

Company Hepsor AS  
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## Currency

Title Hepsor AS consolidated unaudited interim report for Q4 and 12 months of 2023

Hepsor's 2023 consolidated revenue amounted to 41.1 million euros, with a net profit of 3.5 million euros (including a share of 1.2 million euros for the parent company's owners). The consolidated revenue for the fourth quarter of 2023 was 5.1 million euros, and the net loss was 1.3 million euros (including a share of 1.1 million euros loss for the parent company's owners).

The group management revised the forecasts for the financial years 2023 and 2024 in the third quarter of 2023. Consolidated sales revenue for 2023 exceeded the forecast by EUR0.3 million, while the consolidated profit fell short by EUR0.8 million compared to the forecast, with the parent company's share of the consolidated profit being EUR0.3 million lower than expected. The actual results were mainly impacted by the delay in revenue from development projects, which was expected to be received in the fourth quarter of 2023 but shifted to the first half of 2024. Additionally, a larger-than-expected foreign exchange loss (due to the weakening of the Canadian dollar against the euro) had an impact on the 2023 results compared to the forecast.

The extraordinary negative impact on the group's net profit for 2023 was due to an accounting loss resulting from the revaluation of the Office 113 commercial building. This revaluation was prompted by a temporary increase in vacancy rates due to the insolvency of a clinic previously occupying the premises, leading to the termination of the lease agreement by the landlord.

Completed development projects - During the 2023, a total of 274 new homes were handed over to customers (number of real rights contracts) from the Paevälja Courtyard Homes and Lilleküla Homes projects in Tallinn, as well as from the Kuldigas Parks, M?rupes D?rzs, and Str?lnieku 4b projects in Riga. By the end of the year, all homes in the Kuldigas Parks project were sold.

In the commercial real estate segment, we sold the Ulbrokas 30 property with the StokOfiss 30 office building in Riga developed by Hepsor, and properties on Tooma Street in Tallinn in the second quarter. In addition, by the end of the second quarter, the environmentally friendly Grüne Maja in Tallinn was



completed, with the last spaces handed over to tenants by the end of the period. As of the end of 2023, the office building is 100% covered with lease agreements. Regarding the associate company Büroo 113, Hepsor had to terminate the lease unilaterally in early September due to a breach of the lease agreement by a tenant, resulting in the availability of approximately 3,500 m2 of commercial space. In the context of Büroo 113, we have focused on negotiations with new tenants. Simultaneously, there is an ongoing legal dispute with the former tenant.

Development projects under construction and available for sale - In 2023, Hepsor has four residential development projects with a total of 329 apartments under construction - Ojakalda Homes (101 apartments) and Manufaktuuri 7 (150 apartments and 453 m2 of commercial space) in Tallinn and Nameja Residence (38 apartments) and Annenhof Majas (40 apartments) in Riga. The completion of these projects is scheduled for 2024, and most of the revenue will also be recognized in 2024. However, as of December 31, 2023, contracts under law of obligations and written reservations have been made for a total of 135 apartments (41%) across these four projects.

New Projects in Tallinn and Riga - In August 2023, Hepsor acquired new properties in Latvia by purchasing 50% of the shares of SIA "Riga Properties 4". The goal is to gradually develop 40,000 square meters of commercial space on the properties located in the Dreilini area near Riga. The properties are situated in an attractive area where IKEA store and SAGA shopping center are already located.

Hepsor AS's 50% subsidiary, Hepsor VT49 OÜ, acquired two properties in Rae Parish, Harju County, in November 2023. The purchased properties have detailed planning permission, allowing for the construction of a commercial building with 4,500 square meters of leasable space.

Hepsor in Canada - Hepsor initiated the development of its Canadian business line in the spring of 2022, following the start of Russia's military incursion into Ukraine, with the aim of finding new growth opportunities and mitigating geopolitical risks associated with current home markets. Within two years, a collaboration network necessary to start the business has been established in Canada, ranging from legal and financial advisors to banks, market analysis firms, and brokerage companies.

By the end of the third quarter of 2023, together with Canadian partners, two investments have been made. In June 2023, a property was acquired at the address 3406-3434 Weston Road, and in September 2023, three adjacent properties suitable for residential development were purchased in downtown Toronto at the address 164 - 168 Isabella Street. The objective of the purchased properties is to enhance their value. Weston Limited Partnership and Elysium Isabella Limited Partnership have been founded to develop these properties. In both projects, the land appraisal phase is expected to take 2-2.5 years, after which Weston Limited Partnership and Elysium Isabella Limited Partnership will decide whether to realize the obtained building rights through the sale of the properties or



proceed with the construction phase.

Conclusion and Outlook for 2024

Despite the persistently challenging economic environment and high prevailing interest rates, the Group remained profitable in 2023. Although overall market activity in both Tallinn and Riga was somewhat subdued, several of Hepsor's development projects saw impressive sales figures in 2023.

We are also pleased that despite global geopolitical and economic headwinds, the Hepsor team has performed admirably during times of greater complexity in all our home markets, maintaining the strength and sustainability of our company's foundation. Looking ahead, we aim for a greater contribution from the Canadian business line launched in 2023.

In 2024, we plan to commence construction and sales for at least three new projects. We will start two new projects in Latvia. These include the Ulbrokas 34 commercial building, offering approximately 9,000 m2 of leasable space, and the Zala Jugla project featuring 105 new homes. In Tallinn, within the Manufaktuuri Quarter, we envision the next phase of development and sales at Manufaktuuri 5. We will be transforming the former Baltic Cotton Spinning and Weaving Factory main building into an energy-efficient Class A building, featuring unique high-ceilinged homes and commercial spaces with geothermal heating and cooling. Sales for this project begins already at the first quarter of 2024.

At Hepsor, we remain moderately optimistic and view real estate as a long-term endeavour. We aim to launch and develop projects over market cycles while carefully analyzing risks and opportunities.

Please see Hepsor AS consolidated unaudited interim report for Q4 2023: <https://hepsor.ee/en/for-investors/stock/reports-2/>  
([https://www.globenewswire.com/Tracker?data=z0GzBMhyFbKCstyyonev7uj2-CVPm86g8FAnQIv-zz5pcl9VnfBdtlK0A\\_wbrYdC7i2XhQxxyog5YKhTGySFkRakWYaA6tS7DMsZzCBzU4JhVuvK1RQAUPDSyWGCuyf00A2HqAEZqPGuafoOwv3JG34k5WaBXSbcuWIWSdtd\\_ACEEE2iSl0ljqRdBnwbe2](https://www.globenewswire.com/Tracker?data=z0GzBMhyFbKCstyyonev7uj2-CVPm86g8FAnQIv-zz5pcl9VnfBdtlK0A_wbrYdC7i2XhQxxyog5YKhTGySFkRakWYaA6tS7DMsZzCBzU4JhVuvK1RQAUPDSyWGCuyf00A2HqAEZqPGuafoOwv3JG34k5WaBXSbcuWIWSdtd_ACEEE2iSl0ljqRdBnwbe2))

Consolidated statement of financial position

+-----+-----+		+-----+-----+	
in thousands of euros		31-Dec-23	31-Dec-22
+-----+-----+		+-----+-----+	
Assets			
+-----+-----+		+-----+-----+	
Current assets			
+-----+-----+		+-----+-----+	
Cash and cash equivalents		7,604	3,754
+-----+-----+		+-----+-----+	
Trade and other receivables		1,544	1,731



Current loan receivables	311	0
Inventories	77,439	69,760
Total current assets	86,898	75,245
Non-current assets		
Property, plant and equipment	162	232
Intangible assets	4	7
Financial investments	1,992	2
Investments in associates	0	1,086
Non-current loan receivables	1,729	1,766
Other non-current receivables	203	30
Total non-current assets	4,090	3,123
Total assets	90,988	78,368
Liabilities and equity		
Current liabilities		
Loans and borrowings	40,600	22,565
Current lease liabilities	40	46
Prepayments from customers	2,620	3,054
Trade and other payables	7,188	4,007
Total current liabilities	50,448	29,672
Non-current liabilities		
Loans and borrowings	16,305	26,015
Non-current lease liabilities	29	68
Other non-current liabilities	2,058	2,290
Total non-current liabilities	18,392	28,373



Total liabilities	68,840	58,045
Equity		
Share capital	3,855	3,855
Share premium	8,917	8,917
Reserve capital	385	0
Retained earnings	8,991	7,551
Total equity	22,148	20,323
incl. total equity attributable to owners of the parent	20,980	19,866
incl. non-controlling interest	1,168	457
Total liabilities and equity	90,988	78,368

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

in thousands of euros	12M 2023	12M 2022	Q4 2023	Q4 2022 adjusted
Revenue	41,135	12,870	5,087	7,248
Cost of sales (-)	-34,067	-11,096	-4,843	-5,996
Gross profit	7,068	1,774	244	1,252
Marketing expenses (-)	-576	-446	-177	-167
Administrative expenses (-)	-1,467	-1,095	-357	-331
Other operating income	166	70	54	23
Other operating expenses (-)	-152	-68	-36	-23
Operating profit (-loss) of the year	5,039	235	-272	754
Financial income	1,174	1,889	45	1,040
Financial expenses (-)	-2,746	-787	-1,084	-333



Profit before tax	3,467	-1,337	-1,311	1,461
Current income tax (-)	0	-6	0	-1
Deferred income tax	0	0	0	0
Net profit for the year	3,467	1,331	-1,311	1,460
Attributable to owners of the parent	1,172	1,396	-1,100	1,537
Non-controlling interest	2,295	-65	-211	-77
Other comprehensive income (-loss)				
Changes related to change of ownership	286	-26	36	-161
Change in value of embedded derivatives with minority shareholders	-2,053	10	104	-8
Other comprehensive income (-loss) for the period	-1,767	-16	140	-169
Attributable to owners of the parent	-58	-434	-70	-200
Non-controlling interest	-1,709	418	210	31
Comprehensive income (-loss) for the period	1,700	1,315	-1,171	1,291
Attributable to owners of the parent	1,114	962	-1,170	1,337
Non-controlling interest	586	353	-1	-46
Earnings per share				
Basic (euros per share)	0.30	0.36	-0.29	0.40



	Diluted (euros per share)		0.30	0.36	-0.29	0.40
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Hepsor AS ([www.hepsor.ee](http://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 1,600 homes and 36,000 m2 of commercial space. Hepsor was 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 171,800 m2.

