

# **AKTSIASELTS MERKO EHITUS**

## **ARTICLES OF ASSOCIATION**

### **Business name and location**

1. The business name of the public limited company [Est. *aktsiaselts*] (hereinafter the Company) is Aktsiaselts Merko Ehitus.
2. The domicile of the Company shall be Tallinn, Republic of Estonia.

### **Share capital and shares**

3. The minimum share capital of the Company is 6,000,000 (six million) Euros and the maximum share capital is 24,000,000 (twenty-four million) Euros. The size of the share capital can be changed as per prescribed procedures.
4. The Company has 17,700,000 shares without nominal value.
5. The holders of registered shares and the holders of registered shares to be issued in the course of conversion of convertible bonds are not entitled to request that share certificates be issued.
6. Contributions to the share capital may be both monetary as well as non-monetary. The non-monetary contributions shall be valued by the management board of the Company or by an expert appointed by the management board. The usual value of a thing or right being the object of non-monetary contribution shall be taken as the basis for the valuation of a non-monetary contribution. The valuation of a non-monetary contribution shall be audited by an auditor, except if the non-monetary contribution consists of securities, which are to be valued pursuant to a special procedure stipulated by the Commercial Code.
7. Registered shares are freely transferable. Upon transfer of shares third parties have no right of pre-emption.
8. Upon increasing of the share capital, shareholders have the right to subscribe for new shares in proportion to the sum of their shares' book value, unless otherwise is prescribed by law.
9. A registered share may be pledged. A share encumbrance transaction shall be in writing.
10. The Company may, upon resolution of the general meeting, issue bonds, the holders of which are entitled to convert their bonds into shares.
11. Reserve capital shall be formed from annual net profit transfers and other transfers entered in the reserve capital pursuant to law or the articles of association. The amount of the reserve capital equals to one-tenth of the share capital. Each financial year, at least one-twentieth of net profit shall be transferred to the legal reserve. If the reserve capital reaches the amount prescribed in the articles of association, the net profit transfers to the reserve capital shall be terminated.
12. Subject to the resolution of the general meeting, the reserve capital may be applied towards covering loss, if this cannot be covered on account of the Company's unrestricted equity, as well as towards increase of share capital. Payments may not be made to shareholders from reserve capital.

## **Shareholders and general meeting**

13. The rights attaching to a share shall belong to the person who is entered as the shareholder in the share register.

14. The shareholders have all the rights and obligations stipulated by law, other legislation and the articles of association.

15. Shareholders shall exercise their rights in the Company at the general meeting of shareholders. Each share in the Company shall grant its holder one vote at the general meeting of shareholders. The general meeting of shareholders is the highest directing body of the Company.

16. Payment of dividends to the shareholders shall be decided by the general meeting, which shall determine the share of the net profit to be paid in dividends as well as the procedure and terms for payment thereof.

17. An annual general meeting shall be held once a year. The management board shall call an annual general meeting not later than within six months from the end of each financial year.

18. The management board shall send a notice, by registered mail, to shareholders, using the address registered in the share register. If the number of shareholders of the public limited company exceeds the limit, provided by law, there is no need to send the shareholders summons; however, the notice on regular meeting shall be published in at least one national daily newspaper and, for a public limited company, registered on stock exchange, also by using methods, which shall grant prompt access thereto, using means of communication, which would allow efficient distribution of the information concerned to the public anywhere in the European Union.

19. At least three weeks advance notice is required for convening both regular and extraordinary meeting of shareholders.

20. General meetings shall be held at the seat of the Company.

21. The general meeting may adopt resolutions if over one-half of the votes represented by shares are present.

22. If the votes referred to in section 21 of the Articles of Association are not represented at a general meeting, the management board shall summon within three weeks but not earlier than after 7 days a new general meeting with the same order of business. The new general meeting has a quorum regardless of the number of votes represented at the meeting.

23. A resolution of a general meeting shall be adopted if over one-half of the votes represented at the general meeting are in favour unless the law prescribes a greater majority requirement.

24. A resolution on amendment of the articles of association is adopted by the general meeting if at least two-thirds of the votes represented at the general meeting are in favour. A resolution on amendment of the articles of association will enter into force as of the making of a corresponding entry in the commercial register. The resolution of the general meeting on amendment of the articles of association, the minutes of the general meeting and the new text of the articles of association shall be appended to the petition submitted to the commercial register.

## **Supervisory Board**

25. The supervisory board shall plan the activities of the Company, organise the management of the Company and supervise the activities of the management board. The supervisory board shall notify the general meeting of the results of a review.

The supervisory board is among other things competent to:

- 25.1. approve the strategy of the Company;
- 25.2. approve the Company's 3-year development plan;
- 25.3. approve the Company's annual budget;
- 25.4. approve the Company's management structure;
- 25.5. review the results of the Company's performance;
- 25.6. review and evaluate the annual report of the Company;
- 25.7. decide on the conclusion of transactions and conduct of legal disputes between the Company and its management board members, as well as appoint the Company's representative in such transactions and disputes.

26. The supervisory board shall give orders to the management board for the organisation of the management of the Company. The consent of the supervisory board is required by the management board for concluding transactions, which are beyond regular economic activities, in the name of the Company. The consent of the supervisory board is required by the management board for concluding transactions, which involve:

- 26.1. 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
- 26.2. 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
- 26.3. establishment, transfer or winding up of a subsidiary with a share capital or equity above 500,000 Euros; or
- 26.4. acquisition or transfer of minority participation in companies, not involved immediately in the main business; or
- 26.5. transfer of a registered immovable, of the value of the transaction is above 3,000,000 Euros; or
- 26.6. 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
  - 26.6.1. the entity being granted a loan or whose commitments are secured is the Company's subsidiary or related company; or
  - 26.6.2. 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.

27. The provisions of Article 317, section 1, sub-sections 1-7 shall not be applied to the identification of economic transactions, beyond regular economic activities.

28. The supervisory board of the Company has 3 to 5 members. A member of the supervisory board must be a natural person with active legal capacity. A member of the supervisory board need not be a shareholder.

29. The members of the supervisory board shall be elected and removed by the general meeting. In order to elect a member of the supervisory board, his or her written consent is required.

30. The members of the supervisory board shall be elected for a term of three years.

31. The members of the supervisory board shall elect a chairman from among themselves, who shall organise the activities of the supervisory board.

32. Meetings of the supervisory board shall be held when necessary but in any event not less frequently than once in every three months. A meeting shall be called by the chairman of the supervisory board or by a member of the supervisory board substituting for the chairman. A notice of the supervisory board meeting and of the agenda of the meeting shall be given to the members of the supervisory board at least 1 (one) day in advance.

33. A meeting of the supervisory board has a quorum if more than half of the members of the supervisory board are present. A member of the supervisory board may not be represented by another member of the supervisory board or by a third person at a meeting or in adoption of a resolution.

34. A meeting of the supervisory board shall be called if this is demanded by a member of the supervisory board, the management board, an auditor or shareholders whose shares represent at least one-tenth of the share capital.

35. A resolution of the supervisory board shall be adopted if more than one-half of the members of the supervisory board who participate in the meeting vote in favour. The chairman of the supervisory board shall have the deciding vote upon an equal division of votes.

36. Each member of the supervisory board shall have one vote. A member of the supervisory board may not abstain from voting or remain undecided.

37. The supervisory board is entitled to adopt resolutions without calling a meeting of the supervisory board.

38. The chairman of the supervisory board shall send a draft resolution of the supervisory board to all the members of the supervisory board and designate a term during which every member shall give his or her opinion thereon. If a member of the supervisory board does not give notice of whether the member is in favour of or opposed to the resolution during this term, it shall be deemed that he or she votes against the resolution.

39. Remuneration corresponding to the tasks of a member of the supervisory board and to the economic situation of the Company may be paid to a member of the supervisory board for performance of his or her duties; the amount and procedure of such remuneration shall be subject to a resolution of the general meeting.

### **Management board**

40. The management board is a directing body of the Company, which represents and directs the Company. The management board shall direct the Company in accordance with the lawful orders of the supervisory board. The management board is required to act in the most efficient and rational manner.

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.

42. The members of the management board shall be elected and removed by the supervisory board. In order to elect a member of the management board, his or her written consent is required.

43. The members of the management board shall be elected for a term of three years. The supervisory board may remove a member of the management board regardless of the reason, but the rights and obligations arising from a contract concluded with him or her will terminate pursuant to the contract.

44. Upon election of the members of the management board, the supervisory board shall determine the responsibilities of the management board members.

45. The management board shall present an overview of the economic activities and economic situation of the Company to the supervisory board at least once in every three months and shall immediately give notice of any material deterioration in the economic situation of the Company or any other material circumstances related to the economic activities of the Company.

46. The management board shall organise the accounting of the Company.

47. The meetings of the management board shall be called by the chairman of the management board. A meeting of the management board is competent to adopt resolutions, if more than a half of the members of the management board are present. The resolutions shall be adopted by simple majority of votes. The chairman of the supervisory board shall have the deciding vote upon an equal division of votes. Minutes shall be taken of the meetings of the management board.

48. Subject to a unanimous vote of the management board, the management board may adopt resolutions without calling a meeting by way of a telephone inquiry. The chairman of the supervisory board shall draw up a record of the inquiry, which shall be approved at the next meeting of the management board.

### **Reporting and distribution of profits**

49. After the end of each financial year, the management board shall prepare the financial statements and management report pursuant to the procedure provided for in the Accounting Act.

50. The supervisory board shall review the annual report and prepare a written report concerning the annual report, which shall be presented to the general meeting. The supervisory board shall indicate in the report whether it approves of the annual report prepared by the management board. In addition, the report shall indicate how the supervisory board has organised and directed the activities of the Company.

51. A resolution on distribution of profit shall be adopted by the general meeting on the basis of the approved financial statements.

### **Merger, division, transformation and dissolution**

52. According to the law, the merger, division and transformation of the Company shall be decided to the general meeting.

53. The Company shall be dissolved pursuant to the procedure prescribed by law. The members of the management board shall act as the liquidators of the Company, unless the dissolution resolution provides otherwise.

*The articles of association were approved by a resolution of shareholders on 07.06.2012.*