

# Arco Vara AS

Annual Report  
2025



CONSOLIDATED ANNUAL REPORT  
(Translation of the Estonian original)

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<b>Corporate website</b>	www.arcovara.com
<b>Financial year</b>	1 January 2025 – 31 December 2025
<b>Supervisory board</b>	Kert Keskpaik, Tarmo Sild, Steven Yaroslav Gorelik, Hillar-Peeter Luitsalu, Allar Niinepuu
<b>Chief executive officer</b>	Kristina Mustonen
<b>Auditor</b>	KPMG Baltics OÜ

*Company's consolidated financial statements in pdf-format without European Single Electronic Format (ESEF) markups. The original document is submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange and digitally signed (Link: <https://nasdaqbaltic.com/>).*

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# Management Report

## Group CEO's Review

2025 was a year of stabilisation and moderate recovery in the Estonian real estate market. Property prices increased slowly and transaction activity improved, particularly following the downturn in 2023–2024. The decline and stabilisation of Euribor improved lending conditions and brought buyers back to the market. As a result, the number of transactions in new developments in Tallinn increased, although it remained below forecasts. Economic growth was modest, which kept the market cautious; however, the overall picture improved compared to the downturn of previous years. If the macroeconomic environment remains stable and interest rates begin to decline, moderate market growth can be expected in 2026, particularly in the new development segment.

The past year was one of active development and strategic decisions for Arco Vara. During the year, we focused on launching new projects, advancing existing developments, and strengthening the company's financial and support structures. Despite a volatile economic environment, we consistently implemented our strategy to ensure sustainable long-term growth and competitiveness.

During the year, we expanded our development portfolio by acquiring the Spordi and Luther projects, increasing the company's development volume to 157,318 m<sup>2</sup> (+72,590 m<sup>2</sup>). Construction works commenced at the Spordi project, while in the Luther quarter we focused on developing the concept and updating the budget to ensure optimal future implementation. The Soodi development in the Kodulahe quarter also moved to the next stage, with a building permit obtained and construction works commenced. A significant part of the year was dedicated to activities related to existing projects. In the Bulgarian development project, we focused on finding buyers and partners.

We successfully completed a share issue and the company's first public bond offering, raising a total of EUR 15 million.

Organisational development was also a key focus. During the year, we recruited new team members to support the implementation of Arco Vara's projects. We strengthened the finance, development, sales and marketing teams to support the company's growing development volumes.

The first three quarters of the year were slightly profitable; however, lower-than-expected sales volumes in the fourth quarter, also impacted by a limited number of available units, resulted in a loss for the full year.

**Rannakalda development:** During the year, 18 homes were sold. By the end of 2025, 105 out of 113 apartments and commercial units had been sold. The goal was to sell all remaining units by the end of 2025; however, some apartments remained unsold and their sales will continue in 2026.

**Soodi 6 development:** Construction works began on 30 June. By the end of 2025, 22 out of 66 apartments and commercial units had been sold under preliminary purchase agreements. The project is attractive to young families, investors and more demanding clients due to its good location and well-designed layouts.

**Spordi development:** Construction also commenced in June. By the end of 2025, 16 out of 56 homes had been sold under preliminary purchase agreements. The Spordi development complements Arco Vara's portfolio with an excellent location in the Kristiine residential district, an area with limited new developments but strong demand for housing. The project incorporates modern and smart solutions.

**Arcojärve development:** After the reporting period, on 19 January 2026, a public discussion was held and the process has reached the final stages of adopting the detailed spatial plan. This is a strategically important project that creates the basis for further investments in new inner-city developments.

**Bulgaria development:** Negotiations regarding the Bulgarian subsidiary are ongoing and relevant decisions are planned in the near future.

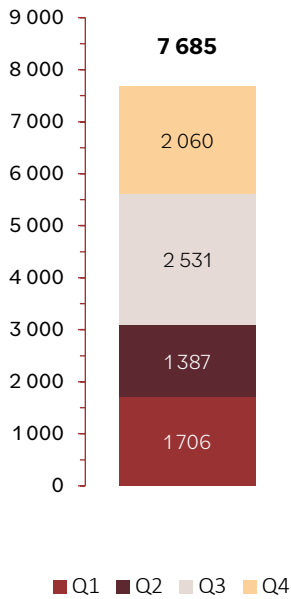
**Kuldlehe development:** During the year, two out of five remaining homes were sold. Only the last apartment remains available in the project, whose exclusive character and limited availability maintain the development's strong position in Tallinn's premium segment.

**Luther development:** Pre-sales of the first phase commenced in December. Design works and preparations for the start of construction are ongoing.

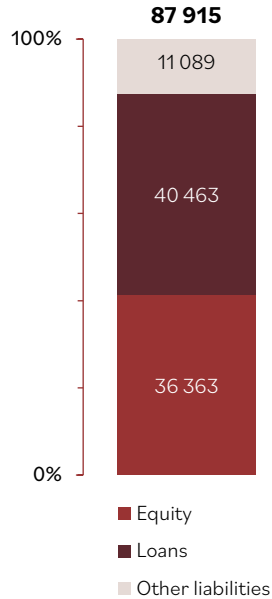
Arco Vara remains focused on developing high-quality and sustainable living environments and providing the best home-buying experience. Our mission is to create modern, sustainable and desirable living environments where clients can shape their dream homes, and our vision is to be the first choice for homebuyers.

2025 was a year of intensive work and several important decisions. We are confident that the steps taken will create a strong foundation for the next stages of development and support Arco Vara's long-term sustainable growth.

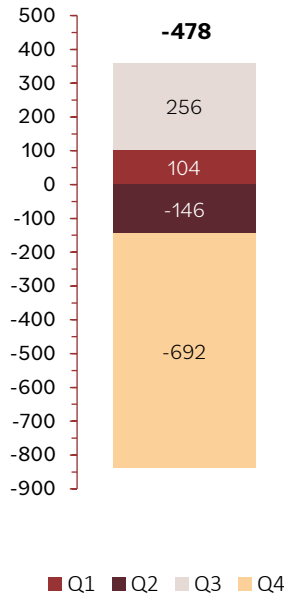
Revenue 2025



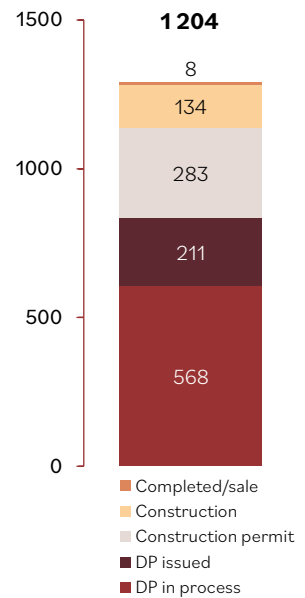
Balance 31.12.2025



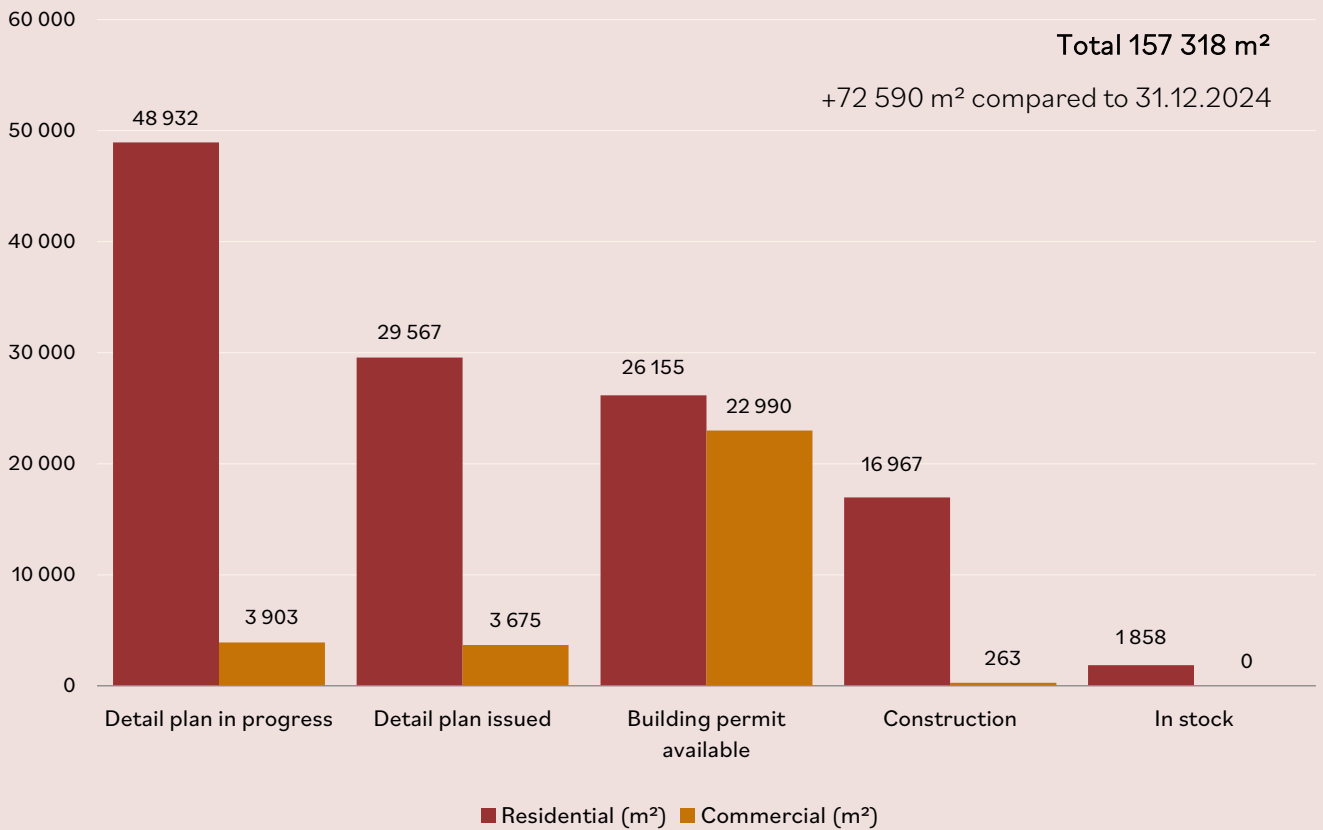
Net profit 2025



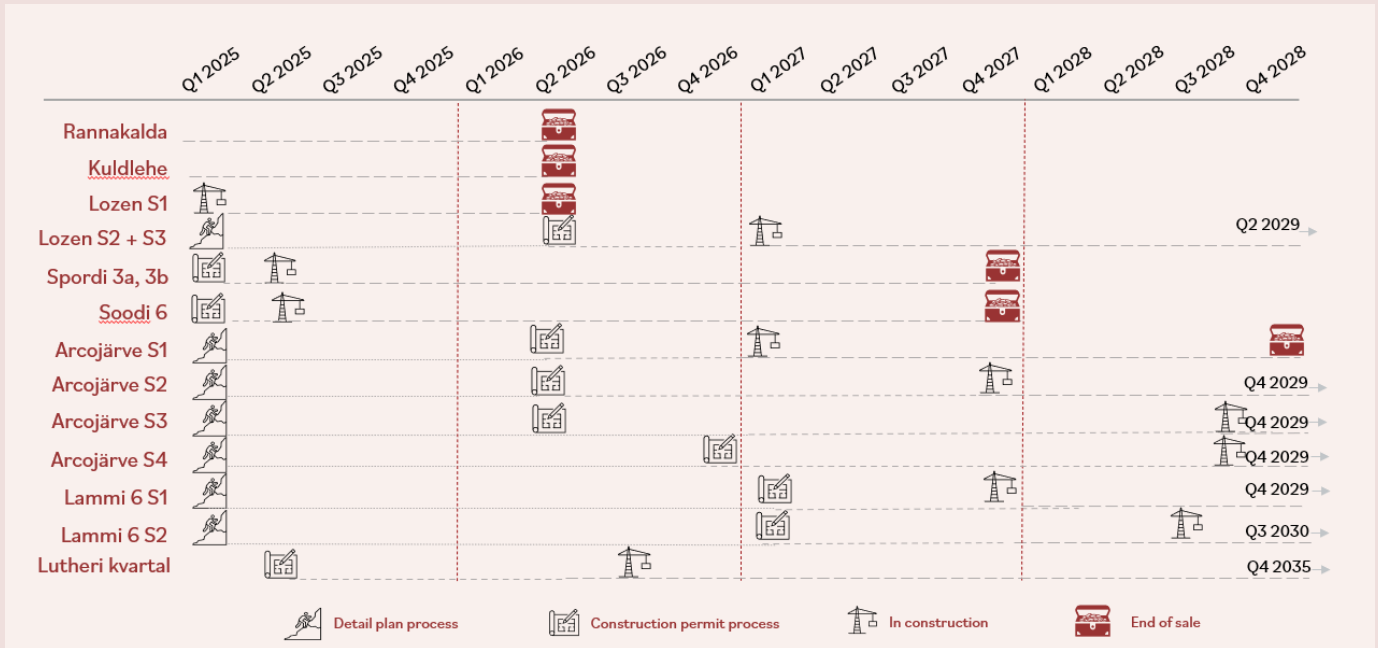
Residential units in development



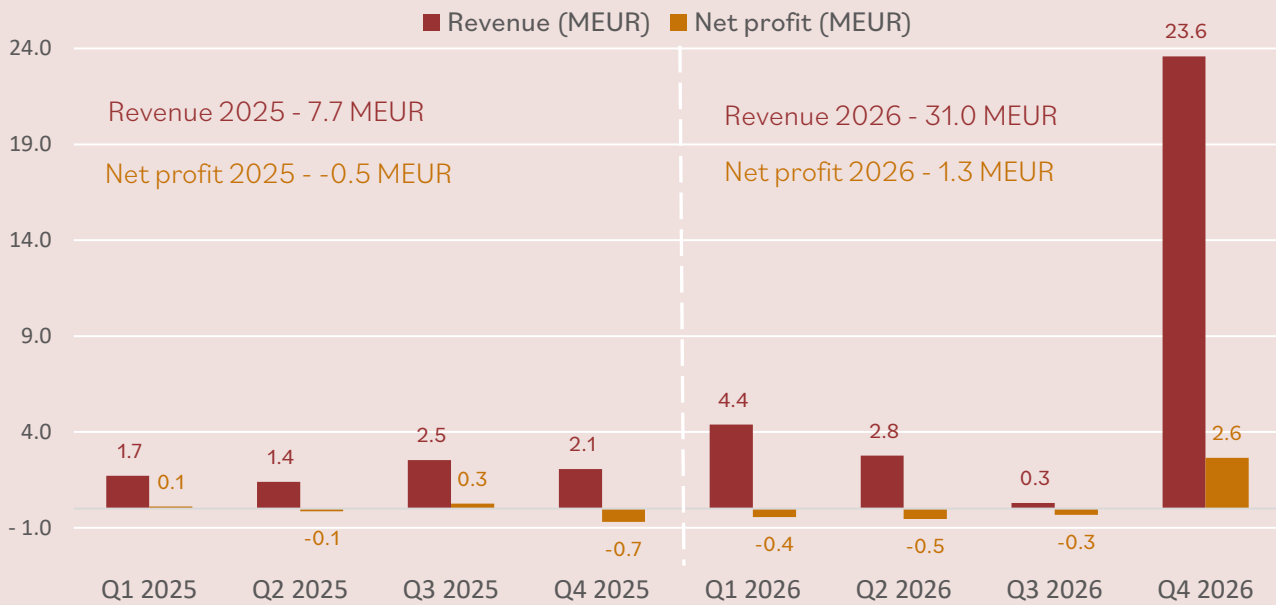
### Development volumes (gross m<sup>2</sup>)



### Development schedule 2025 - 2028



### Arco Vara Group revenue and profit overview 2025 and forecast for 2026



## Arco Vara's Active Projects as of 31.12.2025



Project name

### Kodulahe Rannakalda

Address

Lammi 8, Tallinn

Product main type

Apartments, commercial spaces

Project stage

Sale

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

9,525

GSA/GLA (above ground)

1,960

No of units (above ground)/ available

113/8



Project name

### Botanica Lozen Stage I

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)/ available

16/0



Project name

### Kuldlehe

Address

Lehiku road 11, Tallinn

Product main type

Apartments

Project stage

Sale

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

5,219

GSA/GLA (above ground)

558

No of units (above ground)/ available

5/1



Project name

### Stage VI Kodulahe

Address

Soodi 6, Tallinn

Product main type

Apartments, commercial spaces

Project stage

Construction

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

5,444

GSA/GLA (above ground)

4,543

No of units (above ground)/available

66/44



Project name

### Spordi 3a, 3b

Address

Spordi 3a, 3b, Tallinn

Product main type

Apartments

Project stage

Construction

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

5,566

GSA/GLA (above ground)

4,312

No of units (above ground)/available

56/40



Project name

### Arcojärve

Address

Paldiski road 124b, Tallinn

Product main type

Apartments, commercial spaces

Project stage

Detail plan in process

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

69,506

GSA/GLA (above ground)

<28,132>

No of units (above ground)

<430>

## Arco Vara's Active Projects as of 31.12.2025



Project name

### Stage VII 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)

<12,327>

No of units (above ground)

<182>



Project name

### Stage II and Stage III 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

### Padel venue

Address

Helme 18, Tallinn

Product main type

Sports hall

Project stage

On rent

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

5,712

GSA/GLA (above ground)

1,983

No of units (above ground)/ available

1/0



Project name

### Stage I-IV Luther Quarter

Address

Luther Quarter, Tallinn

Product main type

Apartments, commercial spaces

Project stage

I-III Building permit issued,  
IV Detail plan in process

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

35,660

GSA/GLA (above ground)

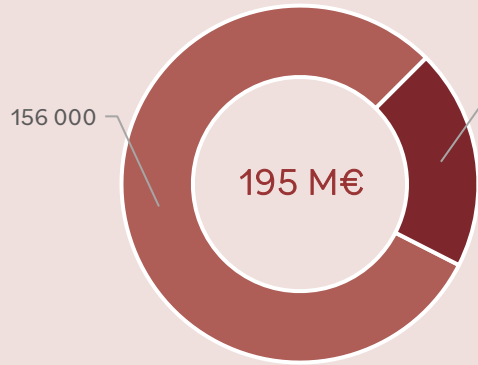
<51,388>

No of units (above ground)

<513>

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

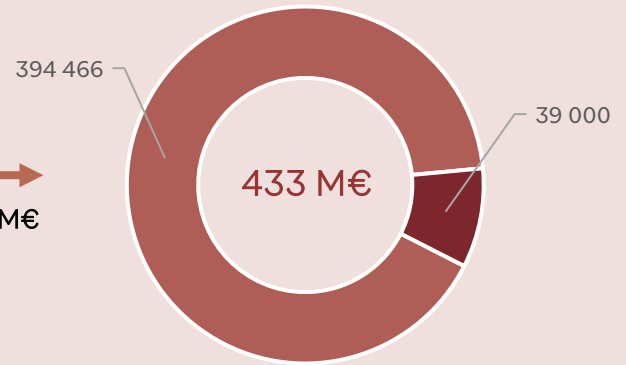
Development revenue of development projects upon completion as of 31.12.2024 (kEUR)



■ Estonia ■ Bulgaria

Development revenue of development projects upon completion as of 31.12.2025 (kEUR)

→  
+238 M€



■ Estonia ■ Bulgaria

## General Information

### Activities of the group

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

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




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

### Arco Vara vision and mission

Arco Vara promise:

## We build the future and create value.

Arco Vara vision:

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

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

### Group structure

Arco Vara AS is part of the OÜ Alarmo Kapital group. As of 31 December 2025, the Group consisted of 18 companies, which is 5 more than as of 31 December 2024.

#### Significant subsidiaries as of 31 December 2025

Company name	Location	Share capital (nominal value)	Equity on 31.12.2025	Group's shareholding
		<i>in € thousands</i>	<i>in € thousands</i>	
Kodulahe Kvartal OÜ	Estonia	140	5 021	100%
Kerberon OÜ	Estonia	5	1 699	100%
Arcojärve OÜ	Estonia	28	641	100%
Kodukalda OÜ	Estonia	3	-354	100%
Arco Tarc OÜ	Estonia	3	866	100%
Arco L Torn OÜ	Estonia	3	-62	100%
Arco Spordi OÜ	Estonia	3	473	100%
Arco L Torn II OÜ	Estonia	3	-16	100%

2

countries

30+

years of experience

2800+

new homes

380 000+

developed m<sup>2</sup>

#### Arco Vara AS subsidiaries

Kodulahe Kvartal OÜ	100%
Arco Spordi OÜ	100%
Kodukalda OÜ	100%
Arcojärve OÜ	100%
Kerberon OÜ	100%
Arco Tarc OÜ	100%
Arco L Torn OÜ	100%
Arco L Torn II OÜ	100%
Arco L Factory OÜ	100%
Grupi Teenuste OÜ	100%
Grupi Halduse OÜ	100%
Arco Vara Bulgaria EOOD	100%
Arco Invest EOOD	100%
Iztok Parkside EOOD	100%
Botanica Lozen EOOD	100%
Arco Manastirski EOOD	100%
Arco Riverside EOOD	100%

Arco Lozen EOOD	Bulgaria	2 931	693	100%
Arco Vara Bulgaria EOOD	Bulgaria	3	2	100%

## Key Performance Indicators

- The Group's revenue for the 12 months of 2025 amounted to EUR 7,685 thousand, which is EUR 208 thousand higher than the revenue for the 12 months of 2024.
- For the 12 months of 2025, the Group recorded an operating profit (EBIT) of EUR 195 thousand and a net loss of EUR 479 thousand. For the 12 months of 2024, the Group recorded an operating profit of EUR 69 thousand and a net loss of EUR 624 thousand.
- During 2025, 48 apartments were sold, 28 under preliminary purchase agreements and 20 under real right contracts. For comparison, during 2024, a total of 30 apartments and 3 commercial units were sold (22 apartments and 1 commercial unit under real right contracts and 8 apartments and 2 commercial units under preliminary purchase agreements).
- As of 31 December 2025, 8 apartments and 1 commercial premises were completed and held in inventory. As of 31 December 2024, 28 apartments and 1 commercial premise were completed and held in inventory.
- As of 31 December 2025, the total assets of the Group more than doubled compared to 31 December 2024. The main reason for the increase in total assets was the acquisition of new development projects, including the Luhter Quarter and the Spordi 3a/3b development project.
- The Group's net loan position (net debt) as of the end of 2025 amounted to EUR 37,649 thousand, which is EUR 23,012 thousand higher compared to the end of the same period last year. The main reason for the increase in indebtedness was the acquisition of the Luhter Quarter, which was partially financed with a bank loan. In addition, in the third quarter of 2025, bonds in the amount of EUR 15,000 thousand were issued. As of 31 December 2025, the weighted average interest rate of the Group's interest-bearing liabilities was 8.90%.

Main financial figures	12 months 2025	12 months 2024
<i>In thousands of euros</i>		
<b>Revenue</b>	<b>7 685</b>	<b>7 477</b>
<b>Operating profit/loss</b>	<b>195</b>	<b>69</b>
Finance income and costs	-563	-640
Income tax	-111	-52
<b>Net profit/loss</b>	<b>-479</b>	<b>-624</b>
Cash flow from operations	-43 055	-6 588
Cash flow from financing	44 127	9 120
<b>Net cash flow</b>	<b>1 064</b>	<b>248</b>
Cash and cash equivalents at the beginning of period	1 720	1 472
Cash and cash equivalents at end of period	2 784	1 720
Total assets at end of period	87 915	38 970
Invested capital at end of period	76 825	35 341
Net debt at end of period	37 679	14 666
Equity at end of period	36 363	19 518

## Key Ratios

	31 December 2025	31 December 2024
Net profit ratio (rolling, four quarters)	-3.15%	-8.42%
EPS (in euros)	-0.03	-0.06
Diluted EPS (in euros)	-0.03	-0.06
EBITDA per share (in euros) (rolling, four quarters)	0.05	0.01
ROIC (rolling, four quarters)	-0.44%	-1.85%
ROE (rolling, four quarters)	-1.46%	-3.10%
ROA (rolling, four quarters)	-0.65%	-1.66%
Equity ratio	0.42	0.50
Current ratio	6.37	7.55
Quick ratio	0.70	1.53
Financial leverage	2.37	2.00
Average loan term (in years)	2.23	2.12
Average annual interest rate of loans	8.90%	8.70%
Number of staff, at period end	15	13

### Formulas used:

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

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

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

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

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

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

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

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

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

Equity ratio = equity / total assets

Current ratio = current assets / current liabilities

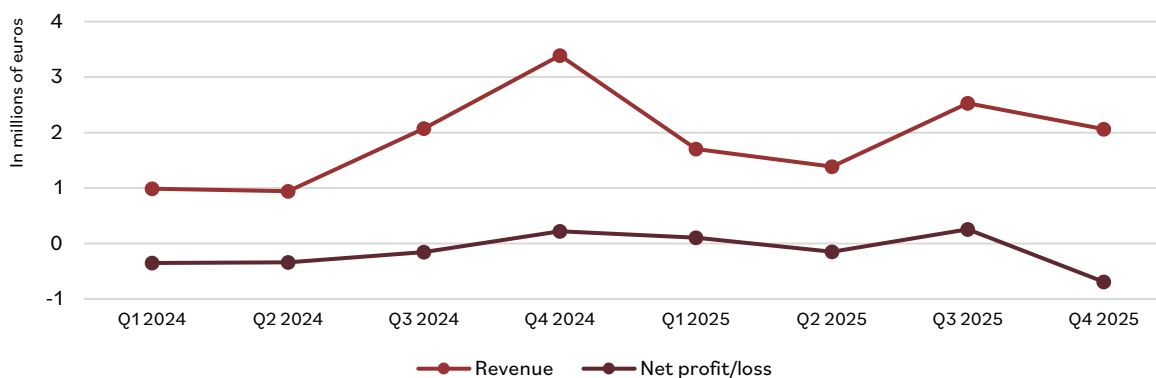
Quick ratio = (current assets - inventory) / current liabilities

Financial leverage = total assets / equity

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

## Revenue and net profit/loss during last years

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Total 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Total 2025
<i>In millions of euros</i>										
Revenue	1.0	0.9	2.1	3.4	7.4	1.7	1.4	2.5	2.1	7.7
Net profit/loss	-0.3	-0.3	-0.2	0.2	-0.6	0.1	-0.1	0.3	-0.7	-0.5



## Operating report

In 2025, the Group's revenue amounted to EUR 7,685 thousand (2024: EUR 7,477 thousand), of which revenue from real estate sales in the Group's own development projects totalled EUR 7,195 thousand (2024: EUR 7,145 thousand).

Other revenue mainly includes income from real estate agency franchise fees in Estonia, Latvia, and Bulgaria. Franchise fees in 2025 amounted to EUR 298 thousand. In 2024, franchise fee income amounted to EUR 275 thousand.

### Estonian Development Projects

The seventh phase of the Kodulahe quarter, the Soodi 6 development project, received its building permit in the second quarter of 2025, and construction works commenced at the end of June. A total of 62 apartments and 4 commercial units will be developed at Soodi 6 in three separate residential buildings. The completion of the buildings is scheduled for the fourth quarter of 2026. As of the date of publication of this report, 21 apartments and 4 commercial units have been pre-sold.

Kodulahe quarter's Rannakalda stage was completed in 2024 and comprises a total of 108 apartments and 5 commercial units across three separate residential buildings. As of the date of publication of the annual report, 8 out of 113 units remain available.

The Kuldlehe project in Piritu comprises an exclusive cluster house with 5 spacious homes, of which 1 unit remains available as of the report date.

Arco Vara's subsidiary Arco Spordi OÜ acquired properties at Spordi 3a and 3b, Tallinn, in Q1 2025. The project reached the construction phase during Q2 2025. The development consists of two apartment buildings with underground parking, totalling 56 apartments (2-5 rooms), many featuring balconies or terraces. Apartment pre-sales began in Q2 2025, with completion expected by the end of 2026. As of the publication date, 39 of the 56 apartments remain available.

Arco Vara's subsidiary, Arcojärve OÜ, entered into a preliminary purchase agreement in 2021 for the acquisition of a plot of land on the shore of Lake Harku, at Paldiski mnt 124b, Tallinn. The development will comprise more than 35,000 m<sup>2</sup> of residential and commercial real estate (gross building volume), with an expected development period of six years from the adoption of the detailed spatial plan. The project is named Arcojärve.

Arcojärve OÜ is obligated to pay an additional EUR 1,627 thousand for the land within three months following the approval of the detailed plan by the Tallinn City Government, with the final payment deadline expected in 2026. The commencement of construction for the first phase is planned for early 2027.

### Acquisition of Luther Quarter and Share Issue

In Q2 2025, Arco Vara's subsidiaries Arco L Factory OÜ, Arco L Torn OÜ, Arco L Torn II OÜ, and Grupi Halduse OÜ collectively acquired the Luther Quarter, which comprises 15 properties located in central Tallinn, between Pärnu Road, Tatari Street, Vana-Lõuna Street, and Vineeri Street. A valid detailed plan allows for a gross buildable volume of 95,000 m<sup>2</sup>, including 18,500 m<sup>2</sup> of commercial space and 33,000 m<sup>2</sup> of residential net area. Most of this volume is already covered by existing building permits.

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

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

Under the terms of the share issue, 6,980,000 new shares were issued at a price of EUR 2.50 per share, consisting of a nominal value of EUR 0.70 and a share premium of EUR 1.80. The issue was successful, and all new shares are now listed and traded. Following the issue, the Group maintained the same pre-transaction ratio of equity to interest-bearing liabilities.

In Q3 2025, Arco Vara AS also issued bonds totalling EUR 15 million, consisting of 150,000 bonds with a nominal

value of EUR 100, an interest rate of 8.8%, and a maturity date of 24 September 2028.

In the fourth quarter of 2025, we commenced cooperation with two marketing agencies to develop a comprehensive and effective sales strategy for the Luther Quarter. During the same period, pre-sales were launched for clients who had previously registered their interest. Public sales are scheduled to begin in spring 2026, and construction works are planned to commence in summer 2026.

### Bulgarian Development Projects

In July of this year, Arco Vara AS announced its intention to concentrate its focus on the core market, namely development projects located in Estonia. The company keeps investors and the public informed about the progress of related negotiations and will provide further updates once transactions or other significant developments reach the next stage.

At the same time, development activities in Bulgaria are progressing according to plan, and the projects are moving forward in line with the established schedule. All 16 houses in the first phase have been sold. The final construction works will be completed in early spring, after which the houses will be handed over to the clients.

### Other

Arco Vara subsidiary Kerberon OÜ developed a fully automated padel centre with six indoor courts at Helme 18 in 2024, in cooperation with Arco Tarc OÜ. The building has been leased out under a long-term agreement and has generated rental income for the Group since 2024; in 2025, rental income amounted to EUR 175 thousand.

## People

### Remuneration

As of 31 December 2025, the Group employed 15 people (compared to 13 as of 31 December 2024).

In 2025, Arco Vara Group carried out an active recruitment period, as a result of which a new Chief Financial Officer, Group Sales Manager and the project manager for the Luther development joined the company. As of the reporting date, the Group's key positions are filled and no active recruitment is ongoing.

Personnel expenses for 2025 amounted to EUR 1,431 thousand (2024: EUR 1,465 thousand). These personnel expenses also include salaries of the construction team,

which are capitalised into the cost of development projects under construction and recognised in expenses through the cost of apartments sold.

Personnel expenses include remuneration (including social tax) accrued to the Chief Executive Officer of the parent company in the amount of EUR 235 thousand in 2025 (2024: EUR 244 thousand).

During 2025, remuneration paid to members of the Supervisory Board (including social tax) totalled EUR 75 thousand (2024: EUR 36 thousand).

### Management board and supervisory board

The Management Board of Arco Vara AS typically consists of one member. Since 15 July 2024, the CEO and Member of the Management Board of Arco Vara AS has been Kristina Mustonen, whose term of office is four years.

After the reporting period, Kristina Mustonen submitted her resignation as CEO and Member of the Management Board at her own request. In accordance with the Management Board member's service contract, her

authority will terminate after the expiry of the notice period.

The Supervisory Board of Arco Vara AS decided to appoint Rait Riim as the new Member of the Management Board and CEO of the company. His term of office will begin on 1 April 2026 and will be valid for three years. According to the decision of the Supervisory Board, Kristina Mustonen will be recalled from the Management Board of Arco Vara AS as of 22 April 2026.



**Kristina Mustonen** holds a master's degree in business administration from Estonian Business School and has extensive management experience in the retail and food industry sectors. From

2007 to 2020, she worked in the Vilnius Prekyba group, where she started as Purchasing Manager at Maxima Eesti OÜ and subsequently held several department head positions. During the last five years, she served as Head of the Commercial Department and Member of the Management Board of the group.

Afterwards, Kristina Mustonen worked as Head of the Commercial Department at Bauhof Group AS and from 2020 to 2023 as Member of the Management Board of HKScan Estonia AS and Baltic Business Director. In February 2023, she returned to Maxima Eesti OÜ as CEO, where she worked until March 2024.

As at 31 December 2025, Kristina Mustonen personally owned 7,885 shares of Arco Vara AS, representing approximately 0.05% of the company's share capital.



**Rait Riim** holds a master's degree in Entrepreneurship from Estonian Business School and a diploma in Applied Geodesy from Tallinn University of Technology. He

has extensive experience in the real estate sector, including real estate valuation, development project management and real estate investment management.

From 2006 to 2010, he worked as a real estate valuer at 1Partner Kinnisvara Tallinn OÜ and thereafter held roles

related to real estate portfolio management at Ektornet Management Estonia OÜ, a subsidiary of Swedbank. He subsequently worked as Development Project Manager at Kapitell AS.

Since 2019, Rait Riim has worked as Head of Real Estate Investments at LHV Varahaldus AS. From 2020 to 2021, he was a member of the Supervisory Board of Arco Vara AS, representing LHV pension funds. As at 31 December 2025, Rait Riim did not own any shares of Arco Vara AS.

## Supervisory board

The Supervisory Board of Arco Vara AS consists of five members. As of 12 January 2021, the members of the Supervisory Board are: Kert Keskaik (Chairman since 08.07.2025), Tarmo Sild, Hillar-Peeter Luitsalu, Allar Niinepuu, and Steven Yaroslav Gorelik.

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



**Kert Keskaik** graduated from Tallinn University of Technology in 2007 with a degree in Business Administration. He has extensive experience in entrepreneurship and investments. Kert Keskaik is a member of the Management Board of OÜ K Vara and the founder of OÜ A&K Vara. Related companies have been active investors on the Tallinn Stock Exchange since 2000.

In addition to his business activities, Kert Keskaik has been actively involved in sports. In 2001, he founded the speed skating club Albe Team, where he serves as a member of the Management Board. He has won several Estonian championship titles in both speed skating and inline skating.



**Tarmo Sild** graduated from the Faculty of Law of the University of Tartu in 1998. In 1997–1998, he continued his studies at the Faculty of Law of the University of Helsinki and in 1999 obtained a Master of Laws (LL.M.) degree from the Vrije Universiteit Brussel (PILC).

Tarmo Sild served as a Member of the Management Board and CEO of Arco Vara AS from 2012 to 2020. Prior to joining Arco Vara, he worked as an Attorney-at-Law and Member of the Management Board at Law Office HETA from 1998 to 2003 and at Law Office LEXTAL from 2003 to 2012, where he was a founding partner, Attorney-at-Law, Member of the Management Board and Counsel. Since 2008, he has been the founder and a member of the Management Board of AS luteCredit Europe.



**Steven Yaroslav Gorelik** graduated from Columbia University and Carnegie Mellon University. In 2005, he joined Firebird Private Equity Advisors LLC, where he currently serves as Head of Research and Portfolio Manager. Steven Yaroslav Gorelik holds the Chartered Financial Analyst (CFA) designation.

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

More information about the key personnel of Arco Vara is available on the company's website at [www.arcovara.com](http://www.arcovara.com).

Kert Keskaik also serves as a member of the management boards of several companies and non-profit organisations, including Mittetulundusühing Rullisufestival, Uisuklubi Albe, Allokatsioon OÜ, Boost Yourself SPV1 OÜ, K24 Invest OÜ, Kolde Invest OÜ, Kusjuures OÜ, Lead Invest OÜ, Merimetsa Invest OÜ, One Eleven OÜ, Sporditurg OÜ, Silverticket SPV1 OÜ, Tagakarman OÜ and Tripalium OÜ.

As at 31 December 2025, Kert Keskaik, personally and through related companies, held a total of 208,088 shares in Arco Vara AS, representing approximately 1.20% of the company's share capital.

In addition, Tarmo Sild serves on the management boards of several companies and non-profit organisations outside the Arco Vara group, including Aia Tänav OÜ, OÜ Alarmo Kapital, OÜ Catsus, Eesti Kaugpüüdjate Liit, Eesti Porsche Klubi and AS luteCredit Europe.

As at 31 December 2025, Tarmo Sild held shares in Arco Vara AS both directly and indirectly. He personally and through Aia Tänav OÜ holds 229,000 shares in Arco Vara AS. In addition, he owns a 50% interest in OÜ Alarmo Kapital, which holds a total of 8,685,031 shares in Arco Vara AS. Tarmo Sild's direct and indirect holding in Arco Vara AS amounts to approximately 21.1% of the company's share capital.

In addition, Steven Yaroslav Gorelik serves on the governing bodies of several companies, including as a member of the Supervisory Board of Baltijas Apdrošināšanas Nams (Latvia) and Georgian Beverages Holdings (Georgia), and as a member of the Management Board of EPhaG AS.

As at 31 December 2025, Steven Yaroslav Gorelik did not hold shares in Arco Vara AS directly. However, as a fund manager he is associated with investment funds holding



**Hillar-Peeter Luitsalu** graduated from the Faculty of Law of the University of Tartu in 1994. He joined Arco Vara in 1993 and has since held positions in the governing bodies of various companies within the Arco Vara group. From 1999 to 2004, he served as a Member of the Management Board of Arco Vara AS.

Since 2005, Hillar-Peeter Luitsalu has been a member of the Supervisory Board of Arco Vara AS and has served as Chairman of the Supervisory Board since 2012.



**Allar Niinepuu** graduated from the Estonian Maritime Education Centre in 1992 with a degree in navigation. After two years of work experience at the Estonian Shipping Company, he founded his first company, AS Kavass, which initially operated in ship supply and later in the ownership and operation of self-service retail halls in Tallinn.

Allar Niinepuu has been a member of the Supervisory Board of Arco Vara AS since 2013. In addition, he serves as a member of the Management Board of OÜ Alarmo Kapital

shares in Arco Vara AS, including Firebird Republics Fund Ltd, Firebird Aurora Fund Ltd and Firebird Fund L.P.

In addition, Hillar-Peeter Luitsalu serves on the management boards of several companies and non-profit organisations outside the Arco Vara group, including OÜ HM Investeeringud, Loodusvarade Halduse Mittetulundusühing, Noah Villas OÜ, TIK Spordimaja OÜ and OÜ Silverpool. He is also a member of the Supervisory Board of the English College Foundation.

As at 31 December 2025, Hillar-Peeter Luitsalu, personally and through related companies, held a total of 134,259 shares in Arco Vara AS, representing approximately 0.77% of the company's share capital.

and OÜ Kavass and as Chairman of the Supervisory Board of AS luteCredit Europe.

As at 31 December 2025, Allar Niinepuu held shares in Arco Vara AS both directly and indirectly. Through OÜ Kavass he holds 29,308 shares in Arco Vara AS. In addition, he owns a 50% interest in OÜ Alarmo Kapital, which holds a total of 8,685,031 shares in Arco Vara AS. Allar Niinepuu's direct and indirect holding in Arco Vara AS amounts to approximately 25.2% of the company's share capital.

## Description of Main Risks

### Strategic risk

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

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

### Credit risk

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

### Currency risk

Real estate purchase and sale transactions are predominantly concluded in euros, which means the Group's asset and liability structure carries no significant foreign exchange risk. However, the Group is not protected against currency devaluation. Most liquid

assets are held in demand deposits or short-term euro-denominated deposits and current accounts.

### Liquidity and interest rate risks

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

As of 31 December 2025, the Group had interest-bearing liabilities totalling EUR 40,463 thousand, of which EUR 4,180 thousand are due within the next 12 months. The Group's interest-bearing liabilities increased by EUR 25,428 thousand during 2025 compared to the end of 2024, primarily due to the assumption of loans related to the acquisition of the Luther Quarter.

The Group's cash balance as of 31 December 2025 was EUR 2,784 thousand (31 December 2024: EUR 1,720 thousand).

In 2025, the Group paid EUR 2,701 thousand in interest on its interest-bearing liabilities (2024: EUR 1,311 thousand). Part of the interest paid was capitalized on the cost of development projects, and part was recognized as an expense.

The Group's weighted average interest rate on loans was 8.90% as of 31 December 2025, representing an increase of 0.2 percentage points compared to the end of 2024. The increase in the average loan interest rate was mainly due to higher-cost loans assumed in connection with the Luther Quarter acquisition.

In Q3 2025, Arco Vara AS issued bonds totalling EUR 15 million, consisting of 150,000 bonds with a nominal value of EUR 100, an interest rate of 8.8%, and a maturity date of 24 September 2028. As of 25 September 2025, Arco Vara bonds are traded on the Nasdaq Tallinn Stock Exchange Baltic Bond List.

## Sustainability Principles

Arco Vara's core business activity is real estate development, and the company's operations inherently have long-term impacts. Considering that the construction and building sector accounts for an estimated 40% of global greenhouse gas emissions, real estate developers play an important role in shaping sustainable living environments. Accordingly, Arco Vara approaches its operations systematically from the perspectives of environmental, social and governance (ESG) responsibility.

Residential real estate development influences building energy consumption, the quality of public space, urban cohesion and the functioning of communities for decades. Arco Vara's objective is to create comprehensive and long-lasting living environments where technical solutions, location and spatial planning support both residents' well-being and the long-term preservation of property value. ESG principles are integrated into the company's strategy, risk management and day-to-day management practices and are treated as part of the company's regular governance framework.

### Materiality Assessment and Stakeholders

Arco Vara approaches ESG topics in accordance with the scope and nature of its operations. In determining the most relevant sustainability topics, the company considers the expectations of its key stakeholders and the actual impacts of its activities. The main stakeholder groups include employees, the Management Board and Supervisory Board, shareholders and investors, financing banks, customers, cooperation partners and the public sector.

Based on the materiality assessment, Arco Vara focuses primarily on occupational health and safety, responsible and customer-oriented development activities, the quality of living environments and communities, ethical and transparent governance, and energy efficiency. These focus areas reflect both the company's strategic priorities and the areas where its impact is the most significant.

## Environmental

### Energy and Energy Efficiency

Energy efficiency is one of the key design principles in Arco Vara's developments. Already at the planning stage, the location of buildings, orientation and spatial layout are assessed in order to reduce energy demand throughout

the lifecycle of the buildings. The planning of new developments is based on applicable energy efficiency requirements, with the aim of ensuring lower operating costs and a better indoor climate.

As at the end of the reporting period, the Arco Vara Group had 157,318 m<sup>2</sup> of real estate under development (31 December 2024: 84,728 m<sup>2</sup>). At this scale, design decisions and the selection of technical systems have a significant impact on energy consumption and the long-term environmental footprint of buildings.

Energy-efficient technical systems, LED lighting and technical readiness for the use of renewable energy are implemented in developments. The company's practices aim to ensure that new developments meet high energy efficiency standards and support long-term economic and environmental sustainability.

### Materials, Waste and Construction Practices

In addition to energy efficiency, Arco Vara also considers the environmental impact of construction activities, including waste generation, when planning and implementing developments. During the construction phase, attention is paid to the separate collection of waste and, together with partners, practices are implemented to reduce waste volumes and improve the efficiency of material use. Where possible, certified and sustainable materials are used, taking into account both quality and the long-term durability of buildings.

## Social Responsibility

### Employees and Working Environment

Arco Vara considers its people to be its most valuable asset. As at 31 December 2025, the Group employed a total of 15 employees, of whom 5 were women (33%) and 10 men (67%) (2024: 14 employees).

The age distribution of employees ranges from 22 to 48 years, with an average age of 37, reflecting a balanced team combining long-term experience with newer perspectives and skills.

The gender and age composition creates the conditions for a diverse combination of perspectives and knowledge. The organisation is deliberately kept small and flexible, enabling direct communication, clear allocation of responsibilities and fast decision-making processes.

During the reporting period, regular personnel changes took place, with 11 new employees joining the company, supporting the continuous development of organisational competencies. New employees are supported through direct mentoring and internal teamwork, enabling them to quickly adapt to the company's processes and values. Professional development is supported through daily cooperation, knowledge sharing and targeted training. In 2025, Arco Vara employees participated in a total of 20 training sessions.

### **Occupational Health and Safety**

The health, safety and well-being of employees are central to Arco Vara's management practices. The company complies with applicable occupational health and safety requirements and expects the same standards from its partners and subcontractors.

During the reporting period, particular attention was paid to raising awareness of health and safety issues. Three employees completed first aid training, and employees involved in construction projects participated in training for construction site occupational health and safety coordinators. Additional training covered topics such as the impact of acoustic requirements on construction solutions and risk mitigation on construction sites.

No occupational accidents occurred in the Arco Vara Group during the reporting period or the previous period. The company's approach to occupational safety is preventive and based on early risk identification, guidance and responsible behaviour both in office work and in development-related activities.

### **Customer-Centric and Responsible Development**

Arco Vara's development activities are guided by principles of customer focus and quality. When planning projects, attention is paid to the functionality of living spaces, architectural compatibility and the integration of developments with the surrounding environment.

Customer communication takes place in close cooperation between customers, the sales team and the development unit throughout the sales process. The aim is to maintain transparent and trust-based communication between the company and its customers. Feedback received by the sales team has been predominantly positive, with customer satisfaction averaging 4.42 out of 5.

In 2025, a total of 48 apartments were sold in Arco Vara's development projects, including 28 under preliminary purchase agreements and 20 under real right contracts. Sales progressed in line with project completion schedules and market demand.

### **Community and Living Environment**

Arco Vara aims to create integrated and functional living environments. During the planning and design process, the impact of developments on the urban environment, public space, mobility and the broader development of the surrounding area is considered.

In cooperation with local municipalities and communities, solutions are sought that support the long-term vitality and balanced development of the areas in which the company operates.

### **Governance**

#### **Governance Structure and Responsible Management**

Arco Vara's governance model is simple and transparent. The company has a single-member Management Board, and Kristina Mustonen served as Member of the Management Board and Chief Executive Officer. This governance structure supports clear accountability and efficient decision-making.

The company's governance culture is based on the values of honesty, transparency and compliance with laws and regulations. Arco Vara maintains zero tolerance for corrupt behaviour, and proper reporting and responsible financial management form an integral part of the company's operations.

The company also expects ethical and responsible conduct from its cooperation partners and is prepared to intervene or terminate cooperation if significant violations occur.

Arco Vara is a listed company whose shares are traded on the Nasdaq Tallinn Stock Exchange. Consequently, the company operates in a regulated environment and complies with the requirements applicable to publicly listed companies. The company is subject to the supervision of the Estonian Financial Supervision Authority, and its reporting, disclosure practices and governance are based on applicable legislation, stock exchange rules and the principles of good corporate governance.

This regulatory framework supports transparency, equal treatment of investors and responsible governance, and forms a natural part of Arco Vara’s corporate culture.

### Contribution to Sustainable Development

Arco Vara contributes to sustainable development primarily through responsible real estate development in Estonia. Decisions made during the land acquisition, planning and design phases largely determine the environmental impact of buildings, their energy consumption and the quality of the living environment throughout their lifecycle.

The company aims for its developments to remain functional for multiple generations and to create long-term value for residents, communities and shareholders.

### Arco Vara’s Contribution to the UN Sustainable Development Goals

Supporting sustainable social and environmental development is an integral part of Arco Vara’s business activities. Through its daily operations, the company contributes to the achievement of the United Nations Sustainable Development Goals primarily in Estonia and Bulgaria, where Arco Vara’s main development projects are located.

The company’s impact extends throughout the real estate development value chain—from land acquisition and planning to the completion of buildings and their long-term use.



Arco Vara’s activities contribute most significantly to the Sustainable Development Goals related to sustainable cities and communities, responsible consumption and production, energy efficiency and climate action, safe and

decent working conditions, and cooperation between different stakeholders.

Arco Vara’s greatest impact on sustainable development occurs during the planning and design stages of developments. It is during this phase that decisions are made that determine buildings’ energy demand, material use, spatial quality and long-term resilience.

When planning new projects, the company considers the natural characteristics of development sites and opportunities to preserve existing natural ecosystems. Solutions are evaluated to reduce environmental impacts throughout the lifecycle of buildings.

As a developer, Arco Vara also considers responsible supply chains and cooperation with partners to be important. The company expects subcontractors and partners to comply with safe and ethical working practices and sets occupational health and safety on construction sites as a clear priority.

In addition, Arco Vara monitors developments in new construction materials and technical solutions and, where possible, offers customers modern and more environmentally conscious choices, including finishing solutions with a smaller environmental footprint or based on recycled materials.

The company believes that the wider adoption of sustainable solutions requires increased awareness among both the market and consumers and considers this one of the key development areas for the real estate sector.

Arco Vara aims to create living environments that remain usable for multiple generations and provide not only functional but also social and emotional value. In the planning of residential districts, attention is paid to the quality of public space, access to everyday services and opportunities for mobility, recreation and leisure.

During the design process, efforts are made to combine the values of the natural environment, the practical usability of buildings and the well-being of residents into a comprehensive and sustainable living environment.

## Shares and shareholders

### Share price

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

As of 31 December 2025, the share price closed at EUR 1.660, representing a 12% increase compared to the closing price of EUR 1.435 at the end of 2024. During 2025, the highest recorded share price was EUR 1.866, and the lowest was EUR 1.401.

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

Under the terms of the share issue, 6,980,000 new shares were issued at an issue price of EUR 2.50 per share, consisting of a nominal value of EUR 0.70 and a share premium of EUR 1.80. The issue was successfully completed, and all new shares are now listed and freely tradable.

As of 31 December 2025, equity per share was EUR 2.09 (31 December 2024: EUR 1.90).

The market capitalization of Arco Vara AS as of 31 December 2025 was EUR 28,831 thousand, and the P/B (price-to-book) ratio was 0.79 (31 December 2024: EUR 14,907 thousand and 0.84, respectively).

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



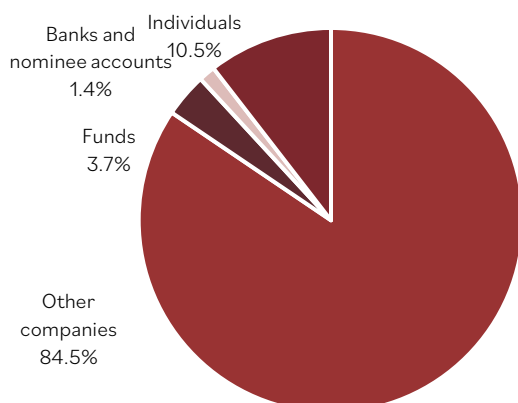
<https://www.nasdaqbaltic.com/statistics/en/instrument/EE3100034653/trading> 01.01.2026

## Shareholder structure

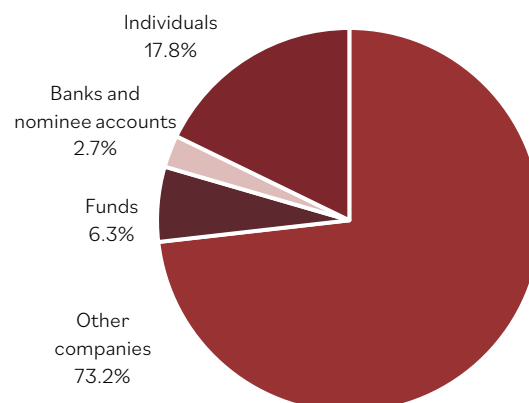
As of 31 December 2025, Arco Vara had a total of 7,239 shareholders (compared to 7,891 as of 31 December 2024), including 6,660 individual shareholders (31 December 2024: 7,255), who collectively held a 10.5%

stake in the company (31 December 2024: 17.8%). The full breakdown of ownership by shareholder category is presented in the following charts.

Ownership structure as of 31.12.2025



Ownership structure as of 31.12.2024



## Major shareholders on 31 December 2025

Name	No of shares	Share, %
OÜ ALARMO KAPITAL	8 685 031	50.00%
LUTHER FACTORY OÜ	2 961 999	17.05%
LUTHER FACTORY HOLDING OÜ	1 570 001	9.04%
TEMM CAPITAL OÜ	348 000	2.00%
FIREBIRD REPUBLICS FUND LTD 1	329 357	1.90%
AIA TÄNAV OÜ	229 000	1.32%
MARKO TEIMANN	200 029	1.15%
FIREBIRD AVRORA FUND, LTD. / 1	176 703	1.02%
<b>Total</b>	<b>14 500 120</b>	<b>83.49%</b>

## Holdings of management and supervisory board members on 31 December 2025

Name	No of shares	Share, %
Tarmo Sild ja Allar Niinepuu (Alarmo Kapital OÜ)	8 685 031	50.00%
Tarmo Sild (Individual and via Aia Tänav OÜ)	229 000	1.32%
Kert Keskaik (Individual, via K Vara OÜ, Kolde Invest OÜ and K24 Invest OÜ)	208 088	1.20%
Hillar-Peeter Luutsalu (HM Investeeringud OÜ, Close family member)	134 259	0.77%
Allar Niinepuu (OÜ Kavass)	29 308	0.17%
Steven Yaroslav Gorelik <sup>1</sup>	0	0.00%
Kristina Mustonen	7 885	0.05%
<b>Total:</b>	<b>9 293 571</b>	<b>53.51%</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.

## Corporate Governance Report

The shares of Arco Vara AS were listed on the Main List of the Tallinn Stock Exchange on 21 June 2007. As a listed company, Arco Vara AS conducts its operations in accordance with the applicable legislation in Estonia, the requirements, rules and guidelines of Nasdaq OMX Tallinn Stock Exchange, as well as the company's core values.

Together with the annual report, the company also submits a Corporate Governance Report (CG Report), in

### General Meeting of Shareholders

The highest governing body of the company is the General Meeting of Shareholders. The competence of the General Meeting, the procedure for convening meetings and

### Annual General Meeting

The notice convening the annual general meeting of shareholders was published on 12 May 2025 in the stock exchange information system and on the company's website. The notice of convening the meeting was also published in the nationwide daily newspaper Postimees on 13 May 2025. The notice indicated where the materials for the general meeting could be accessed and where shareholders could submit their questions. Information was provided to shareholders in both Estonian and English.

The duly convened annual general meeting was held on 5 June 2025 from 17:15 to 18:20 in Tallinn, at the Kodulahe Pavilion at Lammi 8.

The Supervisory Board's proposals were included in the notice convening the general meeting.

The agenda of the general meeting included:

- approval of the annual report for 2024;
- profit allocation and payment of dividends;
- approval of the remuneration principles of the Management Board;
- extension of the term of office of the Supervisory Board;
- approval of the remuneration of the Supervisory Board;

which the management confirms compliance with the Corporate Governance Recommendations. Where the recommendations have not been followed, this is disclosed separately and the reasons for non-compliance are explained. The annual report has been prepared in accordance with the corporate governance recommendations. This CG Report constitutes a separate chapter of the management report included in the annual report.

adopting resolutions are governed by the company's Articles of Association and the Commercial Code.

In 2025, one annual general meeting was held.

- amendments to the Articles of Association; and
- increase of share capital.

The following resolutions were adopted at the general meeting:

- to approve the annual report of Arco Vara AS for 2024;
- to cover the net loss for the financial year ended 31 December 2024 in the amount of EUR 624 thousand from retained earnings; and
- to pay a dividend of EUR 0.02 per share. The dividend will be paid on 12 November 2025 by bank transfer to the shareholder's bank account. The list of shareholders entitled to receive the dividend (record date) will be fixed as at 5 November 2025.

The meeting was chaired by Kristina Mustonen. In total, 25 shareholders participated in person or by proxy, representing 74.61% of all votes. The general meeting was conducted in Estonian, and the chair ensured the smooth conduct of the meeting. Members of the Supervisory Board Allar Niinepuu, Kert Kesksaik and Hillar-Peeter Luutsalu also attended the general meeting. The auditor did not attend.

Voting was conducted electronically using voting devices.

## Management Board

Since 15 July 2024, the CEO and Member of the Management Board of the company has been Kristina Mustonen. After the reporting period, Kristina Mustonen submitted her resignation as CEO and Member of the Management Board, and according to the decision of the Supervisory Board she will be recalled from the Management Board of Arco Vara AS as of 22 April 2026. The Supervisory Board decided to appoint Rait Riim as the new Member of the Management Board and CEO of the company, whose term of office will begin on 1 April 2026 and will be valid for three years.

A service contract has been concluded with the member of the Management Board. Kristina Mustonen is not a member of a controlling shareholder or a member of the management board of companies or non-profit organisations outside the Group.

## Supervisory Board

The Supervisory Board is responsible for planning and organising the company's activities and for supervising the activities of the Management Board. Members of the Supervisory Board are elected by the General Meeting of Shareholders.

Under the Corporate Governance Recommendations, at least half of the members of the Supervisory Board must be independent. If the Supervisory Board has an odd number of members, the number of independent members may be one less. The company complies with the recommendations regarding independent members of the Supervisory Board. In 2025, Steven Yaroslav Gorelik and Kert Keskaik were independent members of the Supervisory Board.

Since January 2021, the members of the Supervisory Board have been Tarmo Sild, Steven Yaroslav Gorelik, Kert Keskaik, Hillar-Peeter Luitsalu and Allar Niinepuu.

The members of the Supervisory Board elect the Chairman from among themselves. Since 8 July 2025, the Chairman of the Supervisory Board has been Kert Keskaik.

## Cooperation Between the Management Board and the Supervisory Board

Based on the company's Articles of Association and established working practices, the Management Board and the Supervisory Board cooperate closely. The CEO and the Supervisory Board hold joint meetings on matters relating to the company's strategy, and information on the

The service contract of the member of the Management Board specifies the rights, obligations and responsibilities of the Management Board member and regulates the payment of the base remuneration. The remuneration was agreed taking into account the Management Board member's duties, performance, the current state of the business and future directions. Under the service contract, the severance payment of the CEO amounts to up to four months' base remuneration.

For additional information on the CEO's bonus scheme, please refer to the remuneration report.

Under the service contract, the member of the Management Board has undertaken to comply with the non-compete obligation. The holding of shareholdings and participation in governing bodies disclosed by the member of the Management Board is not considered a breach of the non-compete obligation.

Members of the Supervisory Board are paid a fee of EUR 500 (net) per meeting attended. Payment of the fee is contingent upon the signing of the minutes of the Supervisory Board meeting. The Chairman of the Supervisory Board receives an additional fee of EUR 5,000 (net) per month. Members of the Supervisory Board are reimbursed for travel expenses incurred in connection with physical attendance at Supervisory Board meetings to a reasonable extent.

In 2025, a total of six Supervisory Board meetings were held, attended by all members of the Supervisory Board: Tarmo Sild, Hillar-Peeter Luitsalu, Kert Keskaik, Allar Niinepuu and Steven Yaroslav Gorelik.

In addition to their duties as members of the Supervisory Board, since 2025 Tarmo Sild and Hillar-Peeter Luitsalu have also performed the duties of members of the Audit Committee.

In 2025 and 2024, there were no transactions on non-market terms between the company and any member of the Management Board, their close relatives or related parties that would require separate approval by the Supervisory Board.

company's strategic development is exchanged on an ongoing basis. The Management Board also informs the Supervisory Board at meetings of any deviations from the company's plans and targets and the reasons for such

deviations. The CEO attended all Supervisory Board meetings.

Members of the Supervisory Board are not involved in the day-to-day management of the company; however, the CEO keeps the Supervisory Board regularly informed of material matters relating to planning and business operations. In addition, the Supervisory Board may at any time approach the CEO with additional questions and/or information requests. Information exchange is carried out

### **Dividend Policy**

The General Meeting of Shareholders has the authority to amend the dividend policy. Under the dividend policy adopted at the general meeting held on 5 June 2025, the company will pay shareholders a dividend of at least EUR

### **Disclosure of Information**

Since being listed on the Tallinn Stock Exchange, the company has complied with the disclosure requirements set by Nasdaq Tallinn, the legislation of the Republic of Estonia and relevant European Union regulations and has pursued the objective of equal treatment of all shareholders.

Arco Vara discloses information through the Nasdaq Tallinn stock exchange information system and on its website [www.arcovara.com](http://www.arcovara.com) in Estonian and English. Information for shareholders is available on the website under the section "Investors". The company publishes on its website all facts and assessments relating to the company that have been communicated to financial analysts or other people.

Among other things, information related to the general meeting of shareholders and general company information has been published. More general and more

in accordance with the internal rules approved by the Supervisory Board regarding the safeguarding and disclosure of inside information and trading in the company's shares, as well as the principle of separation between the Management Board and the Supervisory Board. It is established that at Supervisory Board meetings the CEO provides the members of the Supervisory Board with an overview of key matters and developments affecting the company.

0.02 per share per year over the next three years, and the exact amount of the dividend will be determined based on the audited net profit of the previous financial year.

detailed information about the company is organised on the website in various sections. The disclosed information is logically structured and easy to find.

The company's website publishes the financial calendar in Estonian and English through October 2026, i.e. until the publication of the unaudited interim report for Q3 2026.

The company's website does not disclose any agreements between shareholders regarding the coordinated exercise of shareholder rights, as the company is not aware of any such agreements.

The company has not arranged presentations to investors or analysts immediately prior to the publication date of its financial reporting, and it has never disclosed inside information or unpublished financial information in meetings with analysts or investors.

## Financial Reporting and Auditing

The consolidated financial statements of the company are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. Quarterly interim reports are prepared in accordance with International Accounting Standard IAS 34 “Interim Financial Reporting” and are intended to be read together with the consolidated financial statements of the preceding financial year. Quarterly interim reports are not audited.

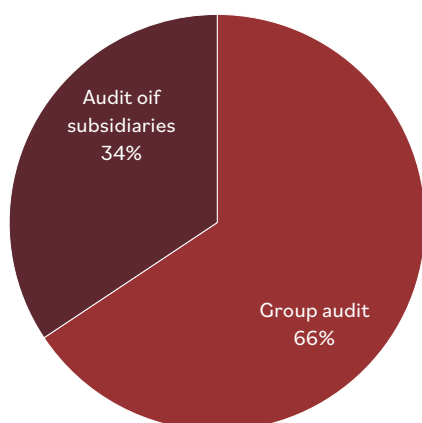
The consolidated financial statements of the company are subject to an annual audit. The auditor is appointed by the Annual General Meeting of shareholders for a specified term. At the Annual General Meeting held on 9 May 2024, KPMG Baltics OÜ was appointed as the Group’s auditor for a period of three years. In selecting the auditor, the company considers the balance between the price and quality of audit services as well as professional competence.

In 2025, the Group paid EUR 29 thousand to its auditor, KPMG Baltics OÜ, for the audit of the consolidated financial statements and EUR 15 thousand for the audit and review of the financial statements of the Group’s subsidiaries.

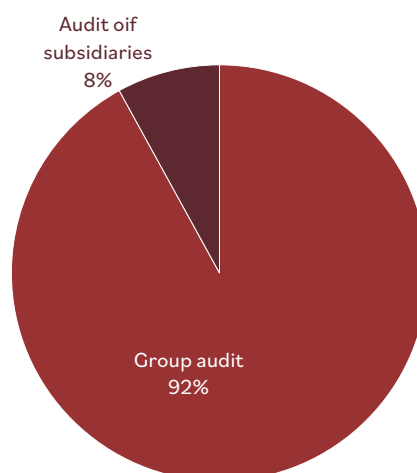
In order to support effective risk assessment and management, Group companies engaged in active operations prepare budgets for the following financial year. The consolidated Group budget is approved by the Supervisory Board. The execution of approved budgets is monitored on an ongoing basis by the Chief Financial Officer, who is also responsible for ensuring the quality and reliability of the company’s financial reporting.

The consolidated financial reporting is based on a unified cross-border accounting and financial reporting system. The consolidation process is largely automated and performed on a monthly basis. Monthly financial reports are prepared for individual subsidiaries and business units and are presented to the respective unit managers.

**Fees paid to Auditors in 2025**



**Fees paid to Auditors in 2024**



## Remuneration Report

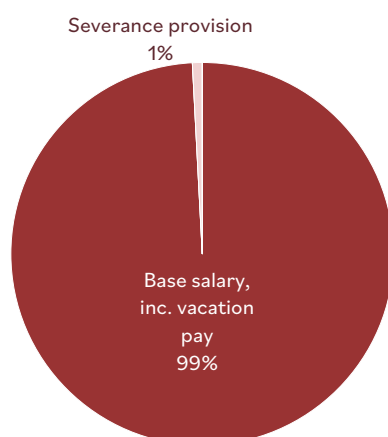
In 2025, total remuneration paid to the members of the Management Board of Arco Vara AS amounted to EUR 235 thousand, including social tax (2024: EUR 244 thousand). An option programme for the CEO, allowing the acquisition of up to 240,000 shares, was approved at the General Meeting held in 2025.

The base salary paid to the CEO is based on the Management Board member's service contract. Under

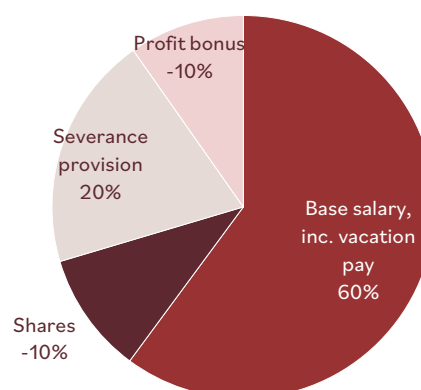
the service contract of Kristina Mustonen, who has served as the CEO of Arco Vara AS since July 2024, the Supervisory Board has determined a fixed monthly remuneration of EUR 11,000 (net).

In the event of termination, the CEO is entitled to a severance payment equivalent to four months of base remuneration.

**Breakdown of Management Board remuneration in 2025**



**Breakdown of Management Board remuneration in 2024**



Real estate development projects typically extend beyond one year, meaning that the workload and the resulting profits are not necessarily reflected within the same financial year.

	2 025	2 024	2 023	2 022	2 021
<i>In thousands of euros</i>					
CEO's pay (gross)	173	169	232	120	223
Average number of employees (without CEO)	10	16	18	17	11
Average pay for employees (gross, without CEO)	57	53	84	33	43
Net profit (loss)	-479	-624	3 550	695	2 071
Net profit per employee (with CEO)	-52	-37	187	39	173

The changes are not stable, as the profit from development projects is recognised at the date of the real right contract for the apartment rather than gradually during the pre-sales period or the construction process.

The change in indicators compared to the previous year is as follows:

	2 025	2 024	2 023	2 022	2 021
CEO's pay (gross)	2%	-27%	93%	-46%	233%
Average number of employees (without CEO)	-37%	-11%	6%	55%	-15%
Average pay for employees (gross, without CEO)	7%	-37%	155%	-23%	39%
Net profit (loss)	-23%	-118%	411%	-66%	105%
Net profit per employee (with CEO)	41%	-120%	379%	-77%	140%

## CEO's Confirmation of the Management Report

The Chief Executive Officer and Member of the Management Board confirms that the management report of Arco Vara AS for 2025 provides a true and fair view of Arco Vara AS as the issuer and of the undertakings included in the consolidation as a whole, their business development, financial results and financial position, and includes a description of the principal risks and uncertainties.

/digitally signed/

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

On 16 April 2026

# Condensed Consolidated Financial Statements

## Consolidated Statement of Comprehensive Income

	Note	2025	2024
<i>In thousands of euros</i>			
Revenue from sale of own real estate		7 195	7 145
Revenue from rendering of services		489	332
<b>Total revenue</b>	6,7	<b>7 685</b>	<b>7 477</b>
Cost of sales	8	-5 727	-5 707
<b>Gross profit</b>		<b>1 957</b>	<b>1 770</b>
Other income		5	7
Marketing and distribution expenses	9	-447	-551
Administrative expenses	10	-1 122	-1 127
Other expenses		-197	-31
<b>Operating profit/loss</b>		<b>195</b>	<b>69</b>
Finance income and costs	11	-563	-640
<b>Profit/loss before tax</b>		<b>-368</b>	<b>-572</b>
Income tax		-111	-52
<b>Net profit/loss for the period</b>		<b>-479</b>	<b>-624</b>
<b>Total comprehensive income/expense for the period</b>		<b>-479</b>	<b>-624</b>
<b>Earnings per share (in euros)</b>	12		
- basic		<b>-0.03</b>	-0.06
- diluted		<b>-0.03</b>	-0.06

## Consolidated Statement of Financial Position

	Note	31 December 2025	31 December 2024
<i>In thousands of euros</i>			
Cash and cash equivalents		2 784	1 720
Receivables and prepayments	13	6 420	5 690
Inventories	14	74 127	29 170
<b>Total current assets</b>		<b>83 331</b>	<b>36 580</b>
Receivables and prepayments	13	18	18
Investment property	15	2 296	2 296
Property, plant and equipment	16	551	622
Intangible assets	16	41	52
<b>Total non-current assets</b>		<b>2 905</b>	<b>2 988</b>
<b>TOTAL ASSETS</b>		<b>86 236</b>	<b>39 568</b>
Loans and borrowings	17	4 180	234
Payables and deferred income	18	8 560	4 487
Provisions		347	127
<b>Total current liabilities</b>		<b>13 087</b>	<b>4 848</b>
Loans and borrowings	17	36 283	14 981
Payables and deferred income		503	0
<b>Total non-current liabilities</b>		<b>36 786</b>	<b>14 981</b>
<b>TOTAL LIABILITIES</b>		<b>49 873</b>	<b>19 829</b>
Share capital	19	12 158	7 272
Additional paid-in capital	19	16 399	3 835
Statutory capital reserve	19	2 011	2 011
Other reserves		28	28
Retained earnings		5 767	6 593
<b>Total equity attributable to owners of the parent</b>		<b>36 363</b>	<b>19 739</b>
<b>TOTAL EQUITY</b>		<b>36 363</b>	<b>19 739</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>86 236</b>	<b>39 568</b>

## Consolidated Statement of Cash Flows

	Note	2025	2024
<i>In thousands of euros</i>			
Cash receipts from customers		8 087	5 203
Cash paid to suppliers		-49 457	-8 425
Taxes paid		-1 376	-3 155
Taxes recovered		234	1 020
Cash paid to employees		-774	-1 205
Other payments and receipts related to operating activities (net)		231	-27
<b>NET CASH FROM/USED IN OPERATING ACTIVITIES</b>		<b>-43 055</b>	<b>-6 588</b>
Payments made on purchase of tangible and intangible assets		-2	-7
Payments made on purchase and development of investment property	15	0	-2 276
Payments upon the establishment of a subsidiary		-10	0
Interest received		4	0
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>-8</b>	<b>-2 283</b>
Proceeds from loans received	17	55 516	13 246
Settlement of loans and borrowings	17	-25 576	-2 193
Interest paid		-2 701	-1 311
Dividends paid		-451	-623
Income tax on dividends		-12	0
Proceeds from share capital increase	19	17 460	0
Other payments related to financing activities		-110	0
<b>NET CASH FROM/USED IN FINANCING ACTIVITIES</b>		<b>44 127</b>	<b>9 120</b>
<b>NET CASH FLOW</b>		<b>1 064</b>	<b>248</b>
Cash and cash equivalents at the beginning of period		1 720	1 472
<b>Change in cash and cash equivalents</b>		<b>1 064</b>	<b>248</b>
<b>Cash and cash equivalents at end of period</b>		<b>2 784</b>	<b>1 720</b>

## 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>						
<b>Balance as at 31 December 2023</b>	<b>7 272</b>	<b>3 835</b>	<b>2 011</b>	<b>57</b>	<b>7 843</b>	<b>21 018</b>
Dividends paid	0	0	0	0	-626	-626
Formation of equity reserve	0	0	0	-29	0	-29
Total comprehensive income for the period	0	0	0	0	-624	-624
<b>Balance as at 31 December 2024</b>	<b>7 272</b>	<b>3 835</b>	<b>2 011</b>	<b>28</b>	<b>6 593</b>	<b>19 739</b>
<b>Balance as at 31 December 2024</b>	<b>7 272</b>	<b>3 835</b>	<b>2 011</b>	<b>28</b>	<b>6 593</b>	<b>19 739</b>
Increase of share capital	4 886	12 564	0	0	0	17 450
Dividends paid	0	0	0	0	-347	-347
Total comprehensive income for the period	0	0	0	0	-479	-479
<b>Balance as at 31 December 2025</b>	<b>12 158</b>	<b>16 399</b>	<b>2 011</b>	<b>28</b>	<b>5 767</b>	<b>36 363</b>

For additional information on share capital and other equity items, see note 19.

# Notes to the Consolidated Financial Statements

## 1. General information

These consolidated financial statements of Arco Vara AS and its subsidiaries as of and for the year ended on 31 December 2025 were authorised for issue by the chief executive officer / member of the management board on 16 April 2026. Under the Commercial Code of the Republic of Estonia, the annual report prepared by the management board and approved by the supervisory board must be approved by the shareholders' general meeting. The consolidated financial statements are part of the annual report, which has to be approved by the shareholders, and they serve as a basis for adopting a resolution for distributing the profit. Shareholders may decide not to approve the annual report, which has been

prepared by the management board and approved by the supervisory board, and may demand that a new annual report be prepared.

Arco Vara AS is a company incorporated and domiciled in Estonia whose registered office is at Rotermanni street 10 Tallinn. As of the end of 2025, 15 people provided services to the Group under the employment or authorization contract (31 December 2024: 13 people). In addition to Estonia, the Group has, through its subsidiaries, active operations also in Bulgaria.

The structure of the Group as of 31 December 2025 is presented in note 24.

## 2. Statement of compliance and basis of preparation

The consolidated financial statements of Arco Vara AS and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated financial statements have been presented and submitted for approval in conformity with the requirements of the Estonian Accounting Act and the Estonian Commercial Code. The

consolidated financial statements are presented in thousands of euros, unless indicated otherwise.

The consolidated financial statements have been prepared under the historical cost convention, unless explained otherwise in note 4 Significant accounting policies.

### Use of accounting estimates and judgements

The preparation of consolidated financial statements in accordance with IFRS as adopted by the European Union requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the reporting date, as well as income and expenses for the reporting period, and the disclosure of contingent

assets and contingent liabilities, based on the probability of the related future events.

Although management reviews its judgements and estimates on an ongoing basis, and these are based on historical experience and expectations of future events that are considered reasonable under the circumstances, actual results may differ from those estimates.

Information about management's critical judgements and estimates that have a material effect on the amounts recognised in the financial statements is presented below:

### Estimation uncertainty

The estimates made by management are based on historical experience and the information that has become available by the date the financial statements are authorised for issue. There is a risk that the estimates applied at the reporting date in respect of assets and liabilities and associated income and expenses need to be

revised in the future. The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the consolidated financial statements are discussed below.

### Estimation of the net realisable value of inventories

The Group has several items of real estate (properties) that have been classified as inventories. The net realizable values of all significant properties classified as inventories were measured as of 31 December 2025 and 31 December 2024 in order to determine whether:

- 1) the net realizable value of any item had decreased below its carrying amount;
- 2) any impairments recognized in prior periods needed to be reversed.

Inventory valuation is carried out individually by project (land plot or building). A business plan is prepared for each property and the costs of the property are compared with the potential revenues. In the case of properties under development, the final cost is assessed based on the budgeted costs that are necessary until the completion of the project; in the case of completed properties, the

actual costs incurred are taken into account. The sales price has been determined using the comparative method and the assessment of agreements concluded for the sale of the property. The net realizable value has been calculated taking into account the selling costs.

If the costs of the property exceed the income from the sale of the property (net realizable value), the Group writes down the assets by the amount of the costs exceeding the income. Due to the volatility of the construction market and the variable liquidity of the real estate market, determining the net realizable value depends to a significant extent on the management's estimates. If necessary, external experts will be involved in the evaluation process. Valuation methods are described in more detail in notes 4 and 14.

### Measurement of the fair value of assets acquired in share-based payment transactions

In 2025, the Group acquired real estate properties for which the consideration was settled partly in equity instruments. In such transactions, the transaction price is determined based on the fair value of the assets acquired, the determination of which requires management judgement.

In measuring fair value, management relies on valuations performed by independent external experts and applies market-based valuation methods. Further information on the valuation methods is disclosed in the inventories note.

## 3. Changes in accounting policies and presentation of information

The consolidated financial statements are prepared in accordance with the principles of consistency and comparability, which means that the Group consistently applies the same accounting and presentation policies. Accounting policies and presentation are changed only when this is required by new or revised International Financial Reporting Standards (IFRS) as adopted by the EU and their interpretations, or when a new accounting policy or presentation practice represents the Group's

financial position, financial performance and cash flows more adequately.

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as of and for the year ended 31 December 2024. Several new standards did not have a material effect on the Group's financial statements as of 1 January 2026 (see note 4).

## 4. Significant accounting policies

### New accounting pronouncements after 1 January 2026

The following new standards, interpretations and amendments are not yet effective for the annual reporting period ended 31 December 2025 and have not been

applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

#### **Presentation and disclosure of Financial Statements**

- (Effective from annual reporting periods starting from 1 January 2027 or later; not endorsed by the EU yet. Early implementation is allowed.).

The standard IFRS 18 replaces standard IAS 1 "Presentation of Financial Statements." The key changes in the requirements are summarized below.

#### **Structured Income Statement**

The IFRS 18 standard introduces new definitions for key figures—"operating profit" and "profit (loss) before financing and income tax"—and requires that all revenues and expenses be classified into three new distinct categories based on the company's primary activities: operating, investing, and financing. Under IFRS 18, companies are no longer permitted to disclose operating expenses solely in the notes. Instead, the company must

present operating expenses in a manner that provides the most useful structured summary of its costs, doing so through one of the following methods:

- Nature of expenses
- Function of expenses
- Combined presentation method

If operating expenses are presented based on their function, new disclosure requirements will apply.

### Management-defined performance indicators that must be disclosed and audited

According to IFRS 18, certain indicators must also be disclosed in the financial statements that are not covered by the so-called good accounting practices. The standard establishes a narrow definition of management-defined performance metrics, which stipulates that:

- they represent the difference between revenues and expenses;
- they are used in public communications outside of financial statements; and

- they reflect management's assessment of financial performance.

For each management-defined performance metric presented, the company must explain in a note to the financial statements why the information provided by this metric is useful, how it is calculated, and compare it to the metrics calculated in accordance with IFRS standards applied.

### Increased Distinction of Data

To provide investors with a better overview of financial results, the new standard offers more precise guidelines on the grouping of information in financial statements. This includes guidance on whether information should be presented in the primary financial statements or disclosed in more detail in the notes. Companies are discouraged from using the line item "Other," and if they choose to do so in the future, they must provide additional information.

Transition in the financial statements prepared for the period in which the new standard is first applied, the entity must present a comparison of each line item in the income statement for the immediately preceding comparative period, disclosing:

- adjusted amounts presented in accordance with IFRS 18, and
- previously presented amounts in accordance with IAS 1.

The group plans to implement the new standard starting from January 1, 2027. The group estimates that the initial application of the new standard may have a significant impact on its financial statements. The group is currently assessing the potential effects of implementing IFRS 18 on its financial reporting.

Other new or revised standards or interpretations which are not yet effective are not expected to have a material impact on the Group.

### Business combinations and basis of consolidation

The financial statements of all group entities coincide with the calendar year. The group entities use in all material respects uniform accounting policies and measurement bases. Where necessary, the accounting policies and measurement bases of group entities are adjusted for consolidation to ensure consistency with the policies adopted by the Group.

In preparing the consolidated financial statements, all transactions, balances and unrealized profits and losses arising from transactions between consolidated entities are eliminated in full. Unrealized losses are eliminated only to the extent that there is no evidence of impairment.

Subsidiaries are consolidated from the date the control commences until the date the control ceases.

Acquisitions of subsidiaries are accounted for using the acquisition method whereby the assets acquired and liabilities and contingent liabilities assumed ("net assets") are recognized and measured at their acquisition-date fair values. For each business combination, the Group decides whether to measure the non-controlling interests in the acquiree at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. If the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-

date fair value of the Group's previously held equity interest in the acquiree exceeds the Group's interest in the net of the acquisition-date amounts of identifiable assets acquired and the liabilities assumed, the difference is recognized as goodwill. When a bargain purchase is made and the fair value of the net assets acquired exceeds the above aggregate amount, the resulting gain is recognized in profit or loss immediately. Acquisition-related costs are recognized as expenses as incurred.

### Segment reporting

Segment reporting complies with internal reporting submitted to the Group's chief operating decision makers. The Group has identified the parent company's CEO/ member of the management board as its chief operating decision maker. The CEO/ member of the management board reviews the Group's operating results by business line, whereby an operating segment is a component of the Group that provides clearly distinguishable products or services and operates as an independent profit center.

Segment revenue is revenue that a segment earns from sales to external customers or other segments of the Group. Segment expenses are expenses resulting from the operating activities of a segment that are directly attributable to the segment, including expenses from transactions with external suppliers and other segments of the Group. Segment expenses do not include finance costs and investment expenses, the Group's general administrative expenses and other expenses that arise at the Group level. The costs incurred at the Group level are allocated to a segment only if they relate to the segment's operating activities and they can be attributed to the segment on a reasonable basis.

Unrealized profits and losses which arise within the Group from transactions performed between its segments are

### Foreign currency transactions

If the functional currency of subsidiaries differs from that of the parent company, the financial statements of subsidiaries prepared in foreign currencies (in Bulgaria) are translated for consolidation purposes using the average exchange rates of those currencies against the

### Revenue

Revenue is income arising in the course of the Group's ordinary activities. Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled to in exchange of transferring control over promised

In the parent company's separate financial statements, the investments in subsidiaries are accounted for at cost less accumulated impairment. If it becomes apparent that the recoverable amount of investments in subsidiaries has increased above the carrying amount, the previous impairment loss is reversed and the carrying amount of the investments is increased.

not allocated to any segment but are reported as eliminations of inter-segment profits and losses. Unrealized profits and losses that arise from transactions between the Group's head office and the segments and which can be allocated to a segment on a reasonable basis are included in the segment's operating profit. Segment assets are assets that are employed by a segment in its operating activities and that are directly attributable to the segment. Segment assets include, for example, current assets, investment properties, property, plant and equipment and intangible assets used in a segment's operating activities. Segment assets do not include assets used for the Group's general needs or ones which cannot be directly allocated to the segment.

Segment liabilities are liabilities that result from the operating activities of a segment and that are directly attributable to the segment. Segment liabilities include, for example, trade and other payables, accrued expenses, advances from customers, warranties provisions and other liabilities related to the segment's products and services. Segment liabilities include also loans and finance lease liabilities arisen from financing activities.

Unallocated items comprise revenue and expenses and assets and liabilities, which have not been allocated to any segment under the above principles.

euro. As a result, no significant exchange rate differences arise from the translation. Bulgaria has pegged its currency to the euro and adopted the euro as of 1 January 2026.

goods or services to a customer, excluding the amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a good or service to a customer.

### Revenue from sale of real estate

The Group develops and sells real estate (mostly apartments). Revenue is recognized when control over the property has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed

to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer.

### Revenue from franchise agreements

The Group is selling licensing rights to its trademarks to real estate agencies in Estonia, Latvia and Bulgaria. Revenues are recognized in periods when services are

provided. Revenues depend on the turnover of real estate agencies, which are reported on a monthly basis.

### Revenue real estate leasing and other services

The Group rented commercial premises belonging to the Group. Revenue from the rendering of services is recognized in the period when the services are rendered

and the income from the leased commercial premises is linear during the lease term.

### Financing component

Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one

year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

### Cash and cash equivalents and the statement of cash flows

Cash and cash equivalents comprise cash and short-term (with a term of up to 3 months from the date of acquisition) highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in market value.

Such assets are cash, demand deposits and term deposits with a maturity of up to three months.

In the statement of cash flows, cash flows are presented using the direct method.

### Financial assets

#### Classification

The Group classifies its financial assets in the following measurement categories:

- to be measured subsequently at fair value (either through other comprehensive income or through profit or loss),

- to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

#### Recognition and derecognition

Ordinary purchases and sales of financial assets are recognized on transaction date, when the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from

the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

#### Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition, except for financial assets carried at fair value through profit or loss statement.

Transaction costs of financial assets carried at fair value through profit or loss statement are expensed in profit or loss statement.

## Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing financial assets and on the cash flow characteristics of the asset. All Group's debt instruments are classified in amortized cost measurement category.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments

of principal and interest are measured at amortized cost. Interest income from these financial assets is included in financial income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss statement and presented in other income/expenses. Foreign exchange gains and losses and impairment losses are presented as separate line items in profit or loss statement.

## Equity instruments

The Group records equity instruments at their fair value. If the Group has made an irreversible decision to record the fair value changes of equity instruments not held for trading purposes through other comprehensive income, then it is not possible upon derecognition of such equity instrument to reclassify changes and record them through profit and loss statement. Dividends received from such investments will continue to be recorded in the other income row of the profit or loss statement if the Group has received a right of dividends.

Profit or loss from equity instruments measured at fair value through profit or loss statement is recorded on the other income or loss row of the profit or loss statement. Devaluations (or reversals thereof) of equity instruments measured at fair value through other comprehensive income statement are not recorded separately from changes in fair value.

## Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value with changes through profit and loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of expected credit losses reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions. The Group measures impairment as follows:

- receivables from purchasers in an amount equal to expected credit losses over lifetime;
- cash and cash equivalents the credit risk of which is assessed to be low during the reporting period (the management considers an investment-grade credit rating by at least one major credit rating agency to prove a low credit risk) in an amount equal to the expected credit losses over 12 months;
- for all other financial assets, the expected credit losses over 12 months if the credit risk (i.e. default risk over the life of the financial asset) has not increased significantly after initial recognition; if there is a significant increase in risk, the credit loss is measured at the amount of credit losses expected over the lifetime.

## Inventories

The Group's inventories include mostly land and buildings that have been acquired or are being developed for housing developments. Finished goods and work in progress are initially recognized at their cost of conversion.

The cost of conversion includes all direct and indirect production costs incurred in bringing the inventories to their present location and condition. Other inventories are initially recognized at cost, which includes all direct and

indirect costs incurred in bringing the inventories to their present location and condition. Indirect costs that are included in the cost of items of real estate classified as inventories include borrowing costs incurred in financing the construction of the assets, and salaries of development managers.

Capitalization of borrowing costs commences when borrowing costs and expenditures for development of inventories have been incurred and development

activities have been undertaken. Borrowing costs are capitalized during the active development stage. Capitalization of borrowing costs ceases when the asset is complete (usually when the building has been granted an authorisation for use) or its development has been suspended for an extended period.

The cost of inventories is assigned using the weighted average cost formula. Inventories are recorded at cost or net realizable value, whichever is lower. Any write-down

### Investment properties

Investment properties are initially recognized in the financial position statement at acquisition cost, which includes transaction costs directly related to the acquisition: notary fees, state duties, fees paid to consultants, and other expenses without which the purchase transaction would likely not have been concluded. Subsequently, the real estate investment is reported at fair value on each reporting date, determined based on actual market conditions at the reporting date. Gains and losses arising from changes in the fair value of real estate investments are recognized in the consolidated income statement line for Profit (Loss) from real estate investments. In determining the fair value of real estate investments, in addition to management's estimates, the opinions of independent certified appraisers are used when necessary. The following methods are applied in determining fair value:

- Income approach (discounted cash flow analysis or income capitalization). The income approach is used to determine the value of properties that have stable rental income or in cases where management believes that the comparative method does not reflect fair value (for example, due to low market liquidity in the area of the property being valued, lack of comparable transactions, or a significant time gap between the comparable transaction and the valuation date). To determine the fair value of a rental-generating property using the income approach, the appraiser must forecast the future rental income of the property (including rent per square meter and occupancy rates) and operating costs. Depending on the ease and feasibility of lease termination by tenants, the appraiser chooses to analyze either existing cash flows or average cash flows in the market. Additionally, in the case of discounted cash flow analysis, a suitable discount rate must be chosen to determine the present value of net cash flow, reflecting current market trends for the time value of money and specific risks associated with the asset. The average capital structure in the market is used as a basis for selecting

of inventories to net realizable value is recognized as an expense in the period of the report, shown separately on the income statement as a gain (loss) from inventory write-downs. If a previously written-down net realizable value increases in later periods, the prior write-down must be reversed.

Developed real estate is recognized as an expense in the amount of square meters sold in the period when the sale is recorded.

the discount rate. In determining the capitalization rate used in the income capitalization approach, the average expected return of investors for similar types of assets in the specific market is taken into consideration.

- Comparative method. The comparative method is used for properties that do not generate rental income and are held for future development potential or value appreciation. In the comparative method, transactions that occurred under comparable conditions to the object being valued are examined, and the market value of the object is derived from the price per square meter of completed transactions. Since the transactions that serve as the basis for the comparative method are practically never absolutely identical to the object being valued, adjustments are made to the indicators of the transactions based on time, location, size, and detailed planning, or another valuation method (such as the income approach) is used, which, in management's opinion, better reflects the fair value of the property.
- Residual value method. This method is used for valuing property that requires development or renovation in cases where the comparative method cannot be used due to the lack of a suitable comparison base. When using this method, it is assumed that the buyer of the property is willing to pay an amount equal to the value of the developed or reconstructed property minus the development or reconstruction costs and a reasonable profit from the development project.
- Contractual sales agreement as of the reporting date. For properties sold under a contractual sales agreement as of the reporting date, when the property rights agreement has not yet been concluded, the sale price in the contractual sales agreement is used as the basis for recognizing fair value. The sale price stated in the contractual agreement is used to determine the fair value of the property only if the group has sufficient certainty that a property rights agreement will be

concluded under the same conditions (for example, if the buyer has made a significant advance payment for the property as of the reporting date or if the property

rights agreement was concluded after the reporting date but before the preparation of the annual financial statements by the management).

### Property, plant and equipment

The threshold for recognizing tangible fixed assets is 1,000 euros. An exception is made for investment property: an investment property is capitalized if the total cost exceeds 5,000 euros and the lease term is longer than one year. The company leases office spaces under operating lease conditions. The lease agreements do not impose significant additional terms or restrictions on the company. The company recognizes short-term and low-value assets used under the right of use as an expense, amortizing them linearly over the lease period.

Asset classes are assigned the following annual depreciation rates:

Buildings and structures	2 - 18%
Plant and equipment	8 - 20%
Investment property	20%
Other equipment and fixtures and tools	20 - 40%.

### Intangible assets

The Group's intangible assets comprise assets with defined useful lives only. Intangible asset classes are assigned the following annual amortization rates:

Business software	20 - 33%
Webpage	10 - 33%.

### Financial liabilities

Financial liabilities (trade and other payables, loans and borrowings and accrued expenses) are initially recognized at their fair value less any transaction costs directly attributable to their acquisition. After initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method.

Group does not have an unconditional right to defer settlement of the liability for more than 12 months after the reporting date. Financial liabilities which are due to be settled within 12 months after reporting date are classified as current even if an agreement to refinance on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue. When a contract is breached on or before the reporting date with the effect that the liability becomes payable on demand, the liability is also classified as current.

Interest expenses on financial liabilities are recognized in finance costs on an accrual basis except that interest expenses on financing the development of assets (real estate projects carried as inventories, investment properties, and items of property, plant and equipment) are capitalized and added to the carrying amount of the asset as borrowing costs.

A financial liability is removed from the statement of financial position when it is discharged or cancelled or expires.

A financial liability is classified as current when it is due to be settled within 12 months after the reporting date or the

### Share capital and share-based payments

Share capital is recognised at nominal value. Upon an increase of share capital, issued shares are recognised at their nominal value under equity in "Share capital", and any excess over nominal value is recognised in equity under "Share premium". Consideration received for shares may be in cash or in kind and is recognised in equity in accordance with the substance of the transaction.

issuance of shares are recognised as a deduction from equity, reducing share premium.

#### Share-based payments with employees

Option agreements entered into with the Group's Chief Executive Officer and key employees are accounted for as equity-settled share-based payments for services received.

An increase in share capital is recognised in equity once the respective amendment has been registered in the commercial register. Costs directly attributable to the

As the fair value of services received cannot generally be measured reliably, it is measured by reference to the fair value of the equity instruments granted at the grant date.

The cost of equity-settled share-based payment transactions is recognised as an expense over the period during which the employees render services up to the vesting date, with a corresponding increase in equity.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. Changes in the cumulative expense recognised from the beginning of the reporting period are recognised in profit or loss for the period as an expense or income.

The granting of share options is conditional upon continued employment between the grant date and the vesting date. In measuring fair value at the grant date, service and other non-market vesting conditions are not taken into account; instead, they are reflected in the estimate of the number of equity instruments expected to vest. Accordingly, no expense is recognised for awards that do not vest due to failure to satisfy vesting conditions.

Upon exercise of share options by the Chief Executive Officer or key employees, the Group issues new shares for which the employees are required to pay the agreed exercise price. The amount accumulated in equity in

### Provisions and contingent liabilities

A provision is recognized in the statement of financial position only when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. For example, the guarantee reserve is reported separately. The guarantee reserve is formed as a percentage of the construction volume based on the company's previous experience: the percentage varies depending on the project, ranging from 0.2% to 0.5%. In addition to the company's guarantee provisions,

### Income tax

Income tax assets and liabilities and income tax expense and income comprise current and deferred items. Current tax is recognized as a short-term asset or liability

### Parent company and subsidiaries registered in Estonia

Under the Estonian Income Tax Act, in Estonia companies do not have to pay income tax on their earnings (profit for the year). Instead, income tax is levied on profit distributions (dividends). Corporate income tax on

respect of share-based payments is transferred to retained earnings upon exercise of the share options.

### Share-based payments with non-employees

For equity-settled share-based payment transactions with non-employees, goods are recognised when they are obtained and services are recognised when they are received. If the goods or services do not meet the criteria for recognition as assets, they are recognised as an expense.

In such transactions, the goods or services received are measured at their fair value (direct measurement). Accordingly, the value of goods or services received in exchange for equity instruments is recognised with a corresponding increase in equity.

Where the fair value of goods or services received can be measured reliably, the transaction is measured based on that value, and the fair value of the equity instruments granted does not affect the measurement of the transaction.

In particular, for share-based payments made for goods, the transaction price is determined based on the fair value of the assets received rather than the value of the equity instruments issued.

guarantees for the construction are also provided by subcontractors, from whose payments a corresponding portion is withheld until the end of the guarantee period.

Other possible commitments that may transform into obligations under certain circumstances (which have not yet occurred) are disclosed as contingent liabilities in the notes to the consolidated financial statements.

Present obligations arising from past events, which according to management's judgement will not realise or cannot be measured reliably are also disclosed as contingent liabilities.

and deferred tax is recognized as a long-term asset or liability.

dividends is recognized in the consolidated income statement as an income tax expense and in the balance sheet as a deferred tax liability to the extent of the planned dividend payout. The obligation to pay income tax arises

on the 10th day of the month following the dividend payout. Deferred tax liabilities are recognized in relation to investments made in subsidiaries, except in cases where the group can control the timing of the reversal of taxable temporary differences and it is probable that the reversal will not occur in the foreseeable future. Since the parent company controls the payment of dividends, the sale or liquidation of investments, and other transactions with subsidiaries, it can control the timing of the reversal of taxable temporary differences related to those investments. Therefore, if the parent company has decided that the earned profits will not be distributed in the foreseeable future, it will not recognize a deferred tax liability. If the parent company assesses that dividends will be paid in the near future, it measures the deferred tax liability based on the planned dividend payout, provided that as of the reporting date, there are sufficient resources to pay dividends and equity from which profits can be distributed in the near future.

### Bulgarian subsidiaries

In Bulgaria, the profit earned by companies is subject to income tax. The tax rate in Bulgaria is 10% of taxable income. Taxable income is identified by adjusting profit before tax for the temporary and permanent differences permitted by the local tax laws. In the case of foreign subsidiaries, deferred income tax assets and deferred

In 2024, the applicable corporate tax rate was 20% (20/80 of the distributable net dividends), and there was a special regime that applied a lower tax rate of 14% (14/86 of the net amount of dividends) to regular profit distributions. From January 1, 2025, the tax rate on dividend income will be 22% (22/78 of the distributable net dividends). The previously applicable preferential rate of 14% (14/86) for regular profit distributions has been abolished, and a uniform taxation regime will apply to all dividends. The income tax associated with the dividend payout is recognized as an expense for the period upon the declaration of the dividends.

The contingent tax liability reflecting the obligation that would arise on the distribution of retained earnings as dividends is not recognized in the statement of financial position. Maximum possible tax liability in case all retained earnings were distributed is disclosed in note 22.

income tax liabilities are recognized for all temporary differences between the carrying amounts and tax bases of assets and liabilities. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

### Investments in subsidiaries and joint ventures in the parent company's unconsolidated primary financial statements presented in accordance with the Estonian Accounting Act

The parent company's unconsolidated primary financial statements (note 25) represent supplementary information that is presented in accordance with the requirements of the Estonian Accounting Act and they do not constitute separate financial statements as defined in IAS 27.

In the parent's unconsolidated primary financial statements, investments in subsidiaries are measured using the cost method whereby an investment is initially recognized at cost, i.e. at the fair value of the

consideration paid for it on acquisition and after initial recognition it is carried at cost less any impairment losses.

Investments are tested for impairment by measuring their recoverable amounts whenever there is any indication of impairment. Impairment losses are recognized in the statement of comprehensive income in other expenses or in separate line if the amount is material. Dividends received and receivable from subsidiaries are recognized as income when the right to receive payment has been established.

## 5. Acquisition and sale of subsidiaries

### Scope of consolidation

As at 31 December 2025, the Group comprised 18 companies, five more than as at 31 December 2024. In 2025, four companies were established in connection with the acquisition of the Luther Quarter. In 2024, a subsidiary in Latvia was liquidated. The structure of the Group is presented in Note 25.

### Liquidation of Subsidiaries in 2024

On January 16, 2024, Marsili II SIA was liquidated. This marked the end of the group's development activities in the Republic of Latvia.

## 6. Segment Reporting

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

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

### Revenue by operating segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Eliminations		Consolidated	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
<i>In thousands of euros</i>												
External revenue	0	0	7 192	7 204	-1	0	493	273	-	-	7 685	7 477
Revenue from other segments	0	0	-8	0	6 105	2 255	1 141	890	-7 238	-3 146	0	0
<b>Total revenue</b>	<b>0</b>	<b>0</b>	<b>7 185</b>	<b>7 204</b>	<b>6 104</b>	<b>2 255</b>	<b>1 634</b>	<b>1 163</b>	<b>-7 238</b>	<b>-3 146</b>	<b>7 685</b>	<b>7 477</b>

For revenue, see Note 7.

### External revenue and profit/ loss by segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Consolidated	
	12 months 2025	12 months 2024	12 months 2025	12 months 2024	12 months 2025	12 months 2024	12 months 2025	12 months 2024	12 months 2025	12 months 2024
<i>In thousands of euros</i>										
Revenue	0	0	7 192	7 204	-1	0	493	273	7 685	7 477
Operating profit/loss	-471	131	1 064	284	101	-394	-498	47	195	69
Net profit/loss	-624	129	705	-376	103	-391	-664	14	-479	-623

### External assets and liabilities by segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Consolidated	
	31.12.25	31.12.24	31.12.25	31.12.24	31.12.25	31.12.24	31.12.25	31.12.24	31.12.25	31.12.24
<i>In thousands of euros</i>										
Assets	13 627	12 154	64 839	25 869	3 226	252	4 544	1 293	86 236	39 568
Incl. PPE and intangible assets	9	15	464	475	0	1	119	183	591	674
Liabilities	7 114	3 549	34 638	11 595	1 953	279	6 169	4 406	49 873	19 829

For tangible and intangible fixed assets, see Note 16.

## 7. Revenue

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

	Estonia		Bulgaria		Latvia		Consolidated	
	2025	2024	2025	2024	2025	2024	2025	2024
<i>In thousands of euros</i>								
Sale of own real estate	7 195	7 145	0	0	0	0	7 195	7 145
Rental of real estate	182	52	0	0	0	0	182	52
Property management services	0	0	0	0	0	0	0	0
Franchise	184	182	85	63	30	28	298	273
Other revenue	9	7	0	0	0	0	9	7
<b>Total revenue</b>	<b>7 570</b>	<b>7 386</b>	<b>85</b>	<b>63</b>	<b>30</b>	<b>28</b>	<b>7 685</b>	<b>7 477</b>

Rental income, property management service fees and franchise income are recognised over the period during which the services are provided, while revenue from the sale of the Group's own real estate is recognised at the moment the real right contract is concluded.

## 8. Cost of sales

	2025	2024
<i>In thousands of euros</i>		
Cost of real estate sold (notes 14, 15)	-5 301	-5 500
Brokerage fees	-79	-96
Property management costs	-135	-166
Personnel expenses	-45	-131
Gain (loss) from inventory write-downs (Note 14)	-100	486
Other costs	-64	-300
<b>Total cost of sales</b>	<b>-5 723</b>	<b>-5 707</b>

In 2023, the Botanica Lozen development was written down to its net realisable value by EUR 528 thousand. Due to changes in market conditions, the impairment was reversed in 2024 (see Note 14). In 2025, the Kuldlehe development was written down by EUR 100 thousand.

## 9. Marketing and distribution expenses

	2025	2024
<i>In thousands of euros</i>		
Advertising expenses	-163	-255
Personnel expenses	-128	-99
Depreciation, amortisation and impairment losses (note 16)	-10	-3
Other marketing and distribution expenses	-146	-194
<b>Total marketing and distribution expenses</b>	<b>-447</b>	<b>-551</b>

## 10. Administrative expenses

	2025	2024
<i>In thousands of euros</i>		
Personnel expenses	-622	-678
Office expenses	-74	-88
IT expenses	-51	-36
Services purchased	-219	-201
Depreciation, amortisation and impairment losses	-93	-81
Legal service fees	-44	-17
Other expenses	-19	-27
<b>Total administrative expenses</b>	<b>-1 122</b>	<b>-1 127</b>

The Group's personnel expenses amounted to EUR 1,431 thousand in 2025, including EUR 622 thousand recognised in general administrative expenses, EUR 45 thousand recognised in the cost of real estate and services sold (see Note 8), EUR 128 thousand recognised in marketing expenses (see Note 9), and EUR 705 thousand capitalised during the year as part of the cost of inventories.

In 2024, the Group's personnel expenses amounted to EUR 1,465 thousand, including EUR 678 thousand recognised in general administrative expenses, EUR 131

thousand recognised in the cost of real estate and services sold (see Note 8), EUR 99 thousand recognised in marketing expenses (see Note 9), and EUR 557 thousand capitalised during the year as part of the cost of inventories.

As at 31 December 2025, the Group employed 13 persons under employment contracts and 2 persons under Management Board member service contracts (as at 31 December 2024: 10 persons under employment contracts and 3 persons under Management Board member service contracts).

## 11. Financial income and expenses

	2025	2024
<i>In thousands of euros</i>		
Interest expenses	-565	-652
Interest income	31	18
Other finance income and costs	-29	-6
<b>Total finance income and costs</b>	<b>-563</b>	<b>-640</b>

Interest expenses consist primarily of interest on loans taken to acquire and construct real estate development projects. Interest expenses incurred on loans used to finance development projects under construction are capitalised in full to inventories and investment properties. Upon completion of the construction of a development project, the capitalisation of interest is

discontinued and subsequent interest expenses are recognised as period expenses.

The amount of capitalised interest totalled EUR 3,200 thousand in 2025 and EUR 669 thousand in 2024 (see Note 14).

## 12. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the reporting period by the weighted average number of ordinary shares outstanding during

the period. Diluted earnings per share are calculated by taking into account all potentially issuable shares.

	2025	2024
Weighted average number of ordinary shares outstanding during the period	17 368 367	10 388 367
Number of ordinary shares potentially to be issued (at period end)	0	290 000
Net profit/loss attributable to owners of the parent (in thousands of euros)	-479	-624
<b>Earnings per share (in euros)</b>	<b>-0.03</b>	-0.06
<b>Diluted earnings per share (in euros)</b>	<b>-0.03</b>	-0.06

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

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

## 13. Receivables and prepayments

### Short-term receivables and prepayments

	31 December 2025	31 December 2024
<i>In thousands of euros</i>		
Receivables from customers	163	352
Miscellaneous receivables	6	6
Prepaid and recoverable taxes	637	148
Other accrued income	-2	6
Prepayments	5 617	5 173
<b>Total short-term receivables and prepayments</b>	<b>6 420</b>	<b>5 685</b>

### Long-term receivables

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

The balance of tax prepayments and receivables mainly consists of input VAT receivables arising from the construction of residential buildings.

The Group has made an advance payment of EUR 4,977 thousand for a property located by Lake Harku. In the Botanica Lozen project, advance payments to suppliers amounted to EUR 145

thousand as at 31 December 2025 (31 December 2024: EUR 106 thousand).

No impairment of receivables from customers was recognised in 2025 or 2024. As at the balance sheet dates, there were no invoices overdue by more than 30 days.

## 14. Inventories

Properties purchased and being developed for resale	31 December 2025	31 December 2024
<i>In thousands of euros</i>		
Properties in stock	2 520	8 060
Properties under construction	22 396	7 973
Properties with a building permit	37 087	45
Properties in the construction permit process	2 971	5 631
Properties in the detailed planning process	9 152	7 461
<b>Total inventories</b>	<b>74 127</b>	<b>29 170</b>

	2025	2024
<i>In thousands of euros</i>		
<b>Balance at the beginning of period, 1 January</b>	<b>29 170</b>	<b>27 637</b>
Properties purchased for development	39 272	0
Construction costs of apartment buildings	7 454	4 763
Capitalized borrowing costs	3 200	669
Inventory write-down	-100	487
Other capitalized costs	594	1 676
Reclassification to/from investment property (note 15)	0	-88
Reclassification to/from PPE (note 16)	0	-474
Cost of sold properties (note 8)	-5 463	-5 500
<b>Balance at the end of period, 31 December</b>	<b>74 127</b>	<b>29 170</b>

In 2023, the Botanica Lozen development was written down to its net realisable value by EUR 528 thousand. However, due to a change in estimates, the write-down was reversed in 2024 (see Note 8). The change in estimate was driven by additional sales in the project and increased confidence in achieving higher sales prices.

The Group's management estimates that, as at 31 December 2025, inventories expected to be realised within one year amount to EUR 11,882 thousand, while inventories amounting to EUR 62,245 thousand are expected to be realised over a period longer than one year.

For inventories pledged as collateral for loans, see Note 21.

Development projects recognised as inventories have been assessed using the comparable method in order to determine their net realisable value. To identify the need for write-downs, the net realisable value has been compared with their actual acquisition cost. In 2025, 47% of the Group's inventories were valued internally and 53% by external experts. The assumptions used in the valuations are based on actual market prices and the Group's recent experience with similar assets.

In 2025, the Group acquired the Luther Quarter development project, for which the consideration was settled partly in shares. As one component of the transaction was a share-based payment, the transaction price, i.e. the fair value of the acquired assets, was determined by an independent external valuer. The valuation was performed using the comparable transactions method, whereby the asset was compared with similar transactions observed in the market. In selecting comparable assets, particular consideration was given to location, development potential, intended use, scale, and market conditions at the transaction date. The valuation prepared by the independent valuer included an estimated accuracy range of approximately  $\pm 15\%$ .

	31 December 2025	31 December 2024
<i>In thousands of euros</i>		
Measured using the residual value method	73 417	27 057
Measured using the net realizable value method	710	2 113
<b>Total inventories</b>	<b>74 127</b>	<b>29 170</b>

The sensitivity risk of inventories primarily arises from the future sales prices of apartments. According to management's assessment, certain development projects involve uncertainties, and there is a risk that the selling prices of completed properties may need to be adjusted downward below the net realisable value of inventories in future reporting periods.

The sensitivity analysis of inventory write-downs indicated that if management had overestimated the net realisable value of inventories by 5%, an additional write-down of

EUR 100 thousand would have been required as at 31 December 2025 for the Kuldlehe project (as at 31 December 2024: EUR 106 thousand for Kuldlehe). For other development projects, the profit margins are higher and management does not currently identify a risk of impairment.

In 2025, development management services purchased from related parties in the amount of EUR 377 thousand were capitalised into inventories (see Note 23).

## 15. Investment property

The Group recognises the following assets as investment properties:

1. a sports hall in Tallinn generating rental income (carrying amount as at 31 December 2025 and 31 December 2024: EUR 2,276 thousand);
2. land plots with development potential, the future use of which has not yet been determined (carrying amount as at 31 December 2025 and 31 December 2024: EUR 20 thousand).

If land plots with development potential, whose future use was initially uncertain, are later decided to be developed by the Group rather than sold, the assets are reclassified as inventories.

### Investment properties in non-current assets

	2025	2024
<i>In thousands of euros</i>		
<b>Balance at the beginning of period, 1 January</b>	<b>2 296</b>	<b>20</b>
Capitalised development costs	0	2 188
Reclassification to/from inventories (note 10)	0	88
<b>Balance at the end of period, 31 December</b>	<b>2 296</b>	<b>2 296</b>

In 2024, a padel hall was constructed in Tallinn, which generates rental income for the Group. For assets pledged as collateral, see Note 21.

### Changes in the Fair Value of Investment Properties

#### Land Valuation

In valuing land plots recognised as investment properties in the statement of financial position, the comparable method has been applied. Based on market prices, a specialist has assessed the price at which these properties

could be realised within one year. The Group's investment properties in land were valued by internal experts in 2025 and 2024.

#### Valuation of the Sports Centre

The padel hall in Tallinn was valued by external experts in 2024 and 2025. The income approach was applied in the valuation.

	31 December 2025	31 December 2024
<i>In thousands of euros</i>		
Measured using comparison method	20	20
Measured using income method	2 276	2 276
<b>Total investment property</b>	<b>2 296</b>	<b>2 296</b>

### Operating Leases: the Group as Lessor

In 2025, rental income of EUR 175 thousand was earned from the padel hall recognised as an investment property (2024: EUR 51 thousand).

Expenses related to the management of investment properties amounted to EUR 17 thousand in 2025 (2024: EUR 22 thousand), including EUR 3 thousand (2024: EUR 2 thousand) relating to investment properties from which the Group did not generate income.

## 16. Property, plant and equipment and intangible assets

### Property, plant and equipment

	Land and buildings	Office equipment	Total property, plant and equipment
<i>In thousands of euros</i>			
<b>Carrying amount on 31 December 2023</b>	<b>185</b>	<b>36</b>	<b>221</b>
Of which cost	286	200	486
Of which accumulated depreciation	-101	-164	-265
Additions	0	6	6
Sale of PPE	0	-1	-1
Write-off	0	-4	-4
Reclassification from inventory (note 14)	474	0	474
Depreciation for the year (note 6)	-62	-13	-75
<b>Carrying amount on 31 December 2024</b>	<b>597</b>	<b>25</b>	<b>622</b>
Of which cost	474	340	814
Of which accumulated depreciation	-3	-189	-192
Additions	0	10	10
Depreciation for the year (note 6)	-10	-71	-81
<b>Carrying amount on 31 December 2025</b>	<b>587</b>	<b>-37</b>	<b>551</b>
Of which cost	474	350	824
Of which accumulated depreciation	-13	-260	-273

In 2025, depreciation of tangible assets was recognised in marketing and distribution expenses in the amount of EUR 10 thousand (see Note 9) and in general administrative expenses in the amount of EUR 70 thousand (see Note 10). In 2024, depreciation of tangible assets was recognised in marketing and distribution expenses in the amount of EUR

3 thousand (see Note 9) and in general administrative expenses in the amount of EUR 71 thousand (see Note 10).

As at 31 December 2025, the acquisition cost of fully depreciated tangible assets still in use amounted to EUR 3 thousand (31 December 2024: EUR 0 thousand).

## Intangible assets

	<b>Total intangible assets</b>
<i>In thousands of euros</i>	
<b>Carrying amount on 31 December 2023</b>	<b>24</b>
Of which cost	488
Of which accumulated amortization	-464
Purchases and software development	38
Amortization for the year (note 6)	-10
<b>Carrying amount on 31 December 2024</b>	<b>52</b>
Of which cost	521
Of which accumulated amortization	-469
Purchases and software development	11
Amortization for the year (note 6)	-22
<b>Carrying amount on 31 December 2025</b>	<b>41</b>
Of which cost	532
Of which accumulated amortization	-491

In 2025, amortisation of intangible assets was recognised in general administrative expenses in the amount of EUR 22 thousand (see Note 10); in 2024, EUR 10 thousand (see Note 10). The Group's intangible assets mainly consist of AVIS, business software developed by Arco Vara, with a total acquisition cost of EUR 407 thousand. No

development work on AVIS was carried out in 2025 or 2024.

As at 31 December 2025, the acquisition cost of fully amortised intangible assets still in use amounted to EUR 410 thousand (31 December 2024: EUR 410 thousand).

## 17. Interest bearing liabilities

The movement in net loans is as follows:

	Cash and cash equivalents	Bank loans	Bonds	Other loans	Total
<i>In thousands of euros</i>					
Net loans 31 Dec 2023	1 472	-6 624	-2 120	-1 336	-8 608
Annual change	248	-4 410	-1 880	1 155	-4 887
Net loans 31 Dec 2024	1 720	-11 034	-4 000	-181	-13 495
Annual change	1 064	-10 495	-14 866	113	-24 184
Net loans 31 Dec 2025	2 784	-21 529	-18 866	-68	-37 679

	As of 31 December 2025			As of 31 December 2024		
	Total	of which current portion	of which non- current portion	Total	of which current portion	of which non- current portion
<i>In thousands of euros</i>						
Bank loans	21 529	122	21 407	11 034	121	10 913
Bonds	18 866	4 000	14 866	4 000	0	4 000
Finance lease liabilities	68	58	10	126	58	68
Other loans	0	0	0	55	55	0
<b>Total</b>	<b>40 463</b>	<b>4 180</b>	<b>36 283</b>	<b>15 215</b>	<b>234</b>	<b>14 981</b>

In 2025, the Group repaid loan liabilities through cash transactions totaling EUR 25,576 thousand (2024: EUR 2,193 thousand), while new loans received amounted to EUR 55,516 thousand (2024: EUR 13,246 thousand). Additionally, during 2025, buyers made direct payments to the bank totaling EUR 6,449 thousand (2024: EUR 5,927 thousand). These amounts are not reflected in the Group's cash flow statement.

In 12 months of 2025, the following loan liabilities were reduced:

- Bank loan for financing the construction of the Kodulahe Rannakalda apartment buildings in the amount of EUR 5,412 thousand, which was paid directly by clients;
- Bank loan for financing the construction of the Kuldlehe apartment building in full amount, which was paid directly by clients;
- Bank loan for financing the Kodulahe Phase VII (Lammi 6 land) in the amount of EUR 39 thousand;
- Short-term bank loan for financing the Luther Quarter transaction in the amount of EUR 2,000 thousand;
- Short-term loan for financing the Luther Quarter transaction in the amount of EUR 12,000 thousand;
- Capitalized office lease liability in the amount of EUR 58 thousand.
- Repayment of the loan related to the Arco L Torn development project in the amount of EUR 6,774 thousand;
- Short-term loan from investors in the amount of EUR 55 thousand.

In 12 months of 2025, the Group assumed the following new loan obligations:

- Bank loan of EUR 900 thousand for financing the construction of the Kodulahe Rannakalda apartment building;
- Land loan of EUR 2,690 thousand for the properties at Spordi 3a and 3b;
- Soodi 6 development loan in amount of EUR 1,202 thousand;
- Short-term bank loan of EUR 2,000 thousand for financing the Luther Quarter transaction;
- Short-term loan of EUR 12,000 thousand for financing the Luther Quarter transaction;
- Bank loan of EUR 17,700 thousand for financing the Luther development project;
- Bank loan of EUR 1,582 thousand for financing the construction of the Botanica Lozen development project in Bulgaria.
- Issued bonds in the amount of EUR 15,000 thousand to finance the Luther Quarter development project.

In 12 months of 2024, the following loan obligations were reduced:

- EUR 5,268 thousand of bank loan for financing construction of apartment building in Kodulahe Rannakalda, out of which EUR 4,871 thousand directly by customers;
- EUR 1,056 thousand of bank loan for financing land of Kuldlehe project, all directly by customers;
- EUR 63 thousand of bank loan for financing land of Kodulahe project's Stage VIII at Lammi 6;
- EUR 2,120 thousand Arco Vara bonds, out of which 1,490 thousand euros returned in cash and 630 thousand converted into new bonds;
- EUR 1,152 thousand, out of which EUR 181 thousand returned in cash and EUR 971 thousand converted into bonds;
- EUR 4 thousand of bank loan for financing Helme padel venue;
- EUR 58 thousand capitalized office rent.

In 12 months of 2024, the Group assumed the following new loan obligation:

- EUR 7,452 thousand of bank loan for financing construction of apartment buildings in Kodulahe Rannakalda;
- EUR 2,000 thousand of bank loan for financing construction of apartment buildings in Kuldlehe, including bank receipts of EUR 1,990 thousand, EUR 10 thousand was the contract fee;
- EUR 4,000 thousand Arco Vara bonds, out of which EUR 2,432 thousand received in cash and EUR 1,568 thousand converted from old loan products;
- EUR 55 thousand loan from private investors, out of which EUR 22 thousand received in cash and EUR 33 thousand converted from previous loan products.
- EUR 1,350 thousand bank loan for financing Helme padel venue.

## Maturities, amounts and interest rates of interest-bearing liabilities

Description of the liability	Maturity date (month/year)	Liability amount, in thousands of euros			Interest rate, %		Type of interest
		31 December 2025	31 December 2024	31 December 2025	31 December 2024		
Bank loan, refinance	09/2029	1 306	1 346	5.8%	5.8%	6M EURIBOR	
Bank loan, development	11/2028	1 203	-	8.4%	-	6M EURIBOR	
Bank loan, land acquisition	05/2028	3 202	-	11.6%	-	6M EURIBOR	
Bank loan, land acquisition	05/2028	2 088	-	11.6%	-	6M EURIBOR	
Bank loan, land acquisition	05/2028	5 636	-	11.6%	-	6M EURIBOR	
Bank loan, land acquisition	11/2027	3 299	3 373	9.1%	8.8%	6M EURIBOR	
Bank loan, development	04/2027	1 593	-	5.2%	-	1M EURIBOR	
Bank loan, development	03/2027	2 690	-	8.6%	-	6M EURIBOR	
Bank loan, development	12/2025	0	944	0.0%	9.1%	6M EURIBOR	
Bank loan, development	03/2026	512	5 371	8.7%	8.5%	6M EURIBOR	
Bonds, development	09/2028	14 866	-	8.8%	-	Fixed	
Bonds, development	12/2026	4 000	4 000	10.0%	10.0%	Fixed	
Lease obligation	08/2026	68	126	2.5%	2.5%	Fixed	
Other loan, settlements	12/2025	0	55	0.0%	7.0%	Fixed	
<b>Bank loan, refinance</b>		<b>40 463</b>	<b>15 215</b>				

As at 31 December 2025, the weighted average interest rate of interest-bearing liabilities was 8.9% (31 December 2024: 8.7%).

According to the Group's management, the carrying amounts of the Group's loan liabilities do not differ materially from their fair values, as the applicable interest rates under the agreements correspond to market interest rates. Management also assesses that the Group's risk margins have not changed significantly

compared to the time when the loans were obtained. Additional information on assets pledged as collateral for loan liabilities is provided in Note 21.

In 2025, the Company's CEO subscribed to bonds in the amount of EUR 29.9 thousand, and a company related to a member of the Supervisory Board subscribed in the amount of EUR 200 thousand. For further information on related party transactions, see Note 23.

## 18. Payables and deferred income

### Short-term payables and deferred income

	31 December 2025	31 December 2024
<i>In thousands of euros</i>		
Trade payables	3 217	1 625
Miscellaneous payables	809	244
<b>Taxes payable</b>		
Value added tax	0	4
Social security tax	55	14
Personal income tax	59	7
Other taxes	6	1
<b>Total taxes payable</b>	<b>120</b>	<b>26</b>
<b>Accrued expenses</b>		
Payables to employees	206	136
Dividend payable	0	104
Other accrued expenses	192	188
<b>Total accrued expenses</b>	<b>397</b>	<b>428</b>
<b>Deferred income</b>		
Prepayments received on sale of real estate	4 016	2 110
Security deposits	0	53
<b>Total deferred income</b>	<b>4 016</b>	<b>2 163</b>
<b>Total short-term payables and deferred income</b>	<b>8 560</b>	<b>4 487</b>

As of 31 December 2024, the amount payable to the supplier for the planned construction of Botanica Lozen was higher than usual. Customer prepayments for the Botanica Lozen project amounted to EUR 3,376 thousand as of 31 December 2025, compared to EUR 1,889 thousand as of 31 December 2024.

Additionally, prepayments received from customers for the Soodi 6 project totaled EUR 522 thousand as of 31

December 2025, compared to EUR 219 thousand as of 31 December 2024.

As of 31 December 2025, prepayments from customers for the Spordi 3a/3b project amounted to EUR 241 thousand (31 December 2024: EUR 0 thousand) As of 31 December 2025 and 31 December 2024, no prepayments had been received from customers for the Kuldlehe development.

### Long-term payables

	31 December 2025	31 December 2024
<i>In thousands of euros</i>		
Other long-term payables	503	0
<b>Total long-term payables</b>	<b>503</b>	<b>0</b>

Long-term liabilities also include a brokerage fee obligation arising from an agreement concluded with a

related party. More detailed information on transactions and balances with related parties is presented in Note 23.

## 19. Share Capital

	31 December 2025	31 December 2024
Number of issued shares fully paid up	17 368 367	10 388 367
Share capital (in thousands of euros)	12 158	7 272
Share premium (in thousands of euros)	16 399	3 835
Statutory capital reserve (in thousands of euros)	2 011	2 011

The share capital of Arco Vara AS, or its minimum and maximum amount, is determined in the Articles of Association of the Company. According to the Articles of Association, the minimum share capital of the Company is EUR 5,000 thousand and the maximum share capital is EUR 20,000 thousand. The Company has one class of registered shares with a nominal value of EUR 0.70 each, each share granting the shareholder one vote. Each share entitles the shareholder to participate in the general meeting of shareholders and in the distribution of profits and, upon the dissolution of the Company, in the distribution of the remaining assets of the Company, as well as to other rights provided by law and the Articles of Association.

In accordance with the Estonian Commercial Code, a public limited company is required to allocate at least 5% of its annual profit to the statutory reserve capital until the reserve capital amounts to at least 10% of the share capital. The Company's statutory reserve capital complies with this requirement; as at 31 December 2025, the reserve capital amounted to 17% of the share capital.

In the second quarter of 2025, Arco Vara AS carried out a directed share issue in connection with the financing of the Luther Quarter development project. A total of 6,980,000 new ordinary shares were issued at an issue price of EUR 2.50 per share, of which EUR 0.70 represented the nominal value and EUR 1.80 the share premium.

As a result of the issue, the share capital of Arco Vara AS increased to EUR 12,157,856.90. The new shares were fully subscribed and paid in cash by the investors as follows:

- Alarmo Kapital OÜ subscribed for 2,100,000 shares in the amount of EUR 5,250,000,
- Luther Factory OÜ subscribed for 3,309,999 shares in the amount of EUR 8,274,997.50,
- Luther Factory Holding OÜ subscribed for 1,570,001 shares in the amount of EUR 3,925,002.50.

The increase of share capital was registered in the Commercial Register in June 2025, and the new shares were listed and admitted to trading on the Nasdaq Tallinn Baltic Main List. The purpose of the issue was to raise additional equity to finance the development of the Luther Quarter project.

The acquisition price of the Luther Quarter was EUR 35 million. Under the final financing structure of the transaction, the purchase price was settled with the sellers of the quarter in Arco Vara shares, cash and through the modified assumption by Arco Vara of loan obligations with AS LHV Pank. The acquisition cost was determined based on the fair value of the acquired assets, the measurement of which required management judgement and was supported by valuations performed by independent experts. Further information on the valuation methods applied is disclosed in the inventories note.

## 20. Financial instruments and financial risk management

The Group's activities expose it to various financial risks: credit risk, liquidity risk and market risk.

The Group's overall risk management program is based on the assumption that the financial markets are unpredictable and appropriate measures have to be adopted to minimise potential adverse impacts on the Group's financial activities. The Group has not used

derivative financial instruments to hedge certain risk exposures in recent years.

The Group's risk management process is based on the premise that the Group's success depends on constant monitoring, accurate assessment and effective management of risks. Centralised financial risk management is the responsibility of the Group's financial team. The main objective of financial risk management is

to prevent any damage or financial loss that could jeopardise the Group's equity and ability to continue operating as a going concern. The Group designs and implements risk management policies and activities that are aimed at identifying and evaluating risks and spreading risks across time, activities and geographical areas. Risk management policies and activities are implemented by the managers of group entities.

### Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Group by failing to discharge an obligation. The Group's credit risk

In managing its financial risks, the Group's main focus is on monitoring the risk exposures of the Development segment because a majority of the Group's liquidity and interest rate risks are concentrated in the Development segment in Estonia and Bulgaria.

exposures result from cash placed in bank deposits, and trade and other receivables.

	31 December 2025	31 December 2024
<i>In thousands of euros</i>		
Cash on demand deposits	2 784	1 720
<b>Total cash and cash equivalents</b>	<b>2 784</b>	<b>1 720</b>

The Group's cash and cash equivalents are held at different banks, which reduces credit risk associated with deposits. Credit ratings of three banks holding almost all of the Group's cash deposits as of 31 December 2025, are presented in the following table.

Bank or banking group	Bank's share of the Group's cash balance	Moody's	Fitch
United Bulgarian Bank	3.76%	Not rated	A
LHV Pank AS	90.34%	Baa2	Not rated
Coop Pank AS	5.93%	Baa2	Not rated

In managing credit risk, the Group primarily monitors the risk of significant accumulated concentrations of credit risk. The Group's activities aimed at preventing and minimizing credit risk include continuous monitoring and management of customers' payment behaviour, enabling the prompt implementation of necessary measures. In addition, the financing of sales and construction activities is partly supported by advance payments from buyers or customers. As a result, the Group considers the overall risk arising from customers' potential inability to pay to be substantially mitigated.

Other financial assets are also exposed to credit risk, including trade receivables and other short-term receivables, totalling EUR 803 thousand as at 31 December 2025. The Group's companies conduct transactions only with parties that have been previously assessed as creditworthy, and transactions generally involve partial advance payments. Additional collateral covering potential risks is required from counterparties in order to obtain credit. Based on these practices, management considers the need for additional credit risk mitigation to be minimal. Furthermore, due to the nature

of the Group's sales activities—primarily the sale and rental of its own real estate—receivables are generally settled within a very short period of time. Therefore, based on the principles described above, the impairment of receivables as at 31 December 2025 and the comparative period is considered immaterial.

All financial assets exposed to credit risk are measured at amortised cost.

The total amount of financial assets exposed to credit risk amounted to EUR 3,587 thousand as at 31 December 2025 (31 December 2024: EUR 2,237 thousand).

## Financial assets by maturity

By maturity	31 December 2025			
	< 3 months	3-12 months	1-2 years	Total
<i>In thousands of euros</i>				
Cash and cash equivalents	2 784	0	0	<b>2 784</b>
Trade and other receivables (note 13)	803	0	0	<b>803</b>
<b>Total</b>	<b>3 587</b>	<b>0</b>	<b>0</b>	<b>3 587</b>
By maturity	31 December 2024			
	< 3 months	3-12 months	1-2 years	Total
<i>In thousands of euros</i>				
Cash and cash equivalents	1 720	0	0	<b>1 720</b>
Trade and other receivables (note 13)	516	0	0	<b>516</b>
<b>Total</b>	<b>2 237</b>	<b>0</b>	<b>0</b>	<b>2 237</b>

## Liquidity risk

Liquidity risk is the risk that a potential change in its financial position will cause the Group to encounter difficulty in meeting its financial liabilities in a due and timely manner, or that the Group will be unable to realise its assets at market price and within the desired timeframe. Above all, the Group's liquidity is affected by the following factors:

- group entities' ability to generate independent positive net operating cash flows and the volatility of those cash flows;
- mismatch in the maturities of assets and liabilities and flexibility in changing them;
- marketability of long-term assets;
- volume and pace of real estate development activities;
- financing structure.

Short-term liquidity management is based mainly on group entities' continuously monitored monthly cash flow forecasts. The purpose of short-term liquidity management is to guarantee the availability of a sufficient

amount of highly liquid funds (i.e. cash and cash equivalents and highly liquid investments in financial instruments). The main tool for short-term liquidity management both in Estonia and in group entities outside Estonia is intra-group borrowing from the parent company.

Long-term liquidity is primarily influenced by investment decisions. The Group observes the principle that group entities' total net cash inflow from operating and investing activities has to cover the Group's total cash outflows from financing activities. Accordingly, the purpose of long-term liquidity management is to ensure sufficient liquidity of the real estate portfolio (investment properties portfolio), to match the timing of cash flows from investing and financing activities, and to use the optimal financing structure. Long-term projects are monitored to ensure that the timing and amounts of investing cash flows do not differ significantly from the timing and amounts of financing cash flows.

## Maturity structure of financial liabilities

By maturity	31 December 2025			
	< 3 months	3-12 months	1-5 years	Total
<i>In thousands of euros</i>				
Interest-bearing liabilities	43	4 136	36 283	<b>40 461</b>
Interest payable	900	2 695	8 075	<b>11 885</b>
Other financial liabilities (trade payables, accrued expenses, excluding liabilities to employees)	4 338	0	0	<b>4 338</b>
<b>Total</b>	<b>5 335</b>	<b>6 992</b>	<b>44 357</b>	<b>56 684</b>

By maturity	31 December 2024			
	< 3 months	3-12 months	1-5 years	Total
<i>In thousands of euros</i>				
Interest-bearing liabilities	43	191	14 981	<b>15 215</b>
Interest payable	331	991	1 361	<b>2 683</b>
Other financial liabilities (trade payables, accrued expenses, excluding liabilities to employees)	2 187	0	0	<b>2 187</b>
<b>Total</b>	<b>2 561</b>	<b>1 182</b>	<b>16 342</b>	<b>20 085</b>

Based on the repayment schedules of the liabilities included in the loan portfolio, the weighted average maturity of loan liabilities as at 31 December 2025 was 2.23 years (31 December 2024: 2.12 years). For further information on loans, see Note 17.

Interest-bearing liabilities and other financial liabilities are presented on an undiscounted basis. In the opinion of the Group's management, the carrying amounts of the

## Market risk

### Interest rate risk

Interest rate risk refers to the risk that an increase in interest rates may significantly affect the Group's performance through higher interest expenses on its liabilities. The Group is exposed to interest rate risk in the following situations:

- when using loans with variable interest rates;
- when refinancing liabilities at their maturity date;
- when raising new loans to implement the investment plan in a situation where volatility in financial markets increases and the economic environment is changing.

As at 31 December 2025, 53% of the Group's loan liabilities include a 6-month Euribor component in the interest rate, which means that the Group is dependent on developments in international financial markets. An important element in managing the Group's interest rate risk is monitoring movements in the money market interest rate curve, which reflects market participants' expectations regarding future interest rates and enables the assessment of trends in euro interest rate developments.

### Currency risk

Because the only significant currency for the Group beside euro – Bulgarian lev – is pegged to euro, the main currency risk is the risk of devaluation of Bulgarian lev. Currency risk is mitigated also by conducting most of transactions and signing all major agreements, including

Group's financial liabilities do not differ significantly from their fair values.

The risk related to refinancing of liabilities is managed through continuous monitoring of the Group's liquidity position and ongoing analysis of various financing options, involving partner banks in different countries already at an early stage of the process.

The sensitivity analysis of the Group's net profit based on loan liabilities as at 31 December 2025 shows that a 1% change (increase or decrease) in the interest rate of variable-rate loans would affect the annual net profit by approximately EUR 215 thousand, either increasing or decreasing it accordingly (31 December 2024: EUR 110 thousand).

In managing short-term interest rate risks, the Group regularly compares potential losses arising from changes in interest rates with the costs associated with hedging them. To date, the Group has not entered into transactions with financial instruments to hedge short-term interest rate risk, as management considers that the costs of hedging would exceed the potential losses resulting from interest rate changes.

According to management's assessment, the interest rates of fixed-rate liabilities correspond to the interest rates of debt instruments available to a group with a similar risk profile.

loan contracts in euros. In view of the above, the Group's management considers currency risk to be insignificant.

### Fair value of financial instruments

Management estimates that the carrying amount of the Group's financial assets and liabilities does not significantly differ from their fair value.

Trade receivables and payables are short-term and therefore the management estimates that their carrying amount is close to their fair value. Most of the Group's long-term borrowings are based on floating interest rates, which change according to the market interest rate. According to the management's opinion, the Group's risk margins have not significantly changed compared to the time when the loans were received and the Group's

### Capital management

The Commercial Code of the Republic of Estonia establishes the following requirements regarding share capital for companies registered in Estonia:

- the minimum share capital of a public limited company must be at least EUR 25 thousand;
- the equity of a public limited company must amount to at least half of the company's share capital.

The amount of share capital of a public limited company and its minimum and maximum capital are determined in the company's Articles of Association, whereby the minimum capital must be at least one quarter of the maximum capital. As at 31 December 2025, the share capital of Arco Vara AS consisted of 17,368,367 ordinary shares (with a nominal value of EUR 0.70 per share), which have been fully paid for. According to the current Articles of Association of Arco Vara AS, the company's share capital may be changed, without amending the Articles of Association, within the range of EUR 5,000 thousand to EUR 20,000 thousand. As at 31 December 2025, the share capital of Arco Vara AS amounted to EUR 12,158 thousand and equity to EUR 36,421 thousand; therefore, the company's share capital and equity complied with the requirements established in the Republic of Estonia.

In addition to the equity requirements arising from legislation, certain additional conditions have been set for the equity of the Group's subsidiaries in loan agreements with credit institutions. In the event of non-compliance with these conditions, lenders may apply higher interest rates to existing loan obligations. These conditions refer to the legal requirements concerning a company's capital and generally require the borrower to obtain written consent from credit institutions, for example when

interest rates on borrowings correspond to market conditions. Based on the above, the management estimates that the fair values of long-term payables and receivables are an approximation of their carrying amount. To determine the fair value, a discounted cash flow analysis has been used, by discounting contractual future cash flows with current market interest rates that are available to the Group for using similar financial instruments.

Fair value of financial instruments is level 3.

wishing to change the share or equity capital of the borrowing company. As at 31 December 2025 and 31 December 2024, the equity of the Group companies that had taken loans was positive.

Arco Vara defines total capital as the sum of interest-bearing short-term and long-term loan liabilities and equity, less cash and cash equivalents. As at 31 December 2025, total capital amounted to EUR 74,098 thousand (31 December 2024: EUR 33,234 thousand).

In managing capital, the Group follows the principle of ensuring the company's reliability and sustainable development. The Group finances its business activities using both debt and equity. As real estate development is a highly capital-intensive sector, the Group follows the principle that equity should generally represent at least 30% of the total investment cost of development projects.

When designing its financing structure and assessing risks, the Group monitors the proportion of equity in relation to total assets. As at 31 December 2025, the Group's equity accounted for 41.4% of total assets (31 December 2024: 49.9%).

## 21. Assets pledged as collateral

The Group has secured its loans and borrowings by providing the following collateral:

	31 December 2025	31 December 2024
<i>In thousands of euros</i>		
Inventories	68 765	17 001
Investment property	2 276	2 276
Fixed items	471	471
<b>Total carrying value of assets pledged as collateral</b>	<b>71 512</b>	<b>19 748</b>

## 22. Contingent liabilities

### Contingent income tax liability

As at 31 December 2025, the Group's retained earnings amounted to EUR 5,826 thousand (31 December 2024: EUR 6,594 thousand). When distributing dividends to shareholders, a corporate income tax expense of 22/78 of the net dividend amount is generally payable starting from 1 January 2025. However, dividends received from Bulgarian subsidiaries may be distributed further without additional taxation. This option was used in 2025, when dividends in the amount of EUR 347 thousand (EUR 0.02

per share) were paid to shareholders, and corporate income tax was not required to be paid in full.

If the entire amount of the company's retained earnings were distributed in 2025, a corporate income tax liability of EUR 1,269 thousand would arise, and the amount of dividends payable to shareholders would be EUR 4,499 thousand.

### Contingent liabilities related to the acquisition of land near Lake Harku

The Arco Vara subsidiary Arcojärve OÜ entered into an agreement to acquire land located on the shore of Lake Harku at Paldiski mnt 124b, Tallinn, and paid EUR 4,978 thousand for the property. The development is planned to include more than 30,000 m<sup>2</sup> of residential and commercial real estate (gross building area).

The subsidiary has an obligation to pay an additional EUR 1,627 thousand for the land within three months after the detailed spatial plan has been approved by the City Government of Tallinn. The final payment deadline is planned for 2026.

## 23. Transactions and Balances with Related Parties

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

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

### Transactions with related parties

	2025	2024
<i>In thousands of euros</i>		
<b>Companies that have a significant interest in the group's parent company</b>		
Services purchased	500	0
<b>Other related parties</b>		
Services purchased	105	54
Paid interest	36	12

See also additional information in Note 17.

### Balances with related parties

	31 December 2025	31 December 2024
<i>In thousands of euros</i>		
<b>Companies that have a significant interest in the group's parent company</b>		
Long-term liabilities	450	0
<b>Other related parties</b>		
Bonds issued	540	310

### Remuneration of key management personnel

The remuneration of the Chief Executive Officer of the parent company totaled EUR 235 thousand, including social tax, for 2025 (2024: EUR 244 thousand).

Remuneration of the members of the Supervisory Board amounted to EUR 75 thousand, including social tax, for 2025 (2024: EUR 36 thousand).

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

Supervisory Board members receive a net fee of 500 euros per attended meeting, but no more than 1,000

euros (net) per calendar month. Payment is conditional upon the member signing the meeting minutes. Reasonable travel expenses related to attending Supervisory Board meetings are reimbursed. In addition, the Chairman of the Supervisory Board receives a fixed net monthly fee of 500 euros.

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

All transactions with related parties in 2025 and 2024 were conducted at market terms, and no impairments have been recognised in respect of receivables from related parties.

## 24. Structure of Arco Vara group

Company	Domicile	Group's ownership, %	
		31 December 2025	31 December 2024
<b>Development segment</b>			
Subsidiaries			
Kodulahe Kvartal OÜ	Estonia	100	100
Kerberon OÜ	Estonia	100	100
Arcojärve OÜ	Estonia	100	100
Kodukalda OÜ	Estonia	100	100
Arco Spordi OÜ	Estonia	100	100
Arco L Torn OÜ	Estonia	100	0
Grupi Halduse OÜ	Estonia	100	0
Arco L Torn II OÜ	Estonia	100	0
Arco L Factory OÜ	Estonia	100	0
Arco L Factory II OÜ	Estonia	100	0
Grupi Teenused OÜ	Estonia	100	0
Arco Invest EOOD	Bulgaria	100	100
Arco Manastirski EOOD	Bulgaria	100	100
Arco Riverside EOOD	Bulgaria	100	100
Iztok Parkside EOOD	Bulgaria	100	100
Arco Lozen EOOD	Bulgaria	100	100
Arco Vara Bulgaria EOOD	Bulgaria	100	100
<b>Construction segment</b>			
Subsidiary			
Arco Tarc OÜ	Estonia	100	100

## 25. Parent company's unconsolidated primary financial statements

In accordance with the Accounting Act of Estonia, unconsolidated primary financial statements of consolidating unit (parent company) have been disclosed in the notes of the consolidated annual report. The parent company's primary reports are prepared using the same

accounting principles and estimation basis used in consolidated financial statements, excluding subsidiaries, which are accounted for in parent company's unconsolidated primary financial statements using cost method.

### UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2025	2024
<i>In thousands of euros</i>		
Revenue from rendering of services	1 433	1 163
<b>Total revenue</b>	<b>1 433</b>	<b>1 163</b>
Cost of sales	-11	-8
<b>Gross profit</b>	<b>1 422</b>	<b>1 155</b>
Marketing and distribution expenses	-204	-228
Administrative expenses	-1 195	-941
Other expenses	-6	-8
<b>Operating profit/loss</b>	<b>17</b>	<b>-22</b>
Finance income and costs	220	87
Interest income	2 729	1 276
Interest expense	-897	-526
<b>Profit/loss before tax</b>	<b>2 070</b>	<b>815</b>
Income tax	-110	-52
<b>Net profit/loss for the period</b>	<b>1 960</b>	<b>763</b>

## UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2025	31 December 2024
<i>In thousands of euros</i>		
Cash and cash equivalents	1 226	815
Receivables and prepayments	2 975	1 027
<b>Total current assets</b>	<b>4 201</b>	<b>1 843</b>
Financial investments	11 471	13 659
Receivables and prepayments	49 266	17 623
Property, plant and equipment	85	143
Intangible assets	34	39
<b>Total non-current assets</b>	<b>60 856</b>	<b>31 464</b>
<b>TOTAL ASSETS</b>	<b>65 057</b>	<b>33 307</b>
Loans and borrowings	100	154
Payables and deferred income	2 152	629
<b>Total current liabilities</b>	<b>2 252</b>	<b>783</b>
Loans and borrowings	19 691	8 473
<b>Total non-current liabilities</b>	<b>19 691</b>	<b>8 473</b>
<b>TOTAL LIABILITIES</b>	<b>21 944</b>	<b>9 256</b>
Share capital	12 158	7 272
Additional paid-in capital	16 399	3 835
Statutory capital reserve	2 011	2 011
Other reserves	28	28
Retained earnings	12 518	10 906
<b>Total equity attributable to owners of the parent</b>	<b>43 114</b>	<b>24 051</b>
<b>TOTAL EQUITY</b>	<b>43 114</b>	<b>24 051</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>65 057</b>	<b>33 307</b>

**UNCONSOLIDATED STATEMENT OF CASH FLOWS**  
(direct method)

	2025	2024
<i>In thousands of euros</i>		
Cash receipts from customers	1 227	1 305
Cash paid to suppliers	-932	-545
Taxes paid	-932	-4 086
Taxes recovered	60	3 325
Cash paid to employees	-472	-446
Other payments and receipts related to operating activities (net)	19	10
<b>CASH FLOW IN OPERATING ACTIVITIES</b>	<b>-1 030</b>	<b>-437</b>
Payments made on acquisition of property, plant and equipment	-2	-1
Loans provided	-32 916	-7 476
Repayment of loans provided	4 061	7 645
Interest received	4	0
Other receipts related to investing activities	-10	4
<b>CASH FLOW IN INVESTING ACTIVITIES</b>	<b>-28 863</b>	<b>172</b>
Proceeds of loans received	30 999	3 754
Settlement of loans and borrowings	-16 913	-2 736
Dividends paid	-451	-623
Corporate income tax paid	-12	0
Interests paid	-770	-326
Proceeds from the issuance of shares	17 450	0
<b>CASH FLOW IN FINANCING ACTIVITIES</b>	<b>30 303</b>	<b>69</b>
<b>NET CASH FLOW</b>	<b>411</b>	<b>-196</b>
Cash and cash equivalents at beginning of year	815	1 011
Change in cash and cash equivalents	411	-196
Cash and cash equivalents at end of year	1 226	815

## UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory capital reserve	Other reserves	Retained earnings	Total equity
<i>In thousands of euros</i>						
<b>Balance as at 31 December 2023</b>	<b>7 272</b>	<b>3 835</b>	<b>2 011</b>	<b>57</b>	<b>10 767</b>	<b>23 941</b>
Dividends paid	0	0	0	0	-624	-624
Formation of equity reserve	0	0	0	-29	0	-29
Total comprehensive income for the period	0	0	0	0	763	763
<b>Balance as at 31 December 2024</b>	<b>7 272</b>	<b>3 835</b>	<b>2 011</b>	<b>28</b>	<b>10 906</b>	<b>24 051</b>
<b>Balance as at 31 December 2024</b>						
<b>Balance as at 31 December 2024</b>	<b>7 272</b>	<b>3 835</b>	<b>2 011</b>	<b>28</b>	<b>10 906</b>	<b>24 051</b>
Increase of share capital	4 886	12 564	0	0	0	17 450
Dividends paid	0	0	0	0	-347	-347
Total comprehensive income for the period	0	0	0	0	1 960	1 960
<b>Balance as at 31 December 2025</b>	<b>12 158</b>	<b>16 399</b>	<b>2 011</b>	<b>28</b>	<b>12 518</b>	<b>43 114</b>

### Adjusted unconsolidated equity

	31 December 2025	31 December 2024
<i>In thousands of euros</i>		
Parent company's unconsolidated equity	<b>43 114</b>	<b>24 051</b>
Carrying amount of investments in subsidiaries in the parent company's unconsolidated statement of financial position (-)	-11 471	-13 659
Value of investments in subsidiaries under the equity method (+)	4 720	9 347
Parent company's adjusted unconsolidated equity	<b>36 363</b>	<b>19 739</b>

## 26. Events after the reporting date

After the end of the reporting period, changes occurred in the management of Arco Vara AS, in the structure of shareholders with significant holdings, and in the Group's investments.

At the beginning of 2026, Kristina Mustonen, member of the Management Board and CEO of Arco Vara AS, submitted her resignation from the positions of Management Board member and CEO for personal reasons. The Supervisory Board subsequently initiated the process of appointing a new CEO and preparing for the smooth transfer of responsibilities. The Supervisory Board decided to appoint Rait Riim as the new member of the Management Board and CEO of the Company, whose term of office will commence on 1 April 2026 and will last for three years. In accordance with the decision of the Supervisory Board, Kristina Mustonen will be recalled from the Management Board of Arco Vara AS on 22 April 2026.

During the transition period, Mustonen will continue to support the Company in the transfer of management responsibilities and in completing the preparation of the audited annual report for 2025 in cooperation with the CFO. The Company believes that the change in management will not affect Arco Vara's strategy or operational direction and that the Company will continue to implement its existing growth strategy.

Changes also occurred after the reporting period in the structure of shareholders holding significant interests. On 14 January 2026, Peeda OÜ notified that it had acquired 1,215,000 shares of Arco Vara AS, representing approximately 7.0% of the Company's share capital. The shares were acquired from Luther Factory OÜ. In addition, Luther Factory OÜ notified that on 18 December 2025 it had disposed of an additional 348,000 shares, representing approximately 2.0% of the share capital of Arco Vara AS, and that the new owner of these shares is Temm Capital OÜ.

Prior to the aforementioned transactions, Luther Factory OÜ and Luther Factory Holding OÜ together held 4,880,000 shares of Arco Vara AS, representing 28.10% of the Company's share capital. Following the transactions, their combined holding amounts to 19.10% of the share capital. The transactions were conducted off-market and the parties did not disclose the transaction price.

In addition, after the reporting period Arco Vara AS entered into a share purchase agreement with Kamaleo Invest OOD for the sale of a 25% interest in the Bulgarian company Botanica Lozen EOOD, which develops the Botanica Lozen residential development project in Sofia. Under the agreement, Kamaleo Invest OOD will acquire shares representing 25% of the share capital of Botanica Lozen EOOD for a total consideration of EUR 2,200,000. According to the agreement, EUR 1,000,000 will be paid as an advance within three working days after signing the agreement, and the remaining amount will be paid upon completion of the transaction.

Completion of the transaction is subject to the fulfilment of customary conditions precedent, including the conversion of loans granted by Arco Vara AS to Botanica Lozen EOOD into equity through an increase of the company's share capital. Completion of the transaction is planned no later than 29 May 2026. Upon completion, the parties will also enter into a shareholders' agreement and a project management agreement under which Kamaleo Invest OOD will provide project management services to Botanica Lozen EOOD. The transaction forms part of Arco Vara's strategy to gradually reduce its activities in the Bulgarian market and focus primarily on real estate development projects in Estonia.

Management estimates that the above-mentioned events will not have a material adverse effect on the Group's financial position or results of operations.

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

The Chief Executive Officer confirms that, to the best of their knowledge, the 2025 financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, and profit or loss of Arco Vara AS and the Group as a whole.

The Chief Executive Officer also confirms that the Arco Vara Group is a going concern.

/digitally signed/

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

On 16 April 2026



# Independent auditors' report

## To the Shareholders of Arco Vara AS

(Translation of the Estonian original)

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Arco Vara AS and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (Estonia) (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of the need for inventory write-down	
Refer to notes 2, 4 and 14 of the consolidated financial statements.	
The key audit matter	How the matter was addressed in our audit
In the Group's statement of financial position as at 31 December 2025, inventories related to real estate properties under development for sale are recognised in the amount of EUR 74,127 thousand, as further described in Note 14. Inventories constitute a significant portion of the Group's assets (as at 31 December 2025, 86% of total assets). In accordance with International Financial Reporting Standards, inventories must be measured at the lower of cost or	In this area, we conducted, among others, the following audit procedures: <ul style="list-style-type: none"><li>we assessed the Group's inventory accounting policies and verified that they are in compliance with the International Financial Reporting Standards as adopted by the European Union;</li></ul>

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<p>net realisable value. In 2025, the Group recognised write-downs of inventories in the amount of EUR 100 thousand.</p> <p>Assessing the need for write-downs requires significant judgement for each real estate development project. Inventories are assessed on an individual project basis (land plot or building). A business plan is prepared for each property and the project costs are compared with the potential revenues. For properties under development, the Group estimates the final cost using budgeted expenditure required until completion of the project; for completed properties, actual incurred costs are used. In determining the selling price, the Group has applied the comparable sales method and considered the prices agreed in sales contracts. Where necessary, management engages external experts. Selling expenses are taken into account in determining net realisable value.</p> <p>Forming an opinion on whether the assumptions used in identifying the Group's inventory write-down requirements were based on reasonable and appropriate estimates required heightened audit attention.</p>	<ul style="list-style-type: none"> <li>— we tested the existence of inventories as well as the justification, accuracy and completeness of capitalised costs;</li> <li>— we evaluated the key assumptions used by management in forecasting cash flows, such as planned revenues and expenses, based on our understanding of the Group's business operations and the real estate market;</li> <li>— we assessed the reliability of external expert valuations, the competence of the valuers and the comparables used;</li> <li>— we evaluated whether the information disclosed in the consolidated financial statements (including disclosures relating to management's assessment of the need for inventory write-downs) is adequate and appropriate.</li> </ul>
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## Other Information

Management is responsible for the other information. The other information comprises the information included in the management report, including good corporate governance report and remuneration report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, our responsibility is to state whether the information presented in the management report has been prepared in accordance with the applicable legal and regulatory requirements. With respect to the remuneration report, our responsibility also includes considering whether the remuneration report has been prepared in accordance with the requirements of Article 135<sup>3</sup> (3) of the Securities Market Act.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard and we state that the information presented in the management report is materially consistent with the consolidated financial statements and in accordance with the applicable legal and regulatory requirements. In our opinion, the remuneration report has been prepared in accordance with the requirements of Article 135<sup>3</sup> (3) of the Securities Market Act.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to

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continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public

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disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

### **Report on Compliance with the Requirements for iXBRL tagging of Consolidated Financial Statements included within the European Single Electronic Format Regulatory Technical Standard (ESEF RTS)**

We have undertaken a reasonable assurance engagement on the iXBRL tagging of the consolidated financial statements included in the digital files 097900BHCB0000066171-2025-12-31-1-en.zip prepared by Arco Vara AS.

#### **Responsibilities of Management for the Digital Files Prepared in Compliance with the ESEF RTS**

Management is responsible for preparing digital files that comply with the ESEF RTS. This responsibility includes:

- the selection and application of appropriate iXBRL tags using judgement where necessary;
- ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the ESEF RTS.

#### **Auditors' Responsibilities**

Our responsibility is to express an opinion on whether the electronic tagging of the consolidated financial statements complies in all material respects with the ESEF RTS based on the evidence we have obtained.

We apply the provisions of the International Standard on Quality Management (Estonia) 1 (revised) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (Estonia) (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about compliance with the ESEF RTS. The nature, timing and extent of procedures selected depend on the practitioner's judgment, including the assessment of the risks of material departures from the requirements set out in the ESEF RTS, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the tagging and the ESEF RTS, including of internal control over the tagging process relevant to the engagement;
- reconciling the tagged data with the audited consolidated financial statements of the Group dated 31 December 2025;
- evaluating the completeness of the tagging of the consolidated financial statements;
- evaluating the appropriateness of the Group's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements included in the annual report of Arco Vara AS identified as

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097900BHC0000066171-2025-12-31-1-en.zip for the year ended 31 December 2025 are tagged, in all material respects, in compliance with the ESEF RTS.

**Other Requirements of the Auditors' Report in Accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council**

We were appointed by those charged with governance on 9 May 2024 to audit the consolidated financial statements of Arco Vara AS for the years ending 31 December 2024 until 31 December 2026. Our total uninterrupted period of engagement is 2 years, covering the periods ending 31 December 2024 to 31 December 2025.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Group;
- we have not provided to the Group the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

Tallinn, 15 April 2026

/signed digitally/

**Indrek Alliksaar**

Certified Public Accountant,  
Licence No 446

**KPMG Baltics OÜ**

Licence no 17

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