



Arco Vara AS

Interim report for the IV quarter and
twelve months of 2022
(unaudited)

 ARCO VARA

INTERIM REPORT FOR THE FOURTH QUARTER AND TWELVE MONTHS OF 2022
(UNAUDITED)

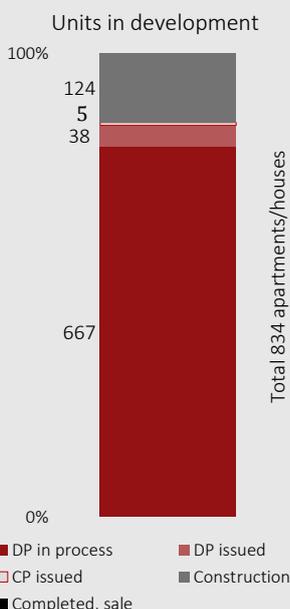
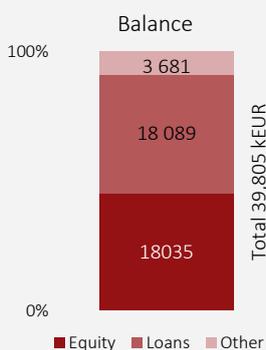
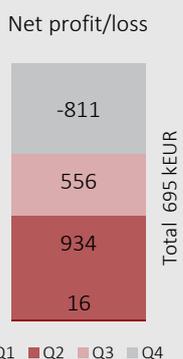
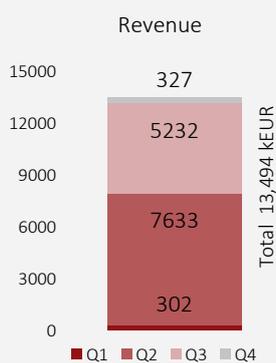
Company name	Arco Vara AS
Registry number	10261718
Address	Rotermanni tn 10, 10111 Tallinn, Republic of Estonia
Telephone	+372 614 4630
E-mail	info@arcovara.com
Corporate website	www.arcovara.com
Financial year	1 January 2022 – 31 December 2022
Reporting period	1 January 2022 – 31 December 2022
Supervisory board	Tarmo Sild, Steven Yaroslav Gorelik, Kert Kesipaik, Hillar-Peeter Luitsalu, Allar Niinepuu
Chief executive	Miko-Ove Niinemäe
Auditor	PricewaterhouseCoopers AS

Directors' Report for Q4 and 12 months 2022 4

Group CEO's Review	4
Arco Vara's Active Projects 31.12.2022.....	7
General Information	9
Activities of the group	9
Group structure.....	9
Key Performance Indicators	10
People.....	13
Description of Main Risks.....	14
Shares and shareholders	15
CEO's Confirmation on Directors' Report.....	17

Condensed Consolidated Interim Financial Statements 18

Consolidated Statement of Comprehensive Income	18
Consolidated Statement of Financial Position	19
Consolidated Statement of Cash Flows	20
Consolidated Statement of Changes in Equity	21
Notes to the Condensed Interim Financial Statements	22
1. Significant accounting policies.....	22
2. Segment information	22
3. Revenue	25
4. Cost of sales	25
5. Marketing and distribution expenses	26
6. Administrative expenses	26
7. Financial income and expenses	26
8. Earnings per share.....	27
9. Receivables and prepayments.....	27
10. Inventories.....	28
11. Investment property.....	28
12. Interest bearing liabilities	29
13. Payables and deferred income.....	29
14. Related party disclosure	31
Statement by the CEO/ Member of the Management Board	32



Looking back on the real estate market of the previous quarter, the only word to describe it is “expectant”. Buyers seem to expect for sales prices of real estate to drop and sellers for the increase of interest rates to settle down. Therefore, people are actually expecting an adjustment to the new reality.

Arco Tarc is continuing construction in Kodulahe Kvartal as planned. We have prepared for a sales period in the second half of 2023 where we foresee an increased demand for apartments with optimal utility costs and stabilizing interest rates. This is supported by an overall drop in construction activities in 2022 and 2023. At the same time, the composition of the Arco Vara land bank and projects in development are clearly advantageous to a further increase of operating volumes.

Construction has begun in the Bulgarian residential development Botanica Lozen Residences, currently undergoing foundation and digging works. A booking contract has been concluded on one building out of the 16 homes to be built in the first stage. It should be noted that Bulgaria is not tied to the increase of base interest rates of the European Central Bank and the local base interest rate has increased to 1.3%, maintaining the spark in the real estate sales market of the country.

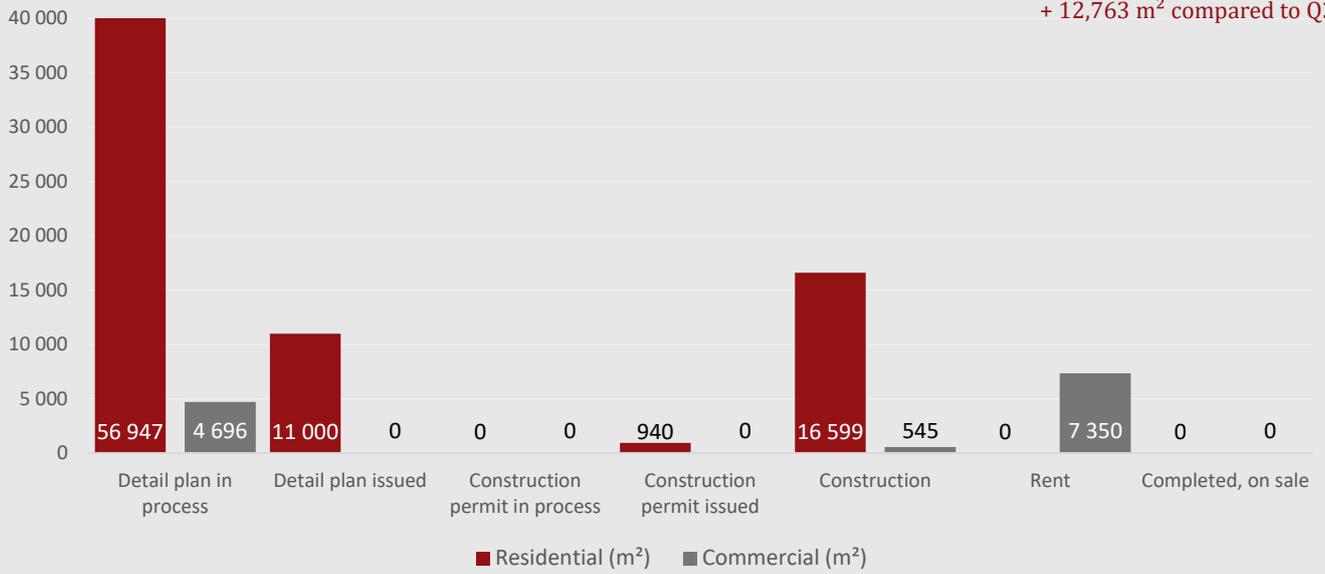
From the results of the previous quarter, a loss of nearly 800 thousand euros stands out, a significant part of which is related to the resolution of the board to sell the building at Madrid BLVD after 10 years of efforts to generate stable rental income. The decision is connected to Arco Vara’s expectation to generate 20% ROI per year, which the company has not managed by leasing commercial real estate. The released 4.1 million EUR will be redirected to development, i.e., the single loss of the sale of the building does not outweigh the capital being tied up any further.

When looking at financial indicators, the high level of liquidity and the low increase of loan interest can be considered a positive sign, facilitated by earlier loan contracts with a fixed interest rate which will keep the interest expenses of Arco Vara under control in future periods as well.

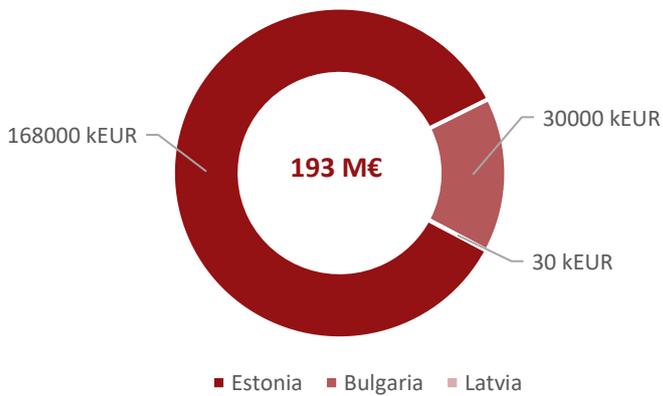
In summary, the objectives of the company have remained the same and we will continue to strengthen the foundation of the company to be able to sell at least 200 homes per year to customers. The primary goal for 2023 is to increase the number of units under development, but we must focus more on innovation in existing developments to create Arco Vara on the next level.

Development volumes (gross m²)

Total 98,077 m²
+ 12,763 m² compared to Q3 2022



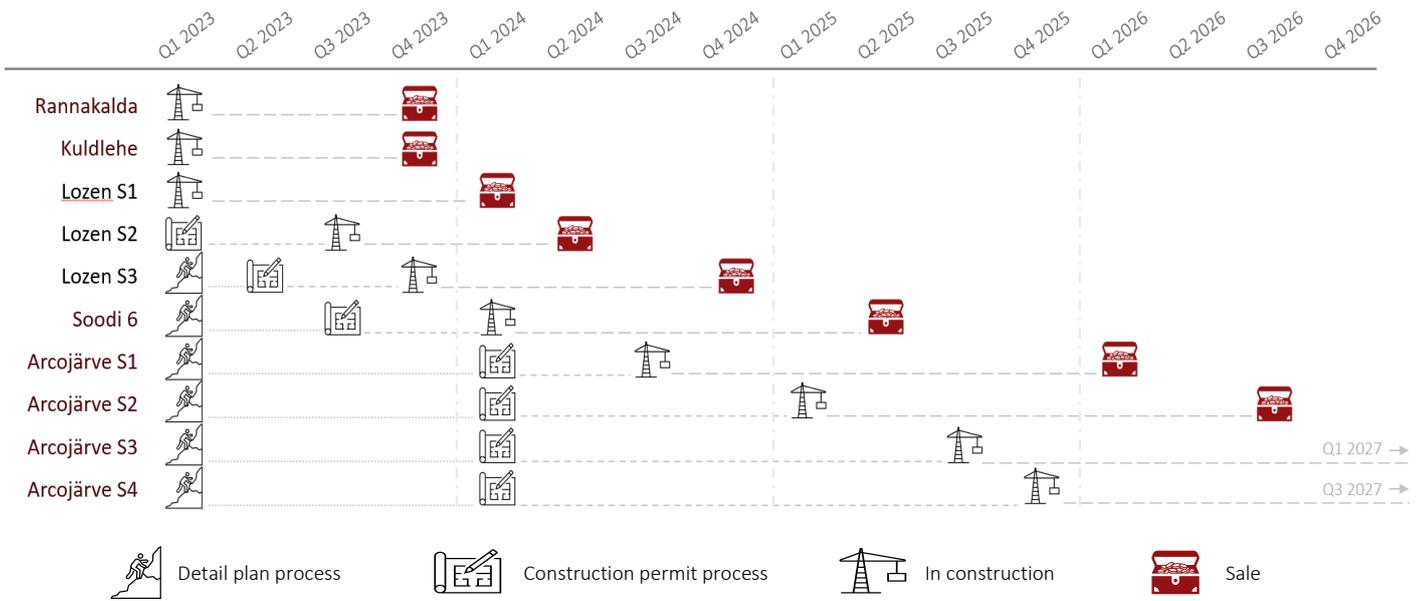
Potentials revenue of development projects upon completion as of 30.09.2022



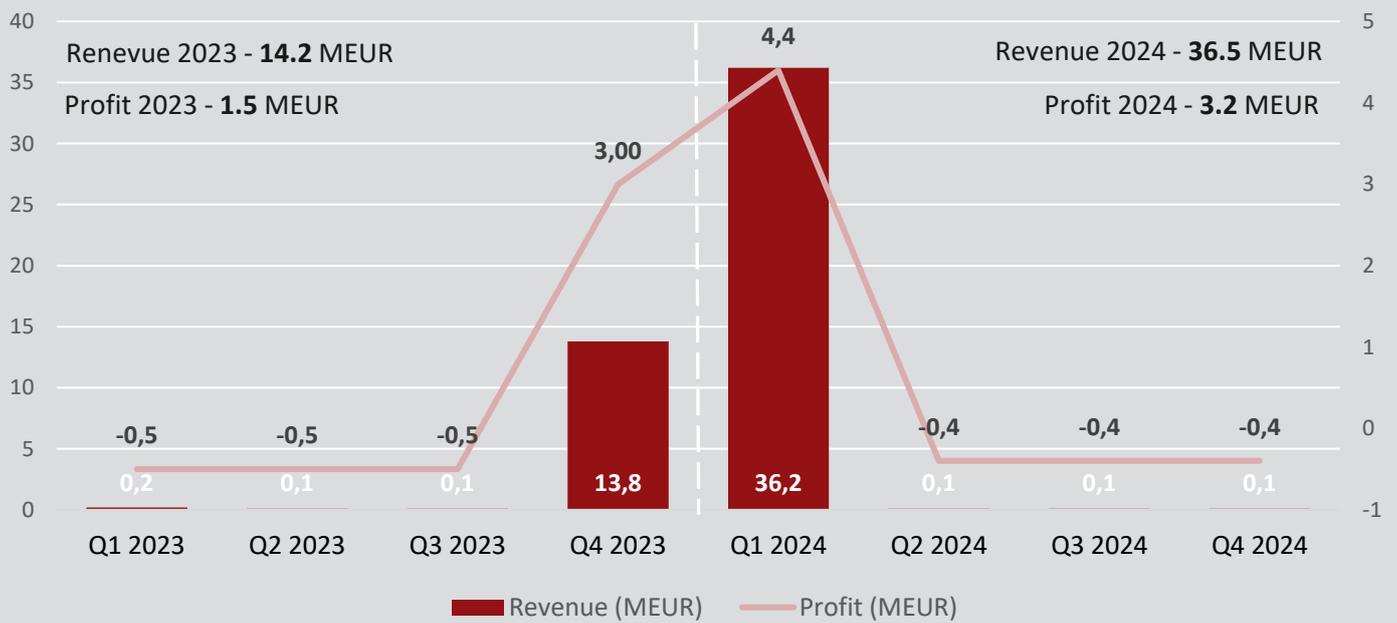
Potential revenue of development projects upon completion as of 31.12.2022

+54 M€





Arco Vara Group revenue and profit prognoses 2023-2024



Arco Vara's Active Projects as of 31.12.2022



Project name

Kodulahe Rannakalda

Address

Lammi 8, Tallinn

Product main type

Apartments, commercial spaces

Project stage

Construction

Area of plot m²

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 m²

47,450

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 m²

5,219

GSA/GLA (above ground) available

853

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 m²

5,444

GSA/GLA (above ground)

<5,070>

No of units (above ground)

<75>



Project name

S2 and S3 Botanica Lozen

Address

Lozen, near Sofia

Product main type

Houses

Project stage

Detail plan issued

Area of plot m²

47,450

GSA/GLA (above ground)

<10,515>

No of units (above ground)

<40>



Project name

Arcojärve

Address

Paldiski road 124b, Tallinn

Product main type

Apartments

Project stage

Building rights procedure

Area of plot m²

69,506

GSA/GLA (above ground)

<26,750>

No of units (above ground)

<435>

Arco Vara's Active Projects as of 31.12.2022



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)
<11,000>

No of units (above ground)
<170>

Project name
Marsili plots

Address
Marsili, near Riga

Product main type
Residential plots

Project stage
Marketing and sale

Area of plots m²
4,700

GSA/GLA (above ground) available
-

No of units (above ground) available
3

Project name
Madrid BLVD

Address
Madrid Blvd, Sofia

Product main type
Lease: Retail/Offices

Project stage
Facility management and/or lease

Area of plot m²
-

GSA/GLA (above ground)
7,350

No of units (above ground)
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.

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 31 December 2022, the group consisted of 18 companies, which is four more than of 31 December 2021.

Significant subsidiaries as of 31 December 2022

Company name	Location	Share capital (nominal value)	Equity balance on 31 December 2022	The group's interest
In thousands of euros				
Arco Invest EOOD	Bulgaria	31,762	3,026	100%
Botanica Lozen EOOD	Bulgaria	2,931	1,561	100%
Kodulahe Kvartal OÜ	Estonia	140	439	100%
Kodulahe OÜ	Estonia	3	5,410	100%
Kerberon OÜ	Estonia	5	2,006	100%
Kolde OÜ	Estonia	28	117	100%

3
countries

30
years of experience

2,700+
new homes

380,000+
developed m²

Arco Vara AS subsidiaries



Key Performance Indicators

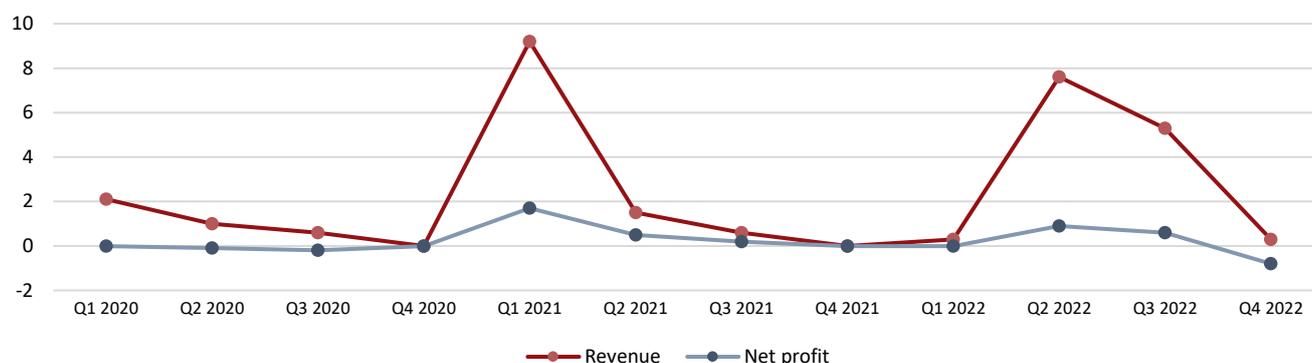
- In Q4 2022, the group's revenue was 327 thousand euros, which is 1% less than the revenue of 330 thousand euros in Q4 2021. In 12 months 2022, the group's revenue was 13,494 thousand euros, which is 16% more than the revenue of 11,613 thousand euros in 12 months 2021.
- In Q4 2022, the group's operating loss (=EBIT) was 723 thousand euros and net loss 811 thousand euros (in 12 months 2022: operating profit 1,062 thousand euros and net profit of 695 thousand euros). In Q4 2021, the group had operating loss of 155 thousand euros and net loss of 354 thousand euros. In 12 months 2021, the group made operating profit of 2,569 thousand euros and net profit of 2,071 thousand euros.
- In Q4 2022, 12 parking places were sold in projects developed by the group (in 12 months 2022: 72 apartments and a land plot in Latvia). In Q4 2021, also only garages were sold (in addition, 63 apartments and 2 commercial spaces in 12 months).
- In the 12 months of 2022, the group's debt burden (net loans) increased by 5,341 thousand euros up to the level of 14,662 thousand euros as of 31 December 2022. As of 31 December 2022, the weighted average annual interest rate of interest-bearing liabilities was 5.8%. This is an increase of 0.6 percentage points compared to 31 December 2021.

Main financial figures

	12 months 2022	12 months 2021	Q4 2022	Q4 2021
In thousands of euros				
Revenue	13,494	11,613	327	330
Operating profit/ loss (EBIT)	1,062	2,569	-723	-155
Finance expense	-367	-390	-88	-91
Income tax	0	-108	0	-108
Net profit/ loss	695	2,071	-811	-354
Cash flows used in operating activities	-7,780	-2,717	-5,264	-1,849
Cash flows from/used in investing activities	645	-8	0	-3
Cash flows from financing activities	8,699	2,388	7,054	2,357
Net cash flows	1,564	-337	1,790	505
Cash and cash equivalents at beginning of period	1,863	2,200	1,637	1,358
Cash and cash equivalents at end of period	3,427	1,863	3,427	1,863
Total assets at the end of period	39,805	31,514		
Invested capital at the end of period	36,124	29,146		
Net loans at the end of period	14,662	9,321		
Equity at the end of period	18,035	17,962		

Revenue and net profit/loss during last years

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Total 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Total 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Total 2022
In thousands of euros															
Revenue	2.1	1.0	0.6	10.3	14.0	9.2	1.5	0.6	0.3	11.6	0.3	7.6	5.3	0.3	13.5
Net profit/loss	0.0	-0.1	-0.2	1.3	1.0	1.7	0.5	0.2	-0.3	2.1	0.0	0.9	0.6	-0.8	0.7



Key Ratios

	12 months 2022	12 months 2021	Q4 2022	Q4 2021
Net profit ratio	5%	18%	-248%	107%
EPS (in euros)	0.07	0.22	-0.08	-0.03
Diluted EPS (in euros)	0.07	0.22	-0,08	-0.03
EBITDA per share (in euros) (rolling, four quarters)	0.11	0.28		
ROIC (rolling, four quarters)	2.3%	8.0%		
ROE (rolling, four quarters)	3.8%	12.9%		
ROA (rolling, four quarters)	2.1%	7.2%		
Equity ratio	45.3%	57.0%		
Current ratio	4.41	2.54		
Quick ratio	1.89	0.66		
Financial leverage	2.21	1.75		
Average loan term (in years)	2.6	2.0		
Average annual interest rate of loans)	5.8%	5.2%		
Number of staff, at period end	19	13		

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

The revenue of the group totalled 327 thousand euros in Q4 2022 (in Q4 2021: 330 thousand euros,) and 13,494 thousand euros in 12 months 2022 (in 12 months 2021: 11,613 thousand euros), including revenue from the sale of properties in the group's own development projects in the amount of 89 thousand euros in Q4 and 12,426 thousand euros in 12 months 2022 (2021: 37 thousand euros in Q4 and 10,478 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 161 thousand euros in Q4 2022 and 756 thousand euros in 12 months (2021: 202 thousand euros in Q4 and 810 thousand euros in 12 months). By the time of publishing the present report, 2 offices remain vacant, but all commercial spaces, together with parking places, were rented out. 9% of the office is in renovation.

In 2022, the construction company Arco Tarc OÜ was established, which laid the foundation for a new business segment. The construction service is offered intra-group with a fixed profit margin of 4%.

The construction of the IV-V stage buildings in Kodulahe ended in 2022. Two residential buildings with 36 apartments were completed at Pagi 3 and Pagi 5. The income from the sale of buildings is reflected in the 2022 report, there are no unsold apartments.

The construction and sale of the Stage VI of Kodulahe project called Rannakalda at Lammi 8 started in February 2022 by Arco Vara's own construction company Arco Tarc OÜ. The construction includes a pavilion, 4 commercial areas and 108 apartments (in three separate buildings), out of which many have sea view. One of the apartment buildings will be ready at the end of 2023, the other houses at the beginning of 2024. As at the date of publishing the annual report, 42 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 m² of residential and commercial real estate (GBA) is planned for development. The project is called Arcojärve. The expected development period is 6 years with the start of construction planned for 2024.

In the Pirita Kuldlehe project, it is planned to build an exclusive and high-quality cluster house with 5 homes in 2023. The construction of roads and communications has been completed. The house will be completed within a year. The sale of the project has started.

The Botanica Lozen project foresees construction of 54 homes (houses) in three stages. The construction and sale of the first 16 buildings has started. Minimum construction period for the whole project is 2 years.

As of 31 December 2022 and the date of this report, 3 Marsili residential plots remained unsold in Latvia.

Remuneration

As of 31 December 2022, 19 people worked for the group (13 as of 31 December 2021). Employee remuneration expenses in 12 months 2022 amounted to 677 thousand euros, out of which 199 thousand euros in Q4 2022 (2021 same periods: 699 thousand euros and 336 thousand euros).

The remuneration of the member of the management board / CEO of the group's parent company including social security charges amounted to 160 thousand euros in 12 months 2022, out of which 40 thousand euros in Q4 2022, (in 12 months and Q4 2021: 297 thousand euros and 190 thousand euros, respectively).

The members of the supervisory board of the group's parent company were remunerated by 24 thousand euros in 12 months 2022, out of which 10 thousand euros in Q4. The remuneration of the members of the supervisory board was 24 thousand euros in 10 months 2021, out of which 6 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.

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 2022, 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.

Liquidity and interest rate risks

The base currency of the group's all loan agreements is euro, and although as of the date of the report, most of the loan obligations have a fixed interest rate, 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. In Q4 2022, the group's interest-bearing liabilities amounted to 18,089 thousand euros on 31 December 2022, out of which 5,255 thousand euros is due within next 12 months. The group's interest-bearing liabilities have increased by 6,905 thousand euros in the 12 months of 2022. The group's cash and cash equivalents totaled 3,427 thousand euros as of 31 December 2022 (31 December 2021 1,863 thousand). In Q4 2022, interest payments on interest-bearing liabilities totaled 88 thousand euros (in Q4 2021: 91 thousand euros). The group's weighted average loan interest rate was 5.8% as of 31 December 2022. This is an increase by 0.6 percentage points compared to the end of year 2021. The reason for the increase in the average interest rate of loan obligations is taking on a new land loan with EURIBOR at the end of 2022.

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.

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 1.792 euros on 31 December 2022; the closing price was 2.66 euros on 31 December 2021. During the period, the highest traded price per share was 2.77 euros and the lowest price 1.65 euros. Equity per share was 1.74 euros as of 31.12.2022, 1.73 as of 31.12.2021.

As of 31 December 2022, market capitalization of shares amounted to 18,616 thousand euros and P/B (price to book value) ratio was 1.03 (31 December 2021: 27,633 thousand euros and 1.54, respectively). P/E (price to earnings) ratio of the share was 26.79 on 31 December 2022, 13.34 as on 31 December 2021.

The following charts reflect the movements in the price and daily turnover of Arco Vara's share in 12 months 2022 and during the last three years.

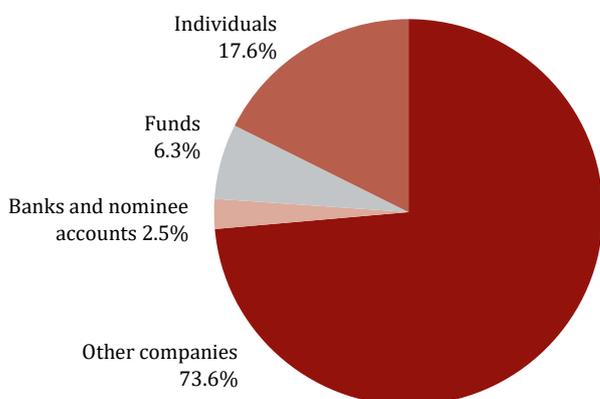


<https://nasdaqbaltic.com/statistics/en/instrument/EE3100034653/trading?date=2023-01-20>

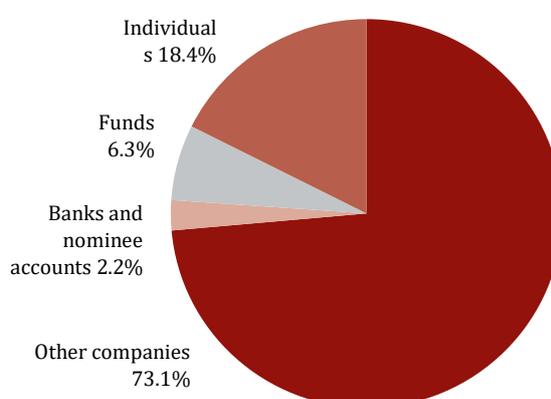
Shareholder structure

As of 31 December 2022, Arco Vara had 8,692 shareholders (on 31 December 2021 9,163), including 7,916 individuals as shareholders (on 31 December 2021: 8,286 individuals) who jointly owned 17.6% (on 31 December 2021: 18.4%) out of all Arco Vara shares. Complete shareholder structures are presented on the following diagrams.

Ownership structure as of 31 December 2022



Ownership structure as of 31 December 2021



Major shareholders on 31 December 2022

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%
Marko Teimann	188,174	1.8%
FIREBIRD AVRORA FUND, LTD.	180,343	1.7%
Aia Tänav OÜ	160,960	1.5%
K VARA OÜ	150,901	1.5%
FIREBIRD FUND L.P.	133,948	1.3%
Rafiko OÜ	70,606	0.7%
SANDER KARU	68,609	0.7%
Other shareholders	2,428,733	23.4%
Total	10,388,367	100.0%

Holdings of management and supervisory board members on 31 December 2022

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	169,829	1.6%
Allar Niinepuu (OÜ Kavass)	Member of supervisory board	10,000	0.1%
Hillar-Peeter Luutsalu (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	204,958	2.0%
Steven Yaroslav Gorelik ¹	Member of supervisory	0	-
Miko-Ove Niinemäe	Member of management board	15,000	0.1%
Total		7,107,577	68.4%

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 2022 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 16 February 2023

Consolidated Statement of Comprehensive Income

	Note	12 months 2022	12 months 2021	Q4 2022	Q4 2021
<i>In thousands of euros</i>					
Revenue from sale of own real estate		12,426	10,478	89	37
Revenue from rendering of services		1,068	1,135	238	293
Total revenue	2,3	13,494	11,613	327	330
Cost of sales	4	-10,913	-8,578	-248	-123
Gross profit		2,581	3,035	79	207
Other income		212	258	3	-14
Marketing and distribution expenses	5	-249	-200	-96	-91
Administrative expenses	6	-1,118	-1,106	-354	-475
Other expenses		-14	-76	-5	-18
Gain on revaluation of investment property	11	-350	658	-350	236
Operating profit/ loss		1,062	2,569	-723	-155
Finance income and cost	7	-367	-390	-88	-91
Profit/loss before tax		695	2,179	-811	-246
Income tax		0	-108	0	-108
Net profit/ loss for the period		695	-2,071	-811	-354
Total comprehensive income/loss for the period		695	2,071	-811	-354
Earnings per share (in euros)	8				
- basic		0.07	0.22	-0.08	-0.03
- diluted		0.07	0.22	-0.08	-0.03

Consolidated Statement of Financial Position

	Note	31 December 2022	31 December 2021
<i>In thousands of euros</i>			
Cash and cash equivalents		3,427	1,863
Receivables and prepayments	9	4,387	3,701
Inventories	10	22,511	15,761
Investment property for sale	11	9,050	0
Total current assets		39,375	21,325
Receivables and prepayments	9	18	5
Investment property	11	82	9,943
Property, plant and equipment	2	284	154
Intangible assets	2	46	87
Total non-current assets		430	10,189
TOTAL ASSETS		39,805	31,514
Loans and borrowings	12	5,255	6,043
Payables and deferred income	13	3,681	2,368
Total current liabilities		8,936	8,411
Loans and borrowings	12	12,834	5,141
Total non-current liabilities		12,834	5,141
TOTAL LIABILITIES		21,770	13,552
Share capital	8	7,272	7,272
Share premium		3,835	3,835
Statutory capital reserve		2,011	2,011
Retained earnings		4,917	4,844
Total equity attributable to owners of the parent		18,035	17,962
TOTAL EQUITY		18,035	17,962
TOTAL LIABILITIES AND EQUITY		39,805	31,514

Consolidated Statement of Cash Flows

Note	12 months 2022	12 months 2021	Q4 2022	Q4 2021
In thousands of euros				
Cash receipts from customers	10,385	15,894	1,221	968
Cash paid to suppliers	-16,229	-15,516	-6,639	-2,810
Taxes paid and recovered (net)	-1,179	-2,898	333	208
Cash paid to employees	-515	-426	-179	-201
Other cash payments and receipts related to operating activities (net)	-242	229	0	-14
NET CASH FROM/USED IN OPERATING ACTIVITIES	-7,780	-2,717	-5,264	-1,849
Payments made on purchase of tangible and intangible assets	-27	-9	0	-3
Proceeds from sale of property, plant and equipment	2	0	0	0
Payments made on purchase and development of investment property	670	1	0	0
NET CASH FROM/USED IN INVESTING ACTIVITIES	645	-8	0	-3
Proceeds from loans received	12	12,176	3,944	7,930
Settlement of loans and borrowings	12	-2,107	-2,741	-472
Interest paid		-746	-585	-196
Dividends paid		-624	-480	-208
Proceeds from share capital increase		0	2,250	0
NET CASH FROM/USED IN FINANCING ACTIVITIES		8,699	2,388	7,054
NET CASH FLOW		1,564	-337	1,790
Cash and cash equivalents at the beginning of period		1,863	2,200	1,637
Change in cash and cash equivalents		1,564	-337	1,790
Cash and cash equivalents at the end of period		3,427	1,863	3,427

Consolidated Statement of Changes in Equity

	Share capital	Unregistered share capital	Share premium	Statutory capital reserve	Retained earnings	Total equity
<i>In thousands of euros</i>						
Balance as of 31 December 2020	6,299	273	2,285	2,011	3,356	14,224
Increase of share capital	973	-273	1,550	0	0	2,250
Dividends paid	0	0	0	0	-583	-583
Total comprehensive income for the period	0	0	0	0	2,071	2,071
Balance as of 31 December 2021	6,572	0	3,835	2,011	4,844	17,962
Balance as of 31 December 2021	7,272	0	3,835	2,011	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	0	3,835	2,011	4,917	18,035

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 2022 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 2021, 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

The group analyzes operations in the construction and development segment. Also, geographical

segments are identified: Estonia, Bulgaria, Latvia, active segments are Estonia and Bulgaria.

External revenue by operating segment and by location of seller

Segment	Development		Construction		Parent company		Consolidated	
	12 months 2022	12 months 2021						
<i>In thousands of euros</i>								
Estonia	12,404	5,940	2	-	291	262	12,697	6,202
Bulgaria	766	5,411	-	-	-	-	766	5,411
Latvia	31	0	-	-	-	-	31	0
Total revenue	13,201	11,351	2	0	291	262	13,494	11,613

Segment	Development		Construction		Parent company		Consolidated	
	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021
<i>In thousands of euros</i>								
Estonia	94	373	2	-	67	72	163	445
Bulgaria	164	-115	-	-	-	-	164	-115
Total revenue	258	258	2	0	67	72	327	330

Revenue by operating segment

Segment	Development		Construction		Parent company		Eliminations		Consolidated	
	12 months 2022	12 months 2021								
<i>In thousands of euros</i>										
External revenue	13,201	11,351	2	-	291	262	0	0	13,494	11,613
Revenue from other segments	0	0	8,364	-	646	600	-9,010	-600	0	0
Total revenue	13,201	11,351	8,366	0	937	862	-9,010	-600	13,494	11,613

Segment	Development		Construction		Parent company		Eliminations		Consolidated	
	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021
<i>In thousands of euros</i>										
External revenue	258	258	2	-	67	72	0	0	327	330
Revenue from other segments	0	0	4,158	-	153	141	-4,311	-141	0	0
Total revenue	258	258	4,160	0	220	213	-4,311	-141	327	330

External operating profit/loss by operating segment and location

Segment	Development		Construction		Parent company		Consolidated	
	12 months 2022	12 months 2021						
<i>In thousands of euros</i>								
Estonia	1,078	261	-129	-	350	382	1,299	643
Bulgaria	-236	1,929	-	-	-	-	-236	1,929
Latvia	-1	-3	-	-	-	-	-1	-3
Total revenue	841	2,187	-129	0	350	382	1,062	2,569

Segment	Development		Construction		Parent company		Consolidated	
	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021
<i>In thousands of euros</i>								
Estonia	-782	-598	-57	-	556	449	-283	-149
Bulgaria	-439	-5	-	-	-	-	-439	-5
Latvia	-1	-1	-	-	-	-	-1	-1
Total revenue	-1,222	-604	-57	0	556	449	-723	-155

External assets and liabilities by operating segment and location



Segment	Development		Construction		Parent company		Consolidated	
	12 months 2022	12 months 2021						
<i>In thousands of euros</i>								
Estonia	22,529	15,900	745	-	2,182	1,710	25,456	17,610
Bulgaria	14,250	13,778	-	-	-	-	14,250	13,778
Latvia	99	126	-	-	-	-	99	126
Total assets	36,878	29,804	745	-	2,182	1,710	39,805	31,514

Segment	Development		Construction		Parent company		Consolidated	
	31 December 2022	31 December 2021						
<i>In thousands of euros</i>								
Estonia	12,100	5,415	1,203	-	2,794	2,550	16,097	7,965
Bulgaria	5,673	5,587	-	-	-	-	5,673	5,587
Total liabilities	17,773	11,002	1,203	-	2,794	2,550	21,770	13,552

Non-current assets by operating segment and location

Segment	Development		Construction		Parent company		Consolidated	
	31 December 2022	31 December 2021						
<i>In thousands of euros</i>								
Estonia	0	1	6	-	272	146	278	147
Bulgaria	6	7	-	-	-	-	6	7
Tangible assets	6	8	6	-	272	146	284	154
Estonia	0	0	0	-	14	48	14	48
Bulgaria	32	39	-	-	-	-	32	39
Intangible assets	32	39	0	-	14	48	46	87
Total non-current assets	38	47	6	-	286	194	330	241

3. Revenue

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

Segment	Estonia		Bulgaria		Latvia		Consolidated	
	12 months 2022	12 months 2021						
<i>In thousands of euros</i>								
Sale of own real estate	12,395	5,902	0	4,576	31	0	12,426	10,478
Rental of real estate	6	8	682	723	0	0	688	731
Property management services	2	0	74	88	0	0	76	88
Franchise	190	178	63	61	39	23	292	262
Other revenue	3	29	9	25	0	0	12	54
Total revenue	12,596	6,117	828	5,473	70	23	13,494	11,613

Segment	Estonia		Bulgaria		Latvia		Consolidated	
	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021	Q4 2022	Q4 2021
<i>In thousands of euros</i>								
Sale of own real estate	89	359	0	-322	0	0	89	37
Rental of real estate	2	2	146	181	0	0	148	183
Property management services	2	0	15	21	0	0	17	21
Franchise	42	45	18	21	8	6	68	72
Other revenue	3	12	2	5	0	0	5	17
Total revenue	138	418	181	-94	8	6	327	330

4. Cost of sales

	12 months 2022	12 months 2021	Q4 2022	Q4 2021
<i>In thousands of euros</i>				
Cost of real estate sold (note 10)	-10,474	-7,967	-89	-25
Brokerage fees	-46	-220	-2	0
Property management costs	-312	-249	-139	-68
Personnel expenses	-12	-4	-3	-4
Depreciation, amortization and impairment losses	-34	-39	-10	-9
Other costs	-35	-99	-5	-17
Total cost of sales	-10,913	-8,578	-248	-123

5. Marketing and distribution expenses

	12 months 2022	12 months 2021	Q4 2022	Q4 2021
<i>In thousands of euros</i>				
Advertising expenses	-79	-51	-38	-2
Personnel expenses	-39	-37	-9	-37
Market research	-3	-19	-2	-19
Other marketing and distribution expenses	-128	-93	-47	-33
Total marketing and distribution expenses	-249	-200	-96	-91

6. Administrative expenses

	12 months 2022	12 months 2021	Q4 2022	Q4 2021
<i>In thousands of euros</i>				
Personnel expenses	-626	-658	-187	-295
Office expenses	-38	-86	-23	-9
IT expenses	-92	-33	-10	-9
Services purchased	-210	-261	-66	-131
Depreciation, amortization and impairment losses	-74	-25	-22	-12
Legal service fees	-38	-23	-17	-11
Other expenses	-40	-20	-29	-8
Total administrative expenses	-1,118	-1,106	-354	-475

7. Financial expenses

	12 months 2022	12 months 2021	Q4 2022	Q4 2021
<i>In thousands of euros</i>				
Interest expenses	-366	-392	-87	-89
Other financial costs	-1	2	-1	-2
Total financial costs	-367	-390	-88	-91

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 2022	12 months 2021	Q4 2022	Q4 2021
Weighted average number of ordinary shares outstanding during the period	10,388,367	9,426,888	10,388,367	10,160,016
Number of ordinary shares potentially to be issued (at period end)	63,000	0	63,000	0
Net profit/ loss (in thousands of euros)	695	2,071	-811	-354
Earnings per share (in euros)	0.07	0.22	-0.08	-0.03
Diluted earnings per share (in euros)	0.07	0.22	-0.08	-0.03

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

	31 December 2022	31 December 2021
<i>In thousands of euros</i>		
Receivables from customers	122	90
Miscellaneous receivables	12	6
Prepaid and recoverable taxes	594	145
Other accrued income	25	24
Prepayments	3,634	3,436
Total short-term receivables and prepayments	4,387	3,701

Long-term receivables and prepayments

	31 December 2022	31 December 2021
<i>In thousands of euros</i>		
Deposits	18	5
Total long-term receivables and prepayments	18	5

10. Inventories

	31 December 2022	31 December 2021
<i>In thousands of euros</i>		
Properties purchased and being developed for resale	22,474	15,754
Materials and finished goods	37	7
Total inventories	22,511	15,761

Properties purchased and being developed for resale

	2022	2021
<i>In thousands of euros</i>		
Balance at the beginning of period, 1 January	15,754	14,943
Properties purchased for development	5,288	5,102
Construction costs of apartment buildings	10,109	5,737
Capitalized borrowing costs	381	148
Other capitalized costs	1,475	1,113
Cost of sold properties (note 4)	-10,474	-7,967
Reclassification to/from investment property (note 11)	-59	30
Reclassification to prepayments	0	-3,352
Balance at the end of period, 31 December	22,474	15,754

11. Investment property

	2022	2021
<i>In thousands of euros</i>		
Balance at the beginning of period, 1 January	9,943	9,564
Net gain on changes in fair value	-354	468
Capitalized development costs	9	51
Reclassification from/to inventory	59	-30
Sale of investment property	-525	-110
Balance at the end of period, 31 December	9,132	9,943

12. Interest bearing liabilities

	As of 31 December, 2022			As of 31 December, 2021		
	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	15,567	5,037	10,530	8,880	3,844	5,036
Bonds	2,120	0	2,120	1,780	1,780	0
Capital lease	242	58	184	133	28	105
Other loans	160	160	0	391	391	0
Total	18,089	5,255	12,834	11,184	6,043	5,141

In 12 months 2022, the group settled loans in the amount of 2,107 thousand euros (in 12 months 2021: 2,741 thousand euros) through cash transactions and raised new loans in the amount of 12,176 thousand euros (in 12 months 2021: 3,944 thousand euros). 6,383 thousand euros of the settled loans were paid by customers directly to the bank in 2022, 852 thousand euros in 2021; these are not shown in the group cash flow statement.

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 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 project Stage VI called Rannakalda;
- 139 thousand euros of capitalized office rent;
- Arco Vara bonds 900 thousand euros.

In 12 months 2021, the following major loan obligations were settled:

- 391 thousand euros of Madrid Blvd project's bank loan principal;
- 1,864 thousand euros of bank loan for financing construction of apartment building in Iztok Parkside project;
- 661 thousand euros of Kodukalda project bank loan principal, all directly by customers;
- 407 thousand euros of Kodulahe III project bank loan principal, out of which 191 thousand directly by customers;
- 270 thousand euros of other loans.

In 12 months 2021, the group raised the following new liabilities:

- 3,554 thousand euros of bank loan for financing construction of apartment buildings in Kodulahe project Stage IV and V;
- 140 thousand euros of capitalized office rent;
- 390 thousand euros of other loans.

13. Payables and deferred income

Short-term payables and deferred income

	31 December 2022	31 December 2021
<i>In thousands of euros</i>		
Trade payables	1,162	673
Miscellaneous payables	11	10
Taxes payable		
Value added tax	53	24
Social security tax	0	32
Personal income tax	25	9
Land tax	17	6
Other taxes	3	2
Total taxes payable	98	73
Accrued expenses		
Payables to employees	102	102
Interest payable	9	7
Dividend payable	104	104
Other accrued expenses	261	2
Total accrued expenses	476	215
Deferred income		
Prepayments received on sale of real estate	1,824	1,268
Guarantee deposits	75	91
Prepaid revenue	35	38
Total deferred income	1,934	1,397
Total short-term payables and deferred income	3,681	2,368

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 2022	12 months 2021
<i>In thousands of euros</i>		
Companies that have a significant interest in the group's parent company		
Services purchased	0	25
Other related parties		
Services purchased	86	42

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 2021 prepayments 148 thousand).

In 12 months 2022, the remuneration provided to the CEO / member of the management board, including social security charges, amounted to 160 thousand euros, out of which 40 thousand euros in Q4 (in 12 months and Q4 2021: 297 thousand euros and 190 thousand euros).

The remuneration provided to the members of the supervisory board of the group's parent company during the first 12 months in 2022 was 24 thousand euros, out of which 10 thousand in Q4 2022 (in 12 months and Q4 2021: 24 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

Balances with related parties

	31 December 2022	31 December 2021
<i>In thousands of euros</i>		
Other related parties		
Services sold	277	148

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).



Arco Vara AS

Interim report for the IV quarter and
twelve months of 2022
(unaudited)

 ARCO VARA

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 2022.

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.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

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

On 16 February 2023