



AS MERKO EHITUS

GROUP

2018 6 months and II quarter consolidated unaudited interim report

Business name:	AS Merko Ehitus
Main activities:	Holding companies General contracting of construction Real estate development
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Reporting period:	01.01.2018 – 30.06.2018
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	LATVIA	LITHUANIA	NORWAY
General construction Civil engineering Electrical construction Road construction Residential real estate development and investments	General construction Civil engineering Electrical construction Residential real estate development and investments	General construction Residential real estate development and investments	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%**)

2017 KEY FIGURES

Revenue **317.6 million** euros

Net profit **14.7 million** euros

757 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 increased revenue and net profit figures in Q2 as well as six months. The group's revenue in Q2 was EUR 103.3 million and in first half-year EUR 183.7 million; Q2 net profit was EUR 5.6 million and 6-month net profit EUR 6.7 million. The group earned over half of its 6-month sales revenue outside Estonia.

The growth of revenue, which continued in Q2, was expected, based on the volume of construction contracts concluded in the last few years. The volumes of construction works grew the most in Latvia. In both the first and second quarter, the group companies' volume of work performed outside Estonia exceeded the amount performed in Estonia. Due to a rise in the construction input prices and tight competition on the general contracting market, it is not a goal unto itself to grow construction volumes – we are focusing on the quality of construction services and improving profitability. In the second quarter, the group's profitability increased above all thanks to improved profitability of construction service, and the growth of net profitability was supported by the fact that income tax expenses were lower by EUR 0.9 million compared to last year.

The volume of Merko Ehitus group new construction contracts in the first half-year was lower than the volume of works performed, and the secured construction order book shrank. As many commercial real estate projects have been launched in the Baltics in recent years and construction has become more expensive, customers have become more cautious about new business projects. We still have not had particular success in public procurements and it is very difficult to forecast the volume of new contracts here as the preparation of projects spans a very long period, often construction tenders exceed the financial means of the customer, as a result of which procurements are cancelled or postponed. This will definitely affect the volumes of construction services offered to our customers in 2019.

**2018 6M
REVENUE
184 MILLION EUROS**

**PROFIT
BEFORE TAX
7.1 MILLION EUROS**

In the second quarter, no major changes took place on the apartment market in the Baltic states' capitals: new development projects continue to be launched in quite a large volume in Tallinn and Vilnius. Also, in Riga the apartment market is showing signs of becoming more active, but more so in a cheaper price segment. Apartment development continues to be our central business area, which we invest in. In the first six months of 2018, Merko Ehitus sold 168 apartments with a total price of EUR 16.3 million (excluding VAT), including 117 apartments in Q2 with a total price of EUR 12.0 million (excluding VAT). This year, Merko has launched the construction of six development projects with a total of 349 apartments and invested EUR 13.6 million into development projects launched this year and already in progress.

In Q2 of 2018, Merko Ehitus posted revenue of EUR 103.3 million (Q2 2017: EUR 70.7 million), and a six-month revenue of EUR 183.7 million (H1 2017: EUR 128.8 million, growth of 42.6%). The share of revenue from outside Estonia for six months was 52.6% (H1 2017: 30.9%). In Q2 of 2018, Merko Ehitus posted a net profit of EUR 5.6 million (Q2 2017: EUR 2.2 million), and a six-month figure of EUR 6.7 million (H1 2017: EUR 3.2 million, growth of 107.7%). Q2 EBITDA for the group was EUR 6.4 million, and H1 EBITDA was EUR 8.2 million. Q2 profit before tax was EUR 5.8 million and the same for H1 was EUR 7.1 million. In the first six months of 2018, the group entered into a total of EUR 67.5 million in new contracts, including construction works on Hundipea port, Tsirguliina substation and phase II of the Tallink office building. As of 30 June 2018, the Merko Ehitus Group's secured order book amounted to EUR 247 million.

Among major projects in progress in Q2 in Estonia were the construction of T1 Mall of Tallinn shopping centre, Maakri Kvartal, Öpiku Maja's building B, Tallink office building, residence of the Embassy of the People's Republic of China, expansion of Wendre production facility, Viimsi State Gymnasium, apartment building at Toom-Kuninga 21, phase I of Tartu mnt 80 office building, and central square in Kuressaare, as well as renovation work on Tsirguliina 330 kV substation, cleanup of residual pollution at Maadevahe and Priimetsa asphalt-concrete plant and renovation and dredging at Hundipea port. The largest projects under construction in Q2 in Latvia were Akropole multifunctional centre, Alfa shopping centre and Z-Towers complex in Riga and Ventspils Music School and Concert Hall. In Vilnius, the largest projects were the expansion of Radisson Blu Hotel Lietuva, Hotel Neringa and apartment building complex in the Šaltinių Namai quarter; and, in Klaipėda, the reconstruction and expansion of Philip Morris plant.

OVERVIEW OF THE II QUARTER AND 6 MONTHS RESULTS

PROFITABILITY

Q2 2018 net profit was EUR 5.6 million (Q2 2017: EUR 2.2 million) and net profit margin 5.4% (Q2 2017: 3.1%). Net profit in 6 months 2018 was EUR 6.7 million (6M 2017: EUR 3.2 million), having increased by 107.7% compared to the same period last year. Net profit margin increased to 3.6% (6M 2017: 2.5%). Increase in net profitability was influenced by the fact that, in 2017, AS Merko Ehitus incurred income tax costs of EUR 0.9 million in connection with dividend payments, while in 2018, dividend payments did not carry income tax cost – the dividends were paid out from dividends paid to the parent company by foreign subsidiaries.

Q2 2018 Profit before tax was EUR 5.8 million (Q2 2017: EUR 3.3 million) and 6M 2018 profit before tax was EUR 7.1 million (6M 2017: EUR 4.4 million), which brought the profit before tax margin to 3.8% (6M 2017: 3.4%).

REVENUE

Q2 2018 revenue was EUR 103.3 million (Q2 2017: EUR 70.7 million) and 6M 2018 revenue was EUR 183.7 million (6M 2017: EUR 128.8 million). 6M revenue has increased by 42.6% compared to same period last year. The share of revenue earned outside Estonia in 6M 2018 was 52.6% (6M 2017: 30.9%).

SECURED ORDER BOOK

As at 30 June 2018, the group's secured order book was EUR 247.0 million (30 June 2017: EUR 387.5 million). In 6M 2018, group companies signed new contracts in the amount of EUR 67.5 million (6M 2017: EUR 216.6 million). In Q2 2018, new contracts were signed in the amount of EUR 45.3 million (Q2 2017: EUR 158.0 million).

REAL ESTATE DEVELOPMENT

The group sold a total of 168 apartments (incl. 34 apartments in a joint venture) in 6 months of 2018 at a total value of EUR 16.3 million (excluding VAT). During 6 months of 2017, 239 apartments (incl. 1 apartment in a joint venture) were sold at a total value of EUR 26.9 million. In Q2 of 2018 a total of 117 apartments (incl. 9 apartment in a joint venture) were sold at a total value of EUR 12.0 million (excluding VAT) compared to Q2 2017 of 98 apartments and EUR 10.5 million.

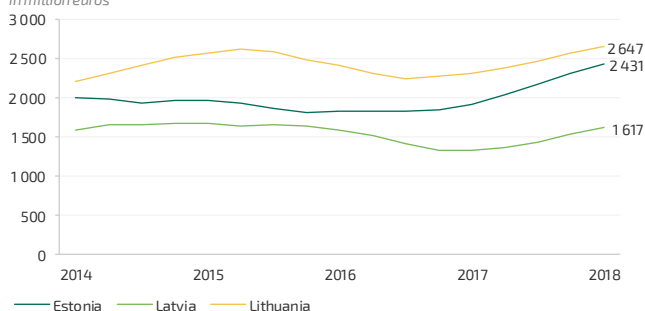
CASH POSITION

At the end of the reporting period, the group had EUR 27.2 million in cash and cash equivalents, and equity EUR 119.1 million (42.8% of total assets). Comparable figures as at 30 June 2017 were EUR 25.9 million and EUR 118.7 million (49.3% of total assets), respectively. As at 30 June 2018, the group had net debt of EUR 26.9 million (30 June 2017: EUR 19.4 million).

OUTLOOK OF CONSTRUCTION AND REAL ESTATE MARKET

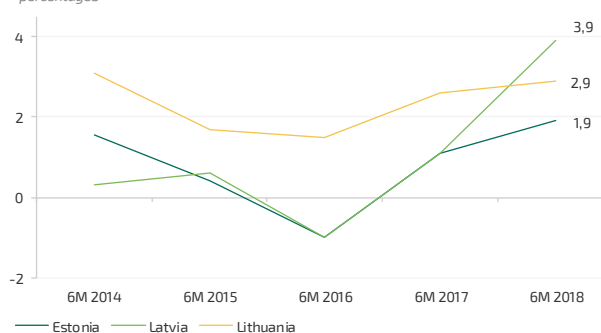
CONSTRUCTION SERVICES

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



Source: national statistical offices

6 MONTHS CHANGE IN CONSTRUCTION PRICE INDEX



Source: national statistical offices

The level of construction activity in the Baltic states gained momentum in the first half-year. In Estonia, construction volumes are at a similar level as during the boom ten years ago, while we have not yet attained such figures in Lithuania, and especially not in Latvia. However, the recovery of volumes after a decline in the interim period in 2016 has continued also on these markets.

Regarding the dynamics of input prices, we see the same situation as a quarter ago – as a whole, the construction price index in Latvia has embarked on a faster increase (approx. +4%), Lithuania is around +3% and in Estonia growth is approaching two per cent. For general contractors, it is still a problem to find a sufficient number of subcontractors to ensure adherence to completion schedules and budgets.

Considering that construction volumes in Estonia have grown in the last 18 months very rapidly to the level of the previous boom, we tend to be cautious regarding further developments on this market. The major rise does not necessarily have to be followed by just as sudden or greater decline, but we should be prepared for a possible correction to some extent in the next few years. The correction may be somewhat postponed by the fact that new nearly zero energy requirements come into effect in 2020 for obtaining building permits, as a result of which developers are interested in obtaining the permits before that time. From the standpoint of general contractors, it should be borne in mind that normalisation of the market may have an ultimately positive effect, insofar as it is expected to ease the major cost pressure and the shortage of workforce resources.

During the last two-three years, the construction volumes in Lithuania, particularly in the buildings' segment, have remained relatively stable and no rapid growth comparable to that of Estonia has occurred. Instead, the current construction volumes can be considered sustainable.

Since the decline in the recession years, the growth of construction volumes in Latvia has remained much more modest compared to Estonia and Lithuania. Although total volumes continue to be lower in Latvia, the relative growth in the past quarters has been comparable to even that of Estonia. Coupled with other statistical indicators, this gives hope that the development of the Latvian construction and real estate market could be more similar to Estonia and Lithuanian from here on out.

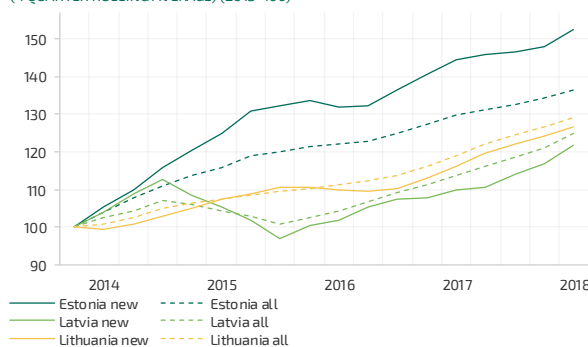
In all three countries, one of the long-term questions is how the public sector demand will manifest. Major keywords are the end of the current EU financing framework period in 2020 (the existing funds will have to be allocated by that time) and the construction of Rail Baltica. If the additional demand falls into a period in which private sector demand is decreasing, it would certainly help reduce the negative impacts on the construction sector as a whole stemming from major fluctuations. Should demand from the private sector stay strong, however, additional demand from the public sector will result in even tougher questions in regard to subcontracting resources and cost pressure.

DEVELOPMENT OF APARTMENTS

The supply of new apartments in Tallinn and Vilnius remains high, yet prices are nonetheless continuing to rise. While last year we saw prices in Estonia stabilizing, in the first quarter of this year, prices kept on rising. In Riga, the new-apartments market is significantly less active, but here too, the price rise has been accelerating significantly in the late 2017/early 2018 period. In broad terms, though, the price rise mirrors overall salary growth in all three countries.

We remain confident that quality, location and integrity of the development area are of increasing importance when it comes to new residential developments. Insofar as in the context of strong supply the buyers have the possibility to choose (above all in Vilnius and Tallinn, less so in Riga), the sales periods for apartments in weaker / less appealing development projects are becoming longer.

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



Source: Eurostat

On the Norwegian housing market and especially in Oslo area, prices rose at a faster pace in 2016, followed by something of a price correction in 2017. Now, in the first half-year of 2018, prices have returned to a rising trend, making up for the interim decline.

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

	6M 2018	6M 2017	VARIANCE	Q2 2018	Q2 2017	VARIANCE	12M 2017
Revenue	69.4	60.9	+14.0%	41.6	34.1	+22.0%	135.2
% of total revenue	37.8%	47.2%		40.3%	48.3%		42.6%
Operating profit (loss)	3.2	1.7	+88.9%	2.9	2.2	+34.7%	5.9
Operating profit margin	4.6%	2.8%		7.0%	6.3%		4.3%

In the 6 months of 2018, the revenue of the Estonian construction service segment was EUR 69.4 million (6 months of 2017: EUR 60.9 million), having increased by 14.0% from the same period last year. The Estonian construction service segment revenue for 6 months 2018 made up 37.8% of the group's total revenue (6M 2017: 47.2%). In this segment, the group earned an operating profit of EUR 3.2 million for 6 months (6 months of 2017: EUR 1.7 million). The operating profit margin was 4.6% (6 months of 2017: 2.8%).

The competition in main contracting in the area of Estonian general construction remains very strong. The number of construction objects in the market is limited and the customers have become more cautious in undertaking new projects. As one of the major arguments in competing is price, it is increasingly difficult to maintain profitability. This is especially evident in case of public procurements where Merko continues to not have much success. The depression in sales prices is accompanied by an increasing cost pressure from growing construction prices. The prices of labour, construction equipment and building materials all have increased. In order to ensure sustainable profitability, the group has to continue improving the efficiency of internal project management processes and optimizing the placement of resources and the cost base.

Larger projects in the second quarter in Estonian construction service segment included the construction works of Maakri Kvartal business complex, T1 shopping centre, Öpiku office building B, Pärnu mnt 22 office building, extension to the complex of the air traffic control centre, Tallink office building, residence of the Embassy of the People's Republic of China, extension to Wendre production building, Viimsi State Gymnasium, Toom-Kuninga 21 residential building, stage I of office building at Tartu mnt 80, and Kuressaare town centre, as well as renovation works of Tsirguliina 330kV substation, clean up works of the residual pollution of Maadevahe and Priimetsa asphalt-concrete plant, concrete works of Kadrioru Plaza, and dredging and reconstruction works of Hundipea port.

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

	6M 2018	6M 2017	VARIANCE	Q2 2018	Q2 2017	VARIANCE	12M 2017
Revenue	88.0	31.2	+181.8%	44.5	20.1	+121.8%	108.4
% of total revenue	47.9%	24.3%		43.1%	28.4%		34.1%
Operating profit (loss)	1.7	(0.7)		1.5	(0.1)		1.8
Operating profit margin	1.9%	(2.2%)		3.4%	(0.5%)		1.7%

The sales revenue of the other home markets construction service segment amounted to EUR 88.0 million in the 6 months of 2018 (6 months of 2017: EUR 31.2 million), which is 181.8% more than in the 6 months of 2017. If the other home markets construction service segment revenues of 6 months of 2017 formed 24.3% of the group's revenue, then during 6 months of 2018, that ratio increased to 47.9%. The revenue growth has been supported mainly by major construction contracts in Latvia.

In Latvia, Merko has gained a stronger position among general contractors than previously, which 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. The group is facing tough competition and growing costs also in other home markets (primarily Latvia and Lithuania). We are therefore carefully deliberating in participating in procurements in those markets as well and submit tenders for contracts in which

we consider the risk to reward ratio to be sufficiently good. In 2018, the primary focus in this segment is on the successful completion of large projects in progress.

The 6 months operating profit of the other home market construction service segment amounted to EUR 1.7 million (6 months of 2017: operating loss EUR 0.7 million) and the operating profit margin was 1.9% (6 months of 2017: -2.2%).

In the second quarter of 2018, the larger ongoing projects in the other home markets construction service segment included, in Riga, the construction works of Multifunctional Centre Akropole and of Alfa Shopping Centre, finishing works of Z-Towers complex and, in Ventspils, the construction works of music school and concert hall. In Lithuania, the larger projects were the construction works of Radisson Blu Hotel Lietuva extension as well as the construction works of Hotel Neringa and the residential complex in Šaltiniu Namai quarter, in Klaipėda, the reconstruction and extension construction works of Philip Morris plant. In Norway, the larger project included renovation and building works of Akersgata 8 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

	6M 2018	6M 2017	VARIANCE	Q2 2018	Q2 2017	VARIANCE	12M 2017
Revenue	26.2	36.7	-28.5%	17.2	16.5	+4.4%	74.0
incl. apartments revenue	16.3	26.9		12.0	10.5		47.1
incl. construction service to joint venture projects	8.0	6.2		4.5	3.7		18.5
incl. revenue from immovable properties	0.7	-		-	-		5.2
% of total revenue	14.3%	28.5%		16.6%	23.3%		23.3%
Operating profit	3.2	4.6	-29.9%	1.9	1.9	+1.0%	13.8
Operating profit margin	12.3%	12.6%		11.3%	11.7%		18.6%

The group sold a total of 168 apartments (incl. 34 apartment in a joint venture) in 6 months of 2018 at a total value of EUR 16.3 million (excl. VAT), comparing to 2017 6 months when 239 apartments (incl. 1 apartment in a joint venture) were sold at a total value of EUR 26.9 million. In 6 months of 2018, real estate development segment revenues decreased by 28.5% compared to the same period last year. In the 6 months of 2018, the share of revenue from the real estate development segment formed 14.3% of the group's total revenue (6 months of 2017: 28.5%).

The 6 months of 2018 operating profit of the segment amounted to EUR 3.2 million (6 months of 2017: EUR 4.6 million) and the operating profit margin was 12.3% (6 months of 2017: 12.6%), which decreased by 0.3 pp compared to the same period previous year. The profitability of the apartment development projects varies by project and depends greatly on the cost structure of the specific project, incl. the land acquisition price. The segment's 2018 6 months profitability was positively influenced by the sale of immovable property that had little strategic importance for the group. At the same time, the operating profit margin has been reduced, in comparison with 2017, by the growth in the volume of construction service projects developed by joint ventures. In the case of joint ventures, profit from construction has been recognised in the course of construction and the profit from development is realised at a later stage, upon sale of apartments to the final customer, based on the equity method.

At the end of the period, group's inventory comprised 289 apartments where a preliminary agreement had been signed: 13 completed apartments (11 in Estonia and 2 in Latvia) and 276 apartments under construction (181 in Estonia and 95 in Lithuania). The sale of these apartments had not yet been finalised and delivered to customers, because the development site is still under construction or the site was completed at the end of the reporting period and the sales transactions have not all been finalised yet.

As at 30 June 2018, the group had a total of 523 apartments for active sale (as at 30 June 2017: 444 apartments), for which there are no pre-sale agreements and of which 113 have been completed (22 in Estonia, 87 in Latvia and 4 in Lithuania) and 410 are under construction (238 in Estonia and 172 in Lithuania).

In 6 months of 2018, the group launched the construction of a total of 349 new apartments in the Baltic states (6 months of 2017: 385 apartments). In the 6 months of 2018, the group has invested a total of EUR 13.6 million (6 months of 2017: EUR 18.4 million) in new development projects launched in 2018 as well as projects already in progress.

After the balance sheet date, the second stage of the Rinktinės Urban apartment development in Vilnius was launched with 187 apartments, which will be completed in Q2 of 2020, and first stage of Pikaliiva apartment development in Tallinn, with 66 apartments to be completed in summer 2019.

Merko group continues to invest in residential real estate projects also in 2018. Depending on the apartment market developments in the Baltic states in 2018, the group will launch the construction of approximately 650-700 new apartments. The planned investment level in 2018 in both development projects initiated in the previous years and new projects to be launched in 2018 is nearly EUR 60 million (2017: EUR 48.4 million invested). However, when making the investments, the group continues to be dependent on the pace of processing of building permits.

One of group's objectives is to keep a sufficient portfolio of land plots to ensure stable inventory of property development projects, which considers the market conditions. As at 30 June 2018, the group's inventories included land plots with development potential, where the construction works have not started, in amount of EUR 59.8 million (30.06.2017: EUR 67.0 million).

GROUP'S INVENTORIES WITH DEVELOPMENT POTENTIAL BY COUNTRY

million EUR

	30.06.2018	30.06.2017	31.12.2017
Estonia	27.7	26.6	28.9
Latvia	26.5	31.9	26.5
Lithuania	5.6	8.5	8.2
Total	59.8	67.0	63.6

In the 6 months of 2018, the group purchased new land plots at an acquisition cost of EUR 0.3 million for real estate development purposes (6 months of 2017: EUR 4.1 million).

SECURED ORDER BOOK

As at 30 June 2018, the group's secured order book amounted to EUR 247.0 million, compared to EUR 387.5 million as at 30 June 2017, having decreased by 36.3% in the annual comparison. The secured order book excludes the group's own residential development projects and construction works related to developing real estate investments.

In 6 months of 2018, EUR 67.5 million worth of new contracts were signed, compared to EUR 216.6 million in same period 2017. The value of new contracts signed in the second quarter of 2018 amounted to EUR 45.3 million; in the second quarter of 2017 the value of new contracts signed amounted to EUR 158.0 million, including the EUR 100.0 million contract for Akropole multifunctional centre.

LARGEST CONSTRUCTION CONTRACTS SIGNED IN THE SECOND QUARTER OF 2018

BRIEF DESCRIPTION OF CONTRACT	COUNTRY	COMPLETION TIME	VALUE MILLION EUR
Construction contract for the dredging and reconstruction works in Hundipea port	Estonia	January of 2020	6.8
Construction contract for the construction of Tsirguliina substation	Estonia	November of 2019	4.3
Construction contract for the construction of the second stage of Tallink office building at Sadama 9, Tallinn	Estonia	March of 2019	3.9
Construction contract for construction of the first stage of an office building at Tartu mnt 80, Tallinn	Estonia	July of 2019	3.8
Construction contract for the design and construction works of monolithic reinforced concrete frame for a residential and commercial building "Kardioru Plaza" at Vesivärava 50, Tallinn	Estonia	March of 2019	3.3
Construction contract for the construction of Kilingi-Nõmme substation	Estonia	November of 2019	3.1

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

- AS Merko Infra, part of AS Merko Ehitus group, and Elering AS entered into a contract for the extension of Harku 330 kV substation. The contract value is approximately EUR 1.1 million and the works are scheduled to be completed in September 2019.

- AS Merko Infra, part of AS Merko Ehitus group, Elering AS and Elekrilevi OÜ entered into a contract for the construction of Kiini 110 kV substation. The contract value is approximately EUR 1.7 million and the works are scheduled to be completed in July 2019.
- UAB Merko statyba, part of AS Merko Ehitus group, and UAB "Forumus 4" entered into a contract to perform the construction works of new office building in Vilnius. The contract value is over EUR 12 million and the works are scheduled to be completed in October 2019.
- UAB Merko statyba, part of AS Merko Ehitus group, and the Office of Finance and Administrative Services of the Archdiocese of Vilnius entered into a contract to perform the construction works of a new school building in Vilnius. The contract value is over EUR 4 million and the works are scheduled to be completed in July 2019.

Of the contracts signed in the 6 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 78% (30.06.2017: approximately 82%).

To diversify group's operating portfolio, a strategic goal is to increase construction service revenues outside Estonia. Thus, the group continues to identify and strengthen its competitive advantages and are 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 30 June 2018, the group had cash and cash equivalents in the amount of EUR 27.2 million (30.06.2017: EUR 25.9 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 27.1 million, of which EUR 19.3 was unused (30.06.2017: EUR 11.2 million of which EUR 10.6 was unused). In addition to the overdraft facilities, the company has a working capital loan facility with a limit of EUR 3.5 million (30.06.2017: EUR 3.5 million) from AS Riverito, which was not withdrawn at the end of current period (30.06.2017: not withdrawn).

The 6-month cash flow from operating activity was positive at EUR 9.5 million (6 months of 2017: positive EUR 0.1 million), cash flow from investing activity was positive at EUR 0.3 million (6 months of 2017: positive EUR 0.2 million) and the cash flow from financing activity was negative at EUR 21.9 million (6 months of 2017: negative EUR 8.0 million).

Compared to 2017, the cash flow from operating activities had positive impacts from EBITDA EUR 8.2 million (6 months of 2017: EUR 6.0 million) and from the positive change in trade and other payables related to operating activities EUR 11.2 million (6 months of 2017: positive change of EUR 4.0 million), while the negative impacts came from change in trade and other receivables related to operating activities EUR 5.8 million (6 months of 2017: negative change of EUR 7.6 million), change in inventories EUR 2.0 million (6 months of 2017: positive change of EUR 3.2 million) and change in the provisions EUR 1.7 million (6 months of 2017: negative change of EUR 2.8 million), and from the corporate income tax paid on dividends EUR 0.3 million (6 months 2017: EUR 1.2 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 (19.4% as at 30.06.2018; 18.8% as at 30.06.2017).

Cash flows from investing activities include negative cash flow from the acquisition of non-current assets in the amount of EUR 0.5 million (6 months of 2017: EUR 1.0 million) and positive cash flow from the sale of subsidiary and non-current assets in the amount of EUR 0.8 million (6 months of 2017: EUR 1.1 million).

In cash flows from financing, the larger negative factors were dividend payment of EUR 17.7 million (6 months 2017: EUR 7.3 million), repayment of project specific loans obtained using investment property as collateral in the amount of EUR 1.7 million (6 months of 2017: negative cash flow in the net amount of EUR 0.3 million) and net of loans received and repaid in connection with development projects in the amount of EUR 7.1 million (6 months of 2017: net positive cash flow of EUR 2.4 million). Positive cash flow from financing activity was gained from factoring financing in the amount of EUR 3.0 million (6 months of 2017: no factoring).

The Q2 2018 cash flow from operating activity was positive at EUR 12.5 million (Q2 2017: negative EUR 5.5 million), cash flow from investing activity was positive at EUR 0.2 million (Q2 2017: positive EUR 0.3 million) and the cash flow from financing activity was negative at EUR 13.2 million (Q2 2017: negative EUR 2.8 million).

RATIOS

(attributable to equity holders of the parent)

INCOME STATEMENT SUMMARY		6M 2018	6M 2017	6M 2016	Q2 2018	Q2 2017	Q2 2016	12M 2017
Revenue	million EUR	183.7	128.8	105.6	103.3	70.7	58.7	317.6
Gross profit	million EUR	13.0	10.2	8.5	8.9	6.1	5.4	30.9
Gross profit margin	%	7.1	7.9	8.0	8.7	8.6	9.3	9.7
Operating profit	million EUR	7.2	4.7	3.1	5.9	3.5	2.6	19.5
Operating profit margin	%	3.9	3.7	2.9	5.8	4.9	4.4	6.2
Profit before tax (PBT)	million EUR	7.1	4.4	2.7	5.8	3.3	2.4	18.8
PBT margin	%	3.8	3.4	2.6	5.6	4.6	4.1	5.9
Net profit	million EUR	6.9	3.2	1.8	5.7	2.2	1.8	15.8
attributable to equity holders of the parent	million EUR	6.7	3.2	1.8	5.6	2.2	1.7	14.7
attributable to non-controlling interest	million EUR	0.2	(0.0)	(0.0)	0.1	0.1	0.1	1.1
Net profit margin	%	3.6	2.5	1.7	5.4	3.1	2.9	4.6
Other income statement indicators		6M 2018	6M 2017	6M 2016	Q2 2018	Q2 2017	Q2 2016	12M 2017
EBITDA	million EUR	8.2	6.0	4.6	6.4	4.1	3.4	22.2
EBITDA margin	%	4.4	4.7	4.3	6.2	5.9	5.8	7.0
General expense ratio	%	4.0	5.1	6.2	3.6	4.5	5.7	4.6
Labour cost ratio	%	8.5	11.7	13.9	8.2	10.4	13.8	10.1
Revenue per employee	thousand EUR	248	169	138	139	93	77	434

OTHER SIGNIFICANT INDICATORS		30.06.2018	30.06.2017	30.06.2016	31.12.2017
Return on equity	%	14.4	6.2	7.7	11.9
Return on assets	%	6.6	3.2	4.4	5.8
Return on invested capital	%	12.5	5.9	7.5	11.4
Equity ratio	%	42.8	49.3	54.8	47.0
Debt ratio	%	19.4	18.8	16.2	21.4
Current ratio	times	2.1	2.8	2.8	2.2
Quick ratio	times	1.0	1.2	1.1	1.1
Accounts receivable turnover	days	41	39	36	40
Accounts payable turnover	days	43	37	37	40
Average number of employees	people	742	764	765	732
Secured order book	million EUR	247.0	387.5	279.4	344.4

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 30 June 2018, a provision has been set up at the group in the amount of EUR 0.1 million (30.06.2017: 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 30.06.2018 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 (EUR 84 thousand being the principal claim and EUR 13 thousand late interest) 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. The potential positive outcome of this suit is not recognised in the group's financial reporting.

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.

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). 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 court ruling is expected at the end of 2018. 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). Next court hearing is scheduled on 25 September 2018. 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. In the hearing on 9 January 2018, the court expertise was appointed. The potential positive outcome of this claim is not recognised in the group's financial reporting.

EMPLOYEES AND LABOUR COSTS

As of 30 June 2018, Merko Ehitus Group employed 767 people (including temporary and part-time staff). Compared to the same period last year, the number of group's employees decreased by 36 (-4.5%). The number of employees has increased mainly due to increase of construction volumes in Latvia and Lithuania and decreased due to partial disposal of road maintenance activity in Estonia during the third quarter of 2017.

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

The group defines labour cost as salary (incl. fixed salary, additional pay, holiday pay, and performance pay), taxes based on salary, fringe benefits and taxes on fringe benefits. In 6 months 2018, the labour cost was EUR 15.7 million (6 months 2017: EUR 15.0 million), which increased by 4.3% compared to the same period previous year. The labour cost ratio decreased by 3.2 pp from 11.7% to 8.5%.

During 6 months of 2018, AS Merko Ehitus Eesti, the largest Estonian construction company belonging to the Merko Ehitus group, has paid EUR 3.4 million in labour taxes in Estonia, making it the largest labour tax payer in the construction sector.

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

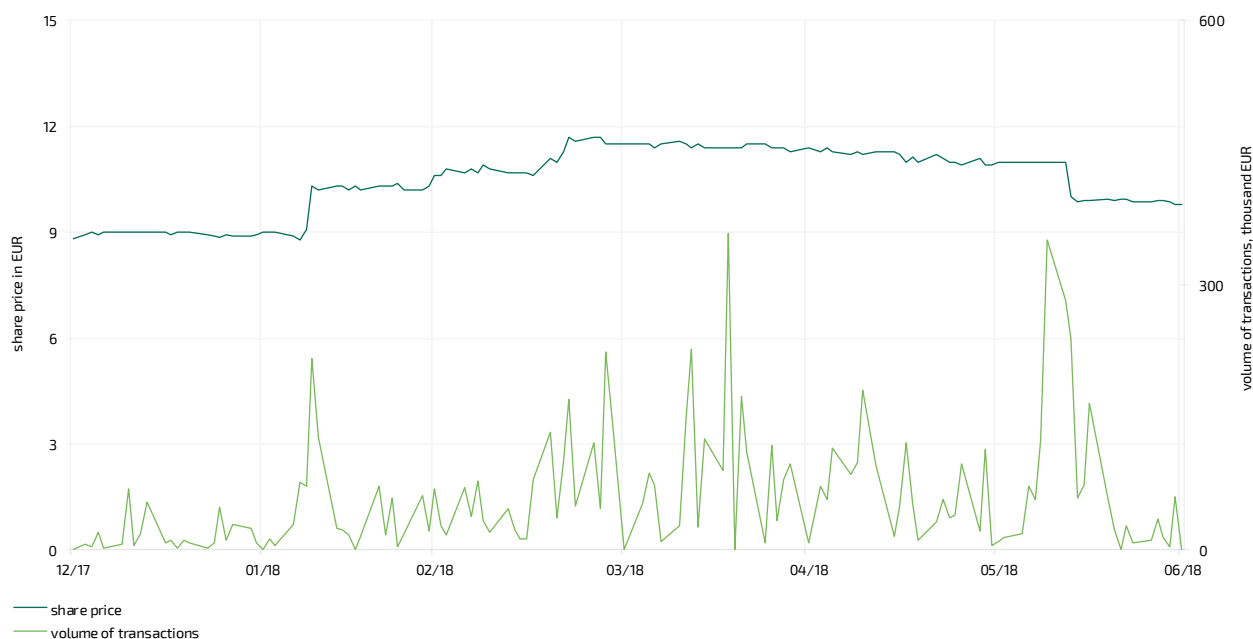
Issuer	AS Merko Ehitus
Name of security	Share of Merko Ehitus
Ticker	MRK1T
Residency of issuer	Estonia
Stock Exchange List	NASDAQ Tallinn, Baltic Main List
Industry	Construction
ISIN	EE3100098328
Nominal value	Without nominal value
Number of securities	17,700,000
Volume of issue	12,000,000
Currency	EUR
Listing date	11.08.2008

The shares of Merko Ehitus are listed in the Main List of NASDAQ Tallinn. As at 30 June 2018, the company has 17,700,000 shares. The number of shares has not changed during 2018.

A total of 2,408 transactions were conducted with the shares of Merko Ehitus in 6 months of 2018, with 0.71 million shares (4.0% of total shares) traded, generating a turnover of EUR 7.71 million (comparable figures in 6 months 2017 were accordingly: 1,179 transactions with 0.27 million shares traded (1.5% of total shares), generating a turnover of EUR 2.49 million). The lowest transaction was carried out with a price of EUR 8.70 and the highest with EUR 11.80 per share (6 months of 2017: EUR 8.75 and EUR 9.58, accordingly). On 30 June 2018, the closing price of the share was EUR 9.80 (30.06.2017: EUR 9.20; 31.12.2017: EUR 8.81). As at 30 June 2018, the market value of AS Merko Ehitus amounted to EUR 173.5 million, which has increased by 6.5% compared to the same period end last year (30.06.2017: EUR 162.8 million; 31.12.2017: EUR 155.9 million).

	30.06.2018	30.06.2017	30.06.2016	31.12.2017
Number of shares	17,700,000	17,700,000	17,700,000	17,700,000
Earnings per share (EPS), euros	0.38	0.18	0.10	0.83
Equity per share, euros	7.10	6.87	6.94	6.99
P/B ratio	1.38	1.34	1.14	1.26
P/E ratio	9.56	21.68	14.89	10.61
Market value, million EUR	173.5	162.8	140.0	155.9

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



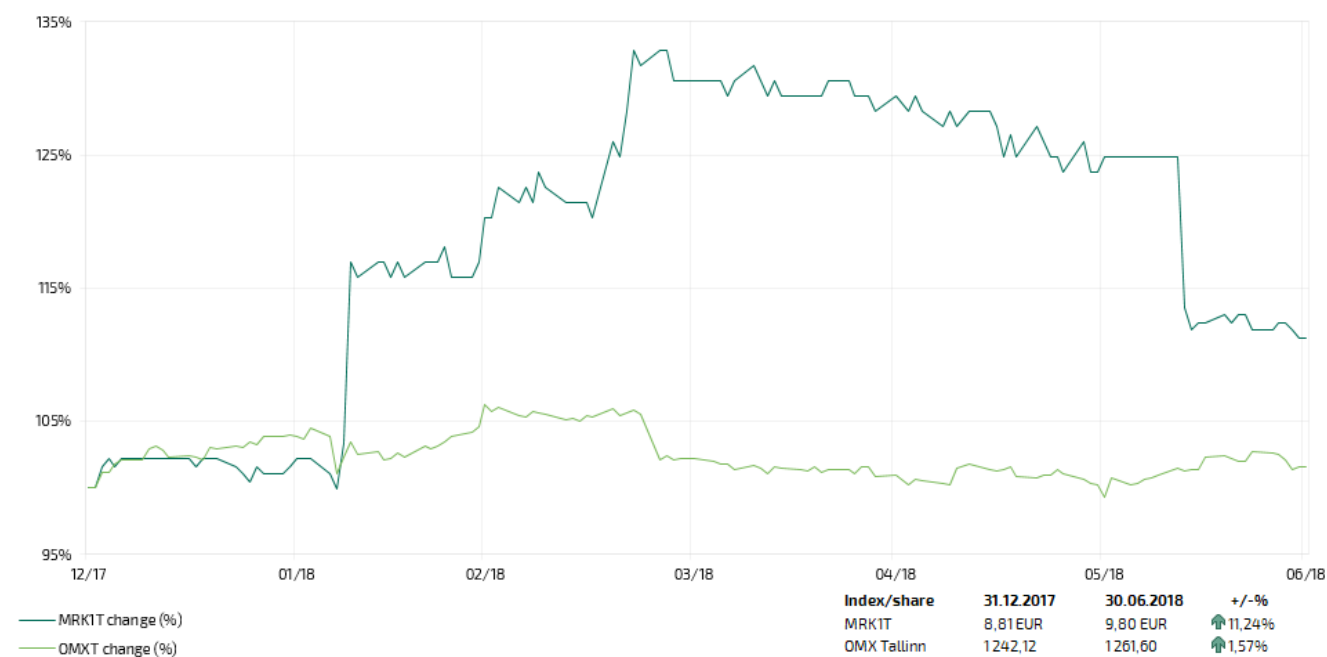
STRUCTURE OF SHAREHOLDERS ACCORDING TO NUMBER OF SHARES AS AT 30.06.2018

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	0.45%	2,577,286	14.56%
10,001 - 100,000	33	1.36%	882,979	4.99%
1,001-10,000	352	14.52%	978,763	5.53%
101-1,000	1,203	49.61%	472,773	2.67%
1-100	825	34.02%	45,513	0.26%
Total	2,425	100%	17,700,000	100%

SHAREHOLDERS OF AS MERKO EHITUS AS AT 30.06.2018 AND CHANGE COMPARED TO THE PREVIOUS QUARTER

	NUMBER OF SHARES	% OF TOTAL 30.06.2018	% OF TOTAL 31.03.2018	CHANGE
AS Riverito	12,742,686	71.99%	71.99%	-
ING Luxembourg S.A. AIF Account	763,045	4.31%	5.50%	(211,081)
Firebird Republics Fund Ltd	363,094	2.05%	2.05%	-
SEB S.A. UCITS client assets	232,222	1.31%	1.31%	-
Firebird Aurora Fund Ltd	222,419	1.26%	1.26%	-
OÜ Midas Invest	192,500	1.09%	0.99%	17,575
Skandinaviska Enskilda Banken AB, Swedish customers	159,619	0.90%	0.96%	(10,190)
State Street Bank and Trust Omnibus Account a Fund No OM01	153,018	0.87%	0.87%	-
SEB Elu- ja Pensionikindlustus AS	143,887	0.81%	0.81%	-
Firebird Fund L.P.	131,331	0.74%	0.74%	-
Total largest shareholders	15,103,821	85.33%	86.48%	(203,696)
Total other shareholders	2,596,179	14.67%	13.52%	203,696
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.

CORPORATE GOVERNANCE

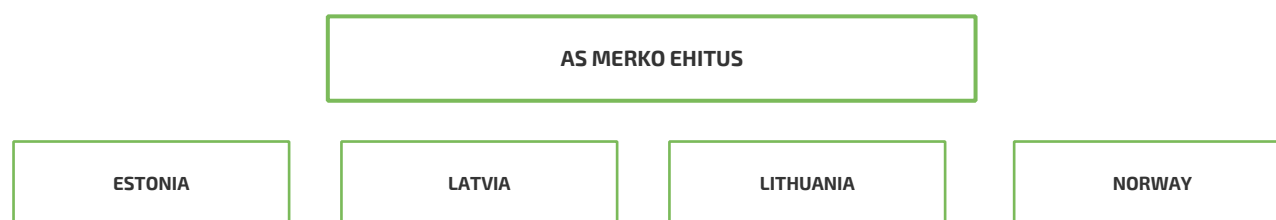
CORPORATE GOVERNANCE AND STRUCTURE

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 30 June 2018, the management structure is as follows:



GROUP'S LEGAL STRUCTURE

As at 30 June 2018, the group comprises 32 companies (30.06.2017: 42; 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 liquidation of the company is planned to be completed in 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.

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 will be completed in Q3.

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 30 June 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 30 June 2018:

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

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 Roopalu 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 Roopalu.

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.

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

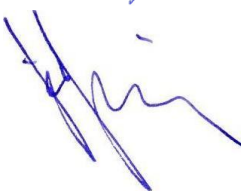
Chairman of the Management Board



09.08.2018

Tõnu Toomik

Member of the Management Board



09.08.2018

CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited

in thousand euros

	Note	2018 6 months	2017 6 months	2018 II quarter	2017 II quarter	2017 12 months
Revenue	2	183,650	128,807	103,340	70,660	317,598
Cost of goods sold	3	(170,621)	(118,627)	(94,394)	(64,601)	(286,747)
Gross profit		13,029	10,180	8,946	6,059	30,851
Marketing expenses		(1,729)	(1,638)	(923)	(778)	(3,215)
General and administrative expenses		(5,664)	(4,918)	(2,845)	(2,400)	(11,289)
Other operating income		1,695	1,226	843	659	3,793
Other operating expenses		(105)	(133)	(73)	(76)	(601)
Operating profit		7,226	4,717	5,948	3,464	19,539
Finance income/costs		(171)	(362)	(145)	(206)	(767)
incl. finance income/costs from sale of subsidiary		(59)	-	(59)	-	14
finance income/costs from joint ventures		226	(2)	90	(30)	64
finance income/costs from other long-term investments		-	-	-	-	2
interest expense		(309)	(347)	(156)	(174)	(745)
foreign exchange gain (loss)		(1)	(1)	-	(3)	(1)
other financial income (expenses)		(28)	(12)	(20)	1	(101)
Profit before tax		7,055	4,355	5,803	3,258	18,772
Corporate income tax expense		(201)	(1,113)	(111)	(995)	(3,020)
Net profit for financial year		6,854	3,242	5,692	2,263	15,752
incl. net profit attributable to equity holders of the parent		6,669	3,211	5,565	2,182	14,694
net profit attributable to non-controlling interest		185	31	127	81	1,058
Other comprehensive income, which can subsequently be classified in the income statement						
Currency translation differences of foreign entities		28	(30)	15	(27)	(74)
Comprehensive income for the period		6,882	3,212	5,707	2,236	15,678
incl. net profit attributable to equity holders of the parent		6,696	3,182	5,579	2,157	14,637
net profit attributable to non-controlling interest		186	30	128	79	1,041
Earnings per share for profit attributable to equity holders of the parent (basic and diluted, in EUR)	4	0.38	0.18	0.31	0.12	0.83

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	30.06.2018	30.06.2017	31.12.2017
ASSETS				
Current assets				
Cash and cash equivalents	5	27,230	25,864	39,210
Trade and other receivables	6	91,541	63,775	75,844
Prepaid corporate income tax		163	625	492
Inventories	7	120,467	120,256	118,421
		239,401	210,520	233,967
Non-current assets				
Long-term financial assets	8	15,167	12,881	17,242
Deferred income tax assets		5	1,325	5
Investment property	9	13,748	3,979	15,719
Property, plant and equipment	10	9,454	11,715	9,665
Intangible assets	11	574	571	497
		38,948	30,471	43,128
TOTAL ASSETS		278,349	240,991	277,095
LIABILITIES				
Current liabilities				
Borrowings	12	16,202	4,067	24,218
Payables and prepayments	13	92,638	66,079	74,972
Income tax liability		375	161	413
Short-term provisions	14	4,487	3,885	4,569
		113,702	74,192	104,172
Non-current liabilities				
Long-term borrowings	12	37,894	41,158	35,138
Deferred income tax liability		1,335	1,165	1,259
Other long-term payables	15	1,500	2,039	1,789
		40,729	44,362	38,186
TOTAL LIABILITIES		154,431	118,554	142,358
EQUITY				
Non-controlling interests		4,789	3,722	4,567
Equity attributable to equity holders of the parent				
Share capital		7,929	7,929	7,929
Statutory reserve capital		793	793	793
Currency translation differences		(675)	(674)	(702)
Retained earnings		111,082	110,667	122,150
		119,129	118,715	130,170
TOTAL EQUITY		123,918	122,437	134,737
TOTAL LIABILITIES AND EQUITY		278,349	240,991	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- control- ling 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	-	-	-	3,211	3,211	31	3,242
Other comprehensive income	-	-	(29)	-	(29)	(1)	(30)
Total comprehensive income (loss) for the reporting period	-	-	(29)	3,211	3,182	30	3,212
Transactions with owners							
Dividends (Note 4)	-	-	-	(7,257)	(7,257)	-	(7,257)
Total transactions with owners	-	-	-	(7,257)	(7,257)	-	(7,257)
Balance as at 30.06.2017	7,929	793	(674)	110,667	118,715	3,722	122,437
Balance as at 31.12.2017	7,929	793	(702)	122,150	130,170	4,567	134,737
Profit (loss) for the reporting period	-	-	-	6,669	6,669	185	6,854
Other comprehensive income	-	-	27	-	27	1	28
Total comprehensive income (loss) for the reporting period	-	-	27	6,669	6,696	186	6,882
Transactions with owners							
Non-controlling interest of purchased subsidiary	-	-	-	(37)	(37)	36	(1)
Dividends (Note 4)	-	-	-	(17,700)	(17,700)	-	(17,700)
Total transactions with owners	-	-	-	(17,737)	(17,737)	36	(17,701)
Balance as at 30.06.2018	7,929	793	(675)	111,082	119,129	4,789	123,918

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 6 months	2017 6 months	2017 12 months
Cash flows from operating activities				
Operating profit		7,226	4,717	19,539
Adjustments:				
Depreciation		935	1,325	2,675
(Profit) loss from sale of non-current assets		(280)	(232)	(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		761	(574)	(8,488)
Interest income from operating activities		(1,210)	(920)	(1,979)
Change in provisions		(1,731)	(2,778)	572
Change in trade and other receivables related to operating activities		(5,835)	(7,612)	(19,301)
Change in inventories		(1,964)	3,187	(4,851)
Change in trade and other payables related to operating activities		11,231	3,982	12,058
Interest received		1,123	630	1,709
Interest paid		(386)	(442)	(879)
Other finance income and costs		(33)	(13)	(28)
Corporate income tax (paid)/reclaimed		(316)	(1,181)	(1,284)
Total cash flows from operating activities		9,521	89	(1,302)
Cash flows from investing activities				
Acquisition of subsidiaries	16	-	-	328
Disposal of subsidiary		385	-	(7)
Purchase of investment property		(3)	(3)	(6)
Purchase of property, plant and equipment		(337)	(869)	(1,186)
Proceeds from sale of property, plant and equipment		419	1,134	1,924
Purchase of intangible assets		(127)	(82)	(181)
Sale of a business unit		-	-	113
Interest received		2	5	6
Total cash flows from investing activities		339	185	991
Cash flows from financing activities				
Proceeds from borrowings		11,133	29,061	61,651
Repayments of borrowings		(18,060)	(29,317)	(47,380)
Factoring		3,000	-	-
Finance lease principal payments		(279)	(444)	(818)
Non-controlling interest buyout		(1)	-	-
Dividends paid		(17,700)	(7,257)	(7,364)
Total cash flows from financing activities		(21,907)	(7,957)	6,089
Net increase/decrease in cash and cash equivalents		(12,047)	(7,683)	5,778
Cash and cash equivalents at the beginning of the period	5	39,210	33,544	33,544
Effect of exchange rate changes		67	3	(112)
Cash and cash equivalents at the end of the period	5	27,230	25,864	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 6 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 2016 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 6 months unaudited interim report comparative figures are presented in the present financial report.

According to the best knowledge of the Management Board, the consolidated interim financial statements for the 6 months 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 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 6 months	Estonian construction service	Other home markets construction service	Real estate development	Total segments
Revenue	69,409	88,050	32,560	190,019
Inter-segment revenue	(32)	(3)	(6,334)	(6,369)
Revenue from clients	69,377	88,047	26,226	183,650
Operating profit (loss)	3,198	1,661	3,236	8,095
Profit (loss) before tax	3,177	1,552	3,284	8,013
incl. interest income from operating activities	145	-	1,064	1,209
depreciation (Note 3)	(566)	(35)	(112)	(713)
recognition of provisions (Note 3)	(285)	(320)	(440)	(1,045)
reversal of provisions (Note 3)	-	50	20	70
profit from joint ventures	-	-	226	226
other finance income (costs)	(4)	(4)	(103)	(111)
incl. interest expenses	(5)	(4)	(95)	(104)
Assets 30.06.2018	44,166	48,723	162,307	255,196
incl. joint ventures (Note 8)	-	-	306	306

2017 6 months	Estonian construction service	Other home markets construction service	Real estate development	Total segments
Revenue	60,890	31,283	47,025	139,198
Internal revenue	(33)	(33)	(10,325)	(10,391)
Revenue from clients	60,857	31,250	36,700	128,807
Operating profit (loss)	1,693	(691)	4,619	5,621
Profit (loss) before tax	1,680	(744)	4,398	5,334
incl. interest income from operating activities	11	-	815	826
depreciation (Note 3)	(907)	(20)	(144)	(1,071)
recognition of provisions (Note 3)	(352)	(365)	(124)	(841)
reversal of provisions (Note 3)	103	-	-	103
loss on joint ventures	-	-	(2)	(2)
other finance income (costs)	(10)	2	(199)	(207)
incl. interest income	-	2	-	2
interest expenses	(11)	-	(186)	(197)
Assets 30.06.2017	37,510	25,534	148,741	211,785
incl. joint ventures (Note 8)	-	-	432	432
2018 II quarter	Estonian construction service	Other home markets construction service	Real estate development	Total segments
Revenue	41,636	44,509	20,190	106,335
Internal revenue	(22)	(3)	(2,970)	(2,995)
Revenue from clients	41,614	44,506	17,220	103,340
Operating profit (loss)	2,899	1,533	1,946	6,378
Profit (loss) before tax	2,888	1,475	1,922	6,285
incl. interest income from operating activities	73	-	615	688
depreciation (Note 3)	(281)	(19)	(40)	(340)
recognition of provisions (Note 3)	(173)	(82)	(411)	(666)
reversal of provisions (Note 3)	-	-	15	15
profit from joint ventures	-	-	90	90
other finance income (costs)	(2)	(3)	(46)	(51)
incl. interest expenses	(2)	(3)	(42)	(47)
Assets' change in II quarter	5,130	(1,195)	(439)	3,496
incl. joint ventures	-	-	91	91

2017 II quarter	Estonian construction service	Other home markets construction service	Real estate development	Total segments
Revenue	34,123	20,087	21,324	75,534
Internal revenue	(19)	(23)	(4,832)	(4,874)
Revenue from clients	34,104	20,064	16,492	70,660
Operating profit (loss)	2,152	(103)	1,927	3,976
Profit (loss) before tax	2,147	(137)	1,800	3,810
incl. interest income from operating activities	-	-	420	420
depreciation (Note 3)	(470)	(10)	(72)	(552)
recognition of provisions (Note 3)	(215)	(136)	94	(257)
loss on joint ventures	-	-	(30)	(30)
other finance income (costs)	(4)	1	(91)	(94)
incl. interest income	-	1	-	1
interest expenses	(5)	-	(91)	(96)
Assets' change in II quarter	6,760	7,326	(6,842)	7,244
incl. joint ventures	-	-	(30)	(30)
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
Inter-segment 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 (Note 3)	(1,873)	(48)	(271)	(2,192)
impairment of inventories (Note 3)	-	-	(2,360)	(2,360)
reversal of impairment of inventories (Note 3)	-	-	5,276	5,276
recognition of provisions (Note 3)	(1,095)	(1,305)	(365)	(2,765)
reversal of provisions (Note 3)	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

In addition to the segment assets, as at 30.06.2018 the group holds assets in the amount of EUR 23,153 thousand (30.06.2017: EUR 29,206 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 6 months	2017 6 months	2018 II quarter	2017 II quarter	2017 12 months
Pre-tax profit from reporting segments	8,013	5,334	6,285	3,810	20,800
Other operating profit (loss)	(870)	(904)	(430)	(512)	(1,869)
incl. recognition of provisions	-	(75)	-	-	(98)
finance income (costs)	(88)	(75)	(52)	(40)	(159)
incl. interest income	-	-	-	-	1
interest expenses	(72)	(74)	(36)	(37)	(147)
Total profit before tax	7,055	4,355	5,803	3,258	18,772

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 6 months		2017 6 months		2018 II quarter		2017 II quarter		2017 12 months	
Estonia	87,137	47%	89,042	69%	53,017	51%	47,893	68%	190,928	60%
Latvia	75,023	41%	22,851	18%	40,979	40%	12,025	17%	79,914	25%
Lithuania	15,138	8%	14,505	11%	6,981	7%	9,085	13%	34,629	11%
Norway	6,352	4%	2,389	2%	2,363	2%	1,657	0%	12,104	4%
Finland	-	0%	20	0%	-	0%	-	2%	23	0%
Total	183,650	100%	128,807	100%	103,340	100%	70,660	100%	317,598	100%

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

in thousand euros

	30.06.2018	30.06.2017	31.12.2017
Estonia	11,230	15,658	13,367
Latvia	12,413	500	12,390
Lithuania	4	6	5
Norway	129	101	119
Total	23,776	16,265	25,881

NOTE 3 COST OF GOODS SOLD

in thousand euros

	2018 6 months	2017 6 months	2018 II quarter	2017 II quarter	2017 12 months
Construction services and properties purchased for resale	117,490	73,988	64,910	40,526	186,352
Materials	27,131	21,459	15,149	12,038	50,983
Labour costs	10,630	10,763	5,898	5,318	22,255
Construction mechanisms and transport	4,507	3,847	2,857	2,438	9,317
Design	2,937	1,684	1,441	810	4,544
Real estate management costs	174	134	78	56	265
Depreciation	713	1,071	340	552	2,192
Impairment of inventories	-	-	-	-	2,360
Reversal of impairment of inventories	-	-	-	-	(5,276)
Provisions	975	738	651	257	2,574
Other expenses	6,064	4,943	3,070	2,606	11,181
Total cost of goods sold	170,621	118,627	94,394	64,601	286,747

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 6 months	2017 6 months	2018 II quarter	2017 II quarter	2017 12 months
Net profit (loss) attributable to shareholders (<i>in thousand EUR</i>)	6,669	3,211	5,565	2,182	14,694
Weighted average number of ordinary shares (<i>thousand pcs</i>)	17,700	17,700	17,700	17,700	17,700
Earnings (loss) per share (<i>in euros</i>)	0.38	0.18	0.31	0.12	0.83

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 30.06.2018, the parent company AS Merko Ehitus has EUR 2,879 thousand (30.06.2017: EUR 67 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 30.06.2018, it is possible to pay out dividends to shareholders from retained earnings in the amount of EUR 88,901 thousand (30.06.17: EUR 88,008 thousand; 31.12.2017: EUR 97,172 thousand). Considering the dividends received and income tax withheld on foreign income totalling EUR 720 thousand (30.06.2017: EUR 17 thousand; 31.12.2017: EUR 17 thousand), the corresponding income tax on dividends would amount to EUR 21,506 thousand (30.06.2017: EUR 21,985 thousand; 31.12.2017: EUR 24,276 thousand). For calculating the additional income tax on dividends, the income tax 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

	30.06.2018	30.06.2017	31.12.2017
Cash on hand	0	2	1
Bank accounts	27,123	25,825	39,174
Overnight deposits	107	37	35
Total cash and cash equivalents	27,230	25,864	39,210

NOTE 6 TRADE AND OTHER RECEIVABLES

in thousand euros

	30.06.2018	30.06.2017	31.12.2017
Trade receivables			
Accounts receivable	45,271	36,924	36,768
Allowance for doubtful receivables	(115)	(264)	(103)
	45,156	36,660	36,665
Tax prepayments excluding corporate income tax			
Value added tax	1,003	1,394	733
Other taxes	34	11	2
	1,037	1,405	735
Accrued income from construction services	24,822	7,269	17,780
Other short-term receivables			
Short-term loans	10,590	9,313	10,590
Interest receivables	309	617	603
Other short-term receivables	660	334	636
	11,559	10,264	11,829
Prepayments for services			
Prepayments for construction services	8,235	7,179	8,075
Prepaid insurance	266	402	248
Other prepaid expenses	466	596	512
	8,967	8,177	8,835
Total trade and other receivables	91,541	63,775	75,844
incl. short-term loan receivables from related parties (Note 16)	9,000	7,728	9,000
other short-term receivables and prepayments to related parties (Note 16)	2,182	3,946	2,911

NOTE 7 INVENTORIES

in thousand euros

	30.06.2018	30.06.2017	31.12.2017
Materials	1,221	446	238
Work-in-progress	39,721	21,059	36,023
Finished goods	16,930	30,764	17,612
Goods for resale			
Registered immovables purchased for resale	59,797	66,937	63,613
Other goods purchased for resale	726	767	747
	60,523	67,704	64,360
Prepayments for inventories			
Prepayments for real estate properties	690	-	-
Prepayments for other inventories	1,382	283	188
	2,072	283	188
Total inventories	120,467	120,256	118,421

NOTE 8 LONG-TERM FINANCIAL ASSETS

in thousand euros

	30.06.2018	30.06.2017	31.12.2017
Investments to joint ventures	306	432	79
Long-term loans	4,000	750	4,000
Long-term receivables from customers of construction services	10,861	11,699	13,163
Total other long-term loans and receivables	15,167	12,881	17,242

NOTE 9 INVESTMENT PROPERTY

in thousand euros

	30.06.2018	30.06.2017	31.12.2017
Land	11,902	51	11,902
Right of superficies at carrying amount			
Cost	29	29	29
Accumulated depreciation	(12)	(11)	(12)
	17	18	17
Buildings at carrying amount			
Cost	2,631	5,248	5,252
Accumulated depreciation	(802)	(1,338)	(1,452)
	1,829	3,910	3,800
Total investment property	13,748	3,979	15,719

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

in thousand euros

	30.06.2018	30.06.2017	31.12.2017
Land	810	821	811
Buildings at carrying amount			
Cost	5,729	5,652	5,530
Accumulated depreciation	(2,094)	(2,039)	(2,077)
	3,635	3,613	3,453
Machinery and equipment at carrying amount			
Cost	14,016	16,378	13,707
Accumulated depreciation	(9,810)	(10,442)	(9,458)
	4,206	5,936	4,249
Other fixtures at carrying amount			
Cost	5,515	5,469	5,561
Accumulated depreciation	(4,767)	(4,461)	(4,719)
	748	1,008	842
Prepayments for property, plant and equipment	55	337	310
Total property, plant and equipment	9,454	11,715	9,665

NOTE 11 INTANGIBLE ASSETS

in thousand euros

	30.06.2018	30.06.2017	31.12.2017
Goodwill			
Cost	76	967	74
Impairment	-	(774)	-
	76	193	74
Software at carrying amount			
Cost	1,470	1,352	1,471
Accumulated depreciation	(1,104)	(1,038)	(1,092)
	366	314	379
Prepayments for intangible assets	132	64	44
Total intangible assets	574	571	497

NOTE 12 BORROWINGS

in thousand euros

	30.06.2018	30.06.2017	31.12.2017
Finance lease payables			
Present value of lease payments	971	1,251	863
incl. current portion	478	950	487
non-current portion 2...5 years	493	301	376
Bank loans			
Loan balance	39,875	37,948	50,383
incl. current portion	7,474	2,110	20,621
non-current portion 2...5 years	32,401	35,838	29,762
Factoring liability			
Factoring balance	3,000	-	-
incl. current portion	3,000	-	-
Loans from entities under common control			
Loan balance	6,000	6,000	6,000
incl. current portion (Note 16)	1,000	1,000	1,000
non-current portion 2...5 years (Note 16)	5,000	6,000	5,000
Loans from other entities			
Loan balance	4,250	26	2,110
incl. current portion	4,250	7	2,110
non-current portion 2...5 years	-	19	-
Total loans			
Loans balance	53,125	43,974	58,493
incl. current portion	15,724	3,117	23,731
non-current portion 2...5 years	37,401	40,857	34,762
Total borrowings	54,096	45,225	59,356
incl. current portion	16,202	4,067	24,218
non-current portion 2...5 years	37,894	41,158	35,138

NOTE 13 PAYABLES AND PREPAYMENTS

in thousand euros

	30.06.2018	30.06.2017	31.12.2017
Trade payables	45,559	29,746	35,356
Payables to employees	7,285	6,247	8,613
Tax liabilities, except for corporate income tax			
Value added tax	1,690	1,343	532
Personal income tax	590	562	554
Social security tax	926	1,031	958
Unemployment insurance tax	49	53	53
Contributions to mandatory funded pension	36	45	43
Other taxes	158	150	160
	3,449	3,184	2,300
Prepayments for construction services	21,493	11,050	13,749
Other liabilities			
Interest liabilities	17	13	2
Dividends payables	117	-	-
Other liabilities	538	236	594
	672	249	596
Prepayments received	14,180	15,603	14,358
Total payables and prepayments	92,638	66,079	74,972
incl. payables to related parties (Note 16)	89	32	17

NOTE 14 SHORT-TERM PROVISIONS

in thousand euros

	30.06.2018	30.06.2017	31.12.2017
Provision for warranty obligation for construction	3,279	2,503	2,874
Provision for costs of projects sold	816	1,103	1,221
Provision for onerous construction contracts	272	127	224
Provision for legal costs and claims filed	120	120	120
Other provisions	-	32	130
Total short-term provisions	4,487	3,885	4,569

NOTE 15 OTHER LONG-TERM PAYABLES

in thousand euros

	30.06.2018	30.06.2017	31.12.2017
Trade payables	1,057	1,362	1,248
Other long-term liabilities	443	677	541
Other long-term payables total	1,500	2,039	1,789
incl. other long-term payables to related parties (Note 16)	443	305	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 30.06.2018, 30.06.2017 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
	30.06.2018	30.06.2017	31.12.2017		
Subsidiaries					
AS Merko Ehitus Eesti	100	100	100	Estonia, Tallinn	Construction
Tallinna Teede AS	100	100	100	Estonia, Tallinn	Road construction
AS Vooremaa Teed	-	100	-	Estonia, Jõgeva	Road construction
AS Merko Infra	100	100	100	Estonia, Tallinn	Construction
AS Merko Tartu	-	100	100	Estonia, Tartu	Construction
OÜ Fort Ehitus	-	76	-	Estonia, Viimsi	Construction
OÜ Mineraal	-	100	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	100	Lithuania, Vilnius	Construction
UAB Statinių priežiūra ir administravimas	100	100	100	Lithuania, Vilnius	Real estate
UAB Timana	100	-	100	Lithuania, Vilnius	Real estate
OÜ Merko Property	100	100	100	Estonia, Tallinn	Real estate
UAB Balsiu mokyklos SPV	100	100	100	Lithuania, Vilnius	Real estate
UAB Merko Bustas	100	100	100	Lithuania, Vilnius	Real estate
UAB MN Projektas	100	100	100	Lithuania, Vilnius	Real estate
UAB Jurininku aikštele	100	100	100	Lithuania, Vilnius	Real estate
UAB Timana	-	100	-	Lithuania, Vilnius	Real estate
UAB Rinktinės projektai	100	100	100	Lithuania, Vilnius	Real estate
OÜ Jõgeva Haldus	-	100	100	Estonia, Tallinn	Real estate
OÜ Metsailu	-	100	100	Estonia, Tallinn	Real estate
OÜ Kiviaia Kinnisvara	100	-	100	Estonia, Tallinn	Real estate
OÜ Tähelinna Kinnisvara	-	100	100	Estonia, Tallinn	Real estate
Väike-Paekalda OÜ	-	100	100	Estonia, Tallinn	Real estate
Suur-Paekalda OÜ	-	100	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	100	Latvia, Riga	Holding
OÜ Merko Investments	100	100	100	Estonia, Tallinn	Holding
SIA Merks	100	100	100	Latvia, Riga	Construction
SIA SK Viesturdarzs	100	100	100	Latvia, Riga	Real estate
SIA Merks Investicijas	100	100	100	Latvia, Riga	Real estate

	Ownership and voting rights %			Location	Area of operation
	30.06.2018	30.06.2017	31.12.2017		
SIA Industrias Parks	100	100	100	Latvia, Riga	Real estate
SIA Elniko	-	100	-	Latvia, Riga	Real estate
SIA Ropažu Priedes	100	100	100	Latvia, Riga	Real estate
PS Merko-Merks	100	100	100	Latvia, Riga	Construction
SIA Zakusala Estates	75	75	75	Latvia, Riga	Real estate
PS Merks-Ostas celtnieks	65	65	65	Latvia, Riga	Construction
PS Merks Merko Infra	100	-	100	Latvia, Riga	Construction
Merko Finland Oy	100	100	100	Finland, Helsinki	Construction
Hartian Oy	100	75	75	Finland, Helsinki	Real estate
Lenko Stroi LLC	100	100	100	Russia, St. Petersburg	Holding
Merko Investments AS	100	100	100	Norway, Sofiemyr	Holding
Peritus Entreprenør AS	56	56	56	Norway, Sofiemyr	Construction
Joint ventures					
OÜ Unigate	-	50	-	Estonia, Tallinn	Real estate
Poolkoksimäe Sulgemise OÜ	-	50	50	Estonia, Tallinn	Construction
Kivimäe 32 OÜ	-	50	-	Estonia, Tallinn	Real estate
Kodusadam OÜ	50	50	50	Estonia, Tallinn	Real estate

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

GOODS AND SERVICES

in thousand euros

	2018 6 months	2017 6 months	2017 12 months
Provided services and goods sold			
Parent company	7	7	15
Joint ventures	7,820	5,431	15,763
Entities under common control	-	3,711	6,430
Other related parties	18	22	-
Members of the management	-	-	42
Total services provided and goods sold	7,845	9,171	22,250
Interest income			
Joint ventures	281	188	435
Purchased services and goods			
Parent company	45	45	90
Entities under common control	28	31	59
Total purchased services and goods	73	76	149
Interest expense			
Parent company	-	34	34
Entities under common control	72	73	146
Total interest expense	72	107	180

BALANCES WITH RELATED PARTIES

in thousand euros

	30.06.2018	30.06.2017	31.12.2017
Receivables from related parties			
Loans granted (Notes 6, 8)			
Joint ventures	9,000	7,728	9,000
Receivables and prepayments (Note 6)			
Parent company	4	4	4
Joint ventures	2,087	3,055	2,489
Entities under common control	88	887	418
Other related parties	3	-	-
Total receivables and prepayments	2,182	3,946	2,911
Total receivables from related parties	11,182	11,674	11,911
Payables to related parties			
Short-term loans received (Note 12)			
Entities under common control	1,000	1,000	1,000
Total short-term loans received	1,000	1,000	1,000
Payables and prepayments (Note 13)			
Parent company	9	9	9
Joint ventures	6	2	7
Entities under common control	13	21	1
Other related parties	61	-	-
Total payables and prepayments	89	32	17
Long-term loans received (Note 12)			
Entities under common control	5,000	5,000	5,000
Other long-term payables (Note 15)			
Other related parties	443	305	541
Total payables to related parties	6,532	6,337	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 6 months of 2018 was EUR 1,070 thousand (6 months of 2017: EUR 971 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 6 months of 2018, the Management Board members of major subsidiaries received EUR 22 thousand in compensation (6 months of 2017: EUR 79 thousand; 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 30.06.2018:

		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 30.06.2018:

		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.

	30.06.2018	30.06.2017	31.12.2017
Performance period's warranty to the customer	30,488	26,194	31,229
Tender warranty	1,530	1,730	2,201
Guarantee for warranty period	17,716	21,022	18,197
Prepayment guarantee	15,373	15,224	16,249
Payment guarantee	30,500	30,500	31,019
Contracts of surety	9,297	3,835	4,215
Letter of credit	526	-	-
Total contingent liabilities	105,430	98,505	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 6 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



09.08.2018

Tõnu Toomik

Member of the Management Board



09.08.2018

DEFINITION OF RATIOS

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