INDEPENDENT AUDITOR'S REPORT
ON AGREED-UPON PROCEDURES

(Unofficial translation of the Estonian original)

Tallinn, 18 September 2011

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To the management board of Arco Vara AS:

We have performed the procedures agreed with you in our engagement agreement. We were engaged to conduct the procedures in connection with the transfer of ownership interests in the following companies:

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- SIA Plavnieku Centrs (Latvia)
- S.C.L-Base Project S.R.L (Romania)
- Arco Vara Puukool OÜ
- Tallinna Olümpiaspordikeskuse AS
- Floriston Grupp OÜ
- Arco Ärikeskuse OÜ
- Arco Ukraina Valduste OÜ
- Arco Construction SIA
- Arco Vara Saare Kinnistud OÜ
- Wilson Kinnisvara OÜ

to obtain answers to the following questions:

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According to the stock exchange announcements of Arco Vara AS, the largest transaction involving the sale of an ownership interest was the transaction made public on 21 October 2009 by which Arco Vara sold its interests in (1) Tallinna Olümpiapurjespordikeskuse AS, (2) Floriston Grupp OÜ and (3) Arco Ärikeskuse OÜ (hereinafter all three entities collectively referred to as the "joint ventures") to undisclosed companies for a total of EEK 172m (EUR 11m), the figure consisting of an amount of EEK 55m (EUR 3.5m) to be paid for the shares (hereinafter the "interests") in the joint ventures and EEK 117m (EUR 7.5m) to be settled by the transfer of claims against the joint ventures.

3.1. Who suggested to the management board that the particular interests should be sold and what were the underlying considerations?

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3.3. What were the considerations for not selling a 12.5% interest in Floriston Grupp OÜ?

3.4. Why was the sales price of a 37.5% interest in Floriston EEK 5,500,000, if according to Arco Vara's prospectus and Arco Vara's stock exchange announcement dated 26 May 2010 the value of a 12% share in the total consolidated retained earnings of Floriston Grupp OÜ was EEK 37,943,987? According to Floriston Grupp OÜ's annual report for 2009, at 31 December 2009 Floriston had total retained earnings of EEK 151,489,722, equity of EEK 151,533,722 and it could have distributed a maximum net dividend of EEK 119,676,880 of which 37.7% was EEK 44,878,830. We would like Arco Vara to explain how the price of the transaction was determined.

3.5. What did the total loss of EEK 150m (EUR 9.6m) incurred on the sale of the interests named in the stock exchange announcement of 21 October 2010 result from and how did it form?

3.6. How does the total loss of EEK 150m (EUR 9.6m) stated in the stock exchange announcement of 21 October 2010 break down between the interests? What is the individual outcome of each transaction, i.e. the outcome of the sale of the shares in Tallinna Olümpiapurjespordikeskuse AS, the share in Floriston Grupp OÜ, and the share in Arco Ärikeskuse OÜ?

3.7. What claims were assigned in connection with the sale of the interests and why was it considered necessary in the sales transactions?

3.8. Is the satisfaction of claims assigned to Arco Vara secured? If so, how is it secured?

3.9. Does the acquisition of claims against the joint ventures by Arco Vara improve Arco Vara's liquidity position and does acquisition of the claims help raise funds for financing new housing construction projects in Tallinn?

3.10. Did Arco Vara use the cash received from the sale of the shares in Tallinna Olümpiapurjespordikeskuse AS, Floriston Grupp OÜ and Arco Ärikeskuse OÜ for financing housing construction projects? If so, which housing construction projects were financed?

3.11. Are the housing construction projects referred to in the stock exchange announcement of 21 October 2010 more profitable from the point of view of Arco Vara than the projects of the joint ventures Tallinna Olümpiapurjespordikeskuse AS, Floriston Grupp OÜ and/or Arco Ärikeskuse OÜ?

3.12. Is the statement made in the stock exchange announcement of 21 October 2010 according to which in the next 10 years Arco Vara can earn additional revenue from the realisation of building rights attaching to properties belonging to Tallinna Olümpiapurjespordikeskuse AS, Floriston Grupp OÜ or Arco Ärikeskuse OÜ true and substantiated?

3.12.1. What additional revenue would Arco Vara earn on the realisation of building rights attaching to properties belonging to the joint ventures?

3.12.2. What is the extent of the additional revenue Arco Vara could earn on the realisation of building rights attaching to properties belonging to the joint ventures?

3.12.3. Is the (additional) revenue that Arco Vara could allegedly earn on the realisation of building rights attaching to properties belonging to the joint ventures larger than the revenue Arco Vara would have earned if Arco Vara had not transferred its interests in the joint ventures?

3.13. What were the joint ventures' share value dynamics in the three (3) years preceding the sale of the interests?

3.14. How large were Floriston Grupp OÜ's total retained earnings at the date the values of the interests were determined?

3.15. Are/were there any shareholder agreements in respect of the interests?

Summary of agreed-upon procedures performed:

1. We requested from the management board of Arco Vara AS documentation in order to obtain answers to questions raised in respect of all transactions identified as the subject of our agreed-upon procedures engagement.

2. We examined the documentation concerning each transaction. A full list of the documentation provided by Arco Vara AS is set forth in Appendix 1 to this report.

3. Based on the documentation obtained, we formulated answers to questions raised. The answers are presented on pages 6-55[1] of this report.

4. As regards questions assigned to us in the agreed-upon procedures engagement that could not be answered exhaustively on the basis of underlying documents made available to us, we requested additional commentary from the management board of Arco Vara AS in the person of Lembit Tampere. The additional commentary is presented in the “Management’s commentary” sections of our report.

[1] Refers to page numbers in the Estonian original.

QUESTIONS LIMITED TO THE SALE OF SPECIFIC OWNERSHIP INTERESTS

As a result of our agreed-upon procedures, we obtained the following answers to questions limited to the sale of specific ownership interests:

Question 2.1.

To whom did Arco Vara sell its interests in a) S.C.L-Base Project S.R.L (Romania), b) Tallinna Olümpiapurjespordikeskuse AS, c) Floriston Grupp OÜ, d) Arco Ärikeskuse OÜ, e) Arco Vara Saare Kinnistud OÜ and f) Wilson Kinnisvara OÜ?

Answer:

a. S.C.L-Base Project S.R.L (Romania)
The buyer of the interest was Marko Langund (the agreement on the purchase and sale of the share was signed on 20 January 2009).

b. Tallinna Olümpiapurjespordikeskuse AS
The buyer of the interest was OÜ Texsito whose representative was Olav Miil, member of the management board (the agreement on the purchase and sale of the shares was signed on 21 October 2009).

c. Floriston Grupp OÜ
The buyer of the interest was Majaarenduse OÜ whose representative was Olav Miil, member of the management board (the agreement on the purchase and sale of the share and the agreement on the assignment of claims were signed on 21 October 2009).

d. Arco Ärikeskuse OÜ
The buyer of the interest was OÜ Sallevell whose representative was Olav Miil, member of the management board (the agreement on the purchase and sale of the share was signed on 21 October 2009).

e. Arco Vara Saare Kinnistud OÜ
The buyer of the interest was Compakt Capital OÜ whose representatives were members of the management board Maik Teiv and Martin Lember (the agreement on the transfer of the interest was signed on 11 March 2010).

f. Wilson Kinnisvara OÜ
The buyer of the interest was OÜ Property S whose representative was Tarmo Tomak, member of the management board (the agreement on the sale of the share and the assignment of a claim was signed on 10 December 2010).

Question 2.2.

According to a stock exchange announcement released on 21 October 2009, Arco Vara sold its interests in Tallinna Olümpiapurjespordikeskuse AS, Floriston Grupp OÜ and Arco Ärikeskuse OÜ to companies related to Marcel Vichmann and Olav Miil. To whom exactly were the aforesaid interests sold?

Answer:

a. Tallinna Olümpiapurjespordikeskuse AS

The buyer of the interest was OÜ Texsito represented by Olav Miil with whom the agreement on the purchase and sale of the shares was signed on 21 October 2009. According to the Commercial Register, the sole owner of OÜ Texsito is Regati Valduse OÜ that is represented by members of the management board Urmas Uustal and Andres Toome and which belongs to the extent of 50% to AS C.H.P. and to the extent of 50% to First Telecom Trading OÜ. The sole shareholder and member of the management board of First Telecom Trading OÜ is Marcel Vichmann. AS CHP is represented by member of the management board Urmas Uustal and the company belongs in equal stakes to Urmas Uustal, Raivo Rand and Aivar Tuulberg.

b. Floriston Grupp OÜ

The buyer of the interest was Majaarenduse OÜ represented by Olav Miil with whom the agreement on the purchase and sale of the share and the agreement on the assignment of claims was signed on 21 October 2009. According to the Estonian Central Register of Securities, Floriston Grupp OÜ has three shares that are held by:

- Arco Vara AS – a share of 12.5%;
- Majaarendus OÜ – a share of 37.5%;
- Ärimaja AS - a share of 50%.

Majaarendus OÜ is represented by member of the management board Olav Miil and the company’s sole shareholder is Ärimaja AS. Ärimaja AS belongs in equal stakes to Olav Miil and First Telecom Trading OÜ. The sole shareholder and member of the management board of the latter is Marcel Vichmann.

c. Arco Ärikeskuse OÜ

The buyer of the interest was OÜ Sallevell represented by Olav Miil with whom the agreement on the purchase and sale of the share was signed on 21 October 2009. The sole shareholder of OÜ Sallevell is Ärimaja AS. For information on the shareholders of Ärimaja AS, see paragraph b. above.

Question 2.3.

What was the sales price of the shares in a) UAB IKAS Projekt (Lithuania) and b) S.C.L-Base Project S.R.L (Romania)?

Answer:

a. UAB IKAS Projekt (Lithuania)

According to the agreement on the purchase and sale of the share signed on 4 December 2008, Arco Real Estate sold the share in UAB IKAS Projekt that was the object of the agreement to the buyer, OÜ Secure Invest, for a price of EEK 1.

According to the agreement on the liquidation of the company (title of the original document: company closing service agreement) signed on 4 December 2008, Arco Real Estate AS paid Secure Invest OÜ a service fee of EUR 20,000 (excluding VAT) for liquidating the company.

b. S.C.L-Base Project S.R.L (Romania)

According to the agreement on the purchase and sale of the share dated 20 January 2009, Arco Real Estate AS sold the share in S.C.L-Base Project S.R.L that was the object of the agreement to the buyer, Marko Langund, for a price of EEK 1. The agreement was signed in consideration of the fact that on 14 January 2009 Arco Real Estate AS had signed a service agreement with Secure Invest OÜ, which was represented by Marko Langund, for conducting the liquidation proceedings of S.C.L-Base Project S.R.L.

According to the agreement on the liquidation of the company (title of the original document: company closing service agreement) signed on 14 January 2009, Arco Real Estate AS undertook to pay Secure Invest OÜ a service fee of EEK 50,000 (excluding VAT) for liquidating the company.

SALES OF OWNERSHIP INTERESTS BY ARCO VARA AS

The following questions have been answered separately in respect of the sale of each ownership interest:

1. AVEC Asset Management AS

Question 2.4. Why were the interests in the subsidiaries transferred?

The minutes of a meeting held by the supervisory board of Arco Vara (11 April 2008) indicate that the other shareholder of AVEC Asset Management AS (East Capital Holding AB) had lost interest in participating in the company on a fifty-fifty basis and consequently there was the risk that the operations of AVEC Asset Management AS could be halted. The alternatives included sale of the interest to East Capital or covering the costs of a halted project.

Management's commentary: In addition to the information recorded in the minutes of the meeting held by the supervisory board, it is important to note that Arco Vara group was exposed to the occupancy guarantee payments arising from the brokerage contracts signed by members of Arco Vara group with the project companies managed by AVEC Asset Management AS.

Question 2.5. Was selling the interests more beneficial for Arco Vara and/or the shareholders than not selling the interests?

Based on the documentation made available to us it is not possible to conclude whether selling the interest was more beneficial than not selling it.

Management's commentary: By selling the interest, Arco Vara group disposed of a contingent contractual occupancy guarantee commitment.

Question 2.6. Did Arco Vara offer the interests to other potential buyers and how large were the competitive bids? On what basis were the buyers selected?

According to the documentation made available to us during the engagement, Arco Vara did not offer the interests to other potential buyers due to the restrictions imposed by the shareholder agreement: the pre-emptive right and the co-sale right.

Management's commentary: In the situation, Arco Vara considered the proportions of the ownership interests in the company (fifty-fifty) and the restrictions imposed by the shareholder agreement (the pre-emptive right and the co-sale right) that rendered making offers to third parties economically inexpedient. In line with generally accepted business practice, if stakes in a closed company are held on a fifty-fifty basis then in the event of sale the buyer is usually the other shareholder.

Question 2.7. Have the terms for the transfer of the interests been fully satisfied?

The share sale agreement (title of the original document: share purchase agreement) examined during the agreed-upon procedures engagement includes the so-called success fee clauses which to date have not been fully satisfied because according to the share sale agreement the first possible time when this could be done is in 2012.

The terms of the share sale agreement (title of the original document: share purchase agreement) signed on 20 June 2008 provide that the maximum liability that Arco Real Estate AS as the seller can have to the buyer for meeting the terms of the agreement may be no greater than EUR 1 million in aggregate. Arco Real Estate AS may charge from the buyer a penalty payment of EUR 1 million if the buyer delays with settling the payments agreed under the agreement.

Question 2.7.1. What claims does Arco Vara have against the buyers of the interests?

Under the share sale agreement (title of the original document: share purchase agreement) signed on 20 June 2008, Arco Vara is entitled to additional claims: 25% of the NAV of the fund plus up to EUR 0.5 million payable after the liquidation of the fund in the period 2012-2014. The above contingent claims are in addition to the sales price of EUR 1 million.

Question 2.7.2. What measures has Arco Vara applied to ensure that the claims will be satisfied or secured?

The claims for so-called additional consideration (see Question 2.7. above) are fixed in the agreement. In line with the terms of the share sale agreement, Arco Vara has not received any additional security from the buyer.

Management's commentary: Because of the counterparty's strong financial position, the management of Arco Vara has not deemed it necessary to apply additional measures for securing the claims.

Question 2.8. Was the sale of the interests planned in Arco Vara's action plan, budget or a similar document for the financial year? If so, what governing body agreed or approved the budget or similar document?

The decision to transfer the shares in AVEC Asset Management AS was approved by the supervisory board of Arco Vara AS at the meeting held on 11 April 2008. At the same meeting, the management board of Arco Vara AS was granted consent for the transfer of the shares to East Capital.

Management's commentary: The sale of the interest in AVEC Asset Management AS was not foreseen by the action plan or budget for the financial year. It was an ad hoc management decision instigated by the rapidly deteriorating economic situation. In a swiftly worsening environment it was necessary to discontinue, above all, any loss-generating operations. The transaction was beyond the scope of ordinary business activities and, as required by the Commercial Code, it was approved by the supervisory board of Arco Vara AS.

Question 2.9. Was the sale of the interests approved by the supervisory board? If so, when was the approval granted?

The sale of the interest was approved by the supervisory board of Arco Vara AS on 11 April 2008.

Question 2.10. How were the proposal and economic rationale for selling the interests justified to the supervisory board?

According to the minutes of the meeting of the supervisory board of Arco Vara AS (11 April 2008) examined during the agreed-upon procedures engagement, A. Tammemäe, member of the management board of Arco Vara AS, justified the proposal for selling the interest with East Capital's loss of interest in participating in the company on a fifty-fifty basis and the risk that as a result the activities of AVEC Asset Management AS could be halted.

Question 2.11. Did the members of the supervisory board express any dissenting opinions regarding the transfer of the interests? If so, what kind of dissenting opinions were expressed?

According to the minutes of the meeting of the supervisory board of Arco Vara AS held on 11 April 2008, the resolution on the transfer of the interest was adopted unanimously. The meeting was attended by: Anti Arakas, Aare Tark, Hillar-Peeter Luitsalu and Richard Tomingas.

Question 2.12. Which members of the governing bodies of Arco Vara participated in determining the values of the interests and the sales negotiations?

The agreement on the transfer of the shares dated 20 June 2008 that was examined during the agreed-upon procedures engagement was signed on behalf of the seller by Avo Rõõmussaar, member of the management board of Arco Real Estate AS (during the period 9 October 2007 - 15 October 2008). The value of the interest was determined by member of the management board of Arco Vara AS, Aare Tammemäe, and director of finance of Arco Vara AS, Heigo Metsoja.

Question 2.13. What was the date as of which the prices of the interests were determined?

Member of the management board Aare Tammemäe presented the results of the valuation of the interest in AVEC Asset Management AS and the negotiations at the meeting of the supervisory board of Arco Vara AS held on 11 April 2008 where the management board was granted consent for the transfer of the shares in AVEC Asset Management AS to East Capital.

Question 2.14. What valuation methods were applied to measure the values of the interests and who performed the valuations?

The value of the interest was measured by the company's management board using the discounted cash flow method.

Question 2.15. What were the values of the interests based on the valuation methods applied?

The presentation of the member of the management board Aare Tammemäe and director of finance Heigo Metsoja delivered in April 2008 indicates that according to the valuation performed by the management board using the discounted cash flow method in a situation where part of the sales price was to be settled immediately and part was to be settled in the future through a success fee, the fair value of a 50% interest in AVEC Asset Management AS was EUR 3.55 million.

Question 2.16. Could pre-emptive rights be exercised on the sale of the interests? If so, did other shareholders exercise their pre-emptive rights?

In conformity with the Commercial Code, on the transfer of shares to third persons the articles of association may grant the other shareholders the pre-emptive right. During our agreed-upon procedures engagement, we could not examine a copy of the articles of association of AVEC Asset Management AS that were effective at the time the transaction was conducted in order to determine whether the co-shareholder had the pre-emptive right.

Management's commentary: According to the shareholder agreement, the co-shareholder had the pre-emptive right but the interest was in fact sold to the only co-shareholder that had the pre-emptive right. Thus, exercising the pre-emptive right was not possible.

Question 2.17. Do the agreements provide for the repurchase of the interests by Arco Vara?

The agreement on the purchase and sale of the shares dated 20 June 2008 does not provide for the repurchase of the above interest by Arco Vara AS.

Management's commentary: There are no additional agreements with East Capital Holding AB that would allow repurchasing the interest.

Question 2.18. Can the management board of Arco Vara confirm that the transactions did not damage the interests of creditors?

During the agreed-upon procedures engagement, we obtained an oral confirmation from the management board according to which the transfer of the shares in AVEC Asset Management AS did not damage the interests of the creditors of Arco Vara group.

Question 2.19. Did the transactions require the prior consent of a credit institution or some other person and were the transactions agreed with such a person?

Based on the documentation made available to us during the agreed-upon procedures engagement, we did not identify the need for obtaining the prior consent of a credit institution or some other person for the transfer of the shares in AVEC Asset Management AS.

Management's commentary: The transfer of this particular ownership interest did not require the prior consent of a credit institution or some other third party.

2. UAB IKAS Projekt (Lithuania)

Question 2.4. Why were the interests in the subsidiaries transferred?

Stock exchange announcement (4 December 2008): "The transaction is part of the activities related to the restructuring of the Service division of Arco Vara group. The buyer is OÜ Secure Invest."

Since both the agreement on the purchase and sale of the interest and the agreement on the provision of liquidation services were signed with OÜ Secure Invest on the same date (4 December 2008), it may be assumed that the sale of the interest was part of the liquidation proceedings.

Management's commentary: The interest was transferred in order to dispose of a loss-generating business operation.

Question 2.5. Was selling the interests more beneficial for Arco Vara and/or the shareholders than not selling the interests?

According to the unaudited financial statements examined during the agreed-upon procedures engagement, as at 30 September 2008 the equity of UAB IKAS Projekt was negative to the extent of LTL 2,177,105, i.e. EEK 9,866 thousand and the net loss for the first nine months of 2008 was LTL 1,167,360, i.e. EEK 5,290 thousand.

Thanks to the transfer of the interest, Arco Vara was able to dispose of its interest in a loss-generating company and net liabilities of EEK 9,866 thousand (the negative net assets of UAB IKAS Projekt) for EEK 1. The above book profitability is not significantly affected by the service fee of EUR 20,000 paid for the liquidation services.

Management's commentary: The interest was transferred to dispose of a loss-generating operation. The reasons for the sale were the entity's negative equity and continuous losses. The first priority was to prevent further negative cash flows related to UAB IKAS Projekt that kept increasing because the entity continued operating with a loss.

Question 2.6. Did Arco Vara offer the interests to other potential buyers and how large were the competitive bids? On what basis were the buyers selected?

According to the documentation made available to us during the agreed-upon procedures engagement, it may be concluded that the transaction of transferring the interest in UAB IKAS Projekt did not constitute a sale but the liquidation of an entity with negative equity.

Management's commentary: In essence, the transaction did not constitute a sale but the liquidation of an entity with negative equity. Therefore it was not relevant to observe the principles applied on the sale of a commercial undertaking.

Question 2.7. Have the terms for the transfer of the interests been fully satisfied?

On examining the agreement on the sale of the interest signed on 4 December 2008 during our agreed-upon procedures engagement, we did not observe any binding clauses that could result in some terms not being satisfied at the date of release of this report.

Management's commentary: The terms for the transfer of the interest have been fully satisfied.

Question 2.8. Was the sale of the interests planned in Arco Vara's action plan, budget or a similar document for the financial year? If so, what governing body agreed or approved the budget or similar document?

According to the stock exchange announcement (4 December 2008), the sale of the share in UAB IKAS Projekt was part of the activities related to the restructuring of the Service division of Arco Vara group.

Management's commentary: The sale of the interest was not foreseen by the action plan or budget for the financial year. It was an ad hoc management decision instigated by the rapidly deteriorating economic situation. In a swiftly worsening environment it was necessary to discontinue, above all, any loss-generating operations within the group. The transaction was beyond the scope of ordinary business activities and, as required by the Commercial Code, it was approved by the supervisory board of Arco Real Estate AS.

Question 2.9. Was the sale of the interests approved by the supervisory board? If so, when was the approval granted?

According to the minutes of the meeting held by the supervisory board of Arco Real Estate AS, the sale of the interest was approved unanimously on 1 December 2008.

Question 2.10. How were the proposal and economic rationale for selling the interests justified to the supervisory board?

The documents made available to us during our agreed-upon procedures engagement do not allow determining if and how the plan of transferring the interest was justified to the supervisory board.

Management's commentary: The reasons for liquidating the interest were the subsidiary's weak operating results and the situation in the target market.

Question 2.11. Did the members of the supervisory board express any dissenting opinions regarding the transfer of the interests? If so, what kind of dissenting opinions were expressed?

According to the minutes of the meeting of the supervisory board of Arco Real Estate AS (1 December 2008), the resolution on the transfer of the interest was approved unanimously; there were no dissenting opinions. The meeting was attended by: Lembit Tampere, Hillar-Peeter Luitsalu and Richard Tomingas.

Question 2.12. Which members of the governing bodies of Arco Vara participated in determining the values of the interests and the sales negotiations?

The agreement on the purchase and sale of the share in UAB IKAS Projekt dated 4 December 2008 that was examined during the agreed-upon procedures engagement had been signed by member of the management board of Arco Real Estate AS, Aigars Šmits.

Management's commentary: Organisation of the transfer of the interests (including determination of the value of the interest and holding of sales negotiations) was, as a rule, the

responsibility of the management board of the entity (member of the group) transferring the interest.

Question 2.13. What was the date as of which the prices of the interests were determined?

We were made available the unaudited financial statements of UAB IKAS Projekt for the first nine months of 2008 on the basis of which the supervisory board of Arco Real Estate AS resolved on 1 December 2008 to grant consent for transferring the interest.

Management's commentary: The value of the interest could not be determined because the fair value of an entity with negative equity and no future prospects would have been zero or negative. The decision to transfer the interest was made based on the results for the first nine months of 2008.

Question 2.14. What valuation methods were applied to measure the values of the interests and who performed the valuations?

The minutes of the meeting of the supervisory board of Arco Real Estate AS dated 1 December 2008 that we examined during the agreed-upon procedures engagement do not indicate that any specific valuation method was applied in determining the value of the interest.

Management's commentary: Since in essence the transaction constituted liquidation and the company's equity was negative, determination of the value of the interest was not relevant.

Question 2.15. What were the values of the interests based on the valuation methods applied?

We did not identify related documents during our agreed-upon procedures engagement. Therefore, we are not able to provide an answer about the value of the interest and the valuation methods applied.

Management's commentary: Since in essence the transaction constituted liquidation proceedings and the company's equity was negative, determination of the value of the interest was not relevant.

Question 2.16. Could pre-emptive rights be exercised on the sale of the interests? If so, did other shareholders exercise their pre-emptive rights?

UAB IKAS Projekt was a 100% subsidiary of Arco Real Estate AS. Consequently there were no other shareholders who could have had pre-emptive rights.

Question 2.17. Do the agreements provide for the repurchase of the interests by Arco Vara?

The agreement on the purchase and sale of the share dated 4 December 2008 examined during the agreed-upon procedures engagement does not provide for the repurchase of the interest by Arco Real Estate AS.

Question 2.18. Can the management board of Arco Vara confirm that the transactions did not damage the interests of creditors?

During our agreed-upon procedures engagement, we obtained an oral confirmation from the management board that the transfer of the interest in UAB IKAS Projekt did not damage the interests of the creditors of Arco Vara group.

Question 2.19. Did the transactions require the prior consent of a credit institution or some other person and were the transactions agreed with such a person?

Based on the documentation made available to us during the agreed-upon procedures engagement, we did not identify any contractual obligation to obtain the prior consent of a credit institution or some other person for the performance of the above sales transaction.

Management's commentary: The transfer of this particular ownership interest did not require the prior consent of a credit institution or some other third party.

3. SIA Plavnieku Centrs (Latvia)

Question 2.4 Why were the interests in the subsidiaries transferred?

The minutes of the meeting of the supervisory board of Arco Investeeringute AS (6 March 2008) indicate that because of the market situation the realisation of the project in its originally intended form was highly unlikely.

Management's commentary: The purpose of the transfer was to exit a project with a failed business plan and thereby to avoid the contractual obligation of making additional investments.

Question 2.5 Was selling the interests more beneficial for Arco Vara and/or the shareholders than not selling the interests?

Based on the documents made available to us it is not possible to conclude whether selling the interest was more beneficial than not selling it.

Management's commentary: SIA Plavnieku Centrs was a development undertaken in cooperation with the City of Riga. Arco Real Estate SIA had co-financed phase 1 but this was followed by an additional investment obligation of approximately EUR 8 million. By ceasing to be a shareholder of SIA Plavnieku Centrs, Arco Vara group disposed of a significant financial obligation. Another important economic effect was an improvement in liquidity.

Question 2.6 Did Arco Vara offer the interests to other potential buyers and how large were the competitive bids? On what basis were the buyers selected?

According to the documentation made available to us during the agreed-upon procedures engagement it may be concluded that the transfer of the interest did not constitute a sale but exiting an investment by reduction of equity.

Management's commentary: There was no sales transaction because the investment was exited by reducing the equity of SIA Plavnieku Centrs, i.e. using the equity instruments of SIA Plavnieku Centrs.

Question 2.7 Have the terms for the transfer of the interests been fully satisfied?

On examining the minutes of the meeting of the shareholders of SIA Plavnieku Centrs held on 3 December 2008 during our agreed-upon procedures engagement, we did not observe any binding clauses that could result in some terms not being satisfied at the date of release of this report.

Management's commentary: The terms for the transfer of the interest have been fully satisfied.

Question 2.8 Was the sale of the interests planned in Arco Vara's action plan, budget or a similar document for the financial year? If so, what governing body agreed or approved the budget or similar document?

The supervisory board of Arco Investeeringute AS discussed the viability of the project of Plavnieku Centrs SIA in the light of the complicated situation prevailing in the Latvian real estate market and options for exiting the project at its meeting held on 6 March 2008.

The supervisory board of Arco Real Estate SIA approved the resolution on exiting the investment in Plavnieku Centrs SIA by reducing share capital on 1 December 2008.

Management's commentary: The sale of the interest was not foreseen by the action plan or budget for the financial year. It was an ad hoc management decision instigated by the rapidly deteriorating economic situation. In a swiftly worsening environment it was necessary to discontinue, above all, any loss-generating operations within the group. The transaction was beyond the scope of ordinary business activities and therefore it was approved by the supervisory board of Arco Real Estate SIA.

Question 2.9 Was the sale of the interests approved by the supervisory board? If so, when was the approval granted?

The supervisory board of Arco Real Estate SIA approved the reduction of the share capital of SIA Plavnieku Centrs and the repurchase of the shares on 1 December 2008.

Question 2.10 How were the proposal and economic rationale for selling the interests justified to the supervisory board?

According to the minutes of the meeting of the supervisory board of Arco Real Estate SIA held on 1 December 2008, the supervisory board of Arco Real Estate SIA made its decision by taking into account that the Plavnieku Centrs project was difficult to complete due to the complicated market situation and major investment needs.

Management's commentary: The decision to exit the investment in SIA Plavnieku Centrs was caused by the failure of the business plan and the need to avoid the incurrence of additional costs by Arco Vara.

Question 2.11. Did the members of the supervisory board express any dissenting opinions regarding the transfer of the interests? If so, what kind of dissenting opinions were expressed?

According to the minutes of the meeting held by the supervisory board of Arco Real Estate SIA on 1 December 2008, the resolution on exiting the investment by reducing share capital was adopted; the minutes do not indicate that there were any dissenting opinions. The meeting was attended by: Aigars Šmits and Viktors Savins. Kaido Kangur did not attend.

Question 2.12. Which members of the governing bodies of Arco Vara participated in determining the values of the interests and the sales negotiations?

The correspondence with the city government of Riga (19 November 2008, 10 November 2008, 30 September 2008) and the resolution on agreeing to the terms for transferring the interest in SIA Plavnieku Centrs (through repurchase of the shares) that we examined during the agreed-upon procedures engagement had been signed by members of the management board of SIA Arco Real Estate, Ieva Jansone and Maris Laukalejs.

According to the minutes of the meeting of the shareholders of SIA Plavnieku Centrs held on 3 December 2008 that were examined during the agreed-upon procedures engagement, the final terms for transferring the interest were signed by member of the management board of Arco Real Estate SIA Ieva Jansone.

Management's commentary: Organisation of the transfer of the interests (including determination of the value of the interest and holding of sales negotiations) was, as a rule, the responsibility of the management board of the entity (member of the group) transferring the interest.

Question 2.13. What was the date as of which the prices of the interests were determined?

The supervisory board of Arco Real Estate SIA granted its consent for the transfer of the interest through repurchase of the shares on 1 December 2008. During our agreed-upon procedures engagement we were unable to determine that the value of the interest was measured in connection with the reduction of the share capital of SIA Plavnieku Centrs.

Management's commentary: The repurchase price of the interest was identified through negotiations with the other shareholder. Before that, as at 30 September 2008, Arco Real Estate SIA had made a sales offer to the city government of Riga.

Question 2.14. What valuation methods were applied to measure the values of the interests and who performed the valuations?

The documentation made available to us during the agreed-upon procedures engagement does not indicate that a valuation of the repurchased shares was performed.

Management's commentary: The payment to be received for the transfer of the interest was based on the book value of the investment as at 30 September 2008.

Question 2.15. What were the values of the interests based on the valuation methods applied?

We did not identify valuation documents during our agreed-upon procedures engagement. Therefore, we are not able to provide an answer about the value of the interest and the valuation methods applied. According to explanations received, the basis for the transaction was the book value of the interest. Based on the unaudited balance sheet as at 30 September 2008, the equity of SIA Plavnieku Centrs stood at LVL 2,149,846; 50% interest in this was LVL 1,074,923, i.e. EEK 23,738 thousand.

Management's commentary: Since in essence the transaction constituted liquidation proceedings, determination of the value of the interest was not relevant.

Question 2.16. Could pre-emptive rights be exercised on the sale of the interests? If so, did other shareholders exercise their pre-emptive rights?

Since exiting the investment in SIA Plavnieku Centrs was conducted by reducing the equity of SIA Plavnieku Centrs and repurchasing the shares, no sales transaction was performed and, accordingly, the issue of exercising pre-emptive rights was not relevant. As a result of the reduction of equity, the interest was acquired by the investee itself.

Question 2.17. Do the agreements provide for the repurchase of the interests by Arco Vara?

According to the documentation examined during the agreed-upon procedures engagement, exiting the investment in SIA Plavnieku Centrs was conducted by reducing the equity of SIA Plavnieku Centrs. In the case of such a transaction there is no repurchase option. During our engagement, we did not become aware of any additional agreement for re-entering the investment.

Question 2.18. Can the management board of Arco Vara confirm that the transactions did not damage the interests of creditors?

During our agreed-upon procedures engagement, we obtained an oral confirmation from the management board that the transfer of the interest in SIA Plavnieku Centrs did not damage the interests of the creditors of Arco Vara group.

Question 2.19. Did the transactions require the prior consent of a credit institution or some other person and were the transactions agreed with such a person?

Based on the documentation made available to us during the agreed-upon procedures engagement, we did not identify any contractual obligation to obtain the prior consent of a credit institution or some other person for the performance of the above transaction.

Management's commentary: The transfer of this particular ownership interest did not require the prior consent of a credit institution or some other third party.

4. S.C.L-Base Project S.R.L (Romania)

Question 2.4. Why were the interests in the subsidiaries transferred?

According to the stock exchange announcement (22 January 2009), the sale of the interest in S.C.L-Base Project S.R.L was part of the activities related to the restructuring of the Service division of Arco Vara group.

Based on the agreement on the purchase and sale of the share, signed on 20 January 2009, Arco Real Estate AS sold the share in S.C.L-Base Project S.R.L that was the object of the agreement to the buyer, Marko Langund, for EEK 1. The agreement was signed in consideration of the fact that on 14 January 2009 Arco Real Estate AS had signed a service agreement with Secure Invest OÜ, which was also represented by Marko Langund, for conducting the liquidation proceedings of S.C.L-Base Project S.R.L.

Management's commentary: The interest was transferred in order to dispose of a loss-generating business operation.

Question 2.5. Was selling the interests more beneficial for Arco Vara and/or the shareholders than not selling the interests?

According to the unaudited financial statements examined during the agreed-upon procedures engagement, as at 31 December 2008 the equity of S.C.L-Base Project S.R.L was negative to the extent of EUR 1,032,865, i.e. EEK 16,161 thousand and the net loss for the 12 months of 2008 was EUR 596,067, i.e. EEK 9,326 thousand.

Thanks to the transfer of the interest, Arco Vara was able to dispose of its interest in a loss-generating company and net liabilities of EEK 16,161 thousand (the negative net assets of S.C.L-Base Project S.R.L) for EEK 1. The above book profitability is not significantly affected by the EEK 50,000 service fee paid for the liquidation of the entity.

Management's commentary: The interest was transferred to dispose of a loss-generating operation. The reasons for the sale were the negative equity and loss of S.C.L-Base Project S.R.L.

Question 2.6. Did Arco Vara offer the interests to other potential buyers and how large were the competitive bids? On what basis were the buyers selected?

According to the documentation examined during the agreed-upon procedures engagement, it may be concluded that in essence the transfer of the interest in S.C.L-Base Project S.R.L did not constitute a sale but the liquidation of an entity with negative equity.

Management's commentary: In essence, the transaction did not constitute a sale but the liquidation of an entity with negative equity. Therefore it was not relevant to observe the principles applied on the sale of a commercial undertaking.

Question 2.7. Have the terms for the transfer of the interests been fully satisfied?

On examining the agreement on the purchase and sale of the interest in S.C.L-Base Project S.R.L signed on 20 January 2009 during our agreed-upon procedures engagement, we did not observe any binding clauses that could result in some terms not being satisfied at the date of release of this report.

Management's commentary: The terms for the transfer of the interest have been fully satisfied.

Question 2.8. Was the sale of the interests planned in Arco Vara's action plan, budget or a similar document for the financial year? If so, what governing body agreed or approved the budget or similar document?

Stock exchange announcement (22 January 2009): "The transaction is part of the activities related to the restructuring of the Service division of Arco Vara group."

Management's commentary: The sale of the interest was not foreseen by the action plan or budget for the financial year. It was an ad hoc management decision instigated by the rapidly deteriorating economic situation. In a swiftly worsening environment it was necessary to discontinue, above all, any loss-generating operations within the group. The transaction was beyond the scope of ordinary business activities and, as required by the Commercial Code, it was approved by the supervisory board of Arco Real Estate AS.

Question 2.9. Was the sale of the interests approved by the supervisory board? If so, when was the approval granted?

According to the minutes of the meeting held by the supervisory board of Arco Real Estate AS, the sale of the interest was approved on 12 January 2009 unanimously.

Question 2.10. How were the proposal and economic rationale for selling the interests justified to the supervisory board?

The documents made available to us during our agreed-upon procedures engagement do not allow determining if and how the plan of transferring the interest was justified to the supervisory board.

Management's commentary: The reasons for liquidating the interest were the subsidiary's unsatisfactory operating results and the situation in the target market.

Question 2.11. Did the members of the supervisory board express any dissenting opinions regarding the transfer of the interests? If so, what kind of dissenting opinions were expressed?

According to the minutes of the meeting held by the supervisory board of Arco Real Estate AS on 12 January 2009, the resolution on the transfer of the interest was approved unanimously; there were no dissenting opinions. The meeting was attended by: Lembit Tampere, Hillar-Peeter Luitsalu and Richard Tomingas.

Question 2.12. Which members of the governing bodies of Arco Vara participated in determining the values of the interests and the sales negotiations?

The agreement on the purchase and sale of the interest in S.C.L-Base Project S.R.L dated 20 December 2009 that was examined during the agreed-upon procedures engagement had been signed by member of the management board of Arco Real Estate AS, Aigars Šmits.

Management's commentary: Organisation of the transfer of the interests (including determination of the value of the interest and holding of sales negotiations) was, as a rule, the responsibility of the management board of the entity (member of the group) transferring the interest.

Question 2.13. What was the date as of which the prices of the interests were determined?

We were made available the unaudited financial statements of S.C.L-Base Project S.R.L for the 12 months of 2008 on the basis of which on 12 January 2009 the supervisory board of Arco Real Estate AS resolved to grant consent for transferring the interest.

Management's commentary on the determination of the value of the interest: The value of the interest could not be determined because the fair value of an entity with negative equity and no future prospects would have been zero or negative. The decision to transfer the interest was made based on the results for the 12 months of 2008.

Question 2.14. What valuation methods were applied to measure the values of the interests and who performed the valuations?

The minutes of the meeting of the supervisory board of Arco Real Estate AS dated 12 January 2009 examined during the agreed-upon procedures engagement do not indicate that any specific valuation method was applied in determining the value of the interest.

Management's commentary: Since in essence the transaction constituted liquidation proceedings and the company's equity was negative, determination of the value of the interest was not relevant.

Question 2.15. What were the values of the interests based on the valuation methods applied?

We did not identify related documents during our agreed-upon procedures engagement. Therefore, we are not able to provide answers about the value of the interest and the valuation methods applied.

Management's commentary: Since in essence the transaction constituted liquidation proceedings and the company's equity was negative, determination of the value of the interest was not relevant.

Question 2.16. Could pre-emptive rights be exercised on the sale of the interests? If so, did other shareholders exercise their pre-emptive rights?

S.C.L-Base S.R.L was a 100% subsidiary of Arco Real Estate AS. Consequently there were no other shareholders who could have had pre-emptive rights.

Question 2.17. Do the agreements provide for the repurchase of the interests by Arco Vara?

The agreement on the purchase and sale of the interest in S.C.L-Base S.R.L dated 20 January 2009 that we examined during the agreed-upon procedures engagement does not provide for the repurchase of the interest by Arco Real Estate AS.

Question 2.18. Can the management board of Arco Vara confirm that the transactions did not damage the interests of creditors?

During our agreed-upon procedures engagement, we obtained an oral confirmation from the management board that the transfer of the interest in S.C.L-Base S.R.L did not damage the interests of the creditors of Arco Vara group.

Question 2.19. Did the transactions require the prior consent of a credit institution or some other person and were the transactions agreed with such a person?

Based on the documentation made available to us during the agreed-upon procedures engagement, we did not identify any contractual obligation to obtain the prior consent of a credit institution or some other person for the performance of the above sales transaction.

Management's commentary: The transfer of this particular ownership interest did not require the prior consent of a credit institution or some other third party.

5. Arco Vara Puukool OÜ

Question 2.4. Why were the interests in the subsidiaries transferred?

Stock exchange announcement (18 September 2009): "Arco Vara AS transferred its 100% interest in Arco Vara Puukool OÜ (100% subsidiary of Arco Vara AS) whose share capital is EEK 40,000 (EUR 2,556). The purpose of the transaction was to separate ancillary operations from the Group's core business. Arco Vara Puukool OÜ was involved in the production of forest plants."

According to the minutes of the meeting held by the supervisory board of Arco Vara AS on 7 September 2009, the purpose of the sales transaction was to dispose of ancillary operations. A reviewed alternative to the sale was retaining the interest but to ensure the profitability of the segment it would have been necessary to expand operations which would have required additional investments in the region of EEK 15 million.

Management's commentary: The interest was transferred in order to dispose of a loss-generating ancillary business operation. In 2008, the forest portfolio was sold to Tornator Timberland Estonia OÜ, which provided temporary relief in improving the liquidity position. The remaining plant production segment was economically unprofitable. Expansion plans were subject to restrictions because operations could not have been expanded without leasing additional land but in the existing conditions the company's profitability could not have been achieved. Since there were no expansion prospects and it was not possible to make additional investments in expansion, it was decided that the interest should be transferred.

Question 2.5. Was selling the interests more beneficial for Arco Vara and/or the shareholders than not selling the interests?

Under the share sale agreement signed on 17 September 2009, Arco Vara transferred an interest in a subsidiary whose operations in 2008 and 2009 ended in losses of over EEK 2 million and over EEK 3 million respectively.

Management's commentary: The alternative for selling the interest would have been ensuring the profitability of Arco Vara Puukool OÜ by expanding its operations. Expansion of operations would have required additional investments in the region of EEK 15 million. Considering the company's liquidity crisis that became apparent in the summer of 2009, the expansion plan was not a viable alternative. The sale of the interest in Arco Vara Puukool OÜ was part of measures that included selling off non-core operations and minority interests (interests in entities where the group did not have control) because the group's cash flow projections for existing loan agreements indicated a serious need for refinancing.

Question 2.6. Did Arco Vara offer the interests to other potential buyers and how large were the competitive bids? On what basis were the buyers selected?

The minutes of the meeting of the supervisory board of Arco Vara dated 7 September 2009 that we examined during the agreed-upon procedures engagement indicate that sales negotiations were held with Tornator Timberland Estonia OÜ and Metsamaahalduse AS. In addition, a bid of EEK 600,000 had been made by Metsamarket OÜ, a company related to the general manager of Arco Vara Puukool OÜ.

According to the documentation made available to us during the engagement, Metsamaahaldus AS made a bid of EEK 80,000-100,000 for acquiring 100% interest in Arco Vara Puukool OÜ. Tornator Timberland Estonia OÜ notified the company in writing that it was not interested in making a bid for acquiring the share in Arco Vara Puukool OÜ.

Question 2.7. Have the terms for the transfer of the interests been fully satisfied?

On examining the agreement on the sale of the share signed on 17 September 2009 during our agreed-upon procedures engagement, we did not observe any binding clauses that could result in some terms not being satisfied at the date of release of this report.

Management's commentary: The terms for the transfer of the interest have been fully satisfied.

Question 2.8. Was the sale of the interests planned in Arco Vara's action plan, budget or a similar document for the financial year? If so, what governing body agreed or approved the budget or similar document?

The transfer of the interest was approved with a resolution of the supervisory board of Arco Vara AS of 7 September 2009.

Management's commentary: The transfer of the interest in Arco Vara Puukool OÜ was not foreseen by the action plan or budget for the financial year. It was an ad hoc management decision instigated by the economic situation and the need to discontinue loss-generating operations. The transaction was beyond the scope of ordinary business activities and, as required by the Commercial Code, it was approved by the supervisory board of Arco Vara AS.

Question 2.9. Was the sale of the interests approved by the supervisory board? If so, when was the approval granted?

The transfer of the interest in Arco Vara Puukool OÜ was approved with a resolution of the supervisory board of Arco Vara adopted on 7 September 2009.

Question 2.10. How were the proposal and economic rationale for selling the interests justified to the supervisory board?

According to the minutes of the meeting held by the supervisory board of Arco Vara AS on 7 September 2009, the purpose of the sales transaction was to dispose of ancillary operations. A reviewed alternative to the sale was retaining the interest but to ensure the profitability of the segment it would have been necessary to expand operations which would have required additional investments in the region of EEK 15 million, which was not considered expedient.

Management's commentary: The alternative for selling the interest would have been ensuring the profitability of Arco Vara Puukool OÜ by expanding its operations. Expansion of operations would have required additional investments in the region of EEK 15 million. Considering the company's liquidity crisis that became apparent in the summer of 2009, the expansion plan was not a viable alternative. The sale of the interest in Arco Vara Puukool OÜ was part of measures that included selling off non-core operations and minority interests (interests in entities where the group did not have control) because the group's cash flow projections for existing loan agreements indicated a serious need for refinancing.

Question 2.11. Did the members of the supervisory board express any dissenting opinions regarding the transfer of the interests? If so, what kind of dissenting opinions were expressed?

The minutes of the meeting of the supervisory board of Arco Vara AS held on 7 September 2009 indicate that the resolution on granting consent for the transfer of the interest was adopted with the attendees' votes in favour. The meeting was attended by: Hillar-Peeter Luitsalu, Kalev Tanner, Aare Tark and Richard Tomingas. Ragnar Meitern did not attend.

Question 2.12. Which members of the governing bodies of Arco Vara participated in determining the values of the interests and the sales negotiations?

According to the agreement on the sale of the share and the pledge agreement, Arco Vara AS was represented in the sales transaction and the signature of the sales agreement on 17 September 2009 by member of the management board of Arco Vara AS, Lembit Tampere.

The minutes of the meeting of the supervisory board of Arco Vara AS dated 7 September 2009 indicate that the sale of the interest was approved unanimously.

Question 2.13. What was the date as of which the prices of the interests were determined?

The supervisory board of Arco Vara AS granted its consent for the transfer of the interest at the meeting held on 7 September 2009 based on the potential buyers' bids received in August 2009.

Question 2.14. What valuation methods were applied to measure the values of the interests and who performed the valuations?

The minutes of the meeting of the supervisory board of Arco Vara AS held on 7 September 2009 that were examined during the agreed-upon procedures engagement do not indicate that the value of the interest was determined using a specific valuation method.

Management's commentary: Organisation of the transfer of the interests (including determination of the value of the interest and holding of sales negotiations) was, as a rule, the responsibility of the management board of the entity (member of the group) transferring the interest. The price of the interest was identified through sales negotiations; the management board used the bid comparison method whereby the best bid was selected as the winning one.

Question 2.15. What were the values of the interests based on the valuation methods applied?

The following bids were received for the transfer of the share in Arco Vara Puukool OÜ:
a) Tornator Timberland Estonia OÜ – withdrew from making a bid
b) Metsamaahalduse AS – EEK 80,000-100,000 ;
c) Metsamarket OÜ – EEK 600,000.

Question 2.16. Could pre-emptive rights be exercised on the sale of the interests? If so, did other shareholders exercise their pre-emptive rights?

Arco Vara Puukool OÜ was a 100% subsidiary of Arco Vara AS. Consequently there were no other shareholders who could have had pre-emptive rights.

Question 2.17. Do the agreements provide for the repurchase of the interests by Arco Vara?

The notarised agreement on the sale of the share in the company and the pledge agreement signed on 17 September 2009 do not provide for the repurchase of the share in Arco Vara Puukool OÜ by Arco Vara AS. However, under the pledge agreement, the share that was sold was pledged to Arco Vara AS until the date the buyer has settled the entire sales price.

Question 2.18. Can the management board of Arco Vara confirm that the transactions did not damage the interests of creditors?

During our agreed-upon procedures engagement, we obtained an oral confirmation from the management board that the transfer of the share in Arco Vara Puukool OÜ did not damage the interests of the creditors of Arco Vara group.

Question 2.19. Did the transactions require the prior consent of a credit institution or some other person and were the transactions agreed with such a person?
Management's commentary:

Based on the documentation made available to us during the agreed-upon procedures engagement, we did not identify any obligation to obtain the prior consent of a credit institution or some other person for the transfer of the share in Arco Vara Puukool OÜ.

Management's commentary: The transfer of this particular ownership interest did not require the prior consent of a credit institution or some other third party.

6. Tallinna Olümpiapurjespordikeskuse AS

Question 2.4. Why were the interests in the subsidiaries transferred?

According to the press release of Arco Vara AS (21 October 2009), in the prevailing market situation the main task for companies was to ensure their liquidity. The transaction was performed to improve the liquidity position and reduce the liabilities of Arco Vara AS. Greater liquidity was required to be able to finance housing construction projects when the economy starts recovering and demand in the real estate market increases.

The minutes of the meeting of the supervisory board of Arco Vara AS where the issue was discussed and the commentary of the management board highlight the same reasons as those outlined in the press release.

Question 2.5. Was selling the interests more beneficial for Arco Vara and/or the shareholders than not selling the interests?

According to the audited financial statements for 2008, loan commitments to be settled by Arco Vara AS in 2009 totalled EEK 353 million. According to the company's internal unaudited cash flow projections provided to us during our agreed-upon procedures engagement, EEK 200 million of the above amount was to be refinanced in the third quarter of 2009. At the same time, Arco Vara's current operating cash flow was negative.

Management's commentary: Yes, selling the interest was more beneficial. The purpose was to raise free cash. Liquidity was under great pressure. The liquidity forecast monitored by management was negative. Thus, the sale was inevitable.

Question 2.6. Did Arco Vara offer the interests to other potential buyers and how large were the competitive bids? On what basis were the buyers selected?

During our agreed-upon procedures engagement we determined that although the management board of Arco Vara AS sent invitations to tender to six companies operating in the real estate sector, only one indicative bid was received – from Norber Grupp OÜ. The indicative bid was EEK 50 million and its was made for a 50% interest in Tallinna Olümpiaspordikeskuse AS, a 50% interest in Arco Ärikeskuse OÜ and a 50% interest in Floriston Grupp OÜ and, according to the text of the bid: "This amount includes both the takeover of a commitment potentially claimable by AS Tallinna Olümpiaspordikeskus and the takeover of a claim related to the key persons of OÜ Floriston Grupp."

Management's commentary: Arco Vara resolved to sell the above interests to Texsito, Sallevell and Majaarenduse, i.e. companies related to the maker of the only bid, Norber Grupp OÜ.

Question 2.7. Have the terms for the transfer of the interests been fully satisfied?

The agreement on the purchase and sales of the shares signed on 21 October 2009 contains two additional covenants effective for a period of seven years after the conclusion of the agreement that are favourable for the seller, Arco Investeeringute AS:
a) potential receipt of additional consideration depending on the future performance of the project; and
b) the pre-emptive right to act as the broker if the property is disposed of.

We have examined the terms of the agreement on the purchase and sale of the shares dated 21 October 2009 but, referring to the confidentiality clauses, the counterparty of the transaction did not provide consent for disclosing the details of the agreement in this report.

Management's commentary: To date, the additional covenants relating to the above sales transaction have not been satisfied.

Question 2.7.1. What claims does Arco Vara have against the buyers of the interests?

We have examined the terms of the agreement on the purchase and sale of the shares dated 21 October 2009 but, referring to the confidentiality clauses, the counterparty of the transaction did not provide consent for disclosing the details of the agreement in this report.

Question 2.7.2. What measures has Arco Vara applied to ensure that the claims will be satisfied or secured?

Management's commentary: Both the claim for additional consideration and the pre-emptive right to act as a broker on the sale of the property are contractual rights and during the seven-year period related obligations will transfer to any new owner of Tallinna Olümpiaspordikeskuse AS.

Question 2.8. Was the sale of the interests planned in Arco Vara's action plan, budget or a similar document for the financial year? If so, what governing body agreed or approved the budget or similar document?

According to the documentation made available to us, the transfer of the interests in Tallinna Olümpiapurjespordikeskuse AS, Arco Ärikeskuse OÜ and Floriston Grupp OÜ through a complex transaction was discussed at a meeting held by the supervisory board of Arco Vara AS on 7 September 2009 but no resolutions on the matter were adopted. The supervisory board of Arco Investeeringute AS resolved to grant consent for the transfer of the interest in Tallinna Olümpiapurjespordikeskuse AS to Regati Valduse OÜ or another person indicated by the latter on 7 October 2009.

Management's commentary: The sale of the interest was not foreseen by the action plan or budget for the financial year. It was an ad hoc management decision instigated by the rapidly deteriorating economic situation. The transaction was beyond the scope of ordinary business activities and, as required by the Commercial Code, it was approved by the supervisory board of Arco Investeeringute AS. The need for improving the liquidity position resulted from the group's financial position that is also continuously monitored by the supervisory board of Arco Vara AS.

Question 2.9. Was the sale of the interests approved by the supervisory board? If so, when was the approval granted?

The supervisory board of Arco Investeeringute AS granted consent for the transfer of the interest to Regati Valduse OÜ or another person indicated by the latter with a resolution adopted on 7 October 2009.

Question 2.10. How were the proposal and economic rationale for selling the interests justified to the supervisory board?

The documents made available to us during our agreed-upon procedures engagement do not allow determining if and how the plan of transferring the interest was justified to the supervisory board.

Management's commentary: The transaction was performed to improve Arco Vara's liquidity position and reduce its liabilities.

Question 2.11. Did the members of the supervisory board express any dissenting opinions regarding the transfer of the interests? If so, what kind of dissenting opinions were expressed?

The resolution of the supervisory board of Arco Investeeringute AS dated 7 October 2009 indicates that granting consent for the sale of the interest was resolved unanimously in compliance with section 323 subsection 6 of the Commercial Code. The resolution has been signed by Hillar-Peeter Luitsalu, Richard Tomingas and Lembit Tampere.

Management's commentary: The resolution on the sale of the interest in Tallinna Olümpiapurjespordikeskuse AS was adopted by the supervisory board of Arco Investeeringute AS unanimously.

Question 2.12. Which members of the governing bodies of Arco Vara participated in determining the values of the interests and the sales negotiations?

According to the agreement on the purchase and sale of the shares, Arco Vara AS was represented in the sales transaction and on signing the sales agreement on 21 October 2009 by member of the management board of Arco Investeeringute AS and the chief executive of the relevant business unit Veiko Taevere.

Question 2.13. What was the date as of which the prices of the interests were determined?

Rimess OÜ's expert opinion "The fair value of AS Tallinna Olümpiapurjespordikeskus and the value of the interest of AS Arco Investeeringute in the said company" was formed as at 30 June 2009 and the report on it was issued on 7 October 2009.

Question 2.14. What valuation methods were applied to measure the values of the interests and who performed the valuations?

The value of the interest was determined using the discounted cash flow method. The valuation was performed by Rimess OÜ.

Question 2.15. What were the values of the interests based on the valuation methods applied?

The management board of Arco Vara AS appointed Rimess OÜ to prepare the expert opinion "The fair value of AS Tallinna Olümpiapurjespordikeskus and the value of the interest of AS Arco Investeeringute in the said company". According to the expert opinion of Rimess OÜ, at the date of the valuation the fair value of the equity of Tallinna Olümpiapurjespordikeskuse AS belonging to Arco Investeeringud AS could not be determined with a single figure but consisted of two components:

1) the value determinable at the date of release of the valuation report, which was EEK 18 million, plus

2) the value of the future potential (not adequately determinable) that depends on the occurrence of certain future events (such as the adoption of detailed plans, etc). Based on the calculations of Rimess OÜ, the value of the future potential fell between EEK 10.2 million and EEK 78.4 million.

Question 2.16. Could pre-emptive rights be exercised on the sale of the interests? If so, did other shareholders exercise their pre-emptive rights?

In compliance with the Commercial Code, the articles of association may provide that the other shareholders have the pre-emptive right on the transfer of shares to third persons. During our agreed-upon procedures engagement, we determined that the articles of association of Tallinna Olümpiapurjespordikeskuse AS did not provide the co-shareholder with the pre-emptive right.

Management's commentary: No shareholder agreement had been concluded with the co-shareholder. Consequently, there were no pre-emptive rights.

Question 2.17. Do the agreements provide for the repurchase of the interests by Arco Vara?

The agreement on the purchase and sale of the shares in Tallinna Olümpiapurjespordikeskuse AS signed on 21 October 2009 does not provide for the repurchase of the interest by Arco Investeeringute AS.

Question 2.18. Can the management board of Arco Vara confirm that the transactions did not damage the interests of creditors?

During our agreed-upon procedures engagement, we obtained an oral confirmation from the management board that in the given economic situation the company acted in the interests of Arco Vara and its creditors and performed the best possible transaction.

Question 2.19. Did the transactions require the prior consent of a credit institution or some other person and were the transactions agreed with such a person?

Based on the documentation made available to us during the agreed-upon procedures engagement, we did not identify any contractual obligation to obtain the prior consent of a credit institution or some other person for the performance of the above transaction.

Management's commentary: The transfer of this particular ownership interest did not require the prior consent of a credit institution or some other third party.

7. Floriston Grupp OÜ

Question 2.4. Why were the interests in the subsidiaries transferred?

According to the press release of Arco Vara AS (21 October 2009), in the prevailing market situation the main task for companies was to ensure their liquidity. The transaction was performed to improve the liquidity position and reduce the liabilities of Arco Vara AS. Greater liquidity was required to be able to finance housing construction projects when the economy starts recovering and demand in the real estate market increases.

The minutes of the meeting of the supervisory board of Arco Vara AS held on 6 October 2009 where the matter was discussed and management's commentary indicate the same reasons as those outlined in the press release.

Question 2.5. Was selling the interests more beneficial for Arco Vara and/or the shareholders than not selling the interests?

According to the audited financial statements for 2008, loan commitments to be settled by Arco Vara AS in 2009 totalled EEK 353 million. According to the company's internal unaudited cash flow projections provided to us during our agreed-upon procedures engagement, EEK 200 million of the above amount was to be refinanced in the third quarter of 2009. At the same time, Arco Vara's operating cash flow was negative.

Management's commentary: Yes, selling the interest was more beneficial. The purpose was to raise free cash. Liquidity was under great pressure. The liquidity forecast monitored by management was negative. Thus, the sale was inevitable.

Question 2.6. Did Arco Vara offer the interests to other potential buyers and how large were the competitive bids? On what basis were the buyers selected?

During our agreed-upon procedures engagement we determined that although the management board of Arco Vara AS sent invitations to tender to six companies operating in the real estate sector, only one indicative bid was received – from Norber Grupp OÜ. The indicative bid was EEK 50 million and its was made for a 50% interest in Tallinna Olümpiaspordikeskuse AS, a 50% interest in Arco Ärikeskuse OÜ and a 50% interest in Floriston Grupp OÜ and, according to the text of the bid: "This amount includes both the takeover of a commitment potentially claimable by AS Tallinna Olümpiaspordikeskus and the takeover of a claim related to the key persons of OÜ Floriston Grupp."

Management's commentary: Arco Vara resolved to sell the above interests to Texsito, Sallevell and Majaarenduse, i.e. companies related to the maker of the only bid, Norber Grupp OÜ.

Question 2.7. Have the terms for the transfer of the interests been fully satisfied?

The terms of the agreement on the purchase and sale of the share and the agreement on the assignment of claims signed on 21 October 2009 provide that OÜ Snowden, Floriston Grupp OÜ and Majaarendus OÜ have to ensure that a combined mortgage of EEK 60 million is created for the benefit of Arco Vara AS and AS Ärimaja.

In addition, the agreement on the purchase and sale of the share contains certain additional covenants favourable for the seller, Arco Vara AS, which, among other things, allow receiving additional consideration based on the future performance of the project.

We have examined the terms of the agreement on the purchase and sale of the share and the agreement on the transfer of a claim signed on 21 October 2009 but, referring to the confidentiality clauses, the counterparty of the transaction did not provide consent for disclosing the details of the agreement in this report.

Management's commentary: To date, the additional covenants relating to the transfer of the above interests have not been satisfied.

Question 2.7.1. What claims does Arco Vara have against the buyers of the interests?

We have examined the terms of the agreement on the purchase and sale of the share and the agreement on the transfer of a claim signed on 21 October 2009 but, referring to the confidentiality clauses, the counterparty of the transaction did not provide consent for disclosing the details of the agreement in this report.

Question 2.7.2. What measures has Arco Vara applied to ensure that the claims will be satisfied or secured?

We have examined the agreement on the sale of the property signed on 2 August 2011 according to which Arco Investeeringute AS acquired a property belonging to OÜ Snowden in Viimsi rural municipality, Harju county, in exchange for a claim of EEK 30 million against OÜ Snowden.

Management's commentary: With the acquisition of the property in Viimsi rural municipality, the claims Arco Vara group had against OÜ Snowden in connection with the sale of Floriston Grupp OÜ have been satisfied.

Question 2.8. Was the sale of the interests planned in Arco Vara's action plan, budget or a similar document for the financial year? If so, what governing body agreed or approved the budget or similar document?

According to the documentation made available to us, the transfer of the interests in Tallinna Olümpiapurjespordikeskuse AS, Arco Ärikeskuse OÜ and Floriston Grupp OÜ through a complex transaction was discussed at a meeting held by the supervisory board of Arco Vara AS on 7 September 2009 but no resolutions on the matter were adopted. The supervisory board of Arco Vara AS discussed the circumstances of transferring the interest in Floriston Grupp OÜ also at a meeting held on 24 September 2009. The supervisory board of Arco Vara AS resolved to approve the transfer of the interest in Floriston Grupp OÜ to AS Ärimaja or persons related to it at its meeting held on 6 October 2009.

Management's commentary: The sale of the interest was not foreseen by the action plan or budget for the financial year. It was an ad hoc management decision instigated by the rapidly deteriorating economic situation. The transaction was beyond the scope of ordinary business activities and, as required by the Commercial Code, it was approved by the supervisory board of Arco Vara AS. The need for improving the liquidity position resulted from the group's financial position that is also continuously monitored by the supervisory board of Arco Vara AS.

Question 2.9. Was the sale of the interests approved by the supervisory board? If so, when was the approval granted?

According to the resolution of the supervisory board of Arco Vara AS of 6 October 2009, the transfer of the interest in Floriston Grupp OÜ to AS Ärimaja or persons related to it was approved by the supervisory board unanimously.

Question 2.10. How were the proposal and economic rationale for selling the interests justified to the supervisory board?

The minutes of the meeting of the supervisory board of Arco Vara AS dated 6 October 2009 indicate that if the sale of the interest in Floriston Grupp OÜ and the so-called triple transaction had not taken place, other development projects would have had to be sold through quick sale transactions.

Question 2.11. Did the members of the supervisory board express any dissenting opinions regarding the transfer of the interests? If so, what kind of dissenting opinions were expressed?

The minutes of the meeting of the supervisory board of Arco Vara AS dated 6 October 2009 indicate that the resolution on granting consent for the sale of the interest was adopted with the attendees' votes in favour. The meeting was attended by: Hillar-Peeter Luitsalu, Kalev Tanner, Aare Tark and Richard Tomingas. Ragnar Meitern did not attend.

Question 2.12. Which members of the governing bodies of Arco Vara participated in determining the values of the interests and the sales negotiations?

According to the agreement on the purchase and sale of the interest, Arco Vara AS was represented in the sales transaction and on signing the sales agreement on 21 October 2009 by member of the management board of Arco Vara AS, Lembit Tampere.

Question 2.13. What was the date as of which the prices of the interests were determined?

Rimess OÜ's expert opinion "The fair value of Floriston Grupp OÜ and the value of the interest of AS Arco Vara in the said company" was formed as at 30 June 2009 and the report on it was issued on 7 October 2009.

Question 2.14. What valuation methods were applied to measure the values of the interests and who performed the valuations?

The value of the interest was determined using the discounted cash flow method. The valuation was performed by Rimess OÜ.

Management's commentary: In determining the price, the management board also took into account the immediate liquidity need. The valuation of Rimess OÜ was performed for determining the value of a 50% interest. The stake that was sold was a 37.5% interest; the expert opinion was proportionately adjusted to the change in interest and the approximate sales price thus identified was also in accordance with the value presented in the expert opinion issued by Rimess OÜ.

Question 2.15. What were the values of the interests based on the valuation methods applied?

The management board of Arco Vara AS appointed Rimess OÜ to prepare the expert opinion "The fair value of Floriston Grupp OÜ and the value of the interest of AS Arco Vara in the said company". According to the expert opinion of Rimess OÜ, at the date of the valuation the fair value of 50% of the equity of Floriston Grupp OÜ belonging to Arco Vara AS could not be determined with a single figure but consisted of two components

1) the value determinable at the date of release of the valuation report, which was EEK 0, plus

2) the value of the future potential (not adequately determinable) that depends on the occurrence of certain future events (such as the adoption of detailed plans, exchange of land under protection). Based on the calculations of Rimess OÜ, the value of the future potential fell between EEK 8.2 million and EEK 69.4 million.

The above valuation does not take into account the potential impact on the value of the interest of the litigation pending with Indrek Porila, the former general manager of Floriston Grupp OÜ.

According to the agreement on the purchase and sale of the share, Arco Vara transferred a 37.5% interest in Floriston Grupp OÜ, i.e. 75% of the interest belonging to it in the said entity.

Question 2.16. Could pre-emptive rights be exercised on the sale of the interests? If so, did other shareholders exercise their pre-emptive rights?

The agreement on the purchase and sale of the share and the agreement on the assignment of claims that was signed between Arco Vara AS, Majaarenduse OÜ, OÜ Snowden, AS Ärimaja and Floriston Grupp OÜ on 21 September 2009 stipulates that based on the articles of association of Floriston Grupp OÜ on the transfer of the company's share to a third person (third persons), the other shareholders may exercise their pre-emptive rights during one month after the presentation of the transfer agreement.

According to the documents made available to us during the agreed-upon procedures agreement, the buyer of the interest was Majaarendus OÜ, a 100% subsidiary of Floriston Grupp OÜ's other shareholder AS Ärimaja, which was represented by Olav Miil.

Question 2.17. Do the agreements provide for the repurchase of the interests by Arco Vara?

The agreement on the purchase and sale of the share and the agreement on the assignment of claims that was signed between Arco Vara AS, Majaarenduse OÜ, OÜ Snowden, AS Ärimaja and Floriston Grupp OÜ on 21 September 2009 does not provide for the repurchase of the interest by Arco Vara AS.

Question 2.18. Can the management board of Arco Vara confirm that the transactions did not damage the interests of creditors?

During our agreed-upon procedures engagement, we obtained an oral confirmation from the management board that in the given economic situation the company acted in the interests of Arco Vara and its creditors and performed the best possible transaction.

Question 2.19. Did the transactions require the prior consent of a credit institution or some other person and were the transactions agreed with such a person?

Based on the documentation made available to us during the agreed-upon procedures engagement, we did not identify any contractual obligation to obtain the prior consent of a credit institution or some other person for the performance of the above sales transaction.

Management's commentary: The transfer of this particular ownership interest did not require the prior consent of a credit institution or some other third party.

8. Arco Ärikeskuse OÜ

Question 2.4. Why were the interests in the subsidiaries transferred?

According to the press release of Arco Vara AS (21 October 2009), in the prevailing market situation the main task for companies was to ensure their liquidity. The transaction was performed to improve the liquidity position and reduce the liabilities of Arco Vara AS. Greater liquidity was required to be able to finance housing construction projects when the economy starts recovering and demand in the real estate market increases.

The minutes of the meeting of the supervisory board of Arco Vara AS where the matter was discussed and management's commentary indicate the same reasons as those outlined in the press release.

Question 2.5. Was selling the interests more beneficial for Arco Vara and/or the shareholders than not selling the interests?

According to the audited financial statements for 2008, loan commitments to be settled by Arco Vara AS in 2009 totalled EEK 353 million. According to the company's internal unaudited cash flow projections provided to us during our agreed-upon procedures engagement, EEK 200 million of the above amount was to be refinanced in the third quarter of 2009. At the same time, Arco Vara's operating cash flow was negative.

Management's commentary: Yes, selling the interest was more beneficial. The purpose was to raise free cash. Liquidity was under great pressure. The liquidity forecast monitored by management was negative. Thus, the sale was inevitable.

Question 2.6. Did Arco Vara offer the interests to other potential buyers and how large were the competitive bids? On what basis were the buyers selected?

During our agreed-upon procedures engagement we determined that although the management board of Arco Vara AS sent invitations to tender to six companies operating in the real estate sector, only one indicative bid was received – from Norber Grupp OÜ. The indicative bid was EEK 50 million and its was made for a 50% interest in Tallinna Olümpiaspordikeskuse AS, a 50% interest in Arco Ärikeskuse OÜ and a 50% interest in Floriston Grupp OÜ and, according to the text of the bid: "This amount includes both the takeover of a commitment potentially claimable by AS Tallinna Olümpiaspordikeskus and the takeover of a claim related to the key persons of OÜ Floriston Grupp."

Management's commentary: Arco Vara resolved to sell the above interests to Texsito, Sallevell and Majaarenduse, i.e. companies related to the maker of the only bid, Norber Grupp OÜ.

Question 2.7. Have the terms for the transfer of the interests been fully satisfied?

The agreement on the purchase and sale of the share signed on 21 October 2009 contains certain additional covenants favourable for the seller, Arco Investeeringute AS, which, among other things, allow receiving additional consideration based on the future performance of the project.

We have examined the terms of the agreement on the purchase and sale of the share signed on 21 October 2009 but, referring to the confidentiality clauses, the counterparty of the transaction did not provide consent for disclosing the details of the agreement in this report.

Management's commentary: To date, the additional covenants relating to the transfer of the above interests have not been satisfied.

Question 2.7.1. What claims does Arco Vara have against the buyers of the interests?

We have examined the terms of the agreement on the purchase and sale of the share signed on 21 October 2009 but, referring to the confidentiality clauses, the counterparty of the transaction did not provide consent for disclosing the details of the agreement in this report.

Question 2.7.2. What measures has Arco Vara applied to ensure that the claims will be satisfied or secured?

According to the terms of the agreement on the purchase and sale of the share, Arco Investeeringute AS has not received additional security from the buyer.

Management's commentary: Both the claim for additional consideration and certain pre-emptive rights to provide services arising from the agreement are contractual rights and during the period of seven years related obligations will transfer to any new owner of Arco Ärikeskuse OÜ.

Question 2.8. Was the sale of the interests planned in Arco Vara's action plan, budget or a similar document for the financial year? If so, what governing body agreed or approved the budget or similar document?

According to the documentation made available to us, the transfer of the interests in Tallinna Olümpiapurjespordikeskuse AS, Arco Ärikeskuse OÜ and Floriston Grupp OÜ through a complex transaction was discussed at a meeting held by the supervisory board of Arco Vara AS on 7 September 2009 but no resolutions on the matter were adopted. The supervisory board of Arco Investeeringute AS resolved to grant consent for the transfer of the interest in Arco Ärikeskuse OÜ to OÜ Sallevell (as the person indicated by AS Ärimaja) at a meeting held on 7 October 2009.

Management's commentary: The sale of the interest was not foreseen by the action plan or budget for the financial year. It was an ad hoc management decision instigated by the rapidly deteriorating economic situation. The transaction was beyond the scope of ordinary business activities and, as required by the Commercial Code, it was approved by the supervisory board of Arco Investeeringute AS. The need for improving the liquidity position resulted from the group's financial position that is also continuously monitored by the supervisory board of Arco Vara AS.

Question 2.9. Was the sale of the interests approved by the supervisory board? If so, when was the approval granted?

The supervisory board of Arco Investeeringute AS approved the transfer of the interests with a resolution dated 7 October 2009.

Question 2.10 How were the proposal and economic rationale for selling the interests justified to the supervisory board?

The documents made available to us during our agreed-upon procedures engagement do not allow determining if and how the plan of transferring the interest was justified to the supervisory board.

Management's commentary: The transaction was performed to improve the liquidity position and reduce the liabilities of Arco Vara group.

Question 2.11. Did the members of the supervisory board express any dissenting opinions regarding the transfer of the interests? If so, what kind of dissenting opinions were expressed?

The resolution of the supervisory board of Arco Investeeringute AS dated 7 October 2009 indicates that the consent for the sale of the interest was granted unanimously in compliance with section 323 subsection 6 of the Commercial Code. The resolution has been signed by Hillar-Peeter Luitsalu, Richard Tomingas and Lembit Tampere.

Management's commentary: The resolution on the sale of the interest in Arco Ärikeskuse OÜ was adopted by the supervisory board of Arco Investeeringute AS unanimously.

Question 2.12. Which members of the governing bodies of Arco Vara participated in determining the values of the interests and the sales negotiations?

According to the agreement on the purchase and sale of the share, Arco Investeeringute AS was represented in the sales transaction and on signing the sales agreement on 21 October 2009 by member of the management board of Arco Investeeringute AS, Veiko Taevere.

Question 2.13. What was the date as of which the prices of the interests were determined?

Rimess OÜ's expert opinion "The fair value of Arco Ärikeskus OÜ and the value of the interest of AS Arco Investeeringute in the said company" was formed as at 30 June 2009 and the report on it was issued on 7 October 2009.

Question 2.14. What valuation methods were applied to measure the values of the interests and who performed the valuations?

The value of the interest was determined using the discounted cash flow method. The valuation was performed by Rimess OÜ.

Question 2.15. What were the values of the interests based on the valuation methods applied?

The management board of Arco Vara AS appointed Rimess OÜ to prepare the expert opinion "The fair value of OÜ Arco Ärikeskuse and the value of the interest of AS Arco Investeeringute in the said company". The expert opinion was issued on 7 October 2009 and according to it at the date of the valuation the fair value of 50% of the equity of Arco Ärikeskuse OÜ belonging to Arco Investeeringud AS could not be determined with a single figure but consisted of two components:

1) the value determinable at the date of release of the valuation report, which was EEK 4.73 million, plus

2) the value of the future potential (not adequately determinable) that depends on the occurrence of certain future events (such as the adoption of detailed plans). Based on the calculations of Rimess OÜ, the value of the future potential fell between EEK 1.02 million and EEK 12.5 million.

Question 2.16. Could pre-emptive rights be exercised on the sale of the interests? If so, did other shareholders exercise their pre-emptive rights?

The agreement on the purchase and sale of the share that was signed between Arco Investeeringute AS, OÜ Sallevell, AS Ärimaja and Arco Ärikeskuse OÜ on 21 October 2009 stipulates that based on the articles of association of Arco Ärikeskuse OÜ on the transfer of the company's share to a third person (third persons), the other shareholders may exercise their pre-emptive rights within one month after the presentation of the transfer agreement.

According to the documents made available to us during the agreed-upon procedures agreement, the buyer of the interest was OÜ Sallevell, a 100% subsidiary of Arco Ärikeskuse OÜ's other shareholder AS Ärimaja, which was represented by Olav Miil.

Question 2.17. Do the agreements provide for the repurchase of the interests by Arco Vara?

The agreement on the purchase and sale of the share that was signed between Arco Investeeringute AS, OÜ Sallevell, AS Ärimaja and Arco Ärikeskuse OÜ on 21 October 2009 does not provide for the repurchase of the interest by Arco Investeeringute AS.

Question 2.18. Can the management board of Arco Vara confirm that the transactions did not damage the interests of creditors?

During our agreed-upon procedures engagement, we obtained an oral confirmation from the management board that in the given economic situation the company acted in the interests of Arco Vara and its creditors and performed the best possible transaction.

Question 2.19. Did the transactions require the prior consent of a credit institution or some other person and were the transactions agreed with such a person?

The agreement on the purchase and sale of the share that was signed between Arco Investeeringute AS, OÜ Sallevell, AS Ärimaja and Arco Ärikeskuse OÜ on 21 October 2009 stipulates that according to the terms of loan agreement no 24/06K33 signed with AS DnB Nord Banka on 25 October 2006 Arco Ärikeskuse OÜ may transfer the company's share only subject to the prior written consent of AS DnB Nord Banka.

According to the representations of the entity defined as the seller in the agreement on the purchase and sale of the share, a corresponding notice was sent to AS DnB Nord Banka. As part of the terms of the above purchase-sale agreement, Arco Investeeringute AS undertook to provide the buyer with the bank's written consent before the settlement date. We did not identify the existence of AS DnB Nord Banka's written consent based on the documents made available to us during our agreed-upon procedures engagement.

9. Arco Ukraina Valduste OÜ

Question 2.4. Why were the interests in the subsidiaries transferred?

Stock exchange announcement (8 December 2009): "The purpose of the transaction was to exit operations that caused losses for the Group and whose upkeep required additional financing; Arco Vara does not consider its presence in Ukraine to have prospects in the next few years."

Management's commentary: The interest was transferred in order to dispose of a loss-generating business operation.

Question 2.5. Was selling the interests more beneficial for Arco Vara and/or the shareholders than not selling the interests?

According to the unaudited financial statements examined during the agreed-upon procedures engagement it may be concluded that at the date of transfer of the interest the equity of Arco Ukraina Valduste OÜ was negative to the extent of EUR 4,863 (EEK 76 thousand).

Thanks to the transfer of the interest, Arco Vara AS was able to dispose of its interest in a loss-generating company and net liabilities of EUR 4,214 (Arco Vara's proportionate share in the negative net assets of Arco Ukraina Valduste OÜ) for EUR 250.

Management's commentary: The interest was transferred to dispose of a loss-generating operation. The reasons for the sale were the entity's negative equity and loss.

Question 2.6. Did Arco Vara offer the interests to other potential buyers and how large were the competitive bids? On what basis were the buyers selected?

The documentation made available to us during the agreed-upon procedures engagement does not indicate that Arco Vara offered its interest in Arco Ukraina Valduste OÜ to other potential buyers.

Management's commentary: In essence, the transaction did not constitute a sale but the liquidation of an entity with negative equity. Therefore it was not relevant to observe the principles applied on the sale of a commercial undertaking. The buyer was a Ukrainian business partner and the co-owner of the entity.

Question 2.7. Have the terms for the transfer of the interests been fully satisfied?

On examining the sales agreement of 8 December 2009 during our agreed-upon procedures engagement we did not observe any binding clauses that could result in some terms not being satisfied at the date of release of this report.

Management's commentary: The terms for the transfer of the interest have been fully satisfied.

Question 2.8. Was the sale of the interests planned in Arco Vara's action plan, budget or a similar document for the financial year? If so, what governing body agreed or approved the budget or similar document?

Stock exchange announcement (8 December 2009): "The purpose of the transaction was to exit operations that caused losses for the group and whose upkeep required additional financing; Arco Vara does not consider its presence in Ukraine to have prospects in the next few years."

Management's commentary: The sale of the interest was not foreseen by the action plan or budget for the financial year. It was an ad hoc management decision instigated by the rapidly deteriorating economic situation. In a swiftly worsening environment it was necessary to discontinue, above all, any loss-generating operations within the group. The transaction was beyond the scope of ordinary business activities and, as required by the Commercial Code, it was approved by the supervisory board of Arco Vara AS.

Question 2.9. Was the sale of the interests approved by the supervisory board? If so, when was the approval granted?

According to the minutes of the meeting held by the supervisory board of Arco Vara AS, the transfer of the interest in Arco Ukraina Valduste OÜ was approved on 12 November 2009.

Question 2.10. How were the proposal and economic rationale for selling the interests justified to the supervisory board?

According to the minutes of the meeting of the supervisory board of Arco Vara AS dated 12 November 2009 that we examined during the agreed-upon procedures engagement, the proposal for selling the interest was justified with the desire to avoid incurring additional expenses in Ukraine where the operating environment was unfavourable. Arco Ukraina Valduste OÜ's subsidiary Arco Neruhomist TOV had been incurring continuous losses and Arco Vara AS had been subsidising the company's operation from Estonia. At 31 October 2009, the liabilities of Arco Ukraina Valduste OÜ exceeded its assets and, accordingly, its net assets were negative.

Question 2.11. Did the members of the supervisory board express any dissenting opinions regarding the transfer of the interests? If so, what kind of dissenting opinions were expressed?

According to the minutes of the meeting of the supervisory board of Arco Vara AS dated 12 November 2009, the resolution on the transfer of the interest in Arco Ukraina Valduste OÜ was adopted with the attendees' votes in favour; there were no dissenting opinions. The meeting was attended by: Hillar-Peeter Luitsalu, Kalev Tanner and Richard Tomingas. Aare Tark and Ragnar Meitern did not attend.

Question 2.12. Which members of the governing bodies of Arco Vara participated in determining the values of the interests and the sales negotiations?

The agreement on the purchase and sale of the interest in Arco Ukraina Valduste OÜ dated 8 December 2009 examined during the agreed-upon procedures engagement had been signed by member of the management board of Arco Vara AS, Lembit Tampere.

Question 2.13. What was the date as of which the prices of the interests were determined?

We were made available the unaudited financial statements of Arco Ukraina Valduste OÜ on the basis of which the supervisory board of Arco Vara AS resolved on 12 November 2009 to grant consent for the transfer of the interest.

Management's commentary: The value of the interest could not be determined because the fair value of an entity with negative equity and no future prospects would have been zero or negative. The decision to transfer the interest was made based on the results for the first 10 months of 2009.

Question 2.14. What valuation methods were applied to measure the values of the interests and who performed the valuations?

The minutes of the meeting of the supervisory board of Arco Vara AS dated 12 November 2009 examined during the agreed-upon procedures engagement do not indicate that any specific valuation method was applied in determining the value of the interest.

Management's commentary: The basis for the decision was, above all, the extent of the negative equity of Arco Ukraina Valduste OÜ. Accordingly, measuring the value of the interest was not relevant.

Question 2.15. What were the values of the interests based on the valuation methods applied?

We did not identify related documents during our agreed-upon procedures engagement. Therefore, we are not able to provide answers about the value of the interest and the valuation methods applied.

Management's commentary: Since in essence the transaction constituted liquidation and the company's equity was negative, determination of the value of the interest was not relevant.

Question 2.16. Could pre-emptive rights be exercised on the sale of the interests? If so, did other shareholders exercise their pre-emptive rights?

According to the articles of association of Arco Ukraina Valduste OÜ, on the transfer of an interest to a third party, the other shareholder has the pre-emptive right. The buyer of the interest was the minority shareholder that held the remaining 13.33% stake in Arco Ukraina Valduste OÜ. Therefore, pre-emptive rights could not be exercised.

Question 2.17. Do the agreements provide for the repurchase of the interests by Arco Vara?

The notarised agreement on the sale of the share in the company dated 8 December 2009 that we examined during the agreed-upon procedures engagement does not provide for the repurchase of the share in Arco Ukraina Valduste OÜ by Arco Vara AS.

Question 2.18. Can the management board of Arco Vara confirm that the transactions did not damage the interests of creditors?

During our agreed-upon procedures engagement, we obtained an oral confirmation from the management board that the transfer of the share in Arco Ukraina Valduste OÜ did not damage the interests of the creditors of Arco Vara group.

Question 2.19. Did the transactions require the prior consent of a credit institution or some other person and were the transactions agreed with such a person?

Based on the documentation made available to us during the agreed-upon procedures engagement, we did not identify any contractual obligation to obtain the prior consent of a credit institution or some other person for the performance of the above sales transaction.

Management's commentary: The transfer of this particular ownership interest did not require the prior consent of a credit institution or some other third party.

10. Arco Construction SIA (Latvia)

Question 2.4. Why were the interests in the subsidiaries transferred?

According to the stock exchange announcement (29 December 2009), the transfer was instigated by the fact that the group's own investments would not have been sufficient for ensuring the sustainable operation of Arco Construction SIA. At the same time Arco Construction SIA had not been successful in securing contracts from external customers. Moreover, compared with 2007 the Latvian construction market had contracted significantly and the investment no longer met the principles underlying the strategy of Arco Vara AS whose important elements included reducing liabilities and disposing of operations that Arco Vara did not fully control.

Management's commentary: The purpose of the transaction was to reduce the liabilities of Arco Vara group and to dispose of operations not fully controlled by the group.

Question 2.5. Was selling the interests more beneficial for Arco Vara and/or the shareholders than not selling the interests?

According to the agreement on the purchase and sale of the share made available during the agreed-upon procedures engagement that was signed on 20 December 2006 between Martins Bubens, Aivars Kacarsi (the sellers) and Arco Ehitus OÜ (the buyer), the buyer was to settle the purchase price in several instalments. The contractual purchase price was EUR 275 thousand of which Arco Ehitus OÜ managed to pay EUR 211 thousand.

According to the preliminary agreement dated 28 September 2009 and the resolution of the supervisory board of Arco Ehitus OÜ, the interest in Arco Construction SIA was transferred on the following terms:
- the cost of the interest is EUR 8 thousand;
- before the interest is transferred, Arco Construction SIA will pay Arco Ehitus OÜ a dividend of EUR 192 thousand.

Taking into account the bank's transaction fees, Arco Ehitus OÜ earned on the sale cash of EUR 200 thousand, which in terms of cash flows was EUR 11 thousand smaller than the amount that Arco Ehitus OÜ paid for the same interest during the period 2006-2009.

According to unaudited data, as at 30 June 2009 the net assets of Arco Construction SIA were EUR 180 thousand and Arco Ehitus OÜ's proportionate share of the net assets was EUR 142 thousand. The proceeds from the sale of the interest in Arco Construction SIA exceed the value of the above share of the net assets by EUR 58 thousand.

Management's commentary: The Latvian construction market was under even greater pressure than the Estonian one, Arco Vara's liquidity needs continued to be high and the transaction was regarded as a relief for those needs. The transaction has no significant impact on the operations of Arco Vara group and does not constitute transfer of a significant interest. Through dividend income, Arco Vara has fully earned back its earlier investments in the acquisition of the Latvian subsidiary.

Question 2.6. Did Arco Vara offer the interests to other potential buyers and how large were the competitive bids? On what basis were the buyers selected?

The documentation made available to us during the agreed-upon procedures engagement does not indicate that Arco Vara AS offered its interest in Arco Construction SIA to other potential buyers.

Management's commentary: Sales negotiations were held only with the persons that subsequently acquired the interest. At the end of 2009 the macroeconomic situation in the construction market was complicated: many construction companies were for sale but the interest in purchasing them was negligible. The buyers (former shareholders and management of Arco Construction SIA) were the only ones that expressed an interest in purchasing the entity.

Question 2.7. Have the terms for the transfer of the interests been fully satisfied?

On examining the agreement on the sale of the interest signed on 21 December 2009 during our agreed-upon procedures engagement, we did not observe any binding clauses that could result in some terms not being satisfied at the date of release of this report.

Management's commentary: The terms for the transfer of the interest have been fully satisfied.

Question 2.8. Was the sale of the interests planned in Arco Vara's action plan, budget or a similar document for the financial year? If so, what governing body agreed or approved the budget or similar document?

The transfer of the interest was approved with a resolution of the supervisory board of Arco Ehitus OÜ of 28 September 2009.

Management's commentary: The sale of the interest was not foreseen by the action plan or budget for the financial year. It was an ad hoc management decision instigated by the rapidly deteriorating economic situation. In a swiftly worsening environment it was necessary to discontinue, above all, any loss-generating operations within the group. The transaction was beyond the scope of ordinary business activities and, as required by the Commercial Code, it was approved by the supervisory board of Arco Ehitus OÜ.

Question 2.9. Was the sale of the interests approved by the supervisory board? If so, when was the approval granted?

The transfer of the interest in Arco Construction SIA was approved with a resolution adopted by the supervisory board of Arco Ehitus OÜ on 28 September 2009.

Question 2.10. How were the proposal and economic rationale for selling the interests justified to the supervisory board?

The resolution of the supervisory board of Arco Ehitus OÜ dated 28 September 2009 that was made available to us during the agreed-upon procedures engagement indicates that Arco Construction SIA was in a liquidity crisis and for resolving the crisis it would have been necessary to give major loans of EEK 15 million. At the same time, the other shareholders of the Latvian subsidiary had made a proposal for purchasing the interest of Arco Vara. To dispose of the obligations of making additional investments and granting loans, the supervisory board approved the decision to sell the interest.

Management's commentary: The aim was to avoid making additional investments in the Latvian construction sector that was overshadowed by an unfavourable operating environment.

Question 2.11. Did the members of the supervisory board express any dissenting opinions regarding the transfer of the interests? If so, what kind of dissenting opinions were expressed?

The resolution of the supervisory board of Arco Ehitus OÜ dated 28 September 2009 indicates that the resolution on granting consent for the transfer of the interest was adopted in compliance with section 323 of the Commercial Code. The resolution has been signed by Hillar-Peeter Luitsalu and Lembit Tampere; Richard Tomingas did not participate in the adoption of the resolution.

Question 2.12. Which members of the governing bodies of Arco Vara participated in determining the values of the interests and the sales negotiations?

Arco Ehitus OÜ was represented in the sales transaction and on the signature of the sales agreement on 21 October 2009 by member of the management board Priit Hainoja.

Question 2.13. What was the date as of which the prices of the interests were determined?

We were made available the unaudited financial statements of Arco Construction SIA for the first six months of 2009 on the basis of which the supervisory board of Arco Ehitus OÜ resolved on 28 September 2009 to grant consent for the transfer of the interest.

Question 2.14. What valuation methods were applied to measure the values of the interests and who performed the valuations?

The minutes of the meeting of the supervisory board of Arco Ehitus OÜ dated 28 September 2009 examined during the agreed-upon procedures engagement do not indicate that any specific valuation method was applied in determining the value of the interest.

Management's commentary: The price of the interest was determined immediately before the conclusion of the transaction through negotiations with the counterparty.

Question 2.15. What were the values of the interests based on the valuation methods applied?

We did not identify related documents during our agreed-upon procedures engagement. Therefore, we are not able to provide answers about the value of the interest and the valuation methods applied.

Question 2.16. Could pre-emptive rights be exercised on the sale of the interests? If so, did other shareholders exercise their pre-emptive rights?

According to the shareholder agreement signed on 28 December 2006, the co-shareholders had the pre-emptive right.

Management's commentary: The interest was acquired by the remaining shareholders which is why there was no party interested in exercising the pre-emptive right.

Question 2.17. Do the agreements provide for the repurchase of the interests by Arco Vara?

The agreement on the sale of the interest in Arco Construction SIA dated 21 December 2009 does not provide for the repurchase of the interest by Arco Ehitus OÜ.

Question 2.18. Can the management board of Arco Vara confirm that the transactions did not damage the interests of creditors?

During our agreed-upon procedures engagement, we obtained an oral confirmation from the management board that the transfer of the interest in Arco Construction SIA did not damage the interests of the creditors of Arco Vara group.

Question 2.19. Did the transactions require the prior consent of a credit institution or some other person and were the transactions agreed with such a person?

Based on the documentation made available to us during the agreed-upon procedures engagement, we did not identify any obligation to obtain the prior consent of a credit institution or some other person for the above transaction.

Management's commentary: The transfer of this particular ownership interest did not require the prior consent of a credit institution or some other third party.

11. Arco Vara Saare Kinnistud OÜ

Question 2.4. Why were the interests in the subsidiaries transferred?

Stock exchange announcement (13 March 2010): "The transaction is in keeping with the strategic objective of Arco Vara group to exit operations that cannot be fully controlled or managed by it."

Management's commentary: The company's objective was to dispose of operations not fully controlled by the group.

Question 2.5. Was selling the interests more beneficial for Arco Vara and/or the shareholders than not selling the interests?

The management board of Arco Vara AS requested an independent expert's opinion about the value of Arco Vara Saare Kinnistud OÜ from Rimess OÜ. According to the expert's opinion, as at 30 June 2009 the value of Arco Vara Saare Kinnistud OÜ was zero and the entity had only the value of its future potential that could be determined only by assuming the occurrence of certain future events.

Based on the financial statements for 2009, at 31 December 2009 the net assets of Arco Vara Saare Kinnistud OÜ stood at EEK 21,628,177.

According to the agreement on the transfer of a 50% interest signed on 11 March 2010, the contractual sales price was EEK 6 million. The contractual sales price is related to various additional terms, some of which have and some of which have not realised to date. The final profitability or unprofitability of the transaction can be assessed after the additional terms of the agreement have or have not realised.

Question 2.6. Did Arco Vara offer the interests to other potential buyers and how large were the competitive bids? On what basis were the buyers selected?

The documentation made available to us during the agreed-upon procedures engagement indicated that despite the fact that the interest was offered for sale to approximately six buyers, no bids were received. V. Leedo, the representative of the co-shareholder of Arco Vara Saare Kinnistud OÜ, co-offered EEK 6 million for the acquisition of the interest and was also ready to take over all the obligations of Arco Vara Saare Kinnistud OÜ.

Question 2.7. Have the terms for the transfer of the interests been fully satisfied?

The agreement on the transfer of the interest signed on 11 March 2010 that was made available to us during our agreed-upon procedures engagement foresees the adjustment of the sales price based on some terms which do date have not been fully satisfied and it contains terms that provide the seller with various opportunities for receiving additional consideration, which to date have not been fully satisfied. We have examined the terms of the agreement on the transfer of the interest but, referring to the confidentiality clauses, the counterparty of the transaction did not provide consent for disclosing the details of the agreement in this report.

Question 2.7.1. What claims does Arco Vara have against the buyers of the interests?

We have examined the terms of the agreement on the transfer of the interest that provide Arco Vara with the right of claim against the buyer of the interest in Arco Vara Saare Kinnistud OÜ but the buyer refused to grant consent for the disclosure of the details of the agreement in this report.

Management's commentary: Arco Vara group has a right of claim against the buyer of the interest in Arco Vara Saare Kinnistud OÜ at least to the extent of EEK 6 million because according to the assessment of Arco Vara the terms for the formation of the price have been fully satisfied. Arco Vara has commenced negotiations with the buyer with a view to achieving voluntary settlement of the purchase price.

Question 2.7.2. What measures has Arco Vara applied to ensure that the claims will be satisfied or secured?

According to the documentation made available to us during the agreed-upon procedures engagement, on 12 May 2011 and 9 June 2011 Arco Investeeringute AS submitted to the buyer a claim for settling the purchase price of EEK 6 million (EUR 383,470).

Question 2.8. Was the sale of the interests planned in Arco Vara's action plan, budget or a similar document for the financial year? If so, what governing body agreed or approved the budget or similar document?

The supervisory board of Arco Investeeringute AS approved the transfer of the interest in Arco Vara Saare Kinnistud OÜ with its resolution dated 10 March 2010. Before that, the supervisory board of Arco Vara AS had discussed the transfer of the interest in Arco Vara Saare Kinnistud OÜ at a meeting held on 7 September 2009.

Management's commentary: The transfer of the interest in Arco Vara Saare Kinnistud OÜ was not foreseen by the action plan or budget for the financial year. It was an ad hoc management decision instigated by the rapidly deteriorating economic situation. In a swiftly worsening environment it was necessary to discontinue, above all, any loss-generating operations. The transaction was beyond the scope of ordinary business activities and, as required by the Commercial Code, it was approved by the supervisory board of Arco Investeeringute AS.

Question 2.9. Was the sale of the interests approved by the supervisory board? If so, when was the approval granted?

The supervisory board of Arco Vara AS discussed the transfer of the interest in Arco Vara Saare Kinnistud OÜ at its meeting held on 7 September 2009.

The transfer of the interest was approved with a resolution of the supervisory board of Arco Investeeringute AS adopted on 10 March 2010.

Question 2.10. How were the proposal and economic rationale for selling the interests justified to the supervisory board?

The documents made available to us during our agreed-upon procedures engagement do not allow determining if and how the plan of transferring the interest was justified to the supervisory board.

Management's commentary: The creditor of Arco Vara Saare Kinnistud OÜ whose claims were guaranteed by Arco Vara group did not agree to extend the loan and the objective was to dispose of a contingent guarantee payout liability. The purpose was to dispose of operations the group could not fully control. Prior attempts to sell the interest for a higher price had failed.

Question 2.11. Did the members of the supervisory board express any dissenting opinions regarding the transfer of the interests? If so, what kind of dissenting opinions were expressed?

The resolution of the supervisory board of Arco Investeeringute AS dated 10 March 2010 indicates that the consent for the sale of the interest was granted unanimously, in compliance with section 323 subsection 6 of the Commercial Code. The resolution has been signed by Lembit Tampere, Hillar-Peeter Luitsalu and Richard Tomingas.

Question 2.12. Which members of the governing bodies of Arco Vara participated in determining the values of the interests and the sales negotiations?

According to the agreement on the transfer of the interest, Arco Investeeringute AS was represented in the sales transaction and on signing the sales agreement on 11 March 2010 by member of the management board Veiko Taevere.

Management's commentary: Organisation of the transfer of the interests (including determination of the value of the interest and holding of sales negotiations) was, as a rule, the

responsibility of the management board of the entity (member of the group) transferring the interest.

Question 2.13. What was the date as of which the prices of the interests were determined?

Rimess OÜ's expert opinion "The fair value of Arco Vara Saare Kinnistud OÜ and the value of the interest of AS Arco Investeeringute in the said company" was formed as at 30 June 2009 and the report on it was issued on 7 October 2009.

Question 2.14. What valuation methods were applied to measure the values of the interests and who performed the valuations?

The valuation of the interest was performed by Rimess OÜ using the discounted cash flow method.

Question 2.15. What were the values of the interests based on the valuation methods applied?

According to the expert opinion, the fair value of the net assets of Arco Vara Saare Kinnistud OÜ belonging to Arco Investeeringute AS ought to be determined by reference to both its determinable value at the date of the valuation and its future potential. According to the valuation, at the date of the valuation the determinable value was zero and the expert was forced to admit that because of great uncertainty the potential future value of the interest could not be measured.

Question 2.16. Could pre-emptive rights be exercised on the sale of the interests? If so, did other shareholders exercise their pre-emptive rights?

One party to the agreement on the sale of the interest was the representative of the 50% co-shareholder of Arco Vara Saare Kinnistud that waived its pre-emptive right.

Question 2.17. Do the agreements provide for the repurchase of the interests by Arco Vara?

The agreement on the sale of the share in Arco Vara Saare Kinnistud OÜ signed on 11 March 2010 does not provide for the repurchase of the interest by Arco Investeeringute AS.

Question 2.18. Can the management board of Arco Vara confirm that the transactions did not damage the interests of creditors?

During our agreed-upon procedures engagement, we obtained an oral confirmation from the management board that the transfer of the interest in Arco Vara Saare Kinnistud OÜ did not damage the interests of the creditors of Arco Vara group.

Question 2.19. Did the transactions require the prior consent of a credit institution or some other person and were the transactions agreed with such a person?

Based on the documentation made available to us during the agreed-upon procedures engagement, we did not identify any contractual obligation to obtain the prior consent of a credit institution or some other person for the performance of the above transaction.

Management's commentary: The transfer of this particular ownership interest did not require the prior consent of a credit institution or some other third party.

12. Wilson Kinnisvara OÜ

Question 2.4. Why were the interests in the subsidiaries transferred?

The documents provided to us do not indicate the motives for the transaction.

Management's commentary: The transaction constituted transfer of an investment in the ordinary course of business. The transaction was profitable for Arco Vara.

Question 2.5. Was selling the interests more beneficial for Arco Vara and/or the shareholders than not selling the interests?

According to the agreement on the sale of the share and the agreement on the assignment of a claim signed on 10 December 2010, Arco Investeeringute AS received EEK 23,000 thousand consisting of EEK 3,333 thousand received for the interest in Wilson Kinnisvara OÜ and EEK 19,667 thousand received for claims assigned.

According to the unaudited financial statements made available to us during our agreed-upon procedures engagement, at 31 October 2010 the net assets of Wilson Kinnisvara OÜ totalled EEK 927 thousand; accordingly, the transaction resulted in a gain of EEK 2,406 thousand for Arco Investeeringute AS.

Management's commentary: Arco Vara group received for the transfer of the interest in Wilson Kinnisvara OÜ and the assignment of claims total cash of EEK 23 million (approximately EUR 1.5 million).

Question 2.6. Did Arco Vara offer the interests to other potential buyers and how large were the competitive bids? On what basis were the buyers selected?

According to the minutes of the meeting of the supervisory board of Arco Investeeringute AS dated 16 December 2009 that were made available to us during the agreed-upon procedures engagement, only one buyer was interested in the property belonging to Wilson Kinnisvara OÜ at Paldiski mnt 80 for approximately EEK 18-19 million.

Management's commentary: The original buyer lost interest in the transaction, which is why it discontinued the negotiations and did not make the final bid.

Question 2.7. Have the terms for the transfer of the interests been fully satisfied?

On examining the agreement on the sale of the share and the assignment of a claim dated 10 December 2010 during our agreed-upon procedures engagement, we did not observe any binding clauses that could result in some terms not being satisfied at the date of release of this report.

Management's commentary: The terms for the transfer of the interest have been fully satisfied.

Question 2.8. Was the sale of the interests planned in Arco Vara's action plan, budget or a similar document for the financial year? If so, what governing body agreed or approved the budget or similar document?

The transfer of the interest was approved with the resolution of the supervisory board of Arco Investeeringute AS dated 16 December 2009.

Management's commentary: The sale of the interest in Wilson Kinnisvara OÜ and the assignment of its claims was not foreseen by the action plan or budget for the financial year. It was a disposal of an investment in the ordinary course of business. As required by the Commercial Code, the transaction was approved by the supervisory board of Arco Investeeringute AS.

Question 2.9. Was the sale of the interests approved by the supervisory board? If so, when was the approval granted?

The sale of the 100% interest in Wilson Kinnisvara OÜ was approved with the resolution of the supervisory board of Arco Investeeringute AS dated 16 December 2009.

With the resolution of the supervisory board, Veiko Taevere was authorised to hold negotiations with a potential buyer for selling the property at a price exceeding EEK 20 million.

Question 2.10. How were the proposal and economic rationale for selling the interests justified to the supervisory board?

According to the minutes of the meeting of the supervisory board of Arco Investeeringute AS dated 16 October 2009, the position was that the sale of the property at above EEK 20 million was profitable for the company.

Question 2.11. Did the members of the supervisory board express any dissenting opinions regarding the transfer of the interests? If so, what kind of dissenting opinions were expressed?

According to the minutes of the meeting of the supervisory board of Arco Investeeringute AS held on 16 December 2009, the resolution on approving the transfer of the interest in Wilson Kinnisvara OÜ was adopted unanimously. With the resolution, the supervisory board granted consent for transferring the interest to the buyer with whom negotiations subsequently failed. The meeting was attended by: Lembit Tampere, Hillar-Peeter Luitsalu and Richard Tomingas.

Question 2.12. Which members of the governing bodies of Arco Vara participated in determining the values of the interests and the sales negotiations?

According to the agreement on the transfer of the interest, Arco Vara group was represented in the sales transaction and on signing the sales agreement on 10 December 2010 by member of the management board of Arco Investeeringute AS and the chief executive of the relevant business unit, Veiko Taevere.

Management's commentary: Organisation of the transfer of the interests (including determination of the value of the interest and holding of sales negotiations) was, as a rule, the

responsibility of the management board of the entity (member of the group) transferring the interest.

Question 2.13. What was the date as of which the prices of the interests were determined?

The valuation of Catella Corporate Finance was performed as of 31 March 2010 and the related valuation report was issued in April 2010.

Question 2.14. What valuation methods were applied to measure the values of the interests and who performed the valuations?

The value of the interest was determined by Catella Corporate Finance OÜ using the discounted cash flow method.

Question 2.15. What were the values of the interests based on the valuation methods applied?

According to the valuation report issued by Catella Corporate Finance OÜ, the value of the interest in Wilson Kinnisvara OÜ was EUR 1,291,804. The valuation was performed using the discounted cash flow method and the outcome was based on an estimate of the terminal value after 10 years because the discounted cash flows for the first 10 years were negative to the extent of approximately EUR 9 million.

Management's commentary: The sales price of the transaction was higher than the value outlined in the valuation report.

Question 2.16. Could pre-emptive rights be exercised on the sale of the interests? If so, did other shareholders exercise their pre-emptive rights?

Wilson Kinnisvara OÜ was a 100% subsidiary of Arco Investeeringute AS. Therefore, there were no other shareholders who could have had pre-emptive rights.

Question 2.17. Do the agreements provide for the repurchase of the interests by Arco Vara?

The agreement on the sale of the share and the agreement on the assignment of a claim signed on 16 December 2009 do not provide for the repurchase of the share by Arco Investeeringute AS.

Question 2.18. Can the management board of Arco Vara confirm that the transactions did not damage the interests of creditors?

During our agreed-upon procedures engagement, we obtained an oral confirmation from the management board that the transfer of the share in Wilson Kinnisvara OÜ did not damage the interests of the creditors of Arco Vara group.

Question 2.19. Did the transactions require the prior consent of a credit institution or some other person and were the transactions agreed with such a person?

Based on the documentation made available to us during the agreed-upon procedures engagement, we did not identify any contractual obligation to obtain the prior consent of a credit institution or some other person for the performance of the above transaction.

Management's commentary: The transfer of this particular ownership interest did not require the prior consent of a credit institution or some other third party.

TRANSACTIONS WITH THE SHARES OF THE THREE JOINT VENTURES

According to the stock exchange announcements of Arco Vara AS, the largest transaction involving the sale of an ownership interest was the transaction made public on 21 October 2009 by which Arco Vara sold its interests in:
(1) Tallinna Olümpiapurjespordikeskuse AS,
(2) Floriston Grupp OÜ and
(3) Arco Ärikeskuse OÜ
(hereinafter all three entities collectively referred to as the "joint ventures") to undisclosed companies for a total of EEK 172m (EUR 11m), the figure consisting of an amount of EEK 55m (EUR 3.5m) to be paid for the shares (hereinafter the "interests") in the joint ventures and EEK 117m (EUR 7.5m) to be settled by the transfer of claims against the joint ventures.

Question 3.1. Who suggested to the management board that the particular interests should be sold and what were the underlying considerations?

During our agreed-upon procedures engagement we did not identify relevant documents. Accordingly, we are unable to provide an answer about the sales proposals and considerations.

Management's commentary: Nobody made a proposal to the management board for selling the above interests. In the given economic situation, it was important to ensure liquidity. In 2009 all possible asset sale options were considered with a view to improving the liquidity position. The transaction improved Arco Vara's liquidity position by EEK 55 million and reduced its liabilities by EEK 117 million. In the second half of 2009, significant loans were refinanced in connection with which the banks demanded partial repayment of the loans. In addition, Arco Vara needed funds for completing projects in progress and financing new projects.

Question 3.2. What were the reasons for the transfer of the interests in the three joint ventures in 2009?

According to the audited financial statements for 2008, loan commitments to be settled by Arco Vara AS in 2009 totalled EEK 353 million. According to the company's internal unaudited cash flow projections provided to us during our agreed-upon procedures engagement, EEK 200 million of the above amount was to be refinanced in the third quarter of 2009. At the same time, Arco Vara's operating cash flow was negative.

Management's commentary: The interests in the three joint ventures were transferred in order to improve the liquidity position and reduce the liabilities of Arco Vara group. Also, in order to raise cash for completing projects in progress and financing new projects.

Question 3.3. What were the considerations for not selling a 12.5% interest in Floriston Grupp OÜ?

The documents provided to us during our agreed-upon procedures engagement do not indicate relevant motives. Accordingly, we are unable to comment on the reasons for retaining a 12.5% interest in Floriston Grupp OÜ.

Management's commentary: A 12.5% interest in Floriston Grupp OÜ was retained so that Arco Vara AS would be able, if necessary, to satisfy the alleged claim of I. Porila to 12.5% of the equity of Floriston Grupp OÜ.

Question 3.4. Why was the sales price of a 37.5% interest in Floriston EEK 5,500,000, if according to Arco Vara's prospectus and Arco Vara's stock exchange announcement dated 26 May 2010 the value of a 12% share in the total consolidated retained earnings of Floriston Grupp OÜ was EEK 37,943,987? According to Floriston Grupp OÜ's annual report for 2009, at 31 December 2009 Floriston had total retained earnings of EEK 151,489,722, equity of EEK 151,533,722 and it could have distributed a maximum net dividend of EEK 119,676,880 of which 37.7% was EEK 44,878,830. We would like Arco Vara to explain how the price of the transaction was determined.

The supervisory board of Arco Vara AS granted consent for the sale of the interest on 6 October 2009. Before the sales transaction, the management board of Arco Vara AS had received from Rimess OÜ an expert opinion "The fair value of Floriston Grupp OÜ and the value of the interest of AS Arco Vara in the said company". According to the expert opinion, the immediately determinable value of the 50% interest in Floriston Grupp OÜ was zero and the value of its future potential fell between EEK 8.2 million and EEK 69.4 million. Since Arco Vara transferred a 37.5% interest in Floriston Grupp OÜ, the value of the interest based on the value of the future potential measured by the expert falls within the range EEK 6.15 million to EEK 52.05 million.

Management's commentary: The stock exchange announcement of 26 may 2010 refers to the IPO prospectus of 2007. In the prospectus prepared in 2007, the relevant equity interest was measured at EEK 37,943,987 based on the size of the equity of Floriston Grupp OÜ at that date. In no way does the stock exchange announcement of 26 May 2010 refer to the value of Floriston Grupp OÜ as at the date of the stock exchange announcement. The sales price of the interest was formed based on the market situation prevailing at the date of sale and the price range of the transaction corresponds to the opinion of the independent expert, Rimess OÜ, concerning the value of the asset at the date of the sales transaction.

Question 3.5. What did the total loss of EEK 150m (EUR 9.6m) incurred on the sale of the interests named in the stock exchange announcement of 21 October 2010 result from and how did it form?

According to information received from the management board, the book values of the interests that were sold were as follows:

- Tallinna Olümpiapurjespordikeskuse AS: EEK 119.9 million;
- Floriston Grupp OÜ: EEK 67.8 million;
- Arco Ärikeskuse OÜ: EEK 16.3 million.

and the respective sales prices were as follows:

- Tallinna Olümpiapurjespordikeskuse AS: EEK 37.5 million;
- Floriston Grupp OÜ: EEK 5.5 million;
- Arco Ärikeskuse OÜ: EEK 12 million.

The loss on the transaction results from a difference between the aggregate book values and sales prices of the interests. The calculation of the presented loss does not take into account the potential effect of the realisation of additional covenants of the sales agreements that may reduce the size of the loss.

Management's commentary: The loss resulted from the difference between the book values and market prices. It should be noted that the transaction did not constitute sale of the entities' assets but sale of investments in closed companies without shareholder agreements.

Question 3.6. How does the total loss of EEK 150m (EUR 9.6m) stated in the stock exchange announcement of 21 October 2010 break down between the interests? What is the individual outcome of each transaction, i.e. the outcome of the sale of the shares in Tallinna Olümpiapurjespordikeskuse AS, the share in Floriston Grupp OÜ, and the share in Arco Ärikeskuse OÜ?

According to the information presented in Question 3.5, the losses incurred on the sale of the interests break down between the entities as follows:

- Tallinna Olümpiapurjespordikeskuse AS: EEK -82.4 million;
- Floriston Grupp OÜ: EEK -62.3 million;
- Arco Ärikeskuse OÜ: EEK -4.3 million.

Question 3.7. What claims were assigned in connection with the sale of the interests and why was it considered necessary in the sales transactions?

Under the agreement on the purchase and sale of the share and the agreement on the assignment of claims signed on 21 October 2009, Floriston Grupp OÜ assigned to Arco Vara AS an EEK 30 million part of a claim arising from a loan agreement signed between Floriston Grupp OÜ and OÜ Snowden on 25 May 2006. The purchase price of the part of the claim was offset in full against Arco Vara's claim of EEK 30 million against Floriston Grupp OÜ.

Management's commentary: The replacement of Arco Vara AS' claim against Floriston Grupp OÜ with a claim against OÜ Snowden was part of the terms of the sales transaction.

Question 3.8. Is the satisfaction of claims assigned to Arco Vara secured? If so, how is it secured?

Under the agreement on the purchase and sale of the share and the agreement on the assignment of claims signed on 21 October 2009, OÜ Snowden undertook to create a combined mortgage of EEK 60 million for the benefit of Arco Vara AS and AS Ärimaja on the properties belonging to OÜ Snowden at Kõrkja tee 10a and 28a and at Viimsiranna 1 within 30 days after the conclusion of the agreement so as to secure the claims of Arco Vara and AS Ärimaja against OÜ Snowden. The combined mortgage was not created; instead, on 2 August 2011 Arco Investeeringute AS acquired from OÜ Snowden a property in Viimsi rural municipality, Harju county.

Question 3.9. Does the acquisition of claims against the joint ventures by Arco Vara improve Arco Vara's liquidity position and does acquisition of the claims help raise funds for financing new housing construction projects in Tallinn?

Based on the documentation made available to us during the agreed-upon procedures engagement it is not possible to conclude whether acquisition of the claims against the joint ventures improved Arco Vara's liquidity position or how it helped raise funds for financing new housing construction projects.

Management's commentary: Acquisition of the claims was part of the terms of the transaction.

Question 3.10. Did Arco Vara use the cash received from the sale of the shares in Tallinna Olümpiapurjespordikeskuse AS, Floriston Grupp OÜ and Arco Ärikeskuse OÜ for financing housing construction projects? If so, which housing construction projects were financed?

During our agreed-upon procedures engagement we did not identify relevant documents. Accordingly, we are not able to comment on the funding of housing construction projects.

Management's commentary: The cash received from the above sales transactions was invested in the Kolde pst project as well as the Latvian and Bulgarian projects. Cash investments in the so-called projects in progress were made in order to complete and realise the projects and thereby to ensure subsequent liquidity for the company.

Question 3.11. Are the housing construction projects referred to in the stock exchange announcement of 21 October 2010 more profitable from the point of view of Arco Vara than the projects of the joint ventures Tallinna Olümpiapurjespordikeskuse AS, Floriston Grupp OÜ and/or Arco Ärikeskuse OÜ?

Based on the documentation made available to us during the agreed-upon procedures engagement, it is not possible to comment on this question.

Management's commentary: Because of the entitlement to potential additional consideration, the sales transactions of Tallinna Olümpiapurjespordikeskuse AS, Floriston Grupp OÜ and Arco Ärikeskuse OÜ have not completely realised to date. At the same time, the group has started and completed various projects; for example, we have sold one and launched a new Kolde phase and we have completed certain projects in Latvia and Bulgaria. Completion of projects in progress has made possible their sale, thereby improving the liquidity position of Arco Vara and accordingly its ability to invest in new projects. At the same time, the values of the joint ventures transferred are still extensively related to their future potential which to date has not realised.

Question 3.12. Is the statement made in the stock exchange announcement of 21 October 2010 according to which in the next 10 years Arco Vara can earn additional revenue from the realisation of building rights attaching to properties belonging to Tallinna Olümpiapurjespordikeskuse AS, Floriston Grupp OÜ or Arco Ärikeskuse OÜ true and substantiated?

The terms of the agreements on the purchase and sale of the interests provide that subject to the satisfaction of certain terms Arco Vara AS is entitled to additional revenue when the building rights attaching to properties belonging to the sold entities realise.

Question 3.12.1. What additional revenue would Arco Vara earn on the realisation of building rights attaching to properties belonging to the joint ventures?

We were provided with the agreements on the transfer of the interests in the joint ventures that set forth the basis for the formation of the potential additional revenue. As the counterparties, referring to the confidentiality clauses, did not grant consent for disclosing the business secret, specific terms cannot be disclosed in this report.

Question 3.12.2. What is the extent of the additional revenue Arco Vara could earn on the realisation of building rights attaching to properties belonging to the joint ventures?

We were provided with the agreements on the transfer of the interests in the joint ventures that set forth the basis for the formation of the potential additional revenue. As the counterparties, referring to the confidentiality clauses, did not grant consent for disclosing the business secret, specific terms cannot be disclosed in this report.

Question 3.12.3. Is the (additional) revenue that Arco Vara could allegedly earn on the realisation of building rights attaching to properties belonging to the joint ventures larger than the revenue Arco Vara would have earned if Arco Vara had not transferred its interests in the joint ventures?

Since the answer depends on many variables that cannot be currently estimated, it is not possible to answer a question raised in this form.

Management's commentary: The additional revenue is difficult to estimate because it is unclear when and to what extent the additional contractual covenants will realise.

Question 3.13. What were the joint ventures' share value dynamics in the three years preceding the sale of the interests?

During our agreed-upon procedures engagement we did not establish that the fair value of the interests in the joint ventures was measured on a current basis. Accordingly, it is not possible to answer this question.

Management's commentary: Such value measurements were not performed. The management board is not aware that there is any generally accepted practice of conducting such valuations in respect of closed companies on a regular basis.

Question 3.14. How large were Floriston Grupp OÜ's total retained earnings at the date the values of the interests were determined?

Rimess OÜ carried out its valuation as of 30 June 2009 when Floriston Grupp OÜ's unaudited equity was EEK 250 million. Rimess OÜ expressed the opinion that the management of the company had knowingly overstated the value of the assets of Floriston Grupp OÜ which is why the appraiser made corrections in the course of its engagement as a result of which the adjusted equity of Floriston Grupp OÜ as at 30 June 2009 became negative.

Question 3.15. Are/were there any shareholder agreements in respect of the interests?

During our agreed-upon procedures engagement we did not identify relevant shareholder agreements.

Management's commentary: No, there were no effective owner agreements at any joint venture.

We conducted our engagement in accordance with the International Standard on Related Services (ISRS 4400) applicable to agreed-upon procedures engagements and we will indicate so in our report. Our engagement did not include and we did not carry out an investigation with the purpose of expressing an opinion on the legality of the activities of the persons/companies listed above. Consequently, no such assurance will be expressed.

Our report is solely for the purpose set forth above and it is not intended and may not be used for any other purpose. No party except for the shareholders of Arco Vara AS may rely on our report for any other purpose and we assume no responsibility or liability to any other party in relation to our report.

The procedures performed by us did not constitute an audit or a review conducted in accordance with International Standards on Auditing or International Standards on Review Engagements. Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

We relied entirely on the information obtained from public registers and the documents provided to us by the management board of Arco Vara AS, a list of which is presented in Appendix 1 to this report. Should further documents exist that were not provided to us, we assume no responsibility or liability to any party in relation to their content.

Since the answers obtained on the basis of documents cannot always be exhaustive, we requested in the framework of our engagement additional commentary from the management board of Arco Vara AS in the person of Lembit Tampere. The commentary received is presented in the "Management's commentary" sections of our report. The commentary does not express the views or positions of the auditors that conducted the agreed-upon procedures engagement and the commentary has not been confirmed with documents.

18 September 2011

(signed digitally)
Erki Usin
Auditor's certificate no 496
AS Deloitte Audit Eesti
Activity licence no 27

Appendix 1. Documentation provided by Arco Vara AS to the auditor performing the agreed-upon procedures engagement (Deloitte Audit Eesti AS)

The following list of documents submitted by Arco Vara AS for the agreed-upon procedures engagement is presented by the sales transactions of the interests in companies that were the subject of the agreed-upon procedures engagement.

1. AVEC Asset Management AS

1) Stock exchange announcement: Arco Vara has sold its interest in fund management company AVEC Asset to East Capital (20 June 2008).
2) Share Purchase Agreement between Arco Real Estate AS and East Capital Holding AB (20 June 2008).
3) Shareholders' Agreement between Arco Vara Ärijuhtimise OÜ and East Capital Holding AB (15 February 2005).
4) Management Agreement, Fund manager - Arco Varavalitsemise AS (7 July 2005).
5) Brokerage Agreement between EPF Lat Three and SIA Arco Real Estate (23 November 2006).
6) Brokerage Agreement between UAB EPF Lit-two and UAB Arco Real Estate (3 October 2007).
7) Agreement on sale of immovable property, agreement on assignment and transfer of mortgage and agreement on change of claims secured with mortgage, agreement on encumbering immovable property with mortgage and real rights agreements and registration applications. Between Arco Vara Kinnistute AS and Kerese Keskus OÜ (28 March 2007).
8) Quarterly financial report of AVEC Baltic Property Fund AB (31 May 2008).
9) Annual report of AVEC Asset Management AS (1 January 2007- 31 December 2007).
10) List of effective agreements by counterparty.
11) Management services agreement (AVEC Asset Management AS and Arco Vara AS, 1 January 2008).
12) Addendum to Guarantee Agreements.
13) Letter of resignation from the supervisory board of AVEC Asset Management AS submitted by Aare Tammemäe (20 June 2008).
14) Sale of 50% interest in AVEC to East Capital (presentation prepared by Aare Tammemäe – April 2008).
15) Minutes of the meeting of the supervisory board of Arco Vara AS (11 April 2008).
16) Submitted electronically: Unaudited quarterly financial reports of EC Baltic Property Fund AB (in Excel, 30 September 2008-30 June 2011).

2. UAB IKAS Projekt (Lithuania)

1) Stock exchange announcement: Signature of agreement for transfer of interest (4 December 2008).
2) Agreement on purchase and sale of shares between AS Arco Real Estate and OÜ Secure Invest (4 December 2008).
3) Company Closing Services Agreement between Arco Real Estate AS and OÜ Secure Invest (4 December 2008).
4) Minutes of the meeting of the supervisory board of Arco Real Estate AS (1 December 2008).

5) Submitted electronically: unaudited cash flow statement and income statement (for the period 1 January 2008-31 December 2008) and balance sheet (as at 31 December 2008) of Arco Real Estate UAB.
6) Submitted electronically: Unaudited balance sheet of Arco Real Estate UAB (as at 30 September 2008).

3. SIA Plavnieku Centrs (Latvia)

1) Stock exchange announcement: Signature of agreement for transfer of interest (5 December 2008).
2) Sales invoice no 08125/08 of LVL 73,414.94 submitted by Arco Real Estate SIA to Riga city government (8 December 2008).
3) Minutes of the shareholder meeting of SIA Plavnieku Centrs (3 December 2008).
4) Reply of Arco Real Estate SIA to the letter of Riga city government no 1-13/RPB-08-667-nd (19 November 2008).
5) Reply of Riga city government to the letter of Arco Real Estate SIA no 10/150 (10 November 2008).
6) Letter of Arco Real Estate SIA to Riga city government no 10/150 (30 September 2008).
7) Minutes of the meeting of the supervisory board of Arco Investeeringute AS no 08/08 (6 March 2008).
8) Minutes of the meeting of the management board of Arco Vara AS no 09/08 (28 February 2008).
9) Correspondence between Uldis Sproga and Siiri Heinsaar (27 February 2008).
10) Minutes of the meeting of the supervisory board of Arco Investeeringute AS no 5 (29 March 2007).
11) Submitted electronically: Unaudited income statement and cash flow statement (for the period 1 January 2008-31 December 2008) and balance sheet (as at 3 December 2008) of Plavnieku Centrs SIA.
12) Submitted electronically: Minutes of the meeting of the supervisory board of Arco Real Estate SIA (1 December 2008).
13) Submitted electronically: Unaudited income statement and cash flow statement (for the period 1 January 2008-30 September 2008) and balance sheet (as at 30 September 2008) of Plavnieku Centrs SIA

4. S.C.L-Base Project S.R.L (Romania)

1) Stock exchange announcement: Signature of agreement for transfer of interest (22 January 2009).
2) Agreement on purchase and sale of shares between AS Arco Real Estate and Marko Langund (20 January 2009).
3) Company Closing Services Agreement between Arco Real Estate AS and OÜ Secure Invest (14 January 2009).
4) Minutes of the meeting of the supervisory board of Arco Real Estate AS (12 January 2009).
5) Submitted electronically: Unaudited cash flow statement and income statement (for the period 1 January 2008-31 December 2008) and balance sheet (as at 31 December 2008) of Arco Real Estate Consulting SRL.

5. Arco Vara Puukool OÜ

1) Stock exchange announcement: Arco Vara AS has transferred its interest in Arco Vara Puukool OÜ (18 September 2009).
2) Share sale and pledge agreement between Arco Vara AS and Metsamarket OÜ (17 September 2009).
3) Minutes of the meeting of the supervisory board of Arco Vara AS (7 September 2009).
4) Resolution of the supervisory board of Arco Vara AS (6 July 2009).
5) Submitted electronically: Indicative offer for the purchase of 100% of the shares in Arco Puukooli by Metsamaahalduse AS (28 August 2009).
6) Submitted electronically: Unaudited income statement and cash flow statement (for the period 1 January 2008-31 December 2008) and balance sheet (as at 31 December 2008) of Arco Vara Puukool OÜ.
7) Submitted electronically: Unaudited income statement and cash flow statement (for the period 1 January 2009-30 September 2009) and balance sheet (as at 30 September 2009) of Arco Vara Puukool OÜ.
8) Submitted electronically: Minutes of the meeting of the supervisory board of Arco Investeeringute AS no 31/08 (25 September 2008).
9) Submitted electronically: Unaudited balance sheet of Arco Vara Puukool OÜ (as at 30 June 2009).
10) Submitted electronically: Response of Tornator Timberland OÜ to the sales offer (27 August 2009).

6. Tallinna Olümpiapurjespordikeskuse AS

1) Press release: Arco Vara has improved liquidity position by selling interests in three companies (21 October 2009).
2) Agreement on purchase and sale of shares between Arco Investeeringute AS and OÜ Texsito (21 October 2009).
3) Detailed view of the land register of the land registry department of Harju County Court, register part no 4224501 (19 October 2009).
4) Tenant list of Tallinna Olümpiapurjespordikeskuse AS (1 October 2009).
5) Unaudited balance sheet (as at 30 September 2009) and income statement (for the period 1 January 2009-30 September 2009) of Tallinna Olümpiapurjespordikeskuse AS.
6) Contract of service between Tallinna Olümpiapurjespordikeskuse AS and Urmas Lind (23 February 2009).
7) Rimess OÜ's memo on the subject "The fair value of AS Tallinna Olümpiapurjespordikeskus and the value of the share of AS Arco Vara in the said company" (7 October 2009).
8) Resolution of the supervisory board of Arco Investeeringute AS (7 October 2009).
9) Minutes of the meeting of the supervisory board of Arco Vara AS (6 October 2009).
10) Minutes of the meeting of the supervisory board of Arco Vara AS (24 September 2009).
11) Minutes of the meeting of the supervisory board of Arco Vara AS (7 September 2009).
12) Information on the book value and sales price of Tallinna Olümpiapurjespordikeskuse AS.
13) Submitted electronically: Presentation about Tallinna Olümpiapurjespordikeskuse AS (9 September 2009).
14) Submitted electronically: Confidentiality agreement between Arco Vara AS and Aberdeen OÜ (13 August 2009).

15) Submitted electronically: Confidentiality agreement between Arco Vara AS and E.L.L Kinnisvara AS (13 August 2009).
16) Submitted electronically: Confidentiality agreement between Arco Vara AS and Pontos OY (13 August 2009).
17) Submitted electronically: Confidentiality agreement between Arco Vara AS and Norber Grupp OÜ (13 August 2009).
18) Submitted electronically: Confidentiality agreement between Arco Vara AS and TTP AS (13 August 2009).
19) Submitted electronically: Confidentiality agreement between Arco Vara AS and ECE Capital OÜ (13 August 2009).

7. Floriston Grupp OÜ

1) Arco Vara AS's notice to OÜ Snowden, OÜ Floriston Grupp, Majaarendus OÜ regarding non-satisfaction of agreement terms (2 December 2010).
2) Minutes of the meeting of the management board of Arco Vara AS no 8/10 (11 February 2010).
3) Minutes of the meeting of the management board of Arco Vara AS no 74/09 (29 December 2009).
4) Agreement on purchase and sale of share and assignment of claims between Arco Vara AS and Majaarendus OÜ (21 October 2009).
5) Detailed view of the land register of the land registry department of Harju County Court, register part no 186301 (19 October 2009).
6) Tenant list of Floriston Grupp OÜ.
7) Unaudited balance sheet (as at 30 September 2009) and income statement (for the period 1 January 2009-30 September 2009) of Floriston Grupp OÜ.
8) Contract of service between OÜ Floriston Grupp and Urmas Lind (1 October 2007).
9) Rimess OÜ's memo on the subject "The fair value of Floriston Grupp OÜ and the value of the share of AS Arco Vara in the said company" (07.10.2009).
10) Minutes of the meeting of the supervisory board of Arco Vara AS (6 October 2009).
11) Minutes of the meeting of the supervisory board of Arco Vara AS (24 September 2009).
12) Minutes of the meeting of the supervisory board of Arco Vara AS (7 September 2009).
13) Stock exchange announcement: Indrek Porila has restarted litigation against Arco Vara AS (26 May 2010).
14) Agreement on deletion of mortgage, agreement on sale of property and real right agreement between OÜ Snowden, Arco Investeeringute AS and OÜ Floriston Grupp (2 August 2011).
15) Information on the book value and sales price of Floriston Grupp OÜ.
16) Submitted electronically: Confidentiality agreement between Arco Vara AS and E.L.L Kinnisvara AS (13 August 2009).
17) Submitted electronically: Confidentiality agreement between Arco Vara AS and Pontos OY (13 August 2009).
18) Submitted electronically: Confidentiality agreement between Arco Vara AS and Norber Grupp OÜ (13 August 2009).
19) Submitted electronically: Confidentiality agreement between Arco Vara AS and TTP AS (13 August 2009).
20) Submitted electronically: Confidentiality agreement between Arco Vara AS and ECE Capital OÜ (13 August 2009).
21) E-mail – request for disclosure of the terms of Tallinn Olümpiapurjespordikeskuse AS, Floriston Grupp OÜ, Arco Ärikeskuse OÜ transaction (14 September 2011) and Olav Miil's response (15 September 2011).

8. Arco Ärikeskuse OÜ

1) Agreement on purchase and sale of share between Arco Investeeringute AS and OÜ Sallevell (21 October 2009).
2) Unaudited balance sheet (as at 30 September 2009) and income statement (for the period 1 January 2009-30 September 2009) of Arco Ärikeskuse OÜ.
3) Contract of service between Arco Ärikeskuse OÜ and Urmas Lind (1 August 2008).
4) Rimess OÜ's memo on the subject "The fair value of OÜ Arco Ärikeskuse and the value of the share of AS Arco Investeeringute in the said company" (7 October 2009).
5) Resolution of the supervisory board of Arco Investeeringute AS (7 October 2009).
6) Minutes of the meeting of the supervisory board of Arco Vara AS (6 October 2009).
7) Minutes of the meeting of the supervisory board of Arco Vara AS (24 September 2009).
8) Minutes of the meeting of the supervisory board of Arco Vara AS (7 September 2009).
9) Information on the book value and sales price of Arco Ärikeskuse OÜ.
10) Submitted electronically: Confidentiality agreement between Arco Vara AS and E.L.L Kinnisvara AS (13 August 2009).
11) Submitted electronically: Confidentiality agreement between Arco Vara AS and Pontos OY (13 August 2009).
12) Submitted electronically: Confidentiality agreement between Arco Vara AS and Norber Grupp OÜ (13 August 2009).
13) Submitted electronically: Confidentiality agreement between Arco Vara AS and TTP AS (13 August 2009).
14) Submitted electronically: Confidentiality agreement between Arco Vara AS and ECE Capital OÜ (13 August 2009).

9. Arco Ukraina Valduste OÜ

1) Stock exchange announcement: Arco Vara AS has transferred its interest in Arco Ukraina Valduste OÜ (8 December 2009).
2) Share sale agreement between Arco Vara AS and OÜ Bagatini (8 December 2009).
3) Minutes of the meeting of the supervisory board of Arco Vara AS (12 November 2009).
4) Unaudited consolidated income statement and cash flow statement (for the period 1 January 2009-31 December 2009) and balance sheet (as at 31 December 2009) of Ukraina Valdused.

10. Arco Construction SIA (Latvia)

1) Stock exchange announcement: Arco Vara AS' subsidiary Arco Ehitus OÜ has transferred its interest in Arco Construction SIA (29 December 2009).
2) Contract for Sales of Shares between Arco Ehitus OÜ and Viktor Savins, Martinš Bubens, Aivars Kacars and Janis Codars (21 December 2009).
3) Preliminary agreement between Arco Ehitus OÜ and Viktor Savins, Martinš Bubens, Aivars Kacars and Janis Codars (28 September 2009).
4) Share Purchase Agreement between Martin Bubens, Aivars Kacars and Arco Ehitus OÜ, Viktors Savins (20 December 2006).

5) Submitted electronically: Unaudited income statement and cash flow statement (for the period 1 January 2009-31 December 2009) and balance sheet (as at 31 December 2009) of Arco Construction.
6) Submitted electronically: Resolution of the supervisory board of Arco Ehitus OÜ (28 September 2009).
7) Submitted electronically: statement of the account of Arco Ehitus OÜ with Swedbank (16 February 2010).
8) Submitted electronically: Unaudited balance sheet of Arco Construction SIA (as at 30 June 2009).
9) Submitted electronically: statement of the account of Arco Ehitus OÜ (1 January 2007-31 December 2007).
10) Submitted electronically: statement of the account of Arco Ehitus OÜ (1 January 2008-31 December 2008).
11) Submitted electronically: statement of the account of Arco Ehitus OÜ (1 January 2009-31 December 2009).
12) Submitted electronically: statement of the account of Arco Ehitus OÜ with respect to dividend paid by Arco Construction SIA (1 January 2009-31 December 2009).
13) Submitted electronically: Shareholders agreement between Deena Ehituse OÜ (Arco Ehituse OÜ) and Dinamo Buve SIA (28 December 2006).
14) Submitted electronically: Statement of payments of purchase price for Arco Construction SIA made by Arco Ehituse OÜ (2 January 2007-31 December 2009).

11. Arco Vara Saare Kinnistud OÜ

1) Stock exchange announcement: Arco Investeeringute AS has transferred its interest in Arco Vara Saare Kinnistud OÜ (11 March 2010).
2) Agreement on the transfer of interest in Arco Vara Saare Kinnistud OÜ between Arco Investeeringute AS and Compakt Capital OÜ (11 March 2010).
3) Rimess OÜ's memo on the subject "Fair value of OÜ Arco Vara Saare Kinnistud and the value of the share of AS Arco Investeeringute in the said company" (7 October 2009).
4) Resolution of the supervisory board of Arco Investeeringute AS 07/10 (10 March 2010).
5) Minutes of the meeting of the supervisory board of Arco Investeeringute AS no 06/10 (17 February 2010).
6) Minutes of the meeting of the supervisory board of Arco Investeeringute AS no 27/09 (21 October 2009).
7) Minutes of the meeting of the supervisory board of Arco Vara AS (7 September 2009).
8) Submitted electronically: Letter of Arco Investeeringute AS to Compakt Capital OÜ (12 May 2011).
9) Submitted electronically: Letter of Arco Investeeringute AS to Compakt Capital OÜ (9 June 2011).
10) E-mail – request for disclosure of the terms of Arco Vara and Saare Kinnistud OÜ transaction (14 September 2011) and Maik Teiv's response (14 September 2011).

12. Wilson Kinnisvara OÜ

1) Company news: Transfer of the interest in Wilson Kinnisvara OÜ (4 April 2011).
2) Agreement on sale of share and assignment of claim between Arco Investeeringute AS and OÜ Property S (10 December 2010).
3) Rental agreement between Wilson Kinnisvara OÜ and AS Saksa Auto (9 April 2009).

4) Unaudited balance sheet of Wilson Kinnisvara OÜ (as at 1 November 10).
5) Minutes of the meeting of the supervisory board of Arco Investeeringute AS no 31/09 (16 December 2009).
6) Minutes of the meeting of the supervisory board of Arco Investeeringute AS no 28/09 (26 October 2009).
7) Submitted electronically: Quarterly valuation report on the properties of Arco Investeeringute AS issued by Catella Corporate Finance (April 2010).
8) Submitted electronically: Valuation of the market value of the plot located at Paldiski mnt 80 issued by Catella Corporate Finance (Quarter 1, 2010).
9) Submitted electronically: Statement of the account of Arco Investeeringute AS with Swedbank (10 December 2010).

Other documents submitted by Arco Vara AS to Deloitte Audit Eesti AS

1) Shareholder's proposals for additions to the agenda of the general meeting of 12 May 2011.
2) Cash flow statement to Sampo (summary 19 August2009).
3) Cash flow statement to Sampo (19 August 2009).
4) Internal cash flow statement (summary 6 July 2009).
5) Internal cash flow statement (6 July 2009).

In addition, Deloitte Audit Eesti AS used in compiling its report the data of public registers.