

# hepsor



*Manufakturi 7, Tallinn*

## 2022 IV quarter and 12 months consolidated unaudited interim report

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Reporting period:	01 January 2022-31 December 2022
Financial year:	01 January 2022-31 December 2022
Supervisory Board:	Andres Pärloja, Kristjan Mitt, Lauri Meidla
Management Board:	Henri Laks
Auditor:	Grant Thornton Baltic OÜ

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

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# Management Report

## UNAUDITED REVENUES AND NET PROFIT FOR 2022



## REVENUE AND NET PROFIT FORECAST FOR 2023



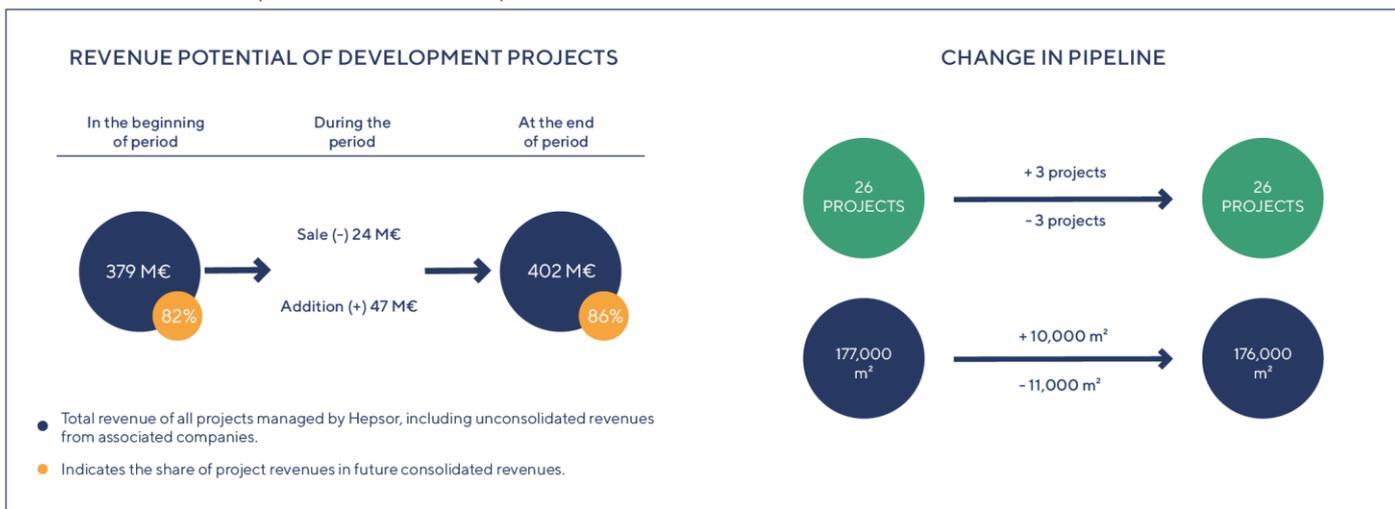
## NEW ACQUIRED DEVELOPMENT PROJECTS (31.12.2021 VS 31.01.2023)

	New development volume, m <sup>2</sup>	New revenues, m€	Included in consolidated revenues	Profit share
Hepsor JG SIA, Riga	2,458	5.5	yes	80%
Hepsor Phoenix 4 OÜ, Tallinn	3,300	9.0	yes	50%
Hepsor N57 OÜ, Tallinn	1,482	6.0	yes	100%
Hepsor A1 OÜ, Tallinn	2,370	5.5	yes	100%

## ASSUMPTIONS FOR 2023 FORECAST

Project	Assumption
Ulbroskas 30 stock-office	Sold during financial year 2023.
Paevāja Courtyard Houses	All 96 apartments sold.
Strelnieku 4B	All 54 apartments sold.
Grüne office building	Measured at fair value using DCF method. The Group earns rental income from the development project.
Ganibu Dambis	Rental income earned during the development of the project.
Kuldigas Parks	All 116 apartments sold.
Mārupes Dārzs	All 92 apartments sold.
Büroo 113	The Group earns financial income with the equity method of accounting from associated company.

## LONG TERM OUTLOOK (31.12.2021 VS 31.01.2023)



## DEVELOPMENT PROJECTS FOR SALE AND UNDER CONSTRUCTION (31.01.2023)

PROJECT	Total number of apartments	Apartments sold*	Apartments sold %	Apartments available	COMMERCIAL DEVELOPMENT PROJECTS IN PROGRESS	Total rentable area m <sup>2</sup>	Occupancy m <sup>2</sup>	Occupancy m <sup>2</sup>
Strelnieku 4b, Latvia	54	36	67%	18	Ulbroskas 30 stock-office, Latvia	3,645	3,645	100%
Paevāja Courtyard Houses	96	78	81%	18	Büroo113 office building	4,002	4,002	100%
Kuldigas Parks, Latvia	116	103	89%	13	Grüne office building	3,430	3,430	100%
Marupes Darzs, Latvia	92	75	82%	17	<b>Total</b>	<b>11,077</b>	<b>11,077</b>	<b>100%</b>
Ojakalda Homes	101	28	28%	73	<b>DEVELOPMENT PROJECTS UNDER CONSTRUCTION</b>			
Lilleküla Homes	26	5	19%	21	<b>Started in 2022</b>	<b>Total under construction</b>		<b>To be started in 2023</b>
Nameja Rezidence**	38	6	16%	32	219 apartments	335 apartments	480 apartments	
Manufaktuuri 7**	154	18	12%	136	0 m <sup>2</sup> commercial area	3,430 m <sup>2</sup> commercial area	15,827 m <sup>2</sup> commercial area	
<b>Total</b>	<b>677</b>	<b>349</b>	<b>52%</b>	<b>328</b>				

\*Number of sold apartments includes paid bookings, contracts under law of obligation and real right contracts.  
\*\*Construction contract currently in process

The consolidated sales revenue of Hepsor for the 2022 financial year amounted to 12.9 million euros (including 7.2 million euros in Q4 2022) and the net profit was 1.3 million euros (including a net profit of 1.5 million euros in Q4 2022).

The Group's revenues and profitability are directly dependent on the project development cycle, which is approximately 24 to 36 months. Sales revenue is only generated 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. To assess the overall sustainability and economic results of a real estate development company, the portfolio of the company's development projects and three-year average financial results are better criteria for assessing the group's performance.

In 2022, the Group completed three residential and three commercial property projects. The sales revenue for the financial year has been mainly generated from the sale of completed residential development projects. As of the end of 2022, we have handed over 45 apartments to home buyers in Latvia, including 26 apartments in the 4b Strēlnieku, 18 apartments in the 9 Baložu and 1 apartment in the 24 Āgenskalna development projects, and 40 apartments in the Paevälja Hoovimajade development project in Estonia. The sale of 76 apartments and 1,487 sqm of commercial space in the Priisle Kodu development project is not reflected in the Group's sales revenue as the result of the project is recorded using equity method of accounting. In total, we handed over 161 new homes to home buyers in Estonia and Latvia in 2022.

At the end of the year, we handed over the Büroo113 commercial to a modern clinic using an innovative concept. This is the first time that green solutions (geothermal heating and cooling, rainwater use, energy-efficient architecture, excellent indoor climate, solar energy, etc.) have been applied in a city centre high-rise. In Riga, a stock office type commercial building was completed at 30 Ulbrokas 3,645 sqm of which are fully covered with lease agreements.

In Q3 2022, we adjusted the 2022-2024 performance forecasts due to the changes in the economic environment, a decrease in real estate transaction activity and the extension of time needed for the preparation of development projects. When adjusting the forecast for 2022, we assumed that Hepsor would not sell any of the three commercial buildings under construction (Büroo113, Grüne Maja, 30 Ulbrokas) and that by the end of 2022, 34 apartments in the 4b Strēlnieku development project and 48 apartments in the Paevälja Hoovimajad development project would have been sold. As the conclusion of real right contracts for Paevälja Hoovimajad started in December 2022, we were able to conclude 40 real right contracts by the end of the year. As of 31 January 2023, real right contracts had already been concluded for 49 apartments in the Paevälja Hoovimaja development project and therefore the sales revenue for some apartments will be recorded in Q1 2023. In the 4b Strēlnieku development project, we have sold 36 apartments as of the end of 2022, which is two apartments more than forecast. Due to aforementioned reasons, the Group sales revenue and profit are 1.1 million euros and 0.3 million euros lower than forecast, respectively, mainly due to the postponement of the sale of eight apartments in Paevälja Hoovimajade until 2023.

Hepsor has four residential development projects under construction in Estonia and Latvia, with a total of 335 new apartments. As of 31 January 2023, contracts under the law of obligations and reservation agreements have been signed for 75 apartments (82%) in the Mārupes Dārzs development project (92 apartments) near Riga. In the Kuldīgas Parks (116 apartments) project in Riga, contracts have been signed for 103 apartments (89%). Both projects will be completed in Q2 2023. In Estonia, we have completed the construction of the Paevälja Hoovimajad development project, which includes two apartment buildings with a total of 96 apartments. The first phase of the project with 48 apartments was completed at the end of 2022 and the second phase in Q1 2023. As of 31 January 2023, real right contracts have been signed for 49 apartments (51%) and contracts under the law of obligations for 28 apartments (29%). The signing of real right contracts will continue also after the submission of this report, and the respective sales revenue will be reflected in the Group's financial results for Q1 2023. We started with new development projects, including the construction of Ojakalda Kodud with 101 new spacious family apartments (contracts under the law of obligations have been concluded for 28 apartments, or 28% of the total) in Q3 2022, and the construction of the Lilleküla Kodud development project with 26 apartments in Q4 2023.

In Q1 2023, we will start the construction of 171 apartments in the Manufaktuuri Quarter in Tallinn and 38 apartments in the Nameja Residence development project in Riga. Both projects are already available for sale and several contracts under the law of obligations as well as reservation agreements have been signed.

The commercial real estate development project, Grüne Maja is being completed in Tallinn following a green concept. The office building is largely in active use and the last tenants are expected to move to the new premises in Q2 2023 at the latest.

In total, we added approximately 156 apartments to our development portfolio in 2022, including 40 in Riga and 131 in Tallinn. Approximately 60 new apartments will be built on the 12 Manufaktuuri property in the Manufaktuuri Quarter together with our long-term cooperation partner Tolaram Grupp. We started the construction of the Lilleküla Kodud development project with 26 apartments already in December 2022. Up to 45 new homes can be built on the properties purchased at 1a Alvari and 5 Alvari. In Latvia, a property was added on Jūrmala Gatve, where we are planning to build an energy class A three-storey residential building with 40 new homes.

Recent years have been turbulent in the real estate sector. Demand for real estate has moved from uncertainty due to Covid-19 in 2020 to record high sales in late 2021. In the past year, the real estate market in Hepsor's home markets in Estonia and Latvia was affected by the Russo-Ukrainian war, skyrocketing energy prices and inflation, and rising interest costs. However, the decline in consumer confidence, which reached its historical low in the autumn of 2022, shows a moderate improvement trend since then.

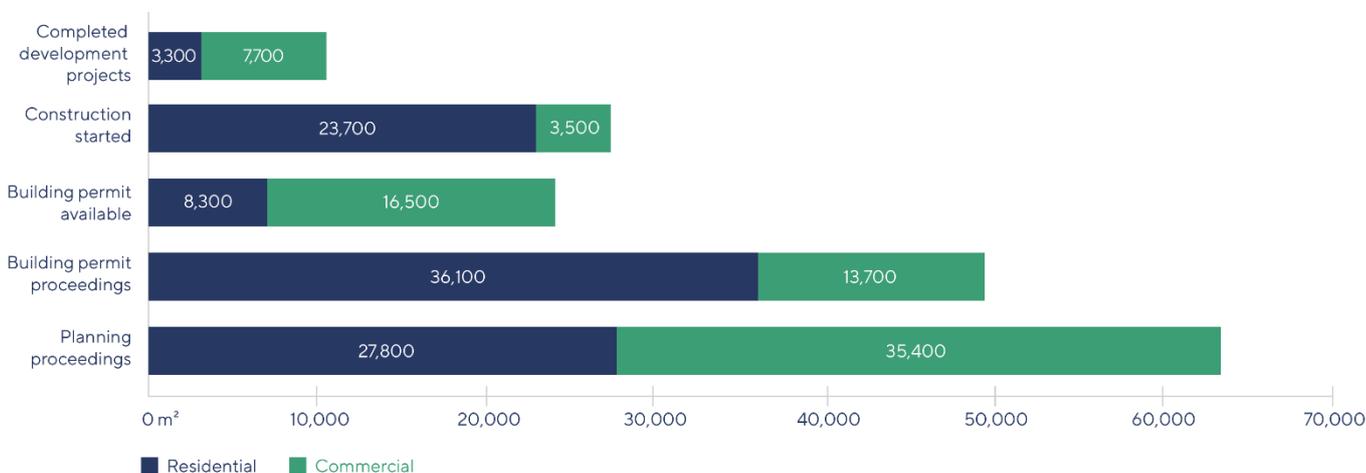
The sales revenue of Hepsor for the first month of 2023 reflects the previously mentioned trend. In Latvia, in the first month of 2023, we have already sold approximately 30 apartments (the Mārupes Dārzs and Kuldīgas Parks development projects) and have signed an almost equal amount of reservation agreements and contracts under the law of obligations with customers in Estonia (Lilleküla Kodud, 7 Manufaktuuri and Ojakalda Kodud). Hepsor's management is highly satisfied with the result. Customers do not currently make quick purchase decisions, but interest in our projects is high, which makes us moderately optimistic, and we can continue with existing and new projects. We believe that the rather favourable construction prices in the current and coming quarters are worth using to facilitate development projects. When monitoring the interest level among Hepsor's customers in new development projects, we feel that there is moderate space for a drop in the prices of new developments or for price negotiations initiated by customers.

# Overview of the Development Projects

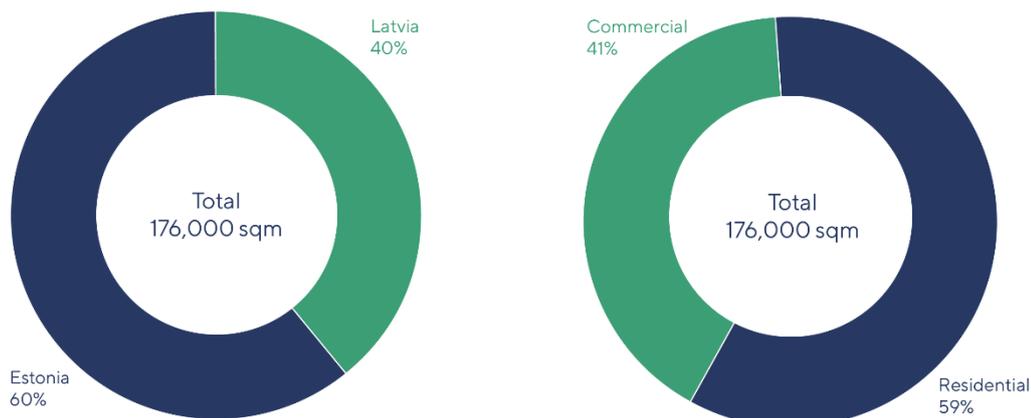
As of 31 December 2022, the Group had 26 active projects in different development phases (31 December 2021: 26 projects) and 176,000 sqm of sellable area (31 December 2021: 177,000 sqm).

In 2022, the Group acquired approximately 10,000 sqm of sellable area of which 27% is in Latvia.

## Distribution of development portfolio between different development phases (as of 31 January 2023):



## Distribution of development portfolio between countries and type (as of 31 January 2023):



## Completed development projects (as of 31 January 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  
 Estimated completion: I phase Q4 2022  
 II phase Q1 2023  
 Website: [hepsor.ee/paevolja/en](https://hepsor.ee/paevolja/en)



Project: StockOffice U30  
 Hepsor U30 SIA  
 Address: Ulbrokas 30, Riga  
 Leasable area: 3,645 m<sup>2</sup>  
 Occupancy: 100%  
 Project completed: Q3 2022  
 Website: [hepsor.lv/stokofissu30/en/](https://hepsor.lv/stokofissu30/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/)



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



Project: Kuldigas Parks  
Kvarta SIA

Address: 2a Gregora iela, Riga

Apartments: 116

Start of construction: Q4 2021

Estimated completion: Q2 2023

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



Project: Mārupes Dārzs  
Hepsor Mārupe SIA

Address: 45 Liela, Mārupe, Riga area

Apartments: 92

Start of construction: Q2 2022

Estimated completion: Q2 2023

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



Project: Ojakalda Kodud  
Hepsor 3TORNI OÜ

Address: 227c Paldiski road, Tallinn

Apartments: 101

Start of construction: Q3 2022

Estimated completion: Q2 2024

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



Project: Lilleküla Kodud  
Hepsor N57 OÜ

Address: Nõmme tee 57, Tallinn

Apartments: 26

Est. start of construction: Q4 2022

Estimated completion: Q1 2024

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



## Commercial development projects under construction (as of 31 January 2023):



Project: Grüne Büro  
Hepsor M14 OÜ

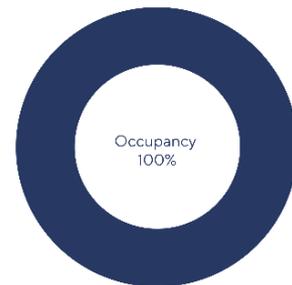
Address: 14 Meistri, Tallinn

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

Start of construction: Q4 2020

Estimated completion: 2022-Q2 2023

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



## Development projects the construction of which starts in 2023 (as of 31 January 2023):



Project: Manufaktuuri Quarter  
Hepsor Phoenix 2 OÜ

Address: 7 Manufaktuuri, Tallinn

Apartments: 154

Est. start of construction: Q1 2023

Estimated completion: Q4 2024

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



Project: Nameja Residence  
Hepsor RD5 SIA

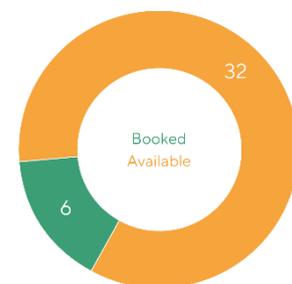
Address: 5 Ranka Dambis, Riga

Apartments: 38

Est. start of construction: Q1 2023

Estimated completion: Q1 2024

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



Project: StockOffice U34  
Hepsor U34 SIA

Address: 34 Ulbrokas, Riga

Leasable area: 8 526 m<sup>2</sup>

Est. start of construction: Q2 2023

Estimated completion: 2024



Project: Hepsor JG SIA

Address: Jurmalas Gatve/Imanta 8. linija,  
Riga

Apartments: 40

Est. start of construction: Q4 2023

Estimated completion: Q4 2024

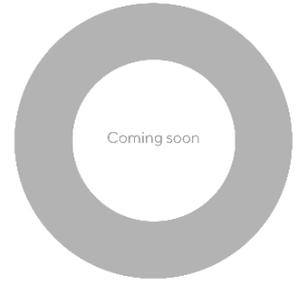




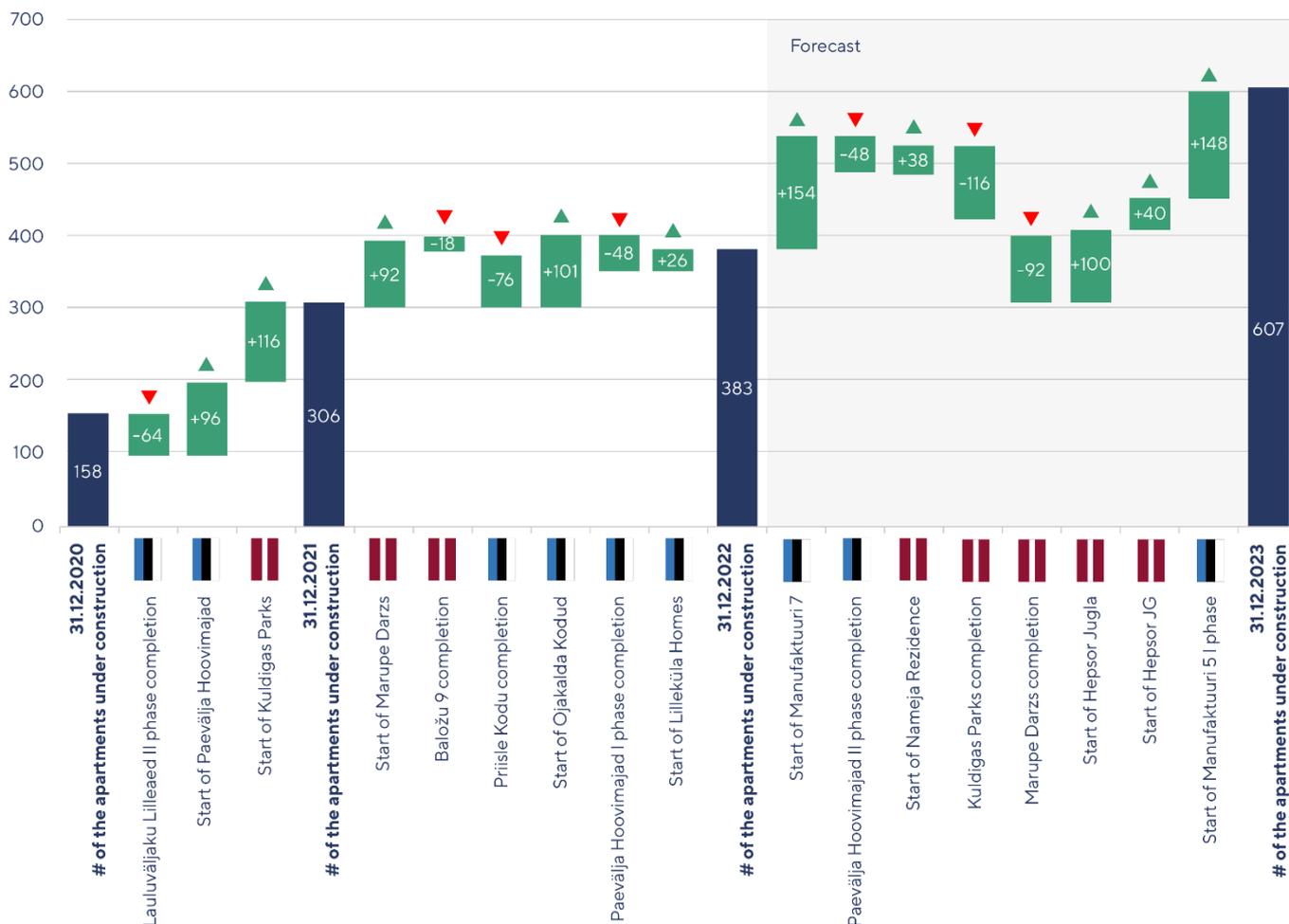
Project: Hepsor Jugla SIA  
Address: 23 Braila, Riga  
Apartments: 100  
Est. start of construction: Q2 2023  
Estimated completion: Q3 2024



Project: Manufaktuuri 5  
Hepsor Phoenix 3 OÜ  
Address: 5 Manufaktuuri, Tallinn  
Apartments: 148  
Est. start of construction: Q3 2023  
Estimated completion: 2025-2026



## Under construction and completed apartments, 2021 – 2023:



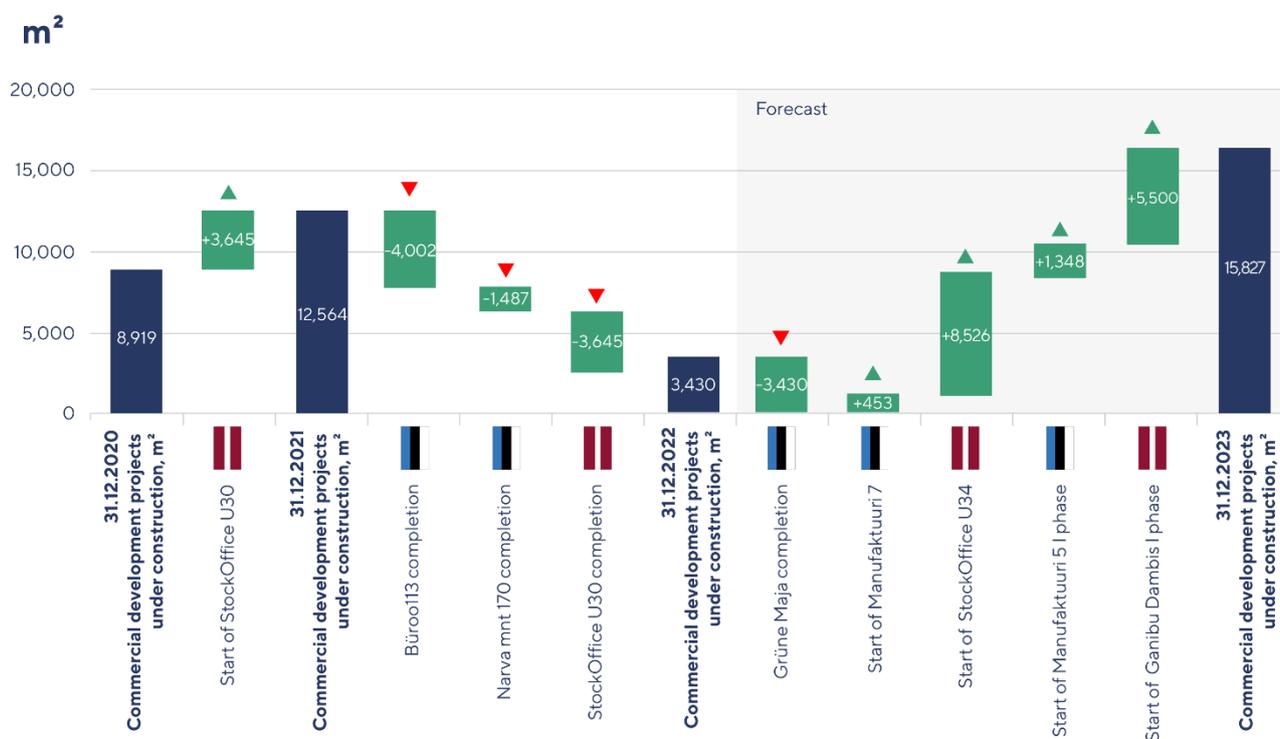
## Residential development projects under construction and available for sale (as of 31 January 2023):

Project name	Number of apartments	Number of apartments sold*	Share of apartments sold %	Number of unsold apartments	Share of unsold apartments %	Estimated completion
Strēlnieku 4b, Latvia	54	36	67%	18	33%	2020
Paevälja Hoovimajad	96	78	81%	18	19%	I phase Q4 2022 II phase Q1 2023
Kuldigas Park, Latvia	116	103	89%	13	11%	Q2 2023
Mārupes Dārzs, Latvia	92	75	82%	17	18%	Q2 2023
Ojakalda Kodud	101	28	28%	73	72%	Q2 2024
Lilleküla Kodud	26	5	19%	21	81%	Q1 2024
Manufaktuuri 7**	154	18	12%	136	88%	Q4 2024
Nameja Residence**	38	6	16%	32	84%	Q2 2024
<b>Total</b>	<b>677</b>	<b>349</b>	<b>52%</b>	<b>328</b>	<b>48%</b>	

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

\*\*Construction agreement in signing

## Commercial development projects under construction:



In 2023, the Group plans to start the development of two new commercial properties in Latvia (14,026 sqm) and the construction of Manufaktuuri 7 and the first phase in Manufaktuuri 5 commercial property development (1,801 sqm).

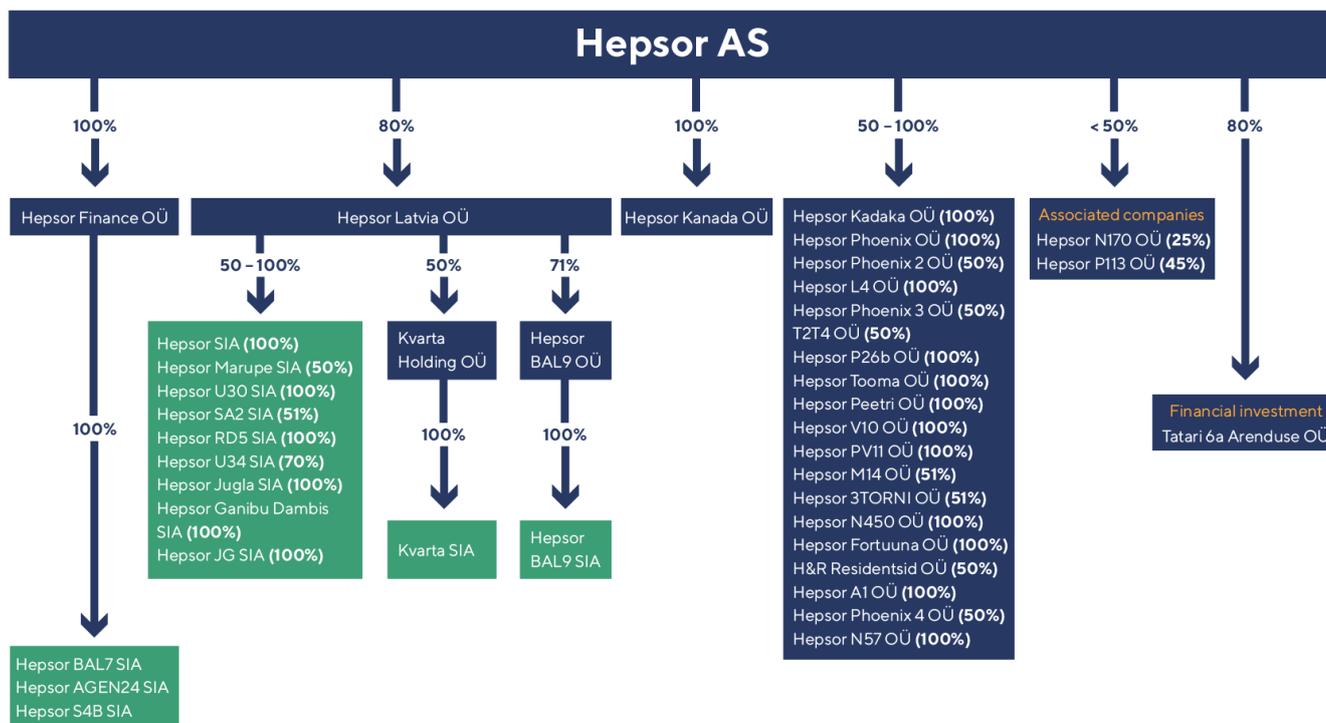
## Occupancy of commercial development projects (as of 31 January 2022):

Project name	Rentable area sqm	Occupancy sqm	Occupancy %
Ulbokras 30 stock-office, Latvia	3,645	3,645	100
Büro113	4,002	4,002	100
Grüne Office	3,430	3,430	100
<b>Total</b>	<b>11,077</b>	<b>11,077</b>	<b>100</b>

In addition to the commercial property developed by the Group, the Group rents out commercial premises in Riga and Tallinn.

## Group Structure

As of 31 December 2022, the Group was comprised of parent company, 38 subsidiaries and 2 associated companies (31 December 2021: parent company, 30 subsidiaries, 2 associated companies). Tatari 6a Arenduse OÜ is reported as financial investment.



In 2022, the following changes took place in the structure of the Group:

- ✓ On 12 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.
- ✓ On 20 January 2022, Hepsor Latvia OÜ established Hepsor Ganibu Dambis SIA, a subsidiary that is developing a commercial property project in Riga.
- ✓ On 10 February 2022, Hepsor Latvia OÜ sold its 50% shareholding in Hepsor Marupe SIA to the co-owners in accordance with the shareholders' agreement. Hepsor Marupe SIA is developing a project with 92 apartments in Marupe, Latvia, near the Riga city boundary.
- ✓ 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%. The development projects of these entities ended in 2021.
- ✓ On 8 July 2022, Hepsor Latvia OÜ established Hepsor JG SIA, a subsidiary that will develop a three-story A energy class residential building with 40 apartments at Jurmala Gatve street, Imanta district, Riga.
- ✓ On 24 August 2022, Hepsor AS established Hepsor Phoenix 4 OÜ, a subsidiary where the Group holds a 50% stake. Hepsor Phoenix 4 OÜ acquired a property in Manufaktuuri Quarter to develop approximately 60 new apartments with its long-term cooperation partner Tolaram Grupp.
- ✓ On 8 September 2022, Hepsor AS established Hepsor N57 OÜ to develop a residential building with 26 apartments on the property at Nõmme tee 57 in Tallinn.
- ✓ On 18 November 2022, Hepsor AS established a subsidiary Hepsor Kanada OÜ to start the process of establishing a subsidiary in Canada.

# Main Events

- ✓ Hepsor U30 SIA signed a loan agreement with Bigbank AS Latvian affiliate on 14 January 2022 in the amount of 2.65 million euros to finance the construction of stock-office in Riga, Ulbrokas 30. Total leasable area of 3,645 sqm is fully covered with lease agreements.
- ✓ Kvarsta SIA signed a 7.5 million euro loan agreement with Bigbank AS Latvian affiliate on 1 February 2022. The purpose of the three-year loan is to finance the construction of Kuldigas Parks project in Riga, Gregora 2a comprised of two buildings with 116 apartments.
- ✓ Hepsor Latvia OÜ, a subsidiary of Hepsor AS, signed a real right contract and acquired a property of 30,624 sqm in 17A Ganību Dambis, City of Riga on 13 June 2022. The contract under law of obligations was signed on 28 December 2021. The property has 13 buildings of different commercial functionality and approximately 70% of its total area of 11,564 sqm is covered by lease agreements. The price of the transaction was 3,6 million euros.
- ✓ Hepsor Mārupe SIA, a subsidiary of Hepsor AS in Latvia, signed 7-million-euro loan agreement with Bigbank AS Latvian affiliate on 17 June 2022. The purpose of the three-year loan is to finance the construction of development project in Mārupe, Riga area. The construction agreement for the construction of four buildings with 92 A energy class apartments was signed with SIA Mitt&Perlebach on 5 April 2022. The value of construction agreement is approximately 8.1 million euros excluding value added tax.
- ✓ Hepsor 3TORNI OÜ, Hepsor AS group company, signed the 13.9 million euro loan agreement with LHV Pank AS on 15 July 2022. The purpose of the three-year loan is to finance the construction of Ojakalda development project, a three-tower residential building on the border of Tallinn and Harku with 101 spacious family apartments. The construction agreement of approximately 14.1 million euros excluding value added tax was signed with Mitt&Perlebach OÜ on 25 August 2022.
- ✓ Hepsor A1 OÜ, a subsidiary of Hepsor AS, acquired two properties at Alvari 1a and Alvari 5, Tallinn on 2 August 2022. The acquired properties will be an addition to Hepsor's existing development area (Narva Road 150, 150a, 150b, Alvari 1, Lageloo 7, Paevälja avenue 5, 7, 9 and 11). Based on the undertaken planning proceedings, a commercial and residential building for a maximum of 45 apartments can be built on the property with approximate sellable area of 2,370 sqm.
- ✓ Hepsor JG SIA, a subsidiary of Hepsor AS, signed a sale-purchase agreement on 1 September 2022, for acquiring a property in Jurmala Gatve Street, Imanta district, Riga. The property will accommodate a three-storey A-energy class residential building with 40 apartments and sellable area of approximately 2,500 sqm.
- ✓ On 7 September 2022, a subsidiary of Hepsor AS signed the sale-purchase agreement for acquiring the Manufaktuuri 12 property in the Manufaktuuri Quarter, Tallinn. In total, approximately 60 new apartments, developed together with the Tolaram Group, a long-term cooperation partner, will be built on the property.
- ✓ On 15 November 2022, Hepsor N170 OÜ, an associated company of Hepsor AS, and Priisle 1 OÜ signed a sale-purchase contract under law of obligations for the sale of approximately 1,500 sqm of commercial space at Priisle 1a, the real right contract of which was signed on 15 December 2021. The transaction cost is approximately 2.7 million euros.
- ✓ On 18 November 2022, Hepsors AS established a new subsidiary Hepsors Kanda OÜ to start the process of establishing a subsidiary in Canada. The new entity will hold a share in the Canadian subsidiary. Operations at the Montreal headquarters will most likely be launched between March and April 2023. The objectives for the first nine months are to get to know the local market, build a network of partners and identify suitable niches for Hepsor. The first investments such as land acquisitions are expected to be made in the first half of 2024.
- ✓ Hepsor N57 OÜ, Hepsor AS group company, and Mitt&Perlebach OÜ signed a construction agreement for the construction of Lilleküla Kodud development project in Kristiine, a highly valued district in Tallinn, on 22 December 2022. The value of construction agreement is approximately 3.4 million euros excluding value added tax. Hepsor N57 OÜ acquired the property on 19 August 2022.

## Projects completed in 2022:



Project: Baložu 9  
Hepsor BAL9 SIA

Address: Baložu 9, Riga

Apartments: 18

Project completed: Q2 2022

Profit share: 56%

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Project: Āgenskalna 24  
Hepsor AGEN24 SIA

Address: Āgenskalna 24, Riga

Apartments: 28

Project completed: Q2 2022

Profit share: 100%

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Project: Priisle Kodu (commercial space)  
Hepsor N170 OÜ

Address: Priisle 1a, Tallinn

Leasable area: 1,487 m<sup>2</sup>

Project completed: Q3 2022

Profit share: 25%

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Project: Priisle Kodu  
Hepsor N170 OÜ

Address: Priisle 1a, Tallinn

Apartments: 76

Project completed: Q3 2022

Profit share: 25%

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**New development potential acquired in 2022 (as of 31 January 2022):**

Name of SPV	Project address	Acquisition date	Location	Development type	Profit share %	Planned sqm	Planned # of apartments
Hepsor JG SIA	Jurmalas Gatve/Imanta 8. linija, Riga	Q3 2021	Latvia	Residential	80%	2,458	40
Hepsor Phoenix 4 OÜ	Manufaktuuri Quarter, Tallinn	Q3 2022	Estonia	Residential	50%	3,300	60
Hepsor N57 OÜ	Nõmme tee 57, Tallinn	Q3 2022	Estonia	Residential	100%	1,482	26
Hepsor A1 OÜ	Alvari 1, Tallinn Alvari 5, Tallinn	Q3 2022	Estonia	Residential	100%	2,370	45
<b>Total</b>						<b>9,610</b>	<b>171</b>

# Employees

As of 31 December 2022, the Group employed 25 (31 December 2021: 16) people including members of Management and Supervisory Board, including 13 in Estonia (31 December 2021: 9) and 12 in Latvia (31 December 2021: 7).

Total labour cost for the reporting period amounted to 1,530 thousand euros (2021: 703 thousand euros). Gross fees paid to the members of Management and Supervisory Boards amounted to 325 thousand euros (2021: 128 thousand euros).

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

# Operating Results

## Sales revenues

The Group's sales revenue in Q4 2022 was 7.2 million euros (compared with 8.0 million euros in Q4 2021), of which 1.0 million euros (Q4 2021: 0.9 million euros) or 14% (Q4 2021: 12%) was earned from Latvia.

The Group's sales revenue in 2022 was 12.9 million euros (2021: 15.0 million euros) including 6.1 million euros (2021: 1.7 million euros) from Latvia. Revenue from Latvian operations accounted for 47% of Group's revenue (2021: 11%).

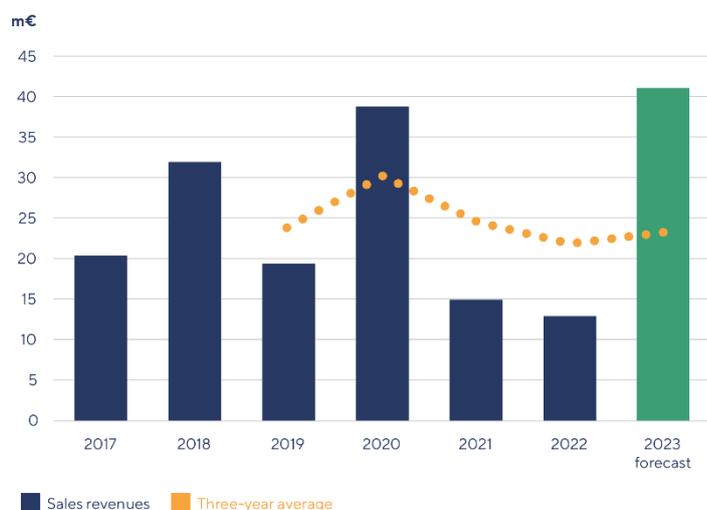
In 2022 the Group had 4b Strēlnieku development project available for sale in Riga and Paevälja Hoovimajad in Tallinn. In 2022, the Group sold a total of 85 apartments:

- ✓ Total of 45 apartments in Latvia including 26 apartments in 4b Strēlnieku, 18 apartments in 9 Baložu and 1 apartment in 24 Āgenskalna development project.
- ✓ Total of 40 apartments in Paevälja Hoovimajad development project.

As of 31 December 2022, the Group had 26 apartments available for sale (31 December 2021: 45) including 18 in 4b Strēlnieku development project in Riga and 8 apartments in Paevälja Hoovimajad development project in Tallinn.

In addition to sale of apartments, the Group also executes project management services to subsidiaries and associated companies and generates rental income. In total, other sales revenue amounted to 918 thousand euros, or 7% of the Group's total sales revenue in 2022 (2021: 545 thousand euros, or 4%). The increase in rental income was mainly generated from the renting out commercial premises in Grüne Maja (Tallinn), StockOffice U30 (Riga) and Ganibu Dambis (Riga) commercial properties.

### Group revenues:



## Profitability

The Group's operating profit for Q4 2022 amounted to 754 thousand euros (Q4 2021: 1.5 million euros). The Group's net profit for the Q4 2022 amounted to 1.5 million euros (Q4 2021: 1.6 million euros), of which the net profit attributable to the owners of the parent amounted to 1.2 million euros (Q4 2021: 0.2 million euros), while the net loss to non-controlling interest was 77 thousand euros (Q4 2021: net profit of 1.4 million euros).

### Net profit attributable to the owners of parent:



In 2022 the Group's operating profit was 0.2 million euros (2021: 1.9 million euros). The Group's net profit for 2022 amounted to 1.3 million euros (2021: 1.7 million euros), of which the net profit attributable to the owners of the parent amounted to 1.4 million euros (2021: net loss of 22 thousand euros), while the net loss to non-controlling interest was 65 thousand euros (2021: net profit 1.8 million euros).

During the reporting period, the operating expenses of the Group have increased primarily due to the increase in marketing expenses arising from establishing its own sales team and an increased focus on marketing activities.

In 2022, the Group sold 76 apartments and a commercial space in Priisle Kodu development project the income of which is reported using equity method of accounting as financial income.

## Balance Sheet

Total assets of the Group amounted to 78.4 million euros as of 31 December 2022 (31 December 2021: 55.3 million euros), which is 41.7% higher than at the end of the previous financial year. Inventories accounted for 88.9% or 69.7 million euros of total assets (31 December 2021: 67.3% and 37.2 million euros). As of 31 December 2022, cash and cash equivalents accounted for 4.8% or 3.8 million euros of the total assets. As at 31 December 2021, cash and cash equivalents accounted for 19.7% or 10.9 million euros of total assets including 9.5 million euros raised with initial public offering in November 2021.

The Group's loan obligations totalled to 48.9 million euros as of 31 December 2022, compared to 28.4 million euros as of 31 December 2021. The Group's equity increased by 6.7% over the year to 20.3 million euros. Equity attributable to the owners of the parent increased by 5.4% to EUR 20.0 million.

### Balance sheet structure



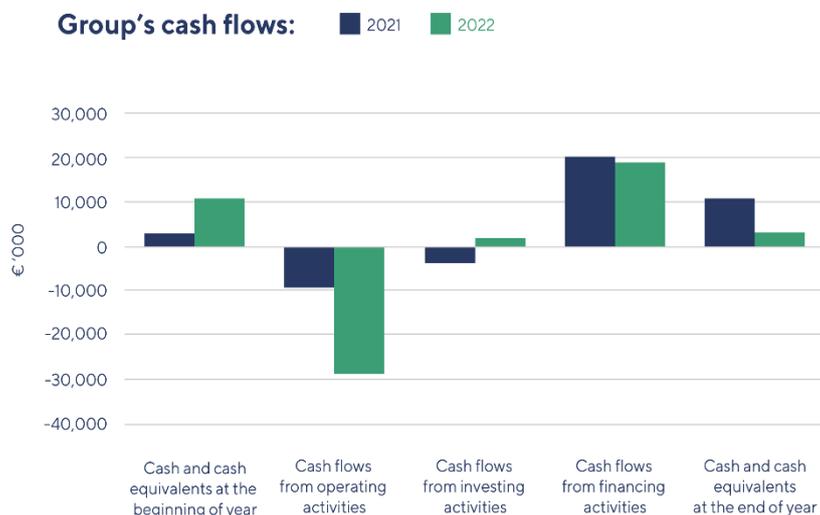
## Cash Flows

The Group's cash and cash equivalents amounted to 10.9 million euros at the beginning of 2022 (2021: 4.2 million euros) and to 3.8 million euros as of 31 December 2022. The negative cash flow for the period was 7.4 million euros (2021: 6.7 million euros).

Cash flow from operating activities for 2022 was negative at 28.2 million euros (2021: 9.2 million euros). Cash flow from operating activities was mostly affected by the growth in the portfolio of development projects, due to the increase in inventories the negative cash flow as of 31 December 2022 was 30.6 million euros (2021: 12.8 million euros).

Cash flow from investments was positive at 2.4 million euros as of 31 December 2022 (2021: negative at 4.3 million euros). The largest impact was from repayment of loans granted, the balance of which decreased by 2.1 million euros. In 2021, the group granted loans in the total amount of 4.4 million euros.

Cash flow from financing activities was positive at 18.5 million euros (2021: 10.2 million euros). In 2022, the Group received more loans than it repaid. The net amount of loans received in nine months 2022 was 20,2 million euros (2021: 12.2 million euros).



## Key financials

in thousands of euros	Q4 2022	Q4 2021	Change	2022	2021	Change
Revenue	7,248	8,015	-10%	12,870	14,961	-14%
Gross profit/-loss	1,252	1,904	-34%	1,774	3,059	-42%
EBITDA	798	1,505	-47%	384	2,037	-81%
Operating profit/-loss	749	1,466	-49%	230	1,880	-88%
Net profit/-loss	1,460	1,551	-6%	1,331	1,733	-23%
Incl net profit/-loss attributable to the owners of parent	1,537	153	905%	1,396	-22	6,445%
Comprehensive income/-loss	1,291	162	697%	1,315	-12	11,058%
Incl comprehensive profit/-loss attributable to the owners of parent	1,408	153	820%	1,033	46	2,146%
Total assets	78,450	55,345	42%	78,450	55,345	42%
Incl inventories	69,760	37,237	87%	69,760	37,237	87%
Total liabilities	58,127	36,308	60%	58,127	36,308	60%
Incl total loan commitments	48,580	28,363	71%	48,580	28,363	71%
Total equity	20,323	19,037	7%	20,323	19,037	7%
Incl equity attributable to the owners of parent	19,937	18,904	5%	19,937	18,904	5%

## Key Ratios

	Q4 2022	Q4 2021	2022	2021
Gross profit margin	17.3%	23.8%	13.8%	20.4%
Operating profit margin	10.4%	18.3%	1.8%	12.6%
EBITDA margin	11.0%	18.8%	3.0%	13.6%
Net profit margin	20.1%	19.4%	10.3%	11.6%
General expense ratio	6.9%	5.8%	12.0%	8.1%
Equity ratio	25.9%	34.4%	25.9%	34.4%
Debt ratio	62.2%	51.6%	62.2%	51.6%
Current ratio	2.5	4.2	2.5	4.2
Return of equity	8.9%	18.2%	8.9%	18.2%
Return on equity attributable to the owners of the parent	9.5%	-0.2%	9.5%	-0.2%
Return on assets	2.0%	4.0%	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 2022, Hepsor AS had 11,628 (31 December 2021: 14,407) 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>

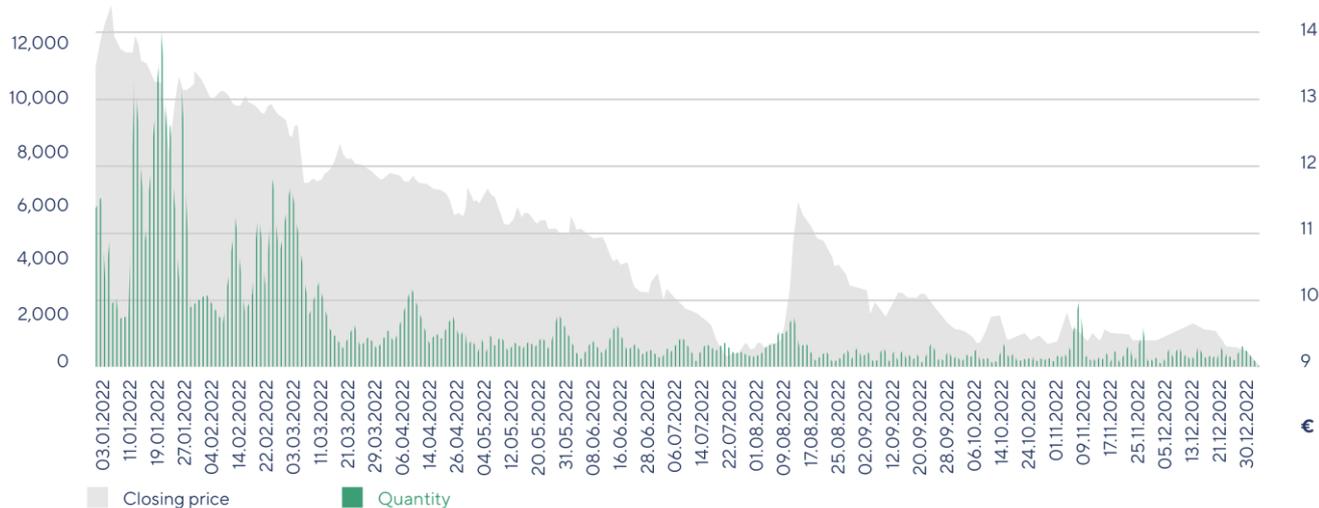
Shareholder structure by number of shares held as of 31 December 2022:

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
100 001-...	5	0.04%	3,000,000	77.83%
10 001-100 000	8	0.07%	214,826	5.57%
1001 -10 000	51	0.44%	154,142	4.00%
101-1000	784	6.74%	202,167	5.24%
1-100	10,780	92.71%	283,566	7.36%
<b>Total</b>	<b>11,628</b>	<b>100.00%</b>	<b>3,854,701</b>	<b>100.00%</b>

Between 1 January 2022 and 31 December 2022, a total of 15,817 transactions were conducted with the shares of Hepsor AS with 297,239 shares in the total amount of 3.6 million euros. The highest price for the period was 14.4 euros and the lowest price 9.1 euros. The opening price was 13.5 euros and closing price 9.1 euros. As of 31 December 2022, the market capitalization of Hepsor AS was 35 million euros and the Group's equity amounted to 19 million euros.

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

## Trading volume and price range of Hepsor AS shares, January - December 2022:



Source: Nasdaq Baltic

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



INDEX / EQUITY	OPENING VALUE	CLOSING VALUE	CHANGE %
OMX Tallinn_GI	2001.03	1766.73	-11.71
HPRIT - Hepsor	13.5	9.1	-32.59

Source: Nasdaq Baltic

# Consolidated Financial Statements

## Consolidated statement of financial position

in thousands of euros	Note	31 Dec 2022	31 Dec 2021
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,754	10,889
Trade and other receivables	3	1,731	652
Current loan receivables	4	0	2,388
Inventories	2	69,760	37,237
<b>Total current assets</b>		<b>75,245</b>	<b>51,166</b>
<b>Non-current assets</b>			
Property, plant and equipment		314	229
Intangible assets		7	0
Financial investments		2	402
Investments in associates	12.1	1,086	0
Non-current loan receivables	4	1,766	3,408
Other non-current receivables		30	140
<b>Total non-current assets</b>		<b>3,205</b>	<b>4,179</b>
<b>Total assets</b>	16	<b>78,450</b>	<b>55,345</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Loans and borrowings	5	22,565	5,501
Current lease liabilities		127	123
Prepayments from customers		3,054	1,164
Trade and other payables	6	4,008	5,539
<b>Total current liabilities</b>		<b>29,754</b>	<b>12,327</b>
<b>Non-current liabilities</b>			
Loans and borrowings	5	26,015	22,862
Non-current lease liabilities		68	66
Other non-current liabilities	7	2,290	1,053
<b>Total non-current liabilities</b>		<b>28,373</b>	<b>23,981</b>
<b>Total liabilities</b>	16	<b>58,127</b>	<b>36,308</b>
<b>Equity</b>			
Share capital		3,855	3,855
Share premium		8,917	8,917
Retained earnings		7,551	6,265
<b>Total equity</b>		<b>20,323</b>	<b>19,037</b>
incl. total equity attributable to owners of the parent		19,937	18,904
incl. non-controlling interest		386	133
<b>Total liabilities and equity</b>		<b>78,450</b>	<b>55,345</b>

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

in thousands of euros	Note	2022	2021	Q4 2022	Q4 2021 adjusted
Revenue	9,16	12,870	14,961	7,248	8,015
Cost of sales (-)	10	-11,096	-11,902	-5,996	-6,111
<b>Gross profit</b>		<b>1,774</b>	<b>3,059</b>	<b>1,252</b>	<b>1,904</b>
Marketing expenses (-)		-446	-271	-167	-94
Administrative expenses (-)	11	-1,095	-942	-331	-373
Other operating income		70	83	23	27
Other operating expenses (-)		-68	-49	-23	0
<b>Operating profit (-loss) of the year</b>	<b>16</b>	<b>235</b>	<b>1,880</b>	<b>754</b>	<b>1,464</b>
Financial income	12.1	1,889	321	1,040	175
Financial expenses (-)	12.2	-787	-512	-333	-193
<b>Profit before tax</b>		<b>1,337</b>	<b>1,689</b>	<b>1,461</b>	<b>1,446</b>
Current income tax		-6	-16	-1	0
Deferred income tax		0	60	0	105
<b>Net profit for the year</b>		<b>1,331</b>	<b>1,733</b>	<b>1,460</b>	<b>1,551</b>
Attributable to owners of the parent		1,396	-22	1,537	153
Non-controlling interest		-65	1,755	-77	1,398
Other comprehensive income (-loss)					
Changes related to change of ownership	14	-26	70	-161	0
Change in value of embedded derivatives with minority shareholders		10	-1,815	-8	-1,389
<b>Other comprehensive income (-loss) for the period</b>		<b>-16</b>	<b>-1,745</b>	<b>-169</b>	<b>-1,389</b>
Attributable to owners of the parent	14	-363	68	-129	0
Non-controlling interest		347	-1,813	-40	-1,389
<b>Comprehensive income (-loss) for the period</b>		<b>1,315</b>	<b>-12</b>	<b>1,291</b>	<b>162</b>
Attributable to owners of the parent		1,033	46	1,408	153
Non-controlling interest		282	-58	-117	9
<b>Earnings per share</b>					
Basic (euros per share)		0.36	-0.01	0.40	0.04
Diluted (euros per share)		0.36	-0.01	0.40	0.04

## Consolidated statement of changes in equity

in thousands of euros	Attributable to equity owners of the parent				Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings			
<b>Balance of 01 January 2021</b>	<b>6</b>	<b>3,211</b>	<b>6,237</b>	<b>65</b>	<b>9,519</b>	
Net profit/(-loss) for the year	0	0	-22	1,755	1,733	
Other comprehensive income/(-loss) for the period	0	0	68	-1,813	-1,745	
Increase of share capital	2,994	-2,994	0	0	0	
Issue of shares (less costs related to share issue)	855	8,700	0	0	9,555	
Dividends paid	0	0	-151	-64	-215	
Voluntary reserve	0	0	0	190	190	
<b>Balance of 31 December 2021</b>	<b>3,855</b>	<b>8,917</b>	<b>6,132</b>	<b>133</b>	<b>19,037</b>	
<b>Balance of 01 January 2022</b>	<b>3,855</b>	<b>8,917</b>	<b>6,132</b>	<b>133</b>	<b>19,037</b>	
Net profit for the year	0	0	1,396	-65	1,331	
Other comprehensive income/(-loss) for the period	0	0	-363	347	-16	
Dividends paid	0	0	0	-29	-29	
<b>Balance of 31 December 2022</b>	<b>3,855</b>	<b>8,917</b>	<b>7,165</b>	<b>386</b>	<b>20,323</b>	

## Consolidated statement of cash flows

in thousands of euros	Note	2022	2021
<b>Net cash flows from (to) operating activities</b>			
Operating profit/(-loss) of the year	16	235	1,880
Adjustments for:			
Depreciation of property, plant and equipment		149	157
Profit from the sale of property, plant and equipment		-18	0
Other adjustments		132	119
Income tax paid		-6	-74
Changes in working capital:			
Change in trade receivables		-1,112	18
Change in inventories	2	-30,681	-12,816
Change in liabilities and prepayments		3,056	1,510
<b>Cash flows from (to) operating activities</b>		<b>-28,249</b>	<b>-9,206</b>
<b>Net cash flows to investing activities</b>			
Payments for property, plant and equipment		-100	0
Payments for intangible assets		-8	0
Proceeds from sale of property, plant and equipment		25	0
Payments of for acquisition of subsidiaries	14	-400	-2
Proceeds from sale of subsidiaries	14	135	0
Interest received		324	17
Loans granted	4	-176	-4,369
Loan repayments received	4	2,126	0
Other receipts from investing activities	12	460	43
<b>Cash flows to investing activities</b>		<b>2,386</b>	<b>-4,311</b>
<b>Net cash flows from (to) financing activities</b>			
Net cash flow from issuing shares		0	9,555
Loans raised	5	32,218	22,682
Loan repayments	5	-12,001	-10,479
Interest paid	13	-1,510	-1,361
Payments of finance lease principal		-26	-15
Payments of right to use lease liabilities		-107	-129
Dividends paid		-29	-252
Non-controlling interest contributions to equity		0	260
Other receipts from financing activities		-59	-62
<b>Cash flows from financing activities</b>		<b>18,486</b>	<b>20,199</b>
<b>Net cash flow</b>		<b>-7,377</b>	<b>6,682</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>10,889</b>	<b>4,207</b>
Cashflow in from acquisitions of subsidiaries		242	0
Increase / decrease in cash and cash equivalents		-7,377	6,682
<b>Cash and cash equivalents at end of year</b>		<b>3,754</b>	<b>10,889</b>

## Notes to the consolidated interim financial statements

### Note 1. General information

The Hepsor AS (hereinafter “the Group”) consolidated unaudited interim report for Q4 and twelve months 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting of International Financial Reporting Standards as endorsed in the European Union (“IFRS (EU)”). The Group has consistently applied the accounting policies throughout all periods presented, unless stated otherwise. The interim report for Q4 and twelve months 2022 follow the same accounting principles and methods used in the 2021 audited consolidated financial statements. The current interim financial statements contain the audited financial results for 2021 and unaudited comparative figures for Q4 2021.

The Group has not made any changes in their critical accounting estimates which may have impact on the consolidated unaudited interim financial statements for Q4 and twelve months 2022. The Group has not made any changes in the valuation techniques applied for fair value measurement in 2022.

The following comparative data for Q4 2021 has been adjusted in the Group's 2022 Q4 and 12 months interim report:

In thousands of euros	Initial Q4 2021	Change	Adjusted Q4 2021
Administrative expenses			
Traveling and transport expenses	-7	-10	-17
Other income	29	-2	27
Other expenses	-10	+10	0
Gross profit	1 466	-2	1 464
Financial income			
Interest income	30	+1	31
Financial expenses			
Other financial expenses	-23	+1	-22
Other comprehensive income			
Share issue expenses	-445	+445	0
Comprehensive income for the period	-283	+445	162
Attributable to the owners of the parent	-292	+445	153

### Note 2. Inventories

Inventories are accounted as ready for sale development projects once the project has been granted usage permit. As at 31 December 2022, a partial building permit has been issued to 14 Meistri development project.

As of 31 December 2022, the Group had 26 (31 December 2021: 45) unsold apartments, in Riga 4b Strēlnieku development project 18 apartments and in Tallinn, Paevälja 11 development project 8 apartments.

As of 31 December 2022, the changes in inventories as stated in cash flow statements have been adjusted by loan interest expense. The capitalized loan interest amounted to 1,842 thousand euros (31 December 2021: 1,518 thousand euros). Further information about interest expenses is provided in Note 12.2.

Project statuses are classified as following:

in thousands of euros	31 Dec 2022	31 Dec 2021
A – planning proceedings	13,236	6,877
B – building permit proceedings	7,272	7,901
C – building permit available /construction not yet started	7,220	7,150
D – construction started / sale started	30,151	11,985
E – construction ready for sale	11,881	3,324
<b>Total inventories</b>	<b>69,760</b>	<b>37,237</b>

The following development projects are stated as inventories:

in thousands of euros				31 Dec 2022		31 Dec 2021	
Address	Project company	Location	Segment	Acquisition cost	Project status	Acquisition cost	Project status
<b>Work in progress</b>							
Pirita Road 26b, Tallinn	Hepsor P26B OÜ	Estonia	Residential	0	-	13	E
Paevälja 11/Lageloo 7, Tallinn	Hepsor PV11 OÜ	Estonia	Residential	909	E	0	-
Paevälja 11/Lageloo 7, Tallinn	Hepsor PV11 OÜ	Estonia	Residential	5,585	D	2,965	D
Paldiski mnt 227C, Tallinn	Hepsor 3Torni OÜ	Estonia	Residential	3,482	D	2,517	C
Narva mnt 150, Narva mnt 150a, Narva mnt 150b, Tallinn	Hepsor N450 OÜ	Estonia	Residential/Commercial	3,609	A	3,582	A
Manufaktuuri 5, Tallinn	Hepsor Phoenix 3 OÜ	Estonia	Residential/Commercial	4,168	B	3,268	B
Manufaktuuri 7, Tallinn	Hepsor Phoenix 2 OÜ	Estonia	Residential/Commercial	3,018	C	2,303	B
Tooma 2, Tooma 4 Tallinn	T2T4 OÜ	Estonia	Commercial	1,248	C	1,159	C
Lembitu 4, Tallinn	Hepsor L4 OÜ	Estonia	Commercial	2,954	C	2,811	C
Meistri 14, Tallinn	Hepsor M14 OÜ	Estonia	Commercial	3,193	D	5,765	D
Alvari 2, Paevälja 9, Tallinn	Hepsor Fortuuna OÜ	Estonia	Residential	1,657	A	1,656	A
Alvari 1, Tallinn	Hepsor A1 OÜ	Estonia	Residential	2,023	A	1,004	A
Kadaka Road 197, Tallinn	H&R Residentsid OÜ	Estonia	Residential	1,168	A	614	A
Manufaktuuri 12, Tallinn	Hepsor Phoenix 4 OÜ	Estonia	Residential	843	A	0	-
Nõmme tee 57, Tallinn	Hepsor N57 OÜ	Estonia	Residential	1,704	E	0	-
Baložu 9, Riga	Hepsor Bal9 SIA	Latvia	Residential	0	-	1,770	D
Saules alley 2, Riga	Hepsor SA2 SIA	Latvia	Residential	886	B	957	B
Liela 45, Mārupe	Hepsor Mārupe SIA	Latvia	Residential	7,766	D	663	C
Ranka Dambis 5, Riga	Hepsor RD5 SIA	Latvia	Residential	416	B	354	B
Ulbrokas 30, Riga	Hepsor U30 SIA	Latvia	Commercial	0	-	1,485	D
Ulbrokas 34, Riga	Hepsor U34 SIA	Latvia	Commercial	1,128	B	1,019	B
Braila 23, Riga	Hepsor Jugla SIA	Latvia	Residential	314	B	0	-
Gregora iela 2a, Riga	Hepsor Kvarta SIA	Latvia	Residential	10,125	D	0	-
Ganību Dambis 17a, Riga	Hepsor Ganību Dambis SIA	Latvia	Commercial	3,918	A	0	-
Jurmala Gatve, Riia	Hepsor JG SIA	Latvia	Residential	360	B	0	-
-other properties		Estonia		18	A	21	A
<b>Total work in progress</b>				<b>60,492</b>		<b>33,926</b>	
<b>Finished real estate development</b>							
Āgenskalna 24, Riga	Hepsor Agen24 SIA	Latvia	Residential	0	-	50	E
Strēlnieku 4b, Riga	Hepsor S4B SIA	Latvia	Residential	1,106	E	3,245	E
Ulbrokas 30, Riia	Hepsor U30 SIA	Latvia	Commercial	4,120	E	0	-
Meistri 14, Tallinn	Hepsor Meistri 14 OÜ	Estonia	Commercial	4,026	E	0	-
Manufaktuuri 22, Tallinn (parking spaces)	Hepsor Phoenix OÜ	Estonia	Residential	16	E	16	E
<b>Total finished real estate development</b>				<b>9,268</b>		<b>3,311</b>	
<b>Total inventories</b>				<b>69,760</b>		<b>37,237</b>	

## Note 3. Trade and other receivables

In thousands of euros	31 Dec 2022	31 Dec 2021
<b>Trade receivables</b>		
Trade receivables	718	86
Allowance for doubtful receivables	-10	-6
<b>Net trade receivables</b>	<b>708</b>	<b>80</b>
<b>Prepayments</b>		
Tax prepayment		
Value added tax	317	382
Other taxes	1	0
Other prepayments for goods and services	684	146
<b>Total prepayments</b>	<b>1,002</b>	<b>528</b>
<b>Other current receivables</b>		
Interest receivables	0	33
Other current receivables	21	11
<b>Other current receivables</b>	<b>21</b>	<b>44</b>
<b>Total trade receivables</b>	<b>1,731</b>	<b>652</b>

## Note 4. Loans granted

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

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

In thousands of euros	Owner of non-controlling interest	Unrelated legal entities	Associates	Related legal entities	Total
<b>2022</b>					
<b>Loan balance as of 01 January 2022</b>	<b>2,109</b>	<b>1,100</b>	<b>2,587</b>	<b>0</b>	<b>5,796</b>
Loan granted	0	0	0	176	176
Loan collected	-29	-1,100	-821	-176	-2,126
Division of subsidiary	-2,080	0	0	0	-2,080
<b>Loan balance as of 31 December 2022</b>	<b>0</b>	<b>0</b>	<b>1 766</b>	<b>0</b>	<b>1 766</b>
- non-current portion	0	0	1,766	0	1,766
contractual/effective interest rate per annum	0-3%	0%	7%	12%	
<b>2021</b>					
<b>Loan balance as of 01 January 2021</b>	<b>720</b>	<b>56</b>	<b>1,371</b>	<b>0</b>	<b>2,147</b>
Loan granted	2,109	1,044	1,216	0	4,369
Division of subsidiary	-720	0	0	0	-720
<b>Loan balance as of 30 Sept 2021</b>	<b>2,109</b>	<b>1,100</b>	<b>2,587</b>	<b>0</b>	<b>5,796</b>
- current portion	2,109	0	279	0	2,388
- non-current portion	0	1,100	2,308	0	3,408
contractual/effective interest rate per annum	0%-3%	0%	7%		

## Note 5. Loans and borrowings

in thousands of euros	Bank loans	Unrelated legal entities	Related legal entities	Total
<b>2022</b>				
<b>Loan balance as of 01 January 2022</b>	<b>10,951</b>	<b>15,581</b>	<b>1,831</b>	<b>28,363</b>
Received	27,536	4,138	544	32,218
Repaid	-8,358	-3,574	-69	-12,001
<b>Loan balance as of 31 Dec 2022</b>	<b>30,129</b>	<b>16,145</b>	<b>2,306</b>	<b>48,580</b>
- current loan payable	<b>17,040</b>	<b>3,352</b>	<b>2,173</b>	<b>22,565</b>
- non-current loan payable	<b>13,089</b>	<b>12,793</b>	<b>133</b>	<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>	
<b>2021</b>				
<b>Loan balance as of 01 January 2021</b>	<b>4,705</b>	<b>10,815</b>	<b>640</b>	<b>16,160</b>
Received	14,053	6,938	1,691	22,682
Repaid	-7,807	-2,172	-500	-10,479
<b>Total loan balance as of 31 Dec 2021</b>	<b>10,951</b>	<b>15,581</b>	<b>1,831</b>	<b>28,363</b>
- current loan payable	<b>2,821</b>	<b>2,680</b>	<b>0</b>	<b>5,501</b>
- non-current loan payable	<b>8,130</b>	<b>12,901</b>	<b>1,831</b>	<b>22,862</b>
<i>Contractual interest rate per annum</i>	<i>6M Euribor +5.85% -8%; 8.2%</i>	<i>0-12%</i>	<i>12%</i>	
<i>Effective interest rate per annum</i>	<i>4.7%-10.7%</i>	<i>0-12.2%</i>	<i>12%-13.44%</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)

As of 31 December 2022, 89% (31 December 2021: 86%) 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 30 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>
<b>Balance as of 31 December 2021</b>				
Loans for development projects	6,925	15,581	1,831	<b>24,337</b>
Loans to headquarters to finance development projects	4,026	0	0	<b>4,026</b>
<b>Total</b>	<b>10,951</b>	<b>15,581</b>	<b>1,831</b>	<b>28,363</b>

As of 30 September 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 Euribor + 3.75%	Mortgage - Meistri 14, Tallinn	7,220	-
LHV Pank AS	Estonia	1,254	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	5,687	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	5,957	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 – Ganibu Dambis 17a, Riga, Commercial pledge	3,918	-

In addition to bank loans, Hepsor N450 OÜ has a joint mortgage in the amount of 2.1 million euros as a loan collateral until the loan obligation to unrelated legal entity has been fulfilled.

As of 31 December 2021, the Group had the following bank loans under the following conditions:

Lender	Country	Loan balance	Contract term	Loan limit	Interest per annum	Collateral	Cost value of the collateral
LHV Pank AS	Estonia	1,225	2022	1,300	6M Euribor + 8%	Mortgage - Lembitu 4, Tallinn	2,811
LHV Pank AS	Estonia	562	2023	8,605	6M Euribor + 4,5%	Mortgage - Paevälja 11, Lageloo 3 // 5, Lageloo 7; Tallinn	2,965
LHV Pank AS	Estonia	2,375	2024	3,115	6M Euribor + 4,75%	Mortgage - Meistri 14, Tallinn	5,765
Bigbank AS	Latvia	982	2023	1,150	6%	Mortgage - Baložu 9, Riga	1,770
Bigbank AS	Latvia	1,687	2024	2,500	6M Euribor + 4,5%	Commercial pledge; Mortgage - Strēlnieku 4b, Riga	3,245

## Note 6. Trade and other payables

In thousands of euros	31 Dec 2022	31 Dec 2021
<b>Trade payables</b>	<b>1,906</b>	<b>1,506</b>
Taxes payable		
Value added tax	910	254
Personal income tax	28	18
Social security tax	51	33
Other taxes	5	5
<b>Total taxes payable</b>	<b>994</b>	<b>310</b>
Accrued expenses		
Payables to employees	81	72
Interest payable	552	135
Other accrued expenses	35	29
<b>Total accrued expenses</b>	<b>668</b>	<b>236</b>
Other current payables		
Embedded derivatives (Note 8)	8	2,115
Other payables	432	1,372
<b>Total other current payables</b>	<b>440</b>	<b>3,487</b>
<b>Total trade and other payables</b>	<b>4,008</b>	<b>5,539</b>

## Note 7. Other non-current liabilities

In thousands of euros	31 Dec 2022	31 Dec 2021
Non-current interest payables	1,652	1,020
Other non-current payables	638	33
<b>Total other non-current liabilities</b>	<b>2,290</b>	<b>1,053</b>

Other non-current liabilities include the Group's commitment to finance the construction of kindergarten for the city of Tallinn at the Manufaktuuri Quarter development project. The liability in the amount of 624 thousand euros is measured in present value using 5% discount rate. As of 31 December 2022, the book value of the liability amounted to 566 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. Pursuant to the division agreement entered into between the shareholders of Hepsor P26b OÜ the loan granted by the Group to the shareholders was settled with the liability arising from embedded derivatives in the amount of 2,080 thousand euros. The related expense in the amount of 18 thousand euros was recognized in other comprehensive income for 2022. More information on loans is provided in Note 6.

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

As at the end of the reporting period the Group has following liability from embedded derivatives:

in thousands of euros	31 Dec 2022	31 Dec 2021
Current liabilities arising from embedded derivatives		
Commercial development Meistri 14, Tallinn	8	0
Residential development Pirita 26b, Tallinn	0	2,080
Residential development Mõigu 11, Rae parish	0	35
<b>Total</b>	<b>8</b>	<b>2,115</b>

## Note 9. Revenue

in thousands of euros	2022	2021	Q4 2022	Q4 2021
Revenue from sale of real estate	11,750	14,347	6,851	7,841
Revenue from project management services	145	227	8	68
Revenue from rent	771	312	323	82
Revenue from other services	204	75	66	24
<b>Total</b>	<b>12,870</b>	<b>14,961</b>	<b>7,248</b>	<b>8,015</b>

Additional information on sales revenue is provided in Note 16.

## Note 10. Cost of sales

in thousands of euros	2022	2021	Q4 2022	Q4 2021
Cost of real estate sold	-9,139	-11,137	-4,874	-5,706
Personnel expenses	-770	-444	-219	-136
Interest expenses	-244	-257	-228	-234
Depreciation	-32	-32	-8	-6
Other costs	-911	-32	-667	-29
<b>Total</b>	<b>-11,096</b>	<b>-11,902</b>	<b>-5,996</b>	<b>-6,111</b>

## Note 11. Administrative expenses

in thousands of euros	2022	2021	Q4 2022	Q4 2021 adjusted
Personnel expenses	-642	-383	-186	-190
Depreciation	-110	-125	-29	-33
Traveling and transport expenses	-49	-40	-14	-17
Purchased service expenses	-247	-347	-81	-115
Office expenses	-45	-18	-21	-9
Other administrative expenses	-2	-29	0	-9
<b>Total</b>	<b>-1,095</b>	<b>-942</b>	<b>-331</b>	<b>-373</b>

## Note 12. Financial income and expenses

### 12.1 Financial income

in thousands of euros	2022	2021	Q4 2022	Q4 2021 adjusted
Interest incomes	183	145	35	31
Other financial incomes	460	43	0	11
Profit from associates of equity method	1,086	0	877	0
Financial income from discounting	160	133	128	133
<b>Total</b>	<b>1,889</b>	<b>321</b>	<b>1,040</b>	<b>175</b>

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

### 12.2 Financial expenses

in thousands of euros	2022	2021	Q4 2022	Q4 2021 adjusted
Interest expenses	-717	-434	-304	-157
Loss from associates of equity method	0	-2	0	0
Other financial expenses	-41	-62	0	-22
Financial expenses from discounting	-29	-14	-29	-14
<b>Total</b>	<b>-787</b>	<b>-512</b>	<b>-333</b>	<b>-193</b>

In 2022 borrowing costs in the amount of 1,842 thousand euros (2021: 1,518 thousand euros) have been capitalized as the cost of inventories (Note 2). Interest expenses of 244 thousand euros have been recognized in the cost of sales in 2022 (2021: 257 thousand euros) (Note 10).

## Note 13. Information about line item in the consolidated statement of cash flows

in thousands of euros	31 Dec 2022	31 Dec 2021
<b>Interest paid</b>		
Interest expense in statement of profit or loss and other comprehensive income	-717	-434
Reclassification of cash flows from operating activities to financing activities (Note 2)	-1,842	-1,518
Decrease (-)/ increase (+) of interest payables	1,049	591
<b>Interest paid total</b>	<b>-1,510</b>	<b>-1,361</b>

## Note 14. Subsidiaries

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

Purchase price allocation as of 31 December 2021:

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

The acquisition cost of Kvarta Holding OÜ includes loan issued by Hepsor Latvia OÜ in the amount of 1,100 thousand euros. The purchase price of shareholding in Hepsor Jugla SIA amounted to 239 thousand euros plus loan receivable in the amount of 161 thousand euros.

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

In April 2022, Hepsor Latvia OÜ increased the share capital of Hepsor SIA to 500 thousand euros of which 100 thousand euros is held by the minority shareholder of Hepsor Latvia OÜ. Hepsor Latvia OÜ also invested 580 thousand euros as equity to its subsidiaries Hepsor Ganību Dambis SIA and Hepsor JG SIA of which 116 thousand euros is held by the minority shareholder of Hepsor Latvia OÜ.

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

in thousands of euros	Other comprehensive income		Cash flows from investing activities
	Comprehensive income attributable to owners of the parent	Comprehensive income attributable to non-controlling interest	Proceeds from sale of subsidiaries
Changes in ownership			
Hepsor P26B OÜ	-85	85	-
Hepsor Peetri OÜ	-10	10	-
Hepsor Mārupe SIA	9	126	135
Hepsor Ganību Dambis SIA	-100	100	-
Hepsor SIA	-100	100	-
Hepsor Bal 9 SIA	68	-68	-
Hepsor JG SIA	-16	16	-
Hepsor Jugla SIA	-129	-32	-
<b>Total</b>	<b>-363</b>	<b>337</b>	<b>135</b>

## Note 15. Shares of associates

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

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

Financial information about associates:

In thousands of euros	31 Dec 2022		31 Dec 2021	
	Hepsor P113 OÜ	Hepsor N170 OÜ	Hepsor P113 OÜ	Hepsor N170 OÜ
<b>Current assets</b>				
Cash and cash equivalents	919	2	218	373
Trade and other receivables	94	103	85	82
Loan receivables	0	1,536		
Inventories	0	160	6,991	6,591
<b>Total current assets</b>	<b>1,013</b>	<b>1,801</b>	<b>7,294</b>	<b>7,046</b>
<b>Non-current assets</b>				
Investment property	13,100	0	0	0
Trade and other receivables	297	0	0	0
<b>Total non-current assets</b>	<b>13,397</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total assets</b>	<b>14,410</b>	<b>1,801</b>	<b>7,294</b>	<b>7,046</b>
<b>Current liabilities</b>				
Loans and borrowings	0	0	0	5,534
Trade and other payables	600	2	1,034	1,595
<b>Total current liabilities</b>	<b>600</b>	<b>2</b>	<b>1,034</b>	<b>7,129</b>
<b>Non-current liabilities</b>				
Loans and borrowings	12,324	0	6,198	0
Other non-current liabilities	227	0	147	0
<b>Total non-current liabilities</b>	<b>12,551</b>	<b>0</b>	<b>6,345</b>	<b>0</b>
<b>Total liabilities</b>	<b>13,151</b>	<b>2</b>	<b>7,379</b>	<b>7,129</b>
<b>Total equity</b>	<b>1,259</b>	<b>1,799</b>	<b>-85</b>	<b>-83</b>
<b>Total liabilities and equity</b>	<b>14,410</b>	<b>1,801</b>	<b>7,294</b>	<b>7,046</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. The occupancy of the office building is 100%. 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 2022 was based on 6.3% yield and 7.7% discount rate.
- ✓ As of 31 December 2022, all 76 apartments and commercial space of 1,487 sqm in the project of an apartment building with commercial space in Tallinn, Narva mnt 170 developed by Hepsor N170 OÜ have been sold under real right contracts.

## Note 16. Operating segments

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

The Group reports separately information about the following operating segments:

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

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

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

Revenue by geographical area:

in thousands of euros	2022	2021	Q4 2022	Q4 2021
Estonia	6,817	13,278	6,241	7,090
Latvia	6,053	1,683	1,007	925
<b>Total</b>	<b>12,870</b>	<b>14,961</b>	<b>7,248</b>	<b>8,015</b>

Additional information on sales revenue is provided in Note 9.

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

in thousands of euros	Residential development		Commercial development		Headquarters		Total
	Estonia	Latvia	Estonia	Latvia	Estonia	Latvia	
<b>Q4 2022</b>							
Revenue	5,980	708	253	298	8	1	<b>7,248</b>
incl. revenue from rent	0	21	139	163	0	0	<b>323</b>
Operating profit/-loss	1,293	27	202	78	-583	-263	<b>754</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>

in thousands of euros	Residential development		Commercial development		Headquarters		Total adjusted
	Estonia	Latvia	Estonia	Latvia	Estonia adjusted	Latvia	
<b>Q4 2021</b>							
Revenue	6,911	467	130	439	49	19	<b>8,015</b>
incl. revenue from rent	7	49	21	5	0	0	<b>82</b>
Operating profit/-loss	1,973	86	0	-13	-440	-142	<b>1,464</b>
Assets	22,859	6,707	10,640	3,515	8,827	2,797	<b>55,345</b>
Liabilities	16,853	3,893	6,693	1,735	4,991	2,143	<b>36,308</b>

in thousands of euros	Residential development		Commercial development		Headquarters		Total
	Estonia	Latvia	Estonia	Latvia	Estonia	Latvia	
<b>2022</b>							
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>

in thousands of euros	Residential development		Commercial development		Headquarters		Total	
	2021	Estonia	Latvia	Estonia	Latvia	Estonia		Latvia
Revenue		12,893	1,192	181	462	204	29	14,961
incl. revenue from rent		15	209	61	27	0	0	312
Operating profit/-loss		3,200	219	-5	23	-1,104	-453	1,880
Assets		22,859	6,707	10,640	3,515	8,827	2,797	55,345
Liabilities		16,853	3,893	6,693	1,735	4,991	2,143	36,308

## Note 17. 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	2022	2021	Q4 2022	Q4 2021
<b>Sales of goods and services</b>				
Associated companies	115	160	1	40
Management and all companies directly or indirectly owned by them	159	65	101	28
<b>Total sales of goods and services</b>	<b>274</b>	<b>225</b>	<b>102</b>	<b>68</b>
<b>Purchases of goods and services</b>				
Associated companies	46	0	46	0
Management and all companies directly or indirectly owned by them	25,707	11,349	6,680	3,373
<i>incl. construction service</i>	<i>25,467</i>	<i>11,160</i>	<i>6,568</i>	<i>3,337</i>
<b>Total Purchases of goods and services</b>	<b>25,753</b>	<b>11,349</b>	<b>6,726</b>	<b>3,373</b>
<b>Interest income earned</b>				
Associated companies				
Interest earned	166	141	32	45
Interest received	313	0	2	0
Management and all companies directly or indirectly owned by them				
Interest earned	3	0	0	0
Interest received	3	0	0	0
<b>Interest expenses incurred</b>				
Associated companies				
Accrued interest	2	0	2	0
Interest paid	0	0	0	0
Management and all companies directly or indirectly owned by them				
Accrued interest	229	136	58	59
Interest paid	132	68	45	50

Balances and loan transactions with related parties:

In thousands of euros	31 Dec 2022	31 Dec 2021
<b>Receivables</b>		
<b>Loans granted (Note 4)</b>		
Associated companies		
Opening balance 01. January	2,587	1,371
Loans granted	0	1,216
Loans repaid	-821	0
Balance at the end of period	1,766	2,587
Management and all companies directly or indirectly owned by them		
Opening balance	0	0
Loans granted	176	0
Loan collected	-176	0
Balance at the end of period	0	0
<b>Trade and other receivables</b>		
Management and all companies directly or indirectly owned by them	208	12
<b>Interest receivables</b>		
Associated companies	36	169
<b>Payables</b>		
<b>Loans and borrowings (Note 5)</b>		
Associated companies		
Opening balance as at 01. January	0	0
Loans received	464	0
Loans repaid	-41	0
Balance at the end of period	423	0
Management and all companies directly or indirectly owned by them		
Opening balance as at 01. January	1,831	640
Loans received	80	1,691
Loans repaid	-28	-500
Balance at the end of period	1,883	1,831
<b>Trade payables</b>		
Management and all companies directly or indirectly owned by them	1,762	1,126
<b>Interest payables</b>		
Associated companies	2	0
Management and all companies directly or indirectly owned by them	167	70

## Note 18. Contingent liabilities

### 18.1 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 30 September 2022 to pay 12,904 thousand euros (31 December 2021: 7,501 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 2022, the realization time of contingent liabilities remains between 2023 and 2027.

18.2 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.

### 18.3 Group guarantees given

Additional information on the guarantees is provided in Note 5.

## Note 19. Events after the reporting period

- ✓ In January 2023, Hepsor AS bought a minority stake in its subsidiary Hepsor Bal9 OÜ thus increasing its stake to 100%.
- ✓ Hepsor N57 OÜ, a subsidiary of Hepsor AS, signed a loan agreement with LHV Pank in the amount of 3.06 million euros to finance the construction of the Lilleküla Kodud development project. The loan repayment deadline is in 2026.
- ✓ In January 2023, based on the decision of the Tallinn District Court, the lawsuit filed against Hepsor Phoenix 3 OÜ, where the procurement of demolition works was disputed, was not satisfied.

## Note 20. 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.

**Geopolitical risk**

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

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

# Management Board's Confirmation

The Management Board confirms that the unaudited interim report for fourth quarter and twelve months of 2022, which is comprised of the management report and the interim financial statements, provides a true and fair view of the Group's operations, financial position and results of operations, and describes the significant risks and uncertainties the Group faces.

Henri Laks

Member of Management Board

Tallinn, 14 February 2023