



ARCO
VARA

INTERIM REPORT FOR THE SECOND QUARTER AND
SIX MONTHS OF 2024
(unaudited)

INTERIM REPORT FOR THE FIRST QUARTER AND SIX MONTHS OF 2024 (UNAUDITED)

Company name	Arco Vara AS
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Telephone	+372 614 4630
E-mail	info@arcovara.com
Corporate website	www.arcovara.com
Financial year	1 January 2024 – 31 December 2024
Reporting period	1 January 2024 – 30 June 2024
Supervisory board	Tarmo Sild, Steven Yaroslav Gorelik, Kert Keskaik, Hillar-Peeter Luitsalu, Allar Niinepuu
Chief executive	Miko-Ove Niinemäe
Auditor	KPMG Baltics OÜ

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Group CEO's Review

The decrease in activity of the real estate sector following the surge in Vitamin D has now become the norm, which is well illustrated by the Q2 results of Arco Vara. At that, the slight drop in base interest rates has not yet shown a significant impact.

Despite low activity, our team has managed to continue sales of the Kodulahe Rannakalda project and we also commenced preliminary sales in the next stage of Kodulahe. While three homes were sold at Rannakalda in the previous quarter, eight homes and two commercial premises had been sold in the future Soodi 6 development as at the publishing of this report. The construction of the next stage of Kodulahe should commence at the end of this year.

We have also reached the point of initiating the detailed plan of the final stage of the Kodulahe development: Lammi 6. Approximately 175 homes are planned for the Lammi 6 property, construction is expected to begin in about two years.

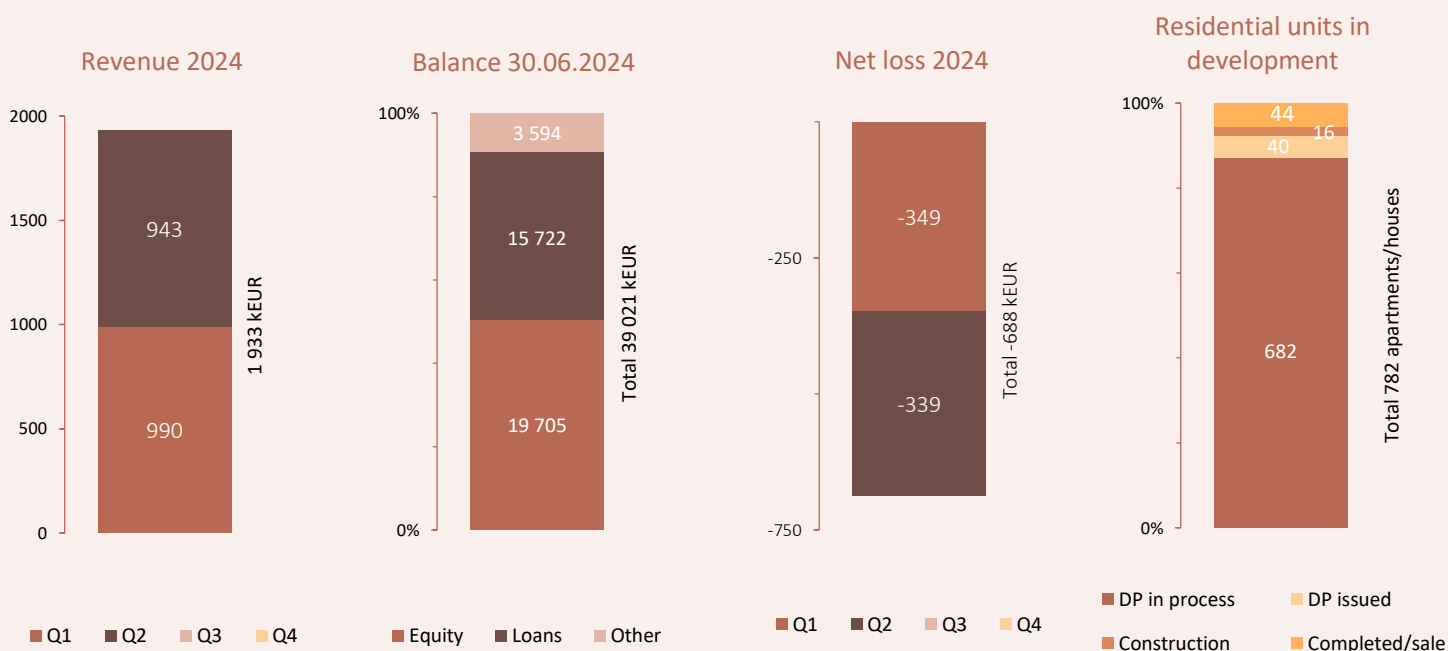
The proceedings of the detailed plan of Arcojärve, the next major project of Arco Vara, are nearing the stage of

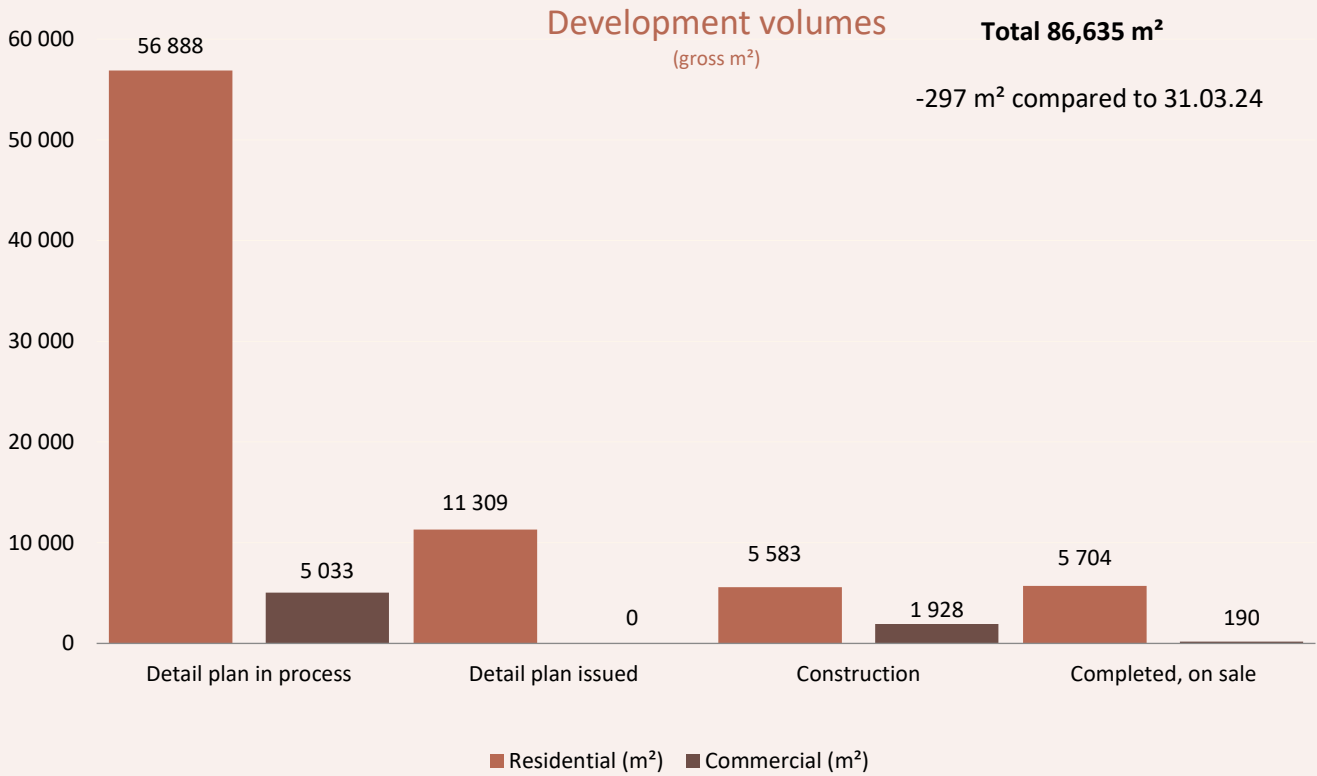
approval. Due to this, we have begun the designing works for stage I and are registering interested parties.

Our Bulgarian team is continuing development activities at Botanica Lozen, where approximately 40% of the development volume has been sold. We have noticed the positive sign of a certain increase in interest, but the important thing is to convert inquiries into sales, which has not yet reached the desired degree of efficiency.

The team of Arco Tarc is continuing construction at the padel centre being built at Helme 18, intended to be completed as early as Q3 of this year. Here, we have also noticed a slight decrease in construction prices, allowing to increase the ROE of rental properties during the lease period of the facility.

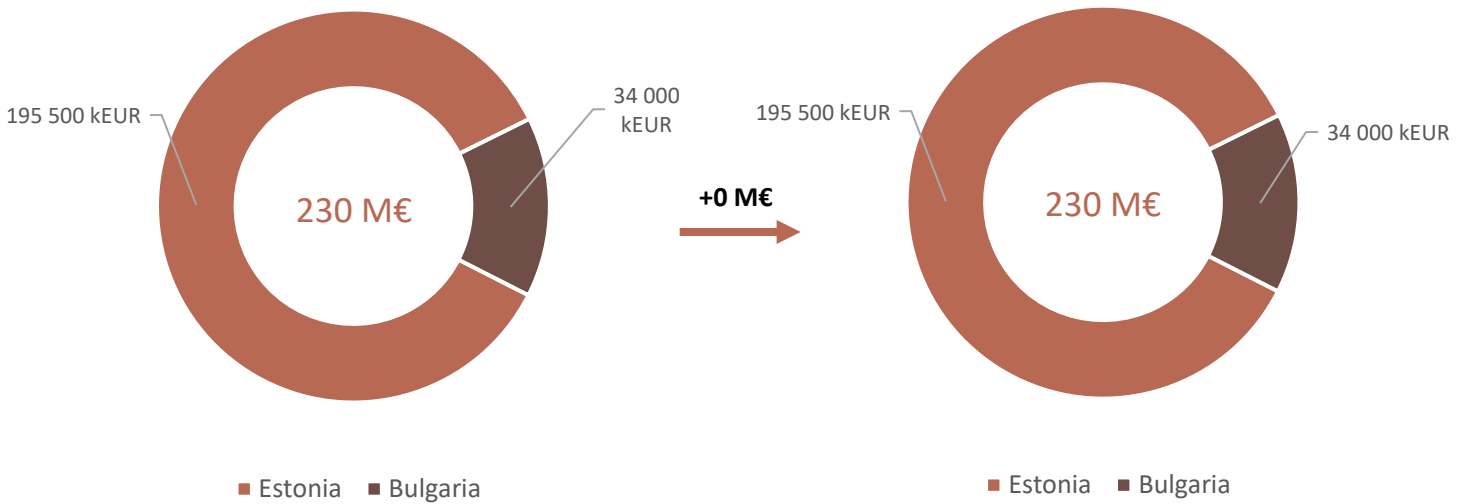
Our primary challenges in the near future are the sales of the homes completed at Kuldlehe and Kodulahe, which contain nearly 15 million euros' worth of homes without contracts. With these projects, any revenue can be redirected into existing projects and new properties.



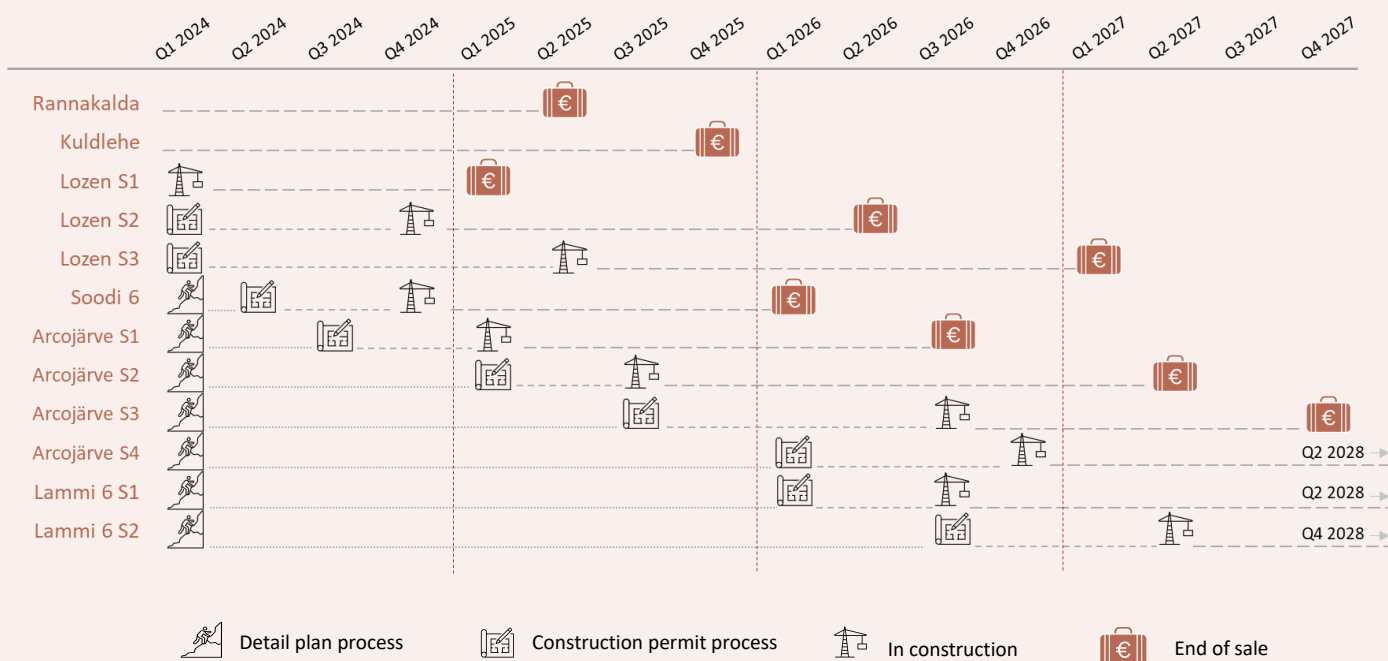


Development revenue of development projects upon completion as of 31.03.2024

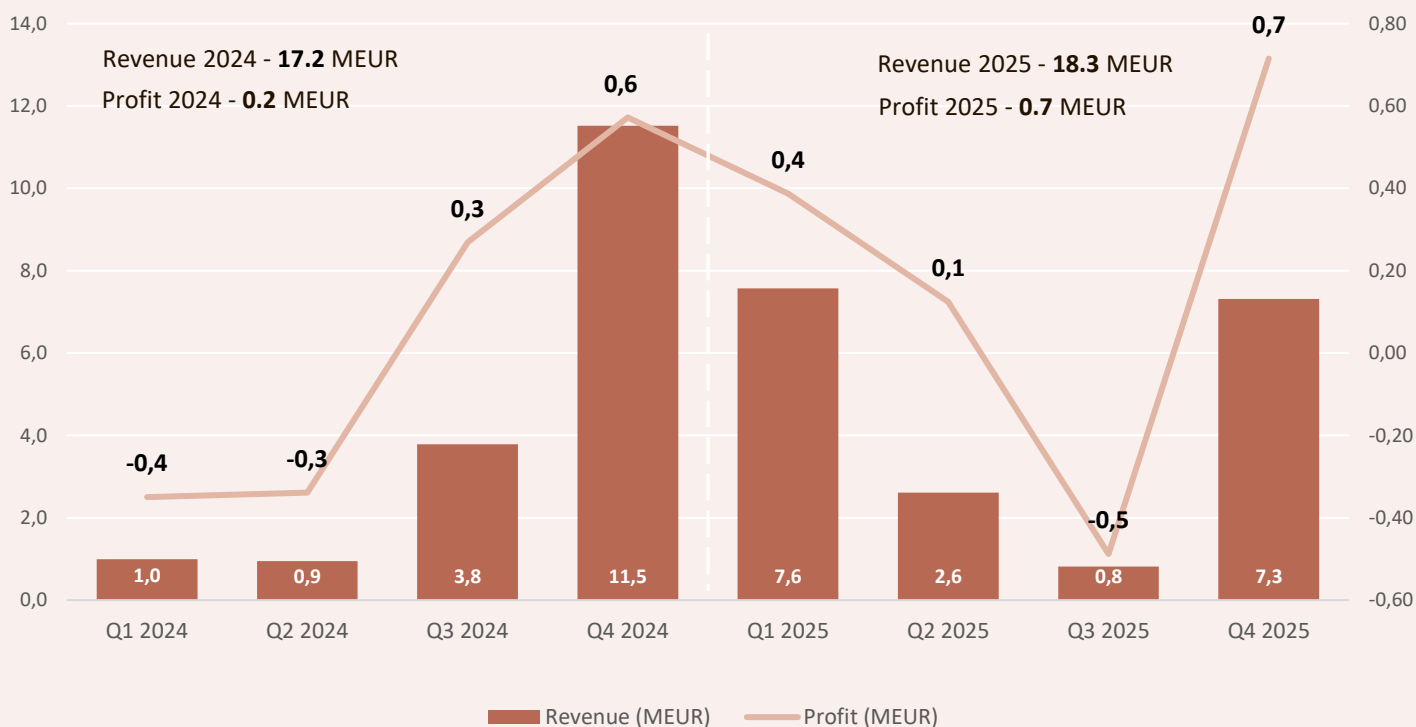
Development revenue of development projects upon completion as of 30.06.2024



Development schedule 2024 - 2027



Arco Vara Group revenue and profit prognoses 2024-2025



Arco Vara's Active Projects as of 30.06.2024



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)

3,689

No of units (above ground)/ available

113/40



Project name

Botanica Lozen Stage 1

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

16/10



Project name

Kuldlehe

Address

Lehiku road 11, Tallinn

Product main type

Apartments

Project stage

Sale

Area of plot m²

5,219

GSA/GLA (above ground)

922

No of units (above ground)/ available

5/5



Project name

Kodulahe VII etapp

Address

Soodi 6, Tallinn

Product main type

Apartments, commercial spaces

Project stage

Detail plan in process

Area of plot m²

5,444

GSA/GLA (above ground)

<4,525>

No of units (above ground)

<66>



Project name

S2 and S3 Botanica Lozen

Address

Lozen, near Sofia

Product main type

Houses

Project stage

Detail plan in process

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 30.06.2024



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

Construction

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.

Arco Vara vision and mission

Arco Vara 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

Arco Vara AS is part of the OÜ Alarmo Kapital concern.

As of 30 June 2024, the group consisted of 13 companies, which is one less than 31 December 2023.

Significant subsidiaries as of 30 June 2024

Company name	Location	Share capital (nominal value)	Equity balance on 30 June 2024	The group's interest
<i>In thousands of euros</i>				
Botanica Lozen EOOD	Bulgaria	2,931	1,260	100%
Kodulahe Kvartal OÜ	Estonia	140	4,461	100%
Kerberon OÜ	Estonia	5	1,726	100%
Arcojärve OÜ	Estonia	28	819	100%

2

countries

30+

years of experience

2800+

new homes

380 000+

developed m²

Arco Vara AS subsidiaries

Kodulahe Kvartal OÜ	100%
Kodulahe II OÜ	100%
Kodukalda OÜ	100%
Arcojärve OÜ	100%
Kerberon OÜ	100%
Arco Tarc OÜ	100%
Arco Vara Bulgaria EOOD	100%
Arco Invest EOOD	100%
Iztok Parkside EOOD	100%
Botanica Lozen EOOD	100%
Arco Manastirski EOOD	100%
Arco Riverside EOOD	100%

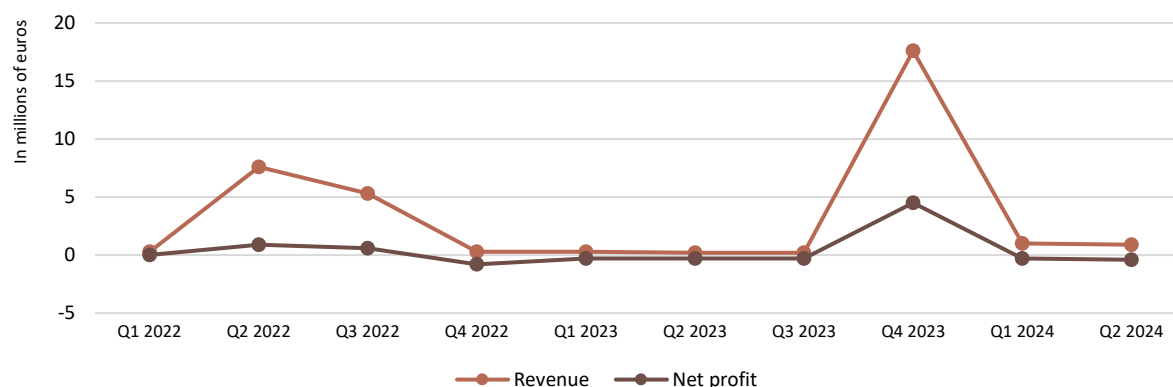
Key Performance Indicators

- In Q2 2024, the group's sales revenue was 943 thousand euros, which is 3.7 times more than the sales revenue of the Q2 2023 of 254 thousand euros. The group's sales revenue was 1,933 thousand euros for the 6 months of 2024 which is 3.8 times higher than the sales revenue of 507 thousand euros for the 6 months of 2023.
- In Q2 2024, the group's operating loss (=EBIT) was 103 thousand euros and net loss 339 thousand euros (in 6 months 2024: operating loss 311 thousand euros and net loss of 688 thousand euros). In Q2 2023, the group had operating loss of 249 thousand euros and net loss of 347 thousand euros. In 6 months 2023, the group had operating loss of 433 thousand euros and net loss of 638 thousand euros.
- In Q2 2024, 3 apartments were sold, 7 apartments were sold in total in 6 months 2024. As of 30 of June 2024, 44 apartments and one commercial space were ready in stock. In Q2 2023, no final sales were formalized (in 6 months only 1 parking space was sold), because group did not have any apartments ready for sale that time.
- In the first 6 months of 2024, the group's debt burden (net loans) increased by 5,610 thousand euros up to the level of 14,218 thousand euros as of 30 June 2024. As of 30 June 2024, the weighted average annual interest rate of interest-bearing liabilities was 9.4%. This is an increase of 1.2 percentage points compared to 31 December 2023.

Main financial figures	6 months 2024	6 months 2023	Q2 2024	Q2 2023
In thousands of euros				
Revenue	1,933	507	943	254
Operating loss (EBIT)	-311	-433	-103	-249
Finance expense	-377	-205	-236	-98
Net loss	-688	-638	-339	-347
Cash flows from/used in operating activities	-6,103	-332	-3,886	2,408
Cash flows from/used in investing activities	0	89	0	30
Cash flows from/used in financing activities	6,135	7,248	4,656	5,781
Net cash flows	32	7,005	770	8,219
Cash and cash equivalents at beginning of period	1,472	3,427	734	2,213
Cash and cash equivalents at end of period	1,504	10,432	1,504	10,432
Total assets at the end of period	39,021	56,750		
Invested capital at the end of period	35,427	43,045		
Net loans at the end of period	14,218	15,840		
Equity at the end of period	19,705	16,773		

Revenue and net profit/loss during last years

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Total 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Total 2023	Q1 2024	Q2 2024	Total 2024
In millions of euros													
Revenue	0.3	7.6	5.3	0.3	13.5	0.3	0.2	0.2	17.6	18.3	1.0	0.9	1.9
Net profit/loss	0.0	0.9	0.6	-0.8	0.7	-0.3	-0.3	-0.3	4.5	3.6	-0.3	-0.4	-0.7



Key Ratios

	6M 2024	6M 2023	Q2 2024	Q2 2023
Net profit ratio (rolling, four quarters)	18%	-126%	-36%	-137%
EPS (in euros)	-0.07	-0.06	-0.03	-0,03
Diluted EPS (in euros)	-0.07	-0.06	-0.03	-0.03
EBITDA per share (in euros) (rolling, four quarters)	0.40	-0.04		
ROIC (rolling, four quarters)	9.7%	-2.6%		
ROE (rolling, four quarters)	18.5%	-5.0%		
ROA (rolling, four quarters)	8.3%	-2.2%		
Equity ratio	50.5%	29.6%		
Current ratio	5.35	2.77		
Quick ratio	1.11	1.24		
Financial leverage	1.98	3.38		
Average loan term (in years)	1.8	2.2		
Average annual interest rate of loans	9.4%	6.0%		
Number of staff, at period end	16	20		

Formulas used:

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

Earnings per share (EPS) = net profit attributable to owners of the parent / weighted average number of ordinary shares outstanding during the period
Diluted earnings per share (Diluted EPS) = net profit attributable to owners of the parent / (weighted average number of ordinary shares outstanding during the period + number of all potentially issued shares)
EBITDA per share = operating profit + depreciation and amortization / weighted average number of ordinary shares outstanding during the period
Invested capital = current + non-current interest-bearing loans and borrowings + equity (at the end of period)
Net loans = current + non-current interest-bearing loans and borrowings – cash and cash equivalents
Return on invested capital (ROIC) = 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 943 thousand euros in Q2 2024 (Q2 2023: 254 thousand euros), including the sale of real estate in the group's own development projects 870 thousand euros (0 euros in Q2 2023). In 2023, income was received from the operation of the commercial building in Madrid in Sofia - the commercial building was sold in 2023.

Other sales revenue in 2024 mainly includes revenue from franchise fees of real estate agencies in Estonia, Latvia and Bulgaria. Franchise fees for the Q2 2024 were 73 thousand euros (in 6 months 128 thousand euros), franchise revenues for the Q2 2023 were 66 thousand euros (in 6 months 119 thousand euros).

In Q2 2024, the pre-sale of the next stage of Kodulahe began: 66 apartments and 4 commercial premises in the form of three buildings will be built at Soodi 6. By the time this report is published, 8 apartments and 2 commercial premises have been booked. The homes are planned to be completed by the very end of 2025.

In the most premium phase of Kodulahe, Rannakalda, a pavilion, 4 service areas and 108 apartments (as three separate apartment buildings), many of which have a sea view, have been completed. As of the publication date of the quarterly report, 36 of the 113 are vacant.

A subsidiary of Arco Vara, Arcojärve OÜ, 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. As of 30.06.2024, the total advance payment for the land is 4,978 thousand euros. The subsidiary of Arco Vara is obliged to pay an additional 1,627 thousand euros for the purchase of the land within three months from the establishment of the detailed plan for the property by the Tallinn City Government, but no later than 30.04.2026. The start of the construction of the first stage is planned for 2025.

In the Kuldlehe project, a spacious and exclusive cluster house with 5 homes was built in Pirita. 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.

Kerberon OÜ, a subsidiary of Arco Vara, is developing a fully automatic padel center with six indoor courts at Helme 18 with the help of the construction company Arco Tarc OÜ. The hall is fully leased and according to the plan, will open its doors in the Q4 2024.

People

Remuneration

As of 30 June 2024, 16 people worked for the group (18 as of 31 December 2023).

Employee remuneration expenses in 6 months 2024 amounted to 588 thousand euros, out of which 353 thousand euros in Q2 2024 (2023 same periods: 434 thousand euros and 220 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 92 thousand euros in 6 months 2024, out of which 46 thousand euros in Q2 2024, (in 6 months and Q2 2023: 71 thousand euros and 41 thousand euros, respectively).

The members of the supervisory board of the group's parent company were remunerated by 18 thousand euros in 6 months 2023, out of which 13 thousand euros in Q2. The remuneration of the members of the supervisory board was 8 thousand euros in 6 months 2023, out of which 6 thousand euros in Q2.

Management board and supervisory board

The management board of Arco Vara AS usually 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. Miko-Ove Niinemäe announced his resignation in the second quarter of 2024: his mandate will last until August 31, 2024.

From 15th of July 2024, Kristina Mustonen is also a board member. From September 2024, she will be the new CEO of Arco Vara AS, her mandate is valid for 4 years.

The supervisory board of Arco Vara AS has 5 members. Since 12 January 2021, the supervisory board consists of Tarmo Sild (the Chairman), Kert Kesksaik, 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.

Description of Main Risks

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 2024, 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 are related to the 6-month EURIBOR. Thus, the group is open to what is happening in the international capital markets. The long-term Interest rate risk is not hedged with derivatives. The group's interest-bearing liabilities amounted to 15,722 thousand euros on 30 June 2024, out of which 3,391 thousand euros is due within next 12 months. The group's interest-bearing liabilities have increased by 5,642 thousand euros in the 6 months of 2024. The increase was brought about by the refinancing of completed developments with a bank loan in 2024. The group's cash and cash equivalents totaled 1,504 thousand euros as of 30 June 2024 (31 December 2023 1,472 thousand).

In Q2 2024, interest payments on interest-bearing liabilities totaled 318 thousand euros (in Q2 2023: 331 thousand euros). The interest paid was partly capitalized, partly expensed. The group's weighted average loan interest rate was 9.4% as of 30 June 2024. This is an increase by 1.2 percentage points compared to the end of year 2023. The reason for the increase in the average interest rate of the loan liabilities is the addition of the Euribor component to the Rannakalda development loan.

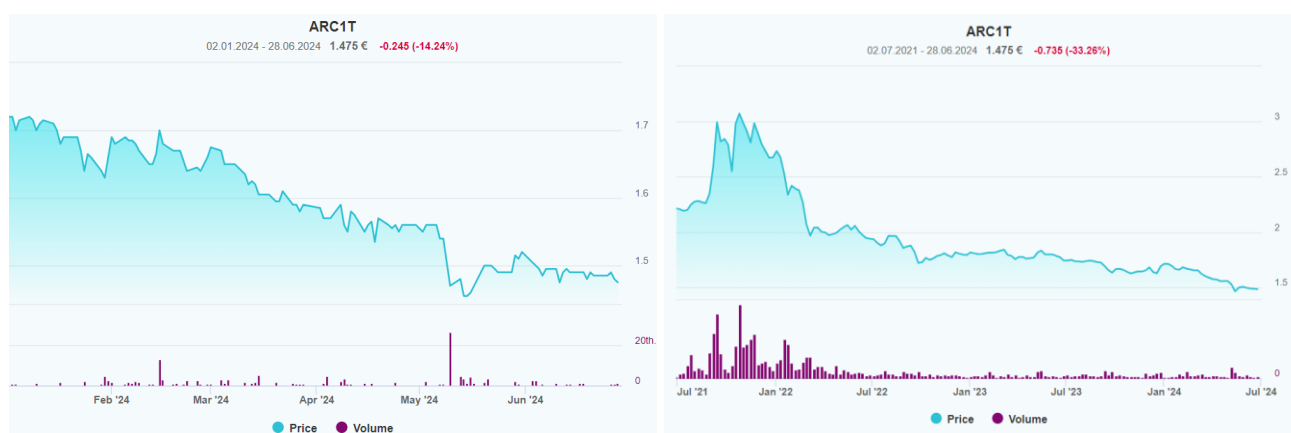
Shares and shareholders

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 1.475 euros on 30 June 2024; the closing price was 1.705 euros on 31 December 2023. During the first 6 months of 2024, the highest traded price per share was 1.78 euros and the lowest price 1.42 euros. Equity per share was 1.90 euros as of 31.03.2024, 2.02 as of 31.12.2023.

As of 30 June 2024, market capitalization of shares amounted to 15,323 thousand euros and P/B (price to book value) ratio was 0.78 (31 December 2023: 17,712 thousand euros and 0.84, respectively). P/E (price to earnings) ratio for the last 4 quarters of the share was 4.38 on 30 June 2024, 4.99 on 31 December 2023.

The following charts reflect the movements in the price and daily turnover of Arco Vara's share during the 6 months 2024 and the last three years.

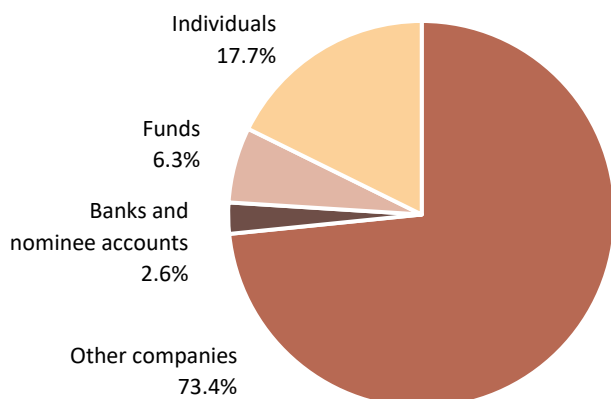


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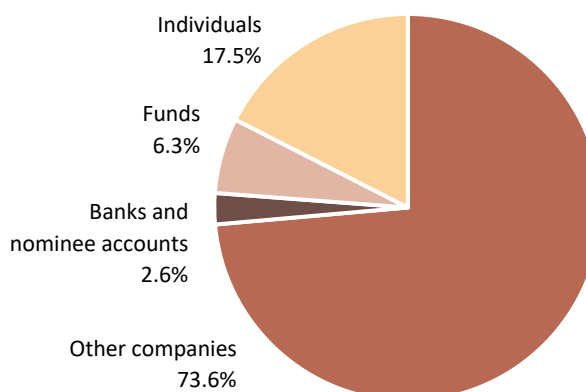
Shareholder structure

As of 30 June 2024, Arco Vara had 8,137 shareholders (on 31 December 2023 8,316), including 7,449 individuals as shareholders (on 31 December 2023: 7,596 individuals) who jointly owned 17.7% (on 31 December 2023: 17.5%) out of all Arco Vara shares. Complete shareholder structures are presented on the following diagrams.

Ownership structure as of 30.06.2024



Ownership structure as of 31.12.2023



Major shareholders on 30 June 2024

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	222,000	2.1%
Marko Teimann	192,119	1.8%
FIREBIRD AVRORA FUND, LTD.	180,343	1.7%
K VARA OÜ	158,742	1.5%
FIREBIRD FUND L.P.	133,948	1.3%
Sander Karu	112,134	1.1%
Citibank (London) / OP Custody Ltd	56,952	0.5%
Other shareholders	2,326,036	22.6%
Total	10,388,367	100.0%

Holdings of management and supervisory board members on 30 June 2024

Name		No of shares	Share, %
Tarmo Sild ja Allar Niinepuu (Alarmo Kapital OÜ)	Chairman/member of supervisory board	6,438,531	62.0%
Tarmo Sild (privately and Aia Tänav OÜ)	Chairman of supervisory board	238,000	2.3%
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	212,796	2.0%
Allar Niinepuu (OÜ Kavass)	Member of supervisory board	28,400	0.3%
Steven Yaroslav Gorelik ¹	Member of supervisory	0	-
Miko-Ove Niinemäe	Member of management board	20,000	0.2%
Total		7,206,986	69.4%

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 second quarter and 6 months ended on 30 June 2024 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.

A handwritten signature in black 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 25 July 2024

Condensed Consolidated Interim Financial Statements

Consolidated Statement of Comprehensive Income

	Note	6 months 2024	6 months 2023	Q2 2024	Q2 2023
<i>In thousands of euros</i>					
Revenue from sale of own real estate		1,797	7	870	0
Revenue from rendering of services		136	500	73	254
Total revenue	2,3	1,933	507	943	254
Cost of sales	4	-1,376	-191	-559	-105
Gross profit		557	316	384	149
Other income		0	76	0	54
Marketing and distribution expenses	5	-219	-177	-149	-120
Administrative expenses	6	-632	-646	-336	-331
Other expenses		-17	-2	-2	-1
Operating loss		-311	-433	-103	-249
Finance cost	7	-377	-205	-236	-98
Loss before tax		-688	-638	-339	-347
Net loss for the period		-688	-638	-339	-347
Total comprehensive loss for the period		-688	-638	-339	-347
Earnings per share (in euros)	8				
- basic		-0.07	-0.06	-0.03	-0.03
- diluted		-0.07	-0.06	-0.03	-0.03

Consolidated Statement of Financial Position

	Note	30 June 2024	31 December 2023
<i>In thousands of euros</i>			
Cash and cash equivalents		1,504	1,472
Receivables and prepayments	9	6,245	5,798
Inventories	10	29,619	27,637
Total current assets		37,368	34,907
Receivables and prepayments	9	18	18
Investment property	11	1,430	20
Property, plant and equipment	2	186	221
Intangible assets	2	19	24
Total non-current assets		1,653	283
TOTAL ASSETS		39,021	35,190
Loans and borrowings	12	3,391	3,391
Payables and deferred income	13	3,388	4,013
Warranty reserv		206	80
Total current liabilities		6,985	7,484
Loans and borrowings	12	12,331	6,689
Total non-current liabilities		12,331	6,689
TOTAL LIABILITIES		19,316	14,173
Share capital		7,272	7,272
Share premium		3,835	3,835
Statutory capital reserve		2,011	2,011
Other reserves	8	56	56
Retained earnings		6,531	7,843
Total equity attributable to owners of the parent		19,705	21,017
TOTAL EQUITY		19,705	21,017
TOTAL LIABILITIES AND EQUITY		39,021	35,190

Consolidated Statement of Cash Flows

Note	6 months 2024	6 months 2023	Q2 2024	Q2 2023	
<i>In thousands of euros</i>					
Cash receipts from customers	2,139	10,733	312	9,658	
Cash paid to suppliers	-5,977	-12,156	-3,308	-7,650	
Taxes paid and recovered (net)	-1,343	1,378	-159	556	
Cash paid to employees	-896	-338	-718	-209	
Other cash payments and receipts related to operating activities (net)	-26	51	-13	53	
NET CASH FROM/USED IN OPERATING ACTIVITIES	-6,103	-332	-3,886	2,408	
Payments made on purchase of tangible and intangible assets	0	-1	0	0	
Receipts from sale of investment property	0	90	0	30	
NET CASH FROM/USED IN INVESTING ACTIVITIES	0	89	0	30	
Proceeds from loans received	12	7,452	8,404	5,232	6,435
Settlement of loans and borrowings	12	-456	-221	-50	-115
Interest paid	-549	-618	-318	-331	
Dividends paid	-312	-312	-208	-208	
Proceeds from share capital increase	0	-5	0	0	
NET CASH FROM/USED IN FINANCING ACTIVITIES	6,135	7,248	4,656	5,781	
NET CASH FLOW	32	7,005	770	8,219	
Cash and cash equivalents at the beginning of period	1,472	3,427	734	2,213	
Change in cash and cash equivalents	32	7,005	770	8,219	
Cash and cash equivalents at the end of period	1,504	10,432	1,504	10,432	

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Statutory capital reserve	Other reserves	Retained earnings	Total equity
<i>In thousands of euros</i>						
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
Total comprehensive income for the period	0	0	0	0	-638	-638
Balance as of 30 June 2023	7,272	3,835	2,011	0	3,655	16,773
Balance as of 31 December 2023	7,272	3,835	2,011	56	7,843	21,017
Dividends paid	0	0	0	0	-624	-624
Total comprehensive income for the period	0	0	0	0	-688	-688
Balance as of 30 June 2024	7,272	3,835	2,011	56	6,531	19,705

Notes to the Condensed Interim Financial Statements

1. Significant accounting policies

The unaudited condensed consolidated interim financial statements of Arco Vara AS for the second quarter and six months ended on 30 June 2024 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 2023, 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

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.

Revenue by operating segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Eliminations		Consolidated	
	6 months 2024	6 months 2023	6 months 2024	6 months 2023	6 months 2024	6 months 2023	6 months 2024	6 months 2023	6 months 2024	6 months 2023	6 months 2024	6 months 2023
<i>In thousands of euros</i>												
External revenue	0	0	1,805	10	0	3	128	494	-	-	1,933	507
Revenue from other segments	0	115	0	1	1,331	6,717	431	386	-1,762	-7,219	0	0
Total revenue	0	115	1,805	11	1,331	6,720	559	880	-1,762	-7,219	1,933	507

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Eliminations		Consolidated	
	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023
<i>In thousands of euros</i>												
External revenue	0	0	870	1	0	2	73	251	-	-	943	254
Revenue from other segments	0	115	0	1	1,332	3,327	216	366	-1,548	-3,809	0	0
Total revenue	0	115	870	2	1,332	3,329	289	617	-1,548	-3,809	943	254

External revenue and profit/ loss by segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Consolidated	
	6 months 2024	6 months 2023	6 months 2024	6 months 2023	6 months 2024	6 months 2023	6 months 2024	6 months 2023	6 months 2024	6 months 2023
<i>In thousands of euros</i>										
Revenue	0	0	1,805	10	0	3	128	494	1,933	507
Operating profit/ loss	90	-189	-225	-182	-282	-118	106	56	-311	-433
Net profit/ loss	89	-194	-444	-182	-281	-118	-52	-144	-688	-638

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Consolidated	
	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023
<i>In thousands of euros</i>										
Revenue	0	0	870	1	0	2	73	251	943	254
Operating profit/ loss	171	-81	-97	57	-212	-111	35	-114	-103	-249
Net profit/ loss	170	-81	-254	57	-211	-111	-44	-212	-339	-347

External assets and liabilities by segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Consolidated	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023	30 June 2024	31 December 2023	30 June 2024	31 December 2023	30 June 2024	31 December 2023
<i>In thousands of euros</i>										
Assets	8,765	6,503	27,090	27,298	1,992	62	1,174	1,327	39,021	35,190
Including PPE and intangible assets	21	29	0	0	3	4	181	212	205	245
Liabilities	1,718	662	12,859	8,477	570	1,299	4,169	3,735	19,316	14,173

3. Revenue

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

Segment	Estonia		Bulgaria		Latvia		Consolidated	
	6 months 2024	6 months 2023	6 months 2024	6 months 2023	6 months 2024	6 months 2023	6 months 2024	6 months 2023
<i>In thousands of euros</i>								
Sale of own real estate	1,797	7	0	0	0	0	1,797	7
Rental of real estate	1	1	0	336	0	0	1	337
Property management services	0	0	0	35	0	0	0	35
Franchise	89	87	25	17	14	15	128	119
Other revenue	7	3	0	6	0	0	7	9
Total revenue	1,894	98	25	394	14	15	1,933	507

Segment	Estonia		Bulgaria		Latvia		Consolidated	
	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023	Q2 2024	Q2 2023
<i>In thousands of euros</i>								
Sale of own real estate	869	0	0	0	0	0	869	0
Rental of real estate	1	0	0	167	0	0	1	167
Property management services	0	0	0	17	0	0	0	17
Franchise	49	34	15	17	9	15	73	66
Other revenue	0	1	0	3	0	0	0	4
Total revenue	919	35	15	204	9	15	943	254

4. Cost of sales

	6 months 2024		6 months 2023		Q2 2024		Q2 2023	
	<i>In thousands of euros</i>							
Cost of real estate sold (note 10)		-1,021		-5		-355		0
Brokerage fees		-8		-5		-4		-4
Property management costs		-100		-142		-30		-80
Personnel expenses		-128		-7		-120		-3
Depreciation, amortization and impairment losses		0		-10		0		-5
Other costs		-119		-22		-50		-13
Total cost of sales		-1,376		-191		-559		-105

5. Marketing and distribution expenses

	6 months 2024	6 months 2023	Q2 2024	Q2 2023
<i>In thousands of euros</i>				
Advertising expenses	-82	-74	-62	-57
Personnel expenses	-46	-31	-24	-21
Other marketing and distribution expenses	-91	-72	-63	-42
Total marketing and distribution expenses	-219	-177	-149	-120

6. Administrative expenses

	6 months 2024	6 months 2023	Q2 2024	Q2 2023
<i>In thousands of euros</i>				
Personnel expenses	-414	-396	-212	-218
Office expenses	-42	-41	-18	-18
IT expenses	-17	-21	-8	-12
Services purchased	-94	-82	-58	-23
Depreciation, amortization and impairment losses	-40	-40	-20	-21
Legal service fees	-13	-17	-10	-4
Other expenses	-12	-49	-10	-35
Total administrative expenses	-632	-646	-336	-331

7. Financial expenses

	6 months 2024	6 months 2023	Q2 2024	Q2 2023
<i>EUR tuhandetes</i>				
Interest expenses	-373	-200	-229	-97
Other financial costs	-4	-5	-7	-1
Total financial costs	-377	-205	-236	-98

8. Earnings per share

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

	6 months 2024	6 months 2023	Q2 2024	Q2 2023
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 loss (in thousands of euros)	-688	-638	-339	-347
Earnings per share (in euros)	-0.07	-0.06	-0.03	-0.03
Diluted earnings per share (in euros)	-0.07	-0.06	-0.03	-0.03

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

	30 June 2024	31 December 2023
<i>In thousands of euros</i>		
Receivables from customers	209	301
Miscellaneous receivables	6	6
Prepaid and recoverable taxes	453	274
Other accrued income	4	4
Prepayments	5,573	5,213
Total short-term receivables and prepayments	6,245	5,798

Long-term receivables and prepayments

	30 June 2024	31 December 2023
<i>In thousands of euros</i>		
Deposits	18	18
Total long-term receivables and prepayments	18	18

10. Inventories

	30 June 2024	31 December 2023
<i>In thousands of euros</i>		
Properties in stock	12,652	0
Properties under construction	5,986	17,199
Properties in the construction permit process	2,122	2,182
Properties in the detailed planning process	8,859	8,256
Total inventories	29,619	27,637

Properties purchased and being developed for resale

	2024	2023
<i>In thousands of euros</i>		
Balance at the beginning of period, 1 January	27,637	22,474
Construction costs of apartment buildings	2,282	7,855
Capitalized borrowing costs	177	421
Other capitalized costs	632	344
Reclassification to investment property (note 11)	-88	0
Cost of sold properties (note 4)	-1,021	-5
Balance at the end of period, 30 June	29,619	31,089

11. Investment property

	2024	2023
<i>In thousands of euros</i>		
Balance at the beginning of period, 1 January	20	82
Capitalized development costs	1,322	0
Reclassification from inventories (note 10)	88	0
Sale of investment property	0	-80
Balance at the end of period, 30 June	1,430	2

12. Interest bearing liabilities

	As of 30 June, 2024			As of 31 December, 2023		
	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	12,295	61	12,234	6,624	61	6,563
Bonds	2,120	2,120	0	2,120	2,120	0
Capital lease	155	58	97	184	58	126
Other loans	1,152	1,152	0	1,152	1,152	0
Total	15,722	3,391	12,331	10,080	3,391	6,689

In 6 months 2024, the group settled loans in the amount of 456 thousand euros (in 6 months 2023: 221 thousand euros) through cash transactions and raised new loans in the amount of 7,452 thousand euros (in 6 months 2023: 8,404 thousand euros). In addition, the buyers paid 1,354 thousand euros from the returned loan directly to the bank in 6 months 2024. This amount is not reflected in the group cash flow statement.

In 6 months 2024, the following major loan obligations were settled:

- 1,751 thousand euros of bank loan for financing construction of apartment building in Kodulahe Rannakalda, out of which 1,354 thousand directly by customers;
- 29 thousand euros of bank loan for financing land of Kodulahe project Stage VIII;
- 30 thousand euros of capitalized office rent.

In 6 months 2024, the group raised the following new liabilities:

- 7,452 thousand euros of bank loan for financing construction of apartment buildings in Kodulahe Rannakalda.

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

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

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

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

13. Payables and deferred income

Short-term payables and deferred income

	30 June 2024	31 December 2023
<i>In thousands of euros</i>		
Trade payables	765	740
Taxes payable		
Value added tax	172	1,270
Social security tax	118	46
Personal income tax	70	33
Other taxes	24	2
Total taxes payable	384	1,351
Accrued expenses		
Payables to employees	275	1,048
Dividend payable	416	104
Other accrued expenses	133	215
Total accrued expenses	824	1,367
Deferred income		
Prepayments received on sale of real estate	1,415	555
Total deferred income	1,415	555
Total short-term payables and deferred income	3,388	4,013

On 31.12.2023, the VAT debt was 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

	6 months 2024	6 months 2023
<i>In thousands of euros</i>		
Other related parties		
Services purchased	23	15

In 6 months 2024, the remuneration provided to the CEO / member of the management board, including social security charges, amounted to 92 thousand euros, out of which 46 thousand euros in Q2 (in 6 months and Q2 2023: 71 thousand euros and 41 thousand euros).

The remuneration provided to the members of the supervisory board of the group's parent company during the first 6 months in 2024 was 18 thousand euros, out of which 13 thousand in Q2 2024 (in 6 months and Q2 2023: 8 thousand euros and 6 thousand euros).

The remuneration provided to the CEO / member of the management board is based on his contract of service. A fixed monthly fee 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 second quarter and six months ended on 30 June 2024.

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 black ink, appearing to be "Miko-Ove Niinemäe".

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

On 25 July 2024