



AS Merko Ehitus

Consolidated
annual
report 2025



merko

AS MERKO EHITUS GROUP

CONSOLIDATED ANNUAL REPORT 01.01.2025 – 31.12.2025

Business name: AS Merko Ehitus
Main activities: holding companies,
general contracting of construction,
real estate development
Commercial register no: 11520257
Legal form: public limited company
State: Republic of Estonia

Supervisory Board: Toomas Annus, Indrek Neivelt,
Kristina Siimar
Management Board: Ivo Volkov, Tõnu Toomik,
Urmas Somelar
Auditor: AS PricewaterhouseCoopers

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MAIN FACTS

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

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

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



VALUE OFFERING

Merko is the preferred choice for construction service customers and home buyers who value quality.

Real estate development

- We are among the strongest residential developer brands. Quality makes us a reliable choice for homebuyers.
- We focus on creating large and modern living environments.
- To ensure the highest quality, Merko manages all stages of the residential development process: land acquisition, detailed planning, architectural competition, design, construction, marketing and sale of apartments and commercial spaces, and after-sales service.

Construction services

- We offer our customers complete construction service, managing the entire process and taking responsibility for the whole result.
- Complete construction service according to the customer’s needs: preparation, design, engineering, construction, fit-out and warranty service.
- At the customer’s request, we can also offer a property development service, from the acquisition of suitable land and the organisation of detailed planning procedures to the completion of the project.
- We have extensive experience in both private and public-private partnerships, including PPP (*Public Private Partnership*) projects.
- Merko's quality, environmental and safety management is certified to ISO standards.



COMPETITIVE ADVANTAGES

- We offer a full service
- Flexibility to deliver projects of different sizes, including major projects
- Strong management system
- Excellent teams
- Innovative technical and construction solutions
- 35 years of experience and a trusted brand
- Financial strength

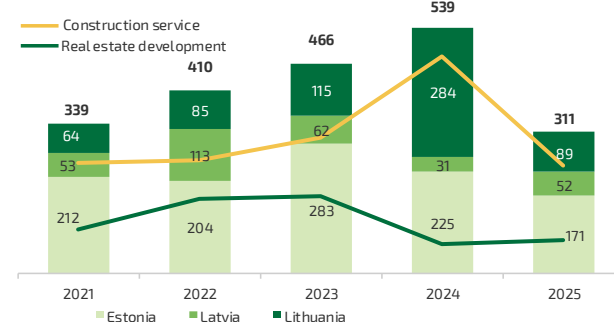
KEY INDICATORS

Income statement summary	2025	2024
Revenue (million EUR)	310.9	539.0
Gross profit (million EUR)	55.9	95.9
Gross margin (%)	18.0	17.8
EBITDA (million EUR)	37.5	75.7
EBITDA margin (%)	12.0	14.0
Operating profit (million EUR)	34.3	72.5
Operating profit margin (%)	11.0	13.4
Net profit (million EUR)	39.9	64.7
Net margin (%)	12.8	12.0

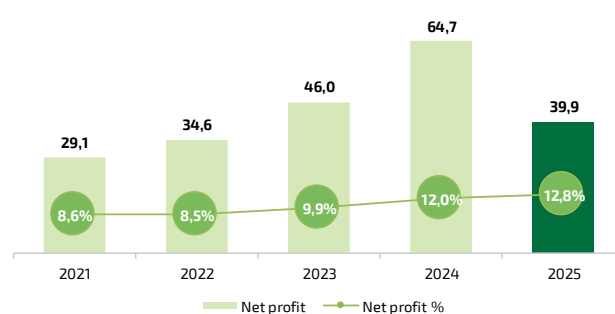
Other significant indicators	31.12.2025	31.12.2024
Assets (million EUR)	415.1	447.1
Equity (million EUR)	260.6	254.3
Return on equity (%)	15.6	28.4
Equity ratio (%)	62.8	56.9
Debt ratio (%)	8.0	7.5
Number of employees as at	613	605
Order book (million EUR)	466.9	340.6

Calculation of ratios is provided on page 153 of the report.

DISTRIBUTION OF GROUP REVENUE BY GEOGRAPHICAL LOCATION
in million euros

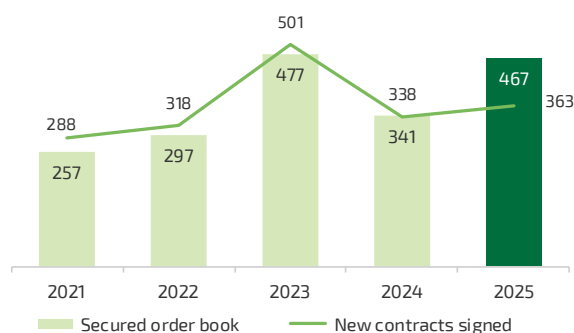


NET PROFIT / NET PROFIT MARGIN
in million euros / percentages



CONSTRUCTION SERVICES

SECURED ORDER BOOK
in million euros

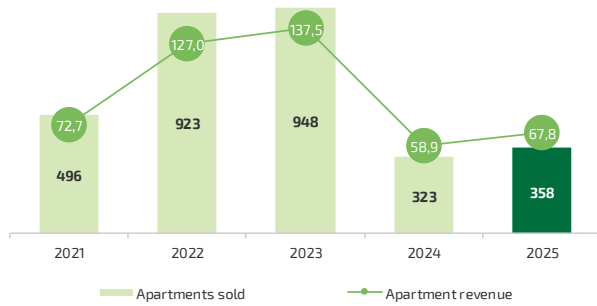


LARGEST CONSTRUCTION CONTRACTS SIGNED IN 2025

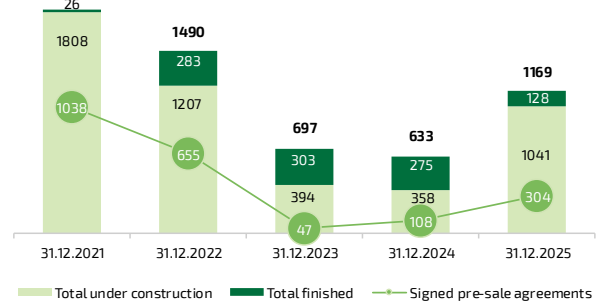
BRIEF DESCRIPTION OF CONTRACT	Cost million EUR
Construction contract for the Rail Baltica Ülemiste international passenger terminal / Tallinn, Estonia	85.0
Design and construction contract following alliance procurement model for the section of the railway between Ülemiste passenger terminal and Pärnu, together with the Tootsi-Pärnu section. (joint project) / Estonia	74.8
Design and construction contract for the construction of a hotel and entertainment and conference centre / Pärnu, Estonia	50.0
Design and construction contract for the office building / Tallinn, Estonia	35.0
Construction contract to perform the construction of foundations for 16 wind turbines, electrical cables and roads in a windfarm / Smiltene, Latvia	30.0
Construction contract for the Tallinn Hobby Centre Kullo / Tallinn, Estonia	24.9

REAL ESTATE DEVELOPMENT

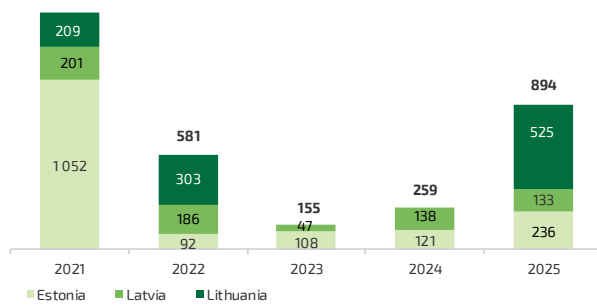
APARTMENTS SOLD / APARTMENT REVENUE
pcs / in million euros



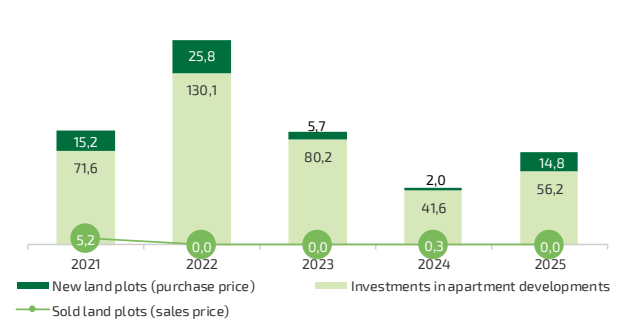
GROUP APARTMENTS INVENTORY
pcs



APARTMENTS LAUNCHED BY GEOGRAPHICAL LOCATION
pcs



INVESTMENTS IN APARTMENT DEVELOPMENT PROJECTS AND LAND PLOT ACQUISITIONS AND DISPOSALS
in million euros



STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear shareholders and readers,

We have left behind another rather uncertain year, similar to few recent ones. A year ago, we cautiously hoped for some clarification of the situation in the world, but we must admit that this expectation did not materialise – global politics has only added to the uncertainty. This has also affected Merko’s workload in both construction services and real estate development during the period under review.

In 2024, we were engaged in several large projects that had been started in earlier years, and these were completed as planned during 2025. The pace of signing new contracts was slower in 2024 and in the first half of 2025. However, the second half of 2025 showed a clear improvement, and preparatory efforts resulted in new major contracts. The most extensive and thorough preparation was carried out by our Lithuanian colleagues and in the first days of the current year resulted in the signing of the largest contracts in Merko’s history for the construction of two phases of the Rūdninkai defence campus. Given their scale and nature, these contracts will begin to contribute to revenue gradually in 2026 and onwards.

High global turbulence continues to restrain investments, particularly private investments. At present, most major investments are made mainly by the public sector, largely in defence and infrastructure, for understandable reasons. Investments in the energy sector, especially in renewable energy, have declined compared to the previous period.

In times of change, flexibility becomes especially important, and we have adapted our business models accordingly. Alongside the successful real estate development partnership in the Noblessner area of Tallinn, we signed two similar cooperation agreements in 2025 for the development of the Krulli quarter in Tallinn and the Uus-Karlowa quarter in Tartu. The Rūdninkai project marks a significant expansion of our PPP business Lithuania and will provide the company with a stable workload for years ahead. A strategic decision made several years ago to invest in network companies operating under the Connecto brand has also clearly proven its value. In recent years, Connecto companies have substantially expanded their operations in Latvia and Lithuania, and in 2025 this investment in the joint venture accounted for as much as one quarter of Merko’s consolidated net profit.

Alongside the continued high level of consumer confidence in Lithuania, situation has also improved in Estonia and Latvia. As a result, in 2025 we were able to start construction of more than three times as many new apartments as in 2024. This creates strong potential for real estate development results in 2026 and the years ahead, particularly as the pace of signing pre-sales agreements has also increased.

Our companies, projects, and employees received numerous recognitions during the year. The most notable honours were awarded to Saulius Putrimas, Head of Merko Lithuania, who was named CEO of the Year 2025 by a leading Lithuanian business newspaper, and to Estonian Project Director Ahti Suppi, who received the prestigious “Builder of the Year” title in Estonia. We are also pleased that our contribution to the cultural sector has been recognised alongside our other social initiatives, with the Estonian Ministry of Culture awarding Merko the title of Culture Friend of the Year.

Our sincere thanks to all Merko employees, whose shared commitment once again made it possible to conclude a successful year. We thank homebuyers for their continued trust in the Merko brand. Our appreciation also goes to our clients and partners, whose cooperation enables us to create high-quality and well-designed homes, buildings, and infrastructure.

Ivo Volkov
AS Merko Ehitus Chairman of the Management Board



IVO VOLKOV
AS MERKO EHITUS
CHAIRMAN OF THE
MANAGEMENT BOARD



PURPOSE

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

BUSINESS

We construct buildings and infrastructure and develop real estate. We operate in Estonia, Latvia and Lithuania.

PRINCIPLES

We operate as one Merko. We see opportunities, act upon them and have a long-term view. Our focus is on profitable growth.

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.

FINANCIAL OBJECTIVES

The Management Board and Supervisory Board of AS Merko Ehitus have approved the group's strategic development directions and long-term financial objectives, which are:

Average return on equity at least **10%**

Dividend rate **50-70%** of annual profit

Equity ratio at least **40%**

Given the competitive situation of the construction and real estate markets in the Baltics and the increased uncertainty of the economic environment, the strategy and financial objectives are aimed at maintaining high capitalisation and the return on invested capital.

In 2025, the group fulfilled the financial objectives set for both return on equity and equity ratio as a proportion of assets:

Return on equity **15.6%**

Equity ratio **63%**

The amount of dividends paid for the completed financial year and thus the dividend rate will be decided by the general meeting of shareholders

FULFILMENT OF LONG-TERM FINANCIAL OBJECTIVES 2021-2025

	2025	2024	2023	2022	2021	AVERAGE
Return on equity, ROE (on yearly basis)	15.6%	28.4%	23.4%	20.4%	18.8%	21.3%
Dividend rate	*	52%	50%	51%	61%	54%
Equity ratio 31.12.	62.8%	56.9%	49.9%	47.5%	51.6%	53.7%

*The dividend rate for 2025 depends on the decision of the general meeting of shareholders to pay dividends.

RECOGNITION IN 2025

COMPANY RECOGNITIONS

- Based on the results of Kantar Emor's 2025 survey on the awareness and reputation of Estonian real estate brands, Merko was named the most well-known and trustworthy real estate developer in Estonia. Merko has earned this recognition for six previous years.
- Merko received the 2025 "Cultural Friend of the Year" award from the Estonian Ministry of Culture for supporting the return of the TV programme "Klassikatähed" ("Classical stars") to Estonian Television and for contributing to the publication of the book "Põhjamaised laotused" ("The Nordic Latitudes") about the life of the recognised architect Louis I. Kahn.
- The Estonian Ministry of Defence recognised Merko Ehitus Eesti with a silver-level "Supporter of National Defenders" award for its outstanding contribution to national security.
- In a survey conducted by CVKeskus.ee, Merko was named the most desirable employer in Estonia's construction sector for the second year in a row. In the overall ranking of all companies, we placed 15th.
- Merko took first place among construction-sector companies in CV-Online/CV.ee's TOP Employer survey in Estonia.
- Merko ranked first in Estonia in the Instar employer expectations and employer reputation survey among engineering students. We have also been awarded the title of the most attractive employer in our field in 2024, 2023 and 2021, and have reached the top three eight times.
- Merko Ehitus Eesti received a letter of appreciation from Tallinn University of Technology for contributing to the development of Estonian society.
- Merko received the "Education Friend of the Year" award from the City of Tallinn and was selected as a finalist in the same category at the national level.
- Merko was recognised by the Ministry of Education and Research and the Association of Estonian Adult Educators as the "Learner-Friendly Employer of the Year."
- The Lithuanian Wind Power Association awarded Merko Statyba as the leading company in Lithuania for installing the highest number of wind turbine foundations. This recognition highlights Merko's extensive experience, commitment to high-quality standards, and substantial contribution to the advancement of sustainable energy production and infrastructure development in Lithuania.
- Lithuanian Free Market Institute and the Vilnius Chamber of Commerce, Industry and Crafts have recognized Merko as one of the country's top taxpayers contributing to national growth.

EMPLOYEE RECOGNITIONS

- Saulius Putrimas, Head of Merko in Lithuania, received the "CEO of the Year 2025" title in a competition organised by the Lithuanian business daily Verslo Žinios. The annual competition recognises leaders who have created the most value for employees, shareholders and society over the past year.
- Ahti Suppi, Project Director at Merko Ehitus Eesti, received the "Builder of the Year 2025" title for managing the construction of Arter quarter. The competition was organised by the Estonian Association of Construction Entrepreneurs.
- Elina Vink, Site Engineer at Merko Ehitus Eesti, was awarded the title of "Young Civil Engineer of the Year 2025" in the competition organised by the Estonian Association of Civil Engineers.
- Tiit Joosti, Project Director at Merko Ehitus Eesti, received the Aadu Lassi road engineering and construction award, presented by the Estonian Transport Administration and the Estonian Association of Infrastructure Construction.
- Taavi Kuusik and Viljar Paas, Project Managers at Merko Ehitus Eesti, received the silver badge of honour from the Estonian Ministry of Defence for their contribution to managing design and construction works on national defence sites.
- Marten Erik Johandi, Structural Engineering Technician at Merko Ehitus Eesti, won first place in the "Research Work 2025" competition organised by the Estonian Woodhouse Association for his Tallinn University of Technology research thesis "Studies of the exterior walls of a 9-story large-panel apartment building and their load-bearing capacity in the case of factory renovation."
- Sander Jaaniste, Site Engineer at Merko Ehitus Eesti, won first place in the Estonian Digital Construction Cluster's student competition and was recognized as "Rising Talent in Digital Construction 2025". His master's degree thesis in the field of structural engineering and construction management at the Tallinn University of Technology dealt with ways of using artificial intelligence and machine learning to manage safety on construction sites.
- Ranar Pügi, Site Engineer at Merko Ehitus Eesti, received the "Future Leaders 2025" scholarship from Riigi Kinnisvara. Ranar won the scholarship for his master's thesis in building design and construction management at Tallinn University of Technology, entitled "Prototyping a construction-time data management application for automating carbon calculations".

RECOGNITION OF OBJECTS

- The metal and light art installation "Nest", installed in Noblessner district in Tallinn, received a special prize "Linnamuna 2025" in the environmental design category at the Estonian Golden Egg competition, Baltic region's largest and most prestigious creativity festival.
- The Arter quarter, built by Merko, was named "Tallinn Development Project 2025" and received the "Best Building Project 2025" title in the buildings category at the competition organised by the Estonian Association of Architectural and Consulting Engineering Companies.
- Elemental Business Centre office building was awarded as the most energy-efficient public building in the competition "Most Energy-Efficient Building in Latvia 2025" by the Latvian Ministry of Economics.

PROFIT ALLOCATION PROPOSAL

in euros

Total retained earnings as at 31.12.2025	251,865,359
incl. net profit for 2025	39,918,827

The Management Board proposes profit allocation as follows:

Dividends (EUR 1.25 per share)	22,125,000
Retained earnings after profit allocation	229,740,359

Ivo Volkov	Chairman of the Management Board	/ digitally signed /	31.03.2026
Tõnu Toomik	Member of the Management Board	/ digitally signed /	31.03.2026
Urmas Somelar	Member of the Management Board	/ digitally signed /	31.03.2026

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in thousands of euros

	Note	2025	2024
Revenue	3	310,941	539,049
Cost of goods sold	4	(255,081)	(443,162)
Gross profit		55,860	95,887
Marketing expenses	5	(5,823)	(5,030)
General and administrative expenses	6	(17,478)	(21,908)
Other operating income	7	2,285	5,724
Other operating expenses	8	(501)	(2,190)
Operating profit		34,343	72,483
Finance income	9	1,208	2,017
Finance costs	10	(1,164)	(2,950)
Loss from investments in subsidiaries		-	(5,087)
Profit from joint ventures	20	10,381	9,951
Profit before tax		44,768	76,414
Corporate income tax expense	11	(4,850)	(11,820)
Net profit for financial year		39,918	64,594
incl. net profit attributable to equity holders of the parent		39,918	64,668
net profit attributable to non-controlling interest		-	(74)
Other comprehensive income (loss), which can subsequently be classified in the income statement			
Currency translation differences of foreign entities		20	105
Comprehensive income for the period		39,938	64,699
incl. attributable to equity holders of the parent		39,938	64,764
attributable to non-controlling interest		-	(65)
Earnings per share for profit attributable to equity holders of the parent (basic and diluted, in EUR)	12	2.26	3.65

The notes set out on pages 15-53 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in thousands of euros

	Note	31.12.2025	31.12.2024
ASSETS			
Current assets			
Cash and cash equivalents	14	41,424	91,879
Short-term deposits	15	18,000	10,000
Trade and other receivables	16	43,658	51,419
Prepaid corporate income tax		1,347	270
Inventories	18	219,812	196,521
		324,241	350,089
Non-current assets			
Investments in joint ventures	20	31,957	21,571
Other shares and securities		80	80
Other long-term loans and receivables	21	20,658	40,196
Deferred income tax assets	22	2,874	5,056
Investment property	23	12,395	12,606
Property, plant and equipment	24	22,117	17,147
Intangible assets	25	714	350
		90,795	97,006
TOTAL ASSETS		415,036	447,095
LIABILITIES			
Current liabilities			
Borrowings	27	3,079	21,303
Payables and prepayments	28	95,920	129,786
Income tax liability	11	510	7,101
Deferred income from government grant		2	-
Short-term provisions	29	10,426	7,678
		109,937	165,868
Non-current liabilities			
Long-term borrowings	27	30,012	12,102
Deferred income tax liability	22	7,448	6,148
Other long-term payables	30	7,073	8,719
		44,533	26,969
TOTAL LIABILITIES		154,470	192,837
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	32	7,929	7,929
Statutory reserve capital		793	793
Currency translation differences		(21)	(41)
Retained earnings		251,865	245,577
		260,566	254,258
TOTAL LIABILITIES AND EQUITY		415,036	447,095

The notes set out on pages 15-53 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of 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 31.12.2023	7,929	793	(838)	204,171	212,055	(155)	211,900
Profit (loss) for the financial year	-	-	-	64,668	64,668	(74)	64,594
Other comprehensive income (loss)	-	-	96	-	96	9	105
Total comprehensive income (loss) for the financial year	-	-	96	64,668	64,764	(65)	64,699
Transactions with owners							
Disposal of subsidiary (Note 19)	-	-	701	-	701	-	701
Buyout of non-controlling interest	-	-	-	(252)	(252)	220	(32)
Dividends (Note 13)	-	-	-	(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
Balance as at 31.12.2024	7,929	793	(41)	245,577	254,258	-	254,258
Profit (loss) for the financial year	-	-	-	39,918	39,918	-	39,918
Other comprehensive income (loss)	-	-	20	-	20	-	20
Total comprehensive income (loss) for the financial year	-	-	20	39,918	39,938	-	39,938
Transactions with owners							
Dividends (Note 13)	-	-	-	(33,630)	(33,630)	-	(33,630)
Total transactions with owners	-	-	-	(33,630)	(33,630)	-	(33,630)
Balance as at 31.12.2025	7,929	793	(21)	251,865	260,566	-	260,566

For share capital see also Note 31.

The notes set out on pages 15-53 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

in thousands of euros

	Note	2025	2024
Cash flows from (used in) operating activities			
Operating profit		34,343	72,483
Adjustments:			
Depreciation and impairment	23-25	3,182	3,235
(Profit)/loss from sale of non-current assets	7	(244)	(2,916)
Change in receivables and liabilities related to construction contracts	3	(11,901)	6,302
Interest income from operating activities	7	(1,832)	(1,917)
Change in provisions	29	(101)	5,636
Change in government grant		2	-
Change in trade and other receivables related to operating activities		21,613	826
Change in inventories	18	(22,929)	(1,860)
Change in trade and other payables related to operating activities		(15,194)	(14,044)
Interest received	7, 9, 16, 21	1,850	1,900
Interest paid	10, 28	(1,176)	(2,404)
Other finance income (costs)	10	(221)	(180)
Corporate income tax paid		(9,045)	(9,297)
Total cash flows from (used in) operating activities		(1,653)	57,764
Cash flows from investing activities			
Disposal of subsidiary	19	-	(4,303)
Acquisition of associate	20	(5)	(5)
Purchase of other financial investments	15	(8,000)	(10,000)
Purchase of investment properties	23	(128)	(45)
Disposal of investment property	23	-	6,499
Purchase of property, plant and equipment (excl. leased assets)	24, 27	(6,124)	(1,736)
Proceeds from sale of property, plant and equipment	7, 24	269	612
Purchase of intangible assets	25	(503)	(140)
Interest received	9	1,208	2,017
Dividends received	20	-	10,300
Total cash flows from investing activities		(13,283)	3,199
Cash flows from (used in) financing activities			
Proceeds from borrowings	27	14,816	18,701
Repayments of borrowings	27	(15,045)	(40,546)
Repayments of lease liabilities	27	(1,660)	(1,551)
Buyout of non-controlling interest	19	-	(33)
Dividends paid	13	(33,630)	(22,940)
Total cash flows from (used in) financing activities		(35,519)	(46,369)
Net increase/decrease in cash and cash equivalents		(50,455)	14,594
Cash and cash equivalents at the beginning of the period	14	91,879	77,330
Effect of exchange rate changes		-	(45)
Cash and cash equivalents at the end of the period	14	41,424	91,879

The notes set out on pages 15-53 are an integral part of these consolidated financial statements.

NOTES

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1. GENERAL INFORMATION

The consolidated financial statements of AS Merko Ehitus (hereinafter the parent) and its subsidiaries (hereinafter collectively the group) for the financial year ended 31 December 2025 were signed by the Management Board on 31 March 2026.

Pursuant to the Commercial Code of the Republic of Estonia, the annual report prepared by the Management Board and approved by the Supervisory Board and which also includes the consolidated financial statements shall be approved at the General Meeting of Shareholders. Shareholders have the right not to approve the annual report prepared and presented by the Management Board and require preparation of a new annual report.

AS Merko Ehitus is a corporation registered in the Republic of Estonia (Commercial Register No.: 11520257, address: Järvevana tee 9G, Tallinn) and it operates mainly in Estonia, Latvia and Lithuania. Its main activities are construction and real estate development.

From 22 July 1997, the shares of AS Merko Ehitus are listed on Nasdaq Tallinn Stock Exchange, while the shares listed as of the reporting date have been listed since 11 August 2008 – AS Järvevana (business register code 10068022, previously named AS Merko Ehitus, currently named OÜ Järvevana), the shares of which were listed, was divided on 1 August 2008, during which AS Merko Ehitus (business register code 11520257) was established and the assets and the enterprise of AS Järvevana, with certain exceptions, were transferred to the established company. As at 31 December 2025, the majority shareholder AS Riverito owned 71.99% of the Company's shares through which the ultimate controlling person is Toomas Annus.

Since 1 January 2012, AS Merko Ehitus operates as a holding entity with no independent production activities. and which owns 100% ownership interests in construction entities in Estonia, Latvia and Lithuania.

1.2. BASES FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Merko Ehitus group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The consolidated financial statements have been prepared under the historical cost convention.

Several financial figures are based on management's estimates, including, for example, assessment of profitability of construction contracts, assessment of the useful lives of items of property, plant and equipment, estimation of allowances for receivables and inventories, recognition of provisions for warranty obligations. Management's estimates have been made to the best of its knowledge, but they may turn out to be inaccurate. The effect of changes in accounting estimates is reported in the financial statements of the period in which the change occurred.

Items included in the financial statements of Merko Ehitus group entities are measured using the currency of their primary economic environment (the functional currency): the euro and the Norwegian krone. The consolidated financial statements are presented in euros. The primary financial statements and notes are presented in thousands of euros, unless otherwise specified.

1.3. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS OF THE INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC)

ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The following new or revised standards or interpretations became effective for the group from 1 January 2025:

There are no new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 01.01.2025 that would be expected to have a material impact to the group.

NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND CHANGES

Certain new or revised standards and interpretations have been issued that are mandatory for the group's annual periods beginning on or after 1 January 2026, and which the group has not early adopted:

Annual Improvements to IFRS Accounting Standards (effective for annual periods beginning on or after 1 January 2026).

IFRS 1 was clarified that a hedge should be discontinued upon transition to IFRS Accounting Standards if it does not meet the 'qualifying criteria', rather than 'conditions' for hedge accounting, in order to resolve a potential confusion arising from an inconsistency between the wording in IFRS 1 and the requirements for hedge accounting in IFRS 9. IFRS 7 requires disclosures about a gain or loss on derecognition relating to financial assets in which the entity has a continuing involvement, including whether fair value measurements included 'significant unobservable inputs. This new phrase replaced reference to 'significant inputs that were not based on observable market data'. The amendment makes the wording consistent with IFRS 13. In addition, certain IFRS 7 implementation guidance examples were clarified and text added that the examples do not necessarily illustrate all the

requirements in the referenced paragraphs of IFRS 7. IFRS 16 was amended to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply IFRS 9 guidance to recognise any resulting gain or loss in profit or loss. This clarification applies to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment. In order to resolve an inconsistency between IFRS 9 and IFRS 15, trade receivables are now required to be initially recognised at ‘the amount determined by applying IFRS 15’ instead of at ‘their transaction price (as defined in IFRS 15)’. IFRS 10 was amended to use less conclusive language when an entity is a ‘de-facto agent’ and to clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de-facto agent. IAS 7 was corrected to delete references to ‘cost method’ that was removed from IFRS Accounting Standards in May 2008 when the IASB issued amendment ‘Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate’. The group assesses that there is no material impact of application of the amendments to its financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027; not yet adopted by the EU).

In April 2024, the IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity’s financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its ‘operating profit or loss’. IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and also applies to comparative information. The group’s management is engaged in impact assessment of application of the amendments to its financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027; not yet adopted by the EU).

The International Accounting Standard Board (IASB) has issued a new IFRS Accounting Standard for subsidiaries. IFRS 19 permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures. Applying IFRS 19 will reduce the costs of preparing subsidiaries’ financial statements while maintaining the usefulness of the information for users of their financial statements. Subsidiaries using IFRS Accounting Standards for their own financial statements provide disclosures that maybe disproportionate to the information needs of their users. IFRS 19 will resolve these challenges by:

- enabling subsidiaries to keep only one set of accounting records – to meet the needs of both their parent company and the users of their financial statements;
- reducing disclosure requirements – IFRS 19 permits reduced disclosure better suited to the needs of the users of their financial statements.

The group’s management is engaged in impact assessment of application of the amendments to its financial statements.

Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027; not yet adopted by the EU).

In August 2025, the IASB issued amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures, which help eligible subsidiaries by reducing disclosure requirements for Standards and amendments issued between February 2021 and May 2024, specifically: IFRS 18 Presentation and Disclosure in Financial Statements, Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7); International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12); Lack of Exchangeability (Amendments to IAS 21); and Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7). With these amendments, IFRS 19 reflects the changes to IFRS Accounting Standards that take effect up to 1 January 2027, when IFRS 19 will be applicable. The group assesses that there is no material impact of application of the amendments to its financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (effective date to be determined by the IASB; not yet adopted by the EU).

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. In 2015, the IASB decided to postpone the effective date of these amendments indefinitely. The group assesses that there is no material impact of application of the amendments to its financial statements.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the group.

1.4. CONSOLIDATION

Subsidiaries include all entities under the control of the group.

Subsidiaries are consolidated in the financial statements from the date of acquiring control until the date at which control ceases. The financial figures of the parent company and the subsidiaries have been consolidated on a line-by-line basis in the consolidated annual financial statements. Upon consolidation, intra-group transactions, balances and unrealised profits arising from intra-group transactions have been eliminated. Unrealised losses have also been eliminated, unless a loss is caused by impairment.

Investments are recognised in the non-consolidated statements of the parent company and are recorded at acquisition cost, from which possible accumulated discounts resulting from the decline in asset value have been deducted.

1.5. BUSINESS COMBINATIONS

The group uses the acquisition method of accounting to account for business combinations.

TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

1.6. JOINT VENTURES

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to common control. Joint ventures are accounted for under the equity method. A holding in a jointly controlled entity is initially recognised at cost and subsequently adjusted for the post-acquisition changes that have occurred in the group's share of the net assets under common control. The income statement of the group includes the group's share in the profits or losses of the entity under common control. Unrealised gains and losses from transactions between the group and its joint ventures are eliminated.

1.7. JOINTLY CONTROLLED OPERATIONS

Jointly controlled operations are joint operations with third parties, whereby the assets and other resources of venturers are used without the establishment of a new entity or another unit or creation of a separate financial structure. If all following terms are met, then it is a joint arrangement/ jointly controlled operations:

- Consensual decisions on important activities;
- The contract contains arbitration rules in case the parties cannot reach an agreement on important activities;
- Parties of the joint arrangement share the profit/loss;
- Subcontractor agreements are signed and the responsibility over the work of the subcontractors is shared by both parties or one party represents both;
- Both parties pay the subcontractors;
- Both parties grant the guarantee/warranty for the duty of performance;
- Both parties perform the warranty repairs;
- Customer pays for the service to a separate bank account, proceeds (income) are shared between parties according to the agreement.

Each venturer uses its own property, plant and equipment and carries its own inventories in the statement of financial position. The venturer also incurs its own expenses and liabilities and raises its own funds which represent its own obligations. In respect of its interest in jointly controlled operations, a venturer recognises in its financial statements:

- the assets that it controls and the liabilities that it incurs;
- the expenses that it incurs and its share of revenue that it earns from the sale of goods or services of the jointly controlled operation.

1.8. FOREIGN CURRENCY

Foreign currency transactions are recorded based on the foreign currency exchange rates of the European Central Bank prevailing at the dates of the transactions. Monetary financial assets and liabilities denominated in foreign currencies at the statement date are translated into euros based on the foreign currency exchange rates of the European Central Bank prevailing at the balance sheet date. Exchange rate differences from translation are reported in the income statement of the reporting period.

1.9. FINANCIAL ASSETS

The group classifies its financial assets in those to be measured at amortised cost measurement category. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

1.10. IMPAIRMENT OF ASSETS

FINANCIAL ASSETS AT AMORTISED COST

The group assesses at each balance sheet date whether there is any indication that a financial asset or group of financial assets is impaired. Objective evidence that a financial asset or a group of financial assets is impaired includes observable data that is available to the group regarding the following events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in payments;
- the future outlook of the debtor's business, including the future outlook for the particular economic sector and as well the general economic developments;
- probability that the debtor will enter bankruptcy;
- disappearance of an active market for that financial asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a financial asset or a group of financial assets, although the decrease cannot yet be measured reliably.

NON-FINANCIAL ASSETS

Signs, which could give evidence to decrease in the value of assets are assessed critically on each reporting date. Losses deriving from the decrease of value of assets is recognised in the expenses of that reporting period.

The recoverable value of group's non-current assets is the higher of the following two figures: the fair value (minus sales costs) of the asset or its value in use.

1.11. INVENTORIES

Inventories are initially recorded in the statement of financial position at cost, which consists of the purchase costs, production costs, transportation and other costs incurred in bringing the inventories to their present location and condition.

In case of separately identifiable inventory items, their cost is determined based on expenditure incurred specifically for the acquisition of each asset. If inventory items are not clearly distinguishable from each other, then the weighted average cost method is used.

Inventories are measured in the statement of financial position at the lower of acquisition cost and net realisable value. The net realisable value is the sales price less estimated costs to sell.

Expenditure incurred for real estate development is reported either as work-in-progress or finished goods, depending on the stage of completion in the line Inventories in the statement of financial position. When the development of property is financed with a loan, the borrowing costs incurred during development are included in the cost of the property. Borrowing costs incurred during the period of construction are capitalised until the property is commercially disposable, which cannot be later than when a permit for use is obtained for the property. Interest expenses associated with maintenance or usage of the property are not capitalised.

1.12. INVESTMENT PROPERTY

Investment property is real estate property, which is primarily held for the purpose of earning rental income or for capital appreciation or for both, but not for the production of goods or services, administrative purposes or sale in the ordinary course of business. Investment property is measured using the cost method, i.e. at cost less any accumulated depreciation and any accumulated impairment losses.

Buildings included in investment properties are depreciated on a straight-line basis over the period of 12.5 to 33.3 years. Land is not depreciated.

1.13. PROPERTY, PLANT AND EQUIPMENT

An item of property, plant and equipment is an asset used for production, provision of services or administrative purposes over a period longer than one year.

An item of property, plant and equipment is carried in the statement of financial position at its cost less any accumulated depreciation. Items of property, plant and equipment leased under the lease terms are accounted for similarly to purchased property, plant and equipment. Depreciation is calculated on a straight-line basis over the following useful lives:

- buildings 10-33.3 years;
- machinery and equipment 2-20 years;
- other items of property, plant and equipment 2.5-5 years;
- right of superficies 50 years.

Land is not depreciated.

At each balance sheet date, the validity of applied depreciation rates, the depreciation method and the residual values applicable to assets are assessed.

1.14. INTANGIBLE ASSETS

Intangible assets are carried in the statement of financial position at cost less any accumulated amortisation and any accumulated impairment losses. Goodwill is not amortised.

SOFTWARE AND INFORMATION SYSTEMS

The costs related to the development of information systems and software which are reported as intangible assets, are depreciated under a straight-line method over their estimated useful lives (2-10 years).

1.15. LEASED ASSETS

THE GROUP AS A LESSEE

Lease is a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to use an asset exists if the lessor is unable to substitute an asset, the lessee has the ability to determine how to use the underlying asset and the lessee is entitled to the majority of future economic benefits generated from that right of use.

Only the assets that have a lease term shorter than 12 months can be excluded from the balance sheet and recognised as an operating lease. Such payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Leased assets (the “right-of-use assets”) are generally measured at the cost minus depreciation method.

Lease liability is remeasured on the balance sheet when there is a change in the estimation of lease payments. The lessee recognises the amount of revaluation of lease liability as an adjustment of the underlying right-of-use asset. If the residual value of the underlying asset is approaching zero and additional decrease is revaluation the lease liability is recognised, the remaining amount is recognised in the income statement.

THE GROUP AS THE LESSOR

Assets leased out under operating lease terms are recognised in the balance sheet analogously to property, plant and equipment. They are depreciated over their expected useful lives on a basis consistent with similar assets. Operating lease payments are recognised as income on a straight-line basis over the lease term.

1.16. FINANCIAL LIABILITIES

All financial liabilities of the group belong to the category, which are reflected at “amortised cost”.

All financial liabilities (trade payables, borrowings, and other short and long-term borrowings) are initially recognised at their fair value and are subsequently carried at amortised cost, using the effective interest rate method. The amortised cost of current financial liabilities normally equals their nominal value, therefore current financial liabilities are stated in the statement of financial position at their redemption value. To calculate the amortised cost of non-current financial liabilities, they are initially recognised at fair value of the proceeds received (net of transaction costs incurred) and an interest cost is calculated on the liability in subsequent periods using the effective interest rate method.

1.17. INCOME TAX AND DEFERRED INCOME TAX

According to the Income Tax Act of the Republic of Estonia, legal entities are not subject to income tax on profits earned. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, costs of entertaining guests, payments not related to business operations and adjustments of the transfer price. From 1 January 2015, the tax rate on dividends payable is 20/80 of the amount paid out as net dividends. The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared. From 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. When calculating the average dividend payment of three preceding years, 2018 will be the first year to be taken into account. From 01.01.2025, the tax rate is 22/78 on net dividends paid out. Under certain conditions, it is possible to redistribute received dividends without additional income tax expense. The condition for tax exemption is that the company that received the dividend and paid it forward had a stake of at least 10% in the respective company when the dividends were received. The lower tax rate of 14% or 14/86 of the net amount of dividends that previously applied to regular dividends is no longer applicable from 1 January 2025. It is possible to apply a transitional provision for redistribution of dividends taxed at a lower tax rate received before this date.

Corporate income tax paid on dividends is recognized in the statement of comprehensive income as an income tax expense and in the statement of financial position as a deferred income tax liability to the extent of the planned dividend payment. An income tax liability is due on the 10th day of the month following the payment of dividends. Deferred income tax is provided on post-acquisition retained earnings and other post acquisition movements in reserves of subsidiaries, except where the group controls the subsidiary’s dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future. The group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future. The maximum income tax liability which would accompany the distribution of Company’s retained earnings is disclosed in Note 11 to the consolidated financial statements.

Corporate income tax on profits and deferred income tax expense or income of the subsidiaries located in Lithuania as well as corporate income tax on dividends and deferred income tax cost on dividends of Estonian entities are reported in the consolidated income statement.

Deferred income tax is calculated on all significant temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets are recognised in the group’s statement of financial position if their future realisation is probable.

Legal entities in Latvia, Lithuania and Norway that are part of the group calculate taxable income and corporate income tax in accordance with the legislation of the Republic of Latvia, the Republic of Lithuania and the Kingdom of Norway. The profits in the

Republic of Latvia are taxed upon their distribution with a rate of 20/80 (2024: the profits are taxed upon their distribution with a rate of 20/80). The profits of entities located in the Republic of Lithuania are taxed at the rate of 16% (2024: 15%). The profits of entities located in the Kingdom of Norway are taxed at the rate of 22% (2024: 22%).

1.18. PROVISIONS

Provisions are constructive or legal obligations, which arise as a result of events occurring before the balance sheet date. Setting up of provisions or increasing existing provisions is recognised as an expense in the income statement of the reporting period.

Pursuant to respective building acts, the construction companies of the group provide 2-year warranties on their buildings. The calculation of warranty provisions is based on management estimates and previous periods' experience with regard to actual warranty expenses.

The expected loss arising from construction contracts must be immediately recognised as an expense. A provision is recognised for onerous construction contracts, which have not yet been completed.

A provision for expenses yet to be incurred and invoices not yet received is formed for sold apartment projects, which is recognised in the income statement as an expense and in the balance sheet as a liability.

1.19. REVENUE

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is income arising in the course of the group's ordinary activities. Revenue is recognized in the amount of transaction price. Transaction price is the amount of consideration to which the group expects to be entitled in exchange of transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. The group recognises revenue when it transfers control of a good or service to a customer.

REVENUE FROM CONTRACTS WITH CUSTOMERS – CONSTRUCTION SERVICES

The group provides construction services under fixed price contracts. Revenue from contracts is recognised in the same period as the services are provided and accepted by the customer. For fixed-price contracts, revenue is recognised based on the actual service provided until the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously. The proportion of services actually provided is recognised based on the ratio of contract's actual costs and contract's estimated total costs, i.e. based on the stage of completion of the project.

If the customer has ordered construction services together with the installation of specific equipment and this is delivered directly from the factory to the customer's project site, the revenue from the sale of the equipment is recognised during the reporting period as part of the construction contract as a joint performance obligation. The customer does not benefit separately from the construction service and the equipment and is interested in purchasing only the full solution.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the group exceed the payment, a contract asset is recognised (in the annual report as „accrued income from construction services“). If the payments exceed the services rendered, a contract liability is recognised (in the annual report as „prepayments for construction services“).

The contract asset and contract liability arising from the same contract are presented net in the financial statements. If the contract includes variable consideration, revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such consideration.

The group provides construction services through a PPP (public private partnership) project, which are accounted for in accordance with the principles of the concession agreement (IFRIC 12). Revenue from providing construction services is recognized in the period in which the services are rendered and accepted by the customer. As the construction period and operating of the contractual assets last for a total of more than 10 years, the receivable from the customer is recognized as a long-term receivable, from which interest income is calculated. The receivable for interest income is also recognized as a long-term receivable, as the customer pays for the construction and operating of the contractual asset only during the course of the operating period (Note 21).

CONSTRUCTION OF RESIDENTIAL PROPERTIES

The group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

FINANCING COMPONENT

The group only very rarely has contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. The impact of time value of money for the group is immaterial.

Income arising from interest and dividends is recognised when it is probable that future economic benefits associated with the transaction will flow to the entity and the amount of revenue can be measured reliably.

1.20. SEGMENT REPORTING

Operating segments are components of the entity for which it is possible to obtain discrete financial information to make decisions about resources to be allocated to the segment and assess its performance.

NOTE 2 MANAGEMENT ESTIMATES

The preparation of the financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. However, it can be stated that seasonality and cyclicity do not have a significant effect on the group's activities within a year. The areas involving a higher degree of judgement or complexity where assumptions and estimates have an impact on the consolidated financial statements of Merko Ehitus group, are disclosed below. The effect of changes in management's estimates are reported in the income statement of the period of the change.

REVENUE FROM CONSTRUCTION SERVICES

Revenue from contracts with customers related to providing construction services is recognised based on the ratio of contract's actual incurred costs and the contract's estimated costs, which also assumes that the stage of completion of the construction contracts can be reliably assessed as of the reporting period. A precise, systematic calculation and estimation of costs, forecasting and reporting of income and expenses have been introduced for determining the stage of completion. The estimated final result to be derived from each construction project is being constantly monitored, deviations from the budget are analysed and if necessary, the profit estimate is adjusted. As at 31 December 2025, the amount of the provision for onerous contracts was EUR 7 thousand (2024: EUR 7 thousand), which was determined after the evaluation of the stage of completion of construction contracts. The risk analysis showed that a change in the estimated costs of construction projects in the range of +/-5% would result in a change in the net profit between EUR – 29,163/+10,175 thousand (2024: EUR – 21,345/+19,511 thousand).

INVENTORY WRITE-DOWN

Inventories are valued separately by individual properties (registered immovable or building). A business plan is prepared for each property based on its nature (intended use and building rights currently effective or being effected) and the project's costs are compared with expected income. If the property's costs exceed the expected revenue to be generated from the realisation of the project (net realisable value), the group shall write down assets in the amount by which the costs exceed income. Due to the volatility of the construction market and low liquidity of the real estate market, determination of the net realisable value of the assets depends largely on management estimates. The sensitivity analysis of inventories showed that had the net realisable value been overestimated by 10% (i.e. income would be 10% lower upon the disposal of assets), the group's write-down of inventories (work-in-progress, finished goods, acquisition of real estate properties for sale/development) would have been EUR 95 thousand higher in 2025 (2024: EUR 88 thousand higher), incl. real estate properties for sale/development in the amount of EUR 95 thousand (2024: EUR 88 thousand). In 2025, if the value had been underestimated by 10% (income would be 10% higher upon the disposal of assets), the write-down of inventories for the properties purchased would have been EUR 200 thousand lower. In 2024, no impairment losses were recognized for inventories of work-in-progress, finished goods and acquisition of real estate properties for sale/development, therefore no impairment test has been performed. Additional information in Note 18.

VALUATION OF RECEIVABLES

For valuation of receivables, each receivable is analysed separately. For determining the need for a complete or partial write-down of receivables, the debtor's financial position, the collateral provided, the solutions offered to pay off the debt and the previous payment behaviour of the debtor are considered taking also into account the future outlook of the debtor, including its business logic and how that corresponds to the general economic developments as well as to the developments of particular economic sector (Note 16).

PROVISION FOR WARRANTY OBLIGATIONS

For determining the provision for warranty obligations, the historical cost of the group's warranty works is considered (Note 29).

VALUATION OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES

An impairment test is carried out for property, plant and equipment and intangible assets when an event or change in circumstances indicates that impairment may have occurred. Based on management estimates, as at 31 December 2025 and 2024, no impairment tests were performed, as there were no indications of impairment of assets. As at 31 December 2025, the carrying amount of property, plant and equipment was EUR 22,117 thousand (31.12.2024: EUR 17,147 thousand) and the carrying amount of intangible assets was EUR 714 thousand (31.12.2024: EUR 350 thousand) (Notes 24, 25).

VALUATION OF INVESTMENT PROPERTY

Investment properties are recognised at cost, less any accumulated depreciation and any impairment losses. Management estimates that the carrying amount of investment properties as at 31 December 2025 does not significantly differ from their fair value, with the exception of book value of land in the amount of EUR 6,058 thousand, the fair value of which by expert opinion was EUR 16,340 thousand (31 December 2024: the carrying amount of investment properties did not significantly differ from their fair value, with the exception of book value of land in the amount of EUR 6,058 thousand, the fair value of which by expert opinion was EUR 16,340 thousand). Management's estimate regarding the fair value of investment properties is based on the existing market value of the assets. The estimated amount for which the asset can be exchanged in a transaction between independent parties at the date of estimation is considered its market value. External experts were not involved in the estimation of the fair value of investment properties, with the exception of land reclassified from inventories. Market value estimates are mostly based on market transactions, with the exception of real estate that is estimated using discounted cash flow method. As at 31 December 2025, the carrying amount of investment property was EUR 12,395 thousand (31.12.2024: EUR 12,606 thousand) (Note 23).

NOTE 3 OPERATING SEGMENTS

The chief operating decision-maker, i.e. the Management Board of parent AS Merko Ehitus, monitors the business of the group by operating segments.

Based on internal management information, the group's Management Board monitors activities by the following segments:

- 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.

In the segment reporting, all intra-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.

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

in thousands of euros

2025	Construction service	Real estate development	Total segments
Revenue	264,948	110,698	375,646
Elimination	(27,380)	(37,325)	(64,705)
Revenue from clients	237,568	73,373	310,941
incl. clients whose revenue is at least 10% of the group's consolidated revenue:			
client A (Estonian state)	54,071	-	54,071
Timing of revenue recognition at a point in time	2,194	69,156	71,350
Timing of revenue recognition over time	235,374	4,217	239,591
Operating profit (-loss)	25,660	13,364	39,024
Segment pre-tax profit (loss)	36,389	13,059	49,448
incl. interest income from operating activities (Note 7)	55	1,769	1,824
depreciation (Notes 4, 5, 6)	(2,454)	(655)	(3,109)
impairment of inventories (Notes 4, 18, 35)	-	(1,000)	(1,000)
recognition of provisions (Notes 4, 6, 8, 29)	(2,342)	(2,810)	(5,152)
reversal of provisions (Notes 4, 6, 29)	196	-	196
profit from joint ventures (Note 20)	9,980	401	10,381
other finance income (costs) (Notes 9, 10)	906	(638)	268

2025	Construction service	Real estate development	Total segments
incl. interest income	1,065	46	1,111
interest expenses	(78)	(617)	(695)
Segment assets 31.12.2025	99,571	252,063	351,634
incl. joint ventures (Note 20)	23,319	8,638	31,957
2024	Construction service	Real estate development	Total segments
Revenue	499,875	86,929	586,804
Elimination	(25,318)	(22,437)	(47,755)
Revenue from clients	474,557	64,492	539,049
incl. clients whose revenue is at least 10% of the group's consolidated revenue:			
client A (Estonian state)	76,336	-	76,336
client B	88,894	-	88,894
client C	60,067	-	60,067
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
Segment pre-tax profit (loss)	64,442	15,609	80,051
incl. interest income from operating activities (Note 7)	65	1,842	1,907
depreciation (Notes 4, 5, 6)	(2,652)	(583)	(3,235)
recognition of provisions (Notes 4, 6, 8, 29)	(5,807)	(853)	(6,660)
reversal of provisions (Notes 4, 6, 29)	1,408	-	1,408
loss from investments in subsidiaries (Note 19)	(5,087)	-	(5,087)
profit from joint ventures (Note 20)	9,396	555	9,951
other finance income (costs) (Notes 9, 10)	620	(1,374)	(754)
incl. interest income	1,561	67	1,628
interest expenses	(122)	(1,268)	(1,390)
Segment assets 31.12.2024	103,410	239,737	343,147
incl. joint ventures (Note 20)	13,339	8,232	21,571

In addition to the segment assets, as at 31 December 2025 the group holds assets in the amount of EUR 63,402 thousand (31 December 2024: EUR 103,948 thousand) that cannot be associated with a specific segment or the allocation of which to segments would be impracticable. The unallocated assets of the group comprise cash and cash equivalents, deposits, tax prepayments, other receivables and an unallocated portion of property, plant and equipment.

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

in thousands of euros

	2025	2024
Pre-tax profit from reporting segments	49,448	80,051
Other operating profit (loss)	(4,681)	(3,388)
incl. recognition of provisions (Notes 6, 8, 29)	(43)	(185)
finance income (costs)	1	(249)
incl. interest income (expenses)	93	(176)
Total profit before tax	44,768	76,414

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

Other finance income and costs, not associated with any segment, includes financial income from bank deposits, profit (loss) from exchange rate changes, non-capitalized loan interest costs and other finance income and costs.

As the basis for the figure, that is allocated to segments based on revenue proportion, is the sum of group's unallocated costs, the interest income (expenses) in the sum of EUR 136 thousand (31 December 2024: EUR 132 thousand) has not been presented separately in the respective cost item.

REVENUE BY CLIENT LOCATION

in thousands of euros and percentage

	2025		2024	
Estonia	170,771	55%	224,655	42%
Latvia	51,562	17%	30,536	6%
Lithuania	88,608	28%	283,613	52%
Norway	-	0%	245	0%
Total	310,941	100%	539,049	100%

CONTRACT ASSETS AND LIABILITIES

in thousands of euros

	31.12.2025	31.12.2024
Accrued income from construction services (Note 16)	3,164	8,965
Prepayments for construction services (Note 28)	(23,910)	(41,612)
Advance payments received for construction contract works (Note 28, 30)	(7,070)	(7,969)
Recognised provision for onerous construction contracts (Note 29)	(7)	(7)

During the accounting year advance payments received prior for construction contract works in a sum of EUR 4,373 thousand (2024: EUR 31,360 thousand) were recognised as revenue. As of 31 December 2025, the group's secured order book stood at EUR 466,867 thousand (2024: EUR 340,589 thousand), for which the revenue is recognised in future periods. According to management estimation, 47% of revenue is going to be recognised in 2026 and 53% in 2027 and beyond.

NON-CURRENT ASSETS (EXCEPT FOR FINANCIAL ASSETS AND DEFERRED INCOME TAX ASSETS) BY LOCATION OF ASSETS

in thousands of euros

	31.12.2025	31.12.2024
Estonia	57,292	42,556
Latvia	7,515	6,480
Lithuania	2,456	2,718
Total	67,263	51,754

NOTE 4 COST OF GOODS SOLD

in thousands of euros

	2025	2024
Construction services and properties purchased for resale	153,944	332,065
Materials	30,625	41,566
Staff costs	34,204	32,888
Construction mechanisms and transport	8,301	7,719
Design	7,717	7,641
Real estate management costs	1,345	1,444
Depreciation (Note 3)	2,288	2,182
Impairment of inventories (Notes 3, 18, 35)	1,000	-
Provisions (Notes 3, 29)	4,798	3,866
Other expenses	10,859	13,791
Total cost of goods sold	255,081	443,162

NOTE 5 MARKETING EXPENSES

in thousands of euros

	2025	2024
Staff costs	3,087	3,224
Advertising, sponsorship	1,783	1,195
Transport	170	149
Depreciation (Note 3)	141	163
Other expenses	642	299
Total marketing expenses	5,823	5,030

NOTE 6 GENERAL AND ADMINISTRATIVE EXPENSES

in thousands of euros

	2025	2024
Staff costs	13,165	16,667
Office expenses, communication services	467	595
Consulting, legal, auditing*	300	609
Transport	224	294
Computer equipment and software	700	713
Depreciation (Note 3)	680	890
Provisions (Notes 3, 29)	201	182
Other expenses	1,741	1,958
Total general and administrative expenses	17,478	21,908

* Customer contract fees of the audit firms accounted for during the accounting year were EUR 280 thousand for audit fees (2024: EUR 303 thousand) and EUR 15 thousand for other business activities (2024: EUR 111 thousand).

NOTE 7 OTHER OPERATING INCOME

in thousands of euros

	2025	2024
Interest income from operating activities	1,832	1,917
Profit from sale of non-current assets	244	2,916
Fines and penalties for delay received	42	89
Collection of doubtful receivables (Notes 16, 35)	2	17
Other income	165	785
Total other operating income	2,285	5,724

NOTE 8 OTHER OPERATING EXPENSES

in thousands of euros

	2025	2024
Fines, penalties	18	4
Foreign exchange losses	0	2
Gifts, donations	336	158
Doubtful receivables expense (Notes 16, 35)	42	575
Impairment of assets (Notes 24, 35)	73	-
Provisions (Notes 3, 29)	-	1,389
Other expenses	32	62
Total other operating expenses	501	2,190

NOTE 9 FINANCE INCOME

in thousands of euros

	2025	2024
Interest income (Note 3)	1,208	2,017
Total finance income	1,208	2,017

NOTE 10 FINANCE COSTS

in thousands of euros

	2025	2024
Interest expense (Notes 3, 27)	836	1,823
Foreign exchange losses	18	948
Other finance costs	310	179
Total finance costs	1,164	2,950

NOTE 11 CORPORATE INCOME TAX

The income tax on the group's profit before tax differs from the theoretical amount that would arise using the statutory tax rates applicable to profits of the consolidated entities for the following reasons:

in thousands of euros

2025	Latvia	Lithuania	Norway	Estonia	Total
Profit (loss) before tax	2,594	22,214	(1,025)	20,985	44,768
Tax rate applicable to profits	0%	16%	22%	0%	
Tax calculated at domestic tax rates applicable to profits in the respective countries	0	(3,554)	0	0	(3,554)
Tax calculated on expenses not deductible for tax purposes	-	259	-	-	259
Tax effect of income not subject to tax	-	5	-	-	5
Tax losses of previous periods recognised in the reporting period	-	113	-	-	113
Tax losses not recognised in the reporting period	-	(78)	-	-	(78)
Income tax withheld on dividends (Note 13)	(450)	-	-	-	(450)
Deferred income tax on dividends	-	-	-	(1,145)	(1,145)
Total income tax expense	(450)	(3,255)	-	(1,145)	(4,850)
incl. income tax expense	(450)	(919)	-	-	(1,369)
deferred income tax expense (Note 22)	-	(2,336)	-	(1,145)	(3,481)
2024	Latvia	Lithuania	Norway	Estonia	Total
Profit (loss) before tax	(5,656)	56,399	(1,818)	27,489	76,414
Tax rate applicable to profits	0%	15%	22%	0%	
Tax calculated at domestic tax rates applicable to profits in the respective countries	0	(8,460)	0	0	(8,460)
Tax calculated on expenses not deductible for tax purposes	(34)	(31)	-	-	(65)
Tax effect of income not subject to tax	-	(14)	-	-	(14)
Tax losses of previous periods recognised in the reporting period	-	10	-	-	10
Tax losses not recognised in the reporting period	-	(6)	-	-	(6)
Income tax withheld on dividends (Note 13)	-	-	-	(1,538)	(1,538)
Deferred income tax on dividends	-	-	-	(1,747)	(1,747)
Total income tax expense	(34)	(8,501)	-	(3,285)	(11,820)
incl. income tax expense	(34)	(10,299)	-	(1,538)	(11,871)
deferred income tax expense (Note 22)	-	1,798	-	(1,747)	51

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 (Note 1.17).

As of 31.12.2025 the balance of deferred income tax liability includes deferred income tax on dividends in the amount of 5,787 thousand euros (31.12.2024: EUR 4,642 thousand euros) and deferred income tax expense of the subsidiaries located in Lithuania in the amount of 1,661 thousand euros (31.12.2024: EUR 1,506 thousand euros) (Note 22).

As of 31.12.2025 the balance of income tax liability includes the corporate income tax on profits of the subsidiaries located in Lithuania in the amount of 46 thousand euros (31.12.2024: EUR 7,086 thousand euros).

As of 31.12.2025, the parent company AS Merko Ehitus has EUR 24,735 thousand (31.12.2024: EUR 9,296 thousand) in dividends received from subsidiaries in previous periods and income from abroad, on which the income tax has been withheld.

As of 31 December 2025, it is possible to pay out dividends to shareholders from retained earnings in the amount of EUR 201,880 thousand (31.12.2024: EUR 193,562 thousand). Considering the taxed dividends received and income tax withheld on foreign income totalling EUR 6,977 thousand (31.12.2024: EUR 2,621), the corresponding income tax on dividends would amount to EUR 49,964 thousand (31.12.2024: EUR 51,974 thousand). The calculation of additional income tax on dividends is based on the income tax rate of 22% (22/78 of net dividends). The income tax related to disbursement of dividends is recognised as a liability and income tax expense upon the announcement of dividends.

NOTE 12 EARNINGS PER SHARE

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

	2025	2024
Net profit attributable to shareholders <i>(in thousand EUR)</i>	39,918	64,668
Weighted average number of ordinary shares <i>(thousand pcs)</i>	17,700	17,700
Basic earnings per share <i>(in euros)</i>	2.26	3.65

In 2025 and 2024, the group did not have any potential ordinary shares to be issued; therefore, the diluted earnings per share equal the basic earnings per share.

NOTE 13 DIVIDENDS PER SHARE

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.

On 15 May 2025, the shareholders of AS Merko Ehitus approved the Supervisory Board's proposal to the shareholders to pay out the total amount of EUR 33,630 thousand as dividends from net profit, i.e. EUR 1.90 per share, which is equivalent to a 52% dividend rate and a 9.1% dividend yield for the year 2024 (using the share price as of 31 December 2024). Comparable figures in 2024 were accordingly: EUR 23,010 thousand (EUR 1.30 per share) as dividends, which is equivalent to a 50% dividend rate and a 8.5% dividend yield for the year 2023 (using the share price as at 31 December 2023).

The group did not incur income tax obligation, as the dividend payments were covered by dividends already paid to the parent company by subsidiaries (2024: EUR 1,538 thousand) (Note 11).

In cooperation with the Supervisory Board, the Management Board proposes to pay the shareholders EUR 22,125 thousand as dividends from net profits brought forward (EUR 1.25 per share) in 2025, which is equivalent to a 55% dividend rate and a 4.0% dividend yield for the year 2025 (using the share price as at 31 December 2025).

NOTE 14 CASH AND CASH EQUIVALENTS

in thousands of euros

	31.12.2025	31.12.2024
Bank accounts	34,802	90,375
Overnight deposits	6,622	1,504
Total cash and cash equivalents (Note 35)	41,424	91,879

As at 31 December 2025, the interest rate range for Overnight deposits was 1.57%-2.13% and the base currency was EUR (31.12.2024: 0.32%-2.15%).

NOTE 15 SHORT-TERM DEPOSITS

in thousands of euros

	31.12.2025	31.12.2024
Bank deposits with maturities greater than 3 months (Note 35)	18,000	10,000

The weighted average interest on bank deposits with maturities greater than 3 months was 2.23% (2024: 3,5%) and the average maturity as at 31.12.2025 was 190 days (2024: 208 days).

NOTE 16 TRADE AND OTHER RECEIVABLES

in thousands of euros

	31.12.2025	31.12.2024
Trade receivables (Note 35)		
Accounts receivable	31,003	37,883
Allowance for doubtful receivables	0	(3)
	31,003	37,880
Tax prepayments excluding corporate income tax		
Value added tax	689	570
Other taxes	2	-
	691	570
Accrued income form construction services (Notes 3, 35)	3,164	8,965
Other short-term receivables		
Short-term loans (Notes 17, 35)	500	-
Interest receivables (Notes 17, 35)	19	19
Other short-term receivables (Note 35)	115	88
	634	107
Prepayments for services		
Prepayments for construction services	7,186	2,555
Prepaid insurance	692	901
Other prepaid expenses	288	441
	8,166	3,897
Total trade and other receivables	43,658	51,419
incl. other short-term receivables and prepayments to related parties (Note 33)	1,393	4,746

Although in 2025 the share of overdue receivables increased from 0.5% to 4.0% of total receivables, the amount of overdue invoices was EUR 1,250 thousand as of 31.12.2025 (31 December 2024: 208 thousand). By 6 March 2026, EUR 1,032 thousand or 82.5% of overdue invoices had been received as of the reporting date. In 2025, the share of overdue receivables increased, and the average collection period of trade receivables extended to the level of 50 days (2024: 43 days).

	2025	2024
Doubtful receivables at the beginning of the period	(3)	(134)
Reporting period doubtful receivables expenses (Note 8)	(42)	(575)
Receivables written off during the year as uncollectible	43	689
Received doubtful receivables (Note 7)	2	17
Doubtful receivables at the end of the period	0	(3)

According to the management estimates, based on historical experience, there are sufficient reasons to conclude that the trade receivables reported in the financial statements will be collected from the buyers.

A more detailed overview of the group's credit risk is provided in Note 35.

NOTE 17 LOANS GRANTED

in thousands of euros

	Joint ventures (Note 33)	Unrelated legal entities	Total
2025			
Loan balance at beginning of the year	7 300	-	7 300
Granted	3 200	500	3 700
Received	(7 700)	-	(7 700)
Loan balance at end of the year (Notes 16, 21, 35)	2 800	500	3 300
incl. current portion (Notes 16, 35)	-	500	500
non-current portion 2...5 years (Notes 21, 35)	2 800	-	2 800
Term	09-2030	04-2026	
Interest rate	6.0%+6-month Euribor	10%	
2024			
Loan balance at beginning of the year	-	-	-
Granted	7,300	-	7,300
Loan balance at end of the year (Notes 21, 35)	7,300	-	7,300
Term	12-2026		
Interest rate	5.0%		

NOTE 18 INVENTORIES

in thousands of euros

	31.12.2025	31.12.2024
Materials	553	625
Work-in-progress	102,274	63,459
Finished goods	27,249	43,996
Goods for resale		
Registered immovables purchased for resale/development	88,850	87,720
Other goods purchased for resale	696	405
	89,546	88,125
Prepayments for inventories		
Prepayments for real estate properties	8	13
Prepayments for other inventories	182	303
	190	316
Total inventories	219,812	196,521

The inventories pledged as collateral as at 31 December 2025 for loans total EUR 99,966 thousand (2024: EUR 79,201 thousand) (Note 31). In 2025, inventories have been written down to their net realisable value by EUR 1,000 thousand (2024: EUR 0). Previously made write-downs have not been reversed (2024: EUR 0).

	Carrying amount before write-down	Write-down	Carrying amount after write-down
31.12.2025			
Work-in-progress	102,574	(300)	102,274
Registered immovables purchased for development	89,550	(700)	88,850
Total	192,124	(1,000)	191,124

NOTE 19 SHARES IN SUBSIDIARIES

	Ownership and voting rights %		Location	Area of operation
	31.12.2025	31.12.2024		
AS Merko Ehitus Eesti	100	100	Estonia, Tallinn	Construction
OÜ Tähelinna Kinnisvara	100	100	Estonia, Tallinn	Real estate
OÜ Vahi Lastehoid	100	100	Estonia, Tallinn	Real estate
OÜ Merko Kaevandused	100	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
UAB VPSP B	100	-	Lithuania, Vilnius	Real estate
UAB VPSP C	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 Merko Būve	100	100	Latvia, Riga	Construction
PS MB.MEE	100	100	Latvia, Riga	Construction
PS MB.MS	100	-	Latvia, Riga	Construction
SIA Merko Management Latvia	100	100	Latvia, Riga	Real estate
OÜ Merko Residential Investments	100	100	Estonia, Tallinn	Holding
SIA Merko Mājas (ex-SIA Merks Mājas)	100	100	Latvia, Riga	Real estate
SIA Ropažu Priedes	100	100	Latvia, Riga	Real estate
SIA Zakusala Estates	100	100	Latvia, Riga	Real estate
Merko Investments AS	100	100	Norway, Sofiemyr	Holding
Løkenskogen Bolig AS	100	100	Norway, Sofiemyr	Real estate
OÜ Merko Ehitus Ventures	100	100	Estonia, Tallinn	Holding

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

On 2 June 2025, the joint venture PS MB.MS was registered in the Latvian Commercial Register, founded by SIA Merko Būve and AS UAB Merko Statyba, both being 100% subsidiaries of AS Merko Ehitus group.

On 22 December 2025, UAB Merko Statyba, fully owned subsidiary of AS Merko Ehitus in Lithuania, established the 100% subsidiaries UAB VPSP B and UAB VPSP C.

NOTE 20 INVESTMENTS IN JOINT VENTURES

	Ownership and voting rights %		Location	Area of operation
	31.12.2025	31.12.2024		
Joint ventures				
OÜ Connecto Varad	50	50	Estonia, Tallinn	Holding
Kodusadam OÜ	50	50	Estonia, Tallinn	Real estate
Turu 18 Kodud OÜ	50	-	Estonia, Tallinn	Real estate
Krulli Kodud OÜ	50	-	Estonia, Tallinn	Real estate

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

On 13 Mai 2025, the 50% shareholders of OÜ Connecto Varad — OÜ Aardekapp and OÜ Merko Ehitus Ventures — signed a resolution to increase the company's share capital. The increase in the share capital of OÜ Connecto Varad was paid for by a non-monetary contribution, consisting of shares in AS Connecto Infra.

On 25 August 2025, OÜ Merko Kodud, a 100% subsidiary of the AS Merko Ehitus group, and OÜ Giga Investeeringud established a 50:50 joint venture, Turu 18 Kodud OÜ, which goal is to build three residential and commercial buildings.

On 10 November 2025, OÜ Merko Kodud, a member of the AS Merko Ehitus group, and AS Krulli Kvartal established a 50:50 joint venture, Krulli Kodud OÜ, with the purpose to jointly develop the residential buildings of the Krulli Quarter in Northern Tallinn.

in thousands of euros	Investment at 31.12.2024	Changes in 2025		Investment at 31.12.2025
		Acquisition	profit on entities	
Joint ventures				
OÜ Connecto Varad	13,339	-	9,980	23,319
Kodusadam OÜ	8,232	-	453	8,685
Turu 18 Kodud OÜ	-	3	(50)	(47)
Krulli Kodud OÜ	-	2	(2)	0
Total joint ventures	21,571	5	10,381	31,957

in thousands of euros	Investment at 31.12.2023	Changes in 2024			Investment at 31.12.2024
		Acquisition	profit on entities	dividends	
Joint ventures					
OÜ Connecto Varad	-	5	-	-	5
AS Connecto Infra	14,238	-	9,396	(10,300)	13,334
Kodusadam OÜ	7,677	-	555	-	8,232
Total joint ventures	21,915	5	9,951	(10,300)	21,571

The investment into the joint venture is initially recorded at acquisition cost, is reflected on the equity method. Subsequently adjusted for the post-acquisition changes that have occurred in the group's share of the net assets under common control. Changes in the associated company, recognized based on the equity method in 2025, contain deferred income tax on dividends in accordance with IAS 12 and elimination of the goodwill impairment triggered by the differences in the Estonian Financial Reporting Standards and the IFRS in the total amount of EUR 25 thousand (2024: EUR 648 thousand).

As at the balance sheet date, a goodwill impairment test has been carried out with regard to OÜ Connecto Varad cash (2024: AS Connecto Infra) generating unit holding the goodwill. The goodwill impairment test has been performed based on the principle of prudence. The recoverable value of the assets is determined as the value-in-use, based on the management estimates of the cash flow forecasts for the next 5 years. The cash flows of the forecast period are estimated based on reasonable growth rates. Management has assessed the prospects of power and communication networks over the near-term horizon, establishing the long-term growth rate for revenue and expenditure at 1.0% (31 December 2024: 2.5%), and the average growth rate for turnover during the forecast period at -7.4% (31 December 2024: 3.6%), with an average EBITDA margin of 7.5% (31 December 2024: 7.4%). The weighted average cost of capital of 9.5% (31 December 2024: 9.5%) has been used as the discount rate, in line with the company's field of activity and risk level. The gross profit margin budgeted by the management relies on the business experience of previous periods and the competitive situation on the market. No impairment losses were evident in the reporting period, with no impairment of goodwill thus recognized.

ASSOCIATES AND JOINT VENTURES

in thousands of euros

	Assets 31.12.			Liabilities 31.12			Equity 31.12.	Income	Expenses	Net profit (-loss)
	Cash	Other current assets	Non-current assets	Short-term borrowings	Other current liabilities	Long term loans				
2025										
OÜ Connecto Varad	34,148	32,618	9,025	608	33,943	1 233	40 007	150,163	(130,253)	19,910
Kodusadam OÜ	6,426	16,308	66	-	5,430	-	17 370	5,475	(4,569)	906
Turu 18 Kodud OÜ	226	5,223	-	-	44	5 500	(95)	-	(100)	(100)
Krulli Kodud OÜ	103	1	-	-	3	100	1	-	(4)	(4)
Total	40,903	54,150	9,091	608	39,420	6 833	57 283	155,638	(134,926)	20,712
2024										
OÜ Connecto Varad	10	-	-	-	-	-	10	-	-	-
AS Connecto Infra	24,006	36,550	6,916	15,086	31,406	893	20,087	135,135	(117,640)	17,495
Kodusadam OÜ	1,662	17,533	78	-	2,808	-	16,465	12,862	(11,751)	1,111
Total	25,678	54,083	6,994	15,086	34,214	893	36,562	147,997	(129,391)	18,606

In 2025, interest expenses have been recognised in the expenses of OÜ Connecto Varad (2024: AS Connecto Infra) total EUR 246 thousand (2024: EUR 115 thousand). Interest expenses have not been recognised in the expenses of Kodusadam OÜ as the loan usage costs are capitalized during construction period. In 2025, interest expenses have been recognised in the expenses of Turu 18 Kodud OÜ total EUR thousand and Krulli Kodud OÜ EUR 1 thousand.

In connection with the joint venture, the group has contractual obligations to finance, as needed, the joint ventures activities with loans totalling EUR 6,500 thousand (31.12.2024: EUR 0), of which the group has paid EUR 2,800 thousand in total (31.12.2024: EUR 0). In addition, the group has an obligation to provide construction services in future periods in amount of EUR 18,032 thousand (31.12.2024: EUR 1,089 thousand).

NOTE 21 OTHER LONG-TERM LOANS AND RECEIVABLES

in thousands of euros

	31.12.2025	31.12.2024
Long-term loan receivables (Notes 17, 35)	2,800	7,300
Long-term trade receivables (Note 35) *	17,858	32,896
Total other long-term loans and receivables	20,658	40,196
incl. long-term loan receivables from related parties (Note 33)	2,800	7,300

* incl. long-term receivables from a buyer of Balsiu School in amount of EUR 7,951 thousand (31.12.2024: EUR 8,456 thousand) with a term of June 2035 and long-term receivables from a buyer of Kaunas Police Headquarters building in amount of EUR 9,776 thousand (31.12.2024: EUR 10,844 thousand) with a term of December 2033.

NOTE 22 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Break-down of deferred income tax assets and liabilities in subsidiaries:

in thousands of euros

31.12.2025	Lithuania	Estonia	Total
Deferred income tax assets			
effect of construction contract works	1,600	-	1,600
effect of recognition of provisions	888	-	888
other effects	386	-	386
Total deferred income tax assets	2,874	-	2,874
Deferred income tax liability			
effect of other payables	(1,661)	-	(1,661)
deferred income tax on dividends	-	(5,787)	(5,787)
Total deferred income tax liability	(1,661)	(5,787)	(7,448)
Deferred income tax expense of the financial year (Note 11)	(2,336)	(1,145)	(3,481)
31.12.2024	Lithuania	Estonia	Total
Deferred income tax assets			
effect of construction contract works	3,801	-	3,801
effect of recognition of provisions	1,047	-	1,047
other effects	208	-	208
Total deferred income tax assets	5,056	-	5,056
Deferred income tax liability			
effect of other payables	(1,506)	-	(1,506)
deferred income tax on dividends	-	(4,642)	(4,642)
Total deferred income tax liability	(1,506)	(4,642)	(6,148)
Deferred income tax expense of the financial year (Note 11)	1,798	(1,747)	51

NOTE 23 INVESTMENT PROPERTIES

in thousands of euros

	Land	Right of superficies	Buildings	Construction in progress	Total
Cost at 31.12.2023	10,172	29	8,012	-	18,213
Accumulated depreciation 31.12.2023	-	(15)	(1,375)	-	(1,390)
Carrying amount at 31.12.2023	10,172	14	6,637	-	16,823
Acquisition and improvements	-	-	-	45	45
Sale in business combination	(4,063)	-	-	-	(4,063)
Reclassification from inventories	-	-	136	-	136
Depreciation	-	(1)	(334)	-	(335)
Carrying amount at 31.12.2024	6,109	13	6,439	-	12,606
Cost at 31.12.2024	6,109	29	8,026	45	14,209
Accumulated depreciation 31.12.2024	-	(16)	(1,587)	-	(1,603)
Carrying amount at 31.12.2024	6,109	13	6,439	45	12,606
Acquisition and improvements	-	-	-	128	128
Depreciation	-	0	(339)	-	(339)
Carrying amount at 31.12.2024	6,109	13	6,100	-	12,395
Cost at 31.12.2025	6,109	29	8,026	173	14,337
Accumulated depreciation 31.12.2025	-	(16)	(1,926)	-	(1,942)
Carrying amount at 31.12.2025	6,109	13	6,100	173	12,395

As at 31 December 2025, the carrying amounts of investment properties do not significantly differ from their fair values, with the exception of land, the fair value of which has been estimated by valuation expert at EUR 16,340 thousand (31.12.2024: the carrying amounts of investment properties did not significantly differ from their fair values, with the exception of land, the fair value of which had been estimated by valuation expert at EUR 16,340 thousand). Fair values have mainly been estimated based on comparable transactions (Level 2) and in one case, fair value measurement was carried out using Level 3 inputs of the fair value hierarchy.

Investment properties have been acquired for the purpose of earning rental income and/or for capital appreciation. Buildings located on the plot of land have temporarily been leased out under the operating lease terms. Information about the earned rental income and direct administrative expenses of investment properties leased out is disclosed in Note 26.

As at 31 December 2025, investment properties pledged as collateral for loans total EUR 10,467 thousand (31.12.2024: EUR 6,668 thousand) (Note 31).

NOTE 24 PROPERTY, PLANT AND EQUIPMENT

in thousands of euros

	Land	Buildings	Machinery and equipment	Other fixtures	Construction in progress and pre-payments	Total
Cost at 31.12.2023	1,266	8,322	18,588	4,526	632	33,334
Accumulated depreciation at 31.12.2023	-	(3,997)	(9,639)	(3,085)	-	(16,721)
Carrying amount at 31.12.2023	1,266	4,325	8,949	1,441	632	16,613
incl. leased assets (Note 26)	-	561	3,708	-	-	4,269
Currency translation differences	-	-	-	(1)	-	(1)
Acquisition and improvements	-	9	2,282	60	1,130	3,481
incl. leased assets	-	9	1,736	-	-	1,745
Disposals	-	(27)	(179)	-	-	(206)
Sale in business combination	-	-	(34)	(110)	-	(144)
Reclassification	-	-	428	75	(503)	-
Write-offs	-	-	(14)	-	-	(14)
Depreciation	-	(358)	(2,023)	(201)	-	(2,582)
Carrying amount at 31.12.2024	1,266	3,949	9,409	1,264	1,259	17,147
Cost at 31.12.2024	1,266	7,468	19,264	3,584	1,259	32,841
Accumulated depreciation at 31.12.2024	-	(3,519)	(9,855)	(2,320)	-	(15,694)
Carrying amount at 31.12.2024	1,266	3,949	9,409	1,264	1,259	17,147
incl. leased assets (Note 26)	-	365	4,086	-	-	4,451
Acquisition and improvements	-	587	1,625	3,416	2,098	7,726
incl. leased assets	-	587	1,014	-	-	1,601
Disposals	-	-	(40)	(12)	-	(52)
Reclassification	-	-	139	22	(161)	-
Impairment	-	-	-	-	(73)	(73)
Write-offs	-	-	-	(22)	-	(22)
Depreciation	-	(361)	(1,957)	(291)	-	(2,609)
Carrying amount at 31.12.2025	1,266	4,175	9,176	4,377	3,123	22,117
Cost at 31.12.2025	1,266	8,055	20,089	6,723	3,123	39,256
Accumulated depreciation at 31.12.2025	-	(3,880)	(10,913)	(2,346)	-	(17,139)
Carrying amount at 31.12.2025	1,266	4,175	9,176	4,377	3,123	22,117
incl. leased assets (Note 26)	-	770	3,627	-	-	4,397

Information on leased assets is provided in Note 26, and on lease payments in Note 27.

As at 31 December 2025, property, plant and equipment pledged as collateral for loans total EUR 2,019 thousand (31.12.2024: EUR 1,959 thousand) (Note 31).

NOTE 25 INTANGIBLE ASSETS

in thousands of euros

	Goodwill	Software	Prepayments	Total
Cost at 31.12.2023	65	1,431	185	1,681
Accumulated amortisation and impairment at 31.12.2023	(64)	(1,097)	-	(1,161)
Carrying amount at 31.12.2023	1	334	185	520
Currency translation differences	-	(2)	-	(2)
Acquisitions	-	7	133	140
Sale in business combination	-	(6)	-	(6)
Reclassification	-	308	(308)	-
Amortisation and impairment	-	(302)	-	(302)
Carrying amount at 31.12.2024	1	339	10	350
Cost at 31.12.2024	1	1,537	10	1,548
Accumulated amortisation and impairment at 31.12.2024	-	(1,198)	-	(1,198)
Carrying amount at 31.12.2024	1	339	10	350
Acquisitions	-	-	503	503
Reclassification	-	513	(513)	-
Amortisation and impairment	-	(139)	-	(139)
Carrying amount at 31.12.2025	1	713	-	714
Cost at 31.12.2025	1	2,031	-	2,032
Accumulated amortisation and impairment at 31.12.2025	-	(1,318)	-	(1,318)
Carrying amount at 31.12.2025	1	713	-	714

NOTE 26 LEASED ASSETS

in thousands of euros

	Office space and warehouses	Vehicles and equipment	Total
31.12.2023			
Cost	894	5,632	6,526
Accumulated depreciation	(333)	(1,924)	(2,257)
Carrying amount (Note 24)	561	3,708	4,269
Additions	9	1,736	1,745
Termination of lease contracts	-	(462)	(462)
Depreciation	(205)	(896)	(1,101)
31.12.2024			
Cost	835	5,943	6,778
Accumulated depreciation	(470)	(1,857)	(2,327)
Carrying amount (Note 24)	365	4,086	4,451
Additions	587	1,014	1,601
Termination of lease contracts	-	(586)	(586)
Depreciation	(182)	(887)	(1,069)
31.12.2025			
Cost	1,423	5,396	6,819
Accumulated depreciation	(653)	(1,769)	(2,422)
Carrying amount (Note 24)	770	3,627	4,397

The group's consolidated statement of profit or loss and other comprehensive income includes the following amounts relating to leases:

in thousands of euros

	2025	2024	Note
Interest expense	174	216	10
Expense relating to short-term leases	29	40	4, 5, 6
Expense relating to leases of low-value assets	181	162	4, 5, 6

Consideration paid for leases recognised as fixed assets (including the leases that ended during the period) amounted to EUR 1,651 thousand in 2025 (2024: EUR 1,588 thousand).

Consideration paid for short-term cancellable leases for vehicles as right-of-use assets amounted to EUR 29 thousand in 2025 (2024: EUR 31 thousand). Rented assets have not been subleased.

LEASES - THE GROUP AS A LESSEE (INVESTMENT PROPERTIES LEASED OUT UNDER NON-CANCELLABLE OPERATING LEASE TERMS)

	31.12.2025	31.12.2024
Cost	8,077	8,077
Accumulated depreciation	(1,925)	(1,587)
Carrying amount	6,152	6,490
	2025	2024
Operating lease income received for investment properties (Note 23)	680	616
Future operating lease income:	3,677	3,883
Next year	702	667
In 2...5 years	2,597	2,797
Later than 5 years	378	419
Direct administrative expenses of investment properties (Note 23)	(236)	(254)

NOTE 27 BORROWINGS

in thousands of euros

	Lease liabilities	Loans from		total	Total borrowings (Note 35)
		banks	other entities		
2025					
Balance at beginning of the year	4,520	28,511	374	28,885	33,405
Received	1,601	14,816	-	14,816	16,417
Repaid	(1,660)	(15,010)	(35)	(15,045)	(16,705)
Sale/return to lessor	(26)	-	-	-	(26)
Loan balance as at end of the year	4,435	28,317	339	28,656	33,091
incl. current portion	1,131	1,609	339	1,948	3,079
non-current portion 2...5 years	3,304	26,708	-	26,708	30,012
Loan term range	02-2025 12-2030	04-2026 12-2029	12-2026		
Accrued interest of reporting period	152	666	24	690	842
incl. capitalised interest cost	-	328	-	328	328
Interest rate range	1.39%-2.49% +3-6 month Euribor	1.15%- 2.7% +3- 12 month Euribor	4%+12 month Euribor		
Base currencies	EUR	EUR	EUR		

in thousands of euros

	Lease liabilities	Loans from			total	Total borrowings (Note 35)
		banks	entities under common control (Note 33)	other entities		
2024						
Balance at beginning of the year	4,402	44,356	6,000	57	50,413	54,815
Received	1,745	18,701	-	-	18,701	20,446
Repaid	(1,551)	(34,546)	(6,000)	-	(40,546)	(42,097)
Sale in business combination	-	-	-	317	317	317
Sale/return to lessor	(76)	-	-	-	-	(76)
Loan balance as at end of the year	4,520	28,511	-	374	28,885	33,405
incl. current portion	1,031	19,898	-	374	20,272	21,303
non-current portion 2...5 years	3,489	8,613	-	-	8,613	12,102
Loan term range	01-2025 12-2029	04-2025 11-2027	-	12-2025		
Accrued interest of reporting period	214	1,934	130	31	2,095	2,309
incl. capitalised interest cost	-	496	-	-	496	496
Interest rate range	1.2%- 2.49% +3- 6 month Euribor	1.12%- 2.7% +3- 12 month Euribor	2.65%+6 month Euribor	4%+12 month Euribor		
Base currencies	EUR	EUR	EUR	EUR		

	2025	2024
Minimum future payments under lease liabilities	4,739	4,973
incl. current portion	1,255	1,207
non-current portion with the term of 2...5 years	3,484	3,766

Borrowings with floating interest rates related to Euribor are divided by the interest rate changes and the contractual repricing dates as follows:

	2025	2024
Lease liabilities		
1-5 months	1,426	1,371
6-12 months	2,181	2,784
Bank loans		
1-5 months	15,184	9,698
6-12 months	13,133	18,813
Loans from other entities		
6-12 months	339	374
Total	32,263	33 040

Borrowings with the contractual fixed interest rate are divided as follows:

	2025	2024
Lease liabilities	828	365
Total	828	365

Loan collaterals and pledged assets are presented in Note 31.

NOTE 28 PAYABLES AND PREPAYMENTS

in thousands of euros

	31.12.2025	31.12.2024
Trade payables (Note 35)	33,970	55,469
Payables to employees	15,230	18,206
Tax liabilities, except for corporate income tax		
value added tax	2,311	3,309
personal income tax	647	612
social security tax	1,637	1,947
unemployment insurance tax	73	77
contributions to mandatory funded pension	65	42
other taxes	310	148
	5,043	6,135
Prepayments for construction services (Notes 3, 35)	23,910	41,612
Other liabilities (Note 35)		
interest liabilities	140	88
other liabilities	169	171
	309	259
Prepayments received *	17,458	8,105
Total payables and prepayments	95,920	129,786
incl. payables to related parties (Note 33)	58	47

* As of 31 December 2025, the balance of prepayments received consists of prepayments received in connection with construction contracts (advance payments received for construction contract works) in a sum of EUR 7,070 thousand (31.12.2024: EUR 4,373 thousand) and of prepayments received connection with residential properties (apartment buyers) in a sum of EUR 10,388 thousand (31.12.2024: EUR 3,732 thousand) (Note 3).

NOTE 29 PROVISIONS

in thousands of euros

	Provision for warranty obligation for construction	Provision for onerous construction contracts	Provision for legal costs and claims filed (Note 35) *	Provision for costs of projects sold and work-in-progress of projects	Other provisions	Total
2025						
Balance at beginning of the year	5,181	7	410	1,702	378	7,678
Recognised (Notes 3, 4, 6)	1,974	2	-	2,985	234	5,195
Reversed (Notes 3, 6)	(196)	-	-	-	-	(196)
Used during the year	(1,776)	(2)	(33)	(239)	(178)	(2,228)
Balance at end of the year	5,183	7	377	4,448	434	10,449
incl. current portion	5,183	7	377	4,448	411	10,426
non-current portion 2...5 years	-	-	-	-	23	23
2024						
Balance at beginning of the year	5,954	8	1,706	2,460	323	10,451
Recognised (Notes 3, 4, 6)	3,841	32	1,889	905	178	6,845
Reversed (Notes 3, 6)	(843)	-	(496)	(69)	-	(1,408)
Sale in business combination	(2,060)	-	(2,689)	(389)	-	(5,138)
Used during the year	(1,711)	(33)	-	(1,205)	(123)	(3,072)
Balance at end of the year	5,181	7	410	1,702	378	7,678
incl. current portion	5,181	7	410	1,702	378	7,678

* Additional information is provided in subsection "Legal risk" in Note 35.

The basic principle for making provisions for warranty obligations are the historical trends in the statistical share of construction contract volumes. Historically, the amount of provision used has not varied significantly from the amount of provision recognised.

The provisions for costs of projects sold are based on the total costs of projects as defined in business plans, which are constantly updated and realized pursuant to the work performed.

NOTE 30 OTHER LONG-TERM PAYABLES

in thousands of euros

	31.12.2025	31.12.2024
Trade payables (Note 35)	5,758	5,123
Prepayments received *	1,204	3,596
Other long-term liabilities	88	-
Other long-term provisions	23	-
Total other long-term payables	7,073	8,719

* As of 31 December 2025, the balance of prepayments received consists of prepayments received in connection with construction contracts (advance payments received for construction contract works) in a sum of EUR 1,204 thousand (31.12.2024: EUR 3,596 thousand) (Note 3).

NOTE 31 LOAN COLLATERALS AND PLEDGED ASSETS

The group has entered into commercial pledge contracts to secure loans and other liabilities, set mortgages on assets and pledged shares of its subsidiaries:

in thousands of euros

Commercial pledges	31.12.2025	31.12.2024
Movable property	46,630	46,630
Financial assets *	22,794	22,921
Total	69,424	69,551

* The financial assets of UAB Balsiu Mokyklos SPV, which OÜ Merko Property has pledged to secure the investment loan in the amount of EUR 4,984 thousand for the benefit of OP Corporate Bank plc Lithuanian branch (31.12.2024: EUR 5,508 thousand for the benefit of OP Corporate Bank plc Lithuanian branch) and the financial assets of UAB VPSP2, which UAB Merko Statyba has pledged to secure the investment loan in the amount of EUR 7,501 thousand for the benefit of AB SEB bankas (31.12.2024: EUR 8,464 thousand for the benefit of AB SEB bankas).

Mortgages	31.12.2025	31.12.2024
Inventories (Note 18)	99,966	79,201
Land and buildings (Note 24)	2,019	1,959
Investment properties (Note 23)	10,467	6,668
Total	112,452	87,828

Pledges of shares

In addition to the commercial pledge on financial assets, OÜ Merko Property has pledged the shares of its wholly-owned subsidiary UAB Balsiu Mokyklos SPV for the benefit of OP Corporate Bank plc Lithuanian branch. An investment loan in the amount of EUR 4,984 thousand (31.12.2024: EUR 5,508 thousand for the benefit of OP Corporate Bank plc Lithuanian branch) is secured by the pledge. UAB Merko Statyba has pledged the shares of its wholly-owned (100%) subsidiary UAB VPSP2 for the benefit of AB SEB bankas. An investment loan in the amount of EUR 7,501 thousand is secured by the pledge (31.12.2024: EUR 8,464 thousand AB SEB bankas).

NOTE 32 SHARE CAPITAL

There were no changes in share capital during 2025 and 2024.

The Commercial Code of the Republic of Estonia specifies the following requirements for the share capital of the entities registered in Estonia:

- the minimum share capital of a public limited company shall be at least EUR 25 thousand;
- the net assets of a public limited company shall be at least one half of the Company's share capital but not less than EUR 25 thousand.

The size of share capital or its minimum and maximum limits are set out in the articles of association of a public limited company whereas the minimum share capital shall equal at least ¼ of maximum share capital.

According to the current articles of association of AS Merko Ehitus, the Company's share capital consists of 17,700 thousand registered ordinary shares without nominal value which have been fully paid for and without amending the articles of association of the public limited company, changes can be made to the Company's share capital within the range of EUR 6,000 – 24,000 thousand.

As at 31.12.2025 and 31.12.2024, the share of capital of AS Merko Ehitus was EUR 7,929 thousand and the consolidated net assets of AS Merko Ehitus were EUR 260,566 thousand (31.12.2024: EUR 254,258 thousand), therefore the Company's equity and share capital were in compliance on both balance sheet date with the requirements established in the Republic of Estonia. The calculated value of the share was 0.447966 euros.

NOTE 33 RELATED PARTY TRANSACTIONS

In compiling the Annual 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 31.12.2025 and 31.12.2024, AS Riverito owned 71,99% of the shares of AS Merko Ehitus. The ultimate controlling party of the group is Mr Toomas Annus.

GOODS AND SERVICES

in thousands of euros

	2025	2024
Provided services and goods sold		
Joint ventures	4,907	3,904
Entities under common control	39,975	47,003
Members of the management **	22	31
Total services provided and goods sold	44,904	50,938
Interest income		
Joint ventures	100	32
Entities under common control	8	6
Total interest income	108	38
Purchased services and goods		
Joint ventures	177	18
Entities under common control	87	80
Total purchased services and goods	264	98
Interest expense		
Entities under common control	-	130
Total interest expense	-	130

BALANCES WITH RELATED PARTIES

in thousands of euros

	31.12.2025	31.12.2024
Receivables from related parties		
Loans granted (Note 17, 21)		
Joint venture	2,800	7,300
Receivables and prepayments (Note 16)		
Joint ventures	1,172	142
Entities under common control	24	4,585
Members of the management	197	19
Total receivables and prepayments	1,393	4,746
Total receivables from related parties	4,193	12,046

	31.12.2025	31.12.2024
Payables to related parties		
Lease liabilities (Note 27)		
Entities under common control	675	158
Payables and prepayments (Note 28)		
Joint ventures	39	12
Entities under common control	19	35
Total payables and prepayments	58	47
Total payables to related parties	733	205

* Provided services to joint ventures consist mainly of construction services.

** In 2025 and 2024, construction and design services were provided to management members. These were not significant transactions for the group.

With regard to receivables from related parties, no impairments were performed in either 2025 or 2024.

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 2025 were EUR 2,537 thousand (12 months of 2024: EUR 1,824 thousand).

TERMINATION BENEFITS OF MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

Authorisation agreements have been entered into with the members of the Supervisory Board according to which no termination benefits are paid to them upon the termination of the contract. Upon premature removal or termination of authority of the members of the Supervisory and Management Boards, AS Merko Ehitus has the obligation to pay compensation totalling EUR 330 thousand (2024: EUR 330 thousand). In the 12 months of 2025 and of 2024, the Management Board members of AS Merko Ehitus did not receive benefits.

MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARD

Track record and photographs of the members of the Supervisory Board can be found in the management report and 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 at 31 December 2025

		NO. OF SHARES	% OF SHARES
Toomas Annus (AS Riverito) *	Chairman of the Supervisory Board	12,742,686	71.99%
Indrek Neivelt (OÜ Trust IN)	Member of the Supervisory Board	31,635	0.18%
Kristina Siimar	Member of the Supervisory Board	-	-
		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 at 31 December 2025

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

NOTE 34 CONTINGENT LIABILITIES

The group has purchased the following guarantees from financial institutions 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 significant expenses related to these guarantees are unlikely.

in thousands of euros

	31.12.2025	31.12.2024
Performance period's warranty to the customer	46,243	42,115
Tender warranty	100	6
Guarantee warranty period	17,342	22,632
Prepayment guarantee	7,773	23,300
Payment guarantee	-	57
Contracts of surety	6,755	2,108
Total contingent liabilities	78,213	90,218

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).

As at 31 December 2025 the group has recognised a provision (Note 29) with regards to the guarantee for warranty period which is based upon historical experience and contractual volumes.

Tax authorities have the right to review the group's tax records within five years after submitting the tax declaration and upon detecting errors, impose additional taxes, interest and fines. The group's management estimates that there are no circumstances which might lead the tax authorities to impose additional significant taxes on the group.

For legal risks, please refer to the respective paragraph of Note 35.

NOTE 35 RISK MANAGEMENT

FINANCIAL RISKS MANAGEMENT

In its daily activities, the group has to factor in various risks in the financial sector. The most significant ones are market risk (includes interest rate risk and foreign exchange risk) and financial risk (includes credit risk and liquidity risk). These are complemented by estimations of capitalization and the fair value of financial assets, which reflect more indirect risks. Based on the group's balance sheet structure and position in the market, none of these risks have a significant impact as at the date of preparation of the financial statements. The group's risk management is based on laws, regulations, requirements and regulations arising from International Financial Reporting Standards, as well as the group's internal regulations and good business practices. The group's finance unit is responsible for management of financial risks.

CREDIT RISK

Credit risk relates to a potential damage which would occur if the parties to the contract are unable to fulfil their contractual obligations. For mitigating credit risk, the payment behaviour of clients is constantly monitored, the future outlook of their businesses is analysed, including business logic and its compliance with general economic developments and the developments of the corresponding economic sector, as well as their financial position. If necessary, third persons are engaged as a guarantor in transactions. Construction activities are partially financed by customer prepayments. As a rule, a precondition for receiving a prepayment is a bank guarantee for the prepayment submitted to the customer.

Free cash is mostly held in bank account or term deposits at banks.

By Moody's credit rating of banks or their parent companies holding cash, cash equivalents and short-term deposits:

in thousands of euros

	31.12.2025	31.12.2024
Aa2	18,329	-
A3	15,759	19,126
A2	14,005	29,919
Aa3	11,322	52,820
Aa1	9	14
Total (Notes 14, 15)	59,424	101,879

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as at 31 December 2025. The management estimates that the group cash and cash equivalents are not exposed to significant credit risk.

FINANCIAL ASSETS EXPOSED TO CREDIT RISK

in thousands of euros

	Allocation by due dates		Carrying amount	Collateral
	1-12 months	2-5 years		
31.12.2025				
Cash and cash equivalents (Note 14)	41,424	-	41,424	-
Short-term deposits (Note 15)	18,000	-	18,000	-
Trade receivables (Notes 16, 21)	31,003	17,858	48,861	-
Accrued income from construction service (Notes 3, 16)	3,164	-	3,164	-
Loans granted (Notes 17, 21, 33)	500	2,800	3,300	500
Other short-term receivables (Note 16)	134	-	134	-
Other shares and securities	-	80	80	-
Total	94,225	20,738	114,963	500
31.12.2024				
Cash and cash equivalents (Note 14)	91,879	-	91,879	-
Short-term deposits (Note 15)	10,000	-	10,000	-
Trade receivables (Notes 16, 21)	37,880	32,896	70,776	-
Accrued income from construction service (Notes 3, 16)	8,965	-	8,965	-
Loans granted (Notes 17, 21, 33)	-	7,300	7,300	-
Other short-term receivables (Note 16)	107	-	107	-
Other shares and securities	-	80	80	-
Total	148,831	40,276	189,107	-

The group's customers are primarily large local entities or public sector entities (as at 31 December 2025, the public sector proportion in accounts receivable amounted to 61.0%; 31.12.2024: 47.8%) with well-known and sufficient creditworthiness.

TRADE RECEIVABLES BY DUE DATE

in thousands of euros

	31.12.2025		31.12.2024	
Not overdue	47,611	97.4%	70,568	99.7%
1-30 days overdue	1,200	2.5%	161	0.2%
31-60 days overdue	9	0.0%	14	0.0%
61-90 days overdue	12	0.0%	12	0.0%
91-120 days overdue	0	0.0%	1	0.0%
121-180 days overdue	3	0.0%	11	0.0%
More than 180 days overdue	26	0.1%	9	0.0%
Total trade receivables* (Notes 16, 21)	48,861	100%	70,776	100%

* Trade receivables are presented in net amount, i.e. the sum of receivables also includes allowance for doubtful receivables from buyers.

As at the balance sheet date, the amount of overdue receivables was EUR 1,250 thousand (31.12.2024: EUR 208 thousand), of which EUR 1,032 thousand has been collected by 6 March 2026. In a year, the share of overdue receivables from total receivables increased from 0.3% to 2.6%, while 82.5% of overdue receivables had been received by the beginning of March. The group keeps

track of payment history for all customers separately for each receivable. Customers who have exceeded the payment deadline are handled personally in order to find solutions that ensure the best possible protection of the group's interests. According to management estimates, which are based on customers' historical payment behaviour, background assessment on the payment behaviour and business perspectives of new clients, the receivables reported in the financial statements will be paid off by the buyers. The receivables, which were not overdue at the balance sheet date, will be paid by due date. As well as invoiced trade receivables, management estimates the credit risk of accrued income from construction service to be low. The management bases its assessment on the regular monitoring of the financial position and payment behaviour of the contractual partner and the outlook of the contractor's economic sector and general economic developments. Trade receivables and receivables from customers of construction works under the stage of completion method have not been guaranteed with additional collateral as is customary in the industry.

As at balance sheet date, the loans granted to joint ventures, the economic activities of which the group has a good overview of, totalled EUR 2,800 thousand (31.12.2024: EUR 7,300) and therefore, no additional collateral is required. As at 31 December 2025, loans granted to unrelated legal entities amounted to EUR 500 thousand (31.12.2024: EUR 0), which was secured by a guarantee and was returned after the reporting date on 03 February 2026.

LIQUIDITY RISK

The group's liquidity or solvency represents its ability to settle its liabilities to creditors on time. As at 31 December 2025, the group's current ratio was 2.9 (31.12.2024: 2.1) and the quick ratio 0.9 (31.12.2024: 0.9). In addition to available current assets, and to ensure liquidity and better management of cash flows, the group has concluded overdraft agreements with banks. As at end of the year, the group entities had concluded overdraft contracts with banks in the total amount of EUR 49,779 thousand, which was all unused (31.12.2024: EUR 51,100 thousand, of which EUR 44,047 thousand was unused). In 2026, the contracts in a total amount of EUR 3,600 thousand will expire, which renewal will be considered.

The management estimates that the group's capital structure – equity ratio of 62.8% (31.12.2024: 56.9%) and a moderate proportion of interest-bearing liabilities at 8.0% (31.12.2024: 7.5%) of the balance sheet total – ensures the group's trustworthiness for creditors. It also enables to prolong existing financial liabilities and raise additional working capital funds, if needed.

FINANCIAL ASSETS/LIABILITIES

in thousands of euros

	Allocation by due date			Total	Carrying amount
	1-3 months	4-12 months	2-5 years		
31.12.2025					
Assets					
Cash and bank deposits (Note 14, 15)	41,424	18,000	-	59,424	59,424
Trade receivables (Notes 16, 21)	27,225	3,778	17,858	48,861	48,861
Accrued income from construction services (Notes 3, 16)	3,164	-	-	3,164	3,164
Loans and interest (Notes 16, 17, 21)	19	500	2,800	3,319	3,319
Other short-term receivables (Note 16)	115	-	-	115	115
Other shares and securities	-	-	80	80	80
Total	71,947	22,278	20,738	114,963	114,963
Liabilities					
Trade payables (Notes 28, 30)	30,244	3,726	5,758	39,728	39,728
Prepayments for construction services (Notes 3, 28)	23,910	-	-	23,910	23,910
Loan and lease liabilities (Note 27) *	858	2,221	30,012	33,091	33,091
Other liabilities (Note 28, 30)	184	125	88	397	397
Total	55,196	6,072	35,858	97,126	97,126
Net assets / liabilities	16,751	16,206	(15,120)	17,837	17,837

	Allocation by due date			Total	Carrying amount
	1-3 months	4-12 months	2-5 years		
31.12.2024					
Assets					
Cash and bank deposits (Note 14, 15)	94,879	7,000	-	101,879	101,879
Trade receivables (Notes 16, 21)	32,365	5,515	32,896	70,776	70,776
Accrued income from construction services (Notes 3, 16)	8,965	-	-	8,965	8,965
Loans and interest (Notes 16, 17, 21)	19	-	7,300	7,319	7,319
Other short-term receivables (Note 16)	88	-	-	88	88
Other shares and securities	-	-	80	80	80
Total	136,316	12,515	40,276	189,107	189,107
Liabilities					
Trade payables (Notes 28, 30)	47,696	7,773	5,123	60,592	60,592
Prepayments for construction services (Notes 3, 28)	41,612	-	-	41,612	41,612
Loan and lease liabilities (Note 27) *	7,270	14,033	12,102	33,405	33,405
Other liabilities (Note 28, 30)	83	176	-	259	259
Total	96,661	21,982	17,225	135,868	135,868
Net assets / liabilities	39,655	(9,467)	23,051	53,239	53,239

* The schedule of expected interest payments cannot be determined with reasonable accuracy. In line with the best practice of property development, the loan obligations to acquire land plots have been assumed with open-end maturities. The repayment of these loan obligations depends on the progress of related development projects and on the timing of cash flows generated from those projects after their completion. Consequently, the management is of opinion that even its best estimate of the timing of expected interest payments would not be sufficiently accurate for the users of these financial statements and this information has not been disclosed.

MARKET RISK

INTEREST RISK

Interest risk arises from interest rate changes in the financial markets because of which it may be necessary to revalue the group's financial assets and take into consideration higher financing costs in the future. Most of the group's bank loans have floating interest rates based on either Euribor. As at 31 December 2025, the share of interest-bearing liabilities in the group's capital structure was 8.0% of the balance sheet total (as at 31 December 2024, 7.5% of the balance sheet total). According to the management, influence of changes in the interest rate environment on the group's results in 12-month perspective is insignificant. The ECB ended its cycle of lowering the base interest rate in June 2025, and financial market analysts estimate that the base interest rate will not be changed during 2026. The possible fluctuation in the base interest rate of +/- 0.25% will have an insignificant impact on the group's interest expense.

EFFECT OF CHANGES IN INTEREST RATE RISK ON FINANCE COSTS AND INCOME

As at 31 December 2025, the group's interest-bearing liabilities totalled EUR 33,091 thousand (31.12.2024: EUR 33,405 thousand), of which short-term loans and repayments of long-term liabilities in 2026 totalled EUR 3,079 thousand (31.12.2024: EUR 21,303 thousand) and long-term loans and lease liabilities totalled EUR 30,012 thousand (31.12.2024: EUR 12,102 thousand). Floating loan interest depended on Euribor. As at 31 December 2025, the break-down of interest-bearing borrowings and loans granted was as follows:

	31.12.2025	31.12.2024
Fixed rate liabilities	828	365
Liabilities with floating rate interests 1-5 months	16,610	11,069
Liabilities with floating rate interests 6-12 months	15,653	21,971
Total interest-bearing borrowings (Note 27)	33,091	33,405
Fixed rate receivables (Notes 17, 21, 33)	3,250	7,300
Receivables with floating rate interests 6-12 months (Notes 17, 21, 33)	50	-
Total interest-bearing receivables (Note 17)	3,300	7,300

The management estimates that there have been changes in the base interest rates, which have an impact on the financial position of the group. Assuming that average Euribor would rise 10 basis points above current level over the next 12 months as compared to the beginning of the year and there is no change in the position of liabilities, interest expenses would increase by EUR 32 thousand (31.12.2024: EUR 33 thousand). All the loans granted have fixed interest rate and therefore a change in the reference rates would have no impact on the interest income.

In addition to risk arising from changes in Euribor, there is risk due to changes in the risk margin attributable to the changes in the economic environment related refinancing of liabilities. This is most directly manifested in a possible need to extend overdraft credit contracts.

FOREIGN EXCHANGE RISK

The group's economic activities are conducted mainly in the currencies of the countries of location of the companies: euros in Estonia, Latvia and Lithuania and to small extent Norway in kroner. Transactions within the group are conducted in euros as a rule. To eliminate foreign currency risks, close track is kept of the proportions of the group's assets and liabilities held in different currencies and, when it comes to entering into long-term construction contracts, the euro is the preferred currency in the Baltics, and, in Norway, the krone. As at the balance sheet date, the group's financial assets and liabilities were in euros.

Considering the fact that the materials and services used in construction are generally sourced from the local market or supplied from within the EU, the currency risk in the group is currently minimal.

MANAGEMENT OF OTHER RISKS

OPERATIONAL RISK

Considering the group's field of business, it is essential in operational risk management that the improvement and application of safety standards and regulations continues and that supervision of compliance with environmental requirements is increased. One measure for managing operational risks is the implementation of quality and environmental management systems. Risks related to occupational health and safety in construction are assessed and managed in all units and process stages of the group. The largest construction companies of the group have implemented quality management system ISO 9001 and environmental management system ISO 14001 and health and safety management system ISO 45001. All management systems are certified. The group employs 9 (2024: 9) full-time quality specialists who are responsible for developing quality, safety and management systems and ensuring their functioning.

Insurance is used as additional mitigation of operational risks, especially for risks that cannot otherwise be mitigated. The group concludes total risk insurance contracts with insurance companies to hedge the risk of unanticipated loss events occurring in the construction process. The general policy is entered into for one year and it compensates the customer, subcontractors and third parties for any losses caused by AS Merko Ehitus group company or its subcontractor. The risks of the projects, which the annual policy does not cover are additionally mapped out and an insurance contract is concluded separately for each object taking into consideration its specifics. In concluding contracts for services involving design work, an insurance contract for professional liability is required from subcontractors or an insurance contract at own expense is concluded, covering the damage arising from design, erroneous measurement, advice and instructions. The services of insurance brokers are used in mapping out risks, concluding insurance contracts and handling loss events. In 2025, indemnity applications submitted to insurance companies totalled EUR 0.59 million (2024: EUR 0.32 million), and insurance benefits were received in the amount of EUR 0.17 million (2024: EUR 0.08 million).

A warranty provision has been provided at the group to cover for the construction errors, which have become evident during the warranty period. In 2025, warranty provisions were formed and released in the group in total amount of EUR 1.78 million (2024: EUR 3.0 million) and disbursements amounted to EUR 1.78 million (2024: EUR 1.71 million). As at the year-end, the group's warranty provision amounted to EUR 5.18 million (31.12.2024: EUR 5.18 million). For work performed by subcontractors, the subcontractors are responsible for remedying the defects that became evident during the warranty period. For critically important contracts, the performance of contractual obligations of the contractor arising from contracts of services is guaranteed with bank first demand guarantees (Note 29).

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 group's activities from the perspective of laws or contracts from a different position and dispute the legitimacy of the group's activities.

As of 31 December 2025, a provision has been set up at the group in the amount of EUR 0.4 million for covering potential claims and legal costs (31.12.2024: EUR 0.4 million) (Note 29).

An overview of the key legal disputes of group entities ended during 2025 and ongoing as of 31 December 2025 is presented below.

ESTONIA

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

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

resolution of the Tallinn Administrative Court's decision of 19 April 2024 unchanged. The decision was not appealed, and the decision has entered into force.

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. On 23 December 2025, the Supreme Court of Latvia annulled the previous decisions and sent the dispute back to the court of appeal for a new hearing, finding that the use of materials collected during secret surveillance as evidence in administrative proceedings was not permissible. At the time of writing the report, there was no further information on the next deadlines and steps in the proceedings.

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

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

VALUE OF ASSETS

In 2025, the group recognised EUR 1,115 thousand (2024: EUR 575 thousand) in impairment losses on assets and inventories, incl. EUR 73 thousand from the impairment of tangible assets (2024: EUR 0), EUR 42 thousand on the write-off of doubtful receivables (2024: EUR 575 thousand) and impairment loss of EUR 1,000 thousand on inventory (2024: EUR 0). The receivables expensed in prior periods were received EUR 2 thousand (2024: EUR 17 thousand). See also Notes 16, 18 and 24 for further details.

FAIR VALUE ESTIMATION

According to the estimation of the group, the carrying values of financial assets at amortised cost (Notes 14, 15, 16, 17, 21) and financial liabilities at amortised cost (Notes 27, 28, 30) in the consolidated balance sheet as at 31 December 2025 and 31 December 2024 do not vary significantly from their fair value.

The Management Board estimates that the fair value of long-term receivables does not materially differ from their carrying amount because no material changes have occurred in risk margins of the borrowers. The fair value of receivables is measured using the discounted cash flow method in accordance with IFRS 7 on the basis of Level 3 inputs of the fair value hierarchy.

The long-term trade receivables related to Balsiu is EUR 7,951 thousand as of 31.12.2025 (31.12.2024: EUR 8,456 thousand). The carrying amount of future receivables related to Balsiu School is EUR 13,810 thousand (31.12.2024: EUR 15,264 thousand) and the fair value of the mentioned receivables is equal to EUR 11,929 thousand using the effective interest rate of 2.88% (31 December 2024: EUR 13,009 thousand using the effective interest rate of 2.88%). The long-term trade receivables related to Kaunas Police Headquarters is EUR 9,776 thousand as of 31.12.2025 (31.12.2024: EUR 10,844 thousand). The carrying amount of future receivables related to Kaunas Police Headquarters is EUR 13,942 thousand (31.12.2024: EUR 15,685 thousand) and the fair value of the mentioned receivables is equal to EUR 12,296 thousand using the effective interest rate of 2.88% (31.12.2024: EUR 13,646 thousand using the effective interest rate of 2.88%). As the amount receivable is due from the state institutions, the interest rate used for the fair value calculation is a long-term borrowing rate at the end of the period applicable to the Republic of Lithuania (www.ecb.europa.eu/stats/financial_markets_and_interest_rates/long_term_interest_rates).

Long-term receivables related to Balsiu School and Kaunas Police Headquarters are valued on the basis of Level 2 inputs of the fair value hierarchy.

A significant part of the group's long-term payables has a floating interest rate, which changes according to fluctuations of the market interest rate. In the estimation of the management, the group's risk margins have not materially changed since the loans were obtained and the interest rates on the group's debt meet the market conditions. The fair value of long-term financial obligations is determined based on discounted future contractual cash flows using the market interest rate available to the group for the use of similar financial instruments (Level 3).

To provide an indication of the inputs used to determine fair value, the group has classified its financial instruments into three levels based on the requirements of accounting standards.

Level 1: Financial instruments valued at unadjusted prices on the stock market or other active regulated market. As at 31 December 2025 and 2024, the group did not have any Level 1 financial instruments.

Level 2: Financial instruments whose values are based on valuation methods based on observable inputs. This category includes e.g. financial instruments valued based on prices of identical instruments traded on an active regulated market or financial instruments which are revalued at regulated market price but have low liquidity on the stock market.

Level 3: Financial instruments where the valuation methods used for revaluation are based on non-observable inputs.

CAPITAL MANAGEMENT

The group considers borrowings and total equity as capital. As at 31 December 2025, the total equity attributable to equity owners of the parent was EUR 260,566 thousand (31.12.2024: EUR 254,258 thousand). The group's principle is to maintain a strong equity base for the purpose of retaining its trustworthiness among its shareholders, creditors, and the market, and to ensure the group's sustainable development. Over the long term, the group's goal is to increase income for its shareholders and ensure its ability to pay dividends.

The group's equity is currently mainly tied up in the land plots portfolio invested in for the purpose of real estate development, which the group has realised according to the changes in the market primarily through its own developments. The group can additionally regulate the equity structure through dividends payable to shareholders or repayments of share capital.

The group considers it important to ensure an optimal capital structure. Therefore, it monitors that the group's equity to assets ratio is at least 40% (31.12.2025: 62.8%, 31.12.2024: 56.9%).

According to good market practice, the group uses the ratio of net debt to total capital to monitor its capital composition:

	31.12.2025	31.12.2024
Borrowings	33,091	33,405
Less: cash and cash equivalents	(41,424)	(91,879)
Net debt	(8,333)	(58,474)
Total equity attributable to owners of the parent	260,566	254,258
Total net debt and equity attributable to equity owners of the parent	252,233	195,784
Share of net borrowings	-3.3%	-29.9%

	31.12.2025	31.12.2024
Cash and cash equivalents	41,424	91,879
Short-term borrowings	(3,079)	(21,303)
Long-term borrowings	(30,012)	(12,102)
Net debt	8,333	58,474

Cash and cash equivalents	41,424	91,879
Fixed rate liabilities	(828)	(365)
Variable rate liabilities	(32,263)	(33,040)
Net debt	8,333	58,474

	Cash and cash equivalents	Borrowings	Lease liabilities	Total
Net debt 31.12.2023	77,330	(50,413)	(4,402)	22,515
Cash flow	14,594	21,845	1,551	37,990
Effect of exchange rate changes	(45)	-	-	(45)
New lease contracts	-	(317)	(1,745)	(2,062)
Termination of lease liabilities	-	-	76	76
Net debt 31.12.2024	91,879	(28,885)	(4,520)	58,474
Cash flow	(50,455)	229	1,660	(48,566)
New lease contracts	-	-	(1,601)	(1,601)
Termination of lease liabilities	-	-	26	26
Net debt 31.12.2025	41,424	(28,656)	(4,435)	8,333

NOTE 36 OTHER INFORMATION

According to the technical standards of the European Single Electronic Format (ESEF) and the understanding of the use of electronic marking at the time of the preparation of the report, machine-readable information about the following information shall appear in the notes to the financial statements, even if the corresponding information is presented for the purpose of easy readability in other parts of the annual report. In this regard, we provide references regarding the presence of information and its location as follows:

- personnel policy information on employees is provided in the Management Report on pages 78-79 and remuneration information in the Remuneration Report on pages 147-148;
- descriptive information on key management personnel is provided in the Governance information conduct subsection of the Consolidated Sustainability Statement, Corporate Governance Recommendations (CGR) report on pages 140-141 and in the Remuneration Report on pages 147-148;
- Risk management policies and practices (incl. both general and financial instruments) are described in addition to Note 35 but also in the Management Report on page 68 and in the CGR report on page 142-143.

NOTE 37 SUPPLEMENTARY DISCLOSURES ON THE PARENT COMPANY

The financial information of the parent comprises separate primary statements of the parent (income statement, statement of financial position, cash flow statement and statement of changes in equity), the disclosure of which is required by the Estonian Accounting Act. The primary financial statements of the parent have been prepared using the same accounting methods and measurement bases as those used for the preparation of the consolidated financial statements, except for subsidiaries, associates and joint ventures, which are reported at cost in the separate primary financial statements of the parent.

INCOME STATEMENT

in thousands of euros

	2025	2024
Revenue	982	927
Cost of goods sold	(1)	(1)
Gross profit	981	926
Marketing expenses	(764)	(90)
General and administrative expenses	(3,770)	(3,214)
Other operating income	4,272	5,082
Other operating expenses	(1,333)	(1,509)
Operating profit (loss)	(614)	1,195
Finance costs	(147)	(474)
Finance income from investments in subsidiaries	49,069	30,793
Profit before tax	48,308	31,514
Net profit for the year	48,308	31,514

STATEMENT OF FINANCIAL POSITION

in thousands of euros

	31.12.2025	31.12.2024
ASSETS		
Current assets		
Cash and cash equivalents	6,627	3,764
Receivables and prepayments	3,127	2,775
Inventories	244	-
	9,998	6,539
Non-current assets		
Investments in subsidiaries	119,949	109,989
Other long-term financial assets	66,804	65,680
Property, plant and equipment	223	315
	186,976	175,984
TOTAL ASSETS	196,974	182,523
LIABILITIES		
Current liabilities		
Borrowings	5,161	6,107
Trade and other payables	2,168	1,324
Short-term provisions	336	374
	7,665	7,805
Non-current liabilities		
Long-term borrowings	105	192
	105	192
TOTAL LIABILITIES	7,770	7,997
EQUITY		
Share capital	7,929	7,929
Statutory reserve capital	793	793
Retained earnings	180,482	165,804
TOTAL EQUITY	189,204	174,526
TOTAL LIABILITIES AND EQUITY	196,974	182,523

STATEMENT OF CHANGES IN EQUITY

in thousands of euros

Parent	Share capital	Statutory reserve capital	Retained earnings	Total
Balance as at 31.12.2023	7,929	793	157,300	166,022
Net profit for financial year	-	-	31,514	31,514
Dividends	-	-	(23,010)	(23,010)
Balance as at 31.12.2024	7,929	793	165,804	174,526
Carrying amount of holdings under control or significant influence				(109,989)
Value of holdings under control or significant influence under the equity method				189,721
Adjusted unconsolidated equity as at 31.12.2024				254,258
Net profit for financial year	-	-	48,308	48,308
Dividends	-	-	(33,630)	(33,630)
Balance as at 31.12.2025	7,929	793	180,482	189,204
Carrying amount of holdings under control or significant influence				(119,949)
Value of holdings under control or significant influence under the equity method				191,311
Adjusted unconsolidated equity as at 31.12.2025				260,566

Adjusted unconsolidated equity is used as the basis for verifying compliance with equity requirements set forth in the Commercial Code.

CASH FLOW STATEMENT

in thousands of euros

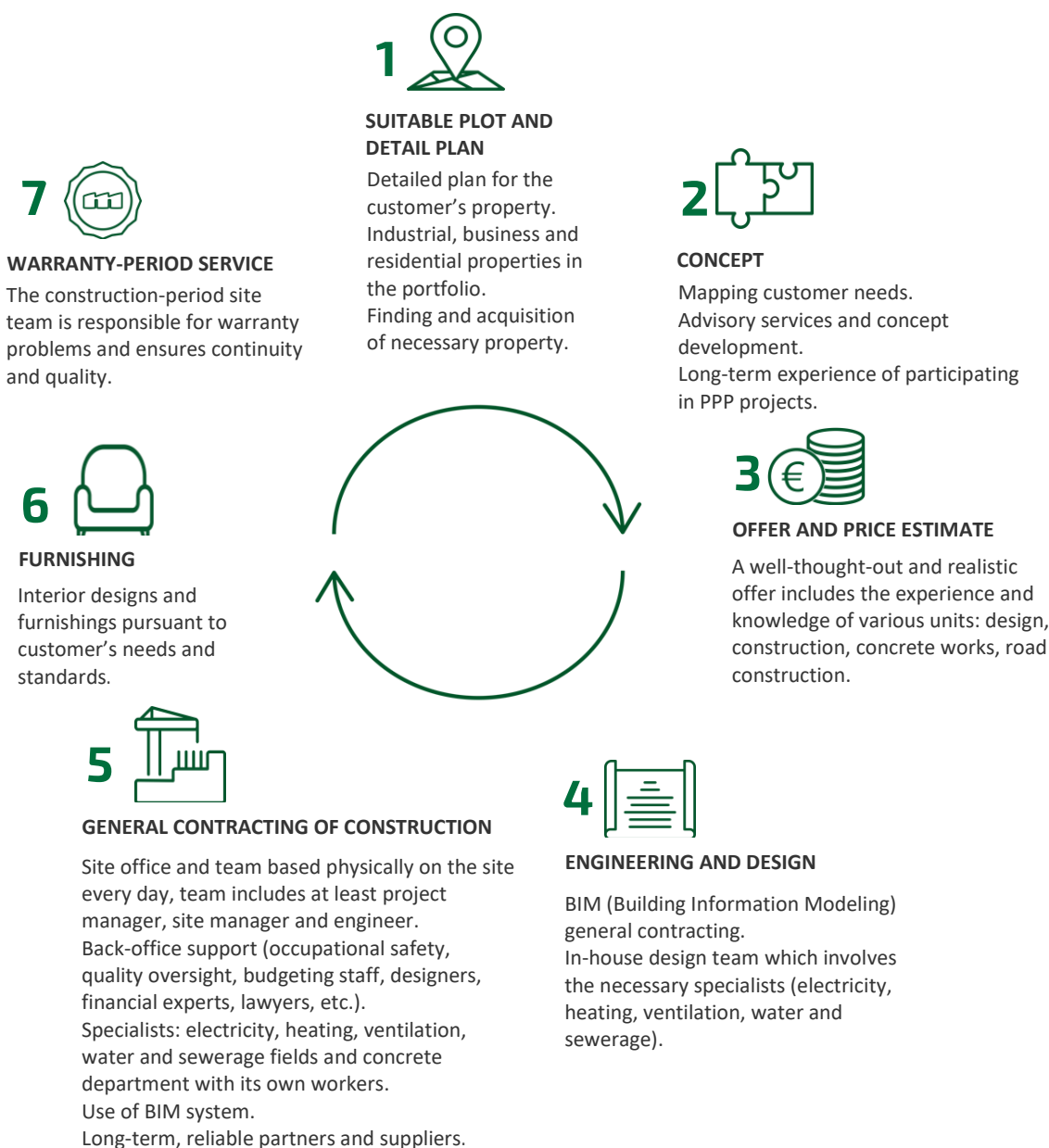
	2025	2024
Cash flows from operating activities		
Operating profit (loss)	(614)	1,195
Adjustments:		
Depreciation and impairment	91	98
Interest income from business activities	(4,272)	(5,082)
Change in provisions	272	234
Change in trade and other receivables related to operating activities	940	(247)
Change in inventories	(244)	-
Change in trade and other payables related to operating activities	428	(352)
Interest received	1,970	2,516
Interest paid	(160)	(455)
Other finance income and costs	(92)	(72)
Total cash flows from operating activities	(1,681)	(2,165)
Cash flows from investing activities		
Investments in subsidiaries	(10,110)	(3)
Reduction of equity in subsidiary	150	5,307
Purchase of property, plant and equipment (excl. leased assets)	-	(1)
Interest received	98	53
Dividends received	49,069	30,793
Total cash flows from investing activities	39,207	36,149
Cash flows from financing activities		
Proceeds from borrowings	-	1,002
Loan repayments received	(929)	(8,401)
Repayments of lease liabilities	(104)	(92)
Dividends paid	(33,630)	(22,940)
Total cash flows from financing activities	(34,663)	(30,431)
Net increase/decrease in cash and cash equivalents	2,863	3,553
Cash and cash equivalents in the beginning of period	3,764	211
Cash and cash equivalents at end of the period	6,627	3,764

MANAGEMENT REPORT

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BUSINESS MODEL: CONSTRUCTION SERVICES TO CUSTOMERS

Merko offers strategic advisory services and high-quality full-scale solutions throughout the entire process as part of its full construction service, according to the customer's needs: preparation, design, construction, fittings and warranty-period service. At the customer request, we offer a real estate development service in addition to the construction service, from acquiring a suitable property and organizing the detailed planning procedure to the completion of the object. For the best outcome, Merko should be engaged already at the outset of the construction project planning period, and cooperation should take place in the framework of the design and construction agreement.



BUSINESS MODEL: PROPERTY DEVELOPMENTS

Merko has become one of the leading apartment developer brands in the Baltics. To ensure the best quality, we manage all phases of the development project: acquisition of the property, planning, design development, construction, sales, and service during the warranty period. As a developer of apartments, Merko focuses on developing comprehensive and modern living environments.



RATIOS

(attributable to equity holders of the parent)

INCOME STATEMENT SUMMARY		2025	2024	2023
Revenue	million EUR	310.9	539.0	466.3
Gross profit	million EUR	55.9	95.9	65.0
Gross margin	%	18.0	17.8	13.9
Operating profit	million EUR	34.3	72.5	44.5
Operating profit margin	%	11.0	13.4	9.5
Profit before tax	million EUR	44.8	76.4	52.0
EBT margin	%	14.4	14.2	11.1
Net profit	million EUR	39.9	64.6	45.9
attributable to equity holders of the parent	million EUR	39.9	64.7	46.0
attributable to non-controlling interest	million EUR	-	(0.1)	(0.1)
Net margin	%	12.8	12.0	9.9
Other income statement indicators		2025	2024	2023
EBITDA	million EUR	37.5	75.7	48.1
EBITDA margin	%	12.0	14.0	10.3
General expense ratio	%	7.5	5.0	5.1
Labour cost ratio	%	16.2	9.8	10.8
Revenue per employee	thousand	516	882	718
Other significant indicators		31.12.2025	31.12.2024	31.12.2023
Return on equity	%	15.6	28.4	23.4
Return on assets	%	9.7	14.8	11.8
Return on invested capital	%	16.2	29.8	20.6
Assets	million EUR	415.0	447.1	425.3
Equity	million EUR	260.6	254.3	211.9
Equity attributable to equity holders of the parent	million EUR	260.6	254.3	212.1
Equity ratio	%	62.8	56.9	49.9
Debt ratio	%	8.0	7.5	12.9
Current ratio	times	2.9	2.1	2.0
Quick ratio	times	0.9	0.9	0.9
Accounts receivable turnover	days	50	43	38
Accounts payable turnover	days	56	46	40
Number of employees as at 31.12	people	613	605	635
Average number of employees (total group)	people	603	611	649
Order book	million EUR	466.9	340.6	477.5

Calculation of ratios is provided on page 153 of the report.

ECONOMIC ENVIRONMENT IN 2025

GENERAL ECONOMIC ENVIRONMENT

	2025				2024			
	EU27	Estonia	Latvia	Lithuania	EU27	Estonia	Latvia	Lithuania
GDP annual change in current prices	+1.5%	+0.6%	+2.1%	+2.9%	+1.1%	-0.1%	0.0%	+3.0%
Construction price index annual change	+1.3%	+1.4%	+2.3%	+4.0%	+2.3%	+1.5%	+5.6%	+5.0%
Unemployment rate (end of period)	5.8%	6.4%	7.1%	6.5%	5.8%	7.8%	7.1%	7.0%

Source: Eurostat

The expected recovery did not occur in either Europe or Scandinavia, and the buzzword for 2025 will remain confusion over tax increases to cover defence needs. As inflationary pressures in the euro area have not fully subsided, the ECB ended its cycle of lowering key interest rates in June 2025, somewhat earlier than expected, and remained at 2.0%, i.e. at a higher level than expected. Scandinavian central banks started lowering their key interest rates later. The Swedish central bank has quickly reached 1.75% in October 2025 and no further cuts are expected, while the Norwegian central bank only started lowering its key interest rates in June 2025 and has reached 4.0% at the time of writing this summary and is moving very cautiously. Accordingly, European companies that enjoyed negative interest rates before the 2021 Covid pandemic have not had enough stamina to transform their operations in the face of rising input prices, high competition, and the additional costs associated with the war in Ukraine and the Green Deal. Even lesser has been the desire to grow on the back of borrowed money in Scandinavia. Given the delay in the transmission of changes in the price of money to the real economy, it was also unfounded, in hindsight, to expect a blooming economic recovery in our region.

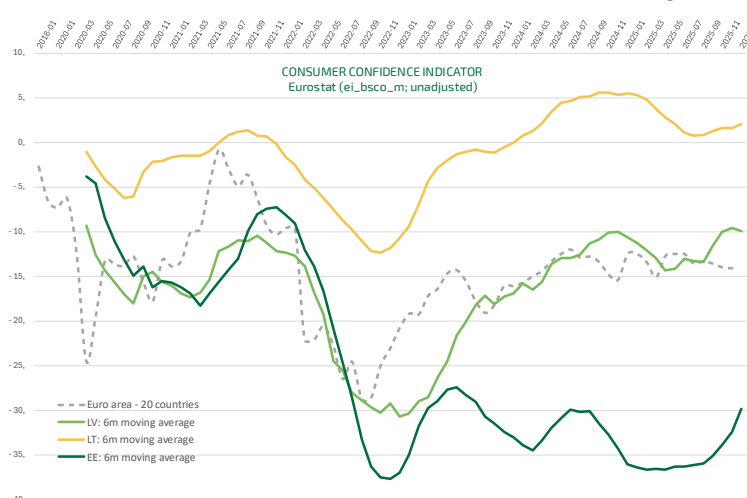
The Baltic region was affected throughout 2025 by the persistent uncertainty of Estonian consumers, and the entire region remained a high-risk region in the eyes of foreign investors, mainly interested in companies in the defence sector. The relative stability of material and energy prices had a positive impact, but labour costs continued to rise due to inflation. Only in Lithuania did consumer confidence and companies' willingness to invest continue to keep the economy on the upswing, while Estonia was held back by tax increases and low consumer confidence. Latvia was rather closer to Lithuania, although with fewer investments.

Lithuania has recovered more successfully from the 2022-2024 recession, which began with Russia's invasion of Ukraine. Lithuania's success is largely based on trade ties with Central and Western Europe, while Estonia and Latvia, which are more oriented towards Scandinavian countries, have had to face reduced demand due to the slow recovery of their partners. In Estonia, the GDP decline was registered during at least 8 quarters during 2022-2024 period, and growth was close to zero in the rest of the quarters. Lithuania was the only Baltic country to avoid a more sustained economic recession and began to recover already in the spring of 2023. In 2025, on a year-on-year basis, the GDP of the euro area (EU 20 countries) grew satisfactorily by +1.4% (2024 GDP growth +0.9%). According to preliminary data, in 2025, the GDP of the euro area and the entire European Union grew the most in Ireland, by as much as 12.3%, and the island countries of Malta and Cyprus were also at the top, at 4.0% and 3.8%, respectively. No European country posted GDP decline, but according to Eurostat growth remained within boundaries of statistical error in Germany and Finland (both grew by 0.2%), both very important economies for Baltic states.

The sluggish economic growth is also reflected in the unemployment rate, which remained above the European average. In Estonia, the unemployment rate fell below 7% only in the last quarter, while in Latvia it rose above 7% in the last quarter as seasonal work ended. The unemployment rate in the EU as a whole remained practically unchanged, at 5.8% in December 2025 (the same in December 2023 and 2024). In Lithuania, the unemployment rate has fluctuated around 6.5% by one percentage point for the last 5 quarters. Labor cost growth in the industry, construction and service sectors continues at a slowing pace, remaining just below 10% in faster-growing Lithuania, but having already fallen below 5% in Latvia. The relatively low unemployment rate and continued wage growth in response to tax increases may keep inflation in the Baltics above the ECB's 2% target for an extended period. Since the monetary policy of the euro area is carried out by the ECB, not by local central banks, there is no possibility in the Baltics to control inflation with monetary policy tools. Fiscal policy will remain tied hand and foot until the need to increase defence spending is compensated by slowing down the Green Deal and a tax hikes are seen as an interim solution.

Labour cost index annual change (%)	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025
Euro area	4.9	4.9	4.8	3.9	3.7	3.8	3.4
Estonia	8.2	5.2	7.9	6.7	8.1	10.1	7.0
Latvia	13.6	11.0	12.8	10.9	8.8	8.7	4.7
Lithuania	11.0	11.0	11.1	10.6	9.7	9.6	9.4

Source: Eurostat; dataset lc_lci_r2_q

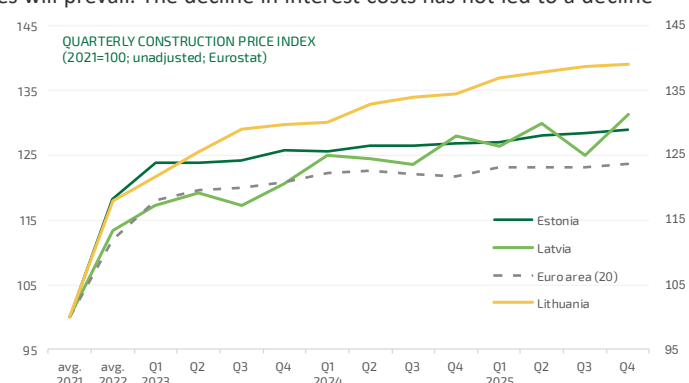
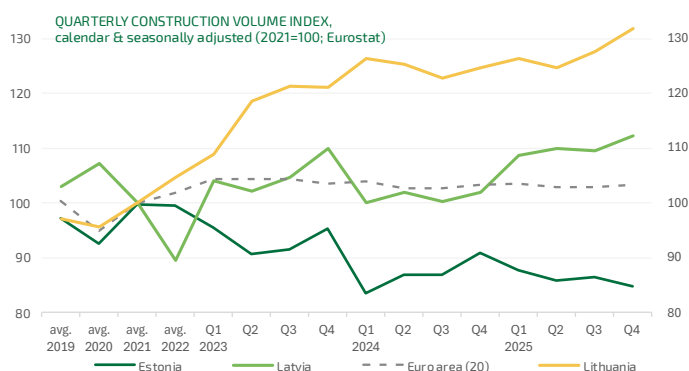


CONSTRUCTION MARKET

Contrary to expectations, Estonian construction volumes continued to decline for the fourth consecutive year, as housing growth failed to offset the ongoing slowdown in road construction. Latvian construction volumes turned to growth in 2025, despite the suspension of Rail Baltica work. This was due to both large defence procurements and the revived renewable energy segment. In Lithuania, the market continued to grow, supported by renewable energy and defence facilities. In all Baltic states, the market showed strength in the housing construction segment in 2025, where investors are actively using their building permits obtained under old energy efficiency requirements before they expire. Due to the increasing uncertainty in the geopolitical situation, we will definitely see continued demand for defence construction throughout 2026.

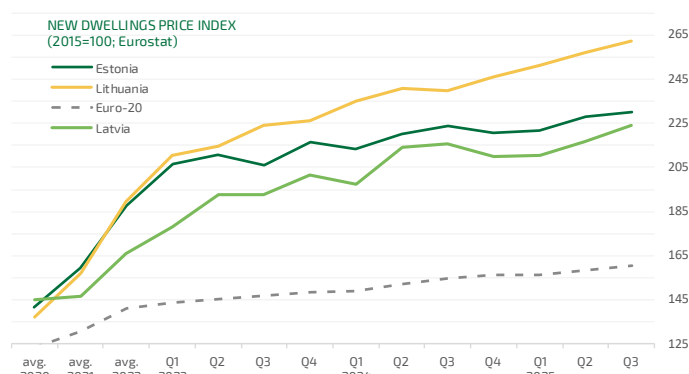
Construction prices remained relatively stable throughout 2025, with a small increase primarily due to labour costs. In the longer term, we reiterate our opinion that upward pressure on prices will prevail. The decline in interest costs has not led to a decline in the cost prices of construction machinery and material manufacturers, and there is no reason to expect wage costs to move downward. The CBAM (EU carbon border adjustment mechanism) implemented at the beginning of 2026 will likely have an upward pressure on the prices of imported materials, and prices are already being gradually increased. Logistics costs are expected to be high for goods whose origin wholesalers must be ready to prove at any time due to the large number of sanctions in force against Russia and Belarus.

Merko Group's construction volumes in 2025 decreased compared to the previous year, as several large-scale projects in defence and renewable energy were completed and there were no immediately equivalent projects in the portfolio. The share of the private sector has been falling for several years due to defence contracts. The higher share of the public sector in the contract portfolio is welcome in difficult times, as it brings additional construction contracts to the market, hopefully helping the economy to remain on an upward trajectory.



APARTMENT DEVELOPMENT

The increase in activity in the housing market that began in the last months of 2024 lasted practically the entire year of 2025. Whether this was a one-off adjustment in the Baltic States and whether a new balance has been achieved, only time will tell. The Lithuanian market continued to be more active, and prices were growing faster than in the rest of Baltics, and consumer confidence remains the highest in the EU. At the same time, the cold winter and high energy prices at the beginning of 2026 have reduced the euphoria in the housing market and directed the thoughts of buyers towards assessing the maintenance costs of housing. The price sensitivity of maintenance costs may increase the buyer's caution but has not at this time grown into a trend that would force us to change our assessment that we will also see stable prices with insignificant statistical fluctuations throughout 2026.



In the Baltics, real household income has not yet recovered from the 2021-2024 inflation spike, and the affordability of new developments has not yet returned to its previous positions in Estonia and Lithuania. According to the Baltic Housing Affordability survey by Swedbank, the affordability of apartments in 2025 has mostly shown a recovery trend, but only in Riga has it returned to the levels of the end of 2021. In Tallinn, a 69.9 m² apartment will be affordable for the average household in the fourth quarter of 2025, in Vilnius a 64.2 m² apartment, but in Riga a 114.6 m² apartment. The apartment of 55 m² is considered a long-term threshold of normality, i.e. it indicates the ability of the average household to purchase an average apartment (55 m²) with a loan based on its income. Accordingly, the affordability of the average apartment is good throughout the Baltics, but rather in the secondary market, as the study assesses the market as a whole, not only new developments.

OUTLOOK FOR 2026

The Merko group does not independently compile macroeconomic forecasts but bases its activity plans on opinions formed by the macroeconomic forecasts of Swedbank, SEB, and Luminor. The economic forecasts valid at the time of the preparation of the annual report predict economic growth in Lithuania and a stronger recovery in Estonia by 2026, while Latvia's economic growth will remain the weakest of the three. The forecasts range from +2.3% to +3.5% for the Baltic countries. Lithuania will continue to be the strongest, with growth of 3% or higher expected. Unemployment rate forecasts are more likely to remain stagnant in the range of 6.5-7.0%, and differences between countries are rather insignificant. Banks also predict inflation to remain clearly above 2.0% (the expected level in the euro area): the highest growth in the consumer price index is expected in the more economically active Lithuania at 3.3-3.5%; while in the less active Estonia it should remain in the range of 2.6- 3.0% and in Latvia at even 2.4-2.8%. Despite the ceasefire in the Gaza conflict, global instability has actually increased over the past year. The US president, who has probably been the most talked about person in the world in 2025, has, in addition to his flurry of tariffs, cancelling aid programs and withdrawing from climate agreements, has turned Iran into a new hotbed of tension, where the longer duration of the armed conflict threatens the global economy with rising energy prices and accelerating inflation. All of this has deepened the loss of international legal order and of trade, which European politicians have finally begun to notice. The BRICS countries, especially China and India, are skilfully using the situation to increase their influence. Therefore, it is expected that European investors will focus their business activities on well-known and established home markets. There was no noticeable growth in foreign or private sector investment in the Baltic region in 2024 and 2025, and there is no reason to expect them outside the defence industry in 2026. The presence of an aggressive eastern neighbour continues to inhibit the flow of conventional investment to the Baltic region and has reduced demand for commercial real estate. The construction of defence infrastructure continues, and most of the countries' budgetary capacity and available EU support funds are being used in these areas.

The European Union's federalization plan (Draghi report) will remain a key issue in 2026, although implementation was limited in 2025. The easing of the Green Deal burden has not yet yielded results, the ETS (carbon tax) burden has also put several EU countries in a situation where they want to get the issues associated with the Green Deal under control before taking further steps to give the EU Commission more powers. Despite all this, the economy in Europe will continue to recover, as there is no room to postpone activities in the field of defence. It is reasonable to expect a continued redirection of budgetary funds from areas that provide emotional satisfaction to increasing physical security, defence capabilities, in addition to raw material and energy independence. Orders for construction companies to build relevant facilities, defence industry production bases, and hopefully also housing in their immediate vicinity will follow with the usual cycle shift (18-24 months) in construction. The EU's sprawling bureaucracy and the protection of local communities may become obstacles, as has been experienced in recent years when establishing wind farms and searching for locations for large-scale industrial projects.

CONSTRUCTION SERVICES

In 2026, the Baltic construction sector is likely to show single-digit growth in construction volumes. The growth will mainly be supported by the higher volume of housing development, as well as the fulfilment of defence infrastructure and Rail Baltica orders. Labor shortage problems are not foreseen, but pressure to increase wages to compensate for inflation in 2022-2024 will remain. In the field of renewable energy, the rapid construction of wind farms has stopped and the following projects are awaiting the introduction of new state support measures. The share of the public sector as a customer of construction services will remain high, both due to military objects and the upcoming construction volumes of Rail Baltica sections.

Risks in the construction sector are changing compared to previous years, and due to the high share of public sector orders, compliance risks and punctual fulfilment of various bureaucratic requirements are gaining more importance. The stability of energy prices and CBAM costs have also come under attention, as the majority of construction materials are energy intensive. The general contractor segment has maintained strong capitalization and sufficient liquidity, which allows it to absorb temporary setbacks. It is expected that all major construction companies will be able to manage the aforementioned risks.

Given the strong financial position of the Merko Ehitus group, all prerequisites for successful operations in 2026 have been met. We will certainly remain selective regarding longer-term projects and will closely monitor developments in the economic environment, regulations and the broader political situation. The successful launch of the Rudninkai PPP project is the highest priority for 2026.

APARTMENT DEVELOPMENT

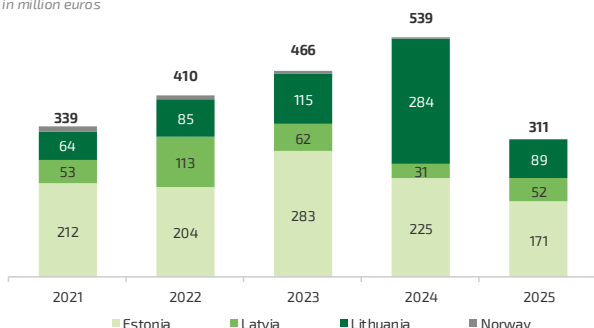
We expect the new housing market to be stable in Tallinn and Riga, and continued growth in Vilnius. The expectation of growth in the Vilnius housing market is due to the 2nd pillar pension reform, which allows partial withdrawal of saved money, as well as the influx of international specialists in the IT and defence sectors. Net incomes recovering due to wage increases will increase the number of people who can afford to purchase new housing. The expected increase in consumer confidence in Estonia and Latvia may revive the respective markets in the second half of the year, but we do not attribute much probability to such a scenario.

Merko Ehitus' long-term view of apartment development activities remains unchanged. The Group develops complete living environments both now and in the future, focusing on larger areas, offering solid quality and expert space solutions. In the short term, the Group will make investment decisions based on actual market activity, and in 2026, development projects will only be started in a volume that matches the speed of sales. In the medium term, Merko Ehitus will slow down the preparation of development project solutions, despite its strong financial position, as additional requirements for apartment developments arising from legislation (shelters, higher energy efficiency and LCA certification) require feedback from implementation practice and additional adjustments before making investment decisions for implementation in larger volumes.

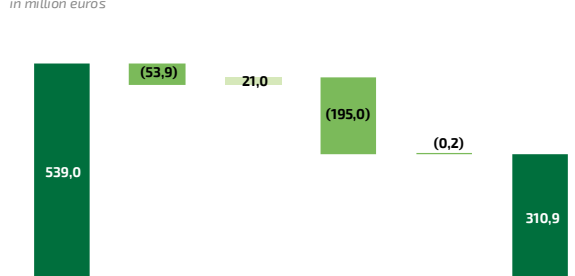
OPERATING RESULT

REVENUE AND PROFIT

DISTRIBUTION OF GROUP REVENUE BY GEOGRAPHICAL LOCATION
in million euros

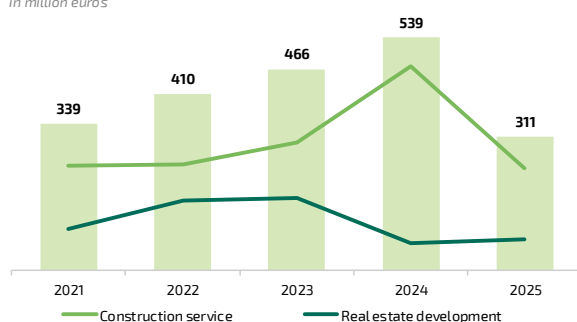


CHANGES IN GROUP REVENUE
in million euros

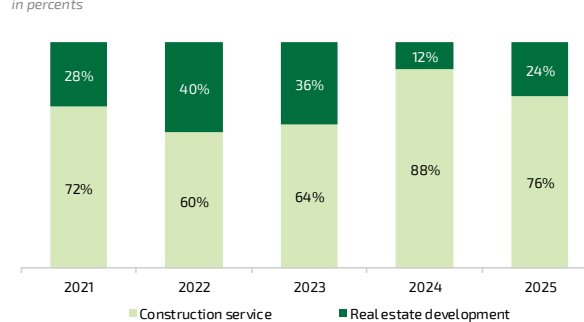


In 2025, the revenue of Merko Ehitus group was EUR 310.9 million, (2024: EUR 539.0 million). 54.9% of the period's revenue was generated in Estonia, 28.5% in Lithuania and 16.6% in Latvia (2024: 52.6% in Lithuania, 41.7% in Estonia and 5.7% in Latvia). Compared to 2024, the group's revenue decreased by EUR 228 million or 42.3%, including 68.8% in Lithuania, 24.0% in Estonia and 100% in Norway; and revenue increased by 68.9% in Latvia. The group's sales revenue decreased in the construction service business area, as a result of completion of several major construction contracts, in real estate development business area sales were slightly higher compared to 2024.

DISTRIBUTION OF GROUP REVENUE ACCORDING TO SEGMENTS
in million euros



DISTRIBUTION OF GROUP REVENUE ACCORDING TO SEGMENTS
in percents

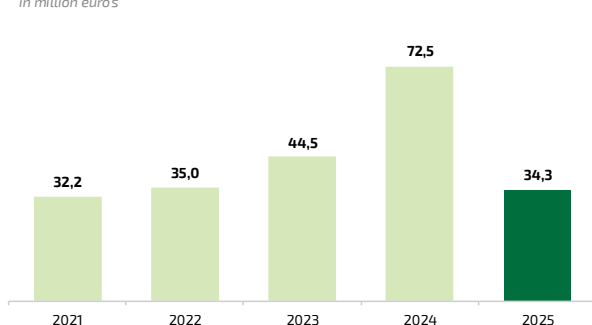


In the structure of sales revenue, construction service accounted for 76% of the group's total sales revenue (2024: 88%). The construction service continues to be selective, focusing on the appropriate risk-return ratio for the group in new projects. Bids below cost price are avoided, as there is no need to increase the portfolio of construction contracts with higher-risk projects.

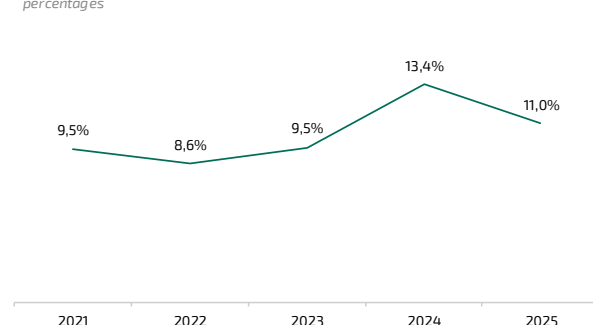
By country, Estonia contributed more than half (55%) of the group's sales revenue in 2025. The group finds it strategically important for the business operations to be diversified both geographically and in terms of business segments. Thus, the group continues to strengthen and implement its competitive advantages outside Estonia and is closely monitoring the development and opportunities throughout the Baltics.

In 2025, the group's operating profit totalled EUR 34.3 million (2024: EUR 72.5 million). The operating profit margin in 2025 (11.0%) decreased by 2.4 pp compared to last year (2024: 13.4%). The operating profits were mainly impacted by the completion of successful contracts highlighted in 2024 and following return to more traditional margins in the sector in a highly competitive environment.

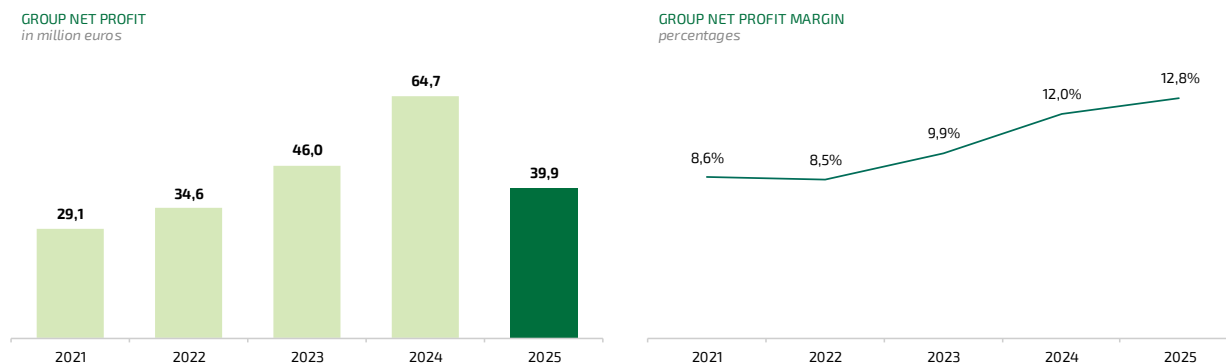
GROUP OPERATING PROFIT
in million euros



GROUP OPERATING PROFIT MARGIN
percentages



In 2025, the group's pre-tax profit totalled EUR 44.8 million and the net profit attributable to owners of the parent company was EUR 39.9 million, compared to the pre-tax profit of EUR 76.4 million and net profit attributable to owners of the parent company of EUR 64.7 million in 2024. The group's profit before tax margin was 14.4% (2024: 14.2%) and net margin was 12.8% (2024: 12.0%).



BUSINESS ACTIVITIES

The group operates in Estonian, Latvian and Lithuanian market through its subsidiaries. See additionally the detailed management structure on page 139.



Depending on the country, the group companies provide construction and real estate development services in the following operating areas:

- **GENERAL CONSTRUCTION:** construction of various buildings, including commercial and office buildings, retail and entertainment centres, hotels and spas, as well as public buildings, dwellings and specific industrial buildings. In the context of main contracting, we provide high quality complete solutions to meet the client's needs.
- **CIVIL ENGINEERING:** design and construction of infrastructure facilities. The field includes port, waste handling and road infrastructure (bridges, tunnels, overpasses, roads), various environment protection facilities, drinking water and waste- water treatment facilities, water and sewerage mains built using both open and no-dig methods, and various other engineering and technical sites.
- **ENERGY INFRASTRUCTURE CONSTRUCTION:** Merko participates in providing energy infrastructure construction services through joint ventures operating under the Connecto brand/trademark. Connecto designs, builds, and maintains electricity, telecommunications, and gas networks.
- **ROAD CONSTRUCTION:** Tallinn Teede AS performs various road maintenance services in Estonia: road construction, maintenance repair of roads, supervision of excavation works and the condition of roads, provision of repair services for machinery.
- **CONCRETE WORKS:** solutions for buildings and infrastructure constructed of prefabricated or concrete panels by group companies and out-of-house customer.
- **REAL ESTATE DEVELOPMENT:** development of apartment projects, long-term real estate investments and real estate projects for business purposes.

One of the keys to Merko's success is the wide scale of its operations – if a certain business segment has more or less work, it is possible to re-assign staff and manage risks. A professional team of project managers and engineers and experience in implementing complex projects using contemporary engineering solutions are also a competitive advantage. Merko's strength is also in completing simultaneously various complex and long-term projects, while providing high quality construction services to customers with different requests.

Merko group's investments in 2025 are presented in detail in Notes 23-25 to the financial statements.

The legal structure of the Merko group is presented in detail in Notes 19 and 20 to the financial statements.

CONSTRUCTION SERVICE

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

million EUR

	2025	2024	CHANGE
Revenue	237.6	474.6	-49.9%
% of total revenue	76.4%	88.0%	
Operating profit	25.7	59.4	-56.8%
Operating profit margin	10.8%	12.5%	

In 2025, the revenue of the construction service segment was EUR 237.6 million (2024: EUR 474.6 million). Compared to the previous year, sales revenue in the business area decreased by 49.9%. However, the group will continue to remain selective regarding its construction contracts and will not set the main objective of growth in sales revenue. The construction service segment revenue for 2025 made up 76.4% of the group's total revenue, having decreased by 11.6 pp compared to the year before (2024: 88.0%).

In 2025, the group earned an operating profit of EUR 25.7 million in this segment (2024: EUR 59.4 million). The operating profit margin was 10.8%, which is 1.7 pp lower than the comparable ratio in 2024 (12.5%). The operating profit margin was mainly impacted by the expiration of successful contracts highlighted in 2024 and a return to sector's more typical margins in a highly competitive environment.

Private sector demand declined in 2024 and remained low in 2025, in response to increased economic uncertainty, and this led to a decline in construction volumes in the Baltics as a whole. The change in public sector priorities has led to a significant increase in the procurement of defence-related objects, but the commencement of work on Rail Baltica procurements has still been delayed due to the rigidity inherent in the sector, and accordingly, the introduction of contra-cyclical orders to the market is slow and meagre. Overall, public procurements are prevalent on the market, with a prominent exception for private sector investment in the renewable energy segment.

Among the substantial projects in process that started in 2025 and earlier and will continue in 2026 were, in Estonia, the construction works of office building City Plaza 2, the Hyatt hotel building, Arter Quarter and Hobby Centre Kullo in Tallinn, the national defence building in Tartu, the hotel and event-centre in Pärnu, the Rail Baltic's Ülemiste passenger terminal as well as the fourth stage of Rail Baltica Harjumaa mainline and mainline Tallinn-Pärnu section. In Lithuania, larger projects were construction of wind farm infrastructure works in Pagėgiai, Telšiai and Pasvalys districts and 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 well wind farm infrastructure works in Smiltene parish.

LARGEST PROJECTS COMPLETED IN 2025

PROJECT NAME		LOCATION	COUNTRY
Arter Quarter	new	Liivalaia 34, 36 and Veski 1, Tallinn	Estonia
Hyatt Place hotel	new	Sadama street 4, Tallinn	Estonia
Tram line connecting Old Harbour and Rail Baltic's Ülemiste passenger terminal	new	Tallinn	Estonia
Road viaducts on the Saku-Tõdva and Tõdva-Hageri roads of the Rail Baltica railway corridor	new	Harju County	Estonia
Solar panel power plant	new	Vārme parish, Kuldīga district	Latvia
Electrical substation for a wind farm	new	Kelmė district	Lithuania
Wind farm's 28 wind turbines, electrical cables and roads	new	Kelmė district	Lithuania
Wind farm's 16 wind turbines, electrical cables and roads	new	Kelmė district	Lithuania

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. In the interests of the finest quality and maximum convenience and assurance for buyers, Merko leads all phases of development: acquisition of the real estate, planning, design of the development project, construction, sales and marketing, and warranty-period customer service.

million EUR

	2025	2024	CHANGE
Revenue	73.4	64.5	+13.8%
incl. revenue from sale of apartments	67.8	58.9	
% of total revenue	23.6%	12.0%	
Operating profit	13.4	16.5	-18.8%
Operating profit margin	18.2%	25.5%	

A total of 358 apartments (incl. 11 apartments in a joint venture) were sold in 2025 at the total value of EUR 67.8 million (excl. VAT), compared to 323 apartments (incl. 31 apartment in a joint venture) and EUR 58.9 million in 2024. In addition, the group sold 3 commercial areas, in 2024: 11 commercial areas (incl. 10 in a joint venture). Of the 358 apartments sold 148 were located in Estonia, 109 in Latvia, 101 in Lithuania. In the revenue and operating profit of the real estate development segment also the sale of commercial premises and parking spaces of the real estate development projects and the result of projects under development of joint venture are reflected, as well as the result of public-private-partnership contracts, based on which the group companies provide property management services for earlier constructed buildings.

In 2025, the share of revenue from the real estate development segment formed 23.6% of the group's total revenue (2024: 12.0%), having increased over the year by 11.6 pp. Compared to the previous year, 55 apartments more were handed over to customers in our own developments.

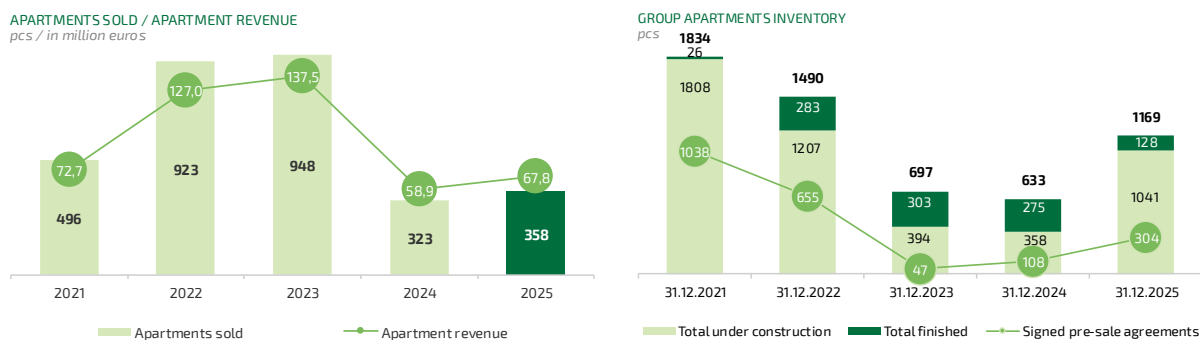
In 2025, operating profit of the real estate development segment amounted to EUR 13.4 million (2024: EUR 16.5 million) and the operating profit margin was 18.2% (2024: 25.5%), which decreased by 7.3 pp compared to the same period previous year. The profitability of the apartment development projects varies by project and depends greatly on the cost structure of the specific project, incl. the land acquisition price. Profitability also depends on the distribution of sales revenue in the development business segment between sub-activities (sale of apartments, construction services for joint projects, sale of immovable properties and -investment property). In case of construction services for joint projects, the profit from construction is recognised in the course of construction and the profit from development is realised at a later stage, upon sale of apartments to the final customer, based on the equity method. The 2025 result was also affected by the write-down of a property in Norway, which the group made after recognizing that there was no buyer for the property at the acquisition price level in the given market situation.

Managing a substantial portfolio of immovables requires careful and detailed planning of the whole process: the development of apartment buildings starts by planning, designing and construction, and ends with the sale of completed apartments and warranty service. The underlying idea of our development activities is to value land through detailed planning and building development, to find customers for the property and sell the property as developed real estate.

Homes developed and built by Merko are characterised by integrated living environments, energy efficiency, good sound insulation from indoor and outdoor noise as well as healthy interior climate. Effective ventilation in apartments, as well as stairwells, elevators and car parks help to minimize the risk of airborne diseases.

The objective of the group is always to create homes that architecturally fit the specific region, have an attractive living environment, functional design solutions, quality interior design materials, optimal construction cost and energy efficiency. A home that is being offered for customers must be of high quality and maintain its value in years to come.

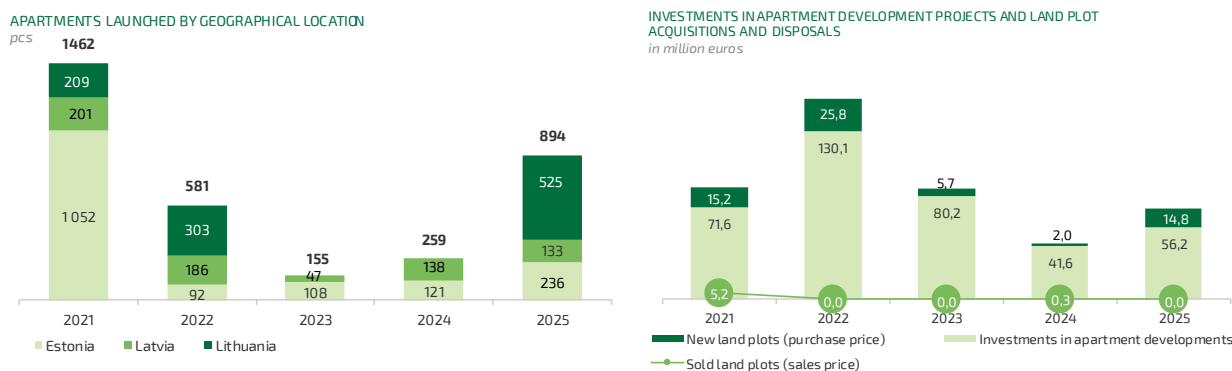
In real estate development joint projects, Merko brings its knowledge and experience of real estate development and construction to the partnership and the other party provides the plot and/or investment. The relationships between the parties are regulated by a stakeholders' contract that specifies the liability, rights and responsibility of each partner.



At the end of the period, Merko Ehitus group's inventory of apartments amounted to 1,169 units, of which 128 were completed and 1,041 in construction. 304 apartments were covered with preliminary agreements, incl. 4 completed apartments and 300 apartments under construction. The sale of these apartments had not yet been finalised and the apartments had not been delivered to customers, as the development sites are still under construction or the sites were completed at the end of the reporting period and the sales transactions have not all been finalised yet.

As at 31 December 2025, Merko Ehitus group had a total of 865 apartments for active sale (as at 31 December 2024: 525 apartments), for which there are no pre-sale agreements and of which 124 have been completed and 741 are under construction. The number of apartments on sale as at 31 December 2025 has increased by 340 apartments compared to 31 December 2024.

In 2025, the group invested a total of EUR 56.2 million (2024: EUR 41.6 million) in new development projects launched in 2025 as well as projects already in progress from previous year.



The group's long-term aim is to continue investing in residential real estate projects. The actual annual volumes depend, more broadly, on global developments and, more narrowly, on the situation of the apartment markets in the Baltic states as well as very directly on the pace of construction permit issuance.

One of the group's objectives is to keep the land plot portfolio at a level that ensures stable inventory of property development projects, considering the market conditions. As at 31 December 2025, the group's inventories included land plots with development potential, where the construction works had not started, of EUR 88.8 million (31.12.2024: EUR 87.7 million).

GROUP'S INVENTORIES WITH DEVELOPMENT POTENTIAL BY COUNTRY AS AT 31.12.

million EUR

	31.12.2025	31.12.2024
Estonia	30.9	30.9
Latvia	22.5	23.0
Lithuania	34.7	32.4
Norway	0.7	1.4
Total	88.8	87.7

In 2025, the group has obtained new land plots for real estate development purposes worth EUR 14.8 million (in 2024, new land plots were acquired at a cost of EUR 2.0 million).

THE APARTMENT DEVELOPMENTS COMPLETED IN 2025

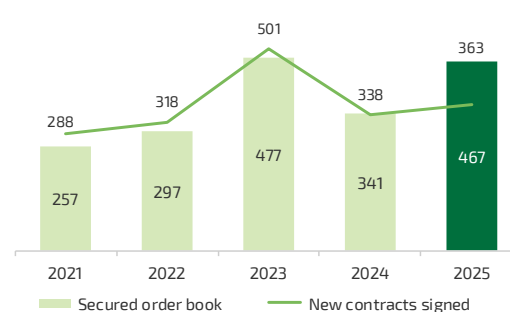
PROJECT		LOCATION	NUMBER OF APARTMENTS
Õie 2 and 4 (Õielehe 1st stage)	new	Harju County, Estonia	22 apartments
Erminurme road 2 and 22 (Erminurme 5th stage)	new	Tartu, Estonia	36 apartments
Kaukysos 5 (Vilneles Skverai 3rd stage)	new	Vilnius, Lithuania	303 apartments
Lucavsalas 5 (Lucavsala 1st stage)	new	Riga, Latvia	54 apartments

SECURED ORDER BOOK

As at 31 December 2025, the group's secured order book (excluding own property developments) amounted to EUR 466.9 million as compared to EUR 340.6 million as at 31 December 2024. The secured order book excludes the group's proprietary residential development projects and work related to developing real estate investments.

In 2025, new construction contracts worth EUR 362.8 million were signed (excludes property developments), compared to EUR 338.0 million in the prior year.

SECURED ORDER BOOK
in million euros



LARGEST CONSTRUCTION CONTRACTS SIGNED IN 2025

in millions of euros (as announced during 2025 on Nasdaq Baltic stock exchange)

BRIEF DESCRIPTION OF CONTRACT	COUNTRY	COMPLETION DATE	COST
Construction contract for the Rail Baltica Ülemiste international passenger terminal in Tallinn	Estonia	October 2028	85.0
Design and construction contract following alliance procurement model for construction of the section of the railway between Ülemiste passenger terminal and Pärnu, together with the Tootsi-Pärnu section. In carrying out the works, GRK Eesti AS is the leading partner. AS Merko Ehitus Eesti is estimated to have a 20% share of the construction works	Estonia		74.8
Design and construction contract for the construction of a hotel and entertainment and conference centre in Pärnu	Estonia	Summer 2027	50.0
Design and construction contract for the construction of an office building at Löötsa 1 B/C in Tallinn	Estonia	November 2027	35.0
Construction contract to perform the construction of foundations for 16 wind turbines, electrical cables and roads in a windfarm located in the Smiltene parish in Latvia	Latvia	Q2 of 2027	30.0
Construction contract for the construction of the Tallinn Hobby Centre Kullo located at Mustamäe tee 59, Tallinn	Estonia	December 2026	24.9

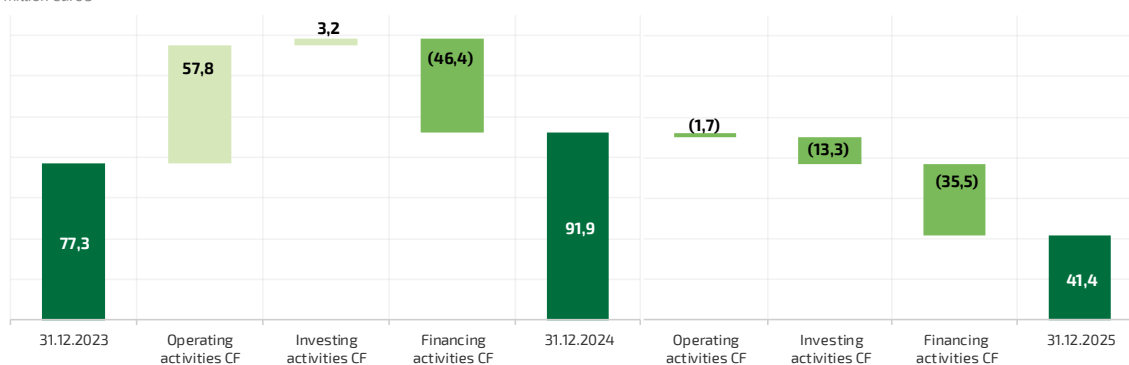
In 2025, the volume of concluded contracts in the private sectors accounting for 42% of the balance of the group's secured order book (31.12.2024: approximately 48%).

CASH FLOWS

The change in short-term investments and cash equivalents in 2025 of Merko Ehitus group was negative by EUR 50.5 million and as at 31 December 2025 the group had cash and cash equivalents in the amount of EUR 41.4 million (31.12.2024: EUR 91.9 million).

The operating cash flows of 2025 were negative by EUR 1.7 million (2024: positive by EUR 57.8 million), cash flow from investing activity was negative by EUR 13.3 million (2024: positive by EUR 3.2 million) and the cash flow from financing activity was negative by EUR 35.5 million (2024: negative by EUR 46.4 million).

CHANGE IN CASH AND CASH EQUIVALENTS
in million euros



The cash flow from operating activities had positive effect from EBITDA of EUR 37.5 million (2024: positive effect of EUR 75.7 million) and from the changes in trade and other receivables related to operating activities of EUR 21.6 million, including positive net change in business loans granted EUR 4.0 million (2024: positive effect of EUR 0.8 million, including negative net change in business loans granted EUR 7.3 million). The negative effects to cash flow came from operating activities came from changes in receivables and liabilities related to construction contracts of EUR 11.9 million (2024 positive effect of EUR 6.3 million), from the change in trade and other payables related to operating activities of EUR 15.2 million (2024: negative effect of EUR 14.0 million) and from the change in the provisions of EUR 0.1 million (2024: positive effect of EUR 5.6 million) as well from the change in inventories of EUR 22.9 million (2024: negative effect of EUR 1.9 million). The cash flows from inventories are mainly affected by the construction and sales phases of own developed apartments. In 2025 and 2024, the negative cash flow was due to the increase in the volume of inventories related to the construction of apartments. The interest paid in the amount of EUR 1.2 million (2024: EUR 2.4 million) and corporate income tax was paid in the amount of EUR 9.0 million (2024: EUR 9.3 million).

Cash flows from investing activities include negative effect include negative effect from the acquisition of non-current assets in the amount of EUR 6.6 million (2024: EUR 1.9 million) as well from the net change in short-term deposits in the amount of EUR 8.0 million (2024: negative effect of EUR 10.0 million). The positive effect came from the sale of non-current assets in the amount of EUR 0.3 million (2024: EUR 0.6 million) and EUR 1.2 million interest received from banks (2024: EUR 2.0 million).

To support cash flows from operating activities the group has raised additional external capital. At the same time, the debt ratio has remained at a moderate level (8.0% of total assets as at 31.12.2025; 7.5% as at 31.12.2024).

In cash flows from financing, the larger negative factors were dividend payment of EUR 33.6 million (2024: EUR 22.9 million), the repayments of lease liabilities in the amount of EUR 1.7 million (2024: net negative cash flow of EUR 1.6 million), 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 1.5 million (2024: negative cash flow in the net amount of EUR 1.7 million) and from the change in loans related to other activities in the amount of EUR 7.0 million (2024: net negative cash flow of EUR 1.3 million). Positive cash flow from financing activity resulted from the net change in loans received and repaid in connection with development projects in the amount of EUR 8.3 million, which resulted from the increase in loans taken for residential development projects, (2024: net negative cash flow of EUR 18.8 million).

RISK MANAGEMENT

Day-to-day risk management is part of the strategic management of the group. All major risks must be identified and managed optimally so that the company achieves its strategic and financial objectives. We consider it important to assess the risks of a group on an aggregated basis and not on the basis of the impact factors of a single risk. Constant attention to risk management makes it possible to exclude or minimise potential economic losses.

The main risks we consider are business, market, financial and operational risks, which in turn include interest rate, currency, credit, liquidity, capitalisation and legal risks. Based on the group's long-term average consolidated turnover, profits, capitalisation and market position, we have set the materiality limit at EUR 5 million. In the last 5 years, none of the above risks has had an impact beyond the materiality threshold. It must not be seen as a guarantee that there will be no future risk events beyond the materiality limit. Therefore, risk management is an ongoing process integrated into day-to-day activities to minimise the likelihood of risk materialisation.

The management board of each of the subsidiaries of the group develops, implements and maintains in good order the processes embedded into the activities of the respective company, to steer and manage the risks affecting the activities and results of the group. Each group entity and business unit shall ensure that the risks are managed on an ongoing basis in the light of the objectives assigned to it. Taking risks is a normal part of doing business, but one must be convinced that if the risk materialises, the purposeful and sustainable operations arising from the strategy of the company and business unit can continue. Risk management shall be coordinated by the management board of the group. The group assesses prudently the risks affecting both current business and investments.

Risk management, in a generalised manner, consists of the following steps and activities which, if applied in associated manner, enable the risks to be manageable:

- awareness and understanding of the risks involved in business activities;
- risk mapping and measurement;
- the development and implementation of risk management measures (prevention, mitigation, transfer, etc.);
- analysis of occurrences of risk realisation and repeating the previous steps.

When a risk with an impact exceeding the significance limit appears or materializes, an analysis of the risk and its causes is started immediately, and the holding company of the group is informed of the potential or materialized risk. According to the nature, impact and manageability of the risk, the management of the group decides on the urgency of action, measures to be taken and allocation of resources to manage the risk.

Business risk

Under business risks, we mean the inherent risks of working in our core business markets – the general construction and residential real estate development, which are the basis for profitable operations.

A more comprehensive description of business risks and their management can be found on the group's website <https://group.merko.ee/en/investors/risk-management/business-risk/>, where the current business risk management policy is presented.

Market risk

Under market risk, we mean the impact from the changes in different markets, where group companies do not participate daily professionally, on the financial position of the group. In particular, international money and capital markets are such markets that have an impact on the financial position of the group.

A more comprehensive description of market risks and their management can be found on the group's website <https://group.merko.ee/en/investors/risk-management/market-risk/>, where the current market risk management policy is presented.

Financial risk

Under financial risks, we mean the risks inherent in the management of the financial situation of the group and of each company within the group, as well as third-party solvency risks.

A more comprehensive description of financial risks and their management can be found on the group's website <https://group.merko.ee/en/investors/risk-management/financial-risk/>, where the current financial risk management policy is presented.

Operational risk

By operational risks, we mean risks caused due to insufficient or non-functioning processes, people, equipment, systems or external events (attacks, disruptions in supply chains, tightening regulations).

A more comprehensive description of operational risks and their management can be found on the group's website <https://group.merko.ee/en/investors/risk-management/operational-risk/>, where the current operational risk management policy is presented.

SHARE AND SHAREHOLDERS

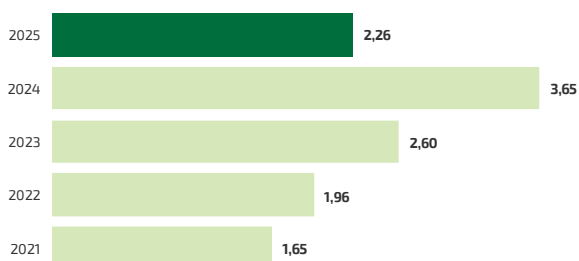
The shares of Merko Ehitus are listed in the Main List of Nasdaq Tallinn. As at 31 December 2025, the company has 17,700,000 shares. The number of shares did not change during 2025.

In 2025, 31,882 transactions were conducted with the shares of Merko Ehitus in the course of which 0.88 million shares were traded (5.0% of shares outstanding), with the total monetary value of transactions at EUR 25.1 million (comparative data for 2024: 23,384 transactions, in the course of which 0.79 million shares were traded (4.5% of shares outstanding) and the total monetary value of transactions was EUR 13.6 million). The lowest share price was EUR 20.90, and the highest share price was EUR 33.35 (2024: EUR 15.10 and EUR 21.55 respectively). The closing price of the share as at 31 December 2025 was EUR 31.30 (31.12.2024: EUR 20.85). As at 31 December 2025, by the Nasdaq Baltic stock exchange, the market capitalisation of AS Merko Ehitus was EUR 554.0 million, increased by 50.1% compared to the end of the equivalent period in the prior year (31.12.2024: EUR 369.0 million).

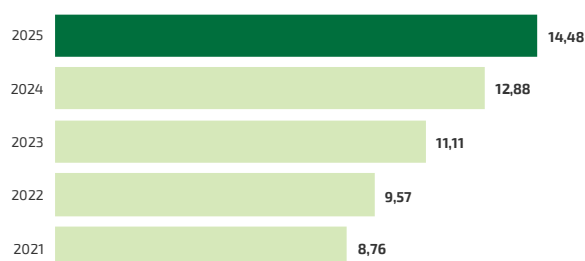
INFORMATION ON SECURITY

Issuer	AS Merko Ehitus
Name of security	Share of Merko Ehitus
Ticker	MRK1T
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

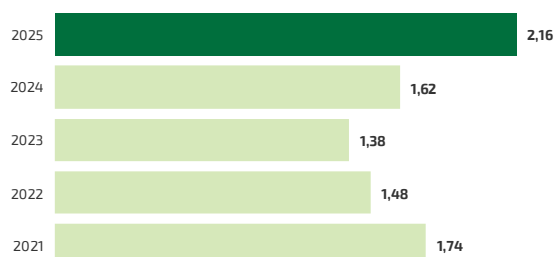
EARNINGS PER SHARE(EPS)
euros



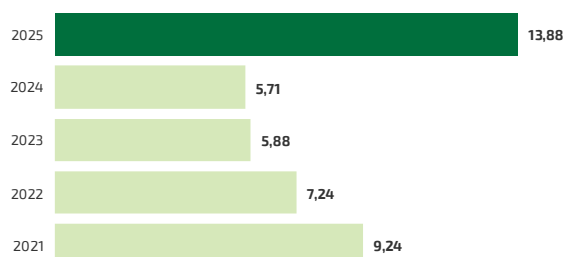
EQUITY PER SHARE
euros



P/B RATIO
times



P/E RATIO
times



TRADING HISTORY OF SECURITY, IN EUROS

	2025	2024	2023
Highest	33.35	21.55	16.36
Lowest	20.90	15.10	14.14
Average	28.09	17.00	15.18
Closing as at 31.12	31.30	20.85	15.30
Change as at 31.12, %	+50.12	+36.27	+8.05
Traded shares, pcs	882,505	791,511	840,670
Turnover, million EUR	25.10	13.57	12.85
Market value as at 31.12, million EUR	554.0	369.0	270.8

STRUCTURE OF SHAREHOLDERS ACCORDING TO NUMBER OF SHARES AS AT 31.12.2025

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF SHARES	% OF SHARES
1 000 001 - ...	1	0.01%	12,742,686	71.99%
100 001 – 1 000 000	6	0.05%	1,366,081	7.72%
10 001 – 100 000	47	0.36%	995,833	5.62%
1001-10 000	529	4.02%	1,404,829	7.94%
101-1000	2,854	21.69%	944,567	5.34%
1-100	9,718	73.87%	246,004	1.39%
Total	13,155	100%	17,700,000	100%

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



SHAREHOLDERS OF AS MERKO EHITUS AS AT 31.12.2025 AND CHANGE COMPARED TO THE PREVIOUS YEAR

	NUMBER OF SHARES	% OF TOTAL 31.12.2025	% OF TOTAL 31.12.2024	CHANGE
AS Riverito	12,742,686	71.99%	71.99%	-
OÜ Midas Invest	427,100	2.41%	2.43%	(2,400)
Firebird Republics Fund Ltd	352,162	1.99%	2.01%	(4,173)
Firebird Avrora Fund Ltd	211,215	1.19%	1.18%	3,037
OÜ Alar Invest	136,000	0.77%	0.77%	-
Clearstream Europe AG	122,975	0.69%	0.67%	4,442
Firebird Fund L.P.	116,629	0.66%	0.67%	(1,614)
Siseinfo OÜ	100,000	0.56%	0.56%	-
AB SEB Bankas	43,412	0.25%	0.24%	769
Swedbank AS clients	40,766	0.23%	0.23%	217
Total largest shareholders	14,292,945	80.75%	80.75%	278
Total other shareholders	3,407,055	19.25%	19.25%	(278)
Total	17,700,000	100%	100%	-

DIVIDENDS AND DIVIDEND POLICY

The distribution of dividends to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

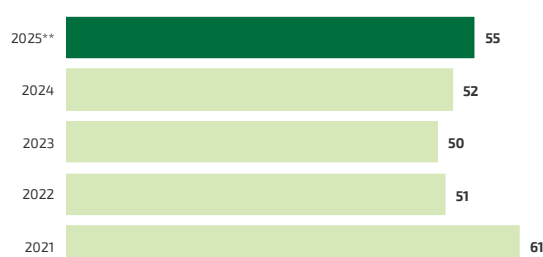
According to AS Merko Ehitus long-term financial objectives, 50-70% of the annual profit are distributed to shareholders as dividends.

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

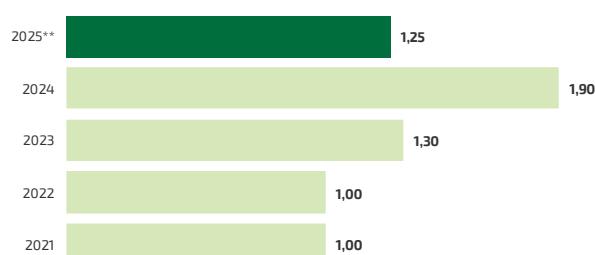
The Management Board, in coordination with the Supervisory Board, proposes to pay the shareholders EUR 22.1 million as dividends from net profits brought forward (EUR 1.25 per share) in 2026, which is equivalent to a 55% dividend rate and a 4.0% dividend yield for the year 2025 (using the share price as at 31 December 2025).

In the past five years, the shareholders have received dividends from the net profit for the accounting year as follows:

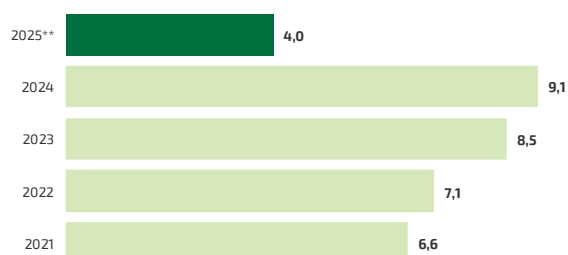
DIVIDEND RATE
percentages



DIVIDEND PER SHARE
euro



DIVIDEND YIELD *
percentages



* Using share price as at 31.12.

** 2025 figures based on Management Board proposal regarding dividend payment.

Dividend payments are carried out in the next fiscal year in accordance with the decisions of the general meeting of the shareholders, regarding the previous fiscal year.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

SIGNIFICANT PROJECTS COMPLETED IN 2025

URBAN SPACE

We are builders of buildings, but also of the spaces between. Merko has contributed to the development of urban spaces over the years by building central squares, parks, green areas and streets in various larger and smaller cities. In addition, we have installed more than 20 pieces of art in the urban space of Tallinn.

The Putukaväil (insect passage) in Tallinn is a 14-kilometre green corridor that supports biodiversity. It transforms former railway and high-voltage corridors into a network of green areas that connect different districts of the city. The area features diverse landscaping, recreational spaces and movement opportunities that invite walking, cycling, and year-round outdoor activity. In the first stage of Putukaväil, completed in 2025, Merko group company Tallinna Teede AS created a diverse linear park on a former wasteland beneath old high-voltage power lines in Põhja-Tallinn. On the section between Ristikü Street and Kolde Avenue, additional facilities were built alongside walking and cycling paths — an outdoor gym, a pétanque court, table tennis tables, beach volleyball and basketball courts, as well as several playgrounds.

POWER INFRASTRUCTURE FACILITIES

Merko has built more than one hundred different energy facilities in Estonia, Latvia and Lithuania, including 19 complex wind farm infrastructure projects in Lithuania over the past decade. We have completed the installation of more than 220 wind-turbine foundations in Lithuania, for which the Lithuanian Wind Energy Association recognised Merko Statyba as the country's largest builder of wind-turbine foundations. Merko's expertise covers the full construction cycle – from building foundations to delivering complete Balance of Plant (BoP) solutions, including drainage systems, access roads, electrical networks and preparation of all required documentation. In 2025, we had nine energy-sector projects under construction. In addition to hundreds of wind turbines in Lithuania, we also built 16 turbine foundations, electrical cables and roads in the Augstkalni wind farm in Latvia.

In 2025, Merko completed the Vārme solar park in the Kuldīga district — the first solar project in Latvia developed by Ignitis Renewables, one of the leading renewable energy companies in the Baltics. The 110-hectare park includes more than 156,000 solar panels with a total installed capacity of 94 MW, supported by 18 medium-voltage power stations, 232 combiner boxes, irradiance sensors, weather stations, access roads, drainage systems, and medium-voltage cabling. The park generates enough electricity to power around 40,000 households.

NATIONAL DEFENCE PROJECTS

Merko continued contributing to national defence in 2025 through the construction of various buildings and infrastructure. In November 2025, Lithuania opened its largest and the most modern training centre in the Baltic states in Pabradė, accommodating up to 3,000 allied troops. Merko's work included the construction of three barracks buildings, a multifunctional facility, parking areas, new roads and a helipad.

In addition, Merko was working in 2025 on the Tartu joint building of national defence institutions, which will serve units under the Ministry of Defence, primarily the Defence Forces, Defence Resources Agency, and National Defence Investment Centre. The 4,700 m² building will include 100 workstations, meeting rooms, and 210 barrack-style accommodation units. For the first time in Estonia's defence sector, an alliance procurement model is being used, making architect, designer, and builder jointly responsible for the outcome. All parties have been involved from the early planning process.

INFRASTRUCTURE

Over the past 35 years, Merko has built extensive water and sewage systems, roads and streets, intersections, viaducts and traffic junctions. We have built the Muuga coal terminal and movement area of the Ämari Air Base and overseen the closing of industrial waste and graft wood landfills. We have constructed harbours, quays, hydraulic engineering structures and tramlines, central squares, parks and streets in various cities. Infrastructure projects have a major impact on people's quality of life, making travel faster, more convenient, and safer.

In 2025, the new Old Harbour tramline, built together with KMG Infra, was completed in Tallinn. It connects seaport, railway terminal, the bus station, the airport, and the tramline taking to the future Rail Baltica Ülemiste passenger terminal. The new line makes it easier for residents and visitors to move between key entry points to the city and the country. The new line branches off from the existing tram network, and the project required extensive reconstruction of public space in central Tallinn. During the works, about 2.5 kilometres of double-track rail, tram stops and a traction substation were built. In addition, Merko and KMG upgraded many underground utilities and improved the surrounding urban infrastructure significantly.

In 2025, Merko was involved in five Rail Baltica-related projects. The group company Tallinna Teede AS built road viaducts that cross the Rail Baltica railway corridor on the Saku-Tõdva and Tõdva-Hageri roads in Harju County. The viaducts' structural solution consists of integral bridges built on pile foundations without movable support elements. The Saku-Tõdva road viaduct is 66 metres long, and the Tõdva-Hageri viaduct is 61 metres long. The company built also the associated roads and technical communications. Around 200,000 m³ of fill material was used to build embankments up to 10 metres high.

In addition, in 2025 Merko was working under an alliance model on the preparation of the 142-kilometre section of Rail Baltica railway between Tallinn and Pärnu, on the construction of the railway infrastructure between Saku and the Raplamaa border in cooperation with GRK Eesti, on the construction of un of load-bearing structures as well as railway facilities underlying the railway at Ülemiste terminal in cooperation with KMG Infra, and on the construction of the Ülemiste passenger terminal building.

The scope of works of the 142-kilometre Tallinn-Pärnu section includes the main construction of the main railway line on the section between Tallinn Ülemiste passenger terminal and Pärnu, and the construction of the railway foundations on the section between Tootsi and Pärnu. The works are carried out according to alliance contracting principles, in close cooperation between the contracting authority, the contractor and the designer. An alliance contract is a collaborative approach to delivering large, complex construction or infrastructure projects. Instead of the traditional client-contractor relationship based on fixed-price contracts and risk separation, an alliance contract brings together key parties, such as the client (owner), designer, and contractors, creating a single integrated team that works as one. The Rail Baltica project is the largest alliance contract to date in Estonia.

On the 10.5-kilometre section of the Rail Baltica main line railway infrastructure in Harju County, from Saku to the border of Harju and Rapla counties, Merko and GRK were also building the railway embankment, necessary maintenance and access roads, 1.8 kilometres of noise barriers and various supporting infrastructure.

Merko was also constructing the Rail Baltica Ülemiste passenger terminal, based on a design by the internationally recognised Zaha Hadid Architects, who won the international architecture competition in cooperation with the Estonian company Esplan. The underground facilities of the terminal are being completed in cooperation between Merko and KMG, while the terminal building itself is the responsibility of Merko. The new building will span across Suur-Sõjamäe Street and reach a height of up to 20 metres, roughly equal to a six-storey building. The central structure of the building will be 180 metres long, with pedestrian tunnels and technical systems located underneath. The high-speed trains will be served by three platforms with a total length of 1,250 metres, and half of the platform area will be built under a roof.

PROJECTS WITH INTERNATIONAL SUSTAINABILITY CERTIFICATES

Merko has the capability and long-standing experience to design and construct buildings that meet international sustainability certification standards. In 2025, construction works were fully completed on the Arter Quarter in the centre of Tallinn. Around 3,000 people work in the quarter every day, and its office towers are the first in Estonia to receive the international BREEAM New Construction sustainability certificate at the Excellent level. The certification assesses a building's energy efficiency, environmental and user-friendliness, as well as its sustainability throughout its entire life cycle. The buildings in the quarter are nearly zero-energy structures that use environmentally friendly energy solutions. Geothermal energy extracted through 305 energy piles covers roughly 30% of the quarter's heating demand and 70% of its cooling needs, with the remainder supplied by district heating and district cooling.

In addition, Merko continued work in 2025 on City Plaza 2, a new office building rising in central Tallinn that will become the new headquarters of LHV Bank. The building will have 28 above-ground floors and two underground levels, with a total floor area of 21,000 m². The project follows sustainability principles and is being developed in accordance with the requirements of the BREEAM Excellent standard. Merko also began construction of a hotel and entertainment and conference centre in Pärnu in 2025. For this 23,000 m² complex, the client is seeking the LEED Platinum certification for energy-efficient buildings.

MAJOR RESIDENTIAL ENVIRONMENTS BUILT BY MERKO

One of the group's strategic business areas is the development of residential real estate, and in this field, we have reached the vanguard of the best brands in the Baltics. We focus on large and contemporary living environments. To ensure the best possible quality, we manage the entirety of the development process starting from planning of buildings in the surrounding environment, design, development, and construction, all the way up to sales of apartments and commercial units within the residential developments, also providing warranty service. For more than 35 years, we have built high-quality homes for over 11,000 families and have hundreds of new homes finished and under way in Tallinn and its vicinity, Tartu, Riga and Vilnius. The companies in the Merko group are involved in shaping a multifaceted living environment, both in its various apartment projects, and on a broader level in the urban space. The goal of our activities is to leave a positive imprint on the environment and minimize the potential impact from our construction activity. The major companies in the group all measure their CO₂ footprint and the results are available in our ESG report.

VILNELĖS SKVERAI / VILNIUS

The Vilnelės Skverai residential quarter, situated on a 4.7-hectare plot near Vilnius Old Town and the Vilnelė river between Užupis district and the Pavilniai regional park, will become home to about 1,100 families across 26 contemporary A+ energy class buildings arranged around four landscaped squares. Designed as a pedestrian-friendly neighbourhood with all parking placed underground, it features promenades linking the squares, each with its own courtyard, greenery, gazebos, benches and playgrounds, offering inviting community spaces with easy access to the river, green fields and forest trails of Belmonto park, Užupis and Vilnius Old Town.

During the first three stages, Merko completed 20 residential buildings with 749 apartments, while the fourth stage will add six 6- to 7-storey buildings with 311 apartments. In 2025, Merko was constructing the first part of the fourth stage, which includes the entire underground parking facility and the first three apartment buildings, scheduled for completion in the second half of 2026. The buildings feature clean architectural lines, large panoramic windows, comfortable underfloor heating, and each apartment comes with either a balcony or a spacious terrace.

ŠNIPIŠKIŲ URBAN / VILNIUS

The Šnipiškų Urban project comprises six A++ energy class buildings with 214 apartments, each featuring a balcony or terrace, built above a two-storey underground parking facility with 241 spaces, EV charging stations and dedicated bicycle storage. In 2025, Merko launched the construction of the first stage, which includes the underground parking complex and the first three buildings, with completion scheduled for 2026.

Located in the rapidly developing heart of Šnipiškės, an area emerging as Vilnius' second city centre, the project offers residents convenient access to markets, dining, offices and the Old Town via new pedestrian and cycling paths. Its architecture draws inspiration from the district's evolving character, combining distinctive materials and soft, rounded building and balcony forms. High ceilings, large panoramic windows and thoughtfully designed private and shared areas enhance comfort and spaciousness, while landscaped grounds provide sports facilities and children's playgrounds.

NOBLESSNER / TALLINN

Merko and BLRT have cooperated since 2014 to create a high-quality urban environment and modern living space in the historic Noblessner area. Recognised as the Baltics' best urban space development, Noblessner has transformed into a vibrant, human-centred seaside estate that blends restored historic industrial architecture with contemporary living, a marina, cultural venues, acclaimed restaurants and thoughtfully designed public spaces.

Today, 10 buildings with more than 500 apartments have been completed in the Staapli Quarter and along Vesilennuki and Allveelaeva Streets, with playgrounds and leisure areas for residents. The developments also include ground-floor commercial spaces, home to various businesses and services. In 2025, construction began on the Allveelaeva 2 residential building with 83 apartments, which will be completed in 2027, while the most seaside plots along Lennusadama Street were developed in parallel. Four apartment buildings with commercial spaces will be constructed directly on the Noblessner marina quay.

LAHEKALDA / TALLINN

Lahekalda, situated on the scenic Maarjamäe limestone bluff between Kadriorg and Pirita, has rapidly grown into one of East Tallinn's most family-friendly residential districts. Designed with an emphasis on greenery, recreation and community, the development will ultimately include around 1,000 homes, carefully positioned to preserve views of trees, the sea and Tallinn's Old Town. Nearly 500 apartments across the first ten buildings have already been completed, and two eight-storey buildings with 105 additional homes at Paekalda 15 and 17 will be finished in 2026. A variety of leisure opportunities are offered to residents by the recreational and play areas located in the inner courtyards and shared spaces of the quarter, including an outdoor gym and a swing alley, as well as a community garden and greenhouse. The environment is further enhanced by an Estonian artist's sculpture, and future plans include the addition of a kindergarten and a park.

MEŽPILSĒTA / RIGA

Located in Riga's green and well-connected Mežciems district, this residential development offers a peaceful, family- and pet-friendly living environment surrounded by forest and the Dreilīņupīte stream, while remaining only minutes from the city centre via major transport routes. The project will comprise 11 buildings with a total of 535 apartments, of which four buildings with 164 apartments have already been completed, and the six-storey Hipokrāta 16 building with 53 apartments is scheduled for completion by the end of 2026. A distinctive highlight of the complex is its large indoor common room – the first of its kind in Merko's Latvian residential projects – equipped with a kitchen, activity zones, a terrace, and dedicated areas for both children and adults, fostering a strong sense of community. The closed and secure grounds further enhance resident well-being with multiple playgrounds and direct access to nearby forest trails.

UUS-VEERENNI / TALLINN

Uus-Veerenni residential area spans on 12 hectares and offers the convenience of a central location. In total, Merko plans to develop up to 56 residential buildings in the quarter, creating nearly 1,300 new homes. Since 2019, we have completed 38

buildings, delivering more than 500 apartments and 20 commercial spaces. Construction continued in 2025 with an eight-storey residential building at Tiiu 14, which will welcome 63 families upon its completion in 2026. The district is designed with both functionality and community in mind: parking is located in underground garages, visitor bicycle spaces are provided next to buildings, and residents have access to dedicated bicycle maintenance rooms on parking levels. Landscaped courtyards between buildings feature green areas, playgrounds, and recreational zones. In addition to a kindergarten, we have created a neighbourhood park, a reading nook, sculpture alley, a small convenience store, and a multifunctional community room. Some plots awaiting construction have been converted into a temporary park with a community garden, an outdoor gym, and other sports facilities, and an outdoor padel centre operates at the edge of the quarter.

LUCAVSALA / RIGA

Lucavsala island lies within the braided channels of the Daugava River as it flows through Riga. Positioned between the main riverbed and the smaller Bieķengrāvis branch, the island forms a natural green buffer that opens panoramic views of the historic city centre, the riverfront, the island's rich greenery and the characteristic rooftops of the Pārdaugava district. Over the years, Lucavsala has become a popular recreational destination for residents seeking places to swim, relax and connect with nature. The development project totals three residential buildings with 590 apartments, six commercial units, and a multi-storey parking garage. The first phase features three interconnected buildings housing 214 apartments and two commercial spaces. In 2025, we completed the first part of this stage – a nine-storey building with 54 apartments. The A-class buildings feature unique landscaping, while an outdoor gym, several recreation areas for different age groups, as well as basketball and football pitches, will be located on the roof of a multistorey parking garage.

ARENA GARDEN TOWERS / RIGA

Arena Garden Towers is located in the Skanste neighbourhood, one of Riga's fastest-growing areas and recognised as the city's modern centre. The project will consist of four residential buildings with around 400 apartments. In 2025, Merko had two buildings under construction: a 13-storey building with 84 apartments, including two penthouses with 6.3-metre ceilings, scheduled for completion in 2026, and another 13-storey building with 80 apartments to be completed in 2027. This is Merko's first residential project in Riga to implement an energy-pile system, enabling the use of renewable geothermal energy during transitional periods between heating and cooling seasons. The fully enclosed courtyard will be accessible only to residents and will feature recreational areas, a playground and urban gardens with gazebos. A rooftop terrace with seating areas will provide panoramic views over Riga for all residents.

ÕIELEHE / OUTSKIRTS OF TALLINN

Õielehe residential development is located in Jüri, in Rae municipality – Tallinn's fastest-growing suburb and a preferred home for young families thanks to its affordable housing and proximity to the capital. At the completion of the whole project, more than 140 families will benefit from functional architecture thoughtfully integrated into the surrounding countryside. Within walking distance are schools, kindergartens, supermarkets, sports facilities and extensive nature and health trails, offering free 24/7 outdoor exercise opportunities. Each home features a terrace or balcony, and all parking spaces are equipped for electric vehicles, while the rooftops of the buildings host solar panels. The entire development includes ten buildings with 121 apartments and four terraced houses with 23 homes. The first stage comprised two apartment buildings with 22 homes, completed in spring 2025. In January 2026, construction of the second phase commenced, under which three apartment buildings with a total of 33 apartments are scheduled for completion in spring 2027.

ERMINURME / TARTU

Erminurme is located on the former military airfield in Raadi, Tartu – an area that has been completely transformed in recent years. At the end of the former runway now stands the Estonian National Museum, widely regarded as one of the finest museums in Europe. The Erminurme residential quarter makes full use of this distinctive neighbour and its unique setting. The development includes 12 two- to three-storey apartment buildings with a total of 224 homes. So far, 11 buildings with 197 apartments have been completed. As part of the most recent phase to date, two apartment buildings with a total of 36 apartments were completed in spring 2025. The living environment is complemented by a 7,000-square-metre park designed to reflect the area's military heritage.

LEEDRI / TARTU

In 2025, Merko launched the development of the Leedri residential quarter in Raadi, in Tartu municipality. The project comprises six apartment buildings with a total of 144 homes. The first stage includes two A-class three-storey buildings with 48 apartments, scheduled for completion in spring 2027. The buildings feature lifts, basement storage, a bicycle room and rooftop solar panels, while all homes come with either a terrace or a balcony. The buildings, characterised by modern architecture, will be surrounded by thoughtfully landscaped courtyards. Everyday convenience is supported by parking next to the buildings, shared electric vehicle charging, nearby schools, and a recreational area offering playgrounds, sports facilities and an outdoor gym.

SOCIAL RESPONSIBILITY

We take responsibility for our decisions and actions that have an impact on employees, clients, partners in local communities, the environment and society at large. We partner for the benefit of Estonia's future in five major areas – we beautify the urban space, we establish facilities for recreational sports, we enshrine culture and artistic heritage, we encourage education and inspire the next generation, and we help those in need.

ART IN URBAN SPACE

In addition to construction projects that shape the appearance of urban space and create new modern living environments, we also enrich public areas with various works of art. Over the years, we have installed 20 different artworks created by Estonian artists across Tallinn.

The Arter quarter, completed in 2024/2025, transformed the entire skyline of Tallinn. And thanks to Arter, Tallinn finally has an “equestrian monument”, something that many have demanded for the public realm in the past. In front of Arter, on the stone ledges along Liivalaia Street, visitors can now see artist Flo Kasearu's horses and riders titled “Monumental Abandonment.” The work subverts the traditional monument form with a playful twist, using a deliberately miniature scale instead of heroic proportions.

In 2025, an almost three-metre-high golden metal sculpture was inaugurated in front of the Hyatt Place Hotel in Tallinn. Custom-designed for the location by Kalle Pruuden and executed by HN Steel, Anchor signifies stability and security – the qualities that a crew on a sea voyage seeks when lowering anchor and likewise the feeling that a visitor to Tallinn wants from their hotel experience.

In 2025, preparations were underway to open an exhibition in the underground car park at Freedom Square in the city centre of Tallinn. The exhibition features work by two renowned Estonian sculptors, Edith Karlson and Jass Kaselaan. Edith Karlson also represented Estonia at the 2024 Venice Biennale. Nestled between the old bastion walls, visitors can now find Karlson's horse sculpture “Body and Soul” and her life-sized cast-plaster “ghosts” titled “Drama Is in Your Head”, alongside Kaselaan's sculpture groups “Seven Mice” and “Them and Me”. Among the works displayed at the Freedom Square exhibition, Jass Kaselaan's sculpture group Toys has already been installed in the Uus-Veerenni residential quarter, and Edith Karlson's monumental dinosaur sculpture Good Old Times can be seen in Noblessner. In addition to these artists, Merko has also commissioned public artworks in Tallinn from Heigo Jelle, Siim Poomann and Kersti Lootus.

SPORT AND RECREATION

In the field of sport and recreation, Merko focuses on creating exercise and sporting opportunities for everyone in Estonia, helping to increase the number of years lived in good health. Our largest sponsorship project continues to be the Estonian Health Trails project. Launched back in 2005 along with Swedbank and Enefit (known as Hansapank and Eesti Energia at the time), the aim is to give as many residents of Estonia as possible year-round and free-of-charge use of outdoor trails to popularise an active lifestyle and increase their years lived in good health. The driving statistic is the stark contrast between healthily lived years between Estonia and the Nordic countries. In Estonia, the number is about 58, while in Sweden, it is 72 years as of 2025. At the same time, overall life expectancy is roughly similar, which suggests that lifestyle choices and active living have a dramatic impact on quality of life.

Over 20 years, the three founders have contributed approximately 8.5 million euros to developing various trails. As a result of partnering with the national government, local municipalities, and EU funds, total investments into the trail infrastructure so far have exceeded 70 million euros. Estonia has a total of 120 recreational trails that are maintained and can be used year-round, totalling more than 1,100 km and serviced by 200 people. Trail maps and signs aid with navigation, and opportunities are further enriched by the addition of rope courses, stretching and outdoor gym equipment, bike tracks, and pump tracks. The number of visits reached 7.3 million in 2025.

Based on the model of the Estonian Health Trails, Merko has since established a recreational trail on the island of Zaķusala in the Daugava River in Riga. Called the Green Trail, the track welcomes all levels of users from beginners to professional athletes. Depending on snow conditions, the trail can also be used for skiing in winter, and at other times of the year for other seasonal modes of use.

In the field of sports, Merko continued its support for the Latvian cross-country skier Patrīcija Eiduka, reflecting the company's commitment to supporting high-performance athletes and the development of Latvian sports. Merko is particularly proud that Patrīcija Eiduka is a member of the Latvian Olympic team at the Milano Cortina Winter Olympic Games 2026. In addition, we continued supporting the Lithuanian national ice hockey association. In 2025 we had two projects focusing on supporting young people sporting: in Lithuania we continued to contribute to organising training sessions for the young players of the Balsiai football school Geležinis vilkas and in Latvia, we supported the youth floorball club Ķekavas Bulldogs by supporting young athletes, for whom such financial contributions are important for long-term development and participation in competitive sports.

In 2025, we built an outdoor padel centre in the Uus-Veerenni residential development in Tallinn. The facility, open both to residents and the wider public, was developed in cooperation with Padelsquare. At the time of its opening, it was the only place in Tallinn where padel could be played on four courts at the same time. The courts are suitable for both dedicated players and beginners, as well as for anyone looking to enjoy an active game with friends. The centre is open from spring to autumn and includes dressing rooms, a landscaped park area and a racket rental service. Other sports facilities developed in Merko's residential quarters also encourage an active lifestyle, including ball game courts in Uus-Veerenni, a swings promenade in Lahekalda, and an outdoor gym in Õielehe.

CULTURE AND ART HERITAGE

Merko has been actively contributing to the preservation and development of Estonia's cultural heritage for many years. This includes construction projects such as the installation of an elevator in the St Nicholas' church-museum, affording visitors an unparalleled visit to the "heavens". It includes supporting the reconstruction and preservation of iconic works of art in Tallinn, like supporting the conservation of the magnificent late medieval retable commissioned for the high altar of St Nicholas' Church and the new display for the Tallinn Dance of Death, ascribed to the famous Lübeck master Bernt Notke.

After a five-year break, Merko helped bring the much-loved Estonian Television programme „Klassikatähed“ („Classical Stars“) back to the screen in autumn 2025, in cooperation with the Cultural Partnership Foundation. The series offers young musicians' invaluable stage and media experience, helping them gain recognition at home and abroad while strengthening Estonia's cultural future. A record number of young musicians applied to the competition, and the main prize was awarded to Ukrainian pianist Havryil Sydoryk, a student at the Tallinn School of Music and Ballet.

In 2025, Merko also had the honour of supporting the publication of the book "Louis I. Kahn: Nordic Latitudes." The book offers an innovative and personal interpretation of the work, teaching, and legacy of Louis Kahn, one of the most influential architects of the twentieth century. Kahn's former student, practicing architect Per Olaf Fjeld, together with co-author Emily Randall Fjeld, has produced a study that explores Kahn's development in greater depth than many previous writings, focusing on his connections with the Nordic countries and Europe. The research highlights both Kahn's early childhood in Estonia and the cultural environment of his birthplace, as well as his travels and relationships with other architects. For Estonian readers, the book is especially engaging because it offers the author's perspective on architectural history of the 1960s and 1970s through the lens of human relationships.

EDUCATION AND AFTERGROWTH

We introduce students to real-life work in the construction sector and offer internship opportunities and jobs across our companies. We award scholarships and accept future engineers as interns, giving them the chance to experience the challenges and opportunities of the construction world firsthand. In addition, we support engineering education, competitions and contests, as well as innovation-related initiatives in engineering and architecture to inspire young people to choose a career in our field.

Since 2007, we have recognised engineering students and young scientists and lecturers at Tallinn University of Technology with scholarships to help ensure the next generation of construction professionals and to support lecturers in providing high-quality education for future engineers. In 2025, the young researcher and lecturer scholarships were awarded to Villu Kukk and Merli Tamme, while the engineering scholarships went to Taavi Õispuu, Markus-Aleks Trofimov and Jon Silver Eerma.

Villu Kukk is a postdoctoral researcher at the Department of Civil Engineering and Architecture at Tallinn University of Technology. His research focuses on the safety of cross-laminated timber when exposed to moisture, helping to develop sustainable construction and improve methods for studying timber structures. Merli Tamme is a doctoral student and junior researcher in technology sciences at the School of Engineering at the Tallinn University of Technology. Her research examines the use of fiberglass rods instead of steel in load-bearing rebar structures with the aim of improving durability in challenging environmental conditions along with reducing construction costs.

Taavi Õispuu is in his fifth year of studying building design and construction management at Tallinn University of Technology. He joined Merko in 2022 as an intern and later continued working as a Site Technician. Markus-Aleks Trofimov is also a fifth-year student in building design and construction management at Tallinn University of Technology. He came to Merko as an intern in 2022 and has since worked as a Site Technician on various projects. Jon Silver Eerma is a third-year student in building design and construction management at Tallinn University of Technology. He joined Merko after completing his first year, starting as an intern in the concrete works department and later working as a Site Technician on different sites.

During the summer, six students from Tallinn University of Technology joined Merko's Estonian companies as interns. Their internships provided experience in design, construction management, indoor climate and technical systems, with one student completing their internship at Merko Kaevandused. In addition, we welcomed university and school students to our construction sites, hosted job-shadowers, and participated in student events and career fairs. Our engineers shared their expertise in guest lectures and at conferences, giving young people insight into the daily work of a construction engineer.

Being repeatedly selected as the most attractive employer among engineering students confirms that Merko's commitment to supporting young talent is recognised and valued.

In 2025, we continued our long-standing tradition of organising Children's Day for employees' families. The aim of the event is to introduce the company's field of activity to employees' families and to offer children a hands-on and memorable experience. This year, participants visited the Uus-Veerenni residential quarter, where they gained an overview of both the construction of a new apartment building and the development of a complete living environment. The programme included active outdoor games, a shared lunch, and a visit from an ice-cream truck. The 2025 Merko's Future Makers Day brought together interns from Merko Estonian companies. During the day, they visited both development and infrastructure projects, including the Uus-Veerenni quarter, the construction site of the City Plaza 2 office building, the Ülemiste terminal facilities, and the Soodla quarry, where Merko extracts and sells mineral resources. Each site provided insight into different stages of work and highlighted the technical and organisational challenges involved in the construction process. Interns had the opportunity to hear first-hand experiences from site teams, observe the progress of large-scale projects, and better understand the importance of accuracy, cooperation, and smart technological solutions.

In 2025, group Latvian construction company Merko Būve continued its annual involvement in the "Learn Construction" initiative. The program is run by the Latvian Builders' Association that unites construction companies and industry stakeholders to promote quality, education, and professional standards across the sector. The "Learn Construction" initiative aims to strengthen cooperation between the construction industry and students by providing visits to active construction sites, mentoring opportunities, and participation in guest lectures at educational institutions. In 2025, almost 30 second-year students from the Riga Technical University Faculty of Architecture visited the construction site of our Arena Garden Towers first building and our company experienced construction specialists contributed to lectures and on-site activities as part of the program.

In Lithuania, Merko participated in the Junior Achievement Lithuania "Job Shadow" program, welcoming secondary school students to the company for a one-day workplace orientation. During the visit, students were introduced to career opportunities in the construction sector and gained insight into the skills and competencies required to build and sustain a successful career. In cooperation with Junior Achievement Lithuania, we also provided students with the opportunity to visit Merko construction sites, offering practical exposure to real working environments.

OTHER PROJECTS

In 2025, Merko supported the "Best Building of the Year in Latvia" initiative with the intention to ensure the company's presence at the most significant annual event in the Latvian construction industry, including the awards ceremony and professional conference. Participation in this initiative supports industry visibility, professional networking, and knowledge exchange among key stakeholders in the construction sector.

In Lithuania, Merko supported several community initiatives in the Balsiai district, contributing to the organisation of the local Choir Festival and providing support for training and learning activities for teachers at Balsiai School. In the Markučiai area of the Vilnelės Skverai district, we supported the organisation of the community Christmas event. Additionally, Merko contributed to cultural and social initiatives by supporting the event celebrating 20 years of Lithuanian architecture guides and providing assistance to the Jonas Charity and Support Fund.

SAFETY CULTURE

In the field of occupational safety, Merko's strategic objective is the absence of workplace accidents, referred to as a zero-vision, which is described in more detail in the ESG report. Safety-conscious action is the pillar operations of the group companies and our goal is to ensure a safe workplace environment and prevent accidents. We provide employees with the work equipment and personal protection gear they need and hold occupational health and safety training, including in service; supervisory personnel and those with more involvement with a given topic undergo training regularly. We map and analyse dangerous situations to minimize accidents in our construction activity and improve workplace safety culture.

PERSONNEL TRAINING AND WELFARE

Merko's success is predicated on collaboration between professionals in their field and top young players of the future.

The goal of training activities at Merko is to support employee development, strengthen teams, and share experiences. Learning processes are guided by a methodology, where most of the learning process takes place through practical experiences and supervision and mentoring of our employees; we lay great emphasis on sharing knowledge and cooperation. Our quality management toolkit comprises six key instruments: topic-based internal training sessions, quality and safety seminars, quality newsletters, a database of project solutions, and project-based quality summaries. We support the professional development of our employees by offering opportunities to pursue further and specialised education alongside their work, and by supporting participation in external professional conferences and training courses.

In 2025, Merko offered employees a wide range of development opportunities that supported the growth of professional skills, the improvement of digital competencies and the strengthening of mental well-being. Throughout the year, we organised technical and software trainings, as well as programmes focused on leadership and personal effectiveness. The year's priorities were the development of professional competencies, the informed adoption of new technologies and the promotion of employee well-being and long-term work ability.

We also support employees in obtaining professional qualifications. The company covers the costs of job-related training and allows employees to attend courses during working hours. In addition, we finance expenses related to applying for professional certificates and support employees throughout the entire application process.

We ensure a supportive and growth oriented, workplace environment, and fair and competitive salary commensurate with their contribution at work. To gauge employee satisfaction and collect feedback, we conduct performance reviews regularly as well as satisfaction surveys among all employees at regular intervals.

Merko considers employee well-being and mental health to be one of the foundations of a sustainable organisation. We place increasing emphasis on raising awareness of mental health and on preventive support. To this end, we organise educational sessions on neuropsychology, helping employees better understand how the brain works, how stress and workload affect well-being, and which practical prevention strategies can be applied in everyday work.

To promote healthy lifestyles, we organise activities that encourage physical movement, reimburse sports expenses, and support employee well-being through health insurance and vaccination options. To help maintain a healthy work–life balance, we offer flexible working hours where the nature of the position allows it. We value employees' personal milestones and organise family-friendly events. Long-serving employees receive additional benefits, including extra paid leave, and we continue to pay full salary during mandatory national defence training.

Our approach is grounded in the principles of equal treatment, and we do not tolerate discrimination. The same high standards apply in our cooperation with clients and partners. The group's values and principles are clearly outlined in our Code of Business Ethics, which guides our daily conduct and management practices. A more detailed overview of our ethical principles is available on the website at <https://group.merko.ee/en/corporate-responsibility/>.

CONSOLIDATED SUSTAINABILITY STATEMENT

GENERAL INFORMATION

GENERAL PRINCIPLES (BP-1)

The sustainability report has been prepared on a consolidated basis and to the same extent as the 2025 financial statements of AS Merko Ehitus. It is in compliance with the Corporate Sustainability Reporting Directive (CSRD), the European Sustainability Reporting Standards (ESRS), and the Estonian Accounting Act. The report is also based on Annex 1 of the Commission Delegated Regulation (EU) 2023/2772 and the Taxonomy Regulation (EU) 2020/852. The reporting period coincides with the financial reporting period (1 January – 31 December) and covers all Group activities in Estonia, Latvia, and Lithuania.

The report encompasses all Group subsidiaries over which Merko exercises control. Information regarding the joint ventures OÜ Connecto Varad and Kodusadam OÜ, in which Merko holds a 50% stake, is not included. The impacts associated with these entities are classified as indirect value chain impacts and are therefore not presented in the 2025 report.

The data presented has been aggregated and disclosed with due consideration of material risks, impacts, and opportunities. Information and metrics are presented at the Group level in a generalised format, based on the best available knowledge. In instances where significant variations exist across business segments or regions, the data is described in greater detail and supplemented with appropriate breakdowns.

The report applies three time horizons: short-term (< 1 year), medium-term (2–5 years), and long-term (> 5 years).

In accordance with Chapter 10 of ESRS 1, during the first three reporting years, transitional provisions apply to undertakings with fewer than 750 employees, allowing the disclosure requirements for specified mandatory data points to be treated as voluntary. As of 31 December 2025, the AS Merko Ehitus Group employed 613 employees (2024: 605), thereby meeting the criteria for the application of these transitional provisions. Consequently, the value chain is described solely from the perspective of the double materiality assessment.

The Group has not invoked the option described in ESRS 1, section 7.7, to omit the disclosure of classified or sensitive information or data related to intellectual property. Similarly, the Group has not applied the exemption allowing for the non-disclosure of information concerning pending developments or matters in the course of negotiation, as provided for in Article 19a(3) and Article 29a(3) of Directive 2013/34/EU.3.

DISCLOSURES IN RELATION TO SPECIFIC CIRCUMSTANCES (BP-2)

In accordance with the gradual transition provisions outlined in Annex C of ESRS 1, this report does not include information on the following sub-topics:

Subject	Data	Description
ESRS E1	E1-6	Scope 3 and the company's total GHG footprint
ESRS E1	E1-9	Assessment of the quantitative financial impact of climate change
ESRS E5	E5-6	Assessment of the quantitative financial impact related to resource use and the circular economy
ESRS S1	All	Data points regarding own workforce
ESRS S2	All	Data points regarding the employees of the value chain
ESRS S4	All	Data points regarding consumers and end-users

The transitional provisions primarily apply to the collection and disclosure of sustainability information related to the value chain and third parties, which entails the following concerns:

- 1) **Reporting capabilities of partners.** Merko's contractual partners and subcontractors are predominantly small and medium-sized enterprises (SMEs) to whom the CSRD reporting obligation does not initially apply. Consequently, during the 2025 reporting period, these entities lacked the necessary internal processes and administrative capacity for data collection and submission. Data collection challenges are likely to persist in the coming years, with gradual mitigation expected through the implementation of market practices associated with the green transition and the adoption of legislation providing for simplifications.
- 2) **Environmental Product Declarations (EPDs) for materials.** The assessment of value chain impacts is constrained by the lack of high-quality input data, pending the more widespread adoption of machine-readable Environmental Product Declarations (EPDs) by building material manufacturers. In the European Union, the obligation to publish EPDs is linked to the Life Cycle Assessment (LCA) requirement for buildings. The phased national implementation of this requirement is planned in Estonia, with mandatory compliance expected to be established by 2030.

SUSTAINABILITY MANAGEMENT AT MERKO

THE ROLES AND RESPONSIBILITIES OF GOVERNING BODIES (GOV-1)

The highest governing body of AS Merko Ehitus is the General Meeting of Shareholders, whose competence includes, among other things, the election and removal of members of the supervisory board, the approval of remuneration principles, and the endorsement of the annual report. The general meeting provides the foundation for the Group's strategic management, including the formulation of sustainability principles. For Merko, sustainability management is not a standalone discipline but an integral part of the Group's management system. Environmental, social, and governance (ESG) principles are embedded into strategic and operational decision-making, which is regularly addressed in the discussions of the management and supervisory boards and integrated into other business and risk management processes.

The Supervisory Board plans the activities of the company, organises its management, and exercises oversight over the activities of the management board. The results of this oversight are reported by the supervisory board to the general meeting. The work of the supervisory board is organised by the chairman of the supervisory board. The board consists of three members, two of whom are independent, and it does not include employee representatives. The primary task of the supervisory board is the approval of the Group's most significant strategic and tactical decisions and the monitoring of the management board's activities. In its operations, the supervisory board is guided by the company's articles of association, the instructions of the general meeting, and legislation. Additionally, the supervisory board is responsible, among other matters, for the overall strategy and guidelines concerning the environment and sustainability.

In 2023, a dedicated working group was established under the supervisory board, tasked with planning and coordinating the preparations required for sustainability reporting. The working group consists of three members: a member of the supervisory board, a member of the Group's management board, and the employee responsible for sustainability reporting. Sustainability-related topics are discussed among the working group members on an ongoing basis, and specialists from various fields are involved in the discussions as necessary.

The Management Board of the Group consists of three members and is led by the chairman of the management board. AS Merko Ehitus operates as a holding company, with subsidiaries in Estonia, Latvia, and Lithuania belonging to the Group. The role of the Group management board is the day-to-day management and representation of AS Merko Ehitus, including the implementation of strategic guidelines concerning the environment and sustainability as decided by the supervisory board. The management board is primarily engaged in the strategic assessment and planning of resources, risks, and the company's impacts, during which the strategies, policies, and guidelines necessary for achieving objectives are determined. The management board is kept informed of sustainability-related matters through information exchange with subsidiaries and the management board member belonging to the supervisory board's working group.

The management boards of the subsidiaries are responsible for implementing the strategies, policies, and guidelines established at the Group level within their daily business operations. To this end, they select the most effective and expedient measures based on the specific nature and context of the company and design the work organisation suitable for achieving the objectives. This work organisation includes defining processes for assessing and managing environmental and sustainability impacts, risks, and opportunities, as well as the clear allocation of responsible roles. Sustainability-related issues are discussed by the management boards of the subsidiaries as needed, and significant matters or those requiring escalation are forwarded to the Group management board through regular information exchange. Oversight of the fulfilment of sustainability targets is exercised similarly to the standard performance management process.

The members of the Merko Group's governing bodies possess long-term management experience and professional expertise in the construction and real estate development sector, enabling them to make informed strategic decisions, including those concerning sustainability aspects. When necessary, employees with professional competence are involved in the decision-making process internally, or in their absence, external specialists are engaged. Members of the governing bodies and professional specialists regularly participate in further training to keep their knowledge and skills up to date.

Achieving gender balance within the governing bodies is regulated by the Securities Market Act; a separate policy to this effect does not exist within the company. In the selection of members for the governing bodies and the recruitment of employees, the primary considerations are the candidates' professional capabilities and competence, and no distinction is made between candidates based on gender. The objective of the AS Merko Ehitus Group is to remain in compliance with statutory requirements, and a corresponding policy will be implemented when it becomes mandatory at the legislative level. The roles, compositions, and professional experience of the governing bodies are described in further detail in the Business Conduct section of the sustainability report.

EXCHANGE OF INFORMATION (GOV-2)

Sustainability-related aspects are an integral part of Merko's regular business processes, taken into account in strategy formulation, business decision-making, the initiation of new projects, as well as in day-to-day activities on construction sites. Business ethics and ESG principles have been established as group-wide policies, which subsidiaries follow in their daily operations. More specific requirements regarding sustainability aspects in the construction sector are established by

legislation, making compliance a natural part of work processes; as a result, the exchange of information regarding sustainability does not differ from other internal information flows within the company.

Merko's business operations are project-based, and therefore internal information exchange between various parties and management levels also occurs primarily on a project basis. Information exchange regarding sustainability specifics is mainly concentrated on communication between environmental and occupational health and safety specialists and site teams. These specialists exercise oversight over processes and compliance with established requirements on construction sites, as well as the management of significant impacts and risks from a sustainability perspective. Any deviations identified during oversight, along with changes in risk and impact assessments, are communicated to project teams and reported to the persons responsible for quality management.

The exchange of information regarding sustainability management is distributed evenly among various parties, and there are no clearly defined central actors. Project teams maintain constant information exchange with management, and significant and urgent matters are escalated to the management board level immediately. Cases where significant deviations from applicable standards are identified or where noticeable changes in risk assessments have occurred are considered material. In other cases, the management boards of subsidiaries address issues related to ongoing projects during monthly meetings, where environmental and sustainability-related matters requiring attention are discussed as needed, and the most appropriate management measures are decided upon. Additionally, a management system review is conducted once a year, during which the responsible employees of the subsidiaries provide the governing bodies with an overview of activities and results from the preceding period, address individual cases requiring attention, assess the overall performance and quality of processes, and, if necessary, submit proposals for setting new objectives.

The management boards of the subsidiaries and the Group management board cooperate extensively to ensure the company's interests, and significant matters are also raised to the Group management level through regular communication. Potential changes in the market situation, risk assessments, or business activities are discussed between the management of the subsidiaries and the Group, and adjustments are made to business processes or strategy as required. In the 2025 financial year, a case involving suspected corrupt behaviour reported by a whistleblower in Latvia was escalated to the Group management board level, as a result of which the Group management board conducted a compliance audit with the assistance of an external party and provided instructions for implementing additional measures to improve the control environment in Latvia. No extraordinary sustainability-related incidents exceeding the materiality threshold were discussed by the oversight bodies in 2025.

At least once a quarter, a regular joint meeting of the Group management board and the supervisory board is held, where the management board provides the supervisory board with an overview of the most significant aspects of business operations, the fulfilment of short- and long-term objectives, and the associated risks. The governing bodies of the subsidiaries are generally informed of Group-level decisions during monthly subsidiary supervisory board meetings, while urgent matters are communicated immediately.

INTEGRATION OF SUSTAINABILITY-RELATED PERFORMANCE IN INCENTIVE SCHEMES (GOV-3)

The Group has not established standalone incentive schemes or management remuneration principles based on the achievement of environmental impact and sustainability targets. This is due to the nature of the Group's business model and the absence of direct impact points arising from its activities.

The consideration and management of environmental impact and sustainability aspects are integrated into construction processes and covered through the general performance-based incentive system. Compliance with statutory environmental and sustainability requirements is a prerequisite for the provision of construction services.

STATEMENT ON SUSTAINABILITY DUE DILIGENCE (GOV-4)

AS Merko Ehitus fulfills its sustainability due diligence obligations in accordance with the European Sustainability Reporting Standards (ESRS) and Estonian legislation. Due diligence is an integral part of the company's management, aimed at ensuring that the Group's operations and value chain comply with environmental, social, and governance (ESG) requirements.

Merko's due diligence is based on a three-level system:

- a) Legislative control through building permit proceedings and departmental oversight ensures that all construction projects are carried out in compliance with national and local regulations, including environmental and occupational safety requirements. Compliance with these requirements is monitored by various national and local government agencies and oversight bodies. The compliance of a construction project with the detailed plan, including associated environmental restrictions, is assessed during the building permit process. Compliance with requirements concerning the environment and working conditions is verified through random site visits and information requests (e.g., energy use reports).
- b) Voluntary control is related to the implementation of international management standards (ISO 9001, ISO 14001, ISO 45001), which strengthen the management of quality, environment, and occupational safety. Certification is a voluntary additional commitment, during which an independent auditor assesses the compliance of the company's

management systems with the requirements and issues or renews ISO certificates. The environmental management systems of the Merko Group's significant subsidiaries are in compliance with ISO 14001 requirements.

- c) Internal control and audits provide additional assurance regarding the performance of processes, risk management, and compliance with requirements arising from laws and standards. At the Group level, sustainability-related due diligence is coordinated by Merko's finance unit. In the subsidiaries, quality departments or corresponding roles have been established, whose employees assess the environmental aspects of construction sites, conduct random site visits, and verify the accuracy of assessments and adherence to procedures, identifying additional impacts or risks where necessary.

Due diligence is integrated into the company's risk management framework. When mapping risks, in addition to environmental and occupational safety risks related to construction sites, the compliance of suppliers and subcontractors with ESG requirements is assessed, and attention is paid to the prevention of reputational and corruption risks. To mitigate risks, preventive measures, regular oversight, and internal audit activities are implemented, the results of which are presented to the management board and the supervisory board.

The overall responsibility for due diligence lies with the management board and the supervisory board; project and quality managers are responsible for daily implementation. The audit committee independently monitors the performance of control measures and provides recommendations to the supervisory board for improving the system.

Merko's due diligence system combines statutory obligations, international standards, and internal audit processes. Such an integrated approach ensures transparent and reliable business operations and supports responsible business conduct and the fulfillment of stakeholder expectations.

RISK MANAGEMENT AND INTERNAL CONTROLS OVER SUSTAINABILITY REPORTING (GOV-5)

Merko Ehitus treats sustainability-related risks primarily as operational risks and manages them based on the group's general risk management principles. As the sustainability reporting process is currently in the development and implementation phase, control relies heavily on the group's general internal control system and centralized oversight, which is based on general internal control principles and established quality and environmental management systems compliant with ISO standards.

The most significant risk categories include environmental and people-related risks at construction sites, which may materialize due to inadequate processes, human errors, non-compliance with occupational safety requirements, or external factors (e.g., tightening regulations). Consequently, risk management focuses on the continuous improvement, implementation, and supervision of safety standards and instructions. The group's general risk management principles are described in more detail in the risk management section of the management report.

Risk management and internal control are continuous processes integrated into day-to-day operations. The management boards of subsidiaries develop and maintain risk management and internal control processes, and at construction sites, project teams manage risks based on established rules, with environmental and occupational safety specialists performing the internal control function over their activities. The most significant risks at construction sites are occupational accidents and potential pollution risks arising from the handling of construction materials. At the group level, a regular internal control function is outsourced to an external service provider, in cooperation with whom the performance of processes and potential bottlenecks are assessed.

The specific control for sustainability reporting is currently centralized. The collection of sustainability data is closely linked to accounting control: most metric data originates from the same source documents, and the control of business conduct and management practices is subject to the same control mechanisms as the company's general management processes. Since data collection (e.g., identifying quantities from cost documents) is predominantly a manual activity in the initial phase, primary validation of data is performed at the group level through cognitive control, meaning a low risk of human error is possible. Findings identified during previous checks in data collection and validation have been corrected on an ongoing basis, and data collection instructions and methodology have been supplemented based on them.

At the current stage, the management of risks and internal control related to sustainability reporting is concentrated at the level of responsible specialists who ensure the uniform application of the methodology, and in the management's assessment, further strengthening of the control environment at the group level is not expedient. Due to the changes in the CSRD reporting framework in 2025, no major substantive changes were made to internal reporting processes, and the focus remained on harmonizing data collection routines. However, as the maturity of the reporting process grows, Merko aims to move towards a more systematic internal control system, which includes the digitalization of data collection to reduce the risk of human error resulting from manual work, the gradual expansion of internal control mechanisms, and the integration of sustainability data control into systemic IT solutions.

ENVIRONMENTAL RISKS

Risk assessment is conducted on a project-by-project basis. For each site, an environmental plan and a waste management plan are prepared before the commencement of construction, and an assessment of environmental aspects is carried out

(analysing the nature of the planned works, potential associated environmental risks, waste generation, and environmental constraints arising from the construction project). This results in a list of site-specific risks, which are evaluated using a risk matrix to differentiate their scope and priority. For higher-priority risks, the project team describes additional environmental protection measures and the construction stages during which the hazard may materialise. The waste management plan forecasts the quantities of waste generated by type and establishes the waste collection and handling processes, as well as waste storage locations, taking into account the specifics of the construction site under consideration.

The materialisation of risks is primarily related to inadequate prevention processes or non-compliance with procedural rules; therefore, monitoring strict adherence to established rules and work processes is essential. During the active construction phase, quality and environmental specialists conduct random site inspections; random inspections may also be performed by various external parties (Environmental Board, representatives of local governments, etc.). These inspections assess compliance with procedures, the quality of implemented measures, and the emergence of new risks, while providing ongoing recommendations for additional preventive measures. Significant violations are escalated to the management level, where the need for additional measures and process changes is decided upon.

Common risks include: air pollution (e.g., dust, gases, etc.), noise pollution and vibration, the release of waste from the construction site into the environment, and risks associated with the handling of liquid fuels.

HUMAN RISKS

The most significant risk affecting people in construction activities is occupational accidents. As a general contractor, Merko is responsible for managing the occupational safety risks of all persons present on-site (including the employees of subcontractors), which entails monitoring compliance with occupational safety rules for both its own employees and those of subcontractors. Maintaining a focus on the occupational safety culture is central to risk mitigation, for which regular supplementary training in occupational health and safety is organised, employees in hazard areas are provided with necessary work and personal protective equipment, safety-related topics are covered in internal media, and occupational accident statistics are reported internally for both own employees and subcontractors. The occupational health and safety management system is certified to ISO 45001, and every occupational accident is treated as an exceptional incident, accompanied by an analysis of the causes and an assessment of additional prevention possibilities. Significant subsidiaries have quality management positions staffed by specialists with relevant competence and experience who conduct random site visits to verify compliance with safety requirements.

STRATEGY

STRATEGY, BUSINESS MODEL AND VALUE CHAIN (SBM-1)

The construction sector is a highly regulated field where most of the operational framework is defined by statutory requirements. From an environmental impact perspective, most physical aspects of construction activities are regulated at the national level; similarly, legislation establishes rules for employment relationships, occupational environment requirements, and corporate governance. From a sustainability reporting perspective, Merko considers the primary innovation to be regulations related to greenhouse gas emissions, which have previously been a less regulated area. Here, too, carbon emission limits for new buildings are being developed at the national level, meaning that the responsibility of the construction service provider is to organise its processes and business activities in a manner that accounts for all these requirements.

Due to the high degree of regulation in the construction sector, Merko Ehitus does not treat sustainability and environmental protection as a standalone discipline; instead, these are naturally embedded into the company's daily work processes and business activities. In Merko's assessment, compliance with statutory obligations is a sufficient mechanism for managing sustainability-related risks and impacts and does not require additional internal measures. Adherence to legislation can be regarded as a socially agreed-upon method of managing environmental and sustainability aspects in the most effective and optimal manner.

Due to the extensive regulation in the sector, Merko has not established standalone environmental and sustainability targets, as the company's additional opportunities to directly influence environmental change beyond statutory obligations are limited or non-existent. Internally, the objective is set as the absence of precepts from oversight bodies. This serves as a metric for assessing compliance and process quality: the absence of precepts indicates that systems are functioning correctly, while an official precept signals the need for further analysis and improvement of processes.

Merko's strategic objective is to differentiate itself from competitors through quality. To achieve this, unified values and principles of conduct have been agreed upon at the Group level, defining the company's promises to employees, customers and partners, investors, and society. These principles overlap with the Group's sustainability objectives and are consolidated into four focus areas:

- 1) Quality – focusing on the efficiency, systematic nature, and error prevention of internal processes to ensure high service and product quality.

- 2) Environment – environmentally conscious and responsible conduct, paying attention to risk prevention and the reduction of the environmental footprint.
- 3) Occupational safety and health – valuing people by providing them with a safe and healthy work environment.
- 4) Personnel development – treating employees as professional partners and maintaining the conviction that a motivated and active employee is the company's greatest asset.

BUSINESS MODEL

Merko operates in two primary business segments, both of which are inherently project-based:

- 1) provision of construction services as a general contractor; and
- 2) residential real estate development

In both business segments, the client's requirements are fulfilled through a task definition described by an architect and a designer. The main difference between these two business lines lies in the fact that, for construction services, the clients are primarily external third parties, whereas for real estate development, the client is Merko itself.

In the construction services business segment, Merko provides construction services to public and private sector clients within the framework of general contracting. This is inherently a service-based business where the volume of work is determined by contracts acquired into the portfolio. New projects are primarily obtained through public tenders, where Merko competes on an equal basis with other construction service providers under conditions established by the client that apply uniformly to all bidders. The role of the general contractor involves the organisational and project management aspects of the construction project, including the coordination of works, the engagement of subcontractors, and the ensuring of construction quality and adherence to the schedule.

Construction works are predominantly carried out with the assistance of subcontractors as business partners, where the general contractor's responsibility is limited to the execution of the works defined in the contract and the design project. The construction service provider does not determine the technical solutions of the building, the selection of materials, the environmental impact during construction or use, or other aspects significant from a sustainability perspective, as the ultimate responsibility for the extent and nature of the building's environmental impact rests with the client. When necessary, the service provider implements additional measures during construction to reduce environmental disturbances associated with construction activities.

In addition to the construction of buildings, this business segment also includes road construction and the operation of sand and gravel quarries, the purpose of which is to ensure the availability of filling materials for construction works. The share of these activities in the Group's consolidated revenue is small – less than 10% – and they are therefore considered non-material businesses from the perspective of the business model.

The residential real estate development business line focuses on creating comprehensive living environments consisting of apartment buildings designed to suit the target group and the surrounding area. The objective is to create architecturally distinguished, energy-efficient buildings with functional layouts and high-quality interior finishes. The target group and customers for development are primarily private individuals and investors, whose preferences and purchasing power as a whole shape market demand. From the perspective of the business model, Merko acts as the client in this value chain, performing the following roles:

- analysing market trends and customer preferences;
- developing suitable building concepts in collaboration with external partners;
- ordering design and construction works from partner companies;
- taking responsibility for marketing and sales activities.

The aim of development activities is to construct apartments that have sufficient demand and fit into the surrounding urban space. Consumer demand is primarily influenced by financial affordability, prevailing trends in the housing market, and customer awareness. All developed buildings must comply with applicable environmental and sustainability requirements as set forth in legislation and local plans.

Revenue, tEUR	2025	2024*
Construction services	237,568	474,557
Real estate development	73,373	64,492
Total segments	310,941	539,049

* Differs from the 2024 report due to a change in methodology. In the 2024 report, data was presented on an unconsolidated basis, in 2025 report the data is presented on a consolidated basis. Precise data is provided in Note 3 to the financial statements.

From a strategic perspective, Merko does not expect significant changes in the near future in either the provision of construction services or residential real estate development due to climate change or additional sustainability obligations.

In the construction services business, the environmental impact of construction activities can primarily be influenced through decisions made during the early planning and design phases, including engineering solutions and the choice of materials. Driven by the green transition, preferences for building materials and technical solutions may change in the near future, but

the business nature of construction services is expected to remain similar to the present. The key factor is the readiness to adapt to changing demand and regulatory requirements, and to provide high-quality services within the framework of applicable legislation.

In real estate development, it can be expected that increasing consumer awareness regarding the sustainability and environmental footprint of buildings will increasingly influence their preferences. As buyers become more informed, there is a growing market expectation for energy-efficient dwellings with a lower environmental impact and other clear sustainability parameters, for which consumers are also prepared to pay a higher price.

In both real estate development and the provision of construction services, the contribution to climate change mitigation is primarily manifested through changing consumer demand and environmental requirements applicable to new buildings. Merko contributes to the transition associated with climate change mitigation by constructing sustainable buildings with a lower environmental impact that meet the demands of more environmentally conscious customers.

EMPLOYEES

Employees play a central role in the implementation of Merko's strategy and the achievement of its objectives. Construction activities can only take place through the actions of the workforce; therefore, employees are one of the company's most important resources and a key impact area in the functioning of the business model.

As the construction sector is thoroughly regulated in terms of legislation and environmental standards, Merko's business success depends largely on the availability of a qualified workforce. Employees must possess the knowledge and skills regarding the handling of construction materials, work techniques, as well as statutory requirements and environmental regulations. Retaining qualified employees requires paying attention to factors that shape employee motivation and providing them with necessary support.

Merko's workforce is divided into three main categories:

- 1) skilled workers (e.g., road construction and concrete work employees);
- 2) construction support functions (e.g., project managers, estimators, site managers);
- 3) general support functions (e.g., sales, finance, management).

As a general contractor, a large number of subcontractors' employees work within Merko's value chain, primarily falling into the category of skilled workers. Among Merko's own employees, specialists in road construction and concrete works primarily belong to the skilled workers category.

In the construction of buildings, the core of Merko's workforce consists of positions related to construction preparation and project management, while in the real estate development business line, support functions related to planning, project coordination, sales, and customer relations are dominant.

The number of employees related to the quarrying sector is relatively small, and their activities are mainly based on fixed-term employment contracts. From a social impact perspective, their share within the Group is non-material.

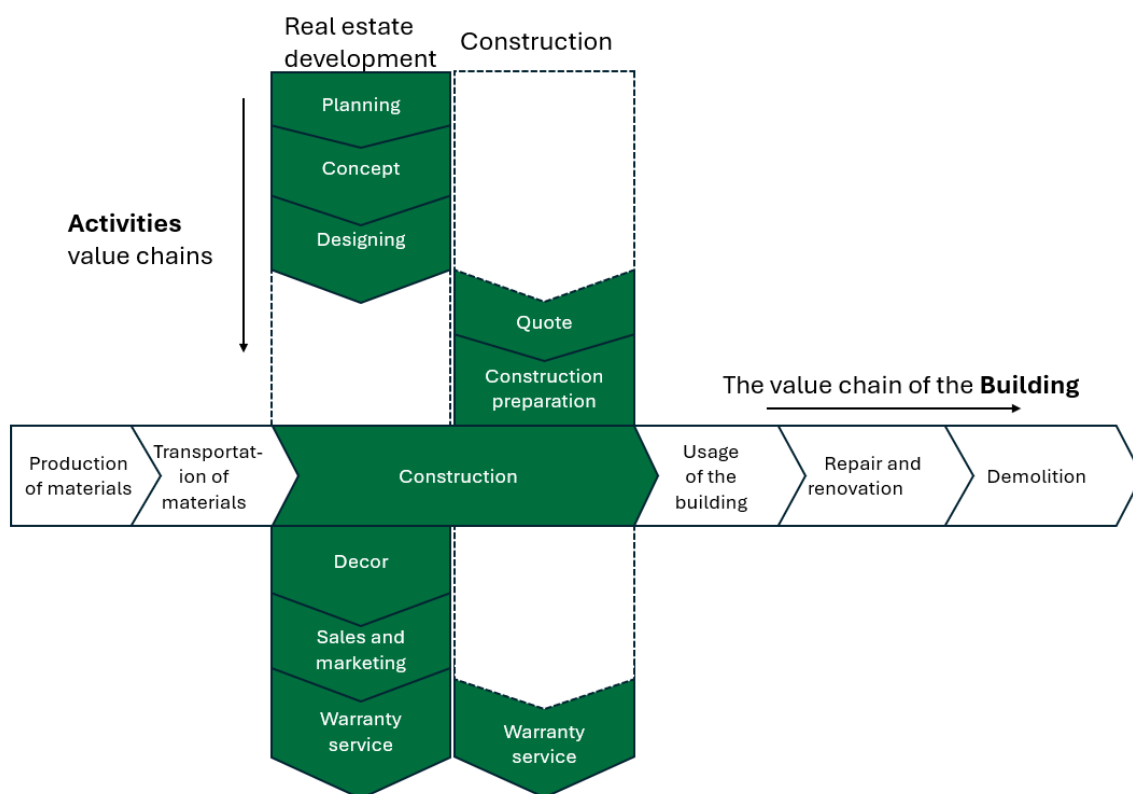
Geographically, Merko's workforce is located in Estonia, Latvia, and Lithuania.

Country	2025	2024
Estonia	418	423
Latvia	72	57
Lithuania	123	125
Total	613	605

VALUE CHAIN

In order to better understand and define the environmental impacts of the built environment and the construction sector, a distinction must be made between the value chains of buildings and construction activities:

- **Building value chain-** A building is essentially an object whose value chain encompasses all stages of its life cycle, from raw material extraction and production to eventual demolition. The Life Cycle Assessment (LCA) method is commonly used to evaluate and quantify the environmental impact at each stage, promoting uniform assessment methods and encouraging further research in this area.
- **Construction activities value chain-** This value chain specifically involves the processes required to construct, renovate, or demolish buildings or structures. The primary distinction from a building's value chain lies in its focus: the construction activities value chain defines and examines the specific activities necessary during the construction phase of a building's overall life cycle.



In practice, environmental impact analyses often adopt the perspective of the building’s value chain (LCA); however, from the standpoint of a construction service provider, it is more accurate to rely on the construction activities value chain, as it is at this stage that the environmental and sustainability aspects associated with construction can be assessed and influenced.

Merko's business operations take place within the general contracting and real estate development segments, which fall under different activity categories according to the NACE classification. When viewed from the perspective of the building's value chain, these business segments nevertheless constitute different and complementary stages of the same process:

- real estate development handles early-stage decisions and conceptual design;
- construction services realise these decisions on the construction site.

Following the same logic, road construction and quarrying activities are part of the construction activities value chain, providing the activities and inputs (e.g. filling materials) necessary for construction.

VALUE CHAIN OF GENERAL CONTRACTING IN CONSTRUCTION

The specific characteristics of the construction activities value chain are the uniqueness of each project and the high degree of fragmentation among the parties involved. Each construction project is a distinct whole, the implementation of which requires the involvement of various specialists, subcontractors, material suppliers, and service providers.

New projects are acquired into the portfolio primarily through tender procedures, where the company participates in public tenders and competes with other construction undertakings. The key to success is the ability to offer the construction of the building or facility described in the client's terms of reference in accordance with the tender conditions and at a more competitive price than competitors. All companies submitting bids for the same project rely on uniform tender conditions, meaning that the boundaries and requirements for the substantive bid are the same for all bidders. Therefore, companies differentiate themselves primarily through price, risk management, and the quality of work organisation.

Upon winning a construction tender, a general contracting agreement is signed with the client. The role of the general contractor then encompasses the comprehensive management of the project and the engagement of the necessary partners. For this purpose, the general contractor enters into agreements with subcontractors, material suppliers, providers of various services, and other business partners who, together with the general contractor, constitute the value chain for the implementation of the project.



VALUE CHAIN OF REAL ESTATE DEVELOPMENT

The value chain begins with the acquisition of a suitable property and differs from the construction services value chain primarily through the early planning phase, conceptual design development, and subsequent sales and marketing activities.

To construct a new building on a property, a valid detailed plan is usually required, which defines the permitted parameters, volumes, and designated use of the buildings on the property. The property purchased by a developer may already have an established detailed plan, but often it must first be developed and processed. During the detailed plan procedure, the potential environmental impact of developing the property, possible environmental risks, and the need to establish additional restrictions or conditions are assessed, among other things. Therefore, the detailed plan is the first substantive stage of the development value chain, where the framework for the development of the building is formed.

A number of different parties participate in the planning process of the development value chain. Merko's most important role at this stage is the coordination of these parties' activities and the creation of a value proposition that meets market demand and expectations. To this end, past market trends, target group needs, and regional characteristics are analysed, and a building concept suitable for the property is developed, along with the necessary technical requirements and parameters, which must comply with both the restrictions arising from the detailed plan and the expectations of potential customers.

The architectural solution for the building planned for the property is usually selected through an architectural competition. In addition to representatives from Merko and the local government, the competition jury includes independent experts from various fields, ensuring a balanced assessment of the solutions.

The winning entry of the competition must meet the following conditions, which ultimately ensure the resource efficiency and lower environmental impact of the developed object throughout the entire planned life cycle of the building:

- statutory requirements,
- expectations of customers and the market,
- architectural suitability for the area,
- the use of modern and sustainable engineering solutions,

resource efficiency and a lower environmental impact throughout the entire planned life cycle of the building



STAKEHOLDER INTERESTS AND VIEWS (SBM-2)

For Merko, it is strategically important to stay informed of the expectations of its stakeholders and interest groups and to ensure sufficient and consistent information exchange with them. This enables the company to maintain flexibility and respond quickly to changing market trends and expectations.

In the general contracting business segment, Merko's most significant stakeholders are the company's own employees, shareholders, investors, and banks. In the real estate development business segment, apartment buyers and customers are added as an interest group. Various engagement activities are used to exchange information and collect feedback from the primary stakeholder and interest groups. These activities are defined according to the nature of communication, the needs, and the expected volume of information for each specific stakeholder group:

INTEREST GROUP	RELATIONSHIP TYPE	ENGAGEMENT ACTIVITIES
Own employees	CONTINUOUS	Employees' daily cooperation and communication with the company's colleagues and managers at different levels, annual performance appraisals, the company's website, intranet and internal magazine, company information days and other events, internal trainings, social media.
Shareholders, investors, banks	CONTINUOUS	The stock exchange system and stock exchange announcements, a subpage of the website aimed at investors, investor meetings, materials and events.
Partners, subcontractors and suppliers	RECURRING	Daily cooperation and communication during the construction process, meetings and events, public communication.
Supervisory authorities	RECURRING	Legitimate representation of the interests and wishes of society through the processing of various permits and the verification of legal requirements.
Clients and apartment buyers	SINGLE	Daily cooperation and communication during the construction and sales process, meetings and events, customer feedback and satisfaction surveys, company website, public communication. Additional communication channels for apartment buyers: the apartment development project's website and sales materials, a sales manager and, in the case of certain development projects, an on-site sales office, events involving apartment buyers, and social media.
Wider public	RANDOM	Social responsibility activities and support and cooperation projects, cooperation with various organisations, public communication, social media

Engagement and communication with other stakeholder groups is carried out by Merko predominantly in a formalised manner – through stock exchange releases, contracts, reports, and other official communication channels.

The information exchanged during engagement activities reaches various management levels and supports the company's market awareness in business decision-making. Merko's business models in construction services and real estate development are project-based, which means that at the beginning of each project, the strategic and sustainability-related expectations of stakeholders are re-evaluated at the management level. This ensures the regularity of information exchange and helps the company better adapt its strategy and sustainability aspects to stakeholder expectations.

Employees are a primary and strategically important stakeholder group for Merko, through whom the company's strategy and objectives are implemented. From the employees' perspective, it is important to understand the company's overall purpose and progress, the transparency of its management and business results, information regarding the company's operational plans, and decisions affecting employee well-being. From the employer's perspective, employee engagement is vital for collecting feedback on motivation and well-being, maintaining daily two-way communication regarding the content of work processes, and ensuring information flow, transparency, and trust for all parties within the organisation. Employee feedback is taken into account at all management levels in business decision-making and in the improvement of work organisation and conditions.

Employee engagement and information exchange may occur with varying frequency, depending on the topic, management level, and the urgency of the information. The primary methods and frequencies of information exchange are presented in the table below:

FREQUENCY	COMMUNICATION CHANNEL	CONTENT
Daily	Direct, Emails	Work-specific content between different parties
Monthly	Meetings of the management of subsidiaries	Regular exchange of information, topical issues, business plans and potential bottlenecks between the Group's management and subsidiaries
Quarterly	Management meetings, Presentation of quarterly results	Strategic issues, exchange of information between the management of the Group and its subsidiaries and employees, specifying priorities if necessary
2-3 times a year	Information days and events, internal magazine	Informing all employees, collecting feedback, encouraging communication and exchange of information. Motivating employees and increasing loyalty.
1 time per year	Performance appraisal	Information exchange between the employee and the manager, goal-setting and feedback. Topics related to employee motivation and well-being.
Needs-based	Intranet, newsletters	Organisational announcements, process changes, urgent news.

As a result of the involvement of stakeholders and interest groups, Merko believes that there is no need for changes in the current strategy and business model in the near future.

IMPACTS, RISKS AND OPPORTUNITIES

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES (SBM-3)

Material sustainability-related impacts, risks, and opportunities for the Merko Group were identified during the double materiality assessment conducted in 2024. A new double materiality assessment was not performed in 2025; however, a re-validation of input data was carried out to identify any changes in the priority of impact areas or risk assessments that may have occurred during the intervening period. As a result of the validation, no significant changes in risk assessments, impact areas, or business operations compared to the previous year were identified. Therefore, this report relies on the analysis, identified impacts, and assessments conducted in 2024.

According to the 2024 analysis, impact areas were assessed across the building's value chain as well as separately in the context of the construction services and real estate development business segments. Impacts on the environment, people, and the company's business conduct were assessed from the perspective of the company's resilience, in order to understand Merko's ability to adapt to changing conditions and manage sustainability-related risks. The following tables present the list of impacts, risks, and opportunities assessed as material. The tables describe the nature of the impacts and potential mitigation possibilities. In addition, separate columns distinguish whether it is an actual or potential impact, the part of the value chain where the identified impacts occur, and the time horizon (<1 year: short-term, 1–5 years: medium-term, >5 years: long-term). If several categories apply to a specific impact, they are marked accordingly in the table. More detailed descriptions of each identified impact, risk, and opportunity are provided in the topical chapters of the sustainability report.

ENVIRONMENT

E1. Climate change

Name of the impact	Effect type	Value chain	Time horizon	Description	Mitigation options
GHG emissions in the value chain	Actual negative impact	Upstream, Downstream	short average long	Production and logistics of building materials, and the subsequent use of GHG emissions from buildings.	Greater use of renewable energy, more energy-efficient production methods, choice of materials with a lower GHG footprint in construction projects, recycling opportunities, local production of building materials
GHG emissions in construction	Actual negative impact	Merko	short	GHG emissions from the combustion of fuels and the use of thermal energy and electricity during construction activities	Increased use of renewable energy, more energy-efficient machinery and equipment
Energy use in the value chain	Actual negative impact	Upstream, Downstream	average long	Quantities of energy used in the production of building materials and in the subsequent operation of buildings	Increased use of renewable energy, planning of more energy-efficient buildings, more energy-efficient production processes, selection of building materials and building solutions with lower energy consumption in construction projects, consumption habits of end consumers
Energy use in construction	Actual negative impact	Merko, Upstream	short	Amounts of energy used in construction, asphalt production and Merko's support functions	Increased deployment of renewable energy, more energy-efficient machinery and equipment
Construction of energy-efficient buildings	Actual positive opportunity	Upstream	average long	Larger public sector order for the construction of more energy-efficient buildings	
Local renewable energy production	Actual positive opportunity	Merko, Downstream	average long	Local renewable energy production allows to reduce the amount of energy purchased	

E5. Resource use and circular economy

Name of the impact	Effect type	Value chain	Time horizon	Description	Mitigation options
Use of natural resources	Actual negative impact	Upstream	average long	Procurement of natural resources for the production of building materials	Possibilities of material recycling, planning of resource-efficient buildings, introduction of alternative building materials
Waste generation	Actual negative impact	Upstream, Merko	short average	Waste generation in the production processes, packaging and construction of building materials	Control of waste sorting, increasing the proportion of waste sorting, optimal planning of building materials
Depletion of natural resources	Potential risk	Upstream	long	The depletion of specific natural resources due to the overconsumption of resources and the increase in the price of certain building materials	Recycling of materials and circular economy, introduction of alternative materials

SOCIAL IMPACTS

S1. Own employees

Name of the impact	Effect type	Value chain	Time horizon	Description	Mitigation options
Occupational accidents	Potential risk	Upstream, Merko	short	Risk of injury and health risks associated with construction work	Occupational safety training, safety equipment, occupational safety processes on construction sites
Employee recruitment	Potential risk	Merko	Average long	Difficulties in recruiting employees with appropriate professional experience and competence	Increasing the company's attractiveness as an employer, cooperation with educational institutions, offering internship opportunities

Name of the impact	Effect type	Value chain	Time horizon	Description	Mitigation options
Employee development	Actual Positive effect	Merko	Short, Medium, Long	Maintaining and improving the professional competence of employees	Providing diverse development opportunities for employees, supporting the acquisition of education, offering internship programs, cooperation with educational institutions

S2. Employees in the value chain

Name of the impact	Effect type	Value chain	Time horizon	Description	Mitigation options
Occupational accidents	Potential risk	Upstream, Merko	short	Risk of injury and health risks associated with construction work	Occupational safety training, safety equipment, occupational safety processes on construction sites
Ethical Business Practices	Actual positive impact	Upstream, Merko	Medium, long	Honest and ethical business activities create preconditions for long-term business relationships and mitigate business risks	Honest and transparent activities, prevention of corruption risks

S4. Consumers and end-users

Name of the impact	Effect type	Value chain	Time horizon	Description	Mitigation options
Noise, vibration, dust, etc. Disturbances	Actual negative impact	Upstream, Merko	short, medium	Construction work may cause temporary noise, vibration, dust and traffic disruption	Involvement of communities in the planning process, agreed times for activities with a greater impact of disturbance
Regulatory risks	Potential risk	Downstream	average long	Due to regulatory norms, the prices of construction services and buildings may increase for end consumers.	Information activities in society regarding the impact of different regulations on process participants and end users

BUSINESS BEHAVIOR

G1. Ethical Business Practices and Business Culture

Name of the impact	Effect type	Value chain	Time horizon	Description	Mitigation options
Reliability, openness and transparency of the company	Actual positive impact	Merko	average long	A company's positive reputation and reliability help to increase business success and competitiveness	Business ethics trainings for all employees, providing feedback opportunities (hotline)
Selection of cooperation partners	Actual positive impact	Merko	Short, Medium, Long	Merko's business segments are highly dependent on the activities of subcontractors, suppliers and material distributors.	Selection criteria for cooperation partners, background checks, anti-corruption activities.
Prevention and avoidance of corruption and bribery	Actual positive impact	Merko	short average long	Failure to comply with ethical business practices can undermine a company's competitiveness, leading to reputational damage, loss of trust from investors and customers, and legal and financial sanctions.	Informing and training employees, preventive activities and control, escalating potential incidents to the highest levels of management of the company
Reputational damage	Potential risk	Merko	short average long		
Decline in competitiveness	Potential risk	Merko	average long		

The majority of the environmental impact across the value chain is concentrated in the resource consumption stage related to the production of building materials and in the subsequent energy consumption during the use phase of the finished building. Merko's business operations primarily take place during the active construction phase, where the actual consumption of building materials, energy, and fuels specified in the construction project is concentrated. In this stage, Merko's businesses have direct contact with the physical space, soil, and wildlife; however, the opportunities to directly influence these environmental aspects are very limited.

The types and quantities of resource use in the building and construction activities, as well as the nature of the exposure to them, are largely defined by the construction project and tender conditions. Consequently, the environmental impacts of a building's life cycle can primarily be managed proactively during the early planning stage, where the designated use of the building or facility, the choice of materials, engineering solutions, and other parameters—on which both the resource consumption during construction and the subsequent energy demand during the use phase depend—are determined. The state plays an important role in this process, as it establishes the permitted limits and standards through regulations and norms, thereby influencing the development of preferences among clients and customers.

FINANCIAL MATERIALITY

Due to its resource intensity, the building's value chain as a whole has a significant financial impact, which is distributed across different stages of the value chain and among various parties. The greatest financial impact, when calculated in net present value, occurs at the beginning of a chronologically very long value chain (at least 50 years) — specifically during the production of building materials and the active construction phase.

The financial impact of construction activities is primarily related to the procurement of building materials and aspects of subcontracting agreements. Since the cost of construction materials is dictated by the wishes of the building's end-owner and compromises made during the planning and permit proceedings, the actual opportunities to influence the magnitude of the financial impact during the active construction phase are extremely limited. Consequently, financial impacts resulting from climate change and sustainability aspects were assessed as non-material:

- Prices of construction materials may increase in the near future due to choices made by the end-owner driven by the green transition; however, construction project durations generally fall within the range of 2–4 years, which is too short a period for the impacts of climate change to materialise. Simultaneously with the signing of a construction contract, delivery contracts for the majority of materials are usually also concluded, thereby mitigating other financial impacts associated with material procurement.
- The expected increase in demand accompanying the green transition for more complex buildings requiring higher professional competence places additional requirements on the professional training of subcontractors' workforces. However, these aspects are already taken into account during the tender procedure of a new construction project and in the accompanying business plan of the bid.
- The progress of works, and thereby the financial side, may be slightly affected by the weather, which can lead to delays in work processes or additional expenditures on extra fuel/cooling. However, project durations are too short for these weather changes to be directly attributable to climate change aspects that could not have been previously taken into account during the tender process.

Financial impacts associated with social aspects are primarily indirect in nature and are related to employee satisfaction, engagement, and a safe working environment. These aspects help reduce employee turnover and increase productivity, thereby mitigating the financial impacts associated with recruitment, training, and the staffing of project teams.

The potential materialisation of financial impacts arising from risks and fines was assessed as unlikely, as these would be isolated cases, and no analogous incidents have occurred in the recent past or during the reporting period. Merko also assessed the probability and magnitude of financial impacts related to social aspects as non-material.

MERKO'S ROLE AND CONTRIBUTION TO CLIMATE CHANGE ADAPTATION

Based on the environmental and financial impact analysis described above, Merko is of the position that the impact of climate change on the company's business model and strategy is non-material, and no significant direct increase in climate risks or impacts is foreseen in the near future. As a construction service provider and developer, Merko's contribution to climate change adaptation is manifested through the fulfillment of client and market expectations while adhering to legally established requirements. The impact on climate change is realised through the execution of increasingly environmentally sustainable orders, for which the company already possesses the necessary readiness.

DOUBLE MATERIALITY ASSESSMENT PROCESS (IRO-1)

Merko's materiality assessment was conducted using a top-down approach, where a general framework for the double materiality assessment was first developed at the Group level. An initial list of impacts, risks, and opportunities was compiled, which was subsequently supplemented and refined by involving stakeholder representatives and subject matter specialists from the most significant subsidiaries. There were several reasons for preferring the top-down approach over the bottom-up method:

- a) The **large number of subsidiaries** in the Merko Group. Many of the Group's subsidiaries are important from a financial reporting perspective but lack actual construction activities, full-time employees, and the associated sustainability-related impact. Therefore, from a sustainability reporting standpoint, they are classified as non-material. The top-down approach allowed for the identification of a list of subsidiaries with significant impact during the preparatory phase to be included in the double materiality analysis in the subsequent stages.

- b) **High degree of legislative regulation.** Various aspects of sustainability and environmental impact in the construction and real estate development sectors are thoroughly regulated by legislation and are therefore well-known within the industry. For the majority of the physical aspects of the environmental impact of construction activities, statutory requirements are in place, the fulfillment of which is embedded in Merko's internal processes. Key aspects concerning employment relationships and corporate governance are also legislatively regulated. Consequently, the initial stages of the assessment process can rely on the company's existing risk management system, and Merko deems separate data collection unnecessary. The top-down approach enabled the involvement of subsidiary representatives in the assessment process in a more systematic and efficient manner where specific professional input was essential, saving their resource costs during the stage of collecting generally known information.
- c) **Strategic alignment.** Merko's strategic objectives, policies (including the ESG policy), corporate culture values, and business ethics principles are implemented on a top-down basis. Therefore, to collect appropriate input from subsidiaries, it was considered expedient to use a similar chain of information flow.
- d) **Avoidance of local optima.** Merko's business volumes vary significantly across subsidiaries, which creates a possibility of distortions in assessments caused by local optima. For example, sustainability aspects considered material by a smaller subsidiary may prove to be non-material at the Group level. The top-down approach helped avoid distortions caused by local optima and ensured that the input data required for the double materiality assessment remained proportionate.

IMPACT AND RISK ASSESSMENT PROCESS

- 1) Identification of a list of significant subsidiaries to be included in the double materiality assessment process. The list of significant subsidiaries used in financial reporting, based on the Nasdaq Tallinn "Rules and Regulations" criteria, was taken as the basis for the assessment. To this list, potentially high environmental impact but financially non-material subsidiaries from the road construction and quarrying sectors were added. From a sustainability reporting perspective, the following subsidiaries were accordingly assessed as material:

Country	Subsidiary	Field of Activity
Estonia	AS Merko Ehitus Eesti	General construction
	AS Merko Kodud	Real estate development
	AS Tallinna Teede	Road construction
	OÜ Merko Kaevandused	Aggregate extraction
Latvia	SIA Merko Majas	Real estate development
Lithuania	UAB Merko Statyba	General construction
	UAB Merko Bustas	Real estate development

The remaining companies do not have a material impact from a sustainability reporting perspective. Compared to financial reporting, the impact of OÜ Merko Kaevandused has been assessed separately in sustainability reporting; from a financial reporting perspective, this impact is non-material and is classified under the 'Other business activities' category.

- 2) Initial mapping of impacts, risks, and opportunities at the Group level. The identification of the list of impacts was approached across the value chain, for which both the building's and the construction activities' value chains were analysed. The list of sustainability topics presented in ESRS 1 Appendix A, paragraph AR 16, was used as supporting material for structuring the information. This work resulted in an initial list of sustainability-related impacts, risks, and opportunities, as well as appropriate metrics, which served as the basis for requesting additional input from material subsidiaries in the subsequent stages.
- 3) Involvement of subsidiaries in compiling the list of impacts, risks, and opportunities. Sustainability reporting coordinators were appointed on a country-by-country basis. Their role was to act as contact persons for the exchange of sustainability-related information between the Group and the subsidiaries, and to coordinate local data collection and impact assessment. The coordinators' primary task was to review the initial consolidated list of impacts, risks, and opportunities provided to them, analyse it in the context of the specific country's subsidiaries, and provide feedback on any missing aspects or country-specific characteristics.
- 4) Data collection and stakeholder engagement. The collection of input took place predominantly through interviews and discussions with sustainability reporting coordinators, members of management, and various subject matter specialists. The interviews were conducted both as video meetings and physical meetings, during which the connections between the identified impacts, risks, and opportunities and Merko's business activities, associated internal processes, and legislative requirements were discussed. As the most significant stakeholder group, the company's own employees were involved in the input collection and discussions, both through the sustainability

reporting coordinators and various subject matter specialists. Among the subject matter specialists and management members, individuals with frequent professional contact with business partners, suppliers, and customers—and thus their expectations and views—were involved. In this manner, the views of the most significant external stakeholder groups were represented through the professional expertise of Merko’s own employees. The involvement of shareholders and investors took place through interviews with representatives of the majority shareholder and investor meetings. The involvement of other stakeholder groups with casual or one-off relationship types was not considered expedient.

- 5) Double materiality assessment. As the company’s highest governance body, the Supervisory Board approved the results of the double materiality assessment, relying on the preparatory work conducted at the subsidiary and Group levels. As a result of the preceding sustainability reporting preparation process, an overview document addressing sustainability-related impacts, risks, and opportunities was prepared and submitted to the Supervisory Board. The document described in detail the nature of the identified impact areas and their connections to Merko’s business activities, the information collected from stakeholders and interest groups, and a proposal for establishing relevant ESG metrics.

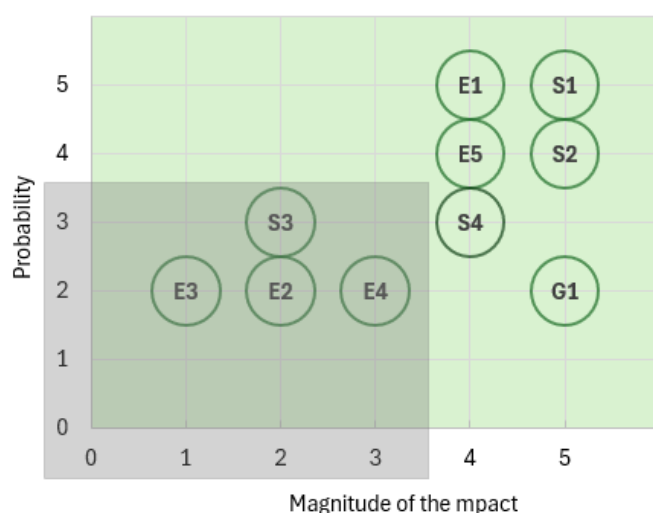
ASSESSMENT METHODOLOGY

The double materiality assessment was conducted from the perspectives of impact materiality and financial materiality. Its objective was to identify topics that have a significant impact on people and the environment (impact materiality) and those that have an actual or potential impact on the Group’s business results, risks, and opportunities.

Impact materiality was assessed as a combination of the magnitude of the impact and the probability of its occurrence on a 5-point scale, where 5 represented a significant impact, 3 a medium-sized impact, and a rating of 1 indicated minimal impact or its absence. From a sustainability reporting perspective, impacts were assessed as material if their impact materiality score was at least 4 and the probability of occurrence was greater than once a year.

Assessment methodologies differed depending on the topics and the nature of the impacts, which were divided into three categories:

- Actual impacts, which are permanent in nature and existed during the reporting period under review (GHG emissions, energy use, water use, resource use, employee development, etc.). The assessment of such topics focused solely on evaluating the magnitude of the impact and the materiality threshold.
- Potential risks, which are one-off or irregular events for which Merko has established appropriate precautions and measures (e.g., pollution risks, impact on biodiversity, occupational accidents, potential breaches of business ethics, etc.). For these topics, both the probability of the risks materialising and the magnitude of the associated impact were assessed. Additionally, the magnitude of efforts made to manage and mitigate the risks was evaluated. Risks where prevention and management are regulated through compliance with statutory requirements (pollution risks, biodiversity), and for which there are no active compliance orders, were assigned a score of 1 or 2, as their management does not entail additional efforts for Merko beyond legal obedience. Should a compliance order be issued regarding such risks, it would indicate bottlenecks in processes, and the materiality score would be higher. In contrast, business conduct and the prevention of occupational accidents are topics where, in addition to statutory requirements, continuous improvement of internal processes and additional activities are necessary; therefore, higher materiality scores were assigned to such risks.
- Opportunities: activities or events through which it is possible to influence the magnitude or probability of a sustainability-related impact. The assessment methodology focuses on evaluating the relationship between the magnitude of the impact and its cost. From Merko’s perspective, such impacts are primarily related to waste management, employee development, and corporate culture, which have a clearly perceived impact on the company’s business results and the reduction of several indirect negative risks.



Financial materiality was assessed for all identified impacts, risks, and opportunities through a separate process. Based on the Group's long-term average consolidated revenue, profit, capitalisation, and market position, the materiality threshold for the Merko Group has been set at EUR 3 million. As a result of the assessment, no impacts, risks, or opportunities exceeding this threshold were identified.

SUSTAINABILITY MANAGEMENT PROCESSES AND POLICIES (MDR-P)

Sustainability topics at Merko are managed as a unified whole through the quality and environmental management system. The environmental management systems of the Group's most significant subsidiaries comply with ISO 14001 requirements, and the occupational health and safety management system is in accordance with the ISO 45001 standard. The most important principles of sustainability-related activities are set out in the following Group-wide policy documents, which subsidiaries must adhere to when implementing local-level management processes:

- 1) [The Code of Business Ethics](#), which establishes the principles of fair and ethical business conduct and addresses conflicts of interest, confidentiality obligations, handling of inside information, data protection, bribery and corruption, and other key ethics-related principles and guidelines. Among other things, the document covers principles related to environmental protection and sustainability and provides guidance for resolving emerging situations.
- 2) [Risk Management Principles](#), which describe the general risk management process, responsible parties, and implementation principles. The document outlines the general framework and principles of risk management, as well as the definitions and responsibilities for different types of risks. The main risk types identified are business risk, market risk, financial risk, and operational risk, with detailed descriptions of their forms of manifestation and primary mitigation measures.
- 3) [ESG Policy](#), the purpose of which is to shape unified ESG principles and a common vision across the Group. The document describes the main guiding principles regarding environmental, social, and governance aspects and their connections to sustainability. The policy also outlines aspects of fulfilling sustainability due diligence and the links to impacts arising from the value chain.

The implementation of these policies in daily operations is delegated from the Group level to the next management level, as the management boards of the subsidiaries possess better sectoral and regional competence (including local legislation) and market awareness to account for legislative specificities in organisational and process-based management. The task of the management boards of the subsidiaries is to ensure that the activities prescribed in the management system are planned, implemented, controlled, and included in a continuous improvement process.

Due to the specific nature of the construction sector, daily sustainability management is conducted on a project-based basis. For each new project, a thorough analysis of environmental aspects is performed before construction begins, during which project teams assess the nature of the planned works, associated environmental impacts, and potential risks, and forecast waste generation by type and quantity. Based on the results of the assessment, a waste management plan is prepared for each site, and additional environmental protection measures and precautions are implemented where necessary. The management of environmental, occupational safety, and other risks at construction sites is carried out by relevant subject matter specialists who perform supervision and regularly prepare sustainability reports for both national institutions and internal information exchange.

KEY ACTIVITIES DURING THE REPORTING YEAR (MDR-A)

- Annual regular quality management review within the Group's management, during which the performance of occupational safety and environmental management processes and potential improvement opportunities were discussed with the management boards of the subsidiaries.
- The Group's Supervisory Board conducted a regular review of sustainability reporting, assessing the activities of the past period, approving the updated double materiality assessment for the 2025 report, and approving the action plan to continue with the existing sustainability metrics and their target values for the next reporting period.
- Representatives from Merko's road construction sector participated in the working group for the development of the national transport infrastructure roadmap (an annex to the implementing act of the Climate Act).
- Continuous analysis of the changing situation in the legal framework for sustainability reporting (the Omnibus package and the regulatory changes initiated thereunder) and the corresponding adaptation of action plans for the collection of information and reporting required for the annual report, development and introduction of new internal reporting forms.

ENVIRONMENTAL INFORMATION

CLIMATE CHANGE

INTEGRATION OF SUSTAINABILITY-RELATED PERFORMANCE IN INCENTIVE SCHEMES (GOV-3)

According to the current CSRD framework, all companies and business sectors have a direct or indirect climate impact from a sustainability reporting perspective. Direct impact arises from the company's own activities and the associated carbon emissions, while indirect impact is related to the activities of third parties within the value chain.

The greenhouse gas emissions associated with Merko's activities are predominantly indirect, manifesting mainly during the production stage of purchased construction materials. As a construction and real estate development company has limited opportunities to directly influence these processes, Merko has not established separate incentive schemes or management remuneration principles specifically linked to the achievement of climate targets.

Climate impact management is indirectly integrated into the company's general performance-based pay system. Since compliance with statutory environmental and sustainability requirements is a prerequisite for the successful provision of construction services and project quality, adherence to these requirements is directly reflected in the financial results of the projects and, consequently, in the evaluation of management's performance.

CLIMATE CHANGE ADAPTATION AND TRANSITION (E1-1)

The provision of construction services, including road construction, consists of executing construction works in accordance with the project specifications and the conditions set by the client. Consequently, the majority of the climate impact associated with construction activities is determined as early as the procurement phase; therefore, the climate impact resulting from the consumption of motor fuels, electricity, and thermal energy during the direct construction phase is relatively small compared to the total impact.

In the real estate development segment, Merko acts as the client; however, the concept of the buildings being developed and their associated climate impact are shaped by a combination of statutory requirements and market analysis. Under current regulations, new buildings are already required to meet stricter climate standards, such as the mandatory A-energy class for residential apartment buildings. Although Merko is technically prepared to develop buildings with even higher energy efficiency standards, demand for these in the Baltic markets remains limited, primarily due to higher price levels. Creating supply that does not align with market demand would increase the company's business risks; therefore, the implementation of such developments has not been considered expedient in the current market context.

The so-called "green transition" in construction—viewed by researchers as a key instrument for achieving the goals of the Paris Agreement and limiting global warming to 1.5°C—can, in Merko's view, only occur through the commissioning of lower-climate-impact construction projects by end-clients. This requires fundamental shifts in the preferences of clients (including the state), as well as additional state-led measures and incentives to steer the market toward preferring more environmentally friendly and energy-efficient solutions.

CLIMATE CHANGE IMPACTS, RISKS AND OPPORTUNITIES

Across the value chain of a building, the following major physical risks can be highlighted:

Effect	Description
Extreme weather conditions	Severe storms, floods, heat waves can damage buildings and infrastructure, and cause disruptions or interruptions in work processes and supply chains.
Energy availability and rising energy costs	Increasing energy demand, restrictions on traditional energy sources, and the need to balance fluctuations in renewable energy production volumes may lead to an increase in energy costs.
Temperature increase	Higher temperatures can create heat islands in certain areas, which has an impact on human health and safety.
Sea level rise and floods	Real estate and construction projects located in coastal areas may suffer from rising water levels and saltwater intrusion, as well as the structures of buildings located in such areas may require additional fortifications and different working methods.
Reduced water availability	As a result of climate change, the normal circulation of groundwater may be damaged, which affects the availability of clean drinking water. Additional investments may be necessary for the introduction of surface water as drinking water.
Deterioration of the quality of materials	A changing climate can affect the properties and longevity of building materials or set additional criteria and restrictions on their usability in the construction process.
Urban infrastructure load	Changes in urban planning due to climate change may bring about uncertain risks and new requirements for construction activities.

The transition to a low-carbon economy involves several key transition risks:

Effect	Description
Regulatory risks	Additional requirements and restrictions arising from legislation and standards on the energy efficiency of buildings, building parameters, planning process, etc., may have a major impact on the costs related to the construction and development of buildings.
Market risks	In the segment of buildings with a lower environmental impact and a low carbon footprint, there may be a lack of sufficient solvent demand.
Investment risks	The lack of environmentally friendly investments on the market may make it difficult to compile a portfolio of works.
Reputational risks	Building buildings that do not meet the highest climate change mitigation standards can damage the company's reputation and lead to criticism of not contributing to climate change mitigation.
Technological risks	The accelerated introduction of innovative building materials and construction methods may increase the risks to the actual and/or useful life of buildings, the need for premature reconstruction works.

To assess the described risks, Merko conducted a Group-wide resilience analysis, evaluating the probability of risks and the extent of their impact on the company's strategy, business model, and value chain in both the short-term (1 year) and long-term (10 years) perspectives. The analysis was performed by the Group's finance unit, based on the mitigation scenarios of the IPCC Sixth Assessment Report (AR6), which were consolidated into three main forecasts:

- **Scenario 1 (1.5°C):** Global warming remains within the limits of the Paris Agreement, and carbon neutrality is achieved by 2050. This leads to rapidly tightening standards for construction inputs (materials, machinery, technologies), but extreme weather events remain within the limits of adaptive capacity.

- **Scenario 2 (2.5–2.8°C):** Achievement of the Paris Agreement goals are delayed. Extreme weather events become more frequent (ecosystem disruptions, sea-level rise), requiring buildings to have greater weather resistance, and climate migration is expected to increase. Pressure on construction inputs is somewhat lower than in the first scenario, but construction companies must adapt to changing construction projects and potential shifts in demand in the development market.

- **Scenario 3 (>4°C):** The climate warms to a critical level. Significantly stricter construction and durability requirements are applied to construction projects, but the transition to low-carbon inputs is slower.

The analysis concluded that none of the scenarios have a material impact on Merko's strategy. This results from Merko's project-based business model, which is characterised by the following factors:

- **Short business cycles** – construction projects typically last 2–4 years, which is too short a period for the long-term impacts of climate change to materialise. This allows Merko to operationally adapt business inputs according to circumstances and tender conditions.
- **Low physical asset risk** – the most significant assets are real estate, cars, and construction machinery. Completed real estate is usually handed over to the client immediately upon completion; most office spaces are rented; and the fleet of vehicles, heavy equipment, and construction machinery is predominantly leased or owned by subcontractors. The Group owns only two office buildings, an asphalt plant, and heavy equipment primarily related to road construction and quarrying.
- **Proactive risk assessment** – risks across the value chain and on a project-specific basis are assessed as early as the planning phase and are taken into account when preparing tender conditions. At the start of each project, direct risks and impacts arising from the specific project are evaluated, and all business inputs are adjustable according to the situation, making the materialisation of unforeseen risks during the construction period unlikely.

Throughout Merko Ehitus's entire 35-year operating history, none of the aforementioned risks have materialised in a way that would have a perceptible impact on Merko's business activities. Therefore, it was assessed that, assuming the continuity of Merko's business operations, climate change has no direct impact on Merko's business activities in any of the analysed scenarios that would require changes in strategy or the business model. Climate change adaptation and transition do not entail additional investments or other extra needs affecting the business model, strategy, or value chain for Merko.

Across the value chain, it can be expected that due to the need for more climate-resilient construction, the technical requirements and parameters of the objects being built may change in the near future; however, Merko already possesses the readiness to build buildings with a lower climate impact.

Risks related to real estate handed over to end-users are assessed during the planning phase, and after handover, its primary sustainability impact is related to energy consumption during the use phase. The resilience analysis did not identify risks or impacts that would necessitate significant changes in the subsequent operation of the buildings. The greatest climate impact is manifested in the footprint of the buildings' energy production, the reduction of which directly contributes to the decrease in the environmental impact of the buildings.

ASSESSMENT OF CLIMATE-RELATED IMPACTS, RISKS AND OPPORTUNITIES (ESRS 2, IRO-1)

The prioritisation of environmental impacts related to climate change for Merko was carried out during the double materiality assessment conducted in 2024, the methodology of which is described in more detail in the chapter 'Double materiality assessment process (IRO-1)'. From the perspective of climate change, the analysis was based on an assessment of the development of the CO₂ footprint, during which the CO₂ footprint calculations from previous years were analysed, their proportions in Merko's consolidated footprint were evaluated, and impact areas with higher carbon emissions were identified. In 2025, an additional gap analysis was performed to identify potential impacts that were not reflected in previous data. As a result, the data was supplemented with information regarding the general energy use and thermal energy related to the Merko Group's office building, which is calculated proportionally by the building manager and for which data was not available in previous periods. As a result of this data supplementation, 32.6 t/CO₂eq of indirect energy-related footprint was added to the Group's Scope 2 greenhouse gas emissions, accounting for 0.7% of Merko's total Scope 2 location-based emissions.

The climate impact of the built environment and the construction sector has been analysed in more detail within the Green Tiger (Rohetiiger) programme, under which the 'Construction Roadmap 2040' was completed in the spring of 2023. According to the analysis, the construction and real estate sector accounted for an estimated 40.3% of Estonia's 2021 greenhouse gas emissions. Within this proportion, the largest share—approximately 68%—was comprised of energy use during the building's operational phase, followed by building construction (13.3%) and the production and export of materials (13.2%).

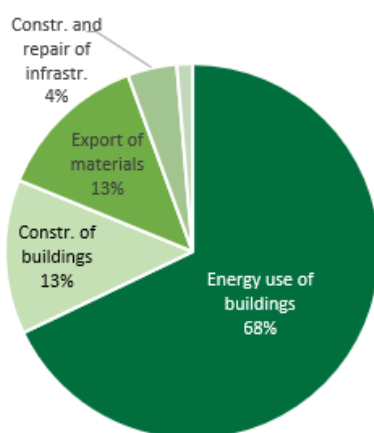


Figure: Greenhouse gas distribution of the construction and real estate sector (based on data from [Construction Roadmap 2040](#)).

Merko's business activities are concentrated primarily into the construction, renovation and demolition stages in the building's value chain, which, according to various estimates, account for approximately 10–20% of the carbon emissions of the built environment. The primary impact area for all these activities is energy use – both the combustion of motor fuels to operate construction machinery and equipment, and the use of purchased thermal and electrical energy during the execution of works.



Figure: Position of Merko's business activities in the value chain of the building.

KEY INFLUENCES RELATED TO MERKO'S OPERATIONS

The climate impact of the construction phase of buildings and facilities is manifested predominantly in direct greenhouse gas emissions (Scope 1) resulting from the combustion of motor fuels by construction machinery and support functions, and in the indirect climate impact (Scope 2) associated with the consumption of purchased electricity and thermal energy used for operating various equipment, lighting construction sites, and heating and drying buildings and site cabins. Additionally, the indirect climate impact of third parties related to the production and transport of materials (Scope 3) reaches the construction phase through the supply chain.

The climate impact of road construction consists mainly of greenhouse gas emissions associated with asphalt production and construction activities. During construction works, the largest contributor is the direct use of motor fuel by heavy equipment. In the case of asphalt production, a distinction must be made between direct and indirect climate impact. Direct climate impact is related to the production of asphalt mix at the asphalt plant, where the volumes of electrical and thermal energy used are directly correlated with the volume of orders, which is why their intentional reduction would be detrimental to business activities. Indirect climate impact results from the bitumen used as an input in the production process. The precise composition of the asphalt mix is defined by the client's requirements, and the proportion of bitumen in the mix depends on the technical conditions of the specific project. Road construction is an activity within the Merko group that takes place only in Estonia.

The climate impact of the quarrying business segment is manifested primarily through the direct use of motor fuels by heavy equipment. Some indirect climate impact also results from emissions from excavated quarry surfaces, but Merko has not assessed these separately, as the volumes of the field of activity are small in the context of the group. The objective of quarrying is to supply other Merko subsidiaries with filling materials, and this activity also takes place only in Estonia.

The climate impact of real estate development is manifested mainly through the energy efficiency of the buildings being constructed. Architectural and engineering solutions are developed by involving third parties, and the impact of their implementation is covered in the previous points regarding construction and road construction. Merko has not separately analysed the carbon volumes "locked" into products or assets. In Merko's assessment, the market does not prefer climate-neutral products due to the price sensitivity of clients and customers, which is why there has been no business need for such an assessment to date.

Opportunities to reduce the climate impact directly related to Merko's operations:

Mitigation measure	Who?
Increased deployment of renewable energy	Merko
Local energy production capacities of the buildings to be constructed	Merko
More energy-efficient machinery and equipment	Merko, subcontractors
Precise planning of materials	Merko
Preference for local materials where possible (impact of transport)	Merko, subcontractors
Alternative materials with a lower climate impact	Clients, designers
Factory production	Clients, designers
Logistics optimization	Merko, subcontractors

In Merko's assessment, the wider adoption of climate-friendlier energy and developments in the production of building materials will have the most significant impact on the reduction of climate impact in the near future. Energy affects the entire value chain of a building – from the production of materials and construction activities to the subsequent energy consumption during the building's use phase. From the perspective of material production, one of the most promising developments is carbon capture technologies in the production of cement and steel, which would allow for a significant reduction in the carbon footprint of concrete and concrete products. In asphalt production, opportunities are offered by binders that replace bitumen and the optimisation of energy use. At the same time, there are several technological bottlenecks in all the aforementioned fields, and the development and testing of solutions is time-consuming, which is why the expected impact is predictably of a longer (10–20 years) time horizon.

KEY INFLUENCES RELATED TO VALUE CHAIN

Energy use during the operational phase of buildings

In energy consumption, a distinction is made between electricity and heating, the usage profiles of which differ somewhat from each other. From the perspective of climate impact, both the quantities of energy consumed and the source of the energy production are of decisive importance. Electricity and heating produced from renewable sources generally have a smaller impact on climate change than energy produced from fossil resources, given the same consumption volumes.

Consumption volumes depend, among other things, on the thermal insulation of buildings, consumer habits, building technical systems, comfort features, and several other parameters. Under current regulations, modern new buildings are constructed to meet energy classes A and B, which primarily affects the heating requirements of the buildings. At the same time, modern buildings typically feature a wider range of technical systems and comfort amenities, which increases electricity consumption.

Reducing the climate impact of energy consumption during the operational phase of buildings therefore focuses primarily on two directions:

- improving the energy class of older and more inefficient buildings through renovation;
- preferring climate-friendlier energy sources in newer buildings.

Along with the wider adoption of energy produced from renewable sources, a reduction is expected in the near future in both the environmental impact of energy production and in greenhouse gas emissions as a whole.

Opportunities to reduce the climate impact of energy use in buildings across the value chain:

Mitigation measure	Who?
Increased use of renewable energy in the management of buildings	End Consumers
Increasing the energy efficiency of buildings	Contracting authorities
Consumption habits	End Consumers
Energy saving planning in the preparation of a construction project	Contracting authorities
Use of building materials with a lower carbon footprint	Contracting authorities

Merko has no direct opportunities to influence the energy use of buildings.

Production of building materials

It is estimated that the largest sources of emissions associated with the production of building materials are the production of cement and steel, where production processes involve both the direct release of greenhouse gases into the atmosphere and an indirect CO₂ footprint through energy consumption.

However, assessing the overall climate impact of the production of building materials remains controversial, and as far as Merko is aware, there are no scientific studies that would significantly influence current preferences in the selection of building materials. The primary point of debate is the choice of the time period for assessing the climate impact.

Measures to reduce the climate impact of the production of building materials across the value chain:

Mitigation measure	Who?
Increased use of renewable energy in production processes	Producers
Establishment of local energy production plants	Producers
Streamlining production processes and innovating	Producers
Decarbonisation of production processes	Producers
Developing alternative low-carbon materials	Producers
Increasing circularity and recycling	Manufacturers, designers
Local production and logistics optimization	Manufacturers, resellers

Merko has no direct influence over the production of building materials. The extraction of aggregates, which falls within Merko's operational scope, has been classified under the direct environmental impacts of construction activities rather than as part of building material production.

MEASURES, INDICATORS AND TARGETS RELATED TO CLIMATE CHANGE ADAPTATION (E1-2, E1-3, E1-4)

Merko has not established separate transition plans, measures, or targets related to climate change, as the company's direct opportunities to influence climate change are limited and no significant climate risks to the company's business activities were identified during the analysis. The general ESG policy principles established at the Group level are considered sufficient for managing environmental impacts, and there are no plans to implement additional measures in the near future.

Consistent monitoring of greenhouse gas emissions is conducted across the Group's subsidiaries; however, due to the cyclical nature of the construction sector and the varying stages of project completion, these indicators are not directly comparable on a year-to-year basis. Owing to this inherent dynamism, it has not been considered expedient to establish specific targets in this regard at the time of preparing this report or for the foreseeable future.

Regarding the green transition, Merko considers it most important to ensure the retention of the professional competence and expertise of its employees. To achieve this, consistent training and other development activities for employees will continue, ensuring the company's readiness and capacity to adapt operationally to market trends and to service changing demand.

ENERGY CONSUMPTION AND MIX (E1-5)

Merko's energy consumption profile consists of electricity and heating consumption, as well as the combustion of motor fuels used in vehicles and machinery, which are addressed within the sustainability reporting framework across three scopes.

Scopes 1 and 2 are related to the activities of Merko's own organisation, and this portion of energy consumption is measurable through utility and fuel invoices provided by service providers. Scope 3 is related to the energy consumption of subcontractors at construction sites where, depending on the terms of the concluded agreements, the energy consumption may be included in the costs of either Merko or the subcontractor. Such allocation of energy costs is justified from a business perspective and ensures a control mechanism to verify that energy consumption is efficient and purposeful; however, in the context of sustainability reporting, it creates a data accessibility issue.

For the preparation of the 2025 report, the energy consumption data of Merko's subcontractors and suppliers are not yet sufficiently available and therefore are not presented in this report. Discussions to meet future data requirements have been initiated with several subcontractors, and relevant processes are under development with the aim of ensuring the availability of the required information in the future.

Energy consumption and mix	2025	2024	Variance	Variance, %
1) Fuel consumption from coal and coal products (MWh)	0	0		
2) Fuel consumption from crude oil and petroleum products (MWh)	9,559	9,518	41	0%
3) Fuel consumption from natural gas (MWh)	10,120	10,457	-337	-3%
4) Fuel consumption from other fossil sources (MWh)	0	0		
5) Consumption of purchased or acquired electricity, heat, steam and cooling from fossil sources (MWh)	1,190	1,275	-85	-7%

Energy consumption and mix	2025	2024	Variance	Variance, %
6) Total fossil energy consumption (MWh) (calculated as the sum of lines 1 to 5)	20,869	21,251	-382	-2%
<i>Share of fossil sources in total energy consumption (%)</i>	98%	97%		
7) Consumption from nuclear sources (MWh)	0	0		
<i>Share of consumption from nuclear sources in total energy consumption (%)</i>	0%	0%		
8) Fuel consumption from renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin, biogas, renewable hydrogen, etc.) (MWh)	0	0		
9) Consumption of purchased or acquired electricity, heat, steam and cooling from renewable sources (MWh)	519	558	-40	-7%
10) The consumption of self-generated non-fuel renewable energy (MWh)	0	0		
11) Total renewable energy consumption (MWh)	519	558	-40	-7%
12) (calculated as the sum of lines 8 to 10)				
<i>Share of renewable sources in total energy consumption (%)</i>	2%	3%		
Total energy consumption (MWh) (calculated as the sum of lines 6, and 11)	21,387	21,809	-422	-2%

According to Commission Delegated Regulation (EU) 2022/1288, Merko operates in two sectors with high climate impact – sectors F (Construction) and M (Real Estate Activities) as per the NACE classification. Consequently, the following information regarding energy intensity metrics is presented.

Energy intensity per net profit	2025	2024	Variance, %
Net profit for the period, thEUR	310,941	539,049	-42%
Energy consumption for the period (impact areas 1 and 2), MWh	21,387	21,809	-2%
Total energy consumption from activities in sectors per net profit from activities in high climate impact sectors (MWh/thEUR)	0.069	0.040	70%

The net revenue of 310,941 tEUR used in the energy intensity calculation is consistent with the line item 'Revenue' in the Group's 2025 income statement (see the 'Consolidated Statement of Comprehensive Income' section of the financial statements).

Merko's energy consumption volume decreased slightly in 2025 compared to the previous year, and some changes also occurred in the profile of energy sources. Compared to the previous year, the consumption of natural gas decreased the most (-8%), which was related to seasonal factors in the road construction business. Total energy consumption related to machine fuels remained largely at the same level; however, compared to the previous year, diesel consumption decreased (-5%), while petrol consumption increased (+7%). Changes also occurred in the use of renewable energy, the share of which decreased by -1 percentage point. The listed changes are predominantly related to work stages determined by the completion levels of construction sites and the specific characteristics of the business cycle; therefore, they are indicative and not suitable for assessing trends.

GREENHOUSE GAS EMISSIONS (E1-6)

The carbon footprint associated with the activities of the Merko Group consists primarily of energy and fuel consumption, and the climate impact of building materials arising from the value chain. To a lesser extent, greenhouse gas (GHG) emissions may also be generated during groundworks and waste management; however, compared to the aforementioned primary impact areas, these and the remaining categories set out in the ESRS standard were assessed as non-material.

The calculation of the carbon footprint is based on the principles of the GHG Protocol Corporate Standard, distinguishing between three scopes:

- Scope 1 assesses the direct GHG emissions from the Merko Group's activities, which are primarily related to the consumption of motor fuels used by the company;
- Scope 2 focuses on the consumption of purchased electricity and heating in Merko's offices and on leased premises under the company's control. Indirect GHG emissions related to energy consumption are taken into account;
- Scope 3 assesses the indirect climate impact arising from the value chain, which is related to the activities or decisions of third parties.

The input data for the calculations has been collected by country from the most significant subsidiaries. The emission factors used are primarily based on the greenhouse gas (GHG) footprint model for organizations developed by the Ministry of Climate. For the calculation of location-based electricity, data from the Carbon Database Initiative platform has also been used, representing the best available information at the time of reporting.

For Scope 1, uniform emission factors from the Ministry of Climate have been applied across all countries, based on the assumption that specific emission factors for motor fuels do not depend on location. In contrast, country-specific location-based factors have been used for electricity and heating energy (Scope 2).

Due to the limited availability of detailed input data from the value chain, transitional provisions are applied to Scope 3, and data regarding Scope 3 are not disclosed in this report.

In 2025, Scope 2 includes, among other items, finished goods consisting of completed but unsold apartments. This finished inventory comprises individual units in completed buildings, involving minimal electricity consumption and heating costs during the winter periods. Finished inventory consists of individual apartments in completed buildings, which entail minimal electricity consumption and, during winter periods, heating costs. Since inventory is in constant flux and the heating of vacant apartments occurs according to the needs of the owners of sold apartments in the same building and as a proportion of the building's overall energy costs, a precise assessment of this impact is complex and estimated. As of the end of 2025, the remaining portfolio across all subsidiaries totalled 133 completed apartments not yet handed over to customers, and their indirect GHG footprint is estimated to be in the magnitude of 3% of Merko's total Scope 1 and Scope 2 GHG emissions.

Starting from the current report, 2024 is used as the base year against which emission values are compared. The 'Comparison, %' is calculated relative to the 2024 base and rounded to the nearest whole number.

	2025	2024	Variance	Variance, %
Scope 1 GHG emissions				
Gross Scope 1 GHG emissions (tCO ₂ eq)	2,400	2,402	-2	0%
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)	0%	0%		
Scope 2 GHG emissions				
Gross location-based Scope 2 GHG emissions (tCO ₂ eq)	3,100	3,466	-366	-11%
Gross market-based Scope 2 GHG emissions (tCO ₂ eq)	2,783	3,070	-287	-9%
Significant Scope 3 GHG emissions (not included in the 2025 report)				
Total Gross indirect (scope 3) GHG emissions (tCO ₂ eq)				
1. Purchased goods and services	-	-		
2. Capital goods	-	-		
3. Fuel and energy related activities (not included in Scope 1 or Scope 2)	-	-		
4. Upstream transportation and distribution	-	-		
5. Waste generated in operations	-	-		
6. Business traveling	-	-		
7. Employee commuting	-	-		
8. Upstream leased assets	-	-		
9. Downstream transportation	-	-		
10. Processing of sold products	-	-		
11. Use of sold products	-	-		
12. End-of-life treatment of sold products	-	-		
13. Downstream leased assets	-	-		
14. Franchises	-	-		
15. Investments	-	-		
Total GHG emissions				
Total GHG emissions (location-based) (tCO ₂ eq)	5,500	5,868	-368	-6%

	2025	2024	Variance	Variance, %
Total GHG emissions (market-based) (tCO ₂ eq)	5,182	5,472	-289	-5%
Location-based GHG emissions per net income (t CO ₂ eq./net income)	0.018	0.011		
Market-based GHG emissions per net income (t CO ₂ eq./net income)	0.017	0.010		

SCOPE 1 - USE OF MOTOR FUELS

In 2025, the location-based carbon emissions resulting from the combustion of motor fuels used by Merko totalled 2,400 tCO₂eq, which is on the same level as the previous year's result (2,402 tCO₂eq, -0.1%).

Diesel consumption accounted for 56% and petrol consumption for 44% of the GHG emissions from cars and machinery. This proportion has changed somewhat compared to the previous year—in 2025, petrol consumption increased by +7%, while diesel consumption decreased by -5%, due to the specific characteristics of the business cycle and the completion levels of construction projects. As the diesel fuel used in heavy equipment has a larger contribution to the GHG footprint than petrol due to a higher emission factor, the total Scope 1 GHG emissions decreased despite a slight increase in petrol use.

By country, the largest contribution to the GHG footprint was made by Estonia (81% of Scope 1 emissions), followed by Lithuania (13%) and Latvia (6%). The proportions between countries have remained generally the same, with Estonia's share decreasing slightly (-1%) and Latvia's contribution increasing (+2%).

The significantly large proportion of Estonia is due to both larger business volumes and several Estonia-based businesses. In the construction of buildings, construction machinery and heavy equipment are mostly owned by subcontractors or rental companies, which categorises them under Scope 3 and is not presented in this report. In contrast, the machinery fleets for road construction and quarrying activities are owned by the Group's subsidiaries AS Tallinna Teede and Merko Kaevandused OÜ, and are therefore reported under Scope 1. As the heavy equipment in both road construction and quarrying activities primarily uses diesel as fuel, Estonia's Scope 1 GHG footprint is disproportionately large compared to those of other countries.

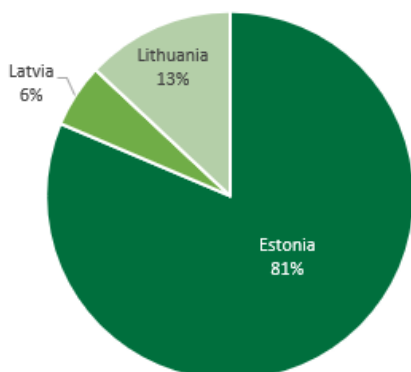


Figure: Scope 1 GHG contribution by country

SCOPE 2 – USE OF ELECTRICITY AND HEAT ENERGY

In 2025, the location-based footprint for electricity and heating reported under Scope 2 was 3,100 tCO₂eq, which is 11% lower than in 2024 (3,466 tCO₂eq). The most significant contribution to this change came from the amounts of natural gas and electricity consumed in road construction. The GHG footprint for road construction is directly dependent on business volumes and weather conditions.

By country, the vast majority of Scope 2 GHG emissions originated from Estonia (98%, compared to 97% a year earlier), while the contribution of subsidiaries in Latvia and Lithuania is non-material. The primary reason for this proportion lies in the fact that the asphalt plant used for road construction is owned by the Group and falls under Scope 2, whereas the electricity and heat energy used at building construction sites mostly falls under Scope 3. Other contributors, such as the activities of Merko's own offices and support functions, are non-material in this context.

By energy type, the largest contribution came from the footprint associated with natural gas consumption (70%), of which 66% consisted of consumption by the asphalt plant.

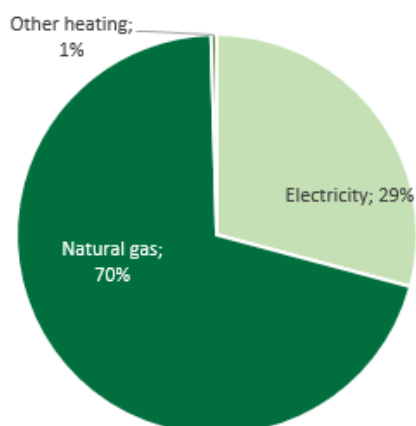


Figure: Scope 2 location-based GHG contribution by energy types.

SCOPE 3 – CLIMATE IMPACT FROM THE VALUE CHAIN

The climate impact arising from Merko's value chain is primarily related to:

- the production of building materials,
- the activities of subcontractors; and
- the fuel and energy consumption of construction sites.

As most subcontractors and building material producers do not fall under the CSRD reporting obligation, reliable and comparable reporting on their climate impacts is either non-existent or still in the development phase. Therefore, in its 2025 sustainability report, Merko applies the transitional provision regarding Scope 3, and due to the limited availability of data, corresponding quantitative data are not presented.

It is estimated that the largest climate impact in the construction value chain is the GHG emissions associated with the production of building materials. In this stage, the industrial processing of natural resources into building materials takes place, the climate impact of which is caused by:

- direct production processes during which various particles are released into the atmosphere;
- indirect energy consumption, which increases the GHG footprint of the materials.

In Merko's assessment, additional time is required to determine the scientifically confirmed values of the actual climate impact of materials, as current emission factors do not reflect the actual climate impact of several materials with sufficient accuracy. For example:

- Scientific studies have shown that during a building's service life, concrete can bind approximately the same amount of carbon as is released during cement production; however, emission factors only account for emissions generated during the production stage.
- In Merko's view, there are several uncertainties in the GHG calculations for bitumen. Bitumen is the final product of oil refining, from which more valuable fractions have been previously removed and which is not used as fuel or incinerated. Oil pumping is not carried out for the purpose of producing bitumen; therefore, the assessment of the GHG impacts of bitumen boils down primarily to a conventional allocation between the stages of the oil-related value chain. To meet requirements set by clients, the Merko Group has developed the capacity to produce asphalt mixes with binders that replace bitumen, but this does not reduce the volumes of the aforementioned oil pumping and refining residues.

Currently, a complete and systematic dataset regarding the consumption of motor fuels and energy used at construction sites is lacking, as many subcontractors are not subject to reporting obligations and are not motivated to collect such data systematically and consistently. During the current reporting period, this information is incomplete and is not reflected in this report.

GREENHOUSE GAS REMOVALS, EMISSION REDUCTION PROJECTS AND IN-HOUSE PRICING

Merko has not implemented internal carbon pricing, as the company assesses that it would not currently create added value or substantially improve the management of carbon impacts. Furthermore, no separate carbon reduction projects have been launched, as the company's business model is primarily based on the provision of construction services, where carbon emissions are predominantly generated:

- during the execution of commissioned works; or
- when fulfilling solutions and technical choices specified by the client.

Merko's contribution to achieving carbon neutrality goals is manifested primarily through the construction of more climate-friendly buildings and facilities, in accordance with the requirements of clients and customers and applicable regulations. Merko supports climate change adaptation and emission reductions by implementing environmentally conscious orders,

using modern and more energy-efficient solutions where these are specified in tender conditions or preferred due to market expectations.

RESOURCE USE AND CIRCULAR ECONOMY

ASSESSMENT OF MATERIAL IMPACTS, RISKS AND OPPORTUNITIES RELATED TO RESOURCE USE AND CIRCULAR ECONOMY (ESRS 2, IRO-1)

The assessment of environmental impacts related to Merko's resource use and circular economy was conducted during the double materiality assessment, the methodology of which is described in the chapter "Double Materiality Assessment Process". The assessment was performed across the value chain by business segments, mapping the interface between construction activities and resource use, as well as potential decision-making and influence opportunities.

The assessment reinforced the understanding that construction is inherently a resource-intensive activity, the primary impact of which is manifested through the life cycle of building materials. The impact on natural resources is mainly concentrated in the planning phase, where the types and quantities of building materials are defined alongside the building concept and design project. As natural resources are predominantly used as inputs in the production of building materials, the built environment as a whole has a significant impact on the optimal use of natural resources.

The provision of construction services entails the building of structures and facilities that meet the conditions specified in the project using predetermined materials. Although a construction service provider handles a large volume of materials during the active construction phase, there are no opportunities at this stage to alter the material quantities or types specified in the project.

From the perspective of resource use and the circular economy, the primary impact area of construction activities is waste management. The generation of waste during construction works is unavoidable, and the role of the construction service provider is to organise site processes in a way that ensures the systematic collection of waste and its correct handover to waste management partners. This prevents pollution risks and creates the preconditions for the potential circular reuse of waste.

In the waste management of construction services, Merko's role primarily consists of organising the correct sorting of waste at construction sites, which enables an increase in their reuse potential and directly reduces the need for raw materials sourced from nature.

In the road construction business segment, the resource impact is mainly manifested in the use and reuse of materials. Material quantities are directly dependent on business volumes; therefore, it is not possible to reduce material use without compromising business activities. The use of natural resources can be reduced by reusing milled bitumen particles as aggregate in asphalt production; however, the extent of reuse is limited by the threshold values for the composition of the asphalt mix and other technical requirements specified in the tender conditions.

In the real estate development sector, the interface with resource use planning is related to the design of the concept and construction volumes of the area under development. In development projects, where other conditions are equal, environmentally friendlier materials are preferred whenever possible.

Merko's quarrying activities are focused on the extraction of aggregates, which has a direct link to the use of natural resources. Excavated volumes depend on orders, and the primary impact area for the extractor is compliance with statutory requirements and the mitigation of environmental risks.

Communication with affected communities across all business lines is conducted on as-needed basis and is primarily related to quarrying activities (access roads, dust and noise control, etc.). In the case of construction and real estate development, separate community engagement regarding resource use is generally not required, as significant requirements and restrictions are defined through the detailed plan and the design project.

During the double materiality assessment, the potential financial impact related to resource use and waste management was also assessed. In the context of construction services, the financial impact primarily arises from potential fines related to waste management. In the case of service provision and real estate development, there is a potential risk of a sharp increase in the price of building materials, which is mostly mitigated by material procurement contracts and is not directly related to climate change, considering the timeframes of construction projects. The probability of both cases occurring was assessed as low.

Due to the importance of waste management, Merko assesses the topic of resource use and the circular economy as material as a whole. The financial impact and the environmental impact related to resource use were assessed as non-material.

MANAGEMENT OF RESOURCE USE AND WASTE MANAGEMENT (E5-1)

The framework for the resource use of buildings and facilities is already defined during the design phase. All construction projects must comply with the requirements set out in legislation and design specifications, which regulate the types and

quantities of materials used, in addition to environmental conditions. As a construction service provider, Merko is obliged to base its activities on these requirements; therefore, there is no need to establish additional general guidelines.

Building materials are procured from reliable contractual partners, and all delivered materials must possess a manufacturer's certificate of conformity. In the selection and procurement of materials, attention is paid to quality, durability, and environmental impact.

Merko's waste management is divided into two main areas: preventative material planning and site waste management:

- Preventative management involves the optimisation of material use already at the project budgeting and planning stage to reduce waste generation. Precise material planning and supply chain management are part of Merko's budgeting processes and support both resource efficiency and profitability.
- Site waste management focuses on the selective collection, storage, and handover of generated waste in accordance with legislation and internal company requirements.

Waste management is important at construction sites from the perspective of preventing pollution, enabling a circular economy, and complying with statutory requirements. Activities related to construction waste and waste management are regulated both by legislation and through the company's internal, project-specific waste management plans, which are part of the quality management system.

In larger subsidiaries, quality management processes are managed and supervised by relevant quality departments; in smaller companies, this role is performed by full-time or part-time quality specialists. The project team is responsible for the practical implementation of waste management, while quality specialists monitor compliance with waste plans and process quality through random site visits and prepare waste management reporting.

From the perspective of the circular economy, no separate guidelines or processes have been established, as most construction waste is not directly reusable. However, material residues—such as crushed concrete or milled bitumen—are reused whenever possible, primarily in road construction, where this helps to reduce both costs and the volume of waste. In other cases, cooperation is undertaken with professional and certified waste management partners who ensure the proper recovery or disposal of materials.

ACTIVITIES AND OBJECTIVES RELATED TO RESOURCE USE AND WASTE MANAGEMENT (E5-2, E5-3)

Merko has not established separate targets related to resource use and waste management. The processes required to manage these impacts are structured around compliance with statutory requirements. Optimal resource use is ensured through the general objective of profitability, as the use of building materials is the largest cost component in the construction value chain. Effective resource use is therefore integrated as a natural part of the construction business model, ensuring the optimal use of materials and preventing waste. The planning of material costs plays a significant role in project profitability, while simultaneously supporting the sustainable use of natural resources.

In organising waste management, it is essential that all residues and unused materials are systematically collected and sorted. This mitigates pollution risks and creates opportunities for the reuse of these resources through circular economy principles. Waste management planning begins during the preparation phase of a construction site, alongside the assessment of environmental aspects. During this process, the nature of the planned works is assessed and a waste plan is prepared, outlining the types and quantities of waste expected to be generated on-site, the organisation of waste collection and storage, and the selected waste management partner.

Reporting plays an important role in the management of waste management, enabling the identification of bottlenecks in site waste management and providing feedback to project teams. As the proportion of selective waste sorting depends on the nature of the projects and the construction stage, comparing data between periods is of little informative value, and setting quantitative targets is considered groundless. Therefore, at the Merko Group level, no targets for resource use or waste management have been set beyond the objective of complying with legislative requirements. Subsidiaries prepare more detailed reporting by waste type, quantity, and construction site, based on which total waste quantities and the proportion of sorted waste are reported at the Group level.

In 2025, work continued on streamlining waste management reporting for sustainability reporting purposes, with increased attention paid to the selective sorting of waste and the establishment of uniform principles across subsidiaries. From a resource use perspective, there are plans in the near future to begin reporting for the assessment of indirect resource impacts arising from the value chain; however, during the current reporting period, the necessary data for this were not yet sufficiently available.

At the same time, the Group intends in the medium term, as relevant data becomes available, to implement requirements in its daily operational instructions to monitor the compliance of long-term subcontractors and suppliers with ESG principles, including waste management and resource use principles. In the event of disregard for ESG principles, permanent business relationships will not be established, and where other conditions are equal, preference will be given to partners whose compliance with ESG principles has been assessed by independent international evaluators or whose compliance can be verified based on reliable methodologies.

USE OF NATURAL RESOURCES (E5-4)

The resource use of a building is influenced by its intended use, size, shape, and other parameters defined during the early planning phase. One significant aspect is the construction of underground floors, which has a substantial impact on the building's resource use. The resource use planned in the design project is realised on the construction site through the actual use of building materials. The impact of resource use on nature is manifested through the construction value chain, where the impact on natural resources is primarily concentrated in the production stage of building materials.

In construction, non-renewable natural resources are mostly used as inputs, for which no large-scale, more environmentally friendly alternatives have been found to date. The scarcity of alternatives is due, on the one hand, to the fact that the raw materials for the most commonly used construction materials—such as concrete, steel, and glass—are sufficiently available in nature, and their replacement is currently not necessary from the perspective of resource depletion. On the other hand, the adoption of alternative materials is limited by their technical properties and reliability, which require extensive and long-term scientific research to ensure the safety and durability of the buildings being constructed.

As an alternative and renewable material, the use of timber in load-bearing structures is being increasingly tested, as is the application of straw, reed, and other natural recyclable materials on a smaller scale. However, in Merko's assessment, there are no reliable and economically viable alternatives to concrete for large and complex buildings in the near future. Therefore, it is expected that in the coming years, the production of traditional building materials with a lower environmental impact will become increasingly important, rather than their complete replacement.

The material requirements of Merko's business lines and the resulting impact on natural resources are, in broad terms, defined by market demand. Resource use is divided into direct and indirect:

- a) **Direct resource use** is related to the activities of the subsidiary Merko Kaevandused, which is engaged in the quarrying of construction sand, gravel, and crushed stone. The volume of quarrying results directly from market demand, and in 2025, the total volume of quarrying was 561,245 tonnes (2024: 278,132 tonnes).
- b) **Indirect resource use** results primarily from the volume of building materials contained in construction service provision and real estate development projects.
 - o In the case of general contracting for construction services (including road construction), the clients are third parties, and the material use of projects is defined through the procurement process and the design project.
 - o In the real estate development segment, Merko acts as the client, and the impact on resource use is manifested through the conceptual solution of the buildings. The planning of buildings is based on market demand, and the concept is designed to meet the expectations of potential customers as effectively as possible. Architectural and structural engineering solutions are selected through a competition process and, in accordance with the best modern practices, attention is also paid to the optimisation of resource use.

A wide range of different building materials is used during construction activities:

- In the construction of buildings, concrete and steel are estimated to have the largest shares.
- In road construction, the main inputs are sand and aggregate.

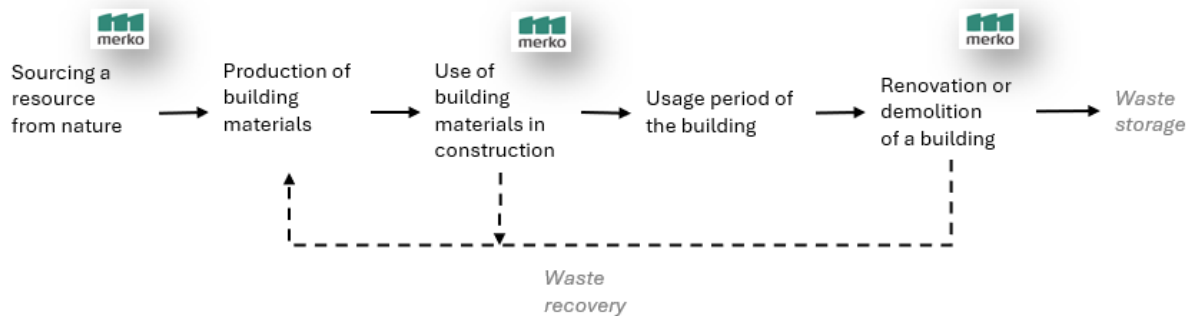
The quantities and timing of material use depend on the content and completion levels of the construction projects. For example, during the construction phase of a building's foundations and load-bearing structures, material use is predominantly based on concrete and steel, whereas during the interior finishing stages, more specific materials such as paints and tile adhesives are used. As construction projects typically last several years, the varying completion levels of the projects significantly affect the material use of a single specific reporting year. Consequently, discrepancies between projects distort annual quantities and render year-on-year comparisons meaningless.

Currently, the availability of data regarding the resource use of construction sites is deficient and the quality of existing information is inconsistent; therefore, it is not possible for Merko to reliably measure the resource use of all sites. In 2024 and 2025, the underlying principles for collecting resource use statistics were agreed upon for the major material groups (cement, steel, timber, bitumen, fill sand), and an initial overview was prepared for the Latvian and Lithuanian markets, where there were fewer ongoing projects. In subsequent periods, there are plans to continue expanding data collection to projects in the Estonian market and to supplement the uniform principles for the classification and collection of materials.

It is expected that the challenges of resource use data collection can be resolved in the coming years through LCA assessments becoming mandatory for new buildings and the wider adoption of electronic product certificates (including environmental impact certificates). Additionally, the broader implementation of IT solutions supporting data collection and work processes is expected, enabling more accurate and systematic accounting of resource use than before.

WASTE MANAGEMENT(E5-5)

The value chains of construction, road construction, real estate development, and quarrying activities are closely linked to the life cycle of building materials.



Regarding the building materials used during the construction process:

- a) Completed structures are produced and handed over to the client or customer. Resources sourced from nature are preserved in buildings and facilities in the form of building materials until the moment they require renovation or demolition. Subsequently, the materials once again become waste, which is either landfilled or directed toward recovery.
- b) Construction waste is generated, which—depending on the type of waste and available options—is either reused on the same site, removed from the construction site for disposal, or directed toward recovery by a waste management operator.

For building materials with the estimated largest shares, such as concrete and steel, significant surpluses generally do not occur during construction. Residues of these materials are primarily associated with demolition works taking place during the preparatory phase of the construction site. Where possible, such waste is used as groundworks fill on the same site or other construction sites, and excess quantities are handed over to a waste management partner. In road construction, provided that the technical conditions of the tender allow it, it is possible to reuse milled asphalt particles as aggregate in the production of new road surfacing.

The vast majority of waste generated during construction activities consists of smaller quantities of residues from more specific materials. A distinction can be made between surpluses of used materials and unused materials. Since most buildings and facilities under construction are structurally unique, the quantities and types of waste vary significantly from project to project. The direct reuse of such materials is mostly limited, as from a circular economy perspective, most construction waste cannot be reused immediately without prior reprocessing (except for unused materials). During reprocessing, materials lose their manufacturer's certificates; therefore, according to statutory requirements, it is not permitted to use them again in construction. Applying for new certificates for small quantities of waste is disproportionately expensive, and Merko's subsidiaries lack the necessary technological and professional capabilities for this. Consequently, most construction residues are removed from the construction site as waste, and the potential reuse of materials occurs mostly indirectly through the activities of waste management partners.

Merko places significant emphasis on high-quality waste sorting, which enables waste management partners to direct a larger proportion of the handed-over waste toward recovery more efficiently. To support this, waste quantities and sorting proportions are monitored within the Group's subsidiaries. Merko lacks more specific and detailed information regarding the subsequent reprocessing of waste and the performance of the circular economy.

A significant by-product of the construction process is also excavated soil and stones, which, according to legislation, are not classified as construction waste. From the perspective of resource use, this is not a resource at significant risk of depletion, as the properties of excavated soil do not change significantly over time. A more important impact area is the fuel consumption of the machinery associated with the excavation and transport of soil, which is addressed in the climate change chapter. Nevertheless, excavated soil and rocks are by volume the largest by-product of the construction process, for which a new location or application must be found upon completion of the project.

The quantities of excavated soil depend largely on the nature of the construction project. In the construction of buildings with underground floors, the excavated volume is significantly larger. In most cases, the soil is used as groundworks fill or for landscaping on the same or another site. In the event of large surplus volumes, the sale of soil is possible; however, this is an irregular activity that Merko has not mapped separately, as its measurement does not provide significant added value.

Information related to waste management is collected at the subsidiary level in each country, and the consolidated data are presented in the tables below:

Group waste generation	Goal	2025	2024	Variance	Variance, %
Hazardous waste,	-	9.3	7.3	2.0	27%
Non-hazardous waste,	-	4,346	7,267	-2,921	-40%
Total amount of waste, t	-	4,356	7,274	-2,918	-40%
Sorted waste,	-	1,683	3,397	-1,714	-50%
Mixed waste,	-	2,673	3,878	-1,205	-31%
Share of sorted waste, %	-	39%	47%	-8%	-18%

2025, in tonnes	Total	Hazardous waste	Non-hazardous waste
Preparing for reuse	Information not available, transitional provision applied		
Recycling			
Other disposal operations			
Total quantity diverted from disposal	0	0	0
Burning	Information not available, transitional provision applied		
Landfilling			
Other disposal operations			
Total quantity for disposal	4,356	9.3	4.346
Total amounts of waste	4,356	9.3	4.346

Waste volumes generated during construction activities are directly dependent on the nature of the projects in progress and their stages of completion. Since the types and volumes of waste associated with different construction phases vary significantly, annual waste statistics are not directly comparable in terms of content across periods.

In 2025, the total volume of waste decreased significantly compared to the previous period (2025: 4,356 t; 2024: 7,274 t), which is explained by several large-scale projects reaching their final stages of completion during the reporting year. At the same time, the volume of hazardous waste increased slightly (2025: 9.3 t; 2024: 7.3 t). This increase is primarily due to the finishing stage of projects, during which a larger volume of paint residues, hazardous packaging, and cleaning agents is generated.

EU TAXONOMY OF SUSTAINABLE ECONOMIC ACTIVITIES

The reports presented below have been prepared in accordance with Regulation (EU) 2020/852 of the European Parliament and of the Council (the so-called Taxonomy Regulation) and the European Commission Delegated Regulations (EU) 2021/2178, 2021/2139 and 2023/2486, which complement it in technical aspects (reporting requirements and screening criteria).

METHODOLOGY FOR PREPARING REPORTS

The performance indicators presented in the taxonomy report have been calculated based on the general accounting principles used in the preparation of the annual report (see Note 1 to the annual report). The activities of the Merko Ehitus group are project-based (construction and real estate development projects), therefore we chose the project-based approach as the basis for preparing the reports. The project-based accounting rules effectively eliminate the occurrence of double counting in reporting. Uniformly in both the construction service and housing development segments, at the start of the project, the activities and criteria of environmental sustainability (taxonomy alignment) of the project are analysed according to the nature of the project and the project documentation. First, the activities described as construction-related are assessed; if no description of the activity corresponding to the project is found among them, then the conformity of the descriptions of other activities is assessed. If the project meets the criteria for "substantial contribution" set out in the regulation and there is no violation of any of the "do no significant harm" principles or minimum safeguards¹, then the project is classified as environmentally sustainable. If the project meets the description of the activity but does not meet the criteria for "substantial contribution" or there is a violation of at least one of the "do no significant harm" principles or minimum safeguards, then the project is classified as taxonomy-eligible but not environmentally sustainable. If the project does not meet description of any of the activities set out in Regulation 2021/2139 or 2023/2486, then the project is classified as an activity not covered by the taxonomy. In assessing compliance with the activities described in the regulations, the best available knowledge is used, and in the case of activity descriptions with similar content, preference is given to activities whose fulfilment of the screening criteria Merko Ehitus is able to assess independently, for avoidance of dependency from third-party data input.

The criteria for substantial contribution are applied in the analysis of projects with maximum conservatism, i.e. if Delegated Regulation 2021/2139 or 2023/2486 presents several criteria for the environmental sustainability of the relevant activity and there are no clearly defined rules of meeting only one or some of the criteria, then the project is classified as taxonomy-aligned only if it meets all the criteria. In accordance with the amendments to the European Commission Delegated Regulations (EU) 2021/2178 in 2025 (Delegated Regulation (EU) 2026/73 of 4 July 2025) and Article 4 of the same legal act, the Merko Group applies the materiality threshold allowed in Article 2(1a) and (1b) of Regulation (EU) 2021/2178 as amended, and does not assess what is covered by the taxonomy of non-significant activities or their compliance with it. The Merko Group also applies the exemption granted in Article 2(1c) of the latter legislation in respect of operating expenses. Operating expenses are not significant from the point of view of Merko Ehitus's business model, as the majority of operating expenses occur only in the presence of projects and in the case of cyclical economic activity, the decrease in projects leads to a proportional decrease in operating expenses. For a more detailed description of Merko Ehitus's business model, see the chapter "Strategy, business model and value chain (SBM-1)" of the consolidated sustainability report. The lion's share of administrative expenses (see Note 6 to the financial statements) is made up of general administration personnel costs (75%, 2024:76%), which are not described in the taxonomy, and do not include the expenses referred to in Annex I 1.1.3.1 of Regulation 2021/2178 for research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures related to the day-to-day servicing of assets of property, plant and equipment.

In the Merko Ehitus group, activities that support the core activities (construction services and residential real estate development) are considered insignificant, and the Merko Group does not separately target the sales turnover or profit of insignificant activities. The sales turnover of insignificant activities arises whilst operating in the construction market if prepared construction contracts are not concluded or when activities from cancelled projects are invoiced. For example, sales turnover is generated by planning procedure, design, project management services and the rental of construction equipment, the sale of used construction equipment or office equipment, and other similar insignificant activities.

Although all activities are an integral part of Merko Ehitus, in order to focus on what is important and limit unreasonable expenditures on low-value activities, Merko Ehitus has only analysed the turnover related to core activities (construction services and real estate development). Activities not related to core activities accounted for 3.86% (2024: 0.32%) of turnover. Capital expenditures also remain classified as taxonomy non-eligible activities for reporting purposes if they are not described as an independent project or their purpose cannot be linked with sufficient accuracy to the activities described in the taxonomy. Smaller one-off capital expenditures have not been analysed in terms of substantive compliance or assessed for their compliance with the screening criteria for the same reasons as turnover not covered by core activities. In capital expenditure, non-material activities accounted for 1.54% (2024: 19.85%).

In project-based activities, capital and operating expenses directly related to the project are reported as part of the project, and independent capital and operating expenses occur in the areas of general management and support services of the company. There is no direct and clearly identifiable link between the capital and operating expenses of general management

¹ Minimum safeguards are the procedures set out in Article 18 of the Taxonomy Regulation, compliance with which is described in the Governance Information chapter of the consolidated sustainability statement.

and support services and the specific project. Since general management and support services exist regardless of the share of taxonomy aligned projects in the operating volumes, we have, for the sake of conservatism and to prevent greenwashing, we have proceeded from the principle that the corresponding expense must itself have an environmentally sustainable nature and characteristics in order to be reported as environmentally sustainable. Thus, in the 2026 financial year, only 3 cars with a hybrid drive, which will be used exclusively to service the Pāgēģiai and Smiltene wind farms, and a backup generator for the Pasvalys wind farm, will be classified as taxonomy-aligned capital expenditure. Regulation 2021/2178 allows capital and operating expenses necessary for the implementation of activities not covered by the taxonomy to be classified as environmentally sustainable if such expenses are used to acquire assets or services from an economic activity that is in line with the taxonomy and it constitutes an individual measure that allows the main activity to permanently reduce CO2 emissions. The preparation of reporting is complicated by the complex structure of Annex 1, point 1.1.2.2. of Delegated Regulation 2021/2178 on the classification of capital and operating costs as environmentally sustainable, which requires the establishment and disclosure of an appropriate program as a prerequisite for classification as environmentally sustainable capital and operating costs. Merko Ehitus group has not established such a program for environmentally sustainable capital and operating costs.

Based on the principle of conservatism, the Merko Ehitus group considers it an unreasonably high risk of greenwashing when preparing reports on capital and operating expenses to attribute the environmental sustainability label to capital and operating expenses that are not environmentally sustainable in terms of their content or characteristics, through the share of turnover from environmentally sustainable projects.

TAXONOMY PERFORMANCE INDICATORS

Sales revenue (total amount presented in taxonomy report 2) is presented in the consolidated statement of comprehensive income of the annual accounts. The key performance indicator (KPI) for taxonomy aligned sales revenue has decreased to 17% (2024: 33%), as in 2025 there was less volume of construction services in contracts with turnover that met the screening criteria. The largest construction projects in 2025 were the infrastructure facilities of the wind farm in Silale, Akmene, Kelmē I and Kelmē II, Pāgēģiai, Telšiai, Pasvalys, Kretinga, Rietava and Smiltene projects, the wind farm substation in Kelmē and the construction of a solar power farm in Vārme. In our opinion, the construction of these facilities complies with point 7.6 of Annex I to Delegated Regulation 2021/2139. In addition, light traffic, pedestrian and bicycle paths were built in Harku rural municipality, Kose-Uuemõisa and in Tallinn on Poska-Reidi road and in the Sütiste forest. In our opinion, the construction of these facilities complies with point 6.13 of Annex I to Delegated Regulation 2021/2139.

Capital expenditure (total amount presented in taxonomy report 3) is presented in notes 23 to 25 to the annual accounts under lines "Acquisitions and improvements" and "Reclassification from inventories". Three hybrid cars used to service the Pāgēģiai and Smiltene wind farms and a backup generator for the Pasvalys wind farm, were considered to be taxonomy-aligned capital expenditures, leading to a key performance indicator of 2% (2024: 0%).

It is not possible to indicate the correspondence of the operating expenses in the taxonomy to the annual accounts, the definition of the denominator of operating expenses set out in Annex 1 to Delegated Regulation 2021/2178, p.1.1.3.1 (*The denominator shall cover direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.*) does not meet the definition of operating expenses in the ordinary accounting of the Merko Ehitus group. There were no taxonomy-aligned operating expenses, the main performance indicator was 0% (2024: 0%).

In accordance with the updates of Delegated Regulation 2021/2178 in 2025, it is no longer necessary to submit a report on activities related to nuclear energy and natural gas as per Template 1 of Annex XII to that Regulation if there is no corresponding performance indicator. Consequently, the above-mentioned report is not presented in this report.

TAXONOMY REPORTS

No changes have been made to the accounting methods during the reporting period, except for changes directly resulting from the content updates (additional/amended requirements) of the European Commission Delegated Regulations 2021/2178, 2021/2139 and 2023/2486. A description of the general accounting methods is provided in Note 1 to the annual accounts.

A change has been made to the presentation method so that the report is presented using forms as published in Delegated Regulation 2021/2178 Annex II, but in the headers of the form, the repetitive word "taxonomy" has been omitted in some columns, where it only consumed space and did not add clarity.

The reports have been submitted in accordance with the templates set out in Regulation 2021/2178, updated in 2025 (Delegated Regulation (EU) 2026/73 of 4 July 2025) and authorised for immediate use by a transitional provision.

Report 1. Proportion of turnover, CapEx, OpEx from products or services associated with Taxonomy-eligible or Taxonomy-aligned economic activities – disclosure covering year 2025 (summary KPIs).

Financial year 2025	Breakdown by environmental objectives of Taxonomy aligned activities														
KPI (1)	Total (2)	Proportion of eligible activities (3)	Taxonomy- aligned activities (4)	Proportion of aligned activities (5)	Climate Change Mitigation (6)	Climate Change Adaptation (7)	Water (8)	Circular Economy (9)	Pollution (10)	Biodiversi- ty (11)	Proportion of enabling activities (12)	Proportion of transitional activities (13)	Not assessed activities considered non- material (14)	Taxonomy aligned activities in previous financial year (N-1) (15)	Proportion of aligned activities in previous financial year (N-1) (16)
Text	€ thousand	%	€ thousand	%	%	%	%	%	%	%	%	%	%	Currency	T
Turnover	310 941	96%	52 605	17%	17%	0%	0%	0%	0%	0%	28%	0%	4%	179 983	33%
CapEx	8 357	98%	130	2%	2%	0%	0%	0%	0%	0%	2%	0%	2%	0	0%
OpEx ¹	€	%	€	%	%	%	%	%	%	%	%	%	%	€	%

¹ OpEx row in Merko Ehitus group shall remain empty as Merko Ehitus is using the exception granted in 2021/2178 Article 2. clause 1.c.

Explanation based on Annex I, clause 1.2.3.1.b) of Annex 2021/2178): amounts related to taxonomy-aligned activities pursued for non-financial undertakings' own internal consumption in the reported sales turnover is zero. There were no activities that would significantly contribute to the achievement of several environmental objectives, so the table in footnote (c) of templates II of Annex 2021/2178 is not provided, the same data are provided in the presented reporting form.

Report 2. Proportion of Turnover from products or services associated with Taxonomy-eligible or Taxonomy-aligned economic activities – disclosure covering year 2025 (activity breakdown).

Reported KPI: Turnover													
Financial year 2025													
Economic Activities (1)	Code (2)	Taxonomy eligible KPI (proportion of eligible Turnover) (3)	Taxonomy aligned KPI (monetary value of Turnover) (4)	Taxonomy aligned KPI (proportion of aligned of Turnover) (5)	Environmental objective of Taxonomy aligned activities						Enabling activity (12)	Transitional activity (13)	Proportion of aligned in eligible (14)
					Climate Change Mitigation (6)	Climate Change Adaptation (7)	Water (8)	Pollution (9)	Circular Economy (10)	Biodiversity (11)			
Text		%	€ thousand	%	%	%	%	%	%	%	(E, where appl.)	(T, where appl.)	% ((5)/(3))
Construction, extension and operation of water collection, treatment and supply systems	CCM5.1	1%											0%
Renewal of water collection, treatment and supply systems	CCM5.2	1%											0%
Infrastructure for personal mobility, cycle logistics	CCM6.13	1%	751	0%	0%						E		18%
Infrastructure for rail transport	CCM6.14	9%									E		0%
Infrastructure enabling low-carbon road transport and public transport	CCM6.15	1%									E		0%
Construction of new buildings	CCM7.1	64%											0%
Installation, maintenance and repair of renewable energy technologies	CCM7.6	17%	51 854	17%	17%						E		100%
Maintenance of roads and motorways	CE3.4	3%											0%
Sum of alignment per objective					17%	0%	0%	0%	0%	0%			
Total KPI: Turnover		96%	52 605	17%	17%	0%	0%	0%	0%	0%	28%	0%	18%

There were no activities that would significantly contribute to the achievement of several environmental objectives, so the table in footnote (c) of templates II of Annex 2021/2178 is not provided, the same data are provided in the presented reporting form.

Report 3. Proportion of CapEx from products or services associated with Taxonomy-eligible or Taxonomy-aligned economic activities – disclosure covering year 2025 (activity breakdown).

Reported KPI: CapEx		Environmental objective of Taxonomy aligned activities											
Financial year 2025													
Economic Activities (1)	Code (2)	Taxonomy eligible KPI (proportion of eligible CapEx) (3)	Taxonomy aligned KPI (monetary value of CapEx) (4)	Taxonomy aligned KPI (proportion of aligned of CapEx) (5)	Climate Change Mitigation (6)	Climate Change Adaptation (7)	Water (8)	Pollution (9)	Circular Economy (10)	Biodiversity (11)	Enabling activity (12)	Transitional activity (13)	Proportion of aligned in eligible (14)
Text		%	€ thousand	%	%	%	%	%	%	%	(E, where appl.)	(T, where appl.)	% ((5)/(3))
Construction of new buildings	CCM7.1	64%											0%
Installation, maintenance and repair of renewable energy technologies	CCM7.6	2%	130	2%	2%						E		100%
Acquisition and ownership of buildings	CCM7.7	32%											0%
Maintenance of roads and motorways	CE3.4	2%											0%
Sum of alignment per objective					2%	0%	0%	0%	0%	0%			
Total KPI: CapEx		98%	130	2%	2%	0%	0%	0%	0%	0%	2%	0%	2%

There were no activities that would significantly contribute to the achievement of several environmental objectives, so the table in footnote (c) of regulation 2021/2178 Annex II is not provided, the same data are provided in the presented reporting form.

GOVERNANCE INFORMATION

THE ROLE OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES (ESRS 2, GOV-1)

The highest governing body of the Merko Group is the **General Meeting of Shareholders**, whose competence arises from legislation and the company's Articles of Association. The General Meeting decides, among other things, on the appointment and recall of members of the Supervisory Board, the approval of annual financial results, and amendments to the Articles of Association. An Annual General Meeting of Shareholders is held at least once a year. The agendas for both annual and extraordinary general meetings are approved prior to publication by the Supervisory Board, which also submits topics to the General Meeting for discussion and voting.

The task of the **Supervisory Board** is to approve the Group's most significant strategic and tactical decisions and to supervise the activities of the Group's Management Board. In its activities, the Supervisory Board is guided by the Articles of Association, the instructions of the General Meeting, and legislation, and its work is organised by the Chairman of the Supervisory Board.

The **Audit Committee** acts as a working body of the Supervisory Board of AS Merko Ehitus, with the task of advising the board on matters related to oversight. No separate audit committees have been formed in the subsidiaries.

The **Management Board** is the Group's management body, representing and managing the day-to-day activities of AS Merko Ehitus in accordance with the law and the Articles of Association. The Management Board is obliged to act in the most economically efficient manner, based on the best interests of the company and its shareholders, and ensuring the sustainable development of the company in accordance with set goals and strategy. The Management Board and the Supervisory Board cooperate closely to best ensure the interests of the company.

The **Chairman of the Management Board** performs the duties of the CEO of AS Merko Ehitus, managing and representing the company, ensuring compliance with the Articles of Association and laws, organising the work of the Management Board and the supervisory boards of significant subsidiaries, coordinating the development and implementation of strategies, and being responsible for strategic business development and finances. The areas of responsibility for **other members of the Management Board** include, among others, the management of the real estate portfolio, the coordination of construction and development segment activities group-wide, financial management, investor relations, and compliance.

The powers and responsibilities of the **supervisory boards of AS Merko Ehitus subsidiaries** arise from their respective Articles of Association and internal Group rules. The supervisory boards of subsidiaries are generally composed of members of the management and supervisory boards of the company that is the majority shareholder of the subsidiary. The manager or a member of the management board of a subsidiary is appointed by the supervisory board of the respective company.

The management bodies of Merko consist of individuals with long-term management experience and qualifications.

Supervisory Board

Toomas Annus, Chairman of the Supervisory Board

Positions held:

- 1997-2008 and 2011-... AS Merko Ehitus, Chairman of the Supervisory Board
- 1999-2009 and 2014-... AS Kapital (AS E.L.L. Kinnisvara until 2017), Chairman of the Supervisory Board
- 2009-2014 AS E.L.L. Kinnisvara, Member of the Management Board
- 2008-... Järvevana OÜ, Member of the Management Board
- 1996-... AS Riverito, Chairman of the Management Board
- 1989-1996 AS EKE Merko and its legal predecessor EKE MRK, Chief Executive Officer

Education:

Tallinn University of Technology, industrial and civil engineering

Number of shares controlled: 12,742,686 (AS Riverito)

Indrek Neivelt, Member of the Supervisory Board

Positions held:

- 2008-... AS Merko Ehitus, Member of the Supervisory Board
- 2020-... OÜ Respiray, Chairman of the Management Board
- 2006-... AS Ldiamon, Chairman of the Supervisory Board
- 2016-... AS Poco Holding, Member of the Management Board, positions in the Boards of subsidiaries belonging to the group
- Has held various executive positions in Hansapank (now Swedbank), incl. Director General of the group, Chairman of the Management Board and also in Bank Saint Petersburg as the Chairman of the Supervisory Board.

Education:

Tallinn University of Technology, civil engineering economics and management

Stockholm University, banking and finance, MBA

Number of shares controlled: 31,635 (Trust IN OÜ)

Kristina Siimar, Member of the Supervisory Board

Positions held:

2022-... AS Merko Ehitus, Member of the Supervisory Board
 2014-2017 and 2022-... AS Kapitel (AS E.L.L. Kinnisvara until 2017), Member of the Supervisory Board
 2022-... OÜ Skaala Investments (OÜ Notorious), Member of the Management Board
 2024-... AS Plural Estonia (AS Plaifm Estonia), Member of the Supervisory Board
 2017-2021 Luminor Group, Member of the Management Board
 2010-2017 Swedbank Group, Stockholm, various executive management positions
 2001-2010 Hansapank / Swedbank Baltic banking, Financial Director and Member of the Management Board

Education:

INSEAD University in France (Entrepreneurship: Building New Business Ventures)
 Massachusetts Institute of Technology (MIT), Sloan School of Management (Driving Strategic Innovation)
 Tallinn University of Technology, MBA

Number of shares controlled: -**Management Board****Ivo Volkov**, Chairman of the Management Board

Positions held:

2024-... AS Merko Ehitus, Chairman of the Management Board
 2020-2023 AS Merko Ehitus Eesti, Chairman of the Management Board
 2016-2019 PKC Group Plc, Vice President of Operations, Europe and South America; PKC Eesti AS, Member of the Management Board
 2014-2015 PKC Group Plc, Regional Director, South America
 2012-2014 PKC Eesti AS, Chairman of the Management Board
 2009-2012 Cargotec Estonia AS, Chairman of the Management Board
 2004-2009 Elcoteq SE, various executive positions
 Chairman of the Supervisory Board of Merko Ehitus Eesti AS, UAB Merko Statyba ja UAB Merko Bustas, Member of the Supervisory Board of Tallinna Teede AS.

Education:

Tallinn University of Technology, Business Administration, MBA

Number of shares controlled: 4,137**Tõnu Toomik**, Member of the Management Board

Positions held:

2013-... AS Merko Ehitus, Member of the Management Board
 2008-2013 AS Merko Ehitus, Member of the Supervisory Board
 1997-2022 AS Kapitel (AS E.L.L. Kinnisvara until 2017), Member of the Supervisory Board
 1997-2008 AS Merko Ehitus, Chairman of the Management Board
 1996-... AS Riverito, Member of the Management Board
 1993-1996 AS EKE Merko, various positions
 Member of the Supervisory Board of Merko Ehitus Eesti AS, UAB Merko Statyba ja UAB Merko Bustas, Chairman of the Supervisory Board of Tallinna Teede AS.

Education:

Tallinn University of Technology, industrial and civil engineering

Number of shares controlled: -**Urmas Somelar**, Member of the Management Board

Positions held:

2023-... AS Merko Ehitus, Member of the Management Board
 2021-2023 AS Merko Ehitus, Head of Finance
 2018-2021 Arricano Real Estate Plc, Chairman of the Supervisory Board
 2017-2018 Versobank AS, Member of the Management Board
 2015-2017 Riigi Kinnisvara AS, Chairman of the Management Board
 2008-2015 Swedbank group, various positions
 Member of the Supervisory Board of AS Merko Ehitus Eesti, Tallinna Teede AS, UAB Merko Statyba and UAB Merko Bustas.

Education:

University of Tartu, Finance and Credit

Number of shares controlled: -

The structure of Merko's management system and the roles and responsibilities of the management bodies are described in more detail in chapter 1.3 of the Sustainability Report. [ESRS2 GOV-1].

ASSESSMENT OF MATERIAL IMPACTS, RISKS AND OPPORTUNITIES (ESRS 2, IRO-1)

The assessment of impacts related to Merko's management processes and governance is based on the double materiality assessment conducted in 2024, the methodology of which is described in the chapter "Double Materiality Assessment Process". A comprehensive analysis process was not repeated in 2025; however, a re-validation of the 2024 data was performed to identify potential changes in the priority of impact areas or risk assessments. As a result of the validation, no significant changes in risk assessments, impact areas, or business activities were identified compared to the previous period; therefore, this report relies on the analysis performed in 2024 and the identified impacts and assessments.

During the double materiality assessment conducted in 2024, the level of regulation of Merko's business activities, the role and frequency of business communication in daily operations, and potential risks that may accompany the disregard of established business ethics rules and management principles were analysed. The analysis concluded that the success of Merko's business operations depends largely on the quality of management processes, business transparency, and adherence to agreed processes and standards of conduct.

Construction and real estate development are thoroughly regulated and investment-intensive sectors where a heightened risk of bribery and corruption has historically been observed. These risks are primarily concentrated in the stages of detailed planning, building permits, and public procurement. Therefore, a significant impact area is the background checks of value chain participants and ensuring compliance with statutory requirements and internal company standards.

The risk of reputational damage may also arise solely from a suspicion of unethical behaviour or potential corruption. Since 2019, SIA Merks, a Latvian company belonging to the Merko Group, has been involved in administrative proceedings by the Latvian Competition Council, according to which it is considered one of nine companies that have allegedly participated in prohibited cooperation between construction companies. Merko considers these suspicions to be groundless both factually and legally; however, the risk of reputational damage persists until the final resolution of the proceedings. More detailed circumstances of the case are presented in Note 35 to the financial statements and in the corresponding [section](#) of Merko's website.

Construction activities rely heavily on the value chain and relationships with subcontractors and suppliers. As the general contractor, Merko is responsible for the quality of the construction service and compliance with requirements. In the event of unethical behaviour by subcontractors, the greatest risk of reputational damage is transferred to the general contractor; therefore, the effectiveness of management processes and oversight is of key importance. Risks associated with suppliers affect the flow of work and the functioning of the supply chain; it is therefore essential that relationships are based on mutual trust and transparency.

During the double materiality assessment, the potential [financial impact](#) related to governance topics was also assessed. It was concluded that changes in management processes do not have a directly identifiable or material financial impact on Merko's business activities. The prevention of governance-related financial risks is regulated through legislation, which is preventative in nature. Potential financial impact may manifest primarily through intentional or negligent violations of statutory requirements, which may lead to fines or indirect impacts through reputational damage.

In summary, the double materiality assessment concluded that the topic of governance, including business ethics, business relationships, and anti-corruption practices, is as a whole a material impact area and risk field for Merko, requiring continued attention and systematic management.

BUSINESS CONDUCT POLICIES AND CORPORATE CULTURE (G1-1)

The primary reference points for Merko's business practices are articulated in the Articles of Association applicable at the Group level, which significant subsidiaries have integrated into their own articles and internal rules. The internal rules of subsidiaries further specify the principles and operational guidelines followed in daily activities and processes. Additionally, the "Our Merko" code of conduct has been established at the Group level, defining Merko's core values, preferred patterns of behaviour, and promises to key stakeholders.

A fundamental pillar of Merko's culture is heightened standards for honesty, reliability, and openness. Ethical business conduct is an integral part of the corporate culture as a core value of Merko, supporting profitable growth, stakeholder trust, and the principles of fair competition and equal treatment. No form of corruption is tolerated within the AS Merko Ehitus Group. The company's activities are based, among others, on the Corporate Governance Code of the Estonian Financial Supervision and Resolution Authority, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights.

All Group employees must be guided by ethical principles in their activities. To ensure this a [Code of Business Ethics](#), has been established, which all Group employees are obliged to familiarise themselves with and which is mandatory to follow. Business ethics topics are covered in more detail on the Group's website at <https://group.merko.ee/en/corporate-responsibility/>.

For reporting potential instances of unethical behaviour or the emergence of such suspicions, [anonymous reporting channels](#) (whistleblowing channels) have been created, intended for use by company employees as well as partners and other parties. The system for reporting and information analysis is structured in a way that protects the informant as effectively as possible, ensuring their safety, confidentiality, and, if desired, anonymity at all stages of the process.

The processing of reports regarding business conduct violations relies on the services of a professional and independent external partner (Ernst & Young Baltic AS at the time of reporting); therefore, no separate internal procedure has been established. Reports received via the website form, tip-off hotline, or e-mail do not reach direct managers but are first forwarded to the external partner. The partner assesses the reports, conducts a preliminary analysis where necessary, and prepares a summary for Merko only for those cases that require further investigation. All references that would allow the identification of the information source are removed from these summaries.

The forwarded tips are investigated and resolved by the Merko managers whose area of responsibility the specific report falls under, and who are obliged to handle all information confidentially and use it solely for the purpose of resolving the case. The Group's management and the Audit Committee, which perform an oversight function and may participate in the investigation process if necessary, are also informed of more significant cases. If a tip concerns the activities of the Merko Group's management, the corresponding summary is forwarded only to the Supervisory Board.

The functioning of ethical business practices and an honest corporate culture is assessed through statistics from the reporting channels, which are compiled by the external partner and presented as quarterly overview reports to national managements, Group management, the Audit Committee, and the company's legal counsel. In 2025, one tip-off was received directly by management, regarding which an investigation was conducted through the external partner; a violation of the Code of Business Ethics by an employee was identified, and the employment relationship was terminated due to a loss of trust (in 2024, one tip was also received, the investigation of which proved unnecessary). No separate process for conducting investigative activities has been established, and each case is handled on a case-by-case basis. A more detailed overview of the reporting channels is available on the company's website at <https://group.merko.ee/en/corporate-responsibility/reporting-channels/>.

All employees are trained on business ethics topics upon commencement of their employment (compliance with the Code of Business Ethics is part of the internal rules) and subsequently on an as-needed basis, based on report results or identified risks. Merko's key individuals are required to submit a personal declaration of interests, which includes data on holdings in companies, membership in the management bodies of companies or other legal entities, membership in professional associations, the existence of valid registrations of economic activity, and other circumstances that may cause a conflict of interest. The declaration of interests is reviewed and, if necessary, updated once a year. Neither in 2025 nor in 2024 did the Group identify any instances of conflict of interest among key individuals.

SUPPLIER MANAGEMENT (G1-2)

A large number of different parties participate in the value chains of construction and development activities. In the case of construction services, most construction-specific works are performed with the help of subcontractors; for the procurement of building materials, reliance is placed on material resellers and suppliers; and in development activities, relationships with designers and architectural firms are essential. Consequently, establishing and maintaining good business relationships with subcontractors and suppliers is a strategically important topic for Merko.

To shape good business relationships, it is essential that Merko's subsidiaries act as reliable partners whose processes are transparent, who treat all parties equally and fairly, and whose values are consistent with Merko's principles. Within the value chain, business relationships are most frequently established with construction subcontractors and building material suppliers. In both cases, partners are selected carefully, setting high criteria for responsible conduct and ethical business practices. To ensure this, thorough background checks are conducted during the selection process, aimed at assessing the partner's compliance with the principles established by Merko and identifying potential conflicts of interest. The selection of cooperation partners is based on the principles of fair and equal treatment, and ethical business practices are also expected from the partners.

In relationships with suppliers and subcontractors, correct payment behaviour between contractual partners is vital for maintaining trust. A commitment to the timely payment of invoices applies within the Merko Group companies, which is monitored internally through random monitoring of reminder letters, and there has been no need for a separate policy regulating the timely payment of invoices.

Currently, Merko has not defined separate criteria related to sustainability and social impact for the selection of business partners; however, the principle is followed that, all other things being equal, preference is always given to more sustainable partners with a smaller environmental footprint.

PREVENTION AND DETECTION OF CORRUPTION AND BRIBERY (G1-3, G1-4)

Based on the company's core values, corruption and all other violations are completely unacceptable to Merko, and a policy of zero tolerance applies toward them. Consequently, significant attention is paid to preventative activities and raising employee awareness. All Group employees must be guided in their daily activities by the Code of Business Ethics established within the Group, which is introduced to all new employees. To raise awareness, both internal and external training sessions are conducted on topics related to the prevention and avoidance of corruption, ensuring that individuals working in roles exposed to risk, as well as all managers and employees, are appropriately informed.

It is estimated that functions dealing with detailed planning, building permits, and procurement are more exposed to corruption risks. The risk of theft is more general and concerns the entire organisation. All potential violations are investigated, and further

measures are determined on a case-by-case basis, based on the results of the investigation. Various management levels are involved in resolving cases that require potential escalation.

To ensure the transparency of activities and compliance with requirements, separate control mechanisms have been established. In Estonia, the quality department handles this role; in Latvia and Lithuania, this responsibility is delegated to local specialists. The regular internal audit function is outsourced to an external service provider, in cooperation with whom the effectiveness of processes and potential bottlenecks are assessed. The modernisation of the internal control system is carried out based on the principle of reasonableness, according to specific needs.

In 2025, there were no confirmed incidents of corruption.

Metric	Unit	Goal	2025	2024	2023
Number of confirmed corruption and bribery cases	#	0	0	0	0

POLITICAL INFLUENCE AND LOBBYING ACTIVITIES (G1-5)

To minimise risks related to corruption and bribery, Merko Ehitus does not support any politician, political party, or other political organisation, and the Group's principle is to refrain from making political donations. Political lobbying is avoided, among other means, through background checks conducted during the recruitment process. No member of Merko's management bodies has worked in a public sector institution within the last two years.

CONSOLIDATED SUSTAINABILITY STATEMENT APPENDICES

APPENDIX 1: List of disclosure requirements fulfilled in the preparation of the sustainability statement (IRO-2)

ESRS 2 General Requirements

Disclosure requirement	Page
BP-1 General basis for the preparation of sustainability reports	80
BP-2 Disclosure in relation to specific circumstances	80
GOV-1 The role of administrative, management and supervisory bodies	81;115-116
GOV-2 Information provided to the administrative, management and supervisory bodies of the company and the sustainability aspects they address	81-82
GOV-3 Integrating sustainability performance into motivation plans	82;96
GOV-4 Due diligence statement	82-83
GOV-5 Risk management and internal control of sustainability reporting	83-84
SBM-1 Strategy, business model and value chain	84-88
SBM-2 Stakeholders' interests and views	88-89
SBM-3 Significant impacts, risks and opportunities and their relationship to the strategy and business model	89-91
IRO-1 Description of the process for identifying and assessing significant impacts, risks and opportunities	92-94; 98-100; 105; 117
IRO-2 Disclosure requirements for ESRSs covered by a company's sustainability report	119-120
MDR-P Policies adopted to manage material sustainability aspects	95
MDR-A Actions and resources related to key sustainability aspects	95

ESRS E1 Climate Change

Disclosure requirement	Page
E1-1 A transition plan for climate change mitigation	96
E1-2 Climate change mitigation and adaptation policies	100
E1-3 Actions and resources related to climate change policy	100
E1-4 Climate change mitigation and adaptation targets	100
E1-5 Energy consumption and distribution of energy sources	100-101
E1-6 Total emissions of zones 1, 2 and 3 and total GHG emissions	101-103

ESRS E5 Resource Use and Circular Economy

Disclosure requirement	Page
E5-1 Policies related to resource use and the circular economy	105-106

Disclosure requirement		Page
E5-2	Measures and resources related to resource use and circular economy	106
E5-3	Objectives related to resource use and circular economy	106
E5-4	Resource input flows	107
E5-5	Resource output flows	107-109

ESRS G1 Business Conduct

Disclosure requirement		Page
G1-1	Business Conduct Policy and Corporate Culture	117-118
G1-2	Supply Chain Management	118
G1-3	Prevention and detection of corruption and bribery	118-119
G1-4	Corruption or bribery cases	118-119
G1-5	Political influence and lobbying	119

The reporting obligation in the 2025 sustainability report will not apply to the disclosure requirements not indicated in the above list.

APPENDIX 2: List of data points in cross-cutting and topical standards that derive from other EU legislation

Disclosure Requirement and Related Data Point	SFDR Reference	Pillar 3 reference	Benchmark Regulation Reference	EU Climate Law Reference	Page
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	Indicator number 13 of Table #1 of Annex 1		Commission Delegated Regulation (EU) 2020/1816 (27), Annex II		80
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)			Delegated Regulation (EU) 2020/1816, Annex II		80
ESRS 2 GOV-4 Statement on due diligence paragraph 30	Indicator number 10 Table #3 of Annex 1				82-83
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	Indicators number 4 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 (28) Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on social risk	Delegated Regulation (EU) 2020/1816, Annex II		Not material
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	Indicator number 9 Table #2 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II		Not material
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	Indicator number 14 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1818 (29), Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Not material
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Not material
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14				Regulation (EU) 2021/1119, Article 2(1)	96
ESRS E1-1 Undertakings excluded from Paris-aligned benchmarks Point 16(g)		Article 449a: Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1:	Delegated Regulation (EU) 2020/1818,		Not material

Disclosure Requirement and Related Data Point	SFDR Reference	Pillar 3 reference	Benchmark Regulation Reference	EU Climate Law Reference	Page
		Banking book Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Article 12.1 (d) to (g), and Article 12.2		
ESRS E1-4 GHG emission reduction targets paragraph 34	Indicator number 4 Table #2 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6		100
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex 1				100-101
ESRS E1-5 Energy consumption and mix paragraph 37	Indicator number 5 Table #1 of Annex 1				100-101
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Indicator number 6 Table #1 of Annex 1				101
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44	Indicators number 1 and 2 Table #1 of Annex 1	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)		101-103
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	Indicators number 3 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 8(1)		101
ESRS E1-7 GHG removals and carbon credits paragraph 56				Regulation (EU) 2021/1119, Article 2(1)	Not material
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II		Not material
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a) ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.			Not material
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraph 34; Template 2: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral			Not material

Disclosure Requirement and Related Data Point	SFDR Reference	Pillar 3 reference	Benchmark Regulation Reference	EU Climate Law Reference	Page
ESRS E1-9 Degree of exposure of the portfolio to climate related opportunities paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II		Not material
ESRS E2-4 Amount of each pollutant listed in Annex II of the EPRTTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Indicator number 8 Table #1 of Annex 1 Indicator number 2 Table #2 of Annex 1 Indicator number 1 Table #2 of Annex 1 Indicator number 3 Table #2 of Annex 1				Not material
ESRS E3-1 Water and Marine Resources, Data Item 9	Annex I, Table 2, indicator 7				Not material
ESRS E3-1 Dedicated policy paragraph 13	Indicator number 8 Table 2 of Annex 1				Not material
ESRS E3-1 Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex 1				Not material
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	Indicator number 6.2 Table #2 of Annex 1				Not material
ESRS E3-4 Total water consumption in m3 per net revenue on own operations paragraph 29	Indicator number 6.1 Table #2 of Annex 1				Not material
ESRS 2- IRO 1 - E4 paragraph 16 (a) i	Indicator number 7 Table #1 of Annex 1				Not material
ESRS 2- IRO 1 - E4 paragraph 16 (b)	Indicator number 10 Table #2 of Annex 1				Not material
ESRS 2- IRO 1 - E4 paragraph 16 (c)	Indicator number 14 Table #2 of Annex 1				Not material
ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 24 (b)	Indicator number 11 Table #2 of Annex 1				Not material
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 24 (c)	Indicator number 12 Table #2 of Annex 1				Not material
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	Indicator number 15 Table #2 of Annex 1				Not material
ESRS E5-5 Non-recycled waste paragraph 37 (d)	Indicator number 13 Table #2 of Annex 1				107-109
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Indicator number 9 Table #1 of Annex 1				108
ESRS 2- SBM3 - S1 Risk of incidents of forced labour paragraph 14 (f)	Indicator number 13 Table #3 of Annex I				Transitional provisions
ESRS 2- SBM3 - S1 Risk of incidents of child labour paragraph 14 (g)	Indicator number 12 Table #3 of Annex I				Transitional provisions
ESRS S1-1 Human rights policy commitments paragraph 20	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				Transitional provisions
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21			Delegated Regulation (EU) 2020/1816, Annex II		Transitional provisions
ESRS S1-1 processes and measures for preventing trafficking in human beings paragraph 22	Indicator number 11 Table #3 of Annex I				Transitional provisions

Disclosure Requirement and Related Data Point	SFDR Reference	Pillar 3 reference	Benchmark Regulation Reference	EU Climate Law Reference	Page
ESRS S1-1 workplace accident prevention policy or management system paragraph 23	Indicator number 1 Table #3 of Annex I				Transitional provisions
ESRS S1-3 grievance/complaints handling mechanisms paragraph 32 (c)	Indicator number 5 Table #3 of Annex I				Transitional provisions
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Transitional provisions
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 Table #3 of Annex I				Transitional provisions
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	Indicator number 12 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Transitional provisions
ESRS S1-16 Excessive CEO pay ratio paragraph 97 (b)	Indicator number 8 Table #3 of Annex I				Transitional provisions
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	Indicator number 7 Table #3 of Annex I				Transitional provisions
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD paragraph 104 (a)	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)		Transitional provisions
ESRS 2- SBM3 – S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	Indicators number 12 and n. 13 Table #3 of Annex I				Transitional provisions
ESRS S2-1 Human rights policy commitments paragraph 17	Indicator number 9 Table #3 and Indicator n. 11 Table #1 of Annex 1				Transitional provisions
ESRS S2-1 Policies related to value chain workers paragraph 18	Indicator number 11 and n. 4 Table #3 of Annex 1				Transitional provisions
ESRS S2- 1Nonrespect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12(1)		Transitional provisions
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II		Transitional provisions
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 Table #3 of Annex 1				Transitional provisions
ESRS S3-1 Human rights policy commitments paragraph 16	Indicator number 9 Table #3 of Annex 1 and Indicator number 11 Table #1 of Annex 1				Transitional provisions
ESRS S3-1 Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines paragraph 17	Indicator number 10 Table #1 Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU)		Transitional provisions

Disclosure Requirement and Related Data Point	SFDR Reference	Pillar 3 reference	Benchmark Regulation Reference	EU Climate Law Reference	Page
			2020/1818, Art 12 (1)		
ESRS S3-4 Human rights issues and incidents paragraph 36	Indicator number 14 Table #3 of Annex 1				Transitional provisions
ESRS S4-1 Policies related to consumers and end users paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex 1				Transitional provisions
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Transitional provisions
ESRS S4-4 Human rights issues and incidents paragraph 35	Indicator number 14 Table #3 of Annex 1				Transitional provisions
ESRS G1-1 United Nations Convention against corruption paragraph 10 (b)	Indicator number 15 Table #3 of Annex 1				117-118
ESRS G1-1 Protection of whistle-blowers paragraph 10 (d)	Indicator number 6 Table #3 of Annex 1				117-118
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	Indicator number 17 Table #3 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II)		118-119
ESRS G1-4 Standards of anticorruption and anti- bribery paragraph 24 (b)	Indicator number 16 Table #3 of Annex 1				118-119

APPENDIX 3: Due diligence table

Key elements of due diligence	Page
a) Integrating due diligence into governance, strategy and business model	82
b) Involvement of affected stakeholders at all important stages of due diligence	88-89
c) Identification and assessment of adverse effects	89-92; 93-95
d) Taking measures to mitigate these adverse effects	90-92; 98-100
e) Monitoring and reporting on the effectiveness of these efforts	95; 100

MANAGEMENT DECLARATION

The Management Board declares and confirms that according to their best knowledge, the year 2025 annual accounts, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, present a correct and fair view of the assets, liabilities, financial position and profit or loss of AS Merko Ehitus and the undertakings involved in the consolidation as a whole, and the management report gives a true and fair view of the development and results of the business activities and financial status of AS Merko Ehitus and the undertakings involved in the consolidation as a whole and contains a description of the main risks and doubts.

Ivo Volkov	Chairman of the Management Board	/ digitally signed /	31.03.2026
Tõnu Toomik	Member of the Management Board	/ digitally signed /	31.03.2026
Urmas Somelar	Member of the Management Board	/ digitally signed /	31.03.2026



Independent practitioner's limited assurance report on Aktsiaselts MERKO EHITUS Consolidated Sustainability Statement

To the Shareholders of Aktsiaselts MERKO EHITUS

Limited assurance conclusion

We have conducted a limited assurance engagement on the consolidated sustainability statement of Aktsiaselts MERKO EHITUS (the "Company"), included in part Consolidated Sustainability Statement of the Management Report (the "Consolidated Sustainability Statement"), as at 31 December 2025 and for the year then ended.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Consolidated Sustainability Statement is not prepared, in all material respects, in accordance with Section 31, subsection 4 of the Accounting Act implementing Article 29(a) of EU Directive 2013/34/EU, including:

- compliance with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the Company to identify the information reported in the Consolidated Sustainability Statement (the "Process") is in accordance with the description set out in note Double materiality assessment process (IRO-1); and
- compliance of the disclosures in subsection EU Taxonomy of sustainable economic activities within the Environmental Information section of the Consolidated Sustainability Statement with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation").

Basis for conclusion

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (Estonia) 3000 (Revised), *Assurance engagements other than audits or reviews of historical financial information* ("ISAE (EE) 3000 (Revised)") as adopted by Auditing Activities Oversight Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. Our responsibilities under this standard are further described in the Practitioner's responsibilities section of our report.

Our independence and quality management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants (Estonia) (including Independence Standards) (Code of Ethics (Estonia)) as adopted by Auditing Activities Oversight Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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The firm applies International Standard on Quality Management (Estonia) 1 (revised), which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibilities for the Consolidated Sustainability Statement

Management Board of the Company is responsible for designing and implementing a process to identify the information reported in the Consolidated Sustainability Statement in accordance with the ESRS and for disclosing this Process in note Double materiality assessment process (IRO-1) of the Consolidated Sustainability Statement. This responsibility includes:

- understanding the context in which the Group's activities and business relationships take place and developing an understanding of its affected stakeholders;
- the identification of the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected to affect, the Group's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- the assessment of the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- making assumptions that are reasonable in the circumstances.

Management Board of the Company is further responsible for the preparation of the Consolidated Sustainability Statement, in accordance with Section 31, subsection 4 of the Accounting Act implementing Article 29(a) of EU Directive 2013/34/EU, including:

- compliance with the ESRS;
- preparing the disclosures in subsection EU Taxonomy of sustainable economic activities within the Environmental Information section of the Consolidated Sustainability Statement, in compliance with Article 8 of the Taxonomy Regulation;
- designing, implementing and maintaining such internal control that the Management Board determines is necessary to enable the preparation of the Consolidated Sustainability Statement that is free from material misstatement, whether due to fraud or error; and
- the selection and application of appropriate sustainability reporting methods and making assumptions and estimates that are reasonable in the circumstances.

Those charged with governance are responsible for overseeing the Group's sustainability reporting process.

Inherent limitations in preparing the Consolidated Sustainability Statement

Greenhouse gas emissions quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

In reporting forward-looking information in accordance with the ESRS, the Management Board of the Company is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. Actual outcomes are likely to be different since anticipated events frequently do not occur as expected

Practitioner's responsibilities

Our responsibility is to plan and perform the assurance engagement to obtain limited assurance about whether the Consolidated Sustainability Statement is free from material misstatement, whether due to fraud

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or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Consolidated Sustainability Statement as a whole.

As part of a limited assurance engagement in accordance with ISAE (EE) 3000 (Revised) we exercise professional judgement and maintain professional scepticism throughout the engagement.

Our responsibilities in respect of the Consolidated Sustainability Statement, in relation to the Process, include:

- obtaining an understanding of the Process, but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process;
- considering whether the information identified addresses the applicable disclosure requirements of the ESRS; and
- designing and performing procedures to evaluate whether the Process is consistent with the Company's description of its Process set out in note Double materiality assessment process (IRO-1).

Our other responsibilities in respect of the Consolidated Sustainability Statement include:

- identifying where material misstatements are likely to arise, whether due to fraud or error; and
- designing and performing procedures responsive to where material misstatements are likely to arise in the Consolidated Sustainability Statement. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of the work performed

A limited assurance engagement involves performing procedures to obtain evidence about the Consolidated Sustainability Statement.

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The nature, timing and extent of procedures selected depend on professional judgement, including the identification of disclosures where material misstatements are likely to arise in the Consolidated Sustainability Statement, whether due to fraud or error.

In conducting our limited assurance engagement, with respect to the Process, we:

- obtained an understanding of the Process by:
 - performing inquiries to understand the sources of the information used by management (e.g., stakeholder engagement, business plans and strategy documents); and
 - reviewing the Company's internal documentation of its Process; and
- evaluated whether the evidence obtained from our procedures with respect to the Process implemented by the Company was consistent with the description of the Process set out in note Double materiality assessment process (IRO-1).

In conducting our limited assurance engagement, with respect to the Consolidated Sustainability Statement, we:

- obtained an understanding of the Group's reporting processes relevant to the preparation of its Consolidated Sustainability Statement by:

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- obtaining an understanding of the Group's control environment, processes and information system relevant to the preparation of the Consolidated Sustainability Statement, but not for the purpose of providing a conclusion on the effectiveness of the Group's internal control.
- obtaining an understanding of the roles and responsibilities in the preparation of the Consolidated Sustainability Statement, including communication within the Group and between the Management Board and those charged with governance.
- evaluated whether the information identified by the Process is included in the Consolidated Sustainability Statement;
- evaluated whether the structure and the presentation of the Consolidated Sustainability Statement is in accordance with the ESRS;
- performed inquiries of relevant personnel and analytical procedures on selected information in the Consolidated Sustainability Statement;
- performed substantive assurance procedures on selected information in the Consolidated Sustainability Statement;
- where applicable, compared disclosures in the Consolidated Sustainability Statement with the corresponding disclosures in the consolidated financial statements and Management Report;
- evaluated the methods, assumptions and data for developing estimates and forward-looking information;
- obtained an understanding of the Company's process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Consolidated Sustainability Statement.

On behalf of AS PricewaterhouseCoopers

Original report is signed in Estonian language

Janno Hermanson
Certified auditor in charge, auditor's certificate no. 570

31 March 2026
Tallinn, Estonia

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Independent Auditor's Report

To the Shareholders of Aktsiaselts MERKO EHITUS

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Aktsiaselts MERKO EHITUS (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2025, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 31 March 2026.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of comprehensive income for the year ended 31 December 2025;
- the consolidated statement of financial position as at 31 December 2025;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia) (ISAs (EE)). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the ethical requirements of Regulation (EU) No 537/2014 that are relevant to audits of financial statements of public interest entities, and Code of Ethics for Professional Accountants (Estonia) (including Independence Standards) as adopted by Auditing Activities Oversight Board (Code of Ethics (Estonia)), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the ethical requirements of the Regulation (EU) No 537/2014 and the Code of Ethics (Estonia).

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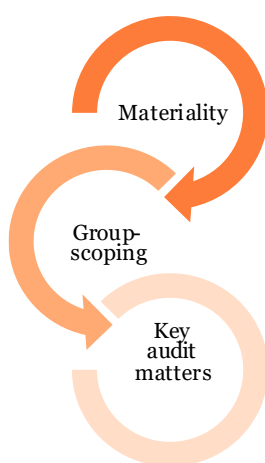
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To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and its subsidiaries within the European Union are in accordance with the applicable law and regulations in the Republic of Estonia and that we have not provided non-audit services that are prohibited under § 59¹ of the Auditors Activities Act of the Republic of Estonia.

The non-audit services that we have provided to the Company and its subsidiaries in the period from 1 January 2025 to 31 December 2025 are disclosed in the Corporate Governance Report and Note 6 to the consolidated financial statements

Our audit approach

Overview



- Overall Group materiality is EUR 2.24 million, which represents approximately 5% of the Group's consolidated profit before tax.
- We have tailored our audit scope based on the risk and size of the entities within the Group. A full scope audit or specified procedures was performed by us, or under our instructions, by a firm outside the PwC network, covering substantially all of the Group's consolidated assets, liabilities, revenues, expenses and profits. The audit procedures, together with qualitative considerations, helped us to ensure that we have obtained sufficient audit evidence on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.
- Revenue recognition on construction contracts
- Valuation of inventory relating to property developments

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Management Board made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

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Overall Group materiality	2.24 million euros
How we determined it	Approximately 5% of consolidated profit before tax
Rationale for the materiality benchmark applied	We have applied this benchmark, as in our view, this is against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p>Revenue recognition on construction contracts (refer to Note 1 ‘Summary of significant accounting policies – subsection 1.19 ‘Revenue’ and Note 3 ‘Operating Segments’ for further details).</p> <p>In 2025 the Group has recognised revenue of EUR 311 million, of which EUR 238 million is related to construction services.</p> <p>The Group’s revenues from construction services are generated from a large portfolio of construction contracts with different terms regarding service fee, use of subcontractors or partners and profit sharing. Revenue from construction contracts is recognised by reference to the progress towards satisfaction of performance obligations (percent of completion). Determining the percent of completion requires the management to estimate the cost to complete the contract, as well as any possible adjustments to the contractual fee, at each balance sheet date.</p> <p>Accounting estimates are subjective by nature and rely on many sources of information, both within the Group and external, about the expected outcome of a contract. The complexity of the estimation, resulting from both the large number of varying contractual terms and estimation uncertainties regarding the expected outcome of construction contracts could lead to errors that may become material, when aggregated.</p> <p>As such, auditing the revenue recognition on construction contracts requires a significant</p>	<p>We audited revenue recognition on construction contracts through a combination of controls testing and substantive testing.</p> <p>We assessed whether the Group had appropriately applied the guidance in the revenue recognition standard IFRS 15, including for revenue recognised over time.</p> <p>We performed testing of the design, implementation and operating effectiveness of internal controls supporting identification of contractual terms, selection of suitable accounting policies and assessment of the percent of completion.</p> <p>The controls testing was supported by substantive audit procedures. We selected a sample of contracts and performed substantive procedures that included, but were not limited to:</p> <ul style="list-style-type: none"> • reconciling the contract fee used in calculating the revenue based on the percent of completion to the contract; • reconciling incurred contract costs included in revenue calculation to accounting records and testing the proper allocation of costs to individual contracts; • testing correct periodisation of contract costs; • checking the formula used for calculation of revenue based on the percent of completion; • investigating the estimates of margins during current and comparative periods applied for revenue calculation of the same contracts to identify potential management bias;

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amount of audit time and resources and is due to above considered to be a key audit matter.

- reviewed the general ledger entries relating to sales revenue based on risk-based selection and examined the evidence underlying unusual entries; and
- applied the principles of unpredictability in developing and performing revenue audit procedures.

We also evaluated the correctness of disclosures in financial statement in relation to the construction contracts.

Valuation of inventory relating to property developments (refer to Note 1 ‘Summary of significant accounting policies – subsection 1.11 ‘Inventories’, Note 18 ‘Inventories’ and Note 35 ‘Risk management’ subsection ‘Value of assets’ for further details).

As at 31 December 2025 the Group’s statement of financial position includes inventory relating to property development in the amount of EUR 218 million, of which EUR 27 million were finished apartments, EUR 102 million unfinished apartments and EUR 89 million land purchased for development and resale (mostly with the aim of being developed as residential property). In addition, inventories include EUR 2 million of inventories (materials, goods for resale, and prepayments for inventories) that are not related to property development. Total inventories amount to EUR 220 million.

Inventories are carried at the lower of cost and net realisable value.

With property prices, especially those of residential property, following the economic cycle and exhibiting substantial fluctuation over time, net realisable value of the inventory of finished and unfinished apartments and property for resale needs to be carefully monitored against the carrying amount. Should the net realisable value of a property fall below its carrying amount, a write-down to net realisable value is necessary. Determining the net realisable value of property requires estimates of the expected selling price and may require estimates of the cost to complete the development of the property.

Due to the magnitude and related estimation uncertainty, valuation of inventory of finished and unfinished apartments and land to be developed for sale is considered a key audit matter.

We assessed the management’s expertise to perform the valuation of property. The management is experienced in property valuation and the outcomes of completed development projects have usually met the profitability estimates.

We evaluated the model prepared by the management for determining the net realisable value and identifying any necessary write-down.

We performed testing of the inputs used in the valuation model. Our work targeted individual properties on our assessment of the risk, based on the location, carrying amount and any specific conditions related to a property. For inputs based on estimates, which include unit costs applicable for completing the construction and sales price, we assessed the reasonableness of the inputs by comparing them with historical data from completed projects and available market information such as construction price indexes. Where possible, we compared the estimated sales prices with comparable market transactions and with the prices agreed in promissory sales contract.

It was evident from our work that sufficient attention had been paid to each property’s individual characteristics including their construction quality, geographic location and relevant legal or contractual obligations.

We also assessed the appropriateness of disclosures provided in respect of net realisable value of inventory, including sensitivity analysis.

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How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises a number of subsidiaries that are further disclosed in Note 19 and two joint ventures, information about which is disclosed in Note 20. We tailored our audit scope based on the risk and size of the entities within the Group. A full scope audit or specified procedures was performed accordingly, covering substantially all of the Group's consolidated assets, liabilities, revenues, expenses and profits.

Where work was performed by component auditors, we determined the level of involvement we needed to have to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

At the Group level, we reviewed the consolidation to ensure that there were no misstatements affecting the consolidated financial statements.

Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises Main facts, Statement of the Chairman of the Management Board, Merko Group, Management Report (including the Consolidated Sustainability Statement), Management declaration, Corporate Governance report, the Remuneration report and other notes to the consolidated annual report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information, including the Management report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act of the Republic of Estonia. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared (excluding the Consolidated Sustainability Statement) in accordance with the requirements of the Accounting Act of the Republic of Estonia.

In accordance with the Securities Market Act of the Republic of Estonia with respect to the Remuneration Report, our responsibility is to consider whether the Remuneration Report includes the information in accordance with the requirements of Article 135³ (3) of the Securities Market Act of the Republic of Estonia.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management report for the financial year for which the consolidated financial statements are prepared is consistent, in all material respects, with the consolidated financial statements;
- the Management report (excluding the Consolidated Sustainability Statement) has been prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia; and
- the Remuneration Report has been prepared in accordance with Article 135³ (3) of the Securities Market Act of the Republic of Estonia.

If, based on the work we have performed on the Management report and other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement in the Management report or in this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (EE) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (EE), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on the compliance of the presentation of consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

We have been engaged as part of our audit engagement letter by the Management Board to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of Aktsiaselts MERKO EHITUS for the year ended 31 December 2025 (the "Presentation of the Consolidated Financial Statements").

Description of a subject matter and applicable criteria

The Presentation of the Consolidated Financial Statements has been applied by the Management Board to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Presentation of the Consolidated Financial Statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Presentation of the Consolidated Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the Management Board and those charged with governance

The Management Board is responsible for the Presentation of the Consolidated Financial Statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the Consolidated Financial Statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process, which should also be understood as the preparation of consolidated financial statements in accordance with the format resulting from the ESEF Regulation.

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Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (Estonia) 3000 (revised) "Assurance Engagements other than Audits and Reviews of Historical Financial Information" (ISAE (EE) 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE (EE) 3000 (revised) will always detect the existing material misstatement (significant non-compliance with the requirements).

Quality management requirements and professional ethics

We apply the provisions of the International Standard on Quality Management (Estonia) 1 (revised), and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (Estonia) (including Independence Standards) as adopted by Auditing Activities Oversight Board (Code of Ethics (Estonia)), and we have fulfilled our other ethical responsibilities in accordance with Code of Ethics (Estonia).

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements and such compliance is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Consolidated Financial Statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, based on the procedures performed, the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

This independent auditor's report (translation of the Estonian original) should only be used with the original document submitted in machine-readable .xhtml format that is submitted to the Tallinn Stock Exchange (Link: <https://nasdaqbaltic.com/statistics/en/instrument/EE3100098328/reports>)



Appointment and period of our audit engagement

We were first appointed as auditors of Aktsiaselts MERKO EHITUS, as a public interest entity, for the financial year ended 31 December 2008. Our appointment has been renewed by tenders and shareholders' resolutions in the intermediate years, representing the total period of our uninterrupted engagement appointment for Aktsiaselts MERKO EHITUS, as a public interest entity, of 18 years. In accordance with the Auditors Activities Act of the Republic of Estonia and the Regulation (EU) No 537/2014, our appointment as the auditor of Aktsiaselts MERKO EHITUS can be extended for up to the financial year ending 31 December 2027.

On behalf of AS PricewaterhouseCoopers

Original report is signed in Estonian language

Jüri Koltsov
Certified auditor in charge, auditor's certificate no. 623

31 March 2026
Tallinn, Estonia

Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

This independent auditor's report (translation of the Estonian original) should only be used with the original document submitted in machine-readable .xhtml format that is submitted to the Tallinn Stock Exchange (Link: <https://nasdaqbaltic.com/statistics/en/instrument/EE3100098328/reports>)

CORPORATE GOVERNANCE RECOMMENDATIONS REPORT

CORPORATE GOVERNANCE AND STRUCTURE

Adherence to the principles of Corporate Governance Recommendations is part of the management of AS Merko Ehitus. Generally, this system is regulated by relevant legislation, the company's articles of association and the company's internal policies. Starting from 1 January 2006, issuers of shares listed on the Nasdaq Tallinn Stock Exchange are recommended to adhere to the principles of Corporate Governance Recommendations approved by the Financial Supervisory Authority that covers good practices of enterprise management and treatment of shareholders. AS Merko Ehitus has followed these principles throughout 2025.

AS Merko Ehitus is dedicated to following high standards of corporate governance, for the implementation of which the Management Board and the Supervisory Board are responsible to shareholders. Our objective is to be transparent in our economic activity, in disclosing information and in relations with shareholders.

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

The main activity of the holding company is development and implementation of the strategies of Merko Ehitus group's separate business areas primarily through long-term planning of resources. 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 in the Governance information subsection of the Consolidated Sustainability Statement.

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 group management, we in some cases differentiate the management structure and legal structure. The group's management is carried out on a country basis. The group's country and business area detailed management structure as at 31 December 2025 is the following:



**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 is primarily based on regulatory considerations and not in all cases there is a direct linear linkage with the group's effective management structure. The detailed list of group companies is in Notes 19 and 20 of the financial statements.

GENERAL MEETING OF SHAREHOLDERS

The Company's highest governing body is the General Meeting of Shareholders, the authorities of which are regulated by legislation and the articles of association of the Company. The general meeting of shareholders decides, among others, amendments to the articles of association, the appointment and recall of members of the Supervisory Board, appointment of the auditor, approval of the results of the financial year and the payment of dividends. In amending the articles of association, the general meeting of shareholders follows the regulation as per the Estonian Commercial Code. A resolution on amendment of the articles of association shall be adopted if at least two-thirds of the votes represented at a general meeting are in favour. The annual general meeting of shareholders is held at least once a year and shall approve the annual report within six months of the end of the financial year.

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

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

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

In accordance with the Commercial Code, its Articles of Association and Corporate Governance Recommendations, AS Merko Ehitus calls the annual and extraordinary general meeting of shareholders by notifying the shareholders through Nasdaq Tallinn Stock

Exchange and by publishing a meeting call in one national daily newspaper and on its website 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 at annual and extraordinary general meetings of the company's shareholders are approved by the Supervisory Board, which shall also submit the issues to the general meeting 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 his or her authorised representative. AS Merko Ehitus does not allow participation in general meetings by electronic means of communication since the deployment of reliable solutions for the identification of shareholders, some of whom live abroad, while ensuring the privacy of participating shareholders, would be too complicated and costly. No picture taking or filming is allowed at the general meeting, because it may disturb the privacy of shareholders.

Annual and extraordinary general meeting of shareholders shall be chaired by an independent person. On behalf of the company, usually the Chairman of the Management Board and the Chairman of the Supervisory 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. If necessary, the company's auditor shall participate.

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

The group is not aware of any agreements between its shareholders on the coordination of exercising the shareholders' rights.

SUPERVISORY BOARD

The Supervisory Board plans the activities of the group, organises the management of the group and supervises the activities of the Management Board. The Supervisory Board shall notify 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 Merko Ehitus, the Supervisory Board has 3 to 5 members who shall be elected for the term of three years. As of 31 December 2025, the Supervisory Board of AS Merko Ehitus had three members: Toomas Annus (The Chairman), Indrek Neivelt and Kristina Siimar.

According to the requirements of the Corporate Governance Recommendations, Kristina Siimar and Indrek Neivelt were independent members of the Supervisory board.

The meetings of the Supervisory Board generally take place once a month, except in summer months. In 2025, the Supervisory Board held 7 regular meetings and 5 written voting decisions without a physical meeting. No extraordinary meetings were held. Participation of members of the Supervisory Board at meetings:

NAME	PARTICIPATION IN MEETINGS	PARTICIPATION %
Toomas Annus	11	92%
Indrek Neivelt	12	100%
Kristina Siimar	12	100%

The Supervisory Board fulfilled all its obligations laid down in legal acts.

The Supervisory Board has set up an audit committee as its work body. The Supervisory Board has not considered it necessary to set up a remuneration committee or appointment committee. Remuneration of the members of the Supervisory Board is approved by the general meeting of shareholders. The valid procedure for remuneration of Supervisory Board members was approved by the general meeting of shareholders held at 31 October 2008.

No termination benefits are paid to the members of the Supervisory Board upon the termination or non-extension of the contract. In the 2025 and 2024 financial years, the members of the Supervisory Board were remunerated as follows (in euros):

NAME	2025	2024
Indrek Neivelt	38,347	38,347
Kristina Siimar	38,347	38,347
TOTAL	76,694	76,694

Remuneration, less the statutory taxes, to the members of the Supervisory Board is paid on a monthly basis.

As from 1 November 2018, the Chairman of the Supervisory Board has forgone the member's fee at his own request.

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 must act in the most economically purposeful manner, taking into consideration the best interests of all shareholders and ensuring the group's sustainable development in accordance with set objectives and strategy. To ensure that the group's interests are met in the best way possible, the Management and Supervisory Boards shall extensively collaborate. At least once a month, a joint meeting of the members of the Supervisory and Management Boards shall take place, in which the Management Board shall inform the Supervisory Board of significant issues regarding the group's business operations, the fulfilment of the group's short- and long-term goals and the risks impacting them. 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 Chairman.

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

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

Members of the Management Board have entered into three-year contracts of service with the company. The procedure and principles of remuneration of Management Board members are written in the Remuneration report on pages 147-148.

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 termination benefit in case their contract of service is terminated before due date or not extended.

The chairman or member of the Management Board of the subsidiary shall be named by the subsidiary's Supervisory Board. Below are the supervisory boards and management boards of the most significant subsidiaries that are wholly owned by AS Merko Ehitus as at 31 December 2025:

COMPANY *	SUPERVISORY BOARD	MANAGEMENT BOARD
AS Merko Ehitus Eesti (52,937,805 euros)	Ivo Volkov (Chairman), Tõnu Toomik, Martin Rebane, Urmas Somelar	Jaan Mäe (Chairman), Veljo Viitmann
OÜ Merko Kodud (55,999,534 euros)	-	Indrek Tartto
OÜ Merko Residential Investments (17,313,910 euros)	-	Ivo Volkov, Urmas Somelar
SIA Merko Mājas (38,564,115 euros)	-	Egija Smila (Chairman), Roberts Rēbokš
UAB Merko Statyba (32,764,476 euros)	Ivo Volkov (Chairman), Tõnu Toomik, Urmas Somelar	Saulius Putrimas (Chairman), Jaanus Rāstas
UAB Merko Bustas (13,515,626 euros)	Ivo Volkov (Chairman), Tõnu Toomik, Urmas Somelar	Saulius Putrimas (Manager)

* The figures in brackets indicate the amount of equity held by the parent company's owners in significant subsidiaries as at 31 December 2025.

Changes in the management of group subsidiaries

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

The Supervisory Board of AS Merko Ehitus decided to extend the powers of a Member of the Management Board of the company, Mr. Tõnu Toomik until 6 June 2028 (inclusive). The Management Board of AS Merko Ehitus will continue with three members: Mr. Ivo Volkov (Chairman), Mr. Tõnu Toomik and Mr. Urmas Somelar.

The structure of the group is disclosed in Note 19 to the financial statements.

AUDIT COMMITTEE

The Supervisory Board of AS Merko Ehitus has formed an audit committee as its work body. The responsibility of the audit committee is advising the Supervisory Board in supervision related issues. The Committee executes supervision over the whole group (incl. subsidiaries): a) arrangement of accounting, b) preparation and approval of the financial budget and reports, c) management of financial risks, d) performance of external audit, e) functioning of an internal control system and f) legality of the activities. Subsidiaries have not formed audit committees.

As at 10 January 2011, the company's Supervisory Board set up a 3-member audit committee. From 5 May 2023, the members of the audit committee of AS Merko Ehitus are: Indrek Neivelt (the Chairman), Kristina Siimar and Viktor Mõisja.

A member of the committee is elected for indefinite period, but at the decision of the Supervisory Board, a member of the committee may be recalled at any given time.

Members of the audit committee are not separately remunerated.

REPORTING AND FINANCIAL AUDIT

Availability of adequate and timely information is the basis for high-quality management decisions. It is important to ensure that reporting is factual, but also forward-looking. This will enable to manage, to the best of one's knowledge, risks and, in competition with other market operators, turn them into opportunities. The group's reporting can be roughly divided into a) financial reporting and b) management reporting.

Financial reporting consists of interim reports of consolidated economic indicators and annual reports of companies that belong to the AS Merko Ehitus group, that are made public through the stock exchange system of Nasdaq Baltic and that are available to all shareholders, potential investors and analysts covering the company.

On the other hand, management reporting is meant for the group's internal use. It is appropriate to differentiate reporting on various operating indicators that focuses on the performance of business segments and different group companies as well as return on equity. The refinement of reporting is a continuous process during which indicators affecting the achievement of agreed objectives are reviewed. Management reporting includes budgets and forecasts that AS Merko Ehitus does not disclose.

Financial audits are conducted based on International Standards on Auditing. The auditor of AS Merko Ehitus is approved by the general meeting of shareholders. The selection process is managed by the Supervisory Board and its findings are presented to the general meeting for approval. By the resolution made by the general meeting in 2023, the financial auditor for annual reports of 2023-2025 is AS PricewaterhouseCoopers (PwC). Auditors authorised to sign the report differ, depending on the country of residence of the group company. Chartered auditor Jüri Koltsov is responsible for the consolidated audit report.

AS Merko Ehitus considers it important to ensure independence of the financial auditor and to avoid conflicts of interest. In 2025, PwC provided to AS Merko Ehitus advisory services permitted under Estonian Audit Act. We find that the financial audit conducted in 2025 was in compliance with regulative acts, international standards and expectations. PwC presented the results in two stages: a) as part of an interim audit and b) with regard to the final audit before the independent auditor's report was issued. The auditor's independent report is presented on pages 130-138.

In 2025, the PwC fees for audit of AS Merko Ehitus group amounted to EUR 280 thousand (2024: EUR 297 thousand).

CONFLICT OF INTEREST AND HANDLING OF INSIDER INFORMATION

It is important to appropriately handle insider information in order to protect shareholders' interests and ensure honest and fair trading of shares. Significant information about AS Merko Ehitus and its subsidiaries must be available in a timely, consistent and equal manner for all shareholders and potential new shareholders. It is inevitable that persons related to AS Merko Ehitus and its subsidiaries have, because of their job, at certain times and in certain cases more information about the group than investors and the public. To prevent the misuse of such information, we have adopted internal rules in the group's companies on maintaining and publication of insider information and on making transactions on the basis of insider information (hereinafter: insider information rules). Insider information rules include a reporting system under which employees who may develop a conflict of interest when fulfilling their job duties are required to disclose their economic interests and confirm their independence by self-assessment.

The members of the Management and Supervisory Board of AS Merko Ehitus are users of inside information (so-called insiders). They have signed a relevant statement, are aware of inside information rules of AS Merko Ehitus and together with people connected with them are registered in the list of the group's insiders. Moreover, the list of insiders includes the financial unit employees of the parent company who have access to the group's consolidated operating results as well as members of the Management and Supervisory

Boards of the more important subsidiaries together with the employees who are responsible for preparing and presenting accounting information.

As at 31 December 2025, the group's insider register lists 86 persons with permanent access (31.12.2024: 145 persons). The group keeps records on insiders in accordance with requirements set forth in the Securities Market Act, the Regulation (EU) No 596/2014 of the European Parliament and of the Council (market abuse regulation) and Nasdaq Tallinn rules and regulations.

To the best of our knowledge, in the financial year 2025 there were no cases of any misuse of insider information or conflicts of interest. No transactions with related parties were made at other than market terms. No transactions between the company and its member of the board, a person close to or connected to the member of the board were carried out in the financial year of 2025, which would be regarded as significant for the company.

No members of the company's Supervisory or Management Board hold shares in an entity that operates in the core business area of AS Merko Ehitus – construction sector.

An overview of transactions with related parties in 2025 is provided in Note 33 of the financial statements.

DISCLOSURE OF INFORMATION

In disclosing information, AS Merko Ehitus shall follow Estonian law, the rules and regulations of Nasdaq Tallinn Stock Exchange and guidelines of the Financial Supervision Authority of Estonia and immediately disclose important information regarding the group's activities to the shareholders after obtaining reasonable assurance as to its correctness and that the disclosure of such information shall not harm the interests of the group and its business partners. The main principles of communication with investors and the general public are stated in the group's disclosure policy.

The group discloses information about its financial condition and strategy in its financial statements, annual report and interim reports pursuant to the schedule that has been set. The disclosure dates of each next financial year will be announced before the end of the previous financial year.

Merko immediately discloses all decisions, issues and events that in the group's view may significantly change the price of the securities issued by the company and that are to be disclosed pursuant to laws and regulations. Stock exchange releases are published in Estonian and English.

Important information shall be disclosed through the stock exchange system and on the group's website. In 2025, AS Merko Ehitus published 32 stock exchange releases through the stock exchange system.

NUMBER OF RELEASES	CONTENT OF RELEASE
7	New construction contracts
7	New development projects
4	Changes in structure and management
5	Operating results
2	General meeting
7	Other releases

We will publish 2026 consolidated interim reports as follows:

DATE	EVENT
07.05.2026	2026 3 months unaudited interim report
06.08.2026	2026 6 months and II quarter unaudited interim report
05.11.2026	2026 9 months and III quarter unaudited interim report

Our objective is to support fair pricing of Merko shares through constant and continued distribution of information to all market participants. Moreover, our objective is to maintain the loyalty of existing shareholders towards the company and to create interest in new shareholders and analysts. To achieve this goal, quarterly and annual reports, stock exchange releases and presentations are prepared and investor meetings are held with shareholders and analysts. We also collect and analyse feedback from investors and analysts to increase the value of information to be disclosed.

The company shall not hold meetings with analysts or presentations for investors immediately before the dates of disclosure of financial reporting (interim reports, annual report). AS Merko Ehitus communicates regularly with its larger shareholders and potential investors and, if requested, holds meetings. The information presented in these meetings is public, i.e. available from the company's reports, website or other public sources. We carefully monitor insider information rules during these meetings.

The investor calendar published on the AS Merko Ehitus website <https://group.merko.ee/en/investors/reports-and-investor-calendar/> provides an overview of investor meetings both past and upcoming. Current shareholders can request their participation in planned meetings shown on the investor calendar. Requests should be made in a timely fashion. In addition to the investor meeting

date, time and names of participants, Merko's website has a section with the presentations used at the meetings. In 2025, AS Merko Ehitus organised 2 investor meetings (2024: 1).

For informing the company's shareholders, an annual general meeting of shareholders is called at least once a year where all shareholders can ask questions from members of the company's Management Board and Supervisory Board.

Information on investor relations of AS Merko Ehitus is available from:

IVO VOLKOV	URMAS SOMELAR	AS MERKO EHITUS
Chairman of the Management Board	Head of group Finance Unit / Contact Person for Investor Relations	Delta Plaza, 7th Floor
phone +372 650 1250	phone +372 650 1250	Pärnu mnt 141, 11314 Tallinn, Estonia
fax +372 650 1251	fax +372 650 1251	phone +372 650 1250
e-mail ivo.volkov@merko.ee	e-mail urmas.somelar@merko.ee	group.merko.ee

DECLARATION OF CONFORMITY TO CORPORATE GOVERNANCE RECOMMENDATIONS

The Corporate Governance Recommendations (CGR) are based on the principle of comply or explain, according to which a publicly traded company shall explain its standpoints and activities with regard to those CGR provisions, which it does not comply with.

We have assessed the structure and functions of the management of AS Merko Ehitus as per CGR. Above we have described significant components of corporate governance. Having assessed the compliance of the structure and functioning of the company's management system, we find that our organisation and activities are consistent with CGR. Also, our activities comply with the Estonian legislation that regulates several principles provided in the recommendations in more detail. We hereby declare that AS Merko Ehitus has followed all corporate governance recommendations, with the following exceptions:

CORPORATE GOVERNANCE RECOMMENDATIONS ²	EXPLANATIONS BY MANAGEMENT AND SUPERVISORY BOARDS
1.3.1 The Chairman of the Supervisory Board and members of the Management Board cannot be elected as Chair of the General Meeting.	Urmas Somelar was elected chairman of the 2025 general meeting. The shareholders' meeting considered it possible to elect a member of the management board to chair the general meeting, as there were no items on the agenda that might have affected the members of the management board or in respect of which a member of the management board might have had an interest in exerting influence.
1.3.2 Members of the Management Board, the Chairman of the Supervisory Board and if possible, the members of the Supervisory Board and at least one of the auditors shall participate in the General Meeting.	Indrek Neivelt, a member of the supervisory board, participated in the 2025 general meeting instead of the chairman of the supervisory board pursuant to the internal agreement of the supervisory board. The participation of all members of the supervisory board was not deemed necessary as no proposals for additional items on the agenda were tabled by shareholders within the statutory period.
1.3.3 Issuers shall make participation in the General Meeting possible by means of communication equipment (Internet) if the technical equipment is available and where doing so is not too cost prohibitive for the Issuer.	AS Merko Ehitus did not provide the possibility to observe and attend the regular general meeting in 2025 through means of communication as such need has not been identified so far.
3.2.2. At least half of the members of the Supervisory Board of the Issuer shall be independent. If the Supervisory Board has an odd number of members, then there may be one independent member less than the number dependent members.	The supervisory board of AS Merko Ehitus consists of three members, of which Kristina Siimar and Indrek Neivelt are independent members. Indrek Neivelt has been a member of the supervisory board since 6 November 2008, i.e. for more than ten years. Still, the management and supervisory boards are convinced that Indrek Neivelt remains independent from the Issuer, any company controlled by the Issuer, the controlling shareholder of the Issuer, any company belonging to the Issuer's group and any member of a management body of these companies, when making decisions as the member of the supervisory board. Indrek Neivelt continues to comply with all other requirements of independence and as a member of the supervisory board acts in the best interests of all the shareholders.
<p>ANEX. Requirements of independence</p> <p>Independent is the member of the Supervisory Board, who:</p> <p>(h) has not been an independent member of the Supervisory Board for more than ten (10) years;</p>	
5.2 The Issuer shall publish the disclosure dates of information subject to disclosure throughout a year (including the annual report, interim reports and notice calling a general meeting) at the beginning of the fiscal year in a separate notice, called financial calendar.	AS Merko Ehitus disclosed the financial calendar for 2026 on 15 December 2025. It did not include the date on which the notice calling general meeting is going to be disclosed, as it will be announced later as a result of the decisions of the Management Board and the Supervisory Board.

² Corporate Governance Recommendations, Finantsinspektsioon (FSA in Estonia), https://www.fi.ee/failid/HYT_eng.pdf

CORPORATE GOVERNANCE RECOMMENDATIONS ²	EXPLANATIONS BY MANAGEMENT AND SUPERVISORY BOARDS
1.3.1 The Chairman of the Supervisory Board and members of the Management Board cannot be elected as Chair of the General Meeting.	Urmas Somelar was elected chairman of the 2025 general meeting. The shareholders' meeting considered it possible to elect a member of the management board to chair the general meeting, as there were no items on the agenda that might have affected the members of the management board or in respect of which a member of the management board might have had an interest in exerting influence.
6.1.1 On meeting of the Supervisory board, where the annual account shall be reviewed the auditor of the Issuer shall participate upon invitation of the Supervisory Board.	The auditor does not usually attend the AS Merko Ehitus Supervisory Board meeting. Auditor presents an overview about the results of the performed audit as a written report to the audit committee, which has been formed by the Supervisory Board as its work body. In case the members of the audit committee find it necessary to receive additional explanations, they may turn to the auditor using means of communication or invite the auditor to the audit committee meeting to provide explanations.

According to subsection 24² (4) of the Accounting Act, a large undertaking whose securities granting voting rights have been admitted for trading on a regulated securities market of Estonia or another Contracting State shall describe in the corporate governance report the diversity policies carried out in the company's management board and senior management and the results of the implementation thereof during the accounting year. If no diversity policies have been implemented during the accounting year, the reasons for this should be explained in the corporate governance report.

Merko Ehitus has not deemed it necessary to implement diversity policies as it bases its decisions on onboarding, work assessments and remuneration of its managers and employees on the group's best interests as well as the education, competencies and work results of the managers and employees, and not on their sex and gender, age, ethnicity, or other such characteristics. The group has enacted a code of business ethics, which also includes the principle of equal treatment of employees. In 2025, no such violations were identified in the group, which would have suggested discrimination of employees or violations of human rights. Also, no work-related complaints were submitted to labour dispute committees against the group in 2025.

REMUNERATION REPORT

REMUNERATION OF EXECUTIVES

Pursuant to legal acts, AS Merko Ehitus releases an overview of remuneration paid to executives and its conformity to the remuneration principles. The principles of remuneration of executives and the corresponding procedure are developed and approved by the AS Merko Ehitus supervisory board, thus preventing and mitigating any conflict of interest. Most recently, the supervisory board approved a full updated set of the remuneration principles for executives on 14 December 2021, which was approved at general meeting of shareholders in 2022. Amendment proposals submitted at the meeting by shareholders in regard to the executive remuneration principles will be reviewed and taken into account if supported by a simple majority at the meeting.

In the 2025 and 2024 financial years, the Management Board members' recognized cost of remuneration incl. basic salaries and performance pay, as well as taxes and changes in reserves for the reporting year were as follows (in euros):

	2025	Performance pay ROE component	Performance pay strategic objectives component	2024
Ivo Volkov	547,739	93,600	306,400	114,051
Incl. basic salaries (reporting period)	147,739	-	-	114,051
Incl. performance pay (previous period)	400,000	93,600	306,400	-
Tõnu Toomik	482,042	84,240	275,760	502,079
Incl. basic salaries (reporting period)	122,042	-	-	142,079
Incl. performance pay (previous period)	360,000	84,240	275,760	360,000
Urmast Somelar	474,882	79,560	280,440	485,104
Incl. basic salaries (reporting period)	114,882	-	-	125,104
Incl. performance pay (previous period)	360,000	79,560	280,440	360,000
Andres Trink	-	-	-	100,000
Incl. performance pay (previous period)	-	-	-	100,000
Total taxes	523,369	-	-	418,495
Total changes in reserves**	407,390	-	-	235,555
TOTAL	2,435,424	257,400	862,600	1,855,284

*Performance pays represent the gross performance-based pay allocated and paid for the previous year's performance and recognized in the reporting year. ** Changes in reserves also include the reserve formed to cover performance pays to be paid in subsequent years for this reporting year.*

The performance-based pay allocated to executives for their performance in 2025 financial year conform to the remuneration principles, motivating the executives to achieve and maintain a high calibre of return on equity and to launch and implement strategic initiatives for strengthening the group's position on its home markets. No exceptions to the remuneration policies were made in allocating remuneration to the executives for the results of the financial year 2025.

In 2025, none of the executives received remuneration from other companies belonging to the group and they were not granted or offered shares or share options as remuneration. Nor did the group's supervisory board initiate any reclaims of performance bonuses in regard to the executives.

REMUNERATION OF EMPLOYEES

The group's objective is to pay its employees a competitive salary. In addition to basic remuneration, performance-based remuneration is paid.

The group defines labour cost as salary (incl. fixed salary, additional pay (night work, overtime and public holidays), holiday pay and bonus), taxes based on salary, fringe benefits and taxes based on fringe benefits. In 2025, the labour cost was EUR 50.5 million (2024: EUR 52.8 million), down 4.4% from the previous year.

Benefits that are standard for full-time employees and not offered to part-time employees are not separately disclosed in Merko group companies, except with regard to part-time employees employed under a contract for a specified term, who are not entitled to all of the benefits offered to group employees.

The following table shows, for each of the last five financial years, the annual change in the group's performance, and the average remuneration paid to employees and executives. The growth of the employees' average remuneration during the five-year period (41.9%) is distributed differently as compared to the growth in the average remuneration to executives in the five-year period (114.3%) but overall is lower.

	2025	2024	2023	2022	2021
Net profit attributable to equity holders of the parent (million EUR)	39.9	64.7	46.0	34.6	29.1
Return on equity (%)	15.6	28.4	23.4	20.4	18.8
Average number of fulltime employees (people)	603	611	649	657	651
Labour cost (million EUR)	50.5	52.8	50.2	42.3	38.4
Average labour cost per year for employees (thousand EUR)	83.7	86.4	77.4	64.4	59.0
Number of managers	3	3	2.6*	2	2
Average labour cost per year for managers (thousand EUR)	811.8	574.1	712.2	613.2	378.8
Change in labour costs of employees (%)	-3.3	11.6	20.2	9.2	7.0
Change in labour costs of managers (%)	41.4	-19.4	16.1	61.9	-27.0

Pursuant to the principles of accrual accounting, the labour costs also include the expense borne by the company in the reporting year on forming reserves and does not equal the actual disbursements during the reporting year; instead it includes considerations to be paid out in future periods.

**The number of members of the Management Board increased to 3 members on 01.06.2023, i.e. the number of members is shown in the table as an annual average.*

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KEY FINANCIAL INDICATORS IN 2021-2025

CONSOLIDATED INCOME STATEMENT

in thousands of euros

	2025	2024	2023	2022	2021
Revenue	310,941	539,049	466,304	409,633	339,375
Cost of goods sold	(255,081)	(443,162)	(401,267)	(355,975)	(292,563)
Gross profit (loss)	55,860	95,887	65,037	53,658	46,812
<i>% of revenue</i>	18.0%	17.8%	13.9%	13.1%	13.8%
Marketing expenses	(5,823)	(5,030)	(4,312)	(4,077)	(3,611)
General and administrative expenses	(17,478)	(21,908)	(19,423)	(15,860)	(13,925)
Other operating income	2,285	5,724	4,171	3,144	3,508
Other operating expenses	(501)	(2,190)	(991)	(1,834)	(582)
Operating profit (loss)	34,343	72,483	44,482	35,031	32,202
<i>% of revenue</i>	11.0%	13.4%	9.5%	8.6%	9.5%
Finance income	1,208	2,017	297	1	12
Finance costs	(1,164)	(2,951)	(3,017)	(1,450)	(886)
Profit (loss) from investments in subsidiaries	-	(5,087)	-	-	-
Profit (loss) from associates and joint ventures	10,381	9,951	10,220	3,516	799
Profit (loss) before tax	44,768	76,414	51,982	37,098	32,127
<i>% of revenue</i>	14.4%	14.2%	11.1%	9.1%	9.5%
Corporate income tax expense	(4,850)	(11,820)	(6,081)	(2,995)	(3,104)
Net profit (loss) for the financial year	39,918	64,594	45,901	34,103	29,023
incl. attributable to equity holders of the parent	39,918	64,668	46,048	34,640	29,140
<i>% of revenue</i>	12.8%	12.0%	9.9%	8.5%	8.6%
Attributable to non-controlling interests	-	(74)	(147)	(537)	(117)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in thousands of euros

	31.12.2025	31.12.2024	31.12.2023	31.12.2022	31.12.2021
ASSETS					
Current assets					
Cash and cash equivalents	41,424	91,879	77,330	17,665	44,930
Short-term deposits	18,000	10,000	-	-	-
Trade and other receivable	43,658	51,419	68,754	77,959	55,484
Prepaid corporate income tax	1,347	270	2	38	114
Inventories	219,812	196,521	195,435	225,661	160,593
	324,241	350,089	341,521	321,323	261,121
Non-current assets					
Investments in joint ventures	31,957	21,571	21,915	12,895	7,703
Other shares and securities	80	80	80	-	-
Other long-term loans and receivables	20,658	40,196	24,490	22,982	24,079
Deferred income tax assets	2,874	5,056	3,298	693	622
Investment properties	12,395	12,606	16,823	11,485	13,828
Property, plant and equipment	22,117	17,147	16,613	17,452	16,350
Intangible assets	714	350	520	582	669
	90,795	97,006	83,739	66,089	63,251
TOTAL ASSETS	415,036	447,095	425,260	387,412	324,372
LIABILITIES					
Current liabilities					
Borrowings	3,079	21,303	19,673	49,687	11,636
Payables and prepayments	95,920	129,786	133,898	96,248	90,054
Corporate income tax liability	510	7,101	4,260	1,241	681
Deferred income from government grant	2	-	-	-	-
Short-term provisions	10,426	7,678	10,451	9,820	7,976
	109,937	165,868	168,282	156,996	110,347
Non-current liabilities					
Long-term borrowings	30,012	12,102	35,142	42,236	41,001
Deferred income tax liability	7,448	6,148	4,441	2,355	3,112
Other long-term payables	7,073	8,719	5,495	2,133	2,900
	44,533	26,969	45,078	46,724	47,013
TOTAL LIABILITIES	154,470	192,837	213,360	203,720	157,360
EQUITY					
Non-controlling interests	-	-	(155)	(495)	(227)
Equity attributable to equity holders of the parent					
Share capital	7,929	7,929	7,929	7,929	7,929
Statutory reserve capital	793	793	793	793	793
Currency translation differences	(21)	(41)	(838)	(783)	(791)
Retained earnings	251,865	245,577	204,171	176,248	159,308
	260,566	254,258	212,055	184,187	167,239
TOTAL EQUITY	260,566	254,258	211,900	183,692	167,012
TOTAL LIABILITIES AND EQUITY	415,036	447,095	425,260	387,412	324,372

OTHER KEY FIGURES

attributable to equity holders of the parent

		2025	2024	2023	2022	2021
EBITDA	million EUR	37.5	75.7	48.1	37.9	34.8
EBITDA margin	%	12.0	14.0	10.3	9.3	10.3
General expense ratio	%	7.5	5.0	5.1	4.9	5.2
Staff costs ratio	%	16.2	9.8	10.8	10.3	11.3
Revenue per employee	thousand EUR	516	882	718	623	521
ROE	%	15.6	28.4	23.4	20.4	18.8
ROA	%	9.7	14.8	11.8	9.2	10.0
ROIC	%	16.2	29.8	20.6	15.1	16.9
Equity ratio	%	62.8	56.9	49.9	47.5	51.6
Debt ratio	%	8.0	7.5	12.9	23.7	16.2
Current ratio	times	2.9	2.1	2.0	2.0	2.4
Quick ratio	times	0.9	0.9	0.9	0.6	0.9
Accounts receivable turnover	days	50	43	38	33	31
Accounts payable turnover	days	56	46	40	55	39
Number of employees as at 31.12	people	613	605	635	661	670
Average number of employees	people	603	611	649	657	651
Secured order book as at 31.12	million EUR	467	341	477	297	257
New contracts signed	million EUR	363	338	501	318	288

SHARE-RELATED KEY FIGURES

attributable to equity holders of the parent

		2025	2024	2023	2022	2021
Earnings per share (EPS)	EUR	2.26	3.65	2.60	1.96	1.65
Equity per share	EUR	14.48	12.88	11.11	9.57	8.76
Dividend per share	EUR	*	1.90	1.30	1.00	1.00
Dividend rate	%	*	52	50	51	61
Dividend yield	%	*	9.1	8.5	7.1	6.6
P/B ratio	times	2.16	1.62	1.38	1.48	1.74
P/E ratio	times	13.88	5.71	5.88	7.24	9.24
Share price trend						
Average	EUR	28.09	17.00	15.18	14.50	14.41
Highest	EUR	33.35	21.55	16.36	16.96	17.14
Lowest	EUR	20.90	15.10	14.14	11.60	9.48
Share price as at 31.12	EUR	31.30	20.85	15.30	14.16	15.22
Market value as at 31.12	million EUR	554.0	369.0	270.8	250.6	269.4
Share turnover trend						
Share turnover	million EUR	25.10	13.57	12.85	18.16	29.78
Transactions	pcs	31,882	23,384	28,455	40,602	46,961
Shares traded	million pcs	0.88	0.79	0.84	1.22	2.06
Ratio of shares traded	%	5.0	4.5	4.7	6.9	11.6
Number of shares	million pcs	17.70	17.70	17.70	17.70	17.70
Number of shareholders as at 31.12	pcs	13,155	12,876	12,876	11,587	9,309

* Ratios related to dividends for 2025 will depend on the decision of the general meeting of shareholders to pay dividends.

DEFINITIONS OF RATIOS

Gross profit margin (%)	=	$\frac{\text{Gross profit}}{\text{Revenue}}$
Operating profit margin (%)	=	$\frac{\text{Operating profit}}{\text{Revenue}}$
EBT margin (%)	=	$\frac{\text{Earnings before tax}}{\text{Revenue}}$
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 (%)	=	$\frac{\text{(Profit before tax + interest expense - foreign exchange gain (loss) + other financial income) of the current 4 quarters}}{\text{(Shareholders' equity (average) + interest-bearing liabilities (average)) of the current 4 quarters}}$
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	=	$\frac{\text{Current assets - inventories}}{\text{Current liabilities}}$
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 (%)	=	$\frac{\text{Operating profit + depreciation}}{\text{Revenue}}$
General expense ratio (%)	=	$\frac{\text{Marketing expenses + General and administrative expenses}}{\text{Revenue}}$
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 capitalisation	=	Share price 31.12 x Number of shares
Ratio of shares traded	=	$\frac{\text{Number of shares traded during the year}}{\text{Number of shares in total}}$

REVENUE BREAK-DOWN OF THE PARENT PRESENTED ACCORDING TO THE ESTONIAN CLASSIFICATION OF ECONOMIC ACTIVITIES

Revenue break-down of the parent of AS Merko Ehitus for the year 2025 is presented according to Estonian Classification of Economic Activities EMTAK, as required under the Commercial Code § 4 p.6:

in thousands of euros

EMTAK code		2025	2024
	Real estate activities		
70101	activities of holding companies	982	924
68201	renting and operating of own or leased real estate	-	3
	Total revenue	982	927