



AS MERKO EHITUS

GROUP

2019 6 months and II quarter consolidated unaudited interim report

Business name:	AS Merko Ehitus
Main activities:	Holding companies General contracting of construction Real estate development
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Reporting period:	01.01.2019 – 30.06.2019
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Management Board:	Andres Trink, Tõnu Toomik
Auditor:	AS PricewaterhouseCoopers

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BRIEF OVERVIEW OF THE GROUP

AS Merko Ehitus is a construction and real estate development group operating in Estonia, Latvia, Lithuania and Norway.



BUSINESS SEGMENTS

ESTONIA

General construction
Civil engineering
Electrical construction
Road construction
Residential real estate development and investments

LATVIA

General construction
Civil engineering
Electrical construction
Residential real estate development and investments

LITHUANIA

General construction
Residential real estate development and investments

NORWAY

General construction

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

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

International quality, environmental protection and occupational safety **certificates ISO 9001, ISO 14001, OHSAS 18001**

SHARES

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

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

2018 KEY FIGURES

Revenue **418.0 million** euros

Net profit **19.3 million** euros

764 employees



VISION

Our vision is reliable solutions and quality performance for your ideas.

VALUES

RESPONSIBILITY	We decide based on business thinking, awareness and ethical beliefs. We offer enduring and environmentally friendly solutions.
KEEPING PROMISES	We give realistic promises to the shareholders, contracting entities, cooperation partners, employees and we keep our promises. Good solutions are born in cooperation, the keeping of one's promises is mutual.
COMPETENCE	We value quality and professionalism. We constantly develop our professional knowledge and skills.
INITIATIVE	We manage processes and we are result-oriented. We accept the challenges which presume more.
CREATIVITY	We are open, innovative and creative in working out and implementing the solutions. We have a will to carry out forward-looking ideas.

STRATEGY

The business strategy of AS Merko Ehitus is focussed on increasing the company value by offering general contracting services in the field of construction of buildings and infrastructure facilities as well as developing residential real estate in its main home markets of Estonia, Latvia, Lithuania and Norway. Merko Ehitus aims to be a preferred partner to its clients for construction works.

MANAGEMENT REPORT

COMMENTARY FROM MANAGEMENT

The decrease in revenue that continued in Q2 2019 for Merko Ehitus was an expected development due to the completion of major projects that had been under construction at the group's subsidiaries, the general market situation and the decline in the secured order book. Revenue for the second quarter was EUR 77 million and for the first half-year, EUR 154 million, representing a decrease of 16% compared to the year before. Sales revenue for six months decreased year-over-year in Estonia and Latvia, but increased in Lithuania and Norway.

The group's profit before taxes in Q2 was EUR 4.5 million and for the first half-year EUR 7.5 million – an increase of 6.7% from the year before. Net profit in Q2 was impacted by income tax expenses on dividends paid in the amount of EUR 2.7 million. Profitability in Q2 was also influenced by the fact that due to timing of project completion, the subsidiaries of the group sold significantly fewer apartments compared to Q2 last year. At the same time, preliminary sales of apartments are going according to plan and the number of apartments to be handed over to buyers in the second half-year on the basis of preliminary sale contracts is growing. Net profit attributable to equity holders of the parent in Q2 was EUR 1.7 million and for the first half-year EUR 4.5 million.

With construction orders generally declining, very strong competition and pressure on prices persist on the main contractors' market. In this type of market situation, the group's subsidiaries are focusing first and foremost on projects where it is possible to create value added for the customer in terms of quality of project management, where pricing is fair and contractual risks are distributed in a reasonable manner. Considering the rapid growth of input prices that has taken place in recent years, especially in terms of the cost of workforce, it is extremely important for the normal development of the construction market that there is a good cooperation between the parties of the construction process, and that liability and risk are balanced appropriately.

The group's secured order book balance decreased by the end of June 2019 to EUR 172 million, decreasing 30% compared to the level in the same period last year (EUR 247 million). At the same time, EUR 86 million in new contracts were signed in the first half-year, this being 27% more than in the same period last year (EUR 68 million). The largest contracts signed were for the renovation of the Aaspere-Haljala road section as well as construction of Türi Basic School and Laima chocolate factory. In addition to the abovementioned, the largest projects in progress were construction works of water supply and sewerage piping in Metsanurme, Kasemetsa and Üksnurme area, the commercial building at Pärnu mnt 186, construction of undersea electric power cables of Suur Väin and Väike Väin straits, the student home for Rakvere Vocational School and the reconstruction and dredging of the Port of Hundipea; in Latvia, Lidl's logistics centre and Alfa shopping centre; in Lithuania, Neringa hotel, Quadrum office building, and a private school; and in Norway, the Tesla service centre and the renovation of the office building at Møllergata 23-25.

Strategically, Merko Ehitus is increasingly focused on the apartment development business area. Investments into apartment development have grown significantly and in the first half-year, the group invested close to EUR 40 million into projects in progress. In addition, in Q2 the group purchased a large development area in Vilnius for EUR 13 million. The planned total investment volume for this year in apartment developments is on the order of EUR 100 million. In Estonia, Latvia and Lithuania, the group currently has a total of more than 1,000 apartments in development. The biggest projects in Tallinn are the Uus-Veerenni and Pikaliiva residential projects, in Riga, the Gaiļezers and Viesturdārzs development projects, and, in Vilnius, the Vilneles slenis and Rinktinės Urban developments.

In Q2, the group sold 37 apartments compared to 117 in Q2 last year. The reason for the lower number is the fact that previous larger development projects have been completed and the apartments largely sold. At the end of the first half-year, there were about one hundred apartments in the three Baltic states in total that were ready to be sold and not covered by preliminary contracts. New projects are in the construction phase and Merko will start selling some of them as they are finished at the end of this year and most of them next year, in 2020.

The apartment markets in Tallinn and Vilnius continue to favour well-prepared projects with high-quality execution, which offer integral living environments. Riga's apartment market continues to be less active with the sales potential being higher for projects that are more precisely targeted to market expectations. For the real estate market as a whole, the question remains about the current and future developments in the Baltic banking sector. This pertains to both the sufficiency of competition between banks, regulations and the rigidity of their interpretations in selecting customers, as well as the general risk appetite of banks when it comes to financing both the developers and home buyers. In case of unfavourable developments, banking activities may start curtailing the general economic activity of the Baltic states, including the normal functioning of the real estate market.

2019 6M
REVENUE
154 MILLION EUROS

PROFIT
BEFORE TAX
7.5 MILLION EUROS

OVERVIEW OF THE II QUARTER AND 6 MONTHS RESULTS

PROFITABILITY

2019 6 months profit before tax was EUR 7.5 million and Q2 2019 was EUR 4.5 million (6M 2018: EUR 7.1 million and Q2 2018: EUR 5.8 million), which brought the profit before tax margin to 4.9% (6M 2018: 3.8%).

Net profit attributable to equity holders of the parent in 6 months 2019 was EUR 4.5 million (6M 2018: EUR 6.7 million) and Q2 2019 net profit attributable to equity holders of the parent was EUR 1.7 million (Q2 2018: EUR 5.6 million). 6 months net profit margin was 2.9% (6M 2018: 3.6%). Net profitability was influenced by, among other things, a significantly increased income tax expense: in Q2, the group's income tax expense on paid dividends was EUR 2.7 million greater than the year before. There was no income tax expense on the dividends paid in 2018 – the dividends were distributed from dividends paid by foreign subsidiaries to the parent.

REVENUE

Q2 2019 revenue was EUR 77.4 million (Q2 2018: EUR 103.3 million) and 6 months revenue was EUR 154.2 million (6M 2018: EUR 183.7 million). 6 months revenue has decreased by 16.0% compared to same period last year. The share of revenue earned outside Estonia in 6 months 2019 was 57.0% (6M 2018: 52.6%).

SECURED ORDER BOOK

As at 30 June 2019, the group's secured order book was EUR 172.1 million (30 June 2018: EUR 247.0 million). In 6 months 2019, group companies signed new contracts in the amount of EUR 86.0 million (6M 2018: EUR 67.5 million). In Q2 2019, new contracts were signed in the amount of EUR 53.8 million (Q2 2018: EUR 45.3 million).

REAL ESTATE DEVELOPMENT

In 6 months 2019, the group sold a total of 100 apartments (incl. 33 apartments in a joint venture); in 6 months 2018, the group sold 168 apartments (incl. 34 apartments in a joint venture). The group earned a revenue of EUR 9.2 million from sale of own developed apartments in 6 months 2019 and EUR 16.3 million in 6 months 2018. In Q2 of 2019 a total of 37 apartments (incl. 4 apartment in a joint venture) were sold, compared to 117 apartments (incl. 9 apartment in a joint venture) in Q2 2018, and earned a revenue of EUR 4.7 million from sale of own developed apartments (Q2 2018: EUR 12.0 million).

CASH POSITION

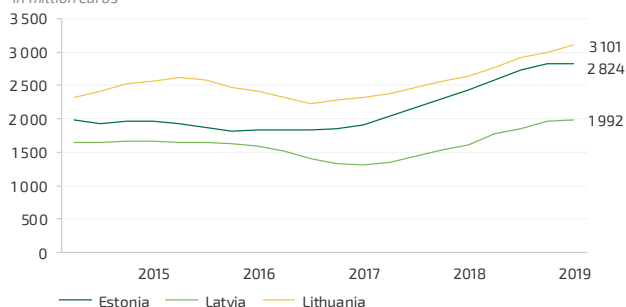
At the end of the reporting period, the group had EUR 14.0 million in cash and cash equivalents, and equity of EUR 118.5 million (41.2% of total assets). Comparable figures as at 30 June 2018 were EUR 27.2 million and EUR 119.1 million (42.8% of total assets), respectively. As at 30 June 2019, the group had net debt of EUR 48.7 million (30 June 2018: EUR 26.9 million).

OUTLOOK OF CONSTRUCTION AND REAL ESTATE MARKET

CONSTRUCTION SERVICES

The pace of growth on Estonian and Latvian construction markets has settled down in the beginning of 2019. In Q1, the Latvian construction market posted year-over-year growth of 8%, compared to 28% growth for 2018 as a whole. In Estonia, growth was 23% last year, but the Q1 2019 figure showed a slight decline compared to the same period the year before (still less than 1%). At the same time, growth has increased in Lithuania, even accelerating: in 2018, the annual growth was 17%, while growth in Q1 of 2019 was 24%. To sum up, measured in current prices, construction in Estonia during the last four quarters exceeds the peak of the boom era (2007) by 13%, Latvia is 17% below its peak (2008), and Lithuania is 14% off its high water mark (also 2008).

BALTIC STATES CONSTRUCTION MARKETS (WITH OWN FORCES)
ROLLING 12 MONTHS
in million euros

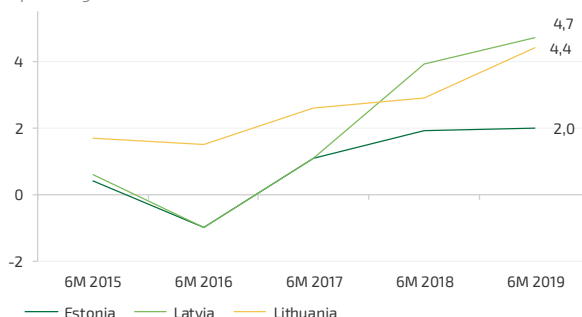


Source: national statistical offices

Year over year, the volume of building permits issued in Estonia for residential units dropped by about 10%; permits issued for non-residential space were down by about 20%. The volumes of building permits issued in the first half of 2019 were essentially on par with the same period the year before. This means that there has been no reversal in the decline of 2018. In Latvia and Lithuania, the volume of building permits for residential space has seen contraction: compared to the same period last year, Latvia's Q1 figure is down 4%, while in Lithuania the volume has even halved. As to building permits for non-residential space, the volume in Lithuania was down 15% year-over-year in Q1, while Latvia saw a nearly twofold increase. This ensures the continuation of the general positive trend as regards demand for construction in Latvia, while the trend is downward in Lithuania. Looking at these developments, it seems that the potential for rapid growth of construction volumes may be running out of steam in Estonia and Lithuania (barring new demand from the public sector, such as for Rail Baltica). In Latvia, volume of residential construction is stabilising, while non-residential space volume growth retains a stronger outlook. The Norwegian construction market is continuing on its relatively stable growth track, speeding up to 5% growth in Q1 of this year comparing the volumes of the latest 12 months to the previous same period (the average annual growth for the last 5 years having been slightly above 3%).

The Latvian construction price index grew close to 5% year-over-year in the first half of 2019. In Lithuania, the rise in price crossed the 4% line in Q1 and continues to rise. In Estonia, price growth remains at a more or less stable 2%. In all three countries, the price rise is being influenced by the rapid growth in labour costs. In Estonia, it amounts to an approx. 5% as a component of the construction price index, while in Latvia and Lithuania it is at times approaching already 10%. In all three countries, sufficient availability of resources (workforce, materials) is still an important topic. The situation in Estonia has improved somewhat compared to last year, even as no relief is yet in sight in Lithuania with the construction market actively growing.

6 MONTHS' CHANGE IN CONSTRUCTION PRICE INDEX
percentages



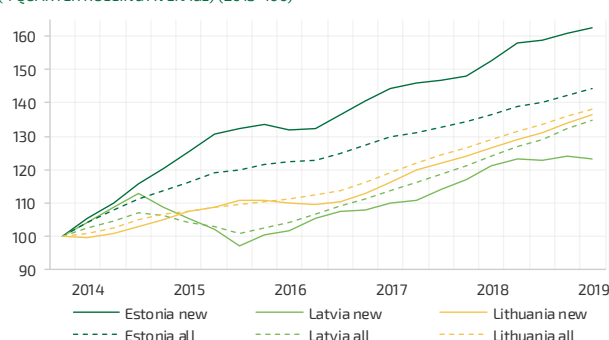
Source: national statistical offices

DEVELOPMENT OF APARTMENTS

The volume of permits for use of residential buildings in Estonia has continued to rise in the first half of 2019. The number of building permits issued in the last 12 months is 4% greater than were issued during the same period at the height of the boom (2007-2008). Volumes in Lithuania have already since 2016 outstripped the peak of the boom (at times up to one-third more) and a certain amount of stabilisation has taken place recently, at a level of some 10% above the historical peak level. In Latvia, volumes continue to be low compared to Estonia and Lithuania, although the 12 month cumulative annual growth has been around 10-20% for the past quarters. Unlike Estonia and Lithuania, where the volume of building permits issued for residential units has fallen to the same level as permits for use issued, the volume of building permits in Latvia continue to be twice as high as that of the use permits of finished buildings.

Housing prices continue their existing growth trajectory in Estonia and Lithuania, while Latvia's price dynamics exhibit a specific aspect of that market – the price level of new housing has remained roughly unchanged over the last year, even as prices generally continue to rise. Demand for new apartments is clearly more limited in Latvia than it is in Estonia and Lithuania – older residential real estate is faring better on the market in this regard. In any case, competition between development projects has increased in all three markets, which has increased the options for buyers. Location, quality and the integrity of the living environment continue to gain in importance. Developers must have strong financial capability to cope with sales periods likely becoming longer.

NEW AND ALL (dotted line) DWELLINGS QUARTERLY HOUSE PRICE INDEX
(4 QUARTER ROLLING AVERAGE) (2013=100)



Source: Eurostat

BUSINESS ACTIVITIES

Starting from 2019, the management board of AS Merko Ehitus decided to change the segment reporting structure in the group's financial reports and harmonise it with the group's internal reporting structure.

As a result of the change, the Estonian construction service and other home market construction service will be merged and instead of three business segment there will be two:

- construction service;
- real estate development.

The change is due to the fact that the volumes of construction services provided in group's home markets have become more evenly distributed. Therefore, the management board of AS Merko Ehitus is focusing on the construction service business segment as a whole and does not deem it necessary to treat Estonian construction service as a separate business segment.

CONSTRUCTION SERVICE

The construction service in Estonia consists of services in the field of general construction, civil engineering, electricity, external networks and road construction, as well as concrete works: in Latvia general construction, provision of civil engineering and electricity construction services; and in Lithuania and Norway general construction works.

million EUR

	6M 2019	6M 2018	VARIANCE	Q2 2019	Q2 2018	VARIANCE	12M 2018
Revenue	142.1	157.4	-9.7%	71.7	86.1	-16.7%	347.1
% of total revenue	92.1%	85.7%		92.7%	83.3%		83.0%
Operating profit	7.7	4.9	+58.1%	4.9	4.4	+10.6%	10.7
Operating profit margin	5.4%	3.1%		6.8%	5.1%		3.1%

In the 6 months of 2019, the revenue of the construction service segment was EUR 142.1 million (6M 2018: EUR 157.4 million), including EUR 61.1 million (6M 2018: EUR 69.4 million) in Estonia, EUR 52.5 million (6M 2018: EUR 67.3 million) in Latvia, EUR 14.8 million (6M 2018: EUR 14.4 million) in Lithuania and EUR 13.7 million (6M 2018: EUR 6.3 million) in Norway. The sales revenue of construction service has decreased by 9.7% compared to the same period last year. The construction service segment revenue for 6 months 2019 made up 92.1% of the group's total revenue (6M 2018: 85.7%). In this segment, the group earned an operating profit of EUR 7.7 million for 6 months (6M 2018: EUR 4.9 million). The operating profit margin was 5.4% (6M 2018: 3.1%).

In Q2 the profit margins of the construction service continued to improve. Compared to previous times there have been somewhat less problems with the depletion of sub-contractors' resources. Also, the completion of the group's large on-going construction projects has enabled re-evaluation of the impact of possible unfavourable developments to financial results. In general, however, competition among main contractors remains strong, and because of that profitability of all market participants is under pressure. The group focuses mostly on those projects, in case of which it is possible to generate added value to the client through high quality of project management, and the provided service can be priced accordingly. It is important that the pricing is fair and transparent, and that the contractual risks are distributed in a balanced way between the client and the main contractor. Focusing only on underbidding is short-sighted and does not, in the end of the day, work neither on the client's favour. Because of low price, the quality of the works suffers, staying on schedule becomes questionable, and at times even the completion of the works might not be a given. For the group, maintaining or increasing the revenue is not a goal onto itself. Revenue must be balanced against taken risks and estimated profitability. This is especially evident in public procurements for general construction, in case of which the group finds it very difficult, if not impossible, to compete successfully while ensuring the risk-reward ratio matches the group's goals.

Larger projects in progress in the second quarter in construction service segment in Estonia included the construction works of commercial building at Pärnu mnt 186, student home of Rakvere Vocational School, support warehouse and medical centre in Tapa armed forces campus, renovation works of Tsirguliina 330kV substation, dredging and reconstruction works of Hundipea port, construction of electric power cables of Suur Väin and Väike Väin straits, construction works of water supply and sewerage piping in Metsanurme, Kasemetsa and Üksnurme area, and road repair and maintenance works in Tallinn. In Latvia, larger ongoing projects included the construction works of Alfa shopping centre and Lidl logistics centre. In Lithuania, larger projects were the construction works of Neringa hotel, Quadrum office building, and a private school building. In Norway, the larger projects were design and construction works of Tesla service centre and renovation of an office building at Møllergata st. 23-25 in Oslo.

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

million EUR

	6M 2019	6M 2018	VARIANCE	Q2 2019	Q2 2018	VARIANCE	12M 2018
Revenue	12.1	26.2	-53.8%	5.6	17.2	-67.3%	70.9
incl. sale of apartments	9.2	16.3		4.7	12.0		41.3
construction service to joint venture projects	1.7	8.0		0.7	4.5		15.5
sale of immovable properties	0.4	0.7		-	-		9.5
% of total revenue	7.9%	14.3%		7.3%	16.7%		17.0%
Operating profit	0.9	3.2	-72.2%	0.3	1.9	-82.5%	11.3
Operating profit margin	7.4%	12.3%		6.0%	11.3%		16.0%

In 6 months 2019, the group sold a total of 100 apartments (incl. 33 apartments in a joint venture); in 6 months 2018, 168 apartments (incl. 34 apartment in a joint venture). The group earned a revenue of EUR 9.2 million (VAT not included) from sale of own developed apartments in 6 months 2019 and EUR 16.3 million (VAT not included) in 6 months 2018.

In the case of projects developed in joint ventures, the real estate development business segment revenue reflects the construction services provided to the project by the group and the operating profit includes the realised construction profit for the period. The profit from development gained from sale of those apartments to end-customers is recognised in the group's reporting based on the equity method.

In 6 months of 2019, real estate development segment revenues decreased by 53.8% compared to the same period last year. In the 6 months of 2019, the share of revenue from the real estate development segment formed 7.9% of the group's total revenue (6 months of 2018: 14.3%).

The segment's operating profit for the 6 months of 2019 amounted to EUR 0.9 million (6 months of 2018: EUR 3.2 million) and the operating profit margin was 7.4% (6 months of 2018: 12.3%), which decreased by 4.9 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. Compared to 2019, the segment's profitability of 2018 was positively influenced by the sale of immovable property that had little strategic importance for the group. Operating profitability is dependent also on the amount of revenue – in case of smaller revenue, overhead decreases the profitability. In the first half of 2019 both the sale of apartments as well as the construction service to joint venture projects has decreased. The sales level of apartments depends mainly on the current development phase of the projects. Previous larger projects have mostly been completed and the apartments largely sold; new projects are in the construction phase and will be finished partly by the end of this year and mostly during the next year of 2020. Construction service to joint venture projects has decreased to a minimum, as the majority of this activity was carried out last year, in 2018 – the jointly developed project is mostly finished. Therefore, the decrease in the revenue and operating profit of real estate development segment has been as expected.

At the end of the period, group's inventory comprised 403 apartments where a preliminary agreement had been signed: 14 completed apartments (13 in Estonia and 1 in Lithuania) and 389 apartments under construction (183 in Estonia, 33 in Latvia and 173 in Lithuania). The sale of these apartments had not yet been finalised and delivered to customers, because the development site is still under construction or the site was completed at the end of the reporting period and the sales transactions have not all been finalised yet.

As at 30 June 2019, the group had a total of 753 apartments for active sale (as at 30 June 2018: 523 apartments; as at 31 December 2018: 989 apartments), for which there are no pre-sale agreements and of which 103 have been completed (44 in Estonia, 53 in Latvia and 6 in Lithuania) and 650 are under construction (121 in Estonia, 159 in Latvia and 370 in Lithuania).

In 6 months of 2019, the group launched the construction of a total of 70 new apartments in the Baltic states (6 months of 2018: 349 apartments). In the 6 months, the group invested a total of EUR 39.5 million (6 months of 2018: EUR 13.6 million) in new development projects launched in 2019 as well as projects already in progress.

After the reporting date, the group has started the construction of the second stage of Uus-Veerenni residential project in Tallinn with 88 apartments and 4 commercial premises.

One of group's objectives is to keep a sufficient portfolio of land plots to ensure stable inventory of property development projects, which considers the market conditions. As at 30 June 2019, the group's inventories included land plots with development potential, where the construction works have not started, in amount of EUR 67.0 million (30.06.2018: EUR 59.8 million).

GROUP'S INVENTORIES WITH DEVELOPMENT POTENTIAL BY COUNTRY

million EUR

	30.06.2019	30.06.2018	31.12.2018
Estonia	26.1	27.7	26.9
Latvia	26.9	26.5	26.6
Lithuania	14.0	5.6	1.0
Total	67.0	59.8	54.5

In the 6 months of 2019, the group purchased new land plots at an acquisition cost of EUR 13.1 million for real estate development purposes (6 months of 2018: EUR 0.3 million), including a 4.7 hectare development area (EUR 13 million) near Vilnius downtown in Q2, which allows the construction of approximately 1,000 apartments in the upcoming years.

SECURED ORDER BOOK

As at 30 June 2019, the group's secured order book amounted to EUR 172.1 million, compared to EUR 247.0 million as at 30 June 2018, having decreased by 30.3% in the annual comparison. The secured order book excludes the group's own residential development projects and construction works related to developing real estate investments.

In 6 months of 2019, EUR 86.0 million worth of new contracts were signed, which is 27.4% more than the EUR 67.5 million signed during the same period in 2018. The value of new contracts signed in the second quarter of 2019 amounted to EUR 53.8 million; in the second quarter of 2018 the value of new contracts signed amounted to EUR 45.3 million.

LARGEST CONSTRUCTION CONTRACTS SIGNED IN THE SECOND QUARTER OF 2019

BRIEF DESCRIPTION OF CONTRACT	COUNTRY	COMPLETION TIME	VALUE MILLION EUR
Construction contract for the reconstruction works of main road No. 1 (E20; Tallinn-Narva) Aaspere-Haljala section	Estonia	October of 2020	12.8
Construction contract for the construction of Türi Basic School buildings	Estonia	August of 2020	11.4
Construction contract for the new chocolate factory construction works in Latvia	Latvia	Q2 of 2020	8.9
Construction contract for the amendment of the reconstruction and renovation works of the Neringa hotel building in Vilnius	Lithuania	Middle of 2020	5.0
Construction contract for the water supply and sewerage piping in Rapla County	Estonia	November of 2020	3.0

After the reporting date, the group has concluded the following larger construction contract:

- On 12 of July 2019, SIA Merks, part of AS Merko Ehitus group, entered into a construction contract with SIA "LMH" for the construction works of International College in Latvia, Piņķi, Babītes county. The contract value is EUR 10.1 million and the works are scheduled for completion in August 2020.

As at 30 June 2019, the private sector orders accounted for approximately 48% of the total balance in the group's secured order book (30.06.2018: approximately 78%; 31.12.2018: approximately 70%). The share of public sector in the secured order book has increased to above 50%. This is mostly due to civil engineering and road construction areas for which the group has specific knowhow and experience. In terms of general construction, Merko participates selectively only in those public procurements where the group sees certain competitive edge, which lies outside the usual narrow price-based approach of public sector clients. In general, the level of private sector procurements has diminished – there are fewer large objects, and the competition among main contractor is very strong for the existing ones.

The group is focusing on the existing home markets, keeping a diversified operating portfolio as a strategic aim, balancing construction activities with real estate development in different countries. The group has gained a strong foothold in all the Baltic states and continues a gradual growth in Norway. Retaining the foothold and growing further must be done in a profitable way. The group is therefore focused on ensuring that sales revenue is grown only on the basis of projects with an acceptable risk to reward ratio.

CASH FLOWS

At the end of reporting period, the group had cash and cash equivalents in the amount of EUR 14.0 million (30.06.2018: EUR 27.2 million). As the group's cash position continues to be strong, the group has not utilised all its credit lines of existing overdrafts and loan agreements within reporting period. As at the end of the reporting period, the group entities had concluded overdraft contracts with banks in a total amount of EUR 34.1 million, of which EUR 15.3 million was unused (30.06.2018: EUR 27.1 million of which EUR 19.3 was unused). In addition to the overdraft facilities, the company has a working capital loan facility with a limit of EUR 3.5 million (30.06.2018: EUR 3.5 million) from AS Riverito, which was not withdrawn at the end of current period (30.06.2018: not withdrawn).

The 6-month cash flow from operating activity was negative at EUR 23.9 million (6 months of 2018: positive EUR 9.5 million), cash flow from investing activity was negative at EUR 1.3 million (6 months of 2018: positive EUR 0.3 million) and the cash flow from financing activity was negative at EUR 0.8 million (6 months of 2018: negative EUR 21.9 million).

The cash flow from operating activities had positive impacts from EBITDA of EUR 8.8 million (6 months of 2018: positive impact of EUR 8.2 million), from the positive changes in trade and other receivables related to operating activities of EUR 5.6 million (6 months of 2018: negative change of EUR 5.8 million) and change in trade and other payables related to operating activities of EUR 18.7 million (6 months of 2018: positive change of EUR 11.2 million), while the negative impacts came from changes in receivables and liabilities related to construction contracts of EUR 8.1 million (6 months 2018: positive change of EUR 0.8 million), change in the provisions of EUR 3.1 million (6 months of 2018: negative change of EUR 1.7 million) and change in inventories of EUR 44.7 million (6 months of 2018: negative change of 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 (21.8% as at 30.06.2019; 19.4% as at 30.06.2018; 16.4% as at 31.12.2018).

Cash flows from investing activities include negative cash flow from the acquisition of non-current assets and investment property in the amount of EUR 1.7 million (6 months of 2018: investment in non-current assets EUR 0.5 million) and the positive cash flow was from the sale of non-current assets in the amount of EUR 0.3 million (6 months of 2018: EUR 0.4 million).

In cash flows from financing, the larger negative factors were dividend payment of EUR 17.8 million (6 months 2018: EUR 17.7 million), finance lease repayments in the amount of EUR 0.5 million (6 months of 2018: net negative cash flow of EUR 0.3 million) and net amount of loans received and repaid of project specific loans obtained using investment property as collateral in the amount of EUR 0.2 million (6 months of 2018: negative cash flow in the net amount of EUR 1.7 million). Positive cash flow from financing activity were gained from loans received and repaid in connection with development projects in the amount of EUR 13.3 million (6 months of 2018: net negative cash flow of EUR 7.1 million), positive change in loans related to construction projects and other activities in the net amount of EUR 4.4 million (6 months of 2018: net positive cash flow of EUR 1.9 million).

The Q2 2019 cash flow from operating activity was negative at EUR 20.1 million (Q2 2018: positive EUR 12.5 million), cash flow from investing activity was negative at EUR 0.6 million (Q2 2018: positive EUR 0.2 million) and the cash flow from financing activity was positive at EUR 1.8 million (Q2 2018: negative EUR 13.2 million)

RATIOS

(attributable to equity holders of the parent)

INCOME STATEMENT SUMMARY		6M 2019	6M 2018	6M 2017	Q2 2019	Q2 2018	Q2 2017	12M 2018
Revenue	million EUR	154.2	183.7	128.8	77.4	103.3	70.7	418.0
Gross profit	million EUR	14.7	13.0	10.2	8.5	8.9	6.1	33.0
Gross profit margin	%	9.5	7.1	7.9	10.9	8.7	8.6	7.9
Operating profit	million EUR	7.6	7.2	4.7	4.7	5.9	3.5	19.9
Operating profit margin	%	4.9	3.9	3.7	6.1	5.8	4.9	4.8
Profit before tax (PBT)	million EUR	7.5	7.1	4.4	4.5	5.8	3.3	19.8
PBT margin	%	4.9	3.8	3.4	5.9	5.6	4.6	4.7
Net profit	million EUR	4.6	6.9	3.2	1.7	5.7	2.2	19.4
attributable to equity holders of the parent	million EUR	4.5	6.7	3.2	1.7	5.6	2.2	19.3
attributable to non-controlling interest	million EUR	0.2	0.2	(0.0)	0.0	0.1	0.1	0.1
Net profit margin	%	2.9	3.6	2.5	2.2	5.4	3.1	4.6
Other income statement indicators		6M 2019	6M 2018	6M 2017	Q2 2019	Q2 2018	Q2 2017	12M 2018
EBITDA	million EUR	8.8	8.2	6.0	5.3	6.4	4.1	21.9
EBITDA margin	%	5.7	4.4	4.7	6.9	6.2	5.9	5.2
General expense ratio	%	5.2	4.0	5.1	5.2	3.6	4.5	3.7
Labour cost ratio	%	12.0	8.5	11.7	12.4	8.2	10.4	8.2
Revenue per employee	thousand EUR	213	248	169	107	139	93	563
OTHER SIGNIFICANT INDICATORS		30.06.2019		30.06.2018		30.06.2017		31.12.2018
Return on equity	%	13.4		14.4		6.2		15.3
Return on assets	%	6.1		6.6		3.2		6.9
Return on invested capital	%	11.7		12.5		5.9		11.5
Equity ratio	%	41.2		42.8		49.3		48.9
Debt ratio	%	21.8		19.4		18.8		16.4
Current ratio	times	1.9		2.1		2.8		2.2
Quick ratio	times	0.7		1.0		1.2		1.1
Accounts receivable turnover	days	42		41		39		40
Accounts payable turnover	days	47		43		37		41
Average number of employees	people	724		742		764		743
Secured order book	million EUR	172.1		247.0		387.5		229.0

Ratio definitions are provided on page 40 of the report.

RISK MANAGEMENT

Risk management is part of strategic management and is inseparable from daily operations of the company. In managing risks, the main objective of the company is to determine significant risks and to optimally manage risks so that the company achieves its strategic and financial objectives.

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

Legal risk

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

As at 30 June 2019, a provision has been set up at the group in the amount of EUR 0.1 million (30.06.2018: EUR 0.1 million) for covering potential claims and legal costs.

An overview of the key legal disputes of group entities ended during 2019 and ongoing as of 30.06.2019 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 Suur-Paekalda OÜ and Väike-Paekalda OÜ (now merged with AS Merko Ehitus Eesti, part of AS Merko Ehitus group). On 2 February 2016, AS Merko Ehitus group companies, Suur-Paekalda OÜ and Väike-Paekalda OÜ, filed a complaint in Tallinn Administrative Court for compensation of damage. The plaintiffs are seeking a ruling ordering that the state pay damages of approximately EUR 3.2 million to Suur-Paekalda OÜ (exact amount to be determined) and approximately EUR 1.6 million to Väike-Paekalda (exact amount to be determined) as well as late interest at the rate specified in subsection 113 (1) of the Law of Obligations Act starting from 2 February 2016 until due compliance with the demand for compensation. The claims consist of direct patrimonial damage (reduction in the value of immovable property and expenditures made on development activity) and claims for revenue foregone (failed development activity in 2005-2007). On April 22, 2019 the Tallinn Administrative Court partially satisfied the appeal and order the Republic of Estonia to pay AS Merko Ehitus Eesti EUR 760 thousand and late interest until the principal claim is duly discharged. The court also ordered that procedural costs of EUR 12 thousand be paid to AS Merko Ehitus Eesti. Both sides filed an appeal and the dispute continues at the Tallinna District Court. The impact of this claim has not been taken into account in the group's reporting.

Latvia

Lawsuit against former employee

On 5 May 2015, SIA Merks filed suit in Riga District Court against former SIA Merks employee Rolands Mēnesis in a claim for the compensation of damage amounting to EUR 337 thousand. The object of the statement of claim is damage deliberately caused by project manager Rolands Mēnesis by entering into fictitious transactions on behalf of SIA Merks and purchase of items not necessary for contractual work. The next court hearing is scheduled on 17 October 2019. The possible effect of the potential positive outcome of this claim has not been taken into account in the group's financial reporting.

Starptautiskā lidosta "Rīga"

On 21 September 2017, SIA Merks has initiated court proceedings against VAS "Starptautiskā lidosta "Rīga"" (Riga International Airport). The basis of the court proceeding is a dispute with Riga International Airport on the terms and conditions of signing the final completion certificate of the new passenger terminal of Riga International Airport. SIA Merks seeks court decision requiring Riga International Airport to sign the final completion certificate and thus entitling SIA Merks for payment of EUR 449 thousand (EUR 414 thousand being the principal claim and EUR 35 thousand late interest) for the works.

On 5 March 2018, SIA Merks prepared an additional claim to the court to confirm that the works are fully and properly performed and should be duly accepted by Riga International Airport and, releasing the retention money for the warranty period guarantee in the amount of EUR 920 thousand.

On 8 June 2018, Riga International Airport paid partly the claim submitted on September 21, 2017, therefore SIA Merks reduced the claim to EUR 248 thousand (EUR 76 thousand being the principal claim and EUR 172 thousand late interest). On 11 December 2018 was decided to take independent expert and next court hearing is scheduled on 24 October 2019. No additional provisions are recognised in relation to the potential outcome of this claim.

Lithuania

Vilniaus vandenys

On 18 May 2016, AS Merko Ehitus and UAB Merko Statyba, acting pursuant to the joint venture agreement, filed an action against UAB Vilniaus vandenys in the total amount of EUR 183 thousand. The plaintiffs maintain that due to the actions of UAB Vilniaus vandenys, both the construction period became longer and also additional works were carried out – works that the customer later refused to pay for. By decision of 9 January 2018, the court appointed an expertise, the result of which was submitted on 14 December 2018. By the decision of 7 June 2019 the court withdrew the claim. On 5 July an appeal was presented to the higher court. The potential positive outcome of this claim is not recognised in the group's financial reporting.

UAB Axis

On 3 September 2018, UAB Axis power (sub-contractor) filed an action against UAB Merko Statyba (main contractor), part of AS Merko Ehitus group, in the total amount of EUR 846 thousand as compensation for carrying out concrete works, which were more complicated than foreseen at signing of the contract. The next court hearing is scheduled on 8 August 2019. The group finds the claim unsubstantiated and has not recognised provisions in relation to this claim.

EMPLOYEES AND LABOUR COSTS

As of 30 June 2019, Merko Ehitus group employed 734 people (including temporary and part-time staff). Compared to the same period last year, the number of group's employees decreased by 33 (-4.3%). The number of employees has decreased in Estonia, Latvia and Lithuania and increased in Norway due to increase of construction volumes.

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

The group defines labour cost as salary (incl. fixed salary, additional pay, holiday pay, and performance pay), taxes based on salary, fringe benefits and taxes on fringe benefits. In 6 months 2019, the labour cost was EUR 18.6 million (6 months 2018: EUR 15.7 million), which increased by 18.4% compared to the same period previous year. The labour cost ratio increased by 3.5 pp from 8.5% to 12.0%.

During 6 months of 2019, AS Merko Ehitus Eesti, one of the largest Estonian construction companies, part of AS Merko Ehitus group, paid EUR 4.3 million in labour taxes in Estonia, making it the largest labour tax payer in the construction sector (6 months 2018: EUR 3.4 million).

ETHICAL BUSINESS PRACTICES

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

We do business honestly, follow ethical principles in our activities and make sure our employees know and follow business ethics standards in their everyday work. To allow the principles to take firmer root, the Group has established a Code of Business Ethics.

The topic of business ethics has been thoroughly covered on the group's website:

group.merko.ee/en/corporate-governance-2/responsibility/ethical-business-practices/.

SHARE AND SHAREHOLDERS

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 securities	17,700,000
Volume of issue	12,000,000
Currency	EUR
Listing date	11.08.2008

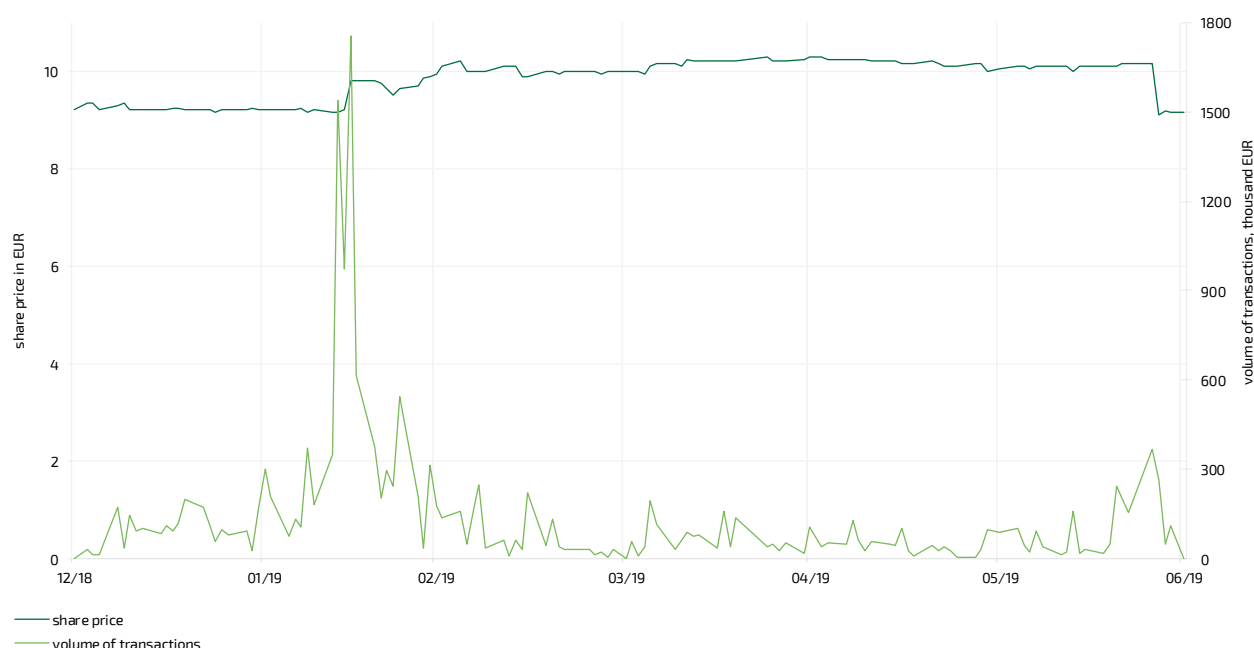
The shares of Merko Ehitus are listed in the Main List of Nasdaq Tallinn. As at 30 June 2019, the company has 17,700,000 shares. The number of shares has not changed during 2019.

A total of 5,580 transactions were conducted with the shares of Merko Ehitus in 6 months of 2019, with 1.76 million shares (9.9% of total shares) traded, generating a turnover of EUR 16.9 million (comparable figures in 6 months 2018 were accordingly: 2,408 transactions with 0.71 million shares traded (4.0% of total shares), generating a turnover of EUR 7.7 million). The lowest transaction was carried out with a price of EUR 8.90 and the highest with EUR 10.30 per share (6 months of 2018: EUR 8.70 and EUR 11.80, accordingly). On 30 June 2019, the closing price of the share was EUR 9.16 (30.06.2018: EUR 9.80; 31.12.2018: EUR 9.20). As at 30 June 2019, by the Nasdaq Baltic stock exchange, the market capitalisation of AS Merko Ehitus was EUR 162.1 million, down 6.5% compared to the end of the equivalent period of the prior year (30.06.2018: EUR 173.5 million).

	30.06.2019	30.06.2018	30.06.2017	31.12.2018
Number of shares	17,700,000	17,700,000	17,700,000	17,700,000
Earnings per share (EPS), euros	0.25	0.38	0.18	1.09
Equity per share, euros	7.20	7.10	6.87	7.16
P/B ratio	1.27	1.38	1.34	1.28
P/E ratio	9.47	9.56	21.68	8.42
Market value, million EUR	162.1	173.5	162.8	162.8

Ratio definitions are provided on page 40 of the report.

CHANGE IN THE PRICE AND TRANSACTION VOLUME OF MERKO EHITUS SHARE AT NASDAQ TALLINN STOCK EXCHANGE IN 2019



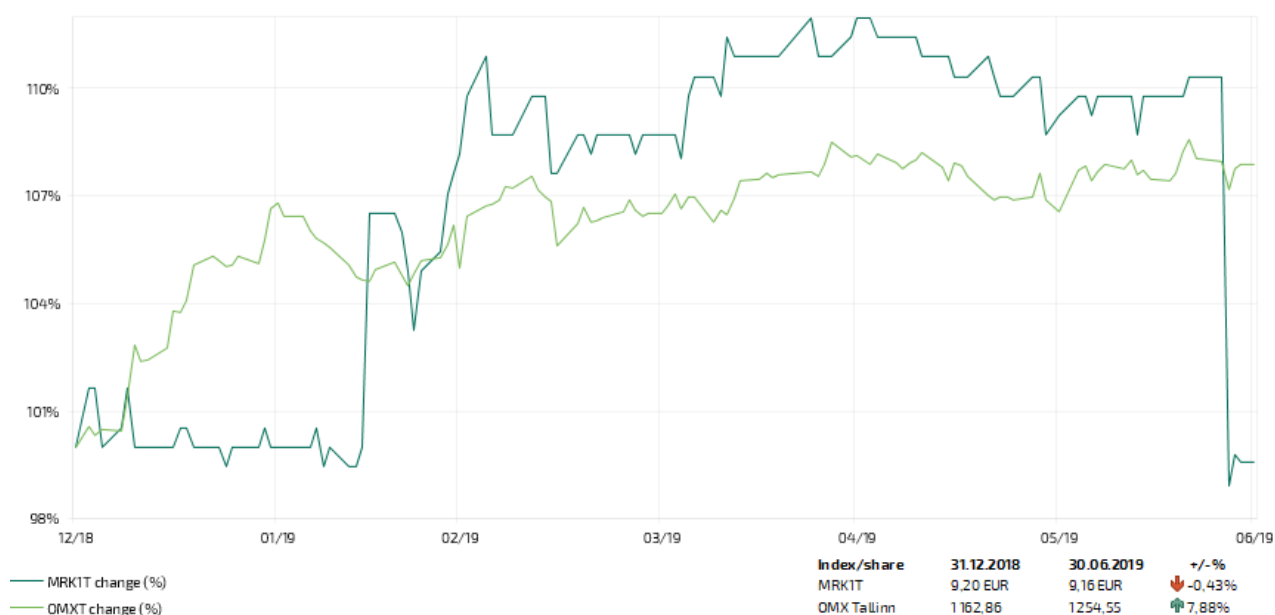
STRUCTURE OF SHAREHOLDERS ACCORDING TO NUMBER OF SHARES AS AT 30.06.2019

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF SHARES	% OF SHARES
1,000,001 - ...	1	0.03%	12,742,686	71.99%
100,001 – 1,000,000	10	0.27%	1,713,733	9.68%
10,001 – 100,000	43	1.18%	1,014,235	5.73%
1,001-10,000	516	14.15%	1,462,158	8.26%
101-1,000	1,783	48.90%	698,362	3.95%
1-100	1,293	35.47%	68,826	0.39%
Total	3,646	100%	17,700,000	100%

SHAREHOLDERS OF AS MERKO EHITUS AS AT 30.06.2019 AND CHANGE COMPARED TO THE PREVIOUS QUARTER

	NUMBER OF SHARES	% OF TOTAL 30.06.2019	% OF TOTAL 31.03.2019	CHANGE
AS Riverito	12,742,686	71.99%	71.99%	-
Firebird Republics Fund Ltd	329,602	1.86%	2.01%	(26,460)
OÜ Midas Invest	264,780	1.50%	1.43%	11,500
Firebird Avrora Fund Ltd	188,927	1.07%	1.22%	(26,460)
Skandinaviska Enskilda Banken AB, Swedish customers	162,438	0.92%	1.14%	(38,562)
State Street Bank and Trust Omnibus Account a Fund No OM01	153,018	0.86%	0.91%	(7,988)
SEB Elu- ja Pensionikindlustus AS	148,787	0.84%	0.84%	-
BNYM AS AGT/CLTS	145,997	0.83%	0.65%	30,299
Firebird Fund L.P.	114,585	0.65%	0.72%	(13,230)
Clearstream Banking Luxembourg S.A. clients	105,037	0.59%	0.59%	472
Total largest shareholders	14,355,857	81.11%	81.50%	(70,429)
Total other shareholders	3,344,143	18.89%	18.50%	70,429
Total	17,700,000	100%	100%	-

PERFORMANCE OF THE SHARE OF MERKO EHITUS AND COMPARISON INDEX OMX TALLINN IN 2019



DIVIDENDS AND DIVIDEND POLICY

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

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

The annual general meeting of shareholders of AS Merko Ehitus held at 8 May 2019 approved the Supervisory Board's proposal to pay the shareholders the total amount of EUR 17.7 million (EUR 1.00 per share) as dividends from net profit brought forward, which is equivalent to a 92% dividend rate and a 10.9% dividend yield for the year 2018 (using the share price as at 31 December 2018). Comparable figures in 2018 were accordingly: EUR 17.7 million (EUR 1.00 per share) as dividends, which is equivalent to a 120% dividend rate and a 11.4% dividend yield for the year 2017 (using the share price as at 31 December 2017).

According to the Estonian Income Tax Law subsection 50 (1¹), AS Merko Ehitus can pay dividends, without any additional income tax expense and liabilities occurring, up to the amount it has received dividends from subsidiaries, which are resident companies of a Contracting State of the European Economic Area (EEA) Agreement subject to that state's income tax legislation. As the group did not incur income tax expenses arising in connection with disbursement of dividends in Estonia in 2018, only the 20/80 regular rate of income tax is applied to dividends to be paid in 2019 and no additional income tax is withheld from dividends paid to shareholders that are resident natural persons. The dividend payment to the shareholders took place on 1 July 2019.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE AND STRUCTURE

AS Merko Ehitus operates as a holding company to a group, the companies of which in Estonia, Latvia, Lithuania and Norway offer complete solutions in the field of construction and real estate development. The group's largest companies are AS Merko Ehitus Eesti (100%), SIA Merks (100%), UAB Merko Statyba (100%), UAB Merko Bustas (100%), Peritus Entreprenør AS (56%) and the companies belonging to the AS Merko Ehitus Eesti group: Tallinna Teede AS (100%) and AS Merko Infra (100%).

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

The overview of the Management Board and Supervisory Board have been presented on pages 18-19 and in Note 16 of the consolidated financial statements, and published, together with the track record and photographs, on the company's website at group.merko.ee/en/corporate-governance-2/.

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

As of 30 June 2019, the management structure is as follows:



GROUP'S LEGAL STRUCTURE

As at 30 June 2019, the group comprises 33 companies (30.06.2018: 32). The group's legal structure is predominantly based on regulatory requirements and there is not in all cases a direct linear relationship with the group's effective management structure. The detailed list of group companies is provided in Notes 16 of the financial statements.

Changes in the legal structure of the group

On 29 October 2018, a merger between OY Merko Finland and Hartian OY, both belonging to AS Merko Ehitus group, was initiated. The acquiring company was OY Merko Finland. As a result of the merger, the company being acquired (Hartian OY) wound up without liquidation proceedings and OY Merko Finland become the legal successor of the company being acquired. The merger date was 1 January 2019, after which all transactions of the acquired company will be deemed to be made on the account of the acquiring company. The final entry in the Commercial Register was made on 30 April 2019.

On 17 December 2018, Merko Ehitus Eesti, fully owned subsidiary of AS Merko Ehitus, signed a notarised division plan. According to the plan, company OÜ Vahi Lastehoid will be established as a result of the division, to which apartment ownerships, located on

Pärna allee in Tartu, will be transferred as per the division plan. The division came into force with the entry in the Commercial Register made on 20 June 2019.

On 28 December 2018, AS Merko Ehitus launched a process for restructuring its fully owned subsidiary in Lithuania, UAB Merko Bustas. In accordance with the restructuring plan, UAB Merko Bustas's 100% subsidiary UAB Rinktinės projektai will be merged with the parent company. The restructuring is planned to be completed and the final merger entry to be made in the Commercial Register within 2019.

On 14 January 2019, UAB Merko Statyba, fully owned subsidiary of AS Merko Ehitus, established company UAB VPSP 2 in Lithuania, through which the public-private partnership (PPP) project for the design and construction works of the new Kaunas district Police headquarters of the Police Department under the Ministry of the Interior of the Republic of Lithuania is being carried out in Kaunas.

On 1 April 2019, UAB Merko Bustas, fully owned subsidiary of AS Merko Ehitus in Lithuania established a fully owned subsidiary UAB MB Projektas.

On 5 April 2019, AS Merko Ehitus management board decided to start liquidation procedures of a fully owned subsidiary OÜ Kiviaia Kinnisvara. The liquidation of the company is scheduled to be completed within 2019.

On 10 April 2019, UAB Merko Statyba, fully owned subsidiary of AS Merko Ehitus in Lithuania, established a 100% subsidiary UAB VPSP Projektas.

On 10 May 2019, AS Merko Ehitus supervisory board decided to start liquidation procedures of 100% owned subsidiary SIA Merks. The liquidation of the company is scheduled to be completed within 2019.

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 annual general meeting of shareholders was held on 8 May 2019. The general meeting resolved to approve the annual report and the profit allocation proposal for 2018. The dividends in the sum of EUR 17.7 million (EUR 1 per share) were paid out to the shareholders on 1 July 2019.

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

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

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

General meetings can be attended by any shareholder or their authorised representative. AS Merko Ehitus does not enable participation in general meetings by electronic means of communication equipment, since the deployment of reliable solutions for the identification of shareholders, some of whom live abroad, while ensuring the privacy of participating shareholders, would be too complicated and costly. No picture taking or filming is allowed at the general meeting, because it may disturb the privacy of shareholders.

Annual and extraordinary general meeting of shareholders shall be chaired by an independent person. In 2019, the annual general meeting was chaired by attorney-at-law Vesse Võhma who introduced the procedure for conducting the general meeting and the procedure of asking questions from the Management Board and Supervisory Board about the company's activities.

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

The annual general meeting of shareholders of AS Merko Ehitus held in 2019 was attended by Andres Trink (Chairman of the Management Board), Tõnu Toomik (Member of the Management Board), Priit Roosimägi (Head of Group Finance Unit) and Janno Hermanson (Auditor).

SUPERVISORY BOARD

The Supervisory Board shall plan the activities of the company, organise the management of the company and supervise 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 AS Merko Ehitus, the Supervisory Board has 3 to 5 members who shall be elected for the term of three years.

As at 30 June 2019, the Supervisory Board of AS Merko Ehitus had three members, of whom, in accordance with the requirements of the Good Governance Code, Indrek Neivelt was an independent member.

MANAGEMENT BOARD

The Management Board is a governing body, which represents and manages AS Merko Ehitus in its daily activities in accordance with the law and the Articles of Association. The Management Board has to act in the most economically purposeful manner, taking into consideration the best interests of the company and all shareholders, while ensuring the company's sustainable development in accordance with set objectives and strategy. To ensure that the company's interests are met in the best way possible, the Management and Supervisory Boards shall extensively collaborate. At least once a quarter, a joint meeting of the 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 company's business operations, the fulfilment of the company'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 Andres Trink, Chairman of the Management Board, include, among others, fulfilling daily obligations of the CEO of AS Merko Ehitus, managing and representing the company, ensuring compliance with the Articles of Association, legal acts, organising the work of the Management Board and supervisory boards of the more important subsidiaries, coordinating the development of strategies and providing for their implementation, being responsible for business development and finance. Tõnu Toomik is responsible for the management of the portfolio of properties and coordination of construction segment development activities across the whole group.

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, starting from 6 June 2019 for the next three years. The Management Board of AS Merko Ehitus will continue with two members: Mr. Andres Trink (Chairman) and Mr. Tõnu Toomik

SUPERVISORY AND MANAGEMENT BOARDS OF SUBSIDIARIES

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

The chairman or member of the Management Board of the subsidiary shall be named by the subsidiary's Supervisory Board. Below are the supervisory boards and management boards of the significant subsidiaries that are wholly-owned by AS Merko Ehitus as at 30 June 2019:

COMPANY	SUPERVISORY BOARD	MANAGEMENT BOARD
AS Merko Ehitus Eesti	Andres Trink (Chairman), Teet Roopalu, Tõnu Toomik, Martin Rebane	Keit Paal (Chairman), Jaan Mäe, Alar Lagus, Veljo Viitmann
Tallinna Teede AS	Tõnu Toomik (Chairman), Keit Paal, Alar Lagus, Veljo Viitmann	Jüri Läll (Chairman), Jüri Helila
OÜ Merko Investments	-	Andres Trink, Priit Roosimägi
SIA Merks	Andres Trink (Chairman), Tõnu Toomik, Priit Roosimägi, Janis Šperbergs	Oskars Ozoliņš (Chairman), Andris Bišmeistars
UAB Merko Bustas	Andres Trink (Chairman), Tõnu Toomik, Priit Roosimägi	Saulius Putrimas (Manager)

Changes in the management of group subsidiaries

The Management Board of AS Merko Ehitus appointed Mr. Martin Rebane as a Member of the Supervisory Board of AS Merko Ehitus Eesti, part of AS Merko Ehitus group, starting from 30 April 2019. The Supervisory Board of AS Merko Ehitus Eesti will continue with four members: Mr. Andres Trink (Chairman), Mr. Tõnu Toomik, Mr. Teet Roopalu and Mr. Martin Rebane. According to the articles of association of AS Merko Ehitus Eesti, a Member of the Supervisory Board is appointed for three years.

MANAGEMENT BOARD'S DECLARATION TO THE MANAGEMENT REPORT

The Management Board of AS Merko Ehitus declares and confirms that the interim financial statements provide, to the best of the knowledge of the Management Board, a true and fair view of the development, results and financial position of the company and the consolidated undertakings as a whole, include a description of the principal risks and uncertainties, and reflect transactions with related parties.

Andres Trink

Chairman of the Management Board



08.08.2019

Tõnu Toomik

Member of the Management Board



08.08.2019

CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited

in thousand euros

	Note	2019 6 months	2018 6 months	2019 II quarter	2018 II quarter	2018 12 months
Revenue	2	154,202	183,650	77,357	103,340	418,011
Cost of goods sold	3	(139,532)	(170,621)	(68,893)	(94,394)	(384,962)
Gross profit		14,670	13,029	8,464	8,946	33,049
Marketing expenses		(1,784)	(1,729)	(933)	(923)	(3,285)
General and administrative expenses		(6,241)	(5,664)	(3,117)	(2,845)	(12,304)
Other operating income		1,230	1,695	529	843	3,527
Other operating expenses		(253)	(105)	(218)	(73)	(1,115)
Operating profit		7,622	7,226	4,725	5,948	19,872
Finance income/costs		(97)	(171)	(180)	(145)	(97)
incl. finance income/costs from sale of subsidiary and liquidation		-	(59)	-	(59)	(62)
finance income/costs from joint venture		203	226	(19)	90	653
interest expense		(286)	(309)	(151)	(156)	(652)
foreign exchange gain (loss)		(4)	(1)	(4)	-	5
other financial income (expenses)		(10)	(28)	(6)	(20)	(41)
Profit before tax		7,525	7,055	4,545	5,803	19,775
Corporate income tax expense		(2,888)	(201)	(2,813)	(111)	(375)
Net profit for financial year		4,637	6,854	1,732	5,692	19,400
incl. net profit attributable to equity holders of the parent		4,453	6,669	1,675	5,565	19,343
net profit attributable to non-controlling interest		184	185	57	127	57
Other comprehensive income, which can subsequently be classified in the income statement						
Currency translation differences of foreign entities		29	28	(3)	15	(6)
Comprehensive income for the period		4,666	6,882	1,729	5,707	19,394
incl. net profit attributable to equity holders of the parent		4,480	6,696	1,672	5,579	19,324
net profit attributable to non-controlling interest		186	186	57	128	70
Earnings per share for profit attributable to equity holders of the parent (basic and diluted, in EUR)	4	0.25	0.38	0.09	0.31	1.09

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

unaudited

in thousand euros

	Note	30.06.2019	30.06.2018	31.12.2018
ASSETS				
Current assets				
Cash and cash equivalents	5	13,980	27,230	39,978
Trade and other receivables	6	72,561	91,541	76,183
Prepaid corporate income tax		94	163	224
Inventories	7	162,829	120,467	117,992
		249,464	239,401	234,377
Non-current assets				
Investments in joint venture		935	306	732
Other long-term loans and receivables	8	11,418	14,861	10,391
Deferred income tax assets		-	5	-
Investment property	9	14,115	13,748	13,771
Property, plant and equipment	10	11,255	9,454	9,715
Intangible assets	11	727	574	671
		38,450	38,948	35,280
TOTAL ASSETS		287,914	278,349	269,657
LIABILITIES				
Current liabilities				
Borrowings	12	31,786	16,202	19,900
Payables and prepayments	13	88,748	92,638	77,016
Income tax liability		2,854	375	381
Short-term provisions	14	6,276	4,487	8,100
		129,664	113,702	105,397
Non-current liabilities				
Long-term borrowings	12	30,921	37,894	24,266
Deferred income tax liability		1,556	1,335	1,481
Other long-term payables	15	2,473	1,500	2,179
		34,950	40,729	27,926
TOTAL LIABILITIES		164,614	154,431	133,323
EQUITY				
Non-controlling interests		4,763	4,789	4,577
Equity attributable to equity holders of the parent				
Share capital		7,929	7,929	7,929
Statutory reserve capital		793	793	793
Currency translation differences		(694)	(675)	(721)
Retained earnings		110,509	111,082	123,756
		118,537	119,129	131,757
TOTAL EQUITY		123,300	123,918	136,334
TOTAL LIABILITIES AND EQUITY		287,914	278,349	269,657

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

unaudited

in thousand euros

	Equity attributable to equity holders of the parent					Non- control- ling interest	Total
	Share capital	Statutory reserve capital	Currency translation differences	Retained earnings	Total		
Balance as at 31.12.2017	7,929	793	(702)	122,150	130,170	4,567	134,737
Profit (loss) for the reporting period	-	-	-	6,669	6,669	185	6,854
Other comprehensive income	-	-	27	-	27	1	28
Total comprehensive income (loss) for the reporting period	-	-	27	6,669	6,696	186	6,882
Transactions with owners							
Non-controlling interest of purchased subsidiary	-	-	-	(37)	(37)	36	(1)
Dividends (Note 4)	-	-	-	(17,700)	(17,700)	-	(17,700)
Total transactions with owners	-	-	-	(17,737)	(17,737)	36	(17,701)
Balance as at 30.06.2018	7,929	793	(675)	111,082	119,129	4,789	123,918
Balance as at 31.12.2018	7,929	793	(721)	123,756	131,757	4,577	136,334
Profit (loss) for the reporting period	-	-	-	4,453	4,453	184	4,637
Other comprehensive income	-	-	27	-	27	2	29
Total comprehensive income (loss) for the reporting period	-	-	27	4,453	4,480	186	4,666
Transactions with owners							
Option over shares relating to non-controlling interests	-	-	-	-	-	72	72
Dividends (Note 4)	-	-	-	(17,700)	(17,700)	(72)	(17,772)
Total transactions with owners	-	-	-	(17,700)	(17,700)	-	(17,700)
Balance as at 30.06.2019	7,929	793	(694)	110,509	118,537	4,763	123,300

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

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

CONSOLIDATED CASH FLOW STATEMENT

unaudited

in thousand euros

	Note	2019 6 months	2018 6 months	2018 12 months
Cash flows from operating activities				
Operating profit		7,622	7,226	19,872
Adjustments:				
Depreciation and impairment		1,170	935	2,073
(Profit)/loss from sale of non-current assets		(190)	(280)	(473)
Change in receivables and liabilities related to construction contracts		(8,123)	761	11,153
Interest income from operating activities		(895)	(1,210)	(2,351)
Change in provisions		(3,069)	(1,731)	4,732
Change in trade and other receivables related to operating activities		5,566	(5,835)	(1,256)
Change in inventories		(44,692)	(1,964)	571
Change in trade and other payables related to operating activities		18,706	11,231	(1,759)
Interest received		650	1,123	2,450
Interest paid		(390)	(386)	(799)
Other finance income (costs)		(38)	(33)	(44)
Corporate income tax paid		(216)	(316)	(383)
Total cash flows from operating activities		(23,899)	9,521	33,786
Cash flows from investing activities				
Disposal of subsidiary		-	385	385
Liquidation of subsidiary		-	-	(3)
Purchase of investment property		(410)	(3)	(92)
Purchase of property, plant and equipment (excl. finance lease)		(1,143)	(337)	(712)
Proceeds from sale of property, plant and equipment		345	419	664
Purchase of intangible assets		(137)	(127)	(281)
Interest received		2	2	3
Total cash flows from investing activities		(1,343)	339	(36)
Cash flows from financing activities				
Proceeds from borrowings		28,827	11,133	30,139
Repayments of borrowings		(11,338)	(18,060)	(44,670)
Factoring		-	3,000	-
Repayments of lease liabilities		(518)	(279)	(605)
Non-controlling interest buyout		-	(1)	(1)
Dividends paid		(17,772)	(17,700)	(17,816)
Total cash flows from financing activities		(801)	(21,907)	(32,953)
Net increase/decrease in cash and cash equivalents		(26,043)	(12,047)	797
Cash and cash equivalents at the beginning of the period	5	39,978	39,210	39,210
Effect of exchange rate changes		45	67	(29)
Cash and cash equivalents at the end of the period	5	13,980	27,230	39,978

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

NOTES

NOTE 1 ACCOUNTING POLICIES USED

The consolidated interim financial statements of the AS Merko Ehitus group for 6 months 2019 were prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" for condensed interim financial statements. The interim financial statements follow the same accounting principles and methods used in the 2018 financial statements. The accounting methods used to prepare the interim financial statements are in conformity with the International Financial Reporting Standards as they were adopted by the European Union. 2018 audited annual report and 2018 6 months unaudited interim report comparative figures are presented in the present financial report.

According to the best knowledge of the Management Board, the consolidated interim financial statements for the 6 months 2019 present a true and fair view of the group's economic results based on the principle of going concern. While the influence of seasonality of construction and the influence of the cyclical nature of development activity on the period's results can be considered insignificant.

NOTE 1.1 CHANGES IN THE PRESENTATION OF INFORMATION

In previous reporting periods of AS Merko Ehitus group, financial information was presented in segment reporting under the "Estonian construction service", "other home markets construction service" and "real estate development" segments. Due to the fact that the volumes of construction service on the home markets have become more evenly distributed, as of this year the AS Merko Ehitus management board views construction services as a whole in a single segment.

Starting from 1 January 2019, business segments are presented as two segments, based on the segment reporting structure laid out in Note 2: construction service and real estate development.

The comparative data for previous periods has been adjusted accordingly to new presentation in 2019 6 months consolidated interim report, including the fact that the recognition of the real estate development segment has not changed and the comparative data of this segment have not been adjusted.

NOTE 1.2 NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND AMENDMENTS TO PUBLISHED STANDARDS

The following new or revised standards and interpretations became obligatory for the group starting from 1 January 2019:

IFRS 16, Leases (effective for annual periods beginning on 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The group implemented the standard from 1 January 2019, applying the modified retrospective approach, as a result of which the impact of the implementation of the standard was recognised as of the date of initial implementation (1 January 2019) and the comparative data from 2018 were not restated.

The group uses simplifications for short-term leases and rent of low value assets. Cancellable vehicle leasing contracts with a leasing period up to 12 months are not recognised as assets and all new vehicle leasing contracts are signed under the financial lease terms. As at 31 December 2018, the balance of vehicles acquired under the financial lease terms was 1,734 thousand euros.

Leased assets ("right of use assets") are reflected in the statement of financial position in the same line item together with similar owned assets (tangible non-current assets) using acquisition cost less depreciation method. The depreciation period is usually the same as the lease period. Implementing the amendments, the amount of non-current assets in the group's balance sheet increased by 1,009 thousand euros as of 01.01.2019 and the amount of liabilities increased by 1,009 thousand euros (Notes 10, 12). In accordance with the principles of the IAS 17 standard previously in force, lease payments were recognized under cost of goods sold, marketing expenses or general and administrative expenses, which were taken into account for obtaining EBITDA. As a result of adoption of the IFRS 16, EBITDA rose by EUR 156 thousand in the first half-year of 2019, because lease payments are recognized as depreciation and interest expense on lease liabilities.

Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (effective for annual periods beginning on 1 January 2019). The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in the investee. The group assesses the impact of the amendments on its financial statements immaterial as of the preparation of this report and in the light of existing investments.

The other new or revised standards or interpretations, which are not yet effective, are not expected to have a material impact on the group.

NOTE 2 OPERATING SEGMENTS

in thousand euros

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

Reporting of the group's operations are segmented as:

- construction service,
- real estate development.

Construction service segment includes all projects of the home markets in general construction, civil engineering and road construction. Other operating areas (management services, supervision service, etc.) are insignificant to the group and they are recognised 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 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 directly related to the segment. Other income and expenses not directly related to the segments are attributable to the activities of holding companies and are monitored at group level.

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

In the segment reporting, all 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.

2019 6 months	Construction service	Real estate development	Total segments
Revenue	142,100	24,753	166,853
Inter-segment revenue	(14)	(12,637)	(12,651)
Revenue from clients	142,086	12,116	154,202
incl. timing of revenue recognition at a point in time	884	9,785	10,669
timing of revenue recognition over time	141,202	2,331	143,533
Operating profit (loss)	7,682	899	8,581
Profit (loss) before tax	7,574	988	8,562
incl. interest income from operating activities	30	864	894
depreciation	(1,000)	(170)	(1,170)
impairment of inventories	(175)	-	(175)
recognition of provisions	(1,832)	(329)	(2,161)
profit from joint venture	-	203	203
other finance income (costs)	(5)	(107)	(112)
incl. interest expenses	(5)	(98)	(103)
Assets 30. 06.2019	72,819	199,957	272,776
incl. joint venture	-	935	935

2018 6 months	Construction service	Real estate development	Total segments
Revenue	157,459	32,560	190,019
Inter-segment revenue	(35)	(6,334)	(6,369)
Revenue from clients	157,424	26,226	183,650
incl. timing of revenue recognition at a point in time	971	17,379	18,350
timing of revenue recognition over time	156,453	8,847	165,300
Operating profit (loss)	4,859	3,236	8,095
Profit (loss) before tax	4,729	3,284	8,013
incl. interest income from operating activities	145	1,064	1,209
depreciation	(601)	(112)	(713)
recognition of provisions	(605)	(440)	(1,045)
reversal of provisions	50	20	70
profit from joint venture	-	226	226
other finance income (costs)	(8)	(103)	(111)
incl. interest expenses	(9)	(95)	(104)
Assets 30.06.2018	92,889	162,307	255,196
incl. joint venture	-	306	306

2019 II quarter	Construction service	Real estate development	Total segments
Revenue	71,728	13,474	85,202
Inter-segment revenue	(8)	(7,837)	(7,845)
Revenue from clients	71,720	5,637	77,357
incl. timing of revenue recognition at a point in time	549	4,759	5,308
timing of revenue recognition over time	71,171	878	72,049
Operating profit (loss)	4,901	340	5,241
Profit (loss) before tax	4,844	260	5,104
incl. interest income from operating activities	9	428	437
depreciation	(509)	(87)	(596)
impairment of inventories	(175)	-	(175)
recognition of provisions	606	(317)	289
reversal of provisions	-	(63)	(63)
profit from joint venture	-	(19)	(19)
other finance income (costs)	(1)	(57)	(58)
incl. interest expenses	(1)	(52)	(53)
Assets' change in II quarter	(919)	26,682	25,763
incl. joint venture	-	(19)	(19)

2018 II quarter	Construction service	Real estate development	Total segments
Revenue	86,145	20,190	106,335
Inter-segment revenue	(25)	(2,970)	(2,995)
Revenue from clients	86,120	17,220	103,340
incl. timing of revenue recognition at a point in time	683	12,283	12,966
timing of revenue recognition over time	85,437	4,937	90,374
Operating profit (loss)	4,432	1,946	6,378
Profit (loss) before tax	4,363	1,922	6,285
incl. interest income from operating activities	73	615	688
depreciation	(300)	(40)	(340)
recognition of provisions	(255)	(411)	(666)
reversal of provisions	-	15	15
profit from joint venture	-	90	90
other finance income (costs)	(5)	(46)	(51)
incl. interest expenses	(5)	(42)	(47)
Assets' change in II quarter	3,935	(439)	3,496
incl. joint venture	-	91	91

2018 12 months	Construction service	Real estate development	Total segments
Revenue	347,100	85,343	432,443
Inter-segment revenue	(37)	(14,395)	(14,432)
Revenue from clients	347,063	70,948	418,011
incl. timing of revenue recognition at a point in time	2,226	52,846	55,072
timing of revenue recognition over time	344,837	18,102	362,939
Operating profit (loss)	10,719	11,319	22,038
Profit (loss) before tax	10,397	11,658	22,055
incl. interest income from operating activities	289	2,061	2,350
depreciation	(1,718)	(290)	(2,008)
impairment of assets	(66)	-	(66)
impairment of inventories	-	(300)	(300)
recognition of provisions	(5,144)	(480)	(5,624)
reversal of provisions	350	20	370
profit from joint venture	-	653	653
other finance income (costs)	(27)	(223)	(250)
incl. interest expenses	(28)	(206)	(234)
Assets 31.12.2018	71,773	161,151	232,924
incl. joint venture	-	732	732

In addition to the segment assets, as at 30.06.2019 the group holds assets in the amount of EUR 15,138 thousand (30.06.2018: EUR 23,153 thousand; 31.12.2018: EUR 36,733 thousand) that cannot be associated with a specific segment or the allocation of which to segments would be impracticable. The unallocated assets of the group comprise cash and cash equivalents, deposits, tax prepayments, other receivables and an unallocated portion of property, plant and equipment.

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

in thousand euros

	2019 6 months	2018 6 months	2019 II quarter	2018 II quarter	2018 12 months
Pre-tax profit from reporting segments	8,562	8,013	5,104	6,285	22,055
Other operating profit (loss)	(958)	(870)	(515)	(430)	(2,166)
incl. recognition of provisions	-	-	7	-	(7)
finance income (costs)	(79)	(88)	(44)	(52)	(114)
incl. interest income	-	-	-	-	1
interest expenses	(76)	(72)	(39)	(36)	(146)
Total profit before tax	7,525	7,055	4,545	5,803	19,775

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

REVENUE BY CLIENT LOCATION

in thousand euros and percentages

	2019 6 months		2018 6 months		2019 II quarter		2018 II quarter		2018 12 months	
Estonia	66,258	47%	87,137	47%	36,108	46%	53,017	51%	202,627	48%
Latvia	55,639	36%	75,023	41%	24,387	32%	40,979	40%	157,496	38%
Lithuania	18,572	12%	15,138	8%	9,043	12%	6,981	7%	46,765	11%
Norway	13,733	9%	6,352	4%	7,819	10%	2,363	2%	11,123	3%
Total	154,202	100%	183,650	100%	77,357	100%	103,340	100%	418,011	100%

CONTRACT ASSETS AND LIABILITIES

in thousands of euros

	30.06.2019	30.06.2018	31.12.2018
Accrued income from construction services (Note 6)	12,510	24,822	9,847
Prepayments for construction services (Note 13)	(11,445)	(21,493)	(16,912)
Advance payments received for construction contract works (Note 13)	(2,422)	(9,778)	(3,363)
Recognised provision for onerous construction contracts (Note 14)	(239)	(272)	(248)

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

in thousand euros

	30.06.2019	30.06.2018	31.12.2018
Estonia	13,049	11,536	11,970
Latvia	13,477	12,413	12,782
Lithuania	382	4	13
Norway	124	129	124
Total	27,032	24,082	24,889

NOTE 3 COST OF GOODS SOLD

in thousand euros

	2019 6 months	2018 6 months	2019 II quarter	2018 II quarter	2018 12 months
Construction services and properties purchased for resale	80,644	117,490	40,961	64,910	262,190
Materials	29,693	27,131	14,202	15,149	60,096
Labour costs	13,190	10,630	6,868	5,898	23,666
Construction mechanisms and transport	4,305	4,507	2,479	2,857	10,214
Design	2,051	2,937	881	1,441	8,345
Real estate management costs	207	174	87	78	190
Depreciation	732	713	364	340	1,554
Impairment of inventories	175	-	175	-	300
Provisions	2,161	975	(225)	651	5,242
Other expenses	6,374	6,064	3,101	3,070	13,165
Total cost of goods sold	139,532	170,621	68,893	94,394	384,962

NOTE 4 EARNINGS AND DIVIDENDS PER SHARE

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

	2019 6 months	2018 6 months	2019 II quarter	2018 II quarter	2018 12 months
Net profit (loss) attributable to shareholders (<i>in thousand EUR</i>)	4,453	6,669	1,675	5,565	19,343
Weighted average number of ordinary shares (<i>thousand pcs</i>)	17,700	17,700	17,700	17,700	17,700
Earnings (loss) per share (<i>in euros</i>)	0.25	0.38	0.09	0.31	1.09

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

Dividends payable are recognised after the approval of profit allocation at the general meeting of shareholders. In accordance with the profit allocation decision, dividends are paid by parent company AS Merko Ehitus in 2019 in the amount of EUR 17,700 thousand, i.e. EUR 1.00 per share (Q2 2018: 17,000 thousand, i.e. EUR 1.00 per share). The group incurred income tax expenses in 2019 in connection with dividend payments in an amount of 2,749 thousand euros (the group did not incur income tax expenses in 2018 in connection with dividend payments, as these were covered by dividends paid prior to AS Merko Ehitus by its foreign subsidiaries).

As at 30.06.2019, the parent company AS Merko Ehitus has no previously taxed dividends and income received from abroad on which income tax has been withheld (30.06.2018: EUR 2,879 thousand; 31.12.2018: EUR 2,879 thousand).

As at 30.06.2019, it is possible to pay out dividends to shareholders from retained earnings in the amount of EUR 87,852 thousand (30.06.2018: EUR 88,901 thousand; 31.12.2018: EUR 99,004 thousand). Considering the dividends received and income tax withheld on foreign income totalling EUR 0 thousand (30.06.2018: EUR 720 thousand; 31.12.2018: EUR 720 thousand), the corresponding income tax on dividends would amount to EUR 21,963 thousand (30.06.2018: EUR 21,506 thousand; 31.12.2018: EUR 24,031 thousand). For calculating the additional income tax on dividends, the income tax regular rate in force in 2019 has been used, which is 20/80 of the amount paid as net dividends. The income tax related to disbursement of dividends is recognised as a liability and income tax expense upon the announcement of dividends.

NOTE 5 CASH AND CASH EQUIVALENTS

in thousand euros

	30.06.2019	30.06.2018	31.12.2018
Bank accounts	13,908	27,123	39,915
Overnight deposits	72	107	63
Total cash and cash equivalents	13,980	27,230	39,978

NOTE 6 TRADE AND OTHER RECEIVABLES

in thousand euros

	30.06.2019	30.06.2018	31.12.2018
Trade receivables			
Accounts receivable	40,887	45,271	42,835
Allowance for doubtful receivables	(81)	(115)	(81)
	40,806	45,156	42,754
Tax prepayments excluding corporate income tax			
Value added tax	4,905	1,003	944
Other taxes	2	34	2
	4,907	1,037	946
Accrued income from construction services	12,510	24,822	9,847
Other short-term receivables			
Short-term loans	8,090	10,590	14,590
Interest receivables	344	309	112
Other short-term receivables	433	660	271
	8,867	11,559	14,973
Prepayments for services			
Prepayments for construction services	5,020	8,235	7,064
Prepaid insurance	112	266	195
Other prepaid expenses	339	466	404
	5,471	8,967	7,663
Total trade and other receivables	72,561	91,541	76,183
incl. short-term loan receivables from related parties (Note 16)	6,500	9,000	9,000
other short-term receivables and prepayments to related parties (Note 16)	521	2,182	1,521

NOTE 7 INVENTORIES

in thousand euros

	30.06.2019	30.06.2018	31.12.2018
Materials	1,095	1,221	797
Work-in-progress	75,631	39,721	43,081
Finished goods	15,927	16,930	15,991
Goods for resale			
Registered immovables purchased for resale	66,985	59,797	54,532
Other goods purchased for resale	518	726	705
	67,503	60,523	55,237
Prepayments for inventories			
Prepayments for real estate properties	-	690	1,300
Prepayments for other inventories	2,673	1,382	1,586
	2,673	2,072	2,886
Total inventories	162,829	120,467	117,992

NOTE 8 OTHER LONG-TERM LOANS AND RECEIVABLES

in thousand euros

	30.06.2019	30.06.2018	31.12.2018
Long-term loans	-	4,000	-
Long-term receivables from customers of construction services	11,418	10,861	10,391
Total other long-term loans and receivables	11,418	14,861	10,391

NOTE 9 INVESTMENT PROPERTY

in thousand euros

	30.06.2019	30.06.2018	31.12.2018
Land	12,401	11,902	11,991
Right of superficies at carrying amount			
Cost	29	29	29
Accumulated depreciation	(12)	(12)	(12)
	17	17	17
Buildings at carrying amount			
Cost	2,631	2,631	2,631
Accumulated depreciation	(934)	(802)	(868)
	1,697	1,829	1,763
Total investment property	14,115	13,748	13,771

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

in thousand euros

	30.06.2019	30.06.2018	31.12.2018
Land	712	810	743
Buildings at carrying amount*			
Cost	6,535	5,729	5,765
Accumulated depreciation	(2,398)	(2,094)	(2,180)
	4,137	3,635	3,585
Machinery and equipment at carrying amount*			
Cost	14,000	14,016	14,473
Accumulated depreciation	(8,311)	(9,810)	(9,764)
	5,689	4,206	4,709
Other fixtures at carrying amount			
Cost	3,455	5,515	5,474
Accumulated depreciation	(2,876)	(4,767)	(4,906)
	579	748	568
Prepayments for property, plant and equipment	138	55	110
Total property, plant and equipment	11,255	9,454	9,715

* As of 30 June 2019 the balance of buildings at carrying amount includes leased assets "right of use assets" in a sum of EUR 640 thousand. The balance of machinery and equipment at carrying amount includes leased assets "right of use assets" in a sum of EUR 213 thousand and leased assets acquired under finance lease terms in a sum of EUR 2,000 thousand (Note 1.2).

NOTE 11 INTANGIBLE ASSETS

in thousand euros

	30.06.2019	30.06.2018	31.12.2018
Goodwill			
Cost	75	76	73
	75	76	73
Software at carrying amount			
Cost	1,797	1,470	1,716
Accumulated depreciation	(1,237)	(1,104)	(1,157)
	560	366	559
Prepayments for intangible assets	92	132	39
Total intangible assets	727	574	671

NOTE 12 BORROWINGS

in thousand euros

	30.06.2019	30.06.2018	31.12.2018
Lease liabilities*			
Lease liabilities balance	2,700	971	1,647
incl. current portion	780	478	524
non-current portion 2...5 years	1,920	493	1,123
Bank loans			
Loan balance	54,007	39,875	30,694
incl. current portion	30,006	7,474	12,551
non-current portion 2...5 years	24,001	32,401	18,143
Factoring liability			
Factoring balance	-	3,000	-
incl. current portion	-	3,000	-
Loans from entities under common control			
Loan balance	6,000	6,000	6,000
incl. current portion (Note 16)	1,000	1,000	1,000
non-current portion 2...5 years (Note 16)	5,000	5,000	5,000
Loans from other entities			
Loan balance	-	4,250	5,825
incl. current portion	-	4,250	5,825
Total loans			
Loans balance	60,007	53,125	42,519
incl. current portion	31,006	15,724	19,376
non-current portion 2...5 years	29,001	37,401	23,143
Total borrowings	62,707	54,096	44,166
incl. current portion	31,786	16,202	19,900
non-current portion 2...5 years	30,921	37,894	24,266

* As of 30 June 2019 the balance of lease payables consists of "right of use assets" in current portion in a sum of EUR 315 thousand, finance lease payables in current portion in a sum of EUR 465 thousand and "right of use assets" in non-current portion 2...5 years in a sum of EUR 538 thousand and finance lease payables in non-current portion 2...5 years in a sum of EUR 1,382 thousand (Note 1.2).

NOTE 13 PAYABLES AND PREPAYMENTS

in thousand euros

	30.06.2019	30.06.2018	31.12.2018
Trade payables	53,509	45,559	38,327
Payables to employees	9,169	7,285	10,067
Tax liabilities, except for corporate income tax			
Value added tax	261	1,690	1,102
Personal income tax	446	590	648
Social security tax	1,107	926	1,166
Unemployment insurance tax	44	49	57
Contributions to mandatory funded pension	27	36	42
Other taxes	249	158	229
	2,134	3,449	3,244
Prepayments for construction services	11,445	21,493	16,912
Other liabilities			
Interest liabilities	29	17	6
Dividends payables	-	117	-
Other liabilities	307	538	345
	336	672	351
Prepayments received *	12,155	14,180	8,115
Total payables and prepayments	88,748	92,638	77,016
incl. payables to related parties (Note 16)	232	89	293

* As of 30 June 2019 the balance of prepayments received consists of prepayments received in connection with construction contracts (advance payments received for construction contract works) in a sum of EUR 2,422 thousand (30.06.2018: EUR 9,778 thousand; 31.12.2018: EUR 3,363 thousand) and of prepayments received in connection with residential properties (apartment buyers) in a sum of EUR 9,733 thousand (30.06.2018: EUR 4,402 thousand; 31.12.2018: EUR 4,752 thousand) (Note 2).

NOTE 14 SHORT-TERM PROVISIONS

in thousand euros

	30.06.2019	30.06.2018	31.12.2018
Provision for warranty obligation for construction	3,570	3,279	3,373
Provision for costs of projects sold and work-in-progress projects	2,244	816	4,330
Provision for onerous construction contracts	239	272	248
Provision for legal costs and claims filed	120	120	120
Other provisions	103	-	29
Total short-term provisions	6,276	4,487	8,100

NOTE 15 OTHER LONG-TERM PAYABLES

in thousand euros

	30.06.2019	30.06.2018	31.12.2018
Trade payables	2,028	1,057	1,675
Other long-term liabilities	445	443	504
Other long-term payables total	2,473	1,500	2,179
incl. other long-term payables to related parties (Note 16)	445	443	504

NOTE 16 RELATED PARTY TRANSACTIONS

in thousand euros

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

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

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

The parent of AS Merko Ehitus is AS Riverito. As at 30.06.2019, 30.06.2018 and 31.12.2018, AS Riverito owned 71,99% of the shares of AS Merko Ehitus. The ultimate controlling party of the group is Mr Toomas Annus.

AS MERKO EHITUS SUBSIDIARIES AND JOINT VENTURES

	Ownership and voting rights %			Location	Area of operation
	30.06.2019	30.06.2018	31.12.2018		
Subsidiaries					
AS Merko Ehitus Eesti	100	100	100	Estonia, Tallinn	Construction
Tallinna Teede AS	100	100	100	Estonia, Tallinn	Road construction
AS Merko Infra	100	100	100	Estonia, Tallinn	Construction
OÜ Tähelinna Kinnisvara	100	100	100	Estonia, Tallinn	Real estate
OÜ Vahi Lastehoid	100	-	-	Estonia, Tallinn	Real estate
UAB Merko Statyba	100	100	100	Lithuania, Vilnius	Construction
UAB Statinių priežiūra ir administravimas	100	100	100	Lithuania, Vilnius	Real estate
UAB Timana	100	100	100	Lithuania, Vilnius	Real estate
UAB VPSP 2	100	-	-	Lithuania, Vilnius	Real estate
UAB VPSP Projektas	100	-	-	Lithuania, Vilnius	Real estate
OÜ Merko Property	100	100	100	Estonia, Tallinn	Real estate
UAB Balsiu mokyklos SPV	100	100	100	Lithuania, Vilnius	Real estate
UAB Merko Bustas	100	100	100	Lithuania, Vilnius	Real estate
UAB MN Projektas	100	100	100	Lithuania, Vilnius	Real estate
UAB Jurininku aikšte	100	100	100	Lithuania, Vilnius	Real estate
UAB Rinktinės projektai	-	100	100	Lithuania, Vilnius	Real estate
UAB MB Projektas	100	-	-	Lithuania, Vilnius	Real estate
OÜ Kiviaia Kinnisvara	100	100	100	Estonia, Tallinn	Real estate
SIA Merko Investments	100	100	100	Latvia, Riga	Holding
OÜ Merko Investments	100	100	100	Estonia, Tallinn	Holding
SIA Merks	100	100	100	Latvia, Riga	Construction
SIA SK Viesturdarzs	100	100	100	Latvia, Riga	Real estate
SIA Merks Investicijas	100	100	100	Latvia, Riga	Real estate
SIA Industriālais Parks	100	100	100	Latvia, Riga	Real estate
SIA Ropažu Priedes	100	100	100	Latvia, Riga	Real estate
PS Merko-Merks	100	100	100	Latvia, Riga	Construction
SIA Zakusala Estates	75	75	75	Latvia, Riga	Real estate
PS Merks-Ostas celtnieks	65	65	65	Latvia, Riga	Construction
PS Merks Merko Infra	100	100	100	Latvia, Riga	Construction
Merko Finland Oy	100	100	100	Finland, Helsinki	Construction
Hartian Oy	-	100	100	Finland, Helsinki	Real estate
Lenko Stroi LLC	-	100	-	Russia, St. Petersburg	Holding
Merko Investments AS	100	100	100	Norway, Sofiemyr	Holding
Peritus Entreprenør AS	56	56	56	Norway, Sofiemyr	Construction
Joint venture					
Kodusadam OÜ	50	50	50	Estonia, Tallinn	Real estate

Additional information of the changes in reported period is provided in chapter Corporate Governance in Management report on pages 17-18.

GOODS AND SERVICES

in thousand euros

	2019 6 months	2018 6 months	2018 12 months
Provided services and goods sold			
Parent company	8	7	15
Joint venture	2,482	7,820	16,505
Entities under common control	-	-	91
Members of the management	415	-	43
Other related parties	-	18	28
Total services provided and goods sold	2,905	7,845	16,682
Interest income			
Joint venture	242	281	559
Purchased services and goods			
Parent company	45	45	90
Entities under common control	29	28	57
Total purchased services and goods	74	73	147
Interest expense			
Entities under common control	73	72	145
Total interest expense	73	72	145

BALANCES WITH RELATED PARTIES

in thousand euros

	30.06.2019	30.06.2018	31.12.2018
Receivables from related parties			
Loans granted (Notes 6, 8)			
Joint ventures	6,500	9,000	9,000
Receivables and prepayments (Note 6)			
Parent company	4	4	4
Joint venture	510	2,087	1,385
Entities under common control	7	88	88
Members of the management	-	-	44
Other related parties	-	3	-
Total receivables and prepayments	521	2,182	1,521
Total receivables from related parties	7,021	11,182	10,521
Payables to related parties			
Short-term loans received (Note 12)			
Entities under common control	1,000	1,000	1,000
Payables and prepayments (Note 13)			
Parent company	9	9	9
Joint venture	-	6	14
Entities under common control	15	13	1
Members of the management	208	-	269
Other related parties	-	61	-
Total payables and prepayments	232	89	293
Long-term loans received (Note 12)			
Entities under common control	5,000	5,000	5,000
Other long-term payables (Note 15)			
Other related parties	445	443	504
Total payables to related parties	6,677	6,532	6,797

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

The gross remuneration to members of the Supervisory Board and Management Board of AS Merko Ehitus group and the members of the Management Board of major subsidiaries for the 6 months of 2019 was EUR 1,604 thousand (6 months of 2018: EUR 1,070 thousand; 12 months of 2018: EUR 2,643 thousand).

TERMINATION BENEFITS OF MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

Authorization agreements have been entered into with the Supervisory Board members, according to which no termination benefits are paid to them upon termination of the contract. In the 6 months of 2019, the Management Board members of major subsidiaries did not receive benefits (6 months of 2018: EUR 22 thousand, 12 months of 2018: EUR 34 thousand).

MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARD

Track record and photographs of the members of the Supervisory Board can be found on AS Merko Ehitus website at group.merko.ee/en/corporate-governance-2/supervisory-council/.

Shares held by members of the Supervisory Board of AS Merko Ehitus as at 30.06.2019:

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

* Toomas Annus holds the majority of the votes represented by shares in AS Riverito directly and through holding companies (176,351 shares out of a total of 270,000 shares). With that the votes held by AS Riverito in AS Merko Ehitus (12,742,686 shares) are deemed to belong to Toomas Annus.

The Management Board of the holding company AS Merko Ehitus has two members: Andres Trink and Tõnu Toomik.

Shares held by members of the Management Board of AS Merko Ehitus as at 30.06.2019:

		NO OF SHARES	% OF SHARES
Andres Trink	Chairman of the Management Board	600	0.00%
Tõnu Toomik (AS Riverito) *	Member of the Management Board	-	-
		600	0.00%

* In AS Riverito, Tõnu Toomik holds votes represented by 34,054 shares (total of 270,000 shares).

NOTE 17 CONTINGENT LIABILITIES

in thousand euros

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

	30.06.2019	30.06.2018	31.12.2018
Performance period's warranty to the customer	37,928	30,488	34,511
Tender warranty	1,565	1,530	655
Guarantee for warranty period	20,525	17,716	17,666
Prepayment guarantee	1,631	15,373	12,098
Payment guarantee	-	30,500	30,500
Contracts of surety	8,044	9,297	7,734
Letter of credit	-	526	428
Total contingent liabilities	69,693	105,430	103,592

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).

Letter of credit – a letter of credit is the obligation of the buyer (i.e. the bank opening the letter of credit) to pay the seller (i.e. the receiver of the letter of credit) the amount of the letter of credit, if the seller fulfils and presents documentation to the bank regarding the fulfilment of the conditions fixed with the letter of credit.

MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED INTERIM REPORT

The Management Board of AS Merko Ehitus has prepared the consolidated interim financial statements for the 6 months of 2019, which are set out on pages 5-38.

The Management Board confirms that to the best of its knowledge:

- The accounting methods used to prepare the interim financial statements are in conformity with the International Financial Reporting Standards as adopted by the European Union;
- the financial statements give a true and fair view of the Group's financial position and the results of its operations and cash flows;
- the parent company and the group companies are going concerns.

Andres Trink Chairman of the Management Board



08.08.2019

Tõnu Toomik Member of the Management Board



08.08.2019

DEFINITION OF RATIOS

Gross profit margin (%)	=	$\frac{\text{Gross profit}}{\text{Revenue}}$
Operating profit margin (%)	=	$\frac{\text{Operating profit}}{\text{Revenue}}$
EBT margin (%)	=	$\frac{\text{Earnings before tax}}{\text{Revenue}}$
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 (%)	=	$\frac{(\text{Profit before tax} + \text{interest expense} - \text{foreign exchange gain (loss)} + \text{other financial income}) \text{ of the current 4 quarters}}{(\text{Shareholders equity (average)} + \text{interest-bearing liabilities (average)}) \text{ of the current 4 quarters}}$
Equity ratio (%)	=	$\frac{\text{Shareholders' equity}}{\text{Total assets}}$
Debt ratio (%)	=	$\frac{\text{Interest-bearing liabilities}}{\text{Total assets}}$
Current ratio	=	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Quick ratio	=	$\frac{\text{Current assets} - \text{inventories}}{\text{Current liabilities}}$
Accounts receivable turnover(days)	=	$\frac{\text{Trade receivables of the current 4 quarters (average)} \times 365}{\text{Revenue of the current 4 quarters}}$
Accounts payable turnover (days)	=	$\frac{\text{Payables to suppliers of the current 4 quarters (average)} \times 365}{\text{Cost of goods sold of the current 4 quarters}}$
EBITDA (million EUR)	=	Operating profit + depreciation
EBITDA margin (%)	=	$\frac{\text{Operating profit} + \text{depreciation}}{\text{Revenue}}$
General expense ratio (%)	=	$\frac{\text{Marketing expenses} + \text{General and administrative expenses}}{\text{Revenue}}$
Labour cost ratio (%)	=	$\frac{\text{Labour costs}}{\text{Revenue}}$
Revenue per employee (EUR)	=	$\frac{\text{Revenue}}{\text{Number of employees (average)}}$
Earnings per share, EPS (EUR)	=	$\frac{\text{Net profit (attributable to equity holders of the parent)}}{\text{Number of shares}}$
Equity/share (EUR)	=	$\frac{\text{Shareholders equity (average of the current 4 quarters)}}{\text{Number of shares}}$
Dividend per share (EUR)	=	$\frac{\text{Payable dividends}}{\text{Number of shares}}$
Dividend rate (%)	=	$\frac{\text{Payable dividends} \times 100}{\text{Net profit (attributable to equity holders of the parent)}}$
Dividend yield (%)	=	$\frac{\text{Dividends payable per share}}{\text{Share price 31.12}}$
P/E	=	$\frac{\text{Share price 30.06}}{\text{Earnings per share of the current 4 quarters}}$
P/B	=	$\frac{\text{Share price 30.06}}{\text{Equity per share (average of the current 4 quarters)}}$
Market value	=	Share price 30.06 x Number of shares