



## Arco Vara AS

Interim report for the second quarter and six months of 2023  
(unaudited)



ARCO VARA



## INTERIM REPORT FOR THE SECOND QUARTER AND SIX MONTHS OF 2022 (UNAUDITED)

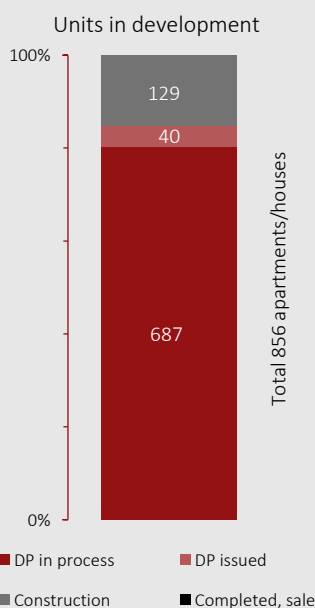
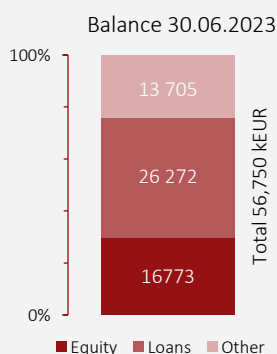
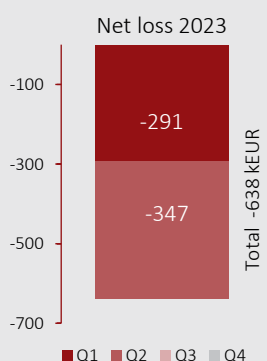
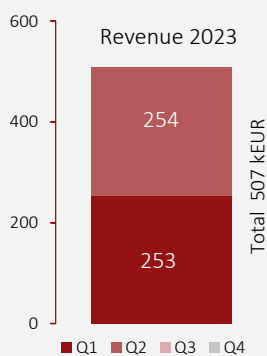
Company name	Arco Vara AS
Registry number	10261718
Address	Rotermanni tn 10, 10111 Tallinn, Republic of Estonia
Telephone	+372 614 4630
E-mail	info@arcovara.com
Corporate website	www.arcovara.com
Financial year	1 January 2023 – 31 December 2023
Reporting period	1 January 2023 – 30 June 2023
Supervisory board	Tarmo Sild, Steven Yaroslav Gorelik, Kert Keskaik, Hillar-Peeter Luitsalu, Allar Niinepuu
Chief executive	Miko-Ove Niinemäe
Auditor	PricewaterhouseCoopers AS

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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.

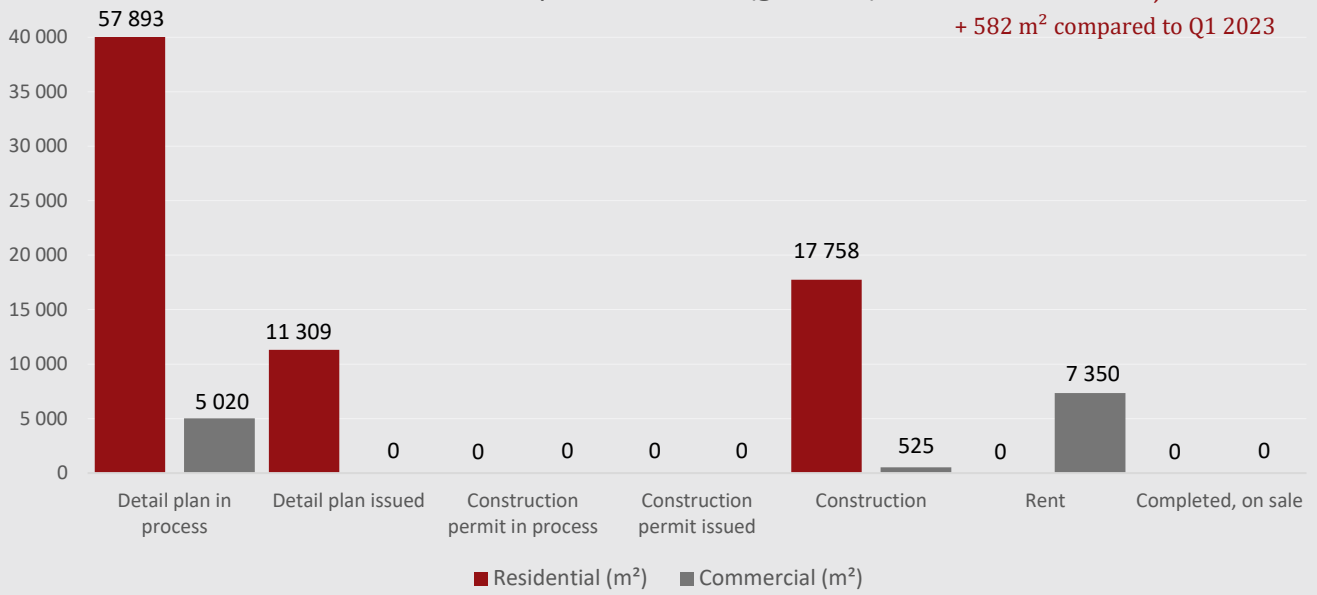
Based on the interest of customers in Kodulahe Kvartal, we also launched the architectural contest for the next stage and aim to already reach the establishment of the detailed plan this year. The plot at Soodi 6, which begins next year, involves around 68 homes and 250 m<sup>2</sup> of commercial premises.

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.

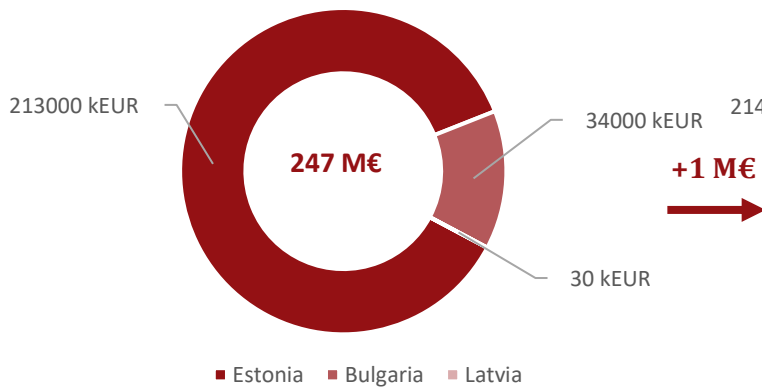
During these changing times, we have been successful at the sales processes of Kodulahe Kvartal and Madrid BLVD, significantly alleviating the financing risks of the company during the current "cash is king" period where involving capital is expensive. With the released capital, we plan to increase the 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.

Development volumes (gross m<sup>2</sup>)

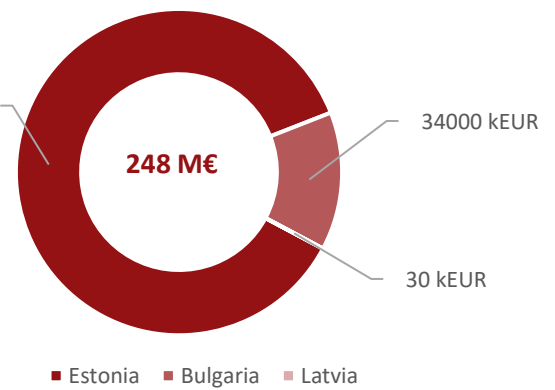
Total 99,855 m<sup>2</sup>  
+ 582 m<sup>2</sup> compared to Q1 2023



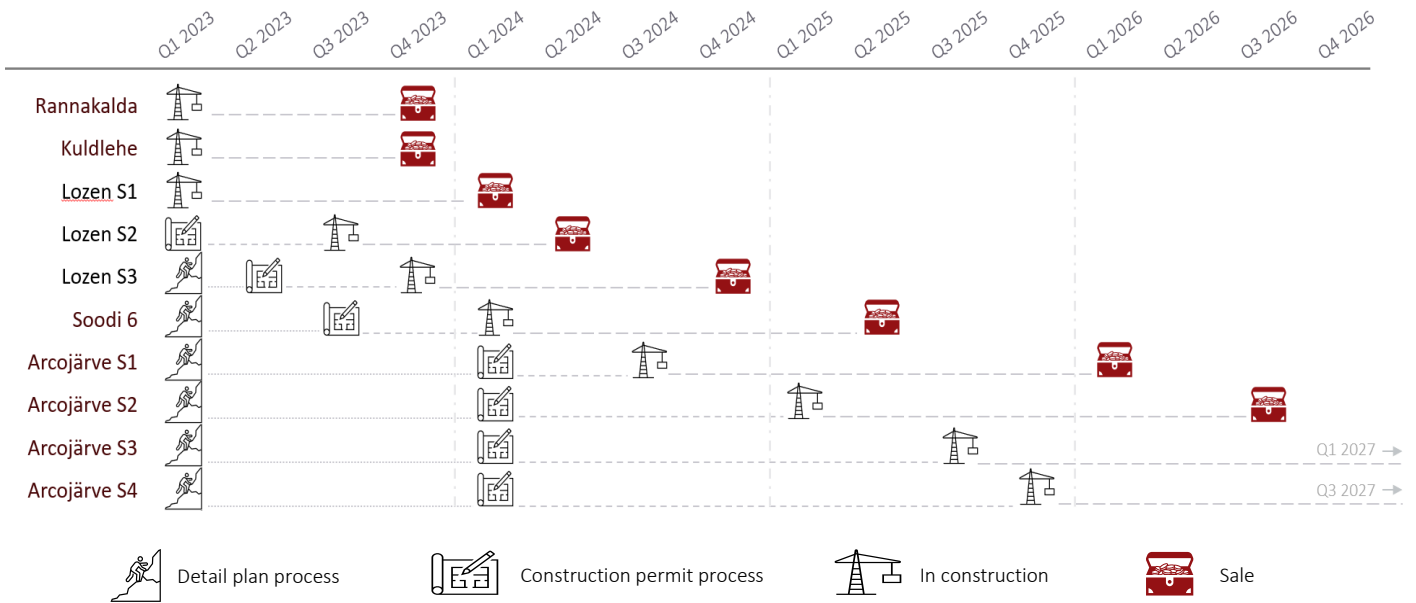
Potential revenue of development projects upon completion as of 31.03.2023



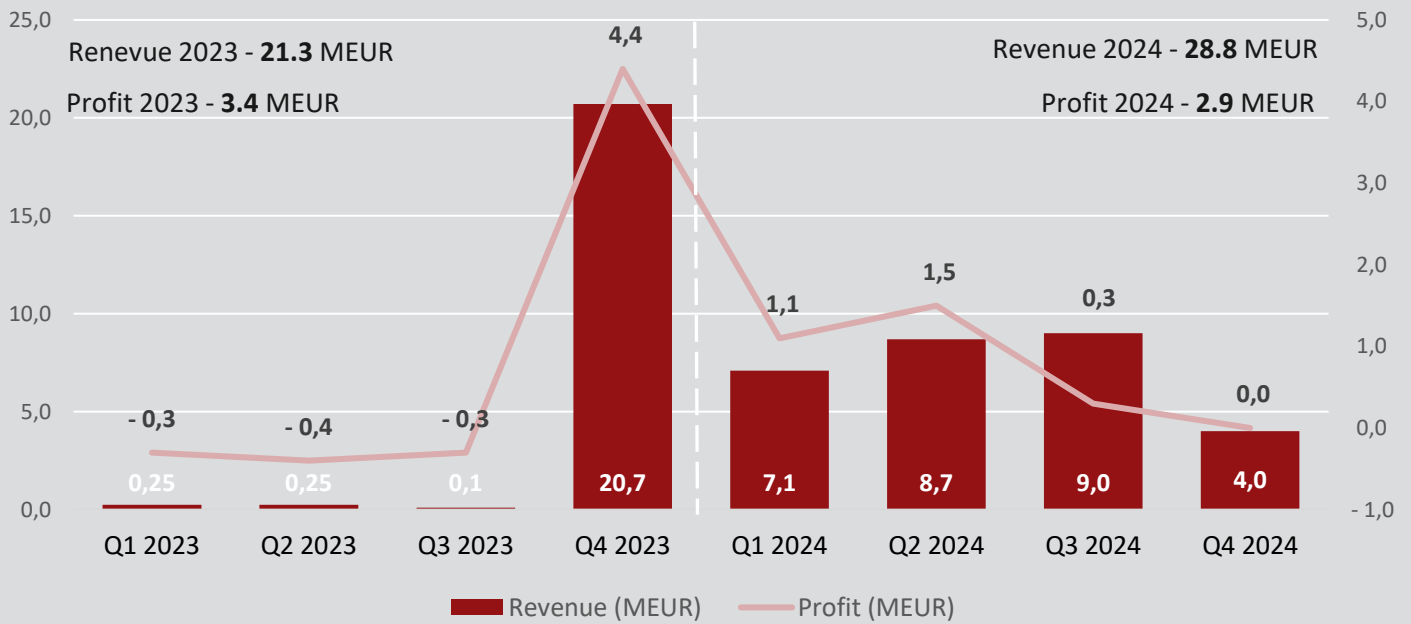
Potential revenue of development projects upon completion as of 30.06.2023



+1 M€



Arco Vara Group revenue and profit prognoses 2023-2024



# Arco Vara's Active Projects as of 30.06.2023



Project name

## Kodulahe Rannakalda

Address

Lammi 8, Tallinn

Product main type

Apartments, commercial spaces

Project stage

Construction

Area of plot m<sup>2</sup>

9,525

GSA/GLA (above ground) available

8,888

No of units (above ground) available

113



Project name

## Stage 1 Botanica Lozen

Address

Lozen, near Sofia

Product main type

Houses

Project stage

Construction

Area of plot m<sup>2</sup>

20,190

GSA/GLA (above ground)

5,485

No of units (above ground)

16



Project name

## Kuldlehe

Address

Lehiku road 11, Tallinn

Product main type

Apartments

Project stage

Construction

Area of plot m<sup>2</sup>

5,219

GSA/GLA (above ground) available

922

No of units (above ground) available

5



Project name

## Stage 7 Kodulahe

Address

Soodi 6, Tallinn

Product main type

Apartments

Project stage

Detail plan in process

Area of plot m<sup>2</sup>

5,444

GSA/GLA (above ground)

<5,070>

No of units (above ground)

<69>



Project name

## S2 and S3 Botanica Lozen

Address

Lozen, near Sofia

Product main type

Houses

Project stage

Detail plan issued

Area of plot m<sup>2</sup>

27,260

GSA/GLA (above ground)

<11,309>

No of units (above ground)

<40>



Project name

## Arcojärve

Address

Paldiski road 124b, Tallinn

Product main type

Apartments, commercial spaces

Project stage

Detail plan in process

Area of plot m<sup>2</sup>

69,506

GSA/GLA (above ground)

<29,300>

No of units (above ground)

<464>

# Arco Vara's Active Projects as of 30.06.2023



Project name

## Stage 8 Kodulahe

Address

Lammi 6, Tallinn

Product main type

Apartments, commercial spaces

Project stage

Detail plan in process

Area of plot m<sup>2</sup>

14,553

GSA/GLA (above ground)

<13,400>

No of units (above ground)

<187>

Project name

## Madrid BLVD\*

Address

Madrid Blvd, Sofia

Product main type

Lease: Retail/Offices

Project stage

Facility management and/or lease

Area of plots m<sup>2</sup>

-

GSA/GLA (above ground) available

7,350

No of units (above ground) available

22

**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.

\*Madrid BLVD was sold in July 2023.



# General Information

## Activities of the group

Arco Vara AS and other entities of Arco Vara group (hereafter together 'the group') are engaged in real estate development and services related to real estate (EMTAK codes 41201, 6820, 6832). The group considers Estonia and Bulgaria as its home markets.

The main activity of the Group is the development of complete living environments and related commercial real estate. In the development of the living environment, the completed homes are sold to the final consumer. The focus of the group is on the development of residential real estate - new commercial real estate will only be developed if it is required by law as a prerequisite for the construction of residential immovables. From previous activities, the group owns commercial real estate assets that generate rental income.

The group itself no longer offers real estate brokerage and appraisal services, but in Estonia, Latvia and Bulgaria, these services continue to be provided under the trademarks of Arco Vara through license agreements, from which the group earns license fees.

## Vision and mission

Arco Vara's vision:

- We are the most people-oriented real estate company.
- We know real estate best.
- We offer homes with the best comfort of use.

Arco Vara's mission is to create high-quality real estate and well thought-through living environments.

## Group structure

Since 2021, Arco Vara AS has a parent company and therefore Arco Vara AS is part of the OÜ Alarmo Kapital concern from 2021.

As of 30 June 2023, the group consisted of 18 companies, which is four more than of 31 December 2022.

### Significant subsidiaries as of 30 June 2023

Company name	Location	Share capital (nominal value)	Equity balance on 30 June 2023	The group's interest
In thousands of euros				
Arco Invest EOOD	Bulgaria	31,762	4,659	100%
Botanica Lozen EOOD	Bulgaria	2,931	1,388	100%
Kodulahe Kvartal OÜ	Estonia	140	250	100%
Kodulahe OÜ	Estonia	3	5,456	100%
Kerberon OÜ	Estonia	5	1,932	100%
Kolde OÜ	Estonia	28	54	100%

**3**  
countries

**30**  
years of experience

**2,700+**  
new homes

**380,000+**  
developed m<sup>2</sup>

### Arco Vara AS subsidiaries



# Key Performance Indicators

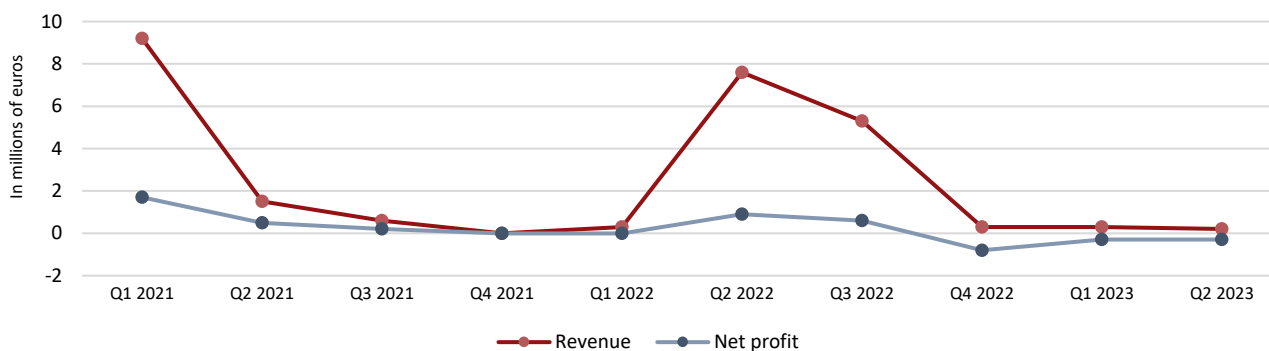
- In 2023, the apartment buildings have not yet reached the stage of completion, which is why the group's sales revenue for the Q2 2023 was 254 thousand euros, which is 97% less than the sales revenue of the Q2 2022 of 7,633 thousand euros. In 6 months 2023, the group's revenue was 507 thousand euros,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

## Main financial figures

	6 months 2023	6 months 2022	Q2 2023	Q2 2022
In thousands of euros				
<b>Revenue</b>	507	7,935	254	7,633
<b>Operating profit/ loss (EBIT)</b>	-433	1,126	-249	1,023
Finance expense	-205	-176	-98	-89
<b>Net profit/ loss</b>	-638	950	-347	934
Cash flows used in operating activities	-332	-2,015	2,408	-638
Cash flows from/used in investing activities	89	646	30	-2
Cash flows from financing activities	7,248	2,055	5,781	729
<b>Net cash flows</b>	<b>7,005</b>	<b>686</b>	<b>8,219</b>	<b>89</b>
Cash and cash equivalents at beginning of period	3,427	1,863	2,213	2,460
Cash and cash equivalents at end of period	10,432	2,549	10,432	2,549
Total assets at the end of period	56,750	32,464		
Invested capital at the end of period	43,045	27,630		
Net loans at the end of period	15,840	6,793		
Equity at the end of period	16,773	18,288		

## Revenue and net profit/loss during last years

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Total 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Total 2022	Q1 2023	Q2 2023	Total 2023
In millions of euros													
Revenue	9.2	1.5	0.6	0.3	<b>11.6</b>	0.3	7.6	5.3	0.3	<b>13.5</b>	0.3	0.2	<b>0.5</b>
Net profit/loss	1.7	0.5	0.2	-0.3	<b>2.1</b>	0.0	0.9	0.6	-0.8	<b>0.7</b>	-0.3	-0.3	<b>-0.6</b>



## Key Ratios

	6 months 2023	6 months 2022	Q2 2023	Q2 2022
Net profit ratio	-126%	12%	-137%	12%
EPS (in euros)	-0.06	0.09	-0.03	0.09
Diluted EPS (in euros)	-0.06	0.09	-0.03	0.09
EBITDA per share (in euros) (rolling, four quarters)	-0.04	0.13		
ROIC (rolling, four quarters)	-2.6%	2.9%		
ROE (rolling, four quarters)	-5.0%	4.6%		
ROA (rolling, four quarters)	-2.2%	2.6%		
Equity ratio	29.6%	56.3%		
Current ratio	2.77	2.50		
Quick ratio	1.24	0.89		
Financial leverage	3.38	1.77		
Average loan term (in years)	2.2	1.8		
Average annual interest rate of loans)	6.0%	5.1%		
Number of staff, at period end	20	18		

### 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 amortisation / 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 – short-term investments in securities (at the end of period)

Return on invested capital (ROIC) = net profit 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

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, 54 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<sup>2</sup> 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.



## Remuneration

As of 30 June 2023, 20 people worked for the group (19 as of 31 December 2022). Employee remuneration expenses in 6 months 2023 amounted to 434 thousand euros, out of which 220 thousand euros in Q2 2023 (2022 same periods: 299 thousand euros and 161 thousand euros).

The employee remuneration expenses include remuneration of the member of the management board / CEO of the group's parent company together with social security charges amounted to 71 thousand euros in 6 months 2023, out of which 41 thousand euros in Q2 2023, (in 6 months and Q2 2022: 88 thousand euros and 59 thousand euros, respectively).

The members of the supervisory board of the group's parent company were remunerated by 8 thousand euros in 6 months 2022, out of which 6 thousand euros in Q2. The remuneration of the members of the supervisory board was also 8 thousand euros in 6 months 2022, out of which 6 thousand euros in Q2.

## Management board and supervisory board

The management board of Arco Vara AS has one member. Since 30 April 2020, the member of the management board and chief executive officer of Arco Vara AS is Miko-Ove Niinemäe who has a mandate until 10 April 2026.

The supervisory board of Arco Vara AS has 5 members. Since 12 January 2021, the supervisory board consists of Tarmo Sild (the Chairman), Kert Keskaik, Hillar-Peeter Luitsalu, Allar Niinepuu and Steven Yaroslav Gorelik.

More information about Arco Vara's key persons is available on the company's website [www.arcovara.com](http://www.arcovara.com).

## Strategic risk

Most of the group's equity is invested into real estate development. The group is focused mainly on residential real estate development where development cycle lasts for years, starting from the acquisition of a land plot, moving on to detail planning, design and construction, and ending with the sale of end products to customers. The equity is invested mainly in the early phase of the cycle (purchase of land) on the assumption that there will be a demand for certain products in the future. Considering that the demand for development product is largely based on forecasts, the main risk for the group is investing equity into a development product for which there is no or too little demand in the future.

For mitigating the risk, the group: (i) invests equity into different development projects in different markets (in 2023, in Sofia and Tallinn), (ii) monitors current demand and supply in its home markets and (iii) makes efforts to narrow the time gap between making initial investment and selling the final product – by signing pre-agreements with clients, acquiring land with no or little upfront equity investment etc.

## Credit risk

The group considers credit risks to be substantially mitigated. The final sale of real estate development product takes place simultaneously with customer payment; therefore customer debts do not arise. Also, cash and cash equivalents are not held in the same banking group.

## Currency risk

Real estate sales are mostly nominated in euros, as a result of which the group's assets and liabilities structure does not involve a significant currency risk. The group is not protected against currency

devaluations. Liquid assets are mostly held on demand or short-term deposits denominated in euros.

## Liquidity and interest rate risks

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 is 6 months' EURIBOR. As a result, the group is partly exposed to developments on international capital markets. The group does not use hedging instruments to mitigate its long-term interest rate risk. The group's interest-bearing liabilities amounted to 26,272 thousand euros on 30 June 2023, out of which 6,635 thousand euros is due within next 12 months. The group's interest-bearing liabilities have increased by 8,183 thousand euros in the 6 months of 2023. The increase was brought about by preplanned financing of going developments. 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.

In Q2 2023, interest payments on interest-bearing liabilities totaled 331 thousand euros (in Q2 2022: 226 thousand euros) – higher loan balance also means larger interest payments. The interest paid was partly capitalized, partly expensed. The group's weighted average loan interest rate was 6.0% as of 30 June 2023. This is an increase by 0.2 percentage points compared to the end of year 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.

## Share price

Arco Vara AS has issued a total of 10,388,367 ordinary shares with nominal value of 0.7 euros per share. The shares (ARC1T, ISIN EE3100034653) are freely traded on NASDAQ Tallinn stock exchange. The share price closed at 1.74 euros on 30 June 2023; the closing price was 1.792 euros on 31 December 2022. During the 6 month period, the highest traded price per share was 1,878 euros and the lowest price 1.71 euros. Equity per share was 1.74 euros as of 30.06.2023, also 1.74 as of 31.12.2022.

As of 30 June 2023, market capitalization of shares amounted to 18,076 thousand euros and P/B (price to book value) ratio was 1.08 (31 December 2022: 18,616 thousand euros and 1.03, respectively). P/E (price to earnings) ratio of the share was -20.24 on 30 June 2023, 26.79 as on 31 December 2022.

The following charts reflect the movements in the price and daily turnover of Arco Vara’s share in 6 months 2023 and during the last three years.

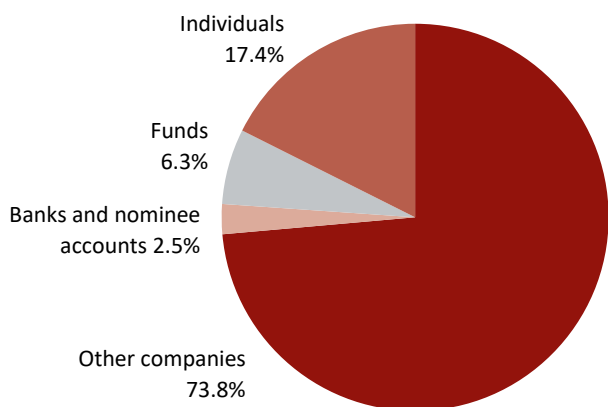


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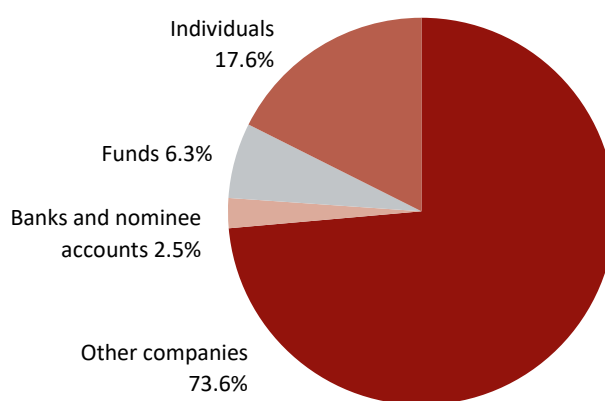
## Shareholder structure

As of 30 June 2023, Arco Vara had 8,562 shareholders (on 31 December 2022 8,692), including 7,824 individuals as shareholders (on 31 December 2022: 7,916 individuals) who jointly owned 17.4% (on 31 December 2022: 17.6%) out of all Arco Vara shares. Complete shareholder structures are presented on the following diagrams.

Ownership structure as of 30 June 2023



Ownership structure as of 31 December 2022



## Major shareholders on 30 June 2023

Name	No of shares	Share, %
Alarmo Kapital OÜ	6,438,531	62.0%
FIREBIRD REPUBLICS FUND LTD	337,057	3.2%
HM Investeeringud OÜ	230,505	2.2%
Aia Tänav OÜ	193,000	1.9%
Marko Teimann	188,721	1.8%
FIREBIRD AVRORA FUND, LTD.	180,343	1.7%
K VARA OÜ	150,901	1.5%
FIREBIRD FUND L.P.	133,948	1.3%
Sander Karu	71,137	0.7%
Rafiko OÜ	70,125	0.7%
Other shareholders	2,394,099	23.0%
<b>Total</b>	<b>10,388,367</b>	<b>100.0%</b>

## Holdings of management and supervisory board members on 30 June 2023

Name		No of shares	Share, %
Tarmo Sild and Allar Niinepuu (Alarmo Kapital OÜ)	Chairman/member of supervisory board	6,438,531	62.0%
Tarmo Sild (privately, related persons and Aia Tänav OÜ)	Chairman of supervisory board	201,869	1.9%
Allar Niinepuu (OÜ Kavass)	Member of supervisory board	10,000	0.1%
Hillar-Peeter Luitsalu (HM Investeeringud OÜ, related persons)	Member of supervisory	269,259	2.6%
Kert Keskaik (privately, K Vara OÜ, K24 Invest OÜ, Kolde Invest OÜ and One Eleven OÜ)	Member of supervisory	204,955	2.0%
Steven Yaroslav Gorelik <sup>1</sup>	Member of supervisory	0	-
Miko-Ove Niinemäe	Member of management board	15,555	0.2%
<b>Total</b>		<b>7,140,169</b>	<b>68.8%</b>

<sup>1</sup> - 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) of 651,348 shares (total of 6.3% interest).



## CEO's Confirmation on Directors' Report

The CEO and member of the management board of Arco Vara AS confirms that the directors' report of Arco Vara for the second quarter and 6 months ended on 30 June 2023 provides a true and fair view of business developments, financial performance and financial position of the group as well as a description of the main risks and uncertainties.



Miko-Ove Niinemäe  
Chief Executive and Member of the Management Board of Arco Vara AS

On 27 July 2023

# Condensed Consolidated Interim Financial Statements



## Consolidated Statement of Comprehensive Income

	Note	6 months 2023	6 months 2022	Q2 2023	Q2 2022
<i>In thousands of euros</i>					
Revenue from sale of own real estate		7	7,377	0	7,346
Revenue from rendering of services		500	558	254	287
<b>Total revenue</b>	2,3	<b>507</b>	<b>7,935</b>	<b>254</b>	<b>7,633</b>
Cost of sales	4	-191	-6,383	-105	-6,274
<b>Gross profit</b>		<b>316</b>	<b>1,552</b>	<b>149</b>	<b>1,359</b>
Other income		76	202	54	8
Marketing and distribution expenses	5	-177	-108	-120	-64
Administrative expenses	6	-646	-513	-331	-274
Other expenses		-2	-7	-1	-6
<b>Operating profit/ loss</b>		<b>-433</b>	<b>1,126</b>	<b>-249</b>	<b>1,023</b>
Finance income and cost	7	-205	-176	-98	-89
<b>Profit/loss before tax</b>		<b>-638</b>	<b>950</b>	<b>-347</b>	<b>934</b>
<b>Net profit/ loss for the period</b>		<b>-638</b>	<b>950</b>	<b>-347</b>	<b>934</b>
<b>Total comprehensive income/loss for the period</b>		<b>-638</b>	<b>950</b>	<b>-347</b>	<b>934</b>
<b>Earnings per share (in euros)</b>	8				
- basic		-0.06	0.09	-0.03	0.09
- diluted		-0.06	0.09	-0.03	0.09

## Consolidated Statement of Financial Position

	Note	30 June 2023	31 December 2022
<i>In thousands of euros</i>			
Cash and cash equivalents		10,432	3,427
Receivables and prepayments	9	5,837	4,387
Inventories	10	31,111	22,511
Investment property for sale	11	9,050	9,050
<b>Total current assets</b>		<b>56,430</b>	<b>39,375</b>
Receivables and prepayments	9	18	18
Investment property	11	2	82
Property, plant and equipment	2	268	284
Intangible assets	2	32	46
<b>Total non-current assets</b>		<b>320</b>	<b>430</b>
<b>TOTAL ASSETS</b>		<b>56,750</b>	<b>39,805</b>
Loans and borrowings	12	6,635	5,255
Payables and deferred income	13	13,705	3,681
<b>Total current liabilities</b>		<b>20,340</b>	<b>8,936</b>
Loans and borrowings	12	19,637	12,834
<b>Total non-current liabilities</b>		<b>19,637</b>	<b>12,834</b>
<b>TOTAL LIABILITIES</b>		<b>39,977</b>	<b>21,770</b>
Share capital	8	7,272	7,272
Share premium		3,835	3,835
Statutory capital reserve		2,011	2,011
Retained earnings		3,655	4,917
<b>Total equity attributable to owners of the parent</b>		<b>16,773</b>	<b>18,035</b>
<b>TOTAL EQUITY</b>		<b>16,773</b>	<b>18,035</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>56,750</b>	<b>39,805</b>

## Consolidated Statement of Cash Flows

Note	6 months 2023		6 months 2022		Q2 2023	Q2 2022
In thousands of euros						
Cash receipts from customers		10,733	4,096		9,658	2,748
Cash paid to suppliers		-12,156	-6,197		-7,650	-3,312
Taxes paid and recovered (net)		1,378	308		556	29
Cash paid to employees		-338	-197		-209	-125
Other cash payments and receipts related to operating activities (net)		51	-25		53	22
<b>NET CASH FROM/USED IN OPERATING ACTIVITIES</b>		<b>-332</b>	<b>-2,015</b>		<b>2,408</b>	<b>-638</b>
Payments made on purchase of tangible and intangible assets		-1	-26		0	-2
Proceeds from sale of property, plant and equipment		0	2		0	0
Payments made on purchase and development of investment property		90	670		30	0
<b>NET CASH FROM/USED IN INVESTING ACTIVITIES</b>		<b>89</b>	<b>646</b>		<b>30</b>	<b>-2</b>
Proceeds from loans received	12	8,404	4,246		6,435	2,591
Settlement of loans and borrowings	12	-221	-1,501		-115	-1,428
Interest paid		-618	-378		-331	-226
Dividends paid		-312	-312		-208	-208
Proceeds from share capital increase		-5	0		0	0
<b>NET CASH FROM/USED IN FINANCING ACTIVITIES</b>		<b>7,248</b>	<b>2,055</b>		<b>5,781</b>	<b>729</b>
<b>NET CASH FLOW</b>		<b>7,005</b>	<b>686</b>		<b>8,219</b>	<b>89</b>
Cash and cash equivalents at the beginning of period		3,427	1,863		2,213	2,460
<b>Change in cash and cash equivalents</b>		<b>7,005</b>	<b>686</b>		<b>8,219</b>	<b>89</b>
Cash and cash equivalents at the end of period		10,432	2,549		10,432	2,549



## Consolidated Statement of Changes in Equity

	Share capital	Share premium	Statutory capital reserve	Retained earnings	Total equity
<i>In thousands of euros</i>					
<b>Balance as of 31 December 2021</b>	<b>7,272</b>	<b>3,835</b>	<b>2,011</b>	<b>4,844</b>	<b>17,962</b>
Dividends paid	0	0	0	-624	-624
Total comprehensive income for the period	0	0	0	950	950
<b>Balance as of 30 June 2022</b>	<b>7,272</b>	<b>3,835</b>	<b>2,011</b>	<b>5,170</b>	<b>18,288</b>
<b>Balance as of 31 December 2022</b>	<b>7,272</b>	<b>3,835</b>	<b>2,011</b>	<b>4,917</b>	<b>18,035</b>
Dividends paid	0	0	0	-624	-624
Total comprehensive income for the period	0	0	0	-638	-638
<b>Balance as of 30 June 2023</b>	<b>7,272</b>	<b>3,835</b>	<b>2,011</b>	<b>3,655</b>	<b>16,773</b>

# Notes to the Condensed Interim Financial Statements

## 1. Significant accounting policies

The unaudited condensed consolidated interim financial statements of Arco Vara AS for the second quarter and 6 months ended on 30 June 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statements should be read in conjunction with the audited consolidated annual financial statements for the year

ended on 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

All amounts in the financial statements are presented in thousands of euros unless indicated otherwise

## 2. Segment information

From 2023, the group identifies segments based on two combined characteristics: field of activity and geographical region. The three main segments are Bulgarian development, Estonian development and

Estonian construction. At the time of publicing present report, the commercial building Madrid in Sofia is in the final stages of sales, which is why it is not presented as a separate segment.

### External revenue by operating segment and by location of seller

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Eliminations		Consolidated	
	6m 2023	6m 2022	6m 2023	6m 2022	6m 2023	6m 2022	6m 2023	6m 2022	6m 2023	6m 2022	6m 2023	6m 2022
<i>In thousands of euros</i>												
External revenue	0	0	10	7,349	3	0	494	586	-	-	507	7,935
Revenue from other segments	115	92	1	0	6,717	1,677	386	215	-7,219	-1,984	0	0
<b>Total revenue</b>	<b>115</b>	<b>92</b>	<b>11</b>	<b>7,349</b>	<b>6,717</b>	<b>1,677</b>	<b>880</b>	<b>801</b>	<b>-7,219</b>	<b>-1,984</b>	<b>507</b>	<b>7,935</b>

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Eliminations		Consolidated	
	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022
<i>In thousands of euros</i>												
External revenue	0	0	1	7,349	2	0	251	284	-	-	254	7,633
Revenue from other segments	115	92	1	0	3,327	1,405	366	79	-3,809	-1,576	0	0
<b>Total revenue</b>	<b>115</b>	<b>92</b>	<b>2</b>	<b>0</b>	<b>3,329</b>	<b>1,405</b>	<b>617</b>	<b>363</b>	<b>-3,809</b>	<b>-1,576</b>	<b>254</b>	<b>7,633</b>

## External revenue and profit by segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Consolidated	
	6m 2023	6m 2022	6m 2023	6m 2022	6m 2023	6m 2022	6m 2023	6m 2022	6m 2023	6m 2022
<i>In thousands of euros</i>										
Revenue	0	0	10	7,349	3	0	484	586	507	7,935
Operating profit/ loss	-189	-131	-182	1,469	-118	-308	56	96	-433	1,126
Net profit/ loss	-194	-124	-182	1,512	-118	-308	-144	-130	-638	950

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Consolidated	
	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022
<i>In thousands of euros</i>										
Revenue	0	0	1	7,349	2	0	251	284	254	7,633
Operating profit/ loss	-81	220	57	1,387	-111	-287	-114	143	-249	1,023
Net profit/ loss	-81	-170	57	1,430	-111	-287	-212	-39	-347	934

## External assets and liabilities by segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Consolidated	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022
<i>In thousands of euros</i>										
Assets	5,618	4 490	29,310	22,529	525	745	21,297	12,041	56,750	39,805
Including non-current assets	44	33	0	0	7	6	269	291	320	330
Liabilities	273	47	19,897	12,099	900	1,203	18,907	8,421	39,977	21,770

### 3. Revenue

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

Segment	Estonia		Bulgaria		Latvia		Consolidated	
	6 months 2023	6 months 2022	6 months 2023	6 months 2022	6 months 2023	6 months 2022	6 months 2023	6 months 2022
<i>In thousands of euros</i>								
Sale of own real estate	7	7,346	0	0	0	31	7	7,377
Rental of real estate	1	3	336	364	0	0	337	367
Property management services	0	0	35	41	0	0	35	41
Franchise	87	99	17	31	15	15	119	145
Other revenue	3	0	6	5	0	0	9	5
<b>Total revenue</b>	<b>98</b>	<b>7,448</b>	<b>394</b>	<b>441</b>	<b>15</b>	<b>46</b>	<b>507</b>	<b>7,935</b>

Segment	Estonia		Bulgaria		Latvia		Consolidated	
	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2022
<i>In thousands of euros</i>								
Sale of own real estate	0	7,346	0	0	0	0	0	7,346
Rental of real estate	0	2	167	182	0	0	167	184
Property management services	0	0	17	20	0	0	17	20
Franchise	34	49	17	21	15	11	66	81
Other revenue	1	0	3	2	0	0	4	2
<b>Total revenue</b>	<b>35</b>	<b>7,397</b>	<b>204</b>	<b>225</b>	<b>15</b>	<b>11</b>	<b>254</b>	<b>7,633</b>

### 4. Cost of sales

	6 months 2023		6 months 2022		Q2 2023		Q2 2022	
	<i>In thousands of euros</i>							
Cost of real estate sold (note 10)		-5		-6,187		0		-6,160
Brokerage fees		-5		-31		-4		-31
Property management costs		-142		-116		-80		-56
Personnel expenses		-7		-6		-3		2
Depreciation, amortization and impairment losses		-10		-19		-5		-10
Other costs		-22		-24		-13		-19
<b>Total cost of sales</b>		<b>-191</b>		<b>-6,383</b>		<b>-105</b>		<b>-6,274</b>

## 5. Marketing and distribution expenses

	6 months 2023	6 months 2022	Q2 2023	Q2 2022
<i>In thousands of euros</i>				
Advertising expenses	-74	-37	-57	-32
Personnel expenses	-31	-15	-21	1
Other marketing and distribution expenses	-72	-56	-42	-33
<b>Total marketing and distribution expenses</b>	<b>-177</b>	<b>-108</b>	<b>-120</b>	<b>-64</b>

## 6. Administrative expenses

	6 months 2023	6 months 2022	Q2 2023	Q2 2022
<i>In thousands of euros</i>				
Personnel expenses	-396	-278	-218	-163
Office expenses	-41	-52	-18	-16
IT expenses	-21	-18	-12	-9
Services purchased	-82	-111	-23	-52
Depreciation, amortization and impairment losses	-40	-32	-21	-20
Legal service fees	-17	-15	-4	-10
Other expenses	-49	-7	-35	-4
<b>Total administrative expenses</b>	<b>-646</b>	<b>-513</b>	<b>-331</b>	<b>-274</b>

## 7. Financial expenses

	6 months 2023	6 months 2022	Q2 2023	Q2 2022
<i>In thousands of euros</i>				
Interest expenses	-200	-176	-97	-89
Other financial costs	-5	0	-1	0
<b>Total financial costs</b>	<b>-205</b>	<b>-176</b>	<b>-98</b>	<b>-89</b>

## 8. Earnings per share

Basic earnings per share are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are calculated by taking into account all potentially issued shares.

	6 months 2023	6 months 2022	Q2 2023	Q2 2022
Weighted average number of ordinary shares outstanding during the period	10,388,367	10,388,367	10,388,367	10,388,367
Number of ordinary shares potentially to be issued (at period end)	63,000	63,000	63,000	63,000
Net profit/ loss (in thousands of euros)	-638	950	-347	934
<b>Earnings per share (in euros)</b>	<b>-0.06</b>	<b>0.09</b>	<b>-0.03</b>	<b>0.09</b>
<b>Diluted earnings per share (in euros)</b>	<b>-0.06</b>	<b>0.09</b>	<b>-0.03</b>	<b>0.09</b>

Based on the decision of the general meeting of Arco Vara AS on 17.05.2022, a total of 63,000 shares will be issued to three senior employees over three years, in case of the average ROE

from Q3 2022 to the Q2 2025 is greater than 12%. As of 31.12.2022, the ROE assumption has not been met, therefore the reserve has not been formed for the options program.

## 9. Receivables and prepayments

### Short-term receivables and prepayments

	30 June 2023	31 December 2022
<i>In thousands of euros</i>		
Receivables from customers	49	122
Miscellaneous receivables	6	12
Prepaid and recoverable taxes	584	594
Other accrued income	5	25
Prepayments	5,193	3,634
<b>Total short-term receivables and prepayments</b>	<b>5,837</b>	<b>4,387</b>

### Long-term receivables and prepayments

	30 June 2023	31 December 2022
<i>In thousands of euros</i>		
Deposits	18	18
<b>Total long-term receivables and prepayments</b>	<b>18</b>	<b>18</b>



## 10. Inventories

	30 June 2023	31 December 2022
<i>In thousands of euros</i>		
Properties purchased and being developed for resale	31,089	22,474
Materials and finished goods	22	37
<b>Total inventories</b>	<b>31,111</b>	<b>22,511</b>

### Properties purchased and being developed for resale

	2023	2022
<i>In thousands of euros</i>		
<b>Balance at the beginning of period, 1 January</b>	<b>22,474</b>	<b>15,754</b>
Construction costs of apartment buildings	7,855	3,718
Capitalized borrowing costs	421	201
Other capitalized costs	344	1,023
Cost of sold properties (note 4)	-5	-6,187
<b>Balance at the end of period, 30 June</b>	<b>31,089</b>	<b>14,509</b>

## 11. Investment property

	2023	2022
<i>In thousands of euros</i>		
<b>Balance at the beginning of period, 1 January</b>	<b>82</b>	<b>9,943</b>
Capitalized development costs	0	4
Sale of investment property	-80	-525
<b>Balance at the end of period, 30 June</b>	<b>2</b>	<b>9,422</b>

## 12. Interest bearing liabilities

	As of 30 June, 2023			As of 31 December, 2022		
	Total	of which current portion	of which non-current portion	Total	of which current portion	of which non-current portion
<i>In thousands of euros</i>						
Bank loans	22,310	4,948	17,362	15,567	5,037	10,530
Bonds	2,120	0	2,120	2,120	0	2,120
Capital lease	214	59	155	242	58	184
Other loans	1,628	1,628	0	160	160	0
<b>Total</b>	<b>26,272</b>	<b>6,635</b>	<b>19,637</b>	<b>18,089</b>	<b>5,255</b>	<b>12,834</b>

In 6 months 2023, the group settled loans in the amount of 221 thousand euros (in 6 months 2022: 1,501 thousand euros) through cash transactions and raised new loans in the amount of 8,404 thousand euros (in 6 months 2022: 4,246 thousand euros). 4,726 thousand euros of the settled loan was paid by customers directly to the creditor bank in 2022; these are not shown in the group cash flow statement.

In 6 months 2023, the following major loan obligations were settled:

- 148 thousand euros of Madrid Blvd project's bank loan principal;
- 34 thousand euros of bank loan for financing land of Kodulahe project Stage VIII;
- 10 thousand euros loan from private investors;
- 29 thousand euros of capitalized office rent.

In 6 months 2023, the group raised the following new liabilities:

- 6,926 thousand euros of bank loan for financing construction of apartment buildings in Kodulahe project Stage VI;
- 478 thousand euros loan from private investors;
- 1,000 thousand euros short term credit from related company.

In 6 months 2022, the following major loan obligations were settled:

- 145 thousand euros of Madrid Blvd project's bank loan principal;
- 6,082 thousand euros of bank loan for financing construction of apartment building in Kodulahe project Stages IV&V, out of which 4,726 thousand directly by customers.

In 6 months 2022, the group raised the following new liabilities:

- 4,246 thousand euros of bank loan for financing construction of apartment buildings in Kodulahe project Stage IV and V;
- 139 thousand euros of capitalized office rent.

### 13. Payables and deferred income

#### Short-term payables and deferred income

	30 June 2023	31 December 2022
<i>In thousands of euros</i>		
<b>Trade payables</b>	<b>1,264</b>	<b>1,162</b>
<b>Miscellaneous payables</b>	<b>27</b>	<b>11</b>
<b>Taxes payable</b>		
Value added tax	125	53
Social security tax	88	25
Personal income tax	52	17
Garbage tax	3	0
Other taxes	12	3
<b>Total taxes payable</b>	<b>280</b>	<b>98</b>
<b>Accrued expenses</b>		
Payables to employees	108	102
Interest payable	12	9
Dividend payable	416	104
Other accrued expenses	186	261
<b>Total accrued expenses</b>	<b>722</b>	<b>476</b>
<b>Deferred income</b>		
Prepayments received on sale of real estate	11,300	1,824
Guarantee deposits	71	75
Prepaid revenue	41	35
<b>Total deferred income</b>	<b>11,412</b>	<b>1,934</b>
<b>Total short-term payables and deferred income</b>	<b>13,705</b>	<b>3,681</b>

## 14. Related party disclosure

The group has conducted transactions or has balances with the following related parties:

- Parent company OÜ Alarmo Kapital and companies under the control of the chief executive officer and the members of the supervisory board of Arco Vara AS that have a significant interest in the group;
- other related parties: the CEO and the members of the supervisory board of Arco Vara AS and companies under their control (excluding companies that have a significant interest in the group's parent company).

### Transactions with related parties

	6 months 2023	6 months 2022
<i>In thousands of euros</i>		
<b>Other related parties</b>		
Services purchased	15	9

### Balances with related parties

	30 June 2023	31 December 2022
<i>In thousands of euros</i>		
<b>Other related parties</b>		
Short-term loan	1,000	0
Prepayments	277	277

Members of the supervisory board intend to buy apartments in the Kodulahe Quarter, therefore, prepayments made by them are 277 thousand euros (on 31 December 2022 also 277 thousand). For the smooth cash flow management company took an unsecured short-term loan of 1 million euros from a related company.

In 6 months 2023, the remuneration provided to the CEO / member of the management board, including social security charges, amounted to 71 thousand euros, out of which 41 thousand euros in Q2 (in 6 months and Q2 2022: 88 thousand euros and 59 thousand euros).

The remuneration provided to the members of the supervisory board of the group's parent company during the first 6 months in 2023 was 8 thousand euros, out of which 6 thousand in Q2 2023 (in 6 months and Q2 2022: 8 thousand euros and 6 thousand euros).

The remuneration provided to the CEO / member of the management board is based on his contract of service. A fixed monthly fee has been set by a resolution of the Supervisory Board on the basis of the contract of service of Miko-Ove Niinemäe, the member of the Management Board of Arco Vara AS. A severance pay of

5 months' salary is provided for the CEO. The CEO's bonus system, which is in force since 2021, consists of three parts:

1. 1% of the audited net profit,
2. a bonus for the establishment of detailed plans or receiving usage permits for new projects,
3. bonus in the event of an increase in the market capitalization of the enterprise.

The purpose of the CEO bonus system is to motivate the CEO to expand the company's development activities, while ensuring profitability for investors'.

The members of the supervisory board will receive 500 euros (net amount) for every meeting where they have participated, but not more than 1,000 euros (net amount) per month. The payment of the remuneration is dependent on signing of the minutes of the meetings of the supervisory board. Reasonable travel expenses made for participating in the board meetings are also compensated to the members of the supervisory board. The chairman of the supervisory board receives an additional 500 euros per month (net amount).

# 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 second quarter and 6 months ended on 30 June 2023.

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.



Miko-Ove Niinemäe  
Chief Executive and Member of the Management Board of Arco Vara AS

On 27 July 2023