

hepsor



Ojakalda Homes, Tallinn

2024 III quarter and nine
months consolidated unaudited
interim report

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Reporting period:	01 January 2024-30 September 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

Hepsor AS (hereinafter referred to as “the Group” or “Hepsor”), a property development company based on Estonian capital, has operations in Estonia, Latvia and Canada. The Group entered Latvian market in 2017 and has been operating under the same consolidating Group since 2019. The Group entered the Canadian market in 2023.

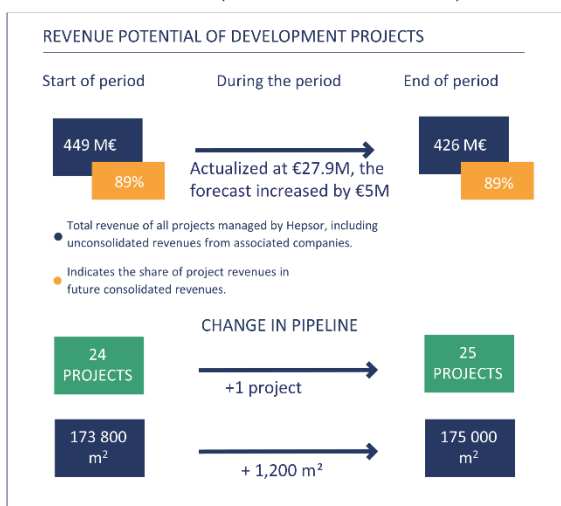
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Management Report

	2024 9 MONTHS UNAUDITED REVENUES AND NET PROFIT	2024 UNAUDITED REVENUES AND NET PROFIT	CHANGE	2024 CHANGED UNAUDITED REVENUES AND NET PROFIT
CONSOLIDATED REVENUE	27,9 M€	43,1 M€	-5,8M €	37,3 M€
CONSOLIDATED NET PROFIT	1,2 M€	4,5 M€	-2,3M €	2,2 M€
CONSOLIDATED NET PROFIT ATTRIBUTABLE TO OWNERS OF PARENT	-0,2 M€	2,5 M€	-2,3M €	0,2 M€

LONG TERM OUTLOOK (31.12.2023 VS 30.09.2024)



ASSUMPTIONS FOR 2024 FORECAST

Project	Assumption
Manufaktuuri 7	104 apartments of total of 150 will be sold
Paevälja Courtyard houses	Last 5 apartments sold.
Lilleküla homes	10 apartments of total of 18 will be sold.
Ojakalda homes	39 apartments of total of 101 will be sold.
Strelnieku 4B	8 apartments of total of 10 will be sold.
Nameja Residence	22 apartments of total of 38 will be sold.
Marupes Darzs	Last apartment sold.
Ganibu Dambis	The Group earns rental income.
Büroo 113	No profit is earned nor loss incurred from the equity method of accounting for an associate company.
Grüne office building	The Group earns rental income.

DEVELOPMENT PROJECTS FOR SALE AND UNDER CONSTRUCTION (30.09.2024)

*Read more detailed forecasts on page 22.

PROJECT	Total number of apartments	Apartments sold*	Apartments sold %	Unsold apartments	Construction completed
Strelnieku 4b	54	50	93%	4	2020
Ojakalda homes	101	40	40%	61	2024
Lilleküla homes	26	14	54%	12	2023
Manufaktuuri 7	150	96	64%	54	2024
Manufaktuuri 5 I stage	149	9	6%	140	2026
Nameja Residence	38	19	50%	19	2024
Annenhof Majas	40	12	30%	28	2025
Total	558	240	43%	318	

COMMERCIAL DEVELOPMENT PROJECTS IN PROCESS	Total rentable area m ²	Occupancy m ²	Occupancy %	Construction completed
Büroo113	4,002	2,087	52%	2023
Grüne office building	3,430	3,302	96%	2023
Stokofiss 34	8,740	453	5%	2025
Manufaktuuri 5 I stage	1,515	0	0%	2026
Manufaktuuri 7	453	178	39 %	2024
Total	18,140	6,019	33%	

DEVELOPMENT PROJECTS UNDER CONSTRUCTION (30.09.2024)

Started in 2023	Under construction as of 30.09.2024	Started in 2024
40 apartments	189 apartments	149 apartments
0 m ² commercial area	10,255 m ² commercial area	10,255 m ² commercial area

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

Dear shareholders of Hepsor



The consolidated sales revenue of Hepsor amounted to 20.4 million euros in the third quarter of 2024 and the net profit was 2,7 million euros (including a net profit attributable to the owners of the parent of 1.4 million euros). The consolidated sales revenue for the nine months of 2024 was a total of 27,9 million euros, with a net profit of 1.2 million euros. The net loss attributable to the owners of the parent company in the nine months of the financial year was 0.2 million euros.

Development projects under construction and available for sale

In 2024, we launched the construction of the StokOfiss U34 commercial building in Riga. StokOfiss U34 is a multifunctional commercial building with a leasable area of 8,740 m², where it is possible to rent storage, retail, and office space.

In Tallinn, we started the construction and sale of Hepsor's largest development project to date, the construction and sale of the former main building of the Baltic Cotton Spinning and Weaving Factory located at Manufaktuuri 5. The project is being developed in two phases. In the first phase, it is planned to establish 149 new apartments and 1,515 m² of commercial space.

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



As of 30 September 2024, the Group has completed and is selling five residential development projects, three of which in Tallinn (Manufaktuuri 7, Ojakalda Kodud, and Lilleküla Kodud) and two in Riga (Nameja Residence and Strēlnieku 4B development projects).

In the first nine months of 2024, we have handed over 142 homes to clients, of which 96 in Q3. In Tallinn, we handed over 79 apartments, of which 72 are located at Manufaktuuri 7, four in Lilleküla Kodud, and three in Ojakalda Kodud. During the same period, more than 17 apartments were handed over in Riga, of which 16 were in the Nameja Residence project and one apartment at Strēlnieku 4B.

In the commercial building Office 113, owned by Hepsor P113 OÜ, which was recognised as an affiliate, the conclusion of new lease agreements continued, and at the end of Q3, as much as 52% of the leasable area of the building was covered by agreements. By the end of the year, we forecast that at least 75% of the leasable area will be covered by lease agreements in the Office 113 building.

Hepsor in Canada

In the Q3 of 2024, we made two new investments in Canada. In September, Hepsor SPV II LTD acquired:

- a development project of 11 properties in High Park in downtown Toronto; and
- a development project of 17 properties on Brownville Avenue in Toronto.

Hepsor has so far invested in five different development projects in Toronto, and in collaboration with partners, plans for approximately 3,000 new rental apartments are under development in Canada's largest city.

The Group's revenues and profitability are directly dependent on the development cycle of projects, which is approximately 24 to 36 months. Sales revenue is generated only at the end of the cycle. Calendar quarters vary in terms of the number of projects ending during the quarter, which is why both profits and sales revenue can differ significantly across quarters. Therefore, performance can be considerably weaker or stronger in some years and quarters than in others.

The portfolio of the company's development projects, and three-year average financial results are a better criteria for assessing the Group's performance in order to assess the overall sustainability and economic results of a real estate development company.



Change in forecasts

Due to the continuing low level of the real estate market in both Estonia and Latvia, the Group's management is adjusting the financial forecast for 2024. In the forecast published in 2023, we assumed that we would be able to maintain a similar sales rate to 2023 in development projects for sale during 2024. We also assumed that the profitability of the projects would not change significantly. We expected to sell 225 apartments in 2024, which would have resulted in revenue of 43.1 million euros in 2024. Currently, we forecast that in 2024, the Group's revenue will be realised from the sale of 189 apartments with a turnover volume of approximately 37.3 million euros.

The Group's net profit for 2024 is estimated at 2.2 million euros (forecast for 2023 was 4.5 million euros), of which the net profit of the owners of the parent company is 0.2 million euros (forecast for 2023 was 2.5 million euros). The net profit is primarily affected by the smaller than forecast number of apartments sold and the reduced profitability of development projects for sale. Profitability has declined due to extended periods of sale as well as write-downs made. More detailed information about the forecasts can be read on page 22.

We assume that volatile and hard-to-predict times in the real estate markets will continue in 2025. Therefore, we have decided that starting from the beginning of 2025, the Group will not regularly publish financial performance forecasts. The decision may be subject to review after the market has stabilised and reliable forecasting is possible again.

Despite the global, geopolitical, and economic headwinds that have battered the Group's home markets for several years, we have been able to expand our reach this year in Canada and have started the construction and sales of several new projects in the Baltics. We look to the future with a cautious and conservative eye, but the declining interest environment still allows for a moderate amount of optimism.

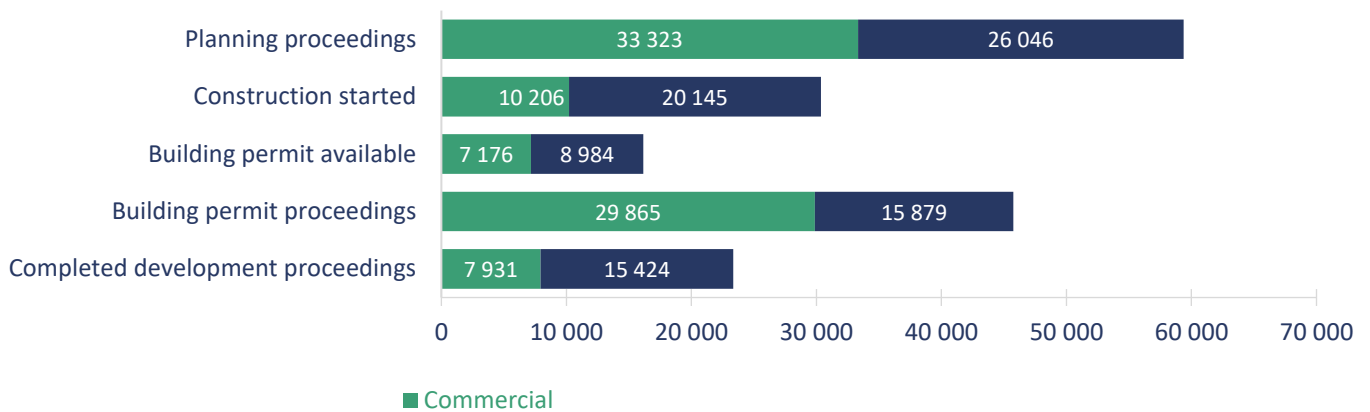
Henri Laks

Member of the Management Board

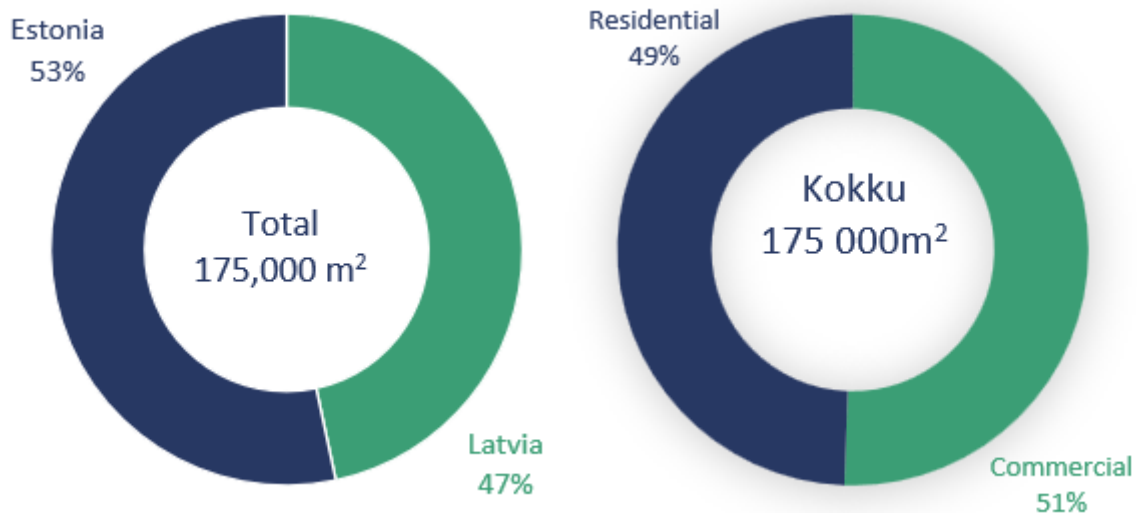
Overview of the Development Projects

As of 30 September 2024, the Group has a total of 25 active development projects in various stages of development and 175,000 square meters of saleable area (30 September 2023: of 25 active development projects and 169,300 square meters of saleable area).

Distribution of the development portfolio between different stages of development* (as of 30 September 2024):



Distribution of development portfolio between countries and type* (as of 30 September 2024):

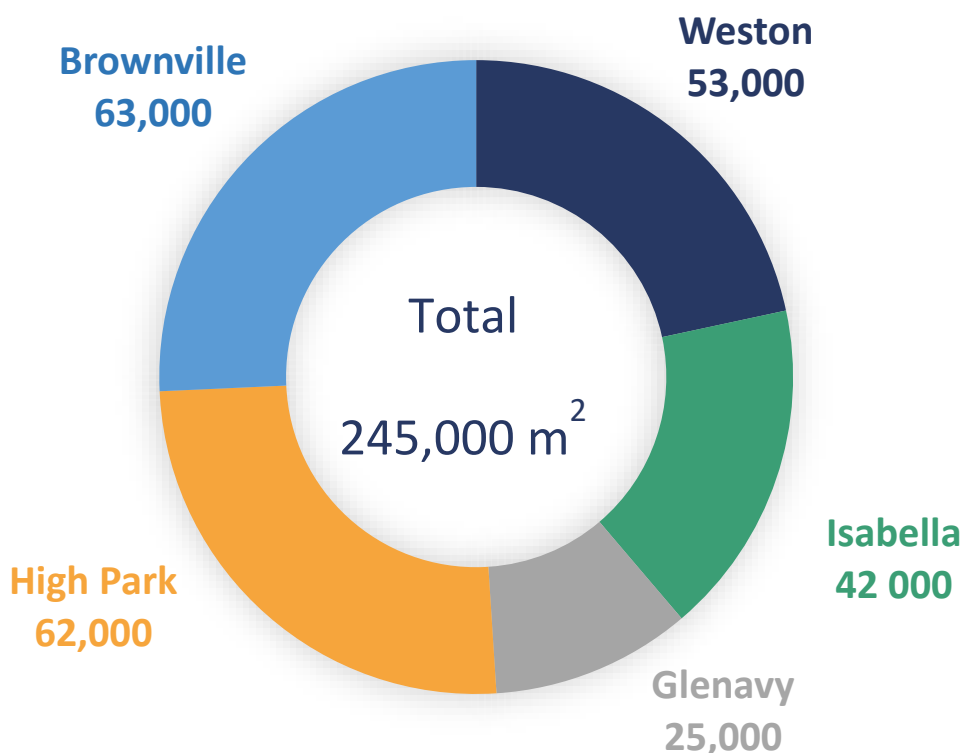


*Except Canada projects

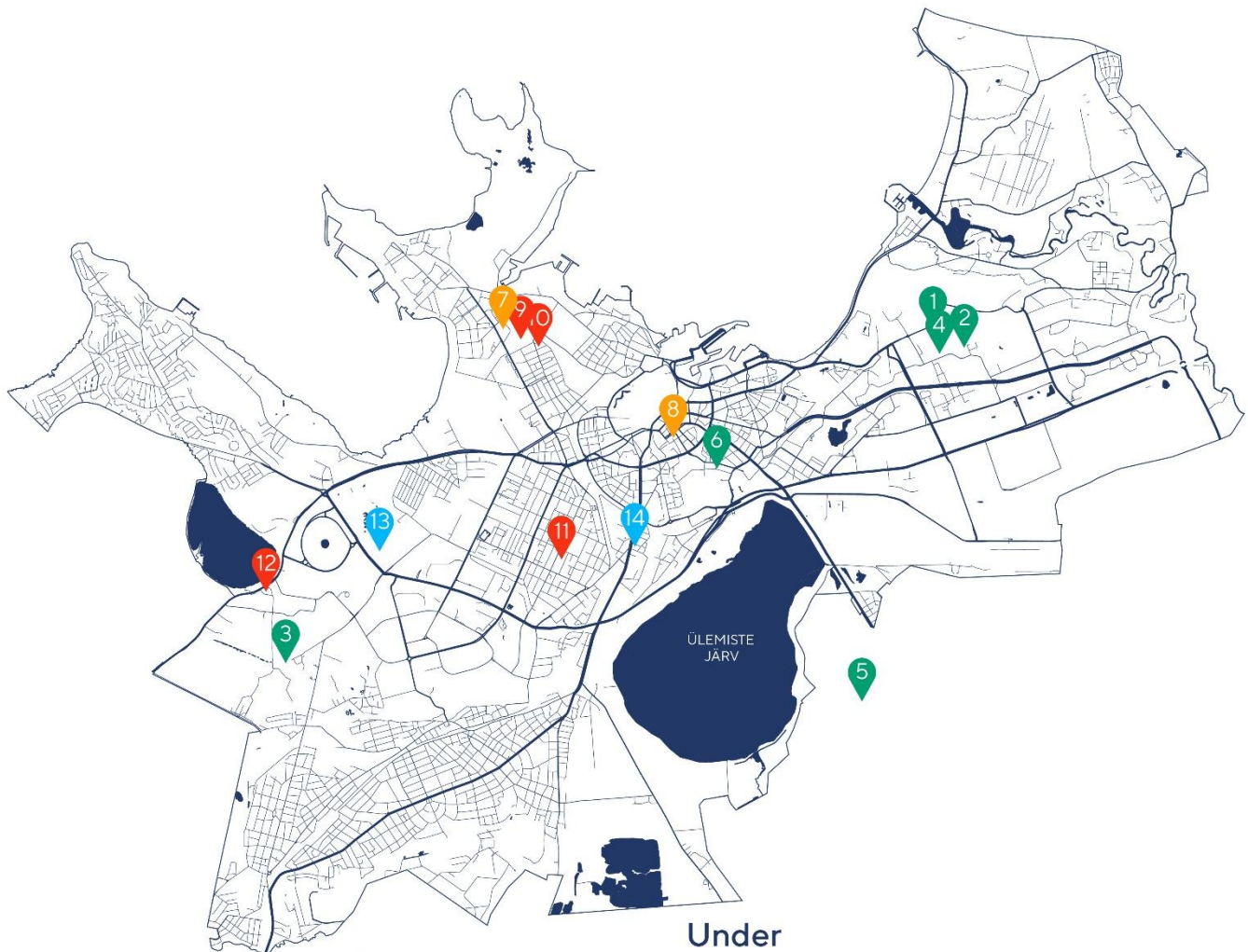
Development Projects in Canada (as of 30 September 2024):

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:** 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 30 September 2024)



Planning proceedings

- 1 Narva mnt 150, 150a, 150b
- 2 Alvari 1
- 3 Kadaka tee 197
- 4 Paevälja 5, 7, 9
- 5 Vana-Tartu mnt 49
- 6 Võistluse 7

Building permit proceedings / available

- 7 Manufaktuuri 12
- 8 Lembitu 4

Under construction and/or available for sale

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

Completed, earning cash flow

- 13 Meistri 14
- 14 Pärnu mnt 113

Development projects in Riga (as of 30 September 2024)



Planning proceedings

- 1 Riga Properties 4

Building permit proceedings / available

- 2 Ganību Dambis 17a
- 3 Eizenija 18
- 4 Saules aleja 2a
- 5 Braila 23

Under construction and/or available for sale

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

Development projects in Canada (as of 30 September 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 30 September 2024):



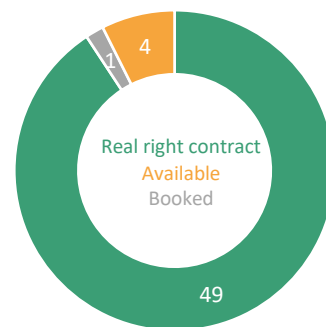
Project: Strēlnieku 4b
Hepsor S4B SIA

Address: Strēlnieku 4b, Rīa

Apartments: 54

End of construction: 2020

Website: hepsor.lv/strelnieku4b



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



Project: Lilleküla Homes
Hepsor N57 OÜ

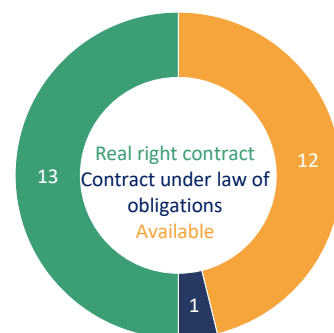
Address: Nõmme tee 57, Tallinn

Apartments: 26

Start of construction: IV Q 2022

End of construction: I Q 2024

Website: hepsor.ee/lillekylakodud/



Project: Büroo 113
Hepsor P113 OÜ

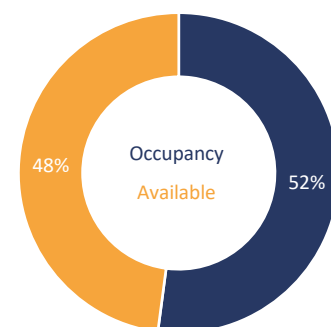
Address: Pärnu mnt 113, Tallinn

Leasable area: 4,002 m²

Occupancy: 52%

End of construction: IV Q 2022

Website: byroo113.ee/



Project: Grüne office building
Hepsor M14 OÜ

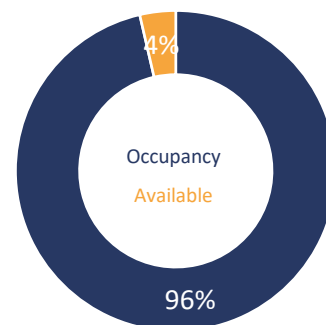
Address: Meistri 14, Tallinn

Leasable area: 3,430 m²

Start of construction: IV Q 2020

End of construction: II Q 2023

Website: gryne.ee





Project: Manufaktuuri kvartal
Hepsor Phoenix 2 OÜ

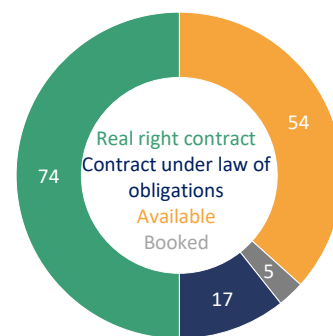
Address: Manufaktuuri 7, Tallinn

Apartments: 150

Start of construction: I Q 2023

End of construction: III Q 2024

Website: hepsor.ee/manufaktuur/m7



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 30. September 2024)



Project: Manufaktuuri 5
Hepsor Phoenix 3 OÜ

Address: Manufaktuuri 5, Tallinn

Apartments: 149

Start of construction: II Q 2024

Estimated completion: 2026

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

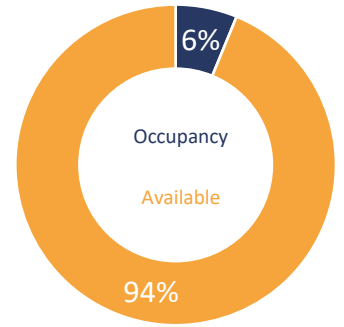
Address: Ulbrokas 34, Riia

Leasable area: 8,740 m²

Start of construction: II Q 2024

Estimated completion: IV Q 2025

Website: hepsor.lv/stokofissu34/en/



Development projects the construction of which starts in 2025 (as of 30 September 2024):



Project: Zala Jugla
Hepsor Jugla SIA

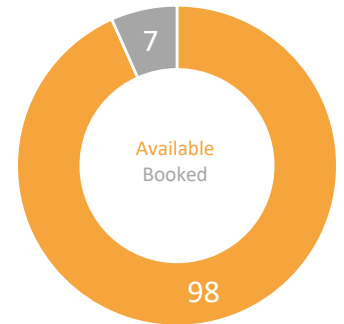
Address: Braila Str 23, Riia

Apartments: 105

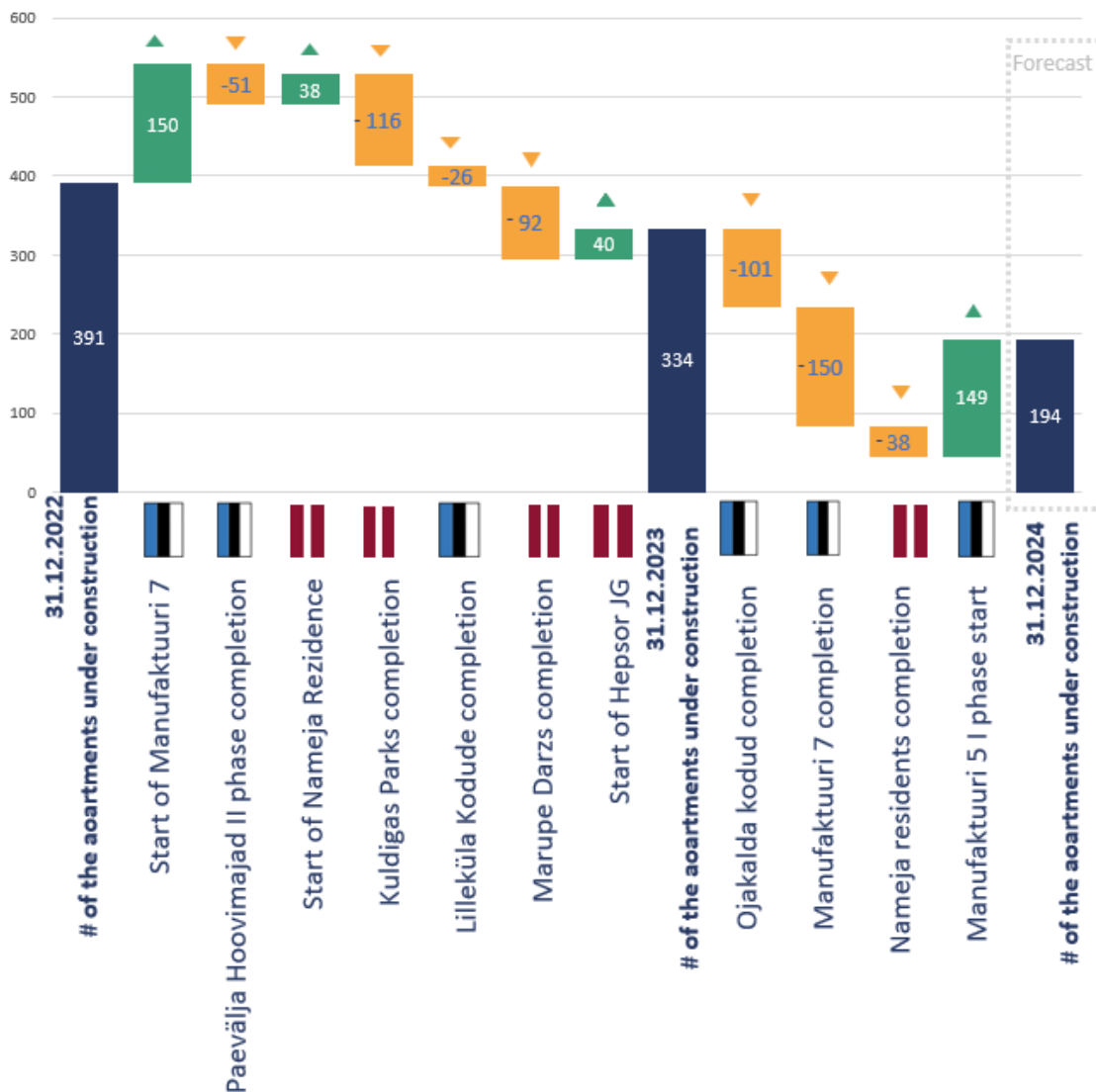
Start of construction: II Q 2025

Estimated completion: II Q 2027

Website: hepsor.lv/zalajugla/



Under construction and completed apartments 2022 - 2024

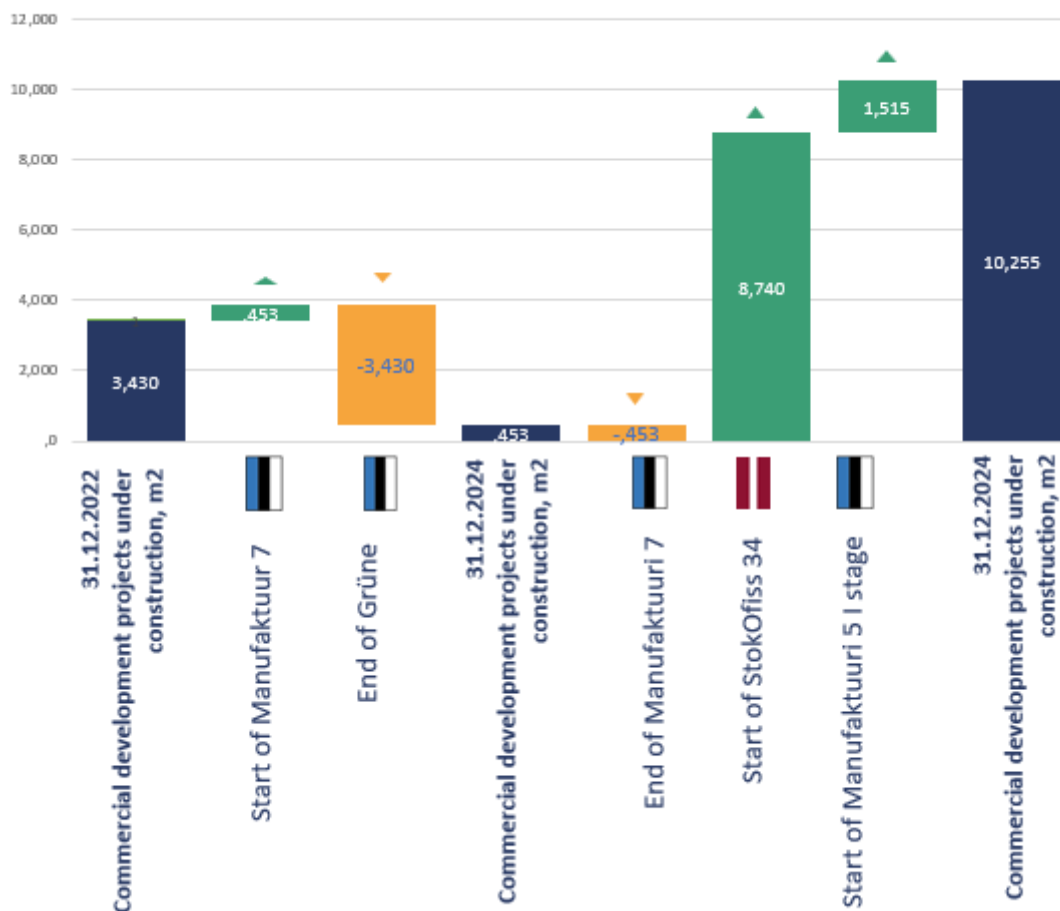


Residential development projects under construction and available for sale (as of 30 September 2024):

Project	Status	Apartments	Apartments		Apartments %		Estimated completion
			Sold*	Available	Sold*	Available	
Strēlnieku 4b, Lāti	Ready	54	50	4	93%	7%	2020
Lilleküla Homes	Ready	26	14	12	54%	46%	IV Q 2023
Ojakalda Homes	Ready	101	40	61	40%	60%	I Q 2024
Manufaktuuri 7	Ready	150	96	54	64%	36%	III Q 2024
Manufaktuuri 5	In construction	149	9	140	6%	94%	IV Q 2027
Nameja Residence	Ready	38	19	19	50%	50%	III Q 2024
Annenhof Majas	In construction	40	12	28	30%	70%	I Q 2025
Total		558	240	318	43%	57%	

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

Commercial development projects under construction 2022 - 2024



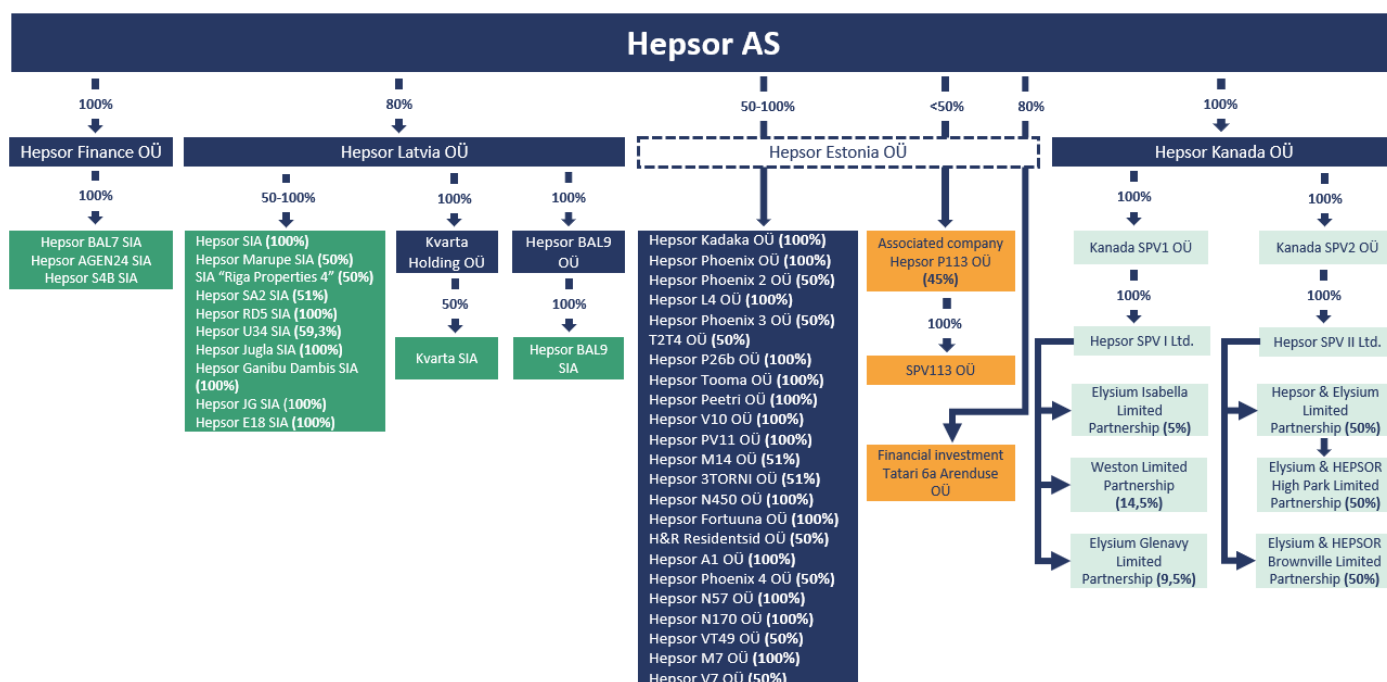
Occupancy of commercial development projects (as of 30 September 2024):

Project name	Rentable area sqm	Occupancy sqm	Occupancy %
StokOfiss 34	8,740	495	6%
Büroo113	4,002	2,087	52%
Grüne office building	3,430	3,302	96%
Manufaktuuri 5	1,515	0	0%
Manufaktuuri 7	453	178	39%
Kokku	18,140	6,019	33%

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 September 30, 2024, the Group consisted of the parent company, 46 subsidiaries, and 1 associated company, along with its subsidiary (as of 30 September 2023: the Group consisted of the parent company, 41 subsidiaries, and 1 associated company). 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 accounted as financial investments.



In 2024, the following changes took place in the structure of the Group:

- ✓ On March 5, 2024, Hepsor AS's subsidiary Hepsor Latvia OÜ established a subsidiary, Hepsor E18 SIA
- ✓ On March 8, 2024, Hepsor AS's associate company Hepsor P113 OÜ established a subsidiary, SPV113 OÜ
- ✓ Hepsor Latvia OÜ's stake in Kvarta Holding OÜ changed from 50% to 100%, and Kvarta Holding OÜ's stake in Kvarta SIA changed from 100% to 50%.
- ✓ A new financial investment, Elysium Glenavy Limited Partnership, was added with a stake of 9,5%.
- ✓ On May 22, 2024, Hepsor AS established a subsidiary, Hepsor V7 OÜ, with a 50% stake.
- ✓ Hepsor Latvia OÜ's stake in Hepsor U34 SIA changed from 70% to 59.3%.
- ✓ In the third quarter, a new financial investment, Hepsor & Elysium Limited Partnership, was added, in which Hepsor SPV I Ltd holds a 50% ownership. This entity holds a 50% stake in Elysium & Hepsor High Park Limited Partnership.
- ✓ On September 30, 2024, an agreement was signed for Elysium & Hepsor Brownville Limited Partnership, in which Hepsor SPV II Ltd holds a 50% ownership.

Main Events

- ✓ On June 12, 2024, Hepsor U34 SIA, Hepsor AS Group company, and Latvian affiliate of Bigbank AS signed a loan agreement for 9 million euros. The purpose of the loan is to finance the construction of StokOfiss 34 development project in Riga. In addition to the bank, financial investors are also involved in financing the development project, with a total investment amount of 1.7 million euros.
- ✓ In June, Hepsor AS's subsidiary in Canada, Hepsor SPV I Ltd, made its third investment in the Canadian real estate market, where, in cooperation with Canadian partners, properties suitable for residential development were purchased at 17-29 Glenavy Avenue, Toronto.
- ✓ On May 17, 2024, Hepsor U34 SIA, a company of the Hepsor AS Group, and the construction company Mitt&Perlebach signed a contract for the construction of the StokOfiss 34 development project at 34 Ulbrokas Street, Riga. The construction contract amount is approximately 9.6 million euros, plus VAT.
- ✓ On July 18, 2024, Hepsor E18 SIA, a subsidiary of Hepsor AS, acquired a property in Riga at Eiženijas Street 18. Two residential buildings with a total of 54 apartments and 2,800 m² of saleable area will be developed. Construction is scheduled to begin in the third quarter of 2025.
- ✓ On September 2, 2024, Hepsor AS announced that its subsidiary, Hepsor V7 OÜ, had acquired a property in central Tallinn at Vöistluse 7, where a unique eco-friendly wooden apartment building is planned.
- ✓ On September 12, 2024, Hepsor AS and its partner Elysium Investments acquired a development project consisting of 11 properties in downtown Toronto, Canada, in the High Park area.
- ✓ On September 30, 2024, an agreement was signed between Hepsor SPV II and Elysium Investments to acquire a development project consisting of 17 properties on Brownville Avenue, Toronto, Canada.

Operating Results

The Group's sales revenue in nine months 2024 was 27.9 million euros (9M 2023: 36.0 million euros), of which 4.2 million euros (9M 2023: 25.5 million euros) or 15.0% (9M 2023: 70.4%) was earned in Latvia.

The Group's sales revenue in Q3 2024 was 20.4 million euros (Q3 2023: 15.5 million euros), of which 3.5 million euros (Q3 2023: 14.9 million euros) or 17.0% (Q3 2023: 96.4%) 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. 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 first nine months of 2024, the Group sold a total of 142 (9M 2023: 240) apartments of which 120 apartments in Tallinn, 36 apartments in Ojakalda Homes development project, 5 apartments in Lilleküla Homes development project, 5 apartments in Paevälja Courtyard houses development project and the 74 apartments were handed over to customers in the Manufaktuuri 7 development project. In Latvia, the last apartment was sold in the Mārupes Dārzs development project, 5 apartments were sold in Strēlnieku 4b development project and 16 apartments in the Nameja Residence development project. In total, 22 apartments were handed over to customer in Latvia.

In addition to the sale of apartments, the Group also offers project management services and generates rental income from real estate. In the first nine months, the Group earned other sales revenue in the amount of 1,100 thousand euros (9M 2023: 1,275 thousand euros), which was 3.9% (9M 2023: 3.5%) of the Group's total sales revenue. In the third quarter the total other sales revenue amounted to 357 thousand euros (Q3 2023: 392 thousand euros) or 1.7% (Q3 2023: 2.5%) of the Group's total sales revenue.

Profitability

The gross profit of the third quarter of the Group was 3,854 thousand euros and the gross profit margin was 18.9% (Q3 2023: 2,033 thousand euros and 13,2%) and the gross profit for nine months was 4,231 thousand euros, the gross profit margin was 15.2% (9M 2023: 6,824 thousand euros and 18.9%). The gross profit was mostly affected by both the lower quantity of sold apartments and the lower profitability of the development projects sold. The gross profit of development projects sold during the third quarter was 4,035 thousand euros (Q3 2023: 2,139 thousand euros) and the gross profit of the sold development projects for nine months was 4,655 thousand euros (9M 2023: 7,173 thousand euros) and the gross profit margin was 17.4% (9M 2023: 20.6%).

The operating profit of the Group for the third quarter of 2024 was 3,190 thousand euros and for nine months it was 2,334 thousand euros (Q3 2023: 1,585 thousand euros and 9 months 2023: 5,311 thousand euros), the operating profit margin for the third quarter of the reporting year was 15.6% (Q3 2023: 10.3%) and the operating profit margin for nine months was 8.4% (9M 2023: 14.7%).

The net profit of the Group in the third quarter was 2,703 thousand euros (Q3 2023: 1,190 thousand euros), of which the profit of the owners of the parent company was 1,371 thousand euros (Q3 2023: 469 thousand euros) and the net profit of the minority interest was 1,332 thousand euros (Q3 2023: 721 thousand euros). The net profit for the nine months of the reporting year was 1,177 thousand euros (9M 2023: 4,778 thousand euros), of which the loss of the owners of the parent company was 155 thousand euros (9M 2023: net profit 2,272 thousand euros). The net profit margin was 13.2% in the third quarter of the reporting year and 4.2% in nine months (Q3 2023: 7.7% and 9M 2023: 13.3%). The profit margin of the owners of the parent company was 6.7% in the third quarter (Q3 2023: 3.0%) and -0.6% in nine months (9M 2023: 6.3%).

Balance Sheet

Total assets of the Group amounted to 93.4 million euros as of 30 September 2024 (30 September 2023: 85.8 million euros), which is 8.9% higher than at the end of the comparable period last year. Inventories made up 82.4% or 77.0 million euros of total assets (30 September 2023: 82.2% and 68.8 million euros). In the period from 01 October 2023 to 30 September 2024, the Group has purchased three new development projects, of which 1 in Latvia, a residential development project with 54 apartments in Eiženija 18 and two development projects in Estonia- a commercial development project Vana-Tartu mnt 49 which added to the development portfolio a total of 3,528 m² of developable area and a residential development project with 8 apartments at Võistluse 7. In the period from 01 October 2023 to 30 September 2024, the Group has sold 176 apartments with real rights contracts.

As of 30 September 2024, cash and cash equivalents accounted for 7.3% or 6.8 million euros of the total assets. As of 30 September 2023, cash and cash equivalents accounted for 8.2% or 7.1 million euros of total assets.

The Group's loan obligations totalled 57.3 million euros as at 30 September 2024, compared to 49.0 million euros as at 30 September 2023. The Group's equity decreased by 4.8% over the year to 22.1 million euros. Equity attributable to the owners of the parent decreased by 6.7% to 20.7 million euros.

Cash Flows

The Group's cash and cash equivalents amounted to 7.6 million euros at the beginning of 2024 (01 January 2023: 3.8 million euros) and to 6.8 million euros as at 30 September 2024 (30 September 2023: 7.1 million euros). The negative cash flow for the period was 0.7 million euros (9M 2023: positive 3.3 million euros).

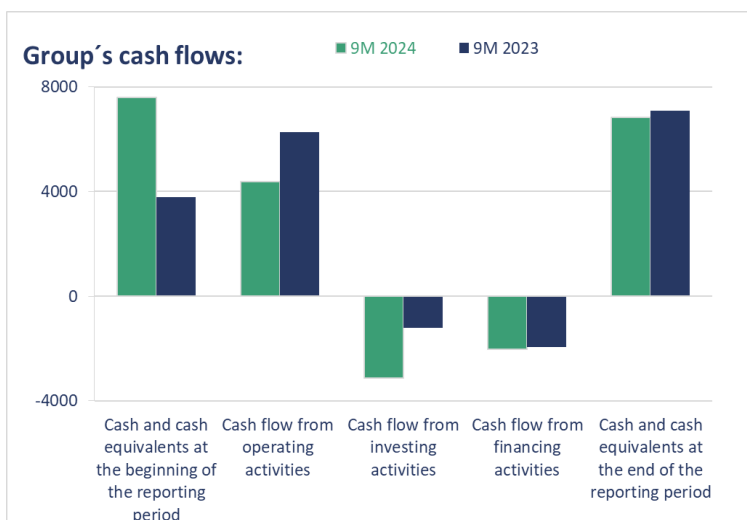
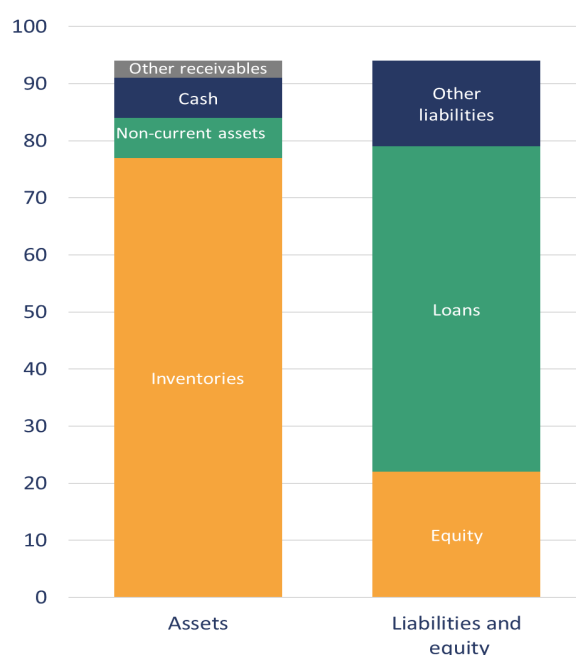
Cash flow from operating activities for 9M 2024 was positive at 4.4 million euros (9M 2023: 6.3 million euros). The cash flows of operating activities were most affected by the decrease in inventories resulting from the sale of

apartments. Due to the change in inventories, the positive cash flow as of 9M 2024 was 3.7 million euros, in the comparable period the cash flow from inventories changes was positive by 3.1 million euros.

In nine months of 2024, the cash flow from investing activities was negative at 3.1 million euros (9M 2023: 1.2 million euros). In the reporting period, the Group granted a total of 0.8 million euros (9M 2023: 0.3 million euros) in loans and invested 2.7 million euros (9M 2023: 1.5 million euros) in development projects in Canada.

Cash flow from financing activities was negative at 2.0 million euros (9M 2023: negative 2.0 million euros). During the reporting period, the Group received more loans than it repaid. The net amount of loans for nine months of 2024 was 0.2 million euros (9M 2023: 0.6 million euros). In the nine months of 2024, the Group paid 4.0 million euros in interest (9M 2023: 2.5 million euros).

Balance sheet structure 30.09.2024
(m€)



Key financials

in thousands of euros	9M 2024	9M 2023	9M 2022	Q3 2024	Q3 2023	Q3 2022
Revenue	27,855	36,048	5,622	20,433	15,458	1,668
Gross profit/-loss	4,231	6,824	522	3,854	2,033	320
EBITDA	2,486	5,452	-414	3,237	1,632	16
Operating profit/-loss	2,334	5,311	-519	3,190	1,585	-19
Net profit/-loss	1,177	4,778	-129	2,703	1,190	129
Incl. net profit/-loss attributable to the owners of parent	-155	2,272	-141	1,371	469	132
Comprehensive income/-loss	-80	2,871	24	1,370	1,002	160
Incl. comprehensive profit/-loss attributable to the	-329	2,284	-375	1,241	441	184
Earnings per share	-0.04	0.59	-0.10	0.36	0.12	0.05

in thousands of euros	30 September 2024	30 September 2023	30 September 2022
Total assets	93,442	85,797	74,300
Incl. inventories	77,000	68,807	67,118
Total liabilities	71,356	62,603	55,268
Incl. total loan commitments	57,297	48,966	45,767
Total equity	22,086	23,194	19,032
Incl. equity attributable to the owners of parent	20,664	22,150	18,529

Key Ratios

	9M 2024	9M 2023	9M 2022	Q3 2024	Q3 2023	Q3 2022
Gross profit margin	15.2%	18.9%	9.3%	18.9%	13.2%	19.2%
Operating profit margin	8.4%	14.7%	-9.2%	15.6%	10.3%	-1.1%
EBITDA margin	8.9%	15.1%	-7.4%	15.8%	10.6%	-1.0%
Net profit margin	4.2%	13.3%	-2.3%	13.2%	7.7%	7.7%
General expense ratio	7.0%	4.2%	18.6%	3.3%	2.9%	20.0%

	30 September 2024	30 September 2023	30 September 2022
Equity ratio	23.6%	27.0%	25.6%
Debt ratio	61.3%	57.2%	61.7%
Current ratio	2.5	6.2	2.5
Return of equity	-0.6%	29.5%	12.5%
Return on equity attributable to the owners of the parent	-5.9%	18.7%	-3.8%
Return on assets	-0.1%	7.8%	3.1%

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

Adjusted forecast

Consolidated Forecast for the 2024 Financial Year

The Group's management has decided to change the previously published financial forecast for the financial year 2024.

In 2023, we forecasted a sales revenue of 43.1 million for 2024, assuming the sale of 225 apartments. According to the revised forecast, the Group is expected to generate sales revenue of 37.3 million in 2024, based on handing over 189 apartments to customers by the end of the year. As of September 30, 2024, 172 of the 189 apartments have been sold through written reservation or sales-purchase agreements. Due to the lower sales revenue, we forecast a gross profit of 6.7 million (compared to the 8.3 million projected in 2023) and a gross profit margin of 18.1% (19.3% in the 2023 forecast). We have kept the profitability forecast in 2023 in one of the completed development projects, where the profit-sharing of minority interest is 50%. Operating expenses have increased by 150 thousand euros compared to the 2023 forecast, primarily due to higher payroll expenses. The Group's average number of employees has increased by two employees in 2024.

In 2024, we have raised loan capital to initiate new investments, which has increased the Group's interest expenses by approx. 600 thousand euros compared to the previous forecast.

In thousands of euros	2024 Previous forecast	2024 Adjusted forecast	Change compared to previous forecast
Sales revenue	43,113	37,299	-5,814
Gross profit	8,332	6,739	-1,593
Operating profit	6,189	4,446	-1,743
Net profit before tax	4,531	2,224	-2,307
Net profit	4,531	2,224	-2,307
Net profit attributable to the owners of the parent	2,478	180	-2,298

Key assumptions for the adjusted forecast for the 2024 financial year:

Development project	Assumption to adjusted forecast	Assumption to adjusted forecast
Lilleküla Homes	The last 18 apartments will be sold.	10 apartments of total of 18 will be sold.
Manufaktuuri Kvartal	120 apartments of total of 150 will be sold.	104 apartments of total of 150 will be sold
Ojakalda Homes	50 apartments of total of 101 will be sold.	39 apartments of total of 101 will be sold.
Nameja Rezidence	25 apartments of total of 38 will be sold.	22 apartments of total of 38 will be sold.
Strelnieku 4B	The last 12 apartments will be sold.	8 apartments of total of 10 will be sold.
Paevälja Courtyard houses	-	The last 5 apartments sold.
Marupe Darzs	-	The last apartment sold.
Total apartments to be sold in 2024	225 apartments	189 apartments
Grüne office building	The Group earns rental income, the development project will be sold in 2025.	The Group earns rental income.
Ganibu Dambis	The Group earns rental income.	The Group earns rental income.
Büroo 113	The Group earns financial income with the equity method of accounting from associated company.	The Group neither earns income nor incurs losses from the equity method of accounting from associated company.

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 30 September 2024, Hepsor AS had 9,758 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 30 September 2024:

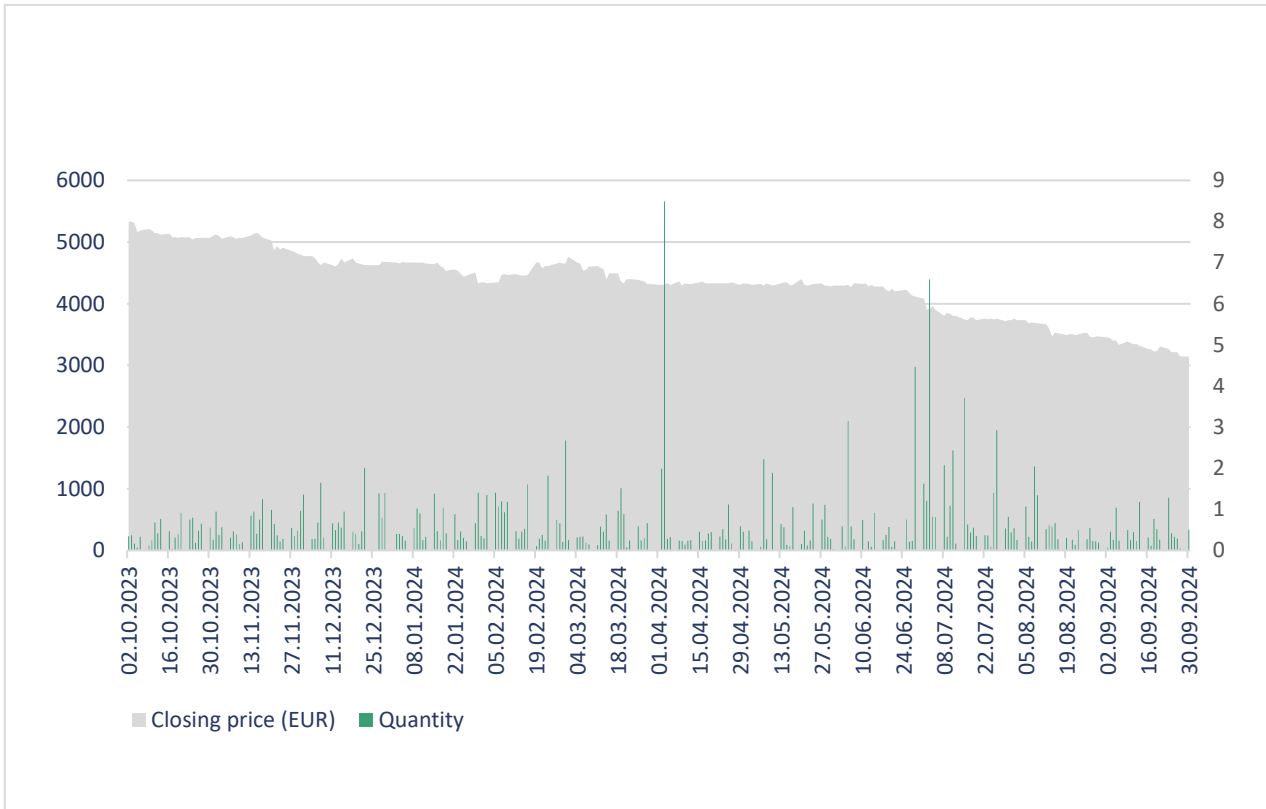
Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
100 001-...	6	0.06%	3,012,161	78.14%
10 001-100 000	8	0.08%	242,741	6.30%
1001-10 000	50	0.51%	151,968	3.94%
101-1000	804	8.24%	212,725	5.52%
1-100	8,890	91.10%	235,106	6.10%
Total	9,758	100.00%	3,854,701	100.00%

Between 1 October 2023 to 30 September 2024, a total of 6,601 transactions were conducted with the shares of Hepsor AS with 113,541 shares in the total amount of 728 thousand euros. The highest transaction price during the period was 8 euros, and the lowest was 4.71 euros. As of 30 September 2024, the market capitalization of Hepsor AS was 18.2 million euros and the Group's equity amounted to 22.1 million euros.

Market cap on
30 September 2024

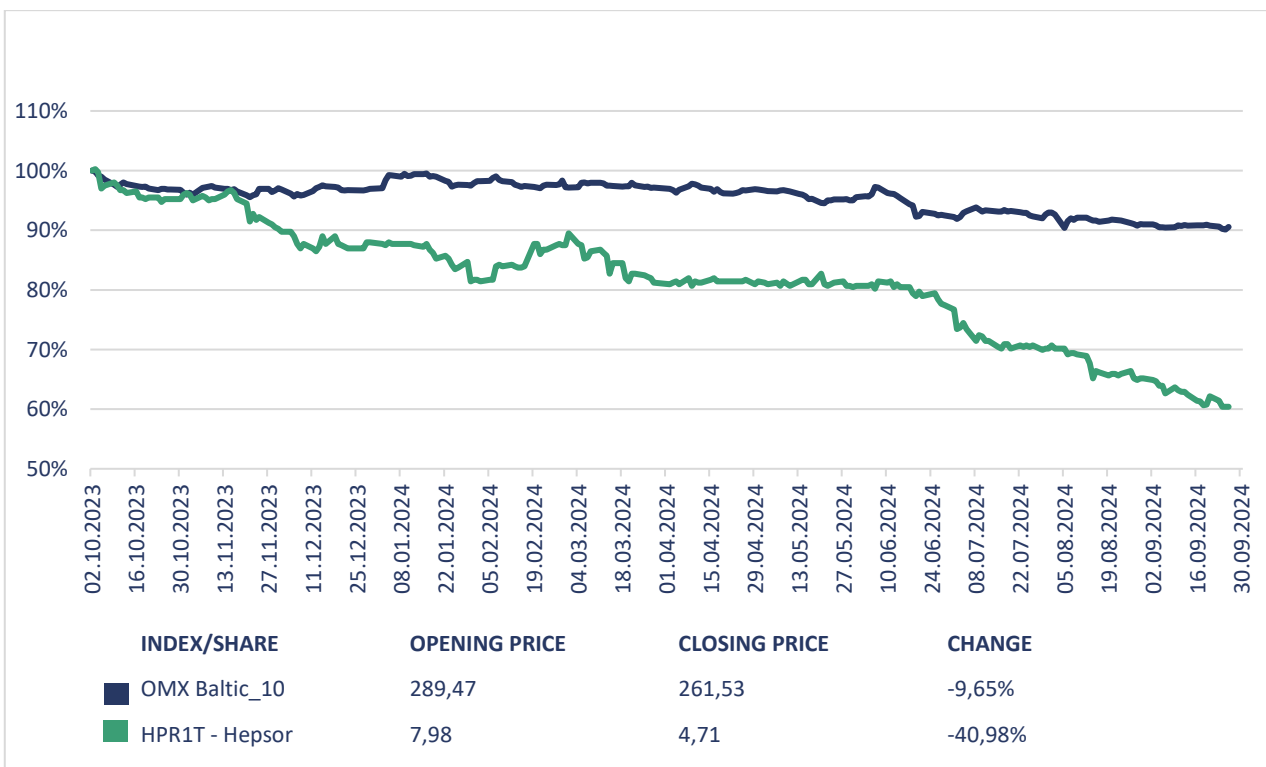
18,2
million euros

Trading volume and price range of Hepsor AS shares, 12 months (1 October 2023 - 30 September 2024):



Source: Nasdaq Baltic

Change in Hepsor share price in comparison with the benchmark OMX Tallinn index, 12 months (1 October 2023 – 30 September 2024):



Source: Nasdaq Baltic

Consolidated Financial Statements

Consolidated statement of financial position

in thousands of euros	Note	30 September 2024	31 December 2023	30 September 2023
Assets				
Current assets				
Cash and cash equivalents		6,830	7,604	7,083
Trade and other receivables	3	2,054	1,544	5,578
Current loan receivables	4	511	311	311
Inventories	2	77,000	77,439	68,807
Total current assets		86,395	86,898	81,779
Non-current assets				
Property, plant and equipment		138	162	193
Intangible assets		3	4	5
Financial investments	5	4,293	2,005	1,504
Investments in associates		0	0	384
Non-current loan receivables	4	2,302	1,729	1,766
Other non-current receivables		311	203	166
Total non-current assets		7,047	4,103	4,018
Total assets	20	93,442	91,001	85,797
Liabilities and equity				
Current liabilities				
Loans and borrowings	6	24,726	40,600	2,270
Current lease liabilities		35	40	26
Prepayments from customers		940	2,620	2,227
Trade and other payables	7	8,715	7,188	8,683
Total current liabilities		34,416	50,448	13,206
Non-current liabilities				
Loans and borrowings	6	32,571	16,305	46,696
Non-current lease liabilities		29	29	68
Other non-current liabilities	8	4,340	2,058	2,633
Total non-current liabilities		36,940	18,392	49,397
Total liabilities	20	71,356	68,840	62,603
Equity				
Share capital		3,855	3,855	3,855
Share premium		8,917	8,917	8,917
Reserves		385	385	385
Retained earnings		8,929	9,004	10,037
Total equity		22,086	22,161	23,194
incl. total equity attributable to owners of the parent		20,664	20,993	22,150
incl. non-controlling interest		1,422	1,168	1,044
Total liabilities and equity		93,442	91,001	85,797

Consolidated statement of profit and loss and other comprehensive income

in thousands of euros	Note	9M 2024	9M 2023	Q3 2024	Q3 2023
Revenue	11,20	27,855	36,048	20,433	15,458
Cost of sales (-)	12	-23,624	-29,224	-16,579	-13,425
Gross profit		4,231	6,824	3,854	2,033
Marketing expenses (-)	13	-603	-399	-213	-131
Administrative expenses (-)	14	-1,342	-1,110	-453	-323
Other operating income		84	112	14	30
Other operating expenses (-)		-36	-116	-12	-24
Operating profit (-loss) of the year	20	2,334	5,311	3,190	1,585
Financial income	16.1	262	1,129	61	83
Financial expenses (-)	16.2	-1,419	-1,662	-548	-478
Profit before tax		1,177	4,778	2,703	1,190
Net profit (-loss) for the year		1,177	4,778	2,703	1,190
Attributable to owners of the parent		-155	2,272	1,371	469
Non-controlling interest		1,332	2,506	1,332	721
Other comprehensive income (-loss)					
Changes related to change of ownership	18	76	250	0	182
Change in value of embedded derivatives with minority shareholders	9	-1,203	-2,157	-1,203	-370
Currency translation differences of foreign entities		-130	0	-130	0
Other comprehensive income (-loss) for the period		-1,257	-1,907	-1,333	-188
Attributable to owners of the parent	18	-174	12	-130	-28
Non-controlling interest	18	-1,083	-1,919	-1,203	-160
Comprehensive income (-loss) for the period		-80	2,871	1,370	1,002
Attributable to owners of the parent		-329	2,284	1,241	441
Non-controlling interest		249	587	129	561
Earnings per share					
Basic (euros per share)		-0.04	0.59	0.36	0.12
Diluted (euros per share)		-0.04	0.59	0.36	0.12

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	Reserves	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	2,272	2,506	4,778	
Other comprehensive income/(-loss) for the period	0	0	0	12	-1,919	-1,907	
Reserve capital	0	0	385	-385	0	0	
Balance of 30 September 2023	3,855	8,917	385	8,993	1,044	23,194	
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	-155	1,332	1,177	
Other comprehensive income/(-loss) for the period	0	0	0	-174	-1,083	-1,257	
Voluntary reserve capital	0	0	0	0	5	5	
Balance of 30 September 2024	3,855	8,917	385	7,507	1,422	22,086	

In June, the shareholders of Hepsor Phoenix 3 OÜ decided to allocate 10 thousand euros to the company's voluntary reserve, of which the minority shareholder's share was 5 thousand euros and which was offset by the interest receivables of the shareholder loan (Note 17).

Consolidated statement of cash flows

in thousands of euros	Note	9M 2024	9M 2023
Net cash flows from (to) operating activities			
Operating profit/(-loss) of the year	20	2,334	5,311
Adjustments for:			
Depreciation of property, plant and equipment		152	141
Other adjustments		71	25
Changes in working capital:			
Change in trade receivables		-505	-3,887
Change in inventories	17	3,720	3,117
Change in liabilities and prepayments		-1,386	1,566
Cash flows from (to) operating activities		4,386	6,273
Net cash flows to investing activities			
Payments for property, plant and equipment		-13	-17
Payments for intangible assets		-2	-2
Payments for financial investments	5	-2,374	-1,502
Payments of for acquisition of subsidiaries	18	-1	-3
Received from the sale of subsidiaries	18	1	595
Interest received		38	24
Loans granted	4	-773	-311
Cash flows to investing activities		-3,124	-1,216
Net cash flows from (to) financing activities			
Loans raised	6	23,134	26,064
Loan repayments	6	-22,742	-25,435
Interest paid	17	-4,043	-2,467
Payments of finance lease principal		-7	-7
Payments of right to use lease liabilities		-115	-94
Non-controlling interest contributions to share capital	18	209	0
Share capital payments to a non-controlling interest	18	-134	0
Other receipts from financing activities	8	1,700	0
Other payments from financing activities		-38	-15
Cash flows from financing activities		-2,036	-1,954
Net cash flow		-774	3,103
Cash and cash equivalents at beginning of year			
Cashflow in from acquisitions of subsidiaries		0	226
Increase / decrease in cash and cash equivalents		-774	3,103
Cash and cash equivalents at end of year		6,830	7,083

Notes to the consolidated interim financial statements

Note 1. General information

The Hepsor AS (hereinafter “the Group”) consolidated unaudited interim report for Q3 and nine months 2024 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 Q3 and nine months 2024 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 Q3 and nine months 2023.

The Group has not made any changes in their critical accounting estimates which may have impact on the consolidated unaudited interim financial statements for Q3 and nine months 2024.

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

Note 2. Inventories

Inventories are accounted as ready for sale development projects once the project has been granted usage permit. As at 30 September 2024, usage permits has been issued to residential development projects: Nõmme Road 57, Ranka Dambis 5 and Strēlnieku 4b and to commercial development project Meistri 14. As of 30 September 2024, in ready for sale development projects the Group had 40 (31 December 2023: 11; 30 September 2023: 29) unsold apartments, of which 5 apartments in Riga, Strēlnieku 4b development project, 22 apartments in Ranka Dambis 5 development project and 13 apartments in Tallinn, Nõmme Road 57 development project.

In addition, there are development projects ready for sale in Tallinn, Paldiski mnt 227C, and Manufaktuuri 7 which have not been issued a usage permit. As of 30.09.2024, 65 apartments in the Paldiski mnt 227C development project and 76 apartments in the Manufaktuuri 7 development project have not been sold with real rights contracts.

As of 30 September 2024, the changes in inventories as stated in cash flow statements have been adjusted by loan interest expense. The capitalized loan interest amounted to 3,281 thousand euros (31 December 2023: 2,738 thousand euros; 30 September 2023: 1,779 thousand euros). Further information about interest expenses is provided in Note 17.

Project statuses are classified as following:

in thousands of euros	30 September 2024	31 December 2023	30 September 2023
A – planning proceedings	14,789	14,822	9,820
B – building permit proceedings	7,030	5,959	10,803
C – building permit available /construction not yet started	3,274	9,763	4,547
D – construction started / sale started	15,565	34,131	31,720
E – construction ready for sale	36,342	12,764	11,917
Total inventories	77,000	77,439	68,807

The following development projects are stated as inventories:

in thousands of euros				30 September 2024		31 December 2023		30 September 2023	
Address	Project company	Location	Segment	Carrying amount	Project status	Carrying amount	Project status	Carrying amount	Project status
Work in progress									
Paevälja 11, Tallinn	Hepsor PV11 OÜ	Estonia	Residential	0	-	598	E	1,718	E
Paldiski mnt 227C, Tallinn	Hepsor 3Torni OÜ	Estonia	Residential	11,235	E	14,109	D	12,309	D
Narva mnt 150, Tallinn	Hepsor N450 OÜ	Estonia	Residential/ Commercial	4,015	A	3,889	A	3,726	A
Manufaktuuri 5, Tallinn	Hepsor Phoenix 3 OÜ	Estonia	Residential/ Commercial	6,551	D	5,056	C	4,905	B
Manufaktuuri 7, Tallinn	Hepsor Phoenix 2 OÜ	Estonia	Residential/ Commercial	11,336	E	16,120	D	11,989	D
Lembitu 4, Tallinn	Hepsor L4 OÜ	Estonia	Commercial	3,274	C	3,153	C	3,056	C
Alvari 2, Paevälja 9, Tallinn	Hepsor Fortuuna OÜ	Estonia	Residential	1,668	A	1,657	A	1,657	A
Alvari 1, Tallinn	Hepsor A1 OÜ	Estonia	Residential	2,022	A	2,023	A	2,022	A
Kadaka Road 197, Tallinn	H&R Residentsid OÜ	Estonia	Residential	1,282	A	1,228	A	1,223	A
Manufaktuuri 12, Tallinn	Hepsor Phoenix 4 OÜ	Estonia	Residential	1,057	B	932	A	922	A
Nõmme Road 57, Tallinn	Hepsor N57 OÜ	Estonia	Residential	0	-	3,778	E	4,595	D
Vana-Tartu mnt 49, Tallinn	Hepsor VT49 OÜ	Estonia	Commercial	1,126	A	1,029	A	0	-
Võistluse 7, Tallinn	Hepsor V7 OÜ	Estonia	Residential	408	B	0	-	0	-
Saules alley 2, Riga	Hepsor SA2 SIA	Latvia	Residential	727	B	717	B	890	B
Ranka dambis 5, Riga	Hepsor RD5 SIA	Latvia	Residential	0	-	3,902	D	2,827	D
Ulbrokas 34, Riga	Hepsor U34 SIA	Latvia	Commercial	4,745	D	1,554	C	1,491	C
Braila 23, Riga	Hepsor Jugla SIA	Latvia	Residential	550	B	501	B	496	B
Ganību dambis 17a, Riga	Hepsor Ganību Dambis SIA	Latvia	Commercial	4,352	B	4,120	B	4,047	B
Jurmalas gatve, Riga	Hepsor JG SIA	Latvia	Residential	4,269	D	621	B	465	B
Smaidu, Dreilini	Riga Properties 4 SIA	Latvia	Commercial	4,250	A	4,046	A	252	A
Eizenijas 18, Riga	Hepsor E18 SIA	Latvia	Residential	344	B	0	-	0	-
-other properties		Estonia		18	A	18	A	18	A
Total work in progress				63,229		69,051		58,608	
Ready for sale real estate development									
Manufaktuuri 22, Tallinn (parking spaces)	Hepsor Phoenix OÜ	Estonia	Residential	16	E	16	E	16	E
Meistri 14, Tallinn	Hepsor Meistri 14 OÜ	Estonia	Commercial	7,667	E	7,667	E	7,637	E
Strēlnieku 4b, Riga	Hepsor S4B SIA	Latvia	Residential	312	E	603	E	884	E
Nõmme Road 57, Tallinn	Hepsor N57 OÜ	Estonia	Residential	2,787	E	0	-	0	-
Ranka dambis 5, Riga	Hepsor RD5 SIA	Latvia	Residential	2,989	E	0	-	0	-
Gregora iela 2a, Riga	Kvarta SIA	Latvia	Residential	0	-	0	-	308	E
Liela 45, Mārupe	Hepsor Mārupe SIA	Latvia	Residential	0	-	102	E	1,354	E
Total ready for sale real estate development				13,771		8,388		10,199	
Total inventories				77,000		77,439		68,807	

Note 3. Trade and other receivables

in thousands of euros	30 September 2024	31 December 2023	30 September 2023
Trade receivables			
Trade receivables	1,700	342	1,480
Allowance for doubtful receivables	-1	0	-1
Net trade receivables	1,699	342	1,479
Prepayments			
Tax prepayment			
Value added tax	167	1,019	3,526
Other taxes	1	0	13
Other prepayments for goods and services	137	110	500
Total prepayments	305	1,129	4,039
Other current receivables			
Interest receivables	14	6	3
Other current receivables	36	67	57
Other current receivables	50	73	60
Total trade receivables	2,054	1,544	5,578

Note 4. Loans granted

in thousands of euros	Unrelated legal entities	Related legal entities (Note 21)	Total
2024			
Loan balance as of 31 December 2023	311	1,729	2,040
Loan granted	200	573	773
Loan balance as of 30 September 2024	511	2,302	2,813
- current portion	511	0	311
- non-current portion	0	2,302	2,302
<i>contractual/effective interest rate per annum</i>	3%	7%	
2023			
Loan balance as of 31 December 2022	0	1,766	1,766
Loan granted	311	1,467	1,778
Reclassification as a financial investment	0	-1,467	-1,467
Loan balance as of 30 September 2023	311	1,766	2,077
- current portion	311	0	311
- non-current portion	0	1,766	1,766
01 October 2023-31 December 2023			
Actual interest rate impact		-37	-37
Loan balance as of 31 December 2023	311	1,729	2,040
- current portion	311	0	311
- non-current portion	0	1,729	1,729
<i>contractual/effective interest rate per annum</i>	3%	7%	

Note 5. Financial investments

Tatari 6A Arenduse OÜ, where the Group holds 80% shareholding, is accounted as financial investment. The Group is providing management services for the project. In order to ensure the quality and control of the management process, the Group will hold an 80% shareholding in the company during the development period, which will be transferred to the co-owner at the end of the development process. The Group has no profit share in the project. The acquisition 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 in the third Canadian joint venture Elysium Glenavy Limited Partnership in the amount of 472 thousand euros, in addition, the Group has invested 199 thousand euros in Elysium Isabella Limited Partnership in the reporting year. In the Q3 of 2024, the High Park project, which included the acquisition of a development project consisting of 11 properties, was added at 21–29 Oakmount Rd and 26–36 Mountview Avenue. On 30 September 2024, an agreement was signed between Hepsor SPV II and Elysium Investments to acquire a development project of 17 properties in Brownville Avenue, Canada.

As of 30.09.2024, the book value of the financial investment is 4,291 (31.12.2023: 2,005 and 30.09.2023:1,502) thousand euros.

Note 6. Loans and borrowings

in thousands of euros	Bank loans	Unrelated legal entities	Related legal entities (Note 21)	Total
2024				
Loan balance as of 31 December 2023	36,309	19,213	1,383	56,905
Received	17,081	1,343	4,710	23,134
Repaid	-21,207	-285	-1,250	-22,742
Loan balance as of 30 September 2024	32,183	20,271	4,843	57,297
- current loan payable	15,271	4,612	4,843	24,726
- non-current loan payable	16,912	15,659	0	32,571
<i>Contractual interest rate per annum</i>	<i>EU6+4.4%-8%,5.46%</i>	<i>0-12%</i>	<i>12%</i>	
2023				
Loan balance as of 31 December 2022	30,129	16,145	2,306	48,580
Received	20,731	4,244	1,089	26,064
Repaid	-21,171	-2,764	-1,500	-25,435
Reclassified as a Group loan	0	0	-512	-512
Actual interest rate impact	0	-3	0	-3
Compound interest rate (Note 17)	0	272	0	272
Total loan balance as of 30 September 2023	29,689	17,894	1,383	48,966
- current loan payable	400	620	1,250	2,270
- non-current loan payable	29,289	17,274	133	46,696
01 October 2023-31 December 2023				
Received	9,604	4,744	0	14,348
Repaid	-3,139	-2,243	0	-5,382
Actual interest rate impact	155	-604	0	-449
Compound interest rate	0	-578	0	-578
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>	

In March 2024, Hepsor AS signed a addendum to the loan agreement with LHV Pank which increased the loan limit of the Group loan to EUR 9 million. The maturity date of the loan is March 12, 2026. The shares of Hepsor AS held by the members of Management and Supervisory Board of the Group and the shares of Hepsor Finance OÜ were pledged as collateral to secure the loan. The loan agreement states two financial covenants that are measured quarterly:

- a) LHV Pank loan and equity ratio of maximum 55%,
- b) the ratio of loan commitment taken by the consolidation Group to the total assets, cash and cash equivalents and investments to property developments of the consolidation Group is a maximum of 70% (seventy percent)

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

As of 30 September 2024, 89% (31 December 2023: 87%; 30 September 2023: 88%) 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 30 September 2024				
Loans for development projects	26,183	20,271	4,843	51,297
Loans to headquarters to finance development projects	6,000	0	0	6,000
Total	32,183	20,271	4,843	57,297
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
Balance as of 30 September 2023				
Loans for development projects	23,770	17,894	1,383	43,047
Loans to headquarters to finance development projects	5,919	0	0	5,919
Total	29,689	17,894	1,383	48,966

As of 30 September 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	4,698	2027	4,900	5.46%	Mortgage - Meistri 14, Tallinn	7,667	-
LHV Pank AS	Estonia	1,300	2025	1,300	6M Euribor+8%	Mortgage - Lembitu 4, Tallinn	3,274	-
LHV Pank AS	Estonia	6,584	2025	13,900	6M Euribor+5.9%	Mortgage - Paldiski mnt 227c, Tallinn	11,235	-
LHV Pank AS	Estonia	1,571	2026	2,450	6M Euribor+6.5%	Mortgage - Nõmme Road 57, Tallinn	2,787	-
LHV Pank AS	Estonia	2,443	2026	17,500	6M Euribor+6.5%	Mortgage - Manufaktuuri 7, Tallinn	11,336	-
Bigbank AS	Latvia	1,905	2025	2,000	6M Euribor+4.5%	Mortgage - Ganību dambis 17A Riga; Commercial pledge	4,352	-
Bigbank AS	Latvia	3,339	2026	4,000	6M Euribor+5.2%	Mortgage- Ranka dambis 5, Riga	2,989	1,200
Bigbank AS	Latvia	2,731	2026	4,000	6M Euribor+5.2%	Mortgage - Jūrmalas gatve 74, Riga	4,269	1,000
Bigbank AS	Latvia	1,612	2027	9,000	6M Euribor+4.4%	Mortgage - Ulbrokas 34, Riga; Commercial pledge	4,745	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 Road 57, Tallinn	3,778	-
LHV Pank AS	Estonia	8,524	2026	17,500	6M Euribor+6.5%	Mortgage - Manufaktuuri 7 ja 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 - Jūrmalas gatve 74, Riga	621	1,000

As of 30 September 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	4,794	2024	4,900	6M Euribor+3.75%	Mortgage - Meistri 14, Tallinn	7,637	-
LHV Pank AS	Estonia	1,254	2025	1,300	6M Euribor+8%	Mortgage - Lembitu 4, Tallinn	3,056	-
LHV Pank AS	Estonia	6,360	2025	13,900	6M Euribor+5.9%	Mortgage- Paldiski mnt 227c, Tallinn	12,309	-
LHV Pank AS	Estonia	2,612	2026	3,006	6M Euribor+6.5%	Mortgage - Nõmme tee 57, Tallinn	4,594	-
LHV Pank AS	Estonia	3,462	2026	17,500	6M Euribor+8%	Mortgage - Manufaktuuri 7 and Manufaktuuri 12, Tallinn	11,988	-
Coop Pank AS	Estonia	1,285	2025	1,504	6M Euribor+6%	Mortgage - Paevälja 11, Tallinn	1,897	150
Bigbank AS	Latvia	362	2024	1,225	6M Euribor+4.5%	Commercial pledge; Mortgage - Strēlnieku 4b, Riga	884	-
Bigbank AS	Latvia	1,961	2025	2,000	6M Euribor+4.5%	Mortgage - Ganību dambis 17A Riga; Commercial pledge	4,047	-
Bigbank AS	Latvia	1,680	2026	4,000	6M Euribor+5.2%	Mortgage - Ranka dambis 5, Riga	2,827	1,200

Note 7. Trade and other payables

in thousands of euros	30 September 2024	31 December 2023	30 September 2023
Trade payables	2,058	2,961	3,443
Taxes payable			
Value added tax	1,169	503	2,155
Personal income tax	28	32	19
Social security tax	47	55	34
Other taxes	26	7	29
Total taxes payable	1,270	597	2,237
Accrued expenses			
Payables to employees	133	116	83
Interest payable (Note 17)	1,054	1,020	677
Other accrued expenses	63	52	37
Total accrued expenses	1,250	1,188	797
Other current payables			
Embedded derivatives (Note 9)	3,264	2,061	2,165
Other payables	873	381	41
Total other current payables	4,137	2,442	2,206
Total trade and other payables	8,715	7,188	8,683

Note 8. Other non-current liabilities

in thousands of euros	30 September 2024	31 December 2023	30 September 2023
Non-current interest payables (Note 17)	2,225	1,648	1,995
Other non-current payables	2,115	410	638
Total other non-current liabilities	4,340	2,058	2,633

The liability to the financial investors involved in the financing of the development project StokOfiss U34 in the total amount of 1.7 million euros is recorded under other non-current liabilities.

Note 9. Embedded derivatives

Liabilities assumed by the Group to minority shareholders in accordance with the concluded shareholders' agreements are recognized as embedded derivatives. According to shareholders agreements the profit is shared with minority shareholders in the form as it is agreed in the agreement.

As of the end of the reporting periods, the Group had obligations arising from embedded derivative instruments in the following development projects due to the partial or complete realization of the business plan of the development project.

in thousands of euros	30 September 2024	31 December 2023	30 September 2023
Current liabilities arising from embedded derivatives balance as at 01.01	2,061	8	8
Change in liabilities arising from embedded derivatives:			
<i>Residential development project in Manufaktuuri 7, Tallinn</i>	1 203		
<i>Commercial development project in Tooma 2/Tooma 4, Tallinn</i>	0	311	311
<i>Residential development project in Gregora iela 2a, Riga</i>	0	1,025	1,190
<i>Residential development project in Liela 45, Marupe</i>	0	725	664
<i>Commercial development project in Meistri 14, Tallinn</i>	0	-8	-8
Total change in liabilities arising from embedded derivatives	3,264	2,061	2,165

Note 10. Contingent liabilities

10.1 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 30 September 2024 to pay 9,433 thousand euros (31 December 2023: 11,535 thousand euros; 30 September 2023: 13,667 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 30 September 2024, the realization time of contingent liabilities remains between 2024 and 2028.

10.2 Based on the investor agreement signed in December 2022 regarding the 4b Strēlnieku development project, the investor will be paid interest depending on how successful the project is upon its completion. In the opinion of the Group's management, there is certain uncertainty arising from the macroeconomic environment both in terms of the interest depending on the success of the project and the time when the payment obligation arises, therefore it is not possible to reliably determine the amount of the interest obligation. As of 30.09.2024, there are still 5 apartments unsold in the development project.

10.3 Group guarantees given

Additional information on the guarantees is provided in Note 6.

Note 11. Revenue

in thousands of euros	9M 2024	9M 2023	Q3 2024	Q3 2023
Revenue from sale of real estate	26,755	34,773	20,076	15,066
Revenue from project management services	134	73	40	17
Revenue from rent	806	981	266	295
Revenue from other services	160	221	51	80
Total	27,855	36,048	20,433	15,458

Additional information on sales revenue is provided in Note 20.

Note 12. Cost of sales

in thousands of euros	9M 2024	9M 2023	Q3 2024	Q3 2023
Cost of real estate sold	-22,099	-27,600	-16,192	-12,927
Personnel expenses (Note 15)	-637	-760	-206	-256
Depreciation	-25	-24	-8	-8
Other costs	-862	-840	-324	-234
Total	-23,624	-29,224	-16,579	-13,425

Note 13. Marketing expenses

in thousands of euros	9M 2024	9M 2023	Q3 2024	Q3 2023
Personnel expenses (Note 15)	-114	-89	-47	-31
Depreciation	-35	-35	-12	-12
Other marketing expenses	-454	-275	-154	-88
Total	-603	-399	-213	-131

Note 14. Administrative expenses

in thousands of euros	9M 2024	9M 2023	Q3 2024	Q3 2023
Personnel expenses (Note 15)	-827	-609	-256	-196
Depreciation	-97	-83	-32	-28
Traveling and transport expenses	-80	-66	-25	-19
Purchased service expenses	-207	-283	-75	-41
Other administrative expenses	-131	-69	-65	-39
Total	-1,342	-1,110	-453	-323

Note 15. Personnel expenses

in thousands of euros	9M 2024	9M 2023	Q3 2024	Q3 2023
Salaries	-1,176	-1,050	-386	-333
Social security and other payroll taxes	-402	-408	-123	-150
Total (Notes 12, 13, 14)	-1,578	-1,458	-509	-483

As of 30 September 2024, the Group employed 29 (30 September 2023: 27) people, including the members of Management and Supervisory Boards. 15 of these people worked in Estonia (30 September 2023: 13) and 14 in Latvia (30 September 2023: 14).

The Group's definition of labour costs includes payroll expenses (incl. basic salary, remuneration of the members of the Management Board and the Supervisory Board, additional remuneration, holiday pay and performance pay), payroll taxes, special benefits and taxes calculated on special benefits.

The members of the Management and Supervisory Boards include the members of the Management and Supervisory Boards of Hepsor AS, and the members of the Management Boards of Hepsor Latvia OÜ and Hepsor Finance OÜ. In May 2024, Estonian Country Manager Mihkel Mäger started working as a member of the board of Hepsor Finance OÜ.

Gross fees paid to the members of Management and Supervisory Boards during the period of January- September amounted to 365 thousand euros (9M 2023: 271 thousand euros).

Note 16. Financial income and expenses

16.1 Financial income

in thousands of euros	9M 2024	9M 2023	Q3 2024	Q3 2023
Interest incomes	154	120	61	33
Profit from the sale of a subsidiary	0	980	0	21
Financial income from discounting	108	29	0	29
Total	262	1,129	61	83

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 from this sale of shares and the realised profit of the project was 385 thousand euros.

16.2 Financial expenses

in thousands of euros	9M 2024	9M 2023	Q3 2024	Q3 2023
Interest expenses (Note 17)	-1,377	-1,428	-548	-469
Loss from associates of equity method (Note 19)	0	-183	0	-9
Other financial expenses	-42	-51	0	0
Total	-1,419	-1,662	-548	-478

In 2024 borrowing costs in the amount of 3,281 thousand euros (9M 2023: 1,779 thousand euros) have been capitalized as the cost of inventories.

Note 17. Information about line item in the consolidated statement of cash flows

in thousands of euros	30 September 2024	30 September 2023
Inventories		
Reclassification of cash flows from operating activities to financing activities (Note 2)	3,281	1,779
Decrease (-)/ increase (+) of change inventories balances (Note 2)	-439	953
Realised profit from the sale of the subsidiary	0	385
Change in inventories	3,720	3,117
Interest paid		
Interest expense in statement of profit or loss and other comprehensive income (Note 16.2)	-1,377	-1,428
Reclassification of cash flows from operating activities to financing activities (Note 2)	-3,281	-1,779
Decrease (-)/ increase (+) of interest payables (Notes 7,8)	610	468
Compound interest rate impact (Note 6)	0	272
Conversion of interest into voluntary reserve	5	0
Interest paid total	-4,043	-2,467

Note 18. Subsidiaries

In March 2024, Hepsor Latvia OÜ established a subsidiary Hepsor E18 SIA.

In April, the owner of the non-controlling share Hepsor VT49 OÜ paid for a 50% stake.

In May, the share capital of Hepsor U34 was increased by 430 thousand euros, as a result of which the Hepsor Group's participation in Hepsor U34 SIA decreased by 8.6%, being 47.4%.

The share capital of Hepsor Marupe SIA was reduced by 267 thousand euros, of which 134 thousand euros were paid to the owner of non-controlling stake.

Hepsor AS established a subsidiary company 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 participation in the subsidiary Kvarita SIA decreased from 100% to 50%.

Changes in Group structure in 2024 and impact on comprehensive income and cash flows are following:

in thousands of euros	Other comprehensive income		Cash flows	
	Comprehensive income attributable to owners of the parent	Comprehensive income attributable to non-controlling interest	Cash flows from investing activities	Cash flows from financing activities
Hepsor VT 49 OÜ	0	1	1	0
Kvarita Holding OÜ	0	0	-1	0
Hepsor U34 SIA	-44	253	0	209
Hepsor Marupe SIA	0	-134	0	-134
Total	-44	120	0	75

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

in thousands of euros	Other comprehensive income		Cash flows	
	Comprehensive income attributable to owners of the parent	Comprehensive income attributable to non-controlling interest	Cash flows from investing activities	Cashflow in from acquisitions of subsidiaries
Hepsor Bal 9 OÜ	-11	11	0	0
Hepsor Bal 9 SIA	-3	3	0	0
Hepsor U30 SIA	54	14	595	0
Riga 4 Properties SIA	-35	210	0	190
Hepsor N170 OÜ	7	0	0	36
Total	40	28	573	226

In January 2023 the Group acquired a minority stake in Hepsor Bal 9 OÜ, as a result of the transaction, Hepsor Latvia OÜ became the 100% owner of the company.

In May 10, 2023, Hepsor Latvia OÜ signed a sales agreement for shares of Hepsor U30 SIA with the real estate fund East Capital Real Estate IV. The debt-free value of the company agreed upon in the transaction is 5.2 million euros, from which the company's debt obligations, including bank loans and owner loans, are to be deducted.

In August 2023, Hepsor AS acquired a minority stake in Hepsor N170 OÜ, as a result of the transaction, Hepsor Latvia OÜ became the 100% owner of the company.

In August, Hepsor Latvia OÜ paid a share capital contribution to the share capital of Riga Properties 4 SIA, receiving a 50% stake in the company.

Note 19. Associates

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

	Ownership and voting rights %		
	30 September 2024	31 December 2023	30 September 2023
Hepsor P113 OÜ	45	45	45

As of 31.12.2023, the fair value of the property was estimated at 9.4 million euros (31.12.2022: 13.1 million euros). The valuation has been performed using the discounted cash flow method, the best method for rent 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 2023 was based on 7.7% yield (31.12.2022: 6.3%) and 8.9% discount rate (2022: 7.7%). The strong drop in the value was mainly caused by the premature termination of the lease contract with the anchor tenant, Novel Clinic Assets OÜ, in September 2023. As of 30.09.2024, 52% of the building is covered by lease agreements, during the reporting period the company has signed six new lease agreements.

In 2023, the Group received loss from associate company, Hepsor P113 OÜ, by the equity method in the amount of 567 thousand euros, in the nine months of the year 2023, the loss was 183 thousand euros (Note 16.2).

Financial information about associates:

in thousands of euros	30 September 2024	31 December 2023	30 September 2023
	Hepsor P113 OÜ	Hepsor P113 OÜ	Hepsor P113 OÜ
Current assets			
Cash and cash equivalents	491	193	475
Trade and other receivables	34	52	4
Total current assets	501	245	479
Non-current assets			
Investment property	9,400	9,400	13,100
Shares of subsidiaries	3	0	0
Total non-current assets	9,403	9,400	13,100
Total assets	9,928	9,645	13,579
Current liabilities			
Loans and borrowings	7,184	8,260	51
Trade and other payables	165	44	5
Total current liabilities	7,349	8,304	56
Non-current liabilities			
Loans and borrowings	6,103	3,708	12,165
Other non-current liabilities	667	373	293
Total non-current liabilities	6,770	4,081	12,458
Total liabilities	14,119	12,513	12,514
Total equity	-4,191	-2,868	1,065
Total liabilities and equity	9,928	9,645	13,579

Note 20. 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	9M 2024	9M 2023	Q3 2024	Q3 2023
Estonia	23,676	10,548	16,951	558
Latvia	4,179	25,500	3,482	14,900
Total	27,855	36,048	20,433	15,458

Additional information on sales revenue is provided in Note 11.

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

in thousands of euros	Residential development			Commercial development		Headquarters		Total
9M 2024	Estonia	Latvia	Canada	Estonia	Latvia	Estonia	Latvia	
Revenue	22,996	3,953	0	550	222	129	5	27,855
incl. revenue from rent	84	27	0	473	222	0	0	806
Operating profit/-loss	3,831	666	-12	450	45	-1,609	-1,037	2,334
Assets	39,838	13,618	4,345	15,900	13,970	4,898	873	93,442
Liabilities	25,639	10,008	0	11,217	8,313	13,040	3,139	71,356

in thousands of euros	Residential development			Commercial development		Headquarters		Total
9M 2023	Estonia	Latvia	Canada	Estonia	Latvia	Estonia	Latvia	
Revenue	7,866	25,044	0	2,610	455	72	1	36,048
incl. revenue from rent	82	64	0	400	435	0	0	981
Operating profit/-loss	1,548	4,700	-8	1,199	262	-1,551	-839	5,311
Assets	44,613	12,322	2,241	14,150	7,602	4,710	159	85,797
Liabilities	34,167	7,712	2	10,224	3,302	6,167	1,029	62,603

in thousands of euros	Residential development			Commercial development		Headquarters		Total
Q3 2024	Estonia	Latvia	Canada	Estonia	Latvia	Estonia	Latvia	
Revenue	16,729	3,408	0	182	74	39	1	20,433
incl. revenue from rent	28	7	0	157	74	0	0	266
Operating profit/-loss	3,411	540	-6	145	-9	-542	-349	3,190
Assets	39,838	13,618	4,345	15,900	13,970	4,898	873	93,442
Liabilities	25,639	10,008	0	11,217	8,313	13,040	3,139	71,356

in thousands of euros	Residential development			Commercial development		Headquarters		Total
Q3 2023	Estonia	Latvia	Canada	Estonia	Latvia	Estonia	Latvia	
Revenue	366	14,803	0	176	96	16	1	15,458
incl. revenue from rent	29	20	0	150	96	0	0	295
Operating profit/-loss	-55	2,165	-1	160	60	-464	-280	1,585
Assets	44,613	12,322	2,241	14,150	7,602	4,710	159	85,797
Liabilities	34,167	7,712	2	10,224	3,302	6,167	1,029	62,603

Note 21. 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	30 September 2024	31 December 2023	30 September 2023
Receivables			
Loans granted (Note 4)			
Associated companies			
Opening balance 01. January	1,729	1,766	1,766
Loans granted	573	0	0
Loans repaid	0	-37	0
Balance at the end of period	2,302	1,729	1,776
Trade and other receivables			
Management and all companies directly or indirectly owned by them	91	156	176
Associated companies	0	1	2
Interest receivables			
Associated companies	268	159	128
Payables			
Prepayments from customers			
Management and all companies directly or indirectly owned by them	0	560	560
Loans and borrowings (Note 6)			
Associated companies			
Opening balance as at 01. January	0	423	423
Loans received	0	89	89
Loans repaid	0	0	0
Reclassified as a Group loan	0	-512	-512
Balance at the end of period	0	0	0
Management and all companies directly or indirectly owned by them			
Opening balance as at 01. January	1,383	1,883	1,883
Loans received	4,710	1,000	1,000
Loans repaid	-1,250	-1,500	-1,500
Balance at the end of period	4,843	1,383	1,383
Trade payables			
Management and all companies directly or indirectly owned by them	2,482	2,960	3,372
Interest payables			
Management and all companies directly or indirectly owned by them	42	68	58

Purchases and sales of goods and services:

in thousands of euros	9M 2024	9M 2023	Q3 2024	Q3 2023
Sales of goods and services				
Associated companies	91	47	24	9
Management and all companies directly or indirectly owned by them	290	161	206	62
Total sales of goods and services	242	208	230	71
Purchases of goods and services				
Management and all companies directly or indirectly owned by them	16,321	26,034	5,182	10,449
<i>incl. construction service</i>	<i>16,224</i>	<i>25,441</i>	<i>5,163</i>	<i>9,966</i>
Interest income earned				
Associated companies	108	92	39	31
Interest expenses incurred				
Associated companies				
Accrued interest	0	9	0	2
Management and all companies directly or indirectly owned by them				
Accrued interest	90	141	46	44
Interest paid	116	250	13	19

Note 22. 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 to which the Group is exposed. The main market risks are price risk and interest rate risk. The Group is exposed to price risk resulting from a decrease in the market values of the Group's real estate development projects or a price increase due to a change 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 to 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. For mitigating the market risk, the management of the Group constantly monitors the changes and situation in the market when making development decisions.

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, investor loan or loan from minority interest holders.

The interest rates of investor loans are usually fixed, i.e. 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. Bank loans have a 0% floor clause as protection against a negative Euribor, meaning that in case of a negative Euribor, the Euribor is equalised to zero, and the margin of such loans does not decrease. The management constantly monitors the Group's exposure to interest rate risk, which arises from loans with floating interest rates. 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. For undrawn borrowings the Group is charged commitment fee, which is based on the average balance of the undistributed loan amount thus having direct impact on the effective interest rate of the Group.

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 and Latvia. 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, analysing 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, the Group has not used instruments to hedge currency risks. The growth of business in Canada leads to 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 third quarter and nine 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, 29 October 2024