

Heimstaden ehf.

Condensed Consolidated Interim
Financial Statements
1 of January to 30 of June 2022

Heimstaden ehf.
Hlíðasmári 15
201 Kópavogur

Reg.no. 440315-1190

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Endorsement and Statement by the Board of Directors and the CEO

Heimstaden ehf. is a limited liability Company (hereafter also referred to as "the Company"). The purpose of the Company is to invest, operate, and to administrate real estate.

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU for Interim Financial Statements (IAS 34) and additional requirements in accordance with the Icelandic Financial Statement Act No. 3/2006.

The Condensed Consolidated Interim Financial Statements are comprised of financial statements for the Company and its four subsidiaries

Operations and Financial Position

Profit for the period of 1 January to 30 June 2022 amounted to ISK 5.540 million (H1 2021: ISK 3.169 million). Total equity at the end of June 2022 amounted to ISK 31.482 million (year end 2021: ISK 28.342 million) according to the balance sheet, including share capital amounting to ISK 11.251 million. The Company's equity ratio was 42,4% at the end of June 2022.

Heimstaden AB in Sweden possesses all shares in the Company at the end of June 2022.

The main risk and uncertainty that the Company faces in the coming months is the effect of higher interest rate and inflation on the operations.

Statement by the Board of Directors and the CEO

According to the best knowledge of the Board of Directors and the CEO, the Condensed Consolidated Interim Financial Statements are in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34) and it is the opinion of the Board of Directors and the CEO that the Condensed Consolidated Interim Financial Statements give a true and fair view of the Group's assets, liabilities and financial position on 30 June 2022 and its consolidated financial performance and changes in cash in the period from 1 January to 30 June 2022.

Furthermore, it is the opinion of the Board of Directors and the CEO that the Condensed Consolidated Interim Financial Statements and the endorsement by the Board of Directors and the CEO contain a true and fair overview of the development and performance of the Group's operations and its position and describe the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO of Heimstaden ehf. have today discussed the Company's Condensed Consolidated Interim Financial Statements for the period 1 January to 30 June 2022 and confirmed them with their signatures.

Reykjavík, August 24th 2022

Board of directors:

Helge Krogsbol

Arnar Gauti Reynisson

Margrét Guðjónsdóttir

Eduard Gerardus Antonius Rats (reserve)

Helge Krogsbol

Eduard Gerardus Antonius Rats

Gauti Reynisson

Margrét Guðjónsdóttir

CEO:

Arnar Gauti Reynisson



Report on Review of Condensed Consolidated Interim Financial Statements

To the shareholders and Board of Directors of Heimstaden ehf.

We have reviewed the accompanying condensed consolidated interim financial statements of Heimstaden ehf. for the period January 1 - June 30, 2022. The condensed consolidated interim financial statements comprise the statement of financial position as at June 30, 2022, the income statement, statement of changes in equity, statement of cash flow and other explanatory notes. The Board of Directors and CEO are responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with the International Financial Reporting Standard, IAS 34 Interim Financial

Reporting as adopted by the EU and additional requirements in the Act on Annual Accounts in Iceland no. 3/2006. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with the International Financial Reporting Standard IAS 34 Interim Financial Reporting, as adopted by the EU and additional requirements in the Act on Annual Accounts in Iceland no. 3/2006.

Reykjavík, August 24th 2022

Valgerður kristjánsdóttir

Valgerður Kristjánsdóttir

State Authorised Public Accountant

Ernst & Young ehf.

Borgartúni 30

105 Reykjavík

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2022

	Notes	2022 H1	2021 H1
Rental revenue	3	1.921.740	1.649.135
Operating expenses of investment properties	4	(511.965)	(480.080)
Net rental revenue		<u>1.409.775</u>	<u>1.169.055</u>
Other income		3.648	4.003
Other operating expenses		(190.523)	(223.482)
Operating profit before fair value adjustment		1.222.900	949.576
Fair value adjustment of investment properties	7	7.489.332	4.039.795
Operating profit		8.712.232	4.989.371
Financial income		27.520	4.887
Financial expenses		(1.814.618)	(1.033.355)
Net financial expenses	6	<u>(1.787.098)</u>	<u>(1.028.468)</u>
Profit before income tax		6.925.134	3.960.903
Income tax		(1.385.007)	(792.180)
Total profit and comprehensive profit for the period		<u>5.540.127</u>	<u>3.168.723</u>

Consolidated Statement of Financial Position as at 30 June 2022

	Notes	30.6.2022	31.12.2021
Assets			
Investment properties	7	71.739.505	63.994.796
Investment properties, under construction		668.299	668.299
Fixed assets		46.391	50.730
	Non-current assets	<u>72.454.195</u>	<u>64.713.825</u>
Trade receivables		20.994	41.455
Other receivables	8	129.597	174.093
Cash and cash equivalents		1.627.223	945.490
	Current assets	<u>1.777.814</u>	<u>1.161.038</u>
	Total assets	<u>74.232.009</u>	<u>65.874.863</u>
Equity			
Share capital	9	11.251.397	11.251.397
Statutory reserve		717.832	717.832
Restricted share reserve		455.679	241.657
Retained earnings		19.058.542	16.131.437
	Total equity	<u>31.483.450</u>	<u>28.342.323</u>
Non-current liabilities			
Deferred income-tax liability		6.630.001	5.244.994
Lease liability		645.150	646.942
Loans and borrowings	10	34.471.663	26.072.412
	Non-current liabilities	<u>41.746.814</u>	<u>31.964.348</u>
Current liabilities			
Loans and borrowings	10	390.502	4.980.754
Trade and other payables	11	611.243	587.438
	Current liabilities	<u>1.001.745</u>	<u>5.568.192</u>
	Total liabilities	<u>42.748.559</u>	<u>37.532.540</u>
	Total equity and liabilities	<u>74.232.009</u>	<u>65.874.863</u>

Consolidated Statement of Changes in Equity for the six months ended 30 June 2022

	Share capital	Statutory reserve	Restricted share reserve	Retained earnings	Total
First six months of 2021					
Equity as at 1.1.2021	11.251.397	6.324	10.222.238 (252.714)	21.227.245
Total profit and comprehensive profit				3.168.723	3.168.723
Reserved equity			6.526 (6.526)	
Equity 30.06.2021	11.251.397	6.324	10.228.764	2.909.483	24.395.968
First six months of 2022					
Equity as at 1.1.2022	11.251.397	717.832	241.657	16.131.437	28.342.323
Total profit and comprehensive profit				5.540.127	5.540.127
Reserved equity			213.022 (213.022)	
Paid dividend 0,20 ISK per share				(2.400.000) (2.400.000)
Equity 30.06.2022	11.251.397	717.832	454.679	19.058.542	31.482.450

Consolidated Statement of Cash Flows for the six months ended 30 June 2022

	2022 1.1.-30.6.	2021 1.1.-30.6.
Cash flows from operating activities		
Profit and comprehensive profit for the period.....	5.540.127	3.168.723
Adjusted for:		
Fair value adjustment of investment properties	(7.489.332)	(4.039.795)
Depreciation	4.976	10.638
Net finance expenses	1.787.098	1.028.468
Income tax	1.385.007	792.180
	<u>1.227.876</u>	<u>960.214</u>
Change in operating assets and liabilities:		
Current assets, decrease, (increase)	18.731	(5.227)
Current liabilities, increase (decrease)	24.805	(5.995)
	<u>43.536</u>	<u>(11.222)</u>
Net cash provided by operating activities before financial income and expenses	1.271.412	948.992
Interest income received	27.520	4.887
Interest expenses paid	(892.341)	(520.455)
	<u>406.591</u>	<u>433.424</u>
Cash flows from investing activities		
Investment in investment properties	(255.377)	(679.531)
Sales of investment properties	46.226	409.169
Purchase of equipment	(637)	(16.317)
Selling of equipment	0	3.250
Investment in subsidiary	0	(718.652)
	<u>(209.788)</u>	<u>(1.002.081)</u>
Cash flows from financing activities		
Dividend, paid	(2.400.000)	0
New long-term borrowings	17.088.305	1.309.945
Repayments of interest bearing liabilities	(14.203.375)	(1.050.840)
	<u>484.930</u>	<u>259.105</u>
(Decrease) increase in cash and cash equivalents	681.733	(309.552)
Cash and cash equivalents at the beginning of the year	<u>945.490</u>	<u>1.151.106</u>
Cash and cash equivalents at the end of the period	<u>1.627.223</u>	<u>841.554</u>
Investing and financing activities not affecting cash flows		
Sale of investment properties	46.226	273.338
Unpaid sales of investment properties	(46.226)	(273.338)

All amounts are in ISK thousand

Notes to the Condensed Consolidated Financial Statements

1. General information

Heimstaden ehf. ("the Company") is a public limited liability company domiciled in Iceland. The Company's headquarters are based in Hlíðarsmári 15, Kópavogur. The condensed consolidated interim financial statements for January 1 until June 30 comprise of interim financial statements of the Company and its subsidiaries; Heimkynni ehf., Heimstaden Miðbær ehf., Bp 14-16 ehf. and Heimstaden rekstur ehf. which form the entity which is referred to as the "Group" and subsidiaries.

2. Basis of preparation

a. Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting as adopted by the EU and Act. on Annual accounts in Iceland*. The Condensed Consolidated Interim Financial Statements do not contain all the information required in the Annual Financial Statement and should be read in conjunction with the Group's Annual Financial Statements for the year ended 31 December 2021.

These interim financial statements were approved by the Board of Directors on 24 August 2022.

b. Significant accounting policies

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last consolidated financial statements for the year 2021.

The interim financial statements have been prepared on the historical cost basis, except that investment properties are measured at fair value.

c. Presentation and functional currency

These condensed interim consolidated financial statements are presented in Icelandic krona (ISK), which is the Company's functional currency. All amounts are presented in thousand of ISK unless otherwise stated.

d. Use of estimates and judgements

The preparation of condensed interim consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The main area of estimate and judgements involves fair value assessment of investment properties as described in Note 7.

3. Lease contracts

The Groups rental revenue is divided into the following areas:

	2022	2021
	1.1.- 30.6.	1.1.- 30.6.
Capital area	52,3%	52,7%
East Iceland	2,2%	2,3%
North Iceland	6,4%	6,7%
South Iceland	2,4%	2,7%
Southern Peninsula	36,2%	35,1%
West Iceland	0,5%	0,5%
	<hr/> 100,0%	<hr/> 100,0%

Notes, contd.:

4. Operating expenses of investment properties

	2022	2021
	1.1.- 30.6.	1.1.- 30.6.

Operating expenses of investment properties are specified as follows:

Property tax, water and sewage fees and rent of land	165.509	153.965
Maintenance and operating expenses of investment properties	131.066	111.018
Insurance	28.557	25.049
Salaries and related expenses	61.639	46.743
Energy and heating	57.287	59.248
Housing funds	28.633	26.208
Other operating expenses	39.274	57.849
	<hr/> 511.965	<hr/> 480.080

Operating expenses of investment properties that made no revenue are insubstantial

5. Salaries and related expenses

Salaries and related expenses are specified as follows:

Salaries	115.083	104.994
Pension contributions	15.643	18.377
Other salary-related expenses	13.846	19.659
Total salaries and related expenses	<hr/> 144.572	<hr/> 143.030

Salaries and related expenses are specified as follows on operating items:

Operating expenses of investment properties	61.639	46.743
Other operating expenses	82.933	96.287
Total salaries and related expenses	<hr/> 144.572	<hr/> 143.030

6. Financial income and (expenses)

Financial income and expenses are specified as follows:

Interest income of cash and cash equivalents	25.991	3.558
Interest income of trade receivables	1.529	1.329
	<hr/> 27.520	<hr/> 4.887
Interest expenses and indexation	1.786.482	1.015.228
Interest expenses - lease payables	15.748	16.204
Other financial expenses	12.388	1.923
	<hr/> 1.814.618	<hr/> 1.033.355

Notes, contd.:

7. Investment properties

Investment properties are specified as follows:

		30.6.2022		31.12.2021
		Investment properties	Lease assets	Total
Investment properties at 1.1	63.338.417	656.379	63.994.796	51.850.837
Transferred into the Group	0	0	0	2.656.520
Additions during the year	255.377	0	255.377	779.847
Sold during the year	0	0	0	(246.269)
Indexation	0	0	0	70
Changes due to sale of properties	0	0	0	(34.189)
Loss from sale of investment properties	0	0	0	(7.460)
Fair value adjustment for the year	7.489.332	0	7.489.332	9.001.441
Depreciation	0	0	0	(6.001)
Investment properties at 30.06	71.083.126	656.379	71.739.505	63.994.796
Investment properties, purchase price			40.583.364	40.327.988
Investment properties, value adjustment			30.499.762	23.010.429
Investment properties at the end of period			71.083.126	63.338.417
Capital area			38.581.637	34.817.788
East Iceland			1.201.228	1.501.708
North Iceland			4.892.426	4.335.532
South Iceland			1.796.577	1.791.669
Southern Peninsula			24.233.092	20.533.278
West Iceland			378.166	358.443
Investment properties at the end of period			71.083.126	63.338.418

Determination of fair value

Fair value measurements are based on assumptions dependent on management's judgement and actual sales price may differ from the measurement.

Investment properties are recognised at fair value in accordance with the International Accounting Standard IAS 40 - Investment Property and International Financial Reporting Standard IFRS 13 - Fair Value Measurement. The investment properties are all level 2 investments.

The Groups valuation technic is based on market approach as it is the managements judgment that the market approach is more representative of the fair value of the investment properties. The fair value is based on fair value of similar assets (sales comparison approach) which is based on independent expert estimate. Valuation from other independent expert and official valuation of the Registers Iceland were also obtained to support the valuation.

Notes, contd.:

8. Other receivables

Other receivables are specified as follows:	30.06.2022	31.12.2021
Unpaid selling price of investment properties	19.768	65.994
Short term bonds	61.659	50.924
Prepaid expenses	45.470	54.475
Other receivables	2.700	2.700
Total other receivables	129.597	174.093

9. Equity

Share capital

The Company's total share capital according to its Articles of Association amounted to ISK 11.251 million at the end of the period and is fully paid. One vote is attached to each share of ISK 1 in the company.

Share premium

Share premium represents the excess of payments above nominal value that shareholders have paid for shares sold by the Company.

Statutory reserve

A statutory reserve is established in accordance with Act No. 2/1995 on limited liability companies, which stipulates that at least 10% of the Company's profit, not utilised to adjust previous years' losses or for other reserves in accordance with law, shall be allocated to the statutory reserve until the reserve amounts to 10% of the Company's share capital. When that benchmark has been reached the contribution to the reserve shall be at least 5% until its value has reached 25% of the Company's share capital.

Restricted share reserve

In accordance with Act No. 73/2016 the return of subsidiaries are disclosed in the income statement, returns that are a surplus from received dividends shall be held as reserved equity.

10. Interest bearing liabilities

Interest bearing liabilities are specified as follows:

Interest-bearing long-term liabilities are specified as follows during the period:	30.6.2022	31.12.2021
Long-term liabilities at the beginning of the year	31.053.166	27.735.404
Transferred in to the Group	0	1.377.023
Long-term borrowing	17.088.305	2.630.467
Long-term borrowing expense	(70.706)	(188.881)
Indexation of the year	945.898	753.080
Payments of the year	(14.201.584)	(1.308.381)
Long-term borrowing expense-amortization	47.086	54.454
Long-term liabilities at the end of June	34.862.165	31.053.166

Long term liabilities

Bank loans in ISK, indexed int. 3,77% -4,30% / 3,90%-5,10%	5.038.061	7.363.053
Listed bonds, indexed int. 3,20% - 3,90%	13.032.495	12.533.723
Non-indexed bonds, int. 6,29% / 3.20%-4.80%	17.088.305	11.429.467
Borrowing cost	(296.696)	(273.077)
Total interest bearing liabilities	34.862.165	31.053.166
Current maturities	(390.502)	(4.980.754)
Long-term liabilities at the end of June	34.471.663	26.072.412

Interest bearing short-term liabilities

Current maturities of interest bearing long-term liabilities	390.502	4.980.754
Total interest bearing short-term liabilities	390.502	4.980.754

Notes, contd.:

11. Trade and other payables

Trade and other payables are specified as follows:

	30.6.2022	31.12.2021
Trade payable	147.229	98.288
Accrued interest	143.867	92.257
Guarantees and prepaid rent	320.147	347.666
Other payables	0	37.456
Total trade and other payables	<u>611.243</u>	<u>575.667</u>

12. Shares in subsidiaries

The subsidiaries are four at the end of June 2022 and are specified as follows:

	Share 2022	Share 2021
Heimkynni ehf., Reykjavík	100%	100%
Heimstaden Miðbær ehf., Reykjavík	100%	100%
Bþ 14-16 ehf. ehf., Reykjavík	100%	100%
Heimstaden rekstur ehf., Reykjavík	100%	100%

Quarterly statement

Quarterly statement - unaudited

Quarterly statement and split between quarters are not reviewed or audited by the companies' auditor. The quarterly statement of the Company specifies as follows:

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Rental revenue	986.097	935.643	894.754	871.998	836.968
Operating expenses of inv. properties	(241.332)	(270.633)	(260.460)	(254.266)	(241.893)
Net rental income	<u>744.765</u>	<u>665.010</u>	<u>634.294</u>	<u>617.732</u>	<u>595.075</u>
Other income	1.848	1.800	1.478	780	2.167
Other operating expenses	(97.295)	(93.228)	(115.361)	(99.215)	(114.835)
Operating profit before fair value adjustment	649.318	573.582	520.411	519.297	482.407
Fair value adjustment of inv. properties	5.929.187	1.560.145	3.969.069	985.117	2.706.888
Operating profit before finance income and finance expenses	6.578.505	2.133.727	4.489.480	1.504.414	3.189.295
Finance income	24.536	2.984	5.336	766	1.975
Finance expenses	(1.046.611)	(768.007)	(609.872)	(385.905)	(594.497)
Net finance expenses	<u>(1.022.075)</u>	<u>(765.023)</u>	<u>(604.536)</u>	<u>(385.139)</u>	<u>(592.522)</u>
Profit (loss) before income tax	5.556.430	1.368.704	3.884.944	1.119.275	2.596.773
Income tax	(1.111.267)	(273.740)	(834.008)	(223.856)	(519.354)
Profit and comprehensive profit for the year	<u>4.445.163</u>	<u>1.094.964</u>	<u>3.050.936</u>	<u>895.419</u>	<u>2.077.419</u>
Net rental income to Rental revenue	75,5%	71,1%	70,9%	70,8%	71,1%
Operating profit before fair value adjustment to Rental revenue	65,8%	61,3%	58,2%	59,6%	57,6%