

Company Hepsor AS
Type Company Release
Category Annual financial report
Disclosure time 19 Apr 2024 07:00:00 +0300

Attachments:

- Hepsor_2023_ENG.pdf (<http://oam.fi.ee/en/download?id=8302>)
- Hepsor AS ESEF report 2023 audited eng.zip (<http://oam.fi.ee/en/download?id=8303>)
- Hepsor_2023_EST.pdf (<http://oam.fi.ee/en/download?id=8304>)
- Hepsor AS ESEF aruanne 2023 auditeeritud est.zip (<http://oam.fi.ee/en/download?id=8305>)

Currency

Title Hepsor AS 2023 audited annual report

The Management Board of Hepsor AS has prepared the audited annual report for 2023. Compared to the unaudited interim report published on 14 February 2024, there are no material differences in the audited report.

The consolidated sales revenue of Hepsor for the 2023 financial year amounted to 41.1 million euros and the net profit was 3.5 million euros (including a share of 1.2 million euros for the parent company's owners).

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, Mõrupses Džrzs, and Strēlnieku 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 invasion 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. Also two investments have been made in Toronto properties at the addresses 3406-3434 Weston road and 164 - 168 Isabella street. The objective of the purchased properties is to enhance their value, which will presumably take 2-2.5 years.

Conclusion and Outlook for 2024

Despite the persistently challenging economic environment and high prevailing interest rates, the Group remained profitable 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 began already in 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.

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	2,005	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	4,103	3,123
Total assets	91,001	78,368
Liabilities and equity		
Current liabilities		
Loans and borrowings	40,600	22,565
Current lease liabilities	40	46



Trade and other payables and prepayments	9,808	7,061
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
Reserves	385	0
Retained earnings	9,004	7,551
Total equity	22,161	20,323
incl. total equity attributable to owners of the parent	20,993	19,866
incl. non-controlling interest	1,168	457
Total liabilities and equity	91,001	78,368

Consolidated statement of profit and loss and other comprehensive income

in thousands of euros	2023	2022
Revenue	41,135	12,870
Cost of sales (-)	-34,067	-11,096
Gross profit	7,068	1,774



Marketing expenses (-)	-576	-446
Administrative expenses (-)	-1,472	-1,095
Other operating income	166	70
Other operating expenses (-)	-152	-68
Operating profit of the year	5,034	235
Financial income	1,192	1,889
Financial expenses (-)	-2,746	-787
Profit before tax	3,480	1,337
Income tax	0	-6
Net profit for the year	3,480	1,331
Attributable to owners of the parent	1,185	1,396
Non-controlling interest	2,295	-65
Other comprehensive income (-loss)		
Changes related to change of ownership	286	-26
Change in value of embedded derivatives with minority shareholders	-2,053	10
Other comprehensive income (-loss) for the period	-1,767	-16
Attributable to owners of the parent	-58	-434
Non-controlling interest	-1,709	418
Comprehensive income (-loss) for the period	1,713	1,315
Attributable to owners of the parent	1,127	962
Non-controlling interest	586	353
Earnings per share		



Basic (euros per share)	0.31	0.36
+-----+	+-----+	+-----+
Diluted (euros per share)	0.31	0.36
+-----+	+-----+	+-----+

Hepsor AS audited annual report 2023 has been attached to the current release and you can also see the full version here: <https://hepsor.ee/en/for-investors/stock/reports-2/>.

The annual report will be presented for approval to the General Meeting of Shareholders.

Henri Laks

Member of the Management Board

Phone: +372 5693 9114

e-mail: henri@hepsor.ee (mailto:henri@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 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.

