

DECISIONS OF THE SUPERVISORY BOARD MEETING OF AS MERKO EHITUS AT MAY 7th 2012

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 7 JUNE 2012 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 7 June 2012, 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 2011 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 2011 of AS Merko Ehitus and to consider the Management Board's overview of the economic results and prospective outlooks of the ongoing year.

2. Decide to cover the loss / distribute the profit and increase the statutory reserve capital

Supervisory Board proposes to:

- (i) approve the net loss for the year 2011 as 14,084,939 Euros;
- (ii) cover the net loss for the year of 2011 from the retained earnings of previous periods;
- (iii) not to pay dividends to shareholders;
- (iv) increase the statutory reserve capital by 68,764 Euros out of the retained earnings from previous periods. After the loss from the 2011 financial year has been covered and the statutory reserve capital has been increased, the residue of the retained earnings from previous periods will be 96,610,030 Euros.

3. Amendment of articles of association

The Supervisory Board proposes to the shareholders to amend the Articles of Association of AS Merko Ehitus as follows:

3.1. To amend section 41 of the Articles of Association of AS Merko Ehitus as follows:

“41. The management board of the Company has up to 3 members. If the management board has more than 2 members, the supervisory board shall elect the chairman of the management board.”

3.2. Approve the new version of the articles of association of AS Merko Ehitus with the above amendment.

4. Appointment of auditor for the financial years of 2012-2013

The Supervisory Board proposes to the shareholders to appoint AS PricewaterhouseCoopers the auditor of AS Merko Ehitus for the financial years of 2012 and 2013 and to pay to the auditing company as per contract to be entered into with AS PricewaterhouseCoopers.

The Supervisory Board ascertains that the Supervisory Board is satisfied with the hitherto work of AS PricewaterhouseCoopers and hence makes a proposal to appoint the auditing company AS PricewaterhouseCoopers also for the following period.

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 2011 (see note 1).

Signatures:

**REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD OF THE PUBLIC
LIMITED COMPANY MERKO EHITUS IN THE FINANCIAL YEAR 2011**

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, Tõnu Toomik, Teet Roopalu, Indrek Neivelt and Olari Taal were elected at the regular general meeting of shareholders on June 28th 2011. 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 2011, submitted to the general meeting by the Management Board of AS Merko Ehitus (hereinafter the Management Board), which consists of the book-keeping reports, management report, report by a sworn auditor and proposal for the distribution of profits. **The Supervisory Board has decided to approve the annual report for 2011, prepared by the Management Board.**

The work of the Supervisory Board was organised in 2011 by the Chairman of the Supervisory Board, Mr. Tõnu Toomik.

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 2011. 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 spheres of business 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 3,000,000 Euros; or
- for commencing and winding up 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 winding up of a subsidiary with a share capital or equity above 500,000 Euros; 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 3,000,000 Euros; 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 3,000,000 Euros; 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.

In 2011, the Supervisory Board approved structural changes as a result of which strategic management and the management of manufacturing operations were separated at the company for the purposes of improving the capital and resources management at the company.

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:

May 7th 2012