

# hepsor



*Nameja Rezidence, Riga*

## 2023 I quarter consolidated unaudited interim report

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Reporting period:	01 January 2023-31 March 2023
Financial year:	01 January 2023-31 December 2023
Supervisory Board:	Andres Pärloja, Kristjan Mitt, Lauri Meidla
Management Board:	Henri Laks
Auditor:	Grant Thornton Baltic OÜ

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

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# Management Report

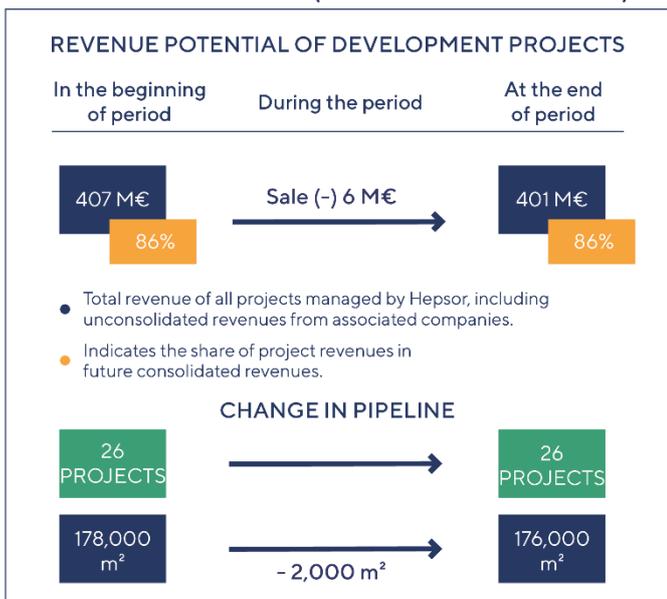
## 2023 3 MONTH UNAUDITED REVENUES AND NET PROFIT



## REVENUE AND NET PROFIT FORECAST FOR 2023



## LONG TERM OUTLOOK (31.12.2022 VS 31.03.2023)



## ASSUMPTIONS FOR 2023 FORECAST

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

## DEVELOPMENT PROJECTS FOR SALE AND UNDER CONSTRUCTION (31.03.2023)

PROJECT	Total number of apartments	Apartments sold*	Apartments sold %	Apartments available
Strelnieku 4b, Latvia	54	36	67%	18
Paevälja Courtyard Houses	96	78	81%	18
Kuldigas Parks, Latvia	116	110	95%	6
Marupes Darzs, Latvia	92	78	85%	14
Ojakalda Homes	101	28	28%	73
Lilleküla Homes	26	6	23%	20
Nameja Residence	38	10	26%	28
Manufaktuuri 7	154	32	21%	122
<b>Total</b>	<b>677</b>	<b>378</b>	<b>56%</b>	<b>299</b>
COMMERCIAL DEVELOPMENT PROJECTS IN PROGRESS	Total rentable area m <sup>2</sup>	Occupancy m <sup>2</sup>	Occupancy %	
Ulbrokas 30 stock-office, Latvia	3,645	3,645	100%	
Büroo113 office building	4,002	4,002	100%	
Grüne office building	3,430	3,430	100%	
<b>Total</b>	<b>11,077</b>	<b>11,077</b>	<b>100%</b>	

## DEVELOPMENT PROJECTS UNDER CONSTRUCTION

Started in 2022	Total under construction	To be started in 2023
219 apartments	527 apartments	332 apartments
0 m <sup>2</sup> commercial area	3,430 m <sup>2</sup> commercial area	15,827 m <sup>2</sup> commercial area

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

## Dear shareholders of Hepsor



The consolidated sales revenue of Hepsor amounted to 6.0 million euros in the first quarter of 2023 and the net profit was 0.14 million euros (including a net profit attributable to the owners of the parent of 0.24 million euros).

The year 2023 started on a moderately optimistic note in the real estate sector - consumer confidence, which fell to a record low in the last quarter of 2022, showed signs of recovery, and the stabilization of energy prices and inflation continued, which create the preconditions for the recovery of real estate market demand. Unfortunately, Euribor rates continue to rise, which directly affects the monthly housing costs of homebuyers and forces them to postpone making real estate purchase decisions. In Tallinn, the transaction activity of the new development market is higher than at the end of 2022 but continues to be significantly below the previous long-term average. On the other hand, in Riga, the previously described effects were more short-term, and transaction activity remains at the usual level after a temporary dip.

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

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

### Completed development projects

The handover of apartments in the Paevälja Hoovimajad project, which was completed in 2022, continued in the first quarter of 2023 and accounted for most of the quarter's sales revenue. We built two apartment buildings with a total of 96 apartments as part of the project, of which the first 40 apartments were handed over to homebuyers at the end of 2022. We handed over an additional 34 apartments to homebuyers during the first quarter of 2023, and as of 31 March 2023 we have signed real rights agreements for 74 apartments (77%) and law of obligations agreements or written reservation agreements for 4 apartments (4%).



### Development projects under construction and available for sale



Hepsor has six residential development projects under construction in Estonia and Latvia, with a total of 527 new apartments. There are three development projects under construction and available for sale in Riga, with a total of 246 apartments as of 31 March 2023. Contracts under law of obligations and reservation agreements have been signed for 198 of these apartments (80%). There are also three development projects with a total of 281 new apartments under construction and available for sale in Tallinn. Contracts under law of obligations and reservation agreements have been signed for 61 of these apartments (23%) as of 31 March 2023.

The commercial real estate development project, Grüne Maja is being completed in Tallinn following a green concept. The office building is fully covered with lease agreements while approximately 79% of the space is already in active use. The remaining tenants are expected to move to the new premises in Q2 2023 at the latest.

**Significant events related to development projects in the first quarter of 2023**

- We signed a loan agreement to finance the construction of 26 homes in the Lilleküla Kodud project. Construction started already in the fourth quarter of 2022
- We started the construction of 154 homes in the Manufaktuuri 7 project in Tallinn and signed a loan agreement to finance the construction of the project
- We started the construction of 38 homes in Riga in the Nameja Rezidence development project
- Two projects under construction in Riga received an occupancy permit, which allows the completed homes to be handed over to buyers in the second quarter of 2023 - 92 homes will be completed in the Mārupes Dārzs project and 116 homes will be completed in the Kuldigas Parks project.

**Future prospects**

We forecast a revenue of 41.3 million euros, net profit of 3.3 million euros and net profit attributable to the owners of the parent of 1.1 million euros in 2023. The Group's sales results for the first quarter of 2023 give us confidence that we can expect to meet the forecasts for 2023. Currently customers do not make rapid purchase decisions, but there is still interest in our projects, which gives ground for us to be moderately optimistic to continue with existing and new projects. We believe that rather favourable construction prices should be taken advantage of to execute development projects. Observing the interest of Hepsor's customers in new development projects has given us the perception that there is moderate, if any, room for customers to negotiate a price decrease for the purchase in new developments.

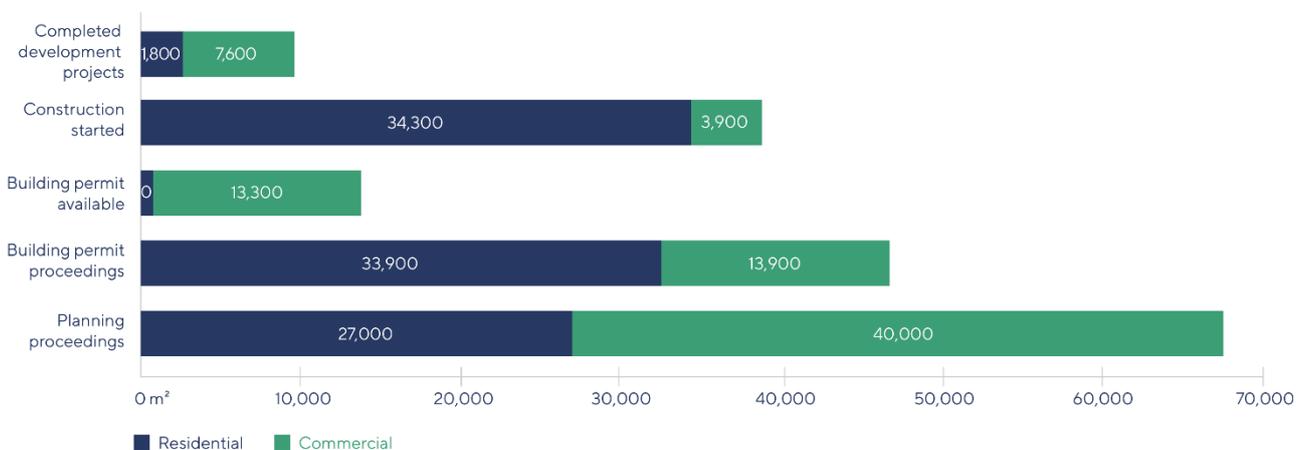
Henri Laks

Member of the Management Board

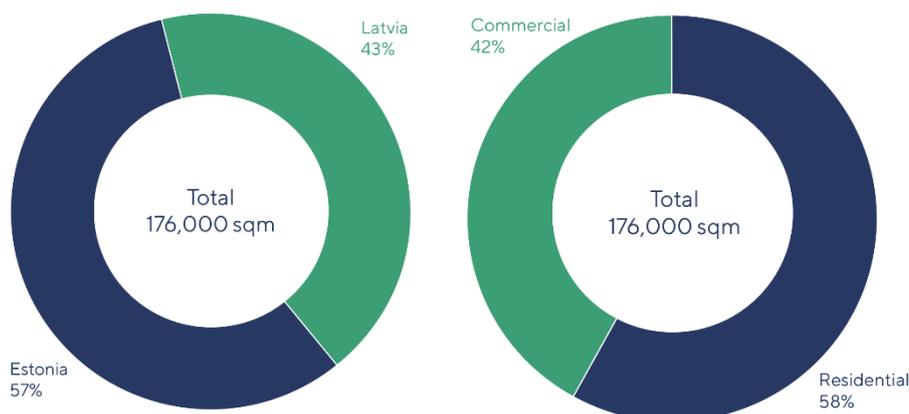
# Overview of the Development Projects

As of 31 March 2023, the Group had 26 active projects in different development phases (31 March 2022: 26 projects) and 176,000 sqm of sellable area (31 December 2022: 178,000 sqm).

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



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



## Development projects in Tallinn (as of 31 March 2023)



### Planning proceedings

- 1 Narva mnt 150, 150a, 150b
- 2 Alvari 2
- 3 Kadaka tee 197
- 4 Manufaktuuri 12
- 5 Paevälja 5, 7, 9

### Building permit proceedings / available

- 6 Manufaktuuri 5
- 7 Tooma 2/Tooma 4
- 8 Lembitu 4

### Under construction and/or available for sale

- 9 Manufaktuuri 7
- 10 Nõmme tee 57
- 11 Paevälja 11
- 12 Paldiski mnt 227c
- 13 Meistri 14

## Development projects in Riga (as of 31 March 2023)



### Planning proceedings

1 Ganību Dambis 17a

### Building permit proceedings / available

2 Saules aleja 2a

3 Ulbrokas 34

4 Braila 23

5 Jūrmalas Gatve / Imanta 8. linija

### Under construction and/or available for sale

6 Gregora iela 2a

7 Liela 45, Marupe

8 Strēlnieku 4b

9 Ulbrokas 30

10 Ranka Dambis 5

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



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



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



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



Project: Büroo 113  
 Hepsor P113 OÜ  
 Address: Pärnu mnt 113, Tallinn  
 Leasable area: 4,002 m<sup>2</sup>  
 Occupancy: 100%  
 Project completed: Q4 2022  
 Website: [byroo113.ee/](https://byroo113.ee/)



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



Project: Kuldigas Parks  
Kvarta SIA

Address: 2a Gregora iela, Riga

Apartments: 116

Start of construction: Q4 2021

Estimated completion: Q2 2023

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



Project: Mārupes Dārzs  
Hepsor Mārupe SIA

Address: 45 Liela, Mārupe, Riga area

Apartments: 92

Start of construction: Q2 2022

Estimated completion: Q2 2023

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



Project: Ojakalda Kodud  
Hepsor 3TORNI OÜ

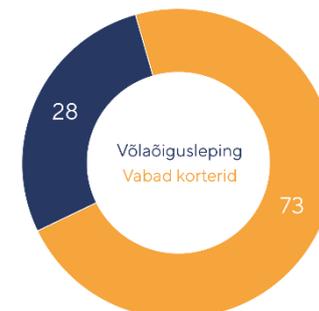
Address: Paldiski mnt 227c, Tallinn

Apartments: 101

Start of construction: Q3 2022

Estimated completion: Q2 2024

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



Project: Lilleküla Kodud  
Hepsor N57 OÜ

Address: Nõmme tee 57, Tallinn

Apartments: 26

Start of construction: Q4 2022

Estimated completion: Q1 2024

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





Project: Manufaktuuri Quarter  
Hepsor Phoenix 2 OÜ

Address: 7 Manufaktuuri, Tallinn

Apartments: 154

Start of construction: Q1 2023

Estimated completion: Q4 2024

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



Project: Nameja Rezidence  
Hepsor RD5 SIA

Address: 5 Ranka Dambis, Riga

Apartments: 38

Start of construction: Q1 2023

Estimated completion: Q1 2024

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



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



Project: Grüne Büro  
Hepsor M14 OÜ

Address: 14 Meistri, Tallinn

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

Start of construction: Q4 2020

Estimated completion: 2022-Q2 2023

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



**Development projects the construction of which starts in 2023 (as of 31 March 2023):**



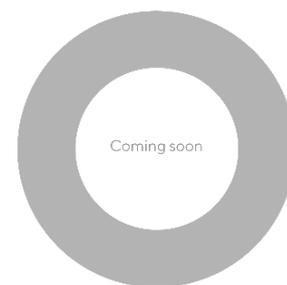
Project: StockOffice U34  
Hepsor U34 SIA

Address: 34 Ulbrokas, Riga

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

Est. start of construction: Q2 2023

Estimated completion: 2024



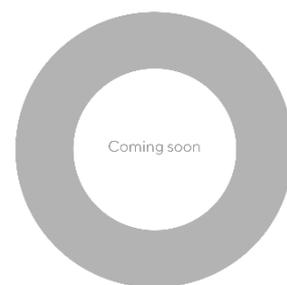
Project: Hepsor JG SIA

Address: Jurmalas Gatve/Imanta 8. linija, Riga

Apartments: 40

Est. start of construction: Q4 2023

Estimated completion: Q4 2024



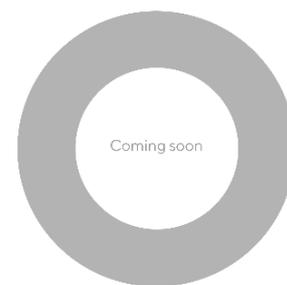
Project: Hepsor Jugla SIA

Address: 23 Braila, Riga

Apartments: 100

Est. start of construction: Q2 2023

Estimated completion: Q3 2024



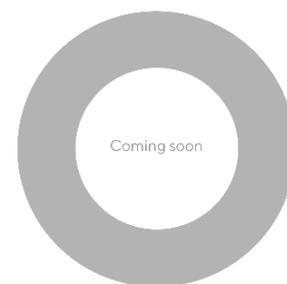
Project: Manufaktuuri 5  
Hepsor Phoenix 3 OÜ

Address: 5 Manufaktuuri, Tallinn

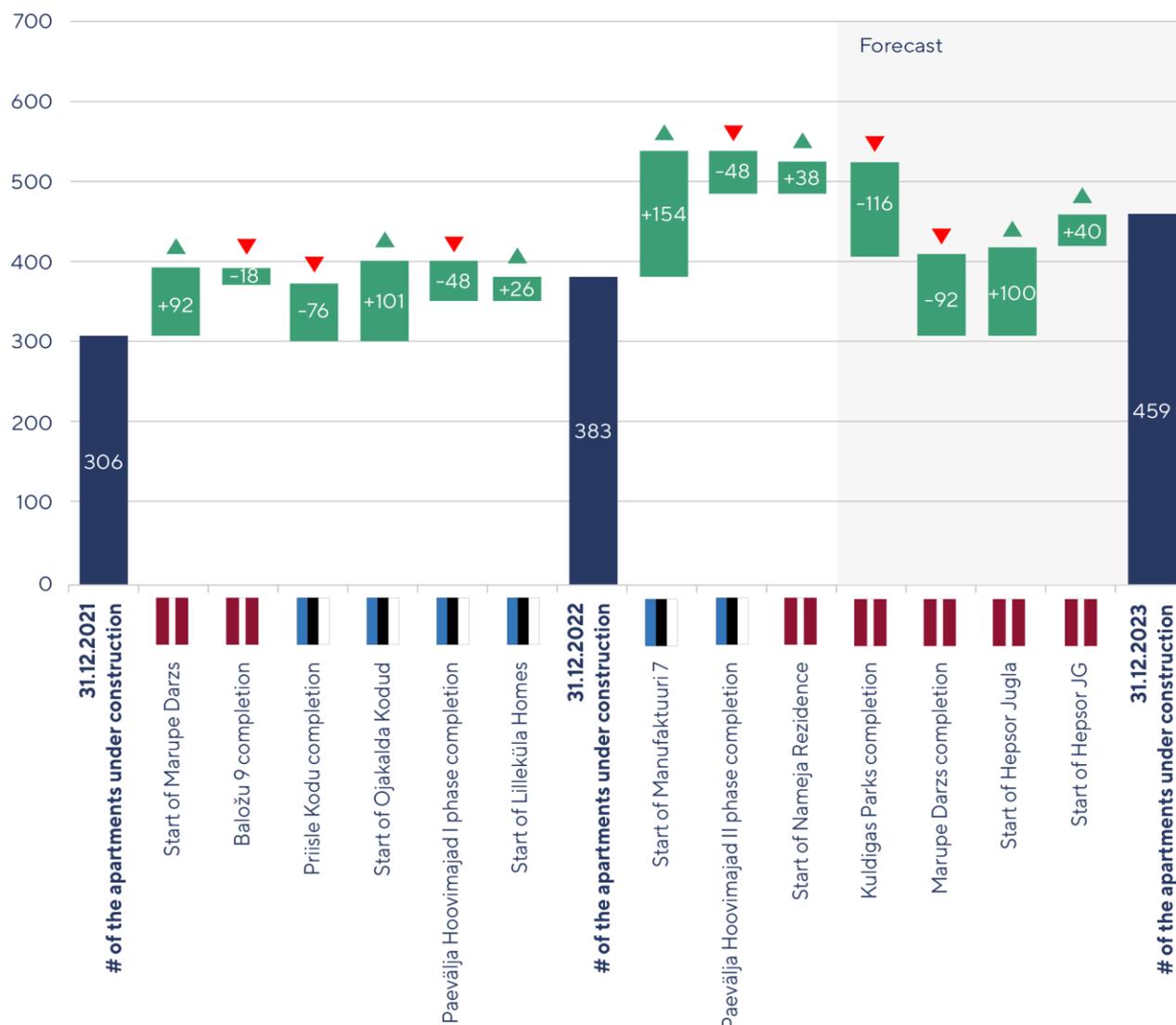
Apartments: 148

Est. start of construction: Q2 2024

Estimated completion: 2025-2026



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



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

Project	Apartments	Apartments		Apartments %		Estimated completion
		Sold*	Available	Sold*	Available	
4b Strēlnieku, Latvia	54	36	18	67%	33%	2020
Paevälja Hoovimajad	96	78	18	81%	19%	I phase Q4 2022 II phase Q1 2023
Kuldigas Parks, Latvia	116	110	6	95%	5%	Q2 2023
Mārupes Dārzs, Latvia	92	78	14	85%	15%	Q2 2023
Ojakalda Kodud	101	28	73	28%	72%	Q2 2024
Lilleküla Kodud	26	6	20	23%	77%	Q1 2024
Manufaktuuri 7	154	32	122	21%	79%	Q4 2024
Nameja Residence, Latvia	38	10	28	26%	74%	Q2 2024
<b>Total</b>	<b>677</b>	<b>378</b>	<b>299</b>	<b>56%</b>	<b>44%</b>	

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

## Commercial development projects under construction:



In 2023, the Group plans to start the development of two new commercial properties in Latvia (14,026 sqm) as well as Manufaktuuri 7.

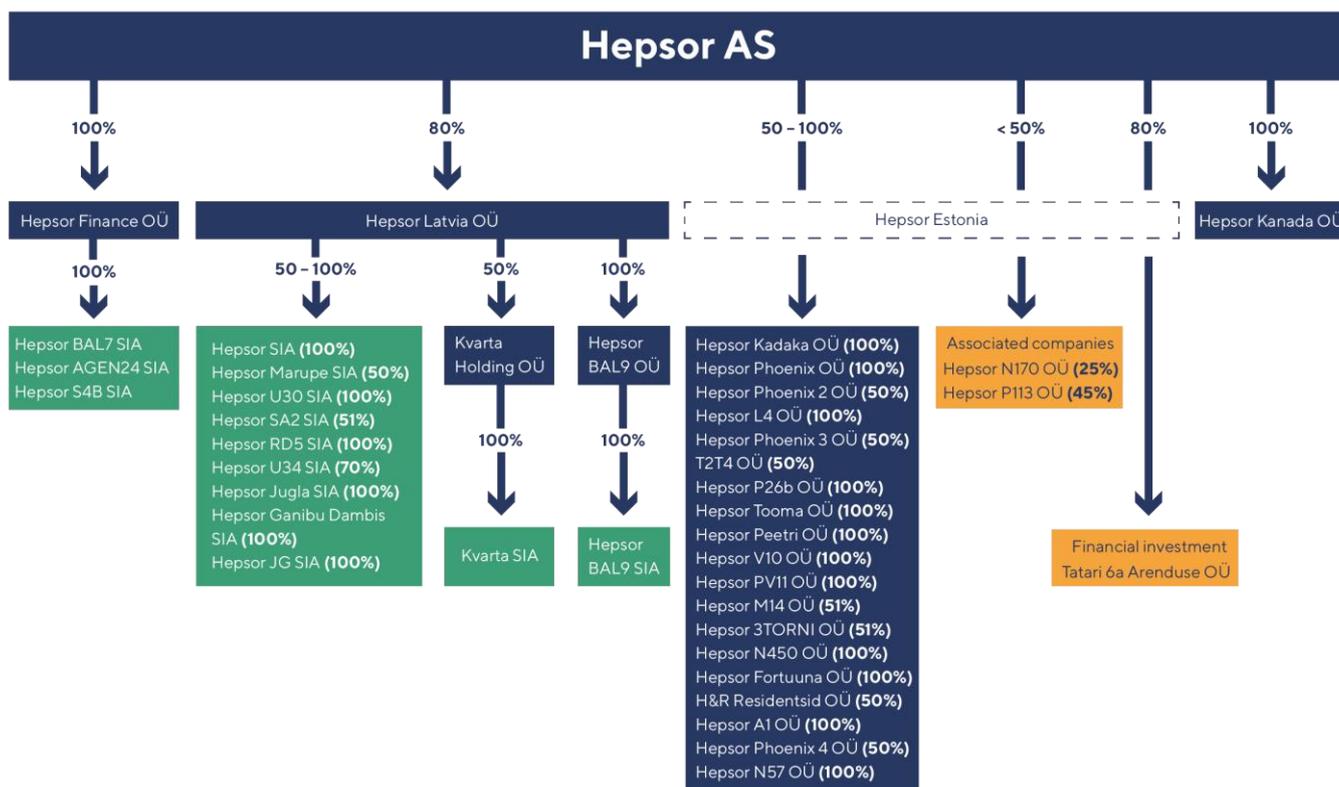
### Occupancy of commercial development projects (as of 31 March 2022):

Project name	Rentable area sqm	Occupancy sqm	Occupancy %
Ulbokras 30 stock-office, Latvia	3,645	3,645	100
Büroo113	4,002	4,002	100
Grüne Office	3,430	3,430	100
<b>Total</b>	<b>11,077</b>	<b>11,077</b>	<b>100</b>

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

## Group Structure

As of 31 March 2023, the Group was comprised of parent company, 38 subsidiaries and 2 associated companies (31 March 2022: parent company, 34 subsidiaries, 2 associated companies). Tatari 6a Arenduse OÜ is reported as financial investment.



### In Q1 of 2023 the following changes took place in the structure of the Group:

- ✓ On 23 January 2023, Hepsor Latvia OÜ acquired a 29% shareholding in Hepsor BAL9 OÜ bringing its shareholding in the subsidiary up to 100%. The share repurchase agreement was concluded in connection with the completion of the Baložu 9 residential development project in Riga.

# Main Events

- ✓ Hepsor RD5 SIA, Hepsor AS group company, and Mitt&Perlebach SIA signed a construction agreement on 16 March 2023 for the construction of the Nameja Residence development project in Riga. The value of the construction agreement is approximately 4.6 million euros excluding VAT.
- ✓ Hepsor Phoenix 2 OÜ, Hepsor AS group company, and LHV Pank OÜ signed 17.5 million loan agreement on 15 March 2023. The purpose of the three-year loan is to finance the construction of Manufaktuuri 7 development project.
- ✓ Hepsor Phoenix 2 OÜ, Hepsor AS group company, and Mitt&Perlebach OÜ signed a construction agreement on 8 March 2023 for the construction of the Manufaktuuri 7 development project in the Manufaktuuri Quarter in Tallinn. The value of the construction agreement is approximately 18.5 million euros excluding VAT.

## Events after the reporting period:

- ✓ Hepsor Kanada OÜ established a subsidiary Hepsor Kanada SPV 1 OÜ in April. Hepsor Kanada SPV 1 OÜ in turn established a subsidiary in Canada, Hepsor SPV I Ltd.
- ✓ Hepsor Latvia OÜ's subsidiary Hepsor RD5 SIA and the Latvian branch of Bigbank AS signed a loan agreement in the amount of 4 million euros on 20 April 2023. The purpose of the three-year loan is to finance the construction of the Nameja Residence development project in Riga.

# Operating Results

The Group's sales revenue in Q1 2023 was 6.0 million euros (Q1 2022: 1.3 million euros), of which 0.2 million euros (Q1 2022: 1.1 million euros) or 4% (Q1 2022: 86%) was earned in Latvia.

Compared to the same period last year, the sales revenue of the first quarter of 2023 increased almost five times. Large fluctuations in sales revenue are relatively common in real estate development business. The development cycle of the Group's real estate projects lasts approximately 36 months. In year-on-year comparisons, sales revenues and profits may fluctuate depending on the period between the completion of the construction of the development project and the sale of the completed apartments. In Q1 2023, the Group sold a total of 34 apartments in Paevälja Hoovimajad development project, Paevälja 11, Tallinn. A year earlier, 8 apartments were sold in Riga in 4b Strēlnieku development project. In addition to the sale of apartments, the Group also offers project management services and generates rental income from real estate. In total, other sales revenue amounted to 363 thousand euros (Q1 2022: 158 thousand euros) or 6% (Q1 2022: 12%) of the Group's total sales revenue.

## Profitability

The gross profit of development projects sold during the reporting period was 1,160 thousand euros (Q1 2022: 85 thousand euros) and gross profit margin was 20.9% (Q1 2022: 7.9%). The Group's gross profit for Q1 2023 amounted to 935 thousand euros (Q1 2022: 106 thousand euros). In the first quarter the Group's gross profit margin was 15.6% (Q1 2022: 8,6%). The gross profit was mostly affected by the number of apartments sold and the higher profitability of the sold development project.

In the first quarter of 2023, the Group's operating profit was 514 thousand euros (Q1 2022 operating loss: 314 thousand euros) and operating profit margin was 8.6% (Q1 2022: -24.7%). The Group's net profit for the period amounted to 139 thousand euros (Q1 2022: 22 thousand euros) of which the net profit attributable to the owners of the parent amounted to 240 thousand euros (Q1 2022: 5 thousand euros), while the net loss to non-controlling interest was 101 thousand euros (Q1 2022: net profit of 17 thousand euros). In the reporting period the net profit margin was 2.3% (Q1 2022: 1.7%).

## Balance Sheet

Total assets of the Group amounted to 80.1 million euros as of 31 March 2023 (31 March 2022: 56.8 million euros), which is 41.1% higher than at the end of the comparable period last year. Inventories made up 92% or 73.6 million euros of total assets (31 March 2022: 79.4% and 45,1 million euros). In the period from 01.04.2022 to 31.03.2023, the Group has purchased four new landspots: residential development projects in Tallinn, Nõmme tee 57 and Manufaktuuri 12 and in Riga, Jurmala Gatve/Imata 8 and commercial development Ganibu Dambis 17, with which 111 new apartments and 21,260 m<sup>2</sup> commercial area have been added to the development portfolio.

As of 31 March 2023, cash and cash equivalents accounted for 2.6% or 2.1 million euros of the total assets. As at 31 March 2022, cash and cash equivalents accounted for 13.1% or 7.4 million euros of total assets.

**Balance sheet structure 31.03.2023**



The Group's loan obligations totaled 48.7 million euros as at 31 March 2023, compared to 30.8 million euros as at 31 March 2022. The Group's equity increased by 6.7% over the year to 20.5 million euros. Equity attributable to the owners of the parent increased at the same rate to 20.1 million euros.

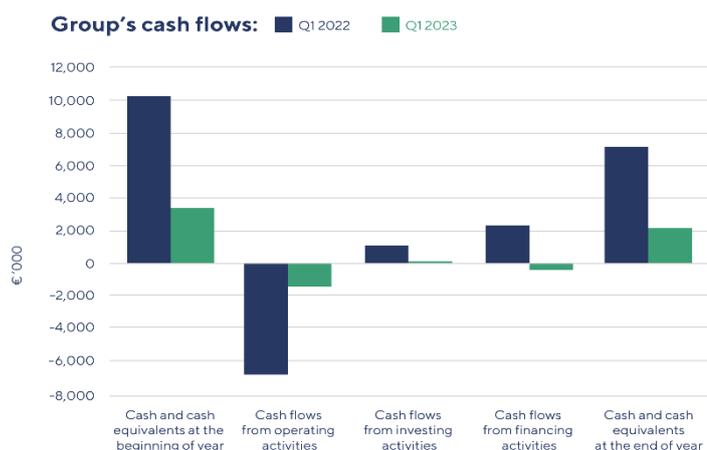
## Cash Flows

The Group's cash and cash equivalents amounted to 3.8 million euros at the beginning of Q1 2023 (Q1 2022: 10.9 million euros) and to 2.1 million euros as at 31 March 2023 (31 March 2022: 7.4 million euros). The negative cash flow for the period was 1.6 million euros (Q1 2022: 3.7 million euros).

Cash flow from operating activities for Q1 2023 was negative at 1.2 million euros (Q1 2022: -6.9 million euros). Cash flow from operating activities was mostly affected by the growth of inventories, due to the change in inventories the negative cash flow as of Q1 2023 was 3.1 million euros (Q1 2022: 7.4 million euros).

In Q1 2023 cash flow from investments was positive at 21 thousand euros (Q1 2022: 1,136 thousand euros). The largest impact in the comparable period was from repayment of loans granted, the balance of which decreased by 1,0 million euros.

Cash flow from financing activities was negative at 0,5 million euros (Q1 2022: positive 2.1 million euros). In Q1 2023, the Group received more loans than it repaid. The net amount of loans received in three months 2023 was 0,6 million euros (Q1 2022: 2.3 million euros).



## Key financials

in thousands of euros	Q1 2023	Q1 2022
Revenue	5,975	1,272
Gross profit/-loss	935	106
EBITDA	560	-279
Operating profit/-loss	514	-314
Net profit/-loss	139	22
Incl net profit/-loss attributable to the owners of parent	240	5
Comprehensive income/-loss	147	175
Incl comprehensive profit/-loss attributable to the owners of parent	226	-81
Total assets	80,104	56,831
Incl inventories	73,610	45,128
Total liabilities	59,634	37,648
Incl total loan commitments	49,142	30,687
Total equity	20,470	19,183
Incl equity attributable to the owners of parent	20,092	18,823

## Key Ratios

	Q1 2023	Q1 2022
Gross profit margin	15.6%	8.3%
Operating profit margin	8.6%	-24.7%
EBITDA margin	9.4%	-21.9%
Net profit margin	2.3%	1.7%
General expense ratio	7.0%	33.8%
Equity ratio	25.6%	33.8%
Debt ratio	61.6%	54.3%
Current ratio	2.5	5.8
Return of equity	7.3%	11.0%
Return on equity attributable to the owners of the parent	8.4%	-1.0%
Return on assets	2.1%	3.5%

Gross profit margin = gross profit / revenue

Operating profit margin = operating profit / revenue

EBITDA margin = (operating profit + depreciation) / revenue

Net profit margin = net profit / revenue

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

Equity ratio = shareholder's equity / total assets

Debt ratio = interest-bearing liabilities / total assets

Current ratio = current assets / current liabilities

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

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

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

# Share and Shareholders

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

As of 31 March 2023, Hepsor AS had 11,562 shareholders.

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

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

Shareholder structure by number of shares held as of 31 March 2023:

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
100 001-...	5	0.04%	3,000,000	77.83%
10 001-100 000	8	0.07%	214,826	5.57%
1001 -10 000	51	0.44%	147,898	3.84%
101-1000	821	7.10%	213,393	5.53%
1-100	10,677	92.35%	278,584	7.23%
<b>Total</b>	<b>11,562</b>	<b>100.00%</b>	<b>3,854,701</b>	<b>100.00%</b>

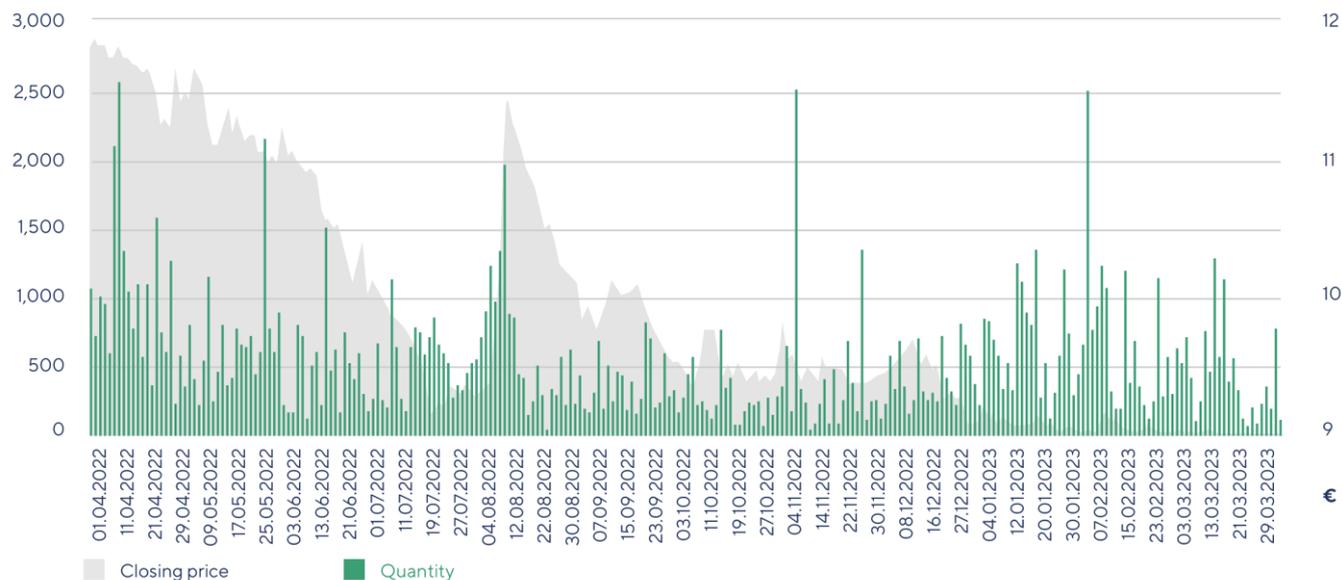
Between 1 January 2023 to 31 March 2023 a total of 1,596 transactions were conducted with the shares of Hepsor AS with 26,683 in the total amount of 241,715 euros. The highest transaction price in the period was 9.3 euros and the lowest was 8.87 euros. The market capitalization of Hepsor AS was 36 million euros as of March 31, 2023, and the equity of the Group amounted to 20 million euros.

Market cap at  
31 March 2023

**36**

million euros

## Trading volume and price range of Hepsor AS shares, 12 months (1 April 2022 - 31 March 2023):



Source: Nasdaq Baltic

## Change in Hepsor share price in comparison with the benchmark OMX Tallinn index, 12 months (1 April 2022 – 31 March 2023):



INDEX / EQUITY	OPENING VALUE	CLOSING VALUE	CHANGE %
OMX Baltic_10	298.07	295.85	-0.74
HPR1T - Hepsor	11.85	8.98	-24.22

Source: Nasdaq Baltic

## Consolidated Financial Statements

### Consolidated statement of financial position

in thousands of euros	Note	31 March 2023	31 December 2022	31 March 2022
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		2,126	3,754	7,440
Trade and other receivables	3	1,291	1,731	946
Current loan receivables	4	0	0	455
Inventories	2	73,610	69,760	45,128
<b>Total current assets</b>		<b>77,027</b>	<b>75,245</b>	<b>53,969</b>
<b>Non-current assets</b>				
Property, plant and equipment		269	314	209
Intangible assets		7	7	3
Financial investments		2	2	2
Investments in associates	18	972	1,086	0
Non-current loan receivables	4	1,766	1,766	2,308
Other non-current receivables		61	30	340
<b>Total non-current assets</b>		<b>3,077</b>	<b>3,205</b>	<b>2,862</b>
<b>Total assets</b>	19	<b>80,104</b>	<b>78,450</b>	<b>56,831</b>
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Loans and borrowings	5	22,456	22,565	3,833
Current lease liabilities		96	127	92
Prepayments from customers		4,366	3,054	1,856
Trade and other payables	6	3,481	4,008	3,537
<b>Total current liabilities</b>		<b>30,399</b>	<b>29,754</b>	<b>9,318</b>
<b>Non-current liabilities</b>				
Loans and borrowings	5	26,686	26,015	26,854
Non-current lease liabilities		68	68	66
Other non-current liabilities	7	2,481	2,290	1,410
<b>Total non-current liabilities</b>		<b>29,235</b>	<b>28,373</b>	<b>28,330</b>
<b>Total liabilities</b>	19	<b>59,634</b>	<b>58,127</b>	<b>37,648</b>
<b>Equity</b>				
Share capital		3,855	3,855	3,855
Share premium		8,917	8,917	8,917
Retained earnings		7,698	7,551	6,411
<b>Total equity</b>		<b>20,470</b>	<b>20,323</b>	<b>19,183</b>
incl. total equity attributable to owners of the parent		20,092	19,937	18,823
incl. non-controlling interest		378	386	360
<b>Total liabilities and equity</b>		<b>80,104</b>	<b>78,450</b>	<b>56,831</b>

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

in thousands of euros	Note	Q1 2023	Q1 2022
Revenue	10,19	5,975	1,272
Cost of sales (-)	11	-5,040	-1,166
<b>Gross profit</b>		<b>935</b>	<b>106</b>
Marketing expenses (-)	12	-71	-95
Administrative expenses (-)	13	-347	-328
Other operating income		20	10
Other operating expenses (-)		-23	-7
<b>Operating profit (-loss) of the year</b>	<b>19</b>	<b>514</b>	<b>-314</b>
Financial income	15.1	50	509
Financial expenses (-)	15.2	-425	-168
<b>Profit before tax</b>		<b>139</b>	<b>27</b>
Current income tax		0	-5
<b>Net profit for the year</b>		<b>139</b>	<b>22</b>
Attributable to owners of the parent		240	5
Non-controlling interest		-101	17
<b>Other comprehensive income (-loss)</b>			
Changes related to change of ownership	17	0	135
Change in value of embedded derivatives with minority shareholders	8	8	18
<b>Other comprehensive income (-loss) for the period</b>		<b>8</b>	<b>153</b>
Attributable to owners of the parent		-14	-86
Non-controlling interest		22	239
<b>Comprehensive income (-loss) for the period</b>		<b>147</b>	<b>175</b>
Attributable to owners of the parent		226	-81
Non-controlling interest		-79	256
<b>Earnings per share</b>			
Basic (euros per share)		0.06	0.00
Diluted (euros per share)		0.06	0.00

## Consolidated statement of changes in equity

in thousands of euros	Attributable to equity owners of the parent			Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings		
<b>Balance of 31 December 2021</b>	<b>3,855</b>	<b>8,917</b>	<b>6,132</b>	<b>133</b>	<b>19,037</b>
<b>2022</b>					
Net profit/(-loss) for the year	0	0	5	17	<b>22</b>
Other comprehensive income/(-loss) for the period	0	0	-86	239	<b>153</b>
Dividends paid	0	0	0	-29	<b>-29</b>
<b>Balance of 31 March 2022</b>	<b>3,855</b>	<b>8,917</b>	<b>6,051</b>	<b>360</b>	<b>19,183</b>
<b>01 April – 31 December 2022</b>					
Net profit/(-loss) for the year	0	0	1,391	-82	<b>1,309</b>
Other comprehensive income/(-loss) for the period	0	0	-348	179	<b>-169</b>
<b>Balance of 31 December 2022</b>	<b>3,855</b>	<b>8,917</b>	<b>7,094</b>	<b>457</b>	<b>20,323</b>
<b>2023</b>					
Net profit/(-loss) for the year	0	0	240	-101	<b>139</b>
Other comprehensive income/(-loss) for the period	0	0	-14	22	<b>8</b>
<b>Balance of 31 March 2023</b>	<b>3,855</b>	<b>8,917</b>	<b>7,320</b>	<b>378</b>	<b>20,470</b>

## Consolidated statement of cash flows

in thousands of euros	Note	Q1 2023	Q1 2022
<b>Net cash flows from (to) operating activities</b>			
<b>Operating profit/(-loss) of the year</b>	<b>19</b>	<b>514</b>	<b>-314</b>
Adjustments for:			
Depreciation of property, plant and equipment		46	35
Other adjustments		-2	-5
Income tax paid		0	-5
Changes in working capital:			
Change in trade receivables		440	-290
Change in inventories	16	-3,131	-7,428
Change in liabilities and prepayments		958	1,113
<b>Cash flows from (to) operating activities</b>		<b>-1,175</b>	<b>-6,894</b>
<b>Net cash flows to investing activities</b>			
Payments for property, plant and equipment		-2	-18
Payments for intangible assets		-1	0
Payments of for acquisition of subsidiaries		-1	-400
Proceeds from sale of subsidiaries		0	135
Interest received		25	17
Loans granted	4	0	-176
Loan repayments received	4	0	1,129
Other receipts from investing activities		0	449
<b>Cash flows to investing activities</b>		<b>21</b>	<b>1,136</b>
<b>Net cash flows from (to) financing activities</b>			
Loans raised	5	4,804	4,803
Loan repayments	5	-4,242	-2,479
Interest paid	1	-1,004	-146
Payments of finance lease principal		-2	-2
Payments of right to use lease liabilities		-30	-27
Dividends paid		0	-29
Payments of for division of a subsidiary		0	-18
Other receipts from financing activities		0	-35
<b>Cash flows from financing activities</b>		<b>-474</b>	<b>2,066</b>
<b>Net cash flow</b>		<b>-1,628</b>	<b>-3,691</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>3,754</b>	<b>10,889</b>
Cashflow in from acquisitions of subsidiaries		0	242
Increase / decrease in cash and cash equivalents		-1,628	-3,691
<b>Cash and cash equivalents at end of year</b>		<b>2,126</b>	<b>7,440</b>

## Notes to the consolidated interim financial statements

### Note 1. General information

The Hepsor AS (hereinafter “the Group”) consolidated unaudited interim report for Q1 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting of International Financial Reporting Standards as endorsed in the European Union (“IFRS (EU)”). The Group has consistently applied the accounting policies throughout all periods presented, unless stated otherwise. The interim report for Q1 2023 follow the same accounting principles and methods used in the 2022 audited consolidated financial statements. The current interim financial statements contain the audited financial results for 31.12.2022 and unaudited comparative figures for Q1 2022.

The Group has not made any changes in their critical accounting estimates which may have impact on the consolidated unaudited interim financial statements for Q1 2023.

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

### Note 2. Inventories

Inventories are accounted as ready for sale development projects once the project has been granted usage permit. As at 31 March 2023, building permits has been issued to Ulbrokas 30 and Strēlnieku 4b development projects in Riga and a partial building permit has been issued to 14 Meistri development project.

As of 31 March 2023, in ready for sale development projects the Group had 18 (31 December 2022: 26; 31 March 2022: 55) unsold apartments, in Riga 4b Strēlnieku development project.

In addition, a development project is ready for sale in Tallinn, Paevälja 11, for which a usage permit has not been issued. In this project, as of 31 March 2023, there are 22 apartments unsold with real right contracts, 3 of them have been sold with contract under law of obligations and 1 apartment is booked.

As of 31 March 2023, the changes in inventories as stated in cash flow statements have been adjusted by loan interest expense. The capitalized loan interest amounted to 719 thousand euros (31 December 2022: 1,842 thousand euros; 31 March 2022: 464 thousand euros). Further information about interest expenses is provided in Note 16.

Project statuses are classified as following:

<b>in thousands of euros</b>	<b>31 March 2023</b>	<b>31 December 2022</b>	<b>31 March 2022</b>
A – planning proceedings	13,355	13,236	6,908
B – building permit proceedings	7,209	7,272	8,475
C – building permit available /construction not yet started	4,247	8,924	7,564
D – construction started / sale started	36,432	30,151	17,654
E – construction ready for sale	12,376	10,177	4,527
<b>Total inventories</b>	<b>73,610</b>	<b>69,760</b>	<b>45,128</b>

The following development projects are stated as inventories:

in thousands of euros				31 March 2023		31 December 2022		31 March 2022	
Address	Project company	Location	Segment	Acquisition cost	Project status	Acquisition cost	Project status	Acquisition cost	Project status
<b>Work in progress</b>									
Paevälja 11, Tallinn	Hepsor PV11 OÜ	Estonia	Residential	3,108	E	909	E	0	-
Paevälja 11, Tallinn	Hepsor PV11 OÜ	Estonia	Residential	0	-	5,585	D	5,055	D
Paldiski mnt 227C, Tallinn	Hepsor 3Torni OÜ	Estonia	Residential	4,928	D	3,482	D	2,680	C
Narva mnt 150, Tallinn	Hepsor N450 OÜ	Estonia	Residential/ Commercial	3,643	A	3,609	A	3,599	A
Manufaktuuri 5, Tallinn	Hepsor Phoenix 3 OÜ	Estonia	Residential/ Commercial	4,430	B	4,168	B	3,441	B
Manufaktuuri 7, Tallinn	Hepsor Phoenix 2 OÜ	Estonia	Residential/ Commercial	3,838	D	3,018	C	2,433	B
Tooma 2/Tooma 4 Tallinn	T2T4 OÜ	Estonia	Commercial	1,269	C	1,248	C	1,180	C
Lembitu 4, Tallinn	Hepsor L4 OÜ	Estonia	Commercial	2,978	C	2,954	C	2,835	C
Meistri 14, Tallinn	Hepsor M14 OÜ	Estonia	Commercial	3,476	D	3,193	D	6,090	D
Alvari 2, Paevälja 9, Tallinn	Hepsor Fortuuna OÜ	Estonia	Residential	1,657	A	1,657	A	1,659	A
Alvari 1, Tallinn	Hepsor A1 OÜ	Estonia	Residential	2,022	A	2,023	A	1,006	A
Kadaka Road 197, Tallinn	H&R Residentsid OÜ	Estonia	Residential	1,185	A	1,168	A	623	A
Manufaktuuri 12, Tallinn	Hepsor Phoenix 4 OÜ	Estonia	Residential	867	A	843	A	0	-
Nõmme tee 57, Tallinn	Hepsor N57 OÜ	Estonia	Residential	2,396	D	1,704	C	0	-
Saules alley 2, Riga	Hepsor SA2 SIA	Latvia	Residential	890	B	886	B	961	B
Liela 45, Mārupe	Hepsor Mārupe SIA	Latvia	Residential	9,293	D	7,766	D	869	C
Ranka Dambis 5, Riga	Hepsor RD5 SIA	Latvia	Residential	1,009	D	416	B	357	B
Ulbrokas 30, Riga	Hepsor U30 SIA	Latvia	Commercial	0	-	0	-	2,072	D
Ulbrokas 34, Riga	Hepsor U34 SIA	Latvia	Commercial	1,188	B	1,128	B	1,037	B
Braila 23, Riga	Hepsor Jugla SIA	Latvia	Residential	329	B	314	B	246	B
Gregora iela 2a, Riga	Hepsor Kvarta SIA	Latvia	Residential	11,483	D	10,125	D	4,437	D
Ganību Dambis 17a, Riga	Hepsor Ganību Dambis SIA	Latvia	Commercial	3,963	A	3,918	A	0	-
Jurmala Gatve, Riia	Hepsor JG SIA	Latvia	Residential	372	A	360	B	0	-
-other properties		Estonia		18	A	18	A	21	A
<b>Total work in progress</b>				<b>64,342</b>		<b>60,492</b>		<b>40,601</b>	
<b>Ready for sale real estate development</b>									
Manufaktuuri 22, Tallinn (parking spaces)	Hepsor Phoenix OÜ	Estonia	Residential	16	E	16	,E	16	E
Meistri 14, Tallinn	Hepsor Meistri 14 OÜ	Estonia	Commercial	4,026	E	4,026	E	0	-
Strēlnieku 4b, Riga	Hepsor S4B SIA	Latvia	Residential	1,106	E	1,106	E	2,549	E
Ulbrokas 30, Riga	Hepsor U30 SIA	Latvia	Commercial	4,120	E	4,120	E	0	-
Balozu 9, Riga	Hepsor Bal 9 SIA	Latvia	Residential	0	-	0	-	1,912	E
Āgenskalna 24, Riga	Hepsor Agen24 SIA	Latvia	Residential	0	-	0	-	50	E
<b>Total ready for sale real estate development</b>				<b>9,268</b>		<b>9,268</b>		<b>4,527</b>	
<b>Total inventories</b>				<b>73,610</b>		<b>69,760</b>		<b>45,128</b>	

## Note 3. Trade and other receivables

in thousands of euros	31 March 2023	31 December 2022	31 March 2022
<b>Trade receivables</b>			
Trade receivables	347	718	63
Allowance for doubtful receivables	-10	-10	-6
<b>Net trade receivables</b>	<b>337</b>	<b>708</b>	<b>57</b>
<b>Prepayments</b>			
Tax prepayment			
Value added tax	411	317	455
Other taxes	0	1	0
Other prepayments for goods and services	136	279	388
<b>Total prepayments</b>	<b>547</b>	<b>597</b>	<b>843</b>
<b>Other current receivables</b>			
Interest receivables	0	1	36
Other current receivables	2	20	10
Escrow account	405	405	0
<b>Other current receivables</b>	<b>407</b>	<b>426</b>	<b>46</b>
<b>Total trade receivables</b>	<b>1,291</b>	<b>1,731</b>	<b>946</b>

## Note 4. Loans granted

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

in thousands of euros	Owner of non-controlling interest	Unrelated legal entities	Related legal entities (Note 20)	Total
<b>2023</b>				
<b>Loan balance as of 31 December 2022</b>	<b>0</b>	<b>0</b>	<b>1,766</b>	<b>1,766</b>
<b>Loan balance as of 31 March 2023</b>	<b>0</b>	<b>0</b>	<b>1,766</b>	<b>1,766</b>
- non-current portion	0	0	1,766	1,766
<i>contractual/effective interest rate per annum</i>	-	-	7%	
<b>2022</b>				
<b>Loan balance as of 31 December 2022</b>	<b>2,109</b>	<b>1,100</b>	<b>2,587</b>	<b>5,796</b>
Loan granted	0	0	176	176
Loan collected	-29	-1,100	0	-1,129
Division of subsidiary	-2,080	0	0	-2,080
<b>Loan balance as of 31 March 2022</b>	<b>0</b>	<b>0</b>	<b>2,763</b>	<b>2,763</b>
- current portion	0	0	455	455
- non-current portion	0	0	2,308	2,308
<b>Loan balance as of 01 April 2022</b>	<b>0</b>	<b>0</b>	<b>2,763</b>	<b>2,763</b>
Loan collected	0	0	-997	-997
<b>Loan balance as of 31 December 2022</b>	<b>0</b>	<b>0</b>	<b>1,766</b>	<b>1,766</b>
- non-current portion	0	0	1,766	1,766
<i>contractual/effective interest rate per annum</i>	0%-3%	0%	7%-12%	

## Note 5. Loans and borrowings

in thousands of euros	Bank loans	Unrelated legal entities	Related legal entities (Note 20)	Total
<b>2023</b>				
<b>Loan balance as of 31 December 2022</b>	<b>30,129</b>	<b>16,145</b>	<b>2,306</b>	<b>48,580</b>
Received	4,692	61	51	4,804
Repaid	-3,442	-300	-500	-4,242
<b>Loan balance as of 31 March 2023</b>	<b>31,379</b>	<b>15,906</b>	<b>1,857</b>	<b>49,142</b>
- <b>current loan payable</b>	<b>17,679</b>	<b>3,053</b>	<b>1,724</b>	<b>22,456</b>
- <b>non-current loan payable</b>	<b>13,700</b>	<b>12,853</b>	<b>133</b>	<b>26,686</b>
<i>Contractual interest rate per annum</i>	<i>6M Euribor+3.75%-8%; 5.5%</i>	<i>0-12%</i>	<i>3%-12%</i>	
<b>2022</b>				
<b>Loan balance as of 31 December 2021</b>	<b>10,951</b>	<b>15,581</b>	<b>1,831</b>	<b>28,363</b>
Received	2,844	1,959	0	4,803
Repaid	-607	-1,872	0	-2,479
<b>Total loan balance as of 31 March 2022</b>	<b>13,188</b>	<b>15,668</b>	<b>1,831</b>	<b>30,687</b>
- <b>current loan payable</b>	<b>2,393</b>	<b>1,440</b>	<b>0</b>	<b>3,833</b>
- <b>non-current loan payable</b>	<b>10,795</b>	<b>14,228</b>	<b>1,831</b>	<b>26,854</b>
<b>Total loan balance as of 01 April 2022</b>	<b>13,188</b>	<b>15,668</b>	<b>1,831</b>	<b>30,687</b>
Received	24,811	1,814	464	27,089
Repaid	-7,680	-1,444	-69	-9,193
Actual interest rate impact	-190	-247	75	-362
Compound interest rate	0	354	5	359
<b>Total loan balance as of 31 December 2022</b>	<b>30,129</b>	<b>16,145</b>	<b>2,306</b>	<b>48,580</b>
- <b>current loan payable</b>	<b>17,040</b>	<b>3,352</b>	<b>2,173</b>	<b>22,565</b>
- <b>non-current loan payable</b>	<b>13,089</b>	<b>12,793</b>	<b>133</b>	<b>26,015</b>
<i>Contractual interest rate per annum</i>	<i>6M Euribor +3.75% -8%; 5.5%</i>	<i>0-12%</i>	<i>12%</i>	
<i>Effective interest rate per annum</i>	<i>7.6%-12.3%</i>	<i>5.3%-12.2%</i>	<i>12,2%</i>	

In March 2021, Hepsor AS signed a three-year 4-million-euro loan agreement with LHV Pank. In July the parties signed an addendum to the loan agreement increasing the loan amount by 2 million euros to 6 million euros. The shares of Hepsor AS held by the members of Management and Supervisory Board of the Group and the shares of Hepsor Finance OÜ were pledged as collateral to secure the loan. The loan agreement states two financial covenants that are measured quarterly:

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

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

As of 31 March 2023, 87% (31 December 2022: 89%; 31 March 2022: 87%) of all loans granted to the Group have been received against the risk of development projects.

in thousands of euros	Bank loans	Unrelated legal entities	Related legal entities	Total
<b>Balance as of 31 March 2023</b>				
Loans for development projects	25,460	15,906	1,383	<b>42,749</b>
Loans to headquarters to finance development projects	5,919	0	474	<b>6,393</b>
<b>Total</b>	<b>31,379</b>	<b>15,906</b>	<b>1,857</b>	<b>49,142</b>
<b>Balance as of 31 December 2022</b>				
Loans for development projects	24,635	16,145	2,306	<b>43,086</b>
Loans to headquarters to finance development projects	5,494	0	0	<b>5,494</b>
<b>Total</b>	<b>30,129</b>	<b>16,145</b>	<b>2,306</b>	<b>48,580</b>
<b>Balance as of 31 March 2022</b>				
Loans for development projects	9,162	15,668	1,831	<b>26,661</b>
Loans to headquarters to finance development projects	4,026	0	0	<b>4,026</b>
<b>Total</b>	<b>13,188</b>	<b>15,668</b>	<b>1,831</b>	<b>30,687</b>

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

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

As of 31 December 2022, the Group had the following bank loans under the following conditions:

Lender	Country	Loan balance	Contract term	Loan limit	Interest per annum	Collateral	Cost value of the collateral	Guarantee given
LHV Pank	Estonia	2,655	2023	8,605	6M Euribor + 4.5%	Mortgage - Paevälja pst 11, Lageloo 3//5, Lageloo 7, Tallinn	6,495	-
LHV Pank AS	Estonia	4,483	2024	4,900	6M Euribor + 3.75%	Mortgage - Meistri 14, Tallinn	7,220	-
LHV Pank AS	Estonia	1254	2025	1,300	6M Euribor + 8%	Mortgage - Lembitu 4, Tallinn	2,953	-
LHV Pank AS	Estonia	0	2025	13,900	6M Eurobor+5.9%	Mortgage-Paldiski mnt 227C, Tallinn	3,477	-
Bigbank AS	Latvia	5,687	2025	7,000	5.5%	Mortgage – Liela 45, Mārupe, Riga	7,766	-
Bigbank AS	Latvia	828	2024	1,225	6M Euribor + 4.5%	Commercial pledge; Mortgage - Strēlnieku 4b, Riga	1,106	-
Bigbank AS	Latvia	2,650	2024	2,650	5.5%	Mortgage - Ulbrokas 30, Riga, Commercial pledge	4,120	500
Bigbank AS	Latvia	5,957	2025	7,500	5.5%	Mortgage - Gregora 2a, Riga	10,125	423
Bigbank AS	Latvia	1,985	2025	2,000	6M Euribor+4.5%	Mortgage – Ganību Dambis 17a, Riga, Commercial pledge	3,918	-

As of 31 March 2022, the Group had the following bank loans under the following conditions:

Lender	Country	Loan balance	Contract term	Loan limit	Interest per annum	Collateral	Cost value of the collateral	Guarantee given
LHV Pank	Estonia	815	2023	8,605	6M Euribor + 4.5%	Mortgage - Paevälja pst 11, Lageloo 3//5, Lageloo 7, Tallinn	5,055	-
LHV Pank AS	Estonia	2,735	2024	3,115	6M Euribor + 4.75%	Mortgage - Meistri 14, Tallinn	6,090	-
LHV Pank AS	Estonia	1,225	2022	1,300	6M Euribor + 8%	Mortgage - Lembitu tn. 4, Tallinn	2,835	-
Bigbank AS	Latvia	1,101	2024	2,500	6M Euribor + 4.5%	Commercial pledge; Mortgage - Strelnieku tn. 4b, Riga	2,549	-
Bigbank AS	Latvia	1,142	2023	1,150	6%	Mortgage - Balozu 9, Riga	1,912	-
Bigbank AS	Latvia	1,023	2024	2,650	5.5%	Mortgage - Ulbrokas 30, Riga, Commercial pledge	2,072	500
Bigbank AS	Latvia	1,123	2025	7,500	5.5%	Mortgage - Gregora 2a, Riga	4,437	423

## Note 6. Trade and other payables

in thousands of euros	31 March 2023	31 December 2022	31 March 2022
<b>Trade payables</b>	<b>2,380</b>	<b>1,906</b>	<b>2,065</b>
<b>Taxes payable</b>			
Value added tax	354	910	77
Personal income tax	28	28	18
Social security tax	47	51	29
Other taxes	4	5	28
<b>Total taxes payable</b>	<b>433</b>	<b>994</b>	<b>152</b>
<b>Accrued expenses</b>			
Payables to employees	83	109	68
Interest payable	387	552	238
Other accrued expenses	36	35	32
<b>Total accrued expenses</b>	<b>506</b>	<b>696</b>	<b>338</b>
<b>Other current payables</b>			
Embedded derivatives (Note 8)	0	8	0
Other payables	162	403	982
<b>Total other current payables</b>	<b>162</b>	<b>411</b>	<b>982</b>
<b>Total trade and other payables</b>	<b>3,481</b>	<b>4,007</b>	<b>3,537</b>

## Note 7. Other non-current liabilities

in thousands of euros	31 March 2023	31 December 2022	31 March 2022
Non-current interest payables	1,843	1,652	1,368
Other non-current payables	638	638	42
<b>Total other non-current liabilities</b>	<b>2,481</b>	<b>2,290</b>	<b>1,410</b>

## Note 8. Embedded derivatives

Liabilities assumed by the Group to minority shareholders in accordance with the concluded shareholders' agreements are recognized as embedded derivatives. According to shareholders agreements the profit is shared with minority shareholders in the form as it is agreed in the agreement. Pursuant to the division agreement entered into between the shareholders of Hepsor P26b OÜ the loan granted by the Group to the shareholders was settled with the liability arising from embedded derivatives in the amount of 2,080 thousand euros. More information on loans is provided in Note 4.

As of the end of the reporting period, the group had no liabilities from embedded derivatives, in comparable periods the group had an liability from embedded derivatives as of 31.12.2022 in the development project Meistri 14, Tallinn in the amount of 8 thousand euros. In 2023, the liability was reduced by 8 thousand euros through the other comprehensive income.

## Note 9. Contingent liabilities

### 9.1 Contingent liabilities arising from embedded derivatives

In accordance with the shareholders agreements between the Group and minority shareholders of subsidiaries (SPV's), the Group has an obligation as of 31 March 2023 to pay 12,904 thousand euros (31 December 2022: 12,904 thousand euros; 31 March 2022: 8,992 thousand euros) to the minority shareholders upon realization of the business plan. The obligations amounts are estimations calculated based on current business plans of the development projects as of statement of financial position dates. Contingent liabilities are estimated before the full realization of the development projects at each reporting date. As of 31 March 2023, the realization time of contingent liabilities remains between 2023 and 2027.

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

### 9.3 Group guarantees given

Additional information on the guarantees is provided in Note 5.

## Note 10. Revenue

in thousands of euros	Q1 2023	Q1 2022
Revenue from sale of real estate	5,554	1,079
Revenue from project management services	8	47
Revenue from rent	355	111
Revenue from other services	58	35
<b>Total</b>	<b>5,975</b>	<b>1,272</b>

Additional information on sales revenue is provided in Note 19.

## Note 11. Cost of sales

in thousands of euros	Q1 2023	Q1 2022
Cost of real estate sold	-4,394	-994
Personnel expenses (Note 14)	-219	-121
Interest expenses	-70	0
Depreciation	-8	-8
Other costs	-349	-43
<b>Total</b>	<b>-5,040</b>	<b>-1,166</b>

## Note 12. Marketing expenses

in thousands of euros	Q1 2023	Q1 2022
Personnel expenses (Note 14)	-28	-26
Depreciation	-11	0
Other marketing expenses	-32	-69
<b>Total</b>	<b>-71</b>	<b>-95</b>

## Note 13. Administrative expenses

in thousands of euros	Q1 2023	Q1 2022
Personnel expenses	-188	-222
Depreciation	-27	-27
Traveling and transport expenses	-18	-14
Purchased service expenses	-109	-55
Office expenses	-5	-10
<b>Total</b>	<b>-347</b>	<b>-328</b>

## Note 14. Personnel expenses

in thousands of euros	Q1 2023	Q1 2022
Salaries	-322	-278
Social security and other payroll taxes	-113	-91
<b>Total (Notes 11, 12, 13)</b>	<b>-435</b>	<b>-369</b>

As of 31 March 2023, the Group employed 25 (31 March 2022: 23) people, including including the members of Management and Supervisory Boards. 13 of these people worked in Estonia (31 March 2022: 13) and 12 in Latvia (31 March 2022: 10).

Gross fees paid to the members of Management and Supervisory Boards during the reporting period amounted to 82 thousand euros (Q1 2022: 69 thousand euros).

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

## Note 15. Financial income and expenses

### 15.1 Financial income

in thousands of euros	Q1 2023	Q1 2022
Interest incomes	50	60
Other financial incomes	0	449
<b>Total</b>	<b>50</b>	<b>509</b>

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

### 15.2 Financial expenses

in thousands of euros	Q1 2023	Q1 2022
Interest expenses	-311	-133
Loss from associates of equity method (Note 18)	-114	0
Other financial expenses	0	-35
<b>Total</b>	<b>-425</b>	<b>-168</b>

In 2023 borrowing costs in the amount of 719 thousand euros (Q1 2022: 464 thousand euros) have been capitalized as the cost of inventories. Interest expenses of 70 thousand euros have been recognized in the cost of sales in 2023, in the comparable period there were no interest expenses in the cost of sales.

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

in thousands of euros	31 March 2023	31 March 2022
<b>Inventories</b>		
Reclassification of cash flows from operating activities to financing activities (Note 2)	719	464
Decrease (-)/ increase (+) of change inventories balances (Note 2)	-3,850	-7,892
<b>Change in inventories</b>	<b>-3,131</b>	<b>-7,428</b>
<b>Interest paid</b>		
Interest expense in statement of profit or loss and other comprehensive income	-311	-133
Reclassification of cash flows from operating activities to financing activities (Note 2)	-719	-464
Decrease (-)/ increase (+) of interest payables	26	451
<b>Interest paid total</b>	<b>-1,004</b>	<b>-146</b>

## Note 17. Subsidiaries

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

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

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

## Note 18. Shares of associates

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

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

Financial information about associates:

in thousands of euros	31 March 2023		31 December 2022		31 March 2022	
	Hepsor P113 OÜ	Hepsor N170 OÜ	Hepsor P113 OÜ	Hepsor N170 OÜ	Hepsor P113 OÜ	Hepsor N170 OÜ
<b>Current assets</b>						
Cash and cash equivalents	285	20	919	2	25	420
Trade and other receivables	200	7	94	103	11	10
Current loan receivables	0	1,611	0	1,536	0	0
Inventories	0	160	0	160	8,120	8,269
<b>Total current assets</b>	<b>485</b>	<b>1,798</b>	<b>1,013</b>	<b>1,801</b>	<b>8,156</b>	<b>8,699</b>
<b>Non-current assets</b>						
Investment property	13,100	0	13,100	0	0	0
Trade and other receivables	297	0	297	0	0	0
<b>Total non-current assets</b>	<b>13,397</b>	<b>0</b>	<b>13,397</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total assets</b>	<b>13,882</b>	<b>1,798</b>	<b>14,410</b>	<b>1,801</b>	<b>8,156</b>	<b>8,699</b>
<b>Current liabilities</b>						
Loans and borrowings	118	0	158	0	5,127	6,889
Trade and other payables	48	4	286	2	1,172	1,893
<b>Total current liabilities</b>	<b>166</b>	<b>4</b>	<b>444</b>	<b>2</b>	<b>6,299</b>	<b>8,782</b>
<b>Non-current liabilities</b>						
Loans and borrowings	12,165	0	12,165	0	1,795	0
Other non-current liabilities	294	0	228	0	149	0
<b>Total non-current liabilities</b>	<b>12,459</b>	<b>0</b>	<b>12,393</b>	<b>0</b>	<b>1,944</b>	<b>0</b>
<b>Total liabilities</b>	<b>12,625</b>	<b>4</b>	<b>12,837</b>	<b>2</b>	<b>8,243</b>	<b>8,782</b>
<b>Total equity</b>	<b>1,257</b>	<b>1,794</b>	<b>1,573</b>	<b>1,799</b>	<b>-87</b>	<b>-83</b>
<b>Total liabilities and equity</b>	<b>13,882</b>	<b>1,798</b>	<b>14,410</b>	<b>1,801</b>	<b>8,156</b>	<b>8,699</b>

The construction of commercial property development project by Hepsor P113 OÜ in Tallinn, Pärnu road 113 was completed in the fourth quarter of 2022. The occupancy of the office building is 100%. As of 31 December 2022, the building was reclassified as an investment property. The investment property is recorded at fair value.

As of 31 December 2022, all 76 apartments and commercial space of 1,488 sqm in the project of an apartment building with commercial space in Tallinn, Narva mnt 170 developed by Hepsor N170 OÜ have been sold under real right contracts.

During the reporting period, the Group received loss from associate company, Hepsor P113 OÜ, by the equity method in the amount of 114 thousand euros (Note 15.2). In the statement of financial position as of 31 March, investments in associates are as follows: Hepsor P113 OÜ 452 thousand euros and Hepsor N170 OÜ 520 thousand euros.

## Note 19. Operating segments

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

The Group reports separately information about the following operating segments:

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

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

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

Revenue by geographical area:

in thousands of euros	Q4 2022	Q4 2021
Estonia	5,762	175
Latvia	213	1,097
<b>Total</b>	<b>5,975</b>	<b>1,272</b>

Additional information on sales revenue is provided in Note 10.

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

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

in thousands of euros	Residential development		Commercial development		Headquarters		Total	
	Q1 2022	Estonia	Latvia	Estonia	Latvia	Estonia		Latvia
Revenue		53	943	75	154	47	0	<b>1,272</b>
incl. revenue from rent		0	38	69	4	0	0	<b>111</b>
Operating profit/-loss		-23	211	22	27	-360	-191	<b>-314</b>
Assets		22,982	12,125	10,873	4,112	6,246	493	<b>56,831</b>
Liabilities		15,513	4,770	6,892	4,091	4,970	1,412	<b>37,648</b>

## Note 20. Related parties

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

Balances and loan transactions with related parties:

In thousands of euros	31 March 2023	31 December 2022	31 March 2022
<b>Receivables</b>			
<b>Loans granted (Note 4)</b>			
Associated companies			
Opening balance 01. January	1,766	2,587	2,587
Loans granted	0	0	0
Loans repaid	0	-821	0
Balance at the end of period	1,776	1,766	2,587
Management and all companies directly or indirectly owned by			
Loans granted	0	176	176
Loan collected	0	-176	0
<b>Trade and other receivables</b>			
Management and all companies directly or indirectly owned by	149	208	2
<b>Interest receivables</b>			
Associated companies	66	36	228
Management and all companies directly or indirectly owned by	0	0	2
<b>Payables</b>			
<b>Prepayments from customers</b>			
Management and all companies directly or indirectly owned by	560	0	0
<b>Loans and borrowings (Note 5)</b>			
Associated companies			
Opening balance as at 01. January	423	0	0
Loans received	51	464	0
Loans repaid	0	-41	0
Balance at the end of period	474	423	0
Management and all companies directly or indirectly owned by			
Opening balance as at 01. January	1,883	1,831	1,831
Loans received	0	80	0
Loans repaid	-500	-28	0
Balance at the end of period	1,383	1,883	1,831
<b>Trade payables</b>			
Management and all companies directly or indirectly owned by	2,347	1,762	1,882
<b>Interest payables</b>			
Associated companies	5	2	0
Management and all companies directly or indirectly owned by	5	167	92

Purchases and sales of goods and services:

in thousands of euros	Q1 2023	Q1 2022
<b>Sales of goods and services</b>		
Associated companies	0	40
Management and all companies directly or indirectly owned by them	68	19
<b>Total sales of goods and services</b>	<b>68</b>	<b>59</b>
<b>Purchases of goods and services</b>		
Management and all companies directly or indirectly owned by them	6,672	5,499
<i>incl. construction service</i>	6,627	5,460
<b>Interest income earned</b>		
Associated companies	30	45
Management and all companies directly or indirectly owned by them	0	2
<b>Total interest income earned</b>	<b>30</b>	<b>47</b>
<b>Interest expenses incurred</b>		
Associated companies		
Accrued interest	3	0
Management and all companies directly or indirectly owned by them		
Accrued interest	56	57
Interest paid	218	35

## Note 21. Events after the reporting period

Hepsor Kanada OÜ established a subsidiary Hepsor Kanada SPV 1 OÜ in April. Hepsor Kanada SPV 1 OÜ in turn established a subsidiary in Canada, Hepsor SPV I Ltd

Hepsor Latvia OÜ subsidiary Hepsor RD5 SIA and Latvian affiliate of Bigbank AS signed a 4 million loan agreement on April 2023. The purpose of the three-year loan is to finance the construction of Name Residence development project in Riga.

## Note 22. Risk management

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

### Strategic risk

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

**Market risk**

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

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

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

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

**Credit risk**

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

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

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

**Liquidity risk**

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

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

**Capital risk**

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

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

## **Geopolitical risk**

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

# Management Board's Confirmation

The Management Board confirms that the unaudited interim report for first quarter of 2023, which is comprised of the management report and the interim financial statements, provides a true and fair view of the Group's operations, financial position and results of operations, and describes the significant risks and uncertainties the Group faces.

Henri Laks  
Member of Management Board  
Tallinn, 10 May 2023