

Company Arco Vara AS  
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- AVG 2021 Q2 ENG.pdf (<http://oam.fi.ee/en/download?id=5655>)
- AVG 2021 Q2 EST.pdf (<http://oam.fi.ee/en/download?id=5656>)

Currency

Title Unaudited consolidated interim report for Q2 and 6 months of 2021

GROUP CEO'S REVIEW

Arco Vara has exceeded expectations during the first half of the year. The sales numbers of apartments indicate that all the completed homes have found an owner, and the projects under construction have also been successful: the feared construction material supply difficulties have been overcome and the construction of all buildings is on schedule.

The main sources of sales revenue in the second quarter are the last apartments in the Kodukalda and Iztok Parkside developments. Thus, all apartments in Tartu as well as in Sofia have been sold. Pre-sales are underway in the Kodulahe development in Tallinn, where only 4 apartments are available today; the project sales revenue in the amount of 12.2 million euros is expected in Q2 2022.

Taking a brief look into the future, in Q2 2021 the development team in Estonia has been designing Kodulahe Rannakalda phase. Beginning of public sales and construction permit are expected in September and the start of construction in Q4 this year. The Bulgarian team has made preparations for "melting" Botanica Lozen project, assessing the possibilities of developing the area only as private houses, for which there is significant growth of interest in the vicinity of Sofia.

Looking at Arco Vara's financial results, we have achieved one of our goals: to exceed 20% return on equity (ROE) per year. The rapid pre-sale provided an opportunity to optimize interest costs and thereby increase the profit margin of ongoing projects. The group has unused loan limits - a 60% equity to assets ratio is a temporary phenomenon; in the second half of the year, the volume of assets is expected to grow due to the expansion of Kodulahe constructions.

Arco Vara's desire to significantly increase its development volumes over the



next five years has got off to a strong start. This has not gone unnoticed by the shareholders, the number of whom has almost doubled in 2021, which indicates the interest of private individuals to invest in real estate without buying real estate themselves. The issue of shares planned for September is also aimed at these investors.

#### KEY PERFORMANCE INDICATORS

In Q2 2021, the group's revenue was 1,504 thousand euros, which is 58% more than the revenue of 951 thousand euros in Q2 2020. In 6 months 2021, the group's revenue was 10,670 thousand euros, which is 2.3 times more than the revenue of 3,189 thousand euros in 6 months 2020.

In Q2 2021, the group's operating profit (=EBIT) was 621 thousand euros and net profit 523 thousand euros (in 6 months 2021: operating profit 2,430 thousand euros and net profit of 2,223 thousand euros). In Q2 2020, the group had operating profit of 42 thousand euros and net loss of 69 thousand euros. In 6 months 2020, the group made operating profit of 175 thousand euros and net loss of 49 thousand euros.

In Q2 2021, 5 apartments and a commercial space were sold in projects developed by the group (in 6 months 2021 63 apartments and a commercial space). In Q2 2020, 5 apartments were sold (15 apartments in 6 months).

In the 6 months of 2021, the group's debt burden (net loans) decreased by 765 thousand euros down to the level of 7,734 thousand euros as of 30 June 2021. As of 30 June 2021, the weighted average annual interest rate of interest-bearing liabilities was 5.1%. This is an increase of 0.3 percentage points compared to 31 December 2020.

#### OPERATING REPORT

The revenue of the group totalled 1,504 thousand euros in Q2 2021 (in Q2 2020: 951 thousand euros,) and 10,670 thousand euros in 6 months 2021 (in 6 months 2020: 3,189 thousand euros), including revenue from the sale of properties in the group's own development projects in the amount of 1,234 thousand euros in Q2 and 10,136 thousand euros in 6 months 2021 (2020: 782 thousand euros in Q2 and 2,777 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 200 thousand euros in Q2 2021 and 394 thousand euros in 6 months (2020: 148 thousand euros in Q2 and 310 thousand euros in 6 months). By the time of publishing the present report, all office and commercial spaces, together with parking places, were rented out.



One commercial space remains unsold in Stage II of Kodulahe project in Merimetsa district in Tallinn. The house received a usage permit in 2020.

In Q4 2020, construction finished in Stage III of Kodulahe project, a residential building with 50 apartments at Soodi 4. By the publishing date of the interim report, all apartments have been sold and the house has the usage permit.

At the end of 2020, the joint construction of Stages IV and V of Kodulahe started. Two 36-apartment residential buildings at Pagi 3 and Pagi 5 are under construction. The apartment buildings will become ready for final sale in about 1,5 years. By the publishing date of the annual report, 68 apartments of total 72 have been presold.

Stages VI of Kodulahe project is waiting for construction permit, design works are in process. The construction of the Stage VI is scheduled to start in year 2021. The plan is to build a pavilion, 4 commercial areas and 108 apartments, out of which many have sea view. The apartment buildings will become ready in about 2 years after the construction begins.

A subsidiary of Arco Vara, Aktsiaselts Kolde, signed an agreement for land acquisition beside Lake Harku, address Paldiski road 124b, Tallinn. More than 35,000 m<sup>2</sup> of residential and commercial real estate (GBA) is planned for development. The expected development period is 6 years with the start of construction planned for 2023. The detailed plan sketch competition of the project has ended, the detailed planning is in process.

In Q2 2021, sales on the apartments of Oa street in Tartu ended, where 4 smaller apartment buildings with a total of 30 apartments were built under the Kodukalda project name. In Q2 2021, Kodukalda houses also received a usage permit.

In Iztok Parkside project in Sofia, the majority of final sales of apartments started in December 2020, after receiving a usage permit. By the publishing date of the interim report, all apartments have been sold. Iztok project consisted of three apartment buildings with a total of 67 apartments. As the apartments were handed over a year later than promised due to bureaucratic obstacles, 2 clients want compensation in the total amount of 40 thousand euros. As these apartment owners want compensation for pain and suffering, but not to give up the apartments, the obligation to pay compensation is not realistic and no reserve has been formed for this purpose.

Botanica Lozen project was designed as a premium class product, it has been decided to temporarily freeze the project until market will recover from Covid-19. The last view of the project foresees construction of 65 homes (houses). Minimum construction period is 2 years.

As of 30 June 2021, and the date of this report, 4 Marsili residential plots remained unsold in Latvia.



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	6m 2021	6m 2020	Q2 2021	Q2 2020
Revenue from sale of own real estate	10,136	2,777	782	782
Revenue from rendering of services	534	412	169	169
Total revenue	10,670	3,189	951	951
Cost of sales	-8,178	-2,541	-714	-714
Gross profit	2,492	648	237	237
Other income	22	0	12	0
Marketing and distribution expenses	-65	-57	-30	-15
Administrative expenses	-401	-415	-217	-179
Other expenses	-40	-1	-11	-1
Gain on revaluation of investment property	422	0	422	0
Operating profit	2,430	175	621	42
Financial income and costs	-224	-224	-111	-111
Profit/ loss before tax	2,223	-49	523	-69
Net loss for the period	2,223	-49	523	-69
Total comprehensive expense for the period	2,223	-49	523	-69
Earnings per share (in euros)				



- basic	0.24	-0.01	0.06	-0.01
- diluted	0.24	-0.01	0.06	-0.01

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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros

30 June 2021 31 December 2020

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Cash and cash equivalents	624	2,200
Receivables and prepayments	506	1,344
Inventories	15,667	14,960
Total current assets	16,797	18,504
Receivables and prepayments	5	5
Investment property	9,972	9,564
Property, plant and equipment	15	22
Intangible assets	112	136
Total non-current assets	10,104	9,727
TOTAL ASSETS	26,901	28,231
Loans and borrowings	305	3,482
Payables and deferred income	2,378	3,308
Total current liabilities	2,683	6,790
Loans and borrowings	8,053	7,217
Total non-current liabilities	8,053	7,217



TOTAL LIABILITIES	10,736	14,007
Share capital	6,572	6,299
Unregistered share capital	0	273
Share premium	2,285	2,285
Statutory capital reserve	2,011	2,011
Retained earnings	5,297	3,356
Total equity attributable to owners of the parent	16,165	14,224
TOTAL EQUITY	16,165	14,224
TOTAL LIABILITIES AND EQUITY	26,901	28,231

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