

## **REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD OF THE PUBLIC LIMITED COMPANY MERKO EHITUS IN THE FINANCIAL YEAR 2010**

**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, Tõnu Toomik and Teet Roopalu were elected at the regular general meeting of shareholders on June 3<sup>rd</sup> 2008, while Indrek Neivelt and Olari Taal were elected at the extraordinary general meeting of shareholders on October 31<sup>st</sup> 2008. 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 2010, 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 unanimously decided to approve the annual report for 2010, prepared by the Management Board.**

The work of the Supervisory Board was organised in 2010 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 2010. 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.

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.**

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Tõnu Toomik  
Chairman of the Supervisory Board

June 2<sup>nd</sup> 2011