

General meeting of Arco Vara AS

INVITATION AND AGENDA OF THE GENERAL MEETING OF SHAREHOLDERS AND PROPOSALS MADE AT THE MEETING

Dear Shareholder of Arco Vara AS,

Arco Vara AS (registry code 10261718; located at Tallinn, Jõe 2B) shareholders ordinary general meeting will take place on May 12th 2011 at 9:00AM in Tallinn, Viru väljak 4, Sokos Hotel Viru Conference Center.

The agenda of the general meeting:

1. Approval of the year 2010 annual report

The supervisory board of Arco Vara proposes the annual report for 2010 be approved.

2. Profit allocation

The supervisory board of Arco Vara proposes that the net loss for the year ended 31 December 2010 of 4,591 thousand kroons (293 thousand euros) to retained earnings

3. Appointment of auditor

3.1. The supervisory board of Arco Vara proposes the shareholders appoint one auditor for one year (until the next ordinary shareholders general meeting) and appoint Eero Kaup such auditor.

3.2. The supervisory board of Arco Vara proposes the auditor be paid for auditing the 2011 annual report according to an agreement to be signed between the company and KPMG Baltics OÜ.

3.3. The supervisory board has identified that the auditor has carried out the consolidated auditing in time, wherefore it is advisable that KPMG Baltics OÜ should carry out the auditing in the following period.

4. Amendments of the articles of association

4.1. The supervisory board proposes to the shareholders to amend clauses 2.1. and 2.3. in the articles of association of Arco Vara AS as follows: „2.1. The minimum amount of the Company's share capital shall be 2,500,000 Euros and the maximum amount of the share

capital shall be 10,000,000 Euros.” And “2.3. The Company only owns registered shares of one type with a nominal value of 70 (seventy) Eurocents. Each share provides 1 (one) vote in the general meeting. No share certificate is issued for the shares. A share grants the shareholder the right to participate in the general meeting of shareholders and in the distribution of the profit and the remaining assets of the Company upon its termination, as well as other legal and statutory rights.”

4.2. The par value of existing shares of Arco Vara AS shall be rounded off to 0.7 euro, i.e. to the closest possible value, to which purpose the share capital of Arco Vara AS shall be increased by 288,631.79 euro through a bonus issue on account of retained earnings, so that the size of the share capital will be 3,319,194.90 euro. The recalculation of the par value of shares as a result of rounding off shall not have any legal consequences. The basis for the bonus issue is the Arco Vara AS annual report 2010 that was approved by the general meeting of the shareholders. The list of shareholders entitled to take part in the bonus issue shall be the list as of 23.05.2011 at 23:59. The par value of shares shall be increased by an entry in the commercial register, which will presumably take place before 01.06.2011.

Materials of shareholders ordinary meeting of Arco Vara AS are available through internet website of Arco Vara <http://www.arcorealestate.com/en/investor-info> or at the office of Arco Vara AS in Tallinn, at Jõe street 2B, on workdays from 9:00AM till 5:00PM.

Questions about the items on the agenda can be sent by e-mail to yldkoosolek@arcovara.ee. All questions and answers will be made public on the Internet website of Arco Vara AS. The list of shareholders entitled to participate at the annual general meeting shall be determined at 7 days prior to the meeting.

Registering to participate in the meeting will convene at 8:45AM on May 12th 2011. To register, we kindly ask shareholders to present an ID document and the representative of the shareholder additionally to present also a signed Power of Attorney or documents validating representation.

Kind regards,

Management Board of Arco Vara AS

Questions and answers:

Question: Our customer has the following question: will the subitems under 3 and 4 be voted on separately or will the items be voted on as a whole, including all subitems?

Answer: Items 3 and 4 on the agenda will be voted on as a whole, i.e. there will be one decision for each item.

Question: Could you please tell what the agenda will be like now? The stock exchange announcement does not say if the new items were added to the end or in the middle of the agenda. This information is important, because when clients instruct us to represent them, they send instructions by items of the agenda.

Answer: The new items will be added to the end of the agenda. Thus, there are 6 items on the agenda at present. For the last two items (that were added today), there will be a total of 3 voting sessions.

Question: How will the last items added divided into 3? What subitems will be voted separately?

Answer: Items: 5. Decision on the conduct of a special audit Voting: a) draft decision by Baltplast b) alternative proposal by the Management Board 6. A resolution on the legitimacy of Baltplast OÜ's request for information and requiring the management board to provide information (if the general meeting decides not to conduct a special audit) Should both alternatives of the previous item be rejected, the following will be voted.

Voting: draft decision by Baltplast Should the conduction of a special audit be accepted under item 5, the item 6 automatically lapses.