



AS MERKO EHITUS

GROUP

2024 12 months and IV quarter consolidated unaudited interim report

Business name:	AS Merko Ehitus
Main activities:	Holding companies General contracting of construction Real estate development
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Reporting period:	01.01.2024 – 31.12.2024
Supervisory Board:	Toomas Annus, Indrek Neivelt, Kristina Siimar
Management Board:	Ivo Volkov, Tõnu Toomik, Urmas Somelar
Auditor:	AS PricewaterhouseCoopers

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BRIEF OVERVIEW OF THE GROUP

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

We create a better living environment and build the future.

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

ESTONIA

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

LATVIA

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

LITHUANIA

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

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

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

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

SHARES

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

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

2024 KEY FIGURES

Revenue **539.0 million** euros

Net profit **64.7 million** euros

605 employees





MERKO VALUES

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

MERKO ESSENCE



STRATEGY

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

MANAGEMENT REPORT

COMMENTARY FROM MANAGEMENT

Merko Ehitus posted revenue of EUR 160.4 million and net profit of EUR 19.9 million in Q4 of 2024. The respective figures for the entire year 2024 were EUR 539 million and EUR 64.7 million. Approximately 90% of revenue came from sales of construction services and 53% was earned in Lithuania. In coordination with the supervisory board, the management board of Merko Ehitus proposes to the general shareholder meeting to pay out EUR 1.90 per share as dividends.

According to the management of Merko Ehitus, the solid results of 2024 stemmed from the right decisions in terms of focusing on selected sectors and specific projects, and the teams' superb work both in terms of efficient implementation of projects and management of risks and expenses. In 2024, contracts signed in the turbulent 2021-2022 period, the bulk of the construction on Arter Quarter, the tram line to Old City Harbour, TKM Group logistics centre, the third stage of Vilneles Skverai apartment development in Vilnius and construction of the large-scale Lithuanian wind energy infrastructure were completed. A joint venture in which the group has a 50% holding, Connecto Infra, delivered a strong performance in whole year of 2024. The Merko Group's financial position is strong and net debt negative; and the lower need for loans translated into savings on financial expenses during a period of higher interest rates.

During the last two years, the group's Lithuanian team started work on a large number of complicated wind farm infrastructure projects. They were able to tap into the economy of scale effect and build a record 87 turbine foundations using what was effectively an industrial production process, at a consistent pace and record speed. In addition, risks were avoided, and all of it together yielded significant savings on expenses. Expenses were also reduced by the fact that work on a national defence site in Lithuania are executed ahead of schedule.

During 2024, the group's companies entered into close to one-third fewer new contracts than in 2023 and the secured order book was significantly lower than the previous year. Construction contracts generally have a term of 18-24 months, and considering the economic climate, low investments and procurements being won with very low prices seen since 2023 a complicated 2025 and 2026 for the Estonian and Latvian construction sector can be expected. As for developments in Lithuania, there are grounds for much greater optimism there. In 2024, companies of Merko Group signed new construction contracts worth EUR 338 million, which is nearly one-third less than in 2023 (EUR 501 million). As at the end of the year, the group's balance of secured order-book was EUR 341 million.

Due to the changed market situation, the results of real estate development division are significantly more modest than in previous years. The 2024 revenue was only 40% of that of 2023, yet Merko has managed to retain profitability in this business area. Despite the softer real estate market, the default rate on obligational contracts did not increase and it has been succeeded in reducing balance of apartments still waiting to be sold. The weakest economic sentiment is seen in Estonia and the strongest sentiment is in Lithuania, where the market for new apartments is active and we are increasing our supply. In Latvia, it is hoped to stay at the current market levels and in Estonia, buoyed by the more active real estate aftermarket, there are looking ahead to growth in sales of new real estate.

In 2024, Merko delivered 323 apartments and 11 commercial units to buyers. In the course of the year, Merko launched construction and sales of 259 new apartments, and as of the end of the year, our balance stood at 633 apartments, of which 17% were covered by preliminary sale contracts. The largest development projects in progress were, in Tallinn, Uus-Veerenni, Noblessner and Lahekalda; in Tartu, Erminurme; while in Riga the leaders were Lucavsala, Arena Garden Towers, Viesturdārzs, Mežpilsēta and Magnolijas; and in Vilnius, Vilnelės Skverai.

In 2024, the largest projects in progress in Estonia were the TKM Group logistics centre, the Hampton by Hilton and Hyatt hotel buildings, Arter Quarter, the City Plaza 2 office building in Tallinn, the Estonian Defence Forces buildings at Ämari base, a tram line between Old City Harbour and Rail Baltica Ülemiste passenger terminal, the first stage of the Ülemiste multimodal transport junction and the Rail Baltica's Tõdva highway overpasses. In Lithuania, the largest sites under way were the wind farm infrastructure projects in Kelmė, Pagėgiai and Telšiai regions, a substation in Kelmė and various national defence buildings and infrastructure. In Latvia, a solar energy farm in Vārme municipality and a student hotel in Riga were under construction.

**2024 12M
REVENUE**
539 MILLION EUROS

**PROFIT
BEFORE TAX**
76.4 MILLION EUROS

OVERVIEW OF THE IV QUARTER AND 12 MONTHS RESULTS

PROFITABILITY

2024 12 months' pre-tax profit was EUR 76.4 million and Q4 2024 was EUR 26.8 million (12M 2023: EUR 52.0 million and Q4 2023 was EUR 18.1 million), which brought the pre-tax profit margin to 14.2% (12M 2023: 11.1%).

Net profit attributable to shareholders for 12 months 2024 was EUR 64.7 million (12M 2023: EUR 46.0 million) and for Q4 2024 net profit attributable to shareholders was EUR 19.9 million (Q4 2023: EUR 13.9 million). 12 months net profit margin was 12.0% (12M 2023: 9.9%).

REVENUE

Q4 2024 revenue was EUR 160.4 million (Q4 2023: EUR 126.5 million) and 12 months' revenue was EUR 539.0 million (12M 2023: EUR 466.3 million). 12 months' revenue increased by 15.6% compared to same period last year. The share of revenue earned outside Estonia in 12 months 2024 was 58.3% (12M 2023: 39.3%).

SECURED ORDER BOOK

As of 31 December 2024, the group's secured order book was EUR 340.6 million (31 December 2023: EUR 477.5 million). In 12 months 2024, group companies signed contracts in the amount of EUR 338.0 million (12M 2023: EUR 500.8 million). In Q4 2024, new contracts were signed in the amount of EUR 45.9 million (Q4 2023: EUR 121.4 million).

REAL ESTATE DEVELOPMENT

In 12 months 2024, the group sold a total of 323 apartments; in 12 months 2023, the group sold 948 apartments. The group earned a revenue of EUR 58.9 million from sale of own developed apartments in 12 months 2024 and EUR 137.5 million in 12 months 2023. In Q4 of 2024 a total of 129 apartments were sold, compared to 283 apartments in Q4 2023, and earned a revenue of EUR 22.9 million from sale of own developed apartments (Q4 2023: EUR 31.4 million).

CASH POSITION

At the end of the reporting period, the group had EUR 91.9 million in cash and cash equivalents, and equity of EUR 254.3 million (56.9% of total assets). Comparable figures as of 31 December 2023 were EUR 77.3 million and EUR 212.1 million (49.9% of total assets), respectively. As of 31 December 2024, the group's net debt was negative EUR 58.5 million (31 December 2023: negative EUR 22.5 million).

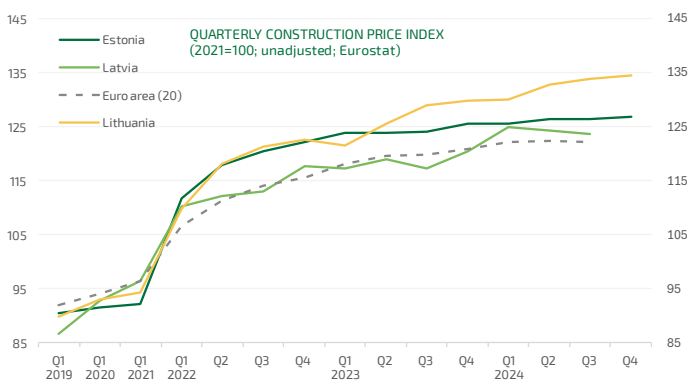
PROPOSAL FOR DISTRIBUTION OF PROFITS

The Management Board proposes to the Supervisory Board to distribute to shareholders EUR 33.6 million in dividends (1.90 euros per share) from retained earnings in 2025. This is equivalent to a 52% dividend rate for 2024.

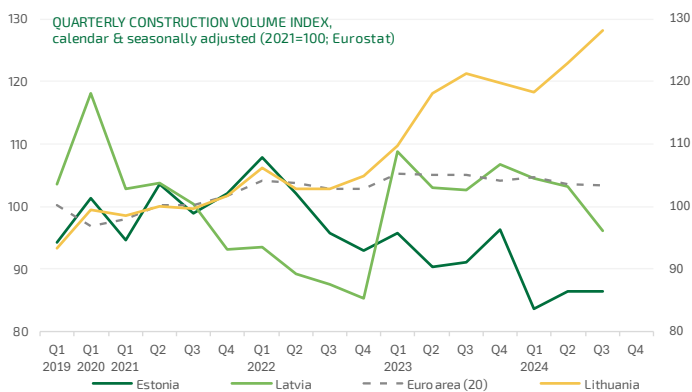
OUTLOOK OF CONSTRUCTION AND REAL ESTATE MARKET

CONSTRUCTION SERVICES

In a trend that remained prevalent throughout the year, creeping growth of workforce expenses and construction machinery kept the composite index on a slight uptick. The price of construction materials experienced more change due to the types of buildings and infrastructure being built and demand for the necessary materials. We also saw a reaffirmation of the principle that prices on a more active market grow faster thanks to stronger demand – consequently, the Lithuanian construction price index is showing stronger growth than the Estonian or Latvian counterparts. We reiterate and extend to the first half of 2025 our expectation that upward price pressures will remain predominant, especially on the workforce expenses component, and temporary declines will occur mainly in the construction materials scope, reflecting a temporarily lower demand for specific materials on specific markets. The markets are still not exhibiting signs that fundamental factors could spark a broader-based price drop. Competition on the construction market remains stiff and public sector orders will remain prevalent in 2025. The impact of tax hikes on construction undertakings will tend to raise prices of construction service, since competition has already cut margins thin.



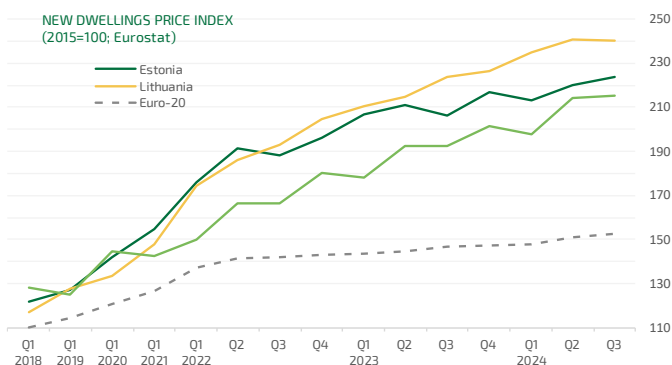
As of the preparation of this report, data on Q4 construction volumes had not been released, but it is clear the actual construction volumes on the Rail Baltica project in Estonia and Latvia will fall well short of expectations, and the recovery of volumes in the housing and road construction segments is arduous. Funding for Rail Baltica contracts became a focus topic in the second half of the year in Latvia and since that time, the lack of political consensus on how the project will be funded has acted as a brake on construction volumes. Investments in the defence sector have been strong in all of the Baltic states and in Lithuania, this has ensured growth of construction volumes. It is an ungrateful endeavour to try to forecast construction volumes, since the high proportion of public sector in orders has increased the impact of budgetary possibilities and procedures on fulfilment of orders. We believe that we will not see broad-based growth outside of Lithuania, since elsewhere volumes will continue to be affected by the weakness of the real estate market, which public sector orders cannot compensate.



Based on the latest economic forecasts released, we expect modest growth in the first half of 2025 in the Baltics as a whole, supported by strong defence and renewable energy investments, but checked by somewhat meagre private sector investments into construction of residential and commercial property. In the longer perspective, there are signs of the decline in construction volumes ending in Estonia, but also that growth will slow in Lithuania. The latter is due to restrictions on the input side, as it will take time and investments for an increase the supply from material manufacturers and subcontractors.

DEVELOPMENT OF APARTMENTS

The real estate market stabilized in 2024 and in comparison with 2023 managed to grow while remaining far off the peak levels of 2021 and 2022. The performance of housing markets in the Baltics are closely dependent on the level of consumer confidence. The Lithuanian (and chiefly Vilnius) market was impacted significantly in 2024 by the slowing of issuing of new building permits, which limited the number of properties coming on to the market. Prices of new housing continue to rise, reflecting the growth of input and output prices in developments started in 2022-2023 and delivered to buyers in 2024.



We renew our expectation that the first half of 2025 will also be characterized by stable prices with insignificant statistical fluctuations. Market activity will be impacted by new taxes coming and due to come into force in Estonia, and in Lithuania, more building permits issued, and in all three Baltic states by the level of economic security of the population. In the second half of 2025, we look forward to new developments and new information on potential new requirements imposed on housing as a result of the green transition and their impact on input prices, since the carbon border adjustment mechanism on materials imported from outside the EU should come into force in early 2026. Considering the insignificant influence of lower interest rates on interest from buyers, we do not foresee a major impact arising from further interest rate cuts, since various added tax burdens will neutralize the stimulus effect these would otherwise have on demand.

BUSINESS ACTIVITIES

The group business reporting is divided into two business segments:

- construction service;
- real estate development.

CONSTRUCTION SERVICE

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

million EUR

	12M 2024	12M 2023	VARIANCE	Q4 2024	Q4 2023	VARIANCE
Revenue	474.6	298.2	+59.2%	136.3	89.5	+52.3%
% of total revenue	88.0%	63.9%		85.0%	70.8%	
Operating profit	59.4	20.5	+189.8%	20.2	8.9	+127.5%
Operating profit margin	12.5%	6.9%		14.8%	9.9%	

In the 12 months of 2024, the revenue of the construction service segment was EUR 474.6 million (12M 2023: EUR 298.2 million). The sales revenue of construction service has increased by 59.2% compared to the same period last year. The construction service segment revenue for 12 months 2024 made up 88.0% of the group's total revenue (12M 2023: 63.9%). In this segment, the group earned an operating profit of EUR 59.4 million for 12 months (12M 2023: EUR 20.5 million). The operating profit margin was 12.5% (12M 2023: 6.9%). The operating profit was mainly affected by faster-than-expected progress in contract execution and the resulting savings in site costs, as well as successful tactics and actions in mitigating material and subcontracting price risks.

Larger projects in progress in the fourth quarter in construction service segment in Estonia included the office building City Plaza 2, Hampton by Hilton and Hyatt hotel buildings, Arter Quarter, Defence Forces' buildings in the Ämari campus, tram line connecting Old Harbour and Rail Baltic's Ülemiste passenger terminal and the first phase of Ülemiste terminal as well as the fourth stage of Rail Baltica Harjumaa main line section and road viaducts in Tõdva. In Lithuania, larger projects were construction of wind farm infrastructure works in Kelmė, Pagėgiai and Telšiai region and a substation in Kelmė as well as various NATO training centres buildings and infrastructures were underway. In Latvia, the group was working on the construction of a solar panel power plant in Vārme parish and student hotel in Riga.

REAL ESTATE DEVELOPMENT

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

million EUR

	12M 2024	12M 2023	VARIANCE	Q4 2024	Q4 2023	VARIANCE
Revenue	64.5	168.1	-61.6%	24.0	37.0	-35.0%
incl. revenue from sale of apartments	58.9	137.5		22.9	31.4	
incl. construction service to joint venture projects	1.9	24.7		0.2	4.7	
% of total revenue	12.0%	36.1%		15.0%	29.2%	
Operating profit	16.5	26.7	-38.5%	6.2	6.2	-0.1%
Operating profit margin	25.5%	15.9%		15.9%	16.9%	

In 12 months 2024, the group sold a total of 323 apartments (incl. 31 apartments in a joint venture) and 11 commercial premises (incl. 10 in a joint venture); in 12 months 2023, 948 apartments (incl. 213 apartments in a joint venture) and 27 commercial premises (incl. 13 in a joint venture). The group earned a revenue of EUR 58.9 million (VAT not included) from sale of developed apartments in 12 months 2024 and EUR 137.5 million (VAT not included) in 12 months 2023. In the revenue and operating profit of the real estate development segment also are reflected the sales of commercial premises and parking spaces of the real estate development projects, one-off profit from the sale of real estate and the result of public-private-partnership contracts, based on which the group companies provide property management services for earlier constructed buildings.

For development projects in joint venture, the 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 12 months of 2024, real estate development segment revenues decreased by 61.6% compared to the same period last year and formed 12.0% of the group's total revenue (12 months of 2023: 36.1%).

The segment's operating profit for the 12 months of 2024 amounted to EUR 16.5 million (12 months of 2023: EUR 26.7 million) and the operating profit margin was 25.5% (12 months of 2023: 15.9%). The profitability of the apartment development projects varies by project and depends greatly on the cost structure of the specific project, including the land acquisition price. In addition, the group earned one-off profit from the sale of investment property.

In 12 months of 2024, the group launched the construction of a total of 259 new apartments in the Baltic states (12 months of 2023: 155 apartments). In the 12 months, the group invested a total of EUR 41.6 million (12 months of 2023: EUR 80.2 million) in the ongoing development projects.

One of the group's objectives is to keep a sufficient portfolio of land plots to ensure stable inventory of property development projects, which considers the market conditions. As of 31 December 2024, the group's inventories included land plots with development potential, where the construction works have not started, in the amount of EUR 87.7 million (31.12.2023: EUR 89.4 million).

GROUP'S INVENTORIES WITH DEVELOPMENT POTENTIAL BY COUNTRY

million EUR

	31.12.2024	31.12.2023
Estonia	30.9	32.5
Latvia	23.0	23.9
Lithuania	32.4	31.5
Norway	1.4	1.5
Total	87.7	89.4

In 12 months of 2024, the group has obtained new land plots for real estate development purposes and paid land-plot related levies worth EUR 2.0 million (12 months of 2023: in the amount of EUR 5.7 million).

SECURED ORDER BOOK

As of 31 December 2024, the group's secured order book amounted to EUR 340.6 million, compared to EUR 477.5 million as of 31 December 2023, having decreased by 28.7% 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 12 months of 2024, EUR 338.0 million worth of new contracts were signed, which is decreased by 32.5% compared to the same period of the previous year (12 months of 2023: EUR 500.8 million). The value of new contracts signed in the fourth quarter of 2024 amounted to EUR 45.9 million; in the fourth quarter of 2023 the value of new contracts signed amounted to EUR 121.4 million.

LARGEST CONSTRUCTION CONTRACTS SIGNED IN THE FOURTH QUARTER OF 2024

BRIEF DESCRIPTION OF CONTRACT	COUNTRY	COMPLETION TIME	VALUE MILLION EUR
Design-and-build construction contract for the construction of a National Defence House in the defence forces Raadi campus in Tartu	Estonia		9.5
Construction contract for the construction of foundations for wind turbines and related infrastructure in a windfarm located in the Pasvalys district	Lithuania	second half of 2025	4.5

As of 31 December 2024, the private sector orders accounted for approximately 48% of the total balance in the group's secured order book (31.12.2023: approximately 56%). The decline in the share of the private sector was due to the rapid execution of contracts for large-scale renewable energy parks. Private sector customers are still taking a wait-and-see approach, assessing profitability conservatively and risks as high in an environment of weak economic growth. Planned high-priority investments in the public sector will continue despite the factors inhibiting the private sector.

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

CASH FLOWS

At the end of reporting period, the group had cash and cash equivalents in the amount of EUR 91.9 million (31.12.2023: EUR 77.3 million). As the group's cash position continues to be strong, the group has not utilised all its credit lines of existing overdrafts and loan agreements within reporting period. As of the end of the reporting period, the group entities had concluded overdraft contracts with banks in a total amount of EUR 51.1 million, of which EUR 44.0 million was unused (31.12.2023: EUR 57.0 million, of which EUR 54.6 million was unused).

The 12-month cash flow from operating activity was positive at EUR 57.8 million (12 months of 2023: positive EUR 114.9 million), cash flow from investing activity was positive at EUR 3.2 million (12 months of 2023: positive EUR 1.0 million) and the cash flow from financing activity was negative at EUR 46.4 million (12 months of 2023: negative EUR 56.2 million).

The cash flow from operating activities had positive effect from EBITDA of EUR 75.7 million (12 months of 2023: positive effect of EUR 48.1 million), from the changes in receivables and liabilities related to construction contracts of EUR 6.3 million (12 months of 2023: positive effect of EUR 35.4 million), from the change in trade and other receivables related to operating activities of EUR 0.8 million (12 months of 2023: positive effect of EUR 0.8 million) as well from the change in the provisions of EUR 5.6 million (12 months of 2023: positive effect of EUR 3.9 million). The negative effects to cash flow from operating activities came from the changes in trade and other payables related to operating activities of EUR 14.0 million (12 months of 2023: positive effect of EUR 9.4 million) and from the change in inventories of EUR 1.9 million (12 months of 2023: positive effect of EUR 25.7 million). The cash flows from inventories are mainly affected by the construction and sales cyclicity of developed apartments: the negative cash flow is due to the increase in the volume of inventories related to the construction of apartments, then the positive cash flow is due to the decrease in inventories at the sale of the apartments. Interest was paid EUR 2.4 million (12 months of 2023: EUR 3.5 million) and corporate income tax was paid at EUR 9.3 million (12 months of 2023: EUR 3.6 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 (7.5% as of 31.12.2024; 12.9% as of 31.12.2023).

Cash flows from investing activities include negative effect from the disposal of subsidiary in the amount of EUR 4.3 million (12 months of 2023: EUR 0), from the acquisition of non-current assets in the amount of EUR 1.9 million (12 months of 2023: EUR 1.4 million) as well from the purchase of other financial investments in the amount of EUR 10.0 million (12 months of 2023: EUR 0). The positive impact in cash flows from investing activities came from the sale of non-current assets in the amount of EUR 0.6 million (12 months of 2023: EUR 1.2 million), from the sale of investment property of EUR 6.5 million (12 months of 2023: EUR 0), EUR 10.3 million from the dividends received from the joint venture (12 months of 2023: EUR 1.2 million) and EUR 2.0 million interest received from banks (12 months of 2023: EUR 0).

In cash flows from financing, the larger negative factors were dividend payment of EUR 22.9 million (12 months of 2023: EUR 17.7 million), the repayments of lease liabilities in the amount of EUR 1.6 million (12 months of 2023: net negative cash flow of EUR 1.3 million) and the change in loans related to net amount of loans received and repaid of project specific loans obtained using investment property as collateral in the amount of EUR 1.7 million (12 months of 2023: negative cash flow in the net amount of EUR 1.6 million), from the net change in loans received and repaid in connection with development projects in the amount of EUR 18.8 million (12 months of 2023: net negative cash flow of EUR 13.2 million), which resulted from the repayment of loans taken for residential development projects, as well from the change in loans related to other activities in the amount of EUR 1.3 million (12 months of 2023: net negative cash flow of EUR 22.4 million).

RATIOS

(attributable to equity holders of the parent)

INCOME STATEMENT SUMMARY		12M 2024	12M 2023	12M 2022	Q4 2024	Q4 2023	Q4 2022
Revenue	million EUR	539.0	466.3	409.6	160.4	126.5	143.4
Gross profit	million EUR	95.9	65.0	53.7	32.8	21.8	22.6
Gross profit margin	%	17.8	13.9	13.1	20.5	17.3	15.7
Operating profit	million EUR	72.5	44.5	35.0	25.4	14.4	16.5
Operating profit margin	%	13.4	9.5	8.6	15.9	11.4	11.5
Pre-tax profit	million EUR	76.4	52.0	37.1	26.8	18.1	18.4
Pre-tax profit margin	%	14.2	11.1	9.1	16.7	14.3	12.8
Net profit	million EUR	64.6	45.9	34.1	19.9	13.9	17.3
attributable to equity holders of the parent	million EUR	64.7	46.0	34.6	19.9	13.9	17.6
attributable to non-controlling interest	million EUR	(0.1)	(0.1)	(0.5)	(0.0)	(0.0)	(0.3)
Net profit margin	%	12.0	9.9	8.5	12.4	11.0	12.3
Other income statement indicators		12M 2024	12M 2023	12M 2022	Q4 2024	Q4 2023	Q4 2022
EBITDA	million EUR	75.7	48.1	37.9	26.3	15.7	17.3
EBITDA margin	%	14.0	10.3	9.3	16.4	12.5	12.0
General expense ratio	%	5.0	5.1	4.9	5.3	6.2	3.9
Labour cost ratio	%	9.8	10.8	10.3	10.5	12.4	8.0
Revenue per employee	thousand EUR	882	718	623	262	195	218

OTHER SIGNIFICANT INDICATORS		31.12.2024	31.12.2023	31.12.2022
Return on equity	%	28.4	23.4	20.4
Return on assets	%	14.8	11.8	9.2
Return on invested capital	%	29.8	20.6	15.1
Assets	million EUR	447.1	425.3	387.4
Equity	million EUR	254.3	211.9	183.7
Equity attributable to equity holders of the parent	million EUR	254.3	212.1	184.2
Equity ratio	%	56.9	49.9	47.5
Debt ratio	%	7.5	12.9	23.7
Current ratio	times	2.1	2.0	2.0
Quick ratio	times	0.9	0.9	0.6
Accounts receivable turnover	days	43	38	33
Accounts payable turnover	days	46	40	55
Average number of employees	people	611	649	657
Secured order book	million EUR	340.6	477.5	297.2

Ratio definitions are provided on page 38 of the report.

RISK MANAGEMENT

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

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

Legal risk

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

As of 31 December 2024, a provision has been set up at the group in the amount of EUR 0.4 million for covering potential claims and legal costs (31.12.2023: EUR 1.7 million).

Below is presented an overview of the key legal disputes and proceedings, which have taken place or ended during 2024 or are ongoing as of 31 December 2024 and which concern group entities is presented:

Estonia

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

The court cases in connection with Minister of the Environment regulation No 22 of 27 March 2015, which redrew the boundaries of species protection sites to exclude properties on Paekalda street owned by AS Merko Ehitus subsidiaries. On 2 February 2016, AS Merko Ehitus group companies filed a complaint in Tallinn Administrative Court for compensation of damage. The claims consist of direct patrimonial damage (reduction in the value of immovable property and expenditures made on development activity) and claims for revenue foregone (failed development activity in 2006-2015). By a decision of 5 March 2021, the Supreme Court sent the appeal regarding the claim for compensation for direct property damage caused by the lawful activities of the Republic of Estonia to the Tallinn Administrative Court for reconsideration. In its decision of 19 April 2024, Tallinn Administrative Court rejected the complaint. The court ruled that the value of the disputed immovable properties has not significantly dropped. OÜ Merko Kodud appealed to Tallinn Circuit Court. The impact of this claim has not been taken into account in the group's reporting.

Latvia

Latvian Competition Council administrative proceeding

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

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

The last court session to discuss the content of the appeal claim took place on 26 September 2023. In its judgement, announced on 25 January 2024, the court of appeal upheld the decision of the Competition Council. On 26 February 2024, SIA Merks and AS Merko Ehitus filed an appeal in cassation with the Supreme Court of Latvia in appeal against the decision of the Latvian Competition Council. The cassation appeal has been accepted and respective proceedings started, yet at the time of the preparation of the report there is no additional information about the deadlines and actions of the proceedings.

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

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

EMPLOYEES AND LABOUR COSTS

As of 31 December 2024, Merko Ehitus group employed 605 people (including temporary and part-time staff). Compared to the same period last year, the number of group's employees decreased by 30 (-4.7%). The number of employees decreased in Estonia, Latvia and Norway and increased in Lithuania.

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

The group defines labour cost as salary (incl. fixed salary, additional pay, holiday pay, and performance pay), taxes based on salary, fringe benefits and taxes on fringe benefits. In 12 months 2024, the labour cost was EUR 52.8 million (12 months 2023: EUR 50.2 million), which increased by 5.1% compared to the same period previous year, while labour cost ratio decreased by 1.0 pp from 10.8% to 9.8% in comparable periods.

ETHICAL BUSINESS PRACTICES

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

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

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

SHARE AND SHAREHOLDERS

INFORMATION ON SECURITY

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

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

A total of 23,384 transactions were conducted with the shares of Merko Ehitus in 12 months of 2024, with 0.79 million shares (4.5% of total shares) traded, generating a turnover of EUR 13.6 million (comparable figures in 12 months 2023 were accordingly: 28,455 transactions with 0.84 million shares traded (4.7% of total shares), generating a turnover of EUR 12.8 million). The lowest value-per-share transaction was recorded at the price of EUR 15.10 and the highest at EUR 21.55 per share (12 months of 2023: EUR 14.14 and EUR 16.36, accordingly). On 31 December 2024, the closing price of the share was EUR 20.85 (31.12.2023: EUR 15.30). As of 31 December 2024, by the Nasdaq Baltic stock exchange, the market capitalisation of AS Merko Ehitus was EUR 369.0 million, which has increased by 36.3% compared to the end of the equivalent period of the prior year (31.12.2023: EUR 270.8 million).

	31.12.2024	31.12.2023	31.12.2022
Number of shares	17,700,000	17,700,000	17,700,000
Earnings per share (EPS), euros	3.65	2.60	1.96
Equity per share, euros	12.88	11.11	9.57
P/B ratio	1.62	1.38	1.48
P/E ratio	5.71	5.88	7.24
Market value, million EUR	369.0	270.8	250.6

Ratio definitions are provided on page 38 of the report.

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



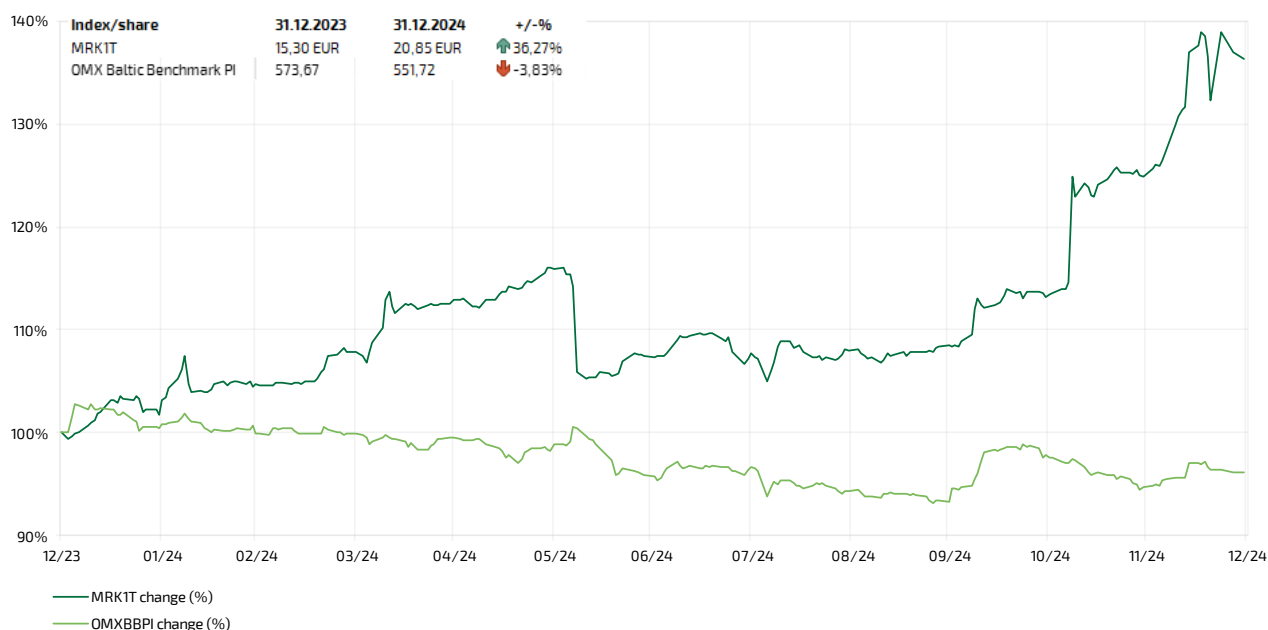
STRUCTURE OF SHAREHOLDERS ACCORDING TO NUMBER OF SHARES AS OF 31.12.2024

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF SHARES	% OF SHARES
1,000,001 - ...	1	0.01%	12,742,686	71.99%
100,001 – 1,000,000	6	0.05%	1,366,789	7.72%
10,001 – 100,000	45	0.35%	971,925	5.49%
1,001-10,000	532	4.13%	1,423,225	8.04%
101-1,000	2,848	22.12%	950,647	5.37%
1-100	9,444	73.34%	244,728	1.39%
Total	12,876	100%	17,700,000	100%

SHAREHOLDERS OF AS MERKO EHITUS AS OF 31.12.2024 AND CHANGE COMPARED TO THE PREVIOUS QUARTER

	NUMBER OF SHARES	% OF TOTAL 31.12.2024	% OF TOTAL 30.09.2024	CHANGE
AS Riverito	12,742,686	71.99%	71.99%	-
OÜ Midas Invest	429,500	2.43%	2.43%	-
Firebird Republics Fund Ltd	356,335	2.01%	2.01%	-
Firebird Aurora Fund Ltd	208,178	1.18%	1.18%	-
OÜ Alar Invest	136,000	0.77%	0.77%	-
Clearstream Banking AG	118,533	0.67%	0.65%	3,118
Firebird Fund L.P.	118,243	0.67%	0.67%	-
Siseinfo OÜ	100,000	0.56%	0.56%	-
Hans Palla	61,000	0.34%	0.34%	-
Alforme OÜ	50,000	0.28%	0.28%	-
Total largest shareholders	14,320,475	80.91%	80.89%	3,118
Total other shareholders	3,379,525	19.09%	19.11%	(3,118)
Total	17,700,000	100%	100%	-

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



DIVIDENDS AND DIVIDEND POLICY

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

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

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

In cooperation with the Supervisory Board, the Management Board proposes to pay the shareholders EUR 33.6 million as dividends from net profits brought forward (EUR 1.90 per share) in 2025, which is equivalent to a 52% dividend rate and a 9.1% dividend yield for the year 2024 (using the share price as at 31 December 2024).

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE AND STRUCTURE

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

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

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

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

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



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

GROUP'S LEGAL STRUCTURE

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

Changes in the legal structure of the group

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

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

On March 20, Merko Ehitus group's 100% subsidiary OÜ Merko Investments signed a division plan, according to which real estate development activities along with the corresponding assets and liabilities were transferred to OÜ Merko Residential Investments, which was established as a result of the division. The balance sheet date of the division was 1 April 2024. The division entered into force on 14 May 2024 with an entry in the commercial register.

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

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

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

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

On 14 August 2024 AS Merko Ehitus established a 100% subsidiary OÜ Merko Ehitus Ventures.

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

On 3 December 2024 OÜ Merko Ehitus Ventures and Aardekapp OÜ established a new 50:50 company OÜ Connecto Varad.

On 16 December 2024 Merko Ehitus group's 100% subsidiary Merko Investments AS acquired 38% holding in the subsidiary Løkenskogen Bolig AS from the minority shareholders Aucon AS and SDV Holding AS. After the acquisition of the additional shareholding, Løkenskogen Bolig AS became a 100% subsidiary of AS Merko Investments.

On 30 December 2024 Merko Ehitus group's 100% subsidiary Merko Investments AS sold 100% share in AS Peritus Entreprenør.

GENERAL MEETING OF SHAREHOLDERS

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

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

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

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

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

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

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

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

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

SUPERVISORY BOARD

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

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

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

MANAGEMENT BOARD

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

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

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

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

SUPERVISORY AND MANAGEMENT BOARDS OF SUBSIDIARIES

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

Below are the supervisory boards and management boards of the significant subsidiaries that are wholly-owned by AS Merko Ehitus as of 31 December 2024:

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

Changes in the management of group subsidiaries

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

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

With the 21 March 2024 decisions of AS Merko Ehitus, the powers of Ivo Volkov, Tõnu Toomik and Urmas Somelar, the current Supervisory Board members of UAB Merko Statyba and UAB Merko Bustas, were extended for the next three years.

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

The sole shareholder of SIA Merks Mājas, part of AS Merko Ehitus group, decided to appoint Mr. Roberts Rēboks as a Member of the Management Board of the company, starting from 6 June 2024. With effect from 22 July 2024, the Management Board of SIA Merks Mājas continued with two members: Mrs. Egija Smila and Mr. Roberts Rēboks.

MANAGEMENT BOARD'S DECLARATION

Members of the Management Board of AS Merko Ehitus declare and confirm that the consolidated unaudited interim report for the 12 months of 2024, which consists of the management report and the interim financial statements, prepared according to the current International Financial Reporting Standards as adopted by the European Union, provides, to the best of their knowledge, a true and fair view of the development of business operations, assets, liabilities, financial position, results of the operations, cash flows, and profit or loss of AS Merko Ehitus and the consolidated undertakings as a whole, includes a description of the principal risks and uncertainties, and reflects transactions with related parties. The parent company and the companies, which are part of the consolidation group, are going concerns.

Ivo Volkov	Chairman of the Management Board	07.02.2025
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Tõnu Toomik	Member of the Management Board	07.02.2025
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Urmas Somelar	Member of the Management Board	07.02.2025
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INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited

in thousand euros

	Note	2024 12 months	2023 12 months	2024 IV quarter	2023 IV quarter
Revenue	2	539,049	466,304	160,373	126,466
Cost of goods sold	3	(443,162)	(401,267)	(127,565)	(104,625)
Gross profit		95,887	65,037	32,808	21,841
Marketing expenses		(5,030)	(4,312)	(1,664)	(1,299)
General and administrative expenses		(21,908)	(19,423)	(6,793)	(6,527)
Other operating income		5,724	4,171	759	772
Other operating expenses		(2,190)	(991)	322	(377)
Operating profit		72,483	44,482	25,432	14,410
Finance income/costs		3,931	7,500	1,407	3,735
incl. finance income/costs from investments in subsidiaries		(5,087)	-	(1,968)	-
finance income/costs from joint ventures		9,951	10,220	3,317	4,159
interest expense		(1,823)	(2,697)	(354)	(686)
foreign exchange gain (loss)		(948)	(153)	(17)	39
other financial income (expenses)		1,838	130	429	223
Profit before tax		76,414	51,982	26,839	18,145
Corporate income tax expense		(11,820)	(6,081)	(6,953)	(4,254)
Net profit for financial year		64,594	45,901	19,886	13,891
incl. net profit attributable to equity holders of the parent		64,668	46,048	19,887	13,900
net profit attributable to non-controlling interest		(74)	(147)	(1)	(9)
Other comprehensive income, which can subsequently be classified in the income statement					
Currency translation differences of foreign entities		105	(41)	(24)	(25)
Comprehensive income for the period		64,699	45,860	19,862	13,866
incl. net profit attributable to equity holders of the parent		64,764	45,993	19,862	13,877
net profit attributable to non-controlling interest		(65)	(133)	-	(11)
Earnings per share for profit attributable to equity holders of the parent (basic and diluted, in EUR)	4	3.65	2.60	1.12	0.79

The notes set out on pages 25-37 are an integral part of these interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

unaudited

in thousand euros

	Note	31.12.2024	31.12.2023
ASSETS			
Current assets			
Cash and cash equivalents	5	91,879	77,330
Short-term deposits		10,000	-
Trade and other receivables	6	51,419	68,754
Prepaid corporate income tax		270	2
Inventories	7	196,521	195,435
		350,089	341,521
Non-current assets			
Investments in joint ventures		21,571	21,915
Other shares and securities		80	80
Other long-term loans and receivables	8	40,196	24,490
Deferred income tax assets		5,056	3,298
Investment property	9	12,606	16,823
Property, plant and equipment	10	17,147	16,613
Intangible assets	11	350	520
		97,006	83,739
TOTAL ASSETS		447,095	425,260
LIABILITIES			
Current liabilities			
Borrowings	12	21,303	19,673
Payables and prepayments	13	129,786	133,898
Income tax liability		7,101	4,260
Short-term provisions	14	7,678	10,451
		165,868	168,282
Non-current liabilities			
Long-term borrowings	12	12,102	35,142
Deferred income tax liability		6,148	4,441
Other long-term payables	15	8,719	5,495
		26,969	45,078
TOTAL LIABILITIES		192,837	213,360
EQUITY			
Non-controlling interests		-	(155)
Equity attributable to equity holders of the parent			
Share capital		7,929	7,929
Statutory reserve capital		793	793
Currency translation differences		(41)	(838)
Retained earnings		245,577	204,171
		254,258	212,055
TOTAL EQUITY		254,258	211,900
TOTAL LIABILITIES AND EQUITY		447,095	425,260

The notes set out on pages 25-37 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			
Balance as at 31.12.2022	7,929	793	(783)	176,248	184,187	(495)	183,692
Profit (loss) for the reporting period	-	-	-	46,048	46,048	(147)	45,901
Other comprehensive income	-	-	(55)	-	(55)	14	(41)
Total comprehensive income (loss) for the reporting period	-	-	(55)	46,048	45,993	(133)	45,860
Increase of share capital by non-monetary contribution and buyout of non-controlling interest (Note 16)	-	-	-	(189)	(189)	237	48
Liquidation of non-controlling interest	-	-	-	(236)	(236)	236	-
Dividends (Note 4)	-	-	-	(17,700)	(17,700)	-	(17,700)
Total transactions with owners	-	-	-	(18,125)	(18,125)	473	(17,652)
Balance as of 31.12.2023	7,929	793	(838)	204,171	212,055	(155)	211,900
Balance as at 31.12.2023	7,929	793	(838)	204,171	212,055	(155)	211,900
Profit (loss) for the reporting period	-	-	-	64,668	64,668	(74)	64,594
Other comprehensive income	-	-	96	-	96	9	105
Total comprehensive income (loss) for the reporting period	-	-	96	64,668	64,764	(65)	64,699
Disposal of subsidiary (Note 16)	-	-	701	-	701	-	701
Buyout of non-controlling interest (Note 16)	-	-	-	(252)	(252)	220	(32)
Dividends (Note 4)	-	-	-	(23,010)	(23,010)	-	(23,010)
Total transactions with owners	-	-	701	(23,262)	(22,561)	220	(22,341)
Balance as at 31.12.2024	7,929	793	(41)	245,577	254,258	-	254,258

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

The notes set out on pages 25-37 are an integral part of these interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT

unaudited

in thousand euros

	Note	2024 12 months	2023 12 months
Cash flows from operating activities			
Operating profit		72,483	44,482
Adjustments:			
Depreciation and impairment		3,235	3,658
(Profit)/loss from sale of non-current assets		(2,916)	(960)
Change in receivables and liabilities related to construction contracts		6,302	35,359
Interest income from operating activities		(1,917)	(2,146)
Change in provisions		5,636	3,878
Change in trade and other receivables related to operating activities		826	777
Change in inventories		(1,860)	25,713
Change in trade and other payables related to operating activities		(14,044)	9,379
Interest received		1,900	2,145
Interest paid		(2,404)	(3,524)
Other finance income (costs)		(180)	(268)
Corporate income tax paid		(9,297)	(3,550)
Total cash flows from operating activities		57,764	114,943
Cash flows from investing activities			
Disposal of subsidiary		(4,303)	-
Acquisition of associate		(5)	-
Purchase of other financial investments		(10,000)	-
incl purchase of deposits with maturities greater than 3 months		(10,000)	-
Purchase of investment property		(45)	(357)
Disposal of investment property		6,499	-
Purchase of property, plant and equipment (excl. leased assets)		(1,736)	(1,204)
Proceeds from sale of property, plant and equipment		612	1,232
Purchase of intangible assets		(140)	(194)
Interest received		2,017	297
Dividends received		10,300	1,200
Total cash flows from investing activities		3,199	974
Cash flows from financing activities			
Proceeds from borrowings		18,701	48,160
Repayments of borrowings		(40,546)	(85,364)
Repayments of lease liabilities		(1,551)	(1,312)
Buyout of non-controlling interest		(33)	-
Dividends paid		(22,940)	(17,679)
Total cash flows from financing activities		(46,369)	(56,195)
Net increase/decrease in cash and cash equivalents			
Change of deposits with maturities greater than 3 months		10,000	-
Total change		24,594	59,722
Cash and cash equivalents at the beginning of the period	5	77,330	17,665
Effect of exchange rate changes		(45)	(57)
Cash and cash equivalents at the end of the period	5	91,879	77,330
Deposits with maturities greater than 3 months at the end of period		10,000	-
Total at the end of the period		101,879	77,330

The notes set out on pages 25-37 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 12 months 2024 were prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" for condensed interim financial statements. The interim financial statements follow the same accounting principles and methods used in the 2023 financial statements. The accounting methods used to prepare the interim financial statements are in conformity with the International Financial Reporting Standards as they were adopted by the European Union. 2023 audited annual report and 2023 12 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 12 months 2024 presents a true and fair view of the group's economic results based on the principle of going concern. The influence of seasonality of construction and the influence of the cyclical nature of development activity on the period's results can be considered insignificant.

NOTE 2 OPERATING SEGMENTS

in thousand euros

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

Reporting of the group's operations are segmented as:

- construction service,
- real estate development.

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

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

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

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

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

2023 12 months	Construction service	Real estate development	Total segments
Revenue	299,338	208,332	507,670
Inter-segment revenue	(1,168)	(40,198)	(41,366)
Revenue from clients	298,170	168,134	466,304
incl. timing of revenue recognition at a point in time	2,418	141,098	143,516
timing of revenue recognition over time	295,752	27,036	322,788
Operating profit (loss)	20,504	26,731	47,235
Profit (loss) before tax	26,200	29,344	55,544
incl. interest income from operating activities	-	2,146	2,146
depreciation	(2,805)	(853)	(3,658)
impairment of inventories	-	(2,200)	(2,200)
recognition of provisions	(5,659)	(1,128)	(6,787)
reversal of provisions	144	156	300
profit from joint ventures	5,771	4,449	10,220
other finance income (costs)	113	(1,743)	(1,630)
incl. interest income	259	-	259
interest expenses	(101)	(1,531)	(1,632)
Assets 31.12.2023	96,111	249,513	345,624
incl. joint ventures	14,238	7,677	21,915

2024 IV quarter	Construction service	Real estate development	Total segments
Revenue	137,482	30,331	167,813
Inter-segment revenue	(1,141)	(6,299)	(7,440)
Revenue from clients	136,341	24,032	160,373
incl. timing of revenue recognition at a point in time	188	23,035	23,223
timing of revenue recognition over time	136,153	997	137,150
Operating profit (loss)	20,211	6,223	26,434
Profit (loss) before tax	21,856	6,011	27,867
incl. interest income from operating activities	65	451	516
depreciation	(746)	(141)	(887)
recognition of provisions	(1,658)	(339)	(1,997)
reversal of provisions	1,212	-	1,212
finance income/costs from investments in subsidiaries	(1,968)	-	(1,968)
profit from joint ventures	3,235	82	3,317
other finance income (costs)	394	(282)	112
incl. interest income	445	23	468
interest expenses	(34)	(287)	(321)
Assets' change in IV quarter	(42,803)	(1,716)	(44,519)
incl. joint ventures	(4,060)	82	(3,978)

2023 IV quarter	Construction service	Real estate development	Total segments
Revenue	89,808	44,575	134,383
Inter-segment revenue	(310)	(7,607)	(7,917)
Revenue from clients	89,498	36,968	126,466
incl. timing of revenue recognition at a point in time	1,688	31,606	33,294
timing of revenue recognition over time	87,810	5,362	93,172
Operating profit (loss)	8,886	6,231	15,117
Profit (loss) before tax	11,753	7,272	19,025
incl. interest income from operating activities	-	504	504
depreciation	(1,027)	(309)	(1,336)
recognition of provisions	(2,139)	(576)	(2,715)
reversal of provisions	144	156	300
profit from joint ventures	2,616	1,543	4,159
other finance income (costs)	247	(463)	(216)
incl. interest income	242	-	242
interest expenses	(28)	(438)	(466)
Assets' change in III quarter	(11,085)	(7,985)	(19,070)
incl. joint ventures	2,617	1,542	4,159

In addition to the segment assets, as at 31.12.2024 the group holds assets in the amount of EUR 103,948 thousand (31.12.2023: EUR 79,636 thousand) that cannot be associated with a specific segment or the allocation of which to segments would be impracticable. The unallocated assets of the group comprise cash and cash equivalents, deposits, tax prepayments, other receivables and an unallocated portion of property, plant and equipment.

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

in thousand euros

	2024 12 months	2023 12 months	2024 IV quarter	2023 IV quarter
Pre-tax profit from reporting segments	80,051	55,544	27,867	19,025
Other operating profit (loss)	(3,388)	(2,752)	(1,003)	(706)
incl. recognition of provisions	(185)	(238)	(185)	(238)
reversal of provisions	-	900	-	900
finance income (costs)	(249)	(810)	(25)	(174)
incl. interest expenses	(176)	(735)	(5)	(154)
Total profit before tax	76,414	51,982	26,839	18,145

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

REVENUE BY CLIENT LOCATION

in thousand euros and percentages

	2024 12 months		2023 12 months		2024 IV quarter		2023 IV quarter	
Estonia	224,655	42%	283,147	61%	73,452	46%	60,496	48%
Latvia	30,536	6%	61,843	13%	12,006	7%	13,762	11%
Lithuania	283,613	52%	115,232	25%	74,896	47%	51,397	40%
Norway	245	0%	6,082	1%	19	0%	811	1%
Total	539,049	100%	466,304	100%	160,373	100%	126,466	100%

CONTRACT ASSETS AND LIABILITIES

in thousand euros

	31.12.2024	31.12.2023
Accrued income from construction services (Note 6)	8,965	8,305
Prepayments for construction services (Note 13)	(41,612)	(34,584)
Advance payments received for construction contract works (Notes 13, 15)	(7,969)	(33,727)
Recognised provision for onerous construction contracts (Note 14)	(7)	(8)

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

in thousand euros

	31.12.2024	31.12.2023
Estonia	42,556	42,317
Latvia	6,480	10,837
Lithuania	2,718	2,762
Norway	-	35
Total	51,754	55,951

NOTE 3 COST OF GOODS SOLD

in thousand euros

	2024 12 months	2023 12 months	2024 IV quarter	2023 IV quarter
Construction services and properties purchased for resale	332,065	279,421	98,385	77,191
Materials	41,566	47,970	8,273	7,271
Labour costs	32,888	32,999	10,926	9,775
Construction mechanisms and transport	7,719	8,881	1,818	1,636
Design	7,641	7,703	2,274	2,483
Real estate management costs	1,444	1,105	385	303
Depreciation	2,182	2,599	538	946
Impairment of inventories	-	2,200	-	-
Provisions	3,866	5,296	1,142	1,796
Other expenses	13,791	13,093	3,824	3,224
Total cost of goods sold	443,162	401,267	127,565	104,625

NOTE 4 EARNINGS AND DIVIDENDS PER SHARE

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

	2024 12 months	2023 12 months	2024 IV quarter	2023 IV quarter
Net profit (loss) attributable to shareholders <i>(in thousand EUR)</i>	64,668	46,048	19,887	13,900
Weighted average number of ordinary shares <i>(thousand pcs)</i>	17,700	17,700	17,700	17,700
Earnings (loss) per share <i>(in euros)</i>	3.65	2.60	1.12	0.79

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

Dividends payable are recognised after the approval of profit allocation by the shareholders. In accordance with the profit allocation decision, in 2024 the parent company AS Merko Ehitus paid dividends of EUR 23,010 thousand, i.e. EUR 1.30 per share (in 2023 were paid EUR 17,700 thousand). The income tax expense related to the payment of dividends, 1,538 thousand euros, which was recognised as deferred tax expense in the group in 2023, paid in third quarter. The group withheld an additional 7% income tax, in the amount of 70 thousand euros, on the part of the dividends paid to private shareholders taxable at 14/86 income tax rate.

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

As at 31.12.2024 the balance of deferred income tax liability includes deferred income tax on dividends in the amount of 4,642 thousand euros (31.12.2023: EUR 2,894 thousand euros).

As of 31.12.2024, the parent company AS Merko Ehitus has EUR 9,296 thousand (31.12.2023: EUR 1,513 thousand) in dividends received from subsidiaries in previous periods and income from abroad, on which the income tax has been withheld.

As at 31.12.2024, it is possible to pay out dividends to shareholders from retained earnings in the amount of EUR 193,562 thousand (31.12.2023: EUR 162,969 thousand). Considering the dividends received and income tax withheld on foreign income totalling EUR 2,621 thousand (31.12.2023: EUR 378 thousand), the corresponding income tax on dividends would amount to EUR 51,974 thousand (31.12.2023: EUR 40,364 thousand). The calculation of additional income tax on dividends is based on the income tax rate of 22% (22/78 of net dividends), effective from 01.01.2025. The income tax related to disbursement of dividends is recognised as a liability and income tax expense upon the announcement of dividends.

NOTE 5 CASH AND CASH EQUIVALENTS

in thousand euros

	31.12.2024	31.12.2023
Bank accounts	90,375	61,545
Overnight deposits	1,504	785
Term deposits with maturities of 3 months or less	-	15,000
Total cash and cash equivalents	91,879	77,330

NOTE 6 TRADE AND OTHER RECEIVABLES

in thousand euros

	31.12.2024	31.12.2023
Trade receivables		
Accounts receivable	37,883	54,692
Allowance for doubtful receivables	(3)	(134)
	37,880	54,558
Tax prepayments excluding corporate income tax		
Value added tax	570	661
Accrued income from construction services	8,965	8,305
Other short-term receivables		
Interest receivables	19	-
Other short-term receivables	88	1,029
	107	1,029

	31.12.2024	31.12.2023
Prepayments for services		
Prepayments for construction services	2,555	2,922
Prepaid insurance	901	1,137
Other prepaid expenses	441	142
	3,897	4,201
Total trade and other receivables	51,419	68,754
incl. other short-term receivables and prepayments to related parties (Note 16)	4,746	10,743

NOTE 7 INVENTORIES

in thousand euros

	31.12.2024	31.12.2023
Materials	625	358
Work-in-progress	63,459	60,244
Finished goods	43,996	43,357
Goods for resale		
Registered immovables purchased for resale/development	87,720	89,434
Other goods purchased for resale	405	1,558
	88,125	90,992
Prepayments for inventories		
Prepayments for real estate properties	13	-
Prepayments for other inventories	303	484
	316	484
Total inventories	196,521	195,435

NOTE 8 OTHER LONG-TERM LOANS AND RECEIVABLES

in thousand euros

	31.12.2024	31.12.2023
Long-term loan receivables	7,300	-
Long-term receivables from customers of construction services	32,896	24,490
Total other long-term loans and receivables	40,196	24,490
incl. short-term loan receivables from related parties (Note 16)	7,300	-

NOTE 9 INVESTMENT PROPERTY

in thousand euros

	31.12.2024	31.12.2023
Land	6,109	10,172
Right of superficies at carrying amount		
Cost	29	29
Accumulated depreciation	(16)	(15)
	13	14
Buildings at carrying amount		
Cost	8,026	8,012
Accumulated depreciation	(1,587)	(1,375)
	6,439	6,637
Construction in progress	45	-
Total investment property	12,606	16,823

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

in thousand euros

	31.12.2024	31.12.2023
Land	1,266	1,266
Buildings at carrying amount*		
Cost	7,468	8,322
Accumulated depreciation	(3,519)	(3,997)
	3,949	4,325
Machinery and equipment at carrying amount*		
Cost	19,264	18,588
Accumulated depreciation	(9,855)	(9,639)
	9,409	8,949
Other fixtures at carrying amount		
Cost	3,584	4,526
Accumulated depreciation	(2,320)	(3,085)
	1,264	1,441
Construction in progress and prepayments for property, plant and equipment	1,259	632
Total property, plant and equipment	17,147	16,613

* As of 31 December 2024, the balance of buildings at carrying amount includes leased assets in a sum of EUR 365 thousand (31.12.2023: EUR 561 thousand). The balance of machinery and equipment at carrying amount includes leased assets in a sum of EUR 4,086 thousand (31.12.2023: EUR 3,708 thousand).

NOTE 11 INTANGIBLE ASSETS

in thousand euros

	31.12.2024	31.12.2023
Goodwill		
Cost	1	65
Impairment	-	(64)
	1	1
Software at carrying amount		
Cost	1,537	1,431
Accumulated depreciation	(1,198)	(1,097)
	339	334
Prepayments for intangible assets	10	185
Total intangible assets	350	520

NOTE 12 BORROWINGS

in thousand euros

	31.12.2024	31.12.2023
Lease liabilities*		
Lease liabilities balance	4,520	4,402
incl. current portion	1,031	1,092
non-current portion 2...5 years	3,489	3,310
Bank loans		
Loan balance	28,511	44,356
incl. current portion	19,898	12,524
non-current portion 2...5 years	8,613	31,832
Loans from entities under common control		
Loan balance (Note 16)	-	6,000
incl. current portion	-	6,000
Loans from other entities		
Loan balance	374	57
incl. current portion	374	57
Total loans		
Loans balance	28,885	50,413
incl. current portion	20,272	18,581
non-current portion 2...5 years	8,613	31,832
Total borrowings		
incl. current portion	21,303	19,673
non-current portion 2...5 years	12,102	35,142

* As of 31 December 2024, the lease liabilities include a balance of EUR 158 thousand to related parties (31.12.2023: EUR 216 thousand) (Note 16).

NOTE 13 PAYABLES AND PREPAYMENTS

in thousand euros

	31.12.2024	31.12.2023
Trade payables	55,469	42,472
Payables to employees	18,206	14,846
Tax liabilities, except for corporate income tax		
Value added tax	3,309	4,258
Personal income tax	612	769
Social security tax	1,947	2,075
Unemployment insurance tax	77	70
Contributions to mandatory funded pension	42	48
Other taxes	148	113
	6,135	7,333
Prepayments for construction services	41,612	34,584
Other liabilities		
Interest liabilities	88	98
Other liabilities	171	537
	259	635
Prepayments received *	8,105	34,028
Total payables and prepayments	129,786	133,898
incl. payables to related parties (Note 16)	47	173

* As of 31 December 2024, the balance of prepayments received consists of prepayments received in connection with construction contracts (advance payments received for construction contract works) in a sum of EUR 4,373 thousand (31.12.2023: EUR 31,360 thousand) and of prepayments received in connection with residential properties (apartment buyers) in a sum of EUR 3,732 thousand (31.12.2023: EUR 2,668 thousand) (Note 2).

NOTE 14 SHORT-TERM PROVISIONS

in thousand euros

	31.12.2024	31.12.2023
Provision for warranty obligation for construction	5,181	5,954
Provision for costs of projects sold and work-in-progress projects	1,702	2,460
Provision for onerous construction contracts	7	8
Provision for legal costs and claims filed	410	1,706
Other provisions	378	323
Total short-term provisions	7,678	10,451

NOTE 15 OTHER LONG-TERM PAYABLES

in thousand euros

	31.12.2024	31.12.2023
Trade payables	5,123	3,128
Prepayments received *	3,596	2,367
Other long-term payables total	8,719	5,495

* As of 31 December 2024, the balance of prepayments received consists of prepayments received in connection with construction contracts (advance payments received for construction contract works) in a sum of EUR 3,596 thousand (31.12.2023: EUR 2,367 thousand) (Note 2).

NOTE 16 RELATED PARTY TRANSACTIONS

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

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

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

The parent of AS Merko Ehitus is AS Riverito. As at 31.12.2024 and 31.12.2023, AS Riverito owned 71.99% of the shares of AS Merko Ehitus. The ultimate controlling party of the group is Mr. Toomas Annus.

AS MERKO EHITUS SUBSIDIARIES AND JOINT VENTURES

	Ownership and voting rights %		Location	Area of operation
	31.12.2024	31.12.2023		
Subsidiaries				
AS Merko Ehitus Eesti	100	100	Estonia, Tallinn	Construction
OÜ Tähelinna Kinnisvara	100	100	Estonia, Tallinn	Real estate
OÜ Vahi Lastehood	100	100	Estonia, Tallinn	Real estate
OÜ Merko Kaevandused	100	100	Estonia, Tallinn	Mining
OÜ Metsara-Metspere Kinnisvara	-	100	Estonia, Tallinn	Mining
Tallinna Teede AS	100	100	Estonia, Tallinn	Road construction
OÜ Merko Kodud	100	100	Estonia, Tallinn	Real estate
UAB Merko Statyba	100	100	Lithuania, Vilnius	Construction
UAB Timana	100	100	Lithuania, Vilnius	Real estate
UAB VPSP 2	100	100	Lithuania, Vilnius	Real estate
UAB VPSP Projektai	100	100	Lithuania, Vilnius	Real estate
OÜ Merko Property	100	100	Estonia, Tallinn	Real estate
UAB Balsiu Mokyklos SPV	100	100	Lithuania, Vilnius	Real estate
UAB Merko Bustas	100	100	Lithuania, Vilnius	Real estate
UAB MN Projektas	100	100	Lithuania, Vilnius	Real estate
UAB MN 2 Projektas	100	100	Lithuania, Vilnius	Real estate
UAB MB Projektas	100	100	Lithuania, Vilnius	Real estate
UAB Statinių Priežiūra ir Administravimas	100	100	Lithuania, Vilnius	Real estate
UAB MB 4 Projektas	100	100	Lithuania, Vilnius	Real estate
OÜ Merko Investments	100	100	Estonia, Tallinn	Holding
SIA Merks	-	100	Latvia, Riga	Construction
SIA Industrialais Parks	-	100	Latvia, Riga	Real estate
PS Merks-Ostas Celnieks	-	65	Latvia, Riga	Construction
PS Merks Merko Infra	-	100	Latvia, Riga	Construction
SIA Merks Mājas	-	100	Latvia, Riga	Real estate
SIA Ropažu Priedes	-	100	Latvia, Riga	Real estate
SIA Zakusala Estates	-	100	Latvia, Riga	Real estate
SIA Merko Būve	100	100	Latvia, Riga	Construction
PS MB.MEE	100	-	Latvia, Riga	Construction
SIA Merko Management Latvia	100	100	Latvia, Riga	Real estate
OÜ Merko Residential Investments	100	-	Estonia, Tallinn	Holding
SIA Merks Mājas	100	-	Latvia, Riga	Real estate
SIA Ropažu Priedes	100	-	Latvia, Riga	Real estate
SIA Zakusala Estates	100	-	Latvia, Riga	Real estate
Merko Investments AS	100	100	Norway, Sofiemyr	Holding
Peritus Entreprenør AS	-	100	Norway, Sofiemyr	Construction
Løkenskogen Bolig AS	100	62	Norway, Sofiemyr	Real estate
OÜ Merko Ehitus Ventures	100	-	Estonia, Tallinn	Holding

	Ownership and voting rights %		Location	Area of operation
	31.12.2024	31.12.2023		
Joint ventures				
Kodusadam OÜ	50	50	Estonia, Tallinn	Real estate
OÜ Connecto Varad	50	-	Estonia, Tallinn	Holding
AS Connecto Infra (ex- AS Connecto Eesti)	50	50	Estonia, Tallinn	Construction

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

GOODS AND SERVICES

in thousand euros

	2024 12 months	2023 12 months
Provided services and goods sold		
Parent company	-	6
Joint ventures	3,904	26,708
Entities under common control	47,003	82,058
Members of the management	31	161
Total services provided and goods sold	50,938	108,933
Interest income		
Joint ventures	32	215
Entities under common control	6	-
Total interest income	38	-
Purchased services and goods		
Parent company	-	49
Joint ventures	18	268
Entities under common control	80	75
Total purchased services and goods	98	392
Interest expense		
Parent company	-	30
Entities under common control	130	362
Other related parties	-	1
Total interest expense	130	393

BALANCES WITH RELATED PARTIES

in thousand euros

	31.12.2024	31.12.2023
Receivables from related parties		
Loans granted (Notes 6,8)		
Joint venture	7,300	-
Receivables and prepayments (Note 6)		
Joint ventures	142	1,852
Entities under common control	4,585	8,862
Members of the management	19	29
Total receivables and prepayments	4,746	10,743
Total receivables from related parties	12,046	10,743

	31.12.2024	31.12.2023
Payables to related parties		
Lease liabilities (Note 12)		
Entities under common control	158	216
Short-term loans received (Note 12)		
Entities under common control	-	6,000
Total Short-term loans received	-	6,000
Payables and prepayments (Note 13)		
Joint ventures	12	142
Entities under common control	35	31
Total payables and prepayments	47	173
Total payables to related parties	205	6,389

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

The cost of remuneration to members of the Supervisory Board and Management Board of AS Merko Ehitus incl. basic salaries and performance pay, as well as taxes and changes in reserves for the 12 months of 2024 were EUR 1,824 thousand (12 months of 2023: EUR 1,843 thousand).

SEVERANCE BENEFITS OF MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

Authorization agreements have been concluded with the Supervisory Board members, according to which no severance benefits are paid to them upon termination of the contract. In the 12 months of 2024, the Management Board members of AS Merko Ehitus did not receive benefits. In 2023, a member of the management was paid the compensation for non-competition observance in the amount of one year's service fee, EUR 120 thousand.

MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARD

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

Shares held by members of the Supervisory Board of AS Merko Ehitus as of 31.12.2024:

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

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

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

Shares held by members of the Management Board of AS Merko Ehitus as of 31.12.2024:

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

NOTE 17 CONTINGENT LIABILITIES

in thousand euros

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

	31.12.2024	31.12.2023
Performance period's warranty to the customer	42,115	39,359
Tender warranty	6	32
Guarantee for warranty period	22,632	27,194
Prepayment guarantee	23,300	31,466
Payment guarantee	57	-
Contracts of surety	2,108	500
Total contingent liabilities	90,218	98,551

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

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

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

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

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

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

DEFINITION OF RATIOS

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