

Company Arco Vara AS
Type Company Release
Category Annual financial report
Disclosure time 01 Apr 2021 09:39:42 +0300

Attachments:

- AVG AA 2020 ENG.pdf (<http://oam.fi.ee/en/download?id=5365>)
- AVG AA 2020 EST.pdf (<http://oam.fi.ee/en/download?id=5366>)

Currency

Title 2020 Annual Report of Arco Vara

GROUP CEO'S REVIEW

At the beginning of 2020, due to the constraints of COVID-19, price fluctuations and rapid market adjustment were also expected in the real estate sector, but this did not take place for new developments. Arco Vara and our partners reacted quickly to limit the spread of the virus, which ensured the timely completion of the sites and the fulfilment of the set sales targets.

The improved terms of development loans can be considered an important development, which are important for the successful implementation of Estonian development projects also in 2021 and 2022. In Bulgaria, the main keyword is obtaining an usage permit for Iztok Parkside, where most of the final sales took place in the first quarter of 2021.

On the Estonian side of development activities, Arco Vara has achieved the reputation of a reliable developer, which is shown by the success of the Kodulahe and Kodukalda projects. Today, Kodulahe Phase 3 building has been sold out and approximately 70% of the Phase 4 and Phase 5 buildings have been pre-sold. There are 4 unsold apartments in the Tartu Kodukalda project, but the interest in the development is constant, which provides certainty for achieving final sales in the second quarter.

In addition to the finalised projects and the projects to be completed, we started designing the 6th stage of Kodulahe at the end of 2020, the public sale of which will commence 3 months earlier than had been planned - in the third quarter of 2021.

The Bulgarian development activity achieved the long-awaited authorisation for use of Iztok Parkside, which is expected to be sold out in the second quarter of 2021. At the moment, 66 out of the 67 apartments have been sold there in the



development project.

The commercial property site Madrid BLVD had an occupancy rate of approximately 95% during 2020, which is a successful achievement for the team there, taking into account the situation of last year. Due to the multiple purposes of the building and the restrictions that favoured the building, the tenants were able to continue their business for most of the year, which ensured a lower-than-expected decrease in sales revenue.

Based on the results of 2020, and pointing out the 2.5-fold increase in the return on equity and an increase of the net profit margin of almost 2 times, we are on the track to increase development volumes in the next three years. This is also supported by the contracts concluded at the beginning of 2021 for the development of the registered immovables at Paldiski road 124b and Soodi street 6.

In 2021, the main tasks are the successful start of the 6th stage of Kodulahe and the start of designing new development projects in both Estonia and Bulgaria.

KEY PERFORMANCE INDICATORS

In 2020, the Group's revenue was 14,056 thousand euros, which is 7% more than the revenue of 13,109 thousand euros in 2019.

In 2020, the Group's operating profit (=EBIT) was 1,449 thousand euros and net profit 1,012 thousand euros. In 2019, the Group made operating profit of 950 thousand and net profit of 388 thousand euros.

In 2020, 81 apartments and one land plot in Latvia were sold in the development projects of the Group (in 2019: 82 apartments).

In 2020, the Group's debt burden (net loans) decreased by 2,951 euros down to the level of 8,499 thousand euros as of 31 December 2020. As of 31 December 2020, the weighted average annual interest rate of interest-bearing liabilities was 4.8%, which is 0.6% higher than on 31 December 2019.

OPERATING REPORT

The revenue of the Group totalled 14,056 thousand euros in 2020 (in 2019: 13,109 thousand euros), including revenue from the sale of properties in the Group's own development projects in the amount of 13,129 thousand euros (in 2019: 12,152 thousand euros).

Most of the other revenue consists of rental income from commercial and office premises in Madrid Blvd building in Sofia, amounting to 614 thousand euros in



2020 (in 2019: 696 thousand euros). In 2020, Covid-19 brought changes in the economic situation of tenants. Several tenants have been replaced during 2020, but in a more favourable direction for Arco Vara. In the end of 2020, 95% of retail and office spaces were rented out.

In the II Stage of the Kodulahe quarter, which was completed and mainly sold in 2019, commercial space remains unsold - the last apartment was sold in Q2 2020. In 2020, Lahepea 9 house received usage permit.

In Q4 2020, construction works ended in Stage III of Kodulahe quarter, where a building with 50 apartments was finished at Soodi 4 Merimetsa. By the publishing date of the annual report, all apartments have been sold and the house has a usage permit.

At the end of 2020, the joint construction of Stages IV and V of Kodulahe started. Two 36-apartment residential buildings at Pagi 3 and Pagi 5 in Merimetsa are under construction. The apartment buildings will become ready for final sale in about 1,5 years. By the publishing date of the annual report, 38 apartments of total 72 have been presold and 18 booked for waiting for notary.

In Q4 2020, final sales of Oa street plots in Tartu started, where 4 smaller apartment buildings were constructed under the Kodukalda project name. By the publishing time of the interim report, 26 of the 30 apartments have been sold.

In Iztok Parkside project in Sofia, the majority of final sales of apartments started in December 2020, after receiving a usage permit. By the publishing date of the annual report, presale agreement for 1 apartment has not been concluded. Iztok project consists of three apartment buildings with a total of 67 apartments. As the apartments were handed over a year later than promised due to bureaucratic obstacles, 2 clients want compensation in the total amount of 40 thousand euros. As these apartment owners want compensation for pain and suffering, but not to give up the apartments, the obligation to pay compensation is not realistic and no reserve has been formed for this purpose.

In the Lozen project near Sofia in Bulgaria, design works have been completed. As the development was designed as a premium class product, it has been decided to temporarily freeze the project and wait for the market to recover from Covid-19. Under favourable market conditions, construction may start in Q3 2021, divided into smaller sub-stages. The project foresees construction of 179 homes (apartments and houses), commercial spaces and a kindergarten. Minimum expected construction period is 2 years.

In the third quarter of 2020, 1 plot of land with no book value was sold in Latvia for 40 thousand euros. As of 31 December 2020, 4 Marsili residential plots remained unsold in Latvia.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



In thousands of euros	2020	2019
Revenue from sale of own real estate	13,129	12,152
Revenue from rendering of services	927	957
Total revenue	14,056	13,109
Cost of sales	-11,313	-11,295
Gross profit	2,743	1,814
Other income	10	137
Marketing and distribution expenses	-89	-96
Administrative expenses	-922	-777
Other expenses	-273	-121
Loss on revaluation of investment property	-20	-7
Operating profit	1,449	950
Financial income and costs	-437	-562
Net profit for the period	1,012	388
Total comprehensive income for the period	1,012	388
Earnings per share (in euros)		
- basic	0.11	0.04
- diluted	0.11	0.04



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	31 December 2020	31 December 2019
Cash and cash equivalents	2,200	870
Receivables and prepayments	1,344	544
Inventories	14,960	15,807
Total current assets	18,504	17,221
Receivables and prepayments	5	0
Investment property	9,564	11,051
Property, plant and equipment	22	265
Intangible assets	136	217
Total non-current assets	9,727	11,533
TOTAL ASSETS	28,231	28,754
Loans and borrowings	3,482	6,416
Payables and deferred income	3,308	3,135
Total current liabilities	6,790	9,551
Loans and borrowings	7,217	5,904
Total non-current liabilities	7,217	5,904
TOTAL LIABILITIES	14,007	15,455



Share capital	6,299	6,299
Unregistered share capital	273	0
Share premium	2,285	2,285
Statutory capital reserve	2,011	2,011
Other reserves	0	245
Retained earnings	3,356	2,459
Total equity attributable to owners of the parent	14,224	13,299
TOTAL EQUITY	14,224	13,299
TOTAL LIABILITIES AND EQUITY	28,231	28,754

Tiina Malm
 CFO
 Arco Vara AS
 Phone: +372 614 4630
www.arcovara.com

