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- AVG 2021 Q1 ENG.pdf (<http://oam.fi.ee/en/download?id=5441>)
- AVG 2021 Q1 EST.pdf (<http://oam.fi.ee/en/download?id=5442>)

Currency

Title Unaudited consolidated interim report for Q1 and 3 months of 2021

GROUP CEO'S REVIEW

For Arco Vara, the first quarter will be characterized by the phrase that the desire to increase development volumes does not have to be just a dream. We started the preparation of a detailed plan in Tallinn on approximately 75,000 square meters, of which 69,500 m² is located by Lake Harku and 5,500 m² in the Kodulahe area. More on both below.

In the first three months of 2021, Arco Vara earned a profit from completing the final sales of Iztok Parkside, Stage III of Kodulahe and Kodukalda. In the case of the first two in the list, all apartments have been sold by the time of submitting the report, 3 apartments are still available in Kodukalda development.

More Arco Vara brand licence fees were earned in the first quarter than had been expected, but rental income from the Madrid BLVD building in Bulgaria was almost 9% lower than planned - due to the ongoing Covid-19 restrictions and short-term vacancy on the retail space. Today, 100% occupancy has been reached again, which provides security for rental income for future periods.

Operating in Tallinn, we are unexpectedly in a time when the demand for residential real estate exceeds the supply, but at the same time the delivery times of construction materials have become longer and the prices of construction materials have risen. For Kodulahe IV and V, almost 75% of the apartments have already been covered with preliminary contracts, i.e. approximately 9 million euros in sales revenue for 2022. However, the successful construction process of Kodulahe Stages IV and V may present a short-term challenge.

It may also be a challenge to start the construction of the VI Stage of Kodulahe



at the right time, as the building permit is expected in June 2021 and a favourable process would enable sales revenue of 24 million euros in 2023. In the first quarter of 2021, we started preparing new detailed plans in Tallinn, the first of which is located in Arco Vara's well-known Kodulahe area, at Soodi 6. According to the current comprehensive plan, we estimate the gross volume of the development to be 6,500 m(2) and expect sales revenue of 14 million euros in 2024.

The most long-term one of the new detailed plans, at Paldiski road 124b, covers an area of approximately 7 hectares, where we plan to develop more than 450 homes. The expected start of construction of the first stage of the project will be in 2023 and the completion of the entire project will be in 2027, and we currently estimate the sales revenue of the entire project to be at 70 million euros.

The Bulgarian real estate market is significantly calmer: it is affected by caution in difficult times of health care and national elections. The main tasks in Bulgaria are the successful management of the Madrid BLVD building and the start of the development of a new residential project already this year.

In summary, at the beginning of 2021, we have secured a significant development volume in Estonia for the next 5 years, but the goal is also to achieve regular and stable housing development also in Bulgaria.

KEY PERFORMANCE INDICATORS

In Q1 2021, the group's revenue was 9,166 thousand euros, which is 4.1 times higher than the revenue of 2,238 thousand euros in Q1 2020.

In Q1 2021, the group's operating profit (=EBIT) was 1,809 thousand euros and net profit 1,700 thousand euros. In Q1 2020, the group had operating profit of 133 thousand euros and net profit of 20 thousand euros.

In Q1 2021, 58 apartments were sold in projects developed by the group (in Q1 2020: 10 apartments).

In the Q1 of 2021, the group's debt burden (net loans) decreased by 6,687 thousand euros down to the level of 1,812 thousand euros as of 31 March 2021. As of 31 March 2021, the weighted average annual interest rate of interest-bearing liabilities was 5.2%. This is an increase of 0.4% compared to 31 December 2020.

OPERATING REPORT

The revenue of the group totaled 9,166 thousand euros in Q1 2021 (in Q1 2020: 2,238 thousand euros), including revenue from the sale of properties in the group's own development projects in the amount of 8,902 thousand euros in Q1 2021 (in Q1 2020: 1,995 thousand euros).

Most of the other revenue of the group consisted of rental and property



management services income from commercial and office premises in Madrid Blvd building in Sofia, amounting to 194 thousand euros in Q1 2021 (in Q1 2020: 182 thousand euros). By the time of publishing the present report, all office and commercial spaces, together with parking places, were rented out.

Commercial space remains unsold in Stage II of Kodulahe project. The house received a usage permit in 2020.

In Q4 2020, construction finished in Stage III of Kodulahe project, a residential building with 50 apartments at Soodi 4 in Merimetsa district in Tallinn. By the publishing date of the interim report, all apartments have been sold and the house has the usage permit.

At the end of 2020, the joint construction of Stages IV and V of Kodulahe started. Two 36-apartment residential buildings at Pagi 3 and Pagi 5 in Merimetsa are under construction. The apartment buildings will become ready for final sale in about 1,5 years. By the publishing date of the annual report, 52 apartments of total 72 have been presold and 13 booked.

Stages VI of Kodulahe project is waiting for construction permit, design works are in process. The construction of the Stage VI is scheduled to start in year 2021. The plan is to build a pavilion and 113 apartments, out of which many have sea view. The apartment buildings will become ready in about 2 years after the construction begins.

In Q4 2020, sale started of Oa street plots in Tartu, where of 4 smaller apartment buildings are built under Kodukalda project name. By the publishing time of the interim report, 27 apartments have been sold out of 30.

In Iztok Parkside project in Sofia, the majority of final sales of apartments started in December 2020, after receiving a usage permit. By the publishing date of the interim report, all apartments have been sold. Iztok project consisted of three apartment buildings with a total of 67 apartments. As the apartments were handed over a year later than promised due to bureaucratic obstacles, 2 clients want compensation in the total amount of 40 thousand euros. As these apartment owners want compensation for pain and suffering, but not to give up the apartments, the obligation to pay compensation is not realistic and no reserve has been formed for this purpose.

Botanica Lozen project was designed as a premium class product, it has been decided to temporarily freeze the project until market will recover from Covid-19. The project foresees construction of 179 homes (apartments and houses), commercial spaces and a kindergarten. Minimum expected construction period is 2 years.

As of 31 March 2021 and the date of this report, 4 Marsili residential plots remained unsold in Latvia.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	3m 2021	3m 2020
Revenue from sale of own real estate	8,902	1,995
Revenue from rendering of services	264	243
Total revenue	9,166	2,238
Cost of sales	-7,119	-1,827
Gross profit	2,047	411
Other income	10	0
Marketing and distribution expenses	-35	-42
Administrative expenses	-184	-236
Other expenses	-29	0
Operating profit	1,809	133
Finance costs	-109	-113
Profit before tax	1,700	20
Net profit for the period	1,700	20
attributable to owners of the parent	1,700	20
Total comprehensive income for the period	1,700	20
attributable to owners of the parent	1,700	20



Earnings per share (in euros)		
- basic	0.19	0.00
- diluted	0.18	0.00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	31 March 2021	31 December 2020
Cash and cash equivalents	5,872	2,200
Receivables and prepayments	679	1,344
Inventories	11,248	14,960
Total current assets	17,799	18,504
Receivables and prepayments	104	5
Investment property	9,550	9,564
Property, plant and equipment	20	22
Intangible assets	124	136
Total non-current assets	9,798	9,727
TOTAL ASSETS	27,597	28,231
Loans and borrowings	553	3,482
Payables and deferred income	3,989	3,308
Total current liabilities	4,542	6,790
Loans and borrowings	7,131	7,217



Total non-current liabilities	7,131	7,217
TOTAL LIABILITIES	11,673	14,007
Share capital	6,299	6,299
Unregistered share capital	273	273
Share premium	2,285	2,285
Statutory capital reserve	2,011	2,011
Retained earnings	5,056	3,356
TOTAL EQUITY	15,924	14,224
TOTAL LIABILITIES AND EQUITY	27,597	28,231

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