Annenhof Mājas, Jurmalas Gatve 74, Riga

2024 Audited Consolidated Annual Report

Corporate name:	Hepsor AS
Commercial Register No:	12099216
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Reporting period:	1 January 2024 – 31 December 2024
Financial year:	1 January 2024 – 31 December 2024
Supervisory Board:	Andres Pärloja, Kristjan Mitt, Lauri Meidla
Management Board:	Henri Laks
Auditor:	Grant Thornton Baltic OÜ

The Estonian capital-based real estate development company Hepsor AS (hereinafter 'the Group' or 'Hepsor') started operating in Estonia in 2011. 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.

Translation of the company's consolidated financial statements in PDF-format without the European Single Electronic Format (ESEF) markups. The original document is submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange and it is digitally signed. (Link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100082306/reports)

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Management Report

2024 12 MONTHS AUDITED REVENUES AND NET PROFIT

38,4 M€	2,1 M€	0,4 M€
CONSOLIDATED REVENUE	CONSOLIDATED NET PROFIT	CONSOLIDATED NET PROFIT ATTRIBUTABLE TO OWNERS OF PARENT

REVENUE AND NET PROFIT FORECAST FOR 2024

37,3 M€	2,2 M€	0,2 M€
CONSOLIDATED REVENUE	CONSOLIDATED NET PROFIT	CONSOLIDATED NET PROFIT ATTRIBUTABLE TO OWNERS OF PARENT

LONG TERM OUTLOOK (31.12.2023 VS 31.12.2024)

REVENUE POTENTIAL OF DEVELOPMENT PROJECTS

Start of period	During the period	At the end of period
449 M€ / 89%	Sale 38,4 M€ Decline 12 M€	399 M€ / 97%

- Total revenue of all projects managed by Hepsor, including unconsolidated revenues from associated companies.
- Indicates the share of project revenues in future consolidated revenues.

CHANGE IN PIPELINE

Start of period		
24 PROJECTS	+-1 project	24 PROJECTS
173,800 m²	-1,300 m²	172,500 m²

IN 2024 SOLD NEW HOMES

Project	Sold homes
Manufaktuuri 7	103 homes sold.
Paevälja Courtyard houses	Last 5 homes sold.
Lilleküla homes	9 homes sold.
Ojakalda homes	49 homes sold.
Strelnieku 4B	8 homes sold.
Nameja Rezidence	19 homes sold.
Marupes Darzs	Last home sold.

DEVELOPMENT PROJECTS FOR SALE AND UNDER CONSTRUCTION (31.12.2024)

PROJECT	Total number of apartments	Apartments sold*	Apartments sold %	Unsold apartments	Construction completed
Strelnieku 4b	54	53	98%	1	2020
Ojakalda homes	101	49	49%	52	2024
Lilleküla homes	26	18	69%	8	2023
Manufaktuuri 7	150	111	74%	39	2024
Manufaktuuri 5 I stage	152	12	8%	140	2027
Nameja Rezidence	38	20	53%	18	2024
Annenhof Majas	40	18	45%	22	2025
Zala Jugla	70	3	4%	67	2027
Kokku	**631**	**284**	**45%**	**347**	

COMMERCIAL DEVELOPMENT PROJECTS IN PROCESS	Total rentable area m²	Occupancy m²	Occupancy %	Construction completed
P113 Healtcenter	3,851	2,974	77%	2023
Grüne office building	3,549	3,420	97%	2023
Ulbrokas 34	8,740	495	6%	2025
Manufaktuuri 5 I stage	1,515	0	0%	2027
Manufaktuuri 7	453	178	39 %	2024
Total	**18,108**	**7,067**	**39%**	

DEVELOPMENT PROJECTS UNDER CONSTRUCTION (31.12.2024)

Started in 2024	Under construction as of 31.12.2024	Will be started in 2025.
149 apartments	192 apartments	281 apartments
10 255 m² commercial area	10,255 m² commercial area	0 m² commercial area

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

Dear Hepsor shareholders,

Revenues
38.4
million euros

For the Group as a whole, 2024 was a moderately profitable year, despite the ongoing economic downturn and interest rates which remained relatively high during the year. However, there is no reason to be satisfied with profitability. The market sentiment and the economic environment cannot be outwitted. Encouragingly, the bottom of the market in terms of transaction activity remained backward-looking until 2023. Against this backdrop, Hepsor's team is highly valued by the Group's management, having made a significant contribution to ensuring the sustainability of the company in the domestic market.

Hepsor's 2024 consolidated revenue amounted to 38.4 million euros, with a net profit of 2.1 million euros (including a share of 0.4 million euros for the parent company's owners). During the comparative period, in 2023, Hepsor's consolidated audited revenue was 41.1 million euros, and net profit was 3.5 million euros (including a net profit of 1.2 million euros attributable to the parent company owners).

The Group's sales revenue and profit are directly dependent upon the development cycle of projects, which last for approximately 24–36 months. Sales revenue is only generated at the end of the cycle. Depending on the length of the development cycle and the start of development, more projects may be completed in one quarter than in another, and quarters may differ significantly in terms of both profit and sales revenue. As a result, in both financial year and quarterly terms, some years or quarters may be weaker and others much stronger.

Development projects under construction and available for sale

In 2024, we began construction of a commercial building StokOfiss U34 at Ulbrokas 34, in Riga. StokOfiss U34 is a multifunctional commercial building with a lettable area of 8,740 m².

In the commercial building P113 Tervisemaja, owned by the affiliated company Hepsor P113 OÜ, new rental contracts continued to be signed, and as at the end of the reporting year, 77% of the rental space was covered by contracts.

Under construction
192
new homes

In Tallinn, we began Hepsor's largest development project to date: the construction and sale of the main building of the former Baltic Cotton Spinning and Weaving Factory located at Manufaktuuri 5. The project is being developed in stages. In the first stage, the construction of 152 new apartments is planned.

In Riga, construction continued on the 40 apartment Annenhof House development project, the completion of which is planned for the beginning of 2025

A total of
194
new homes were delivered in 2024

In 2024, we delivered 194 homes to clients (2023: 274 homes). We delivered 165 homes to clients in Tallinn and 28 homes in Riga.

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

- In the Manufaktuuri 7 development project: 103 homes;
- In the Ojakalda Homes development project: 49 homes;
- In previously completed development projects, Lilleküla Homes and Paevälja Hoovimajad, 8 and 5 homes were sold, respectively, during the reporting year.

In Riga, we handed over to clients:

- 9 homes in the Strēlnieku 4b development project, which was completed in 2020;
- 19 homes in the Nameja Rezidence development project;
- The last home in the Mārupes Dārzs development project.

Based on the Group's business strategy, the Lembitu 4 property in Tallinn, which is intended to be used for the construction of a hotel with approximately 110 rooms, was sold in Q4 2024. Freed-up capital was used to finance new developments as well as to reduce interest costs at the Group level.

New projects in Tallinn and Riga

In September 2024, Hepsor acquired a new property in Tallinn at Võistluse 7 in Tallinn. It is a sLender-type apartment building, designed by researchers-architects at the Estonian Academy of Arts, built in the style of an early 20th century Lender wooden house. The building will be constructed entirely of wood, with the exception of the staircase in the centre of the building. At the heart of the project is environmental preservation and the utilisation of green technology solutions for climate resilience.

On 18 July 2024, Hepsor E18 SIA, a subsidiary of Hepsor Latvia OÜ, acquired a property at Eiženijas iela 18 in Riga. The plan is to develop two buildings there with a total of 54 apartments.

In December, Hepsor Latvia OÜ signed an option agreement to acquire a 50% stake in a real estate development company. The development company is planning to build 103 new homes at Dzelzavas 74c in Riga.

Hepsor in Canada

In 2024, Hepsor made three new investments in Canada:

– a development project consisting of seven properties at 17–29 Glenavy Avenue in Toronto;

– a development project consisting of 11 properties in High Park, located in downtown Toronto; and

– a development project consisting of 17 properties on Brownville Avenue in Toronto.

To date, Hepsor has invested in five development projects in Toronto. In cooperation with business partners, the primary objective of the projects acquired in Canada's largest city is to prepare a detailed plan and thereby achieve building rights for a total of around 3,000 new rental apartments.

Summary and vision for the future

Despite the market situation, a significant number of new homes were handed over to clients in 2024, a large number of new leases were signed, vacancy rates in both existing and new commercial buildings were reduced, new investments were made in the Baltics and in Canada. It would probably have been more profitable in the short term for the Group to make fewer new investments, thereby saving on both interest and overhead costs. However, the development project cycle is known to last at least 3–5 years, therefore, the Group has continued to invest and expand its development portfolio in a forward-looking manner, even in a difficult economic environment.

In 2025, we intend to begin the construction and sale of up to five new development projects.

In Latvia, we are planning to begin the construction and sale of up to four projects. In total, 227 new homes will be built and sold in three residential projects. In the field of commercial buildings, we would like to begin the construction of a stock-office type development project in the Veidema Quarter, located at Ganibu Dambis 17a.

We will be continuing with construction and sales in Tallinn, at the address Manufaktuuri 5, in the Manufaktuuri Quarter. We are converting the main building of the former Baltic Cotton Spinning and Knitting Factory into an energy class A building, where we will be creating 152 highly distinctive, energy-efficient new homes and commercial spaces with high ceilings. We will also be starting the next phase in the Manufaktuuri Quarter – the sale and construction of 49 new homes at Manufaktuuri 12.

Nevertheless, the declining interest rate environment allows us to look to the future with moderate optimism. The real estate business is a long process. That is why we want to initiate and develop new projects, always analysing risks and opportunities over market cycles.

Henri Laks
Member of the Management Board

Ojakalda Homes

Paldiski maantee 227c, Tallinn

Operating Environment

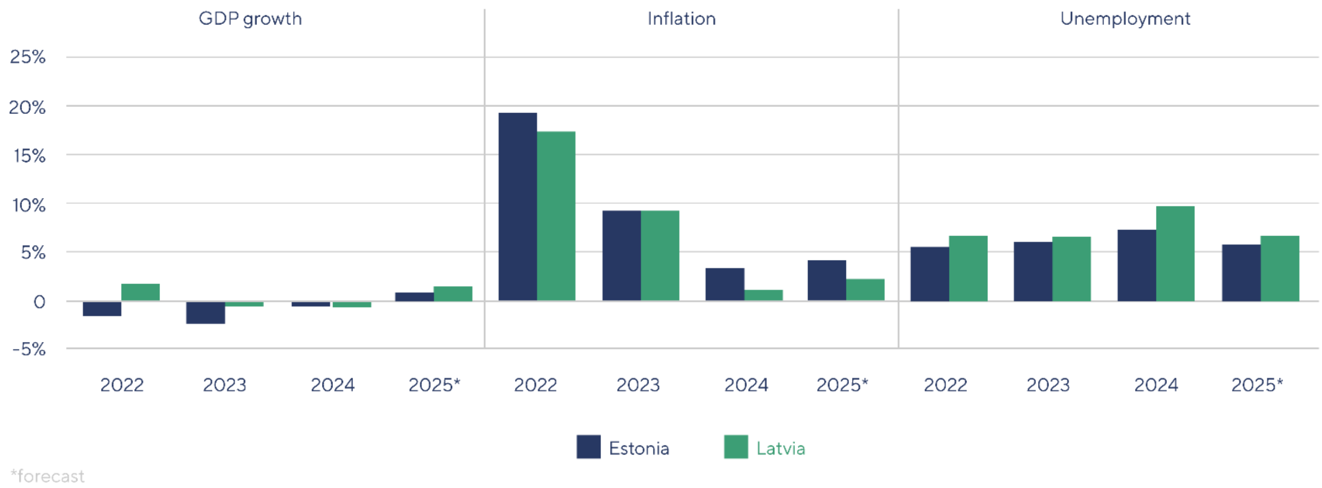
ESTONIA AND LATVIA

Economic environment

According to data from Statistics Estonia, the economic downturn slowed by the end of the year, and the ten-quarter-long recession ended in the fourth quarter. Estonia`s GDP fell by 0.3% in 2024 (2023: -3%). The improvement in the economic situation was primarily driven by a decrease in interest rates. In 2024, the growth of consumer prices slowed to 3.5% (2023: 9.2%), and the growth of the construction price index slowed to 1.6% in 2024 (2023: 6.1%). According to the Bank of Estonia, the registered unemployment rate rose to 7.6% in 2024 (2023: 6.1%).

According to the data from Statistics Latvia, the Latvian economy contracted by 0.4% in 2024 (2023: -0.3%), and inflation slowed to 1.3% (2023: 9.1%) despite the continued rapid wage growth. The average gross wage increased by 9.7% in 2024 (2023: 11.9%). The registered unemployment rate in Latvia rose by 0.3% to 6.8% in 2024 (2023: 6.5%). The construction price index increased by 2% (2023: 17.1%).

Key Economic Indicators, Estonia and Latvia 2022–2025:



According to the economic forecast of the Bank of Estonia, the Estonian economy has strengthened, and 1.6% economic growth is expected for 2025, with growth reaching approximately 2.9% from 2026–2027. The increase in economic activity is predicated on the continued growth of exports, as domestic demand remains modest due to government budget constraints. The labour market did not respond to the previous economic downturn, therefore, a rapid reaction is not expected as the economy revives, resulting in a gradual decrease in unemployment and a slowdown in wage growth to 6% in 2025. People's purchasing power will also rise slowly, as it is expected that the impact of planned tax changes, the increase in the cost of living, and the decrease in mortgage payments due to lower interest rates will balance each other out in 2025. The decrease in interest rates supports economic growth, but the impact of tax changes on price increases is temporary, and price growth will remain close to 4% in the coming years.

The Bank of Latvia, on the other hand, forecasts economic recovery for 2025 (projected economic growth of 2.6%). Growth in 2025 is expected to be stronger, supported by private consumption, exports, and investments. The Bank of Latvia forecasts consumer price growth of 2.4% and an unemployment rate remaining at 6.8% for 2025.

The Bank of Estonia expects average wage growth of 5.9% in 2025, while the Bank of Latvia forecasts 6.7%. In 2024, the average gross wage in Estonia reached 1,975 euros, and in Latvia, 1,685 euros. The average gross wages in the capitals of the countries, Tallinn and Riga, were 2,299 euros and 1,869 euros, respectively. The decline in interest rates, along with continued wage growth, increases the accessibility of real estate, and the improvement in economic conditions may lead to increased market transaction activity in 2025.

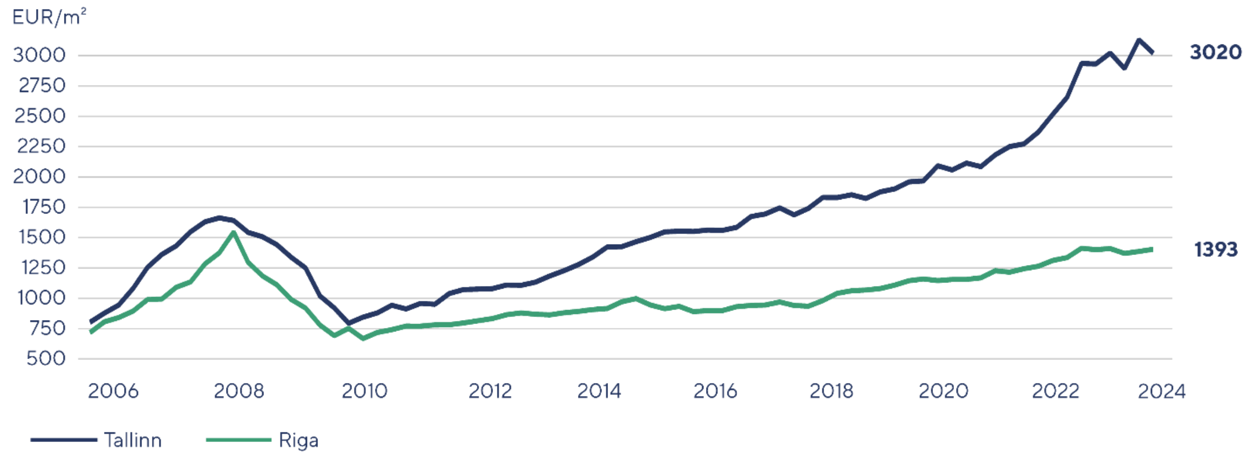
The rise in Euribor, which began in 2022, slowed in the second half of 2023 and turned downward in 2024. Over the year, Euribor fell by an average of 1 percentage point, improving the accessibility of housing.

Residential real estate

The end of 2024 and the beginning of 2025 have been positive for the Baltic housing markets. Last year, the housing markets benefited from four interest rate cuts by the European Central Bank, followed by another cut in January 2025, resulting in a total decrease of 1.25 percentage points. Additionally, rapid wage growth continued to outpace housing price growth, improving housing affordability. On the other hand, transaction activity was still hindered by low consumer confidence.

According to the statistics of the Estonian Land and Spatial Development Board, a total of 7,361 apartment purchase-sale transactions were made in Tallinn in 2024 (2023: 7,467), which is 4% fewer than the previous year. The decline in the number of transactions slowed significantly compared to 2023, and the continued drop in transaction numbers is expected under economic downturn conditions. The main reason for the lower number of transactions compared to the long-term average is still the low consumer confidence. Additionally, the market is still influenced by a deflationary expectation concerning property prices, which, however, has not materialised. The median price of real estate purchase-sale transactions dropped by 2.2%, despite the increased proportion of new developments in the total transaction volum, i.e 2,843 euros/m² in 2024 (2023: 2,906 euros/m²).

Average transaction price

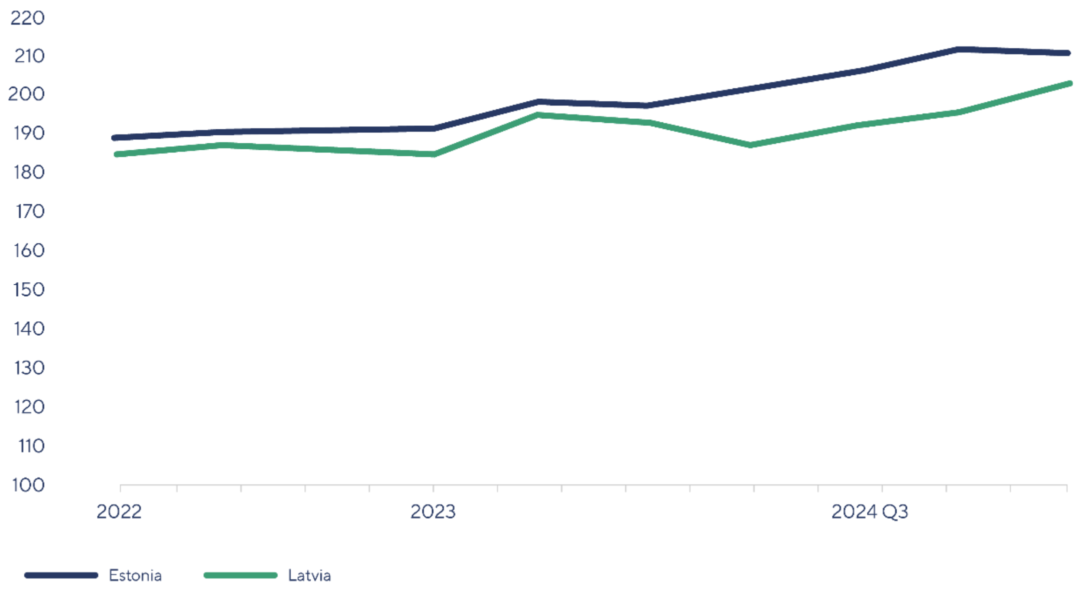


Source: Swedbank Research & Macrobond

According to the data from the portal KV.ee, the number of active listings returned to the previous long-term average level. As of 31 December 2024, the number of active listings in Tallinn increased by 24.9% compared to the previous year, reaching 4,581 units (31 December 2023: 3,668).

In the Tallinn new development market, prices remained largely unchanged. As of 31 December 2024, the average price per square metre for new developments in Tallinn was 4,369 euros (31 December 2023: 4,238 euros/m²), which is 3% higher than the previous year. In 2024, the number of new development listings continued to increase – the remaining supply grew to 2,992 units as of 31 December 2024 (31 December 2023: 2,708 units). The number of unsold apartments in new developments remained high, rising to 1,011 units by the end of 2024 (31 December 2024: 889 units). The growth is mainly due to continued weak demand and the completion of previously started projects, which increases the selection for clients and competition between projects. The high level of supply allows homebuyers a wider choice and, where possible, the option to delay their purchase decision while awaiting a further decrease in the Euribor rate.

Quarterly new housing price index for Q2 2022 to Q3 2024 in Estonia and Latvia:



Source: Eurostat price index (2015 = 100) – quarterly data

According to an analysis compiled by Colliers, transaction activity in the new development market in Latvia fell to its lowest point in the past five years in 2024. However, interest rate cuts in the second half of the year drove a recovery in transaction numbers, indicating that the lowest point may now be behind us. Due to low demand, developers were willing to make package deals and offer special prices, which kept market prices relatively stable throughout the year. As demand grows and competition for buyers decreases, it is expected that special offers will gradually be phased out, ultimately leading to an increase in market prices.

By the end of 2024, the remaining stock of new development apartments for sale was 4,450 units, which is 16% higher compared to the end of 2023. Throughout the year, there was a notable increase in the number of unsold completed apartments, reaching 2,170 units by the end of the year (2023: 1,780 units). At the same time, pre-sale activity in 2024 dropped to its lowest level in the past four years – only 31% of the apartments under development were covered by pre-sale transactions, which is significantly lower than the 50% level observed before the interest rate hikes.

Throughout the year, a total of 1,570 new development purchase-sale transactions were made in the Riga area under property law agreements, which is 28% fewer than the previous year. The decline in transaction activity is expected, given the drop in pre-sales in previous years and the low activity in starting new projects.

In the property transaction price dynamics, the sales prices continued to rise – the average property transaction price was 2,610 euros/m² (2023: 2,530 euros/m²), which is 3.2% higher than the previous year. In contrast, pre-sale prices have remained stable since the autumn of 2022, averaging 2,780 euros/m².

Commercial real estate

The overview is based on an analysis compiled by Colliers. Thanks to a few large-scale transactions, the investment volume in Estonia reached 483 million euros, while investment volumes in Latvia remained below the expected level. It is worth noting that the 10 largest transactions in the region accounted for 55% of the total investment volume, highlighting the concentration of capital in selected high-value transactions. Capitalisation rates remained largely the same compared to the previous year.

The active development of the office market in Tallinn continues with a substantial development portfolio, where developers have several projects of varying sizes ready to be launched. As of the end of 2024, there was a total of 905,000 square metres of office space in Tallinn, and approximately 114,000 square meters of office space is expected to be completed in 2025. The vacancy rate in the office segment was on average 11.2%, with a capitalisation rate of 6.75%. The vacancy rate increased over the year across all quality classes due to the ongoing trend of companies moving from older spaces to newer ones, the general reduction in business operations and office space, and the addition of new office space to the market. Demand was driven by pre-leases in the financial and insurance sectors, as well as relocations in the IT, legal services, and public sector. Expansion activity is notable in the healthcare and real estate sectors. The rising vacancy rate and increasing competition are limiting the potential for rent price growth.

Demand for warehouse and industrial real estate remains high in Tallinn, including the search for new large properties that meet client needs, as well as stock-office type buildings. As of the end of the year, there was an estimated 343,000 square metres of warehouse and industrial real estate in Tallinn and its surrounding areas, with 43,000 square metres completed in 2024. Despite the slowdown in the pace of new developments entering the market, an additional 110,000 square metres of warehouse and industrial real estate is expected to be added to the market between 2025 and 2026. Retailers, service providers, and distributors continue to be the main drivers of demand, but the pool of potential tenants is decreasing due to increasing competition, high rental rates, and ongoing development activity. Both rental rates and vacancy rates increased over the year (vacancy rate: 6%).

As of the end of 2024, there were approximately 877,000 square metres of office space in Riga, with more than 74,000 square metres of new office space under construction, 45% of which is expected to be completed in 2025. Developers who have successfully leased recently completed projects are already planning the next stages, which will bring a new wave of supply from 2027–2028, while the addition of new projects to the market is expected to be smaller in scope from 2025–2026. Currently, projects under construction or in planning involve significantly higher costs compared to recently completed developments. To offset these costs, landlords will need to raise the asking rents, creating a price gap between newly added spaces and existing modern office spaces on the market. Tenants are willing to accept higher rental rates in new developments, provided that the total costs remain the same. This can be achieved through better energy efficiency and ongoing hybrid work, which allows renting 20–30% smaller spaces. In Riga, the vacancy rate for office space remains high at 17.1%, and the capitalisation rate increased to 6.75%.

As of the end of the year, there was an estimated 69,000 square metres of warehouse and industrial real estate in Riga and its surrounding areas, of which 25,000 square metres were completed in 2024. The higher-than-expected rental prices for the newly added spaces slowed down their uptake, causing the vacancy rate to reach 18% by the end of the year. Modern logistics complexes are becoming strong competitors to warehouse and industrial spaces, as new logistics developments increasingly include smaller units that are suitable for many traditional warehouse and industrial tenants, often offering space at lower rental rates than ‘traditional’ warehouse and industrial properties. Development plans for warehouse and industrial spaces remain limited, with no major new projects announced in 2024 and no significant land purchases registered for warehouse and industrial space development.

Real estate market outlook

Both Estonia and Latvia are forecasted to experience an economic rebound in 2025, with continued strong wage growth and high employment levels, which should ensure the ongoing recovery of the housing market. Additionally, the predicted continuation of the interest rate decline trend is expected to support the growth in transaction activity, improving property affordability. On the other hand, the heightened geopolitical tensions following the U.S. presidential election could increase household uncertainty, motivating people to delay home purchases.

In the office space market, it is forecasted that the vacancy rate in Estonia will continue to rise due to the addition of new spaces to the market and the ongoing trend of relocating to newer, smaller, and more cost-effective spaces for cost optimisation purposes. In Latvia, the vacancy rate is expected to decrease due to the slower pace of new developments entering the market over the next two years.

Falling interest rates would suggest a potential correction downward in capitalisation rates, but the scarcity of suitable assets supports capitalisation rates remaining at current levels. For 2025, it is expected that local investors will dominate the commercial real estate transaction market, as there is no indication of a recovery in foreign investor interest. The transaction activity of foreign investors is once again overshadowed by post-U.S. election geopolitical uncertainty.

In a challenging economic environment, cost-effectiveness is becoming a more pressing issue for both individuals and businesses, which is driving increased demand for energy efficiency in both residential and commercial buildings. Both homebuyers and commercial real estate market participants are becoming increasingly aware of this issue. Recently, most companies have been trying to implement energy-saving measures, ranging from simple ones, such as adjusting lighting and upgrading energy equipment, to hiring experts to monitor energy consumption and recommend optimisation. To further enhance efficiency, alternative energy sources are increasingly being adopted. We expect this trend to continue in 2025, given the volatile energy prices.

CANADA

The economic environment

The year 2024 was a year of balanced economic results for Canada, with production growth and a stable labour market, while inflation remained under control. In the fourth quarter, GDP growth reached 2.6% year-on-year, exceeding the forecasted 1.8%. Economic growth was supported by increased consumer spending, business investments, and exports. Overall, in 2024, the gross domestic product grew moderately by 1.6% (2023: 1.1%), and the consumer price index fell to approximately 2.4% by the end of the year, within the Bank of Canada's target range of 1-3%. The decline in inflation from previous peaks was due to lower energy prices and improvements in global supply chains. As a result, the Bank of Canada lowered the key interest rate to 3% during the year. The unemployment rate rose moderately to 6.7%, which was mainly due to a slowdown in hiring rather than a significant increase in layoffs, reflecting a cooling of the labour market amid higher interest rates.

Real estate market

One of the most important factors in assessing the outlook of Toronto's real estate market is the rapid population growth. The population of the city of Toronto is 2.9 million, and it is projected to grow to 3.5 million by 2030 with the continued support of international immigration, which will sustain long-term demand for real estate across all segments and also support price growth. Real estate prices have remained relatively stable, and experts predict price increases in the near future, considering the city's continued growth and its attractiveness to both local and international investors. In response to population growth, measures are being implemented to increase the city's density and accelerate the renewal/expansion of the housing stock, creating a favourable economic environment for real estate development.

In 2024, the real estate market in the Greater Toronto Area (GTA, the population is 7.1 million) was characterised by an increase in the number of transactions, a rise in new listings, and a slight decline in the average transaction price. A total of 67,610 real estate transactions took place in the GTA in 2024, which is a 2.6% increase from 65,877 transactions in 2023. The number of new listings rose significantly, reaching 166,121 in 2024, which is 16.4% more than the previous year. At the same time, the average sale price for all home types in 2024 was $1,117,600, a decrease of less than 1% compared to the 2023 average of $1,126,263. It is worth noting that market activity varied by segment – many potential first-time buyers stayed on the sidelines, waiting for greater interest rate relief in 2025. The absence of first-time buyers had a greater impact on the lower-priced condominium segment than on single-family homes.

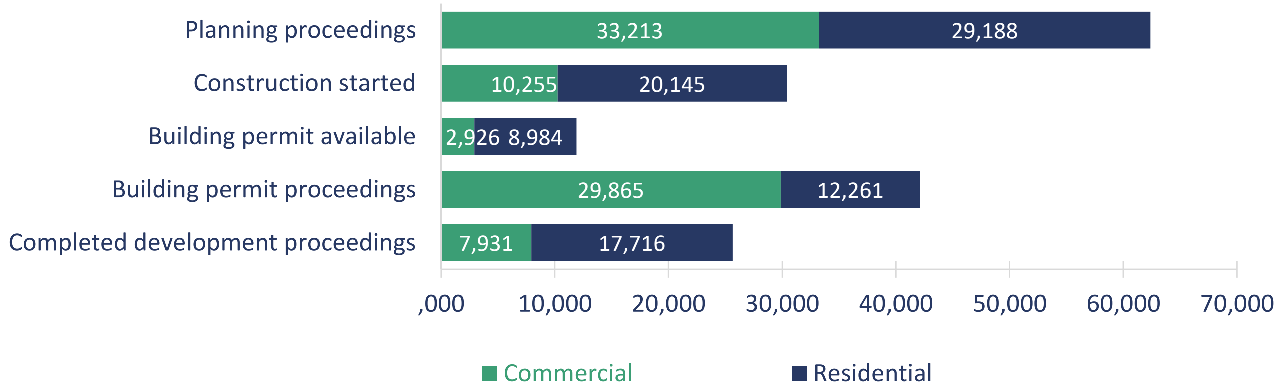
Overview of the Development Projects

As of 31 December 2024, the Group has a total of 24 active development projects in various stages of development (31 December 2023: 25 projects) with a total of 172,500 square metres (31 December 2023: 171,800 square metres).

Significant changes in the development portfolio in 2024

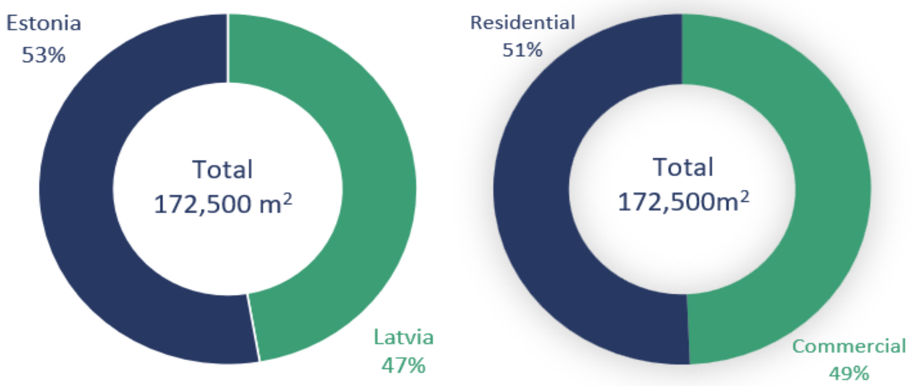
- ✓ In completed projects, 194 apartments with a total area of 10,908 m² were handed over to clients.
- ✓ In Tallinn, the property at Lembitu 4 was sold, reducing the development portfolio by 4,250 square metres.
- ✓ In Riga, a property was purchased at Eiženijas iela 18. Two apartment buildings with a total of 54 apartments and a saleable area of 2,800 m² will be developed.
- ✓ In Tallinn, a property was purchased at Võistluse 7 for the construction of an 8-apartment building with a total construction volume of 1,245 square metres.
- ✓ Together with Canadian partners, three properties suitable for residential development were purchased in Toronto in 2024, with a total construction volume of 150,000 m².

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



**Excluding Canadian projects*

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

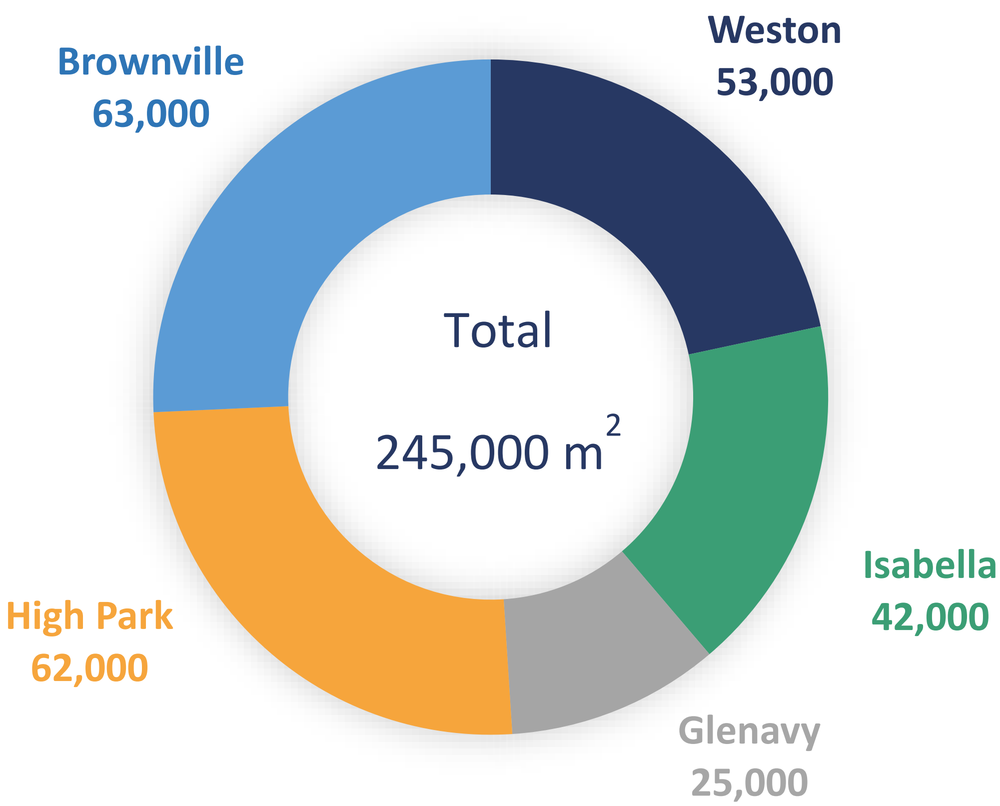


**Excluding Canadian projects*

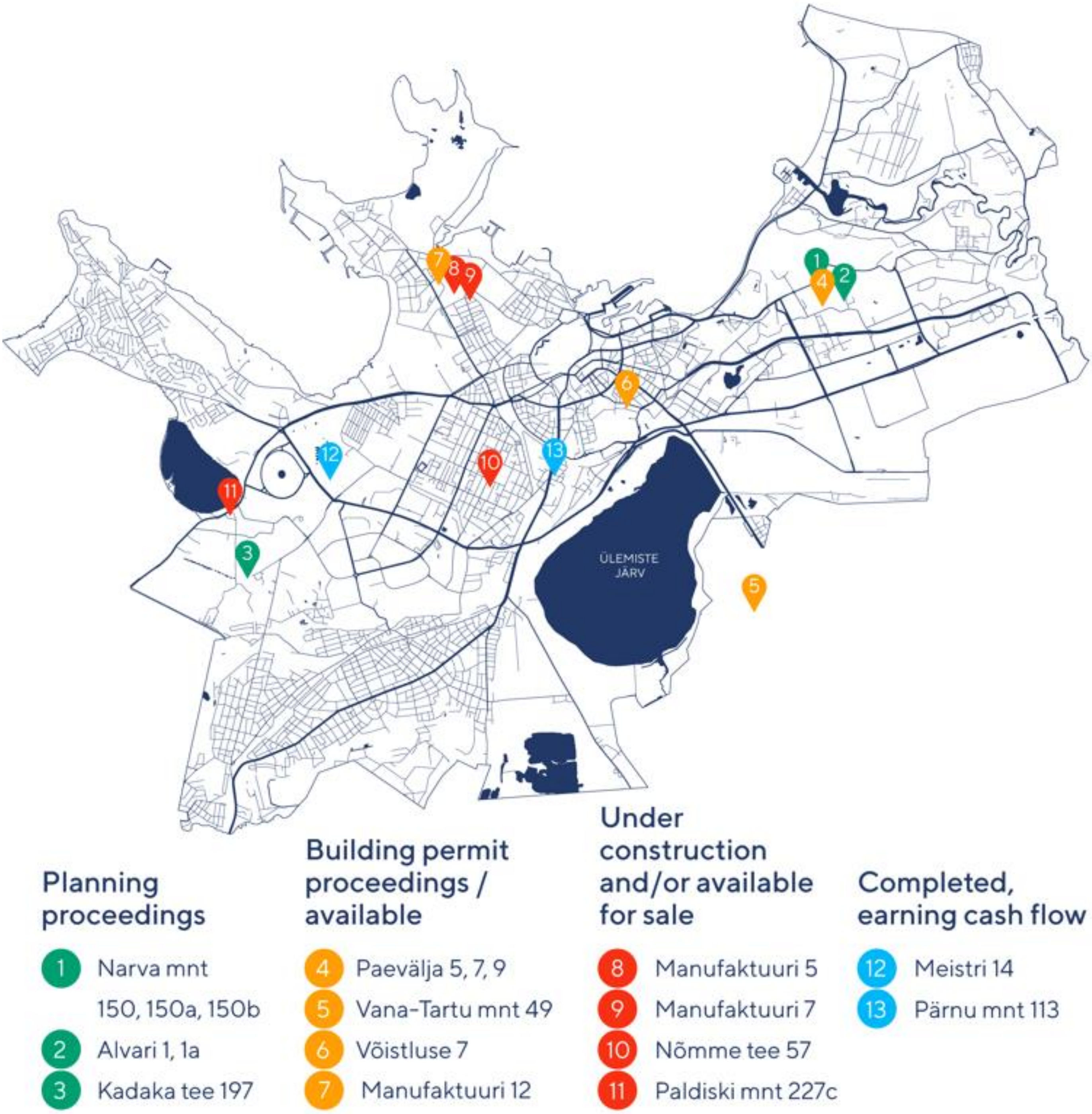
Development projects in Canada (as of 31 December 2024):

Hepsor's projects in Canada are recognised as financial investments. To date, we have invested in five different development projects. The Group's activities in Canada are related to increasing the building volume of properties, and in collaboration with partners, plans are underway for approximately 3,000 new rental apartments.

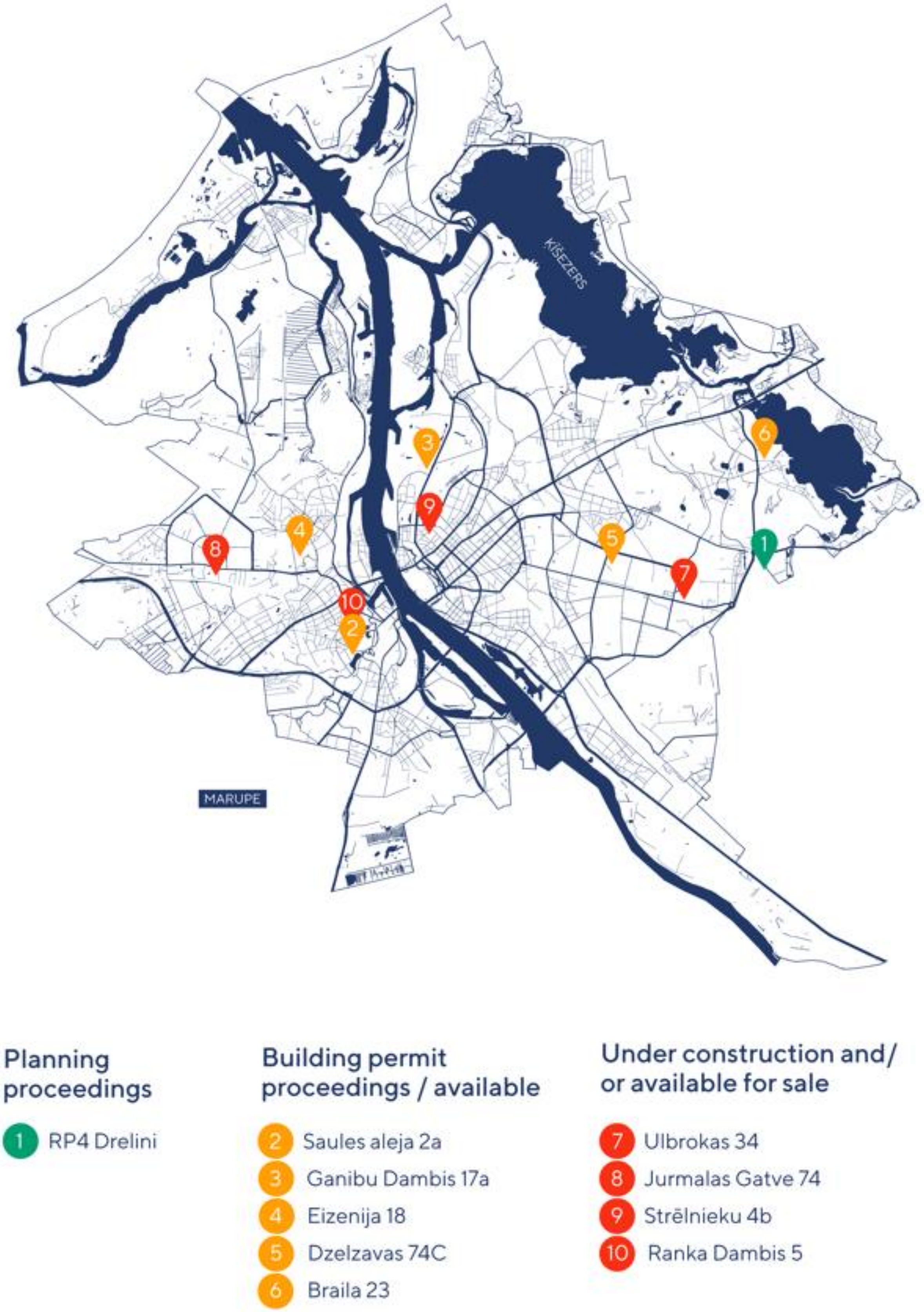
- Weston Road Project: the objective of the first phase is to increase the building volume of the property from 27,000 m² to approximately 53,000 m² and to obtain building rights for the construction of two residential buildings.
- Isabella Project: the goal of the first phase is to merge three properties located at 164–168 Isabella Street in Toronto and to plan a residential high-rise on the newly formed site with a building volume of approximately 42,000 m².
- Elysium Glenavy Project: in the second quarter of 2024, seven properties were acquired in the Leaside area of downtown Toronto, located at 17–29 Glenavy Avenue. The aim is to develop a future residential high-rise with rental apartments, with a building volume of approximately 25,000 m².
- High Park Project: In the third quarter of 2024, an 11-property development project was acquired at 21–29 Oakmount Road and 26-36 Mountview Avenue. The development area will feature a two-tower residential high-rise with rental apartments and a total building volume of approximately 62,000 m².
- Brownville Avenue Project: on the last day of the third quarter, an agreement was signed to acquire a development project consisting of 17 properties on Brownville Avenue in Toronto. The project plans to develop a rental apartment building with a total area of 63,000 m².



Development projects in Tallinn (as of 31 December 2024):



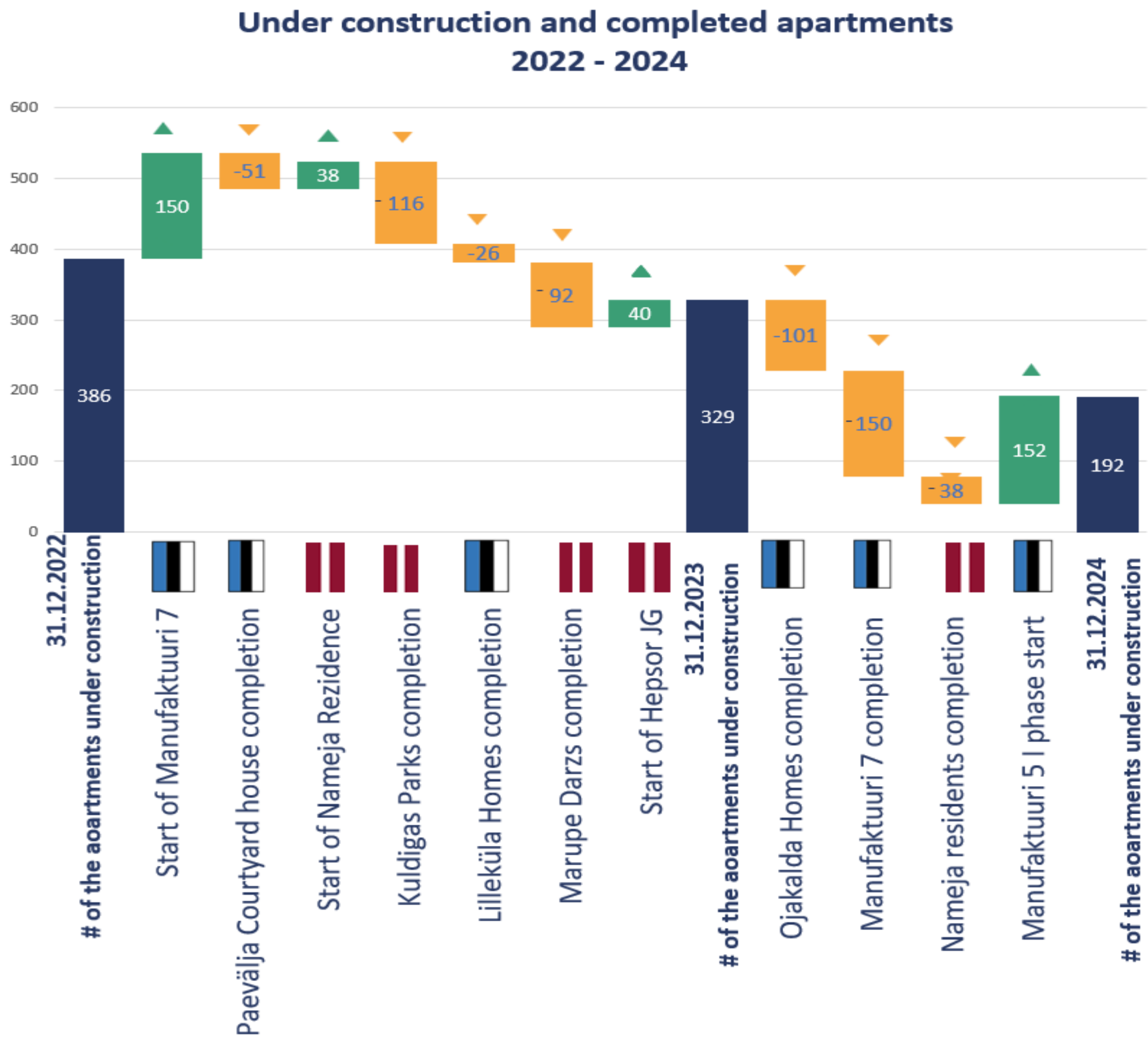
Development Projects in Riga (as of 31 December 2024):



Projects in Toronto (as of 31 December 2024):

Land development projects

1. 3406-3434 Weston road
2. 164 – 168 Isabella street
3. 17-29 Glenavy Avenue
4. 21-29 Oakmount Rd & 26-36 Mountview Avn
5. 70-104 Brownville avenue

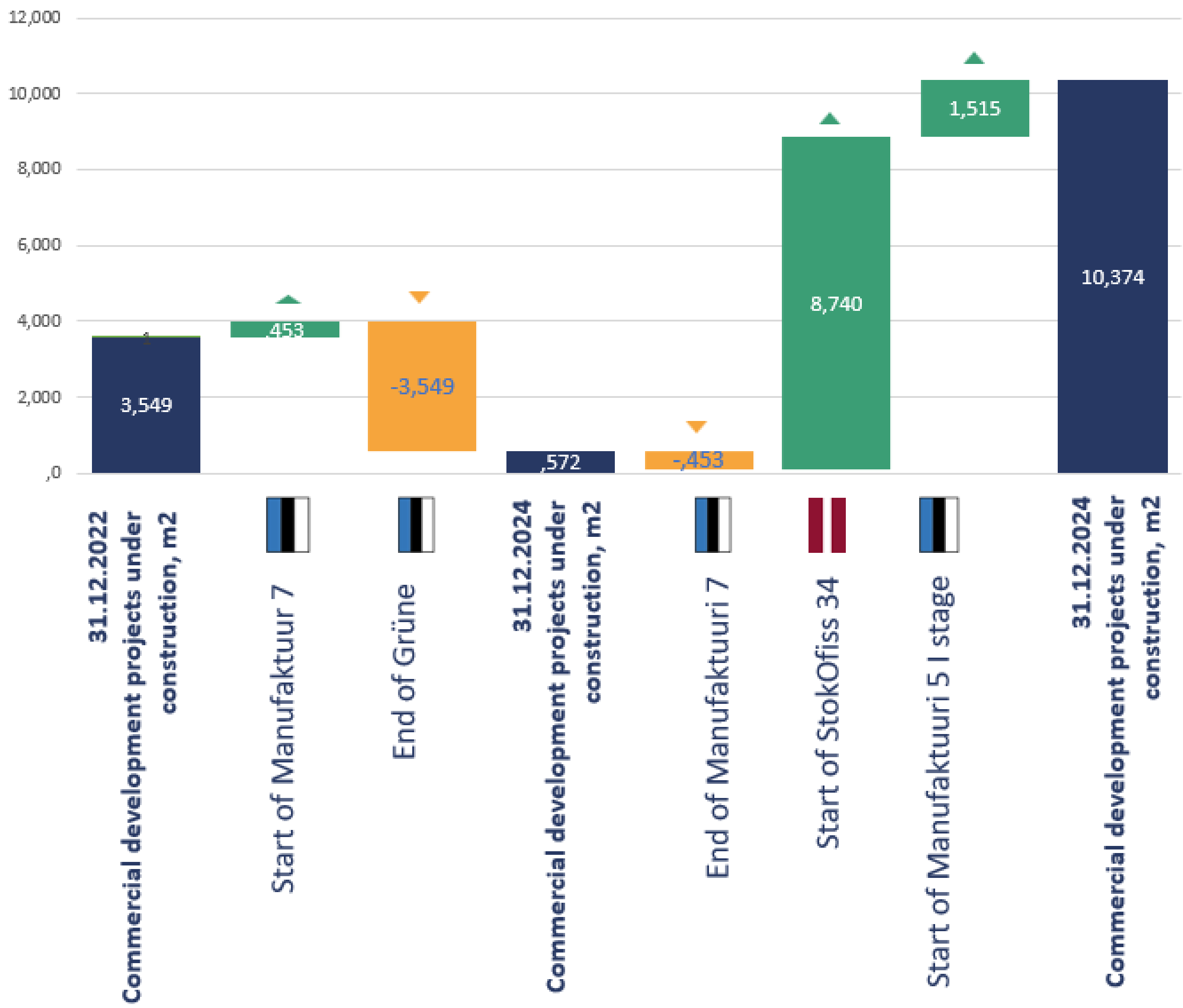


Residential development projects under construction and available for sale (as of 31 December 2024):

Project	Address	Status	Apartments	*Apartments*		*Apartments %*		Completion
				*Sold**	*Available*	*Sold**	*Available*	
Strēlnieku 4b	Strēlnieku 4b, Riga	Completed	54	53	1	98%	*2%*	2020
Lilleküla Homes	Nõmme tee 57, Tallinn	Completed	26	18	8	69%	*31%*	Q4 2023
Ojakalda Homes	Paldiski mnt 227, Tallinn	Completed	101	49	52	49%	51%	Q1 2024
Manufaktuuri 7	Manufaktuuri 7, Tallinn	Completed	150	111	39	74%	26%	Q3 2024
Manufaktuuri 5	Manufaktuuri 5, Tallinn	In construction	152	12	140	8%	92%	Q4 2027
Nameja Rezidence	Ranka Dambis 5, Riga	Completed	38	20	18	53%	47%	Q3 2024
Annenhof Majas	Jurmalas Gatve 74, Riga	In construction	40	18	22	45%	55%	Q1 2025
Total			**561**	**281**	**280**	**50%**	**50%**	

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

Commercial development projects under construction 2022 - 2024

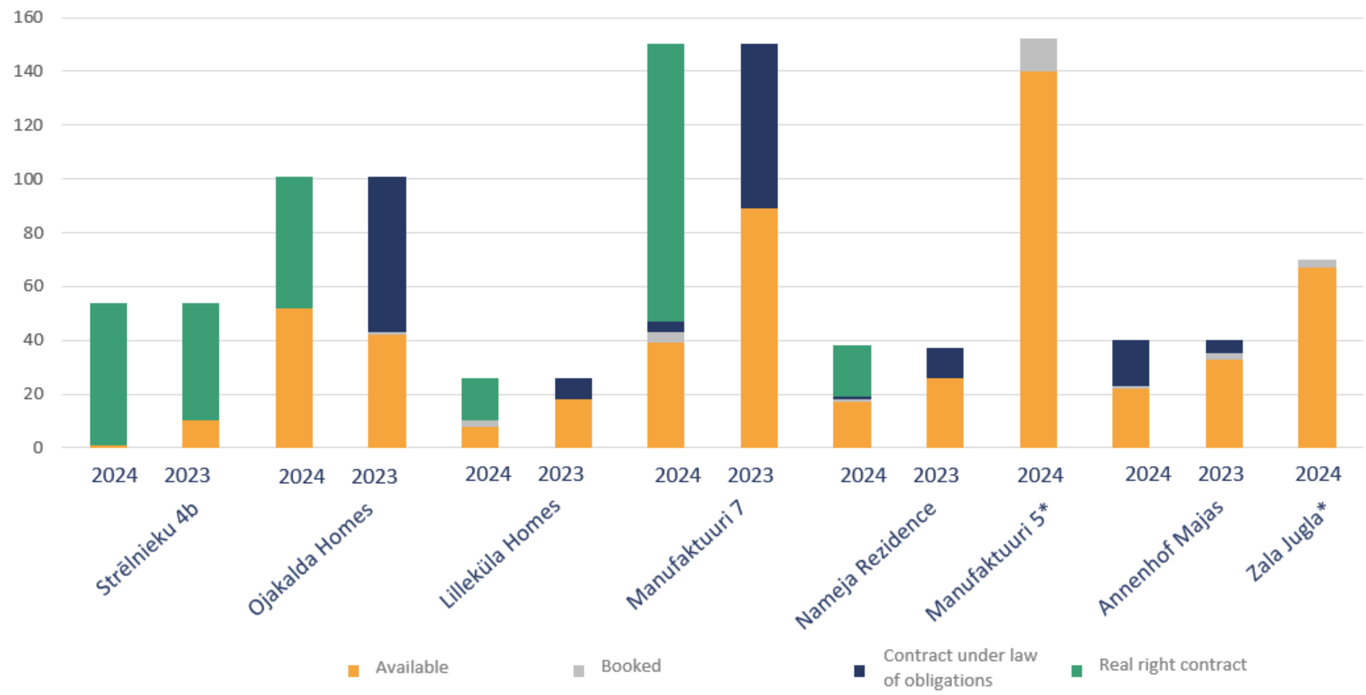


Occupancy of commercial development projects (as of 31 December 2024):

Project name	Address	Rentable area sqm	Occupancy sqm	Occupancy %
Ulbokras 34 StokOfiss, Latvia	Ulbrokas 34, Riga	8,740	495	6%
P113 Health centre	Pärnu mnt 113, Tallinn	3,851	2,974	77%
Grüne Office	Meistri 14, Tallinn	3,549	3,420	97%
Manufaktuuri 5	Manufaktuuri 5, Tallinn	1,515	0	0%
Manufaktuuri 7	Manufaktuuri 7, Tallinn	453	178	39%
Total		**18,108**	**7,067**	**39%**

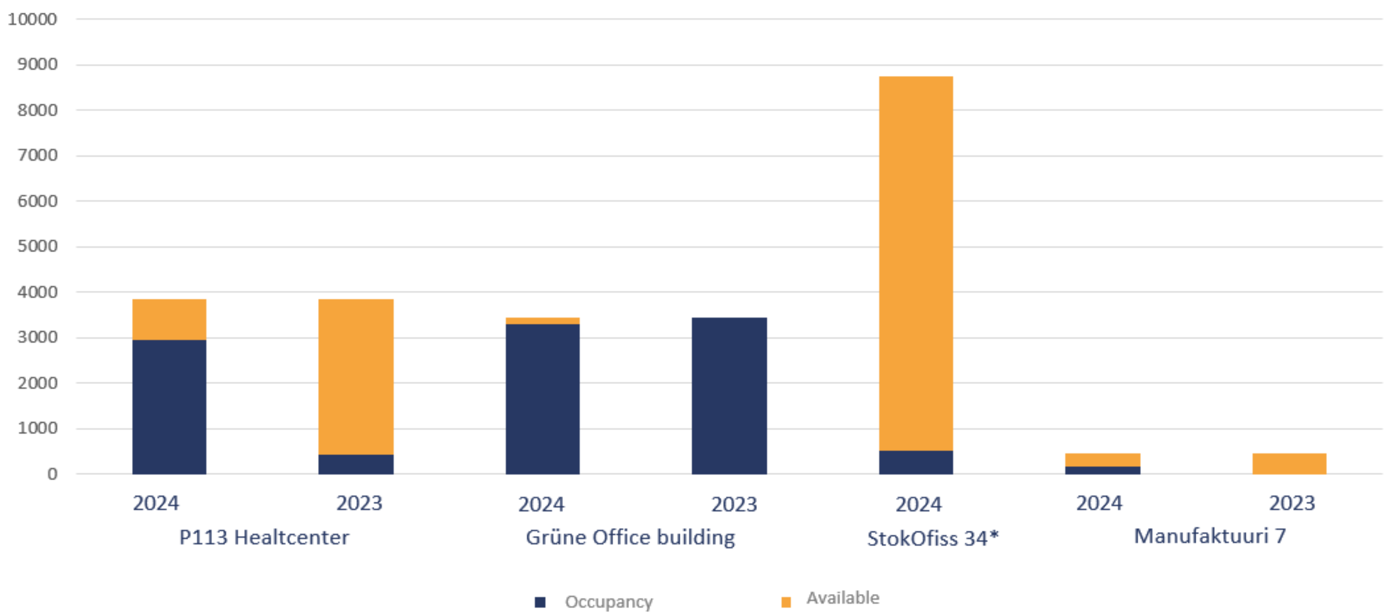
In addition to the new commercial and office buildings developed by the Group, the Group rents out commercial premises in Riga and Tallinn located on properties that are in the development phase for the construction of new buildings.

Residential development projects for sale in 2024 compared to 2023:



*Apartment sales began in 2024.

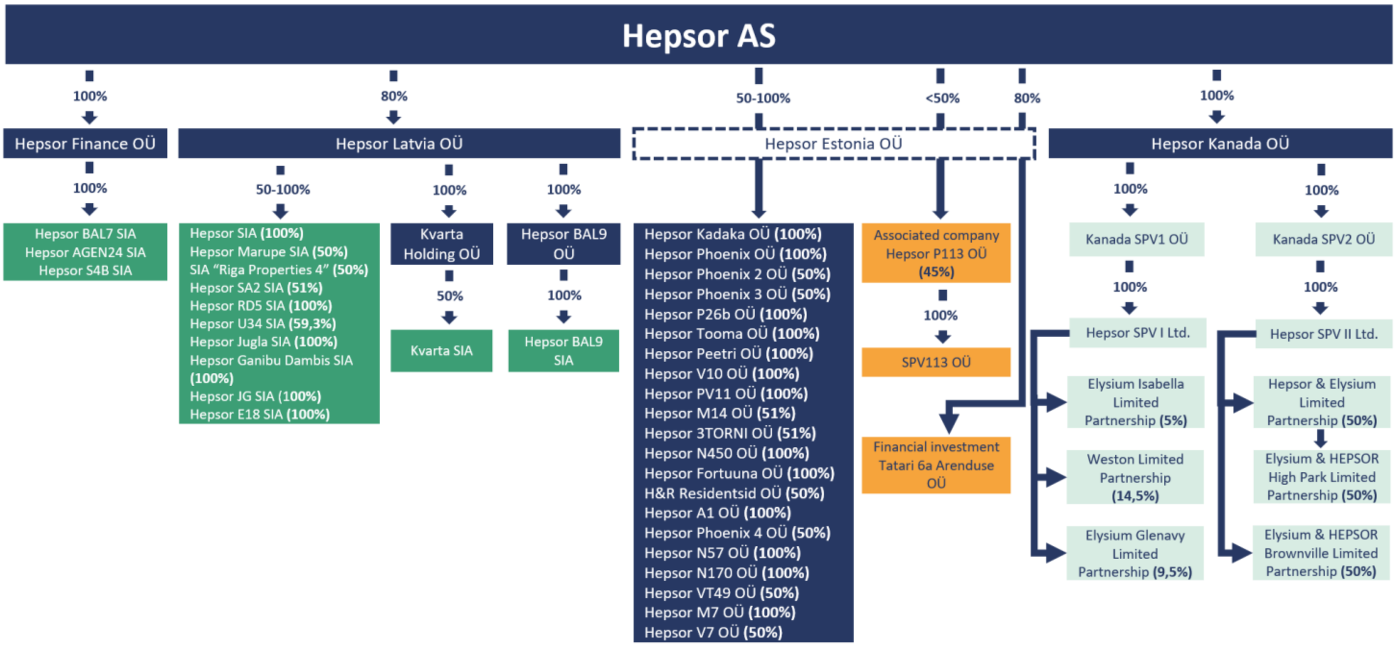
As of 31 December 2024, commercial real estate occupancy compared to 2023:



*Lease negotiations began in 2024

Group Structure

As of 31 December 2024, the Group consisted of the parent company, 44 subsidiaries, and one associate and its subsidiary (as of 31 December 2023, the Group consisted of the parent company, 43 subsidiaries, and one associate). Tatari 6a Arenduse OÜ, Weston Limited Partnership, Elysium Isabella Limited Partnership, Elysium Glenavy Limited Partnership, Elysium & Hepsor High Park Limited Partnership, and Elysium & Hepsor Brownville Limited Partnership are recognised as financial investments.



During 2024, the following changes took place in the structure of the Group:

- ✓ On 5 March 2024, Hepsor AS subsidiary Hepsor Latvia OÜ established a subsidiary, Hepsor E18 SIA.
- ✓ On 8 March 2024, Hepsor AS associate Hepsor P113 OÜ established a subsidiary, SPV113 OÜ.
- ✓ Hepsor Latvia OÜ's shareholding in Kvarta Holding OÜ increased from 50% to 100%, and Kvarta Holding OÜ's shareholding in Kvarta SIA decreased from 100% to 50%.
- ✓ In June 2024, Elysium Glenavy Limited Partnership was added as a financial investment, in which Hepsor SPV I Ltd share is 9.5%.
- ✓ On 21 May 2024, Hepsor AS established the subsidiary Hepsor V7 OÜ (50% shareholding).
- ✓ Hepsor Latvia OÜ's shareholding in Hepsor U34 SIA decreased from 70% to 59.3%.
- ✓ On 18 July 2024, Hepsor AS subsidiary Hepsor Kanada OÜ established a subsidiary, Kanada SPV2 OÜ.
- ✓ In the third quarter, Hepsor & Elysium Limited Partnership was added as a financial investment, where Hepsor SPV II Ltd holds a 50% share, which in turn holds a 50% share in Elysium & Hepsor High Park Limited Partnership.
- ✓ On 30 September 2024, the Elysium & Hepsor Brownville Limited Partnership agreement was signed, in which Hepsor SPV II Ltd's shareholding is 50%.
- ✓ On 17 December 2024, the division of T2T4 OÜ was completed, Hepsor Finance OÜ acquired the part belonging to Hepsor in the divided company.
- ✓ On 17 December 2024, Hepsor AS sold its stake in the subsidiary Hotell L4 OÜ (former business name: Hepsor L4 OÜ).

Main Events

- ✓ On 12 June 2024, Hepsor AS Group company Hepsor U34 SIA and Bigbank AS Latvian branch signed a loan agreement for nine million euros. The purpose of the loan is to finance the construction of the StokOfiss 34 business building development project in Riga at Ulbrokas 34. In addition to the bank, investors have been involved in the financing of the development project, contributing a total of 1.7 million euros.
- ✓ In June, Hepsor AS subsidiary in Canada, Hepsor SPV I Ltd, made its third investment in the Canadian real estate market by purchasing residential development plots in collaboration with Canadian partners at 17–29 Glenavy Avenue in Toronto.
- ✓ On 17 May 2024, Hepsor AS Group company Hepsor U34 SIA and construction company Mitt & Perlebach signed a contract for the construction of the StokOfiss 34 development project in Riga at Ulbrokas 34. The construction contract is valued at approximately 9.6 million euros, plus VAT.
- ✓ On 18 July, Hepsor AS subsidiary Hepsor E18 SIA acquired a property in Riga at Eiženijas iela 18. The development will include two apartment buildings with a total of 54 apartments and a sellable area of 2,800 m². Construction is planned to begin in the third quarter of 2025.
- ✓ On 2 September, Hepsor AS subsidiary Hepsor V7 OÜ acquired a property in the heart of Tallinn at Võistluse 7, where a unique eco-friendly wooden apartment building is planned to be developed.
- ✓ On 12 September, Hepsor, together with its partner Elysium Investments, acquired a development project consisting of 11 plots in High Park, downtown Toronto, Canada.
- ✓ On 30 September, Hepsor, together with its partner Elysium Investments, acquired a development project consisting of 17 plots on Brownville Avenue in Toronto, Canada.
- ✓ In December, Hepsor Latvia OÜ signed an option agreement to acquire a 50% stake in a real estate development company. The development company is planning the construction of a 13-story apartment building with 102 apartments at Dzelzavas 74c, Riga.
- ✓ On 17 December, Hepsor subsidiary Hotell L4 OÜ (former business name: Hepsor L4 OÜ) signed a share sale and claim transfer agreement with Pihlamaa AS.

Operating Results

Revenues

The Group's revenue in 2024 was 38.4 million euros (2023: 41.1 million euros), of which 5.9 million euros (2023: 27.5 million euros) was generated in Latvia and 32.5 million euros in Estonia (2023: 13.6 million euros). Latvia accounted for 15% (2023: 67%) of total revenues.

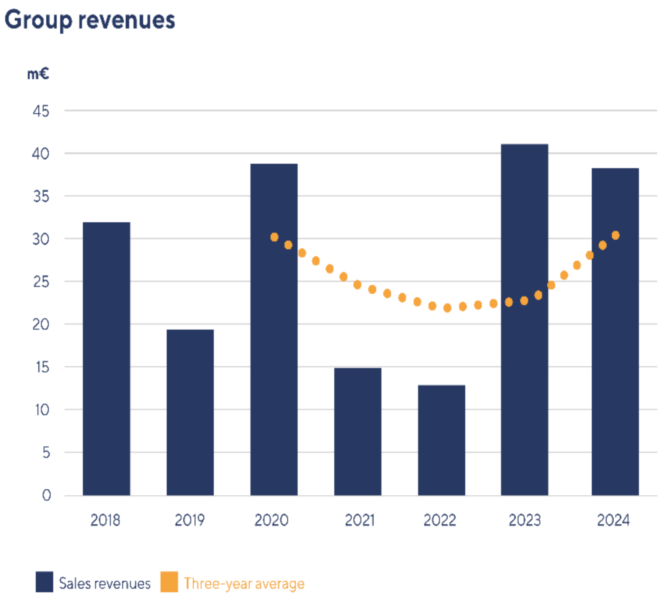
As of 31 December 2024, a total of 129 apartments were ready for sale (31 December 2023: 34), including one apartment in the Strēlnieku 4b development project and 19 apartments in the Nameja Rezidence development project in Riga, and 10 apartments in the Lilleküla Homes development project, 52 apartments in the Ojakalda Homes development project, and 47 apartments in the Manufaktuuri 7 development project in Tallinn.

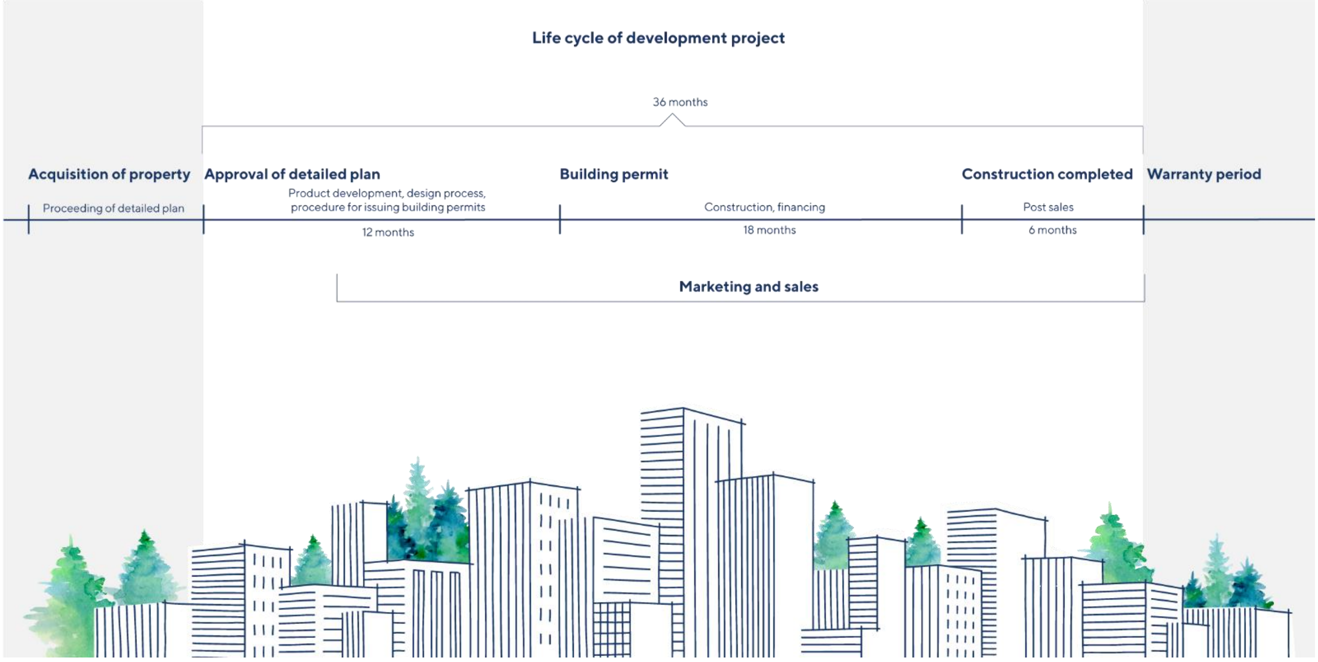
In 2024, the Group sold a total of 194 apartments (2023: 274 apartments) under real right contracts.

- ✓ In Latvia, 29 apartments, including 9 apartments in the Strēlnieku 4b development project, 19 apartments in the Nameja Rezidence development project, and one apartment in the Mārupes Dārzs development project.
- ✓ In Estonia, 165 apartments, including 5 apartments in the Paevälja Courtyard development project, 8 apartments in the Lilleküla Homes development project, 49 apartments in the Ojakalda Homes development project, and 103 apartments in the Manufaktuuri 7 development project.

In addition to sale of apartments, the Group also executes project management services to subsidiaries and associated companies and generates rental income, from the temporary renting out of commercial premises of both completed buildings and projects under development. In total rental income amounted to 1,078 thousand euros, i.e. 2.8% of the Group's total revenue in 2024 (2023: 1,270 thousand euros,i.e. 3.1%).

Large fluctuations in 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, 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.

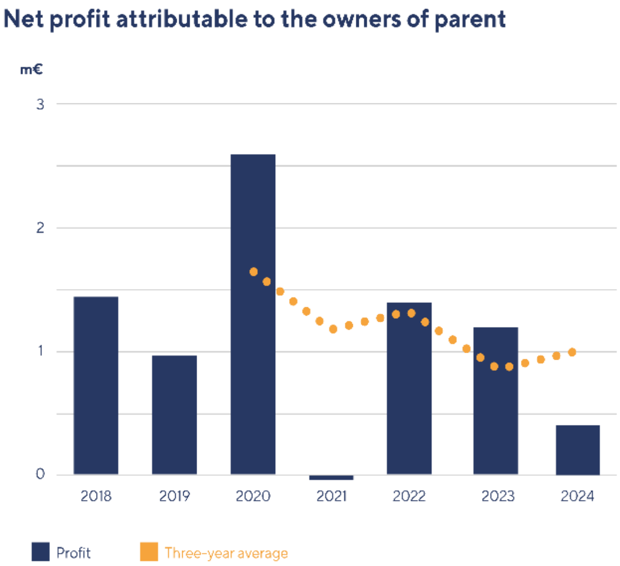




Profitability

In 2024, the Group's operating profit was 4.3 million euros (2023: 5.0 million euros). The Group's net profit for 2024 amounted to 2.1 million euros (2023: 3.5 million euros), of which the net profit attributable to the owners of the parent amounted to 0.4 million euros (2023: 1.2 million euros) and the net profit to non-controlling interest was 1.7 million euros (2023: 2.3 million euros).

The gross profit margin of development projects sold during the reporting period was 17.8% (2023: 20.3%). The Group's gross profit margin was 17.6% (2023: 17.2%). The operating profit margin was 11.3% (2023: 12.2%). Operating profit has been affected the most by the following:



- ✓ In 2024, the operating expenses of the Group have increased to 3.7 (2023: 3.0) million euros, increasing by 23% (2023: 32%). Labour costs were 2.2 million euros during the reporting year (2023: 2 million euros), increasing by 10% over the year (2023: 29%). Marketing expenses related to development projects were 0.7 million euros (2023: 0.4 million euros).
- ✓ In the fourth quarter of 2024, the Grüne Office development project was reclassified from inventories to investment property. The Group earned 312 thousand euros in other operating income from the fair value assessment of the office building.

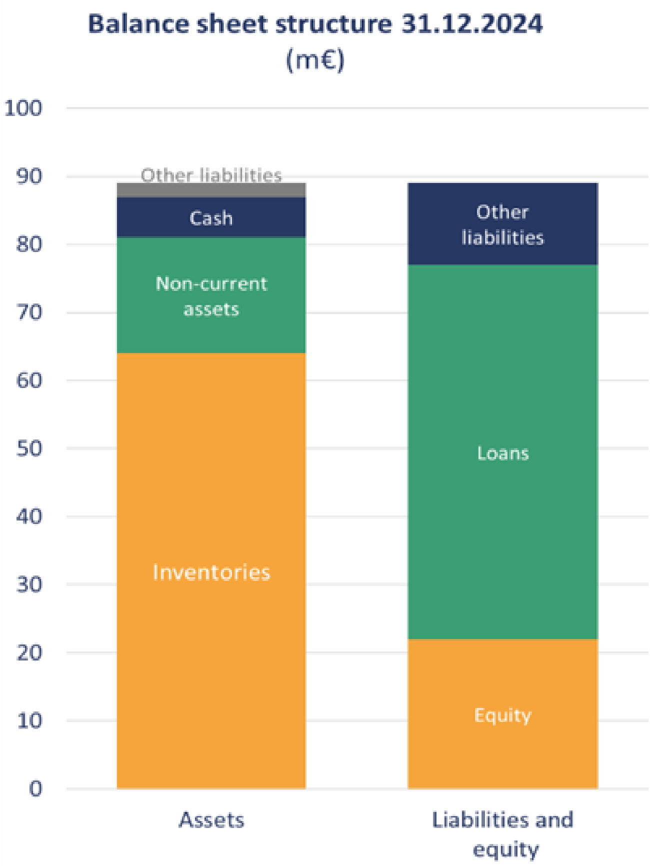
The Group's net profit margin for 2024 was 5.6% (2023: 8.5%). The net profit margin attributable to the owners of the parent was 1.1% (2023: 2.9%).

The Group's interest expenses increased by 0.6 million euros during the reporting year, amounting to 2.5 million euros (2023: 1.9 million euros). The Group's total financial expenses were 2.6 million euros (2023: 2.7 million euros). In 2023, the financial expense was mainly influenced by, in addition to interest expenses, a financial expense of 0.6 million euros resulting from the equity method of accounting for the associate Hepsor P113 OÜ.

The Group's financial income was 0.4 million euros during the reporting year (2023: 1.2 million euros). In 2023, the Group earned non-recurring financial income of 1.0 million euros from the sale of the subsidiary Hepsor U30 SIA.

Balance sheet

Total assets of the Group amounted to 88.8 million euros as of 31 December 2024 (31 December 2023: 91.0 million euros), which is 2% lower (2023: higher 16.1%) than at the end of the previous financial year. Inventories accounted for 72.2%, i.e. 64.1 million euros of total assets (31 December 2023: 85.1% and 77.4 million euros). The decrease in inventories is due to the reclassification of inventories to investment property, the sale of Hotell L4 OÜ (formerly Hepsor L4 OÜ), and the sale of apartments. In 2024, the Group acquired a two new residential development projects. In Estonia, an eight-apartment project located at Võistluse 7 and in Riga, at Eizenija 18, where a 54-apartment residential building will be constructed. Additionally, In 2024, the property Lembitu street 4, Tallinn, was sold together with the company, which reduced the development portfolio by 4,250 square metres. During the reporting year, the Group sold 194 apartments through property rights agreements.



As of 31 December 2024, cash and cash equivalents accounted for 7.0%, i.e, 6.2 million euros of the total assets (31 December 2023: 8.4% and 7.6 million euros).

The Group's loan obligations totalled to 54.9 million euros, i.e. 61.8% of total assets as of 31 December 2024. As of 31 December 2023, the Group's loan obligations amounted to 56.9 million euros, i.e. 62.5% of total assets.

The Group's equity decreased by 1% over the year to 22.2 million euros (2023: increased 9% to 22.2 million euros). Equity attributable to the owners of the parent decreased 0.1 million euros (2023: increased 1.1 million euros). The equity attributable to the parent company's owners was 20.9 million euros (31 December 2023: 21.0 million euros).

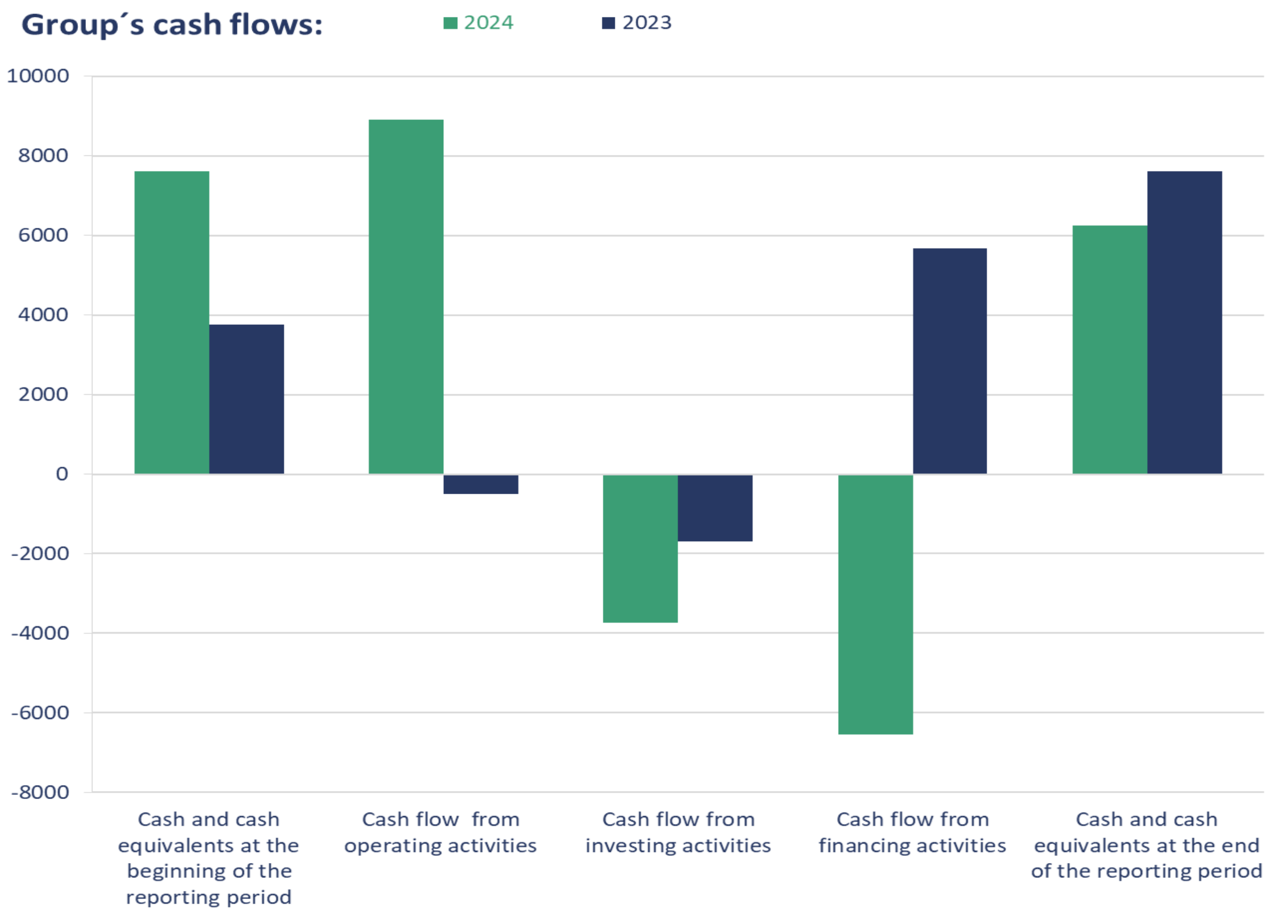
Cash flows

The Group's cash and cash equivalents amounted to 7.6 million euros at the beginning of 2024 (1 January 2023: 3.8 million euros) and to 6.2 million euros as of 31 December 2024 (31 December 2023: 7.6 million euros). The negative cash flow for the period was 1.4 million euros (2023: positive at 3.9 million euros).

Cash flow from operating activities for 2024 was positive at 8.9 million euros (2023: negative at 0.5 million euros). The cash flows from operating activities were mostly affected by the reduction in inventories resulting from the sale of several development projects and the reclassification of inventories as investment property. If in 2023 the cash flow was negative at 5.7 million euros due to the change in inventories, then in 2024, it was positive at 6.5 million euros.

Cash flow from investments was negative at 3.7 million euros as of 31 December 2024 (2023: negative at 1.7 million euros). Financial investments of 4.4 million euros were made in Canada during the reporting year (2023: 2.0 million euros). In 2024, the Group granted loans in the total amount of 0.9 million euros (2023: 0.3 million euros). 1.6 million euros were received from the sale of a subsidiary (2023: 0.6 million euros).

Cash flow from financing activities was negative at 6.5 million euros (2023: positive at 5.6 million euros). The net amount of loans received in 2024 was -1.3 million euros (2023: 9.5 million euros). In 2024, 5.3 million euros (2023: 3.9 million euros) in loan interest have been paid.



Key financials

in thousands of euros	2024	2023	2022	2021	2020
Revenue	38,397	41,135	12,870	14,961	38,771
Gross profit/-loss	6,762	7,068	1,774	3,059	4,084
EBITDA	4,536	5,227	383	2,037	3,572
Operating profit/-loss	4,332	5,034	235	1,880	3,411
Net profit/-loss	2,134	3,480	1,331	1,733	3,845
Incl. net profit/-loss attributable to the owners of parent	*423*	*1,185*	*1,396*	*-22*	*2,591*
Comprehensive income/-loss	-156	1,713	1,315	-12	2,834
Incl. comprehensive profit/-loss attributable to the owners of parent	*-81*	*1,127*	*1,033*	*46*	*2,605*
Total assets	88,813	91,001	78,368	55,345	30,433
Incl. inventories	64,141	77,439	*69,760*	*37,237*	*22,903*
Total liabilities	66,803	68,840	58,045	36,308	20,914
Incl. total loan commitments	54,688	56,905	*48,580*	*28,363*	*16,160*
Total equity	22,010	22,161	20,323	19,037	9,519
Incl. equity attributable to the owners of parent	*20,912*	*20,993*	*19,866*	*18,904*	*9,454*
Earnings per share	0.11	0.31	0.36	-0.01	0.86

Key ratios

	2024	2023	2022	2021	2020
Gross profit margin	17.6%	17.2%	13.8%	20.4%	10.5%
Operating profit margin	11.3%	12.2%	1.8%	12.6%	8.8%
EBITDA margin	11.8%	12.7%	3.0%	13.6%	9.2%
Net profit margin	5.6%	8.5%	10.3%	11.6%	9.9%
General expense ratio	7.0%	5.0%	12.0%	8.1%	2.3%
Equity ratio	24.8%	24.4%	25.9%	34.4%	31.3%
Debt ratio	61.6%	62.6%	62.1%	51.3%	53.2%
Current ratio	2.3	1.7	2.5	4.2	3.5
Return of equity	9.7%	16.4%	6.8%	12.1%	47.3%
Return on equity attributable to the owners of the	2.0%	5.8%	7.2%	-0.2%	31.7%
Return on assets	2.4%	4.1%	2.0%	4.0%	11.4%

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

Employees

As of 31 December 2024, the Group employed 28 (31 December 2023: 26) people including the members of the Management Board and of the Supervisory Board. A total of 14 of these people worked in Estonia (31 December 2023: 13) and 14 in Latvia (31 December 2023: 13).

Number of employees in 2024

28

Total labour cost for the reporting period amounted to 2,168 thousand euros (2023: 1,981 thousand euros). The increase in payroll costs for the reporting year was caused by both changes in the composition of employees and general wage increases.

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

As of 14 October 2021, the Management Board of the Group has one member. The term of office of the member of the Management Board, Henri Laks, is five years. In addition to the position of a member of the Management Board of Hepsor AS, Henri Laks also belongs to the Management Boards of eight Estonian subsidiaries and associated company of the Group.

The members of the Management Board and the Supervisory Board were paid for the reporting period gross fees in the amount of 500 thousand euros (2023: 363 thousand euros).

In May 2024, Mihkel Mäger, the Country Manager for Estonia, started working as a member of the Management Board of Hepsor Finance OÜ. Mihkel Mäger is responsible for development projects in Estonia.

Martti Krass, a member of the Management Board of Hepsor Latvia OÜ and the Country Manager for Latvia, is responsible for development projects in Latvia. In October 2024, Gints Vanders started working as a member of the Management Board of Hepsor SIA.

On 23 May 2024, the General Meeting of Shareholders decided to extend the current Group's Supervisory Board's mandate by three years. The Supervisory Board of the Group has three members. The work of the Supervisory Board is led by Andres Pärloja, the Chairman of the Supervisory Board. The members of the Supervisory Board are Kristjan Mitt and Lauri Meidla.

More information about the personnel expenses is available in Note 22.

Share and Shareholders

The shares of Hepsor AS (HPR1T; ISIN EE3100082306) have been listed on the Nasdaq Tallinn Stock Exchange main list since 26 November 2021. The Group has issued a total of 3,854,701 ordinary shares with a nominal value of 1 euro each. At the general meeting of Hepsor AS, each share grants one vote, and there are no different classes of shares.

As of 31 December 2024, Hepsor AS had 9,433 shareholders (31 December 2023: 10,527 shareholders).

Hepsor AS Top 10 largest shareholders, incl. the members of the Management Board and of the Supervisory Board and entities related to them:

Shareholder	Position	Number of shares 31.12.2024	Number of shares 31.12.2023	Ownership % as of 31.12.2024	Ownership % as of 31.12.2023	Change
Henri Laks	Member of the Management Board	498,000	498,000	12.92%	12.92%	-
Andres Pärloja	Chairman of the Supervisory Board	997,500	997,500	25.88%	25.88%	-
Kristjan Mitt	Member of the Supervisory Board	997,500	997,500	25.88%	25.88%	-
Lauri Meidla	Member of the Supervisory Board	385,700	507,000	10.01%	13.15%	-3,14%
Shares of the members of the Management Board and of the Supervisory Board combined		**2,878,700**	**3,000,000**	**74.68%**	**77.83%**	**-3.14%**
Järvevana 7b OÜ	-	133,461	13,461	3.46%	0.35%	3.11%
OÜ Hinno Invest	-	62,160	49,250	1.61%	1.28%	0.33%
SEB Pensionifond 18+	-	55,178	0	1.43%	0.00%	1.43%
LHV Pensionifond Roheline	-	31,000	31,000	0.80%	0.80%	-
Watson Group OÜ	-	25,000	25,000	0.65%	0.65%	-
Insenerehituse AS	-	23,100	23,100	0.60%	0.60%	-
10 largest shareholders total		**3,141,811**	**3,208,599**	**83.24%**	**81.51%**	**1.73%**
Minorty shareholders total		**646,102**	**712,890**	**16.76%**	**18.49%**	**-1.73%**

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

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
100,001–...	6	0.06%	3,012,161	78.14%
10,001–100,000	8	0.08%	256,614	6.66%
1,001–10,000	47	0.50%	145,804	3.78%
101–1,000	791	8.39%	213,024	5.53%
1–100	8,581	90.97%	227,098	5.89%
Total	9,433	100.00%	3,854,701	100.00%

Distribution of shareholders by country as of 31 December 2024:

Share holder country	Share % as of 31.12.2024	Share % as of 31.12.2023	Change
Estonia	99.5%	99.6%	-0.1%
Latvia	0.2%	0.2%	-
Lithuania	0.2%	0.1%	0.1%
Other countries	0.1%	0.1%	-
Total	**100%**	**100%**	**0%**

In addition to the three largest shareholder countries, there are shareholders in 14 other countries (2023: 10 countries).

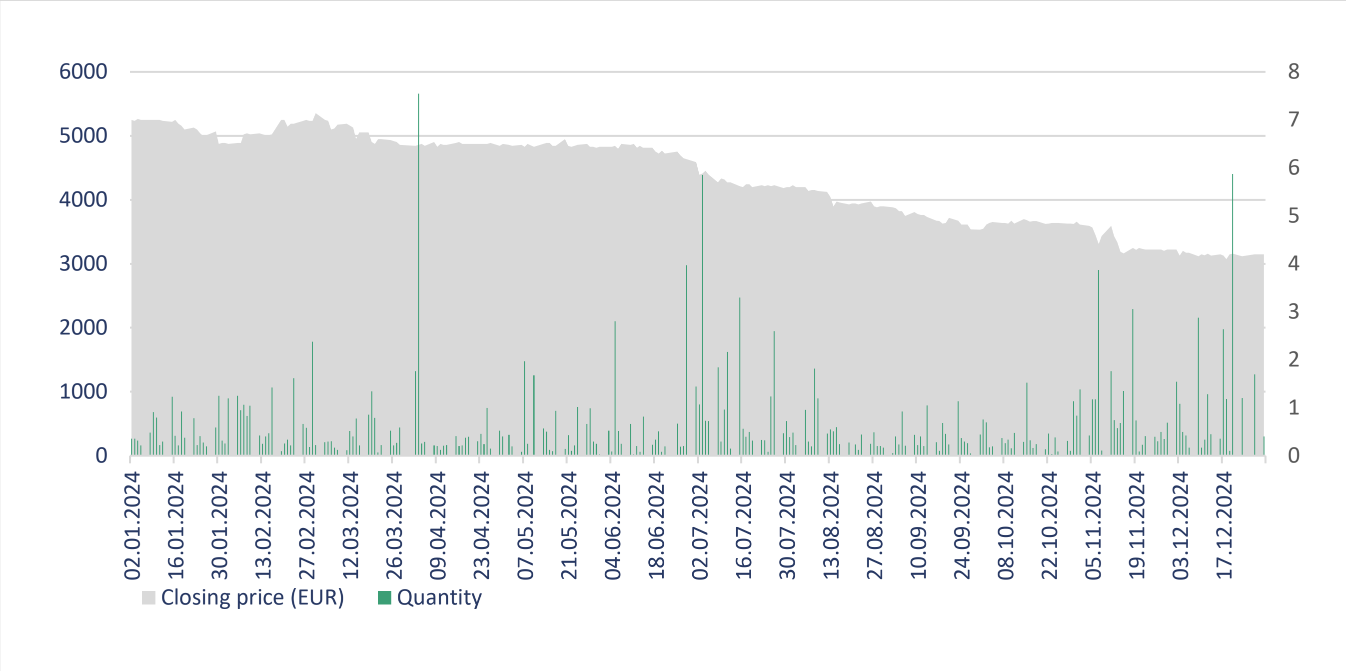
During the period from 1 January 2024 to 31 December 2024, a total of 6,981 transactions were carried out with Hepsor shares, during which 128,182 shares changed owners for a total amount of 722,525 euros. The highest transaction price during the period was 7.14 euros and the lowest was 4.1 euros. The market capitalisation of the shares as of 31 December 2024 was 16.2 million euros, and the equity attributable to the owners of the parent company was 21 million euros.

At the beginning of the reporting period, the share price was 7.02 euros per share (1 January 2023: 9.1 euros per share). At the end of the reporting period, the share price was 4.2 euros (31 December 2023: 7.02 euros per share). The median share price for the period was 5.91 euros (2023: 8.3 euros per share). As of 31 December 2024, the P/E ratio was 38.2 (31 December 2023: the ratio was 23.4).

Share trading history as of 31 December 2024:

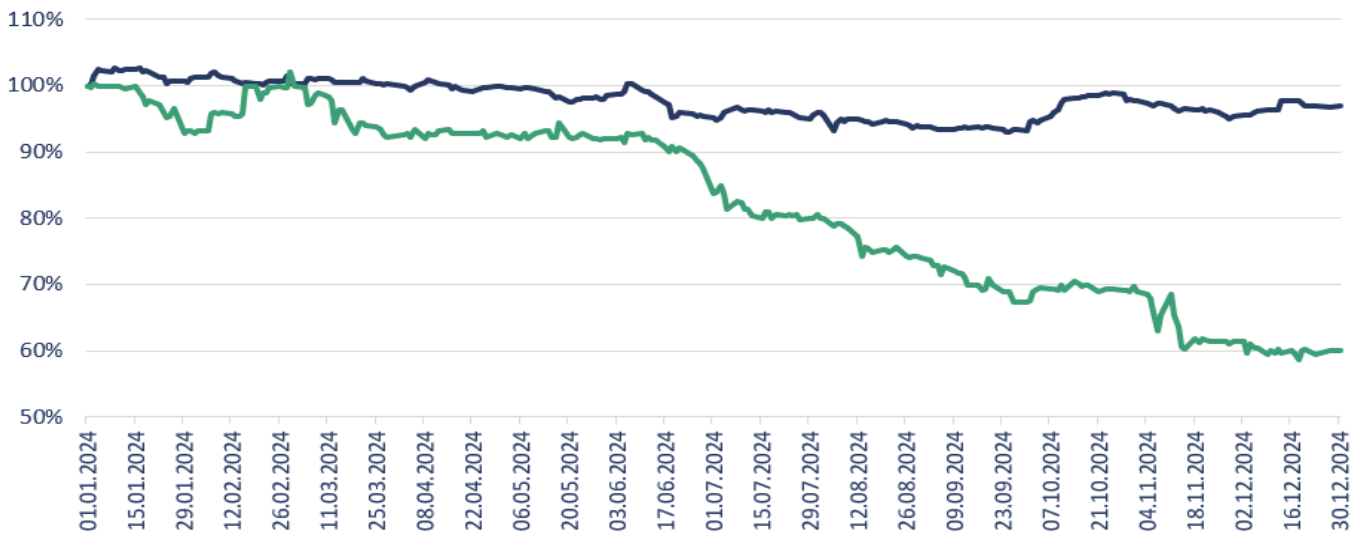
Trading history	2024	2023	2022
Highest price	7.14	9.23	14.35
Lowest price	4.1	6.9	9.07
Median price	5.91	8.3	10.51
Price as of 31 December	4.2	7.02	9.1
Number of shares traded	128,182	117,234	297,239
Market cap as of 31.12	16,189,744	27,060,001	35,077,779

Trading volume and price range of the Hepsor AS shares, 12 months (1 January 2024–31 December 2024):



Source: Nasdaq Baltic

Change in the Hepsor share price in comparison with the Benchmark OMX Tallinn Index, 12 months (1 January 2024–31 December 2024):



INDEX/EQUITY	OPENING VALUE	CLOSING VALUE	CHANGE
OMX Baltic_10	280.34	271.68	-3.09%
HPR1T - Hepsor	7.00	4.2	-40.00%

Source: Nasdaq Baltic

Manufaktuuri 7,

Tallinn

Corporate Governance Report

In its business operations, Hepsor AS adopts the Corporate Governance Recommendations approved by the Estonian Financial Supervisory and Resolution Authority and Nasdaq Tallinn Stock Exchange. The following report describes the management principles of Hepsor AS in 2024 and compliance with Corporate Governance Recommendations. Companies can decide whether they adopt these recommendations as the basis of their management. The management practices of Hepsor AS are described below in accordance with the ‘comply or explain’ principle.

General Meeting of Shareholders

Exercise of shareholder rights

Hepsor AS is a public limited company whose managing bodies are the General Meeting of Shareholders, the Supervisory Board and the Management Board. The General Meeting of Shareholders is the Group’s highest managing body, the competence of which is based on legislation and the Articles of Association of the Group. Among other things the General Meeting of Shareholders is competent in amending the Articles of Association, electing, and removing members of the Supervisory Board, electing an auditor, and approving the annual report as well as other matters in the competence of the General Meeting of Shareholders on the basis of the Articles of Association and the law. The Annual General Meeting of Shareholders, which approves the annual report no later than six months after the end of the financial year, is held at least once a year.

Every shareholder is ensured the right to participate in the General Meeting, to speak at the General Meeting on topics presented in the agenda, and to present reasoned questions and make proposals. A controlling shareholder refrains from unreasonably harming the rights of other shareholders, both at the General Meeting and upon organising Hepsor’s management and must not abuse his position.

Calling the General Meeting of Shareholders and information to be published

Notice of calling the General Meeting is published through the information system of the Nasdaq Tallinn Stock Exchange. The notice is also published on the Hepsor website and in daily national newspapers at least three weeks before the General Meeting takes place.

The Group’s Management Board determines the agenda of the General Meeting of Shareholders and prepares the draft of the resolution in respect to each item on the agenda to be voted on at the General Meeting of Shareholders. If a General Meeting of Shareholders is called by the shareholders, the Supervisory Board or an auditor, they prepare a draft of the resolution of each item on the agenda and submit this to the Management Board. Shareholders whose shares represent at least one-twentieth (1/20) of the share capital may submit to the Group a draft of the resolution with respect to each item on the agenda to be voted on at the General Meeting of Shareholders. The agenda of the General Meeting of Shareholders, proposals by the Management Board and the Supervisory Board, draft of the resolution with respect to each item on the agenda and other relevant materials will be published on the Group’s website prior to the General Meeting of Shareholders.

The Group notifies shareholders concerning the calling of an extraordinary General Meeting immediately after deciding to call the extraordinary meeting. The notice indicates the reason for calling the extraordinary meeting and who made the proposal to call it (e.g. the Management Board, the Supervisory Board, the shareholders or the auditor). Information concerning the extraordinary meeting is immediately published on the Group’s website.

The Annual General Meeting of Shareholders of Hepsor AS for the financial year 2023 was held on 23 May 2024 in the conference centre of Mövenpick at Lembitu 12, Tallinn. The Annual General Meeting of Shareholders had a quorum as 20 shareholders with 3,002,021 votes were represented, i.e. a total of 77.89% of the votes represented by Hepsor AS shares, including one shareholder who used the opportunity to vote before the meeting and whose shares represented 507,000 votes.

The ordinary General Meeting of Shareholders of Hepsor Ltd decided to:

- approve the annual report for the year 2023 as presented to the general meeting;
- distribute the net profit for the financial year ended 31 December 2023 in the amount of 1,185 thousand euros, transferring the net profit of the financial year to the account of retained earnings from previous periods;
- extend the mandates of the current members of the Supervisory Board, Andres Pärloja, Kristjan Mitt, and Lauri Meidla, for three years from the adoption of the decision by the general meeting of shareholders.

The resolutions adopted by the Annual General Meeting of Shareholders were published in the information system of the Nasdaq Tallinn Stock Exchange and on the websites of the Estonian Financial Supervisory and Resolution Authority and the Group.

Management Board

Composition and duties of the Management Board

The Management Board is a governing body that represents and directs the Group daily. The Management Board makes decisions based on the best interests of the Group and all shareholders and it is obliged to ensure the sustainable development of the Group in accordance with set goals and strategy. The Management Board uses its best efforts to ensure that the Group and all Group companies will comply in their activities with current legislation.

The Management Board ensures that it undertakes proper risk management and internal audit controls based on the Group’s business operations. To guarantee proper risk management and internal audit, the Management Board:

- ✓ analyses risks connected with the purpose of the activities and financial objectives of the Group (incl. environmental, competitive and legal risks);
- ✓ prepares adequate internal control provisions;
- ✓ elaborates forms for drawing up financial reports and instructions for drawing up these reports; and
- ✓ organises the system of control and reporting.

Career History:

- 2021 - Present: Member of the Management Board, Hepsor AS
- 2013 - 2021: Member of the Management Board, Hepsor OÜ
- Since 2011: Member of the Management Boards of the Group's subsidiaries
- 2009 - 2012: Development Project Manager, Tallinn University
- 2006 - 2009: Kapitel AS, development project manager
- 2004 - 2006: Development Project Engineer, Kapitel AS
- Start of Management Board Member Contract: October 14, 2021
- End of Management Board Member Contract: October 13, 2026
- Number of Controlled Shares: 498,000 (12.92%)

The Management Board adheres to the lawful orders of the Supervisory Board. Transactions which are beyond the scope of everyday economic activities may only be concluded by the Management Board with the consent of the Supervisory Board. According to the Articles of Association, the Management Board may be comprised of up to three members and elected for a term of five years. The Management Board of the Group consists of one member. The contract as a member of the Management Board has been signed with Henri Laks for a term of five years (until 14 October 2026). The member of the Group's Management Board may also be a member of the Management Board of the Group's subsidiaries and associated companies.

The Group does not follow the recommendation in clause 2.2.1 of the Corporate Governance Code stating that the Management Board should have more than one member considering the number of employees the Group employs. The Group's extended management also includes the CFO, the members of Management Board of the Group's Latvian entities and the member of the Management Board of the Group's Estonian entities. Significant decisions are made in cooperation with the Supervisory Board.

Principles for the remuneration of the Management Board

Upon determination of the remuneration of the Management Board, the Supervisory Board is guided by evaluations of the work of the member of the Management Board. In evaluating the work of the member of the Management Board, the Supervisory Board takes into consideration the duties and activities of the member of the Management Board, the Group's economic condition, the actual state and future predictions and direction of the business in comparison with the same indicators for companies in the same economic sector. The remuneration of the Management Board, including bonus schemes, is such that they motivate the member to act in the best interests of the Group and refrain from acting in their own or another person's interests. The remuneration and principles of remuneration are specified in the contract with the member of the Management Board.

The member of the Management Board is paid a monthly fixed remuneration as agreed in the contract and performance pay for meeting the objectives of the financial year. Performance pay is not paid when such objectives have not been met. Severance packages for a member of the Management Board are connected with their prior work performance and are not payable if doing so would harm the interests of the Group.

Conflicts of interest

The member of the Management Board avoids conflicts of interest in their activity. The member of the Management Board does not make decisions on the basis of their own interests or use business offers addressed to the Group in their own interests. The member of the Management Board informs the Supervisory Board concerning the existence of a conflict of interests before the conclusion of a contract of service and immediately if such conflict arises. The member of the Management Board promptly informs the Chairman of the Supervisory Board of any business offer related to the business activity of the Group made to them, a relative, acquaintance or associate.

The Supervisory Board approves transactions which are significant to the Group and concluded between the Group and the member of the Management Board or another person connected with or close to them and determines the terms of such transactions. In 2024, no such transactions took place.

The member of the Management Board may only engage in other duties alongside their duties as a member of the Management Board with the approval of the Supervisory Board.

Supervisory Board

Composition and duties of the Supervisory Board

The duty of the Supervisory Board is the regular supervision of the activities of the Management Board and making important decisions relating to the activities of the Group. The Supervisory Board acts independently and in the best interests of the Group and all shareholders.

According to the Articles of Association, the Supervisory Board may comprise of three to five members and the members of the Supervisory Board are elected for a term of three years. The chairman, who organises the activities of the Supervisory Board, is elected from among the members of the Supervisory Board. The members of the Supervisory Board are elected and removed by the General Meeting of Shareholders. The members of the Supervisory Board are elected from persons having sufficient knowledge and experience to participate in the work of the Supervisory Board.

Andres Pärloja
Nõukogu esimees

Career History:

2021 - Present: Chairman of the Supervisory Board, Hepsor AS
2011 - 2021: Member of the Management Board, Hepsor OÜ
2010 - Present: Member of the Management Board, Mitt & Perlebach OÜ
2006 - Present: Member of the Supervisory Board, StoryRent OOD, Bulgaria
2007 - 2010: CEO, Koger & Partnerid AS, Koger Kinnisvara OÜ
2006 - 2011: Member of the Supervisory Board, Euroclean OOD, Bulgaria
2005 - 2007: CEO, Koger & Partnerid OOD, Bulgaria
2004 - 2005: Member of the Management Board, Parex Bank Estonia
Number of Controlled Shares: 997,000 (25.88%)

Kristjan Mitt
Nõukogu liige

Career History:

2021 - Present: Member of the Supervisory Board, Hepsor AS
2011 - 2021: Member of the Management Board, Hepsor OÜ
2010 - Present: Member of the Management Board, Mitt & Perlebach OÜ
2008 - 2011: CEO, Koger & Partnerid SIA, Latvia
2004 - 2007: Project Manager, Site Manager, Koger & Partnerid AS
Number of Controlled Shares: 997,000 (25.88%)

Lauri Meidla
Nõukogu liige

Career History:

2021 - Present: Member of the Supervisory Board, Hepsor AS
2020 - Present: Member of the Supervisory Board, Saunum Group AS
2017 - Present: Member of the Supervisory Board, Inclusion OÜ
Number of Controlled Shares: 385,700 (10.01%)

The Supervisory Board decides on and regularly assesses the Group's strategy, general action plan, risk management principles and annual budget.

The Supervisory Board regularly assesses the activities of the Management Board in implementing the Group's strategy, financial condition, risk management system, the lawfulness of the Management Board activities and whether essential information concerning the Issuer has been communicated to the Supervisory Board and the public as required.

The Chairman of the Supervisory Board determines the agenda of the Supervisory Board meeting, chairs meetings, monitors the efficiency of the Supervisory Board's work, organises the transmission of information to the members of the Supervisory Board, ensures that the Supervisory Board has enough time to prepare for decisions and examines information and represents the Supervisory Board in communications with the Management Board.

The Supervisory Board has formed an Audit Committee, whose task is to advise the Supervisory Board concerning the Group's financial reporting and accounting, auditing, risk management, internal controls and budgeting. The Audit Committee has two members whose work is not remunerated.

In 2024, the Supervisory Board made 22 decision, a total of 16 of these decisions were signed by all members of the Supervisory Board. Decisions concerning granting of consent to the conclusion of a transaction between a person related to the said member of the Supervisory Board and the Group were signed by an independent member of the Supervisory Board.

Hepsor AS does not follow the recommendation in clause 3.2.2. of the Corporate Governance Recommendations that at least half of the Supervisory Board members are independent. The Group ensures independence by Supervisory Board members refraining from voting at the Supervisory Board meetings that decide the granting of consent to the conclusion of a transaction between a person related to the said member of the Supervisory Board and the Group.

Principles of remuneration of the Supervisory Board

In determining the remuneration of members of the Supervisory Board, the General Meeting takes into consideration the duties of the Supervisory Board and their scope and the economic situation of the Group. In determining the remuneration, the specific work done by the Chairman of the Supervisory Board can be considered.

In 2024 and in 2023, the gross remuneration of members of the Supervisory Board of the Group amounted to 120 thousand euros.

Name	Position	Beginning of term of office	End of term of office	Gross remuneration	Number of shares 31.12.2024	Ownership % as of 31.12.2024
Andres Pärloja	Chairman of the Supervisory Board	1 November 2021	23 May 2027	€4,500/month	997,500	25.88
Kristjan Mitt	Member of the Supervisory Board	1 November 2021	23 May 2027	€4,500/month	997,500	25.88
Lauri Meidla	Member of the Supervisory Board	1 November 2021	23 May 2027	€1,000/month	385,700	10.01

Conflicts of interest

The members of the Supervisory Board prevent conflicts of interests from arising through their activities. Members of the Supervisory Board give preference to the interests of the Group over their own or those of a third party. Members of the Supervisory Board do not use business offers addressed to the Group for their personal gain. The Supervisory Board operates in the best interests of the Group and all shareholders.

The members of the Supervisory Board promptly inform the Chairman of the Supervisory Board and Management Board concerning any business offer related to the business activity of the Group made to them, a person close to them or an associate. In 2024, no such transactions took place.

The members of the Supervisory Board strictly adhere to the requirements of the prohibition of competition as provided for in the Commercial Code (§ 324) and immediately notify other members of the Supervisory Board of their intention to engage in entrepreneurship in the same field as the Group.

Cooperation between the Management Board and the Supervisory Board

The Management Board and the Supervisory Board closely collaborate to achieve better protection of the interests of the Group. The Management Board and the Supervisory Board jointly participate in the development of the operational objectives and strategy of the Group.

In making management decisions, the Management Board is guided by the strategic instructions supplied by the Supervisory Board and discusses strategic management related issues with the Supervisory Board regularly, usually on a weekly basis.

The Management Board regularly notifies the Supervisory Board of any important circumstances concerning the planning and business activities of the Group, activity-based risks, and the management of such risks. The Management Board separately calls attention to such changes in the Group's business activities that deviate from set plans and purposes and indicates the reasons for such changes. The information is delivered promptly and covers all material circumstances.

Disclosure of information

The Group treats all shareholders equally and notifies all shareholders of important circumstances equally. The Group mainly uses the information system of the Nasdaq Baltic Stock Exchange as well as the investor section on its own website. Disclosed information is available in Estonian and in English.

Financial reporting and auditing

Financial reporting

Each year, the Group publishes the consolidated audited annual reports and quarterly interim reports consolidated during the financial year. The Management Board prepares the annual accounts, which are audited by the auditor and approved by the Supervisory Board.

The annual report is approved by the member of the Management Board and presented to the shareholders.

The Group discloses transactions with related parties in Note 33, which is an integral part of the consolidated financial statements.

Election of the auditor and auditing

In 2021, the Group elected Grant Thornton Baltic OÜ as the auditor for the 2021–2026 financial years. Total remuneration for auditing financial reports for 2024 amounted to 71 thousand euros (plus VAT). The Group follows the principle of the rotation of auditors.

Together with the notice of convening the General Meeting of Shareholders, the Supervisory Board makes available to the shareholders the assessment of the auditor's activities concerning the assurance services provided during the previous financial year. The assessment includes the types of services provided and the fees paid to the auditor.

The auditor gave the Audit Committee formed by the Supervisory Board a written overview of the course of the audit of the Group in 2024, the observations made, and any other important topics discussed with the Management Board of the company.

Manufaktuuri 12,
Tallinn

Remuneration Report

This remuneration report has been prepared in accordance with the remuneration principles of the Group's Management Board member. The member of the Management Board is remunerated pursuant to the signed contract. The remuneration report discloses the remuneration and benefits paid to the member of the Management Board in the financial year 2024.

The principles of remuneration of the Management Board are based on the long-term strategic objectives of the Group, taking into account the financial results of the Group and the interests of investors and creditors. The purpose of the remuneration policy is to support the achievement of the Group's long-term strategic goals by recruiting and retaining qualified and results-oriented members of the Management Board.

The remuneration of the Management Board is comprised of the following:

- ✓ basic remuneration – the purpose of a basic remuneration is to provide the member of the Management Board with a basic income that corresponds to their experience and qualifications, as well as to the scope, complexity and responsibilities of the duties of the position. The basic remuneration is generally reviewed once a year;
- ✓ performance pay – the performance pay depends on the achievement of objectives set for the member of the Management Board and the Group for the respective financial year. The achievement of objectives is assessed by the Supervisory Board of the Group after the end of the respective financial year. The calculation of the performance fee is based on the financial year. The remuneration decision is made by the Supervisory Board of the Group.

The Group's Management Board has one member. The member of the Management Board contract of Henri Laks was signed on 14 October 2021, and their powers are valid until 14 October 2026.

thousands of euros	**2024**	**2023**	**2022**	**2021**	**2020**
Group's total labour costs	2,168	1,981	1,530	908	605
Incl. basic remuneration of the member of the Management Board	*179*	*151*	*109*	*56*	*42*
Average number of employees	21.4	20.0	18.0	13.8	11.4
Group's revenues	38,397	41,135	12,870	14,961	38,771
Group's revenues per employee	1,794	2,057	715	1,084	3,400

Nameja Rezidence

Ranka Dambis 5, Riga

Sustainability Report

For the fourth consecutive year, we are presenting as part of the Annual Report a separate Responsible Business Report, which is prepared to the same extent as the Consolidated Financial Statements. This report covers the activities of Hepsor AS and its subsidiaries, and is based on a double materiality assessment, which takes into account not only its own activities, but also impacts, risks, and opportunities across the value chain. However, the report does not yet reflect value chain data for areas other than in the Scope 3 of greenhouse gas emission. The report is based on the European Union Corporate Sustainability Reporting Directive (CSRD) and its accompanying Draft Reporting Standard for Listed Small and Medium-sized Enterprises (LSME) in order to gradually move closer to full compliance.

The Management Board of Hepsor AS is responsible for sustainability-related activities and risk management related to reporting, while the implementation of day-to-day activities is coordinated by the country managers of the Estonian and Latvian subsidiaries. The responsibilities, duties and background of the members of the Management Board and of the Supervisory Board are described in more detail in the Corporate Governance Report. An overview of the company's business model and its main activities in 2024 can be found in the chapter 'Overview of the Development Projects' in the Management Report.

Important sustainability issues

In 2024, in cooperation with external experts, we updated our previous impact area mapping in line with the ESRS and the European Financial Reporting Advisory Group (EFRAG) materiality assessment implementation guide, taking into account the double materiality principle. As an overall result of the evaluation, we have identified the risks and opportunities for the following sustainability themes (highlighted in green). In addition, we have decided to continue reporting on the topics indicated in bold, in line with market best practice.

Impact materiality	NO FINANCIAL EFFECT	INFORMATIVE	IMPORTANT	SIGNIFICANT	CRITICAL
CRITICAL		Direct impact drivers of biodiversity loss; circular economy.	Climate change adaptation	Climate change mitigation & energy	
SIGNIFICANT	Health and safety of own workforce; working conditions and training of workers in the value chain.	**Consumer privacy; Corporate culture; supplier relations;** impacts on the state of species.	Water consumption and withdrawals		
IMPORTANT	Pollution; Equal treatment of workers in the value chain; social inclusion of consumers and end-users; political engagement & lobbying; protection of whistleblowers.		**End-user health & safety;** working time, work-life balance & training of own workforce; affected communities		
INFORMA-TIVE		Equal treatment of own workforce	Prevention of corruption		
	Financial materiality				

Figure 1. Result of the Double Materiality Assessment

https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/IG%201%20Materiality%20Assessment_final.pdf

The impacts, risks, and opportunities for exceeding the materiality threshold are as follows:

Sustainability matter	Impact / risk / opportunity	Impact / risk / opportunity description	Value chain stage			Time horizon
			Upstream	Own operations	Downstream	
Climate change						
Climate change adaptation	Actual positive impact	Efficient cooling solutions and robust constructions increase the resilience of building occupants to climate risks, ensuring a comfortable and stable indoor environment even in changing weather conditions.		X	X	long
Climate change adaptation	Actual negative impact	The environmental impacts of the production of building materials reduce the resilience of ecosystems to the impacts of climate change.	X	X		long
Climate change mitigation & energy	Actual negative impact	Energy-intensive activities based on fossil sources, such as the production and transport of building materials in the upstream value chain and energy consumption in the downstream value chain, generate greenhouse gas emissions, contributing to amplifying climate change.	X	X	X	short (all time horizons)
Climate change mitigation	Risk / opportunity	Compliance with regulatory requirements can increase administrative costs, but timely adaptation can also create a competitive advantage. Early readiness to meet sustainability and energy efficiency requirements strengthens Hepsor’s market position.		X		short (all time horizons)
Water and marine resources						
Water consumption and withdrawals	Actual negative impact	The production and preparation of many building materials requires large amounts of water resources.	X			long
Water consumption and withdrawals	Potential negative impact	Decisions taken at the design stage have a direct impact on the water consumption of end-users.		X	X	long
Water consumption and withdrawals	Risk	The availability of clean water can limit the choice of land for large development projects.		X		long
Biodiversity and ecosystems						
Direct impact drivers of biodiversity loss	Potential negative impact	Changes in the use of land under development may affect existing communities.		X	X	long
Direct impact drivers of biodiversity loss	Potential negative impact	Disturbances associated with the production of building materials (noise, air, water and soil pollution, land use change) can affect existing communities.	X			long
Circular economy						
Resource inflows	Actual negative impact	The building materials used have a significant impact on climate, water and biodiversity.	X	X		medium
Resource outflows and waste	Potential negative impact	End-of-life re-use of building materials is low in the sector, which increases the need for primary materials.		X	X	long

Although only the impacts, risks, and opportunities related to environmental issues exceeded the systemic materiality threshold in the assessment, we have chosen to report on business conduct and client-related issues as well, as we consider them to be strategically important from a business perspective and we want to be transparent in these areas as well. The client and governance implications, risks, and opportunities for our business include the following:

Sustainability matter	Impact / risk / opportunity	Impact / risk / opportunity description	Value chain stage			Time horizon
			Upstream	Own operations	Downstream	
Consumers and end-users						
Health and safety, security of a person	Potential positive impact	Developments focused on creating high-quality outdoor spaces will support the emergence of cohesive communities, and indoor climate solutions that support health will ensure a pleasant and safe user experience.		X		short (all time horizons)
Health and safety, security of a person	Potential negative impact / risk	Possible quality defects in the construction of buildings can harm the health of end users and lead to financial costs for the company.	X	X		short (all time horizons)
Privacy	Potential negative impact / risk	Data leakages can lead to violations of the rights of clients, as well as financial costs for the company		X		short (all time horizons)
Business conduct						
Corporate culture	Potential negative impact / risk	The local business culture has allowed for a long period of successful operation without bureaucratic practices, but if infringements occur, they may need to be enforced.		X		long
Supplier relations	Potential negative impact	Due to the nature of its business, a large part of Hepsor's ESG impacts, risks and opportunities originate in the value chain, making it important to select suppliers to avoid negative environmental and social impacts.	X	X		long

Basis for assessing impacts, risks, and opportunities

The double materiality assessment was carried out in three stages.

1. As a first step, we mapped the key elements of our activities and the value chain to set the boundaries of the assessment.
2. As a second step, we identified sustainability issues where impacts, risks, and opportunities may be important to us.
3. As a third step, we defined the specific impacts, risks, and opportunities and assessed their importance based on the considerations set out in the standard and the results of stakeholder engagement.

The following parameters were used to assess the significance of the impact:

- ✓ Level – how severe are our negative or positive impacts on people and/or the environment;
- ✓ Extent – how widespread the impacts are (e.g. geographical scope, number of people affected);
- ✓ Irreversibility – whether and to what extent negative impacts can be reversed;
- ✓ Likelihood – the likelihood of potential impacts occurring over the relevant time horizon. In addition to actual impacts, we did not assess the likelihood of potential human rights impacts.

Based on a final score of the listed parameters, we divided the impacts into four categories, which we used to set a threshold for the significance of the impacts (marked in green in Figure 1).

The financial materiality assessment was based on two aspects: the likelihood of a financial impact and the estimated (qualitative) magnitude of the financial impact, which was finally divided into five categories, on the basis of which we determined the threshold of materiality of risks and opportunities (marked in green in Figure 1).

Time perspectives

The assessment of impacts, risks, and opportunities was based on the time horizons set out in the sustainability reporting standards.

1. Short (reporting year)
2. Medium (2–5 years)
3. Long (over 5 years) As the normal lifespan of buildings is considered to be a minimum of 50 years, we also took this into account when applying a long time perspective.

Stakeholder view

In order to assess the importance of the double materiality, we conducted focus Group interviews with our own employees, employees at our key supply partner and representatives from Nasdaq to better understand stakeholders' views and expectations. For clients, we used the results of regular satisfaction surveys carried out in Latvia. In addition, we engaged stakeholders indirectly through various sector surveys and databases, through which we gained a better understanding of the impacts, risks, and opportunities related to the natural environment, value chain actors and affected communities. To map the expectations of the financial sector, we used publicly available data on ESG-related requirements in our sector.

Environmental impact

Green transition is not a buzzword for us. We know that a green and sustainable mindset already starts with the selection of a suitable plot, which is why we are focused on the urban environment in the development of both commercial and residential buildings, avoiding development in areas where there is no advanced infrastructure and where we could therefore significantly disrupt wildlife.

Green mindset also guides our planning and design. In order to ensure that the best environmentally sustainable solutions are used and to contribute to the long-term vision of the construction sector in Estonia and Latvia, the **Green Ideas Innovation Academy** composed of employees is involved in every new development project, with the aim of brainstorming and implementing innovative practices.

At the Academy, we are looking for solutions to various design-related issues in the climate field, such as greener heating and cooling systems and overall energy efficiency of buildings. Since we have primarily focused on climate-related activities in recent years, we have also dedicated a separate chapter to this in our Sustainability Report.

But we also pay attention to other areas of environmental impact such as biodiversity and water, where we can manage our impact mainly through resource use, i.e. design and supply choices. We are trying to create opportunities for storm water re-use and have been looking for ways to re-use building materials and increase the proportion of wood and more broadly plan building functions that support a green lifestyle. In all of this, we also try to keep in mind the increase of the maximum lifespan of the buildings, because it is the extension of the life cycle that is one of the most effective ways to reduce the environmental impact of the building.

One of the major projects for 2024 has been the development of Manufaktuuri Kvartal, where we have planned the surrounding green spaces based on the principle of preserving historic communities. In addition, as part of the project, we will tidy up the old and dignified apple orchards of the quarter, install an insect hotel, and create several new parks so that everyone can have a good time without leaving the home quarter.

In 2024, we obtained the StokOfiss U34[2] BREEAM (Building Research Establishment Environmental Assessment Method) certificate for the Latvian development project at the level of 'Very good' (3/5), which attests to the building's comprehensive energy efficiency, environmental and user-friendliness, and sustainability at every stage of its planned life cycle.

Climate

According to the 2021 report of the Intergovernmental Panel on Climate Change (IPCC)[3], the use and construction of housing globally accounts for around 36% of energy consumption and around 37% of greenhouse gas emissions. We have a great responsibility based on our field of activity, but also the opportunity to manage the climate impact both in our own activities and to shape it both upstream and downstream in the value chain to contribute to the fulfilment of the Paris Agreement and the European Union's objectives that follow from it.

We can control the climate impact of buildings mainly:

- ✓ by ensuring the energy efficiency of buildings: for example, in our projects, it is common practice to use thermo-active intermediate ceilings that help to automatically regulate the temperature and heat distribution of rooms, ensuring a stable indoor climate all year round. The system allows the rooms to be heated and cooled through the piping located in the intermediate ceilings of the building, eliminating the need for radiators and traditional air conditioners. In addition to lower heating and cooling costs, building occupants will also benefit from a healthier and more comfortable indoor climate;
- ✓ we also implement passive architectural solutions that help prevent excessive solar heat from reaching the premises during the summer period. These solutions improve the quality of life of the occupants, reduce the need for cooling and thus help to lower the energy consumption of the building;
- ✓ with renewable energy solutions: since 2014, we have designed solar panels for every commercial building we develop and, where possible, for residential buildings. In addition, we make extensive use of geothermal heating systems, which draw on natural renewable energy for heating in winter and cooling in summer. The system helps to keep heating and cooling costs lower compared to district or gas heating and reduces dependency on the supplier;
- ✓ with the development of buildings with lower CO_2 intensity, including the preference of local and natural building materials.

Our main focus in building design is to reduce the use of energy during exploitation, because this is where our potential impact is greatest. We can manage the climate impact of resource use through the choice of materials. To a lesser extent, we can also contribute to the ability of the end-users of our buildings to adapt to climate change, by taking into account weatherability[4], transition risks, and market expectations in development projects. For example, we will create bicycle parking and electric car charging facilities to help building users make more environmentally conscious transport choices.

In 2024, we launched a unique apartment building development project at Võistluse 7 in the centre of Tallinn. It is a four-storey sLender type building, the architectural design of which is based on the tradition of the Lender wooden houses of the early 20th century. The building will be built almost entirely on a wooden structure, and at the heart of the development is environmental protection and climate-proof green technology solutions that help reduce the ecological footprint of the building.

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[2] https://hepsor.lv/stokofissu34/en/

[3] https://www.ipcc.ch/assessment-report/ar6/

[4] *The process through which infrastructure resilience to negative climate impacts is ensured in accordance with national regulations and guidelines or internationally recognised standards.*

Energy consumption and the CO_2 footprint of office operations

From 2022, in cooperation with external experts, we have also assessed the greenhouse gas (GHG) emissions from our operations, i.e. CO_2 footprint, in Scope 1–3, following the internationally recognised and most widely used GHG Protocol Corporate Accounting and Reporting Standard and, from 2024, the European Public Real Estate Association guidelines[5]. Due to the introduction of the sector-specific guidelines, the categorisation of emissions has also changed somewhat and not all categories are strictly comparable between 2023 and 2024, which is why we have not presented the value of change for each category.

We take into account the seven most common greenhouse gases (CO_2, CH_4, N_2O, HFC-d, PFC-d, SF_6, and NF_3) for the calculation of emissions based on the values of IPCC Fifth Assessment Report, except for diffuse emissions, where we have used the values of the Sixth Assessment Report. The results are expressed in carbon dioxide equivalents (CO_2 eq), reflecting the different potential of greenhouse gases to cause global warming. As development activities account for the majority of our CO_2 footprint, we consider the footprint of development activities and office operations of the building separately in order to get a better view of the greenhouse gas emissions from Hepsor's activities.

Scope 1 deals with direct greenhouse gas emissions from our own sources or from sources under our control, based on the principle of operational control. From 2022 onwards, we have included our own used vehicle fuels, whose consumption in 2024 compared to previous years will remain similar. In 2024, diffuse emissions, which reflect the refrigerants used in Latvian buildings, were also included in the calculation. This has also led to a significant increase in the emissions from the Scope 1, although it can be estimated that they have been of the same order of magnitude in previous years as actual use practices have not changed.

Scope 1 GHG emissions	2024	2023
Gross Scope 1 GHG emissions (t CO_2 eq)	6.25	2.28

Scope 2 covers indirect GHG emissions from purchased energy. In this category, we have included all our own electricity and heat consumption, and from 2024 also the energy consumption of managed buildings, which was previously included in the Scope 3.

According to sustainability reporting standards, GHG emissions from energy use must be reported using two calculation methods: location-based and market-based. The market-based method reflects the emissions of electricity related to the choices made by the company in the electricity market. The location-based method expresses the average emission of electricity generation in a specific region, despite whether electricity consumption is compensated by renewable energy certificates (as has been done in our Latvian unit). Standardised double reporting aims to ensure consistency and comparability in greenhouse gas reporting, as it helps to better highlight trends and changes in energy use. The results obtained with different methodologies are not aggregated.

Scope 2 GHG emissions	2024	2023
Gross location-based Scope 2 GHG emissions (t CO_2 eq)	126.42	6.28
Gross market-based Scope 2 GHG emissions (t CO_2 eq)	122.86	5.61

Biogenic emissions from biomass combustion are not included in overall GHG emissions because they are considered part of the natural carbon cycle and therefore carbon neutral. In order to comply with market best practice and reporting standards, we have also calculated the biogenic emissions associated with our operations – 0.64 tonnes of CO_2 eq – from biomass-based renewable energy produced in Estonia.

[5] https://www.epra.com/application/files/4617/1567/8076/EPRA_sBPR_Guidelines_Fourth_Edition.pdf

Energy consumption in Scope 1–2. As tracking energy consumption alongside greenhouse gas emissions provides an opportunity to map out the biggest impact areas where we can contribute to reducing consumption or making it more efficient, in 2023, we also started measuring our energy consumption, which corresponds to Scope 1 and 2 in the CO_2 footprint methodology, i.e. our direct costs. As the 2024 GHG assessment methodology included for the first time the energy consumption of managed buildings in Scope 2, which was previously considered in Scope 3, we do not yet provide comparative data for the two years.

Energy consumption and mix	2024
Total fossil energy consumption (MWh)	474.0
Share of fossil sources in total energy consumption (%)	87
Total renewable energy consumption (MWh)	68.2
Share of renewable sources in total energy consumption (%)	13
Total energy consumption (MWh)	**542.2**

Scope 3 includes indirect emissions in our value chain, which we analyse separately for office and development activities. In the field of office operations, Scope 3 includes, among others, emissions from waste, as well as the commuting of employees between work and home and the energy consumption of rented premises. To calculate the commuting of employees, we have carried out an annual employee survey and included the climate impact of home offices in the same category. While in the past the emissions of Scope 3 associated with our office operations have been on an upward trend, in 2024, we have still been able to reduce the total emissions significantly in some categories despite the large increase. The biggest increase in the category of capital goods is not necessarily an expression of the overall upward trend yet, as emissions in this category are volatile due to changing investment needs.

Significant scope 3 GHG emissions of office operations	2024	2023	Change
1. Purchased goods and services	3.3	3.4	-2.9%
2. Capital goods	11.5	4.6	149.5%
3. Fuel and energy-related activities (not included in Scope 1 or Scope 2)	12.0	1.8	-*
5. Waste generated in operations	1.7**	1.9	-10.5%
6. Business travel	113.9	49.2	131.5%
7. Employee commuting, incl. home office	16.8	20.5	-18.0%
13. Downstream leased assets	529.5	713.6	-25.8%
Gross indirect (Scope 3) GHG emissions (t CO_2 eq)	688.7	795.0	-13.4%

**The data is not comparable, as according to the sector-specific guidelines introduced in 2024, we have accounted for data in scope 2 that was previously reflected in scope 3 in the underlying data for the calculation.*

***The data on waste from the Latvian office is incomplete.*

The impact of all office operations. The largest share of emissions from our office activities has continued to be accounted for by Scope 3 where the electricity and thermal energy consumption of the areas we rented out accounted for 65% of the total emissions in 2024 (2023: 89.77%). The emissions of our activities have remained very similar to the previous year, even given the addition of refrigerant emissions to Scope 1.

Total GHG emissions of office operations	2024	2023	Change
Total GHG emissions (location-based) (t CO_2 eq)	821	804	2.1%
Total GHG emissions (market-based) (t CO_2 eq)	818	803	1.9%

CO_2 footprint of development activities

When calculating the footprint of the field of development activities, we take into account the impact of construction projects started in the reporting year, of which there was one in 2024. Unlike the rest of the measured categories in other scopes, the calculations in this field do not only reflect the environmental impact of the reporting period, as we are considering the entire life cycle of the development project (expected life span of 50 years), in line with market practice.

To assess the climate impact of buildings, we used Estonian construction calculation methodology[6], developed by TalTech researchers in collaboration with experts from the Finnish company One Click LCA on the order of the Ministry of Economic Affairs and Communications. The calculation methodology is based on the European standards ISO 14040, EN 15804, and EN 15978 for environmental performance assessment, the European Level(s) Framework, and international best practices for CO_2 footprint assessment.

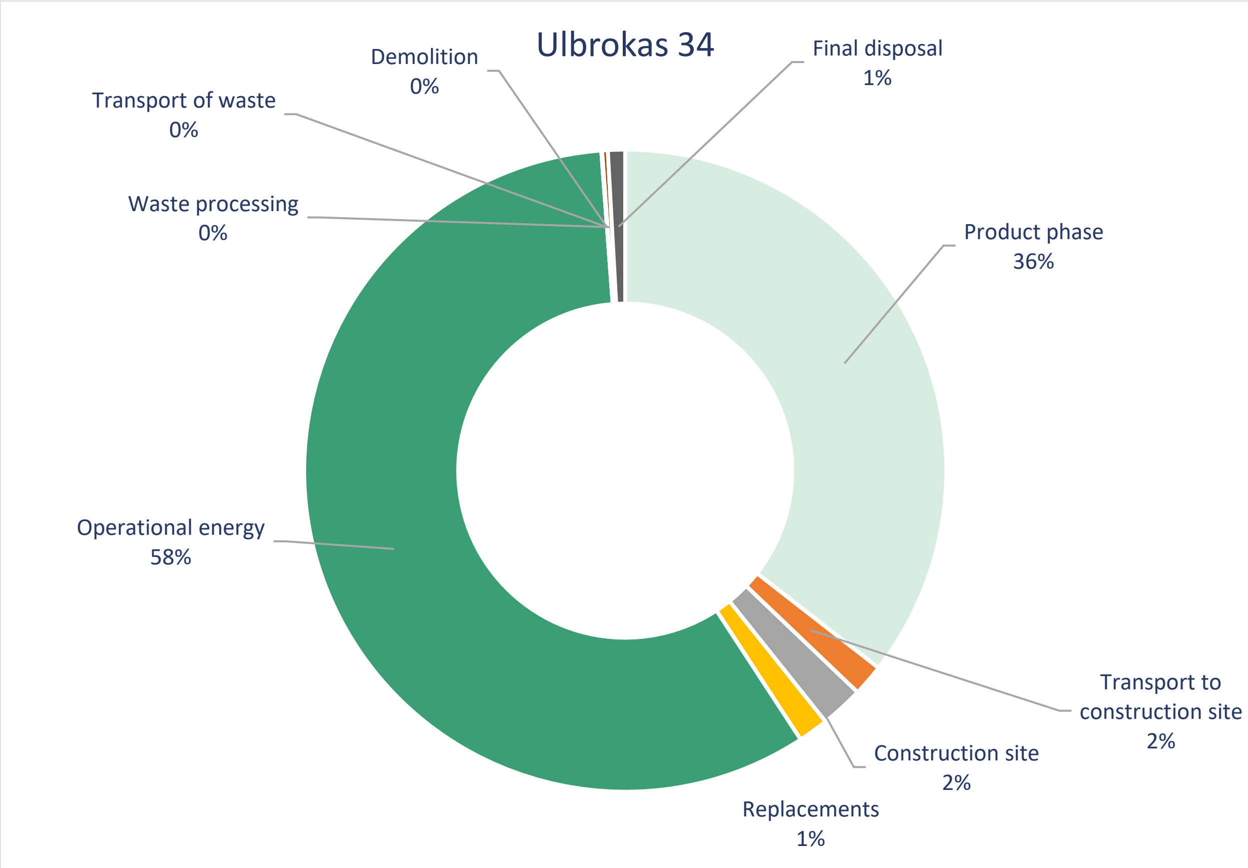
The calculation results in the n the total GHG emissions of the building life cycle, including the emissions of building materials and products, construction, use, and final treatment. The calculation of the life span of a building consists of three stages (A, B, and C), which, in turn, are divided into modules (A1, A2, etc.). According to the Estonian method, the CO_2 footprint of a building is the sum of the results of modules A1–A5, B4, B6, and C1–C4. Module D is presented separately and is not counted as a CO_2 footprint. Since the CO_2 footprint calculator for buildings is based on an Estonian-based database, in order to find the effect of the end-of-use energy of the Latvian building, we calculated the Latvian energy scenario on similar principles, based on the mixed energy residue of Latvia for 2023.

The entire CO_2 footprint pertaining to development activities falls within the Scope 3 of the GHG Protocol. Compared to 2023, two methodological changes have been made in 2024, where, according to the sector-specific guideline, waste emissions from the earlier Category 10 are now considered in Category 5 and transport emissions are considered in Category 4 instead of the earlier Category 9. The corresponding calculations have also been made retroactively. In all categories, emissions have dropped significantly since construction activities for one project were started in 2024, while construction activities for three projects were started in 2023.

Significant scope 3 GHG emissions of development activities	2024	2023	Change
2. Capital goods	4,871.4	29,700.4	-83.6%
4. Upstream transportation and distribution	218.4	617.7	-64.7%
5. Waste generated in operations	295.6	1 199.2	-75.4%
11. Use of sold products	8,162.4	37,964.7	-78.5%
12. End-of-life treatment of sold products	162.6	1,472.0	-88.9%
Gross indirect (Scope 3) GHG emissions (t CO_2 eq)	13,710.4	70,954.0	-80.7%

Since the number and character of the projects started each year are different, the substantive changes from the absolute quantities are better characterised by the observation of buildings on the basis of separate emission intensity. In 2024, we started the construction of the multi-function commercial building StokOfiss 34 in Riga, which would fill the role of store, office, and warehouse alike. The expected emission intensity of this commercial building life cycle is 1.6 t CO_2-eq/m^2, slightly above the emission intensity of the previous two years Latvian residential building development projects (1,4 t CO_2-eq/m^2) mainly due to the energy needs. The heating needs of the commercial building are higher, nor were cooling solutions used in previous residential projects. While building materials have normally accounted for the largest part of the footprint for residential buildings in Latvia, in the case of StokOfiss 34, this is energy at the time of use (58%).

[6] https://eehitus.ee/timeline-post/uuring-ehituse-susiniku-jalajalg/



CO_2 footprint of all Hepsor's activities

From the perspective of Hepsor's total CO_2 footprint, in both years, the largest measured source of impact in the preparatory phase of construction was the projected impact of the entire life cycle of projects (construction, use, and final treatment), or part of the development activities of Scope 3, which essentially formed the whole footprint of our activity. Total emissions have fallen significantly due to the volume of started construction projects, which are fluctuating year-on-year by sector.

Total GHG emissions of development activities and office operations	2024	2023	Change
Total GHG emissions (location-based) (t CO_2 eq)	14,584	71,758	-79.7%
Total GHG emissions (market-based) (t CO_2 eq)	14,580	71,757	-79,7%

In some cases, total emissions can increase significantly, but fall, for example, in relation to the number of employees or turnover. Therefore, each year, we also calculate the emission intensity of our activities per area, per employee and per turnover, based on total emissions by location, to get a more complete picture of our progress in reducing our climate impact.

GHG intensity	2024	2023	Change
Per office area	26 t CO_2 eq/m^2 (552 m^2)	130 t CO_2 eq/m^2 (552 m^2)	-80.0%
Per employee	503 t CO_2 eq/pers. (29 pers.)	4,733 t CO_2 eq/pers. (26 pers.)	-81.8%
Per net revenue	380 t CO_2 eq/MEUR (38,4 MEUR)	3,102 t CO_2 eq/MEUR (41,2 MEUR)	-78.2%

Social impact

In addition to the environmental impact of our activities, we also acknowledge, monitor, and guide its social impact. This is important to us from several aspects. The main objective of our business is to provide the best service to our clients, which is why we believe it is important to have good client relationships and a lasting awareness of the needs of our clients, partners, and communities. The prerequisite for this is finding and keeping the best employees, which we contribute to on a daily basis.

Clients and end users

We want to provide the best living environment for our clients and end users of buildings. What is important to us is the confidence that it would be good and safe to be in a building where people spend much of their time. We follow local requirements to ensure the indoor climate of buildings and value high-quality architecture and construction art, to create personalised buildings and enrich urban space. We also work closely with public sector representatives and city governments to ensure that our developments are aligned with the needs of the city and contribute to broader development plans.

In 2024, the development of Manufaktuuri Kvartal continued with a focus on designing a high-quality and human-centered urban space. The former industrial site will be transformed into a modern living and business environment, preserving its historic industrial heritage. During the year, two new residential buildings were completed, and we are currently focusing on the renovation of the heritage-listed Baltic Cotton Factory building, which will restore the building to its original appearance while adapting it into a modern and energy-efficient dwelling.

In parallel with the development of the buildings, we will also design the neighbourhood's inner courtyards, parks and community gardens with a variety of landscaping, offering residents plenty of opportunities for leisure. In addition to comfortable homes, we also want to see community life flourish in the neighbourhood, and to encourage this, we organised an all-family apple festival in autumn 2024 to celebrate everything that makes a neighbourhood special. We plan to continue similar events in 2025.

Apple Festival at the Manufaktuuri Quarter

Client privacy

Due to the nature of our business, we need to store sensitive personal data of our clients. To provide high-quality real estate services, we only collect and process data on a lawful basis and to the minimum extent necessary.

We have strict security measures in place to ensure the security of data and to prevent data breaches, unauthorised access, and misuse. In addition, we work with an independent third party in data storage that ensures compliance with the best security standards and regulatory requirements.

Handling feedback and complaints

Our aim is to design spaces that meet the needs of clients and stakeholders, and that is why we are already contributing to active communication during the initial phase of development projects. We map the expectations of the area to be developed and the users of the buildings to create sustainable and high-quality living environments. To assess client satisfaction, we have been conducting regular after-sales surveys in Latvia for many years and plan to implement a similar system in development projects in Estonia. Feedback helps us to improve both future projects and the client experience as a whole.

We guarantee a warranty period for our developed buildings, during which our partners will make sure that possible construction errors or deficits can be corrected quickly and with quality. In shaping the client experience, we are based on the good practice of the Association of Estonian Real Estate Companies, which relies on honesty, fast and expert service, prioritising the interests of our clients, transparency of transactions and a high level of professionalism throughout the real estate area. By following these principles, we create reliable and client-centric solutions that support the sustainable development of the sector.

Own workforce

Our team’s collaboration is underpinned by shared values, trust and an appreciation of mutual contributions. To encourage the professional development and well-being of our employees, we offer an inspiring working environment, training opportunities and joint activities between different countries. In addition, we hold individual development conversations with all employees each year in order to receive feedback on management and employee expectations. In the course of development conversations, training needs will be clarified, mutual feedback and expectations management will take place.

As a small, stable and unanimous team, we have been able to successfully mitigate both potential negative impacts and risks over the years, including the occurrence of occupational accidents and human rights violations, and none of the sustainability issues related to our employees exceeded the threshold of materiality in the dual materiality assessment. Nevertheless, we will continue to report key indicators related to employees, following good market practice.

Metric	2024		2023	
	Estonia	Latvia	Estonia	Latvia
Number of employees	13	16	11	16
Number of permanent employees (F)	6	9	5	7
Number of permanent employees (M)	6	7	4	6
Number of temporary employees (F)	1	0	0	2
Number of temporary employees (M)	0	0	2	1
Number of males in top management	7		5	
Share of males in top management	78%		71%	
Number of females in top management	2		2	
Share of females in top management	22%		29%	

Leadership culture

Our activities are based on transparency, honesty, and compliance with applicable legal regulations. As a small organisation, our day-to-day interactions are direct and immediate, and ethical business practices have become a natural part of our day-to-day decision-making over the course of our operations, so we have not found it necessary to establish separate business conduct policies. We expect the same behaviour from our suppliers and partners, and in selecting them we have focused on maintaining long-term working relationships. We regulate only the field of prevention of money laundering in a documented manner arising from law.

We actively participate in the activities of both the Estonian Association of Real Estate Companies (EKFL) and the Latvian Alliance of Real Estate Developers (NIAA), adhering to the best practices established by the associations and contributing to the development of a sustainable and secure real estate market. As members of real estate associations, we can also participate in the drafting of bills and other legislation and represent the interests of the Association in national and local government bodies.

Support activities

Having been in business successfully for over ten years, we would also like to share our success with the wider community. Wishing to contribute to shaping the educational path of the next generation, we are awarding a scholarship to a young engineer in Latvia. In 2024, we have supported the Estonian Association of Parents of Children with Cancer with donations. The Estonian Association of Parents of Children with Cancer wishes to provide the necessary support to all children with cancer and their families in Estonia in the best possible way and within the available possibilities. The Group started operating in the Canadian market in 2023, and, as part of supporting communities, we have supported the establishment of the new International Centre ‘CENTURY’ in the City of Toronto, Canada in 2024.

Manufaktuuri 5,

Tallinn

Consolidated Annual Financial Statements

Consolidated Financial Statements

Consolidated statement of financial position

in thousands of euros	Note	31 Dec 2024	31 Dec 2023
Assets			
Current assets			
Cash and cash equivalents	2	6,249	7,604
Trade and other receivables	3	761	1,544
Current loan receivables	10	200	311
Inventories	4	64,141	77,439
Total current assets		**71,351**	**86,898**
Non-current assets			
Property, plant and equipment	5	288	162
Intangible assets	6	2	4
Investment properties	7	7,980	0
Financial investments	8	6,424	2,005
Non-current loan receivables	10	2,428	1,729
Other non-current receivables	9	340	203
Total non-current assets		**17,462**	**4,103**
Total assets	**29**	**88,813**	**91,001**
Liabilities and equity			
Current liabilities			
Loans and borrowings	11	23,336	40,600
Current lease liabilities	12	52	40
Trade and other payables and prepayments	13	7,266	9,808
Total current liabilities		**30,654**	**50,448**
Non-current liabilities			
Loans and borrowings	11	31,352	16,305
Non-current lease liabilities	12	162	29
Other non-current liabilities	14	4,635	2,058
Total non-current liabilities		**36,149**	**18,392**
Total liabilities	**29**	**66,803**	**68,840**
Equity			
Share capital	16	3,855	3,855
Share premium	16	8,917	8,917
Reserves	16	385	385
Retained earnings		8,853	9,004
Total equity		**22,010**	**22,161**
Incl. total equity attributable to owners of the parent		20,912	20,993
Incl. non-controlling interest		1,098	1,168
Total liabilities and equity		**88,813**	**91,001**

The notes presented on pages 62 to 109 form an integral part of the consolidated financial statements.

Consolidated statement of profit and loss and other comprehensive income

in thousands of euros	Note	2024	2023
Revenue	18,29	38,397	41,135
Cost of sales (-)	19	-31,635	-34,067
Gross profit		**6,762**	**7,068**
Marketing expenses (-)	20	-898	-576
Administrative expenses (-)	21	-1,802	-1,472
Other operating income	23	449	166
Other operating expenses (-)	23	-179	-152
Operating profit of the year	**29**	**4,332**	**5,034**
Financial income	24	421	1,192
Financial expenses (-)	25	-2,578	-2,746
Profit before tax		**2,175**	**3,480**
Income tax	26	-41	0
Net profit for the year		**2,134**	**3,480**
Attributable to owners of the parent		423	1,185
Non-controlling interest		1,711	2,295
Other comprehensive income (loss)			
Changes related to change of ownership	30	-313	286
Change in value of embedded derivatives with minority shareholders	15	-1,874	-2,053
Exchange rate differences from foreign entities		-103	0
Other comprehensive income (loss) for the period		**-2,290**	**-1,767**
Attributable to owners of the parent		-504	-58
Non-controlling interest		-1,786	-1,709
Comprehensive income (loss) for the period		**-156**	**1,713**
Attributable to owners of the parent		-81	1,127
Non-controlling interest		-75	586
Earnings per share			
Basic (euros per share)	27	0.11	0.31
Diluted (euros per share)	27	0.11	0.31

The notes presented on pages 62 to 109 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

	Attributable to equity owners of the parent					
in thousands of euros	Share capital	Share premium	Reserves	Retained earnings	Non-controlling interests	Total equity
Balance as of 31 December 2022	**3,855**	**8,917**	**0**	**7,094**	**457**	**20,323**
Net profit/(loss) for the year	0	0	0	1,185	2,295	**3,480**
Other comprehensive income/ (loss) for the period	0	0	0	-58	-1,709	**-1,767**
Reserves	0	0	385	-385	0	**0**
Voluntary reserve	0	0	0	0	125	**125**
Balance as of 31 December 2023	**3,855**	**8,917**	**385**	**7,836**	**1,168**	**22,161**
Net profit/(loss) for the year	0	0	0	423	1,711	**2,134**
Other comprehensive income/ (loss) for the period	0	0	0	-504	-1,786	**-2,290**
Voluntary reserve	0	0	0	0	5	**5**
Balance as of 31 December 2024	**3,855**	**8,917**	**385**	**7,755**	**1,098**	**22,010**

Information on equity is presented in Note 16.

The notes presented on pages 62 to 109 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows

in thousands of euros	Note	2024	2023
Net cash flows from (to) operating activities			
Operating profit of the year	**29**	**4,332**	**5,034**
Adjustments for:			
Depreciation of property, plant and equipment	5,6	204	193
Other adjustments		-278	-200
Changes in working capital:			
Change in trade receivables		789	152
Change in inventories	28	6,464	-5,676
Change in liabilities and prepayments		-2,602	-3
Cash flows from (to) operating activities		**8,909**	**-500**
Net cash flows from (to) investing activities			
Payments for property, plant and equipment	5	-23	-24
Payments for intangible assets	6	-3	-2
Payments for financial investments	8	-4,420	-1,985
Payments for acquisition of subsidiaries		-1	-3
Proceeds from sale of subsidiaries	30	1,601	595
Interest received	28	39	34
Loans granted	10	-918	-311
Cash flows from (to) investing activities		**-3,725**	**-1,696**
Net cash flows from (to) financing activities			
Loans raised	11	37,619	40,412
Loan repayments	11	-38,869	-30,817
Interest paid	28	-5,326	-3,922
Payments of finance lease principal	12	-9	-9
Payments of right to use lease liabilities	12	-147	-130
Payments upon demerger of a subsidiary	15	-1,537	0
Payments to equity from non-controlling interest	30	209	161
Payments from share capital to non-controlling interest	30	-134	0
Other receipts from financing activities	14	1,738	0
Other payments from financing activities		-83	-15
Cash flows from financing activities		**-6,539**	**5,680**
Net cash flow		**-1,355**	**3,484**
Cash and cash equivalents at beginning of year	**2**	**7,604**	**3,754**
Cash flow in from acquisitions of subsidiaries	30	0	366
Increase / decrease in cash and cash equivalents		-1,355	3,484
Cash and cash equivalents at end of year	**2**	**6,249**	**7,604**

The notes presented on pages 62 to 109 form an integral part of the consolidated financial statements.

Notes to the consolidated interim financial statements

Note 1. Accounting policies

1.1. General information

Hepsor AS (hereinafter referred to as the ‘Group’ or ‘Hepsor’), a real estate development company based on Estonian capital, operates in Estonia, Latvia and Canada.

The consolidated financial statements of the Group for 2023 were signed by a member of management Board of Hepsor AS on 22 April 2025.

In accordance with the requirements of the Commercial Code of the Republic of Estonia, the annual report prepared by the Management Board and approved by the Supervisory Board, which also includes the consolidated financial statements, is approved by the General Meeting of Shareholders. The Shareholders have the right not to approve the annual report prepared by the Management Board and approved by the Supervisory Board and to request that a new report be prepared. The Annual General Meeting of Shareholders, one of the items on the agenda of which is the approval of the consolidated annual report of Hepsor AS for 2024, will be held on 21 May 2025.

1.2. Basis of preparation of consolidated financial statements

The Group’s consolidated annual financial statements have been prepared in conformity with the International Financial Reporting Standards as endorsed by the European Union (hereinafter the ‘IFRS (EU’). The Group has consistently applied the accounting policies throughout all periods presented unless stated otherwise.

The consolidated annual financial statements for 2024 have been prepared on a going-concern basis.

The preparation of consolidated annual financial statements in conformity with the IFRS (EU) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. The management of the Group believes the underlying assumptions in the preparation of consolidated annual financial statements for 2024 are appropriate.

These consolidated annual financial statements consist of consolidated statements of financial position, consolidated statement of comprehensive income, statement of changes in equity, consolidated statement of cash flows, and explanatory notes.

The consolidated annual financial statements are presented in euros, and all values are rounded to the nearest thousand (EUR 000), except when otherwise indicated.

1.3. Accounting policies, changes in accounting estimates and errors (IAS 8)

When an IFRS (EU) specifically applies to a transaction, other event, or condition, the accounting policy or policies applied to that item will be determined by applying the IFRS (EU). In the absence of an IFRS (EU) that specifically applies to a transaction, other event or condition, management will use its judgment in developing and applying an accounting policy that results in information that is relevant to the economic decision-making needs of users and reliable.

The Group selects and applies its accounting policies consistently for similar transactions, other events, and conditions unless an IFRS (EU) specifically requires or permits categorising items for which different policies may be appropriate. If an IFRS (EU) requires or permits such categorisation, an appropriate accounting policy shall be selected and applied consistently to each category.

The Group changes an accounting policy only if the change is required by the IFRS (EU) or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events, or conditions on the entity’s consolidated financial position, consolidated financial performance or consolidated cash flows. When a change in accounting policy is applied retrospectively the Group adjusts the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

The effect of a change in an accounting estimate shall be recognised prospectively by including it in profit or loss in the period of the change if the change affects that period only or the period of the change and future periods if the change affects both.

The Group corrects material prior period errors retrospectively in the first set of consolidated financial statements authorised for issue at their discovery by restating the comparative amounts for the prior period(s) presented in which the error occurred; or if the error occurred before the earliest prior period presented, restating the consolidated opening balances of assets, liabilities and equity for the earliest prior period presented.

1.4. Impact of new and revised standards and interpretations

The accounting principles applied in the preparation of this report are the same as those used in the Group's consolidated report for the financial year ended on 31 December 2023.

Impact of new standards and interpretations

In reporting periods starting on or after January 1, 2024, it became mandatory for the Group to apply:

Amendments to IAS 7 „Statement of Cash Flows" and IFRS 7 „ Financial Instruments: Disclosures Supplier Financial Arrangements ";

The amendments introduce additional disclosure requirements for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. The amendments apply to supplier finance arrangements (also referred to as supply chain finance, payables finance or reverse factoring arrangements) that have all of the following characteristics:

- a finance provider (also referred to as the factor) pays amounts a company (the buyer) owes its suppliers;
- a company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid;
- the company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date

However, the amendments do not apply to arrangements for financing receivables or inventory.

In the opinion of the Group, the aforementioned change did not have any impact on the Group's financial statements.

Amendments to IAS 1 „Presentation of Financial Statements" (Non-Current Liabilities with Covenants);

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments, as issued in 2020, have removed the requirement for the right to be unconditional and instead require that the right to defer settlement must exist at the reporting date and have substance (the classification of liabilities is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early). The amendments, as issued in 2022, further clarify that when the right to defer settlement is subject to a company complying with conditions (covenants) specified in a loan arrangement, only covenants with which the company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date do not affect a liability's classification at that date. However, the amendments require companies to disclose information about these future covenants to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

In the opinion of the Group, the aforementioned change did not have any impact on the Group's financial statements.

Amendments to IFRS 16 „Leases: Lease liability in a sale and leaseback";

The amendments to IFRS 16 'Leases' affect how a seller-lessee recognises variable lease payments in sale-and-leaseback transactions. The changes require the seller-lessee to reassess the obligations arising from the transaction in such a way that it does not recognise any profit or loss related to the retained right of use. This means deferring such income even if there is an obligation to make variable payments that are not dependent on an index or interest rate.

In the opinion of the Group, the aforementioned change did not have any impact on the Group's financial statements.

New or amended standards and interpretations

New or amended standards and interpretations have been issued, which will become mandatory for the Group starting from 1 January, 2025, or later periods, and which the Group has not applied prematurely. The Group will analyse and disclose the impact of all the changes mentioned below after they come into effect.

Amendments to IFRS 9 and IFRS 7 Amendments to the Classification and Measurement of Financial Instruments

There has been diversity in practice over the timing of the recognition and derecognition of financial assets and financial liabilities, particularly when they have been settled using electronic payment system. The amendments to IFRS 9 clarify when a financial asset or a financial liability is recognised and derecognised. Under the amendments, a company generally derecognises its financial liability on the settlement date. Normally this is the date on which payment is completed. The amendments also provide an exception, which allows the company to derecognise its financial liability before the settlement date, i.e. on the date when payment is initiated and cannot be cancelled. The exception is available when the company uses an electronic payment system that meets all of the following criteria:

- no practical ability to withdraw, stop or cancel the payment instruction;
- no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- the settlement risk associated with the electronic payment system is insignificant.

Companies can choose to apply the exception to electronic payments on a system-by-system basis.

Classification of financial assets with contingent features

Under IFRS 9, it was unclear whether the contractual cash flows of some financial assets with contingent features represented SPPI, which is a condition for measurement at amortised cost. This could have resulted in such assets being measured at fair value through profit or loss. The amendments introduce an additional SPPI test for financial assets with contingent features that are not related directly to a change in basic lending risks or costs, e.g. where the cash flows change depending on whether the borrower meets an ESG target specified in the loan contract. Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from the cash flows of an identical financial asset without such a feature. The amendments also include additional disclosures for all financial assets and financial liabilities that have certain contingent features.

Contractually linked instruments (CLIs) and non-recourse features

The amendments clarify the key characteristics of CLIs and how they differ from financial assets with non-recourse features. The amendments also include factors that a company needs to consider when assessing the cash flows underlying a financial asset with non-recourse features (the ‘look through’ test).

Disclosures on investments in equity instruments

The amendments require additional disclosures for investments in equity instruments that are measured at fair value through other comprehensive income.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 replaces IAS 1; many of the existing principles in IAS 1 remain with minor changes. IFRS 18 does not affect the recognition or measurement of financial statement items, but it may change what a company recognises as its ‘operating profit or loss’. IFRS 18 applies to reporting periods beginning on or after 1 January, 2027, and is also applicable to comparative information.

In April 2024, the IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity’s financial statements (i.e. management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 19 Subsidiaries without Public Accountability Disclosures

IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date:

- it does not have public accountability;
- its parent produces consolidated financial statements under IFRS Accounting Standards available for public use.

A subsidiary applying IFRS 19 is required to clearly state in its explicit and unreserved statement of compliance with IFRS Accounting Standards that IFRS 19 has been adopted.

Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture

The amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

1.5. Consolidation (IFRS 10)

The Group's financial statements consolidate those of the parent entity and all its subsidiaries as of 31 December. All subsidiaries have a reporting date of 31 December. Consolidation of a subsidiary begins when the parent entity obtains control over the subsidiary and ceases when the parent entity loses control over the subsidiary.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and could affect those returns through its power over the entity. Subsidiaries where the Group holds 50% ownership interest are consolidated based on, the assessment of the management of the Group that the Group effectively controls the subsidiary by virtue of managing the real estate development projects and/or through a shareholder agreement.

All transactions and balances between the Group entities are eliminated on consolidation, including unrealised gains and losses on transactions between the Group entities. Amounts reported in the statutory financial statements of subsidiaries have been adjusted, where necessary, to ensure consistency with the accounting policies adopted by the Group.

The Group prepares consolidated financial statements using uniform accounting policies for similar transactions and other events in similar circumstances.

The Group presents non-controlling interests in the consolidated statement of financial position within equity, separately from the equity of the owners of the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the reporting period is recognised from the effective date of acquisition or up to the effective date of disposal, as applicable.

1.6. Business combinations (IFRS 3, IAS 36)

The Group uses the acquisition method of accounting to account for business combinations where the Group has obtained control over a subsidiary or merged the net assets of one or more businesses into the Group. The cost of acquisition is calculated as the sum of the acquisition date fair values of assets transferred. Acquisition-related costs that the Group incurs in a business combination are expensed as incurred.

As of the acquisition date, the Group recognises the identifiable assets acquired and the liabilities assumed at their fair values.

The Group applies adjusted purchase method when acquiring business combinations under common control by recognising the assets and liabilities of the acquiree or business on the acquirer's statement of financial position at the carrying amount. The difference between the cost of acquisition and the carrying amount of the acquired net assets will be recognised as an increase or decrease of the equity of the acquirer.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items for which the accounting is incomplete. The measurement period is the period after the acquisition date, during which the acquirer may adjust the provisional amounts recognised for a business combination. During the measurement period, the acquirer weill recognise adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Thus, the acquirer will revise comparative information for prior periods presented in financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting. After the measurement period ends, the acquirer will revise the accounting for a business combination only to correct an error.

1.7. Investments in associates (IAS 28)

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are accounted for using the equity method. The initial recognition of the investment in an associate is recognised at cost. The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of associates, adjusted where necessary to ensure consistency with the accounting policies of the Group.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment is classified as held for sale.

1.8. Joint ventures (IFRS 11)

In 2023, the Group invested in two joint ventures in Canada: Weston Limited Partnership and Elysium Isabella Limited Partnership. These joint ventures are accounted for using the equity method. Initially, the investment is recognised at cost in jointly controlled entities, which is then adjusted for changes in net assets that occurred after the acquisition in the jointly controlled entity. The Group's income statement includes the Group's share of the jointly controlled entity's profit or loss. Unrealised gains and losses from intra-group transactions are eliminated.

1.9. Property, plant and equipment (IAS 16)

Property, plant and equipment are assets used for production, provision of services or administrative purposes over a period of more than one year.

Items of property, plant and equipment are recognised at an acquisition cost less any accumulated depreciation and impairment losses, if any. Acquisition cost consists of the purchase price and other costs directly attributable to the acquisition that are necessary for bringing the asset to its working condition and location. When an item of property, plant and equipment consists of separately identifiable components that have different useful lives, these components are accounted as separate assets and separate depreciation rates are assigned to them according to the useful lives of the components. Items of property, plant and equipment leased under the lease terms are accounted for similarly to purchased property, plant and equipment.

Depreciation is recognised as an expense on a straight-line basis over the estimated useful life of an item of property, plant and equipment and its identifiable components.

The following estimated useful lives are applied:

- buildings and structures 2–33 years;
- plant and equipment 5–10 years;
- other equipment and fixtures 3–5 years;
- vehicles 5–7 years.

Land and construction in progress are not depreciated.

The Group use uniform depreciation rates in all Group companies. The estimated useful lives, residual values and depreciation methods are reviewed annually. The effect of the changes is reflected in the reporting period and in subsequent periods.

Items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from the continued use or disposal of the asset. Gains or losses arising from derecognition of items of property, plant and equipment are included either within other operating income or other operating expenses in the income statement.

1.10. Intangible assets (IAS 38, IAS 36)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Depreciation is recognised as an expense on a straight-line basis over the estimated useful life of an item of property, plant and equipment and its identifiable components.

The following estimated useful lives are applied:

- licences and software 2–5 years.

An intangible asset is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income for the period.

Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is more than the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all the assets acquired and all the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of comprehensive income for the period.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

1.11. Investment property (IAS 40)

Investment properties are real estate assets held primarily for earning rental income, for capital appreciation, or both, rather than for producing goods and services, administrative purposes or sale in the ordinary course of business.

Initial recognition: investment properties are initially recognised at cost, which includes the purchase price and all direct costs associated with acquiring the asset.

Subsequent measurement: investment properties are measured using the fair value model. The fair value of the property is assessed regularly, at least at each reporting period.

Derecognition: investment properties are derecognised upon disposal (i.e. when the recipient gains control). Any gains or losses arising from the disposal of the asset (calculated as the difference between the net sales proceeds and the carrying amount of the asset) are recognised in the comprehensive income statement.

Reclassification: an investment properties are reclassified if they no longer meets the definition of an investment property, for example, if the Group starts using the property for administrative purposes.

1.12. Cash and cash equivalents, cash flows (IAS 7)

Cash and cash equivalents are cash at bank and on hand, short-term extremely high liquidity investments (up to three months) that are readily convertible into a known amount of cash and which are subject to an insignificant risk of changes in value.

Restricted cash and cash equivalent balances are those which meet the definition of cash and cash equivalents but are not available for use by the Group. The Group has a requirement, as part of its business operations, to set aside cash by way of deposit into an escrow account. Such escrow accounts are classified in the cash flow statement as change in receivables from operating activities.

The statement of cash flows reports cash flows during the period classified by operating, investing and financing activities. The Group reports cash flows from operating activities using the indirect method whereby operating profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

1.13. Foreign currency

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.

1.14. Inventories (IAS 2, IAS 23)

In inventories, development projects are recorded under development projects ready for sale from the moment the project has been granted a use permit. Otherwise, development projects under development are recorded under development projects in progress.

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. If inventory items are not clearly distinguishable from each other, then the weighted average cost method is used. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Borrowing costs related to real estate development projects are included in the cost of inventories. The Group capitalises borrowing costs that are directly attributable to the real estate development projects and ceases to capitalise when the real estate development project is ready for sale but not later than the real estate development project has been granted a permit for use. Interest expenses that are related to real estate maintenance or usage are not capitalised but expensed in the period when they occur. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Completed real estate inventories are sold either in units or as a whole. Revenue from the sale is recognised as income from the sale of real estate.

All the Group’s development projects are recorded as inventories, even if the Group earns rental income before the full or partial sale of the development project. The Group aims to develop the acquired properties and sell the developed projects.

1.15. Financial instruments (IFRS 9, IAS 32)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component, which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

An entity typically incurs various costs in issuing or acquiring its own equity instruments. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial assets

At initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition, the Group measures a financial asset in amortised cost, fair value through other comprehensive income or fair value through profit or loss.

Purchase and sale of financial asset is recognised using settlement date accounting. Settlement date is the date that an asset is delivered to or by the Group.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition the Group recognises the difference between the carrying amount and consideration received as profit or loss. Transaction costs of financial assets carried at fair value plus or minus are expensed in profit or loss. Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

The Group measures its debt instruments at amortised cost. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The Group recognises loss allowance for expected credit losses on loan instruments, lease receivables, trade receivables, contract assets and financial guarantee contracts. Expected credit loss is based on the difference between all contractual cash flows that are due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the at an approximation of original effective interest rate. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. Lifetime expected credit losses represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. At the same time, 12-month expected credit losses represent the portion of lifetime expected credit losses that are expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Interest income is recognised using the effective interest method for receivables measured subsequently at amortised cost. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Financial liabilities

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans, and borrowings. Interest-bearing loans and borrowings are recognised at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Embedded derivatives

When the Group enters an SPV agreement with a business partner, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts. A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through comprehensive income.

1.16. Provisions and contingent liabilities (IAS 37)

Provisions are recognised when the Group has a present obligation (legal or constructive) because of a past event it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received.

Contingent liabilities

Contingent liabilities are those liabilities the realisation of which is less probable than non-realisation or the amount of which cannot be measured sufficiently reliably. The Group does not recognise contingent liabilities but discloses a brief description of the nature of the contingent liability and, where practicable, an estimate of its financial effect; an indication of the uncertainties relating to the amount or timing of any outflow; and the possibility of any reimbursement unless the possibility of any outflow in settlement is remote.

1.17. Government grants (IAS 20)

Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Grants related to income are government grants other than those related to assets. Grants related to operating expenses are government grants that are not government grants related to assets.

Government grants will be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. A government grant that becomes receivable as compensation for expenses or losses already incurred will be recognised in profit or loss of the period in which it becomes receivable.

1.18. Leases (IFRS 16)

The Group assesses at contract inception whether a contract is, or contains, a lease. A lease is a contract that conveys the right to control the use of an identified asset for a period in exchange for consideration.

Group as a lessee

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for leases which are both short-term and of low value.

The right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-to-use assets includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments are discounted using the interest rate implicit in the lease or, alternatively, the lessee's incremental borrowing rate. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow the funds necessary to obtain a similar asset.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease if the lease term reflects the Group exercising the option to terminate.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group will depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is measured as follows:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Group as a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the lease term. Gains from the expected disposal of assets will not be taken into account in measuring a provision. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term on the same basis as lease income.

The Group enters into short-term lease agreements as a lessor with respect to some of its real estate development properties in Latvia until the property is sold. Such real estate property is continuously recognised as inventories because it is being held for sale in the ordinary course of business.

1.19. Revenue (IFRS 15)

The Group recognises revenue from the following major sources:

- revenue from the sale of real estate;
- revenue from project management services;
- rental income;
- revenue from other services.

The Group recognises revenue to depict the transfer of promised goods or services to the client in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group recognises revenue when it transfers control of a product or service to a client.

Revenues from sale of real estate

Revenue from the sale of goods purchased and finished goods, including real estate developed by the Group, is recognised when control of the goods has been substantially transferred to the buyer; it is probable that economic benefits associated with the transaction will flow to the Group, the costs incurred or to be incurred in respect of the transaction including potential returns can be measured reliably, the Group retains no continuing involvement with the goods, and the amount of the revenue can be measured reliably. The sale is considered completed upon signing the real right contract with the buyer.

The Group recognises revenue in the amount of the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a client.

Revenue from project management services

Project management income includes revenues from project management services the Group provides to external partners and associated companies. Project management income is recognised in the accounting period when the service is rendered.

Rental income

Rental income includes revenues from renting the Group’s residential and commercial property. Rental income from operating leases is recognised on a straight-line basis over the lease term.

Revenue from other services

Revenue from other services includes revenues from services provided by the Group other than project management or rental income and income from the sale of goods other than development projects.

1.20. Operating segments (IFRS 15, IFRS 8)

A segment is a distinguishable component of the Group, which generates revenue and incurs expenditure. The segment reporting is presented in respect of operating and geographical segments.

The Group reports separate information about the following operating segments:

- residential real estate;
- commercial real estate;
- headquarters

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

The operating results are regularly reviewed by the Group’s Management Board to monitor the performance of the various segments in terms of sales revenue and operating profit (loss). Segment profit represents the segment’s external sales and operating profit (loss).

1.21. Income tax (IAS 12)

Corporate income tax in Estonia

According to the Income Tax Act entered into force in Estonia on 1 January 2000, it is not the company's profits that are taxed but net dividends paid. Income tax is paid on dividends, fringe benefits, gifts, donations, costs of reception of guests, non-business payments and transfer price adjustments. The effective income tax rate is 22/78 on net dividends paid out. During 2019-2024, it was possible to apply a more favourable tax rate on dividend payments (14/86).

Corporate income tax in Latvia

From 1 January 2018, profits earned after 2017 will be taxed at a rate of 20/80. The transitional rules of the Income Tax Act allow for a reduction in the profit payable on dividends if the company has unused tax losses or certain provisions as of 31 December 2017. As a result of the implementation of the Income Tax Act effective from 2018, there are no longer differences between the tax accounting and carrying amounts of assets and liabilities in Latvia, and therefore, deferred income tax assets and liabilities to Latvian subsidiaries are not recognised.

Corporate income tax in Canada

Foreign controlled corporations' resident in Canada are subject to Canadian corporate income tax on taxable income at a combined federal and provincial tax rate of 26.5%. Taxable income is calculated from the company's profit before income tax, adjusted in the income tax return by temporary and/or permanent adjustments under the Canadian Income Tax legislation. Dividends paid to foreign shareholders are subject to a treaty-reduced withholding tax rate of 5%.

Deferred income tax liability

Deferred income tax liability is recognised in respect to investments in subsidiaries, except if the Group can control the timing of the reversal of the taxable temporary differences and it is probable that the reversal will not occur in the foreseeable future. As the parent controls the payment of dividends, the sale or liquidation of an investment, and other transactions in subsidiaries, it can control the timing of the reversal of taxable temporary differences associated with these investments. Therefore, when the parent has determined that those profits will not be distributed in the foreseeable future, the parent does not recognise a deferred tax liability. If the parent company assesses that the dividend will be paid in the foreseeable future, the deferred income tax liability is measured to the extent of the planned dividend payment provided that, as at the reporting date, there are sufficient funds to pay the dividend and owner's equity on account of which to distribute profit in the foreseeable future.

1.22. Fair value measurement (IFRS 13)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The Group measures its financial instruments at fair value at each statement of financial position date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available.

Cash and cash equivalents include deposits in local commercial banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Due to their short-term nature, the carrying amounts approximate the fair value of cash and cash equivalents.

Expected credit loss rate for current loan receivables, non-current loans and other non-current receivables is 0%, historical average of trade receivables as of 31 December 2024: 2.3% (31 December 2023: 1.7%). The impact on recoverability of receivables in a short perspective and in consideration of expected lifetime losses is estimated as insignificant at each statement of financial position date.

Inventories are stated at the lower of cost and net realisable value in the statement of financial position. Fair value is evaluated based on net realisation value with a 15% discount to cover any risks and setbacks before the development is completed and properties sold (hair-cut). The applied percentage is based on the management's estimate made based on their professional expertise in the field of operations.

Property, plant and equipment fair value is assumed to be equal to carrying value as its estimated useful lives, residual values and depreciation methods are reviewed annually.

According to the estimation of the Group, the carrying values of financial liabilities in the consolidated statement of financial position do not vary significantly from the fair value since they are measured at net cash flows discounted at the effective interest rate that considers all additional direct costs of lending, as well as timing of settling of such financial obligations.

Part of the Group's long-term borrowings have a floating interest rate (includes six months Euribor). Based on the estimation of the management, the Group's financial outlook and market risks have not materially changed since the loans were obtained and the interest rates on the Group's debt are on the market conditions.

In thousands of euros	31.12.2024			31.12.2023		
	Carrying value	**Fair value**	**L**	**Carrying value**	**Fair value**	**L**
Assets						
Current assets						
Cash and cash equivalents	6,249	6,249	1	7,604	7,604	1
Trade and other receivables	761	761	3	1,544	1,544	3
Current loan receivables	200	200	3	311	311	3
Inventories	64,141	61,220	3	77,439	74,166	3
Total current assets	**71,351**	**68,406**		**86,898**	**83,625**	
Non-current assets						
Property, plant and equipment	288	288	3	162	162	3
Intangible assets	2	2	3	4	4	3
Investment properties	7,980	7,980	3	0	0	
Financial investments	6,424	6,424	3	2,005	2,005	3
Non-current loans	2,428	2,428	3	1,729	1,729	3
Other non-current receivables	340	340	3	203	203	3
Total non-current assets	**17,462**	**17,462**		**4,103**	**4,103**	
Total assets	**88,813**	**85,868**		**91,001**	**87,728**	
Liabilities and equity						
Current liabilities						
Loans and borrowings	23,336	23,336	3	40,600	40,600	3
Current lease liabilities	52	52	3	40	40	3
Prepayments from clients	724	724	3	2,620	2,620	3
Trade and other payables	6,542	6,542	3	7,188	7,188	3
Total current liabilities	**30,654**	**30,654**		**50,448**	**50,448**	
Non-current liabilities						
Loans and borrowings	31,352	31,352	3	16,305	16,305	3
Non-current lease liabilities	162	162	3	29	29	3
Other non-current liabilities	4,635	4,635	3	2,058	2,058	3
Total non-current liabilities	**36,149**	**36,149**		**18,392**	**18,392**	
Total liabilities	**66,803**	**66,803**		**68,840**	**68,840**	

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level (L) 1 – quoted (unadjusted) market prices in active markets for identical assets and liabilities.

Level (L) 2 – fair value is estimated using market information and valuation is based on observable inputs.

Level (L) 3 – fair value is estimated using the discounted cash flow valuation technique and the valuation is based on non-observable inputs.

1.23. Employee benefits (IAS 19)

The Group operates only short-term employee benefits (expected to be settled wholly before twelve months after the end of the reporting period in which the employees render services) such as wages and salaries and social security contribution; paid annual leave and sick leave; and bonuses. There are no special benefits, share-based payments or share options granted for the Group employees during the reporting periods or subsequent to the last statement of financial position dated 31 December 2024.

1.24. Related parties (IAS 24)

A related party is a person or entity that is related to the entity that is preparing its financial statements. A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. Such transactions could have an effect on the profit or loss and financial position of the Group. For this reason, knowledge of the Group's transactions, outstanding balances, including commitments, and relationships with related parties may affect assessments of its operations by users of financial statements, including assessments of the risks and opportunities facing the Group.

Relationships between a parent and its subsidiaries are disclosed irrespective of whether there have been transactions between them. The Group discloses the related party relationship when control exists, irrespective of whether there have been transactions between the related parties.

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

1.25. Earnings per share (IAS 33)

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by dividing the profit attributable to equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on conversion of all the dilutive potential shares into shares.

1.26. Events after the reporting period (IAS 10)

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Events after the reporting period are those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period) and those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

Notes to the consolidated financial statements

Note 2. Cash and cash equivalents

in thousands of euros	31.12.2024	31.12.2023
Bank accounts	6,249	7,604
Total cash and cash equivalents	**6,249**	**7,604**

Note 3. Trade and other receivables

in thousands of euros	31.12.2024	31.12.2023
Trade receivables	463	342
Allowance for doubtful receivables	-13	0
Net trade receivables	**450**	**342**
Prepayments		
Tax prepayments		
Value added tax	147	1,019
Other prepayments for goods and services	113	110
Total prepayments	**260**	**1,129**
Other current receivables		
Interest receivables (Note 28)	2	6
Other current receivables	49	67
Total other current receivables	**51**	**73**
Total trade and other receivables	**761**	**1,544**

Note 4. Inventories

Inventories are accounted as ready for sale development projects once the project has been granted a usage permit. As of 31 December 2024, usage permits have been issued for the Strēlnieku 4b development project and for the Ranka Dambis 5 development project in Riga and the Nõmme tee 57 development project in Tallinn.

As of 31 December 2024 the Group had 30 (31 December 2023: 11) unsold apartments, including 10 apartments in Tallinn, the Nõmme tee 57 development project, and in Riga: 1 apartment in the Strēlnieku 4b development project and 19 apartments in the Ranka Dambis 5 development project.

In addition, there are development projects ready for sale in Tallinn, Paldiski mnt 227C and Manufaktuuri 7 for which a usage permit has not been issued. As of 31 December 2024, in the Paldiski mnt 227C project, there are 52 apartments and in the Manufaktuuri 7, there are 47 apartments unsold with real right contracts.

As of 31 December 2024 changes in inventories as stated in cash flow statements have been adjusted by loan interest expense, which are capitalised in the amount of 3,740 thousand euros (31 December 2023: 2,738 thousand euros). Further information about paid interests is provided in Note 25.

Further information on inventories as collateral for bank loans is provided in Note 11.

As of 31 December, the following development projects are reflected in inventories:

In thousands of euros				**31.12.2024**		**31.12.2023**	
Address	**Project company**	**Location**	**Segment**	**Carrying amount**	**Project status**	**Carrying amount**	**Project status**
Work in progress							
Paevälja 11, Tallinn	Hepsor PV11 OÜ	Estonia	Residential	0	-	598	E
Paldiski mnt 227c, Tallinn	Hepsor 3Torni OÜ	Estonia	Residential	9,530	E	14,109	D
Narva mnt 150,150a,150b Tallinn	Hepsor N450 OÜ	Estonia	Residential/ Commercial	4,071	A	3,889	A
Manufaktuuri 5, Tallinn	Hepsor Phoenix 3 OÜ	Estonia	Residential/ Commercial	7,556	D	5,056	C
Manufaktuuri 7, Tallinn	Hepsor Phoenix 2 OÜ	Estonia	Residential/ Commercial	7,260	E	16,120	D
Lembitu 4, Tallinn	Hepsor L4 OÜ	Estonia	Commercial	0	-	3,153	C
Alvari 2 / Paevälja 9, Tallinn	Hepsor Fortuuna OÜ	Estonia	Residential	1,885	B	1,657	A
Alvari 1, Tallinn	Hepsor A1 OÜ	Estonia	Residential	2,022	A	2,023	A
Kadaka tee 197, Tallinn	H&R Residentsid OÜ	Estonia	Residential	1,305	A	1,228	A
Manufaktuuri 12, Tallinn	Hepsor Phoenix 4 OÜ	Estonia	Residential	1,131	B	932	A
Nõmme tee 57, Tallinn	Hepsor N57 OÜ	Estonia	Residential	0	-	3,778	E
Vana-Tartu mnt 49, Tallinn	Hepsor VT49 OÜ	Estonia	Commercial	1,153	B	1,029	A
Võistluse 7, Tallinn	Hepsor V7 OÜ	Estonia	Residential	425	B	0	-
Saules aleja 2, Riga	Hepsor SA2 SIA	Latvia	Residential	1,079	B	717	B
Ranka Dambis 5, Riga	Hepsor RD5 SIA	Latvia	Residential	0	-	3,902	D
Ulbrokas 34, Riga	Hepsor U34 SIA	Latvia	Commercial	6,794	D	1,554	C
Braila 23, Riga	Hepsor Jugla SIA	Latvia	Residential	618	B	501	B
Ganibu Dambis 17a, Riga	Hepsor Ganibu Dambis SIA	Latvia	Commercial	4,431	B	4,120	B
Jurmala Gatve, Riga	Hepsor JG SIA	Latvia	Residential	5,226	D	621	B
Smaidu, Dreilini	Riga Properties 4 SIA	Latvia	Commercial	4,226	A	4,046	A
Eiženijas 18, Riga	Hepsor E18 SIA	Latvia	Residential	361	B	0	-
- other properties		Estonia		0	-	18	A
Total work in progress				**59,073**		**69,051**	
Finished real estate development							
Manufaktuuri 22, Tallinn (parking spaces)	Hepsor Phoenix OÜ	Estonia	Residential	16	E	16	E
Ranka Dambis 5, Riga	Hepsor RD5 SIA	Latvia	Residential	2,626	E	0	-
Nõmme tee 57, Tallinn	Hepsor N57 OÜ	Estonia	Residential	2,349	E	0	-
Meistri 14, Tallinn	Hepsor Meistri 14 OÜ	Estonia	Commercial	0	-	7,667	E
Strēlnieku 4b, Riga	Hepsor S4B SIA	Latvia	Residential	77	E	603	E
Liela 45, Marupe	Hepsor Marupe SIA	Latvia	Residential	0	-	102	E
Total finished real estate development				**5,068**		**8,388**	
Total inventories				**64,141**		**77,439**	

Project statuses are classified as follows:

In thousands of euros	31.12.2024	31.12.2023	Change %
A – planning proceedings	11,624	14,822	-22
B – building permit proceedings	11,083	5,959	86
C – building permit available / construction has not yet started	0	9,763	-100
D – construction started / sale started	19,576	34,131	-43
E – construction ready for sale	21,858	12,764	71
Total inventories	**64,141**	**77,439**	**-17**

Note 5. Property, plant and equipment

In thousands of euros	Buildings and structures	Machinery and equipment	Other items	Total
2024				
Cost as of 31.12.2023	256	58	157	**471**
Accumulated depreciation as of 31.12.2023	-173	-14	-122	**-309**
Carrying amount as of 31.12.2023	**83**	**44**	**35**	**162**
New lease contracts (Note 12)	302	0	0	**302**
Acquisition	0	0	23	**23**
Depreciation	-170	-11	-18	**-199**
Termination of lease contracts	-288	0	0	**-288**
Write-off of accumulated depreciation from terminations of lease contracts	288	0	0	**288**
Write-off of acquisition cost	0	0	-10	**-10**
Write-off of accumulated depreciation	0	0	10	**10**
Cost as of 31.12.2024	270	58	170	**498**
Accumulated depreciation as of 31.12.2024	-55	-25	-130	**-210**
Carrying amount as of 31.12.2024	**215**	**33**	**40**	**288**
2023				
Cost as of 31.12.2022	246	58	153	**457**
Accumulated depreciation as of 31.12.2022	-114	-2	-109	**-225**
Carrying amount as of 31.12.2022	**132**	**56**	**44**	**232**
New lease contracts (Note 12)	94	0	0	**94**
Acquisition	10	0	14	**24**
Depreciation	-153	-12	-23	**-188**
Termination of lease contracts	-94	0	0	**-94**
Write-off of accumulated depreciation from terminations of lease contracts	94	0	0	**94**
Write-off of acquisition cost	0	0	-10	**-10**
Write-off of accumulated depreciation	0	0	10	**10**
Cost as of 31.12.2023	256	58	157	**471**
Accumulated depreciation as of 31.12.2023	-173	-14	-122	**-309**
Carrying amount as of 31.12.2023	**83**	**44**	**35**	**162**

The lease agreement of an office in Riga is recorded in the asset class of buildings and structures. In 2024, a new lease agreement was signed for the Riga office, with a term of 5 years. In Riga, the Group subleases assets under operating leases to a related party.

In 2024, the income from rent amounted to 30 thousand euros (2023: 29 thousand euros). The sublease of the operating lease is recorded in a simplified manner as other operating income and other operating expenses (Note 22).

Note 6. Intangible assets

In thousands of euros	Licences and software
2024	
Carrying amount as of 31.12.2023	**4**
Acquisition	2
Depreciation	-4
Cost as of 31.12.2024	9
Accumulated depreciation as of 31.12.2024	-7
Carrying amount as of 31.12.2024	**2**
2023	
Carrying amount as of 31.12.2022	**7**
Acquisition	2
Depreciation	-5
Write-off of acquisition cost	-3
Write-off of accumulated depreciation	3
Cost as of 31.12.2023	7
Accumulated depreciation as of 31.12.2023	-3
Carrying amount as of 31.12.2023	**4**

Note 7. Investment properties

Hepsor M14 OÜ's office building development project in Tallinn, Meistri 14 was completed in 2021. As of 31 December 2024, the building was classified as a property investment which is measured at fair value. The Group performed the valuation using the five-year discounted cash flow method. Since the purpose of the property investment is to generate rental income, the method used reflects best the fair value of the property investment. The valuation is based on existing cash flows, the rate of return, and an appropriate discount rate that takes into account the expected return of similar assets for average investors. At the end of 2024, return rate of 7.1% and discount rate of 8.1% were used for the asset valuation. As of 31 December 2024, the fair value of the asset was estimated at 8.0 million euros. The Group earned a profit of 312 thousand euros from the reclassification (Note 23).

Note 8. Financial investments

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

In 2023 and 2024, the Group invested in a total of five joint ventures in Canada. Joint ventures are accounted for using the equity method. In 2023, the Group invested in two joint ventures in Canada: Weston Limited Partnership and Elysium Isabella Limited Partnership. In 2024, the Group invested in three Canadian joint ventures: Elysium Glenavy Limited Partnership, Brownville Limited Partnership, and EH High Park Limited Partnership.

As of 31 December 2024, the carrying amount of financial investments is 6,424 thousand euros (31 December 2023: 2,005 thousand euros).

Note 9. Other non-current receivables

In thousands of euros	**31.12.2024**	**31.12.2023**
Interest receivables (Note 28)	309	154
Other non-current receivables	31	49
Total	**340**	**203**

Note 10. Loans granted

In thousands of euros	**Owner of non-controlling interest**	**Unrelated legal entities**	**Related legal entities**	**Total**
2024				
Loan balance as of 31.12.2023				
- current portion	311	0	0	**311**
- non-current portion	0	0	1,729	**1,729**
Total loan balance as of 31.12.2023	**311**	**0**	**1,729**	**2,040**
Loan granted	0	200	718	**918**
Division of subsidiary	-311	0	0	**-311**
Actual interest rate impact	0	0	-19	**-19**
Total loan balance as of 31.12.2024	**0**	**200**	**2,428**	**2,628**
- current portion	0	200	0	**200**
- non-current portion	0	0	2,428	**2,428**
Contractual interest rate per annum	-	0%	7.0%	
Effective interest rate per annum	-	0%	6.7%	
2023				
Loan balance as of 31.12.2022				
- non-current portion	0	0	1,766	**1,766**
Total loan balance as of 31.12.2022	**0**	**0**	**1,766**	**1,766**
Loan granted	311	0	0	**311**
Actual interest rate impact	0	0	-37	**-37**
Total loan balance as of 31.12.2023	**311**	**0**	**1,729**	**2,040**
- current portion	311	0	0	**311**
- non-current portion	0	-	1,729	**1,729**
Contractual/effective interest rate per annum	3%	-	7%	

In December 2024, the shareholders of T2T4 OÜ decided on the division of the company, under which T2T4 OÜ transferred assets to minority shareholders in the total amount of 315 thousand euros, of which 311 thousand euros was in the form of a receivable loan. Additional information is provided in Note 15.

Additional information on transactions with related legal entities is provided in Note 33.

Note 11. Loans and borrowings

in thousands of euros	Bank loans	Unrelated legal entities	Related legal entities (Note 33)	Total
2024				
Loan balance as of 31.12.2023				
- current portion	34,372	4,845	1,383	**40,600**
- non-current portion	1,937	14,368	0	**16,305**
Total loan balance as of 31.12.2023	**36,309**	**19,213**	**1,383**	**56,905**
Received	28,221	4,688	4,710	**37,619**
Repaid	-29,296	-4,851	-4,722	**-38,869**
Reduction of loan resulting from the sale of a subsidiary	-1,300	0	0	**-1,300**
Actual interest rate impact	-106	439	0	**333**
Loan balance as of 31.12.2024	**33,828**	**19,489**	**1,371**	**54,688**
- current portion	17,753	4,345	1,238	**23,336**
- non-current portion	16,075	15,144	133	**31,352**
Contractual interest rate per annum	*EU6+3.75–5.9%; 5.5%*	*0–12%*	*7–12%*	
Effective interest rate per annum	*7.3–13.7%*	*5.6–10.6%*	*8.9%*	
2023				
Loan balance as of 31.12.2022				
- current portion	17,040	3,352	2,173	**22,565**
- non-current portion	13,089	12,793	133	**26,015**
Total loan balance as of 31.12.2022	**30,129**	**16,145**	**2,306**	**48,580**
Received	30,335	8,988	1,089	**40,412**
Repaid	-24,310	-5,007	-1,500	**-30,817**
Reclassified as a Group loan	0	0	-512	**-512**
Actual interest rate impact	155	-607	0	**-452**
Compound interest rate	0	-306	0	**-306**
Loan balance as of 31.12.2023	**36,309**	**19,213**	**1,383**	**56,905**
- current portion	34,372	4,845	1,383	**40,600**
- non-current portion	1,937	14,368	0	**16,305**
Contractual interest rate per annum	*EU6+3.75–8%; 5.5%*	*0–12%*	*12%*	
Effective interest rate per annum	*7.6%*	*5.4–11.8%*	*-*	

The adjustment in change in inventories in the cash flow statement of the reporting period arising from capitalising the actual interest rate impact on loans as part of the cost of the inventories amounted to 417 thousand euros (2023: 1,120 thousand euros).

In 2023, the interest paid was adjusted in the cash flow statement due to the effect of compound interest, amounting to 272 thousand euros.

Additional information on cash flows is provided in Note 28.

As of 31 December 2024, 89% (31 December 2023: 87%) of all loans granted to the Group have been received against the risk of development projects.

in thousands of euros	Bank loans	Unrelated legal entities	Related legal entities	Total
Balance as of 31.12.2024				
Loans for development projects	27,888	19,489	1,371	**48,748**
Loans to headquarters to finance development projects	5,940	0	0	**5,940**
Total	**33,828**	**19,489**	**1,371**	**54,688**
Balance as of 31.12.2023				
Loans for development projects	30,309	18,003	1,383	**49,695**
Loans to headquarters to finance development projects	6,000	1,210	0	**7,210**
Total	**36,309**	**19,213**	**1,383**	**56,905**

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

Lender	Country	Loan balance	Contract term	Loan limit	Interest per annum	Collateral	Cost value of the collateral (Note 4, 7)	Guarantee given
LHV Pank AS	Estonia	4,664	2027	4,900	5.46%	Mortgage – Meistri 14, Tallinn	7,980	-
LHV Pank AS	Estonia	4,746	2026	13,900	6M Euribor+4.5%	Mortgage – Paldiski mnt 227c, Tallinn	9,530	-
LHV Pank AS	Estonia	1,105	2026	2,450	6M Euribor+4.5%	Mortgage – Nõmme tee 57, Tallinn	2,349	-
LHV Pank AS	Estonia	5,678	2026	5,758	6M Euribor+4.5%	Mortgage – Manufaktuuri 7, Tallinn	7,260	-
Bigbank AS	Latvia	1,900	2025	2,000	6M Euribor+4.5%	Mortgage – Ganību dambis 17A Riga; commercial pledge	4,431	-
Bigbank AS	Latvia	2,138	2026	4,000	6M Euribor+5.2%	Mortgage – Ranka Dambis 5, Riga	2,626	460
Bigbank AS	Latvia	3,945	2026	4,000	6M Euribor+5.2%	Mortgage – Jurmala Gatve 74, Riga	5,226	1,000
Bigbank AS	Latvia	3,765	2027	9,000	6M Euribor+4.4%	Mortgage – Ulbrokas 34 Riga; commercial pledge	6,794	890

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 (Note 4)	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+6.5%	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

In March 2024, Hepsor AS entered into an addendum to its loan agreement with AS LHV Pank, which increased the Group loan limit to 9 million euros. The loan term is until 12 March 2026. The loan is secured by shares owned by members of the Management Board of Hepsor AS, as well as shares in Hepsor Finance OÜ.

The loan agreement includes two financial covenants that are measured quarterly:

a) the loan-to-equity ratio with AS LHV Pank, which must not exceed 55%,
b) the ratio of the Group's total loan obligations to the consolidated Group's assets, cash, and real estate development investments, which must not exceed 70%. Starting from 31.12.2024, financial investments will also be included in the assets of the Group.

In February 2025, Hepsor AS signed an addendum to the loan agreement with AS LHV Pank, reducing the Group loan limit to 6 million euros.

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

Additional information on other guarantees given by the Group is provided in Note 17.

Note 12. Lease liabilities

in thousands of euros	**Right to use lease liabilities**	**Finance lease liabilities**	**Total**
2024			
Balance as of 31.12.2023			
- current portion	30	10	**40**
- non-current portion	0	29	**29**
Total lease liabilities balance as of 31.12.2023	**30**	**39**	69
New lease contracts (Note 5)	302	0	**302**
Repaid	-147	-9	**-156**
Total lease liabilities balance as of 31.12.2024	**185**	**29**	**214**
- current portion	42	10	**52**
- non-current portion	143	19	**162**
2023			
Balance as of 31.12.2022			
- current portion	36	10	**46**
- non-current portion	30	38	**68**
Total lease liabilities balance as of 31.12.2022	**66**	**48**	**114**
New lease contracts (Note 5)	94	0	**94**
Repaid	-130	-9	**-139**
Total lease liabilities balance as of 31.12.2023	**30**	**39**	**69**
- current portion	30	10	**40**
- non-current portion	0	29	**29**

Note 13. Trade and other payables and prepayments

in thousands of euros	31.12.2024	31.12.2023
Prepayment from clients	**724**	**2,620**
Trade payables	**1,138**	**2,961**
Tax payables		
Value added tax	663	503
Personal income tax	40	32
Social security tax	65	55
Corporate income tax	41	0
Other taxes	7	7
Total tax payables	**816**	**597**
Accrued expenses		
Payables to employees	113	116
Interest payables (Note 28)	1,011	1,020
Other accrued expenses	67	52
Total accrued expenses	**1,191**	**1,188**
Other current payables		
Embedded derivatives (Note 15)	2,074	2,061
Other payables	1,323	381
Total other current payables	**3,397**	**2,442**
Total trade and other payables	**7,266**	**9,808**

Advance payments received on the basis of contracts under law and obligations and apartments reservation contracts are recorded as a prepayment from clients.

Note 14. Other non-current liabilities

in thousands of euros	31.12.2024	31.12.2023
Interest payables (Note 28)	2,539	1,648
Other non-current payables	2,096	410
Total other non-current liabilities	**4,635**	**2,058**

As of 31 December 2024, under other non-current liabilities, there is a liability of 1.7 million euros in total, which is related to the financing of the development project StokOfiss 34, involving financial investors.

Note 15. Embedded derivatives

Liabilities assumed by the Group to minority shareholders in accordance with the concluded shareholders' agreements are recognised as embedded derivatives. According to shareholders agreements the profit is shared with minority shareholders in the form as it is agreed in the agreement. As of the end of the reporting periods, upon partial or full realisation of the business plan of the development project, the Group had liabilities arising from embedded derivatives with regard to the following projects:

in thousands of euros	31.12.2024	31.12.2023
Current liabilities arising from embedded derivatives balance as of 01.01	**2,061**	**8**
Settlements with shareholder loan arising from the division agreement:		
Commercial development project in Tooma 2/Tooma 4, Tallinn	-311	311
Residential development project in Gregora iela 2a, Riga	-825	1,025
Residential development project in Liela 45, Marupe	-725	725
Total change in liabilities arising from embedded derivatives	**200**	**2,053**
Change in the value of the embedded derivative of the non-controlling interest during the reporting year		
Commercial development project in Tooma 2/Tooma 4, Tallinn	0	-311
Residential development project in Gregora iela 2a, Riga	0	-1,025
Residential development project in Liela 45, Marupe	0	-725
Residential development project in Manufaktuuri 7, Tallinn	-1,874	0
Commercial development project in Meistri 14, Tallinn	0	8
Total change in the value of embedded derivatives of the non-controlling interest for the reporting year	**-1,874**	**-2,053**
Total current liabilities arising from embedded derivatives (Note 13)	**2,074**	**2,061**

According to the division agreement concluded between the shareholders of T2T4 OÜ, the loan granted by the company to the shareholders was offset against the obligation arising from hidden derivative instruments in the amount of 311 thousand euros (Note 10).

According to the division agreement concluded between the shareholders of Kvarta SIA and Hepsor Marupe SIA, a total of 1,537 thousand euros was paid to minority shareholders, reducing the obligation arising from hidden derivative instruments

Note 16. Equity

According to the Articles of Association of Hepsor AS, the minimum share capital of the company is 3 million euros and the maximum share capital is 12 million euros. During the reporting year, the share capital of Hepsor AS has not changed, remaining at 3,855 thousand euros. The company had 3,854,701 shares with a nominal value of 1 euro.

On 8 November 2021, the General Meeting of Shareholders decided to list the shares of Hepsor AS on the main list of the Nasdaq Tallinn Stock Exchange and to issue up to 854,701 shares at an offer price of 11.70 euros, of which 1 euro was the nominal value and 10.70 was the share premium. The share premium was adjusted by the expenses incurred from the issuance and listing of new shares. As of 31 December 2024, the share premium amounted to 8,917 thousand euros (as of 31 December 2023: 8,917 thousand euros).

According to the Estonian Commercial Code, companies are required to establish a mandatory reserve capital. Each financial year, the reserve capital must be increased by at least 1/20 of the net profit until the reserve capital reaches 1/10 of the share capital amount. At the General Meeting of Shareholders of Hepsor AS held on 25 May 2023, it was decided to allocate the mandatory reserve capital at 1/10 of the share capital, amounting to 385 thousand euros from the net profit of 2022.

In June 2024, the shareholders of Hepsor Phoenix 3 OÜ decided to allocate 10 thousand euros to the company's voluntary reserve, of which the minority shareholder's portion was 5 thousand euros, and this was offset against the interest claim on the shareholder loan (Note 29).

In 2023, the shareholders of Hepsor M14 OÜ decided to establish a voluntary reserve. The minority shareholders of Hepsor M14 OÜ converted their interest claims into the voluntary reserve in the amount of 125 thousand euros.

Note 17. Contingent liabilities

17.1. Contingent liabilities arising from embedded derivatives

In accordance with the shareholders agreements between the Group and minority shareholders of subsidiaries (SPVs), the Group has an obligation as of 31 December 2024 to pay 5,921 thousand euros (31 December 2023: 11,535 thousand euros) to the minority shareholders upon realisation of the business plan. The obligation amounts are estimations calculated based on current business plans for the development projects as of the statement of financial position dates. Contingent liabilities are estimated before the full realisation of the development projects at each reporting date. As of 31 December 2024, the realisation time of contingent liabilities remains between 2025 and 2029.

17.2. Lawsuit

Harju District Court has allowed the court claim for damages brought by seven apartment owners of Manufaktuuri 18 against Hepsor AS subsidiary Hepsor Phoenix OÜ to proceed. The court claim is based on the allegation that the apartment ownerships sold to the claimants from 2018–2019 have construction defects. The claimants seek compensation for the damage allegedly suffered by them in the amount of 467 thousand euros, together with late interest calculated on that amount.

The management of Hepsor Phoenix OÜ does not consider the court claim to be justified and, based on the circumstances presented so far, assesses the satisfaction of the claim as unlikely.

17.3. Group warranties given

The Group is obliged to provide warranty services during the warranty period. The Group has outsourced the provision of warranty period services for general repairs of defects of real estate developed to contracted construction service partners.

Additional information on the warranties given is provided in Note 11.

Notes to the consolidated statement of profit and loss and other comprehensive income

Note 18. Revenue

in thousands of euros	2024	2023
Revenue from sale of real estate	36,188	39,520
Revenue from project management services	915	88
Revenue from rent	1,078	1,270
Revenue from other services	216	257
Total	**38,397**	**41,135**

In 2024, 33,5 million euros (2023: 33,3 million euros) were earned, which is 93% (2023: 84%) of real estate sales from private clients. In 2024, 194 (2023: 274) apartments were sold, of which 165 in Estonia (2023: 59) and 29 in Latvia (2023: 215).

Revenue by geographical area

in thousands of euros	2024	2023
Estonia	32,541	13,612
Latvia	5,856	27,523
Total	**38,397**	**41,135**

Revenue by operating segment

in thousands of euros	2024	2023
Residential real estate	36,450	37,705
Commercial real estate	1,031	3,342
Headquarters	916	88
Total	**38,397**	**41,135**

Additional information on operating and geographical segments is provided in Note 29.

Note 19. Cost of sales

in thousands of euros	2024	2023
Cost of real estate sold	-29,729	-32,006
Personnel expenses (Note 22)	-868	-1,006
Depreciation	-33	-31
Other costs	-1,005	-1,024
Total	**-31,635**	**-34,067**

Note 20. Marketing expenses

in thousands of euros	2024	2023
Personnel expenses (Note 22)	-192	-128
Depreciation	-48	-46
Other marketing expenses	-658	-402
Total	**-898**	**-576**

Note 21. Administrative expenses

in thousands of euros	2024	2023
Personnel expenses (Note 22)	-1,108	-847
Depreciation	-123	-117
Travelling and transport expenses	-113	-72
Purchased service expenses	-309	-360
Other administrative expenses	-149	-76
Total	**-1,802**	**-1,472**

Note 22. Personnel expenses

in thousands of euros	2024	2023
Salaries	-1,657	-1,455
Social security and other payroll taxes	-511	-526
Total (Notes 19, 20, 21)	**-2,168**	**-1,981**

As of 31 December 2024, the Group, together with the members of the Management Board and the Supervisory Board, had 28 (31.12.2023: 26) employees, of which 14 in Estonia (31.12.2023: 13) and 14 in Latvia (31.12.2023: 13).

The average number of employees of the Group in 2024 was 21 (2023: 20), of which 9 were in Estonia (2023: 9) and 12 were in Latvia (2023: 11).

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

Gross fees paid to the members of the Management Board and of the Supervisory Board during the twelve months of 2024 amounted to 500 thousand euros (12M 2023: 363 thousand euros).

No special benefits, share-based payments or share options have been granted to the Group’s employees, including key personnel.

The members of the Management Board and Supervisory Board include the members of the Management Board and of the Supervisory Board of Hepsor AS, as well as the members of the Management Board of Hepsor Latvia OÜ, Hepsor Finance OÜ and Hepsor SIA. In May 2024, Mihkel Mäger, the country manager for Estonia, started working as a member of the Management Board of Hepsor Finance OÜ. In October, Gints Vanders started working as a member of the Management Board of Hepsor SIA.

Note 23. Other operating income and expenses

Other operating income

in thousands of euros	2024	2023
Fines and compensations	19	9
Sublease income (Note 5)	30	29
Revaluation income (Note7)	312	0
Other operating income	88	128
Total	**449**	**166**

Other operating expenses

in thousands of euros	2024	2023
Loss from doubtful accounts receivable	-14	-29
Sublease expenses (Note 5)	-30	-29
Other operating expenses	-135	-94
Total	**-179**	**-152**

Note 24. Financial income

in thousands of euros	2024	2023
Interest income (Note 28)	185	163
Profit from a financial investment of equity method	0	18
Profit from the sale of a subsidiary	0	980
Other financial income from financial investment	38	29
Financial income from discounting	198	2
Total	**421**	**1,192**

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 realised profit of the project was 385 thousand euros (Note 28).

Note 25. Financial expenses

in thousands of euros	2024	2023
Interest expenses (Note 28)	-2,473	-1,920
Loss from associates of equity method (Note 32)	0	-567
Financial expenses from discounting	-22	-146
Other financial expenses	-83	-113
Total	**-2,578**	**-2,746**

In 2024, borrowing costs in the amount of 3,740 thousand euros (2023: 2,738 thousand euros) have been capitalised as the cost of inventories (Note 4).

The actual interest rate has been used for discounting long-term financial receivables and liabilities.

Note 26. Corporate income tax and deferred income tax

Historically the Group has financed its development activity mainly from retained earnings and dividend payments have been made in minor amounts.

The Group's dividend policy considers the Group's growth ambition, capital need for development projects, financial position, liquidity ratios, and other factors. The Group's dividend policy is in the process of being established.

The Management Board proposes to pay shareholders dividends in the amount of 1,002 thousand euros (0.26 euros per share) from retained earnings in 2025. Based on the share price as of 31 December 2024, the proposed dividend corresponds to a yield of 6.2%.

In 2024, a total of 41 thousand euros in income tax was calculated for the Group's Latvian companies, which was paid in 2025.

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

Note 27. Earnings per share

The number of shares of Hepsor AS: 3,854,701 (EUR) * 1 (EUR) nominal value = 3,854,701 shares.

	2024	**2023**
Profit for the year attributable to owners of the parent (thousands of euros)	423	1,185
Weighted average number of ordinary shares (thousand pcs)	3,855	3,855
Basic earnings per share (euros)	0.11	0.31
Diluted earnings per share (euros)	0.11	0.31

Earnings per share is calculated when profit for the year attributable to owners of the parent is divided by number of shares.

Note 28. Information about line items in the consolidated statement of cash flows

in thousands of euros	2024	2023
Inventories		
Reclassification of cash flows from financing activities to operating activities (Note 4)	3,740	2,738
Decrease (-)/ increase (+) of change inventories balances (Note 4)	13,298	-7,679
Realised profit from the sale of the subsidiary (Note 24)	0	385
Change resulting from the sale of a subsidiary (Note 4)	-3 324	0
Reclassification from inventory to investment property (Note 4)	-7,667	0
Effective interest rate impact (Note 11)	417	-1,120
Change in inventories	**6,464**	**-5,676**
Interest paid		
Interest expense in statement of profit or loss and other comprehensive income (Note 25)	-2,473	-1,920
Reclassification of cash flows from financing activities to operating activities (Note 25)	-3,740	-2,738
Decrease (-)/ increase (+) of interest payables (Notes 13,14)	882	464
Voluntary reserve (Note 16)	5	0
Compound interest rate impact (Note 11)	0	272
Interest paid	**-5,326**	**-3,922**
Interest received		
Interest income in statement of profit or loss and other comprehensive income (Note 24)	185	163
Decrease (+)/increase (-) (Notes 3,9)	-146	-129
Interest received	**39**	**34**

Note 29. Operating segments

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

The Group reports separate information about the following operating segments:

- ✓ Residential real estate;
- ✓ Commercial real estate;
- ✓ Headquarters.

Revenues generated by headquarters are gained from the 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.

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

in thousands of euros	Residential development			Commercial development		Headquarters		
2024	**Estonia**	**Latvia**	**Canada**	**Estonia**	**Latvia**	**Estonia**	**Latvia**	**Total**
Revenue,	31,627	4,823	0	731	300	183	733	**38,397**
incl. revenue from rent	120	31	0	627	300	0	0	**1,078**
Operating profit	5,541	805	-47	897	102	-2,305	-661	**4,332**
Assets	37,703	10,316	6,826	12,784	16,077	4,033	1,074	**88,813**
Liabilities	24,598	7,922	3,061	9,616	10,211	7,991	3,404	**66,803**

in thousands of euros	Residential development			Commercial development		Headquarters		
2023	**Estonia**	**Latvia**	**Canada**	**Estonia**	**Latvia**	**Estonia**	**Latvia**	**Total**
Revenue,	10,733	26,972	0	2,792	550	87	1	**41,135**
incl. revenue from rent	109	80	0	551	530	0	0	**1,270**
Operating profit	1,974	4,692	-25	1,350	310	-2,103	-1,163	**5,035**
Assets	48,041	8,689	2,180	15,569	10,259	6,045	218	**91,001**
Liabilities	37,058	5,675	3	11,379	5,797	7,579	1,349	**68,840**

Additional information on sales revenue is provided in Note 18.

Note 30. Subsidiaries

	Ownership and voting rights %			
	31.12.2024	31.12.2023	Location	Segment
Hepsor Finance OÜ	100	100	Estonia	Headquarter
Hepsor Tooma OÜ	100	100	Estonia	Commercial development
Hepsor Kadaka OÜ	100	100	Estonia	Residential development
Hepsor Phoenix OÜ	100	100	Estonia	Residential development
Hepsor Peetri OÜ	100	100	Estonia	Residential development
Hepsor V10 OÜ	100	100	Estonia	Residential development
Hepsor Latvia OÜ	80	80	Estonia	Headquarter
Hepsor L4 OÜ	-	100	Estonia	Commercial development
Hepsor P26 OÜ	100	100	Estonia	Residential development
T2T4 OÜ	-	50	Estonia	Commercial development
Hepsor Phoenix 2 OÜ	50	50	Estonia	Residential/ Commercial development
Hepsor Phoenix 3 OÜ	50	50	Estonia	Residential/ Commercial development
Hepsor PV 11 OÜ	100	100	Estonia	Residential development
Hepsor M14 OÜ	51	51	Estonia	Commercial development
Hepsor 3Torni OÜ	51	51	Estonia	Residential development
Hepsor N450 OÜ	100	100	Estonia	Residential/ Commercial development
H&R Residentsid OÜ	50	50	Estonia	Residential development
Hepsor Fortuuna OÜ	100	100	Estonia	Residential development
Hepsor A1 OÜ	100	100	Estonia	Residential development
Hepsor Phoenix 4 OÜ	50	50	Estonia	Residential development
Hepsor N57 OÜ	100	100	Estonia	Residential development
Hepsor N170 OÜ	100	100	Estonia	Residential development
Hepsor V7 OÜ	50	-	Estonia	Residential development
Hepsor VT49 OÜ	50	50	Estonia	Commercial development
Hepsor M7 OÜ	100	100	Estonia	Headquarter
Hepsor Kanada OÜ	100	100	Estonia	Headquarter
Kanada SPV1 OÜ	100	100	Estonia	Headquarter
Kanada SPV2 OÜ	100	-	Estonia	Headquarter
Hepsor SPV I Ltd	100	100	Canada	Residential development
Hepsor SPV II Ltd	100	-	Canada	Residential development
Hepsor Kvarta Holding OÜ	80	40	Estonia	Headquarter
Hepsor Bal 9 OÜ	80	80	Estonia	Headquarter
Hepsor Bal 9 SIA	80	80	Latvia	Residential development
Hepsor Bal 7 SIA	100	100	Latvia	Residential development
Hepsor Agen24 SIA	100	100	Latvia	Residential development
Hepsor SIA	80	80	Latvia	Headquarter
Hepsor Marupe SIA	40	40	Latvia	Residential development
Hepsor S4B SIA	100	100	Latvia	Residential/ Commercial development
Hepsor SA2 SIA	41	41	Latvia	Residential development
Hepsor RD5 SIA	80	80	Latvia	Residential development
Hepsor U34 SIA	47,4	56	Latvia	Commercial development
Hepsor JG SIA	80	80	Latvia	Residential development
Hepsor Jugla SIA	80	80	Latvia	Residential development
Hepsor Ganibu Dambis SIA	80	80	Latvia	Commercial development
Kvarta SIA	40	40	Latvia	Residential development
Riga Properties 4 SIA	40	40	Latvia	Commercial development
Hepsor E18 SIA	80	-	Latvia	Residential development

Subsidiaries where the Group holds 50% ownership interest are consolidated based on, the assessment of the management of the Group that the Group effectively controls the subsidiary by virtue of managing the real estate development projects and/or through a shareholder agreement.

In 2024, the following structural changes took place within the Group:

- ✓ In March, Hepsor Latvia OÜ established its subsidiary Hepsor E18 SIA.
- ✓ In April, the minority shareholder of Hepsor VT49 OÜ paid for a 50% share.
- ✓ In May, the share capital of Hepsor U34 was increased by 430 thousand euros, resulting in a decrease of Hepsor Group's stake in Hepsor U34 SIA by 8.6%, making it 47.4%.
- ✓ The share capital of Hepsor Marupe SIA was reduced by 267 thousand euros, of which 134 thousand euros was paid to the minority interest.
- ✓ Hepsor AS established a subsidiary, Hepsor V7 OÜ, with a 50% stake.
- ✓ In June, Hepsor Latvia OÜ acquired a 50% stake in Kvarta Holding OÜ, becoming the sole owner of the company. Kvarta Holding OÜ's stake in its subsidiary Kvarta SIA decreased from 100% to 50%.
- ✓ On 18 July 2024, Hepsor AS subsidiary Hepsor Kanada OÜ established a subsidiary, Kanada SPV2 OÜ. Kanada SPV2 OÜ established a 100% subsidiary, Hepsor SPV II Ltd. In the third quarter, Hepsor & Elysium Limited Partnership was added as a financial investment, where Hepsor SPV II Ltd holds a 50% share, which in turn holds a 50% share in Elysium & Hepsor High Park Limited Partnership. On 30 September 2024, the Elysium & Hepsor Brownville Limited Partnership agreement was signed, in which Hepsor SPV II Ltd. Share is 50%.
- ✓ In November 2024, the shareholders of Hepsor Marupe SIA signed a demerger agreement. The demerger entry was made in the business register on 4 February 2025.
- ✓ The demerger entry of Kvarta SIA was made in the business register on 20 January 2025.
- ✓ On 17 December 2024, the demerger of T2T4 OÜ was completed, with Hepsor Finance OÜ acquiring the part of the company owned by Hepsor.
- ✓ In December 2024, Hepsor AS sold its subsidiary Hotell L4 OÜ (former business name Hepsor L4 OÜ).

Changes in Group structure in 2023 and impact on comprehensive income and cash flows:

in thousands of euros	**Other comprehensive income**		**Cash flow**	
	Comprehensive income attributable to owners of the parent	Comprehensive income attributable to non-controlling	Cash flow from investing activities	Cash flow from financing activities
Hepsor VT 49 OÜ	0	1	1	0
Kvarta Holding OÜ	0	0	-1	0
Hepsor U34 SIA	-43	252	0	209
Kvarta SIA	19	4	0	0
Hepsor Marupe SIA	20	-164	0	-134
Hotell L4 OÜ	-397	0	1,600	0
T2T4 OÜ	0	-5	0	0
Total	**-401**	**88**	**1 600**	**75**

In 2023, the following structural changes took place in 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 Baložu 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. 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.
- ✓ 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 October, Hepsor AS established a subsidiary, Hepsor VT49 OÜ, with a 50% ownership interest, which acquired two properties in Rae Parish on 3 November 2023.
- ✓ In December, Hepsor AS established a subsidiary, Hepsor M7 OÜ.
- ✓ In December 2023, Hepsor Latvia OÜ increased share capitals in Hepsor U34 SIA, Hepsor RD5 SIA, and Hepsor JG SIA by 354 thousand euros, of which 70 thousand euros belong to the minority shareholder of Hepsor Latvia OÜ. The minority shareholder of Hepsor U34 SIA increased the share capital by 36 thousand euros.

Changes in Group structure in 2023 and impact on comprehensive income and cash flows:

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 the sale of subsidiary	Cashflow from acquisitions of subsidiaries
Changes related to the change of ownership				
Hepsor Bal 9 OÜ	-11	11	-	-
Hepsor Bal 9 SIA	-3	3	-	-
Hepsor U30 SIA	54	14	595	-
Hepsor U34 SIA	-17	53	-	-
Hepsor RD5 SIA	-30	30	-	-
Hepsor JG SIA	-23	23	-	-
Riga 4 Properties SIA	-35	210	-	330
Hepsor N170 OÜ	7	0	-	36
Total	**-58**	**344**	**595**	**366**

Note 31. Non-controlling interest

As of 31 December 2024, the Group had 23 (31 December 2023: 22) companies with non-controlling holdings.

	Non-controlling interest and voting rights at %		*Project statuses			
Company	31.12.2024	31.12.2023	31.12.2024	31.12.2023	Location	Segment
Hepsor Bal 9 OÜ	20	20	-	-	Estonia	Headquarter
Hepsor Bal9 SIA	20	20	-	-	Latvia	Residential development
Hepsor T2T4 OÜ	-	50	-	-	Estonia	Commercial development
Hepsor Phoenix 2 OÜ	50	50	E	D	Estonia	Residential development
Hepsor Phoenix 3 OÜ	50	50	D	C	Estonia	Residential development
Hepsor M14 OÜ	49	49	E	E	Estonia	Commercial development
Hepsor 3 Torni OÜ	49	49	E	D	Estonia	Residential development
Hepsor SA2 SIA	59	59	B	B	Latvia	Residential development
Hepsor Latvia OÜ	20	20	-	-	Estonia	Headquarter
H&R Residentsid OÜ	50	50	A	A	Estonia	Residential development
Hepsor U34 SIA	52.6	44	D	C	Latvia	Commercial development
Hepsor RD5 SIA	20	20	E	D	Latvia	Residential development
Hepsor SIA	20	20	-	-	Latvia	Headquarter
Hepsor Marupe SIA	60	60	-	E	Latvia	Residential development
Hepsor Phoenix 4 OÜ	50	50	B	A	Estonia	Residential development
Hepsor JG SIA	20	20	D	B	Latvia	Residential development
Hepsor Jugla SIA	20	20	B	B	Latvia	Residential development
Hepsor Ganibu Dambis SIA	20	20	B	B	Latvia	Commercial development
Kvarta Holding OÜ	60	60	-	-	Estonia	Headquarter
Kvarta SIA	60	60	-	-	Latvia	Residential development
Hepsor VT49 OÜ	50	50	B	A	Estonia	Commercial development
Hepsor V7 OÜ	50	-	B	-	Estonia	Residential development
Riga Properties 4 SIA	60	60	A	A	Latvia	Commercial development
Hepsor E18 SIA	20	-	B	-	Latvia	Residential development

*Project statuses are classified as follows:

A – planning proceedings
B – building permit proceedings
C – building permit available / construction has not yet started
D – construction started / sale started
E – construction ready for sale

Financial information for subsidiaries with non-controlling interest

in thousands of euros	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Net profit for the year	Comprehensive income (loss)
Company	**Balance as of 31.12.2024**					**2024**	
Hepsor Bal 9 OÜ	7	3	0	0	10	7	7
Hepsor Bal9 SIA	46	0	7	0	39	-1	-1
Hepsor Phoenix 2 OÜ	10,566	0	6,805	10	3,751	3,735	1,874
Hepsor Phoenix 3 OÜ	8,360	0	728	7,640	-8	-12	-12
Hepsor M14 OÜ	142	8,011	172	8,262	-281	230	230
Hepsor 3 Torni OÜ	9,905	0	10,005	0	-100	-88	-88
Hepsor SA2 SIA	1,092	0	1,117	0	-25	0	0
Hepsor Latvia OÜ	2,209	6,721	1,340	6,244	1,346	-59	-59
H&R Residentsid OÜ	1,485	0	1	1,481	3	0	0
Hepsor U34 SIA	7,816	0	571	6,494	751	3	3
Hepsor RD5 SIA	2,939	0	2,735	0	204	-25	-25
Hepsor SIA	273	2,350	2,560	0	63	289	289
Hepsor Marupe SIA	774	0	2	0	772	52	52
Hepsor Phoenix 4 OÜ	1,352	0	2	1,340	10	0	0
Hepsor JG SIA	5,666	0	5,467	0	199	-1	-1
Hepsor Jugla SIA	1,209	0	4	860	345	0	0
Hepsor Ganibu Dambis SIA	5,282	0	54	4,531	697	72	72
Kvarta Holding OÜ	0	0	0	0	0	0	0
Kvarta SIA	1,291	0	32	0	1,259	15	15
Hepsor VT49 OÜ	1,252	0	0	1,249	3	0	0
Hepsor V7 OÜ	456	0	5	448	3	0	0
Riga Properties 4 SIA	4,525	0	22	4,171	332	-17	-17
Hepsor E18 SIA	454	0	6	451	-3	-5	-5

in thousands of euros	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Net profit for the year	Comprehensive income (loss)
Company	**Balance as of 31.12.2023**					**2023**	
Hepsor Bal 9 OÜ	7	3	0	0	10	20	20
Hepsor Bal9 SIA	47	0	7	0	40	-18	-18
Hepsor T2T4 OÜ	635	0	311	0	324	634	315
Hepsor Phoenix 2 OÜ	17,671	0	17,745	63	-137	-163	-163
Hepsor Phoenix 3 OÜ	5,550	0	99	5,383	68	4	4
Hepsor M14 OÜ	8,018	43	8,511	74	-523	-845	-837
Hepsor 3Torni OÜ	14,466	0	11,310	3,226	-70	-51	-51
Hepsor SA2 SIA	729	0	1	753	-25	0	0
Hepsor Latvia OÜ	970	6,102	404	5,344	1,324	278	278
H&R Residentsid OÜ	1,371	0	0	1,368	3	0	0
Hepsor U34 SIA	1,829	0	18	1,517	294	-24	-24
Hepsor RD5 SIA	4,213	0	4,081	0	132	-73	-73
Hepsor SIA	304	1,162	1,692	0	-226	-59	-59
Hepsor Marupe SIA	1,763	0	42	0	1,721	1,503	778
Hepsor Phoenix 4 OÜ	1,115	0	55	1,050	10	8	8
Hepsor JG SIA	814	0	185	465	164	-36	-36
Hepsor Jugla SIA	940	0	4	616	320	-24	-24
Hepsor Ganibu Dambis SIA	4,722	0	88	4,010	624	118	118
Kvarta Holding OÜ	0	0	0	0	0	0	0
Kvarta SIA	2,095	0	49	0	2,046	2,783	1,758
Hepsor VT49 OÜ	1,075	0	0	1,073	2	0	0
Riga Properties 4 SIA	4,361	0	28	3,984	349	0	0

Note 32. Associates

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

	Ownership and voting rights %	
	31.12.2024	**31.12.2023**
Hepsor P113 OÜ	45	45

Financial information about associates:

in thousands of euros	**31.12.2024**	**31.12.2023**
Current assets		
Cash and cash equivalents	210	193
Trade and other receivables	292	52
Total current assets	**502**	**245**
Non-current assets		
Shares and holdings	3	0
Investment property	10,610	9,400
Total non-current assets	**10,613**	**9,400**
Total assets	**11,115**	**9,645**
Current liabilities		
Loans and borrowings	0	8,260
Trade and other payables	178	44
Total current liabilities	**178**	**8,304**
Non-current liabilities		
Loans and borrowings	13,537	3,708
Other non-current liabilities	771	373
Total non-current liabilities	**14,308**	**4,081**
Total liabilities	**14,486**	**12,513**
Total equity	**-3,371**	**-2,868**
Total liabilities and equity	**11,115**	**9,645**

The construction of commercial property development project by Hepsor P113 OÜ in Tallinn, Pärnu mnt 113, was completed in the fourth quarter of 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 2024 was based on 7.7% yield (31 December 2023: 7.7%) and 8.75% discount rate (2023: 8.9%). As of 31 December 2024, the fair value of the property was estimated at 10.6 million euros (31 December 2023: 9.3 million euros).

As of 31 December 2024, the building is 77% covered by lease agreements.

In 2023, the Group received loss from associate company, Hepsor P113 OÜ, by the equity method in the amount of 567 thousand euros (Note 25).

Hepsor AS has granted a loan in the amount of 2.5 million euros to the associate company Hepsor P113 OÜ, as of 31 December 2024 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.

Lawsuits

In September 2023, Hepsor P113 OÜ cancelled the lease agreement with Novel Clinic Assets OÜ (NCA) due to outstanding debts. On November 8, 2023, NCA filed a lawsuit against Hepsor P113 OÜ to enforce the lease agreement, claim compensation for damages, and seek the return of unjust enrichment. Based on the current experience and evidence presented so far, the NCA's claim should be considered more likely unsuccesful than succesful. This is a complex dispute, also from a legal theory perspective.

In December 2024, the court declared NCA bankrupt. The bankruptcy decree entered into force on 11 February, 2025. It has been decided in the bankruptcy proceedings to wind up the NCA.

In January 2024, Hepsor P113 OÜ filed a counterclaim against NCA, Tomas Godelis, Concept 4 Clinic UAB, and Vertas Management UAB for damages. The damages arose due to NCA's breach of the lease agreement with Hepsor P113 OÜ, which was terminated early, resulting in unresolved losses for Hepsor P113 OÜ. Based on current experience and evidence presented so far, Hepsor P113 OÜ's claim against NCA and Tomas Godelis should be considered more likely succesful than unsuccesful.

In January 2024, Ilsanta UAB, which is in the same group as NCA, filed a lawsuit against Hepsor P113 OÜ- demanding the return of items allegedly owned by Ilsanta, or alternatively, compensation for the purchase price of these items. Based on current experience and evidence presented so far, the Ilsantas`s claim should be considered more likely unsuccesful than successful.

In January and November 2024, Hepsor P113 OÜ filed counterclaims against Ilsanta UAB for compensation of damages caused by interim relief given to Ilsanta UAB, which were later turned down as unfounded. Based on current experience and evidence presented so far it Hepsor P113 OÜ's claim should be considered more likely successful than unsuccessful, the outcome depends on the facts that will be clarified in the proceedings.

In April 2024, Concept 4 Clinic UAB filed a lawsuit against Hepsor P113 OÜ for compensation of damages. According to the Supreme Court's ruling concerning the interim relief in the same case, the claim of Concept 4 Clinic UAB as such has no prospect of success . Based on current experience and evidence presented so far, the Concept 4 Clinic UAB's claim should be considered more likely unsuccesful than succesful.

Hepsor P113 OÜ filed a misdemeanor complaint against the attorney who represent NCA and bailiff for an unlawful intrusion into the building at Pärnu mnt 113. This dispute does not have an impact on Hepsor P113 OÜ's financial situation.

Currently the timeline for final resolutions cannot be predicted.

Note 33. Related parties

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

Balances and transactions with related parties

in thousands of euros	**31.12.2024**	**31.12.2023**
Receivables		
Loans granted (Note 10)		
Associated companies		
Opening balance 01.01	1,729	1,766
Loan granted	718	0
Effective interest rate impact	-19	-37
Balance at the end of the period	2,428	1,729
Trade and other receivables		
Key members of the management and all companies directly or indirectly owned by them	9	156
Associated companies	1	1
Interest receivables		
Associated companies	309	159
Payables		
Prepayments from clients		
Management and all companies directly or indirectly owned by them	564	560
Loans and borrowings (Note 11)		
Associated companies		
Opening balance 01.01	0	423
Received	0	89
Repaid	0	0
Reclassified as a Group loan	0	-512
Balance at the end of the period	0	0
Key members of the management and all companies directly or indirectly owned by them		
Opening balance 01.01	1,383	1,883
Received	4,710	1,000
Repaid	-4,722	-1,500
Balance at the end of the period	1,371	1,383
Trade payables		
Key members of the management and all companies directly or indirectly owned by them	942	2,960
Interest payables		
Key members of the management and all companies directly or indirectly owned by them	27	68

Purchases and sales of goods and services

in thousands of euros	**2024**	**2023**
Sales of goods and services		
Associated companies	117	56
Key members of the management and all companies directly or indirectly owned by them	515	357
Total sales of goods and services	**632**	**413**
Purchases of goods and services		
Key members of the management and all companies directly or indirectly owned by them	20,022	34,090
Incl. construction service	*19,847*	*33,831*
Interest income earned		
Associated companies		
Interest earned	150	124
Interest expenses incurred		
Associated companies		
Accrued interest	0	9
Key members of the management and all companies directly or indirectly owned by them		
Accrued interest	187	179
Interest paid	228	268

Note 34. Events after the reporting period

- ✓ Hepsor AS entered into an amendment to the bank loan agreement with LHV Pank AS, reducing the loan limit from nine million euros to six million euros.
- ✓ The demerger entry of Kvarta SIA was made in the business register on 20 January 2025.
- ✓ The demerger entry of Hepsor Marupe SIA was made in the business register on 4 February 2025.

Note 35. 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 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 a 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

Market risk is the risk arising from changes in the markets to which the Group is exposed. The main market risks are price risk and interest rate risk. The Group is exposed to price risk resulting from a decrease in the market values of the Group’s real estate development projects or a price increase due to a change 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 to 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. For mitigating the market risk, the management of the Group constantly monitors the changes and situation in the market when making development decisions.

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, Latvia and Canada. A project’s external financing is either in the form of a bank loan, investor loan or loan from minority interest holders.

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

The Group’s bank loans have both fixed and floating interest rates based on Euribor. Bank loans have a 0% floor clause as protection against a negative Euribor, meaning that in case of a negative Euribor, the Euribor is equalised to zero, and the margin of such loans does not decrease. The management constantly monitors the Group’s exposure to interest rate risk, which arises from loans with floating interest rates. Such risk is mainly related to the potential upward movement in Euribor, as already warned by the European Central Bank. In 2024, the 6-month Euribor decreased by 1.3%, and in 2023, the 6-month Euribor increased by 1.13%.

in thousands of euros	**31.12.2024**	**31.12.2023**
Financial liabilities with fixed interest rate	25,523	20,596
incl. bank loan liabilities with fixed interest rate	4,663	0
Bank loan liabilities with floating interest rate	29,165	36,309
Total	**54,688**	**56,905**

For undrawn borrowings the Group is charged commitment fee, which is based on the average balance of the undistributed loan amount thus having direct impact on the effective interest rate of the Group.

Interest rate sensitivity

Increases in interest rates could adversely affect the Group’s ability to cover interest costs from current cash flows. The impact to the Group’s profit would appear on the realisation year of each specific project.

If Euribor had been 50 basis points higher and all other variables were held constant, the Group’s cash flow need to cover interest costs for the year ended 31 December would increase as follows:

in thousands of euros	**31.12.2024**	**31.12.2023**
Increase by 50 basis points	181	116

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations towards the Group under a financial instrument or client 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 minimise credit risk, the Group is only dealing with creditworthy counterparties and deposits cash in banks well-recognised banks in Estonia, Latvia and Canada. If such rating is not available, the Group uses other publicly available financial information and its own trading records to rate its major client.

The Group is in the real estate development business, and upon the sale of the completed property, the Group enters into a notarised 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.

As of 31 December, the following financial assets were exposed to credit risk:

in thousands of euros	2024	2023
Cash and cash equivalents	6,249	7,604
Trade and other receivables	530	458
Interest receivables	311	160
Current loan receivables	200	311
Non-current loan receivables	2,428	1,766
Total	**9,718**	**10,299**

As of 31 December, the aging of trade receivables was as follows:

in thousands of euros	2024	2023
Current	369	145
Up to 2 months past due date	52	76
2-4 months past due date	0	10
More than 4 months past due date	29	111
Total	**450**	**342**

As of 31 March 2025, the completion date of current report, trade receivables in the amount of 179 thousand euros (31 March 2024: 117 thousand euros) were past the due date as of 31 December 2023.

Liquidity risk

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

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

Group's financial liabilities by maturity date:

in thousands of euros	up to 6 months	up to 12 months	1–5 years	Total
31.12.2024				
Loan and lease liabilities	8,076	15,312	31,514	**54,902**
Trade payable	1,138	0	0	**1,138**
Other liabilities	3,030	2,374	4,635	**10,039**

in thousands of euros	up to 6 months	up to 12 months	1–5 years	Total
31.12.2023				
Loan and lease liabilities	12,563	28,077	16,334	**56,974**
Trade payable	2,961	0	0	**2,961**
Other liabilities	1,068	3,159	2,058	**6,285**

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 finances its operations with both debt and equity capital.

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 Group also monitors the ratio of equity and balance sheet volume.

The management considers the Group's capital structure optimal.

in thousands of euros	2024	2023
Interest-bearing loan liabilities	54,718	56,944
Cash and bank accounts	6,249	7,604
Net debt (interest-bearing loan liabilities - cash and bank accounts)	**48,469**	**49,340**
Total equity attributable to owners of the parent	20,912	20,993
Total of net debt and equity (net debt + total equity attributable to owners of the parent)	**69,381**	**70,333**
Debt-equity ratio (net debt / net debt and total equity attributable to owners of the parent)	70%	70%
Total assets	88,813	91,001
Equity to total assets (equity / total assets)	24%	23%

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. As of 31 December 2024, the Group is not significantly exposed to currency risks, 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 stabilised as a result of the development of new supply chains, and energy prices and inflation are also returning to previous levels. However, as a negative effect, economic growth has slowed down. Although the economic environment is stabilising, there is still the risk of an escalation of a military conflict, which can have a wide impact on the Group's daily activities if the risk materialises.

Note 36. Primary financial statements of the parent company

Pursuant to the Estonian Accounting Act, the information on the unconsolidated main financial statements of the consolidating entity is disclosed in the notes to the consolidated financial statements. The main financial statements of the parent company have been prepared using the same accounting and valuation principles as used in the preparation of the consolidated financial statements, except for subsidiaries, which are accounted for in the parent company's separate unconsolidated financial statements using the acquisition method.

Statement of financial position

in thousands of euros	31.12.2024	31.12.2023
Assets		
Current assets		
Cash and cash equivalents	698	84
Trade and other receivables	727	618
Current loan receivables	3,524	4,082
Inventories	0	15
Total current assets	**4,949**	**4,799**
Non-current assets		
Property, plant and equipment	46	59
Investments in subsidiaries	2,228	2,225
Financial investments	2	2
Non-current loan receivables	10,232	10,392
Other non-current receivables	2,798	1,963
Total non-current assets	**15,306**	**14,641**
Total assets	**20,255**	**19,440**
Liabilities and equity		
Current liabilities		
Loans and borrowings	1,238	6,000
Current lease liabilities	10	10
Trade and other payables	114	118
Total current liabilities	**1,362**	**6,128**
Non-current liabilities		
Loans and borrowings	5,941	0
Non-current lease liabilities	19	29
Total non-current liabilities	**5,960**	**29**
Total liabilities	**7,322**	**6,157**
Equity		
Share capital	3,855	3,855
Share premium	8,917	8,917
Reserves	385	385
Retained earnings	-224	126
Total equity	**12,933**	**13,283**
Total liabilities and equity	**20,255**	**19,440**

Statement of profit and loss and other comprehensive income

in thousands of euros	2024	2023
Revenue	53	30
Cost of sales (-)	-15	0
Gross profit	**38**	**30**
Marketing expenses (-)	-34	-24
Administrative expenses (-)	-626	-723
Other operating income	29	24
Other operating expenses	-7	-5
Operating profit of the year	**-600**	**-699**
Financial income	**1,751**	**1,139**
interest income	1,562	1,035
other financial income	189	104
Financial expenses (-)	**-1,501**	**-1,601**
interest expenses (-)	-993	-775
loss from associate (-)	0	-567
other financial expenses (-)	-508	-259
Profit before tax	**-350**	**-1,160**
Net profit for the year	**-350**	**-1,160**
Other comprehensive income for the period	**-350**	**-1,160**

Statement of changes in equity

in thousands of euros	Share capital	Share premium	Reserves	Retained earnings	Total
Balance as of 31.12.2022	**3,855**	**8,917**	**0**	**1,671**	**14,443**
Net profit/(-loss) for the year	0	0	0	-1,160	**-1,160**
Reserves	0	0	385	-385	**0**
Balance as of 31.12.2023	**3,855**	**8,917**	**385**	**126**	**13,283**
Net profit (loss) for the year	0	0	0	-350	**-350**
Balance as of 31.12.2024	**3,855**	**8,917**	**385**	**-224**	**12,933**

Adjusted unconsolidated equity

in thousands of euros	31.12.2024	31.12.2023
Parent company's unconsolidated equity	12,933	13,283
Carrying amount of investments in subsidiaries and associates in the parent company's unconsolidated statement of financial position (-)	-2,228	-2,225
Value of investments in subsidiaries and associates under the equity method (+)	13,967	11,673
Parent company's adjusted unconsolidated equity	24,672	22,731

Statement of cash flows

in thousands of euros	2024	2023
Net cash flows from (to) operating activities		
Operating profit of the year	**-600**	**-699**
Adjustments for:		
Depreciation of property, plant and equipment	13	27
Changes in working capital:		
Change in trade receivables	14	-32
Change in inventories	15	0
Change in liabilities and prepayments	-14	21
Cash flows from (to) operating activities	**-572**	**-683**
Net cash flows to investing activities		
Payments for property, plant and equipment	0	-14
Payments of for acquisition of subsidiaries	-3	-7
Proceeds from sale of subsidiaries	1,600	0
Interest received	706	179
Loans granted	-9,263	-2,067
Loan repayments received	7,945	2,932
Other proceeds from investing activities	0	0
Other payments for investing activities	-5	-63
Cash flows to investing activities	**980**	**960**
Net cash flows from (to) financing activities		
Loans raised	4,710	425
Loan repayments	-3,472	0
Interest paid	-978	-765
Payments of finance lease principal	-9	-9
Other receipts from financing activities	-45	0
Cash flows from financing activities	**206**	**-349**
Net cash flow	**614**	**-72**
Cash and cash equivalents at beginning of year	**84**	**156**
Increase / decrease in cash and cash equivalents	614	-72
Cash and cash equivalents at end of year	**698**	**84**

Management Board's Confirmation of the Consolidated Annual Report

The Management Board confirms that the audited consolidated annual report for 2024, which is comprised of the Management Report, Corporate Governance Report, Remuneration Report and Sustainability Report as set out from page 4 to 56, provides a true and fair view of the Group's operations, financial position and results of operations and describe the significant risks and uncertainties the Group faces.

The Management Board confirms that according to their best knowledge, the audited consolidated annual accounts for 2024 as set out from page 58 to 109 present a correct and fair view of the financial position, profit and loss and other comprehensive income and cash flows of Hepsor AS. The consolidated annual accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Hepsor AS Group is going concern.

The consolidated annual report of Hepsor AS for 2024 will be submitted for approval to the General Meeting of Shareholders in May 2025.

Henri Laks
Member of the Management Board
/signed digitally/
Tallinn, 22 April 2025

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INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)

To the Shareholders of Hepsor AS

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Hepsor AS and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2024, and the consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia) (ISA (EE)s). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group are in accordance with the applicable law and regulations in the Republic of Estonia and that we have not provided non-audit services that are prohibited under § 59[1] of the Auditors Activities Act of the Republic of Estonia.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Based on our risk and materiality assessments, we determined which components need to be fully audited, considering the relative impact of each component's size on the Group and how all material items in the consolidated financial statements are covered.

Accordingly, based on the size and risk characteristics, we performed a full scope audit of the financial information for the following subsidiaries and associated companies within the Group: Hepsor AS (the Group's parent entity), Hepsor Finance OÜ, Hepsor Phoenix 2 OÜ, Hepsor Phoenix 3 OÜ, Hepsor PV11 OÜ, Hepsor Latvia OÜ, Hepsor M14 OÜ, Hepsor 3 Torni OÜ, Hepsor P113 OÜ. We performed review of the financial information for the following subsidiaries within the Group: Hepsor SPV1 OÜ, Hepsor L4 OÜ, Hepsor Kanada OÜ, Hepsor N57 OÜ, Hespor Tooma OÜ, H&R Residentsid OÜ, Hepsor Fortuuna OÜ, Hepsor Marupe SIA, Hepsor RD5 SIA, Hepsor U34 SIA, Kvarta SIA, Hepsor Ganibu Dambis SIA, SIA „Riga Properties 4", Hepsor JG SIA and Hepsor N450 OÜ.

SIA PKF Latvia performed specific review procedures over significant balances and transactions based on the instructions received from us for the following component subsidiary: Hepsor SIA We communicated frequently with the component auditor and reviewed the procedures performed and documentation to the extent we deemed necessary.

At the Group level we tested the consolidation process and performed separate analytical procedures over the components not covered by the above procedures to confirm our conclusion that no material misstatements exist that may affect the consolidated financial statements. Information describing the structure of the Group is included on page 22 of the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Accounting of invnetory As at 31.12.2023, the Group has recognized the inventories in total of 64 141 thousand euros. We focused on inventories, as its forms 72% of the Group's total assets. Additional information is provided in consolidated financial statements Note 1 “Summary of significant accounting policies” and Note 4 “Inventories”. Inventories consists of work in progress of real estate development projects and finished real estate development projects. As described in Note 1.14 in the consolidated financial statements, inventories are stated at the lower of cost and net realizable value. Acquisition cost consists of direct costs and their overheads without which inventories would not be in existing locations or condition. Borrowing costs directly attributable to the acquisition and construction of the real estate development projects form part of the cost of that asset.	**While conducting the audit procedures, we performed, among other things, the following** We assessed the principles for recognizing inventories and made sure that the method complies with the requirements of IFRS. We assessed the net realizable value of inventories by making inquiries to the Group, used project cash flow projections, and made sure that after the balance sheet date the apartments were not sold with a loss. In conclusion, we have determined that the accounting principles used for recognizing inventories are in accordance with the requirements of IFRS. The data and assumptions used are reasonable and in line with the actual results of the past period and the expected prospects. In our opinion, the disclosures about inventories in Note 4 to the consolidated financial statements are relevant and in accordance with IFRS requirements.

Other Information, including the Management Report

Management is responsible for the other information. The other information comprises description of the Group, the Management report, the Profit Allocation proposal and the Remuneration Report (but does not include the consolidated financial statements and our auditor’s report thereon). Our opinion on the consolidated financial statements does not cover the other information, including the Management report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the Management report, we also performed the procedures required by the Auditors Activities Act. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act.

In accordance with the Securities Market Act with respect to the Remuneration Report, our responsibility is to consider whether the Remuneration Report includes the information in accordance with the requirements of Article 135^3 of the Securities Market Act.

Based on the work undertaken in the course of our audit, in our opinion:

● the information given in the Management report for the financial year for which the financial statements are prepared is consistent, in all material respects, with the consolidated financial statements; and

● the Management report has been prepared in accordance with the requirements of the Accounting Act;

● the Remuneration Report has been prepared in accordance with Article 135^3 of the Securities Market Act.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA (EE)s will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA (EE)s, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on the compliance of the presentation of consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

We have been engaged based on our agreement by the Management Board of the Parent Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of Hepsor AS for the year ended December 31, 2024 (the "Presentation of the Consolidated Financial Statements").

Description of a subject matter and applicable criteria

The Presentation of the Consolidated Financial Statements has been applied by the Management Board of the Parent Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of December 17, 2018, supplementing Directive 2004/109/EC of the European Parliament and of the Council with regards to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Presentation of the Consolidated Financial Statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Presentation of the Consolidated Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the Management Board and Those Charged with Governance

The Management Board of the Parent Company is responsible for the Presentation of the Consolidated Financial Statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the Consolidated Financial Statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process, which should also be understood as the preparation of consolidated financial statements in accordance with the format resulting from the ESEF Regulation.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000(R) - 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (ISAE 3000(R)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE 3000(R) will always detect the existing material misstatement (significant non-compliance with the requirements).

Quality control requirements

We apply the provisions of the International Standard on Quality Management (Estonia) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements and such compliance is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Consolidated Financial Statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, based on the procedures performed, the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

Designate the auditor

We were first appointed as auditors of Hepsor AS, as a public interest entity, for the financial year ended December 31, 2021, representing the total period of our uninterrupted engagement appointment for Hepsor AS, as a public interest entity, of four years.

Compliance with the report to the Audit Committee

Our audit opinion presented in this report is in accordance with the supplementary report prepared for the Audit Committee on April 22, 2025. We confirm that our audit opinion is in line with the additional report submitted to the Group audit committee and we have not provided the prohibited non-audit services to the Group referred to in Article 5 (1) of Regulation (EU) No 537/2014. We were independent from the audited entity.

April 22, 2025

Mart Nõmper
Sworn Auditor 499
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Profit allocation proposal

Retained earnings attributable to the owner of the parent of the Group:

in thousands of euros	**31.12.2024**
Retained earnings for prior periods as of 31 December 2023	7,836
Net profit for 2024	423
Total distributable profit as of 31 December 2024	8,259
The Management Board proposes to distribute profit as follows:	
As dividends (0.26 euros per share)	1,002
Retained earnings after profit distribution	7,257

Henri Laks
Member of Management Board
/signed digitally/
Tallinn, 22 April 2025