



ARCO
VARA

INTERIM REPORT FOR THE FIRST QUARTER OF
2024
(unaudited)

INTERIM REPORT FOR THE FIRST QUARTER OF 2024 (UNAUDITED)

Company name	Arco Vara AS
Registry number	10261718
Address	Rotermanni 10, 10111 Tallinn, Republic of Estonia
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 – 31 March 2024
Supervisory board	Tarmo Sild, Steven Yaroslav Gorelik, Kert Keskaik, Hillar-Peeter Luitsalu, Allar Niinepuu
Chief executive	Miko-Ove Niinemäe
Auditor	PricewaterhouseCoopers AS

Contents

Group CEO's Review	4
Arco Vara's Active Projects as of 31.03.2024	7
General Information	9
Activities of the group	9
Arco Vara vision and mission	9
Group structure.....	9
Key Performance Indicators	10
People	13
Description of Main Risks	14
Shares and shareholders	15
Share price.....	15
Shareholder structure	15
CEO's Confirmation on Directors' Report	17
Condensed Consolidated Interim Financial Statements	18
Consolidated Statement of Comprehensive Income	18
Consolidated Statement of Financial Position	19
Consolidated Statement of Cash Flows	20
Consolidated Statement of Changes in Equity	21
Notes to the Condensed Interim Financial Statements.....	22
1. Significant accounting policies	22
2. Segment information	22
3. Revenue.....	23
4. Cost of sales.....	23
5. Marketing and distribution expenses.....	24
6. Administrative expenses	24
7. Financial expenses.....	24
8. Earnings per share	25
9. Receivables and prepayments.....	25
10. Inventories.....	26
11. Investment property	26
12. Interest bearing liabilities.....	27
13. Payables and deferred income	28
14. Related party disclosure	29
Statement by the CEO/ Member of the Management Board	30

Group CEO's Review

The beginning of the year was dominated by the European Central Bank's benchmark rate cut, aimed at bringing about economic revival. However, instead of relying on factors that are outside of our control, we should continue to realize completed and planned developments, assessing them realistically.

In the first quarter, we were mainly engaged in the preparation of the sale of completed apartments of the Kodulahe development and the sale of Soodi 6 development. In addition, we have continued the construction works in Bulgaria and the detailed planning procedure at Arcojärve. In the last three months, the pace of sales has slowed down a little, which is why the sales revenue and profit of Arco Vara Group are slightly lower than the plan.

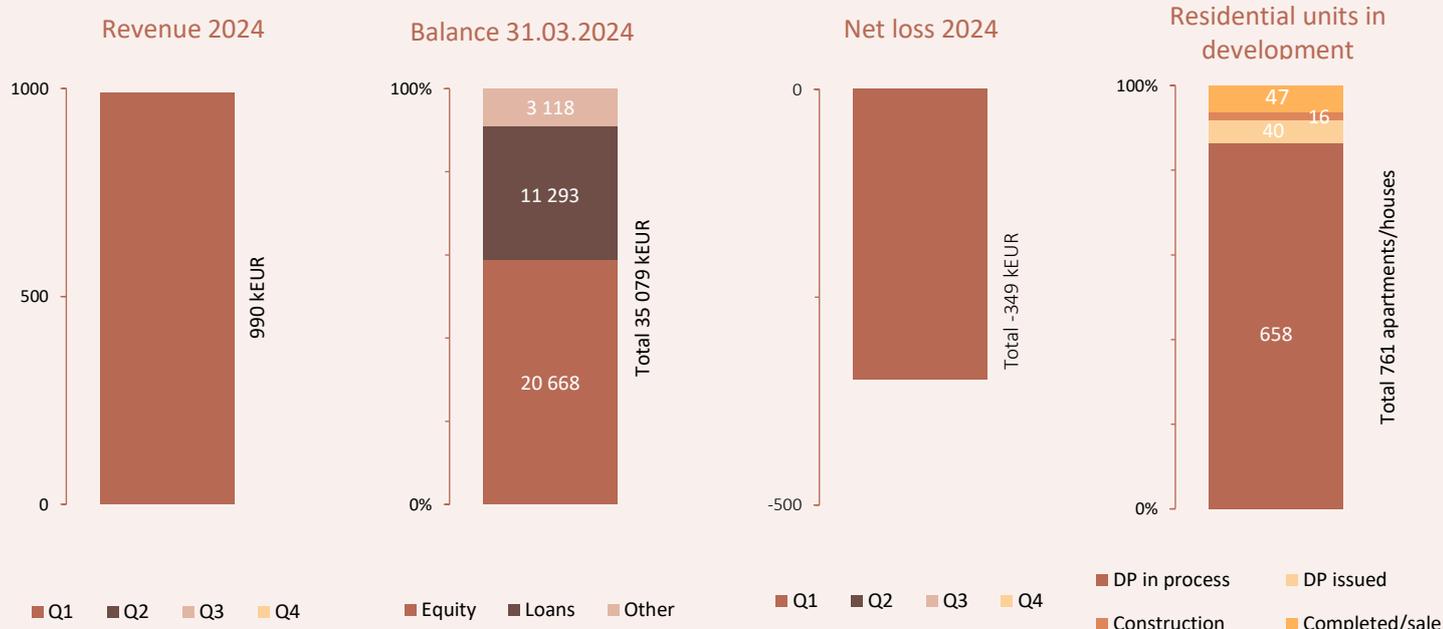
Despite the lower-than-planned sales revenue, the Company's capitalisation remains very good, as the equity to assets ratio is almost 60%. The Company's current 4-quarter return on equity is also close to our target of 20%.

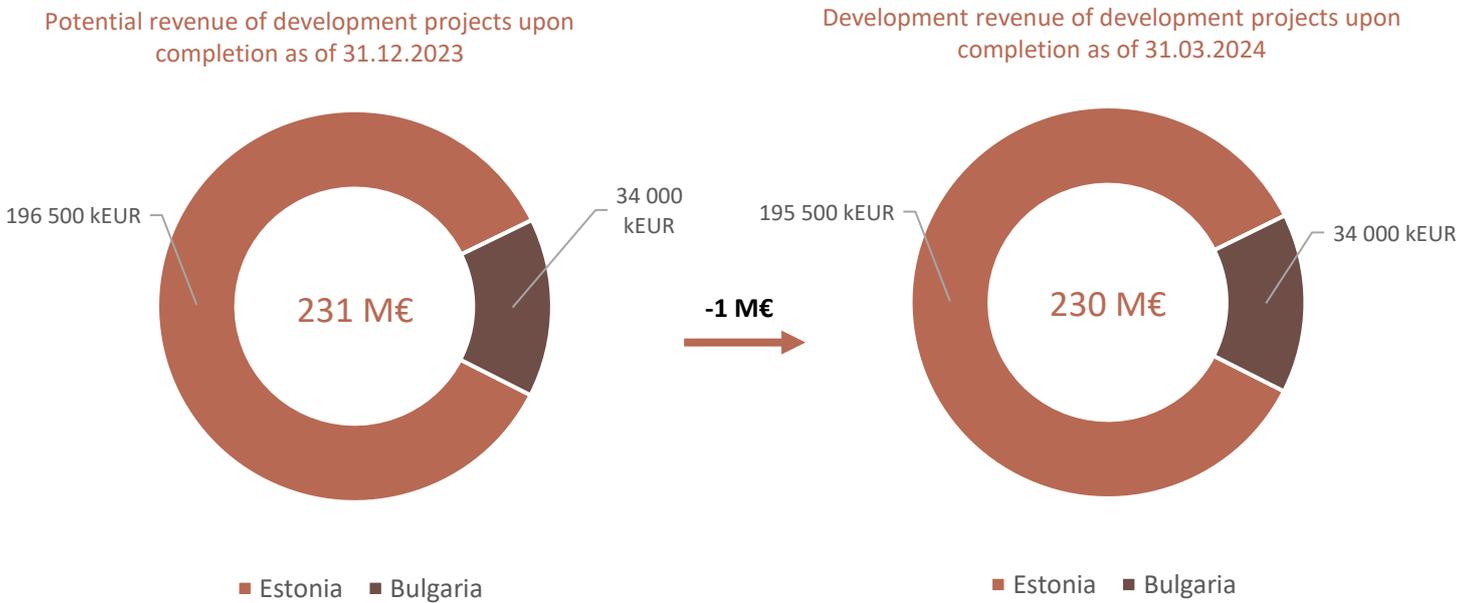
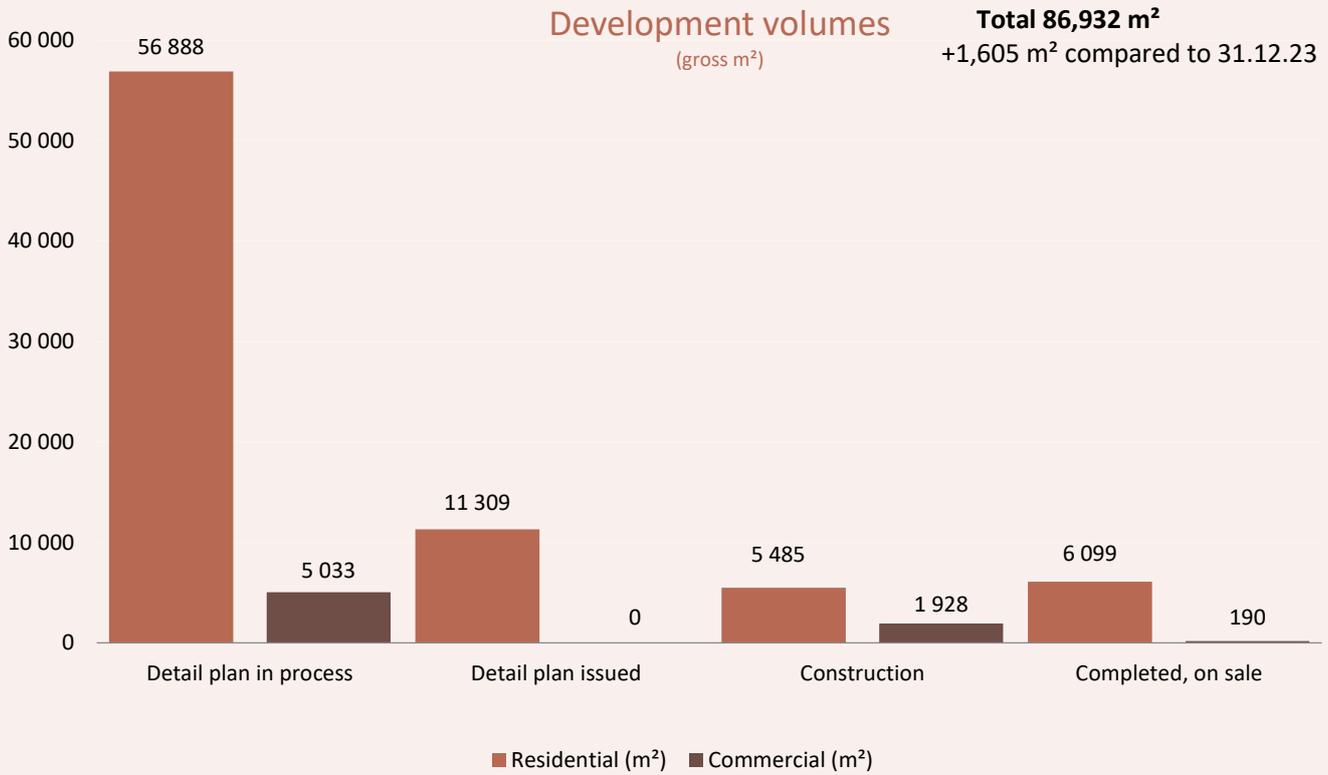
Arco Tarc's team continues construction works on the padel centre that is being built at Helme 18, which is

likely to benefit also from the predicted slight decrease in the final construction price. The padel center is 100% covered by a lease agreement and will be open for sports in the final quarter of the year.

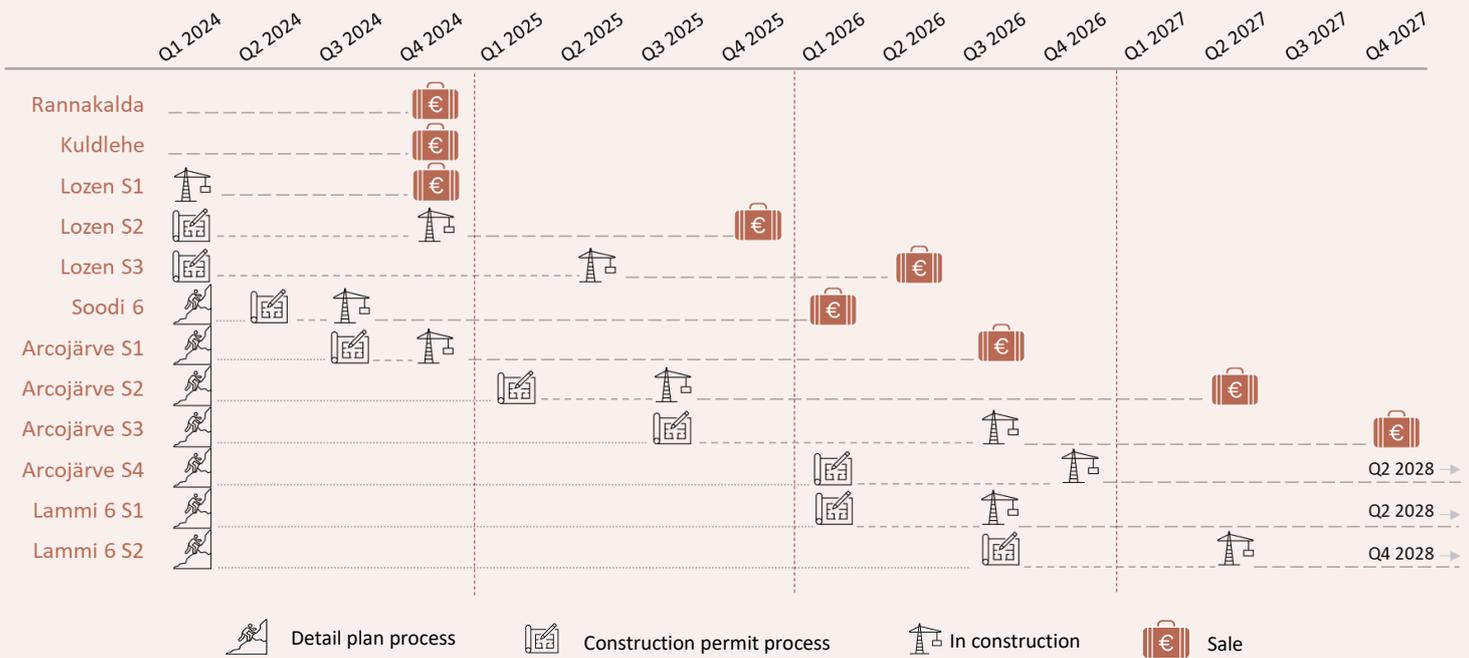
Our Bulgarian team is also on track to continue with the construction and development of the Botanica Lozen Residences. Approximately 40% of the development which is expected to be completed in 9 months have been sold. In the second quarter, we expect to be granted a building permit for the Stage 2 of the Botanica Lozen development, which will enable us to start sale and construction of the buildings, provided that the market situation is favourable.

Looking at the next quarter, our main challenge is the sale of already completed homes in the Kodulahe and Kuldlehe buildings, which would provide confidence for starting new construction activities. We also consider it critically important to acquire a new property for development, which is extremely important in the Company's view of the next five years in terms of the long-term nature of the real estate business.

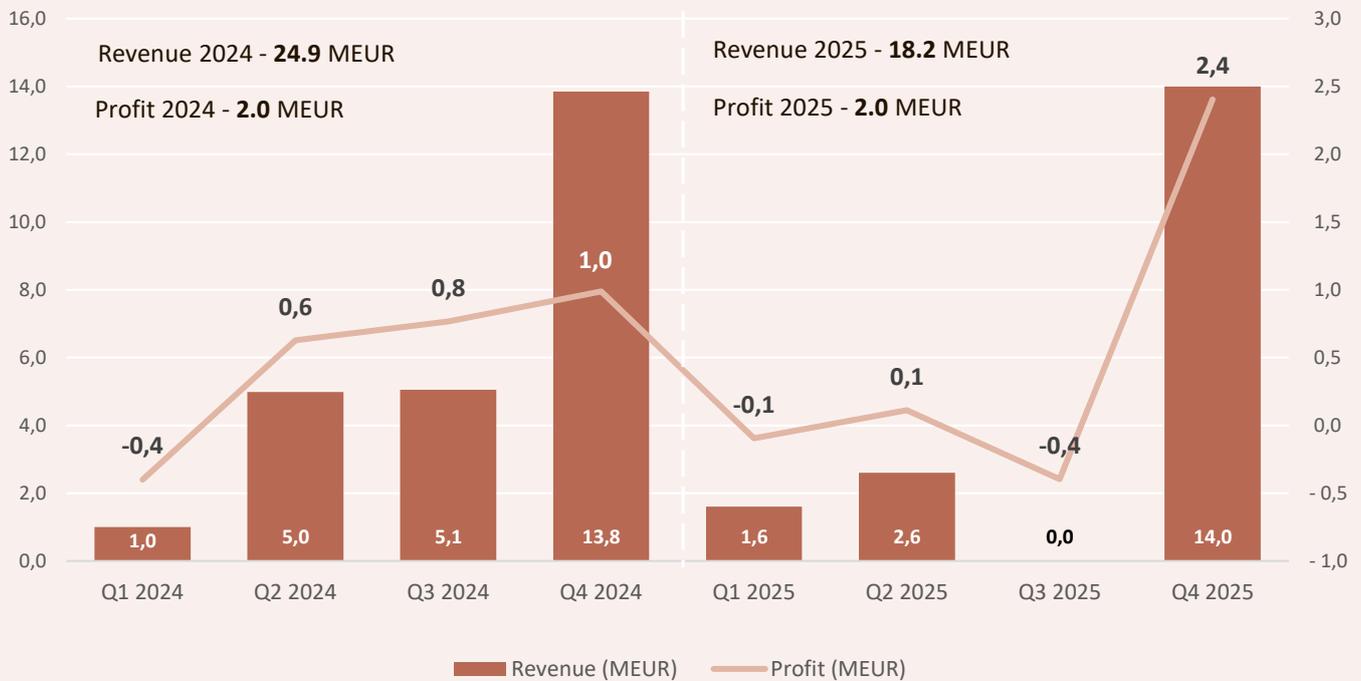




Development schedule 2024 - 2027



Arco Vara Group revenue and profit prognoses 2024-2025



Arco Vara's Active Projects as of 31.03.2024



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)

4,184

No of units (above ground)/ available

113/43



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 31.03.2024



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 31 March 2024, the group consisted of 14 companies, which is the same as 31 December 2023.

Significant subsidiaries as of 31 March 2024

Company name	Location	Share capital (nominal value)	Equity balance on 31 March 2024	The group's interest
<i>In thousands of euros</i>				
Botanica Lozen EOOD	Bulgaria	2 931	1 063	100%
Kodulahe Kvartal OÜ	Estonia	140	9 749	100%
Kerberon OÜ	Estonia	5	1 750	100%
Arcojärve OÜ*	Estonia	28	873	100%

* The previous name of Arcojärve OÜ was Kolde OÜ

2

countries

30+

years of experience

2800+

new homes

380 000+

developed m²

Arco Vara AS subsidiaries



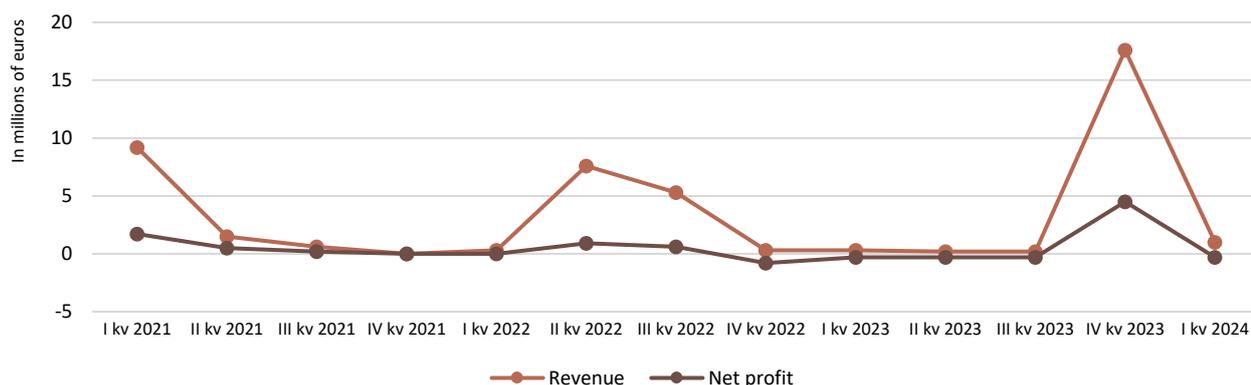
Key Performance Indicators

- In Q1 2024, the group's sales revenue was 990 thousand euros, which is about four times more than the sales revenue of the Q1 2023 of 253 thousand euros. The sales revenue of Q1 2023 consisted mainly of the operation of the commercial building in Madrid. In 2024, the Madrid commercial building is no longer part of the group - in the Q1 2024 own real estate property was sold.
- In Q1 2024, the group's operating loss (=EBIT) was 208 thousand euros and net loss 349 thousand euros. In Q1 2024, the group had an operating loss of 184 thousand euros and net loss of 291 thousand euros.
- In Q1 2024, 3 apartments and 1 commercial premise were sold. In Q1 2023, final sales were formalized for only 1 parking space in the projects developed by the group.
- In the first 3 months of 2024, the group's debt burden (net loans) increased by 1,951 thousand euros up to the level of 10,559 thousand euros as of 31 March 2024. As of 31 March 2024, the weighted average annual interest rate of interest-bearing liabilities was 7.8%. This is a decrease of 0.4 percentage points compared to 31 December 2023.

Main financial figures	Q1 2024	Q1 2023
In thousands of euros		
Revenue	990	253
Operating loss (EBIT)	-208	-184
Finance expense	-141	-107
Net loss	-349	-291
Cash flows from/used in operating activities	-2,217	-2,740
Cash flows from/used in investing activities	0	59
Cash flows from/used in financing activities	1,479	1,467
Net cash flows	-738	-1,214
Cash and cash equivalents at beginning of period	1,472	3,427
Cash and cash equivalents at end of period	734	2,213
Total assets at the end of period	35,079	42,098
Invested capital at the end of period	31,961	37,696
Net loans at the end of period	10,559	17,739
Equity at the end of period	20,668	17,744

Revenue and net profit/loss during last years

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Total 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Total 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Total 2023	Q1 2024
In millions of euros																
Revenue	9,2	1,5	0,6	0,3	11,6	0,3	7,6	5,3	0,3	13,5	0,3	0,2	0,2	17,6	18,3	1,0
Net profit/loss	1,7	0,5	0,2	-0,3	2,1	0,0	0,9	0,6	-0,8	0,7	-0,3	-0,3	-0,3	4,5	3,6	-0,3



Key Ratios

	Q1 2024	Q1 2023
Net profit ratio (rolling, four quarters)	18%	3%
EPS (in euros)	-0.03	-0.03
Diluted EPS (in euros)	-0.03	-0.03
EBITDA per share (in euros) (rolling, four quarters)	0.39	0.09
ROIC (rolling, four quarters)	9.6%	1.2%
ROE (rolling, four quarters)	18.8%	2.1%
ROA (rolling, four quarters)	8.2%	1.1%
Equity ratio	58.9%	42.1%
Current ratio	5.30	4.36
Quick ratio	0.96	1.63
Financial leverage	1.70	2.38
Average loan term (in years)	1.7	2.3
Average annual interest rate of loans	7.8%	5.7%
Number of staff, at period end	18	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 990 thousand euros in Q1 2024 (Q1 2023: 253 thousand euros), including the sale of real estate in the group's own development projects 927 thousand euros (7 thousand euros in Q1 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 Q1 2024 were 55 thousand euros, franchise revenues for the Q1 2023 were 53 thousand euros.

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, 71 of the 113 plots have been sold.

A subsidiary of Arco Vara, Arcojärve OÜ (previously called Kolde 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 31.03.2024, 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 the end of 2024.

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.

People

Remuneration

As of 31 March 2024, 18 people worked for the group (also 18 as of 31 December 2023).

Employee remuneration expenses in Q1 2024 amounted to 334 thousand euros, Q1 2023 to 246 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 46 thousand euros in Q1 2024 (in Q1 2023 30 thousand euros).

The members of the supervisory board of the group's parent company were remunerated by 5 thousand euros in Q1 2024, 3 thousand euros in Q1 2023.

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 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 have a fixed interest rate, except the base interest rate for the financing loan for the Tallinn Lammi 6 land is 6 months' EURIBOR. As a result, the group is partly exposed to developments on international capital markets. The group's interest-bearing liabilities amounted to 11,293 thousand euros on 31 March 2024, out of which 3,391 thousand euros is due within next 12 months. The group's interest-bearing liabilities have increased by 1,213 thousand euros in the Q1 2024. The increase was brought about by a larger volume of development loans in 2024. The group's cash and cash equivalents totaled 734 thousand euros as of 31 March 2024 (31 December 2023 1,472 thousand).

In Q1 2024, interest payments on interest-bearing liabilities totaled 231 thousand euros (in Q1 2023: 287 thousand euros). The interest paid was partly capitalized, partly expensed. The group's weighted average loan interest rate was 7.8% as of 31 March 2024. This is a decrease by 0.4 percentage points compared to the end of year 2023. The reason for the decrease in the average interest rate is the utilization of the free balance of the cheap development loan of Rannakalda.

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 1.59 euros on 31 March 2024; the closing price was 1.705 euros on 31 December 2023. During the first 3 months of 2024, the highest traded price per share was 1.78 euros and the lowest price 1.57 euros. Equity per share was 1.99 euros as of 31.03.2024, 2.02 as of 31.12.2023.

As of 31 March 2024, market capitalization of shares amounted to 16,518 thousand euros and P/B (price to book value) ratio was 0.80 (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 4.73 on 31 March 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 3 months 2024 and the last three years.

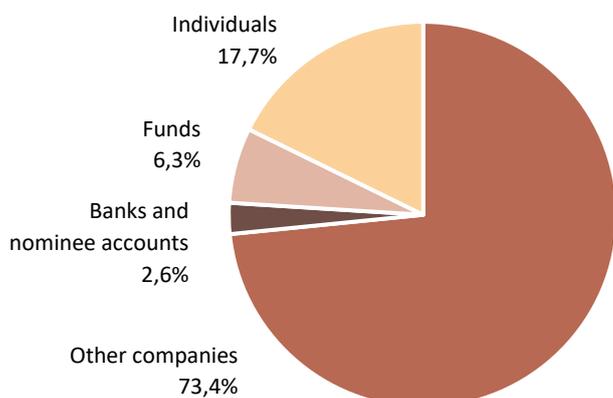


<https://www.nasdaqbaltic.com/statistics/en/instrument/EE3100034653/trading> 14.04.2024

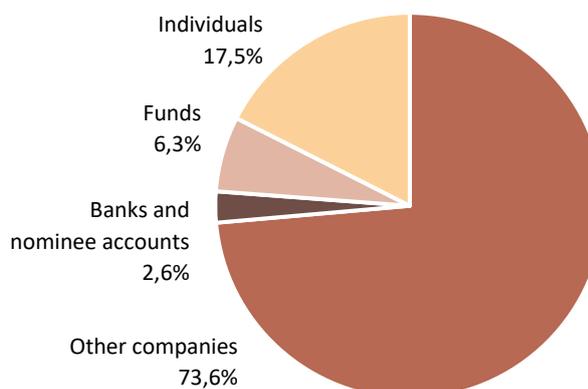
Shareholder structure

As of 31 March 2024, Arco Vara had 8,242 shareholders (on 31 December 2023 8,316), including 7,534 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 31.03.2024



Ownership structure as of 31.12.2023



Major shareholders on 31 March 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	221,000	2.1%
Marko Teimann	192,119	1.8%
FIREBIRD AVRORA FUND, LTD.	180,343	1.7%
K VARA OÜ	153,119	1.5%
FIREBIRD FUND L.P.	133,948	1.3%
Sander Karu	111,652	1.1%
Citibank (London) / OP Custody Ltd	56,952	0.5%
Other shareholders	2,333,141	22.6%
Total	10,388,367	100.0%

Holdings of management and supervisory board members on 31 March 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	236,000	2.3%
Hillar-Peeter Luitsalu (HM Investeeringud OÜ, related persons)	Member of supervisory	269,259	2.6%
Kert Keskaik (privately, K Vara OÜ, K24 Invest OÜ, Kolde Invest OÜ ja One Eleven OÜ)	Member of supervisory	207,173	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		7,199,363	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 first quarter ended on 31 March 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.



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

On 25 April 2024

Condensed Consolidated Interim Financial Statements

Consolidated Statement of Comprehensive Income

	Lisa	Q1 2024	Q1 2023
<i>In thousands of euros</i>			
Revenue from sale of own real estate		927	7
Revenue from rendering of services		63	246
Total revenue	2,3	990	253
Cost of sales	4	-817	-86
Gross profit		173	167
Other income		0	22
Marketing and distribution expenses	5	-70	-57
Administrative expenses	6	-297	-315
Other expenses		-14	-1
Operating loss		-208	-184
Finance income and cost	7	-141	-107
Loss before tax		-349	-291
Net loss for the period		-349	-291
Total comprehensive loss for the period		-349	-291
Earnings per share (in euros)	8		
- basic		-0.03	-0.03
- diluted		-0.03	-0.03

Consolidated Statement of Financial Position

	Lisa	31 March 2024	31 December 2023
<i>In thousands of euros</i>			
Cash and cash equivalents		734	1,472
Receivables and prepayments	9	5,486	5,798
Inventories	10	28,276	27,637
Total current assets		34,496	34,907
Receivables and prepayments	9	18	18
Investment property	11	341	20
Property, plant and equipment	2	203	221
Intangible assets	2	21	24
Total non-current assets		583	283
TOTAL ASSETS		35,079	35,190
Loans and borrowings	12	3,391	3,391
Payables and deferred income	13	2,931	4,013
Warranty reserv		187	80
Total current liabilities		6,509	7,484
Loans and borrowings	12	7,902	6,689
Total non-current liabilities		7,902	6,689
TOTAL LIABILITIES		14,411	14,173
Share capital		7,272	7,272
Share premium		3,835	3,835
Statutory capital reserve		2,011	2,011
Other reservs	8	56	56
Retained earnings		7,494	7,843
Total equity attributable to owners of the parent		20,668	21,017
TOTAL EQUITY		20,668	21,017
TOTAL LIABILITIES AND EQUITY		35,079	35,190

Consolidated Statement of Cash Flows

	Note	Q1 2024	Q1 2023
<i>In thousands of euros</i>			
Cash receipts from customers		1,827	1,075
Cash paid to suppliers		-2,669	-4,506
Taxes paid and recovered (net)		-1,184	822
Cash paid to employees		-178	-129
Other cash payments and receipts related to operating activities (net)		-13	-2
NET CASH FROM/USED IN OPERATING ACTIVITIES		-2,217	-2,740
Payments made on purchase of tangible and intangible assets		0	-1
Receipts from sale of investment property		0	60
NET CASH FROM/USED IN INVESTING ACTIVITIES		0	59
Proceeds from loans received	12	2,220	1,969
Settlement of loans and borrowings	12	-406	-106
Interest paid		-231	-287
Dividends paid		-104	-104
Proceeds from share capital increase		0	-5
NET CASH FROM/USED IN FINANCING ACTIVITIES		1,479	1,467
NET CASH FLOW		-738	-1,214
Cash and cash equivalents at the beginning of period		1,472	3,427
Change in cash and cash equivalents		-738	-1,214
Cash and cash equivalents at the end of period		734	2,213

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
Total comprehensive income for the period	0	0	0	0	-291	-291
Balance as of 31 March 2023	7,272	3,835	2,011	0	4,626	17,744
Balance as of 31 December 2023	7,272	3,835	2,011	56	7,843	21,017
Total comprehensive income for the period	0	0	0	0	-349	-349
Balance as of 31 March 2024	7,272	3,835	2,011	56	7,494	20,668

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 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.

External revenue by operating segment and by location of seller

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Eliminations		Consolidated	
	Q1 2024	Q1 2023	Q1 2024	Q1 2023	Q1 2024	Q1 2023	Q1 2024	Q1 2023	Q1 2024	Q1 2023	Q1 2024	Q1 2023
<i>In thousands of euros</i>												
External revenue	0	0	935	9	0	1	55	243	-	-	990	253
Revenue from other segments	0	0	0	0	-1	3,390	215	20	-214	-3,410	0	0
Total revenue	0	0	935	9	-1	3,391	270	263	-214	-3,410	990	253

External revenue and profit/ loss by segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Consolidated	
	Q1 2024	Q1 2023	Q1 2024	Q1 2023	Q1 2024	Q1 2023	Q1 2024	Q1 2023	Q1 2024	Q1 2023
<i>In thousands of euros</i>										
Revenue	0	0	935	9	0	1	55	243	990	253
Operating profit/ loss	-81	-108	-128	-239	-70	-7	71	170	-208	-184
Net profit/ loss	-81	-113	-190	-239	-70	-7	-8	68	-349	-291

External assets and liabilities by segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Consolidated	
	31 March 2024	31 December 2023	31 March 2024	31 December 2023	31 March 2024	31 December 2023	31 March 2024	31 December 2023	31 March 2024	31 December 2023
<i>In thousands of euros</i>										
Assets	7,622	6,503	26,770	27,298	189	62	498	1,327	35,079	35,190
Including PPE and intangible assets	25	29	0	0	3	4	196	212	224	245
Liabilities	1,506	662	8,126	8,477	1,101	1,299	3,678	3,735	14,411	14,173

3. Revenue

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

Segment	Estonia		Bulgaria		Latvia		Consolidated	
	Q1 2024	Q1 2023	Q1 2024	Q1 2023	Q1 2024	Q1 2023	Q1 2024	Q1 2023
<i>In thousands of euros</i>								
Sale of own real estate	928	7	0	0	0	0	928	7
Rental of real estate	0	1	0	169	0	0	0	170
Property management services	0	0	0	18	0	0	0	18
Franchise	40	38	10	7	5	8	55	53
Other revenue	7	2	0	3	0	0	7	5
Total revenue	975	48	10	197	5	8	990	253

4. Cost of sales

	Q1 2024	Q1 2023
<i>In thousands of euros</i>		
Cost of real estate sold (note 10)	-666	-5
Brokerage fees	-4	-1
Property management costs	-70	-62
Personnel expenses	-8	-4
Depreciation, amortization and impairment losses	0	-5
Other costs	-69	-9
Total cost of sales	-817	-86

5. Marketing and distribution expenses

	Q1 2024	Q1 2023
<i>In thousands of euros</i>		
Advertising expenses	-20	-17
Personnel expenses	-22	-10
Other marketing and distribution expenses	-28	-30
Total marketing and distribution expenses	-70	-57

6. Administrative expenses

	Q1 2024	Q1 2023
<i>In thousands of euros</i>		
Personnel expenses	-202	-178
Office expenses	-24	-23
IT expenses	-9	-9
Services purchased	-36	-59
Depreciation, amortization and impairment losses	-20	-19
Legal service fees	-3	-13
Other expenses	-3	-14
Total administrative expenses	-297	-315

7. Financial expenses

	Q1 2024	Q1 2023
<i>In thousands of euros</i>		
Interest expenses	-144	-103
Other financial costs	3	-4
Total financial costs	-141	-107

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 2024	Q1 2023
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)	60,350	63,000
Net loss (in thousands of euros)	-349	-291
Earnings per share (in euros)	-0.03	-0.03
Diluted earnings per share (in euros)	-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

	31 March 2024	31 December 2023
<i>In thousands of euros</i>		
Receivables from customers	39	301
Miscellaneous receivables	6	6
Prepaid and recoverable taxes	214	274
Other accrued income	4	4
Prepayments	5,223	5,213
Total short-term receivables and prepayments	5,486	5,798

Long-term receivables and prepayments

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

10. Inventories

	31 March 2024	31 December 2023
<i>In thousands of euros</i>		
Properties in stock	13,158	0
Properties under construction	4,663	17,199
Properties in the construction permit process	2,122	2,182
Properties in the detailed planning process	8,333	8,256
Total inventories	28,276	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	1,245	3,436
Capitalized borrowing costs	88	187
Other capitalized costs	60	211
Reclassification to investment property (note 11)	-88	0
Cost of sold properties (note 4)	-666	-5
Balance at the end of period, 31 March	28,276	26,303

11. Investment property

	2024	2023
<i>In thousands of euros</i>		
Balance at the beginning of period, 1 January	20	9,132
Capitalized development costs	233	0
Reclassification from inventories (note 10)	88	0
Sale of investment property	0	-80
Balance at the end of period, 31 March	341	9,052

12. Interest bearing liabilities

	As of 31 March, 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	7,852	61	7,791	6,624	61	6,563
Bonds	2,120	2,120	0	2,120	2,120	0
Capital lease	169	58	111	184	58	126
Other loans	1,152	1,152	0	1,152	1,152	0
Total	11,293	3,391	7,902	10,080	3,391	6,689

In Q1 2024, the group settled loans in the amount of 406 thousand euros (in Q1 2023: 106 thousand euros) through cash transactions and raised new loans in the amount of 2,220 thousand euros (in Q1 2023: 1,969 thousand euros). From the returned loan, the buyers paid 601 thousand euros directly to the bank in Q1 2024. This amount is not reflected in the group cash flow statement.

In Q1 2024, the following major loan obligations were settled:

- 977 thousand euros of bank loan for financing construction of apartment building in Kodulahe Rannakalda, out of which 601 thousand directly by customers;
- 15 thousand euros of bank loan for financing land of Kodulahe project Stage VIII;
- 15 thousand euros of capitalized office rent.

In Q1 2024, the group raised the following new liabilities:

- 2,220 thousand euros of bank loan for financing construction of apartment buildings in Kodulahe Rannakalda.

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 of Kodulahe project Stage VIII;
- 14 thousand euros of Arco Vara bonds.

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 Rannakalda.

13. Payables and deferred income

Short-term payables and deferred income

	31 March 2024	31 December 2023
<i>In thousands of euros</i>		
Trade payables	240	740
Taxes payable		
Value added tax	98	1,270
Social security tax	80	46
Personal income tax	46	33
Other taxes	12	2
Total taxes payable	236	1,351
Accrued expenses		
Payables to employees	977	1,048
Dividend payable	0	104
Other accrued expenses	105	215
Total accrued expenses	1,082	1,367
Deferred income		
Prepayments received on sale of real estate	1,373	555
Total deferred income	1,373	555
Total short-term payables and deferred income	2,931	4 013

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

On 31.03.2024 and 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

	Q1 2024	Q1 2023
<i>In thousands of euros</i>		
Other related parties		
Services purchased	13	7

Balances with related parties

	31 March 2024	31 December 2023
<i>In thousands of euros</i>		
Other related parties		
Prepayments	18	0

In Q1 2024, the remuneration provided to the CEO / member of the management board, including social security charges, amounted to 46 thousand euros, and 30 thousand euros in Q1 2023.

The remuneration provided to the members of the supervisory board of the group's parent company during the Q1 2024 was 5 thousand euros, in Q1 2023 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 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 first quarter ended on 31 March 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, 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 April 2024