

Report of the Supervisory Board of Arco Vara AS for the financial year 2016

April 10, 2017

This report has been prepared by the Supervisory Board of Arco Vara AS in accordance with § 333 of the Commercial Code and for submission to the general meeting of shareholders of Arco Vara AS.

I. Approval of the Annual Report

The Supervisory Board of Arco Vara AS has reviewed the audited financial statements and the management report for the financial year 2016 (01.01.2016-31.12.2016) prepared by the Management Board and audited by auditors of AS PricewaterhouseCoopers (the "Annual Report") and the proposal for profit distribution submitted by the Management Board.

The Supervisory Board of Arco Vara AS estimates that the financial statements are prepared in accordance with the provisions of the Company's articles of association, Corporate Governance Recommendations, GAAP and IFRS and applicable laws and regulations. The Supervisory Board estimates that the financial statements present fairly the financial results of Arco Vara AS in the financial year 2016.

II. Organisation and management of the Company's activities

In accordance with the Company's articles of association and the Commercial Code, the members of the Supervisory Board of Arco Vara AS are elected by the general meeting of shareholders.

In 2016, there were no changes in the membership of the Company's Supervisory Board. During the whole year the composition of the Company's Supervisory Board was the following: Rain Lõhmus, Steven Yaroslav Gorelik, Hillar-Peeter Luitsalu, Allar Niinepuu ja Kert Keskpaik.

Members of the Supervisory Board act in accordance with the Company's articles of association, Corporate Governance Recommendations, the rules and regulations of the Tallinn Stock Exchange and laws and regulations that are in force. In instances of non-compliance with the Corporate Governance Recommendations, the management report's section on corporate governance provides reasons for non-compliance.

The Supervisory Board is responsible for planning and organising the operation of the Company and overseeing the activities of the Management Board. In 2016, the Supervisory Board had four meetings. Three meetings were participated by all the members of the Supervisory Board and one meeting was participated by all the members of the Supervisory Board except one member of the Supervisory Board.

The members of the Supervisory Board do not take part in everyday management of the Company but the manager updates the Supervisory Board on regular basis of important issues regarding planning the operations of the Company and business activities. In addition the Supervisory Board is able to turn to the manager at any time with additional questions and/or inquiries. In information exchange, all parties observe the rules approved by the Supervisory Board for keeping and disclosing inside information, making transactions with Company's shares and segregating the functions of the Management and Supervisory Board. It has become

customary that at the meetings of the Supervisory Board the manager provides the members of the Supervisory Board an overview of important issues and developments related to the Company.

In 2016, the cooperation between the Supervisory Board and the Management Board was smooth, close and constructive, and in issues that were more complex and important for the Company, the Management Board consulted with the Supervisory Board. The exchange of information has been smooth and the Supervisory Board has been able to sufficiently oversee the activities of the Management Board.

Hillar-Peeter Luitsalu
Chairman of the Supervisory Board

Kert Kesksaik
Member of the Supervisory Board

Allar Niinepuu
Member of the Supervisory Board

Steven Yaroslav Gorelik
Member of the Supervisory Board

Rain Lõhmus
Member of the Supervisory Board