

Company Hepsor AS  
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Attachments:

- Hepsor 2Q\_2022 interim report.pdf (<http://oam.fi.ee/en/download?id=6645>)
- Hepsor 2Q\_2022 vahearuanne.pdf (<http://oam.fi.ee/en/download?id=6646>)

Currency

Title Hepsor AS: 2022 II quarter and six months consolidated unaudited interim report

The consolidated revenues of Hepsor for the first six months of 2022 amounted to 4.0 million euros (including 2.7 million euros in Q2 2022) and a net loss of 0.3 million euros (including 0.3 million euros in Q2 2022).

The sales of development projects still under construction will mostly take place in the second half of the year, and therefore the revenue and profit from these projects will also be reflected in the results of the 3rd and 4th quarters of the year. The Group's revenues and profitability are directly dependent on the development cycle of the projects, which lasts about 24 to 36 months. Sales revenue is only generated at the end of this cycle. The number of projects as well as the revenues and profitability may significantly vary from quarter to quarter depending on the length and timing of the development cycle. Therefore, some financial years or quarters may be weaker or stronger in terms of financial results. In evaluating the sustainability and the financial results of the real estate developer, the portfolio of the development projects and the three-year average financial results are the best criteria for evaluating the Group's financial results.

The Group has generated revenues mainly from the sale of residential development projects. As of 25 July 2022, we have sold 32 apartments in completed projects in Latvia (27 apartments as of the end of Q2 2022), including 13 apartments in the 4b Str?lnieku development project, 18 apartments in the 9 Balozhu development project, and 1 apartment in the 24 ?genskalna development project.

As of date of the current report, the Priisle Kodu development project, a project developed by the Group's affiliate company Hepsor N170 OÜ in Estonia, has reached the stage of signing the contract under the law of obligations. The Group's profit share will be reflected in the financial results of the third and fourth quarters of 2022. While real right contracts were signed at the end of the quarter for all 76 apartments and the commercial space in the development



project, by 25 July, or after the end of the quarter, contracts under the law of obligations were already signed for 32 apartments.

Hepsor currently has three residential development projects under construction in Estonia and Latvia, with a total of 304 new apartments. To date, real right and booking agreements have been signed for 48 apartments (52%) in the Mõrpes Džrzs (92 apartments) development project near Riga. The sale and construction of Hepsor's second largest residential development project, Kuldgas Parks (116 apartments) in Riga, is also proceeding according to the plan, and 64 apartments (55%) have been sold. Both projects will be completed in 2023. In Estonia, we continue with the construction of the Paevälja Hoovimajad development project of two apartment buildings in two stages with a total of 96 apartments. To date, real right contracts have been concluded for 76 apartments (79%). The first phase of the project with 48 apartments will be completed by the end of the year, the second phase in the first quarter of next year.

In July, we signed a 14-million-euro loan agreement with LHV Pank AS, the purpose of which is to finance the construction of the Ojakalda Kodud development project. There are 101 spacious family apartments in the three-tower residential building on the border of Tallinn and Harku. Our green way of thinking is central to the development of the Ojakalda residential buildings: we create an environmentally conscious and sustainable living environment. The pre-sale of the Ojakalda development project has started and the construction will begin in September 2022.

In addition to the residential development projects already under construction and available for sale, Hepsor also plans to start the construction of the next phase of the Manufaktuuri Kvartal with 160 new apartments in the second half of 2022. In Riga, we plan to start the Raža Dambis development project with 36 new apartments. In 2022, a total of 383 apartments are planned to be built in Tallinn and Riga, including 128 in Riga. In addition, in May 2022, Hepsor signed a preliminary agreement for the purchase of real estate in the Imanta area of Riga. About 40 apartments can be built on the property.

Three commercial real estate development projects have been completed or are about to be completed in Tallinn this year. Selver supermarket already operates the commercial space (leasable space approx. 1,500 m<sup>2</sup>) on the first floor of the 11-storey commercial and residential property at 1 Priisle. Grüne Maja, the office building following the green thinking concept, has 80% of its leasable space covered by lease agreements, and the building itself is already in active use. We are actively continuing negotiations to lease the remaining 20%. At the end of the year, we will hand over the Büro113 commercial building, which is 100% covered by lease agreements. The anchor tenant in this building is a clinic with a modern and innovative concept. In the case of Büro113, green solutions (earth-heats-earth-cools, energy-efficient architecture, very good interior, solar energy, etc.) have been used for the first time in a city centre downtown high-rise. In 2022, a stock-office commercial development project will be completed at 30 Ulbrokas, Riga, which has also reached 100% occupancy.



In June, we completed the acquisition of the property at 17A Gan?bu Dambis in Riga. The property has 13 buildings of different commercial functionality (leasable area 8,200 m(2)) with occupancy of about 81%. As a result, we expect the share of rental income to increase in the third quarter of the year. In this development project the demolished depreciated buildings will be replaced by new commercial premises including offices and stock-offices. In total, the property will accommodate approximately 20,000 m(2) of leasable space.

As of the date of this report, the Group has a total of 25 development projects. During the reporting year, the ?genskalna and Balozhu projects in Latvia were completed and a development project in the Imanta area of Riga was acquired.

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).

As of this report, we can say that despite of the difficult global situation, customers are not backing out of contracts, and contracts under the law of obligations for new homes continue to be signed on the agreed terms. The sale of new apartments in Riga projects has exceeded our expectations, and there are only 20 unsold apartments in projects currently under construction in Estonia. Russia's military invasion and attack on Ukraine's independence, which began on 24 February 2022, affects businesses and individuals around the world. Although the length, impact and outcome of the ongoing military conflict are still unclear, the high inflation rate, increased energy prices, increase in the Euribor based on the European Central Bank's monetary policy, and the increase in commodity and thus also construction prices are clearly felt. In view of the next two or three quarters, the mentioned factors will have an impact on the confidence of buyers of new homes.

Due to global uncertainty, the Group's management is paying more attention to the risks associated with taking new projects to the sales and construction phase. Despite the above, the management of the Group has not halted any of the current development projects, and according to current information, the sale and construction of new projects mentioned above will start already in autumn 2022.

| in thousands of euros       | 30 June 2022 | 31 Dec 2021 | 30 June 2021 |
|-----------------------------|--------------|-------------|--------------|
| Assets                      |              |             |              |
| Current assets              |              |             |              |
| Cash and cash equivalents   | 4,361        | 10,889      | 1,277        |
| Trade and other receivables | 576          | 652         | 636          |
| Current loan receivables    | 279          | 2,388       | 256          |



|                               |  |        |        |        |
|-------------------------------|--|--------|--------|--------|
| Inventories                   |  | 56,128 | 37,237 | 33,084 |
| +-----+                       |  |        |        |        |
| Total current assets          |  | 61,344 | 51,166 | 35,253 |
| +-----+                       |  |        |        |        |
| Non-current assets            |  |        |        |        |
| +-----+                       |  |        |        |        |
| Property, plant and equipment |  | 260    | 229    | 410    |
| +-----+                       |  |        |        |        |
| Intangible assets             |  | 3      | 0      | 0      |
| +-----+                       |  |        |        |        |
| Financial investments         |  | 2      | 402    | 2      |
| +-----+                       |  |        |        |        |
| Non-current loan receivables  |  | 2,308  | 3,408  | 1,97   |
| +-----+                       |  |        |        |        |
| Other non-current receivables |  | 380    | 140    | 99     |
| +-----+                       |  |        |        |        |
| Total non-current assets      |  | 2,953  | 4,179  | 2,481  |
| +-----+                       |  |        |        |        |
| Total assets                  |  | 64,297 | 55,345 | 37,734 |
| +-----+                       |  |        |        |        |
| Liabilities and equity        |  |        |        |        |
| +-----+                       |  |        |        |        |
| Current liabilities           |  |        |        |        |
| +-----+                       |  |        |        |        |
| Loans and borrowings          |  | 2,472  | 5,501  | 4,393  |
| +-----+                       |  |        |        |        |
| Current lease liabilities     |  | 64     | 123    | 72     |
| +-----+                       |  |        |        |        |
| Prepayments from customers    |  | 2,453  | 1,164  | 1,238  |
| +-----+                       |  |        |        |        |
| Trade and other payables      |  | 3,959  | 5,539  | 1,967  |
| +-----+                       |  |        |        |        |
| Deferred income tax liability |  | 8      | 0      | 0      |
| +-----+                       |  |        |        |        |
| Total current liabilities     |  | 8,956  | 12,327 | 7,67   |
| +-----+                       |  |        |        |        |
| Non-current liabilities       |  |        |        |        |
| +-----+                       |  |        |        |        |
| Loans and borrowings          |  | 34,641 | 22,862 | 19,169 |
| +-----+                       |  |        |        |        |
| Non-current lease liabilities |  | 66     | 66     | 284    |
| +-----+                       |  |        |        |        |
| Other non-current liabilities |  | 1,762  | 1,053  | 1,08   |
| +-----+                       |  |        |        |        |
| Deferred income tax liability |  | 0      | 0      | 73     |
| +-----+                       |  |        |        |        |
| Total non-current liabilities |  | 36,469 | 23,981 | 20,606 |
| +-----+                       |  |        |        |        |
| Total liabilities             |  | 45,425 | 36,308 | 28,276 |



|                                                             |  |        |        |        |
|-------------------------------------------------------------|--|--------|--------|--------|
| Equity                                                      |  |        |        |        |
| Share capital                                               |  | 3,855  | 3,855  | 6      |
| Share premium                                               |  | 8,917  | 8,917  | 3,211  |
| Retained earnings                                           |  | 6,1    | 6,265  | 6,241  |
| Total equity                                                |  | 18,872 | 19,037 | 9,458  |
| incl. total equity attributable to<br> owners of the parent |  | 18,345 | 18,904 | 9,37   |
| incl. non-controlling interest                              |  | 527    | 133    | 88     |
| Total liabilities and equity                                |  | 64,297 | 55,345 | 37,734 |

|                                      |         |          |         |         |
|--------------------------------------|---------|----------|---------|---------|
|                                      |         | Adjusted |         |         |
|                                      |         |          |         |         |
| in thousands of euros                | 6M 2022 | 6M 2021  | Q2 2022 | Q2 2021 |
|                                      |         |          |         |         |
| Revenue                              | 3,954   | 3,874    | 2,682   | 985     |
| Cost of sales (-)                    | -3,752  | -3,29    | -2,586  | -826    |
| Gross profit                         | 202     | 584      | 96      | 159     |
| Marketing expenses (-)               | -173    | -100     | -78     | -52     |
| Administrative expenses (-)          | -537    | -298     | -209    | -173    |
| Other operating income               | 47      | 43       | 37      | 23      |
| Other operating expenses (-)         | -39     | -51      | -32     | -38     |
| Operating profit (-loss) of the year | -500    | 178      | -186    | -81     |
| Financial income                     | 567     | 76       | 58      | 43      |
| Financial expenses (-)               | -312    | -191     | -144    | -83     |
| Profit before tax                    | -245    | 63       | -272    | -121    |



|                                         |  |       |       |       |       |
|-----------------------------------------|--|-------|-------|-------|-------|
| Current income tax                      |  | -5    | -16   | 0     | -16   |
| Deferred income tax                     |  | -8    | -13   | -8    | -2    |
| Net profit for the year                 |  | -258  | 34    | -280  | -139  |
| Attributable to owners of the parent    |  | -273  | -84   | -278  | -134  |
| Non-controlling interest                |  | 15    | 118   | -2    | -5    |
|                                         |  |       |       |       |       |
| Other comprehensive income (-loss)      |  |       |       |       |       |
| Changes related to change of ownership  |  | 135   | 0     | 0     | 0     |
| Change in value of embedded derivatives |  |       |       |       |       |
| with minority shareholders              |  | -13   | -31   | -31   | 59    |
| Other comprehensive income (-loss) for  |  |       |       |       |       |
| the period                              |  | 122   | -31   | -31   | 59    |
| Attributable to owners of the parent    |  | -286  | 0     | -200  | 0     |
| Non-controlling interest                |  | 408   | -31   | 169   | 59    |
|                                         |  |       |       |       |       |
| Comprehensive income (-loss) for the    |  |       |       |       |       |
| period                                  |  | -136  | 3     | -311  | -80   |
| Attributable to owners of the parent    |  | -559  | -84   | -478  | -134  |
| Non-controlling interest                |  | 423   | 87    | 167   | 54    |
|                                         |  |       |       |       |       |
| Earnings per share                      |  |       |       |       |       |
| Basic (euros per share)                 |  | -0.07 | -0.02 | -0.07 | -0.03 |
| Diluted (euros per share)               |  | -0.07 | -0.02 | -0.07 | -0.03 |

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Hepsor AS ([www.hepsor.ee/en/](http://www.hepsor.ee/en/) (<http://www.hepsor.ee/en/>)) is one of the fastest growing residential and commercial real estate developers in Estonia and Latvia. Over the last eleven years Hepsor has developed more than 1,400 homes and 23,000 m<sup>2</sup> of commercial space. Hepsor has been the first real estate developer in the Baltic States to implement a number of innovative engineering solutions that make the buildings we construct more energy-efficient and thus more environmentally friendly. The company's portfolio is comprised of 25 development projects with a total sellable space of 176,000 m<sup>2</sup>.

