

## ANNEX

### TERMS AND CONDITIONS FOR THE ISSUE OF A CONVERTIBLE BOND PURSUANT TO THE RESOLUTION ON AGENDA ITEM 3 OF THE GENERAL MEETING OF SHAREHOLDERS OF ARCO VARA AS TO BE HELD ON 10 MAY 2016

To issue a convertible bond of Arco Vara AS (the “**Company**”) with a nominal value of EUR 1,000 with the maturity date of 4 years (the “**Bond**”) under the following terms and conditions:

1. Without applying the shareholders' right of privileged subscription, the Company's member of the Management Board (the “**Management Board member**”) is offered a right to subscribe to the Bond issue in the framework of the incentive programme of the Company's Management Board.
2. Entering into the Bond subscription agreement and payment for the Bond shall take place from 11 May 2016 until 31 August 2016 (the “**Bond Subscription Term**”).
3. Payment for the Bond in the nominal value of the Bond in the amount of EUR 1,000 must be paid to the Company's bank account No. EE307700771000592876 at the latest on 31 August 2016.
4. The Company shall issue the Bond if the payment for the Bond has been made in accordance with these terms and conditions of issue of the convertible bond (the “**Bond Issue Date**”). The bond shall be registered. The Bond enters into force and the Management Board member 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 will be made annually after every twelve-month period from the Bond Issue Date.
6. The Bond constitutes the Company's unsecured debt liability, and has the same ranking as the Company's existing unsecured and unsubordinated liabilities
7. From 10 May 2019 until 31 December 2019 (the “**Share Subscription Term**”) the Management Board member has the right to request that the Bond is converted to the Company's shares under the procedures provided in these terms and conditions and to subscribe up to 390,000 Company's Shares at the price of EUR 0.7 a share (the “**Share**”).
8. The Management Board member is entitled to request conversion of the Bond to Shares only in the following amounts and at the following terms:
  - a. If the Management Board member has not been recalled before 21 October 2016, to increase the share capital by EUR 91,000 and to issue to the Management Board member 130,000 shares at EUR 0.7 a Share;
  - b. If the Management Board member has not been recalled between 22 October 2016 and 21 April 2017, to increase the share capital by EUR 45,500 and to issue to the Management Board member 65,000 shares at EUR 0.7 a Share;
  - c. If the Management Board member has not been recalled between 22 April 2017 and 21 October 2017, to increase the share capital by EUR 45,500 and to issue to the Management Board member 65,000 Shares at EUR 0.7 a Share;
  - d. If the Management Board member has not been recalled between 22 October 2017 and 21 April 2018, to increase the share capital by EUR 45,500 and to issue the Management Board member 65,000 Shares at EUR 0.7 a Share;

- e. If the Management Board member has not been recalled between 22 April 2018 and 21 October 2018, to increase the share capital by EUR 45,500 and to issue the Management Board member 65,000 Shares at EUR 0.7 a Share.
9. The Management Board member shall submit to the Supervisory Board a written application for Share subscription and by the submission of this application, the Shares are considered subscribed by the Management Board member and the Management Board member may request that the Management Board issues a certificate for the Share subscription. During the Share Subscription Term, the Management Board member may at his discretion subscribe all Shares at once or in part.
10. Issue price of the Share (the “**Share Issue Price**”) is EUR 0.7. The Management Board member shall pay to the share capital a cash contribution in the amount of up to EUR 273,000. The amount paid for the Bond shall be accounted for as payment for the Share Issue Price. The Share is considered issued when the Share Subscription Price is received at the Company's settlement account.
11. As a result of subscription to the Shares, the Company's share capital may be increased by a maximum of EUR 273,000, i.e. by 390,000 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 the Management Board member.
12. The validity term of the Bond expires if (i) the Company and the Management Board member agree in a different incentive programme of the Company's Management Board (or) the Share Subscription Term expires. If during the Share Subscription Term the Management Board member fails to subscribe for the Shares or fails to pay for subscribed Shares, the Management Board member loses the right to acquire the Shares. When the validity term of the Bond expires, the Company shall return to the Management Board member the amount paid for the Bond including accrued interest within three (3) months.
13. The Management Board member may transfer the Bond to third parties. The Management Board member will notify the Management Board of the securities account number where the subscribed and paid Shares must be transferred.
14. Shares subscribed by the Management Board member shall grant him all shareholder rights starting from the issuance of Shares.
15. All disputes arising in connection with the Bond shall be resolved in Harju County Court.
16. Other issues in connection to the Bond shall be resolved by the Company's Supervisory 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.