

Company Arco Vara AS
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Attachments:

- ArcoVara-10001919501-en.pdf (<http://oam.fi.ee/en/download?id=3887>)
- ArcoVara-10001919503-et.pdf (<http://oam.fi.ee/en/download?id=3888>)

Currency

Title Unaudited consolidated interim report for Q1 2019

KEY PERFORMANCE INDICATORS

In Q1 2019, the group's revenue was 1.1 million euros, which is 28% less than the revenue of 1.5 million euros from continuing operations in Q1 2018. In Q1 2018, revenue together with the discontinued service segment was 2.1 million euros.

In Q1 2019, the group's operating profit (=EBIT) was 5 thousand euros and net loss 112 thousand euros. In Q1 2018, the group had operating profit of 91 thousand euros from continuing operations (63 thousands in overall) and net loss of 51 thousand euros.

In Q1 2019, 7 apartments were sold in projects developed by the group (in Q1 2018: 7 apartments and 1 land plot).

In the Q1 of 2019, the group's debt burden (net loans) increased by 1.7 million euros up to the level of 15.9 million euros as of 31 March 2019. As of 31 March 2019, the weighted average annual interest rate of interest-bearing liabilities was 4.8%. This is a decrease of 0.2 percentage points compared to 31 December 2018.

GROUP CEO'S REVIEW

Q1 neither overperformed nor underperformed the expectations. Arco Vara earned its living from rental and facility management fees of Madrid Blvd building, from license fees of its former service division, and from the sale of some of its apartments in Madrid Blvd building. During the quarter, the group's cost base decreased after the partial repayment of the bank loan related to Madrid Blvd building, and the subsequent decrease of loan interest rate and interest



cost.

The main challenge of the group continues to be the realization of Iztok Parkside project, which is fully constructed and largely presold. The group must be the only developer in Bulgaria who needs an approval from Government of Bulgaria to transfer some land plots of few hundred square meters that are owned by two public institutions to a third public institution, which does not change the land's purpose. The use of the land plots has already been established by planning documents and eternalized with an asphalt layer. In order to go through the legal process, more than 50 signatures and stamps are needed, the majority of which have been obtained by today. Unfortunately, forecasting the time needed for completing such process is extremely difficult and the management has previously made mistakes in its time estimates.

Other developments have progressed as planned and three important decisions must be made during Q2:

- a. Starting or not starting Stage III of Kodulahe project, depending on the construction price versus forecasted sales revenue. Recently, Arco Vara has raised the prices of the remaining apartments in Stage 2 of Kodulahe project.
- b. Starting or not starting Kodukalda project on Oa street in Tartu, depending on the same considerations.
- c. Receiving the construction permit and starting or not starting Botanica Lozen project, depending on the same considerations.

Residential markets in both Tallinn and Sofia are characterised by certain overheating, as demonstrated by rapid increases of land prices and construction costs. Although banks continue to lend for real estate purchases, there are signs of slowdown both in terms of the number of transactions and the number of new constructions started. Also the consumers are delaying purchase decisions, expecting the prices to fall. Considering the quality of our land reserves, which do not have to be developed at any cost, and minimised overhead, which allow us to remain patient before commencing any new projects, we are in no hurry to start new development projects.

Thus, as a summary of Q1 and outlook for Q2: Arco Vara needs patience rather than new capital or ideas or workforce.

OPERATING REPORT

The revenue of the group totalled 1,051 thousand euros in Q1 2019 (in Q1 2018: 2,147 thousand euros, of which 1,456 thousand euros from continuing operations), including revenue from the sale of properties in the group's own development projects in the amount of 823 thousand euros in Q1 2019 (in Q1 2018: 1,310 thousand euros).

Most of the other revenue of the group consisted of rental income from



commercial and office premises in Madrid Blvd building in Sofia, amounting to 172 thousand euros in Q1 2019 (in Q1 2018: 124 thousand euros). In Q1 2019, all office and commercial spaces together with parking places were rented out.

In Q1 2019, the group had an operating profit of 5 thousand euros. In Q1 2018, the group had an operating profit of 91 thousand euros.

In Q1 2019, 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, 58 apartments have been presold.

Design works for Stages III-V continued in Q2, scheduled to end in the summer of 2019. Under favourable market conditions, the construction of Stage III is scheduled to start in the autumn of 2019 and the joint construction of Stages IV-V in 2000. The apartment buildings will become ready for final sale in about 1,5 after the construction begins.

In Q1, design works of Oa street plots in Tartu were completed. The plan foresees construction of 4 smaller apartment buildings under Kodukalda project name. The construction is scheduled to start in the summer of 2019.

In Iztok Parkside project in Sofia, construction has been completed. By the publishing date of the interim report, presale agreements for 53 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, 10 have been sold as of the date of this report.

By the date of this report, design works of Botanica Lozen project near Sofia in Bulgaria have been essentially completed. The project foresees construction of 179 homes (apartments and houses), commercial spaces and a kindergarten. Under favourable market conditions, construction may start in the second half of 2019, possibly divided into smaller sub-stages. Considering the nature of terrain on a mountain slope, minimum construction period is 2 years.

As of 31 March 2019 and the date of this report, 4 Marsili residential plots remained unsold in Latvia.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	3m 2019	3m 2018
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Continuing operations



Revenue from sale of own real estate	823	1,310
Revenue from rendering of services	228	146
Total revenue	1,051	1,456
Cost of sales	-815	-1,016
Gross profit	236	440
Other income	91	5
Marketing and distribution expenses	-85	-43
Administrative expenses	-233	-316
Other expenses	-4	-10
Gain on sale of subsidiaries	0	15
Operating profit/loss	5	91
Finance income and costs	-117	-114
Profit before tax	-112	-23
Net profit/loss from continuing operations	-112	-23
Net profit/loss from discontinued operations	0	-28
Net profit/loss for the period	-112	-51
Total comprehensive income/expense for the period	-112	-51

Earnings per share from continuing operations (in euros)		



- basic	-0.01	0.00
- diluted	-0.01	0.00

Earnings per share (in euros)		
- basic	-0.01	-0.01
- diluted	-0.01	-0.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	31 March 2019	31 December 2018

Cash and cash equivalents	1,644	2,327
Investments	0	69
Receivables and prepayments	608	739
Inventories	19,145	17,482
Total current assets	21,397	20,617
Receivables and prepayments	20	25
Investment property	11,721	12,344
Property, plant and equipment	287	267
Intangible assets	256	262
Total non-current assets	12,284	12,898
TOTAL ASSETS	33,681	33,515
Loans and borrowings	12,792	12,547
Payables and deferred income	4,092	3,982



Total current liabilities	16,884	16,529
Loans and borrowings	3,908	3,985
Total non-current liabilities	3,908	3,985
TOTAL LIABILITIES	20,792	20,514
Share capital	6,299	6,299
Share premium	2,285	2,285
Statutory capital reserve	2,011	2,011
Other reserves	245	245
Retained earnings	2,049	2,161
TOTAL EQUITY	12,889	13,001
TOTAL LIABILITIES AND EQUITY	33,681	33,515

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