

Company AS MERKO EHITUS
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Attachments:

- 6M_2021_MERKO EHITUS_ENG.pdf (<http://oam.fi.ee/en/download?id=5673>)
- 6M_2021_MERKO EHITUS_EST.pdf (<http://oam.fi.ee/en/download?id=5674>)

Currency

Title 2021 6 months and II quarter consolidated unaudited interim report

COMMENTARY FROM MANAGEMENT

Second-quarter revenue for Merko Ehitus was EUR 86 million and net profit was EUR 6.4 million. The revenue for first half increased by 12% to EUR 146 million and net profit by 19% to EUR 9.8 million. This year, Merko has sold nearly 150 apartments this year and launched the construction of more than 800 apartments.

According to the management of Merko Ehitus, the construction sector is more and more influenced by the rapid price rise of materials and problems related to supply, as a result of which the risks related to on-time completion of construction objects and staying within budget have soared. Considering the current market situation, the management is satisfied with the results of the first half of the year. The group's revenue and net profit grew in both Q2 and in the first half of the year. The number of new construction contracts signed this year decreased somewhat, while the launch of new apartment development projects continued, which are not reflected in the portfolio of contracts.

The share of the apartment development sector segment in the group's revenue decreased in the first half-year due to the time timing of completion of the development projects. In the first half of the year, almost 150 apartments have been handed over to buyers and launched the construction of more than 800 new apartments, of which the majority will be completed in 2022. The number of apartments under construction is up significantly and apartment sales are going according to plan - most of the finished apartments have been sold and a large part of the apartments under construction are reserved under preliminary contracts of sale. As a whole, the apartment market in the Baltics has been active this year. Merko's largest apartment development projects were Noblessner, Uus-Veerenni, Odra, Metsatuka and Lahekalda, in Tallinn; Erminurme, in Tartu; Viesturdrzs and Mezhpils?ta, in Riga; and Vilneles Skverai, in Vilnius.



In Q2, AS Merko Ehitus Eesti entered into a contract for acquiring a 35% holding in the network construction and maintenance company Connecto Eesti AS, under which Merko Ehitus Eesti's electrical engineering unit will merge with Connecto Eesti AS. The management of Merko Ehitus considers that that investments into energy and communication infrastructure are continuing and Connecto has good prospects to be a part of these developments.

In Q2 of 2021, Merko entered into new contracts worth EUR 38 million of which the largest were a contract for the design and construction of the infrastructure of the Republic of Estonia's southeast land border sections 4-6 and a contract for the construction of St John's School in Tallinn. The Merko group's secured order book balance grew to EUR 250 million as of the end of the second quarter.

In the second quarter, the largest objects in Estonia were the third development phase of the Mustamäe medical campus of the North-Estonia Medical Centre, the Tallinn School of Music and Ballet, construction on the Liivalaia business and residential complex and the construction of infrastructure segments of the Republic of Estonia's southeast land border. In Latvia, the works in progress were the Orkla wafer and biscuit production plant and NATO facilities in Ēdazi, and the Kauguri city park and youth house. In Lithuania, infrastructure for a number of wind farms and the Kaunas district police headquarters building, NATO barracks and a production building for Continental Automotive.

OVERVIEW OF THE II QUARTER AND 6 MONTHS RESULTS

PROFITABILITY

2021 6 months' pre-tax profit was EUR 10.5 million and Q2 2021 was EUR 6.7 million (6M 2020: EUR 8.8 million and Q2 2020 was EUR 6.7 million), which brought the pre-tax profit margin to 7.2% (6M 2020: 6.8%).

Net profit attributable to shareholders for 6 months 2021 was EUR 9.8 million (6M 2020: EUR 8.2 million) and for Q2 2021 net profit attributable to shareholders was EUR 6.4 million (Q2 2020: EUR 6.2 million). 6 months net profit margin was 6.7% (6M 2020: 6.3%).

REVENUE

Q2 2021 revenue was EUR 85.8 million (Q2 2020: EUR 73.9 million) and 6 months' revenue was EUR 145.9 million (6M 2020: EUR 129.7 million). 6 months' revenue increased by 12.4% compared to same period last year. The share of revenue earned outside Estonia in 6 months 2021 was 38.0% (6M 2020: 50.3%).

SECURED ORDER BOOK

As of 30 June 2021, the group's secured order book was EUR 249.8 million (30 June 2020: EUR 236.7 million). In 6 months 2021, group companies signed new contracts in the amount of EUR 135.1 million (6M 2020: EUR 175.1 million). In Q2 2021, new contracts were signed in the amount of EUR 37.8 million (Q2 2020: EUR 87.8 million).



REAL ESTATE DEVELOPMENT

In 6 months 2021, the group sold a total of 145 apartments; in 6 months 2020, the group sold 369 apartments. The group earned a revenue of EUR 25.8 million from sale of own developed apartments in 6 months 2021 and EUR 46.0 million in 6 months 2020. In Q2 of 2021 a total of 55 apartments were sold, compared to 236 apartments in Q2 2020, and earned a revenue of EUR 11.0 million from sale of own developed apartments (Q2 2020: EUR 27.4 million).

CASH POSITION

At the end of the reporting period, the group had EUR 21.7 million in cash and cash equivalents, and equity of EUR 145.3 million (52.5% of total assets). Comparable figures as of 30 June 2020 were EUR 23.7 million and EUR 138.4 million (50.3% of total assets), respectively. As of 30 June 2021, the group's net debt was EUR 16.1 million (30 June 2020: EUR 34.2 million).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited

in thousand euros

	2021 6 months	2020 6 months	2021 II quarter	2020 II quarter	2020 12 months
Revenue	145,860	129,733	85,753	73,861	315,918
Cost of goods sold	(128,622)	(113,250)	(75 489)	(62,852)	(272,169)
Gross profit	17,238	16,483	10 264	11,009	43,749
Marketing expenses	(1,830)	(1,873)	(883)	(925)	(4,212)
General and administrative expenses	(5,706)	(5,393)	(2,991)	(2,588)	(13,412)
Other operating income	1,314	1,122	639	614	2,320
Other operating expenses	(93)	(1,252)	(39)	(1,189)	(2,979)
Operating profit	10,923	9,087	6,990	6,921	25,466
Finance income/costs	(441)	(310)	(257)	(211)	(1,009)
incl. finance income/costs from joint venture	3	92	(4)	2	(144)



interest expense	(316)	(330)	(170)	(158)	(719)
foreign exchange gain (loss)	(39)	(4)	(39)	(4)	(7)
other financial income (expenses)	(89)	(68)	(44)	(51)	(139)
Profit before tax	10,482	8,777	6,733	6,710	24,457
Corporate income tax expense	(856)	(786)	(427)	(648)	(1,954)
Net profit for financial year	9,626	7,991	6,306	6,062	22,503
incl. net profit attributable to equity holders of the parent	9,763	8,175	6,395	6,156	22,994
net profit attributable to non-controlling interest	(137)	(184)	(89)	(94)	(491)
Other comprehensive income, which can subsequently be classified in the income statement					
Currency translation differences of foreign entities	16	(128)	(7)	60	(115)
Comprehensive income for the period	9,642	7,863	6,299	6,122	22,388
incl. net profit attributable to equity holders of the parent	9,779	8,044	6,387	6,221	22,890
net profit attributable to non-controlling					



interest	(137)	(181)	(88)	(99)	(502)
Earnings per share for profit attributable to equity holders of the parent (basic and diluted, in EUR)	0.55	0.46	0.36	0.35	1.30

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
unaudited
in thousand euros

	30.06.2021	30.06.2020	31.12.2020
ASSETS			
Current assets			
Cash and cash equivalents	21,713	23,728	47,480
Trade and other receivables	62,902	44,790	32,657
Prepaid corporate income tax	315	91	306
Inventories	136,605	161,534	126,332
	221,535	230,143	206,775
Non-current assets			
Investments in joint venture	2,357	2,590	2,354
Other long-term loans and receivables	22,797	14,504	17,979
Deferred income tax assets	842	-	653
Investment property	13,872	13,988	13,922
Property, plant and equipment	14,611	12,996	14,521
Intangible assets	733	686	711
	55,212	44,764	50,140
TOTAL ASSETS	276,747	274,907	256,915



LIABILITIES

Current liabilities

Borrowings	9,279	28,011	13,649
Payables and prepayments	77,814	63,243	55,846
Income tax liability	731	912	1,202
Short-term provisions	5,720	5,915	6,347
	93,544	98,081	77,044

Non-current liabilities

Long-term borrowings	28,493	29,900	15,409
Deferred income tax liability	1,739	1,650	3,001
Other long-term payables	3,586	2,858	4,026
	33,818	34,408	22,436

TOTAL LIABILITIES	127,362	132,489	99,480
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EQUITY

Non-controlling interests	4,078	4,036	4,207
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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	(798)	(841)	(814)
Retained earnings	137,383	130,501	145,320

	145,307	138,382	153,228
TOTAL EQUITY	149,385	142,418	157,435



TOTAL LIABILITIES AND EQUITY

276,747

274,907

256,915

Interim report is attached to the announcement and is also published on NASDAQ Tallinn and Merko's web page (group.merko.ee (<https://group.merko.ee/en/>)).

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AS Merko Ehitus (group.merko.ee (<https://group.merko.ee/en/>)) group consists of AS Merko Ehitus Eesti in Estonia, SIA Merks in Latvia, UAB Merko Statyba in Lithuania and Peritus Entreprenør AS in Norway. Besides providing construction service as a general contractor, the group's other major area of activity is apartment development. As at the end of 2020, the group employed 666 people, and the group's revenue for 2020 was EUR 316 million.

