thousand euros

	31.03.2025	31.03.2024	31.12.2024
Trade receivables			
Accounts receivable	44,618	48,515	37,883
Allowance for doubtful receivables	(1)	(134)	(3)
	<b>44,617</b>	<b>48,381</b>	<b>37,880</b>
Tax prepayments excluding corporate income tax			
Value added tax	675	542	570
Other taxes	36	15	-
	<b>711</b>	<b>557</b>	<b>570</b>
Accrued income from construction services	12,801	4,524	8,965
Other short-term receivables			
Interest receivables	-	-	19
Other short-term receivables	29	1,017	88
	<b>29</b>	<b>1,017</b>	<b>107</b>

	31.03.2025	31.03.2024	31.12.2024
Prepayments for services			
Prepayments for construction services	3,400	3,286	2,555
Prepaid insurance	780	1,012	901
Other prepaid expenses	477	152	441
	<b>4,657</b>	<b>4,450</b>	<b>3,897</b>
<b>Total trade and other receivables</b>	<b>62,815</b>	<b>58,929</b>	<b>51,419</b>
incl. other short-term receivables and prepayments to related parties (Note 16)	2,550	3,723	4,746

## NOTE 7 INVENTORIES

in thousand euros

	31.03.2025	31.03.2024	31.12.2024
Materials	680	379	625
Work-in-progress	66,046	56,738	63,459
Finished goods	42,464	49,088	43,996
Goods for resale			
Registered immovables purchased for resale/development	87,854	88,120	87,720
Other goods purchased for resale	405	1,160	405
	<b>88,259</b>	<b>89,280</b>	<b>88,125</b>
Prepayments for inventories			
Prepayments for real estate properties	13	-	13
Prepayments for other inventories	399	1,033	303
	<b>412</b>	<b>1,033</b>	<b>316</b>
<b>Total inventories</b>	<b>197,861</b>	<b>196,518</b>	<b>196,521</b>

## NOTE 8 OTHER LONG-TERM LOANS AND RECEIVABLES

in thousand euros

	31.03.2025	31.03.2024	31.12.2024
Long-term loan receivables	-	-	7,300
Long-term receivables from customers of construction services	19,044	20,427	32,896
<b>Total other long-term loans and receivables</b>	<b>19,044</b>	<b>20,427</b>	<b>40,196</b>
incl. short-term loan receivables from related parties (Note 16)	-	-	7,300

## NOTE 9 INVESTMENT PROPERTY

in thousand euros

	31.03.2025	31.03.2024	31.12.2024
Land	6,109	10,172	6,109
Right of superficies at carrying amount			
Cost	29	29	29
Accumulated depreciation	(16)	(15)	(16)
	<b>13</b>	<b>14</b>	<b>13</b>
Buildings at carrying amount			
Cost	8,026	8,012	8,026
Accumulated depreciation	(1,672)	(1,458)	(1,587)
	<b>6,354</b>	<b>6,554</b>	<b>6,439</b>
Construction in progress	49	-	45
<b>Total investment property</b>	<b>12,525</b>	<b>16,740</b>	<b>12,606</b>

## NOTE 10 PROPERTY, PLANT AND EQUIPMENT

in thousand euros

	31.03.2025	31.03.2024	31.12.2024
Land	1,266	1,266	1,266
Buildings at carrying amount*			
Cost	7,468	8,322	7,468
Accumulated depreciation	(3,606)	(4,087)	(3,519)
	<b>3,862</b>	<b>4,235</b>	<b>3,949</b>
Machinery and equipment at carrying amount*			
Cost	19,623	18,610	19,264
Accumulated depreciation	(10,271)	(9,965)	(9,855)
	<b>9,352</b>	<b>8,645</b>	<b>9,409</b>
Other fixtures at carrying amount			
Cost	3,799	4,527	3,584
Accumulated depreciation	(2,354)	(3,120)	(2,320)
	<b>1,445</b>	<b>1,407</b>	<b>1,264</b>
Construction in progress and prepayments for property, plant and equipment	1,494	540	1,259
<b>Total property, plant and equipment</b>	<b>17,419</b>	<b>16,093</b>	<b>17,147</b>

\* As of 31 March 2025, the balance of buildings at carrying amount includes leased assets in a sum of EUR 322 thousand (31.03.2024: EUR 515 thousand; 31.12.2024: EUR 365 thousand). The balance of machinery and equipment at carrying amount includes leased assets in a sum of EUR 3,859 thousand (31.03.2024: EUR 3,606 thousand; 31.12.2024: EUR 4,086 thousand).

## NOTE 11 INTANGIBLE ASSETS

in thousand euros

	31.03.2025	31.03.2024	31.12.2024
Goodwill			
Cost	1	62	1
Impairment	-	(61)	-
	<b>1</b>	<b>1</b>	<b>1</b>
Software at carrying amount			
Cost	1,537	1,428	1,537
Accumulated depreciation	(1,236)	(1,137)	(1,198)
	<b>301</b>	<b>291</b>	<b>339</b>
Prepayments for intangible assets	86	195	10
<b>Total intangible assets</b>	<b>388</b>	<b>487</b>	<b>350</b>

## NOTE 12 BORROWINGS

in thousand euros

	31.03.2025	31.03.2024	31.12.2024
<b>Lease liabilities*</b>			
Lease liabilities balance	<b>4,274</b>	<b>4,244</b>	<b>4,520</b>
incl. current portion	1,010	1,089	1,031
non-current portion 2...5 years	3,264	3,155	3,489
<b>Bank loans</b>			
Loan balance	<b>20,464</b>	<b>38,493</b>	<b>28,511</b>
incl. current portion	8,726	5,766	19,898
non-current portion 2...5 years	11,738	32,727	8,613
<b>Loans from entities under common control</b>			
Loan balance (Note 16)	-	<b>6,000</b>	-
incl. current portion	-	6,000	-
<b>Loans from other entities</b>			
Loan balance	<b>374</b>	<b>54</b>	<b>374</b>
incl. current portion	374	54	374
<b>Total loans</b>			
Loans balance	<b>20,838</b>	<b>44,547</b>	<b>28,885</b>
incl. current portion	9,100	11,820	20,272
non-current portion 2...5 years	11,738	32,727	8,613
<b>Total borrowings</b>	<b>25,112</b>	<b>48,791</b>	<b>33,405</b>
incl. current portion	10,110	12,909	21,303
non-current portion 2...5 years	15,002	35,882	12,102

\* As of 31 March 2025, the lease liabilities include a balance of EUR 143 thousand to related parties (31.03.2024: EUR 201 thousand; 31.12.2024: EUR 158 thousand) (Note 16).

## NOTE 13 PAYABLES AND PREPAYMENTS

in thousand euros

	31.03.2025	31.03.2024	31.12.2024
Trade payables	44,504	43,549	55,469
Payables to employees	11,404	11,555	18,206
Tax liabilities, except for corporate income tax			
Value added tax	1,973	2,349	3,309
Personal income tax	914	1,351	612
Social security tax	2,249	2,452	1,947
Unemployment insurance tax	80	93	77
Contributions to mandatory funded pension	99	62	42
Other taxes	195	144	148
	<b>5,510</b>	<b>6,451</b>	<b>6,135</b>
Prepayments for construction services	42,127	43,876	41,612
Other liabilities			
Interest liabilities	87	131	88
Other liabilities	133	514	171
	<b>220</b>	<b>645</b>	<b>259</b>
Prepayments received *	10,388	28,140	8,105
<b>Total payables and prepayments</b>	<b>114,153</b>	<b>134,216</b>	<b>129,786</b>
incl. payables to related parties (Note 16)	39	58	47

\* As of 31 March 2025, the balance of prepayments received consists of prepayments received in connection with construction contracts (advance payments received for construction contract works) in a sum of EUR 5,212 thousand (31.03.2024: EUR 26,352 thousand; 31.12.2024: EUR 4,373 thousand) and of prepayments received in connection with residential properties (apartment buyers) in a sum of EUR 5,176 thousand (31.03.2024: EUR 1,788 thousand; 31.12.2024: EUR 3,732 thousand) (Note 2).

## NOTE 14 SHORT-TERM PROVISIONS

in thousand euros

	31.03.2025	31.03.2024	31.12.2024
Provision for warranty obligation for construction	5,131	5,827	5,181
Provision for costs of projects sold and work-in-progress projects	2,729	1,910	1,702
Provision for onerous construction contracts	35	8	7
Provision for legal costs and claims filed	398	2,560	410
Other provisions	271	246	378
<b>Total short-term provisions</b>	<b>8,564</b>	<b>10,551</b>	<b>7,678</b>

## NOTE 15 OTHER LONG-TERM PAYABLES

in thousand euros

	31.03.2025	31.03.2024	31.12.2024
Trade payables	5,203	2,975	5,123
Prepayments received *	2,947	2,367	3,596
<b>Other long-term payables total</b>	<b>8,150</b>	<b>5,342</b>	<b>8,719</b>

\* As of 31 March 2025, the balance of prepayments received consists of prepayments received in connection with construction contracts (advance payments received for construction contract works) in a sum of EUR 2,947 thousand (31.03.2024: EUR 2,367 thousand; 31.12.2024: EUR 3,596 thousand) (Note 2).

## NOTE 16 RELATED PARTY TRANSACTIONS

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

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

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

The parent of AS Merko Ehitus is AS Riverito. As at 31.03.2025, 31.03.2024 and 31.12.2024, AS Riverito owned 71.99% of the shares of AS Merko Ehitus. The ultimate controlling party of the group is Mr. Toomas Annus.

### AS MERKO EHITUS SUBSIDIARIES AND JOINT VENTURES

	Ownership and voting rights %			Location	Area of operation
	31.03.2025	31.03.2024	31.12.2024		
<b>Subsidiaries</b>					
AS Merko Ehitus Eesti	100	100	100	Estonia, Tallinn	Construction
OÜ Tähelinna Kinnisvara	100	100	100	Estonia, Tallinn	Real estate
OÜ Vahi Lastehood	100	100	100	Estonia, Tallinn	Real estate
OÜ Merko Kaevandused	100	100	100	Estonia, Tallinn	Mining
Tallinna Teede AS	100	100	100	Estonia, Tallinn	Road construction
OÜ Merko Kodud	100	100	100	Estonia, Tallinn	Real estate
UAB Merko Statyba	100	100	100	Lithuania, Vilnius	Construction
UAB Timana	100	100	100	Lithuania, Vilnius	Real estate
UAB VPSP 2	100	100	100	Lithuania, Vilnius	Real estate
UAB VPSP Projektai	100	100	100	Lithuania, Vilnius	Real estate
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	-	Latvia, Riga	Construction
SIA Industrialais Parks	-	100	-	Latvia, Riga	Real estate
PS Merks-Ostas Celtnieks	-	65	-	Latvia, Riga	Construction
PS Merks Merko Infra	-	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	100	100	Latvia, Riga	Construction
SIA Merko Management Latvia	100	100	100	Latvia, Riga	Real estate
OÜ Merko Residential Investments	100	-	100	Estonia, Tallinn	Holding
SIA Merko Mājas (ex-SIA Merks Mājas)	100	-	100	Latvia, Riga	Real estate
SIA Ropažu Priedes	100	-	100	Latvia, Riga	Real estate
SIA Zakusala Estates	100	-	100	Latvia, Riga	Real estate
Merko Investments AS	100	100	100	Norway, Sofiemyr	Holding
Peritus Entreprenør AS	-	100	-	Norway, Sofiemyr	Construction
Løkenskogen Bolig AS	100	62	100	Norway, Sofiemyr	Real estate
OÜ Merko Ehitus Ventures	100	-	100	Estonia, Tallinn	Holding

	Ownership and voting rights %			Location	Area of operation
	31.03.2025	31.03.2024	31.12.2024		
<b>Joint ventures</b>					
Kodusadam OÜ	50	50	50	Estonia, Tallinn	Real estate
OÜ Connecto Varad	50	-	50	Estonia, Tallinn	Holding
AS Connecto Infra	50	50	50	Estonia, Tallinn	Energy infrastructure 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

	2025 3 months	2024 3 months	2023 12 months
<b>Provided services and goods sold</b>			
Joint ventures	242	2,634	3,904
Entities under common control	12,990	8,636	47,003
Members of the management	-	-	31
<b>Total services provided and goods sold</b>	<b>13,232</b>	<b>11,270</b>	<b>50,938</b>
<b>Interest income</b>			
Joint ventures	56	13	32
Entities under common control	8	-	6
<b>Total interest income</b>	<b>64</b>	<b>13</b>	<b>38</b>
<b>Purchased services and goods</b>			
Joint ventures	1	-	18
Entities under common control	21	16	80
<b>Total purchased services and goods</b>	<b>22</b>	<b>16</b>	<b>98</b>
<b>Interest expense</b>			
Entities under common control	-	99	130
<b>Total interest expense</b>	<b>-</b>	<b>99</b>	<b>130</b>

## BALANCES WITH RELATED PARTIES

in thousand euros

	31.03.2025	31.03.2024	31.12.2024
<b>Receivables from related parties</b>			
Loans granted (Notes 6,8)			
Joint venture	-	-	7,300
Receivables and prepayments (Note 6)			
Joint ventures	175	569	142
Entities under common control	2,375	3,154	4,585
Members of the management	-	-	19
<b>Total receivables and prepayments</b>	<b>2,550</b>	<b>3,723</b>	<b>4,746</b>
<b>Total receivables from related parties</b>	<b>2,550</b>	<b>3,723</b>	<b>12,046</b>

	31.03.2025	31.03.2024	31.12.2024
<b>Payables to related parties</b>			
Lease liabilities (Note 12)			
Entities under common control	143	201	158
Short-term loans received (Note 12)			
Entities under common control	-	6,000	-
Total Short-term loans received	-	<b>6,000</b>	-
Payables and prepayments (Note 13)			
Joint ventures	-	-	12
Entities under common control	39	58	35
Total payables and prepayments	<b>39</b>	<b>58</b>	<b>47</b>
<b>Total payables to related parties</b>	<b>182</b>	<b>6,259</b>	<b>205</b>

### REMUNERATION OF THE MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

The cost of remuneration to members of the Supervisory Board and Management Board of AS Merko Ehitus incl. basic salaries and performance pay, as well as taxes and changes in reserves for the 3 months of 2025 were EUR 499 thousand (3 months of 2024: EUR 431 thousand; 12 months of 2024: EUR 1,824 thousand).

### SEVERANCE BENEFITS OF MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

Authorization agreements have been concluded with the Supervisory Board members, according to which no severance benefits are paid to them upon termination of the contract. In the 3 months of 2025, the Management Board members of AS Merko Ehitus did not receive benefits (3 months of 2024: EUR 0; 12 months of 2024: EUR 0).

### MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARD

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

Shares held by members of the Supervisory Board of AS Merko Ehitus as of 31.03.2025:

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

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

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

Shares held by members of the Management Board of AS Merko Ehitus as of 31.03.2025:

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

## NOTE 17 CONTINGENT LIABILITIES

in thousand euros

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

	31.03.2025	31.03.2024	31.12.2024
Performance period's warranty to the customer	37,196	35,843	42,115
Tender warranty	71	-	6
Guarantee for warranty period	20,821	26,905	22,632
Prepayment guarantee	9,797	31,466	23,300
Payment guarantee	57	57	57
Contracts of surety	2,108	500	2,108
<b>Total contingent liabilities</b>	<b>70,050</b>	<b>94,771</b>	<b>90,218</b>

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

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

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

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

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

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

## DEFINITION OF RATIOS

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