

DECISIONS OF THE SUPERVISORY BOARD MEETING OF AS MERKO EHITUS AT APRIL 7th 2015

All the members of the Supervisory Board attended the meeting therefore the meeting was capable to exercise will.

I APPROVAL OF THE PROPOSALS OF THE SUPERVISORY BOARD FOR THE AGENDA OF THE ANNUAL GENERAL MEETING TO BE HELD ON 29 APRIL 2015 AND FOR THE DRAFT RESOLUTIONS OF THE ANNUAL GENERAL MEETING

Approve the agenda of the annual general meeting of AS Merko Ehitus, to be held on 29 April 2015, and the proposals of the Supervisory Board for the draft resolutions of the annual general meeting as follows:

1. Approval of the annual report of the year 2014 and overview of the economic results and the prospective of the ongoing year

The Supervisory Board proposes to the shareholders to approve the annual report of the financial year 2014 of AS Merko Ehitus and to consider the Management Board's overview of the economic results and prospective outlooks of the ongoing year.

2. Proposal on distribution of profits

The Supervisory Board proposes to:

- (i) approve the net profit for the year 2014 as EUR 12,416,623;
- (ii) pay the shareholders the total amount of EUR 7,257,000 as dividends from net profit brought forward, which totals to EUR 0.41 per share;

shareholders, entered into the share register of AS Merko Ehitus on May 22nd 2015, at 23.59, will be entitled to dividends;

dividends will be paid to the shareholders on May 26th 2015 by transferring the amount concerned to shareholder's bank account, linked to security account;

- (iii) the outstanding net profit will not be distributed.

3. Proposal on reduction of share capital

Considering the perspectives of the Baltic construction market in the coming years and the related need for capital by Merko Ehitus group, the share capital would be reduced in order to improve the group's capital structure and support return on equity. AS Merko Ehitus lacks the need to possess share capital in the existing amount and the requirements that legislation imposes on share capital will also be fulfilled in the case of the reduced share capital.

Based on the above, the Supervisory Board proposes to:

(i) reduce the share capital of the public limited company by EUR 4,071,000 from the current EUR 12,000,000 to EUR 7,929,000

(ii) share capital will be reduced by way of reducing the book value of the shares by EUR 0.23 from the current EUR 0.677966 to EUR 0.447966;

the number of shares will remain the same – 17,700,000 shares;

(iii) pursuant to the articles of association of Merko Ehitus, the minimum share capital of the company is EUR 6,000,000 and the maximum share capital is EUR 24,000,000;

after the registration of the reduction of share capital in the Commercial Register the new share capital will amount to EUR 7,929,000 which is in line with the company's articles of association consisting of 17,700,000 shares, each with a book value of EUR 0.447966;

(iv) shareholders, entered into the share register of AS Merko Ehitus on May 22nd 2015, at 23.59, will be entitled to the monetary payments from the reduction of share capital;

(v) the monetary payments to the shareholders in the amount of EUR 0.23 per share, related to the reduction of share capital shall be made within the period prescribed by law, i.e. latest within 3 (three) months after the registration of the reduction of share capital in the Commercial Register.

4. Appointment of auditor for the financial years of 2015-2017

The Supervisory Board proposes to appoint AS PricewaterhouseCoopers the auditor of AS Merko Ehitus for the financial years of 2015 through 2017 and to pay to the auditing company for auditing as per contract to be entered into with AS PricewaterhouseCoopers.

II APPROVAL OF THE ACTIVITIES REPORT OF THE SUPERVISORY BOARD

Approve the report on the activities of the Supervisory Board of AS Merko Ehitus in the financial year 2014 (see note 1).

Signatures:

Toomas Annus

Teet Roopalu

Indrek Neivelt

Olari Taal

**REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD OF THE PUBLIC
LIMITED COMPANY MERKO EHITUS IN THE FINANCIAL YEAR 2014**

The Supervisory Board of AS Merko Ehitus (hereinafter the Supervisory Board) has prepared and endorsed the current report, which serves to provide an overview of the activities of the Supervisory Board in managing the group, consisting of AS Merko Ehitus and its subsidiaries, and organising its work, and was drawn up to be submitted at the regular general meeting of shareholders of AS Merko Ehitus (hereinafter the General Meeting).

The current members of the Supervisory Board, Toomas Annus, Teet Roopalu, Indrek Neivelt and Olari Taal were elected at the regular general meeting of shareholders on April 30th 2014. According to article 30 of the Articles of Association of AS Merko Ehitus, the members of Supervisory Board shall be elected for the term of three years.

The Supervisory Board has reviewed the annual report for the year 2014, submitted to the general meeting by the Management Board of AS Merko Ehitus (hereinafter the Management Board), which consists of the financial reports, management report, report by a chartered auditor and proposal for the distribution of profits. **The Supervisory Board has decided to approve the annual report for 2014, prepared by the Management Board.**

The work of the Supervisory Board was organised in 2014 by the Chairman of the Supervisory Board, Mr. Toomas Annus.

The Supervisory Board of AS Merko Ehitus has 4 members of whom, in accordance with the requirements of the Good Corporate Governance Code, two - Indrek Neivelt and Olari Taal - are independent members.

The meetings of the Supervisory Board generally take place once a month, except in summer months. In 2014, the Supervisory Board held 12 regular meetings. No extraordinary Supervisory Board meetings were held. Participation of members of the Supervisory Board at meetings:

NAME	PARTICIPATION IN MEETINGS	PARTICIPATION %
Toomas Annus	12	100%
Teet Roopalu	12	100%
Indrek Neivelt	11	92%
Olari Taal	12	100%

The Supervisory Board has complied with the effective legislation and within the limits of authorisations, granted by the Articles of Association of AS Merko Ehitus, when managing and organising the works of AS Merko Ehitus.

Issues related to the management and activities of AS Merko Ehitus, which are beyond the limits of regular economic activities, have been discussed at the meetings of the Supervisory Board, which have taken place in 2014. According to the Articles of Association of AS Merko Ehitus, the consent of the Supervisory Board is required for concluding transactions, which involve:

- making investments into new markets and segments and making investments, which exceed the amounts, allocated for investment purposes in the budget for the financial year and for every investment, having the value above EUR 3,000,000; or
- commencing and termination of business in other countries, including the establishment or acquisition of trading companies, subsidiaries or permanent places of business and winding them up, closing or transferring of; or
- establishment, transfer or termination of a subsidiary with a share capital or equity above EUR 500,000; or
- acquisition or transfer of minority participation in companies, not involved immediately in the main business; or
- transfer of a registered immovable, of the value of the transaction is above EUR 3,000,000; or
- granting loans to any third parties or securing the commitments of any third parties, except in cases where the loan amount does not exceed EUR 3,000,000; and the entity being granted a loan or whose commitments are secured is the Company's subsidiary or related company; or the loan concerned is granted to fund construction works, conducted by the Company, and the loan is secured with a mortgage, established on the registered immovable, serving as the location of a building, built as the result of construction works, financed with the granted, in the favour of the Company.

According to the best of knowledge of the Supervisory Board, the Management Board has, in line with law and articles of association, submitted all such issues that cannot be regarded as part of daily business of AS Merko Ehitus to the Supervisory Board for approval. At each respective meeting, the Management Board has also provided the Supervisory Board with a report to provide an overview of the business activities, economic situation, company management and actions of the Management Board of AS Merko Ehitus.

The Supervisory Board thanks the management and employees of companies, belonging to AS Merko Ehitus group for their contribution to the development of Merko Ehitus group over the last financial year.

The Supervisory Board thanks the shareholders of AS Merko Ehitus for trust and hopes that its activities have been sufficient to ensure diversified protection of the shareholders' interests.

Signatures:

April 7th 2015

Toomas Annus

Indrek Neivelt

Teet Roopalu

Olari Taal