Hepsor AS
(a public limited company registered in the Republic of Estonia)

Offering of up to 777,001 Offer Shares
Price EUR 11.70 per Offer Share
Offer Period 10 November 2021 – 19 November 2021

PUBLIC OFFERING, LISTING AND ADMISSION TO TRADING PROSPECTUS

This Public Offering, Listing and Admission to Trading Prospectus (the **Prospectus**) has been drawn up and published by Hepsor AS (an Estonian public limited company, registered in the Estonian Commercial Register under register code 12099216, having its registered address at Järvevana tee 7b, 10112 Tallinn, Estonia; the **Company**) in connection with the public offering, listing and admission to trading on the Baltic Main List of the Nasdaq Tallinn Stock Exchange of up to 777,001 newly issued shares with the nominal value of EUR 1.00 (the **Offer Shares)** by the Company (the **Offering**) on terms and conditions as described in this Prospectus. The Offering comprises of a public offering to retail and institutional investors in Estonia, Latvia and Lithuania. The Company may non-publicly offer the Offer Shares also in Estonia, Latvia, Lithuania and certain other Member States of the European Economic Area to qualified investors within the meaning of Article 2(e) of the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and other types of investors in reliance on certain exemptions available under the laws of each jurisdiction where the Offering is being made. A public offering will be carried out only in Estonia, Latvia and Lithuania and there will not be any public offering in any other jurisdiction. This Prospectus has been approved by the Estonian Financial Supervision and Resolution Authority (the **EFSA**) on 8 November 2021 under registration number 4.3-4.9/5028.

The Offer Shares are offered for the price of EUR 11.70 per one Offer Share (the **Offer Price**), of which EUR 1.00 is the nominal value of one Offer Share and EUR 10.70 is the issue premium. The Offer Shares may be subscribed for during the period commencing on 10 November 2021 and ending on 19 November 2021 (the **Offer Period**) in accordance with the terms and conditions described in this Prospectus. In connection with the Offering, the Company and the shareholders have agreed that LHV Pank AS, as stabilising manager (the **Stabilising Manager**), will have the right to acquire Offer Shares on the Nasdaq Tallinn Stock Exchange in an amount equal to 77,700 Offer Shares by retaining the proceeds from the sale of the Offer Shares sold through over allotment (the **Stabilisation Proceeds**), in order to stabilise the stock market price of the Offer Shares at a level higher than that which would otherwise prevail. The acquisition of the Offer Shares through stabilisation transactions will be made subject to applicable law. The stabilising transactions to purchase the Offer Shares may be effected at any time on or before the 30th calendar day after the commencement of trading in the Shares on the Nasdaq Tallinn Stock Exchange (the "**Stabilisation Period**"). The stabilising transactions to purchase the Offer Shares may only be effected at a price not exceeding the Offer Price. The Stabilising Manager will not, however, be required to carry out any stabilisation actions. If any such actions are carried out by the Stabilising Manager, they may be discontinued at any time without prior notice. No assurance can be given that such stabilisation actions, if taken, will bring the expected results. At the end of the Stabilisation Period, the Stabilising Manager will return to the existing majority shareholders any Shares, which have been purchased in the market as a result of stabilisation activities and/or any remaining Stabilisation Proceeds which were not used for stabilisation activities.

In connection with the Offering, the Company will apply for the listing and admission to trading of all the shares of the Company (the **Shares**), incl. the Offer Shares, on the Baltic Main List of the Nasdaq Tallinn Stock Exchange. It is estimated that trading with the Shares on the Baltic Main list of the Nasdaq Tallinn Stock Exchange will commence on or about 26 November 2021.

8 November 2021

The Company reserves the right to cancel the Offering or change the terms and conditions thereof as described in this Prospectus.

Investing into the Offer Shares involves risks inherent to investments in capital market equity instruments and risks connected with the Company's and its subsidiaries' (the Group) operations and business environment. While every care has been taken to ensure that this Prospectus presents a fair and complete overview of the risks related to the Company, the operations of the Company and its subsidiaries and to the Offer Shares, the value of any investment in the Offer Shares may be adversely affected by circumstances that are either not evident at the date hereof or not reflected in this Prospectus. The contents of this Prospectus are not intended to be construed as legal, financial or tax advice. Each prospective investor should consult its own legal advisor, financial advisor of tax advisor for such advice.

The Prospectus is valid until the end of the Offer Period or commencement of trading with Shares on the Baltic Main List of the Nasdaq Tallinn Stock Exchange, whichever occurs later. The Company is obligated to update the Prospectus by publishing a supplement only in case new facts, material errors or inaccuracies occur, such an obligation does not apply after the end of the validity period of the Prospectus.

NOTICE TO ALL INVESTORS

This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire the Offer Shares offered by any person in any jurisdiction in which such an offer or solicitation is unlawful, in particular in or into the Restricted Territories or the Excluded Territories. The Offer Shares have not been and will not be registered under the relevant laws of any state, province or territory other than Estonia, Latvia and Lithuania and may not be offered, sold, transferred or delivered, directly or indirectly, within any other jurisdiction that Estonia, Latvia and Lithuania, except pursuant to an applicable exemption.

Distribution of copies of the Prospectus or any related documents are not allowed in those countries where such distribution or participation in the Offering requires any extra measures or is in conflict with the laws and regulations of these countries. Persons who receive this Prospectus or any related document should inform themselves about any restrictions and limitations on distribution of the information contained in this Prospectus and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, such documents should not be distributed, forwarded to or transmitted in or into the Restricted Territories or the Excluded Territories. No action has been taken by the Company in relation to the Offer Shares or rights thereto or possession or distribution of this Prospectus in any jurisdiction where action is required, other than in Estonia, Latvia and Lithuania. The Company is not liable in cases where persons or entities take measures that are in contradiction with the restrictions mentioned in this paragraph.

INFORMATION FOR UNITED STATES INVESTORS

The Offer Shares have not been approved or disapproved by any United States' regulatory authority. The Offer Shares will not be, and are not required to be, registered with the SEC under the US Securities Act of 1933, as amended (the **Securities Act**) or on a United States securities exchange. The Company does not intend to take any action to facilitate a market for the Offer Shares in the United States. The Offer Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

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1. INTRODUCTORY INFORMATION

1.1. Applicable Law and Jurisdiction

The Prospectus has been drawn up in accordance with Regulation No 2017/1129/EU of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC (the **Prospectus Regulation**) and in accordance with Commission Delegated Regulation No 2019/980/EU of 14 March 2019 supplementing Regulation No 2017/1129/EU of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation No 809/2004/EC (the **Delegated Regulation**), in particular with Annexes 1 and 11 thereof.

This Prospectus is governed by Estonian law. Any disputes arising in connection with the Offering shall be settled by Harju County Court (*Harju Maakohus*) in Estonia unless the exclusive jurisdiction of any other court is provided for by the provisions of law, which cannot be derogated from by an agreement of the parties.

Before reading this Prospectus, please take notice of the following important introductory information.

1.2. Persons Responsible and Limitations of Liability

The person responsible for the information given in this Prospectus is Hepsor AS (the **Company**). The Company accepts responsibility for the fullness and correctness of the information contained in this Prospectus as of the date hereof. Having taken all reasonable care to ensure that such is the case, the Company believes that the information contained in this Prospectus is, to the best of the Company's knowledge, in accordance with the facts, and contains no omission likely to affect its import.

Henri Laks

Member of the Management Board

[*digitally signed*]

Without prejudice to the above, no responsibility is accepted by the persons responsible for the information given in this Prospectus solely based on the summary of this Prospectus, unless such summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid the investors when considering whether to invest in the Offer Shares.

1.3. Presentation of Information

<u>Rounding of Numbers</u>. Numerical and quantitative values in this Prospectus (e.g. monetary values, percentage values, etc.) are presented with such precision that is deemed by the Company to be sufficient in order to convey adequate and appropriate information on the relevant matter. From time to time, quantitative values have been rounded up to the nearest reasonable decimal or whole value in order to avoid excessive level of detail. As a result, certain values presented as percentages do not necessarily add up to 100% due to the effects of rounding. Exact numbers may be derived from the Financial Statements to the extent that the relevant information is reflected therein.

<u>Currencies</u>. In this Prospectus, financial information is presented in euro (EUR), the official currency of the European Union Member States in the Eurozone.

<u>Date of Financial Information</u>. The annual financial information included in this Prospectus has been extracted or derived from the consolidated audited financial statements of the Company pertaining to

the three financial years which ended on 31 December 2020, 31 December 2019 and 31 December 2018 (the **Audited Financial Statements**) prepared in accordance with the International Financial Reporting Standards (**IFRS**) as adopted by the European Union. The Audited Financial Statements have been audited by Grant Thornton Baltic OÜ. The Audited Financial Statements, together with the audit report thereon, are included in this Prospectus. The Audited Financial Statements incorporated into this Prospectus have been put together solely for the purpose of drawing up this Prospectus and are not, nor are intended to be, a substitute for the statutory audited consolidated financial statements of the Group for the financial years ended on 31 December 2020, 31 December 2019 and 31 December 2018.

The interim financial information included in this Prospectus as of and for the six months ended 30 June 2021, including the comparative financial information as of and for the six months ended on 30 June 2020, has been extracted or derived from the unaudited consolidated interim financial statements as of and for the period ended 30 June 2021 (the **Interim Financial Statements**) prepared in accordance with International Accounting Standards (IAS) 34, Interim Financial Reporting. The Interim Financial Statements have not been reviewed or audited. The Audited Financial Statements, together with the Interim Financial Statements are referred as the **Financial Statements** in this Prospectus.

Where not expressly indicated otherwise, all information presented in this Prospectus (including the consolidated financial information of the Group, the facts concerning its operations and any information on the markets in which it operates) must be understood to refer to the state of affairs as of the date of the Prospectus. Where information is presented as of a date other than the date of this Prospectus, this is identified by specifying the relevant date.

Third Party Information and Market Information. For portions of this Prospectus, certain information may have been sourced from third parties. Such information is accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Certain information with respect to the markets in which the Company and its subsidiaries operate is based on the best assessment made by the Management (as defined in Section 16 “Glossary”). With respect to the industry in which the Company and its subsidiaries are active and certain jurisdictions in which they conduct their operations, reliable market information is often not available or is incomplete. While every reasonable care was taken to provide best possible assessments of the relevant market situation and the information on the relevant industry, such information may not be relied upon as final and conclusive. Investors are encouraged to conduct their own investigation of the relevant markets or employ a professional consultant.

Updates. The Company will update the information contained in this Prospectus only to such extent and at such intervals and by such means as required by the applicable law or considered necessary and appropriate by the Management. The Company is under no obligation to update or modify forward-looking statements included in this Prospectus (please refer to Section 1.5 “Forward-Looking Statements” below).

Definitions of Terms. In this Prospectus, capitalised terms have the meaning ascribed to them in Section 16 “Glossary”, with the exception of such cases where the context evidently requires to the contrary, whereas the singular shall include plural and vice versa. Other terms may be defined elsewhere in the Prospectus.

Alternative Performance Measures. This Prospectus contains certain financial measures that are not defined or recognised under IFRS and which are considered to be "alternative performance measures" as defined in the "ESMA Guidelines on Alternative Performance Measures" issued by the European Securities and Markets Authority on 5 October 2015 (the **Alternative Performance Measures**). These APMs are not defined by, or presented in accordance with, IFRS. The APMs are unaudited and are not measurements of the Company’s operating performance under IFRS and should not be considered as alternatives to any measures of performance under IFRS or as measures of the Company’s liquidity.

The Company's use and method of calculation of APMs may vary from other companies' use and calculation of such measures.

Application of IFRS. The Group has applied the requirements of the IFRS to the compilation of Financial Statements of the Group for the reporting periods starting from 1 January 2018. Consequently, comparative analysis of the Financial Statements of the Group with previous reporting periods may be complicated.

References to the Company's website. This Prospectus contains references to the Company's website(s). The Company is not incorporating by reference into this Prospectus any information posted on such website(s).

1.4. Accounting Principles

The Financial Statements have been prepared in accordance with IFRS as adopted by the EU.

1.5. Forward-Looking Statements

This Prospectus includes forward-looking statements (notably under Sections 2 "Summary", 3 "Risk Factors", 5 "Reasons for Offering and Use of Proceeds" and 10 "Principal Activities and Markets". Such forward-looking statements are based on current expectations and projections about future events, which are in turn made on the basis of the best judgment of the Management. Certain statements are based on the beliefs of the Management as well as assumptions made by and information currently available to the Management. Any forward-looking statements included in this Prospectus are subject to risks, uncertainties and assumptions about the future operations of the Group, the macroeconomic environment and other similar factors.

In particular, such forward-looking statements may be identified by the use of words such as "strategy", "expect", "plan", "anticipate", "believe", "will", "continue", "estimate", "intend", "project", "goals", "targets" and other words and expressions of similar meaning. Forward-looking statements can also be identified by the fact that they do not relate strictly to historical or current facts. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances, and the Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements contained in this Prospectus whether as a result of such changes, new information, subsequent events or otherwise.

The validity and accuracy of any forward-looking statements is affected by the fact that the Group operates in a highly competitive business. This business is affected by changes in domestic and foreign laws and regulations (including those of the European Union), taxes, developments in competition, economic, strategic, political and social conditions, consumer response to new and existing products and technological developments and other factors. The Group's actual results may differ materially from the Management's expectations because of the changes in such factors. Other factors and risks could adversely affect the operations, business or financial results of the Group (please refer to Section 3 "Risk Factors" for a discussion of the risks which are identifiable and deemed material at the date hereof).

1.6. Use of Prospectus

This Prospectus is prepared solely for the purposes of the Offering of the Offer Shares and listing and the admission to trading of the Offer Shares on the Baltic Main List of the Nasdaq Tallinn Stock Exchange. No public offering of the Offer Shares is conducted in any jurisdiction other than Estonia, Latvia and Lithuania and consequently the dissemination of this Prospectus in other countries may be restricted or prohibited by law. This Prospectus may not be used for any other purpose than for making the decision of participating in the Offering or investing into the Shares. You may not copy, reproduce (other than for private and non-commercial use) or disseminate this Prospectus without express written permission from the Company.

1.7. Approval and Validity of Prospectus

This Prospectus has been approved by the Estonian Financial Supervision and Resolution Authority (the **EFSA**) as competent authority under the Prospectus Regulation on 8 November 2021 under registration number 4.3-4.9/5028. The EFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and should not be regarded as endorsement of the Company or the Offer Shares. Investors should make their own assessment as to the suitability of investing in the Offer Shares.

The Prospectus shall be valid until the end of the Offer Period or commencement of trading with Shares on the Baltic Main List of the Nasdaq Tallinn Stock Exchange, whichever occurs later. If the Offering is cancelled in accordance with Section 4.14 "Cancellation and Postponement of Offering", the Prospectus shall be valid until the date of cancellation of the Offering.

1.8. Availability of Prospectus

This Prospectus and its Estonian, Latvian and Lithuanian language summaries will be published by means of a stock exchange release through the information system of Nasdaq Tallinn Stock Exchange. The Prospectus and its Estonian, Latvian and Lithuanian language summaries are also available as of 10 November 2021 in an electronic form on the website of the Company (www.hepsor.ee/investorile). Any interested party may request delivery of an electronic copy of the Prospectus and its Estonian, Latvian and Lithuanian language summaries from the Company without charge. Delivery of the Prospectus by the Company is limited to the jurisdictions in which the offering to the public is being made, i.e. to Estonia, Latvia and Lithuania.

1.9. Documents on Display

The Prospectus and its summaries in Estonian, Latvian and Lithuanian will be available in an electronic form on the website of Nasdaq Tallinn Stock Exchange (https://www.nasdaqbaltic.com/) and the Company (www.hepsor.ee/investorile).

In addition, the following documents can be accessed through the Company's website (www.hepsor.ee/investorile) during the validity period of the Prospectus:

(i) Articles of Association of the Company.

The information on the website of the Company has not be reviewed nor approved by the EFSA.

2. SUMMARY

Introduction and warnings	
This summary (**Summary**) should be read as an introduction to the Prospectus and any decision to invest in the Offer Shares by the investors should be based on consideration of the Prospectus as a whole. The information in the Summary is presented as of the Prospectus registration date, unless indicated otherwise. Civil liability in relation to this Summary attaches only to those persons who have tabled the Summary, including any translation thereof, but where the Summary is misleading, inaccurate of inconsistent when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in the Offer Shares. Investment into Offer Shares involves risks and the investor may lose all or part of the investment. The investor may be required under national law to bear the costs of translating the Prospectus before being able to bring a claim to the court in relation to this Prospectus.	
Name and international securities identification number (ISIN) of the Offer Shares	**Hepsor share, ISIN EE3100082306**
The identity and contact details of the issuer, including its legal entity identifier (LEI);	The business name of the issuer is Hepsor AS (the **Company**). The Company is registered at the Estonian Commercial Register under registry code 12099216. The contact details of the Company are the following: address Järvevana tee 7b, 10112 Tallinn, Estonia, phone +372 660 9009, e-mail info@hepsor.ee. The Company's LEI is 254900NNCQC3L9WR9P45.
The identity and contact details of the competent authority approving the prospectus, date of approval of the prospectus	This Prospectus has been approved by the Estonian Financial Supervision and Resolution Authority (the **EFSA**) under registration number 4.3-4.9/5028 on 8 November 2021. The contact details of the EFSA are the following: address Sakala 4, 15030, Tallinn, Estonia, phone +372 668 0500, e-mail info@fi.ee.
Key information on the issuer	

Who is the issuer of the securities?

The business name of the issuer is Hepsor AS (the **Company**). The Company was established under the laws of the Republic of Estonia for an indefinite term in the form of a private limited company (in Estonian: *osaühing* or *OÜ*) and was registered in the Estonian Commercial Register on 29 April 2011 under the register code 12099216. As of 14 October 2021, the Company is operating in the form of a public limited company (in Estonian: *aktsiaselts* or *AS*). The Company is the holding company of the group. The Company's group (the **Group**) includes the Company as the consolidating parent entity and subsidiaries Hepsor Finance OÜ (and its subsidiaries), Hepsor Latvia OÜ (and its subsidiaries) and development project related special purpose vehicles (**SPV**). As at the date of this Prospectus, the Group includes 30 development project related SPVs, of which 28 are under the control (shareholding >50%; consolidated) and 2 are affiliates (shareholding <50%) of the Company. Two more SPV-s are subject to exercise of an option or not consolidated for other reasons. The Company's own operations are limited to holding of shares in subsidiaries of the Group. Hepsor Finance OÜ is responsible for the financing of the Group's development projects, accounting and consolidation of the proceeds from completed projects and provides contractual project management service to the SPVs in Estonia. Hepsor Latvia OÜ is a holding company for shares in SPVs in Latvia and Hepsor SIA, which provides contractual project management to the SPVs in Latvia. The Group's business segments are (i) residential development (accounted for 99% of consolidated revenue in 2020; 92% in 2019; 53% in 2018); ii) commercial development (accounted for 0.5% of consolidated revenue in 2020; 8% in 2019; 47% in 2018); and (iii) holding companies (accounted for 0.6% of consolidated revenue in 2020, 0.5% in 2019; below 0.1% in 2018). The Group operates in Estonia (accounted for 87% of consolidated revenue in 2020; 100% in 2019; 100% in 2018) and Latvia. During the period covered by the Audited Financial Statements (2018–2020), the Group sold 343 apartments in 2020 (299 in Estonia and 44 in Latvia), 205 apartments in 2019 (all in Estonia) and 122 apartments in 2018 (all in Estonia); and the Group's revenue from sales/lease of commercial real estate amounted to EUR 0.185 million in 2020 (EUR 0.048 million in Estonia and EUR 0.137 million in Latvia), EUR 1.607 million in 2019 and EUR 15.183 million in 2018 .

As at the date of this Prospectus, the shareholders holding over 5% of all Shares in the Company are the following:

Name of Shareholder	Number of Shares	Proportion	Person directly or indirectly controlling the Shareholder
Mr Andres Pärloja	507,000	16.9%	N/A
Mr Kristjan Mitt	507,000	16.9%	N/A
Mr Lauri Meidla	507,000	16.9%	N/A
Mr Henri Laks	498,000	16.6%	N/A
KAMP Investments OÜ	981,000	32.7%	Mr Andres Pärloja Mr Kristjan Mitt

In accordance with the Estonian law, the operational management of the Company is structured as a two-tier system. The Management Board is responsible for the day-to-day management of the Company's operations and is authorised to represent the Company based on the law and the Articles of Association. The Supervisory Board of the Company is responsible for the strategic planning of the business activities of the Company and for supervising the activities of the Management Board.

As at the date of this Prospectus the Company has one member of the Management Board – Mr Henri Laks. The authorities of Mr Henri Laks as the member of the Management Board commenced on 4 March 2013 (in connection with transformation of the Company into a public limited company, Mr Laks was re-appointed as a member of the Management Board with effect from 14 October 2021) and will remain valid until 14 October 2026. The Supervisory Board of the Company includes three members – Mr Andres Pärloja (Chairman of the Supervisory Board, since 14 October 2021), Mr Kristjan Mitt (since 14 October 2021) and Mr Lauri Meidla (since 14 October 2021). The authorities of all the referred persons as the members of the Supervisory Board will remain valid until 14 October 2024.

Grant Thornton Baltic OÜ (registry code 10384467; having its registered address at Pärnu mnt 22, 10141 Tallinn, Estonia) is acting as the statutory auditor of the Company for the financial years 2022-2025. The Audited Financial Statements have been audited by Grant Thornton Baltic OÜ. Grant Thornton Baltic OÜ is a member of the Estonian Auditor's Association.

What is the key financial information regarding the issuer?

Table 1, Table 2 and Table 3 set forth the key financial information as at the end of each of the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 and the six months ended on 30 June 2020 and 30 June 2021, which all have been extracted or derived from the Audited Financial Statements and Interim Financial Statements included to this Prospectus respectively. The information has been presented in accordance with Annex I of the European Commission Delegated Regulation 2019/979/EU as deemed most appropriate in relation to the Offer Shares by the Company.

Table 1 *Consolidated statement of comprehensive income*

(in TEUR)	6M 2021	6M 2020	2020	2019	2018
	unaudited	*unaudited*	*audited*	*audited*	*audited*
Total revenue	3,874	17,208	38,771	19,535	32,068
Operating profit/loss	178	1,291	3,411	1,298	3,862
Net profit for the year attributable to owners of the parent	-84	467	2,591	956	1,419
Year on year revenue growth(1)	-77%	6%	98%	-39%	57%
Operating profit margin(2)	4.6%	7.5%	8.8%	6.6%	12.0%
Net profit margin(3)	0.9%	5.8%	9.9%	6.8%	9.3%
Earnings per share (EUR)	-0.02	0.16	0.86	0.32	0.47

(1) Year on year revenue growth = (current year total revenue – last year's total revenue) / last year's total revenue. Year on year revenue growth is an alternative performance measure and has not been audited or reviewed by the Group's independent auditors.
(2) Operating profit margin = operating profit/loss / total revenue. Operating profit margin is an alternative performance measure and has not been audited or reviewed by the Group's independent auditors.
(3) Net profit margin = net profit for the year / total revenue. Net profit margin is an alternative performance measure and has not been audited or reviewed by the Group's independent auditors.

Table 2 *Consolidated statement of financial position*

(in TEUR)	30.06.2021	31.12.2020	31.12.2019	31.12.2018
	unaudited	*audited*	*audited*	*audited*
Total assets	37,734	30,433	36,987	28,010
Total equity	9,458	9,519	6,722	2,902

Table 3 *Consolidated statement of cash flow*

(in TEUR)	6M 2021	6M 2020	2020	2019	2018
	unaudited	*unaudited*	*audited*	*audited*	*audited*
Net cash flows from (to) operating activities	-8,868	913	11,547	-16,246	11,210
Net cash flows to investing activities	-779	-2	-1,058	-2,164	-481
Net cash flows from (to) financing activities	6,717	-1,216	-8,925	15,389	-7,259

What are the key risks that are specific to the issuer?

- The Group is exposed to risks related to COVID-19 pandemic. Although by the date of this Prospectus the adverse effect of the COVID-19 pandemic and state measures applied to control the outbreak to the Group's results of operations have been unnoticeable, the COVID-19 pandemic could continue to adversely affect the business, financial condition and results of operations of the Group in the future.
- The Group has engaged and expects to continue to engage in transactions with its affiliate, a construction company Mitt & Perlebach OÜ, which is under the control of the controlling shareholders of the Company. Such relationship between the Group companies and Mitt & Perlebach OÜ may cause conflicts of interests.
- The Group's operations and the financial results thereof are dependent on contractors and co-operation partners and their ability to perform in accordance with agreed terms.
- The operations of the Group are capital-intensive in nature and as such highly dependent on the Group's ability to engage capital on terms favourable for the Group. Failure to engage capital in the volumes and on terms necessary for financing the pipeline of the Group companies or any future real estate development projects may have an adverse effect on the volume of operations of the Group companies and in turn on the results of operations of the Group.
- The Group's operations are subject to geographical markets related risks – the Group operates only in Estonia and Latvia, more specifically in Tallinn and Riga. Therefore, the Group is subject to market concentration risk.
- The managerial duties of the Company are concentrated to the sole member of the Management Board. This entails inevitable risks related to the concentration of business know-how of the Group to one person.
- There can be no assurance that the Group companies are able to find suitable and sufficiently profitable real estate projects in the future. Inability to keep steady pipeline of new real estate development projects may have material adverse effect on the results of operations of the Group.
- Real estate development business may be materially adversely affected by its cyclical nature. In case of economic growth slowing down in any or all the countries the Group operates in, the Company could experience heavy impact on its revenues from the development of its projects e.g., because of the need to sell the developed property at a price which is lower than originally anticipated or the Company being unable to service the loan taken on to carry out the construction work. Furthermore, favourable changes in overall economic conditions may result in increase of competition, which in turn may increase the prices of construction materials,

while also causing substantial decrease in the availability of these materials. Higher than anticipated construction costs may restrict the Group's ability to conclude real estate development projects at expected profit margin, which can have an adverse effect on the Group's results of operations and financial condition.

- The Group companies, acting as the sellers of apartments, are exposed to civil liability, mainly for ensuring the quality of construction. As a general rule, the real estate sale agreements contain an agreement on construction guarantee granted by the respective Group company for the term of 24 months. Therefore, the Group companies assume civil liability for the quality of construction work; however, there cannot be assurance that a civil claim submitted against a Group company can be recovered from the respective construction company.
- The development of real estate is a highly competitive field of business, which holds a potentially high risk for the Group. This is exacerbated by the fact that the Group operates within and in proximity to Tallinn and Riga, which are both areas with the highest demand for both commercial and residential real estate in Estonia and Latvia, respectively.

Key information on the securities

What are the main features of the securities?

The Company's registered share capital is EUR 3,000,000, which is divided into 3,000,000 ordinary shares with the nominal value of EUR 1.00 (the **Shares**). The Company has one class of shares. In the course of the Offering, the Company is offering up to 777,001 newly issued ordinary shares (the **Offer Shares**) which are of the same class. The Shares are registered in the Estonian Register of Securities (the **ERS**) maintained by Nasdaq CSD SE Estonian branch (**Nasdaq CSD**) under ISIN code EE3100082306 and kept in book-entry form. The Shares are governed by the laws of the Republic of Estonia. The Shares are freely transferrable. The Offer Shares will rank *pari passu* with all the existing Shares and the Offer Shares will be eligible for any dividends declared and paid on the Shares for the financial period starting on 1 January 2021, and for any dividends declared and paid for any subsequent financial period.

Right to Participate in Corporate Governance. The shareholders of the Company are entitled to take part in the corporate governance of such company through the general meeting of shareholders, where they can exercise their powers to decide on certain important corporate matters, such as the amendment of the articles of association, the increase and decrease of the share capital, the issue of convertible bonds, the election and removal of the members of the supervisory board and the auditor, the approval of annual reports and the distribution of profit, the dissolution, merger, division or transformation of the company, and certain other matters. Each Share entitles its holder to one vote at the Company's general meeting of shareholders (the **General Meeting**). The General Meeting is the highest governing body of the Company.

The agenda of the General Meetings is generally determined by the Supervisory Board of the Company (the **Supervisory Board**). The Management Board or one or more shareholders, whose shares represent at least one-twentieth of the share capital of the Company are entitled to request that additional items be included on the agenda of an ordinary General Meeting, if such a request is made not later than 15 calendar days before the day of the General Meeting. In addition, they can make resolution proposals on items listed in the agenda.

In order to have the right to attend and vote at a General Meeting, a shareholder must be registered in the shareholders' register on the cut-off date, which is seven days before the meeting. A shareholder whose shares are registered in the name of a nominee may exercise the voting rights only if the nominee account holder has given a power of attorney to the shareholder. A shareholder may attend and vote at a General Meeting in person or by proxy. At a General Meeting, resolutions generally require the approval of a majority of the votes represented at the meeting. However, pursuant to law or the articles of association of the Company certain resolutions require a higher majority (e.g. of two-thirds or three-quarters) of the votes represented at the General Meeting.

Right to Subscribe for New Shares. Pursuant to the Estonian Commercial Code, existing shareholders of a public limited company have, upon the increase of the share capital of the company and the issue of the new shares of the company, the preferential right to subscribe for such new shares of the company proportionally to their existing shareholding in the company. Such preferential right can be excluded by the respective resolution of the general meeting of shareholders, which requires the affirmative vote of 3/4 of the votes represented at the general meeting of shareholders.

Right to Information. Pursuant to the Estonian Commercial Code, the shareholders of a public limited company have the right to receive information on the activities of the company from the management board at the general meetings of shareholders. However, management board may refuse to give information if there is a reason to presume that this may cause significant damage to the interests of the company. In the event the management board refuses to give information, shareholders may require the general meeting of shareholders to decide on the legality of such refusal or submit a respective claim to the competent court.

Right to Dividends. All shareholders of a public limited company have the right to participate in the distribution of profit of the company and have the right to receive dividends proportionally to their shareholding in the company. Under the Estonian Commercial Code, the distribution and payment of dividends is resolved by the General Meeting. The Management Board must present a profit distribution proposal to the General Meeting together with submitting an annual report. The Supervisory Board has the right to make changes to the proposal of the Management Board before submission to the General Meeting.

The Company does not have a fixed dividend policy or a fixed pay-out ratio from the annual profits. However, the shareholders of the Company may decide to pay dividends or fix a longer-term dividend policy in the future should the Company not be able to reinvest its annual profits with a sufficient return on equity from the underlying business activities. The Offer Shares will give rights to dividends declared by the Company (if any) for the financial year beginning on 1 January 2021 and for the subsequent financial years. The Company cannot assure that dividends will be paid in the future. The timing and amount of any future dividend payments will depend on the Company's existing and future financial condition, results of operations, capital requirements, liquidity needs and other matters that it may consider relevant from time to time, including, without limitation, the ability of subsidiaries to distribute dividends, its capital needs, financial performance and prevailing equity market conditions.

Where will the securities be traded?

In connection with the Offering, the Company will apply for the listing and admission to trading of all Shares, incl. the Offer Shares, on the Baltic Main List of the Nasdaq Tallinn Stock Exchange (**Nasdaq Tallinn**). It is estimated that trading with the Offer Shares will commence on or about 26 November 2021.

What are the key risks that are specific to the securities?

- An active trading market for the Shares may not develop or may not be sustainable.
- The price of the Shares may be subject to volatility.
- The Company's payment of dividends in the future is not guaranteed. The payment of dividends and the amount thereof will be subject to the ultimate discretion of the majority of the Company's shareholders.

- Additional equity capital issuances may dilute existing shareholdings.
- The current majority shareholders, which will continue to hold majority of the Shares following the Offering, may take certain actions that will not be in the best interests of the other shareholders.

Key information on the offer of securities to the public and/or the admission to trading on a regulated market

Under which conditions and timetable can I invest in this security?

The Company is publicly offering up to 777,001 Offer Shares (the **Offering**), which may be increased by 77,700 Shares up to 854,701 Offer Shares as a result of exercising the Over-Allotment Option, on terms and conditions as described in this Prospectus. The Offering comprises of a public offering to retail and institutional investors in Estonia, Latvia and Lithuania. The Company may non-publicly offer the Offer Shares also in Estonia, Latvia, Lithuania and certain other Member States of the European Economic Area to qualified investors within the meaning of Article 2(e) of the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and other types of investors in reliance on certain exemptions available under the laws of each jurisdiction where the offering is being made. A public offering will be carried out only in Estonia, Latvia and Lithuania and there will not be any public offering in any other jurisdiction. For the purposes of the Offering, a person is considered to be in Estonia, Latvia or Lithuania, if such person has a securities account with Nasdaq CSD account operator or a financial institution who is a member of Nasdaq Tallinn and such person submits a Subscription Undertaking (as defined below) in relation to Offer Shares via that securities account.

Indicative timetable of the Offering

10 November 2021	Start of Offer Period
19 November 2021	End of Offer Period
On or about 22 November 2021	Announcement of the results of the Offering
On or about 24 November 2021	Settlement of the Offering
On or about 26 November 2021	First trading day of the Offer Shares on Nasdaq Tallinn

Offer Price

The Offer Price is EUR 11.70 per one Offer Share, of which EUR 1.00 is the nominal value of one Offer Share and EUR 10.70 is the issue premium.

Offer Period

The Offer Period is the period during which the persons who have the right to participate in the Offering may submit Subscription Undertakings for the Offer Shares (please refer to Section “Subscription Undertakings” below for further information). The Offer Period commences on 10 November 2021 at 10:00 local time in Estonia and terminates on 19 November 2021 at 16:00 local time in Estonia.

Subscription Undertakings

The Subscription Undertakings may be submitted only during the Offer Period. An investor participating in the Offering may apply to subscribe for the Offer Shares only for the Offer Price. All investors participating in the Offering can submit Subscription Undertakings denominated only in euro. An investor shall bear all costs and fees charged by the respective custodian accepting the Subscription Undertaking in connection with the submission, cancellation or amendment of a Subscription Undertaking. In order to subscribe for the Offer Shares, an investor must have a securities account at Nasdaq CSD or with a financial institution who is a member of Nasdaq Tallinn.

An investor wishing to subscribe for the Offer Shares should contact a custodian that operates such investor’s securities account at Nasdaq CSD and submit a Subscription Undertaking in the form set out below. The Subscription Undertaking must be submitted to the custodian by the end of the Subscription Period. The investor may use any method that such investor’s custodian offers to submit the Subscription Undertaking (e.g. physically at the client service venue of the custodian, over the internet or by other means).

The Subscription Undertaking for the Offer Shares must include the following information:

Owner of the securities account:	name of the investor
Securities account:	number of the investor’s securities account
Custodian:	name of the investor’s custodian
Security:	Hepsor share
ISIN code:	EE3100082306
Amount of securities:	the number of Offer Shares for which the investor wishes to subscribe
Price (per one offer Share):	EUR 11.70
Transaction amount:	the number of Offer Shares for which the investor wishes to subscribe multiplied by the Offer Price
Counterparty	AS LHV Pank(1)
Securities account of the counterparty	99104086627
Custodian of the counterparty	AS LHV Pank
Value date of the transaction	24 November 2021
Type of transaction:	“purchase”
Type of settlement:	“delivery versus payment”

(1) In order to facilitate the settlement of the Offering and start trading with the Shares as soon as practically possible after the settlement of the Offering, the existing shareholders will lend existing Shares to the Global Lead Manager AS LHV Pank (also acting as the settlement agent for the Offering). Hence, AS LHV Pank will be the counterparty for the Subscription Undertakings.

A Latvian or Lithuanian investor wishing to subscribe for the Offer Shares should contact the financial institution which is a member of Nasdaq Tallinn and operates such investor’s securities account and submit a subscription undertaking within the Offer Period for the purchase of Offer Shares in the form accepted by the financial institution and in accordance with the terms of the Offering.

A Subscription Undertaking is deemed submitted from the moment Nasdaq CSD receives a duly completed transaction instruction from the custodian of the respective investor. An investor may submit a Subscription Undertaking through a nominee account only if such investor authorises the owner of the nominee account to disclose the investor’s identity to Nasdaq CSD in writing. The Subscription Undertakings submitted through nominee accounts will be taken into consideration in the allocation only if the owner of the nominee account has actually disclosed the identity of the investor to Nasdaq CSD in writing. Among other information it is also requested to disclose a permanent address and personal identification code in case of a natural person or a registration address for a legal entity. An investor may submit a Subscription Undertaking either personally or through a representative whom the investor has authorised (in the form required by law) to submit the Subscription Undertaking.

By submitting a Subscription Undertaking every investor:

(i) confirms that they have read the Prospectus and its Summary, including (but not limited to) risk factors set out in this Prospectus and a description of rights and obligations resulting from the ownership of the Shares;
(ii) accepts the terms and conditions of the Offering set out under this Section and elsewhere in this Prospectus and agrees with the Company that such terms will be applicable to the investor's acquisition of any Offer Shares;
(iii) acknowledges that the Offering does not constitute an offer of the Offer Shares by the Company in legal terms or otherwise and that the submission of a Subscription Undertaking does not itself entitle the investor to acquire the Offer Shares nor result in a contract for the sale of Offer Shares between the Company and the investor;
(iv) accepts that the number of the Offer Shares indicated by the investor in the Subscription Undertaking will be regarded as the maximum number of the Offer Shares, which the investor wishes to acquire (the **Maximum Amount**) and that the investor may receive less (but not more) Offer Shares than the Maximum Amount (please refer to Section "Distribution and Allocation");
(v) undertakes to acquire and pay for any number of Offer Shares allocated to it in accordance with these terms and conditions, up to the Maximum Amount;
(vi) authorises and instructs its custodian to forward the registered transaction instruction to Nasdaq CSD;
(vii) authorises the Company and Nasdaq CSD to process its personal data and information contained in the Subscription Undertaking before, during and after the Offer Period to the extent necessary to participate in the Offering;
(viii) authorises the custodian and Nasdaq CSD to amend the information contained in the investor's transaction instruction, including (a) to specify the value date of the transaction and (b) to specify the number of the Offer Shares to be purchased by the investor and the total amount of the transaction found by multiplying the Offer Price by the number of Offer Shares allocated to the relevant investor;
(ix) confirms, that he/she/it is not subject to the laws of any other jurisdiction which would prohibit the placing of the Subscription Undertaking or allocation of the Offer Shares to him/her/it and represents that he/she/it is authorised to place a Subscription Undertaking in accordance with the Prospectus.

Payment

By submitting a Subscription Undertaking, an investor authorises and instructs the institution operating the investor's cash account connected to its securities account (which may or may not also be the investor's custodian) to immediately block the whole transaction amount on the investor's cash account until the settlement is completed or funds are released in accordance with these terms and conditions. The transaction amount to be blocked will be equal to the Offer Price multiplied by the Maximum Amount. An investor may submit a Subscription Undertaking only when there are sufficient funds on the cash account connected to its Nasdaq CSD securities account or its securities account opened with a financial institution which is a member of the Nasdaq Tallinn to cover the whole transaction amount for that particular Subscription Undertaking.

Over-Allotment Option

Depending on the results of the subscription, the Company, in consultation with AS LHV Pank (the **Global Lead Manager**), may decide to increase the size of the Offering by adding up to 77,700 Offer Shares to the Offering (the **Over-Allotment Shares**), resulting in the total amount of the Offer Shares being up to 854,701. The Over-Allotment Shares bear the same rights as the Offer Shares. The exercise of the Over-Allotment Option will be entirely at the discretion of the Company, and will be decided based on the results of the Offering and on Management's view with regard to the necessity of additional capital.

Distribution and Allocation

The Company will decide on the allocation of the Offer Shares after the expiry of the Offer Period on or about 22 November 2021. Multiple Subscription Undertakings by one investor shall be merged for the purposes of allocation (except in case the investor is using a nominee structure in which case the holder of the nominee account is considered to be the legal owner of Shares).

The Offer Shares will be allocated to the investors participating in the Offering in accordance with the following principles, which the Company together with the Global Lead Manager may change depending on the distribution of Subscription Undertakings collected in the Offering and any simultaneous private offering, the total demand and other circumstances:

(i) each investor who submitted a Subscription Undertaking in the Offering will be allocated up to 100 of the Offer Shares subscribed for;
(ii) upon oversubscription of the Offering, each investor who submitted a Subscription Undertaking in the Offering on or before 12 November 2021 may be preferred and allocated up to 100% more Offer Shares, but not more than the respective investor has subscribed for, than such investors who submitted the Subscription Undertakings after the above-referred date. For Subscription Undertakings, amended or supplemented after the referred term, the current allocation principle will apply only to the Offer Shares subscribed before the referred term;
(iii) the employees of the Group (including, if acting through legal entities, those under their control) may be preferred to other investors.

The Company expects to announce the results of the allocation process through the information system of the Nasdaq Tallinn and at the Company's website (www.hepsor.ee/investorile) on or about 22 November 2021.

Settlement

The settlement of the Offering will be carried out by Nasdaq CSD. The Offer Shares allocated to investors will be transferred to their securities accounts from the securities account of the Global Lead Manager on or about 24 November 2021 through the "delivery versus payment" method simultaneously with the transfer of payment for such Offer Shares on the third day after the submission of the relevant transaction order (T+3), in accordance with the rules of Nasdaq CSD. The title to the Offer Shares will pass to the relevant investors when the Offer Shares are transferred to their securities accounts.

Stabilisation

In connection with the Offering, the Company and the shareholders have agreed that LHV Pank AS, as stabilising manager (the **Stabilising Manager**), will have the right to acquire Offer Shares on the Nasdaq Tallinn Stock Exchange in an amount equal to 77,700 Offer Shares by retaining the proceeds from the sale of the Offer Shares sold through over allotment (the **Stabilisation Proceeds**), in order to stabilise the stock market price of the Offer Shares at a level higher than that which would otherwise prevail. The acquisition of the Offer Shares through stabilisation transactions will be made subject to applicable law. The stabilising transactions to purchase the Offer Shares may be effected at any time on or before the 30th calendar day after the commencement of trading in the Shares on the Nasdaq Tallinn Stock Exchange (the **Stabilisation Period**). The stabilising transactions to purchase the Offer Shares may only be effected at a price not exceeding the Offer Price. The Stabilising Manager will not, however, be required to carry out any stabilisation actions. If any such actions are carried out by the Stabilising Manager, they may be discontinued at any time without prior notice. No assurance can be given that such stabilisation actions, if taken, will bring the expected results. At the end of the Stabilisation Period, the Stabilising Manager will return to the existing majority shareholders (Mr Andres Pärloja, Mr Kristjan Mitt and KAMP Investments OÜ) any Shares, which have been purchased in the market as a result of stabilisation activities and/or any remaining Stabilisation Proceeds which were not used for stabilisation activities.

Cancellation or Postponement of the Offering

The Company reserves the right to cancel or postpone the Offering or change the terms and conditions thereof as described in this Prospectus. Any cancellation or postponement of the Offering will be announced through the information system of Nasdaq Tallinn Stock Exchange and at the Company's website (www.hepsor.ee/investorile).

Dilution

Following the completion of the Offering assuming that (i) all offered Offer Shares will be subscribed for and issued, (ii) the Over-Allotment Option is exercised, and (iii) existing shareholders do not subscribe in the course of the Offering for Shares corresponding to their shareholding, the shareholdings in the Company prior to the Offering will be diluted by up to 22.17% as a result of the Offering.

Why is this prospectus being produced?

Main reason for the Offering is financing the growth of the Company. The Group plans to use the net proceeds of the Offering for financing its pipe-line projects. The Management currently estimates that the development of all projects in the existing pipeline would require capital expenditure of approximately EUR 159 million. The Company intends to finance the remaining portion of its capital expenditures for the development of pipe-line projects by combination of cash flows and external financing.

Provided that the Offering is successful and that all the Offer Shares (altogether 777,001 Shares) are subscribed for and issued by the Company, the expected amount of gross proceeds of the Offering is EUR 9.09 million. Expenses directly related to the Offering are estimated to be approximately EUR 0.56 million, therefore, the net proceeds of the Offering are expected to be EUR 8.53 million. Should the Offering bring in less capital than expected, the Company will need to further increase the share of external financing (bank borrowings and external investors). The Offering is not subject to an underwriting agreement on a firm commitment basis.

3. RISK FACTORS

3.1. Introduction

Investing into the Shares issued by the Company entails various risks. Each prospective investor in the Shares should thoroughly consider all the information in this Prospectus, including the risk factors described below. Any of the risk factors described below, or additional risks not currently known to the Management or not considered significant by the Management, could have a material adverse effect on the business, financial condition, operations or prospects of the Group and result in a corresponding decline in the value of the Shares. As a result, investors could lose a part or all of the value of their investments. The Management believes that the factors described below present the principal risks inherent in investing into the Shares. The risk factors are listed in certain categories whereas the most material risk factors, based on the significance or probability, are mentioned first and the reminder of the risk factors are not presented in any order of priority.

The principles of risk management of the Group, the respective facts and figures have been described in detail in Note 30 of the Audited Financial Statements.

This Prospectus is not, and does not purport to be, investment advice or an investment recommendation to acquire the Shares. Each prospective investor in the Shares must determine, based on its own independent review and analysis and such professional advice as it deems necessary and appropriate, whether an investment into the Shares is consistent with its financial needs and investment objectives and whether such investment is consistent with any rules, requirements and restrictions as may be applicable to that investor, such as investment policies and guidelines, laws and regulations of the relevant authorities, etc.

3.2. Business Risks

The Group is exposed to risks related to COVID-19 pandemic.

The Group's business and the Estonian (and global) economy at large have been, and continue to be, negatively affected by the COVID-19 crisis, which contributed to a climate of macroeconomic uncertainty, disruption and significant volatility in the financial markets. The ongoing COVID-19 pandemic continues to evolve and, to date, has resulted in the implementation of significant measures by the state authorities intended to control the outbreak, including lockdowns, restriction of human movement and social distancing, mandatory closures of business, quarantines and travel bans. These governmental measures and precautions, and any future prevention and mitigation measures related to COVID-19 or other widespread public health concerns, significantly reduced, and may continue to reduce in the future, economic activity, and caused an adverse impact on economic conditions and on business and consumer confidence and spending, both in Estonia and throughout the world, which could materially adversely affect the Group's business opportunities in markets where it operates. Although COVID-19 vaccination programs are progressing, as at the date of this Prospectus, such measures continue to impact economic activity.

Although by the date of this Prospectus the adverse effect of the COVID-19 pandemic and state measures applied to control the outbreak to the Group's results of operations have been unnoticeable, the COVID-19 pandemic could adversely affect the business, financial condition and results of operations of the Group in the future.

Such future effects may be material and include, but are not limited to, supply difficulties and market price instability regarding raw materials in construction sector, which in turn may mean increase of construction prices for the Group, health consequences on the activity of the Group's employees and service-providers; risks related to the employment of third party contractors and to the Group's ability to retain key staff; possible slowdown in the economic and administrative activity of the countries in which the Group operates.

The state implemented restrictions caused remote working to increase extensively among all age groups and among many fields of business[1] and while the spread of coronavirus may get under control, there is a chance that this return does not include a return to former ways of working. With less people returning to offices on a full-time basis, employers may be inclined to rethink their office space needs and consider new premises which would better meet their requirements. Although this may have a positive effect on the demand for new class A commercial properties in the short term, a great increase in the number of people working remotely can cause a decrease in the general demand for office spaces which might have a direct impact on the Group's ability to sell or rent the commercial real estate it has developed.

The demand for residential real estate the Group has developed may also be affected by the fact that remote working possibilities allow people to work from anywhere instead of having to be in an office space. The Company operates mainly in and within proximity of Tallinn where the demand for residential real estate is on average the highest, but the demand might suffer from the necessity of living close to the city lessening for many people. This could damage the Group's ability to earn revenue through the sale of residential real estate.

The extent to which the COVID-19 pandemic ultimately impacts the Group's business depends on future developments, including the duration, spread and intensity of the outbreak and the implementation of prevention and mitigation measures, which are uncertain and difficult to predict.

The foregoing could disrupt the Group's operations or business opportunities, affect regional economies or adversely affect the business or financial condition of the Group's customers, any of which could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

***The real estate development operations as currently carried out by the Group are subject to potential conflicts of interests*.**

The Group has engaged and expects to continue to engage in transactions with its related company, a construction company Mitt & Perlebach OÜ, which is under the control of existing shareholders and Supervisory Board members of the Company. Following the Offering, the current controlling shareholders of Mitt & Perlebach OÜ, Andres Pärloja and Kristjan Mitt, will continue as shareholders and Supervisory Board members of the Company. The Group has previously relied and will expect to continue to rely on Mitt & Perlebach OÜ as its sole or main general contractor in respect of construction works of the real estate development projects of the Group. Although there is no firm commitment assumed by the Group companies to use the services of Mitt & Perlebach OÜ on an exclusive basis, nor is expected to be in the future, Mitt & Perlebach OÜ is acting as the general contractor of the Group companies in respect of all the real estate development projects described in detail under Section 10 "Principal Activities and Markets" of this Prospectus.

Such relationship between the Group companies and Mitt & Perlebach OÜ may cause conflicts of interests. In the opinion of the Management, every reasonable effort is taken to mitigate such risks related to potential conflict of interests. The Company and Mitt & Perlebach OÜ have entered into a Framework Agreement whereby the parties have agreed the principles of renumeration of Mitt & Perlebach OÜ for its services provided to the Group. According to the Framework Agreement, the Company may request either a lump-sum or an open-end offer from Mitt & Perlebach OÜ, whereas the offers are always based on (i) direct costs (offers and prognoses of sub-contractors) and (ii) a fixed margin of Mitt & Perlebach OÜ on top of direct costs, the size of which is dependent on which pricing mechanism is chosen by the Company. In case of a lump-sum offer, all commercial risk as to the ultimate cost of construction is born by Mitt & Perlebach; in case of an open-end offer, both risks and gains are shared between the parties. Regardless of the specific contract type (lump-sum or open-ended) Mitt & Perlebach carries out sub-contracting tenders, negotiates them and compiles a price-

[1] The Impact of the Virus Crisis on the Estonian Economy. Scenarios up to 2030. Foresight Centre 2020, p 21. Available: https://www.riigikogu.ee/wpcms/wp-content/uploads/2021/02/2020_viiruskriisi_m6ju_eng_web.pdf.

and-quantity bill (“**PQB**”) for the Group’s review. A submitted PQB includes all sub-contracting prices (direct costs) and a project management fee by Mitt & Perlebach (on top of direct costs). All decisions on the type of offer requested by the Company and whether to engage Mitt & Perlebach OÜ as the general contractor in the first place are within the sole competence of the Management Board. Despite acknowledging the potential risk of conflicts of interests, the Management evaluates the strategic co-operation with Mitt & Perlebach OÜ to be one of the competitive advantages of the Group – there is no firm commitment to use the services of Mitt & Perlebach OÜ by the Group companies; however, they are the preferred co-operation partner for Mitt & Perlebach OÜ, which means the Group companies bear no market risk in that respect. Further, the contractual risks (above all, quality related contractual risks) are very low as the co-operation has been extensively tested in the past.

The potential conflicts of interests may result in adverse effect on the results of operations of the Group companies.

The Group’s operations and the financial results thereof are dependent on contractors and co-operation partners and their ability to perform in accordance with agreed terms.

The Group companies are engaged in real estate development and are not engaged in actual construction operations. Relying on external service providers, mainly construction companies, for the development and construction operations but also for planning and maintaining development projects is an inherent part of the business of real estate development. Inability to enter into a contract with an external service provider, e.g. difficulties in finding a good quality construction company and any other risks relating to involving third parties and their potential inability to perform their duties or meet their obligations may cause delays in compliance with or breaches of contractual obligations of the Group companies before their clients and co-operation partners. This in turn may have adverse effect on the profitability of real estate projects of the Group companies and overall results of operations of the Group.

In order to reduce the potential for manifestation of this particular risk, the Group works with one construction company on all their current real estate development projects described in detail in Section 10.10 “Related Party Transactions” of this Prospectus with whom they have vast experience in collaborating with and who has proven to be a reliable co-operation partner of the Group - Mitt & Perlebach OÜ (please see above also the description of risks related to potential conflicts of interests). Close co-operation with Mitt & Perlebach OÜ contributes into the efficiency of project management of all current real estate development projects, instead of having to work with several contractors simultaneously. This in turn has positive impact on profitability of the real estate projects of the Group.

The failure of the Group’s contractors and co-operation partners to perform in accordance with the agreed terms may have adverse effect on the results of operations of the Group.

The operations of the Group are dependent on the Group’s ability to engage capital on terms favourable for the Group.

Real estate development projects require large investments, making operating in this field capital-intensive in nature. The Company needs to finance the acquisition of land plots, the development of the projects, performing construction work and all other steps necessary in the development project before being able to earn from the sale or lease of real estate projects. Therefore, there is a risk that the Group companies are unable to find sufficient funds to finance their real estate development projects on conditions which are favourable to the respective Group company, or at all. Several factors can affect the Company’s ability to acquire necessary funds, such as the general economic and market conditions, factors relating to the providers of financial services, bank policies etc.

The Group uses special purpose vehicles (**SPV**) for all its development projects (please see Section 10.2 “Group Structure and Group Companies” of the Prospectus for detailed overview of such SPVs). Therefore, all the real estate projects are financed on the level of respective SPV, which in turn means that bank financing opportunities are limited due to the limited assets owned by the respective SPV, which could be used as collateral (land plot and real estate development project being the only assets of such SPV). Due to that the Group engages private investors whose investments are, as a general rule, balances between equity and interest-bearing debt investments in order to align the interests of such private investors with the ones of the Group companies. Risks related to engaging private investors are mitigated contractually – a separate shareholders' agreement is entered into in respect of a respective SPV, leaving the ultimate control over the SPVs to the Company.

Failure to engage capital in volumes and on terms necessary for financing the pipeline of the Group companies (as described in detail in Section 10.3 "Business Segments" of this Prospectus) or any future real estate development projects may have an adverse effect on the volume of operations of the Group companies and in turn on the results of operations of the Group.

The Group's operations are subject to geographical markets related risks – the Group operates only in Estonia and Latvia, more specifically in Tallinn and Riga*.*

One of the inevitable disadvantages of the business of real estate developers is the size of the market in the country in which the respective company operates. The Group's real estate development operations are limited to two geographical markets – Estonia and Latvia, more specifically Tallinn and Riga. Therefore, the Group is subject to market concentration risk. Market disruption or significant decrease in demand in these geographical markets may have material adverse effect on the real estate development volumes of the Group, which in turn may result in the decrease of revenue from the operations of the Group.

The geographical market risk is partially mitigated by the Group being engaged in different business segments – on the basis of the Group's development pipeline as at the date of this Prospectus, 64% of the Group's operations relate to real estate development projects in the residential real estate business segment and 36% in the commercial real estate business segment.

As at the date of this Prospectus, the Management considers the geographical market related risks as low as in both cities the market situation may be characterised as favourable – the number of transactions in the residential real estate business segment has been constantly growing since 2009, the market is very active – currently the demand exceeds supply[2]. In the opinion of the Management, there are no grounds to believe that such trends change in the near future – both, Tallinn and Riga, are rapidly developing cities, which still have great volume of morally obsolete real estate originating from Soviet Union times, which will need to be torn down and rebuilt.

The managerial duties of the Company are concentrated to the sole member of the Management Board.

The Company has only one member of the Management Board – Henri Laks. This means that all managerial duties and responsibility is concentrated to one person. This entails inevitable risks related to the concentration of business know-how of the Group to one person.

This risk is partially mitigated by close involvement of the members of the Supervisory Board who are also the key shareholders of the Company in everyday business operations of the Group.

The results of operations of the Group may be adversely affected by the Group companies' inability to find suitable land plots and real estate projects.

The Group has a significant pipeline of new projects for the future (please see Section 10.3 "Business Segments" of this Prospectus for detailed overview of the pipeline). The Management and key employees are working constantly on discovering new potential projects and business opportunities; however, there can be no assurance that the Group companies are able to find suitable and sufficiently profitable real estate projects in the future. Inability to keep steady pipeline of new real estate development projects may have a material adverse effect on the results of operations of the Group.

[2] The trends of residential real estate market in Tallinn, summer 2021, Tõnu Toompark, Kinnisvarakool OÜ, Adaur Grupp OÜ, 09.06.2021; Baltic States Property Snapshot, Q1 2021, Colliers.

3.3. Political, Economic and Legal Risks

Real estate development business may be materially adversely affected by its cyclical nature.

The greatest economic risk affecting the results of operations of the Group is related to the cyclical nature of the real estate market. Since property development and construction businesses are greatly affected by changes in property markets, rental yields and the general economic conditions, these businesses are also cyclical in nature. Because of this the level of profitability of real estate development companies tends to fluctuate a lot along with changes in the economy. In case economic growth slows down in any or all the countries the Group operates in, the respective Group company could experience heavy impact on its revenues from the development of its projects e.g., because of the need to sell the developed property at a price which is lower than originally anticipated or the Group company being unable to service the loan taken on to carry out the construction work.

During its ten years of existence, the Company has not been in a situation described above and while it is impossible to ensure that such risks will never materialise, the Management believes that the Group has taken reasonable precautions to avoid it as much as possible. Every aspect of a development project before the beginning of the construction is financed by the Group, while debt financing is used to finance approximately 80-100% of the construction costs. Because of that, any recession happening before the project has moved onto the construction stage does not cause the Company any difficulty in servicing a loan. Should a recession happen when the construction of the property has already begun, the Management believes there would be no reason for the work to stop as the debt financing for the construction has already been received from the bank and therefore all projects can nevertheless be concluded.

Even if the Group's ability to conclude construction work of its real estate development projects is not heavily impacted by the fluctuations of the market, changes in real estate prices, which are affected by general macroeconomic conditions, interest rates, inflation expectations etc. nevertheless play a major role in the Group's revenues as the only income for the Group is generated from the sale and lease of residential and business real estate. If the real estate prices have decreased substantially by the time the construction work has concluded, the Group may be forced to sell the developed real estate at a lower price than had been anticipated, which would have an adverse effect on the Group's financial condition and results of operations. Any substantial increase in real estate prices e.g., due to economic fluctuations or an increase in demand for land may also have an adverse effect on the Group's projects as it may cause difficulties in being able to purchase real estate suitable for development at prices which are favourable for the Group, or at all. Not being able to find suitable land for development can have a negative impact on the Group's ability to operate and having to purchase land at a substantially higher price while not being able to transfer the costs over to the end consumer can have an adverse effect on the Group's financial condition and results of operations.

Favourable changes in overall economic conditions may result in increase of competition, which in turn may increase the prices of construction materials, while also causing substantial decrease in the availability of these materials. Higher than anticipated construction costs may restrict the Group's ability to conclude real estate development projects at expected profit margin, which can have an adverse effect on the Group's result of operations and financial condition. The Management believes the cyclical nature of real estate development and the effects of economic fluctuations to be a high risk for the Company while the effects on the Company should the risk materialise to be medium as the Group has taken preventive measures in organising its operations to lessen this risk as much as possible.

The Group is exposed to civil liability related risks.

The Group develops residential and commercial real estate and earns revenue from the sale of apartments and commercial real estate, the latter of which is from time to time leased instead of selling. The Group companies, acting as the sellers of apartments, are exposed to civil liability, mainly for ensuring the quality of construction. As a general rule, the real estate sale agreements contain an agreement on construction guarantee granted by the respective Group company for the term of 24 months. Therefore, the Group companies assume civil liability for the quality of construction work; however, there is no assurance that a civil claim submitted against a Group company can be recovered from the respective construction company.

The civil liability risks are mitigated by the corporate structure of the Group – each real estate project is owned by a separate Group company, a special purpose vehicle (SPV), which concentrates the risks related to one particular real estate project into one Group company and therefore enables to avoid damage (if occurred) being covered on the account of other real estate development projects. In addition to the above, the Group companies mitigate the civil liability risks contractually by including customary limitations of liability into the agreements entered into by the Group companies.

The Group has no ongoing disputes with any of its tenants or real estate transaction counterparties and has not had any in the past. Any and all disagreements, which have occurred until the date of this Prospectus have been settled extrajudicially. The Group will continue taking reasonable measures necessary to mitigate civil liability exposure related risks contractually and will try to settle all potential future disagreements by a mutual agreement as well. Nevertheless, it should be noted that no assurances can be made regarding any potential future legal disputes and the potential consequences of such disputes.

Real estate development is a highly competitive field of business.

The development of real estate is a highly competitive field of business, which holds a potentially high risk for the Group. This is exacerbated by the fact that the Group operates within and in proximity to Tallinn and Riga, which are both areas with the highest demand for both commercial and residential real estate in Estonia and Latvia, respectively. The consequences of high competition have a potential to be severe for both, the results of operations and financial condition of the Group.

High level of competition in real estate development might cause an increase in the demand for real estate for development. This can cause a substantial increase in the prices of real estate, which in turn requires higher investment from the Group to be able to acquire land for its development projects. It could also cause the Group to be unable to acquire real estate for its projects or do so on favourable terms which could have adverse effects on the Group's ability to operate in a profitable manner within its field of business.

The competitive nature of real estate development also creates a risk that the demand for construction materials might increase substantially. This might also bring about delays in the completion of construction work of development projects should an increase in demand cause a lack of sufficient supply of construction materials. This could incur additional expenses for the Group and have an adverse effect on the profitability of the Group's operations.

The competition in real estate development may potentially also cause an oversupply of commercial and/or residential real estate. This could cause the value of real estate to decrease, forcing the Group to sell or rent the developed real estate at a lower price than originally intended, which would have an adverse effect on the Group's revenues from its development projects and thus also on its results of operations.

The high levels of competition in real estate development pose a risk which can materialise in several different ways for the Group and could have an adverse effect on its results of operations and financial condition. The Management believes that the Group takes proper cautionary measures to reduce the potential of these risks materialising but as it is largely dependent on third parties and circumstances beyond the Group's control, no assurances can be made about this, thus giving the Management reason to believe that the potential of this risk materialising is high while the potential of extensive negative consequences occurring to the Group's operations and financial condition is medium.

Real estate development business is exposed to regulatory and political risks.

To ensure the ability to commence with the development of the projects for the land, which the Group has acquired, it is often necessary to commission detail planning for the project and submit it to the municipality planning authorities. The process of planning approval is an administrative process, which is subject to statutory requirements and has several stages, which can make the process last up to several years. The result of the process could affect the intended use of land, the maximum number of buildings on the land and the height of the buildings as well as other details. The Group companies are also required to apply for a building permit before commencing on the construction work of the project, which could also cause delays for the Group company in being able to commence on the construction work. In addition to being time-consuming, the planning resolutions, as well as granting or denying building permits are subject to significant level of discretion being exercised by respective authorities. Such discretionary rights of authorities are often influenced by political trends and may therefore be unpredictable.

As a result of this, the respective Group company may be forced to abandon the project as it cannot be ensured that the Group company will always acquire all necessary rights, permits and approvals to carry out the development, which could have adverse effect on the Group company's ability to operate productively and profitably. Inability to commence with the construction work or the decision to abandon the project due to the result of the planning approval procedure could cause the Group to bear loss due to potentially having to sell the undeveloped real estate at a lower price than that at which it was acquired. Having to abandon the project might also cause the Group a loss due to any other expenses which have already incurred in relation to the project. An unforeseen increase in expenses may also be brought about by the changes or delays in the project which may be caused by the planning approval procedure or any other necessary pre-construction procedures which the Group is obliged to carry out. All of this might have adverse effects on the Group's financial condition and results of operations.

The Group has reduced these risks by financing all their projects up until the commencement of the construction on its own account as in that case delays in the process of acquiring necessary rights, permits and approvals will not hinder the Group company's ability to service a loan as debt financing is only taken on for financing the construction after it has been approved by the municipality. Based on the above, the Management believes that while the risk of materialisation of any of the risks related to the planning and the process of receiving all necessary rights, permits and approvals for construction work from the municipality is medium, the potential for serious negative consequences materialising from these risks to the Group's operations and financial condition is low.

The business operations of the Group are dependent on the general availability of bank financing for purchasing real estate, consumer behaviour trends, unemployment rates and other circumstances beyond the control of the Group.

Approximately 99% of the overall consolidated revenue of the Group in 2020 was generated from the sale of residential real estate to consumers (92% in 2019; 53% in 2018). Therefore, the Group is exposed to risks related to general availability of bank financing for financing purchase of residential real estate, consumer behaviour trends, unemployment rates and other circumstances influencing the consumer behaviour in the target markets of the Group – Estonia and Latvia.

As at the date of this Prospectus, the general market situation in the residential real estate market may be characterised as beneficial for the Group. Macroeconomic trends are favourable – unemployment is decreasing, COVID-19 pandemic has had a positive effect on increase of savings of general population (mainly due to traveling restrictions), interest rates have dropped and general availability of bank financing for real estate purchase is good. All these trends have resulted in the significant increase in the number of real estate transactions[3]. Nevertheless, macroeconomic trends are subject to change, which in turn may have a significant effect on consumer behaviour and may potentially have adverse effect on the results of operations of the Group.

[3] The trends of residential real estate market in Tallinn, summer 2021, Tõnu Toompark, Kinnisvarakool OÜ, Adaur Grupp OÜ, 09.06.2021; Baltic States Prosperty Snapshot, Q1 2021, Colliers.

The Group is exposed to risks related to demographic changes.

The recent trends indicate that the number of residents of Tallinn and Riga is decreasing slowly. By the date of this Prospectus, it has not had an adverse effect on the demand for residential real estate in these cities; however, if the trend continues it will inevitably result in a decrease in demand for residential real estate. This in turn may result in a decrease in real estate prices for which the apartments are sold by the Group companies as well as prolong the sales periods. This in turn may have an adverse effect on the results of operations of the Group.

Real estate development business is subject to environmental regulations.

Real estate development is subject to environmental protection laws and regulations. Such laws and regulations are subject to change and given the importance of the topic, the requirements and restrictions are expected to get stricter. Any substantial changes in the regulations for environmental protection in the countries in which the Group operates may require larger investments from the Group to ensure that compliance with the regulations is established and maintained for the operations of the Group companies. Additional and potentially extensive costs might arise from the Group being liable for violations should the Group be unable to comply with any changes in regulations. This can also cause delays in the Group's ability to complete its development projects. All additional expenses for the Group arising from ensuring or failure to ensure compliance with environmental protection regulations can have an adverse effect on the Group's ability to continue with its operations as well as the Group's financial condition and results of operations.

As the European Union holds environmental protection in high regard, the Management believes that the risk for any changes in the regulations is medium but as the Group has thus far had no issues with remaining in accordance with such regulations in its operations, the potential for any negative effects of these changes materialising for the Group is low.

Furthermore, according to Estonian legislation, the business operator, either current or former, is responsible for the remediation of a contaminated property. The Group does not conduct any licensable activities in accordance with Estonian environmental laws. However, there could be, or in the past there may have been, tenants on the properties owned by the Group who conduct operations that require a respective permit in accordance with environmental laws, i.e., operators within the meaning of the Estonian General Part of the Environmental Code Act. Therefore, under certain circumstances, the Group as the owner of the property may be responsible for the remediation. This means that claims may be directed against the Group for cleaning-up or after-treatment due to the occurrence of, or suspicion of, contamination in the ground, water areas or groundwater, in order to ensure the property is in such condition as required by environmental laws. Moreover, previous business operators may have carried out after-treatment of a property in an acceptable manner as required for the usage of the property at the time. As a result of changed usage of a property for e.g., residential purposes, the requirements for the Group may be higher, which imply that the Group may have costs for after-treatment and cleaning-up in order to be able to use a property as intended.

Although the Group carries out due diligence before the acquisition of any new property or land plot, including investigates environmental issues or relies on respective confirmations from the seller thereon, there can be no assurances made that the Group will not be responsible for unseen remediation of a contaminated property, which may lead to increased costs of cleaning-up or after-treatment and delay the Group's intended development of properties. This in turn may have an adverse effect on the Group's results of operations and financial position.

3.4. Risks Related to Shares, Offering and Listing

An active trading market for the Shares may not develop or may not be sustainable.

Prior to the Offering, there has been no public trading market for the Shares. The Offer Price is not an indication of the market price of the Company's shares following the admission to trading on the Baltic Main List of Nasdaq Tallinn Stock Exchange. The price of the Shares following the admission of the

Shares to trading may vary substantially from the Offer Price. Although the Company has applied for listing and admission to trading of the Shares on the Baltic Main List of the Nasdaq Tallinn Stock Exchange, there can be no assurance that an active trading market for the Shares will develop, or if developed, can be sustained following the closing of the Offering. If an active trading market is not developed or maintained, the liquidity and trading price of the Shares could be adversely affected.

Furthermore, the Baltic Main List of the Nasdaq Tallinn Stock Exchange, as well as the Nasdaq Tallinn Stock Exchange in general, is substantially less liquid and more volatile than established markets such as those in other countries with highly developed securities markets. The total trading turnover of the Baltic Main List of the Nasdaq Baltic Stock Exchanges in 2020 was EUR 450 million. As at 30 June 2021, a total of 32 companies were listed on the Baltic Main List of the Nasdaq Baltic Stock Exchange and their aggregate market capitalisation was EUR 7.6 billion. The relatively small market capitalisation and low liquidity of the Nasdaq Tallinn Stock Exchange may impair the ability of shareholders to sell the Shares on the Nasdaq Tallinn Stock Exchange or increase the volatility of the price of the Shares as the impact of individual transactions on the market price of securities may be significant.

The price of the Shares may be subject to volatility.

The value of an investment in the Shares may decrease or increase abruptly, and such volatility may bear little or no relation to the Group's performance. For example, such volatility may be caused by general market conditions and regulatory, economic or political changes. In particular, the Nasdaq Tallinn Stock Exchange has, similarly to other stock markets, from time to time, experienced significant price and volume fluctuations that have affected the market price of securities, and may, in the future, experience similar fluctuations which may be unrelated to the Group's operating performance and prospects but nevertheless affect the price of the Shares. The market price of the Shares may also be significantly affected by a variety of factors that relate specifically to the Group. These factors include the market's appraisal of the Group's strategy and a difference between the Group's results of operations and/or prospects and market analysts and shareholders' expectations thereof. Moreover, the price of the Shares may be impacted by speculation, whether or not well-founded, as to the Group's business, performance, management and strategic plans and actions by the market participants in the Group's business sector. As a consequence of such volatility, investors should be aware that the value of an investment in the Company may fluctuate.

Future equity offerings by the Company or its majority shareholders may adversely affect the price of the Shares.

Sales of a substantial number of Shares following the Offering, or market perception that such sales are imminent, could lower the price of the Shares. To mitigate the materialisation of this risk, existing shareholders of the Company have agreed not to, directly or indirectly, sell, contract to sell, exercise any option to sell, or otherwise dispose of any Shares of the Company owned by them during the period commencing on the date of the lock-up agreement (entered into on or about the start of the Offer Period) and ending after the lapse of 12 (twelve) calendar months from the date of the lock-up agreement without prior written consent of AS LHV Pank. The same restriction shall apply to any securities convertible into or exchangeable for the Shares of the Company and to any swap or other agreement or any transaction the economic consequence of which would be the transfer of the ownership to the Shares of the Company. AS LHV Pank is not entitled to unreasonably withhold its consent, provided that the proposed new owner of the locked-up shares of the Company has executed or has committed to execute a lock-up agreement on similar terms for the remaining term of the lock up period.

The Company's payment of dividends in the future is not guaranteed.

There is no assurance that the Company will distribute dividends in the future. For example, the Company may not be able to, or its General Meeting of shareholders may choose not to, pay any dividends. The Company's ability to pay dividends may be limited by restrictions contained in its financing arrangements. For example, in accordance with the Company's loan agreement with AS LHV Pank, dated 12 March 2021, the Company may not pay dividends in the amount exceeding EUR

500,000[4] per calendar year without the prior written consent of AS LHV Pank. The Management's recommendations for the distribution of profit will depend on the Company's existing and future financial condition, results of operations, capital requirements, liquidity needs and other matters that it may consider relevant from time to time, including, without limitation, its capital needs, financial performance, strategic considerations and prevailing equity market conditions which may not necessarily coincide with the short-term interests of all the shareholders. The payment of dividends and the amount thereof will be subject to the ultimate discretion of the General Meeting of shareholders of the Company. For further details on the Company's dividend policy, see Section 6 "Dividend Policy" of the Prospectus.

Additional equity capital may dilute existing shareholdings.

The proportion of shareholding held by the shareholders in the Company may be diluted if the share capital of the Company is increased and new Shares are issued in the future. In such case, the shareholders will be entitled to the right to subscribe for such new shares of the Company proportionally to their existing shareholding in the Company. Such preferential right can, however, be excluded by the respective resolution of the General Meeting of shareholders, which requires the affirmative vote of 3/4 of the votes represented at the General Meeting of shareholders. Therefore, there can be no assurance that the shareholders will be entitled to subscribe for the new Shares, which may be issued in the future and therefore the proportion of their shareholding in the Company may decrease. Future equity offerings may be also conducted below market value and the Company may decide to offer Shares at a discount to the prevailing market price if it believes that this would be appropriate in the context of the financing options available to it. A future equity offering could also depress the market value of the Shares.

Shareholders in certain jurisdictions may not be able to participate in future equity offerings.

Securities laws of certain jurisdictions may restrict the Company's ability to allow shareholders to participate in future offerings. In particular, holders of the Shares in the United States may not be entitled to exercise these rights, unless the Shares and any other securities that are offered and sold are registered under the U.S. Securities Act, or the Shares and such other securities are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Group cannot assure prospective investors that any exemption from such overseas securities law requirements would be available to enable U.S. or other shareholders to exercise their pre-emptive rights or, if available, that the Group will utilise any such exemption.

The current majority shareholders, which will continue to hold majority of the Shares following the Offering, may take certain actions that will not be in the best interests of the other shareholders.

Immediately after the Offering, the current majority shareholders Andres Pärloja, Kristjan Mitt, Lauri Meidla and Henri Laks are together expected to hold at least 77.83% of the Shares of and voting rights in the Company (on the assumption that the Over-Allotment Option is exercised, and they do not subscribe for any Offer Shares in the course of the Offering). Accordingly, such key shareholders will continue to control the Company and have the number of votes required to take certain corporate actions at the General Meeting of shareholders, such as the approval of the annual report, decisions on dividend distributions, increases of share capital and the appointment of auditors, etc.

As a result, following the Offering, the key shareholders referred to above will be able to influence various fundamental corporate and business decisions of the Group which may not be in the best interests of minority shareholders. Such actions could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, as well as the value of the Company's listed securities.

[4] Dividend payments up to EUR 500,000 per calendar year do not require the prior written consent of AS LHV Pank, provided that the relevant financial covenants under the loan agreement are met.

The rights of shareholders of Estonian companies may differ from the rights of the shareholders of companies organised in other jurisdictions.

The Company's corporate governance and the rights, obligations and liability of its shareholders are governed by the laws of Estonia and by the Company's Articles of Association and may be different from the rights and obligations of the shareholders of companies organised in other jurisdictions. Certain rights and privileges that shareholders may benefit from in another jurisdiction may not be available in Estonia. The exercise of some of the shareholders' rights in the Company could be more complicated or expensive for investors from other countries than the exercise of similar rights in their country of residence.

Enforceability of judgments against the Company.

The Company is organised in accordance with Estonian law and has its registered office in Estonia. A significant proportion of the assets of the Group are located in Estonia and the majority of the management personnel working for the Group reside in Estonia. For this reason, investors located or residing outside of Estonia may encounter more difficulty in serving summons and other documents relating to court proceedings on any of the entities within the Group and/or the management personnel working for the Group and in enforcing a judgment of the Estonian court issued against any entities within the Group or the management personnel working for the Group than if those entities or the management personnel were located in the jurisdiction where the investor concerned is located or residing.

Shareholders may be affected by changes in laws regarding taxation of dividends or gains at disposal.

Changes in the tax regime applicable to taxation of dividends or gains on disposal of the Shares may result in an increased tax burden on the shareholders of the Company and may therefore have an adverse effect on the rate of return from an investment in the Shares. Tax legislation of the prospective investor's Member State and of Estonia (the Company's country of incorporation) may have an impact on the income received from the Shares.

4. TERMS AND CONDITIONS OF OFFERING

4.1. Offering

The Company is offering up to 777,001 new Shares with the nominal value of EUR 1.00 each (the **Offer Shares**) on terms and conditions as described below (the **Offering**). The Offering comprises of a public offering to retail and institutional investors in Estonia, Latvia and Lithuania. The Company may non-publicly offer the Offer Shares also in Estonia, Latvia, Lithuania and in certain other Member States of the European Economic Area to qualified investors within the meaning of Article 2(e) of the Prospectus Regulation and other types of investors in reliance on certain exemptions available under the laws of each jurisdiction where the offering is being made. A public offering will be carried out only in Estonia, Latvia and Lithuania and there will not be any public offering in any other jurisdiction.

The Offering will involve the issue of new Shares in a volume corresponding to the number of the Offer Shares subscribed for in the course of the Offering and allocated to investors in accordance with the terms described in this Section "Terms and Conditions of Offering". In order to conduct the Offering and issue the respective number of new Shares, an increase of share capital of the Company will be decided by the General Meeting of shareholders on or about 22 November 2021.

In order to facilitate the settlement of the Offering and start trading with the Shares as soon as practically possible after the settlement of the Offering, the shareholders of the Company Mr. Andres Pärloja, Mr Kristjan Mitt and KAMP Investments OÜ will enter into a share lending agreement with the Global Lead Manager AS LHV Pank (also acting as the settlement agent for the Offering), under which the shareholders will lend their Shares corresponding to the number of the Offer Shares (and also considering the Overallotment Option) to AS LHV Pank, which shall use the Shares for the settlement of the Offering. In order to return the Shares lent from the shareholders as described above, the General Meeting of shareholders held on or about 22 November 2021 will decide the increase of share capital of the Company and issue new Shares to AS LHV Pank in the amount corresponding to the actual amount of the Offer Shares allocated to the investors in the course of the Offering. The number of Shares held by the shareholders of the Company Mr. Andres Pärloja, Mr Kristjan Mitt and KAMP Investments OÜ will not change due to the above-described share lending structure.

The Company will submit on or about 9 November 2021 a listing application to Nasdaq Tallinn Stock Exchange for the listing of all the Company's shares, including the Offer Shares, on the Baltic Main List of the Nasdaq Tallinn Stock Exchange. Trading with the Company's Shares is expected to commence on the Stock Exchange on or about 26 November 2021.

The indicative timetable of the Offering is the following:

Start of Offer Period	10 November 2021 at 10:00 local time in Estonia
End of Offer Period	19 November 2021 at 16:00 local time in Estonia
Announcement of the results of the Offering	On or about 22 November 2021
Settlement of the Offering	On or about 24 November 2021
First trading day on Nasdaq Tallinn Stock Exchange	On or about 26 November 2021

4.2. Right to Participate in the Offering

The Offering is directed to all retail and institutional investors in Estonia, Latvia and Lithuania. The Company may non-publicly offer the Offer Shares also in Estonia, Latvia, Lithuania and in certain other Member States of the European Economic Area to qualified investors within the meaning of Article 2(e) of the Prospectus Regulation and other types of investors in reliance on certain exemptions available under the laws of each jurisdiction where the offering is being made.

For the purposes of the Offering, a person is considered to be in Estonia, Latvia or Lithuania and has a right to participate in the Offering if such person has an operational securities account with Nasdaq CSD or a securities account with a financial institution who is a member of the Nasdaq Tallinn Stock Exchange and such person submits a Subscription Undertaking (as defined below) in relation to Offer Shares via that securities account.

4.3. Offer Price

The Offer Price is EUR 11.70 per one Offer Share, of which EUR 1.00 is the nominal value of one Offer Share and EUR 10.70 is the issue premium.

4.4. Offer Period

The Offer Period is the period during which the persons who have the right to participate in the Offering may submit Subscription Undertakings (please refer to Section 4.5 “Subscription Undertakings” for further details) for the Offer Shares. The Offer Period commences on 10 November 2021 at 10:00 local time in Estonia and terminates on 19 November 2021 at 16:00 local time in Estonia.

4.5. Subscription Undertakings

The Subscription Undertakings for the Offer Shares by may be submitted only during the Offer Period. An investor participating in the Offering may apply to subscribe for the Offer Shares only for the Offer Price. All investors participating in the Offering can submit Subscription Undertakings denominated only in euro. An investor shall bear all costs and fees charged by the respective custodian accepting the Subscription Undertaking in connection with the submission, cancellation or amendment of a Subscription Undertaking.

Multiple Subscription Undertakings by one investor shall be merged for the purposes of allocation. In order to subscribe for the Offer Shares, an investor must have a securities account with a Nasdaq CSD account operator or a financial institution who is a member of the Nasdaq Tallinn Stock Exchange. Such securities account may be opened through any custodian. The list of banks and investment firms operating as Nasdaq CSD account operators is available on the website of Nasdaq CSD at https://nasdaqcsd.com/list-of-account-operators/. The list of financial institutions which are members of the Nasdaq Tallinn Stock Exchange is available on the website of Nasdaq Tallinn Stock Exchange at https://nasdaqbaltic.com/statistics/et/members (in order to review the list of members of the Nasdaq Tallinn Stock Exchange, selection “Tallinn” should be made).

Submission of Subscription Undertakings by Estonian investors

An investor wishing to subscribe for the Offer Shares should contact a custodian that operates such investor’s ERS securities account and submit a Subscription Undertaking in the form set out below. The Subscription Undertaking must be submitted to the custodian by the end of the Offer Period. The investor may use any method that such investor’s custodian offers to submit the Subscription Undertaking (e.g. physically at the client service venue of the custodian, over the internet or by other means).

The Subscription Undertaking for the Offer Shares must include the following information:

Owner of the securities account:	name of the investor
Securities account:	number of the investor’s securities account
Custodian:	name of the investor’s custodian

Security:	Hepsor share
ISIN code:	EE3100082306
Amount of securities:	the number of Offer Shares for which the investor wishes to subscribe
Price (per one Offer Share):	EUR 11.70
Transaction amount:	the number of Offer Shares for which the investor wishes to subscribe multiplied by the Offer Price
Counterparty	AS LHV Pank(1)
Securities account of the counterparty	99104086627
Custodian of the counterparty	AS LHV Pank
Value date of the transaction:	24 November 2021
Type of transaction:	“purchase”
Type of settlement:	“delivery versus payment”

(1) In order to facilitate the settlement of the Offering and start trading with the Shares as soon as practically possible after the settlement of the Offering, the existing shareholders will lend existing Shares to the Global Lead Manager AS LHV Pank (also acting as the settlement agent for the Offering). Hence, AS LHV Pank will be the counterparty for the Subscription Undertakings. Please see Section 4.1 “Offering” for further details on the share lending structure.

Submission of Subscription Undertakings by Latvian and Lithuanian investors

An investor wishing to subscribe for the Offer Shares must contact the financial institution, which is a member of the Nasdaq Tallinn Stock Exchange and manages such investor’s securities account and submit a Subscription Undertaking for the purchase of Offer Shares in a form accepted by the financial institution and in conformity with the terms and conditions of the Prospectus. The investor may use any method that such investor’s account operator offers to submit the Subscription Undertaking (e.g. physically at the client service venue of the account operator, via the Internet Bank or by other means).

Terms and conditions for the submission of Subscription Undertakings

An investor may submit a Subscription Undertaking through a nominee account only if such investor authorises the owner of the nominee account to disclose the investor’s identity to the registrar of the ERS in writing. The Subscription Undertakings submitted through nominee accounts will be taken into consideration in the allocation only if the owner of the nominee account has actually disclosed the identity of the investor to the registrar of the ERS in writing. Among other information it is also requested to disclose a permanent address and personal identification code in case of a natural person or a registration address for a legal entity. An investor may submit a Subscription Undertaking either personally or through a representative whom the investor has authorised (in the form required by law) to submit the Subscription Undertaking.

A Subscription Undertaking is deemed submitted from the moment the registrar of the ERS receives a duly completed transaction instruction from the custodian of the respective investor.

An investor must ensure that all information contained in the Subscription Undertaking is correct, complete and legible. The Company reserves the right to reject any Subscription Undertakings, which are incomplete, incorrect, unclear or illegible, or which have not been completed and submitted during the Offer Period in accordance with all requirements set out in these terms and conditions.

By submitting a Subscription Undertaking every investor:

(i) confirms that they have read the Prospectus and its Summary, including (but not limited to) risk factors set out in this Prospectus and a description of rights and obligations resulting from the ownership of the Shares;

(ii) accepts the terms and conditions of the Offering set out under this Section and elsewhere in this Prospectus and agrees with the Company that such terms will be applicable to the investor's acquisition of any Offer Shares;

(iii) acknowledges that the Offering does not constitute an offer (in Estonian: *ofert*) of the Offer Shares by the Company within the meaning of Section 16(1) of the Estonian Law of Obligations Act or otherwise and that the submission of a Subscription Undertaking does not itself entitle the investor to acquire the Offer Shares nor result in a contract for the sale of Offer Shares between the Company and the investor;

(iv) accepts that the number of the Offer Shares indicated by the investor in the Subscription Undertaking will be regarded as the maximum number of the Offer Shares, which the investor wishes to acquire (the **Maximum Amount**) and that the investor may receive less (but not more) Offer Shares than the Maximum Amount (please refer to Section 4.8 "Distribution and Allocation" for further details);

(v) undertakes to acquire and pay for any number of Offer Shares allocated to it in accordance with these terms and conditions, up to the Maximum Amount;

(vi) authorises and instructs its custodian to forward the registered transaction instruction to Nasdaq CSD;

(vii) authorises the Company and Nasdaq CSD to process its personal data and information contained in the Subscription Undertaking before, during and after the Offer Period to the extent necessary to participate in the Offering;

(viii) authorises the custodian and Nasdaq CSD to amend the information contained in the investor's transaction instruction, including (a) to specify the value date of the transaction and (b) to specify the number of the Offer Shares to be purchased by the investor and the total amount of the transaction found by multiplying the Offer Price by the number of Offer Shares allocated to the relevant investor;

(ix) confirms, that he/she/it is not subject to the laws of any other jurisdiction which would prohibit the placing of the Subscription Undertaking or allocation of the Offer Shares to him/her/it and represents that he/she/it is authorised to place a Subscription Undertaking in accordance with the Prospectus.

An investor may amend or cancel a Subscription Undertaking at any time before the expiry of the Offer Period. To do so, the investor must contact its custodian through whom the Subscription Undertaking in question has been made and carry out the procedures required by the custodian for amending or cancelling a Subscription Undertaking (such procedures may differ between different custodians).

4.6. Payment

By submitting a Subscription Undertaking, an investor authorises and instructs the institution operating the investor's cash account connected to its securities account (which may or may not also be the investor's custodian) to immediately block the whole transaction amount on the investor's cash account until the settlement is completed or funds are released in accordance with these terms and conditions. The transaction amount to be blocked will be equal to the Offer Price multiplied by the Maximum Amount. An investor may submit a Subscription Undertaking only when there are sufficient funds on the cash account connected to its Nasdaq CSD securities account or its securities account opened with a financial institution which is a member of the Nasdaq Tallinn Stock Exchange to cover the whole transaction amount for that particular Subscription Undertaking.

4.7. Over-Allotment Option

Depending on the results of the subscription, the Company, in consultation with the Global Lead Manager, may decide to increase the size of the Offering by adding up to 77,700 Offer Shares to the

Offering (the **Over-Allotment Shares**), resulting in the total amount of the Offer Shares being up to 854,701. The Over-Allotment Shares bear the same rights as the Offer Shares.

The exercise of the Over-Allotment Option will be entirely at the discretion of the Company, and will be decided based on the results of the Offering and on Management's view with regard to the necessity of additional capital.

4.8. Distribution and Allocation

The Company will decide on the allocation of the Offer Shares after the expiry of the Offer Period on or about 22 November 2021. The allocation of the Offer Shares between the Offering and any private offering which will take place simultaneously with the Offering has not been previously determined. The Company together with the Global Lead Manager will determine the exact allocation upon its sole discretion.

The Offer Shares will be allocated to the investors participating in the Offering in accordance with the following principles, which the Company together with the Global Lead Manager may change depending on the distribution of Subscription Undertakings collected in the Offering and any simultaneous private offering, the total demand and other circumstances:

(i) Each investor who submitted a Subscription Undertaking in the Offering will be allocated up to 100 of the Offer Shares subscribed for subject to total demand in the Offering;

(ii) Upon oversubscription of the Offering, each investor who submitted a Subscription Undertaking in the Offering on or before 12 November 2021 may be preferred and allocated up to 100% more Offer Shares, but not more than the respective investor has subscribed for, than such investors who submitted the Subscription Undertakings after the above-referred date. For Subscription Undertakings, amended or supplemented after the referred term, the current allocation principle will apply only to the Offer Shares subscribed before the referred term;

(iii) the employees of the Group (including, if acting through legal entities, those under their control) may be preferred to other investors.

Upon over-subscription of the Offering, the Company may, at the proposal of the Global Lead Manager, decide to increase the number of Offer Shares by the number of Over-Allotment Shares, which would increase the number of Offer Shares up to 854,701 Offer Shares. These Shares shall be allocated between the investors participating in the Offering in accordance with the principles described in this Section . If the Offering is undersubscribed, the Company may reduce the number of the Offer Shares accordingly, or cancel the Offering as described in Section 4.14 "Cancellation or Postponement of Offering" of this Chapter.

The funds blocked on the current account of the investor who participated in the Retail Offering will be released in the amount corresponding to the Offer Price multiplied by the number of Shares not allocated to such investor as described under Section 4.13 "Return of Funds".

Multiple Subscription Undertakings by one investor shall be merged for the purposes of allocation (except in case the investor is using a nominee structure in which case the holder of the nominee account is considered to be the legal owner of Shares).

The Company expects to announce the results of the allocation process through the information system of the Nasdaq Tallinn Stock Exchange and at the Company's website (www.hepsor.ee/investorile) on or about 22 November 2021.

The existing shareholders and the members of the Management Board and the Supervisory Board have indicated to the Company that they may participate in the Offering and subscribe for the Offer Shares; however, they have not specified the number of Offer Shares they may intend to acquire.

4.9. Change to the Offer Price and Offer Period

In accordance with the Prospectus Regulation, the Company may be required to draw up a supplement to the Prospectus if the Offer Price is changed or the Offer Period is shortened or prolonged. The supplement to this Prospectus will be published after registration thereof in the same way as the Prospectus and its summaries.

Furthermore, in accordance with the Prospectus Regulation, every significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which may affect the assessment of the securities and which arises or is noted between the time the Prospectus is approved and the time the Company's Shares are listed on Nasdaq Tallinn, shall be mentioned in a supplement to the Prospectus. All other changes will be disclosed through the information system of Nasdaq Tallinn and at the Company's website (www.hepsor.ee/investorile).

In case the Company is required to publish a supplement to the Prospectus, an investor who has submitted a Subscription Undertaking in the Offering before the publication of the supplement to the Prospectus has a right to withdraw within 2 working days (or within another time period as specified in the supplement to this Prospectus) after publication of the supplement to the Prospectus in accordance with the procedure described under Section 4.5 "Subscription Undertakings".

4.10. Settlement

The settlement of the Offering will be carried out by Nasdaq CSD. The Offer Shares allocated to investors will be transferred to their securities accounts from the securities account of the Global Lead Manager on or about 24 November 2021 through the "delivery versus payment" method simultaneously with the transfer of payment for such Offer Shares on the third day after the submission of the relevant transaction order (T+3), in accordance with the rules of Nasdaq CSD. The title to the Offer Shares will pass to the relevant investors when the Offer Shares are transferred to their securities accounts.

If an investor has submitted several Subscription Undertakings through several securities accounts, the Offer Shares allocated to such investor will be transferred to all such securities accounts proportionally to the number of shares indicated in the Subscription Undertakings submitted for each account, rounded up or down as necessary, in order to ensure that a whole number of Offer Shares is transferred to each securities account. If the transfer cannot be completed due to the lack of sufficient funds on the investor's current account, the Subscription Undertaking of the respective investor will be rejected and the investor will lose all rights to the Offer Shares allocated to such investor.

The Offer Shares received by the investors may not be transferred or sold further until the date of admission of the Shares to trading on the Baltic Main list of Nasdaq Tallinn. To ensure compliance with this condition, the operators of the investors' securities accounts will block the Offer Shares on the securities accounts of the respective investors until then.

4.11. Agreements Related to the Offering

The Company has appointed AS LHV Pank as the Global Lead Manager and Bookrunner and intends to conclude on or about 8 November 2021 a Placement and Services Agreement in connection with the Offering, which includes, among others, the obligation of the Global Lead Manager to sell the Offer Shares "on a best effort basis" and arrange the settlement of the Offering.

In addition, certain shareholders of the Company have agreed to be subject to lock-up agreements as follows:

Existing shareholders of the Company who own in combination 100% of the Company's Shares before the Offering, have agreed not to, directly or indirectly, sell, contract to sell, exercise any option to sell, or otherwise dispose of any Shares of the Company owned by them during the period commencing on the date of the lock-up agreement (entered into on or about the start of the Offer Period) and ending after the lapse of 12 (twelve) calendar months from the date of the lock-up agreement without prior written consent of AS LHV Pank. The same restriction shall apply to any securities convertible into or exchangeable for the Shares of the Company and to any swap or other agreement or any transaction the economic consequence of which would be the transfer of the ownership to the Shares of the Company. AS LHV Pank is not entitled to unreasonably withhold its consent, provided that the proposed new owner of the locked-up shares of the Company has executed or has committed to execute a lock-up agreement on similar terms for the remaining term of the lock up period.

4.12. Stabilisation

In connection with the Offering, the Company and the shareholders have agreed that LHV Pank AS, as stabilising manager (the **Stabilising Manager**), will have the right to acquire Offer Shares on the Nasdaq Tallinn Stock Exchange in an amount equal to 77,700 Offer Shares by retaining the proceeds from the sale of the Offer Shares sold through over allotment (the **Stabilisation Proceeds**), in order to stabilise the stock market price of the Offer Shares at a level higher than that which would otherwise prevail. The acquisition of the Offer Shares through stabilisation transactions will be made subject to applicable law. The stabilising transactions to purchase the Offer Shares may be effected at any time on or before the 30th calendar day after the commencement of trading in the Shares on the Nasdaq Tallinn Stock Exchange (the **Stabilisation Period**). The stabilising transactions to purchase the Offer Shares may only be effected at a price not exceeding the Offer Price. The Stabilising Manager will not, however, be required to carry out any stabilisation actions. If any such actions are carried out by the Stabilising Manager, they may be discontinued at any time without prior notice. No assurance can be given that such stabilisation actions, if taken, will bring the expected results. At the end of the Stabilisation Period, the Stabilising Manager will return to the existing majority shareholders (Mr Andres Pärloja, Mr Kristjan Mitt and KAMP Investments OÜ) any Shares, which have been purchased in the market as a result of stabilisation activities and/or any remaining Stabilisation Proceeds which were not used for stabilisation activities.

4.13. Return of Funds

If the Offering or a part thereof is cancelled in accordance with the terms and conditions described in this Prospectus, if the investor’s Subscription Undertaking is rejected or if the allocation deviates from the amount of Offer Shares applied for, the funds blocked on the investor’s cash account, or a part thereof (the amount in excess of payment for the allocated Offer Shares), is expected to be released by the respective custodian within one working day. The Company shall not be liable for the release of the respective amount and for the payment of interest on the released amount for the time it was blocked. Moreover, there may be a fee or fees payable on account of the subscription process by the account operator. These are solely covered by the investor.

4.14. Cancellation or Postponement of Offering

The Company has reserved the right to postpone or cancel the Offering in its entirety at any time before the publication of the allocation of the Offer Shares. The reason for postponement or cancellation of the Offering could be, among others, the following circumstances:

(i) Unexpected and significant change in the economic or political situation in Estonia or the world, which may affect the financial markets, the economic situation or the prospects and operations of the Group;
(ii) Significant change or development, which affects the general situation, management, financial position, capital or results of operations of the Group;
(iii) Insufficient demand for the Offer Shares.

Among others, the Company may cancel the Offering in case of insufficient demand, i.e. in case the total volume of the Offering is not subscribed for. Any cancellation or postponement of the Offering will be announced through the information system of Nasdaq Tallinn Stock Exchange and at the Company's website (www.hepsor.ee/investorile). All rights and obligations of the parties in relation to the cancelled part of the Offering will be considered terminated as of the moment when such announcement is made public.

If exercising the rights referred to in this Section triggers the obligation to draw up a supplement to this Prospectus by applicable law, the Company will draw up such supplement, apply for the approval thereof by the EFSA and disclose it in accordance with applicable law.

4.15. Conflicts of Interests

According to the knowledge of the Management, there are no personal interests of the persons involved in the Offering material to the Offering. The Management is unaware of any conflicts of interests related to the Offering.

4.16. Dilution

As at the date of this Prospectus, the number of the Shares of the Company is 3,000,000. The amount of the Offer Shares is up to 777,001 (if the Over-Allotment Option is exercised, up to 854,701). Therefore, the number of the Shares of the Company after the successful registration of the increase of the share capital of the Company will be up to 3,854,701, provided, however, that the number of the Offer Shares is not changed in accordance with the terms and conditions described in the Section 4.14 "Cancellation or Postponement of Offering". This would result in the existing shareholdings diluting by 22.17% (on the assumption that the Over-Allotment Option is exercised and existing shareholders do not subscribe in the course of the Offering for Shares corresponding to their shareholding).

The Group's net asset value per share is EUR 3.12 as at 30 June 2021.[5] Further information on the price of Offer Shares in the course of the Offering is provided under Section 4.3 "Offer Price" of this Chapter.

4.17. Listing and Admission to Trading

The Company intends to apply on or about 9 November 2021 for the listing and admission to trading of all the Shares (including Offer Shares subscribed for and issued by the Company and allocated to investors as a result of the Offering) on the Main List of Nasdaq Tallinn Stock Exchange. The Company will take all necessary measures in order to comply with the Nasdaq Tallinn Stock Exchange rules so that its application would be approved. The expected date of listing and admission to trading of the Offer Shares on the Baltic Main List of the Nasdaq Tallinn Stock Exchange is on or about 26 November 2021.

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[5] The Company's share capital was increased to 3,000 thousand euros after the reporting period ending on 30 June 2021. As the number of shares changed significantly after the reporting period ending on 30 June 2021 (in connection with transforming the Company into a public limited company), calculation of net asset value per share has been made retroactively using the future number of shares (3,000 thousand).

5. REASONS FOR OFFERING AND USE OF PROCEEDS

Main reason for the Offering is financing the growth of the Company. The Company has been growing steadily throughout the past 10 years. The pace of growth is best illustrated by the following numbers: the Company completed and sold 32 new apartments in 2013 and completed 418 new apartments in 2020. The Company's average y-o-y growth rate between 2014–2020 in terms of apartments delivered has been 54%. In order to maintain similar growth profile and pace, the Company needs to increase its equity-base as the scale of new projects is increasing with each year.

The Management believes the Company to have a very strong pipeline, including ca 91 000 m^2 of residential and 49 000 m^2 of commercial space in the pipeline. These are exciting, high quality and good location projects in both Tallinn and Riga (please refer to the tables in Section 10.3 "Business Segments" below). The current pipeline of the Company is expected to deliver revenue streams until year 2026 with a potential of providing more than EUR 320 million in sales revenue[6] based on current assumptions and projections of the Management. To be able to realize the full potential of all pipeline projects and to expand further the future pipeline, the Company needs to strengthen its equity position as well as extend its loan exposure. Real estate development is a capital-intensive sector and strong capital structure is one of the key prerequisites for success.

The Management believes that going public via the Offering, if successful, will enable the Company to achieve its strategic targets and strengthen its competitive position (please refer to Section 10.4 "Strategy and Competitive Position" for a more detailed overview of the Company's strategy and competitive position).

Provided that the Offering is successful and that all of the Offer Shares (altogether 777,001 Shares) are subscribed for and issued by the Company, the expected amount of gross proceeds of the Offering will be about EUR 9.09 million. Expenses directly related to the Offering are estimated to be approximately EUR 0.56 million comprising of Lead Global Manager's fees, legal and audit expenses and communication and marketing expenses. Therefore, the net proceeds of the Offering are expected to be EUR 8.53 million. The Group plans to use the net proceeds of the Offering for financing its pipe-line projects shown in the below (projects have been prioritized in order to differentiate which project will get the financing first should the Offering bring in less capital than expected; prioritization remains subject to market conditions and may change). The Management currently estimates that the development of all projects in the existing pipeline would require capital expenditure of approximately EUR 159 million. The Company intends to finance the remaining portion of its capital expenditures for the development of the below projects by combination of cash flows and external financing. Should the Offering bring in less capital than expected, the Company will need to further increase the share of external financing (bank borrowings and external investors).

Project name or address	City	Segment	Assumed financing need (from 2022)	Priority
Paldiski mnt 227c	Tallinn	Residential	EUR 432,000	1
Kuldigas Parks	Riga	Residential	EUR 200,000	1
Manufaktuuri Quarter, stage I	Tallinn	Residential	EUR 240,000	1
Grüne Maja	Tallinn	Commercial	EUR 210,000	1
Manufaktuuri Quarter, stage II	Tallinn	Residential	EUR 1,480,000	1
Narva road 150, stage I	Tallinn	Residential	EUR 900,000	1
Lembitu 4	Tallinn	Commercial	EUR 104,000	2
Paevälja 9 and Alvari 2	Tallinn	Residential	EUR 1,935,000	2

[6] Including the Group's affiliates.

Manufaktuuri Quarter, stage III	Tallinn	Residential	EUR 2,022,000	2
Narva road 150, stage II	Tallinn	Residential	EUR 1,806,000	2
Marupe, Liela 45	Riga	Residential	EUR 600,000	2
Ranka Dambis 5	Riga	Residential	EUR 740,000	2
Saules Aleja 2	Riga	Residential	EUR 1,368,000	3
Stockoffice	Riga	Commercial	EUR 1,694,000	3
Office building	Riga	Commercial	EUR 2,000,000	3
Total			**EUR 15,731,000**	

6. DIVIDEND POLICY

The Company does not have a fixed dividend policy or a fixed pay-out ratio from the annual profits. However, the shareholders of the Company may decide to pay dividends or fix a longer-term dividend policy in the future should the Company not be able to reinvest its annual profits with a sufficient return on equity from the underlying business activities. Please see Section 10.4 "Strategy and Competitive Position" for further details on the Group's target return on equity.

The Offer Shares will give rights to dividends declared by the Company (if any) for the financial year beginning on 1 January 2021 and for the subsequent financial years. The Company cannot assure that dividends will be paid in the future. The timing and amount of any future dividend payments will depend on the Company's existing and future financial condition, results of operations, capital requirements, liquidity needs and other matters that it may consider relevant from time to time, including, without limitation, the ability of subsidiaries to distribute dividends, its capital needs, financial performance and prevailing equity market conditions.

Historically, the Group has financed its development activity mainly from retained earnings and dividend payments have been made in minor amounts. During the period covered by the Financial Statements, in 2020 the Group's existing shareholders decided to pay dividends in the amount of EUR 37,000.[7] Dividends were paid out in January 2021.

[7] As the Company operated until 14 October 2021 in the form of a private limited company, the share capital of which was divided into shares of a private limited company (in Estonian: *osad*), it is not appropriate to provide or adjust information on the amount of dividend per share (in Estonian: *dividendi summa aktsia kohta*) for each financial year period covered by the Financial Statements.

7. GENERAL CORPORATE INFORMATION AND ARTICLES OF ASSOCIATION

7.1. General Corporate Information

The business name of the Company is Hepsor AS. The Company was established under the laws of the Republic of Estonia for an indefinite term in the form of a private limited company (in Estonian: *osaühing* or *OÜ*) and was registered in the Estonian Commercial Register on 29 April 2011 under the register code 12099216. As of 14 October 2021, the Company is operating in the form of a public limited company (in Estonian: *aktsiaselts* or *AS*).

The contact details of the Company are the following:

Address: Järvevana tee 7b, 10112 Tallinn, Estonia

Phone: +372 660 9009

E-mail: info@hepsor.ee

Website: https://www.hepsor.ee[8]

The legal entity number (LEI) of the Company is 254900NNCQC3L9WR9P45. According to the latest available annual report of the Company, i.e. the annual report for the financial year ended on 31 December 2020, the field of activity of the Company was "development of building projects" (EMTAK[9] 41101).

7.2. Articles of Association

The latest version of the Articles of Association of the Company was adopted by the respective resolution of the General Meeting of shareholders of the Company, dated 9 August 2021. The main terms of the Articles of Association of the Company are the following:

(a) The minimum amount of share capital of the Company is 3,000,000 (three million) euros and the maximum amount of share capital of the Company is 12,000,000 (twelve million) euros.

(b) The nominal value of each Share is EUR 1.00. The Company has one type of Shares and they grant the shareholders the same rights.

(c) Each Share grants the owner one vote at the General Meeting.

(d) The Share entitles the Shareholder to participate at the General Meeting and distribution of profit as well as to receive a part of the Company's remaining assets upon dissolution of the Company.

(e) By the resolution of the General Meeting, the Company's may issue convertible bonds for a conditional increase of share capital.

(f) The Shares are freely transferrable.

(g) The General Meeting has a quorum if more than half of the total votes represented by all the Shares are represented at the General Meeting.

(h) A resolution of the General Meeting shall be adopted if more than half of the votes represented by Shares at the General Meeting are in favour, unless the Articles of Association or legislation require a greater majority.

[8] The Company is not incorporating by reference into this Prospectus any information posted on the website.

[9] EMTAK (the Estonian Classification of Economic Activities) is the basis for determining the fields of activity of Estonian companies. EMTAK is the national version of the international harmonised NACE classification. As of 1 January 2007, the Estonian companies are, instead of providing their fields of activity in the Articles of Association, required to report them in their annual reports using EMTAK classification.

(i) The Supervisory Board comprises of three to five members elected by the General Meeting by a simple majority for a period of three years.

(j) The following matters are within the competence of the Supervisory Board: (i) approval of the objectives and budget of the consolidation group and amendments thereto; (ii) incorporating a subsidiary of the company or deciding the merger, division, transformation or dissolution thereof; (iii) acquisition or transfer of an enterprise or organisationally independent part thereof or termination of its activities; (iv) acquisition or transfer of a shareholding in another legal person or waiving the right to acquire such shareholding, including waiving (partially or fully) the right to acquire such shareholding by way of exercising a subscription right or right of pre-emption, encumbering a shareholding in another legal person with a pledge or other security; (v) changing the nature of scope of the company's economic activity significantly, incl. withdrawal from a certain area of activity, expanding the company's areas of activities and assuming new areas of activities; (vi) making investments that exceed a prescribed sum of expenditure for the current financial year; (vii) conducting a transaction or series of related transactions the value or price of which exceeds 500,000 euros; (viii) conducting a transaction which results in the acquisition of an immovable by the company or the transfer or encumbrance of the company's immovable, including the conclusion of a lease or other contract of use regarding such immovable; (ix) establishing securities with regard to the company's assets; (x) taking any loans, credit or other debt obligation or amending or terminating an agreement entered into for taking such loan, credit or other debt obligation; (xi) granting a loan or other credit (unless this is done with a contractual partner in the course of agreeing on regular payment terms) beyond the company's everyday economic activity; (xii) issuing a guarantee; (xiii) conducting any transaction with another person (incl. a transaction with a related party) which is not done under market conditions; (xiv) the foundation or closure of a foreign branch; (xv) amending the accounting and financial accounting principles, customs or practices applied by the company, unless and to the extent this is required by the law; (xvi) appointing a procurator and granting general authorisation to act on behalf of the company; (xvii) initiating court, arbitration or similar proceedings with claims that exceed or could exceed 100,000 euros; (xviii) election and removal of the members of the management board; (xix) approval of the principles of remuneration of the company's management board members and supervising compliance with these principles, also establishing the procedure for checking the principles of remuneration of the management board members; (xx) decide on the conclusion and terms and conditions of transactions with members of the management board, decide on the conduct of legal disputes and appointment of the representative of the company in such transactions and disputes; also decide on the conduct and terms and conditions of transactions that are significant for the company with persons close or related to a member of the management board; (xxi) decide on the conclusion and terms and conditions of transactions with shareholders of the company, decide on the conduct of legal disputes and appointment of the representative of the company in such transactions and disputes.

(k) A resolution of the Supervisory Board shall be adopted if over half of the members of the Supervisory Board participating at the meeting vote in favour.

(l) The Management Board comprises of one to three members elected by the Supervisory Board for a period of five years.

(m) The Company may be represented in all transactions and other legal acts by each member of the Supervisory Board.

(n) The financial year of the Company is the calendar year.

8. SHARE CAPITAL, SHARES AND OWNERSHIP STRUCTURE

8.1. Share Capital and Shares

The current registered and fully paid-in share capital of the Company is EUR 3,000,000, which is divided into 3,000,000 ordinary shares of the Company (the **Shares**) with the nominal value of EUR 1.00. The Shares are registered in the ERS under ISIN code EE3100082306 and kept in book-entry form. ERS is maintained by the Estonian branch of Nasdaq CSD SE (registry code 14306553, address Maakri 19/1, Tallinn, Harju County, 10145) (**Nasdaq CSD**). The Shares have not been listed or admitted to trading on any regulated securities market.

The Shares are governed by the laws of the Republic of Estonia. The Shares are freely transferrable.

During the period covered by the Financial Statements, the Company's share capital has been increased from EUR 2,500 to EUR 6,000 (date of registration 7 February 2019) and in connection with transforming the Company from a private limited company to a public limited company, from EUR 6,000 to EUR 3,000,000 (date of registration 14 October 2021).

8.2. Shareholders of the Company

As at the date of this Prospectus, the shareholders holding over 5% of all Shares in the Company are the following:

Name of Shareholder	**Number of Shares**	**Proportion**	**Person directly or indirectly controlling the Shareholder**
Mr Andres Pärloja	507,000	16.9%	N/A
Mr Kristjan Mitt	507,000	16.9%	N/A
Mr Lauri Meidla	507,000	16.9%	N/A
Mr Henri Laks	498,000	16.6%	N/A
KAMP Investments OÜ	981,000	32.7%	Mr Andres Pärloja Mr Kristjan Mitt

The Management is as at the date of this Prospectus not aware of any person with direct or indirect control over the Company or any arrangements or circumstances, which may at a subsequent date result in a change in control over the Company.

The major shareholders of the Company do not have voting rights different than those described in Section 8.3 "Rights of Shareholders" below.

8.3. Rights of Shareholders

Introductory Remarks. This Section "Rights of Shareholders" aims to provide a general overview of the rights of shareholders arising from Estonian law applicable in respect of the shareholders of the Company.

Right to Participate in Corporate Governance. The shareholders of a public limited company are entitled to take part in the corporate governance of such company through the general meeting of shareholders, where they can exercise their powers to decide on certain important corporate matters, such as the amendment of the articles of association, the increase and decrease of the share capital, the issue of convertible bonds, the election and removal of the members of the supervisory board and the auditor, the approval of annual reports and the distribution of profit, the dissolution, merger, division or transformation of the company, and certain other matters. The general meeting of shareholders is the highest governing body of a public limited company.

The ordinary general meeting of shareholders must be held once a year pursuant to the procedure and at the time set forth by the law and the articles of association. Despite the fact that according to the Estonian Commercial Code the ordinary general meeting of shareholders must be held within six months as from the end of the financial year, the Estonian Securities Market Act specifies that the audited annual report of a listed and publicly traded company must be made public within four months as from the end of the financial year. According to the Estonian Commercial Code, before the ordinary general meeting of shareholders is held, the supervisory board must review the annual report and provide the general meeting of the shareholders with a written report on the annual report, indicating whether the supervisory board approves the report or not but also providing information on how the supervisory board has organised and supervised the activities of the management of the public limited company in the respective year. In practice, the referred report is made available together with the notice on convening the general meeting of the shareholders.

An extraordinary general meeting of the shareholders must be convened in the cases set forth in the articles of association of a public limited company but also: (i) in the event where the net equity of the company decreases below the legally required minimum level, or (ii) if shareholders representing at least 1/20 of the share capital of a public limited company listed and admitted to trading on a regulated market, the supervisory board, or the auditor request that a meeting is convened or (iii) if the meeting is required in the interests of the company. The Articles of Association of the Company do not include any deviation from the applicable law with respect to when the General Meeting of shareholders needs to be convened. If the management board of a public limited company fails to convene the extraordinary general meeting within one month after the receipt of the relevant request from shareholders (or from the supervisory board or from the auditor), the shareholders (or, respectively, the supervisory board or the auditor) have the right to convene the meeting themselves.

The notice of an upcoming general meeting of shareholders must be published and disclosed to shareholders three weeks in advance. The notice on convening the general meeting of shareholders must be published in at least one national daily newspaper in Estonia and, for issuers of listed instruments, through the information system of the Nasdaq Tallinn Stock Exchange. If there is a material breach of the requirements of convening the general meeting of the shareholders, such meeting does not have the capacity to adopt resolutions, except if all shareholders participate in the meeting.

As a rule, the agenda of the general meeting of the shareholders is determined by the supervisory board. However, if the meeting is convened by the shareholders or by the auditor, the agenda is determined by them. Furthermore, the management board or the shareholders whose shares represent at least 1/20 of the share capital of a public limited company listed and admitted to trading on a regulated market may demand the inclusion of a certain item into the agenda. An item which is initially not on the agenda of a general meeting of shareholders may be included in the agenda upon the consent of at least 9/10 of the shareholders who participate at the meeting if their shares represent at least 2/3 of the share capital of such company.

A general meeting of shareholders of a public limited company is capable of passing resolutions if more than 1/2 of the votes represented by all shares held by shareholders are present at the meeting. If this quorum requirement is not met, the management board is required to convene a new meeting not more than three weeks but not less than seven days after the date of the initial meeting. There are no quorum requirements for the newly convened general meetings of shareholders convened in such a manner.

Only those shareholders are eligible to attend and vote at a general meeting of shareholders who were on the list of shareholders as of the date falling seven calendar days before the meeting.

As a rule, the resolutions of a general meeting of shareholders require the affirmative vote of the majority of the votes represented at the meeting. Certain resolutions, such as amending the articles of association, increasing or decreasing the share capital, resolutions relating to a merger or liquidation of the company, etc., require a qualified majority of 2/3 of the votes represented at the meeting of shareholders. In addition to such resolutions, there are resolutions which require an even higher rate of affirmative votes of shareholders, such as excluding the shareholders' preferential right to subscribe for new shares upon an increase of the share capital, which requires the affirmative vote of 3/4 of the votes represented at the general meeting of shareholders, and squeeze-out of minority shares, which requires the affirmative vote of 95/100 of the votes represented at the general meeting of shareholders. Higher quorum and voting requirements compared to the ones described herein may be stipulated by the articles of association of a public limited company. The quorum and voting requirements set forth by the Articles of Association of the Company do not deviate from the ones set forth by the applicable law.

Right to Information. Pursuant to the Estonian Commercial Code, the shareholders of a public limited company have the right to receive information on the activities of the company from the management board at the general meetings of shareholders. However, management board may refuse to give information if there is a reason to presume that this may cause significant damage to the interests of the company. In the event the management board refuses to give information, shareholders may require the general meeting of shareholders to decide on the legality of such refusal or submit a respective claim to the competent court.

Right to Subscribe for New Shares. Pursuant to the Estonian Commercial Code, existing shareholders of a public limited company have, upon the increase of the share capital of the company and the issue of the new shares of the company, the preferential right to subscribe for such new shares of the company proportionally to their existing shareholding in the company. Such preferential right can be excluded by the respective resolution of the general meeting of shareholders, which requires the affirmative vote of 3/4 of the votes represented at the general meeting of shareholders.

Right to Dividends. All shareholders of a public limited company have the right to participate in the distribution of profit of the company and have the right to receive dividends proportionally to their shareholding in the company. Resolving the distribution of profit and the payment of dividends is in the competence of the general meeting of shareholders. The resolution of the distribution of profit and the payment of dividends is adopted on the basis of the approved annual report for the preceding financial year, whereas the management board is under the obligation to make a proposal for the distribution of profit and the payment of dividends in the annual report or in a separate document accompanying the annual report, whereas such a proposal of the management board is subject to a review by supervisory board, which is in turn entitled to introduce amendments to the proposal. The resolution on the distribution of profit and on the payment of dividends must include the following information – (i) the amount of net profit; (ii) the payments into statutory capital reserve; (iii) the payments into other reserves if such exist according to the applicable law or the articles of association (which is not the case for the Company); (iv) the amount of profit being distributed among shareholders; and (v) using the profit for other purposes, if applicable. shareholders who are entitled to participate in the distribution of profit and receive dividends shall be determined on the basis of the list of shareholders as maintained by the ERS, which is fixed on the date determined by the general meeting of shareholders resolving the distribution of profit, whereas in respect of companies listed on the Nasdaq Tallinn Stock Exchange, such date may not occur earlier than on the tenth trading day after the general meeting of shareholders. While distributing profit and making dividend payments to shareholders, a public limited company is under the obligation to treat all shareholders equally.

Right to liquidation proceeds. According to the Estonian Commercial Code, upon liquidation of the Company the assets remaining after satisfying or securing all the creditors' claims (and depositing the money for this purpose) are distributed among the shareholders *pro rata* to the nominal value or book value of their shares pursuant to the asset distribution plan prepared by the liquidators. Assets may be distributed no earlier than six months after the entry of the dissolution of the public limited company in the Estonian Commercial register and no earlier than two months after the date on which the shareholders were informed that the final balance sheet and asset distribution plan are presented to the shareholders for examination, provided that the balance sheet or asset distribution plan have not been contested in court, the action has not been heard or has not been satisfied, or if the proceeding in the matter has been concluded. According to the Estonian Commercial Code, liquidation proceeds are distributed by way of monetary payments unless the articles of association prescribe otherwise. The

Articles of Association of the Company allow for also alternative forms of payment of liquidation proceeds.

<u>Acquisition by a company of own shares</u>. Pursuant to the Estonian Commercial Code, a public limited company is entitled to acquire its own shares only if all the following conditions are met: (i) the acquisition occurs within five years after the adoption of a resolution of the general meeting of shareholders which specifies the conditions and term for the acquisition and the amounts to be paid for the shares; (ii) the sum of the nominal value of the shares held by the company does not exceed 1/10 of its share capital; and (iii) the shares are paid for from assets excluding the share capital, reserve capital and premium. Regardless of the above, a public limited company may acquire its shares by inheritance. A public limited company may also acquire its shares by a resolution of the Supervisory Board without requiring a resolution of the general meeting of shareholders if the acquisition of the shares is necessary to prevent significant damage to the company. In such case, the shareholders must be informed of the circumstances and details of the acquisition of the company's own shares at the next general meeting of shareholders. If the shares are obtained in compliance with the law but form more than 1/10 of the share capital, the excess shares must be disposed of within three years of their acquisition. In case the public limited company acquires its own shares in violation of the law, such shares must be disposed of or cancelled (by decreasing the share capital) within one year of acquisition. The rules regarding the acquisition of a company's own shares are also applied to the acquisition of a parent company's shares by the subsidiaries. In the event that a subsidiary acquires the shares of its parent company, the parent company shall be regarded as the acquiring party.

<u>Squeeze-out rules</u>. According to the Estonian Commercial Code, a shareholder whose shares, together with the shares of its parent undertaking and its subsidiaries, represent at least 90% of the share capital of a public limited company, is entitled to request that the general meeting of shareholders approves taking over by that shareholder of the remaining outstanding shares of the company for fair monetary compensation ("squeeze-out"). The squeeze-out must be approved at the general meeting of shareholders by at least 95% of the votes represented by the shares of the company. Squeeze-out of minority shareholders of a public limited company may also be carried out according to the Estonian Commercial Code in the course of a merger between two companies, if the surviving company owns at least 90% of the shares of the company being merged. In such a case the squeeze-out is approved if at least 90% of the votes represented by the shares of the company are cast in favour of the relevant resolution at the general meeting of shareholders of the company being merged.

In addition to the above, a special squeeze-out regime applies to listed companies under the Estonian Securities Market Act in case a person reaches at least a 90% shareholding in a company as a result of making a voluntary or a mandatory takeover bid to the company's shareholders. In such a case the relevant acquirer may request the general meeting of shareholders of the company to be called within 3 months after the expiry of the takeover term and to vote on the takeover of the remaining shares belonging to the shareholders of the company ("squeeze-out") for a fair compensation (not being less than the takeover bid price). In such a case, a resolution on the takeover of the remaining shares of the target is adopted if at least 90% of all votes represented by all shares of the company are cast in favour of the resolution. If a squeeze-out resolution has not been passed in the abovementioned scenario, then the takeover bid term is to be extended for up to 3 months after the date of disclosure of the takeover bid results, with respect to the target persons who, within the framework of the takeover bid, did not agree to taking over their shares.

<u>Mandatory takeover bids.</u> The legal regime applicable to takeover bids is provided in the Estonian Securities Market Act which implements the rules stipulated in the Takeover Directive 2004/25/EC.

If a person (either directly or together with any persons acting in concert) acquires dominant influence over an Estonian listed company such person is required to make a mandatory offer to all remaining shareholders for acquisition of the shares held by them in the relevant company (i.e. mandatory takeover bid). The obligation to make a mandatory takeover bid is triggered when the acquirer (alone or together with persons acting in concert) becomes the holder of the voting rights attached to the shares of the issuer representing the majority of all votes. The obligation to make a mandatory takeover bid may be triggered also regardless of the stake acquired, if: (i) the person, as the issuer's shareholder, has the right to appoint or remove the majority of the target's supervisory council or management board members; or (ii) the person, as the issuer's shareholder, controls alone the majority of votes on the basis of an agreement with other shareholders; or (iii) the person has dominant influence or control over the issuer and the possibility to exercise it.

The mandatory takeover bid must be published within 20 days of gaining a dominant influence over the issuer. The price offered under a mandatory takeover bid must be fair, which is determined by specific parameters stipulated in the Estonian Securities Market Act and the Takeover Rules enacted by the Minister of Finance of Estonia.

9. MANAGEMENT

9.1. Management Structure

In accordance with the Estonian law, the operational management of the Company is structured as a two-tier system. The Management Board is responsible for the day-to-day management of the Company's operations and is authorised to represent the Company based on the law and the Articles of Association. The Supervisory Board of the Company is responsible for the strategic planning of the business activities of the Company and for supervising the activities of the Management Board.

The address of operations of the Management Board and the Supervisory Board is the registered address of the Company - Järvevana tee 7b, 10112 Tallinn, Estonia.

9.2. Management Board

Role. The Management Board of the Company is responsible for the day-to-day management of the Company's operations, the representation of the Company and for organising its accounting. Further, according to the Estonian Commercial Code, it is the obligation of the Management Board to draft the annual reports and submit the reports to the Supervisory Board for review and to the General Meeting of shareholders for approval. The Management Board is accountable to the Supervisory Board and must adhere to its lawful instructions.

Duties. The Management Board must present an overview of the economic activities and economic situation of the Company to the Supervisory Board at least once every three months and is under the obligation to give immediate notice of any material deterioration of the economic condition of the Company or of any other material circumstances related to its operations. If the Company is insolvent and the insolvency, due to the Company's financial situation, is not temporary, the Management Board must immediately submit a voluntary bankruptcy petition in respect of the Company.

The Management Board may enter into transactions that lie outside the Company's ordinary scope of business only with the consent of the Supervisory Board. According to the Articles of Association, the consent of the Supervisory Board is required, *inter alia*, for the following transactions:

(a) incorporating a subsidiary of the company or deciding the merger, division, transformation or dissolution thereof;

(b) acquisition or transfer of an enterprise or organisationally independent part thereof or termination of its activities;

(c) acquisition or transfer of a shareholding in another legal person or waiving the right to acquire such shareholding, including waiving (partially or fully) the right to acquire such shareholding by way of exercising a subscription right or right of pre-emption, encumbering a shareholding in another legal person with a pledge or other security;

(d) changing the nature of scope of the company's economic activity significantly, incl. withdrawal from a certain area of activity, expanding the company's areas of activities and assuming new areas of activities;

(e) making investments that exceed a prescribed sum of expenditure for the current financial year;

(f) conducting a transaction or series of related transactions the value or price of which exceeds 500,000 euros;

(g) conducting a transaction which results in the acquisition of an immovable by the company or the transfer or encumbrance of the company's immovable, including the conclusion of a lease or other contract of use regarding such immovable;

(h) taking any loans, credit or other debt obligation or amending or terminating an agreement entered into for taking such loan, credit or other debt obligation;

(i) granting a loan or other credit (unless this is done with a contractual partner in the course of agreeing on regular payment terms) beyond the company's everyday economic activity;

(j) conducting any transaction with another person (incl. a transaction with a related party) which is not done under market conditions.

Members of Management Board. According to the Articles of Association, the Management Board comprises of one to three members who are appointed by the Supervisory Board for a term of 5 years. As at the date of this Prospectus the Company has one member of the Management Board – Mr Henri Laks. The authorities of Mr Henri Laks as the member of the Management Board commenced on 4 March 2013 (in connection with transformation of the Company into a public limited company, Mr Laks was re-appointed as a member of the Management Board with effect from 14 October 2021) and will remain valid until 14 October 2026.

Mr Henri Laks. Mr Laks was born in 1981. Mr Laks has obtained a diploma in real estate management from the Tallinn University of Technology (TalTech) in 2004 and an MBA from Estonian Business School in 2010. During 2004–2009 Mr Laks held various real estate development related positions in AS ELL Kinnisvara (currently AS Kapitel). Between 2009–2012, Mr Laks managed the construction of the new school building for the Baltic Film, Media and Arts School at the Tallinn University. He is also the management board member of Osaühing Topmost and Kvarta Holding OÜ. Within the Group, in addition to holding the position of the member of the Management Board of the Company, Mr Laks is also the member of the management board of the subsidiaries of the Company.

9.3. Supervisory Board

Role. In accordance with the Estonian Commercial Code, the Supervisory Board of the Company is responsible for the strategic planning of the business activities of the Company and supervising the activities of the Management Board. The Supervisory Board is accountable to the shareholders of the Company (acting through the General Meeting).

Duties. In accordance with the Estonian Commercial Code, before the ordinary General Meeting of shareholders is held, the Supervisory Board must review the annual report and provide the General Meeting of shareholders with a written report on the annual report, indicating whether the Supervisory Board approves the report and also providing information on how the Supervisory Board has organised and supervised the activities of the Company during the year. According to the Articles of Association, the duties of the Supervisory Board include, *inter alia,* the following:

(a) approval of the objectives and budget of the consolidation group and amendments thereto;

(b) election and removal of the members of the Management Board;

(c) approval of the principles of remuneration of the Company's Management Board members and supervising compliance with these principles, also establishing the procedure for supervising the compliance with the principles of remuneration of the Management Board members;

(d) deciding on the conclusion and terms and conditions of transactions with members of the Management Board, decide on the conduct of legal disputes and appointment of the representative of the company in such transactions and disputes; also decide on the conduct and terms and conditions of transactions that are significant for the Company with persons close or related to a member of the Management Board;

(e) deciding on the conclusion and terms and conditions of transactions with shareholders of the Company, decide on the conduct of legal disputes and appointment of the representative of the Company in such transactions and disputes.

Members of Supervisory Board. According to the Articles of Association of the Company, the Supervisory Board consists of three to five members who are appointed by the General Meeting of shareholders for a period of three years. The members of the Supervisory Board elect among themselves a Chairman of the Supervisory Board who is responsible for organising the activities of the

Supervisory Board. A meeting of the Supervisory Board has quorum if more than one half of the members of the Supervisory Board participate and a resolution of the Supervisory Board is adopted if more than one half of the members of the Supervisory Board who participate at the meeting vote in favour. As at the date of this Prospectus there are three members in the Supervisory Board of the Company – Mr Andres Pärloja (Chairman of the Supervisory Board, since 14 October 2021), Mr Kristjan Mitt (since 14 October 2021) and Mr Lauri Meidla (since 14 October 2021). The authorities of all the referred persons as the members of the Supervisory Board will remain valid until 14 October 2024.

Mr Andres Pärloja. Mr. Pärloja was born in 1977. In 2001 he obtained a degree in international business administration from Estonian Business School. He has also studied economics in Tallinn Technical University during years 1995-1997. During his professional career, Mr. Pärloja has worked as a project manager at AS SEB Eesti Ühispank (currently AS SEB Pank) between 1998 and 2000, as head of sales and later as member of the management board of Ühispanga Varahalduse AS (currently AS SEB Varahaldus) from 2000 until 2004 and from thereon until 2005, Mr. Pärloja served as member of the management board of AS Parex bank Estonia branch. Between 2005 to 2010 he served as CEO of first Koger&Partners OOD in Bulgaria and then Koger Kinnisvara OÜ and Koger&Partnerid AS in Estonia. Currently, he is also the management board member of Mitt & Perlebach OÜ, Põrguvälja Arendus OÜ, OÜ Harbet, Perlebach Invest OÜ, and the supervisory board member of StoryRent OOD (Bulgaria) and foundation AIESEC Eesti Alumni Fond.

Mr Kristjan Mitt. Mr Mitt was born in 1981. Mr Mitt holds a degree in civil engineering from the Tallinn Technical University awarded to him in 2004. In 2008, he obtained a master's degree in business administration (*cum laude*) from the Tallinn Technical University. He worked as a project manager in Koger & Partnerid AS between 2004 and 2007 and as a manager in Koger & Partners SIA from 2008 to 2011. He is also the management board member of Mitt & Perlebach OÜ, Etna Invest OÜ, Tatari 3 OÜ, Põrguvälja Arendus OÜ, Tavolara OÜ and Estonian Association of Construction Entrepreneurs.

Mr Lauri Meidla. Mr Meidla was born in 1980. Mr Meidla is an entrepreneur and investor. In addition to the Company, his investments include Inclusion OÜ (Planet42) and he is the founder of so.fa.dog OÜ and co-founder of Saunum Group AS. Mr Meidla is also a member of the management board of ABE Kollektsioon OÜ, Dreffo OÜ, Relto Capital OÜ, Siili Ärimaja OÜ, KÄPIK ja MAJA OÜ and non-profit organisation Pika Tänava Sõpruskond and a member of the supervisory board of Saunum Group AS and Inclusion OÜ.

9.4. Other Key Executive Personnel

Mr Martti Krass. Mr Krass is the management board member (and 20% shareholder) of Hepsor Latvia OÜ and responsible for the Group's Latvian development projects. Mr Krass was born in 1990. He graduated from the Tallinn Technical University in 2014 where he obtained a master's degree in Civil Engineering. During his professional career, Mr Krass has worked as a site engineer at Skanska EMV AS between 2011 and 2012, as a site engineer at Astlanda Ehitus OÜ between 2012 and 2013 and starting from January 2014 as project manager at the Group. Within the Group, starting from 2017 he serves as member of the management board of all the Latvian subsidiaries of the Company.

Mrs Kairi Hints. Mrs Hints is the Chief Financial Officer of the Group. Mrs Hints was born in 1978. She graduated from the University of Tartu in 1999 where she obtained a bachelor's degree in Corporate Finance and Investments and International Economy. During her professional career, she has worked as an accountant from 1999 to 2004, as a financial analyst at Esmofon AS from 2000 to 2003, and before joining the Group in 2020, as a credit analyst and later as a client executive at SEB Pank AS from 2003 to 2020. She serves as management board member of Group company Tatari 6a Arenduse OÜ.

Ms Kadri Kassmann. Ms Kassmann is the Chief Accountant of the Group. Ms Kassmann was born in 1973. She graduated from the University of Tartu in 2003 where she obtained a bachelor's degree in Financial Management and has later furthered her education in a Finance Management Development Program at the Estonian Business School in 2011. From 2006 to 2019 she worked as the Chief

Accountant of Harju Elekter AS and from 2019 she works as the Chief Accountant of the Group and Mitt & Perlebach OÜ. She does not hold any management or supervisory board position.

9.5. Remuneration and Benefits

The total amount of remuneration and benefits paid to the members of the management bodies and other key executive personnel of the Group companies during the financial year ended on 31 December 2020 was EUR 202,192 (including all applicable taxes). As of 31 December 2020, no member of the management bodies has been issued share options. The members of the Supervisory Board of the Company are paid a monthly salary (no remuneration was paid to the members of the Supervisory Board during the financial year ended on 31 December 2020 as the Supervisory Board was only established in connection with transforming the Company from a private limited company into a public limited company). Upon termination of their professional relationship, the member of the Management Board is entitled to a compensation in the amount of six-months salary (except where the professional relationship is terminated by the member of the Management Board without cause or due to breach of professional duties thereof); the members of the Board of the Company are not entitled to any benefits. The Company has chosen not to disclose the amounts of remuneration and benefits of each single person in order to protect the privacy and personal rights of the relevant persons.

9.6. Share Ownership

As at the date of this Prospectus, 100% of all the Shares were held by the members of the management bodies of the Company. The Shares owned by the members of the Management and Supervisory Board as at the date of this Prospectus have been indicted in the following table:

Name	Number of Shares	Proportion
Mr Henri Laks	498,000	16.6%
Mr Andres Pärloja	997,500[10]	33.25%
Mr Kristjan Mitt	997,500[11]	33.25%
Mr Lauri Meidla	507,000	16.9%

The Company has not established any share option programs. However, the Company may adopt a management and key executive personnel share option program in the coming years, subject to, *among others*, a respective resolution from the General Meeting of the Company. It is contemplated that the volume of the program (if any) could be up to 2% of the total number of Shares per one calendar year.

9.7. Conflicts of Interests and Other Declarations

According to the knowledge of the Management, except as provided below, there are no known actual or potential conflicts of interest between the duties of any of the members of the Management and the Supervisory Board to the Company or to any Group company, and their private interests or other duties.

Company declares that the Group has had a long-term co-operation with construction companies Mitt & Perlebach OÜ in Estonia and Mitt & Perlebach SIA in Latvia (collectively "**Mitt & Perlebach**") and that the controlling shareholders and management board members of Mitt & Perlebach (Kristjan Mitt and Andres Pärloja) are members of the Supervisory Board of the Company (see Section 10.10 "Related Party Transactions" for a more detailed description of the co-operation).

Such relationship between the Group companies and Mitt & Perlebach may cause conflicts of interests. In the opinion of the Management, every reasonable effort is taken to mitigate such risks related to potential conflict of interests. The Company and Mitt & Perlebach OÜ have entered into a Framework

[10] Including Shares held indirectly through KAMP Investments OÜ.
[11] Including Shares held indirectly through KAMP Investments OÜ.

Agreement whereby the parties have agreed the principles of renumeration of Mitt & Perlebach OÜ for its services provided to the Group. According to the Framework Agreement, the Company may request either a lump-sum or an open-end offer from Mitt & Perlebach OÜ, whereas the offers are always based on (i) direct costs (offers and prognoses of sub-contractors) and (ii) a fixed margin of Mitt & Perlebach OÜ on top of direct costs, the size of which is dependent on which pricing mechanism is chosen by the Company. In case of a lump-sum offer, all commercial risk as to the ultimate cost of construction is born by Mitt & Perlebach; in case of an open-end offer, both risks and gains are shared between the parties. Regardless of the specific contract type (lump-sum or open-ended) Mitt & Perlebach carries out sub-contracting tenders, negotiates them and compiles a PQB for the Group's review. A submitted PQB includes all sub-contracting prices (direct costs) and a project management fee by Mitt & Perlebach (on top of direct costs). All decisions on the type of offer requested by the Company and whether to engage Mitt & Perlebach as the general contractor in the first place are within the sole competence of the Management Board.

According to the knowledge of the Management, none of the members of the Management and Supervisory Board, nor any of the members of other key executive personnel as described in Section 9.4 "Other Key Executive Personnel" has ever been convicted in a criminal offence or been a member of a governing body of a legal entity subject to bankruptcy or liquidation proceedings at the time of initiating the relevant proceedings. Furthermore, none of the persons referred to in this Section has ever been disqualified by a competent court from acting as a member of administrative, supervisory or management body or conducting affairs of a legal entity.

9.8. Statement of Compliance with Corporate Governance

The Company complies with the corporate governance legislation of the Republic of Estonia. The Company does not follow the principles set out in the guidelines of the EFSA's "Good Corporate Governance Code" as the guidelines are not mandatory for the Company. The Supervisory Board of the Company has adopted a decision on 8 November 2021 to apply the "Good Corporate Governance Code" as of listing and admission to trading of the Shares on the Baltic Main List of Nasdaq Tallinn Stock Exchange. Thereafter, publishing a Good Corporate Governance report is mandatory for the Company.

9.9. Statutory Auditors

Pursuant to the Articles of Association of the Company, the General Meeting is responsible for choosing auditors. The statutory audited consolidated financial statements of the Group for the financial year ended on 31 December 2018 were audited by Assertum Audit OÜ (registry code 10990446, registered office A. H. Tammsaare tee 47, 11316 Tallinn, Estonia). Assertum Audit OÜ is a member of the Estonian Auditors' Association. The statutory audited consolidated financial statements of the Group for the financial years ended on 31 December 2019 and 31 December 2020 were audited by Grant Thornton Baltic OÜ (registry code 10384467, registered office Pärnu mnt 22, 10141 Tallinn, Estonia). Grant Thornton Baltic OÜ is a member of the Estonian Auditors' Association. Grant Thornton Baltic OÜ was also selected as the Group auditor for the financial years 2022–2026 at the General Meeting of 9 August 2021. The Audited Financial Statements enclosed to this Prospectus have been audited by Grant Thornton Baltic OÜ.

10. PRINCIPAL ACTIVITIES AND MARKETS

10.1. History and Development of Group

The Group's history dates back to 2011 and by today, the Group has developed into a group of companies engaged in development of real estate in Estonia and Latvia. With the aim of providing a new level of quality in both processes and results, within ten years of operation, the Group has completed 41 projects with a total sellable area of 93 000 m^2, including both residential and commercial properties.

The Company was established in the form of a private limited company by 2 individuals, namely Mr Andres Pärloja and Mr Kristjan Mitt, who have both continued contributing to the management and further development of the Group to date. The Company was established back in 2011 with the intention to acquire a land plot in Nõmme, Tallinn and develop six apartments. From thereon, as the Group has expanded its business activities to other development projects, the Company has remained responsible for project management whereas each specific development (and the assets related thereto) is held in a special purpose vehicle (**SPV**), a respective subsidiary to the Company. In 2013, Mr Henri Laks joined the Company as a member of the Management Board and in 2014 become also a shareholder in the Company. Before that, since 2011, Mr Henri Laks was a member of the management board and a shareholder of several Group SPV-s. Mr Lauri Meidla joined the Company in 2019 as the first investor. For the purposes of the Offering, the Company was transformed from a private limited company into a public limited company in 2021.

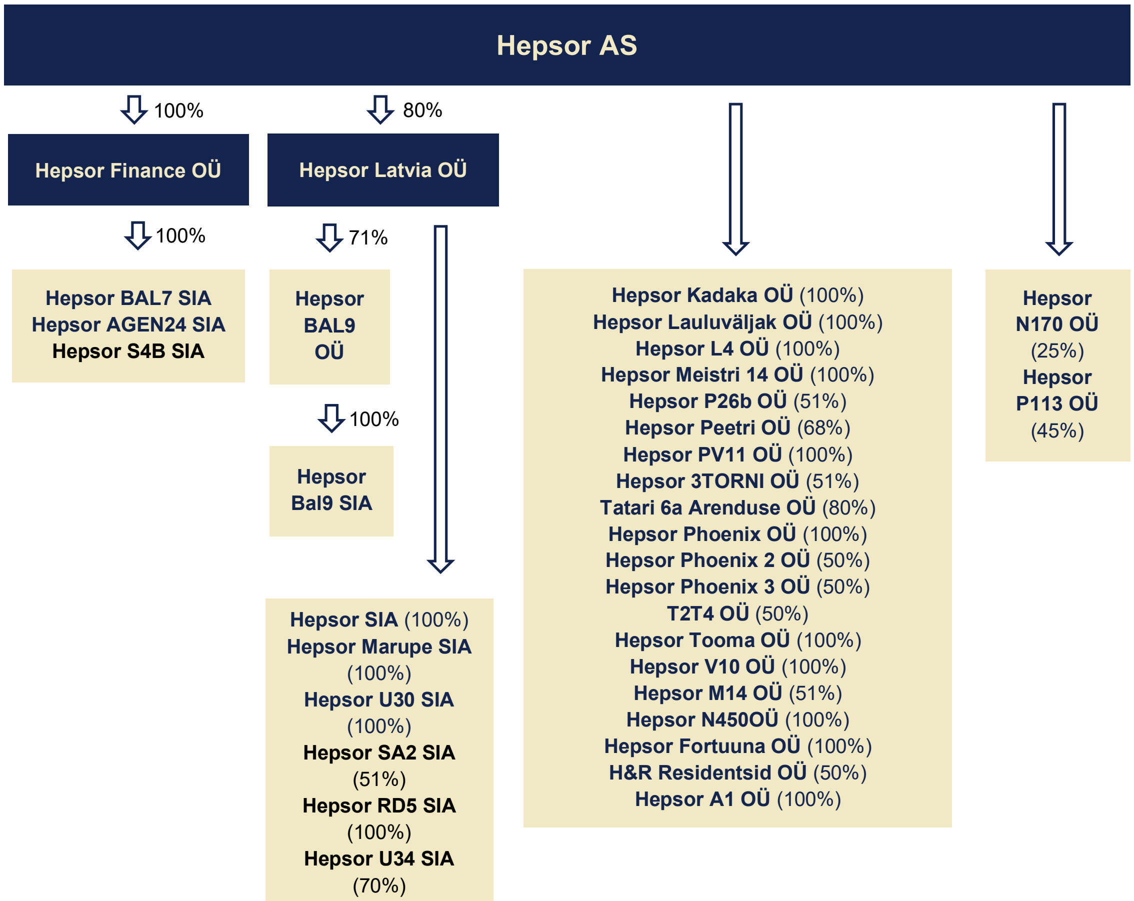
The milestones in the history of the Company and the development of the Group are summarised in the following table:

Year	Development
2011	The Company was established in the form of a private limited company
2011	The Group started developing green office buildings (office building at Sõpruse 157, Tallinn) as the first one in Estonia
2013	First residential development completed (apartment building at Sihi 32, Tallinn)
2014	First commercial development completed (office building at Sõpruse pst 157, Tallinn)
2017	The Group entered Latvian market and acquired a land plot at Balozu 7, Riga
2019	First residential building with 127 apartments developed and completed in Baltics for an institutional investor, LHV pension fund(s)
2020	First residential development completed in Latvia (apartment building at Balozu 7, Riga)
2021	Hepsor Latvia OÜ demerged from Hepsor Finance OÜ for the purposes of consolidating SPVs related to Latvian developments
2021	The Company was transformed into a public limited company

10.2. Group Structure and Group Companies

Group Structure

As at the date of this Prospectus, the Group structure is the following:



Group Companies

Hepsor AS. Hepsor AS (the Company) is the consolidating parent of the Group. The Company is a holding company and as of 31 December 2020 did not have any employees (the management board member Henri Laks is remunerated under a management board member's contract). Until 2019, the Company provided contractual project management services to the Group's SPV and was also responsible for the Group's accounting, which functions were transferred in 2019 to Hepsor Finance OÜ by way of transfer of enterprise (together with all related employees).

Hepsor Finance OÜ. Hepsor Finance OÜ is responsible for the financing of the Group's development projects and as of 2019 provides contractual project management services and accounting to the Group's SPVs. The project management services provided under the contract include essentially the whole life cycle of the development – from risk and financial analyses, product development, budgeting and business plan modelling, scheduling, sales and marketing, architectural, technical and interior design to construction, which the Company must undertake itself or subcontract from third parties. Furthermore, once a development project has been completed and/or sold, the respective SPV is merged into Hepsor Finance OÜ by way of internal restructuring; therefore, all profits (or potential losses) from development projects are consolidated into Hepsor Finance OÜ. As of 31 December 2020, the total number of full-time employees of Hepsor Finance OÜ amounted to 9.

Hepsor Finance OÜ also holds the shares in three Latvian SPVs, which were not transferred to Hepsor Latvia OÜ by way of division (see the description of Hepsor Latvia OÜ for further details). For further information on the SPVs, please refer to the description of SPVs below.

Hepsor Latvia OÜ. Hepsor Latvia OÜ is a holding company of the Group's SPVs in Latvia. Hepsor Latvia OÜ was established in 2021 in connection with an internal restructuring with the purpose of consolidating all future Latvian real estate development projects under a respective holding company and engaging the Group's Latvian project manager Martti Krass as a shareholder (holds 20% in Hepsor Latvia OÜ) into these projects. By way of a division from Hepsor Finance OÜ, Hepsor Latvia OÜ acquired the shares in four Latvian SPV's – Hepsor Marupe SIA, Hepsor U30 SIA, Hepsor SA2 SIA and Hepsor Bal9 SIA (through Hepsor Bal9 OÜ) – and in Hepsor SIA Hepsor Latvia OÜ does not have employees (the management board member Martti Krass is remunerated under a management board member's contract). For further information on the SPVs, please refer to the description of SPVs below.

Hepsor SIA. Hepsor SIA provides contractual project management services to the Group's SPVs in Latvia. The project management services provided under the contract include essentially the whole life cycle of the development – from risk and financial analyses, product development, budgeting and business plan modelling, scheduling, sales and marketing, architectural, technical and interior design to construction, which Hepsor SIA must undertake itself or subcontract from third parties. Hepsor SIA employs 4 full-time employees (as at 31 December 2020).

Hepsor Bal9 OÜ. Hepsor Bal9 OÜ is a holding company for the Company's shareholding in a project related SPV Hepsor Bal9 SIA. Hepsor Bal9 OÜ does not have any business activities and no full-time employees (as at 31 December 2020). For further information on the SPV, please refer to the description of SPVs below.

Kvarta Holding OÜ[12]. Kvarta Holding OÜ is a holding company for the Company's shareholding in a project related SPV Kvarta SIA. Kvarta Holding OÜ does not have any business activities and no full-time employees (as at 31 December 2020). For further information on the SPV, please refer to the description of SPVs below.

SPVs. The Group's development activities are organised in a way that for each development project, a separate SPV is established, which owns the development-related assets (immovable property). This serves a two-fold purpose: (i) mitigates the Group's risk exposure; and (ii) enables the engagement of external investors into specific projects (where relevant). SPVs are financed either by the Group (Hepsor Finance OÜ) alone or together with external investors, which become the shareholders of the relevant SPV. As a general rule, when engaging external investors for a specific development project, the Company will retain control over the SPV (i.e. holds more than 50% of the shares in the SPV; for any exceptions to this rule, please refer to the table below). The rights and obligations of the Company and any external investors are specified in a shareholder's agreement concluded with respect to the relevant SPV. Among others, the shareholder agreement sets forth the principles of financing of the development project. The Company provides contractual project management services to the Group's SPVs. The SPVs do not have employees. As at the date of this Prospectus, the Group includes 30 SPVs, of which 28 are under the control (shareholding >50%; consolidated) and 2 are affiliates (shareholding <50%) of the Company. Two more SPV-s are subject to exercise of an option or not consolidated for other reasons.

Name	Country of establishment	Shareholding
Hepsor Lauluväljak OÜ[13]	Estonia	100%
Hepsor Tooma OÜ	Estonia	100%
Hepsor Phoenix OÜ	Estonia	100%

[12] As at the date of this Prospectus, the Company's 50% shareholding in Kvarta Holding OÜ is subject to exercise of an option by the Company.
[13] To be merged into Hepsor Finance OÜ in accordance with the merger agreement concluded on 22 October 2021.

Name	Country of establishment	Shareholding
Hepsor Kadaka OÜ	Estonia	100%
Hepsor Peetri OÜ	Estonia	68%
Hepsor Meistri 14 OÜ[13]	Estonia	100%
Hepsor V10 OÜ	Estonia	100%
Hepsor P113 OÜ	Estonia	45%
Hepsor N170 OÜ	Estonia	25%
Hepsor L4 OÜ	Estonia	100%
Hepsor P26B OÜ[14]	Estonia	51%
T2T4 OÜ	Estonia	50%
Hepsor Phoenix 2 OÜ	Estonia	50%
Hepsor Phoenix 3 OÜ	Estonia	50%
Hepsor PV11 OÜ	Estonia	100%
Hepsor M14 OÜ	Estonia	51%
Hepsor 3Torni OÜ	Estonia	51%
Hepsor N450 OÜ	Estonia	100%
Tatari 6a Arenduse OÜ	Estonia	80%[15]
Hepsor Fortuuna OÜ	Estonia	100%
H&R Residentsid OÜ	Estonia	50%
Hepsor A1 OÜ	Estonia	100%
Hepsor S4B SIA	Latvia	100%
Hepsor SA2 SIA	Latvia	51%[16]
Hepsor BAL9 SIA	Latvia	100%[17]
Hepsor U30 SIA	Latvia	100%[19]
Hepsor Marupe SIA	Latvia	100%[19]
Hepsor BAL7 SIA	Latvia	100%
Hepsor AGEN24 SIA	Latvia	100%
Kvarta SIA	Latvia	100%[18]
Hepsor RD5 SIA	Latvia	100%[19]
Hepsor U34 SIA	Latvia	70%[19]

10.3. Business Segments

The business segments of the Group include (i) residential development; (ii) commercial development; and (iii) holding companies. In terms of geographical markets, the Group operates in Estonia (Tallinn and Harjumaa) and as of 2017 also in Latvia (Riga and Marupe).

Commercial development. The residential business comprises development and sales of apartments, entire residential areas and private houses. The customers are private consumers and investors.

[14] Subject to division in accordance with the division agreement to be agreed and concluded in due course.
[15] The Company is not consolidating Tatari 6a Arenduse OÜ in accordance with the respective shareholders' agreement (please see Section 10.10 "Related Party Transactions" for a brief description of the shareholder's agreement).
[16] Through Hepsor Latvia OÜ, in which the Company holds an 80% shareholding.
[17] Through Hepsor BAL9 OÜ, in which Hepsor Latvia OÜ holds a 71% shareholding. The Company in turn holds an 80% shareholding in Hepsor Latvia OÜ.
[18] Through Kvarta Holding OÜ, in which the Company's 50% shareholding is subject to exercise of an option by the Company.

Private consumers purchase one or a few apartments from residential development projects, whereas investors purchase several apartments from residential development projects or a whole residential building or area (primarily for rental purposes). The Group revenue from sales of residential real estate in 2020 amounted to EUR 33.668 million in Estonia (EUR 17.834 million in 2019 and EUR 16.883 million in 2018) and EUR 4.693 million in Latvia (EUR 0 in 2019 and EUR 0 in 2018). The Group's revenues in this segment are dependent mainly on: (i) the development stage of projects; and (ii) the number and timing (e.g., whether the transaction is concluded in December or January) of sales transactions for apartments. In terms of apartments sold, the Group sold 122 apartments in 2018 (all in Estonia), 205 apartments in 2019 (all in Estonia) and 343 apartments in 2020 (299 in Estonia and 44 in Latvia).

The below graph provides an overview of the number of apartments that have been completed by the Group for residential development projects between 2013–2020, and which are expected to be completed between 2021–2024 according to existing pipeline:

**Expected figures, subject to risks, uncertainties and assumptions about the future operations of the Group, the macroeconomic environment and other similar factors.*

As at the date of this Prospectus, the Group's pipeline for residential real estate developments is the following:

Project	City	SPV	Area (m^2)	Apts	Completion
Lauluväljaku Lilleaed II Pirita tee 26, Tallinn Further information: https://www.lauluvaljaku.ee/?lang=en	Tallinn	Hepsor P26B OÜ	3,690	64	2021
Priisle Kodu Priisle 1a, Tallinn Further information: https://hepsor.ee/priislekodu/?lang=en	Tallinn	Hepsor N170 OÜ	4,249	76	2022
Paevälja Hoovimajad Paevälja 11, Tallinn Further information: https://hepsor.ee/paevalja/en/	Tallinn	Hepsor PV11 OÜ	5,477	96	2022
Balozu 9 Balozu 9, Riga	Riga	Hepsor BAL9 SIA	1,142	18	2022

Project	City	SPV	Area (m^2)	Apts	Completion
Further information: https://hepsor.lv/balozu9/en/					
Paldiski mnt 227c Paldiski mnt 227c, Tallinn Further information not available yet.	Tallinn	Hepsor 3TORNI OÜ	5,757	101	2023
Kuldigas Parks Kuldigas 45, Riga Further information: https://hepsor.lv/kuldigasparks/en/	Riga	Kvarta SIA	6,712	116	2023
Tatari 6a Tatari 6a, Tallinn Further information not available yet.	Tallinn	Tatari 6a Arenduse OÜ	3,499	70	2023
Manufaktuuri 7 apartments Manufaktuuri 7, Tallinn Further information: https://hepsor.ee/manufaktuur/?lang=en	Tallinn	Hepsor Phoenix 2 OÜ	8,248	164	2023
Marupe, Liela 45 Liela 45, Riga Further information not available yet.	Riga	Hepsor Marupe SIA	5,674	92	2023
Ranka Dambis 5 Ranka Dambis 5, Riga Further information not available yet.	Riga	Hepsor RD5 SIA	2,193	36	2023
Saules Aleja 2 Saules Aleja 2, Riga Further information not available yet.	Riga	Hepsor SA2 SIA	3,829	63	2024
Manufaktuuri 5 apartments Manufaktuuri 5, Tallinn Further information: https://hepsor.ee/manufaktuur/?lang=en	Tallinn	Hepsor Phoenix 3 OÜ	23,749	256	2023-2025
Paevälja 9 and Alvari 2 Paevälja 9 and Alvari 2, Tallinn Further information not available yet.	Tallinn	Hepsor Fortuuna OÜ	5,889	98	2025
Narva mnt 150 Narva mnt 150, Tallinn Further information not available yet.	Tallinn	Hepsor N450 OÜ	14,434	218	2025-2026

Commercial development. The commercial business comprises development and lease or sale of offices, retail premises, business premises, logistics centres and warehouses, and hotels. The commercial developments are either sold to a new owner after completion or owned by the Group and leased, decided on a case-by-case subject to, among others, prevailing market situation. The Group revenue from sales/lease of commercial real estate in 2020 amounted to EUR 0.048 million in Estonia (EUR 1.607 million in 2019 and EUR 15.183 million in 2018) and EUR 0.137 million in Latvia (EUR 0 in 2019 and EUR 0 in 2018). The Group's revenues in this segment are dependent mainly on: (i) the development stage of projects; and (ii) whether a completed development is sold or leased. As of the date of this Prospectus, the Group does not have any completed commercial real estate development project that would thus generate cash-flow.

As at the date of this Prospectus, the Group's pipeline for commercial real estate developments is the following:

Project	Country	SPV	Area (m^2)	Completion
Priisle Kodu Priisle 1a, Tallinn Further information: https://hepsor.ee/priislekodu/?lang=en	Tallinn	Hepsor N170 OÜ	1,487	2022
StokOfiss U30 Ulbrokas 30, Riga Further information: https://hepsor.lv/stokofissu30/en/	Riga	Hepsor U30 SIA	3,645	2022
Peterburi tee Business Quarter Tooma 2 / 4, Tallinn Further information not available yet.	Tallinn	T2T4 OÜ	10,000	2022
P113 Pärnu mnt 113, Tallinn Further information: https://büroo113.ee	Tallinn	Hepsor P113 OÜ	3,843	2022
Grüne Meistri 14, Tallinn Further information: https://gryne.ee/en/	Tallinn	Hepsor M14 OÜ	3,642	2022
Lembitu Hotel Lembitu 4, Tallinn Further information not available yet.	Tallinn	Hepsor L4 OÜ	6,000	2025
Manufaktuuri 7 business premises Manufaktuuri 7, Tallinn Further information: https://hepsor.ee/manufaktuur/?lang=en	Tallinn	Hepsor Phoenix 2 OÜ	460	2023
Stockoffice Ulbrokas 34, Riga Further information not available yet.	Riga	Hepsor U34 SIA	6,250	2023
Manufaktuuri 5 business premises Manufaktuuri 5, Tallinn Further information: https://hepsor.ee/manufaktuur/?lang=en	Estonia	Hepsor Phoenix 3 OÜ	5,540	2024-2025
Office building Krasta City, Riga Further information: https://krastacity.lv/en/	Riga	Krasta City SIA[19]	10,000	2025-2030

Holding companies. This segment includes the activities of the Group's holding companies (Hepsor OÜ, Hepsor Finance OÜ, Hepsor Bal9 OÜ, Hepsor SIA and Hepsor Latvia OÜ). Reported revenues under this segment in the Financial Statements include primarily project management fees (excluding intra-group transactions) and in 2020 amounted to EUR 0.191 million in Estonia (EUR 0.089 million in 2019; EUR 0.002 million in 2018) and EUR 0.034 million in Latvia (EUR 0.005 million in 2019; EUR 0 in 2018).

[19] As at the date of this Prospectus, the Company's shareholding in Krasta City SIA is subject to exercise of an option by the Company. No assurances can be given on the size of the shareholding (if any) to be acquired by Company in Krasta City SIA.

10.4. Strategy and Competitive Position

General remarks. This year, the Company celebrates its tenth anniversary. Since establishment the main focus of the Company (and the whole Group) has been on organic growth. Such growth has enabled the Company to enter into a new geographical market – Latvia in 2017. To gain a competitive advantage but also to contribute into sustainable development the Group is focused on searching and using innovative solutions for green development. In order to reduce dependency on other market players, as at the date of this Prospectus, the Group is working on the development of its in-house real estate development and sales team, which have been outsourced in the past. Finally, maintaining solid financing model enabling the Group to mitigate risks arising from the cyclical nature of real estate development sector has been one of the strategic objectives of the Group. The strategic objectives as described below are the key to competitive advantages of the Group.

Organic growth. Upon establishment, the Company started off with a single real estate development project, whereas as at the date of this Prospectus, the Group has altogether 6 real estate projects in Estonia and Latvia under construction (five in Estonia and one in Latvia), having additional 22 projects in the pipeline. According to the Management's assessment, during the last 10 years the Group has grown from a non-name real estate developer into one of top five players in the Estonian market (please see below the Management's analysis on the competitive position of the Group). In the Latvian market, the Group is a relatively new player; however, the Management expects to grow rapidly also on the Latvian market.

Expansion to new geographical markets. Solid and steady growth in the Group's home market (Estonia) enabled the Company to expand its geographic reach in 2017 by entering the Latvian market. First residential real estate project in Riga was completed in 2020. As at the date of this Prospectus, there are additional 8 real estate development projects in the pipeline in Riga. Geographical expansion and entry into new markets enables the Group to mitigate geographical markets specific risks. The Management sees great potential in further geographical expansion of the Group's operations. Relying on the Latvian example, the Management aims for an entry into a new geographical market in 2-3 years' time.

Innovation and green development. Striving for innovative and environmentally sustainable real estate development is one of the strategic objectives for the Company. The first green office building constructed using the latest innovative technology (Sõpruse pst 157, Tallinn) was completed in 2014. Sõpruse pst 157 was followed by green office building located at Järvevana 7b, Tallinn (the current location of the Company, which was at the time Estonia's largest energy class A green office), completed in 2018. As at the date of this Prospectus there are two green office buildings under construction – Büroo113 (located at Pärnu mnt 113, Tallinn) to be completed in 2022 and Grüne (located at Meistri 14, Tallinn) to be completed by the end of 2021. In order to develop and construct the most modern green offices, the Group uses the most innovative technology of geothermal energy solutions, solar panels and collecting and re-use of rainwater to name a few. This advantage of using the above mentioned innovative green solutions not only enables to reduce maintenance costs of the office buildings but ensure significant improvement in the internal environment of the buildings – the new technologies contribute to a healthier climate, maintaining temperature and avoiding over-heating and -cooling. Finally, usage of solar energy and re-use of water enable to use natural resources sustainably.

Reducing dependency on other market players. The Group aims for reducing dependency on other market players and accumulation of strategic market know-how. To do that the Company is, as at the date of this Prospectus, building up its in-house real estate development and sales teams. Although it engages potential risk of conflict of interests (as described in Section 9.7 "Conflicts of Interests and Other Declarations" of this Prospectus), the Management considers the strategic partnership with the related party construction company Mitt & Perlebach a competitive advantage for the Group as the Management is able to rely on their quality and ability comply with the innovative technologies used the Group companies based on the past experience.

Solid financing model. According to the business model of the Group, each real estate development project is held by a separate legal entity (a special purpose vehicle, an SPV). Such a structure serves two purposes – mitigating risks specific to the respective real estate project and engaging equity and financing at the level of a specific project. In addition to using bank financing, the Group engages equity investors to its real estate development projects. By today, the Group has managed to create a solid equity investors base who are willing to finance real estate development projects of the Company. Using such a financing model, the Group has managed to use bank financing only in the construction phase, which makes its financing model more resistant to real estate market fluctuations.

Competitive position. In the assessment of the Management the competitive position of the Company in the market of residential real estate development is the following.

In last five years (2017–YTD), the Company has held a strong position in Tallinn real estate market. In comparison with other residential real estate developers, the Company's market share (in terms of number of apartments sold in any given year) has been between 3–8% (5.2% on average) and the Company has held second to ninth positions (second position in 2020) in the residential real estate developers top in Tallinn region.

According to Colliers market review (as of February 2021), the Company was reported as among the top 10 developers in Riga residential real estate market in 2020 with a market share of 2%.[20]

The position of the Company in the market of commercial real estate development is currently considered as marginal.

Long-term targets. The Company considers the following long-term targets aimed at in everyday operations of the Group to support its sustainable growth:

Target		Comments
Net profit margin per project	10%	Only projects capable of achieving a net profit margin of at least 10% (based on a purchase analysis) will be pursued
Average return on equity (ROE)[(1)]	20%	Floating average for 36 months, development cycle neutral
Debt to equity ratio[(2)]	1	The Management will consider payment of dividends if debt to equity ratio is below 0.3 and there is no such project available or visible, which could achieve a net profit margin of at least 10%

[(1)] Average Return on Equity = (return on equity of previous year + return on equity year before + return on equity two year earlier) / 3. Return on Equity = net profit for the year (full year) / average equity of the year calculated on average of opening balance and end balance

[(2)] Debt to Equity Ratio = parent company financial debt taken / consolidated equity

10.5. Investments

The Group is focusing on development of existing land plots, which, in turn, will expand its sellable asset base. However, in addition to the development of its already existing sizeable real estate portfolio, the Group constantly also assesses opportunities to extend and strengthen it. As a general rule, the investments made by the Group companies are financed by own funds or by additional capital engaged from the shareholders of the Company and selected investors.

Significant Investments. During the period covered by the Financial Statements, the Group companies have made no significant investments outside the Group's day-to-day business activities. As at the date

[20] Colliers International, Market review of new and renovated apartments in Riga and Pieriga in 2020 (February 2021).

of this Prospectus, the Group companies have not made any firm commitments on significant future investments.

10.6. Trend Information

The Group's operating environment is primarily impacted by the trends in the real estate sector in Estonia and Latvia, and currently also by the uncertainties in relation to the COVID-19 pandemic.

COVID-19. In March 2020, the World Health Organisation declared the outbreak of the virus COVID-19 (commonly known as SARS-CoV-2), to be a global pandemic. COVID-19 was first identified in China in December 2019 and spread rapidly in almost all regions around the world and resulted in a rapid deterioration of the political, socio-economic and financial situation globally. As at the date of this Prospectus, the spread of COVID-19 has accelerated again although the number of vaccinated people is slightly increasing in Estonia and Latvia where the Group operates. In light of this, the Company is continuing to monitor the impact which the COVID-19 outbreak could have on its operations, the markets in which the Group companies operate and more broadly on the macroeconomic outlook, if and when further cases and/or variations of the COVID-19 emerge and governments and international agencies start adopting further measures and restrictions to deal with the outbreak. Whilst as at the date of this Prospectus it is difficult to predict the full extent of the effect which COVID-19 may have from a public health perspective and new pre-emptive measures that may be adopted with a view to containing its spread (such as travel bans, quarantine, elective self-isolation and temporary business shut-downs), it could have a material adverse effect on the Group's operations and economic conditions and financial markets worldwide.

Estonian real estate sector. In general, year 2020 was active for the residential real-estate market in Tallinn, although in the second quarter the number of transactions decreased due to uncertainty caused by the spread of COVID-19 pandemic. Based on Estonian Land Board statistics[21], the total number of sales and purchase transactions for apartments in 2020 was 8 894 in Tallinn, which represented an overall decrease of 9% compared to 2019. However, the trend was not the same when primary and secondary market are viewed separately. Transaction activity was driven by newly developed apartments as the number of these transactions increased by 5% compared to 2019, being 2 625, whereas the amount of secondary market transactions decreased by 14% compared to 2019. The average price per sqm for apartments increased by 6.7%, while the price increase in the primary market was 9.3% compared to 2019. Transaction activity has remained very active in 2021 as well. Transaction statistics of the first two quarters indicate a growing number of transactions and transaction prices. Demand is strong for different reasons, including stronger macroeconomic forecasts for full year 2021 than indicted earlier, improving unemployment rate, higher saving rate, continuing favorable financing conditions and stable interest rates, and a slight decrease in the number of new development projects.

Development in the Tallinn office market has been active in recent years and there is over 140,000 m^2 (16 projects) under construction. Vacancy in office segment is ca 8-9% and rent levels have been stable with stable outlook. Demand is influenced by the increasing usage of home offices and tenants are looking for flexible solutions.[22]

Industrial real estate development is also active including development of large new built-to-suit premises as well as new stock-office premises. Due to demand rental levels have remained unchanged and vacancy has slightly decreased. Industrial and warehouse premises' yields have decreased the most and have the potential to decrease further in light of favorable market conditions.[23]

Latvian real estate sector. In 2020, ca 2,210 transactions with new and renovated apartments were made in the Riga region. The total number of residential real estate transactions was ca 9.5% lower

[21] Estonian Land Board, transaction database. Available: http://www.maaamet.ee/kinnisvara/htraru/.
[22] Colliers International, Q2 2021 Baltic States Property Snapshot. Available: https://www.colliers.com/en-lv/research/q2-2021-baltic-states-property-snapshot.
[23] Colliers International, Q2 2021 Baltic States Property Snapshot. Available: https://www.colliers.com/en-lv/research/q2-2021-baltic-states-property-snapshot.

compared to 2019, while the number of transactions for new apartments increased by 14% compared to year 2019. Average sqm price dropped by 1% on an average compared to 2019, but average price of new development projects did not change compared to 2019. The transaction activity in the Riga region recovered by the end of the year.[24]

Vacancy rates in office premises are high in Riga where the market still continues to absorb new office space. Vacancy is expected to remain high during 2021 as a number of new office buildings will be coming to the market. Rent levels are slightly lower in Riga compared with Tallinn.[25]

There was ca 120,000 m^2 of industrial real estate development projects under in Q1 2021 in the Riga region, where the overall demand has been rather low since COVID-19 restrictions. Rent rate outlook is stable and average vacancy low in the market. However slight upward pressure on rent rates could be seen for new developments due to rising construction costs. Regardless of the above, the industrial and warehouse assets remain to be in the highest investor demand.[26]

The Management is not aware of any other trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.

There has been no material adverse change in the prospects of the Group since 31 December 2020.

10.7. Employees

As of 31 December 2020, the average number of Group employees in full-time equivalent units was 12 (12 in 2019, 6 in 2018), of which 8 work in Estonia (7 in 2019, 6 in 2018) and 4 in Latvia (5 in 2019, 0 in 2018).

10.8. Material Agreements

The Group companies are not parties to any material agreements outside of their ordinary course of business, which may result in the Group companies obtaining rights or incurring obligations which may materially affect the Group companies' ability to perform their obligations or have a material adverse effect on the financial position or operations of the Group companies.

10.9. Legal Proceedings

There are no legal or administrative proceedings to which a Group company has been party to (including any such proceedings which are pending or threatened of which the Management is aware) during the 12 months preceding the date of this Prospectus which may have, or have had, significant effects on the Group's financial position or profitability.

Although the Group is not a party to the legal proceedings, a dispute over the validity of a construction permit issued to Hepsor SA2 SIA (Latvian Group SPV) for the construction of an apartment building at Saules aleja 2A, Riga between the Riga City Construction Authority and petitioners from nearby apartment buildings could affect the Group's financial position or profitability. On 2 January 2018, the Riga City Construction Authority issued a construction permit to Hepsor SA2 SIA for the construction of an apartment building at Saules aleja 2A, Riga. Petitioners from nearby apartment buildings challenged the validity of the construction permit by submitting a joint complaint to the Riga City Development Department on 5 February 2018. The Riga City Development Department dismissed the complaint and upheld the construction permit. The petitioners appealed the decision of the Development Department to the Administrative District Court, which rendered on 3 June 2019 a judgement in favour of the Riga

[24] Colliers International, Market review of new and renovated apartments in Riga and Pieriga. Available: https://www.colliers.com/en-lv/research/residential-market-review.
[25] Colliers International, Q2 2021 Baltic States Property Snapshot. Available: https://www.colliers.com/en-lv/research/q2-2021-baltic-states-property-snapshot.
[26] Colliers International, Q2 2021 Baltic States Property Snapshot. Available: https://www.colliers.com/en-lv/research/q2-2021-baltic-states-property-snapshot.

City Construction Authority and dismissed the petitioners' application. The petitioners appealed the judgement to the Administrative Regional Court, which overturned on 12 February 2020 the judgement of the Administrative District Court, affirmed the petitioners' application and terminated the construction permit. The Riga City Construction Authority submitted a cassation to the Supreme Court, which accepted the cassation. As at the date of this Prospectus, the proceedings are at the Supreme Court, which is expected to render a judgement in the beginning of 2022 the latest. As at the date of this Prospectus, the Management estimates a negative outcome (i.e. the Supreme Court renders a judgement in favour of petitioners, annuls the construction permit and orders a detail planning and environmental assessment) not to have a significant effect on the Group's financial position or profitability. Although the development volume could decrease up to 25%, this is to a large extent offset by the increase in overall sales prices.

10.10. Related Party Transactions

The Group companies have entered into several agreements with related parties. Related party agreements have been primarily concluded for financing and general contracting. As at the date of this Prospectus, general contracting has been provided to the Group exclusively by Mitt & Perlebach as related party, where the Supervisory Board members Andres Pärloja and Kristjan Mitt are shareholders and management board members. The terms and conditions of the transactions with related parties do not deviate materially from the terms and conditions of similar transactions executed with third parties. Please see Note 28 of the Audited Financial Statements for the details on the volumes of the related party transactions. The most material related party transactions of the Group during the period covered by the Financial Statements and up to the date of the Prospectus have been described in more detail below.

The Group has contracted general contracting services from Mitt & Perlebach as a related party. The Group has contracted and expects to contact general contracting services from Mitt & Perlebach. For the purposes of this, the Company and Mitt & Perlebach OÜ have entered into a Framework Agreement whereby the parties have agreed the principles of renumeration of Mitt & Perlebach OÜ for its services provided to the Group. According to the Framework Agreement, the Company may request Mitt & Perlebach OÜ to provide its services under one of two different types of contracts: i) lump-sum (all risks are bared by Mitt & Perlebach) and ii) open-end (risks and gains from the construction contract are divided between the respective Group company and Mitt & Perlebach). Historically, majority of the contracts used by the Group have been lump-sum contracts. Open-ended contracts are used only if the Group estimates it could benefit from an active trend of construction-price index (typically in case of falling prices when it could be expected that the cost is higher at the time of signing than in the foreseeable future). Regardless of the specific contract type (lump-sum or open-ended) Mitt & Perlebach carries out sub-contracting tenders, negotiates them and compiles a PQB for the Group's review. A submitted PQB includes all sub-contracting prices (direct costs) and a project management fee by Mitt & Perlebach (on top of direct costs). All decisions on the type of contract to use and whether to engage Mitt & Perlebach as the general contractor are within the sole competence of the Management Board.

The Management believes that close co-operation with Mitt & Perlebach has proven to be a real asset and competitive advantage over time. The Group involves construction engineers from Mitt & Perlebach already in very early phases of the development process (first steps: plot-selection and design development). During the plot selection process, Mitt & Perlebach gives its rough initial construction-cost estimate which serves as a crucial input for business-case analysis. Furthermore, by taking an active part in the design-development process, Mitt & Perlebach enables the Group to work out most cost-efficient solutions both in terms of technical-expertise as well as choice of materials. As a result, there is generally little to no need for re-designing after tendering (i.e. re-designing due to "cost surprises"). Moreover, the tendering process itself has proven to be faster and more compact compared to average market practice. In particular, sub-contracting tenders for various parts of later construction stages (e.g., frame/foundation/roof/interior etc.) are carried out in parallel with designing activities by

Mitt & Perlebach. As such, constant feed-back from the market is received, enabling better-informed cost, design and choice-of-material decisions.

The Group acquired a land plot from Siili Ärimaja OÜ as a related party. On 13 August 2020, Hepsor L4 OÜ (a Group SPV) and Siili Ärimaja OÜ (under the ultimate control of a member of the Supervisory Board of the Company – Mr Lauri Meidla) signed a sales contract, whereby Hepsor L4 OÜ purchased a land plot for commercial development at Lembitu tn 4, Tallinn for 2,710,000 euros (+ VAT) from Siili Ärimaja OÜ. According to the valuation report of Colliers International as of 17 April 2020, the land plot was valued at 2,840,000 euros (excl VAT) +/- 10 to 15 per cent. Considering the above valuation and purchase price, the Management considers the transaction to have been made on market terms.

The Group intends to use the acquired land plot for commercial development – Lembitu Hotel, the first hotel development of the Group is expected to be completed by 2025 at Lembitu tn 4.

The Group SPV Tatari 6A Arenduse OÜ is financed by Perlebach Invest OÜ as a related party. On 25 February 2021, the Company as shareholder (80% shareholding), Perlebach Invest OÜ (under the sole control of the Supervisory Board member Andres Pärloja) as a lender and T6A OÜ as shareholder (20% shareholding) signed a shareholders' agreement regarding Tatari 6A Arenduse OÜ. As per the shareholders' agreement, the Company provides project management services for the development of Tatari 6A real estate project (please refer to Section 10.3 "Business Segments" for further details on the project), Perlebach Invest OÜ provides financing and T6A OÜ contributed the respective land plot on terms and conditions further specified in the shareholders' agreement. In accordance with the size of each parties' contribution to the project, the shareholders' agreement provides for distribution of project gains in different proportions than the shareholdings proportions in the share capital of the company. In addition, the shareholders' agreement includes other rights and obligations and terms and conditions customary to shareholders' agreements in general.

The Group SPV Hepsor PV11 OÜ is financed by Perlebach Invest OÜ as a related party. On 11 August 2021, Hepsor PV11 OÜ as borrower and Perlebach Invest OÜ as lender signed a loan agreement for 1,750,000 euros for the purposes of financing the development of Paevälja Hoovimajad (please refer to Section 10.3 "Business Segments" for further details on the project) by Hepsor PV11 OÜ. The maturity date of the loan is (i) subject to completion of the development; however, (ii) 31 March 2023 at the latest.

The content of the agreements described above is provided in an abbreviated and summarised manner and the wording does not reflect the corresponding complete content of the contractual terms.

11. SELECTED FINANCIAL INFORMATION

11.1. Introduction

The following tables have been extracted or derived from the Financial Statements**.** The below tables present only certain selected audited consolidated financial data as of and for the years ended on 31 December 2018, 31 December 2019 and 31 December 2020 and for the 6-month period ended on 30 June 2021 and 30 June 2020 and should be read in conjunction with the Financial Statements, in particular the notes thereto. The Audited Financial Statement have been prepared by the Group in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union. The Interim Financial Statements have been prepared in accordance with International Accounting Standards (IAS) 34, Interim Financial Reporting. The Interim Financial Statements have not been reviewed or audited.

11.2. Selected Historical Financial Information

Consolidated Statement of Financial Position

in thousands of euros	30.06.2021 *unaudited*	31.12.2020 *audited*	31.12.2019 *audited*	31.12.2018 *audited*	01.01.2018 *audited*
Assets					
Current assets					
Cash and cash equivalents	1,277	4,207	2,667	5,701	2,319
Trade receivables	636	574	840	280	538
Current loan receivables	256	776	1,120	238	205
Inventories	33,084	22,903	31,499	21,623	22,391
Total current assets	35,253	28,460	36,126	27,842	25,453
Non-current assets					
Property, plant and equipment	410	492	666	168	110
Investments in associates	0	2	1	0	5
Financial investment	2	0	0	0	0
Non-current loan receivables	1,970	1,371	124	0	0
Other non-current receivables	99	108	70	0	0
Total non-current assets	2,481	1,973	861	168	115
Total assets	37,734	30,433	36,987	28,010	25,568
Liabilities and equity					
Current liabilities					
Loans and borrowings	4,393	4,038	10,405	6,075	8,316
Current lease liabilities	72	174	133	39	23
Prepayments from customers	1,238	769	2,347	11,362	1,782
Trade and other payables	1,967	3,082	3,423	3,024	3,395
Total current liabilities	0	8,063	16,308	20,500	13,516
Non-current liabilities					
Loans and borrowings	19,169	12,122	13,034	3,632	7,584
Non-current lease liabilities	284	267	430	47	54
Other non-current liabilities	1,080	402	493	624	2,385
Deferred income tax liability	73	60	0	305	31
Total non-current liabilities	20,606	12,851	13,957	4,608	10,054
Total liabilities	28,276	20,914	30,265	25,108	23,570
Equity					
Share capital	6	6	6	3	3
Share premium	3,211	3,211	3,211	0	0
Reserves	0	0	0	100	100
Retained earnings	6,241	6,302	3,505	2,799	1,895
Total equity	9,458	9,519	6,722	2,902	1,998
incl. total equity attributable to owners of the parent	9,370	9,454	6,886	2,878	1,882
incl. non-controlling interest	88	65	-164	24	116
Total liabilities and equity	37,734	30,433	36,987	28,010	25,568

Consolidated Statement of Profit and Loss and Other Comprehensive Income

in thousands of euros	6M 2021 *unaudited*	6M 2020 *unaudited*	2020 *audited*	2019 *audited*	2018 *audited*
Revenue	3,874	17,208	38,771	19,535	32,068
Cost of sales (-)	-3,171	-15,528	-34,493	-17,447	-27,820
Gross profit	703	1,680	4,278	2,088	4,248
Marketing expenses (-)	-100	-40	-93	-52	-14
Administrative expenses (-)	-417	-372	-788	-785	-604
Other operating income	43	28	51	146	269
Other operating expenses (-)	-51	-5	-37	-99	-37
Operating profit of the year	178	1,291	3,411	1,298	3,862
Financial income	76	15	917	22	53
interest income	55	15	108	22	6
profit on the sale of a subsidiary	0	0	809	0	0
other financial income	21	0	0	0	47
Financial expenses (-)	-191	-149	-364	-295	-584
interest expenses (-)	-170	-149	-157	-248	-584
loss from associate (-)	-2	0	0	0	0
other financial expenses (-)	-19	0	-207	-47	0
Profit before tax	63	1,157	3,964	1,025	3,331
Current income tax	-16	0	-59	-2	-69
Deferred income tax	-13	-154	-60	305	-273
Net profit for the year	34	1,003	3,845	1,328	2,989
Attributable to owners of the parent	-84	461	2,591	956	1,419
Non-controlling interest	118	542	1,254	372	1,570
Other comprehensive income (loss)					
Changes related to change of ownership	0	-26	-14	-67	0
Disposal of subsidiaries	0	0	0	0	-83
Acquisition of a subsidiaries	0	0	0	15	-381
Change in value of embedded derivatives with minority shareholders	-31	-429	-1,022	-635	-1,483
Business combination between related parties	0	25	25	65	0
Other comprehensive income for the period	3	573	2,834	706	1,042
Attributable to owners of the parent	-84	467	2,605	894	996
Non-controlling interest	87	106	229	-188	46
Earnings per share					
Basic (euros per share)	-0.02	0.16	0.86	0.32	0.47
Diluted (euros per share)	-0.02	0.16	0.86	0.32	0.47

Consolidated Statement of Changes in Equity (audited)

in thousands of euros	Attributable to equity owners of the parent					
	Share capital	**Share premium**	**Voluntary reserves**	**Retained earnings**	**Non-controlling interests**	**Total equity**
As at 01.01.2018	3	0	100	1,779	116	1,998
Other comprehensive income for the period	0	0	0	996	46	1,042
Dividends paid	0	0	0	0	-138	-138
As at 31.12.2018	3	0	100	2,775	24	2,902
Other comprehensive income for the period	0	0	0	894	-188	706
Issue of shares	3	3,211	0	0	0	3,214
Changes in reserves	0	0	-100	0	0	-100
As at 31.12.2019	6	3,211	0	3,669	-164	6,722
Other comprehensive income for the period	0	0	0	2,605	229	2,834
Dividends declared	0	0	0	-37	0	-37
As at 31.12.2020	6	3,211	0	6,237	65	9,519

Consolidated Statement of Changes in Equity in 2021 (unaudited)

in thousands of euros	Attributable to equity owners of the parent					
	Share capital	**Share premium**	**Voluntary reserves**	**Retained earnings**	**Non-controlling interests**	**Total equity**
As at 31.12.2020	6	3,211	0	6,237	65	9,519
Other comprehensive income for the period	0	0	0	-84	87	3
Dividends declared	0	0	0	0	-64	-64
As at 30.06.2021	6	3,211	0	6,153	88	9,458

Consolidated Statement of Cash Flows

in thousands of euros	6M 2021 *unaudited*	6M 2020 *unaudited*	2020 *audited*	2019 *audited*	2018 *audited*
Net cash flows from (to) operating activities					
Operating profit of the year	178	1,291	3,411	1,298	3,862
Adjustments for:					
Depreciation of property, plant and equipment	82	75	161	133	90
Loss from write off of property, plant and equipment	0	0	0	1	0
Loss from write off of goodwill	0	25	25	65	0
Income tax paid	-75	-1	-1	-1	-82
Changes in working capital:					
Change in trade receivables	1	-278	253	-614	261
Change in inventories	-9,340	456	9,603	-9,073	1,423
Change in liabilities and prepayments	286	-655	-1,905	-8,055	5,656
Cash flows from (to) operating activities	**-8,868**	**913**	**11,547**	**-16,246**	**11,210**
Net cash flows to investing activities					
Payments for property, plant and equipment	0	0	-3	-47	-63
Payments of for acquisition of subsidiaries	0	0	0	-509	-394
Payments of for acquisition of associates	0	0	0	-1	3
Proceeds from sale of subsidiaries	-2	0	819	3	3
Net of cash from division effected by separation	0	0	0	-370	0
Proceeds from sale of associates	0	0	1	0	0
Interest received	22	17	83	6	4
Loans granted	-799	-149	-2,108	-2,632	-238
Loan repayments received	0	130	150	1,386	204
Cash flows to investing activities	**-779**	**-2**	**-1,058**	**-2,164**	**-481**
Net cash flows from (to) financing activities					
Loans raised	11,530	14,094	22,634	22,095	8,540
Loan repayments	-4,128	-14,560	-29,913	-8,363	-14,733
Interest paid	-478	-682	-1,328	-1,349	-852
Payments of finance lease principal	-19	-3	-7	-7	-7
Payments of right to use lease liabilities	-67	-65	-115	-101	-69
Receipts from contribution into share capital	0	0	0	3,214	0
Dividends paid	-102	0	0	0	-138
Disbursement of reserve capital	0	14,094	0	-100	0
Other receipts from financing activities	-19	-14,560	-196	0	0
Cash flows from financing activities	**6,717**	**-1,216**	**-8,925**	**15,389**	**-7,259**
Net cash flow	**-2,930**	**-305**	**1,564**	**-3,021**	**3,470**

in thousands of euros	6M 2021 *unaudited*	6M 2020 *unaudited*	2020 *audited*	2019 *audited*	2018 *audited*
Cash and cash equivalents at beginning of year	**4,207**	**2,667**	**2,667**	**5,701**	**2,319**
Cash outflow from disposal of subsidiaries	**0**	**0**	**-24**	**-13**	**-88**
Increase / decrease in cash and cash equivalents	**-2,930**	**-305**	**1,564**	**-3,021**	**3,470**
Cash and cash equivalents at end of year	**1,277**	**2,362**	**4,207**	**2,667**	**5,701**

Key Ratios and Indicators

The below table contains data, which the Company considers as alternative performance measures (**APM**) within the meaning of the ESMA Guidelines on Alternative Performance Measures. APM is not defined in IFRS and these are not calculated in accordance with IFRS. Nevertheless, the Company believes that APMs provide useful information for the investors for the assessment of the Company's financial position and results, and assets. Use of the APMs by the Company and their calculation methods may still differ from the use and calculation of APMs by other companies.

In the opinion of the Management, those key ratios and indicators are the most appropriate ratios and indicators, considering the markets where the Group companies operate. The Management believes these ratios and indicators provide useful information for the purposes of evaluating the profitability of the operations of the Group, considering the business volumes of the Group companies.

	6M 2021	6M 2020	2020	2019	2018
Year on year revenue growth(1)	-77%	6%	98%	-39%	57%
Operating profit margin(2)	4.6%	7.5%	8.8%	6.6%	12.0%
Net profit margin(3)	0.9%	5.8%	9.9%	6.8%	9.3%
Equity ratio(4)	25.1%	20.2%	31.3%	18.2%	10.4%
ROE(5)	39.4%	27.5%	47.3%	27.6%	122.0%
ROA(6)	7.8%	4.9%	11%	4.1%	11.2%

(1) Year on year revenue growth = (current year total revenue – last year's total revenue) / last year's total revenue.

(2) Operating profit margin = operating profit/loss / total revenue.

(3) Net profit margin = net profit for the year / total revenue.

(4) Equity ratio = total equity / total assets

(5) ROE = net profit for the year / average equity

(6) ROA = net profit for the year / average assets

12. CAPITALISATION AND INDEBTEDNESS

Capitalisation and indebtedness. The following tables set forth the consolidated total capitalisation and indebtedness of the Group as of 31 August 2021. The information has been extracted without material adjustment from the Group's unaudited accounting records and management information as of 31 August 2021. The table should be read together with Section 11 "Selected Financial Information". The Group's consolidated capitalisation and indebtedness will be significantly impacted by the Offering and the use of proceeds. Please refer to Section 5 "Reasons for Offering and Use of Proceeds" for further details.

Statement of Capitalisation (unaudited)

As of 31.08.2021, in thousands of euros

Total current debt including current portion of non-current debt	6,799
- Guaranteed	0
- Secured	2,159
- Unguaranteed / unsecured	4,640
Total non-current debt excluding current portion of non-current debt	24,396
- Guaranteed	0
- Secured	9,189
- Unguaranteed / unsecured	15,207
Shareholder equity	9,845
- Share capital	6
- Share premium	3,211
- Legal reserves	0
- Other reserves	0
- Retained earnings	6,628
Total	41,040

In connection with transforming the Company from a private limited company to a public limited company, the share capital of the Company has been increased from EUR 6,000 to EUR 3,000,000 (date of registration 14 October 2021).

Statement of Indebtedness (unaudited)

As of 31.08.2021, in thousands of euros

Cash	1,990
Cash equivalents	0
Other current financial assets	0
Liquidity	1,990
Current financial debt including debt instruments, but excluding current portion of non-current financial debt	0
Current portion of non-current financial debt	2,884
Current financial indebtedness	2,884
Net current financial indebtedness	894

Non-current financial debt excluding current portion and debt instruments	23,032
Debt instruments	0
Non-current trade and other payables	3,915
Non-current financial indebtedness	26,947
Total financial indebtedness	27,841

Group guarantees. As of 31 August 2021, the Group has not issued financial guarantees for any bank loans.

Indirect and contingent indebtedness. In accordance with the shareholders' agreements between the Group and minority shareholders of subsidiaries (SPV's), the Group has an obligation as of 31 August 2021 to pay 5,580 thousand euros to the minority shareholders upon realisation of the business plan. The amounts of obligations are estimations calculated based on current business plans of the development projects as of the date of statement of financial position. Contingent liabilities are estimated before the full realisation of the development projects at each reporting date. As of 31 August 2021, the realisation time of contingent liabilities remains between 2021 and 2024.

Working Capital Statement. In the opinion of the Management, the Group's working capital is sufficient to cover the Group's foreseeable obligations for a period of at least 12 months following the date of approval of this Prospectus. For the avoidance of doubt, the Company's working capital statement is not contingent upon a successful completion of the Offering.

No Material Adverse Change. There have been no material changes in the Group's financial position after 31 December 2020.

13. FINANCIAL CONDITION, RESULTS OF OPERATIONS AND OUTLOOK

13.1. Financial Condition and Results of Operations

Detailed information on the financial condition and results of operations of the Group has been provided in the Financial Statements annexed to this Prospectus and Section 10.3 “Business Segments”.

13.2. Factors and Public Policies Affecting Operations

Dependency on regulatory environment. Real estate development sector is exposed to changes in regulatory environment. Often such change may be unpredictable. Among other aspects, the operations of the Group depend on interpretation of law and other legal acts as well as administrative decisions made by governmental and local municipality authorities. Planning resolutions, building and usage permits are good examples of such administrative decisions based upon applicable law; however, adopted using great level of discretion. Exercising such discretion is as a general rule beyond the control of the Group companies and dependant on, among other circumstances, political decisions. Due to the above the administrative proceedings necessary for conducting the operations of the Group may also be time-consuming and cause delays in contemplated time schedules. This may in turn have material adverse effect on the profitability of related real estate projects. The above is especially relevant in respect of the Group’s operations in the Latvian market. Latvian market is a relatively new market for the Group, which means that market players with more history and experience on the market may have a competitive advantage before the Group. As an example, changes in the planning of the city of Riga may affect the realisation of certain pipeline projects of the Group in Latvia. In Latvia, the Group has also limited resources in challenging and disputing the administrative resolutions.

COVID-19 pandemic has not had significant impact on the Group financial results for 2020. At the same time, it will affect 2021 as the Group froze several on-going real estate development projects in spring 2020 and even though work on these projects was re-started in 3rd and 4th quarter of 2020, they will still be completed 6-12 months later than initially planned (shifting some of the revenue from 2021 to 2022). Long-term COVID impact remines to be seen, but as vaccination rates are relatively high and demand is clearly exceeding supply in the overall real estate market, the Group foresees strong and healthy market for at least next 2-3 years.

Reducing carbon footprint. The Group is planning to use various measures to achieve smallest possible carbon footprint for the buildings in its real estate development projects pipeline. The future development activities are also affected by contemplated changes in the environmental legislation, which is focusing more and more on the increasing energy efficiency of new buildings. Nevertheless, this matches well with the strategic objectives of the Group (described in Section 10.4 “Strategy and Competitive Position” of this Prospectus) with the focus on lowering carbon footprint and increasing energy efficiency of the new buildings constructed.

Business and macroeconomic environment in Estonia and Latvia has improved significantly, including and especially real estate development sector and sales. As one of the reasons, this is due to excess savings created by consumers throughout 2020 and in 2021 in the context of governmental restrictions imposed for gaining control over the COVID-19 pandemic. Therefore, the Group has a positive near-term outlook for both of its main markets and expects to be in line with the Management forecast and strategic targets set for the future years (please see Section 10.4 “Strategy and Competitive Position” for further details). However, such fast positive developments have created an inflationary environment, which leads to higher construction costs for all near-term development projects. Simultaneously the Group expects to see shortage of labour in the construction sector and subsequent pressure on the employee costs. In the opinion of the Management, the framework agreement executed with Mitt & Perlebach (as described in more detail in Section 10.10 “Related Party Transactions” of this Prospectus) is an efficient tool to mitigate some of those risks.

14. PROFIT FORECAST

14.1. Profit Forecast for 2021 - 2024

The forecast of the consolidated profit for the financial years 2021 – 2024 is the following:

in thousands of euros	Financial year ending on 31.12.2021	Financial year ending on 31.12.2022	Financial year ending on 31.12.2023	Financial year ending on 31.12.2024
Revenue	14,000	27,400	63,500	74,300
Gross profit	3,590	4,740	9,710	10,440
Operating profit of the year	1,940	3,740	8,700	9,350
Profit before tax	1,596	3,207	8,300	9,450
Net profit for the year	1,580	3,200	8,300	9,450

14.2. Bases and Assumptions

The profit forecast has been prepared by the Management based on the audited consolidated results of the Company for the financial years ended on 31 December 2018, 31 December 2019 and 31 December 2020, as well as the unaudited consolidated interim results of the second quarter and 6 months of 2021. The profit forecast has been prepared on the basis of and in all material aspects in accordance with the accounting principles applied by the Company in respect of the Financial Statements. Therefore, the profit forecast is comparable with the historic financial information and consistent with the accounting polices applied by the Company.

The profit forecast is based on the following assumptions, which are beyond the control of the Management:

(i) There will be no material changes in the existing legal policies, both on governmental and local municipality level (including changes in applicable legislation and regulatory background, including but not limited to taxation policies), fiscal, market or economic conditions in either of the geographical market where the Group companies operate;

(ii) The operations of the Group will not be materially and adversely affected by any of the risk factors described in Section 3 “Risk Factors” of this Prospectus;

(iii) No unforeseen circumstances or changes occur, which would materially affect the Group’s ability to finalise all the real estate development projects in its pipeline as described in detail in Section 10.3 “Business Segments” of this Prospectus;

(iv) There will be no material changes in the business relationships between the Group companies and their suppliers, customers, co-operation partners and contractual partners, which may result in the loss of business opportunities or disruption or termination of relevant real estate development projects;

(v) There will be market disruption in the real estate markets of the geographical markets where the Group companies operate and no material adverse change in the financing terms as offered by the financial institutions operating on these markets offering financing for real estate transactions;

The Group companies will manage to retain their current senior management team and recruit sufficient qualified personnel in order to maintain a staffing level that will be sufficient for the Group’s operational requirements.

15. TAXATION

Introduction. This Chapter is meant to give an overview of the tax regime applicable to the shareholders and the Company. The below summary is in no way exhaustive and is not meant to constitute professional advice to any person. In order to assess particular tax consequences of the Offering or the acquisition of the Shares to the investor, each individual investor is strongly encouraged to seek specialist assistance. The law of the member state of the investor and the law of incorporation of the Company may have an impact on the income earned on securities.

Corporate Income Tax. The system of taxation of corporate income currently in force in Estonia differs from the traditional model of corporate income taxation in that it shifts the point of corporate taxation from the moment of accrual to the moment of distribution. Therefore, in Estonia corporate income tax is charged only on the distributed profit with the reinvested profits remaining untaxed until distribution. Corporate income tax is charged on profit distributions such as dividends, payments in the course of the reduction of share capital and redemption of own shares (if this is done on the account of retained earnings), as well as on implicit distributions such as fringe benefits, gifts and donations, expenditures and payments not related to the business activities o fa company. The profit distributions of companies are taxed at the rate of 20/80 (25%) of the net amount of the distribution, i.e. 20% of the gross amount of the distribution. The corporate income tax charged on above profit distributions is payable only at the level of the company distributing profit with the company being responsible for calculating, declaring and paying of the respective corporate income tax. Corporate income tax imposed on distributed profit is not a withholding tax and thus is not influenced by the provisions of international tax treaties applicable to the taxation of dividends. Payments made in the course of the reduction of share capital and redemption of shares are taxable at the company level only to the extent such payments exceed the monetary and non-monetary contributions previously made by the shareholders into the company.

Dividend tax. According to the Income Tax Act, dividends paid by an Estonian resident legal person are exempt from taxation at the level of the recipient, regardless of whether the recipient is a natural or a legal person, an Estonian resident or a non-resident person (no classical dividend tax). Accordingly, as a rule, no income tax is withheld on dividends paid to the recipients of the dividends and dividends are subject to taxation only on the level of Estonian company who distributed profit. Nevertheless, the non-resident recipients of dividend may be subject to report and pay income tax in their country of residence. In order to establish particular tax consequences arising in the non-resident person's country of residence, investors are advised to seek specialist tax assistance.

As a result of the amendments to the Income Tax Act that entered into force from 1 January 2018, income tax will be still withheld also on the level of a natural person (both, for residents as well as non-residents) where an Estonian company has made regular dividend payments or other profit distributions which are subject to a reduced income tax rate of 14%. If an Estonian company has made regular dividend payments, an additional 7% must be withheld on the dividends payable to shareholders who are natural persons. Regular profit distribution is understood as an amount smaller than or equal to the average distributed profit of the company for the previous three calendar years, subject to taxation in Estonia.

Capital Gains from Sale or Exchange of Shares. Gains realised by an Estonian resident individual upon the sale or exchange of securities (including the Shares) are subject to income tax at the rate of 20%. Payments received by an Estonian resident individual in the course of the reduction of share capital or redemption of shares are also taxable as capital gains, if the amount of the received payment exceeds the acquisition cost of the relevant shareholding, except to the extent such payment has been already taxed at the company level. Capital gains of resident legal persons are not taxed immediately upon receipt but upon payment, due to the fact that the entire profit earned by a legal person, incl. capital gains are only taxed upon distribution. As a rule, capital gains received by non-residents from the sale or exchange of securities are not taxed in Estonia (except for certain securities related to the Estonian real estate). Non-resident shareholders receiving capital gains from the sale or exchange of the Shares may be subject to declaring and paying income tax in their respective countries of residence. For the purposes of capital gains taxation, the gain derived from the sale of securities (including the Shares) is the difference between the acquisition cost and the sales price of such securities. The gain derived from the exchange of securities is the difference between the acquisition cost of securities subject to exchange and the market price of the property received as a result of the exchange. The expenses directly related to the sale or exchange of shares may be deducted from the gains.

Investment Account. Estonian resident individuals may postpone the taxation of their investment income by using a special investment account for carrying out transactions with certain financial instruments (including the Shares). An investment account is a monetary account opened with a European Economic Area or the Organisation for Economic Co-operation and Development (OECD) member state credit institution, through which the taxation of income arising from trading certain financial instruments (e.g. on capital gains, etc.) can be postponed. The moment of taxation of the financial income held on an investment account is postponed until such income is withdrawn from the investment account (i.e. up to the amount withdrawn from the account exceeds the amount which had been previously paid in to the account). Therefore, financial income held at the investment account may be reinvested tax-free until it is withdrawn from the account.

16. GLOSSARY

Term	Definition
Alternative Performance Measures	shall financial measures that are defined as alternative performance measures in the "ESMA Guidelines on Alternative Performance Measures" issued by the European Securities and Markets Authority on 5 October 2015.
Articles of Association	shall mean the Articles of Association of the Company effective as at the date of this Prospectus.
Audited Financial Statements	shall mean the consolidated audited financial statements of the Group of and for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 prepared in accordance with the IFRS and the Estonian Accounting Act appended to this Prospectus as Annex 1.
Company	shall mean Hepsor AS, an Estonian public limited company, registered in the Estonian Commercial Register under register code 12099216, having its registered address at Järvevana tee 7b, 10112 Tallinn, Estonia.
EFSA	shall mean the Estonian Financial Supervision and Resolution Authority, a financial supervision institution with autonomous competence and a separate budget which conducts supervision over credit institutions, insurance companies, insurance intermediaries, investment firms, management companies, investment and pension funds as well as the payment service providers, e-money institutions and the securities markets that have been authorised by the Financial Supervision Authority in the name of the state and which is independent in its activities and decisions.
ERS	shall mean the Estonian Register of Securities, operated by Nasdaq CSD SE Estonian branch, registered in the Estonian Commercial Register under register code 14306553, having its registered address at Maakri 19/1, 10145 Tallinn, Estonia.
EUR	shall mean the official currency of Eurozone countries, including Estonia, Latvia and Lithuania, the euro.
Eurozone	shall mean the economic and monetary union (EMU) of the European Union member states, which have adopted euro as their single official currency.
Excluded Territories	Australia, Canada, Hong Kong, Japan, South Africa and any other jurisdiction where the distribution of this Prospectus and/or the transfer of the Offer Shares would breach applicable law.
Financial Statements	shall mean the Audited Financial Statements and Interim Financial Statements as included in this Prospectus as Annex 1 and Annex 2.
General Meeting	shall mean the General Meeting of shareholders of the Company, the highest governing body of the Company.
Global Lead Manager	shall mean AS LHV Pank, an Estonian public limited company, registered in the Estonian Commercial Register under register code 10539549, having its registered address at Tartu mnt 2, 10145, Tallinn, Estonia.

Group	shall mean the Company and all its subsidiaries.
IFRS	shall mean the International Financial Reporting Standards as adopted by the European Union.
Interim Financial Statements	shall mean the unaudited consolidated interim financial statements of the Group as of and for the period ended 30 June 2021, prepared in accordance with International Accounting Standards (IAS) 34 “Interim Financial Reporting” appended to this Prospectus as Annex 2.
Management	shall mean the Management Board and the Supervisory Board of the Company.
Management Board	shall mean the Management Board of the Company.
MEUR	shall mean millions of euro.
Nasdaq Tallinn Stock Exchange	shall mean the only regulated market operated by Nasdaq Tallinn AS (register code 10359206).
Offer Period	shall mean the period within which investors will have the opportunity to submit Subscription Undertakings starting from 10 November 2021 (included) and ending on 19 November 2021 (included).
Offer Price	shall mean the final price per each Offer Share, which shall be a fixed price of EUR 11.70.
Offer Shares	shall mean up to 854,701 Shares that are being offered to investors in the course of the Offering.
Offering	shall mean the public offering of the Offer Shares to retail and institutional investors in Estonia, Latvia and Lithuania and a non-public offering of the Offer Shares in and outside Estonia, Latvia and Lithuania to qualified investors within the meaning of Article 2(e) of the Prospectus Regulation and other types of investors in reliance on certain exemptions available under the laws of each jurisdiction where the Offering is being made.
Prospectus	shall mean this document, including the registration document of the Company and the securities notes of the Shares.
Prospectus Regulation	Regulation No 2017/1129/EU of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC.
Restricted Territories	member states of the European Economic Area (excluding Estonia, Latvia and Lithuania).
Section	shall mean a section of this Prospectus.
Share	shall mean the ordinary shares of the Company with the nominal value of EUR 1.00, registered in the ERS under ISIN code EE3100082306.
Shareholder	shall mean natural or legal person(s), holding the Share(s) of the Company at any relevant point of time.

SPV	shall mean Hepsor Lauluväljak OÜ, Hepsor Tooma OÜ, Hepsor Phoenix OÜ, Hepsor Kadaka OÜ, Hepsor Peetri OÜ, Hepsor Meistri 14 OÜ, Hepsor V10 OÜ, Hepsor P113 OÜ, Hepsor N170 OÜ, Hepsor L4 OÜ, Hepsor P26B OÜ, T2T4 OÜ, Hepsor Phoenix 2 OÜ, Hepsor Phoenix 3 OÜ, Hepsor PV11 OÜ, Hepsor M14 OÜ, Hepsor 3Torni OÜ, Hepsor N450 OÜ, Tatari 6a Arenduse OÜ, Hepsor Fortuuna OÜ, H&R Residentsid OÜ, Hepsor A1 OÜ, Hepsor S4B SIA, Hepsor SA2 SIA, Hepsor BAL9 SIA, Hepsor U30 SIA, Hepsor Marupe SIA, Hepsor BAL7 SIA, Hepsor AGEN24 SIA, Kvarta SIA and Hepsor RD5 SIA.
Subscription Undertaking	shall mean the order submitted by an investor for the purchase of the Offer Shares in accordance with the terms and conditions of the Offering.
Summary	shall mean the summary of this Prospectus.
Supervisory Board	shall mean the Supervisory Board of the Company.
TEUR	shall mean thousands of euro.

17. LIST OF ANNEXES

Annex 1 – Audited Financial Statements for the financial years ended on 31 December 2018, 31 December 2019 and 31 December 2020

Annex 2 – Interim Financial Statements for the six months ended on 30 June 2020 and 30 June 2021

COMPANY

Hepsor AS

(Järvevana tee 7b, 10112 Tallinn, Estonia)

GLOBAL LEAD MANAGER

AS LHV Pank

(Tartu mnt 2, 10145 Tallinn, Estonia)

LEGAL COUNSEL TO COMPANY

Ellex Raidla Advokaadibüroo OÜ

(Roosikrantsi 2 / Kaarli pst 1, 10119 Tallinn, Estonia)

AUDITORS

Grant Thornton Baltic OÜ

(Pärnu mnt 22, 10141 Tallinn, Estonia)

CONSOLIDATED SPECIAL- PURPOSE FINANCIAL STATEMENTS

Company name:	Hepsor AS
Registry number:	12099216
Address:	Järvevana Road 7b, 10112 Tallinn, Republic of Estonia
E-mail:	info@hepsor.ee
Telephone:	+372 660 9009
Website:	www.hepsor.ee
Reporting periods:	01.01.2018-31.12.2018 01.01.2019-31.12.2019 01.01.2020-31.12.2020
Auditor:	Grant Thornton Baltic OÜ

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Consolidated special-purpose financial statements

Consolidated statement of financial position

in thousands of euros	Note	31.12.2020	31.12.2019	31.12.2018	01.01.2018
Assets					
Current assets					
Cash and cash equivalents	2	4,207	2,667	5,701	2,319
Trade and other receivables	3	574	840	280	538
Current loan receivables	8	776	1,120	238	205
Inventories	4	22,903	31,499	21,623	22,391
Total current assets		**28,460**	**36,126**	**27,842**	**25,453**
Non-current assets					
Property, plant and equipment	5	492	666	168	110
Investments in associates	6	2	1	0	5
Non-current loan receivables	8	1,371	124	0	0
Other non-current receivables	9	108	70	0	0
Total non-current assets		**1,973**	**861**	**168**	**115**
Total assets		**30,433**	**36,987**	**28,010**	**25,568**
Liabilities and equity					
Current liabilities					
Loans and borrowings	10	4,038	10,405	6,075	8,316
Current lease liabilities	11	174	133	39	23
Prepayments from customers	12	769	2,347	11,362	1,782
Trade and other payables	12	3,082	3,423	3,024	3,395
Total current liabilities		**8,063**	**16,308**	**20,500**	**13,516**
Non-current liabilities					
Loans and borrowings	10	12,122	13,034	3,632	7,584
Non-current lease liabilities	11	267	430	47	54
Other non-current liabilities	13	402	493	624	2,385
Deferred income tax liability	23	60	0	305	31
Total non-current liabilities		**12,851**	**13,957**	**4,608**	**10,054**
Total liabilities		**20,914**	**30,265**	**25,108**	**23,570**
Equity					
Share capital	16	6	6	3	3
Share premium	16	3,211	3,211	0	0
Reserves	16	0	0	100	100
Retained earnings		6,302	3,505	2,799	1,895
Total equity		**9,519**	**6,722**	**2,902**	**1,998**
incl. total equity attributable to owners of the parent		**9,454**	**6,886**	**2,878**	**1,882**
incl. non-controlling interest	27	**65**	**-164**	**24**	**116**
Total liabilities and equity		**30,433**	**36,987**	**28,010**	**25,568**

Consolidated statement of profit and loss and other comprehensive income

in thousands of euros	Note	2020	2019	2018
Revenue	17,25	38,771	19,535	32,068
Cost of sales (-)	18	-34,493	-17,447	-27,820
Gross profit		**4,278**	**2,088**	**4,248**
Marketing expenses (-)		-93	-52	-14
Administrative expenses (-)	19	-788	-785	-604
Other operating income		51	146	269
Other operating expenses (-)		-37	-99	-37
Operating profit of the year	25	**3,411**	**1,298**	**3,862**
Financial income		917	22	53
interest income	21	108	22	6
profit on the sale of a subsidiary	21	809	0	0
other financial income		0	0	47
Financial expenses (-)		-364	-295	-584
interest expenses (-)	22	-157	-248	-584
other financial expenses (-)	22	-207	-47	0
Profit before tax		**3,964**	**1,025**	**3,331**
Current income tax	23	-59	-2	-69
Deferred income tax	23	-60	305	-273
Net profit for the year		**3,845**	**1,328**	**2,989**
Attributable to owners of the parent		2,591	956	1,419
Non-controlling interest		1,254	372	1,570
Other comprehensive income (loss)				
Changes related to change of ownership	7	-14	-67	0
Disposal of subsidiaries	7	0	0	-83
Acquisition of a subsidiaries	7	0	15	-381
Change in value of embedded derivatives with minority shareholders	14	-1,022	-635	-1,483
Business combination between related parties	7	25	65	0
Other comprehensive income for the period		**2,834**	**706**	**1,042**
Attributable to owners of the parent		2,605	894	996
Non-controlling interest		229	-188	46
Earnings per share				
Basic (euros per share)	24	0.86	0.32	0.47
Diluted (euros per share)	24	0.86	0.32	0.47

Consolidated statement of changes in equity

in thousands of euros	Attributable to equity owners of the parent					
	Share capital	**Share premium**	**Voluntary reserves**	**Retained earnings**	**Non-controlling interests**	**Total equity**
01.01.2018	**3**	**0**	**100**	**1,779**	**116**	**1,998**
Other comprehensive income for the period	0	0	0	996	46	1,042
Dividends paid	0	0	0	0	-138	-138
31.12.2018	**3**	**0**	**100**	**2,775**	**24**	**2,902**
Other comprehensive income for the period	0	0	0	894	-188	706
Issue of shares	3	3,211	0	0	0	3,214
Changes in reserves	0	0	-100	0	0	-100
31.12.2019	**6**	**3,211**	**0**	**3,669**	**-164**	**6,722**
Other comprehensive income for the period	0	0	0	2,605	229	2,834
Dividends declared	0	0	0	-37	0	-37
31.12.2020	**6**	**3,211**	**0**	**6,237**	**65**	**9,519**

Information on share capital, share premium, voluntary reserves and dividends are presented in notes 16 and 29 to these consolidated financial statements.

Consolidated statement of cash flows

in thousands of euros	Note	2020	2019	2018
Net cash flows from (to) operating activities				
Operating profit of the year		3,411	1,298	3,862
Adjustments for:				
Depreciation of property, plant and equipment	5	161	133	90
Loss from write off of property, plant and equipment	5	0	1	0
Loss from write off of goodwill	7	25	65	0
Income tax paid	26	-1	-1	-82
Changes in working capital:				
Change in trade receivables		253	-614	261
Change in inventories	26	9,603	-9,073	1,423
Change in liabilities and prepayments		-1,905	-8,055	5,656
Cash flows from (to) operating activities		**11,547**	**-16,246**	**11,210**
Net cash flows to investing activities				
Payments for property, plant and equipment	5	-3	-47	-63
Payments of for acquisition of subsidiaries	7	0	-509	-394
Payments of for acquisition of associates	6	0	-1	3
Proceeds from sale of subsidiaries	21	819	3	3
Net of cash from division effected by separation	7	0	-370	0
Proceeds from sale of associates	6	1	0	0
Interest received	26	83	6	4
Loans granted	8	-2,108	-2,632	-238
Loan repayments received	8	150	1,386	204
Cash flows to investing activities		**-1,058**	**-2,164**	**-481**
Net cash flows from (to) financing activities				
Loans raised	10	22,634	22,095	8,540
Loan repayments	10	-29,913	-8,363	-14,733
Interest paid	26	-1,328	-1,349	-852
Payments of finance lease principal	11	-7	-7	-7
Payments of right to use lease liabilities	11	-115	-101	-69
Receipts from contribution into share capital	16	0	3,214	0
Dividends paid	23,27	0	0	-138
Disbursement of reserve capital	16	0	-100	0
Other receipts from financing activities	22	-196	0	0
Cash flows from financing activities		**-8925**	**15,389**	**-7,259**
Net cash flow		**1,564**	**-3,021**	**3,470**
Cash and cash equivalents at beginning of year	2	**2,667**	**5,701**	**2,319**
Cash outflow from disposal of subsidiaries	7	-24	-13	-88
Increase / decrease in cash and cash equivalents		1,564	-3,021	3,470
Cash and cash equivalents at end of year	**2**	**4,207**	**2,667**	**5,701**

Notes to the consolidated financial statements

Note 1. Accounting policies

1.1. Basis of preparation of consolidated special-purpose financial statements

The consolidated special- purpose financial statements of Hepsor AS and its subsidiaries for the financial years ended 31 December 2020, 31 December 2019, 31 December 2018 were signed by the Management Board on 15, October 2021.

The Hepsor AS (hereinafter "the Group") consolidated special-purpose financial statements have been prepared in accordance with 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 consolidated special-purpose financial statements have been prepared on a going concern basis.

The preparation of these consolidated special-purpose financial statements in conformity with IFRS (EU) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. The management of the Group believes the underlying assumptions are appropriate. The consolidated special-purpose financial statements are presented in euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

1.2. Presentation of financial statements (IAS 1)

Financial statements provide a structured representation of a Group's financial position and financial performance. The objective is to provide information about the Group's consolidated financial position, consolidated financial performance and consolidated cash flows intended to support economic decisions of the users of these financial statements.

These special-purpose consolidated financial statements consist of consolidated statements of financial position as of 31 December 2020, 31 December 2019 and 31 December 2018, consolidated statement of comprehensive income, statement of changes in equity, consolidated statement of cash flows for the financial years then ended, and explanatory notes.

1.3. First time adoption of IFRS (IFRS 1)

The financial statements, for the financial year ended on 31 December 2020, are the first the Group has prepared in accordance with IFRS (EU) due to the special-purpose nature of these financial statements. Accordingly, the Group has prepared financial statements that comply with IFRS (EU), together with the comparative period financial statements for the years ended 31 December 2019, and 31 December 2018. The special-purpose consolidated financial statements are comprised of three financial years preceding the expected listing subject to the requirements by the Listing Rules of NASDAQ Tallinn.

For periods up to and including the year ended 31 December 2020, the Group prepared its statutory financial statements in accordance with Estonian Financial Reporting Standards (EFS). Estonian Financial Reporting Standard is a set of financial reporting requirements directed at the public and based on the internationally accepted accounting and reporting principles (IFRS (SME)).

These special-purpose consolidated financial statements have been compiled using the statutory financial statements adjusted for accounting policy and presentation differences required by IFRS (EU).

In preparing the special-purpose consolidated financial statements, the Group's opening statement of financial position was prepared as at 1 January 2018, the Group's transition date to IFRS (EU).

1.4. Accounting policies, changes in accounting estimates and errors (IAS 8)

When an IFRS (EU) specifically applies to a transaction, other event, or condition, the accounting policy or policies applied to that item shall be determined by applying the IFRS (EU). In the absence of an IFRS (EU) that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is relevant to the economic decision-making needs of users and reliable.

The Group selects and applies its accounting policies consistently for similar transactions, other events, and conditions, unless an IFRS (EU) specifically requires or permits categorisation of items for which different policies may be appropriate. If an IFRS (EU) requires or permits such categorisation, an appropriate accounting policy shall be selected and applied consistently to each category.

The Group changes an accounting policy only if the change is required by IFRS (EU) or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events, or conditions on the entity's consolidated financial position, consolidated financial performance or consolidated cash flows. When a change in accounting policy is applied retrospectively the Group adjusts the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

The effect of a change in an accounting estimate shall be recognized prospectively by including it in profit or loss in the period of the change, if the change affect that period only or the period of the change and future periods, if the change affects both.

The Group corrects material prior period errors retrospectively in the first set of consolidated financial statements authorised for issue at their discovery by restating the comparative amounts for the prior period(s) presented in which the error occurred; or if the error occurred before the earliest prior period presented, restating the consolidated opening balances of assets, liabilities and equity for the earliest prior period presented.

In preparing the IFRS consolidated financial statements, the Group has adjusted amounts reported previously in financial statements prepared in accordance with EFS. An explanation of how the transition from EFS to IFRS affected the Group's financial position and results is set out in the following notes and accompanying tables.

A) Inventories

On transition to IFRS, the Group changed its accounting policy for the treatment of marketing expenses whereby amounts capitalised as the cost value of inventories in statutory financial statements, are expensed in the period in which they were incurred as per IAS 2:16.

Accordingly, upon conversion to IFRS (EU), the Group recorded an adjustment (debit of retained earnings and credit of inventories) of 252 thousand euros as at 01 January 2018 and 50 thousand euros as at 31 December 2020.

The transition reduced cost of sales by 221 thousand euros and marketing expenses by 36 thousand euros net, against retained earnings as of 31 December 2020.

B) Leases

Under EFS, a lease is classified as finance lease or an operating lease. Operating lease payments are recognized as an operating expense on a straight-line bases over the lease term. The lease agreements for offices in Latvia and Estonia were recognized as operating lease and expensed on a straight-line basis over the lease term. Under IFRS 16, the Group is required to recognize the lease as a right-to-use asset and a liability in its statement of financial position at amounts equal to the fair value of the leased asset or at the present value of the minimum lease payments, if lower.

Accordingly, the adjustment increased the Group's property, plant and equipment by 13 thousand euros as at 01 January 2018 and 395 thousand euros as at 31 December 2020. Current liabilities increased respectively 16 thousand euros and 135 thousand euros. The impact to non-current liabilities amounted to 0 euros as at 01 January 2018 and 267 thousand euros as at 31 December 2020.

Net impact to consolidated statement of profit and loss and other comprehensive income for the financial year ended
31 December 2020 amounted to 10 thousand euros.

The journal entry includes credit adjustment of non-current lease liabilities and debit adjustment of property, plant and equipment and retained earnings.

C) Deferred income tax

The various transitional adjustments resulted in various temporary differences. According to Note 23 and accounting policies, the Group has to recognize the tax effects of such differences. The respective adjustment (credit deferred income tax liability and debit retained earnings) is 31 thousand euros as at 01 January 2018 and 60 thousand euros as at 31 December 2020.

D) Embedded derivatives

Under IFRS 9 the Group is required to separate embedded derivatives from host contract. The Group has signed agreements with minority shareholders of subsidiaries, which have embedded derivatives that are required to be separated.

As at 1 January 2018 the embedded derivatives amounted to 0 euros and as at 31 December 2020 to 511 thousand euros in the consolidated statement of financial position (credit trade and other payables and debit retained earnings).

The cost of embedded derivative for 2020 in consolidated statement of profit and loss and other comprehensive income amounted to 1,022 thousand euros.

E) Business combinations

Under EFS, goodwill is recognized at carrying amount taking into consideration accumulated amortization and any impairment losses.

Upon transition to IFRS, the Group needs to test goodwill acquired in business combinations for impairment annually (not amortized). The purchase analysis of acquisitions indicated that the income from the companies was lower than expected, therefore the goodwill recognized as a result of business combination between related parties was recorded in other comprehensive income in the amount of 25 thousand euros during the 2020 reporting period. There was no goodwill recognized as at 01 January 2018.

In addition to the adjustments arising from transition to IFRS the Group has made retrospectively number of corrections to the presented periods included in special-purpose consolidated financial statements including:

F) Reclassification of current interest receivable in the amount of 42 thousand euros to other non-current receivables as at 31 December 2020 to have presentation together with the source financial instrument.

G) Reclassification of current loans and borrowings to non-current loans and borrowings in the amount 0 euros as at 01 January 2018 and 1,220 thousand euros as at 31 December 2020.

H) Consolidation adjustment (debit inventories and credit retained earnings) in the amount of 840 thousand euros from elimination of an intra-group transaction as at 31 December 2020.

I) Reclassification of escrow account from cash and cash equivalents to trade and other receivables. Total adjustment amounted to 0 euros as at 01 January 2018 and 137 thousand euros as at 31 December 2020.

J) Reclassification of loan to other prepayments from customers in the amount of 2,207 thousand euros as at 01 January 2018.

K) Write-off of goodwill (debit to retained earnings and credit to intangible assets) in the amount of 79 thousand euros as at 01 January 2018.

L) Corrections in financial statements of Latvian subsidiary as at 31 December 2020 in the amount of 50 thousand euros (debit of prepayments from customers, other non-current liabilities and retained earnings and credit of trade and other receivables).

M) Implementation of effective interest rate instead of nominal interest rate as specified in the contracts. Total adjustment as at 01 January 2018 (debit to inventories (for capitalisation of borrowing costs) and credit to non-current loans and borrowings) amounted to 23 thousand euros. Total adjustment as at 31 December 2020 (debit to inventories and non-current loans and borrowings and credit to current loans and borrowings) amounted to 47 thousand euros, net.

N) Reclassification current interest payables of current trade and other payables to other non-current liabilities payables in the amount of 178 as at 01 January 2018 and 234 thousand euros as at 31 December 2020 to have presentation together with the source financial instrument.

The above-mentioned adjustments on transition to IFRS (EU) as well as prior period corrections have indirect or direct impact on the difference on the Group's profit for 2020 as well as retained earnings as stated in consolidated statement of financial position as at 01 January 2018 and for year ended 31 December 2020. Total adjustments amounted to 2,786 thousand euros as at 01 January 2018 and 3,594 thousand as at 31 December 2020.

Consolidated statement of financial position

in thousands of euros		IFRS (EU)	EFS		IFRS (EU)	EFS	
		31.12.2020	31.12.2020	Remea-surement	01.01.2018	01.01.2018	Remea-surement
Assets							
Current assets							
Cash and cash equivalents	I	4,207	4 ,344	-137	2,319	2 ,319	0
Trade and other receivables	F, I, L	574	595	-21	538	538	0
Current loan receivables		776	776	0	205	205	0
Inventories	A, H, M	22,903	22,106	797	22,391	22,620	-229
Total current assets		**28,460**	**27,821**	**639**	**25,453**	**25,682**	**-229**
Non-current assets							
Property, plant and equipment	B	492	97	395	110	97	13
Intangible assets	K	0	0	0	0	79	-79
Investment in equity-accounted joint ventures		2	2	0	5	5	0
Non-current loans		1,371	1,371	0	0	0	0
Other non-current receivables	F, I	108	0	108	0	0	0
Total non-current assets		1,973	1,470	503	115	181	-66
Total assets		**30,433**	**29,291**	**1,142**	**25,568**	**25,863**	**-295**
Liabilities and equity							
Current liabilities							
Loans and borrowings	M, G	4,038	5,211	-1 173	8,316	8,316	0
Current lease liabilities	B	174	39	135	23	7	16
Prepayments from customers	L	769	778	-9	1,782	1,782	0
Trade and other payables	D, N	3,082	2,805	277	3,395	3,572	-177
Total current liabilities		**8,063**	**8,833**	**-770**	**13,516**	**13,677**	**-161**
Non-current liabilities							
Loans and borrowings	J, M, G	12,122	10,943	1,179	7,584	9,768	-2,184
Non-current lease liabilities	B	267	0	267	54	54	0
Other non-current liabilities	N, J, L	402	176	226	2,385	0	2,385
Deferred income tax liability	C	60	0	60	31	0	31
Total non-current liabilities		**12,851**	**11,119**	**1,732**	**10,054**	**9,822**	**232**
Total liabilities		**20,914**	**19,952**	**962**	**23,570**	**23,499**	**71**
Equity							
Share capital		6	6	0	3	3	0
Share premium		3,211	3,211	0	0	0	0
Reserves		0	0	0	100	100	0
Retained earnings	A, B, C, D, H, K, L	6,302	6,121	181	1,895	2,261	-366
Total equity		**9,519**	**9,338**	**181**	**1,998**	**2,364**	**-366**
incl. equity to owners of the parent		**9,454**	**8,490**	**964**	**1,882**	**2,140**	**-258**
incl.non-controlling interest		**65**	**848**	**-783**	**116**	**224**	**-108**
Total liabilities and equity		**30,433**	**29,290**	**1,143**	**25,568**	**25,863**	**-71**

Consolidated statement of profit and loss and other comprehensive income

in thousands of euros		IFRS (EU)	EFS	
		2020	2020	Remea-surement
Revenue	B, L	38,771	38,761	10
Cost of sales (-)	A, B, H, L	-34,493	-35,452	959
Gross profit		**4,278**	**3,309**	**969**
Marketing expenses (-)	A	-93	-57	-36
Administrative expenses (-)	B, K, L	-788	-830	42
Other operating income	B, L	51	101	-50
Other operating expenses (-)	K, L	-37	-129	92
Profit from operations		**3,411**	**2,394**	**1,017**
Finance income		917	917	0
interest income		108	108	0
profit on the sale of a subsidiary		809	809	0
Finance expenses (-)		-364	-345	-19
interest expenses (-)	F	-157	-149	-8
other finance expenses (-)	B	-207	-196	-11
Profit before tax		**3,964**	**2,966**	**998**
Corporate income tax		-59	-59	0
Deferred income tax	**C**	-60	0	-60
Profit for the year	**A, B, C, F, H, K, L, E**	**3,845**	**2,907**	**938**
owners of the parent		2,591	1,744	847
non-controlling interest		1,254	1,162	92
Other comprehensive income (loss),				0
Embedded derivatives	D	-1,022	0	-1,022
Changes related to change of ownership		-14	0	-14
Acquisition of a business combination	E	25	0	25
Comprehensive income for the period		**2,834**	**2,907**	**-73**
owners of the parent		2,605	1,744	861
non-controlling interest		229	1,162	-933

1.5. Impact of new and revised but not yet effective standards

Classification of liabilities as current or non-current (amendments to IAS 1) - The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments clarify what is meant by a right to defer settlement; that a right to defer must exist at the end of the reporting period; that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification. Effective for annual reporting periods beginning on or after 1 January 2023. Not yet endorsed for use in the EU.

Reference to the Conceptual Framework (amendments to IFRS 3) - The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. Effective for annual reporting periods beginning on or after 1 January 2022. Not yet endorsed for use in the EU.

Property, Plant and Equipment — Proceeds before Intended Use (amendments to IAS 16) - The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. Effective for annual reporting periods beginning on or after 1 January 2022. Not yet endorsed for use in the EU.

Onerous Contracts — Cost of Fulfilling a Contract (amendments to IAS 37) - The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). Effective for annual reporting periods beginning on or after 1 January 2022. Not yet endorsed for use in the EU.

Disclosure of Accounting Policies (amendments to IAS 1) - The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. Effective for annual reporting periods beginning on or after 1 January 2023. Not yet endorsed for use in the EU.

Definition of Accounting Estimates (amendments to IAS 8) - The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

Annual Improvements to IFRS Standards 2018–2020 (An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Not yet endorsed for use in the EU.):

IFRS 9 – Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

1.6. Consolidation (IFRS 10)

The Group's financial statements consolidate those of the parent entity and all its subsidiaries as of 31 December. All subsidiaries have a reporting date of 31 December. Consolidation of a subsidiary begins when the parent entity obtains control over the subsidiary and ceases when the parent entity loses control over the subsidiary.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and could affect those returns through its power over the entity. Subsidiaries where the Group holds 50% ownership interest are consolidated based on the assessment of the Management of the Group that the Group effectively controls the subsidiary by virtue of managing the real estate development projects.

All transactions and balances between Group entities are eliminated on consolidation, including unrealised gains and losses on transactions between Group entities. Amounts reported in the statutory financial statements of subsidiaries have been adjusted, where necessary, to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the reporting period is recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

1.7. Business combinations (IFRS 3, IAS 36)

The Group uses the acquisition method of accounting to account for business combinations where the Group has obtained control over a subsidiary or merged the net assets of one or more businesses into the Group. Cost of acquisition is calculated as the sum of the acquisition date fair values of assets transferred. Acquisition-related costs that Group incurs in a business combination are expensed as incurred.

As of the acquisition date, the Group recognizes the identifiable assets acquired, and the liabilities assumed at their fair values.

The Group applies adjusted purchase method when acquiring business combinations under common control by recognizing the assets and liabilities of the acquiree or business on the acquirer's statement of financial position at the carrying amount. The difference between the cost of acquisition and the carrying amount of the acquired net assets shall be recognized as an increase or decrease of the equity of the acquirer.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements' provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

1.8. Investments in joint ventures and associates (IAS 28)

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are accounted for using the equity method. The initial recognition of the investment in associate is recognized at cost. The carrying amount of the investment in associates are increased or decreased to recognize the Group's share of the profit or loss and other comprehensive income of associates, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale.

1.9. Property, plant, and equipment (IAS 16)

Property, plant, and equipment are assets used for production, provision of services or administrative purposes over a period of more than one year.

Items of property, plant and equipment are recognized at an acquisition cost less any accumulated depreciation and impairment losses, if any. Acquisition cost consists of the purchase price and other costs directly attributable to the acquisition that are necessary for bringing the asset to its working condition and location. When an item of property, plant and equipment consists of separately identifiable components that have different useful lives, these components are accounted as separate assets and separate depreciation rates are assigned to them according to the useful lives of the components. Items of property, plant and equipment leased under the lease terms are accounted for similarly to purchased property, plant and equipment.

Depreciation is recognized as an expense on a straight-line basis over the estimated useful life of an item of property, plant and equipment and its identifiable components.

The following estimated useful lives are applied:

- Buildings and structures 10–33 years
- Plant and equipment 5–10 years
- Other equipment and fixtures 3-5 years
- Vehicles 5-7 years

Land and construction in progress are not depreciated.

The Group use uniform depreciation rates in all Group companies. The estimated useful lives, residual values and depreciation methods are reviewed annually. The effect of the changes is reflected in the reporting period and in subsequent periods.

Items of property, plant and equipment are derecognized on disposal or when no future economic benefits are expected from the continued use or disposal of the asset. Gains or losses arising from derecognition of items of property, plant and equipment are included either within other operating income or other operating expenses in the income statement.

1.10. Intangible assets (IAS 38)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is more than the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all the assets acquired and all the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

1.11. Cash and cash equivalents, cash-flows (IAS 7)

Cash and cash equivalents are cash at bank and on hand, high liquidity investments that are readily convertible into a known amount of cash for up to three months from the actual transaction date and which are subject to an insignificant risk of changes in market value.

Restricted cash and cash equivalent balances are those which meet the definition of cash and cash equivalents but are not available for use by the group. The Group has a requirement, as part of its business operations, to set aside cash by way of deposit into an escrow account. Such escrow accounts are classified in cash flow statement as change in receivables from operating activities.

The Group reports cash flows from operating activities using the indirect method whereby operating profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

1.12. Inventories (IAS 2, IAS 23, IFRS 9)

Inventories encompass finished real estate development projects when the permit for use has been granted and or work in progress real estate development projects.

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. If inventory items are not clearly distinguishable from each other, then the weighted average cost method is used. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Borrowing costs related to real estate development projects are included in the cost of inventories. The Group capitalizes borrowing costs that are directly attributable to the real estate development projects and ceases to capitalize when real estate development project is ready for sale but not later than the real estate development project has been granted a permit for use. Interest expenses that are related to real estate maintenance or usage are not capitalized but expensed in the period when they occur. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Group uses effective interest method that is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

Completed real estate inventories are sold either in units or as a whole. Revenue from the sale is recognized as income from sale of real estate.

1.13. Financial Instruments (IFRS 9)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognized in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group classifies its financial assets to be measured at fair value and at amortized cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flow characteristics. According to the Group's business model the objective of financial assets is achieved by both collecting contractual cash flows and selling financial assets.

At initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Purchase and sale of financial asset is recognized using settlement date accounting. Settlement date is the date that an asset is delivered to or by the Group.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition the Group recognizes the difference between the carrying amount and consideration received as profit or loss. Transaction costs of financial assets carried at fair value plus or minus are expensed in profit or loss. Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset.

Group measures its debt instruments at amortized cost. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The Group recognizes loss allowance for expected credit losses on loan instruments, lease receivables, trade receivables, contract assets and financial guarantee contracts. Expected credit loss is based on the difference between all contractual cash flows that are due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the at an approximation of original effective interest rate. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime expected credit losses for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognizes lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. Lifetime expected credit losses represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. At the same time, 12-month expected credit losses represent the portion of lifetime expected credit losses that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Interest income is recognized using the effective interest method for receivables measured subsequently at amortized cost. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans, and borrowings.

Interest bearing loans and borrowings are recognized at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Embedded derivatives

When the Group enters SPV agreement with a business partner, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts. A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through comprehensive income.

1.14. Provisions and contingent liabilities (IAS 37)

Provisions are recognized when the Group has a present obligation (legal or constructive) because of a past event it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Contingent liabilities

Contingent liabilities are those liabilities the realisation of which is less probable than non-realisation or the amount of which cannot be measured sufficiently reliably. The Group does not recognize contingent liabilities but the estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement are disclosed in the notes to the financial statements.

1.15. Leases (IFRS 16)

The Group assesses at contract inception whether a contract is, or contains, a lease. Lease is a contract that conveys the right to control the use of an identified asset for a period in exchange for consideration.

Group as a lessee

The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for leases which are both short-term and of low value.

The right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-to-use assets includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the Group; and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments are discounted using the interest rate implicit in the lease or, alternatively, the lessee's incremental borrowing rate. The incremental borrowing rate is the interest rate that the group would have to pay to borrow the funds necessary to obtain a similar asset.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is measured as follows: a) increasing the carrying amount to reflect interest on the lease liability; b) reducing the carrying amount to reflect the lease payments made; and c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Group as a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as lease income.

The Group enters into short-term lease agreements as a lessor with respect to some of its real estate development properties in Latvia until the property is sold. Such real estate property is continuously recognized as inventories because being held for sale in the ordinary course of business.

1.16. Revenue (IFRS 15)

The Group recognizes revenue from the following major sources:

- revenue from sale of real estate;
- revenue from project management services;
- revenue from rent;
- revenue from other services.

The Group recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

Revenue from sale of real estate

Revenue from the sale of goods purchased and finished goods, including real estate developed by the Group, is recognized when control of the goods has been substantially transferred to the buyer, it is probable that economic benefits associated with the transaction will flow to the group, the costs incurred or to be incurred in respect of the transaction including potential returns can be measured reliably, the group retains no continuing involvement with the goods, and the amount of the revenue can be measured reliably. The sale is considered completed upon signing the real right contract with the buyer.

The Group recognizes revenue in the amount of the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

The Group has outsourced the provision of warranty period services for general repairs of defects of real estate developed to contracted construction service partners.

Revenue from project management services

Project management income includes revenues from project management services the Group provides to external partners and associated companies. Project management income is recognized in the accounting period when the service is rendered.

Rental income

Rental income includes revenues from renting Group's residential and commercial property. Rental income from operating leases is recognized on a straight-line basis over the lease term.

Financial income

Financial income includes interest income that is recognized as it accrues using the effective interest rate method.

Dividend income

Dividend income is recognized when the right to receive payment is established.

1.17. Operating segments (IFRS 15, IFRS 8)

A segment is a distinguishable component of the Group, which generates revenues and incurs expenditures. 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

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

The operating results are regularly reviewed by the Group's Management Board to monitor the performance of the various segments in terms of sales revenue and operating profit (loss). Segment profit represents the segment's external sales and operating profit (loss).

1.18. Income tax (IAS 12)

Corporate income tax in Estonia

According to the Income Tax Act entered into force in Estonia at 1 January 2000, it is not the company's profits that are taxed but net dividends paid. Income tax is paid on dividends, fringe benefits, gifts, donations, costs of reception of guests, non-business payments and transfer price adjustments. The effective income tax rate is 20/80 on net dividends paid out. Starting from 2019, it is possible to apply a more favourable tax rate on dividend payments (14/86). The more favourable tax rate can be applied to a dividend distribution that amounts to up to three preceding years' average dividend distribution that has been taxed at 20/80 rate.

Corporate income tax in Latvia

From 1 January 2018, profits earned after 2017 will be taxed at a rate of 20/80. The transitional rules of the Income Tax Act allow for a reduction in the profit payable on dividends if the company has unused tax losses or certain provisions as of 31 December 2017. As a result of the implementation of the Income Tax Act effective from 2018, there are no longer differences between the tax accounting and carrying amounts of assets and liabilities in Latvia, and therefore deferred income tax assets and liabilities to Latvian subsidiaries are not recognized.

Deferred income tax liability

Deferred income tax liability is recognized in respect to investments in subsidiaries, except for if the Group can control the timing of the reversal of the taxable temporary differences and it is probable that the reversal will not occur in the foreseeable future. As the parent controls the payment of dividends, the sale or liquidation of an investment, and other transactions in subsidiaries it can control the timing of the reversal of taxable temporary differences associated with these investments. Therefore, when the parent has determined that those profits will not be distributed in the foreseeable future the parent does not recognize a deferred tax liability. If the parent company assesses that the dividend will be paid in the foreseeable future, the deferred income tax liability is measured to the extent of the planned dividend payment provided that as at the reporting date, there are sufficient funds to pay the dividend and owner's equity on account of which to distribute profit in foreseeable future.

1.19. Fair value measurement (IFRS 13)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group measures its financial instruments at fair value at each statement of financial position date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level (L) 1 - quoted market prices in active markets for identical assets and liabilities.

Level (L) 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level (L) 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Level 2 fair value is estimated using market information and valuation is based on observable inputs.

Level 3 fair value is estimated using the discounted cash flow valuation technique and the valuation is based on non-observable inputs.

in thousands of euros	31.12.2020			31.12.2019			31.12.2018			01.01.2018		
	Carrying value	Fair value	L	Carrying value	Fair value	L	Carrying value	Fair value	L	Carrying value	Fair value	L
Assets												
Current assets												
Cash and cash equivalents	4,207	4,207	1	2,667	2,667	1	5,701	5,701	1	2,319	2,319	1
Trade and other receivables	574	574	3	840	840	3	280	280	3	538	538	3
Current loan receivables	776	776	3	1,120	1,120	3	238	238	3	205	205	3
Inventories	22,903	26,359	3	31,499	34,072	3	21,623	23,782	3	22,391	24,848	3
Total current assets	**28,460**	**31,916**		**36,126**	**38,699**		**27,842**	**30,001**		**25,453**	**27,910**	
Non-current assets												
Property, plant and equipment	492	492	3	666	666	3	168	168	3	110	110	3
Investment in equity-accounted joint ventures	2	2	3	1	1	3	0	0	3	5	5	3
Non-current loans	1,371	1,371	3	124	124	3	0	0	3	0	0	3
Other non-current receivables	108	108	3	70	70	3	0	0	3	0	0	3
Total non-current assets	**1,973**	**1,973**		**861**	**861**		**168**	**168**		**115**	**115**	
Total assets	**30,433**	**33,889**		**36,987**	**39,560**		**28,010**	**30,169**		**25,568**	**28,025**	
Liabilities and equity												
Current liabilities												
Loans and borrowings	4,038	4,038	3	10,405	10,405	3	6,075	6,075	3	8,316	8,316	3
Current lease liabilities	174	174	3	133	133	3	39	39	3	23	23	3
Prepayments from customers	769	769	3	2,347	2,347	3	11,362	11,362	3	1,782	1,782	3
Trade and other payables	3,082	3,082	3	3,423	3,423	3	3,024	3,024	3	3,395	3,395	3
Total current liabilities	**8,063**	**8,063**		**16,308**	**16,308**		**20,500**	**20,500**		**13,516**	**13,516**	
Non-current liabilities												
Loans and borrowings	12,122	12,122	3	13,034	13,034	3	3,632	3,632	3	7,584	7,584	3
Non-current lease liabilities	267	267	3	430	430	3	47	47	3	54	54	3
Other non-current liabilities	402	402	3	493	493	3	624	624	3	2,385	2,385	3
Deferred income tax liability	60	60	3	0	0	3	305	305	3	31	31	3
Total non-current liabilities	**12,851**	**12,851**		**13,957**	**13,957**		**4,608**	**4,608**		**10,054**	**10,054**	
Total liabilities	**20,914**	**20,914**		**30,265**	**30,265**		**25,108**	**25,108**		**23,570**	**23,570**	

Cash and cash equivalents include deposits in local commercial banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Due to their short-term nature, the carrying amounts approximate the fair value of cash and cash equivalents.

Expected credit loss rate for current loan receivables, non-current loans and other non-current receivables is 0%, historical average of trade receivables has been 1.66%. The impact on recoverability of receivables in short perspective and in consideration of expected lifetime losses is estimated as insignificant at each statement of financial position date.

Inventories are stated at the lower of cost and net realisable value in the statement of financial position. Fair value is evaluated based on net realisation value with 15% discount to cover any risks and setback before the development is completed and properties sold (hair-cut). The applied percentage is based on the management's estimate made based on their professional expertise in the field of operations.

Property, plant and equipment fair value is assumed to be equal to carrying value as its estimated useful lives, residual values and depreciation methods are reviewed annually.

According to the estimation of the Group, the carrying values of financial liabilities in the consolidated statement of financial position as at 31 December 2020, 31 December 2019 and 31 December 2018 do not vary significantly from their fair value since they are measured at net cash flows discounted at the effective interest rate that considers all additional direct costs of lending, as well as timing of such cash flows.

Part of the Group's long-term borrowings have a floating interest rate (includes 6 months Euribor). Based on the estimation of the management, the Group's financial outlook and market risks have not materially changed since the loans were obtained and the interest rates on the Group's debt are on the market conditions.

1.20. Employee benefits (IAS 19)

The Group operates only short-term employee benefits (expected to be settled wholly before twelve months after the end of the reporting period in which the employees render services) such as salaries, and social security contribution; paid annual leave and sick leave; and bonuses. There are no special benefits, share-based payments or share options granted for the Group employees during the reporting periods or subsequent to the last statement of financial position date 31.12.2020.

1.21. Related parties (IAS 24)

A related party is a person or entity that is related to the entity that is preparing its financial statements. A related party transaction is a transfer of resources, services, or obligations between a reporting entity and a related party, regardless of whether a price is charged. Such transactions could have an effect on the profit or loss and financial position of the Group. For this reason, knowledge of the Group's transactions, outstanding balances, including commitments, and relationships with related parties may affect assessments of its operations by users of financial statements, including assessments of the risks and opportunities facing the Group.

Relationships between a parent and its subsidiaries are disclosed irrespective of whether there have been transactions between them. The Group discloses the related party relationship when control exists, irrespective of whether there have been transactions between the related parties.

The following parties have been considered as related parties:

- key members of the management (supervisory and management board), their close relatives and entities under their control or significant influence;
- shareholders, their family members and all companies and associates directly or indirectly owned by them.

1.22. Earnings per share (IAS 33)

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on conversion of all the dilutive potential shares into shares.

1.23. Events after the Reporting Period (IAS 10)

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Events after the reporting period are those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period) and those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

Notes to the consolidated financial statements

Note 2. Cash and cash equivalents

in thousands of euros	31.12.2020	31.12.2019	31.12.2018	01.01.2018
Cash at hand	2	2	2	2
Bank accounts	4,205	2,665	5,699	2,317
Total cash and cash equivalents	**4,207**	**2,667**	**5,701**	**2,319**

All cash and cash equivalents are in euros.

Note 3. Trade and other receivables

in thousands of euros	31.12.2020	31.12.2019	31.12.2018	01.01.2018
Trade receivables	73	74	116	161
Allowance for doubtful receivables	0	0	-7	0
Net trade receivables	**73**	**74**	**109**	**161**
Prepayments				
Tax prepayment	329	305	168	375
Value added tax	329	305	168	375
Other prepayments for goods and services	48	239	0	1
Total prepayments	**377**	**544**	**168**	**376**
Other current receivables				
Interest receivables	2	14	3	1
Escrow account	122	0	0	0
Other current receivables	0	208	0	0
Other current receivables	**124**	**222**	**3**	**1**
Total trade receivables	**574**	**840**	**280**	**538**

Escrow account is in euros with term date in 2021.

Based on historical experience the management estimates that all receivables will be the collected in time.

Note 4. Inventories

in thousands of euros	Location	31.12.2020	31.12.2019	31.12.2018	01.01.2018
Work in progress					
-Residential development Mõigu Road 11, Rae County	Estonia	2,061	1,338	856	820
-Commercial development Lembitu 4, Tallinn	Estonia	2,733	0	0	0
-Residential development Pirita Road 26b, Tallinn	Estonia	3,088	2,049	0	0
-Commercial development Tooma 2/Tooma 4 Tallinn	Estonia	1,088	1,014	716	656
-Residential and commercial development Manufaktuuri 5, Tallinn	Estonia	2,764	0	0	0
-Residential and commercial development Manufaktuuri 7, Tallinn	Estonia	1,673	0	0	0
-Residential development, Paevälja 11, Tallinn	Estonia	1,956	0	0	0
-Residential development Valge 10/10a, Tallinn	Estonia	0	8,058	1,947	0
-Commercial development Meistri 14, Tallinn	Estonia	1,145	800	588	504
-Residential development Kadaka Road 141, Ehitajate Road 91/91a Tallinn	Estonia	0	9,348	3,030	333
-Commercial development Pärnu Road 113, Tallinn	Estonia	0	1,570	220	0
-Commercial development Peterburi Road 98, Tallinn	Estonia	0	0	0	581
-Residential and commercial development Strelnieku 4b, Riga	Latvia	0	1,788	0	0
-Residential development Agenskana 24, Riga	Latvia	0	2,424	0	0
-Residential development Balozu street 9, Riga	Latvia	419	245	0	0
-Commercial development Ulbrokas 30, Riga	Latvia	471	413	0	0
-Residential development Saules alley 2, Riga	Latvia	1,043	0	0	0
-Residential development Manufaktuuri 14,16,18,20,22, Tallinn	Estonia	0	0	12,837	4,719
-Residential development Kadaka 141a, Tallinn	Estonia	0	485	353	0
-Residential development Mäe 2/2a/2b, Tallinn	Estonia	0	0	846	5,060
-Commercial development Järvevana 7b, Tallinn	Estonia	0	0	0	6,180
-Residential development Mooni 75, Tallinn	Estonia	0	0	0	2,267
-Residential development Roosaare Road, Rae County	Estonia	0	0	0	586
-Residential development Vana-Kalamaja 28, Tallinn					512
-other properties	Estonia	39	52	230	173
-other properties	Latvia	16	6	0	0
Total work in progress		**18,496**	**29,590**	**21,623**	**22,391**
Finished real estate development for sale					
-Residential development Agenskalna 24, Riga	Latvia	257	0	0	0
- Residential development Balozu street 7, Riga	Latvia	0	1,885	0	0
- Residential and commercial development Strelnieku 4b, Riga	Latvia	4,134	0	0	0
-Residential development Manufaktuuri 22, Tallinn (parking spaces)	Estonia	16	24	0	0
Total finished real estate development for sale		**4,407**	**1,909**	**0**	**0**
Total inventories		**22,903**	**31,499**	**21,623**	**22,391**

Inventories for which permit of use have been issued are recognized as finished real estate development for sale.

As of 31.12. 2020, 4 (31.12.2019: 1, 31.12.2018: 0 and 01.01.2018: 0) development projects have been granted authorisation for use.

- As of 31.12.2020 there was one apartment of 28 available in Agenskalna street 24, Riga apartment building.
- As of 31.12.2019 there were 8 apartments of 18 available in Balozu street 7, Riga, apartment building. 31.12.2020 all sold.
- In Strelnieku street 4b, Riga project was completed in 2020 as an apartment building with 50 residential premises and 4 commercial premises.
- As of 31 December 2020, four parking spaces were still for sale in the parking garage at Manufaktuuri street 22, Tallinn.

Work in progress includes real estate under construction or development, including real estate that has been completed but do not have an authorisation for use.

As at 31.12.2020 changes in inventories as stated in cash flow statements have been adjusted by loan interest expense, which are capitalised in the amount of 1,007 (31.12.2019:803, 31.12.2018:655) thousand euros. Information about line items in the consolidated statement of cash flows are presented in note 26.

Note 5. Property, plant and equipment

in thousands of euros	Right to used assets	Machinery and equipment	Other items	Pre-payments	**Total**
2020					
Cost at 31.12.2019	581	79	148	0	**808**
Accumulated depreciation at 31.12.2019 (note 18,19)	-64	-41	-37	0	**-142**
Carrying amount at 31.12.2019	**517**	**38**	**111**	**0**	**666**
Acquisition	0	0	3	0	**3**
Depreciation	-122	-11	-28	0	**-161**
Reclassification to inventories	0	0	-16	0	**-16**
Cost at 31.12.2020	581	79	135	0	**795**
Accumulated depreciation at 31.12.2020 (note 18,19)	-186	-52	-65	0	**-303**
Carrying amount at 31.12.2020	**395**	**27**	**70**	**0**	**492**
2019					
Cost at 31.12.2018	85	79	102	0	**266**
Accumulated depreciation at 31.12.2018 (note 19)	-58	-30	-10	0	**-98**
Carrying amount at 31.12.2018	**27**	**49**	**92**	**0**	**168**
Acquisition	585	0	2	0	**587**
Acquisition through business combinations	0	0	45	0	**45**
Depreciation	-95	-11	-27	0	**-133**
Write-offs	0	0	-1	0	**-1**
Termination of lease contracts	-89	0	0	0	**-89**
Write-off of accumulated depreciation from terminations of lease contracts	89	0	0	0	**89**
Cost at 31.12.2019	581	79	148	0	**808**
Accumulated depreciation at 31.12.2019 (note 18,19)	-64	-41	-37	0	**-142**
Carrying amount at 31.12.2019	**517**	**38**	**111**	**0**	**666**
2018					
Cost at 01.01.2018	68	79	8	31	**186**
Accumulated depreciation at 01.01.2018	-54	-19	-3	0	**-76**
Carrying amount at 01.01.2018	**14**	**60**	**5**	**31**	**110**
Acquisition	85	0	11	52	**148**
Depreciation	-72	-11	-7	0	**-90**
Termination of lease contracts	-68	0	0	0	**-68**
Write-off of accumulated depreciation from terminations of lease contracts	68	0	0	0	**68**
Reclassification	0	0	83	-83	**0**
Cost at 31.12.2018	85	79	102	0	**266**
Accumulated depreciation at 31.12.2018 (note 19)	-58	-30	-10	0	**-98**
Carrying amount at 31.12.2018	**27**	**49**	**92**	**0**	**168**

Right to used assets comprise office spaces in Tallinn, Estonia and Riga, Latvia. Rental agreement for office premises in Tallinn has term date 31.12.2023 and in Riga 30.10.2024. The Group subleases assets under operating leases to a related party. In 2020, the income from rent amounted to 19 (2019: 0, 2018: 0) thousand euros. The income from rent subleased under operating leases is recognized as periodic income under other operating income. Information on lease liabilities and payments are presented in note 11.

Group has one finance lease agreement for a vehicle with acquisition cost is 79 (31.12.2019:79, 31.12.2018:79 and 01.01.2018: 79) thousand euros, which is recognized under machinery and equipment.

Note 6. Shares of associates

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

	Ownership and voting rights %			
	31.12.2020	**31.12.2019**	**31.12.2018**	**01.01.2018**
Hepsor P113 OÜ	45	-	-	-
Hepsor N170 OÜ	25	25	-	-
Sihi Arenduse OÜ	-	-	-	45

Financial information about associates

in thousands of euros	**31.12.2020**		**31.12.2019**	**01.01.2018**
	Hepsor P113 OÜ	Hepsor N170 OÜ	Hepsor N170 OÜ	Sihi Arenduse OÜ
Current assets				
Cash and cash equivalents	316	133	132	1
Trade receivables	53	5	6	9
Inventories	2,689	1,171	748	0
Total current assets	**3,058**	**1,309**	**886**	**10**
Total assets	**3,058**	**1,309**	**886**	**10**
Current liabilities				
Trade and other payables	326	357	84	0
Total current liabilities	**326**	**357**	**84**	**0**
Non-current liabilities				
Loans and borrowings	2,718	950	800	0
Other non-current liabilities	12	0	0	0
Total non-current liabilities	**2,730**	**950**	**800**	**0**
Total liabilities	**3,056**	**1,307**	**884**	**0**
Total equity	**2**	**2**	**2**	**10**
Total liabilities and equity	**3,058**	**1,309**	**886**	**10**

As of 31.12. 2020, the Group had contractual commitment to finance Hepsor P113 OÜ office building development at Pärnu Road 113, Tallinn in the total amount of 3,149 thousand euros, of which the Group had fulfilled 1,223 thousand euros as of 31 December 2020, and the development of Hepsor N170 commercial and apartment building at Narva Road 170, Tallinn in the total amount of 340 thousand euros, of which the Group had fulfilled 148 thousand euros as of 31 December 2020 (31.12.2019: 124, 31.12.2018:0 and 01.01.2018: 0).

Note 7. Shares in subsidiaries

	Ownership and voting rights %					
	31.12.2020	**31.12.2019**	**31.12.2018**	**01.01.2018**	**Location**	**Operating area**
Hepsor Finance OÜ	100	100	100	100	Estonia	Holding
Hepsor Lauluväljak OÜ	100	100	84	72	Estonia	Real estate development
Hepsor Tooma OÜ	100	100	100	100	Estonia	Real estate development
Hepsor Peterburi 98 OÜ	-	100	100	51	Estonia	Real estate development
Arenduspartner OÜ	-	100	50	50	Estonia	Holding
Hepsor Kadaka OÜ	51	51	51	100	Estonia	Real estate development
Hepsor Meistri 14 OÜ	100	50	50	50	Estonia	Real estate development
Hepsor Phoenix OÜ	100	50	50	50	Estonia	Real estate development
Hepsor Peetri OÜ	68	68	100	100	Estonia	Real estate development
Hepsor K141 OÜ	-	100	100	-	Estonia	Real estate development
Hepsor P113 OÜ	-	100	100	-	Estonia	Real estate development
Hepsor V10 OÜ	50	50	50	-	Estonia	Real estate development
Hepsor Latvia Investment OÜ	100	100	100	100	Estonia	Holding
Hepsor L4 OÜ	100	100	-	-	Estonia	Real estate development
Hepsor P26 OÜ	51	51	-	-	Estonia	Real estate development
T2T4 OÜ	50	50	-	-	Estonia	Real estate development
Hepsor Phoenix 2 OÜ	50	-	-	-	Estonia	Real estate development
Hepsor Phoenix 3 OÜ	50	-	-	-	Estonia	Real estate development
Hepsor PV 11 OÜ	100	-	-	-	Estonia	Real estate development
Hepsor M14 OÜ	51	-	-	-	Estonia	Real estate development
Hepsor 3Torni OÜ	51	-	-	-	Estonia	Real estate development
Hepsor N450 OÜ	100	-	-	-	Estonia	Real estate development
Hepsor Bal 9 OÜ	71	71	-	-	Estonia	Holding
Hepsor Bal9 SIA	71	71	-	-	Latvia	Real estate development
Hepsor Bal7 SIA	100	100	-	-	Latvia	Real estate development
Hepsor Agen24 SIA	100	100	-	-	Latvia	Real estate development
Hepsor SIA	100	100	-	-	Latvia	Holding
Hepsor Marupe SIA	100	100	-	-	Latvia	Real estate development
Hepsor U30 SIA	100	100	-	-	Latvia	Real estate development
Hepsor S4B SIA	100	100	-	-	Latvia	Real estate development
Hepsor SA2 SIA	51	-	-	-	Latvia	Real estate development
Järvevana 7b OÜ	-	-	51	51	Estonia	Real estate development
Hepsor K78D OÜ	-	-	50	50	Estonia	Real estate development
Pinered OÜ	-	-	-	52	Estonia	Real estate development
Hepsor Rae OÜ	-	-	-	100	Estonia	Real estate development
Hepsor Niine OÜ	-	-	-	100	Estonia	Real estate development
Epitsenter OÜ	-	-	-	100	Estonia	Real estate development
Hepsor Vuti OÜ	-	-	-	100	Estonia	Real estate development
Hepsor Kalamaja OÜ	-	-	-	100	Estonia	Real estate development
Hepsor Kalamaja 2 OÜ	-	-	-	100	Estonia	Real estate development
Hepsor Lauluväljak 2 OÜ	-	-	-	100	Estonia	Real estate development
Hepsor Rootsiküla OÜ	-	-	-	100	Estonia	Real estate development
Hepsor Rootsiküla 2 OÜ	-	-	-	100	Estonia	Real estate development
Hepsor Vanalinna OÜ	-	-	-	100	Estonia	Real estate development
Hepsor Lembitu OÜ	-	-	-	100	Estonia	Real estate development
Hepsor Tedre OÜ	-	-	-	100	Estonia	Real estate development
Hepsor Kuklase OÜ	-	-	-	100	Estonia	Real estate development

Changes in the Group's structure:

In order to simplify the Group's structure, as a common practice, the SPVs of the completed development projects are merged with Hepsor Finance OÜ, and their existence is ceased. Cessation information after merger is reflected and publicly available in the Commercial Register.

2018

In 2018 the following fully owned subsidiaries were merged: Hepsor Kalamaja OÜ, Hepsor Kalamaja 2 OÜ, Hepsor Kuklase OÜ, Hepsor Lauluväljak 2 OÜ, Hepsor Lembitu OÜ, Hepsor Niine OÜ, Hepsor Rae OÜ, Hepsor Rootsiküla OÜ, Hepsor Rootsiküla 2 OÜ, Hepsor Tedre OÜ, Hepsor Vanalinna OÜ, Hepsor Vuti OÜ, Sihi Arendus OÜ, and Epitsenter OÜ. In the course of the merger Pealinna Ehituse OÜ (later Hepsor Latvia Investment OÜ) became a 100% subsidiary of Hepsor Finance OÜ. The merger did not have any financial impact to the consolidated level.

In 2018, Pinered OÜ (a subsidiary with minority interest) was sold to a third party with nominal value 1 thousand euros. Sale of the company caused 88 thousand euros of cash outflow from the Group from disposals of subsidiaries, which represents cash equivalents of the subsidiary disposed of as a result of the transaction. The other comprehensive income entry represents equity of Pinered OÜ.

In 2018, the Group acquired a 55% holding in the associated company Sihi Arenduse OÜ for 10 thousand euros and a 49% holding in the associated company at the time, Hepsor Peterburi 98 OÜ, for 378 thousand euros from third party. As a result of the latter, Hepsor Peterburi 98 OÜ became a fully owned subsidiary of the parent. The other comprehensive income entry represents equity of Peterburi 98 OÜ.

Changes in the Group's structure in 2018 and their impact to other comprehensive income and cash flows were the following:

in thousands of euros	Other comprehensive income		Cash flows	
	Owners of the parent	Non-controlling interest	Cash flow from investing activities	Cash outflow from disposal of subsidiaries
Disposal of subsidiaries				
Pinered OÜ	-42	-41	0	-88
Total	-42	-41	0	-88
Acquisition of subsidiaries / associates				
Hepsor Peterburi 98 OÜ	-379	0	-378	0
Sihi Arenduse OÜ	-2	0	-10	0
Total	**-381**	**0**	**-388**	**0**
Total	**-423**	**-41**	**-388**	**-88**

2019

In accordance with the division agreement concluded between the shareholders of subsidiary Järvevana 7B OÜ, the company was divided and then was merged with Hepsor Finance OÜ. As of 31.12.2019, Järvevana 7B OÜ is no longer part of the Hepsor AS Group. The division impacted the Group's cash flows in 2019. The cash outflow from the Group amounted to 1,434 thousand euros, and the cash inflow into the Group with the company being divided amounted to 1,064 thousand euros, net cash-flows were -370 thousand euros.

In 2019, the Group reassessed the development resolution to build a hostel at Kadaka tee 78d, Tallinn, which resulted in the sale of the development company Hepsor K78D OÜ. With regard to the subsidiary's disposal, the Group's net cash outflow amounted to 13 thousand euros.

In total, the Group's net cash outflow that resulted from the disposal of the subsidiary in 2019 amounted to 383 thousand euros.

The following subsidiaries were established in Estonia for new development projects: Hepsor Bal9 OÜ, Hepsor L4 OÜ (former Hepsor Favorte OÜ), Hepsor P26B OÜ, and T2T4 OÜ.

In 2019, three new subsidiaries, Hepsor Marupe SIA, Hepsor U30 SIA, and Hepsor S4B SIA were established for real estate development activities in the city of Riga, Latvia. On 30 June 2019, the Group acquired the additional real estate development companies in Latvia, namely Hepsor Bal9 SIA and Hepsor SIA, and the subsidiaries of Hepsor SIA, namely Hepsor Agen24 SIA and Hepsor Bal7 SIA. In 2019, the Group paid a total of 632 thousand euros, it has been adjusted with received cash from the acquisition in the sum of 123 thousand euros.

Changes in the Group's structure in 2019 and their impact to other comprehensive income and cash-flows are the following:

in thousands of euros	Other comprehensive income		Cash flows	
	Owners of the parent	Non-controlling interest	Payments of for acquisition of subsidiaries	Cash outflow from disposal of subsidiaries
Acquisition of subsidiaries				
Arenduspartner OÜ	15	0	0	0
Total	**15**	0	0	0
Changes related to change of ownership				
Järvevana 7B OÜ	-21	0	0	0
Hepsor K78d OÜ	0	0	0	-13
Hepsor SIA	-15	0	-509	0
Hepsor Bal 7 SIA	-19	0	0	0
Hepsor Agen 24 SIA	-8	0	0	0
Hepsor Bal 9 SIA	-74	70	0	0
Hepsor Lauluväljak OÜ	-5	5	0	0
Total	**-142**	**75**	-509	-13
Total	**-127**	**75**	**-509**	**-13**

At the time of the acquisition of the companies on 30 June 2019 and 30 April 2020, the purchase analysis of the companies was carried out as follows:

in thousands of euros	30.06.2019				30.04.2020
	Hepsor SIA	**Hepsor Bal 7 SIA**	**Hepsor Agen 24 SIA**	**Hepsor Bal 9 SIA**	**Hepsor SA2 SIA**
Cash and cash equivalents	48	191	12	1	3
Trade and other receivables	603	22	27	205	19
Trade and other receivables to Group companies	-540	0	0	0	0
Inventories		1,200	1,335	19	1,035
Property, plant and equipment	6				
Trade and other payables	32	139	208	2	2
Loan and borrowings	640	1,108	1,172	223	1,078
Loan and borrowings from Group companies	-640	-1,108	-676	-223	-130
Net assets	**85**	**1,274**	**670**	**223**	**107**
Acquisition cost	660	1,143	288	226	132
Goodwill	**575**	**-131**	**-382**	**3**	**25**

Acquisition cost includes loans granted by Group companies before the acquisition. As the income from the companies was lower than expected, the goodwill recognized as a result of business combination between related parties, was expensed as general administrative expenses in the amount of 65 thousand euros during the 2019 reporting period and 25 thousand euros during the 2020 reporting period. The goodwill recognized as a result of business combination between related parties was recorded in other comprehensive income. The acquisition of the companies did not involve contingent liabilities. If the acquisition of the business combination had taken place at the beginning of 2019 the Group net profit of the year would have been 25 thousand euros smaller in 2019. If the acquisition of the business combination had taken place at the beginning of 2020 there would have been no impact for the Group net profit of the year.

2020

In 2020, the shares of fully owned subsidiary Hepsor K141 OÜ and a 55% holding in Hepsor P113 OÜ were sold to third party, making Hepsor P113 OÜ an associated company (note 6) and Hepsor K141 OÜ fully disposed.

In 2020, the Group acquired a 51% holding in the company engaged in the residential real estate development, Hepsor SA2 SIA, in Latvia with acquisition cost 132 thousand euros (including loan granted) from related party. Hepsor Peterburi 98 OÜ and Arenduspartner OÜ, which had completed their real estate development activities, were merged with Hepsor Finance OÜ.

The following subsidiaries were established in Estonia for new real estate development projects: Hepsor Phoenix 2 OÜ, Hepsor Phoenix 3 OÜ, Hepsor PV 11 OÜ, Hepsor M14 OÜ, Hepsor 3Torni OÜ, and Hepsor N450 OÜ.

Changes in the Group's structure in 2020 and their impact to other comprehensive income

in thousands of euros	Owners of the parent	Non-controlling interest
Changes related to change of ownership		
Hepsor P113 OÜ	8	0
Hepsor Meistri 14 OÜ	-5	5
Hepsor SA2 SIA	-13	-9
Total	**-10**	**-4**

Note 8. Loans granted

in thousands of euros	Owner of non-controlling interest	Unrelated legal entities	Associ-ates	Related legal entities	Related individual	Total
2020						
Loan balance 31.12.2019	1,055	65	124	0	0	**1,244**
Loan granted	720	121	1,247	20	0	**2,108**
Division of subsidiary	-1,055	0	0	0	0	**-1,055**
Loan collected	0	-130	0	-20	0	**-150**
Loan balance 31.12.2020	720	56	1,371	0	0	**2,147**
-current portion	720	56	0	0	0	**776**
-non-current portion	0	0	1,371	0	0	**1,371**
contractual interest rate/ effective interest rate per annum	0-3%	0%	7%	12%		
2019						
Loan balance 31.12.2018	0	238	0	0	0	**238**
Loan granted	1,055	191	124	1,260	0	**2,630**
Reclassification to Group loan granted	0	-238	0	0	0	**-238**
Loan collected	0	-126	0	-1,260	0	**-1,386**
Loan balance 31.12.2019	1,055	65	124	0	0	**1,244**
-current portion	1,055	65	0	0	0	**1,120**
-non-current portion	0	0	124	0	0	**124**
contractual interest rate/ effective interest rate per annum	2.50%	0%	7%	0-2.5%		
2018						
Loan balance 01.01.2018	0	171	0	0	34	**205**
Loan granted	0	238	0	0	0	**238**
Loan collected	0	-171	0	0	-34	**-205**
Loan balance 31.12.2018	0	238	0	0	0	**238**
-current portion	0	238	0	0	0	**238**
-non-current portion	0	0	0	0	0	**0**
contractual interest rate/effective interest rate per annum	N/A	2.50%	N/A	N/A	0%	

In 2019, with the acquisition of Hepsor SIA, the loan granted to Hepsor SIA in the amount of 238 thousand euros was classified as an intra-group loan.

Long-term loans to associated companies will be repaid after the end of the project development activities in 2022.

In November 2019, the shareholders of Hepsor Phoenix OÜ approved the resolution of division of the company, based on which Hepsor Phoenix transferred assets in the total amount of 1,077 thousand euros. Of this, 1,055 thousand euros as loan receivable.

Effective interest rate of loans granted does not differ from contractual interest rate as these loan agreements do not include one-time costs, for example loan contract fee, mortgage agreement costs etc.

Granted loans to not have additional securities or collaterals.

Note 9. Non-current other receivables

in thousands of euros	31.12.2020	31.12.2019	31.12.2018	01.01.2018
Non-current interest receivables	42	5	0	0
Escrow account	66	65	0	0
Total	**108**	**70**	**0**	**0**

Escrow account is in euros with assumed term date in 2022.

Note 10. Loans and borrowings

in thousands of euros	Bank loans	Unrelated legal entities and individuals	Related legal entities	Total
2020				
Balance at 31.12.2019	11,737	8,772	2,930	**23,439**
Received	14,754	6,640	1,240	**22,634**
Repaid	-21,786	-4,597	-3,530	**-29,913**
Loan balance as at 31.12.2020	4,705	10,815	640	**16,160**
- current loan payable	1,308	2,230	500	**4,038**
- non-current loan payable	3,397	8,585	140	**12,122**
contractual interest rate per annum	EU6+5.85%-8%; 8.2%	0-24%	3-12%	
effective interest rate per annum	6.8%-11%	0-24%	3-12%	
2019				
Balance at 31.12.2018	0	6,707	3,000	**9,707**
Received	11,737	6,728	3,630	**22,095**
Repaid	0	-4,663	-3,700	**-8,363**
Loan balance as at 31.12.2019	11,737	8,772	2,930	**23,439**
- current loan payable	7,559	2,446	400	**10,405**
- non-current loan payable	4,178	6,326	2,530	**13,034**
contractual interest rate per annum	EU6+5%-6%; 8.2%	0-15%	12%	
effective interest rate per annum	6.12%-10.27%	0-15%	12%	
2018				
Balance at 01.01.2018	7,054	5,211	3,635	**15,900**
Received	3,968	3,177	1,395	**8,540**
Repaid	-11,022	-1,681	-2,030	**-14,733**
Loan balance as 31.12.2018	0	6,707	3,000	**9,707**
- current loan payable	0	3,425	2,650	**6,075**
- non-current loan payable	0	3,282	350	**3,632**
contractual interest rate per annum	EU6+2.75%-5%	0-15%	12%	
effective interest rate per annum	8.43%-9.38%	0-15%	12%	

Substantial part of interest expenses are interest expenses of financing the development projects. Interest costs which are related with property development projects are 100% capitalised and added to the inventories acquisition costs. Capitalised interests amounted as of 31.12.2020 1,007 (31.12.2019: 803; 31.12.2018: 655 and 01.01.2018: 1,288) thousand euros.

Information on terms of bank loans and loan collaterals and pledged assets are presented in note 30.

Note 11. Lease liabilities

in thousands of euros	Right to use lease liabilities	Finance lease liabilities	**Total**
2020			
Balance 31.12.2019	516	47	**563**
Increase	0	0	**0**
Repaid	-115	-7	**-122**
Lease liabilities balance 31.12.2020	401	40	**441**
- current portion	134	40	**174**
- non-current portion	267	0	**267**
2019			
Balance 31.12.2018	32	54	**86**
Increase	585	0	**585**
Repaid	-101	-7	**-108**
Lease liabilities balance 31.12.2019	516	47	**563**
- current portion	126	7	**133**
- non-current portion	390	40	**430**
2018			
Balance 01.01.2018	16	61	**77**
Increase	85	0	**85**
Repaid	-69	-7	**-76**
Lease liabilities 31.12.2018	32	54	**86**
- current loan portion	32	7	**39**
- non-current loan portion	0	47	**47**

Under the terms of the finance lease, a consumer vehicle has been leased, with an interest rate of 6month Euribor + 2%, the agreement includes 0% Euribor floor clause. The agreement expired on 15 May 2021, at which the vehicle financial lease agreement was prolonged for two years. The interest expense on the finance lease was one thousand euros per year in all reporting periods.

Note 12. Prepayments, trade and other payables

in thousands of euros	31.12.2020	31.12.2019	31.12.2018	01.01.2018
Prepayments	**769**	**2,347**	**11,362**	**1,782**
Trade and other payables				
Trade payables	**831**	**1,944**	**969**	**2,569**
Taxes payable				
Value added tax	743	48	57	267
Corporate income tax (note 23)	58	0	0	13
Personal income tax	11	10	6	3
Social security tax	20	20	11	6
Other taxes	3	3	2	2
Total taxes payable	**835**	**81**	**76**	**291**
Accrued expenses				
Payables to employees	76	69	40	21
Interest payable	174	247	795	461
Other accrued expenses	83	10	96	53
Total accrued expenses	**333**	**326**	**931**	**535**
Other current payables				
Dividend payables (note16)	37	0	0	0
Embedded derivatives (note 14)	1,022	1,065	1,042	0
Other payables	24	7	6	0
Total other current payables	**1,083**	**1,072**	**1,048**	**0**
Total trade and other payables	**3,082**	**3,423**	**3,024**	**3,395**

The amounts made from bookings of apartments and payments after the conclusion of contracts under the law of obligations are recognized as advances from clients. As of 31 December 2018, the advance payment made by Lumi Capital Residential Real Estate OÜ for the rental buildings at Manufaktuuri street 14 and 16, Tallinn. The Group developed two rental houses with a total of 127 apartments for Lumi Kodud OÜ, and these were handed over the buyer in May 2019.

Note 13. Other non-current liabilities

in thousands of euros	31.12.2020	31.12.2019	31.12.2018	01.01.2018
Prepayments from customers	0	0	0	2,207
Non-current interest payable	390	481	231	178
Other non-current payables	12	12	0	0
Embedded derivatives (note 14)	0	0	393	0
Total other non-current liabilities	**402**	**493**	**624**	**2,385**

As of 01.01.2018, the advance payment by Lumi Capital Residential Real Estate OÜ for the rental buildings at Manufaktuuri street 14 and 16, Tallinn, has been recognized as advances from clients.

Note 14. Embedded derivatives

Liabilities assumed by the Group to minority shareholders of subsidiaries 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, upon partial or full realisation of the business plan of the development project, the Group had liabilities arising from embedded derivatives with regard to the following projects:

in thousands of euros	31.12.2020	31.12.2019	31.12.2018	01.01.2018
Current liabilities arising from embedded derivatives				
Commercial development Järvevana 7b, Tallinn	0	0	1,042	0
Residential development Manufaktuuri 14,16,18,20,22, Tallinn	0	1,065	0	0
Residential development Kadaka Road 141, Ehitajate Road 91/91a Tallinn	448	0	0	0
Residential development Pirita Road 26b, Tallinn	253	0	0	0
Residential development Mõigu Road 11, Rae parish	47	0	0	0
Residential development Valge street 10/10a, Tallinn	274	0	0	0
Total	**1,022**	**1,065**	**1,042**	**0**
Non-current liabilities arising from embedded derivatives				
Residential development Manufaktuuri 14,16,18,20,22, Tallinn	0	0	393	0
Total	**0**	**0**	**393**	**0**

Note 15. Contingent liabilities

15.1 Contingent income tax liability

in thousands of euros	31.12.2020	31.12.2019	31.12.2018	01.01.2018
Retained earnings attributable to owners of the parent	6,237	3,669	2,775	587
Income tax rate in Estonia	25%	25%	25%	25%
Maximum possible dividend payment	4,990	2,935	2,220	470
Contingent income tax liability	**1,247**	**734**	**555**	**117**
Adjustments for income tax liability				
Income tax from dividends declared(+)	59	0	69	0
Total actual income tax liability	1,306	734	624	117
Actual income tax rate	26%	25%	28%	25%

The contingent income tax liability is calculated based on the maximum tax rate of 20/80 calculated from net dividend payment amount , effective from 1 January 2015.

The calculation of the maximum possible dividend payment and income tax liability has taken into account that net dividends and the income tax expense related to their potential payment do not exceed retained earnings attributable to owners of the parent company at the end of the respective reporting period.

Group can pay out dividends which are distributing subsidiary's retained earnings earlier without additional income tax expense as of 31.12.2020: 188 (31.12.2019: 188; 31.12.2018: 50 and 01.01.2018: 50) thousand euros. In 2018-2020, the Group has not used the tax relief which are offered by law.

15.2. Group guarantees given

As of 31 December 2020, the Group has issued financial guarantees for bank loans in the total amount of 2,900 (31.12.2019: 2,997, 31.12.2018: 0, 01.01.2018: 0) thousand euros. Additional terms and conditions for bank loans are provided in (note 30). By the time of the report the Group has not issued any financial guarantees.

15.3 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 31.12.2020 to pay 5,662 (31.12.2019: 2,449, 31.12.2018: 1,966 and 01.01.2018: 616) thousand euros to the minority shareholders upon realisation 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 realisation of the development projects at each reporting date. As of 31 December 2020, the realisation time of contingent liabilities remains between 2021 and 2024.

Note 16. Equity

In accordance with the Articles of Association of Hepsor AS, which was decided as of 09.08.2021 the company's minimum share capital is 3 million euros and maximum share capital 12 million euros. All shares of the company have the same or different nominal value, and the shares with equal nominal values give the owners equal rights. There are no preference shares or share options issued to owners.

It has been decided by the owners on 09.08.2021, based on new Articles of Association of Hepsor AS, that the obligatory statutory reserve will be 300 thousand euros (1/10 of share capital).

In accordance with the Articles of Association of Hepsor OÜ, valid until 14 October 2021, the company did not have an obligatory reserve. A voluntary reserve may be formed based on a shareholders' resolution. In 2017, a voluntary reserve in the amount of 100 thousand euros was formed based on the shareholders' contributions to support the company's growth. In 2018 after the successful realisation of Järvevana 7b development project the reserve was paid back to the owners.

In order to support the company's growth, in 2019 the owners made a monetary contribution 3,214 thousand euros to the company's equity, of which 3,5 thousand euros was to increase share capital and 3,211 thousand euros represented share premium.

	Ownership and voting rights %			
	31.12.2020	**31.12.2019**	**31.12.2018**	**01.01.2018**
Andres Pärloja	32.25	32.25	40.0	40.0
Kristjan Mitt	32.25	32.25	40.0	40.0
Henri Laks	15.6	15.6	20.0	20.0
Lauri Meidla	19.9	19.9	-	-

In 2019 Lauri Meidla entered among the shareholders of Hepsor AS as financial investor.

Transactions with related parties are presented in note 28.

Notes to the Consolidated statement of profit and loss and other comprehensive income

Note 17. Revenue

in thousands of euros	2020	2019	2018
Revenue from sale of real estate	38,475	19,436	31,548
Revenue from project management services	213	93	2
Revenue from rent	66	5	518
Revenue from other services	17	1	0
Total	**38,771**	**19,535**	**32,068**

In 2020, a total of 90% real estate was sold to private clients.

In 2019, the share of the private clients amounted to 45% and 55% were corporates, with the largest client being Lumi Kodud OÜ to whom the Group developed two rental buildings at Manufaktuuri 14 and 16 in the city of Tallinn.

In 2018, the share of the private clients amounted to 51% and the largest corporate client was J7B OÜ to whom the Group developed the office building at Järvevana Road 7b, Tallinn.

Revenue by geographical area

in thousands of euros	2020	2019	2018
Estonia	33,907	19,530	32,068
Latvia	4,864	5	0
Total	**38,771**	**19,535**	**32,068**

In 2020, the first three real estate developments in the city of Riga, Latvia, were completed. Two apartment buildings at Agenskalna 24 and Balozu street 7 and a rental building at Strelnieku 4B.

Note 18. Cost of sales

in thousands of euros	2020	2019	2018
Cost of real estate sold	34,219	17,330	27,820
Personnel expenses (note 20)	205	116	0
Depreciation (note 5)	34	1	0
Other costs	35	0	0
Total	**34,493**	**17,447**	**27,820**

Note 19. Administrative expenses

in thousands of euros	2020	2019	2018
Personnel expenses (note 20)	400	369	289
Depreciation (note 5)	127	130	91
Impairment of goodwill (note 7)	25	65	0
Traveling and transport expenses	55	46	41
Purchased service expenses	60	87	96
Office expenses	49	48	31
Other administrative expenses	72	40	56
Total	**788**	**785**	**604**

Note 20. Personnel expenses

Personnel expenses are allocated to cost of sales and administrative expenses. As of 31 December 2020, the Group employed 14 (31.12.2019 :12 and 31.12.2018: 6) employees.

in thousands of euros	2020	2019	2018
Salaries	466	368	214
Social security and other payroll taxes	139	117	75
Total	**605**	**485**	**289**

There are no special employee benefits, share-based payments or share options granted for the Group employees that includes key personnel. Key personnel includes Management Board Members, Chief Financial Officer and Chief Accountant.

Note 21. Financial income

in thousands of euros	2020	2019	2018
Interest income	108	22	6
Proceeds from sales of subsidiary	691	0	0
Other financial income from subsidiary	118	0	0
Financial income from discounting	0	0	47
Total	**917**	**22**	**53**

In 2020, Group earned financial income from the sale of the shares of Hepsor K141 OÜ and Hepsor Meistri 14 OÜ claim transfer of the minority shareholder in the total sum of 809 thousand euros.

Note 22. Financial expenses

in thousands of euros	2020	2019	2018
Interest expenses	157	248	584
Financial expenses from discounting	11	47	0
Loss from sale of shares of associate	196	0	0
Total	**364**	**295**	**584**

As at 31 .12.2020 changes in interest paid as stated in cash flow statements have been adjusted by loan interest expense, which are capitalised to inventories in the amount of 1,007 (31.12.2019:803; 31.12.2018:655) thousand euros. Information about line items in the consolidated statement of cash flows are presented in note 26.

Note 23. Corporate income tax and deferred income tax

Historically the Group has financed its development activity mainly from retained earnings and dividend payments have been made in minor amounts. In 2018, Arenduspartner OÜ paid dividends in the total amount of 276 thousand euros, of which 138 thousand euros to minority shareholders, and current income tax expense was 69 thousand euros. After 2018, the Group has not collected dividends from its subsidiaries. In 2020, dividends to minority shareholders of Hepsor Kadaka OÜ have been calculated in the amount of 211 thousand euros, with income tax expense amounting to 59 thousand euros. The decision to treat shareholders differently was made by the shareholders in line with articles of association as of 24.03.2021 (note 29). In 2020, the Group's shareholders decided to pay dividends in the amount of 37 thousand euros. Dividends were paid out in January 2021. Any income tax expense on dividend payment did not occur because tax credit was used for the dividend tax paid when distributing subsidiary's retained earnings earlier. The dividend payments were made at the expense of the income taxed dividend received from the subsidiary.

Group Dividend Policy considers Group's growth ambition, capital need for development projects, financial situation, liquidity outlook of the Group and other factors. Based on the forecast for 2021 and 2022 results the dividend payments are not expected to begin as Group development projects in the active pipeline need investments.

The deferred income tax liability is provided by the Group on the profit or loss earned from subsidiaries that have a minority holding, and the distribution of profits has not been agreed in the shareholders' agreement. If the parent company assesses that the dividend will be paid in the foreseeable future, the deferred income tax liability is measured to the extent of the planned dividend payment provided that as at the reporting date. The deferred income tax liability is reduced if the distribution of the profit from the development project has been agreed between the shareholders.

in thousands of euros	2020	2019	2018
Current income tax expense	59	2	69
Deferred income tax expense	60	0	305
Deferred income tax expense reduction (-)	0	-305	-32
Total	**119**	**-303**	**342**

Note 24. Earnings per share

The transformation of Hepsor OÜ into a public limited company after the last balance sheet date 31 December 2020 resulted share capital of 3 million euros and a nominal value of 1 euro per share.

Number of shares of Hepsor AS: 3,000,000 (EUR) /1 (EUR)= 3,000,000 shares.

in thousands of euros	2020	2019	2018
Profit for the year attributable to owners of the parent	2,591	956	1,419
Number of ordinary shares (thousand pcs)	3,000	3,000	3,000
Basic earnings per share	0.86	0.32	0.47
Diluted earnings per share	0.86	0.32	0.47

Earnings per share is calculated when profit for the year attributable to owners of the parent is divided by number of shares.

Share capital is increased to 3,000 thousand euros after the reporting period. After the reporting period the number of shares are changed significantly, calculation for earnings per share is made retroactively using the future number of shares (Note 29).

Note 25. Operating segments

Segment reporting is presented on the basis of consolidated indicators, where all transactions between the Group's companies have been eliminated. Since 2019, the Group is also operating in Latvia, and mainly in the city of Riga.

in thousands of euros	Residential development		Commercial development		Holding companies		Total
2020	Estonia	Latvia	Estonia	Latvia	Estonia	Latvia	
Revenue	33,668	4,693	48	137	191	34	**38,771**
incl. rental income	0	44	17	5	0	0	**66**
Operating profit	3,728	252	377	6	-615	-337	**3,411**
Assets	13,729	5,540	6,014	1,293	3,760	97	**30,433**
Liabilities	10,581	2,942	4,068	424	2,717	182	**20,914**

in thousands of euros	Residential development		Commercial development		Holding companies		Total
2019	Estonia	Latvia	Estonia	Latvia	Estonia	Latvia	
Revenue	17,834	0	1,607	0	89	5	**19,535**
incl. rental income	0	0	5	0	0	0	**5**
Operating profit	1,456	796	-59	-2	-729	-164	**1,298**
Assets at 31.12.2019	22,655	6,765	4,522	827	1,959	259	**36,987**
Liabilities at 31.12.2019	20,995	2,422	1,358	66	5,150	274	**30,265**

in thousands of euros	Residential development		Commercial development		Holding companies		Total
2018	Estonia	Latvia	Estonia	Latvia	Estonia	Latvia	
Revenue	16,883	0	15,183	0	2	0	**32,068**
incl. rental income	22	0	496	0	0	0	**518**
Operating profit	831	0	3,718	0	-687	0	**3,862**
Assets at 31.12.2018	21,704	0	5,709	0	597	0	**28,01**
Liabilities at 31.12.2018	17,962	0	3,309	0	3,837	0	**25,108**

Note 26. Information about line items in the consolidated statement of cash flows

in thousands of euros	2020	2019	2018
Inventories (Note 4)			
Reclassification of cash flows from operating activities to financing activities	1,007	803	655
Decrease (-)/ increase (+) of change inventories balances	8,596	-9,876	768
Change in inventories	**9,603**	**-9,073**	**1,423**
Corporate income tax			
Income tax expense in statement of profit or loss and other comprehensive income	-59	-1	-69
Decrease (-)/ increase (+) of corporate income tax liability	58	0	-13
Corporate income tax paid	**-1**	**-1**	**-82**
Interest paid (Note 21)			
Interest expense in statement of profit or loss and other comprehensive income	-157	-248	-584
Reclassification of cash flows from operating activities to financing activities	-1,007	-803	-655
Decrease (-)/ increase (+) of interest payables	-164	-298	387
Interest paid	**-1,328**	**-1,349**	**-852**
Interest received			
Interest income in statement of profit or loss and other comprehensive income	108	22	6
Decrease (-)/ increase (+) of interest receivables	-25	-16	-2
Interest received	**83**	**6**	**4**

Note 27. Non-controlling interest

As of 31 December 2020, the Group had 12 (31.12.2019: 9 and 31.12.2018: 8) companies witch also had non-controlling holding. The Group also considers a company in which the Group has a 50% holding but to which the

Group provides the project management services for the development of real estate as a company being controlled.

In 2018-2020 the Group has the following subsidiaries with non-controlling interest:

	Non-Controlling interest and voting rights at					
	31.12.2020	**31.12.2019**	**31.12.2018**	**01.01.2018**	**Location**	**Operating area**
Hepsor Bal 9 OÜ	29	29	-	-	Estonia	Holding
Hepsor Bal 9 SIA	29	29	-	-	Latvia	Residential real estate development
Hepsor Kadaka OÜ	49	49	49	-	Estonia	Residential real estate development
Hepsor Peetri OÜ	32	32	-	-	Estonia	Residential real estate development
Hepsor V10 OÜ	50	50	50	-	Estonia	Residential real estate development
Hepsor T2T4 OÜ	50	50	-	-	Estonia	Commercial real estate development
Hepsor P26B OÜ	49	49	-	-	Estonia	Residential real estate development
Hepsor Phoenix 2 OÜ	50	-	-	-	Estonia	Residential real estate development
Hepsor Phoenix 3 OÜ	50	-	-	-	Estonia	Residential real estate development
Hepsor M14 OÜ	49	-	-	-	Estonia	Commercial real estate development
Hepsor 3 Torni OÜ	49	-	-	-	Estonia	Residential real estate development
Hepsor SA2 SIA	49	-	-	-	Latvia	Residential real estate development
Hepsor Meistri 14 OÜ	-	50	50	50	Estonia	Commercial real estate development
Hepsor Phoenix OÜ	-	50	50	50	Estonia	Residential real estate development
Hepsor Lauluväljak OÜ	-	-	16	28	Estonia	Residential real estate development
Järvevana 7B OÜ	-	-	49	49	Estonia	Commercial real estate development
Arenduspartner OÜ	-	-	50	50	Estonia	Holding
Hepsor K78D OÜ	-	-	50	50	Estonia	Commercial real estate development
Hepsor Peterburi 98 OÜ	-	-	-	49	Estonia	Commercial real estate development
Pinered OÜ	-	-	-	48	Estonia	Residential real estate development

Financial information for subsidiaries with non-controlling interest

in thousands of euros	*Project status	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Net profit for the year	Compre-hensive income(-loss)
31.12.2020							**2020**	
Hepsor Bal 9 OÜ	-	29	468	58	466	-27	-16	-16
Hepsor Bal 9 SIA	B	658	0	197	228	233	-1	-1
Hepsor Kadaka OÜ	D	1,119	0	513	0	606	1, 169	1,221
Hepsor Peetri OÜ	C	2,712	0	2,692	0	20	64	17
Hepsor V10 OÜ	D	734	0	274	0	460	820	546
Hepsor T2T4 OÜ	A	1,166	0	72	1,092	2	0	0
Hepsor P26B OÜ	C	3,927	0	3,642	0	285	535	282
Hepsor Phoenix 2 OÜ	A	1,732	0	26	1,707	-1	-3	-3
Hepsor Phoenix 3 OÜ	A	2,801	0	2	2,798	1	0	0
Hepsor M14 OÜ	A	2,214	0	397	1,826	-9	-12	-12
Hepsor 3Torni OÜ	A	36	0	1	33	2	0	0
Hepsor SA2 SIA	A	1,055	0	1	1,077	-23	0	0

In 2020, dividends in the amount of 211 thousand euros were calculated for the Hepsor Kadaka OÜ minority holding.

in thousands of euros	*Project status	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Net profit for the year	Compre-hensive income(-loss)
31.12.2019							**2019**	
Hepsor Bal 9 OÜ	-	3	308	3	319	-11	-14	-14
Hepsor Bal 9 SIA	A	312	0	11	68	233	-4	-4
Hepsor Kadaka OÜ	B	10,21	0	4,781	5,543	-116	-118	-118
Hepsor Peetri OÜ	B	2,052	0	539	1,511	2	0	0
Hepsor V10 OÜ	B	8,57	0	8,656	0	-86	0	0
Hepsor T2T4 OÜ	A	1,032	0	10	1,02	2	0	0
Hepsor P26B OÜ	B	2,148	0	20	2,126	2	0	0
Hepsor Meistri 14 OÜ	A	899	0	89	819	-9	-11	-11
Hepsor Phoenix OÜ	D	1,899	0	1,065	12	822	967	332

in thousands of euros	*Project status	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Net profit for the year	Compre-hensive income(-loss)
31.12.2018							**2018**	
Hepsor Kadaka OÜ	B	3,252	0	222	3,028	2	0	0
Hepsor V10 OÜ	B	2,028	0	55	1,971	2	0	0
Hepsor Meistri 14 OÜ	A	634	0	71	561	2	0	0
Hepsor Phoenix OÜ	D	14,93	0	14,04	394	491	979	538
Hepsor Lauluväljak OÜ	D	1,075	0	1,091	0	-16	7	7
Järvevana 7B OÜ	D	3,931	0	2,844	0	1,087	2,214	1,172
Arenduspartner OÜ	-	314	0	318	0	-4	-12	-12
Hepsor K78D OÜ	A	247	0	245	0	2	0	0

In 2018, Arenduspartner OÜ paid dividends in the total amount of 276 thousand euros, of which 138 thousand euros to minority holding.

Project statuses are classified as following:

A- in the preparation phase
B- under the construction phase
C- partly sold
D- sold out

Note 28. Related parties

The Group considers following parties as related parties:

- key members of the management (supervisory and management board), their close relatives and entities under their control or significant influence;
- shareholders, their family members and all companies and associates directly or indirectly owned by them;

Hepsor AS belongs to Estonian private individuals, information for company owners and transactions to share capital and equity are presented in Note 16.

Balances and loan transactions with related parties

in thousands of euros	31.12.2020	31.12.2019	31.12.2018	01.01.2018
Receivables				
Loans granted (note 8)				
Associated companies				
Opening balance	124	0	0	0
Loan granted	1,247	124	0	0
Loan collected	0	0	0	0
Balance at 31.12	**1,371**	**124**	**0**	**0**
Shareholders and all companies directly or indirectly owned by them				
Opening balance	0	0	34	0
Loan granted	0	0	0	34
Loan collected	0	0	-34	0
Balance at 31.12	**0**	**0**	**0**	**0**
Trade and other receivables				
Associated companies	2	0	0	9
Shareholders and all companies directly or indirectly owned by them	4	119	27	8
Interest receivables				
Associated companies	42	5	0	0
Payables				
Loans and borrowings (note 10)				
Shareholders and all companies directly or indirectly owned by them				
Opening balance	2,930	3,000	3,635	4,181
Loans received	1,240	3,630	1,395	660
Loans repaid	-3,530	-3,700	-2,030	-1,206
Balance at 31.12	**640**	**2,930**	**3,000**	**3,635**
Trade payables				
Shareholders and all companies directly or indirectly owned by them	770	1,148	737	2,119
Interest payables				
Shareholders and all companies directly or indirectly owned by them	2	64	35	40

Purchases and sales of goods and services

in thousands of euros	2020	2019	2018
Sales of goods and services			
Associated companies	160	20	0
Shareholders and all companies directly or indirectly owned by them	173	121	286
Total sales of goods and services	**333**	**141**	**286**
Purchases of goods and services			
Shareholders and all companies directly or indirectly owned by them	17,526	17,131	19,543
Interest income earned			
Associated companies			
Interest earned	37	5	0
Interest received	0	0	0
Shareholders and all companies directly or indirectly owned by them			
Interest earned	1	5	0
Interest received	6	0	0
Interest expenses incurred			
Shareholders and all companies directly or indirectly owned by them			
Accrued interest	154	243	402
Interest paid	204	214	407

In 2020, the remuneration to a member of the Management Board was paid 42 (2019: 45 and 2018: 45) thousand euros. There are no special benefits, share-based payments or share options granted for the member of Management Board.

Note 29. Events after the reporting period

- On August 9th, 2021, the general meeting of shareholders decided to increase the share capital of the company and transform the private limited company (OÜ) into a public limited company (AS). Share capital was decided to increase to 3,000 thousand euros at the expense of share premium (note 16). The Articles of Association of Hepsor AS were approved on 14 October 2021.
- In January 2021, Hepsor AS paid out dividends in the amount of 37 thousand euros (note 23).
- The shareholders of Hepsor AS decided to pledge the shares of Hepsor AS as a collateral for a loan received from LHV Pank AS with the total limit of 4,000 thousand euros with term date three years. Financial covenants in this agreement is loan and equity ratio, measured quarterly.
- In March 2021, the shareholders decided on the merger of Hepsor Finance OÜ and Hepsor Latvia Investments OÜ. The merger was registered in the Commercial Register on 30 March 2021. Both companies belong 100% to the Group, any financial consequence did not occur.
- In 2021, new development companies Tatari 6A Arenduse OÜ and Hepsor Fortuuna OÜ have been established. 20% shares of Tatari 6A Arenduse OÜ were sold to minority holding with nominal value. .
- Hepsor AS acquired a 50% holding in Hepsor V10 OÜ for 1 thousand euros. This resulted in becoming 100% holder of the subsidiary.
- Hepsor AS re-acquired a 49% holding in Hepsor Kadaka OÜ for 1 thousand euros. Development project was successfully completed in 2020 and after the dividend payments and division of the company Hepsor became 100% holder of the subsidiary
- In April 2021, the shareholders decided on the division of Hepsor Finance OÜ to bring the Latvian development companies under a separate company. The division entry was made in the Commercial Register on 6 July 2021. Hepsor AS holds 80% of Hepsor Latvia OÜ. The assets and liabilities were transferred in accordance with the division agreement, no considerable effect to the Group cashflows.
- On 18.08.2021 the owners of Hepsor AS decided to pay dividends in the sum of 151 thousand euros. Income tax expense will not occur as tax credit could be used for the dividend tax (note 23).
- On 09.08.2021 the Group has established one new SPV in Latvia Hepsor RD5 SIA for residential development.
- On 03.09.2021 the Group has established one new SPV in Latvia Hepsor U34 SIA for development of Stock-Officses. Group company Hepsor Latvia OÜ owns 70 % of shares.

- September, 2021 the Group has established one new property development company H&R Residentsid OÜ. The sale-purchase agreement on property at Kadaka Road 197, Tallinn with no detail plan was signed under the law of obligation.

Note 30. Risk management

Due to its activities, the Group is exposed to financial risks such as market risk (including price risk and interest rate risk), credit risk and liquidity risk. Financial risk is the risk that liquidity is insufficient, and the risk of reduced profitability due to a lack of capital or that the price of capital increases. Financial risks usually relate to the following financial instruments: trade receivables, cash and cash equivalents, trade and other payables and borrowings. 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 oversees the management of these risks.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk embodies the potential for both losses and gains and includes price risk and interest rate risk.

Price risk

The Group is exposed to price risk resulting from decline in the market values of the Group's real estate development projects. There can be no guarantee that the Group will be able to execute future disposals at acceptable prices or at prices that are similar or higher than the expected market value of a particular property, especially in the current global pandemic environment. The inability of the Group to sell at acceptable prices could have an unfavourable impact of 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.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing liabilities to the extent they are exposed to general and specific market movements.

Numerous general economic factors cause interest rates to fluctuate. In addition, interest rates are sensitive to international economic and political conditions, the situation in the financial markets and inflation rates. Interest rates on real estate backed loans are also affected by changes in real estate values and overall liquidity in the real estate debt and equity markets.

The Group actively uses external and internal borrowings to finance its real estate development projects in Estonia and Latvia. 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 fixed. Investor loans come with the clause that if the real estate development project closes with the profit the excess profit is distributed between the parties.

The Group finances the following real estate development phases:

- Land acquisition loans
- Real estate development loans provided until completion of construction and obtaining of the usage permit (usually for a term of about two years).
- For rental properties once the property is completed, leased, and meets all ongoing covenants, the construction financing is refinanced with an investment loan repayable gradually with rental income or fully upon sale of the property.

Management constantly monitors the Group's exposure to interest rate risk. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

The Group's bank loans have both fixed and floating interest rates based on Euribor. Bank loans have 0% floor clause as protection against negative Euribor meaning that in case of negative Euribor, Euribor is equalized to zero and the margin of such loans does not decrease.

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.

in thousands of euros	31.12.2020	31.12.2019	31.12.2018	01.01.2018
Fixed rate financial liabilities	13,568	11,901	9,707	13,549
incl. fixed rate bank loan liabilities	2,113	199	0	0
Floating rate bank loan liabilities	2,592	11,538	0	2,351
Total	**16,160**	**23,439**	**9,707**	**15,900**

Interest rate sensitivity

Increases in interest rates could adversely affect the Group's ability to cover interest costs from current cash-flows. The impact to the Group's profit would appear on the realisation year of each particular project.

If Euribor had been 50 basis points higher and all other variables were held constant, the Group's cash-flow need to cover interest costs for the year ended 31 December 2020 would increase by 35 (2019: EUR 18, 2018: 36) thousand euros.

in thousands of euros	31.12.2020	31.12.2019	31.12.2018
Increase by 50 basis points	35	18	36

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 minimise 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.

As at 31.12 the following financial assets were exposed to credit risk:

in thousands of euros	2020	2019	2018	01.01.2018
Cash and cash equivalents	4,207	2,667	5,701	2,319
Trade and other receivables	117	301	112	162
Non-current interest receivables	42	5	0	0
Escrow account	122	0	0	0
Current loan receivables	776	1,120	238	204
Non-current loan receivables	1,371	124	0	0
Total	**6,635**	**4,217**	**6,051**	**2,685**

By the time of completion of the report, all short-term loan receivables had been collected.

As of 31 December, the ageing of trade receivables was the following:

in thousands of euros	2020	2019	2018	01.01.2018
Due date	16	31	82	39
Less than 2 months past due	47	35	26	79
Past due 2-4 months	1	4	1	24
More than 4 months past due	9	4	0	19
Total	**73**	**74**	**109**	**161**

By the time of completion of the report, a total of 13 thousand euros of trade receivables of 31 December 2020 were yet to be collected.

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 amounts included in the following table for financial guarantee contracts are the maximum amount the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is unlikely that such amounts will be payable under the arrangement. Refinancing risk is managed by monitoring the liquidity position, analysing different financing options on an ongoing basis and negotiating with financing parties throughout the financing period.

The contractual maturity is based on the earliest date on which the Group may be required to pay.

As at 31 December 2020, the Group had the following bank loans:

Lender	Country	Loan balance	Contract term	Loan limit	Interest per annum	Collateral	Cost value of the collateral	Group guarantee given
Swedbank AS	Estonia	460	2021	3,800	6m euribor+5.85%	Mortgage- Mõigu Road 11, Rae parish	2,061	1,900
LHV Pank AS	Estonia	847	2022	3,237	6m euribor+6%	Mortgage- Pirita Road 26b, Tallinn	3,088	-
LHV Pank AS	Estonia	1,285	2022	1,300	euribor+8%	Mortgage- Lembitu st. 4, Tallinn	2,733	-
Bigbank AS	Latvia	2,113	2024	2,500	8.20%	Commercial pledge; Mortgage- Streilneiku st. 4b, Riga	4,147	1,000

As at 31 December 2019, the Group had the following bank loans:

Lender	Country	Loan balance	Contract term	Loan limit	Interest per annum	Collateral	Cost value of the collateral	Group guarantee given
LHV Pank AS	Estonia	2,436	2020	2,890	euribor+5.75%	Mortgage- Kadaka Road 141, Ehitajate Road 91/91a, Tallinn	9,348	-
LHV Pank AS	Estonia	5,123	2020	5,650	euribor+6%	Mortgage- Valge st. 10/10e, Tallinn	8,058	-
LHV Pank AS	Estonia	2,274	2021	3,000	euribor+6%	Mortgage- Kadaka Road141, Ehitajate Road 91/91a, Tallinn	9,348	-
Citadele bank	Latvia	837	2021	1,132	6m euribor+5%	Mortgage-Agenskalna st.24, Riga	2,424	1,132
Citadele Bank	Latvia	868	2021	865	6m euribor+5%	Mortgage- Balozu st.7, Riga	1,893	865
Bigbank AS	Latvia	199	2021	2,250	8.20%	Commercial pledge; Mortgage- Streilnieiku st. 4, Riga	1,787	1,000

As at 31 December 2018, the Group had the following bank loans:

Lender	Country	Loan balance	Contract term	Loan limit	Interest per annum	Collateral	Cost value of the collateral	Group guarantee given
SEB Pank AS	Estonia	2,954	2022	4,700	6m euribor+2.75%	Mortgage-Järvevana Road 7b/7g/7h, Tallinn	6 ,180	-
LHV pank AS	Estonia	2,643	2019	4,320	euribor+4.95%	Mortgage-Mäe 2/2a/2b, Tallinn	5,060	-
LHV pank AS	Estonia	1,457	2019	1,500	euribor+5%	Mortgage- Mooni 75, Tallinn	2,267	-

Group subsidiaries were in line with financial covenants agreed in the loan agreements as of 31.12.2020, 31.12.2019, 31.12.2018 and 01.01.2018. Information on loans and borrowings are presented on note 10.

Capital Management

Hepsor AS considers borrowings and total equity as capital. As of 31 December 2020, the total equity attributable to equity owners of the parent was 21,848 (2019: 28,221, 2018: 6,970) thousand euros.

The Group finances its operations with both debt and equity capital. For designing the optimal financing structure and evaluating the risks, the Group monitors its equity to assets ratio. As at 31.12.2020 equity was 31.1% (31.12.2019: 18.6%, 31.12.2018: 10.3%, 01.01.2018: 7,4%) of total assets.

The Group's net debt at 31.12.2020 was 12,394 (31.12.2019: 21,335, 31.12.2018: 4,092, 01.01.2018: 13,658) thousand euros.

The net assets of some of the Group's subsidiaries have to meet the loan covenants agreed with credit institutions. Group companies were in line with agreed covenants in loan agreements as of 31.12.2020, 31.12.2019, 31.12.2018 and 01.01.2018.

Covid-19

The impact of the coronavirus COVID-19 is being felt by all businesses around the world. Therefore, the continuing spread of the coronavirus COVID-19 may have an adverse long-term impact on markets where the Group operates. The velocity of change coming out of the pandemic is generating new forms of financial and operational risks arising from inflation, capacity constraints, and supply-chain disruptions. The Group may suffer from the following adverse financial impacts due to coronavirus COVID-19:

- the Group's access to financing, increase in cost of financing and the resulting impact on the Group's financial performance;
- growing unemployment and limited access to bank financing by potential customers, which would lead to a decreased demand for new property developments;

disruptions in construction and reduced sales can have implications on the Group's working capital and could lead to a breach of a debt covenant resulting in the liability becoming current;

supply-chain disruptions leading to delays in ready to sell new property developments and therefore having adverse impact on servicing Group's loan obligations.

The extent of the adverse impact of the pandemic on the global economy and markets is currently subject to great uncertainty and will depend, in part, on the length and severity of the measures taken to limit the spread of the virus and, in part, on the size and effectiveness of the compensating measures taken by governments.

The effects of coronavirus COVID-19 on the Group's financial results have remained modest.

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01 November 2021

To the Management Board of Hepsor AS
Independent Auditor's Report on the consolidated special-purpose financial statements

Our opinion

In our opinion, the consolidated special-purpose financial statements included in the Prospectus present fairly, for the purpose of the Prospectus, in all material respects, the consolidated financial position of Hepsor AS and its subsidiaries (together as the "Group") as of 31 December 2020, 31 December 2019 and 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

What we have audited

The Group's consolidated special-purpose financial statements included in the Prospectus (the "consolidated special-purpose financial statements") comprise:

- the consolidated statements of financial position as at 31 December 2020, 31 December 2019 and 31 December 2018;
- the consolidated statements of profit or loss and comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

The consolidated special-purpose financial statements have been prepared by Hepsor AS for inclusion in the Prospectus, in accordance with the Annex 1 item 18.1 to the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 (hereinafter called “Delegated Regulation 2019/980”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (EE). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated special-purpose financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (including Independence Standards) (IESBA Code) and the ethical requirements of the Auditors Activities Act of the Republic of Estonia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Auditors Activities Act of the Republic of Estonia.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group, if any, are in accordance with the applicable law and regulations in the Republic of Estonia and that we have not provided non-audit services that are prohibited under § 59^1 of the Auditors Activities Act of the Republic of Estonia.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated special-purpose financial statements. In particular, we considered where the Management Board made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated special-purpose financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to impact the economic decisions of users taken based on the consolidated special-purpose financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated special-purpose financial statements as whole.

Overall group materiality	396 thousand Euros
How we determined it	10% of profit before CIT for financial year ended on 31 December 2020
Rationale for the materiality benchmark applied	• We applied profit before corporate income tax as this is commonly applied benchmark balance for audits of entities that are listed or being listed in stock exchange. The benchmark balance is adequately indicative of producing the periodical results of financial performance to be accumulated in net assets of the group representing financial interests of current and potential shareholders of the group. • We chose 10%, which is consistent with quantitative materiality thresholds used for this benchmark.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated special-purpose financial statements. These matters were addressed in the context of our audit of the consolidated special-purpose financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Grant Thornton

Key audit matters	How our audit addressed the key audit matters
Valuation of inventories	
(Disclosure in the consolidated special-purpose financial statements is made in Note 1 Accounting Policies subsection 1.12 Inventories for description of recognition and measurement principles and subsection 1.19 for fair value, Note 4 Inventories, Note 30 Risk Management.) Inventories encompass finished real estate development projects when the permit for use has been granted and or work in progress real estate development projects. As of 31 December 2020, the balance of inventories amounts to 22,903 thousand euros (31.12.2019: 31,499 thousand; 31.12.2018: 21,623 thousand) comprising residential and commercial properties that are either finished or are in progress. Inventories are stated at the lower of cost and net realisable value. With property prices, especially those of residential property, following the economic cycle and exhibiting substantial fluctuation over time, net realisable value of the inventory of finished and unfinished apartments and property for resale needs to be carefully monitored against the carrying amount. Should the net realisable value of a property fall below its carrying amount, a write-down to net realisable value is necessary. Determining the net realisable value of property requires estimates of the expected selling price and may require estimates of the cost to complete the development of the property. Due to the magnitude and related estimation uncertainty, valuation of inventory of finished and unfinished properties is considered a key audit matter.	We assessed the management's expertise to perform valuation of property. The management is experienced in property valuation and the outcomes of completed development projects have usually met the profitability estimates. We evaluated the model prepared by the management for determining the net realisable value and identifying any necessary write-down. We performed testing of the inputs used in the valuation model. Our work targeted individual properties on our assessment of the risk, based on the location, carrying amount and any specific conditions related to a property. For inputs based on estimates, we assessed the reasonableness of the inputs by comparing them with historical data from completed projects and available market information. Where available, we compared the estimated sales prices with comparable market transactions. It was evident from our work that sufficient attention had been paid to each property's individual characteristics including their realisability, geographic location and relevant legal or contractual obligations. We also assessed the appropriateness of disclosures provided in respect of net realisable value of inventory, including their fair value.

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated special-purpose financial statements as whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In order to achieve this objective, based on the size and risk characteristics, we performed a full scope audit of the financial information for the following entities within the Group. At the Group level we tested the consolidation process and performed additional analytical procedures over the components in scope to confirm our conclusion that no material misstatements exist that may affect the consolidated special-purpose financial statements. Information describing the structure of the Group is included in Note 7 Shares in subsidiaries of the consolidated special-purpose financial statements.

Responsibilities of the Management Board and those charged with governance for the consolidated special-purpose financial statements

The Management Board of Hepsor AS is responsible for the preparation and fair presentation of the consolidated special-purpose financial statements in accordance with International Financial Reporting Standards as adopted in the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated special-purpose financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated special-purpose financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated special-purpose financial statements as whole are free from material misstatement, whether due to fraud or error, and to issue, for the purposes of the Prospectus, an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing

(EE) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated special-purpose financial statements.

As part of an audit in accordance with International Standards on Auditing (EE), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated special-purpose financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated special-purpose financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated special-purpose financial statements, including the disclosures, and whether the consolidated special-purpose financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated special-purpose financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated special-purpose financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Declaration

For the purpose of Annex 1 item 1.2 to the Delegated Regulation 2019/980, we accept responsibility for this auditor's report, constituting a part of the Prospectus, and declare that we have applied due diligence in order to ensure that the information contained in the auditor's report is, to our best knowledge, true, fair and consistent with the actual state, and that nothing was omitted that might affect its significance. This declaration has been included in this Prospectus in accordance with the requirements of Annex 1 item 1.2 to the Delegated Regulation 2019/980.

Report on other legal and regulatory requirements

Appointment and period of our audit engagement

We were first appointed as auditors of Hepsor AS on 17 December 2019 for the financial year ended 31 December 2019. The total period of our uninterrupted engagement appointment for Hepsor AS is two (2) years.

Yours sincerely,

/signed digitally/
Mart Nõmper
Certified Auditor No. 499
Grant Thornton Baltic OÜ

hepsor

6 months consolidated unaudited interim report, 2021

Company name:	Hepsor AS
Registry number:	12099216
Address:	Järvevana Road 7b, 10112 Tallinn, Republic of Estonia
E-mail:	info@hepsor.ee
Telephone:	+372 660 9009
Website:	www.hepsor.ee
Reporting period:	01.01.2021-30.06.2021
Auditor:	Grant Thornton Baltic OÜ

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01

Commentary from management

Residential property market continued to grow during the first half of 2021 despite the still critical Covid-19 situation in the beginning of the year both in Estonia and Latvia, our home markets. The demand for new homes is continuing to grow and we have been able to offer an attractive residential portfolio to meet the strong demand in a competitive market situation.

In 2021 our core focus has been on preparing the new development projects for the next few years. As at 30 June 2021 we have 21 projects under development in different phases including 94,000 sqm of sellable residential property and 48,000 sqm of commercial space. For comparison, over the course of 10 years we have developed around 100,000 sqm of commercial and residential real estate.

Even though the global supply chain challenges have greatly impacted the prices of construction materials, the prices of residential property have increased even faster, driven mostly by strong demand. Therefore, the profitability of new development projects has not suffered.

Revenue generation of property development business depends on where in the development phase the company is with specific projects. Projects we start today will generate revenue only once they are completed in several years. Depending on the size and level of complexity the process can take between two and five years. In most cases the projects are completed somewhere in between the two. As a result, there may be periods when no projects are completed and other periods when several projects are completed at the same time. For us 2021 is a year when very few projects are completed. Therefore, the drop in revenues and profitability was due to less homes available for sale during the first half of 2021 compared to the same period a year ago. However, our pipeline remains strong and we expect the market demand for new homes to grow. During the second half of 2021 we will complete the second phase of Lauluväljaku Lilleaed with 64 homes. In 2022 we will add 172 new homes and complete two office buildings in Tallinn one of which is fully covered with rental agreements.

While we have been operating in Estonia for 11 years, we also look to expand our presence in Latvian market. We first entered the Latvian market in 2017 and have been operating there as a Group since 2019. Over the years we have delivered 100 new homes to customers in Riga area. Our first rental housing project with 50 apartments was completed in 2020. In 2021 we launched two new projects, which will provide another 134 new homes to the market in 2022 and 2023. In the third quarter this year we will also start the construction of a new stock-office type of commercial premises in Riga with expected completion in the fourth quarter of 2022. Majority of the leasable area is already covered with rental agreements.

Many of our development projects are based on innovative green engineering solutions, which are often unique in Estonia. We always try to be one step ahead of the market.

02

General information

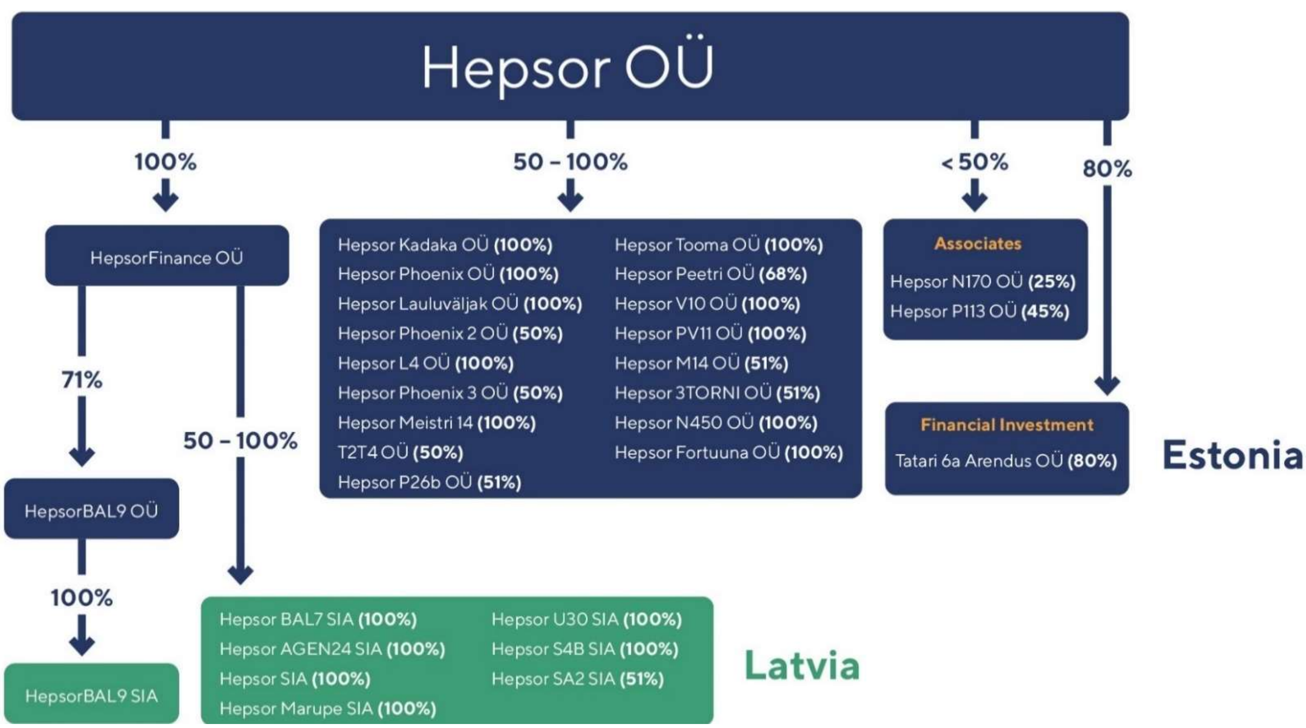
Hepsor AS (hereinafter referred to as “the Group” or “Hepsor”), a property development company based on Estonian capital, has operations in Estonia and Latvia. The Group entered Latvian market in 2017 and has been operating under the same consolidating group since 2019. Over the course of 10 years the Group has developed around 100,000 sqm of commercial and residential real estate and developed more than 1,300 homes.

Hepsor is among top 5 property developers in Estonia delivering some 200-300 new homes to customers every year. The Group actively promotes and executes green technologies and engineering solutions.

Group structure and changes to structure

As of 30 June 2021, the Group was comprised of parent company, 27 subsidiaries (30 June 2020: parent company and 29 subsidiaries) and 2 (30 June 2020: 1) associated companies.

Group structure as of 30 June 2021



03
Main events

During the first six months of 2021 the Group has established one (30 June 2020: 3) new property development company, Hepsor Fortuuna OÜ, and acquired one property development project at Tatari 6a for developing a 70-unit apartment building with commercial space. The Group holds 80% of Tatari 6a Arenduse OÜ. According to the shareholder agreement the Group is committed to sell its stake to the minority shareholder before the completion of the project. Therefore, according to the management, the Group does not have control over Tatari 6a Arenduse OÜ.

In March 2021, the shareholders decided on the merger of Hepsor Finance OÜ and Hepsor Latvia Investments OÜ. The merger was registered in the Commercial Register on 30 March 2021. Both companies belong 100% to the Group, any financial consequence did not occur.

In April 2021, the shareholders decided on the division of Hepsor Finance OÜ to bring several Latvian development companies under a control of separate company. The division entry was made in the Commercial Register on 6 July 2021. Hepsor AS holds 80% of Hepsor Latvia OÜ. The assets and liabilities were transferred in accordance with the division agreement and there is no considerable effect to the Group cashflows.

In the beginning of 2021, the Group acquired a 49% stake in Hepsor Kadaka OÜ and 50% stake in Hepsor V10 increasing the holding in both companies to 100%.

During the first half of 2021 the Group completed two projects – Peetri Pargimajad with 43 homes and first phase of Lauluväljaku Lilleaed with 35 homes.

04

Economic environment

The surge of Covid-19 in 2020 impacted the countries and industries all around the world. After years of economic growth Estonian GDP dropped 2.9% in 2020. Since then the Estonian economy has recovered from covid-19 related crisis with surprising speed despite the slower than expected vaccination rate. Different institutions are predicting 6-8% GDP growth for the year 2021. According to Statistics Estonia the economic growth reached 5.4% in Q1 2020 and 12.9% in Q2, year-on-year. The recovery is influenced by large pay-outs from the pension system which will start boosting the consumption from Q3 2021. Full year 2021 inflation rate could be over 3%, partly because of the low comparison rate in 2020. Unemployment rate was 6.8% in 2020 and is forecasted to decrease in the next years.

Latvia's economy shrank by 3.6% in 2020 and 1.3% in Q1 2021. The decline was followed by 11.1% in Q2 2021, year-on-year clearly indicating that the economy is recovering from Covid-19 related shock. Bank of Latvia is predicting a 5.4% GDP growth for the full year 2021. While inflation was 0.1% in 2020 the 2021 inflation expectation by Bank of Latvia is 2.8% due to increasing prices globally. Unemployment rate has improved, however there is high pressure on salaries increase (over 7% yearly).

Estonian real estate sector. First half of 2021 was very active for the residential real-estate market in Tallinn. Year-on-year the transactions increased by 35% mostly due to a drastic drop in the second quarter of 2020 resulting from the uncertainty caused by the spread of Covid-19 pandemic. Based on Estonian Land Board statistics the total number of sales and purchase transactions for apartments in H1 2021 was 5,265 in Tallinn (3,877 in 2020). The average price per sqm for apartments increased by 8% year-on-year. Demand is strong for different reasons, including stronger macroeconomic forecasts, improving unemployment rate, higher saving rate, expected pay-out from pension fund, continuing favourable financing conditions and stable interest rates, and a slight decrease in the number of new development projects.

Development in the Tallinn office market has been active in recent years and there is over 140,000 m2 (16 projects) under construction as at first six months of 2021. Vacancy in office segment is ca 8-9% and rent levels have been stable with stable outlook. Demand is influenced by the increasing usage of home offices and tenants are looking for flexible solutions.

Industrial real estate development is also active including development of large new built-to-suit premises as well as new stock-office premises. Due to demand rental levels have remained unchanged and vacancy has slightly decreased. Industrial and warehouse premises' yields have decreased the most and have the potential to decrease further in light of favourable market conditions.

Latvian real estate sector. In 2020, ca 2,210 transactions with new and renovated apartments were made in the Riga region. The total number of residential real estate transactions was ca 9.5% lower compared to 2019, while the number of transactions for new apartments increased by 14% compared to year 2019. Average sqm price dropped by 1% compared to 2019, but average price of new development projects did not change year-on-year. The transaction activity in the Riga region recovered by the end of the year.

Vacancy rates in office premises are high in Riga where the market still continues to absorb new office space. Vacancy is expected to remain high during 2021 as a number of new office buildings will be coming to the market. Rent levels are slightly lower in Riga compared with Tallinn.

There was ca 120,000 m2 of industrial real estate development projects under construction in H1 2021 in the Riga region, where the overall demand has been rather low since COVID-19 restrictions. Rent rate outlook is stable and average vacancy low in the market. However slight upward pressure on rent rates could be seen for new developments due to rising construction costs. Regardless of the above, the industrial and warehouse assets remain to be in the highest investor demand

05

Operating results

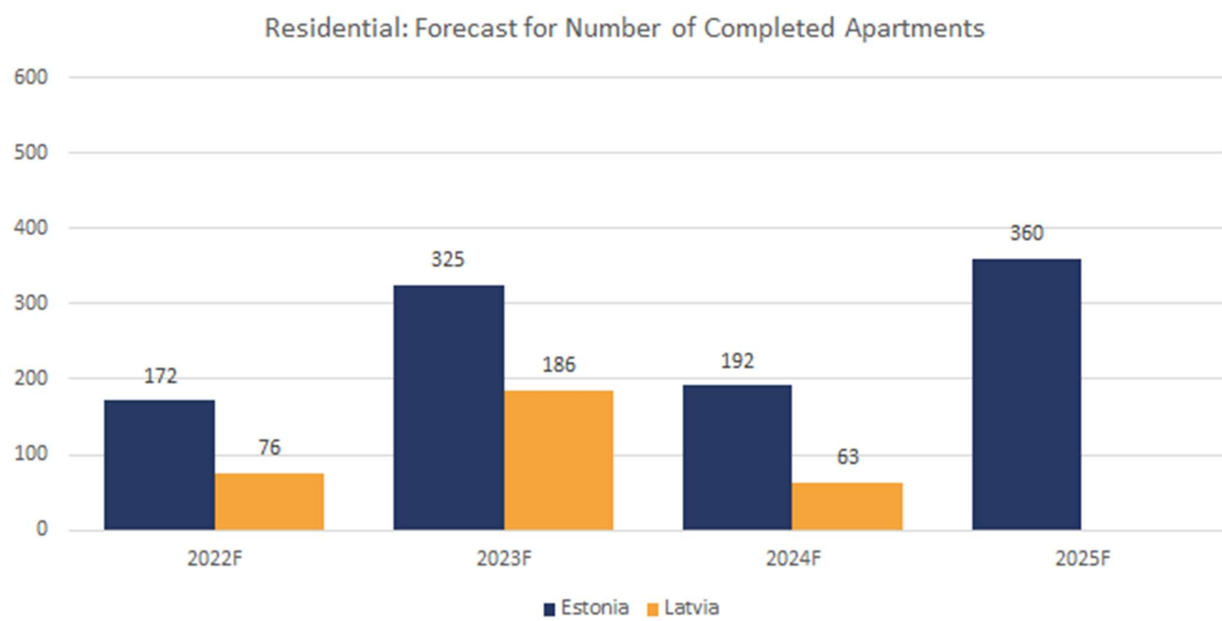
Revenues for January-June 2021 amounted to 3.9 million euros (January-June 2020: 17.2 million euros). Revenue generation of property development business depends on where in the development phase the company is with specific projects. Depending on the size and level of complexity the full development cycle of the projects can take between 2 and 5 years. The lower revenues were attributable to limited completed projects and therefore fewer homes were available for customers. During the first six months the Group sold its available stock of 18 homes (January-June 2020: 146). During the second half of the year the Group will add another 64 homes available for sale in Estonia. In 2020 the Group sold a total of 272 homes while in 2021 the total will amount to 84 homes in Estonia.

In Latvia the Group sold 2 homes during January-June 2021 (2020: 14). During the second half of the year the Group will add another 52 homes in Riga area as the apartments of the rental housing project will be available for sale due to the demand for new homes. Rent income in the amount of 106 thousand euros (2020: 0) in Latvia was gained from rental housing project. As of 30 June 2021, 90% of the rental housing was covered with contracts.

Revenue by region:

In thousands of euros	6M 2021	6M 2020	Change %
Estonia	3,465	15,719	-78.0
Latvia	409	1,489	-72.6
Total	**3,874**	**17,208**	**-77.5**

In 2021 the Group focused largely on preparation of new and completing existing development projects. As at 30 June 2021 total new and existing residential development projects amount to 1,490 new homes of which 1,113 will be in Estonia and 377 in Latvia. These new homes will be available for sale in 2022-2025 except for 64, which will be available already in 2021, and include also 146 homes developed by the Group's associated companies and where the Group provides project management services.



Profitability

The operating profit of the Group for six months 2021 amounted to 178 thousand euros (January-June 2020: 1.3 million euros). The Group generates profit from sale of completed projects, ie. new homes available for sale to customers or developed projects available for rent. Therefore, the drop in profitability is directly attributable to lower revenues as only two of the ongoing projects is in completion phase in 2021. The operating profit margin decreased from 7.5% in 6 months 2020 to 4.6% in six months 2021 due to higher marketing and personnel expenses compared with revenues.

The Group's net profit dropped from 1 million euros in six months 2020 to 34 thousand euros in six months 2021. Similarly to operating profit the Group's net profit is impacted by lower revenue base.

Inventories

The Group's inventories are comprised of projects in progress. As at 30 June 2021 the inventories amounted to 33.1 million euros (30 June 2020: 31.8 million euros), ie. 21 projects in different phases of completion as at 30 June 2021.

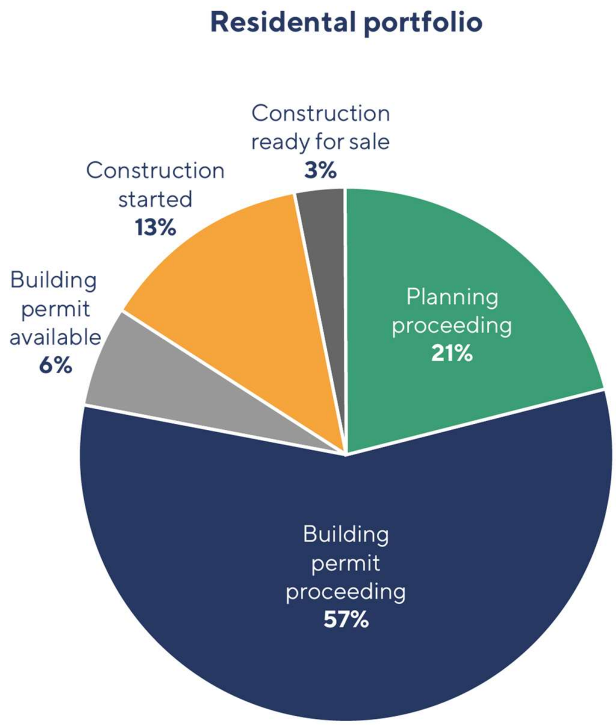
Key ratios

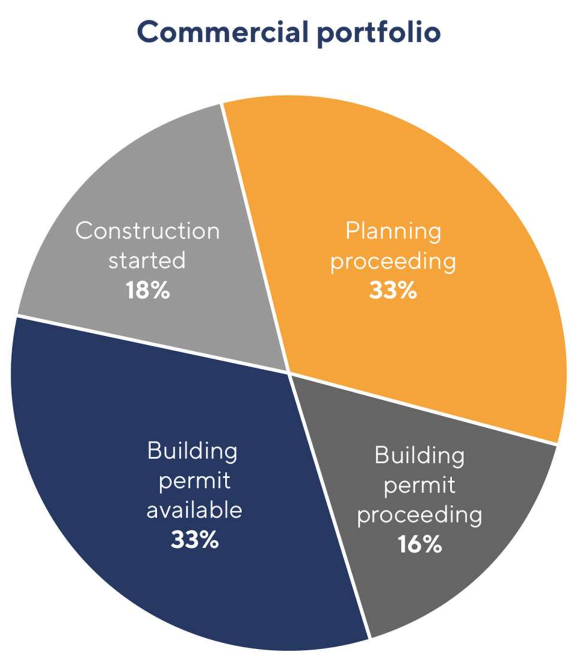
%	6M 2021	6M 2020	2020
Gross profit margin	18.1	9.8	11.0
Operating profit margin	4.6	7.5	8.8
EBITDA margin	6.7	7.9	9.2
Net profit margin	0.9	5.8	9.9
General expense ratio	14.7	2.4	2.4
Equity ratio	25.1	20.2	31.3
Debt ratio	63.4	65.0	54.5
Current ratio	4.6	2.7	3.5
Return on equity	39.4	27.5	47.3
Return of assets	7.8	4.9	11.0

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

Overview of development projects

As at 30 June 2021 the Group managed 21 (30 June 2020: 20) active development projects.





The Group completed the following projects during the six months of 2021:

Peetri Pargimajad project in Harju county, Rae parish, Mõigu Road 11. Out of the 43 homes 25 were sold already in 2020 and 18 during the first half of 2021.

Lauluväljaku Lilleaed phase I project in Tallinn, Pirita Road 26b. Out of the 35 homes 33 were sold already in 2020 and remaining 2 homes during the first half of 2021.

As at 30 June 2021 a rental housing project for 52 apartments and commercial space in Riga, Latvia at Strelnieku 4b and 1 home at Agenskalna 24 were available for sale.

The Group continued with the development of following residential projects:

Lauluväljaku Lilleaed

During the second half of 2021 phase II of 64 homes will be completed at Pirita Road 26b. Out of 64 homes 62 were pre-booked as at 30 June 2021.

Priisle Kodu

The 11-story apartment building for 72 homes at Priisle 1, Tallinn is expected to be completed in the second quarter 2022. As at 30 June 2021 63 homes have been pre-booked. The commercial space of 1,500 sqm is leased to Selver, one of the largest Estonian supermarket chains.

Paevälja Hoovimajad

In the fourth quarter 2022 two apartment buildings for 96 homes will be completed at Paevälja 11 and Lageloo 7, Tallinn. As at 30 June 2021 29 homes have been pre-booked.

Manufactory Quarter

The group started with the development of one of its largest residential projects at Manufaktuuri 7, Tallinn in 2020. The project includes two apartment buildings for 154 homes and 2,460 sqm of commercial space. The construction is expected to start in the third quarter of 2022. In addition, the Group renovates the existing facilities of Baltic Manufactory and adds another 236 homes and 5,540 sqm of commercial space once completed.

Balozu 9

In Latvia the Group started with the construction of 18-apartment building in Riga Balozu 9 in the beginning of 2021. The construction is expected to be completed by the beginning of 2022. As at 30 June 2021 16 homes were pre-booked.

Kuldigas Park

The construction of two apartment buildings for 116 homes in total will start at Kuldigas 45, Riga in the third quarter 2021. The sale of these homes is expected in 2023.

The following commercial projects were continued in 2021:

Office building P113

The green office building at Pärnu Road 113, Tallinn with total leasable area of 3,843 sqm will be completed in the second quarter 2022 and is already fully covered with lease agreements.

Grüne Office

The office building at Meistri 14, Tallinn with total leasable area of 3,642 sqm will be completed in the end of 2021

Business quarter at Peterburi Road

Office and warehouse storage property development project at Tooma 2/4, Tallinn has been granted a construction permit. The size of the developed property can be up to 10,000 sqm and the construction could be completed in 2022/2023 depending on when the terms would be agreed with a potential tenant.

StockOffice U30

Construction of stock-office at Ulbrokas 30, Riga will start in the second half of 2021 and is expected to be completed by fourth quarter 2022. Out of 3,645 sqm 72% of leasable area is covered with lease agreements.

06

Personnel

As of 30 June 2021, the Group employed 16 (30 June 2020: 14, 31 December 2020: 14) employees.

	30.06.2021	30.06.2020	31.12.2020
Estonia	9	8	9
Latvia	7	6	5
Total	**16**	**14**	**14**

Total personnel expenses for January – June 2021 amounted to 342 thousand euros (30 June 2020: 292 thousand euros), an increase of 17% year-on-year.

As of 30 June 2021, no member of the management bodies and employees have been issued share options.

07

Share and shareholders

The transformation of Hepsor OÜ into AS (limited liability company) has been decided by the owners. Based on new Articles of Association of Hepsor AS the obligatory reserve will be 300 thousand euros (1/10 of share capital).

The shareholders of Hepsor AS are the following Estonian private individuals:

	Ownership and voting rights %		
	30.06.2021	**30.06.2020**	**31.12.2020**
Andres Pärloja	33.25	32.25	32.25
Kristjan Mitt	33.25	32.25	32.25
Henri Laks	16.6	15.6	15.6
Lauri Meidla	16.9	19.9	19.9

The Group does not have a fixed dividend policy or a fixed pay-out ratio from the annual profits. However, the shareholders of the Group may decide to pay dividends or fix a longer-term dividend policy in the future should the Group not be able to reinvest its annual profits with a sufficient return on equity from the underlying business activities.

In January 2021, Hepsor AS paid out 37 thousand euros as dividends for the first time during the operations. Additionally, Hepsor AS is intending to pay out another 151 thousand euros in dividends. The payment represents dividends received from subsidiaries but not paid. Income tax expense will not occur as tax credit could be used for the dividend tax.

08

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 oversees the management of these risks.

Strategic risk

The Group's strategic risks are risks that can significantly impact the execution of our business strategies and our ability to achieve our objectives. Such risks are impacted by changes in market demand and 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 movements in order to adjust its strategy when significant changes occur.

Business risk

Business risks include operational and commercial risks, which can have negative impact on financial performance or reputation of the Group. The examples of such risks include the inability of the Group to find suitable land plots and real estate projects and inability of Group's contractors to perform in accordance with agreed terms. In managing such risks the Group is conducting in-depth due diligence and implementing mitigation actions and controls.

Market risks

The Group is exposed to price risk resulting from decline in the market values of the Group's real estate development projects. There can be no guarantee that the Group will be able to execute future disposals at acceptable prices or at prices that are similar or higher than the expected market value of a particular property, especially in the current global pandemic environment. The inability of the Group to sell at acceptable prices could have an unfavourable impact of 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 and Latvia. 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 fixed. Investor loans come with the clause that if the real estate development project closes with the profit the excess profit is distributed between the parties.

Management constantly monitors the Group's exposure to interest rate risk. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

The Group's bank loans have both fixed and floating interest rates based on Euribor. Bank loans have 0% floor clause as protection against negative Euribor meaning that in case of negative Euribor, Euribor is equalized to zero and the margin of such loans does not decrease.

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 minimise 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. Refinancing risk is managed by monitoring the liquidity position, analysing different financing options on an ongoing basis and negotiating with financing parties throughout the financing period.

Covid-19

The impact of the coronavirus COVID-19 is being felt by all businesses around the world. Therefore, the continuing spread of the coronavirus COVID-19 may have an adverse long-term impact on markets where the Group operates. The velocity of change coming out of the pandemic is generating new forms of financial and operational risks arising from inflation, capacity constraints, and supply-chain disruptions. The extent of the adverse impact of the pandemic on the global economy and markets is currently subject to great uncertainty and will depend, in part, on the length and severity of the measures taken to limit the spread of the virus and, in part, on the size and effectiveness of the compensating measures taken by governments.

09

Management Board's confirmation

The Management Board confirms that the six-month interim unaudited report, 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 describe the significant risks and uncertainties the Group faces.

Henri Laks

Member of the Management Board

Tallinn, 20 October 2021

Consolidated Financial Statements

Consolidated statement of financial position

in thousands of euros	Note	30.06.2021	30.06.2020	31.12.2020
Assets				
Current assets				
Cash and cash equivalents		1,277	2,362	4,207
Trade and other receivables	3	636	1,099	574
Current loan receivables	5	256	60	776
Inventories	2	33,084	31,800	22,903
Total current assets		35,253	35,321	28,460
Non-current assets				
Property, plant and equipment		410	575	492
Investments in associates	4	0	1	2
Financial investment		2	0	0
Non-current loan receivables	5	1,970	148	1,371
Other non-current receivables		99	76	108
Total non-current assets		2,481	800	1,973
Total assets		37,734	36,121	30,433
Liabilities and equity				
Current liabilities				
Loans and borrowings	6	4,393	7,800	4,038
Current lease liabilities		72	66	174
Prepayments from customers		1,238	2,300	769
Trade and other payables	7	1,967	2,583	3,082
Deferred income tax liability	10	0	154	0
Total current liabilities		7,670	12,903	8,063
Non-current liabilities				
Loans and borrowings	6	19,169	15,173	12,122
Non-current lease liabilities		284	429	267
Other non-current liabilities	8	1,080	321	402
Deferred income tax liability	10	73	0	60
Total non-current liabilities		20,606	15,923	12,851
Total liabilities		28,276	28,826	20,914
Equity				
Share capital		6	6	6
Share premium		3,211	3,211	3,211
Retained earnings		6,241	4,078	6,302
Total equity		9,458	7,295	9,519
incl. total equity attributable to owners of the parent		9,370	7,353	9,454
incl. non-controlling interest		88	-58	65
Total liabilities and equity		37,734	36,121	30,433

Consolidated statement of profit and loss and other comprehensive income

in thousands of euros	Note	6M 2021	6M 2020	12M 2020
Revenue	12,16	3,874	17,208	38,771
Cost of sales (-)	13	-3,171	-15,528	-34,493
Gross profit		703	1,680	4 278
Marketing expenses (-)		-100	-40	-93
Administrative expenses (-)	14	-417	-372	-788
Other operating income		43	28	51
Other operating expenses (-)		-51	-5	-37
Operating profit of the year	16	178	1,291	3 ,411
Financial income		76	15	917
interest income		55	15	108
profit on the sale of a subsidiary		0	0	809
other financial income		21	0	0
Financial expenses (-)	15	-191	-149	-364
interest expenses (-)		-170	-149	-157
loss from associate (-)	4	-2	0	0
other financial expenses (-)		-19	0	-207
Profit before tax		63	1,157	3,964
Current income tax		-16	0	-59
Deferred income tax	10	-13	-154	-60
Net profit for the year		34	1,003	3,845
Attributable to owners of the parent		-84	461	2,591
Non-controlling interest		118	542	1,254
Other comprehensive income (loss)				
Changes related to change of ownership		0	-26	-14
Disposal of subsidiaries		0	0	0
Acquisition of a subsidiaries		0	0	0
Change in value of embedded derivatives with minority shareholders		-31	-429	-1,022
Business combination between related parties		0	25	25
Other comprehensive income for the period		3	573	2,834
Attributable to owners of the parent		-84	467	2,605
Non-controlling interest		87	106	229
Earnings per share				
Basic (euros per share)		-0.02	0.16	0.86
Diluted (euros per share)		-0.02	0.16	0.86

Consolidated statement of changes in equity

in thousands of euros	Attributable to equity owners of the parent				
	Share capital	Share premium	Retained earnings	Non-controlling interests	Total equity
31.12.2020	6	3,211	6,237	65	9,519
Other comprehensive income for the period	0	0	-84	87	3
Dividends paid	0	0	0	-64	-64
30.06.2021	6	3,211	6,153	88	9,458
31.12.2019	6	3,211	3,669	-164	6,722
Other comprehensive income for the period	0	0	467	106	573
30.06.2020	6	3,211	4,136	-58	7,295

In May 2021 Hepsor Peetri OÜ paid dividends to minority shareholders in the amount of 64 thousand euros.

Consolidated statement of cash flows

in thousands of euros	Note	6M 2021	6M 2020	2020
Net cash flows from (to) operating activities				
Operating profit of the year		178	1,291	3,411
Adjustments for:				
Depreciation of property, plant and equipment		82	75	161
Loss from write off of goodwill		0	25	25
Income tax paid		-75	-1	-1
Changes in working capital:				
Change in trade receivables		1	-278	253
Change in inventories	2	-9,340	456	9,603
Change in liabilities and prepayments		286	-655	-1,905
Cash flows from (to) operating activities		-8,868	913	11,547
Net cash flows to investing activities				
Payments for property, plant and equipment		0	0	-3
Payments of for acquisition of financial investment		-2	0	0
Proceeds from sale of subsidiaries		0	0	819
Proceeds from sale of associates		0	0	1
Interest received		22	17	83
Loans granted	5	-799	-149	-2,108
Loan repayments received	5	0	130	150
Cash flows to investing activities		-779	-2	-1,058
Net cash flows from (to) financing activities				
Loans raised	6	11,530	14,094	22,634
Loan repayments	6	-4,128	-14,560	-29,913
Interest paid	15	-478	-682	-1,328
Payments of finance lease principal		-19	-3	-7
Payments of right to use lease liabilities		-67	-65	-115
Dividends paid		-102	0	0
Other receipts from financing activities		-19	0	-196
Cash flows from financing activities		6,717	-1,216	-8,925
Net cash flow		-2,930	-305	1,564
Cash and cash equivalents at beginning of year		4,207	2,667	2,667
Cash outflow from disposal of subsidiaries		0	0	-24
Increase / decrease in cash and cash equivalents		-2,930	-305	1,564
Cash and cash equivalents at end of year		1,277	2,362	4,207

Notes to the consolidated interim financial statements

Note 1. General information

The Hepsor AS (hereinafter "the Group") consolidated interim financial statements for 6 months 2021 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 financial statements follow the same accounting principles and methods used in the 2020 audited financial statements. The current interim financial statements contain the audited financial results for 2020 and unaudited comparative figures for 6 months 2020.

The Group has not made any changes in their critical accounting estimates which may have impact on the consolidated unaudited interim financial statements for 6 months 2021.

The Group has not made any changes in the valuation techniques applied for fair value measurement in six months to 30 June 2021.

Note 2. Inventories

in thousands of euros			30.06.2021		30.06.2020		31.12.2020	
	Location	Segment	Acquisition cost	Project status	Acquisition cost	Project status	Acquisition cost	Project status
Work in progress								
Mõigu Road 11, Rae	Estonia	Residential	0	-	3,378	D	2,061	E
Pirita Road 26b, Tallinn	Estonia	Residential	5,711	D	4,326	D	3,088	D
Paevälja 11, Tallinn	Estonia	Residential	1,984	B	0	-	1,956	A
Valge 10/10a, Tallinn	Estonia	Residential	0	-	465	E	0	-
Kadaka Road 141, Ehitajate Road 91/91a, Tallinn	Estonia	Residential	0	-	7,455	D	0	-
Paldiski mnt 227c, Tallinn	Estonia	Residential	2,368	C	0	-	0	-
Narva mnt 150, Tallinn	Estonia	Residential/ commercial	3,586	A	0	-	0	-
Manufaktuuri 5, Tallinn	Estonia	Residential/ commercial	3,040	B	2,684	A	2,764	A
Manufaktuuri 7, Tallinn	Estonia	Residential/ commercial	2,057	B	1,493	A	1,673	A
Tooma 2/Tooma 4 Tallinn	Estonia	Commercial	1,123	C	1,052	C	1,088	C
Lembitu 4, Tallinn	Estonia	Commercial	2,826	C	0	-	2,733	C
Meistri 14, Tallinn	Estonia	Commercial	3,293	D	860	B	1,145	D
Pärnu Road 113, Tallinn	Estonia	Commercial	0	-	1,822	A	0	-
Agenskana 24, Riga	Latvia	Residential	0	-	2,152	E	0	-
Balozu 7, Riga	Latvia	Residential	0	-	1,047	E	0	-
Balozu street 9, Riga	Latvia	Residential	821	D	275	A	419	B
Saules alley 2, Riga	Latvia	Residential	1,045	B	1,028	A	1,043	A
Liela 45, Marupe	Latvia	Residential	510	B	13	A	14	A
Strelnieku 4b, Riga	Latvia	Residential/ commercial	0		3,217	D	0	
Ulbrokas 30, Riga	Latvia	Commercial	524	B	450	A	471	A
-other properties	Estonia		22	-	61	-	39	-
-other properties	Latvia		2	-	2	-	2	-
Total work in progress			28,912		31,780		18,496	
Finished real estate development								
Agenskalna 24, Riga	Latvia	Residential	112	E	0	-	257	E
Strelnieku 4b, Riga	Latvia	Residential	4,044	E	0	-	4,134	E
Manufaktuuri 22, Tallinn (parking spaces)	Estonia	Residential	16	E	20	E	16	E
Total finished real estate development			4,172		20		4,407	
Total inventories			33,084		31,800		22,903	

Project statuses are classified as following:

in thousands of euros	30.06.2021	30.06.2020	31.12.2020
A- planning proceedings	3,610	7,828	7,962
B- building permit proceedings	9,160	860	419
C-building permit available	6,317	1,052	3,821
D-construction started	9,825	18,376	6,294
E-construction ready for sale	4,172	3,684	4,407
Total inventories	33,084	31,800	22,903

As at 30.06.2021, 1 apartment at Agenskana street development project and 52 apartments at Strelnieku street development project were available for sale.

In 2020, the Group sold its 55% stake in Hepsor P113 OÜ, company developing Pärnu Road 113 project. Hepsor P113 is accounted as an associated company using equity method starting from third quarter 2020.

As at 30 June 2021 changes in inventories as stated in cash flow statements have been adjusted by loan interest expense, which are capitalised in the amount of 840 thousand euros (30 June 2020: 756 thousand euros; 31 December 2020: 1,007 thousand euros). Further information about financial expenses is provided in Note 15.

Note 3. Trade and other receivables

in thousands of euros	30.06.2021	30.06.2020	31.12.2020
Trade receivables	66	669	73
Allowance for doubtful receivables	-4	0	0
Net trade receivables	62	669	73
Prepayments			
Tax prepayment	268	192	329
Value added tax	268	192	329
Other prepayments for goods and services	179	231	48
Total prepayments	447	423	377
Other current receivables			
Interest receivables	0	7	2
Escrow account	0	0	122
Other current receivables	127	0	0
Other current receivables	127	7	124
Total trade receivables	636	1,099	574

Note 4. Shares of associates

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

	Ownership and voting rights %		
	30.06.2021	30.06.2020	31.12.2020
Hepsor P113 OÜ	45	-	45
Hepsor N170 OÜ	25	25	25

In August 2020 the Group sold 55% stake in its subsidiary Hepsor P113 OÜ.

Financial information about associates

in thousands of euros	30.06.2021		30.06.2020	30.12.2020	
	Hepsor P113 OÜ	Hepsor N170 OÜ	Hepsor N170 OÜ	Hepsor P113 OÜ	Hepsor N170 OÜ
Current assets					
Cash and cash equivalents	78	203	120	316	133
Trade receivables	74	29	10	53	5
Inventories	4,290	2,576	942	2,689	1,171
Total current assets	4,442	2,808	1,072	3,058	1,309
Total assets	4,442	2,808	2,144	3,058	1,309
Current liabilities					
Trade and other payables	619	1,098	120	326	357
Total current liabilities	619	1,098	120	326	357
Non-current liabilities					
Loans and borrowings	3,867	1,779	950	2,718	950
Other non-current liabilities	12	0	0	12	0
Total non-current liabilities	3,879	1,779	950	2,73	950
Total liabilities	4,498	2,877	1,070	3,056	1,307
Total equity	-56	-69	2	2	2
Total liabilities and equity	4,442	2,808	1,072	3,058	1,309

As of 30.06.2021, the Group had contractual commitment to finance Hepsor P113 OÜ office building development at Pärnu Road 113, Tallinn in the total amount of 3,149 thousand euros, of which the Group had fulfilled 1,740 thousand euros (30 June 2020: -, 31 December 2020: 1,223 thousand euros), and the development of Hepsor N170 commercial and apartment building at Narva Road 170, Tallinn in the total amount of 340 thousand euros, of which the Group had fulfilled 227 thousand euros (30June 2020: 148 thousand euros, 31 December 2020: 148 thousand euros).

Note 5. Loans granted

In September 2020, the shareholders of Hepsor V10 OÜ approved the resolution of division of the company, based on which Hepsor V10 transferred assets (loan receivable) to minority shareholder in the amount of 274 thousand euros.

In December 2020, the shareholders of Hepsor Kadaka OÜ approved the resolution of division of the company, based on which Hepsor Kadaka OÜ transferred assets to minority shareholders in the amount of 448 thousand euros. Of this, 446 thousand euros as loan receivable.

In November 2019, the shareholders of Hepsor Phoenix OÜ approved the resolution of division of the company, based on which Hepsor Phoenix OÜ transferred assets to minority shareholder in the amount of 1,077 thousand euros. Of this, 1,055 thousand euros as loan receivable.

in thousands of euros	Owner of non-controlling interest	Unrelated legal entities	Associates	Related legal entities	Total
2021					
Loan balance as at 31.12.2020					
– current portion	720	56	0	0	776
– non-current portion	0	0	1,371	0	1,371
Total loan balance as at 31.12.2020	720	56	1,371	0	2,147
Loan granted	29	171	599	0	799
Division of subsidiary	-720	0	0	0	-720
Loan balance as at 30.06.2021	29	227	1,970	0	2,226
-current portion	29	227	0	0	256
-non-current portion	0	0	1,970	0	1,970
contractual interest rate per annum	0%	0%	7%	0	
2020					
Loan balance as at 31.12.2019					
current portion	1,055	65	0	0	1,120
non-current portion	0	0	124	0	124
Total loan balance as at 31.12.2019	1,055	65	124	0	1,244
Loan granted	40	65	24	20	149
Division of subsidiary	-1,055	0	0	0	-1,055
Loan collected	0	-130	0	0	-130
Loan balance as at 30.06.2020	40	0	148	20	208
-current portion	40	0	0	20	60
-non-current portion	0	0	148	0	148
contractual interest rate per annum	0-3%	0%	7%	12%	

Note 6. Loans and borrowings

in thousands of euros	Bank loans	Unrelated legal entities and individuals	Related legal entities	Total
2021				
Balance as at 31.12.2020				
- current loan payable	1,308	2,230	500	4,038
- non-current loan payable	3,397	8,585	140	12,122
Total loan balance as at 31.12.2020	4,705	10,815	640	16,160
Received	6,430	5,100	0	11,530
Repaid	-2,754	-1,374	0	-4,128
Loan balance as at 30.06.2021	8,381	14,541	640	23,562
- current loan payable	3,222	671	500	4,393
- non-current loan payable	5,159	13,870	140	19,169
contractual interest rate per annum	EU6+5.85%-8%; 8.2%	0-24%	3-12%	
2020				
Loan balance as at 31.12.2019				
- current loan payable	7,559	2,446	400	10,405
- non-current loan payable	4,178	6,326	2,530	13,034
Total loan balance as at 31.12.2019	11,737	8,772	2,930	23,439
Received	8,253	5,241	600	14,094
Repaid	-10,543	-2,142	-1,875	-14,560
Loan balance as at 30.06.2020	9,447	11,871	1,655	22,973
- current loan payable	4,322	1,878	1,600	7,800
- non-current loan payable	5,125	9,948	100	15,173
contractual interest rate per annum	EU6+5%-6%; 8.2%	0-15%	12%	

Substantial part of interest expenses are interest expenses on financing the development projects. Interest costs which are related with property development projects are 100% capitalised and added to the inventories acquisition costs. During the reporting period the Group has capitalized borrowing costs in the amount of 840 thousand euros (at 30 June 2020: 756 thousand euros, 31 December 2020: 1,007 thousand euros).

The shareholders of Hepsor AS decided to pledge the shares of Hepsor AS as a collateral for a loan received from LHV Pank AS with the total limit of 4,000 thousand euros with term date in three years. Financial covenants in this agreement are loan and equity ratio, measured quarterly.

Note 7. Trade and other payables

in thousands of euros	30.06.2021	30.06.2020	31.12.2020
Trade payables	1,376	981	831
Taxes payable			
Value added tax	62	318	743
Corporate income tax	0	0	58
Personal income tax	6	6	11
Social security tax	12	15	20
Other taxes	20	8	3
Total taxes payable	100	347	835
Accrued expenses			
Payables to employees	81	64	76
Interest payable	28	643	174
Other accrued expenses	30	22	83
Total accrued expenses	139	729	333
Other current payables			
Dividend payables	0	0	37
Embedded derivatives (note 9)	332	429	1,022
Other payables	20	97	24
Total other current payables	352	526	1,083
Total trade and other payables	1,967	2,583	3,082

Note 8. Other non-current liabilities

in thousands of euros	30.06.2020	30.06.2020	31.12.2020
Non-current interest payables	1,068	308	390
Other non-current payables	12	12	12
Total other non-current liabilities	1,080	320	402

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, upon partial or full realisation of the business plan of the development project, the Group had liabilities arising from embedded derivatives with regard to the following projects:

in thousands of euros	30.06.2021	30.06.2020	31.12.2020
Current liabilities arising from embedded derivatives			
Residential development Kadaka Road 141, Ehitajate 91/91a Road Tallinn	0	155	448
Residential development Pirita Road 26b, Tallinn	295	0	253
Residential development Mõigu Road 11, Rae parish	37	0	47
Residential development Valge street 10/10a, Tallinn	0	274	274
Total	332	429	1,022

In September 2020, the shareholders of Hepsor V10 OÜ approved the resolution of division of the company, based on which Hepsor V10 transferred assets to minority shareholder in the amount of 274 thousand euros.

In December 2020, the shareholders of Hepsor Kadaka OÜ approved the resolution of division of the company, based on which Hepsor Kadaka transferred assets to minority shareholder in the amount of 448 thousand euros.

Note 10. Deferred Income tax

The deferred income tax liability is provided by the Group on the profit or loss earned from subsidiaries that have a minority holding, and the distribution of profits has not been agreed in the shareholders' agreement. If the parent company assesses that the dividend will be paid in the foreseeable future, the deferred income tax liability is measured to the extent of the planned dividend payment provided that as at the reporting date. The deferred income tax liability is reduced if the distribution of the profit from the development project has been agreed between the shareholders.

in thousands of euros	30.06.2021	30.06.2020	31.12.2020
Balance at 01.01	60	0	0
Deferred income tax expense	13	154	60
Balance at the end of reporting period	73	154	60
- current deferred income tax liability	0	154	0
- non-current deferred income tax liability	73	0	60

Note 11. Contingent liabilities

11.1. Group guarantees given

As of 30 June 2020, the Group has not issued financial guarantees for bank loans (30 June 2020: 4,897 thousand euros; 31 December 2020: 2,900 thousand euros).

11.2 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 June 2021 to pay 5,622 thousand euros (30 June 2020: 2,782 thousand euros; 31. December 2020: 5,662 thousand euros) to the minority shareholders upon realisation 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 realisation of the development projects at each reporting date. As of 31 December 2020, the realisation time of contingent liabilities remains between 2021 and 2024.

Note 12. Revenue

in thousands of euros	6 M 2021	6 M 2020	2020
Revenue from sale of real estate	3,597	17,174	38,475
Revenue from project management services	103	29	213
Revenue from rent	147	0	66
Revenue from other services	27	5	17
Total	3,874	17,208	38,771

Note 13. Cost of sales

in thousands of euros	6 M 2021	6 M 2020	2020
Cost of real estate sold	3,044	15,363	34,219
Personnel expenses	94	131	205
Depreciation	24	14	34
Other costs	9	20	35
Total	3,171	15,528	34,493

Note 14. Administrative expenses

in thousands of euros	6M 2021	6M 2020	2020
Personnel expenses	227	161	400
Depreciation	63	63	127
Impairment of goodwill	0	25	25
Traveling and transport expenses	13	17	55
Purchased service expenses	77	47	60
Office expenses	17	27	49
Other administrative expenses	20	32	72
Total	417	372	788

Note 15. Financial expenses

in thousands of euros	6 M 2021	6 M 2020	2020
Interest expenses	170	149	157
Loss from associates of equity method (note ....)	2	0	0
Financial expenses from discounting	0	0	11
Other financial expenses	19	0	0
Loss from sale of shares of associate	0	0	196
Total	191	149	364

During the first six months of 2021 borrowing costs in the amount of 840 thousand euros (6M 2020: 756 thousand euros; 2020: 1,007 thousand euros) have been capitalised as the cost of inventories.

Information about line item in the consolidated statement of cash flows

in thousands of euros	30.06.2021	30.06.2020	31.12.2020
Interest paid			
Interest expense in statement of profit or loss and other comprehensive income	-170	-149	-157
Reclassification of cash flows from operating activities to financing activities	-840	-756	-1,007
Decrease (-)/ increase (+) of interest payables	532	223	-164
Interest paid	-478	-682	-1,328

Note 16. Operating segments

A segment is a distinguishable component of the Group, which generates revenues and incurs expenditures. 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

Revenues generated by headquarters are gained 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 and Latvia.

Revenue by geographical area

in thousands of euros	6M 2021	6M 2020	2020
Estonia	3,465	15,719	33,907
Latvia	409	1,489	4,864
Total	3,874	17,208	38,771

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

in thousands of euros	Residential development		Commercial development		Headquarters		Total
6M 2021	Estonia	Latvia	Estonia	Latvia	Estonia	Latvia	
Revenue	3,323	390	39	13	103	6	3,874
incl. revenue from rent	0	106	28	13	0	0	147
Operating profit	687	63	-11	12	-391	-182	178
Assets	20,147	5,962	9,298	1,438	671	218	37,734
Incl non-current assets	251	0	1,818	0	288	124	2,481
Liabilities	16,325	3,331	3,844	513	4,085	178	28,276

in thousands of euros	Residential development		Commercial development		Headquarters		Total
6M 2020	Estonia	Latvia	Estonia	Latvia	Estonia	Latvia	
Revenue	15,678	1,488	13	0	28	1	17,208
incl. revenue from rent	0	0	0	0	0	0	0
Operating profit	1,683	146	3	0	-341	-200	1,291
Assets	22,526	7,944	3,759	1,098	579	215	36,121
incl non-current assets	158	65	0	0	407	170	800
Liabilities	19,342	3,299	1,402	312	4,261	210	28,826

Note 17. Related parties

The Group considers following parties as related parties:

- key members of the management (supervisory and management board), their close relatives and entities under their control or significant influence;
- shareholders, their family members and all companies and associates directly or indirectly owned by them.

Balances and loan transactions with related parties

in thousands of euros	30.06.2021	30.06.2020	31.12.2020
Receivables			
Loans granted (note 5)			
Associated companies			
Opening balance	1371	124	124
Loan granted	599	24	1,247
Balance at the end of period	1,970	148	1,371
Shareholders and all companies directly or indirectly owned by them			
Loan granted	0	20	0
Balance at the end of period	0	20	0
Trade and other receivables			
Associated companies	12	0	2
Shareholders and all companies directly or indirectly owned by them	1	7	4
Interest receivables			
Associated companies	99	10	42
Payables			
Loans and borrowings (note 6)			
Shareholders and all companies directly or indirectly owned by them			
Opening balance	640	2,930	2,930
Loans received	0	600	1,240
Loans repaid	0	-1,875	-3,530
Balance at the end of period	640	1,655	640
Trade payables			
Shareholders and all companies directly or indirectly owned by them	1,331	907	770
Interest payables			
Shareholders and all companies directly or indirectly owned by them	12	101	2

Purchases and sales of goods and services

in thousands of euros	6M 2021	6M 2020	12M 2020
Sales of goods and services			
Associated companies	80	19	160
Shareholders and all companies directly or indirectly owned by them	25	25	173
Total sales of goods and services	105	44	333
Purchases of goods and services			
Shareholders and all companies directly or indirectly owned by them	5,417	9,139	17,526
Interest income earned			
Associated companies			
Interest earned	56	4	37
Shareholders and all companies directly or indirectly owned by them			
Interest earned	0	1	1
Interest received	0	0	6
Interest expenses incurred			
Shareholders and all companies directly or indirectly owned by them			
Accrued interest	17	135	154
Interest paid	8	83	204

In six months 2021, the remuneration to a member of the Management Board was paid 21 thousand euros (6M 2020: 21 thousand euros and 12M 2020: 42 thousand euros). There are no special benefits, share-based payments or share options granted for the member of Management Board.

Note 18. Events after the reporting period

- On 9 August 2021, the General Meeting of Shareholders decided to increase the share capital of the company and transform the private limited company (OÜ) into a public limited company (AS). Share capital was decided to increase to 3,000 thousand euros at the expense of share premium (note 16). The Articles of Association of Hepsor AS were approved on 14 October 2021.
- On 18 August 2021, the owners of Hepsor AS decided to pay dividends in the amount of 151 thousand euros. Income tax expense will not occur as tax credit could be used for the dividend tax.
- On 09 August 2021, the Group has established one new SPV in Latvia, Hepsor RD5 SIA, for residential development.
- On 03 September 2021, the Group has established one new SPV in Latvia, Hepsor U34 SIA, for development of Stock-Offices. Group company Hepsor Latvia OÜ owns 70 % of shares.
- In September 2021 the Group has established one new property development company H&R Residentsid OÜ. The sale-purchase agreement on property at Kadaka Road 197, Tallinn with no detail plan was signed under the law of obligation.