MERGER REPORT
on the merger of
AS TRIGON PROPERTY DEVELOPMENT and
OÜ VN NIIDU KINNISVARA

21 July 2016

Hereby the management boards of AS Trigon Property Development (hereinafter **TPD**) and OÜ VN Niidu Kinnisvara (hereinafter **VNK**) submit a merger report in accordance with Article 393 of the Commercial Code and Section 7.16 of the part „Requirement for issuers" of the Rules of the NASDAQ OMX Tallinn Stock Exchange. The merging companies have decided to prepare a joint merger report

The merger report sets out the economic rationale as well as the legal aspects of the merger between TPD and VNK and explains the Merger Agreement entered into on 21 July 2016.

1. MERGING COMPANIES

1.1. The share capital of TPD (the acquiring company) is 2 699 436,60 EUR. TPD has 4 499 062 shares with the nominal value of 0,6 EUR. The major shareholder is OÜ Trigon Wood, which holds 59,62% of the listed shares t (2 682 192 shares). The rest of the shares are owned by other minority shareholders.

1.2. The share capital of VNK (the company being acquired) is 2556 EUR. VNK is a 100% subsidiary of TPD, the VNK share with the nominal value 2556 EUR is owned by TPD.

2. PURPOSE, ECONOMIC AND LEGAL JUSTIFICATION OF THE MERGER

2.1. The objective of the merger of TPD with its 100% subsidiary VNK is to make the group structure clearer and to facilitate the administrative management of the merging parties as well as to minimise the related costs and increase efficiency. With the merger a more simple and optimal corporate structure is achieved which ensures a better organized operation.

2.2. The contemplated merger is an intra-group merger and in the course of the latter, the volume, content and nature of the assets of the group will not be altered. The merging method of the companies and the procedure applied according to the merger agreement complies with the provisions of the law and does not damage the interests of the TPD shareholders. The merger is beneficial in economic, financial and commercial aspects.

2.3. Due to the fact that TPD is the 100% owner of VNK, the management board has approved such type of a merger stipulated in the Commercial Code, according to which VNK as the company being acquired is merged with TPD as the acquiring company so that the assets, including rights and obligations, of VNK shall be transferred to the acquiring company as of making a merger entry in the commercial register. As a result of the merger the company being acquired is considered to have been terminated without a liquidation procedure and the acquiring company TPD becomes the universal legal successor of VNK together with all attached rights and liabilities.

3. Merger Agreement

3.1. On 21 July 2016 TPD and VNK signed a merger agreement which sets out the information about the merger and the merging companies. According to the merger agreement the entire property of VNK, including rights and obligations, will transfer to TPD and VNK as the company being acquired is considered to be ended upon the entry of the merger to the commercial register in accordance with Article 403 (2) of the Commercial Code.

3.2. The rights and obligations arising from the merger agreement will be created when the merger agreement has been approved by the general meeting of the shareholders of TPD.

4. Share Exchange Ratio, increase of share capital additional payments

4.1. As the share of VNK is owned by TPD, the share of VNK shall not be exchanged and it shall become invalid as of making a merger entry in the commercial register. The share capital of TPD shall not be increased upon the merger.

4.2. No additional payments shall be made in the course of the merger.

5. Control of the merger

5.1. VNK is a 100% subsidiary of TPD, therefore, the merger does not represent a concentration in the meaning of the Competition Act. Therefore, it is not necessary to notify the Competition Board of the planned merger and obtain permission from the Competition Board.

5.2. AS TPD is the single shareholder of VNK, it is not required to audit the merger agreement. Pursuant to Article 394 (2) of the Commercial Code, An auditor need not audit a merger agreement if all shares of the company being acquired are held by the acquiring company.

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AS Trigon Property Development
Management Board Member

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Management Board Member