Arco Vara AS

INTERIM REPORT FOR THIRD QUARTER AND NINE MONTHS 2015

ARCO VARA

INTERIM REPORT FOR THE
THIRD QUARTER AND NINE MONTHS
ENDED 30 SEPTEMBER 2015
(UNAUDITED)

Company name:	Arco Vara AS
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Corporate website:	www.arcorealestate.com
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Core activities:	Real estate development Renting and operating of real estate (EMTAK 6820) Activities of real estate agencies (EMTAK 6831) Real estate management (EMTAK 6832)
Financial year:	1 January 2015 – 31 December 2015
Reporting period:	1 January 2015 – 30 September 2015
Supervisory board:	Hillar-Peeter Luitsalu, Rain Lõhmus, Allar Niinepuu, Kert Keskpaik, Steven Yaroslav Gorelik
Chief executive:	Tarmo Sild
Auditor:	AS PricewaterhouseCoopers

CONTENTS

Directors' report for third quarter and nine months 2015

General information

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. The group regards Estonia, Latvia and Bulgaria as its home markets. The group has two business lines: Service division and Development division.

The Service division is engaged in real estate brokerage, valuation, management and consulting as well as in short-term investment in residental real estate. The Service division offers to the group additional value by generating analytical data on market demand and supply, also behaviour of potential clients. Analytical data allows making better decisions on real estate development: on purchase of land plots, planning and designing, pricing end products also on timing the start of construction.

The Development division develops complete living environments and commercial real estate. Fully developed housing solutions are sold to the end-consumer. In some cases the group is developing also commercial properties until they start generating cash flow for two possible purposes: for the support of the groups' cash flows or for resale. The group is currently holding completed commercial properties that generate rental income.

As at 30 09 2015: the group comprised 25 companies, this is one more than at the end of year 2014. On 31 July 2015, was registered a real estate fund in Bulgaria named Arco Real Estate Fund REIT, with starting capital of 256 thousand euros. The group holds 70% interest in the fund.

Goals and core values

Common **goals** for all Arco Vara companies are:

1) to provide clients with trustworthy real estate services which are based on quality information and integrated real estate products of high value in use, being innovative in the same time;
2) to gain stable and high return on equity for the shareholders, which beats the competition in real estate business and justifies investing and holding Arco Vara shares;
3) to create the best conditions for self-realization in real estate industry for the people working for the group.

Arco Vara's **core values** include:

Partnership – our client is our partner

Reliability – we are reliable, open and honest

Professionalism – we deliver quality

Consideration – we value our clients as individuals

Responsibility – we keep our promises

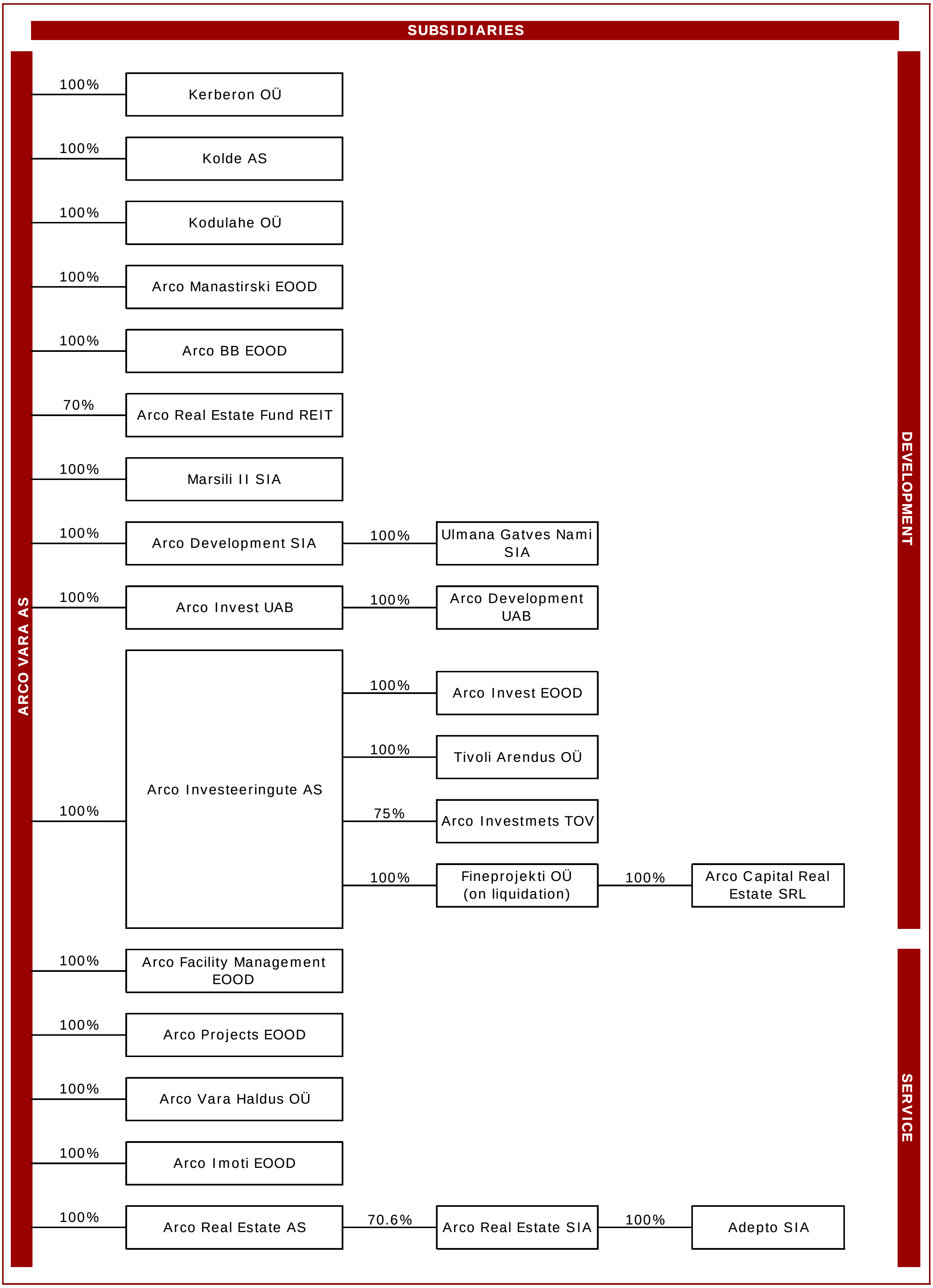
Significant subsidiaries

Company name	Location	Segment	Share capital (nominal value)	Equity balance at 30 Sept 2015	The group's interest
In thousands of euros					
Arco Manastirski EOOD	Bulgaria	Development	2,676	3,533	100%
Arco Invest EOOD	Bulgaria	Development	26,826	143	100%
Arco Real Estate Fund REIT [1]	Bulgaria	Development	256	256	70%
Kolde AS	Estonia	Development	28	-69	100%
Kerberon OÜ	Estonia	Development	5	1,177	100%
Marsili II SIA	Latvia	Development	1,524	937	100%
Arco Development SIA	Latvia	Development	6,473	-1,972	100%
Arco Real Estate AS	Estonia	Service	42	-714	100%
Arco Real Estate SIA [1]	Latvia	Service	1,905	71	70.6%
Arco Imoti EOOD	Bulgaria	Service	444	216	100%

[1] - Non-controlling interest in Arco Real Estate SIA and Arco Real Estate Fund REIT equals to the group's total non-controlling interest

GROUP STRUCTURE

As at 30 September 2015



Key Performance Indicators

- In nine months 2015, the group's revenue was 8.6 million euros, exceeding by 156% the revenue of 9 months 2014, when revenue amounted to 3.3 million euros. In Q3, revenue was 2.1 million euros (in Q3 2014: 1.2 million euros). The increase of the group's revenue comes from Development division, where revenue amounted to 6.5 million euros in nine months 2015 (in 9 months 2014: 1.3 million euros). The revenue of Service division has remained on the same level: 2.4 million euros in 9 months of both years: 2015 and 2014. Q3 2015 revenue of Service division increased by 8% compared to Q3 of previous year. The sales figures of brokerage and valuation services shows growth second quarter in a row, after the falling trend in second half of year 2014 and in the beginning of year 2015.
- In nine months 2015, the group's operating profit (=EBIT) was 1.4 million euros and net profit 0.9 million euros, a year ago the same figures were 1.1 million euros and 0.4 million euros respectively. Moreover, the result of 2014 was impacted by two single events with total effect of 1.2 million euros on profit: gain from the sale of a subsidiary and reversal of inventory write-down. In Q3, operating profit was 0.3 million euros and net profit amounted to 0.2 million euros. In Q3 2014, the group had operating profit of 0.6 million euros and net profit of 0.4 million euros.
- For 30 September 2015, equity to assets ratio has been risen up to 40.3%. At 31 December 2014, the figure was 33.5%.
- The group's net loans have decreased by 2.2 million euros in nine months 2015, down to 11.1 million euros as at 30 September 2015. As at 30 September 2015, the weighted average annual interest rate of loans was 5.1%. This is a decrease by 0.7 percentage points compared to 31 December 2014.
- In nine months 2015, were sold 73 apartments, 6 commercial spaces and one residental plot (of which 12 apartments, one commercial space and one plot in Q3) in projects developed in the group. In nine months 2014, were sold only 4 apartments and 4 plots (of which one apartment and 4 plots in Q3).

	9 months 2015	9 months 2014	**Q3 2015**	Q3 2014
In millions of euros				
Revenue				
Development	6.5	1.3	1.4	0.5
Service	2.4	2.4	0.9	0.8
Eliminations	-0.4	-0.3	-0.1	-0.1
Total revenue	**8.6**	**3.3**	**2.2**	**1.2**
Operating profit (EBIT)				
Development	1.6	0.7	0.4	0.6
Service	0.1	0.2	0.0	0.1
Unallocated income and expenses	0.0	0.2	0.0	-0.2
Eliminations	-0.3	0.0	0.0	0.1
Total operating profit (EBIT)	**1.4**	**1.1**	**0.4**	**0.6**
Finance income and expense	-0.5	-0.7	-0.2	-0.3
Net profit	**0.9**	**0.4**	**0.2**	**0.3**
Main ratios				
EPS (in euros)	0.15	0.08	0.03	0.07
ROIC (rolling, four quarters)	5.6%	7.7%		
ROE (rolling, four quarters)	13.9%	24.7%		
ROA (rolling, four quarters)	5.1%	6.9%		

	30 Sept 2015	31 Dec 2014
In millions of euros		
Total assets, at period end	24.5	27.0
Invested capital, at period end	22.2	24.1
Net loans, at period end	11.1	13.3
Equity, at period end	9.9	9.1
Average loan term (in years)	2.0	2.3
Average annual interest rate of loans	5.1%	5.8%
Number of staff, at period end	170	189

Cash flows

	9 months 2015	9 months 2014	**Q3 2015**	Q3 2014
In millions of euros				
Cash flows from/used in operating activities	3.1	-3.3	-0.1	-1.4
Cash flows from/used in investing activities	-0.1	0.2	0.0	0.1
Cash flows from/used in financing activities	-3.5	3.7	0.2	2.1
Net cash flows	**-0.5**	**0.6**	**0.1**	**0.8**
Cash and cash equivalents at beginning of period	1.7	0.8	1.1	0.6
Cash and cash equivalents at end of period	1.2	1.4	1.2	1.4

FORMULAS USED

Earnings per share (EPS) = net profit attributable to owners of the parent / (weighted average number of ordinary shares outstanding during the period – own shares)
Invested capital = current interest-bearing liabilities + non-current liabilities + equity (at end of period)
Net loans = current interest-bearing liabilities + non-current liabilities – cash and cash equivalents – short-term investments in securities (at end of period)
Return on invested capital (ROIC) = past four quarters' net profit / average invested capital
Return on equity (ROE) = past four quarters' net profit / average equity
Return on assets (ROA) = past four quarters' net profit / average total assets
Number of staff at period-end = number of people working for the group under employment or authorization (service) contracts

Revenue and net profit/loss from continuing operations

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	**Total 2012**	Q1 2013	Q2 2013	Q3 2013	Q4 2013	**Total 2013**	Q1 2014	Q2 2014	Q3 2014	Q4 2014	**Total 2014**	Q1 2015	Q2 2015	Q3 2015	**Total 2015, 9m**
In millions of euros																			
Revenue	1,3	3,7	2,4	3,5	**10,9**	1,7	3,5	3,5	2,0	**10,7**	1,1	1,1	1,2	5,8	**9,2**	4,4	2,1	2,1	**8,6**
Net profit/loss	-1,2	-0,3	0,3	-16,5	**-17,7**	0,0	1,4	0,1	2,0	**3,5**	0,4	-0,3	0,4	0,6	**1,1**	0,7	0,0	0,2	**0,9**

In Q4 2012, financial results were negatively affected by recognition of provisions and revaluation of assets and liabilities in total amount of 15.6 million euros.

Group Chief Executive's review

Against all expectations, the third quarter turned out to be better than the second. We completed all activities planned for the third quarter but we did not expect it to turn profit. Profit was generated by the sale of existing completed development products, which was faster than planned and for a higher price, and a disciplined approach to expenses. If we are to conclude anything from this, then it's been proven in practice that with a quarterly revenue of a minimum of two million euros, Arco Vara can earn a small loss (12 thousand in Q2) or also profit (0.2 million in Q3). However, considering absolute activity volumes and them being fairly small, the difference is not the sort to dwell on further. Our bigger objective is to double the current revenue and profit of the company by the end of 2018 at the latest.

The important questions for the management are:

(i) what will the fourth quarter be like,
(ii) what will 2016 as a whole be like, and
(iii) what will 2017 be like, when the group should just begin to reap the benefits of 2013-2016.

The fourth quarter

The fourth quarter is important because this is when the final and third stage (block D) of the Manastirski building is completed in Sofia with 88 apartments and business premises on sale and rent. Depending on the speed of delivering apartments and formalizing sales transactions, block D forms the final result of the year of the entire group and is also the financial basis for continued developments in Sofia. The expected revenue of the entire block D is about 5 million euros, part of which remains in 2015, the majority in the first quarter of 2016 and a certain part is carried over in sales until the end of 2016. With block D, the pleasing part is that as of the end of September, over 80% of apartments were covered with preliminary sales contracts (over 65% at the end of Q2).

The fourth quarter will also involve renovating and dividing the office premises (GLA over 5,400 m2) into 7 separate rental areas in the Madrid Blvd building in Sofia and finding new tenants for them. The lease contract with the current long-term large tenant ended in September due to the tenant needing increased space, which could not be resolved in the Madrid building for purely technical reasons. The revenue from office premises in the Madrid building forms over 50% of the rental revenue of the entire building and therefore, finding new tenants is very important for generating profit. At the same time, the Arco rental apartments and business premises in the building generate enough rental revenue, therefore servicing the interests of bank loans encumbering the building does not weigh down the group.

An important issue in the fourth quarter is also commencing the Kodulahe apartment development project in Tallinn (formerly Paldiski mnt 70c, www.kodulahe.ee). Arco Vara has not developed anything in Tallinn into a completed product since 2013. The volume of the first stage of the Kodulahe development project is over 8,700 above-ground square metres with 125 apartments and 5 business premises on sale. Funding Kodulahe and starting construction is a great challenge for us, considering the increasing competition on the Tallinn apartment market as well as Arco Vara being relatively small compared to the size of the project. In regards to increasing competition, we are empasasing the fact that our product has a unique location and it is priced rather aggressively in regards to the current prices on the market. The relatively small size of Arco Vara is expressed in the fact that the total amount of assets of the group is approximately 25 million euros. 10 million of this is equity, which in turn is divided between three large developments. Two of those three are located in Sofia (Madrid Blvd and Manastirski Livadi or its continued project in Iztok) and one – Kodulahe – in Tallinn. 10 million euros is probably also the minimum equity to continuously carry three large development projects, area under construction of each of which exceeds 10,000 m2.

The last important event we are waiting for is completing the transaction of obtaining the plot in the Iztok region in Sofia. This can also be postponed until the beginning of 2016. Iztok is our continued project in Sofia regarding Manastirski Livadi.

Events which have already taken place in the fourth quarter include Arco Vara exiting the development projects in (i) Tallinn, Instituudi tee 7-9 and (ii) Pärnu, Suur-Sepa 20. The difference between purchase and sale price of these properties was motivating for us and also confirmed that the preliminary design projects and business plans created by our development team have added value to the projects.

Currently, we are predicting revenue of Arco Vara to exceed 11 million euros and net profit to exceed 1 million euros in 2015.

2016

In 2016, we should see the continuation of three large development projects, where we earn rental revenue in the Madrid Blvd building and are likely to increase the number of apartments for rent. The goal is to earn annual rent of over one million euros per year from the building. In the Manastirski project, we will sell the last apartments and start to develop Iztok (GSA > 7,000 m2), where construction works should begin in the second half of the year. Thirdly, the first stage construction of Kodulahe project should be almost completed by the end of 2016.

In 2016, we also want to initiate the Arco real estate fund in Bulgaria and the first bigger development project in Sofia in its framework, where Arco Vara would hold the role of trustee and shareholder. We must use the readiness of the Bulgarian capital market and the current visible achievements of Arco Vara as an apartment developer on the local market. At present, the proceedings to obtain the corresponding licence are underway.

The year should also fit establishing detailed plans for the projects at Liimi 1b and Lehiku tee 21-23 in Tallinn. In the service division, the year 2016 will be important due to a transfer to new organization strategy in management, training and software developments. Managing customer relations, marketing and measuring the efficiency of work processes will change. Arco Vara must become the most human-centred real estate company, in this way contrasting to an objector transaction-centred real estate company. Considering our nearly a hundred thousand customer contacts and the potential of our people, this is definitely useful for our clients and through this, also for the shareholders of the group.

Financially, the income statement of 2016 holds a larger proportion in cranes and a smaller proportion in sales transactions, as we are mostly in the phase of development. Sales revenue is largely coming from the service division, rent of Madrid Blvd and the sale of apartments at Manastirski Livadi. The sale of development projects which are outside the main focus of the group is also possible, but only if we achieve value added with our work in developing the properties and the buyers are prepared to approve of this with the transaction price.

2017

In 2017, the three large development projects mentioned above (Madrid Blvd, Kodulahe, Iztok Parkside) continue, and a fourth development project has been added to them depending on our success in earning profit and the commencement of ARCO REIT in Sofia.

The total revenue of these three development project should reach 20 million euros in 2017, which would double the active volume of the group. At least the same should also be expected from profit. Here, I should note that this is not a limit of our current thinking and setting of goals.

SERVICE DIVISION

In Q3 2015, revenue of service division was 852 thousand euros (in Q3 2014: 791 thousand euros), that included intra-group revenue of 107 thousand euros (in Q3 2014: 93 thousand euros). Revenue of service division from main services (real estate brokerage and valuation services) was 2,180 thousand euros decreased by 8 thousand euros compared to the same period of previous year. At the same time, third quarter revenue from main services increased by 5% compared to Q3 2014. Revenue continues to increase in Bulgaria, seeing a 41% increase if compared 9 months of both years and 34% increase if third quarters are compared. In Q3, revenue of Estonian agency increased second quarter in a row, exceeding by 21% in third quarter the figures of Q3 2014. The revenue from main services is still strongly decreasing in Latvian real estate agency: by 23% if compared 9 months periods and by 22% if third quarters are compared.

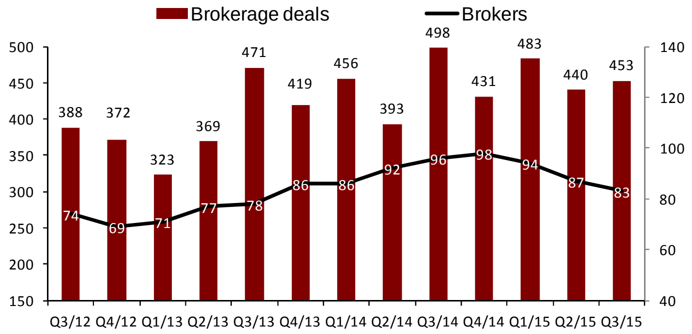
Revenue of real estate agencies from brokerage and valuation

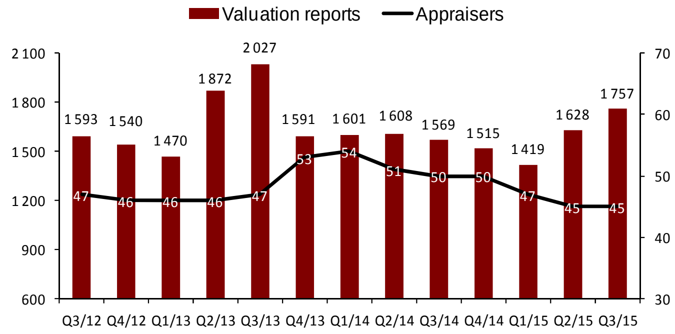
In thousands of euros	**9 months 2015**	9 months 2014	Change, %	**Q3 2015**	Q3 2014	Change, %
Estonia	963	927	4%	355	293	21%
Latvia	679	879	-23%	243	312	-22%
Bulgaria	538	382	41%	158	118	34%
Total	**2,180**	**2 ,188**	**0%**	**756**	**723**	**5%**

During nine months 2015, the Estonian and Latvian agencies have operated on a loss: 68 thousand and 51 thousand euros, respectively. In nine months 2014, Estonian and Latvian agencies had net profit of 31 thousand euros and 62 thousand euros, respectively. The decrease in profitability of Estonian agency is caused by significant increase of marketing and IT expenses: the goal is set to reach higher level in revenues and accordingly growth of profit. Revenues will increase with the help of wider reputation and bigger number of contacts, customer oriented data processing and smarter work environment. Bulgarian agency's net profit was 138 thousand euros in nine months 2015 (in 9 months 2014: 81 thousand euros) and 27 thousand euros in Q3 2015 (in Q3 2014: 15 thousand euros).

In addition to brokerage and valuation services, the service division also provides real estate management services as well as accommodation service in Bulgaria. The revenue from real estate management was 104 thousand euros in 9 months 2015, 77 thousand euros of which was intra-group revenue (in 9 months 2014: 124 thousand and 86 thousand euros, respectively). Revenue from accommodation services amounted to 105 thousand euros in first nine months of 2015, of which 50 thousand euros in Q3 (in 9 months 2014: 55 thousand and 20 thousand euros). The sales of accommodation service have shown nice growth in 2015, especially in Q3.

Service division numbers for brokerage deals and valuation reports, and number of staff are shown in following graphs.





The number of staff in service division has been decreased to 157 employees as at 30 September 2015, which is 19 people less compared to year end 2014.

DEVELOPMENT DIVISION

In 9 months 2015, revenue of development division totalled 6,544 thousand euros (in 9 months 2014: 1,289 thousand euros), of which 487 thousand euros in Q3 2015 (in Q3 2014: 487 thousand euros). The big leap in revenues comes from the sale of properties in the group's own development projects, amounting to 5,713 thousand euros in nine months 2015 (compared to only 485 thousand euros in 9 months 2014).

Most of the remaining revenue of development division consist of rental income from commercial and office premises in Madrid Blvd building in Sofia, amounted to 234 thousand euros in Q3 2015 and 708 thousand euros in 9 months (in Q3 2014: 234 thousand euros and 9 months 2014: 718 thousand euros). In Q4, some decrease in rental income is expected due to conclusion of rental agreements and there is ongoing renovation and preparation works of rental spaces to meet new tenants. The rental income is planned to recover on the previous level in Q2 2016.

In nine months 2015, operating profit of development division was 1,598 thousand euros, of which 377 thousand euros in Q3. In nine months 2014, was earned 696 thousand euros of operating profit, of which 632 thousand euros in Q3.

In Q3 2015, has been continued the apartment sales of Manastirski Livadi project. In Q3 2015, were sold 9 apartments and one commercial space in the project, including two last apartments from first stage (named also as block C). In nine months, total of 70 apartments and 6 commercial spaces have been sold in Bulgaria. As at 30 September 2015, 3 apartments and 2 commercial spaces from second stage of the project remained in stock, out of 135 in total.

As at 30 September 2015, 66 apartments out of 80 and one commercial space out of 8 have been presold in third stage of Manastirski Livadi project. Three more apartments have been pre-sold in October. The apartment building will be ready and permit for use is scheduled for December.

28 apartments remained unsold in Madrid Blvd complex. 16 apartments and all parking places, out of all Madrid Blvd unsold apartments, are rented out.

Three apartments in Bishumuiza-1 project and one Marsili residental plot were sold in Latvia in Q3. There remains the last apartment unsold in Bisumuisa-1 project as well as 14 residental plots in Marsili.

In Estonia, there were concluded design works of the first stage apartment building (with 125 apartments and 5 commercial spaces) in Kodulahe project. Permit for construction of apartment building was obtained at the end of September. At the publishing date of the interim report, there was ongoing construction procurement and arranging the financing. The construction of the apartment building should start in December 2015, after the construction procurement and financing arrangements will succeed. The marketing of apartments started at the end of Q3.

In June 2015, a smaller land plot in Suur-Sepa street, in centre town of Pärnu, was acquired as an addition to the group's land bank. The plot is suitable for apartment building. After preparing preliminary design the plot was sold profitably at the beginning of October. Also at the beginning of October, the group sold another smaller development: Instituudi road residental development project, acquired in February 2014. The latter project was also up-valued with the preliminary design. Selling smaller projects bears the goal of focusing on most important projects in Estonia and Bulgaria.

As at 30 September 2015, 5 people were employed in development division, the same as at the end of year 2014.

SUMMARY TABLE OF ARCO VARA'S PROJECTS AS AT 30 SEPTEMBER 2015

Project name	Address	Product main type	Stage	Area of plot(s) (m^2)	GSA / GLA (above grade) available or <future target>	No of units (above grade) available or <future target>
Manastirski A/B	Manastirski, Sofia	Apartments	S5	-	498	5
Manastirski D	Manastirski, Sofia	Apartments	S4	2,223	6,672	88
Madrid Blvd	Madrid Blvd, Sofia	Lease: Retail/Office	S5/S6	-	7,350	16
Madrid Blvd	Madrid Blvd, Sofia	Apartments	S5/S6	-	3,216	28
Bisumuiza-1	Kometas 2, Riga	Apartments	S5	-	105	1
Marsili residental plots	Marsili, near Riga	Residental plots	S5	-	25,389	14
Marsili residental plots	Marsili, near Riga	Residental plots	S2	120,220	<120,220>	<68>
Kodulahe, stage 1	Lahepea 7, Tallinn	Apartments	S3	6,102	8,739	130
Kodulahe, stages 2-5	Lahepea street, Tallinn	Apartments	S2	14,264	<13,300>	<200>
Lehiku carpet building	Lehiku 21,23 Tallinn	Apartments	S2	5,915	<1,100>	<5>
Liimi	Liimi 1b, Tallinn	Lease: Office	S2	2,463	<6,500>	<1>
Viimsiranna	Haabneeme, Viimsi vald	Office/Mix	S3/S5	14,174	500	1

Note: Value presented inbetween < > means future target value as the project is in early (S1, S2) development stage and the building rights or the design have not been finished yet. The table does not reflect sellable or lettable volumes below grade including parking spaces and storages.

Description of stages

S1: Land plot acquired
S2: Building Rights Procedure
S3: Design and Preparation Works
S4: Construction
S5: Marketing and Sale
S6: Facility Management and/or Lease

PEOPLE

As at 30 September 2015, 170 people worked for the group (189 as at 31 December 2014). Employee remuneration expenses in nine months 2015 amounted to 1.9 million euros (in 9 months 2014: 1.8 million euros).

The remuneration of the member of the management board/chief executive and the members of the supervisory board of the group's parent company including social security charges in first nine months 2015 amounted to 83 thousand euros (76 thousand euros in 9 months 2014).

MANAGEMENT BOARD AND SUPERVISORY COUNCIL

The management board of Arco Vara AS has one member. Since 22 October 2012, the member of the management board and chief executive of Arco Vara AS has been Tarmo Sild. The mandate of the chief executive was prolonged by 3 years (until October 2018) on the supervisory board meeting held in September 2015.

At 30 September 2015, the supervisory board of Arco Vara AS has 5 members. As at the end of 2014, the supervisory board had 7 members. On 10 February 2015, extraordinary shareholders meeting recalled previous supervisory board and elected new supervisory board with 5 members: Hillar-Peeter Luitsalu, Allar Niinepuu and Rain Lõhmus (re-elected from the previous board), and Steven Yaroslav Gorelik and Kert Keskpaik (newly elected to the new board). The members of previous supervisory board Toomas Tool, Arvo Nõges, Aivar Pilv and Stephan David Balikn will not continue in new board.

More information on key persons of Arco Vara you can find on company's corporate web page www.arcorealestate.com.

DESCRIPTION OF THE MAIN RISKS

Credit risk

The group's credit risk arises mainly from two sources: real estate development activities and reliability of the banks where bank deposits are placed. As on real estate transactions a lot of counterparty financing goes through banks, co-operation with financing banks is common to mitigate counterparty risk. And not all cash and cash equivalents are placed on the same banking group. As a consequence, the group considers credit risk as substantially mitigated.

Liquidity and interest rate risks

The base currency of all of the group's loan agreements is euro and the base interest rate is 3 or 6 months EURIBOR. As a result, the group is exposed to developments on the international capital markets. The group does not use hedging instruments to mitigate its long-term interest rate risk. In nine months 2015, the group's interest-bearing liabilities have decreased by 2.7 million euros and at 30 September 2015 amounted to 12.3 million euros, of which 1.8 million euros is due within next 12 months. At the same time, the group's cash and cash equivalents totalled 1.2 million euros as at 30 September 2015. In 9 months 2015, interest payments on interest-bearing liabilities totalled 0.6 million euros. The group's weighted average loan interest rate was 5.1% as at 30 September 2015. This is a decrease by 0.7 percentage points in nine months 2015. The main reason for the decrease of average interest rate is the premature redemption of bonds in February 2015. The bonds bore higher than average interest rate. Marginal effect had also the decrease of EURIBOR rates down to zero-level.

Currency risk

Purchase and sales contracts of provided services are mostly signed in local currencies: euros (EUR) or Bulgarian lev (BGN). Real estate sales are mostly nominated in euros, as a result of which the group's assets and liabilities structure does not denote a significant currency risk. The group is not protected against currency devaluations. Most liquid funds are held in demand or short-term deposits denominated in euros.

Share and shareholders

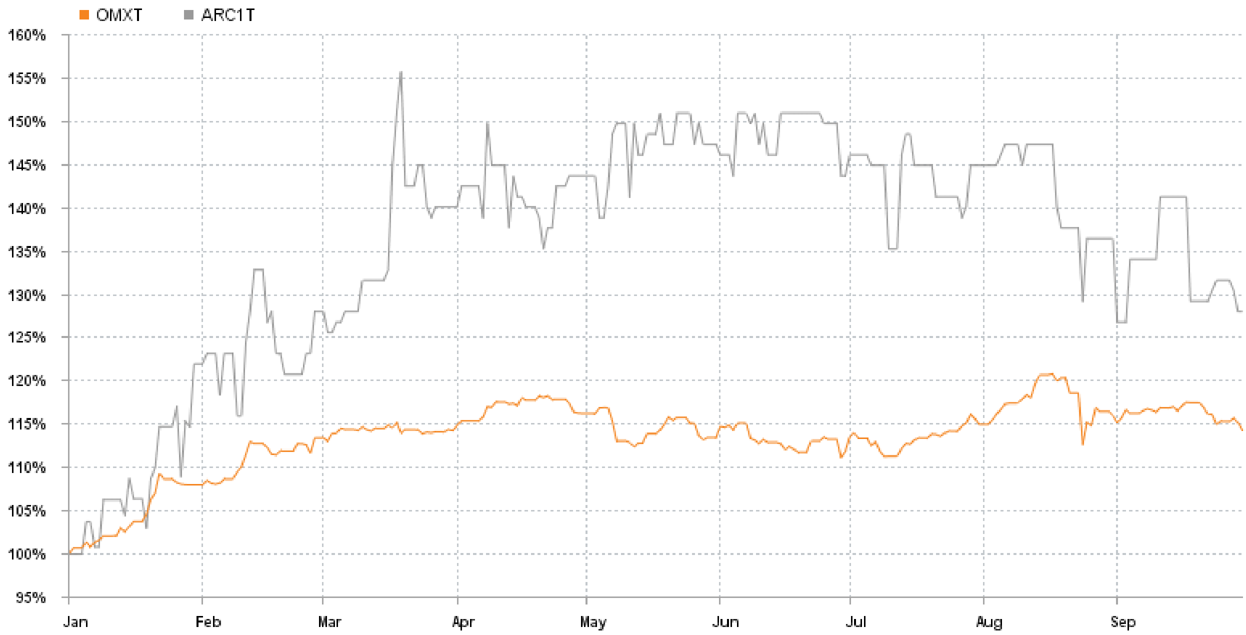
Arco Vara AS has issued a total of 6,117,012 ordinary shares with nominal value of 0.7 euros per share. The shares are freely traded on NASDAQ OMX Tallinn stock exchange. As at 30 September 2015, the company had 1,620 shareholders (at 31 December 2014: 1,668) including 1,395 individuals as shareholders. The share price closed at 1.06 euros. The price has increased by 28% within nine months 2015 (closing price at the end of 2014 was 0.828 euros). During the period, the highest price per share was 1.29 euros and lowest price 0.83 euros. As at 30 September 2015, market capitalization of shares amounted to 6,484 thousand euros and P/E ratio of the share was 4.9 (at 31 December 2014: 5,065 thousand euros and 5.5, respectively).

The following charts reflect movements in the price and daily turnover of Arco Vara share in three years: for the period from 30 September 2012 to 30 September 2015.

In 9 months 2015

In the period from 30 September 2012 to 30 September 2015

Changes in Arco Vara share (ARC1T) price compared with the benchmark index OMX Tallinn in first 9 months 2015.



Index/equity	31 Dec 2014	30 Sept 2015	+/-%
OMX Tallinn	755.05	863.21	+14.32
ARC1T	0.828 EUR	1.06 EUR	+28.02

Major shareholders at 30 September 2015	No of shares	Interest %
NORDEA BANK FINLAND PLC client	862,820	14.1%
AS Lõhmus Holdings	602,378	9.8%
Gamma Holding Investment OÜ	549,000	9.0%
Alarmo Kapital OÜ	489,188	8.0%
HM Investeeringud OÜ	430,000	7.0%
LHV PENSIONIFOND L	389,765	6.4%
FIREBIRD REPUBLICS FUND LTD	356,428	5.8%
FIREBIRD AVRORA FUND, LTD.	185,800	3.0%
LHV PENSIONIFOND XL	173,583	2.8%
FIREBIRD FUND L.P.	150,522	2.5%
Other shareholders	1,927,528	31.5%
Total	**6,117,012**	**100.0%**

Holdings of members of the management and supervisory boards at 30 September 2015	Position	No of shares	Interest %
Rain Lõhmus (AS Lõhmus Holdings)	member of supervisory board	602,378	9.8%
Tarmo Sild and Allar Niinepuu (Alarmo Kapital OÜ)	member of management board/ member of supervisory board	489,188	8.0%
Hillar-Peeter Luitsalu (HM Investeeringud OÜ, related persons)	chairman of supervisory board	468,884	7.7%
Kert Keskpaik (privately and through K Vara OÜ)	member of supervisory board	193,787	3.2%
Steven Yaroslav Gorelik [1]	member of supervisory board	3,150	0.1%
Total		**1,757,387**	**28.7%**

[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 692,750 shares (total of 11.3% interest).

Chief executive's confirmation on director's report

The chief executive/member of the management board confirms that the director's report of Arco Vara AS for the third quarter and nine months ended 30 September 2015 provides a true and fair view of the development, financial performance and financial position of the group as well as a description of the main risks and uncertainties.

Tarmo Sild

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

On 5 November 2015

Condensed consolidated interim financial statements

Consolidated statement of comprehensive income

	Note	**9 months 2015**	9 months 2014	**Q3 2015**	Q3 2014
In thousands of euros					
Continuing operations					
Revenue from sale of own real estate		5,713	485	1,097	222
Revenue from rendering of services		2,842	2,861	1,001	953
Total revenue	2, 3	**8,555**	**3,346**	**2,098**	**1,175**
Cost of sales	4	-5,433	-1,898	-1,264	-649
Gross profit		**3,122**	**1,448**	**834**	**526**
Other income		70	593	47	574
Marketing and distribution expenses	5	-359	-240	-125	-66
Administrative expenses	6	-1,373	-1,222	-428	-307
Other expenses		-32	-137	-6	-100
Gain on sale of subsidiary		0	662	0	0
Operating profit/loss		**1,428**	**1,104**	**322**	**627**
Finance income and costs	7	-538	-694	-150	-259
Net profit/loss from continuing operations		**890**	**410**	**172**	**368**
Discontinued operations					
Profit/loss from discontinued operations		-13	-13	0	0
Net profit/loss for the period		**877**	**397**	**172**	**368**
attributable to owners of the parent		*892*	*379*	*173*	*357*
attributable to non-controlling interests		*-15*	*18*	*-1*	*11*
Total comprehensive income/expense for the period		**877**	**397**	**172**	**368**
attributable to owners of the parent		*892*	*379*	*173*	*357*
attributable to non-controlling interests		*-15*	*18*	*-1*	*11*
Earnings per share (in euros)	8				
- basic		**0.15**	0.08	**0.03**	0.07
- diluted		**0.14**	0.07	**0.03**	0.06

Consolidated statement of financial position

	Note	**30 September 2015**	31 December 2014
In thousands of euros			
Cash and cash equivalents		1,235	1,691
Receivables and prepayments	9	787	1,205
Inventories	10	10,284	11,970
Total current assets		**12,306**	**14,866**
Receivables and prepayments	9	0	5
Investment property	11	11,547	11,585
Property, plant and equipment		481	434
Intangible assets		176	113
Total non-current assets		**12,204**	**12,137**
TOTAL ASSETS		**24,510**	**27,003**
Loans and borrowings	12	1,773	3,194
Payables and deferred income	13	2,042	2,659
Provisions		274	274
Total current liabilities		**4,089**	**6,127**
Loans and borrowings	12	10,555	11,826
Total non-current liabilities		**10,555**	**11,826**
TOTAL LIABILITIES		**14,644**	**17,953**
Share capital		4,282	4,282
Share premium		292	292
Statutory capital reserve		2,011	2,011
Other reserves		179	179
Retained earnings		3,004	2,250
Total equity attributable to owners of the parent		**9,768**	**9,014**
Equity attributable to non-controlling interests		98	36
TOTAL EQUITY		**9,866**	**9,050**
TOTAL LIABILITIES AND EQUITY		**24,510**	**27,003**

Consolidated statement of cash flows

	Note	**9 months 2015**	9 months 2014	**Q3 2015**	Q3 2014
In thousands of euros					
Receipts from customers		10,945	5,068	2,250	1,809
Payments to suppliers		-4,766	-7,244	-1,808	-2,761
Taxes paid		-2,310	-844	-270	-308
Taxes recovered		5	531	0	182
Payments to employees		-766	-622	-227	-195
Other payments and receipts related to operating activities		24	-204	-9	-158
NET CASH FROM/USED IN OPERATING ACTIVITIES		**3,132**	**-3,315**	**-64**	**-1,431**
Purchase of property, plant and equipment		-137	-32	-38	-17
Proceeds from sale of a subsidiary		0	10	0	0
Acquisition of a subsidiary		0	1	0	1
Loans provided		0	-3	0	0
Placement of security deposits		0	-416	0	-89
Release of security deposits		0	679	0	227
Interest received		4	3	1	1
NET CASH FROM/USED IN INVESTING ACTIVITIES		**-133**	**242**	**-37**	**123**
Proceeds from loans received	12	1,385	4,053	515	1,472
Settlement of loans and finance lease liabilities	12	-4,109	-1,192	-144	-647
Interest paid		-588	-515	-113	-89
Dividends paid		-61	0	0	0
Proceeds from share capital issue		0	1,375	0	1,375
Other payments related to financing activities		-82	-51	0	-28
NET CASH FROM/USED IN FINANCING ACTIVITIES		**-3,455**	**3,670**	**258**	**2,083**
NET CASH FLOW		**-456**	**597**	**157**	**775**
Cash and cash equivalents at beginning of period		1,691	818	1,078	640
Decrease in cash and cash equivalents		**-456**	**597**	**157**	**775**
Cash and cash equivalents at end of period		1,235	1,415	1,235	1,415

Consolidated statement of changes in equity

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Share premium	Statutory capital reserve	Other reserves	Retained earnings	Total		
In thousands of euros								
Balance as at 31 December 2013	**3,319**	**0**	**2,011**	**60**	**1,452**	**6,842**	**12**	**6,854**
Change in non-controlling interests	0	0	0	0	-5	-5	5	**0**
Increase of share capital	963	292	0	0	0	1,255	0	**1,255**
Total comprehensive income for the period	0	0	0	0	379	379	18	**397**
Balance as at 30 September 2014	**4,282**	**292**	**2,011**	**60**	**1,826**	**8,471**	35	**8,506**
Balance as at 31 December 2014	**4,282**	**292**	**2,011**	**179**	**2,250**	**9,014**	**36**	**9,050**
Profit distribution	0	0	0	0	-61	-61	0	**-61**
Change in non-controlling interest	0	0	0	0	-77	-77	77	**0**
Total comprehensive income for the period	0	0	0	0	892	892	-15	**877**
Balance as at 30 September 2015	**4,282**	**292**	**2,011**	**179**	**3,004**	**9,768**	**98**	**9,866**

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies

The unaudited condensed consolidated interim financial statements of Arco Vara AS for the third quarter and nine months ended 30 September 2015 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements should be read in conjunction with the audited consolidated annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

All amounts in the financial statements are presented in thousands of euros unless indicated otherwise.

2. Segment information

The group has the following reportable operating segments:

Development - development of residental and commercial real estate environments;

Service - real estate services: real estate brokerage, valuation, management and short-term investment in real estate.

Inter-segment transactions are conducted at market prices and priced on the same basis as transactions with external counterparties. A significant proportion of inter-segment transactions is generated by the Service segment that sells real estate brokerage services to the Development segment. Unallocated items include primarily income, expenses, assets and liabilities of the group's parent.

Revenue and operating profit by operating segment

Segment	Development		Service		Unallocated		Eliminations		Consolidated	
	9 months 2015	9 months 2014	9 months 2015	9 months 2014	9 months 2015	9 months 2014	9 months 2015	9 months 2014	9 months 2015	9 months 2014
In thousands of euros										
External revenue	6,479	1,263	2,073	2,080	3	3			8,555	3,346
Annual change	*413%*	*-81%*	*0%*	*5%*					*156%*	*-62%*
Inter-segment revenue	65	26	367	321			-432	-347	0	0
Total revenue	**6,544**	**1,289**	**2,440**	**2,401**	**3**	**3**	**-432**	**-347**	**8,555**	**3,346**
Operating profit	**1,598**	**696**	**80**	**188**	**10**	**189**	**-260**	**31**	**1,428**	**1,104**
Incl. reversal of inventory write-down	*0*	*572*	*0*	*0*	*0*	*0*			*0*	*572*
Gain on sale of a subsidiary	*0*	*0*	*0*	*0*	*0*	*662*			*0*	*662*

Segment	Development		Service		Unallocated		Eliminations		Consolidated	
	Q3 2015	Q3 2014	Q3 2015	Q3 2014	Q3 2015	Q3 2014	Q3 2015	Q3 2014	Q3 2015	Q3 2014
In thousands of euros										
External revenue	1,353	476	745	698	0	1			2,098	1,175
Annual change	*184%*	*-83%*	*7%*	*-7%*					*79%*	*-67%*
Inter-segment revenue	21	11	107	93			-128	-104	0	0
Total revenue	**1,374**	**487**	**852**	**791**	**0**	**1**	**-128**	**-104**	**2,098**	**1,175**
Operating profit	**377**	**632**	**20**	**56**	**-42**	**-170**	**-33**	**109**	**322**	**627**
Incl. reversal of inventory write-down	*0*	*572*	*0*	*0*	*0*	*0*			*0*	*572*

Assets and liabilities by operating segment

Segment	Development		Service		Unallocated		Consolidated	
	30 Sept 2015	31 Dec 2014	30 Sept 2015	31 Dec 2014	30 Sept 2015	31 Dec 2014	30 Sept 2015	31 Dec 2014
in thousands of euros								
Assets	23,016	25,602	611	668	883	733	24,510	27,003
Liabilities	13,920	16,265	453	499	271	1,189	14,644	17,953

3. Revenue

	9 months 2015	9 months 2014	Q3 2015	Q3 2014
In thousands of euros				
Sale of own real estate	5,713	485	1,097	222
Real estate brokerage and valuation	1,863	1,932	654	647
Rental of real estate	813	774	285	254
Property management services	85	98	22	32
Other revenue	81	57	40	20
Total revenue	**8,555**	**3,346**	**2,098**	**1,175**

4. Cost of sales

	9 months 2015	9 months 2014	Q3 2015	Q3 2014
In thousands of euros				
Cost of real estate sold	-3,994	-432	-770	-206
Personnel expenses	-1,109	-1,171	-394	-376
Property management costs	-212	-189	-55	-40
Vehicle expenses	-16	-13	-6	-4
Depreciation, amortisation and impairment losses	-8	-9	-2	-3
Other costs	-94	-84	-37	-20
Total cost of sales	**-5,433**	**-1,898**	**-1,264**	**-649**

5. Marketing and distribution expenses

	9 months 2015	9 months 2014	Q3 2015	Q3 2014
In thousands of euros				
Advertising expenses	-202	-129	-66	-36
Personnel expenses	-91	-45	-31	-11
Market research	-7	-6	-2	0
Other marketing and distribution expenses	-59	-60	-26	-19
Total marketing and distribution expenses	**-359**	**-240**	**-125**	**-66**

6. Administrative expenses

In thousands of euros	9 months 2015	9 months 2014	Q3 2015	Q3 2014
Personnel expenses	-709	-558	-227	-189
Office expenses	-332	-261	-94	-84
Services purchased	-116	-163	-33	19
IT expenses	-105	-109	-30	-30
Legal service fees	-32	-60	-14	2
Depreciation, amortisation and impairment losses	-30	-27	-10	-11
Vehicle expenses	-24	-29	-9	-9
Other expenses	-25	-15	-11	-5
Total administrative expenses	**-1,373**	**-1,222**	**-428**	**-307**

7. Finance income and costs

In thousands of euros	9 months 2015	9 months 2014	Q3 2015	Q3 2014
Interest expenses	-475	-644	-148	-225
Interest income	3	3	1	1
Other finance income and costs	-66	-53	-3	-35
Total finance income and costs	**-538**	**-694**	**-150**	**-259**

8. Earnings per share

Basic earnings per share are calculated by dividing profit or 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 the effects of all potentially issued shares.

	9 months 2015	9 months 2014	Q3 2015	Q3 2014
Weighted average number of ordinary shares outstanding during the period	6,117,012	4,872,688	6,117,012	5,130,380
Number of ordinary shares potentially to be issued	390,000	390,000	390,000	390,000
Net profit attributable to owners of the parent (in thousands of euros)	892	379	173	357
Earnings per share (in euros)	**0.15**	0.08	**0.03**	0.07
Diluted earnings per share (in euros)	**0.14**	0.07	**0.03**	0.06

In September 2014, the share capital of Arco Vara AS was increased by issuing 1,375,305 additional ordinary shares.

According to the decision of the annual general shareholders' meeting of Arco Vara AS, held on 1 July 2013, one convertible bond was issued with the nominal value of 1,000 euros. The convertible bond will give to the chief executive of the group's parent company the right to subscribe up to 390 thousand ordinary shares of Arco Vara AS for 0.7 euros per share during the year 2016. As at 30 September 2015, an equity reserve is formed in amount of 179 thousand euros (as at 31 December 2014: 179 thousand euros) for the option associated with the bond. See also note 14.

9. Receivables and prepayments

Short-term receivables and prepayments

In thousands of euros	30 September 2015	31 December 2014
Trade receivables		
Receivables from customers	387	989
Allowance for doubtful trade receivables	-22	-22
Total trade receivables	**365**	**967**

Other receivables		
Loans provided	6	6
Miscellaneous receivables	48	154
Total other receivables	**54**	**160**
Accrued income		
Prepaid and recoverable taxes	123	22
Other accrued income	3	4
Total accrued income	**126**	**26**
Prepayments	**242**	**52**
Total short-term receivables and prepayments	**787**	**1,205**

Long-term receivables

	30 September 2015	31 December 2014
In thousands of euros		
Prepayments	0	5
Total long-term receivables and prepayments	**0**	**5**

10. Inventories

	30 September 2015	31 December 2014
In thousands of euros		
Properties purchased and being developed for resale	10,049	11,942
Materials and finished goods	9	12
Prepayments for inventories	226	16
Total inventories	**10,284**	**11,970**

Properties purchased and being developed for resale

	2015	2014
In thousands of euros		
Balance at the beginning of period, 1 January	**11,942**	**10,762**
Properties purchased for development	70	120
Construction costs of apartment buildings	1,540	3,899
Capitalized borrowing costs	90	175
Reversal of inventory write-down	0	572
Other capitalized costs	320	254
Reclassification from investment property (note 11)	81	0
Cost of sold properties (note 4)	-3,994	-432
Balance at the end of period, 30 September	**10,049**	**15,350**

11. Investment property

	2015	2014
In thousands of euros		
Balance at the beginning of period, 1 January	**11,585**	**11,331**
Capitalised development costs	43	5
Reclassification to inventories (note 10)	-81	0
Balance at the end of period, 30 September	**11,547**	**11,336**

12. Loans and borrowings

	As at 30 September 2015			As at 31 December 2014		
	Total	*of which current portion*	*of which non-current portion*	**Total**	*of which current portion*	*of which non-current portion*
In thousands of euros						
Bank loans	12,135	1,594	10,541	14,081	3,010	11,071
Bonds	161	160	1	911	160	751
Finance lease liabilities	32	19	13	28	24	4
Total	**12,328**	**1,773**	**10,555**	**15,020**	**3,194**	**11,826**

In first nine months 2015, the group settled loans and borrowings in amount of 4,109 thousand euros (in 9 months 2014: 1,192 thousand euros) through cash transactions. New loans in amount of 1,385 thousand euros (in 9 months 2014: 4,053 thousand euros) were raised.

In first half 2015, were settled following major loan obligations:

- In January, the group repaid last part, in amount of 606 thousand euros, loan used for financing the construction of Manastirski Livadi project II stage. Contractual repayment deadline of the loan was 30 May 2016.

- On 19 and 20 February 2015, 18 months before maturity date, Arco Vara redeemed bonds at nominal value of 750 thousand euros issued in August 2013 for restarting Manastirski Livadi development project. Redemption price of bonds was 1,155 euros per bond, consisted of bond's nominal value of 1,000 euros and accrued interest of 155 euros per bond. Redemption of bonds before the maturity date was possible due to faster than planned sales pace and unanimous consent among bondholders then accepting the proposal for earlier redemption. See also note 14.

- In nine months 2015, total of 1,395 thousand euros of Madrid Blvd project loan was repaid to Piraeus bank in Bulgaria. The amount includes a principal repayment in amount of 950 thousand euros the group made on 20 February 2015. There was also agreed with the bank on amendments to loan contract what mitigate risks regarding the terms of the possible recall of the loan before maturity date by the bank.

- In June, the group repaid 900 thousand euros of bank loan, which was raised for the acquisition of Kodulahe project land plot in 2013.

In April 2015, was signed new loan agreement for financing construction of third stage apartment building in Manastirski Livadi project in Bulgaria. As at 30 September 2015, loan limit in amount of 1,385 thousand euros (out of maximum limit of 2,650 thousand euros) was used, 346 thousand euros of the same loan has been repaid.

13. Payables and deferred income

Short-term payables and deferred income	**30 September 2015**	31 December 2014
In thousands of euros		
Trade payables	**436**	**208**
Miscellaneous payables	**319**	**91**
Taxes payable		
Value added tax	62	820
Corporate income tax	48	125
Social security tax	37	33
Personal income tax	29	19
Other taxes	355	343
Total taxes payable	**531**	**1,340**
Accrued expenses		
Payables to employees	124	144
Interest payable	48	100
Other accrued expenses	2	19
Total accrued expenses	**174**	**263**

Deferred income		
Prepayments received on sale of real estate	579	757
Other deferred income	3	0
Total deferred income	**582**	**757**
Total short-term payables and deferred income	**2,042**	**2,659**

14. Related party disclosures

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

1) **the group's joint ventures and associates**;
2) **companies under the control of the chief executive and the members of the supervisory board of Arco Vara AS that have a significant interest in the group's parent company**;
3) **other related parties** – the chief executive and the members of the supervisory board of Arco Vara AS and companies under their control (excluding companies that have a significant interest in the group's parent company).

Transactions with related parties

	9 months 2015	9 months 2014
In thousands of euros		
Joint ventures and associate		
Services sold	-	0
Services purchased	-	26
Provision of loans	-	3
Companies that have a significant interest in the group's parent company		
Services purchased	25	232
Bonds issued	0	150
Redemption of bonds	500	0
Paid interest	89	60
Other related parties		
Services sold	2	3
Services purchased	0	2
Redemption of bonds	250	0
Paid interest	39	26

Balances with related parties

	30 September 2015	31 December 2014
In thousands of euros		
Companies that have a significant interest in the group's parent company		
Trade payables	6	0
Bonds issued	150	650
Other related parties		
Bonds issued	11	251

On 19 and 20 February 2015, 18 months before maturity date, Arco Vara redeemed bonds at nominal value of 750 thousand euros issued in August 2013 for restarting Manastirski Livadi development project. The whole issue was subscribed by key management personnel and by the companies that have a significant interest in the group's parent company. Redemption price of bonds was 1,155 euros per bond, consisted of bond's nominal value of 1,000 euros and accrued interest of 155 euros per bond. Redemption of bonds before the maturity date was possible due to faster than planned sales pace and unanimous consent among bondholders then accepting the proposal for earlier redemption. See also note 12.

On 21 March 2014, Arco Vara AS issued bonds as targeted issue in total amount of 160 thousand euros. 150 thousand euros out of the total issued bonds were subscribed by the companies that have significant interest in the group's parent company. The bonds maturity date was 20 June 2015 and annual interest rate is 9.8%. In June 2015, were agreed with bondholders on new maturity date of bonds, which is now 20 December 2015. The issued bonds are guaranteed with mortgage on property that belongs to the subsidiary of Arco Vara AS. See also note 12.

In 9 months 2015, the remuneration provided to the group's key management personnel, i.e. the chief executive/member of the management board and the members of the supervisory board of the group's parent company, including social security charges, amounted to 83 thousand euros (in 9 months 2014: 76 thousand euros). The remuneration provided to the chief executive/member of the management board is based on his service contract. The termination benefits agreed with Tarmo Sild, who was appointed chief executive officer/member of the management board of Arco Vara AS in October 2012, amount to up to five months' basic board member remuneration. The mandate of the chief executive was prolonged by 3 years (until October 2018) on the supervisory board meeting held in September 2015.The basis for the remuneration provided to the members of the supervisory board was changed in July 2013 and were slightly amended in February 2015. According to the resolutions of the general meeting of Arco Vara AS, the members of the supervisory board will get paid 500 euros (net amount) for every participated meeting but not more than 1,000 euros (net amount) per month. The payment of the remuneration is made dependent on the signing of the minutes of the meetings of the supervisory board. Reasonable travel expenses made for participating on the board meetings are also compensated to the members of the supervisory board. The group's key management personnel was not provided or paid any other remuneration or benefits (bonuses, termination benefits, etc) in 2015.

In favor of chief executive/member of management board is issued convertible bond, which gives him the right to subscribe up to 390,000 ordinary shares of Arco Vara AS for 0.7 euros per share during the year 2016. See also note 8.

Statement by the chief executive/member of the management board

The chief executive/member of the management board of Arco Vara AS has prepared Arco Vara AS's condensed consolidated interim financial statements for the third quarter and nine months ended 30 September 2015.

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

Tarmo Sild

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

On 5 November 2015