



Arco Vara AS
Interim report for the fourth quarter and twelve months
of 2023
(unaudited)



ARCO VARA

INTERIM REPORT FOR THE FOURTH QUARTER AND TWELVE MONTHS OF 2023 (UNAUDITED)

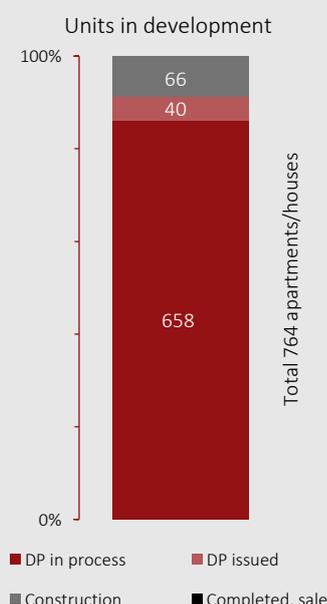
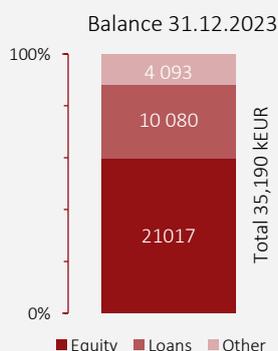
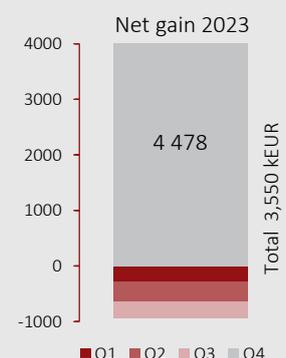
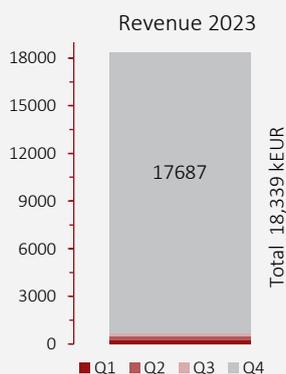
Company name	Arco Vara AS
Registry number	10261718
Address	Rotermanni tn 10, 10111 Tallinn, Republic of Estonia
Telephone	+372 614 4630
E-mail	info@arcovara.com
Corporate website	www.arcovara.com
Financial year	1 January 2023 – 31 December 2023
Reporting period	1 January 2023 – 31 December 2023
Supervisory 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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In spite of the times with low sunlight, the team of Arco Vara showed excellent results in Q4. We got to enjoy the fruits of our extensive work and our customers got acquainted with the high level of construction quality that Arco Tarc provides. The delivery of homes at Kodulahe Rannakalda began in the previous quarter, ensuring a quarterly profit of 4.5 million euros and over 17.5 million euros in sales revenue. Nearly 3 million euros' worth of new sales were secured in Q4, indicating faith in the projects of Arco Vara.

In Q4, the construction activities in Kodulahe Kvartal reached a new milestone: the construction works ended in Rannakalda and we delivered 66 homes. The number of inquiries for the homes at Kodulahe Kvartal remained high during the final quarter of the year, providing a sense of certainty that the 47 units with a combined value of nearly 14.5 million euros will be sold in 2024.

The completion of the Rannakalda project also marked the end of the first construction site of the building team of Arco Vara: we managed to exceed the goals without compromising on quality. The next project of Arco Tarc will be constructing a new sports building at Kolde avenue, where preparations have already begun as at the issuance of this report. The new sports building will be nearly 2,000 m² in area and open for everyone interested in trying their hand at padel as early as at the end of 2024.

We also have good news from the Botanica Lozen Residences project in Bulgaria where the majority of the 16 private homes have now reached their complete height. As the project has progressed visually, the number of customers with serious interest has also increased, shaping into preliminary sales amounting to 1.2 million euros in Q4. As at the end of 2023, five private homes have been sold in the scope of the project, expected to be completed in Q4 of 2024.

Construction also continues according to schedule in the Kuldlehe development project in Pirita. The homes there are still waiting for happy residents who are welcome to their new homes starting from the end of Q1 of 2024.

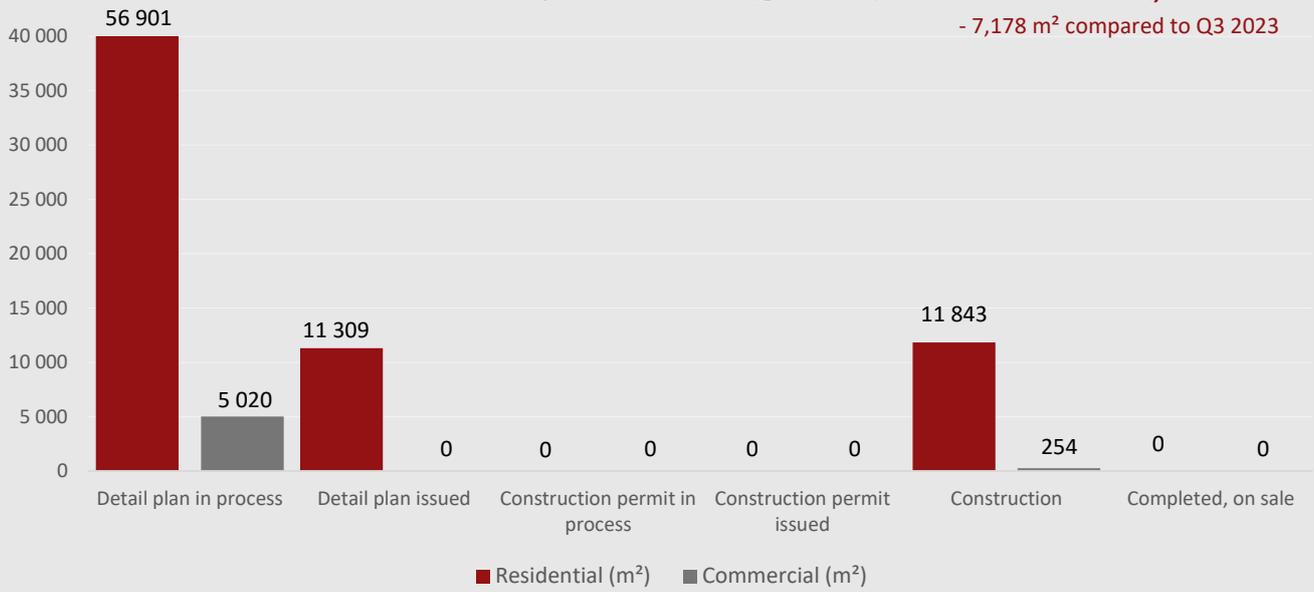
The slow market has no impact on the design process of developments. We have great anticipations for the projects currently in the planning stages, as we would like to start the construction works at Soodi 6 as early as in the first half of 2024 and the first stage of Arcojärve by the end of 2024.

In 2023, Arco Vara exceeded its goals. We reached the aim of 20% ROE and a profit margin extraordinary in the field of real estate development. The company holds a strong capital position both in terms of financial statistics and in the form of our staff which will continue to carry our success in the upcoming periods.

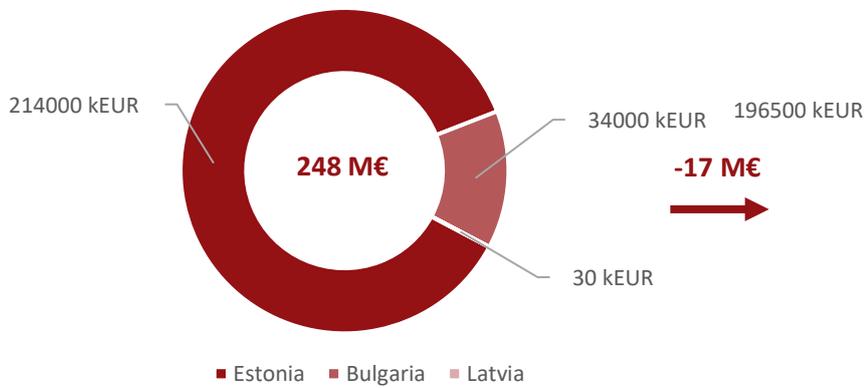
Development volumes (gross m²)

Total 85,327 m²

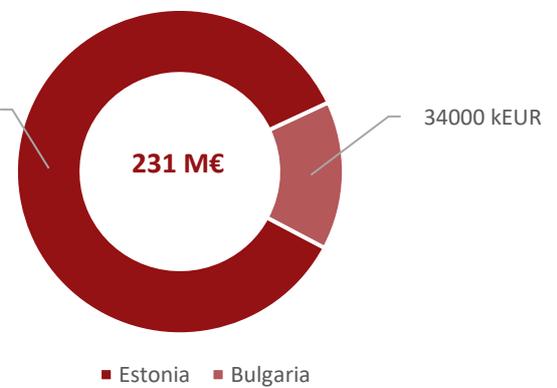
- 7,178 m² compared to Q3 2023

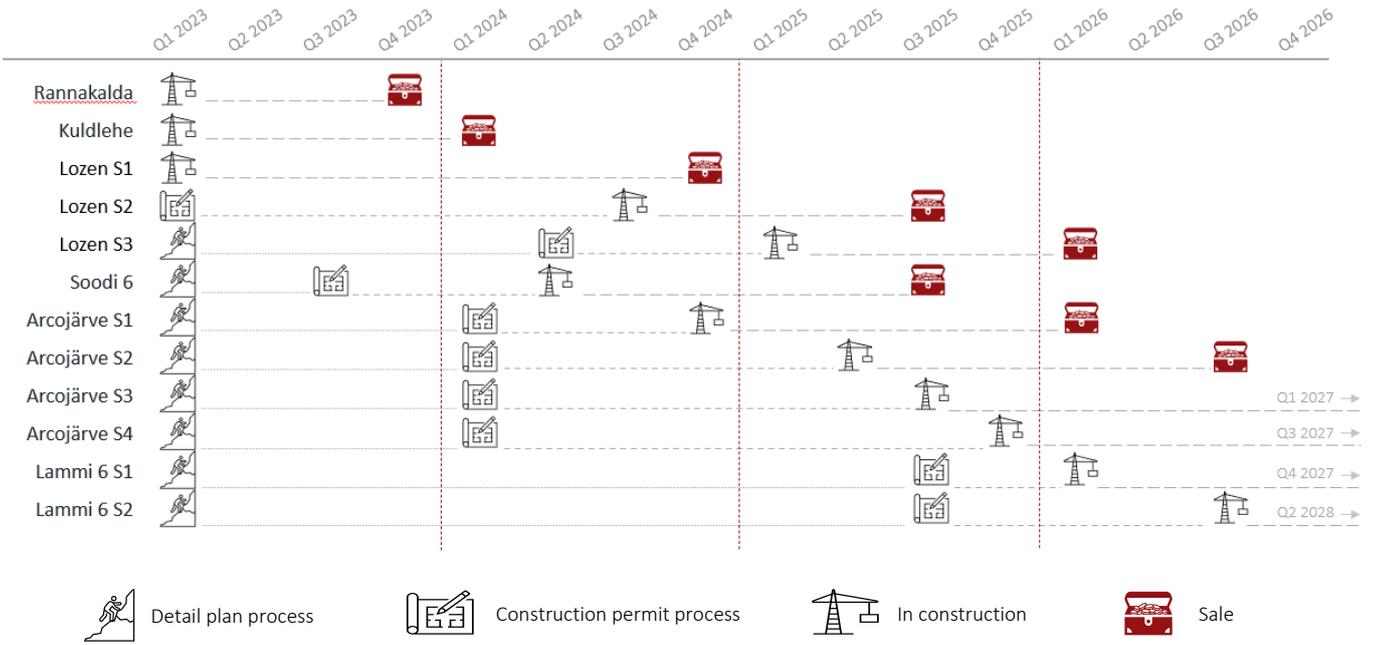


Potential revenue of development projects upon completion as of 30.09.2023

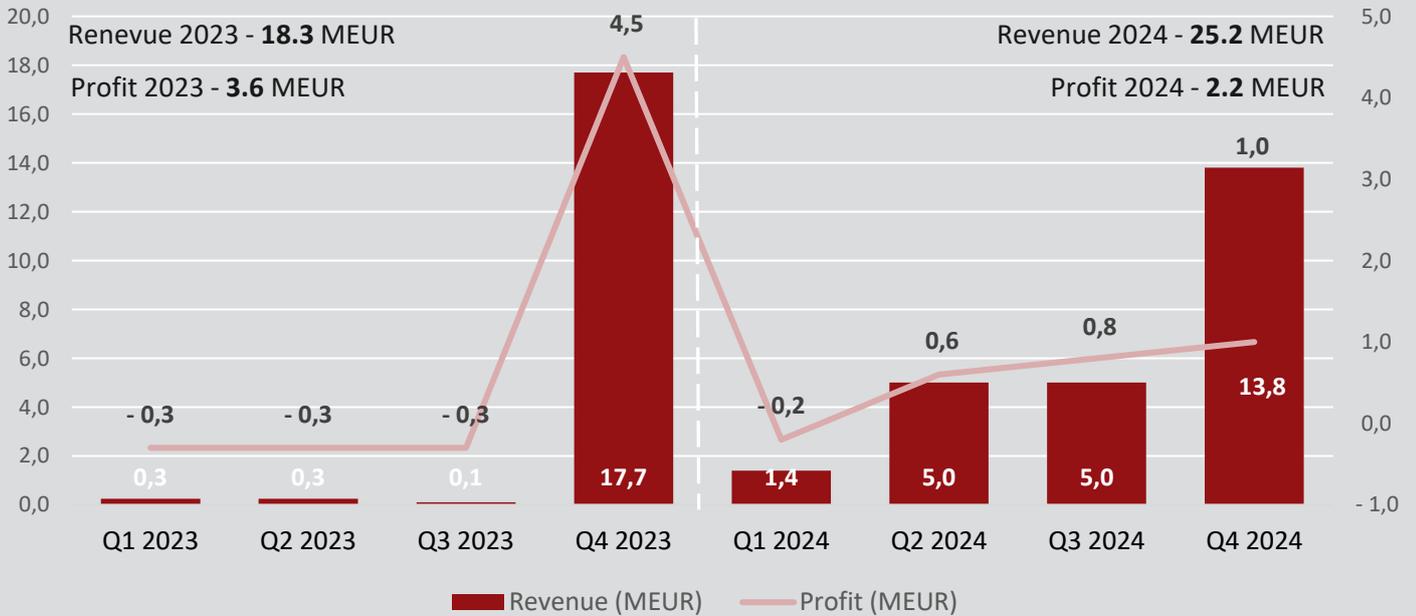


Potential revenue of development projects upon completion as of 31.12.2023





Arco Vara Group revenue and profit prognoses 2023-2024



Arco Vara's Active Projects as of 31.12.2023



Project name

Kodulahe Rannakalda

Address

Lammi 8, Tallinn

Product main type

Apartments, commercial spaces

Project stage

Sale

Area of plot m²

9,525

GSA/GLA (above ground) available

4,184

No of units (above ground) available/ available

113/47



Project name

Stage 1 Botanica Lozen

Address

Lozen, near Sofia

Product main type

Houses

Project stage

Construction

Area of plot m²

20,190

GSA/GLA (above ground)

5,485

No of units (above ground) available/ available

16/11



Project name

Kuldlehe

Address

Lehiku road 11, Tallinn

Product main type

Apartments

Project stage

Construction

Area of plot m²

5,219

GSA/GLA (above ground) available

922

No of units (above ground) available/ available

5/5



Project name

Stage 7 Kodulahe

Address

Soodi 6, Tallinn

Product main type

Apartments

Project stage

Detail plan in process

Area of plot m²

5,444

GSA/GLA (above ground)

<4,491>

No of units (above ground)

<63>



Project name

S2 and S3 Botanica Lozen

Address

Lozen, near Sofia

Product main type

Houses

Project stage

Detail plan issued

Area of plot m²

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 m²

69,506

GSA/GLA (above ground)

<28,852>

No of units (above ground)

<441>

Arco Vara's Active Projects as of 31.12.2023



Project name

Stage 8 Kodulahe

Address

Lammi 6, Tallinn

Product main type

Apartments, commercial spaces

Project stage

Detail plan in process

Area of plot m²

14,553

GSA/GLA (above ground)

<13,100>

No of units (above ground)

<187>

Project name

Padel venue

Address

Helme 18, Tallinn

Product main type

Sports hall

Project stage

Design in process

Area of plot m²

5,712

GSA/GLA (above ground)

<1,928>

No of units (above ground)/ available

1/ 0

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.

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 code 41201). 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.

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 31 December 2023, the group consisted of 14 companies, which is four less than of 31 December 2022.

Significant subsidiaries as of 31 December 2023

Company name	Location	Share capital (nominal value)	Equity balance on 31 December 2023	The group's interest
In thousands of euros				
Arco Invest EOOD	Bulgaria	31,762	3,141	100%
Botanica Lozen EOOD	Bulgaria	2,931	1,129	100%
Kodulahe Kvartal OÜ*	Estonia	140	9,926	100%
Kerberon OÜ	Estonia	5	1,816	100%
Kolde OÜ	Estonia	28	756	100%

* In Q4 2023, Kodulahe Kvartal OÜ and Kodulahe OÜ merged.

** Marsili II SIA was liquidated on 16.01.2024.

2
countries

30+
years of experience

2,800+
new homes

380,000+
developed m²



Key Performance Indicators

In Q4 2023, the group's sales revenue was 17,687 thousand euros, which is several times more than the sales revenue of the Q4 2022 of 327 thousand euros. In 12 months 2023, the group's revenue was 18,339 thousand euros, which is 36% more than the revenue of 13,494 thousand euros in 12 months 2022.

In Q4 2023, the group's operating profit (=EBIT) was 4,594 thousand euros and net profit 4,478 thousand euros (in 12 months 2023: operating profit 3,940 thousand euros and net profit of 3,550 thousand euros). In Q4 2022, the group had operating loss of 723 thousand euros and net loss of 811 thousand euros. In 12 months 2022, the group made operating profit of 1,062 thousand euros and net profit of 695 thousand euros.

In Q4 2023, 63 apartments, 3 commercial premises in Estonia and 3 land plots in Latvia were sold – same for 12 months of 2023. In Q4 2022, only 12 parking spaces were sold in projects developed by the group (additionally, 72 apartments in Estonia and 1 land plot in Latvia in 12 months 2022).

In the 12 months of 2023, the group's debt burden (net loans) decreased by 6,054 thousand euros down to the level of 8,608 thousand euros as of 31 December 2023. As of 31 December 2023, the weighted average annual interest rate of interest-bearing liabilities was 8.2%. This is an increase of 2.4 percentage points compared to 31 December 2022.

Main financial figures

	12 months 2023	12 months 2022	Q4 2023	Q4 2022
In thousands of euros				
Revenue	18,339	13,494	17,687	327
Operating profit/ loss (EBIT)	3,940	1,062	4,594	-723
Finance expense	-390	-367	-116	-88
Net profit/ loss	3,550	695	4,478	-811
Cash flows from/used in operating activities	-11,880	-7,780	1,429	-5,264
Cash flows from/used in investing activities	8,891	645	-2	0
Cash flows from/used in financing activities	1,323	8,699	-871	7,054
Net cash flows	-1,666	1,564	556	1,790
Cash and cash equivalents at beginning of period	3,427	1,863	916	1,637
Cash and cash equivalents at end of period	1,472	3,427	1,472	3,427
Total assets at the end of period	35,190	39,805		
Invested capital at the end of period	31,097	36,124		
Net loans at the end of period	8,608	14,662		
Equity at the end of period	21,017	18,035		

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	Q3 2023	Q4 2023	Total 2023
In millions of euros															
Revenue	9.2	1.5	0.6	0.3	11.6	0.3	7.6	5.3	0.3	13.5	0.3	0.2	0.2	17.6	18.3
Net profit/loss	1.7	0.5	0.2	-0.3	2.1	0.0	0.9	0.6	-0.8	0.7	-0.3	-0.3	-0.3	4.5	3.6



Key Ratios

	12 months 2023	12 months 2022	Q4 2023	Q4 2022
Net profit (loss) ratio	19%	5%	25%	-248%
EPS (in euros)	0.34	0.07	0.43	-0.08
Diluted EPS (in euros)	0.34	0.07	0.43	-0.08
EBITDA per share (in euros) (rolling, four quarters)	0.39	0.11		
ROIC (rolling, four quarters)	9.5%	2.3%		
ROE (rolling, four quarters)	19.7%	3.8%		
ROA (rolling, four quarters)	8.2%	2.1%		
Equity ratio	59.7%	45.3%		
Current ratio	4.66	4.41		
Quick ratio	0.97	1.89		
Financial leverage	1.67	2.21		
Average loan term (in years)	2.1	2.6		
Average annual interest rate of loans)	8.2%	5.8%		
Number of staff, at period end	18	19		

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

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

The group's sales revenue was 17,687 thousand euros in Q4 2023 (Q4 2022: 327 thousand euros) and 18,339 thousand euros in 12 months (12 months 2022: 13,494 thousand euros), including the sale of real estate in the group's own development projects in Q4 17,567 thousand euros and 17,581 thousand euros in 12 months (2022: 89 thousand euros in Q4 and 12,426 thousand euros in 12 months).

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 371 thousand euros in 6 months (2022: 406 thousand euros in 6 months). The sale process of the Madrid building was completed in July 2023. There was 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. By the end of 2023, a pavilion, 4 service areas and 108 apartments (in three separate

apartment buildings), many of which have sea views, were completed. As at the date of publishing the interim report, 69 units out of the 113 have been sold.

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 m² 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 31.12.2023, the total advance payment for the said land is 4,978 thousand euros. The start of the construction of the first stage is planned for 2024.

In the Kuldlehe project, a spacious and exclusive cluster house with 5 homes was built 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 private houses of the first phase will be completed by the end of 2024. By the date of publication of the quarterly report, 6 out of 16 houses have been pre-sold.

Remuneration

As of 31 December 2023, 18 people worked for the group (19 as of 31 December 2022).

Employee remuneration expenses in 12 months 2023 amounted to 2,175 thousand euros, out of which 490 thousand euros in Q4 2023 (2022 same periods: 809 thousand euros and 245 thousand euros). The employee remuneration expenses also include wages of the construction team, which are capitalized in the cost of the developments being built and which reach the costs through the cost price of the sold apartments.

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 207 thousand euros in 12 months 2023, out of which 90 thousand euros in Q4 2023, (in 12 months and Q4 2022: 160 thousand euros and 40 thousand euros, respectively).

The members of the supervisory board of the group's parent company were remunerated by 14 thousand euros in 12 months 2023, out of which 3 thousand euros in Q4. The remuneration of the members of the supervisory board was 24 thousand euros in 12 months 2022, out of which 10 thousand euros in Q4.

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.

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's interest-bearing liabilities amounted to 10,080 thousand euros on 31 December 2023, out of which 3,391 thousand euros is due within next 12 months. The group's interest-bearing liabilities have decreased by 8,009 thousand euros in the 12 months of 2023. The decrease was brought about by the return of the financing of apartments sold in 2023 to the bank. The group's cash and cash equivalents totaled 1,472 thousand euros as of 31 December 2023 (31 December 2022 3,427 thousand).

In Q4 2023, interest payments on interest-bearing liabilities totaled 343 thousand euros (in Q4 2022: 196 thousand euros). During the 12 month period in 2023, interest payments totaled 1,326 thousand euros (in 2022: 746 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 8.2% as of 31 December 2023. This is an increase by 2.4 percentage points compared to the end of year 2022. The reason for the increase in the average interest rate of loan obligations is the termination of a loan with a low interest rate due to the sale of the commercial building in Madrid in the summer of 2023, and the partly repayment of the favorable development loan of Rannakalda in Q4 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 1.705 euros on 31 December 2023; the closing price was 1.792 euros on 31 December 2022. During the 12 month period, the highest traded price per share was 1.878 euros and the lowest price 1.58 euros. Equity per share was 2.02 euros as of 31.12.2023, also 1.74 as of 31.12.2022.

As of 31 December 2023, market capitalization of shares amounted to 17,712 thousand euros and P/B (price to book value) ratio was 0.84 (31 December 2022: 18,616 thousand euros and 1.03, respectively). P/E (price to earnings) ratio of the share was 4.99 on 31 December 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 12 months 2023 and during the last three years.

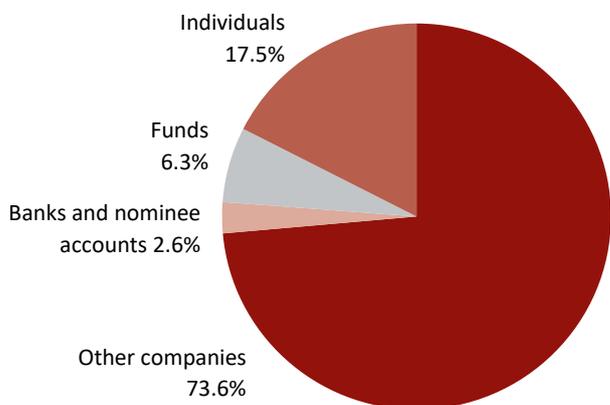


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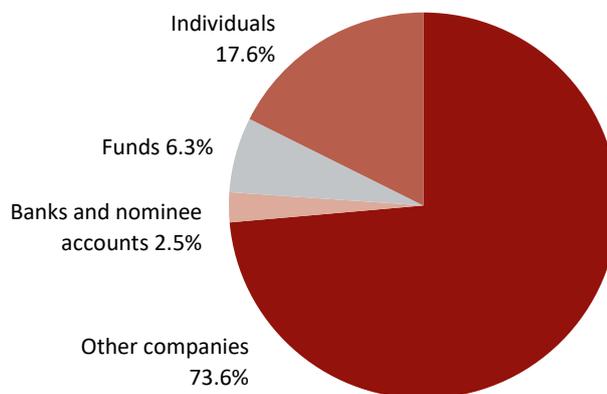
Shareholder structure

As of 31 December 2023, Arco Vara had 8,316 shareholders (on 31 December 2022 8,692), including 7,596 individuals as shareholders (on 31 December 2022: 7,916 individuals) who jointly owned 17.5% (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 31 December 2023



Ownership structure as of 31 December 2022



Major shareholders on 31 December 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	221,000	2.1%
Marko Teimann	192,119	1.8%
FIREBIRD AVRORA FUND, LTD.	180,343	1.7%
K VARA OÜ	153,119	1.5%
FIREBIRD FUND L.P.	133,948	1.3%
Sander Karu	110,875	1.1%
Citibank (London) / OP Custody Ltd	56,952	0.5%
Other shareholders	2,333,918	22.6%
Total	10,388,367	100.0%

Holdings of management and supervisory board members on 31 December 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	233,869	2.3%
Allar Niinepuu (OÜ Kavass)	Member of supervisory board	23,700	0.2%
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	207,173	2.0%
Steven Yaroslav Gorelik ¹	Member of supervisory	0	-
Miko-Ove Niinemäe	Member of management board	19,000	0.2%
Total		7,191,532	69.3%

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) 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 fourth quarter and 12 months ended on 31 December 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 15 February 2024

Condensed Consolidated Interim Financial Statements



Consolidated Statement of Comprehensive Income

	Note	12 months 2023	12 months 2022	Q4 2023	Q4 2022
<i>In thousands of euros</i>					
Revenue from sale of own real estate		17,581	12,426	17,567	89
Revenue from rendering of services		758	1,068	120	238
Total revenue	2,3	18,339	13,494	17,687	327
Cost of sales	4	-12,212	-10,913	-12,003	-248
Gross profit		6,127	2,581	5,684	79
Other income		107	67	11	-142
Marketing and distribution expenses	5	-387	-249	-119	-96
Administrative expenses	6	-1,387	-1,118	-463	-354
Other expenses		-20	-14	-9	-5
Devaluation of inventory	10	-528	0	-528	0
Gain/loss from investment property		28	-205	18	-205
Operating profit/ loss		3,940	1,062	4,594	-723
Finance income and cost	7	-390	-367	-116	-88
Profit/loss before tax		3,550	695	4,478	-811
Net profit/ loss for the period		3,550	695	4,478	-811
Total comprehensive income/loss for the period		3,550	695	4,478	-811
Earnings per share (in euros)	8				
- basic		0.34	0.07	0.43	-0.08
- diluted		0.34	0.07	0.43	-0.08

Consolidated Statement of Financial Position

	Note	31 December 2023	31 December 2022
<i>In thousands of euros</i>			
Cash and cash equivalents		1,472	3,427
Receivables and prepayments	9	5,798	4,387
Inventories	10	27,637	22,511
Investment property for sale	11	0	9,050
Total current assets		34,907	39,375
Receivables and prepayments	9	18	18
Investment property	11	20	82
Property, plant and equipment	2	221	284
Intangible assets	2	24	46
Total non-current assets		265	430
TOTAL ASSETS		35,190	39,805
Loans and borrowings	12	3,391	5,255
Payables and deferred income	13	4,013	3,681
Warranty reserv		80	0
Total current liabilities		7,484	8,936
Loans and borrowings	12	6,689	12,834
Total non-current liabilities		6,689	12,834
TOTAL LIABILITIES		14,173	21,770
Share capital		7,272	7,272
Share premium		3,835	3,835
Statutory capital reserve		2,011	2,011
Other reservs	8	56	0
Retained earnings		7,843	4,917
Total equity attributable to owners of the parent		21,017	18,035
TOTAL EQUITY		21,017	18,035
TOTAL LIABILITIES AND EQUITY		35,190	39,805

Consolidated Statement of Cash Flows

Note	12 months 2023	12 months 2022	Q4 2023	Q4 2022
In thousands of euros				
Cash receipts from customers	9,662	10,385	6,983	1,221
Cash paid to suppliers	-21,316	-16,229	-4,041	-6,639
Taxes paid and recovered (net)	733	-1,179	-1,225	333
Cash paid to employees	-820	-515	-285	-179
Other cash payments and receipts related to operating activities (net)	69	-242	-3	0
NET CASH FROM/USED IN OPERATING ACTIVITIES	-11,672	-7,780	1,429	-5,264
Payments made on purchase of tangible and intangible assets	-3	-27	-2	0
Proceeds from sale of property, plant and equipment	0	2	0	0
Payments made on purchase and development of investment property	8,894	670	0	0
NET CASH FROM/USED IN INVESTING ACTIVITIES	8,891	645	-2	0
Proceeds from loans received	12	14,095	4,568	7,930
Settlement of loans and borrowings	12	-11,026	-4,888	-472
Interest paid	-1,326	-746	-343	-196
Dividends paid	-624	-624	-208	-208
Proceeds from share capital increase	-4	0	0	0
NET CASH FROM/USED IN FINANCING ACTIVITIES	1,115	8,699	-871	7,054
NET CASH FLOW	-1,666	1,564	556	1,790
Cash and cash equivalents at the beginning of period	3,427	1,863	916	1,637
Change in cash and cash equivalents	-1,666	1,564	556	1,790
Decrease in cash and cash equivalents through sale of subsidiaries	-289	0	0	0
Cash and cash equivalents at the end of period	1,472	3,427	1,472	3,427

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Statutory capital reserve	Muud reservid	Retained earnings	Total equity
<i>In thousands of euros</i>						
Balance as of 31 December 2021	7,272	3,835	2,011	0	4,844	17,962
Dividends paid	0	0	0	0	-622	-622
Total comprehensive income for the period	0	0	0	0	695	695
Balance as of 31 December 2022	7,272	3,835	2,011	0	4,917	18,035
Balance as of 31 December 2022	7,272	3,835	2,011	0	4,917	18,035
Dividends paid	0	0	0	0	-624	-624
Other reserves	0	0	0	56	0	56
Total comprehensive income for the period	0	0	0	0	3,550	3,550
Balance as of 31 December 2023	7,272	3,835	2,011	56	7,843	21,017

Notes to the Condensed Interim Financial Statements

1. Significant accounting policies

The unaudited condensed consolidated interim financial statements of Arco Vara AS for the fourth quarter and 12 months ended on 31 December 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	
	12m 2023	12m 2022	12m 2023	12m 2022	12m 2023	12m 2022	12m 2023	12m 2022	12m 2023	12m 2022	12m 2023	12m 2022
<i>In thousands of euros</i>												
External revenue	0	0	17,612	12,404	6	2	721	1,088	-	-	18,339	13,494
Revenue from other segments	284	235	2	0	11,968	8,362	1,053	678	-13,307	-9,275	0	0
Total revenue	284	235	17,614	12,404	11,974	8,364	1,774	1,766	-13,307	-9,275	18,339	13,494

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Eliminations		Consolidated	
	Q4 2023	Q4 2022	Q4 2023	Q4 2022	Q4 2023	Q4 2022	Q4 2023	Q4 2022	Q4 2023	Q4 2022	Q4 2023	Q4 2022
<i>In thousands of euros</i>												
External revenue	0	0	17,598	94	2	2	87	231	-	-	17,687	327
Revenue from other segments	121	72	0	0	1,621	4,156	496	177	-2,238	-4,405	0	0
Total revenue	121	72	17,598	94	1,623	4,158	583	408	-2,238	-4,405	17,687	327

External revenue and profit by segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Consolidated	
	12m 2023	12m 2022	12m 2023	12m 2022	12m 2023	12m 2022	12m 2023	12m 2022	12m 2023	12m 2022
<i>In thousands of euros</i>										
Revenue	0	0	17,612	12,404	6	2	721	1,088	18,339	13,494
Operating profit/ loss	-1,003	-256	5,337	1,781	-246	-132	-148	-331	3,940	1,062
Net profit/ loss	-1,010	-257	5,287	1,781	-243	-132	-484	-697	3,550	695

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Consolidated	
	Q4 2023	Q4 2022	Q4 2023	Q4 2022	Q4 2023	Q4 2022	Q4 2023	Q4 2022	Q4 2023	Q4 2022
<i>In thousands of euros</i>										
Revenue	0	0	17,598	94	2	2	87	231	17,687	327
Operating profit/ loss	-687	-81	5,570	-80	-77	-60	-212	-502	4,594	-723
Net profit/ loss	-688	-81	5,519	-80	-76	-60	-277	-590	4,478	-811

External assets and liabilities by segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Consolidated	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
<i>In thousands of euros</i>										
Assets	6,503	4,490	27,298	22,529	62	745	1,327	12,041	35,190	39,805
Including PPE and intangible assets	27	33	0	0	4	6	214	291	245	330
Liabilities	662	47	8,477	12,099	1,299	1,203	3,735	8,421	14,173	21,770

3. Revenue

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

Segment	Estonia		Bulgaria		Latvia		Consolidated	
	12 months 2023	12 months 2022						
<i>In thousands of euros</i>								
Sale of own real estate	17,488	12,395	0	0	93	31	17,581	12,426
Rental of real estate	1	6	336	682	0	0	337	688
Property management services	0	2	35	74	0	0	35	76
Franchise	174	190	48	63	30	39	252	292
Other revenue	128	3	6	9	0	0	134	12
Total revenue	17,791	12,596	425	828	123	70	18,339	13,494

Segment	Estonia		Bulgaria		Latvia		Consolidated	
	Q4 2023	Q4 2022	Q4 2023	Q4 2022	Q4 2023	Q4 2022	Q4 2023	Q4 2022
<i>In thousands of euros</i>								
Sale of own real estate	17,474	89	0	0	93	0	17,567	89
Rental of real estate	0	2	0	146	0	0	0	148
Property management services	0	2	0	15	0	0	0	17
Franchise	43	42	16	18	7	8	66	68
Other revenue	54	3	0	2	0	0	54	5
Total revenue	17,571	138	16	181	100	8	17,687	327

4. Cost of sales

	12 months 2023	12 months 2022	Q4 2023	Q4 2022
<i>In thousands of euros</i>				
Cost of real estate sold (note 10)	-11,880	-10,474	-11,871	-89
Brokerage fees	-57	-46	-46	-2
Property management costs	-200	-312	-58	-139
Personnel expenses	-7	-12	0	-3
Depreciation, amortization and impairment losses	-13	-34	-2	-10
Other costs	-55	-35	-26	-5
Total cost of sales	-12,212	-10,913	-12,003	-248

5. Marketing and distribution expenses

	12 months 2023	12 months 2022	Q4 2023	Q4 2022
<i>In thousands of euros</i>				
Advertising expenses	-174	-79	-56	-38
Personnel expenses	-73	-39	-21	-9
Market research	-9	-3	-5	-2
Other marketing and distribution expenses	-131	-128	-37	-47
Total marketing and distribution expenses	-387	-249	-119	-96

6. Administrative expenses

	12 months 2023	12 months 2022	Q4 2023	Q4 2022
<i>In thousands of euros</i>				
Personnel expenses	-937	-626	-347	-187
Office expenses	-85	-38	-25	-23
IT expenses	-44	-92	-12	-10
Services purchased	-145	-210	-40	-66
Depreciation, amortization and impairment losses	-83	-74	-23	-22
Legal service fees	-28	-38	-10	-17
Other expenses	-65	-40	-6	-29
Total administrative expenses	-1,387	-1,118	-463	-354

7. Financial expenses

	12 months 2023	12 months 2022	Q4 2023	Q4 2022
<i>In thousands of euros</i>				
Interest expenses	-391	-367	-118	-88
Other financial costs	1	0	2	0
Total financial costs	-390	-367	-116	-88

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.

	12 months 2023	12 months 2022	Q4 2023	Q4 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)	60,350	63,000	60,350	63,000
Net profit/ loss (in thousands of euros)	3,550	695	4,478	-811
Earnings per share (in euros)	0.34	0.07	0.43	-0.08
Diluted earnings per share (in euros)	0.34	0.07	0.43	-0.08

Based on the decision of the general meeting of Arco Vara AS on 17.05.2022, a total of up to 63,000 shares will be issued to three senior employees over three years, if the average ROE from the third quarter of 2022 to the second quarter of 2025 is greater than 12%.

By the decision of the general meeting on 17.05.2023, the company's operations manager owns 8,750 shares per year, if the total average ROE from the first quarter of 2023 to the fourth quarter of 2025 is greater than 12%.

As of 31.12.2023, the ROE assumption cannot be fulfilled, therefore no reserve has been formed for conditional option programs. If the ROE requirement is still met, as of 31 December 2023, 29,750 shares have been earned on the basis of the option program.

Based on the CEO's bonus program, which came into force in 2023, he is entitled to 15,000 shares per year based on length of service. The option program also provides for additional shares depending on the total profit for 2023-2025, which is estimated to be 15,600 shares for 2023. The accounting reserve has been prepared on the basis of the grant date 17.05.2023 share price, which is why a reserve of 56 thousand euros has been formed in equity for the options.

9. Receivables and prepayments

Short-term receivables and prepayments

	31 December 2023	31 December 2022
<i>In thousands of euros</i>		
Receivables from customers	301	122
Miscellaneous receivables	6	12
Prepaid and recoverable taxes	274	594
Other accrued income	4	25
Prepayments	5,213	3,634
Total short-term receivables and prepayments	5,798	4,387

Long-term receivables and prepayments

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

10. Inventories

	31 December 2023	31 December 2022
<i>In thousands of euros</i>		
Properties purchased and being developed for resale	27,637	22,474
Materials and finished goods	0	37
Total inventories	27,637	22,511

Properties purchased and being developed for resale

	2023	2022
<i>In thousands of euros</i>		
Balance at the beginning of period, 1 January	22,474	15,754
Properties purchased for development	0	5,288
Construction costs of apartment buildings	15,727	10,109
Capitalized borrowing costs	924	381
Inventory write-down	-528	0
Other capitalized costs	890	1,475
Reclassification to/from investment property (note 11)	0	-59
Cost of sold properties (note 4)	-11,850	-10,474
Balance at the end of period, 30 September	27,637	22,474

11. Investment property

	2023	2022
<i>In thousands of euros</i>		
Balance at the beginning of period, 1 January	82	9,943
Net gain on changes in fair value	18	-350
Capitalized development costs	0	5
Reclassification to/from inventories (note 10)	0	59
Reclassification to investment property for sale	0	-9,050
Sale of investment property (note 4)	-80	-525
Balance at the end of period, 31 December	20	82

In 2023, the commercial building Madrid Blvd in Bulgaria was sold. It was recognised as an investment property for sale in the balance sheet on 31.12.2022 in the amount of 9,050 thousand euros.

12. Interest bearing liabilities

	As of 31 December, 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	6,624	61	6,563	15,567	5,037	10,530
Bonds	2,120	2,120	0	2,120	0	2,120
Capital lease	184	58	126	242	58	184
Other loans	1,152	1,152	0	160	160	0
Total	10,080	3,391	6,689	18,089	5,255	12,834

In 12 months 2023, the group settled loans in the amount of 11,026 thousand euros (in 12 months 2022: 2,107 thousand euros) through cash transactions and raised new loans in the amount of 14,095 thousand euros (in 12 months 2022: 12,176 thousand euros).

From the returned loan, the buyers paid 11,093 thousand euros directly to the bank in 2023 and 6,383 thousand euros in 2022. Also, 478,000 worth of small loans were settled with receivables for the sale of apartments from a private investors. These amounts are not reflected in the group cash flow statement.

In 12 months 2023, the following major loan obligations were settled:

- 5,036 thousand euros of Madrid Blvd project's bank loan principal;
- 15,884 thousand euros of bank loan for financing construction of apartment building in Kodulahe Rannakalda, out of which 11,093 thousand directly by customers;
- 59 thousand euros of bank loan for financing land of Kodulahe project Stage VIII;
- 1,000 thousand euros short term credit from related company;
- 558 thousand euros loan from private investor, out of which 478 thousand settled with receivables;
- 60 thousand euros of capitalized office rent.

In 12 months 2023, the group raised the following new liabilities:

- 11,545 thousand euros of bank loan for financing construction of apartment buildings in Kodulahe Rannakalda;
- 1,550 thousand euros loan from private investors;
- 1,000 thousand euros short term credit from related company.

In 12 months 2022, the following major loan obligations were settled:

- 290 thousand euros of Madrid Blvd project's bank loan principal;
- 7,800 thousand euros of bank loan for financing construction of apartment building in Kodulahe project Stages IV&V, out of which 6,383 thousand directly by customers;
- 400 thousand euros of Arco Vara bonds.

In 12 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;
- 7,030 thousand euros of bank loan for financing construction of apartment buildings in Kodulahe Rannakalda;
- 3,500 thousand euros of bank loan for financing land in Kodulahe project Stage VIII;
- 139 thousand euros of capitalized office rent;
- 900 thousand euros of Arco Vara bonds.

13. Payables and deferred income

Short-term payables and deferred income

	31 December 2023	31 December 2022
<i>In thousands of euros</i>		
Trade payables	740	1,162
Miscellaneous payables	0	11
Taxes payable		
Value added tax	1,270	53
Social security tax	46	25
Personal income tax	33	17
Other taxes	2	3
Total taxes payable	1,351	98
Accrued expenses		
Payables to employees	1,048	102
Interest payable	0	9
Dividend payable	104	104
Other accrued expenses	215	261
Total accrued expenses	1,367	476
Deferred income		
Prepayments received on sale of real estate	555	1,824
Guarantee deposits	0	75
Prepaid revenue	0	35
Total deferred income	555	1,934
Total short-term payables and deferred income	4,013	3,681

On 31.12.2023, the VAT debt is higher than usual, because the turnover of the final sales of Rannakalda apartments in December 2023 was 6,292 thousand euros.

On 31.12.2023, payable to employees include the constructors' bonus reserve of 800 thousand euros.

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

	12 months 2023	12 months 2022
<i>In thousands of euros</i>		
Other related parties		
Sold apartments	1,919	0
Services purchased	36	86
Paid interest	16	0

Balances with related parties

	31 December 2023	31 December 2022
<i>In thousands of euros</i>		
Other related parties		
Prepayments	0	277

Members of the supervisory board bought apartments in the Kodulahe Quarter, therefore, prepayments made by them were 277 thousand euros on 31 December 2022.

In 12 months 2023, the remuneration provided to the CEO / member of the management board, including social security charges, amounted to 281 thousand euros, out of which 164 thousand euros in Q4 (in 12 months and Q4 2022: 160 thousand euros and 40 thousand euros).

The remuneration provided to the members of the supervisory board of the group's parent company during the first 12 months in 2023 was 14 thousand euros, out of which 3 thousand in Q4 2023 (in 12 months and Q4 2022: 24 thousand euros and 10 thousand euros).

The remuneration provided to the CEO / member of the management board is based on his contract of service. A fixed monthly fee of 9000 (net) 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 4 months' salary is provided for the CEO.

The CEO's bonus system consists of three parts:

1. seniority bonus 15,000 euros (net) and 15,000 shares per year;
2. if 2023-2025 annual profit in total exceeds 4 million euros, an additional profit-dependent bonus of 10,000 to 60,000 euros (net) and 10,000 to 60,000 shares,
3. additional 100,000 shares if, as of 31.12.2025, the balance sheet exceeds 100 million euros and the equity exceeds 35 million euros, and 2023-2025. annual profit 10 million euros.

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 fourth quarter and 12 months ended on 31 December 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 15 February 2024