

Company Arco Vara AS  
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Attachments:

- ArcoVara-10001482041-en.pdf (<http://oam.fi.ee/en/download?id=3695>)
- ArcoVara-10001482043-et.pdf (<http://oam.fi.ee/en/download?id=3696>)

Currency

Title Unaudited consolidated interim report for Q4 and 12 months of 2018

## KEY PERFORMANCE INDICATORS

In Q4 2018, the group's revenue was 1.3 million euros, which is 6.2 times less than the revenue of 8.0 million euros in Q4 2017. In 12 months 2018, the group's revenue was 6.6 million euros, which is 2.8 times less than the revenue of 18.3 million euros in 12 months 2017. The revenue of the Development Division amounted to 0.5 million euros in Q4 2018 and 3.6 million euros in 12 months 2018 (2017: 7.4 million euros in Q4 and 15.9 million euros in 12 months); revenue of the Service Division amounted to 0.7 million euros in Q4 and 3.3 million euros in 12 months (in 2017: 0.8 million euros in Q4 and 2.9 million euros in 12 months).

In Q4 2018, the group's operating loss (=EBIT) was 0.1 million euros and net loss 0.2 million euros (in 12 months 2018: no operating profit and net loss of 0.5 million euros). In Q4 2017, the group had operating profit of 0.8 million euros and net profit of 0.7 million euros. In 12 months 2017, the group made operating profit of 1.3 million euros and net profit of 0.8 million euros. The Development Division made an operating loss of 0.1 million euros in Q4 2018, 12 months ended with 0.1 million operating profit. The Development Division made 1.1 million operating profit in Q4 2017 and 2.0 million in 12 months 2017. The Service Division finished with 0.1 million operating loss in Q4 2018 as well as in 12 months 2018; in 2017, the respective results were operating losses of 0.1 and 0.2 million euros.

In Q4 2018, 1 commercial space and 1 land plot were sold in projects developed by the group (in 12 months 2018: 12 apartments, 3 commercial spaces and 2 land plots). In Q4 2017, 57 apartments were sold (117 apartments, 2 commercial spaces and 6 land plots in 12 months).

In the 12 months of 2018, the group's debt burden (net loans) increased by 4.5



million euros up to the level of 14.2 million euros as of 31 December 2018. As of 31 December 2018, the weighted average annual interest rate of interest-bearing liabilities was 5.0%. This is a decrease of 0.4 percentage points compared to 31 December 2017.

#### GROUP CEO'S REVIEW

The unsuccessful Q4 of Arco Vara ended the unsuccessful year 2018. During the year, we were not able to make any development projects sellable and thus increased the amount of assets to 34m euros.

We are not happy with the loss, which is caused mainly by not selling out Iztok Parkside project in Sofia. Iztok Parkside remained unsold within the expected timeframe (Q4 2018) because we got stuck in the barbwire of Bulgarian bureaucracy. The construction works are all but finished. We should have a permit of use and sell-out of apartments by the end of Q2 2019. By the end of 2019, we also expect to sell out the 2. stage of Kodulahe project, 2/3 of which has already been presold. Adding to this the 100% rent occupancy of the Madrid Blvd building, we expect to reach sale revenue of over 20m and net profit of over 2m in 2019.

In the P/L statement of 2018, both revenue and cost sides are very thin. I would point out just two things. First, despite the obvious financial anorexia, the group still made an operating profit with its continuing operations (real estate development); the loss was caused by interest expenses, which mainly arose from the bank loan related to the Madrid Blvd building. Second, our land plot reserve and cash position of over 2m euros remain strong and are sufficient for both finishing existing developments and starting new ones in 2019, if market conditions and the barbwire of bureaucracy allow so. As an alternative scenario, Arco Vara has an ability to transfer its assets into cash during 2019-2020 or to sit on its reserve of land plots with building rights. After the sale of real estate agencies and signing trademark licensing agreements in Q4 2018, we continue to own a database of clients and transactions, which is constantly being updated. Based on its data, the real estate market in both Tallinn and Sofia is shifting from seller's market to buyer's market and Arco Vara must be prepared for both starting new developments and following alternative scenarios.

#### SERVICE DIVISION

In Q4 2018, revenue of the Service Division amounted to 746 thousand euros (Q4 2017: 793 thousand euros), which included intra-group revenue of 47 thousand euros (Q4 2017: 155 thousand euros). In 12 months 2018, the revenue of 2,997 thousand euros increased by 20.4% compared to the revenue of 2,489 thousand euros in 12 months 2017.

The main services of the Service Division are real estate brokerage and



evaluation services through real estate agencies. In 12 months 2018, revenue of the real estate agencies increased by 20% compared to 12 months 2017.

In Q4 2018, Estonian agency had net loss of 46 thousand euros and in 12 months 2018 net loss of 109 thousand euros (in 2017: net loss of 123 thousand euros in Q4 and 235 thousand euros in 12 months). Bulgarian agency bore net loss of 18 thousand euros in Q4 2018 and net profit of 1 thousand euros in 12 months 2018 (2017: net loss of 4 thousand euros in Q4 and net profit of 50 thousand euros in 12 months).

In addition to brokerage and valuation services, the Service Division also provides real estate management and accommodation services in Bulgaria. The revenue from real estate management was 47 thousand euros in 12 months 2018, 40 thousand euros of which was intra-group revenue (12 months 2017: 124 thousand and 102 thousand euros, respectively). Revenue from accommodation services amounted to 160 thousand euros in 12 months 2018, of which 25 thousand euros was made in Q4 (2017: 182 thousand euros in 12 months and 47 thousand euros in Q4).

On 30 December 2018, the number of staff in the Service Division was 119, on 31 December 2018 the Service Division was discontinued (on 31.12.2017: 126).

#### DEVELOPMENT DIVISION

The revenue of the Development Division totaled 463 thousand euros in Q4 2018 (in Q4 2017: 7,349 thousand euros) and 3,577 thousand euros in 12 months 2018 (in 12 months 2017: 15,860 thousand euros), including revenue from the sale of properties in the group's own development projects in the amount of 241 thousand euros in Q4 and 2,778 thousand euros in 12 months (2017: 7,182 thousand euros in Q4 and 15,245 thousand euros in 12 months).

Most of the other revenue of the Development Division consisted of rental income from commercial and office premises in Madrid Blvd building in Sofia, amounting to 167 thousand euros in Q4 2018 and 586 thousand euros in 12 months 2018 (2017: 133 thousand euros in Q4 and 493 thousand euros in 12 months). In Q4 2018, all office and commercial spaces together with parking places were rented out.

In Q4 and 12 months 2018, the Development Division had an operating profit of 89 thousand euros and 114 thousand euros, respectively. In 2017, the Development Division had an operating profit of 1,149 thousand euros in Q4 and 2,000 thousand euros in 12 months.

Revenue and profitability figures were higher in 2017 due to the completion of most sale agreements for the apartments in Stage I of Kodulahe project. The construction of the apartment building with 125 apartments and 5 commercial areas was finished in Q3 2017. As of 31 December 2018, Kodulahe project Stage I was completely sold.



In Q4 2018, construction works continued for Stage II of Kodulahe project, a building with 68 apartments and 1 commercial space. The project is expected to be finalized by the end of 2019. By the publishing date of the interim report, 46 apartments have been presold.

In Iztok Parkside project in Sofia, construction was nearly finished during Q4 2018. By the publishing date of the interim report, presale agreements for 46 apartments have been concluded. Iztok project consists of three apartment buildings with 67 apartments (7,070 square meters of apartments' sellable area).

In Madrid Blvd building, out of the 15 apartments previously used for offering accommodation service, 2 have been sold and 3 presold as of the date of this report.

In Q1 2018, Arco Vara acquired land plots in the Lozen project in Bulgaria with total area of 5.3 ha, and also signed an agreement for the design of Stage I. The design works continued in Q4 and are scheduled to end in early 2019. Stage I will include 179 residential units (apartments and houses), commercial spaces and a kindergarten.

As of 31 December 2018, 4 Marsili residential plots remained unsold in Latvia. In 12 months 2018, two plots were sold in the project.

As of 31 December 2018, 7 people were employed in the Development Division, which is two more than at the end of 2017.

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	12m 2018	12m 2017	Q4 2018	Q4 2017
Continuing operations				
Revenue from sale of own real estate	2,778	15,245	241	7,182
Revenue from rendering of services	857	519	345	142
Total revenue	3,635	15,764	586	7,324
Cost of sales	-2,446	-13,073	-344	-5,975
Gross profit	1,189	2,691	242	1,349



Other income	135	63	2	44
Marketing and distribution expenses	-133	-154	-37	-47
Administrative expenses	-1,224	-1,048	-387	-376
Other expenses	-87	-60	-25	-27
Gain on revaluation of investment property	14	68	14	68
Loss on inventory write-down	-21	0	-21	0
Gain on sale of subsidiaries	228	0	213	0
Operating profit/loss	101	1,560	1	1,011
Finance income and costs	-482	-489	-107	-105
Profit before tax	-381	1,071	-106	906
Income tax	-1	-4	-1	-4
Net profit/loss from continuing operations	-382	1,067	-107	902
Net profit/loss from discontinued operations	-162	-282	-77	-190
Net profit/loss for the period	-544	785	-184	712
Total comprehensive income/expense for the period	-544	785	-184	712
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Earnings per share from continuing operations (in euros)				
- basic	-0.04	0.16	-0.01	0.14
- diluted	-0.04	0.15	-0.01	0.13
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Earnings per share (in euros)				



- basic	-0.06	0.12	-0.02	0.11
- diluted	-0.06	0.11	-0.02	0.10

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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	31 December 2018	31 December 2017
Cash and cash equivalents	2,327	2,284
Investments	69	
Receivables and prepayments	739	747
Inventories	17,482	8,974
Total current assets	20,617	12,005
Financial investments	0	34
Receivables and prepayments	25	18
Investment property	12,344	11,299
Property, plant and equipment	267	704
Intangible assets	262	275
Total non-current assets	12,898	12,330
TOTAL ASSETS	33,515	24,335
Loans and borrowings	12,547	1,871
Payables and deferred income	3,982	2,507
Provisions	0	38



Total current liabilities	16,529	4,416
Loans and borrowings	3,985	10,132
Total non-current liabilities	3,985	10,132
TOTAL LIABILITIES	20,514	14,548
Share capital	6,299	4,555
Share premium	2,285	292
Statutory capital reserve	2,011	2,011
Other reserves	245	134
Retained earnings	2,161	2,795
TOTAL EQUITY	13,001	9,787
TOTAL LIABILITIES AND EQUITY	33,515	24,335

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Attachment

\* AVG 2018 Q4 ENG (<https://ml-eu.globenewswire.com/Resource/Download/5f49d36a-b56c-4e8f-ad0d-fc4ab5e7866d>)

