

Company Arco Vara AS
Type Company Release
Category Management interim statement or quaterly financial report
Disclosure time 28 Oct 2021 08:30:00 +0300

Attachments:

- AVG 2021 Q3 ENG.pdf (<http://oam.fi.ee/en/download?id=5836>)
- AVG 2021 Q3 EST.pdf (<http://oam.fi.ee/en/download?id=5837>)

Currency

Title Unaudited consolidated interim report for Q3 and 9 months of 2021

GROUP CEO'S REVIEW

The third quarter of 2021 brought exciting times in the history of Arco Vara: not a single apartment that wouldn't be pre-sold was left, the share price showed record highs and the new share issue was very successful.

At the moment, Arco Vara is constructing Kodulahe Phase IV and Phase V houses in Merimetsa. Of the 72 apartments under construction, pre-sales of the last 5 vacant apartments were just completed in the third quarter. The group has thus guaranteed itself sales revenue of EUR 12 million from the Kodulahe project until 2022. Construction is on schedule and within budget.

We are currently tendering for the construction of the next phase of Kodulahe - Rannakalda - and we plan to start sales in a few weeks. The Rannakalda development consists of 3- and 4-storey apartment buildings with a total of 108 homes and 5 commercial spaces. What makes Rannakalda special is its location, which is as close to the sea as possible, with only the pedestrian walkway from Stroomi Beach to Rocca al Mare between the apartment buildings and the sea. For the first time, we are also working in this project with Enefit Volt, who within a pilot project is making it possible to install an electric car charging station in every parking space - a convenience that has not been possible before for technical reasons.

By the time the report is published, we are also able to share good news from Bulgaria. The design of Botanica Lozen is in full swing and we hope to start construction in spring 2022. The plan is to build a total of 54 detached houses in three phases, ranging in size from 270 to 350 m(2). There is a demand for spacious homes in Bulgaria and the location of Lozen, with its pristine natural surroundings, is perfect for this.



I am pleased that over the past year Arco Vara has seen a strong increase in interest from both clients and investors.

Arco Vara decided on 12 August to issue an additional 1,000,000 new shares at a price of EUR 2.25 per share. The issue was a success given that the volume of shares offered was oversubscribed 4.84 times! At the same time, a number of other share and bond issues were underway and the choice for investors to invest their money is growing. This confirms our earlier belief that people's appetite to invest is growing and that real estate development continues to be attractive - 6,116 new subscribers participated in the Arco Vara share subscription! The target of 1,000 new investors was therefore significantly exceeded - the number of Arco Vara shareholders has increased by nearly seven times in the last year.

For now, we can enjoy the success, but we have not forgotten to secure the back. Arco Vara's equity position is strong and we can look to the future with confidence to deliver volume and profitability growth to investors.

KEY PERFORMANCE INDICATORS

In Q3 2021, the group's revenue was 613 thousand euros, which is 8% more than the revenue of 569 thousand euros in Q2 2021. In 9 months 2021, the group's revenue was 11,283 thousand euros, which is 2 times more than the revenue of 3,758 thousand euros in 9 months 2020.

In Q3 2021, the group's operating profit (=EBIT) was 336 thousand euros and net profit 202 thousand euros (in 9 months 2021: operating profit 2,724 thousand euros and net profit of 2,425 thousand euros). In Q3 2020, the group had operating loss of 126 thousand euros and net loss of 228 thousand euros. In 9 months 2020, the group made operating profit of 49 thousand euros and net loss of 277 thousand euros.

In Q3 2021, final sales were made only in garages, but in 9 months a total of 63 apartments and a commercial space were also sold. In Q3 2020, 2 apartments were sold (17 apartments and a land plot in Latvia in 9 months).

In the 9 months of 2021, the group's debt burden (net loans) increased by 973 thousand euros down to the level of 9,472 thousand euros as of 30 September 2021. As of 30 September 2021, the weighted average annual interest rate of interest-bearing liabilities was 5.2%. This is an increase of 0.4 percentage points compared to 31 December 2020.

OPERATING REPORT

The revenue of the group totalled 613 thousand euros in Q3 2021 (in Q3 2020: 569 thousand euros,) and 11,283 thousand euros in 9 months 2021 (in 9 months 2020: 3,758 thousand euros), including revenue from the sale of properties in the group's own development projects in the amount of 305 thousand euros in Q3 and 10,441 thousand euros in 9 months 2021 (2020: 337 thousand euros in Q3 and 3,114 thousand euros in 9 months).



Most of the other revenue of the group consisted of rental income from commercial and office premises in Madrid Blvd building in Sofia, amounting to 214 thousand euros in Q3 2021 and 608 thousand euros in 9 months (2020: 178 thousand euros in Q3 and 488 thousand euros in 9 months). By the time of publishing the present report, one office space was vacant, but all commercial spaces, together with parking places, were rented out. The free office space makes 11% of the rented office and retail area.

One commercial space remains unsold in Stage II of Kodulahe project in Merimetsa district in Tallinn. 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. 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 are under construction. The apartment buildings will become ready for final sale in the summer of 2022. All 72 apartments have been presold.

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, 4 commercial areas and 108 apartments, out of which many have sea view. The apartment buildings will become ready in about 2 years after the construction begins.

A subsidiary of Arco Vara, Aktsiaselts Kolde, signed an agreement for land acquisition beside Lake Harku, address Paldiski road 124b, Tallinn. More than 35,000 m² of residential and commercial real estate (GBA) is planned for development. The expected development period is 6 years with the start of construction planned for 2023. The detailed plan sketch competition of the project has ended, the detailed planning is in process.

In Q2 2021, sales on the apartments of Oa street in Tartu ended, where 4 smaller apartment buildings with a total of 30 apartments were built under the Kodukalda project name. In Q2 2021, Kodukalda houses also received a usage permit.

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. 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.

The last vision of the Botanica Lozen project foresees construction of 54 homes (houses). The expected start time of construction is the spring of 2022. Minimum construction period is 2 years.



As of 30 September 2021, and the date of this report, 4 Marsili residential plots remained unsold in Latvia.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	9m 2021	9m 2020	Q3 2021	Q3 2020
Revenue from sale of own real estate	10,441	3,114	305	337
Revenue from rendering of services	842	644	308	232
Total revenue	11,283	3,758	613	569
Cost of sales	-8,455	-2,981	-277	-440
Gross profit	2,828	777	336	129
Other income	272	0	250	0
Marketing and distribution expenses	-109	-66	-44	-9
Administrative expenses	-631	-654	-230	-239
Other expenses	-58	-8	-18	-7
Gain on revaluation of investment property	422	0	0	0
Operating profit/ loss	2,724	49	294	-126
Financial income and costs	-299	-326	-92	-102
Profit/ loss before tax	2,425	-277	202	-228
Net profit/ loss for the period	2,425	-277	202	-228
Total comprehensive income/ expense for the period	2,425	-277	202	-228



Earnings per share (in euros)

- basic	0.26	-0.03	0.02	-0.03
- diluted	0.24	-0.03	0.02	-0.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	30 September 2021	31 December 2020
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Cash and cash equivalents	1,358	2,200
Receivables and prepayments	691	1,344
Inventories	17,417	14,960
Total current assets	19,466	18,504

Receivables and prepayments	5	5
Investment property	9,910	9,564
Property, plant and equipment	160	22
Intangible assets	99	136
Total non-current assets	10,174	9,727
TOTAL ASSETS	29,640	28,231

Loans and borrowings	727	3,482
Payables and deferred income	2,745	3,308
Total current liabilities	3,472	6,790



Loans and borrowings	10,103	7,217
Total non-current liabilities	10,103	7,217
TOTAL LIABILITIES	13,575	14,007
Share capital	6,572	6,299
Unregistered share capital	0	273
Share premium	2,285	2,285
Statutory capital reserve	2,011	2,011
Retained earnings	5,197	3,356
Total equity attributable to owners of the parent	16,065	14,224
TOTAL EQUITY	16,065	14,224
TOTAL LIABILITIES AND EQUITY	29,640	28,231

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