

# hepsor



*Manufaktuuri 5, Tallinn*

## 2024 I quarter consolidated unaudited interim report

Corporate name:	Hepsor AS
Commercial Register No:	12099216
Address:	Järvevana tee 7b, 10112 Tallinn
E-mail:	info@hepsor.ee
Telephone:	+372 660 9009
Website:	www.hepsor.ee
Reporting period:	01 January 2024-31 March 2024
Financial year:	01 January 2024-31 December 2024
Supervisory Board:	Andres Pärloja, Kristjan Mitt, Lauri Meidla
Management Board:	Henri Laks
Auditor:	Grant Thornton Baltic OÜ

Hepsor AS (hereinafter referred to as “the Group” or “Hepsor”), a property development company based on Estonian capital, has operations in Estonia and Latvia. The Group entered Latvian market in 2017 and has been operating under the same consolidating group since 2019. The Group entered the Canadian market in 2023.

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# Management Report

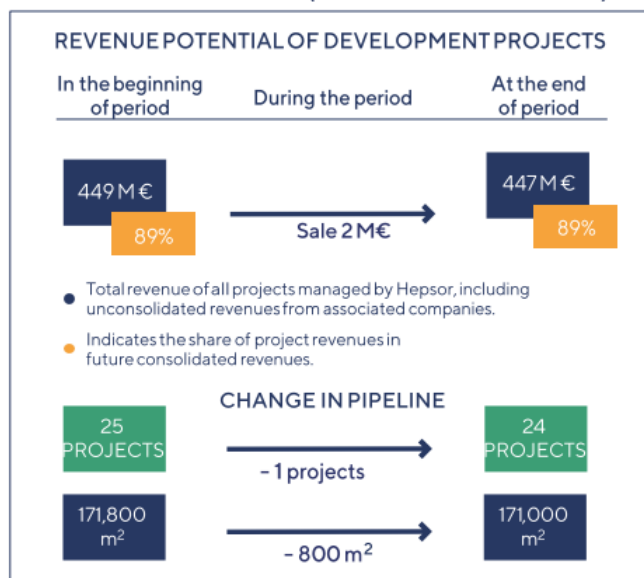
## 2024 3 MONTHS UNAUDITED REVENUES AND NET PROFIT



## REVENUE AND NET PROFIT FORECAST FOR 2024 (AS OF 30.09.2023)



## LONG TERM OUTLOOK (31.12.2023 VS 31.03.2024)



## ASSUMPTIONS FOR 2024 FORECAST

Project	Assumption
Manufaktuuri 7	120 real rights contracts will be concluded.
Paevälja Courtyard houses	5 real rights contracts will be concluded.
Lilleküla Homes	18 real rights contracts will be concluded.
Ojakalda Homes	50 real rights contracts will be concluded.
Strelnieku 4B	10 real rights contracts will be concluded.
Nameja Residence	25 real rights contracts will be concluded.
Marupes Darzs	The last apartment is being sold.
Ganibu Dambis	The Group earns rental income.
Büroo 113	Investment is reassessed to fair value.
Grüne office building	The Group earns rental income.

## DEVELOPMENT PROJECTS FOR SALE AND UNDER CONSTRUCTION (31.03.2024)

PROJECT	Total number of apartments	Apartments sold*	Apartments sold %	Apartments available	Construction completed
Strelnieku 4b, Latvia	54	44	81%	10	2020
Paevälja Courtyard Houses	96	95	99%	1	2023
Ojakalda Homes	101	61	60%	40	2024
Lilleküla Homes	26	9	35%	17	2023
Manufaktuuri 7	150	67	45%	83	2024
Manufaktuuri 5	149	0	0%	149	2027
Nameja Residence	38	16	42%	22	2024
Annenhof Majas	40	11	28%	29	2025
<b>Total</b>	<b>654</b>	<b>303</b>	<b>46%</b>	<b>351</b>	

COMMERCIAL DEVELOPMENT PROJECTS IN PROCESS	Total rentable area m <sup>2</sup>	Occupancy m <sup>2</sup>	Occupancy %	Construction completed
Büroo113 office building	4,002	431	11%	2023
Grüne office building	3,430	3,302	96%	2023
Manufaktuuri 7	453	0	0%	2024
<b>Total</b>	<b>7,885</b>	<b>3,733</b>	<b>46%</b>	

## DEVELOPMENT PROJECTS UNDER CONSTRUCTION (31.03.2024)

Started in 2023	Total under construction	To be started in 2024
329 apartments	329 apartments	254 apartments
453 m <sup>2</sup> commercial area	453 m <sup>2</sup> commercial area	10,206 m <sup>2</sup> commercial area

\*Number of sold apartments includes paid bookings, contracts under law of obligation and real right contracts.



## Dear shareholders of Hepsor



The consolidated sales revenue of Hepsor amounted to 2.3 million euros in the first quarter of 2024 and the net loss was 0.97 million euros (including a net loss attributable to the owners of the parent of 0.88 million euros).

In the first quarter of 2024 no new investments were made, we focused on the construction and sale of existing projects. Customer interest was modest in the first month of the year, but since mid-February, activity in the real estate market has picked up again, and interest in our projects has increased.

### Completed development projects

In the first quarter of 2024, the last apartment in the Marupe Darz project near Riga was handed over. In Tallinn, the handover of apartments continued in the Paevälja Courtyard Houses project completed in 2022 (3 apartments), and one apartment was handed over in the Lilleküla Homes project completed at the end of 2023. The first house was completed in the Ojakalda Homes project in March, and the handover of the first homes began in March - 7 real rights contracts were concluded.

There were no significant changes in commercial real estate. As of the end of the first quarter, the environmentally friendly Grüne building completed in Tallinn in 2023 was 96% occupied, and we are working on finding a new tenant for the recently vacated space. Regarding Büroo 113, reported as an associated company, we were preparing for the signing of new lease agreements. The vacancy in the Büroo 113 building arose because in the fall of 2023, we were forced to terminate the lease agreement with the anchor tenant due to their arrears.



**The Group's revenues and profitability are directly dependent on the development cycle of projects, which is approximately 24 to 36 months. Sales revenue is generated only at the end of the cycle.** Calendar quarters vary in terms of the number of projects ending during the quarter, which is why both profits and sales revenue can differ significantly across quarters. Therefore, performance can be considerably weaker or stronger in some years and quarters than in others.

The portfolio of the company's development projects and three-year average financial results are a better criteria for assessing the group's performance in order to assess the overall sustainability and economic results of a real estate development company.

### Development projects under construction and available for sale



In the first quarter of 2024, Hepsor had four residential development projects under construction, totaling 329 apartments:

- As part of the Ojakalda Homes development project, three apartment buildings with a total of 101 apartments will be built in Tallinn, of which the first building was completed in March, and the completion of the remaining two buildings is planned for the second quarter of 2024. The signing of real rights contracts began in March.

- Manufaktuuri 7 (150 apartments and 453 m2 of commercial space) in Tallinn, set to be completed in the summer, with the commencement of initial real rights contracts planned for June-July.
- Nameja Rezidence (38 apartments) in Riga, scheduled for completion in the third quarter of 2024, coinciding with the commencement of the first real rights contract signings.
- Annenhof House (40 apartments) in Riga, expected to be completed in early 2025, with most of the sales revenue also reflected in 2025.

As of March 31, 2024, contracts under the law of obligations and written reservations have been made for a total of 148 apartments (45%) across these four projects.

## **Hepsor in Canada**

Hepsor began developing its Canadian business line in the spring of 2022 after the start of the war in Ukraine with the aim of finding new growth opportunities and diversifying the geopolitical risks associated with the current home markets. Within two years, a network of cooperation has been built in Canada, from legal and financial advisors to banks, market analysis and brokerage companies.

In the first quarter of 2024, no new investments were made in Canada. As of the end of the first quarter, Hepsor, together with its Canadian partners, has made two investments:

- A property located at 3406-3434 Weston Road, Toronto.
- 3 properties in Toronto at the address 164-168 Isabella Street.

Both properties have been acquired for the purpose of land development, which is expected to take approximately 2-2.5 years.

## **Outlook for 2024**

In 2024, we forecast sales revenue of €43.1 million, net profit of €4.5 million, and net profit attributable to the parent company's shareholders of €2.5 million. The first quarter of 2024 includes sales from completed projects in previous years, with sales from these projects continuing throughout the rest of 2024. However, a significant portion of the projected revenue for 2024 will come from projects that will be completed starting from the second quarter of 2024.

A key focus for 2024 is the Manufaktuuri Quarter - new homes and commercial spaces will be completed at the address Manufaktuuri 7, and in the second quarter, the reconstruction of the former Baltic Cotton Spinning and Weaving Factory building located at historic Manufaktuuri 5 into a modern A-class energy-efficient building will commence. We are creating a comprehensive living environment in the Manufaktuuri Quarter, highlighting historical architecture with modern technical solutions, valuing the environment, and considering sustainable transportation methods. Manufaktuuri 5 includes both residential and commercial spaces. Additionally, we plan to start construction and sales of two new projects in Latvia in 2024 - the StokOfiss 34 office building (with approximately 9,000 m<sup>2</sup> of leasable space) and the Zala Jugla project with 105 new homes.

While customers are not making quick purchase decisions today, interest in our projects remains, so we are moderately optimistic and continue the implementation of existing and new projects.

Henri Laks

Member of the Management Board

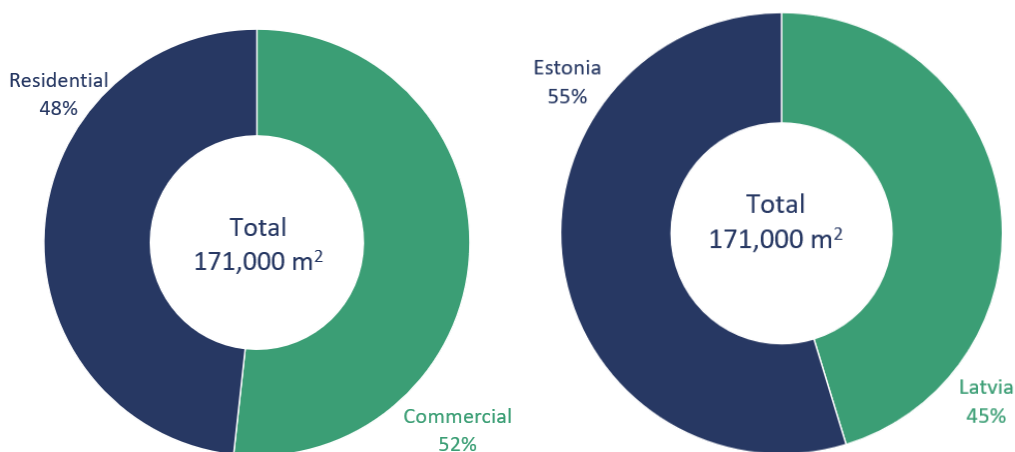
# Overview of the Development Projects

As of 31 March 2024, the Group had 24 active projects in different development phases (31 March 2023: 26 projects) and 171,000 sqm of sellable area (31 December 2023: 176,000 sqm).

**Distribution of development portfolio between different development phases (as of 31 March 2024):**



**Distribution of development portfolio between countries and type (as of 31 March 2024):**



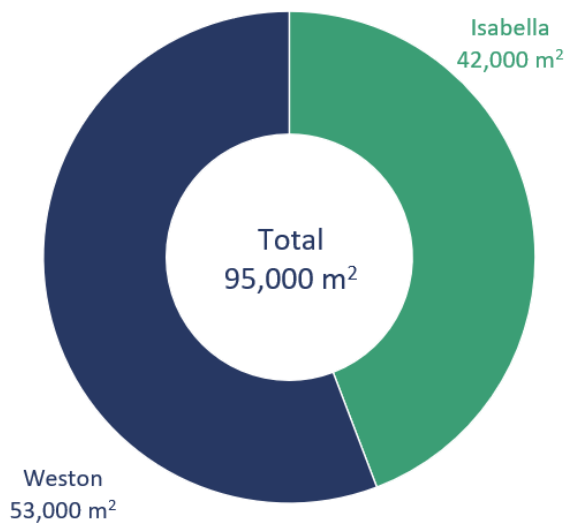
\*Excluding Canadian projects

## Development projects in Canada (as of 31 March 2024):

We are presenting Canadian projects separately, as Hepsor's participation in the initial Canadian projects is proportionally smaller than in the Estonian and Latvian projects, and the Canadian projects are reflected as financial investments. We are initially dealing with the land development process in Canada.

The goal of the first phase of the Weston Road project is to increase the construction volume of the property from 27,000 m<sup>2</sup> to approximately 53,000 m<sup>2</sup> and obtain the right to build two apartment buildings.

The goal of the first phase of the Isabella project is to merge three properties located at 164 - 168 Isabella Street in Toronto and plan a residential high-rise building on the newly formed property with a construction volume of approximately 42,000 m<sup>2</sup>.





## Development projects in Tallinn (as of 31 March 2024)



### Planning proceedings

- 1 Narva mnt 150, 150a, 150b
- 2 Alvari 1
- 3 Kadaka tee 197
- 4 Paevälja 5, 7, 9
- 5 Vana-Tartu mnt 49

### Building permit proceedings / available

- 6 Manufaktuuri 5
- 7 Manufaktuuri 12
- 8 Lembitu 4

### Under construction and/or available for sale

- 9 Manufaktuuri 7
- 10 Nõmme tee 57
- 11 Paevälja 11
- 12 Paldiski mnt 227c

### Completed, earning cash flow

- 13 Meistri 14
- 14 Pärnu mnt 113

## Development projects in Riga (as of 31 March 2024)



### Planning proceedings

1 Riga Properties 4

### Building permit proceedings / available

2 Ganibu Dambis 17a

3 Saules aleja 2a

4 Ulbrokas 34

5 Braila 23

### Under construction and/or available for sale

6 Jurmalas Gatve / Imanta 8. linija

7 Strēlnieku 4b

8 Ranka Dambis 5

## Projects in Toronto (as of 31 March 2024)



### Land development projects

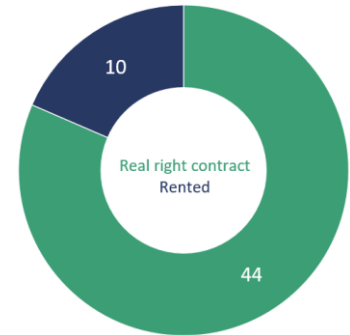
- 1 3406-3434 Weston road, Toronto
- 2 164 - 168 Isabella street, Toronto



## Completed development projects (as of 31 March 2024):



Project: Strēlnieku 4b  
 Hepsor S4B SIA  
 Address: 4b Strēlnieku St, Riga  
 Apartments: 54  
 Project completed: 2020  
 Website: [hepsor.lv/Strēlnieku4b](https://hepsor.lv/Strēlnieku4b)



Project: Paevälja Courtyard Houses  
 Hepsor PV11 OÜ  
 Address: 11 Paevälja, 7 Lageloo, Tallinn  
 Apartments: 96  
 Start of construction: Q4 2021  
 Project completed: I phase Q4 2022  
 II phase Q1 2023  
 Website: [hepsor.ee/paevalja/en](https://hepsor.ee/paevalja/en)



Project: Lilleküla Homes  
 Hepsor N57 OÜ  
 Address: Nõmme tee 57, Tallinn  
 Apartments: 26  
 Start of construction: Q4 2022  
 Estimated completion: Q4 2023  
 Website: [hepsor.ee/lillekylakodud/en/](https://hepsor.ee/lillekylakodud/en/)





Project: Büroo 113  
Hepsor P113 OÜ

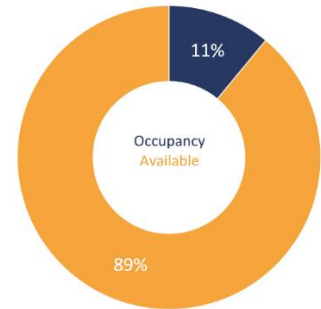
Address: Pärnu mnt 113, Tallinn

Leasable area: 4,002 m<sup>2</sup>

Occupancy: 100%

Project completed: Q4 2022

Website: [byroo113.ee/](http://byroo113.ee/)



Project: Grüne Office  
Hepsor M14 OÜ

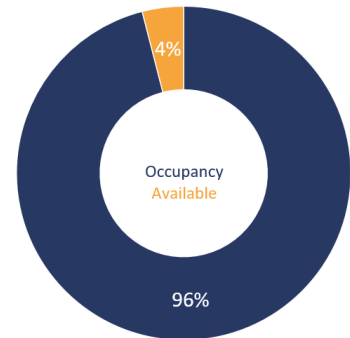
Address: 14 Meistri, Tallinn

Leasable area: 3,430 m<sup>2</sup>

Start of construction: Q4 2020

Project completed: Q2 2023

Website: [gryne.ee/en/](http://gryne.ee/en/)



## Residential development projects under construction (as of 31 March 2024):



Project: Ojakalda Homes  
Hepsor 3TORNI OÜ

Address: Paldiski mnt 227c, Tallinn

Apartments: 101

Start of construction: Q3 2022

Estimated completion: Q2 2024

Website: [hepsor.ee/ojakalda](https://hepsor.ee/ojakalda)



Project: Manufaktuuri Quarter  
Hepsor Phoenix 2 OÜ

Address: 7 Manufaktuuri, Tallinn

Apartments: 150

Leasable area: 453 m<sup>2</sup>

Start of construction: Q1 2023

Estimated completion: Q3 2024

Website: [hepsor.ee/manufaktuur/m7/en/](https://hepsor.ee/manufaktuur/m7/en/)



Project: Nameja Residence  
Hepsor RD5 SIA

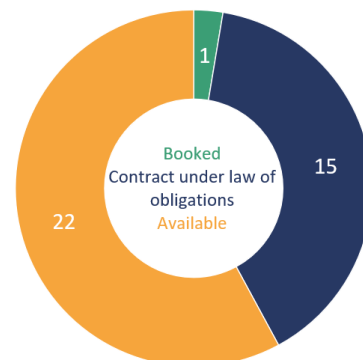
Address: 5 Ranka Dambis, Riga

Apartments: 38

Start of construction: Q1 2023

Estimated completion: Q3 2024

Website: [hepsor.lv/namejarezidence/en/](https://hepsor.lv/namejarezidence/en/)



Project: Annenhof Majas  
Hepsor JG SIA

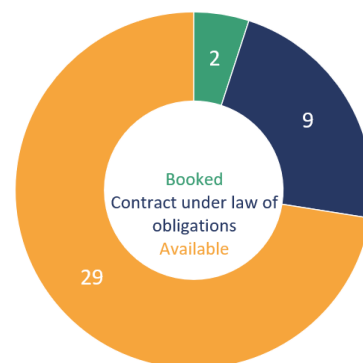
Address: Jurmalas Gatve/Imanta 8. linija, Riga

Apartments: 40

Est. start of construction: Q4 2023

Estimated completion: Q1 2025

Website: [hepsor.lv/annenhofmajas/](https://hepsor.lv/annenhofmajas/)





**Development projects the construction of which starts in 2024 (as of 31 March 2024):**



Project: Manufaktuuri Quarter  
Hepsor Phoenix 3 OÜ

Address: 5 Manufaktuuri, Tallinn

Apartments: 149

Leasable area: 1 515 m<sup>2</sup>

Start of construction: Q2 2024

Estimated completion: Q4 2027

Webpage: [hepsor.ee/manufaktuurivabrik/en/](https://hepsor.ee/manufaktuurivabrik/en/)

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Project: Zala Jugla  
Hepsor Jugla SIA

Address: Braila Str 23, Riia

Apartments: 105

Start of construction: Q3 2024

Estimated completion: Q4 2025

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Project: StokOfiss 34  
Hepsor U34 SIA

Address: Ulbrokas 34, Riia

Leasable area: 8 691 m<sup>2</sup>

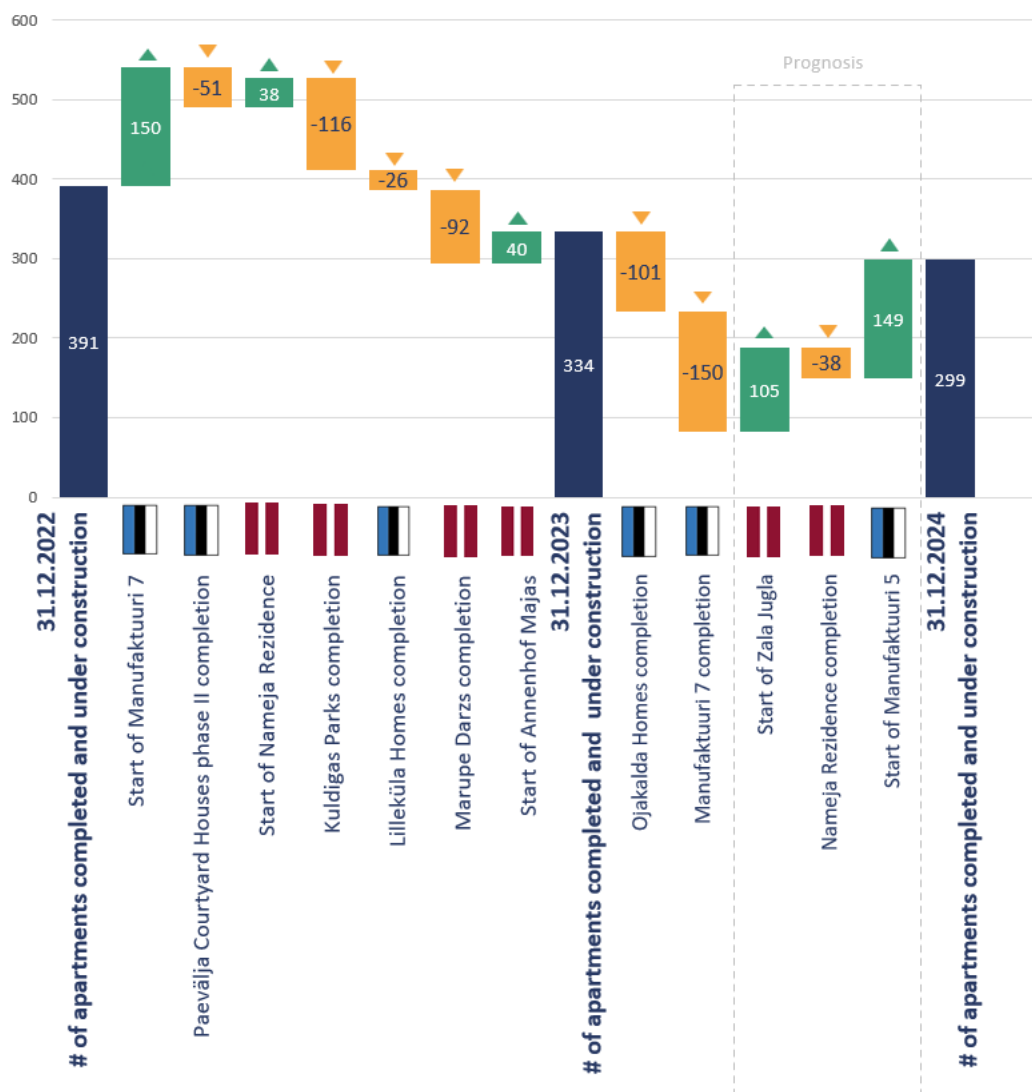
Start of construction: Q3 2024

Estimated completion: Q4 2025

Webpage: [hepsor.lv/stokofissu34/en/](https://hepsor.lv/stokofissu34/en/)

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## The change in the number of apartments completed and under construction 2023-2024

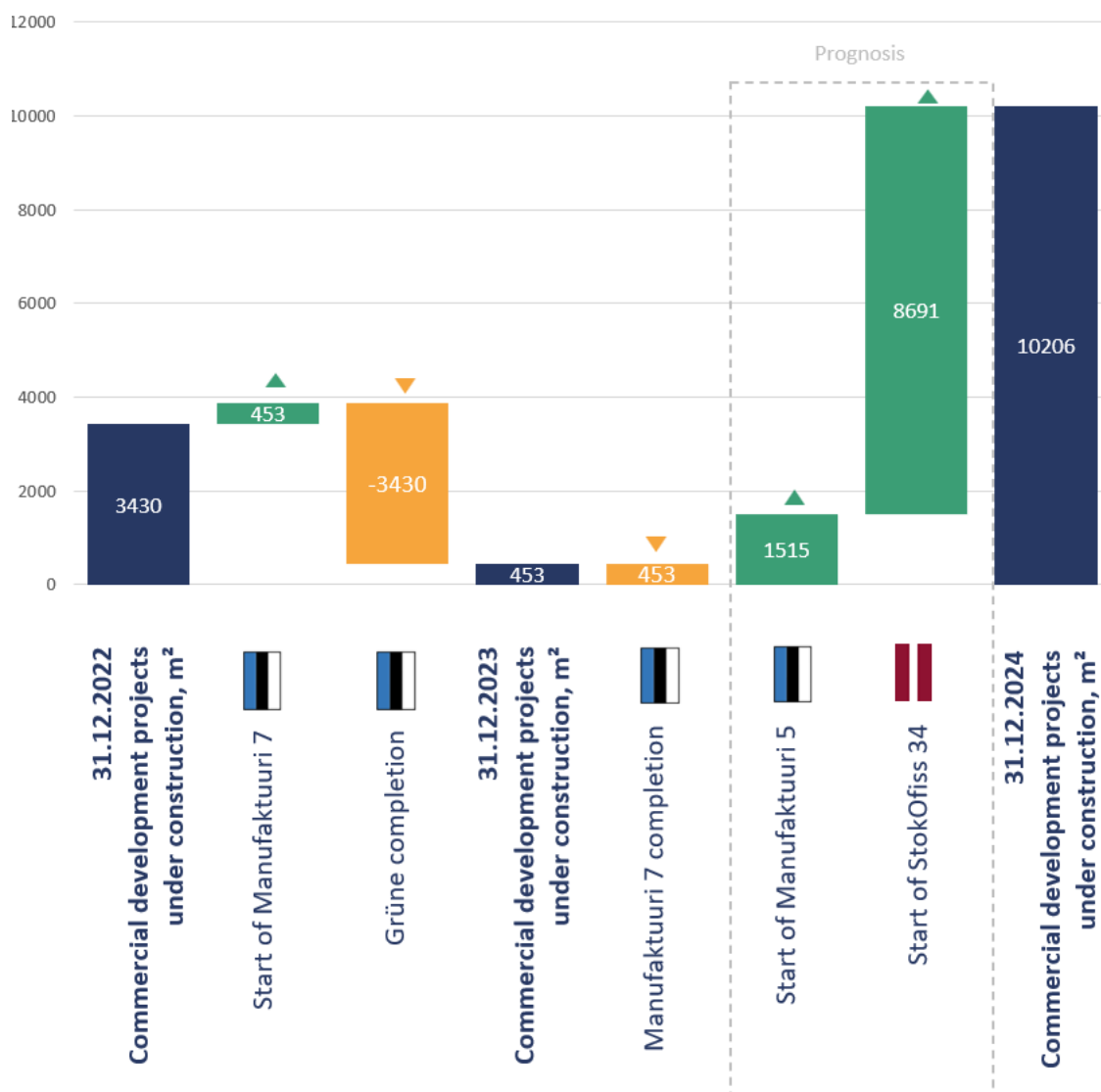


### Residential development projects under construction and available for sale (as of 31 March 2024):

Project	Apartments	Apartments		Apartments %		Estimated completion
		Sold*	Available	Sold*	Available	
4b Strēlnieku, Latvia	54	44	10	81%	19%	2020
Paevälja Courtyard Houses	96	95	1	99%	1%	I phase Q4 2022 II phase Q1 2023
Ojakalda Homes	26	9	17	35%	65%	Q4 2023
Lilleküla Homes	101	61	40	60%	40%	Q1 2024
Manufaktuuri 7	150	67	83	45%	55%	Q3 2024
Manufaktuuri 5	149	0	149	0%	100%	Q4 2027
Nameja Residence	38	16	22	42%	58%	Q3 2024
Annenhof Majas	40	11	29	28%	73%	Q1 2025
<b>Total</b>	<b>654</b>	<b>378</b>	<b>299</b>	<b>56%</b>	<b>44%</b>	

\* Number of sold apartments includes paid bookings, contracts under law of obligation and real right contracts.

## Commercial development projects under construction, 2023-2024:



In 2024, the Group plans to start the development of two new commercial properties – StokOfiss 34 commercial building in Latvia as well as Manufaktuuri 5 in Tallinn.

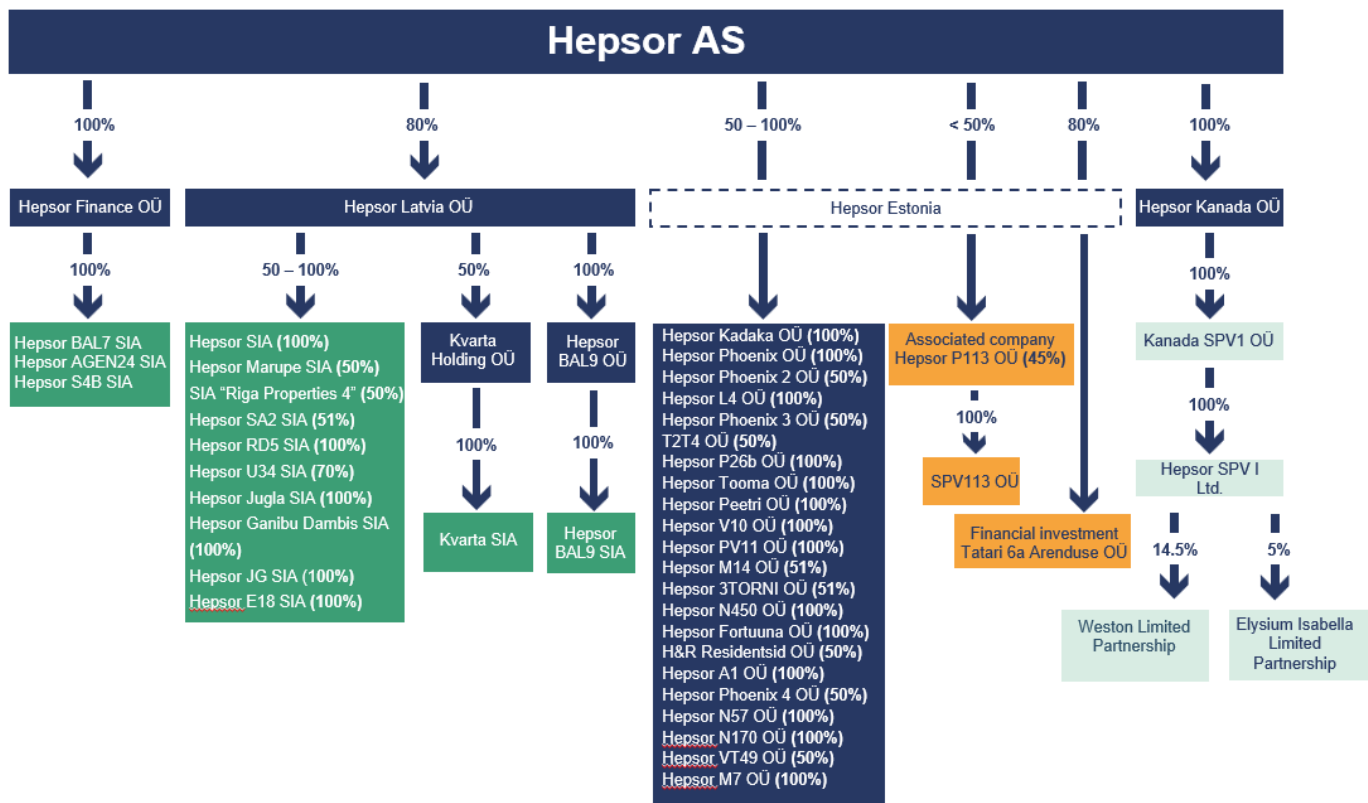
### Occupancy of commercial development projects (as of 31 March 2024):

Project name	Rentable area sqm	Occupancy sqm	Occupancy %
Büroo113	4,002	431	11%
Grüne Office	3,430	3,302	96%
Manufaktuuri 7	453	0	0%
<b>Total</b>	<b>7,885</b>	<b>3,733</b>	<b>47%</b>

In addition to the new commercial and office buildings developed by the Group, the Group rents out commercial premises in Riga and Tallinn located on properties that are in the development phase for the construction of new buildings.

## Group Structure

As of 31 March 2024, the Group was comprised of parent company, 44 subsidiaries and 1 associated company and her subsidiaries (31 March 2023: parent company, 38 subsidiaries, 2 associated companies). Tatari 6a Arenduse OÜ, Weston Limited Partnership and Elysium Isabella Limited Partnership is reported as financial investments.



In Q1 of 2024 the following changes took place in the structure of the Group:

- ✓ On 05.03.2024, Hepsor AS's subsidiary, Hepsor Latvia OÜ, established a subsidiary, Hepsor E18 SIA.
- ✓ On 08.03.2024, Hepsor AS's associated company, Hepsor P113 OÜ, established a subsidiary, SPV113 OÜ

## Main Events

- ✓ In the first quarter of 2024, we commenced sales for the Manufaktuuri 5 project.

# Operating Results

The Group's sales revenue in Q1 2024 was 2.3 million euros (Q1 2023: 6.0 million euros), of which 0.2 million euros (Q1 2023: 0.2 million euros) or 10.2% (Q1 2023: 4.0%) was earned in Latvia.

Large fluctuations in sales revenue are relatively common in real estate development business. The development cycle of the Group's real estate projects lasts approximately 36 months. In year-on-year comparisons, sales revenues and profits may fluctuate depending on the period between the completion of the construction of the development project and the sale of the completed apartments.

In Q1 2024, the Group sold a total of 12 (Q1 2023: 34) apartments of which 11 apartments in Tallinn, 7 apartments in Ojakalda Homes development project, 1 apartment in Lilleküla Homes development project and 3 apartments in Paevälja Courtyard Houses development project. In Latvia, the last apartment was sold in the Mārupes Dārzs development project.

In addition to the sale of apartments, the Group also offers project management services and generates rental income from real estate. In total, other sales revenue amounted to 406 thousand euros (Q1 2023: 421 thousand euros) or 17.9% (Q1 2023: 7.0%) of the Group's total sales revenue.

## Profitability

The gross profit of development projects sold during the reporting period was 114 thousand euros (Q1 2023: 1,160 thousand euros) and gross profit margin was 6.1% (Q1 2023: 20.9%). The Group's gross profit for Q1 2024 amounted to 37 thousand euros (Q1 2023: 935 thousand euros). In the first quarter the Group's gross profit margin was 1.6% (Q1 2023: 15.6%). The gross profit was most affected by the small number of apartments sold with real rights contracts.

In the first quarter of 2024, the Group's operating loss was 564 thousand euros (Q1 2023 operating profit: 514 thousand euros) and operating profit margin was -24.8% (Q1 2023: 8.6%). The Group's net loss for the period amounted to 965 thousand euros (Q1 2023: net profit 139 thousand euros) of which the net loss attributable to the owners of the parent amounted to 879 thousand euros (Q1 2023: net profit 240 thousand euros), while the net loss to non-controlling interest was 86 thousand euros (Q1 2023: 101 thousand euros). In the reporting period the net profit margin was -42.5% (Q1 2023: 2.3%).

## Balance Sheet

Total assets of the Group amounted to 96.8 million euros as of 31 March 2024 (31 March 2023: 80.1 million euros), which is 20.9% higher than at the end of the comparable period last year. Inventories made up 85.8% or 83.1 million euros of total assets (31 March 2023: 91.9% and 73.6 million euros). In the period from 01.04.2023 to 31.03.2024, the Group has purchased two new commercial development projects: in Latvia, Smaidu Dreilini and in Estonia, Vana-Tartu mnt. 49 with which 28 113 m<sup>2</sup> commercial area have been added to the development portfolio. In the second quarter of 2023, land plot at Tooma st 2, Tooma st 4 and Tooma st 6 in Tallinn and commercial development project in Riga Ulbrokas 30 were sold, which reduced the development portfolio by 14,142 m<sup>2</sup>. In the period from 01.04.2023 to 31.03.2024, the Group has sold 252 apartments with real rights contracts.

As of 31 March 2024, cash and cash equivalents accounted for 7.9% or 7.7 million euros of the total assets. As at 31 March 2023, cash and cash equivalents accounted for 2.6% or 2.1 million euros of total assets.

The Group's loan obligations totalled 64.1 million euros as at 31 March 2024, compared to 49.1 million euros as at 31 March 2023. The Group's equity increased by 3.5% over the year to 21.2 million euros. Equity attributable to the owners of the parent increased by 0.1% to 20.1 million euros.

## Cash Flows

The Group's cash and cash equivalents amounted to 7.6 million euros at the beginning of Q1 2024 (beginning of Q1 2023: 3.8 million euros) and to 7.7 million euros as at 31 March 2024 (31 March 2023: 2.1 million euros). The positive cash flow for the period was 0.1 million euros (Q1 2023: negative 1.6 million euros).

Cash flow from operating activities for Q1 2024 was negative at 5.6 million euros (Q1 2023: -1.2 million euros). Cash flow from operating activities was mostly affected by the growth of inventories, due to the change in inventories the negative cash flow as of Q1 2024 was 4.6 million euros (Q1 2023: 3.1 million euros).

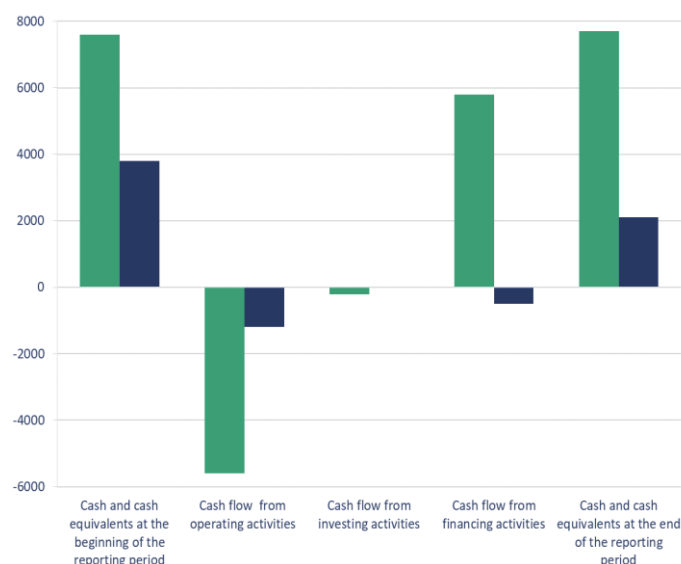
In Q1 2024 cash flow from investments was negative at 218 thousand euros (Q1 2023: 21 thousand euros). In the reporting period, the Group granted a total of 218 thousand euros in loans.

Cash flow from financing activities was positive at 5.8 million euros (Q1 2023: negative 0.5 million euros). In Q1 2024, the Group received more loans than it repaid. The net amount of loans received in three months 2024 was 7.2 million euros (Q1 2023: 0.6 million euros). In the first quarter of 2024, the Group paid 1.3 million euros in interest (Q1 2023: 1.0 million euros).

Balance sheet structure 31.03.2024 (m€)



Group's cash flows: Q1 2024 Q1 2023





## Key financials

in thousands of euros	Q1 2024	Q1 2023	Q1 2022
Revenue	2,271	5,975	1,272
Gross profit/-loss	37	935	106
EBITDA	-512	560	-279
Operating profit/-loss	-564	514	-314
Net profit/-loss	-965	139	22
Incl net profit/-loss attributable to the owners of parent	-879	240	5
Comprehensive income/-loss	-965	147	175
Incl comprehensive profit/-loss attributable to the owners of	-879	226	-81
Earnings per share	-0.23	0.06	0.00

in thousands of euros	31 March 2024	31 March 2023	31 March 2022
Total assets	96,868	80,104	56,831
Incl inventories	83,086	73,610	45,128
Total liabilities	75,642	59,634	37,648
Incl total loan commitments	64,142	49,142	30,687
Total equity	21,196	20,470	19,183
Incl equity attributable to the owners of parent	20,114	20,092	18,823

## Key Ratios

	Q1 2024	Q1 2023	Q1 2022
Gross profit margin	1.6%	15.6%	8.3%
Operating profit margin	-24.8%	8.6%	-24.7%
EBITDA margin	-22.5%	9.4%	-21.9%
Net profit margin	-42.5%	2.3%	1.7%
General expense ratio	27.7%	7.0%	33.8%

	31.03.2024	31.03.2023	31.03.2022
Equity ratio	21.9%	25.6%	33.8%
Debt ratio	66.2%	61.6%	54.3%
Current ratio	2.1	2.5	5.8
Return of equity	11.4%	7.3%	11.0%
Return on equity attributable to the owners of the parent	0.3%	8.4%	-1.0%
Return on assets	2.5%	2.1%	3.5%

Gross profit margin = gross profit / revenue

Operating profit margin = operating profit / revenue

EBITDA margin = (operating profit + depreciation) / revenue

Net profit margin = net profit / revenue

General expense ratio = (marketing expenses + general and administrative expenses) / revenue

Equity ratio = shareholder's equity / total assets

Debt ratio = interest-bearing liabilities / total assets

Current ratio = current assets / current liabilities

Return on equity = net profit of trailing 12 months / arithmetic average shareholder's equity

Return on equity attributable to the owners of the parent = net profit of trailing 12 months attributable to owners of the parent / arithmetic average shareholder's equity attributable to owners of the parent

Return on assets = net profit of trailing 12 months / average total assets

# Share and Shareholders

The shares of Hepsor AS (HPR1T; ISIN EE3100082306) have been listed in the Main List of Nasdaq Tallinn Stock Exchange since 26 November 2021. The Group has issued 3,854,701 shares with nominal value of 1 euro.

As of 31 March 2024, Hepsor AS had 10,258 shareholders.

Hepsor AS shares held by the members of Management and Supervisory Boards and entities related to them:

Shareholder	Position	Number of shares	Shareholding %
Henri Laks	Member of Management Board	498,000	12.92
Andres Pärloja	Chairman of Supervisory Board	997,500	25.88
Kristjan Mitt	Member of Supervisory Board	997,500	25.88
Lauri Meidla	Member of Supervisory Board	507,000	13.15
<b>Total</b>	-	<b>3,000,000</b>	<b>77.83</b>

Shareholder structure by number of shares held as of 31 March 2024:

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
100 001-...	5	0.05%	3,000,000	77.83%
10 001-100 000	7	0.07%	235,201	6.10%
1001 -10 000	49	0.48%	158,508	4.11%
101-1000	810	7.90%	212,510	5.51%
1-100	9,387	91.51%	248,482	6.45%
<b>Total</b>	<b>10,258</b>	<b>100.00%</b>	<b>3,854,701</b>	<b>100.00%</b>

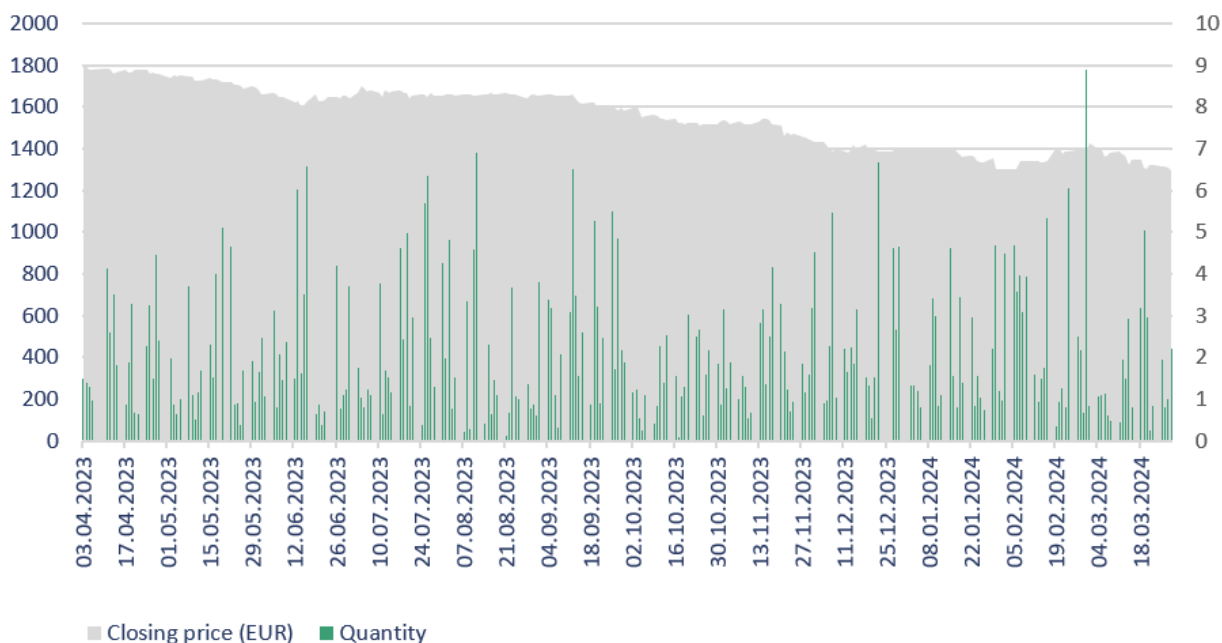
Between 1 April 2023 to 31 March 2024 a total of 6,892 transactions were conducted with the shares of Hepsor AS, during which 105,760 shares changed ownership for a total amount of 816,426 euros. The highest transaction price in the period was 8.98 euros and the lowest was 6.48 euros. The market capitalization of Hepsor AS was 25 million euros as of March 31, 2024, and the equity of the Group amounted to 21 million euros.

Market cap at  
31 March 2024

25

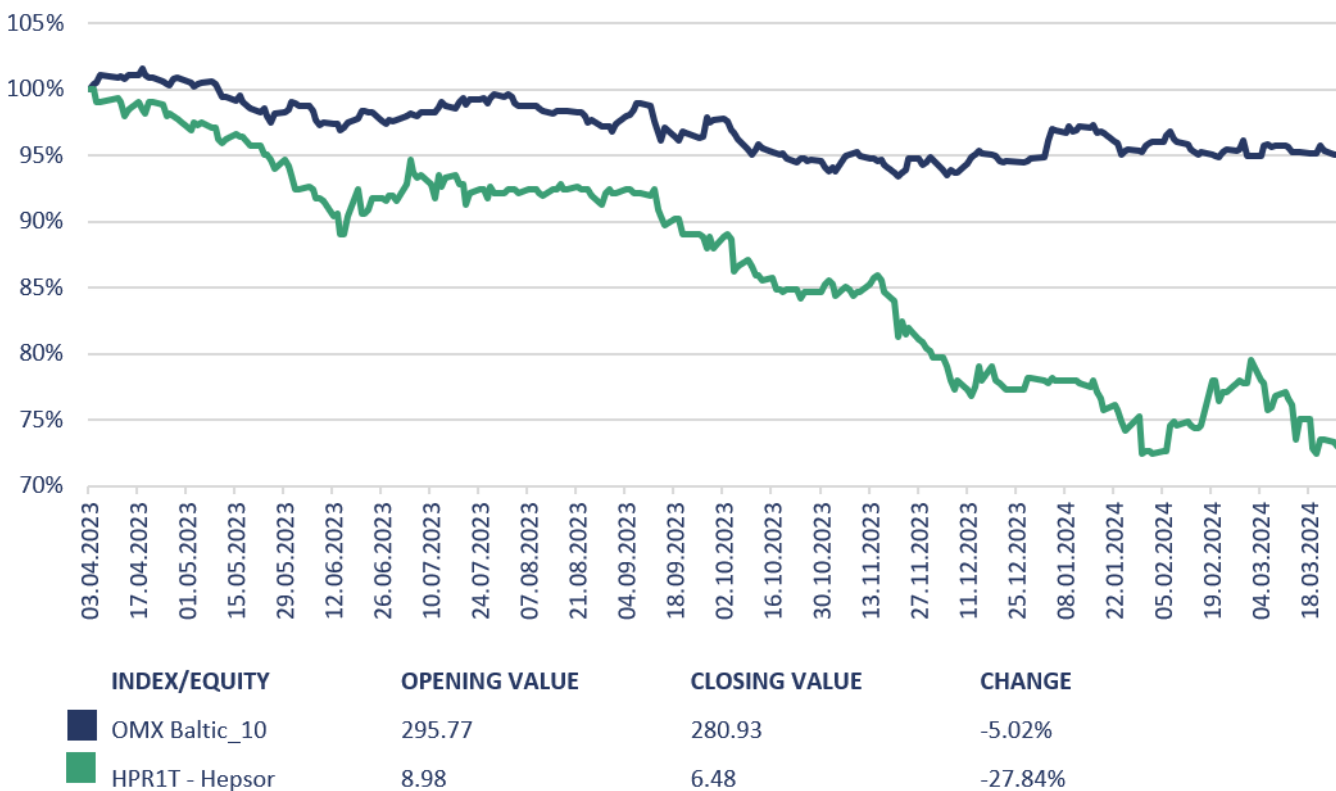
million euros

## Trading volume and price range of Hepsor AS shares, 12 months (1 April 2023 - 31 March 2024):



Source: Nasdaq Baltic

## Change in Hepsor share price in comparison with the benchmark OMX Tallinn index, 12 months (1 April 2023 – 31 March 2024):



Source: Nasdaq Baltic

# Consolidated Financial Statements

## Consolidated statement of financial position

in thousands of euros	Note	31 March 2024	31 December 2023	31 March 2023
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		7,674	7,604	2,126
Trade and other receivables	3	1,351	1,544	1,291
Current loan receivables	4	311	311	0
Inventories	2	83,086	77,439	73,610
<b>Total current assets</b>		<b>92,422</b>	<b>86,898</b>	<b>77,027</b>
<b>Non-current assets</b>				
Property, plant and equipment		230	162	269
Intangible assets		3	4	7
Financial investments	5	2,001	2,005	2
Investments in associates	19	0	0	972
Non-current loan receivables	4	1,947	1,729	1,766
Other non-current receivables		235	203	61
<b>Total non-current assets</b>		<b>4,416</b>	<b>4,103</b>	<b>3,077</b>
<b>Total assets</b>	20	<b>96,838</b>	<b>91,001</b>	<b>80,104</b>
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Loans and borrowings	6	35,546	40,600	22,456
Current lease liabilities		116	40	96
Prepayments from customers		2,916	2,620	4,366
Trade and other payables	7	6,150	7,188	3,481
<b>Total current liabilities</b>		<b>44,728</b>	<b>50,448</b>	<b>30,399</b>
<b>Non-current liabilities</b>				
Loans and borrowings	6	28,596	16,305	26,686
Non-current lease liabilities		29	29	68
Other non-current liabilities	8	2,289	2,058	2,481
<b>Total non-current liabilities</b>		<b>30,914</b>	<b>18,392</b>	<b>29,235</b>
<b>Total liabilities</b>	20	<b>75,642</b>	<b>68,840</b>	<b>59,634</b>
<b>Equity</b>				
Share capital		3,855	3,855	3,855
Share premium		8,917	8,917	8,917
Reserves		385	385	0
Retained earnings		8,039	9,004	7,698
<b>Total equity</b>		<b>21,196</b>	<b>22,161</b>	<b>20,470</b>
incl. total equity attributable to owners of the parent		20,114	20,993	20,092
incl. non-controlling interest		1,082	1,168	378
<b>Total liabilities and equity</b>		<b>96,838</b>	<b>91,001</b>	<b>80,104</b>

## Consolidated statement of profit and loss and other comprehensive income

in thousands of euros	Note	Q1 2024	Q1 2023
Revenue	11,20	2,271	5,975
Cost of sales (-)	12	-2,234	-5,040
<b>Gross profit</b>		<b>37</b>	<b>935</b>
Marketing expenses (-)	13	-185	-71
Administrative expenses (-)	14	-443	-347
Other operating income		45	20
Other operating expenses (-)		-18	-23
<b>Operating profit (-loss) of the year</b>	20	<b>-564</b>	<b>514</b>
Financial income	16.1	37	50
Financial expenses (-)	16.2	-438	-425
<b>Profit before tax</b>		<b>-965</b>	<b>139</b>
<b>Net profit (-loss) for the year</b>		<b>-965</b>	<b>139</b>
Attributable to owners of the parent		-879	240
Non-controlling interest		-86	-101
<b>Other comprehensive income (-loss)</b>			
Change in value of embedded derivatives with minority shareholders	8	0	8
<b>Other comprehensive income (-loss) for the period</b>		<b>0</b>	<b>8</b>
Attributable to owners of the parent	18	0	-14
Non-controlling interest		0	22
<b>Comprehensive income (-loss) for the period</b>		<b>-965</b>	<b>147</b>
Attributable to owners of the parent		-879	226
Non-controlling interest		-86	-79
<b>Earnings per share</b>			
Basic (euros per share)		-0.23	0.06
Diluted (euros per share)		-0.23	0.06

## Consolidated statement of changes in equity

in thousands of euros	Attributable to equity owners of the parent					Non-controlling interests	Total equity
	Share capital	Share premium	Reserves	Retained earnings			
<b>Balance of 31 December 2022</b>	<b>3,855</b>	<b>8,917</b>	<b>0</b>	<b>7,094</b>	<b>457</b>	<b>20,323</b>	
<b>2023</b>							
Net profit/(-loss) for the year	0	0	0	240	-101	<b>139</b>	
Other comprehensive income/(-loss) for the period	0	0	0	-14	22	<b>8</b>	
<b>Balance of 31 March 2023</b>	<b>3,855</b>	<b>8,917</b>	<b>0</b>	<b>7,320</b>	<b>378</b>	<b>20,470</b>	
<b>01 April – 31 December 2023</b>							
Net profit/(-loss) for the year	0	0	0	945	2,396	<b>3,341</b>	
Other comprehensive income/(-loss) for the period	0	0	0	-44	-1,731	<b>-1,775</b>	
Reserve capital	0	0	385	-385	0	<b>0</b>	
Voluntary reserve capital	0	0	0	0	125	<b>125</b>	
<b>Balance of 31 December 2023</b>	<b>3,855</b>	<b>8,917</b>	<b>385</b>	<b>7,836</b>	<b>1,168</b>	<b>22,161</b>	
<b>2024</b>							
Net profit/(-loss) for the year	0	0	0	-879	-86	<b>-965</b>	
<b>Balance of 31 March 2023</b>	<b>3,855</b>	<b>8,917</b>	<b>385</b>	<b>6,957</b>	<b>1,082</b>	<b>21,196</b>	



## Consolidated statement of cash flows

in thousands of euros	Note	Q1 2024	Q1 2023
<b>Net cash flows from (to) operating activities</b>			
<b>Operating profit/(-loss) of the year</b>	<b>20</b>	<b>-564</b>	<b>514</b>
Adjustments for:			
Depreciation of property, plant and equipment		52	46
Other adjustments		-2	-2
Changes in working capital:			
Change in trade receivables		193	440
Change in inventories	17	-4,572	-3,131
Change in liabilities and prepayments		-661	958
<b>Cash flows from (to) operating activities</b>		<b>-5,554</b>	<b>-1,175</b>
<b>Net cash flows to investing activities</b>			
Payments for property, plant and equipment		-2	-2
Payments for intangible assets		0	-1
Payments of for acquisition of subsidiaries		0	-1
Interest received		2	25
Loans granted	4	-218	0
<b>Cash flows to investing activities</b>		<b>-218</b>	<b>21</b>
<b>Net cash flows from (to) financing activities</b>			
Loans raised	6	8,617	4,804
Loan repayments	6	-1,380	-4,242
Interest paid	17	-1,321	-1,004
Payments of finance lease principal		-2	-2
Payments of right to use lease liabilities		-38	-30
Other receipts from financing activities		-34	0
<b>Cash flows from financing activities</b>		<b>5,842</b>	<b>-474</b>
<b>Net cash flow</b>		<b>70</b>	<b>-1,628</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>7,604</b>	<b>3,754</b>
Increase / decrease in cash and cash equivalents		70	-1,628
<b>Cash and cash equivalents at end of year</b>		<b>7,674</b>	<b>2,126</b>

## Notes to the consolidated interim financial statements

### Note 1. General information

The Hepsor AS (hereinafter “the Group”) consolidated unaudited interim report for Q1 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting of International Financial Reporting Standards as endorsed in the European Union (“IFRS (EU)”). The Group has consistently applied the accounting policies throughout all periods presented, unless stated otherwise. The interim report for Q1 2024 follow the same accounting principles and methods used in the 2023 audited consolidated financial statements. The current interim financial statements contain the audited financial results for 31.12.2023 and unaudited comparative figures for Q1 2023.

The Group has not made any changes in their critical accounting estimates which may have impact on the consolidated unaudited interim financial statements for Q1 2024.

The Group has not made any changes in the valuation techniques applied for fair value measurement in 2024.

### Note 2. Inventories

Inventories are accounted as ready for sale development projects once the project has been granted usage permit. As of 31 March 2024, usage permits has been issued to residential development projects: Paevälja 11 and Strēlnieku 4b and to commercial development project Meistri 14. As of 31 March 2024, in ready for sale development projects the Group had 12 (31 December 2023: 11; 31 March 2023: 18) unsold apartments, of which 10 apartments in Riga, Strēlnieku 4b development project and 2 apartments in Tallinn, Paevälja 11 development project.

In addition, a development projects is ready for sale in Tallinn, Paldiski mnt 227C and Nõmme Road 57, for which a usage permit has not been issued. As of 31.03.2024, 94 apartments in the Paldiski mnt 227C development project and 17 apartments in the Nõmme Road 57 development project have not been sold with real rights contracts.

As of 31 March 2024, the changes in inventories as stated in cash flow statements have been adjusted by loan interest expense. The capitalized loan interest amounted to 1,076 thousand euros (31 December 2023: 2,738 thousand euros; 31 March 2023: 719 thousand euros). Further information about interest expenses is provided in Note 17.

Project statuses are classified as following:

in thousands of euros	31 March 2024	31 December 2023	31 March 2023
A – planning proceedings	14,035	14,822	13,355
B – building permit proceedings	11,740	5,959	7,209
C – building permit available /construction not yet started	4,758	9,763	4,247
D – construction started / sale started	25,686	34,131	36,423
E – construction ready for sale	26,867	12,764	12,376
<b>Total inventories</b>	<b>83,086</b>	<b>77,439</b>	<b>73,610</b>

The following development projects are stated as inventories:

in thousands of euros				31 March 2024		31 December 2023		31 March 2023	
Address	Project company	Location	Segment	Acquisition cost	Project status	Acquisition cost	Project status	Acquisition cost	Project status
<b>Work in progress</b>									
Paevälja 11, Tallinn	Hepsor PV11 OÜ	Estonia	Residential	0	-	598	E	3,108	E
Paldiski mnt 227C, Tallinn	Hepsor 3Torni OÜ	Estonia	Residential	14,689	E	14,109	D	4,928	D
Narva mnt 150, Tallinn	Hepsor N450 OÜ	Estonia	Residential/Commercial	3,923	A	3,889	A	3,643	A
Manufaktuuri 5, Tallinn	Hepsor Phoenix 3 OÜ	Estonia	Residential/Commercial	5,316	B	5,056	C	4,430	B
Manufaktuuri 7, Tallinn	Hepsor Phoenix 2 OÜ	Estonia	Residential/Commercial	19,174	D	16,120	D	3,838	D
Tooma 2/Tooma 4 Tallinn	T2T4 OÜ	Estonia	Commercial	0	-	0	-	1,269	C
Lembitu 4, Tallinn	Hepsor L4 OÜ	Estonia	Commercial	3,184	C	3,153	C	2,978	C
Meistri 14, Tallinn	Hepsor M14 OÜ	Estonia	Commercial	0	-	0	-	3,476	D
Alvari 2, Paevälja 9, Tallinn	Hepsor Fortuuna OÜ	Estonia	Residential	1,657	A	1,657	A	1,657	A
Alvari 1, Tallinn	Hepsor A1 OÜ	Estonia	Residential	2,023	A	2,023	A	2,022	A
Kadaka Road 197, Tallinn	H&R Residentsid OÜ	Estonia	Residential	1,244	A	1,228	A	1,185	A
Manufaktuuri 12, Tallinn	Hepsor Phoenix 4 OÜ	Estonia	Residential	961	B	932	A	867	A
Nõmme Road 57, Tallinn	Hepsor N57 OÜ	Estonia	Residential	3,628	E	3,778	E	2,396	D
Vana-Tartu mnt 49, Tallinn	Hepsor VT49 OÜ	Estonia	Commercial	1,062	A	1,029	A	0	-
Saules alley 2, Riga	Hepsor SA2 SIA	Latvia	Residential	725	B	717	B	890	B
Liela 45, Mārupe	Hepsor Mārupe SIA	Latvia	Residential	0	-	0	-	9,293	D
Ranka Dambis 5, Riga	Hepsor RD5 SIA	Latvia	Residential	4,796	D	3,902	D	1,009	D
Ulbrokas 34, Riga	Hepsor U34 SIA	Latvia	Commercial	1,574	C	1,554	C	1,188	B
Braila 23, Riga	Hepsor Jugla SIA	Latvia	Residential	510	B	501	B	329	B
Gregora iela 2a, Riga	Hepsor Kvarta SIA	Latvia	Residential	0	-	0	-	11,483	D
Ganību Dambis 17a, Riga	Hepsor Ganību Dambis SIA	Latvia	Commercial	4,228	B	4,120	B	3,963	A
Jurmala Gatve, Riia	Hepsor JG SIA	Latvia	Residential	1,716	D	621	B	372	A
Smaidu, Dreilini	Riga Properties 4 SIA	Latvia	Commercial	4,108	A	4,046	A	0	-
-other properties		Estonia		18	A	18	A	18	A
<b>Total work in progress</b>				<b>74,536</b>		<b>69,051</b>		<b>64,342</b>	
<b>Ready for sale real estate development</b>									
Manufaktuuri 22, Tallinn (parking spaces)	Hepsor Phoenix OÜ	Estonia	Residential	16	E	16	,E	16	E
Meistri 14, Tallinn	Hepsor Meistri 14 OÜ	Estonia	Commercial	7,667	E	7,667	E	4,026	E
Strēlnieku 4b, Riga	Hepsor S4B SIA	Latvia	Residential	603	E	603	E	1,106	E
Ulbrokas 30, Riga	Hepsor U30 SIA	Latvia	Commercial	0	-	0	-	4,120	E
Paevälja 11, Tallinn	Hepsor PV11 OÜ	Estonia	Residential	264	E	0	-	0	-
Liela 45, Mārupe	Hepsor Mārupe SIA	Latvia	Residential	0	-	102	E	0	-
<b>Total ready for sale real estate development</b>				<b>8,550</b>		<b>8,388</b>		<b>9,268</b>	
<b>Total inventories</b>				<b>83,086</b>		<b>77,439</b>		<b>73,610</b>	

## Note 3. Trade and other receivables

in thousands of euros	31 March 2024	31 December 2023	31 March 2023
<b>Trade receivables</b>			
Trade receivables	570	342	347
Allowance for doubtful receivables	0	0	-10
<b>Net trade receivables</b>	<b>570</b>	<b>342</b>	<b>337</b>
<b>Prepayments</b>			
Tax prepayment			
Value added tax	626	1,019	411
Other prepayments for goods and services	81	110	136
<b>Total prepayments</b>	<b>707</b>	<b>1,129</b>	<b>547</b>
<b>Other current receivables</b>			
Interest receivables	8	6	0
Other current receivables	66	67	2
Escrow account	0	0	405
<b>Other current receivables</b>	<b>74</b>	<b>73</b>	<b>407</b>
<b>Total trade receivables</b>	<b>1,351</b>	<b>1,544</b>	<b>1,291</b>

## Note 4. Loans granted

in thousands of euros	Unrelated legal entities	Related legal entities (Note 21)	Total
<b>2024</b>			
<b>Loan balance as of 31 December 2023</b>	<b>311</b>	<b>1,729</b>	<b>2,040</b>
Loan granted	0	218	218
<b>Loan balance as of 31 March 2024</b>	<b>311</b>	<b>1,947</b>	<b>2,258</b>
- current portion	311	0	311
- non-current portion	0	1,947	1,947
<i>contractual/effective interest rate per annum</i>	3%	7%	
<b>2023</b>			
<b>Loan balance as of 31 December 2022</b>	<b>0</b>	<b>1,766</b>	<b>1,766</b>
<b>Loan balance as of 31 March 2023</b>	<b>0</b>	<b>1,766</b>	<b>1,766</b>
- non-current portion	0	1,766	1,766
<b>01 April 2023-31 December 2023</b>			
Loan granted	311	0	311
Actual interest rate impact	0	-37	-37
<b>Loan balance as of 31 December 2023</b>	<b>311</b>	<b>1,729</b>	<b>2,040</b>
- current portion	311	0	311
- non-current portion	0	1,729	1,729
<i>contractual/effective interest rate per annum</i>	3%	7%	

## Note 5. Financial investments

Tatari 6A Arenduse OÜ, where the Group holds 80% shareholding, is accounted as financial investment. The Group is providing management services for the project. In order to ensure the quality and control of the management process, the Group will hold an 80% shareholding in the company during the development period, which will be transferred to the co-owner at the end of the development process. The Group has no profit share in the project. The acquisition value of the financial investment is 2 thousand euros.

In 2023, the Group invested in two joint ventures in Canada: Weston Limited Partnership and Elysium Isabella Limited Partnership. These joint ventures are accounted for using the equity method. As of March 31, 2024, the acquisition cost of the Weston Road project investment was 1,472 (31 December 2023: 1,476) thousand euros, and the acquisition cost of the Elysium Isabella project investment was 527 (31 December 2023: 527) thousand euros.

## Note 6. Loans and borrowings

in thousands of euros	Bank loans	Unrelated legal entities	Related legal entities (Note 21)	Total
<b>2024</b>				
<b>Loan balance as of 31 December 2023</b>	<b>36,309</b>	<b>19,213</b>	<b>1,383</b>	<b>56,905</b>
Received	7,806	811	0	8,617
Repaid	-1,147	-233	0	-1,380
<b>Loan balance as of 31 March 2024</b>	<b>42,968</b>	<b>19,791</b>	<b>1,383</b>	<b>64,142</b>
- current loan payable	<b>29,552</b>	<b>4,611</b>	<b>1,383</b>	<b>35,546</b>
- non-current loan payable	<b>13,416</b>	<b>15,180</b>	<b>0</b>	<b>28,596</b>
<i>Contractual interest rate per annum</i>	<i>EU6+4.5%-8%; 5.5%</i>	<i>0-12%</i>	<i>12%</i>	
<b>2023</b>				
<b>Loan balance as of 31 December 2022</b>	<b>30,129</b>	<b>16,145</b>	<b>2,306</b>	<b>48,580</b>
Received	4,692	61	51	4,804
Repaid	-3,442	-300	-500	-4,242
<b>Total loan balance as of 31 March 2023</b>	<b>31,379</b>	<b>15,906</b>	<b>1,857</b>	<b>49,142</b>
- current loan payable	<b>17,679</b>	<b>3,053</b>	<b>1,724</b>	<b>22,456</b>
- non-current loan payable	<b>13,700</b>	<b>12,853</b>	<b>133</b>	<b>26,686</b>
<b>01 April 2023-31 December 2023</b>				
Received	25,643	8,927	1,038	35,608
Repaid	-20,868	-4,707	-1,000	-26,575
Reclassified as a Group loan	0	0	-512	-512
Actual interest rate impact	155	-607	0	-452
Compound interest rate	0	-306	0	-306
<b>Total loan balance as of 31 December 2023</b>	<b>36,309</b>	<b>19,213</b>	<b>1,383</b>	<b>56,905</b>
- current loan payable	<b>34,372</b>	<b>4,845</b>	<b>1,383</b>	<b>40,600</b>
- non-current loan payable	<b>1,937</b>	<b>14,368</b>	<b>0</b>	<b>16,305</b>
<i>Contractual interest rate per annum</i>	<i>EU6+3.75%-8%; 5.5%</i>	<i>0-12%</i>	<i>12%</i>	
<i>Effective interest rate per annum</i>	<i>7.6%</i>	<i>5.4%-11.8%</i>	<i>-</i>	

In March 2024, Hepsor AS signed a addendum to the loan agreement with LHV Pank which increased the loan limit of the Group loan to EUR 9 million. The maturity date of the loan is March 12, 2026. The shares of Hepsor AS held by the members of Management and Supervisory Board of the Group and the shares of Hepsor Finance OÜ were pledged as collateral to secure the loan. The loan agreement states two financial covenants that are measured quarterly:

- 1) LHV Pank loan and equity ratio of maximum 55%,
- 2) the ratio of loan commitment taken by the consolidation group to the total assets, cash and cash equivalents and investments to property developments of the consolidation group is a maximum of 70% (seventy percent)

In addition to bank loans, a joint mortgage has been established as collateral for unrelated legal entities on behalf of Hepsor N450 OÜ in the amount of 2.1 million euros and Riga 4 Properties SIA in the amount of 2.75 million euros until the loan obligations are fulfilled.

As of 31 March 2024, 88% (31 December 2023: 87%; 31 March 2023: 87%) of all loans granted to the Group have been received against the risk of development projects.

in thousands of euros	Bank loans	Unrelated legal entities	Related legal entities	Total
<b>Balance as of 31 March 2024</b>				
Loans for development projects	36,968	17,791	1,383	<b>56,142</b>
Loans to headquarters to finance development projects	6,000	2,000	0	<b>8,000</b>
<b>Total</b>	<b>42,968</b>	<b>19,791</b>	<b>1,383</b>	<b>64,142</b>
<b>Balance as of 31 December 2023</b>				
Loans for development projects	30,309	18,003	1,383	<b>49,695</b>
Loans to headquarters to finance development projects	6,000	1,210	0	<b>7,210</b>
<b>Total</b>	<b>36,309</b>	<b>19,213</b>	<b>1,383</b>	<b>56,905</b>
<b>Balance as of 31 March 2023</b>				
Loans for development projects	25,460	15,906	1,383	<b>42,749</b>
Loans to headquarters to finance development projects	5,919	0	474	<b>6,393</b>
<b>Total</b>	<b>31,379</b>	<b>15,906</b>	<b>1,857</b>	<b>49,142</b>

As of 31 March 2024, the Group had the following bank loans under the following conditions:

Lender	Country	Loan balance	Contract term	Loan limit	Interest per annum	Collateral	Cost value of the collateral	Guarantee given
LHV Pank AS	Estonia	4,763	2027	-	5.46%	Mortgage - Meistri 14, Tallinn	7,667	-
LHV Pank AS	Estonia	1,300	2025	1 300	6M Euribor+8%	Mortgage - Lembitu 4, Tallinn	3,184	-
LHV Pank AS	Estonia	10,620	2025	13 900	6M Euribor+5.9%	Mortgage - Paldiski mnt 227c, Tallinn	14,689	-
LHV Pank AS	Estonia	1,324	2026	3 006	6M Euribor+6.5%	Mortgage- Nõmme Road 57, Tallinn	3,628	-
LHV Pank AS	Estonia	13,078	2026	17 500	6M Euribor+6.5%	Mortgage- Manufaktuuri 7 ja Manufaktuuri 12, Tallinn	19,174	-
Bigbank AS	Latvia	1,937	2025	2 000	6M Euribor+4.5%	Mortgage -Ganību dambis 17A Riia; Commercial pledge	4,228	-
Bigbank AS	Latvia	3,230	2026	4 000	6M Euribor+5.2%	Mortgage- Ranka Dambis 5, Riia	4,796	1 200
Bigbank AS	Latvia	726	2026	4 000	6M Euribor+5.2%	Mortgage- Jurmala Gatve 74, Riia	1,716	1 000



As of 31 December 2023, the Group had the following bank loans under the following conditions:

Lender	Country	Loan balance	Contract term	Loan limit	Interest per annum	Collateral	Cost value of the collateral	Guarantee given
LHV Pank AS	Estonia	4,784	2024	4,900	6M Euribor+3.75%	Mortgage - Meistri 14, Tallinn	7,667	-
LHV Pank AS	Estonia	1,300	2025	1,300	6M Euribor+8%	Mortgage - Lembitu 4, Tallinn	3,153	-
LHV Pank AS	Estonia	9,622	2025	13,900	6M Euribor+5.9%	Mortgage - Paldiski mnt 227c, Tallinn	14,109	-
LHV Pank AS	Estonia	1,508	2026	3,006	6M Euribor+6.5%	Mortgage- Nõmme Road 57, Tallinn	3,778	-
LHV Pank AS	Estonia	8,524	2026	17,500	6M Euribor+6.5%	Mortgage- Manufaktuuri 7 ja Manufaktuuri 12, Tallinn	16,120	-
Coop Pank AS	Estonia	109	2025	1,504	6M Euribor+6%	Mortgage- Paevälja 11, Tallinn	598	150
Bigbank AS	Latvia	1,937	2025	2,000	6M Euribor+4.5%	Mortgage -Ganību dambis 17A Riia; Commercial pledge	4,120	-
Bigbank AS	Latvia	2,526	2026	4,000	6M Euribor+5.2%	Mortgage- Ranka Dambis 5, Riia	3,902	1,200
Bigbank AS	Latvia	0	2026	4,000	6M Euribor+5.2%	Mortgage- Jurmala Gatve 74, Riia	621	1,000

As of 31 March 2023, the Group had the following bank loans under the following conditions:

Lender	Country	Loan balance	Contract term	Loan limit	Interest per annum	Collateral	Cost value of the collateral	Guarantee given
LHV Pank AS	Estonia	4,593	2024	4,900	6M Euribor+3.75%	Mortgage - Meistri 14, Tallinn	7,502	-
LHV Pank AS	Estonia	1,254	2025	1,300	6M Euribor+8%	Mortgage - Lembitu 4, Tallinn	2,978	-
LHV Pank AS	Estonia	67	2025	13,900	6M Euribor+5.9%	Mortgage - Paldiski mnt 227c, Tallinn	4,928	-
LHV Pank AS	Estonia	0	2026	3,006	6M Euribor+6.5%	Mortgage- Nõmme tee 57, Tallinn	2,396	-
LHV Pank AS	Estonia	0	2026	17,500	6M Euribor+8%	Mortgage- Manufaktuuri 7 and Manufaktuuri 12, Tallinn	4,705	-
Bigbank AS	Latvia	6,742	2025	7,000	5.5%	Mortgage-Liela 45, Mārupe	9,293	-
Bigbank AS	Latvia	682	2024	1,225	6M Euribor+4.5%	Commercial pledge; Mortgage- Strēlnieku 4b, Riga	1,106	-
Bigbank AS	Latvia	2,650	2024	2,650	5.5%	Mortgage- Ulbrokas 30, Riga, Commercial pledge	4,120	500
Bigbank AS	Latvia	7,476	2025	7,500	5.5%	Mortgage - Gregora 2a, Riga	11,483	423
Bigbank AS	Latvia	1,985	2025	2,000	6M Euribor+4.5%	Mortgage- Ganību dambis 17A Riga; Commercial pledge	3,963	-

## Note 7. Trade and other payables

in thousands of euros	31 March 2024	31 December 2023	31 March 2023
<b>Trade payables</b>	<b>2,189</b>	<b>2,961</b>	<b>2,380</b>
<b>Taxes payable</b>			
Value added tax	278	503	354
Personal income tax	45	32	28
Social security tax	73	55	47
Other taxes	23	7	4
<b>Total taxes payable</b>	<b>419</b>	<b>597</b>	<b>433</b>
<b>Accrued expenses</b>			
Payables to employees	107	116	83
Interest payable (Note 17)	944	1,020	387
Other accrued expenses	46	52	36
<b>Total accrued expenses</b>	<b>1,097</b>	<b>1,188</b>	<b>506</b>
<b>Other current payables</b>			
Embedded derivatives (Note 9)	2,061	2,061	0
Other payables	384	381	162
<b>Total other current payables</b>	<b>2,445</b>	<b>2,442</b>	<b>162</b>
<b>Total trade and other payables</b>	<b>6,150</b>	<b>7,188</b>	<b>3,481</b>

## Note 8. Other non-current liabilities

in thousands of euros	31 March 2024	31 December 2023	31 March 2023
Non-current interest payables (Note 17)	1,876	1,648	1,843
Other non-current payables	413	410	638
<b>Total other non-current liabilities</b>	<b>2,289</b>	<b>2,058</b>	<b>2,481</b>

## Note 9. Embedded derivatives

Liabilities assumed by the Group to minority shareholders in accordance with the concluded shareholders' agreements are recognized as embedded derivatives. According to shareholders agreements the profit is shared with minority shareholders in the form as it is agreed in the agreement.

As of the end of the reporting periods, the Group had obligations arising from embedded derivative instruments in the following development projects due to the partial or complete realization of the business plan of the development project:

in thousands of euros	31 March 2024	31 December 2023	31 March 2023
<b>Current liabilities arising from embedded derivatives balance as at 01.01</b>	<b>2,061</b>	<b>8</b>	<b>8</b>
<i>Commercial development project in Tooma 2/Tooma 4, Tallinn</i>	311	311	0
<i>Residential development project in Gregora iela 2a, Riga</i>	1,025	1,025	0
<i>Residential development project in Liela 45, Marupe</i>	725	725	0
<i>Commercial development project in Meistri 14, Tallinn</i>	0	-8	-8
<b>Total change in liabilities arising from embedded derivatives</b>	<b>2,061</b>	<b>2,061</b>	<b>0</b>

## Note 10. Contingent liabilities

### 10.1 Contingent liabilities arising from embedded derivatives

In accordance with the shareholders agreements between the Group and minority shareholders of subsidiaries (SPV's), the Group has an obligation as of 31 March 2024 to pay 11,535 thousand euros (31 December 2023: 11,535 thousand euros; 31 March 2023: 12,904 thousand euros) to the minority shareholders upon realization of the business plan. The obligations amounts are estimations calculated based on current business plans of the development projects as of statement of financial position dates. Contingent liabilities are estimated before the full realization of the development projects at each reporting date. As of 31 March 2024, the realization time of contingent liabilities remains between 2023 and 2028.

10.2 Based on the investor agreement signed in December regarding the 4b Strēlnieku development project, the investor will be paid interest depending on how successful the project is upon its completion. In the opinion of the Group's management, there is certain uncertainty arising from the macroeconomic environment both in terms of the interest depending on the success of the project and the time when the payment obligation arises, therefore it is not possible to reliably determine the amount of the interest obligation. As of 31.03.2024, there are still 10 apartments unsold in the development project.

### 10.3 Group guarantees given

Additional information on the guarantees is provided in Note 6.

## Note 11. Revenue

in thousands of euros	Q1 2024	Q1 2023
Revenue from sale of real estate	1,865	5,554
Revenue from project management services	54	8
Revenue from rent	292	355
Revenue from other services	60	58
<b>Total</b>	<b>2,271</b>	<b>5,975</b>

Additional information on sales revenue is provided in Note 20.

## Note 12. Cost of sales

in thousands of euros	Q1 2024	Q1 2023
Cost of real estate sold	-1,751	-4,394
Personnel expenses (Note 15)	-182	-219
Interest expenses	-17	-70
Depreciation	-8	-8
Other costs	-276	-349
<b>Total</b>	<b>-2,234</b>	<b>-5,040</b>

## Note 13. Marketing expenses

in thousands of euros	Q1 2024	Q1 2023
Personnel expenses (Note 15)	-31	-28
Depreciation	-12	-11
Other marketing expenses	-142	-32
<b>Total</b>	<b>-185</b>	<b>-71</b>

## Note 14. Administrative expenses

in thousands of euros	Q1 2024	Q1 2023
Personnel expenses (Note 15)	-298	-188
Depreciation	-32	-27
Traveling and transport expenses	-28	-18
Purchased service expenses	-44	-109
Office expenses	-41	-5
<b>Total</b>	<b>-443</b>	<b>-347</b>

## Note 15. Personnel expenses

in thousands of euros	Q1 2024	Q1 2023
Salaries	-376	-322
Social security and other payroll taxes	-135	-113
<b>Total (Notes 12, 13, 14)</b>	<b>-511</b>	<b>-435</b>

As of 31 March 2024, the Group employed 24 (31 March 2023: 25) people, including the members of Management and Supervisory Boards. 13 of these people worked in Estonia (31 March 2023: 13) and 11 in Latvia (31 March 2023: 12).

Gross fees paid to the members of Management and Supervisory Boards during the reporting period amounted to 148 thousand euros (Q1 2023: 82 thousand euros). The members of the Management and Supervisory Boards include the members of the Management and Supervisory Boards of Hepsor AS and the members of the Management of Hepsor Latvia OÜ.

The Group's definition of labour costs includes payroll expenses (incl. basic salary, remuneration of the members of the Management Board and the Supervisory Board, additional remuneration, holiday pay and performance pay), payroll taxes, special benefits and taxes calculated on special benefits.

## Note 16. Financial income and expenses

### 16.1 Financial income

in thousands of euros	Q1 2024	Q1 2023
Interest incomes	37	50
<b>Total</b>	<b>37</b>	<b>50</b>

### 16.2 Financial expenses

in thousands of euros	Q1 2024	Q1 2023
Interest expenses (Note 17)	-398	-311
Loss from associates of equity method (Note 19)	0	-114
Other financial expenses	-40	0
<b>Total</b>	<b>-438</b>	<b>-425</b>

In 2024 borrowing costs in the amount of 1 076 thousand euros (Q1 2023: 719 thousand euros) have been capitalized as the cost of inventories. Interest expenses of 17 thousand euros (Q1 2023: 70 thousand euros) have been recognized in the cost of sales in 2024.

## Note 17. Information about line item in the consolidated statement of cash flows

in thousands of euros	31 March 2024	31 March 2023
<b>Inventories</b>		
Reclassification of cash flows from operating activities to financing activities (Note 2)	1,075	719
Decrease (-)/ increase (+) of change inventories balances (Note 2)	-5,647	-3,850
<b>Change in inventories</b>	<b>-4,572</b>	<b>-3,131</b>
<b>Interest paid</b>		
Interest expense in statement of profit or loss and other comprehensive income (Note 16.2)	-398	-311
Reclassification of cash flows from operating activities to financing activities (Note 2)	-1,075	-719
Decrease (-)/ increase (+) of interest payables (Notes 7,8)	152	26
<b>Interest paid total</b>	<b>-1,321</b>	<b>-1,004</b>

## Note 18. Subsidiaries

In March 2024, Hepsor Latvia OÜ established a subsidiary Hepsor E18 SIA.

Changes in Group structure in first quarter 2023 and impact on comprehensive income:

in thousands of euros	Other comprehensive income	
	Comprehensive income attributable to owners of the parent	Comprehensive income attributable to non-controlling interest
Hepsor Bal 9 OÜ	-11	11
Hepsor Bal 9 SIA	-3	3
<b>Total</b>	<b>-14</b>	<b>14</b>

## Note 19. Associates

At the end of reporting periods, the Group has ownership in the following associates:

	Ownership and voting rights %		
	31 March 2024	31 December 2023	31 March 2023
Hepsor P113 OÜ	45	45	45
Hepsor N170 OÜ	0	0	25

Financial information about associates:

in thousands of euros	31 March 2024	31 December 2023	31 March 2023	
	Hepsor P113 OÜ	Hepsor P113 OÜ	Hepsor P113 OÜ	Hepsor N170 OÜ
<b>Current assets</b>				
Cash and cash equivalents	279	193	285	20
Trade and other receivables	3	52	200	7
Current loan receivables	0	0	0	1,611
Inventories	0	0	0	160
<b>Total current assets</b>	<b>282</b>	<b>245</b>	<b>485</b>	<b>1,798</b>
<b>Non-current assets</b>				
Investment property	9,400	9,400	13,100	0
Shares of subsidiaries	3	0	0	0
Trade and other receivables	0	0	297	0
<b>Total non-current assets</b>	<b>9,403</b>	<b>9,400</b>	<b>13,397</b>	<b>0</b>
<b>Total assets</b>	<b>9,685</b>	<b>9,645</b>	<b>13,882</b>	<b>1,798</b>
<b>Current liabilities</b>				
Loans and borrowings	8,228	8,260	118	0
Trade and other payables	11	44	48	4
<b>Total current liabilities</b>	<b>8,239</b>	<b>8,304</b>	<b>166</b>	<b>4</b>
<b>Non-current liabilities</b>				
Loans and borrowings	4,321	3,708	12,165	0
Other non-current liabilities	444	373	294	0
<b>Total non-current liabilities</b>	<b>4,765</b>	<b>4,081</b>	<b>12,459</b>	<b>0</b>
<b>Total liabilities</b>	<b>13,004</b>	<b>12,513</b>	<b>12,625</b>	<b>4</b>
<b>Total equity</b>	<b>-3,319</b>	<b>-2,868</b>	<b>1,257</b>	<b>1,794</b>
<b>Total liabilities and equity</b>	<b>9,685</b>	<b>9,645</b>	<b>13,882</b>	<b>1,798</b>



As of 31.12.2023, the fair value of the property was estimated at 9.4 million euros (31.12.2022: 13.1 million euros). The valuation has been performed using the discounted cash flow method, the best method for rent income-generating investment property. The valuation is based on existing cash flows or cash flows based on market averages, the investment yield and the appropriate discount rate, which takes into account the average expected yield of similar assets, taking into account the property's location, technical condition, risk levels of tenants, etc. The valuation as at the end of 2023 was based on 7.7% yield (31.12.2022: 6.3%) and 8.9% discount rate (2022: 7.7%). The strong drop in the value was mainly caused by the premature termination of the lease contract with the anchor tenant, Novel Clinic Assets OÜ, in September 2023.

In 2023, the Group received loss from associate company, Hepsor P113 OÜ, by the equity method in the amount of 567 thousand euros, in the first quarter of 2023, the loss was 114 thousand euros (Note 16.2).

## Note 20. Operating segments

The segment reporting is presented in respect of operating and geographical segments.

The Group reports separately information about the following operating segments:

- ✓ residential real estate;
- ✓ commercial real estate;
- ✓ headquarters.

Headquarters are generating revenue from provision of project management services. All personnel expenses are accounted in headquarters.

Geographical segments refer to the location of the real estate. The Group operates in Estonia, Latvia and Canada

Revenue by geographical area:

in thousands of euros	Q1 2024	Q1 2023
Estonia	2,040	5,762
Latvia	231	213
<b>Total</b>	<b>2,271</b>	<b>5,975</b>

Additional information on sales revenue is provided in Note 11.

Segment reporting is presented on the basis of consolidated indicators, where all transactions between the Group companies have been eliminated.

in thousands of euros	Residential development			Commercial development		Headquarters		Total	
	Q1 2024	Estonia	Latvia	Canada	Estonia	Latvia	Estonia		Latvia
Revenue		1,795	141	0	193	88	52	2	<b>2,271</b>
incl. revenue from rent		29	12	0	163	88	0	0	<b>292</b>
Operating profit/-loss		43	17	-2	158	43	-471	-352	<b>-564</b>
Assets		51,916	10,368	2,174	15,885	10,338	6,044	113	<b>96,838</b>
Liabilities		40,830	7,505	5	11,633	5,847	8,390	1,432	<b>75,642</b>

in thousands of euros	Residential development		Commercial development		Headquarters		Total	
	Q1 2023	Estonia	Latvia	Estonia	Latvia	Estonia		Latvia
Revenue		5,571	0	183	213	8	0	<b>5,975</b>
incl. revenue from rent		17	0	125	213	0	0	<b>355</b>
Operating profit/-loss		1,103	-29	28	210	-540	-258	<b>514</b>
Assets		26,406	25,509	14,266	9,909	3,880	134	<b>80,104</b>
Liabilities		14,909	20,147	9,980	5,317	6,716	2,565	<b>59,634</b>

## Note 21. Related parties

The Group considers key members of the management (Supervisory and Management Board), their close relatives and entities under their control or significant influence as related parties.

Balances and loan transactions with related parties:

in thousands of euros	31 March 2024	31 December 2023	31 March 2023
<b>Receivables</b>			
<b>Loans granted (Note 4)</b>			
Associated companies			
Opening balance 01. January	1,729	1,766	1,766
Loans granted	218	0	0
Loans repaid	0	-37	0
Balance at the end of period	1,947	1,729	1,776
<b>Trade and other receivables</b>			
Management and all companies directly or indirectly owned by	167	156	149
Associated companies	0	1	0
<b>Interest receivables</b>			
Associated companies	191	159	66
<b>Payables</b>			
<b>Prepayments from customers</b>			
Management and all companies directly or indirectly owned by	560	560	560
<b>Loans and borrowings (Note 6)</b>			
Associated companies			
Opening balance as at 01. January	0	423	423
Loans received	0	89	51
Loans repaid	0	0	0
Balance at the end of period	0	-512	0
Management and all companies directly or indirectly owned by			
Opening balance as at 01. January	1,383	1,883	1,883
Loans received	0	1,000	0
Loans repaid	0	-1,500	-500
Balance at the end of period	1,383	1,383	1,383
<b>Trade payables</b>			
Management and all companies directly or indirectly owned by	1,923	2,960	2,347
<b>Interest payables</b>			
Associated companies	0	0	5
Management and all companies directly or indirectly owned by	88	68	5

## Purchases and sales of goods and services:

in thousands of euros	Q1 2024	Q1 2023
<b>Sales of goods and services</b>		
Associated companies	44	0
Management and all companies directly or indirectly owned by them	60	68
<b>Total sales of goods and services</b>	<b>104</b>	<b>68</b>
<b>Purchases of goods and services</b>		
Management and all companies directly or indirectly owned by them	5,992	6,672
<i>incl. construction service</i>	5,655	6,627
<b>Interest income earned</b>		
Associated companies	32	30
<b>Interest expenses incurred</b>		
Associated companies		
Accrued interest	0	3
Management and all companies directly or indirectly owned by them		
Accrued interest	39	56
Interest paid	19	218

## Note 22. Risk management

Risk management is part of the Group's strategic planning and decision-making process. The Group is exposed to a number of risks and uncertainties related to, among other factors, the business and financial risks. The materialisation of any such risks could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects. 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. The Group's management monitors the management of these risks.

### Strategic risk

The Group's strategic risks are risks that can significantly impact the execution of its business strategies and ability to achieve the objectives. Such risks are impacted by changes in political environment and market demand as well as microeconomic developments. While the risks can have negative impact on the Group's business, they can also create new business opportunities. The Group carefully selects the new development projects and monitors the market trends in order to adjust its strategy when significant changes occur.

### Market risk

The Group is exposed to price risk resulting from decline in the market values of the Group's real estate development projects or increase in input prices. There can be no guarantee that the Group will be able to sell its development projects in future with prices that are similar or higher than the expected market value of these projects. The Group cannot ensure it is able to sell its development projects with expected prices could have an unfavourable impact on the Group's statement of financial position and may have a material adverse effect on the Group's business, financial condition, prospects and results of operations and execution of its strategy. At present it is not possible to assess the extent of any such potential changes.

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group actively uses external and internal borrowings to finance its real estate development projects in Estonia and Latvia. A project's external financing is either in the form of a bank loan or investor loan from minority interest holders denominated in Euro.

The interest rates of investor loans are usually fixed, ie interest rates are not floating and do not depend on Euribor.

The Group's bank loans have both fixed and floating interest rates based on Euribor. The management constantly monitors the Group's exposure to interest rate risk which arises from upward movement in Euribor for loans with floating interest rates.

### **Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations towards the Group under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities such as trade receivables from rental property and from its financing activities, including deposits with banks and other financial instruments.

In order to minimize credit risk, the Group is only dealing with creditworthy counterparties and deposits cash in banks well-recognized banks in Estonia and Latvia. If such rating is not available, the Group uses other publicly available financial information and its own trading records to rate its major customers.

The Group is in real estate development business and upon sale of completed property the Group enters into notarized agreement with the buyer. Since most of the transactions are ensured either with money deposited in the notary's deposit account or a bank loan, the Group is not exposed to material credit risk from trade receivables.

### **Liquidity risk**

The Group's liquidity represents its ability to settle its liabilities to creditors on time. A careful management of liquidity and refinancing risks implies maintaining the availability of funding through an adequate amount of committed credit facilities. Due to the nature of the Group's business activities, the Group actively uses external and internal funds to ensure that timely resources are always available to cover capital needs.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Group mitigates refinancing risk by monitoring liquidity positions, analysing different financing options on an ongoing basis and negotiating with financing parties over the course of financing.

### **Capital risk**

The core purpose of the Group's capital risk management is to ensure the most optimal capital structure to support the sustainability of the Group's business operations and shareholders' interests.

The Group uses the debt-to-equity ratio to monitor capital structure. The debt-to-equity ratio is calculated as the ratio of net debt to total capital. The management considers the Group's capital structure optimal.

### **Currency risk**

The Group's activities are mainly carried out in the currency of the economic environment of the companies - in Estonia and Latvia in euros (EUR) and in Canada in Canadian dollars (CAD). The Group's currency risk arises from the translation of the functional currency of the Canadian subsidiary into the Group's functional and presentation currency. In order to mitigate currency risks, the Group concludes as many contracts as possible in euros. The majority of intra-group transactions are carried out in euros. The growth of business in Canada leads to the Group's exposure to currency risks. The net loss from exchange rate changes for the first quarter of 2024 was 4 thousand euros. The Group is not significantly exposed to currency risks, and therefore, the Group has not used instruments to hedge currency risks.

**Geopolitical risk**

Russia's military invasion and attack on Ukraine's independence, which began on 24 February 2022, is affecting businesses around the world and the length, impact and outcome of the ongoing military conflict remain unclear. The initial effects of the war have partially subsided – commodity prices have stabilized as a result of the development of new supply chains, energy prices and inflation are also returning to previous levels however, as a negative effect, economic growth has slowed down, and we expect the monetary policy tightened by central banks to continue for a longer period. Although the economic environment is stabilizing, there is still the risk of an escalation of a military conflict, which can have a wide impact on the Group daily activities if the risk materializes.

# Management Board's Confirmation

The Management Board confirms that the unaudited interim report for first quarter of 2024, which is comprised of the management report and the interim financial statements, provides a true and fair view of the Group's operations, financial position and results of operations, and describes the significant risks and uncertainties the Group faces.

Henri Laks

Member of Management Board

Tallinn, 29 April 2024