

# AS MERKO EHITUS GROUP

## Consolidated interim report 6M 2007

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Primary activity: General contracting in construction sector  
Auditor: AS PricewaterhouseCoopers  
Beginning of financial year: 01.01.2007  
End of financial year: 31.12.2007

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## MANAGEMENT REPORT

### General information

Merko Ehitus is a leading building corporation offering integral solutions since 1990, with branches currently in Estonia, Latvia and Lithuania. Largest companies of the Group are SIA Merks (100%), UAB Merko Statyba (100%), Tallinna Teede AS (100%), AS Gustaf (75%), OÜ Gustaf Tallinn (80%), AS Merko Tartu (66%), OÜ Woody (100%) and AS Tartu Maja Betoontooted (25%).

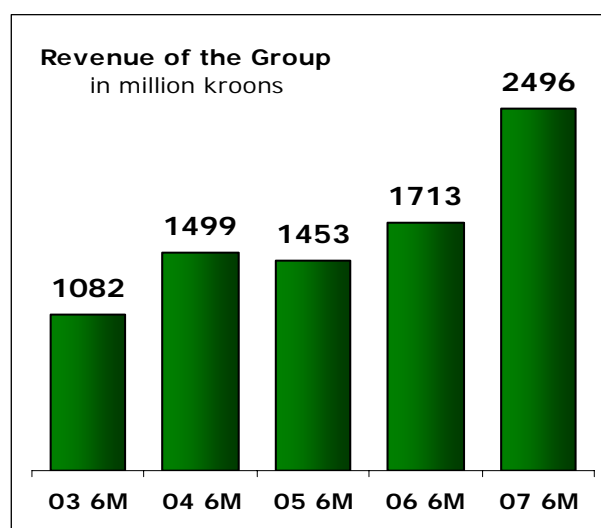
On April 5 2007 AS Merko Ehitus acquired 75% holding of OÜ Fort Ehitus (Registry Code 10722444). Principal activities of OÜ Fort Ehitus are hydraulic engineering and pile works. The holding was acquired in order to strengthen competence of the group in the field of pile works and hydraulic engineering construction. ([http://www.baltic.omxgroup.com/market/?pg=news&news\\_id=213583](http://www.baltic.omxgroup.com/market/?pg=news&news_id=213583)).

### Business operations

The sales of Merko Ehitus Group for 6 months in 2007 was 2495.8 million kroons, with a 45.7% rise within a year. The capacity of activities carried out outside Estonia rise from 34.1% to 38.1% of the Group's sales. 61.9% of revenue was earned in Estonia, 23.3% in Latvia and 14.8% in Lithuania. Compared to 6 months in 2006 the sales grew 36.8% in Estonia, 54.6% in Latvia and 77.7% in Lithuania.

In 2<sup>nd</sup> quarter of 2007 the Group's sales was 1480.9 million kroons, which exceeds the numbers of 2006 for the same period by 26.8%, which is 312.8 million kroons more.

The growth of sales was supported by the general growth of the construction market, the construction activities have been facilitated by warm winter and the cyclicity of the realization of housing construction.

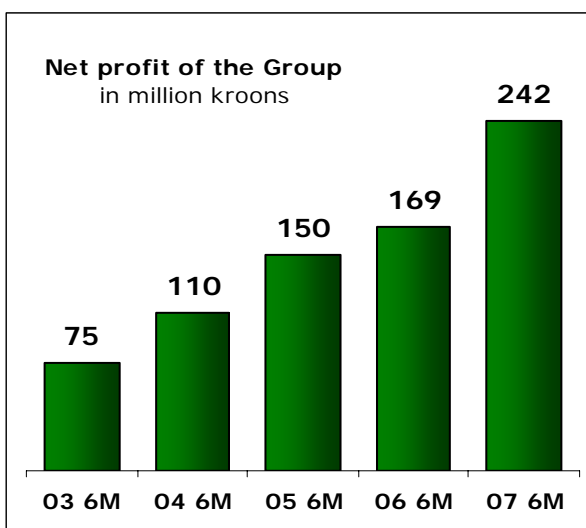


Most important companies of the Group 6M 2007 consolidated revenue (sales outside the Group)

	<i>in thousand kroons and euros</i>			
	2007 6 months		2006 6 months	
	EEK	EUR	EEK	EUR
<b>Estonian companies</b>				
AS Merko Ehitus (parent company)	1 020 003	65 190	885 811	56 614
AS Gustaf (75% partnership)	70 117	4 481	44 629	2 852
OÜ Gustaf Tallinn (80% partnership)	65 958	4 215	60 126	3 843
AS Merko Tartu (66% partnership)	111 607	7 133	86 743	5 544
Tallinna Teede AS (100% partnership)	118 159	7 552	72 333	4 623
OÜ Woody (100% partnership)	182 716	11 678	25 558	1 633
<b>Latvian company</b>				
SIA Merks (100% partnership)	507 653	32 445	346 009	22 114
<b>Lithuanian company</b>				
UAB Merko Statyba (100% partnership)	342 945	21 918	190 832	12 196

Within a year the cost of goods sold grew 50.4% and the marketing and general administration costs 27.0% forming respectively 87.8% and 3.8% of the sales. Due to the faster than expected increase of the prices on labour force and materials, the gross profit margin of the Group decreased from 15.0% to 12.2% and the operating profit margin from 10.6% to 8.5% as compared to the six months of the year 2006.

The net profit of the Group for 6M 2007 was 242.0 million kroons, with a yearly growth of 43.2%. Due to the decrease of the gross and operating profit margin, the net profit margin decreased during the reference period from 9.9% to 9.7%. A positive influence to the profitability of the period was expressed by the successful sales of housing and financial income from associated companies.



The net cash flow of the Group of the first half of the year was –481.6 million kroons, including cash flow from operating activities –410.2 million kroons, from investing activities –33.8 million kroons and financing activities –37.6 million kroons. The cash flow from operating activities were mostly influenced by the change in inventories arising from the development activities (-289.5 million kroons) and change in trade receivables related to operating activities (-219.0 million kroons). The negative cash flow of the period was covered with additional loans (net cash flow of the period from loans +117.1 million kroons) and liquid funds of the Group.

### Construction market

The second quarter of the year 2007 did not bring along any significant changes in the construction market, good demand prevailed and the fast increase of the construction volumes and prices continued in the sector. The sector continues to have a complicated situation with the labour force, the tender is limited and the increase of the labour costs is continuing. As compared to the 2<sup>nd</sup> quarter in 2006, construction costs increased by 29.1% in Latvia, 15.2% in Estonia and 13.9% in Lithuania including the respective 47.9% and 26.5% increase in labour costs in Latvia and Estonia.

Stabilization of prices took place in housing market and offer of new apartments increased significantly in the second quarter of the year. As a result of the changes that have taken place in the environment and seasonality of the real estate market, the sales periods of the apartments extended. The increased offer improves significantly the choices of the buyers and sets higher requirements for the developers in terms of the quality of the infrastructure and general quality of the projects, and brings along the differentiation of prices. The developers who have liquid funds have better outlook to managing extended sales periods and poorer financing possibilities.

The outlook of the nearest future of the sector is good. The greatest risk for the further development of the sector is the increase of the prices of the construction services that have lasted for a long time and deterioration of the general interest environment and financing conditions of the real estate sector.

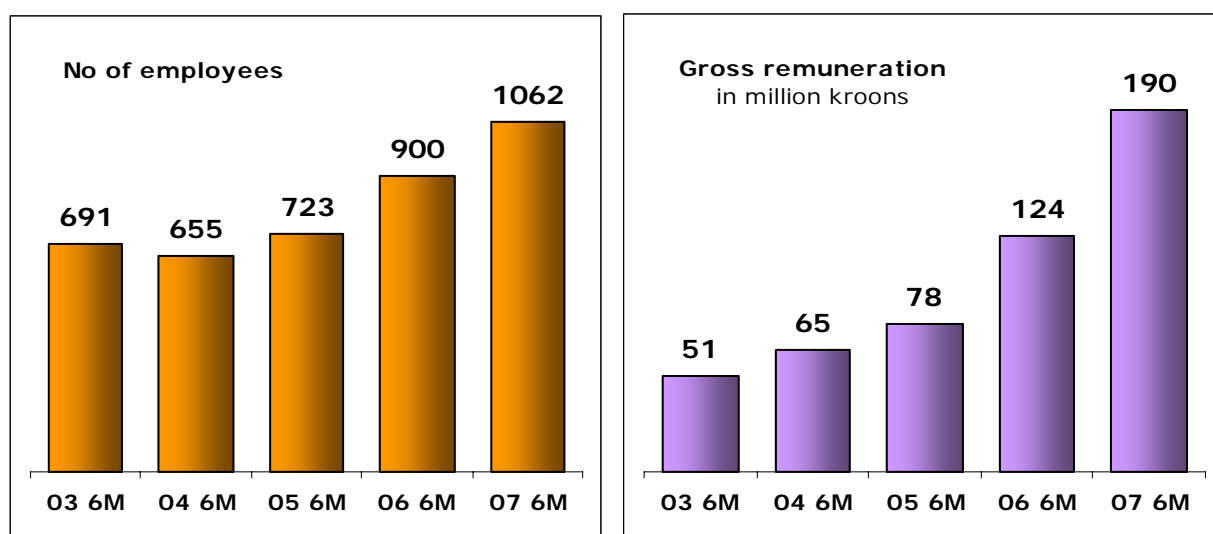
The ratios and calculation methods characterizing the operating activities of the Group

	2007 6 months	2006 6 months
Net profit margin	9,7 %	9,9 %
Operating profit margin	8,5 %	10,6 %
Return on equity per annum	29,3 %	29,6 %
Return on assets per annum	14,2 %	13,4 %
Current ratio	2,1	1,8
Equity ratio	47,7 %	42,0 %
General expenses to sales	3,8 %	4,3 %
Staff costs to sales	10,1 %	8,6 %
Average number of full-time employees	948	831

Net profit margin:  $\text{Net profit}^* / \text{Sales}$   
 Operating profit margin:  $\text{Operating profit} / \text{Sales}$   
 Return on equity:  $\text{Net profit} \times 2^* / \text{Average equity during the period}^*$   
 Return on assets:  $\text{Net profit} \times 2^* / \text{Average assets during the period}$   
 Current ratio:  $\text{Current assets} / \text{Current liabilities}$   
 Equity ratio:  $\text{Owners equity}^* / \text{Total assets}$   
 General expenses to sales:  $\text{General expenses} / \text{Sales}$   
 Staff costs to sales:  $\text{Staff costs} / \text{Sales}$

\* calculated from the share of the parent company's shareholders

In 30.06.2007, the number of employees in the Group's service was 1062, having increased by 95 employees in last quarter, including 1026 full-time employees. The gross remuneration paid to full-time personnel in 6M 2007 amounted to 190.3 million kroons an increase of 53.5% compared to previous year.



## Shares and shareholders

AS Merko Ehitus biggest shareholders as of 30.06.2007

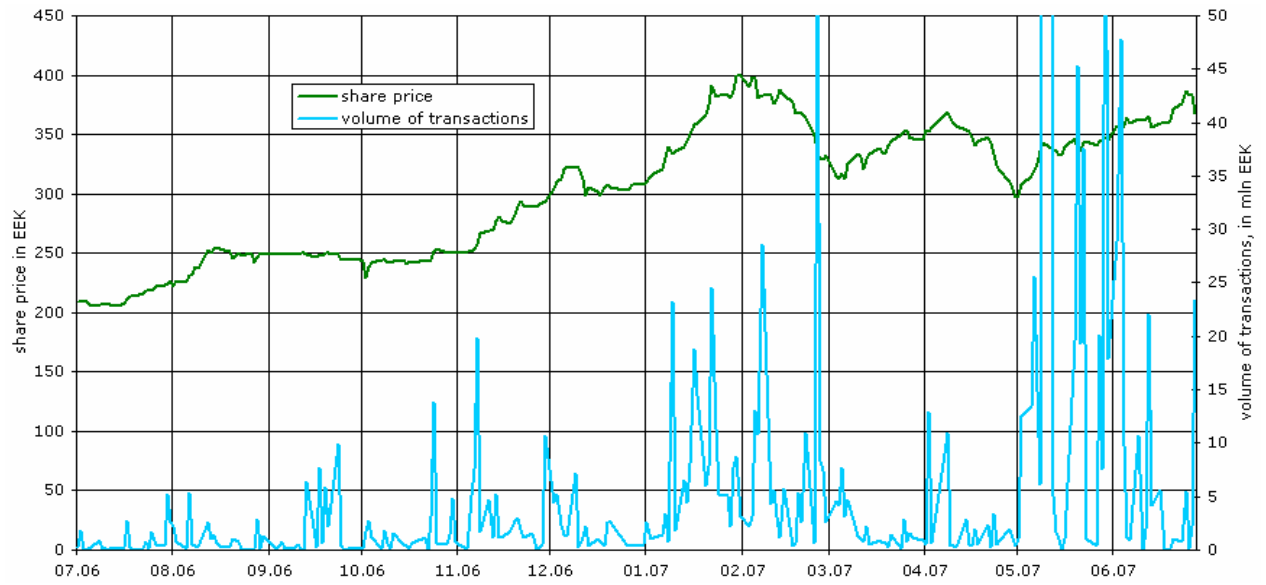
	No. of shares	Ownership
AS Merko Grupp	12 742 686	71,99%
ING Luxembourg S.A., clients	767 500	4,34%
Skandinaviska Enskilda Banken Ab, clients	744 865	4,21%
Nordea Bank Finland Plc, clients	548 001	3,10%
J.P. Morgan Bank Luxembourg S.A., clients	329 800	1,86%
OKO Bank Plc, clients	203 294	1,15%
Bank Austria Creditanstalt AG, clients	195 081	1,10%

Breakdown os shareholders as of 30.06.2007

No. of shares	No. of shareholders	% of shareholders	No. of shares	% of shares
1-100	320	41,45%	15 949	0,09%
101-1000	328	42,49%	129 164	0,73%
1001-10 000	88	11,40%	274 546	1,55%
10 001 – 100 000	22	2,85%	771 830	4,36%
100 001 – 1 000 000	13	1,68%	3 765 825	21,28%
1 000 001 - ...	1	0,13%	12 742 686	71,99%
Total	772	100%	17 700 000	100%

The shares of Merko Ehitus are listed in the main list of Tallinn Stock Exchange. In 2007 6M the number of transactions with Merko Ehitus' shares was 3021, during which 3.9 million shares changed ownership and the turnover of the transactions was 1362.5 million kroons. The cheapest bargain with a share was 289.78 kroons and highest 400.71 kroons per share. The closing share price with a state of 30.06.2007 was 367.70 kroons.

Performance of Merko Ehitus share at Tallinn Stock Exchange (last 12 months)



	30.06.2007	30.06.2006	+/-
No. of shares, thousand pcs	17 700	17 700	
Earnings per share (EPS), in kroons	13,67	9,55	+43,1%
Equity per share, in kroons	96,77	66,77	+44,9%
P/B (share price to equity per share)	3,80	3,06	+24,2%

## INCOME STATEMENT

consolidated, unaudited

	Note	EEK		EUR	
		2007 6 months	2006 6 months	2007 6 months	2006 6 months
Revenue	1,2	2 495 751	1 712 707	159 507	109 462
Cost of goods sold	3	(2 190 123)	(1 455 737)	(139 974)	(93 039)
<b>Gross profit</b>		305 628	256 970	19 533	16 423
Marketing expenses		(12 456)	(11 273)	(796)	(720)
Administrative and general expenses		(81 456)	(62 653)	(5 206)	(4 004)
Other operating income		2 490	12 818	159	819
Other operating expenses		(2 945)	(13 574)	(188)	(868)
<b>Operating profit</b>		211 261	182 288	13 502	11 650
Financial income and expenses		51 453	(297)	3 289	(19)
incl. financial income and expenses					
from stocks of subsidiaries		-	2	-	0
financial income (expenses) from					
investments in associate companies					
and joint ventures		52 775	4 476	3 373	286
financial income and expenses from					
other long-term financial investments		-	6	-	0
interest expense		(6 528)	(5 475)	(417)	(350)
foreign exchange gain		138	(2 895)	9	(185)
other financial income and expenses		5 068	3 589	324	230
<b>Profit before tax</b>		262 714	181 991	16 791	11 631
Corporate income tax expense		(15 079)	(10 780)	(964)	(689)
<b>Net profit for current period</b>		247 635	171 211	15 827	10 942
incl. net profit attributable to equity holders					
of the parent company		242 000	168 961	15 467	10 798
minority interest		5 635	2 250	360	144
Earnings per share for profit attributable to					
the equity holders of the parent company					
(basic and diluted, in EEK and EUR)	4	13,67	9,55	0,87	0,61

**INCOME STATEMENT**

consolidated, unaudited

	EEK		EUR	
	2007 II quarter	2006 II quarter	2007 II quarter	2006 II quarter
Revenue	1 480 887	1 168 131	94 646	74 657
Cost of goods sold	(1 303 771)	(985 730)	(83 326)	(63 000)
<b>Gross profit</b>	177 116	182 401	11 320	11 657
Marketing expenses	(6 851)	(5 139)	(438)	(328)
Administrative and general expenses	(45 845)	(30 184)	(2 930)	(1 929)
Other operating income	387	11 433	25	731
Other operating expenses	(1 907)	(10 335)	(122)	(661)
<b>Operating profit</b>	122 900	148 176	7 855	9 470
Financial income and expenses	47 546	(1 577)	3 038	(101)
incl. financial income and expenses from stocks of subsidiaries	-	2	-	0
financial income (expenses) from investments in associate companies and joint ventures	45 943	1 273	2 936	81
financial income and expenses from other long-term financial investments	-	2	-	0
interest expense	(3 795)	(3 281)	(243)	(210)
foreign exchange gain	3 585	(1 696)	229	(108)
other financial income and expenses	1 813	2 123	116	136
<b>Profit before tax</b>	170 446	146 599	10 893	9 369
Corporate income tax expense	(14 197)	(10 780)	(907)	(689)
<b>Net profit for current period</b>	156 249	135 819	9 986	8 680
incl. net profit attributable to equity holders of the parent company	153 550	134 238	9 814	8 579
minority interest	2 699	1 581	172	101
Earnings per share for profit attributable to the equity holders of the parent company (basic and diluted, in EEK and EUR)	8,68	7,58	0,55	0,48



**BALANCE SHEET**

consolidated, unaudited

	EEK		EUR	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	193 299	676 143	12 354	43 213
Receivables and prepayments				
Accounts receivable	952 474	551 362	60 874	35 238
Prepaid corporate income tax	4 372	6 428	279	411
Other prepayments and refunds of taxes	52 902	32 553	3 381	2 081
Due from customers	157 641	135 408	10 075	8 654
Other short-term receivables	42 007	39 345	2 685	2 515
Prepayments for services	104 979	95 435	6 709	6 099
	<u>1 314 375</u>	<u>860 531</u>	<u>84 003</u>	<u>54 998</u>
Inventories				
Raw materials and materials	4 669	4 579	298	293
Work-in-progress	809 673	567 868	51 748	36 293
Finished goods	42 512	18 121	2 717	1 158
Goods purchased for resale	733 279	723 441	46 865	46 237
Prepayments for inventories	53 193	42 725	3 400	2 731
	<u>1 643 326</u>	<u>1 356 734</u>	<u>105 028</u>	<u>86 712</u>
Non-current assets held for sale				
Machinery and equipment	-	733	-	47
<b>Total current assets</b>	<u>3 151 000</u>	<u>2 894 141</u>	<u>201 385</u>	<u>184 970</u>
<b>Non-current assets</b>				
Long-term financial investments				
Shares in associated companies and joint ventures	249 481	200 798	15 945	12 833
Deferred income tax assets	6 597	6 592	422	421
Long-term receivables	9 823	8 476	628	542
	<u>265 901</u>	<u>215 866</u>	<u>16 995</u>	<u>13 796</u>
Investment property				
Land	7 682	2 134	491	136
Buildings	1 724	1 766	110	113
	<u>9 406</u>	<u>3 900</u>	<u>601</u>	<u>249</u>
Property, plant and equipment				
Land	983	145	63	9
Buildings	16 049	15 246	1 026	975
Right of superficies	347	372	22	24
Machinery and equipment	106 916	51 270	6 833	3 277
Other property, plant and equipment	27 973	22 859	1 788	1 461
Buildings in process and prepayments	736	553	47	35
Prepayments for property, plant and equipment	1 611	-	103	-
	<u>154 615</u>	<u>90 445</u>	<u>9 882</u>	<u>5 781</u>
Intangible assets				
Other intangible assets	2 641	2 662	168	170
Prepayments for intangible assets	9 980	7 515	638	480
	<u>12 621</u>	<u>10 777</u>	<u>806</u>	<u>650</u>
<b>Total non-currents assets</b>	<u>442 543</u>	<u>320 388</u>	<u>28 284</u>	<u>20 476</u>
<b>TOTAL ASSETS</b>	<u>3 593 543</u>	<u>3 214 529</u>	<u>229 669</u>	<u>205 446</u>

	EEK		EUR	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Borrowings				
Short-term loans and bonds	273 932	275 425	17 507	17 603
Long-term loans payable in the following period	11 288	8 367	721	535
	<u>285 220</u>	<u>283 792</u>	<u>18 229</u>	<u>18 138</u>
Trade payables				
Payables to suppliers	594 414	464 199	37 990	29 668
Payables to employees	64 399	64 218	4 116	4 104
Company income tax liability	5 256	18 868	336	1 206
Other tax liabilities	43 364	41 866	2 771	2 676
Due to customers	216 634	276 940	13 845	17 700
Other payables	1 472	27 290	94	1 744
Received prepayments	225 768	206 883	14 429	13 222
	<u>1 151 307</u>	<u>1 100 264</u>	<u>73 581</u>	<u>70 320</u>
Government grants	1 501	1 498	96	96
Current provisions	77 225	33 517	4 936	2 142
<b>Total current liabilities</b>	<u>1 515 253</u>	<u>1 419 071</u>	<u>96 842</u>	<u>90 696</u>
<b>Non-current liabilities</b>				
Loans, bonds and finance lease liabilities	281 588	159 336	17 997	10 183
Long-term payables to suppliers	9 318	10 351	596	662
Long-term customer prepayments	49 903	12 925	3 189	826
<b>Total non-current liabilities</b>	<u>340 809</u>	<u>182 612</u>	<u>21 782</u>	<u>11 671</u>
<b>Total liabilities</b>	<u>1 856 062</u>	<u>1 601 683</u>	<u>118 624</u>	<u>102 367</u>
<b>Equity</b>				
Minority interests	24 713	18 904	1 579	1 208
Equity attributable to equity holders of the parent company				
Share capital	177 000	177 000	11 312	11 312
Statutory reserve capital	17 700	17 700	1 131	1 131
Currency translation adjustment	(5 025)	(5 751)	(321)	(368)
Retained earnings	1 523 093	1 404 993	97 344	89 796
	<u>1 712 768</u>	<u>1 593 942</u>	<u>109 466</u>	<u>101 871</u>
<b>Total equity</b>	<u>1 737 481</u>	<u>1 612 846</u>	<u>111 045</u>	<u>103 079</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>3 593 543</u>	<u>3 214 529</u>	<u>229 669</u>	<u>205 446</u>

## STATEMENT OF CHANGES IN EQUITY

unaudited

EEK	Equity attributable to equity holders of the parent company				Total	Minority interest	Total
	Share capital	Statutory reserve capital	Currency translation adjustment	Retained earnings			
<b>Balance as at 31.12.2005</b>	177 000	8 850	(5 059)	920 605	1 101 396	10 552	1 111 948
Effect of exchange rate changes	-	-	51	-	51	-	51
Net profit for current period	-	-	-	168 961	168 961	2 250	171 211
Dividends	-	-	-	(88 500)	(88 500)	(3 400)	(91 900)
Transfers to statutory reserve capital	-	8 850	-	(8 850)	-	-	-
<b>Balance as at 30.06.2006</b>	177 000	17 700	(5 008)	992 216	1 181 908	9 402	1 191 310
<b>Balance as at 31.12.2006</b>	177 000	17 700	(5 751)	1 404 993	1 593 942	18 904	1 612 846
Effect of exchange rate changes	-	-	726	-	726	-	726
Net profit for current period	-	-	-	242 000	242 000	5 635	247 635
Dividends	-	-	-	(123 900)	(123 900)	(5 066)	(128 966)
Minority interest investment	-	-	-	-	-	5 240	5 240
<b>Balance as at 30.06.2007</b>	177 000	17 700	(5 025)	1 523 093	1 712 768	24 713	1 737 481

EUR	Equity attributable to equity holders of the parent company				Total	Minority interest	Total
	Share capital	Statutory reserve capital	Currency translation adjustment	Retained earnings			
<b>Balance as at 31.12.2005</b>	11 312	566	(323)	58 837	70 392	674	71 066
Effect of exchange rate changes	-	-	3	-	3	-	3
Net profit for current period	-	-	-	10 799	10 799	144	10 943
Dividends	-	-	-	(5 657)	(5 657)	(217)	(5 874)
Transfers to statutory reserve capital	-	565	-	(565)	-	-	-
<b>Balance as at 30.06.2006</b>	11 312	1 131	(320)	63 414	75 537	601	76 138
<b>Balance as at 31.12.2006</b>	11 312	1 131	(368)	89 796	101 871	1 208	103 079
Effect of exchange rate changes	-	-	47	-	47	-	47
Net profit for current period	-	-	-	15 467	15 467	360	15 827
Dividends	-	-	-	(7 919)	(7 919)	(324)	(8 243)
Minority interest investment	-	-	-	-	-	335	335
<b>Balance as at 30.06.2007</b>	11 312	1 131	(321)	97 344	109 466	1 579	111 045

The share capital of AS Merko Ehitus consists of 17 700 000 common shares with a nominal value of EEK 10 i.e. EUR 0.64.

**CASH FLOW STATEMENT**

consolidated, unaudited

	EEK		EUR	
	2007 6 months	2006 6 months	2007 6 months	2006 6 months
<b>Cash flows from operating activities</b>				
Operating profit	211 261	182 288	13 502	11 650
Adjustments:				
depreciation and impairment charge	11 261	13 171	720	842
(profit) loss from sale of non-current assets	(248)	(174)	(16)	(11)
adjustments of revenue from construction contracts under stage of completion method	(82 551)	70 208	(5 276)	4 487
interest income from business activities	(1 378)	(1 274)	(88)	(81)
change in government grants and other provisions	19 094	(17 938)	1 220	(1 146)
Change in trade and other receivables related to operating activities	(219 047)	(95 725)	(13 999)	(6 118)
Change in inventories	(289 531)	(192 550)	(18 504)	(12 306)
Change in trade and other payables related to operating activities	(20 057)	171 612	(1 282)	10 968
Interests paid	(9 277)	(7 269)	(593)	(465)
Other financial expenses (income)	(7)	4	(0)	0
Corporate income tax paid	(29 775)	(38 999)	(1 903)	(2 493)
	<u>(410 255)</u>	<u>83 354</u>	<u>(26 219)</u>	<u>5 327</u>
<b>Cash flows from investing activities</b>				
Investments into subsidiaries	(14 615)	(3 029)	(934)	(194)
Proceeds from sale of subsidiaries	6 890	(1)	440	(0)
Investments into associates and joint ventures	(3 351)	(3 771)	(214)	(241)
Proceeds from sale of associates and joint ventures	-	1 847	-	118
Proceeds from sale of other financial assets	-	3 004	-	192
Purchase of investment property	(750)	-	(48)	-
Purchase of property, plant and equipment	(26 795)	(63 342)	(1 713)	(4 048)
Proceeds from sale of property, plant and equipment	1 425	574	91	37
Purchase of intangible assets	(3 141)	(3 129)	(201)	(200)
Loans granted	(141 547)	(223 158)	(9 047)	(14 262)
Loan repayments received	134 612	236 487	8 603	15 114
Interest received	9 119	3 277	583	209
Dividends received	4 380	3 000	280	192
	<u>(33 773)</u>	<u>(48 241)</u>	<u>(2 160)</u>	<u>(3 083)</u>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	320 459	172 072	20 481	10 997
Repayments of borrowings	(223 359)	-	(14 275)	-
Finance lease principal payments	(5 697)	(3 319)	(364)	(212)
Dividends paid	(128 965)	(91 900)	(8 242)	(5 873)
	<u>(37 562)</u>	<u>76 853</u>	<u>(2 400)</u>	<u>4 912</u>
<b>Change in cash and cash equivalents</b>	(481 590)	111 966	(30 779)	7 156
Cash and cash equivalent at beginning of period	676 143	268 446	43 213	17 157
Exchange gains/(losses) on cash and cash equivalents	(1 254)	(2 891)	(80)	(185)
<b>Cash and cash equivalent at end of period</b>	<u>193 299</u>	<u>377 521</u>	<u>12 354</u>	<u>24 128</u>

**NOTES****Note 1 Business and geographical segments****Business segments**

<b>2007 6 months</b>	<b>Construc- tion</b>	<b>Road construction</b>	<b>Concrete elements</b>	<b>Group</b>
Consolidated revenue	2 377 497	118 254	-	2 495 751
Inter-segmental revenue	-	37 388	-	37 388
Segment revenue	2 377 497	155 642	-	2 533 139
Segment operating profit	197 885	13 376	-	211 261
Financial income/expenses				51 453
incl. profit/loss from associates and joint ventures	41 349	-	11 426	52 775
Profit before tax				262 714
Corporate income tax				(15 079)
Net profit of the Group				247 635
incl. attributable to equity owners of the parent company				242 000
minority interest				5 635
Segment assets	3 074 463	195 906	-	3 270 369
Associates and joint ventures	201 876	-	47 605	249 481
Unallocated assets				73 693
Total consolidated assets				3 593 543
Segment liabilities	1 171 171	69 463	-	1 240 634
Unallocated liabilities				615 428
Total consolidated liabilities				1 856 062
Purchase of investment property	750	-	-	750
Purchase of property, plant and equipment and intangible assets	27 107	4 310	-	31 417
Depreciation and impairment	6 505	4 756	-	11 261
<b>2006 6 months</b>	<b>Construc- tion</b>	<b>Road construction</b>	<b>Concrete elements</b>	<b>Group</b>
Consolidated revenue	1 640 373	72 334	-	1 712 707
Inter-segmental revenue	1 303	54 880	-	56 183
Segment revenue	1 641 676	127 214	-	1 768 890
Segment operating profit	165 530	16 758	-	182 288
Financial income/expenses				(297)
incl. profit/loss from associates and joint ventures	610	-	3 866	4 476
Profit before tax				181 991
Corporate income tax				(10 780)
Net profit of the Group				171 211
incl. attributable to equity owners of the parent company				168 961
minority interest				2 250
Segment assets	2 374 858	181 010	-	2 555 868
Associates and joint ventures	156 386	-	26 168	182 554
Unallocated assets				77 609
Total consolidated assets				2 816 031
Segment liabilities	1 033 256	77 320	-	1 110 576
Unallocated liabilities				514 145
Total consolidated liabilities				1 624 721
Purchase of property, plant and equipment and intangible assets	64 829	1 642	-	66 471
Depreciation and impairment	9 062	4 109	-	13 171

Costs, assets and liabilities that cannot be related to a specific asset or it is not practical to do so are considered as unallocated.

## Geographical segments

	Revenue		Total assets		Purchase of property, plant and equipment and intangible assets	
	2007 6 months	2006 6 months	30.06.2007	30.06.2006	2007 6 months	2006 6 months
Estonia	1 545 102	1 129 066	1 825 275	1 332 044	23 662	7 620
Latvia	580 356	375 281	1 385 713	1 226 300	7 708	58 543
Lithuania	370 293	208 360	382 555	257 687	47	308
<b>Total</b>	<b>2 495 751</b>	<b>1 712 707</b>	<b>3 593 543</b>	<b>2 816 031</b>	<b>31 417</b>	<b>66 471</b>

Revenue is based on the country in which the customer is located; the assets are reported basing on the geographic location of the assets.

## Note 2 Revenue

	2007 6 months	2006 6 months
Rendering of services	2 053 540	1 426 953
Sale of real estate and real estate development projects	440 909	253 194
Rental income	831	32 169
Sale of goods	471	391
<b>Total revenue</b>	<b>2 495 751</b>	<b>1 712 707</b>

## Note 3 Cost of goods sold

	2007 6 months	2006 6 months
Materials	191 612	166 543
Construction services	1 491 566	986 976
Properties purchased for resale	166 227	55 096
Staff costs	191 037	102 036
Depreciation and impairment charge	7 670	10 583
Design	47 947	29 406
Construction mechanisms and transport	41 843	41 869
Other expenses	52 221	63 228
<b>Total cost of goods sold</b>	<b>2 190 123</b>	<b>1 455 737</b>

## Note 4 Earnings per share

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

	2007 6 months	2006 6 months
Net profit attributable to shareholders (in thousand of kroons)	242 000	168 961
Weighted average number of ordinary shares (thousand pcs)	17 700	17 700
<b>Earnings per share</b> (in kroons)	<b>13,67</b>	<b>9,55</b>

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

## MANAGEMENT DECLARATION

The Management Board of Merko Ehitus has prepared the consolidated 6M interim report 2007 as presented on pages 3 to 14.

The Management Board confirms to the best of its knowledge:

- the accounting methods used for preparing the interim financial statements are in compliance with International Financial Reporting Standards as adopted by the European Union;
- the interim financial statements give a true and fair view of the financial position, the results of operations and the cash flows of the Group;
- the parent company and all Group companies are going concerns.

The consolidated financial statements income statement, balance sheet, statement of changes in equity and cash flow statement of the Merko Ehitus Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Company applies the same accounting policies in its interim financial statements as applied in its annual financial statement of 2006.

Tõnu Toomik	Chairman of the Board		21.08.2007
Alar Lagus	Member of the Board		21.08.2007
Veljo Viitmann	Member of the Board		21.08.2007
Andres Agukas	Member of the Board		21.08.2007
Tõnu Korts	Member of the Board		21.08.2007