

ARCO VARA AS
MINUTES OF ANNUAL GENERAL MEETING

Compiled and signed in Tallinn, on the fifth of June in the year two thousand and fourteen (05.06.2014).

The annual general meeting of shareholders of Arco Vara AS (registry code: 10261718; location: Jõe 2B, 10151 Tallinn) took place on 5 June 2014, starting at 10:04 AM in Hotel Viru at Viru Väljak 4, Tallinn. This was an annual general meeting in the meaning of § 291 of the Commercial Code.

The meeting was declared open at 10:04 AM and ended at 10:46 AM.

The share capital of Arco Vara AS is three million three hundred and nineteen thousand one hundred and ninety four point nine (3,319,194.90) euros, which has been 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 29.05.2014 at 11:59 PM, Arco Vara AS had one thousand seven hundred and twenty two (1,722) shareholders, and a total of four million seven hundred and forty one thousand seven hundred and seven (4,741,707) votes provided by shares.

Pursuant to participant list of the general meeting appended to these minutes, fifty two (52) shareholders registered for the general meeting, whose shares represented a total of three million eight hundred and sixty four thousand eight hundred and forty five (3,864,845) votes, forming a total of eighty one point fifty one per cent (81.51%) of all votes. Over a half of votes represented by shares were present, therefore the general meeting was in quorum.

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

Chairman of the meeting provided an overview of disclosing materials concerning the agenda of the meeting and introduced the rules of the meeting. No objections were posed to the rules.

The agenda of the meeting contained:

- 1. approving the annual accounts of 2013;**
- 2. increasing share capital;**
- 3. electing an auditor.**

Amendments were not proposed for the agenda at the meeting and the agenda was deemed approved.

First order of business: approving the annual accounts of 2013

T. Sild, manager of Arco Vara, provided an overview of the results of the financial year 2013.

Decision project No. 1: Approve the annual accounts of 2013 of Arco Vara AS.

Voting: Voting on approving the annual accounts of 2013 of Arco Vara As.

Results of voting:

For:	3,864,845	votes	100.00% of quorum
Against:	0	votes	0.00% of quorum
Neutral:	0	votes	0.00% of quorum
Did not vote:	0	votes	00.00% of quorum

Resolution: Approve the annual accounts of 2013 of Arco Vara AS.

Decision project No. 2: Direct net profit of the financial year which ended on 31.12.2014, total sum 3,427,165 euros, to profits brought forward.

Voting: Voting on deciding the distribution of profit based on the decision project.

Results of voting:

For:	3,864,833	votes	100.00% of quorum
Against:	0	votes	00.00% of quorum
Neutral:	12	votes	00.00% of quorum
Did not vote:	0	votes	00.00% of quorum

Resolution: **Direct net profit of the financial year which ended on 31.12.2013, total sum 3,427,165 euros, to profits brought forward.**

Second order of business: increasing share capital

Manager T. Sild briefly explained the conditions and reasons for increasing share capital. The conditions to increase share capital are contained in the materials of general meeting provided to the shareholders and pursuant to those, Arco Vara AS issues 3.5 million new shares with nominal value of 0.7 euros, increasing share capital by 2,450,000 euros, resulting in 5,769,194.90 euros as the new share capital of Arco Vara AS. All existing shareholders are ensured the pre-emptive right of subscribing for new shares pursuant to § 345 of the Commercial Code. New shares are offered to existing shareholders, professional investors and employees of Arco Vara group in conformity to public tender and listing particulars.

Shareholder Jaanus Hellat: is the manager prepared to include personal additional capital?

Manager T. Sild responded affirmatively to the shareholder's question.

V. Pindmaa, representative of shareholder OÜ Galileo: remarked that interest costs (interest rates) of the public limited company are very high and asked if the company is currently negotiating with banks to decrease interest rates.

Manager T. Sild explained the factors which determine the interest rates of the company and confirmed that the company is working towards decreasing interest costs.

V. Pindmaa, representative of shareholder OÜ Galileo: what happens in the case of oversubscription of new shares?

Manager T. Sild explained that in this case, the management of the company has the right to cancel oversubscribed shares pursuant to the terms and conditions of issuing shares.

Decision project: Approve the issuing of new shares by Arco Vara AS in the following terms and conditions:

- 1) Arco Vara AS ("the Company") shall issue 3.5 million new shares with nominal value of €0.7, increasing share capital by €2,450,000, i.e. the new amount of share capital of the Company will be €5,769,194.9;
- 2) shares issued by the Company are ordinary shares;
- 3) all existing shareholders have the pre-emptive right to subscribe for new shares pursuant to § 345 of the Commercial Code, wherein the pre-emptive right belongs to

shareholders who are entered in the list of shareholders as of 19 June 2014 at 11:59 PM. Pre-emptive right of subscription can be performed in the period of subscribing for shares, starting on 6 June 2014 at 9 AM and ending on 20 June 2014 at 5 PM;

4) shareholders are ensured the pre-emptive right of subscribing for shares arising from the law upon issuing new shares and if the number of shares owned by the shareholder does not provide the right to subscribe for a full number of shares, the number of shares will be rounded down;

5) The subscription period for shares issued by the Company begins on 6 June 2014 at 9 AM and ends on 20 June 2014 at 5 PM;

6) subscribed shares must be paid for with monetary contribution at the time of submitting the subscription application;

7) the nominal value of shares is €0.7 and new shares are issued with the price of €1, i.e. issue premium is €0.3;

8) new issued shares give the right to dividends starting from the financial year on which share capital was increased;

9) if the shares subscribed for during the subscription period exceed the planned amount of increasing share capital, the management of the Company has the right to cancel oversubscribed shares pursuant to § 346¹ of the Commercial Code. In distributing shares, the management will ensure the pre-emptive right of subscribing for shares for the Company's existing shareholders provided by the law, and will operate on the basis of the principle of equal treatment of shareholders;

10) if shares are subscribed for less than the planned amount of increasing share capital during the subscription period, the management of the Company has the right to cancel shares which were not subscribed for during the subscription period. The management may perform this right during 15 days after the end of subscription period;

11) with issuing new shares, the Company endeavours to improve its capitalization. The Company will use means obtained from issuing shares for investing in development projects of residential spaces.

Voting:

Voting on the proposal to decide the increase of share capital based on the decision project.

Results of voting:

For:	2,493,473	votes	64.52% of quorum
Against:	1,371,360	votes	35.48 % of quorum
Neutral:	12	votes	00.00 % of quorum
Did not vote:	0	votes	00.00% of quorum

Resolution:

As pursuant to § 341 (1) of the Commercial Code, the resolution of increasing share capital is adopted if at least 2/3

of votes represented at the general meeting are in its favour, the general meeting did not adopt the resolution to increase the share capital of the company based on the decision project.

Manager T. Sild: addressed A. Nõges, member of the company's council and representative of shareholder Gamma Holding OÜ, inquiring why they acted in one way as member of the company's council and opposite to that as the shareholder, and whether it is true that before the company's general meeting, A. Nõges offered to R. Lõhmus, member of the company's council and representative of shareholder AS Lõhmus Holdings, to sell all their shares for 2.07 euros per share.

The shareholder said that one must differentiate between them as a natural person and as a shareholder who is a legal person. The shareholder did not wish to answer the question, deeming it irrelevant to the agenda of the general meeting and concerning a confidential agreement between Gamma Holding OÜ and AS Lõhmus Holdings.

Third order of business: Electing an auditor.

The chairman of the meeting explained that the company's annual accounts of 2013 were audited by PWC and the company's management proposes to choose the same auditing firm.

Questions and answers:

The shareholders had no questions.

Decision project: Elect one auditor for one year (until the next annual meeting of shareholders) and appoint for this purpose AS PricewaterhouseCoopers. Pay wages for the auditor for auditing the business operations of the financial year 2014 pursuant to a contract to be concluded between the company and AS PricewaterhouseCoopers.

Voting: Voting on the proposal to elect an auditor and provide the procedure for paying the auditor based on the decision project.

Results of voting:

For:	3,863,845	votes	99.97 % of quorum
Against:	0	votes	00.00% of quorum
Neutral:	1,000	votes	00.03% of quorum
Did not vote:	0	votes	00.00% of quorum

Resolution: Elect one auditor for one year (until the next annual meeting of shareholders) and appoint for this purpose AS PricewaterhouseCoopers. Pay wages for the auditor for auditing the business operations of the financial year 2014 pursuant to a contract to be concluded between the company and AS PricewaterhouseCoopers.

Voting was conducted by the representative of ARS Corporate Services OÜ. Voting took place electronically with voting remotes issued to shareholders upon being entered in the list of shareholders who participate in the general meeting.

List of shareholders who participate in the meeting and powers of attorney of representative are appended to these minutes.

Manager

Reporter