

Company Arco Vara AS
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- ArcoVara-10003185331-en.pdf (<http://oam.fi.ee/en/download?id=4333>)
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Currency

Title Unaudited consolidated interim report for Q4 and 12 months of 2019

KEY PERFORMANCE INDICATORS

In Q4 2019, the group's revenue was 10.9 million euros, which is 18.6 times more than the revenue of 0.6 million euros from continuing operations in Q4 2018. In Q4 2018, revenue together with the discontinued service segment was 1.3 million euros. In 12 months 2019, the group's revenue was 13.1 million euros, which is 3.6 times more than the revenue of 3.6 million euros in 12 months 2018. The group recognizes revenue from the sale of apartments at the date of conclusion of the right in notary, so fluctuations in revenue periodically mostly depend on the time of completion of the developed houses.

In Q4 2019, the group's operating profit (=EBIT) was 1.068 thousand euros and net profit 848 thousand euros (in 12 months 2019: operating profit 950 thousand euros and net profit of 388 thousand euros). In Q4 2018, the group had operating profit of 1 thousand euros from continuing operations (loss of 75 thousand overall) and net loss of 107 thousand euros. In 12 months 2018, the group made operating profit of 101 thousand euros and net loss of 382 thousand euros from continuing operations.

In Q4 2019, 70 apartments were sold in projects developed by the group (in 12 months 2019 82 apartments). In Q4 2018, 1 commercial area and 1 land plot were sold (12 apartments, 3 commercial areas and 2 land plots in 12 months).

In 12 months 2019, the group's debt burden (net loans) decreased by 2.8 million euros down to the level of 11.5 million euros as of 31 December 2019. As of 31 December 2019, the weighted average annual interest rate of interest-bearing liabilities was 4.2%. This is a decrease of 0.8 percentage points compared to 31 December 2018.



GROUP CEO'S REVIEW

The Christmas of Arco Vara was green. The cash flow of the fourth quarter was enough to dampen the small numbers of the first nine months and make the whole year profitable. On the one hand, one ought to suffer through quite many news during the year that were carried by conservative realism, in other words, the drought of good news. Our development processes in Bulgaria Iztok Parkside project were not fast enough which led to unsold apartments in the value of more than 9 million euros, which in turn led to losses in the profit of the Group. On the other hand, the performance of the fourth quarter of Arco Vara is an example of what kind of positive emotions can a good property development bring to clients, the team and the shareholders of the company itself.

The development of Kodulahe will continue as planned in the pace of the construction as well as preselling. We do not intend to reduce the profit margin and, on the current presumptions, it is conceivable that we will start the construction of two succeeding apartment buildings still in this year. The first clients have started to buy apartments in the development project of Iztok, even though it is presumed after the decision of the Bulgarian government to dispossess the street lands to the city of Sofia, that it will take up to five more months before the certificate of occupancy for the building will be granted. The board has so far also been wrong when making presumptions. The beginning of construction of the new development project in Sofia, Lozen, is possible if it is supported by the sufficient interest of the clients. We would like to determine the interest of the clients during the first half of the year.

Ground-breaking is also the refinancing of the loan agreement with the reduction of interest rates for Madrid Blvd which was preceded by the selling of the last apartment. The outstanding amount of the bank loan for Madrid Blvd is under EUR 6 million and the building has started to operate as a full investee that is profitable for the owner. There are still the daily challenges to keep the occupancy rate of the building, the satisfaction of the lessees and the lease payment.

With this, the year 2019 is successfully concluded. The objectives of the year 2020 are to bring joy to the clients with the construction and sale of the development project of Oa Street in Tartu (1,967 m⁽²⁾ GSA) at the end of the year and with the certificate of occupancy and sale of apartments of Iztok Parkside in Sofia (6,553 m⁽²⁾ GSA) by the middle of the year. The results of the year should also be supported by the rental income from Madrid Blvd and licence fees. The results of 2021 and the following years will depend on the way Arco Vara realizes the third building of Kodulahe that is being constructed (3,406 m⁽²⁾ GSA) and if Arco Vara starts building in Lozen, Sofia and the fourth and fifth building in Kodulahe during the year 2020.

The company is sufficiently capitalised to continue with the foregoing. It can also be said that the maximum has been undertaken with the equity in the amount of EUR 13 million in total. The board is therefore aware of the expectation of many shareholders about subsequently raising dividend rates in comparison to the



dividends paid between 2014-2019.

OPERATING REPORT

The revenue of the group totalled 10,887 thousand euros in Q4 2019 (in Q4 2018: 1,285 thousand euros, of which 586 thousand euros from continuing operations) and 13,109 thousand euros in 12 months 2019 (in 12 months 2018: 6,632 thousand euros, of which 3,635 thousand euros from continuing operations), including revenue from the sale of properties in the group's own development projects in the amount of 10,665 thousand euros in Q4 and 12,152 thousand euros in 12 months 2019 (2018: 241 thousand euros in Q4 and 2,778 thousand euros in 12 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 159 thousand euros in Q4 2019 and 696 thousand euros in 12 months (2018: 167 thousand euros in Q4 and 586 thousand euros in 12 months). In Q4 2019, nearly all office and commercial spaces together with parking places were rented out.

In Q4 and 12 months 2019, the group had an operating profit of 848 thousand euros and 388 thousand euros, respectively. In 2018, the group had an operating profit from continuing operations of 1 thousand euros in Q4 and 101 thousand euros in 12 months.

In Q4 2019, construction works finished in Stage II of Kodulahe project and keys were handed over for 65 apartment owners of total 68 apartments. By the publishing date of the interim report, 3 apartments and a commercial space have not been sold.

In Q4, construction of Kodulahe Stage III continued. 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 2020. 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 13 apartments in the Stage III building have been concluded.

In Q4 also continued 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. By the publishing time of the interim report, 6 apartments have been presold.

In Iztok Parkside project in Sofia, the final sale of apartments started at the end Q4 2019, but the main sales are planned during 2020 after receiving an occupancy permit. By the publishing date of the interim report, presale agreements for 10 apartments have not 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, 2 remain presold as of the date of this report; there are no unsold apartments left.

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 Q2 2020, possibly divided into smaller stages. Considering the nature of terrain on a mountain slope, minimum construction period is 2 years.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	12m 2019	12m 2018	Q4 2019	Q4 2018
Continuing operations				
Revenue from sale of own real estate	12,152	2,778	10,665	241
Revenue from rendering of services	957	857	222	345
Total revenue	13,109	3,635	10,887	586
Cost of sales	-11,295	-2,446	-9,654	-344
Gross profit	1,814	1,189	1,233	242
Other income	137	135	46	2
Marketing and distribution expenses	-96	-133	108	-37
Administrative expenses	-777	-1,224	-239	-387
Other expenses	-52	-73	-21	-15
Loss on inventory write-down	-76	-21	-76	-21



Gain on sale of subsidiaries	0	228	0	213
Operating profit/loss	950	101	1,068	1
Financial income and costs	-562	-482	-220	-107
Profit/loss before tax	388	-381	848	-106
Income tax	0	-1	0	-1
Net profit/loss from continuing operations	388	-382	848	-107
Net loss from discontinued operations	0	-162	0	-77
Net profit/loss for the period	388	-544	848	-184
Total comprehensive income/expense for the period	388	-544	848	-184

Earnings per share from continuing operations (in euros)

- basic	0.04	-0.04	0.09	-0.01
- diluted	0.04	-0.04	0.09	-0.01

Earnings per share (in euros)

- basic	0.04	-0.06	0.09	-0.02
- diluted	0.04	-0.06	0.09	-0.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros 31 December 2019 31 December 2018



Cash and cash equivalents	870	2,327
Investments	0	69
Receivables and prepayments	544	739
Inventories	15,807	17,482
Total current assets	17,221	20,617
Receivables and prepayments	0	25
Investment property	11,051	12,344
Property, plant and equipment	265	267
Intangible assets	217	262
Total non-current assets	11,533	12,898
TOTAL ASSETS	28,754	33,515
Loans and borrowings	6,416	12,547
Payables and deferred income	3,135	3,982
Total current liabilities	9,551	16,529
Loans and borrowings	5,904	3,985
Total non-current liabilities	5,904	3,985
TOTAL LIABILITIES	15,455	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	2,459	2,161
TOTAL EQUITY	13,299	13,001
TOTAL LIABILITIES AND EQUITY	28,754	33,515

Tiina Malm
CFO
Arco Vara AS
E-mail: info@arcovara.com
www.arcovara.com

