



Arco Vara AS

INTERIM REPORT FOR THE 1 QUARTER AND THREE MONTHS OF 2022 (UNAUDITED)

INTERIM REPORT FOR THE FIRST QUARTER OF 2022

(UNAUDITED)

Company name: Arco Vara AS

Registry number: 10261718

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Corporate website: www.arcovara.com

Core activities: Real estate development (EMTAK 41201)
Renting and operating of real estate (EMTAK 6820)
Real estate management (EMTAK 6832)

Financial year: 1 January 2022 – 31 December 2022

Reporting period: 1 January 2022 – 31 March 2022

Supervisory board: Tarmo Sild, Steven Yaroslav Gorelik, Kert Keskpaik,
Hillar-Peeter Luitsalu, Allar Niinepuu

Chief executive: Miko-Ove Niinemäe

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DIRECTORS' REPORT FOR Q1 2022

GROUP CEO'S REVIEW

The first quarter of this year brought important changes to the Arco Vara group – we founded a construction contracting company Arco Tarc OÜ. This company provides services to the developments of Arco Vara with the main task of ensuring efficient construction activities. Today, the team of Arco Tarc employs five specialists of their field whose first site is Kodulahe Rannakalda stage.

The premium-class building in Rannakalda in particular has been under observation both in terms of sales volumes and construction prices due to the geopolitical situation of the first quarter. Considering that the fluctuation of construction prices also impacts sales prices and the completion of buildings is planned for early 2024, we do not intend to hurry up with preliminary sales. In the starting stages of the project, we have concluded sales contracts on approximately 30% of total volume and we continue at an easy pace.

With increasing interest rates, Arco Vara can be glad that the 18 million development loan for Rannakalda from Coop Bank is concluded with a fixed interest rate and we have no reason to worry about the fluctuations of Euribor in the next few years.

The second quarter is expected to bring the completion of the stages of Pagi 3 and Pagi 5 at Kodulahe, as works are in schedule and preliminary sales contracts have been concluded for all apartments as of today. Again, sales revenue and profit should be seen on the income statement!

The year 2022 marks 100 years of diplomatic relations between Bulgaria and Estonia. Arco Vara will also attend the celebrations, international cooperation is useful for both parties.

As an aftershock of Covid, there is certain waned interest in office premises across Sofia. Currently, the challenge for the Bulgarian team is one vacant office space sized nearly 800 m² in Madrid Blvd building and finding a tenant for it has taken longer than anticipated.

However, the development of Botanica Lozen Residences is nearing the process of applying for a construction permit, the objective of acquiring it is set for the second quarter of this year. Even though the buildings are still being designed, a booking agreement has also been concluded with a client in the interim and new interest in the first 16 private homes is seen daily.

The objective of our team for the next quarter is the continued concluding of preliminary and final sales for the Kodulahe buildings and booking contracts for Botanica Lozen.

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. 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

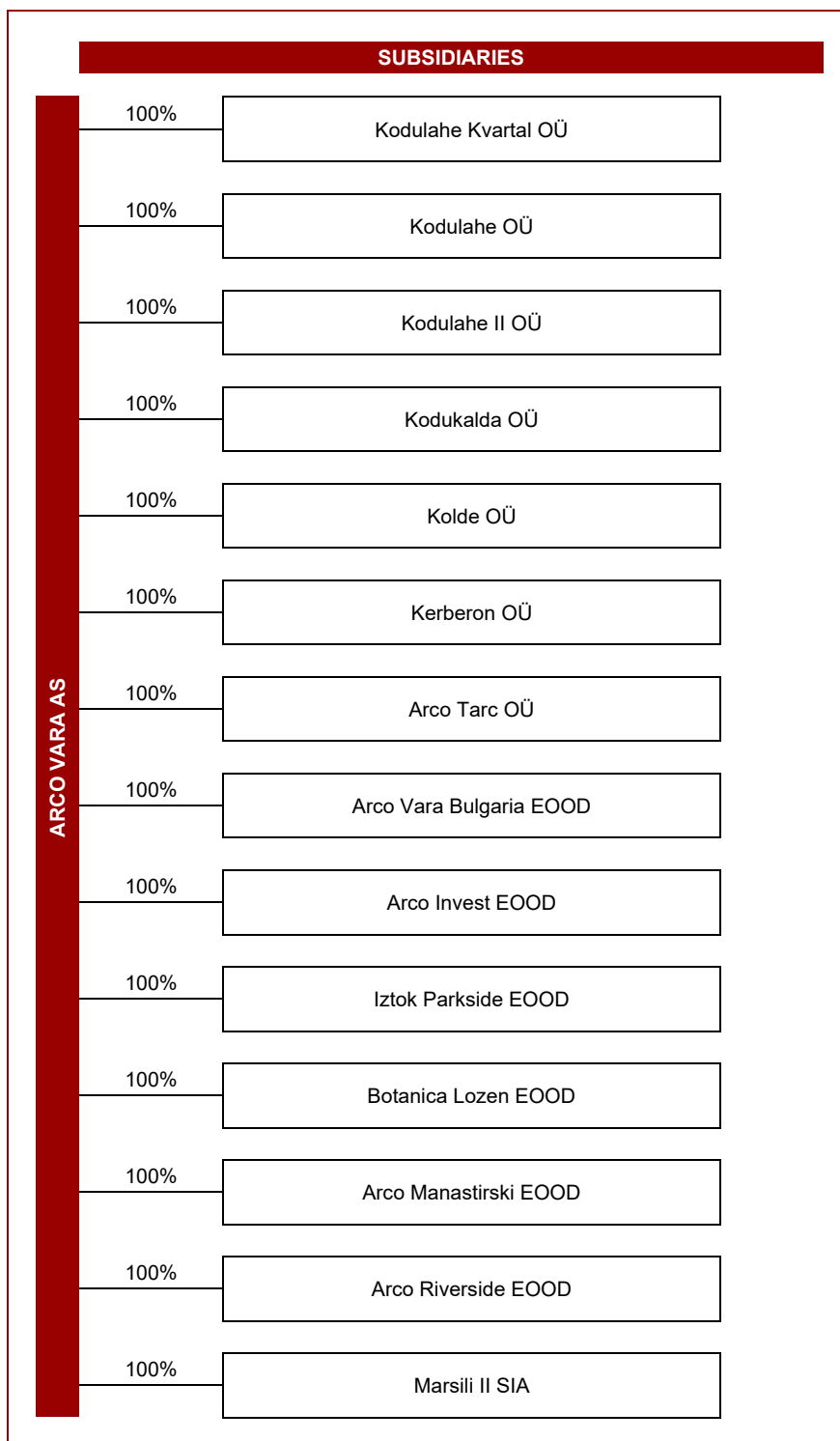
Since 2021, Arco Vara AS has a parent company and therefore Arco Vara AS is part of the OÜ Alarmo Kapital concern from 2021.

As of 31 March 2022, the group consisted of 15 companies, which is one more than 31 December 2021.

Significant subsidiaries as of 31 March 2022

Company name	Location	Share capital (nominal value)	Equity balance on 31 March 2022	The group's interest
In thousands of euros				
Arco Invest EOOD	Bulgaria	31,762	3,334	100%
Arco Lozen EOOD	Bulgaria	2,931	1,836	100%
Kodulahe Kvartal OÜ	Estonia	140	766	100%
Kodulahe OÜ	Estonia	3	3,410	100%
Kerberon OÜ	Estonia	5	2,049	100%
Kolde OÜ	Estonia	28	138	100%

Group structure as of 31 March 2022



KEY PERFORMANCE INDICATORS

- In Q1 2022, the group's revenue was 302 thousand euros, which is times higher than the revenue of 9,166 thousand euros in Q1 2021. The group's revenue for a period depends on the completion time of the apartment buildings.
- In Q1 2022, the group's operating profit (=EBIT) was 103 thousand euros and net profit 16 thousand euros. In Q1 2021, the group had operating profit of 1,809 thousand euros and net profit of 1,700 thousand euros.
- In Q1 2022, one land plot was sold in Latvia. In Q1 2021, 58 apartments had final sales in projects developed by the group.
- In the Q1 of 2022, the group's debt burden (net loans) increased by 979 thousand euros up to the level of 10,300 thousand euros as of 31 March 2022. As of 31 March 2022, the weighted average annual interest rate of interest-bearing liabilities was 5.3%. This is an increase of 0.1% compared to 31 December 2021.

Main financial figures

	Q1 2022	Q1 2021
In thousands of euros		
Revenue	302	9,166
Operating profit (EBIT)	103	1,809
Finance income and expense	-87	-109
Net profit	16	1,700
Cash flows from/used in operating activities	-1,377	6,005
Cash flows used in investing activities	648	0
Cash flows from/used in financing activities	1,326	-2,333
Net cash flows	597	3,672
Cash and cash equivalents at beginning of period	1,863	2,200
Cash and cash equivalents at end of period	2,460	5,872
Total assets, at period end	34,260	27,597
Invested capital, at period end	30,738	23,608
Net loans, at period end	10,300	1,812
Equity, at period end	17,978	15,924

Revenue and net profit/loss during last years

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Total 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Total 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Total 2021	Q1 2022
In millions of euros																
Revenue	1.1	0.7	0.4	10.9	13.1	2.1	1.0	0.6	10.3	14.0	9.2	1.5	0.6	0.3	11.6	0.3
Net profit/loss	-0.1	-0.2	-0.2	0.9	0.4	0.0	-0.1	-0.2	1.3	1.0	1.7	0.5	0.2	-0.3	2.1	0.0

Key ratios

	Q1 2022	Q1 2021
EPS (in euros)	0.00	0.19
Diluted EPS (in euros)	0.00	0.18
EBITDA per share (in euros) (rolling, four quarters)	0.10	0.36
ROIC (rolling, four quarters)	1.4%	10.2%
ROE (rolling, four quarters)	2.3%	19.3%
ROA (rolling, four quarters)	1.3%	9.0%
Equity ratio	52.5%	57.7%
Current ratio	2.20	3.92
Quick ratio	0.57	1.44
Financial leverage	1.91	1.73
Average loan term (in years)	1.5	3.2
Average annual interest rate of loans	5.3%	5.2%
Number of staff, at period end	17	11
Revenue per staff (in thousands of euros)	18	833

Formulas used:

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)

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 reduced to full-time equivalents

Revenue per staff = revenue for the period / number of people working for the group under employment or service contracts reduced to full-time equivalents

Operating report

The revenue of the group totalled 302 thousand euros in Q1 2022 (in Q1 2021: 9,166 thousand euros), including revenue from the sale of properties in the group's own development projects in the amount of 31 thousand euros in Q1 2022 (in Q1 2021: 8,902 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 203 thousand euros in Q1 2022 (in Q1 2021: 194 thousand euros). By the time of publishing the present report, one office space was vacant, but all commercial spaces, together with parking places, were rented out. The free office space makes 11.7% of the rented office and retail area.

In Q1 2022, the construction company Arco Tarc OÜ was established, which laid the foundation for a new business segment. In 2022, the service will be offered only intra-group with a fixed profit margin of 4%.

The construction of buildings in Stages IV-V of Kodulahe is nearing completion. Two 36-apartment residential buildings at Pagi 3 and Pagi 5 in Merimetsa are under construction. Construction has progressed according to plan. The apartment buildings will reach the stage of final sales in summer 2022. All 72 apartments have been presold.

The construction of the Stage VI of Kodulahe project at Lammi 8 started in February 2022 by Arco Vara's own construction company Arco Tarc OÜ. The plan is to build a pavilion, 4 commercial areas and 108 apartments, out of which many have sea view. The apartment buildings will become ready in about 2 years after the construction begins. Apartment sales also commenced in February 2022. As at the date of publishing the annual report, 28 apartments out of the 108 had been presold. The company is limiting the number of apartments to be presold, in order to respond to the effects of inflation in the course of the development as necessary.

A subsidiary of Arco Vara, Aktsiaselts Kolde, 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 expected development period is 6 years with the start of construction planned for 2023. The detailed planning is in process.

The plan is to build a cluster house with 5 homes Pirita Kuldlehe project. Preparations for the site are underway. Construction is planned for the second half of 2022 and the house will be completed within a year. The sale of the project has not started.

The last vision of the Botanica Lozen project foresees construction of 54 homes (houses) in three stages. The expected start time of construction is the autumn of 2022, when the construction of the first 16 buildings will start. Minimum construction period is 2 years.

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

Summary table of Arco Vara's active projects as of 31 March 2022

Project name	Address	Product main type	Stage	Area of plot(s) (m ²)	GSA / GLA (above grade) available or <future target>	No of units (above grade) available or <future target>
Madrid Blvd	Madrid Blvd, Sofia	Lease: Retail/Office	S6	-	7,350	22
Marsili residential plots	Marsili, near Riga	Residential plots	S5	4,700	-	3
Kodulahe, Stages IV-V	Pagi 3 and 5, Tallinn	Apartments	S4	7,383	4,774	72
Kodulahe, Rannakalda	Lammi 8, Tallinn	Apartments, commercial spaces	S4	9,525	8,893	113
Kodulahe, Stages VII	Soodi 6, Tallinn	Apartments	S1	5,444	<6,500>	<75>
Kuldlehe	Lehiku tee 11, Tallinn	Apartments	S3	5,219	853	5
Harku lake development	Paldiski road 124b, Tallinn	Apartments	S2	69,506	<37,000>	<400>
Botanica Lozen	Lozen, near Sofia	Houses	S3	47,450	<16,000>	<54>

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.

Description of stages

- S1: Land plot acquired
- S2: Building rights procedure
- S3: Design and preparation works
- S4: Construction
- S5: Marketing and sale
- S6: Facility management and/or lease

PEOPLE

Remuneration

As of 31 March 2022, 17 people worked for the group (13 as of 31 December 2021). Employee remuneration expenses in Q1 2022 amounted to 139 thousand euros (in Q1 2021: 107 thousand euros).

The remuneration of the member of the management board / CEO of the group's parent company including social security charges amounted to 29 thousand euros in Q1 2022 (in Q1 2021: 23 thousand euros). The members of the supervisory board of the group's parent company were remunerated by 3 thousand euros in Q1 2022 (in Q1 2021: 4 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 has been Miko-Ove Niinemäe who has a mandate until 30 April 2023.

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.

Additional information on the key persons of Arco Vara is presented on company's corporate web page 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 2021, 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 all of the group's loan agreements is euro and the base interest rate is 3 or 6 months' EURIBOR. As a result, the group is exposed to developments on international capital markets. The group does not use hedging instruments to mitigate its long-term interest rate risk. In Q1 2022, the group's interest-bearing liabilities increased by 1,576 thousand euros and amounted to 12,760 thousand euros on 31 March 2022, out of which 7,626 thousand euros is due within next 12 months. The group's cash and cash equivalents totalled 2,460 thousand euros as of 31 March 2022 (31 December 2021 1,863 thousand euros). In Q1 2022, interest payments on interest-bearing liabilities totalled 87 thousand euros (in Q1 2021: 109 thousand euros). The group's weighted average loan interest rate was 5.3% as of 31 March 2022. This is an increase by 0.1 percentage points compared to the end of year 2021. The reason for the increase in the average interest rate is the increase in Estonian development loans with higher-than-average interest rates in 2022.

Currency risk

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

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 2.01 euros on 31 March 2022; the closing price was 2.66 euros on 31 December 2021. During the period, the highest traded price per share was 2.77 euros and the lowest price 1.79 euros. Equity per share was 1,73 euros as of 31.03.2022, 1.73 also as of 31.12.2021.

As of 31 March 2022, market capitalization of shares amounted to 20,881 thousand euros and P/B (price to book value) ratio was 1.16 (31 December 2021: 27,633 thousand euros and 1.54, respectively). P/E (price to earnings) ratio of the share was 53.96 on 31 March 2022, 13.34 on 31 December 2021.

The following charts reflect the movements in the price and daily turnover of Arco Vara's share in 3 months 2022 and during the last three years.

Performance of Arco Vara's shares in Q1 2022



Source: <https://nasdaqbaltic.com/statistics/en/instrument/EE3100034653/trading> 05.04.2022

Performance of Arco Vara’s shares from 1 April 2019 until 31 March 2022



Source: <https://nasdaqbaltic.com/statistics/en/instrument/EE3100034653/trading> 05.04.2022

Changes in Arco Vara share price compared with the benchmark index OMX Tallinn in Q1 2022



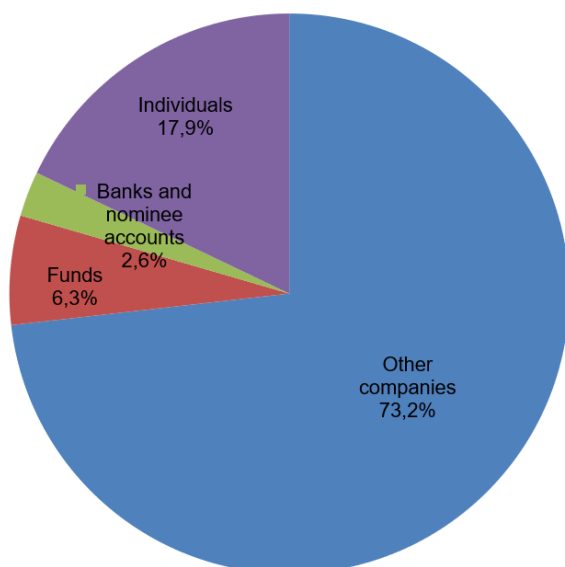
Source: <https://nasdaqbaltic.com/statistics/en/charts> 5 April 2022

Index/equity	31 December 2021	31 March 2022	+/-%
OMX Tallinn	2,001.03 EUR	1,890.35 EUR	-5.53
ARC1T – Arco Vara	2.66 EUR	2.01 EUR	-24.44

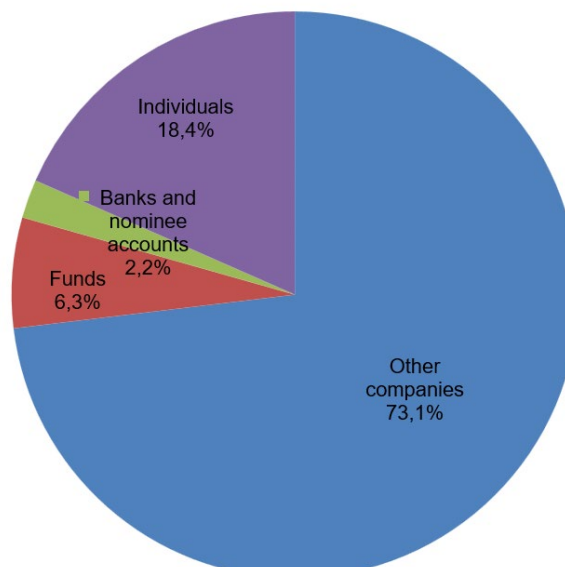
Shareholder structure

As of 31 March 2022, Arco Vara had 8,973 shareholders (on 31 December 2021 9,163), including 8,165 individuals as shareholders (on 31 December 2021: 8,286 individuals) who jointly owned 17.9% (on 31 December 2021: 18.4%) out of all Arco Vara shares. Complete shareholder structures are presented on the following diagrams:

Ownership structure as of 31 March 2022



Ownership structure as of 31 December 2021



Major shareholders on 31 March 2022

Name	No of shares	Share, %
Alarmo Kapital OÜ	6,438,531	62.0%
Firebird Republics Fund LTD	337,057	3.2%
HM Investeeringud OÜ	230,505	2.2%
Firebird Avrora Fund LTD	180,343	1.7%
Marko Teimann	169,496	1.6%
K Vara OÜ	149,574	1.4%
Firebird Fund L.P.	133,948	1.3%
Aia Tänav OÜ	113,000	1.1%
Sander Karu	60,887	0.6%
CITIBANK (LONDON) / OP CUSTODY LTD CLIENT A/C	56,952	0.5%
Other shareholders	2,518,074	24.4%
Total	10,388,367	100.0%

Holdings of management and supervisory board members on 31 March 2022

Name	Position	No of shares	Share, %
Tarmo Sild and Allar Niinepuu (Alarmo Kapital OÜ)	chairman of supervisory board/ member of supervisory board	6,438,531	62.0%
Tarmo Sild (Aia Tänav OÜ)	chairman of supervisory board	117,500	1.1%
Allar Niinepuu (OÜ Kavass)	member of supervisory board	10,000	0.1%
Hillar-Peeter Luutsalu (HM Investeeringud OÜ, related persons)	member of supervisory board	269,259	2.6%
Kert Keskaik (privately, through K Vara OÜ and One Eleven OÜ)	member of supervisory board	206,282	2.0%
Steven Yaroslav Gorelik ¹	member of supervisory board	0	-
Miko-Ove Niinemäe	member of management board	12,000	0.1%
Total		7,053,572	67.9%

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 2022 provides a true and fair view of business developments, financial performance and financial position of the group as well as a description of the main risks and uncertainties.



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

On 28 April 2022

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Q1 2022	Q1 2021
In thousands of euros			
Revenue from sale of own real estate		31	8,902
Revenue from rendering of services		271	264
Total revenue	2,3	302	9,166
Cost of sales	4	-109	-7,119
Gross profit		193	2,047
Other income		194	10
Marketing and distribution expenses	5	-44	-35
Administrative expenses	6	-239	-184
Other expenses		-1	-29
Operating profit		103	1,809
Finance income and cost	7	-87	-109
Profit before tax		16	1,700
Net profit for the period		16	1,700
<i>attributable to owners of the parent</i>		16	1,700
Total comprehensive income for the period		16	1,700
<i>attributable to owners of the parent</i>		16	1,700
Earnings per share (in euros)	8		
- basic		0.00	0.19
- diluted		0.00	0.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2022	31 December 2021
In thousands of euros			
Cash and cash equivalents		2,460	1,863
Receivables and prepayments	9	3,893	3,701
Inventories	10	18,212	15,761
Total current assets		24,565	21,325
Receivables and prepayments	9	22	5
Investment property	11	9,419	9,943
Property, plant and equipment		176	154
Intangible assets		78	87
Total non-current assets		9,695	10,189
TOTAL ASSETS		34,260	31,514
Loans and borrowings	12	7,626	6,043
Payables and deferred income	13	3,522	2,368
Total current liabilities		11,148	8,411
Loans and borrowings	12	5,134	5,141
Total non-current liabilities		5,134	5,141
TOTAL LIABILITIES		16,282	13,552
Share capital		7,272	7,272
Share premium		3,835	3,835
Statutory capital reserve		2,011	2,011
Retained earnings		4,860	4,844
TOTAL EQUITY		17,978	17,962
TOTAL LIABILITIES AND EQUITY		34,260	31,514

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Q1 2022	Q1 2021
In thousands of euros			
Cash receipts from customers		1,348	11,485
Cash paid to suppliers		-2,885	-2,737
Taxes paid and recovered (net)		279	-2,660
Cash paid to employees		-72	-80
Other cash payments and receipts related to operating activities (net)		-47	-3
NET CASH FROM/USED IN OPERATING ACTIVITIES		-1,377	6,005
Payments made on purchase of tangible and intangible assets		-24	0
Proceeds from sale of property, plant and equipment		2	0
Proceeds from sale of investment property		670	0
NET CASH FROM/USED IN INVESTING ACTIVITIES		648	0
Proceeds from loans received	12	1,655	0
Settlement of loans and borrowings	12	-73	-2,163
Interest paid		-152	-170
Dividends paid		-104	0
NET CASH FROM/USED IN FINANCING ACTIVITIES		1,326	-2,333
NET CASH FLOW		597	3,672
Cash and cash equivalents at the beginning of period		1,863	2,200
Change in cash and cash equivalents		597	3,672
Cash and cash equivalents at the end of period		2,460	5,872

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Unregistered share capital	Share premium	Statutory capital reserve	Retained earnings	Total equity
In thousands of euros						
Balance as of 31 December 2020	6,299	273	2,285	2,011	3,356	14,224
Total comprehensive income for the period	0	0	0	0	1,700	1,700
Balance as of 31 March 2021	6,299	273	2,285	2,011	5,056	15,924
Balance as of 31 December 2021	7,272	0	3,835	2,011	4,844	17,962
Total comprehensive income for the period	0	0	0	0	16	16
Balance as of 31 March 2022	7,272	0	3,835	2,011	4,860	17,978

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 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements should be read in conjunction with the audited consolidated annual financial statements for the year ended on 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

2. Segment information

The group analyzes operations in the construction and development segment. Also, geographical segments are identified: Estonia, Bulgaria, Latvia, active segments are Estonia and Bulgaria.

External revenue by operating segment and by location of seller

Segment	Development		Construction		Parent company		Consolidated	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021
In thousands of euros								
Estonia	1	4,589	0	-	64	58	65	4,647
Bulgaria	206	4,519	-	-	-	-	206	4,519
Latvia	31	0	-	-	-	-	31	0
Total revenue	238	9,108	0	0	64	58	302	9,166

Revenue by operating segment

Segment	Development		Construction		Parent company		Eliminations		Consolidated	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021
In thousands of euros										
External revenue	238	9,108	0	-	64	58	0	0	302	9,166
Revenue from other segments	0	0	274	-	90	204	-364	-204	0	0
Total revenue	238	9,108	274	0	154	262	-364	-204	302	9,166

External operating profit by operating segment and location

Segment	Development		Construction		Parent company		Consolidated	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021
In thousands of euros								
Estonia	83	505	-21	-	-50	12	12	517
Bulgaria	88	1,296	-	-	-	-	88	1,296
Latvia	2	-4	-	-	-	-	2	-4
Total revenue	173	1,797	-21	0	-50	12	102	1,809

External assets and liabilities by operating segment and location

Segment	Development		Construction		Parent company		Consolidated	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021
In thousands of euros								
Estonia	18,539	15,900	674	-	646	1,710	19,859	17,610
Bulgaria	14,301	13,778	-	-	-	-	14,301	13,778
Latvia	100	126	-	-	-	-	100	126
Total assets	32,940	29,804	674	-	646	1,710	34,260	31,514

Segment	Development		Construction		Parent company		Consolidated	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021
In thousands of euros								
Estonia	8,016	5,415	275	-	2,482	2,550	10,773	7,965
Bulgaria	5,508	5,587	-	-	-	-	5,508	5,587
Latvia	1	0	-	-	-	-	1	0
Total liabilities	13,525	11,002	275	-	2,482	2,550	16,282	13,552

Non-current assets by operating segment and location

Segment	Development		Construction		Parent company		Consolidated	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021	31 March 2022	31 December 2021	31 March 2022	31 December 2021
In thousands of euros								
Estonia	0	1	7	-	163	146	170	147
Bulgaria	6	7	-	-	-	-	6	7
Tangible assets	6	8	7	-	163	146	176	154
Estonia	0	0	0	-	39	48	39	48
Bulgaria	39	39	-	-	-	-	39	39
Intangible assets	39	39	0	-	39	48	78	87
Total non-current assets	45	47	7	-	202	194	254	241

3. Revenue

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

	Estonia		Bulgaria		Latvia		Consolidated	
	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021	Q1 2022	Q1 2021
In thousands of euros								
Sale of own real estate	0	4,583	0	4,319	31	0	31	8,902
Rental of real estate	1	4	182	173	0	0	183	177
Property management services	0	0	21	21	0	0	21	21
Franchise	50	44	10	9	6	5	66	58
Other revenue	0	2	1	6	0	0	1	8
Total revenue	51	4,633	214	4,528	37	5	302	9,166

4. Cost of sales

	Q1 2022	Q1 2021
In thousands of euros		
Cost of real estate sold (note 10, 11)	-27	-6,820
Brokerage fees	0	-161
Property management costs	-60	-82
Personnel expenses	-8	0
Depreciation, amortization and impairment losses	-9	-10
Other costs	-5	-46
Total cost of sales	-109	-7,119

5. Marketing and distribution expenses

	Q1 2022	Q1 2021
In thousands of euros		
Advertising expenses	-5	-32
Personnel expenses	-16	0
Other marketing and distribution expenses	-23	-3
Total marketing and distribution expenses	-44	-35

6. Administrative expenses

	Q1 2022	Q1 2021
In thousands of euros		
Personnel expenses	-115	-107
Office expenses	-36	-33
IT expenses	-9	-7
Services purchased	-59	-34
Depreciation, amortization and impairment losses	-12	-4
Legal service fees	-5	2
Other expenses	-3	-1
Total administrative expenses	-239	-184

7. Financial income and expenses

	Q1 2022	Q1 2021
In thousands of euros		
Interest expenses	-87	-114
Other financial income and costs	0	5
Total financial income and costs	-87	-109

8. Earnings per share

Basic earnings per share are calculated by dividing profit or loss 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 2022	Q1 2021
Weighted average number of ordinary shares outstanding during the period	10,388,367	8,998,367
Number of ordinary shares potentially to be issued (at period end)	0	390,000
Net profit (in thousands of euros)	16	1,700
Earnings per share (in euros)	0,00	0.19
Diluted earnings per share (in euros)	0.00	0.18

9. Receivables and prepayments

Short-term receivables and prepayments

	31 March 2022	31 December 2021
In thousands of euros		
Receivables from customers	90	90
Miscellaneous receivables	38	6
Prepaid and recoverable taxes	268	145
Other accrued income	24	24
Prepayments	3,473	3,436
Total short-term receivables and prepayments	3,893	3,701

Long-term receivables and prepayments

	31 March 2022	31 December 2021
In thousands of euros		
Prepayments	22	5
Total long-term receivables and prepayments	22	5

10. Inventories

	31 March 2022	31 December 2021
In thousands of euros		
Properties purchased and being developed for resale	17,896	15,754
Materials and finished goods	316	7
Total inventories	18,212	15,761

Properties purchased and being developed for resale

	2022	2021
In thousands of euros		
Balance at the beginning of period, 1 January	15,754	14,943
Land plots purchased for development	0	1,751
Construction costs of apartment buildings	1,987	994
Capitalized borrowing costs	65	9
Other capitalized costs	117	337
Cost of sold properties (note 4)	-27	-6,806
Balance at the end of period, 31 March	17,896	11,228

11. Investment property

	2022	2021
In thousands of euros		
Balance at the beginning of period, 1 January	9,943	9,564
Capitalized development costs	1	0
Sale of investment property	-525	-14
Balance at the end of period, 31 March	9,419	9,550

12. Interest bearing liabilities

	As of 31 March, 2022			As of 31 December, 2021		
	Total	of which current portion	of which non-current portion	Total	of which current portion	of which non-current portion
In thousands of euros						
Bank loans	10,463	5,427	5,036	8,880	3,844	5,036
Bonds	1,780	1,780	0	1,780	1,780	0
Capital lease	126	28	98	133	28	105
Other loans	391	391	0	391	391	0
Total	12,760	7,626	5,134	11,184	6,043	5,141

In Q1 2022, the group settled loans in the amount of 80 thousand euros (in Q1 2021: 3,015 thousand euros) and raised new loans in the amount of 1,655 thousand euros (in Q1 2021: no new loans). 852 thousand euros of the settled loans were paid by customers directly to the bank in 2021.

In 3 months 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 3 months 2022, the group raised the following new liabilities:

- 1,655 thousand euros of bank loan for financing construction of apartment building in Kodulahe project Stages IV&V.

In 3 months 2021, the following major loan obligations were settled:

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

13. Payables and deferred income

Short-term payables and deferred income

	31 March 2022	31 December 2021
In thousands of euros		
Trade payables	984	673
Miscellaneous payables	15	10
Taxes payable		
Value added tax	188	24
Corporate income tax	32	32
Social security tax	30	9
Personal income tax	17	6
Garbage tax	10	2
Other taxes	8	0
Total taxes payable	285	73
Accrued expenses		
Payables to employees	100	102
Interest payable	18	7
Dividends payable	0	104
Other accrued expenses	3	2
Total accrued expenses	121	215
Deferred income		
Prepayments received on sale of real estate	1,987	1,268
Guarantee deposits	92	91
Prepaid revenue	38	38
Total deferred income	2,117	1,397
Total short-term payables and deferred income	3,522	2,368

14. Related party disclosures

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

- 1) Parent company OÜ Alarmo Kapital and companies under the control of the members of the supervisory board of Arco Vara AS that have a significant interest in the group;
- 2) 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).

Transactions with related parties	Q1 2022	Q1 2021
<i>In thousands of euros</i>		
Companies that have a significant interest in the group's parent company		
Services purchased	0	10
Other related parties		
Services purchased	7	0
Balances with related parties		
	31 March 2022	31 December 2021
<i>EUR tuhandetes</i>		
Other related parties		
Receivables from customers	442	148

The CEO and members of the supervisory board intend to buy apartments in the Kodulahe Quarter, having therefore made prepayments for a total of 442 thousand euros (on 31 December 2021 148 thousand).

In Q1 2022, the remuneration provided to the CEO / member of the management board was 28 thousand euros, including social security charges; the remuneration provided to the members of the supervisory board of the group's parent company was 3 thousand euros (in Q1 2021: 23 thousand euros to the CEO, 4 thousand euros to the members of the supervisory board).

The remuneration provided to the CEO / member of the management board is based on his contract of service. As of 30 April 2020, 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. From 1 May 2021, 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) a 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 1000 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 2022.

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



Miko-Ove Niinemäe
Chief Executive and Member of the Management Board of Arco Vara AS
On 28 April 2022