



ARCO
VARA



INTERIM REPORT FOR Q2 2025 (UNAUDITED)

INTERIM REPORT FOR THE SECOND QUARTER OF 2025 (UNAUDITED)

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Financial year	1 January 2025 – 31 December 2025
Reporting period	1 January 2025 – 30 June 2025
Supervisory board	Tarmo Sild, Steven Yaroslav Gorelik, Kert Kesksaik, Hillar-Peeter Luitsalu, Allar Niinepuu
Chief executive officer	Kristina Mustonen
Auditor	KPMG Baltics OÜ

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Management Report

Group CEO's Review

The second quarter of 2025 marked a continuation of the cautious yet gradual recovery in the real estate market. Market stability, the slow decline in interest rates, and the downward trend of Euribor continue to provide a favorable backdrop for development activities and growing buyer interest. Throughout the quarter, Arco Vara remained focused on sales activities in Estonia while making several important strides in strengthening its development portfolio and implementing strategic adjustments.

One of the key milestones of the quarter was the acquisition of the Luther Quarter property. Located in the heart of Tallinn, this site represents Arco Vara's next flagship development project. The Luther Quarter has significant potential to become a high-quality, multifunctional urban environment where historical legacy meets modern architecture and sustainable living.

Our vision for the Luther development is to create a balanced and human-scale environment encompassing residential units, workplaces, cafés, culture, and high-quality public spaces. A central green park is planned as an accessible space for the public, contributing to a comprehensive and livable neighborhood.

We do not aim to simply construct buildings, our goal is to build a "city within the city": a vibrant, 24/7 urban quarter where people can live, work, and spend their leisure time. Tallinn needs more complete urban environments, self-sustaining neighborhoods that also integrate naturally with the city's broader fabric.

The acquisition of the Luther site has doubled the company's asset base and strengthened equity while maintaining a balanced capital structure. Preparatory work is ongoing, with construction scheduled to begin in the second quarter of 2026.

In the Rannakalda development, five additional apartments were sold during the second quarter, indicating continued interest in new homes located in attractive areas near Tallinn's city center. By the end of the quarter, a total of 97 out of 113 apartments/commercial units in the project had been sold. The main objective remains the full realization of the remaining units by the end of 2025.

In the Soodi 6 project, the long-anticipated building permit was obtained in June. Five additional apartments were reserved during the quarter, and construction officially commenced on June 30, 2025. The project continues to appeal to young families, investors, and more discerning clients due to its strong location and well-designed layouts.

Construction also began on the Spordi development in June. Pre-sales launched successfully, with six apartments reserved during the quarter. Pre-sales will continue through the end of July, with demand meeting expectations. The Spordi project strengthens Arco Vara's portfolio in the highly sought-after Kristiine residential district, an area with limited new developments, where all essential services such as schools, shops, public transport, and leisure options are within walking distance. The development incorporates modern and smart solutions to meet today's lifestyle needs.

The padel center received its occupancy permit during the second quarter.

The Arcojärve detailed plan is approaching its adoption phase, expected to take place in August 2025. This project plays a key role in Arco Vara's long-term strategy, laying the groundwork for future urban developments.

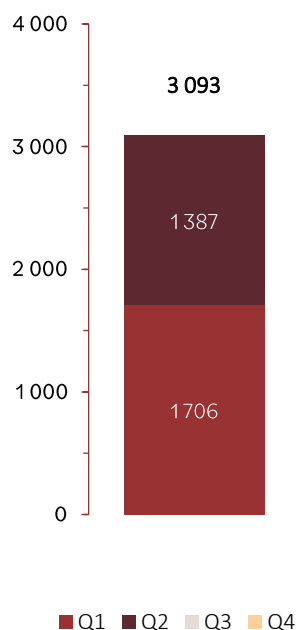
In Bulgaria, the Botanica Lozen project has reached its final phase, with landscaping works completed during the quarter.

In the Merivälja Kuldlehe development, one additional apartment was reserved. Only two apartments remain available, both of which have active interest. The exclusive nature and limited availability of the project continue to position it strongly within Tallinn's premium residential segment.

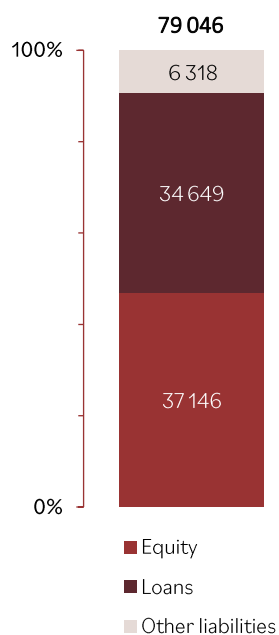
Key focus areas for Q3 include, completion of sales for the remaining apartments in Kuldlehe, the sale of at least six additional units in the Rannakalda project, continued design and planning for the Luther development, ongoing construction activities in both the Spordi and Soodi 6 projects.

In summary, the second quarter of 2025 was marked by the achievement of several important milestones for Arco Vara. The start of construction and receipt of building permits in multiple projects, alongside the strategic acquisition of the Luther Quarter, provide a solid foundation for the company's continued growth in the Estonian real estate market.

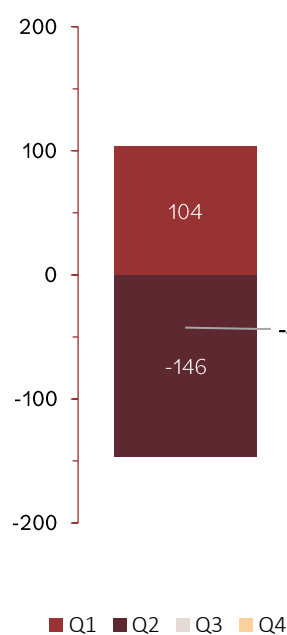
Revenue 2025



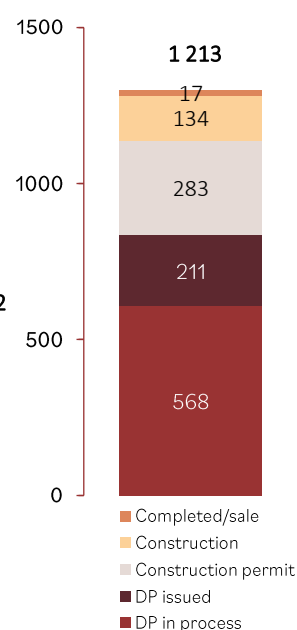
Balance 30.06.2025



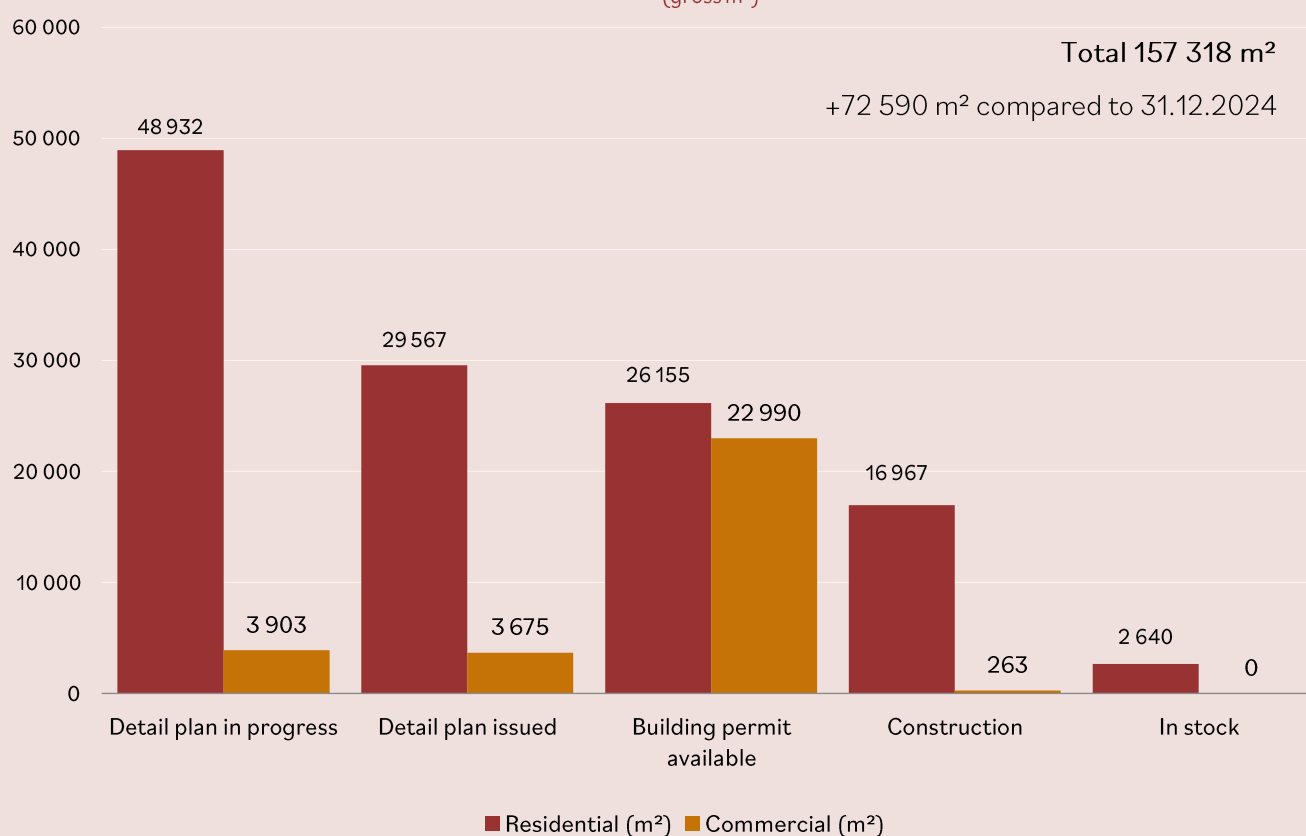
Net profit 2025



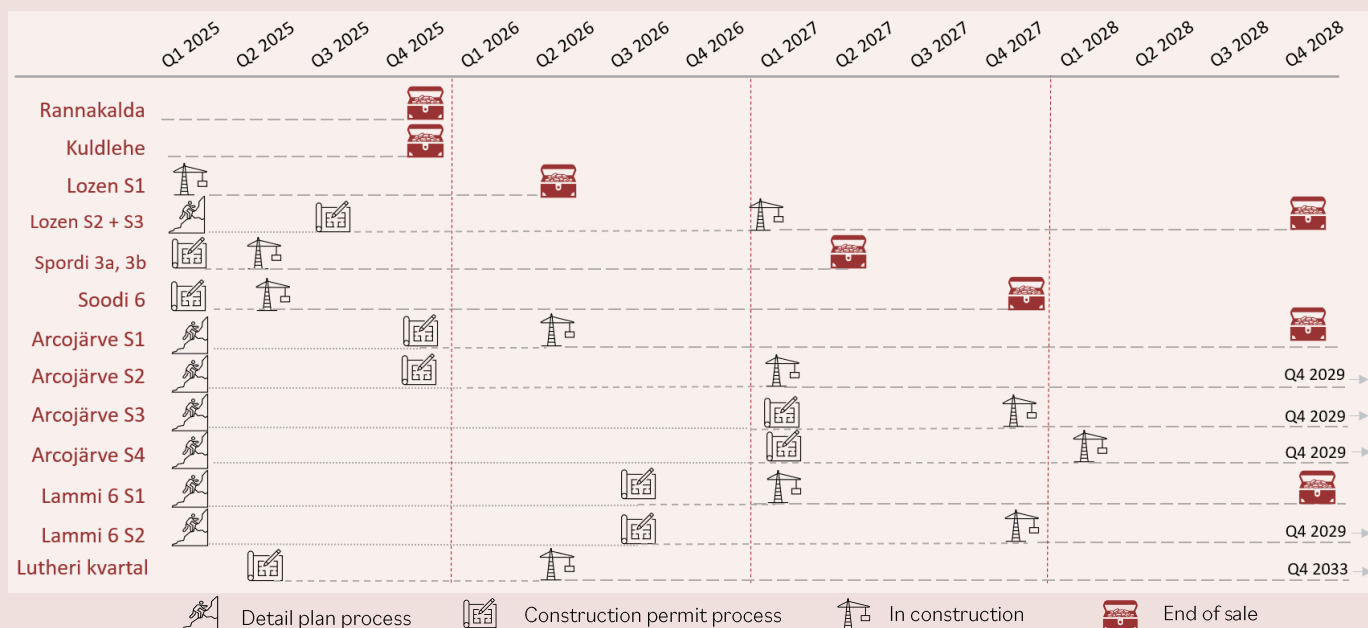
Residential units in development



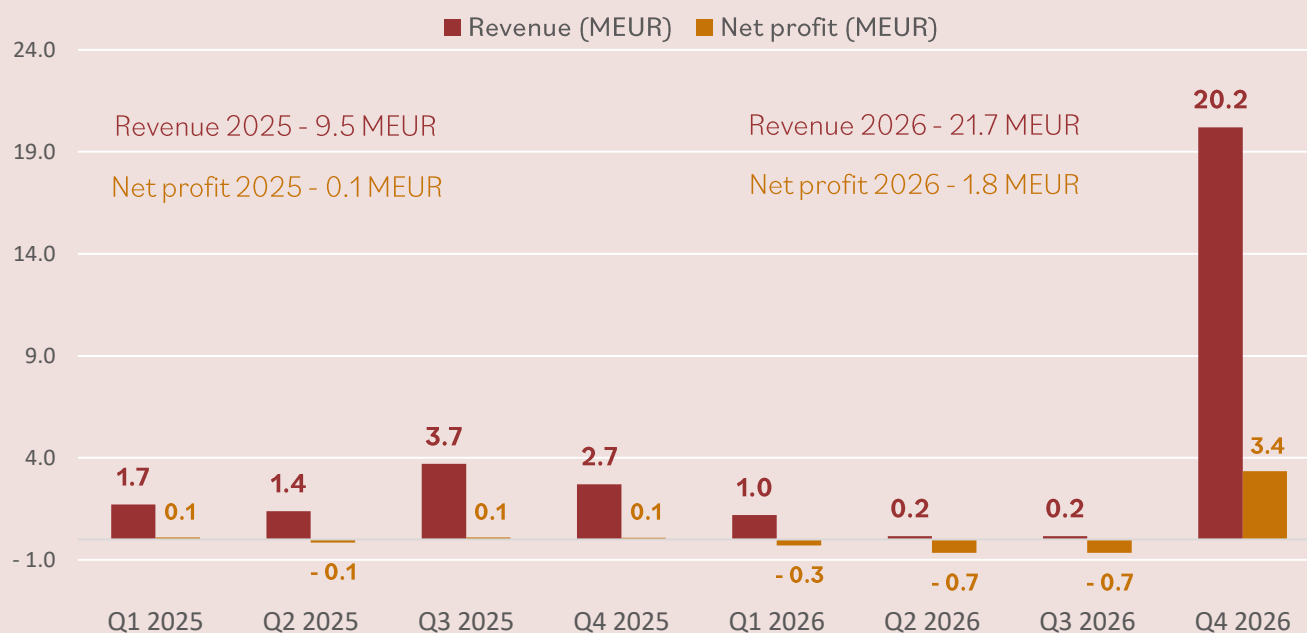
Development volumes (gross m²)



Development schedule 2025 - 2028



Arco Vara Group revenue and profit forecast 2025-2026



Arco Vara's Active Projects as of 30.06.2025



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)

1,960

No of units (above ground)/ available

113/16



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

16/7



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)

558

No of units (above ground)/ available

5/2



Project name

Kodulahe VII etapp

Address

Soodi 6, Tallinn

Product main type

Apartments, commercial spaces

Project stage

Detail plan issued

Area of plot m²

5,444

GSA/GLA (above ground)

4,543

No of units (above ground)/available

66/51



Project name

Spordi 3a, 3b

Address

Spordi 3a, 3b, Tallinn

Product main type

Apartments

Project stage

Building permit issued

Area of plot m²

5,566

GSA/GLA (above ground)

4,312

No of units (above ground)/available

56/50



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)

<28,132>

No of units (above ground)

<430>

Arco Vara's Active Projects as of 30.06.2025



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)

<12,327>

No of units (above ground)

<182>



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

Padel venue

Address

Helme 18, Tallinn

Product main type

Sports hall

Project stage

Construction

Area of plot m²

5,712

GSA/GLA (above ground)

1,983

No of units (above ground)/ available

1/0



Project name

**Lutheri Kvartal I, II, III ja IV
etapp**

Address

Luther Quarter, Tallinn

Product main type

Apartments, commercial spaces

Project stage

I-III Building permit issued,

IV Detail plan in process

Area of plot m²

35,660

GSA/GLA (above ground)

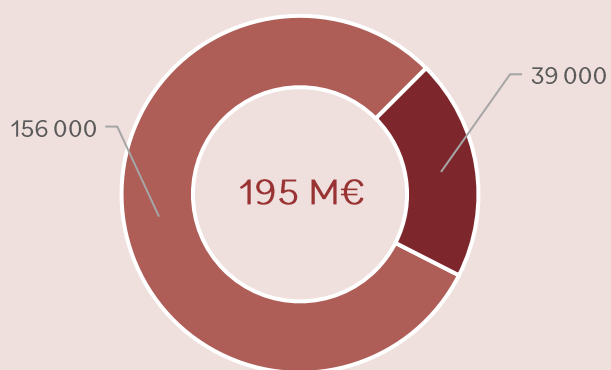
<51,388>

No of units (above ground)

<513>

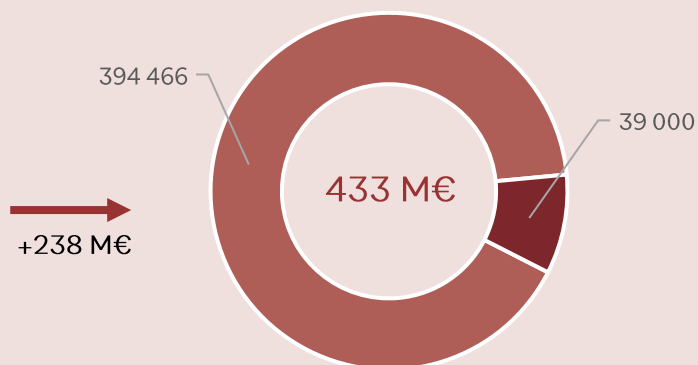
Note: Values presented between < > sign represent future target values for projects which do not have a construction permit yet. The table does not reflect sellable or lettable volumes below grade including parking spaces and storages. The table does not give complete overview of the group's land reserves.

Development revenue of development projects upon completion as of 31.12.2024 (kEUR)



■ Estonia ■ Bulgaria

Development revenue of development projects upon completion as of 30.06.2025 (kEUR)



■ Estonia ■ Bulgaria

General Information

Activities of the group

Arco Vara AS and its group companies (hereinafter referred to as the "Group") are engaged in real estate development (EMTAK code 41201). The Group operates in Estonia and Bulgaria.

The Group's core activity is the development of comprehensive living environments along with associated commercial real estate. In residential developments, completed homes are sold directly to end consumers. The Group's main focus is on residential real estate; new commercial properties are developed only when required by law as a prerequisite for residential construction.

The Group does not directly provide real estate brokerage or valuation services. However, such services continue to be offered under the Arco Vara brand in Estonia, Latvia, and Bulgaria through licensing agreements, from which the Group earns license fees.

Arco Vara vision and mission

Arco Vara promise:

We build the future and create value.

Arco Vara vision:

- Arco Vara is the first choice for homebuyers.
- Our 360-degree real estate journey, combining development, construction, sales, and customer service, delivers the best homebuying experience to the customer.
- We offer homes with the highest level of comfort and usability.

Arco Vara's mission is to create modern, sustainable and desirable living environments where the customer can design the home of their dreams.

Group structure

Arco Vara AS is part of the OÜ Alarmo Kapital group. As of 30 June 2025, the Group consisted of 17 companies, which is 4 more than as of 31 December 2024

Significant subsidiaries as of 30.06.2025

Company name	Location	Share capital (nominal value)	Equity on 30.06.2025	Group's shareholding
		in € thousands	in € thousands	
Kodulahe Kvartal OÜ	Estonia	140	4 668	100%
Kerberon OÜ	Estonia	5	1 619	100%
Arcojärve OÜ	Estonia	28	606	100%
Kodukalda OÜ	Estonia	3	79	100%
Arco Tarc OÜ	Estonia	3	92	100%
Arco L Torn OÜ	Estonia	3	-4	100%

2

countries

30+

years of experience

2800+

new homes

380 000+

developed m²

Arco Vara AS subsidiaries

Kodulahe Kvartal OÜ	100%
Arco Spordi OÜ	100%
Kodukalda OÜ	100%
Arcojärve OÜ	100%
Kerberon OÜ	100%
Arco Tarc OÜ	100%
Arco L Torn OÜ	100%
Arco L Torn II OÜ	100%
Arco L Factory OÜ	100%
Grupi Halduse 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%

Arco Spordi OÜ	Estonia	3	659	100%
Arco L Torn II OÜ	Estonia	3	2	100%
Arco Lozen EOOD	Bulgaria	2 931	1 143	100%
Arco Vara Bulgaria EOOD	Bulgaria	3	16	100%

Key Performance Indicators

- The Group's sales revenue for the first 6 months of 2025 was 3,093 thousand euros, which is 1,160 thousand euros more than the sales revenue for the first 6 months of 2024.
- In H1 2025, the group's operating profit (=EBIT) was 265 thousand euros and net loss 43 thousand euros. In H1 2024, the group's operating loss (=EBIT) was 310 thousand euros and net loss 687 thousand euros.
- In Q2 2025, the group sold 5 apartments in its development projects, and a total of 9 apartments were sold in H1 2025. As of 30 June 2025, the inventory included 17 complete apartments and 1 commercial unit. For comparison, in Q2 2024, the group sold 3 apartments in its development projects, and a total of 7 apartments were sold in H1 2024. As of 30 June 2024, the inventory included 44 completed apartments and 1 commercial unit.
- As of 30 June 2025, the Group's total assets had approximately doubled compared to 30 June 2024. The main reason for the increase in assets was the acquisition of new development projects, including the Luhteri Quarter and the Spordi 3a/3b development projects.
- As of the end of the first half of 2025, the Group's net debt amounted to 33,261 thousand euros, which is 19,043 thousand euros more than at the end of the same period in the previous year. The main reason for the increase in net debt was the acquisition of the Luhteri Quarter, which was partially financed with a bank loan. As of 30 June 2025, the Group's weighted average interest rate on interest-bearing liabilities was 9.07%.

Main financial figures	6 months 2025	6 months 2024
<i>In thousands of euros</i>		
Revenue	3 093	1 933
Operating profit/loss	265	-310
Finance income and costs	-295	-377
Income tax	-13	0
Net profit/loss	-43	-687
Cash flow from operations	-33 722	-6 103
Cash flow from financing	38 049	6 136
Net cash flow	4 315	-738
Cash and cash equivalents at the beginning of period	1 720	1 472
Cash and cash equivalents at end of period	1 388	734
Total assets at end of period	79 046	39 020
Invested capital at end of period	71 795	35 427
Net debt at end of period	33 261	14 218
Equity at end of period	37 146	19 705

Key Ratios

	30 June 2025	30 June 2024
Net profit ratio (rolling, four quarters)	0.26%	17.71%
EPS (in euros)	-0.01	-0.03
Diluted EPS (in euros)	-0.01	-0.03
EBITDA per share (in euros) (rolling, four quarters)	0.04	0.40
ROIC (rolling, four quarters)	0.19%	9.75%
ROE (rolling, four quarters)	0.09%	18.49%
ROA (rolling, four quarters)	0.04%	8.34%
Equity ratio	0.47	0.50
Current ratio	10.17	5.35
Quick ratio	0.96	1.11
Financial leverage	2.13	1.98
Average loan term (in years)	2.31	1.84
Average annual interest rate of loans	9.07%	9.42%
Number of staff, at period end	11	16

Formulas used:

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

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

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

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

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

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

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

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

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

Equity ratio = equity / total assets

Current ratio = current assets / current liabilities

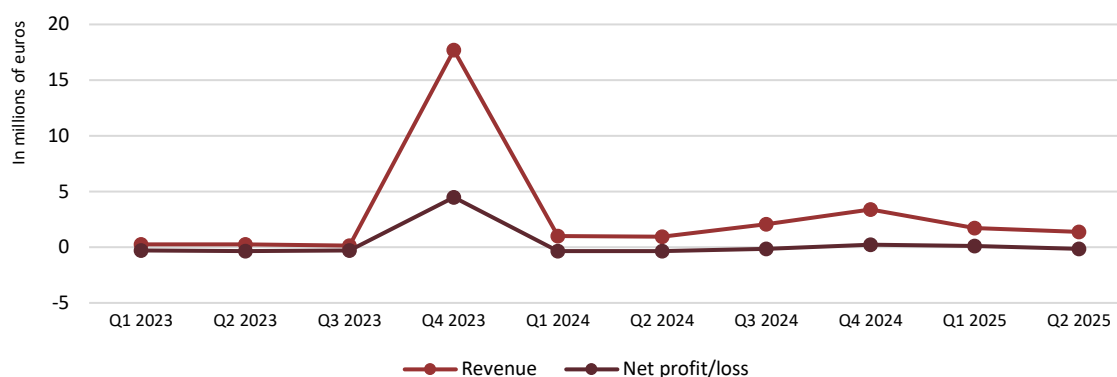
Quick ratio = (current assets - inventory) / current liabilities

Financial leverage = total assets / equity

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

Revenue and net profit/loss during last years

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Total 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Total 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Total 2025
In millions of euros															
Revenue	0.3	0.3	0.1	17.7	18.3	1.0	0.9	2.1	3.4	7.4	1.7	1.4	0.0	0.0	3.1
Net profit/loss	-0.3	-0.3	-0.3	4.5	3.6	-0.3	-0.3	-0.2	0.2	-0.6	0.1	-0.1	0.0	0.0	0.0



Operating report

In Q2 2025, the Group's revenue amounted to 1,387 thousand euros (Q2 2024: 943 thousand euros), of which revenue from real estate sales in the Group's own development projects totaled 1,264 thousand euros (Q2 2024: 870 thousand euros).

Other revenue primarily consists of franchise fees from real estate agencies in Estonia, Latvia, and Bulgaria. Franchise income totaled 123 thousand euros in Q2 2025, compared to 74 thousand euros in Q2 2024.

Estonian Development Projects

The seventh phase of the Kodulahe Kvartal, located at Soodi 6, will comprise three separate apartment buildings with a total of 62 apartments and 4 commercial units. As of the publication date of this report, 13 apartments and 2 commercial units have been pre-sold. In Q2 2025, Soodi 6 received a building permit, and in late June, Kodulahe Kvartal OÜ began construction. The buildings are expected to be completed in Q4 2026.

In the Rannakalda stage of Kodulahe, considered the premium phase, a pavilion, 4 service spaces, and 108 apartments were completed in three separate buildings, many of which have sea views. As of the report date, 16 of the 113 units remain available.

The Kuldlehe project in Pirita consists of an exclusive cluster house with 5 spacious homes. As of the reporting date, 2 of the 5 units are still available.

Arco Vara's subsidiary Arco Spordi OÜ acquired properties at Spordi 3a and 3b in Tallinn during Q1 2025. The project entered the construction phase during Q2. The development comprises two apartment buildings with underground parking, and will include a total of 56 apartments (ranging from 2 to 5 rooms), many with balconies or terraces. Pre-sales of apartments began in Q2 2025, with completion expected by the end of 2026.

Arco Vara's subsidiary Arcojärve OÜ signed a land purchase agreement in 2021 for a property on the shore of Lake Harku, at Paldiski Road 124b, Tallinn. The planned gross construction volume exceeds 35,000 m² of residential and commercial real estate. The expected development period is 6 years, and the project is called Arcojärve. Arco Vara is obligated to pay an additional 1,627 thousand euros for the land within three months of the detailed plan being approved by the Tallinn City Government, but no later than 30 April 2026. Construction of the first phase is scheduled to begin in 2026.

Acquisition of Luther Quarter and Share Issue

In Q2 2025, Arco Vara's subsidiaries, Arco L Factory OÜ, Arco L Torn OÜ, Arco L Torn II OÜ, and Grupi Halduse OÜ, collectively acquired the Luther Quarter. The quarter comprises 15 properties located in central Tallinn, between Pärnu Road, Tatari Street, Vana-Lõuna Street, and Vineeri Street. A detailed plan is in force, allowing for

a gross buildable volume of 95,000 m², including 18,500 m² of commercial space and 33,000 m² of net residential space. Most of the planned volume is already covered by valid building permits.

The acquisition price for the Luther Quarter was 35 million euros. The purchase was financed through a combination of Arco Vara shares, cash, and the assumption (in modified form) of a loan obligation from AS LHV Pank.

On 5 June 2025, Arco Vara's annual general meeting of shareholders approved a targeted share issue to raise the necessary capital for the development of the Luther Quarter. The issue was directed to Alarmo Kapital OÜ, as well as the former owners of the Luther properties - Luther Factory OÜ and Luther Factory Holding OÜ.

Under the terms of the directed share issue, 6,980,000 new shares were issued at a price of 2.50 euros per share, of which 0.70 euros was nominal value and 1.80 euros share premium. The issue was successful, and all new shares are now listed and traded. Following the issue, the

Group maintained the same pre-transaction ratio of equity to interest-bearing liabilities on its balance sheet.

Development of the Luther Quarter will take place in phases, with the first construction works scheduled to begin in Q2 2026.

Bulgarian Development Projects

The Botanica Lozen project in Bulgaria foresees the development of 54 homes (single-family houses) in three phases. Construction and sales of the first 16 houses have begun, and the homes are expected to be completed by the end of 2025. As of the report date, 9 of the 16 houses have been pre-sold.

Other

In 2024, Arco Vara's subsidiary Kerberon OÜ developed a fully automated padel center with six indoor courts at Helme 18, using the construction company Arco Tarc OÜ. The facility has been leased out on a long-term full-rental basis and has been generating rental income for the Group since 2024.

People

Remuneration

The Group is actively recruiting to strengthen its team, as business operations have expanded following the acquisition of the Luther Quarter, resulting in an increased need for personnel. During Q2 2025, a new Chief Financial Officer joined the team. Recruitment is ongoing both in the construction sector and for administrative support functions.

The Group's total personnel expenses for H1 2025 amounted to 324 thousand euros, of which 171 thousand euros were incurred in Q2 (compared to 414 thousand and 212 thousand euros in H1 and Q2 2024, respectively). These personnel expenses include salaries of the construction team, which are capitalized into the cost of ongoing development projects and recognized in the cost of goods sold upon the sale of apartments.

Included in personnel expenses is the remuneration (including social tax) paid to the CEO of the parent company, totaling 117 thousand euros for H1 2025, of which 59 thousand euros were in Q2 (compared to 92 thousand and 46 thousand euros in H1 and Q2 2024, respectively).

Remuneration paid to members of the Supervisory Board (including social tax) amounted to 18 thousand euros in H1 2025, of which 15 thousand euros were paid in Q2. In H1 2024, Supervisory Board fees also totaled 18 thousand euros, including 13 thousand euros in Q2.

Management board and supervisory board

The Management Board of Arco Vara AS is typically composed of one member. Since 15 July 2024, the CEO and the Management Board member of Arco Vara has been Kristina Mustonen, whose mandate is valid for four years.

The Supervisory Board of Arco Vara AS consists of five members. As of 12 January 2021, the members of the Supervisory Board are: Tarmo Sild (Chairman until 7 July 2025), Kert Kesksaik (Chairman as of 8 July 2025), Hillar-Peeter Luitsalu, Allar Niinepuu, and Steven Yaroslav Gorelik.

In Q2 2025, the Annual General Meeting of Shareholders extended the terms of the Supervisory Board members for another five years.

The remuneration was also approved: the Chairman of the Supervisory Board will receive a net monthly fee of 5,000 euros, and ordinary members will receive a net fee of 500 euros for each Supervisory Board meeting attended.

More information about the key personnel of Arco Vara is available on the company's website at www.arcovara.com.

Description of Main Risks

Strategic risk

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

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

Credit risk

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

Currency risk

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

Liquidity and interest rate risks

All of the Group's loan agreements are denominated in euros, and most of the loan liabilities are linked to the 6-month EURIBOR. As a result, the Group is exposed to developments in international capital markets. Long-term interest rate risk is not hedged using derivative instruments.

As of 30 June 2025, the Group had interest-bearing liabilities totaling 34,414 thousand euros, of which 235 thousand euros are due within the next 12 months. During H1 2025, the Group's interest-bearing liabilities increased by 18,081 thousand euros compared to the end of 2024, mainly due to the assumption of loans related to the acquisition of the Luther Quarter.

The Group's cash balance as of 30 June 2025 was 1,388 thousand euros (compared to 1,720 thousand euros as of 31 December 2024).

In Q2 2025, the Group paid 509 thousand euros in interest on its interest-bearing liabilities (Q2 2024: 318 thousand euros). Part of the interest paid was capitalized, and part was recognized as an expense.

As of 30 June 2025, the Group's weighted average interest rate on loans was 9.07%, representing an increase of 0.3 percentage points compared to the end of 2024. The increase in the average loan interest rate was primarily due to the higher-cost loans assumed in connection with the Luther Quarter acquisition.

Shares and shareholders

Share price

Arco Vara AS has issued a total of 17,368,367 ordinary shares, each with a nominal value of 0.70 euros. Arco Vara shares (ticker: ARC1T, ISIN: EE3100034653) are publicly traded on the NASDAQ Tallinn Stock Exchange.

As of 30 June 2025, the share price closed at 1.830 euros, representing a 28.42% increase compared to the closing price of 1.435 euros at the end of 2024. During Q2 2025, the highest recorded share price was 1.875 euros and the lowest was 1.440 euros.

On 5 June 2025, the Annual General Meeting of Shareholders approved a directed share issue to raise the necessary capital for the development of the Luther Quarter. The issue was directed to OÜ Alarmo Kapital as well as to the former owners of the Luther Quarter properties, Luther Factory OÜ and Luther Factory Holding OÜ. Under the terms of the share issue, 6,980,000 new

shares were issued at an issue price of 2.50 euros per share, consisting of a nominal value of 0.70 euros and a share premium of 1.80 euros. The issue was successfully completed, and all new shares are now listed and tradable.

As of 30 June 2025, equity per share was 2.14 euros, compared to 1.90 euros as of 31 December 2024.

The market capitalization of Arco Vara AS as of 30 June 2025 was 31,784 thousand euros, and the share's P/B (price-to-book) ratio was 0.86 (compared to 14,907 thousand euros and a P/B ratio of 0.84 as of 31 December 2024).

The dynamics of Arco Vara AS's share price and trading volumes over the first 6 months of 2025 and the past three years are illustrated in the following charts.

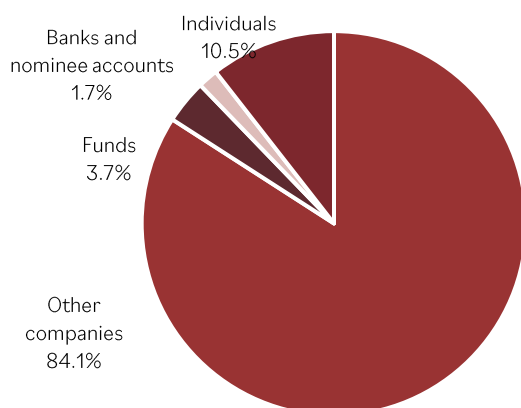


<https://www.nasdaqbaltic.com/statistics/en/instrument/EE3100034653/trading> 01.07.2025

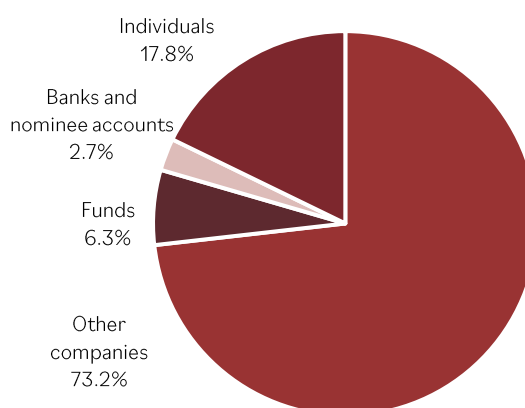
Shareholder structure

As of 30 June 2025, Arco Vara had a total of 7,531 shareholders (compared to 7,891 as of 31 December 2024), including 6,923 individual shareholders (31 December 2024: 7,255), who collectively held a 10.5% stake in the company (31 December 2024: 17.8%). The full breakdown of ownership by shareholder category is presented in the following charts.

Ownership structure as of 30.06.2025



Ownership structure as of 31.12.2024



Major shareholders on 30 June 2025

Name	No of shares	Share, %
Alarmo Kapital OÜ	8 685 031	50.00%
Luther Factory OÜ	3 309 999	19.06%
Luther Factory Holding OÜ	1 570 001	9.04%
FIREBIRD REPUBLICS FUND LTD 1	329 357	1.90%
Aia Tänav OÜ	229 000	1.32%
MARKO TEIMANN	200 029	1.15%
FIREBIRD AVRORA FUND, LTD.	176 703	1.02%
Total	14 500 120	83.49%

Holdings of management and supervisory board members on 30 June 2025

Nimi		Aktsiate arv	Osaluse %
Tarmo Sild ja Allar Niinepuu (Alarmo Kapital OÜ)	Nõukogu esimees/ liige	8 685 031	50.00%
Tarmo Sild (eraisikuna ja läbi Aia Tänav OÜ)	Nõukogu esimees	229 000	1.32%
Hillar-Peeter Luitsalu (HM Investeeringud OÜ, lähikondsed)	Nõukogu liige	134 259	0.77%
Kert Kesksaik (eraisikuna, läbi K Vara OÜ, Kolde Invest OÜ, K24 Invest OÜ ja One Eleven OÜ)	Nõukogu liige	208 088	1.20%
Allar Niinepuu (OÜ Kavass)	Nõukogu liige	29 299	0.17%
Steven Yaroslav Gorelik ¹	Nõukogu liige	0	0.00%
Kristina Mustonen	Juhatuses liige	7 885	0.05%
Kokku:		9 293 562	53.51%

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

CEO's Confirmation 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 first quarter ended on 31 March 2025 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.



Kristina Mustonen
Chief Executive and Member of the Management Board of Arco Vara AS

On 24 July 2025

Condensed Consolidated Interim Financial Statements

Consolidated Statement of Comprehensive Income

	Note	6 months 2025	6 months 2024	Q2 2025	Q2 2024
<i>In thousands of euros</i>					
Revenue from sale of own real estate		2 853	1 797	1 264	870
Revenue from rendering of services		240	136	123	74
Total revenue	2.3	3 093	1 933	1 387	943
Cost of sales	4	-2 069	-1 376	-961	-559
Gross profit		1 025	557	426	384
Other income		1	0	0	0
Marketing and distribution expenses	5	-193	-219	-125	-149
Administrative expenses	6	-562	-631	-293	-335
Other expenses		-4	-16	-4	-2
Operating profit/loss		265	-310	5	-101
Finance income and costs	7	-295	-377	-152	-236
Profit/loss before tax		-30	-687	-147	-338
Income tax		-13	0	0	0
Net profit/loss for the period		-43	-687	-146	-338
Total comprehensive income/expense for the period		-43	-687	-146	-338
Earnings per share (in euros)	8				
- basic		0.00	-0.07	-0.01	-0.03
- diluted		0.00	-0.07	-0.01	-0.03

Consolidated Statement of Financial Position

	Note	30 June 2025	31 December 2024
<i>In thousands of euros</i>			
Cash and cash equivalents		1 388	1 720
Receivables and prepayments		5 775	5 690
Inventories		68 930	29 170
Total current assets		76 093	36 580
Receivables and prepayments		18	18
Investment property		2 296	2 296
Property, plant and equipment		587	622
Intangible assets		52	52
Total non-current assets		2 953	2 988
TOTAL ASSETS		79 046	39 568
Loans and borrowings		235	234
Payables and deferred income		6 910	4 297
Provisions		341	317
Total current liabilities		7 486	4 848
Loans and borrowings		34 414	14 981
Total non-current liabilities		34 414	14 981
TOTAL LIABILITIES		41 900	19 829
Share capital		12 158	7 272
Additional paid-in capital		16 399	3 835
Statutory capital reserve		2 011	2 011
Other reserves	8	28	28
Retained earnings		6 551	6 593
Total equity attributable to owners of the parent		37 146	19 739
TOTAL EQUITY		37 146	19 739
TOTAL LIABILITIES AND EQUITY		79 046	39 568

Consolidated Statement of Cash Flows

	Note	6 months 2025	6 months 2024	Q2 2025	Q2 2024
<i>In thousands of euros</i>					
Cash receipts from customers		4 089	2 103	2 403	293
Cash paid to suppliers		-36 909	-5 977	-32 571	-3 324
Taxes paid		-740	-1 861	-591	-489
Taxes recovered		153	517	93	330
Cash paid to employees		-326	-896	-188	-717
Other payments and receipts related to operating activities (net)		10	9	2	6
NET CASH FROM/USED IN OPERATING ACTIVITIES		-33 722	-6 103	-30 853	-3 902
Payments made on purchase of tangible and intangible assets		-2	0	-2	0
Proceeds from sale of subsidiaries		-10	0	-10	0
NET CASH USED IN INVESTING ACTIVITIES		-12	0	-12	0
Proceeds from loans received	12	36 378	7 452	33 288	5 232
Settlement of loans and borrowings	12	-14 763	-456	-14 355	-34
Interest paid		-831	-549	-509	-318
Dividends paid		-104	-312	0	-208
Income tax on dividends		-12	0	-12	0
Proceeds from share capital increase		17 460	0	17 460	0
Other payments related to financing activities		-78	0	-69	0
NET CASH FROM/USED IN FINANCING ACTIVITIES		38 049	6 136	35 804	4 672
NET CASH FLOW		4 315	-738	4 939	770
Cash and cash equivalents at the beginning of period		1 720	1 472	1 113	734
Change in cash and cash equivalents		4 315	-738	4 939	770
Cash and cash equivalents at end of period		1 388	734	1 388	734

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 at 31 December 2023	7 272	3 835	2 011	57	7 843	21 018
Total comprehensive income for the period	0	0	0	0	-687	-687
Balance as at 30 June 2024	7 272	3 835	2 011	57	6 530	19 705
Balance as at 31 December 2024	7 272	3 835	2 011	28	6 593	19 739
Increase of share capital	4 886	12 564	0	0	0	17 450
Total comprehensive income for the period	0	0	0	0	-43	-43
Balance as at 30 June 2025	12 158	16 399	2 011	28	6 551	37 146

Notes to the Condensed Interim Financial Statements

1. Significant accounting policies

The unaudited consolidated interim financial report of Arco Vara AS for Q1 2025 has been prepared in accordance with the International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The condensed consolidated interim report is intended to be read in conjunction with the audited consolidated financial

statements for the year ended 31 December 2024, which were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

2. Segment information

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

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

Revenue by operating segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Eliminations		Consolidated	
	6 months 2025	6 months 2024	6 months 2025	6 months 2024	6 months 2025	6 months 2024	6 months 2025	6 months 2024	6 months 2025	6 months 2024	6 months 2025	6 months 2024
<i>In thousands of euros</i>												
External revenue	0	0	2 853	1 804	0	0	240	129	-	-	3 093	1 933
Revenue from other segments	0	0	0	0	0	1 331	497	431	-497	-1 761	0	0
Total revenue	0	0	2 853	1 804	0	1 331	736	560	-497	-1 761	3 093	1 933

External revenue and profit/ loss by segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Consolidated	
	6 months 2025	6 months 2024	6 months 2025	6 months 2024	6 months 2025	6 months 2024	6 months 2025	6 months 2024	6 months 2025	6 months 2024
<i>In thousands of euros</i>										
Revenue	0	0	2 853	1 804	0	0	240	129	3 093	1 933
Operating profit/loss	-146	90	571	-225	-87	-282	-73	106	265	-310
Net profit/loss	-171	89	330	-444	-87	-281	-115	-52	-43	-687

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Consolidated	
	Q2 2025	Q2 2024	Q2 2025	Q2 2024	Q2 2025	Q2 2024	Q2 2025	Q2 2024	Q2 2025	Q2 2024
<i>In thousands of euros</i>										
Revenue	0	0	1 264	870	0	0	123	73	1 387	943
Operating profit/loss	-85	171	82	-98	-41	-212	49	35	5	-102
Net profit/loss	-108	170	-30	-255	-41	-211	33	-44	-146	-338

External assets and liabilities by segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Consolidated	
	30.06.25	31.12.24	30.06.25	31.12.24	30.06.25	31.12.24	30.06.25	31.12.24	30.06.25	31.12.24
<i>In thousands of euros</i>										
Assets	12 880	12 152	60 152	21 797	2 512	2 151	3 502	3 468	79 046	39 568
Incl. PPE and intangible assets	12	16	470	475	0	1	157	182	639	674
Liabilities	6 488	3 551	28 503	10 177	524	279	6 385	5 822	41 900	19 829

3. Revenue

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

	Estonia		Bulgaria		Latvia		Consolidated	
	6 months 2025	6 months 2024	6 months 2025	6 months 2024	6 months 2025	6 months 2024	6 months 2025	6 months 2024
<i>In thousands of euros</i>								
Sale of own real estate	2 853	1 797	0	0	0	0	2 853	1 797
Rental of real estate	88	1	0	0	0	0	88	1
Property management services	0	0	0	0	0	0	0	0
Franchise	88	89	41	25	15	14	144	128
Other revenue	8	7	0	0	0	0	8	7
Total revenue	3 037	1 894	41	25	15	14	3 093	1 933

4. Cost of sales

	6 months 2025	6 months 2024	Q2 2025	Q2 2024
<i>In thousands of euros</i>				
Cost of real estate sold (notes 10, 11)	-1 895	-1 021	-861	-355
Brokerage fees	-28	-8	-17	-4
Property management costs	-73	-100	-42	-29
Personnel expenses	-7	-128	0	-120
Other costs	-66	-119	-41	-51
Total cost of sales	-2 069	-1 376	-961	-559

5. Marketing and distribution expenses

	6 months 2025	6 months 2024	Q2 2025	Q2 2024
<i>In thousands of euros</i>				
Advertising expenses	-70	-86	-47	-65
Personnel expenses	-55	-46	-31	-24
Depreciation, amortisation and impairment losses	-5	0	-2	0
Other marketing and distribution expenses	-64	-87	-44	-60
Total marketing and distribution expenses	-193	-219	-125	-149

6. Administrative expenses

	6 months 2025	6 months 2024	Q2 2025	Q2 2024
<i>In thousands of euros</i>				
Personnel expenses	-324	-414	-171	-212
Office expenses	-43	-42	-25	-18
IT expenses	-15	-17	-7	-8
Services purchased	-110	-94	-56	-58
Depreciation, amortisation and impairment losses	-46	-40	-23	-20
Legal service fees	-9	-13	-4	-10
Other expenses	-14	-11	-7	-8
Total administrative expenses	-562	-631	-293	-335

7. Financial income and expenses

	6 months 2025	6 months 2024	Q2 2025	Q2 2024
<i>In thousands of euros</i>				
Interest expenses	-277	-373	-130	-230
Interest income	9	7	2	4
Other finance income and costs	-27	-11	-24	-11
Total finance income and costs	-295	-377	-152	-236

8. Earnings per share

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

	6 months 2025	6 months 2024	Q2 2025	Q2 2024
Weighted average number of ordinary shares outstanding during the period	17 368 367	10 388 367	17 368 367	10 388 367
Number of ordinary shares potentially to be issued (at period end)	0	63 000	0	63 000
Net profit/loss attributable to owners of the parent (in thousands of euros)	-43	-687	-146	-338
Earnings per share (in euros)	0.00	-0.07	-0.01	-0.03
Diluted earnings per share (in euros)	0.00	-0.07	-0.01	-0.03

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

A new option program for up to 240,000 shares for the current CEO was approved at the 2025 Annual General Meeting.

9. Receivables and prepayments

Short-term receivables and prepayments

	30 June 2025	31 December 2024
<i>In thousands of euros</i>		
Receivables from customers	166	352
Miscellaneous receivables	6	6
Prepaid and recoverable taxes	342	153
Other accrued income	5	6
Prepayments	5 256	5 173
Total short-term receivables and prepayments	5 775	5 690

Long-term receivables and prepayments

	30 June 2025	31 December 2024
<i>In thousands of euros</i>		
Prepayments	18	18
Total long-term receivables and prepayments	18	18

As of both 30 June 2025 and 31 December 2024, a prepayment of 4,978 thousand euros has been made for the Arcojärve property.

10. Inventories

Properties purchased and being developed for resale	30 June 2025	31 December 2024
<i>In thousands of euros</i>		
Properties in stock	6 176	8 060
Properties under construction	8 830	7 973
Properties with a building permit	39 817	45
Properties in the construction permit process	5 841	5 631
Properties in the detailed planning process	8 265	7 461
Total inventories	68 930	29 170

	2025	2024
<i>In thousands of euros</i>		
Balance at the beginning of period, 1 January	29 170	27 637
Properties purchased for development	39 291	0
Construction costs of apartment buildings	248	2 282
Capitalized borrowing costs	388	177
Other capitalized costs	1 739	582
Reclassification to/from investment property (note 11)	0	-88
Cost of sold properties (note 4)	-1 906	-971
Balance at the end of period, 30 June	68 930	29 619

11. Investment property

	2025	2024
<i>In thousands of euros</i>		
Balance at the beginning of period, 1 January	2 296	20
Capitalised development costs	0	1 322
Reclassification to/from inventories (note 10)	0	88
Balance at the end of period, 30 June	2 296	1 430

12. Interest bearing liabilities

	As of 30 June 2025			As of 31 December 2024		
	Total	of which current portion	of which non-current portion	Total	of which current portion	of which non-current portion
In thousands of euros						
Bank loans	30 552	177	30 375	11 089	176	10 913
Bonds	4 000	0	4 000	4 000	0	4 000
Finance lease liabilities	97	58	39	126	58	68
Other loans	0	0	0	0	0	0
Total	34 649	235	34 414	15 215	234	14 981

In the first half of 2025, the Group repaid loan liabilities through cash transactions in the total amount of 14,763 thousand euros (H1 2024: 456 thousand euros), while new loans received amounted to 36,378 thousand euros (H1 2024: 7,452 thousand euros). Additionally, during H1 2025, buyers made direct payments to the bank totaling 2,565 thousand euros (H1 2024: 1,354 thousand euros). These amounts are not reflected in the Group's cash flow statement.

In the first half of 2025, the following loan obligations were reduced:

- Bank loan for financing the construction of the Kodulahe Rannakalda apartment building by 2,861 thousand euros, of which 2,565 thousand euros were paid directly by clients;
- Bank loan for financing the land acquisition of Kodulahe Phase VIII (Lammi 6) by 39 thousand euros;
- Short-term bank loan for financing the Luther Quarter transaction by 2,000 thousand euros;
- Short-term loan for financing the Luther Quarter transaction by 12,000 thousand euros;
- Capitalized office lease by 29 thousand euros.

In the first half of 2025, the Group assumed the following new loan obligations:

- Bank loan of 900 thousand euros for financing the construction of the Kodulahe Rannakalda apartment building;
- Land loan of 2,190 thousand euros for the properties at Spordi 3a and 3b;
- Short-term bank loan of 2,000 thousand euros for financing the Luther Quarter transaction;
- Short-term loan of 12,000 thousand euros for financing the Luther Quarter transaction;
- Bank loan of 17,700 thousand euros for financing the Luther development project;
- Bank loan of 1,582 thousand euros for financing the construction of the Botanica Lozen development project in Bulgaria.

In the first half of 2024, the following loan obligations were reduced:

- Bank loan for financing the construction of the Kodulahe Rannakalda apartment building by 1,751 thousand euros, of which 1,354 thousand euros were paid directly by clients;
- Bank loan for financing the land acquisition of Kodulahe Phase VIII (Lammi 6) by 29 thousand euros;
- Capitalized office lease by 30 thousand euros.

In the first half of 2024, the Group assumed the following new loan obligation:

- Bank loan of 7,452 thousand euros for financing the construction of the Kodulahe Rannakalda apartment building.

13. Payables and deferred income

Short-term payables and deferred income

	30 June 2025	31 December 2024
In thousands of euros		
Trade payables	1 841	1 435
Taxes payable		
Value added tax	300	4
Social security tax	97	14
Personal income tax	63	7
Other taxes	42	1
Total taxes payable	503	26
Accrued expenses		
Payables to employees	173	136
Dividend payable	0	104
Other accrued expenses	189	188
Total accrued expenses	362	428
Deferred income		
Prepayments received on sale of real estate	4 201	2 110
Security deposits	0	53
Total deferred income	4 201	2 163
Total short-term payables and deferred income	6 910	4 297

As of 31 December 2024, the amount payable to the supplier for the planned construction of Botanica Lozen was higher than usual. Customer prepayments for the Botanica Lozen project amounted to 3,887 thousand euros as of 30 June 2025, compared to 1,889 thousand euros as of 31 December 2024.

Additionally, prepayments received from customers for the Soodi 6 project totaled 298 thousand euros as of 30 June 2025 and 219 thousand euros as of 31 December 2024. As of 30 June 2025, prepayments from customers for the Kuldlehe project amounted to 70 thousand euros, compared to 0 thousand euros as of 31 December 2024.

14. Transactions and Balances with Related Parties

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

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

Transactions with related parties

	6 months 2025	6 months 2024
<i>In thousands of euros</i>		
Other related parties		
Services purchased	105	13
Paid interest	8	0

Balances with related parties

	30 June 2025	31 December 2024
<i>In thousands of euros</i>		
Other related parties		
Bonds issued	310	310

In the first half of 2025, total remuneration (including social tax) calculated for the CEO of the Group's parent company amounted to 105 thousand euros (H1 2024: 46 thousand euros).

Remuneration calculated for members of the Supervisory Board totaled 18 thousand euros in the first half of 2025, the same amount as in the first half of 2024.

The CEO's remuneration is based on a Management Board member agreement. According to the agreement with Kristina Mustonen, who leads Arco Vara AS, and the decision of the Supervisory Board, her fixed monthly net salary is 11,000 euros. Upon termination, the CEO is entitled to a severance payment equal to four months' salary.

Supervisory Board members receive a net fee of 500 euros per attended meeting, but no more than 1,000 euros (net) per calendar month. Payment is conditional upon the member signing the meeting minutes. Reasonable travel expenses related to attending Supervisory Board meetings are reimbursed. In addition, the Chairman of the Supervisory Board receives a fixed net monthly fee of 500 euros.

In Q2 2025, the Annual General Meeting approved an updated remuneration for the Chairman of the Supervisory Board — a fixed monthly net fee of 5,000 euros. The Chairman no longer receives separate meeting fees.

Statement by the CEO/ Member of the Management Board

The CEO / member of the management board of Arco Vara AS has prepared Arco Vara AS's condensed consolidated interim financial statements for the first quarter ended on 30 June 2025.

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.



Kristina Mustonen
Chief Executive and Member of the Management Board of Arco Vara AS

On 24 July 2025