hepsor

2021 audited consolidated annual report

Corporate name:	Hepsor AS
Commercial Register No:	12099216
Address:	Järvevana tee 7b, 10112 Tallinn
E-mail:	info@hepsor.ee
Telephone:	+372 660 9009
Website:	www.hepsor.ee
Reporting period:	01 January 2021-31 December 2021
Financial year:	01 January 2021-31 December 2021
Supervisory Board:	Andres Pärloja, Kristjan Mitt, Lauri Meidla
Management Board:	Henri Laks
Auditor:	Grant Thornton Baltic OÜ

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

Translation of the company's consolidated financial statements in pdf-format without European Single Electronic Format (ESEF) markups. The original document is submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange and digitally signed (Link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100082306/reports)

Contents

Management report

AUDITED REVENUES AND NET PROFIT FOR 2021

15 MEUR	1.7 MEUR	-0.02 MEUR
CONSOLIDATED REVENUES	CONSOLIDATED NET PROFIT	CONSOLIDATED NET PROFIT ATTRIBUTABLE TO OWNERS OF PARENT

REVENUE AND NET PROFIT FORECAST FOR 2022

28 MEUR	3.3 MEUR	3.1 MEUR
CONSOLIDATED REVENUES	CONSOLIDATED NET PROFIT	CONSOLIDATED NET PROFIT ATTRIBUTABLE TO OWNERS OF PARENT

NEW ACQUIRED DEVELOPMENT PROJECTS (31 DEC 2020 vs 11 APR 2022)

	New develoment volume, m²	New revenues, m€	Included in consolidated revenues	Profit share
Narva mnt 150, Tallinn	14,434	29	yes	100%
Alvari 2, Paevälja 9, Tallinn	5,889	14	yes	100%
Kadaka tee 197, Tallinn	5,800	14	yes	50%
Ulbrokas 34, Riia	8,373	14	yes	56%
Ranka Dambis 5, Riia	2,127	5	yes	80%
Alvari 1, Tallinn	2,844	8	yes	100%
Braila 23, Riia	6,000	11	yes	40%
Ganibu Dambis 17a, Riia	20,500	33	yes	80%
Tatari 6a, Tallinn	3,499	16	no	0%

ASSUMPTIONS FOR 2022 FORECAST

Project	Assumption
Strelnieku 4b	all apartments sold
Priisle Kodu	all apartments and commercial premises sold
Balozu 9	all apartments sold
Paevälja Hoovimajad	I phase construction completed and all I phase apartments sold
P113 office building	Sold or revalued to fair value using DCF method
Meistri 14 office building	Sold or revalued to fair value using DCF method
Ulbrokas 30 stock-office	Sold or revalued to fair value using DCF method

CHANGE IN PIPELINE (31 DEC 2020 vs 11 APR 2022)

19 PROJECTS → (+ 9 projects, - 2 projects) → 26 PROJECTS

113,000 m² → (+ 70,000 m², - 6,000 m²) → 177,000 m²

LONG-TERM OUTLOOK: PROFITABILITY AND EQUITY TARGETS

RETURN ON EQUITY*

20%

100 MEUR

ACCUMULATED EQUITY BY 2030

* Average long-term ROE

LONG-TERM OUTLOOK: REVENUE POTENTIAL OF DEVELOPMENT PROJECTS (31 DEC 2020 vs 11 APR 2022)

In the beginning of period	During the period	At the end of period
249 MEUR (79%)	Sold (-) 14 MEUR Acquired (+) 144 MEUR	379 MEUR (82%)

- Total revenue of all projects managed by Hepsor, including unconsolidated revenues from associated companies.
- Indicates the share of project revenues in future consolidated revenues.

DEVELOPMENT PROJECTS FOR SALE AND UNDER CONSTRUCTION (31 DEC 2020 vs 11 APR 2022)

RESIDENTIAL DEVELOPMENT PROJECTS FOR SALE	Total number of apartments	New sales	Apartments sold	Apartments sold %	Apartments available
Strelnieku 4b	54	17	18	33%	36
Balozu 9	18	18	18	100%	0
Paevälja Hoovimajad	96	71	71	74%	25
Priisle Kodu	76	58	76	100%	0
Kuldigas Parks	116	33	33	28%	83
Marupes Darzs	92	31	31	34%	61
Total	**452**	**228**	**247**	**55%**	**205**

COMMERCIAL DEVELOPMENT PROJECTS AVAILABLE	Total rentable area m²	Occupancy m²	Occupancy %	Vacancy m²
Priisle 1a retail premises	1,487	1,487	100%	0
Ulbrokas 30 stock-office	3,645	3,645	100%	0
Büroo113 office building	3,843	3,843	100%	0
Grüne office building	3,597	1,931	54%	1,666
Total	**12,572**	**10,906**	**87%**	**1,666**

DEVELOPMENT PROJECTS UNDER CONSTRUCTION

Started in 2021	Total under construction	To be started in 2022
212 apartments 3,645 m² commercial area	306 apartments 12,572 m² commercial area	383 apartments 16,250 m² commercial area

Hepsor AS consolidated sales revenue for the 2021 financial year amounted to 15 million euros and its net profit was 1.7 million euros (including 0.02 million euros loss attributable to the owners of the parent). We forecast a turnover of 28 million euros in 2022 and a profit of 3.3 million euros (including 3.1 million euros attributable to the owners of the parent).

The company's financial result in 2021 was lower than in 2020, mainly due to the cyclical nature of the business. The development cycle of projects lasts 24 to 36 months and sales revenue is only generated at the end of this cycle. Therefore, more projects may end in one year than in another, and in 2021 fewer than usual projects became ready for sale. The results of 2021 were also affected by the one-time cost of approximately 0.2 million euros related to the public offering of shares.

Due to the cyclical nature of the business, Hepsor may also in the future experience financial years with fluctuating financial results, despite of strong development portfolio and good profitability of the projects. The financial results may be weaker or stronger compared with the previous or subsequent financial year. Therefore, the management analyses the company's long-term financial results using three-year average financial data as a benchmark for neutralising the cyclicality.

The average profit for 2019–2021 is 2.3 million euros (including 1.18 million euros attributable to the owners of the parent) and the average return on equity of 31% (with the return on equity owned by the owners of parent being 17%). Calculating the average based on two historical years and the current year (the financial results for 2020 and 2021 and projected financial results for 2022), the average profit is 2.96 million euros (including 1.88 million euros attributable to the owners of the parent), with the average return on equity owned by the owners of parent being 17%

The company has set a target of 100 million euros in equity by 2030. To this end, the average annual return on capital should be around 20%. When assessing the return on capital in the coming years, it should be borne in mind that the additional capital raised through the public offering at the end of 2021 will be invested in projects in the first half of 2022, and it will have an effect on the financial results in about 24 months (this calculation is also affected by the length of the development cycle).

In addition to the return on capital, we also constantly monitor the dynamics of our development portfolio, including whether and to what extent we are able to acquire new projects and how high the turnover potential of the projects is in the company's development portfolio. In this respect, there is reason to be satisfied with 2021. At the beginning of the year, we estimated the turnover potential of all outstanding projects at 249 million euros; however, by the end of the year this figure had risen to 379 million euros from which consolidated will be ca 82%. We acquired nine new development projects (five in Estonia and four in Latvia), adding almost 70,000 square metres of new development volume. At the same time, our portfolio is not concentrated into a few individual projects; instead, it is divided between a large number of projects in terms of location and purpose (residential v. commercial). While we had 19 different projects at the beginning of 2021, that number had grown to 26 by the end of the year. We consider the composition of our portfolio to be very good.

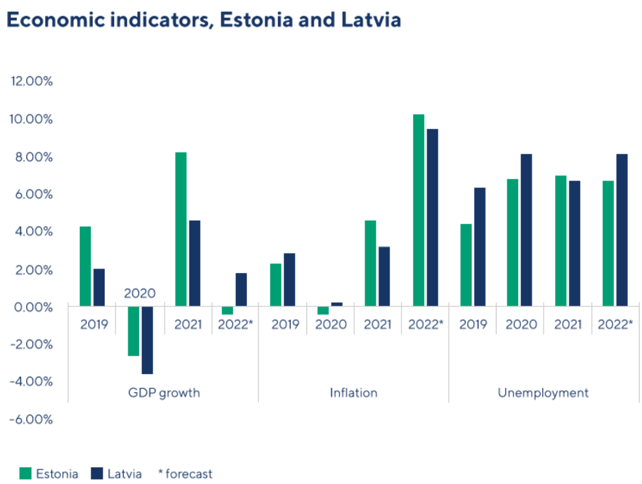
Green issues and environmentally-friendly engineering solutions have always been very close to our hearts. We have been developing our green office building brand since our first years of operation. Two new office buildings under this brand will be completed this year: Grüne Maja and Büroo 113. In the case of the latter, we can use green solutions (geothermal heating and cooling, rainwater use, energy-efficient architecture, excellent indoor climate, solar energy, etc.) for the first time in a city centre high-rise. Prospective tenants have had a keen interest in both of the projects, and we hope that both buildings will be fully leased in the course of 2022.

In conclusion, the management is satisfied with the 2021 financial year. A good foundation has been laid for our growth in the coming periods, we have a strong portfolio, our team is motivated and we have thousands of new shareholders on board.

Operating environment

Economic environment. According to Statistics Estonia, the Estonian economy grew by 8.3% in 2021 compared to the same period a year ago, when the economy shrank due to the Covid-19 pandemic. Prices increased by 4.6% year-on-year and even by 12.2% in December compared to the same period in 2020. According to the Bank of Estonia, the registered unemployment rate in 2021 was 6.9%.

According to Statistics Latvia, the Latvian economy grew by 4.6% in 2021. Inflation in Latvia was 3.2% in 2021 and 7.9% in December 2021, mainly due to high energy prices. The registered unemployment rate in Latvia in 2021 was 6.7%.



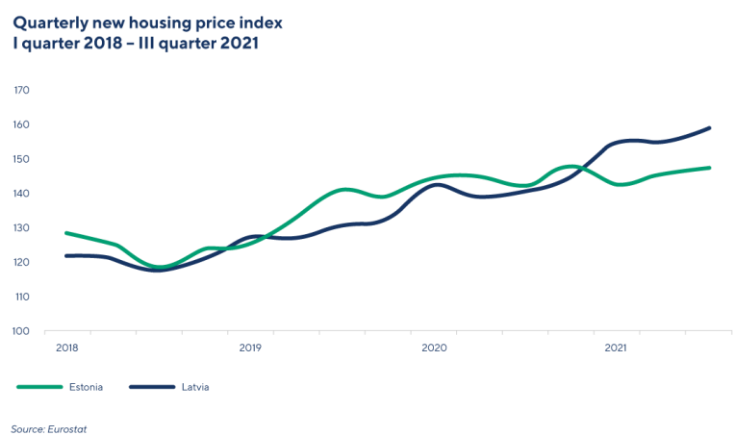
Both, the Estonian and Latvian central banks are cautious in their forecasts for 2022, as commodity prices and the resolution of supply chain problems will largely depend on the direction of the war in Ukraine and the extent of sanctions. While the impact of the halt in trade can be assessed fairly accurately, it is much more difficult to assess the impact of hostilities on production, consumption and investment.

The Bank of Estonia forecasts a small 0.4% economic downturn in 2022. Although the economy and wages are growing, the global supply problems are driving up consumer prices faster. In 2022, the Bank of Estonia expects a 10.2% increase in consumer prices and an unemployment rate of 6.7%. The Bank of Latvia forecasts economic growth of 0.2%, consumer price growth of 9.5% and an unemployment rate of 8.1% in 2022.

The Bank of Estonia expects average wages to grow 7.9% in 2022 and the Central Bank of Latvia to expects the wages to grow 9.7%. In 2021, the average gross salary in Estonia amounted to 1,548 euros and in Latvia to 1,277 euros. Salaries in Tallinn and Riga averaged 1,744 euros and 1,434 euros, respectively.

Money markets expect an increase in interest rates in the second half of 2022, which will also directly affect the cost of borrowing. The European Central Bank has promised to adjust interest rates after ending the net asset purchases, probably in the third quarter of 2022, taking into account the rapid rise in prices.

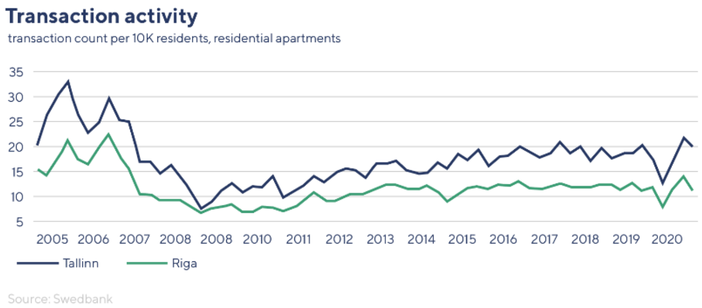
Residential real estate. In 2021, the residential real estate market in Tallinn was extremely active. According to the statistics of the Land Board, 10,881 apartment purchase and sale transactions were made in Tallinn in 2021, which is 22% more than a year earlier. The number of transactions increased the most in the fourth quarter of the year. Demand was boosted by a recovery in employment, stronger macroeconomic environment, increased deposits, payouts from pension funds, and continued favorable financing conditions.

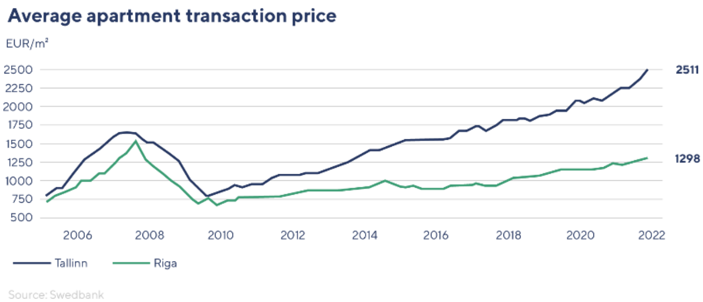


Given the rapid demand, not enough new real estate will be added to the market, which will support the growth of real estate prices. The average price per square meter of apartments in Tallinn increased by more than 19% during the year, mainly due to increased construction prices as well as limited supply. The average price per square meter of new developments in Tallinn in 2021 was 3,290 euros.

The Latvian market was directly affected by the reduced number of completed projects due to COVID-19 and increased demand pushed up housing prices. Although the demand for new housing in Riga increased in the last quarter of 2021, as many new dwellings are under construction or completion, market activity remained almost unchanged on an annual basis. In total, the demand for housing in Latvia increased by 7% compared to 2020.

Colliers' survey of the residential real estate market in Riga and its surroundings shows that there were approximately 4,300 new apartments on offer in the Riga region at the beginning of 2022, of which 1,425 were completed and 1,515 booked. The average price per square meter of a new apartment in the Riga area in 2021 was 2,100 euros.





Commercial real estate. The following overview is based on an analysis by Colliers. The development of the Tallinn office market has been active in recent years, and as of the end of 2021, more than 150 thousand square meters (17 projects) are under construction. In total, there are approximately 797 thousand square meters of office space in Tallinn. The vacancy rate of the office segment is about 7-8%, which is the lowest in the Baltics. Demand for new office space remains high in the information technology, healthcare and services sectors. Rents for A-class offices are on the rise.

Demand for industrial real estate remains active in Tallinn, including demand for new and large stock-office type buildings that meet customer needs (17 projects). As of the end of 2021, approximately 168 thousand square meters (52 projects) of industrial real estate is under development in Tallinn and its suburbs. Due to demand, rental levels have remained stable or increased slightly, with vacancies around 3%. Higher construction prices raise rental prices for new developments.

At the end of 2021, the vacancy rate in the Riga office segment averaged 14.5%, which is the highest in the Baltics. In total, there are approximately 570 thousand square meters of office space in Riga, and despite the large vacancy, there are still 150 thousand square meters of development space. Interest in new energy-efficient premises has grown, especially in the light of rising energy prices, and rental levels are rising slightly due to demand.

Approximately 177 thousand square meters of new space is being developed in and around Riga. Interest in industrial real estate continues to be high, especially in the transport, logistics and 3PL sectors, which has reduced the vacancy rate from 4.5% to 3.4%. Due to demand, rental levels have remained unchanged.

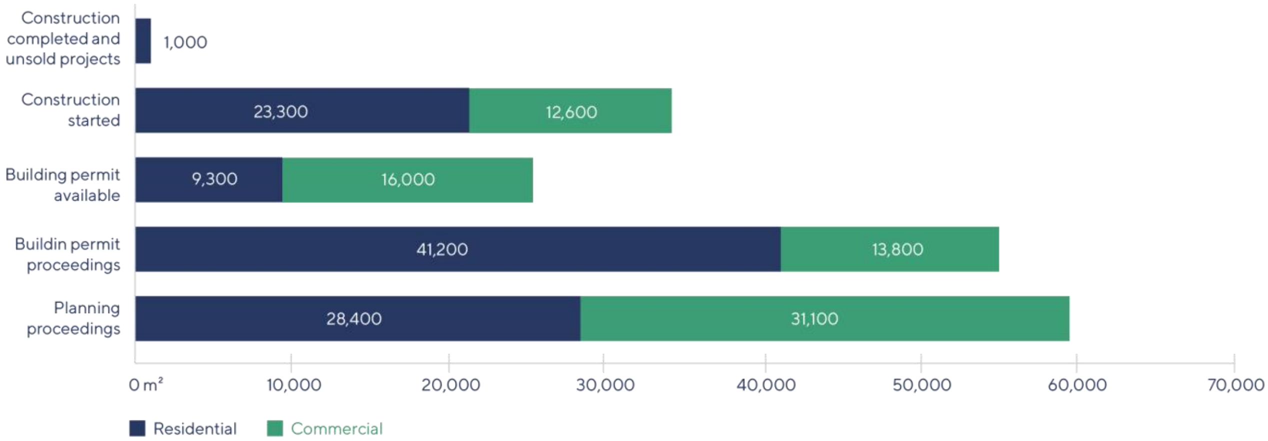
Real estate market outlook. Both the Estonian and Latvian real estate markets are affected in 2022 by the supply chain problems caused by the war in Ukraine, rising prices and a low supply of new development projects. It is unreasonable to make any important predictions in this situation due to the uncertainty caused by the war. In April 2022, the market for new developments is still active both in Riga and in Tallinn, and customers' interest in new homes and commercial premises is still high.

Overview of development projects

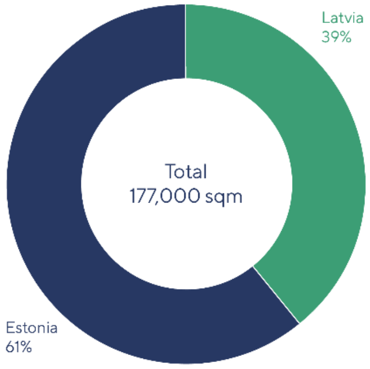
As at 31 December 2021 the Group had 26 active projects in different development phases (31 December 2020: 19 projects) ja 177,000 sqm of sellable area (31 December 2020: 113,000 sqm).

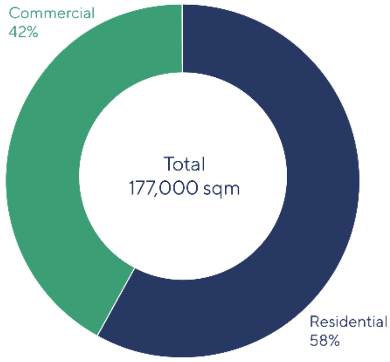
In 2021 the Group acquired approximately 70,000 sqm of sellable area. Approximately 58% of the acquired area was residential (commercial: 42%) and 47% was located in Estonia (Latvia: 53%).

Distribution of development portfolio between different development phases as at 11 April 2022:



Distribution of development portfolio between countries and type as at 11 April 2022:





Residential development projects completed in 2021:

Project: Peetri Pargimajad
Hepsor Peetri OÜ

Address: Mõigu tee 11, Peetri, Rae county, Harjumaa

Apartments: 43

Project completed: 2021

Project: Lauluväljaku Lilleaed I and II phase
Hepsor P26B OÜ

Address: Pirita road 26b, Tallinn

Apartments: 99

Project completed: 2020-2021

As at 31 December 2021 142 apartments in all above-mentioned projects were sold and projects were no longer recorded as development portfolio.

Construction completed and development project not sold (as at 11 April 2022):

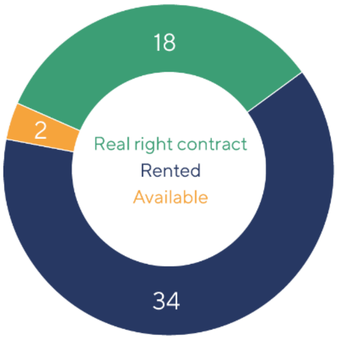
Project: Strelnieku 4b
Hepsor S4B SIA

Address: Strelnieku 4b, Riga

Apartments: 54

Project completed: 2020

Website: hepsor.lv/strelnieku4b

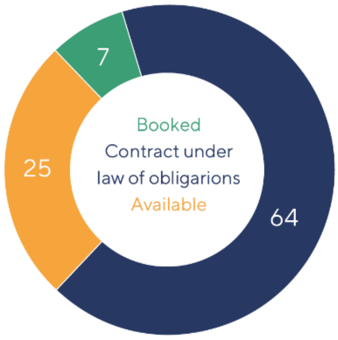


Development projects recorded under construction completed and development project not sold included the share of unsold apartments of Strelnieku 4b apartment building in Riga that was completed in 2020 (37 apartments). Arising from Covid-19 related unstable economic environment the Group changed the concept of the apartment building to rental building in 2020 while continuing the sale of apartments. The aim of the Group is to sell all apartments in 2022.

Residential development projects the construction of which has started (as at 11 April 2022):

Project:	Priisle Kodu Hepsor N170 OÜ
Address:	Priisle 1a, Tallinn
Apartments:	76
Start of construction:	IV quarter 2020
Estimated completion:	II quarter 2022
Website:	hepsor.ee/priislekodu

Project:	Paevälja Hoovimajad Hepsor PV11 OÜ
Address:	Paevälja 11, Lageloo 7, Tallinn
Apartment:	96
Start of construction:	IV quarter 2021
Estimated completion:	I phase IV quarter 2022, II phase beginning of 2023
Website:	hepsor.ee/paevalja

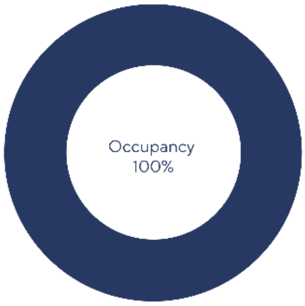


Project:	Baložu 9 Hepsor BAL9 SIA
Address:	Baložu 9, Riia
Apartments:	18
Start of construction:	IV quarter 2020
Estimated completion:	I quarter 2022
Website:	hepsor.lv/balozu9

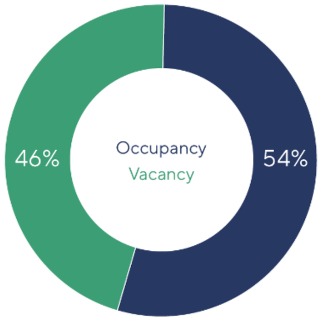
Project:	Kuldigas Park Kvarta SIA
Address:	Gregora iela 2a, Riia
Apartments:	116
Start of construction:	IV quarter 2021
Estimated completion:	II quarter 2023
Website:	hepsor.lv/kuldigasparks

Commercial development projects the construction of which has started (as at 11 April 2022):

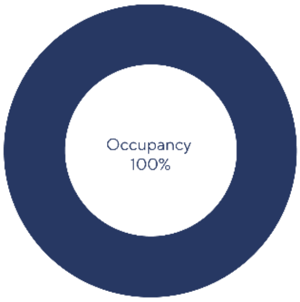
Project:	Büroo 113 Hepsor P113 OÜ
Address:	Pärnu mnt 113, Tallinn
Leasable area:	3,843 m2
Occupancy:	100%
Start of construction:	III quarter 2020
Estimated completion:	IV quarter 2022
Website:	byroo113.ee



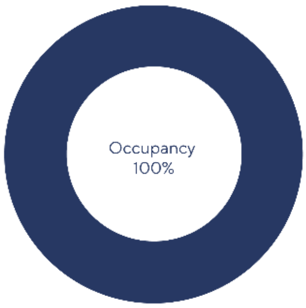
Project:	Grüne Büroo Hepsor M14 OÜ
Address:	Meistri 14, Tallinn
Leasable area:	3,597 m2
Occupancy:	54%
Start of construction:	IV quarter 2020
Estimated completion:	I-IV quarter 2022
Website:	gryne.ee



Project:	StockOffice U30 Hepsor U30 SIA
Address:	Ulbrokas 30, Riga
Leasable area:	3,645 m2
Occupancy:	100%
Start of construction:	III quarter 2021
Estimated completion:	IV quarter 2022
Website:	hepsor.lv/stokofissu30



Project:	Priisle Kodu (retail area) Hepsor N170 OÜ
Address:	Priisle 1a, Tallinn
Leasable area:	1,487 m2
Occupancy:	100% Selver. Sales-purchase contract under law of obligations was signed in December 2021 with Lumipood OÜ
Start of construction:	IV quarter 2020
Estimated completion:	II quarter 2022
Website:	hepsor.ee/priislekodu



Development projects the construction oof which starts in 2022 (as at 11 April 2022):

Project:	Marupes Darzs Hepsor Marupe SIA
Address:	Liela 45, Marupe, Riga area
Apartments:	92
Est. start of construction:	II quarter 2022
Estimated completion:	II quarter 2023
Website:	hepsor.lv/marupesdarzs

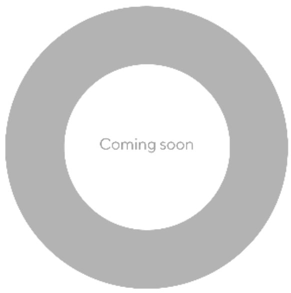
Project:	Ojakalda kodud Hepsor 3TORNI OÜ
Address:	Paldiski mnt 227c, Tallinn
Apartments:	101
Est. start of construction:	II quarter 2022
Estimated completion:	2023
Website:	hepsor.ee/ojakalda

Project:	Manufaktuuri quarter Hepsor Phoenix 2 OÜ
Address:	Manufaktuuri 7, Tallinn
Apartments:	154
Est. start of construction:	III quarter 2022
Estimated completion:	2024–2025
Website:	hepsor.ee/manufaktuur/m7

Project:	Peterburi road business quarter T2T4 OÜ
Address:	Tooma 2/4, Tallinn
Leasable area:	up to 10,000 m2
Est. start of construction:	2022–2023
Website:	hepsor.ee/project/peterburi-tee-arikvartal

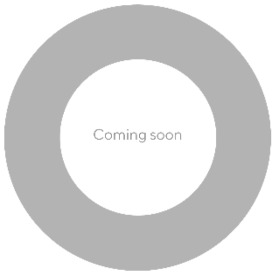
** Picture shown is for illustration purpose*

Project:	Ranka Dambis Hepsor RD5 SIA
Address:	Ranka Dambis 5, Riga
Apartment #:	36
Est. start of construction:	IV quarter 2022
Estimated completion:	2024

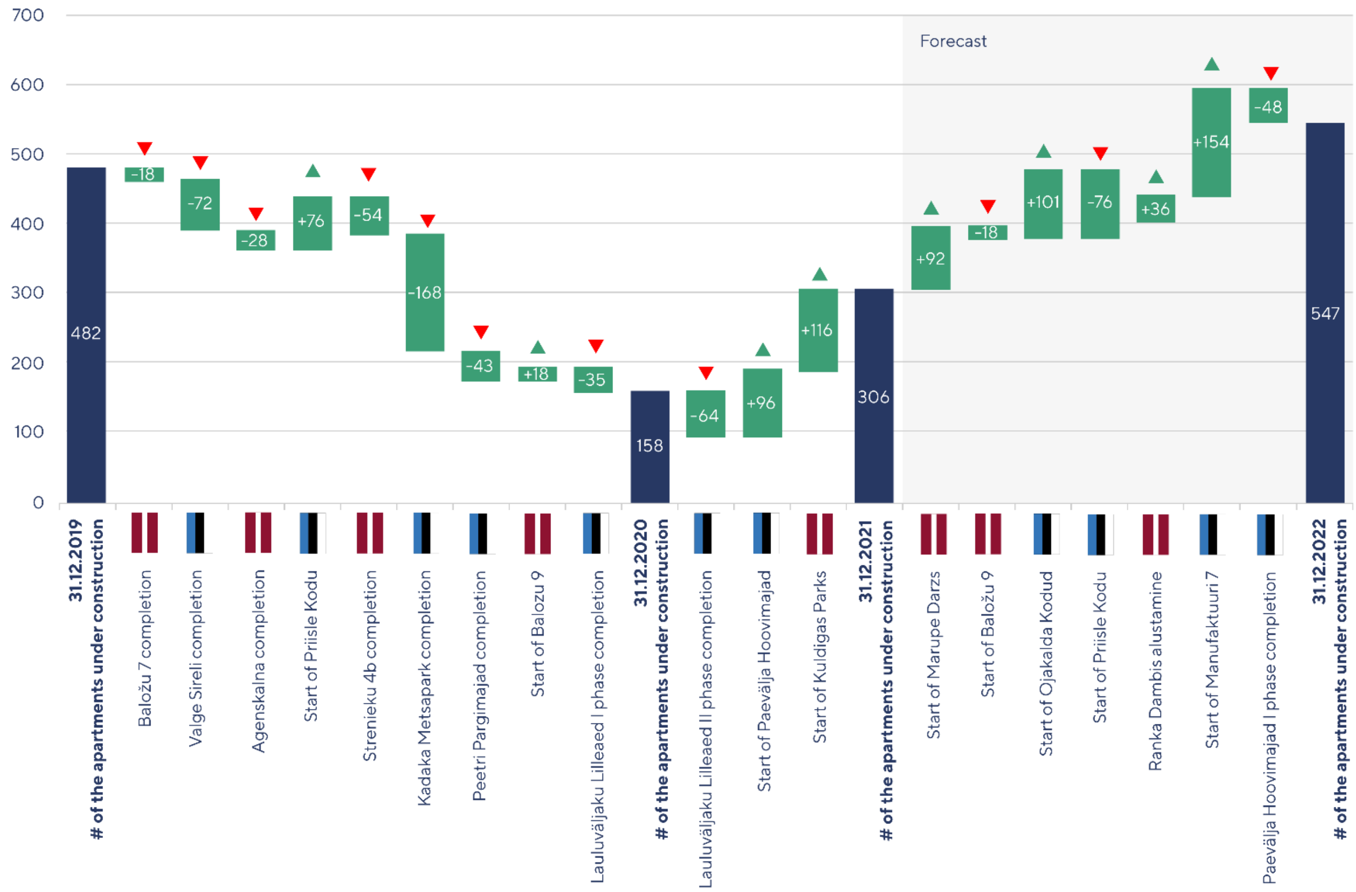


** Picture shown is for illustration purpose*

Project:	StockOffice U34 Hepsor U34 SIA
Address:	Ulbrokas 34, Riga
Leasable area:	8,373 m2
Est. start of construction:	IV quarter 2022
Estimated completion:	2024



Under construction and completed apartments, 2020 – 2022:

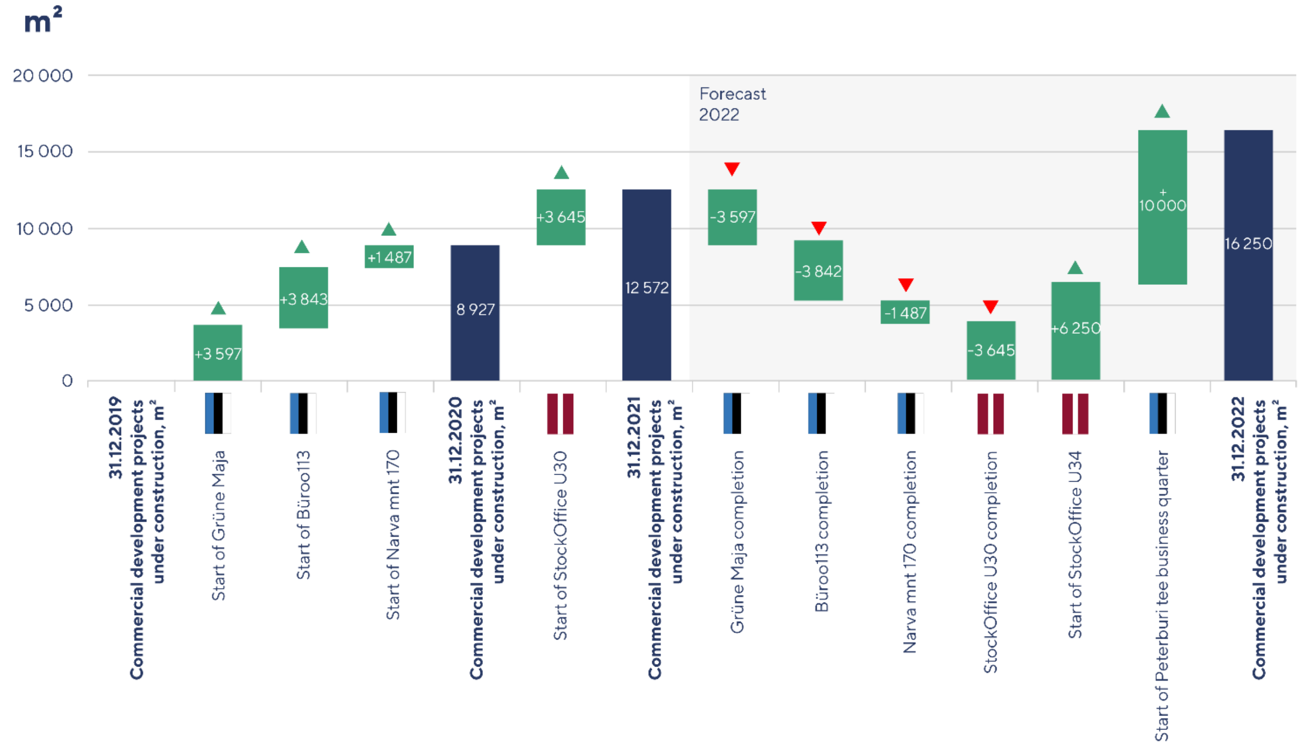


Residential development projects under construction and for sale (as at 11 April 2022):

Project name	Number of apartments	Number of apartments sold*	Share of apartments sold %	Number of unsold apartments	Share of unsold apartments %
Strelnieku 4b	54	18	33	37	67
Priisle Kodu	76	76	100	0	0
Paevälja Hoovimajad	96	71	74	25	26
Balozu 9	18	18	100	0	0
Kuldigas Park	116	33	28	83	72
Marupes Darzs	92	31	34	61	66
Total	**452**	**247**	**55**	**205**	**45**

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

Commercial development projects under construction:



In 2020–2021, the Group started the development of four commercial properties (12,572 sq. m in total), all of which will be completed in 2022. In 2022, the Group will start developing stock-office commercial real estate in Riga at Ulbrokas 34.

Occupancy of commercial development projects under construction as at 11 April 2022:

Project name	Rentable area sqm	Occupancy m²	Occupancy %	Vacancy m²	Vacancy %
Priisle 1a commercial space	1,487	1,487	100	0	0
Ulbokras 30 stock-office	3,645	3,645	100	0	0
Büroo113	3,843	3,843	100	0	0
Grüne Office	3,597	1,931	54	1,666	46
Total	**12,572**	**10,906**	**87**	**1,666**	**13**

Main events

At the general meeting of shareholders on 9 August 2021 on 9 August 2021, it was decided to transform the private limited company (OÜ) into a public limited company (AS) and to increase the share capital of the company. The shareholders decided to increase the share capital to 3 million euros at the expense of the share premium and approved the articles of association of Hepsor AS.

New projects acquired in 2021:

Name of SPV	Project address	Acquisition	Location	Develop-ment type	Profit share %	Planned sqm	Planned # of apartments
Hepsor N450 OÜ	Narva mnt 150, Tallinn	IQ 2021	Estonia	Residential	100	14,434	218
Hepsor Fortuuna OÜ	Alvari 2, Paevälja 9, Tallinn	IIIQ 2021	Estonia	Residential	100	5,889	98
H&R Residentsid OÜ	Kadaka tee 197, Tallinn	IIIQ 2021	Estonia	Residential	100	5,800	100
Hepsor U34 SIA	Ulbrokas 34, Riga	IIIQ 2021	Latvia	Commercial	56	8,373	N/A
Hepsor RD5 SIA	Ranka Dambis 5, Riga	IIIQ 2021	Latvia	Residential	80	2,127	36
Hepsor A1 OÜ	Alvari 1, Tallinn	IVQ 2021	Estonia	Residential Commercial	100	2,280 564	38
Brofits SIA (Hepsor Jugla SIA SIA)	Braila 23, Riga	IVQ 2021	Latvia	Residential	40	6,000	96
Hepsor U34 SIA	Ganibu Dambis 17a, Riga	IVQ 2021	Latvia	Commercial	80	20,500	N/A
Tatari 6a Arenduse OÜ	Tatari 6a, Tallinn	IQ 2021	Estonia	Residential	0	3,499	70
Total						**69,466**	**656**

Projects completed in 2021:

Name of SPV	Project name	Completion	Location	Develop-ment type	Profit share %	Sellable area sqm*	# of apartments sold
Hepsor Peetri OÜ	Peetri Pargimajad	IIQ 2021	Estonia	Residential	68	3,260	43
Hepsor P26B OÜ	Lauluväljaku Lilleaed	IVQ 2021	Estonia	Residential	33	6,180	99
Total						**9,440**	**142**

** Apartments sold in 2020-2021*

Operating results

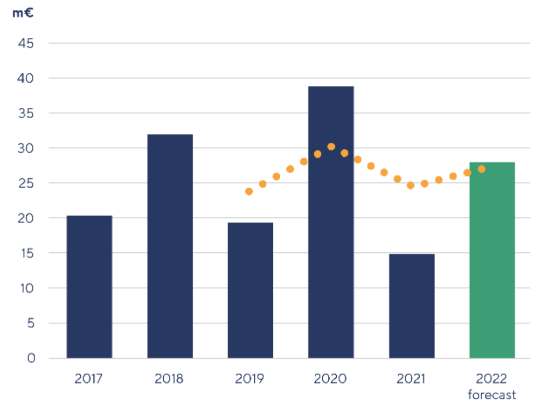
The Group’s sales revenue in 2021 was 15.0 million euros (compared with 38.8 million euros in 2020), of which 1.7 million euros (2020: 4.9 million euros) or 11% (2020: 13%) were earned from Latvia.

Compared with the previous period, sales revenue in 2021 decreased by 61.4%. The decrease in revenue in 2021 was mainly due to a smaller number of completed projects, which resulted in fewer projects available for sale than in an average year.

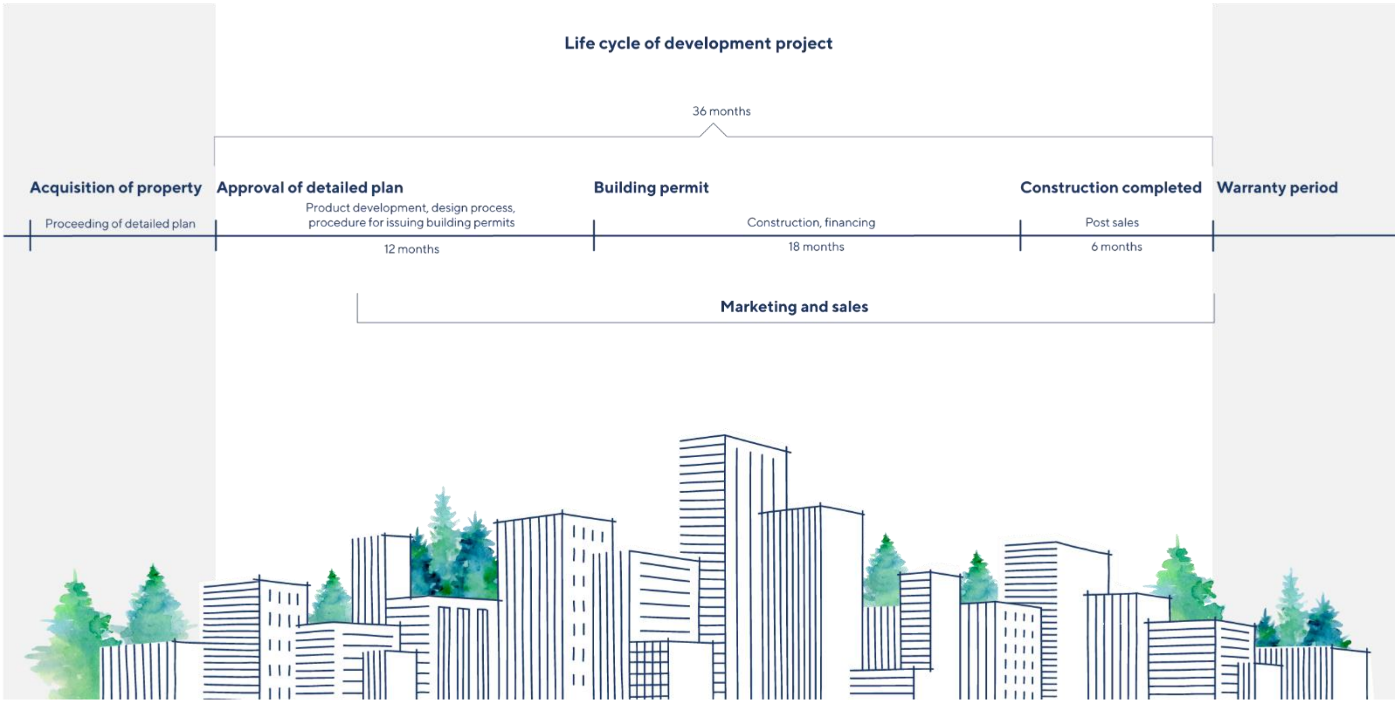
In 2021, the Group sold a total of 94 apartments, compared to 333 in 2020. A total of 11 apartments were sold in Latvia and 83 in Estonia. A year earlier, 34 apartments were sold in Latvia and 299 in Estonia.

In addition to the sale of apartments, the Group also offers project management services and generates rental income from real estate in Riga. In total, other sales revenue amounted to 0.6 million euros, or 4% of the Group's total sales revenue.

Group revenues:



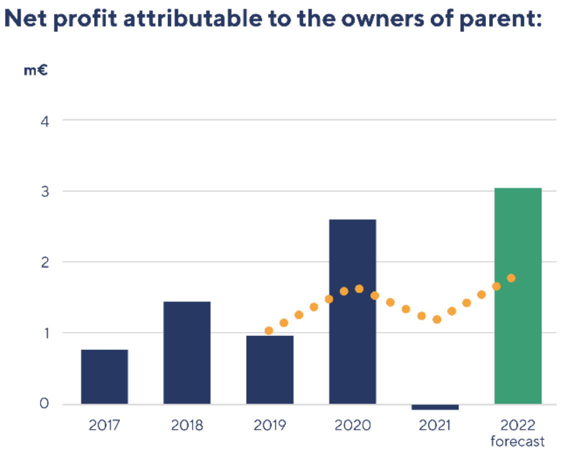
Large fluctuations in sales revenue are relatively common in real estate development business. The development cycle of the Group's real estate projects lasts approximately 36 months. In year-on-year comparisons, sales revenues and profits may fluctuate depending on the period between the completion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



Profitability

The Group's operating profit for 2021 amounted to 1.9 million euros (compared with 3.4 million euros in 2020). The operating margin was 12.6% (compared with 8.8% in 2020). The Group's net profit for the reporting year amounted to 1.7 million euros (compared with 3.8 million euros in 2020), of which the losses attributable to the owners of the parent amounted to 22 thousand euros (profit 2.6 million euros in 2020), while the profit to non-controlling interest was 1.8 million euros (1.3 million euros in 2020).

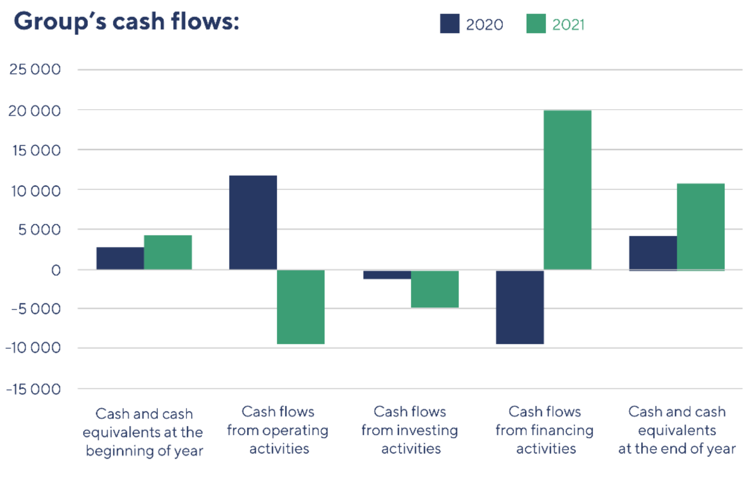
Although the margins of projects completed during the reporting period were higher than expected, the reporting year ended with a loss for the owners of the parent company. The main reasons are the following:



- ✓ Due to the cyclical nature of the projects, very few projects ended during the reporting year.
- ✓ The parent company's share in the projects completed in the reporting year was below average compared with the other projects developed by the parent company.
- ✓ Extraordinary expenses arising from the initial public offering of Hepsor AS shares in the amount of 205 thousand euros are included in the operating expenses for the reporting year. The total expenses incurred in relation to the listing and issuing of shares amounted to 650 thousand euros, of which 445 thousand euros have been reflected in the equity through share premium.

Cash Flows

The Group's cash and cash equivalents amounted to 4.2 million euros at the beginning of the 2021 financial year (2020: 2.7 million euros) and to 10.9 million euros at the end of the financial year. The positive cash flow for the year was 6.7 million euros (2020: 1.6 million euros).



Cash flow from operating activities was negative at 9.3 million euros for the reporting year (2020: positive at 11.5 million euros). Cash flow from operating activities was mostly affected by the growth in the portfolio of development projects, due to the change in inventories the negative cash flow in 2021 was 12.8 million euros (2020: positive 9.6 million euros). In 2021, the Group acquired nine new development projects.

Cash flow from investments was negative at 4.2 million euros in 2021 (2020: negative at 1.1 million euros). The largest impact was from loans granted, the balance of which increased by 4.4 million euros (2020: 2.1 million euros).

Cash flow from financing activities was positive at 20.2 million euros (2020: negative at 8.9 million euros). Cash flows were mostly affected by the 10 million euros raised through the initial public offering, of which the net amount of 9.6 million euros has been reflected in the cash flow statement. In 2021, the Group received more loans than it repaid. The net amount of loans received in 2021 was 12.2 million euros (2020: negative 7.3 million euros).

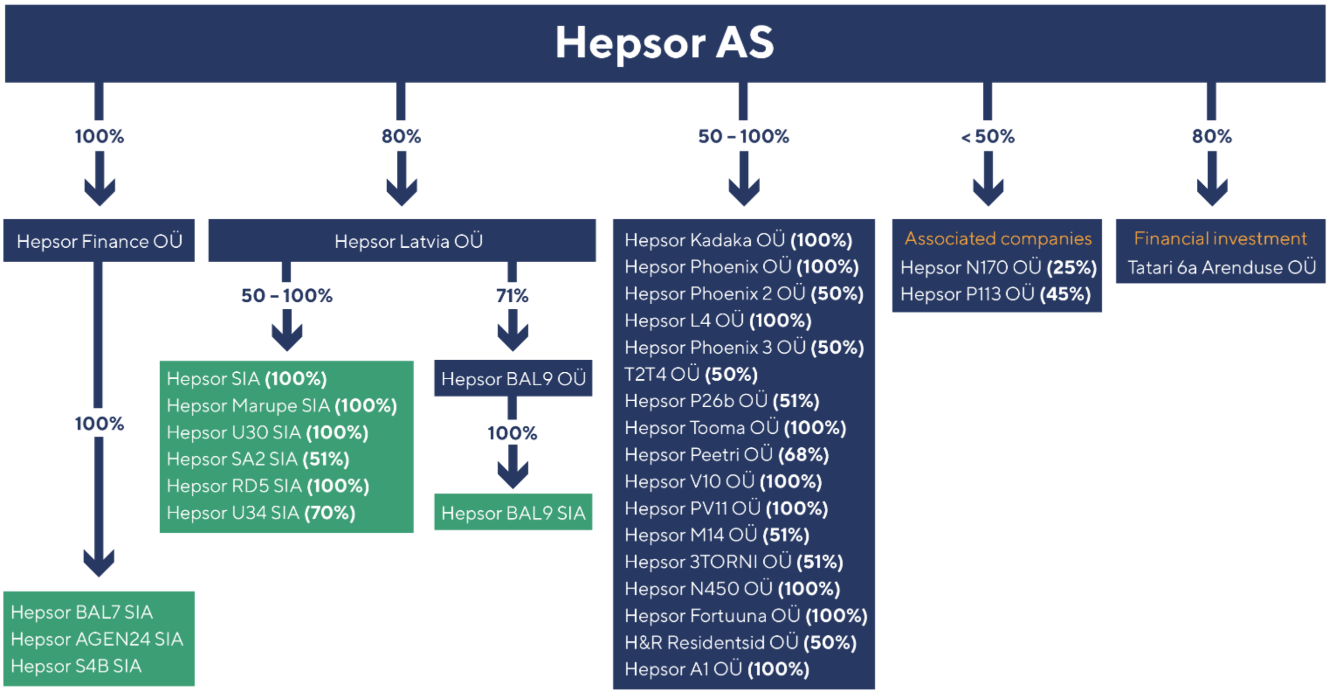
Key Ratios

%	2021	2020
Gross profit margin	20.4%	10.5%
Operating profit margin	12.6%	8.8%
EBITDA margin	13.6%	9.2%
Net profit margin	11.6%	9.9%
General expense ratio	8.4%	1.9%
Equity ratio	34.4%	31.3%
Debt ratio	51.6%	54.5%
Current ratio	4.2	3.5
Return of equity (adjusted)	18.0%	47.2%
Return on equity attributable to the owners of the parent (adjusted)	0%	32%
Return on assets	4.0%	11.4%

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 (adjusted) = net profit of trailing 12 months / arithmetic average shareholder's equity (except for net capital raised through initial public offering)
Return on equity attributable to the owners of the parent (adjusted) = net profit of trailing 12 months attributable to owners of the parent / arithmetic average shareholder's equity attributable to owners of the parent (except for net capital raised through initial public offering)
Return on assets = net profit of trailing 12 months / average total assets

Group structure

As of 31 December 2021, the Group was comprised of parent company, 30 subsidiaries and 2 associated companies (31 December 2020: parent company, 27 subsidiaries, 2 associated companies). Tatari 6a Arenduse OÜ is reported as financial investment.



Employees

As of 31 December 2021, the Group employed 21 (31 December 2020: 15) people including the members of Management and Supervisory Boards. 13 of these people worked in Estonia and 8 in Latvia.

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

The increase in labour costs is mainly due to hiring new employees, change in the management structure in 2021 and lower salary base during the comparable period in 2020 when the Group lowered salaries of all employees by 30% for five months due to the difficult economic situation caused by the Covid-19 pandemic.

Due to the decision of the Group's shareholders to transform the private limited company into a public limited company, the management structure of the Group also changed. As of 14 October 2021, the Management Board of the Group has one member. The term of office of the member of the Management Board, Henri Laks, is five years. In addition to the position of the member of the Management Board of Hepsor AS, Henri Laks also belongs to the management boards of all the Estonian subsidiaries and associated companies of the Group.

The Member of the Management Board of the Latvian company is Martti Krass, who is responsible for development projects in Latvia.

The Supervisory Board of the Group has three members. The mandate of the Supervisory Board is valid for three years from 1 November 2021. The work of the Supervisory Board is led by Andres Pärloja, the Chairman of the Supervisory Board. The members of the Supervisory Board are Kristjan Mitt and Lauri Meidla.

The members of the Management Board and the Supervisory Board were paid for the reporting period gross fees in the amount of 120,000 euros (2020: 42,000 euros).

More information about the personnel expenses is available in Note 22.

Share and shareholders

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

During the course of initial public offering 19,621 investors subscribed for a total of 6,745,135 shares that exceeded the number of offered shares 8.7 times. As at 31 December 2021 Hepsor AS had 14,407 shareholders.

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

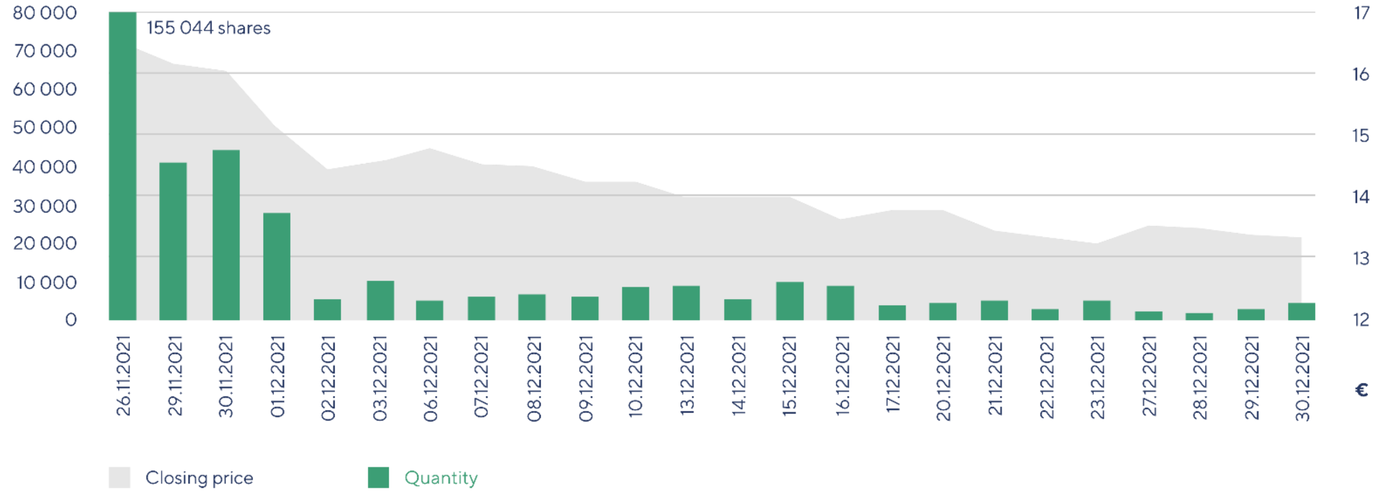
Shareholder	Position	Number of shares	Shareholding %
Henri Laks	Member of Management Board	498,000	12.92
Andres Pärloja	Chairman of Supervisory Board	997,500	25.88
Kristjan Mitt	Member of Supervisory Board	997,500	25.88
Lauri Meidla	Member of Supervisory Board	507,000	13.15
Total	**-**	**3,000,000**	**77.83**

Shareholder structure by number of shares held as at 31 December 2021:

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
100 001-…	5	0.03%	3,000,000	77.83%
10 001-100 000	7	0.05%	157,446	4.08%
1001 -10 000	57	0.40%	211,533	4.03%
101-1000	738	5.10%	192,569	5.00%
1-100	13,600	94.40%	349,177	9.06%
Total	**14,407**	**100.00%**	**3,854,701**	**100.00%**

Between 26 November 2021 and 31 December 2021, a total of 12,951 transactions were conducted with the shares of Hepsor AS with 380,508 shares in the total amount of 5.8 million euros. The opening price on 26 November 2021 was 16.5 euros, the highest price for the period was 17.4 euros and the closing price 13.5 euros. As at 31 December 2021 the market capitalization of Hepsor AS was 52 million euros and the Group’s equity amounted to 19 million euros.

Trading volume and price range of Hepsor AS shares, 26 November - 31 December 2021:



Source: Nasdaq Baltic

In accordance with the Group's strategy, the earned profits will be reinvested in the implementation of new and existing projects. The Group's shareholders may decide to pay dividends or establish a long-term dividend policy in the future, if the Group does not have the opportunity to reinvest its profits in projects with a sufficient return on equity.

Corporate governance report

In its business operations, Hepsor AS adopts the set of Corporate Governance Recommendations approved by the Estonian Financial Supervisory and Resolution Authority and Nasdaq Tallinn Stock Exchange. The following report describes the management principles of Hepsor AS in 2021 and compliance with Corporate Governance Recommendations. Companies can decide whether they adopt these recommendations as the basis of their management. The management practices of Hepsor AS described below in accordance with the “comply or explain” principle.

General Meeting of Shareholders

Exercise of shareholder rights

Hepsor AS is a public limited company whose managing bodies are the General Meeting of Shareholders, Supervisory Board and Management Board. The General Meeting of Shareholders is the Group’s highest managing body, the competence of which is based on legislation and the Articles of Association of the Group. Among other things the General Meeting of Shareholders is competent in amending the Articles of Association, electing and removing members of the Supervisory Board, electing an auditor and approving the annual report as well as other matters in the competence of the General Meeting of Shareholders on the basis of the Articles of Association and the law. The Annual General Meeting of Shareholders that approves the annual report no later than six months after the end of the financial year is held at least once a year.

Every shareholder is ensured the right to participate in the General Meeting, to speak at the general meeting on themes presented in the agenda, and to present reasoned questions and make proposals. A controlling shareholder refrains from unreasonably harming the rights of other shareholders, both at the General Meeting and upon organizing Hepsor’s management and shall not abuse his position.

Calling the General Meeting of Shareholders and information to be published

Notice of calling the General Meeting is published through the information system of the Nasdaq Tallinn Stock Exchange. The notice is also published on the Hepsor website and in daily national newspapers at least three weeks before the General Meeting takes place.

The Group’s Management Board determines the agenda of the General Meeting of Shareholders and prepares the draft of the resolution in respect to each item on the agenda to be voted on at the General Meeting of Shareholders. If a General Meeting of Shareholders is called by the shareholders, the Supervisory Board or an auditor, they prepare a draft of the resolution of each item on the agenda and submit this to the Management Board. Shareholders whose shares represent at least one-twentieth of the share capital may submit the Group a draft of the resolution in respect to each item on the agenda to be voted on at the General Meeting of Shareholders. The agenda of the General Meeting of Shareholders, proposals by the Management Board and Supervisory Board, draft of the resolution in respect to each item on the agenda and other relevant materials will be published on the Group’s website prior to the General Meeting of Shareholders.

The Group notifies shareholders regarding the calling of an extraordinary General Meeting immediately after deciding to call the Extraordinary Meeting. The notice indicates the reason for calling the Extraordinary Meeting and who made the proposal to call it (e.g., management board, supervisory board, shareholders or auditor). Information concerning the Extraordinary Meeting is immediately published on the Group’s website.

In 2021, Hepsor held four General Meetings of Shareholders. On 9 August 2021, the shareholders of Hepsor AS decided to transform the private limited company (OÜ) into a public limited company (AS). The General Meetings of Shareholders held in 2021 also decided to amend the Articles of Association, increase the share capital, while also confirming the remuneration principles for the members of Management Board and Supervisory Board of Hepsor AS.

The shares of the group were listed in the main list on the Nasdaq Tallinn Stock Exchange on 26 November 2021. Therefore, the Group is yet to convene a General Meeting of Shareholders as a listed entity.

Management Board

Composition and duties of the Management Board

The Management Board is a governing body that represents and directs the Group on a daily basis. The Management Board makes decisions based on the best interests of the Group and all shareholders and it is obliged to ensure the sustainable development of the Group in accordance with set goals and strategy. The Management Board uses its best efforts to ensure that the Group and all Group companies shall comply in their activities with current legislation.

The Management Board ensures that it undertakes proper risk management and internal audit controls based on the Group's business operations. To guarantee proper risk management and internal audit the Management Board:

- ✓ analyzes risks connected with the purpose of the activities and financial objectives of the Group (incl. environmental, competitive and legal risks);
- ✓ prepares adequate internal control provisions;
- ✓ elaborates forms for drawing up financial reports and instructions for drawing up these reports; and
- ✓ organizes the system of control and reporting.

The Management Board adheres to the lawful orders of the Supervisory Board. Transactions which are beyond the scope of everyday economic activities may only be concluded by the Management Board with the consent of the Supervisory Board. According to Articles of Association, the Management Board may be comprised of up to three members and the Management Board is elected for a term of five years. The Management Board of the Group consists of one member. The contract as of a member of Management Board has been signed with Henri Laks for a term of five years (until 14 October 2026). The member of the Group's Management Board may also be the member of the Management Boards of the Group's subsidiaries and associated companies.

Henri Laks
Member of the Management Board

Career:

2021 – ...	Hepsor AS, member of Management Board
2013 – 2021	Hepsor OÜ, member of Management Board
Member of Management Boards of subsidiaries since 2011.	
2009 – 2012	Tallinna Ülikool, Manager of Development Project
2006 – 2009	Kapitel AS, Manager of Development Project
2004 – 2006	Kapitel AS, Engineer of Development Project
Beginning of term: 14 October 2021	
End of term: 13 October 2026	

Number of shares: 498,000 (12.92%)

The Group does not follow the recommendation in clause 2.2.1 of the Corporate Governance Code that the Management Board should have more than one member as it only has 16 employees. The Group's extended management also includes the CFO and the member of Management Board of the Group's Latvian entities. Significant decisions are made in cooperation with the Supervisory Board.

Principles for the remuneration of the Management Board

Upon determination of the Management Board remuneration, the Supervisory Board is guided by evaluations of the work of the member of the Management Board. In evaluating of the work of the member of the Management Board, the Supervisory Board takes into consideration the duties and activities of the member of the Management Board, the Group's economic condition, the actual state and future predictions and direction of the business in comparison with the same indicators for companies in the same economic sector. The remuneration of the Management Board, including bonus schemes, is such that they motivate the member to act in the best interests of the Group and refrain from acting in their own or another person's interests. The remuneration and principles of remuneration are specified in the contract with the member of the Management Board.

The member of the Management Board is paid a monthly fixed remuneration as agreed in the contract and performance pay for meeting the objectives of the financial year. Performance pay is not paid when such objectives have not been met. Severance packagesfor of a Management Board member are connected with their prior work performance and are not payable if doing so would harm the interests of the Group.

More information about the remuneration of the member of the Management Board is available from the Remuneration report on page 29.

Conflicts of interest

The member of the Management Board avoids conflicts of interests in their activity. The member of the Management Board does not make decisions on the basis of their own interests or use business offers addressed to the Group in their own interests. The member of the Management Board informs the Supervisory Board regarding the existence of a conflict of interests before the conclusion of a contract of service and immediately is such conflict arises. The member of the Management Board promptly informs the Chairman of the Supervisory Board of any business offer related to the business activity of the Group made to them, a relative, acquaintance or associate.

The Supervisory Board approves transactions which are significant to the Group and concluded between the Group and the member of the Management Board or another person connected with or close to them and determines the terms of such transactions. In 2021, no such transactions took place.

The member of the Management Board may engage in other duties alongside their duties as member of the Management Board only on approval by the Supervisory Board.

Supervisory board

Composition and duties of the Supervisory Board

The duty of the Supervisory Board is the regular supervision of the activities of the Management Board and making important decisions relating to the activities of the Group. The Supervisory Board acts independently and in the best interests of the Group and all shareholders.

According to the Articles of Association, the Supervisory Board may be comprised of three to five members and the members of the Supervisory Board are elected for the term of three years. The chairman, who organizes the activities of the Supervisory Board, is elected from among the members of the Supervisory Board. The members of the Supervisory Board are elected and removed by the General Meeting of Shareholders. The members of the Supervisory Board are elected from persons having sufficient knowledge and experience to participate in the work of the Supervisory Board.

Andres Pärloja
Chairman of Supervisory Board

Career:

2021 – ...	Hepsor AS, Chairman of Supervisory Board
2011 – 2021	Hepsor OÜ, member of Management Board
2010 – ...	Mitt & Perlebach OÜ, member of Management Board
2006 – ...	StoryRent OOD, Bulgaria, member of Supervisory Board
2007 – 2010	Koger & Partnerid AS, Koger Kinnisvara OÜ, CEO
2006 – 2011	Euroclean OOD, Bulgaria, member of Supervisory Board
2005 – 2007	Koger & Partnerid OOD, Bulgaria, CEO
2004 – 2005	Parex Pank Eesti, member of Management Board

Number of shares owned: 997,000 (25.88%)

Kristjan Mitt
Member of Supervisory Board

Career:

2021 – ...	Hepsor AS, member of Supervisory Board
2011 – 2021	Hepsor OÜ, member of Management Board
2010 – ...	Mitt & Perlebach OÜ, member of Management Board
2008 – 2011	Koger & Partnerid SIA, Latvia, CEO
2004 – 2007	Koger & Partnerid AS, Project Manager, Site Manager

Number of shares owned: 997,000 (25.88%)

Lauri Meidla
Member of Supervisory Board

Career:

2021 – ...	Hepsor AS, member of Supervisory Board
2021 – ...	Saunum Group AS, member of Supervisory Board
2020 – ...	Sa.fa.dog OÜ, member of Supervisory Board
2017 – ...	Inclusion OÜ, member of Supervisory Board

Number of shares owned: 507,000 (13.15%)

The Supervisory Board decides on and regularly assesses the Group's strategy, general action plan, risk management principles and annual budget.

Supervisory Board regularly assesses the activities of the Management Board in implementing the Group's strategy, financial condition, risk management system, the lawfulness of the Management Board activities and whether essential information concerning the Issuer has been communicated to the Supervisory Board and the public as required.

The Chairman of the Supervisory Board determines the agenda of the Supervisory Board meeting, chairs meetings, monitors the efficiency of the Supervisory Board's work, organizes the transmission of information to the members of the Supervisory Board, ensures that the Supervisory Board has enough time to prepare for decisions and examines information and represents the Supervisory Board in communications with the Management Board.

The Supervisory Board has formed an Audit Committee, whose task is to advise the Supervisory Board regarding the Group's financial reporting and accounting, auditing, risk management, internal controls and budgeting. The Audit Committee has two members whose work is not remunerated.

In 2021, the Supervisory Board held eight meetings, all members of the Supervisory Board attended all meetings of the Supervisory Board.

Hepsor AS does not follow the recommendation in clause 3.2.2. of the Corporate Governance Recommendations that at least half of the Supervisory Board members are independent. The Group ensures independence by Supervisory Board members refraining from voting at Supervisory Board meetings that decide the granting of consent to the conclusion of a transaction between a person related to the said member of the Supervisory Board and the Group.

Principles of remuneration of the Supervisory Board

In determining the remuneration of members of the Supervisory Board, the General Meeting takes into consideration the duties of the Supervisory Board and their scope and the economic situation of the Group. In determining the remuneration, the specific work done by the Chairman of the Supervisory Board can be considered.

In 2021, gross remuneration of members of Supervisory Board of the Group amounted to 20 thousand euros.

Name	Position	Beginning of term of office	End of term of office	Gross remuneration	# of Hepsor shares held
Andres Pärloja	Chairman of Supervisory Board	1 November 2021	30 October 2024	4,500€ / month	997,500
Kristjan Mitt	Member of Supervisory Board	1 November 2021	30 October 2024	4,500€ / month	997,500
Lauri Meidla	Member of Supervisory Board	1 November 2021	30 October 2024	1,000€ / month	507,000

Conflicts of interest

The members of the Supervisory Board prevent conflicts of interests from arising through their activities. Members of the Supervisory Board give preference to the interests of the Group over their own or those of a third party. Members of the Supervisory Board do not use business offers addressed to the Group for their personal gain. The Supervisory Board operates in the best interests of the Group and all shareholders.

The members of the Supervisory Board promptly inform the Chairman of the Supervisory Board and Management Board regarding any business offer related to the business activity of the Group made to them, a person close to them or an associate. In 2021, no such transactions took place.

The members of the Supervisory Board strictly adhere the requirements of the prohibition of competition as provided for in the Commercial Code (§ 324) and immediately notifies other members of the Supervisory Board of their intention to engage in entrepreneurship in the same field as the Group.

Cooperation between the Management Board and the Supervisory Board

The Management Board and the Supervisory Board closely collaborate to achieve the better protection of the interests of the Group. The Management Board and the Supervisory Board jointly participate in the development of the operational objectives and strategy of the Group.

In making management decisions, the Management Board is guided by the strategic instructions supplied by the Supervisory Board and discusses strategic management related issues with the Supervisory Board regularly, usually on a weekly basis.

The Management Board regularly notifies the Supervisory Board of any important circumstances concerning the planning and business activities of the Group, activity-based risks, and the management of such risks. The Management Board separately calls attention to such changes in the Group's business activities that deviate from set plans and purposes and indicates the reasons for such changes. The information is delivered promptly and covers all material circumstances.

Disclosure of information

The Group treats all shareholders equally and notifies all shareholders of important circumstances equally. The Group mainly uses the information system of the Nasdaq Baltic Stock Exchange as well as the investor section on its own website. Disclosed information is available in Estonian and in English.

Financial reporting and auditing

Financial reporting

Each year, the Group publishes the consolidated audited annual reports and quarterly interim reports consolidated during the financial year. The Management Board prepares the annual accounts, which are audited by the auditor and approved by the Supervisory Board.

The annual report is approved by the member of the Management Board and presented to the shareholders.

The Group discloses transactions with related parties in Note 31, which is an integral part of the consolidated financial statements.

Election of the auditor and auditing

In 2021, the Group elected Grant Thornton Baltic OÜ as the auditor for 2021-2026 financial years. Total remuneration for auditing financial reports for 2021 amounted to 56 thousand euros. The Group follows the principle of the rotation of auditors.

Together with the notice of convening the General Meeting of Shareholders, the Supervisory Board makes available to the shareholders the assessment of the auditor's activities with regard to the assurance services provided during the previous financial year. The assessment includes the types of services provided and the fees paid to the auditor.

The auditor gave the Audit Committee formed by the Supervisory Board a written overview of the course of the audit of the Group in 2021, the observations made and any other important topics that were discussed with the Management Board of the company.

Remuneration report

This remuneration report has been prepared in accordance with the remuneration principles of the Group’s Management Board member. The member of the Management Board is remunerated pursuant to the signed contract. The remuneration report discloses the remuneration and benefits paid to the member of the Management Board in the financial year 2021.

The principles of remuneration of the Management Board are based on the long-term strategic objectives of the Group, taking into account the financial results of the Group and the interests of investors and creditors. The purpose of the remuneration policy is to support the achievement of the Group's long-term strategic goals by recruiting and retaining qualified and results-oriented members of the Management Board.

The remuneration of the Management Board is comprised of the following:

- ✓ basic remuneration - the purpose of a basic remuneration is to provide the member of the Management Board with a basic income that corresponds to their experience and qualifications, as well as to the scope, complexity and responsibilities of the duties of the position. The basic remuneration is generally reviewed once a year.
- ✓ performance pay – the performance pay depends on the achievement of objectives set for the member of the Management Board and the Group for the respective financial year. The achievement of objectives is assessed by the Supervisory Board of the Group after the end of the respective financial year. The calculation of performance fee is based on the financial year. The remuneration decision is made by the Supervisory Board of the Group.

The remuneration report is prepared for the first time and submitted to the shareholders for approval at the General Meeting of the Shareholders.

Until 14 October 2021, the Management Board of the Group consisted of three members - Henri Laks, Andres Pärloja and Kristjan Mitt. After the Group was transformed from the private limited company (OÜ) into a public limited company (AS) the Management Board has one member. The contract of Henri Laks, a member of the Management Board, was signed on 14 October 2021 and his term of office is valid until 13 October 2026.

Gross remuneration paid to the members of the Management Board in 2021:

Name	Position	Basic gross remuneration (EUR)	
		2021	2020
Henri Laks	Member of the Management Board	56,460	41,890

Sustainability report

The role of the construction and real estate sector in the green transition

The European Union has set itself the goal of achieving a climate neutral and green economy by 2050. One of the main aims of the Paris Climate Agreement is to keep global warming below 2°C compared to what was before the Industrial Revolution and to continue efforts to limit global warming to below 1.5°C.

Hand in hand with the European Union goals, Estonia has drawn up a national long-term strategy “Estonia 2035”, which has set the goal of achieving climate neutrality by 2050. Estonia aims to increase the share of renewable energy to 32% of final energy consumption, increase energy efficiency by 32.5% and reduce greenhouse gas emissions by at least 40% already by 2030. All these goals are compared to 1990. The European Union is currently debating the “Fit for 55” package to set an even more ambitious target and reduce greenhouse gas emissions by 55% by 2030.

For Estonian as a country to meet the set goals, all sectors need to actively contribute to tackling climate problems.

In 2021, the IPCC (Intergovernmental Panel on Climate Change) published a report showing that the use and construction of housing accounts for about 36% of global energy consumption and about 37% of greenhouse gas emissions. According to the review by the Government Office of the Republic of Estonia on the implementation of the UN 2030 Agenda for Sustainable Development in Estonia, Estonia’s average housing energy consumption per square meter is higher than in other EU member states. Therefore, the government is also planning a significant contribution to updating the housing stock, considering that 75% of buildings are inefficient in terms of energy use.

Hepsor’s opportunities and strategy for sustainable development

As a development company, Hepsor can directly contribute to the construction of energy-efficient and environmentally friendly buildings, and thereby support the achievement of both Estonian and global climate goals. While green thinking has been part of the Group’s development approach it has not measured its environmental impact.

The Group’s management has set a goal for 2022 to develop a well-thought-out sustainability strategy. The plan is to map Hepsor’s activities taking into account important environmental and social impacts and aspects of responsible management. Once these have been established, it is possible to set objectives, KPIs and specific activities for the systematic management of the Group's impacts. The Group wants to keep in mind international good practice and current standards when creating a sustainability strategy. As a listed company, it is important for Hepsor to ensure transparency in these matters through high-quality reporting.

Sustainable development. The environmentally friendly way of thinking starts with choosing a suitable plot and continues as a process through planning and designing an architectural solution that takes into account the best spatial solution and the surrounding environment. In all these stages, the key words are energy efficiency and environmental friendliness. The footprint of the development environment is already reduced by the choice of a plot where the necessary communications, connections and routes are available and which is located at a reasonable distance from infrastructure, schools, workplaces, etc.

The aim of the Group is to provide the best environment for its customers, and it is important for the Group to know that a building where people spend a lot of their time does not burden the environment and that it is good for them to be there.

One of the largest and longer-term development projects of the Group is the development of the Manufaktuuri Quarter, where the Group plans to make maximum use of the materials received during demolition. In total, approximately 30 thousand silicate bricks have already been collected, which will be used in the internal development solution. The new apartment buildings to be built in the quarter will receive part of their energy from the solar panels installed in the buildings, and geothermal heating is planned to be used for heating and cooling the buildings.

Innovation. With each new development project, the Group involves its Innovation Academy to bring green ideas to life. At the Innovation Academy, the staff will engage each other, looking for new best practices as part of the brainstorming process to make each development project as environmentally friendly and innovative as possible. Using existing solutions in another context can be as innovative as inventing something new. Solutions are being sought for various technological issues that will help to improve, for example, the energy efficiency of a development project or increase the recycling of materials.

Green-thinking for office buildings. The office building at 157 Sõpruse puiestee was the first business building in Estonia designed according to the Green Building concept. The office building at 7b Järvevana tee has been completed with the same concept, and Grüne Maja and Büroo113 the office buildings in Tallinn following the same concept, will be completed soon. Büroo113 is also the first green high-rise building in Estonia.

In buildings based on green thinking, internal room temperatures and heating energy is automatically regulated through innovative thermoactive ceilings. This allows the rooms to be heated and cooled through the same ducting in the ceilings of the building. Therefore, there are no radiators or classic air conditioners in the rooms. In addition to lower heating and cooling costs, such a solution ensures a better and more stable indoor climate for the tenant. The geothermal system uses ground temperatures for heating in winter and cooling in summer. This approach also helps to keep heating and cooling costs significantly lower compared to district or gas heating systems and is autonomous and independent of the service provider.

In addition to geothermal heating, rainwater collection systems are also used in buildings that follow the of green concept, the use of which in toilets helps to significantly reduce water consumption. Bicycle access and parking facilities help the tenants to make more environmentally conscious choices and get to the office comfortably without a car.

Community involvement. Reviving the Manufaktuuri Quarter is a good example of community involvement. It is a historical industrial area, where several new apartment buildings will be built in the coming years. The former factory building of the Baltic Manufactory will be renovated and multifunctional green and recreation areas will be built. The aim of this project is to create a cozy and diverse living and business environment, and the community will be involved in its development from the early stages. For example, various types of event and rental premises have already been built in the old buildings so that those interested can make use of the buildings and the surroundings in their authentic form.

In cooperation with the Architecture Center and various events, tours of the factory building have been organized. A block of sidewalks has been built between Manufaktuur and Kopli Street so that locals can walk there. In addition, the Apple Festival was launched there last year. There are two large apple orchards with more than 100 trees in the quarter, and the festival aims to draw attention to such a hidden pearl and introduce people to the history and future of the Manufaktuur Quarter.

Social contribution. Hepsor has been successfully operating for more than 10 years, and one way to share that success is to give back to society. As the Group considers young people to be especially important, we have financially supported such initiatives. We have supported the Youth Olympics Foundation and the Estonian Association of Parents of Children with Cancer. The Youth for Olympics Foundation supports selected young athletes through scholarships and training. The Estonian Association of Parents of Children with Cancer wants to offer the necessary support to all children with cancer and their families in Estonia in the best possible way and within the available possibilities. The Group also actively participates in the day-to-day operations of the Association of Estonian Real Estate Companies.

Valuing employees. Similar values, trust and evaluation of each other's contributions are important bases for interaction within the Group's team's. Such a team helps the Group to implement innovative and sustainable solutions to reduce the environmental impact of development projects. One such example is the Innovation Academy, which was set up by development project teams. The Group contributes to the development of its employees on a daily basis by offering various training opportunities, joint activities and an inspiring work environment.

The feedback from our employees is shown by the fact that most of those who have joined the Group are still working for the Group. In essence, there is almost no employee mobility in the Group. The annual performance reviews give the Group the opportunity to receive feedback on its management and employee expectations on the one hand, and to understand what training employees need on the other. In order to strengthen cooperation between the two countries, the Group organizes joint events in Estonia and in Latvia. The Group employs a total of 21 people, 13 of them in Estonia and 8 in Latvia.

Consolidated annual financial statements

Consolidated financial statements

Consolidated statement of financial position

in thousands of euros	Note	31.12.2021	31.12.2020
Assets			
Current assets			
Cash and cash equivalents	2	10,889	4,207
Trade and other receivables	3	652	574
Current loan receivables	9	2,388	776
Inventories	4	37,237	22,903
Total current assets		**51,166**	**28,460**
Non-current assets			
Property, plant and equipment	5	229	492
Financial investments	6, 13	402	0
Investments in associates	25	0	2
Non-current loan receivables	9	3,408	1,371
Other non-current receivables	10	140	108
Total non-current assets		**4,179**	**1,973**
Total assets		**55,345**	**30,433**
Liabilities and equity			
Current liabilities			
Loans and borrowings	11	5,501	4,038
Current lease liabilities	12	123	174
Prepayments from customers		1,164	769
Trade and other payables	13	5,539	3,082
Total current liabilities		**12,327**	**8,063**
Non-current liabilities			
Loans and borrowings	11	22,862	12,122
Non-current lease liabilities	12	66	267
Other non-current liabilities	14	1,053	402
Deferred income tax liability	26	0	60
Total non-current liabilities		**23,981**	**12,851**
Total liabilities		**36,308**	**20,914**
Equity			
Share capital	16	3,855	6
Share premium	16	8,917	3,211
Retained earnings		6,265	6,302
Total equity		**19,037**	**9,519**
incl. total equity attributable to owners of the parent		**18,904**	**9,454**
incl. non-controlling interest		**133**	**65**
Total liabilities and equity		**55,345**	**30,433**

The notes presented on pages 38 to 77 form an integral part of the consolidated financial statements.

Consolidated statement of profit and loss and other comprehensive income

in thousands of euros	Note	2021	adjusted 2020
Revenue	18,29	14,961	38,771
Cost of sales (-)	19	-11,902	-34,687
Gross profit		**3,059**	**4,084**
Marketing expenses (-)	20	-271	-93
Administrative expenses (-)	21	-942	-594
Other operating income	23	83	51
Other operating expenses (-)	23	-49	-37
Operating profit of the year	**29**	**1,880**	**3,411**
Financial income	**24**	**321**	**917**
interest income		145	108
profit on the sale of a subsidiary		0	809
other financial income		176	0
Financial expenses (-)	**25**	**-512**	**-364**
interest expenses (-)		-434	-157
loss from associate (-)		-2	0
other financial expenses (-)		-76	-207
Profit before tax		**1,689**	**3,964**
Current income tax	26	-16	-59
Deferred income tax	26	60	-60
Net profit for the year		**1,733**	**3,845**
Attributable to owners of the parent		-22	2,591
Non-controlling interest		1,755	1,254
Other comprehensive income (-loss)			
Changes related to change of ownership	8	70	-14
Change in value of embedded derivatives with minority shareholders	15	-1,815	-1,022
Business combination between related parties	21	0	25
Other comprehensive income(-loss) for the period		**-1,745**	**-1,011**
Attributable to owners of the parent		68	14
Non-controlling interest		-1,813	-1,025
Comprehensive income(-loss) for the period		**-12**	**2,834**
Attributable to owners of the parent		**46**	**2,605**
Non-controlling interest		**-58**	**229**
Earnings per share			
Basic (euros per share)	27	-0.01	0.86
Diluted (euros per share)	27	-0.01	0.86

The notes presented on pages 38 to 77 form an integral part of the consolidated financial statements.

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
Balance 31.12.2019	**6**	**3,211**	**3,669**	**-164**	**6,722**
Net profit for the year	0	0	2,591	1,254	**3,845**
Other comprehensive income/-loss for the period	0	0	14	-1,025	**-1,011**
Dividends declared	0	0	-37	0	**-37**
Balance 31.12.2020	**6**	**3,211**	**6,237**	**65**	**9,519**
Net profit/-loss for the year	0	0	-22	1,755	**1,733**
Other comprehensive income/-loss for the period	0	0	68	-1,813	**-1,745**
Increase of share capital	2,994	-2,994	0	0	**0**
Issue of shares (less costs related to share issue)	855	8,700	0	0	**9,555**
Dividends paid	0	0	-151	-64	**-215**
Reserves	0	0	0	190	**190**
Balance 31.12.2021	**3,855**	**8,917**	**6,132**	**133**	**19,037**

Information on equity is presented in Note 16.

The notes presented on pages 38 to 77 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows

in thousands of euros	Note	2021	2020
Net cash flows from (to) operating activities			
Operating profit of the year	**29**	**1,880**	**3,411**
Adjustments for:			
Depreciation of property, plant and equipment	**5**	157	161
Loss from write off of goodwill		0	25
Other adjustments	**28**	119	0
Income tax paid	**28**	-74	-1
Changes in working capital:			
Change in trade and other receivables		18	253
Change in inventories	**28**	-12,816	9,603
Change in liabilities and prepayments		1,510	-1,905
Cash flows from (to) operating activities		**-9,206**	**11,547**
Net cash flows to investing activities			
Payments for property, plant and equipment	**5**	0	-3
Payments of for acquisition of financial investment	**6**	-2	0
Proceeds from sale of subsidiaries	**24**	0	819
Proceeds from sale of associates		0	1
Interest received	**28**	17	83
Loans granted	**9**	-4,369	-2,108
Loan repayments received	**9**	0	150
Other proceeds from investing activities	24	43	0
Cash flows to investing activities		**-4,311**	**-1,058**
Net cash flows from (to) financing activities			
Net cash flow from issuing shares	**16**	9,555	0
Loans raised	**11**	22,682	22,634
Loan repayments	**11**	-10,479	-29,913
Interest paid	**28**	-1,361	-1,328
Payments of finance lease principal	**12**	-15	-7
Payments of right to use lease liabilities	**12**	-129	-115
Dividends paid	**16**	-252	0
Non-controlling interest contributions to equity	**8**	260	0
Other receipts from financing activities	**25**	-62	-196
Cash flows from financing activities		**20,199**	**-8,925**
Net cash flow		**6,682**	**1,564**
Cash and cash equivalents at beginning of year	**2**	**4,207**	**2,667**
Cash outflow from disposal of subsidiaries		0	-24
Increase / decrease in cash and cash equivalents		6,682	1,564
Cash and cash equivalents at end of year	**2**	**10,889**	**4,207**

The notes presented on pages 38 to 77 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

Note 1. Accounting policies

1.1. General information

Hepsor AS (hereinafter referred to as the "Group" or "Hepsor"), a real estate development company based on Estonian capital, operates in Estonia and Latvia.

The consolidated financial statements of the Group for 2021 were signed by the member of management Board of Hepsor AS on 28 April 2022.

In accordance with the requirements of the Commercial Code of the Republic of Estonia, the annual report prepared by the Management Board and approved by the Supervisory Board, which also includes the consolidated financial statements, is approved by the general meeting of shareholders. Shareholders have the right not to approve the annual report prepared by the Management Board and approved by the Supervisory Board and to request that a new report is prepared. The Annual General Meeting of Shareholders, one of the items on the agenda of which is the approval of the consolidated annual report of Hepsor AS for 2021, will be held on 25 May 2022.

1.2. Basis of preparation of consolidated financial statements

The Group's consolidated annual financial statements have been prepared in conformity 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 consolidated annual financial statements for 2021 have been prepared on a going concern basis.

The preparation of consolidated annual 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 in the preparation of consolidated annual financial statements for 2021 are appropriate.

These consolidated annual financial statements consist of consolidated statements of financial position, consolidated statement of comprehensive income, statement of changes in equity, consolidated statement of cash flows, and explanatory notes.

The consolidated annual financial statements are presented in euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

1.3. 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 categorization of items for which different policies may be appropriate. In an IFRS (EU) requires or permits such categorization, 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 authorized 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.

1.4. Changes in presentation

The Group has adjusted comparative data for 2020 in its annual report for 2021. According to the Group's management, the change in the presentation gives a more accurate picture of the Group's financial results.

The change in the presentation of the consolidated statement of comprehensive income is related to cost of managing development project.

In thousands of euros	Initial 2020	Change	Adjusted 2020
Cost of sales	34,493	+194	34,687
Administrative expenses	788	-194	594

1.5. Impact of new and revised standards and interpretations

The accounting policies applied in the preparation of these financial statements are the same as those used by the Group as at 31 December in the consolidated financial statements for the year ended 31 December 2020, except as described below.

Effective standards

Covid-19 related lease concessions (IFRS 16) - In May 2020, an amendment to COVID-19 related lease concessions (2020 amendment) was issued, which amended IFRS 16 "Leases". The 2020 amendment introduced an optional practical expedient that makes it easier for a lessee to recognize a rent concession related to COVID-19. Subject to the practical expedient, the lessee is not required to assess whether a rental concession is a lease modification but can instead account for rent concession in accordance with other applicable guidelines.

Applicable for annual periods beginning on or after 1 June 2020.

Revised standards effective on or after 1 January 2022

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual reporting periods beginning on or after 1 January 2022 and that have not been adopted by the Group ahead of effective date.

Amendments to the Conceptual Framework for Financial Reporting (amendments to IFRS 3) - The amendments update the obsolete reference to the conceptual framework in IFRS 3 without substantially changing the requirements of the standard. Effective for annual reporting periods beginning on or after 1 January 2022. The EU has approved the changes.

Cost of fulfilling onerous contracts (amendments to IAS 37) - To determine the cost of fulfilling a contract, the change requires the entity to consider all costs directly attributable to fulfilling the contract. The amendments clarify that the costs of fulfilling a contract include both the unavoidable costs of fulfilling a specific contract and some of the other costs that are directly attributable to fulfilling the contracts. Effective for annual reporting periods beginning on or after 1 January 2022. The EU has approved the changes.

Definition of Accounting Estimates (amendments to IAS 8) - The amendment replaces the definition of a change in accounting estimates with the definition of accounting estimates. According to the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities should develop accounting estimates when the accounting policies require the measurement of items in the financial statements that are subject to measurement uncertainty. The amendments clarify that a change in an accounting estimate resulting from new information or new developments is not a correction of an error. Effective for annual reporting periods beginning on or after 1 January 2023. The EU has approved the changes.

Classification of liabilities as current or non-current (amendments to IAS 1) - The amendments are aimed to promote consistency in applying the requirements by helping the companies determine whether liabilities and other liabilities with uncertain settlement dates should be classified as current (to be settled within 12 months) or non-current. The amendments clarify what is meant by the right to defer settlement; that a right to deferral 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 the 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. The EU has approved the changes.

Disclosure of Accounting Policies (amendments to IAS 1) - The amendments require an entity to disclose its material accounting policies instead of significant accounting policies. The additional amendments clarify how an entity can determine a material accounting policy. Examples are provided where the accounting policy is likely to be material. Effective for annual reporting periods beginning on or after 1 January 2023. Not yet endorsed for use in the EU.

Changes in standards

Annual Improvements to IFRS Standards 2018–2020 (the Group will apply the amendment for annual periods beginning on or after 1 January 2022). Not yet endorsed for use in the EU.

IFRS 9 - Amendments clarify which fees to consider when assessing whether or not the terms of a converted debt Instrument have changed - only fees paid or received between the borrower and the lender (including payments made or received by the borrower or lender on behalf of another party).

IFRS 16 - Amendment removes illustrative example 13 due to confusion it creates both for the lessee and the lessor regarding the recognition of improvements to leased assets.

The remaining new or amended standards or interpretations that are not yet effective are not expected to have a material impact on the Group.

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 unrealized 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.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

The Group presents non-controlling interests in the consolidated statement of financial position within equity, separately from the equity of the owners of 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. The measurement period is the period after the acquisition date during which the acquirer may adjust the provisional amounts recognized for a business combination. During the measurement period, the acquirer shall recognize adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Thus, the acquirer shall revise comparative information for prior periods presented in financial statements as needed, including making any change in depreciation, amortization or other income effects recognized in completing the initial accounting. After the measurement period ends, the acquirer shall revise the accounting for a business combination only to correct an error.

1.8. Investments in 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.

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, IAS 36)

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 amortization 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 comprehensive income for the period.

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 statement of comprehensive income for the period.

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, short-term extremely high liquidity investments (up to three months) that are readily convertible into a known amount of cash and which are subject to an insignificant risk of changes in 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 statement of cash flows reports cash flows during the period classified by operating, investing and financing 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)

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 realizable value. Cost comprises direct materials and, where applicable, direct labor 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 realizable 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.

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.

All of the Group's development projects are recognized in inventories even if the Group earns rental income before the full or partial sale of the development project. The Group aims to develop the acquired real estate projects and sell once the developed projects are ready for sale.

1.13. Financial instruments (IFRS 9, IAS 32)

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.

An entity typically incurs various costs in issuing or acquiring its own equity instruments. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The Group raised 10 million euros in 2021 by listing its shares in Nasdaq Tallinn stock exchange. The transaction costs of share issue are accounted for as a deduction from equity.

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. After initial recognition, the Group measures a financial asset in amortized cost, fair value through other comprehensive income, or fair value through profit or loss.

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 amortized 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 amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized 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 transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized 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.

Contingent liabilities

Contingent liabilities are those liabilities the realization of which is less probable than non-realization or the amount of which cannot be measured sufficiently reliably. The Group does not recognize contingent liabilities but discloses brief description of the nature of the contingent liability and, where practicable an 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 unless the possibility of any outflow in settlement is remote.

1.15. Government grants (IAS 20)

Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Grants related to income are government grants other than those related to assets.

Government grants shall be recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. A government grant that becomes receivable as compensation for expenses or losses already incurred shall be recognized in profit or loss of the period in which it becomes receivable.

1.16. 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:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- 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. Gains from the expected disposal of assets shall not be taken into account in measuring a provision. 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.

1.17. Revenue (IFRS 15)

The Group recognizes revenue from the following major source:

- revenue from sale of real estate;
- revenue from project management services;
- rental income;
- 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. The Group recognizes revenue when it transfers control of a product or service to a customer.

Revenues 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.

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.

Revenue from other services

Revenue from other services includes revenues from services provided by the Group other than project management or rental income and income from sale of good other than development projects.

1.18. 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).

1.19. 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 favorable tax rate on dividend payments (14/86). The more favorable 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.

1.20. 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 under current market conditions. 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.

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

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 as at 31 December 2021 was 2.6% (31 December 2021: 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 realizable value in the statement of financial position. Fair value is evaluated based on net realization 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 2021 does not vary significantly from the 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 settling of such financial obligations.

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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 (unadjusted) market prices in active markets for identical assets and liabilities.

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

Level (L) 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	**31.12.2021**			**31.12.2020**		
	Carrying value	**Fair value**	**L**	**Carrying value**	**Fair value**	**L**
Assets						
Current assets						
Cash and cash equivalents	10,889	10,889	1	4,207	4,207	1
Trade and other receivables	652	652	3	574	574	3
Current loan receivables	2,388	2,388	3	776	776	3
Inventories	37,237	38,789	3	22,903	26,359	3
Total current assets	**51,166**	**52,718**		**28,460**	**31,916**	
Non-current assets						
Property, plant and equipment	229	229	3	492	492	3
Financial investments	402	402	3	0	0	-
Investments in associated companies	0	0	3	2	2	3
Non-current loans	3,408	3,408	3	1,371	1,371	3
Other non-current receivables	140	140	3	108	108	3
Total non-current assets	**4,179**	**4,179**	**3**	**1973**	**1973**	
Total assets	**55,345**	**56,897**		**30,433**	**33,889**	
Liabilities and equity						
Current liabilities						
Loans and borrowings	5,501	5,501	3	4,038	4,038	3
Current lease liabilities	123	123	3	174	174	3
Prepayments from customers	1,164	1,164	3	769	769	3
Trade and other payables	5,539	5,539	3	3,082	3082	3
Total current liabilities	**12,327**	**12,327**		**8,063**	**8,063**	
Non-current liabilities						
Loans and borrowings	22,862	22,862	3	12,122	12,122	3
Non-current lease liabilities	66	66	3	267	267	3
Other non-current liabilities	1,053	1,053	3	402	402	3
Deferred income tax liability	0	60	3	60	60	3
Total non-current liabilities	**23,981**	**23,981**		**12,851**	**12,851**	
Total liabilities	**36,308**	**36,308**		**20,914**	**20,914**	

1.21. 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 December 2021.

1.22. 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 Group considers key members of the management (supervisory and management board), their close relatives and entities under their control or significant influence as well as associated companies as related parties.

1.23. 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.

1.24. Events after the reporting period (IAS 10)

Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized 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	31.12.2021	31.12.2020
Cash at hand	0	2
Bank accounts	10,889	4,205
Total cash and cash equivalents	**10,889**	**4,207**

All cash and cash equivalents are in euros.

Note 3. Trade and other receivables

in thousands of euros	31.12.2021	31.12.2020
Trade receivables	86	73
Allowance for doubtful receivables (Note 23)	-6	0
Net trade receivables	**80**	**73**
Prepayments		
Tax prepayment	382	329
Value added tax	382	329
Other prepayments for goods and services	146	48
Total prepayments	**528**	**377**
Other current receivables		
Interest receivables (Note 28)	33	2
Escrow account	0	122
Other current receivables	11	0
Total other current receivables	**44**	**124**
Total trade and other receivables	**652**	**574**

Note 4. Inventories

Inventories are accounted as ready for sale development projects once the project has been granted usage permit.

As at 31 December 2021 changes in inventories as stated in cash flow statements have been adjusted by loan interest expense, which are capitalised in the amount of 1,518 thousand euros (31 December 2020: 1,007 thousand euros). Further information about paid interests is provided in the Note 28 and interest expenses in Note 25.

As at 31 December 2021 the Group had 45 (31 December 2020: 62) unsold apartments in Riga, including 1 apartment in Agenskana 24 development project and 44 apartments in Strelnieku 4 development project.

in thousands of euros				31.12.2021		31.12.2020	
Work in progress							
Address	**Project company**	**Location**	**Segment**	**Acquisition cost**	**Project status**	**Acquisition cost**	**Project status**
Mõigu Road 11, Rae	Hepsor Peetri OÜ	Estonia	Residential	0	-	2,061	E
Pirita Road 26b, Tallinn	Hepsor P26B OÜ	Estonia	Residential	13	E	3,088	D
Paevälja 11, Tallinn	Hepsor PV11 OÜ	Estonia	Residential	2,965	D	1,956	B
Paldiski mnt 227C, Tallinn	Hepsor 3Torni OÜ	Estonia	Residential	2,517	C	0	-
Narva mnt 150, Tallinn	Hepsor N450 OÜ	Estonia	Residential/ Commercial	3,582	A	0	-
Manufaktuuri 5, Tallinn	Hepsor Phoenix 3 OÜ	Estonia	Residential/ Commercial	3,268	B	2,764	B
Manufaktuuri 7, Tallinn	Hepsor Phoenix 2 OÜ	Estonia	Residential/ Commercial	2,303	B	1,673	B
Tooma 2/Tooma 4 Tallinn	T2T4 OÜ	Estonia	Commercial	1,159	C	1,088	C
Lembitu 4, Tallinn	Hepsor L4 OÜ	Estonia	Commercial	2,811	C	2,733	C
Meistri 14, Tallinn	Hepsor M14 OÜ	Estonia	Commercial	5,765	D	1,145	D
Alvari 2/Paevälja 9, Tallinn	Hepsor Fortuuna OÜ	Estonia	Residential	1,656	A	0	-
Alaveri 1, Tallinn	Hepsor A1 OÜ	Estonia	Residential	1,004	A	0	-
Kadaka Road 197, Tallinn	H&R Residentsid OÜ	Estonia	Residential	614	A	0	-
Balozu street 9, Riga	Hepsor Bal9 SIA	Latvia	Residential	1,770	D	419	B
Saules alley 2, Riga	Hepsor SA2 SIA	Latvia	Residential	957	B	1,043	B
Liela 45, Marupe	Hepsor Marupe SIA	Latvia	Residential	663	C	14	B
Ranka Dambis 5,Riga	Hepsor RD5 SIA	Latvia	Residential	354	B	0	-
Ulbrokas 30, Riga	Hepsor U30 SIA	Latvia	Commercial	1,485	D	471	B
Ulbrokas 34, Riga	Hepsor U34 SIA	Latvia	Commercial	1,019	B	0	-
-other properties		Estonia		21	A	39	A
-other properties		Latvia		0	-	2	A
Total work in progress				33,926		18,496	
Finished real estate development							
Agenskalna 24, Riga	Hepsor Agen24 SIA	Latvia	Residential	50	E	257	E
Strelnieku 4b, Riga	Hepsor S4B SIA	Latvia	Residential	3,245	E	4,134	E
Manufaktuuri 22, Tallinn (parking spaces)	Hepsor Phoenix OÜ	Estonia	Residential	16	E	16	E
Total finished real estate development				3,311		4,407	
Total inventories				37,237		22,903	

Project statuses are classified as following:

in thousands of euros	31.12.2021	31.12.2020	Change %
A – planning proceedings	6,877	41	-
B – building permit proceedings	7,901	8,340	-5
C – building permit available / construction has not yet started	7,150	3,821	87
D – construction started / sale started	11,985	4,233	183
E – construction ready for sale	3,324	6,468	-49
Total inventories	**37,237**	**22,903**	**63**

Note 5. Property, plant and equipment

in thousands of euros	Right to used assets	Machinery and equipment	Other items	Total
2021				
Cost at 31.12.2020	581	79	135	**795**
Accumulated depreciation at 31.12.2020	-186	-52	-65	**-303**
Carrying amount at 31.12.2020	**395**	**27**	**70**	**492**
New lease contracts	78	0	0	**78**
Depreciation	-120	-10	-27	**-157**
Termination of lease contracts	-411	-56	0	**-467**
Write-off of accumulated depreciation from terminations of lease contracts	227	56	0	**283**
Cost at 31.12.2021	248	23	135	**406**
Accumulated depreciation at 31.12.2021	-79	-6	-92	**-177**
Carrying amount at 31.12.2021	**169**	**17**	**43**	**229**
2020				
Cost at 31.12.2019	581	79	148	**808**
Accumulated depreciation at 31.12.2019	-64	-41	-37	**-142**
Carrying amount at 31.12.2019	**517**	**38**	**111**	**666**
Acquisition	0	0	3	**3**
Depreciation	-122	-11	-28	**-161**
Reclassification to inventories	0	0	-16	**-16**
Cost at 31.12.2020	581	79	135	**795**
Accumulated depreciation at 31.12.2020	-186	-52	-65	**-303**
Carrying amount at 31.12.2020	**395**	**27**	**70**	**492**

Right to used assets comprise office spaces in Tallinn, Estonia and Riga, Latvia. In November 2021, the lease agreement for the office space in Tallinn was terminated and a new lease agreement was started, the term of which is 31 December 2022. The term of the lease agreement for the Riga office is 30 October 2024. In Riga the Group subleases assets under operating leases to a related party. In 2021, the income from rent amounted to 19 thousand euros (2020: 19 thousand euros). The income from rent subleased under operating leases is recognized as periodic income under other operating income (Note 23).

Information on lease liabilities and payments are presented in Note 12.

In May 2021, the Group's financial lease agreement for a vehicle expired. The Group extended this agreement for two years. Assets are accounted under machinery and equipment.

Note 6. Financial investments

Tatari 6A Arenduse OÜ, where the Group holds 80% shareholding, is accounted as financial investment. The Group is providing management services for the project. In order to ensure the quality and control of the management process, the Group will hold an 80% shareholding in the company during the development period, which will be transferred to the co-owner at the end of the development process. The Group has no profit share in the project. The acquisition value of the financial investment is 2 thousand euros.

Hepsor Latvia OÜ signed a sales-purchase agreement on 15 December 2021 to acquire 100% of Latvian company Hepsor Jugla SIA (previously Brofits SIA). The holding was not consolidated since the Group lacked sufficient control over Hepsor Julga SIA as stated by the management of the Group and the transaction was formalized only in the beginning of 2022.

Note 7. Shares of associates

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

	Ownership and voting rights %	
	31.12.2021	31.12.2020
Hepsor P113 OÜ	45	45
Hepsor N170 OÜ	25	25

Financial information about associates:

in thousands of euros	31.12.2021		31.12.2020	
	Hepsor P113 OÜ	Hepsor N170 OÜ	Hepsor P113 OÜ	Hepsor N170 OÜ
Current assets				
Cash and cash equivalents	218	373	316	133
Trade receivables	85	82	53	5
Inventories	6,991	6,591	2,689	1,171
Total current assets	**7,294**	**7,046**	**3,058**	**1,309**
Total assets	**7,294**	**7,046**	**3,058**	**1,309**
Current liabilities				
Loans and borrowings	0	5,534	0	0
Trade and other payables	1,034	1,595	326	357
Total current liabilities	**1,034**	**7,129**	**326**	**357**
Non-current liabilities				
Loans and borrowings	6,198	0	2,718	950
Other non-current liabilities	147	0	12	0
Total non-current liabilities	6,345	0	2,730	950
Total liabilities	7,379	7,129	3,056	1,307
Total equity	-85	-83	2	2
Total liabilities and equity	7,294	7,046	3,058	1,309

As of 31.12.2021, 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 2,308 thousand euros (31 December 2020: 1,223 thousand euros). The occupancy of office building is 100%. Construction will be completed in the second half of 2022.

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 279 thousand euros (31 December 2020: 148 thousand euros). The contract under law of obligation has been signed with Lumipood OÜ for the retail area, out of 76 apartments 4 have not been sold yet as at 31 December 2021.

Note 8. Shares of subsidiaries

	Ownership and voting rights %			
	31.12.2021	31.12.2020	Location	Segment
Hepsor Finance OÜ	100	100	Estonia	Head quarter
Hepsor Lauluväljak OÜ	-	100	Estonia	Residential development
Hepsor Tooma OÜ	100	100	Estonia	Commercial development
Hepsor Kadaka OÜ	100	51	Estonia	Residential development
Hepsor Meistri 14 OÜ	-	100	Estonia	Commercial development
Hepsor Phoenix OÜ	100	100	Estonia	Residential development
Hepsor Peetri OÜ	68	68	Estonia	Residential development
Hepsor V10 OÜ	100	50	Estonia	Residential development
Hepsor Latvia OÜ	80	-	Estonia	Head quarter
Hepsor Latvia Investment OÜ	-	100	Estonia	Head quarter
Hepsor L4 OÜ	100	100	Estonia	Commercial development
Hepsor P26 OÜ	51	51	Estonia	Residential development
T2T4 OÜ	50	50	Estonia	Commercial development
Hepsor Phoenix 2 OÜ	50	50	Estonia	Residential/Commercial development
Hepsor Phoenix 3 OÜ	50	50	Estonia	Residential/Commercial development
Hepsor PV 11 OÜ	100	100	Estonia	Residential development
Hepsor M14 OÜ	51	51	Estonia	Commercial development
Hepsor 3Torni OÜ	51	51	Estonia	Residential development
Hepsor N450 OÜ	100	100	Estonia	Residential/Commercial development
H&R Residentsid OÜ	50	-	Estonia	Residential development
Hepsor Fortuuna OÜ	100	-	Estonia	Residential development
Hepsor A1 OÜ	100	-	Estonia	Residential development
Hepsor Bal 9 OÜ	57	71	Estonia	Head quarter
Hepsor Bal 9 SIA	57	71	Latvia	Residential development
Hepsor Bal 7 SIA	100	100	Latvia	Residential development
Hepsor Agen24 SIA	100	100	Latvia	Residential development
Hepsor SIA	80	100	Latvia	Head quarter
Hepsor Marupe SIA	80	100	Latvia	Residential development
Hepsor U30 SIA	80	100	Latvia	Commercial development
Hepsor S4B SIA	100	100	Latvia	Residential/Commercial development
Hepsor SA2 SIA	41	51	Latvia	Residential development
Hepsor RD 5 SIA	80	-	Latvia	Residential development
Hepsor U34 SIA	56	-	Latvia	Commercial development

In 2021, the following changes in organizational structure took place within the Group:

- ✓ Merger of Hepsor Finance OÜ and OÜ Hepsor Latvia Investments. The entry in the Commercial Register was made on 30 March 2021. The merger of Meistri 14 OÜ and Hepsor Lauluväljak OÜ with Hepsor Finance OÜ as the companies no longer had active economic activities. The entry in the Commercial Register was made on 15 December 2021. The merged companies were 100% subsidiaries of the Group therefore the transactions do not have significant impact on the Group's cash flows and financial position. The mergers were carried out in order to restructure the Group.
- ✓ The demerger of Hepsor Finance OÜ to bring five Latvian development companies (Hepsor Bal 9 SIA, Hepsor SIA, Hepsor Marupe SIA, Hepsor U30 SIA, Hepsor SA2 SIA) under the control of Hepsor Latvia OÜ. The demerger entry was made in the

Commercial Register on 6 July 2021. Assets and liabilities were transferred in accordance with the demerger agreement. Hepsor AS owns 80% of Hepsor Latvia OÜ therefore holdings in five Latvian companies also decreased. According to the Group's management, the Group still has control over these development companies.

- ✓ Hepsor AS acquired a minority stake in Hepsor Kadaka OÜ and Hepsor V10 OÜ, becoming the 100% owner of both companies in connection with the completion of the development projects of both companies in 2020.

In 2021, the Group established 5 new real estate development companies:

- ✓ Hepsor Fortuuna OÜ (Estonia, 30 April, 2021), in which the Group has a 100% shareholding. Hepsor Fortuuna OÜ bought plots in Tallinn at Paevälja 9 and Alvari 2, where it is planned to build 2 apartment buildings with 98 apartments after the approval of the currently pending detailed plan.
- ✓ H&R Residentsid OÜ (Estonia, 10 September 2021), in which the Group holds a 50% shareholding. H&R Residentsid OÜ bought a plot with a pending detailed plan at Kadaka 197, in Tallinn, by way of a contract under the Law of Obligations. The number of apartments to be built will be determined during the planning process
- ✓ Hepsor A1 OÜ (Estonia, 2 November 2021), in which the Group holds a 100% shareholding. Hepsor A1 OÜ bought a plot in Tallinn at Alvari 1, where a residential and commercial building with 38 apartments and commercial premises will be built after the approval of the currently pending detailed plan.
- ✓ Hepsor RD5 SIA (Latvia, 9 August 2021), in which Hepsor Latvia OÜ holds a 100% shareholding. Hepsor RD5 SIA bought a property in the city of Riga at Ranka Dambis 5, where a residential building with 36 apartments will be built.
- ✓ Hepsor U34 SIA (Latvia, 3 September 2021), in which Hepsor Latvia OÜ holds a 70% shareholding. A stock-office type complex will be built on the property located at Ulbrokas 34 in Riga.

Changes in the Group's structure in 2021 and their impact to other comprehensive income and cash flows were the following:

in thousands of euros	Other comprehensive income		Cash flows from financing activities	
	Owners of the parent	Non-controlling interest	Non-controlling interest contributions to share capital	Reserves
Contributions to equity				
Hepsor Latvia OÜ	0	10	10	190
Hepsor U34 SIA	0	60	60	0
Changes related to change of ownership				
Hepsor Kadaka OÜ	66	-66	-	-
Hepsor Phoenix OÜ	-125	125	-	-
Hepsor V10 OÜ	90	-90	-	-
Hepsor Bal 9 OÜ	4	-4	-	-
Hepsor Bal 9 SIA	1	-1	-	-
Hepsor SA2 SIA	3	-3	-	-
Hepsor Marupe SIA	1	-1	-	-
Hepsor U30 SIA	1	-1	-	-
Hepsor SIA	27	-27	-	-
Total	**68**	**2**	**70**	**190**

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 9. Loans granted

In December 2021, the shareholders of Hepsor P26b OÜ approved the resolution of division of the company, based on which Hepsor P26b OÜ transferred assets to minority shareholders in the amount of 2,080 thousand euros. Additional information is available in Note 15.

The loan to unrelated legal entities in the amount of 1,100 thousand euros has been granted to Kvarta Holding OÜ. In January 2022, Hepsor Latvia OÜ acquired a 50% stake in Kvarta Holding OÜ.

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	2,109	1,044	1,216	0	**4,369**
Division of subsidiary	-720	0	0	0	**-720**
Loan balance as at 31.12.2021	**2,109**	**1,100**	**2,587**	**0**	**5,796**
- -current portion	2,109	0	279	0	**2,388**
- -non-current portion	0	1,100	2,308	0	**3,408**
contractual/effective interest rate per annum	0-3%	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	720	121	1,247	20	**2,108**
Division of subsidiary	-1,055	0	0	0	**-1,055**
Loan collected	0	-130	0	-20	**-150**
Loan balance as at 31.12.2020	**720**	**56**	**1,371**	**0**	**2,147**
- -current portion	720	56	0	0	776
- -non-current portion	0	0	1,371	0	1,371
Contractual/effective interest rate per annum	0-3%	0%	7%	12%	

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. Additional information is available in the Note 15.

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.

Note 10. Other non-current receivables

in thousands of euros	31.12.2021	31.12.2020
Interest receivables (Note 28)	140	42
Escrow account	0	66
Total	**140**	**108**

Note 11. 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	14,053	6,938	1,691	**22,682**
Repaid	-7,807	-2,172	-500	**-10,479**
Loan balance as at 31.12.2021	**10,951**	**15,581**	**1,831**	**28,363**
- current loan payable	2,821	2,680	0	**5,501**
- non-current loan payable	8,130	12,901	1831	**22,862**
Contractual interest rate per annum	EU6+5,85%-8%; 8,2%	0-12%	3%-12%	
Effective interest rate per annum	4,7%-10,7%	0-12,2%	12%-13,4%	
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	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%-6%; 8,2%	0-24%	3%-12%	
Effective interest rate per annum	6,8%-11%	0-24%	3%-12%	

As at 31 December 2021, 86% (31.12.2020: 97%) of all loans granted to the Group have been received against the risk of development projects.

in thousands of euros	Bank loans	Unrelated legal entities and individuals	Related legal entities	Total
Balance as at 31.12.2021				
Loans for development projects	6,925	15,581	1,831	**24,337**
Loans to headquarters to finance development projects	4,026	0	0	**4,026**
Total	**10,951**	**15,581**	**1,831**	**28,363**
Balance as at 31.12.2020				
Loans for development projects	4,705	10,815	140	**15,660**
Loans to headquarters to finance development projects	0	0	500	**500**
Total	**4,705**	**10,815**	**640**	**16,160**

Hepsor AS signed a three-year loan agreement with LHV Pank for the amount of 4 million euros in March 2021. The shares of Hepsor AS and Hepsor Finance OÜ were pledged as guarantee on the loan. The loan agreement states two financial covenants that are measured quarterly:

- ✓ LHV Pank loan and equity ratio of maximum 55%,
- ✓ Group's investments to Estonian entities and LHV Pank loan ratio must be at least 1.5x at any given moment.

As at 31 December 2021, the Group had the following bank loans under the following conditions:

Lender	Country	Loan balance	Contract term	Loan limit	Interest per annum	Collateral	Cost value of the collateral
LHV Pank AS	Estonia	1,285	2022	1,300	EU6+8%	Mortgage – Lembitu 4, Tallinn	2,811
LHV Pank AS	Estonia	562	2023	8,605	EU6 +4,5%	Mortgage – Paevälja 11, Lageloo 3/5, Lageloo 7	2,965
LHV Pank AS	Estonia	2,375	2024	3,115	EU6+4,75%	Mortgage – Meistri 14	5,765
Bigbank AS	Latvia	982	2023	1,150	6%	Mortgage – Baložu 9, Riga	1,770
Bigbank AS	Latvia	1,687	2024	2,500	EU6 + 4,5%	Commercial pledge; Mortgage – Strelnieku 4b, Riga	3,245

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

Lender	**Country**	**Loan balance**	**Contract term**	**Loan limit**	**Interest per annum**	**Collateral**	**Cost value of the collateral**	**Group guarantee given**
Swedbank AS	Estonia	460	2021	3,800	EU6+5.85%	Mortgage – Mõigu road 11, Rae parish	2,061	1,900
LHV Pank AS	Estonia	847	2022	3,237	EU6 +6%	Mortgage – Pirita 26b, Tallinn	3,088	-
LHV Pank AS	Estonia	1,285	2022	1,300	EU6+8%	Mortgage – Lembitu 4, Tallinn	2,733	-
Bigbank AS	Latvia	2,113	2024	2,500	8.20%	Commercial pledge; Mortgage – Strelnieku 4b, Riga	4,147	1,000

Hepsor N450 OÜ has set up a joint mortgage in the amount of 3.5 million euros as collateral for a loan received from an unrelated legal entity until the loan obligation is fulfilled.

Note 12. Lease liabilities

in thousands of euros	Right to use lease liabilities	Finance lease liabilities	Total
2021			
Balance as at 31.12.2020			
- current portion	134	40	**174**
- non-current portion	267	0	**267**
Total lease liabilities balance as at 31.12.2020	**401**	**40**	**441**
Received	78	0	**78**
Repaid	-129	-15	**-144**
Termination of lease contracts	-177	-9	**-186**
Balance as at 31.12.2021	**173**	**16**	**189**
- current portion	112	11	**123**
- non-current portion	61	5	**66**
2020			
Balance as at 31.12.2019			
- current portion	126	7	**133**
- non-current portion	390	40	**430**
Total lease liabilities balance as at 31.12.2019	**516**	**47**	**563**
Repaid	-115	-7	**-122**
Balance as at 31.12.2020	**401**	**40**	**441**
- current portion	134	40	**174**
- non-current portion	267	0	**267**

Additional information on assets under finance and right to use leases is provided in Note 5.

Note 13. Trade and other payables

in thousands of euros	31.12.2021	31.12.2020
Trade payables	**1,506**	**831**
Tax payables		
Value added tax	254	743
Corporate income tax (Note 28)	0	58
Personal income tax	18	11
Social security tax	33	20
Other taxes	5	3
Total tax payables	**310**	**835**
Accrued expenses		
Payables to employees	72	76
Interest payables (Note 28)	135	174
Other accrued expenses	29	83
Total accrued expenses	**236**	**333**
Other current payables		
Dividend payables (Note 16)	0	37
Embedded derivatives (Note 15)	2,115	1,022
Other payables	1,372	24
Total other current payables	**3,487**	**1,083**
Total trade and other payables	**5,539**	**3,082**

Other current payables include a liability for shares and loan receivable in Hepsor Jugla SIA (former business name Brofits SIA) in the amount of 400 thousand euros and the Group's debt for a land plot at Alvari 2 / Paevälja 9, Tallinn in the amount of 942 thousand euros.

Note 14. Other non-current liabilities

in thousands of euros	31.12.2021	31.12.2020
Interest payables (Note 28)	1,020	390
Other non-current payables	33	12
Total other non-current liabilities	**1,053**	**402**

Note 15. 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 realization 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	31.12.2021	31.12.2020
Current liabilities arising from embedded derivatives		
Residential development Kadaka Road 141, Ehitajate Road 91/91a Tallinn	0	448
Residential development Pirita Road 26b, Tallinn	2,080	253
Residential development Mõigu Road 11, Rae parish	35	47
Residential development Valge street 10/10a, Tallinn	0	274
Total	**2,115**	**1,022**

During the financial year change in embedded derivatives of minority shareholders amounted to 1,815 thousand euros including increase from Pirita 26b development projects of 1,827 thousand eurps and decrease of 12 thousand euros from Mõigu road 11.

In December 2021, the shareholders of Hepsor P26b OÜ approved the resolution of division of the company, based on which Hepsor P26b OÜ transferred assets to minority shareholder in the amount of 2,080 thousand euros. Additional information of granted loans is provided in the Note 9.

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. The division was registered in the Commercial Register on 14 March 2021. 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. The division was registered in the Commercial Register on 4 February 2021. The obligations arising from embedded derivatives was offset by a loans claim granted to minority shareholders. Additional information of granted loans is provided in the Note 9.

Additional information of financial information of minority entities is provided in the Note 30.

Note 16. Equity

According to the articles of association of Hepsor AS, the minimum share capital of the company is 3 million euros and the maximum share capital is 12 million euros. As of 31 December 2021, the share capital of Hepsor AS was 3,855 (31 December 2020: share capital 6) thousand euros.

At the general meeting of shareholders on 9 August 2021, it was decided to transform the private limited company (OÜ) into a public limited company (AS) and to increase the share capital of the company. The shareholders decided to increase the share capital to 3 million euros at the expense of the share premium. After the share capital increase, the company had 3 million shares with a nominal value of 1 euro.

On November 8, 2021, the general meeting of shareholders decided to list the shares of Hepsor AS on the main list of the Nasdaq Tallinn Stock Exchange and to issue up to 854,701 shares at an offer price of 11.70 euros, of which 1 euro was the nominal value and 10.70 was the share premium. The Group's shares were listed on the main list of the Nasdaq Tallinn Stock Exchange on November 26, 2021. Additional information on the number of shares is provided in Note 27.

10 million euros were raised from investors through the issue and listing of shares. Expenses related to the issue and listing of shares amounted to 650 thousand euros, of which expenses related to the listing of existing shares in the amount of 205 thousand euros have been recognized through profit attributable to owners of the parent company and expenses related to the issue and listing of new shares amounted to 445 thousand euros through equity. Net cash flow from issuing shares was 9,555 thousand euros.

In May 2021 Hepsor Peetri OÜ paid dividends to minority shareholders in the amount of 64 thousand euros.

In January and August 2021 Hepsor AS paid dividends to shareholders in the amount of 188 thousand euros.

The minority shareholder of Hepsor Latvia OÜ paid the company's voluntary equity reserve of 190 thousand euros.

Note 17. Contingent liabilities

17.1 Contingent liabilities arising from embedded derivatives

In accordance with the shareholders agreements between the Group and minority shareholders of subsidiaries (SPV’s), the Group has an obligation as at 31 December 2021 to pay 7,501 thousand euros (31 December 2020: 5,662 thousand euros) to the minority shareholders upon realization of the business plan. The obligations amounts are estimations calculated based on current business plans of the development projects as of statement of financial position dates. Contingent liabilities are estimated before the full realization of the development projects at each reporting date. As of 31 December 2021, the realization time of contingent liabilities remains between 2022 and 2025 (31 December 2020: 2021-2024).

17.2 Contingent obligation from financing the construction of city daycare center

The Group holds contingent obligation to finance the construction of daycare center for city of Tallinn as part of the development of Manufaktuuri quarter. The potential financing obligation is 375 thousand euros. As at the end of the financial year the Group and the city of Tallinn had not agreed on the financing conditions.

17.3 Group guarantees given

As of 31 December 2021, the Group has not issued financial guarantees for bank loans (31 December 2020: 2,900 thousand euros), additional information on the terms of bank loans is provided in the Note 9.

The Group is obliged to provide warranty services during the warranty period. The Group has outsourced the provision of warranty period services for general repairs of defects of real estate developed to contracted construction service partners. Based on signed construction contracts and previous experience, the Group has not formed guarantee provision for construction work.

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

Note 18. Revenue

in thousands of euros	2021	2020
Revenue from sale of real estate	14,347	38,475
Revenue from project management services	227	213
Revenue from rent	312	66
Revenue from other services	75	17
Total	**14,961**	**38,771**

In 2021, a total of 89% (2020: 90%) real estate was sold to private clients.

In 2021, 94 (2020: 333) apartments were sold, of which 11 in Latvia (2020: 34) and 83 in Estonia (2020: 299).

Revenue by geographical area

in thousands of euros	2021	2020
Estonia	13,278	33,907
Latvia	1,683	4,864
Total	**14,961**	**38,771**

Revenue by operating segments:

in thousands of euros	2021	2020
Residential real estate	14,085	38,361
Commercial real estate	643	185
Headquarters	233	225
Total	**14,961**	**38,771**

Additional information on operating and geographical segments is provided in the Note 29.

Note 19. Cost of sales

in thousands of euros	2021	adjusted 2020
Cost of real estate sold	11,137	34,062
Personnel expenses (Notes 1.4,22)	444	399
Interest expenses (Note 25)	257	157
Depreciation	32	34
Other costs	32	35
Total	**11,902**	**34,687**

The Group has adjusted labor costs in 2020, increasing costs in 2020 by 194 thousand euros. In 2020, labor costs related to the management of development projects were partially presented under administrative expenses.

Note 20. Marketing expenses

in thousands of euros	2021	2020
Other marketing expenses	190	93
Personnel expenses (Note 22)	81	0
Total	**271**	**93**

In 2021, the Group began to build its sales team to strengthen the Group's brand and be the best partner for its customers.

Note 21. Administrative expenses

in thousands of euros	2021	adjusted 2020
Personnel expenses (Notes 1.4, 22)	383	206
Depreciation	125	127
Impairment of goodwill	0	25
Traveling and transport expenses	40	55
Purchased service expenses	347	60
Office expenses	18	49
Other administrative expenses	29	72
Total	**942**	**594**

Additional information on the 2020 adjustment is provided in Note 1.4.

Note 22. Personnel expenses

in thousands of euros	2021	2020
Salaries	680	466
Social security and other payroll taxes	228	139
Total (Notes 19,20,21)	**908**	**605**

The increase in personnel expenses is primarily related to the increase in staff and the change in management structure in 2021 and the 30% reduction in periods over the comparable period to five months due to the difficult economic situation caused by the Covid-19 pandemic in 2020.

As of 31 December 2021, the Group, together with the members of the Management Board and the Supervisory Board, had 21 (31.12.2020: 15) employees, of which 13 in Estonia (31.12.2020: 9) and 8 in Latvia (31.12.2020: 6).

The average number of employees of the Group in 2021 was 13.8 (2020: 11.4), of which 7.8 (2020: 6.4) in Estonia and 6 (2020: 5) in Latvia.

No special benefits, share-based payments or share options have been granted to the Group's employees, including key personnel. Key personnel include members of the Management Board and Supervisory Board of Hepsor AS and members of the Management Board of Hepsor Latvia OÜ.

Note 23. Other operating income and expenses

Other operating income:

in thousands of euros	2021	2020
Fines and compensations	16	3
Income from government grants	21	16
Income from sale of passthrough services (Note 5)	19	19
Other operating income	27	13
Total	**83**	**51**

In 2021 the Group applied for a buildings and structures demolition grant from SA Kredex. The Group was granted 21 thousand euros as a government grant. In 2020 the Group received from Unemployment Insurance Fund 16 thousand euros as a compensation for wages and salaries.

Other operating expenses:

in thousands of euros	2021	2020
Fines and compensations	17	12
Cost of assigning the contractual claim	8	0
Loss on doubtful accounts receivable	6	0
Other operating expenses	18	25
Total	**49**	**37**

Note 24. Financial income

in thousands of euros	2021	2020
Interest income (Note 28)	145	108
Proceeds from sales of subsidiary	0	691
Other financial income from subsidiary	0	118
Other financial income from financial investment	43	0
Financial income from discounting (Note 28)	133	0
Total	**321**	**917**

In 2020, the Group earned non-incurring financial income from the sale of shares in Hepsor K141 OÜ and the write-down of the minority shareholder's claim of Hepsor Meistri 14 OÜ in the total amount of 809 thousand euros.

Note 25. Financial expenses

in thousands of euros	2021	2020
Interest expenses (Note 28)	434	157
Loss from associates of equity method	2	0
Financial expenses from discounting (Note 28)	14	11
Other financial expenses	62	0
Loss from sale of shares of associate	0	196
Total	**512**	**364**

In 2021 borrowing costs in the amount of 1,518 thousand euros (2020: 1,007 thousand euros) have been capitalised as the cost of inventories (Note 4). Interest expenses of 257 thousand euros (2020: 157 thousand euros) have been recognized in the cost of sales in 2021 (Note 19).

The interest rate used for discounting long-term financial receivables and liabilities is 5% per annum, which, according to the management, is the average interest rate that the Group should pay when borrowing.

Note 26. 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.

Group's dividend policy considers Group's growth ambition, capital need for development projects, financial position, liquidity ratios of the Group and other factors. Based on the 2022 forecast the dividend payments are not expected as most of the Group's development projects are in the active pipeline and need further investments. The Group reinvests all expected profits to further support the Group's growth.

The Group's deferred income tax liability is based on the profit or loss from subsidiaries with minority holding, and where the distribution of profit 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 as at the reporting date. The deferred income tax liability is reduced if the distribution of profit from the development project has been agreed between the shareholders.

In April 2021 the shareholders of Hepsor Peetri OÜ decided to pay out dividends to the minority holders in the amount of 64 thousand euros. Income tax expense on dividends paid amounted to 16 thousand euros. The shareholders of Hepsor Kadaka OÜ approved a resolution on 24 March 2020 to pay out dividends to minority shareholders in the amount of 211 thousand euros including income tax on dividends in the amount of 59 thousand euros. The articles of association of Hepsor Kadaka OÜ and Hepsor Peetri OÜ allow pay out dividends unproportionally between the shareholders.

in thousands of euros	2021	2020
Current income tax expense (Note 28)	16	59
Deferred income tax		
Deferred income tax balance as at 01.01	60	0
Deferred income tax expense	0	60
Deferred income tax expense reduction (-)	-60	0
Deferred income tax balance as at 31.12	**0**	**60**
Total income tax and deferred tax expense	**16**	**119**

In 2021 the shareholders of the Group decided to pay out dividends in the amount of 151 thousand euro (2020: 37 thousand euros). The dividend payment was made in August 2021. No income tax expense incurred on dividend payout. Dividend payments were made at the expense of dividends received from subsidiaries and that were subject to income tax.

Note 27. Earnings per share

The number of shares of Hepsor AS: share capital 3,854,701 (EUR) / 1 (EUR) nominal value = 3,854,701 shares.

in thousands of euros	2021	2020
Profit for the year attributable to owners of the parent	-22	2,591
Number of ordinary shares (thousand pcs)	3,855	3,000
Basic earnings per share	-0.01	0.86
Diluted earnings per share	-0.01	0.86

Earnings per share is calculated when profit for the year attributable to owners of the parent is divided by number of shares. Additional information on share capital is provided in the Note 16.

Note 28. Information about line items in the consolidated statement of cash flows

in thousands of euros	2021	2020
Inventories (Note 4)		
Reclassification of cash flows from operating activities to financing activities	1,518	1,007
Decrease (-)/ increase (+) of change inventories balances	-14,334	8,596
Change in inventories	**-12,816**	**9,603**
Other adjustments		
Financial income from discounting (Note 24)	133	0
Financial expenses from discounting (Note 25)	-14	0
Other adjustments	119	0
Corporate income tax		
Income tax expense in statement of profit or loss and other comprehensive income (Note 26)	-16	-59
Decrease (-)/ increase (+) of corporate income tax liability (Note 13)	-58	58
Corporate income tax paid	**-74**	**-1**
Interest paid		
Interest expense in statement of profit or loss and other comprehensive income (Note 25)	-434	-157
Reclassification of cash flows from operating activities to financing activities (Note 25)	-1,518	-1,007
Decrease (-)/ increase (+) of interest payables (Notes 13,14)	591	-164
Interest paid	**-1,361**	**-1,328**
Interest received		
Interest income in statement of profit or loss and other comprehensive income (Note 24)	145	108
Decrease (-)/ increase (+) of interest receivables (Notes 3,10)	-128	-25
Interest received	**17**	**83**

Note 29. Operating segments

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

The Group reports separately information about the following operating segments:
- residential real estate;
- commercial real estate;
- headquarters.

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.

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
2021	Estonia	Latvia	Estonia	Latvia	Estonia	Latvia	
Revenue	12,893	1,192	181	462	204	29	14,961
incl. revenue from rent	15	209	61	27	0	0	312
Operating profit	3,200	219	-5	23	-1,104	-453	1,880
Assets	22,859	6,707	10,640	3,515	8,827	2,797	55,345
Liabilities	16,853	3,893	6,693	1,735	4,991	2,143	36,308

in thousands of euros	Residential development		Commercial development		Headquarters		Total
2020	Estonia	Latvia	Estonia	Latvia	Estonia	Latvia	
Revenue	33,668	4,693	48	137	191	34	38,771
incl. revenue from rent	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

Note 30. Non-controlling interest

As of 31 December 2021, the Group had 17 (31.12.2020: 12) companies with non-controlling holding.

Company	Non-controlling interest and voting rights at %		Location	Segment
	31.12.2021	31.12.2020		
Hepsor Bal 9 OÜ	43	29	Estonia	Headquarter
Hepsor Bal9 SIA	43	29	Latvia	Residential development
Hepsor Kadaka OÜ	-	49	Estonia	Residential development
Hepsor Peetri OÜ	32	32	Estonia	Residential development
Hepsor V10 OÜ	-	50	Estonia	Residential development
Hepsor T2T4 OÜ	50	50	Estonia	Commercial development
Hepsor P26B OÜ	49	49	Estonia	Residential development
Hepsor Phoenix 2 OÜ	50	50	Estonia	Residential development
Hepsor Phoenix 3 OÜ	50	50	Estonia	Residential development
Hepsor M14 OÜ	49	49	Estonia	Commercial development
Hepsor 3 Torni OÜ	49	49	Estonia	Residential development
Hepsor SA2 SIA	59	49	Latvia	Residential development
Hepsor Latvia OÜ	20	-	Estonia	Headquarter
H&R Residentsid OÜ	50	-	Estonia	Residential development
Hepsor U34 SIA	44	-	Latvia	Commercial development
Hepsor RD5 SIA	20	-	Latvia	Residential development
Hepsor U30 SIA	20	-	Latvia	Commercial development
Hepsor SIA	20	-	Latvia	Headquarter
Hepsor Marupe SIA	20	-	Latvia	Residential 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	Comprehensive income (-loss)
31.12.2021							**2021**	
Hepsor Bal 9 OÜ	-	530	240	783	0	-13	14	14
Hepsor Bal9 SIA	D	2,067	0	1,878	0	189	-44	-44
Hepsor Peetri OÜ	-	232	0	35	0	197	228	240
Hepsor T2T4 OÜ	C	1,300	0	0	1,286	14	11	11
Hepsor P26B OÜ	E	3,558	0	2,454	0	1,104	2,646	819
Hepsor Phoenix 2 OÜ	B	2,518	0	20	2,501	-3	-3	-3
Hepsor Phoenix 3 OÜ	B	3,399	0	33	3,296	70	69	69
Hepsor M14 OÜ	D	6,585	0	267	6,387	-69	-60	-60
Hepsor 3Torni OÜ	C	2,858	0	3	2,857	-2	-4	-4
Hepsor SA2 SIA	B	967	0	0	990	-23	0	0
Hepsor Latvia OÜ	-	2,165	4,338	1,386	4,165	952	-48	-48
H&R Residentsid OÜ	A	626	0	0	623	3	0	0
Hepsor U34 SIA	B	1,242	0	278	764	200	0	0
Hepsor RD5 SIA	B	405	0	0	325	80	0	0
Hepsor U30 SIA	D	1,830	0	355	1,224	251	-44	-44
Hepsor SIA	-	131	10	472	0	-331	-213	-213
Hepsor Marupe SIA	C	771	0	35	489	247	-17	-17

In May 2021, Hepsor Peetri OÜ paid out dividends in the amount of 64 thousand euros to the 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	Comprehensive income(-loss)
31.12.2020							**2020**	
Hepsor Bal 9 OÜ	-	29	468	58	466	-27	-16	-16
Hepsor Bal9 SIA	B	658	0	197	228	233	-1	-1
Hepsor Kadaka OÜ	-	1,119	0	513	0	606	1,169	1,221
Hepsor Peetri OÜ	E	2,712	0	2,692	0	20	64	17
Hepsor V10 OÜ	-	734	0	274	0	460	820	546
Hepsor T2T4 OÜ	C	1,166	0	72	1,092	2	0	0
Hepsor P26B OÜ	D	3,927	0	3,642	0	285	535	282
Hepsor Phoenix 2 OÜ	B	1,732	0	26	1,707	-1	-3	-3
Hepsor Phoenix 3 OÜ	B	2,801	0	2	2,798	1	0	0
Hepsor M14 OÜ	D	2,214	0	397	1,826	-9	-12	-12
Hepsor 3Torni OÜ	A	36	0	1	33	2	0	0
Hepsor SA2 SIA	B	1,055	0	1	1,077	-23	0	0

In 2020, dividends of 211 thousand euros were paid to the non-controlling interest in Hepsor Kadaka OÜ.

Project statuses are classified as following:

A – planning proceedings
B – building permit proceedings
C – building permit available / construction has not yet
D – construction started / sale started
E – construction ready for sale

Note 31. Related parties

Purchases and sales of goods and services

in thousands of euros	2021	2020
Sales of goods and services		
Associated companies	160	160
Key members of the management and all companies directly or indirectly owned by them	65	173
Total sales of goods and services	**225**	**333**
Purchases of goods and services		
Key members of the management and all companies directly or indirectly owned by them	11,349	17,526
incl. construction service	11,160	14,629
Interest income earned		
Associated companies		
Interest earned	141	37
Key members of the management and all companies directly or indirectly owned by them		
Interest earned	0	1
Interest received	0	6
Interest expenses incurred		
Key members of the management and all companies directly or indirectly owned by them		
Accrued interest	136	154
Interest paid	68	204

Balances and loan transactions with related parties

in thousands of euros	31.12.2021	31.12.2020
Receivables		
Loans granted (Note 9)		
Associated companies		
Opening balance 01.01	1,371	124
Loan granted	1,216	1,247
Balance at the end of period	2,587	1,371
Trade and other receivables		
Associated companies	0	2
Key members of the management and all companies directly or indirectly owned by them	12	4
Interest receivables		
Associated companies	169	42
Payables		
Loans and borrowings (Note 11)		
Key members of the management and all companies directly or indirectly owned by them		
Opening balance 01.01	640	2,930
Loans received	1,691	1,240
Loans repaid	-500	-3,530
Balance at the end of period	1,831	640
Trade payables		
Key members of the management and all companies directly or indirectly owned by them	1,126	770
Interest payables		
Key members of the management and all companies directly or indirectly owned by them	70	2

Note 32. Events after the reporting period

- ✓ On 12 January 2022 Hepsor Latvia OÜ acquired 50% shareholding in Kvarta Holding OÜ subject to options agreement signed in 2021. Kvarta Holding is a 100% shareholder of Kvarta SIA development company which develops Kuldigas Parks project with 116 apartments in Riga, Gregora 2a.
- ✓ On 14 January 2022 Hepsor U30 SIA and Latvian affiliate of Bigbank AS signed a 2.65 million loan agreement to finance the construction of stock-office in Riga, Ulbrokas 30.
- ✓ In 2022, Hepsor Latvia OÜ established Hepsor Ganibu Dambis SIA, a subsidiary to develop commercial development project in Riga, Ganibu Dambis 17a.
- ✓ On 01 February 2022 Kvarta SIA and Latvian affiliate of Bigbank AS signed a loan agreement in the amount of 7.5 million euros to finance the construction of apartment building in Riga Gregora 2a.
- ✓ On 10 February 2022 50% shareholding was sold in Hepsor Marupe SIA.
- ✓ In January 2022 the shareholders of Hepsor Peetri OÜ decided to pay out dividends to minority shareholders in the amount of 29 thousand euros.
- ✓ In March 2022, Hepsor AS acquired a minority stake in Hepsor P26b OÜ and Hepsor Peetri OÜ, becoming a sole shareholder of both companies. The development projects of both companies were completed in 2021.
- ✓ On 5 April 2022 Hepsor Marupe SIA and SIA Mitt&Perlebach, a related party to the Group, signed a construction agreement for the construction of Marupe Darzs development project in Marupe, Riga area. The value of construction agreement is approximately 8.3 million euros excluding value added tax.
- ✓ On February 24, 2022, Russian troops launched an attack on Ukrainian territory. In such a situation is difficult to make any predictions about the uncertainty caused by the war. However, it is clear that in 2022 both the Estonian and Latvian real estate markets will be affected by the supply chain challenges caused by the war in Ukraine, rising prices and low supply of new development projects. In April 2022, the market for new developments is still active in both Riga and Tallinn, and customers' interest in new homes and commercial premises is still high.

Note 33. Risk management

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

Strategic risk

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

Market risk

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

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group actively uses external and internal borrowings to finance its real estate development projects in Estonia 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 usually fixed, ie interest rates are not floating and do not depend on Euribor.

The Group's bank loans have both fixed and floating interest rates based on Euribor. 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. The management constantly monitors the Group's exposure to interest rate risk which arises from loans with floating interest rates. Such risk is mainly related to the potential upward movement in Euribor as already warned by European Central Bank.

in thousands of euros	31.12.2021	31.12.2020
Financial liabilities with fixed interest rate	18,393	13,568
incl. bank loan liabilities with fixed interest rate	981	2,113
Bank loan liabilities with floating interest rate	9,970	2,592
Total	**28,363**	**16,160**

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.

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 specific 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 would increase as follows:

in thousands of euros	31.12.2021	31.12.2020
Increase by 50 basis points	34	35

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 December the following financial assets were exposed to credit risk:

thousands of euros	2021	2020
Cash and cash equivalents	10,889	4,207
Trade and other receivables	91	73
Interest receivables	173	44
Escrow account	0	188
Current loan receivables	2,388	776
Non-current loan receivables	3,408	1,371
Total	**16,949**	**6,659**

As at 31 December the aging of trade receivables was as follows:

in thousands of euros	2021	2020
Current	46	16
Up to 2 months past due date	16	47
2-4 months past due date	10	1
More than 4 months past due date	8	9
Total	**80**	**73**

As at 31 March 2022, the completion date of current report, trade receivables in the amount of 31 thousand euros were past the due date as at 31 December 2021.

Liquidity risk

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

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

Group's financial liabilities by maturity date:

in thousands of euros	up to 6 months	up to 12 months	1-5 years	Total
31.12.2021				
Loan and lease liabilities	2,758	2,866	22,928	**28,552**
Trade payable	1,506	-	-	**1,506**
Other liabilities	3,091	942	1,053	**5,086**

in thousands of euros	up to 6 months	up to 12 months	1-5 years	Total
31.12.2020				
Loan and lease liabilities	1,885	2,327	12,389	**16,601**
Trade payable	831	-	-	**831**
Other liabilities	1,998	253	462	**2,713**

Covid-19 risk

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.

Capital risk

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

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

in thousands of euros	2021	2020
Interest-bearing loan liabilities	28,379	16,200
Cash and bank accounts	10,889	4,207
Net debt	**17,490**	**11,993**
Equity	18,904	9,454
Total of net debt and equity	**36,394**	**21,447**
Debt-equity ratio	48%	56%
Total assets	55,345	30,433
Equity to total assets	34%	31%

Note 34. Primary financial statements of the parent company

Pursuant to the Estonian Accounting Act, the information on the unconsolidated main financial statements of the consolidating entity is disclosed in the notes to the consolidated financial statements. The main financial statements of the parent company have been prepared using the same accounting and valuation principles as used in the preparation of the consolidated financial statements, except for subsidiaries, which are accounted for in the parent company's separate unconsolidated financial statements using the acquisition method.

Statement of financial position

in thousands of euros	31.12.2021	31.12.2020
Assets		
Current assets		
Cash and cash equivalents	3,110	1,036
Trade and other receivables	82	389
Current loan receivables	3,079	690
Inventories	20	20
Total current assets	**6,291**	**2,135**
Non-current assets		
Property, plant and equipment	50	79
Investments in subsidiaries	1,629	1,622
Financial investments	2	0
Investments in associates	0	2
Non-current loan receivables	8,641	4,036
Other non-current receivables	598	42
Total non-current assets	**10,920**	**5,781**
Total assets	**17,211**	**7,916**
Liabilities and equity		
Current liabilities		
Loans and borrowings	0	3,864
Current lease liabilities	11	39
Trade and other payables	67	301
Total current liabilities	**78**	**4,204**
Non-current liabilities		
Loans and borrowings	4,026	0
Non-current lease liabilities	5	0
Deferred income tax liability	0	60
Total non-current liabilities	**4,031**	**60**
Total liabilities	**4,109**	**4,264**
Equity		
Share capital	3,855	6
Share premium	8,917	3,211
Retained earnings	330	435
Total equity	**13,102**	**3,652**
Total liabilities and equity	**17,211**	**7,916**

Statement of profit and loss and other comprehensive income

in thousands of euros	2021	2020
Revenue	25	0
Cost of sales (-)	-91	-36
Gross profit	**-66**	**-36**
Marketing expenses (-)	-40	-5
Administrative expenses (-)	-359	-128
Other operating income	31	23
Operating profit of the year	**-434**	**-146**
Financial income	**825**	**1 304**
interest income	760	495
profit on the sale of a subsidiary	0	809
other financial income	65	0
Financial expenses (-)	**-405**	**-314**
interest expenses (-)	-315	-119
loss from associate (-)	-2	0
other financial expenses (-)	-88	-196
Profit before tax	**-14**	**843**
Deferred income tax	60	-60
Net profit for the year	**46**	**783**
Other comprehensive income (loss)		
Business combination between related parties	0	25
Other comprehensive income for the period	**46**	**808**

Statement of changes in equity

in thousands of euros	Share capital	Share premium	Retained earnings	Total equity
Balance 31.12.2019	**6**	**3,211**	**-336**	**2,881**
Net profit for the year	0	0	783	**783**
Other comprehensive income for the period	0	0	25	**25**
Dividends declared	0	0	-37	**-37**
Balance 31.12.2020	**6**	**3,211**	**435**	**3,652**
Net profit for the year	0	0	46	**46**
Increase of share capital	2,994	-2,994	0	**0**
Issue of shares (less share issue expenses)	855	8,700	0	**9,555**
Dividends paid	0	0	-151	**-151**
Balance 31.12.2021	**3,855**	**8,917**	**-115**	**13,102**

Adjusted unconsolidated equity

in thousands of euros	31.12.2021	31.12.2020
Parent company's unconsolidated equity	13,102	3,652
Carrying amount of investments in subsidiaries in the parent company's unconsolidated statement of financial position (-)	-1,629	-1,622
Value of investments in subsidiaries under the equity method (+)	7,431	7,424
Parent company's adjusted unconsolidated equity	18,904	9,454

At the general meeting of shareholders on 9 August 2021, it was decided to transform the private limited company (OÜ) into a public limited company (AS) and to increase the share capital of the company. The shareholders decided to increase the share capital to 3 million euros at the expense of the share premium.

On November 8, 2021, the general meeting of shareholders decided to list the shares of Hepsor AS on the main list of the Nasdaq Tallinn Stock Exchange and to issue up to 854,701 shares at an offer price of 11.70 euros, of which 1 euro was the nominal value and 10.70 was the share premium. The Group's shares were listed on the main list of the Nasdaq Tallinn Stock Exchange on November 26, 2021.

Statement of cash flows

in thousands of euros	2021	2020
Net cash flows from (to) operating activities		
Operating profit of the year	**-434**	**-146**
Adjustments for:		
Depreciation of property, plant and equipment	**30**	**31**
Loss from write off of goodwill	**0**	**25**
Other adjustments	-97	0
Changes in working capital:		
Change in trade and other receivables	**-13**	**-5**
Change in inventories	**0**	**14**
Change in liabilities and prepayments	**-194**	**227**
Cash flows from (to) operating activities	**-708**	**146**
Net cash flows to investing activities		
Payments of for acquisition of subsidiaries	**-7**	**-8**
Payments of for acquisition of financial investment	**-2**	**0**
Proceeds from sale of subsidiaries	**0**	**809**
Proceeds from sale of associates	**0**	**1**
Interest received	**523**	**316**
Loans granted	**-9,760**	**-9,979**
Loan repayments received	**2,765**	**6,202**
Other proceeds from investing activities	**64**	**0**
Cash flows to investing activities	**-6,417**	**-2,659**
Net cash flows from (to) financing activities		
Net cash flow from issuing shares	**9,555**	**0**
Loans raised	**4,885**	**5,711**
Loan repayments	**-4,723**	**-1,847**
Interest paid	**-315**	**-119**
Payments of finance lease principal	**-15**	**-7**
Dividends paid	**-188**	**0**
Other receipts from financing activities	**0**	**-195**
Cash flows from financing activities	**9,199**	**3,543**
Net cash flow	**2,074**	**1,030**
Cash and cash equivalents at beginning of year	**1,036**	**6**
Increase / decrease in cash and cash equivalents	**2,074**	**1,030**
Cash and cash equivalents at end of year	**3,110**	**1,036**

Management Board's confirmation of the consolidated annual report

The Management Board confirms that the audited consolidated annual report for 2021, which is comprised of the management report, corporate governance report, remuneration report and sustainability report as set out on pages 4 to 33, 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.

The Management Board confirms that according to their best knowledge, the audited consolidated annual accounts for 2021 as set out on pages 34 to 77 present a correct and fair view of the financial position, profit and loss and other comprehensive income and cash flows of Hepsor AS. The consolidated annual accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Hepsor AS Group is going concern.

The consolidated annual report of Hepsor AS for 2021 will be submitted for approval to the General Meeting of Shareholders in May 2022.

Henri Laks
Member of Management Board
/ *signed digitally* /
Tallinn, 28 April 2022

Grant Thornton Baltic OÜ
Pärnu road 22
10141 Tallinn, Estonia
T +372 626 0500
E info@ee.gt.com
REG No. 10384467
VAT No. EE100086678

INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)

To the Shareholders of Hepsor AS

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Hepsor AS and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2021, and the consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia) (ISA (EE)s). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group 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.

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 financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Based on our risk and materiality assessments, we determined which components need to be fully audited, considering the relative impact of each component's size on the Group and how all material items in the consolidated financial statements are covered.

Accordingly, based on the size and risk characteristics, we performed a full scope audit of the financial information for the following subsidiaries and associated companies within the Group: Hepsor AS (the Group's parent entity), Hepsor Finance OÜ, Hepsor Latvia OÜ, Hepsor M14 OÜ, Hepsor P113 OÜ and Hepsor N170 OÜ. We performed review of the financial information for the following subsidiaries within the Group: Hepsor L4 OÜ, Hepsor P26b OÜ, Hepsor Phoenix 2 OÜ, Hepsor Phoenix 3 OÜ, Hepsor PV11 OÜ, Hepsor 3 Torni OÜ and Hepsor N450 OÜ.

Grant Thornton Baltic Audit SIA performed specific audit procedures over significant balances and transactions based on the instructions received from us for the following component subsidiaries: Hepsor Marupe SIA, Hepsor BAL9 SIA, Hepsor S4B SIA, Hepsor SA2 SIA, Hepsor U30 SIA and Hepsor U30 SIA. We communicated frequently with the component auditor and reviewed the procedures performed and documentation to the extent we deemed necessary.

At the Group level we tested the consolidation process and performed separate analytical procedures over the components not covered by the above procedures to confirm our conclusion that no material misstatements exist that may affect the consolidated financial statements. Information describing the structure of the Group is included on page 19 of the consolidated financial statements.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Inventory accounting As at 31.12.2021, the Group has recognized the inventories in total of 37 237 thousand euros. We focused on inventories, as its forms 67% of the Group's total assets. Additional information is provided in consolidated financial statements Note 1 “Summary of significant accounting policies” and Note 4 “Inventories”. Inventories consists of finished real estate development projects when permit for use has been granted and work in progress of real estate development projects. As described in Note 1.12 in the consolidated financial statements, inventories are stated at the lower of cost and net realizable value. Acquisition cost consists of direct costs and their overheads without which inventories would not be in existing locations or condition. Borrowing costs directly attributable to the acquisition and construction of the real estate development projects form part of the cost of that asset.	**While conducting the audit procedures, we performed, among other things, the following** We assessed the principles for recognizing inventories and the method complies with the requirements of IFRS. We assessed the net realizable value of inventories by making inquiries to the Group, used project cash flow projections, and made sure that after the balance sheet date the apartments were not sold with a loss. In conclusion, we have determined that the accounting principles used for recognizing inventories are in accordance with the requirements of IFRS. The data and assumptions used are reasonable and in line with the actual results of the past period and the expected prospects. In our opinion, the disclosures about inventories in Note 4 to the consolidated financial statements are relevant and in accordance with IFRS requirements.

Other Information, including the Management Report

Management is responsible for the other information. The other information comprises description of the Group, the Management report, the Profit Allocation proposal and the Remuneration Report (but does not include the consolidated financial statements and our auditor’s report thereon). Our opinion on the consolidated financial statements does not cover the other information, including the Management report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the Management report, we also performed the procedures required by the Auditors Activities Act. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act.

In accordance with the Securities Market Act with respect to the Remuneration Report, our responsibility is to consider whether the Remuneration Report includes the information in accordance with the requirements of Article 135[3] of the Securities Market Act.

Based on the work undertaken in the course of our audit, in our opinion:

● the information given in the Management report for the financial year for which the financial statements are prepared is consistent, in all material respects, with the consolidated financial statements; and

● the Management report has been prepared in accordance with the requirements of the Accounting Act;

● the Remuneration Report has been prepared in accordance with Article 135[3] of the Securities Market Act.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union., and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management 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 management 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 ISA (EE)s 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 financial statements.

As part of an audit in accordance with ISA (EE)s, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 management.
- Conclude on the appropriateness of management'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 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 financial statements, including the disclosures, and whether the consolidated 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 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.

Report on other legal and regulatory requirements

Report on the compliance of the presentation of consolidated financial statements with the requirements of the European Single Electronic Format ("ESEF")

We have been engaged based on our agreement by the Management Board of the Parent Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of Hepsor AS for the year ended 31 December 2021 (the "Presentation of the Consolidated Financial Statements").

Description of a subject matter and applicable criteria

The Presentation of the Consolidated Financial Statements has been applied by the Management Board of the Parent Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regards to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Presentation of the Consolidated Financial Statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Presentation of the Consolidated Financial Statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the Management Board and Those Charged with Governance

The Management Board of the Parent Company is responsible for the Presentation of the Consolidated Financial Statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the Consolidated Financial Statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process, which should also be understood as the preparation of consolidated financial statements in accordance with the format resulting from the ESEF Regulation.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 (R) - 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (ISAE 3000(R)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE 3000(R) will always detect the existing material misstatement (significant non-compliance with the requirements).

Quality control requirements

We apply the provisions of the International Standard on Quality Control (Estonia) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the Consolidated Financial Statements complies, in all material aspects, with the applicable requirements and such compliance is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Consolidated Financial Statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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

Conclusion

In our opinion, based on the procedures performed, the Presentation of the Consolidated Financial Statements complies, in all material respects, with the ESEF Regulation.

Designate the auditor

We were first appointed as auditors of Hepsor AS, as a public interest entity, on 27 November 2021 when signing the audit agreement for the financial year ended 31 December 2021.

The engagement partner on the audit resulting in this independent auditor's report is Mart Nõmper.

Compliance with the report to the Audit Committee

Our audit opinion presented in this report is in accordance with the supplementary report prepared for the Audit Committee on April 27, 2022. We confirm that our audit opinion is in line with the additional report submitted to the Group audit committee and we have not provided the prohibited non-audit services to the Group referred to in Article 5 (1) of Regulation (EU) No 537/2014. We were independent from the audited entity.

April 28, 2022

Mart Nõmper
Sworn Auditor 499
Grant Thornton Baltic OÜ
License number 3
Pärnu mnt 22, 10141 Tallinn

Profit allocation proposal

Retained earnings attributable to the owner of the parent of the Group:

in thousands of euros	31.12.2021
Retained earnings for prior periods as at 31 December 2021	6,237
Net loss for 2021	-22
Total distributable profit as at 31 December 2021	6,215

Henri Laks

Member of Management Board

/ signed digitally /

Tallinn, 28 April 2022