

AS MERKO EHITUS GROUP

Consolidated interim report 3M 2009

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MANAGEMENT REPORT

General information

AS Merko Ehitus operates in Estonia, Latvia and Lithuania as a construction group providing integrated construction solutions. 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%).

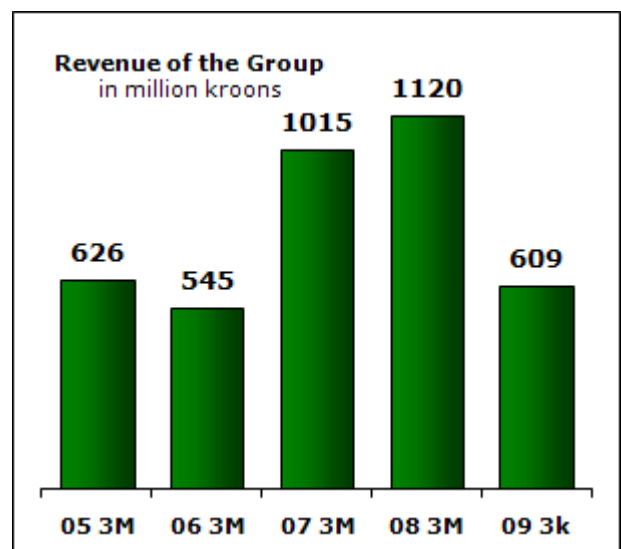
At 3 April 2009, a suspicion was elaborated which was earlier submitted against AS Merko Ehitus in relation to the giving of a bribe to Ivo Parbus. While the suspicion submitted at 17 December 2008 stated that the bribe was given for the purpose of accelerating the proceedings with the plans of seven properties, then according to the elaboration of 3 April, the number of properties decreased to three. Concerning the plans for the remaining four properties, a suspicion on the same bribe object was submitted against OÜ Woody, OÜ Metsailu and OÜ Constancia that are subsidiaries of AS Merko Ehitus. In addition to Estravel's gift coupon of EEK 25 thousand, the suspected bribe of AS Merko Ehitus also includes book "Eesti Talurahva Arhitektuur" costing EEK 410. The suspicion submitted against the subsidiaries mentions Estravel's gift coupon of EEK 25 thousand, a book costing EEK 410 and Estravel's gift coupon of EEK 15 thousand as the bribe. The suspects consider the suspicions to be unfounded (http://www.nasdaqomxbaltic.com/market/?pg=news&news_id=232461).

At its 16 April 2009 session, the Government of the Republic of Estonia approved the tender submitted by Tallinna Teede AS (100% subsidiary of AS Merko Ehitus) as the winning tender in the privatisation auction of the 100% holding in the state-owned company AS Vooremaa Teed. The acquisition of AS Vooremaa Teed will significantly improve the group's presence in the road construction and maintenance sector and will create new opportunities for the further development of the field.

Operating results

Group's revenue for the 2009 3 months was EEK 609.2 million, which constitutes an annual decrease of 45.6%. 73.5% of the sales originated from Estonia, 23.5% from Latvia and 3.0% from Lithuania. As compared to with the 2008 3 months, company's sales decreased in Lithuania by 91.1%, in Latvia by 52.1% and in Estonia by 27.5%.

As at 31 March 2009, the group's backlog of construction contracts in progress amounted to EEK 2886 million.

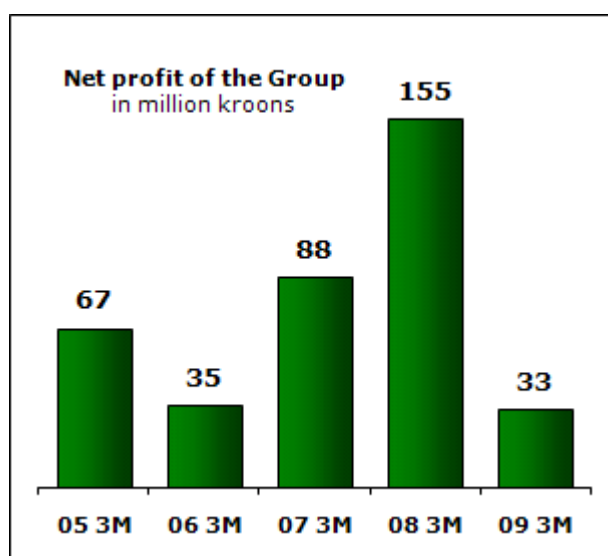


The consolidated revenue of the Group's most important companies

<i>in thousand EEK and EUR</i>				
	3 months 2009		3 months 2008	
	EEK	EUR	EEK	EUR
Estonian companies				
AS Merko Ehitus (parent company)	358 256	22 897	458 331	29 293
AS Gustaf (75% partnership)	12 732	814	44 746	2 860
OÜ Gustaf Tallinn (80% partnership)	17 048	1 090	40 188	2 568
AS Merko Tartu (66% partnership)	36 657	2 343	39 940	2 553
Tallinna Teede AS (100% partnership)	19 397	1 240	33 244	2 125
OÜ Woody (100% partnership)	4 096	262	16 805	1 074
Latvian company				
SIA Merks (100% partnership)	143 192	9 152	287 354	18 365
Lithuanian company				
UAB Merko Statyba (100% partnership)	17 070	1 091	195 203	12 476

In one year, the Group's cost of goods sold decreased by 40.9% and marketing and general administrative expenses by 23.1%. The economizing measures taken to reduce costs helped to decrease marketing and administrative expenses, with the EEK 4.7 million decrease in labour costs, EEK 2.6 million decrease in consultation and legal aid and EEK 1.4 million decrease in advertising and sponsoring being the most significant factors. Despite the vigorous measures, the group's cost-cutting rate failed to keep up with the fall in revenue – thus, the cost of goods sold in the period increased to 85.8% and marketing and administrative costs to 7.2%.

The Group's profit before taxes for 3 months 2009 amounted to EEK 36.9 million, having decreased by EEK 139.2 million compared to 2008 3 months and net profit amounted to EEK 32.7 million, having decreased by EEK 122.2 million or 78.9% correspondingly. The slump in profit was influenced both by the decreased profitability of the construction and development fields and the general fall in construction volumes. The seasonality of the construction business and the cyclic nature of development activities did not have a significant influence on the results of the quarter.



In Q1 2009, the Group sold 70 apartments in total cost of EEK 87.4 million (without VAT). As at 31.03.2009 Group held in inventories unsold 344 completed apartments in total cost EEK 422.1 million and 444 apartments in the construction stage, of which construction progress was frozen for 433 apartments until a recovery in demand. Group's revenue from development activities for Q1 2009 amounted to EEK 100.4 million, having decreased by EEK 314.9 million compared to Q1 2008.

In 3 months 2009 Group's total cash flows amounted to EEK -261.6 million, of which the cash flows from operating activities totalled EEK +4.5 million, from investment activities EEK -199.5 million and from financing activities EEK -66.6 million. The cash flows from operating activities of the reporting period were mostly affected by change in liabilities and prepayments related to operating activities EEK -170,4 million, change in receivables and prepayments related to operating activities EEK +107.3 million, change in inventories EEK +54.7 million and operating profit EEK +41,2 million. From investment activities cash flows EEK -170.9 million constituted from pecuniary means applied to deposits, EEK -32.9 million from balance of granted/received loans and EEK +6.4 million from received interests.

As at 31 March 2009, the Group has EEK 688.1 million of funds on the Group's bank accounts and deposits.

The ratios and methodology for calculating the financial ratios describing the Group's main operations:

	3 months 2009	3 months 2008
Net profit margin	5,4 %	13,8 %
EBT margin	6,1 %	15,7%
Operating profit margin	6,8 %	15,9 %
Return on equity per annum	6,3 %	29,6 %
Return on assets per annum	3,5 %	15,8 %
Current ratio	3,1	2,7
Equity ratio	57,7 %	55,5 %
General expense ratio	7,2 %	5,1 %
Gross remuneration ratio	12,0 %	9,3 %

Net profit margin: Net profit* / Revenue

EBT margin: Profit before tax / Revenue

Operating profit margin: Operating profit / Revenue

Return on equity: Net profit x 4* / Average equity during the period*

Return on assets: Net profit x 4* / Average assets during the period

Current ratio: Current assets / Current liabilities

Equity ratio: Owners equity* / Total assets

General expense ratio: General expenses / Revenue

Gross remuneration ratio: Gross remuneration / Revenue

*attributable to equity owners of the parent

Construction market

Unfortunately, the first quarter did not bring any positive news for the construction sector. The deterioration of the economy continued; construction volumes still decreased and profitability fell. Compared to Q1 2008, the economy shrank by 18.0% in Latvia, by 15.6% in Estonia and by 12.6% in Lithuania; and the outlook for improvement in 2009 remains bleak.

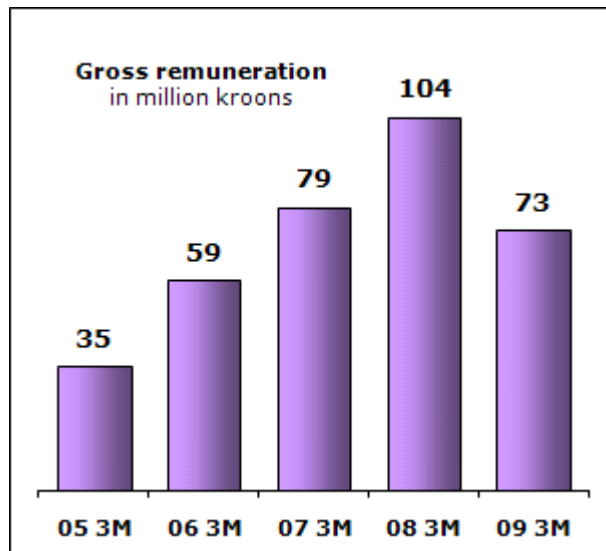
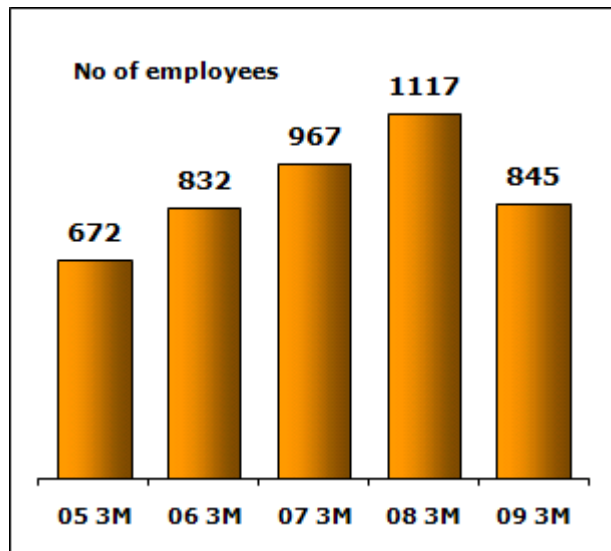
Tougher financing conditions and negative forecasts have resulted in zero investment activity in the region. Most of the expansion plans have been postponed indefinitely and the private sector focuses on cost and cash-flow management. The decreased consumption and income have significantly damaged the public sector's revenue base and its capacity for launching new projects. The infrastructure and environmental projects financed by the public sector and the EU's structural funds may turn out to be the positive exception, as all three Baltic countries have set the execution of these projects as a priority and most of these projects will require construction contracting.

As a result of the decreased volumes and increased competition, construction prices continued to fall, slumping to the levels in year 2005. For the first time, the fall in construction prices was also reflected in the construction price indexes calculated by statistical offices. Thus, compared to Q1 2008, construction prices fell by 4.7% in Estonia, by 4.2% in Lithuania and by 3.5% in Latvia, whereas workforce figures fell by 10.8% in Estonia and 13.0% in Latvia. In the fulfilment of new construction contracting jobs, breaking even can be considered a very good result. In order to secure new orders, tenders are often prepared using prices that are lower than the direct costs, in the hope that the prices of inputs continue to fall and that profit can be made on the additional works later. Such behaviour is certainly not sustainable and means heightened business risks for the tenderer, execution risks for the clients and credit risks for the potential suppliers.

Due to the unattractive credit conditions and the buyers' lack of confidence, the residential properties market is practically dead. Due to zero demand, prices have fallen from the highest level down to 40-50% and the selling period of real estate is considerably longer. In spite of the very favourable construction prices, it would be impossible to execute development projects at a profit in the current economic environment. The limited availability of funds and lack of property developers with positive visions do in no way create the conditions for rapid improvement; therefore, no new projects are expected to be launched in the near future. The main challenge for the development sector will be to handle the financial liabilities and liquidity problems.

Employees and remuneration

In 31.03.2009, the number of employees in the Group's service was 845, including 822 full-time employees. The Group reduced the number of its personnel by 24.4% or 252 employees in a year. The gross remuneration paid to employees in 3 months 2009 amounted to EEK 72.8 million a decrease of 30,1% compared to previous year. The smaller amount of performance pay, due to the fall in the group's profitability, and the reduced staff levels also contributed to the fall in the group's labour costs.



Shares and shareholders

The main shareholders of AS Merko Ehitus as at 31.03.2009

	Number of shares	Proportion
AS Riverito	12 742 686	71,99%
Skandinaviska Enskilda Banken Ab, clients	1 240 313	7,01%
ING Luxembourg S.A., clients	963 376	5,44%
The Bank of New York/ING Bank Slaksi A/C ING Parasol	189 683	1,07%
Mellon Treaty Omnibus	184 065	1,04%

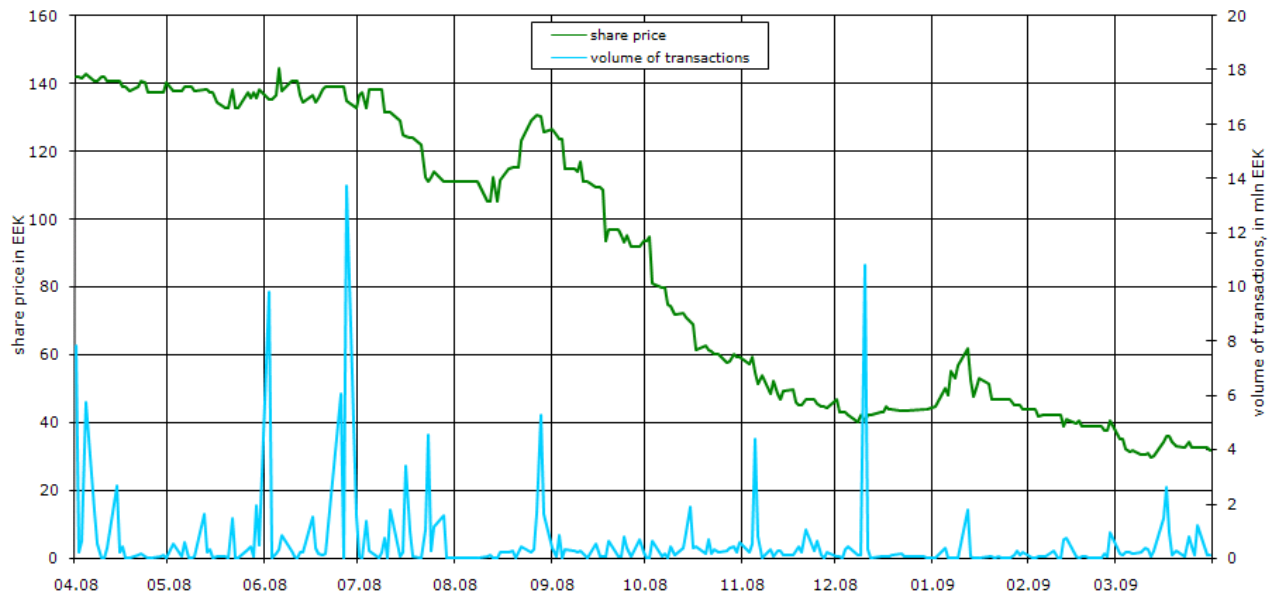
Structure of shareholders as at 31.03.2009

No. of shares	No. of shareholders	% of shareholders	No. of shares	% of shares
1-100	328	33,75%	17 283	0,10%
101-1000	449	46,19%	196 176	1,11%
1001-10 000	154	15,84%	448 556	2,53%
10 001 – 100 000	32	3,29%	1 217 382	6,88%
100 001 – 1 000 000	7	0,72%	1 837 604	10,38%
1 000 001 - ...	2	0,21%	13 982 999	79,00%
Total	972	100%	17 700 000	100%

The shares of Merko Ehitus are listed in the main list of NASDAQ OMX Tallinn Stock Exchange. In 2009 first 3 months 659 transactions with the shares of Merko Ehitus were performed in the course of which 0.4 million shares were traded and the total monetary value of transactions was EEK 16.4 million. The lowest share price was EEK 28.95 and the highest price was EEK 61.80 per share. The closing share price as at 31.03.2009 was EEK 31.76.

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

The diagram reflects the share price of AS Järvevana, the legal predecessor of AS Merko Ehitus, until 1 Aug 2008.



	31.03.2009	31.03.2008	+/-
No. of shares, thousand pcs	17 700	17 700	
Earnings per share (EPS), in kroons	1,85	8,75	-78,9%
Equity per share, in kroons	119,02	122,58	-2,9%
P/B (share price to equity per share)	0,27	1,16	-77,0%

STATEMENT OF COMPREHENSIVE INCOME
consolidated, unaudited

	Note	EEK		EUR	
		2009 3 months	2008 3 months	2009 3 months	2008 3 months
Revenue	1,2	609 191	1 119 572	38 934	71 554
Cost of goods sold	3	(522 383)	(884 377)	(33 386)	(56 522)
Gross profit		86 808	235 195	5 548	15 032
Marketing expenses		(7 050)	(7 888)	(451)	(504)
Administrative and general expenses		(37 009)	(49 373)	(2 365)	(3 156)
Other operating income		1 910	1 704	122	109
Other operating expenses		(3 430)	(1 738)	(219)	(111)
Operating profit		41 229	177 900	2 635	11 370
Financial income and expenses		(4 325)	(1 762)	(276)	(113)
investments into associate companies and joint ventures		(3 323)	2 280	(213)	145
interest expense		(7 839)	(5 584)	(501)	(357)
foreign exchange gain		170	(1 692)	11	(108)
other financial income and expenses		6 667	3 234	427	207
Profit before tax		36 904	176 138	2 359	11 257
Corporate income tax expense		(4 653)	(20 138)	(297)	(1 287)
Net profit for current period		32 251	156 000	2 062	9 970
incl. equity holders of the parent		32 726	154 881	2 092	9 898
minority interest		(475)	1 119	(30)	72
Other comprehensive income					
Exchange differences on translating foreign subsidiaries		(1 006)	(891)	(64)	(57)
Comprehensive income		31 245	155 109	1 998	9 913
incl. equity holders of the parent		31 720	153 990	2 028	9 841
minority interest		(475)	1 119	(30)	72
Earnings per share for profit attributable to the equity holders of the parent (basic and diluted, in EEK and EUR)	4	1,85	8,75	0,12	0,56

STATEMENT OF FINANCIAL POSITION

consolidated, unaudited

		EEK		EUR	
	note	31.03.2009	31.12.2008	31.03.2009	31.12.2008
ASSETS					
Current assets					
Cash and cash equivalents	5	254 371	515 191	16 257	32 927
Short-term deposits	6	433 707	262 759	27 719	16 793
Trade and other receivables	7	717 976	780 665	45 887	49 894
Prepaid corporate income tax		9 819	3 875	628	247
Inventories	8	1 763 610	1 817 486	112 714	116 158
Assets held for sale		-	173	-	11
Total current assets		3 179 483	3 380 149	203 205	216 030
Non-current assets					
Long-term financial investments	9	233 128	235 810	14 900	15 071
Deferred income tax assets		22 729	24 226	1 453	1 548
Investment property	10	12 581	12 002	804	767
Property, plant and equipment	11	193 992	197 094	12 398	12 597
Intangible assets	12	11 820	11 807	755	755
Total non-current assets		474 250	480 939	30 310	30 738
TOTAL ASSETS		3 653 733	3 861 088	233 515	246 768
LIABILITIES AND EQUITY					
Current liabilities					
Borrowings	13	184 458	206 657	11 789	13 208
Trade and other payables	14	788 824	963 631	50 413	61 588
Corporate income tax liability		11 876	8 699	759	556
Short-term provisions	15	33 058	32 317	2 113	2 065
Total current liabilities		1 018 216	1 211 304	65 074	77 417
Non-current liabilities					
Long-term borrowings	13	486 356	531 396	31 084	33 962
Other long-term trade payables	16	11 052	8 824	707	564
Total non-current liabilities		497 408	540 220	31 791	34 526
Total liabilities		1 515 624	1 751 524	96 865	111 943
Equity					
Minority interests		31 458	34 633	2 010	2 213
Equity attributable to equity holders of the parent					
Share capital		177 000	177 000	11 312	11 312
Statutory reserve capital		17 700	17 700	1 131	1 131
Currency translation adjustment		(13 556)	(12 550)	(866)	(802)
Retained earnings		1 925 507	1 892 781	123 063	120 971
		2 106 651	2 074 931	134 640	132 612
Total equity		2 138 109	2 109 564	136 650	134 825
TOTAL LIABILITIES AND EQUITY		3 653 733	3 861 088	233 515	246 768

STATEMENT OF CHANGES IN EQUITY

unaudited

EEK	Equity attributable to equity holders of the parent				Total	Minority interest	Total
	Share capital	Statutory reserve capital	Currency translation adjustment	Retained earnings			
Balance as at 31.12.2007	177 000	17 700	(5 085)	1 826 142	2 015 757	33 939	2 049 696
Comprehensive income	-	-	(891)	154 881	153 990	1 119	155 109
Balance as at 31.03.2008	177 000	17 700	(5 976)	1 981 023	2 169 747	35 058	2 204 805
Balance as at 31.12.2008	177 000	17 700	(12 550)	1 892 781	2 074 931	34 633	2 109 564
Comprehensive income	-	-	(1 006)	32 726	31 720	(475)	31 245
Dividends	-	-	-	-	-	(2 700)	(2 700)
Balance as at 31.03.2009	177 000	17 700	(13 556)	1 925 507	2 106 651	31 458	2 138 109

EUR	Equity attributable to equity holders of the parent				Total	Minority interest	Total
	Share capital	Statutory reserve capital	Currency translation adjustment	Retained earnings			
Balance as at 31.12.2007	11 312	1 131	(325)	116 712	128 830	2 169	130 999
Comprehensive income	-	-	(57)	9 898	9 841	72	9 913
Balance as at 31.03.2008	11 312	1 131	(382)	126 610	138 671	2 241	140 912
Balance as at 31.12.2008	11 312	1 131	(802)	120 971	132 612	2 213	134 825
Comprehensive income	-	-	(64)	2 092	2 028	(30)	1 998
Dividends	-	-	-	-	-	(173)	(173)
Balance as at 31.03.2009	11 312	1 131	(866)	123 063	134 640	2 010	136 650

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	
	2009	2008	2009	2008
	3 months	3 months	3 months	3 months
Cash flows from operating activities				
Operating profit	41 229	177 900	2 635	11 370
Adjustments:				
depreciation and impairment charge	6 510	7 024	416	449
(profit) loss from sale of non-current assets	(409)	(327)	(26)	(21)
adjustments of revenue from construction contracts under stage of completion method	(12 309)	113 684	(787)	7 266
interest income from business activities	(574)	(1 028)	(37)	(66)
government grant and change in other provisions	(4 395)	(6 095)	(281)	(390)
Change in trade and other receivables related to operating activities	107 257	162 644	6 854	10 395
Change in inventories	54 741	(13 433)	3 499	(859)
Change in trade and other payables related to operating activities	(170 387)	(154 437)	(10 890)	(9 870)
Interests paid	(11 155)	(8 790)	(713)	(562)
Other financial expenses (income)	(30)	(5)	(2)	0
Corporate income tax paid	(5 974)	(639)	(382)	(41)
	<u>4 504</u>	<u>276 498</u>	<u>286</u>	<u>17 671</u>
Cash flows from investing activities				
Investment into subsidiaries	-	(1 000)	-	(64)
Purchase of other financial assets	(170 948)	-	(10 926)	-
Purchase of investment property	-	(112)	-	(7)
Proceeds from sale of investment property	1 250	-	80	-
Purchase of property, plant and equipment	(3 099)	(3 734)	(198)	(239)
Proceeds from sale of property, plant and equipment	371	867	24	55
Purchase of intangible assets	(670)	(606)	(43)	(39)
Proceeds from sale of intangible assets	134	-	9	-
Loans granted	(53 612)	(9 737)	(3 426)	(622)
Loan repayments received	20 641	-	1 319	-
Interest received	6 439	3 482	412	223
	<u>(199 494)</u>	<u>(10 840)</u>	<u>(12 749)</u>	<u>(693)</u>
Cash flows from financing activities				
Proceeds from borrowings	10 188	28 113	651	1 797
Repayments of borrowings	(72 445)	(137 211)	(4 630)	(8 769)
Finance lease principal payments	(4 323)	(3 903)	(276)	(249)
	<u>(66 580)</u>	<u>(113 001)</u>	<u>(4 255)</u>	<u>(7 221)</u>
Net increase/decrease in cash and cash equivalents	(261 570)	152 657	(16 718)	9 757
Cash and cash equivalent at beginning of period	515 191	205 564	32 927	13 138
Exchange losses on cash and cash equivalents	750	(1 358)	48	(87)
Cash and cash equivalent at end of period	<u>254 371</u>	<u>356 863</u>	<u>16 257</u>	<u>22 808</u>

NOTES

Note 1 Business and geographical segments

in thousand kroons

Business segments

2009 3 months	General construction	Road construction	Concrete elements	Group
Consolidated revenue	590 069	19 122	-	609 191
Inter-segmental revenue	-	5 173	-	5 173
Segment revenue	590 069	24 295	-	614 364
Segment operating profit	44 991	(3 762)	-	41 229
Financial income/expenses				(4 325)
incl. profit/loss from associates and joint ventures	(179)	-	(3 144)	(3 323)
Profit before tax				36 904
Corporate income tax				(4 653)
Net profit of the Group				32 251
incl. attributable to equity owners of the parent				32 726
minority interest				(475)
Segment assets	3 226 999	150 919	-	3 377 918
Associates and joint ventures	152 421	-	50 732	203 153
Unallocated assets				72 662
Total consolidated assets				3 653 733
Segment liabilities	(796 105)	(68 699)	-	(864 804)
Unallocated liabilities				(650 820)
Total consolidated liabilities				(1 515 624)
Purchase of property, plant and equipment and intangible assets	2 164	1 605	-	3 769
Depreciation and impairment	(3 925)	(2 585)	-	(6 510)
2008 3 months	General construction	Road construction	Concrete elements	Group
Consolidated revenue	1 086 328	33 244	-	1 119 572
Inter-segmental revenue	-	101	-	101
Segment revenue	1 086 328	33 345	-	1 119 673
Segment operating profit	175 676	2 224	-	177 900
Financial income/expenses				(1 762)
incl. profit/loss from associates and joint ventures	1 223	-	1 057	2 280
Profit before tax				176 138
Corporate income tax				(20 138)
Net profit of the Group				156 000
incl. attributable to equity owners of the parent				154 881
minority interest				1 119
Segment assets	3 403 766	172 907	-	3 576 673
Associates and joint ventures	217 884	-	58 099	275 983
Unallocated assets				57 779
Total consolidated assets				3 910 435
Segment liabilities	(1 012 166)	(60 008)	-	(1 072 174)
Unallocated liabilities				(633 456)
Total consolidated liabilities				(1 705 630)
Purchase of investment property	112	-	-	112
Purchase of property, plant and equipment and intangible assets	3 853	486	-	4 339
Depreciation and impairment	(4 801)	(2 223)	-	(7 024)

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	
	2009 3 months	2008 3 months
Estonia	447 874	617 618
Latvia	143 192	299 087
Lithuania	18 125	202 867
Total	<u>609 191</u>	<u>1 119 572</u>

	Total assets		Purchase of investment property		Purchase of property, plant and equipment and intangible assets	
	31.03.2009	31.03.2008	2009 3 months	2008 3 months	2009 3 months	2008 3 months
Estonia	1 968 504	1 976 274	-	-	3 745	2 410
Latvia	1 384 624	1 567 214	-	112	24	1 803
Lithuania	300 605	366 947	-	-	-	126
Total	<u>3 653 733</u>	<u>3 910 435</u>	<u>-</u>	<u>112</u>	<u>3 769</u>	<u>4 339</u>

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

in thousand kroons

	2009 3 months	2008 3 months
Rendering of services	505 307	703 705
Sale of real estate and real estate development projects	100 418	415 389
Rental income	1 159	236
Sale of goods	2 307	242
Total revenue	<u>609 191</u>	<u>1 119 572</u>

Note 3 Cost of goods sold

in thousand kroons

	2009 3 months	2008 3 months
Construction services	290 064	511 129
Materials	58 942	83 226
Properties purchased for resale	55 818	128 519
Staff costs	62 150	89 210
Construction mechanisms and transport	14 289	21 424
Design	9 044	18 669
Depreciation and impairment charge	4 531	4 567
Other expenses	27 545	27 593
Total cost of goods sold	<u>522 383</u>	<u>884 377</u>

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.

	2009 3 months	2008 3 months
Net profit attributable to shareholders <i>(in thousand kroons)</i>	32 726	154 881
Weighted average number of ordinary shares <i>(thousand pcs)</i>	17 700	17 700
Earnings per share <i>(in kroons)</i>	<u>1,85</u>	<u>8,75</u>

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

Note 5 Cash and cash equivalents

in thousand kroons

	31.03.2009	31.12.2008
Cash on hand	286	346
Bank accounts	81 766	50 691
Overnight deposits	172 319	231 505
Term deposits with maturities of 3 months and less	-	232 649
Total cash and cash equivalents	<u>254 371</u>	<u>515 191</u>

Note 6 Short-term deposits

in thousand kroons

	31.03.2009	31.12.2008
Bank deposits with maturities greater than 3 months	<u>433 707</u>	<u>262 759</u>

Note 7 Trade and other receivables

in thousand kroons

	31.03.2009	31.12.2008
Trade receivables		
accounts receivable	452 911	556 511
allowance for doubtful receivables	(19 650)	(20 085)
	<u>433 261</u>	<u>536 426</u>
Tax prepayments excluding corporate income tax		
value added tax	19 497	37 320
social security tax	6	6
other taxes	454	1 268
	<u>19 957</u>	<u>38 594</u>
Amounts due from customers for contract works	121 602	109 305
Other short-term receivables		
short-term loans	80 481	47 454
interest receivables	8 364	6 940
receivable from sale of subsidiary	7 000	7 000
other short-term receivables	3 508	1 519
	<u>99 353</u>	<u>62 913</u>

Prepayments for services		
prepayments for construction services	32 199	24 127
prepaid insurance	1 364	1 540
other prepaid expenses	10 240	7 760
	<u>43 803</u>	<u>33 427</u>
Total trade and other receivables	<u>717 976</u>	<u>780 665</u>

Note 8 Inventories

in thousand kroons

	31.03.2009	31.12.2008
Raw materials and materials	5 227	5 372
Work-in-progress	555 196	541 134
Finished goods	451 189	522 205
Goods for resale		
registered immovables purchased for resale	714 467	713 803
other goods purchased for resale	11	11
	<u>714 477</u>	<u>713 814</u>
Prepayments for inventories		
prepayments for real estate properties	29 731	33 257
prepayments for other inventories	7 790	1 704
	<u>37 521</u>	<u>34 961</u>
Total inventories	<u>1 763 610</u>	<u>1 817 486</u>

Note 9 Long-term financial assets

in thousand kroons

	31.03.2009	31.12.2008
Investments in associates and joint ventures	203 152	206 761
Long-term loans	22 112	21 163
Long-term bank deposit	2 809	2 259
Long-term receivable from buyer of subsidiary	2 625	2 625
Long-term receivables from customers of construction services	2 430	3 002
Total long-term financial assets	<u>233 128</u>	<u>235 810</u>

Note 10 Investment property

in thousand kroons

	31.03.2009	31.12.2008
Land	2 099	2 103
Buildings at carrying amount		
cost	11 287	10 600
accumulated depreciation	(805)	(701)
	<u>10 482</u>	<u>9 899</u>
Total investment property	<u>12 581</u>	<u>12 002</u>

Note 11 Property, plant and equipment
in thousand kroons

	31.03.2009	31.12.2008
Land	9 697	9 697
Buildings at carrying amount		
cost	26 352	20 008
accumulated depreciation	(5 120)	(4 909)
	<u>21 232</u>	<u>15 099</u>
Right of superficies at carrying amount		
cost	458	458
accumulated depreciation	(106)	(104)
	<u>352</u>	<u>354</u>
Machinery and equipment at carrying amount		
cost	195 127	181 732
accumulated depreciation	(76 441)	(67 761)
	<u>118 685</u>	<u>113 971</u>
Other fixtures at carrying amount		
cost	82 422	97 274
accumulated depreciation	(39 939)	(45 022)
	<u>42 483</u>	<u>52 252</u>
Construction in progress	513	5 539
Prepayments for property, plant and equipment	1 030	182
Total property, plant and equipment	<u>193 992</u>	<u>197 094</u>

Note 12 Intangible assets
in thousand kroons

	31.03.2009	31.12.2008
Software at carrying amount		
cost	17 038	16 377
accumulated depreciation	(6 580)	(5 932)
	<u>10 458</u>	<u>10 445</u>
Prepayments for intangible assets	1 362	1 362
Total intangible assets	<u>11 820</u>	<u>11 807</u>

Note 13 Borrowings
in thousand kroons

	31.03.2009	31.12.2008
Finance lease payables		
Present value of lease payments	50 213	54 541
incl. current portion	15 632	17 198
non-current portion 1...4 years	34 581	37 343
Bank loans		
Loan balance	490 700	553 611
incl. current portion	41 675	62 308
non-current portion 1...5 years	449 025	491 303
Loans from parent		
Loan balance	125 001	125 001
incl. current portion	125 001	125 001
Loans from other companies		
Loan balance	4 900	4 900
incl. current portion	2 150	2 150
non-current portion 1...5 years	2 750	2 750
Total loans		
Loans balance	620 601	683 512
incl. current portion	168 826	189 459
non-current portion 1...5 years	451 775	494 053
Total borrowings		
incl. current portion	184 458	206 657
non-current portion 1...5 years	486 356	531 396

Note 14 Trade and other payables
in thousand kroons

	31.03.2009	31.12.2008
Trade payables	237 152	366 551
Payables to employees	54 999	63 077
Tax liabilities, except for corporate income tax		
value added tax	8 710	28 211
personal income tax	7 142	8 402
social security tax	13 308	17 841
land tax	36	19
unemployment insurance tax	261	297
contributions to mandatory funded pension	478	546
other taxes	284	1 103
	30 219	56 419
Amounts due to customers for contract works	266 731	266 708
Other liabilities		
interest liabilities	1 194	1 176
dividend liabilities	2 700	-
payable for registered immovables from demerger	100 000	100 000
other liabilities	819	3 811
	104 713	104 987
Prepayments received	95 010	105 889
Total trade and other payables	788 824	963 631

Note 15 Short-term provisions*in thousand kroons*

	31.03.2009	31.12.2008
Provision for warranty obligation for construction	19 245	19 916
Provision for onerous construction contracts	3 405	3 525
Provision for potential cancellation of construction projects	2 228	375
Provision for legal costs and claims filed	7 874	7 882
Other provisions	306	619
Total short-term provisions	33 058	32 317

Note 16 Other long-term trade payables*in thousand kroons*

	31.03.2009	31.12.2008
Trade payables	11 042	8 824
Prepayments received	10	-
Total other long-term trade payables	11 052	8 824

Note 17 Related party transactions

In compiling the 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, so-called 'entities controlled by the parent company';
- associates and joint ventures;
- key managers and their close relatives;
- entities sharing key personnel with AS Merko Ehitus.

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

The parent of AS Merko Ehitus is AS Riverito. As at 31.03.2009 and 31.12.2008, AS Riverito owned 72% of the shares of AS Merko Ehitus. The ultimate controlling party of the Group is Mr Toomas Annus.

Goods and services*in thousand kroons*

	2009 3 months	2008 3 months
Purchased construction services		
Associates and joint ventures	1 352	12 891
Entities under joint control	3 103	2 842
Total purchased construction services	4 455	15 733
Rendered construction services		
Associates and joint ventures	2	-
Entities under joint control	15 116	191 810
Other related parties	140	-
Management members	2 944	795
Total construction services rendered	18 202	192 605
Construction materials purchased		
Other related parties	9	31
Real estate sold		
Entities under joint control	-	99 644
Total real estate sold	-	99 644

Balances with the related parties*in thousand kroons*

	31.03.2009	31.12.2008
Trade and other receivables		
Trade receivables		
Associates and joint ventures	48	81
Entities under joint control	89 595	117 065
Management members	4	66
Short-term loans		
Associates and joint ventures	16 600	16 400
Entities under joint control	35 454	4 169
Other related parties	47	-
Interest receivables		
Associates and joint ventures	4 199	3 873
Entities under joint control	3 434	2 505
Other short-term receivables		
Entities under joint control	-	74
Other related parties	1	-
Other long-term loans and receivables		
Long-term loans		
Associates and joint ventures	19 222	18 266
Entities under joint control	2 890	2 896
Other long-term loans and receivables		-
Entities under joint control	1 831	1 831
Borrowings		
Short-term loans and bonds		
Entities under joint control	125 001	125 001
Trade and other payables		
Trade payables		
Associates and joint ventures	1 501	1 045
Entities under joint control	295	478
Other related parties	1	1
Interest liabilities		
Entities under joint control	646	645
Other short-term liabilities		
Entities under joint control	100 000	100 000

Note 18 Contingent liabilities

The Group has purchased the following guarantees in the following maximum amounts from financial institutions to cover Group's maximum exposure to third parties if the Group would not be able to fulfil its contractual obligations. The management believes that the likelihood of additional expenses due to these guarantees is remote.

<i>in thousand kroons</i>	31.03.2009	31.12.2008
Performance period's warranty to the customer	254 926	300 657
Tender warranty	58 805	61 258
Guarantee warranty period	119 837	107 491
Prepayment guarantee	75 168	100 110
Sureties	6 762	6 362
Payment guarantee	2 587	-
Letter of credit	13 832	-
Total contingent liabilities	531 916	575 878

Performance period's warranty to the customer – warranty provider grants to customer that contractor's obligations arising from construction contract will be adequately completed.

Tender warranty – warranty provider grants to customer arranging the tender process that the tenderer will sign a contract as per tender conditions.

Guarantee for warranty period - warranty provider grants to customer that construction defects discovered during the warranty period will be repaired.

Prepayment guarantee - warranty provider grants to customer that advances will be reimbursed, if contractor fails to deliver goods or services agreed.

Payment guarantee – warranty provider grants to customer payment for goods or services.

MANAGEMENT DECLARATION

The Management Board of Merko Ehitus has prepared the consolidated 3 months interim report 2009 as presented on pages 3 to 20.

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 interim financial statements of AS Merko Ehitus for the 3 months period ending 31.03.2009 have been prepared in accordance with IAS 34 "Interim Financial Reporting" for condensed interim financial statements. Company applies the same accounting policies in its interim financial statements as applied in its annual financial statement of 2008.

Tiit Roben	Chairman of the Board		15.05.2009
Alar Lagus	Member of the Board		15.05.2009
Veljo Viitmann	Member of the Board		15.05.2009
Andres Agukas	Member of the Board		15.05.2009