ARCO VARA

Interim Report for Q2 2026

(unaudited)

INTERIM REPORT FOR THE SECOND QUARTER OF 2026 (UNAUDITED)

Company name	Arco Vara AS
Registry number	10261718
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Telephone	+372 614 4630
E-mail	info@arcovara.com
Corporate website	www.arcovara.com
Financial year	1 January 2026 – 31 December 2026
Reporting period	1 January 2026 – 30 June 2026
Supervisory board	Kert Keskpaik, Tarmo Sild, Steven Yaroslav Gorelik, Hillar-Peeter Luitsalu, Allar Niinepuu
Chief executive officer	Rait Riim
Auditor	KPMG Baltics OÜ

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Management Report

Group CEO's Review

The second quarter of 2026 marked my first full quarter as the Chief Executive Officer of Arco Vara. Thanks to more than 20 years of experience in the real estate sector, my transition into the role has been both smooth and efficient.

During the quarter, Arco Vara focused on three key priorities:

- the successful completion of the ongoing development projects at Iili (form. Soodi) and Spordi;
- preparations for the construction of the Lutheri Quarter and Arcojärve residential developments; and
- the implementation of the Company's new long-term growth strategy.

Starting with the latter, the Supervisory Board approved the new strategy developed by our management team, with the diversification of Arco Vara's product portfolio at its core. The development of comprehensive residential communities will remain the Company's primary business focus. However, we intend to complement this by developing townhouses, detached houses and residential building plots. Over the longer term, we also see opportunities in the development of build-to-rent residential properties and commercial buildings. In addition, we aim to offer products across different price segments and locations in order to better respond to market demand. Our strategic objective is to deliver at least 150 new homes to customers each year.

Our development projects on Spordi Street in the Kristiine district of Tallinn and on Iili Street (formerly Soodi Street) in the Kodulahe residential quarter in Haabersti are progressing according to schedule. Completion of both developments is expected in November–December 2026. During the second quarter, we sold 19 new homes, representing one of Arco Vara's strongest quarterly sales performances in recent years.

2

countries

30+

years of experience

2800+

new homes

380 000+

developed m^2

Preparatory work for our next major development projects – Lutheri Quarter and Arcojärve – is also progressing as planned. Although valid building permits already cover a substantial part of the Lutheri Quarter development, detailed technical construction designs must be completed before construction can commence. As a result, the second quarter was largely dedicated to design work. We expect construction at Lutheri Quarter to begin in the fourth quarter of 2026.

The detailed spatial planning process for Arcojärve has entered its final stage. Following the adoption of the detailed spatial plan, amendments arising from the public consultation process have been incorporated, and we expect the plan to be formally approved in the coming months. The construction designs for the first buildings have already been completed and will be submitted for building permits once the detailed spatial plan is approved. Our objective is to commence construction of the Arcojärve development during the first half of 2027.

The market for new residential developments in Tallinn remains highly competitive. During the second quarter of 2026, approximately 3,200–3,300 new apartments were available across 106 development projects, representing an increase of around 12% compared with a year earlier. The supply of new apartments continues to grow at a moderate pace.

A total of 325 new apartments were sold in Tallinn during the second quarter of 2026, representing a 13% decrease compared with 373 apartments sold during the corresponding period of the previous year. Although sales volumes declined temporarily during the quarter, the longer-term trend continues to indicate gradual and stable market growth. Against this highly competitive backdrop, I am particularly pleased that Arco Vara achieved one of its strongest quarterly sales performances in recent years.

The average asking price of new apartments in Tallinn reached EUR 5,329 per square metre during the second quarter of 2026, increasing by 5.6% year-on-year. Across Tallinn's districts, average asking prices ranged from approximately EUR 4,050 per square metre in Haabersti to EUR 6,740 per square metre in Pirita, with prices continuing to show an upward trend.

The continued increase in asking prices despite higher market supply is primarily driven by rising development costs. In addition to general inflation, increasingly stringent regulatory requirements are also contributing to higher construction costs. For example, apartment buildings for which construction commences after 1 July 2026 must include civil protection shelters. According to various estimates, this requirement is expected to increase construction costs and may raise the final selling prices of new apartments by approximately 2–8%.

Arco Vara's second-quarter loss reflects the inherently cyclical nature of the real estate development business. During the active construction phase of development projects, costs are recognised as incurred, whereas revenue and profit are generated primarily upon project completion and the handover of completed homes to customers.

As the completion of the Spordi Street and Kodulahe Iili developments is scheduled for the fourth quarter of 2026, we expect a significant increase in revenue and a substantial improvement in profitability towards the end of the year. Accordingly, we expect both the fourth quarter and the 2026 financial year as a whole to be profitable for Arco Vara.

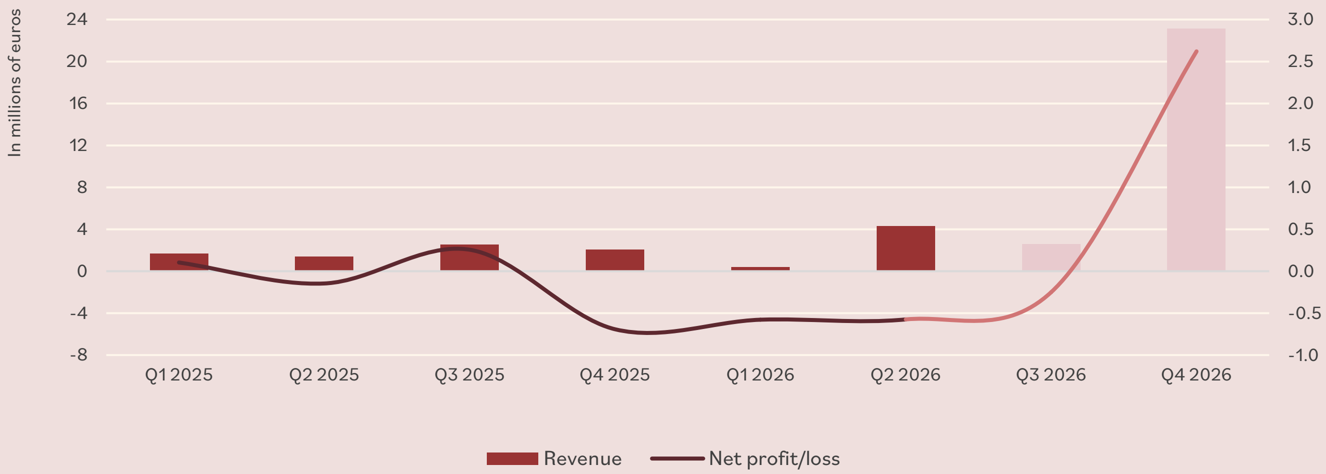
Overall, Arco Vara is well positioned to take the next important step in both growth and profitability. Our existing land bank provides a strong foundation for developing integrated residential communities, while expanding the portfolio with smaller and more diverse projects will strengthen business diversification and reduce dependence on the development cycle of individual large-scale projects.

The implementation of strategic changes takes time, and their benefits will not materialise overnight. At the same time, it is important to recognise the cyclical nature of the real estate development business. Arco Vara's development portfolio has now reached a stage where the majority of projects are either under active preparation or construction. By the nature of our business model, revenue and profit are realised primarily upon project completion and the handover of homes to customers. Consequently, next year's financial performance will largely depend on the sale of completed inventory, while the financial contribution from projects currently entering construction will be recognised only upon their completion. I am confident that the successful implementation of our new strategy and the launch of new development projects will begin to generate tangible benefits over the next two to three years, creating a solid foundation for Arco Vara's long-term, sustainable growth.

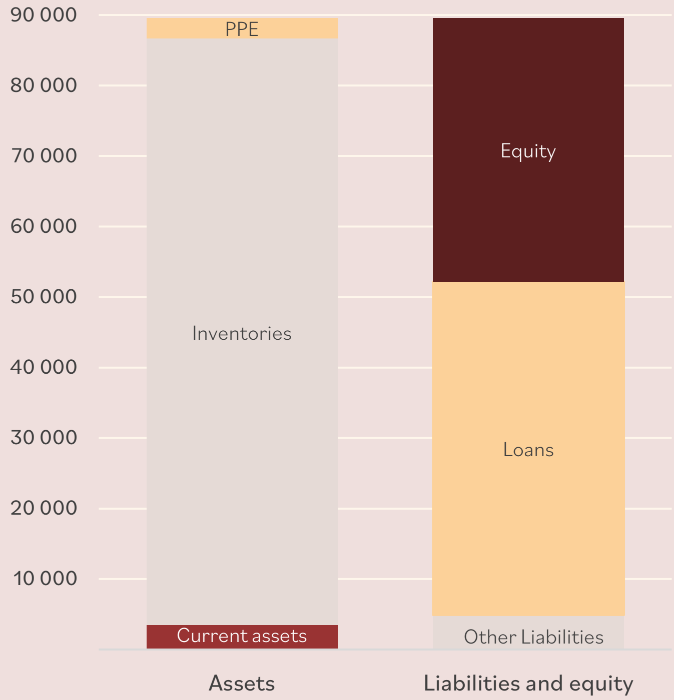
Revenue and net profit/loss

*Forecast

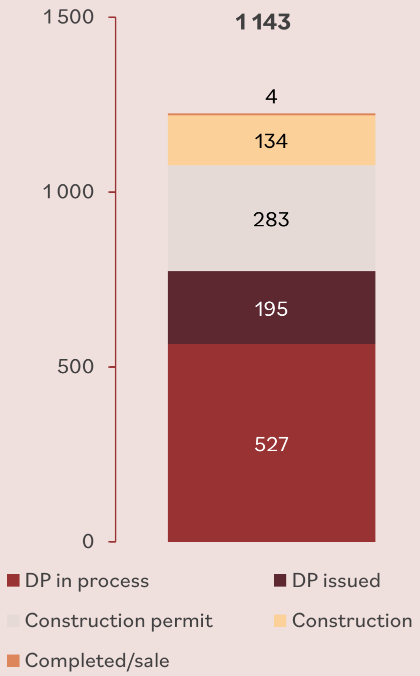
	Q1 2025	Q2 2025	Q3 2025	Q4 2025	**Total 2025**	Q1 2026	Q2 2026	Q3 2026*	Q4 2026*	**Total 2026***
In millions of euros										
Revenue	1.7	1.4	2.5	2.1	**7.7**	0.4	4.3	2.6	23.1	**30.5**
Net profit/loss	0.1	-0.1	0.3	-0.7	**-0.5**	-0.6	-0.6	-0.3	2.6	**1.2**



Balance sheet structure 30.06.2026

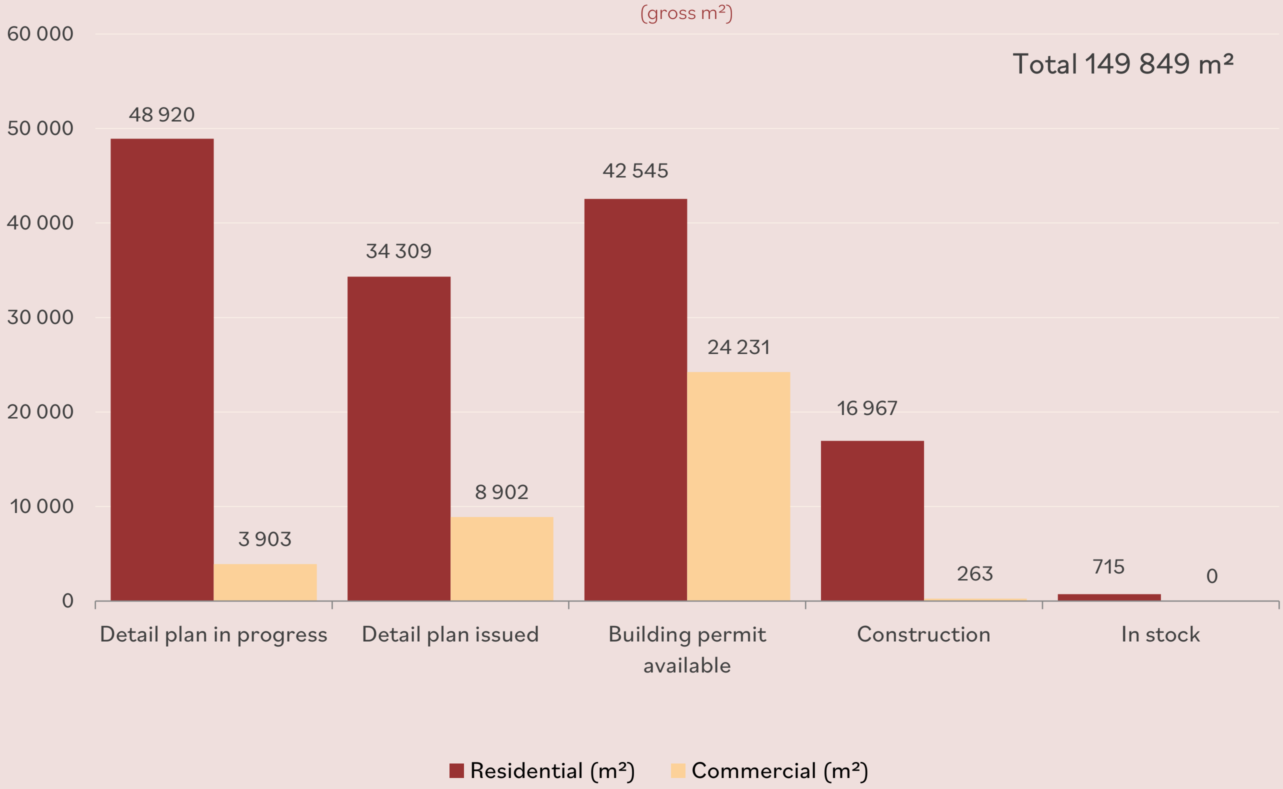


Residential units in development

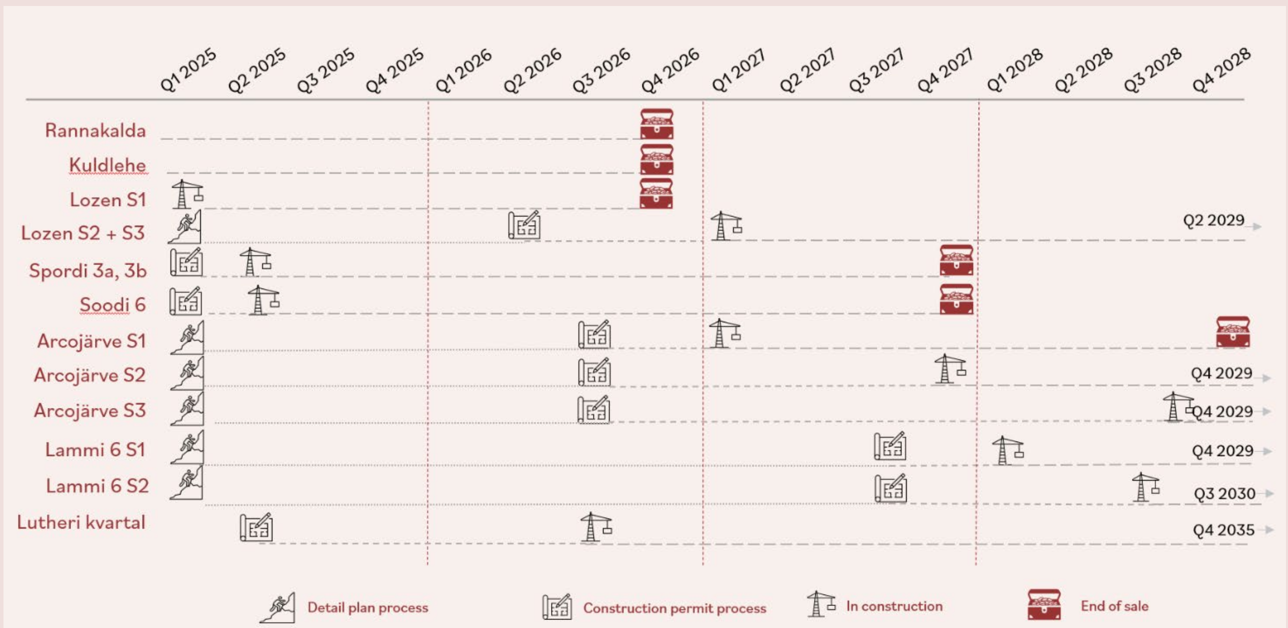


Development volumes

(gross m²)



Development schedule 2025 - 2028



Arco Vara's Active Projects as of 30.06.2026

Project name

Kodulahe Rannakalda

Address
Lammi 8, Tallinn

Product main type
Apartments, commercial spaces

Project stage
Sale

Area of plot m^2
9,525

GSA/GLA (above ground)
1,960

No of units (above ground)/ available
113/4

Project name

Botanica Lozen Stage I

Address
Lozen, near Sofia

Product main type
Houses

Project stage
Construction

Area of plot m^2
20,190

GSA/GLA (above ground)
5,485

No of units (above ground)/ available
16/0

Project name

Kuldlehe

Address
Lehiku road 11, Tallinn

Product main type
Apartments

Project stage
Sale

Area of plot m^2
5,219

GSA/GLA (above ground)
558

No of units (above ground)/ available
5/1

Project name

Stage VI Kodulahe

Address
Soodi 6, Tallinn

Product main type
Apartments, commercial spaces

Project stage
Construction

Area of plot m^2
5,444

GSA/GLA (above ground)
4,543

No of units (above ground)/available
66/29

Project name

Spordi 3a, 3b

Address
Spordi 3a, 3b, Tallinn

Product main type
Apartments

Project stage
Construction

Area of plot m^2
5,566

GSA/GLA (above ground)
4,312

No of units (above ground)/available
56/32

Project name

Arcojärve

Address
Paldiski road 124b, Tallinn

Product main type
Apartments, commercial spaces

Project stage
Detail plan in process

Area of plot m^2
69,506

GSA/GLA (above ground)
<35,529>

No of units (above ground)
<382>

Note: *Values presented between < > sign represent future target values for projects which do not have a construction permit yet. The table does not reflect sellable or lettable volumes below grade including parking spaces and storages. The table does not give complete overview of the group's land reserves.*

Arco Vara's Active Projects as of 30.06.2026

Project name

Stage VII Kodulahe

Address
Lammi 6, Tallinn

Product main type
Apartments, commercial spaces

Project stage
Detail plan in process

Area of plot m^2
14,553

GSA/GLA (above ground)
<12,327>

No of units (above ground)
<182>

Project name

Stage II and Stage III Botanica Lozen

Address
Lozen, near Sofia

Product main type
Houses

Project stage
Detail plan issued

Area of plot m^2
27,260

GSA/GLA (above ground)
<11,309>

No of units (above ground)
<155>

Project name

Padel venue

Address
Helme 18, Tallinn

Product main type
Sports hall

Project stage
On rent

Area of plot m^2
5,712

GSA/GLA (above ground)
1,983

No of units (above ground)/ available
1/0

Project name

Stage I-IV Luther Quarter

Address
Luther Quarter, Tallinn

Product main type
Apartments, commercial spaces

Project stage
I-III Building permit issued,
IV Detail plan in process

Area of plot m^2
35,660

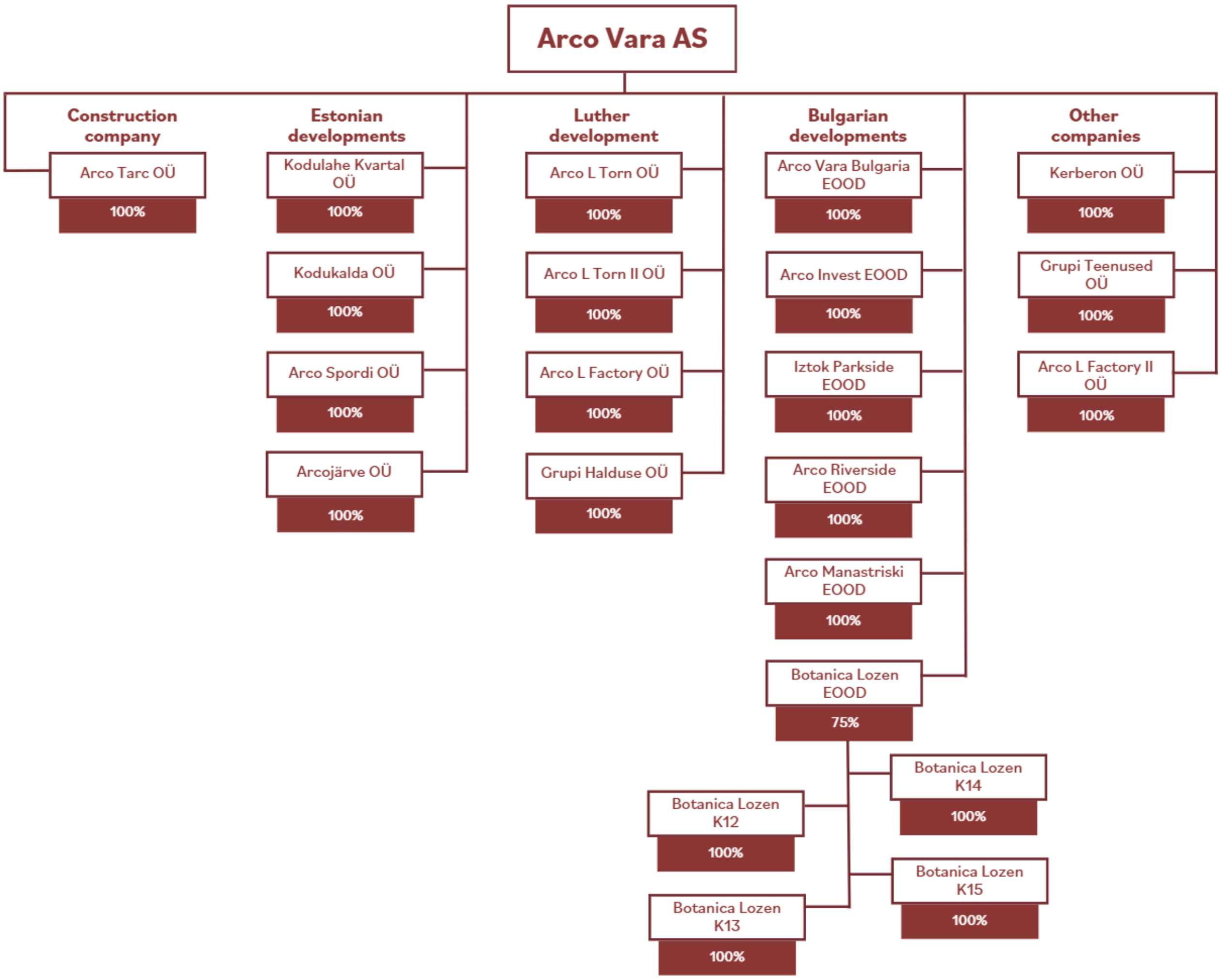
GSA/GLA (above ground)
<51,577>

No of units (above ground)
<512>

Note: *Values presented between < > sign represent future target values for projects which do not have a construction permit yet. The table does not reflect sellable or lettable volumes below grade including parking spaces and storages. The table does not give complete overview of the group's land reserves.*

Group structure

Arco Vara AS is part of the OÜ Alarmo Kapital group. As of 30 June 2026, the Group consisted of 22 companies.



Significant subsidiaries as of 30.06.2026

Company name	Location	Share capital (nominal value)	Equity on 30.06.2026	Group's shareholding
		in € thousands	in € thousands	
Kodulahe Kvartal OÜ	Estonia	140	4 555	100%
Kerberon OÜ	Estonia	5	1 744	100%
Arcojärve OÜ	Estonia	28	531	100%
Kodukalda OÜ	Estonia	3	-405	100%
Arco Tarc OÜ	Estonia	3	959	100%
Arco L Torn OÜ	Estonia	3	-261	100%
Arco Spordi OÜ	Estonia	3	378	100%
Arco L Torn II OÜ	Estonia	3	438	100%
Arco L Factory OÜ	Estonia	3	423	100%
Botanica Lozen EOOD	Bulgaria	8 700	6 318	75%

Key Performance Indicators

- The Group's revenue for the first six months of 2026 amounted to EUR 4,319 thousand, representing an increase of EUR 1,226 thousand compared with the first six months of 2025.
- For the first six months of 2026, the Group reported an operating loss (EBIT) of EUR 1,193 thousand and a net loss of EUR 1,142 thousand. In the first six months of 2025, the Group generated an operating profit of EUR 265 thousand and a net loss of EUR 43 thousand.
- During the second quarter of 2026, the Group sold 19 apartments in its development projects, of which 16 were sold under preliminary sale and purchase agreements and 3 under real right contracts. By comparison, in the second quarter of 2025, the Group sold 6 apartments, of which 1 was sold under a preliminary sale and purchase agreement and 5 under real right contracts.
- As of 30 June 2026, the Group had 65 apartments and 1 commercial unit available for sale across its development projects. As of 30 June 2025, the Group had 19 completed apartments and 1 commercial unit in inventory.
- As of the end of the first half of 2026, the Group's net debt amounted to EUR 45,218 thousand, an increase of EUR 11,957 thousand compared with the end of the corresponding period of the previous year. The increase in net debt was primarily attributable to the utilisation of development loans to finance the construction of the Group's ongoing real estate development projects. As of 30 June 2026, the weighted average interest rate on the Group's interest-bearing liabilities was 8.77%.

Key performance indicators

	6 months 2026	6 months 2025
In thousands of euros		
Revenue	**4 319**	**3 093**
Operating profit/loss	**-1 205**	**265**
Finance income and costs	202	0
Interest income and costs	-151	-295
Income tax	0	-13
Net profit/loss	**-1 154**	**-43**
Cash flows from operating activities	-9 561	
Cash flows from investing activities	0	
Cash flows from financing activities	8 847	
Net cash flow	**-714**	
Cash and cash equivalents at the beginning of period	2 784	1 472
Cash and cash equivalents at end of period	2 070	1 388
Total assets at end of period	89 591	79 046
Net debt at end of period	45 218	33 261
Equity at end of period	37 409	36 363

** Comparative cash flow information is not presented due to a change in methodology (from the direct method to the indirect method) and is therefore not comparable with prior periods. Cash flow data for 2025 is presented in the report for the respective period.*

Key Ratios

	30 June 2026	30 June 2025
Net profit ratio (rolling, four quarters)	-17.08%	0.26%
EPS (in euros)	-0.03	-0.01
Diluted EPS (in euros)	-0.03	-0.01
EBITDA per share (in euros) (rolling, four quarters)	-0.07	0.04
ROIC (rolling, four quarters)	-1.83%	0.19%
ROE (rolling, four quarters)	-4.32%	0.09%
ROA (rolling, four quarters)	-1.76%	0.04%
Equity ratio	0.42	0.47
Current ratio	10.19	10.17
Quick ratio	0.41	0.96
Financial leverage	2.39	2.13
Average loan term (in years)	1.00	2.31
Average annual interest rate of loans	8.77%	9.07%
Number of staff, at period end	15	11

Formulas used:

Net profit ratio = net profit attributable to owners of the parent / revenue for the period

Earnings per share (EPS) = net profit attributable to owners of the parent / weighted average number of ordinary shares outstanding during the period

Diluted earnings per share (Diluted EPS) = net profit attributable to owners of the parent / (weighted average number of ordinary shares outstanding during the period + number of all potentially issued shares)

EBITDA per share = operating profit + depreciation and amortization / weighted average number of ordinary shares outstanding during the period

Invested capital = current + non-current interest-bearing loans and borrowings + equity (at the end of period)

Net loans = current + non-current interest-bearing loans and borrowings – cash and cash equivalents

Return on invested capital (ROIC) = profit before tax of last four quarters / average invested capital

Return on equity (ROE) = net profit of last four quarters / average equity

Return on assets (ROA) = net profit of last four quarters / average total assets

Equity ratio = equity / total assets

Current ratio = current assets / current liabilities

Quick ratio = (current assets - inventory) / current liabilities

Financial leverage = total assets / equity

Number of staff = number of people working for the group under employment or service contracts

Operating report

The Group's revenue for the second quarter of 2026 amounted to EUR 3,929 thousand (Q2 2025: EUR 1,264 thousand), of which EUR 3,794 thousand (Q2 2025: EUR 1,264 thousand) was generated from the sale of real estate in the Group's own development projects.

Other revenue mainly comprises franchise fee income from the Group's real estate agencies in Estonia, Latvia and Bulgaria. Franchise fee income amounted to EUR 81 thousand in the second quarter of 2026 (Q2 2025: EUR 79 thousand).

Estonian Development Projects

Kodulahe Quarter – Iili 6/8/10 (formerly Soodi 6)

The seventh stage of the Kodulahe Quarter is approaching completion. The three apartment buildings have been fully constructed, and the focus of construction has shifted to interior finishing works and the installation of technical systems. Completion is scheduled for autumn 2026, with the execution of final sale and purchase agreements expected to commence in November–December. Sales performance has been strong: by the date of publication of this interim report, 36 apartments and all four commercial units had been pre-sold.

Kodulahe Quarter – Rannakalda

Following the reporting period, the final commercial unit (the pavilion) in the Rannakalda development was sold. By the date of publication of this interim report, only three larger four- and five-room apartments remained available for sale.

Kuldlehe

At the boutique residential development in Pirita, only one of the five exclusive homes remains available for sale.

Spordi 3a and 3b

The Spordi development continues to progress steadily towards completion. Construction has reached the interior finishing stage, and the buildings are scheduled for completion in autumn 2026. Sales activity remains stable and, by the date of publication of this interim report, 33 of the 56 apartments remained available for sale.

Arcojärve

Preparations for the Arcojärve development project are nearing completion. Approval of the detailed spatial plan is expected in August 2026, and the majority of the design work has now been completed. The Company aims to obtain the building permit by the end of 2026 and commence construction at the beginning of 2027.

Luther Quarter

During the reporting period, active design work and preparations for the commencement of construction continued at the Luther Quarter development. At the same time, registration of prospective customers and preparations for pre-sales are continuing to support the launch of public sales in autumn/winter 2026. Construction is scheduled to commence during the second half of 2026.

Bulgarian Development Projects

During the second quarter of 2026, the Group successfully completed the sale of a 25% ownership interest in Botanica Lozen EOOD. Cooperation with the new partner has started very well, and the development of the project continues in line with the planned schedule.

All 16 houses in the first stage of the Botanica Lozen development have been sold. By the date of publication of this interim report, 15 houses had been handed over to customers, with the final handover scheduled for the third quarter of 2026.

Preparations for the second stage are progressing in parallel. The next stage will comprise detached houses, townhouses and a smaller apartment building.

Other

Following the reporting period, Arco Vara AS sold the Helme 18 padel centre in Tallinn. The transaction value, including VAT, amounted to EUR 2.88 million and exceeded the carrying amount of the asset.

The transaction is consistent with the Company's strategy of focusing on residential real estate development. The capital released from the sale will primarily be used to finance the Luther Quarter and Arcojärve development projects.

People

Remuneration

As of 30 June 2026, the Group employed 15 people, unchanged from 31 December 2025, when the Group also employed 15 people.

Personnel expenses for the first half of 2026 amounted to EUR 517 thousand, compared with EUR 324 thousand in the corresponding period of 2025. These personnel expenses also include the remuneration of the construction team, which is capitalised as part of the cost of development projects under construction and recognised as an expense through the cost of apartments sold.

Personnel expenses include remuneration accrued to the Chief Executive Officer of the parent company, including social tax, amounting to EUR 229 thousand for the first six months of 2026, of which EUR 171 thousand was recognised in the second quarter (first six months of 2025: EUR 117 thousand, of which EUR 59 thousand was recognised in the second quarter).

During the first six months of 2026, remuneration paid to the members of the Supervisory Board, including social tax, totalled EUR 61 thousand, of which EUR 34 thousand was recognised in the second quarter. In the first six months of 2025, remuneration accrued to the Supervisory Board totalled EUR 18 thousand, of which EUR 13 thousand related to the second quarter.

Management board and Supervisory board

The Management Board of Arco Vara AS customarily consists of a single member. Since 1 April 2026, Rait Riim has served as the Chief Executive Officer and sole member of the Management Board. His term of office is three years.

The Supervisory Board of Arco Vara AS consists of five members. Since 12 January 2021, the Supervisory Board has comprised Kert Keskpaik (Chairman of the Supervisory Board), Tarmo Sild, Hillar-Peeter Luitsalu, Allar Niinepuu, and Steven Yaroslav Gorelik.

In the second quarter of 2025, the General Meeting of Shareholders extended the terms of office of the Supervisory Board members for a further five years.

The General Meeting also approved remuneration of EUR 5 thousand per month (net) for the Chairman of the Supervisory Board and EUR 500 (net) per meeting for each ordinary member of the Supervisory Board.

Further information about the key management personnel of Arco Vara is available on the Company's website at www.arcovara.com.

Description of Main Risks

Strategic risk

The majority of the Group's equity is allocated to development activities, with a primary focus on residential real estate development. The residential development cycle, from land acquisition to the final sale of completed units to end customers, spans several years and includes planning, design, construction, and sales. Equity is primarily invested at the beginning of the cycle (land acquisition), based on the assumption that there will be future demand for a certain type of development product. Since this demand is largely based on forecasts, the Group's main risk lies in allocating equity to a development project for which future demand may not materialize or may differ from expectations.

To mitigate this risk, the Group: (i) allocates equity across various development projects and markets (2025: Tallinn and Sofia), (ii) continuously monitors supply and demand in its core markets, and (iii) seeks to minimize the time gap between investment and demand by entering into pre-agreements with buyers, acquiring land without immediate equity investment or by deferring such investment, and utilizing alternative project financing solutions to reduce reliance on equity.

Credit risk

The Group considers its credit risks to be largely mitigated. Since the final sale of development products almost always coincides with customer payment, customer-related receivables rarely arise in practice. Additionally, the Group does not keep its cash and cash equivalents in a single bank.

Currency risk

Real estate purchase and sale transactions are predominantly concluded in euros, which means the Group's asset and liability structure carries no significant foreign exchange risk. However, the Group is not protected against currency devaluation. The majority of liquid assets are held in demand deposits or short-term euro-denominated deposits and current accounts.

Liquidity and interest rate risks

All of the Group's loan agreements are denominated in euros, and the majority of its borrowings are linked to the six-month EURIBOR. Consequently, the Group is exposed to developments in the international capital markets. The Group has not hedged its long-term interest rate risk using derivative instruments.

As of 30 June 2026, the Group's interest-bearing liabilities amounted to EUR 47,228 thousand, of which EUR 4,070 thousand is due within the next 12 months. During the first six months of 2026, the Group's interest-bearing liabilities increased by EUR 6,825 thousand compared with 31 December 2025.

The Group's cash and cash equivalents amounted to EUR 2,070 thousand as of 30 June 2026 (31 December 2025: EUR 2,784 thousand).

During the second quarter of 2026, the Group paid EUR 1 504 thousand in interest on its interest-bearing liabilities (Q2 2025: EUR 509 thousand). A portion of the interest expense was capitalised, while the remainder was recognised as an expense in the statement of profit or loss. As of 30 June 2026, the weighted average interest rate on the Group's loans was 8.77%, representing a decrease of 0.13 percentage points compared with the end of 2025.

In the third quarter of 2025, Arco Vara AS completed a EUR 15 million bond issue, consisting of 150,000 bonds with a nominal value of EUR 100 each, bearing an interest rate of 8.8% and maturing on 24 September 2028. Since 25 September 2025, Arco Vara's bonds have been listed on the Nasdaq Tallinn Baltic Bond List.

Shares and shareholders

Share price

Arco Vara AS has 17,368,367 ordinary shares in issue, each with a nominal value of EUR 0.70. The Company's shares (ticker: ARC1T, ISIN: EE3100034653) are freely traded on the Nasdaq Tallinn Stock Exchange.

As of 30 June 2026, the share price closed at EUR 1.270, compared with EUR 1.660 at the end of 2025. During the second quarter of 2026, the share traded between a high of EUR 1.350 and a low of EUR 1.300.

Equity per share amounted to EUR 2.06 as of 30 June 2026, compared with EUR 2.09 as of 31 December 2025.

As of 30 June 2026, the Company's market capitalisation amounted to EUR 22,058 thousand, and the price-to-book (P/B) ratio was 0.70 (31 December 2025: EUR 28,831 thousand and 0.79, respectively).

The charts below illustrate the share price performance and trading volumes of Arco Vara AS over the second quarter

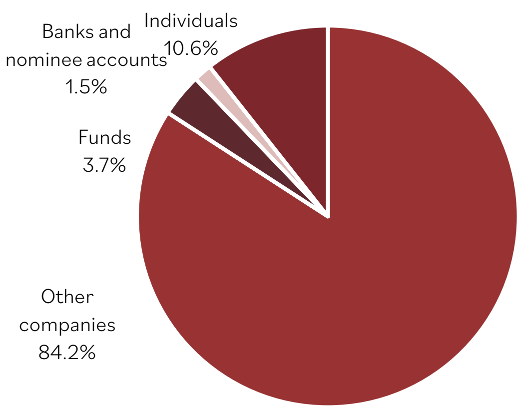
of 2026 and the last three years.

Source: https://www.nasdaqbaltic.com/statistics/et/instrument/EE3100034653/trading 30.06.2026

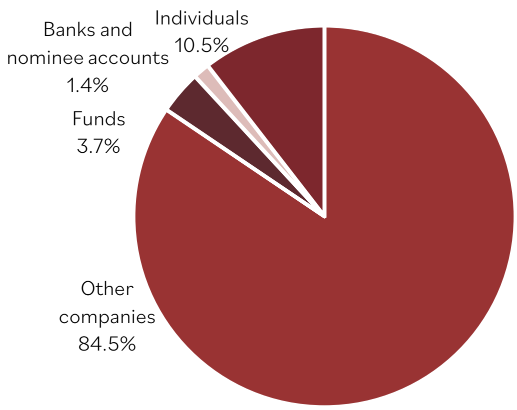
Shareholder structure

As of 30 June 2026, Arco Vara had a total of 6,980 shareholders (31 December 2025: 7,239), including 6,427 individual shareholders (31 December 2025: 6,660), who collectively held a 10.6% ownership interest in the Company (31 December 2025: 10.5%). The distribution of the Company's ownership by shareholder category is presented in the charts below.

Ownership structure as of 30.06.2026



Ownership structure as of 31.12.2025



Major shareholders on 30 June 2026

Name	No of shares	Share, %
OÜ ALARMO KAPITAL	9 163 104	52.76%
LUTHER FACTORY OÜ	1 618 926	9.32%
LUTHER FACTORY HOLDING OÜ	1 570 001	9.04%
PEEDA OÜ	668 644	3.85%
TEMM CAPITAL OÜ	342 949	1.97%
FIREBIRD REPUBLICS FUND LTD 1	329 357	1.90%
AIA TÄNAV OÜ	229 000	1.32%
MARKO TEIMANN	200 029	1.15%
Total	**14 122 010**	**81.31%**

Holdings of management and supervisory board members on 30 June 2026

Name		No of shares	Share, %
Tarmo Sild ja Allar Niinepuu (Alarmo Kapital OÜ)	Members of the Supervisory board	9 163 104	52.76%
Tarmo Sild (Individual and via Aia Tänav OÜ)	Member of the Supervisory board	229 000	1.32%
Kert Keskpaik (Individual and via K Vara OÜ)	Chairman of the Supervisory board	213 771	1.23%
Hillar-Peeter Luitsalu (HM Investeeringud OÜ, lähikondsed)	Member of the Supervisory board	114 517	0.66%
Allar Niinepuu (OÜ Kavass)	Member of the Supervisory board	29 288	0.17%
Steven Yaroslav Gorelik[1]	Member of the Supervisory board	0	0.00%
Rait Riim	Member of the Management board	0	0.00%
Total		**9 749 680**	**56.13%**

[1] *Steven Yaroslav Gorelik is active as fund manager in three investment funds holding interest in Arco Vara: Firebird Republics Fund Ltd. Firebird Avrora Fund Ltd and Firebird Fund L.P.*

CEO's Confirmation of the Management Report

The Chief Executive Officer and Member of the Management Board confirms that the Management Report for the second quarter of 2026 of Arco Vara AS presents a true and fair view of Arco Vara AS as the issuer and of the companies included in the consolidation group as a whole, their business development, financial performance and financial position, and includes a description of the principal risks and uncertainties.

Rait Riim
Chief Executive and Member of the Management Board of Arco Vara AS

30 July 2026

Condensed Consolidated Interim Financial Statements

Consolidated Statement of Comprehensive Income

	Note	**6 months 2026**	6 months 2025	**Q2 2026**	Q2 2025
In thousands of euros					
Revenue from sale of own real estate		4 064	2 853	3 794	1 264
Revenue from rendering of services		255	240	135	123
Total revenue	2.3	**4 319**	**3 093**	**3 929**	**1 387**
Cost of sales	4	-4 039	-2 069	-3 714	-961
Gross profit		**280**	**1 025**	**215**	**426**
Other income		90	1	2	0
Marketing and distribution expenses	5	-219	-193	-95	-125
Administrative expenses	6	-1 035	-562	-595	-293
Other expenses		-321	-4	-249	-4
Operating profit/loss		**-1 205**	**265**	**-721**	**5**
Finance income and costs	7	202	0	213	0
Interest income and costs	7	-151	-295	-66	-152
Profit/loss before tax		-1 154	-30	-575	-147
Income tax		0	-13	0	0
Total comprehensive income/expense for the period		-1 154	-43	-575	-146
attributable to owners of the parent		*-1 129*	*-43*	*-550*	*-146*
attributable to non-controlling interests		-25	0	-25	0
Earnings per share (in euros)	8				
- basic		**-0.07**	0.00	**-0.03**	-0.01
- diluted		**-0.07**	0.00	**-0.03**	-0.01

Consolidated Statement of Financial Position

	Note	30 June 2026	31 December 2025
In thousands of euros			
Cash and cash equivalents		2 070	2 784
Receivables and prepayments	9	1 381	6 420
Inventories	10	83 275	74 127
Total current assets		**86 726**	**83 331**
Receivables and prepayments	9	18	18
Investment property	11	2 296	2 296
Property, plant and equipment	2	521	551
Intangible assets	2	31	41
Total non-current assets		**2 866**	**2 905**
TOTAL ASSETS		**89 591**	**86 236**
Loans and borrowings	12	4 070	4 180
Payables and deferred income	13	4 171	8 560
Provisions		270	347
Total current liabilities		**8 511**	**13 087**
Loans and borrowings	12	43 218	36 283
Payables and deferred income		453	503
Total non-current liabilities		**43 671**	**36 786**
TOTAL LIABILITIES		**52 182**	**49 873**
Share capital		12 158	12 158
Additional paid-in capital		16 399	16 399
Statutory capital reserve		2 011	2 011
Other reserves	8	51	28
Retained earnings		5 767	6 593
Total Comprehensive Income for the Reporting Period		-1 154	-826
Total equity attributable to owners of the parent		**35 232**	**36 363**
Non-controlling interest (Minority interest)		2 177	0
TOTAL EQUITY		**37 409**	**36 363**
TOTAL LIABILITIES AND EQUITY		**89 591**	**86 236**

Consolidated Statement of Cash Flows

	Note	6 months 2026	Q2 2026
In thousands of euros			
Cash flows from operating activities			
Operating profit/(loss)		-1 205	-721
Adjustments:			
Depreciation and impairment of property, plant and equipment		24	12
Change in receivables and prepayments	9	5 040	5 587
Change in inventories	10	-9 148	-4 490
Change in trade payables and deferred income	13	-4 491	-6 644
Net cash flows from operating activities		**-9 561**	**-6 036**
Cash flows from investing activities			
Payments for acquisition of tangible and intangible assets		-13	-10
Interest received		13	6
Net cash flows from investing activities		**0**	**-3**
Cash flows from financing activities			
Proceeds from borrowings	12	11 089	6 430
Repayments of borrowings	12	-4 260	-3 506
Interest paid		-181	-79
Proceeds from the sale of own shares		2 200	2 200
Net cash flows from financing activities		**8 847**	**5 045**
Net cash flow		**-714**	**-995**
Cash and cash equivalents at the beginning of the period		2 784	3 065
Change in cash and cash equivalents		-714	-995
Cash and cash equivalents at the end of the period		2 070	2 070

As of 2026, the Group prepares its statement of cash flows using the indirect method, whereas in previous periods the direct method was applied. Due to the change in methodology, cash flows for the reporting period are not comparable with those of prior periods. Accordingly, comparative cash flow information for 2025 is not presented. For cash flow information for 2025, please refer to the report published for the respective period.

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Statutory capital reserve	Other reserves	Retained earnings	Non-controlling interest	**Total equity**
In thousands of euros							
Balance as at 31 December 2024	**7 272**	**3 835**	**2 011**	**28**	**6 593**	**0**	**19 739**
Increase of share capital	4 886	12 564	0	0	0	0	**17 450**
Total comprehensive income for the period	0	0	0	0	-43	0	**-43**
Balance as at 30 June 2025	**12 158**	**16 399**	**2 011**	**28**	**6 551**	**0**	**37 146**
Balance as at 31 December 2025	**12 158**	**16 399**	**2 011**	**28**	**5 767**	**0**	**36 363**
Change in non-controlling interest	0	0	0	0	0	2 200	**2 200**
Total comprehensive income for the period	0	0	0	0	-1 129	-25	**-1 154**
Balance as at 30 June 2026	**12 158**	**16 399**	**2 011**	**28**	**4 639**	**2 175**	**37 409**

Notes to the Condensed Interim Financial Statements

1. Significant accounting policies

The unaudited consolidated interim financial report of Arco Vara AS for Q2 2026 has been prepared in accordance with the International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The condensed consolidated interim report is intended to be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2025, which were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Group's interim financial report is presented in thousands of euros, unless otherwise stated.

2. Segment information

The Group analyses its segments based on a combination of two characteristics: business activity and geographical location.

The three main reportable segments are Bulgarian Development, Estonian Development, and Estonian Construction.

Revenue by operating segment

	6 months 2026	6 months 2025	**Q2 2026**	Q2 2025
In thousands of euros				
Estonia				
Development	1 196	2 853	922	1 264
Other	243	240	127	123
Total revenue	**1 439**	**3 093**	**1 049**	**1 387**
Bulgaria				
Development	2 880	0	2 880	0
Total revenue	**2 880**	**0**	**2 880**	**0**
Group total				
Development	4 076	2 853	3 802	1 264
Construction	0	0	0	0
Other	243	240	127	123
Total revenue	**4 319**	**3 093**	**3 929**	**1 387**

Revenue by operating segment

	6 months 2026	6 months 2025	**Q2 2026**	Q2 2025
In thousands of euros				
Estonia				
Revenue	1 439	3 093	1 049	1 387
Operating profit/loss	-977	396	-607	75
Net profit/loss	-1 094	86	-664	-52
Bulgaria				
Revenue	2 880	0	2 880	0
Operating profit/loss	-228	-139	-114	-73
Net profit/loss	-59	-135	89	-97
Latvia				
Operating profit/loss	0	8	0	3
Net profit/loss	0	7	0	3
Group total				
Revenue	4 319	3 093	3 929	1 387
Operating profit/loss	-1 205	265	-721	5
Net profit/loss	-1 154	-43	3 208	-146

3. Revenue

External revenue by the type of goods and services and by client location

	6 months 2026	6 months 2025	**Q2 2026**	Q2 2025
In thousands of euros				
Estonia				
Sale of own real estate	1 184	2 853	914	1 264
Rental of real estate	102	88	53	44
Franchise	95	88	49	46
Other revenue	1	8	1	0
Total revenue	**1 381**	**3 037**	**1 017**	**1 354**
Bulgaria				
Sale of own real estate	2 880	0	2 880	0
Franchise	43	41	25	26
Total revenue	**2 923**	**41**	**2 905**	**26**
Latvia				
Franchise	15	15	8	8
Total revenue	**15**	**15**	**8**	**8**
Group total				
Sale of own real estate	4 064	2 853	3 794	1 264
Rental of real estate	102	88	53	44
Franchise	153	144	81	79
Other revenue	1	8	1	0
Total revenue	**4 319**	**3 093**	**3 929**	**1 387**

4. Cost of sales

	6 months 2026	6 months 2025	**Q2 2026**	Q2 2025
In thousands of euros				
Cost of real estate sold (notes 10, 11)	-3 798	-1 895	-3 568	-861
Brokerage fees	-114	-28	-74	-17
Property management costs	-54	-73	-23	-42
Vehicle expenses	-1	-9	0	-8
Personnel expenses	0	-7	0	0
Other costs	-71	-57	-48	-34
Total cost of sales	**-4 039**	**-2 069**	**-3 714**	**-961**

5. Marketing and distribution expenses

	6 months 2026	6 months 2025	**Q2 2026**	Q2 2025
In thousands of euros				
Advertising expenses	-171	-70	-71	-47
Personnel expenses	-41	-55	-20	-31
Depreciation, amortisation and impairment losses	-7	-5	-3	-2
Other marketing and distribution expenses	0	-64	0	-44
Total marketing and distribution expenses	**-219**	**-193**	**-95**	**-125**

6. Administrative expenses

	6 months 2026	6 months 2025	**Q2 2026**	Q2 2025
In thousands of euros				
Personnel expenses	-476	-324	-288	-171
Personnel related expenses	-44	0	-33	0
Office expenses	-112	-43	-54	-25
IT expenses	-33	-15	-16	-7
Services purchased	-173	-110	-110	-56
Depreciation, amortisation and impairment losses	-17	-46	-9	-23
Legal service fees	-76	-9	-63	-4
Owner-related and listing expenses	-22	0	-11	0
Other expenses	-83	-14	-11	-7
Total administrative expenses	**-1 035**	**-562**	**-595**	**-293**

7. Finance income and costs

	6 months 2026	6 months 2025	Q2 2026	Q2 2025
In thousands of euros				
Interest expenses	-164	-277	-72	-130
Interest income	13	9	6	2
Other finance income and costs	202	-27	213	-24
Total finance income and costs	**51**	**-295**	**146**	**-152**

8. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the reporting period by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are calculated by taking into account all potentially issuable shares.

	6 months 2026	6 months 2025	Q2 2026	Q2 2025
Weighted average number of ordinary shares outstanding during the period	17 368 367	10 388 367	17 368 367	10 388 367
Number of ordinary shares potentially to be issued (at period end)	0	63 000	0	63 000
Net profit/loss attributable to owners of the parent (in thousands of euros)	-1 154	-43	-575	-146
Earnings per share (in euros)	**-0.07**	**0.00**	**-0.03**	**-0.01**
Diluted earnings per share (in euros)	**-0.07**	**0.00**	**-0.03**	**-0.01**

Under the 2023 bonus program, the former CEO who departed in 2024 is entitled to 15,000 shares based on tenure. A reserve of 27 thousand euros has been recognized in equity for these options, based on the grant date share price as of 17 May 2023.

9. Receivables and prepayments

Short-term receivables and prepayments

	30 June 2026	31 December 2025
In thousands of euros		
Receivables from customers	111	163
Miscellaneous receivables	0	6
Prepaid and recoverable taxes	386	637
Other accrued income	10	-2
Prepayments	**873**	**5 617**
Total short-term receivables and prepayments	**1 381**	**6 420**

As of 31 December 2025, a prepayment of 4,977 thousand euros has been made for the Arcojärve property.

Long-term receivables

	30 June 2026	31 December 2025
In thousands of euros		
Prepayments	18	18
Total long-term receivables and prepayments	**18**	**18**

10. Inventories

Properties purchased and being developed for resale	30 June 2026	31 December 2025
In thousands of euros		
Properties in stock	1 641	2 520
Properties under construction	23 469	22 396
Properties with a building permit	38 765	37 087
Properties in the construction permit process	2 971	2 971
Properties in the detailed planning process	16 429	9 152
Total inventories	**83 275**	**74 127**

	2026	2025
In thousands of euros		
Balance at the beginning of period, 1 January	**74 127**	**29 170**
Properties purchased for development	6 610	39 272
Construction costs of apartment buildings	6 686	248
Capitalized borrowing costs	1 951	388
Other capitalized costs	-2 371	1 759
Cost of sold properties (note 4)	-3 729	-1 906
Balance at the end of period, 30 June	**83 275**	**68 930**

11. Investment property

	2026	2025
In thousands of euros		
Balance at the beginning of period, 1 January	**2 296**	**2 296**
Capitalised development costs	0	0
Reclassification to/from inventories (note 10)	0	0
Balance at the end of period, 30 June	**2 296**	**2 296**

12. Interest bearing liabilities

	As of 30 June 2026			As of 31 December 2025		
	Total	*of which current portion*	*of which non-current portion*	**Total**	*of which current portion*	*of which non-current portion*
In thousands of euros						
Bank loans	28 357	41	28 316	21 529	122	21 407
Bonds	18 892	4 000	14 892	18 866	4 000	14 866
Finance lease liabilities	39	29	10	68	58	10
Total	**47 288**	**4 070**	**43 218**	**40 463**	**4 180**	**36 283**

During the first half of 2026, the Group repaid EUR 2,172 thousand of borrowings through cash transactions (first half of 2025: EUR 14,763 thousand) and obtained new borrowings totalling EUR 7,405 thousand (first half of 2025: EUR 36,378 thousand). In addition, during the first six months of 2026, purchasers made direct repayments to the banks amounting to EUR 512 thousand (first six months of 2025: EUR 2,565 thousand). These payments are not reflected in the Group's statement of cash flows.

During the first six months of 2026, the following borrowings were repaid:

- EUR 1,593 thousand of the bank loan financing the construction of the Botanica Lozen residential development project in Bulgaria;
- EUR 2,088 thousand relating to the repayment of the loan associated with the Arco L Torn development project;
- EUR 512 thousand of the bank loan financing the construction of the Kodulahe Rannakalda apartment development;
- EUR 46 thousand of the bank loan financing the acquisition of land for Kodulahe Stage VII (Lammi 6);
- EUR 22 thousand of the development loan related to the padel centre; and
- EUR 29 thousand relating to capitalised office lease liabilities.

During the first six months of 2026, the Group entered into the following new borrowings:

- EUR 2,689 thousand under the development loan for the Spordi 3a/3b residential development project;
- EUR 4,668 thousand under the development loan for Kodulahe Stage VI (Iili 6/8/10).

During the first six months of 2025, the following borrowings were repaid:

- EUR 2,861 thousand under the bank loan financing the construction of the Kodulahe Rannakalda apartment development, of which EUR 2,565 thousand was repaid directly by purchasers to the bank;
- EUR 39 thousand under the bank loan financing the acquisition of land for Kodulahe Stage VII (Lammi 6);
- EUR 2,000 thousand under a short-term bank loan obtained to finance the Lutheri Quarter acquisition;
- EUR 12,000 thousand under a short-term loan obtained to finance the Lutheri Quarter acquisition; and
- EUR 29 thousand relating to capitalised office lease liabilities.

During the first six months of 2025, the Group entered into the following new borrowings:

- EUR 900 thousand under the bank loan financing the Kodulahe Rannakalda apartment development;
- EUR 2,190 thousand under the land acquisition loan for the Spordi 3a and 3b development project;
- EUR 2,000 thousand under a short-term bank loan obtained to finance the Lutheri Quarter acquisition;
- EUR 12,000 thousand under a short-term loan obtained to finance the Lutheri Quarter acquisition;
- EUR 17,700 thousand under the bank loan financing the Lutheri development project; and
- EUR 1,582 thousand under the bank loan financing the construction of the Botanica Lozen residential development project in Bulgaria.

13. Payables and deferred income

Short-term payables and deferred income

	30 June 2026	31 December 2025
In thousands of euros		
Trade payables	1 256	3 217
Miscellaneous payables	631	809
Taxes payable		
Value added tax	-750	0
Corporate income tax	-3	0
Social security tax	58	55
Personal income tax	68	59
Other taxes	8	6
Total taxes payable	**-618**	**120**
Accrued expenses		
Payables to employees	119	206
Other accrued expenses	0	192
Total accrued expenses	**119**	**397**
Deferred income		
Prepayments received on sale of real estate	2 783	4 016
Total deferred income	**2 783**	**4 016**
Total short-term payables and deferred income	**4 171**	**8 560**

As of 31 December 2025, trade payables included a higher-than-usual balance payable to the contractor for the scheduled construction works of the Botanica Lozen development. Customer advances received for the Botanica Lozen development amounted to EUR 597 thousand as of 30 June 2026, compared with EUR 3,376 thousand as of 31 December 2025.

In addition, customer advances received for the Iili 6/8/10 (form. Soodi 6) development amounted to EUR 1,590 thousand as of 30 June 2026, compared with EUR 522 thousand as of 31 December 2025. Customer advances received for the Spordi 3a/3b development amounted to EUR 592 thousand as of 30 June 2026, compared with EUR 241 thousand as of 31 December 2025.

No customer advances had been received for either the Kuldlehe or the Lutheri developments as of 30 June 2026 or 31 December 2025.

Long-term payables

	30 June 2026	31 December 2025
In thousands of euros		
Other long-term payables	453	503
Total long-term payables	**453**	**503**

14. Transactions and Balances with Related Parties

The Group has conducted transactions with or holds balances involving the following related parties:

1) The parent company OÜ Alarmo Kapital and companies controlled by the Management Board and Supervisory Board members of Arco Vara AS that have controlling influence over the Group's parent company;
2) Other related parties, including members of the Management Board and Supervisory Board of Arco Vara AS, as well as companies under their control (excluding those with controlling influence over the Group's parent company).

Transactions with related parties

	6 months 2026	6 months 2025
In thousands of euros		
Other related parties		
Services purchased	35	96
Paid interest	25	8

Balances with related parties

	30 June 2026	31 December 2025
In thousands of euros		
Other related parties		
Long-term liabilities	453	503
Bonds issued	510	540

Remuneration accrued to the Chief Executive Officer of the parent company, including social tax, amounted to EUR 228 thousand during the first six months of 2026 (first six months of 2025: EUR 117 thousand).

Remuneration accrued to the members of the Supervisory Board, including social tax, amounted to EUR 61 thousand during the first six months of 2026 (first six months of 2025: EUR 18 thousand).

The Chief Executive Officer's remuneration is based on the Management Board member's service agreement. Under the Management Board service agreement of Rait Riim, Chief Executive Officer of Arco Vara AS, the Supervisory Board has approved a fixed monthly remuneration of EUR 15.5 thousand (gross). In the event of termination of the service agreement, the Chief Executive Officer is entitled to a severance payment equivalent to four months' remuneration.

Members of the Supervisory Board are entitled to EUR 500 (net) for each meeting attended, up to a maximum of EUR 1,000 (net) per calendar month. Payment is conditional upon the Supervisory Board member signing the minutes of the respective meeting. Supervisory Board members are also reimbursed for reasonable travel expenses incurred in connection with attending Supervisory Board meetings. The Chairman of the Supervisory Board receives an additional fixed remuneration of EUR 5 thousand (net) per month.

Statement by the CEO/ Member of the Management Board

The CEO / member of the management board of Arco Vara AS has prepared Arco Vara AS's condensed consolidated interim financial statements for the first quarter ended on 30 June 2026.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and they give a true and fair view of the financial position, financial performance and cash flows of Arco Vara AS. Arco Vara AS is a going concern.

Rait Riim
Chief Executive and Member of the Management Board of Arco Vara AS

30 July 2026