

DECISIONS OF THE SUPERVISORY BOARD MEETING OF AS MERKO EHITUS AT APRIL 5th 2016

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 27 APRIL 2016 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 27 April 2016, 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 2015 and overview of the economic results and the prospectives

The Supervisory Board proposes to the shareholders to approve the annual report of the financial year 2015 of AS Merko Ehitus and to note the Management Board's overview of the economic results and prospectives.

2. Distribution of profits and reserve capital

The Supervisory Board proposes to:

- (i) approve the net profit for the year 2015 as EUR 9,999,830;
- (ii) pay the shareholders the total amount of EUR 9,027,000 as dividends from net profit brought forward, which totals to EUR 0.51 per share;
 - shareholders, entered into the share register of AS Merko Ehitus on May 18th 2016, at 23.59, will be entitled to dividends;
 - dividends will be paid to the shareholders on May 20th 2016 by transferring the amount concerned to shareholder's bank account, linked to security account;
- (iii) the outstanding net profit will not be distributed
- (iv) transfer to retained earnings the amount of 407,100 euros that exceeds the statutory reserve due to the share capital reduction effective 14 August 2015.

3. Amendment of articles of association

To enable electronic voting and web transmission of the general meeting, as well as for better organisation of management of AS Merko Ehitus, the supervisory board proposes the following amendments to the articles of association of AS Merko Ehitus:

To change the wording of article 21 of the AS Merko Ehitus articles of association as follows: “The general meeting may adopt resolutions if over one-half of the votes represented by shares are present. Shareholders may take part in the general meeting and exercise their rights via electronic means without being physically present at the general meeting and without appointing a representative, using electronic voting. The procedure for electronic voting shall be determined by the management board.”

To change the wording of article 25 of the AS Merko Ehitus articles of association as follows: “The supervisory board shall plan the activity of the Company and the Company’s group, organise management and perform oversight over the activity 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.“

To change the wording of article 26 of the AS Merko Ehitus articles of association as follows: „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 for the management board to conduct transactions and approve transactions by Company’s subsidiaries if the transaction involves:

- 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 third parties or guaranteeing the obligations of third parties, including providing guarantees, except for:
 - 26.6.1. granting a loan of up to 3,000,000 euros and the entity being granted a loan or whose commitments are secured is a subsidiary or affiliate of the Company;
 - 26.6.2. granting a loan of up to 3,000,000 euros to third parties for financing construction work, if the loan is secured by mortgage established on the registered immovable property on which buildings shall be built as a result of the relevant construction work;
 - 26.6.3. granting a loan of up to 100,000 euros.”

The supervisory board of AS Merko Ehitus shall propose to shareholders to approve the new wording of the articles of association with the abovementioned amendments.

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 2015 (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 2015**

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 2015, 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 2015, prepared by the Management Board.**

The work of the Supervisory Board was organised in 2015 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 2015, 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	10	83%
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 2015. 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 5th 2016

Toomas Annus



Indrek Neivelt



Teet Roopalu



Olari Taal

