

Company Arco Vara AS
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- ArcoVara-10004000131-en.pdf (<http://oam.fi.ee/en/download?id=4764>)
- ArcoVara-10004000133-et.pdf (<http://oam.fi.ee/en/download?id=4765>)

Currency

Title Unaudited consolidated interim report for Q2 and 6 months of 2020

GROUP CEO'S REVIEW

The results in the second quarter did not bring any positive surprises. Due to the continuing outbreak of Covid-19 at the beginning of the quarter, the pace of sales in the real estate sector was clearly slower compared to the previous few years. Nevertheless, all developments have been kept on schedule and work has never been stopped.

Approximately 50% of the apartments in the third building of the Kodulahe project have been pre-sold by the time the report is completed, the sales revenue of which is expected in the first quarter of 2021. The construction of the building is going according to the schedule. The preparation of the construction procurement for the IV and V buildings of the Kodulahe project is commencing - the starting time of construction depends on the achievement of the desired construction price.

In Tartu, Kodukalda 30 apartment development is under construction pursuant to the schedule and pre-sale contracts have been concluded for the sale of 13 apartments. Sales revenue is expected by the fourth quarter of 2020.

Iztok Parkside apartment buildings in Bulgaria have not received a permit for use, but the interest of clients is persistent, which is also confirmed by the fact that 85% of the apartments have been awarded pre-sale contracts. On the issues of the access roads that continue to be a problem, we consider it positive news that these streets have been entered into the ownership of the city of Sofia, making it possible this year to submit an application for authorisation to the necessary authorities. However, we must take into account that growing Covid-19 cases in Bulgaria may slow down the authorisation process.

In the Madrid BLVD building, leases with some companies were terminated as a



result of the economic difficulties brought about by Covid-19, but the Bulgarian-based team again achieved occupancy with tenants by around 95%.

The main issues for the current year are: which development to channel capital into, to take advantage of fluctuating construction prices, to increase the return on equity and the desire to find ways to increment the funds of the land bank for future developments in Estonia.

The management board of Arco Vara has received confirmation during Q2 that today's situation is very different from the previous crisis, as confirmed by the increase in market activity in June and exceptionally active July. Therefore, the board's view on the developments in Estonia is optimistic, but given the state of health care, in Bulgaria it is conservative.

KEY PERFORMANCE INDICATORS

In Q2 2020, the group's revenue was 951 thousand euros, which is 37% more than the revenue of 695 thousand euros in Q2 2019. In 6 months 2020, the group's revenue was 3,189 thousand euros, which is 83% more than the revenue of 1,746 thousand euros in 6 months 2019.

In Q2 2020, the group's operating profit (=EBIT) was 42 thousand euros and net loss 69 thousand euros (in 6 months 2020: operating profit 175 thousand euros and net loss of 49 thousand euros). In Q2 2019, the group had operating loss of 59 thousand euros and net loss of 174 thousand euros. In 6 months 2019, the group made operating loss of 54 thousand euros and net loss of 286 thousand euros.

In Q2 2020, 5 apartments were sold in projects developed by the group (in 6 months 2020 15 apartments). In Q2 2019, 3 apartments were sold (10 apartments in 6 months).

In the 6 months of 2020, the group's debt burden (net loans) increased by 2,420 thousand euros up to the level of 13,870 thousand euros as of 30 June 2020. As of 30 June 2020, the weighted average annual interest rate of interest-bearing liabilities was 4.7%. This is an increase of 0.5 percentage points compared to 31 December 2019.

OPERATING REPORT

The revenue of the group totalled 951 thousand euros in Q2 2020 (in Q2 2019: 695 thousand euros,) and 3,189 thousand euros in 6 months 2020 (in 6 months 2019: 1,746 thousand euros), including revenue from the sale of properties in the group's own development projects in the amount of 782 thousand euros in Q2 and 2,777 thousand euros in 6 months 2020 (2019: 440 thousand euros in Q2 and 1,263 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 148 thousand euros in Q2 2020 and 310 thousand euros in 6 months (2019: 178 thousand euros in Q2 and 350 thousand euros in 6 months). The Q2 of 2020 and Covid-19 brought changes in the economic situation of tenants. Several tenants have been replaced during the last months, but surprisingly in a more favourable direction for Arco Vara, that is why we see the opportunity that starting from the autumn 2020 all retail and office spaces with the accompanying parking spaces will be rented out.

In the II Stage of the Kodulahe project, which was completed at the end of 2019, commercial space remains unsold - the last apartment was sold in Q2 2020. In 2020, Lahepea 9 house received building permit.

In Q2 2020, construction works continued in Stage III of Kodulahe project, where a building with 50 apartments will be located at Soodi 4 Merimetsa. The project is expected to be finalized by the Q1 2021. By the publishing date of the interim report, 26 apartments have been presold.

Stages IV-V of Kodulahe have construction permits, design works are finished. The joint construction of Stages IV and V is scheduled to start latest in 2021. The apartment buildings will become ready for final sale in about 1,5 years after the construction begins.

In Q2 2020, construction works of Oa street plots in Tartu continued, where of 4 smaller apartment buildings are constructed under Kodukalda project name. The construction is scheduled to end in Q4 2020. By the publishing time of the interim report, 13 out of 30 apartments have been presold.

In Iztok Parkside project in Sofia, the final sale of apartments started at the end of Q4 2019, but the main sales are planned to take place 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 a total of 67 apartments.

In the Lozen project near Sofia in Bulgaria, design works have been completed and construction tender is in process. As the development was designed as a premium class product, it has been decided to temporarily freeze the project and wait for the market to recover from Covid-19. Under favourable market conditions, construction may start in 2021, divided into smaller sub-stages. The project foresees construction of 179 homes (apartments and houses), commercial spaces and a kindergarten. Minimum construction period is 2 years.

As of 30 June 2020 and the date of this report, 4 Marsili residential plots remained unsold in Latvia.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	6m 2020	6m 2019	Q2 2020	Q2 2019
Revenue from sale of own real estate	2,777	1,263	782	440
Revenue from rendering of services	412	483	169	255
Total revenue	3,189	1,746	951	695
Cost of sales	-2,541	-1,329	-714	-514
Gross profit	648	417	237	181
Other income	0	91	0	0
Marketing and distribution expenses	-57	-153	-15	-68
Administrative expenses	-415	-382	-179	-149
Other expenses	-1	-27	-1	-23
Operating profit (loss)	175	-54	42	-59
Financial income and costs	-224	-232	-111	-115
Net loss for the period	-49	-286	-69	-174
Total comprehensive expense for the period	-49	-286	-69	-174
Earnings per share (in euros)				
- basic	-0.01	-0.03	-0.01	-0.02
- diluted	-0.01	-0.03	-0.01	-0.02



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	30 June 2020	31 December 2019
Cash and cash equivalents	781	870
Receivables and prepayments	545	544
Inventories	18,476	15,807
Total current assets	19,802	17,221
Investment property	10,696	11,051
Property, plant and equipment	257	265
Intangible assets	184	217
Total non-current assets	11,137	11,533
TOTAL ASSETS	30,939	28,754
Loans and borrowings	7,800	6,416
Payables and deferred income	3,303	3,135
Total current liabilities	11,103	9,551
Loans and borrowings	6,673	5,904
Total non-current liabilities	6,673	5,904
TOTAL LIABILITIES	17,776	15,455
Share capital	6,299	6,299



Unregistered share capital	273	0
Share premium	2,285	2,285
Statutory capital reserve	2,011	2,011
Other reserves	0	245
Retained earnings	2,295	2,459
TOTAL EQUITY	13,163	13,299
TOTAL LIABILITIES AND EQUITY	30,939	28,754

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