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- ArcoVara-10002563891-en.pdf (<http://oam.fi.ee/en/download?id=4026>)
- ArcoVara-10002563893-et.pdf (<http://oam.fi.ee/en/download?id=4027>)

Currency

Title Unaudited consolidated interim report for Q2 and 6 months of 2019

## KEY PERFORMANCE INDICATORS

In Q2 2019, the group's revenue was 0.7 million euros, which is 106% more than the revenue of 0.3 million euros from continuing operations in Q2 2018. In Q2 2018, revenue together with the discontinued service segment was 1.1 million euros. In 6 months 2019, the group's revenue was 1.7 million euros, which is 3% less than the revenue of 1.8 million euros in 6 months 2018.

In Q2 2019, the group's operating loss (=EBIT) was 59 thousand euros and net loss 174 thousand euros (in 6 months 2019: operating loss 54 thousand euros and net loss of 286 thousand euros). In Q2 2018, the group had operating loss of 159 thousand euros from continuing operations (239 thousand in overall) and net loss of 351 thousand euros. In 6 months 2018, the group made operating loss of 176 thousand euros and net loss of 402 thousand euros.

In Q2 2019, 3 apartments were sold in projects developed by the group (in 6 months 2019 10 apartments). In Q2 2018, 1 apartment was sold (8 apartments and 1 land plot in 6 months).

In the 6 months of 2019, the group's debt burden (net loans) increased by 1.7 million euros up to the level of 17.4 million euros as of 30 June 2019. As of 30 June 2019, the weighted average annual interest rate of interest-bearing liabilities was 4.7%. This is a decrease of 0.3 percentage points compared to 31 December 2018.

## GROUP CEO'S REVIEW

There is not much to be proud of in the results of the second quarter.



We are still stuck with Iztok Parkside where the construction is completed and more than 80% of the project is presold. The project's book value as stock is more than 7 million EUR and expected sales revenue is about 9 million EUR. The good news at the bad game is that the customers still wish to receive their apartments and have not started to back out from their presale contracts. Since the Bulgarian bureaucracy machinery has not yet resolved the question which public institution owns the access streets, the delivery of apartments, as well as earning the revenue and profit have been delayed. We need to continue patiently and resiliently to resolve the problem and appreciate every single step that brings us closer to the end solution.

In Kodulahe project, construction of the second apartment block is on schedule and more than 85% of the sellable apartment area has been presold. We expect sales revenue and profit in the fourth quarter. Commencement of construction of the third apartment block depends on reaching a satisfactory construction price.

In Lozen project, construction tender is going on and it is possible to commence construction in the fourth quarter provided that the construction price meets our expectations. Madrid Blvd occupancy rate is close to 100% and generates positive cashflow.

During 2019, the group will continue to seek an answer to two key questions: first, how to close the Iztok Parkside project as quickly and profitably as practically possible, and second, whether it is better to hold and push the real estate development projects further, or to seek alternative solutions in order to achieve at least 20% annual return on equity.

#### OPERATING REPORT

The revenue of the group totalled 695 thousand euros in Q2 2019 (in Q2 2018: 1,076 thousand euros, of which 337 thousand euros from continuing operations) and 1,746 thousand euros in 6 months 2019 (in 6 months 2018: 3,223 thousand euros, of which 1,793 thousand euros from continuing operations), including revenue from the sale of properties in the group's own development projects in the amount of 440 thousand euros in Q2 and 1,263 thousand euros in 6 months 2019 (2018: 182 thousand euros in Q2 and 1,492 thousand euros in 6 months).

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 178 thousand euros in Q2 2019 and 350 thousand euros in 6 months (2018: 128 thousand euros in Q2 and 252 thousand euros in 6 months). In Q2 2019, all office and commercial spaces together with parking places were rented out.

In Q2 and 6 months 2019, the group had an operating loss of 59 thousand euros and 54 thousand euros, respectively. In 2018, the group had an operating loss from continuing operations of 157 thousand euros in Q2 and 66 thousand euros in 6 months.



In Q1 2019, construction works continued in 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, 62 apartments have been presold.

Design works for Stages III-V of Kodulahe continued in Q2 and have been largely finished by now. 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 years after the construction begins.

In Q2, construction tender began for building 4 smaller apartment buildings on Oa street plots in Tartu under the project name of Kodukalda. The construction is scheduled to start in the early autumn of 2019.

In Iztok Parkside project in Sofia, construction has been completed. By the publishing date of the interim report, presale agreements for 56 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.

In the Lozen project near Sofia in Bulgaria, design works have been completed and construction tender is in process. 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 30 June 2019 and the date of this report, 4 Marsili residential plots remained unsold in Latvia.

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| -----                                |         |         |         |         |
|--------------------------------------|---------|---------|---------|---------|
| In thousands of euros                | 6m 2019 | 6m 2018 | Q2 2019 | Q2 2018 |
| -----                                |         |         |         |         |
| Continuing operations                |         |         |         |         |
| Revenue from sale of own real estate | 1,263   | 1,492   | 440     | 182     |
| Revenue from rendering of services   | 483     | 301     | 255     | 155     |
| Total revenue                        | 1,746   | 1,793   | 695     | 337     |



|  |        |        |       |       |
|--|--------|--------|-------|-------|
| Cost of sales  | -1,329 | -1,224 | -514  | -208  |
| Gross profit   | 417    | 569    | 181   | 129   |
| Other income   | 91     | 41     | 0     | 36    |
| Marketing and distribution expenses                      | -153   | -68    | -68   | -25   |
| Administrative expenses                                  | -382   | -576   | -149  | -260  |
| Other expenses   | -27    | -47    | -23   | -37   |
| Gain on sale of subsidiaries                             | 0      | 15     | 0     | 0     |
| Operating profit/loss                                    | -54    | -66    | -59   | -157  |
| Financial income and expenses                            | -232   | -226   | -115  | -112  |
| Net profit/loss from continuing operations               | -286   | -292   | -174  | -269  |
| Net loss from discontinued operations                    | 0      | -110   | 0     | -82   |
| Net loss for the period                                  | -286   | -402   | -174  | -351  |
| Total comprehensive income/expense for the period        | -286   | -402   | -174  | -351  |
| -----  |        |        |       |       |
| Earnings per share from continuing operations (in euros) |        |        |       |       |
| - basic  | -0.03  | -0,03  | -0.02 | -0.03 |
| - diluted  | -0.03  | -0,03  | -0.02 | -0,03 |
| -----  |        |        |       |       |
| Earnings per share (in euros)                            |        |        |       |       |



|           |       |       |       |       |
|-----------|-------|-------|-------|-------|
| - basic   | -0.03 | -0.05 | -0.02 | -0.04 |
| - diluted | -0.03 | -0.04 | -0.02 | -0.04 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| In thousands of euros         | 30 June 2019 | 31 December 2018 |
|-------------------------------|--------------|------------------|
| Cash and cash equivalents     | 1,277        | 2,327            |
| Investments                   | 0            | 69               |
| Receivables and prepayments   | 698          | 739              |
| Inventories                   | 21,286       | 17,482           |
| Total current assets          | 23,261       | 20,617           |
| Receivables and prepayments   | 20           | 25               |
| Investment property           | 11,462       | 12,344           |
| Property, plant and equipment | 388          | 267              |
| Intangible assets             | 233          | 262              |
| Total non-current assets      | 12,103       | 12,898           |
| TOTAL ASSETS                  | 35,364       | 33,515           |
| Loans and borrowings          | 16,575       | 12,547           |
| Payables and deferred income  | 4,671        | 3,982            |
| Total current liabilities     | 21,246       | 16,529           |
| Loans and borrowings          | 1,403        | 3,985            |



|                               |        |        |
|-------------------------------|--------|--------|
| Total non-current liabilities | 1,403  | 3,985  |
| TOTAL LIABILITIES             | 22,649 | 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             | 1,875  | 2,161  |
| TOTAL EQUITY                  | 12,715 | 13,001 |
| TOTAL LIABILITIES AND EQUITY  | 35,364 | 33,515 |

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