

hepsor



Manufaktuuri 7, Tallinn

2024 IV quarter and twelve
months consolidated unaudited
interim report

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Reporting period:	01 January 2024-31 December 2024
Financial year:	01 January 2024-31 December 2024
Supervisory Board:	Andres Pärloja, Kristjan Mitt, Lauri Meidla
Management Board:	Henri Laks
Auditor:	Grant Thornton Baltic OÜ

The Estonian capital-based real estate development company Hepsor AS (hereinafter "the Group" or "Hepsor") started operating in Estonia in 2011. The Group entered the Latvian market in 2017 and has been operating under the same consolidating Group since 2019. The Group entered the Canadian market in 2023.

Contents

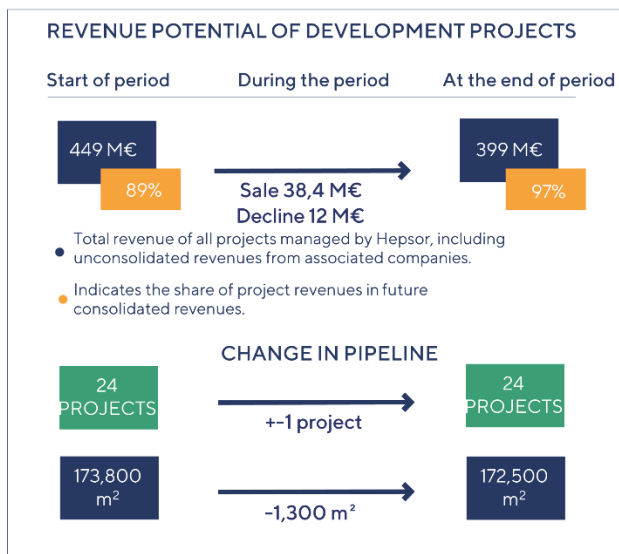
Management Report	4
Overview of the Development Projects	7
Group Structure	18
Main Events	19
Operating Results / Financial results	20
Share and Shareholders.....	23
Consolidated Financial Statements	25
Consolidated statement of financial position.....	25
Consolidated statement of profit and loss and other comprehensive income	26
Consolidated statement of changes in equity	27
Consolidated statement of cash flows	28
Notes to the consolidated interim financial statement	29
Note 1. General information	29
Note 2. Inventories	29
Note 3. Trade and other receivables	31
Note 4. Loans granted	31
Note 5. Investment properties	32
Note 6. Financial investments	32
Note 7. Loans and borrowings.....	32
Note 8. Trade and other payables	35
Note 9. Other non-current liabilities	35
Note 10. Embedded derivatives	35
Note 11. Contingent liabilities	36
Note 12. Revenue	37
Note 13. Cost of sales	37
Note 14. Marketing expenses.....	37
Note 15. Administrative expenses.....	37
Note 16. Personnel expenses	37
Note 17. Financial income and expenses	38
Note 18. Information about line item in the consolidated statement of cash flows	39
Note 19. Subsidiaries	39
Note 20. Shares of associates	41
Note 21. Operating segments.....	42
Note 22. Related parties	43
Note 23. Events after the reporting period	44
Note 24. Risk management	44
Management Board's Confirmation	47

Management Report

2024 12 MONTHS UNAUDITED REVENUES AND NET PROFIT REVENUE AND NET PROFIT FORECAST FOR 2024



LONG TERM OUTLOOK (31.12.2023 VS 31.12.2024)



IN 2024 SOLD NEW HOMES

Project	Sold homes
Manufaktuuri 7	103 homes sold.
Paevälja Courtyard houses	Last 5 homes sold.
Lilleküla homes	8 homes sold.
Ojakalda homes	49 homes sold.
Strelnieku 4B	8 homes sold.
Nameja Rezidence	19 homes sold.
Marupes Darzs	Last home sold.

DEVELOPMENT PROJECTS FOR SALE AND UNDER CONSTRUCTION (31.12.2024)

PROJECT	Total number of apartments	Apartments sold*	Apartment s sold %	Unsold apartments	Construction completed
Strelnieku 4b	54	53	98%	1	2020
Ojakalda homes	101	49	49%	52	2024
Lilleküla homes	26	18	69%	8	2023
Manufaktuuri 7	150	111	74%	39	2024
Manufaktuuri 5 I stage	152	12	8%	140	2027
Nameja Rezidence	38	20	53%	18	2024
Annenhof Majas	40	18	45%	22	2025
Zala Jugla	75	3	4%	72	2027
Kokku	636	284	45%	352	
COMMERCIAL DEVELOPMENT PROJECTS IN PROCESS	Total rentable area m ²	Occupancy m ²	Occupancy %	Construction completed	
Büroo113	3,851	2,974	77%	2023	
Grüne office building	3,430	3,302	96%	2023	
Ulbrokas 34	8,740	495	6%	2025	
Manufaktuuri 5 I stage	1,515	0	0%	2027	
Manufaktuuri 7	453	178	39%	2024	
Total	17,989	6,949	39%		

DEVELOPMENT PROJECTS UNDER CONSTRUCTION (31.12.2024)

Started in 2024	Under construction as of 31.12.2024	Will be started in 2025.
149 apartments 10,255 m ² commercial area	192 apartments 10,255 m ² commercial area	281 apartments 0 m ² commercial area

*Number of sold apartments includes paid bookings, contracts under law of obligation and real right contracts.

Dear shareholders of Hepsor



Hepsor's consolidated sales revenue for 2024 amounted to 38.4 million euros, and the Group's net profit totalled 2.1 million euros. The net profit attributable to the owners of the parent company in the accounting year was 0.4 million euros. Consolidated sales revenue for Q4 2024 was 10.5 million euros, and net profit for Q4 was 1 million euros, including net profit attributable to owners of the parent company in the amount of 0.6 million euros.

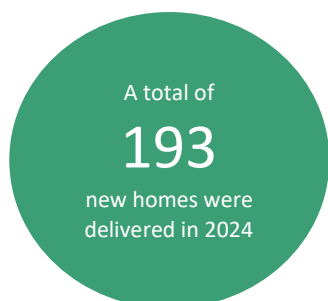
The Group's sales revenue and profit are directly dependent upon the development cycle of projects, which last for approximately 24–36 months. Sales revenue is only generated at the end of the cycle. Depending on the length of the development cycle and the start of development, more projects may be completed in one quarter than in another, and quarters may differ significantly in terms of both profit and sales revenue. As a result, in both financial year and quarterly terms, some years or quarters may be weaker and others much stronger.

Compared to the forecast for the financial year 2024, presented in Q3 2024, the parent company's profit was 0.2 million euros higher. The revaluation of the Gryne commercial building and the increased number of residences sold in comparison to the forecast both had an impact on the actual results.

Development projects under construction and available for sale

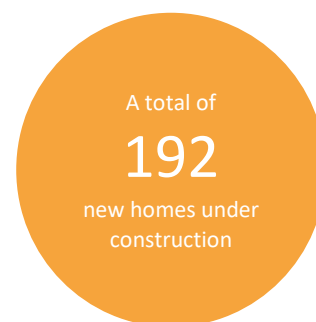
In 2024, we began construction of a commercial building StockOfiss 34 at Ulbrokas 34, in Riga. StokOfiss 34 is a multifunctional commercial building with a lettable area of 8,740 m².

In Tallinn, we began Hepsor's largest development project to date, the construction and sale of the main building of the former Baltic Cotton Spinning and Weaving Factory located at Manufaktuuri 5. The project is being developed in stages. In the first stage, the construction of 152 new apartments is planned.



In Riga, construction continued on the 40 apartment Annenhof House development project, the completion of which is planned for the beginning of 2025.

In 2024, we delivered 193 homes to customers, including 51 homes in the fourth quarter. We delivered 165 homes to clients in Tallinn, and 28 homes in Riga. The Manufaktuuri 7 development project has been completed, along with Ojakalda homes in Tallinn and the Namejas Residence in Riga.



In the commercial building P113 Tervisemaja, owned by the affiliated company Hepsor P113 OÜ, new rental contracts continued to be signed, and as at the end of the reporting year 77% of the rental space was covered by contracts (80% as at the reporting date).

Based on the Group's business strategy, the Lembitu 4 property in Tallinn, which is intended to be used for the construction of a hotel with approximately 110 rooms, was sold in Q4 2024. Freed-up capital was used to finance new developments as well as to reduce interest costs at the Group level.

New projects in Tallinn and Riga

In September 2024, Hepsor acquired a new property in Tallinn, at Võistluse 7. It is a sLender-type apartment building, designed by researchers-architects at the Estonian Academy of Arts, built in the style of an early 20th century Lender wooden house. The building will be constructed entirely of wood, with the exception of the staircase in the centre of the building. At the heart of the project is environmental preservation and the utilisation of green technology solutions for climate resilience.

On 18 July 2024, Hepsor E18 SIA, a subsidiary of Hepsor Latvia OÜ, acquired a property at Eiženijas iela 18, in Riga. The plan is to develop two buildings there with a total of 54 apartments.

In December, Hepsor Latvia OÜ signed an option agreement to acquire a 50% stake in a real estate development company. The development company is planning to build 103 new homes at Dzelzavas 74c, in Riga.

Hepsor in Canada

In 2024, Hepsor made three new investments in Canada:

- a development project consisting of seven properties at 17-29 Glenavy Avenue, in Toronto;
- a development project consisting of 11 properties in High Park, located in downtown Toronto; and
- a development project consisting of 17 properties on Brownville Avenue, in Toronto.

To date, Hepsor has invested in five development projects in Toronto. In cooperation with business partners, the primary objective of the projects acquired in Canada's largest city is to prepare a detailed plan and thereby achieve building rights for a total of around 3,000 new rental apartments.

Summary and vision for the future

For the Group as a whole, 2024 was a moderately profitable year, despite the ongoing economic downturn and interest rates which remained relatively high during the year. However, there is no reason to be satisfied with profitability. The market sentiment and the economic environment cannot be outwitted. Encouragingly, the bottom of the market in terms of transaction activity remained backward-looking until 2023. Against this backdrop, Hepsor's team is highly valued by the Group's management, having made a significant contribution to ensuring the sustainability of the company in the domestic market. Despite the market situation, a significant number of new homes were handed over to customers in 2024, a large number of new leases were signed, vacancy rates in both existing and new commercial buildings were reduced, new investments were made in the Baltics and in Canada. It would probably have been more profitable in the short term for the Group to make fewer new investments, thereby saving on both interest and overhead costs. However, the development project cycle is known to last at least 3–5 years, and therefore the Group has continued to invest and expand its development portfolio in a forward-looking manner, even in a difficult economic environment.

In 2025, we intend to begin the construction and sale of up to five new development projects.

In Latvia, we are planning to begin the construction and sale of up to four projects. In total, 147 new homes will be built and sold in three residential projects. In the field of commercial buildings, we would like to begin the construction of a stock-office type development project in the Veidema Quarter.

We will be continuing with construction and sales in Tallinn, at the address Manufaktuuri 5, in the Manufaktuuri Quarter. We are converting the main building of the former Baltic Cotton Spinning and Knitting Factory into an energy class A building, where we will be creating 152 highly distinctive, energy-efficient new homes and commercial spaces with high ceilings. We will also be starting the next phase in the Manufaktuuri Quarter – the sale and construction of 49 new homes at Manufaktuuri 12.

Nevertheless, the declining interest rate environment allows us to look to the future with moderate optimism. The real estate business is a long process. That's why we want to initiate and develop new projects, always analysing risks and opportunities over market cycles.

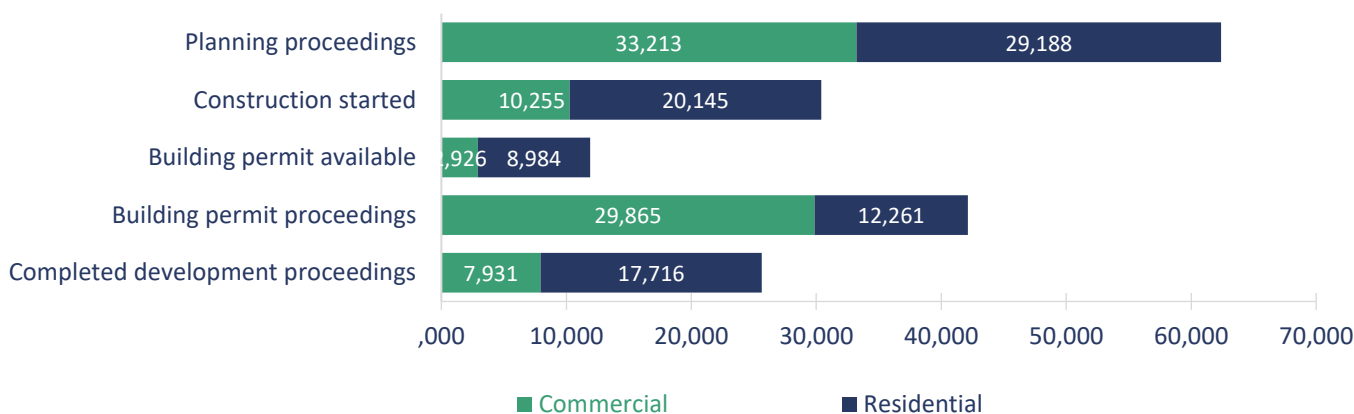
Henri Laks

Member of the Management Board

Overview of the Development Projects

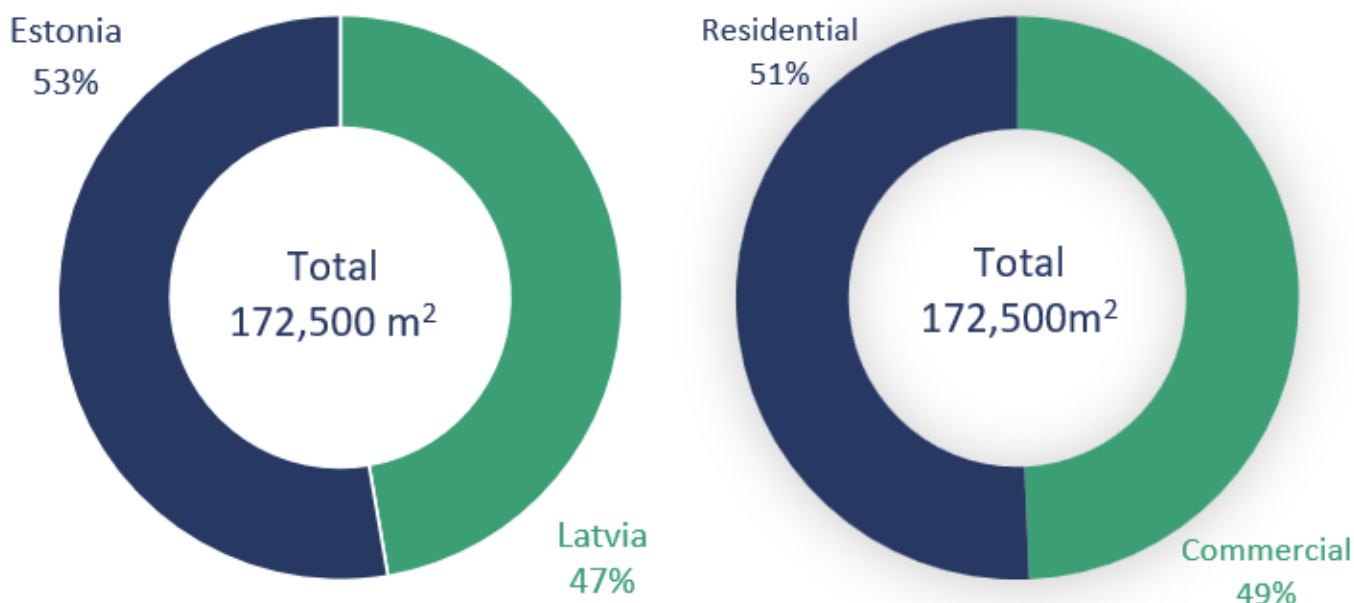
As of 31 December 2024, the Group has a total of 24 active development projects in various stages of development and 172,500 square meters of saleable area (31 December 2023: of 25 active development projects and 171,800 square meters of saleable area).

Distribution of the development portfolio between different stages of development* (as of 31 December 2024):



*Except Canada projects

Distribution of development portfolio between countries and type* (as of 31 December 2024):



*Except Canada projects

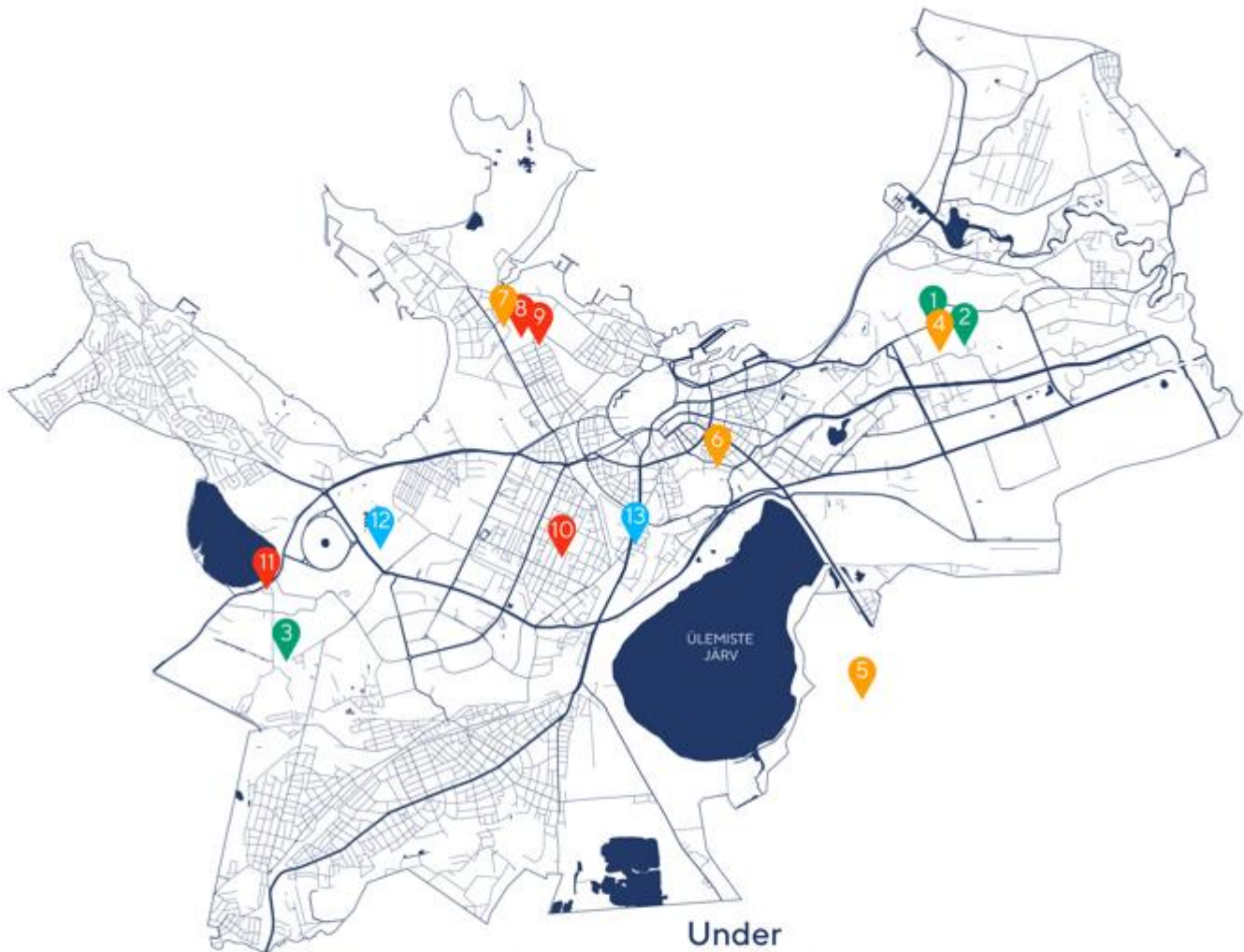
Development Projects in Canada (as of 31 december 2024):

Hepsor’s projects in Canada are recognized as financial investments. To date, we have invested in five different development projects. The Group’s activities in Canada are related to increasing the building volume of properties, and in collaboration with partners, plans are underway for approximately 3,000 new rental apartments.

- Weston Road Project: The objective of the first phase is to increase the building volume of the property from 27,000 m² to approximately 53,000 m² and to obtain building rights for the construction of two residential buildings.
- Isabella Project: The goal of the first phase is to merge three properties located at 164 – 168 Isabella Street in Toronto and to plan a residential high-rise on the newly formed site with a building volume of approximately 42,000 m².
- Elysium Glenavy Project: In the second quarter of 2024, seven properties were acquired in the Leaside area of downtown Toronto, located at 17-29 Glenavy Avenue. The aim is to develop a future residential high-rise with rental apartments, with a building volume of approximately 25,000 m².
- High Park Project: In the third quarter of 2024, an 11-property development project was acquired at 21-29 Oakmount Rd & 26-36 Mountview Avenue. The development area will feature a two-tower residential high-rise with rental apartments and a total building volume of approximately 62,000 m².
- Brownville Avenue Project: On the last day of the third quarter, an agreement was signed to acquire a development project consisting of 17 properties on Brownville Avenue in Toronto. The project plans to develop a rental apartment building with a total area of 63,000 m².



Development projects in Tallinn (as of 31 December 2024)



Planning proceedings

- 1 Narva mnt 150, 150a, 150b
- 2 Alvari 1
- 3 Kadaka tee 197

Building permit proceedings / available

- 4 Paevälja 5, 7, 9
- 5 Vana-Tartu mnt 49
- 6 Võistluse 7
- 7 Manufaktuuri 12

Under construction and/or available for sale

- 8 Manufaktuuri 5
- 9 Manufaktuuri 7
- 10 Nõmme tee 57
- 11 Paldiski mnt 227c

Completed, earning cash flow

- 12 Meistri 14
- 13 Pärnu mnt 113

Development projects in Riga (as of 31 December 2024)



Planning proceedings

- 1 Riga Properties 4

Building permit proceedings / available

- 2 Saules aleja 2a
- 3 Ganību Dambis 17a
- 4 Eizenija 18
- 5 Dzelzavas 74C
- 6 Braila 23

Under construction and/or available for sale

- 7 Ulbrokas 34
- 8 Jurmalas Gatve / Imanta 8. linija
- 9 Strēlnieku 4b
- 10 Ranka Dambis 5

Development projects in Canada (as of 31 December 2024)



Land development projects

- 1 3406-3434 Weston road
- 2 164 - 168 Isabella street
- 3 17-29 Glenavy Avenue
- 4 21-29 Oakmount Rd & 26-36 Mountview Avn
- 5 70-104 Brownville avenue

Completed development projects (as of 31 December 2024):



Project: Strēlnieku 4b
Hepsor S4B SIA

Address: Strēlnieku 4b, Rīa

Apartments: 54

End of construction: 2020

Website: hepsor.lv/strelnieku4b/en/



Project: Ojakalda Homes
Hepsor 3TORNI OÜ

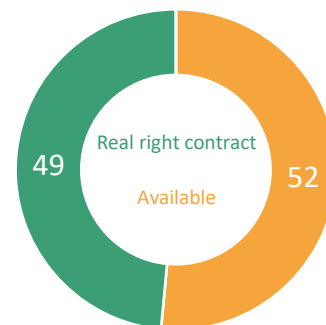
Address: Paldiski mnt 227c, Tallinn

Apartments: 101

Start of construction: III Q 2022

End of construction: II Q 2024

Website: hepsor.ee/ojakalda/en/



Project: Lilleküla Homes
Hepsor N57 OÜ

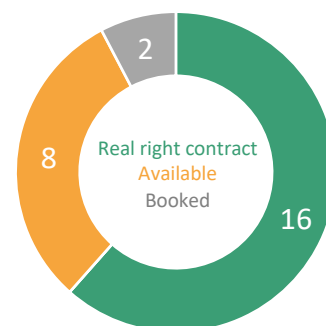
Address: Nõmme tee 57, Tallinn

Apartments: 26

Start of construction: IV Q 2022

End of construction: I Q 2024

Website: hepsor.ee/lillekylakodud/en/



Project: P113 Tervisemaja
Hepsor P113 OÜ

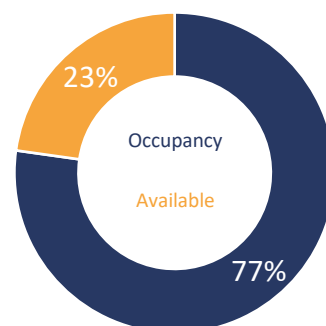
Address: Pärnu mnt 113, Tallinn

Leasable area: 3,851 m²

Occupancy: 77%

End of construction: IV Q 2022

Website: byroo113.ee/



Project: Grüne office building
Hepsor M14 OÜ

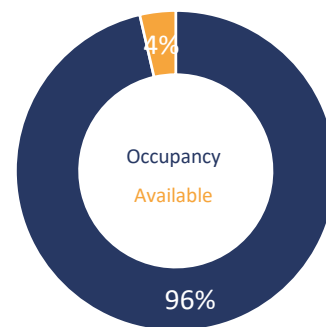
Address: Meistri 14, Tallinn

Leasable area: 3,430 m²

Start of construction: IV Q 2020

End of construction: II Q 2023

Website: gryne.ee/en/





Project: Manufaktuuri quarter
Hepsor Phoenix 2 OÜ

Address: Manufaktuuri 7, Tallinn

Apartments: 150

Start of construction: I Q 2023

End of construction: III Q 2024

Website: hepsor.ee/manufaktuur/m7/en/



Project: Nameja Residence
Hepsor RD5 SIA

Address: Ranka Dambis 5, Riia

Apartments: 38

Start of construction: I Q 2023

End of construction: III Q 2024

Website: hepsor.lv/namejarezidence/en/



Development Projects Under Construction (as of 31 December 2024)



Project: Manufaktuuri 5, I stage
Hepsor Phoenix 3 OÜ

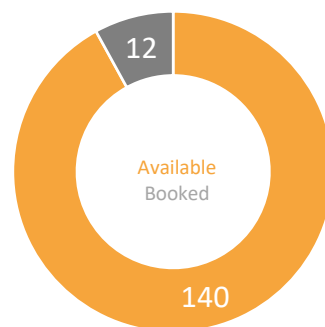
Address: Manufaktuuri 5, Tallinn

Apartments: 152

Start of construction: II Q 2024

Estimated completion: 2027

Website: hepsor.ee/manufaktuur/?lang=en



Project: Annenhof Majas
Hepsor JG SIA

Address: Jurmalas Gatve/Imanta 8. linija, Riia

Apartments: 40

Start of construction: IV Q 2023

Estimated completion: I Q 2025

Website: hepsor.lv/annenhofmajas/en





Project: StokOfiss 34
Hepsor U34 SIA

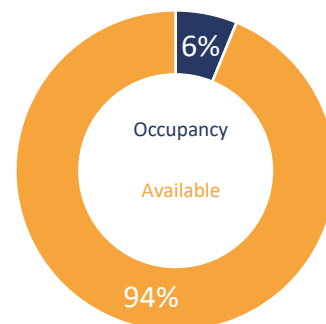
Address: Ulbrokas 34, Riia

Leasable area: 8,740 m²

Start of construction: II Q 2024

Estimated completion: II Q 2025

Website: hepsor.lv/stokofissu34/en/



Development projects the construction of which starts in 2025 (as of 31 December 2024):



Project: Zala Jugla I stage
Hepsor Jugla SIA

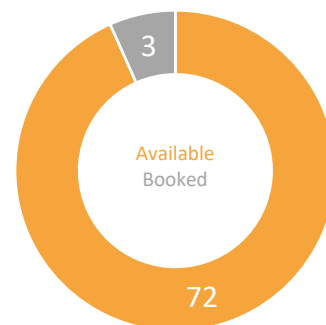
Address: Braila Str 23, Riia

Apartments: 75

Start of construction: II Q 2025

Estimated completion: II Q 2027

Website: hepsor.lv/zalajugla/?q=eng



Project: Manufaktuuri 12
Hepsor Phoenix 3 OÜ

Address: Manufaktuuri 12, Tallinn

Apartments: 49

Start of construction: II Q 2025

Estimated completion: II Q 2026

Website: hepsor.ee/manufaktuur/m12/en/



Project: Eizenija 18
Hepsor E18 SIA

Address: Eizenija 18, Riga

Apartments: 54

Start of construction: III Q 2025

Estimated completion: III Q 2026



Project: Dzelzavas 74C

Address: Dzelzavas street 74C, Riga

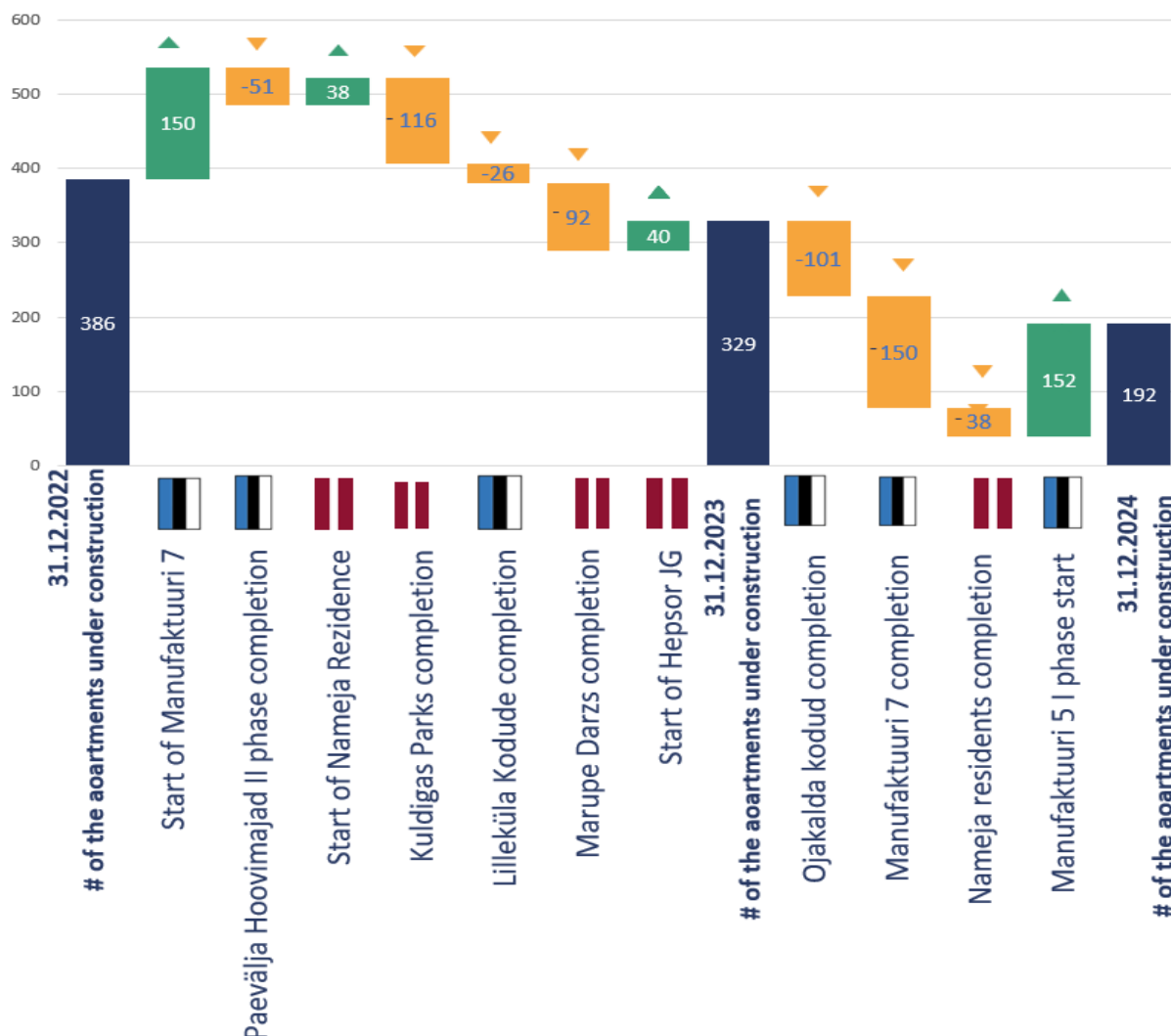
Apartments: 103

Start of construction: II Q 2025

Estimated completion: III Q 2026

Website: dzresidence.lv/en/

Under construction and completed apartments 2022 - 2024

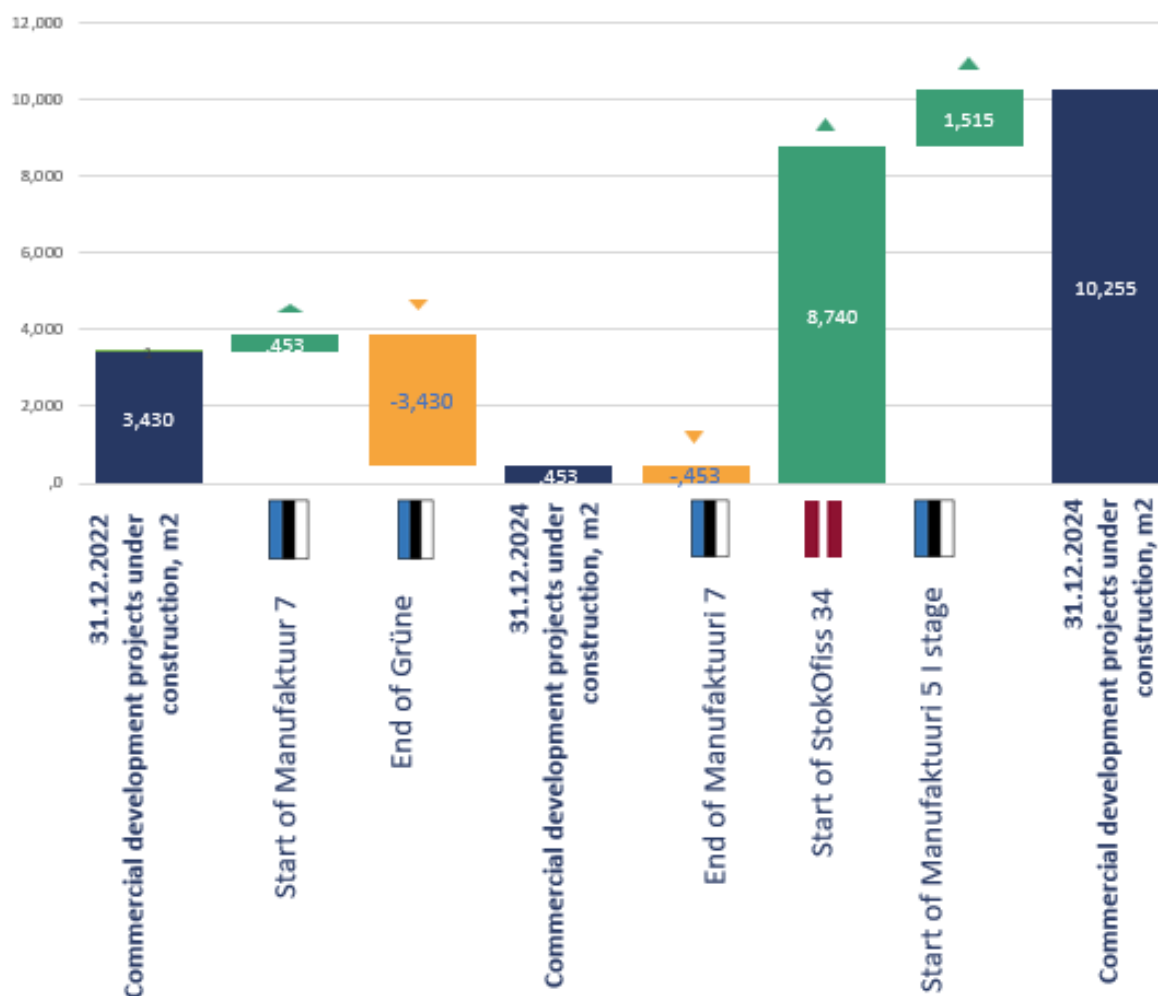


Residential development projects under construction and available for sale (as of 31 December 2024):

Project	Status	Apartments	Apartments		Apartments %		Completion
			Sold*	Available	Sold*	Available	
Strēlnieku 4b, Lāti	Completed	54	53	1	98%	2%	2020
Lilleküla Kodud	Completed	26	18	8	69%	31%	IV Q 2023
Ojakalda Kodud	Completed	101	49	52	49%	51%	I Q 2024
Manufaktuuri 7	Completed	150	111	39	74%	26%	III Q 2024
Manufaktuuri 5	In construction	152	12	140	8%	92%	IV Q 2027
Nameja Residence	Completed	38	20	18	53%	47%	III Q 2024
Annenhof Majas	In construction	40	18	22	45%	55%	I Q 2025
Total		561	281	280	50%	50%	

* Number of sold apartments includes paid bookings, contracts under law of obligation and real right contracts.

Commercial development projects under construction 2022 - 2024



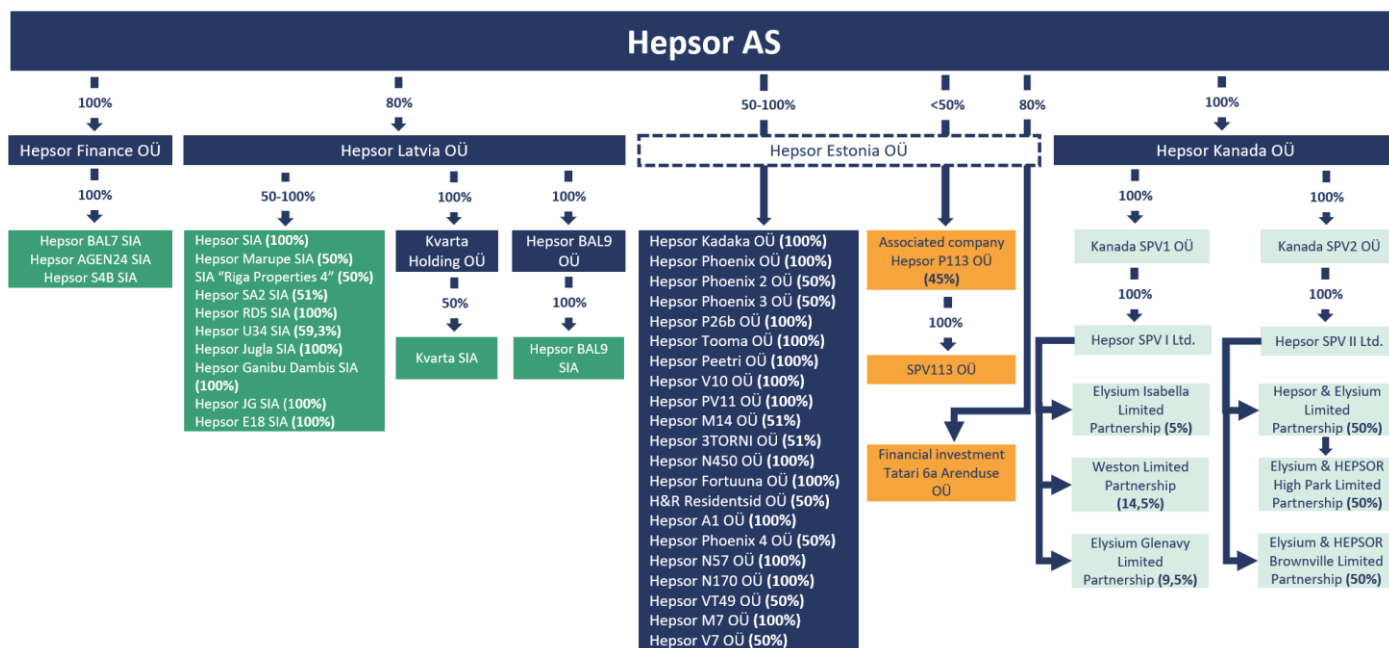
Occupancy of commercial development projects (as of 31 December 2024):

Project name	Rentable area sqm	Occupancy sqm	Occupancy %
Ulbokras 34 stokofiss, Latvia	8,740	495	6%
P113 Tervisemaja	3,851	2,974	77%
Grüne Maja	3,430	3,302	96%
Manufaktuuri 5	1,515	0	0%
Manufaktuuri 7	453	178	39%
Total	17,989	6,949	39%

In addition to the new commercial and office buildings developed by the Group, the Group rents out commercial premises in Riga and Tallinn located on properties that are in the development phase for the construction of new buildings.

Group Structure

As of 31 December 2024, the Group consisted of the parent company, 44 subsidiaries, and one associate and its subsidiary (as of 31 December 2023, the Group consisted of the parent company, 43 subsidiaries, and one associate). Tatari 6a Arenduse OÜ, Weston Limited Partnership, Elysium Isabella Limited Partnership, Elysium Glenavy Limited Partnership, Elysium & Hepsor High Park Limited Partnership, and Elysium & Hepsor Brownville Limited Partnership are recognized as financial investments.



During the nine months of 2024 the following changes took place in the structure of the Group:

- ✓ On 5 March 2024, Hepsor AS subsidiary Hepsor Latvia OÜ established a subsidiary, Hepsor E18 SIA.
- ✓ On 8 March 2024, Hepsor AS associate Hepsor P113 OÜ established a subsidiary, SPV113 OÜ.
- ✓ Hepsor Latvia OÜ's shareholding in Kvarita Holding OÜ increased from 50% to 100%, and Kvarita Holding OÜ's shareholding in Kvarita SIA decreased from 100% to 50%.
- ✓ In June 2024, Elysium Glenavy Limited Partnership was added as a financial investment, in which Hepsor SPV I Ltd share is 9.5%.
- ✓ On 22 May 2024, Hepsor AS established the subsidiary Hepsor V7 OÜ (50% shareholding).
- ✓ Hepsor Latvia OÜ's shareholding in Hepsor U34 SIA decreased from 70% to 59.3%.
- ✓ In the third quarter, Hepsor & Elysium Limited Partnership was added as a financial investment, where Hepsor SPV II Ltd holds a 50% share, which in turn holds a 50% share in Elysium & Hepsor High Park Limited Partnership.
- ✓ On 30 September 2024, the Elysium & Hepsor Brownville Limited Partnership agreement was signed, in which Hepsor SPV II Ltd. Share is 50%.
- ✓ On 17 December 2024, the division of T2T4 OÜ was completed, Hepsor Finance OÜ acquired the part belonging to Hepsor in the divided company.
- ✓ On 17 December 2024, Hepsor subsidiary Hotell L4 OÜ (former business name: Hepsor L4 OÜ) signed a share sale and claim transfer agreement with Pihlamaa AS.

Main Events

- ✓ On 12 June 2024, Hepsor AS Group company Hepsor U34 SIA and Bigbank AS Latvian branch signed a loan agreement for nine million euros. The purpose of the loan is to finance the construction of the StokOfiss 34 business building development project in Riga at Ulbrokas 34. In addition to the bank, investors have been involved in the financing of the development project, contributing a total of 1.7 million euros.
- ✓ In June, Hepsor AS subsidiary in Canada, Hepsor SPV I Ltd, made its third investment in the Canadian real estate market by purchasing residential development plots in collaboration with Canadian partners at 17-29 Glenavy Avenue in Toronto.
- ✓ On 17 May 2024, Hepsor AS Group company Hepsor U34 SIA and construction company Mitt & Perlebach signed a contract for the construction of the StokOfiss 34 development project in Riga at Ulbrokas 34. The construction contract is valued at approximately 9.6 million euros, plus VAT.
- ✓ On 18 July, Hepsor AS subsidiary Hepsor E18 SIA acquired a property in Riga at Eiženijas iela 18. The development will include two apartment buildings with a total of 54 apartments and a sellable area of 2,800 m². Construction is planned to begin in the third quarter of 2025.
- ✓ On 2 September, Hepsor AS subsidiary Hepsor V7 OÜ acquired a property in the heart of Tallinn at Vöistluse 7, where a unique eco-friendly wooden apartment building is planned to be developed.
- ✓ On 12 September, Hepsor, together with its partner Elysium Investments, acquired a development project consisting of 11 plots in High Park, downtown Toronto, Canada.
- ✓ On 30 September, Hepsor, together with its partner Elysium Investments, acquired a development project consisting of 17 plots on Brownville Avenue in Toronto, Canada.
- ✓ In December, Hepsor Latvia OÜ signed an option agreement to acquire a 50% stake in a real estate development company. The development company is planning the construction of a 13-story apartment building with 102 apartments at Dzelzavas 74c, Riga.
- ✓ On 17 December, Hepsor subsidiary Hotell L4 OÜ (former business name: Hepsor L4 OÜ) signed a share sale and claim transfer agreement with Pihlamaa AS.

Financial results

The Group's sales revenue in Q4 2024 was 10.5 million euros (Q4 2023: 5.1 million euros), of which 1.7 million euros (Q4 2023: 2.0 million euros) or 15.9% (Q4 2023: 39.4%) was earned in Latvia.

The Group's sales revenue in 2024 was 38.4 million euros (2023: 41.1 million euros), of which 5.9 million euros (2023: 27.5 million euros) or 15.3% (2023: 66.9%) was earned in Latvia.

Large fluctuations in sales revenue are relatively common in real estate development business. The development cycle of the Group's real estate projects lasts approximately 36 months or longer. In year-on-year comparisons, sales revenues and profits may fluctuate depending on the period between the completion of the construction of the development project and the sale of the completed apartments.

In 2024 the Group sold a total of 193 apartments (2023: 274 apartments) of which 165 apartments in Tallinn – In the Paevälja Hoovimajade development project, 5 apartments were sold, in the Lilleküla Kodude development project, 8 apartments were sold, in the Ojakalda Kodude development project, 49 apartments were sold, and in the Manufaktuuri 7 development project, 103 apartments were sold. In Latvia, 28 apartments were sold, including 8 apartments in the Riga Strelnieku 4b development project, the last apartment was handed over to the client in the Mārupes Dārzs development project, and 19 apartments were sold in the Nameja Residence development project. The revenue from real estate sales in 2024 was 36.2 million euros (2023: 39.5 million euros), being 94.3% (2023: 96.1%) of the total Group's revenue.

In addition to the sale of apartments, the Group also offers project management services and generates rental income from real estate. In the fourth quarter the total other sales revenue amounted to 1.1 million euros (Q4 2023: 0.3 million euros) or 10.2% (Q4 2023: 7.0%) of the Group's total sales revenue. In 2024, the Group earned other sales revenue in the amount of 2.2 million euros (2023: 1.6 million euros), which was 5.8% (2023: 3.9%) of the Group's total sales revenue.

Profitability

The gross profit of the fourth quarter of the Group was 2,531 thousand euros and the gross profit margin was 24.0% (Q4 2023: 244 thousand euros and 4.8%) and the gross profit for reporting year was 6,762 thousand euros, the gross profit margin was 17.6% (2023: 7,068 thousand euros and 17.2%). The gross profit of development projects sold during the reporting year was 6,459 thousand euros (2023: 8,027 thousand euros) and gross profit margin was 17.9% (2023: 20.3%).

The Group's operating profit for the fourth quarter of 2024 was 1,998 thousand euros and the operating profit for the reporting year was 4,332 thousand euros. In Q4 2023, the operating loss was 277 thousand euros and in the comparable period, the operating profit for the 12 months was 5,034 thousand euros. The operating profit margin for the fourth quarter of the reporting year was 19.0% (Q4 2023: -5.4%) and the operating profit margin for the year 2024 was 11.3% (2023: 12.2%). The Group's operating expenses for 2024 amounted to 3.7 million euros (2023: 3.0 million euros), increasing by 23.3%. The increase in expenses was due to both the growth in marketing expenses, influenced by a larger number of ongoing projects for sale, as well as the rise in payroll costs, resulting from changes in employee composition and general salary increases.

The Group's net profit for the fourth quarter was 957 thousand euros (Q4 2023: net loss of 1,298 thousand euros), of which the profit attributable to the parent company's owners was 578 thousand euros (Q4 2023: loss of 1,087 thousand euros), and the net profit attributable to non-controlling interests was 379 thousand euros (Q4 2023: net loss of 211 thousand euros). In the fourth quarter, the Meistri 14 development project was reclassified from inventories to investment property, and the revaluation of the Meistri 14 office building to fair value generated 312 thousand euros in other business income for the Group. In Q4 2023, the Group recorded a downward revaluation of the equity method investment in the associate Hepsor P113 OÜ, resulting in a loss of 384 thousand euros, and in total, the Group incurred a financial cost of 567 thousand euros from this associate in 2023. The net

profit for the reporting year was 2,134 thousand euros (2023: 3,480 thousand euros), of which the profit attributable to the parent company's owners was 423 thousand euros (2023: 1,185 thousand euros), and the net profit attributable to non-controlling interests was 1,711 thousand euros (2023: 2,295 thousand euros). The net profit margin for the fourth quarter of the reporting year was 9.1%, and for the reporting year, it was 5.7% (Q4 2023: -25.5% and for 2023: 8.5%). The profit margin attributable to the parent company's owners in Q4 was 5.5% (Q4 2023: -21.4%), and the 12-month net profit margin was 1.1% (12 months 2023: 2.9%).

Balance Sheet

The Group's balance sheet total as of 31 December 2024 was 88.8 million euros (31 December 2023: 91.1 million euros), which is 2% lower compared to the same period last year. Inventories made up 72.2% of the balance sheet total, amounting to 64.1 million euros (31 December 2023: 85.1% and 77.4 million euros). The decrease in inventories is due to the reclassification of inventories to investment property, the sale of Hotell L4 OÜ (formerly Hepsor L4 OÜ), and the sale of apartments. In 2024, the Group acquired a new development project in Estonia, an eight-apartment residential development project located at Võiistluse 7. Additionally, In 2024, the property Lembitu street 4, Tallinn was sold together with the company, which reduced the development portfolio by 4,250 square meters. During the reporting year, the Group sold 193 apartments through property rights agreements.

As of 31 December 2024, cash and cash equivalents accounted for 7.0% of the balance sheet total, or 6.2 million euros (31 December 2023: 8.4%, or 7.6 million euros).

The Group's loan liabilities amounted to 54.9 million euros as of 31 December 2024, compared to 59.6 million euros in the same period last year. The Group's equity decreased by 1% year-on-year and amounted to 22.0 million euros. The equity attributable to the parent company's owners was 20.1 million euros.

Cash Flows

The Group's cash and cash equivalents at the beginning of 2024 amounted to 7.6 million euros and at the end of the reporting period, it was 6.2 million euros. The period's negative cash flow was 1.4 million euros (2023: positive 3.9 million euros).

The operating cash flow for 2024 was positive at 8.9 million euros (2023: negative 0.5 million euros). Operating cash flows were impacted by a reduction in inventories from the sale of several development projects and the reclassification of inventories to investment property.

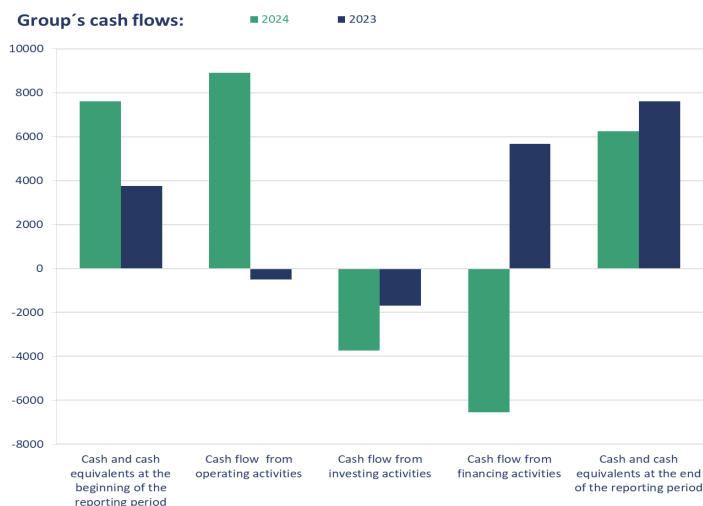
The investing cash flow for 2024 was negative at 3.7 million euros (2023: -1.7 million euros). Financial investments in Canada's Glenavy, High Park, and Brownville development projects amounted to 4.4 million euros in 2024. During the reporting year, the Group provided loans totalling 0.9 million euros, compared to 0.3 million euros in the comparable period.

The financing cash flow was negative at 6.5 million euros (2023: positive 5.6 million euros). The net amount of loans received in 2024 was -1.3 million euros (2023: 9.6 million euros). In 2024, loan interest paid amounted to 5.3 million euros (2023: 3.9 million euros).

Balance sheet structure 31.12.2024
(m€)



Group's cash flows:



Key financials

in thousands of euros	Q4 2024	Q4 2023	Q4 2022	2024	2023	2022
Revenue	10,542	5,087	7,248	38,397	41,135	12,870
Gross profit/-loss	2,531	244	1,252	6,762	7,068	1,774
EBITDA	2,050	-225	797	4,536	5,227	383
Operating profit/-loss	1,998	-277	754	4,332	5,034	235
Net profit/-loss	957	-1,298	1,461	2,134	3,480	1,331
Incl net profit/-loss attributable to the owners of parent	578	-1,087	1,537	423	1,185	1,396
Comprehensive income/-loss	-76	-3,315	1,291	-156	1,713	1,315
Incl comprehensive profit/-loss attributable to the owners of parent	248	-1,157	1,337	-81	1,127	962

in thousands of euros	31.12.2024	31.12.2023	31.12.2022
Total assets	88,813	90,988	78,368
Incl inventories	64,141	77,439	69,760
Total liabilities	66,803	68,840	58,045
Incl total loan commitments	54,688	56,905	48,580
Total equity	22,010	22,161	20,323
Incl equity attributable to the owners of parent	20,912	20,993	19,866

Key Ratios

	Q4 2024	Q4 2023	Q4 2022	2024	2023	2022
Gross profit margin	24.0%	4.8%	17.3%	17.6%	17.2%	13.8%
EBITDA margin	19.4%	-4.4%	11.0%	11.8%	12.7%	3.0%
Operating profit margin	19.0%	-5.4%	10.4%	11.3%	12.2%	1.8%
Net profit margin	9.1%	-25.5%	20.1%	5.7%	8.5%	10.3%
General expense ratio	7.2%	10.6%	6.9%	7.0%	5.0%	12.0%

	31.12.2024	31.12.2023	31.12.2022
Equity ratio	24.8%	24.4%	25.9%
Debt ratio	61.8%	62.6%	62.1%
Current ratio	2.3	1.7	2.5
Return of equity	9.7%	16.3%	6.8%
Return on equity attributable to the owners of the parent	2.0%	5.7%	7.2%
Return on assets	2.4%	4.1%	2.0%

Gross profit margin = gross profit / revenue

Operating profit margin = operating profit / revenue

EBITDA margin = (operating profit + depreciation) / revenue

Net profit margin = net profit / revenue

General expense ratio = (marketing expenses + general and administrative expenses) / revenue

Equity ratio = shareholder's equity / total assets

Debt ratio = interest-bearing liabilities / total assets

Current ratio = current assets / current liabilities

Return on equity = net profit of trailing 12 months / arithmetic average shareholder's equity

Return on equity attributable to the owners of the parent = net profit of trailing 12 months attributable to owners of the parent / arithmetic average shareholder's equity attributable to owners of the parent

Return on assets = net profit of trailing 12 months / average total assets

Share and Shareholders

The shares of Hepsor AS (HPR1T; ISIN EE3100082306) have been listed in the Main List of Nasdaq Tallinn Stock Exchange since 26 November 2021. The Group has issued 3,854,701 shares with nominal value of 1 euro.

As of 31 December 2024, Hepsor AS had 9,433 shareholders.

Hepsor AS shares held by the members of Management and Supervisory Boards and entities related to them:

Shareholder	Position	Number of shares	Shareholding %
Henri Laks	Member of Management Board	498,000	12.92
Andres Pärloja	Chairman of Supervisory Board	997,500	25.88
Kristjan Mitt	Member of Supervisory Board	997,500	25.88
Lauri Meidla	Member of Supervisory Board	385,700	10.01
Total	-	2,878,700	74.68

Shareholder structure by number of shares held as of 31 December 2024:

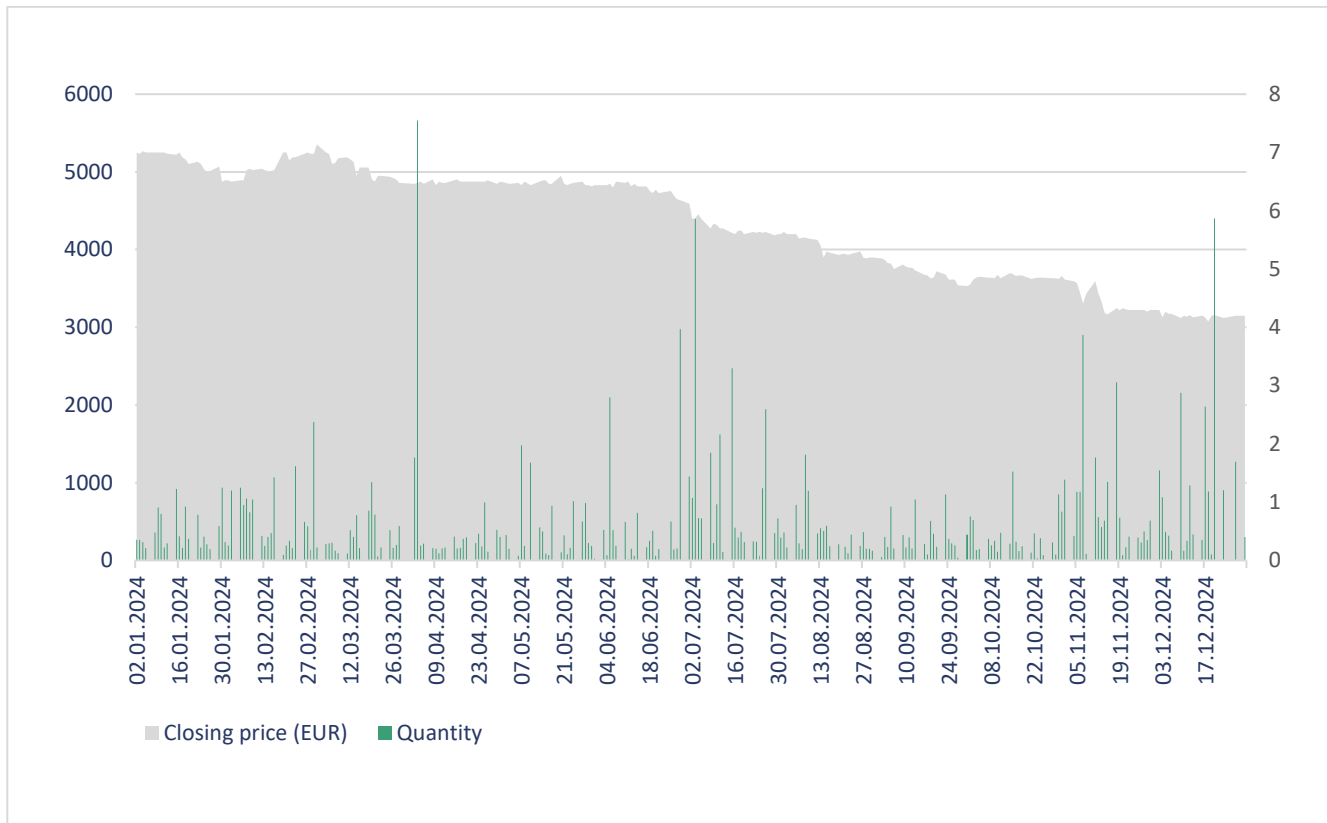
Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
100 001-...	6	0.06%	3,012,161	78.14%
10 001-100 000	8	0.08%	256,614	6.66%
1001 -10 000	47	0.50%	145,804	3.78%
101-1000	791	8.39%	213,024	5.53%
1-100	8,581	90.97%	227,098	5.89%
Total	9,433	100.00%	3,854,701	100.00%

During the period from 1 January 2024 to 31 December 2024, a total of 6,981 transactions involving Hepsor shares were conducted, with 128,182 shares changing ownership for a total amount of 722,525 euros. The highest transaction price during the period was 7.14 euros, and the lowest was 4.10 euros. As of 31 December 2024, the market capitalization of the shares was 16.2 million euros, and the total equity attributable to owners of the parent amounted to 21 million euros.

Market cap on
31 Dec. 2024

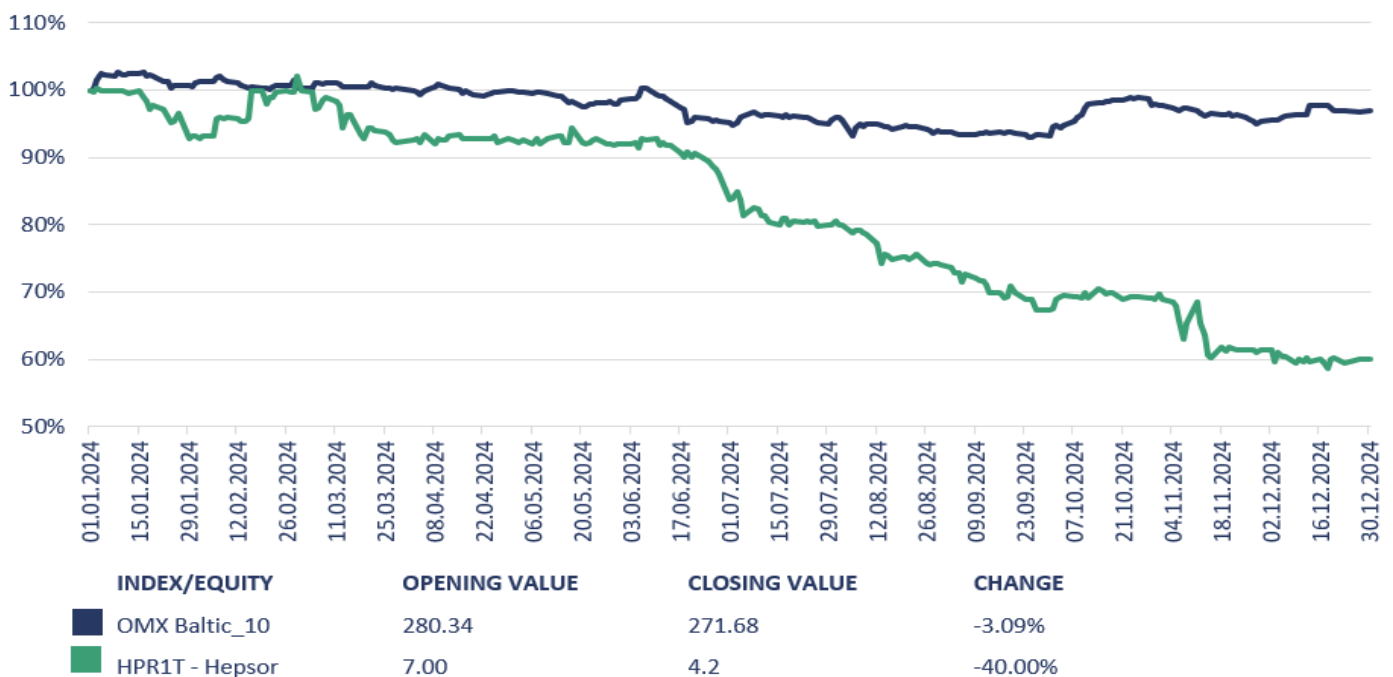
16,2
million euros

Trading volume and price range of Hepsor AS shares, 12 months (1 January 2024 - 31 December 2024):



Source: Nasdaq Baltic

Change in Hepsor share price in comparison with the benchmark OMX Tallinn index, 12 months (1 January 2024 – 31 December 2024):



Source: Nasdaq Baltic

Consolidated Financial Statements

Consolidated statement of financial position

in thousands of euros	Note	31 December 2024	31 December 2023
Assets			
Current assets			
Cash and cash equivalents		6,249	7,604
Trade and other receivables	3	761	1,544
Current loan receivables	4	200	311
Inventories	2	64,141	77,439
Total current assets		71,351	86,898
Non-current assets			
Property, plant and equipment		288	162
Intangible assets		2	4
Investment properties	5	7,980	0
Financial investments	6	6,424	2,005
Non-current loan receivables	4	2,428	1,729
Other non-current receivables		340	203
Total non-current assets		17,462	4,103
Total assets	21	88,813	91,001
Liabilities and equity			
Current liabilities			
Loans and borrowings	7	23,336	40,600
Current lease liabilities		52	40
Prepayments from customers		724	2,620
Trade and other payables	8	6,542	7,188
Total current liabilities		30,654	50,448
Non-current liabilities			
Loans and borrowings	7	31,352	16,305
Non-current lease liabilities		162	29
Other non-current liabilities	9	4,635	2,058
Total non-current liabilities		36,149	18,392
Total liabilities	21	66,803	68,840
Equity			
Share capital		3,855	3,855
Share premium		8,917	8,917
Reserve capital		385	385
Retained earnings		8,853	9,004
Total equity		22,010	22,161
incl. total equity attributable to owners of the parent		20,912	20,993
incl. non-controlling interest		1,098	1,168
Total liabilities and equity		88,813	91,001

Consolidated statement of profit and loss and other comprehensive income

in thousands of euros	Note	12M 2024	12M 2023	Q4 2024	adjusted Q4 2023 (Note 1)
Revenue	12,21	38,397	41,135	10,542	5,087
Cost of sales (-)	13	-31,635	-34,067	-8,011	-4,843
Gross profit		6,762	7,068	2,531	244
Marketing expenses (-)	14	-898	-576	-295	-177
Administrative expenses (-)	15	-1,802	-1,472	-460	-362
Other operating income		449	166	365	54
Other operating expenses (-)		-179	-152	-143	-36
Operating profit (-loss) of the year	21	4,332	5,034	1,998	-277
Financial income	17.1	421	1,192	159	63
Financial expenses (-)	17.2	-2,578	-2,746	-1,159	-1,084
Profit before tax		2,175	3,480	998	-1,298
Current income tax (-)		-41	0	-41	0
Net profit (-loss) for the year		2,134	3,480	957	-1,298
Attributable to owners of the parent		423	1,185	578	-1,087
Non-controlling interest		1,711	2,295	379	-211
Other comprehensive income (-loss)					
Changes related to change of ownership	19	-313	286	-389	36
Change in value of embedded derivatives with minority shareholders	10	-1,874	-2,053	-671	104
Exchange rate differences from foreign entities		-103	0	27	0
Other comprehensive income (-loss) for the period		-2,290	-1,767	-1,033	140
Attributable to owners of the parent		-504	-58	-330	-70
Non-controlling interest		-1,786	-1,709	-703	210
Comprehensive income (-loss) for the period		-156	1,713	-76	-1,158
Attributable to owners of the parent		-81	1,127	248	-1,157
Non-controlling interest		-75	586	-324	-1
Earnings per share					
Basic (euros per share)		0.11	0.31	0.15	-0.28
Diluted (euros per share)		0.11	0.31	0.15	-0.28

Consolidated statement of changes in equity

in thousands of euros	Attributable to equity owners of the parent				Non-controlling interests	Total equity
	Share capital	Share premium	Reserve capital	Retained earnings		
Balance of 31 December 2022	3,855	8,917	0	7,094	457	20,323
2023						
Net profit/(-loss) for the year	0	0	0	1,185	2,295	3,480
Other comprehensive income/(-loss) for the period	0	0	0	-58	-1,709	-1,767
Reserve capital	0	0	385	-385	0	0
Voluntary reserve capital	0	0	0	0	125	125
Balance of 31 December 2023	3,855	8,917	385	7,836	1,168	22,161
2024						
Net profit/(-loss) for the year	0	0	0	423	1,711	2,134
Other comprehensive income/(-loss) for the period	0	0	0	-504	-1,786	-2,290
Voluntary reserve capital	0	0	0	0	5	5
Balance of 31 December 2024	3,855	8,917	385	7,755	1,098	22,010

In June, the shareholders of Hepsor Phoenix 3 OÜ decided to direct 10 thousand euros to the company's voluntary reserve, of which the minority shareholder's share was 5 thousand euros, and this was offset against the interest claim on the shareholder loan (Note 18).

Consolidated statement of cash flows

in thousands of euros

	Note	12M 2024	12M 2023
Net cash flows from (to) operating activities			
Operating profit/(-loss) of the year	21	4,332	5,034
Adjustments for:			
Depreciation of property, plant and equipment		204	193
Other adjustments		34	-200
Changes in working capital:			
Change in trade receivables		789	152
Change in inventories	18	6,152	-5,676
Change in liabilities and prepayments		-2,602	-3
Cash flows from (to) operating activities		8,909	-500
Net cash flows to investing activities			
Payments for property, plant and equipment		-23	-24
Payments for intangible assets		-3	-2
Payments of for acquisition of subsidiaries		-1	-3
Payments of for acquisition of financial investment	6	-4,420	-1,985
Proceeds from sale of subsidiaries		1,601	595
Interest received		39	34
Loans granted	4	-918	-311
Cash flows to investing activities		-3,725	-1,696
Net cash flows from (to) financing activities			
Loans raised	7	37,619	40,412
Loan repayments	7	-38,869	-30,817
Interest paid	18	-5,326	-3,922
Payments of finance lease principal		-9	-9
Payments of right to use lease liabilities		-147	-130
Dividends paid		0	0
Payments upon demerger of a subsidiary	10	-1,537	0
Payments to equity from non-controlling interest	19	209	161
Payments from share capital to non-controlling interest	19	-134	0
Other receipts from financing activities		1,738	0
Other payments from financing activities		-83	-15
Cash flows from financing activities		-6,539	5,680
Net cash flow		-1,355	3,484
Cash and cash equivalents at beginning of year			
Cashflow in from acquisitions of subsidiaries		0	366
Increase / decrease in cash and cash equivalents		-1,355	3,484
Cash and cash equivalents at end of year		6,249	7,604

Notes to the consolidated interim financial statement

Note 1. General information

The Hepsor AS (hereinafter “the Group”) consolidated unaudited interim report for 2024 Q4 and 12 months have been prepared in accordance with IAS 34 Interim Financial Reporting of International Financial Reporting Standards as endorsed in the European Union (“IFRS (EU)”). The Group has consistently applied the accounting policies throughout all periods presented, unless stated otherwise. The interim report for 2024 Q4 and twelve months follow the same accounting principles and methods used in the 2023 audited consolidated financial statements. The current interim financial statements contain the audited financial results for 31.12.2023 and unaudited comparative figures for 2024 Q4.

The Group has not made any changes in their critical accounting estimates which may have impact on the consolidated unaudited interim financial statements for 2024 Q4 and twelve months.

The Group has not made any changes in the valuation techniques applied for fair value measurement in 2024.

In the Group interim report for the fourth quarter of 2024, the comparative data for the fourth quarter of 2023 have been adjusted:

in thousands of euros	Original Q4 2023	Change	Adjusted Q4 2023
Administrative expenses (Note 15)	-357	-5	-362
Financial income (Note 17.1)	45	18	63

Note 2. Inventories

Inventories are accounted as ready for sale development projects once the project has been granted usage permit. As at 31 December 2024, usage permits has been issued to Strēlnieku 4b ja Ranka Dambis 5 development projects in Riga and to Nõmme tee 57 development project in Tallinn.

As of 31 December 2024, there were 30 unsold apartments in development projects ready for sale (31 December 2023: 11), including 1 apartment in Strelnieku 4b, 19 apartments in Ranka Dambis 5 and 10 apartments in Nõmme road 57 development projects.

In addition, there are development projects ready for sale in Tallinn, Paldiski mnt 227C and Manufaktuuri 7 for which a usage permit has not been issued. As of 31 December 2024, there are 52 unsold apartments in Paldiski mnt 227 C project and 47 in Manufaktuuri 7.

In December, the subsidiary of Hepsor AS, Hotell L4 OÜ (former business name Hepsor L4 OÜ), was sold, the inventory decreased by 3.3 million euros (Note 18).

In 2024, Meistri 14 development project was reclassified as a property investment. Additional information is provided in note 5.

In the cash flow statement for the reporting period, the change in inventory has been adjusted by the loan interest that is capitalized into the cost of inventory. As of 31 December 2024, interest expenses capitalized into inventory amounted to 3,740 thousand euros (31 December 2023: 2,738 thousand euros). Additional information is provided in note 18.

The following development projects are stated as inventories:

in thousands of euros				31 December 2024		31 December 2023	
Address	Project company	Location	Segment	Acquisition cost	Project status	Acquisition cost	Project status
Work in progress							
Paevälja 11, Tallinn	Hepsor PV11 OÜ	Estonia	Residential	0	-	598	E
Paldiski mnt 227c, Tallinn	Hepsor 3Torni OÜ	Estonia	Residential	9,530	E	14,109	D
Narva mnt 150, Tallinn	Hepsor N450 OÜ	Estonia	Residential/ Commercial	4,071	A	3,889	A
Manufaktuuri 5, Tallinn	Hepsor Phoenix 3 OÜ	Estonia	Residential/ Commercial	7,556	D	5,056	B
Manufaktuuri 7, Tallinn	Hepsor Phoenix 2 OÜ	Estonia	Residential/ Commercial	7,260	E	16,120	D
Lembitu 4, Tallinn	Hepsor L4 OÜ	Estonia	Commercial	0	-	3,153	C
Alvari 2/Paevälja 9, Tallinn	Hepsor Fortuuna OÜ	Estonia	Residential	1,885	B	1,657	A
Alvari 1, Tallinn	Hepsor A1 OÜ	Estonia	Residential	2,022	A	2,023	A
Kadaka tee 197, Tallinn	H&R Residentsid OÜ	Estonia	Residential	1,305	A	1,228	A
Manufaktuuri 12, Tallinn	Hepsor Phoenix 4 OÜ	Estonia	Residential	1,131	A	932	A
Nõmme tee 57, Tallinn	Hepsor N57 OÜ	Estonia	Residential	0	-	3,778	E
Vana-Tartu mnt 49, Tallinn	Hepsor VT49 OÜ	Estonia	Commercial	1,153	B	1,029	A
Võistluse 7, Tallinn	Hepsor V7 OÜ	Estonia	Residential	425	B	0	-
Saules alley 2, Riga	Hepsor SA2 SIA	Latvia	Residential	1,079	B	717	B
Ranka Dambis 5, Riga	Hepsor RD5 SIA	Latvia	Residential	0	-	3,902	D
Ulbrokas 34, Riga	Hepsor U34 SIA	Latvia	Commercial	6,794	D	1,554	C
Braila 23, Riga	Hepsor Jugla SIA	Latvia	Residential	618	B	501	B
Ganibu Dambis 17a, Riga	Hepsor Ganibu Dambis SIA	Latvia	Commercial	4,431	B	4,120	B
Jurmala Gatve 74, Riga	Hepsor JG SIA	Latvia	Residential	5,226	D	621	B
Smaidu, Dreilini	Riga Properties 4 SIA	Latvia	Commercial	4,226	A	4,046	A
Eiženijas 18, Riga	Hepsor E18 SIA	Latvia	Residential	361	A	0	-
-other properties		Estonia		0	-	18	A
Total work in progress				59,073		69,051	
Ready for sale real estate development							
Manufaktuuri 22, Tallinn (parking spaces)	Hepsor Phoenix OÜ	Estonia	Residential	16	E	16	E
Ranka Dambis 5, Riga	Hepsor RD5 SIA	Latvia	Residential	2,626	E	0	-
Nõmme tee 57, Tallinn	Hepsor N57 OÜ	Estonia	Residential	2,349	E	0	-
Meistri 14, Tallinn	Hepsor Meistri 14 OÜ	Estonia	Commercial	0	-	7,667	E
Strēlnieku 4b, Riga	Hepsor S4B SIA	Latvia	Residential	77	E	603	E
Liela 45, Mārupe	Hepsor Mārupe SIA	Latvia	Residential	0	-	102	E
Total ready for sale real estate development				5,068		8,388	
Total inventories				64,141		77,439	

Project statuses are classified as following:

in thousands of euros	31 December 2024	31 December 2023
A – planning proceedings	11,624	14,822
B – building permit proceedings	11,083	5,959
C – building permit available /construction not yet started	0	9,763
D – construction started / sale started	19,576	34,131
E – construction ready for sale	21,858	12,764
Total inventories	64,141	77,439

Note 3. Trade and other receivables

in thousands of euros	31 December 2024	31 December 2023
Trade receivables	463	342
Allowance for doubtful receivables	-13	0
Net trade receivables	450	342
Prepayments		
Tax prepayment		
Value added tax	147	1,019
Other taxes	0	0
Other prepayments for goods and services	113	110
Total prepayments	260	1,129
Other current receivables		
Interest receivables	2	6
Other current receivables	49	67
Other current receivables	51	73
Total trade receivables	761	1,544

Note 4. Loans granted

in thousands of euros	Owner of non- controlling interest	Unrelated legal entities	Related legal entities (Note 21)	Total
2023				
Loan balance as of 31 December 2022	311	0	1,729	2,040
Loan granted	0	200	718	918
Division of the company (Note 10)	-311	0	0	-311
Effective interest rate impact	0	0	-19	-19
Loan balance as of 31 December 2024	0	200	2,428	2,628
- current portion	0	200	0	200
- non-current portion	0	0	2,428	2,428
<i>contractual/effective interest rate per annum</i>	-	0%	7%/ 6,7%	
2023				
Loan balance as of 31 December 2022	0	0	1,766	1,766
Loan granted	311	1,467	0	1,778
Reclassification as a financial investment	0	-1,467	0	-1,467
Effective interest rate impact	0	0	-37	-37
Loan balance as of 31 December 2023	311	0	1,729	2,040
- current portion	311	0	0	311
- non-current portion	0	0	1,729	1,729
<i>contractual/effective interest rate per annum</i>	3%	0%	7%	

Note 5. Investment properties

Hepsor M14 OÜ's office building development project in Tallinn, Meistri 14 was completed in 2021. As of 31 December 2024, the building was classified as a property investment which is measured at fair value. The Group performed the valuation using the five-year discounted cash flow method. Since the purpose of the property investment is to generate rental income, the method used reflects best the fair value of the property investment. The valuation is based on existing cash flows, the rate of return and an appropriate discount rate that takes into account the expected return of similar assets for average investors. At the end of 2024, return rate of 7.1% and discount rate of 8.1% were used for the asset valuation. As of 31 December 2024, the fair value of the asset was estimated at 8.0 million euros. The Group earned a profit of 312 thousand euros from the reclassification.

Note 6. Financial investments

The financial investment includes Tatari 6A Arenduse OÜ, where the Group provides project management services. To ensure the quality of the management process, the Group holds an 80% stake in the company during the development period, which will be transferred to the co-owner once the development process is completed. The Group does not have a profit share in the project. The carrying value of the financial investment is 2 thousand euros.

In 2023, the Group invested in two joint ventures in Canada: Weston Limited Partnership and Elysium Isabella Limited Partnership. In June 2024, the Group made an investment of 472 thousand euros in a third joint venture in Canada, Elysium Glenavy Limited Partnership. Additionally, the Group invested 199 thousand euros in Elysium Isabella Limited Partnership during the reporting year. In the third quarter of 2024, the High Park project was added, which involved acquiring a development project consisting of 11 properties located at 21-29 Oakmount Rd & 26-36 Mountview Avenue. On 30 September 2024, an agreement was signed between Hepsor SPV II and Elysium Investments to acquire a development project consisting of 17 properties in Toronto, Canada, on Brownville Avenue.

As of 31 December 2024, the carrying value of financial investments is 6,424 thousand euros (31 December 2023: 2,005 thousand euros).

Note 7. Loans and borrowings

In March 2024, Hepsor AS entered into an addendum to its loan agreement with LHV Bank, which increased the Group loan limit to 9 million euros. The loan term is until March 12, 2026. The loan is secured by shares owned by Hepsor AS's board members and supervisory board members, as well as shares in Hepsor Finance OÜ. The loan agreement includes two financial covenants that are measured quarterly:

- a) The loan-to-equity ratio with LHV Bank, which must not exceed 55%,
- b) The ratio of the Group's total loan obligations to the consolidated Group's assets, cash, and real estate development investments, which must not exceed 70%.

In February 2025, Hepsor AS signed an addendum to the loan agreement with LHV Bank, reducing the Group loan limit to 6 million euros.

In addition to bank loans, a joint mortgage has been set as collateral for loans to unrelated legal entities, with Hepsor N450 OÜ providing collateral of 2.1 million euros and Riga 4 Properties SIA providing collateral of 2.75 million euros until the loan obligations are fulfilled.

in thousands of euros	Bank loans	Unrelated legal entities	Related legal entities (Note 21)	Total
2023				
Loan balance as of 31 December 2023	36,309	19,213	1,383	56,905
Received	28,221	4,688	4,710	37,619
Repaid	-29,296	-4,851	-4,722	-38,869
Loan impairment from sale of subsidiaries	-1,300	0	0	-1,300
Effective interest rate impact	-106	439	0	333
Loan balance as of 31 December 2024	33,828	19,489	1,371	54,688
- current loan payable	17,753	4,345	1,238	23,336
- non-current loan payable	16,075	15,144	133	31,352
<i>Contractual interest rate per annum</i>	<i>EU6+3.75%-5.9%; 5.5%</i>	<i>0-12%</i>	<i>7-12%</i>	
<i>Effective interest rate per annum</i>	<i>7.34-13.7%</i>	<i>5.6%-10.6%</i>	<i>8.9%</i>	
2023				
Loan balance as of 31 December 2022	30,129	16,145	2,306	48,580
Received	30,335	8,988	1,089	40,412
Repaid	-24,310	-5,007	-1,500	-30,817
Reclassified as a Group loan	0	0	-512	-512
Effective interest rate impact	155	-607	0	-452
Compound interest rate	0	-306	0	-306
Total loan balance as of 31 December 2023	36,309	19,213	1,383	56,905
- current loan payable	34,372	4,845	1,383	40,600
- non-current loan payable	1,937	14,368	0	16,305
<i>Contractual interest rate per annum</i>	<i>EU6+3.75%-8%; 5.5%</i>	<i>0-12%</i>	<i>12%</i>	
<i>Effective interest rate per annum</i>	<i>7.6%</i>	<i>5.4%-11.8%</i>	<i>-</i>	

As of 31 December 2024, 89% (31 December 2023: 87%) of all loans granted to the Group have been received against the risk of development projects.

in thousands of euros	Bank loans	Unrelated legal entities	Related legal entities	Total
Balance as of 31 December 2024				
Loans for development projects	27,888	19,489	1,371	48,748
Loans to headquarters to finance development projects	5,940	0	0	5,940
Total	33,828	19,489	1,371	54,688
Balance as of 31 December 2023				
Loans for development projects	30,309	18,003	1,383	49,695
Loans to headquarters to finance development projects	6,000	1,210	0	7,210
Total	36,309	19,213	1,383	56,905

As of 31 December 2024, the Group had the following bank loans under the following conditions:

Lender	Country	Loan balance	Contract term	Loan limit	Interest per annum	Collateral	Cost value of the collateral	Guarantee given
LHV Pank AS	Estonia	4,664	2027	4,900	5.46%	Mortgage - Meistri 14, Tallinn	7,980	-
LHV Pank AS	Estonia	4,746	2025	13,900	6M Euribor+5.9%	Mortgage - Paldiski mnt 227c, Tallinn	9,530	-
LHV Pank AS	Estonia	1,105	2026	2,450	6M Euribor+4.5%	Mortgage - Nõmme tee 57, Tallinn	2,349	-
LHV Pank AS	Estonia	5,678	2026	5,758	6M Euribor+4.5%	Mortgage - Manufaktuuri 7, Tallinn	7,260	-
Bigbank AS	Latvia	1,900	2025	2,000	6M Euribor+4.5%	Mortgage - Ganību dambis 17A Riga; Commercial pledge	4,431	-
Bigbank AS	Latvia	2,138	2026	4,000	6M Euribor+5.2%	Mortgage - Ranka dambis 5, Riga	2,989	1,200
Bigbank AS	Latvia	3,945	2026	4,000	6M Euribor+5.2%	Mortgage - Jūrmalas gatve 74, Riga	5,226	1,000
Bigbank AS	Latvia	3,712	2027	9,000	6M Euribor+4.4%	Mortgage – Ulbrokas 34, Riga; Commercial pledge	6,794	450

As of 31 December 2023, the Group had the following bank loans under the following conditions:

Lender	Country	Loan balance	Contract term	Loan limit	Interest per annum	Collateral	Cost value of the collateral	Guarantee given
LHV Pank AS	Estonia	4,784	2024	4,900	6M Euribor+3.75%	Mortgage - Meistri 14, Tallinn	7,667	-
LHV Pank AS	Estonia	1,300	2025	1,300	6M Euribor+8%	Mortgage - Lembitu 4, Tallinn	3,153	-
LHV Pank AS	Estonia	9,622	2025	13,900	6M Euribor+5.9%	Mortgage - Paldiski mnt 227c, Tallinn	14,109	-
LHV Pank AS	Estonia	1,508	2026	3,006	6M Euribor+6.5%	Mortgage - Nõmme tee 57, Tallinn	3,778	-
LHV Pank AS	Estonia	8,524	2026	17,500	6M Euribor+8%	Mortgage - Manufaktuuri 7 and Manufaktuuri 12, Tallinn	16,120	-
Coop Pank AS	Estonia	109	2025	1,504	6M Euribor+6%	Mortgage - Paevälja 11, Tallinn	598	150
Bigbank AS	Latvia	1,937	2025	2,000	6M Euribor+4.5%	Mortgage - Ganību dambis 17A Riga; Commercial pledge	4,120	-
Bigbank AS	Latvia	2,526	2026	4,000	6M Euribor+5.2%	Mortgage - Ranka Dambis 5, Riga	3,902	1,200
Bigbank AS	Latvia	0	2026	4,000	6M Euribor+5.2%	Mortgage - Jurmala Gatve 74, Riga	621	1,000

Note 8. Trade and other payables

in thousands of euros	31 December 2024	31 December 2023
Trade payables	1,138	2,961
Taxes payable		
Value added tax	663	503
Personal income tax	40	32
Social security tax	65	55
Corporate income tax	41	0
Other taxes	7	7
Total taxes payable	816	597
Accrued expenses		
Payables to employees	113	116
Interest payable (Note 18)	1,011	1,020
Other accrued expenses	67	52
Total accrued expenses	1,191	1,188
Other current payables		
Embedded derivatives (Note 10)	2,074	2,061
Other payables	1,323	381
Total other current payables	3,397	2,442
Total trade and other payables	6,542	7,188

Note 9. Other non-current liabilities

in thousands of euros	31 December 2023	31 December 2023
Non-current interest payables (Note 18)	2,539	1,648
Other non-current payables	2,096	410
Total other non-current liabilities	4,635	2,058

As of 31 December 2024, under other non-current liabilities, there is a liability of 1.7 million euros in total, which is related to the financing of the development project StokOfiss 34, involving financial investors.

Note 10. Embedded derivatives

Hidden derivative instruments are used to account for the Group's liabilities to minority shareholders of subsidiaries, in accordance with the shareholders' agreements. Based on the shareholders' agreements, profits are distributed to minority shareholders in the manner agreed upon in the contract.

According to the demerger agreement signed between the shareholders of T2T4 OÜ, the loan granted by the company to the shareholders was offset with a liability arising from hidden derivative instruments in the amount of 311 thousand euros (Note 4).

According to the demerger agreement signed between the shareholders of Kvarsta SIA and Hepsor Marupe SIA, a total of 1,537 thousand euros was paid to the minority shareholders, which reduced the liability arising from hidden derivative instruments.

As of 31.12.2024, the Group had liabilities on the following development projects:

in thousands of euros	31 December 2024	31 December 2023
Liabilities arising from embedded derivatives as of 01.01.	2,061	8
Settlements with minority shareholders arising from division agreements:		
<i>Commercial development project in Tooma 2/Tooma 4, Tallinn</i>	-311	311
<i>Residential development project in Gregora iela 2a, Riga</i>	-825	1,025
<i>Residential development project in Liela 45, Marupe</i>	-725	725
Total change in liabilities arising from hidden derivative instruments	200	2 053
Change in the value of hidden derivative instruments of minority interest in the reporting year in the consolidated profit		
<i>Commercial development project in Tooma 2/Tooma 4, Tallinn</i>	0	-311
<i>Residential development project in Gregora iela 2a, Riga</i>	0	-1,025
<i>Residential development project Liela 45, Marupe</i>	0	-725
<i>Residential development project Manufaktuuri 7, Tallinn</i>	-1,874	0
Total change in the value of hidden derivative instruments of minority interest in the reporting year	-1,874	-2,053
Total liabilities arising from embedded derivatives (Note 8)	2,074	2,061

Note 11. Contingent liabilities

11.1 Contingent liabilities arising from embedded derivatives

In accordance with the shareholders agreements between the Group and minority shareholders of subsidiaries (SPV's), the Group has an obligation as of 31 December 2024 to pay 5,921 thousand euros (31 December 2023: 11,535 thousand euros) to the minority shareholders upon realization of the business plan. The obligations amounts are estimations calculated based on current business plans of the development projects as of statement of financial position dates. Contingent liabilities are estimated before the full realization of the development projects at each reporting date. As of 31 December 2024, the realization time of contingent liabilities remains between 2025 and 2029.

11.2 Lawsuit

The Harju County Court has allowed the court claim for damages brought by seven apartment owners of Manufaktuuri 18 against Hepsor AS subsidiary Hepsor Phoenix OÜ to proceed. The court claim is based on the allegation that the apartment ownerships sold to the claimants in 2018–2019 have construction defects. The claimants seek compensation for the damage allegedly suffered by them in the amount of 467 thousand euros, together with late interest calculated on that amount.

The management of Hepsor Phoenix OÜ does not consider the court claim to be justified and, based on the circumstances presented so far, assesses the satisfaction of the claim as unlikely.

11.3 Group guarantees given

Additional information on the guarantees is provided in Note 7.

Note 12. Revenue

in thousands of euros	12M 2024	12M 2023	Q4 2024	Q4 2023
Revenue from sale of real estate	36,188	39,520	9,433	4,747
Revenue from project management services	915	88	781	15
Revenue from rent	1,078	1,270	272	289
Revenue from other services	216	257	56	36
Total	38,397	41,135	10,542	5,087

Additional information on sales revenue is provided in Note 21.

Note 13. Cost of sales

in thousands of euros	12M 2024	12M 2023	Q4 2024	Q4 2023
Cost of real estate sold	-29,729	-32,006	-7,629	-4,406
Personnel expenses (Note 16)	-868	-1,006	-231	-246
Depreciation	-33	-31	-8	-7
Other costs	-1,005	-1,024	-143	-184
Total	-31,635	-34,067	-8,011	-4,843

Note 14. Marketing expenses

in thousands of euros	12M 2024	12M 2023	Q4 2024	Q4 2023
Personnel expenses (Note 16)	-192	-128	-78	-39
Depreciation	-48	-46	-13	-11
Other marketing expenses	-658	-402	-204	-127
Total	-898	-576	-295	-177

Note 15. Administrative expenses

in thousands of euros	12M 2024	12M 2023	Q4 2024	Adjusted Q4 2023
Personnel expenses (Note 16)	-1,108	-847	-281	-238
Depreciation	-123	-117	-26	-34
Traveling and transport expenses	-113	-72	-33	-6
Purchased service expenses (Note 1)	-309	-360	-102	-77
Other expenses	-149	-76	-18	-7
Total	-1,802	-1,472	-460	-362

Note 16. Personnel expenses

in thousands of euros	12M 2024	12M 2023	Q4 2024	Q4 2023
Salaries	-1,657,	-1,455	-481	-405
Social security and other payroll taxes	-511	-526	-109	-118
Total (Notes 13, 14, 15)	-2,168	-1,981	-590	-523

As of 31 December 2024, the Group employed 28 people (31 December 2023: 26), including the members of the management and supervisory boards, with 14 in Estonia (31 December 2023: 13) and 14 in Latvia (31 December 2023: 13).

The Group considers labour costs to include salaries (including base salary, additional salary, management board member fees, supervisory board member fees, vacation pay, and performance bonuses), taxes calculated on salaries, benefits, and taxes calculated on benefits.

The members of the management and supervisory boards include the management and supervisory board members of Hepsor AS, Hepsor Latvia OÜ, Hepsor Finance OÜ, and Hepsor SIA. In May 2024, Mihkel Mäger started working as the Estonian country manager and a member of the management board of Hepsor Finance OÜ. In October, Gints Vanders started working as a member of the management board of Hepsor SIA.

The gross remuneration of the management and supervisory board members in 2024 was 500 thousand euros (2023: 363 thousand euros).

Note 17. Financial income and expenses

17.1 Financial income

in thousands of euros	12M 2024	12M 2023	Q4 2024	Adjusted Q4 2023
Interest incomes	185	163	31	43
Incomes from the sale of subsidiaries	0	980	0	0
Profit from associates of equity method (Note 1)	0	18	0	18
Other financial incomes	38	29	38	0
Financial income from discounting	198	2	90	2
Total	421	1,192	159	63

In 2023, the Group earned 980 thousand euros from the sale of the subsidiary Hepsor U30 SIA to the East Capital Real Estate IV real estate fund, of which 595 thousand euros came from the sale of shares, and the realized profit from the project was 385 thousand euros.

17.2 Financial expenses

in thousands of euros	12M 2024	12M 2023	Q4 2024	Q4 2023
Interest expenses	-2,473	-1,920	-1,096	-492
Loss from associates of equity method (Note 20)	0	-567	0	-384
Other financial expenses	-83	-113	-41	-62
Financial expenses from discounting	-22	-146	-22	-146
Total	-2,578	-2,746	-1,159	-1,084

In 2024, interest expenses on loans have been capitalized into the cost of inventories amounting to 3,740 thousand euros (12 months 2023: 2,738 thousand euros).

Note 18. Information about line item in the consolidated statement of cash flows

in thousands of euros

31 December 2024 31 December 2023

	31 December 2024	31 December 2023
Inventories		
Reclassification of cash flows from operating activities to financing activities (Note 2)	3,740	2,738
Decrease (-)/ increase (+) of change inventories balances (Note 2)	13,298	-7,679
Realized profit from the sale of the subsidiary	0	385
Change resulting from the sale of a subsidiary (Note 2)	-3,324	0
Reclassification from inventories to investment properties (Note 5)	-7,667	0
Effective and compound interest rate impact	417	-1,120
Change in inventories	6,464	-5,676
Interest paid		
Interest expense in statement of profit or loss and other comprehensive income	-2,473	-1,920
Reclassification of cash flows from operating activities to financing activities (Note 2)	-3,740	-2,738
Decrease (-)/ increase (+) of interest payables (Notes 8, 9)	882	464
Conversion of interest into voluntary reserve	5	0
Compound interest rate impact	0	272
Interest paid total	-5 326	-3 922

Note 19. Subsidiaries

- ✓ In March, Hepsor Latvia OÜ established its subsidiary Hepsor E18 SIA.
- ✓ In April, the minority shareholder of Hepsor VT49 OÜ paid for a 50% share.
- ✓ In May, the share capital of Hepsor U34 was increased by 430 thousand euros, resulting in a decrease of Hepsor Group's stake in Hepsor U34 SIA by 8.6%, making it 47.4%.
- ✓ The share capital of Hepsor Marupe SIA was reduced by 267 thousand euros, of which 134 thousand euros was paid to the minority interest.
- ✓ Hepsor AS established a subsidiary, Hepsor V7 OÜ, with a 50% stake.
- ✓ In June, Hepsor Latvia OÜ acquired a 50% stake in Kvarita Holding OÜ, becoming the sole owner of the company. Kvarita Holding OÜ's stake in its subsidiary Kvarita SIA decreased from 100% to 50%.
- ✓ In November 2024, the shareholders of Hepsor Marupe SIA signed a demerger agreement. The demerger entry was made in the business register on February 4, 2025.
- ✓ The demerger entry of Kvarita SIA was made in the business register on January 20, 2025.
- ✓ On 17 December 2024, the demerger of T2T4 OÜ was completed, with Hepsor Finance OÜ acquiring the part of the company owned by Hepsor.
- ✓ In December 2024, Hepsor AS sold its subsidiary Hotell L4 OÜ (former business name Hepsor L4 OÜ).

Changes in Group structure in 2024 and impact on comprehensive income and cash flow are follow:

in thousands of euros	Other comprehensive income		Cash flow	
	Comprehensive income attributable to owners of the parent	Comprehensive income attributable to non-controlling interest	Net cash flow from sale of subsidiary	Cashflow in from acquisitions of subsidiaries
Hepsor VT 49 OÜ	0	1	1	0
Kvarita Holding OÜ	0	0	-1	0
Hepsor U34 SIA	-43	252	0	209
Kvarita SIA	19	4	0	0
Hepsor Marupe SIA	20	-164	0	-134
Hotell L4 OÜ	-397	0	0	0
T2T4	0	-5	0	0
Total	-401	88	0	75

Changes in Group structure in 2023 and impact on comprehensive income and cash flow are following:

in thousands of euros	Original other comprehensive income		Cash flow	
	Comprehensive income attributable to owners of the parent	Comprehensive income attributable to non-controlling interest	Net cash flow from sale of subsidiary	Cashflow in from acquisitions of subsidiaries
Hepsor Bal 9 OÜ	-11	11	-	-
Hepsor Bal 9 SIA	-3	3	-	-
Hepsor U30 SIA	54	14	595	-
Hepsor U34 SIA	-17	53	-	-
Hepsor RD5 SIA	-30	30	-	-
Hepsor JG SIA	-23	23	-	-
Riga 4 Properties	-35	210	-	330
Hepsor N170 OÜ	7	0	-	36
Total	-58	344	595	366

- ✓ In January 2023, the Group bought out the minority shareholders' stakes in Hepsor Bal9 OÜ, making Hepsor Latvia OÜ the 100% owner of the company as a result of the transaction.
- ✓ Hepsor AS's subsidiary Hepsor Latvia OÜ signed a share sale agreement for Hepsor U30 SIA with East Capital Real Estate IV real estate fund on 10 May 2023. The agreed debt-free value of the company in the transaction is 5.2 million euros, from which the company's liabilities, including bank loans and shareholder loans, will be deducted.
- ✓ In August 2023, Hepsor AS bought out the minority shareholders' stakes in Hepsor N170 OÜ, making it the 100% owner of the company.
- ✓ In August, Hepsor Latvia OÜ made a capital contribution to Riga Properties 4 SIA's share capital, acquiring a 50% stake in the company.
- ✓ In December 2023, Hepsor Latvia OÜ increased the share capital of Hepsor U34 SIA, Hepsor RD5 SIA, and Hepsor JG SIA by 354 thousand euros, of which 70 thousand euros belongs to Hepsor Latvia OÜ's minority shareholder. The minority shareholder of Hepsor U34 SIA increased the share capital by 36 thousand euros.

Note 20. Shares of associates

At the end of reporting periods, the Group has ownership in the following associates:

	Ownership and voting rights %	
	31 December 2024	31 December 2023
Hepsor P113 OÜ	45	45

Financial information about associates:

in thousands of euros	31 December 2024	31 December 2023
	Hepsor P113 OÜ	Hepsor P113 OÜ
Current assets		
Cash and cash equivalents	373	193
Trade and other receivables	129	52
Total current assets	502	245
Non-current assets		
Trade and other receivables	3	0
Investment property	10,610	9,330
Total non-current assets	10,613	9,330
Total assets	11,115	9,575
Current liabilities		
Loans and borrowings	7,152	128
Trade and other payables	178	44
Total current liabilities	7,330	172
Non-current liabilities		
Loans and borrowings	6,385	11,968
Other non-current liabilities	771	373
Total non-current liabilities	7,156	12,341
Total liabilities	14,486	12,513
Total equity	-3,371	-2,938
Total liabilities and equity	11,115	9,575

The construction of commercial property development project by Hepsor P113 OÜ in Tallinn, Pärnu road 113 was completed in the fourth quarter of 2022. As of 31 December 2022, the building was reclassified as an investment property. The investment property is recorded at fair value. The fair value measurement was conducted by Colliers International Advisors OÜ using the discounted cash flow method, the best method for income generating investment property. The valuation is based on existing cash flows or cash flows based on market averages, the investment yield and the appropriate discount rate, which takes into account the average expected yield of similar assets, taking into account the property's location, technical condition, risk levels of tenants, etc. The valuation as at the end of 2024 was based on 7.7% yield (31.12.2023: 7.7%) and 8.75% discount rate (2023: 8.9%). As of 31.12.2023, the fair value of the property was estimated at 10.6 million euros (31.12.2023: 9.3 million euros).

During the reporting period, the Group received loss from associate company, Hepsor P113 OÜ, by the equity method in the amount of 567 thousand euros (Note 17.2).

Hepsor AS has granted a loan in the amount of 2.5 million euros to the associate company Hepsor P113 OÜ, as of 31.12.2023 the granted loan receivable has not been discounted, as owners of the company do not plan and are not obliged to sell the investment property at the assessment value.

As of 31 December 2024, 77% of the building is covered by lease agreements.

Note 21. Operating segments

The segment reporting is presented in respect of operating and geographical segments.

The Group reports separately information about the following operating segments:

- ✓ residential real estate;
- ✓ commercial real estate;
- ✓ headquarters.

Headquarters are generating revenue from provision of project management services. All personnel expenses are accounted in headquarters.

Geographical segments refer to the location of the real estate. The Group operates in Estonia, Latvia and Canada.

Revenue by geographical area:

in thousands of euros	12M 2024	12M 2023	Q4 2024	Q4 2023
Estonia	32,541	13,612	8,865	3,064
Latvia	5,856	27,523	1,677	2,023
Total	38,397	41,135	10,542	5,087

Additional information on sales revenue is provided in Note 12.

Segment reporting is presented on the basis of consolidated indicators, where all transactions between the Group companies have been eliminated.

12M 2024	Residential development			Commercial development		Headquarters		Total
in thousands of euros	Estonia	Latvia	Canada	Estonia	Latvia	Estonia	Latvia	
Revenue	31,627	4,823	0	731	300	183	733	38,397
incl. revenue from rent	120	31	0	627	300	0	0	1,078
Operating profit/-loss	5,541	805	-47	897	102	-2,305	-661	4,332
Assets	37,703	10,316	6,826	12,784	16,077	4,033	1,074	88,813
Liabilities	24,598	7,922	3,061	9,616	10,211	7,991	3,404	66,803

12M 2023	Residential development			Commercial development		Headquarters		Total
in thousands of euros	Estonia	Latvia	Canada	Estonia	Latvia	Estonia	Latvia	
Revenue	10,733	26,972	0	2,792	550	87	1	41,135
incl. revenue from rent	109	80	0	551	530	0	0	1,270
Operating profit/-loss	1,974	4,692	-21	1,350	310	-2,103	-1,163	5,039
Assets	48,041	8,689	2,167	15,569	10,259	6,045	218	90,988
Liabilities	37,058	5,675	3	11,379	5,797	7,579	1,349	68,840

Q4 2024	Residential development			Commercial development		Headquarters		Total
in thousands of euros	Estonia	Latvia	Canada	Estonia	Latvia	Estonia	Latvia	
Revenue	8,631	870	0	181	78	54	728	10,542
incl. revenue from rent	36	4	0	154	78	0	0	272
Operating profit/-loss	1,710	139	-35	447	57	-696	376	1,998
Assets	37,703	10,316	6,826	12,784	16,077	4,033	1,074	88,813
Liabilities	24,598	7,922	3,061	9,616	10,211	7,991	3,404	66,803

Q4 2023 in thousands of euros	Residential development			Commercial development		Headquarters		Total
	Estonia	Latvia	Canada	Estonia	Latvia	Estonia	Latvia	
Revenue	2,867	1,928	0	182	95	15	0	5,087
incl. revenue from rent	27	16	0	151	95	0	0	289
Operating profit/-loss	426	-8	-13	151	48	-557	-324	-277
Assets	48,041	8,689	2,167	15,569	10,259	6,045	218	90,988
Liabilities	37,058	5,675	3	11,379	5,797	7,579	1,349	68,840

Note 22. Related parties

The Group considers key members of the management (Supervisory and Management Board), their close relatives and entities under their control or significant influence as related parties.

Balances and loan transactions with related parties:

in thousands of euros	31 December 2024	31 December 2023
Receivables		
Loans granted (Note 4)		
Associated companies		
Opening balance 01. January	1,729	1,766
Loans granted	718	0
Loans repaid	0	0
Effective interest rate impact	-19	-37
Balance at the end of period	2,428	1,729
Trade and other receivables		
Management and all companies directly or indirectly owned by them	9	156
Associated companies	1	1
Interest receivables		
Associated companies	309	159
Payables		
Prepayments from customers		
Management and all companies directly or indirectly owned by	564	560
Loans and borrowings (Note 7)		
Associated companies		
Opening balance as at 01. January	0	423
Loans received	0	89
Loans repaid	0	0
Reclassified as a Group loan	0	-512
Balance at the end of period	0	0
Management and all companies directly or indirectly owned by them		
Opening balance as at 01. January	1,383	1,883
Loans received	4,710	1,000
Loans repaid	-4,722	-1,500
Balance at the end of period	1,371	1,383
Trade payables		
Management and all companies directly or indirectly owned by them	942	2,960
Interest payables		
Management and all companies directly or indirectly owned by them	27	68

Purchases and sales of goods and services:

in thousands of euros	12M 2024	12M 2023	Q4 2024	Q4 2023
Sales of goods and services				
Associated companies	117	56	26	9
Management and all companies directly or indirectly owned by them	515	357	225	192
Total sales of goods and services	632	413	251	201
Purchases of goods and services				
Management and all companies directly or indirectly owned by them	20,022	34,090	3,701	8,056
<i>incl. construction service</i>	<i>19,847</i>	<i>33,497</i>	<i>3,623</i>	<i>8,056</i>
Interest income earned				
Associated companies				
Interest earned	150	124	42	32
Interest expenses incurred				
Associated companies				
Accrued interest	0	9	0	2
Management and all companies directly or indirectly owned by them				
Accrued interest	187	179	97	38
Interest paid	228	268	112	18

Note 23. Events after the reporting period

- ✓ Hepsor AS entered into an amendment to the bank loan agreement with LHV Pank AS, reducing the loan limit from nine million euros to six million euros.
- ✓ The demerger entry of Kvarta SIA was made in the business register on 20 January 2025.
- ✓ The demerger entry of Hepsor Marupe SIA was made in the business register on 4 February 2025.

Note 24. Risk management

Risk management is part of the Group's strategic planning and decision-making process. The Group is exposed to a number of risks and uncertainties related to, among other factors, the business and financial risks. The materialisation of any such risks could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects. The Group's risk management process is based on the premise that the Group's success depends on constant monitoring, accurate assessment, and effective management of risks. The Group's management monitors the management of these risks.

Strategic risk

The Group's strategic risks are risks that can significantly impact the execution of its business strategies and ability to achieve the objectives. Such risks are impacted by changes in political environment and market demand as well as microeconomic developments. While the risks can have negative impact on the Group's business, they can also create new business opportunities. The Group carefully selects the new development projects and monitors the market trends in order to adjust its strategy when significant changes occur.

Market risk

Market risk is the risk arising from changes in the markets the Group is exposed to. The main market risks are price risk and interest rate risk. The Group is exposed to price risk resulting from decline in the market values of the Group's real estate development projects or increase in input prices. There can be no guarantee that the Group will be able to sell its development projects in future with prices that are similar or higher than the expected market value of these projects. The Group cannot ensure it is able to sell its development projects with expected prices could have an unfavourable impact on the Group's statement of financial position and may have a material adverse effect on the Group's business, financial condition, prospects and results of operations and execution of its strategy. At present it is not possible to assess the extent of any such potential changes.

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group actively uses external and internal borrowings to finance its real estate development projects in Estonia, Latvia and Canada. A project's external financing is either in the form of a bank loan or investor loan from minority interest holders denominated in Euro.

The interest rates of investor loans are usually fixed, ie interest rates are not floating and do not depend on Euribor.

The Group's bank loans have both fixed and floating interest rates based on Euribor. The bank loans have a 0% floor against negative Euribor, meaning that in the case of negative Euribor, the Euribor rate is set to zero, and the margin on these loans does not decrease. The management constantly monitors the Group's exposure to interest rate risk which arises from upward movement in Euribor for loans with floating interest rates. Several bank loan agreements include a condition that an unused loan balance fee must be paid. The fee depends on the unused loan amount, directly affecting the group's actual interest rate.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations towards the Group under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities such as trade receivables from rental property and from its financing activities, including deposits with banks and other financial instruments.

In order to minimize credit risk, the Group is only dealing with creditworthy counterparties and deposits cash in banks well-recognized banks in Estonia, Latvia and Canada. If such rating is not available, the Group uses other publicly available financial information and its own trading records to rate its major customers.

The Group is in real estate development business and upon sale of completed property the Group enters into notarized agreement with the buyer. Since most of the transactions are ensured either with money deposited in the notary's deposit account or a bank loan, the Group is not exposed to material credit risk from trade receivables.

Liquidity risk

The Group's liquidity represents its ability to settle its liabilities to creditors on time. A careful management of liquidity and refinancing risks implies maintaining the availability of funding through an adequate amount of committed credit facilities. Due to the nature of the Group's business activities, the Group actively uses external and internal funds to ensure that timely resources are always available to cover capital needs.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Group mitigates refinancing risk by monitoring liquidity positions, analyzing different financing options on an ongoing basis and negotiating with financing parties over the course of financing.

Capital risk

The core purpose of the Group's capital risk management is to ensure the most optimal capital structure to support the sustainability of the Group's business operations and shareholders' interests.

The Group uses the debt-to-equity ratio to monitor capital structure. The debt-to-equity ratio is calculated as the ratio of net debt to total capital. The management considers the Group's capital structure optimal.

Currency risk

The Group's activities are mainly carried out in the currency of the economic environment of the companies - in Estonia and Latvia in euros (EUR) and in Canada, in Canadian dollars (CAD). The Group's currency risk arises from the translation of the functional currency of the Canadian subsidiary into the Group's functional and presentation currency. In order to mitigate currency risks, the Group concludes as many contracts as possible in euros. The majority of intra-group transactions are carried out in euros. The Group is not significantly exposed to currency risks, and therefore, no separate instruments have been used within the Group to hedge against currency risks. However, the growth of business operations in Canada may increase the Group's exposure to currency risks.

Geopolitical risk

Russia's military invasion and attack on Ukraine's independence, which began on 24 February 2022, is affecting businesses around the world and the length, impact and outcome of the ongoing military conflict remain unclear. The initial effects of the war have partially subsided – commodity prices have stabilized as a result of the development of new supply chains, energy prices and inflation are also returning to previous levels, however, as a negative effect, economic growth has slowed down. Although the economic environment is stabilizing, there is still the risk of an escalation of a military conflict, which can have a wide impact on the Group daily activities if the risk materializes.

Management Board's Confirmation

The Management Board confirms that the unaudited interim report for IV quarter and twelve months of 2024, which is comprised of the management report and the interim financial statements, provides a true and fair view of the Group's operations, financial position and results of operations, and describes the significant risks and uncertainties the Group faces.

Henri Laks
Member of Management Board
Tallinn, 18 February 2025