Company	Arco Vara AS
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Attachments:
- ArcoVara_aruanne Q2 2023 ENG.pdf (http://oam.fi.ee/en/download?id=7592)
- AV-Presentatsioon_Q2_2023.pdf (http://oam.fi.ee/en/download?id=7593)
- ArcoVara_aruanne Q2 2023 EST.pdf (http://oam.fi.ee/en/download?id=7594)

Currency

Title Unaudited consolidated interim report for Q2 and 6 months of 2023

GROUP CEO'S REVIEW

For Arco Vara's standpoint, the real estate market was breathing easier in Q2 but will be more apparent after the summer how safe this uneven activity is. The resolutions of the European Central Bank regarding baseline interest rates continue to be the primary influencer of the real estate and construction sectors. The slowing inflation rate is also slowly injecting a sense of certainty in homebuyers, illustrated by the threefold increase of inquiries over the quarter.

At the end of the last quarter, Arco Vara took a big step towards selling 200 homes this year while focusing on developing residential real estate. The sales process of Arco Vara's first Bulgarian development, the Madrid BLVD building erected in 2010, was successfully concluded. Due to the structure of the transaction, the balance sheet volume of the company increased to nearly 56 million euros as at the end of Q2, but this is solely an accounting change. We intend to invest the nearly 4 million euros of released capital in purchasing new plots and designing ongoing developments.

In Bulgaria, we continue construction and development of Botanica Lozen, where 2 residential houses of the 16 homes of the first stage have found buyers. The Bulgarian team is also in the process of designing the next project of the development with 24 residential houses, construction is supposed to commence next year.

The main activity in Estonian developments of Arco Vara is seen in Kodulahe Kvartal, the Rannakalda stage of which will be completed as early as in Q4 of this year. As at the moment of publishing this report, 51 homes and 3 business premises have been pre-sold, with the preliminary contract volume of nearly

14.4 million euros.

Based on the interest of customers in Kodulahe Kvartal, we also launched the architectural contest for the next stage and aim to already reach the establishment of the detailed plan this year. The plot at Soodi 6, which begins next year, involves around 68 homes and 250 m² of commercial premises.

The construction of the Kuldlehe boutique building has progressed according to plan. Based on statistics from Kodulahe, interest in large apartments is currently low and therefore we can expect a longer sales period for the five homes at Kuldlehe. The homes will be completed in the first half of 2024, and by then we can expect the first buyers.

During these changing times, we have been successful at the sales processes of Kodulahe Kvartal and Madrid BLVD, significantly alleviating the financing risks of the company during the current "cash is king" period where involving capital is expensive. With the released capital, we plan to increase the development volumes of Arco Vara with new plots in the second half of the year and deliver about 65 new homes at Kodulahe in Q4.

KEY PERFORMANCE INDICATORS

In 2023, the apartment buildings have not yet reached the stage of completion, which is why the group's sales revenue for the Q2 2023 was 254 thousand euros, which is 97% less than the sales revenue of the Q2 2022 of 7,633 thousand euros. In 6 months 2023, the group's revenue was 507 thousand euros, which is 94% less than the revenue of 7,935 thousand euros in 6 months 2022.

In Q2 2023, the group's operating loss (=EBIT) was 249 thousand euros and net loss 347 thousand euros (in 6 months 2023: operating loss 433 thousand euros and net loss of 638 thousand euros). In Q2 2022, the group had operating profit of 1,023 thousand euros and net profit of 934 thousand euros. In 6 months 2022, the group made operating profit of 1,126 thousand euros and net profit of 950 thousand euros.

In Q2 2023, no final sale contracts were signed (1 parking space was sold in 6 months). In Q2 2022, 41 apartments were sold in projects developed by the group (in 6 months 2022, 41 apartments and 1 land plot in Latvia).

In the 6 months of 2023, the group's debt burden (net loans) increased by 1,178 thousand euros up to the level of 15,840 thousand euros as of 30 June 2023. The base currency of the group's all loan agreements is euro, and most of the loan obligations have a fixed interest rate, except the base interest rate for the financing loan for the Tallinn Lammi 6 land (in the amount of approx. 3.5 million euros) is 6 months' EURIBOR. As of 30 June 2023, the weighted average annual interest rate of interest-bearing liabilities was 6.0%. This is an increase of 0.2 percentage points compared to 31 December 2022. The reason for the increase in the average interest rate of loan obligations is use of a short-term credit line with a higher interest rate in the summer of 2023.

The group's cash and cash equivalents totaled 10,432 thousand euros as of 30 June 2023 (31 December 2022 3,427 thousand). The temporary high amount of cash in the account is due to the advance payment for the sale of Madrid Blvd, of which 4,888 thousand was repaid to the bank that financed the activities of Madrid Blvd by the time of publication of this report.

OPERATING REPORT

In the Q2 2023, no apartment buildings were completed, which is why the group's sales revenue was 254 thousand euros (in Q2 2022, the sales revenue was 7,633 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 175 thousand euros in Q2 2023 and 371 thousand euros in 6 months (2022: 202 thousand euros in Q2 and 406 thousand euros in 6 months). As of 30 June 2023, the Madrid building was in an ongoing sales process, which was completed in July 2023. There is no profit or loss from the sale of the building in 2023 because the discounts were recognized in 2022. The transaction is not reflected in the sales revenue, as it is the sale of a real estate investment. Equity capital worth 4.1 million euros was released from the transaction.

Arco Vara's own construction company Arco Tarc OÜ is the main contractor for the most premium stage of Kodulahe - Rannakalda. Under construction are a pavilion, 4 service areas and 108 apartments (in three separate apartment buildings), many of which have sea views. The apartment buildings will be ready in the Q4 2023. As at the date of publishing the interim report, 55 units out of the 113 have been presold.

A subsidiary of Arco Vara, Aktsiaselts Kolde, in 2021 signed an agreement for land acquisition beside Lake Harku, address Paldiski road 124b, Tallinn. More than 35,000 m(2) of residential and commercial real estate (GBA) is planned for development. The project is called Arcojärve. In Q2 2023, the next land purchase prepayment of 1,626 thousand euros was paid, as of 30.06.2023, the total advance payment for the said land is 4,978 thousand euros. The expected development period is 6 years with the start of construction planned for 2024.

Construction is underway in the Kuldlehe project. The plan is to build a spacious and exclusive cluster house with 5 homes in Pirita in 2023. The sale of the project has started.

The Botanica Lozen project foresees construction of 54 homes (houses) in three stages. Construction and sales of the first 16 buildings have begun. The construction time of the whole project is at least 2 years. By the date of publication of the quarterly report, 2 out of 16 houses have been pre-sold.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	6m 2023	6m 2022	Q2 2023	Q2 2022
Revenue from sale of own real estate	7	7,377	0	7,346
Revenue from rendering of services	500	558	254	287
Total revenue	507	7,935	254	7,633
Cost of sales	-191	-6,383	-105	-6,274
Gross profit	316	1,552	149	1,359
Other income	76	202	54	8
Marketing and distribution expenses	-177	-108	-120	-64
Administrative expenses	-646	-513	-331	-274
Other expenses	-2	-7	-1	-6
Operating profit/loss	-433	1,126	-249	1,023
Financial costs	-205	-176	-98	-89
Profit/loss before tax	-638	950	-347	934
Net profit/loss for the period	-638	950	-347	934
Total comprehensive income/ loss for the period	-638	950	-347	934

Earnings per share (in euros)

- basic	-0,06	0,09	-0,03	0,09
- diluted	-0,06	0,09	-0,03	0,09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	30 June 2023	31 December 2022
Cash and cash equivalents	10,432	3,427
Receivables and prepayments	5,837	4,387
Inventories	31,111	22,511
Investment property for sale	9,050	9,050
Total current assets	56,430	39,375
Receivables and prepayments	18	18
Investment property	2	82
Property, plant and equipment	268	284
Intangible assets	32	46
Total non-current assets	320	430
TOTAL ASSETS	56,750	39,805
Loans and borrowings	6,635	5,255
Payables and deferred income	13,705	3,681
Total current liabilities	20,340	8,936
Loans and borrowings	19,637	12,834

Total non-current liabilities	19,637	12,834
TOTAL LIABILITIES	39,977	21,770
Share capital	7,272	7,272
Share premium	3,835	3,835
Statutory capital reserve	2,011	2,011
Retained earnings	3,655	4,917
Total equity attributable to owners of the parent	16,773	18,035
TOTAL EQUITY	16,773	18,035
TOTAL LIABILITIES AND EQUITY	56,750	39,805

Tiina Malm
CFO
Arco Vara AS
Phone: +372 614 4630
www.arcovara.com