

Company Hepsor AS
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Attachments:

- Hepsor 4Q_2022_ENG.pdf (<http://oam.fi.ee/en/download?id=7003>)
- Hepsor4Q_2022_EST.pdf (<http://oam.fi.ee/en/download?id=7004>)

Currency

Title Hepsor AS: 2022 IV quarter and 12 months consolidated unaudited interim report

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

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

At the end of the year, we handed over the B?roo113 commercial to a modern clinic using an innovative concept. This is the first time that green solutions (geothermal heating and cooling, rainwater use, energy-efficient architecture, excellent indoor climate, solar energy, etc.) have been applied in a city centre high-rise. In Riga, a stock office type commercial building was completed at 30 Ulbrokas 3,645 sqm of which are fully covered with lease agreements.

In Q3 2022, we adjusted the 2022-2024 performance forecasts due to the changes in the economic environment, a decrease in real estate transaction activity and the extension of time needed for the preparation of development projects. When adjusting the forecast for 2022, we assumed that Hepsor would not sell any of the three commercial buildings under construction (B?roo113, Gr?ne Maja, 30 Ulbrokas) and that by the end of 2022, 34 apartments in the 4b Str?lnieku development project and 48 apartments in the Paev?lja Hoovimajad development



project would have been sold. As the conclusion of real right contracts for Paevälja Hoovimajad started in December 2022, we were able to conclude 40 real right contracts by the end of the year. As of 31 January 2023, real right contracts had already been concluded for 49 apartments in the Paevälja Hoovimaja development project and therefore the sales revenue for some apartments will be recorded in Q1 2023. In the 4b Str?lnieku development project, we have sold 36 apartments as of the end of 2022, which is two apartments more than forecast. Due to aforementioned reasons, the Group sales revenue and profit are 1.1 million euros and 0.3 million euros lower than forecast, respectively, mainly due to the postponement of the sale of eight apartments in Paevälja Hoovimajade until 2023.

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

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

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

In total, we added approximately 156 apartments to our development portfolio in 2022, including 40 in Riga and 131 in Tallinn. Approximately 60 new apartments will be built on the 12 Manufaktuuri property in the Manufaktuuri Quarter together with our long-term cooperation partner Tolaram Grupp. We started the construction of the Lilleküla Kodud development project with 26 apartments already in December 2022. Up to 45 new homes can be built on the properties purchased at 1a Alvari and 5 Alvari. In Latvia, a property was added on J?rmala



Gatve, where we are planning to build an energy class A three-storey residential building with 40 new homes.

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

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

Consolidated statement of financial position

in thousands of euros	31 December 2022	31 December 2021
Assets		
Current assets		
Cash and cash equivalents	3,754	10,889
Trade and other receivables	1,731	652
Current loan receivables	0	2,388
Inventories	69,760	37,237
Total current assets	75,245	51,166
Non-current assets		
Property, plant and equipment	314	229



Intangible assets		7	0
Financial investments		2	402
Investments in associates		1,086	0
Non-current loan receivables		1,766	3,408
Other non-current receivables		30	140
Total non-current assets		3,205	4,179
Total assets		78,450	55,345
Liabilities and equity			
Current liabilities			
Loans and borrowings		22,565	5,501
Current lease liabilities		127	123
Prepayments from customers		3,054	1,164
Trade and other payables		4,008	5,539
Total current liabilities		29,754	12,327
Non-current liabilities			
Loans and borrowings		26,015	22,862
Non-current lease liabilities		68	66
Other non-current liabilities		2,290	1,053
Total non-current liabilities		28,373	23,981
Total liabilities		58,127	36,308
Equity			
Share capital		3,855	3,855
Share premium		8,917	8,917
Retained earnings		7,551	6,265



Total equity	20,323	19,037
incl. total equity attributable to owners of the parent	19,937	18,904
incl. non-controlling interest	386	133
Total liabilities and equity	78,450	55,345

Consolidated statement of profit and loss and other comprehensive income

in thousands of euros	12M 2022	12M 2021	Q4 2022	Q4 2021 Adjusted
Revenue	12,870	14,961	7,248	8,015
Cost of sales (-)	-11,096	-11,902	-5,996	-6,111
Gross profit	1,774	3,059	1,252	1,904
Marketing expenses (-)	-446	-271	-167	-94
Administrative expenses (-)	-1,095	-942	-331	-373
Other operating income	70	83	23	27
Other operating expenses (-)	-68	-49	-23	0
Operating profit (-loss) of the year	235	1,880	754	1,464
Financial income	1,889	321	1,040	175
Financial expenses (-)	-787	-512	-333	-193
Profit before tax	1,337	1,689	1,461	1,446
Current income tax	-6	-16	-1	0
Deferred income tax	0	60	0	105
Net profit for the year	1,331	1,733	1,460	1,551
Attributable to owners of the parent	1,396	-22	1,537	153
Non-controlling interest	-65	1,755	-77	1,398



Other comprehensive income (-loss)				
Changes related to change of ownership	-26	70	-161	0
Change in value of embedded derivatives with minority shareholders	10	-1,815	-8	-1,389
Other comprehensive income (-loss) for the period	-16	-1,745	-169	-1,389
Attributable to owners of the parent	-363	68	-129	0
Non-controlling interest	347	-1,813	-40	-1,389
Comprehensive income (-loss) for the period	1,315	-12	1,291	162
Attributable to owners of the parent	1,033	46	1,408	153
Non-controlling interest	282	-58	-117	9
Earnings per share				
Basic (euros per share)	0.36	-0.01	0.40	0.04
Diluted (euros per share)	0.36	-0.01	0.40	0.04

Anneli Simm
Head of Investor Relations
Phone: +372 5615 7170
e-mail: anneli@hepsor.ee

Hepsor AS (www.hepsor.ee) 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 1,500 homes and 32,000 m(2) 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 26 development projects with a total sellable space of 176,000 m(2).

