

Company Arco Vara AS  
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- ArcoVara-10002924361-en.pdf (<http://oam.fi.ee/en/download?id=4147>)
- ArcoVara-10002924363-et.pdf (<http://oam.fi.ee/en/download?id=4148>)

Currency

Title Unaudited consolidated interim report for Q3 and 9 months of 2019

## KEY PERFORMANCE INDICATORS

In Q3 2019, the group's revenue was 0.5 million euros, which is 62% less than the revenue of 1.3 million euros from continuing operations in Q3 2018. In Q3 2018, revenue together with the discontinued service segment was 2.1 million euros. In 9 months 2019, the group's revenue was 2.2 million euros, which is 27% less than the revenue of 3.0 million euros in 9 months 2018.

In Q3 2019, the group's operating loss (=EBIT) was 64 thousand euros and net loss 174 thousand euros (in 9 months 2019: operating loss 118 thousand euros and net loss of 460 thousand euros). In Q3 2018, the group had operating profit of 167 thousand euros from continuing operations (191 thousand overall) and net profit of 42 thousand euros. In 9 months 2018, the group made operating profit of 100 thousand euros and net loss of 360 thousand euros.

In Q3 2019, 2 apartments were sold in projects developed by the group (in 9 months 2019 12 apartments). In Q3 2018, 4 apartments and 2 commercial areas were sold (12 apartments, 2 commercial areas and 1 land plot in 9 months).

In 9 months 2019, the group's debt burden (net loans) increased by 3.4 million euros up to the level of 19.1 million euros as of 30 September 2019. As of 30 September 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

Q3 was completed with Kodulahe construction works on schedule, Madrid Blvd rental property occupied with paying tenants and the construction of two



Estonian developments with 80 apartments kicked off.

We continue to be in a seriously failure with Iztok Parkside, where end-solution by public authorities to resolve the streets land question has seemingly become an endless inching week by week. The end solution has not been achieved yet. The associated uncertainty on project sale timeline and damage to return on equity and cashflows is not proportionate to the end profit that we still expect to achieve. It is obvious that any promise on schedule by the management to the shareholders is not reliable under those circumstances. We simply do our best until the resolution.

As for Q4 results, Kodulahe will save the full year of Arco Vara. The deliveries of Kodulahe phase 2 apartments have started to take place and we can expect the year to end up with profitable Q4. The group is also in the process of further reducing its operating expenses by circa 10% per annum.

#### OPERATING REPORT

The revenue of the group totalled 476 thousand euros in Q3 2019 (in Q3 2018: 2,124 thousand euros, of which 1,256 thousand euros from continuing operations) and 2,222 thousand euros in 9 months 2019 (in 9 months 2018: 5,347 thousand euros, of which 3,049 thousand euros from continuing operations), including revenue from the sale of properties in the group's own development projects in the amount of 224 thousand euros in Q3 and 1,487 thousand euros in 9 months 2019 (2018: 1,045 thousand euros in Q3 and 2,537 thousand euros in 9 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 186 thousand euros in Q3 2019 and 536 thousand euros in 9 months (2018: 167 thousand euros in Q3 and 419 thousand euros in 9 months). In Q3 2019, nearly all office and commercial spaces together with parking places were rented out.

In Q3 and 9 months 2019, the group had an operating loss of 64 thousand euros and 118 thousand euros, respectively. In 2018, the group had an operating profit from continuing operations of 167 thousand euros in Q3 and 100 thousand euros in 9 months.

In Q3 2019, construction works came close to an end in Stage II of Kodulahe project, a building with 68 apartments and 1 commercial space. The project is expected to be largely realized by the end of 2019. By the publishing date of the interim report, 16 apartments have been sold and 49 apartments presold.

In Q3, design works for Stages III-V of Kodulahe came close to an end and construction of Stage III was started. In Stage III, a residential building with 50 apartments will be constructed at Soodi 4 in Merimetsa district in Tallinn. Under favourable market conditions, the joint construction of Stages IV-V will be started in 2000. The apartment buildings will become ready for final sale in



about 1,5 years after the start of construction. By the publishing date of the interim report, presale agreements for 4 apartments in the Stage II building have been concluded.

Q3 also marked the start of construction of 4 smaller apartment buildings with a total of 30 apartments on Oa street plots in Tartu under the project name of Kodukalda. The construction is scheduled to end in Q4 2020.

In Iztok Parkside project in Sofia, the final sale of apartments could not start in Q3 because the access road problem remained unsolved. By the publishing date of the interim report, presale agreements for 58 apartments have been concluded. Iztok project consists of three apartment buildings with 67 apartments.

In Madrid Blvd building, out of the apartments previously used for offering accommodation service, one remains unsold and two have been presold as of the date of this report.

In the Lozen project near Sofia in Bulgaria, design works have been completed and main contractor has been chosen for Stage 1. Construction permit is expected in Q1 2020. The project foresees construction of 179 homes (apartments and houses), commercial spaces and a kindergarten. Under favourable market conditions, construction may start in Q1 2020, possibly divided into smaller sub-stages. Considering the nature of terrain on a mountain slope, minimum construction period is 2 years.

As of 30 September 2019 and the date of this report, 4 Marsili residential plots remained unsold in Latvia.

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	9m 2019	9m 2018	Q3 2019	Q3 2018
Continuing operations				
Revenue from sale of own real estate	1,487	2,537	224	1,045
Revenue from rendering of services	735	512	252	211
Total revenue	2,222	3,049	476	1,256
Cost of sales	-1,641	-2,102	-312	-878
Gross profit	581	947	164	378



Other income	91	133	0	92
Marketing and distribution expenses	-204	-96	-51	-28
Administrative expenses	-538	-837	-156	-260
Other expenses	-48	-62	-21	-15
Gain on sale of subsidiaries	0	15	0	0
Operating loss	-118	100	-64	-167
Financial income and costs	-342	-375	-110	-150
Net loss from continuing operations	-460	-275	-174	17
Net loss from discontinued operations	0	-85	0	25
Net loss for the period	-460	-360	-174	42
Total comprehensive income/expense for the period	-460	-360	-174	42
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Earnings per share from continuing operations (in euros)				
- basic	-0.05	-0.03	-0.02	0.00
- diluted	-0.05	-0.03	-0.02	0.00
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Earnings per share (in euros)				
- basic	-0.05	-0.04	-0.02	0.00
- diluted	-0.05	-0.04	-0.02	0.00
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	30 September 2019	31 December 2018
Cash and cash equivalents	899	2,327
Investments	0	69
Receivables and prepayments	775	739
Inventories	22,806	17,482
Total current assets	24,480	20,617
Receivables and prepayments	20	25
Investment property	10,874	12,344
Property, plant and equipment	373	267
Intangible assets	230	262
Total non-current assets	11,497	12,898
TOTAL ASSETS	35,977	33,515
Loans and borrowings	16,615	12,547
Payables and deferred income	4,272	3,982
Total current liabilities	20,887	16,529
Loans and borrowings	2,639	3,985
Total non-current liabilities	2,639	3,985
TOTAL LIABILITIES	23,526	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	1,611	2,161
TOTAL EQUITY	12,451	13,001
TOTAL LIABILITIES AND EQUITY	35,977	33,515

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