



# AS MERKO EHITUS

## GROUP

### 2022 9 months and III quarter consolidated unaudited interim report

Business name:	AS Merko Ehitus
Main activities:	Holding companies General contracting of construction Real estate development
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Financial year:	01.01.2022 – 31.12.2022
Reporting period:	01.01.2022 – 30.09.2022
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Management Board:	Andres Trink, Tõnu Toomik
Auditor:	AS PricewaterhouseCoopers

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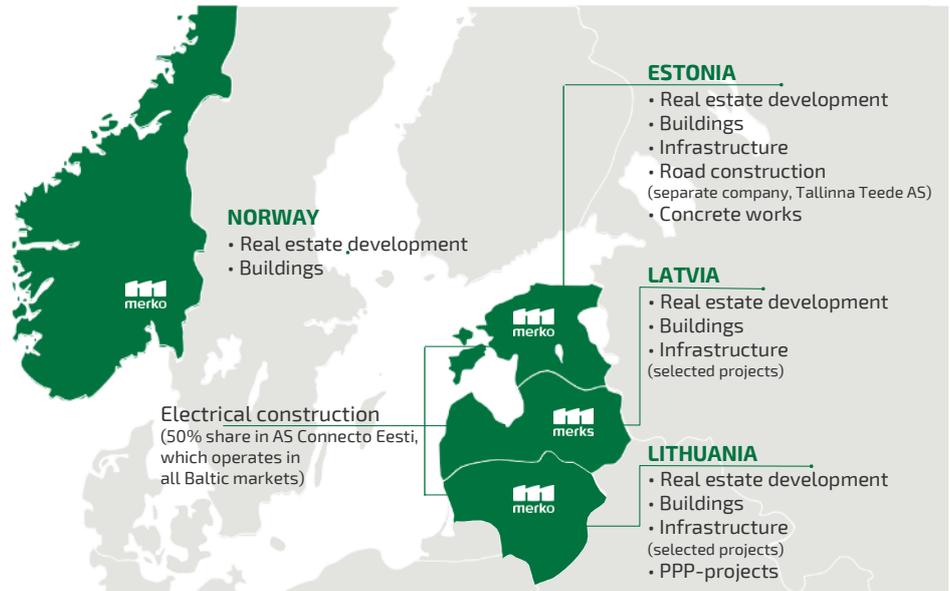
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# BRIEF OVERVIEW OF THE GROUP

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

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

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



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

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

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

## SHARES

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

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

## 2021 KEY FIGURES

Revenue **339.4 million** euros

Net profit **29.1 million** euros

**670** employees





## STRATEGY

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



# MANAGEMENT REPORT

## COMMENTARY FROM MANAGEMENT

Merko Ehitus revenue was EUR 110 million in Q3 2022 and the revenue for the first nine months of the year amounted to EUR 266 million, while the respective figures for net profit were EUR 9.8 million and EUR 17 million. Merko has delivered more than 450 apartments to buyers in 9 months this year.

According to the management of Merko Ehitus, the results for Q3 reflect the growth of investments made into apartment development in recent years, and balanced management of the construction projects portfolio in a complicated market situation.

The outlook of the next 12 months and the years ahead for the construction sector have worsened sharply during the current year. The slowing of inflation and the expected adjustment by companies and households to the high prices of energy has not yet taken place. In addition, interest rates continue rising rapidly. Both customers for major construction projects and the apartment market are gripped by great uncertainty. In conditions of high inflation, pressure on prices continues despite of the fact that demand has decreased. Since processes in construction and real estate development take time, the impact of the current economic and market situation will manifest fully in the financial results for our sectors in 12–24 months.

In the nine months of the current year, the group companies entered into new construction contracts worth EUR 290 million and the balance of secured order book stood at EUR 341 million as of the end of September (respectively EUR 273 million and EUR 314 million in 2021). Merko secured order book is currently strong, which will help to get through the recessionary period of the next few years with a bit less pain. The outlook for new construction orders on the market as a whole is extremely unclear, but at the same time, we are well-positioned for investments into the energy sector.

In the first nine months of this year, Merko delivered 456 new apartments and four commercial units to buyers (first 9 months of 2021: 197 apartments and 7 commercial units). Despite the exceedingly complicated situation in the economy, Merko has continued investments into apartment development and launched new development projects, albeit at a more moderate pace than years past. According to the management of Merko Ehitus, in conditions of rapid inflation the construction will not become cheaper in the future.

During the first nine months of this year, the group launched four new development projects with approximately 280 apartments. As of the end of Q3, there were 1,617 apartments under construction by the group, of which more than half have preliminary sale contracts. The largest apartment developments were Uus-Veerenni, Noblessneri and Lahekalda in Tallinn; Erminurme in Tartu; Viesturdarzs, Mežpilseta and Magnolijas in Riga, and Vilneles Skverai in Vilnius.

In Q3 of 2022, the largest objects under construction in Estonia were the third phase of the Mustamäe medical campus of the North-Estonia Medical Centre, Pelgulinna and Rae state gymnasiums, the Arter quarter, construction of infrastructure segments of the Republic of Estonia's southeast land border, the tram line between Old City Harbour and Rail Baltic's Ülemiste passenger terminal, and renovation of Rannamõisa tee and Vana-Kalamaja street in Tallinn. In Latvia, projects in progress included the Orkla wafer and biscuit production plant, GUSTAVS business centre, Elemental Skanste office buildings, NATO facilities in Adaži; in Lithuania, several wind farm infrastructures and a car service centre in Vilnius.

**2022 9M**  
**REVENUE**  
**266 MILLION EUROS**

**PROFIT**  
**BEFORE TAX**  
**18.7 MILLION EUROS**

## OVERVIEW OF THE III QUARTER AND 9 MONTHS RESULTS

### PROFITABILITY

2022 9 months' pre-tax profit was EUR 18.7 million and Q3 2022 was EUR 10.3 million (9M 2021: EUR 16.6 million and Q3 2021 was EUR 6.1 million), which brought the pre-tax profit margin to 7.0% (9M 2021: 7.3%).

Net profit attributable to shareholders for 9 months 2022 was EUR 17.0 million (9M 2021: EUR 15.3 million) and for Q3 2022 net profit attributable to shareholders was EUR 9.8 million (Q3 2021: EUR 5.5 million). 9 months net profit margin was 6.4% (9M 2021: 6.7%).

### REVENUE

Q3 2022 revenue was EUR 110.0 million (Q3 2021: EUR 80.7 million) and 9 months' revenue was EUR 266.2 million (9M 2021: EUR 226.5 million). 9 months' revenue increased by 17.5% compared to same period last year. The share of revenue earned outside Estonia in 9 months 2022 was 53.4% (9M 2021: 38.8%).

### SECURED ORDER BOOK

As of 30 September 2022, the group's secured order book was EUR 341.0 million (30 September 2021: EUR 314.4 million). In 9 months 2022, group companies signed contracts in the amount of EUR 290.4 million (9M 2021: EUR 272.9 million). In Q3 2022, new contracts were signed in the amount of EUR 97.1 million (Q3 2021: EUR 137.7 million).

### REAL ESTATE DEVELOPMENT

In 9 months 2022, the group sold a total of 456 apartments; in 9 months 2021, the group sold 197 apartments. The group earned a revenue of EUR 56.9 million from sale of own developed apartments in 9 months 2022 and EUR 33.3 million in 9 months 2021. In Q3 of 2022 a total of 242 apartments were sold, compared to 52 apartments in Q3 2021, and earned a revenue of EUR 29.8 million from sale of own developed apartments (Q3 2021: EUR 7.5 million).

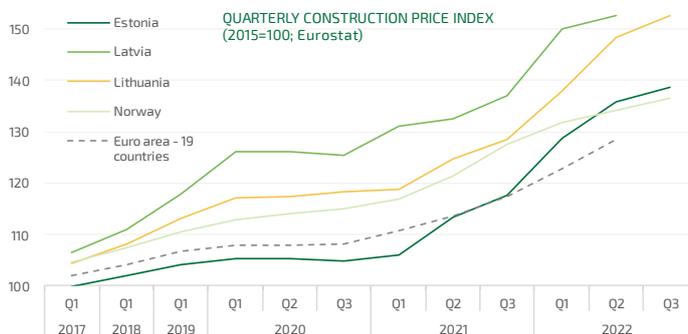
### CASH POSITION

At the end of the reporting period, the group had EUR 22.2 million in cash and cash equivalents, and equity of EUR 166.6 million (40.9% of total assets). Comparable figures as of 30 September 2021 were EUR 19.6 million and EUR 150.8 million (50.9% of total assets), respectively. As of 30 September 2022, the group's net debt was EUR 88.3 million (30 September 2021: EUR 20.6 million).

# OUTLOOK OF CONSTRUCTION AND REAL ESTATE MARKET

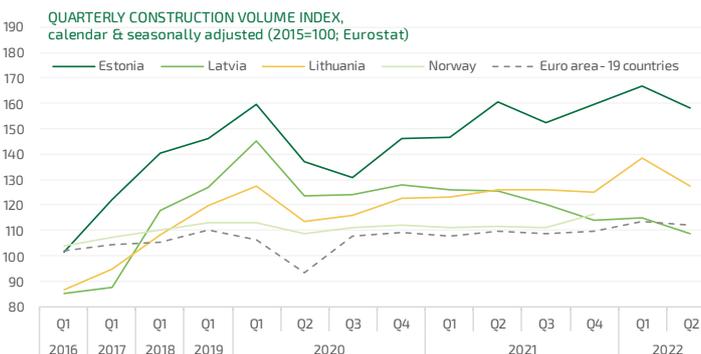
## CONSTRUCTION SERVICES

The energy warfare accompanied with Russia's invasion of Ukraine have led to a self-perpetuating spiral of rising prices. As of the time of the preparation of this report, statistics for the construction sector in Q3 has yet to be fully released, but the first signs of inflation tapering became evident only in September, so in short, this should be the sixth consecutive quarter that prices have risen by 3-5%. Even though the supply chain problems have eased, and prices of materials are not rising as fast, the workforce demands of pay-raise to match spiralling consumer prices and more expensive use of construction machinery may also lead to overall rise in input prices continuing in Q3 as well. In the Baltic countries with their open economies and tight reserves, there are no grounds to expect prices to stop rising before the end of this year, even if fewer new projects have been launched in the last six months.



In Q2 of 2022, construction volumes clearly started declining, both due to the effects of the sanctions imposed on Russia for their aggression and the dramatic decrease in consumer confidence among customers. While in the last report, we called for volumes to stay at the same level due to Latvia's lower baseline level, we now see that they continued falling in Q2. Considering the drought of new orders in the road construction segment, which has already led to pickets by road builders and slowing of residential development activity, we are certain that construction volumes will continue to decline over the next six months. Construction prices still on the upswing and the strict rules curtailing those controlling the purse strings of the budget have caused several major procurements to be unsuccessful and new volumes will come to the market after ensuing procurement rounds. Demand is theoretically high in the renewable energy sector, but there, too, the obstacle is proceedings on detail plans and building permits, which even in the midst of an energy crisis are not showing signs of bureaucratic requirements easing off.

The developments on the construction market going forward are impacted above all by the general state of the economy. Support for Ukraine, which is essential for Europe to remain united, is inevitably posing a burden on the whole European economy, postponing more substantial funding of renewable energy both from the perspective of the projects themselves and also infrastructure construction. The general insecurity related to the war and rising base interest rates are curtailing investments in the private sector and support for households caught in the inflation spiral is limiting state budgetary possibilities for commissioning new construction work. While in the general construction sector, projects already progress will ensure a supply of work for the first half of 2023, the ladders are already bare for road construction, leaving contractors high and dry. As a whole, the next few years do not appear rosy for the construction sector, but rather a retrenchment in volumes and profitability.



## DEVELOPMENT OF APARTMENTS

The impact of the shock of the war in Q2 ended up being modest but gave way to energy crisis and the severe inflation in Q3, halting the conclusion of new contracts on the new housing market. In September, the more resourceful have again started buying new, higher energy-performance homes, probably with an eye to selling their existing less efficient home before prices drop on the aftermarket for older apartments. The fact that there are significantly fewer of these sellers than there were in the past does not keep prices from rising on paper, since the new homes pre-sold in 2021 are showing up in the statistics only now and raising the average price of new homes. The steady drumbeat in the media about the imminent fall of prices pertains mainly to the secondary market for older, less energy-efficient apartments. In the short term, it continues to be hard to see a reason for falling prices for new developments and in our view, the statistical price rise will continue for as long as apartments with preliminary contract status are still being built. We may then see a brief period with 5% fluctuations in the statistics due to the low number of transactions, but a decline in the price of new housing will be forestalled by the relatively short supply and the conservative loan level for those few properties. Undoubtedly, the volume of sales of new developments will continue to be very low for some time and most developers will postpone starting new projects, refraining from swelling the supply significantly beyond what solvent demand on the market will bear. The Bank of Estonia is predicting the demand-side purchasing power to return to 2021 levels by 2024.



## 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 electrical construction, additionally in Estonia road construction and concrete works services and in Norway general construction.

million EUR

	9M 2022	9M 2021	VARIANCE	Q3 2022	Q3 2021	VARIANCE	12M 2021
Revenue	185.8	175.9	+5.6%	70.8	70.4	+0.6%	243.4
% of total revenue	69.8%	77.6%		64.4%	87.3%		71.7%
Operating profit	4.6	6.9	-33.2%	2.6	4.1	-35.9%	11.8
Operating profit margin	2.5%	3.9%		3.7%	5.8%		4.9%

In the 9 months of 2022, the revenue of the construction service segment was EUR 185.8 million (9M 2021: EUR 175.9 million). The sales revenue of construction service has increased by 5.6% compared to the same period last year. The construction service segment revenue for 9 months 2022 made up 69.8% of the group's total revenue (9M 2021: 77.6%). In this segment, the group earned an operating profit of EUR 4.6 million for 9 months (9M 2021: EUR 6.9 million). The operating profit margin was 2.5% (9M 2021: 3.9%). The operating profit was mainly affected by the increase in input prices, which customers are loath to cover in full.

Larger projects in progress in the third quarter in construction service segment in Estonia included the third development stage of the Mustamäe medical campus of the North Estonia Medical Centre, Pelgulinna and Rae state gymnasiums, Arter quarter, construction works of the Republic of Estonia's southeast land border, tram line connecting Old Harbour and Rail Baltic's Ülemiste passenger terminal as well as reconstructions of Rannamõisa tee and Vana-Kalamaja street. In Latvia, larger ongoing projects in the third quarter included the construction works of the Orkla wafer and biscuits production plant, GUSTAVS business center, Elemental Skanste office buildings and NATO base in Ādaži. In Lithuania, larger projects were construction of wind farm balance of plants in Šilalė, Akmenė and Telšiai districts and car service building in Vilnius were underway. In Norway, the group worked on the reconstruction of smaller scale contracts.

### REAL ESTATE DEVELOPMENT

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

million EUR

	9M 2022	9M 2021	VARIANCE	Q3 2022	Q3 2021	VARIANCE	12M 2021
Revenue	80.4	50.6	+58.8%	39.2	10.3	+282.0%	96.0
incl. revenue from sale of apartments	56.9	33.3		29.8	7.5		72.7
incl. construction service from public-private-partnerships	-	6.6		-	0.2		6.9
incl. construction service to joint venture projects	21.6	3.5		8.4	2.1		7.6
incl. revenue from immovable properties	-	4.2		-	-		5.2
% of total revenue	30.2%	22.4%		35.6%	12.7%		28.3%
Operating profit	15.9	11.5	+38.3%	7.9	2.4	+230.5%	22.7
Operating profit margin	19.8%	22.8%		20.2%	23.3%		23.6%

In 9 months 2022, the group sold a total of 456 apartments and 4 commercial premises; in 9 months 2021, 197 apartments and 7 commercial premises. The group earned a revenue of EUR 56.9 million (VAT not included) from sale of developed apartments in 9 months 2022 and EUR 33.3 million (VAT not included) in 9 months 2021. 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 construction service and property management services.

In the case of projects developed 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 9 months of 2022, real estate development segment revenues increased by 58.8% compared to the same period last year and formed 30.2% of the group's total revenue (9 months of 2021: 22.4%).

The segment's operating profit for the 9 months of 2022 amounted to EUR 15.9 million (9 months of 2021: EUR 11.5 million) and the operating profit margin was 19.8% (9 months of 2021: 22.8%). The profitability of the apartment development projects varies by project and depends greatly on the cost structure of the specific project, including the land acquisition price.

In 9 months of 2022, the group launched the construction of a total of 278 new apartments in the Baltic states (9 months of 2021: 1,365 apartments). In the 9 months, the group invested a total of EUR 93.7 million (9 months of 2021: EUR 47.2 million) in the ongoing development projects.

After the reporting date, the group has started the construction of 303 apartments in the third stage of the Vilneles Skverai residential development 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 30 September 2022, the group's inventories included land plots with development potential, where the construction works have not started, in the amount of EUR 90.3 million (30.09.2021: EUR 58.9 million).

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

million EUR

	30.09.2022	30.09.2021	31.12.2021
Estonia	26.7	19.7	25.9
Latvia	27.0	25.0	25.0
Lithuania	35.0	12.6	13.6
Norway	1.6	1.6	1.6
<b>Total</b>	<b>90.3</b>	<b>58.9</b>	<b>66.1</b>

In 9 months of 2022, the group has obtained new land plots for real estate development purposes at acquisition cost of EUR 24.9 million (9 months of 2021: in the amount of EUR 7.7 million).

## SECURED ORDER BOOK

As of 30 September 2022, the group's secured order book amounted to EUR 341.0 million, compared to EUR 314.4 million as of 30 September 2021, having increased by 8.5% in the annual comparison. The secured order book excludes the group's own residential development projects and construction works related to developing real estate investments.

In 9 months of 2022, EUR 290.4 million worth of new contracts were signed, which is increased by 6.4% compared to the same period of the previous year (9 months of 2021: EUR 272.9 million). The value of new contracts signed in the third quarter of 2022 amounted to EUR 97.1 million; in the third quarter of 2021 the value of new contracts signed amounted to EUR 137.7 million.

#### LARGEST CONSTRUCTION CONTRACTS SIGNED IN THE THIRD QUARTER OF 2022

BRIEF DESCRIPTION OF CONTRACT	COUNTRY	COMPLETION TIME	VALUE MILLION EUR
Design and construction contract for the construction of a tram line connecting the Tallinn Old Harbour with Rail Baltic's Ülemiste passenger terminal	Estonia	February of 2025	36.5
Construction for the construction of Rae state gymnasium educational building in Jüri	Estonia	Beginning of 2024	14.3
Framework contract for maintenance and repair of roads in Tallinn City	Estonia	Q1 of 2024	10.0-15.0 <sup>1</sup>
Construction contract to perform reconstruction works of Vana-Kalamaja street in Tallinn	Estonia	Summer of 2023	7.8
Construction contract for the construction of wind turbine foundations for the wind farm in Telšiai district	Lithuania	July of 2023	3.5
Construction contract for the construction three detached houses in Oslo.	Norway	August of 2023	3.0

<sup>1</sup> Procurement based on unit prices, the actual volume of which depends on the volume of works ordered by the contracting authority.

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

- On 19 October 2022, AS Merko Ehitus Eesti, part of AS Merko Ehitus group, signed a contract with Centre for Defence Investment for the construction of new buildings in the Tapa campus of the Defence Forces in Lääne-Viru County. The contract value is approximately EUR 7.1 million and the scheduled deadline of the works is in May 2023.

As of 30 September 2022, the private sector orders accounted for approximately 65% of the total balance in the group's secured order book (30.09.2021: approximately 72%). Both the public and private sectors are re-evaluating the soundness and profitability of investments in an environment of rapidly changing input prices, with private sector's greater flexibility and relative simplicity of decision-making in the investment area reflected in the increased share of private sector contracts.

The group is focusing on the existing home markets, keeping a diversified operating portfolio as a strategic aim, balancing construction activities with real estate development in different countries. The group has gained a strong foothold in all the Baltic states and continues a gradual growth in Norway.

## CASH FLOWS

At the end of reporting period, the group had cash and cash equivalents in the amount of EUR 22.2 million (30.09.2021: EUR 19.6 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 49.0 million, of which EUR 21.1 million was unused (30.09.2021: EUR 53.1 million of which was almost entirely unused). In addition to the overdraft facilities, the company has a working capital loan facility with a limit of EUR 10.0 million from AS Riverito, of which EUR 2.0 million was unused at the end of current period (30.09.2021: there was no loan agreement).

The 9-month cash flow from operating activity was negative at EUR 55.9 million (9 months of 2021: negative EUR 14.4 million), cash flow from investing activity was negative at EUR 3.4 million (9 months of 2021: negative EUR 5.5 million) and the cash flow from financing activity was positive at EUR 36.6 million (9 months of 2021: negative EUR 8.0 million).

The cash flow from operating activities had positive effect from EBITDA of EUR 20.6 million (9 months of 2021: positive effect of EUR 18.8 million), from the change in trade and other payables related to operating activities of EUR 33.3 million (9 months of 2021: positive effect of EUR 32.4 million). The negative effects to cash flow from operating activities came from the changes in receivables and liabilities related to construction contracts of EUR 4.1 million (9 months 2021: negative effect of EUR 8.2 million), from the change in the provisions of EUR 3.2 million (9 months of 2021: negative effect of EUR 1.9 million), from the changes in trade and other receivables related to operating activities of EUR 17.8 million (9 months of 2021: negative effect of EUR 22.5 million) and from the change in inventories of EUR 80.1 million (9 months of 2021: negative effect of EUR 28.3 million). The cash flows from inventories are mainly affected by the construction and sales phases of own developed apartments, while 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 in the sale of the apartments. Interest was paid EUR 1.0 million (9 months of 2021: EUR 0.6 million) and corporate income tax was paid at EUR 2.7 million (9 months of 2021: EUR 2.8 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 (27.1% as of 30.09.2022; 13.6% as of 30.09.2021; 16.2% as of 31.12.2021).

Cash flows from investing activities include negative effect from the acquisition of non-current assets in the amount of EUR 0.9 million, which is mainly related to the renewal of equipment in the field of construction (9 months of 2021 EUR 1.5 million) and from the acquisition of a subsidiary in the amount of EUR 0.7 million and the acquisition of a joint venture in the amount of EUR 2.2 million (9 months of 2021: there were no acquisitions of subsidiaries and joint ventures, was acquisition of an associated company in the net amount of EUR 4.1 million). The positive effect came from the sale of non-current assets in the amount of EUR 0.4 million (9 months of 2021: EUR 0.1 million).

In cash flows from financing, the larger negative factors were dividend payment of EUR 17.7 million (9 months of 2021: EUR 17.7 million), the buy-out of minority interests in the amount of EUR 1.9 million (9 months of 2021: there was no buyout of minority share), repayments of lease liabilities in the amount of EUR 0.8 million (9 months of 2021: net negative cash flow of EUR 0.7 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 1.1 million (9 months of 2021: positive cash flow in the net amount of EUR 9.1 million). Positive cash flow from financing activity resulted from the net change in loans received and repaid in connection with development projects in the amount of EUR 22.1 million (9 months of 2021: net positive cash flow of EUR 1.3 million), which resulted from the increase in loans taken for residential development projects and from the change in loans related to other activities in the amount of EUR 35.9 million (9 months of 2021: net positive cash flow of EUR 0.0 million).

## RATIOS

(attributable to equity holders of the parent)

<b>INCOME STATEMENT SUMMARY</b>		<b>9M 2022</b>	<b>9M 2021</b>	<b>9M 2020</b>	<b>Q3 2022</b>	<b>Q3 2021</b>	<b>Q3 2020</b>	<b>12M 2021</b>
Revenue	million EUR	266.2	226.5	209.5	110.0	80.7	79.7	339.4
Gross profit	million EUR	31.1	26.5	25.2	13.8	9.2	8.7	46.8
Gross profit margin	%	11.7	11.7	12.0	12.5	11.4	10.9	13.8
Operating profit	million EUR	18.5	16.9	14.3	9.9	6.0	5.2	32.2
Operating profit margin	%	7.0	7.5	6.8	9.0	7.4	6.5	9.5
Pre-tax profit	million EUR	18.7	16.6	13.9	10.3	6.1	5.1	32.1
Pre-tax profit margin	%	7.0	7.3	6.6	9.4	7.5	6.4	9.5
Net profit	million EUR	16.8	15.2	12.6	9.6	5.5	4.7	29.0
attributable to equity holders of the parent	million EUR	17.0	15.3	13.1	9.8	5.5	4.9	29.1
attributable to non-controlling interest	million EUR	(0.3)	(0.1)	(0.4)	(0.2)	0.0	(0.2)	(0.1)
Net profit margin	%	6.4	6.7	6.2	8.9	6.8	6.1	8.6
<b>Other income statement indicators</b>		<b>9M 2022</b>	<b>9M 2021</b>	<b>9M 2020</b>	<b>Q3 2022</b>	<b>Q3 2021</b>	<b>Q3 2020</b>	<b>12M 2021</b>
EBITDA	million EUR	20.6	18.8	16.4	10.7	6.6	5.9	34.8
EBITDA margin	%	7.8	8.3	7.8	9.7	8.2	7.4	10.3
General expense ratio	%	5.4	5.2	5.4	4.2	5.2	5.1	5.2
Labour cost ratio	%	11.6	11.8	11.4	9.2	11.3	10.5	11.3
Revenue per employee	thousand EUR	404	347	316	167	124	120	521

<b>OTHER SIGNIFICANT INDICATORS</b>		<b>30.09.2022</b>	<b>30.09.2021</b>	<b>30.09.2020</b>	<b>31.12.2021</b>
Return on equity	%	18.7	16.6	16.4	18.8
Return on assets	%	8.5	9.2	8.0	10.0
Return on invested capital	%	14.6	15.1	12.6	16.9
Assets	million EUR	407.3	296.3	270.1	324.4
Equity	million EUR	166.6	154.9	147.1	167.0
Equity attributable to equity holders of the parent	million EUR	166.1	150.8	143.3	167.2
Equity ratio	%	40.9	50.9	53.0	51.6
Debt ratio	%	27.1	13.6	18.7	16.2
Current ratio	times	1.8	2.2	2.4	2.4
Quick ratio	times	0.5	0.8	0.8	0.9
Accounts receivable turnover	days	31	29	39	31
Accounts payable turnover	days	56	37	40	39
Average number of employees	people	659	652	663	651
Secured order book	million EUR	341.0	314.4	251.2	257.3

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/](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 30 September 2022, no provision has been formed to cover potential claims and legal costs (30.09.2021: no provision has been formed).

Below is presented an overview of the key legal disputes and proceedings, which have taken place or ended during 2022 or are ongoing as of 30 September 2022 and which concern group entities is presented:

### **Estonia**

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

The court cases in connection with Minister of the Environment regulation No 22 of 27 March 2015, which redrew the boundaries of species protection sites to exclude properties on Paekalda street owned by AS Merko Ehitus subsidiaries Suur-Paekalda OÜ and Väike-Paekalda OÜ (now merged with AS Merko Ehitus Eesti, part of AS Merko Ehitus group). On 2 February 2016, AS Merko Ehitus group companies filed a complaint in Tallinn Administrative Court for compensation of damage. The claims consist of direct patrimonial damage (reduction in the value of immovable property and expenditures made on development activity) and claims for revenue foregone (failed development activity in 2005-2007). On 22 April 2019 the Tallinn Administrative Court partially satisfied the appeal and ordered the Republic of Estonia to pay AS Merko Ehitus Eesti EUR 760 thousand and late interest until the principal claim is duly discharged. The court also ordered that procedural costs of EUR 12 thousand be paid to AS Merko Ehitus Eesti. Both sides filed an appeal to the Tallinn District Court, which partially annulled the decision of the Tallinn Administrative Court and sent the case back to Administrative Court to determine the amount of compensation. Both parties to the dispute filed cassation appeals with the Supreme Court. By a decision of 5 March 2021, the Supreme Court dismissed the cassation appeal of AS Merko Ehitus Eesti, but sent the appeal regarding the claim for compensation for direct property damage caused by the lawful activities of the Republic of Estonia to the Tallinn Administrative Court for reconsideration. The Tallinn Administrative Court suspended the proceedings in the administrative case until the procedure for the detailed planning of the properties has been completed. 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 and annual and interim reports.

On 13 September 2021, SIA Merks and AS Merko Ehitus contested the decision of the Latvian Competition Council in the Latvian administrative court. The fine imposed 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.

The first court hearing set to discuss the substance of the appeals took place on 12 October 2022, but the hearing was spent on submitting and discussing the various parties' requests. The next hearing is set for 10 January 2023.

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 view of the long time required for and the unclear outcome of the judicial proceedings, the group relies on the fact that even the maximum amount of the fine has a limited impact on its financial position. It is not appropriate to assess the potential claims of third parties before the decision of the Competition Council is overturned or confirmed by the court. Accordingly, the group has not made any provision.

#### SIA Ostas Celtnieks

On 6 November 2019, SIA Merks filed an action against SIA "Ostas Celtnieks" in an amount of EUR 230 thousand and additional EUR 21 thousand for late interests. 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. The court hearing took place on 28 July 2022, with the court dismissing the claim on the ground that the claim had been submitted by an incorrect person (a formal legal person of the consortium). On 25 October 2022, SIA Merks lodged an appeal. The impact of this requirement has not been taken into account in the group's reporting.

#### 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. Salaspils county government filed a counterclaim. The court has scheduled the first hearing for the review of mutual claims for 5 December 2022. The exact claims of the parties have not yet been presented to the court. The group has not made any provisions as of the date of the report.

#### SIA Hanza 14

In August 2022, the Arbitration Institute of the Stockholm Chamber of Commerce (Stockholm Arbitration) accepted SIA Hanza 14's application for annulment of the non-entry into force of the construction contract signed on 16 June 2020 and for SIA Merks to fulfil its contractual obligations. The non-entry into force of the construction contract was announced by Merko Ehitus with a [stock exchange announcement](#) on 28 August 2020. The composition of the arbitration tribunal has been determined at the time of drafting this report, but no timetable for the hearing has been confirmed. SIA Merks continues to hold to the opinion that, as a result of the non-fulfilment of the pre-conditions laid down in the construction contract, the contract became void without legal consequences or obligations to the parties as if it had never been signed. Accordingly, the group has not made any provision to cover theoretical claims.

#### *Impact of the war in Ukraine*

In parallel with Russia's continued aggression in Ukraine, according to experts, Russia has manipulated gas supplies and prices to counterbalance the sanctions. Due to the multiplicity of impacts and the hybrid activities of all parties, it is still not possible to estimate the impact of the war with accounting accuracy, as energy prices are simultaneously considered an important factor in triggering high inflation. On the one hand, sanctions, energy price increases and inflation have led to a general rise in input prices. On the other hand, the relatively cheaper labour provided by the war refugees has held back the wage growth expectations of the local workforce, and the additional demand they have generated in the housing market has kept the apartment market stronger despite the rising uncertainty. The assessment of the different impacts continues to be difficult, the consolidation into a single impact assessment is currently beyond the capabilities. Undoubtedly, the war has had an extremely negative effect on the economic situation, both through the increase in input prices and the decrease in the pace of construction orders and housing sales, and the group has not been able to fully pass these negative effects on to buyers. Quantifying this negative net effect at the group level requires stabilization of the economy at new equilibrium.

## EMPLOYEES AND LABOUR COSTS

As of 30 September 2022, Merko Ehitus group employed 675 people (including temporary and part-time staff). Compared to the same period last year, the number of group's employees increased by 2 (+0.7%). The number of employees increased in Estonia and Latvia and decreased in Lithuania and Norway.

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

The group defines labour cost as salary (incl. fixed salary, additional pay, holiday pay, and performance pay), taxes based on salary, fringe benefits and taxes on fringe benefits. In 9 months 2022, the labour cost was EUR 30.8 million (9 months 2021: EUR 26.8 million), which increased by 14.9% compared to the same period previous year. The labour cost ratio decreased by 0.2 pp from 11.8% to 11.6% in comparable periods.

During 9 months of 2022, AS Merko Ehitus Eesti, one of the largest Estonian construction companies, part of AS Merko Ehitus group, paid EUR 7.0 million in labour taxes in Estonia, being one of the largest labour tax payer in the construction sector (9 months 2021: EUR 5.6 million).

## ETHICAL BUSINESS PRACTICES

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

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

The topic of business ethics has been thoroughly covered on the group's website: [group.merko.ee/en/corporate-responsibility/](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 30 September 2022, the company has 17,700,000 shares. The number of shares has not changed during 2022.

A total of 35,003 transactions were conducted with the shares of Merko Ehitus in 9 months of 2022, with 1.09 million shares (6.2% of total shares) traded, generating a turnover of EUR 16.4 million (comparable figures in 9 months 2021 were accordingly: 38,554 transactions with 1.83 million shares traded (10.3% of total shares), generating a turnover of EUR 26.3 million). The lowest value-per-share transaction was recorded at the price of EUR 11.60 and the highest at EUR 16.96 per share (9 months of 2021: EUR 9.48 and EUR 17.14, accordingly). On 30 September 2022, the closing price of the share was EUR 12.30 (30.09.2021: EUR 14.80). As of 30 September 2022, by the Nasdaq Baltic stock exchange, the market capitalisation of AS Merko Ehitus was EUR 217.7 million, down by 16.9% compared to the end of the equivalent period of the prior year (30.09.2021: EUR 262.0 million).

	30.09.2022	30.09.2021	30.09.2020	31.12.2021
Number of shares	17,700,000	17,700,000	17,700,000	17,700,000
Earnings per share (EPS), euros	0.96	0.86	0.74	1.65
Equity per share, euros	9.33	8.56	7.69	8.76
P/B ratio	1.32	1.73	1.12	1.74
P/E ratio	7.05	10.40	6.83	9.24
Market value, million EUR	217.7	262.0	152.6	269.4

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 2022



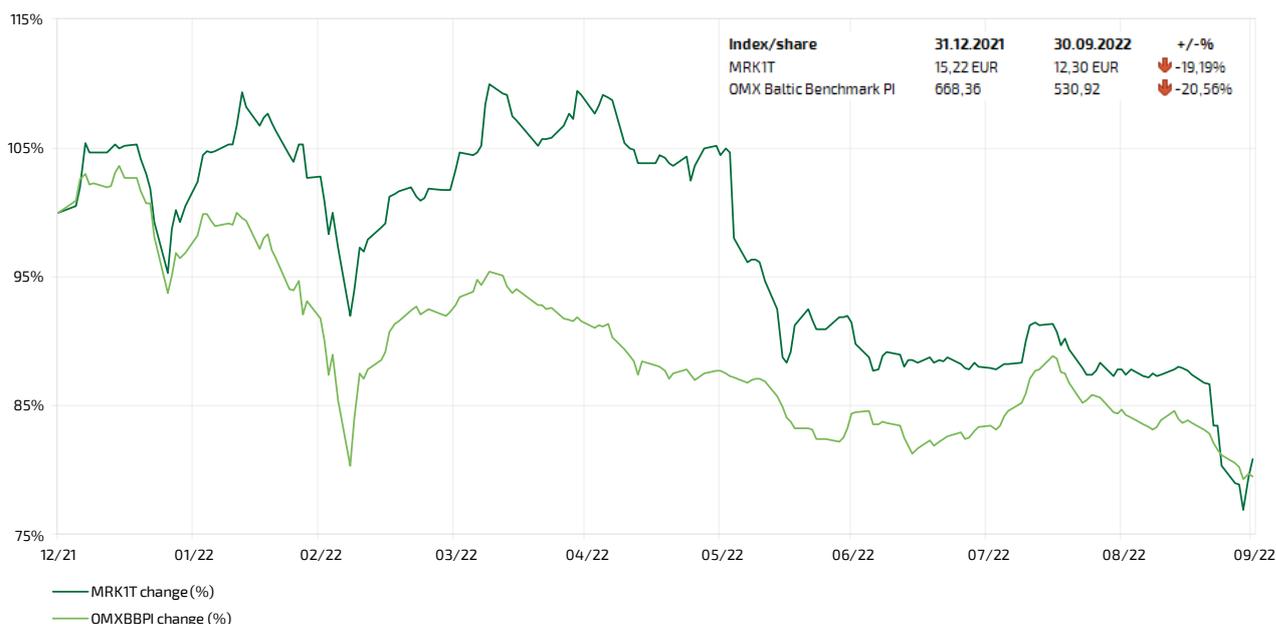
## STRUCTURE OF SHAREHOLDERS ACCORDING TO NUMBER OF SHARES AS OF 30.09.2022

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%	1,265,406	7.15%
10,001 – 100,000	50	0.44%	1,064,615	6.02%
1,001-10,000	528	4.66%	1,487,989	8.41%
101-1,000	2,717	23.96%	913,949	5.16%
1-100	8,036	70.88%	225,355	1.27%
<b>Total</b>	<b>11,338</b>	<b>100%</b>	<b>17,700,000</b>	<b>100%</b>

## SHAREHOLDERS OF AS MERKO EHITUS AS OF 30.09.2022 AND CHANGE COMPARED TO THE PREVIOUS QUARTER

	NUMBER OF SHARES	% OF TOTAL 30.09.2022	% OF TOTAL 30.06.2022	CHANGE
AS Riverito	12,742,686	71.99%	71.99%	-
OÜ Midas Invest	411,500	2.32%	2.26%	11,500
Firebird Republics Fund Ltd	313,953	1.77%	1.77%	-
Firebird Aurora Fund Ltd	174,894	0.99%	0.99%	-
SEB Life and Pension Baltic SE Estonian Branch	148,787	0.84%	0.84%	-
Clearstream Banking AG	113,051	0.64%	0.64%	150
Firebird Fund L.P.	103,721	0.59%	0.59%	-
Siseinfo OÜ	100,000	0.56%	0.56%	-
Seitse Samuraid OÜ	74,000	0.42%	0.45%	(6,000)
Hans Palla	54,000	0.31%	0.18%	23,000
<b>Total largest shareholders</b>	<b>14,236,092</b>	<b>80.43%</b>	<b>80.27%</b>	<b>28,650</b>
Total other shareholders	3,463,908	19.57%	19.73%	(28,650)
<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 2022



## 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 4 May 2022, the shareholders of AS Merko Ehitus approved the Supervisory Board's proposal to the shareholders to pay out the total amount of EUR 17.7 million (EUR 1.00 per share) as dividends from net profit brought forward, which is equivalent to a 61% dividend rate and a 6.6% dividend yield for the year 2021 (using the share price as of 31 December 2021). Comparable figures in 2021 were accordingly: EUR 17.7 million (EUR 1.00 per share) as dividends, which is equivalent to a 77% dividend rate and a 10.6% dividend yield for the year 2020 (using the share price as at 31 December 2020).

The income tax rate (14/86) of regularly paid (net) dividends in the amount of EUR 5.6 million was applied to dividends paid out in 2022. From the dividends paid to natural person shareholders and to which 14/86 income tax rate was applied, group withheld an additional 7% income tax.

## CORPORATE GOVERNANCE

### CORPORATE GOVERNANCE AND STRUCTURE

AS Merko Ehitus operates as a holding company for group of companies in Estonia, Latvia, Lithuania and Norway that offer complete solutions in the field of construction and real estate development. The group's largest companies are AS Merko Ehitus Eesti (100%), Tallinna Teede AS (100%), SIA Merks (100%), UAB Merko Statyba (100%), UAB Merko Bustas (100%), Merko Bygg AS (former name AS Peritus Entreprenør) (56%) and the company belonging to the SIA Merks group SIA Merks Mājas (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 two-member Management Board: Andres Trink and Tõnu Toomik.

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 30 September 2022, the management structure is as follows:



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

### GROUP'S LEGAL STRUCTURE

As of 30 September 2022, in addition to AS Merko Ehitus, the group comprises 33 companies (30.09.2021: 32). 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 21 October 2021, AS Merko Infra and OÜ Merko Kaevandused, both belonging to AS Merko Ehitus group, signed a merger agreement where the acquiring company is OÜ Merko Kaevandused. As a result of the merger, the company being acquired wound up without liquidation proceedings and OÜ Merko Kaevandused became the legal successor of AS Merko Infra. The merger date was 1st of January 2022, after which all transactions of the acquired company are deemed to be made on the account of OÜ Merko Kaevandused. The Commercial Register made the final entry in its registers on 28 April 2022.

On 15 December 2021, a subsidiary of AS Merko Ehitus group, SIA Merks Mājas, signed an agreement to obtain a 25% holding in the subsidiary SIA Zakusala Estates from the minority shareholder ZE-Holding AS at the purchase price of EUR 1.9 million. After the acquisition of the additional shareholding, SIA Zakusala Estates became a 100% subsidiary of SIA Merks Mājas. The purchase price was paid on 25 January 2022.

On 25 February 2022, AS Merko Ehitus Eesti, subsidiary of AS Merko Ehitus group, signed a contract with Aardekapp OÜ to acquire additional 15% holding (82,500 shares) in AS Connecto Eesti. The agreement is a continuation of the share acquisition agreements entered into on 2 June 2021. After the acquisition of an additional shareholding, the Merko group owns 50% of AS Connecto Eesti and the company will become a joint venture between AS Merko Ehitus Eesti and Aardekapp OÜ. The transfer of shares and completion of the transactions took place on 28 February 2022 (Note 16).

On 16 March 2022, a subsidiary of AS Merko Ehitus group, OÜ Merko Kaevandused, acquired a 100% holding in OÜ Metsara-Metspere Kinnisvara, with a share capital of EUR 409 thousand and for a purchase price of EUR 695 thousand. Acquisition of the subsidiary is recognised in the group as an acquisition of land and is recorded under property, plant and equipment (Notes 10, 16).

## 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 4 May 2022. The general meeting resolved to approve the annual report and the profit allocation proposal for 2021. The dividends in the sum of EUR 17.7 million (EUR 1 per share) was paid out to the shareholders on 17 June 2022.

The general meeting confirmed four-member Supervisory Board until 06.05.2023 and elected Kristina Siimar as a member of the Supervisory Board, for a term of office from 6 May 2022 to 6 May 2025 (inclusive), i.e. for three years. In addition, the principles of remuneration of the members of the Management Board of AS Merko Ehitus were approved. („AS Merko Ehitus juhatus liikmete tasustamise põhimõtted ja kontrolli protseduur”).

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 live abroad, while ensuring the privacy of participating shareholders, would be too complicated and costly. No picture taking or filming is allowed at the general meeting, because it may disturb the privacy of shareholders.

Annual and extraordinary general meeting of shareholders shall be chaired by an independent person. In 2022, the general meeting was chaired by attorney-at-law Vesse Võhma who introduced the procedure for conducting the general meeting and the procedure of asking questions from the Management Board and Supervisory Board about the company's activities.

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

The annual general meeting of shareholders of AS Merko Ehitus held in 2022 was attended by Andres Trink (Chairman of the Management Board), Tõnu Toomik (Member of the Management Board), Urmas Somelar (Head of Group Finance) and Janno Hermanson (Auditor).

## SUPERVISORY BOARD

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

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

By the resolution of the general meeting of 04.05.2022, Kristina Siimar was elected a member of the Supervisory Board with a term of office of up to 6 May 2025 (inclusive). According to the same resolution, the Supervisory Board AS Merko Ehitus has four-member at least until 06.05.2023 (the term of authority of the former members of the Supervisory Board).

As of 30 September 2022, the Supervisory Board of AS Merko Ehitus had four 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 extended the powers of a Member of the Management Board of the company, Mr. Tõnu Toomik until 6 June 2025 (inclusive). The Management Board of AS Merko Ehitus will continue with two members: Mr. Andres Trink (Chairman) and Mr. Tõnu Toomik.

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

## 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 September 2022:

COMPANY	SUPERVISORY BOARD	MANAGEMENT BOARD
AS Merko Ehitus Eesti	Andres Trink (Chairman), Tõnu Toomik, Martin Rebane	Ivo Volkov (Chairman), Jaan Mäe, Veljo Viitmann
OÜ Merko Investments	-	Andres Trink, Urmas Somelar
SIA Merks	Andres Trink (Chairman), Tõnu Toomik, Urmas Somelar	Andris Bišmeistars (Manager)
SIA Merks Mājas	-	Andris Bišmeistars (Chairman), Mikus Freimanis
UAB Merko Statyba	Andres Trink (Chairman), Tõnu Toomik, Urmas Somelar	Saulius Putrimas (Chairman) Jaanus Rāstas
UAB Merko Bustas	Andres Trink (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 29 April 2022, the powers of the Member of the Supervisory Board of AS Merko Ehitus Eesti, Mr. Martin Rebane, have been extended until 29 April 2025. The Supervisory Board of AS Merko Ehitus Eesti will continue with three members: Mr. Andres Trink (The Chairman), Mr. Tõnu Toomik and Mr. Martin Rebane.

On 16 May 2022, SIA Merks – part of AS Merko Ehitus group – as sole shareholder of its subsidiary SIA Merks Mājas, decided to appoint Mr. Mikus Freimanis as a new member of the Management Board of the company. The authority of a member of the Management Board of Mr. Mikus Freimanis is open-ended. The Management Board of SIA Merks Mājas will continue with two members: Mr. Andris Bišmeistars (Chairman) and Mr. Mikus Freimanis.

According to a decision of the Supervisory Board of AS Merko Ehitus Eesti from 29 August 2022, the mandate of the Member of the Management Board of AS Merko Ehitus Eesti, Mr. Ivo Volkov, has been extended for the new three-year period starting from 1 January 2023. The Supervisory Board of AS Merko Ehitus Eesti will continue with three members: Mr. Ivo Volkov (the Chairman), Mr. Jaan Mäe and Mr. Veljo Viitmann.

## MANAGEMENT BOARD'S DECLARATION

Members of the Management Board of AS Merko Ehitus declare and confirm that the consolidated unaudited interim report for the 9 months of 2022, 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.

Andres Trink	Chairman of the Management Board	03.11.2022
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Tõnu Toomik	Member of the Management Board	03.11.2022
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# INTERIM FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited

in thousand euros

	Note	2022 9 months	2021 9 months	2022 III quarter	2021 III quarter	2021 12 months
Revenue	2	266,206	226,533	110,008	80,673	339,375
Cost of goods sold	3	(235,123)	(200,064)	(96,206)	(71,442)	(292,563)
<b>Gross profit</b>		<b>31,083</b>	<b>26,469</b>	<b>13,802</b>	<b>9,231</b>	<b>46,812</b>
Marketing expenses		(2,945)	(2,632)	(776)	(802)	(3,611)
General and administrative expenses		(11,411)	(9,098)	(3,889)	(3,392)	(13,925)
Other operating income		2,426	2,511	1,004	1,197	3,508
Other operating expenses		(647)	(328)	(192)	(235)	(582)
<b>Operating profit</b>		<b>18,506</b>	<b>16,922</b>	<b>9,949</b>	<b>5,999</b>	<b>32,202</b>
Finance income/costs		168	(351)	361	90	(75)
incl. finance income/costs from associates and joint ventures		1,093	384	765	381	799
interest expense		(670)	(548)	(296)	(232)	(681)
foreign exchange gain (loss)		(152)	(39)	(85)	-	(8)
other financial income (expenses)		(103)	(148)	(23)	(59)	(185)
<b>Profit before tax</b>		<b>18,674</b>	<b>16,571</b>	<b>10,310</b>	<b>6,089</b>	<b>32,127</b>
Corporate income tax expense		(1,911)	(1,426)	(735)	(570)	(3,104)
<b>Net profit for financial year</b>		<b>16,763</b>	<b>15,145</b>	<b>9,575</b>	<b>5,519</b>	<b>29,023</b>
incl. net profit attributable to equity holders of the parent		17,023	15,277	9,821	5,514	29,140
net profit attributable to non-controlling interest		(260)	(132)	(246)	5	(117)
<b>Other comprehensive income, which can subsequently be classified in the income statement</b>						
Currency translation differences of foreign entities		11	14	23	(2)	33
<b>Comprehensive income for the period</b>		<b>16,774</b>	<b>15,159</b>	<b>9,598</b>	<b>5,517</b>	<b>29,056</b>
incl. net profit attributable to equity holders of the parent		17,020	15,292	9,831	5,513	29,163
net profit attributable to non-controlling interest		(246)	(133)	(233)	4	(107)
Earnings per share for profit attributable to equity holders of the parent (basic and diluted, in EUR)	4	0.96	0.86	0.55	0.31	1.65

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	30.09.2022	30.09.2021	31.12.2021
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	5	22,200	19,581	44,930
Trade and other receivables	6	72,295	59,665	55,484
Prepaid corporate income tax		5	3	114
Inventories	7	243,222	154,688	160,593
		<b>337,722</b>	<b>233,937</b>	<b>261,121</b>
<b>Non-current assets</b>				
Investments in associates and joint ventures		10,472	7,288	7,703
Other long-term loans and receivables	8	28,323	23,832	24,079
Deferred income tax assets		1,155	1,120	622
Investment property	9	11,511	13,847	13,828
Property, plant and equipment	10	17,527	15,624	16,350
Intangible assets	11	592	684	669
		<b>69,580</b>	<b>62,395</b>	<b>63,251</b>
<b>TOTAL ASSETS</b>		<b>407,302</b>	<b>296,332</b>	<b>324,372</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowings	12	60,034	9,355	11,636
Payables and prepayments	13	119,251	88,394	90,054
Income tax liability		1,830	997	681
Short-term provisions	14	5,584	6,318	7,976
		<b>186,699</b>	<b>105,064</b>	<b>110,347</b>
<b>Non-current liabilities</b>				
Long-term borrowings	12	50,469	30,826	41,001
Deferred income tax liability		1,671	1,986	3,112
Other long-term payables	15	2,377	3,553	2,900
		<b>54,517</b>	<b>36,365</b>	<b>47,013</b>
<b>TOTAL LIABILITIES</b>		<b>241,216</b>	<b>141,429</b>	<b>157,360</b>
<b>EQUITY</b>				
Non-controlling interests		(473)	4,083	(227)
<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		(794)	(799)	(791)
Retained earnings		158,631	142,897	159,308
		<b>166,559</b>	<b>150,820</b>	<b>167,239</b>
<b>TOTAL EQUITY</b>		<b>166,086</b>	<b>154,903</b>	<b>167,012</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>407,302</b>	<b>296,332</b>	<b>324,372</b>

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				Total	Non-controlling interest	Total
	Share capital	Statutory reserve capital	Currency translation differences	Retained earnings			
<b>Balance as at 31.12.2020</b>	<b>7,929</b>	<b>793</b>	<b>(814)</b>	<b>145,320</b>	<b>153,228</b>	<b>4,207</b>	<b>157,435</b>
Profit (loss) for the reporting period	-	-	-	15,277	15,277	(132)	15,145
Other comprehensive income	-	-	15	-	15	(1)	14
<b>Total comprehensive income (loss) for the reporting period</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>15,277</b>	<b>15,292</b>	<b>(133)</b>	<b>15,159</b>
<b>Transactions with owners</b>							
Non-controlling interests of purchased subsidiary	-	-	-	-	-	1	1
Contribution to subsidiary's share capital	-	-	-	-	-	8	8
Dividends (Note 4)	-	-	-	(17,700)	(17,700)	-	(17,700)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,700)</b>	<b>(17,700)</b>	<b>9</b>	<b>(17,691)</b>
<b>Balance as at 30.09.2021</b>	<b>7,929</b>	<b>793</b>	<b>(799)</b>	<b>142,897</b>	<b>150,820</b>	<b>4,083</b>	<b>154,903</b>
<b>Balance as at 31.12.2021</b>	<b>7,929</b>	<b>793</b>	<b>(791)</b>	<b>159,308</b>	<b>167,239</b>	<b>(227)</b>	<b>167,012</b>
Profit (loss) for the reporting period	-	-	-	17,023	17,023	(260)	16,763
Other comprehensive income	-	-	(3)	-	(3)	14	11
<b>Total comprehensive income (loss) for the reporting period</b>	<b>-</b>	<b>-</b>	<b>(3)</b>	<b>17,023</b>	<b>17,020</b>	<b>(246)</b>	<b>16,774</b>
Dividends (Note 4)	-	-	-	(17,700)	(17,700)	-	(17,700)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,700)</b>	<b>(17,700)</b>	<b>-</b>	<b>(17,700)</b>
<b>Balance as at 30.09.2022</b>	<b>7,929</b>	<b>793</b>	<b>(794)</b>	<b>158,631</b>	<b>166,559</b>	<b>(473)</b>	<b>166,086</b>

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	2022 9 months	2021 9 months	2021 12 months
<b>Cash flows from operating activities</b>				
Operating profit		18,506	16,922	32,202
Adjustments:				
Depreciation and impairment		2,141	1,898	2,593
(Profit)/loss from sale of non-current assets		(279)	(85)	(111)
(Profit)/loss from sale of a business unit		-	(500)	(500)
Change in receivables and liabilities related to construction contracts		(4,091)	(8,152)	(7,164)
Interest income from operating activities		(1,679)	(1,578)	(2,116)
Change in provisions		(3,199)	(1,903)	1,981
Change in trade and other receivables related to operating activities		(17,847)	(22,505)	(21,079)
Change in inventories		(80,098)	(28,302)	(34,148)
Change in trade and other payables related to operating activities		33,308	32,371	30,916
Interest received		1,215	994	1,355
Interest paid		(1,024)	(581)	(764)
Other finance income (costs)		(143)	(168)	(204)
Corporate income tax paid		(2,734)	(2,807)	(3,161)
<b>Total cash flows from operating activities</b>		<b>(55,924)</b>	<b>(14,396)</b>	<b>(200)</b>
<b>Cash flows from investing activities</b>				
Acquisition of subsidiaries		(695)	(1)	(1)
Acquisition of associate		(2,236)	(4,550)	(4,550)
Purchase of investment property		-	(1)	(7)
Purchase of property, plant and equipment (excl. leased assets)		(763)	(1,359)	(2,403)
Proceeds from sale of property, plant and equipment		425	100	146
Purchase of intangible assets		(99)	(167)	(233)
Proceeds from sale intangible assets		-	-	19
Sale of business unit		-	500	500
Interest received		(1)	11	12
<b>Total cash flows from investing activities</b>		<b>(3,369)</b>	<b>(5,467)</b>	<b>(6,517)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings		117,561	12,302	27,882
Repayments of borrowings		(60,667)	(1,965)	(5,119)
Repayments of lease liabilities		(792)	(679)	(951)
Contributions to the subsidiary's share capital from non-controlling shareholder		-	8	9
Buyout of non-controlling interest		(1,886)	-	-
Dividends paid		(17,661)	(17,686)	(17,686)
<b>Total cash flows from financing activities</b>		<b>36,555</b>	<b>(8,020)</b>	<b>4,135</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>(22,738)</b>	<b>(27,883)</b>	<b>(2,582)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	5	<b>44,930</b>	<b>47,480</b>	<b>47,480</b>
<b>Effect of exchange rate changes</b>		<b>8</b>	<b>(16)</b>	<b>32</b>
<b>Cash and cash equivalents at the end of the period</b>	5	<b>22,200</b>	<b>19,581</b>	<b>44,930</b>

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 9 months 2022 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 2021 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. 2021 audited annual report and 2021 9 months unaudited interim report comparative figures are presented in the present financial report.

According to the best knowledge of the Management Board, the consolidated interim financial statements for the 9 months 2022 presents a true and fair view of the group's economic results based on the principle of going concern. The influence of seasonality of construction and the influence of the cyclical nature of development activity on the period's results can be considered insignificant.

## NOTE 2 OPERATING SEGMENTS

in thousand euros

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

Reporting of the group's operations are segmented as:

- construction service,
- real estate development.

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

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

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

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

2022 9 months	Construction service	Real estate development	Total segments
Revenue	186,548	123,835	310,383
Inter-segment revenue	(789)	(43,388)	(44,177)
<b>Revenue from clients</b>	<b>185,759</b>	<b>80,447</b>	<b>266,206</b>
incl. timing of revenue recognition at a point in time	883	57,573	58,456
timing of revenue recognition over time	184,876	22,874	207,750
<b>Operating profit (loss)</b>	<b>4,592</b>	<b>15,950</b>	<b>20,542</b>
<b>Profit (loss) before tax</b>	<b>5,555</b>	<b>15,380</b>	<b>20,935</b>
incl. interest income from operating activities	21	1,658	1,679
depreciation	(1,710)	(431)	(2,141)
recognition of provisions	(5,701)	(296)	(5,997)
profit (loss) from joint ventures	1,127	(34)	1,093
other finance income (costs)	(73)	(517)	(590)
incl. interest expenses	(36)	(343)	(379)
<b>Assets 30.09.2022</b>	<b>80,170</b>	<b>289,310</b>	<b>369,480</b>
incl. joint ventures	8,179	2,293	10,472

<b>2021 9 months</b>	<b>Construction service</b>	<b>Real estate development</b>	<b>Total segments</b>
Revenue	178,145	79,899	258,044
Inter-segment revenue	(2,258)	(29,253)	(31,511)
<b>Revenue from clients</b>	<b>175,887</b>	<b>50,646</b>	<b>226,533</b>
incl. timing of revenue recognition at a point in time	1,384	39,806	41,190
timing of revenue recognition over time	174,503	10,840	185,343
<b>Operating profit (loss)</b>	<b>6,878</b>	<b>11,531</b>	<b>18,409</b>
<b>Profit (loss) before tax</b>	<b>7,109</b>	<b>11,109</b>	<b>18,218</b>
incl. interest income from operating activities	97	1,481	1,578
depreciation	(1,571)	(327)	(1,898)
recognition of provisions	(3,559)	(200)	(3,759)
reversal of provisions	101	101	202
profit (loss) from associate and joint venture	390	(6)	384
other finance income (costs)	(34)	(374)	(408)
incl. interest expenses	(25)	(248)	(273)
<b>Assets 30.09.2021</b>	<b>69,912</b>	<b>198,204</b>	<b>268,116</b>
incl. associate and joint venture	4,940	2,348	7,288

<b>2022 III quarter</b>	<b>Construction service</b>	<b>Real estate development</b>	<b>Total segments</b>
Revenue	71,192	57,024	128,216
Inter-segment revenue	(360)	(17,848)	(18,208)
<b>Revenue from clients</b>	<b>70,832</b>	<b>39,176</b>	<b>110,008</b>
incl. timing of revenue recognition at a point in time	258	30,341	30,599
timing of revenue recognition over time	70,574	8,835	79,409
<b>Operating profit (loss)</b>	<b>2,626</b>	<b>7,898</b>	<b>10,524</b>
<b>Profit (loss) before tax</b>	<b>3,338</b>	<b>7,651</b>	<b>10,989</b>
incl. interest income from operating activities	-	574	574
depreciation	(588)	(150)	(738)
recognition of provisions	(1,544)	(171)	(1,715)
profit from joint ventures	774	(9)	765
other finance income (costs)	(50)	(224)	(274)
incl. interest expenses	(13)	(167)	(180)
<b>Assets' change in III quarter</b>	<b>3,221</b>	<b>21,076</b>	<b>24,297</b>
incl. joint ventures	773	(8)	765

<b>2021 III quarter</b>	<b>Construction service</b>	<b>Real estate development</b>	<b>Total segments</b>
Revenue	70,989	19,616	90,605
Inter-segment revenue	(572)	(9,360)	(9,932)
<b>Revenue from clients</b>	<b>70,417</b>	<b>10,256</b>	<b>80,673</b>
incl. timing of revenue recognition at a point in time	465	7,762	8,227
timing of revenue recognition over time	69,952	2,494	72,446

2021 III quarter	Construction service	Real estate development	Total segments
<b>Operating profit (loss)</b>	<b>4,100</b>	<b>2,390</b>	<b>6,490</b>
<b>Profit (loss) before tax</b>	<b>4,399</b>	<b>2,230</b>	<b>6,629</b>
incl. interest income from operating activities	44	529	573
depreciation	(525)	(111)	(636)
recognition of provisions	(1,788)	(192)	(1,980)
profit from associate and joint venture	390	(9)	381
other finance income (costs)	(19)	(137)	(156)
incl. interest expenses	(16)	(97)	(113)
<b>Assets' change in III quarter</b>	<b>523</b>	<b>20,193</b>	<b>20,716</b>
incl. associate and joint venture	4,940	(9)	4,931

2021 12 months	Construction service	Real estate development	Total segments
Revenue	247,694	130,176	377,870
Inter-segment revenue	(4,271)	(34,224)	(38,495)
<b>Revenue from clients</b>	<b>243,423</b>	<b>95,952</b>	<b>339,375</b>
incl. timing of revenue recognition at a point in time	1,846	80,536	82,382
timing of revenue recognition over time	241,577	15,416	256,993
<b>Operating profit (loss)</b>	<b>11,819</b>	<b>22,673</b>	<b>34,492</b>
<b>Profit (loss) before tax</b>	<b>12,477</b>	<b>22,149</b>	<b>34,626</b>
incl. interest income from operating activities	97	2,019	2,116
depreciation	(2,064)	(529)	(2,593)
recognition of provisions	(5,806)	(2,241)	(8,047)
reversal of provisions	513	101	614
profit (loss) from associate and joint venture	827	(28)	799
other finance income (costs)	(41)	(467)	(508)
incl. interest expenses	(34)	(346)	(380)
<b>Assets 31.12.2021</b>	<b>65,923</b>	<b>203,775</b>	<b>269,698</b>
incl. associate and joint venture	5,377	2,326	7,703

In addition to the segment assets, as at 30.09.2022 the group holds assets in the amount of EUR 37,822 thousand (30.09.2021: EUR 28,216 thousand; 31.12.2021: EUR 54,674 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

	2022 9 months	2021 9 months	2022 III quarter	2021 III quarter	2021 12 months
<b>Pre-tax profit from reporting segments</b>	<b>20,935</b>	<b>18,218</b>	<b>10,989</b>	<b>6,629</b>	<b>34,626</b>
Other operating profit (loss)	(2,036)	(1,487)	(575)	(491)	(2,291)
incl. recognition of provisions	-	-	-	-	(17)
finance income (costs)	(225)	(160)	(104)	(49)	(208)
incl. interest expenses	(185)	(98)	(94)	(33)	(131)
<b>Total profit before tax</b>	<b>18,674</b>	<b>16,571</b>	<b>10,310</b>	<b>6,089</b>	<b>32,127</b>

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

During the 9 months of 2022, AS Merko Ehitus group supported Ukraine through its business activities. The largest amount of EUR 214 thousand was donated through the non-profit association Slava Ukraini, reflected in the Other operating profit (loss) line.

## REVENUE BY CLIENT LOCATION

in thousand euros and percentages

	2022 9 months		2021 9 months		2022 III quarter		2021 III quarter		2021 12 months	
Estonia	124,131	47%	138,542	61%	51,990	47%	48,039	60%	212,405	62%
Latvia	62,667	24%	37,693	17%	25,687	23%	15,606	18%	52,825	16%
Lithuania	72,782	27%	43,703	19%	31,423	29%	14,931	19%	63,905	19%
Norway	6,626	2%	6,595	3%	908	1%	2,097	3%	10,240	3%
<b>Total</b>	<b>266,206</b>	<b>100%</b>	<b>226,533</b>	<b>100%</b>	<b>110,008</b>	<b>100%</b>	<b>80,673</b>	<b>100%</b>	<b>339,375</b>	<b>100%</b>

## CONTRACT ASSETS AND LIABILITIES

in thousand euros

	30.09.2022	30.09.2021	31.12.2021
Accrued income from construction services (Note 6)	18,569	17,477	15,050
Prepayments for construction services (Note 13)	(6,492)	(8,481)	(7,024)
Advance payments received for construction contract works (Notes 13, 15)	(7,257)	(14,064)	(12,963)
Recognised provision for onerous construction contracts (Note 14)	(101)	(288)	(582)

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

in thousand euros

	30.09.2022	30.09.2021	31.12.2021
Estonia	27,843	23,169	24,175
Latvia	10,848	13,141	13,202
Lithuania	1,285	997	1,039
Norway	126	136	134
<b>Total</b>	<b>40,102</b>	<b>37,443</b>	<b>38,550</b>

## NOTE 3 COST OF GOODS SOLD

in thousand euros

	2022 9 months	2021 9 months	2022 III quarter	2021 III quarter	2021 12 months
Construction services and properties purchased for resale	136,311	121,003	59,888	43,294	181,370
Materials	48,191	37,022	19,503	12,541	49,647
Labour costs	20,488	18,486	6,707	6,145	26,313
Construction mechanisms and transport	6,950	7,571	2,703	3,125	10,027
Design	5,704	3,165	1,831	1,037	5,022
Real estate management costs	565	268	201	100	385
Depreciation	1,468	1,266	508	419	1,731
Provisions	5,997	3,759	1,715	1,980	7,565
Other expenses	9,449	7,524	3,150	2,801	10,503
<b>Total cost of goods sold</b>	<b>235,123</b>	<b>200,064</b>	<b>96,206</b>	<b>71,442</b>	<b>292,563</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.

	2022 9 months	2021 9 months	2022 III quarter	2021 III quarter	2021 12 months
Net profit (loss) attributable to shareholders (in thousand EUR)	17,023	15,277	9,821	5,514	29,140
Weighted average number of ordinary shares (thousand pcs)	17,700	17,700	17,700	17,700	17,700
<b>Earnings (loss) per share (in euros)</b>	<b>0.96</b>	<b>0.86</b>	<b>0.55</b>	<b>0.31</b>	<b>1.65</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 2022 the parent company AS Merko Ehitus paid dividends of EUR 17,700 thousand, i.e. EUR 1.00 per share (in 2021 were paid EUR 17,700 thousand). The income tax expense related to the payment of dividends, 1,576 thousand euros, of which 1,519 thousand euros was recognised as deferred tax expense in the group in 2021, paid in third quarter. The group withheld an additional 7% income tax, 39 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 30.09.2022 the balance of deferred income tax liability includes deferred income tax on dividends in the amount of 54 thousand euros (30.09.2021: EUR 307 thousand euros; 31.12.2021: EUR 1,519 thousand euros).

As of 30.09.2022, the parent company AS Merko Ehitus has no previously taxed dividends and income received from abroad on which income tax has been withheld (30.09.2021: EUR 0; 31.12.2021: EUR 0).

As at 30.09.2022, it is possible to pay out dividends to shareholders from retained earnings in the amount of EUR 126,270 thousand (30.09.2021: EUR 113,678; 31.12.2021: EUR 126,814 thousand). Considering the dividends received and income tax withheld on foreign income totalling EUR 0 (30.09.2021: EUR 0; 31.12.2021: EUR 0), the corresponding income tax on dividends would amount to EUR 31,567 thousand (30.09.2021: EUR 28,420 thousand; 31.12.2021: EUR 31,703 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

	30.09.2022	30.09.2021	31.12.2021
Bank accounts	22,200	19,581	44,930
<b>Total cash and cash equivalents</b>	<b>22,200</b>	<b>19,581</b>	<b>44,930</b>

## NOTE 6 TRADE AND OTHER RECEIVABLES

in thousand euros

	30.09.2022	30.09.2021	31.12.2021
Trade receivables			
Accounts receivable	41,078	38,061	35,444
Allowance for doubtful receivables	(3,167)	(3,461)	(3,347)
	<b>37,911</b>	<b>34,600</b>	<b>32,097</b>
Tax prepayments excluding corporate income tax			
Value added tax	3,289	862	1,021
Other taxes	40	12	50
	<b>3,329</b>	<b>874</b>	<b>1,071</b>
Accrued income from construction services	18,569	17,477	15,050
Other short-term receivables			
Short-term loans	-	-	1,115
Interest receivables	111	51	-
Dividends receivables	560	-	-
Other short-term receivables	35	189	195
	<b>706</b>	<b>240</b>	<b>1,310</b>
Prepayments for services			
Prepayments for construction services	11,232	5,830	5,547
Prepaid insurance	357	196	158
Other prepaid expenses	191	448	251
	<b>11,780</b>	<b>6,474</b>	<b>5,956</b>

	30.09.2022	30.09.2021	31.12.2021
<b>Total trade and other receivables</b>	<b>72,295</b>	<b>59,665</b>	<b>55,484</b>
incl. short-term loan receivables from related parties (Note 16)	-	-	1,115
other short-term receivables and prepayments to related parties (Note 16)	9,898	1,716	3,573

## NOTE 7 INVENTORIES

in thousand euros

	30.09.2022	30.09.2021	31.12.2021
Materials	842	330	347
Work-in-progress	136,614	83,018	82,953
Finished goods	8,876	8,225	6,819
Goods for resale			
Registered immovables purchased for resale/development	90,296	58,945	66,160
Other goods purchased for resale	5,241	114	149
	<b>95,537</b>	<b>59,059</b>	<b>66,309</b>
Prepayments for inventories			
Prepayments for real estate properties	-	3,900	4,109
Prepayments for other inventories	1,353	156	56
<b>Total inventories</b>	<b>243,222</b>	<b>154,688</b>	<b>160,593</b>

## NOTE 8 OTHER LONG-TERM LOANS AND RECEIVABLES

in thousand euros

	30.09.2022	30.09.2021	31.12.2021
Long-term loans	5,000	1,115	-
Long-term bank deposit	5	2	5
Long-term receivables from customers of construction services	23,318	22,715	24,074
<b>Total other long-term loans and receivables</b>	<b>28,323</b>	<b>23,832</b>	<b>24,079</b>
incl. long-term loan receivables from related parties (Note 16)	5,000	1,115	-

## NOTE 9 INVESTMENT PROPERTY

in thousand euros

	30.09.2022	30.09.2021	31.12.2021
Land	10,172	12,408	12,414
Right of superficies at carrying amount			
Cost	29	29	29
Accumulated depreciation	(14)	(14)	(14)
	<b>15</b>	<b>15</b>	<b>15</b>
Buildings at carrying amount			
Cost	2,631	2,631	2,631
Accumulated depreciation	(1,307)	(1,207)	(1,232)
	<b>1,324</b>	<b>1,424</b>	<b>1,399</b>
<b>Total investment property</b>	<b>11,511</b>	<b>13,847</b>	<b>13,828</b>

## NOTE 10 PROPERTY, PLANT AND EQUIPMENT

in thousand euros

	30.09.2022	30.09.2021	31.12.2021
Land	1,266	712	712
Buildings at carrying amount*			
Cost	8,293	7,951	8,184
Accumulated depreciation	(3,171)	(2,952)	(3,048)
	<b>5,122</b>	<b>4,999</b>	<b>5,136</b>
Machinery and equipment at carrying amount*			
Cost	19,012	14,918	17,920
Accumulated depreciation	(10,117)	(9,256)	(9,636)
	<b>8,895</b>	<b>5,662</b>	<b>8,284</b>
Other fixtures at carrying amount			
Cost	4,831	4,228	4,523
Accumulated depreciation	(3,201)	(3,231)	(3,049)
	<b>1,630</b>	<b>997</b>	<b>1,474</b>
Prepayments for property, plant and equipment	614	3,254	744
<b>Total property, plant and equipment</b>	<b>17,527</b>	<b>15,624</b>	<b>16,350</b>

\* As of 30 September 2022, the balance of buildings at carrying amount includes leased assets in a sum of EUR 690 thousand (30.09.2021: 585 thousand; 31.12.2021: EUR 543 thousand). The balance of machinery and equipment at carrying amount includes leased assets in a sum of EUR 3,657 thousand (30.09.2021: EUR 2,828 thousand; 31.12.2021: EUR 2,881 thousand).

## NOTE 11 INTANGIBLE ASSETS

in thousand euros

	30.09.2022	30.09.2021	31.12.2021
Goodwill			
Cost	69	72	73
	<b>69</b>	<b>72</b>	<b>73</b>
Software at carrying amount			
Cost	1,403	2,032	1,401
Accumulated depreciation	(1,047)	(1,568)	(877)
	<b>356</b>	<b>464</b>	<b>524</b>
Prepayments for intangible assets	167	148	72
<b>Total intangible assets</b>	<b>592</b>	<b>684</b>	<b>669</b>

## NOTE 12 BORROWINGS

in thousand euros

	30.09.2022	30.09.2021	31.12.2021
<b>Lease liabilities*</b>			
Lease liabilities balance	4,492	3,488	3,519
incl. current portion	1,159	888	868
non-current portion 2...5 years	3,333	2,600	2,651
<b>Bank loans</b>			
Loan balance	91,989	30,613	43,062
incl. current portion	50,853	8,443	10,712
non-current portion 2...5 years	41,136	22,170	32,350
<b>Loan from parent company</b>			
Loan balance	8,000	-	-
incl. current portion (Note 16)	8,000	-	-
<b>Loans from entities under common control</b>			
Loan balance	6,000	6,000	6,000
incl. non-current portion 2...5 years (Note 16)	6,000	6,000	6,000
<b>Loans from other related parties</b>			
Loan balance	22	80	-
incl. current portion	22	24	-
non-current portion 2...5 years	-	56	-
<b>Loans from other entities</b>			
Loan balance	-	-	56
incl. current portion	-	-	56
<b>Total loans</b>			
Loans balance	106,011	36,693	49,118
incl. current portion	58,875	8,467	10,768
non-current portion 2...5 years	47,136	28,226	38,350
<b>Total borrowings</b>			
incl. current portion	60,034	9,355	11,636
non-current portion 2...5 years	50,469	30,826	41,001

\* As of 30 September 2022, the lease liabilities include a balance of EUR 267 thousand to related parties (30.09.2021: EUR 44 thousand; 31.12.2021: EUR 31 thousand) (Note 16).

## NOTE 13 PAYABLES AND PREPAYMENTS

in thousand euros

	30.09.2022	30.09.2021	31.12.2021
Trade payables	62,959	35,704	29,413
Payables to employees	11,142	9,641	11,640
Tax liabilities, except for corporate income tax			
Value added tax	3,040	1,567	3,119
Personal income tax	446	415	546
Social security tax	1,099	1,113	1,270
Unemployment insurance tax	48	45	58
Contributions to mandatory funded pension	28	26	39
Other taxes	120	127	124
	<b>4,781</b>	<b>3,293</b>	<b>5,156</b>
Prepayments for construction services	6,492	8,481	7,024
Other liabilities			
Interest liabilities	59	11	20
Other liabilities	458	480	2,338
	<b>517</b>	<b>491</b>	<b>2,358</b>
Prepayments received *	33,360	30,784	34,463
<b>Total payables and prepayments</b>	<b>119,251</b>	<b>88,394</b>	<b>90,054</b>
incl. payables to related parties (Note 16)	2,592	2,569	2,503

\* As of 30 September 2022, the balance of prepayments received consists of prepayments received in connection with construction contracts (advance payments received for construction contract works) in a sum of EUR 7,257 thousand (30.09.2021: EUR 12,777 thousand; 31.12.2021: EUR 12,435 thousand) and of prepayments received in connection with residential properties (apartment buyers) in a sum of EUR 26,103 thousand (30.09.2021: EUR 18,007 thousand; 31.12.2021: EUR 22,028 thousand) (Note 2).

## NOTE 14 SHORT-TERM PROVISIONS

in thousand euros

	30.09.2022	30.09.2021	31.12.2021
Provision for warranty obligation for construction	3,792	3,323	3,771
Provision for costs of projects sold and work-in-progress projects	1,691	2,707	3,537
Provision for onerous construction contracts	101	288	582
Other provisions	-	-	86
<b>Total short-term provisions</b>	<b>5,584</b>	<b>6,318</b>	<b>7,976</b>

## NOTE 15 OTHER LONG-TERM PAYABLES

in thousand euros

	30.09.2022	30.09.2021	31.12.2021
Trade payables	2,130	1,927	2,110
Prepayments received *	-	1,287	528
Interest liabilities	-	2	-
Other long-term liabilities	247	337	262
<b>Other long-term payables total</b>	<b>2,377</b>	<b>3,553</b>	<b>2,900</b>
incl. other long-term payables to related parties (Note 16)	248	339	262

\* As of 30 September 2022, 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 0 (30.09.2021: EUR 1,287 thousand; 31.12.2021: EUR 528 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 of AS Riverito or so-called sister companies, in the Note 'Entities under common control';
- associates and joint ventures;
- key members of the management (supervisory and management board), their close relatives and entities under their control or significant influence.

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

The parent of AS Merko Ehitus is AS Riverito. As at 30.09.2022; 30.09.2021 and 31.12.2021, AS Riverito owned 71.99% of the shares of AS Merko Ehitus. The ultimate controlling party of the group is Mr. Toomas Annus.

### AS MERKO EHITUS SUBSIDIARIES AND JOINT VENTURES

	Ownership and voting rights %			Location	Area of operation
	30.09.2022	30.09.2021	31.12.2021		
<b>Subsidiaries</b>					
AS Merko Ehitus Eesti	100	100	100	Estonia, Tallinn	Construction
AS Merko Infra	-	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	-	-	Estonia, Tallinn	Mining
Tallinna Teede AS	100	100	100	Estonia, Tallinn	Road construction
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 MB Projektas	100	100	100	Lithuania, Vilnius	Real estate
UAB Statinių Priežiūra ir Administravimas	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 SK Viesturdarzs	100	100	100	Latvia, Riga	Real estate
SIA Industrialais Parks	100	-	100	Latvia, Riga	Real estate
SIA Merks Mājas	100	100	100	Latvia, Riga	Real estate
SIA Industrialais Parks	-	100	-	Latvia, Riga	Real estate
SIA Ropažu Priedes	100	100	100	Latvia, Riga	Real estate
SIA Zakusala Estates	100	75	100	Latvia, Riga	Real estate
PS Merko-Merks	100	100	100	Latvia, Riga	Construction
PS Merks-Ostas Celtnieks	65	65	65	Latvia, Riga	Construction
PS Merks Merko Infra	100	100	100	Latvia, Riga	Construction
Merko Finland Oy	100	100	100	Finland, Helsinki	Construction
Merko Investments AS	100	100	100	Norway, Sofiemyr	Holding
Merko Bygg AS (ex-Peritus Entreprenør AS)	56	56	56	Norway, Sofiemyr	Construction
Løkenskogen Bolig AS	62	56	62	Norway, Sofiemyr	Real estate
<b>Associate</b>					
AS Connecto Eesti	-	50	35	Estonia, Tallinn	Construction
<b>Joint ventures</b>					
Kodusadam OÜ	50	50	50	Estonia, Tallinn	Real estate
AS Connecto Eesti	50	-	-	Estonia, Tallinn	Construction

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

## PURCHASE OF SUBSIDIARY

in thousand euros

## OÜ Metsara-Metspere Kinnisvara

Acquired ownership interest		100%
Acquisition date		16.03.2022
	<b>Book value</b>	<b>Fair value</b>
Cash	0	0
Property, plant and equipment	409	695
Liabilities	0	0
Net assets	409	695
<b>Fair value of net assets</b>		<b>695</b>
<b>Acquisition cost</b>		<b>695</b>
Subsidiary's cash and cash equivalent on acquisition		0
Paid on acquisition		(695)
<b>Cash flow from acquisition of subsidiary</b>		<b>(695)</b>
Net profit from the beginning of the year	-	
Net profit following the acquisition	-	

## ACQUISITION OF JOINT VENTURE

in thousand euros

## AS Connecto Eesti

Additional share %		15%
Acquisition date		28.02.2022
		<b>Fair value</b>
Cash		1,049
Receivables		1,103
Inventories		432
Non-current assets		460
Borrowings		(156)
Other liabilities		(1,821)
<b>Fair value of net assets</b>		<b>1,067</b>
<b>Acquisition cost</b>		<b>2,236</b>
<b>Goodwill</b>		<b>1,169</b>
Paid for share of joint venture in cash		(2,236)
<b>Outflow of cash – investing activities</b>		<b>(2,236)</b>

Joint ventures are accounted for under the equity method. A holding in a jointly controlled entity is initially recognised at cost and subsequently adjusted for the post-acquisition changes that have occurred in the group's share of the net assets under common control.

The investment into the joint venture includes a goodwill of EUR 1,169 thousand as determined upon acquisition, which is largely related to the company's ability to jointly win recurring long-term contracts in procurements under the Connecto trademark as well as its readiness to participate in large-scale projects both in Estonia and abroad.

## GOODS AND SERVICES

in thousand euros

	2022 9 months	2021 9 months	2021 12 months
<b>Provided services and goods sold</b>			
Parent company	10	10	13
Associate and joint venture	20,150	2,886	6,307
Entities under common control	26,215	12,187	15,729
Members of the management	-	164	399
<b>Total services provided and goods sold</b>	<b>46,375</b>	<b>15,247</b>	<b>22,448</b>

	2022 9 months	2021 9 months	2021 12 months
<b>Interest income</b>			
Joint venture	119	51	68
<b>Purchased services and goods</b>			
Parent company	76	68	90
Associate and joint venture	122	82	145
Entities under common control	53	46	64
Members of the management	-	1	1
<b>Total purchased services and goods</b>	<b>251</b>	<b>197</b>	<b>300</b>
<b>Interest expense</b>			
Parent company	42	-	-
Entities under common control	108	97	130
Other related parties	1	11	1
<b>Total interest expense</b>	<b>151</b>	<b>108</b>	<b>131</b>

### BALANCES WITH RELATED PARTIES

in thousand euros

	30.09.2022	30.09.2021	31.12.2021
<b>Receivables from related parties</b>			
Loans granted (Notes 6,8)			
Joint ventures	5,000	1,115	1,115
Receivables and prepayments (Note 6)			
Parent company	4	4	4
Associate and joint venture	3,848	978	1,924
Entities under common control	6,046	734	1,616
Members of the management	-	-	29
Total receivables and prepayments	<b>9,898</b>	<b>1,716</b>	<b>3,573</b>
<b>Total receivables from related parties</b>	<b>14,898</b>	<b>2,831</b>	<b>4,688</b>
<b>Payables to related parties</b>			
Lease liabilities (Note 12)			
Entities under common control	267	44	31
Short-term loans received (Note 12)			
Parent company	8,000	-	-
Other related parties	22	24	-
Total Short-term loans received	8,022	<b>24</b>	-
Payables and prepayments (Note 13)			
Parent company	39	9	9
Associate and joint venture	32	28	8
Entities under common control	2,458	2,476	2,446
Members of the management	63	56	40
Total payables and prepayments	<b>2,592</b>	<b>2,569</b>	<b>2,503</b>
Long-term loans received (Note 12)			
Entities under common control	6,000	6,000	6,000
Other related parties	-	56	-
Total long-term loans received	<b>6,000</b>	<b>6,056</b>	<b>6,000</b>
Other long-term payables (Note 15)			
Other related parties	248	339	262
<b>Total payables to related parties</b>	<b>17,129</b>	<b>9,032</b>	<b>8,796</b>

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

The gross remuneration to members of the Supervisory Board and Management Board of AS Merko Ehitus group and the members of the Management Board of major subsidiaries for the 9 months of 2022 was EUR 2,971 thousand (9 months of 2021: EUR 1,831; 12 months of 2021: EUR 2,937 thousand).

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

Authorization agreements have been entered into with the Supervisory Board members, according to which no termination benefits are paid to them upon termination of the contract. In the 9 months of 2022, the Management Board members of major subsidiaries received EUR 4 thousand in compensation (9 months of 2021: EUR 105 thousand; 12 months of 2021: EUR 141 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/](http://group.merko.ee/en/management-and-supervisory-board/).

Shares held by members of the Supervisory Board of AS Merko Ehitus as of 30.09.2022:

		NO OF SHARES	% OF SHARES
Toomas Annus (AS Riverito) *	Chairman of the Supervisory Board	12,742,686	71.99%
Indrek Neivelt (OÜ Trust IN)	Member of the Supervisory Board	31,635	0.18%
Teet Roopalu	Member of the Supervisory Board	-	-
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 two members: Andres Trink and Tõnu Toomik.

Shares held by members of the Management Board of AS Merko Ehitus as of 30.09.2022:

		NO OF SHARES	% OF SHARES
Andres Trink	Chairman of the Management Board	1,100	0.01%
Tõnu Toomik	Member of the Management Board	-	-
		<b>1,100</b>	<b>0.01%</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.

	30.09.2022	30.09.2021	31.12.2021
Performance period's warranty to the customer	19,513	27,292	28,573
Tender warranty	11,957	55	31
Guarantee for warranty period	22,973	19,945	19,639
Prepayment guarantee	9,851	11,819	15,026
Payment guarantee	0	817	0
Contracts of surety	500	1,466	1,466
<b>Total contingent liabilities</b>	<b>64,794</b>	<b>61,394</b>	<b>64,735</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	=	$\frac{\text{Share price 30.09}}{\text{Earnings per share of the current 4 quarters}}$
P/B	=	$\frac{\text{Share price 30.09}}{\text{Equity per share (average of the current 4 quarters)}}$
Market value	=	Share price 30.09 × Number of shares