

# FINANTSINSPEKTSIOON

Company AS MERKO EHITUS

Type Company Release

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With the 09.08.2021 stock exchange announcement (<https://view.news.eu.nasdaq.com/view?id=b27f14eea0dadcc5388c582f5ac7a3752d&lang=en>), AS Merko Ehitus disclosed information concerning the decision of the Latvian Competition Council according to which the group's subsidiary SIA Merks is considered one of the nine companies involved in the prohibited cooperation of Latvian construction companies during the period 2015-2019, which means a violation of Section 11(1) of the Latvian Competition Act. Latvian Competition Council does not accuse the companies in the price-fixing. The decision of the Competition Council was largely based on conversation transcripts that were handed over by the Latvian Corruption Prevention and Combating Bureau (KNAB) which conducted wiretapping during surveillance activities. According to the decision of the Latvian Competition Council, a former manager of SIA Merks participated in a meeting of Latvian construction companies on 27.06.2016. According to the decision of the Competition Council of Latvia, a total of 12 such meetings took place, the rest of which were not attended by the representative of SIA Merks.

SIA Merks has not been criminally charged with a cartel in Latvia. Unlike Estonia, possible violations of competition rules are handled in Latvia in administrative proceedings, where the Competition Council is simultaneously both the investigator of the case and the decision-maker. The accused company can challenge the decision in the administrative court, but contrary to criminal proceedings, the burden of proof is reversed, i.e. the company must prove that it is not guilty.

Prior to the decision, the company was able to express its views on the raised accusations in writing once and participate in one meeting of the Latvian Competition Council. SIA Merks and AS Merko Ehitus contested the legality of the Latvian Competition Council's decision in the Latvian District Court due to manifest procedural and substantive mistakes, about which AS Merko Ehitus notified with the 09.13.2021 stock exchange announcement (<https://view.news.eu.nasdaq.com/view?id=b81cdcc6254ddd731f0a9eed6e16f39a0a&lang=en>). Additional comments have been published in interim and annual reports, all



materials have been available in the corresponding subsection (<https://group.merko.ee/en/investors/latvian-competition-council-proceeding/>) of AS Merko Ehitus' website.

Yesterday, on 25 January 2024 the Latvian Administrative Regional Court announced its judgement, which upheld the decision of the Latvian Competition Council.

Merko Ehitus group continues to consider the views of the Latvian Competition Council regarding SIA Merks' business practices to be unfounded in their entirety. The group will thoroughly analyse the conclusions reached in the judgement of the Administrative District Court of Latvia and decide the submission of a cassation appeal to the Supreme Court of Latvia in the near future. AS Merko Ehitus will notify about the cassation through the stock exchange system.

The administrative fine imposed by the Competition Council of 5.4% from SIA Merks's revenue of the financial year of 2020, i.e. 2,688,950.79 euros will not become due and all other possible consequences under Latvian laws will not take effect until the final court ruling enters into force. The consequences under the law mean the prohibition of SIA Merks from participating in public procurement for three years after the judgement comes into force, and the civil lawsuits of the damaged parties. The Competition Council of Latvia did not reproach the companies accused of the cartel about price agreements, respectively we consider it unreasonable to assume the occurrence of damage without concrete evidence.

Merko Ehitus publishes an updated impact assessment in each interim and annual report as reliable information becomes available. The group publishes information on event with a one-time significant impact as stock exchange announcement.

Merko Ehitus group remains committed to promoting and implementing ethical business standards and behaviour, as well as compliance with all applicable laws and regulations governing business practices. Any possible infringement of fair competition is in violation of the operating principles and values of the group.

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AS Merko Ehitus (<https://group.merko.ee/>) group companies develop real estate and construct buildings and infrastructure. We create a better living environment and build the future. We operate in Estonia, Latvia, Lithuania and Norway. As at the end of 2022, the group employed 661 people, and the group's revenue for 2022 was EUR 410 million.

