



## **Arco Vara AS**

Interim report for the 1 quarter of 2023  
(unaudited)



ARCO VARA

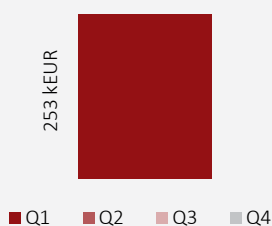


INTERIM REPORT FOR THE FIRST QUARTER OF 2023  
(UNAUDITED)

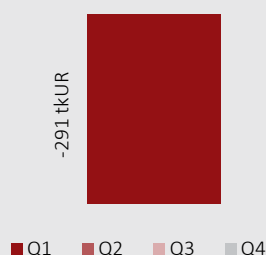
Company name	Arco Vara AS
Registry number	10261718
Address	Rotermanni tn 10, 10111 Tallinn, Republic of Estonia
Telephone	+372 614 4630
E-mail	info@arcovara.com
Corporate website	www.arcovara.com
Financial year	1 January 2023 – 31 December 2023
Reporting period	1 January 2023 – 31 March 2023
Supervisory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

<b>Directors' Report for Q1 2023</b> .....	<b>4</b>
Group CEO's Review .....	4
Arco Vara's Active Projects 31.03.2023 .....	7
General Information .....	9
Activities of the group .....	9
Group structure .....	9
Key Performance Indicators .....	10
People .....	13
Description of Main Risks .....	14
Shares and shareholders .....	15
CEO's Confirmation on Directors' Report.....	17
<b>Condensed Consolidated Interim Financial Statements</b> .....	<b>18</b>
Consolidated Statement of Comprehensive Income .....	18
Consolidated Statement of Financial Position .....	19
Consolidated Statement of Cash Flows .....	20
Consolidated Statement of Changes in Equity .....	21
Notes to the Condensed Interim Financial Statements.....	22
1. Significant accounting policies .....	22
2. Segment information .....	22
3. Revenue .....	23
4. Cost of sales .....	23
5. Marketing and distribution expenses .....	24
6. Administrative expenses .....	24
7. Financial income and expenses .....	24
8. Earnings per share.....	25
9. Receivables and prepayments .....	25
10. Inventories .....	25
11. Investment property .....	26
12. Interest bearing liabilities .....	26
13. Payables and deferred income .....	27
14. Related party disclosure .....	28
Statement by the CEO/ Member of the Management Board .....	29

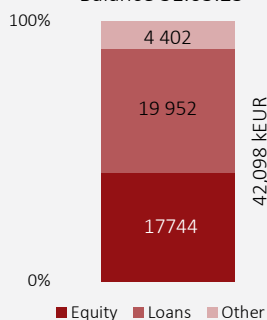
Revenue 2023



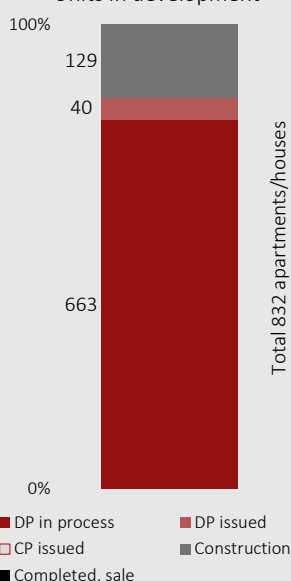
Net profit/loss 2023



Balance 31.03.23



Units in development



The thrombosis in the real estate market eased in the first quarter of the year, as evidenced by the increased number of inquiries and transactions compared to the fourth quarter of 2022. The market is showing encouraging sign of improvement, but the recovery is not yet sufficient to an active market. From the viewpoint of Arco Vara, it is positive to see the strengthening of consumer confidence and the banks' flexible terms and conditions for new home loans.

Contrary to the cooling real estate market, our construction team is exceeding expectations in terms of the time schedule of the Kodulahe Rannakalda development. Based on the efficiency of Arco Tarc, we have updated the sales and profit forecast for 2023 and 2024, increasing the profit forecast for 2023 by approximately EUR 2 million. According to the sales forecast, EUR 13.1 million is already booked in home pre-sale contracts. We also updated the forecast for the next financial year, reflecting the expected extended sales period in Botanica Lozen Residences and Kuldlehe.

In the first quarter of 2023, we started construction works at Lehiku tee 11 on Kuldlehe boutique residences built in cooperation with the general contractor Combicon OÜ. Five premium-class homes should be completed within 12 months and the public sale started on April 21. More information about the development is available at [www.kuldlehe.ee](http://www.kuldlehe.ee)

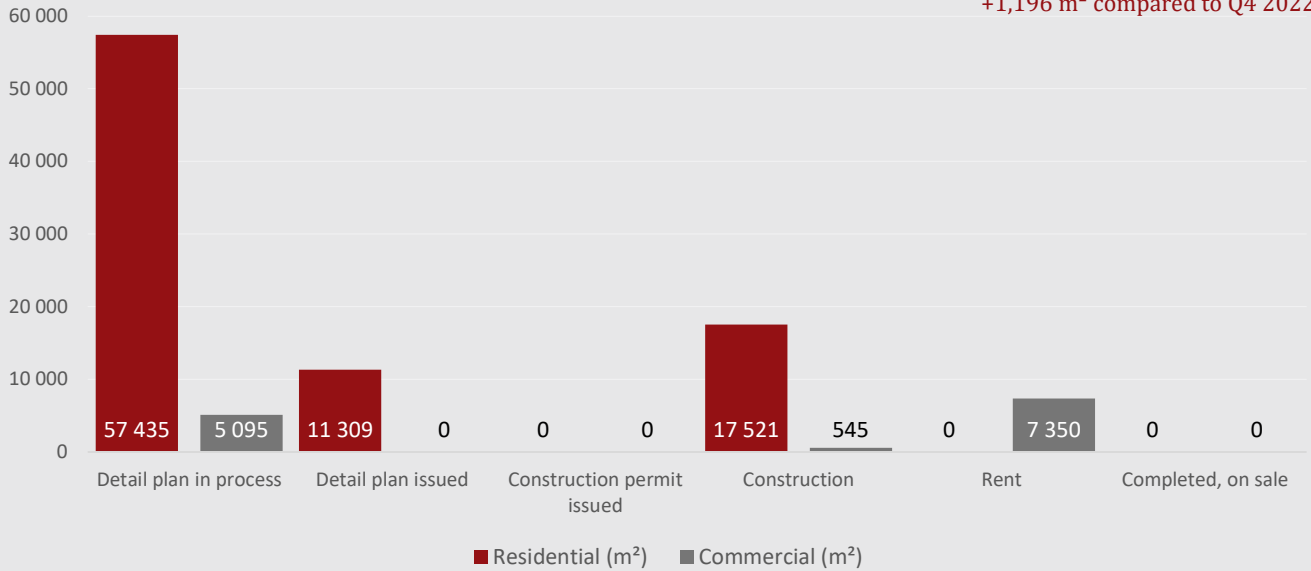
Botanica Lozen Residences is in the active phase focusing on the construction of foundations, retaining walls and utility lines. The main challenge for the Bulgarian team of Arco Vara and the general contractor is to stay on schedule as construction site is complex and located on the hillside. Arco Vara has learned from the development of Iztok Parkside, which is why a longer buffer period for the handover of buildings has been included in the contracts. By the time of publishing the report, in the first phase 1 out of 16 houses have been sold.

Key challenges in the sales process of Madrid BLVD have been overcome, instilling confidence that the planned completion will take place in the second quarter of this year. EUR 4.1 million from the transaction will be allocated for the development of residential real estate in Estonia and Bulgaria.

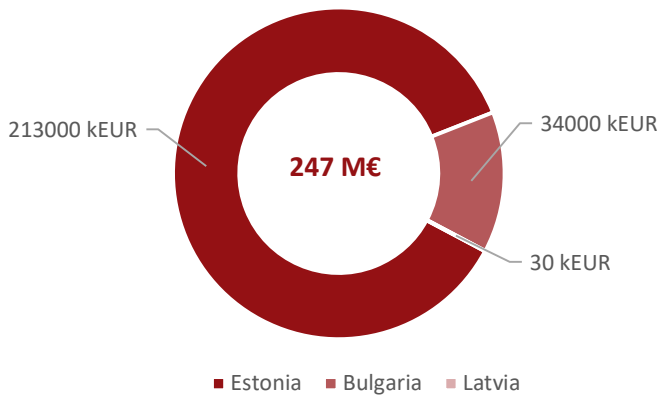
As a Group, we reached a new milestone in the first quarter of 2023, where we exceeded EUR 40 million in assets and we expect growth in the coming quarters. With support by our team and financials, Arco Vara continues with the target to provide 200 homes each year.

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

**Total 99,273 m<sup>2</sup>**  
+1,196 m<sup>2</sup> compared to Q4 2022

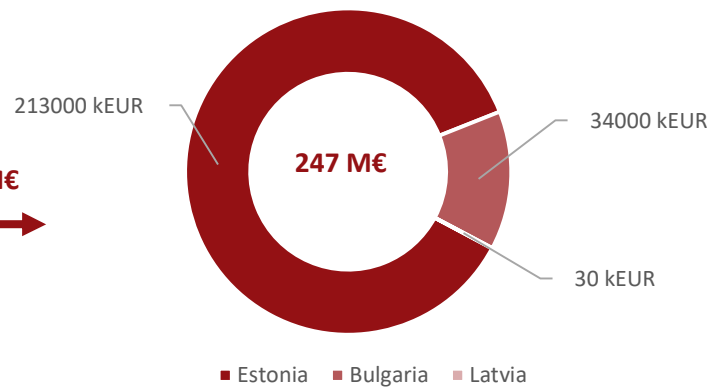


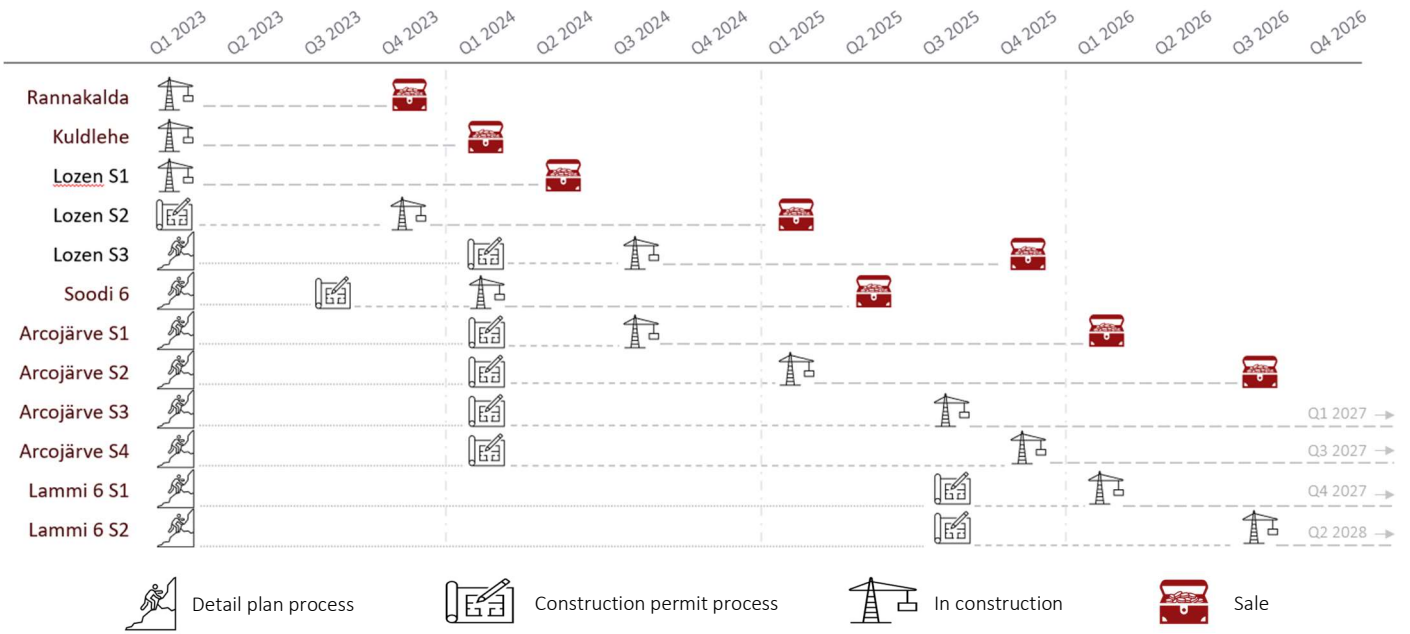
Potentials revenue of development projects upon completion as of 31.12.2022



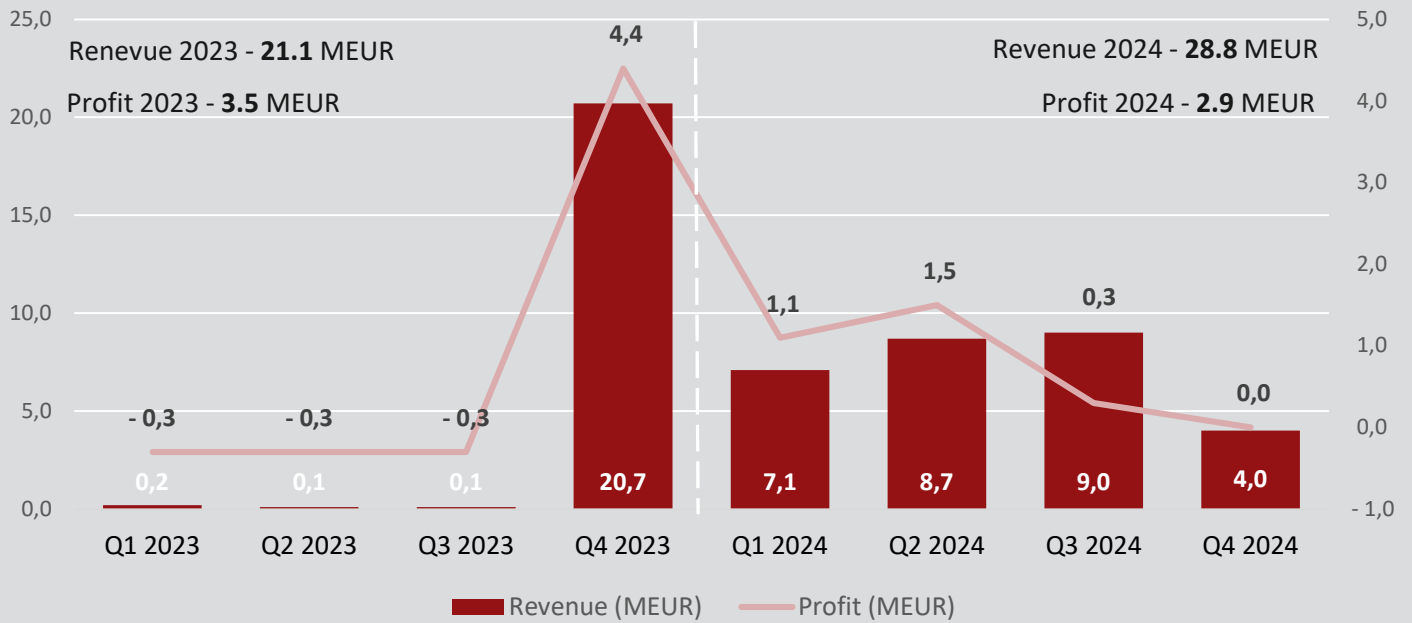
Potential revenue of development projects upon completion as of 31.03.2023

**0 M€**





Arco Vara Group revenue and profit prognoses 2023-2024



# Arco Vara's Active Projects as of 31.03.2023



Project name

## Kodulahe Rannakalda

Address

Lammi 8, Tallinn

Product main type

Apartments, commercial spaces

Project stage

Construction

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

9,525

GSA/GLA (above ground) available

8,888

No of units (above ground) available

113



Project name

## Stage 1 Botanica Lozen

Address

Lozen, near Sofia

Product main type

Houses

Project stage

Construction

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

20,190

GSA/GLA (above ground)

5,485

No of units (above ground)

16



Project name

## Kuldlehe

Address

Lehiku road 11, Tallinn

Product main type

Apartments

Project stage

Construction

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

5,219

GSA/GLA (above ground) available

922

No of units (above ground) available

5



Project name

## Stage 7 Kodulahe

Address

Soodi 6, Tallinn

Product main type

Apartments, commercial spaces

Project stage

Detail plan in process

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

5,444

GSA/GLA (above ground)

<5,070>

No of units (above ground)

<75>



Project name

## S2 and S3 Botanica Lozen

Address

Lozen, near Sofia

Product main type

Houses

Project stage

Detail plan issued

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

27,260

GSA/GLA (above ground)

<11,309>

No of units (above ground)

<40>



Project name

## Arcojärve

Address

Paldiski road 124b, Tallinn

Product main type

Apartments

Project stage

Building rights procedure

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

69,506

GSA/GLA (above ground)

<26,750>

No of units (above ground)

<435>

# Arco Vara's Active Projects as of 31.03.2023



Project name

## Stage 8 Kodulahe

Address

**Lammi 6, Tallinn**

Product main type

**Apartments, commercial spaces**

Project stage

**Detail plan in process**

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

**14,553**

GSA/GLA (above ground)

**<11,000>**

No of units (above ground)

**<160>**



Project name

## Madrid BLVD

Address

**Madrid Blvd, Sofia**

Product main type

**Lease: Retail/Offices**

Project stage

**Facility management and/or lease**

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

-

GSA/GLA (above ground) available

**7,350**

No of units (above ground) available

**22**

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



# General Information

## Activities of the group

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

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

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

## Vision and mission

Arco Vara's vision:

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

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

## Group structure

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

As of 31 March 2023, the group consisted of 18 companies, which is the same as of 31 December 2022.

## Significant subsidiaries as of 31 March 2023

Company name	Location	Share capital (nominal value)	Equity balance on 31 March 2023	The group's interest
In thousands of euros				
Arco Invest EOOD	Bulgaria	31,762	4,741	100%
Botanica Lozen EOOD	Bulgaria	2,931	1,515	100%
Kodulahe Kvartal OÜ	Estonia	140	352	100%
Kodulahe OÜ	Estonia	3	5,413	100%
Kerberon OÜ	Estonia	5	1,987	100%
Kolde OÜ	Estonia	28	62	100%

**3**  
countries

**30**  
years of experience

**2,700+**  
new homes

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

## Arco Vara AS subsidiaries



# Key Performance Indicators

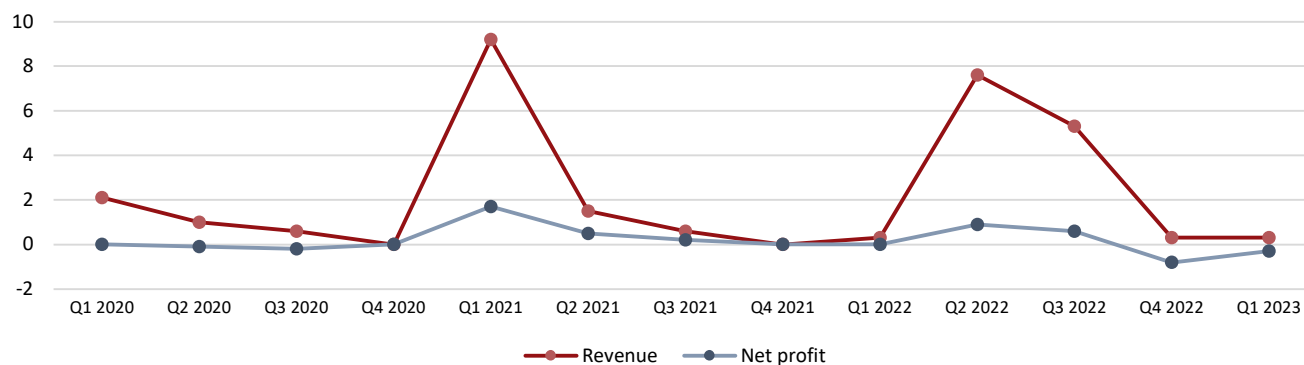
- In Q1 2023, the group's revenue was 253 thousand euros, which is 16% less than the revenue of 302 thousand euros in Q1 2022.
- In Q1 2023, the group's operating loss (=EBIT) was 184 thousand euros and net loss 291 thousand euros. In Q1 2022, the group had operating profit of 103 thousand euros and net profit of 16 thousand euros.
- In Q1 2023, one parking place was sold in projects developed by the group. In Q1 2022, one land plot was sold in Latvia.
- In the 3 months of 2023, the group's debt burden (net loans) increased by 3,077 thousand euros up to the level of 17,739 thousand euros as of 31 March 2023. As of 31 March 2023, the weighted average annual interest rate of interest-bearing liabilities was 5.7%. This is a decrease of 0.1 percentage points compared to 31 December 2022.

## Main financial figures

	Q1 2023	Q1 2022
In thousands of euros		
<b>Revenue</b>	<b>253</b>	<b>302</b>
<b>Operating profit/ loss (EBIT)</b>	<b>-184</b>	<b>103</b>
Finance expense	-107	-87
<b>Net profit/ loss</b>	<b>-291</b>	<b>16</b>
Cash flows used in operating activities	-2,740	-1,377
Cash flows from investing activities	59	648
Cash flows from financing activities	1,467	1,326
<b>Net cash flows</b>	<b>-1,214</b>	<b>597</b>
Cash and cash equivalents at beginning of period	3,427	1,863
Cash and cash equivalents at end of period	2,213	2,460
Total assets at the end of period	42,098	34,260
Invested capital at the end of period	37,696	30,738
Net loans at the end of period	17,739	10,300
Equity at the end of period	17,744	17,978

## Revenue and net profit/loss during last years

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Total 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Total 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Total 2022	Q1 2023
In thousands of euros																
Revenue	2.1	1.0	0.6	10.3	<b>14.0</b>	9.2	1.5	0.6	0.3	<b>11.6</b>	0.3	7.6	5.3	0.3	<b>13.5</b>	0.3
Net profit/loss	0.0	-0.1	-0.2	1.3	<b>1.0</b>	1.7	0.5	0.2	-0.3	<b>2.1</b>	0.0	0.9	0.6	-0.8	<b>0.7</b>	-0.3



## Key Ratios

	Q1 2023	Q1 2022
EPS (in euros)	-0.03	0.00
Diluted EPS (in euros)	-0.03	0.00
Net profit ratio (rolling, four quarters)	3%	14%
EBITDA per share (in euros) (rolling, four quarters)	0.09	0.10
ROIC (rolling, four quarters)	1.2%	1.4%
ROE (rolling, four quarters)	2.1%	2.3%
ROA (rolling, four quarters)	1.1%	1.3%
Equity ratio	42.1%	52.5%
Current ratio	4.36	2.20
Quick ratio	1.63	0.57
Financial leverage	2.38	1.91
Average loan term (in years)	2.3	1.5
Average annual interest rate of loans)	5.7%	5.3%
Number of staff, at period end	20	17

### Formulas used:

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

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

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

during the period + number of all potentially issued shares)

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

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

Net loans = current + non-current interest-bearing loans and borrowings – cash and cash equivalents – short-term investments in securities (at the end of period)

Return on invested capital (ROIC) = net profit of last four quarters / average invested capital  
Return on equity (ROE) = net profit of last four quarters / average equity  
Return on assets (ROA) = net profit of last four quarters / average total assets  
Equity ratio = equity / total assets  
Current ratio = current assets / current liabilities  
Quick ratio = (current assets - inventory) / current liabilities  
Financial leverage = total assets / equity  
Number of staff = number of people working for the group under employment or service contracts

## Operating report

In the first quarter of 2023, no apartment buildings were completed, therefore, the group's sales revenue was 253 thousand euros (the same in the first quarter of 2022, sales revenue of 302 thousand euros).

Most of the other revenue of the group consisted of rental and property management services income from commercial and office premises in Madrid Blvd building in Sofia, amounting to 196 thousand euros in Q1 2023 (Q1 2022: 203 thousand euros). By the time of publishing the present report, all ready for rent offices were rented out, as were all commercial spaces, together with parking places. 9% of the office area is in renovation.

The Madrid building is in an ongoing sales process, which is expected to be completed in Q2 of 2023. There is no profit or loss from the sale of the building in 2023 because the discounts were recognized in 2022. The transaction is not reflected in the sales revenue, as it is the sale of a real estate investment. The deal is expected to free up 4.1 million euros worth of equity capital.

Arco Vara's own construction company Arco Tarc OÜ is the main contractor for the most premium stage of Kodulahe - Rannakalda. Under construction are a

pavilion, 4 service areas and 108 apartments (in three separate apartment buildings), many of which have sea views. The apartment buildings will be ready in the Q4 2023. As at the date of publishing the interim report, 45 units out of the 113 have been presold.

A subsidiary of Arco Vara, Aktsiaselts Kolde, in 2021 signed an agreement for land acquisition beside Lake Harku, address Paldiski road 124b, Tallinn. More than 35,000 m<sup>2</sup> of residential and commercial real estate (GBA) is planned for development. The project is called Arcojärve. The expected development period is 6 years with the start of construction planned for 2024.

Construction is underway in the Kuldlehe project. The plan is to build a spacious and exclusive cluster house with 5 homes in Pirita in 2023. The sale of the project has started.

The Botanica Lozen project foresees construction of 54 homes (houses) in three stages. Construction and sales of the first 16 buildings have begun. The construction time of the whole project is at least 2 years. By the date of publication of the quarterly report, 1 out of 16 houses has been pre-sold.



## Remuneration

As of 31 March 2023, 20 people worked for the group (19 as of 31 December 2022). Employee remuneration expenses in Q1 2023 amounted to 192 thousand euros, out (Q1 2022: 139 thousand euros).

The remuneration of the member of the management board / CEO of the group's parent company including social security charges amounted to 30 thousand euros in Q1 2023, 29 thousand euros in Q1 2022.

The members of the supervisory board of the group's parent company were remunerated by 3 thousand euros in Q1 2023, in Q1 2022, also 3 thousand euros.

## Management board and supervisory board

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

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

## Strategic risk

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

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

## Credit risk

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

## Liquidity and interest rate risks

The base currency of the group's all loan agreements is euro, and although as of the date of the report, most of the loan obligations have a fixed interest rate, the base interest rate for the financing loan for the Tallinn Lammi 6 land is 6 months' EURIBOR. As a result, the group is partly exposed to developments on international capital markets. The group does not use hedging instruments to mitigate its long-term interest rate risk. The group's interest-bearing liabilities amounted to 19,952 thousand euros on 31 March 2023, out of which 5,252 thousand euros is due within next 12 months. The group's interest-bearing liabilities have increased by 1,863 thousand euros in the 3 months of 2023. The group's cash and cash equivalents totaled 2,213 thousand euros as of 31 March 2023 (31 December 2022 3,427 thousand). In Q1 2023, interest payments on interest-bearing liabilities totaled 294 thousand euros (in Q1 2022: 152 thousand euros), partly capitalised, partly in expence. The group's weighted average loan interest rate was 5.7% as of 31 March 2023. This is a decrease by 0.1 percentage points compared to the end of year 2022. The reason for the decrease in the average interest rate of loan obligations is starting using a development loan which has a lower interest rate in 2023.

## Currency risk

Real estate sales are mostly nominated in euros, as a result of which the group's assets and liabilities structure does not involve a significant currency risk. The group is not protected against currency devaluations. Liquid assets are mostly held on demand or short-term deposits denominated in euros.

## Share price

Arco Vara AS has issued a total of 10,388,367 ordinary shares with nominal value of 0.7 euros per share. The shares (ARC1T, ISIN EE3100034653) are freely traded on NASDAQ Tallinn stock exchange. The share price closed at 1.776 euros on 31 March 2023; the closing price was 1.792 euros on 31 December 2022. During the period, the highest traded price per share was 1.878 euros and the lowest price 1.73 euros. Equity per share was 1.71 euros as of 31 March 2023, 1.74 as of 31 December 2022.

As of 31 March 2023, market capitalization of shares amounted to 18,450 thousand euros and P/B (price to book value) ratio was 1.04 (31 December 2022: 18,616 thousand euros and 1.03, respectively). P/E (price to earnings) ratio of the share was 47,55 on 31 March 2023, 26,79 as on 31 December 2022.

The following charts reflect the movements in the price and daily turnover of Arco Vara's share in 3 months 2023 and during the last three years.

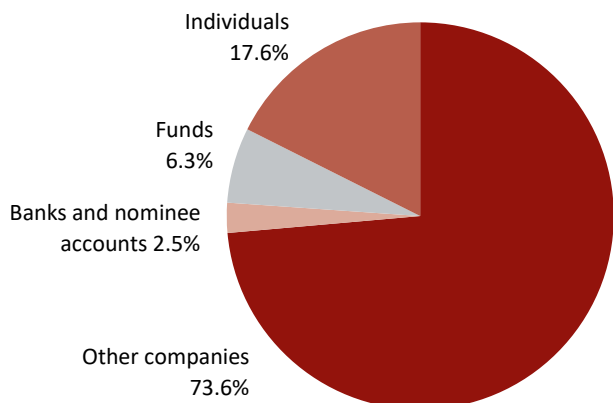


<https://nasdaqbaltic.com/statistics/en/instrument/EE3100034653/trading?date=2023-04-26>

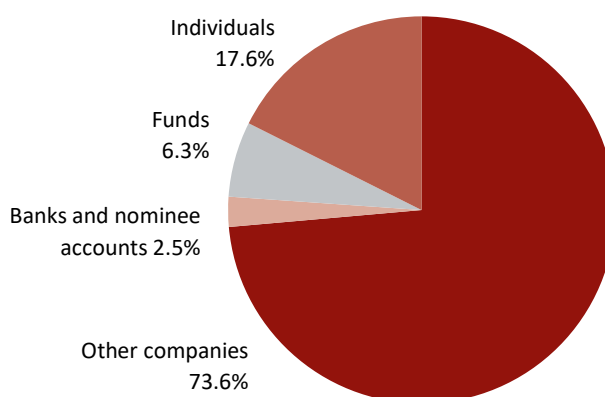
## Shareholder structure

As of 31 March 2022, Arco Vara had 8,673 shareholders (on 31 December 2022 8,692), including 7,915 individuals as shareholders (on 31 December 2022: 7,916 individuals) who jointly owned 17.6% (on 31 December 2022: also 17,6%) out of all Arco Vara shares. Complete shareholder structures are presented on the following diagrams.

Ownership structure as of 31 March 2023



Ownership structure as of 31 December 2022



## Major shareholders on 31 March 2023

Name	No of shares	Share, %
Alarmo Kapital OÜ	6,438,531	62.0%
FIREBIRD REPUBLICS FUND LTD	337,057	3.2%
HM Investeeringud OÜ	230,505	2.2%
Marko Teimann	188,174	1.8%
FIREBIRD AVRORA FUND, LTD.	180,343	1.7%
Aia Tänav OÜ	160,960	1.5%
K VARA OÜ	150,901	1.5%
FIREBIRD FUND L.P.	133,948	1.3%
Rafiko OÜ	70,606	0.7%
SANDER KARU	70,471	0.7%
Other shareholders	2,426,871	23.4%
<b>Total</b>	<b>10,388,367</b>	<b>100.0%</b>

## Holdings of management and supervisory board members on 31 March 2023

Name		No of shares	Share, %
Tarmo Sild and Allar Niinepuu (Alarmo Kapital OÜ)	Chairman/member of supervisory board	6,438,531	62.0%
Tarmo Sild (privately, related persons and Aia Tänav OÜ)	Chairman of supervisory board	169,829	1.6%
Allar Niinepuu (OÜ Kavass)	Member of supervisory board	10,000	0.1%
Hillar-Peeter Luutsalu (HM Investeeringud OÜ, related persons)	Member of supervisory	269,259	2.6%
Kert Keskpaik (privately, K Vara OÜ, K24 Invest OÜ, Kolde Invest OÜ and One Eleven OÜ)	Member of supervisory	204,955	2.0%
Steven Yaroslav Gorelik <sup>1</sup>	Member of supervisory	0	-
Miko-Ove Niinemäe	Member of management board	15,555	0.1%
<b>Total</b>		<b>7,108,129</b>	<b>68.4%</b>

<sup>1</sup> - Steven Yaroslav Gorelik is active as fund manager in three investment funds holding interest in Arco Vara (Firebird Republics Fund Ltd. Firebird Avrora Fund Ltd and Firebird Fund L.P) of 651,348 shares (total of 6.3% interest).



## CEO's Confirmation on Directors' Report

The CEO and member of the management board of Arco Vara AS confirms that the directors' report of Arco Vara for the first quarter ended on 31 March 2023 provides a true and fair view of business developments, financial performance and financial position of the group as well as a description of the main risks and uncertainties.



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

On 27 April 2023

# Condensed Consolidated Interim Financial Statements ARCO VARA

## Consolidated Statement of Comprehensive Income

	Note	Q1 2023	Q1 2022
<i>In thousands of euros</i>			
Revenue from sale of own real estate		7	31
Revenue from rendering of services		246	271
<b>Total revenue</b>	2,3	<b>253</b>	<b>302</b>
Cost of sales	4	-86	-109
<b>Gross profit</b>		<b>167</b>	<b>193</b>
Other income		22	194
Marketing and distribution expenses	5	-57	-44
Administrative expenses	6	-315	-239
Other expenses		-1	-1
<b>Operating profit/ loss</b>		<b>-184</b>	<b>103</b>
Finance income and cost	7	-107	-87
<b>Profit/loss before tax</b>		<b>-291</b>	<b>16</b>
<b>Net profit/ loss for the period</b>		<b>-291</b>	<b>16</b>
<b>Total comprehensive income/loss for the period</b>		<b>-291</b>	<b>16</b>
<b>Earnings per share (in euros)</b>	8		
- basic		<b>-0.03</b>	<b>0.00</b>
- diluted		<b>-0.03</b>	<b>0.00</b>

## Consolidated Statement of Financial Position

	Note	31 March 2023	31 December 2022
<i>In thousands of euros</i>			
Cash and cash equivalents		2,213	3,427
Receivables and prepayments	9	4,165	4,387
Inventories	10	26,340	22,511
Investment property for sale	11	9,050	9,050
<b>Total current assets</b>		<b>41,768</b>	<b>39,375</b>
Receivables and prepayments	9	18	18
Investment property	11	2	82
Property, plant and equipment	2	271	284
Intangible assets	2	39	46
<b>Total non-current assets</b>		<b>330</b>	<b>430</b>
<b>TOTAL ASSETS</b>		<b>42,098</b>	<b>39,805</b>
Loans and borrowings	12	5,252	5,255
Payables and deferred income	13	4,402	3,681
<b>Total current liabilities</b>		<b>9,654</b>	<b>8,936</b>
Loans and borrowings	12	14,700	12,834
<b>Total non-current liabilities</b>		<b>14,700</b>	<b>12,834</b>
<b>TOTAL LIABILITIES</b>		<b>24,354</b>	<b>21,770</b>
Share capital	8	7,272	7,272
Share premium		3,835	3,835
Statutory capital reserve		2,011	2,011
Retained earnings		4,626	4,917
<b>Total equity attributable to owners of the parent</b>		<b>17,744</b>	<b>18,035</b>
<b>TOTAL EQUITY</b>		<b>17,744</b>	<b>18,035</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>42,098</b>	<b>39,805</b>

## Consolidated Statement of Cash Flows

	Note	Q1 2023	Q1 2022
In thousands of euros			
Cash receipts from customers		1,075	1,348
Cash paid to suppliers		-4,506	-2,885
Taxes paid and recovered (net)		822	279
Cash paid to employees		-129	-72
Other cash payments and receipts related to operating activities (net)		-2	-47
<b>NET CASH FROM/USED IN OPERATING ACTIVITIES</b>		<b>-2,740</b>	<b>-1,377</b>
Payments made on purchase of tangible and intangible assets		-1	-24
Proceeds from sale of property, plant and equipment		0	2
Proceeds from sale of investment property		60	670
<b>NET CASH FROM/USED IN INVESTING ACTIVITIES</b>		<b>59</b>	<b>648</b>
Proceeds from loans received	12	1,969	1,655
Settlement of loans and borrowings	12	-106	-73
Interest paid		-287	-152
Dividends paid		-104	-104
Other payments related to financing activities		-5	0
<b>NET CASH FROM/USED IN FINANCING ACTIVITIES</b>		<b>1,467</b>	<b>1,326</b>
<b>NET CASH FLOW</b>		<b>-1,214</b>	<b>597</b>
Cash and cash equivalents at the beginning of period		3,427	1,863
<b>Change in cash and cash equivalents</b>		<b>-1,214</b>	<b>597</b>
Cash and cash equivalents at the end of period		2,213	2,460



## Consolidated Statement of Changes in Equity

	Share capital	Share premium	Statutory capital reserve	Retained earnings	Total equity
<i>In thousands of euros</i>					
<b>Balance as of 31 December 2021</b>	<b>7,272</b>	<b>3,835</b>	<b>2,011</b>	<b>4,844</b>	<b>17,962</b>
Total comprehensive income for the period	0	0	0	16	16
<b>Balance as of 31 March 2022</b>	<b>7,272</b>	<b>3,835</b>	<b>2,011</b>	<b>4,860</b>	<b>17,978</b>
<b>Balance as of 31 December 2022</b>	<b>7,272</b>	<b>3,835</b>	<b>2,011</b>	<b>4,917</b>	<b>18,035</b>
Total comprehensive income for the period	0	0	0	-291	-291
<b>Balance as of 31 March 2023</b>	<b>7,272</b>	<b>3,835</b>	<b>2,011</b>	<b>4,626</b>	<b>17,744</b>

# Notes to the Condensed Interim Financial Statements

## 1. Significant accounting policies

The unaudited condensed consolidated interim financial statements of Arco Vara AS for the first quarter ended on 31 March 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statements should be read in conjunction with the audited consolidated annual financial statements for the year ended on 31

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

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

## 2. Segment information

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

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

### Revenue by segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Eliminations		Consolidated	
	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022
<i>In thousands of euros</i>												
External revenue	0	0	9	0	1	0	243	302	-	-	253	302
Revenue from other segments	0	0	0	0	3,390	272	20	136	-3,410	-408	0	0
<b>Total revenue</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>3,391</b>	<b>272</b>	<b>263</b>	<b>438</b>	<b>-3,410</b>	<b>-408</b>	<b>253</b>	<b>302</b>

### External revenue and profit by segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Consolidated	
	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022
<i>In thousands of euros</i>										
Revenue	0	0	9	0	1	0	243	302	253	302
Operating profit/loss	-108	89	-239	82	-7	-21	170	-47	-184	103
Net profit/loss	-113	46	-239	82	-7	-21	68	-91	-291	16

## External assets and liabilities by segment



Segment	Bulgarian development		Estonian development		Estonian constructic		Other		Consolidated	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022
<i>In thousands of euros</i>										
Assets	5 067	4 490	23 610	22 529	810	745	12 611	12 041	42 098	39 805
Including non-current assets	32	33	0	0	7	6	271	291	310	330
Liabilities	271	47	14 391	12 099	1 403	1 203	8 289	8 421	24 354	21 770

## 3. Revenue

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

	Estonia		Bulgaria		Latvia		Consolidated	
	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022
<i>In thousands of euros</i>								
Sale of own real estate	7	0	0	0	0	31	7	31
Rental of real estate	1	1	169	182	0	0	170	183
Property management services	0	0	18	21	0	0	18	21
Franchise	53	50	0	10	0	6	53	66
Other revenue	2	0	3	1	0	0	5	1
<b>Total revenue</b>	<b>63</b>	<b>51</b>	<b>190</b>	<b>214</b>	<b>0</b>	<b>37</b>	<b>253</b>	<b>302</b>

## 4. Cost of sales

	Q1 2023	Q1 2022
<i>In thousands of euros</i>		
Cost of real estate sold (note 10)	-5	-27
Brokerage fees	-1	0
Property management costs	-62	-60
Personnel expenses	-4	-8
Depreciation, amortization and impairment losses	-5	-9
Other costs	-9	-5
<b>Total cost of sales</b>	<b>-86</b>	<b>-109</b>

## 5. Marketing and distribution expenses

	Q1 2023	Q1 2022
<i>In thousands of euros</i>		
Advertising expenses	-17	-5
Personnel expenses	-10	-16
Other marketing and distribution expenses	-30	-23
<b>Total marketing and distribution expenses</b>	<b>-57</b>	<b>-44</b>

## 6. Administrative expenses

	Q1 2023	Q1 2022
<i>In thousands of euros</i>		
Personnel expenses	-178	-115
Office expenses	-23	-36
IT expenses	-9	-9
Services purchased	-59	-59
Depreciation, amortization and impairment losses	-19	-12
Legal service fees	-13	-5
Other expenses	-14	-3
<b>Total administrative expenses</b>	<b>-315</b>	<b>-239</b>

## 7. Financial expenses

	Q1 2023	Q1 2022
<i>In thousands of euros</i>		
Interest expenses	-103	-87
Other financial costs	-4	0
<b>Total financial costs</b>	<b>-107</b>	<b>-87</b>

## 8. Earnings per share

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

	Q1 2023	Q1 2022
Weighted average number of ordinary shares outstanding during the period	10,388,367	10,388,367
Number of ordinary shares potentially to be issued (at period end)	63,000	0
Net profit/ loss (in thousands of euros)	-291	16
<b>Earnings per share (in euros)</b>	-0.03	0.00
<b>Diluted earnings per share (in euros)</b>	-0.03	0.00

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

from Q3 2022 to the Q2 2025 is greater than 12%. As of 31.03.2023, the ROE assumption has not been met, therefore the reserve has not been formed for the options program.

## 9. Receivables and prepayments

### Short-term receivables and prepayments

	31 March 2023	31 December 2022
<i>In thousands of euros</i>		
Receivables from customers	149	122
Miscellaneous receivables	6	12
Prepaid and recoverable taxes	363	594
Other accrued income	12	25
Prepayments	3,635	3,634
<b>Total short-term receivables and prepayments</b>	<b>4,165</b>	<b>4,387</b>

### Long-term receivables and prepayments

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

## 10. Inventories

	31 March 2023	31 December 2022
<i>In thousands of euros</i>		
Properties purchased and being developed for resale	26,303	22,474
Materials and finished goods	37	37
<b>Total inventories</b>	<b>26,340</b>	<b>22,511</b>

## Properties purchased and being developed for resale

	2023	2022
<i>In thousands of euros</i>		
<b>Balance at the beginning of period, 1 January</b>	<b>22,474</b>	<b>15,754</b>
Construction costs of apartment buildings	3,436	1,987
Capitalized borrowing costs	187	65
Other capitalized costs	211	117
Cost of sold properties (note 4)	-5	-27
<b>Balance at the end of period, 31 March</b>	<b>26,303</b>	<b>17,896</b>

## 11. Investment property

	2023	2022
<i>In thousands of euros</i>		
<b>Balance at the beginning of period, 1 January</b>	<b>9,132</b>	<b>9,943</b>
Capitalized development costs	0	1
Sale of investment property	-80	-525
<b>Balance at the end of period, 31 March</b>	<b>9,052</b>	<b>9,419</b>

## 12. Interest bearing liabilities

	As of 31 March, 2023			As of 31 December, 2022		
	Total	of which current portion	of which non-current portion	Total	of which current portion	of which non-current portion
<i>In thousands of euros</i>						
Bank loans	17,444	5,034	12,410	15,567	5,037	10,530
Bonds	2,120	0	2,120	2,120	0	2,120
Capital lease	228	58	170	242	58	184
Other loans	160	160	0	160	160	0
<b>Total</b>	<b>19,952</b>	<b>5,252</b>	<b>14,700</b>	<b>18,089</b>	<b>5,255</b>	<b>12,834</b>

In Q1 2023, the group settled loans in the amount of 106 thousand euros (in Q1 2022: 80 thousand euros) through cash transactions and raised new loans in the amount of 1,969 thousand euros (in Q1 2022: 1,655 thousand euros).

In Q1 2023, the following major loan obligations were settled:

- 74 thousand euros of Madrid Blvd project's bank loan principal;
- 18 thousand euros of bank loan for financing land in Kodulahe project Stage VIII;
- 14 thousand euros of capitalized office rent.

In Q1 2023, the group raised the following new liabilities:

- 1,969 thousand euros of bank loan for financing construction of apartment buildings in Kodulahe project Stage VI called Rannakalda.

In Q1 2022, the following major loan obligations were settled:

- ▣ 73 thousand euros of Madrid Blvd project's bank loan principal;
- ▣ 7 thousand euros of capitalized office rent.

In Q1 2022, the group raised the following new liabilities:

- ▣ 1,655 thousand euros of bank loan for financing construction of apartment buildings in Kodulahe project Stage IV and V.

### 13. Payables and deferred income

#### Short-term payables and deferred income

	31 March 2023	31 December 2022
<i>In thousands of euros</i>		
<b>Trade payables</b>	<b>1,570</b>	<b>1,162</b>
<b>Miscellaneous payables</b>	<b>16</b>	<b>11</b>
<b>Taxes payable</b>		
Value added tax	68	53
Social security tax	53	25
Personal income tax	29	17
Land tax	6	0
Garbage tax	22	0
Other taxes	5	3
<b>Total taxes payable</b>	<b>183</b>	<b>98</b>
<b>Accrued expenses</b>		
Payables to employees	122	102
Interest payable	12	9
Dividend payable	0	104
Other accrued expenses	178	261
<b>Total accrued expenses</b>	<b>312</b>	<b>476</b>
<b>Deferred income</b>		
Prepayments received on sale of real estate	2,212	1,824
Guarantee deposits	75	75
Prepaid revenue	34	35
<b>Total deferred income</b>	<b>2,321</b>	<b>1,934</b>
<b>Total short-term payables and deferred income</b>	<b>4,402</b>	<b>3,681</b>



## 14. Related party disclosure

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

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

### Transactions with related parties

	Q1 2023	Q1 2022
<i>In thousands of euros</i>		
<b>Other related parties</b>		
Services purchased	7	7

### Balances with related parties

	31 March 2023	31 December 2022
<i>In thousands of euros</i>		
<b>Other related parties</b>		
Services sold	277	277

Members of the supervisory board intend to buy apartments in the Kodulahe Quarter, therefore, prepayments made by them are 277 thousand euros (on 31 December 2022 prepayments 277 thousand).

In Q1 2023, the remuneration provided to the CEO / member of the management board, including social security charges, amounted to 30 thousand euros, in Q1 2022, 29 thousand euros.

The remuneration provided to the members of the supervisory board of the group's parent company during Q1 2022 was 6 thousand euros, during Q1 2022 3 thousand euros.

The remuneration provided to the CEO / member of the management board is based on his contract of service. A fixed monthly fee has been set by a resolution of the Supervisory Board on the basis of the contract of service of Miko-Ove Niinemäe, the member of the Management Board of Arco Vara AS. A severance pay of 5 months' salary is provided for the CEO.

The CEO's bonus system, which is in force since 2021, consists of three parts:

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

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

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

## Statement by the CEO/ Member of the Management Board

The CEO / member of the management board of Arco Vara AS has prepared Arco Vara AS's condensed consolidated interim financial statements for the first quarter ended on 31 March 2023.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and they give a true and fair view of the financial position, financial performance and cash flows of Arco Vara AS. Arco Vara AS is a going concern.



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

On 27 April 2023