

# hepsor



*Priisle Kodu, Tallinn*

## 2022 II quarter and six months consolidated unaudited interim report

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Reporting period:	01 January 2022-30 June 2022
Financial year:	01 January 2022-31 December 2022
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.

# Contents

Management Report .....	4
Overview of Development Projects .....	7
Group Structure .....	13
Main Events .....	14
Employees .....	14
Operating Results .....	15
Share and Shareholders .....	17
Consolidated Financial Statements .....	19
Notes to the consolidated interim financial statements .....	23
Note 1. General information .....	23
Note 2. Inventories .....	23
Note 3. Trade and other receivables .....	25
Note 4. Loans granted .....	25
Note 5. Loans and borrowings .....	26
Note 6. Trade and other payables .....	28
Note 7. Other non-current liabilities .....	28
Note 8. Embedded derivatives .....	28
Note 9. Deferred Income tax .....	29
Note 10. Revenue .....	29
Note 11. Cost of sales .....	29
Note 12. Administrative expenses .....	30
Note 13. Financial income and expenses .....	30
Note 14. Information about line item in the consolidated statement of cash flows .....	30
Note 15. Subsidiaries .....	31
Note 16. Shares of associates .....	32
Note 17. Operating segments .....	33
Note 18. Related parties .....	34
Note 19. Contingent liabilities .....	35
Note 20. Events after reporting period .....	36
Note 21. Risk management .....	36
Management Board's Confirmation .....	38

# Management Report

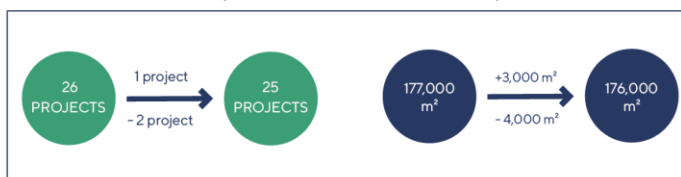
## UNAUDITED REVENUES AND NET PROFIT FOR 6M 2022



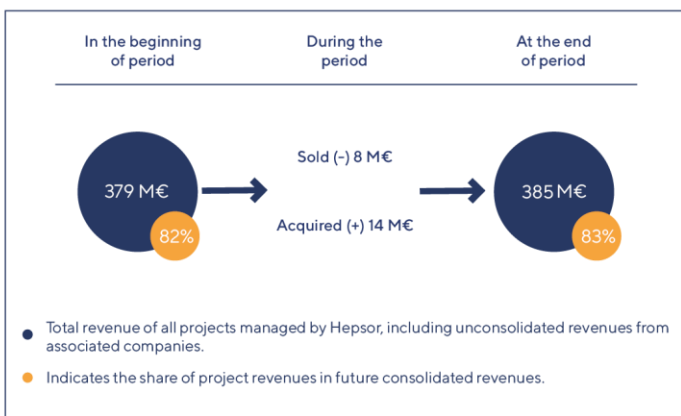
## REVENUE AND NET PROFIT FORECAST FOR 2022



## CHANGE IN PIPELINE (31 DEC 2021 vs 25 JULY 2022)



## LONG-TERM OUTLOOK: REVENUE POTENTIAL OF DEVELOPMENT PROJECTS (31 DEC 2021 vs 25 JULY 2022)



## ASSUMPTIONS FOR 2022 FORECAST

Project	Assumption
Strelnieku 4b	all apartments sold
Priisle Homes	all apartments and commercial premises sold
Balozu 9	all apartments sold
Paevāja Courtyard Houses	I phase construction completed and all I phase apartments sold
Būroo113 office building	Sold or revalued to fair value using DCF method
Grüne office building	Sold or revalued to fair value using DCF method
Ulbrokas 30 stock-office	Sold or revalued to fair value using DCF method

## LONG-TERM OUTLOOK: PROFITABILITY AND EQUITY TARGETS



## DEVELOPMENT PROJECTS FOR SALE AND UNDER CONSTRUCTION (31 DEC 2021 vs 25 JULY 2022)

RESIDENTIAL DEVELOPMENT PROJECTS FOR SALE	Total number of apartments	Apartments sold	Apartments sold 2022	Apartments sold %	Apartments available
Strelnieku 4b, Latvia	54	23	13	43%	31
Paevāja Courtyard Houses	96	76	27	79%	20
Priisle Homes	76	76	4	100%	0
Kuldigas Parks, Latvia	116	60	47	52%	56
Marupes Darzs, Latvia	92	48	48	52%	44
<b>Total</b>	<b>434</b>	<b>283</b>	<b>139</b>	<b>65%</b>	<b>151</b>

COMMERCIAL DEVELOPMENT PROJECTS AVAILABLE	Total rentable area m²	Occupancy m²	Occupancy %	Vacancy m²
Priisle 1a retail premises	1,487	1,487	100%	0
Ulbrokas 30 stock-office	3,645	3,645	100%	0
Būroo113 office building	4,002	4,002	100%	0
Grüne office building	3,430	2,745	80%	685
<b>Total</b>	<b>12,564</b>	<b>11,882</b>	<b>95%</b>	<b>685</b>

DEVELOPMENT PROJECTS UNDER CONSTRUCTION		
Started in 2021	Total under construction	To be started in 2022
212 apartments	304 apartments	383 apartments
3,645 m² commercial area	12,564 m² commercial area	18,000 m² commercial area

The consolidated revenues of Hepsor for the first six months of 2022 amounted to 4.0 million euros (including 2.7 million euros in Q2 2022) and a net loss of 0.3 million euros (including 0.3 million euros in Q2 2022).

The sales of development projects still under construction will mostly take place in the second half of the year, and therefore the revenue and profit from these projects will also be reflected in the results of the 3rd and 4th quarters of the year. The Group's revenues and profitability are directly dependent on the development cycle of the projects, which lasts about 24 to 36 months. Sales revenue is only generated at the end of this cycle. The number of projects as well as the revenues and profitability may significantly vary from quarter to quarter depending on the length and timing of the development cycle. Therefore, some financial years or quarters may be weaker or stronger in terms of financial results. In evaluating the sustainability and the financial results of the real estate developer, the portfolio of the development projects and the three-year average financial results are the best criteria for evaluating the Group's financial results.

The Group has generated revenues mainly from the sale of residential development projects. As of 25 July 2022, we have sold 32 apartments in completed projects in Latvia (27 apartments as of the end of Q2 2022), including 13 apartments in the 4b Strēlnieku development project, 18 apartments in the 9 Baložu development project, and 1 apartment in the 24 Āgenskalna development project.

As of date of the current report, the Priisle Kodu development project, a project developed by the Group's affiliate company Hepsor N170 OÜ in Estonia, has reached the stage of signing the real right contracts. The Group's profit share will be reflected in the financial results of the third and fourth quarters of 2022. While contract under the law of obligations were signed at the end of the quarter for all 76 apartments and the commercial space in the development project, by 25 July, or after the end of the quarter, real right contracts were already signed for 32 apartments.

Hepsor currently has three residential development projects under construction in Estonia and Latvia, with a total of 304 new apartments. To date, contracts under the law of obligation and booking agreements have been signed for 48 apartments (52%) in the Mārupes Dārzs (92 apartments) development project near Riga. The sale and construction of Hepsor's second largest residential development project, Kuldīgas Parks (116 apartments) in Riga, is also proceeding according to the plan, and 64 apartments (55%) have been sold. Both projects will be completed in 2023. In Estonia, we continue with the construction of the Paevälja Hoovimajad development project of two apartment buildings in two stages with a total of 96 apartments. To date, contracts under the law of obligation have been concluded for 76 apartments (79%). The first phase of the project with 48 apartments will be completed by the end of the year, the second phase in the first quarter of next year.

In July, we signed a 14-million-euro loan agreement with LHV Pank AS, the purpose of which is to finance the construction of the Ojakalda Kodud development project. There are 101 spacious family apartments in the three-tower residential building on the border of Tallinn and Harku. Our green way of thinking is central to the development of the Ojakalda residential buildings: we create an environmentally conscious and sustainable living environment. The pre-sale of the Ojakalda development project has started and the construction will begin in September 2022.

In addition to the residential development projects already under construction and available for sale, Hepsor also plans to start the construction of the next phase of the Manufaktuuri Kvartal with 160 new apartments in the second half of 2022. In Riga, we plan to start the Raņķa Dambis development project with 36 new apartments. In 2022, a total of 383 apartments are planned to be built in Tallinn and Riga, including 128 in Riga. In addition, in May 2022, Hepsor signed a preliminary agreement for the purchase of real estate in the Imanta area of Riga. About 40 apartments can be built on the property.

Three commercial real estate development projects have been completed or are about to be completed in Tallinn this year. Selver supermarket already operates the commercial space (leasable space approx. 1,500 m<sup>2</sup>) on the first floor of the 11-storey commercial and residential property at 1 Priisle. Grüne Maja, the office building following the green thinking concept, has 80% of its leasable space covered by lease agreements, and the building itself is already in active use. We are actively continuing

negotiations to lease the remaining 20%. At the end of the year, we will hand over the Büro113 commercial building, which is 100% covered by lease agreements. The anchor tenant in this building is a clinic with a modern and innovative concept. In the case of Büro113, green solutions (earth-heats-earth-cools, energy-efficient architecture, very good interior, solar energy, etc.) have been used for the first time in a city centre downtown high-rise. In 2022, a stock-office commercial development project will be completed at 30 Ulbrokas, Riga, which has also reached 100% occupancy.

In June, we completed the acquisition of the property at 17A Ganību Dambis in Riga. The property has 13 buildings of different commercial functionality (leasable area 8,200 m<sup>2</sup>) with occupancy of about 81%. As a result, we expect the share of rental income to increase in the third quarter of the year. In this development project the demolished depreciated buildings will be replaced by new commercial premises including offices and stock-offices. In total, the property will accommodate approximately 20,000 m<sup>2</sup> of leasable space.

As of the date of this report, the Group has a total of 25 development projects. During the reporting year, the Āgenskalna and Baložu projects in Latvia were completed and a development project in the Imanta area of Riga was acquired.

The management of Hepsor still forecasts a turnover of 28 million euros in 2022 and profit of 3.3 million euros (including 3.1 million euros attributable to the owners of the parent company).

As of this report, we can say that despite of the difficult global situation, customers are not backing out of contracts, and contracts under the law of obligations for new homes continue to be signed on the agreed terms. The sale of new apartments in Riga projects has exceeded our expectations, and there are only 20 unsold apartments in projects currently under construction in Estonia. Russia's military invasion and attack on Ukraine's independence, which began on 24 February 2022, affects businesses and individuals around the world. Although the length, impact and outcome of the ongoing military conflict are still unclear, the high inflation rate, increased energy prices, increase in the Euribor based on the European Central Bank's monetary policy, and the increase in commodity and thus also construction prices are clearly felt. In view of the next two or three quarters, the mentioned factors will have an impact on the confidence of buyers of new homes.

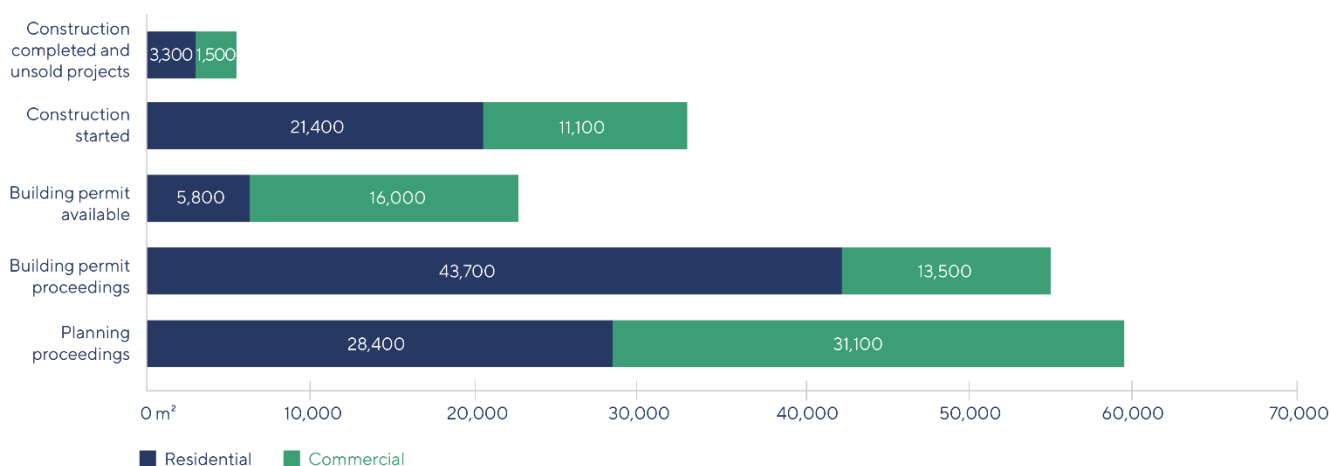
Due to global uncertainty, the Group's management is paying more attention to the risks associated with taking new projects to the sales and construction phase. Despite the above, the management of the Group has not halted any of the current development projects, and according to current information, the sale and construction of new projects mentioned above will start already in autumn 2022.

# Overview of Development Projects

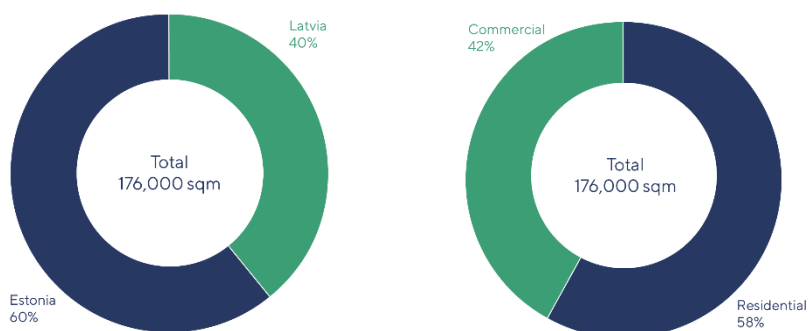
As of 30 June 2022, the Group had 25 active projects in different development phases (30 June 2021: 20 projects) ja 175,000 sqm of sellable area (30 June 2021: 130,000 sqm).

During the reporting period, the last apartment of the 24 Āgenskalna development project was sold in Riga. After the reporting period, the Group sold the last apartment of 18-apartment in 9 Baložu development project in Riga. In May 2022, the Group signed a preliminary contract for purchasing property in Riga, in the Imanta area. As of 25 July 2022, the Group had a total of 25 active development projects and 176,000 sqm of sales space.

Distribution of development portfolio between different development phases (as of 25 July 2022):



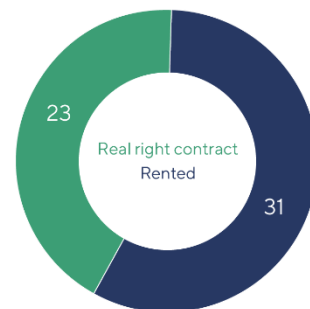
Distribution of development portfolio between countries and type (as of 25 July 2022):



Construction completed and development project not sold (as of 25 July 2022):



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



Project: Priisle Kodu  
Hepsor N170 OÜ  
Address: Priisle 1a, Tallinn  
Apartments: 76  
Project completed: II quarter 2022  
Website: [hepsor.ee/priislekodu/en](https://hepsor.ee/priislekodu/en)



Development projects recorded under construction completed and not sold included the share of unsold apartments of Strēlnieku 4b apartment building in Riga that was completed in 2020 (31 apartments) and the apartments of Priisle Kodu for which contracts under the law of obligations have not yet been signed (44 apartments). The aim of the Group is to sell all these apartments in 2022. As of 25 July 2022, Baložu 9 development project with 18 apartments in Riga has been sold.

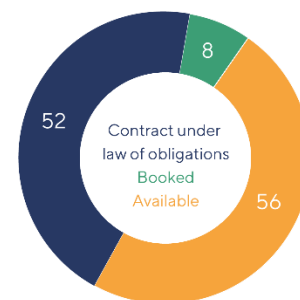
Residential development projects the construction of which has started (as of 25 July 2022):



Project: Paevälja Hoovimajad  
Hepsor PV11 OÜ  
Address: Paevälja 11, Lageloo 7, Tallinn  
Apartments: 96  
Start of construction: IV quarter 2021  
Estimated completion: I phase Q4 2022  
II phase Q1 2023  
Website: [hepsor.ee/paevälja/en](https://hepsor.ee/paevälja/en)



Project: Kuldigas Parks  
Kvarta SIA  
Address: Gregora iela 2a, Riga  
Apartments: 116  
Start of construction: Q4 2021  
Estimated completion: Q2 2023  
Website: [hepsor.lv/kuldigasparks/en/](https://hepsor.lv/kuldigasparks/en/)







Project: Mārupes Dārzs  
Hepsor Mārupe SIA

Address: Liela 45, Mārupe, Riga area

Apartments: 92

Est. start of construction: Q2 2022

Estimated completion: Q2 2023

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



## Commercial development projects the construction of which has started (as of 25 July 2022):



Project: Büroo 113  
Hepsor P113 OÜ

Address: Pärnu mnt 113, Tallinn

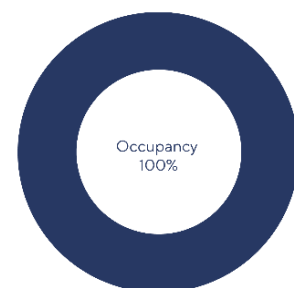
Leasable area: 4,002 m<sup>2</sup>

Occupancy: 100%

Start of construction: Q3 2020

Estimated completion: Q4 2022

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



Project: Grüne Büroo  
Hepsor M14 OÜ

Address: Meistri 14, Tallinn

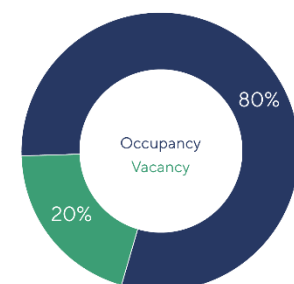
Leasable area: 3,430 m<sup>2</sup>

Occupancy: 80%

Start of construction: Q4 2020

Estimated completion: Q1-Q4 2022

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



Project: StockOffice U30  
Hepsor U30 SIA

Address: Ulbrokas 30, Riga

Leasable area: 3,645 m<sup>2</sup>

Occupancy: 100%

Start of construction: Q3 2021

Estimated completion: Q3 2022

Website: [hepsor.lv/stokofissu30/en/](https://hepsor.lv/stokofissu30/en/)





**Project:** Priisle Kodu (retail area)  
Hepsor N170 OÜ

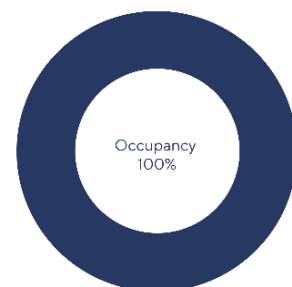
**Address:** Priisle 1a, Tallinn

**Leasable area:** 1,487 m2

**Occupancy:** 100%

**Project completed:** Q3 2022

**Website:** [hepsor.ee/priislekodu/en](https://hepsor.ee/priislekodu/en)



Development projects the construction of which starts in 2022 (as of 25 July 2022):



**Project:** Ojakalda Kodu  
Hepsor 3TORNI OÜ

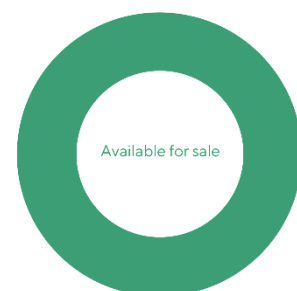
**Address:** Paldiski mnt 227c, Tallinn

**Apartments:** 101

**Est. start of construction:** Q3 2022

**Estimated completion:** Q2 2024

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



**Project:** Manufaktuuri Kvartal  
Hepsor Phoenix 2 OÜ

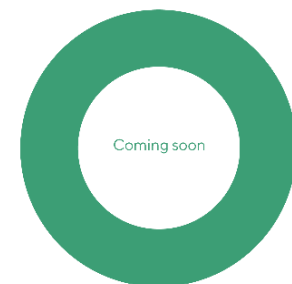
**Address:** Manufaktuuri 7, Tallinn

**Apartments:** 154

**Est. start of construction:** Q4 2022

**Estimated completion:** 2024-2025

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



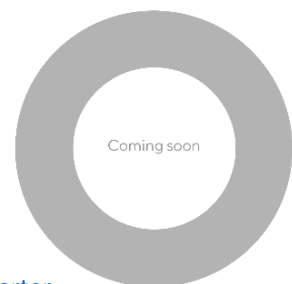
**Project:** Peterburi road business  
quarter  
T2T4 OÜ

**Address:** Tooma 2/4, Tallinn

**Leasable area:** Up to 10,000 m2

**Est. start of construction:** 2022-2023

**Website:** [hepsor.ee/project/peterburi-tee-ariquarter](https://hepsor.ee/project/peterburi-tee-ariquarter)



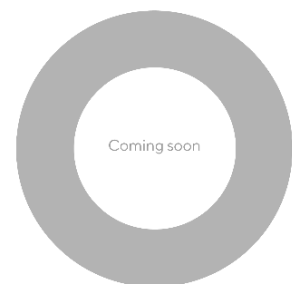
**Project:** Ranka Dambis  
Hepsor RD5 SIA

**Address:** Ranka Dambis 5, Riga

**Apartments:** 36

**Est. start of construction:** Q4 2022

**Estimated completion:** 2024



\* Picture shown is for illustration purpose



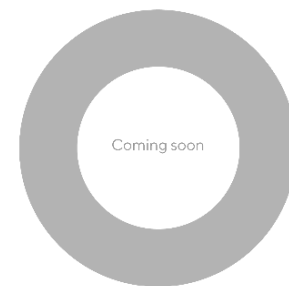
Project: StockOffice U34  
Hepsor U34 SIA

Address: Ulbrokas 34, Riga

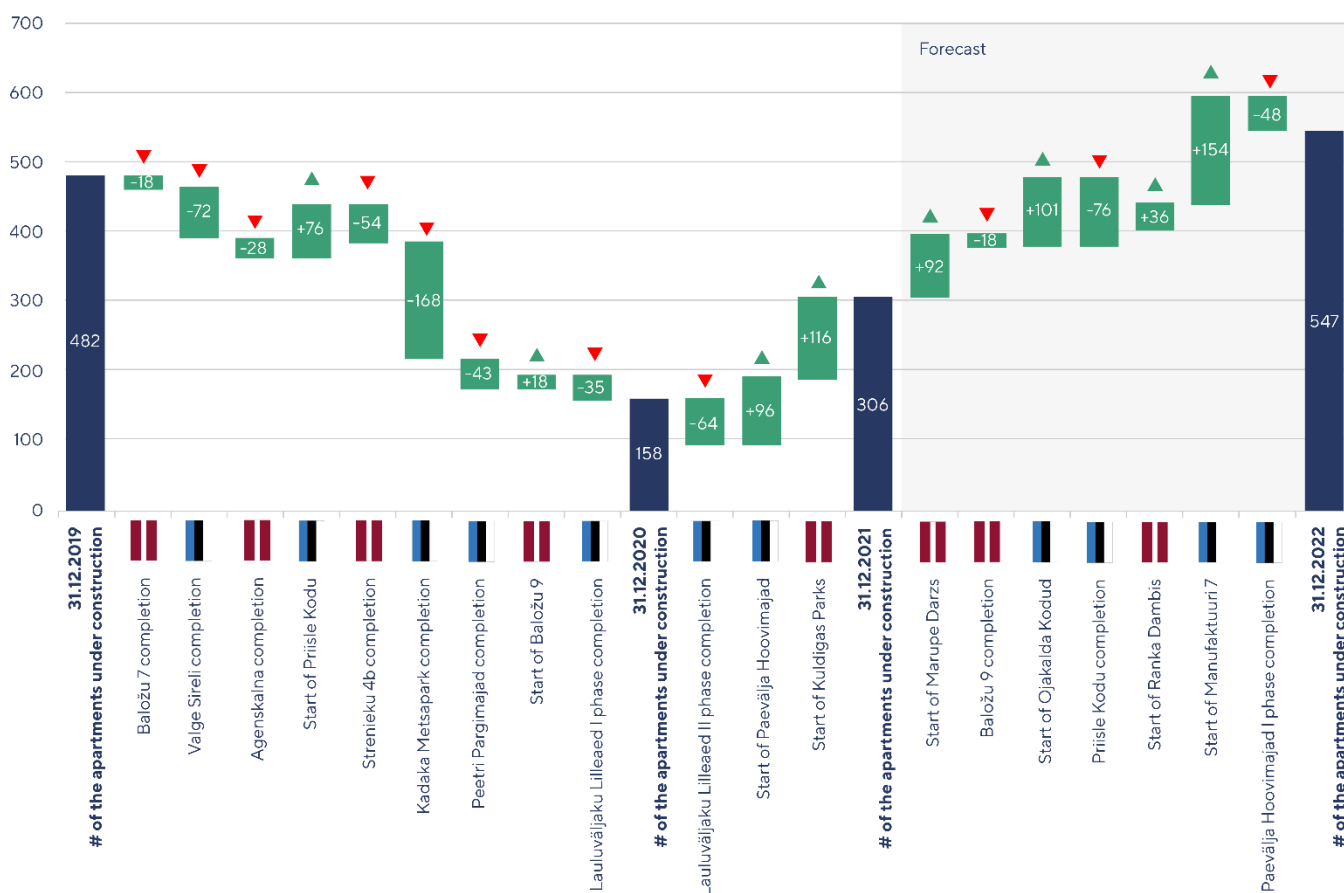
Leasable area: 8 000 m<sup>2</sup>

Est. start of construction: Q4 2022

Estimated completion: 2024



## Under construction and completed apartments, 2020 – 2022:

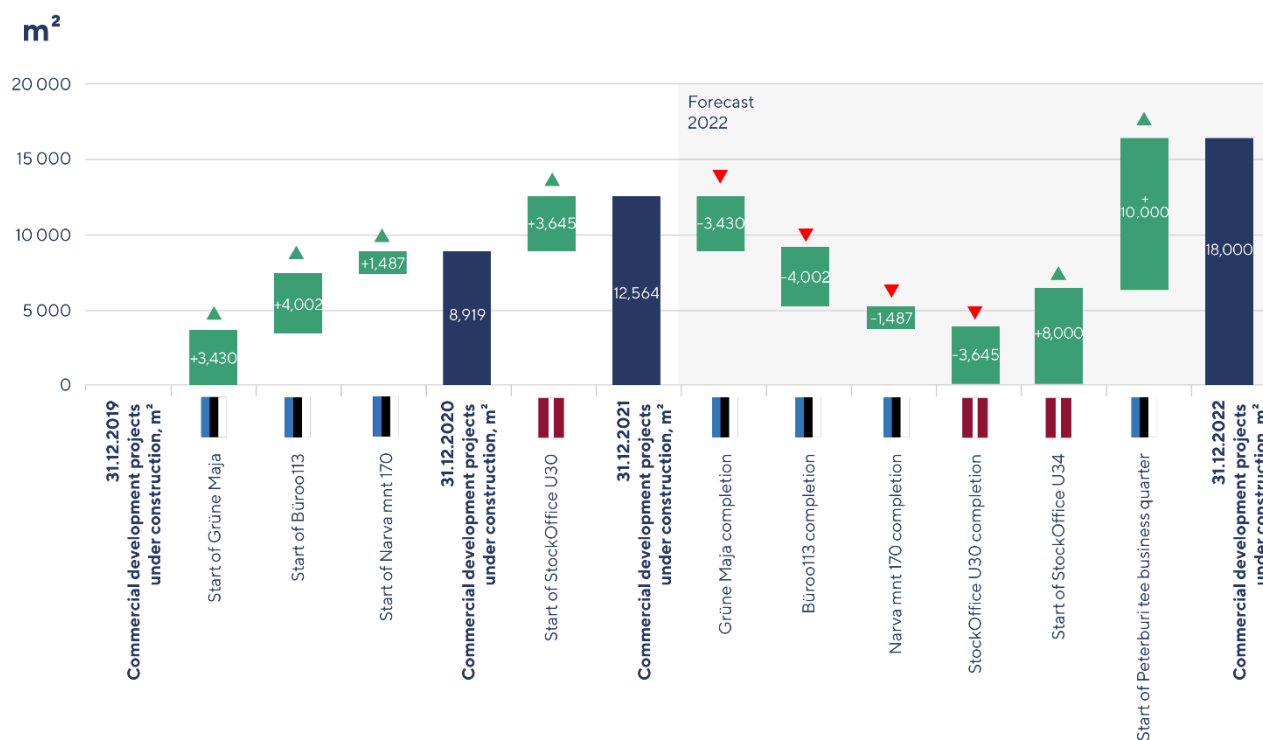


## Residential development projects under construction and for sale (as of 25 July 2022):

Project name	Number of apartments	Number of apartments sold*	Share of apartments sold %	Number of unsold apartments	Share of unsold apartments %
Strēlnieku 4b, Latvia	54	23	43	31	57
Priisle Kodu	76	76	100	0	0
Paevāja Hoovimajad	96	76	79	20	21
Kuldīgas Park, Latvia	116	60	52	56	48
Mārupes Dārzs, Latvia	92	48	52	44	48
<b>Total</b>	<b>434</b>	<b>283</b>	<b>65</b>	<b>151</b>	<b>35</b>

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

## Commercial development projects under construction:



In 2020–2021, the Group started the development of four commercial properties (12,564 sqm in total), all of which will be completed in 2022.

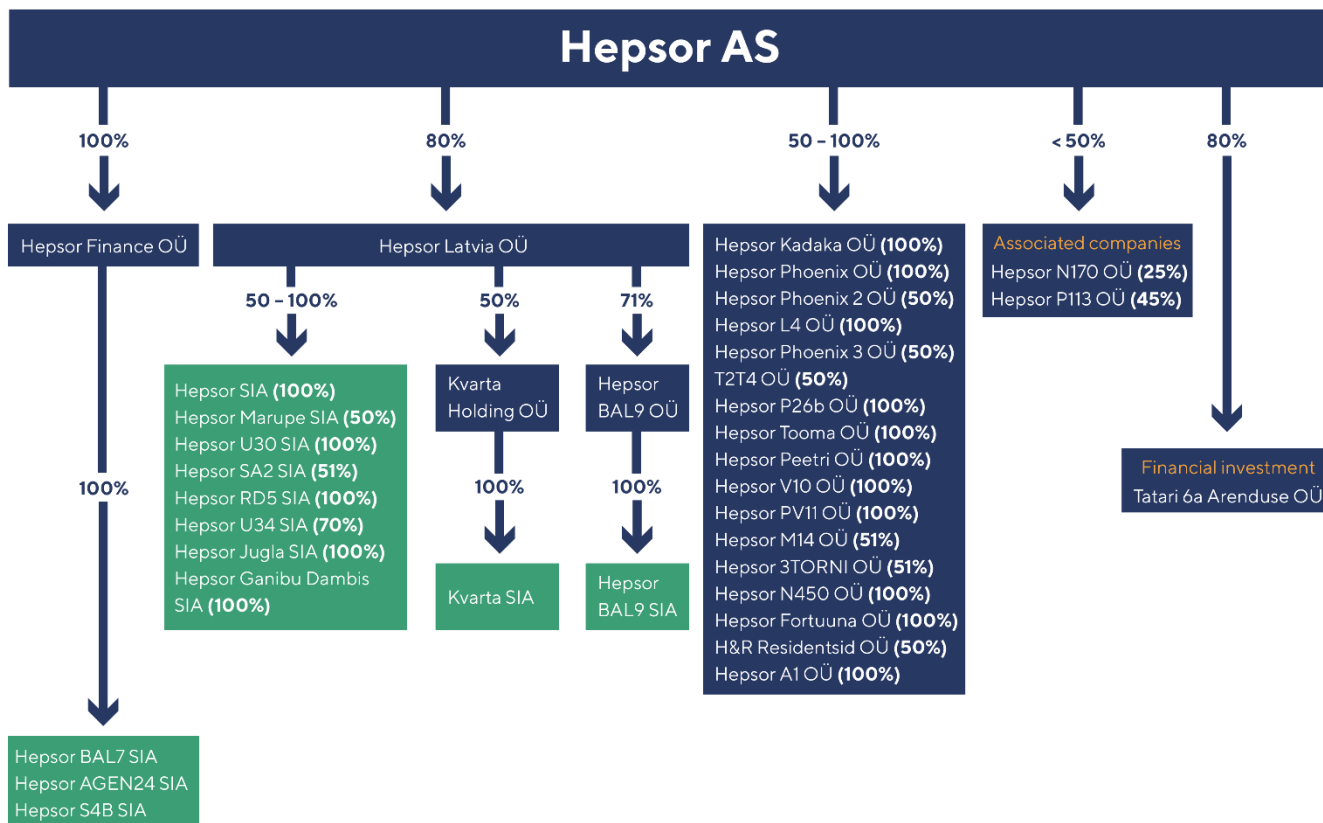
Occupancy of commercial development projects under construction (as of 25 July 2022):

Project name	Rentable area sqm	Occupancy m <sup>2</sup>	Occupancy %	Vacancy m <sup>2</sup>	Vacancy %
Priisle 1a retail space	1,487	1,487	100	0	0
Ulbokras 30 stock-office, Latvia	3,645	3,645	100	0	0
Büro113	4,002	4,002	100	0	0
Grüne Office	3,430	2,745	80	685	20
<b>Total</b>	<b>12,564</b>	<b>11,882</b>	<b>95</b>	<b>685</b>	<b>5</b>

## Group Structure

As at 30 June 2022, the Group was comprised of parent company, 34 subsidiaries and 2 associated companies (30 June 2021: parent company, 26 subsidiaries, 2 associated companies). Tatari 6a Arenduse OÜ is reported as financial investment.

No changes in Group structure took place during Q2 2022.



# Main Events

- ✓ Hepsor Latvia OÜ, a subsidiary of Hepsor AS, signed a real right contract and acquired a property of 30,624 m<sup>2</sup> in 17A Ganību Dambis, City of Riga on 13 June 2022. The contract under law of obligations was signed on 28 December 2021. The property has 13 buildings of different commercial functionality and approximately 70% of its total area of 11,564 m<sup>2</sup> is covered by lease agreements. The price of the transaction is 3,6 million euros.
- ✓ Hepsor Mārupe SIA, a subsidiary of Hepsor AS in Latvia, signed 7-million-euro loan agreement with Bigbank AS Latvian affiliate on 17 June 2022. The purpose of the three-year loan is to finance the construction of development project in Mārupe, Riga area. The construction of four buildings with 92 A energy class apartments began in April 2022 and is expected to be completed in the second quarter of 2023.

Projects completed in 2022 (as of 25 July 2022):

Name of SPV	Project name	Completion	Location	Development type	Profit share %	Sellable area sqm*	# of apartments sold *
Hepsor BAL9 SIA	Baložu 9	Q3 2022	Latvia	Residential	56%	1 113	18
Hepsor AGEN24 SIA	Āgenskalna 24	Q2 2022	Latvia	Residential	100%	1 518	28
<b>Total</b>						<b>2 631</b>	<b>46</b>

\* Apartments sold in 2020–2022

New projects acquired in 2022 (as of 25 July 2022):

Name of SPV	Project address	Acquisition date	Location	Development type	Profit share %	Planned sqm	Planned # of apartments
Hepsor JG SIA	Imanta, Riga	Q3 2021	Latvia	Residential	80%	2 458	40
<b>Total</b>						<b>2 458</b>	<b>40</b>

# Employees

As of 30 June 2022, the Group employed 23 (30 June 2021: 16) people including members of Management and Supervisory Board, including 13 in Estonia (30 June 2021: 9) and 10 in Latvia (30 June 2021: 7).

Total labour cost for the reporting period amounted to 711 thousand euros (6M 2021: 342 thousand euros). Gross fees paid to the members of Management and Supervisory Boards during the reporting period amounted to 150 thousand euros (6M 2021: 25 thousand euros).

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

# Operating Results

The Group's sales revenue in Q2 2022 was 2.7 million euros (compared with 1.0 million euros in Q2 2021), of which 2.5 million euros (Q2 2021: 61 thousand euros) or 94% (Q2 2021: 6%) was earned from Latvia.

The Group's sales revenue in six months 2022 was 4.0 million euros (6M 2021: 3.9 million euros) including 3.6 million euros (6M 2021: 0.4 million euros) from Latvia. Revenue from Latvian operations accounted for 91% of Group's revenue (6M 2021: 11%).

In Q2 2022 the Group had three development projects available for sale in Riga. In six months 2022, the Group sold a total of 27 apartments including 9 apartments in 4b Strēlnieku, 17 apartments in 9 Baložu and 1 apartment in 24 Āgenskalna development project (Q1 2022: 8 apartments in 4b Strēlnieku, Riga). As of 30 June 2022, the Group had 36 apartments available for sale (31 December 2021: 45; 30 June 2021: 53) including 35 apartments in 4b Strēlnieku and 1 apartment in 9 Baložu development project.

In addition to sale of apartments, the Group also offers project management services and generates rental income. In total, other sales revenue amounted to 406 thousand euros, or 10% of the Group's total sales revenue in January-June 2022 (6M 2021: 277 thousand euros, or 7%).

## Profitability

The Group's operating loss for Q2 2022 amounted to 186 thousand euros (Q2 2021: 81 thousand euros). The Group's net loss for the Q2 2022 amounted to 280 thousand euros (Q2 2021: 139 thousand euros), of which the net loss attributable to the owners of the parent amounted to 278 thousand euros (Q2 2021: 134 thousand euros), while the net loss to non-controlling interest was 2 thousand euros (Q2 2021: 5 thousand euros).

In six months 2022 the Group's operating loss was 500 thousand euros (6M 2021: net profit of 178 thousand euros). The Group's net loss for six months 2022 amounted to 258 thousand euros (6M 2021: net profit of 34 thousand euros), of which the net loss attributable to the owners of the parent amounted to 273 thousand euros (6M 2021: 84 thousand euros), while the net profit to non-controlling interest was 15 thousand euros (6M 2021: 118 thousand euros).

Although the profits of the reporting periods of 2022 decreased year-on year, the management of the Group believes that the net profit of the Group for the reporting year will be 3.3 million euros. The decrease in profits is primarily due to the lower profitability of the projects sold in the first half of 2022 compared to the projects sold a year ago. Operating expenses, primarily personnel expenses, have also increased. The number of employees of the Group has increased by approximately 50% over the year (30 June 2022: 23 vs 30 June 2021: 16). The demand for expanded team has been driven by the Group's expansion and growth, as well as by the increase in the size and complexity of the projects in the active development phases. The profitability has been slightly impacted by the increase in interest expenses for the first six months of 2022 compared to the first half of 2021.

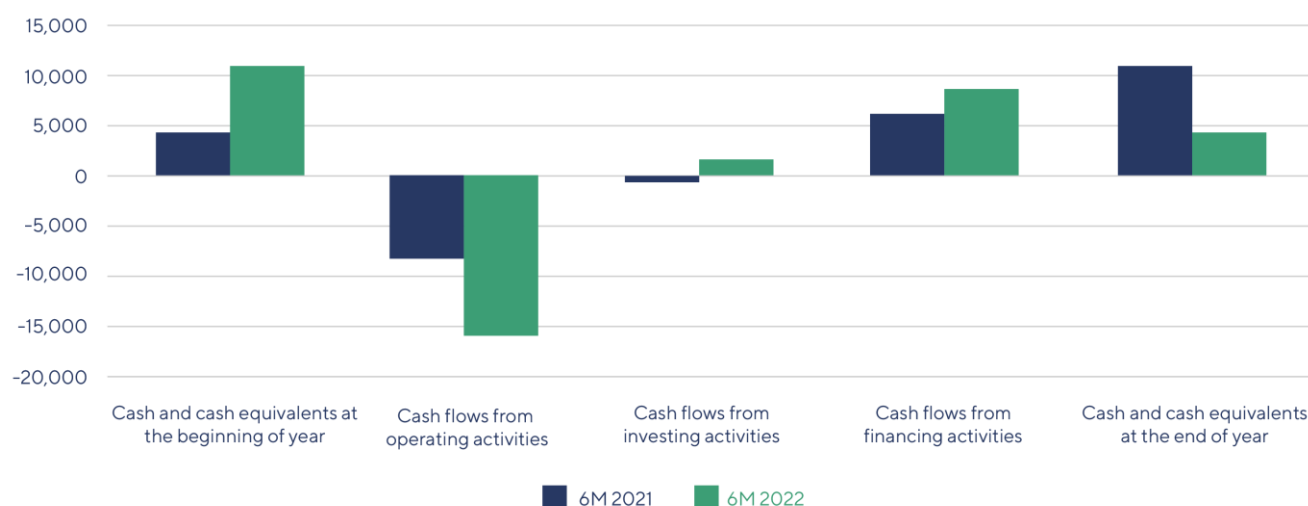
## Cash Flows

The Group's cash and cash equivalents amounted to 10.9 million euros at the beginning of 2022 (2021: 4.2 million euros) and to 4.4 million euros as of 30 June 2022 (30 June 2021: 1.3 million euros). The negative cash flow for the period was 6.8 million euros (6M 2021: 2.9 million euros).

Cash flow from operating activities for six months 2022 was negative at 16.2 million euros (6M 2021: 8.9 million euros). Cash flow from operating activities was mostly affected by the growth in the portfolio of development projects, due to the change in inventories the negative cash flow as of 30 June 2022 was 17.9 million euros (6M 2021: 9.3 million euros).

Cash flow from investments was positive at 1.2 million euros as of 30 June 2022 (6M 2021: 0.8 million euros). The largest impact was from repayment of loans granted, the balance of which decreased by 1.3 million euros (6M 2021: 0 euros).

Cash flow from financing activities was positive at 8.1 million euros (6M 2021: 6.8 million euros). In six months 2022, the Group received more loans than it repaid. The net amount of loans received in six months 2022 was 8.7 million euros (6M 2021: 7.4 million euros).



## Key Ratios

	II quarter	II quarter	6M 2022	6M 2021
Gross profit margin	3.6%	16.1%	5.1%	15.1%
Operating profit margin	-6.9%	-8.2%	-12.6%	4.6%
EBITDA margin	-5.6%	-4.4%	-10.9%	6.7%
Net profit margin	-10.4%	-14.1%	-6.5%	0.9%
General expense ratio	11.9%	26.7%	18.9%	11.6%
Equity ratio	29.4%	25.1%	29.4%	25.1%
Debt ratio	57.9%	63.4%	57.9%	63.4%
Current ratio	6.8	4.6	6.8	4.6
Return of equity (adjusted)	17.0%	32.3%	17.0%	32.3%
Return on equity attributable to the owners of the parent (adjusted)	-2.4%	24.5%	-2.4%	24.5%
Return on assets	3.1%	7.9%	3.1%	7.9%

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 (adjusted) = net profit of trailing 12 months / arithmetic average shareholder's equity (except for net capital raised through initial public offering)

Return on equity attributable to the owners of the parent (adjusted) = net profit of trailing 12 months attributable to owners of the parent / arithmetic average shareholder's equity attributable to owners of the parent (except for net capital raised through initial public offering)

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 30 June 2022, Hepsor AS had 12,092 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 30 June 2021:

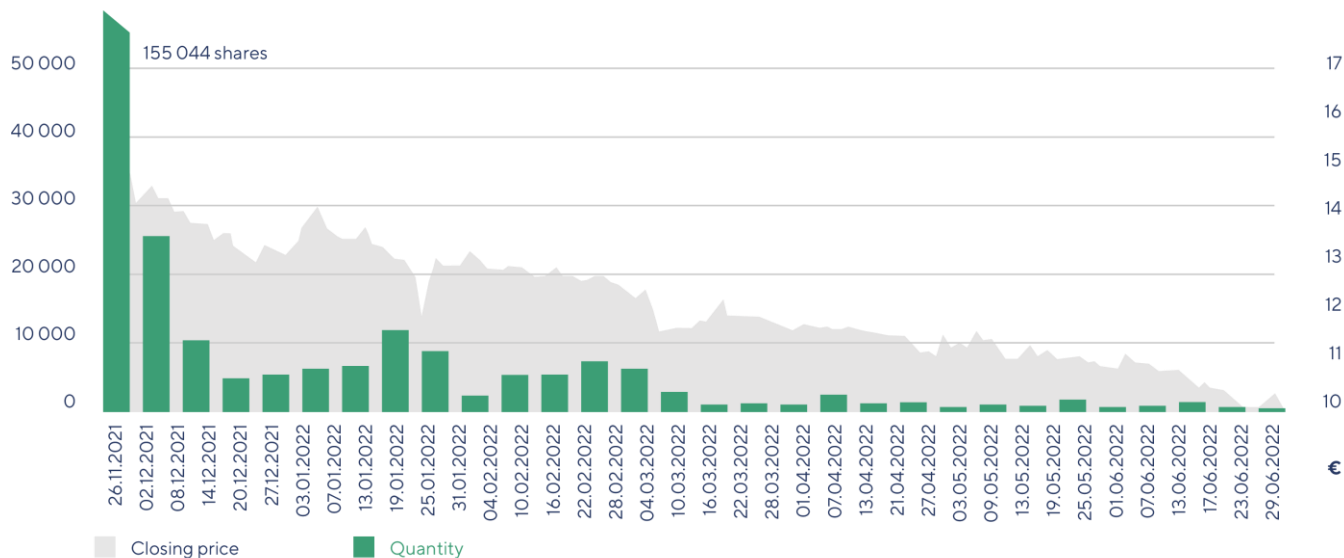
Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
100 001-...	5	0.04%	3,000,000	77.83%
10 001-100 000	8	0.07%	211,126	5.48%
1001 -10 000	54	0.45%	151,859	3.94%
101-1000	756	6.25%	200,082	5.19%
1-100	11,269	93.19%	291,634	7.57%
<b>Total</b>	<b>12,092</b>	<b>100.00%</b>	<b>3,854,701</b>	<b>100.00%</b>

Between 1 January 2022 and 30 June 2022, a total of 11,048 transactions were conducted with the shares of Hepsor AS with 239,606 shares in the total amount of 3.0 million euros. The highest price for the period was 14.4 euros and the lowest price 10.0 euros. The opening price was 13.5 euros and closing price 10.14 euros. As of 30 June 2021, the market capitalization of Hepsor AS was 38.6 million euros and the Group's equity amounted to 19 million euros.

The Group's annual general meeting of shareholders, which took place on May 25, 2022, had a quorum as 34 shareholders with 3,064,876 votes were represented, i.e. more than half of the Group's votes represented by Hepsor AS shares, including 4 shareholders who exercised the opportunity to vote before the meeting and who had 1,950 votes, or 0.05% of all votes represented by the shares of Hepsor AS.

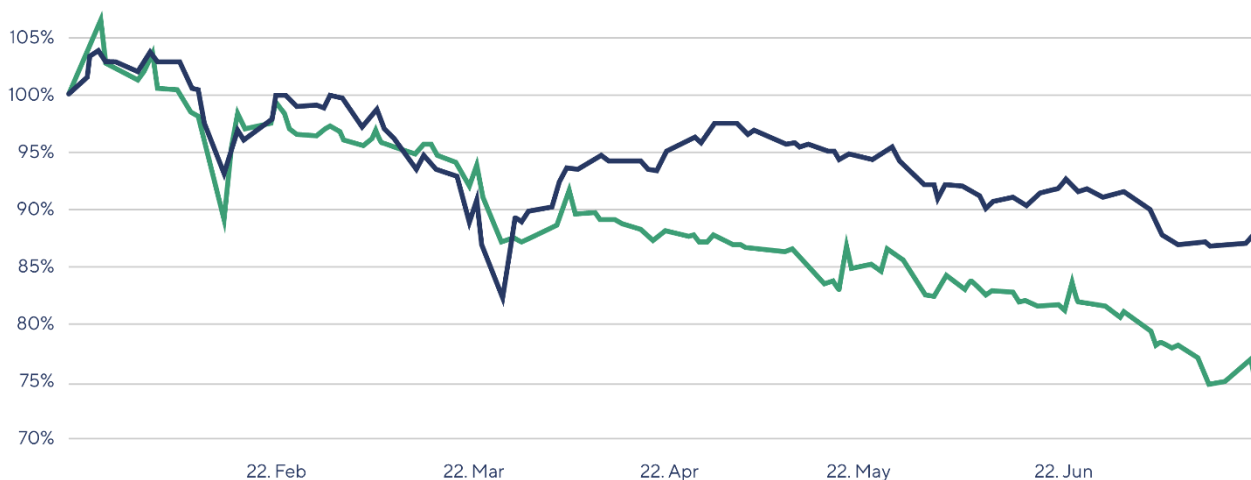
The annual general meeting approved the annual report for 2021 and profit distribution.

Trading volume and price range of Hepsor AS shares, 26 November - 30 June 2022:



Source: Nasdaq Baltic

Change in Hepsor share price in comparison with the benchmark OMX Tallinn index in January-June 2022:



INDEX / EQUITY	OPENING VALUE	CLOSING VALUE	CHANGE %
■ OMX Tallinn_GI	2,001.03	1,789.65	-10,56
■ HPR1T - Hepsor	13.5	10.14	-24,89

Source: Nasdaq Baltic

In accordance with the Group’s strategy, the earned profits will be reinvested in the implementation of new and existing projects. The Group’s shareholders may decide to pay dividends or establish a long-term dividend policy in the future, if the Group does not have the opportunity to reinvest its profits in projects with a sufficient return on equity.

# Consolidated Financial Statements

## Consolidated statement of financial position

in thousands of euros	Note	30 June 2022	31 Dec 2021	30 June 2021
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		4,361	10,889	1,277
Trade and other receivables	3	576	652	636
Current loan receivables	4	279	2,388	256
Inventories	2	56,128	37,237	33,084
<b>Total current assets</b>		<b>61,344</b>	<b>51,166</b>	<b>35,253</b>
<b>Non-current assets</b>				
Property, plant and equipment		260	229	410
Intangible assets		3	0	0
Financial investments		2	402	2
Non-current loan receivables	4	2,308	3,408	1,970
Other non-current receivables		380	140	99
<b>Total non-current assets</b>		<b>2,953</b>	<b>4,179</b>	<b>2,481</b>
<b>Total assets</b>	17	<b>64,297</b>	<b>55,345</b>	<b>37,734</b>
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Loans and borrowings	5	2,472	5,501	4,393
Current lease liabilities		64	123	72
Prepayments from customers		2,453	1,164	1,238
Trade and other payables	6	3,959	5,539	1,967
Deferred income tax liability	9	8	0	0
<b>Total current liabilities</b>		<b>8,956</b>	<b>12,327</b>	<b>7,670</b>
<b>Non-current liabilities</b>				
Loans and borrowings	5	34,641	22,862	19,169
Non-current lease liabilities		66	66	284
Other non-current liabilities	7	1,762	1,053	1,080
Deferred income tax liability	9	0	0	73
<b>Total non-current liabilities</b>		<b>36,469</b>	<b>23,981</b>	<b>20,606</b>
<b>Total liabilities</b>	17	<b>45,425</b>	<b>36,308</b>	<b>28,276</b>
<b>Equity</b>				
Share capital		3,855	3,855	6
Share premium		8,917	8,917	3,211
Retained earnings		6,100	6,265	6,241
<b>Total equity</b>		<b>18,872</b>	<b>19,037</b>	<b>9,458</b>
incl. total equity attributable to owners of the parent		18,345	18,904	9,370
incl. non-controlling interest		527	133	88
<b>Total liabilities and equity</b>		<b>64,297</b>	<b>55,345</b>	<b>37,734</b>

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

in thousands of euros	Note	6M 2022	Adjusted 6M 2021	Q2 2022	Q2 2021
Revenue	10,17	3,954	3,874	2,682	985
Cost of sales (-)	11	-3,752	-3,290	-2,586	-826
<b>Gross profit</b>		<b>202</b>	<b>584</b>	<b>96</b>	<b>159</b>
Marketing expenses (-)		-173	-100	-78	-52
Administrative expenses (-)	12	-537	-298	-209	-173
Other operating income		47	43	37	23
Other operating expenses (-)		-39	-51	-32	-38
<b>Operating profit (-loss) of the year</b>	<b>17</b>	<b>-500</b>	<b>178</b>	<b>-186</b>	<b>-81</b>
Financial income	13.1	567	76	58	43
Financial expenses (-)	13.2	-312	-191	-144	-83
<b>Profit before tax</b>		<b>-245</b>	<b>63</b>	<b>-272</b>	<b>-121</b>
Current income tax	8	-5	-16	0	-16
Deferred income tax	9	-8	-13	-8	-2
<b>Net profit for the year</b>		<b>-258</b>	<b>34</b>	<b>-280</b>	<b>-139</b>
Attributable to owners of the parent		-273	-84	-278	-134
Non-controlling interest		15	118	-2	-5
Other comprehensive income (-loss)					
Changes related to change of ownership	15	135	0	0	0
Change in value of embedded derivatives with minority shareholders	8	-13	-31	-31	59
<b>Other comprehensive income (-loss) for the period</b>		<b>122</b>	<b>-31</b>	<b>-31</b>	<b>59</b>
Attributable to owners of the parent	15	-286	0	-200	0
Non-controlling interest		408	-31	169	59
<b>Comprehensive income (-loss) for the period</b>		<b>-136</b>	<b>3</b>	<b>-311</b>	<b>-80</b>
Attributable to owners of the parent		-559	-84	-478	-134
Non-controlling interest		423	87	167	54
<b>Earnings per share</b>					
Basic (euros per share)		-0.07	-0.02	-0.07	-0.03
Diluted (euros per share)		-0.07	-0.02	-0.07	-0.03

## 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	Retained earnings		
<b>Balance of 01 January 2021</b>	<b>6</b>	<b>3,211</b>	<b>6,237</b>	<b>65</b>	<b>9,519</b>
Net profit for the year	0	0	-84	118	34
Other comprehensive income/(-loss) for the period	0	0	0	-31	-31
Dividends paid	0	0	0	-64	-64
<b>Balance of 30 June 2021</b>	<b>6</b>	<b>3,211</b>	<b>6,153</b>	<b>88</b>	<b>9,458</b>
<b>Balance of 01 January 2022</b>	<b>3,855</b>	<b>8,917</b>	<b>6,132</b>	<b>133</b>	<b>19,037</b>
Net profit for the year	0	0	-273	15	-258
Other comprehensive income/(-loss) for the period	0	0	-286	408	122
Dividends paid	0	0	0	-29	-29
<b>Balance of 30 June 2022</b>	<b>3,855</b>	<b>8,917</b>	<b>5,573</b>	<b>527</b>	<b>18,872</b>

## Consolidated statement of cash flows

in thousands of euros	Note	6M 2022	6M 2021
<b>Net cash flows from (to) operating activities</b>			
Operating profit/(-loss) of the year	17	-500	178
Adjustments for:			
Depreciation of property, plant and equipment		70	82
Other adjustments		-5	0
Income tax paid	8	-5	-75
Changes in working capital:			
Change in trade receivables		85	1
Change in inventories	2	-17,904	-9,340
Change in liabilities and prepayments		2,111	286
<b>Cash flows from (to) operating activities</b>		<b>-16,148</b>	<b>-8,868</b>
<b>Net cash flows to investing activities</b>			
Payments for property, plant and equipment		-104	0
Payments of for acquisition of subsidiaries	15	-400	-2
Proceeds from sale of subsidiaries	15	135	0
Interest received		17	22
Loans granted	4	-176	-799
Loan repayments received	4	1,305	0
Other receipts from investing activities	13	460	0
<b>Cash flows to investing activities</b>		<b>1,237</b>	<b>-779</b>
<b>Net cash flows from (to) financing activities</b>			
Loans raised	5	12,722	11,530
Loan repayments	5	-3,972	-4,128
Interest paid	14	-469	-478
Payments of finance lease principal		-5	-19
Payments of right to use lease liabilities		-54	-67
Dividends paid		-29	-102
Other receipts from financing activities		-52	-19
<b>Cash flows from financing activities</b>		<b>8,141</b>	<b>6,717</b>
<b>Net cash flow</b>		<b>-6,770</b>	<b>-2,930</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>10,889</b>	<b>4,207</b>
Cashflow in from acquisitions of subsidiaries		242	0
Increase / decrease in cash and cash equivalents		-6,770	-2,930
<b>Cash and cash equivalents at end of year</b>		<b>4,361</b>	<b>1,277</b>

## Notes to the consolidated interim financial statements

### Note 1. General information

The Hepsor AS (hereinafter “the Group”) consolidated unaudited interim report for Q2 and six months 2022 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 Q2 and six months 2022 follow the same accounting principles and methods used in the 2021 audited consolidated financial statements. The current interim financial statements contain the audited financial results for 2021 and unaudited comparative figures for Q2 and six months 2021.

The Group has not made any changes in their critical accounting estimates which may have impact on the consolidated unaudited interim financial statements for Q2 and six months 2022.

The Group has not made any changes in the valuation techniques applied for fair value measurement in 2022.

#### Changes in presentation

The Group has adjusted comparative data for 2021 in its interim report for Q2 and six months. According to the Group’s management, the change in the presentation gives a more accurate picture of the Group's financial results.

The change in the presentation of the consolidated statement of comprehensive income is related to cost of managing development project.

In thousands of euros	Initial balance as of 30 June 2021	Change	Adjusted balance as of 30 June 2021
Cost of sales (personnel expenses) (Note 11)	-3,171	+119	-3,290
Administrative expenses (personnel expenses) (Note 12)	-417	-119	-298

### Note 2. Inventories

Inventories are accounted as ready for sale development projects once the project has been granted usage permit.

As of 30 June 2022, the Group had 36 (31 December 2021: 45; 30 June 2021: 53) unsold apartments in Riga, including 35 apartments in 4b Strēlnieku development project and 1 apartment in 9 Baložu development project.

As of 30 June 2022, the changes in inventories as stated in cash flow statements have been adjusted by loan interest expense. The capitalized loan interest amounted to 987 thousand euros (30 June 2021: 840 thousand euros). Further information about financial expenses is provided in Note 13.2.

Project statuses are classified as following:

in thousands of euros	30 June 2022	31 Dec 2021	30 June 2021
A – planning proceedings	11,233	6,877	3,610
B – building permit proceedings	8,749	7,901	9,160
C – building permit available /construction not yet started	6,868	7,150	6,317
D – construction started / sale started	26,745	11,985	9,825
E – construction ready for sale	2,533	3,324	4,172
<b>Total inventories</b>	<b>56,128</b>	<b>37,237</b>	<b>33,084</b>

The following development projects are stated as inventories:

in thousands of euros				30 June 2022		31 Dec 2021		30 June 2021	
Address	Project company	Location	Segment	Acquisition cost	Project status	Acquisition cost	Project status	Acquisition cost	Project status
<b>Work in progress</b>									
Pirita Road 26b, Tallinn	Hepsor P26B OÜ	Estonia	Residential	0	-	13	E	5,711	D
Paevälja 11/Lageloo 7, Tallinn	Hepsor PV11 OÜ	Estonia	Residential	7,529	D	2,965	D	1,984	B
Paldiski mnt 227C, Tallinn	Hepsor 3Torni OÜ	Estonia	Residential	2,811	C	2,517	C	2,368	C
Narva mnt 150, Narva mnt 150a, Narva mnt 150b, Tallinn	Hepsor N450 OÜ	Estonia	Residential/Commercial	3,620	A	3,582	A	3,586	A
Manufaktuuri 5, Tallinn	Hepsor Phoenix 3 OÜ	Estonia	Residential/Commercial	3,566	B	3,268	B	3,040	B
Manufaktuuri 7, Tallinn	Hepsor Phoenix 2 OÜ	Estonia	Residential/Commercial	2,497	B	2,303	B	2,057	B
Tooma 2, Tooma 4 Tallinn	T2T4 OÜ	Estonia	Commercial	1,196	C	1,159	C	1,123	C
Lembitu 4, Tallinn	Hepsor L4 OÜ	Estonia	Commercial	2,861	C	2,811	C	2,826	C
Meistri 14, Tallinn	Hepsor M14 OÜ	Estonia	Commercial	6,593	D	5,765	D	3,293	D
Alvari 2, Paevälja 9, Tallinn	Hepsor Fortuuna OÜ	Estonia	Residential	1,659	A	1,656	A	0	-
Alvari 1, Tallinn	Hepsor A1 OÜ	Estonia	Residential	1,006	A	1,004	A	0	-
Kadaka Road 197, Tallinn	H&R Residentsid OÜ	Estonia	Residential	1,137	A	614	A	0	-
Baložu 9, Riga	Hepsor Bal9 SIA	Latvia	Residential	0	-	1,770	D	821	D
Saules alley 2, Riga	Hepsor SA2 SIA	Latvia	Residential	961	B	957	B	1,045	B
Liela 45, Mārupe	Hepsor Mārupe SIA	Latvia	Residential	2,681	D	663	C	510	B
Ranka Dambis 5, Riga	Hepsor RD5 SIA	Latvia	Residential	383	B	354	B	0	-
Ulbrokas 30, Riga	Hepsor U30 SIA	Latvia	Commercial	3,330	D	1,485	D	524	B
Ulbrokas 34, Riga	Hepsor U34 SIA	Latvia	Commercial	1,094	B	1,019	B	0	-
Braila 23, Riga	Hepsor Jugla SIA	Latvia	Residential	248	B	0	-	0	-
Gregora iela 2a, Riga	Hepsor Kvarta SIA	Latvia	Residential	6,612	D	0	-	0	-
Ganību Dambis 17a, Riga	Hepsor Ganību Dambis SIA	Latvia	Commercial	3,787	A	0	-	0	-
-other properties		Estonia		24	A	21	A	22	A
-other properties		Latvia		0	-	0	-	2	A
<b>Total work in progress</b>				<b>53,595</b>		<b>33,926</b>		<b>28,912</b>	
<b>Finished real estate development</b>									
Āgenskalna 24, Riga	Hepsor Agen24 SIA	Latvia	Residential	0	0	50	E	112	E
Strēlnieku 4b, Riga	Hepsor S4B SIA	Latvia	Residential	2,433	E	3,245	E	4,044	E
Manufaktuuri 22, Tallinn (parking spaces)	Hepsor Phoenix OÜ	Estonia	Residential	16	E	16	E	16	E
Baložu 9, Riga	Hepsor Bal9 SIA	Latvia	Residential	84	E	0	-	0	-
<b>Total finished real estate development</b>				<b>2,533</b>		<b>3,311</b>		<b>4,172</b>	
<b>Total inventories</b>				<b>56,128</b>		<b>37,237</b>		<b>33,084</b>	



## Note 3. Trade and other receivables

In thousands of euros	30 June 2022	31 Dec 2021	30 June 2021
<b>Trade receivables</b>			
Trade receivables	104	86	66
Allowance for doubtful receivables	-6	-6	-4
<b>Net trade receivables</b>	<b>98</b>	<b>80</b>	<b>62</b>
<b>Prepayments</b>			
Tax prepayment			
Value added tax	247	382	268
Other taxes	23	0	0
Other prepayments for goods and services	149	146	179
<b>Total prepayments</b>	<b>419</b>	<b>528</b>	<b>447</b>
<b>Other current receivables</b>			
Interest receivables	42	33	0
Other current receivables	17	11	127
<b>Other current receivables</b>	<b>59</b>	<b>44</b>	<b>127</b>
<b>Total trade receivables</b>	<b>576</b>	<b>652</b>	<b>636</b>

## Note 4. Loans granted

In December 2021, the shareholders of Hepsor P26b OÜ approved the resolution of division of the company, based on which Hepsor P26b OÜ transferred assets to minority shareholders in the amount of 2,098 thousand euros. Of this, 2,080 thousand euros as loan receivable. Additional information is available in Note 8.

In thousands of euros	Owner of non-controlling interest	Unrelated legal entities	Associates	Related legal entities	Total
<b>2022</b>					
<b>Loan balance as of 01 January 2022</b>	<b>2,109</b>	<b>1,100</b>	<b>2,587</b>	<b>0</b>	<b>5,796</b>
Loan granted	0	0	0	176	176
Loan collected	-29	-1,100	0	-176	-1,305
Division of subsidiary	-2,080	0	0	0	-2,080
<b>Loan balance as of 30 June 2022</b>	<b>0</b>	<b>0</b>	<b>2,587</b>	<b>0</b>	<b>2,587</b>
- current portion	0	0	279	0	279
- non-current portion	0	0	2,308	0	2,308
contractual/effective interest rate per annum	0-3%	0%	7%	12%	
<b>2021</b>					
<b>Loan balance as of 01 January 2021</b>	<b>720</b>	<b>56</b>	<b>1,371</b>	<b>0</b>	<b>2,147</b>
Loan granted	29	171	599	0	799
Division of subsidiary	-720	0	0	0	-720
<b>Loan balance as of 3 June 2021</b>	<b>29</b>	<b>227</b>	<b>1,970</b>	<b>0</b>	<b>2,226</b>
- current portion	29	227	0	0	256
- non-current portion	0	0	1,970	0	1,970
<b>Loan balance as of 01 July 2021</b>	<b>29</b>	<b>227</b>	<b>1,970</b>	<b>0</b>	<b>2,226</b>
Loan granted	2,080	873	617	0	3,570
<b>Loan balance as of 31 December 2021</b>	<b>2,109</b>	<b>1,100</b>	<b>2,587</b>	<b>0</b>	<b>5,796</b>
-current portion	2,109	0	279	0	2,388
-non-current portion	0	1,100	2,308	0	3,408
contractual/effective interest rate per annum	0%-3%	0%	7%		

In 2020, the shareholders of Hepsor V10 OÜ and Hepsor Kadaka OÜ approved the resolution of division of the companies, based on which Hepsor V10 transferred assets (loan receivable) to minority shareholder in the amount of 274 thousand euros and Hepsor Kadaka OÜ in the amount of 448 thousand euros including 446 as loan receivable. The division took place in Q1 2021.

## Note 5. Loans and borrowings

in thousands of euros	Bank loans	Unrelated legal entities and individuals	Related legal entities	Total
<b>2022</b>				
<b>Loan balance as of 01 January 2022</b>	<b>10,951</b>	<b>15,581</b>	<b>1,831</b>	<b>28,363</b>
Received	10,003	2,719	0	12,722
Repaid	-1,907	-2,065	0	-3,972
<b>Loan balance as of 30 June 2022</b>	<b>19,047</b>	<b>16,235</b>	<b>1,831</b>	<b>37,113</b>
- current loan payable	<b>1,225</b>	<b>1,247</b>	<b>0</b>	<b>2,472</b>
- non-current loan payable	<b>17,822</b>	<b>14,988</b>	<b>1,831</b>	<b>34,641</b>
Contractual interest rate per annum	6M Euribor+3.75%-8%; 8.2%	0-12%	3%-12%	
<b>2021</b>				
<b>Loan balance as of 01 January 2021</b>	<b>4,705</b>	<b>10,815</b>	<b>640</b>	<b>16,160</b>
Received	6,430	5,100	0	11,530
Repaid	-2,754	-1,374	0	-4,128
<b>Total loan balance as of 30 June 2021</b>	<b>8,381</b>	<b>14,541</b>	<b>640</b>	<b>23,562</b>
- current loan payable	<b>3,222</b>	<b>671</b>	<b>500</b>	<b>4,393</b>
- non-current loan payable	<b>5,159</b>	<b>13,870</b>	<b>140</b>	<b>19,169</b>
<b>Loan balance as of 01 July 2021</b>	<b>8,381</b>	<b>14,541</b>	<b>640</b>	<b>23,562</b>
Received	7,623	1,838	1,691	11,152
Repaid	-5 053	-798	-500	-6,351
<b>Total loan balance as of 31 December 2021</b>	<b>10,951</b>	<b>15,581</b>	<b>1,831</b>	<b>28,363</b>
- current loan payable	<b>2,821</b>	<b>2,680</b>	<b>0</b>	<b>5,501</b>
- non-current loan payable	<b>8,130</b>	<b>12,901</b>	<b>1,831</b>	<b>22,862</b>
Contractual interest rate per annum	6M Euribor +5.85% -8%; 8.2%	0-12%	12%	
Effective interest rate per annum	4.7%-10.7%	0-12.2%	12%-13.44%	

In March 2021, Hepsor AS signed a three-year 4-million-euro loan agreement with LHV Pank. In July the parties signed an addendum to the loan agreement increasing the loan amount by 2 million euros to 6 million euros. 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:

- a) LHV Pank loan and equity ratio of maximum 55%,
- b) Group's investments to Estonian entities and LHV Pank loan ratio must be at least 1.5x at any given moment.

As of 30 June 2022, 89% (31 December 2021: 86%, 30 June 2021: 93%) 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 and individuals	Related legal entities	Total
<b>Balance as at 30 June 2022</b>				
Loans for development projects	15,021	16,235	1,831	<b>33,087</b>
Loans to headquarters to finance development projects	4,026	0	0	<b>4,026</b>
<b>Total</b>	<b>19,047</b>	<b>16,235</b>	<b>1,831</b>	<b>37,113</b>
<b>Balance as at 31 December 2021</b>				
Loans for development projects	6,925	15,581	1,831	<b>24,337</b>
Loans to headquarters to finance development projects	4,026	0	0	<b>4,026</b>
<b>Total</b>	<b>10,951</b>	<b>15,581</b>	<b>1,831</b>	<b>28,363</b>
<b>Balance as at 30 June 2021</b>				
Loans for development projects	7,156	14,541	140	<b>21,837</b>
Loans to headquarters to finance development projects	1,225	0	500	<b>1,725</b>
<b>Total</b>	<b>8,381</b>	<b>14,541</b>	<b>640</b>	<b>23,562</b>

As of 30 June 2022, 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	Estonia	4,596	2023	8,605	6M Euribor + 4.5%	Mortgage - Paevälja pst 11, Lageloo 3//5, Lageloo 7, Tallinn	7,529	-
LHV Pank AS	Estonia	3,030	2024	3,115	6M Euribor + 3.75%	Mortgage - Meistri 14, Tallinn	6,593	-
LHV Pank AS	Estonia	1,225	2022	1,300	6M Euribor + 8%	Mortgage - Lembitu 4, Tallinn	2,861	-
Bigbank AS	Latvia	0	2025	7,000	5.5%	Mortgage – Liela 45, Mārupe, Riga	2,681	-
Bigbank AS	Latvia	1,011	2023	2,500	6M Euribor + 4.5%	Commercial pledge; Mortgage - Strēlnieku 4b, Riga	2,433	-
Bigbank AS	Latvia	1,905	2024	2,650	5.5%	Mortgage - Ulbrokas 30, Riga, Commercial pledge	3,330	500
Bigbank AS	Latvia	3,254	2025	7,500	5.5%	Mortgage - Gregora 2a, Riga	6,612	423

In addition to bank loans, Hepsor N450 OÜ has a joint mortgage in the amount of 3.5 million euros as a loan collateral until the loan obligation to unrelated legal entity has been fulfilled.

As of 31 December 2021, 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
LHV Pank AS	Estonia	1,225	2022	1,300	6M Euribor + 8%	Mortgage - Lembitu 4, Tallinn	2,811
LHV Pank AS	Estonia	562	2023	8,605	6M Euribor + 4,5%	Mortgage - Paevälja 11, Lageloo 3 // 5, Lageloo 7; Tallinn	2,965
LHV Pank AS	Estonia	2,375	2024	3,115	6M Euribor + 4,75%	Mortgage - Meistri 14, Tallinn	5,765
Bigbank AS	Latvia	982	2023	1,150	6%	Mortgage - Baložu 9, Riga	1,770
Bigbank AS	Latvia	1,687	2024	2,500	6M Euribor + 4,5%	Commercial pledge; Mortgage - Strēlnieku 4b, Riga	3,245

As of 30 June 2021, 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
LHV Pank AS	Estonia	1,300	2022	1,300	6M Euribor + 8%	Mortgage - Lembitu 4, Tallinn	2,826
LHV Pank AS	Estonia	3,221	2023	8,034	6M Euribor + 6%	Mortgage – Pirita tee 26B, Tallinn	5,711
Bigbank AS	Latvia	166	2023	1,150	6%	Mortgage - Baložu 9, Riga	821
Bigbank AS	Latvia	2,469	2024	2,500	6M Euribor + 4,5%	Commercial pledge; Mortgage - Strēlnieku 4b, Riga	4,044

## Note 6. Trade and other payables

In thousands of euros	30 June 2022	31 Dec 2021	30 June 2021
<b>Trade payables</b>	<b>2,023</b>	<b>1,506</b>	<b>1,376</b>
Taxes payable			
Value added tax	439	254	62
Personal income tax	18	18	6
Social security tax	32	33	12
Other taxes	30	5	20
<b>Total taxes payable</b>	<b>519</b>	<b>310</b>	<b>100</b>
Accrued expenses			
Payables to employees	71	72	81
Interest payable	271	135	28
Other accrued expenses	35	29	30
<b>Total accrued expenses</b>	<b>377</b>	<b>236</b>	<b>139</b>
Other current payables			
Embedded derivatives (Note 8)	31	2,115	332
Other payables	1,009	1,372	20
<b>Total other current payables</b>	<b>1,040</b>	<b>3,487</b>	<b>352</b>
<b>Total trade and other payables</b>	<b>3,959</b>	<b>5,539</b>	<b>1,967</b>

## Note 7. Other non-current liabilities

In thousands of euros	30 June 2022	31 Dec 2021	30 June 2021
Non-current interest payables	1,679	1,020	1,068
Other non-current payables	83	33	12
<b>Total other non-current liabilities</b>	<b>1,762</b>	<b>1,053</b>	<b>1,080</b>

## Note 8. 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. Pursuant to the division agreement entered into between the shareholders of Hepsor P26b OÜ the loan granted by the Group to the shareholders was settled with the liability arising from embedded derivatives in the amount of 2,080 thousand euros. The related expense in the amount of 18 thousand euros was recognized in other comprehensive income for 2022. More information on loans is provided in Note 4.

Subject to the resolution of the shareholders of Hepsor Peetri OÜ, the dividends in the amount of 29 thousand euros were paid to the minority shareholder, from which income tax of 5 thousand euros was calculated and paid.

As at the end of the reporting periods the Group had liabilities arising from embedded derivatives with regards to the following projects:

in thousands of euros	30 June 2022	31 Dec 2021	30 June 2021
Current liabilities arising from embedded derivatives			
Residential development Baložu 9, Riga	31	0	0
Residential development Pirita 26b, Tallinn	0	2,080	295
Residential development Mõigu 11, Rae parish	0	35	37
<b>Total</b>	<b>31</b>	<b>2,115</b>	<b>332</b>

## Note 9. Deferred Income tax

The deferred income tax liability is provided by the Group on the profit or loss earned from subsidiaries that have a minority holding, and the distribution of profits has not been agreed in the shareholders' agreement. If the parent company assesses that the dividend will be paid in the foreseeable future, the deferred income tax liability is measured to the extent of the planned dividend payment provided that as at the reporting date. The deferred income tax liability is reduced if the distribution of the profit from the development project has been agreed between the shareholders.

As at the end of the reporting periods the Group had following deferred income tax liability:

in thousands of euros	30 June 2022	31 Dec 2021	30 June 2021
Balance at 01.01	0	60	60
Deferred income tax expense	8	-60	13
<b>Balance at the end of reporting period</b>	<b>8</b>	<b>0</b>	<b>73</b>

## Note 10. Revenue

in thousands of euros	6M 2022	6M 2021	Q2 2022	Q2 2021
Revenue from sale of real estate	3,548	3,597	2,469	839
Revenue from project management services	95	103	48	53
Revenue from rent	237	147	126	71
Revenue from other services	74	27	39	22
<b>Total</b>	<b>3,954</b>	<b>3,874</b>	<b>2,682</b>	<b>985</b>

Additional information on sales revenue is provided in Note 17.

## Note 11. Cost of sales

in thousands of euros	6M 2022	Adjusted 6M 2021	Q2 2022	Q2 2021
Cost of real estate sold	-3,262	-3,019	-2,268	-697
Personnel expenses	-352	-213	-231	-123
Interest expenses	-16	-23	-16	0
Depreciation	-16	-24	-8	-6
Other costs	-106	-11	-63	0
<b>Total</b>	<b>-3,752</b>	<b>-3,290</b>	<b>-2,586</b>	<b>-826</b>

Additional information on adjustments is provided in Note 1.

## Note 12. Administrative expenses

in thousands of euros	6M 2022	Adjusted 6M 2021	Q2 2022	Q2 2021
Personnel expenses	-306	-108	-84	-46
Depreciation	-54	-63	-27	-31
Traveling and transport expenses	-29	-13	-15	-4
Purchased service expenses	-122	-77	-67	-61
Office expenses	-24	-17	-14	-11
<b>Total</b>	<b>-2</b>	<b>-20</b>	<b>-2</b>	<b>-20</b>
	<b>-537</b>	<b>-298</b>	<b>-209</b>	<b>-173</b>

Additional information on adjustments is provided in Note 1.

## Note 13. Financial income and expenses

### 13.1 Financial income

in thousands of euros	6M 2022	6M 2021	Q2 2022	Q2 2021
Interest incomes	107	55	47	31
Other financial incomes	460	21	11	12
<b>Total</b>	<b>567</b>	<b>76</b>	<b>58</b>	<b>43</b>

In six months 2022, the Group earned non-recurring financial income from waiver of minority shareholder's loan liability in the amount of 437 thousand euros.

### 13.2 Financial expenses

in thousands of euros	6M 2022	6M 2021	Q2 2022	Q2 2021
Interest expenses	-277	-170	-144	-83
Loss from associates of equity method	0	-2	0	0
Other financial expenses	-35	-19	0	0
<b>Total</b>	<b>-312</b>	<b>-191</b>	<b>-144</b>	<b>-83</b>

In 2022 borrowing costs in the amount of 987 thousand euros (6M 2021: 840 thousand euros) have been capitalized as the cost of inventories (Note 2). Interest expenses of 16 thousand euros have been recognized in the cost of sales in six months of 2022 (6M 2021: 23 thousand euros) (Note 11).

## Note 14. Information about line item in the consolidated statement of cash flows

in thousands of euros	30 June 2022	30 June 2021
<b>Interest paid</b>		
Interest expense in statement of profit or loss and other comprehensive income	-277	-170
Reclassification of cash flows from operating activities to financing activities		
<i>Change in inventories (Note 2)</i>	-987	-840
Decrease (-)/ increase (+) of interest payables	795	532
<b>Interest paid total</b>	<b>-469</b>	<b>-478</b>

## Note 15. Subsidiaries

In January 2022, Hepsor Latvia OÜ acquired a 50% shareholding in Kvartha Holding OÜ in accordance with an option agreement. Kvartha Holding OÜ owns a 100% shareholding in Kvartha SIA, which is developing Kuldigas Parks residential development project with 116 apartments in Riga at Gregora 2a, and 100% in Hepsor Jugla SIA (former Brofits SIA). Hepsor Jugla SIA owns a property at Braila 23, Riga for the development of residential project with up to 100 apartments.

Purchase price allocation as of 31 December 2021:

In thousands of euros	Hepsor Jugla SIA	Kvartha Holding OÜ (consolidated)
<b>Assets</b>		
Cash and cash equivalents	0	290
Trade receivables and prepayments	0	315
Inventories	240	3,108
<b>Total assets</b>	<b>240</b>	<b>3,713</b>
<b>Liabilities</b>		
Trade and other payables	1	639
Loans and borrowings	161	3,074
Loans and borrowings to Group company	-161	-1,100
<b>Total liabilities</b>	<b>1</b>	<b>2,613</b>
Net assets	239	1,100
Acquisition cost	239	1,100
Goodwill	0	0

The acquisition cost of Kvartha Holding OÜ includes loan issued by Hepsor Latvia OÜ in the amount of 1,100 thousand euros.

The purchase price of shareholding in Hepsor Jugla SIA amounted to 239 thousand euros plus loan receivable in the amount of 161 thousand euros.

The Group sold its 50% stake in Hepsor Mārupe SIA in February 2022 and acquired a minority stake in Hepsor P26b OÜ and Hepsor Peetri OÜ (March 2022) increasing its stake in both companies to 100%.

In April 2022, Hepsor Latvia OÜ increased the share capital of Hepsor SIA to 500 thousand euros of which 100 thousand euros is held by the minority shareholder of Hepsor Latvia OÜ. Hepsor Latvia OÜ also invested 500 thousand euros as equity to its subsidiary Hepsor Ganību Dambis SIA of which 100 thousand euros is held by the minority shareholder of Hepsor Latvia OÜ.

Changes in Group structure in 2022 and impact on comprehensive income and cash flows:

in thousands of euros	Other comprehensive income		Cash flows from investing activities
	Comprehensive income attributable to owners of the parent	Comprehensive income attributable to non-controlling interest	Proceeds from sale of subsidiaries
Changes in ownership			
Hepsor P26B OÜ	-85	85	-
Hepsor Peetri OÜ	-10	10	-
Hepsor Mārupe SIA	9	126	135
Hepsor Ganību Dambis SIA	-100	100	-
Hepsor SIA	-100	100	-
<b>Total</b>	<b>-286</b>	<b>421</b>	<b>135</b>

## Note 16. Shares of associates

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

	Ownership and voting rights %		
	30 June 2022	31 Dec 2021	30 June 2021
Hepsor P113 OÜ	45	45	45
Hepsor N170 OÜ	25	25	25

Financial information about associates:

In thousands of euros	30 June 2022		31 Dec 2021		30 June 2021	
	Hepsor P113 OÜ	Hepsor N170 OÜ	Hepsor P113 OÜ	Hepsor N170 OÜ	Hepsor P113 OÜ	Hepsor N170 OÜ
<b>Current assets</b>						
Cash and cash equivalents	372	337	218	373	78	203
Trade receivables	91	156	85	82	74	29
Inventories	9,690	9,402	6,991	6,591	4,290	2,576
<b>Total current assets</b>	<b>10,153</b>	<b>9,895</b>	<b>7,294</b>	<b>7,046</b>	<b>4,442</b>	<b>2,808</b>
<b>Total assets</b>	<b>10,153</b>	<b>9,895</b>	<b>7,294</b>	<b>7,046</b>	<b>4,442</b>	<b>2,808</b>
<b>Current liabilities</b>						
Loans and borrowings	5,128	8,420	0	5,534	0	0
Trade and other payables	1,662	1,577	1,034	1,595	619	1,098
<b>Total current liabilities</b>	<b>6,790</b>	<b>9,997</b>	<b>1,034</b>	<b>7,129</b>	<b>619</b>	<b>1,098</b>
<b>Non-current liabilities</b>						
Loans and borrowings	3,255	0	6,198	0	3,867	1,779
Other non-current liabilities	151	0	147	0	12	0
<b>Total non-current liabilities</b>	<b>3,406</b>	<b>0</b>	<b>6,345</b>	<b>0</b>	<b>3,879</b>	<b>1,779</b>
<b>Total liabilities</b>	<b>10,196</b>	<b>9,997</b>	<b>7,379</b>	<b>7,129</b>	<b>4,498</b>	<b>2,877</b>
<b>Total equity</b>	<b>-43</b>	<b>-102</b>	<b>-85</b>	<b>-83</b>	<b>-56</b>	<b>-69</b>
<b>Total liabilities and equity</b>	<b>10,153</b>	<b>9,895</b>	<b>7,294</b>	<b>7,046</b>	<b>4,442</b>	<b>2,808</b>

As of 30 June 2022, the Group had contractual commitment to finance:

- ✓ Hepsor P113 OÜ office building development at Pärnu Road 113, Tallinn in the total amount of 3,149 thousand euros, of which the Group had fulfilled 2,308 thousand euros (31 December 2021: 2,308 and 30 June 2021: 1,740 thousand euros). The office building has reached 100% occupancy rate. Construction will be completed in the second half of 2022.
- ✓ The development of Hepsor N170 commercial and residential building at Narva Road 170, Tallinn in the total amount of 340 thousand euros, of which the Group has already financed in the amount of 279 thousand euros (31 December 2021: 279 and 30 June 2021: 227 thousand euros). The contract under law of obligation has been signed with Lumipood OÜ for the retail area. As of 30 June 2022 a total 76 apartments have been sold under law of obligation.



## Note 17. 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 and Latvia.

Revenue by geographical area:

in thousands of euros	6M 2022	6M 2021	Q2 2022	Q2 2021
Estonia	345	3,465	170	924
Latvia	3,609	409	2,512	61
<b>Total</b>	<b>3,954</b>	<b>3,874</b>	<b>2,682</b>	<b>985</b>

Additional information on sales revenue is provided in Note 10.

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
	Q2 2022	Estonia	Latvia	Estonia	Latvia	Estonia	
Revenue	6	2,502	116	10	48	0	<b>2,682</b>
incl. revenue from rent	0	39	77	10	0	0	<b>126</b>
Operating profit/-loss	-14	399	11	-72	-326	-184	<b>-186</b>
Assets	25,274	14,963	10,961	8,604	4,149	346	<b>64,297</b>
Liabilities	19,189	8,205	7,456	2,791	4,964	2,820	<b>45,425</b>

in thousands of euros	Residential development		Commercial development		Headquarters		Total
	Q2 2021	Estonia	Latvia	Estonia	Latvia	Estonia	
Revenue	846	51	25	6	53	4	<b>985</b>
incl. revenue from rent	0	51	14	6	0	0	<b>71</b>
Operating profit/-loss	183	17	-8	4	-191	-86	<b>-81</b>
Assets	20,147	5,962	9,298	1,438	671	218	<b>37,734</b>
Liabilities	16,325	3,331	3,844	513	4,085	178	<b>28,276</b>

in thousands of euros	Residential development		Commercial development		Headquarters		Total
	6M 2022	Estonia	Latvia	Estonia	Latvia	Estonia	
Revenue	59	3,445	191	164	95	0	<b>3,954</b>
incl. revenue from rent	0	77	146	14	0	0	<b>237</b>
Operating profit/-loss	-37	610	33	-45	-686	-375	<b>-500</b>
Assets	25,274	14,963	10,961	8,604	4,149	346	<b>64,297</b>
Liabilities	19,189	8,205	7,456	2,791	4,964	2,820	<b>45,425</b>

in thousands of euros	Residential development		Commercial development		Headquarters		Total
	Estonia	Latvia	Estonia	Latvia	Estonia	Latvia	
<b>6M 2021</b>							
Revenue	3,323	390	39	13	103	6	<b>3,874</b>
incl. revenue from rent	0	106	28	13	0	0	<b>147</b>
Operating profit/-loss	687	63	-11	12	-391	-182	<b>178</b>
Assets	20,147	5,962	9,298	1,438	671	218	<b>37,734</b>
Liabilities	16,325	3,331	3,844	513	4,085	178	<b>28,276</b>

## Note 18. 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.

Purchases and sales of goods and services:

in thousands of euros	6M 2022	6M 2021	Q2 2022	Q2 2021
<b>Sales of goods and services</b>				
Associated companies	80	80	40	40
Management and all companies directly or indirectly owned by them	34	25	15	15
<b>Total sales of goods and services</b>	<b>114</b>	<b>105</b>	<b>55</b>	<b>55</b>
<b>Purchases of goods and services</b>				
Management and all companies directly or indirectly owned by them	12,377	5,417	6,878	3,334
incl. construction service	12,292	5,344	6,832	3,296
<b>Interest income earned</b>				
Associated companies				
Interest earned	90	56	45	31
Management and all companies directly or indirectly owned by them				
Interest earned	3	0	1	0
<b>Interest expenses incurred</b>				
Management and all companies directly or indirectly owned by them				
Accrued interest	113	17	56	9
Interest paid	61	8	26	4

Balances and loan transactions with related parties:

In thousands of euros	30 June 2022	31 Dec 2021	30 June 2021
<b>Receivables</b>			
<b>Loans granted (Note 4)</b>			
Associated companies			
Opening balance 01. January	2,587	1,371	1,371
Loans granted	0	1,216	599
Balance at the end of period	2,587	2,587	1,970
Management and all companies directly or indirectly owned by them			
Opening balance	0	0	0
Loans granted	176	0	0
Loan collected	-176	0	0
Balance at the end of period	0	0	0
<b>Trade and other receivables</b>			
Associated companies	0	0	12
Management and all companies directly or indirectly owned by them	3	12	1
<b>Interest receivables</b>			
Associated companies	273	169	99
Management and all companies directly or indirectly owned by them	3	0	0
<b>Payables</b>			
<b>Loans and borrowings (Note 5)</b>			
Management and all companies directly or indirectly owned by them			
Opening balance as at 01. January	1,831	640	640
Loans received	0	1,691	0
Loans repaid	0	-500	0
Balance at the end of period	1,831	1,831	640
<b>Trade payables</b>			
Management and all companies directly or indirectly owned by them	1,624	1,126	1,331
<b>Interest payables</b>			
Management and all companies directly or indirectly owned by them	122	70	12

## Note 19. Contingent liabilities

### 19.1 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 at 30 June 2022 to pay 9,334 thousand euros (31 December 2021: 7,501 thousand euros; 30 June 2021: 5,662 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 30 June 2022, the realization time of contingent liabilities remains between 2022 and 2025.

### 19.2 Contingent obligation from financing the construction of city daycare center

The Group holds contingent obligation to finance the construction of daycare center for the city of Tallinn as part of the development of Manufaktuuri Kvartal. The potential financing obligation is 390 thousand euros.

### 19.3 Group guarantees given

Additional information on the guarantees is provided in Note 5.

## Note 20. Events after reporting period

- ✓ Hepsor 3TORNI OÜ, a subsidiary of Hepsor AS, signed 13.9-million-euro loan agreement with LHV Pank AS on 15 July 2022. The purpose of the three-year loan is to finance the construction of Ojakalda Kodud development project. The construction of the three-tour building with 110 spacious apartments on the border of Tallinn and Harku begins in September 2022 and the construction is expected to be completed in spring of 2024.
- ✓ On 25 July 2022, Hepsor AS and LHV Pank AS signed an addendum to the loan agreement increasing the loan amount by 2 million euros to 6 million euros. The signing of addendum did not change the term of the loan agreement (March 2024), the repayment schedule and the loan interest rate.
- ✓ On 2 August 2022, Hepsor A1 OÜ, a subsidiary of Hepsor AS, acquired two properties at Alvari 1a and Alvari 5, Tallinn. Based on the undertaken planning proceedings, a commercial and residential building for a maximum of 45 apartments can be built on the property with approximate sellable area of 2.370 m<sup>2</sup>.
- ✓ Hepsor Latvia OÜ, a subsidiary of Hepsor AS, established a new subsidiary Hepsor JG SIA in Latvia. The company was registered on July 8, 2022.

## Note 21. 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. Bank loans have 0% floor clause as protection against negative Euribor meaning that in case of negative Euribor, Euribor is equalized to zero and the margin of such loans does

not decrease. The management constantly monitors the Group's exposure to interest rate risk which arises from loans with floating interest rates. Such risk is mainly related to the potential upward movement in Euribor as already warned by European Central Bank.

### **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, analyzing 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.

### **Geopolitical risk**

Russia's military invasion and attack on Ukraine's independence, which began on 24 February 2022, is affecting businesses around the world. Although the length, impact and outcome of the ongoing military conflict remain unclear, the effects of the sanctions and restrictions imposed against Russia are clearly felt, including the volatility of commodity prices and the availability of commodities, the rapid increase in energy prices, the increase in global inflation, the monetary policy of central banks, the deterioration of financing conditions and the cooling of the global economy.

Despite the fact that the Group does not have direct contact with the war zone and sanctioned suppliers, all the previously mentioned factors affect the daily activities of the Group. Despite the uncertainty caused by global uncertainty, the Group's management closely monitors geopolitical developments when making development decisions.

# Management Board's Confirmation

The Management Board confirms that the unaudited interim report for second quarter and six months of 2022, 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, 2 August 2022