

Company Hepsor AS
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Attachments:

- Hepsor 1Q_2023_ENG.pdf (<http://oam.fi.ee/en/download?id=7408>)
- Hepsor 1Q_2023_EST.pdf (<http://oam.fi.ee/en/download?id=7409>)

Currency

Title Hepsor AS consolidated unaudited interim report for Q1 2023

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

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.

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 at 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 at 31 March 2023. In the commercial real estate development segment Gr ne Maja, which is an office building that follows a green concept, is being completed in Tallinn. The office building is 100% covered with lease agreements and approximately 79% is in active use. The remaining tenants will move to the new premises in the second quarter of 2023 at the latest.

The Group started the construction of two residential real estate development projects in the first quarter of 2023. In Tallinn, the construction of 154 homes of the Manufaktuuri 7 project was started in the Manufaktuuri quarter, which is being developed together with the long-term cooperation partner Tolaram Group. Law of obligations agreements and reservation agreements had been signed for 32 apartments (21%) of Manufaktuuri 7 homes as at the end of the quarter. In Riga, the construction of 38 homes was started in the Nameja Residence project, of which law of obligations agreements and reservation agreements have been signed for 10 apartments (26%).

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 M rupes D rzs project, of which 78 apartments (85%) have been sold according to law of obligations agreements and reservations agreements, and 116 homes will be completed in the Kuldigas Parks project, of which 110 apartments (95%) have been sold according to law of obligations agreements and reservations agreements.

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. Customers do not make quick purchase decisions in the current economic situation, but there is continued interest in the Group's projects, which is why the board is moderately optimistic and continues to implement existing and new projects.

The Group forecasts 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 confidence that we the forecasts can be met for 2023.

Consolidated statement of financial position

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in thousands of euros	31 March 2023	31 December 2022	31 March 2022
Assets			
Current assets			
Cash and cash equivalents	2,126	3,754	7,440
Trade and other receivables	1,291	1,731	946
Current loan receivables	0	0	455
Inventories	73,610	69,760	45,128
Total current assets	77,027	75,245	53,969
Non-current assets			
Property, plant and equipment	269	314	209
Intangible assets	7	7	3
Financial investments	2	2	2
Investments in associates	972	1,086	0
Non-current loan receivables	1,766	1,766	2,308
Other non-current receivables	61	30	340
Total non-current assets	3,077	3,205	2,862
Total assets	80,104	78,450	56,831
Liabilities and equity			
Current liabilities			
Loans and borrowings	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	3,481	4,008	3,537
Total current liabilities	30,399	29,754	9,318
Non-current liabilities			



Loans and borrowings	26,686	26,015	26,854
Non-current lease liabilities	68	68	66
Other non-current liabilities	2,481	2,290	1,410
Total non-current liabilities	29,235	28,373	28,330
Total liabilities	59,634	58,127	37,648
Equity			
Share capital	3,855	3,855	3,855
Share premium	8,917	8,917	8,917
Retained earnings	7,698	7,551	6,411
Total equity	20,470	20,323	19,183
incl. total equity attributable to owners of the parent	20,092	19,937	18,823
incl. non-controlling interest	378	386	360
Total liabilities and equity	80,104	78,450	56,831

Consolidated statement of profit and loss and other comprehensive income

in thousands of euros	Q1 2023	Q1 2022
Revenue	5,975	1,272
Cost of sales (-)	-5,040	-1,166
Gross profit	935	106
Marketing expenses (-)	-71	-95
Administrative expenses (-)	-347	-328
Other operating income	20	10
Other operating expenses (-)	-23	-7



Operating profit (-loss) of the year	514	-314
Financial income	50	509
Financial expenses (-)	-425	-168
Profit before tax	139	27
Current income tax	0	-5
Net profit for the year	139	22
Attributable to owners of the parent	240	5
Non-controlling interest	-101	17
Other comprehensive income (-loss)		
Changes related to change of ownership	0	135
Change in value of embedded derivatives with minority shareholders	8	18
Other comprehensive income (-loss) for the period	8	153
Attributable to owners of the parent	-14	-86
Non-controlling interest	22	239
Comprehensive income (-loss) for the period	147	175
Attributable to owners of the parent	226	-81
Non-controlling interest	-79	256
Earnings per share		
Basic (euros per share)	0.06	0.00
Diluted (euros per share)	0.06	0.00



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Hepsor AS (www.hepsor.ee) is one of the fastest growing residential and commercial real estate developers in Estonia and Latvia. Over the last twelve 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).

