



AS MERKO EHITUS

GROUP

2018 12 months and IV quarter consolidated unaudited interim report

Business name:	AS Merko Ehitus
Main activities:	Holding companies General contracting of construction Real estate development
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Financial year:	01.01.2018 – 31.12.2018
Reporting period:	01.01.2018 – 31.12.2018
Supervisory Board:	Toomas Annus, Teet Roopalu, Indrek Neivelt
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

Merko Ehitus posted revenue of EUR 119.2 million in Q4 of 2018 and the 12-month revenue figure was EUR 418 million. The group's net profit for Q4 of 2018 was EUR 7 million and the 12-month net profit was EUR 19.3 million. Both the 12-month revenue as well as net profit grew by 32%, compared to 2017 figures. As discussed with the supervisory board, the group's management board proposes to pay shareholders a dividend of 92% of last year's profit, which amounts to 1 euro per share.

In recent years, the management of Merko Ehitus has implemented a strategy by which one-half of the group's business would be located outside Estonia. Also, investments into apartment development have been increased. 2018 was an exceptional year in regard to construction volumes, with the group's revenue on the upswing in all Baltic states, and doubling in Latvia. The growth in revenue was supported by several major ongoing projects in Latvia and Estonia on which construction work was completed in 2018 or is set to be completed in the first half of 2019. All of the group's countries and main areas of activity made a profit and the growth in revenue also increased the group's net profit.

Because of the rise in construction input prices and higher wages, the situation on the construction market continued to be complicated in 2018, especially in regard to contracts concluded by the group at a fixed price in earlier years. In addition, the problems of availability of building design and subcontracting resources exacerbated risks related to on-time completion of construction and financial risks. The rise in construction prices began slowing the growth in the volume of new orders on the market, which also resulted in stiffer competition between main contractors vying for construction orders and applied pressure on profit margins. The launch of new commercial real estate projects is also now being slowed by the large volume of retail and office space accruing in recent years and the more complicated financing conditions. The group's secured order book shrank by about one-third in 2018, which will likely affect our construction volumes in 2019.

**2018 12M
REVENUE**
418 MILLION EUROS

**PROFIT
BEFORE TAX**
19.8 MILLION EUROS

In addition to providing construction services to customers, a strategic business area for Merko Ehitus is apartment development, into which the group invested EUR 35 million in 2018. Last year, Merko launched the construction of a total of more than 1,000 new apartments in Tallinn, Riga and Vilnius, most of which will be completed in 2020. The largest projects are the Uus-Veerenni and Pikaliiva residential environments in Tallinn, the Gaiļezers and Viesturdārzs developments in Riga and the Vilneles slenis and Rinktinės Urban developments in Vilnius. In Q4 of 2018, Merko sold 227 apartments; for the entire year, sales totalled 482 apartments.

The apartment market in the Baltics in 2018 was stable and demand remained healthy. As the supply of new apartments has increased, the price level has stabilized and sales periods are somewhat longer. The trend can be expected to continue this year, especially in case of apartments in the above-average price segment. On the other hand, the apartment market is supported by low prime interest rates, high employment and economic growth. Large development areas occupy a more central position in the group's apartment development strategy, allowing to shape an integral living environment and launch development projects stage-by-stage in response to demand.

In Q4 of 2018, Merko Ehitus posted revenue of EUR 119.2 million with EBITDA of EUR 7.6 million and a net profit of EUR 7.0 million. For 2018 overall, sales revenue was EUR 418 million, EBITDA was 21.9 million and net profit was EUR 19.3 million. The growth of net profit was supported not only by the rise in revenue but the lower expense on income tax compared to 2017, as dividends were paid out in 2018 from dividends received from subsidiaries outside Estonia. At the same time, 2018 did not see real estate transactions of a one-off nature, which had a positive influence on the Q4 2017 profit.

In the 12 months of 2018, the group signed new contracts totalling EUR 246 million, and in Q4 alone, EUR 89 million, including for the design and construction of an office building at Pärnu mnt 186 in Tallinn and Tesla service centre in Oslo, the construction of a student home in Rakvere, laying of undersea cables under the Suur and Väike Väin straits in western Estonia, and road maintenance in the city of Tallinn.

As at 31 December 2018, Merko Ehitus group's secured order book amounted to EUR 229 million, compared to EUR 344 million as at the same date in the previous year. In Q4, the largest projects in progress in Estonia were T1 Mall of Tallinn shopping centre, Maakri Kvartal business complex, Õpiku Office Building tower B, Noblessner residential district, Tallink office building, and renovation and dredging work at the Port of Hundipea. In Latvia, the largest projects in progress were Akropole and Alfa shopping centres, Z-Towers business complex and Ventspils Music School and Concert Hall; and in Lithuania, they were Hotel Neringa, Quadrum office building and two school buildings. In Norway, the biggest projects in progress in Q4 were the design and construction of Tesla customer service centre and renovation of an office building at Møllergata 23-25 in Oslo.

OVERVIEW OF THE IV QUARTER AND 12 MONTHS RESULTS

PROFITABILITY

Q4 2018 net profit was EUR 7.0 million (Q4 2017: EUR 8.1 million) and net profit margin 5.9% (Q4 2017: 7.9%). Net profit in 12 months 2018 was EUR 19.3 million (12M 2017: EUR 14.7 million), having increased by 31.6% compared to the same period last year. Net profit margin remained at the same level: 4.6% (12M 2017: 4.6%). In 2018, the group incurred EUR 2.6 million less corporate income tax costs.

Q4 2018 profit before tax was EUR 7.1 million (Q4 2017: EUR 10.6 million) and 12 months 2018 profit before tax was EUR 19.8 million (12M 2017: EUR 18.8 million), which brought the profit before tax margin to 4.7% (12M 2017: 5.9%).

REVENUE

Q4 2018 revenue was EUR 119.2 million (Q4 2017: EUR 102.8 million) and 12 months 2018 revenue was EUR 418.0 million (12M 2017: EUR 317.6 million). 12 months' revenue has increased by 31.6% compared to same period last year. The share of revenue earned outside Estonia in 12 months 2018 was 51.5% (12M 2017: 39.9%).

SECURED ORDER BOOK

As at 31 December 2018, the group's secured order book was EUR 229.0 million (31 December 2017: EUR 344.4 million). In 12 months 2018, group companies signed new contracts in the amount of EUR 246.4 million (12M 2017: EUR 334.9 million). In Q4 2018, new contracts were signed in the amount of EUR 89.4 million (Q4 2017: EUR 31.3 million).

REAL ESTATE DEVELOPMENT

In 12 months 2018, the group sold a total of 482 apartments (incl. 131 apartments in a joint venture); in 12 months 2017, the group sold 392 apartments (incl. 17 apartment in a joint venture). The group earned a revenue of EUR 41.3 million from sale of own developed apartments in 12 months 2018 and EUR 47.1 million in 12 months 2017. In Q4 of 2018, the group sold a total of 227 apartments (incl. 84 apartments in a joint venture); in Q4 of 2017, the group sold 106 apartments (incl. 16 apartment in a joint venture). The group earned a revenue of EUR 17.0 million from sale of own developed apartments in Q4 of 2018 and EUR 13.3 million in Q4 of 2017.

CASH POSITION

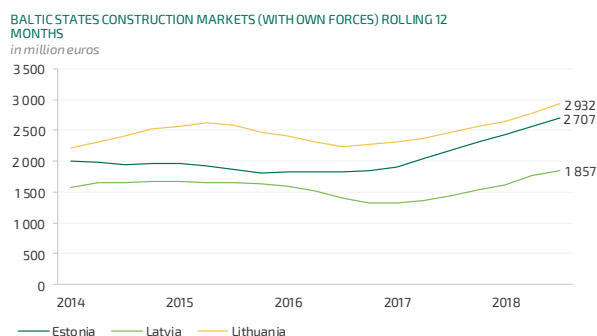
At the end of the reporting period, the group had EUR 40.0 million in cash and cash equivalents, and equity EUR 131.8 million (48.9% of total assets). Comparable figures as at 31 December 2017 were EUR 39.2 million and EUR 130.2 million (47.0% of total assets), respectively. As at 31 December 2018, the group had net debt of EUR 4.2 million (31 December 2017: EUR 20.1 million).

PROPOSAL FOR DISTRIBUTION OF PROFITS

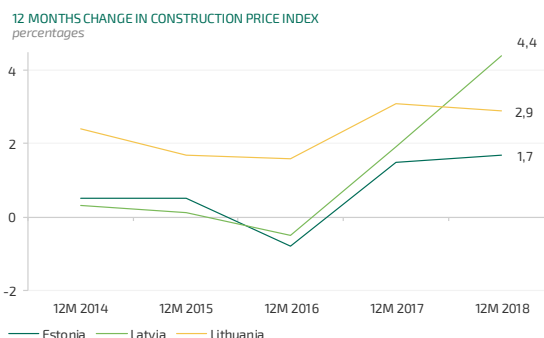
As discussed with the Supervisory Board, the Management Board proposes to distribute to shareholders EUR 17.7 million in dividends (1 euro per share) from retained earnings in 2019. This is equivalent to a 92% dividend rate for 2018.

OUTLOOK OF CONSTRUCTION AND REAL ESTATE MARKET

CONSTRUCTION SERVICES



Source: national statistical offices



Source: national statistical offices

In 2018, construction volumes continued growing in Estonia approximately 20%, similarly to the year before. As such, construction volumes outstripped the peak seen in the boom years some 10 years ago (2007) already by about one-tenth. In Latvia as well, growth continued and even increased somewhat in 2018 to a rate similar to Estonia. However, in Latvia volumes were still about 25% below that of the boom era's peak. In Lithuania, growth was around 10% in 2017, but accelerated in 2018 and also reached close to 20%. Volumes will still have to grow another one-third to reach the last decade's high-water mark. In any case, the last few years have been a highly active time in the Baltic construction sector. Considering the rapid growth and high levels, some caution is called for in regard to further developments in Estonia. Current figures suggest Latvia and Lithuania have more room for additional growth. Norway has seen stable annual growth of about 3%, as a result of which construction volumes are more than 25% higher than they were during the boom years, which was significantly calmer period in Norway than it was in the Baltics.

Developments in the construction price index in 2018 were quite stable. During the last couple of quarters, Latvia posted the fastest annual growth – approximately 4% –, while Lithuania's growth was around 3% and Estonia was a little under 2%. Besides price, the problem of finding high-quality subcontractors became even more keenly felt throughout 2018. There was simply a lack of free resources in the construction sector last year. If construction activity were to slacken in Estonia, it could make it easier to plan work and stay on schedule, which would benefit both customers and main contractors. As the risk of rapid corrections in construction volumes in Latvia and Lithuania is lower, it is more likely that price pressure and shortage of subcontractors will persist in these countries.

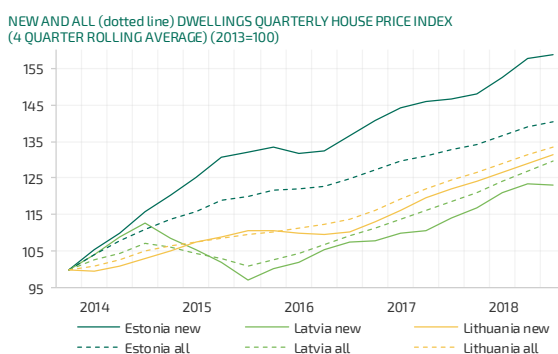
The dynamics of public sector demand continues to be an important issue in the longer perspective. The big keyword on the Baltic construction market in the coming years is Rail Baltica, which due to its sheer volume will clearly have an impact on the construction markets of all three countries. To keep market balance from being completely destabilized, construction companies would need to plan the extensive work required to build the railway and related infrastructure far in advance. If public sector demand does not compensate for the drop in demand from the private sector and instead amplifies it further, it is hard to see how a satisfactory result can be ensured for all market participants given the resource shortages.

DEVELOPMENT OF APARTMENTS

In recent years, new residential space has been introduced to the Estonian market to such an extent that by the end of 2018, the number of permits for use issued for new residential units reached the level seen at the peak of the boom era. In Lithuania, more use permits have been issued for new housing than at the height of 2008 for already couple of years. The last one and a half years have been characterised more by something of a correction. The development in Latvia remains stable – there is no such major growth seen as in Estonia and Lithuania. However, an increase in the number of building permits issued can be noted in Latvia, which has slowed in Estonia in the last year.

Although supply has increased, pricing has been influenced more by growth-stimulating factors – salaries have been rising for years, low unemployment rate supports confidence, general economic growth is positive and loan interest rates have remained low. 2018 saw the continuation of the clear trend of rising apartment prices in all three Baltic states. The price rise has been in balance with other factors, though, and does not in itself pose a risk to the general economic environment.

To be successful in a market with a greater supply, apartment developments will have to boast clearer competitive advantages. Quality, location and the cohesiveness of the development area are important. Also, the financial capability of developers is becoming an ever more critical factor for coping successfully with longer sales periods.



Source: Eurostat

BUSINESS ACTIVITIES

The group business reporting is divided into three business segments:

- Estonian construction service;
- other home markets construction service;
- real estate development.

ESTONIAN CONSTRUCTION SERVICE

The Estonian construction service segment consists of services in the field of general construction, civil engineering, electricity, external networks and road construction, as well as concrete works and construction services.

million EUR

	12M 2018	12M 2017	VARIANCE	Q4 2018	Q4 2017	VARIANCE
Revenue	164.9	135.2	+22.0%	46.5	35.7	+30.4%
% of total revenue	39.4%	42.6%		39.0%	34.7%	
Operating profit (loss)	8.8	5.9	+50.3%	2.7	1.5	+86.4%
Operating profit margin	5.3%	4.3%		5.9%	4.1%	

In the 12 months of 2018, the revenue of the Estonian construction service segment was EUR 164.9 million (12 months of 2017: EUR 135.2 million), having increased by 22.0% from the same period last year. The Estonian construction service segment revenue for 12 months 2018 made up 39.4% of the group's total revenue (12M 2017: 42.6%). In this segment, the group earned an operating profit of EUR 8.8 million for 12 months (12 months of 2017: EUR 5.9 million). The operating profit margin was 5.3% (12 months of 2017: 4.3%).

In 2018, the Estonian construction volumes were at record levels. Because of that the sub-contractor resources were fully utilised and input prices increased. In the field of main contracting of general construction the competition remains strong, while customers became more cautious in launching new projects. At times, construction prices are exceeding the level above which there is little economic sense to carry on with development activities. Therefore, the main contractors have had great difficulties in channelling the increases in input prices to the customers. On the other hand, insufficient sub-contractor resources have meant that great effort has had to be made in order to keep with time schedules. It was possible to maintain the operating profit margin of Estonian construction service at a reasonable level only thanks to extraordinary effort to find efficiency increase possibilities in a difficult overall environment and to achieve solutions together with customers that serve the interests of all parties when finishing the construction objects. Considering strong pressure on costs, Merko Ehitus remains rather unsuccessful in participating in public procurements where underbidding pushes the offering prices below the risk-reward level, which would match our goals.

Larger projects in the fourth quarter in Estonian construction service segment included the construction works of T1 shopping centre, Maakri Kvartal business complex, Öpiku Office Building tower B, Tallink office building, Toom-Kuninga 21 apartment building, the first stage of office building at Tartu mnt 80, Kuressaare town centre, student home of Rakvere Vocational School, commercial building at Pärnu mnt 186, as well as renovation works of Tsirguliina 330kV substation, clean up works of the residual pollution of Maadevahe and Priimetsa asphalt-concrete plant, dredging and reconstruction works of Hundipea port and construction of electric power cables of Suur Väin and Väike Väin straits.

OTHER HOME MARKETS CONSTRUCTION SERVICE

The other home markets construction service segment consists of general construction works in Latvia, Lithuania and Norway, as well as provision of civil engineering and electricity construction services in Latvia.

million EUR

	12M 2018	12M 2017	VARIANCE	Q4 2018	Q4 2017	VARIANCE
Revenue	182.2	108.4	+68.1%	50.1	42.8	+16.8%
% of total revenue	43.6%	34.1%		42.0%	41.7%	
Operating profit (loss)	1.9	1.8	+7.1%	0.5	1.8	-72.9%
Operating profit margin	1.1%	1.7%		1.0%	4.1%	

The sales revenue of the other home markets construction service segment amounted to EUR 182.2 million in the 12 months of 2018 (12 months of 2017: EUR 108.4 million), which has increased 68.1% compared to the 12 months of 2017. If the other home markets construction service segment revenues of 12 months of 2017 formed 34.1% of the group's revenue, then during 12 months of 2018, that ratio increased to 43.6%. The revenue growth has been supported mainly by major construction contracts in Latvia, where Merko has gained a stronger position among general contractors than previously. This has provided opportunities to profitably grow business volumes. In Lithuania, we are continuing our strategic plan to focus on foreign customers, who make up

the predominant part of the group's Lithuanian secured order book. In Lithuania, we have also entered more widely the public procurement sphere in the field of general construction. In Norway, the group is performing a number of smaller-scale agreements.

As in Estonia, strong competition is evident also in other home markets (especially in Latvia and Lithuania), input prices are increasing and there is a lack of free resources of sub-contractors. Main contractors are in a situation where profitability has to be maintained, regardless of ever-tightening construction schedules, contractual sanctions and increasing costs. Realization of risks associated with construction objects has a direct impact on business segment's financial results. In addition, the operating profitability of other home markets construction service segment has in 2018 been influenced by major construction works carried out in consortium, in which case the revenue in the segment's results is accounted for in full, but the profit only for the part belonging to the group. The goal for the group is to improve the risk-reward ratio of the other home markets construction service.

The 12 months operating profit of the other home market construction service segment amounted to EUR 1.9 million (12 months of 2017: EUR 1.8 million) and the operating profit margin was 1.1% (12 months of 2017: 1.7%).

In the fourth quarter of 2018, larger ongoing projects in the other home markets construction service segment included, in Riga, the construction works of Akropole multifunctional centre, Alfa shopping centre and Lidl logistics centre, finishing works of Z-Towers business complex and, in Ventspils, the construction works of music school and concert hall. In Lithuania, larger projects were the construction works of Hotel Neringa and Quadrum office building as well as the construction works of apartment building complex in the Šaltinių Namai quarter and two school buildings. In Norway, the larger projects were design and construction works of Tesla service centre and renovation of an office building 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

	12M 2018	12M 2017	VARIANCE	Q4 2018	Q4 2017	VARIANCE
Revenue	70.9	74.0	-4.1%	22.6	24.3	-6.8%
incl. apartments revenue	41.3	47.1		17.0	13.3	
construction service to joint venture projects	15.5	18.5		3.0	5.3	
revenue from immovable properties	9.5	5.2		-	5.2	
% of total revenue	17.0%	23.3%		19.0%	23.6%	
Operating profit	11.3	13.8	-17.7%	4.5	8.0	-43.8%
Operating profit margin	16.0%	18.6%		19.8%	32.9%	

In 12 months 2018, the group sold a total of 482 apartments (incl. 131 apartments in a joint venture); in 12 months 2017, the group sold 392 apartments (incl. 17 apartment in a joint venture). The group earned a revenue of EUR 41.3 million (VAT not included) from sale of own developed apartments in 12 months 2018 and EUR 47.1 million (VAT not included) in 12 months 2017.

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 12 months of 2018, real estate development segment revenues decreased by 4.1% compared to the same period last year. In the 12 months of 2018, the share of revenue from the real estate development segment formed 17.0% of the group's total revenue (12 months of 2017: 23.3%).

The segment's operating profit for the 12 months of 2018 amounted to EUR 11.3 million (12 months of 2017: EUR 13.8 million) and the operating profit margin was 16.0% (12 months of 2017: 18.6%), which decreased by 2.6 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. In Q3, the group sold "ibis" hotel, developed in Vilnius, together with parking lot and part of the land plot for a price of EUR 8.8 million, which in reporting is recognised under revenue from immovable properties. Compared to 2018, the segment's profitability of 2017 was positively influenced by the sale of immovable property in the fourth quarter that had little strategic importance for the group.

At the end of the period, group's inventory comprised 193 apartments where a preliminary agreement had been signed: 41 completed apartments (34 in Estonia, 1 in Latvia and 6 in Lithuania) and 152 apartments under construction (110 in Estonia and 42 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 31 December 2018, the group had a total of 989 apartments for active sale (as at 31 December 2017: 317 apartments), for which there are no pre-sale agreements and of which 122 have been completed (27 in Estonia, 72 in Latvia and 23 in Lithuania) and 867 are under construction (169 in Estonia, 192 in Latvia and 506 in Lithuania).

In 12 months of 2018, the group launched the construction of a total of 1032 new apartments in the Baltic states, including 192 apartments in fourth quarter (12 months of 2017: 496 apartments; 2017 Q4: 0 apartments). In the 12 months of 2018, 550 apartments were started in Lithuania, 290 in Estonia and 192 in Latvia. In the 12 months, the group invested a total of EUR 34.7 million (12 months of 2017: EUR 48.4 million) in new development projects launched in 2018 as well as projects already in progress.

After the balance sheet date, the group has started the construction of an apartment building of 20 apartments located at Paldiski st. 21, Tallinn.

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 31 December 2018, the group's inventories included land plots with development potential, where the construction works have not started, in amount of EUR 54.5 million (31.12.2017: EUR 63.6 million).

GROUP'S INVENTORIES WITH DEVELOPMENT POTENTIAL BY COUNTRY

million EUR

	31.12.2018	31.12.2017
Estonia	26.9	28.9
Latvia	26.6	26.5
Lithuania	1.0	8.2
Total	54.5	63.6

In the 12 months of 2018, the group purchased new land plots at an acquisition cost of EUR 3.0 million for real estate development purposes (12 months of 2017: EUR 9.2 million).

SECURED ORDER BOOK

As at 31 December 2018, the group's secured order book amounted to EUR 229.0 million, compared to EUR 344.4 million as at 31 December 2017, having decreased by 33.5% in the annual comparison. The secured order book excludes the group's own residential development projects and construction works related to developing real estate investments.

In 12 months of 2018, EUR 246.4 million worth of new contracts were signed, compared to EUR 334.9 million in same period 2017. The value of new contracts signed in the fourth quarter of 2018 amounted to EUR 89.4 million; in the fourth quarter of 2017 the value of new contracts signed amounted to EUR 31.3 million.

LARGEST CONSTRUCTION CONTRACTS SIGNED IN THE FOURTH QUARTER OF 2018

BRIEF DESCRIPTION OF CONTRACT	COUNTRY	COMPLETION TIME	VALUE MILLION EUR
Long-term contract to carry out road repair and maintenance works in Tallinn	Estonia	End of 2023	26.0*
Design and construction contract for the construction of commercial building at Pärnu mnt 186, Tallinn	Estonia	March of 2020	16.0
Construction contract for the construction of new electric power cables between the mainland of Estonia and Muhu island in cooperation with AS Connecto Eesti. Leading partner in the contract is AS Merko Infra with 51:49 share	Estonia	December of 2020	9.0
Construction contract for the construction of new electric power cables between Muhu and Saaremaa islands in cooperation with AS Connecto Eesti. Leading partner in the contract is AS Connecto Eesti with 51:49 share	Estonia	December of 2020	5.4
Design and construction contract for the construction of Tesla service centre at Karihaugveien st. 100, Oslo	Norway	April of 2019	4.5
Construction contract for the construction of a student home at Piiri st. 8, Rakvere	Estonia	End of 2019	4.3
Design and construction contract for the renovation of an office building at Møllergata st. 23-25, Oslo	Norway	July of 2019	3.6

* The contract value is approximately EUR 5.2 million per year

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

- On 9 January 2019, AS Merko Ehitus Eesti, part of AS Merko Ehitus group, and Centre for Defence Investment entered into a contract for the construction of a support warehouse and the expansion of a medical centre in Tapa armed forces campus, in Lääne-Viru County. The contract value is approximately EUR 5.5 million and buildings will be completed in January 2020.
- On 31 January 2019, consortium consisting of AS Merko Infra and AS Merko Ehitus Eesti, both part of AS Merko Ehitus group, and AS Saku Maja entered into a contract to perform design and construction works of water supply and sewerage piping in Metsanurme, Kasemetsa and Üksnurme area in Saku Parish, Harju County. The contract value is approximately EUR 6.4 million and works are scheduled to be completed in June 2021.

Of the contracts signed in the 12 months of 2018, private sector orders accounted for the majority, which is also represented in the group's secured order book, where private sector orders from projects in progress constitute approximately 70% (31.12.2017: approximately 86%).

Group's strategic aim is to diversify its operating portfolio by balancing the construction activities in Estonia with those abroad. Thus, the group continues to identify and strengthen its competitive advantages and is closely monitoring the development and opportunities in both the Baltic states and the Nordic countries, especially in Norway. At the same time, it has to be ensured that the growth is profitable. 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

As at 31 December 2018, the group had cash and cash equivalents in the amount of EUR 40.0 million (31.12.2017: EUR 39.2 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 25.6 was unused (31.12.2017: EUR 17.5 million of which EUR 9.5 was unused). In addition to the overdraft facilities, the company has a working capital loan facility with a limit of EUR 3.5 million (31.12.2017: EUR 3.5 million) from AS Riverito, which was not withdrawn at the end of current period (31.12.2017: not withdrawn).

The 12-month cash flow from operating activity was positive at EUR 34.1 million (12 months of 2017: negative EUR 1.3 million), cash flow from investing activity was negative at EUR 0.3 million (12 months of 2017: positive EUR 1.0 million) and the cash flow from financing activity was negative at EUR 33.0 million (12 months of 2017: negative EUR 6.1 million).

Compared to 2017, the cash flow from operating activities had positive impacts from EBITDA EUR 21.9 million (12 months of 2017: EUR 22.2 million) and from the positive changes in receivables and liabilities related to construction contracts recognised under the stage of completion method EUR 11.2 million (12 months 2017: negative change EUR 8.5 million), change in the provisions EUR 4.7 million (12 months of 2017: positive change of EUR 0.6 million) and change in inventories EUR 0.6 million (12 months of 2017: negative change of EUR 4.9 million), while the negative impacts came from changes in trade and other receivables related to operating activities EUR 1.3 million (12 months of 2017: negative change of EUR 19.3 million), change in trade and other payables related to operating activities EUR 1.4 million (12 months of 2017: positive change of EUR 12.1 million) and change from the corporate income tax paid on dividends EUR 0.4 million (12 months 2017: EUR 1.3 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 (16.4% as at 31.12.2018; 21.4% as at 31.12.2017).

Cash flows from investing activities include negative cash flow from the acquisition of non-current assets in the amount of EUR 1.3 million (12 months of 2017: EUR 1.4 million) and the largest positive cash flow was from the sale of non-current assets in the amount of EUR 0.7 million (12 months of 2017: EUR 1.9 million).

In cash flows from financing, the larger negative factors were dividend payment of EUR 17.8 million (12 months 2017: EUR 7.4 million) and negative change of loans received and repaid in connection with development projects in the amount of EUR 20.1 million (12 months of 2017: net positive cash flow of EUR 7.7 million). Positive cash flow from financing activity were gained from net amount of loans received and repaid of project specific loans obtained using investment property as collateral in the amount of EUR 1.4 million (12 months of 2017: negative cash flow in the net amount of EUR 0.6 million), change in loans related to construction project in the net amount of EUR 4.2 million (12 months of 2017: net negative cashflow EUR 2.8 million).

The Q4 2018 cash flow from operating activity was positive at EUR 27.4 million (Q4 2017: positive EUR 8.9 million), cash flow from investing activity was negative at EUR 0.6 million (Q4 2017: positive EUR 0.2 million) and the cash flow from financing activity was negative at EUR 10.6 million (Q4 2017: positive EUR 11.6 million).

RATIOS

(attributable to equity holders of the parent)

INCOME STATEMENT SUMMARY		12M 2018	12M 2017	12M 2016	Q4 2018	Q4 2017	Q4 2016
Revenue	million EUR	418.0	317.6	252.0	119.2	102.8	78.6
Gross profit	million EUR	33.0	30.9	19.0	11.3	14.2	5.0
Gross profit margin	%	7.9	9.7	7.5	9.4	13.8	6.4
Operating profit	million EUR	19.9	19.5	7.7	7.0	10.7	1.6
Operating profit margin	%	4.8	6.2	3.1	5.8	10.4	2.1
Profit before tax (PBT)	million EUR	19.8	18.8	7.3	7.1	10.6	1.6
PBT margin	%	4.7	5.9	2.9	6.0	10.3	2.0
Net profit	million EUR	19.4	15.8	6.0	6.9	8.9	1.3
attributable to equity holders of the parent	million EUR	19.3	14.7	6.1	7.0	8.1	1.4
attributable to non-controlling interest	million EUR	0.1	1.1	(0.1)	(0.1)	0.8	(0.1)
Net profit margin	%	4.6	4.6	2.4	5.9	7.9	1.8
Other income statement indicators		12M 2018	12M 2017	12M 2016	Q4 2018	Q4 2017	Q4 2016
EBITDA	million EUR	21.9	22.2	11.2	7.6	11.2	2.8
EBITDA margin	%	5.2	7.0	4.4	6.3	10.9	3.6
General expense ratio	%	3.7	4.6	5.3	3.8	4.2	4.9
Labour cost ratio	%	8.2	10.1	11.7	8.6	8.4	9.6
Revenue per employee	thousand EUR	563	434	325	161	140	101

OTHER SIGNIFICANT INDICATORS		31.12.2018	31.12.2017	31.12.2016
Return on equity	%	15.3	11.9	5.0
Return on assets	%	6.9	5.8	2.8
Return on invested capital	%	11.5	11.4	5.1
Equity ratio	%	48.9	47.0	51.6
Debt ratio	%	16.4	21.4	19.3
Current ratio	times	2.2	2.2	2.9
Quick ratio	times	1.1	1.1	1.1
Accounts receivable turnover	days	40	40	37
Accounts payable turnover	days	41	40	38
Average number of employees	people	743	732	776
Secured order book	million EUR	229.0	344.4	269.6

Ratio definitions are provided on page 41 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 <http://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 31 December 2018, a provision has been set up at the group in the amount of EUR 0.1 million (31.12.2017: EUR 0.1 million) for covering potential claims and legal costs.

An overview of the key legal disputes of group entities ended during 2018 and ongoing as of 31.12.2018 is presented below:

Estonia

Lawsuit against former employee

On 17 December 2014, AS Merko Infra filed a claim in Harju County Court against a former AS Merko Infra employee, Maksim Vihharev, seeking EUR 97 thousand in damages along with a petition to secure the action. The lawsuit relates to intentional damage caused by fictitious transactions concluded by Maksim Vihharev on behalf of AS Merko Infra while serving as electrical work project manager and purchase of items not necessary for contractual work. On 6 September 2018, a ruling of the Tallinn Circuit Court entered into force, under which Maksim Vihharev was ordered to pay AS Merko Infra damages of EUR 92 thousand, plus late interest on that amount starting from 17 December 2014 at the rate set forth in the second sentence of subsection 113 (1) of the Law of Obligations Act, until the payment of the damages. The circuit court also ordered Vihharev to pay AS Merko Infra procedural costs totalling EUR 34 thousand.

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

Several court cases are ongoing 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). In 2019, an interim court ruling by Tallinn Administrative Court is expected about the determination of the legal basis for the claim. After that the litigation will continue to determine the amount of the damage. The possible positive impact of the claim submitted has not been recognized by the group in its financial statements.

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 new court hearing is scheduled on 20 March 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 new court hearing is scheduled on 18 February 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. The next court hearing will take place on 19 March 2019. 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. Court hearing is scheduled on 25 April 2019. The group finds the claim unsubstantiated and has not recognised provisions in relation to this claim.

EMPLOYEES AND LABOUR COSTS

As of 31 December 2018, Merko Ehitus Group employed 764 people (including temporary and part-time staff). Compared to the same period last year, the number of group's employees increased by 7 (+0.9%). The number of employees has increased mainly due to increase of construction volumes in Latvia, Lithuania and Norway, and decreased in Estonia.

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

The group defines labour cost as salary (incl. fixed salary, additional pay, holiday pay, and performance pay), taxes based on salary, fringe benefits and taxes on fringe benefits. In 12 months 2018, the labour cost was EUR 34.4 million (12 months 2017: EUR 31.9 million), which increased by 7.6% compared to the same period previous year. The labour cost ratio decreased by 1.9 pp from 10.1% to 8.2%.

During 12 months of 2018, AS Merko Ehitus Eesti, the largest Estonian construction company, part of AS Merko Ehitus group, has paid EUR 6.1 million in labour taxes in Estonia, making it the largest labour tax payer in the construction sector (12 months 2017: EUR 6.0 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:

<http://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

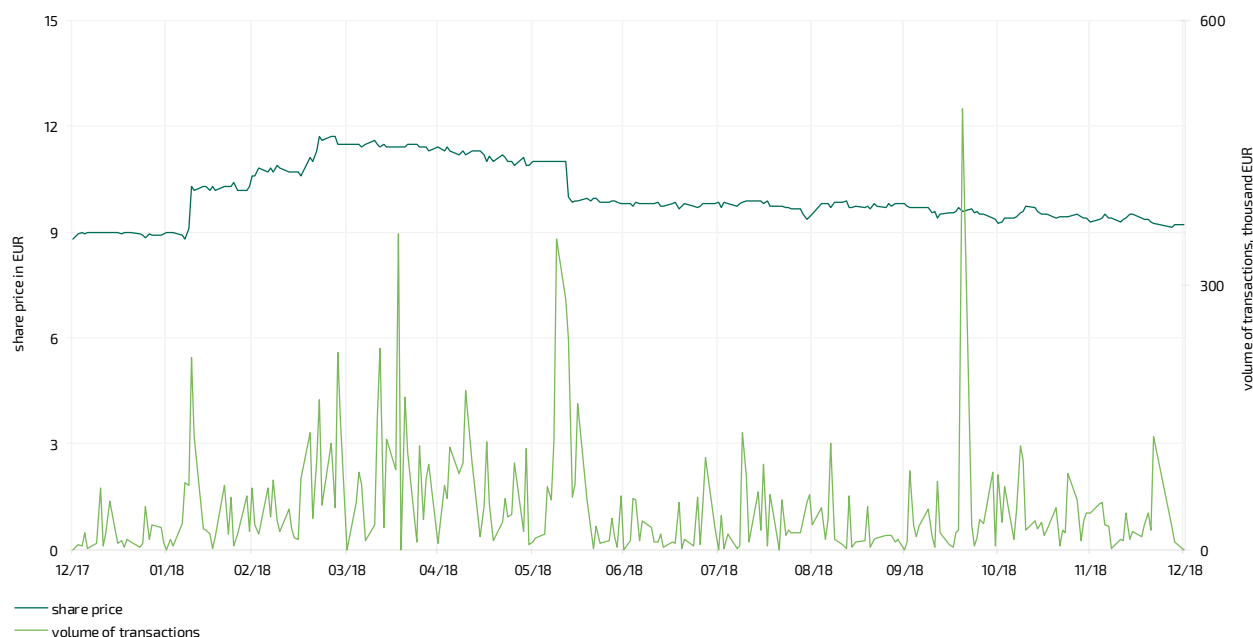
The shares of Merko Ehitus are listed in the Main List of NASDAQ Tallinn. As at 31 December 2018, the company has 17,700,000 shares. The number of shares has not changed during 2018.

A total of 4,299 transactions were conducted with the shares of Merko Ehitus in 12 months of 2018, with 1.18 million shares (6.7% of total shares) traded, generating a turnover of EUR 12.2 million (comparable figures in 12 months 2017 were accordingly: 2,203 transactions with 0.51 million shares traded (2.9% of total shares), generating a turnover of EUR 4.7 million). The lowest transaction was carried out with a price of EUR 8.70 and the highest with EUR 11.80 per share (12 months of 2017: EUR 8.75 and EUR 9.69, accordingly). On 31 December 2018, the closing price of the share was EUR 9.20 (31.12.2017: EUR 8.81). As at 31 December 2018, the market value of AS Merko Ehitus amounted to EUR 162.8 million, which has increased by 4.4% compared to the same period end last year (31.12.2017: EUR 155.9 million).

	31.12.2018	31.12.2017	31.12.2016
Number of shares	17,700,000	17,700,000	17,700,000
Earnings per share (EPS), euros	1.09	0.83	0.35
Equity per share, euros	7.16	6.99	6.90
P/B ratio	1.28	1.26	1.31
P/E ratio	8.42	10.61	26.17
Market value, million EUR	162.8	155.9	160.2

Ratio definitions are provided on page 41 of the report.

CHANGE IN THE PRICE AND TRANSACTION VOLUME OF MERKO EHITUS SHARE AT NASDAQ TALLINN STOCK EXCHANGE IN 2018



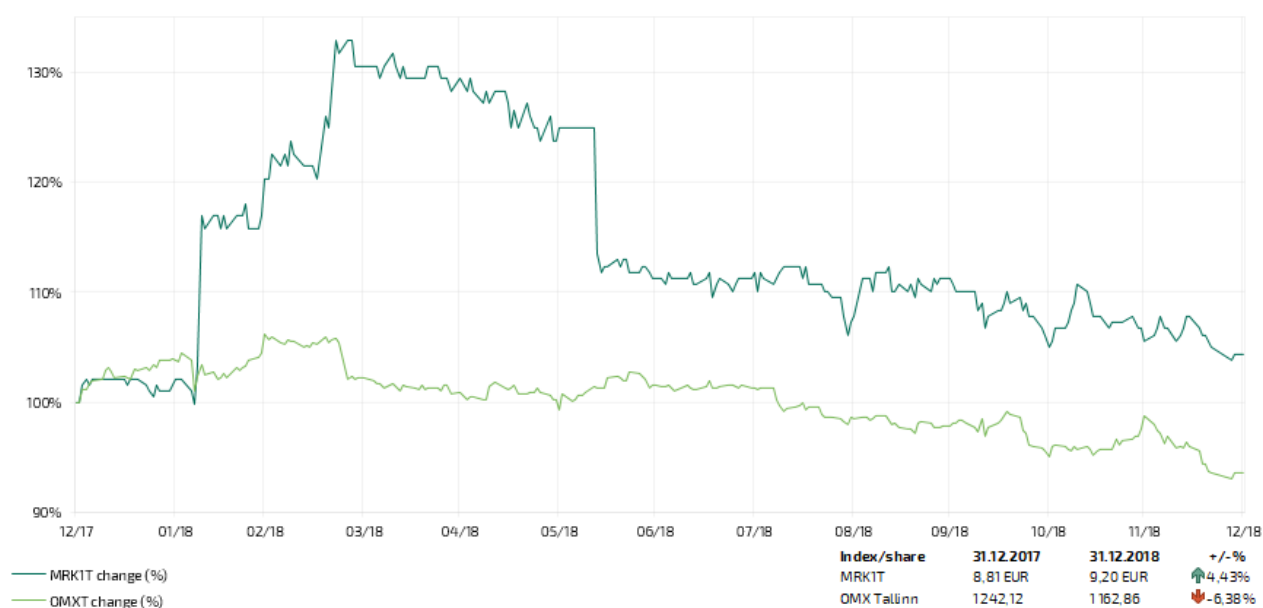
STRUCTURE OF SHAREHOLDERS ACCORDING TO NUMBER OF SHARES AS AT 31.12.2018

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF SHARES	% OF SHARES
1,000,001 - ...	1	0.04%	12,742,686	71.99%
100,001 – 1,000,000	11	0.41%	2,474,700	13.98%
10,001 – 100,000	34	1.28%	881,041	4.98%
1,001-10,000	373	14.00%	1,041,875	5.89%
101-1,000	1,300	48.80%	508,960	2.87%
1-100	945	35.47%	50,738	0.29%
Total	2,664	100%	17,700,000	100%

SHAREHOLDERS OF AS MERKO EHITUS AS AT 31.12.2018 AND CHANGE COMPARED TO THE PREVIOUS QUARTER

	NUMBER OF SHARES	% OF TOTAL 31.12.2018	% OF TOTAL 30.09.2018	CHANGE
AS Riverito	12,742,686	71.99%	71.99%	-
ING Luxembourg S.A. AIF Account	670,695	3.79%	3.87%	(14,710)
Firebird Republics Fund Ltd	363,094	2.05%	2.05%	-
Firebird Avrora Fund Ltd	222,419	1.26%	1.26%	-
OÜ Midas Invest	210,680	1.19%	1.09%	18,180
SEB S.A. UCITS client assets	206,562	1.16%	1.31%	(24,431)
Skandinaviska Enskilda Banken AB, Swedish customers	159,559	0.90%	0.90%	-
State Street Bank and Trust Omnibus Account a Fund No OM01	153,018	0.87%	0.87%	-
SEB Elu- ja Pensionikindlustus AS	142,887	0.81%	0.81%	(1,000)
Firebird Fund L.P.	131,331	0.74%	0.74%	-
Total largest shareholders	15,002,931	84.76%	84.89%	(21,961)
Total other shareholders	2,697,069	15.24%	15.11%	21,961
Total	17,700,000	100%	100%	-

PERFORMANCE OF THE SHARE OF MERKO EHITUS AND COMPARISON INDEX OMX TALLINN IN 2018



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 9 May 2018 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 120% dividend rate and a 11.4% dividend yield for the year 2017 (using the share price as at 31 December 2017). Comparable figures in 2017 were accordingly: EUR 7.3 million (EUR 0.41 per share) as dividends, which is equivalent to a 119% dividend rate and a 4.5% dividend yield for the year 2016 (using the share price as at 31 December 2016).

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. Taking into account the dividends already paid to the parent company by such foreign subsidiaries, the group will not incur income tax expenses arising in connection with disbursement of dividends in Estonia in 2018 (Q2 2017: EUR 0.9 million). The dividend payment to the shareholders took place on 15 June 2018.

As discussed with the Supervisory Board, the Management Board proposes to pay the shareholders EUR 17.7 million as dividends from net profits brought forward (EUR 1.00 per share) in 2019, 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). 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.

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%) 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 page 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 <http://group.merko.ee/en/corporate-governance-2/>.

It is important to maintain a simple organisational structure in the group and in management to be guided primarily by the group's objectives and requirements. For the purposes of maximum efficiency in the group management, we in some cases differentiate the management structure and legal structure. Management of the group's operating activity takes place in a country-specific manner and is coordinated at the level of the holding company. As of 31 December 2018, the management structure is as follows:



GROUP'S LEGAL STRUCTURE

As at 31 December 2018, the group comprises 32 companies (31.12.2017: 45). 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 17 March 2017, AS Merko Ehitus and AS Ehitusfirma Rand ja Tuulberg initiated a process to dissolve joint venture Poolkoksimäe Sulgemise OÜ, in which each joint owner has a 50% share. The liquidation of the company was completed and the deletion entry to the Commercial Register made on 26 January 2018.

On 20 November 2017, AS Merko Ehitus supervisory board has decided to start liquidation procedures of 100% owned subsidiary based in Russia, OOO Lenko Stroi. The OOO Lenko Stroi liquidation was completed and company was deleted from the Commercial Register on 21 December 2018.

In connection with the improvement of efficiency of the business operations and the structure of the Estonian companies of AS Merko Ehitus group, on 21 December 2017, AS Merko Ehitus and AS Merko Ehitus Eesti, 100% subsidiary of AS Merko Ehitus, entered into a real right contract to transfer the right of ownership on real estate development segment's registered immovables and shareholdings in private limited companies on 1 January 2018. These companies were (a) 100% subsidiaries of AS Merko Ehitus: OÜ Tähelinna Kinnisvara, OÜ Metsailu, OÜ Paekalda 2, OÜ Paekalda 3, OÜ Paekalda 7, OÜ Paekalda 9, OÜ Unigate, Suur-Paekalda OÜ, Väike-Paekalda OÜ; and (b) a 50% joint venture OÜ Kodusadam. As per a merger contract signed prior, on balance sheet date 1 January 2018, AS Merko Ehitus Eesti merged AS Merko Tartu and aforementioned received subsidiaries with itself, with the exception of OÜ Tähelinna Kinnisvara. The final entry in the Commercial Register was made on 24 May 2018.

On 21 December 2017, a merger between AS Merko Infra and OÜ Mineraal, both belonging to AS Merko Ehitus group, was initiated. The acquiring company was AS Merko Infra. As a result of the merger, the company being acquired (OÜ Mineraal) wound up without liquidation proceedings and AS Merko Infra became the legal successor of the company being acquired. The merger date was 1 January 2018, 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 25 May 2018.

On 12 April 2018, AS Merko Ehitus disposed of its 100% shareholding in OÜ Jõgeva Haldus.

On 15 May 2018, Merko Finland Oy, fully owned subsidiary of AS Merko Ehitus, acquired an additional 25% share in the subsidiary Hartian Oy from the current co-shareholder. After the transaction, Merko Finland Oy holds 100% of the shares of the subsidiary Hartian Oy.

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 is OY Merko Finland. As a result of the merger, the company will being acquire (Hartian OY) wound up without liquidation proceedings and OY Merko Finland become the legal successor of the company being acquired. The merger date is 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 will be made in the first quarter of 2019.

In the first half of 2018, AS Merko Ehitus launched the dissolution of its branches in Latvia and Lithuania. The Latvian branch was deleted from the Commercial Register on 22 March 2018. The dissolution of the Lithuanian branch was completed and the branch was deleted from the Commercial Register on 21 January 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 will take effect as the entry is made in the Commercial Register presumably in the second quarter of 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 made in the Commercial Register in the first quarter of 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 general meeting of shareholders was held on 9 May 2018. The general meeting resolved to approve the annual report and the profit allocation proposal for 2017. The dividends in the sum of EUR 17.7 million (EUR 1 per share) were paid out to the shareholders on 15 June 2018.

In addition, the general meeting of shareholders decided to appoint the audit firm AS PricewaterhouseCoopers the auditor of AS Merko Ehitus for the financial years of 2018 through 2020 and to pay to the audit firm for auditing as per contract to be entered into with AS PricewaterhouseCoopers.

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

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

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

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

Annual and extraordinary general meeting of shareholders shall be chaired by an independent person. In 2018, the general meeting was chaired by attorney-at-law Vesse Võhma who introduced the procedure for conducting the general meeting and the procedure of asking questions from the Management Board and Supervisory Board about the company's activities.

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

The annual general meeting of shareholders of AS Merko Ehitus held in 2018 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 Ago Vilu (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 31 December 2018, 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.

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 31 December 2018:

COMPANY	SUPERVISORY BOARD	MANAGEMENT BOARD
AS Merko Ehitus Eesti	Andres Trink (Chairman), Teet Roopal, Tõnu Toomik	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
SIA Merko Investments	-	Andres Trink (Chairman), Oskars Ozoliņš
UAB Merko Statyba	Andres Trink (Chairman), Tõnu Toomik, Priit Roosimägi	Saulius Putrimas (Chairman), Jaanus Rästas

Changes in the management of group subsidiaries

On 8 January 2018, the Management Board of AS Merko Ehitus decided to extend the powers of the Members of the Supervisory Board of AS Merko Ehitus Eesti, Mr. Andres Trink, Mr. Tõnu Toomik and Mr. Teet Roopal for three years, i.e. till 31 December 2020. The Supervisory Board of AS Merko Ehitus Eesti will continue in a former three-member panel: Mr. Andres Trink (The Chairman), Mr. Tõnu Toomik and Mr. Teet Roopal.

On 18 April 2018, the Management Board of AS Merko Ehitus Eesti, part of AS Merko Ehitus group, decided to extend the powers of the Members of the Supervisory Board of AS Tallinna Teed, Mr. Veljo Viitmann and Mr. Alar Lagus for three years, i.e. till 18 April 2021. The Supervisory Board of AS Tallinna Teed will continue in a former four-member panel: Mr. Tõnu Toomik (The Chairman), Mr. Keit Paal, Mr. Veljo Viitmann and Mr. Alar Lagus.

On 1 November 2018, the general meeting of shareholders of SIA Merks, part of AS Merko Ehitus group, decided to extend the powers of the Member of the Management Board, Mr. Oskars Ozoliņš, until 1 February 2022 and to nominate Mr. Andris Bišmeistars as a new Member of the Management Board, starting from 1 November 2018 with the powers also until 1 February 2022. The Management Board of SIA Merks will continue with two members: Mr. Oskars Ozoliņš (The Chairman) and Mr. Andris Bišmeistars. The general meeting of shareholders also decided to dismiss Mr. Janis Šperbergs from the duties of the Member of the Management Board as of 1 November 2018 and to appoint him as a Member of the Supervisory Board, effective as of the same date. The Supervisory Board of SIA Merks will continue with four members: Mr. Andres Trink (Chairman), Mr. Tõnu Toomik, Mr. Priit Roosimägi and Mr. Janis Šperbergs.

On 3 December 2018, the Supervisory Board of Tallinna Teede AS, part of AS Merko Ehitus group, decided to extend the powers of a Member of the Management Board of the company, Mr. Jüri Helila, for two years, i.e. until 30 January 2021. The Management Board of Tallinna Teede AS will continue with two members: Mr. Jüri Läll (The Chairman) and Mr. Jüri Helila.

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



14.02.2019

Tõnu Toomik

Member of the Management Board



14.02.2019

CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited

in thousand euros

	Note	2018 12 months	2017 12 months	2018 IV quarter	2017 IV quarter
Revenue	2	418,011	317,598	119,243	102,791
Cost of goods sold	3	(384,962)	(286,747)	(107,978)	(88,638)
Gross profit		33,049	30,851	11,265	14,153
Marketing expenses		(3,285)	(3,215)	(803)	(795)
General and administrative expenses		(12,304)	(11,289)	(3,721)	(3,500)
Other operating income		3,527	3,793	1,050	1,148
Other operating expenses		(1,115)	(601)	(838)	(277)
Operating profit		19,872	19,539	6,953	10,729
Finance income/costs		(97)	(767)	176	(173)
incl. finance income/costs from sale of subsidiary and liquidation		(62)	14	(3)	14
finance income/costs from joint ventures		653	64	379	76
finance income/costs from other long-term investments		-	2	-	2
interest expense		(652)	(745)	(200)	(192)
foreign exchange gain (loss)		5	(1)	6	1
other financial income (expenses)		(41)	(101)	(6)	(74)
Profit before tax		19,775	18,772	7,129	10,556
Corporate income tax expense		(375)	(3,020)	(206)	(1,625)
Net profit for financial year		19,400	15,752	6,923	8,931
incl. net profit attributable to equity holders of the parent		19,343	14,694	7,031	8,133
net profit attributable to non-controlling interest		57	1,058	(108)	798
Other comprehensive income, which can subsequently be classified in the income statement					
Currency translation differences of foreign entities		(6)	(74)	(37)	(47)
Comprehensive income for the period		19,394	15,678	6,886	8,884
incl. net profit attributable to equity holders of the parent		19,324	14,637	6,981	8,099
net profit attributable to non-controlling interest		70	1,041	(95)	785
Earnings per share for profit attributable to equity holders of the parent (basic and diluted, in EUR)	4	1.09	0.83	0.40	0.46

The notes set out on pages 26-39 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

unaudited

in thousand euros

	Note	31.12.2018	31.12.2017
ASSETS			
Current assets			
Cash and cash equivalents	5	39,978	39,210
Trade and other receivables	6	76,183	75,844
Prepaid corporate income tax		224	492
Inventories	7	117,992	118,421
		234,377	233,967
Non-current assets			
Long-term financial assets	8	11,123	17,242
Deferred income tax assets		-	5
Investment property	9	13,771	15,719
Property, plant and equipment	10	9,715	9,665
Intangible assets	11	671	497
		35 280	43,128
TOTAL ASSETS		269,657	277,095
LIABILITIES			
Current liabilities			
Borrowings	12	19,900	24,218
Payables and prepayments	13	77,016	74,972
Income tax liability		381	413
Short-term provisions	14	8,100	4,569
		105,397	104,172
Non-current liabilities			
Long-term borrowings	12	24,266	35,138
Deferred income tax liability		1,481	1,259
Other long-term payables	15	2,179	1,789
		27,926	38,186
TOTAL LIABILITIES		133,323	142,358
EQUITY			
Non-controlling interests		4,577	4,567
Equity attributable to equity holders of the parent			
Share capital		7,929	7,929
Statutory reserve capital		793	793
Currency translation differences		(721)	(702)
Retained earnings		123,756	122,150
		131,757	130,170
TOTAL EQUITY		136,334	134,737
TOTAL LIABILITIES AND EQUITY		269,657	277,095

The notes set out on pages 26-39 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-controlling interest	Total
	Share capital	Statutory reserve capital	Currency translation differences	Retained earnings	Total		
Balance as at 31.12.2016	7,929	793	(645)	114,713	122,790	3,692	126,482
Profit (loss) for the reporting period	-	-	-	14,694	14,694	1 058	15,752
Other comprehensive income	-	-	(57)	-	(57)	(17)	(74)
Total comprehensive income (loss) for the reporting period	-	-	(57)	14,694	14,637	1,041	15,678
Transactions with owners							
Non-controlling interest of sold subsidiary	-	-	-	-	-	123	123
Option over shares relating to non-controlling interests (Note 16)	-	-	-	-	-	(182)	(182)
Dividends (Note 4)	-	-	-	(7,257)	(7,257)	(107)	(7,364)
Total transactions with owners	-	-	-	(7,257)	(7,257)	(166)	(7,423)
Balance as at 31.12.2017	7,929	793	(702)	122,150	130,170	4,567	134,737
Balance as at 31.12.2017	7,929	793	(702)	122,150	130,170	4,567	134,737
Profit (loss) for the reporting period	-	-	-	19,343	19,343	58	19,401
Other comprehensive income	-	-	(19)	-	(19)	13	(6)
Total comprehensive income (loss) for the reporting period	-	-	(19)	19,343	19,324	71	19,395
Transactions with owners							
Non-controlling interest of purchased subsidiary	-	-	-	(37)	(37)	36	(1)
Option over shares relating to non-controlling interests (Note 16)	-	-	-	-	-	19	19
Dividends (Note 4)	-	-	-	(17,700)	(17,700)	(116)	(17,816)
Total transactions with owners	-	-	-	(17,737)	(17,737)	(61)	(17,798)
Balance as at 31.12.2018	7,929	793	(721)	123,756	131,757	4,577	136,334

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

The notes set out on pages 26-39 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

unaudited

in thousand euros

	Note	2018 12 months	2017 12 months
Cash flows from operating activities			
Operating profit		19,872	19,539
Adjustments:			
Depreciation		2,073	2,675
(Profit) loss from sale of non-current assets		(473)	(571)
(Profit) loss from sale of a business unit		-	(474)
Change in receivables and liabilities related to construction contracts recognised under the stage of completion method		11,153	(8,488)
Interest income from operating activities		(2,351)	(1,979)
Change in provisions		4,732	572
Change in trade and other receivables related to operating activities		(1,256)	(19,301)
Change in inventories		571	(4,851)
Change in trade and other payables related to operating activities		(1,449)	12,058
Interest received		2,450	1,709
Interest paid		(799)	(879)
Other finance income and costs		(44)	(28)
Corporate income tax (paid)/reclaimed		(383)	(1,284)
Total cash flows from operating activities		34,096	(1,302)
Cash flows from investing activities			
Acquisition of subsidiaries	16	-	328
Disposal of subsidiary		385	(7)
Liquidation of subsidiary		(3)	-
Purchase of investment property		(92)	(6)
Purchase of property, plant and equipment		(1,022)	(1,186)
Proceeds from sale of property, plant and equipment		664	1,924
Purchase of intangible assets		(281)	(181)
Sale of a business unit		-	113
Interest received		3	6
Total cash flows from investing activities		(346)	991
Cash flows from financing activities			
Proceeds from borrowings		30,139	61,651
Repayments of borrowings		(44,670)	(47,380)
Finance lease principal payments		(605)	(818)
Non-controlling interest buyout		(1)	-
Dividends paid		(17,816)	(7,364)
Total cash flows from financing activities		(32,953)	6,089
Net increase/decrease in cash and cash equivalents		797	5,778
Cash and cash equivalents at the beginning of the period	5	39,210	33,544
Effect of exchange rate changes		(29)	(112)
Cash and cash equivalents at the end of the period	5	39,978	39,210

The notes set out on pages 26-39 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 12 months 2018 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 2017 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. 2017 audited annual report and 2017 12 months unaudited interim report comparative figures are presented in the present financial report.

According to the best knowledge of the Management Board, the consolidated interim financial statements for the 12 months 2018 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 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 2018:

IFRS 15, Revenue from Contracts with Customers, change in the implementation of standard IFRS 15 (effective for annual periods beginning on 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

A comprehensive check-list based on IFRS 15 standard has been prepared by the group, based on which the group entities assess and report revenue from contracts with customers according to the new standard. Group's management finds the impact of the amendments to existing construction contracts and also to new contracts with customers immaterial.

The rest of new or revised standards or interpretations, which became effective in the financial year starting 1 January 2018, do not have a material impact on the group.

New accounting standards, interpretations and changes

Certain new or revised standards and interpretations have been issued that are mandatory for the group's annual periods beginning on or after 1 January 2019, and which the group has not early adopted.

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 assesses the impact of the amendments on its financial statements immaterial, as the operating lease payments in the future do not have a material impact for the group.

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 AS Merko Ehitus, monitors the business of the group by countries and operating segments.

Reporting of the group's operations are segmented as:

- Estonian construction service,
- other home markets construction service,
- real estate development.

Estonian construction service and other home markets construction service segments include all projects of the respective countries 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. Other home markets construction service segment includes construction services in Latvia, Lithuania and Norway. 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.

2018 12 months	Estonian construction service	Other home markets construction service	Real estate development	Total segments
Revenue	164,947	182,153	85,343	432,443
Inter-segment revenue	(48)	11	(14,395)	(14,432)
Revenue from clients	164,899	182,164	70,948	418,011
Operating profit (loss)	8,796	1,923	11,319	22,038
Profit (loss) before tax	8,718	1,679	11,658	22,055
incl. interest income from operating activities	289	-	2,061	2,350
depreciation	(1,575)	(143)	(290)	(2,008)
impairment of inventories	-	-	(300)	(300)
recognition of provisions	(1,240)	(3,904)	(480)	(5,624)
reversal of provisions	-	350	20	370
profit from joint ventures	-	-	653	653
other finance income (costs)	(11)	(16)	(223)	(250)
incl. interest expenses	(11)	(17)	(206)	(234)
Assets 31.12.2018	33,764	42,442	162,155	238,361
incl. joint ventures (Note 8)	-	-	732	732

2017 12 months	Estonian construction service	Other home markets construction service	Real estate development	Total segments
Revenue	135,338	108,446	98,388	342,172
Internal revenue	(125)	(55)	(24,394)	(24,574)
Revenue from clients	135,213	108,391	73,994	317,598
Operating profit (loss)	5,853	1,795	13,760	21,408
Profit (loss) before tax	5,822	1,552	13,426	20,800
incl. interest income from operating activities	18	-	1,654	1,672
depreciation	(1,873)	(48)	(271)	(2,192)
impairment of inventories	-	-	(2,360)	(2,360)
reversal of impairment of inventories	-	-	5,276	5,276
recognition of provisions	(1,095)	(1,305)	(365)	(2,765)
reversal of provisions	191	-	-	191
profit from joint ventures	-	-	64	64
other finance income (costs)	(31)	9	(357)	(379)
incl. interest income	-	9	-	9
interest expenses	(18)	-	(341)	(359)
Assets 31.12.2017	29,422	49,162	157,058	235,642
incl. joint ventures (Note 8)	-	-	79	79

2018 IV quarter	Estonian construction service	Other home markets construction service	Real estate development	Total segments
Revenue	46,509	50,062	27,056	123,627
Internal revenue	(9)	(2)	(4,373)	(4,384)
Revenue from clients	46,500	50,060	22,683	119,243
Operating profit (loss)	2,743	478	4,488	7,709
Profit (loss) before tax	2,699	386	4,789	7,874
incl. interest income from operating activities	70	-	499	569
depreciation	(718)	(86)	(138)	(942)
impairment of inventories	-	-	(300)	(300)
recognition of provisions	(792)	(235)	364	(663)
profit from joint ventures	-	-	379	379
other finance income (costs)	(3)	(15)	(65)	(83)
incl. interest expenses	(3)	(16)	(61)	(80)
Assets' change in IV quarter	(13,899)	(18,120)	1,218	(30,801)
incl. joint ventures	-	-	379	379

2017 IV quarter	Estonian construction service	Other home markets construction service	Real estate development	Total segments
Revenue	35,722	42,856	31,074	109,652
Internal revenue	(68)	(10)	(6,783)	(6,861)
Revenue from clients	35,654	42,846	24,291	102,791
Operating profit (loss)	1,472	1,763	7,981	11,216
Profit (loss) before tax	1,473	1,639	7,977	11,089
incl. interest income from operating activities	3	-	423	426
depreciation	(308)	(15)	(55)	(378)
impairment of inventories	-	-	(2,360)	(2,360)
reversal of impairment of inventories	-	-	5,276	5,276
recognition of provisions	(619)	(819)	(168)	(1,606)
reversal of provisions	86	-	-	86
loss on joint ventures	-	-	76	76
other finance income (costs)	(3)	-	(67)	(70)
incl. interest expenses	(3)	-	(64)	(67)
Assets change in IV quarter	(9,047)	13,269	(6,310)	(2,088)
incl. joint ventures	-	-	(252)	(252)

In addition to the segment assets, as at 31.12.2018 the group holds assets in the amount of EUR 31,296 thousand (31.12.2017: EUR 41,453 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, loans receivable, excluding loans to joint ventures, 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

	2018 12 months	2017 12 months	2018 IV quarter	2017 IV quarter
Pre-tax profit from reporting segments	22,055	20,800	7,874	11,089
Other operating profit (loss)	(2,166)	(1,869)	(756)	(487)
incl. recognition of provisions	(7)	(98)	(7)	(23)
finance income (costs)	(114)	(159)	11	(46)
incl. interest income	1	1	-	-
interest expenses	(146)	(147)	(37)	(37)
Total profit before tax	19,775	18,772	7,129	10,556

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

	2018 12 months		2017 12 months		2018 IV quarter		2017 IV quarter	
Estonia	202,627	48%	190,928	60%	57,741	48%	53,040	52%
Latvia	157,496	38%	79,914	25%	41,680	35%	34,166	33%
Lithuania	46,765	11%	34,629	11%	16,280	14%	10,276	10%
Norway	11,123	3%	12,104	4%	3,542	3%	5,307	5%
Finland	-	0%	23	0%	-	0%	2	0%
Total	418,011	100%	317,598	100%	119,243	100%	102,791	100%

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

in thousand euros

	31.12.2018	31.12.2017
Estonia	11,238	13,367
Latvia	12,782	12,390
Lithuania	13	5
Norway	124	119
Total	24,157	25,881

NOTE 3 COST OF GOODS SOLD

in thousand euros

	2018 12 months	2017 12 months	2018 IV quarter	2017 IV quarter
Construction services and properties purchased for resale	262,190	186,352	76,736	64,061
Materials	60,096	50,983	13,977	12,644
Labour costs	23,666	22,255	7,110	5,720
Construction mechanisms and transport	10,214	9,317	2,453	2,375
Design	8,345	4,544	2,385	1,481
Real estate management costs	190	265	(74)	80
Depreciation	1,554	2,192	488	378
Impairment of inventories	300	2,360	300	2,360
Reversal of impairment of inventories	-	(5,276)	-	(5,276)
Provisions	5,242	2,574	651	1,520
Other expenses	13,165	11,181	3,952	3,295
Total cost of goods sold	384,962	286,747	107,978	88,638

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.

	2018 12 months	2017 12 months	2018 IV quarter	2017 IV quarter
Net profit (loss) attributable to shareholders (<i>in thousand EUR</i>)	19,343	14,694	7,031	8,133
Weighted average number of ordinary shares (<i>thousand pcs</i>)	17,700	17,700	17,700	17,700
Earnings (loss) per share (<i>in euros</i>)	1.09	0.83	0.40	0.46

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 were paid by parent company AS Merko Ehitus in Q2 2018 in the amount of EUR 17,700 thousand, i.e. EUR 1.00 per share (Q2 2017: 7,257 thousand, i.e. EUR 0.41 per share). Taking into account the dividends already paid to the parent company by foreign subsidiaries, the group did not incur income tax expenses arising in 2018 in Estonia in connection with disbursement of dividends (in the second quarter of 2017, the group incurred additional income tax expenses of EUR 880 thousand).

As at 31.12.2018, the parent company AS Merko Ehitus has EUR 2,879 thousand (31.12.2017: EUR 67 thousand) in dividends received from subsidiaries in previous periods and income from abroad, on which the income tax has been withheld.

As at 31.12.2018, it is possible to pay out dividends to shareholders from retained earnings in the amount of EUR 99,004 thousand (31.12.2017: EUR 97,172 thousand). Considering the dividends received and income tax withheld on foreign income totalling EUR 720 thousand (31.12.2017: EUR 17 thousand), the corresponding income tax on dividends would amount to EUR 24,031 thousand (31.12.2017: EUR 24,276 thousand). For calculating the additional income tax on dividends, the income tax regular rate in force in 2018 was 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

	31.12.2018	31.12.2017
Cash on hand	-	1
Bank accounts	39,915	39,174
Overnight deposits	63	35
Total cash and cash equivalents	39,978	39,210

NOTE 6 TRADE AND OTHER RECEIVABLES

in thousand euros

	31.12.2018	31.12.2017
Trade receivables		
Accounts receivable	42,835	36,768
Allowance for doubtful receivables	(81)	(103)
	42,754	36,665
Tax prepayments excluding corporate income tax		
Value added tax	944	733
Other taxes	2	2
	946	735
Accrued income from construction services	9,847	17,780
Other short-term receivables		
Short-term loans	14,590	10,590
Interest receivables	112	603
Other short-term receivables	271	636
	14,973	11,829
Prepayments for services		
Prepayments for construction services	7,064	8,075
Prepaid insurance	195	248
Other prepaid expenses	404	512
	7,663	8,835
Total trade and other receivables	76,183	75,844
incl. short-term loan receivables from related parties (Note 16)	9,000	9,000
other short-term receivables and prepayments to related parties (Note 16)	1,521	2,911

NOTE 7 INVENTORIES

in thousand euros

	31.12.2018	31.12.2017
Materials	797	238
Work-in-progress	43,081	36,023
Finished goods	15,991	17,612
Goods for resale		
Registered immovables purchased for resale	54,532	63,613
Other goods purchased for resale	705	747
	55,237	64,360
Prepayments for inventories		
Prepayments for real estate properties	1,300	-
Prepayments for other inventories	1,586	188
	2,886	188
Total inventories	117,992	118,421

NOTE 8 LONG-TERM FINANCIAL ASSETS

in thousand euros

	31.12.2018	31.12.2017
Investments to joint ventures	732	79
Long-term loans	-	4,000
Long-term receivables from customers of construction services	10,391	13,163
Total other long-term loans and receivables	11,123	17,242

NOTE 9 INVESTMENT PROPERTY

in thousand euros

	31.12.2018	31.12.2017
Land	11,991	11,902
Right of superficies at carrying amount		
Cost	29	29
Accumulated depreciation	(12)	(12)
	17	17
Buildings at carrying amount		
Cost	2,631	5,252
Accumulated depreciation	(868)	(1,452)
	1,763	3,800
Total investment property	13,771	15,719

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

in thousand euros

	31.12.2018	31.12.2017
Land	743	811
Buildings at carrying amount		
Cost	5,765	5,530
Accumulated depreciation	(2,180)	(2,077)
	3,585	3,453
Machinery and equipment at carrying amount		
Cost	14,473	13,707
Accumulated depreciation	(9,764)	(9,458)
	4,709	4,249
Other fixtures at carrying amount		
Cost	5,474	5,561
Accumulated depreciation	(4,906)	(4,719)
	568	842
Prepayments for property, plant and equipment	110	310
Total property, plant and equipment	9,715	9,665

NOTE 11 INTANGIBLE ASSETS

in thousand euros

	31.12.2018	31.12.2017
Goodwill		
Cost	73	74
	73	74
Software at carrying amount		
Cost	1,716	1,471
Accumulated depreciation	(1,157)	(1,092)
	559	379
Prepayments for intangible assets	39	44
Total intangible assets	671	497

NOTE 12 BORROWINGS

in thousand euros

	31.12.2018	31.12.2017
Finance lease payables		
Present value of lease payments	1,647	863
incl. current portion	524	487
non-current portion 2...5 years	1,123	376
Bank loans		
Loan balance	30,694	50,383
incl. current portion	12,551	20,621
non-current portion 2...5 years	18,143	29,762
Loans from entities under common control		
Loan balance	6,000	6,000
incl. current portion (Note 16)	1,000	1,000
non-current portion 2...5 years (Note 16)	5,000	5,000
Loans from other entities		
Loan balance	5,825	2,110
incl. current portion	5,825	2,110
Total loans		
Loans balance	42,519	58,493
incl. current portion	19,376	23,731
non-current portion 2...5 years	23,143	34,762
Total borrowings	44,166	59,356
incl. current portion	19,900	24,218
non-current portion 2...5 years	24,266	35,138

NOTE 13 PAYABLES AND PREPAYMENTS

in thousand euros

	31.12.2018	31.12.2017
Trade payables	38,327	35,356
Payables to employees	10,067	8,613
Tax liabilities, except for corporate income tax		
Value added tax	1,102	532
Personal income tax	648	554
Social security tax	1,166	958
Unemployment insurance tax	57	53
Contributions to mandatory funded pension	42	43
Other taxes	229	160
	3,244	2,300
Prepayments for construction services	16,912	13,749
Other liabilities		
Interest liabilities	6	2
Other liabilities	345	594
	351	596
Prepayments received	8,115	14,358
Total payables and prepayments	77,016	74,972
incl. payables to related parties (Note 16)	293	17

NOTE 14 SHORT-TERM PROVISIONS

in thousand euros

	31.12.2018	31.12.2017
Provision for warranty obligation for construction	3,373	2,874
Provision for costs of projects sold	4,330	1,221
Provision for onerous construction contracts	248	224
Provision for legal costs and claims filed	120	120
Other provisions	29	130
Total short-term provisions	8,100	4,569

NOTE 15 OTHER LONG-TERM PAYABLES

in thousand euros

	31.12.2018	31.12.2017
Trade payables	1,675	1,248
Other long-term liabilities	504	541
Other long-term payables total	2,179	1,789
incl. other long-term payables to related parties (Note 16)	504	541

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 31.12.2018 and 31.12.2017, AS Riverito owned 71,99% of the shares of AS Merko Ehitus. The ultimate controlling party of the group is Mr Toomas Annus.

AS MERKO EHITUS SUBSIDIARIES AND JOINT VENTURES

	Ownership and voting rights %		Location	Area of operation
	31.12.2018	31.12.2017		
Subsidiaries				
AS Merko Ehitus Eesti	100	100	Estonia, Tallinn	Construction
Tallinna Teede AS	100	100	Estonia, Tallinn	Road construction
AS Merko Infra	100	100	Estonia, Tallinn	Construction
AS Merko Tartu	-	100	Estonia, Tartu	Construction
OÜ Mineraal	-	100	Estonia, Tallinn	Mining
Kivimäe 32 OÜ	-	100	Estonia, Tallinn	Real estate
OÜ Tähelinna Kinnisvara	100	-	Estonia, Tallinn	Real estate
UAB Merko Statyba	100	100	Lithuania, Vilnius	Construction
UAB Statinių priežiūra ir administravimas	100	100	Lithuania, Vilnius	Real estate
UAB Timana	100	100	Lithuania, Vilnius	Real estate
OÜ Merko Property	100	100	Estonia, Tallinn	Real estate
UAB Balsiu mokyklos SPV	100	100	Lithuania, Vilnius	Real estate
UAB Merko Bustas	100	100	Lithuania, Vilnius	Real estate
UAB MN Projektas	100	100	Lithuania, Vilnius	Real estate
UAB Jurininku aikšte	100	100	Lithuania, Vilnius	Real estate
UAB Rinktinės projektai	100	100	Lithuania, Vilnius	Real estate
OÜ Jõgeva Haldus	-	100	Estonia, Tallinn	Real estate
OÜ Metsailu	-	100	Estonia, Tallinn	Real estate
OÜ Kiviaia Kinnisvara	100	100	Estonia, Tallinn	Real estate
OÜ Tähelinna Kinnisvara	-	100	Estonia, Tallinn	Real estate
Väike-Paekalda OÜ	-	100	Estonia, Tallinn	Real estate
Suur-Paekalda OÜ	-	100	Estonia, Tallinn	Real estate
OÜ Unigate	-	100	Estonia, Tallinn	Real estate
OÜ Paekalda 2	-	100	Estonia, Tallinn	Real estate
OÜ Paekalda 3	-	100	Estonia, Tallinn	Real estate
OÜ Paekalda 7	-	100	Estonia, Tallinn	Real estate
OÜ Paekalda 9	-	100	Estonia, Tallinn	Real estate
SIA Merko Investments	100	100	Latvia, Riga	Holding
OÜ Merko Investments	100	100	Estonia, Tallinn	Holding
SIA Merks	100	100	Latvia, Riga	Construction
SIA SK Viesturdarzs	100	100	Latvia, Riga	Real estate
SIA Merks Investicijas	100	100	Latvia, Riga	Real estate
SIA Industriālais Parks	100	100	Latvia, Riga	Real estate
SIA Ropažu Priedes	100	100	Latvia, Riga	Real estate
PS Merko-Merks	100	100	Latvia, Riga	Construction

	Ownership and voting rights %		Location	Area of operation
	31.12.2018	31.12.2017		
SIA Zakusala Estates	75	75	Latvia, Riga	Real estate
PS Merks-Ostas celtnieks	65	65	Latvia, Riga	Construction
PS Merks Merko Infra	100	100	Latvia, Riga	Construction
Merko Finland Oy	100	100	Finland, Helsinki	Construction
Hartian Oy	100	75	Finland, Helsinki	Real estate
Lenko Stroi LLC	-	100	Russia, St. Petersburg	Holding
Merko Investments AS	100	100	Norway, Sofiemyr	Holding
Peritus Entreprenør AS	56	56	Norway, Sofiemyr	Construction
Joint ventures				
Poolkoksimaä Sulgemise OÜ	-	50	Estonia, Tallinn	Construction
Kodusadam OÜ	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

	2018 12 months	2017 12 months
Provided services and goods sold		
Parent company	15	15
Joint ventures	16,505	15,763
Entities under common control	91	6,430
Members of the management	43	42
Other related parties	28	-
Total services provided and goods sold	16,682	22,250
Interest income		
Joint ventures	559	435
Purchased services and goods		
Parent company	90	90
Entities under common control	57	59
Total purchased services and goods	147	149
Interest expense		
Parent company	-	34
Entities under common control	145	146
Total interest expense	145	180

BALANCES WITH RELATED PARTIES

in thousand euros

	31.12.2018	31.12.2017
Receivables from related parties		
Loans granted (Notes 6, 8)		
Joint ventures	9,000	9,000
Receivables and prepayments (Note 6)		
Parent company	4	4
Joint ventures	1,385	2,489
Entities under common control	88	418
Other related parties	44	-
Total receivables and prepayments	1,521	2,911
Total receivables from related parties	10,521	11,911
Payables to related parties		
Short-term loans received (Note 12)		
Entities under common control	1,000	1,000
Total short-term loans received	1,000	1,000
Payables and prepayments (Note 13)		
Parent company	9	9
Joint ventures	14	7
Entities under common control	1	1
Other related parties	269	-
Total payables and prepayments	293	17
Long-term loans received (Note 12)		
Entities under common control	5,000	5,000
Other long-term payables (Note 15)		
Other related parties	504	541
Total payables to related parties	6,797	6,558

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 12 months of 2018 was EUR 2,643 thousand (12 months of 2017: EUR 2,355 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 12 months of 2018, the Management Board members of major subsidiaries received EUR 34 thousand in compensation (12 months of 2017: EUR 147 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 31.12.2018:

		NO OF SHARES	% OF SHARES
Toomas Annus (AS Riverito)	Chairman of the Supervisory Board	8,322,914	47.02%
Indrek Neivelt (OÜ Trust IN)	Member of the Supervisory Board	31,635	0.18%
Teet Roopalu	Member of the Supervisory Board	-	-
		8,354,549	47.20%

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 31.12.2018:

		NO OF SHARES	% OF SHARES
Andres Trink	Chairman of the Management Board	600	0.00%
Tõnu Toomik (AS Riverito)	Member of the Management Board	1,607,185	9.08%
		1,607,785	9.08%

NOTE 17 CONTINGENT LIABILITIES

in thousand euros

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

	31.12.2018	31.12.2017
Performance period's warranty to the customer	34,511	31,229
Tender warranty	655	2,201
Guarantee for warranty period	17,666	18,197
Prepayment guarantee	12,098	16,249
Payment guarantee	30,500	31,019
Contracts of surety	7,734	4,215
Letter of credit	428	-
Total contingent liabilities	103,592	103,110

The "Payment guarantee" entry includes a payment guarantee for the benefit of a financial institution, issued within the framework of a contract for construction entered into in 2015, in order to secure the customer's contractual payment obligations in the total amount of up to EUR 30,500 thousand. The realisation of the payment guarantee is not considered likely by the group. To secure the customer's contractual obligations, a first-ranking mortgage of EUR 36,600 thousand with the financing institution as the beneficiary has been established on the registered immovable property of the building to be constructed in the framework of the construction agreement. To secure the group's payment guarantee, a second-ranking mortgage of EUR 8,500 thousand with the group as the beneficiary has been established.

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 12 months of 2018, which are set out on pages 5-39.

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



14.02.2019

Tõnu Toomik Member of the Management Board



14.02.2019

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	=	$\frac{\text{Share price 31.12}}{\text{Earnings per share of the current 4 quarters}}$
P/B	=	$\frac{\text{Share price 31.12}}{\text{Equity per share (average of the current 4 quarters)}}$
Market value	=	Share price 31.12 x Number of shares