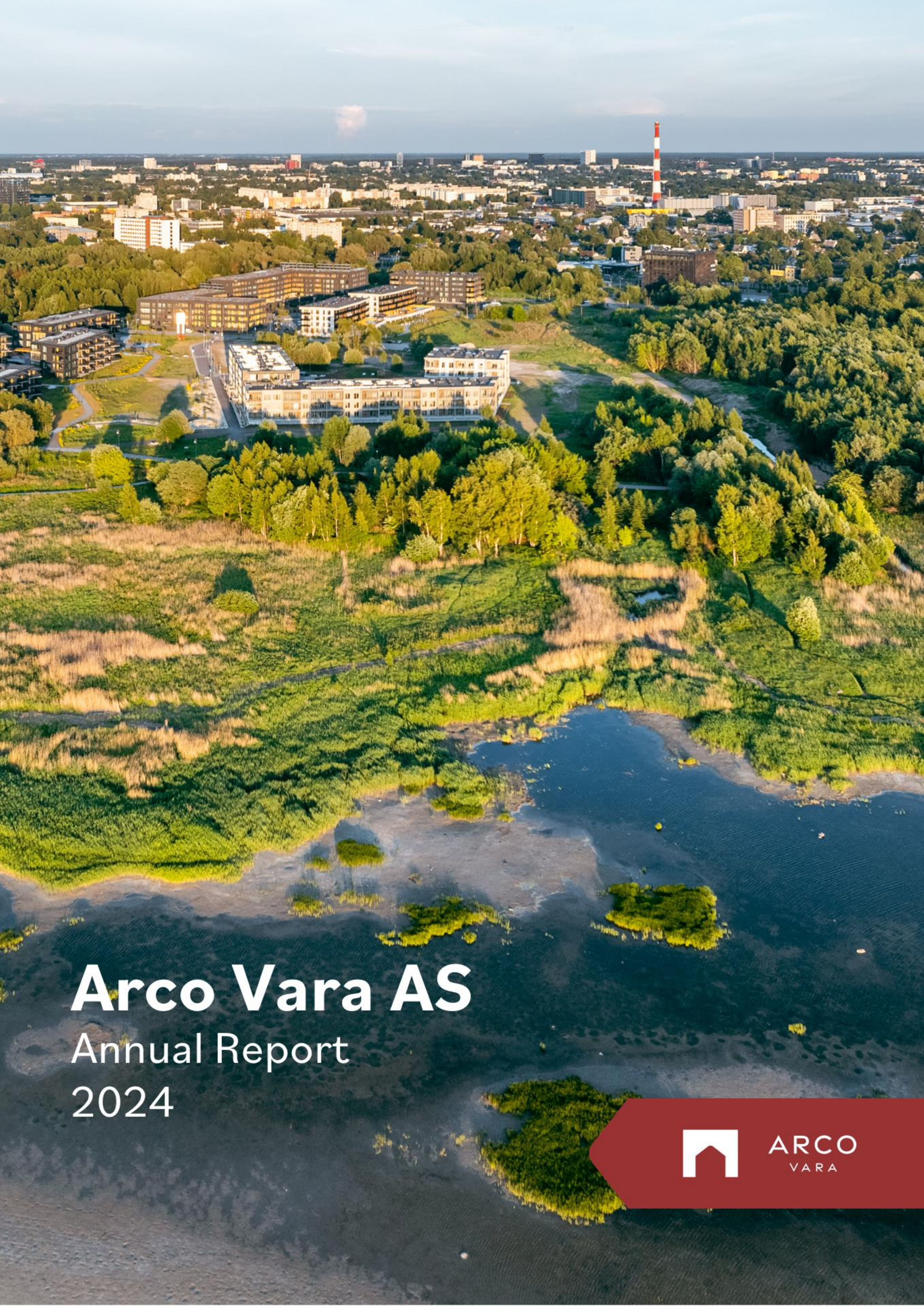

Arco Vara AS

Annual Report
2024

CONSOLIDATED ANNUAL REPORT

(Translation of the Estonian original)

Company name	Arco Vara AS
Registry number	10261718
Address	Rotermanni st 10, 10111 Tallinn, Republic of Estonia
Telephone	+372 614 4630
E-mail	info@arcovara.com
Corporate website	www.arcovara.com
Financial year	1 January 2024 – 31 December 2024
Supervisory board	Tarmo Sild, Steven Yaroslav Gorelik, Kert Keskpaik, Hillar-Peeter Luitsalu, Allar Niinepuu
Chief executive	Kristina Mustonen
Auditor	KPMG Baltics OÜ

Company's consolidated financial statements in pdf-format without European Single Electronic Format (ESEF) markups. The original document is submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange and digitally signed (Link: https://nasdaqbaltic.com/).

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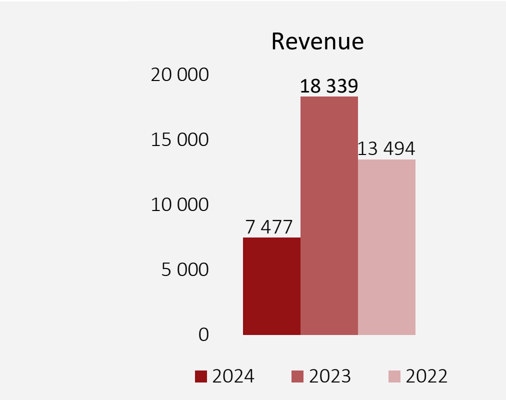
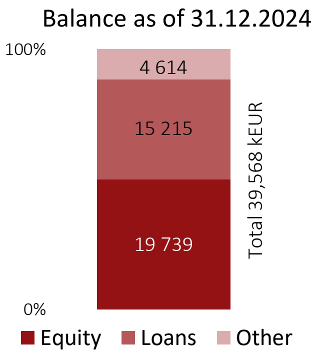
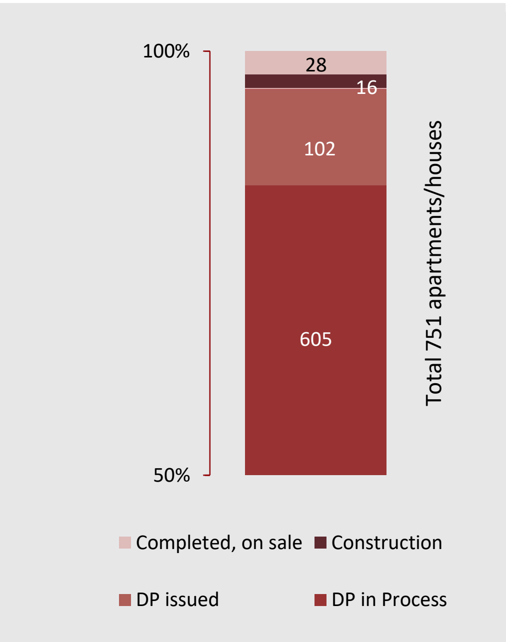
Management Report

Group CEO´s Review







The year 2024 brought numerous challenges in the sector of real estate, requiring companies to be flexible, exercise strategic planning, and adapt to the changing market conditions. The real estate developer Arco Vara faced a complicated economic environment where low consumer confidence and high interest rates impacted the activity of the real estate market and the financial results of the company.

The greatest challenge of the first half of the year was selling completed apartments in Kodulahe and Kuldlehe developments, the market value of which is nearly 14 million euros. Even though a growth appeared in the number of transactions on the apartment market in the second half of the year, the overall interest in purchasing remained modest. In addition, the start of construction of the next stage of Kodulahe (Soodi 6) was postponed due to processing the construction permit, which in turn impacted the project schedule and future revenue.

The volatility of the economic environment and high borrowing costs placed pressure on corporate profitability. Despite all this, we managed to maintain a steady and clear path towards increasing future development volumes and to continue development in line with our strategy. We may have ended the year 2024 with a loss, but our focus remained on ensuring long-term sustainability and strategic management of investments.

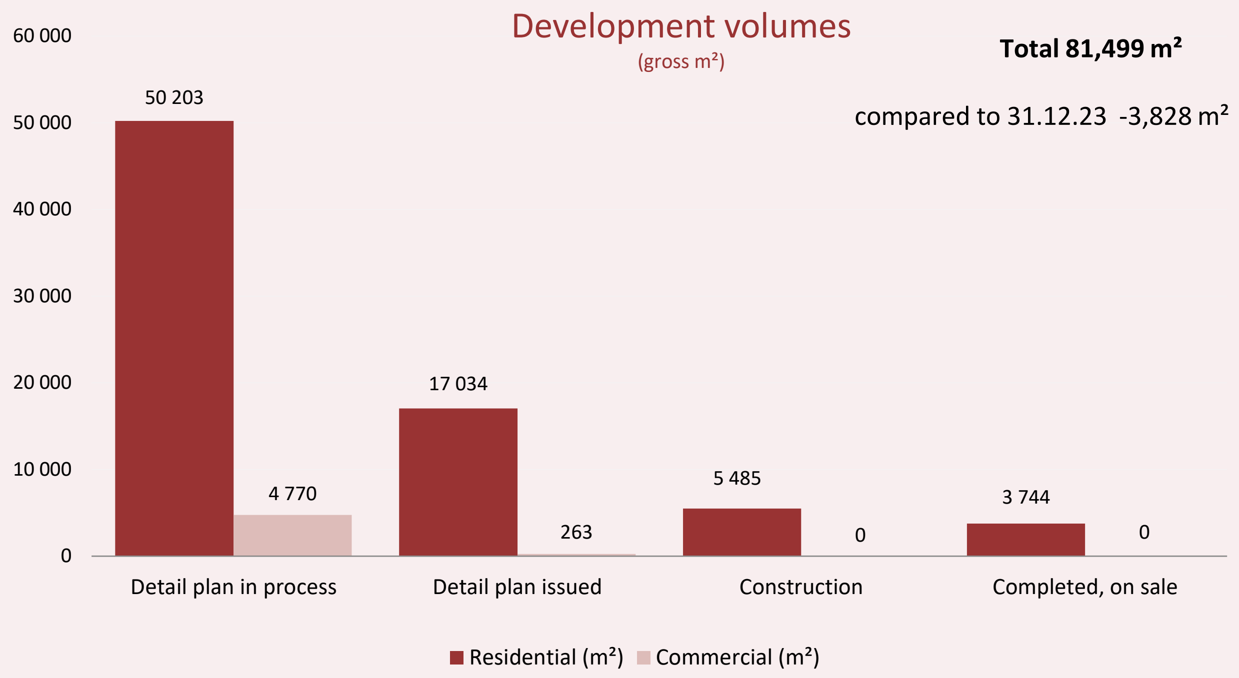
Signs of stabilisation were seen in the second half of the year - the decrease of Euribor had a positive effect on the market and the transaction volume of apartments grew in Q4 of 2024 compared to both the same period of the previous year as well as the first half of 2024. An adjustment of pricing policies and occupancy rates were also observed in both the residential market and commercial real estate.

Arco Vara continued to seek new investments and develop existing projects. Our focus remained on developing sustainability and expanding the life cycle analysis to all new projects. Our promise "Build the future, create value" guides all of our decisions and activities.

In 2024, we focused on developing quality residential environments, maintaining a strong financial position, and flexible adjustment to market changes, in order to ensure the sustainable growth and competitiveness of the company. Our mission is creating modern, sustainable and desirable residential environments where the customer can create their dream home.

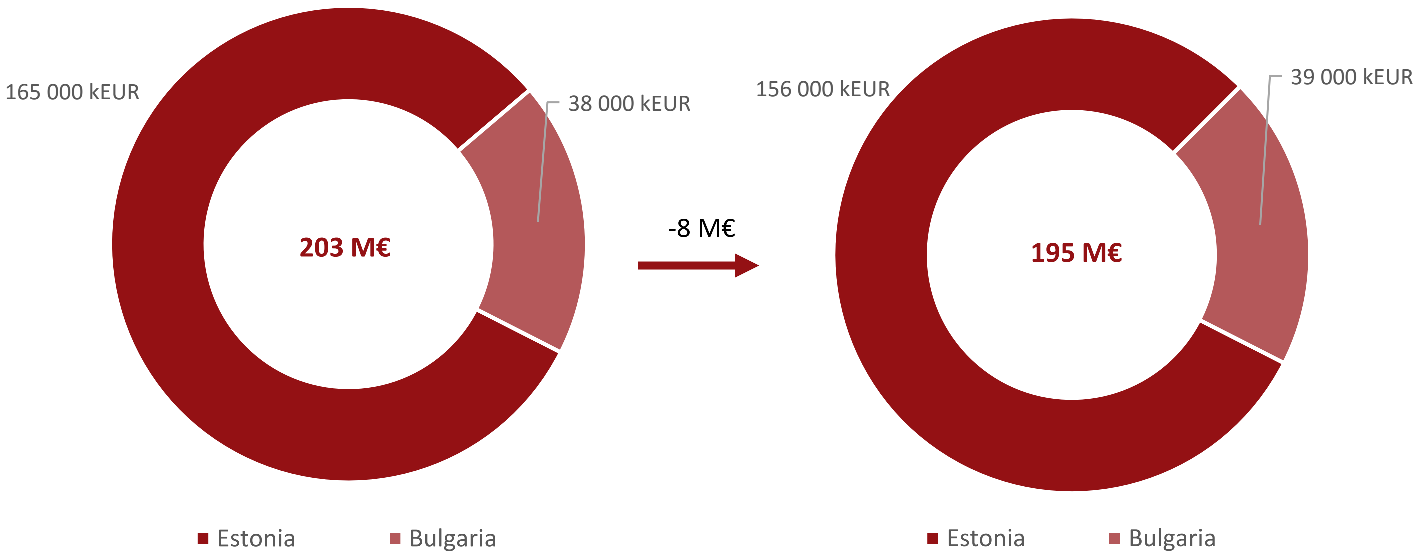
Our vision is to be the first choice for homebuyers. A 360-degree real estate journey combining development, construction, sales, and customer service, allows us to offer the best homebuying experience and homes with the best convenience of use. The primary focus of Arco Vara is a satisfied customer - which will also remain the focus of our daily work in the future. Even though 2024 was the year of adaptation and finding balance, we remain confident that our strategic direction and knowledgeable management form a strong basis for future developments and sustainable growth.

Our main goals for 2025 are to complete the first stage of the Bulgarian development, sell the completed apartments in Kodulahe and Kuldlehe, and to start the construction at Soodi 6. We are also moving forward with the development of the Arcojärve project, hoping to obtain the construction permit as early as by the end of the year. In addition, we are looking for new projects to add to our portfolio in order to increase development volume and strengthen the position of the company on the real estate market.

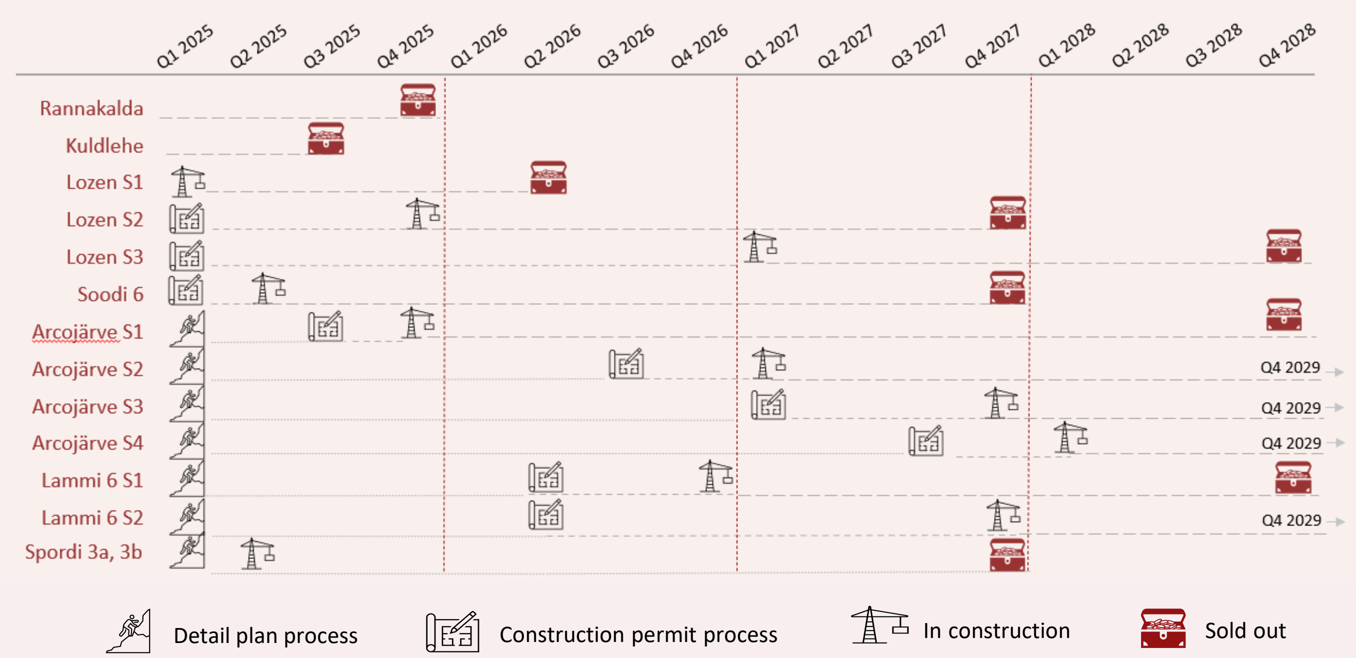


Development revenue of development projects upon completion as of 31.12.2023

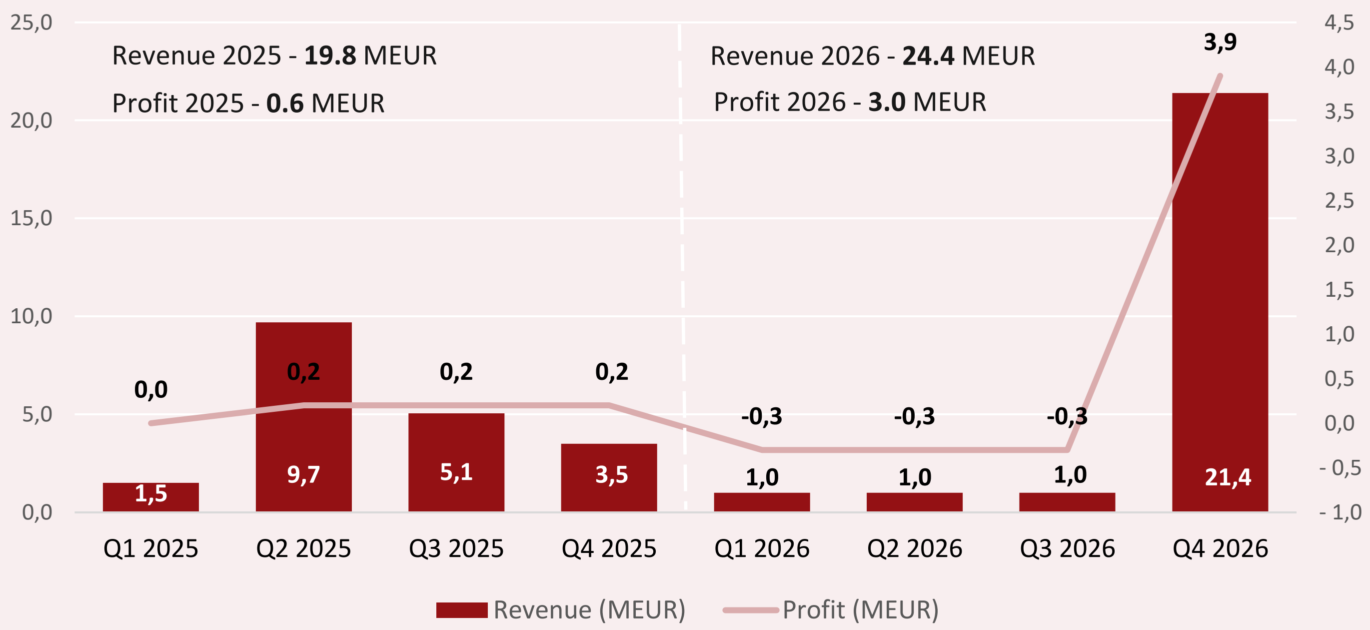
Development revenue of development projects upon completion as of 31.12.2024



Development schedule 2025 - 2028



Arco Vara Group revenue and profit prognoses 2025-2026



Arco Vara´s Active Projects as of 31.12.2024

Project name

Kodulahe Rannakalda

Address
Lammi 8, Tallinn

Product main type
Apartments, commercial spaces

Project stage
Sale

Area of plot m^2
9,525

GSA/GLA (above ground)
2,371

No of units (above ground)/ available
113/25

Project name

Botanica Lozen Stage 1

Address
Lozen, near Sofia

Product main type
Houses

Project stage
Construction

Area of plot m^2
20,190

GSA/GLA (above ground)
5,485

No of units (above ground)/ available
16/7

Project name

Kuldlehe

Address
Lehiku road 11, Tallinn

Product main type
Apartments

Project stage
Sale

Area of plot m^2
5,219

GSA/GLA (above ground)
558

No of units (above ground)/ available
5/3

Project name

Kodulahe VII etapp

Address
Soodi 6, Tallinn

Product main type
Apartments, commercial spaces

Project stage
Detail plan issued

Area of plot m^2
5,444

GSA/GLA (above ground)
4,543

No of units (above ground)
66/56

Project name

S2 and S3 Botanica Lozen

Address
Lozen, near Sofia

Product main type
Houses

Project stage
Detail plan issued

Area of plot m^2
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 m^2
69,506

GSA/GLA (above ground)
<28,132>

No of units (above ground)
<430>

Arco Vara´s Active projects as of 31.12.2024

Project name

Stage 8 Kodulahe

Address

Lammi 6, Tallinn

Product main type

Apartments, commercial spaces

Project stage

Detail plan in process

Area of plot m^2

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 m^2

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.

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 codes 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.

2
countries

30+
years of experience

2,800+
new homes

380,000+
developed m^2

Arco Vara mission and vision

Arco Vara promise:
We build the future and create value.

Arco Vara vision:
- Arco Vara is the first choice for homebuyers.
- Our 360-degree real estate journey, combining development, construction, sales, and customer service, delivers the best homebuying experience to the customer.
- We offer homes with the highest level of comfort and usability.

Arco Vara's mission is to create modern, sustainable and desirable living environments where the customer can design the home of their dreams.

Group structure

Arco Vara AS is part of the OÜ Alarmo Kapital concern.
As of 31 December 2024, the group consisted of 13 companies, which is one less than of 31 December 2023.

Significant subsidiaries as of 31 December 2024

Company name	Location	Share capital (nominal value)	Equity balance on 31 December 2024	The group's interest
In thousands of euros				
Botanica Lozen EOOD	Bulgaria	2,931	1,306	100%
Kodulahe Kvartal OÜ	Estonia	140	4,581	100%
Kerberon OÜ	Estonia	5	1,533	100%
Arcojärve OÜ	Estonia	28	702	100%
Kodukalda OÜ	Estonia	3	191	100%

Arco Vara AS subsidiaries

Kodulahe Kvartal OÜ	100%
Kodulahe II OÜ	100%
Kodukalda OÜ	100%
Arcojärve OÜ	100%
Kerberon OÜ	100%
Arco Tarc OÜ	100%
Arco Vara Bulgaria EOOD	100%
Arco Invest EOOD	100%
Iztok Parkside EOOD	100%
Botanica Lozen EOOD	100%
Arco Manastirski EOOD	100%
Arco Riverside EOOD	100%

Key Performance Indicators

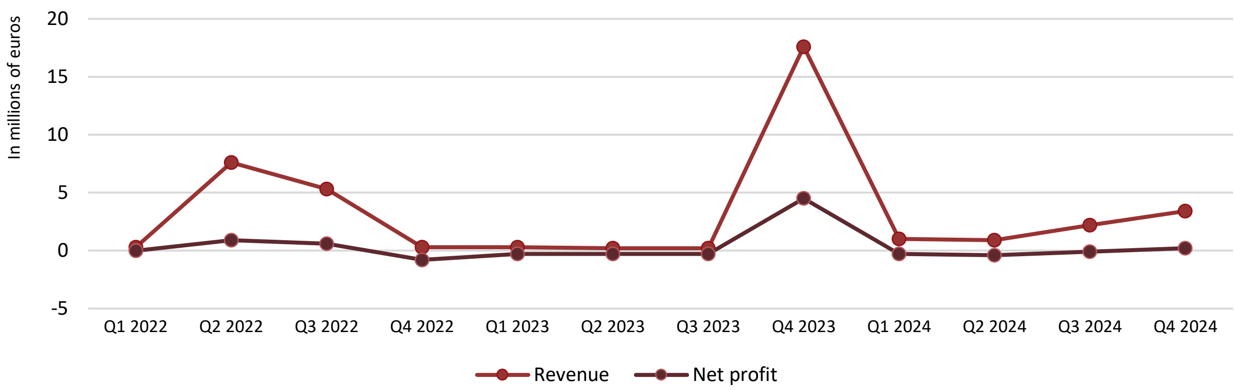
- The group's revenue was 7,477 thousand euros, which is 2.5 times less than the revenue of 18,339 thousand euros in 2023.
- In 2024, the Group's operating profit (=EBIT) was 68 thousand euros and net loss 624 thousand euros. In 2023, the group made operating profit of 3,940 thousand euros and net profit of 3,550 thousand euros.
- In 2024, 23 apartments were sold in projects developed by the group in Estonia. In 2023, 66 apartments, 3 commercial spaces in Estonia and 3 land plots in Latvia.
- In 2024, the group's debt burden (net loans) increased by 4,887 thousand euros up to the level of 13,495 thousand euros as of 31 December 2024. As of 31 December 2024, the weighted average annual interest rate of interest-bearing liabilities was 8.7%. This is an increase of 0.5 percentage points compared to 31 December 2023.

Key financial indicators

	2024	2023
In thousands of euros		
Revenue	**7,477**	**18,339**
Operating profit (EBIT)	**68**	**3,940**
Finance expense	-640	-390
Income tax	-52	0
Net profit (loss)	**-624**	**3,550**
Cash flows used in operating activities	-6,589	-11,672
Cash flows from/used in investing activities	-2,282	8,891
Cash flows from financing activities	9,119	1,115
Net cash flows	**248**	**-1,666**
Cash and cash equivalents at beginning of period	1,472	3,427
Cash and cash equivalents at end of period	1,720	1,472
Total assets at the end of period	39,568	35,190
Invested capital at the end of period	34,954	31,097
Net loans at the end of period	13,495	8,608
Equity at the end of period	19,739	21,017

Revenue and net profit/loss during recent 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	Q4 2024	**Total 2024**
In thousands 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	2.2	3.4	**7.5**
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	0.2	**-0.6**



Key Ratios

	2024	2023
Net profit ratio	-8%	19%
EPS (in euros)	-0.06	0.34
Diluted EPS (in euros)	-0.06	0.34
EBITDA per share (in euros) (rolling, four quarters)	0.01	0.39
ROIC (rolling, four quarters)	-1.8%	9.5%
ROE (rolling, four quarters)	-3.1%	19.7%
ROA (rolling, four quarters)	-1.7%	8.2%
Equity ratio	49.9%	59.7%
Current ratio	7.55	4.66
Quick ratio	1.53	0.97
Financial leverage	2.00	1.67
Average loan term (in years)	2.1	2.1
Average annual interest rate of loans	8.7%	8.2%
Number of staff, at period end	13	18

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 – short-term investments in securities (at the end of period)
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 revenue of the Group totaled 7,477 thousand euros in 2024 (in 2023: 18,339 thousand euros), including revenue from the sale of properties in the Group's own development projects in the amount of 7,145 thousand euros (in 2023: 17,581 thousand euros).

Other sales revenue in 2024 mainly includes revenue from franchise fees of real estate agencies in Estonia, Latvia and Bulgaria. Franchise fees for 2024 were 273 thousand euros, franchise revenues for 2023 were 252 thousand euros.

In 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, 8 apartments and 2 commercial premises have been presold. The homes are schedules to be completed in 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. 21 apartments were sold in the project in 2024. As of the publication date of the quarterly report, 21 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 m^2 of residential and commercial real estate (GBA) is planned for development. The project is called Arcojärve. The start of the construction of the first stage is planned for 2025.

In the Pirita Kuldlehe project, an exclusive cluster house with 5 spacious homes was built in Pirita. By the date of publication of the quarterly report, 3 out of 5 apartments are vacant.

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 in Q2 2025. By the date of publication of the quarterly report, 9 out of 16 houses have been pre-sold.

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 venuw has been given a long-term full lease and generates rental income for the group from 2024.

After to the balance sheet, the group acquired a property with building permit at Spordi 3a, 3b Kristiine Tallinn. The development will consist of two buildings and 7,600 m^2 of residential real estate (gross building area) with an underground parking lot. The buildings will have a total of 56 apartments, several of which have a balcony or terrace. Pre-sales of Spordi 3a and 3b apartments will begin in the Q2 2025, and homeowners will receive the keys by the end of 2026. The buildings will be built by Arco Vara's construction company Arco Tarc OÜ.

People

Remuneration

As of 31 December 2024, 13 people worked for the group (18 as of 31 December 2023). Employee remuneration expenses in 2024 amounted to 1,465 thousand euros (2023: 2,252 thousand euros). The labor costs also include the 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 remuneration of the member of the management board / CEO of the group's parent company including social security charges amounted to 244 thousand euros in 2024 (in 2023: 281 thousand euros).

In 2024, the members of the supervisory board of the group's parent company were remunerated by 36 thousand euros (including social tax), by 14 thousand euros in 2023.

Management board

The management board of Arco Vara AS has one member. Since 15 July 2024, the member of the management board and chief executive officer of Arco Vara AS is Kristina Mustonen who has a mandate for 4 years.

Kristina Mustonen holds a Master of Business Administration degree from Estonian Business School. From 2007 to 2020, she worked for the Vilniaus Prekyba Group, starting as a purchasing manager at Maxima Eesti OÜ, then managing several departments and for the last five years as the head of the commercial department and a member of the board. She later worked as the head of the commercial department at Bauhof Group AS. From 2020 to 2023, she was a member of the board of HKScan Estonia AS and the Baltic Business Director. In February 2023, she returned to Maxima Eesti OÜ as the CEO, where she worked until March 2024.

Supervisory board

The supervisory board of Arco Vara AS has 5 members. Since 12 January 2021, the supervisory board consists of Tarmo Sild (the Chairman), Kert Keskpaik, Hillar-Peeter Luitsalu, Allar Niinepuu and Steven Yaroslav Gorelik. More information about the key persons in Arco Vara is available on the company's website www.arcovara.com.

Tarmo Sild

Tarmo Sild graduated from the University of Tartu, faculty of law B.A. in 1998, with further studies in University of Helsinki, faculty of law in 1997-1998 and in Vrije Universiteit Brussel: PILC, LL.M (cum laude) in 1999. Tarmo Sild was the CEO of Arco Vara AS from 2012 until 2020.

Prior to joining Arco Vara, he was a sworn advocate and a member of the board of the law firm HETA from 1998 to 2003; from 2003 to 2012 a founder, sworn advocate, board member, advisor at the law firm LEXTAL; from 2008 a founder and member of the Management Board of AS IuteCredit Europe.

In addition, Tarmo Sild is also a member of the management board of the following companies and non-profit organizations outside Arco Vara group: Aia Tänav OÜ, OÜ Alarmo Kapital, OÜ Catsus, Eesti Kaugpüüdjate Liit, Eesti Porsche Klubi, AS IuteCredit Europe.

Steven Yaroslav Gorelik

Steven Yaroslav Gorelik Gorelik has graduated from Columbia University and Carnegie Mellon University. He joined Firebird Private Equity Advisors LLC in 2005 and currently serves there as their head of research and portfolio manager. Mr Gorelik also holds CFA (Chartered Financial Analyst) charter.

Mr Gorelik is member of supervisory board of Baltijas Apdrošināšanas Nams (LV), Georgian beverages Holdings (GG), and a member of the management board of EPhaG AS (ES).

Kert Keskpaik

Kert Keskpaik graduated from the Tallinn Technical University with a degree in business administration in 2007. Mr Keskpaik is member of management board of OÜ K Vara and founder of OÜ A&K Vara. His companies have been active Tallinn Stock Exchange investors since 2000. In 2001, Mr Keskpaik founded a skating sports club Spordiklubi Albe Team where he serves as member of management board and has won multiple Estonian championships in speed skating and inline skating. Mr. Keskpaik is also member of management board of Mittetulundusühing Rulluisufestival, Uisuklubi Albe, Allokatsioon OÜ, Boost Yourself SPV1 OÜ, K24 Invest OÜ, Kolde Invest OÜ, Kusjuures OÜ, Lead Invest OÜ, Merimetsa Invest OÜ, One Eleven OÜ, Sporditurg OÜ, Silverticket SPV1 OÜ, Tagakarman OÜ and Tripalium OÜ and member of supervisory board of Arco Transport AS.

Hillar-Peeter Luitsalu

Hillar-Peeter Luitsalu graduated from the University of Tartu, faculty of law in 1994. In 1993, he joined Arco Vara and since then has been active in different management bodies of Arco Vara group companies. In 1999-2004, Mr Luitsalu was a member of Arco Vara management board. Since 2005, Mr Luitsalu has been member of Arco Vara supervisory board (since 2012, chairman of supervisory board).

Mr Luitsalu is a member of management board of the following companies and non-profit organizations outside Arco Vara group: OÜ HM Investeeringud, Loodusvarade Halduse Mittetulundusühing, Noah Villas OÜ, TIK Spordimaja OÜ and OÜ Silverpool. He is also a member of the council of the Tallinn English College Foundation.

Allar Niinepuu

Allar Niinepuu graduated from the Estonian Center of Maritime Education as shipmaster in 1992. After two years' work in Estonian Shipping Company, he established his first company AS Kavass, which was initially involved in shipping consumables business and thereafter acquired and operated local supermarkets in Tallinn. Mr Niinepuu has served as member of Supervisory Board of Arco Vara AS since 2013. He is also member of management board of OÜ Alarmo Kapital and OÜ Kavass and chairman of supervisory board of AS IuteCredit Europe.

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.

To mitigate the risk, the Group: (i) invests equity into different development projects in different markets (in 2024, in Tallinn and Sofia), (ii) monitors current demand and supply in its home markets and (iii) makes efforts to narrow the time between making initial investment and selling the final product – by signing presale agreements with clients, acquiring land without no or delayed equity investment, using different project financing options that don't involve equity.

Credit risk

The Group considers credit risks to be substantially mitigated. The final sale of real estate development products 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.

Liquidity and interest rate risks

All of the Group's loan agreements are concluded in euros. As of the reporting date, the interest rate of most loan liabilities includes the 6-month Euribor as the base interest rate. Therefore, the Group is exposed to developments in international capital markets. Long-term interest rate risk is not hedged with derivative instruments. In 2024, the group's interest-bearing liabilities amounted to 15,215 thousand euros on 31 December 2024, out of which 234 thousand euros is due within next 12 months. The group's interest-bearing liabilities have increased by 5,135 thousand euros in 2024. The group's cash and cash equivalents totaled 1,720 thousand euros as of 31 December 2024 (31 December 2023 1,472 thousand). In 2024, 1,311 thousand euros of interest was paid on interest-bearing liabilities (1,326 thousand euros in 2023). The group's weighted average loan interest rate was 8.7% as of 31 December 2024. This is an increase by 0.5 percentage points compared to the end of year 2023. The reason for the increase in the average interest rate of loan obligations is due to the addition of a Euribor component to the Rannakalda development loan.

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.

Sustainability (ESG) principles

The main activity of Arco Vara is real estate development. Knowing that nearly 40% of global greenhouse gas emissions come from the construction and building sector, Arco Vara has begun to map its corporate activities in the ESG framework under the umbrella topics of Environmental, Social and Governance impacts. We believe that concerns related to global climate change should be reflected in every development we plan. Residential real estate has a long life and includes not only the house, but also the surrounding environment, infrastructure, and availability of services. In order to diminish the impacts of the sector on the environment and climate, all organizations and persons in the supply chain of Arco Vara need to work together.

As a result, we brought 15 topics of importance under the three umbrella topics of ESG – Environmental, Social and Governance – together with 33 sub-topics and activities which have a significant environmental, social or financial impact for Arco Vara.

We involved stakeholders to determine the seven topmost central topics which the sustainability strategy of Arco Vara focuses on. These topics contain the most significant potential positive or negative impacts on the environment and the people, as well as the financial risks or opportunities for the company:

- Occupational health and safety
- Customer satisfaction
- Community and contribution to society
- Creating a strong work culture
- Corporate ethics
- Diversity and inclusivity
- Energy.

Occupational health and safety

Every company's greatest asset is its employees. The daily management of the company involves the application of occupational safety measures to keep the work environment safe and free of accidents.

- The health, safety and wellbeing of employees is the most important thing for Arco Vara.
- We want to ensure a safe, inclusive and inspiring work environment for all our employees.
- Our employees are like family who grow together and develop novel sustainable solutions in both work life and personal career.
- Via various initiatives, regulations, trainings and adherence to work safety rules, we can ensure a fair and safe work environment for all our team members.

The KPI is to keep the number of accidents at work at 0.

Customer satisfaction

The best and most immediate feedback to maintain our provision of high quality is the satisfaction of our clients. Our guiding motifs in customer satisfaction are:

- Our achievements and results are appreciated by the clients of Arco Vara.
- Arco Vara only makes promises it is able to keep.
- Adhering to the delivery time of Arco Vara is a matter of pride for the company and if necessary, extra steps are taken to ensure that the expectation of the client is met.
- Customer satisfaction gives us the certainty that we are operating fairly, develop and create living environments with added value.
- Ensuring quality of real estate requires consideration for the expectations, needs and demands of various interest groups.

The community and contributing to society

In order to turn a house into a home, we need to think farther at the stages of planning and design, on how changes in generations will be satisfied with the functionality and use of space and whether everyone's needs are met, including consideration for local animal and plant species to preserve natural diversity and multiplicity of species.

Creating a living environment and harmony with nature is the basis for Arco Vara:

- The developments of Arco Vara take the natural ecosystem into account in the quarter being built, preserving the original plants which are necessary for pollinators who the preservation of natural diversity and the agriculture depend on.
- Arco Vara carries out dialogues with local communities and governments to find the best solutions for ensuring the expectations of everyone involved and for use and enjoyment of the living space.

- Arco Vara supports its employees in participating in charity and, whenever possible, also contributes by giving back to the community, e.g., via donations.
- The public space adjacent to a building must provide experiences and a pleasing sight for children, the young, middle-aged and old alike, who need to be able to move around, play sports and rest in fresh air even in areas that have been built up.

Creating a strong corporate culture

Everyone's best contribution is directly reflected in our financial results, the motivation of our employees and maintenance of team spirit. A strong team spirit brings us to excellent results, because only together can we strive towards the goals we set.

- The motto of an employee of Arco Vara is "I work like the owner".
- Responsibility is one of the greatest expectations set to our employees at work. Our employees create new living environments and the durability and development of employees is very important for Arco Vara.
- We establish one-on-one conversations between the employee and supervisor, in order to increase the employee's motivation and competence.
- Good corporate governance and openness at work creates the synergy necessary for teamwork.
- The employees of Arco Vara may work with a flexible schedule, contributing to and creating opportunities for increasing their knowledge or combining work with private lives if necessary, which is especially important for parents and students.
- Various events are organized to maintain team spirit, increasing motivation as well as opening up new perspectives.

The motto of an employee of Arco Vara is "I work like the owner".

Corporate ethics

We create an environment where business is conducted honestly and ethically, with no space for corruption. All of our developments comply with state laws, from various environmental and building permits to taxation and reporting quarterly financial results as a publicly traded company.

- The corporate behavior of Arco Vara is honest and transparent.
- Honest payment behavior is guided by local regulations, terms of contract and invoices paid on time.
- We expect our partners to act responsibly.
- The marketing messages of Arco Vara are chosen strategically and highlight support for sustainable development.
- Arco Vara has zero tolerance for corruptive behavior, especially in regards to employee behavior and prevention of corruption.
- If any business partner of ours turns out to have behaved unethically, we are prepared to immediately terminate cooperation until issues are resolved.

  In addition, it is important for Arco Vara that employee rights, including human rights are protected throughout our supply chain:
- The rights set in national labor law must be ensured for our employee, including our subcontractors and their employees, and these rights must be honored.
- We terminate cooperation if a partner/supplier turns out to be treating their employees improperly or inhumanly.
- Child labor is not abused, the youth may be used for simpler work within the scope of national labor law but the restrictions of the state must be strictly adhered to.

Diversity and inclusivity

Every employee is important at Arco Vara, with a specific goal and aim – working together brings the desired targeted results.

- Employees may not be discriminated against on the basis of nationality, skin color, language, origin, faith, political or other views, as well as proprietary and social status or other circumstances.
- Equal opportunities for development have been created for all employees of the company.

- The employees of Arco Vara and their personal specificities enrich the team.
- The working environment of Arco Vara is also accessible for people with restricted mobility.

Energy

We take natural sunlight into account during the design stage to ensure energy efficiency of a building. We seek innovative solutions and materials so that our buildings would have less of an impact on the environment and that we could stay in harmony with nature for longer. If the developments are far from the remote heating network and cannot be connected to it, then we add heating solutions based on alternative fuels such as geothermal heating. We also design the option to add solar panels to decrease dependency on power consumption in the main network. Energy efficient solutions are clearly also increasingly appreciated by our clients.

We prefer to use solutions which help promote energy efficiency, such as:

- during the designing stage, we aim for the lighting technology to be LED and to install solutions with light or motion sensors.
- We consider the most beneficial heating solutions based on location (cardinal directions, geographic location).
- If necessary, we add renewable energy sources such as solar panels and geothermal heating.

Arco Vara developed 117 apartments with energy class A in 2023 and plans to develop 118 A energy class apartments in 2025.

Arco Vara´s contribution on the SDGs of the UN

Supporting sustainable development in the society is part of the nature of Arco Vara. Our business also aids in reaching global goals of sustainable development in Estonia and Bulgaria. We can impact the following sustainable development goals the most:

Our greatest impact on the environment at Arco Vara is when designing our developments, where we can consider the material resources and energy needs required for the lifespan of the building in advance. Topics of nature preservation are taken into account when creating new projects as early as when buying land, where the natural habitats of the plot are assessed and later preserved as much as possible during development. As we are the developer, we need to pay increasing attention to the daily work of subcontractors. We want the safety of workers to be the number one priority for all of our partners. As common practice, it is mandatory to always introduce the safety rules of occupational health to the construction workers, and they are equipped with work clothes. A safe work environment also creates a good prerequisite for high-quality work.

We also monitor the development of new construction materials and offer new generation finishing material, such as recycled materials to our clients, which should contribute to the implementation of a more sustainable consumer culture and has a smaller environmental footprint. The end user is frequently unaware of which product is better for the environment when selecting materials. We can see that consumers making environmentally friendly choices requires still educating the market and increasing awareness. As developers, we see that consumers cannot yet appreciate energy efficient solutions fairly and want to decide only based on price or design when buying a home. This is definitely an issue in the sector, requiring more work in increasing awareness at the market.

It is important for the houses we design and build at Arco Vara to be able to be handed down for generations and for the residential areas to offer emotions and recreational activities to people of all ages. During the designing stage, we combine the beauty of nature, functionality of the building, and access to essential services.

Environmental impact assessment

The construction sector is widely known as a major contributor to pollution. In 2025, calculating the CO_2 print of the building becomes mandatory when applying for a construction permit in Estonia, allowing for more environmentally friendly building moving forward. No new residential real estates were completed in 2024, but the development of Kodulahe Lammi 8 was completed at the end of 2023 and we decided to measure its carbon footprint on our own accord, in order to make choices with greater awareness for future construction sites.

Arco Vara
Carbon footprint of the Kodulahe development
16,085 tonnes CO_2-eq
31.4 kg CO_2-eq/m^2 per y
1.6 t CO_2-eq/m^2
Net area: 10,260.4 m^2

The method

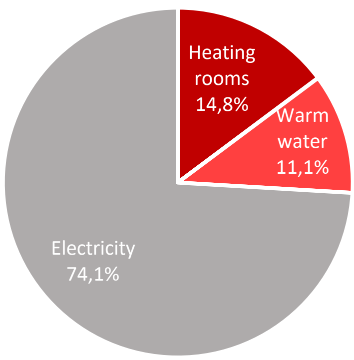
The climate impact of the building was assessed using the Estonian calculation method for carbon footprint of construction works, developed by the scientists at TalTech in cooperation with the experts of the Finnish company One Click LCA as commissioned by the Ministry of Economic Affairs and Communications. The methodology also involves the Estonian database for construction materials supplemented by the data of materials provided by Arco Vara as necessary.

Definitions

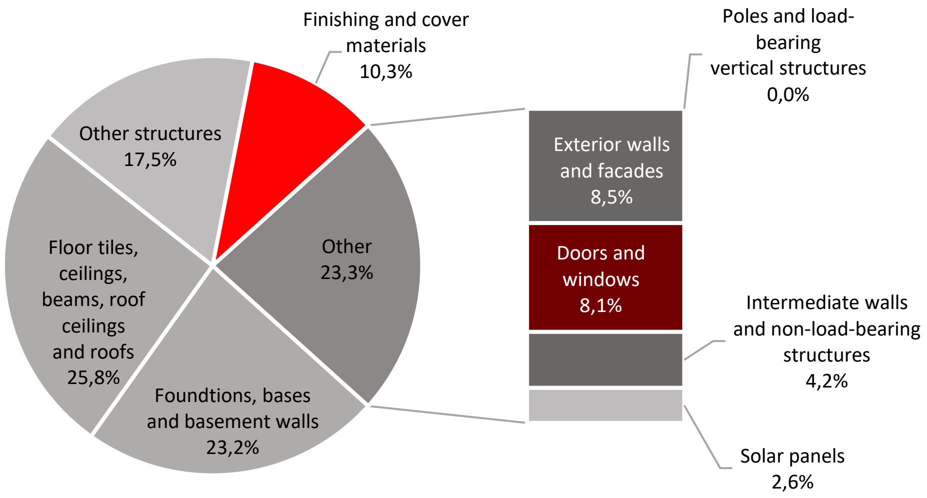
Carbon footprint – the total amount of greenhouse gas emissions expressed in a quantitative manner (as measured in CO_2 equivalent) generated as a result of the operations of a company/organisation or other entity. In this report it is also referred to as climate impact.
Greenhouse gases (GHG) – atmospheric gases that absorb heat radiation and cause the greenhouse effect. These are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbon compounds (HFC), perfluorocarbon compounds (PFC), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3).
CO_2 equivalent (CO_2-eq) – the unit of measurement of carbon footprint which reflects the varying potential of greenhouse gases in causing global warming as expressed in CO_2 equivalent.
Global warming potential (GWP) – indicates the number of times by which a given molecule of another greenhouse gas is stronger than a carbon dioxide molecule in terms of power of thermal energy absorption.
Specific emission factor – a ratio that expresses the amount of greenhouse gas emitted in a certain field of human activity per unit of impact (e.g., 0.173 kg of CO_2-eq per one kilometre travelled by a diesel engine).

Carbon footprint of the building's lifetime

The period of use for Kodulahe is calculated as 50 years according to the Estonian method. During this time, 9,192 tonnes of CO_2-equivalent of greenhouse gas emissions are generated from energy consumption. Energy consumption is usually the dominant component of the carbon footprint of a building, as the carbon content of Estonian network electricity is one of the highest in Europe.
The rooms are heated via remote heating, which is generally one of the most optimal forms of heating. Central cooling is not intended for the building, therefore having no impact on use.
The climate impact for warm water is caused by the energy needs for heating water.



Carbon footprint of material production



Climate impact of the Kodulahe Rannakalda development

	Life cycle stage of the building	Climate impact, t CO_2-eq	Proportion, %
A1-A3	Construction materials	5,328	33.1
A4	Transport of materials to site	476	3.0
A5	Construction	176	1.1
B4	Replacement of materials	365	2.3
B6	Energy during use	9,192	57.1
C1	Demolition	102	0.6
C2	Transport of waste	13	0.1
C3	Recycling	103	0.6
C4	Depositing	330	2.0
	Total	16,085	100.0

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 1.435 euros on 31 December 2024; the closing price was 1.705 euros on 31 December 2023. During the period, the highest traded price per share was 1.78 euros and the lowest price 1.31 euros. Equity per share was 1.90 euros as of 31.12.2024, 2.02 as of 31.12.2023.

As of 31 December 2024, market capitalization of shares amounted to 14,907 thousand euros and P/B (price to book value) ratio was 0.76 (31 December 2023: 17,712 thousand euros and 0.84, respectively). P/E (price to earnings) ratio of the share was -23.92 on 31 December 2024, 4.99 on 31 December 2023.

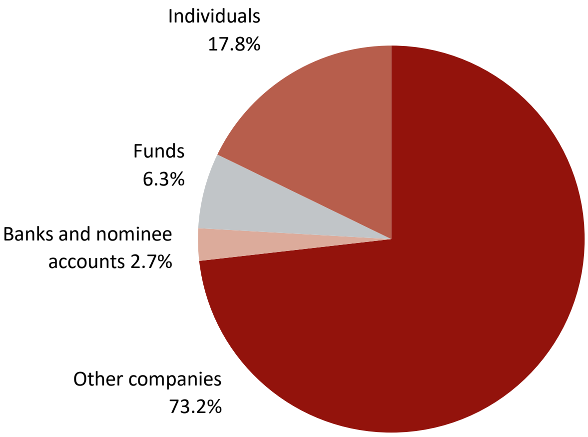
The following charts reflect the movements in the price and daily turnover of Arco Vara's share in 2024 and during the last three years.

https://nasdaqbaltic.com/statistics/en/instrument/EE3100034653/trading 10.01.2025

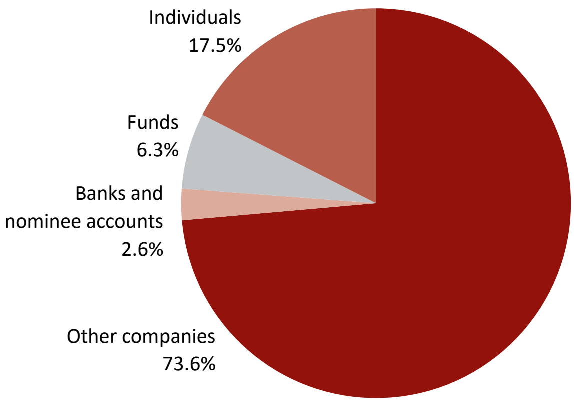
Shareholder structure

As of 31 December 2024, Arco Vara had 7,891 shareholders (on 31 December 2023 8,316), including 7,255 individuals as shareholders (on 31 December 2023: 7,596 individuals) who jointly owned 17.8% (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 31 December 2024



Ownership structure as of 31 December 2023



Major shareholders on 31 December 2024

Name	No of shares	Share, %
Alarmo Kapital OÜ	6,457,531	62.2%
FIREBIRD REPUBLICS FUND LTD	337,057	3.2%
Aia Tänav OÜ	229,000	2.2%
HM Investeeringud OÜ	220,505	2.1%
Marko Teimann	200,029	1.9%
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	2,302,126	22.3%
Total	**10,388,367**	**100.0%**

Holdings of management and supervisory board members on 31 December 2024

Name		No of shares	Share, %
Tarmo Sild and Allar Niinepuu (Alarmo Kapital OÜ)	Chairman/member of supervisory board	6,457,531	62.2%
Tarmo Sild (privately and Aia Tänav OÜ)	Chairman of supervisory board	245,000	2.4%
Hillar-Peeter Luitsalu (HM Investeeringud OÜ and related persons)	Member of supervisory board	259,259	2.5%
Kert Keskpaik (privately, K Vara OÜ, K24 Invest OÜ, Kolde Invest OÜ and One Eleven OÜ)	Member of supervisory board	212,796	2.0%
Allar Niinepuu (OÜ Kavass)	Member of supervisory board	28,400	0.3%
Steven Yaroslav Gorelik [1]	Member of supervisory board	0	-
Kristina Mustonen	Member of management board	1,500	0.0%
Total		**7,204,486**	**69.4%**

[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).

Corporate governance report

The shares of Arco Vara AS (the "Company") were listed in the main list of the Tallinn Stock Exchange on 21 June 2007. As a listed company, Arco Vara AS observes the laws and regulations that are effective in Estonia, the rules and recommendations of NASDAQ OMX Tallinn Stock Exchange, and its own core values.
Together with the annual report, the Company discloses its corporate governance report in which the Management confirms the Company's compliance with the Corporate Governance Recommendations ("the CGR"). Any instances of non-compliance with the CGR are disclosed and the reasons for non-compliance are explained. The annual report has been prepared in accordance with the guidance of the CGR. The current corporate governance report is a separate section of the management report, which is part of the Company's annual report.

General meeting

The Company's highest governing body is the general meeting of its shareholders. The competence of the general meeting and the procedure for convening general meetings and passing resolutions are governed by the Company's articles of association and the Commercial Code.

In 2024, one annual general meeting took place.

Annual general meeting

Notice of the annual general meeting was given in the information system of the Tallinn Stock Exchange and on the Company's website on 9 April 2024. The notice was published in the national daily newspaper *Postimees* on 9 April 2024. The notice included information on where materials concerning the general meeting had been made available and where shareholders could submit their questions. The information was published in Estonian and in English. The convened general meeting took place on 9 May 2024 from 17:15 until 17:50 in Tallinn at Kodulahe pavilion at Lammi 8.

The proposals of the Supervisory Board were published in the notice of the annual general meeting. The agenda of the annual general meeting included the following:

- Approval of the annual report for 2023
- Distribution of profit and dividend payment
- Appointment of Auditor.

The following decisions were adopted at the annual general meeting:

- To approve the annual report of Arco Vara AS for 2023.
- To allocate the net profit for the year ended on 31 December 2023 in the amount of 3,550 thousand euros to retained earnings.
- To pay dividends to the shareholders 0.06 euros per share. The dividend will be paid out in 4 installments as follows:
  - 0.02 euros per share will be paid to the shareholders on 13 June 2024 by transfer to the shareholder's bank account. The list of shareholders entitled to respective dividends (record date) shall be fixed on 6 June 2024.
  - 0.01 euros per share will be paid to the shareholders on 13 September 2024 by transfer to the shareholder's bank account. The respective dividend record date is on 6 September 2024.
  - 0.02 euros per share will be paid to the shareholders on 13 December 2024 by transfer to the shareholder's bank account. The respective dividend record date is on 6 December 2024.
  - 0.01 euros per share will be paid to the shareholders on 13 March 2025 by transfer to the shareholder's bank account. The respective dividend record date is on 6 March 2025.
- To approve KPMG Baltics OÜ as the group auditor for a period of three years.

The meeting was chaired by Miko-Ove Niinemäe. The meeting was attended by 31 shareholders whose votes represented 75.56% of total voting power. The meeting was conducted in Estonian and the chairman of the meeting made sure it was conducted smoothly. The general meeting was also attended by the Chairman of the Supervisory Board, Tarmo Sild, and the members of the Supervisory Board, Allar Niinepuu, Hillar-Peeter Luitsalu, and Kert Keskpaik. The auditor did not attend the meeting.

Management Board

Since July 15, 2024, the company's CEO and the member of the Management Board is Kristina Mustonen.
Contract of service has been concluded with the member of the Management Board. Member of the Management Board, Kristina Mustonen, is not a controlling owner or board member of any commercial or non-profit organizations that are not part of the group.
The contract of service of a member of the management board, entered into with the member of the management board, specifies the rights, obligations and responsibilities of the member of the management board, and also regulates the payment of basic remuneration. The amount of remuneration was agreed taking into account the duties and activities of the member of the Management Board, the current state of business and future directions. According to the contract of service of the member of the Management Board, the amount of the termination payment of the members of the Management Board was up to four months' basic remuneration. Read more about the CEO's rewarding system in the remuneration report.
Under the contract of service, the member of the Management Board has agreed not to breach the prohibition on competition. Holding certain ownership interests and being involved in the governing bodies of other companies does not constitute breach of the prohibition on competition.

Supervisory Board

The Supervisory Board is responsible for planning and organizing the operation of the Company and overseeing the activities of the Management Board. Members of the Supervisory Board of the Company are elected by the general meeting.
Under the CGR, half of the members of the Supervisory Board of a listed company have to be independent. In the event of an odd number of members in the Supervisory Board, the number of independent members may be smaller by one. Company's Supervisory Board meets the CGR's requirement regarding independent members of the Supervisory Board. During the reporting periods Steven Yaroslav Gorelik and Kert Keskpaik were independent members of the Supervisory Board.
Starting from February 2021, the members of the new supervisory board were Tarmo Sild, Steven Yaroslav Gorelik, Kert Keskpaik, Hillar-Peeter Luitsalu and Allar Niinepuu.
Members of the Supervisory Board elect the chairman of the Supervisory Board from among themselves. From April 30, 2020, the chairman of the supervisory board is Tarmo Sild. The members of the Supervisory Board are paid remuneration in the amount of 500 euros (net amount) for each participated meeting but not more than 1000 euros (net amount) per month. The payment of the remuneration is dependent on the signing of the minutes of the meetings of the Supervisory Board. The chairman of the supervisory board receives an additional 500 euros per month (net). Reasonable travel expenses made for participating in the board meetings are also compensated to the members of the supervisory board.
In 2024, the Supervisory Board had 8 meetings, seven of which were attended by all council members: Tarmo Sild, Hillar-Peeter Luitsalu, Kert Keskpaik, Allar Niinepuu and Steven Yaroslav Gorelik, and one in which Hillar-Peeter Luitsalu was absent.
In addition to being members of the Supervisory Board, all members also perform the obligations of an Audit Committee.
In the financial years 2024 and 2023, no transaction that differed from market conditions took place between a member of the management board, a person close to him or a person related to him and the company, which should be separately approved by the Supervisory Board.

Cooperation of the Management and Supervisory Board

In line with the Company's articles of association and historical practice, the Management and Supervisory Board cooperate closely. The Management and the Supervisory Board hold joint meetings for discussing matters related to the Company's strategy and exchange information about the Company's strategic development on an ongoing basis. At the meetings, the member of the Management Board informs the Supervisory Board about any deviations from the Company's plans and objectives and the reasons for those deviations. During the period under review, the member of the Management Board attended all meetings of the Supervisory Board. The members of the Supervisory Board do not take part in everyday management of the Company, but the manager updates the Supervisory Board on a regular basis on important issues regarding planning the operations of the Company and business activities. In addition, the Supervisory Board is able to turn to the manager at any time with additional questions and/or inquiries. In information exchange, all parties observe the rules approved by the Supervisory Board for keeping and disclosing inside information, making transactions with Company's shares and segregating the functions of the Management and Supervisory Board. It has become customary that at the meetings of the Supervisory Board, the manager provides the members of the Supervisory Board an overview of important issues and developments related to the Company.

Dividend policy

General meeting has the right to change the dividend policy. Pursuant to the dividend policy adopted at the general meeting of 14 May 2021, dividends are paid to shareholders at least 0.01 euros per share on a quarterly basis and additional dividends are paid based on audited net profit of the previous financial year.

Disclosure of information

Since the Company's shares were listed on the Tallinn Stock Exchange, the Company has disclosed information in accordance with the rules of the Tallinn Stock Exchange, the laws of the Republic of Estonia, relevant EU regulations and the principle that all shareholders should be treated equally.

The Company discloses information in the information system of the Tallinn Stock Exchange and on its website at www.arcovara.com in Estonian and in English. On the website, the information intended for shareholders is in the "Investor Relations" menu. The Company discloses on its website all facts, forecasts and estimates that have been disclosed to financial analysts or other parties. Disclosed information includes inter alia information related to the general meetings and general information about the Company. General and more specific information about the Company can be found in different menus of the corporate website. The information is logically structured and easy to find.

On the website, the Company has posted its financial calendar in Estonian and in English until October 2025, i.e. until publishing the Q3 interim report for 2025.

The Company's website does not include information about shareholder agreements on concerted exercise of shareholder rights because the Company is not aware that such agreements have been concluded.

The Company has not organised presentations to investors and analysts directly before the release of a financial report and has never disclosed inside information or unreleased financial data at meetings with analysts or investors.

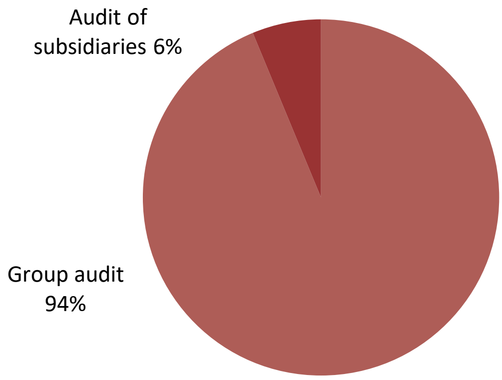
Financial reporting and auditing

The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. Quarterly financial statements are prepared in accordance with IAS 34 Interim Financial Reporting and are designed to be read in conjunction with the Company's most recent consolidated annual financial statements. Quarterly financial statements are not audited.

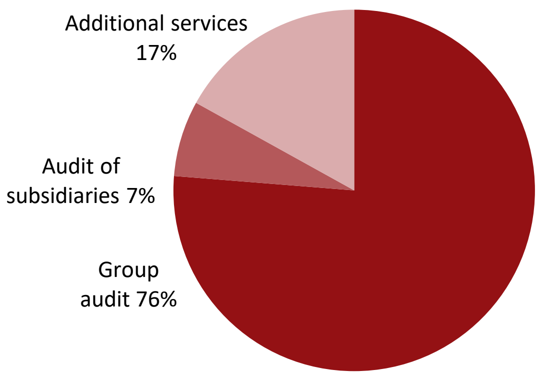
The annual consolidated financial statements of the Company are audited. Annual General Meeting of shareholders appoints the auditor for the next financial year. At the shareholders' meeting on 9 May 2024, KPMG Baltics OÜ was appointed as the Company's auditor for the next three financial years. While choosing the auditor, the Company considers the ratio of the auditing price and quality and also professionalism to be important.

In 2024, the Group's new auditor, KPMG Baltics OÜ, was paid 23 thousand euros for the audit of the consolidated report and 2 thousand euros for the audit of the subsidiary. The former auditor, PricewaterhouseCoopers AS, was paid 22 thousand euros for the audit of the consolidated report and one thousand euros for the audits of the subsidiaries in 2024. In 2023, PricewaterhouseCoopers AS was paid 45 thousand euros for the audit of the consolidated report and 4 thousand euros for the audits of the subsidiaries. In 2023, ESG strategy consulting services were purchased from KPMG Baltics OÜ in the amount of 10 thousand euros.

Fees paid to auditors in 2024



Fees paid to auditors in 2023



For better risk assessment and risk management, the Group entities that have active financial activity prepare a budget for the next financial year. The Group's consolidated budget is approved by the Supervisory Board of the Company. Execution of and adherence to approved budgets is monitored by the Company's CFO. The Company's CFO ensures the high quality of financial reporting.

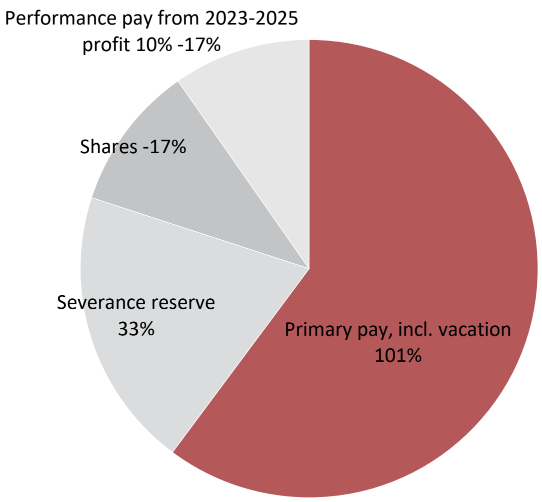
The consolidated financial statements are prepared using uniform group-wide cross-border financial accounting and reporting software. Consolidation procedures have largely been automated and are performed monthly. Monthly reports of different subsidiaries and separate units are prepared and presented to the managers of corresponding units.

Remuneration report

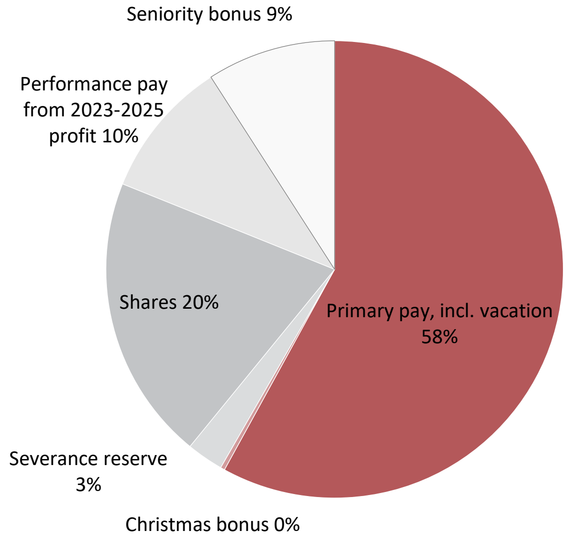
In 2024, a total of 244 thousand euros of pay together with social tax was calculated for the CEO of Arco Vara AS (in 2023: 281 thousand euros). The 2024 CEO's remuneration was lower than in 2023, as bonus reserves worth 57 thousand euros were cancelled in connection with the departure of the previous CEO in 2024. The CEO's share-based bonus system, which started in 2024, has not yet been approved by the general meeting.

Remuneration is paid to the director on the basis of the board member's contract. Pursuant to the board member's employment contract of Kristina Mustonen the council has established a fixed monthly payment of 11,000 euros (net amount). Upon leaving work, the director is eligible for a severance compensation of 4 monthly salaries.

Management remuneration proportions for 2024:



Management remuneration proportions for 2023:



The development process of real estate lasts longer than a year, therefore the volume of work and results in the form of profit are not stated in the same year.

	2024	2023	2022	2021	2020
In thousands of euros					
Director's pay (gross)	169	232	120	223	67
Average number of employees (without director)	16	18	17	11	13
Average pay for employees (gross, without director)	53	84	33	43	31
Net profit (loss)	-624	3,550	695	2,071	1,012
Net profit per employee (with director)	-37	187	39	173	72

The changes are not stable since the profit for a development is stated as at the date of the real right contract for apartments, not on an ongoing basis during preliminary sales or the construction process.

The change in indicators compared to the year before is as follows.

	2024	2023	2022	2021	2020
Director's pay (gross)	-27%	93%	-46%	233%	-26%
Average number of employees (without director)	-11%	6%	55%	-15%	-26%
Average pay for employees (gross)	-37%	156%	-24%	40%	34%
Net profit (loss)	-118%	411%	-66%	105%	161%
Net profit per employee (with director)	-120%	384%	-78%	139%	245%

CEO’s Confirmation of the Management Report

The CEO and member of the management board of Arco Vara AS confirms that the management report of Arco Vara ended on 31 December 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.

On 2 April 2025

/signed digitally/

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

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

	Note	2024	2023
In thousands of euros			
Revenue from sale of own real estate	7	7,145	17,581
Revenue from rendering of services	7	332	758
Total revenue	6,7	**7,477**	**18,339**
Cost of sales	8	-5,707	-12,740
Gross profit		**1,770**	**5,599**
Other income		7	107
Marketing and distribution expenses	9	-551	-387
Administrative expenses	10	-1,127	-1,387
Other expenses		-31	-20
Gain on revaluation of investment property	15	0	28
Operating profit		**68**	**3,940**
Financial income and cost	11	-640	-390
Profit (loss) before tax		**-572**	**3,550**
Income tax		-52	0
Net profit (loss) for the period		**-624**	**3,550**
Total comprehensive income (expense) for the period		**-624**	**3,550**
Earnings per share (in euros)	12		
- basic		**-0.06**	**0.34**
- diluted		**-0.06**	**0.34**

Consolidated Statement of Financial Position

	Note	31.12.2024	31.12.2023
In thousands of euros			
Cash and cash equivalents	20	1,720	1,472
Receivables and prepayments	13,20	5,690	5,798
Inventories	14	29,170	27,637
Total current assets		**36,580**	**34,907**
Receivables and prepayments	13	18	18
Investment property	15	2,296	20
Property, plant and equipment	16	622	221
Intangible assets	16	52	24
Total non-current assets		**2,988**	**283**
TOTAL ASSETS		**39,568**	**35,190**
Loans and borrowings	17	234	3,391
Payables and deferred income	18	4,487	4,013
Warranty provisions		127	80
Total current liabilities		**4,848**	**7,484**
Loans and borrowings	17	14,981	6,689
Total non-current liabilities		**14,981**	**6,689**
TOTAL LIABILITIES		**19,829**	**14,173**
Share capital	19	7,272	7,272
Share premium		3,835	3,835
Statutory capital reserve		2,011	2,011
Other reserves		27	56
Retained earnings		6,594	7,843
Total equity attributable to owners of the parent		**19,739**	**21,017**
TOTAL EQUITY		**19,739**	**21,017**
TOTAL LIABILITIES AND EQUITY		**39,568**	**35,190**

Consolidated Statement of Cash Flows

	Note	**2024**	2023
In thousands of euros			
Cash receipts from customers		5,203	9,662
Cash paid to suppliers		-8,426	-21,316
Taxes paid		-3,155	-1,811
Taxes recovered		1,020	1,078
Cash paid to employees		-1,205	-820
Other cash payments and receipts related to operating activities (net)		-26	69
NET CASH FROM/USED IN OPERATING ACTIVITIES		**-6,589**	**-11,672**
Payments made on purchase of tangible and intangible assets	16	-6	-3
Proceeds from sale of investment property	15	0	8,894
Payments made on purchase and development of investment property	15	-2,276	0
NET CASH FROM/USED IN INVESTING ACTIVITIES		**-2,282**	**8,891**
Proceeds from loans received	17	13,246	14,095
Settlement of loans and borrowings	17	-2,193	-11,026
Interest paid		-1,311	-1,326
Dividends paid	22	-623	-624
Other payments related to financing activities	12	0	-4
NET CASH FROM/USED IN FINANCING ACTIVITIES		**9,119**	**1,115**
NET CASH FLOW		**248**	**-1,666**
Cash and cash equivalents at the beginning of period	20	1,472	3,427
Change in cash and cash equivalents		**248**	**-1,666**
Decrease in cash and cash equivalents through sale of subsidiaries		0	-289
Cash and cash equivalents at the end of period	20	1,720	1,472

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Statutory capital reserve	Other reserve	Retained earnings	**Total equity**
In thousands of euros						
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**
Formation of equity reserve	0	0	0	56	0	**56**
Total comprehensive income for the period	0	0	0	0	3,550	**3,550**
Balance as of 31 December 2023	**7,272**	**3,835**	**2,011**	**56**	**7,843**	**21,017**
Balance as of 31 December 2023	**7,272**	**3,835**	**2,011**	**56**	**7,843**	**21,017**
Dividends paid	0	0	0	0	-625	**-625**
Formation of equity reserve	0	0	0	-29	0	**-29**
Total comprehensive income for the period	0	0	0	0	-624	**-624**
Balance as of 31 December 2024	**7,272**	**3,835**	**2,011**	**27**	**6,594**	**19,739**

For additional information on share capital and other equity items, see note 19.

Notes to the Consolidated Financial Statements

1. General information

These consolidated financial statements of Arco Vara AS and its subsidiaries as of and for the year ended on 31 December 2024 were authorised for issue by the chief executive officer / member of the management board on 3 April 2025. Under the Commercial Code of the Republic of Estonia, the annual report prepared by the management board and approved by the supervisory board must be approved by the shareholders' general meeting. The consolidated financial statements are part of the annual report, which has to be approved by the shareholders, and they serve as a basis for adopting a resolution for distributing the profit. Shareholders may decide not to approve the annual report, which has been prepared by the management board and approved by the supervisory board, and may demand that a new annual report be prepared.

Arco Vara AS is a company incorporated and domiciled in Estonia whose registered office is at Rotermanni street 10 Tallinn. As of the end of 2024, 13 people provided services to the Group under the employment or authorization contract (31 December 2023: 18 people). In addition to Estonia, the Group has, through its subsidiaries, active operations also in Bulgaria.

The structure of the Group as of 31 December 2024 is presented in note 24.

2. Statement of compliance and basis of preparation

The consolidated financial statements of Arco Vara AS and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated financial statements have been presented and submitted for approval in conformity with the requirements of the Estonian Accounting Act and the Estonian Commercial Code. The consolidated financial statements are presented in thousands of euros, unless indicated otherwise.

The consolidated financial statements have been prepared under the historical cost convention, unless explained otherwise in note 4 Significant accounting policies.

Use of accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, and the disclosure of contingent assets and contingent liabilities, based on the likelihood of respective events happening. Although estimates and underlying assumptions are reviewed on an ongoing basis and they are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances, actual results may differ from the estimates.

Information about management's critical judgements and estimates that have a material effect on the amounts reported in the financial statements is provided below.

Estimation uncertainty

The estimates made by management are based on historical experience and the information that has become available by the date the financial statements are authorised for issue. There is a risk that the estimates applied at the reporting date in respect of assets and liabilities and associated income and expenses need to be revised in the future. The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the consolidated financial statements are discussed below.

Estimation of the net realisable value of inventories

The Group has several items of real estate (properties) that have been classified as inventories. The net realizable values of all significant properties classified as inventories were measured as of 31 December 2024 and 31 December 2023 in order to determine whether:

1) the net realizable value of any item had decreased below its carrying amount;
2) any impairments recognized in prior periods needed to be reversed.

Inventory valuation is carried out individually by project (land plot or building). A business plan is prepared for each property and the costs of the property are compared with the potential revenues. In the case of properties under development, the final cost is assessed based on the budgeted costs that are necessary until the completion of the project; in the case of completed properties, the actual costs incurred are taken into account. The sales price has been determined using the comparative method and the assessment of agreements concluded for the sale of the property. The net realizable value has been calculated taking into account the selling costs. If the costs of the property exceed the income from the sale of the property (net realizable value), the Group writes down the assets by the amount of the costs exceeding the income. Due to the volatility of the construction market and the variable liquidity of the real estate market, determining the net realizable value depends to a significant extent on the management's estimates. If necessary, external experts will be involved in the evaluation process. Valuation methods are described in more detail in notes 4 and 14.

3. Changes in accounting policies and presentation of information

The consolidated financial statements are prepared in accordance with the principles of consistency and comparability, which means that the Group consistently applies the same accounting and presentation policies. Accounting policies and presentation are changed only when this is required by new or revised International Financial Reporting Standards (IFRS) as adopted by the EU and their interpretations, or when a new accounting policy or presentation practice represents the Group's financial position, financial performance and cash flows more adequately.

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as of and for the year ended 31 December 2023. A number of new standards did not have a material effect on the Group's financial statements as of 1 January 2024 (see note 4).

4. Significant accounting policies

New accounting pronouncements after 1 January 2025

The following new standards, interpretations and amendments are not yet effective for the annual reporting period ended 31 December 2024 and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

Presentation and disclosure of Financial Statements – (Effective from annual reporting periods starting from 1 January 2027 or later; not endorsed by the EU yet. Early implementation is allowed.).

The standard IFRS 18 replaces the standard IAS 1 "Presentation of Financial Statements." The key changes in the requirements are summarized below.

Structured Income Statement

The IFRS 18 standard introduces new definitions for key figures—"operating profit" and "profit (loss) before financing and income tax"—and requires that all revenues and expenses be classified into three new distinct categories based on the company's primary activities: operating, investing, and financing. Under IFRS 18, companies are no longer permitted to disclose operating expenses solely in the notes. Instead, the company must present operating expenses in a manner that provides the most useful structured summary of its costs, doing so through one of the following methods:

- Nature of expenses
- Function of expenses
- Combined presentation method

If operating expenses are presented based on their function, new disclosure requirements will apply.

Management-defined performance indicators that must be disclosed and audited

According to IFRS 18, certain indicators must also be disclosed in the financial statements that are not covered by the so-called good accounting practices. The standard establishes a narrow definition of management-defined performance metrics, which stipulates that:

- they represent the difference between revenues and expenses;
- they are used in public communications outside of financial statements; and
- they reflect management's assessment of financial performance.

For each management-defined performance metric presented, the company must explain in a note to the financial statements why the information provided by this metric is useful, how it is calculated, and compare it to the metrics calculated in accordance with IFRS standards. applied.

Increased Distinction of Data

To provide investors with a better overview of financial results, the new standard offers more precise guidelines on the grouping of information in financial statements. This includes guidance on whether information should be presented in the primary financial statements or disclosed in more detail in the notes. Companies are discouraged from using the line item "Other," and if they choose to do so in the future, they must provide additional information.

Transition in the financial statements prepared for the period in which the new standard is first applied, the entity must present a comparison of each line item in the income statement for the immediately preceding comparative period, disclosing:

- adjusted amounts presented in accordance with IFRS 18, and
- previously presented amounts in accordance with IAS 1.

The group plans to implement the new standard starting from January 1, 2027. The group estimates that the initial application of the new standard may have a significant impact on its financial statements. The group is currently assessing the potential effects of implementing IFRS 18 on its financial reporting.

Other new or revised standards or interpretations which are not yet effective are not expected to have a material impact on the Group.

Business combinations and basis of consolidation

The financial statements of all group entities coincide with the calendar year. The group entities use in all material respects uniform accounting policies and measurement bases. Where necessary, the accounting policies and measurement bases of group entities are adjusted for consolidation to ensure consistency with the policies adopted by the Group.

In preparing the consolidated financial statements, all transactions, balances and unrealized profits and losses arising from transactions between consolidated entities are eliminated in full. Unrealized losses are eliminated only to the extent that there is no evidence of impairment. Subsidiaries are consolidated from the date the control commences until the date the control ceases.

Acquisitions of subsidiaries are accounted for using the acquisition method whereby the assets acquired and liabilities and contingent liabilities assumed ('net assets') are recognized and measured at their acquisition-date fair values. For each business combination, the Group decides whether to measure the non-controlling interests in the acquiree at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. If the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the Group's previously held equity interest in the acquiree exceeds the Group's interest in the net of the acquisition-date amounts of identifiable assets acquired and the liabilities assumed, the difference is recognized as goodwill. When a bargain purchase is made and the fair value of the net assets acquired exceeds the above aggregate amount, the resulting gain is recognized in profit or loss immediately. Acquisition-related costs are recognized as expenses as incurred.

In the parent company's separate financial statements, the investments in subsidiaries are accounted for at cost less accumulated impairment. If it becomes apparent that the recoverable amount of investments in subsidiaries has increased above the carrying amount, the previous impairment loss is reversed and the carrying amount of the investments is increased.

Segment reporting

Segment reporting complies with internal reporting submitted to the Group's chief operating decision makers. The Group has identified the parent company's CEO/ member of the management board as its chief operating decision maker. The CEO/ member of the management board reviews the Group's operating results by business line, whereby an operating segment is a component of the Group that provides clearly distinguishable products or services and operates as an independent profit center.

Segment revenue is revenue that a segment earns from sales to external customers or other segments of the Group. Segment expenses are expenses resulting from the operating activities of a segment that are directly attributable to the segment, including expenses from transactions with external suppliers and other segments of the Group. Segment expenses do not include finance costs and investment expenses, the Group's general administrative expenses and other expenses that arise at the Group level. The costs incurred at the Group level are allocated to a segment only if they relate to the segment's operating activities and they can be attributed to the segment on a reasonable basis.

Unrealized profits and losses which arise within the Group from transactions performed between its segments are not allocated to any segment but are reported as eliminations of inter-segment profits and losses. Unrealized profits and losses that arise from transactions between the Group's head office and the segments and which can be allocated to a segment on a reasonable basis are included in the segment's operating profit. Segment assets are assets that

are employed by a segment in its operating activities and that are directly attributable to the segment. Segment assets include, for example, current assets, investment properties, property, plant and equipment and intangible assets used in a segment's operating activities. Segment assets do not include assets used for the Group's general needs or ones which cannot be directly allocated to the segment.
Segment liabilities are liabilities that result from the operating activities of a segment and that are directly attributable to the segment. Segment liabilities include, for example, trade and other payables, accrued expenses, advances from customers, warranties provisions and other liabilities related to the segment's products and services. Segment liabilities include also loans and finance lease liabilities arisen from financing activities.
Unallocated items comprise revenue and expenses and assets and liabilities, which have not been allocated to any segment under the above principles.

Foreign currency transactions

When the functional currency of a subsidiary differs from the parent's functional currency, the financial statements of the subsidiary (in Bulgaria) are translated for consolidation purposes using the central exchange rate of the currency against the euro, which is why translation does not give rise to any significant exchange differences. Bulgaria has fixed its currency to the euro.

Revenue

Revenue is income arising in the course of the Group's ordinary activities. Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled to in exchange of transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a good or service to a customer.

Revenue from sale of real estate

The Group develops and sells real estate (mostly apartments). Revenue is recognized when control over the property has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer.

Revenue from franchise agreements

The Group is selling licensing rights to its trademarks to real estate agencies in Estonia, Latvia and Bulgaria. Revenues are recognized in periods when services are provided. Revenues depend on the turnover of real estate agencies, which are reported on a monthly basis.

Revenue real estate leasing and other services

The Group rented commercial premises belonging to the Group. Revenue from the rendering of services is recognized in the period when the services are rendered and the income from the leased commercial premises is linear during the lease term.

Financing component

Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

Cash and cash equivalents and the statement of cash flows

Cash and cash equivalents comprise cash and short-term (with a term of up to 3 months from the date of acquisition) highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in market value. Such assets are cash, demand deposits and term deposits with a maturity of up to three months.
In the statement of cash flows, cash flows are presented using the direct method.

Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- to be measured subsequently at fair value (either through other comprehensive income or through profit or loss),
- to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and derecognition

Ordinary purchases and sales of financial assets are recognized on transaction date, when the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition, except for financial assets carried at fair value through profit or loss statement. Transaction costs of financial assets carried at fair value through profit or loss statement are expensed in profit or loss statement.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing financial assets and on the cash flow characteristics of the asset. All Group's debt instruments are classified in amortized cost measurement category.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in financial income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss statement and presented in other income/expenses. Foreign exchange gains and losses and impairment losses are presented as separate line items in profit or loss statement.

Equity instruments

The Group records equity instruments at their fair value. If the Group has made an irreversible decision to record the fair value changes of equity instruments not held for trading purposes through other comprehensive income, then it is not possible upon derecognition of such equity instrument to reclassify changes and record them through profit and loss statement. Dividends received from such investments will continue to be recorded in the other income row of the profit or loss statement if the Group has received a right of dividends.

Profit or loss from equity instruments measured at fair value through profit or loss statement is recorded on the other income or loss row of the profit or loss statement. Devaluations (or reversals thereof) of equity instruments measured at fair value through other comprehensive income statement are not recorded separately from changes in fair value.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value with changes through profit and loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of expected credit losses reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions. The Group measures impairment as follows:

- receivables from purchasers in an amount equal to expected credit losses over lifetime;
- cash and cash equivalents the credit risk of which is assessed to be low during the reporting period (the management considers an investment-grade credit rating by at least one major credit rating agency to prove a low credit risk) in an amount equal to the expected credit losses over 12 months;
- for all other financial assets, the expected credit losses over 12 months if the credit risk (i.e. default risk over the life of the financial asset) has not increased significantly after initial recognition; if there is a significant increase in risk, the credit loss is measured at the amount of credit losses expected over the lifetime.

Inventories

The Group's inventories include mostly land and buildings that have been acquired or are being developed for housing developments. Finished goods and work in progress are initially recognized at their cost of conversion. The cost of conversion includes all direct and indirect production costs incurred in bringing the inventories to their present location and condition. Other inventories are initially recognized at cost, which includes all direct and indirect costs incurred in bringing the inventories to their present location and condition. Indirect costs that are included in the cost of items of real estate classified as inventories include borrowing costs incurred in financing the construction of the assets. and salaries of development managers.

Capitalization of borrowing costs commences when borrowing costs and expenditures for development of inventories have been incurred and development activities have been undertaken. Borrowing costs are capitalized during the active development stage. Capitalization of borrowing costs ceases when the asset is complete (usually when the building has been granted an authorisation for use) or its development has been suspended for an extended period.

The cost of inventories is assigned using the weighted average cost formula. Inventories are recorded at cost or net realizable value, whichever is lower. Any write-down of inventories to net realizable value is recognized as an expense in the period of the report, shown separately on the income statement as a gain (loss) from inventory write-downs. If a previously written-down net realizable value increases in later periods, the prior write-down must be reversed.

Developed real estate is recognized as an expense in the amount of square meters sold in the period when the sale is recorded.

Investment properties

Investment properties are initially recognized in the financial position statement at acquisition cost, which includes transaction costs directly related to the acquisition: notary fees, state duties, fees paid to consultants, and other expenses without which the purchase transaction would likely not have been concluded. Subsequently, the real estate investment is reported at fair value on each reporting date, determined based on actual market conditions at the reporting date. Gains and losses arising from changes in the fair value of real estate investments are recognized in the consolidated income statement line for Profit (Loss) from real estate investments. In determining the fair value of real estate investments, in addition to management's estimates, the opinions of independent certified appraisers are used when necessary. The following methods are applied in determining fair value:

- Income approach (discounted cash flow analysis or income capitalization). The income approach is used to determine the value of properties that have stable rental income or in cases where management believes that the comparative method does not reflect fair value (for example, due to low market liquidity in the area of the property being valued, lack of comparable transactions, or a significant time gap between the comparable transaction and the valuation date). To determine the fair value of a rental-generating property using the income approach, the appraiser must forecast the future rental income of the property (including rent per square meter and occupancy rates) and operating costs. Depending on the ease and feasibility of lease termination by tenants, the appraiser chooses to analyze either existing cash flows or average cash flows in the market. Additionally, in the case of discounted cash flow analysis, a suitable discount rate must be chosen to determine the present value of net cash flow, reflecting current market trends for the time value of money and specific risks associated with the asset. The average capital structure in the market is used as a basis for selecting the discount rate. In determining the capitalization rate used in the income capitalization approach, the average expected return of investors for similar types of assets in the specific market is taken into consideration.
- Comparative method. The comparative method is used for properties that do not generate rental income and are held for future development potential or value appreciation. In the comparative method, transactions that occurred under comparable conditions to the object being valued are examined, and the market value of the object is derived from the price per square meter of completed transactions. Since the transactions that serve as the basis for the comparative method are practically never absolutely identical to the object being valued, adjustments are made to the indicators of the transactions based on time, location, size, and detailed planning, or another valuation method (such as the income approach) is used, which, in management's opinion, better reflects the fair value of the property.
- Residual value method. This method is used for valuing property that requires development or renovation in cases where the comparative method cannot be used due to the lack of a suitable comparison base. When using this method, it is assumed that the buyer of the property is willing to pay an amount equal to the value of the developed or reconstructed property minus the development or reconstruction costs and a reasonable profit from the development project.
- Contractual sales agreement as of the reporting date. For properties sold under a contractual sales agreement as of the reporting date, when the property rights agreement has not yet been concluded, the sale price in the contractual sales agreement is used as the basis for recognizing fair value. The sale price stated in the contractual agreement is used to determine the fair value of the property only if the group has sufficient certainty that a property rights agreement will be concluded under the same conditions (for example, if the buyer has made a significant advance payment for the property as of the reporting date or if the property rights agreement was concluded after the reporting date but before the preparation of the annual financial statements by the management).

Property, plant and equipment

The threshold for recognizing tangible fixed assets is 1,000 euros. An exception is made for investment property: an investment property is capitalized if the total cost exceeds 5,000 euros and the lease term is longer than one year. The company leases office spaces under operating lease conditions. The lease agreements do not impose significant additional terms or restrictions on the company. The company recognizes short-term and low-value assets used under the right of use as an expense, amortizing them linearly over the lease period.

Asset classes are assigned the following annual depreciation rates:

- Buildings and structures 2–18%
- Plant and equipment 8–20%
- Investment property 20%
- Other equipment and fixtures and tools 20–40%.

Intangible assets

The Group's intangible assets comprise assets with defined useful lives only. Intangible asset classes are assigned the following annual amortization rates:

- Business software 20 - 33%,
- Website 10 - 33%.

Financial liabilities

Financial liabilities (trade and other payables, loans and borrowings and accrued expenses) are initially recognized at their fair value less any transaction costs directly attributable to their acquisition. After initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method.

Interest expenses on financial liabilities are recognized in finance costs on an accrual basis except that interest expenses on financing the development of assets (real estate projects carried as inventories, investment properties, and items of property, plant and equipment) are capitalized and added to the carrying amount of the asset as borrowing costs.

A financial liability is classified as current when it is due to be settled within 12 months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for more than 12 months after the reporting date. Financial liabilities which are due to be settled within 12 months after reporting date are classified as current even if an agreement to refinance on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue. When a contract is breached on or before the reporting date with the effect that the liability becomes payable on demand, the liability is also classified as current.

A financial liability is removed from the statement of financial position when it is discharged or cancelled or expires.

Share-based payments

The share options granted to the Group's CEO/member of the management board and key employees are recognized as equity-settled consideration for services rendered to the Group. Owing to the complexity of determining the fair value of services received, the fair value of the services rendered by the CEO/member of the management board and key employees is measured by reference to the fair value of the equity instruments granted.

The cost of equity-settled share-based payment transactions is recognized as an expense with a corresponding increase in equity over the period in which the employee provided services until the date of vesting of equity instruments. At each balance sheet date, the Group recognizes expenses related to share-based payments based on an estimate of the number of equity instruments expected to vest. Any change in the cumulative remuneration expense from the date of the current reporting period is recognized in profit or loss for the period. The grant of share options is conditional on the length of the employee's employment in the Group between the grant date of the options and the end of the vesting period. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value of the share options at the measurement date. Instead, vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction so that, ultimately, the amount recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that will eventually vest. Hence, on a cumulative basis, no amount is recognized for services received if the equity instruments granted do not vest because of the failure to satisfy a vesting condition, e.g. when the counterparty fails to complete a specified service period.

If the share options are exercised by the CEO/member of the management board or key employees, the Group will issue new shares, which will be redeemed by the CEO/member of the management board or key employees for 0.7 euros per share. The fair value of share options accumulated in equity will be transferred to retained earnings at the exercise date.

Provisions and contingent liabilities

A provision is recognized in the statement of financial position only when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. For example, the guarantee reserve is reported separately. The guarantee reserve is formed as a percentage of the construction volume based on the company's previous experience: the percentage varies depending on the project, ranging from 0.2% to 0.5%. In addition to the company's guarantee provisions, guarantees for the construction are also provided by subcontractors, from whose payments a corresponding portion is withheld until the end of the guarantee period.

Other possible commitments that may transform into obligations under certain circumstances (which have not yet occurred) are disclosed as contingent liabilities in the notes to the consolidated financial statements.

Present obligations arising from past events, which according to management's judgement will not realise or cannot be measured reliably are also disclosed as contingent liabilities.

Income tax

Income tax assets and liabilities and income tax expense and income comprise current and deferred items. Current tax is recognized as a short-term asset or liability and deferred tax is recognized as a long-term asset or liability.

Parent company and subsidiaries registered in Estonia

Under the Estonian Income Tax Act, in Estonia companies do not have to pay income tax on their earnings (profit for the year). Instead, income tax is levied on profit distributions (dividends). Corporate income tax on dividends is recognized in the consolidated income statement as an income tax expense and in the balance sheet as a deferred tax liability to the extent of the planned dividend payout. The obligation to pay income tax arises on the 10th day of the month following the dividend payout. Deferred tax liabilities are recognized in relation to investments made in subsidiaries, except in cases where the group can control the timing of the reversal of taxable temporary differences and it is probable that the reversal will not occur in the foreseeable future. Since the parent company controls the payment of dividends, the sale or liquidation of investments, and other transactions with subsidiaries, it can control the timing of the reversal of taxable temporary differences related to those investments. Therefore, if the parent company has decided that the earned profits will not be distributed in the foreseeable future, it will not recognize a deferred tax liability. If the parent company assesses that dividends will be paid in the near future, it measures the deferred tax liability based on the planned dividend payout, provided that as of the reporting date, there are sufficient resources to pay dividends and equity from which profits can be distributed in the near future.

In 2024, the applicable corporate tax rate was 20% (20/80 of the distributable net dividends), and there was a special regime that applied a lower tax rate of 14% (14/86 of the net amount of dividends) to regular profit distributions. From January 1, 2025, the tax rate on dividend income will be 22% (22/78 of the distributable net dividends). The previously applicable preferential rate of 14% (14/86) for regular profit distributions has been abolished, and a uniform taxation regime will apply to all dividends. The income tax associated with the dividend payout is recognized as an expense for the period upon the declaration of the dividends.

The contingent tax liability reflecting the obligation that would arise on the distribution of retained earnings as dividends is not recognized in the statement of financial position. Maximum possible tax liability in case all retained earnings were distributed is disclosed in note 22.

Bulgarian subsidiaries

In Bulgaria, the profit earned by companies is subject to income tax. The tax rate in Bulgaria is 10% of taxable income. Taxable income is identified by adjusting profit before tax for the temporary and permanent differences permitted by the local tax laws.

In the case of foreign subsidiaries, deferred income tax assets and deferred income tax liabilities are recognized for all temporary differences between the carrying amounts and tax bases of assets and liabilities. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Investments in subsidiaries and joint ventures in the parent company's unconsolidated primary financial statements presented in accordance with the Estonian Accounting Act

The parent company's unconsolidated primary financial statements (note 25) represent supplementary information that is presented in accordance with the requirements of the Estonian Accounting Act and they do not constitute separate financial statements as defined in IAS 27.

In the parent's unconsolidated primary financial statements, investments in subsidiaries are measured

using the cost method whereby an investment is initially recognized at cost, i.e. at the fair value of the consideration paid for it on acquisition and after initial recognition it is carried at cost less any impairment losses.
Investments are tested for impairment by measuring their recoverable amounts whenever there is any indication of impairment. Impairment losses are recognized in the statement of comprehensive income in other expenses or in separate line if the amount is material. Dividends received and receivable from subsidiaries are recognized as income when the right to receive payment has been established.

5. Acquisition and sale of subsidiaries

Scope of consolidation

As of 31 December 2024, the Group consisted of 13 companies, which is one less than on 31 December 2023. In 2024, the subsidiary in Latvia was liquidated. In 2023, 3 subsidiaries were sold and Kodulahe OÜ and Kodulahe Kvartal OÜ were combined under name Kodulahe Kvartal OÜ. The structure of the Group is presented in note 25.

Liquidation of Subsidiaries in 2024

On January 16, 2024, Marsili II SIA was liquidated. This marked the end of the group's development activities in the Republic of Latvia.

Sale of subsidiaries in 2023

On June 30,.2023, three subsidiaries of Arco Invest EOOD were sold in Bulgaria: Office Cherkovna EOOD, Trade Center Cherkovna EOOD, Oborishte Premium Apartments EOOD. The purpose of creating these subsidiaries in 2022 was the sale of the Madrid commercial building in Sofia through various service lines, and this transaction was completed in 2023.

Merge of subsidiaries in 2023

On November 30, 2023, the merger of Kodulahe OÜ and Kodulahe Kvartal OÜ took effect, Kodulahe OÜ was deleted. Both companies were involved in the development of homes in the Kodulahe Kvartal area, and their merger reduces the Group's administrative burden.

6. Segment information

The 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. Other activities include franchise fee, the sale of Latvian lands and the proceeds and profits of the Madrid Blvd commercial building sold in 2023.

External revenue, interest and profit/loss by segment

Segment	**Bulgarian development**		**Estonian development**		**Estonian construction**		**Other**		**Consolidated**	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
In thousands of euros										
Revenue	0	0	7,204	17,612	6	6	273	721	**7,477**	18,339
Amortization	-11	-11	-4	0	-3	-3	-67	-80	**-85**	-94
Operating profit/ loss	131	-1,003	284	5,337	-394	-246	47	-148	**68**	3,940
Interest	0	-7	-652	-50	0	3	0	-336	**-652**	-390
Net profit/ loss	129	-1,010	-376	5,287	-391	-243	14	-484	**-624**	3,550

Fore revenue, see note 7. For interest expense, see note 11.

Revenue by segment

Segment	Bulgarian development		Estonian development		Estonian construction		Other		Eliminations		Consolidated	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
In thousands of euros												
External revenue	0	0	7,204	17,612	0	6	273	721	-	-	7,477	18,339
Revenue from other segments	0	284	0	2	2,255	11,968	890	768	-3,145	-13,022	0	0
Total revenue	**0**	**284**	**7,204**	**17,614**	**2,255**	**11,974**	**1,163**	**1,489**	**-3,145**	**-13,022**	**7,477**	**18,339**

External assets and liabilities by segment

Segment	**Bulgarian development**		**Estonian development**		**Estonian construction**		**Other**		**Consolidated**	
	31.12.24	31.12.23	**31.12.24**	31.12.23	**31.12.24**	31.12.23	**31.12.24**	31.12.23	**31.12.24**	31.12.23
In thousands of euros										
Assets	12,154	6,503	25,869	27,298	252	62	1,293	1,327	**39,568**	35,190
Including property, plant and equipment	3	7	475	0	1	4	143	210	**622**	221
Including intangible assets	12	22	0	0	0	0	40	2	**52**	24
Liabilities	3,549	662	11,595	8,477	279	1,299	4,406	3,735	**19,829**	14,173

For property, plant and equipment and intangible assets, see note 16.

Notes to the Consolidated Statement of Comprehensive Income

7. Revenue

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

Segment	Estonia		Bulgaria		Latvia		Consolidated	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
In thousands of euros								
Sale of own real estate	7,145	17,488	0	0	0	93	7,145	17,581
Rental of real estate	52	1	0	336	0	0	52	337
Property management	0	0	0	35	0	0	0	35
Franchise	182	174	63	48	28	30	273	252
Other revenue	7	128	0	6	0	0	7	134
Total revenue	**7,386**	**17,791**	**63**	**425**	**28**	**123**	**7,477**	**18,339**

Real estate rental, property management services and franchise revenues are recognized over the period of service provision, but revenue from the sale of own real estate is recognized at the time of entering into the real estate contract.

8. Cost of sold real estate and services

	2024	2023
In thousands of euros		
Cost of real estate sold (note 14)	-5,500	-11,880
Brokerage fees	-166	-57
Property management costs	-96	-200
Personnel expenses (note 10)	-131	-7
Depreciation, amortization, and impairment losses (note 16)	-1	-13
Inventory write-down (note 14)	487	-528
Other costs	-300	-55
Total cost of sold real estate and services	**-5,707**	**-12,740**

In 2023, the Botanica Lozen development was valued at a net realizable value of 528 thousand euros, but due to the changed situation, the write-down was reversed in 2024 (see note 14).

9. Marketing and distribution expenses

	2024	2023
In thousands of euros		
Advertising expenses	-239	-174
Corporate marketing	-194	-131
Personnel expenses (note 10)	-99	-73
Market research	-16	-9
Depreciation, amortization, and impairment losses (note 16)	-3	0
Total marketing and distribution expenses	**-551**	**-387**

10. Administrative expenses

	2024	2023
In thousands of euros		
Personnel expenses	-678	-937
Office expenses	-88	-85
IT expenses	-36	-44
Services purchased	-200	-145
Depreciation, amortization, and impairment losses (note 16)	-81	-83
Legal service fees	-17	-28
Other expenses	-27	-65
Total administrative expenses	**-1,127**	**-1,387**

In 2024, employee remuneration expenses of the Group amounted to 1,465 thousand euros, out of which 687 thousand were administrative expenses, 131 thousand were cost of sold real estate and services (see note 8), 99 thousand euros marketing and distribution expenses (see note 9) and 557 thousand euros were capitalized into the cost of inventories during the year.

In 2023, employee remuneration expenses of the Group amounted to 2,252 thousand euros, out of which 937 thousand were administrative expenses and 7 thousand were cost of sold real estate and services (see note 8), 73 thousand euros marketing and distribution expenses (see note 9) and 1,235 thousand euros were capitalized into the cost of inventories during the year.

As of 31 December 2024, 10 persons worked for the group with an employment contract and 3 with a board member agreement (on 31 December 2023: 15 with an employment contract and 3 with a board member agreement).

11. Financial income and cost

	2024	2023
In thousands of euros		
Interest expenses (note 6)	-652	-391
Interest income	18	9
Other financial costs	-6	-8
Total financial costs	**-640**	**-390**

Interest expense consists mainly of interest expense on loans taken for acquiring and building real estate projects. Interest expenses on loans taken for financing development projects in progress are 100% capitalized in inventory and real estate investments. In 2024, capitalized interest expenses amounted to 673 thousand euros and in 2024 to 924 thousand euros (see notes 14).

12. Earnings per share

Basic earnings per share are calculated by dividing profit (loss) 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.

	2024	2023
Weighted average number of ordinary shares outstanding during the period	10,388,367	10,388,367
Number of ordinary shares potentially to be issued (at period end)	290,000	63,000
Net profit (loss) (in thousands of euros)	-624	3,550
Earnings per share (in euros)	-0.06	0.34
Diluted earnings per share (in euros)	-0.06	0.34

On the basis of the CEO's bonus program, the CEO who left in 2024 is entitled to 15,000 shares based on seniority. The reserve has been prepared based on the share price on grant date 17.05.2023, therefore a reserve of 27 thousand euros has been formed in equity for the options.

Based on the decision of the general meeting of Arco Vara AS on 17.05.2022, a total of 63,000 shares will be issued to three senior employees over three years, in case of the average ROE from Q3 2022 to the Q2 2025 is greater than 12%. As of 31.12.2024 and 31.12.2023, the ROE assumption cannot be fulfilled, therefore no reserve has been formed for the conditional option programs. If the ROE requirement is nevertheless met, as of 31.12.2024, 35,000 shares have been earned on the basis of the option program.

Up to 240,000 shares of the new CEO option program are subject to approval at the 2025 general meeting.

Notes to the Consolidated Statement of Financial Position

13. Receivables and prepayments

Short-term receivables and prepayments

	31 December 2024	31 December 2023
In thousands of euros		
Receivables from customers	352	301
Miscellaneous receivables	6	6
Prepaid and recoverable taxes	152	274
Other accrued income	6	4
Prepayments	5,174	5,213
Total short-term receivables and prepayments	**5,690**	**5,798**

Long-term receivables and prepayments

	31 December 2024	31 December 2023
In thousands of euros		
Deposits	18	18
Total long-term receivables and prepayments	**18**	**18**

The balance of prepaid and recoverable taxes consists of VAT paid on construction of apartment buildings.
Group has performed a prepayment of 4,977 thousand euros for the immovable at the Harku Lake. As of 31 December 2024, a prepayment of 106 thousand euros has been performed to the contracting authorities in the Botanica Lozen project (153 thousand as of 31.12.2023).
In 2024 or 2023, no receivables from customers were written off. There were no invoices more than 30 days past due on the balance sheet days.

14. Inventories

As of 31 December	**2024**	2023
In thousands of euros		
Completed apartments, commercial premises	8,106	0
Properties under construction	7,973	17,199
Properties in the construction permit process	5,630	2,182
Properties in the detailed planning process	7,461	8,256
Total inventories	**29,170**	**27,637**

Properties purchased and being developed for resale

	2024	2023
In thousands of euros		
Balance at the beginning of period, 1 January	**22,637**	**22,474**
Construction costs of apartment buildings	4,763	15,727
Capitalized borrowing costs	669	924
Inventory write-down (note 8)	487	-528
Other capitalized costs	1,676	890
Cost of sold properties (note 8)	-5,500	-11,850
Reclassification to property, plant and equipment (note 16)	-474	0
Reclassification to/from investment property (note 15)	-88	0
Balance at the end of period, 31 December	**29,170**	**27,637**

In 2023, the Botanica Lozen development was discounted by 528 thousand euros to its net realizable value, but due to a revised valuation, the write-down was reversed in 2024 (see note 8). The change in valuation was due to the fact that new sales were added to the project and the justification for the higher price became more certain.
The Group's management estimates that the Group has inventories realisable during one year in carrying value of 16,033 thousand euros as of 31 December 2024. Inventories in carrying value of 13,137 thousand euros are realisable in a longer period than one year.
For information on inventories pledged as loan collateral, see note 21.

Projects under development recorded in inventories have been valued using the comparative method to determine their net realizable value and the net realizable value has been compared to their actual acquisition cost to determine the need for a write-down. In 2024, the value of the Group's inventories was determined by internal experts by 72% and 28% by external experts. In 2023, the value of the Group's inventories was determined by internal experts by 89% and 11% by external experts. Estimates used in valuations are based on real market prices and the Group's recent experience with comparable assets.

As of 31 December	**2024**	2023
In thousands of euros		
Measured using the residual value method	27,057	23,900
Measured using the net realizable value method	2,113	3,737
Total inventories	**29,170**	**27,637**

The inventory sensitivity risk mainly arises from the future sales prices of apartments: according to the management's assessment, some developments contain uncertainty and there is a risk that the sales prices of completed properties will have to be adjusted below the net realizable value of inventories in future reporting periods. The inventory write-down sensitivity test showed that if the management overestimated the net realizable value of inventories by 5%, an additional write-down of 106 thousand euros would be required in Kuldlehe as of 31.12.2024 (520 thousand euros in total in Botanica Lozen and Kuldlehe as of 31.12.2023). The profit margin of other developments is higher and the management does not see a risk of write-down.

Development management services purchased from related parties in the amount of 54 thousand euros were capitalized in inventories in 2024 (see note 23).

15. Investment property

Investment properties comprise the following types of assets:

1) A sports hall in Tallinn that generates rental income (carrying value as of 31.12.2024 2,276 thousand euros; there were no such assets as of 31.12.2023);
2) Land plots that have a development potential but the future use of which is still uncertain (carrying value of 20 thousand euros on 31 December 2024 and 31 December 2023). If it is decided to start developing the property with development potential, the future use of which was not yet certain for the time being, instead of selling them, the property shall be reclassified to inventories.

As of 31 December	**2024**	2023
In thousands of euros		
Land plots	20	20
Shops and offices	2,276	0
Total investment property	**2,296**	**20**

Investment properties in non-current assets

	2024	2023
In thousands of euros		
Balance at the beginning of period, 1 January	**20**	**82**
Net profit/loss on changes in fair value	0	18
Capitalized development costs	2,184	0
Capitalized borrowing costs	4	0
Reclassification from/to inventories (note 14)	88	0
Sale of real estate	0	-80
Balance at the end of period, 31 December	**2,296**	**20**

Investment properties in current assets

	2024	2023
In thousands of euros		
Balance at the beginning of period, 1 January	**0**	**9,050**
Sale of investment property	0	-9,050
Balance at the end of period, 31 December	**0**	**0**

In 2024, the Tallinn padel venue was built, which generates rental income for the group.
The sale of investment properties generated a profit of 10 thousand euros in 2023. Together with the profit from the change in fair value of 18 thousand euros, the profit from investment properties in 2023 was 28 thousand euros.
In 2023, the sale of the commercial building Madrid was completed, which is why there are no more investment properties in current assets in 2024.
For information on pledged assets, see note 21.

Changes in fair value of investment property

Valuation of land
Land plots, which are classified as investment properties, have been valued using comparison method, i.e. specialists have estimated the price for which the assets could be realised within one year by reference to prevailing market prices. In 2024, the values of all of the Group's investment properties were determined by internal external experts. In 2023, the values of all of the Group's investment properties were determined partly by internal and partly by external experts.

Valuation of sports hall
The Tallinn padel venue was valued by external experts in 2024; the income method was used for the valuation.

As of 31 December	2024	2023
In thousands of euros		
Measured using comparison method	20	20
Measured using income method	2,276	0
Total investment property	**2,296**	**20**

Operating leases: the Group as a lessor

The padel vanue, which is a real estate investment, earned 51 thousand euros in rental income in 2024. The Madrid Blvd building in Sofia generated rental and management service income of 371 thousand euros in 2023. The building was sold on 30.06.2023.

Direct property management expenses totaled 22 thousand euros in 2024 (in 2023: 82 thousand euros), including expenses in the amount of 2 thousand euros (in 2023: 3 thousand euros) from properties from which the Group did not earn any income.

16. Property, plant and equipment and intangible assets

Property, plant and equipment

	Land and buildings	Office equipment	Total property, plant and equipment
In thousands of euros			
Carrying amount on 31 December 2022	**243**	**41**	**284**
Of which cost	286	196	482
Of which accumulated depreciation	-43	-155	-198
Additions	0	9	9
Depreciation for the year (note 6)	-58	-14	-72
Carrying amount on 31 December 2023	**185**	**36**	**221**
Of which cost	286	200	486
Of which accumulated depreciation	-101	-164	-265
Additions	0	6	6
Sale of PPE	0	-1	-1
Write-off	0	-3	-3
Reclassification from inventory (note 14)	474	0	474
Depreciation for the year (note 6)	-62	-13	-75
Carrying amount on 31 December 2024	**597**	**25**	**622**
Of which cost	760	54	814
Of which accumulated depreciation	-163	-29	-192

In 2024, amortization of tangible assets is recorded in the cost of real estate and services sold in the amount of one thousand euros (see note 8), 3 thousand euros in marketing and distribution expenses (see note 9) and 71 thousand euros in general administrative expenses (see note 10), in 2023 and in general administrative expenses 72 thousand euros (see note 10). As of 31.12.2024 and 31.12.2023, there were no fully depreciated tangible fixed assets that were still in use.

Intangible assets

In thousands of euros	Total intangible assets
Carrying amount on 31 December 2022	**46**
Of which cost	525
Of which accumulated amortization	-479
Amortization for the year (note 6)	-22
Carrying amount on 31 December 2023	**24**
Of which cost	488
Of which accumulated amortization	-464
Purchases and software development	38
Amortization for the year (note 6)	-10
Carrying amount on 31 December 2024	**52**
Of which cost	526
Of which accumulated amortization	-474

Amortization of intangible assets is recorded in 2024 in general administrative expenses in the amount of 10 thousand euros (see note 10); in 2023, 12 thousand euros in cost of sales (see note 8) and 12 thousand euros in general administrative expenses (see note 11). Intangible assets of the Group consist mainly of Arco Vara business software AVIS in the total amount of 407 thousand euros. There were no software developments for AVIS in 2024 nor 2023.

As of 31.12.2024, the cost of intangible assets that were fully amortized but still in use was 410 thousand euros (on 31 December 2023: 412 thousand euros).

17. Interest bearing liabilities

The overview of changes in net loans is as follows:

In thousands of euros	Cash and cash equivalents	Bank loans	Bonds	Other loans	Total
Net loans 31 Dec 2022	3,427	-15,566	-2,120	-403	-14,662
Annual change	-1,955	8,942	0	-933	6,054
Net loans 31 Dec 2023	1,472	-6,624	-2,120	-1,336	8,608
Annual change	248	-4,410	-1,880	1,155	4,887
Net loans 31 Dec 2024	1,720	-11,034	-4,000	-181	13,495

Interest bearing liabilities comprise the following items:

	As of 31 December, 2024			As of 31 December, 2023		
In thousands of euros	**Total**	of which current portion	of which non-current portion	**Total**	of which current	of which non-current
Bank loans	11,034	121	10,913	6,624	61	6,563
Bonds	4,000	0	4,000	2,120	2,120	0
Lease obligation	126	58	68	184	58	126
Other loans	55	55	0	1,152	1,152	0
Total	**15,215**	**234**	**14,981**	**10,080**	**3,391**	**6,689**

In 2024, the group settled loans in the amount of 2,193 thousand euros (in 2023: 11,026 thousand euros) through cash transactions and raised new loans in the amount of 13,246 thousand euros (in 2023: 14,095 thousand euros). 5,927 thousand euros of the settled loans were paid by customers directly to the bank in 2024, 10,597 thousand euros in 2023. Also, 478 thousand worth of small loans were settled with receivables for the sale of apartments from a private investors in 2023. These amounts are not reflected in the group cash flow statement.

In 2024, the following major loan obligations were settled:
- 5,268 thousand euros of bank loan for financing of apartment building in Kodulahe Rannakalda, out of which 4,871 thousand directly by customers;
- 1,056 thousand euros of bank loan for financing apartment building of Kuldlehe project, all directly by customers;
- 63 thousand euros of bank loan for financing land of Kodulahe project's Stage VIII at Lammi 6;
- 2,120 thousand euros Arco Vara bonds, out of which 1,490 thousand euros returned in cash and 630 thousand converted into new bonds;
- 1,152 thousand euros, out of which 181 thousand euros returned in cash and 971 thousand converted into bonds;
- 4 thousand euros of bank loan for financing Helme padel venue;
- 58 thousand euros of capitalized office rent.

In 2024, the group raised the following new liabilities:
- 7,452 thousand euros of bank loan for financing of Kodulahe Rannakalda apartment building;
- 2,000 thousand euros of bank loan for financing Kuldlehe apartment building, including bank receipts of 1,990 thousand, 10 thousand was the contract fee;
- 4,000 thousand euros Arco Vara bonds, out of which 2,432 thousand euros received in cash and 1,568 thousand euros converted from old loan products;
- 55 thousand euros loan from private investors, out of which 22 thousand euros received in cash and 33 thousand converted from previous loan products.
- 1,350 thousand euros bank loan for financing Helme padel venue.

In 2023, the following major loan obligations were settled:
- 5,036 thousand euros of Madrid Blvd project's bank loan principal;
- 15,388 thousand euros of bank loan for financing construction of Kodulahe Rannakalda, out of which 10,597 thousand directly by customers;
- 64 thousand euros of bank loan for financing land of Kodulahe project Stage VIII;
- 1,000 thousand euros short term credit from related company;
- 558 thousand euros loan from private investor, out of which 478 thousand settled with receivables;
- 58 thousand euros of capitalized office rent.

In 2023, the group raised the following new liabilities:
- 11,545 thousand euros of bank loan for financing construction of Kodulahe Rannakalda;
- 1,550 thousand euros loan from private investors;
- 1,000 thousand euros short term credit from related company.

Amounts, interest rates and maturity dates of interest-bearing liabilities

Description of the liability	Maturity date (month/year))	Liability amount, in thousands of euros		Interest rate, %		
		31 Dec 2024	31 Dec 2023	**31 Dec 2024**	31 Dec 2023	Type of interest
Bank loan, refinance	9/2029	1,346	-	5.8	-	6M Euribor
Bank loan, development	4/2026	5,371	3,188	8.5	5.0	6M Euribor
Bank loan, development	7/2026	944	0	9.1	-	6M Euribor
Bank loan, land acquisition	11/2027	3,373	3,436	8.8	9.6	6M Euribor
Bonds, development	12/2026	4,000	2,120	10.0	10.0	Fixed
Lease obligation	8/2026	126	184	2.5	2.5	Fixed
Other loan, settlements	12/2025	55	-	7.0	-	Fixed
Other loan, settlements	12/2024	0	1,152	10.0	10.0	Fixed
Total		**15,215**	**10,080**			

On 31 December 2024, the weighted average interest rate of interest-bearing liabilities was 8.7% (31 December 2023: 8.2%).

The Group's management estimates that the carrying amounts of the Group's loan liabilities do not differ significantly from their fair value, as the applicable interest rates of the contracts correspond to market interest rates.
Management estimates that the Group's risk margins have not changed significantly compared to the time of obtaining the loans. Additional information on assets pledged as collateral for loan obligations is provided in note 21.
In 2024, the Company's CEO participated in the subscription of bonds with 150 thousand euros and a company related to a member of the Supervisory Board with 160 thousand euros. A loan previously received from a company related to a member of the Supervisory Board in the amount of 120 thousand euros was converted into bonds on 13.12.2024, thus, the transaction is not reflected in the cash flow statement in 2024. See also note 23 for transactions with related parties.

19. Payables and deferred income

Short-term payables and deferred income

	31 December 2024	31 December 2023
In thousands of euros		
Trade payables	**1,869**	**740**
Taxes payable		
Value added tax	4	1,270
Social security tax	14	46
Personal income tax	7	33
Other taxes	1	2
Total taxes payable	**26**	**1,351**
Accrued expenses		
Payables to employees	136	1,048
Dividend payable	104	104
Other accrued expenses	188	215
Total accrued expenses	**428**	**1,367**
Deferred income		
Prepayments received on sale of real estate	2,110	555
Guarantee deposits	54	0
Total deferred income	**2,164**	**555**
Total short-term payables and deferred income	**4,487**	**4,013**

As of 31 December 2024, the prepayments received on sale of real estate included prepayments collected on presale of apartments of Botanica Lozen villas of 1,889 thousand euros, 31 December 2023 555 thousand euros. As of 31.12.2024, the advance payment from Soodi 6 customers was 219 thousand euros.

On 31.12.2023, the VAT payable is 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, payables to employees include intra-group success fees for completed developments of 800 thousand euros.

20. Share capital

As of 31 December	2024	2023
Number of issued shares fully paid up	10,388,367	10,388,367
Share capital (in thousands of euros)	7,272	7,272
Share premium (in thousands of euros)	3,835	3,835
Statutory capital reserve (in thousands of euros)	2,011	2,011

The articles of association of Arco Vara AS set out the size of the company's share capital or the minimum and maximum amount of its capital. In accordance with its articles of association, the company's minimum and maximum authorised share capital amount to 2,500 thousand euros and 10,000 thousand euros, respectively. The company has issued registered ordinary shares of one class. The par value of a share is 70 cents and each share carries one vote. A share provides the holder with the right to participate in the company's general meetings, allocation of the company's profit, and distribution of remaining assets on dissolution of the company as well as with other rights provided by law and the company's articles of association.

Under the Commercial Code of the Republic of Estonia, every year a limited liability company has to transfer to the capital reserve at least 5% of its profit for the year until the capital reserve amounts to at least 10% of its share capital. The statutory capital reserve of the Company is in compliance with the regulatory requirement, amounting to 28% of share capital as of 31 December 2024.

20. Financial instruments and financial risk management

The Group's activities expose it to various financial risks: credit risk, liquidity risk and market risk.

The Group's overall risk management program is based on the assumption that the financial markets are unpredictable and appropriate measures have to be adopted to minimise potential adverse impacts on the Group's financial activities. The Group has not used derivative financial instruments to hedge certain risk exposures in recent years.

The Group's risk management process is based on the premise that the Group's success depends on constant monitoring, accurate assessment and effective management of risks. Centralised financial risk management is the responsibility of the Group's financial team. The main objective of financial risk management is to prevent any damage or financial loss that could jeopardise the Group's equity and ability to continue operating as a going concern. The Group designs and implements risk management policies and activities that are aimed at identifying and evaluating risks and spreading risks across time, activities and geographical areas. Risk management policies and activities are implemented by the managers of group entities.

In managing its financial risks, the Group's main focus is on monitoring the risk exposures of the Development segment because a majority of the Group's liquidity and interest rate risks are concentrated in the Development segment in Estonia and Bulgaria.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Group by failing to discharge an obligation. The Group's credit risk exposures result from cash placed in bank deposits, and trade and other receivables.

As of 31 December	2024	2023
In thousands of euros		
Cash on demand deposits	1,720	1,472
Total cash and cash equivalents	**1,720**	**1,472**

The Group's cash and cash equivalents are held at different banks, which reduces credit risk associated with deposits. Credit ratings of three banks holding almost all of the Group's cash deposits as of 31 December 2024, are presented in the following table.

Bank or banking group	Bank's share of the Group's cash balance	Moody's	Fitch
United Bulgarian Bank	29.18%	Not rated	A-
LHV Pank AS	60.08%	Baa3	Not rated
Coop Pank AS	10.74%	Baa2	Not rated

Credit risk is managed mainly by making sure that there are no major concentrations of credit risk. Group entities prevent and minimize credit risk by monitoring and managing customers' settlement behavior daily so that appropriate measures could be applied on a timely basis. In addition, sales and construction activities are partly financed with customer prepayments and in real estate transactions. Consequently, the Group considers the total risk arising from customer insolvency to be, in all material respects, mitigated.

Other financial assets are also exposed to credit risk: trade receivables and other short-term receivables, totaling 561 thousand euros as of 31 December 2024. The Group's companies only enter into cooperations with parties that have been previously recognized as creditworthy and transactions are usually carried out with partial advance payment. In order to obtain credit, additional collateral covering the risk is required from the counterparty. Accordingly, the management estimates that the need for additional credit risk mitigation is minimal. In addition, due to the specifics of the group's sales, i.e. receivables from the sale and lease of its properties are generally collected within a very short period of time, the impairment of receivables based on the principles described above is insignificant as of 31 December 2024 and the comparison period.

All financial assets exposed to credit risk are recorded at amortized cost.

The total amount of financial assets exposed to credit risk was 2,281 thousand euros as of 31 December 2024 (31 December 2023: 2,019 thousand euros).

Financial assets by maturity

				on 31 December 2024
By maturity	**< 3 months**	**3-12 months**	**1-2 years**	**Total**
In thousands of euros				
Cash and cash equivalents	1,720	0	0	1,720
Trade and other receivables (note 13)	561	0	0	561
Total	**2,281**	**0**	**0**	**2,281**

				on 31 December 2023
By maturity	**< 3 months**	**3-12 months**	**1-2 years**	**Total**
In thousands of euros				
Cash and cash equivalents	1,427	0	0	1,472
Trade and other receivables (note 13)	547	0	0	547
Total	**2,019**	**0**	**0**	**2,019**

Liquidity risk

Liquidity risk is the risk that a potential change in its financial position will cause the Group to encounter difficulty in meeting its financial liabilities in a due and timely manner, or that the Group will be unable to realise its assets at market price and within the desired timeframe. Above all, the Group's liquidity is affected by the following factors:

- group entities' ability to generate independent positive net operating cash flows and the volatility of those cash flows;
- mismatch in the maturities of assets and liabilities and flexibility in changing them;
- marketability of long-term assets;
- volume and pace of real estate development activities;
- financing structure.

Short-term liquidity management is based mainly on group entities' continuously monitored monthly cash flow forecasts. The purpose of short-term liquidity management is to guarantee the availability of a sufficient amount of highly liquid funds (i.e. cash and cash equivalents and highly liquid investments in financial instruments). The main tool for short-term liquidity management both in Estonia and in group entities outside Estonia is intra-group borrowing from the parent company.

Long-term liquidity is primarily influenced by investment decisions. The Group observes the principle that group entities' total net cash inflow from operating and investing activities has to cover the Group's total cash outflows from financing activities. Accordingly, the purpose of long-term liquidity management is to ensure sufficient liquidity of the real estate portfolio (investment properties portfolio), to match the timing of cash flows from investing and financing activities, and to use the optimal financing structure. Long-term projects are monitored to ensure that the timing and amounts of investing cash flows do not differ significantly from the timing and amounts of financing cash flows.

Maturity structure of financial liabilities

By maturity	< 3 months	3-12 months	1-5 years	Total
				on 31 December 2024
In thousands of euros				
Interest-bearing liabilities	43	191	14,981	15,215
Interest payable	331	991	1,361	2,683
Other financial liabilities (trade payables, accrued expenses, excluding liabilities to employees)	2,187	0	0	2,187
Total	**2,561**	**1,182**	**16,342**	**20,085**

By maturity	< 3 months	3-12 months	1-5 years	Total
				on 31 December 2023
In thousands of euros				
Interest-bearing liabilities	30	3,361	6,689	10,080
Interest payable	206	247	943	1,396
Other financial liabilities (trade payables, accrued expenses, excluding liabilities to employees)	2,410	0	0	2,410
Total	**2,646**	**3,608**	**7,632**	**13,886**

Based on the maturities of liabilities included in the Group's loan portfolio, as of 31 December 2024, the average weighted maturity of the Group's loans and borrowings was 2.12 years (as of 31 December 2023: 2.08 years). For more information on loans and borrowings see also note 17. The Group's management estimates that the carrying amount of the Group's financial liabilities does not differ significantly from their fair value.

Refinancing risk is managed by monitoring the liquidity position on a daily basis, analysing different financing options on an ongoing basis and involving partner banks from different countries already in the initial stage of the process.

Market risk

Interest rate risk

Interest rate risk is the risk that a rise in market interest rates will increase interest expense to an extent that will have a significant impact on the Group's performance. The Group's exposure to interest rate risk results from:

- use of loans and borrowings with a floating interest rate;
- refinancing liabilities on the arrival of their due dates;
- raising new loans for realising an investment plan in a situation where the volatility of financial markets is increasing and the economic environment is changing.

73% of the Group's long-term loans and borrowings are linked to 6-month Euribor. Therefore, the Group is exposed to developments in the international financial markets. Interest rate risk is managed, among other things, by monitoring movements in the money market interest rate curve, which reflects the market participants' expectations of market interest rates and allows estimating a trend for euro-denominated interest rates.

The sensitivity analysis of the Group's profit before tax, which was conducted based on the balance of loans and borrowings as of 31 December 2024, indicated that a 1 percentage point change (increase or decrease) in interest rates of floating rate loans would have affected (increased or reduced) profit before tax by 110 thousand euros (on 31 December 2023: 34 thousand euros).

In managing its short-term interest rate risks, the Group regularly compares potential losses from changes in interest rates against corresponding risk hedging expenses. To date, no financial instruments have been used to hedge short-term interest rate risks because according to management's assessment hedging expenses would exceed potential losses from changes in interest rates.

The interest rate of liabilities with a fixed interest rate does not differ significantly from the current market interest rates.

Currency risk

Because the only significant currency for the Group beside euro – Bulgarian lev – is pegged to euro, the main currency risk is the risk of devaluation of Bulgarian lev. Currency risk is mitigated also by conducting most of transactions and signing all major agreements, including loan contracts in euros. In view of the above, the Group's management considers currency risk to be insignificant.

Fair value of financial instruments

Management estimates that the carrying amount of the Group's financial assets and liabilities does not significantly differ from their fair value.

Trade receivables and payables are short-term and therefore the management estimates that their carrying amount is close to their fair value. Most of the Group's long-term borrowings are based on floating interest rates, which change according to the market interest rate. According to the management's opinion, the Group's risk margins have not significantly changed compared to the time when the loans were received and the Group's interest rates on borrowings correspond to market conditions. Based on the above, the management estimates that the fair values of long-term payables and receivables are an approximation of their carrying amount. To determine the fair value, a discounted cash flow analysis has been used, by discounting contractual future cash flows with current market interest rates that are available to the Group for using similar financial instruments.

Fair value of financial instruments is level 3.

Capital management

The Commercial Code of the Republic of Estonia sets forth the following requirements to the share capital of companies registered in Estonia:

• the minimum share capital of a limited liability company defined as aktsiaselts has to amount to at least 25 thousand euros;

• the net assets of a limited liability company defined as aktsiaselts have to amount to at least half of its share capital but not less than 25 thousand euros.

The size of the share capital or the minimum and maximum capital of a limited liability company have to be set out in the company's articles of association whereby minimum capital has to amount to at least one quarter of maximum capital. As of 31 December 2024, the share capital of Arco Vara AS consists of 10,388,367 ordinary shares (with nominal value of 70 eurocents per share) and has been fully paid in. According to the effective articles of association of Arco Vara AS, share capital may be increased or reduced within the range of 2,500 thousand to 10,000 thousand euros without changing the articles of association. As of 31 December 2024, the share capital of Arco Vara AS was 7,272 thousand euros and net assets were 19,739 thousand euros. Thus, the Group's share capital and net assets (equity) were in accordance with the regulatory requirements of the Republic of Estonia.

In addition to meeting regulatory requirements, the net assets of some of the Group's subsidiaries have to meet the loan covenants agreed with credit institutions; otherwise, the bank may apply higher interest rates to existing loans. These covenants refer to legal requirements in respect to the capital of a company and are limited to the obligation of obtaining the credit institution's written consent for changing the debtor's capital. As of 31 December 2024 and 31 December 2023, the equity was positive in all group companies with bank loans.

The total capital of Arco Vara AS is the sum of its short- and long-term interest bearing loans and borrowings less cash and cash equivalents. On 31 December 2024, total capital amounted to 33,324 thousand euros (on 31 December 2023: 29,625 thousand euros).

The guiding principle in capital management is to safeguard the Group's reliability and sustainable development. The Group finances its operations with both debt and equity capital. Property development is very capital intensive. Therefore, investment projects are financed on the assumption that, as a rule, equity financing should amount to at least 30% of the total cost of the investment.

In designing the optimal financing structure and identifying and evaluating risks, the Group monitors its equity to assets ratio. On 31 December 2024, equity accounted for 49.9% (on 31 December 2023: 59.7%) of total assets.

Other information

21. Assets pledged as collateral

The Group has secured its loans and borrowings by providing the following collateral:

As of 31 December	2024	2023
In thousands of euros		
Inventories	17,001	18,114
Investment property	2,276	0
Fixed items	471	0
Total carrying value of assets pledged as collateral	**20,248**	**18,114**

22. Contingent liabilities

Contingent income tax liability

As of 31 December 2024, the Group's retained earnings amounted to 6,594 thousand euros (on 31 December 2023: 7,843 thousand euros). From 01.01.2025, dividends paid to owners will normally incur an income tax expense of 22/78 of the amount paid out as net dividends, but dividends received from Bulgarian subsidiaries may be repaid tax-free. In 2024 and in 2023, this opportunity was used when paying out dividends to shareholders in the amount of 624 euros (0.06 euros per share) with only partial income tax obligation.
As of 31 December 2024, Arco Vara could pay dividends in the amount of 62 thousand euros without income tax obligation. Upon the payment of all retained earnings in 2025, income tax liability would be 1,437 thousand euros and the amount to be paid out to shareholders would total 5,157 thousand euros.

Conditional obligations in relation to the purchase of land adjacent to Harku Lake

Arcojärve OÜ, a subsidiary of Arco Vara, concluded a contract for purchasing land on the shores of Harku Lake at Paldiski road 124b, Tallinn and paid 4,977 thousand euros. Over 30,000 m^2 of residential and business real estate (gross building area) is intended to be developed. In relation to this, the subsidiary of Arco Vara assumed the obligation to also pay additional 1,627 thousand euros for the purchase of land by Harku Lake 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.

23. Related party disclosures

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

1) 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;
2) other related parties – the chief executive officer and the members of the supervisory board of Arco Vara AS and companies under the control of these persons (excluding companies that have a significant interest in the Group.

Balances with related parties

As of 31 December	2024	2023
In thousands of euros		
Other related parties		
Trade receivables	0	18
Short term loans	0	120
Bonds	310	0

See additional information from note 17.

Transactions with related parties

	2024	2023
In thousands of euros		
Other related parties		
Sold apartments	0	1,919
Services purchased	54	36
Interest paid	12	16

Remuneration of key management personnel

The key management personnel are the member of the management board / CEO of Arco Vara AS and members of the supervisory board. In 2024, the remuneration of the CEO, including social security charges amounted to 244 thousand euros (281 thousand euros in 2023). Remuneration of the members of the Group's supervisory board was 36 thousand euros in 2024 and 14 thousand in 2023.

Based on the employment contract of Kristina Mustonen, the managing member of the management board of Arco Vara AS, a fixed monthly fee of 11,000 euros (net) has been determined by the decision of the supervisory board. The manager is entitled to a severance pay of 4 monthly salaries upon leave.

The members of the supervisory board will receive 500 euros (net amount) for every meeting where they have participated, but not more than 1000 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).

In 2024 and 2023, all transactions with related parties have been conducted on market conditions and no receivables from related parties were impaired.

24. Structure of Arco Vara group

		Group's ownership interest	
Group	Domicile	On 31 December 2024	On 31 December 2023
%			
Development segment			
Subsidiaries			
Kerberon OÜ	Estonia	100	100
Arcojärve OÜ	Estonia	100	100
Kodulahe Kvartal OÜ	Estonia	100	100
Kodukalda OÜ	Estonia	100	100
Kodulahe II OÜ	Estonia	100	100
Arco Vara Bulgaria EOOD	Bulgaria	100	100
Iztok Parkside EOOD	Bulgaria	100	100
Botanica Lozen EOOD	Bulgaria	100	100
Arco Invest EOOD	Bulgaria	100	100
Arco Manastirski EOOD	Bulgaria	100	100
Arco Riverside EOOD	Bulgaria	100	100
Marsili II SIA*	Latvia	0	100
Construction segment			
Subsidiary			
Arco Tarc OÜ	Estonia	100	100

*Marsili II SIA was liquidated 16.01.2024.

25. Parent company's unconsolidated primary financial statements

In accordance with the Accounting Act of Estonia, unconsolidated primary financial statements of consolidating unit (parent company) have been disclosed in the notes of the consolidated annual report. The parent company's primary reports are prepared using the same accounting principles and estimation basis used in consolidated financial statements, excluding subsidiaries, which are accounted for in parent company's unconsolidated primary financial statements using cost method.

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2024	2023 Corrected
In thousands of euros		
Revenue from rendering of services	1,163	1,017
Cost of sales	-8	-17
Gross profit	**1,155**	**1,000**
Marketing and distribution expenses	-228	-143
Administrative expenses	-941	-941
Other expenses	-8	-5
Operating loss	**-22**	**-89**
Gain on investments in subsidiaries	87	8,192
Interest income	1,276	1,579
Interest expense	-526	-528
Total finance income and costs	**837**	**9,243**
Profit before income tax	**815**	**9,154**
Income tax	-52	0
Net profit for the year	**763**	**9,154**
Total comprehensive income for the year	763	9,154

As of 31.12.2023, investments in subsidiaries and 2023 profit from investments in subsidiaries have been adjusted by 9,000 thousand euros, as the reversal of the investment impairment was not recognized as of 31.12.2023.

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December	**2024**	2023 Corrected
In thousands of euros		
Cash and cash equivalents	815	1,011
Receivables and prepayments	1,028	799
Total current assets	**1,843**	**1,810**
Investments into subsidiaries	13,659	18,663
Receivables and prepayments	17,623	13,651
Property, plant, and equipment	143	210
Intangible assets	39	2
Total non-current assets	**31,464**	**32,526**
TOTAL ASSETS	**33,307**	**34,336**
Loans and borrowings	154	3,330
Payables and prepayments	629	1,749
Total current liabilities	**783**	**5,079**
Loans and borrowings	8,473	5,316
Total non-current liabilities	**8,473**	**5,316**
TOTAL LIABILITIES	**9,256**	**10,395**
Share capital	7,272	7,272
Share premium	3,835	3,835
Statutory capital reserve	2,011	2,011
Other reserves	27	56
Retained earnings	10,906	10,767
TOTAL EQUITY	**24,051**	**23,941**
TOTAL LIABILITIES AND EQUITY	**33,307**	**34,336**

As of 31.12.2023, investments in subsidiaries and 2023 profit from investments in subsidiaries have been adjusted by 9,154 thousand euros, as the reversal of the investment impairment was not recognized as of 31.12.2023.

UNCONSOLIDATED STATEMENT OF CASH FLOWS

(direct method)

	2024	2023
In thousands of euros		
Cash receipts from customers	1,305	421
Cash paid to suppliers	-545	-488
Taxes paid	-4,085	-1,588
Taxes recovered	3,325	5,153
Cash paid to employees	-446	-308
Other payments and receipts related to operating activities (net)	10	4
NET CASH FROM/USED IN OPERATING ACTIVITIES	**-436**	**3,194**
Payments made on acquisition of property, plant and equipment	-1	-2
Loans provided	-7,476	-9,368
Repayment of loans provided	7,645	2,090
Interest received	0	9
Other receipts related to investing activities	4	90
NET CASH FROM/USED IN INVESTING ACTIVITIES	**172**	**-7,181**
Proceeds of loans received	3,754	5,948
Settlement of loans and borrowings	-2,736	-1,570
Dividends paid	-624	-623
Interest paid	-326	-254
NET CASH FROM FINANCING ACTIVITIES	**68**	**3,501**
NET CASH FLOW	**-196**	**-486**
Cash and cash equivalents at beginning of year	1,011	1,497
Change in cash and cash equivalents	-196	-486
Cash and cash equivalents at end of year	815	1,011

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory capital reserve	Other reserves	Retained earnings Corrected	Total
In thousands of euros						
Balance on 31 December 2022	**7,272**	**3,835**	**2,011**	**0**	**2,237**	**15,355**
Dividends	0	0	0	0	-624	-624
Formation of equity reserve	0	0	0	56	0	56
Net profit for the year	0	0	0	0	9,154	9,154
Balance on 31 December 2023	**7,272**	**3,835**	**2,011**	**56**	**10,767**	**23,941**
Dividends	0	0	0	0	-624	-624
Formation of equity reserve	0	0	0	-29	0	-29
Net profit for the year	0	0	0	0	763	763
Balance on 31 December 2024	**7,272**	**3,835**	**2,011**	**27**	**10,906**	**24,051**

Adjusted unconsolidated equity

As of 31 December	**2024**	2023 Corrected
In thousands of euros		
Parent company's unconsolidated equity	24,051	23,941
Carrying amount of investments in subsidiaries in the parent company's unconsolidated statement of financial position (-)	-13,659	-18,663
Value of investments in subsidiaries under the equity method (+)	9,347	15,739
Parent company's adjusted unconsolidated equity	**19,739**	**21,017**

As of 31.12.2023, investments in subsidiaries and 2023 profit from investments in subsidiaries have been adjusted by 9,154 thousand euros, as the reversal of the investment impairment was not recognized as of 31.12.2023.

Statement by the management board

The member of the management board of Arco Vara AS declares and confirms that according to his best knowledge, the annual accounts for year 2024 are prepared according to the Financial Reporting Standards (IFRS) as adopted by the EU, present a true and fair view of the assets, liabilities, financial situation and profit or loss of Arco Vara AS and the Group as a whole.

The member of the management board of Arco Vara AS also declares that Arco Vara group is a going concern.

April 2, 2025

/signed digitally/

Kristina Mustonen

Chief Executive Officer and Member of the Management Board of Arco Vara AS

Independent auditors' report

To the Shareholders of Arco Vara AS

(Translation of the Estonian original)

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Arco Vara AS and its subsidiaries ('the group'), which comprise the consolidated statement of financial position as of 31 December 2024, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as of 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Qualified Opinion

In the group's consolidated statement of financial position as of 31 December 2024, inventories include real estate properties developed for sale of 29,170 thousand euros, of which one property in the amount of 2,207 thousand euros shows signs that its net realisable value may be significantly lower than its carrying amount. Management has written down this property by 35 thousand euros, so that the carrying amount of the property approximates the selling price of the apartments. During the procedures for assessing the net realisable value of inventories, we determined that the property in the amount of 2,207 thousand euros has been for sale for a long time, but we were unable to obtain sufficient data to assess whether and to what extent the net realisable value of this property may be below its carrying amount and whether and to what extent an expense for the decline in value should have been recognised. Consequently, we were unable to assess whether and to what extent the consolidated financial statements are misstated, including whether and to what extent the loss for the financial year and the carrying amount of inventories as of 31 December 2024 should be adjusted. The possible effects of these circumstances also existed as of 31 December 2023 and therefore these circumstances may also affect the group's retained earnings and opening balances as of 31 December 2023.

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the group in accordance with the International Code of Ethics for Professional Accountants (Estonia) (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Except for the matter described in the Basis for Qualified Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other Matter

The group's consolidated financial statements for the financial year ended 31 December 2023 were audited by AS PricewaterhouseCoopers. The independent auditor's report issued by AS PricewaterhouseCoopers on 3 April 2024 was modified due to the same circumstances presented in the *Basis for Qualified Opinion* section of our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the management report, including good corporate governance report and remuneration report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, our responsibility is to state whether the information presented in the management report has been prepared in accordance with the applicable legal and regulatory requirements. According to the Securities Market Act, we are required to verify the compliance of the remuneration report with the requirements established in § 135^3 (3).

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Except for the possible effects of the circumstances described in the *Basis for Qualified Opinion* section of our report, we have nothing else to report. We state that the information presented in the management report is materially consistent with the consolidated financial statements and in accordance with the applicable legal and regulatory requirements. In our opinion, the remuneration report has been prepared in accordance with § 135^3 of the Securities Market Act.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the group's financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Compliance with the Requirements for iXBRL tagging of Consolidated Financial Statements included within the European Single Electronic Format Regulatory Technical Standard (ESEF RTS)

We have undertaken a reasonable assurance engagement on the iXBRL tagging of the consolidated financial statements included in the digital files 097900BHCB0000066171-2024-12-31-0-et.zip prepared by Arco Vara AS.

Juhatuse kohustused seoses digitaalsete andmefailide koostamisega vastavalt ESEF RTS-i nõuetele

Management is responsible for preparing digital files that comply with the ESEF RTS. This responsibility includes:

the selection and application of appropriate iXBRL tags using judgement where necessary;

ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and

the design, implementation and maintenance of internal control relevant to the application of the ESEF RTS.

Auditors' Responsibilities

Our responsibility is to express an opinion on whether the electronic tagging of the consolidated financial statements complies in all material respects with the ESEF RTS based on the evidence we have obtained.

We apply the provisions of the International Standard on Quality Management (Estonia) 1 (Revised) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of Arco Vara AS in accordance with the International Code of Ethics for Professional Accountants (Estonia) (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (Estonia) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board

A reasonable assurance engagement in accordance with ISAE (EE) 3000 (Revised) involves performing procedures to obtain evidence about compliance with the ESEF RTS. The nature, timing and extent of procedures selected depend on the practitioner's judgment, including the assessment of the risks of material departures from the requirements set out in the ESEF RTS, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the tagging and the ESEF RTS, including of internal control over the tagging process relevant to the engagement;
- reconciling the tagged data with the audited consolidated financial statements of the group dated 31 December 2024;
- evaluating the completeness of the tagging of the consolidated financial statements;
- evaluating the appropriateness of the group's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements included in the annual report of Arco Vara AS identified as 097900BHCB0000066171-2024-12-31-0-et.zip for the year ended 31 December 2024 are tagged, in all material respects, in compliance with the ESEF RTS.

Other Requirements of the Auditors' Report in Accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council

We were appointed by those charged with governance on 9 May 2024 to audit the consolidated financial statements of Arco Vara AS for the years ending 31 December 2024 until 31 December 2026. We have audited Arco Vara AS's annual accounts without interruption for 1 year, covering the period that ended on 31 December 2024.

We confirm that:

- our audit opinion is consistent with the additional report presented to the members of the supervisory board of the group;
- we have not provided to the group the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

Tallinn, 2 April 2025

/signed digitally/

Indrek Alliksaar

Certified Public Accountant,

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