

ARCO VARA AS
MINUTES OF THE ANNUAL GENERAL MEETING

Prepared and signed in Tallinn on 10.05.2016.

The annual general meeting of shareholders of Arco Vara AS (registry code: 10261718; address Rävåla pst 5, 10143 Tallinn) took place in the Lübeck hall of Radisson Blu Sky Hotel on 10.05.2016 at Rävåla pst 3, Tallinn.

The meeting was declared started at 10:00 AM and ended at 10:45 AM.

The share capital of Arco Vara AS is four million two hundred and eighty one thousand nine hundred and eight point four (4 281 908.40 EUR) euros, divided into ordinary shares with nominal value of zero point seven (0.70) euros, each of which provides one (1) vote at the meeting. As of 03.05.2016 at 23:59 PM, Arco Vara AS had a total of 1,563 shareholders, with a total of six million one hundred and seventeen thousand and twelve (6 117 012) votes represented by shares.

According to the list of participants in the annual meeting, appended to these minutes, twenty eight (28) shareholders registered for the annual meeting, whose shares represented a total of three million three hundred and forty six thousand three hundred and seventeen (3 346 317) votes, which is a total of fifty four point seven per cent (54.7%) of all votes. According to § 297 subsection (1) of the Commercial Code, the annual meeting was in quorum.

The quorum and voting results do not include the nineteen thousand nine hundred and twenty five (19 925) votes given by the representative of Raiffeisen Bank International AG, because an additional verification of powers of attorney revealed that the powers of attorney granted to the representative do not meet all requirements. Due to the above, the voting results contained in the minutes differ from voting results disclosed at the meeting, but this change did not influence the adopting of decisions.

Hannes Vallikivi (ID code 37402190227) was elected as the chairman of the meeting and Evelin Kanter (ID code 48710280329) was elected as the secretary.

The chairman of the meeting provided an overview of publishing materials related to the agenda. The following materials were available for shareholders from 14.04.2016 at the location of Arco Vara AS and the website of Arco Vara AS in Estonian and English: (i) proposals for decisions of the general meeting, (ii) the annual report 2015, (iii) terms of issue of convertible debenture of the chairman, and (iv) terms of issue of convertible debentures of department managers.

The chairman of the meeting also provided an overview of the rules of the meeting.

The agenda of the meeting contained:

- 1. approving the annual report 2015**
- 2. the distribution of profit**
- 3. issuing a convertible debenture (in connection with the motivation system of the chairman)**
- 4. issuing convertible debentures (in connection with the motivation system of managers of departments of Arco Vara group)**
- 5. electing an auditor**

No additions were proposed to the agenda at the meeting and therefore the agenda was deemed approved.

1st item on the agenda: approving the annual report 2015

The director of Arco Vara provided a brief overview of the financial year 2015 and the forecast for upcoming years.

Question 1: What causes the optimism that profit will double in upcoming years? (Ülo Siinmaa).

Answer: The goals we are going to set must definitely be ambitious. We have based the prognosis on the so-called crane value, i.e. the basis is the value of planned objects. The value of planned developments (stage 1 of Kodulahe and Iztok) is approx. 23 million euros. We intend to continue development in a continuous chain, so that the construction of the next house starts before the ongoing development is completed. The total volume of the Kodulahe project alone exceeds 40 million euros (the chairman).

Question 2: Can the Kodulahe project be introduced in more detail as well? (Ülo Siinmaa)

Answer: The volume of the first house of the Kodulahe project is 130 apartments in total, with a little less than 9,000 m² of area under sale and approx. 16 million euros of expected sales revenue. The total volume of the project is 330 apartments. Currently, the preliminary sales of the first house are taking place at the speed of approx. 1 sales transaction per week. (the chairman)

Decision project: Approve the annual report 2015 of Arco Vara AS.

Voting: Voting on the proposal to approve the annual report 2015 of Arco Vara AS.

Voting results:

In favour:	3 346 317	votes	100.00% of quorum
Against:	0	votes	0.00% of quorum
Impartial:	0	votes	0.00% of quorum
Did not vote:	0	votes	0.00% of quorum

Decision: Approve the annual report 2015 of Arco Vara AS.

2nd item on the agenda: distribution of profit

Question 1: Interest rate of bonds 12%, how did this interest rate form? (Ülo Siinmaa)

Answer: the Arco Vara bonds in question were unsecured bonds and the interest rate was formed on the basis of the market situation at the time of planning the issue.

Question 2: Has the land for the Iztok project already been obtained? What is the overview of the planned project? (representative of Lumi Capital Investments OÜ Martin Rekor)

Answer: The land for the Iztok project does not belong to us yet, but a preliminary contract has been concluded to obtain the company which owns this immovable. The location of the immovable is in a higher price range than the Manastirski area. In Iztok, we will blend in with the surrounding area more, whereas in the case of Manastirski we stood out a lot. The volume of the Iztok project is approx. 70 apartments with an average size of approx. 100 m² (also including the square metres of public areas as is customary in Bulgaria). The sales price of the apartments is approx. 1,200 EUR/m² (with VAT). (the chairman)

Decision project: Distribute the net profit of the financial year which ended on 31.12.2015 in the amount 467 thousand euros as follows:

- pay dividends of 0.01 euros per share for a total amount 61,170.12 euros. The list of shareholders who have the right to receive dividends will be fixed as of 25 May 2016 at 23:59 PM. Dividends will be paid to shareholders on 30 May 2016 by transfer to the bank account of the shareholder;
- 406 thousand euros is directed to retained profit from previous periods.

Voting: Voting on the proposal to decide on the distribution of profit according to the decision project.

Voting results:

In favour:	2 753 709	votes	82.29% of quorum
Against:	0	votes	0.00% of quorum
Impartial:	592 608	votes	17.71% of quorum
Did not vote:	0	votes	0.00% of quorum

Decision: **Distribute the net profit of the financial year which ended on 31.12.2015 in the amount 803 thousand euros as follows:**

- pay dividends of 0.01 euros per share for a total amount 61,170.12 euros. The list of shareholders who have the right to receive dividends will be fixed as of 25 May 2016 at 23:59 PM. Dividends will be paid to shareholders on 30 May 2016 by transfer to the bank account of the shareholder;
- 406 thousand euros is directed to retained profit from previous periods.

3rd item on the agenda: issue of convertible debenture (in connection with the motivation system of the chairman)

Decision project: Increase the share capital of Arco Vara AS conventionally by issuing one convertible debenture with the nominal value 1,000 euros according to the terms of convertible debenture contained in the materials of the general meeting which were disclosed to shareholders;

The convertible debenture grants its holder the right to subscribe for up to 390 000 shares of Arco Vara for the price of 0.7 euros per share from 10 May 2019 to 31 December 2019;

The board of Arco Vara AS may increase share capital by a maximum of 273 000 euros upon subscribing for shares, i.e. by 390 000 shares.

Existing shareholders of Arco Vara AS forgo the pre-emptive right to subscribe for the convertible debenture and the pre-emptive right to subscribe for shares issued as a result of its conversion.

Voting: Voting on the proposal to issue a convertible debenture to the chairman according to the decision project.

Voting results:

In favour:	3 338 117	votes	99.75% of quorum
Against:	8000	votes	0.24% of quorum
Impartial:	200	votes	0.01% of quorum
Did not vote:	0	votes	0.00% of quorum

Decision: Increase the share capital of Arco Vara AS conventionally by issuing one convertible debenture with the nominal value 1,000 euros according to the terms of convertible debenture contained in the materials of the general meeting which were disclosed to shareholders;

The convertible debenture grants its holder the right to subscribe for up to 390 000 shares of Arco Vara for the price of 0.7 euros per share from 10 May 2019 to 31 December 2019;

The board of Arco Vara AS may increase share capital by a maximum of 273 000 euros upon subscribing for shares, i.e. by 390 000 shares.

Existing shareholders of Arco Vara AS forgo the pre-emptive right to subscribe for the convertible debenture and the pre-emptive right to subscribe for shares issued as a result of its conversion.

4th item on the agenda: issue of convertible debentures (in connection with the motivation system of managers of departments of Arco Vara group)

Question: Who are these debentures intended for? (Ülo Siinmaa).

Answer: The right to obtain debentures will be granted to specified key persons who manage a subsidiary or group unit of key importance for the group, with separate accounting. The council together with the board will adopt the decision on specific key persons who are entitled to obtain the convertible debentures (the chairman).

Question 2: Are the shares distributed evenly between debenture holders? (Jaanus Hellat)

Answer: The right to subscribe for shares is distributed between holders of convertible debentures according to the profit of the unit and depending on how much equity has been appropriated to the unit. Each 500 euros grant the right to subscribe for the number of shares specified in the corresponding decision of the board. (the chairman)

Decision project: Increase the share capital of Arco Vara AS conventionally by issuing up to 12 convertible debentures with the nominal value 500 euros according to the terms of convertible debenture contained in the materials of the general meeting which were disclosed to shareholders;

On the condition that the net profit of Arco Vara group in the years 2016–2018 is at least 5.5 million euros, the convertible debentures grants their holders the right to subscribe for up to 200 000 shares of Arco Vara for the price of 0.7 euros per share from 10 May 2019 to 31 December 2019;

The board of Arco Vara AS may increase share capital by a maximum of 140 000 euros upon subscribing for shares, i.e. by 200 000 shares.

Existing shareholders of Arco Vara AS forgo the pre-emptive right to subscribe for convertible debentures and the pre-emptive right to subscribe for shares issued as a result of their conversion.

Voting:

Voting on the proposal to issue up to 12 convertible debentures to managers of departments of Arco Vara group according to the decision project.

Voting results:

In favour:	3 345 117	votes	99.96% of quorum
Against:	1000	votes	0.03% of quorum
Impartial:	200	votes	0.01% of quorum
Did not vote:	0	votes	0.00% of quorum

Decision:

Increase the share capital of Arco Vara AS conventionally by issuing up to 12 convertible debentures with the nominal value 500 euros according to the terms of convertible debenture contained in the materials of the general meeting which were disclosed to shareholders;

On the condition that the net profit of Arco Vara group in the years 2016–2018 is at least 5.5 million euros, the convertible debentures grants their holders the right to subscribe for up to 200 000 shares of Arco Vara for the price of 0.7 euros per share from 10 May 2019 to 31 December 2019;

The board of Arco Vara AS may increase share capital by a maximum of 140 000 euros upon subscribing for shares, i.e. by 200 000 shares.

Existing shareholders of Arco Vara AS forgo the pre-emptive right to subscribe for convertible debentures and the pre-emptive right to subscribe for shares issued as a result of their conversion.

5th item on the agenda: electing an auditor.

Question: How do you assess the values of immovables, which method do you use? (Ülo Siinmaa)

Answer: We have had important immovables (Kodulahe, Madrid and Manastirski) assessed by independent valutors. We assess less important immovables ourselves. When assessing immovables, we are guided by the prognosis of what price the immovable could be sold for within 1 year. The cash flow method is generally not used.

Decision project:

Elect one auditor for one year (until the next annual meeting of shareholders) and elect AS PricewaterhouseCoopers as this auditor. Pay a fee to the auditor for auditing the financial activities of the financial year 2016 of Arco Vara AS according to the contract concluded between Arco Vara AS and AS PricewaterhouseCoopers.

Voting:

Voting on the proposal to elect AS PricewaterhouseCoopers to audit the financial year 2016.

Voting results:

In favour:	3 345 117	votes	99.97% of quorum
Against:	0	votes	0.00% of quorum
Impartial:	1000	votes	0.03% of quorum
Did not vote:	0	votes	00.00% of quorum

Decision: Elect one auditor for one year (until the next annual meeting of shareholders) and elect AS PricewaterhouseCoopers as this auditor. Pay a fee to the auditor for auditing the financial activities of the financial year 2016 of Arco Vara AS according to the contract concluded between Arco Vara AS and AS PricewaterhouseCoopers.

Voting was carried out by representatives of AS eCSD Expert. Voting took place electronically with voting remotes issued to shareholders upon being entered in the list of shareholders.

No written objections or proposals were made at the meeting.

The list of participants at the meeting and powers of attorney of participants have been appended to these minutes.

Signed digitally

Chairman

Signed digitally

Secretary