

Company Hepsor AS
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Attachments:

- Hepsor consolidated unaudited interim report for Q1 2022 .pdf (<http://oam.fi.ee/en/download?id=6475>)
- Hepsor AS-i 2022. aasta I kvartali konsolideeritud auditeerimata vahearuanne.pdf (<http://oam.fi.ee/en/download?id=6476>)

Currency

Title Hepsor AS consolidated unaudited interim report for Q1 2022

Consolidated revenues of Hepsor for Q1 2022 amounted to 1.3 million euros and net profit to 0.02 million euros (including 0.005 million euros attributable to the owners of the parent company). The Group's revenues and profitability are directly dependent on the development cycle of projects, which lasts approximately 24 to 36 months. Sales revenue is only generated at the end of this cycle. Therefore, more projects may end in one quarter than in another and quarters may differ significantly in terms of revenue. In completed development projects, we sold 8 apartments at Strelnieku 4b, Riga in Q1 2022.

The management of Hepsor still forecasts a turnover of 28 million euros in 2022 and profit of 3.3 million euros (including 3.1 million euros attributable to the owners of the parent company) despite the war in Ukraine that was launched in February 2022 and its impact on the global economy.

At the beginning of 2022, the development project at Balozhu 9 (18 apartments) was completed in Riga. All the homes in this project had found new owner even before the construction was completed. This year, Priisle Kodu (76 apartments plus commercial space) and the first stage of Paevälja Hoovimajad (48 apartments) will be completed in Tallinn. The sales revenue of these projects will be reflected in the financial results of the following quarters of 2022.

Three commercial development projects will be completed in Tallinn and Riga this year. The first tenants have moved into Grüne Maja, an office building following the green thinking concept. The construction of the Büroo 113 office building, which has already reached 100% occupancy, will be completed by the end of 2022. The latter is the first time that we use green solutions (geothermal heating and cooling, rainwater use, energy-efficient architecture, excellent indoor climate, solar energy, etc.) in a city centre high-rise. In 2022, a stock-office commercial development project will be completed at Ulbrokas 30, Riga, which has



also reached 100% occupancy.

In May 2022, we sold the last apartment in the Agenskalna 24 development project in Riga. Therefore, the number of development projects in the portfolio dropped to 25. The apartments sold in 2022 reduced the potential turnover to 377 million euros.

Despite the complicated construction market due to the war in Ukraine, supply chain challenges and rising prices, we signed an 8.1 million euro construction contract for the construction of four apartment buildings with 92 apartments in Marupe, near Riga. As of May 2022, a total of 38 booking agreements and contracts under the law of obligations have been sold in the Marupe development project. The project will be completed in 2023. The sale and construction of Hepsor's second largest residential development project, Kuldigas Parks (116 apartments) in Riga, is also proceeding according to plan and 34% of the apartments have been sold. The project will be completed in 2023.

In Estonia, we will start the construction and sale of homes at Ojakalda and Manufaktuuri 7 in 2022. The two projects have a total of 255 homes. In addition to the construction of the Marupe development project, which has already started in Riga this year, we also plan to start the construction of the Ranka Dambis residential development project in Riga (36 apartments). In 2022, a total of 383 apartments are planned to be built in Tallinn and Riga, including 128 in Riga.

As of the date of this report, the market for new developments is still active both in Riga and Tallinn, and interest in new homes and commercial premises is still high. At the same time, it is currently difficult to assess the impact of rapid inflation, the European Central Bank's monetary policy, rising energy prices and the Ukrainian refugee crisis on the economy and consumer behavior in the near future.

Overview of financial results for Q1 2022

The Group's sales revenue in Q1 2022 was 1.3 million euros (compared with 2.9 million euros in Q1 2021), of which 1.1 million euros (Q1 2021: 0.3 million euros) or 86% (Q1 2021: 12%) was earned from Latvia.

Compared with the same quarter year earlier, sales revenue in Q1 2022 decreased by 56%. The decrease in revenue in Q1 2022 was mainly due to a smaller number of completed projects, which resulted in fewer projects available for sale.

In Q1 2022, the Group sold a total of 8 apartments in Latvia, Strelnieku 4b. A year earlier, 3 apartments were sold in Latvia and 16 in Estonia. 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 158 thousand euros, or 12% of the Group's total sales revenue.

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. Therefore, 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.

The Group's operating loss for Q1 2022 amounted to 314 thousand euros (compared with operating profit of 259 thousand euros in Q1 2021). The Group's net profit for the reporting period amounted to 22 thousand euros (compared with 173 thousand euros in Q1 2021), of which the profit attributable to the owners of the parent amounted to 5 thousand euros (50 thousand euros in Q1 2021), while the profit to non-controlling interest was 17 thousand euros (123 thousand euros in Q1 2021).

The increase in operating expenses and change in the structure of sales revenue had the most impact on the Group's operating profit. Compared to 95% in 2021, the Group's revenues from the sale of real estate dropped to 85% in Q1 2022. The share of rental income in sales revenue increased therefore decreasing profit margins.

Consolidated statement of financial position (unaudited)

in thousands of euros	31 March 2022	31 Dec 2021	31 March 2021
Assets			
Current assets			
Cash and cash equivalents	7,44	10,889	2,406
Trade and other receivables	946	652	861
Current loan receivables	455	2,388	126
Inventories	45,128	37,237	29,235
Total current assets	53,969	51,166	32,628
Non-current assets			
Property, plant and equipment	209	229	448
Intangible assets	3	0	0
Financial investments	2	402	0
Investments in associates	0	0	2
Non-current loan receivables	2,308	3,408	1,54



Other non-current receivables	340	140	67
Total non-current assets	2,862	4,179	2,057
Total assets	56,831	55,345	34,685
Liabilities and equity			
Current liabilities			
Loans and borrowings	3,833	5,501	3,075
Current lease liabilities	92	123	138
Prepayments from customers	1,856	1,164	1,031
Trade and other payables	3,537	5,539	1,919
Total current liabilities	9,318	12,327	6,163
Non-current liabilities			
Loans and borrowings	26,854	22,862	17,791
Non-current lease liabilities	66	66	267
Other non-current liabilities	1,41	1,053	791
Deferred income tax liability	0	0	71
Total non-current liabilities	28,33	23,981	18,92
Total liabilities	37,648	36,308	25,083
Equity			
Share capital	3,855	3,855	6
Share premium	8,917	8,917	3,211
Retained earnings	6,411	6,265	6,385
Total equity	19,183	19,037	9,602
incl. total equity attributable to owners of the parent	18,823	18,904	9,504
incl. non-controlling interest	360	133	98



Total liabilities and equity	56,831	55,345	34,685
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Consolidated statement of profit and loss and other comprehensive income
(unaudited)

	in thousands of euros	Q1 2022	Q1 2021
Revenue		1,272	2,889
Cost of sales (-)		-1,166	-2,464
Gross profit		106	425
Marketing expenses (-)		-95	-48
Administrative expenses (-)		-328	-125
Other operating income		10	20
Other operating expenses (-)		-7	-13
Operating profit (-loss) of the year		-314	259
Financial income		509	34
interest income		60	24
other financial income		449	10
Financial expenses (-)		-168	-109
interest expenses (-)		-133	-87
loss from associate (-)		0	-2
other financial expenses (-)		-35	-20
Profit before tax		27	184
Current income tax		-5	0
Deferred income tax		0	-11
Net profit for the year		22	173
Attributable to owners of the parent		5	50



Non-controlling interest	17	123
Other comprehensive income (-loss)		
Changes related to change of ownership	135	0
Change in value of embedded derivatives with minority shareholders	18	-90
Other comprehensive income (-loss) for the period	153	-90
Attributable to owners of the parent	-86	0
Non-controlling interest	239	-90
Comprehensive income (-loss) for the period	175	83
Attributable to owners of the parent	-81	50
Non-controlling interest	256	33
Earnings per share		
Basic (euros per share)	0.00	0.01
Diluted (euros per share)	0.00	0.01

The interim report is attached to the current release and is available from Hepsor website
<https://hepsor.ee/en/for-investors/stock/information-materials/>

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Hepsor AS (www.hepsor.ee) is one of the fastest-growing residential and commercial property developers in Estonia and Latvia. In our ten years of excellence we have created more than 1,400 homes and 23,000 m(2) of commercial premises. As the first developers in the Baltic states, Hepsor has implemented many innovative engineering and technical solutions, making the buildings they construct more energy-efficient and thus more environmentally friendly. The company's portfolio includes a total of 25 development projects with a total area of 176,000 m(2).

