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INTERIM REPORT FOR THE THIRD QUARTER AND
NINE MONTHS OF 2024
(unaudited)

INTERIM REPORT FOR THE THIRD QUARTER AND NINE MONTHS OF 2024 (UNAUDITED)

Company name	Arco Vara AS
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Corporate website	www.arcovara.com
Financial year	1 January 2024 – 31 December 2024
Reporting period	1 January 2024 – 30 September 2024
Supervisory board	Tarmo Sild, Steven Yaroslav Gorelik, Kert Keskaik, Hillar-Peeter Luitsalu, Allar Niinepuu
Chief executive	Kristina Mustonen
Auditor	KPMG Baltics OÜ

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Group CEO's Review

The third quarter of 2024 marked a turning point for the Estonian real estate market, which showed signs of stabilization and gradual recovery after a prolonged period of decline. Lowered base interest rates and decreased Euribor had a significant impact on the whole market, which was also visible in the results of the third quarter of Arco Vara.

The transaction volumes of the entire apartment market showed an increase compared to the same period in 2023 and a significant increase compared to the first 6 months of this year. Arco Vara sold 7 apartments in Rannakalda, which is 3.5 times more compared with the second quarter of 2024. We reached a turnover of 2.15 million and a 128% increase compared to the second quarter of 2024. This indicates that the market has bottomed out and activity is beginning to pick up. The worst of the downward cycle seems to have passed, especially considering that transaction volumes in other sectors, such as commercial properties, have also begun to increase.

In the third quarter, the team put its primary effort into the Kodulahe development, with both projects in focus – the completed apartments at Rannakalda and the pre-sale of Soodi 6. Our third quarter ended with the following results: 80 units out of 113 were sold at Rannakalda, 5 units out of 66 were sold and 7 units booked at Soodi 6. The start of construction of the next stage of Kodulahe (Soodi 6) is planned for the end of this year. The detailed planning of Lammi 6, the last stage of Kodulahe, is in progress. We are planning approximately 175 apartments for Lammi 6, the construction of which expected to begin in about two years.

In September, we completed the construction of our padel venue ahead of schedule by a few months and for slightly less cost than anticipated, allowing for an increase in the profitability of the rental property during the lease period of the building. We handed the building over to the operator Padelstar and it was officially opened in October.

We are continuing to design Arcojärve, the next major project of Arco Vara, and registering potential customers

until the end of the year. We are planning to begin construction in the second half of 2025.

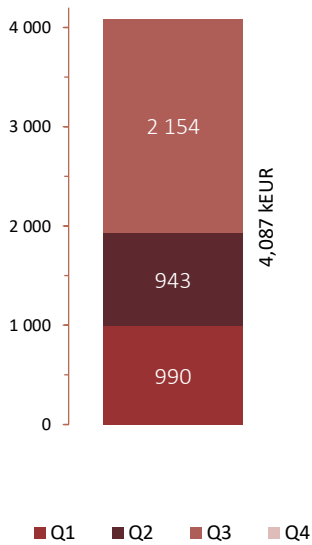
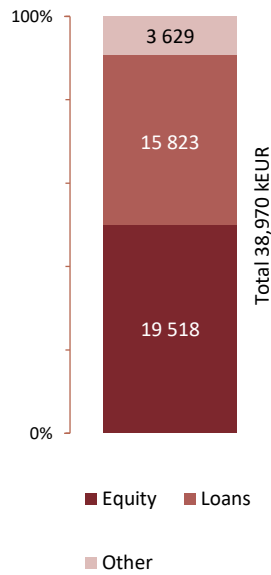
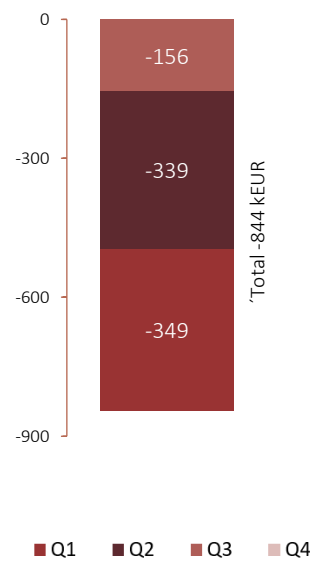
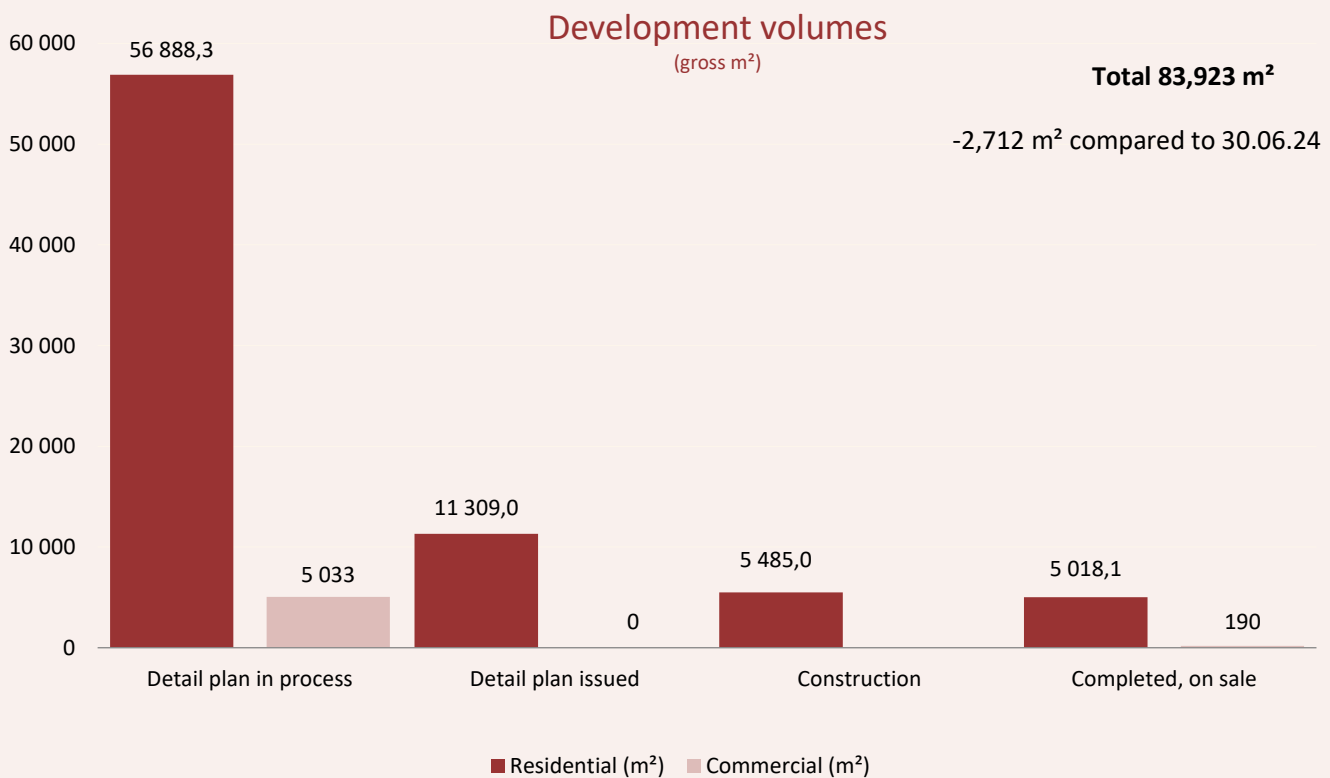
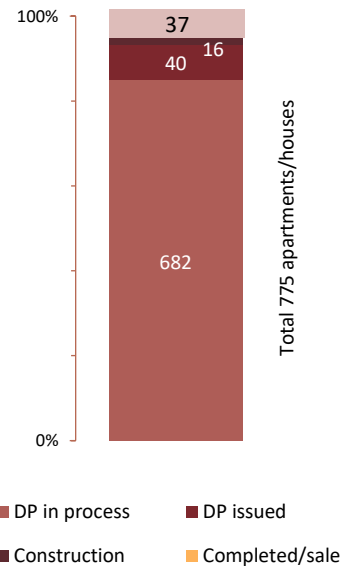
Our Bulgarian team reached 75% of project readiness in Botanica Lozen, meaning that construction works will be completed by the end of 2024. We finished the third quarter on a positive note with one additional booking, having now 9 houses available out of 16. We have seen greater interest in our Botanica Lozen project over the last couple of months and hope for increased interest in the upcoming months when the houses will be fully ready with all the greenery, since in Bulgaria, customers prefer to buy nearly finished houses in contrast to the Estonian market where interest is primarily seen during the pre-sale.

The overall economic situation is still challenging, with weak consumer confidence and low growth expectations, but interest rates have continued to decline, which could help bring more buyers back to the market in the near future.

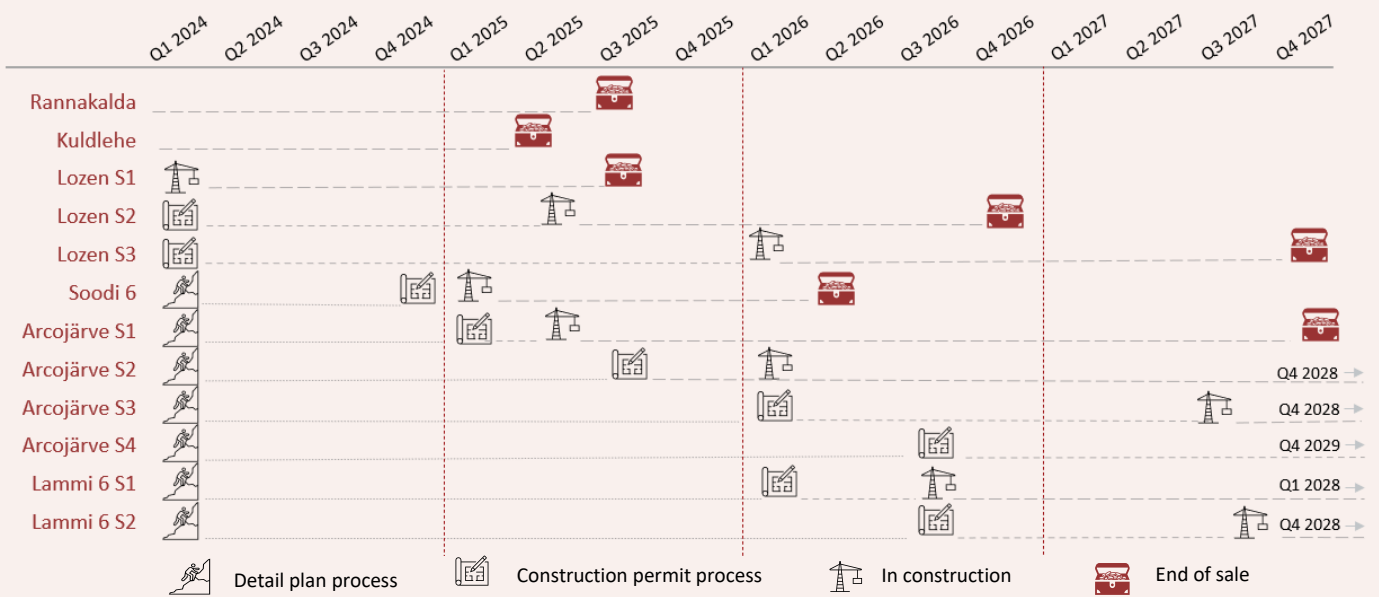
Looking ahead, the market is likely to remain stable but cautious. While transaction volumes and prices may start to rise modestly, particularly in the second half of 2025, significant positive changes are not expected in the short term. Additionally, tax increases could weigh on housing availability and market dynamics. Overall, while the worst appears to be over, the recovery will be gradual, with broader market growth expected to take hold by mid-2025.

The greatest challenge of the Arco Vara team for the upcoming months and the end of 2024 will be the sales of completed apartments at Kodulahe and Kuldlehe with a market value of around 14 million euros. Until the end of this year and the beginning of 2025, the focus is on selling the remaining houses at Botanica Lozen, with the market value of around 9 million euros.

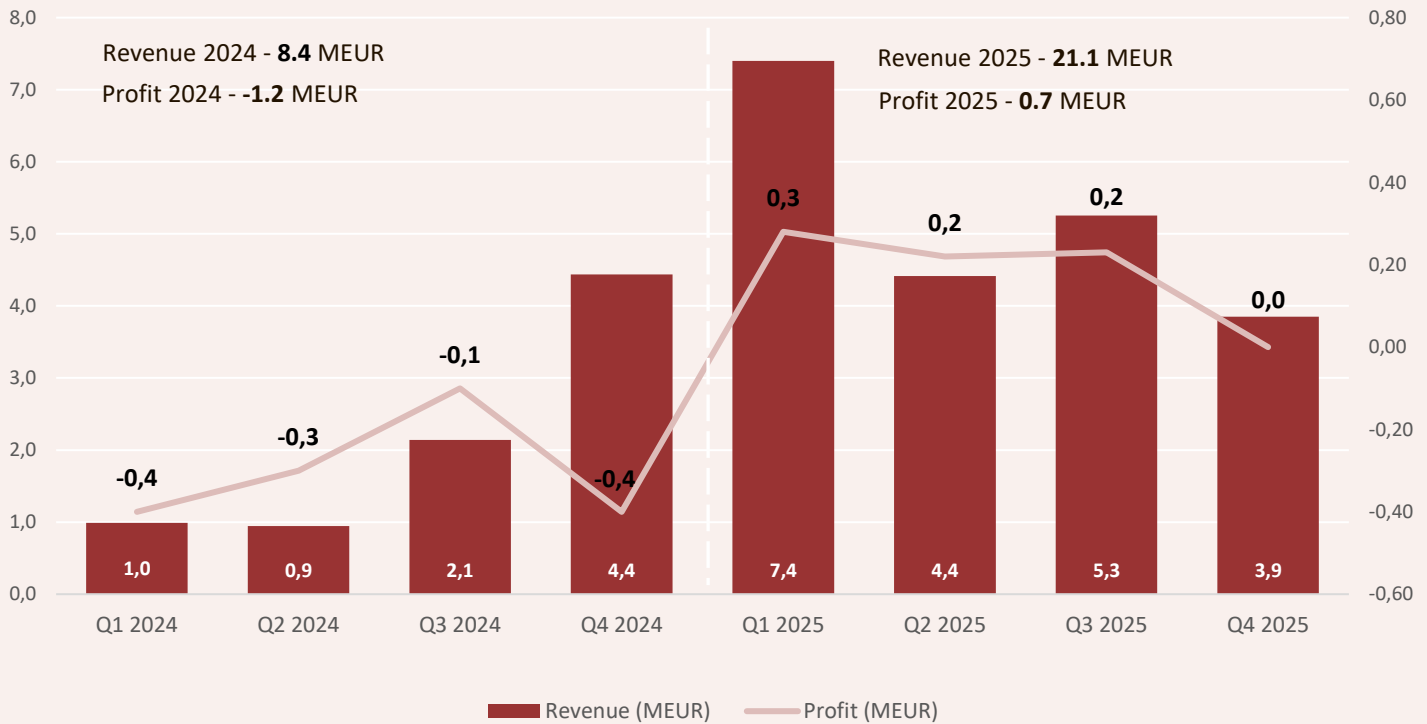
During the last quarter of 2024, the whole team is gearing up to compile a 3-year strategy for Arco Vara and define all future areas for development.

Revenue 2024

Balance 30.09.2024

Net loss 2024

Residential units in development


Development schedule 2024 - 2027



Arco Vara Group revenue and profit prognoses 2024-2025



Arco Vara's Active Projects as of 30.09.2024



Project name
Kodulahe Rannakalda

Address
 Lammi 8, Tallinn

Product main type
 Apartments, commercial spaces

Project stage
 Sale

Area of plot m²
 9,525

GSA/GLA (above ground)
 3,155

No of units (above ground)/ available
 113/33



Project name
Botanica Lozen Stage 1

Address
 Lozen, near Sofia

Product main type
 Houses

Project stage
 Construction

Area of plot m²
 20,190

GSA/GLA (above ground)
 3,652

No of units (above ground)/ available
 16/10



Project name
Kuldlehe

Address
 Lehiku road 11, Tallinn

Product main type
 Apartments

Project stage
 Sale

Area of plot m²
 5,219

GSA/GLA (above ground)
 922

No of units (above ground)/ available
 5/5



Project name
Kodulahe VII etapp

Address
 Soodi 6, Tallinn

Product main type
 Apartments, commercial spaces

Project stage
 Detail plan in process

Area of plot m²
 5,444

GSA/GLA (above ground)
 4,543

No of units (above ground)
 66/61



Project name
S2 and S3 Botanica Lozen

Address
 Lozen, near Sofia

Product main type
 Houses

Project stage
 Detail plan in process

Area of plot m²
 27,260

GSA/GLA (above ground)
 <11,309>

No of units (above ground)
 <40>



Project name
Arcojärve

Address
 Paldiski road 124b, Tallinn

Product main type
 Apartments, commercial spaces

Project stage
 Detail plan in process

Area of plot m²
 69,506

GSA/GLA (above ground)
 <28,852>

No of units (above ground)
 <441>

Arco Vara's Active Projects as of 30.09.2024



Project name

Stage 8 Kodulahe

Address

Lammi 6, Tallinn

Product main type

Apartments, commercial spaces

Project stage

Detail plan in process

Area of plot m²

14,553

GSA/GLA (above ground)

<13,100>

No of units (above ground)

<187>



Project name

Padel venue

Address

Helme 18, Tallinn

Product main type

Sports hall

Project stage

Construction

Area of plot m²

5,712

GSA/GLA (above ground)

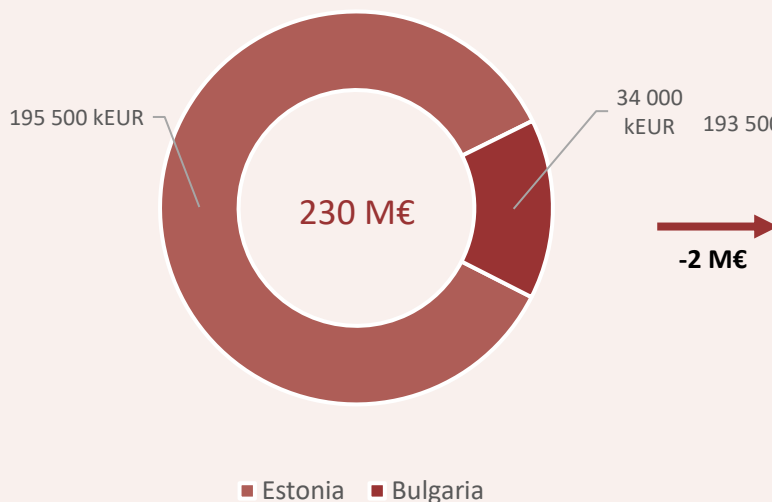
1,983

No of units (above ground)/ available

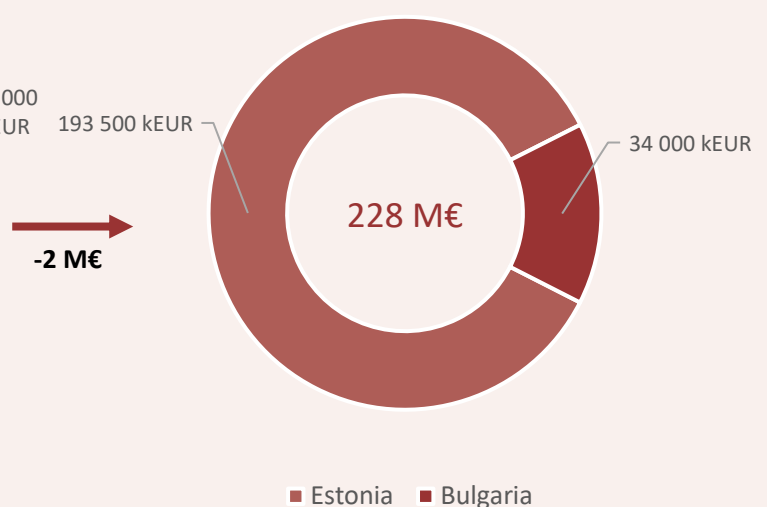
1/0

Note: Values presented between < > sign represent future target values for projects which do not have a construction permit yet. The table does not reflect sellable or lettable volumes below grade including parking spaces and storages. The table does not give complete overview of the group's land reserves.

Development revenue of development projects upon completion as of 30.06.2024



Development revenue of development projects upon completion as of 30.09.2024



General Information

Activities of the group

Arco Vara AS and other entities of Arco Vara group (hereafter together 'the group') are engaged in real estate development and services related to real estate (EMTAK code 41201). The group considers Estonia and Bulgaria as its home markets.

The main activity of the Group is the development of complete living environments and related commercial real estate. In the development of the living environment, the completed homes are sold to the final consumer. The focus of the group is on the development of residential real estate - new commercial real estate will only be developed if it is required by law as a prerequisite for the construction of residential immovables.




The group itself no longer offers real estate brokerage and appraisal services, but in Estonia, Latvia and Bulgaria, these services continue to be provided under the trademarks of Arco Vara through license agreements, from which the group earns license fees.

Arco Vara vision and mission

Arco Vara promise:

We build the future and create value.

Arco Vara vision:

-  We are the most people-oriented real estate company.
-  We know real estate best.
-  We offer homes with the best comfort of use.

Arco Vara's mission is to create high-quality real estate and well thought-through living environments.

Group structure

Arco Vara AS is part of the OÜ Alarmo Kapital concern.

As of 30 September 2024, the group consisted of 13 companies, which is one less than 31 December 2023.

Significant subsidiaries as of 30 September 2024

Company name	Location	Share capital (nominal value)	Equity balance on 30 September 2024	The group's interest
<i>In thousands of euros</i>				
Botanica Lozen EOOD	Bulgaria	2,931	1,173	100%
Kodulahe Kvartal OÜ	Estonia	140	4,502	100%
Kodukalda OÜ	Estonia	3	503	100%
Arcojärve OÜ	Estonia	28	756	100%

2

countries

30+

years of experience

2800+

new homes

380 000+

developed m²

Arco Vara AS subsidiaries



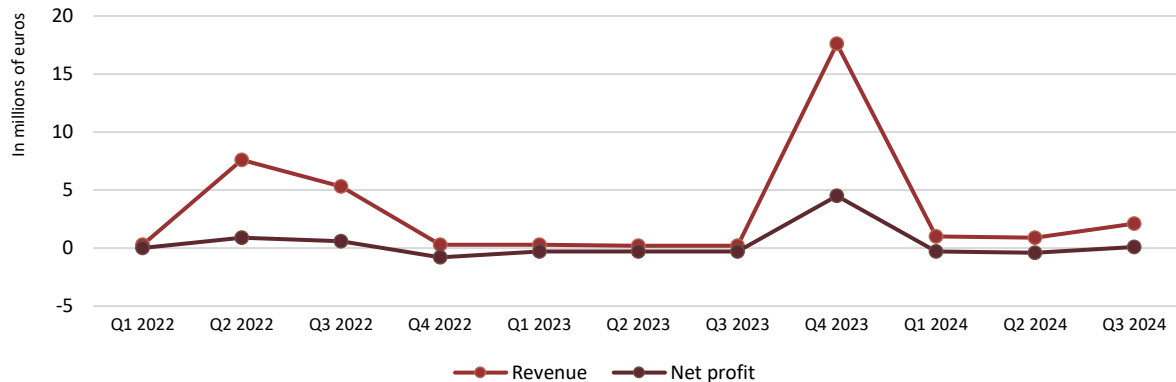
Key Performance Indicators

- In Q3 2024, the group's sales revenue was 2,154 thousand euros, which is 2,009 thousand euros more than the sales revenue of the Q3 2023 of 145 thousand euros, because in the first 9 months of 2023, the group did not have real estate in the stage of final sale. The group's sales revenue was 4,087 thousand euros for the 9 months of 2024 which is 6.3 times higher than the sales revenue of 652 thousand euros for the 9 months of 2023.
- In Q3 2024, the group's operating profit (=EBIT) was 154 thousand euros and net loss 156 thousand euros (in 9 months 2024: operating loss 157 thousand euros and net loss of 844 thousand euros). In Q3 2023, the group had operating loss of 221 thousand euros and net loss of 290 thousand euros. In 9 months 2023, the group had operating loss of 654 thousand euros and net loss of 928 thousand euros.
- In Q3 2024, 7 apartments were sold, 14 apartments were sold in total in 9 months 2024. As of 30 of September 2024, 37 apartments and one commercial space were ready in stock. In Q3 2023, no final sales were formalized (in 9 months only 1 parking space was sold), because group did not have any apartments ready for sale that time.
- In the first 9 months of 2024, the group's debt burden (net loans) increased by 6,058 thousand euros up to the level of 14,666 thousand euros as of 30 September 2024. As of 30 September 2024, the weighted average annual interest rate of interest-bearing liabilities was 9.4%. This is an increase of 1.2 percentage points compared to 31 December 2023.

Main financial figures	9 months 2024	9 months 2023	Q3 2024	Q3 2023
In thousands of euros				
Revenue	4,087	652	2,154	145
Operating profit/loss (EBIT)	-157	-654	154	-221
Finance expense	-687	-274	-310	-69
Net loss	-844	-928	-156	-290
Cash flows from/used in operating activities	-5,777	-13,101	326	-3,965
Cash flows from/used in investing activities	-2,137	8,893	-2,137	0
Cash flows from/used in financing activities	7,599	1,986	1,464	-5,262
Net cash flows	-315	-2,222	-347	-9,227
Cash and cash equivalents at beginning of period	1,472	3,427	1,504	10,432
Cash and cash equivalents at end of period	1,157	916	1,157	916
Total assets at the end of period	38,970	43,775		
Invested capital at the end of period	35,341	37,961		
Net loans at the end of period	14,666	20,562		
Equity at the end of period	19,518	16,483		

Revenue and net profit/loss during last years

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Total 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Total 2023	Q1 2024	Q2 2024	Q3 2024	Total 2024
In millions of euros														
Revenue	0.3	7.6	5.3	0.3	13.5	0.3	0.2	0.2	17.6	18.3	1.0	0.9	2.1	4.0
Net profit/loss	0.0	0.9	0.6	-0.8	0.7	-0.3	-0.3	-0.3	4.5	3.6	-0.3	-0.4	-0.1	-0.8



Key Ratios

	9M 2024	9M 2023	Q3 2024	Q3 2023
Net profit ratio (rolling, four quarters)	17%	-142%	-8%	-200%
EPS (in euros)	-0.08	-0.09	-0.02	-0,03
Diluted EPS (in euros)	-0.08	-0.09	-0.01	-0.03
EBITDA per share (in euros) (rolling, four quarters)	0.44	-0.12		
ROIC (rolling, four quarters)	10.6%	-4.8%		
ROE (rolling, four quarters)	18.7%	-9.9%		
ROA (rolling, four quarters)	9.5%	-4.1%		
Equity ratio	50.1%	37.7%		
Current ratio	4.72	6.63		
Quick ratio	0.87	1.05		
Financial leverage	2.00	2.66		
Average loan term (in years)	1.6	2.4		
Average annual interest rate of loans	9.4%	6.2%		
Number of staff, at period end	14	17		

Formulas used:

Net profit ratio = net profit attributable to owners of the parent / revenue for the period

Earnings per share (EPS) = net profit attributable to owners of the parent / weighted average number of ordinary shares outstanding during the period
Diluted earnings per share (Diluted EPS) = net profit attributable to owners of the parent / (weighted average number of ordinary shares outstanding during the period + number of all potentially issued shares)
EBITDA per share = operating profit + depreciation and amortization / weighted average number of ordinary shares outstanding during the period
Invested capital = current + non-current interest-bearing loans and borrowings + equity (at the end of period)
Net loans = current + non-current interest-bearing loans and borrowings – cash and cash equivalents
Return on invested capital (ROIC) = net profit of last four quarters / average invested capital
Return on equity (ROE) = net profit of last four quarters / average equity
Return on assets (ROA) = net profit of last four quarters / average total assets
Equity ratio = equity / total assets
Current ratio = current assets / current liabilities
Quick ratio = (current assets - inventory) / current liabilities
Financial leverage = total assets / equity
Number of staff = number of people working for the group under employment or service contracts

Operating report

The group's sales revenue was 2,154 thousand euros in Q3 2024 (Q3 2023: 145 thousand euros), including the sale of real estate in the group's own development projects 2,075 thousand euros (0 euros in Q3 2023).

Other sales revenue in 2024 mainly includes revenue from franchise fees of real estate agencies in Estonia, Latvia and Bulgaria. Franchise fees for the Q3 2024 were 71 thousand euros (in 9 months 199 thousand euros), franchise revenues for the Q3 2023 were 67 thousand euros (in 9 months 186 thousand euros).

In Q2 2024, the pre-sale of the next stage of Kodulahe began: 62 apartments and 4 commercial premises in the form of three buildings will be built at Soodi 6. By the time this report is published, 6 apartments and 2 commercial premises have been presold, additional 3 apartments booked. The homes are scheduled to be completed in early 2026.

In the most premium phase of Kodulahe, Rannakalda, a pavilion, 4 service areas and 108 apartments (as three separate apartment buildings), many of which have a sea view, have been completed. As of the publication date of the quarterly report, 29 of the 113 are vacant.

A subsidiary of Arco Vara, Arcojärve OÜ, in 2021 signed an agreement for land acquisition beside Lake Harku, address Paldiski road 124b, Tallinn. More than 35,000 m² of

residential and commercial real estate (GBA) is planned for development. The project is called Arcojärve. As of 30.09.2024, the total advance payment for the land is 4,978 thousand euros. The subsidiary of Arco Vara is obliged to pay an additional 1,627 thousand euros for the purchase of the land within three months from the establishment of the detailed plan for the property by the Tallinn City Government, but no later than 30.04.2026. The start of the construction of the first stage is planned for 2025.

In the Kuldlehe project, an exclusive cluster house with 5 spacious homes was built in Pirita. By the date of publication of the quarterly report, 2 out of 5 apartments have been booked.

The Botanica Lozen project foresees construction of 54 homes (houses) in three stages. Construction and sales of the first 16 buildings have begun – the private houses of the first phase will be completed by the end of 2024. By the date of publication of the quarterly report, 6 out of 16 houses have been pre-sold, one booked.

Kerberon OÜ, a subsidiary of Arco Vara, developed a fully automatic padel venue with six indoor courts at Helme 18 with the help of the construction company Arco Tarc OÜ. The hall is rented out on a full lease agreement and is open to guests by the time of the publication of this report.

People

Remuneration

As of 30 September 2024, 14 people worked for the group (18 as of 31 December 2023).

Employee remuneration expenses in 9 months 2024 amounted to 813 thousand euros, out of which 220 thousand euros in Q3 2024 (2023 same periods: 649 thousand euros and 209 thousand euros). The employee remuneration expenses also include wages of the construction team, which are capitalized in the cost of the developments being built and which reach the costs through the cost price of the sold apartments.

The employee remuneration expenses include remuneration of the member of the management board / CEO of the group's parent company together with social security charges amounted to 169 thousand euros in 9 months 2024, out of which 77 thousand euros in Q3 2024, (in 9 months and Q3 2023: 117 thousand euros and 46 thousand euros, respectively).

The members of the supervisory board of the group's parent company were remunerated by 24 thousand euros in 9 months 2024, out of which 6 thousand euros in Q3. The remuneration of the members of the supervisory board was 11 thousand euros in 9 months 2023, out of which 3 thousand euros in Q3.

Management board and supervisory board

The management board of Arco Vara AS usually has one member. From April 30, 2020 to August 31, 2024, Miko-Ove Niinemäe was a member of the board. From 15.07.2024, the CEO of Arco Vara is Kristina Mustonen, her mandate is valid for 4 years.

The supervisory board of Arco Vara AS has 5 members. Since 12 January 2021, the supervisory board consists of Tarmo Sild (the Chairman), Kert Kesksaik, Hillar-Peeter Luutsalu, Allar Niinepuu and Steven Yaroslav Gorelik.

More information about Arco Vara's key persons is available on the company's website www.arcovara.com.

Description of Main Risks

Strategic risk

Most of the group's equity is invested into real estate development. The group is focused mainly on residential real estate development where development cycle lasts for years, starting from the acquisition of a land plot, moving on to detail planning, design and construction, and ending with the sale of end products to customers. The equity is invested mainly in the early phase of the cycle (purchase of land) on the assumption that there will be a demand for certain products in the future. Considering that the demand for development product is largely based on forecasts, the main risk for the group is investing equity into a development product for which there is no or too little demand in the future.

For mitigating the risk, the group: (i) invests equity into different development projects in different markets (in 2024, in Sofia and Tallinn), (ii) monitors current demand and supply in its home markets and (iii) makes efforts to narrow the time gap between making initial investment and selling the final product – by signing pre-agreements with clients, acquiring land with no or little upfront equity investment etc.

Credit risk

The group considers credit risks to be substantially mitigated. The final sale of real estate development product takes place simultaneously with customer payment; therefore customer debts do not arise. Also, cash and cash equivalents are not held in the same banking group.

Currency risk

Real estate sales are mostly nominated in euros, as a result of which the group's assets and liabilities structure does not involve a significant currency risk. The group is not protected against currency devaluations. Liquid assets are mostly held on demand or short-term deposits denominated in euros.

Liquidity and interest rate risks

The base currency of the group's all loan agreements is euro, and most of the loan obligations are related to the 6-month EURIBOR. Thus, the group is open to what is happening in the international capital markets. The long-term Interest rate risk is not hedged with derivatives. The group's interest-bearing liabilities amounted to 15,823 thousand euros on 30 September 2024, out of which 3,391 thousand euros is due within next 12 months. The group's interest-bearing liabilities have increased by 5,743 thousand euros in the 9 months of 2024. The increase was brought about by the (re)financing of completed developments with a bank loan in 2024. The group's cash and cash equivalents totaled 1,157 thousand euros as of 30 September 2024 (31 December 2023 1,472 thousand).

In Q3 2024, interest payments on interest-bearing liabilities totaled 383 thousand euros (in Q3 2023: 365 thousand euros). The interest paid was partly capitalized, partly expensed. The group's weighted average loan interest rate was 9.4% as of 30 September 2024. This is an increase by 1.2 percentage points compared to the end of year 2023. The reason for the increase in the average interest rate of the loan liabilities is the addition of the Euribor component to the Rannakalda development loan.

Shares and shareholders

Share price

Arco Vara AS has issued a total of 10,388,367 ordinary shares with nominal value of 0.7 euros per share. The shares (ARC1T, ISIN EE3100034653) are freely traded on NASDAQ Tallinn stock exchange. The share price closed at 1.33 euros on 30 September 2024; the closing price was 1.705 euros on 31 December 2023. During the first 9 months of 2024, the highest traded price per share was 1.78 euros and the lowest price 1.32 euros. Equity per share was 1.88 euros as of 30.09.2024, 2.02 as of 31.12.2023.

As of 30 September 2024, market capitalization of shares amounted to 13,817 thousand euros and P/B (price to book value) ratio was 0.71 (31 December 2023: 17,712 thousand euros and 0.84, respectively). P/E (price to earnings) ratio for the last 4 quarters of the share was 3.8 on 30 September 2024, 4.99 on 31 December 2023.

The following charts reflect the movements in the price and daily turnover of Arco Vara's share during the 9 months 2024 and the last three years.



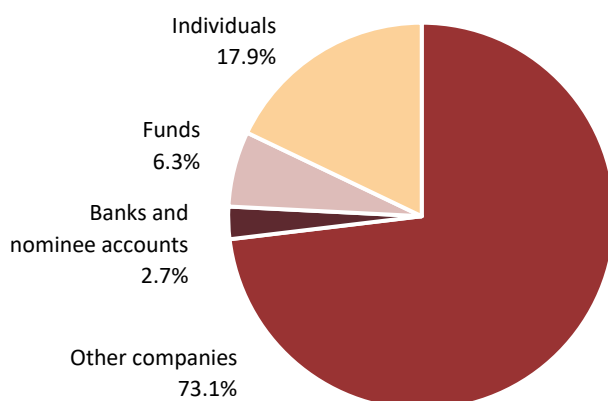
<https://www.nasdaqbaltic.com/statistics/en/instrument/EE3100034653/trading> 7.10.2024



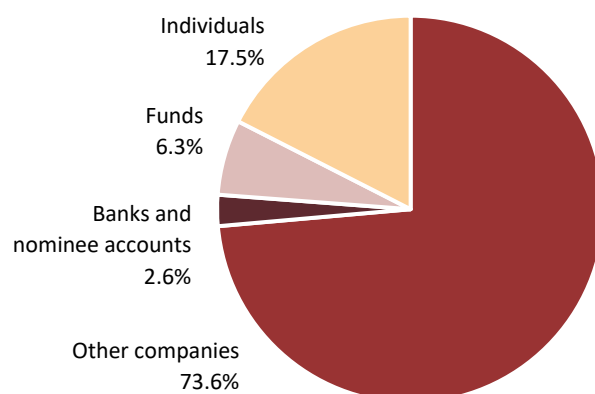
Shareholder structure

As of 30 September 2024, Arco Vara had 8,041 shareholders (on 31 December 2023 8,316), including 7,366 individuals as shareholders (on 31 December 2023: 7,596 individuals) who jointly owned 17.9% (on 31 December 2023: 17.5%) out of all Arco Vara shares. Complete shareholder structures are presented on the following diagrams.

Ownership structure as of 30.09.2024



Ownership structure as of 31.12.2023



Major shareholders on 30 September 2024

Name	No of shares	Share, %
Alarmo Kapital OÜ	6,438,531	62.0%
FIREBIRD REPUBLICS FUND LTD	337,057	3.2%
Aia Tänav OÜ	229,000	2.2%
HM Investeeringud OÜ	220,505	2.1%
Marko Teimann	192,119	1.8%
FIREBIRD AVRORA FUND, LTD.	180,343	1.7%
K VARA OÜ	158,742	1.5%
FIREBIRD FUND L.P.	133,948	1.3%
Sander Karu	112,134	1.1%
Citibank (London) / OP Custody Ltd	56,952	0.5%
Other shareholders	2,329,036	22.6%
Total	10,388,367	100.0%

Holdings of management and supervisory board members on 30 September 2024

Name		No of shares	Share, %
Tarmo Sild ja Allar Niinepuu (Alarmo Kapital OÜ)	Chairman/member of supervisory board	6,438,531	62.0%
Tarmo Sild (privately and Aia Tänav OÜ)	Chairman of supervisory board	245,000	2.4%
Hillar-Peeter Luitsalu (HM Investeeringud OÜ, related persons)	Member of supervisory	259,259	2.5%
Kert Keskaik (privately, K Vara OÜ, K24 Invest OÜ, Kolde Invest OÜ and One Eleven OÜ)	Member of supervisory	212,796	2.0%
Allar Niinepuu (OÜ Kavass)	Member of supervisory board	28,400	0.3%
Steven Yaroslav Gorelik ¹	Member of supervisory	0	-
Total		7,183,986	69.2%

¹ - Steven Yaroslav Gorelik is active as fund manager in three investment funds holding interest in Arco Vara (Firebird Republics Fund Ltd. Firebird Avrora Fund Ltd and Firebird Fund L.P) of 651,348 shares (total of 6.3% interest).

CEO's Confirmation on Directors' Report

The CEO and member of the management board of Arco Vara AS confirms that the directors' report of Arco Vara for the third quarter and 9 months ended on 30 September 2024 provides a true and fair view of business developments, financial performance and financial position of the group as well as a description of the main risks and uncertainties.



Kristina Mustonen
Chief Executive and Member of the Management Board of Arco Vara AS

On 24 October 2024

Condensed Consolidated Interim Financial Statements

Consolidated Statement of Comprehensive Income

	Note	9 months 2024	9 months 2023	Q3 2024	Q3 2023
<i>In thousands of euros</i>					
Revenue from sale of own real estate		3,872	14	2,075	7
Revenue from rendering of services		215	638	79	138
Total revenue	2,3	4,087	652	2,154	145
Cost of sales	4	-2,850	-209	-1,474	-18
Gross profit		1,237	443	680	127
Other income		0	106	0	30
Marketing and distribution expenses	5	-405	-268	-186	-91
Administrative expenses	6	-971	-924	-339	-278
Other expenses		-18	-11	-1	-9
Operating profit/loss		-157	-654	154	-221
Finance cost	7	-687	-274	-310	-69
Loss before tax		-844	-928	-156	-290
Net loss for the period		-844	-928	-156	-290
Total comprehensive loss for the period		-844	-928	-156	-290
Earnings per share (in euros)					
- basic	8	-0.08	-0.09	-0.02	-0.03
- diluted		-0.08	-0.09	-0.01	-0.03

Consolidated Statement of Financial Position

	Note	30 September 2024	31 December 2023
<i>In thousands of euros</i>			
Cash and cash equivalents		1,157	1,472
Receivables and prepayments	9	5,510	5,798
Inventories	10	29,425	27,637
Total current assets		36,092	34,907
Receivables and prepayments	9	18	18
Investment property	11	2,157	20
Property, plant and equipment	2	687	221
Intangible assets	2	16	24
Total non-current assets		2,878	283
TOTAL ASSETS		38,970	35,190
Loans and borrowings	12	3,391	3,391
Payables and deferred income	13	3,389	4,013
Warranty reserve		240	80
Total current liabilities		7,020	7,484
Loans and borrowings	12	12,432	6,689
Total non-current liabilities		12,432	6,689
TOTAL LIABILITIES		19,452	14,173
Share capital		7,272	7,272
Share premium		3,835	3,835
Statutory capital reserve		2,011	2,011
Other reserves	8	27	56
Retained earnings		6,373	7,843
Total equity attributable to owners of the parent		19,518	21,017
TOTAL EQUITY		19,518	21,017
TOTAL LIABILITIES AND EQUITY		38,970	35,190

Consolidated Statement of Cash Flows

Note	9 months 2024	9 months 2023	Q3 2024	Q3 2023
<i>In thousands of euros</i>				
Cash receipts from customers	3,269	2,679	1,130	750
Cash paid to suppliers	-6,395	-17,275	-418	-5,119
Taxes paid and recovered (net)	-1,484	1,958	-141	580
Cash paid to employees	-1,138	-535	-242	-197
Other cash payments and receipts related to operating activities (net)	-29	72	-3	21
NET CASH FROM/USED IN OPERATING ACTIVITIES	-5,777	-13,101	326	-3,965
Payments made on purchase of tangible and intangible assets	0	-1	0	0
Payments made on purchase of investment property	-2,137	0	-2,137	0
Receipts from sale of investment property	0	8,894	0	0
NET CASH FROM/USED IN INVESTING ACTIVITIES	-2,137	8,893	-2,137	0
Proceeds from loans received	12	9,442	9,527	1,123
Settlement of loans and borrowings	12	-485	-6,138	-29
Interest paid	-942	-983	-393	-365
Dividends paid	-416	-416	-104	-104
Proceeds from share capital increase	0	-4	0	1
NET CASH FROM/USED IN FINANCING ACTIVITIES	7,599	1,986	1,464	-5,262
NET CASH FLOW	-315	-2,222	-347	-9,227
Cash and cash equivalents at the beginning of period	1,472	3,427	1,504	10,432
Change in cash and cash equivalents	-315	-2,222	-347	-9,227
Decrease in cash and cash equivalents through sale of subsidiaries	0	-289	0	-289
Cash and cash equivalents at the end of period	1,157	916	1,157	916

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Statutory capital reserve	Other reserves	Retained earnings	Total equity
<i>In thousands of euros</i>						
Balance as of 31 December 2022	7,272	3,835	2,011	0	4,917	18,035
Dividends paid	0	0	0	0	-624	-624
Total comprehensive income for the period	0	0	0	0	-928	-928
Balance as of 30 September 2023	7,272	3,835	2,011	0	3,365	16,483
Balance as of 31 December 2023	7,272	3,835	2,011	56	7,843	21,017
Dividends paid	0	0	0	0	-626	-626
Other reserves	0	0	0	-29	0	-29
Total comprehensive income for the period	0	0	0	0	-844	-844
Balance as of 30 September 2024	7,272	3,835	2,011	27	6,373	19,518

Notes to the Condensed Interim Financial Statements

1. Significant accounting policies

The unaudited condensed consolidated interim financial statements of Arco Vara AS for the third quarter and nine months ended on 30 September 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statements should be read in conjunction with the audited

consolidated annual financial statements for the year ended on 31 December 2023, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. All amounts in the financial statements are presented in thousands of euros unless indicated otherwise.

2. Segment information

Group identifies segments based on two combined characteristics: field of activity and geographical region.

The three main segments are Bulgarian development, Estonian development and Estonian construction.

Revenue by operating segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Eliminations		Consolidated	
	9 months 2024	9 months 2023	9 months 2024	9 months 2023	9 months 2024	9 months 2023	9 months 2024	9 months 2023	9 months 2024	9 months 2023	9 months 2024	9 months 2023
<i>In thousands of euros</i>												
External revenue	0	0	3,888	14	0	4	199	634	-	-	4,087	652
Revenue from other segments	0	163	0	2	2,124	10,347	676	557	-2,800	-11,069	0	0
Total revenue	0	163	3,888	16	2,124	10,351	875	1,191	-2,800	-11,069	4,087	652

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Eliminations		Consolidated	
	Q3 2024	Q3 2023	Q3 2024	Q3 2023	Q3 2024	Q3 2023	Q3 2024	Q3 2023	Q3 2024	Q3 2023	Q3 2024	Q3 2023
<i>In thousands of euros</i>												
External revenue	0	0	2,083	4	0	1	71	140	-	-	2,154	145
Revenue from other segments	0	48	0	1	793	3,630	245	171	-1,038	-3,850	0	0
Total revenue	0	48	2,083	5	793	3,631	316	311	-1,038	-3,850	2,154	145

External revenue and profit/ loss by segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Consolidated	
	9 months 2024	9 months 2023	9 months 2024	9 months 2023	9 months 2024	9 months 2023	9 months 2024	9 months 2023	9 months 2024	9 months 2023
<i>In thousands of euros</i>										
Revenue	0	0	3,888	14	0	4	199	634	4,087	652
Operating profit/ loss	-13	-316	147	-233	-386	-169	95	64	-157	-654
Net profit/ loss	-16	-322	-307	-232	-384	-167	-137	-207	-844	-928

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Consolidated	
	Q3 2024	Q3 2023	Q3 2024	Q3 2023	Q3 2024	Q3 2023	Q3 2024	Q3 2023	Q3 2024	Q3 2023
<i>In thousands of euros</i>										
Revenue	0	0	2,083	4	0	1	71	140	2,154	145
Operating profit/ loss	-103	-127	372	-51	-104	-51	-11	8	154	-221
Net profit/ loss	-105	-128	137	-50	-103	-49	-85	-63	-156	-290

External assets and liabilities by segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Consolidated	
	30 September 2024	31 December 2023	30 September 2024	31 December 2023	30 September 2024	31 December 2023	30 September 2024	31 December 2023	30 September 2024	31 December 2023
<i>In thousands of euros</i>										
Assets	10,582	6,503	25,554	27,298	60	62	2,774	1,327	38,970	35,190
Including PPE and intangible assets	18	29	519	0	2	4	164	212	703	245
Liabilities	2,207	662	12,894	8,477	352	1,299	3,999	3,735	19,452	14,173

3. Revenue

External revenue by the type of goods and services and by client location

Segment	Estonia		Bulgaria		Latvia		Consolidated	
	9 months 2024	9 months 2023	9 months 2024	9 months 2023	9 months 2024	9 months 2023	9 months 2024	9 months 2023
<i>In thousands of euros</i>								
Sale of own real estate	3,872	14	0	0	0	0	3,872	14
Rental of real estate	8	1	0	336	0	0	8	337
Property management services	0	0	0	35	0	0	0	35
Franchise	137	131	42	32	20	23	199	186
Other revenue	8	74	0	6	0	0	8	80
Total revenue	4,025	220	42	409	20	23	4,087	652

Segment	Estonia		Bulgaria		Latvia		Consolidated	
	Q3 2024	Q3 2023	Q3 2024	Q3 2023	Q3 2024	Q3 2023	Q3 2024	Q3 2023
<i>In thousands of euros</i>								
Sale of own real estate	2,075	7	0	0	0	0	2,075	7
Rental of real estate	7	0	0	0	0	0	7	0
Property management services	0	0	0	0	0	0	0	0
Franchise	48	44	17	15	6	8	71	67
Other revenue	1	71	0	0	0	0	1	71
Total revenue	2,131	122	17	15	6	8	2,154	145

4. Cost of sales

	9 months 2024	9 months 2023	Q3 2024	Q3 2023
<i>In thousands of euros</i>				
Cost of real estate sold (note 10)	-2,387	-9	-1,366	-4
Brokerage fees	-23	-11	-15	-6
Property management costs	-136	-142	-36	0
Personnel expenses	-138	-7	-10	0
Depreciation, amortization and impairment losses	-1	-11	-1	-1
Other costs	-165	-29	-46	-7
Total cost of sales	-2,850	-209	-1,474	-18

5. Marketing and distribution expenses

	9 months 2024	9 months 2023	Q3 2024	Q3 2023
<i>In thousands of euros</i>				
Advertising expenses	-178	-118	-96	-44
Personnel expenses	-72	-52	-26	-21
Other marketing and distribution expenses	-155	-98	-64	-26
Total marketing and distribution expenses	-405	-268	-186	-91

6. Administrative expenses

	9 months 2024	9 months 2023	Q3 2024	Q3 2023
<i>In thousands of euros</i>				
Personnel expenses	-603	-590	-189	-194
Office expenses	-72	-60	-30	-19
IT expenses	-27	-32	-10	-11
Services purchased	-177	-105	-83	-23
Depreciation, amortization and impairment losses	-60	-60	-20	-20
Legal service fees	-15	-18	-2	-1
Other expenses	-17	-59	-5	-10
Total administrative expenses	-971	-924	-339	-278

7. Financial expenses

	9 months 2024	9 months 2023	Q3 2024	Q3 2023
<i>EUR tuhandetes</i>				
Interest expenses	-692	-273	-319	-103
Other financial costs	5	-1	9	0
Total financial costs	-687	-274	-310	-103

8. Earnings per share

Basic earnings per share are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are calculated by taking into account all potentially issued shares.

	9 months 2024	9 months 2023	Q3 2024	Q3 2023
Weighted average number of ordinary shares outstanding during the period	10,388,367	10,388,367	10,388,367	10,388,367
Number of ordinary shares potentially to be issued (at period end)	290,000	171,750	290,000	171,750
Net loss (in thousands of euros)	-844	-928	-156	-290
Earnings per share (in euros)	-0.08	-0.09	-0.02	-0.03
Diluted earnings per share (in euros)	-0.08	-0.09	-0.01	-0.03

Based on the decision of the general meeting of Arco Vara AS on 17.05.2022, a total of up to 63,000 shares will be issued to three senior employees over three years, if the average ROE from the third quarter of 2022 to the second quarter of 2025 is greater than 12%. As of 30.09.2024 and 31.12.2023, the ROE assumption cannot be fulfilled, therefore no reserve has been formed for conditional option programs. If the ROE requirement is still met, as of 30 September 2024, 35,000 shares have been earned on the basis of the option program.

Based on the CEO's bonus program, which was in force in 2023, the former CEO is entitled to 15,000 shares per year based on length of service. The accounting reserve has been prepared on the basis of the grant date 17.05.2023 share price, which is why a reserve of 27 thousand euros has been formed in equity for the options.

9. Receivables and prepayments

Short-term receivables and prepayments

	30 September 2024	31 December 2023
<i>In thousands of euros</i>		
Receivables from customers	47	301
Miscellaneous receivables	6	6
Prepaid and recoverable taxes	352	274
Other accrued income	4	4
Prepayments	5,101	5,213
Total short-term receivables and prepayments	5,510	5,798

Long-term receivables and prepayments

	30 September 2024	31 December 2023
<i>In thousands of euros</i>		
Deposits	18	18
Total long-term receivables and prepayments	18	18

As of 30.09.2024 and 31.12.2023, the advance payment for the Arcojärve property is 4,978 euros.

10. Inventories

	30 September 2024	31 December 2023
<i>In thousands of euros</i>		
Properties in stock	10,839	0
Properties under construction	7,275	17,199
Properties in the construction permit process	2,122	2,182
Properties in the detailed planning process	9,189	8,256
Total inventories	29,425	27,637

Properties purchased and being developed for resale

	2024	2023
<i>In thousands of euros</i>		
Balance at the beginning of period, 1 January	27,637	22,474
Construction costs of apartment buildings	3,478	12,803
Capitalized borrowing costs	261	701
Other capitalized costs	961	631
Reclassification to investment property (note 11)	-88	0
Reclassification to property, plant and equipment	-520	0
Cost of sold properties (note 4)	-2,304	-9
Balance at the end of period, 30 September	29,425	36,600

11. Investment property

	2024	2023
<i>In thousands of euros</i>		
Balance at the beginning of period, 1 January	20	82
Capitalized development costs	2,049	0
Reclassification from inventories (note 10)	88	0
Sale of investment property	0	-80
Balance at the end of period, 30 September	2,157	2

12. Interest bearing liabilities

	As of 30 September, 2024			As of 31 December, 2023		
	Total	of which current portion	of which non-current portion	Total	of which current portion	of which non-current portion
<i>In thousands of euros</i>						
Bank loans	12,410	61	12,349	6,624	61	6,563
Bonds	2,120	2,120	0	2,120	2,120	0
Capital lease	141	58	83	184	58	126
Other loans	1,152	1,152	0	1,152	1,152	0
Total	15,823	3,391	12,432	10,080	3,391	6,689

In 9 months 2024, the group settled loans in the amount of 485 thousand euros (in 9 months 2023: 6,138 thousand euros) through cash transactions and raised new loans in the amount of 9,442 thousand euros (in 9 months 2023: 9,527 thousand euros). In addition, the buyers paid 3,222 thousand euros from the returned loan directly to the bank in 9 months 2024. This amount is not reflected in the group cash flow statement.

In 9 months 2024, the following major loan obligations were settled:

- ▣ 3,619 thousand euros of bank loan for financing construction of apartment building in Kodulahe Rannakalda, out of which 3,222 thousand directly by customers;
- ▣ 45 thousand euros of bank loan for financing land of Kodulahe project Stage VIII;
- ▣ 43 thousand euros of capitalized office rent.

In 9 months 2024, the group raised the following new liabilities:

- ▣ 7,452 thousand euros of bank loan for financing construction of apartment buildings in Kodulahe Rannakalda;
- ▣ 2,000 thousand euros of bank loan for financing construction of apartment buildings in Kuldlehe, including bank receipts of 1,990 thousand, 10 thousand was the contract fee.

In 9 months 2023, the following major loan obligations were settled:

- ▣ 5,036 thousand euros of Madrid Blvd project's bank loan principal;
- ▣ 49 thousand euros of bank loan for financing land of Kodulahe project Stage VIII;
- ▣ 1,000 thousand euros short term credit from related company;
- ▣ 10 thousand euros loan from private investors;
- ▣ 43 thousand euros of capitalized office rent.

In 9 months 2023, the group raised the following new liabilities:

- ▣ 8,049 thousand euros of bank loan for financing construction of apartment buildings in Kodulahe project Stage VI;
- ▣ 478 thousand euros loan from private investors;
- ▣ 1,000 thousand euros short term credit from related company.

13. Payables and deferred income

Short-term payables and deferred income

	30 September 2024	31 December 2023
<i>In thousands of euros</i>		
Trade payables	1,099	740
Taxes payable		
Value added tax	10	1,270
Social security tax	75	46
Personal income tax	52	33
Other taxes	5	2
Total taxes payable	142	1,351
Accrued expenses		
Payables to employees	168	1,048
Dividend payable	312	104
Other accrued expenses	106	215
Total accrued expenses	586	1,367
Deferred income		
Prepayments received on sale of real estate	1,509	555
Security deposits	53	0
Total deferred income	1,562	555
Total short-term payables and deferred income	3,389	4,013

On 31.12.2023, the VAT debt was higher than usual, because the turnover of the final sales of Rannakalda apartments in December 2023 was 6,292 thousand euros.

On 31.12.2023, payable to employees include the constructors' bonus reserve of 800 thousand euros.

14. Related party disclosure

The group has conducted transactions or has balances with the following related parties:

- Parent company OÜ Alarmo Kapital and companies under the control of the chief executive officer and the members of the supervisory board of Arco Vara AS that have a significant interest in the group;
- other related parties: the CEO and the members of the supervisory board of Arco Vara AS and companies under their control (excluding companies that have a significant interest in the group's parent company).

Transactions with related parties

	9 months 2024	9 months 2023
<i>In thousands of euros</i>		
Other related parties		
Services purchased	34	25
Paid interest	0	16

In 9 months 2024, the remuneration provided to the CEO / member of the management board, including social security charges, amounted to 169 thousand euros, out of which 77 thousand euros in Q3 (in 9 months and Q3 2023: 117 thousand euros and 46 thousand euros).

The remuneration provided to the members of the supervisory board of the group's parent company during the first 9 months in 2024 was 24 thousand euros, out of which 6 thousand in Q3 2024 (in 9 months and Q3 2023: 11 thousand euros and 3 thousand euros).

The remuneration provided to the CEO / member of the management board is based on his contract of service. A fixed monthly fee of 11,000 (net) has been set by a

resolution of the Supervisory Board on the basis of the contract of service of Kristina Mustonen, the member of the Management Board of Arco Vara AS. A severance pay of 4 months' salary is provided for the CEO.

The members of the supervisory board will receive 500 euros (net amount) for every meeting where they have participated, but not more than 1,000 euros (net amount) per month. The payment of the remuneration is dependent on signing of the minutes of the meetings of the supervisory board. Reasonable travel expenses made for participating in the board meetings are also compensated to the members of the supervisory board. The chairman of the supervisory board receives an additional 500 euros per month (net amount).

Statement by the CEO/ Member of the Management Board

The CEO / member of the management board of Arco Vara AS has prepared Arco Vara AS's condensed consolidated interim financial statements for the third quarter and nine months ended on 30 September 2024.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and they give a true and fair view of the financial position, financial performance and cash flows of Arco Vara AS. Arco Vara AS is a going concern.



Kristina Mustonen
Chief Executive and Member of the Management Board of Arco Vara AS

On 24 October 2024