

ANNEX

TERMS AND CONDITIONS OF THE ISSUE OF THE CONVERTIBLE BOND PURSUANT TO THE RESOLUTION ON AGENDA ITEM 3 OF THE GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON 5 MAY 2017

To issue up to 12 convertible bonds of Arco Vara AS (the “**Company**”) with a nominal value of EUR 500 (the “**Bonds**”) under the following terms and conditions:

1. Without applying the shareholders' right of privileged subscription, the managers of the Company's group units (the “**Unit Managers**”) are offered a right to subscribe to the Bond issue in the framework of the incentive programme of the managers of the Company's group units.
2. Entering into the subscription agreement for the Bonds and payment for the Bonds shall take place from 6 May 2017 until 30 July 2017 (the “**Bond Subscription Term**”). The precondition for the acquisition of the Bonds is the resolution of the Company's Management Board which names Unit Managers who are entitled to acquire the Bonds. Every entitled person may acquire only 1 Bond.
3. Payment for the Bond in the nominal value of the Bond in the amount of EUR 500 must be paid to the Company's bank account No. EE307700771000592876 at the latest on 30 July 2017.
4. The Company shall issue the Bond at the latest on 31 August 2017, if the payment for the Bond has been made in accordance with these terms and conditions of the issue of the convertible bond (the “**Bond Issue Date**”). The Bond shall be registered. The Bond enters into force and the Unit Manager acquires the rights arising from the Bond by paying the nominal value of the Bond in full.
5. The interest rate of the Bond shall be 5% per annum. Interest is calculated according to the actual dates of the interest calculation period. The interest term begins on the Bond Issue Date and ends on the Share subscription date or when the Share subscription term expires. Interest payments shall be made annually after every twelve-month period from the Bond Issue Date.
6. The Bonds constitute the Company's unsecured debt liability and have the same ranking as the Company's existing unsecured and unsubordinated liabilities
7. From 10 May 2020 until 31 December 2020 (the “**Share Subscription Term**”) the Unit Managers have the right in accordance with the procedure provided in these terms and conditions to subscribe for up to 200,000 Company Shares at the price of EUR 0.7 per share (the “**Share**”).
8. Unit Managers are entitled to request conversion of the Bonds to Shares only at the following terms:
 - a. If the Company's group net profit in 2017-2019 totals at least EUR 5.5 million;
 - b. The Company's Management Board has adopted a decision for rewarding the specific Unit Manager;
 - c. At the moment of subscribing for Shares the Unit Manager is in contractual relations with the Company.
9. Every Unit Manager shall submit to the Company an application for Share subscription in a format which can be reproduced in writing and by the submission of such application, the Shares are considered subscribed by Unit Managers. During the Share Subscription Term, the Unit Managers may at their discretion subscribe for all Shares at once or in part.

10. Issue price of the Share (the “**Share Issue Price**”) is EUR 0.7. Unit Managers shall pay to the share capital a cash contribution in the amount of up to EUR 140,000. The amount paid for the Bonds shall be accounted for as payment for the Share Issue Price.
11. As a result of subscription for the Shares, the Company's share capital may be increased by a maximum of EUR 140,000, i.e. by 200,000 shares. The Management Board shall submit an application to the registrar of the Commercial Registry on which extent the Shares are issued and the share capital increased on the basis of the decision on the conditional increase of share capital. The Company shall submit to the stock exchange an application for listing of the Shares immediately after the Shares have been issued to Unit Managers.
12. The validity term of the Bonds expires if the Share Subscription Term expires. If during the Share Subscription Unit Managers fail to subscribe for the Shares or fail to pay for subscribed Shares, Unit Managers shall lose the right to acquire the Shares. When the validity term of the Bonds expires, the Company shall within three (3) months return to Unit Managers the amount paid for the Bonds including accrued interest.
13. In case the contractual relations between the Company and the Unit Manager, regarding whom the Company's Management Board has adopted a decision for rewarding, ends before Share Subscription Term, the Unit Manager is not entitled to subscribe for the Shares and the Bond expires. In aforementioned case the Company is obliged to return to the Unit Manager the amount paid for the Bond including accrued interest within one (1) month as of the contractual relations between the Unit Manager and the Company ends.
14. Unit Managers may not transfer the Bonds to third parties. Every Unit Manager shall notify the Management Board of the securities account number where the subscribed and paid Shares must be transferred.
15. Shares subscribed for by Unit Managers shall grant them all shareholder rights starting from the issuance of Shares.
16. All disputes arising in connection with the Bonds shall be resolved in Harju County Court.
17. Other issues in connection to the Bonds shall be resolved by the Company's Management Board. The Supervisory Board and/or the Management Board shall make all decisions and take actions that are necessary for the registration of the Bond and the Shares in the Estonian Central Register of Securities.