

# hepsor



*Lilleküla Homes, Nõmme tee 57, Tallinn*

2023 IV quarter and twelve  
months consolidated unaudited  
interim report

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Reporting period:	01 January 2023-31 December 2023
Financial year:	01 January 2023-31 December 2023
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, Latvia and Canada. The Group entered the Latvian market in 2017 and has been operating under the same consolidating group since 2019. The Group entered the Canadian market in 2023.

## Contents

Management Report .....	4
Overview of the Development Projects .....	8
Group Structure .....	19
Main Events.....	20
Operating Results .....	21
Share and Shareholders .....	24
Consolidated Financial Statements .....	26
Consolidated statement of financial position.....	26
Consolidated statement of profit and loss and other comprehensive income .....	27
Consolidated statement of changes in equity .....	28
Consolidated statement of cash flows .....	29
Notes to the consolidated interim financial statement.....	30
Note 1. General information .....	30
Note 2. Inventories .....	30
Note 3. Trade and other receivables .....	32
Note 4. Loans granted.....	32
Note 5. Loans and borrowings.....	33
Note 6. Trade and other payables .....	35
Note 7. Other non-current liabilities .....	35
Note 8. Embedded derivatives .....	35
Note 9. Contingent liabilities .....	36
Note 10. Revenue.....	36
Note 11. Cost of sales.....	36
Note 12. Marketing expenses .....	36
Note 13. Administrative expenses .....	37
Note 14. Personnel expenses.....	37
Note 15. Financial income and expenses.....	37
Note 16. Information about line item in the consolidated statement of cash flows .....	38
Note 17. Subsidiaries .....	38
Note 18. Shares of associates.....	40
Note 19. Operating segments.....	41
Note 20. Related parties .....	42
Note 21. Risk management .....	43
Management Board’s Confirmation .....	46

# Management Report

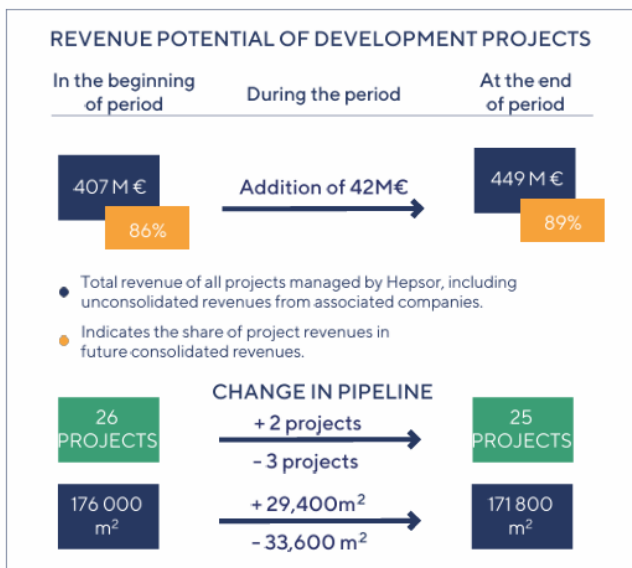
## 2023 UNAUDITED REVENUES AND NET PROFIT



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



## LONG TERM OUTLOOK (31.12.2022 VS 31.12.2023)



## 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 (31.12.2023)

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	91	95%	5	2023
Kuldigas Parks, Latvia	116	116	100%	0	2023
Marupes Darzs, Latvia	92	91	99%	1	2023
Ojakalda Homes	101	58	57%	43	2024
Lilleküla Homes	26	8	31%	18	2023
Manufaktuuri 7	150	61	41%	89	2024
Nameja Residence	38	11	29%	27	2024
Annenhof Majas	40	5	13%	35	2025
<b>Total</b>	<b>713</b>	<b>485</b>	<b>68%</b>	<b>228</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	3,430	100%	2023
Manufaktuuri 7	453	0	0%	2024
<b>Total</b>	<b>7,885</b>	<b>3,861</b>	<b>49%</b>	

## DEVELOPMENT PROJECTS UNDER CONSTRUCTION (31.12.2023)

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



Hepsor's 2023 consolidated revenue amounted to 41.1 million euros, with a net profit of 3.5 million euros (including a share of 1.2 million euros for the parent company's owners). The consolidated revenue for the fourth quarter of 2023 was 5.1 million euros, and the net loss was 1.3 million euros (including a share of 1.1 million euros loss for the parent company's owners).

The group management revised the forecasts for the financial years 2023 and 2024 in the third quarter of 2023. Consolidated sales revenue for 2023 exceeded the forecast by €0.3 million, while the consolidated profit fell short by €0.8 million compared to the forecast, with the parent company's share of the consolidated profit being €0.3 million lower than expected. The actual results were mainly impacted by the delay in revenue from development projects, which was expected to be received in the fourth quarter of 2023 but shifted to the first half of 2024. Additionally, a larger-than-expected foreign exchange loss (due to the weakening of the Canadian dollar against the euro) had an impact on the 2023 results compared to the forecast.

The extraordinary negative impact on the group's net profit for 2023 was due to an accounting loss resulting from the revaluation of the Office 113 commercial building. This revaluation was prompted by a temporary increase in vacancy rates due to the insolvency of a clinic previously occupying the premises, leading to the termination of the lease agreement by the landlord.

### Completed development projects

During the 2023, a total of 274 new homes were handed over to customers (number of real rights contracts).

Homes in Estonia were handed over to buyers in the following projects:

- The Paevälja courtyard house project started in 2022, and we constructed two apartment buildings with a total of 96 apartments. The first 40 apartments were handed over to buyers by the end of 2022. During the 2023, we handed over 51 apartments to buyers. As of December 31, 2023, we have concluded real rights contracts for a total of 91 apartments (95%), and 5 apartments remain unsold.
- In the Lilleküla Homes project, there are a total of 26 apartments. The project was completed in the fourth quarter of 2023, and as of December 31, 2023, 8 apartments (31%) have been handed over to buyers, leaving 18 apartments unsold.

The handover of homes to buyers continued in Latvia in the following projects:

- Under the Kuldigas Parks project, a total of 116 homes have been completed. As of December 31, 2023, real right contracts had been concluded for all apartments with all homes handed over to new owners.
- Within the Mārupes Dārzs project, a total of 92 homes have been completed. As of December 31, 2023, one apartment was available, while real rights contracts had been concluded and homes handed over to buyers for the remaining 91 apartments.
- The development project at Strēlnieku 4b was completed in 2020, and in 2023, eight apartments were sold in this project (including 4 apartments in the fourth quarter). As of December 31, 2023, 44 apartments (81%) had been handed over to buyers, with 10 apartments remaining vacant.

**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.



Due to differences in legislation, in Estonia, revenue from real estate sales is recognized upon the conclusion of the property rights agreement, while in Latvia, revenue from real estate sales is typically recognized after the entry in the Land Register and the transfer of possession, which may occur with a significant time delay after the conclusion of the property rights agreement.

In the commercial real estate segment, we sold the Ulbrokas 30 property with the StokOfiss 30 office building in Riga developed by Hepsor, and properties on Tooma Street in Tallinn in the second quarter. In addition, by the end of the second quarter, the environmentally friendly Grüne Maja in Tallinn was completed, with the last spaces handed over to tenants by the end of the period. As of the end of 2023, the office building is 100% covered with lease agreements. Regarding the associate company Büroo 113, Hepsor had to terminate the lease unilaterally in early September due to a breach of the lease agreement by a tenant, resulting in the availability of approximately 3,500 m<sup>2</sup> of commercial space. In the context of Büroo 113, we have focused on negotiations with new tenants. Simultaneously, there is an ongoing legal dispute with the former tenant.

## Development projects under construction and available for sale



In 2023, Hepsor has four residential development projects with a total of 329 apartments under construction – Ojakalda Homes (101 apartments) and Manufaktuuri 7 (150 apartments and 453 m<sup>2</sup> of commercial space) in Tallinn and Nameja Residence (38 apartments) and Annenhof Majas (40 apartments) in Riga. The completion of these projects is scheduled for 2024, and most of the revenue will also be recognized in 2024. However, as of December 31, 2023, contracts under law of obligations and written reservations have been made for a total of 135 apartments (41%) across these four projects.

### New projects in Tallinn and Riga

In August 2023, Hepsor acquired new properties in Latvia by purchasing 50% of the shares of SIA "Riga Properties 4." SIA "Riga Properties 4" has entered into a purchase agreement for two properties in the Dreilini area near Riga with the goal of developing the properties incrementally into 40,000 square meters of commercial space. These properties are in an attractive area, where IKEA store and SAGA shopping centre are already situated. In the planned development area, we aim to create a distinctive and environmentally conscious business complex, consisting of various function-based commercial spaces, including stock-office type office buildings.

Hepsor AS's 50% subsidiary, Hepsor VT49 OÜ, acquired two properties in Rae Parish, Harju County, in November 2023. The purchased properties have detailed planning permission, allowing for the construction of a commercial building with 4,500 m<sup>2</sup> of leasable space.

### 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 June 2023, together with Canadian partners, a property suitable for residential development was purchased at 3406-3434 Weston Road. To develop the property, Weston Limited Partnership was founded, in which, in addition to Hepsor and its Canadian partners, various Canadian and European investors also participate. The goal of the first phase of the acquired development project is to increase the construction volumes of the property from 27,000 m<sup>2</sup> to ca 53,000 m<sup>2</sup> and to obtain construction rights for the creation of two apartment buildings. The land valuation phase is expected to take 2-2.5 years, after which Weston Limited Partnership will be able to decide whether the additional value created by that point will be realized through the resale of the property or whether the project will move on to the construction phase.
- In September 2023, an assembly of 3 properties was acquired in downtown Toronto at 164-168 Isabella Street together with Canadian partners. Elysium Isabella Limited Partnership was founded to develop the property, with participation from Hepsor and its Canadian partners, as well as various Canadian and European investors. The goal of the first phase of the acquired development project is to assemble the 3 properties and apply and achieve zoning approvals to permit a residential hi-rise tower on a podium, with a projected Gross Floor Area of ca 42 000 sq. meters (450,000 sq. ft). The assembly and zoning are expected to take 2-2.5 years, after which the Elysium Isabella Limited Partnership will be able to decide whether the additional value created by that point will be realized through the resale of the property or whether the project will move on to the construction phase.

## Conclusion and Outlook for 2024

Despite the persistently challenging economic environment and high prevailing interest rates, the Group remained profitable in 2023. Although overall market activity in both Tallinn and Riga was somewhat subdued, several of Hepsor's development projects saw impressive sales figures in 2023.

We are also pleased that despite global geopolitical and economic headwinds, the Hepsor team has performed admirably during times of greater complexity in all our home markets, maintaining the strength and sustainability of our company's foundation. Looking ahead, we aim for a greater contribution from the Canadian business line launched in 2023.

In 2024, we plan to commence construction and sales for at least three new projects. We will start two new projects in Latvia. These include the Ulbrokas 34 commercial building, offering approximately 9,000 m<sup>2</sup> of leasable space, and the Zala Jugla project featuring 105 new homes. In Tallinn, within the Manufaktuuri Quarter, we envision the next phase of development and sales at Manufaktuuri 5. We will be transforming the former Baltic Cotton Spinning and Weaving Factory main building into an energy-efficient Class A building, featuring unique high-ceilinged homes and commercial spaces with geothermal heating and cooling. Sales for this project begins already at the first quarter of 2024.

At Hepsor, we remain moderately optimistic and view real estate as a long-term endeavour. We aim to launch and develop projects over market cycles while carefully analyzing risks and opportunities.

Henri Laks

Member of the Management Board

# Overview of the Development Projects

As of 31 December 2023, the Group had 25 active projects in different development phases\* (31 December 2022: 26 projects) and 171,800 sqm of sellable area (31 December 2022: 176,000 sqm).

## Significant changes in the development portfolio in 2023

- ✓ A total of 15,500 m<sup>2</sup> of homes were handed over to clients in completed projects.
- ✓ In Tallinn, Lasnamäe, the properties located at Tooma 2, Tooma 4 and Tooma 6 were sold, with an estimated saleable area of 10,500 m<sup>2</sup>.
- ✓ A stock-office type commercial building located at Ulbrokas iela 30 with 3,642 m<sup>2</sup> of leasable area was sold in Riga.
- ✓ In August, Hepsor Latvia OÜ made a capital contribution to Riga Properties 4 SIA, acquiring a 50% ownership stake in the company with the aim to develop approximately 40,000 square meters of commercial space.
- ✓ In collaboration with Canadian partners, a residential development property was purchased in Toronto in June, located at 3406-3434 Weston Road with the aim of increasing construction volumes from 27,000 square meters to approximately 53,000 square meters and obtaining building permits for the creation of two apartment buildings.
- ✓ In collaboration with Canadian partners, three adjacent residential development properties were acquired in downtown Toronto at the address 164 – 168 Isabella Street. The objective of the first phase of the development project is to merge three plots of land and plan a residential high-rise building on the newly formed property with a construction volume of approximately 42,000 square meters.
- ✓ In November, Hepsor AS, together with a partner, acquired two properties in Rae Parish for the development of a commercial building with approximately 4,500 square meters of leasable space.

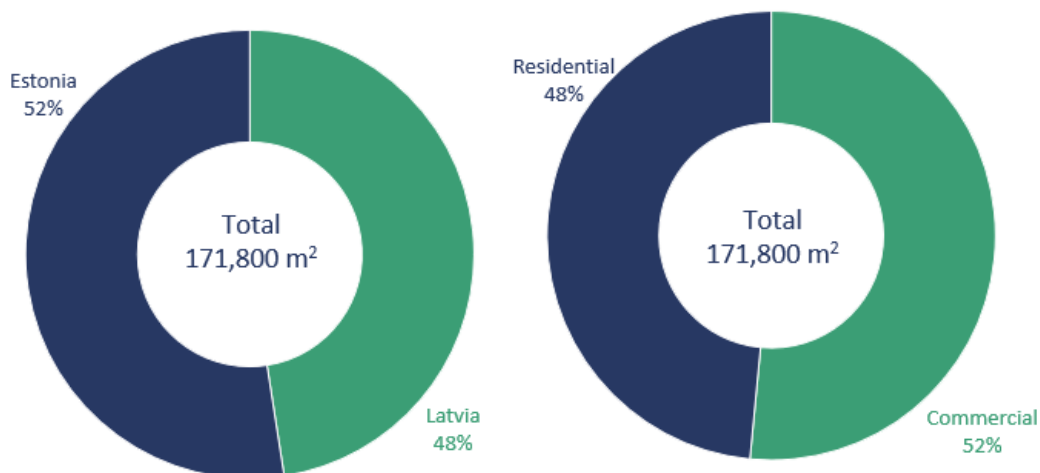
## Distribution of development portfolio between different development phases\* (as of 31 December 2023):



\*Excluding Canadian projects



**Distribution of development portfolio between countries and type\* (as of 31 December 2023):**



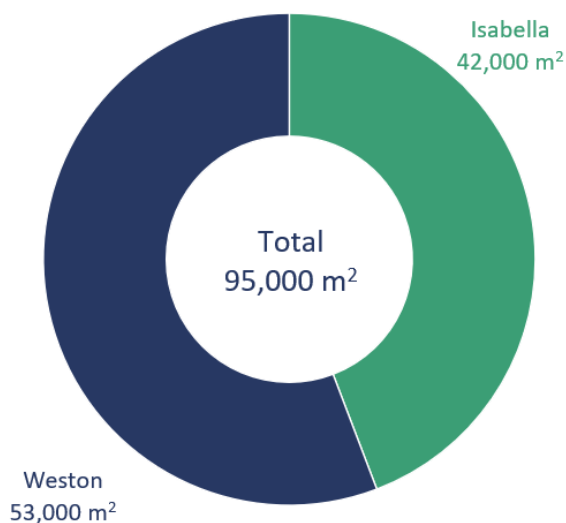
\*Excluding Canadian projects

**Development projects in Canada (as of 31. December 2023):**

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 December 2023)



### 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 December 2023)



### Planning proceedings

- 1 Riga Properties 4

### Building permit proceedings / available

- 2 Ganību Dambis 17a
- 3 Saules aleja 2a
- 4 Ulbrokas 34
- 5 Braila 23

### Under construction and/or available for sale

- 6 Jurmalas Gatve / Imanta 8. līnija
- 7 Liela 45, Marupe
- 8 Strēlnieku 4b
- 9 Ranka Dambis 5

## Projects in Toronto (as of 31 December 2023)



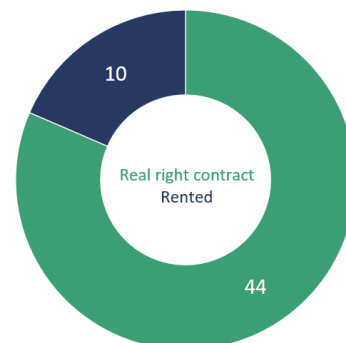
### Land development projects

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

## Completed development projects (as of 31 December 2023):



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



Project: Mārupes Dārzs  
 Hepsor Mārupe SIA  
 Address: 45 Liela, Mārupe, Riga area  
 Apartments: 92  
 Start of construction: Q2 2022  
 Project completed: Q2 2023  
 Website: [hepsor.lv/Mārupesdarzs/en/](https://hepsor.lv/Mārupesdarzs/en/)





Project: Lilleküla Kodud  
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

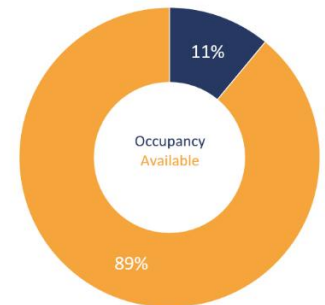
Address: Pärnu mnt 113, Tallinn

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

Occupancy: 100%

Project completed: Q4 2022

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



Project: Grüne Büroo  
Hepsor M14 OÜ

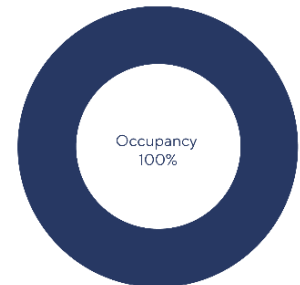
Address: 14 Meistri, Tallinn

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

Start of construction: Q4 2020

Project completed: Q2 2023

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



## Residential development projects under construction (as of 31 December 2023):



Project: Ojakalda Kodud  
Hepsor 3TORNI OÜ

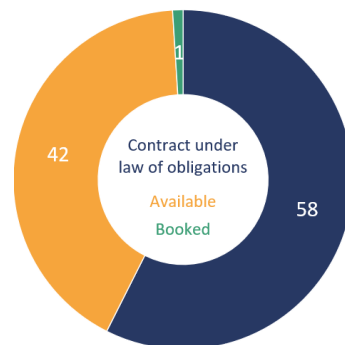
Address: Paldiski mnt 227c, Tallinn

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

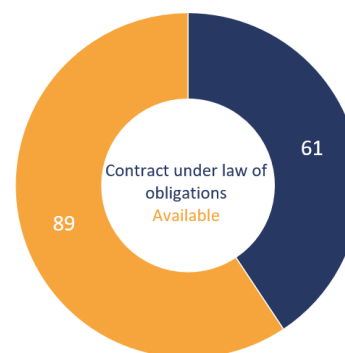
Apartments: 150

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

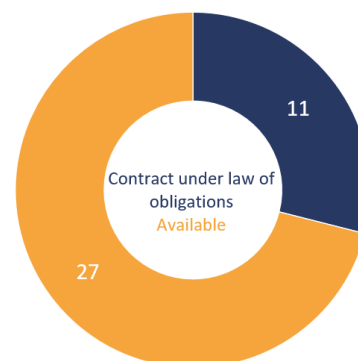
Address: 5 Ranka Dambis, Riga

Apartments: 38

Start of construction: Q1 2023

Estimated completion: Q3 2024

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



Project: Hepsor JG SIA

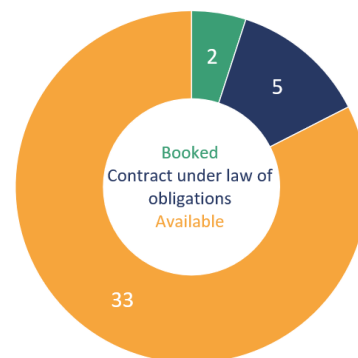
Address: Jurmalas Gatve/Imanta 8. linija, Riga

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 December 2023):



Project:	Manufaktuuri Quarter Hepsor Phoenix 3 OÜ
Address:	5 Manufaktuuri, Tallinn
Apartments:	149
Leasable area:	1 515 m <sup>2</sup>
Start of construction:	Q1 2024
Estimated completion:	Q3 2027
Webpage:	<a href="https://hepsor.ee/manufaktuurivabrik/en/">hepsor.ee/manufaktuurivabrik/en/</a>

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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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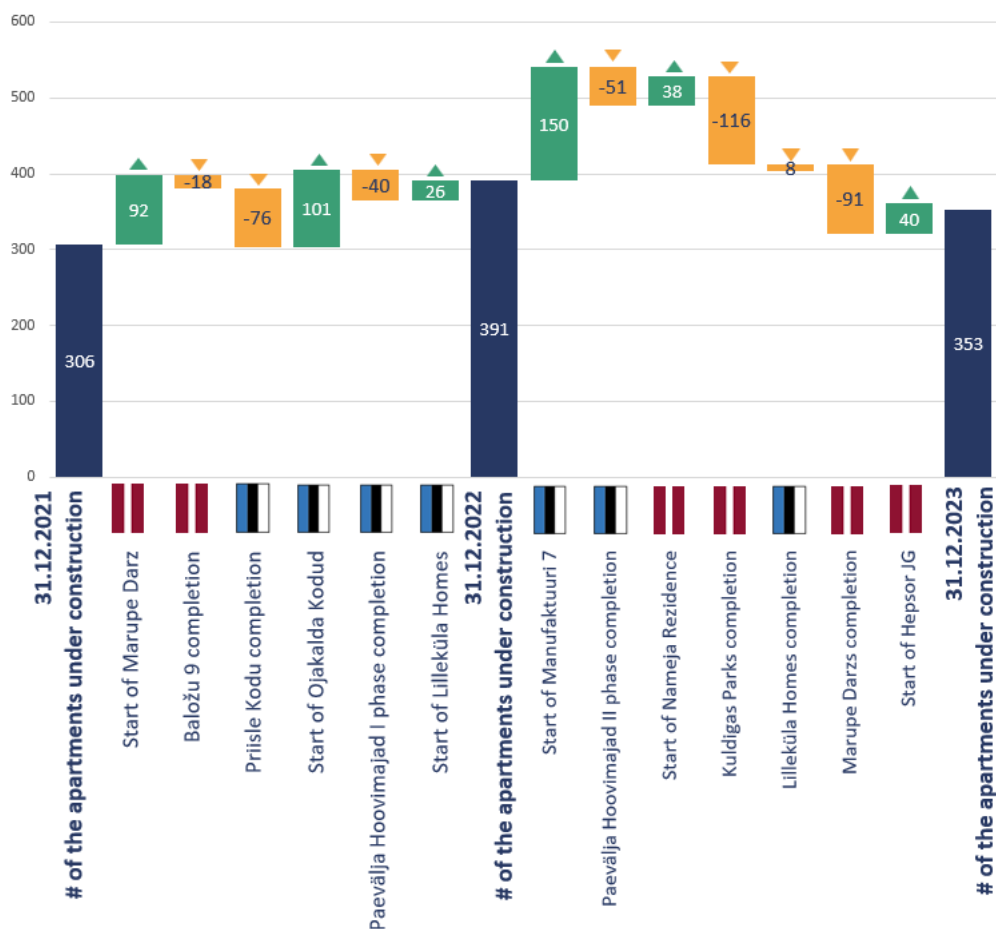


Project:	StokOfiss 34 Hepsor U34 SIA
Address:	Ulbrokas 34, Riia
Leasable area:	8 691 m <sup>2</sup>
Start of construction:	Q3 2024
Estimated completion:	Q4 2025
Webpage:	<a href="https://hepsor.lv/stokofissu34/en/">hepsor.lv/stokofissu34/en/</a>

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## The change in the number of apartments completed and under construction 2021-2023

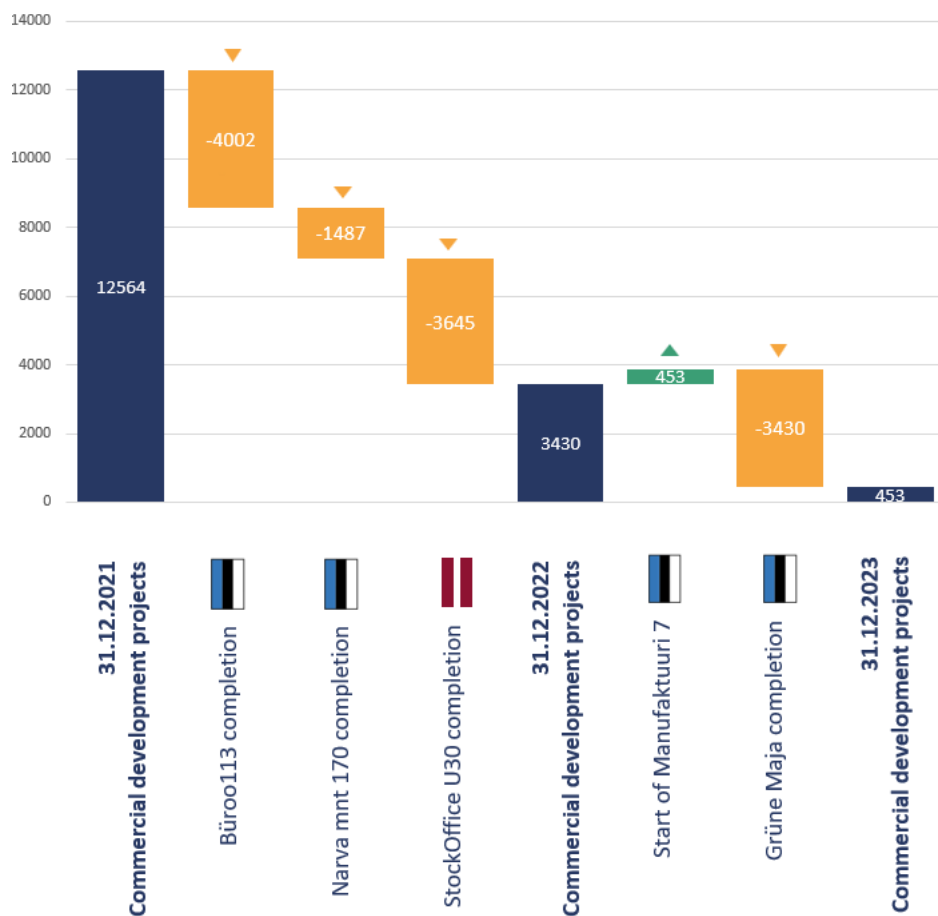


## Residential development projects under construction and available for sale (as of 31 December 2023):

Project	Status	Apartments	Apartments		Apartments %		Completion
			Sold*	Available	Sold*	Available	
4b Strēlnieku, Latvia	Completed	54	44	10	81%	19%	2020
Paevälja Courtyard Houses	Completed	96	91	5	95%	5%	I phase Q4 2022 II phase Q1 2023
Kuldigas Parks, Latvia	Completed	116	116	0	100%	0	Q2 2023
Mārupes Dārzs, Latvia	Completed	92	91	1	99%	1%	Q2 2023
Lilleküla Homes	Completed	26	8	18	31%	69%	Q3 2023
Ojakalda Homes	In construction	101	58	43	57%	43%	Q1 2024
Manufaktuuri 7	In construction	150	61	89	41%	59%	Q3 2024
Nameja Residence, Latvia	In construction	38	11	27	29%	71%	Q3 2024
Annenhof Majas	In construction	40	5	35	13%	88%	Q1 2025
<b>Total</b>		<b>713</b>	<b>485</b>	<b>228</b>	<b>68%</b>	<b>32%</b>	

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

## Commercial development projects under construction, 2021-2023:



The Group started the construction of Manufaktuuri 7 commercial premises (453 sqm) and in the second quarter the last leasable premises were handed over to Grüne Maja tenants.

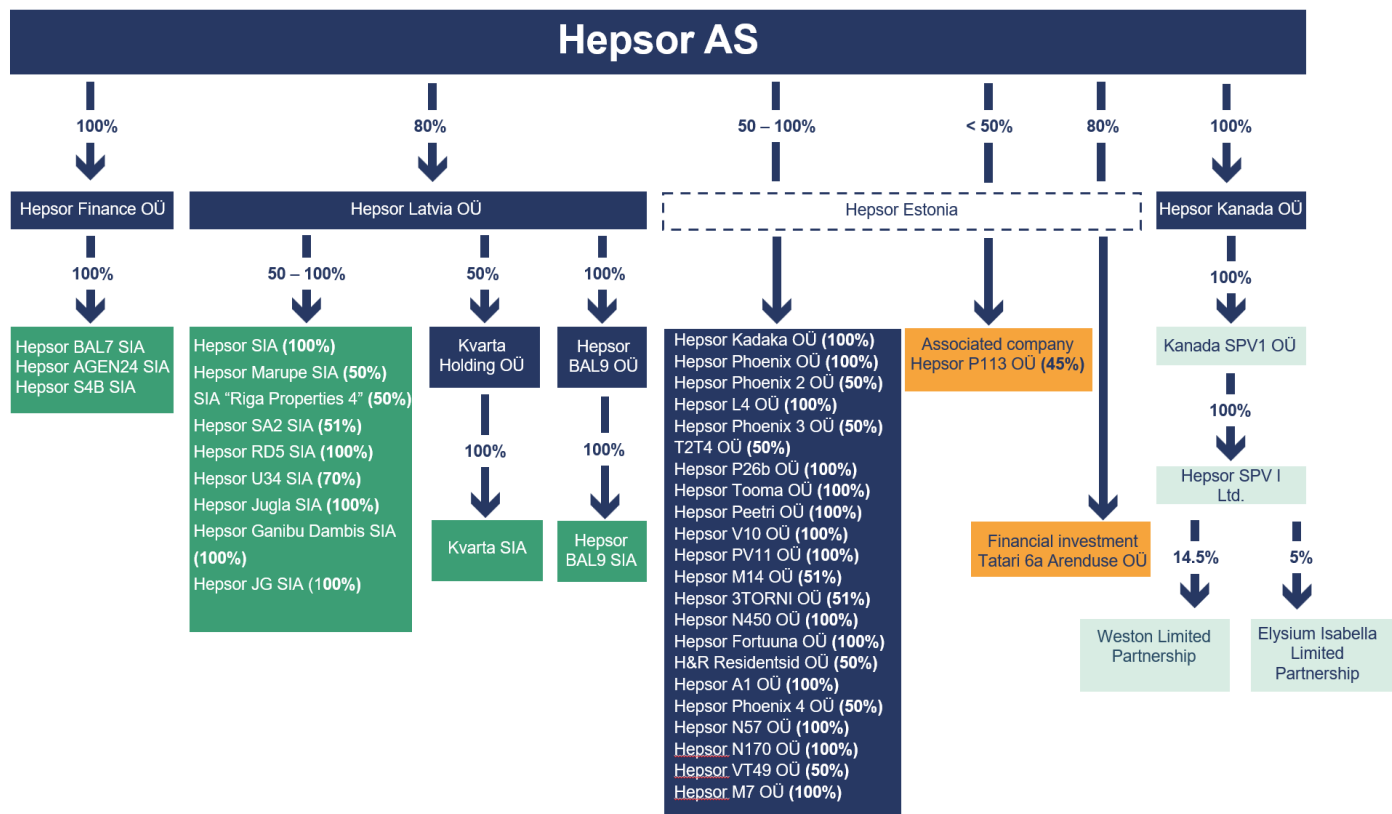
### Occupancy of commercial development projects (as of 31 December 2023):

Project name	Rentable area sqm	Occupancy sqm	Occupancy %
Büro113	4,002	431	11%
Grüne Office	3,430	3,430	100%
Manufaktuuri 7	453	0	0%
<b>Total</b>	<b>7,885</b>	<b>3,861</b>	<b>49</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 December 2023, the Group was comprised of parent company, 43 subsidiaries and one associated company (31 December 2022: parent company, 38 subsidiaries, 2 associated companies). Tatari 6a Arenduse OÜ, Weston Limited Partnership and Elysium Isabella Limited Partnership is reported as financial investments.



### During the nine months of 2023 the following changes took place in the structure of the Group:

- ✓ On 23 January 2023, Hepsor Latvia OÜ acquired a 29% shareholding in Hepsor BAL9 OÜ bringing its shareholding in the subsidiary up to 100%. The share repurchase agreement was concluded in connection with the completion of the Balozu 9 residential development project in Riga.
- ✓ Hepsor Kanada OÜ established a subsidiary Hepsor Kanada SPV 1 OÜ in April. Hepsor Kanada SPV 1 OÜ in turn established a subsidiary in Canada, Hepsor SPV I Ltd.
- ✓ Hepsor Latvia OÜ, a subsidiary of Hepsor AS, sold the shares of Hepsor U30 SIA based on a sales contract signed on 10 May 2023.
- ✓ In August 2023, Hepsor AS acquired the minority shares, becoming the sole owner of Hepsor N170 OÜ.
- ✓ In August 2023, Hepsor Latvia OÜ acquired a 50% stake in the company SIA 'Riga Properties 4.'
- ✓ In June and September 2023, Hepsor's Canadian subsidiary, Hepsor SPV I Ltd, entered into partnership agreements for the development of the Weston and Isabella properties in Toronto.
- ✓ In October, Hepsor AS established a subsidiary, Hepsor VT49 OÜ, with a 50% ownership interest, which acquired two properties in Rae Parish on November 3, 2023.
- ✓ In December, Hepsor AS established a subsidiary, Hepsor M7 OÜ.

# Main Events

- ✓ Hepsor RD5 SIA, Hepsor AS group company, and Mitt&Perlebach SIA signed a construction agreement on 16 March 2023 for the construction of the Nameja Residence development project in Riga. The value of the construction agreement is approximately 4.6 million euros excluding VAT.
- ✓ Hepsor Phoenix 2 OÜ, Hepsor AS group company, and LHV Pank OÜ signed 17.5 million loan agreement on 15 March 2023. The purpose of the three-year loan is to finance the construction of Manufaktuuri 7 development project.
- ✓ Hepsor Phoenix 2 OÜ, Hepsor AS group company, and Mitt&Perlebach OÜ signed a construction agreement on 8 March 2023 for the construction of the Manufaktuuri 7 development project in the Manufaktuuri Quarter in Tallinn. The value of the construction agreement is approximately 18.5 million euros excluding VAT.
- ✓ Hepsor Kanada OÜ established a subsidiary Hepsor Kanada SPV 1 OÜ in April. Hepsor Kanada SPV 1 OÜ in turn established a subsidiary in Canada, Hepsor SPV I Ltd.
- ✓ Hepsor Latvia OÜ's subsidiary Hepsor RD5 SIA and the Latvian branch of Bigbank AS signed a loan agreement in the amount of 4 million euros on 20 April 2023. The purpose of the three-year loan is to finance the construction of the Nameja Residence development project in Riga.
- ✓ Hepsor Latvia OÜ, a subsidiary of Hepsor AS, signed a share sales agreement Hepsor U30 SIA shares to East Capital Real Estate IV real estate fund on 10 May 2023. Hepsor U30 SIA owns a property located at Ulbrokas iela 30 in Riga, on which is located a stock-office type commercial building with 3,642 m<sup>2</sup> of rental space developed by Hepsor called StokOfiss U30.
- ✓ On 10 May 2023 T2T4 OÜ and Hepsor Tooma OÜ, which are part of the Hepsor AS group, entered into a real rights purchase and sales agreement for the sale of 44,959 m<sup>2</sup> properties located at Tooma 2, Tooma 4 and Tooma 6 in Lasnamäe, Lasnamäe, of which 24,060 m<sup>2</sup> was commercial land and the rest was public land.
- ✓ Hepsor's Canadian subsidiary, Hepsor SPV I Ltd, made its first investment in the Canadian real estate market in June, where, together with Canadian partners, a property suitable for residential development was purchased in Toronto, at 3406-3434 Weston Road.
- ✓ Hepsor AS subsidiary, Hepsor Latvia OÜ, signed a contract on August 25, 2023, to acquire a 50% stake in SIA 'Riga Properties 4.' SIA 'Riga Properties 4' has entered into purchase agreements for two properties near Riga, Latvia, with a total area of 74,314 square meters. Hepsor's partners in the development of these properties are Rīgas Īpašumu Fonds SIA and Venturecorp Property Holdings UAB.
- ✓ Hepsor AS's associate company, Hepsor P113 OÜ, with a 45% ownership stake, terminated its lease agreement with Novel Clinic Assets OÜ due to a significant breach of lease terms by the tenant. Hepsor is actively seeking new tenants for the vacated rental space (3,575 square meters).
- ✓ Hepsor AS's registered subsidiary in Canada, Hepsor SPV I Ltd, made its second investment in the Canadian real estate market on September 20, 2023. Together with Canadian partners, three adjacent properties suitable for residential development in downtown Toronto were purchased. A partnership named Elysium Isabella Limited Partnership was established to develop the property.
- ✓ Hepsor AS established a company, Hepsor VT49 OÜ, with a 50% ownership interest, which acquired two properties in Rae Parish in November. The purchased properties have detailed planning permission, allowing for the construction of a commercial building with 4,500 m<sup>2</sup> of leasable space.
- ✓ On November 9, Novel Clinic Assets OÜ filed a lawsuit with Harju County Court against Hepsor AS's affiliated company, Hepsor P113 OÜ, to restore the lease agreement for Pärnu mnt 113, demand compensation for the termination of the lease agreement, and reclaim the property left in the premises due to the termination. The objective of Hepsor and the other shareholders of Hepsor P113 OÜ is to seek an extrajudicial solution.
- ✓ Hepsor AS's group company, Hepsor JG SIA, and Mitt&Perlebach SIA signed a contract on November 20, 2023, for the construction of a development project named Annenhof Majas in Riga, located at Jurmalas Gatve 74. The construction contract is approximately worth 4.3 million euros, plus value-added tax.

# Operating Results

The Group's sales revenue in Q4 2023 was 5.1 million euros (Q4 2022: 7.2 million euros), of which 2.0 million euros (Q4 2022: 1.0 million euros) or 39.4% (Q4 2022: 13.9%) was earned in Latvia. In 2023, the Group's sales revenue was 41.1 million euros (2022: 12.9 million euros), of which 27.5 million euros (2022: 6.1 million euros) or 66.9% (2022: 47.0%) 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 2023 the Group sold a total of 274 apartments (2022: 85 apartments) of which 59 apartments in Tallinn, 51 apartments were sold in the Paevälja Hoovimajade development project and 8 apartments in the Lilleküla Kodud development project. 215 apartments were sold in Latvia, in Kuldigas Parks development project, Gregora iela 2a, 116 apartments were handed over to customers, in Mārupes Dārzs development project in Liela 45, 91 apartments were handed over to the customers and in Strelnieku 4b development project 8 apartments. In the second quarter, land plots at Tooma st 2, Tooma st 4 and Tooma st 6 were sold in Tallinn.

In addition to the sale of apartments, the Group also offers project management services and generates rental income from real estate. In the fourth quarter the total other sales revenue amounted to 340 thousand euros (Q4 2022: 397 thousand euros) or 7.0% (Q4 2022: 5.5%) of the Group's total sales revenue. In 2023, the Group earned other sales revenue in the amount of 1,615 thousand euros (2022: 1,120 thousand euros), which was 3.9% (2022: 8.7%) of the Group's total sales revenue.

## Profitability

The gross profit of the fourth quarter of the Group was 244 thousand euros and the gross profit margin was 4.8% (Q4 2022: 1,252 thousand euros and 17.3%) and the gross profit for reporting year was 7,068 thousand euros, the gross profit margin was 17.2% (2022: 1,774 thousand euros and 13.8%). The gross profit of development projects sold during the reporting year was 8,027 thousand euros (2022: 2,611 thousand euros) and gross profit margin was 20.3% (2022: 22.2%).

The operating loss of the Group for the fourth quarter of 2023 was 272 thousand euros and the operating profit for twelve months was 5,039 thousand euros (Q4 2022: operating profit 754 thousand euros and 12 months 2022: operating profit 235 thousand euros), the operating profit margin for the fourth quarter of the reporting year was -5.4% (Q4 2022: 10.4%) and the operating profit margin for 2023 was 12.3% (2022: 1.8%). The Group's operating expenses were 3.0 million euros in 2023 (2022: 2.3 million euros), increasing by 32%. On the one hand, the increase in costs resulted from a general price increase for purchased services, on the other hand, marketing, legal and salary expenses increased. The increase in salary expenses was caused by changes in the composition of employees as well as a general salary increase.

The net loss of the Group in the fourth quarter was 1,311 thousand euros (Q4 2022: net profit 1,461 thousand euros), of which the loss of the owners of the parent company was 1,100 thousand euros (Q4 2022: net profit 1,537 thousand euros) and the net loss of the minority interest was 211 thousand euros (Q4 2022: net loss 77 thousand euros). In the fourth quarter, the financial cost received from the discount of the associated company, Hepsor P113 OÜ, was at 384 thousand euros, during the reporting period, the Group received loss from associate company in the amount of 567 thousand euros. The net profit for the reporting year was 3,467 thousand euros (2022: 1,331 thousand euros), of which the profit of the owners of the parent company was 1,172 thousand euros (2022: 1,396 thousand euros) and the net profit of the minority interest was 2,295 thousand euros (2022: net loss 65 thousand euros). The net profit margin was -25.8% in the fourth quarter of the reporting year and 8.4% in twelve months (Q4 2022: 20.1% and 2022: 10.3%). The profit margin of the owners of the parent company was -21.6% in the fourth quarter (Q4 2022: 21.2%) and 2.9% in twelve months (12M 2022: 10.9%).

## Balance Sheet

Total assets of the Group amounted to 91.1 million euros as of 31 December 2023 (31 December 2022: 78.4 million euros), which is 16.1% higher than at the end of the comparable period. Inventories made up 85.1% or 77.4 million euros of total assets (31 December 2022: 89.0% and 69.8 million euros). In the reporting period, the Group has purchased two new commercial development projects: in Latvia, Smaidu, Dreilini and in Estonia, Vana-Tartu Road 49 with which 28,113 m<sup>2</sup> commercial area were 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 reporting period, the Group has sold 274 apartments with real rights contracts.

Cash and cash equivalents accounted for 8.7% or 7.6 million euros of the total assets as of 31 December 2023. As at 31 December 2022, cash and cash equivalents accounted for 4.8% or 3.8 million euros of total assets.

The Group's loan obligations totalled 56.9 million euros as at 31 December 2023, compared to 48.6 million euros as at 31 December 2022. The Group's equity increased by 9.0% over the year to 22.1 million euros. Equity attributable to the owners of the parent increased by 5.6% to 20.1 million euros.

## Cash Flows

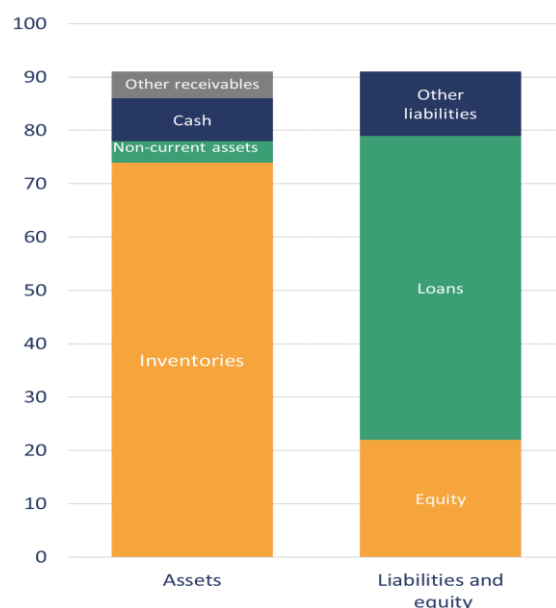
The Group's cash and cash equivalents amounted to 3.8 million euros at the beginning of 2023 (01.01.2022: 10.9 million euros) and to 7.6 million euros as at 31 December 2023. The positive cash flow for the period was 3.9 million euros (2022: negative 7.1 million euros).

Cash flow from operating activities for the 2023 was negative at 0.5 million euros (2022: negative 28.6 million euros). Cash flow from operating activities was mostly affected by the growth of operating profit and a decrease in inventories due to the sale of several development projects, if in 2022 the cash flow was negative 30.9 million euros due to the change in inventories, then in 2023 it was negative 5.7 million euros.

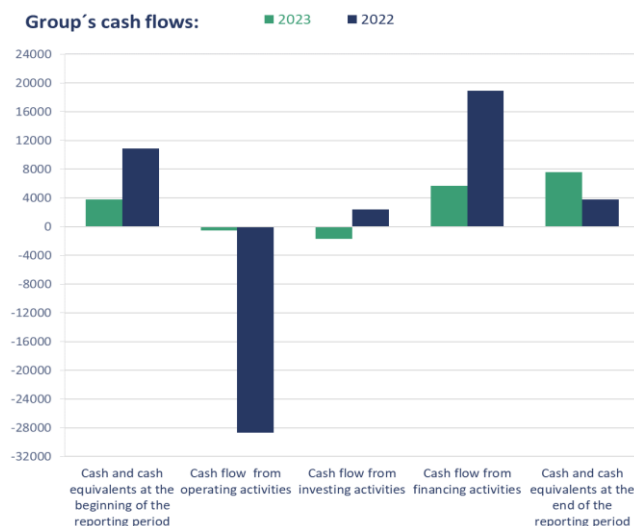
Cash flow from investment activities was a negative 1.7 million euros in 2023 (2022: positive 2.4 million euros). The net cash flow from the sale of the subsidiary Hepsor U30 SIA was 0.6 million euros. The financial investments in the Weston Road and Elysium Isabella development projects in Canada was 2.0 million euros. In the reporting year, the Group has granted loans of 0.3 million euros. In the comparable period, the net cash flow of granted loans was 1.9 million euros.

Cash flow from financing activities was positive at 5.6 million euros (2022: positive 18.8 million euros). The net amount of loans received in reporting year was 9.5 million euros (2022: 20.2 million euros). In 2023, 3.9 million euros (2022: 1.2 million euros) in loan interest have been paid.

**Balance sheet structure 31.12.2023**  
(m€)



**Group's cash flows:**



## Key financials

in thousands of euros	Q4 2023	Q4 2022	Q4 2021	2023	2022	2021
Revenue	5,087	7,248	8,015	41,135	12,870	14,961
Gross profit/-loss	244	1,252	1,904	7,068	1,774	3,059
EBITDA	-220	797	1,500	5,232	383	2,037
Operating profit/-loss	-272	754	1,464	5,039	235	1,880
Net profit/-loss	-1,311	1,461	1,446	3,467	1,331	1,733
Incl net profit/-loss attributable to the owners of parent	-1,100	1,537	153	1,172	1,396	-22
Comprehensive income/-loss	-1,171	1,291	162	1,700	1,315	-12
Incl comprehensive profit/-loss attributable to the owners of parent	-1,170	1,337	153	1,114	962	46

in thousands of euros	31.12.2023	31.12.2022	31.12.2021
Total assets	90,988	78,368	55,345
Incl inventories	77,439	69,760	37,237
Total liabilities	68,840	58,045	36,308
Incl total loan commitments	56,905	48,580	28,363
Total equity	22,148	20,323	19,037
Incl equity attributable to the owners of parent	20,980	19,866	18,904

## Key Ratios

	Q4 2023	Q4 2022	Q4 2021	2023	2022	2021
Gross profit margin	4.8%	17.3%	23.8%	17.2%	13.8%	20.4%
EBITDA margin	-4.3%	11.0%	18.7%	12.7%	3.0%	13.6%
Operating profit margin	-5.4%	10.4%	18.3%	12.3%	1.8%	12.6%
Net profit margin	-25.8%	20.1%	19.4%	8.4%	10.3%	11.6%
General expense ratio	10.5%	6.9%	5.8%	5.0%	12.0%	8.1%

	31.12.2023	31.12.2022	31.12.2021
Equity ratio	24.3%	25.9%	34.4%
Debt ratio	62.6%	62.1%	51.6%
Current ratio	1.7	2.5	4.2
Return of equity	16.3%	6.8%	12.1%
Return on equity attributable to the owners of the parent	5.7%	7.2%	-0.2%
Return on assets	4.1%	2.0%	4.0%

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 December 2023, Hepsor AS had 10,527 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 December 2023:

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	8	0,08%	244,484	6,34%
1001 -10 000	51	0,48%	145,816	3,78%
101-1000	805	7,65%	208,972	5,42%
1-100	9,658	91,75%	255,429	6,63%
<b>Total</b>	<b>10,527</b>	<b>100,00%</b>	<b>3,854,701</b>	<b>100,00%</b>

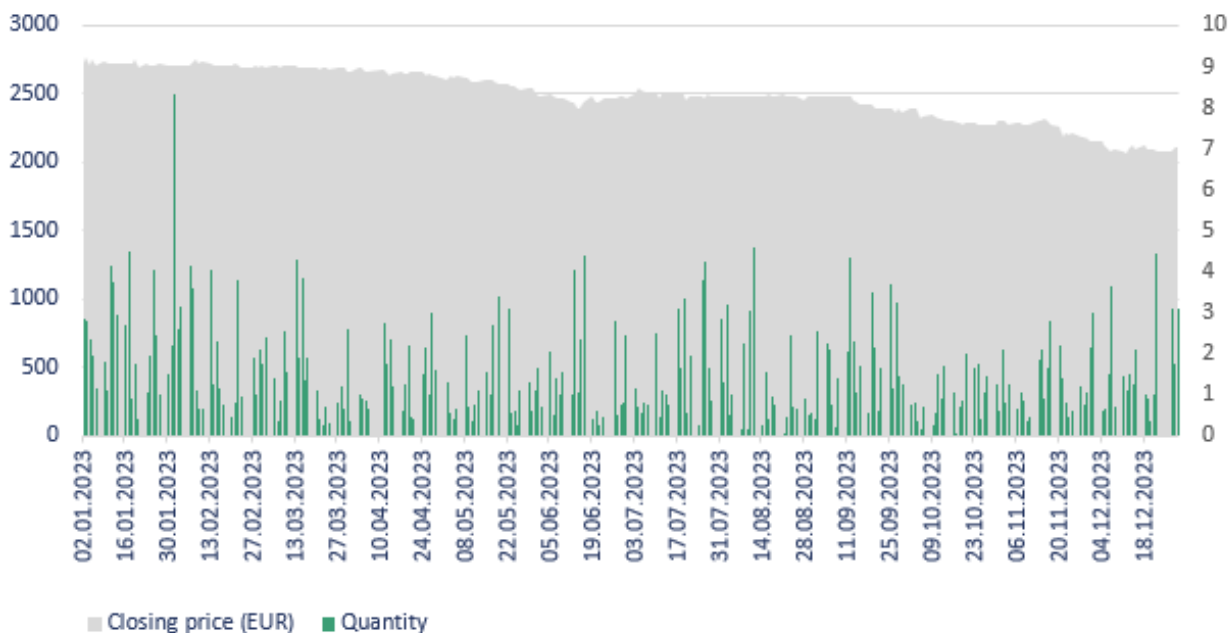
Between 1 January 2023 to 31 December 2023 a total of 7,442 transactions were conducted with the shares of Hepsor AS, during which 117,234 shares changed ownership for a total amount of 979,906 euros. The highest transaction price in the period was 9.23 euros and the lowest was 6.9 euros. The market capitalization of Hepsor AS was 27.1 million euros as of 31 December 2023, and the equity of the Group amounted to 22.1 million euros.

Market cap on  
31 Dec. 2023

**27.1**  
million euros

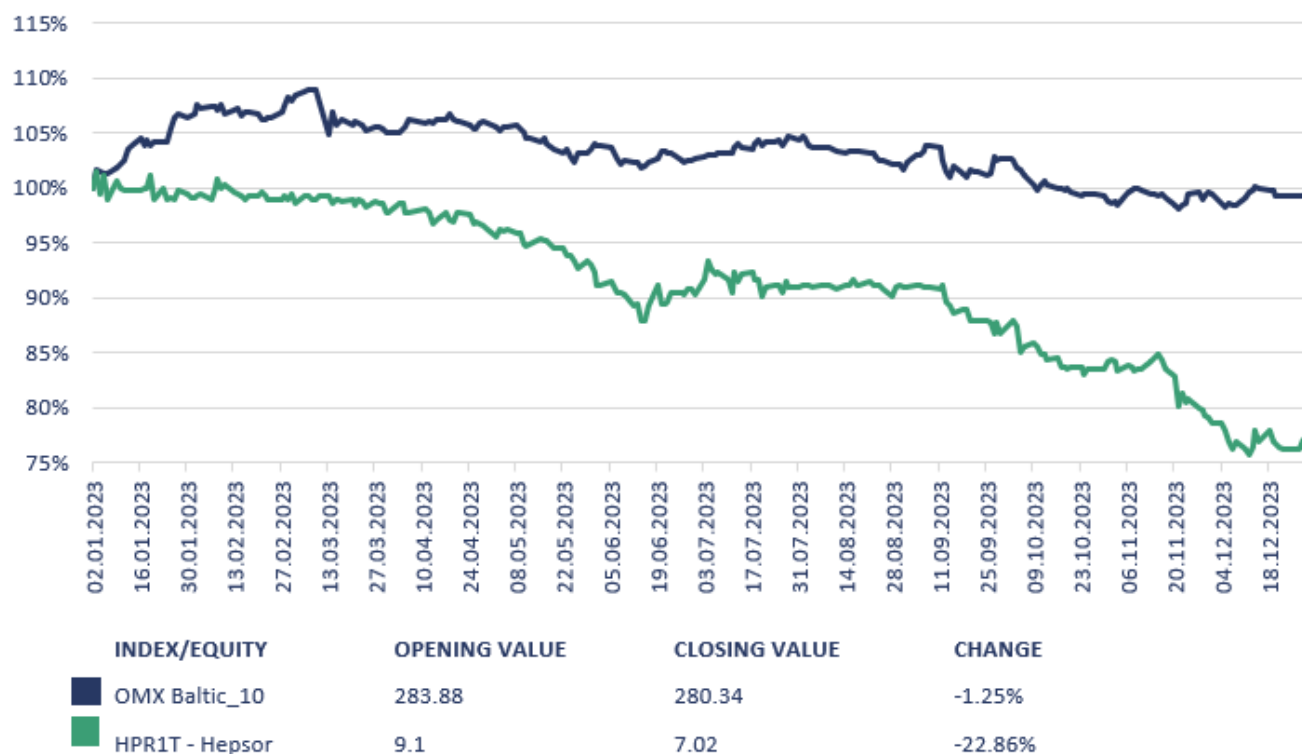


## Trading volume and price range of Hepsor AS shares, 12 months (1 January 2023 - 31 December 2023):



Source: Nasdaq Baltic

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



Source: Nasdaq Baltic

# Consolidated Financial Statements

## Consolidated statement of financial position

in thousands of euros	Note	31 December 2023	31 December 2022
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		7,604	3,754
Trade and other receivables	3	1,544	1,731
Current loan receivables	4	311	0
Inventories	2	77,439	69,760
<b>Total current assets</b>		<b>86,898</b>	<b>75,245</b>
<b>Non-current assets</b>			
Property, plant and equipment		162	232
Intangible assets		4	7
Financial investments	4	1,992	2
Investments in associates	18	0	1,086
Non-current loan receivables	4	1,729	1,766
Other non-current receivables		203	30
<b>Total non-current assets</b>		<b>4,090</b>	<b>3,123</b>
<b>Total assets</b>	<b>19</b>	<b>90,988</b>	<b>78,368</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Loans and borrowings	5	40,600	22,565
Current lease liabilities		40	46
Prepayments from customers		2,620	3,054
Trade and other payables	6	7,188	4,007
<b>Total current liabilities</b>		<b>50,448</b>	<b>29,672</b>
<b>Non-current liabilities</b>			
Loans and borrowings	5	16,305	26,015
Non-current lease liabilities		29	68
Other non-current liabilities	7	2,058	2,290
<b>Total non-current liabilities</b>		<b>18,392</b>	<b>28,373</b>
<b>Total liabilities</b>	<b>19</b>	<b>68,840</b>	<b>58,045</b>
<b>Equity</b>			
Share capital		3,855	3,855
Share premium		8,917	8,917
Reserve capital		385	0
Retained earnings		8,991	7,551
<b>Total equity</b>		<b>22,148</b>	<b>20,323</b>
incl. total equity attributable to owners of the parent		20,980	19,866
incl. non-controlling interest		1,168	457
<b>Total liabilities and equity</b>		<b>90,988</b>	<b>78,368</b>

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

in thousands of euros	Note	12M 2023	12M 2022	Q4 2023	Q4 2022 adjusted
Revenue	10,19	41,135	12,870	5,087	7,248
Cost of sales (-)	11	-34,067	-11,096	-4,843	-5,996
<b>Gross profit</b>		<b>7,068</b>	<b>1,774</b>	<b>244</b>	<b>1,252</b>
Marketing expenses (-)	12	-576	-446	-177	-167
Administrative expenses (-)	13	-1,467	-1,095	-357	-331
Other operating income		166	70	54	23
Other operating expenses (-)		-152	-68	-36	-23
<b>Operating profit (-loss) of the year</b>	<b>19</b>	<b>5,039</b>	<b>235</b>	<b>-272</b>	<b>754</b>
Financial income	15.1	1,174	1,889	45	1,040
Financial expenses (-)	15.2	-2,746	-787	-1,084	-333
<b>Profit before tax</b>		<b>3,467</b>	<b>-1,337</b>	<b>-1,311</b>	<b>1,461</b>
Current income tax (-)		0	-6	0	-1
Deferred income tax		0	0	0	0
<b>Net profit for the year</b>		<b>3,467</b>	<b>1,331</b>	<b>-1,311</b>	<b>1,460</b>
Attributable to owners of the parent		1,172	1,396	-1,100	1,537
Non-controlling interest		2,295	-65	-211	-77
<b>Other comprehensive income (-loss)</b>					
Changes related to change of ownership	17	286	-26	36	-161
Change in value of embedded derivatives with minority shareholders	8	-2,053	10	104	-8
<b>Other comprehensive income (-loss) for the period</b>		<b>-1,767</b>	<b>-16</b>	<b>140</b>	<b>-169</b>
Attributable to owners of the parent		-58	-434	-70	-200
Non-controlling interest		-1,709	418	210	31
<b>Comprehensive income (-loss) for the period</b>		<b>1,700</b>	<b>1,315</b>	<b>-1,171</b>	<b>1,291</b>
Attributable to owners of the parent		1,114	962	-1,170	1,337
Non-controlling interest		586	353	-1	-46
<b>Earnings per share</b>					
Basic (euros per share)		0.30	0.36	-0.29	0.40
Diluted (euros per share)		0.30	0.36	-0.29	0.40

## 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	Reserve capital	Retained earnings		
<b>Balance of 31 December 2021</b>	<b>3,855</b>	<b>8,917</b>	<b>0</b>	<b>6,132</b>	<b>133</b>	<b>19,037</b>
<b>2022</b>						
Net profit/(-loss) for the year	0	0	0	1,396	-65	<b>1,331</b>
Other comprehensive income/(-loss) for the period	0	0	0	-434	418	<b>-16</b>
Dividends paid	0	0	0	0	-29	<b>-29</b>
<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	1,172	2,295	<b>3,467</b>
Other comprehensive income/(-loss) for the period	0	0	0	-58	-1,709	<b>-1,767</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>7,823</b>	<b>1,168</b>	<b>22,148</b>

## Consolidated statement of cash flows

in thousands of euros	Note	12M 2023	12M 2022
<b>Net cash flows from (to) operating activities</b>			
<b>Operating profit/(-loss) of the year</b>	<b>19</b>	<b>5,039</b>	<b>235</b>
Adjustments for:			
Depreciation of property, plant and equipment		193	148
Profit from the sale of property, plant and equipment		0	-18
Other adjustments		-200	22
Income tax paid		0	-6
Changes in working capital:			
Change in trade receivables		152	-1,112
Change in inventories	16	-5,676	-30,935
Change in liabilities and prepayments		-3	3,054
<b>Cash flows from (to) operating activities</b>		<b>-495</b>	<b>-28,612</b>
<b>Net cash flows to investing activities</b>			
Payments for property, plant and equipment		-24	-100
Payments for intangible assets		-2	-8
Proceeds from sale of property, plant and equipment		0	25
Payments of for acquisition of subsidiaries		-3	-400
Payments of for acquisition of financial investment	4	-1,990	0
Proceeds from sale of subsidiaries	17	595	135
Interest received		34	324
Loans granted	4	-311	-176
Loan repayments received	4	0	2,126
Other receipts from investing activities		0	460
<b>Cash flows to investing activities</b>		<b>-1,701</b>	<b>2,386</b>
<b>Net cash flows from (to) financing activities</b>			
Loans raised	5	40,412	31,892
Loan repayments	5	-30,817	-11,672
Interest paid	16	-3,922	-1,150
Payments of finance lease principal		-9	-26
Payments of right to use lease liabilities		-130	-107
Dividends paid		0	-29
Payments of for division of a subsidiary		0	-18
Payments to equity from non-controlling interest		161	0
Other receipts from financing activities		-15	-41
<b>Cash flows from financing activities</b>		<b>5,680</b>	<b>18,849</b>
<b>Net cash flow</b>		<b>3,484</b>	<b>-7,377</b>
<b>Cash and cash equivalents at beginning of year</b>			
Cashflow in from acquisitions of subsidiaries	17	366	242
Increase / decrease in cash and cash equivalents		3,484	-7,377
<b>Cash and cash equivalents at end of year</b>		<b>7,604</b>	<b>3,754</b>

## Notes to the consolidated interim financial statement

### Note 1. General information

The Hepsor AS (hereinafter “the Group”) consolidated unaudited interim report for 2023 Q4 and 12 months 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 2023 Q4 and twelve months follow the same accounting principles and methods used in the 2022 audited consolidated financial statements. The current interim financial statements contain the audited financial results for 31.12.2022 and unaudited comparative figures for 2022 Q4.

The Group has not made any changes in their critical accounting estimates which may have impact on the consolidated unaudited interim financial statements for 2023 Q4 and twelve months.

The Group has not made any changes in the valuation techniques applied for fair value measurement in 2023.

In 2023, the Group established a subsidiary in Canada, foreign currency transactions are recorded based on the foreign currency exchange rates of the European Central Bank prevailing at the dates of the transactions. Monetary financial assets and liabilities denominated in foreign currencies at the statement date are translated into euros based on the foreign currency exchange rates of the European Central Bank prevailing at the balance sheet date. Exchange rate differences from translation are reported in the income statement of the reporting period. The functional currency of subsidiaries located abroad is the currency of their business environment; therefore the financial statements of such subsidiaries are translated into euros for consolidation purposes; the asset and liability items are translated using the foreign exchange rates of the European Central Bank prevailing at the balance sheet date, income and expenses using the weighted average foreign exchange rates for the year and other changes in equity using the foreign exchange rates at the date at which they arose. Exchange rate differences arising from translation are reported in the equity.

In the Group interim report for the fourth quarter and 12 months of 2023, the comparative data for the fourth quarter of 2022 have been adjusted:

in thousands of euros	Original Q4 2022	Change	Adjusted Q4 2022
<b>Other comprehensive income (-loss) for the period</b>			
Changes related to change of ownership	-161	0	-161
Attributable to owners of the parent (Note 17)	-129	-71	-200
Non-controlling interest (Note 17)	-32	+71	39

### Note 2. Inventories

Inventories are accounted as ready for sale development projects once the project has been granted usage permit. As at 31 December 2023, usage permits has been issued to Strēlnieku 4b development projects in Riga, Liela 45 development project in Marupe and to Meistri 14 development project in Tallinn.

As of 31 December 2023, in ready for sale development projects the Group had 11 (31 December 2022: 26) apartments which had not been handover to customers. 10 apartments in Strelnieku 4b and 1 apartment in Liela 45 development projects.

In addition, there are development projects ready for sale in Tallinn, Paevälja 11 and Nõmme road 57 for which a usage permit has not been issued. As of 31 December 2023, in Paevälja 11 project, are 5 apartments and in Nõmme road 57, are 18 apartments unsold with real right contracts.

As of 31 December 2023, the changes in inventories as stated in cash flow statements have been adjusted by loan interest expense. The capitalized loan interest amounted to 2,738 thousand euros (31 December 2022: 1,842 thousand euros). Further information is provided in Note 16.

The following development projects are stated as inventories:

in thousands of euros				31 December 2023		31 December 2022	
Address	Project company	Location	Segment	Acquisition cost	Project status	Acquisition cost	Project status
<b>Work in progress</b>							
Paevälja 11, Tallinn	Hepsor PV11 OÜ	Estonia	Residential	598	E	909	E
Paevälja 11, Tallinn	Hepsor PV11 OÜ	Estonia	Residential	0	-	5,585	D
Paldiski mnt 227C, Tallinn	Hepsor 3Torni OÜ	Estonia	Residential	14,109	D	3,482	D
Narva mnt 150, Tallinn	Hepsor N450 OÜ	Estonia	Residential/ Commercial	3,889	A	3,609	A
Manufaktuuri 5, Tallinn	Hepsor Phoenix 3 OÜ	Estonia	Residential/ Commercial	5,056	B	4,168	B
Manufaktuuri 7, Tallinn	Hepsor Phoenix 2 OÜ	Estonia	Residential/ Commercial	16,120	D	3,018	C
Tooma 2/Tooma 4 Tallinn	T2T4 OÜ	Estonia	Commercial	0	-	1,248	C
Lembitu 4, Tallinn	Hepsor L4 OÜ	Estonia	Commercial	3,153	C	2,954	C
Meistri 14, Tallinn	Hepsor M14 OÜ	Estonia	Commercial	0	-	3,193	D
Alvari 2, Paevälja 9, Tallinn	Hepsor Fortuuna OÜ	Estonia	Residential	1,657	A	1,657	A
Alvari 1, Tallinn	Hepsor A1 OÜ	Estonia	Residential	2,023	A	2,023	A
Kadaka Road 197, Tallinn	H&R Residentsid OÜ	Estonia	Residential	1,228	A	1,168	A
Manufaktuuri 12, Tallinn	Hepsor Phoenix 4 OÜ	Estonia	Residential	932	A	843	A
Nõmme tee 57, Tallinn	Hepsor N57 OÜ	Estonia	Residential	3,778	D	1,704	C
Vana-Tartu mnt 49, Tallinn	Hepsor VT49 OÜ	Estonia	Commercial	1,029	A	0	-
Saules alley 2, Riga	Hepsor SA2 SIA	Latvia	Residential	717	B	886	B
Liela 45, Mārupe	Hepsor Mārupe SIA	Latvia	Residential	0	-	7,766	D
Ranka Dambis 5, Riga	Hepsor RD5 SIA	Latvia	Residential	3,902	D	416	B
Ulbrokas 34, Riga	Hepsor U34 SIA	Latvia	Commercial	1,554	C	1,128	B
Braila 23, Riga	Hepsor Jugla SIA	Latvia	Residential	501	B	314	B
Gregora iela 2a, Riga	Hepsor Kvarta SIA	Latvia	Residential	0	-	10,125	D
Ganību Dambis 17a, Riga	Hepsor Ganību Dambis SIA	Latvia	Commercial	4,120	B	3,918	A
Jurmala Gatve, Riia	Hepsor JG SIA	Latvia	Residential	621	B	360	B
Smaidu, Dreilini	Riga Properties 4 SIA	Latvia	Commercial	4,046	A	0	-
-other properties		Estonia		18	A	18	A
<b>Total work in progress</b>				<b>69,051</b>		<b>60,492</b>	
<b>Ready for sale real estate development</b>							
Manufaktuuri 22, Tallinn (parking spaces)	Hepsor Phoenix OÜ	Estonia	Residential	16	E	16	E
Meistri 14, Tallinn	Hepsor Meistri 14 OÜ	Estonia	Commercial	7,667	E	4,026	E
Strēlnieku 4b, Riga	Hepsor S4B SIA	Latvia	Residential	603	E	1,106	E
Ulbrokas 30, Riga	Hepsor U30 SIA	Latvia	Commercial	0	-	4,120	E
Liela 45, Mārupe	Hepsor Mārupe SIA	Latvia	Residential	102	E	0	
<b>Total ready for sale real estate development</b>				<b>8,388</b>		<b>9,268</b>	
<b>Total inventories</b>				<b>77,439</b>		<b>69,760</b>	

Project statuses are classified as following:

in thousands of euros	31 December 2023	31 December 2022
A – planning proceedings	14,822	13,236
B – building permit proceedings	5,959	7,272
C – building permit available / construction not yet started	9,763	8,924
D – construction started / sale started	34,131	30,151
E – construction ready for sale	12,764	10,177
<b>Total inventories</b>	<b>77,439</b>	<b>69,760</b>

## Note 3. Trade and other receivables

in thousands of euros	31 December 2023	31 December 2022	
<b>Trade receivables</b>			
Trade receivables	342	718	
Allowance for doubtful receivables	0	-10	
<b>Net trade receivables</b>	<b>342</b>	<b>708</b>	
<b>Prepayments</b>			
Tax prepayment			
	Value added tax	1,019	317
	Other taxes	0	1
Other prepayments for goods and services	110	279	
<b>Total prepayments</b>	<b>1,129</b>	<b>597</b>	
<b>Other current receivables</b>			
	Interest receivables	6	1
	Other current receivables	67	20
	Escrow account	0	405
<b>Other current receivables</b>	<b>73</b>	<b>426</b>	
<b>Total trade receivables</b>	<b>1,544</b>	<b>1,731</b>	

## Note 4. Loans granted

in thousands of euros	Owner of non-controlling interest	Unrelated legal entities	Related legal entities (Note 20)	Total
<b>2023</b>				
<b>Loan balance as of 31 December 2022</b>	<b>0</b>	<b>0</b>	<b>1,766</b>	<b>1,766</b>
Loan granted	311	1,467	0	<b>1,778</b>
Reclassification as a financial investment	0	-1,467	0	<b>-1,467</b>
Effective interest rate impact	0	0	-37	<b>-37</b>
<b>Loan balance as of 31 December 2023</b>	<b>311</b>	<b>0</b>	<b>1,729</b>	<b>2,040</b>
- current portion	311	0	0	<b>311</b>
- non-current portion	0	0	1,729	<b>1,729</b>
<i>contractual/effective interest rate per annum</i>	3%	0%	7%	
<b>2022</b>				
<b>Loan balance as of 31 December 2021</b>	<b>2,109</b>	<b>1,100</b>	<b>2,587</b>	<b>5,796</b>
Loan granted	0	0	176	<b>176</b>
Loan collected	-29	-1,100	-997	<b>-2,126</b>
Division of subsidiary	-2,080	0	0	<b>-2,080</b>
<b>Loan balance as of 31 December 2022</b>	<b>0</b>	<b>0</b>	<b>1,766</b>	<b>1,766</b>
- non-current portion	0	0	1,766	<b>1,766</b>
<i>contractual/effective interest rate per annum</i>	-	-	7%	



The loan granted in the second quarter of 2023 to Canada to the Weston Road Partnership in the amount of 1,467 thousand euros has been reclassified as a financial investment. As of 31.12.2023, the acquisition cost of the financial investment to Weston Road project was 1,463 thousand euros and the Elysium Isabella project acquisition cost is 527 thousand euros.

## Note 5. Loans and borrowings

in thousands of euros	Bank loans	Unrelated legal entities	Related legal entities (Note 20)	Total
<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	30,335	8,988	1,089	<b>40,412</b>
Repaid	-24,310	-5,007	-1,500	<b>-30,817</b>
Reclassification as a Group loan	0	0	-512	<b>-512</b>
Effective interest rate impact	155	-607	0	<b>-452</b>
Compound interest rate impact	0	-306	0	<b>-306</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>
- current loan payable	34,372	4,845	1,383	<b>40,600</b>
- non-current loan payable	1,937	14,368	0	<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>7.62%</i>	<i>5.4%-11.8%</i>	<i>-</i>	
<b>2022</b>				
<b>Loan balance as of 31 December 2021</b>	<b>10,951</b>	<b>15,581</b>	<b>1,831</b>	<b>28,363</b>
Received	27,655	3,773	464	<b>31,892</b>
Repaid	-8,287	-3,316	-69	<b>-11,672</b>
Effective interest rate impact	-190	-247	75	<b>-362</b>
Compound interest rate	0	354	5	<b>359</b>
<b>Total loan balance as of 31 December 2022</b>	<b>30,129</b>	<b>16,145</b>	<b>2,306</b>	<b>48,580</b>
- current loan payable	17,040	3,352	2,173	<b>22,565</b>
- non-current loan payable	13,089	12,793	133	<b>26,015</b>
<i>Contractual interest rate per annum</i>	<i>6M Euribor +3.75% - 8%; 5.5%</i>	<i>0-12%</i>	<i>3%-12%</i>	
<i>Effective interest rate per annum</i>	<i>7.6%-12.3%</i>	<i>5.3%-12.2%</i>	<i>12.2%</i>	

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) 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 the bank loans, a joint mortgage for unrelated legal entities has been set as collateral for the loan by the Group companies, 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 obligation is fulfilled.

As of 31 December 2023, 87% (31 December 2022: 89%) 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 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 December 2022</b>				
Loans for development projects	24,635	16,145	2,306	<b>43,086</b>
Loans to headquarters to finance development projects	5,494	0	0	<b>5,494</b>
<b>Total</b>	<b>30,129</b>	<b>16,145</b>	<b>2,306</b>	<b>48,580</b>

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 tee 57, Tallinn	3,778	-
LHV Pank AS	Estonia	8,524	2026	17,500	6M Euribor+8%	Mortgage- Manufaktuuri 7 and 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 Riga; Commercial pledge	4,120	-
Bigbank AS	Latvia	2,526	2026	4,000	6M Euribor+5.2%	Mortgage- Ranka Dambis 5, Riga	3,902	1,200
Bigbank AS	Latvia	0	2026	4,000	6M Euribor+5.2%	Mortgage- Jurmala Gatve 74, Riga	621	1,000

As of 31 December 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	2,655	2023	8,605	6M Euribor + 4.5%	Mortgage - Paevälja pst 11, Lageloo 3//5, Lageloo 7, Tallinn	6,495	-
LHV Pank AS	Estonia	4,483	2024	4,900	6M Euribo+ 3.75%	Mortgage - Meistri 14, Tallinn	7,220	-
LHV Pank AS	Estonia	1254	2025	1,300	6M Euribor + 8%	Mortgage - Lembitu 4, Tallinn	2,953	-
LHV Pank AS	Estonia	0	2025	13,900	6M Eurobor+5.9%	Mortgage-Paldiski mnt 227C, Tallinn	3,477	-
Bigbank AS	Latvia	4,822	2025	7,000	5.5%	Mortgage – Liela 45, Mārupe, Riga	7,766	-
Bigbank AS	Latvia	828	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	5,958	2025	7,500	5.5%	Mortgage - Gregora 2a, Riga	10,125	423
Bigbank AS	Latvia	1,985	2025	2,000	6M Euribor+4.5%	Mortgage – Ganību Dambis 17a, Riga, Commercial pledge	3,918	-

## Note 6. Trade and other payables

in thousands of euros	31 December 2023	31 December 2022
<b>Trade payables</b>	<b>2,961</b>	<b>1,906</b>
<b>Taxes payable</b>		
Value added tax	503	910
Personal income tax	32	28
Social security tax	55	51
Other taxes	7	5
<b>Total taxes payable</b>	<b>597</b>	<b>994</b>
<b>Accrued expenses</b>		
Payables to employees	116	109
Interest payable (Note 16)	1,020	552
Other accrued expenses	52	35
<b>Total accrued expenses</b>	<b>1,188</b>	<b>696</b>
<b>Other current payables</b>		
Embedded derivatives (Note 8)	2,061	8
Other payables	381	403
<b>Total other current payables</b>	<b>2,442</b>	<b>411</b>
<b>Total trade and other payables</b>	<b>7,188</b>	<b>4,007</b>

## Note 7. Other non-current liabilities

in thousands of euros	31 December 2023	31 December 2022
Non-current interest payables (Note 16)	1,648	1,652
Other non-current payables	410	638
<b>Total other non-current liabilities</b>	<b>2,058</b>	<b>2,290</b>

Other non-current payable includes the Group's commitment to finance the construction of a kindergarten in the city of Tallinn at the Manufaktuuri Quarter development project. The liability amount of 335 thousand euros is measured in the present value using 5% discount rate. As of 31.12.2023, the book value of the liability was 363 thousand euros.

## 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.

As of 31.12.2023, the Group had liabilities on the following development projects:

in thousands of euros	31 December 2023	31 December 2022
<b>Liabilities arising from embedded derivatives (Note 6)</b>		
Commercial development project in Tooma 2/Tooma 4, Tallinn	311	0
Residential development project in Gregora iela 2a, Riga	1,025	0
Residential development project in Liela 45, Marupe	725	0
Commercial development project in Meistri 14, Tallinn	0	8
<b>Total</b>	<b>2,061</b>	<b>8</b>

In 2023, the liability was reduced by 8 thousand euros through the other comprehensive income.

## Note 9. Contingent liabilities

### 9.1 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 December 2023 to pay 11,535 thousand euros (31 December 2022: 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 December 2023, the realization time of contingent liabilities remains between 2023 and 2027.

9.2 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.

### 9.3 Group guarantees given

Additional information on the guarantees is provided in Note 5.

## Note 10. Revenue

in thousands of euros	12M 2023	12M 2022	Q4 2023	Q4 2022
Revenue from sale of real estate	39,520	11,750	4,747	6,851
Revenue from project management services	88	145	15	8
Revenue from rent	1,270	771	289	323
Revenue from other services	257	204	36	66
<b>Total</b>	<b>41,135</b>	<b>12,870</b>	<b>5,087</b>	<b>7,248</b>

Additional information on sales revenue is provided in Note 19.

## Note 11. Cost of sales

in thousands of euros	12M 2023	12M 2022	Q4 2023	Q4 2022
Cost of real estate sold	-31,493	-9,139	-4,352	-4,874
Personnel expenses (Note 14)	-1,006	-770	-246	-219
Interest expenses (Note 15.2)	-513	-244	-54	-228
Depreciation	-31	-32	-7	-8
Other costs	-1,024	-911	-184	-667
<b>Total</b>	<b>-34,067</b>	<b>-11,096</b>	<b>-4,843</b>	<b>-5,996</b>

## Note 12. Marketing expenses

in thousands of euros	12M 2023	12M 2022	Q4 2023	Q4 2022
Personnel expenses (Note 14)	-128	-117	-39	-35
Depreciation	-46	0	-11	0
Other marketing expenses	-402	-329	-127	-132
<b>Total</b>	<b>-576</b>	<b>-446</b>	<b>-177</b>	<b>-167</b>

## Note 13. Administrative expenses

in thousands of euros	12M 2023	12M 2022	Q4 2023	Q4 2022
Personnel expenses	-847	-643	-238	-187
Depreciation	-117	-110	-34	-29
Traveling and transport expenses	-72	-49	-6	-14
Purchased service expenses	-355	-246	-72	-80
Office expenses	-11	-45	-2	-21
Other expenses	-65	-2	-5	0
<b>Total</b>	<b>-1,467</b>	<b>-1,095</b>	<b>-357</b>	<b>-331</b>

## Note 14. Personnel expenses

in thousands of euros	12M 2023	12M 2022	Q4 2023	Q4 2022
Salaries	-1,455	-1,054	-405	-250
Social security and other payroll taxes	-526	-476	-118	-191
<b>Total (Notes 11, 12, 13)</b>	<b>-1,981</b>	<b>-1,530</b>	<b>-523</b>	<b>-441</b>

As of 31 December 2023, the Group employed 26 (31 December 2022: 25) people, including the members of Management and Supervisory Boards. 13 of these people worked in Estonia (31 December 2022: 13) and 13 in Latvia (31 December 2022: 12).

Gross fees paid to the members of Management and Supervisory Boards during the twelve months of 2023 amounted to 363 thousand euros (12M 2022: 325 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.

## Note 15. Financial income and expenses

### 15.1 Financial income

in thousands of euros	12M 2023	12M 2022	Q4 2023	Q4 2022
Interest incomes	163	183	43	35
Incomes from the sale of subsidiaries	980	0	0	0
Profit from associates of equity method	0	1,086	0	877
Profit from exchange rate changes	29	0	0	0
Other financial incomes	0	460	0	0
Financial income from discounting	2	160	2	128
<b>Total</b>	<b>1,174</b>	<b>1,889</b>	<b>45</b>	<b>1,040</b>

In 2023, the Group earned 980 thousand euros from the sale of the subsidiary Hepsor U30 SIA to the East Capital Real Estate IV real estate fund, of which 595 thousand euros from this sale of shares and the realized profit of the project was 385 thousand euros.

## 15.2 Financial expenses

in thousands of euros	12M 2023	12M 2022	Q4 2023	Q4 2022
Interest expenses	-1,920	-717	-492	-304
Loss from associates of equity method (Note 18)	-567	0	-384	0
Loss from exchange rate changes	-98	0	-62	0
Other financial expenses	-15	-41	0	0
Financial expenses from discounting	-146	-29	-146	-29
<b>Total</b>	<b>-2,746</b>	<b>-787</b>	<b>-1,084</b>	<b>-333</b>

In 2023 borrowing costs in the amount of 2,738 thousand euros (12M 2022: 1,842 thousand euros) have been capitalized as the cost of inventories. Interest expenses of 513 thousand euros have been recognized in the cost of sales in 2023 (12M 2022: 54 thousand euros), (Note 11).

## Note 16. Information about line item in the consolidated statement of cash flows

in thousands of euros	31 December 2023	31 December 2022
<b>Inventories</b>		
Reclassification of cash flows from operating activities to financing activities (Note 2)	2,738	1,842
Decrease (-)/ increase (+) of change inventories balances (Note 2)	-7,679	-32,523
Realized profit from the sale of the subsidiary	385	0
Effective and compound interest rate impact	-1,120	-254
<b>Change in inventories</b>	<b>-5,676</b>	<b>-30,935</b>
<b>Interest paid</b>		
Interest expense in statement of profit or loss and other comprehensive income	-1,920	-717
Reclassification of cash flows from operating activities to financing activities (Note 2)	-2,738	-1,842
Decrease (-)/ increase (+) of interest payables (Notes 6,7)	464	1,049
Compound interest rate impact	272	360
<b>Interest paid total</b>	<b>-3,922</b>	<b>-1,150</b>

## Note 17. Subsidiaries

In January 2023 the Group acquired a minority stake in Hepsor Bal 9 OÜ, as a result of the transaction, Hepsor Latvia OÜ became the 100% owner of the company.

In May 10, 2023, Hepsor Latvia OÜ signed a sales agreement for shares of Hepsor U30 SIA with the real estate fund East Capital Real Estate IV. The debt-free value of the company agreed upon in the transaction is 5.2 million euros, from which the company's debt obligations, including bank loans and owner loans, are to be deducted.

In August 2023, Hepsor AS acquired a minority stake in Hepsor N170 OÜ, as a result of the transaction, Hepsor Latvia OÜ became the 100% owner of the company.

In August, Hepsor Latvia OÜ paid a share capital contribution to the share capital of Riga Properties 4 SIA, receiving a 50% stake in the company.

In December 2023, Hepsor Latvia OÜ, increased the share capital in Hepsor U34 SIA, Hepsor RD5 SIA and Hepsor JG SIA by 354 thousand euros, of which the minority shareholder of Hepsor Latvia OÜ owns 70 euros. The minority shareholder of Hepsor U34 SIA increases the share capital by 36 thousand euros.

Changes in Group structure in 2023 and impact on comprehensive income and cash flow are following:

in thousands of euros	Other comprehensive income		Cash flow	
	Comprehensive income attributable to owners of the parent	Comprehensive income attributable to non-controlling interest	Net cash flow from sale of subsidiary	Cashflow in from acquisitions of subsidiaries
Hepsor Bal 9 OÜ	-11	11	0	0
Hepsor Bal 9 SIA	-3	3	0	0
Hepsor U30 SIA	54	14	595	0
Hepsor U34 SIA	-17	53	0	0
Hepsor RD5 SIA	-30	30	0	0
Hepsor JG SIA	-23	23	0	0
Riga 4 Properties SIA	-35	210	0	330
Hepsor N170 OÜ	7	0	0	36
<b>Total</b>	<b>-58</b>	<b>344</b>	<b>595</b>	<b>366</b>

Changes in Group structure in 2022 and impact on comprehensive income and cash flow are following:

in thousands of euros	Original other comprehensive income		Adjusted other comprehensive income		Cash flow	
	Comprehensive income attributable to owners of the parent	Comprehensive income attributable to non-controlling interest	Comprehensive income attributable to owners of the parent	Comprehensive income attributable to non-controlling interest	Net cash flow from sale of subsidiary	Cashflow in from acquisitions of subsidiaries
Hepsor P26B OÜ	-85	85	-85	85	-	-
Hepsor Peetri OÜ	-10	10	-10	10	-	-
Hepsor Mārupe SIA	9	126	-18	153	135	-
HepsorGanibu Dambis SIA	-100	100	-100	100	-	-
Hepsor SIA	-100	100	-100	100	-	-
Hepsor Bal 9 SIA	68	-68	68	-68	-	-
Hepsor JG SIA	-16	16	-16	16	-	-
Hepsor Jugla SIA	-129	-32	-129	-32	-	-
Hepsor U34 SIA	-	-	-28	28	-	-
Hepsor RD5 SIA	-	-	-16	16	-	-
Kvarta SIA	-	-	-	-	-	242
<b>Total</b>	<b>-363</b>	<b>337</b>	<b>-434</b>	<b>408</b>	<b>135</b>	<b>242</b>

In January 2022, Hepsor Latvia OÜ acquired a 50% shareholding in Kvarta Holding OÜ in accordance with an option agreement. Kvarta Holding OÜ owns a 100% shareholding in Kvarta SIA, which is developing Kuldigas Parks residential development project with 116 apartments in Riga at Gregora 2a, Hepsor Latvia OÜ acquired a 100% shareholding in Hepsor Jugla SIA-s (former business name Brofits SIA). Hepsor Jugla SIA is developing residential development with 100 apartments in Riga at Braila 23.

In February 2022, Hepsor Latvia OÜ sold its 50% shareholding in Hepsor Marupe SIA to the co-owners in accordance with the shareholders' agreement. In March 2022, Hepsor AS acquired a minority stake in Hepsor P26b OÜ and Hepsor Peetri OÜ 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 the minority shareholder of Hepsor Latvia OÜ owns 100 thousand euros. Hepsor Latvia OÜ also paid the share capital contributions of its subsidiaries Hepsor Ganibu Dambis SIA and Hepsor JG SIA in the total amount of 580 thousand euros, of which the minority shareholder of Hepsor Latvia OÜ owns 116 thousand euros.

## Note 18. Shares of associates

In August 2023, Hepsor AS acquired the majority stake in Hepsor N170 OÜ, becoming 100% owner of the company. The entry in the Commercial register was made on 21.08.2023.

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

	Ownership and voting rights %	
	31 December 2023	31 December 2022
Hepsor P113 OÜ	45	45
Hepsor N170 OÜ	-	25

Financial information about associates:

in thousands of euros	31 December 2023		31 December 2022	
	Hepsor P113 OÜ	Hepsor P113 OÜ	Hepsor N170 OÜ	
<b>Current assets</b>				
Cash and cash equivalents	193	919		2
Trade and other receivables	52	94		103
Current loan receivables	0	0		1,536
Inventories	0	0		160
<b>Total current assets</b>	<b>245</b>	<b>1,013</b>		<b>1,801</b>
<b>Non-current assets</b>				
Investment property	9,330	13,100		0
Trade and other receivables	0	297		0
<b>Total non-current assets</b>	<b>9,330</b>	<b>13,397</b>		<b>0</b>
<b>Total assets</b>	<b>9,575</b>	<b>14,410</b>		<b>1,801</b>
<b>Current liabilities</b>				
Loans and borrowings	128	158		0
Trade and other payables	44	286		2
<b>Total current liabilities</b>	<b>172</b>	<b>444</b>		<b>2</b>
<b>Non-current liabilities</b>				
Loans and borrowings	11,968	12,165		0
Other non-current liabilities	373	228		0
<b>Total non-current liabilities</b>	<b>12,341</b>	<b>12,393</b>		<b>0</b>
<b>Total liabilities</b>	<b>12,513</b>	<b>12,837</b>		<b>2</b>
<b>Total equity</b>	<b>-2,938</b>	<b>1,573</b>		<b>1,799</b>
<b>Total liabilities and equity</b>	<b>9,575</b>	<b>14,410</b>		<b>1,801</b>

The construction of commercial property development project by Hepsor P113 OÜ in Tallinn, Pärnu road 113 was completed in the fourth quarter of 2022. As of 31 December 2022, the building was reclassified as an investment property. The investment property is recorded at fair value. The fair value measurement was conducted by Colliers International Advisors OÜ using the discounted cash flow method, the best method for 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%). As of 31.12.2023, the fair value of the property was estimated at 9.3 million euros (31.12.2022: 13.1 million euros). The strong drop of the value was mainly caused by the premature termination of the lease contract with the anchor tenant in September 2023.

During the reporting period, the Group received loss from associate company, Hepsor P113 OÜ, by the equity method in the amount of 567 thousand euros (Note 15.2). Hepsor AS has granted a loan in the amount of 1.8 million euros to the associate company



Hepsor P113 OÜ, as of 31.12.2023 the granted loan receivable has not been discounted, as owners of company does not plan and is not obliged to sell the real estate investment at the assessment value.

## Note 19. 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	12M 2023	12M 2022	Q4 2023	Q4 2022
Estonia	13,612	6,817	3,064	6,241
Latvia	27,523	6,053	2,023	1,007
<b>Total</b>	<b>41,135</b>	<b>12,870</b>	<b>5,087</b>	<b>7,248</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.

12M 2023	Residential development			Commercial development		Headquarters		Total
	Estonia	Latvia	Canada	Estonia	Latvia	Estonia	Latvia	
Revenue	10,733	26,972	0	2,792	550	87	1	<b>41,135</b>
incl. revenue from rent	109	80	0	551	530	0	0	<b>1,270</b>
Operating profit/-loss	1,974	4,692	-21	1,350	310	-2,103	-1,163	<b>5,039</b>
Assets	48,041	8,689	2,167	15,569	10,259	6,045	218	<b>90,988</b>
Liabilities	37,058	5,675	3	11,379	5,797	7,579	1,349	<b>68,840</b>

12M 2022	Residential development		Commercial development		Headquarters		Total
	Estonia	Latvia	Estonia	Latvia	Estonia	Latvia	
Revenue	6,064	5,005	608	1,046	145	2	<b>12,870</b>
incl. revenue from rent	0	129	391	251	0	0	<b>771</b>
Operating profit/-loss	1,274	864	251	284	-1,594	-844	<b>235</b>
Assets	26,975	21,994	13,816	9,748	5,629	288	<b>78,450</b>
Liabilities	17,813	16,154	9,627	5,397	6,300	2,836	<b>58,127</b>

Q4 2023	Residential development			Commercial development		Headquarters		Total
	Estonia	Latvia	Canada	Estonia	Latvia	Estonia	Latvia	
in thousands of euros								
Revenue	2,867	1,928	0	182	95	15	0	5,087
incl. revenue from rent	27	16	0	151	95	0	0	289
Operating profit/-loss	426	-8	-13	151	48	-552	-324	-272
Assets	48,041	8,689	2,167	15,569	10,259	6,045	218	90,988
Liabilities	37,058	5,675	3	11,379	5,797	7,579	1,349	68,840

Q4 2022	Residential development		Commercial development		Headquarters		Total
	Estonia	Latvia	Estonia	Latvia	Estonia	Latvia	
in thousands of euros							
Revenue	5,980	708	253	298	8	1	7,248
incl. revenue from rent	0	21	139	163	0	0	323
Operating profit/-loss	1,293	27	202	78	-583	-263	754
Assets	26,975	21,994	13,816	9,748	5,629	288	78,450
Liabilities	17,813	16,154	9,627	5,397	6,300	2,836	58,127

## Note 20. 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	12M 2023	12M 2022	Q4 2023	Q4 2022
<b>Sales of goods and services</b>				
Associated companies	56	115	9	1
Management and all companies directly or indirectly owned by them	357	159	192	101
<b>Total sales of goods and services</b>	<b>413</b>	<b>274</b>	<b>205</b>	<b>102</b>
<b>Purchases of goods and services</b>				
Associated companies	0	46	0	46
Management and all companies directly or indirectly owned by them	34,090	25,707	8,056	6,680
<i>incl. construction service</i>	33,497	25,467	8,056	6,568
<b>Total purchases of goods and services</b>	<b>34,090</b>	<b>25,753</b>	<b>8,056</b>	<b>6,726</b>
<b>Interest income earned</b>				
Associated companies				
Interest earned	124	166	32	32
Interest received	0	313	0	2
Management and all companies directly or indirectly owned by them				
Interest earned	0	3	0	0
Interest received	0	3	0	0
<b>Total interest income earned</b>	<b>124</b>	<b>169</b>	<b>32</b>	<b>32</b>
<b>Interest expenses incurred</b>				
Associated companies				
Accrued interest	9	2	2	2
Management and all companies directly or indirectly owned by them				
Accrued interest	179	229	38	58
Interest paid	268	132	18	45
Conversion of interest liability into voluntary reserve	-10	0	-10	0

Balances and loan transactions with related parties:

in thousands of euros	31 December 2023	31 December 2022
<b>Receivables</b>		
<b>Loans granted (Note 4)</b>		
Associated companies		
Opening balance 01. January	1,766	2,587
Loans granted	0	0
Loans repaid	0	-821
Effective interest rate impact	-37	
Balance at the end of period	1,726	1,766
Management and all companies directly or indirectly owned by them		
Loans granted	0	176
Loan collected	0	-176
<b>Trade and other receivables</b>		
Management and all companies directly or indirectly owned by them	156	208
Associated companies	1	0
<b>Interest receivables</b>		
Associated companies	159	36
<b>Payables</b>		
<b>Prepayments from customers</b>		
Management and all companies directly or indirectly owned by	560	0
<b>Loans and borrowings (Note 5)</b>		
Associated companies		
Opening balance as at 01. January	423	0
Loans received	89	464
Loans repaid	0	-41
Reclassified as a Group loan	-512	
Balance at the end of period	0	423
Management and all companies directly or indirectly owned by them		
Opening balance as at 01. January	1,883	1,831
Loans received	1,000	80
Loans repaid	-1,500	-28
Balance at the end of period	1,383	1,883
<b>Trade payables</b>		
Management and all companies directly or indirectly owned by them	2,960	1,762
<b>Interest payables</b>		
Associated companies	0	2
Management and all companies directly or indirectly owned by them	68	167

## 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. 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, 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.

**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 twelve months of 2023 was 69 thousand euros. As of 31.12.2023, 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 IV quarter and twelve months of 2023, 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, 13 February 2024