

# Heimstaden ehf.

## Condensed Consolidated Interim Financial Statements 1 of January to 30 of June 2023

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

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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 2023 amounted to ISK 1.548 million (H1 2022: ISK 5.540 million). Total equity at the end of June 2023 amounted to ISK 35.750 million (year end 2022: ISK 34.202 million) according to the balance sheet, including share capital amounting to ISK 11.251 million. The Company's equity ratio was 43,1% at the end of June 2023.

Heimstaden AB in Sweden possesses all shares in the Company at the end of June 2023. In May Heimstaden AB decided to cease its operations in Iceland by selling all its investment properties. That process started in June and is expected to take a few years.

The main risk and uncertainty that the Company faces in the coming months is the effect of vacancy, 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 2023 and its consolidated financial performance and changes in cash in the period from 1 January to 30 June 2023.

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 2023 and confirmed them with their signatures.

Reykjavík, August 24th 2023

Board of directors:

Helge Þrógsbót Egill Línvíksson Margrét Guðmundsdóttir Gerardus Antonius Rats

CEO:

Egill Línvíksson



## Report on Review of Condensed Consolidated Interim Financial Statements

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### 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, 2023. The condensed consolidated interim financial statements comprise the statement of financial position as at June 30, 2023, 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 2023

*Ingunn H Hauksdóttir*

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Ingunn Hafðís Hauksdóttir  
State Authorised Public Accountant  
Ernst & Young ehf.  
Borgartúni 30  
105 Reykjavík

# Consolidated Statement of Comprehensive Income

## for the six months ended 30 June 2023

	Notes	2023 H1	2022 H1
Rental revenue .....	3	2.149.760	1.921.740
Operating expenses of investment properties .....	4	( 510.096)	( 511.965)
Net rental revenue		<u>1.639.664</u>	<u>1.409.775</u>
Other income .....		4.085	3.648
Other operating expenses .....		( 220.277)	( 190.523)
<b>Operating profit before fair value adjustment.....</b>		1.423.472	1.222.900
Fair value adjustment of investment properties .....	7	2.690.838	7.489.332
<b>Operating profit .....</b>		4.114.310	8.712.232
Financial income .....		3.661	27.520
Financial expenses .....		( 2.183.111)	( 1.814.618)
Net financial expenses	6	<u>( 2.179.450)</u>	<u>( 1.787.098)</u>
Profit before income tax .....		1.934.860	6.925.134
Income tax .....		( 386.972)	( 1.385.007)
<b>Total profit and comprehensive profit for the period.....</b>		<u>1.547.888</u>	<u>5.540.127</u>

# Consolidated Statement of Financial Position as at 30 June 2023

	Notes	30.6.2023	31.12.2022
<b>Assets</b>			
Investment properties .....	7	76.020.215	75.756.330
Investment properties under construction .....		359.676	1.534.393
Property and equipment .....		62.048	43.759
Non-current assets		<u>76.441.939</u>	<u>77.334.482</u>
Trade receivables .....		22.810	25.298
Investment properties, held for sale .....	8	2.932.772	0
Other receivables .....	9	2.548.314	88.478
Cash and cash equivalents .....		912.563	727.544
Current assets		<u>6.416.459</u>	<u>841.320</u>
<b>Total assets</b>		<u><u>82.858.398</u></u>	<u><u>78.175.802</u></u>
<b>Equity</b>			
Share capital .....	10	11.251.397	11.251.397
Statutory reserve .....		1.543.824	1.543.824
Restricted share reserve .....		579.614	568.187
Retained earnings .....		22.375.292	20.838.831
Total equity		<u>35.750.127</u>	<u>34.202.239</u>
<b>Non-current liabilities</b>			
Deferred income-tax liability .....		7.659.448	7.272.476
Lease liability .....		641.434	643.315
Loans and borrowings .....	11	37.467.537	34.990.140
Non-current liabilities		<u>45.768.419</u>	<u>42.905.931</u>
<b>Current liabilities</b>			
Loans and borrowings .....	11	497.440	403.907
Trade and other payables .....	12	842.412	663.725
Current liabilities		<u>1.339.852</u>	<u>1.067.632</u>
Total liabilities		<u>47.108.271</u>	<u>43.973.563</u>
<b>Total equity and liabilities</b>		<u><u>82.858.398</u></u>	<u><u>78.175.802</u></u>

## Consolidated Statement of Changes in Equity for the six months ended 30 June 2023

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	Share capital	Statutory reserve	Restricted share reserve	Retained earnings	Total
<b>First six months of 2022</b>					
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
<b>First six months of 2023</b>					
Equity as at 1.1.2023 .....	11.251.397	1.543.824	568.187	20.838.831	34.202.239
Total profit and comprehensive profit .....				1.547.888	1.547.888
Reserved equity .....			11.427 (	11.427)	
Equity 30.06.2023 .....	11.251.397	1.543.824	579.614	22.375.292	35.750.127

# Consolidated Statement of Cash Flows for the six months ended 30 June 2023

	2023 1.1.-30.6.	2022 1.1.-30.6.
<b>Cash flows from operating activities</b>		
Profit and comprehensive profit for the period.....	1.547.888	5.540.127
Adjusted for:		
Fair value adjustment of investment properties .....	( 2.690.838)	( 7.489.332)
Depreciation .....	3.384	4.976
Net finance expenses .....	2.179.450	1.787.098
Income tax .....	386.972	1.385.007
	<u>1.426.856</u>	<u>1.227.876</u>
Change in operating assets and liabilities:		
Current assets, decrease .....	28.740	18.731
Current liabilities, increase .....	63.041	24.805
	<u>91.781</u>	<u>43.536</u>
Net cash provided by operating activities before financial income and expenses	1.518.637	1.271.412
Interest income received .....	3.661	27.520
Interest expenses paid .....	( 1.126.479)	( 892.341)
Net cash provided by operating activities	<u>395.819</u>	<u>406.591</u>
<b>Cash flows from investing activities</b>		
Investment in investment properties .....	( 1.701.262)	( 255.377)
Sales of investment properties .....	0	46.226
Purchase of equipment .....	( 25.965)	( 637)
Selling of equipment .....	4.292	0
Net cash used in investing activities	<u>( 1.722.935)</u>	<u>( 209.788)</u>
<b>Cash flows from financing activities</b>		
Dividend, paid .....	0	( 2.400.000)
New long-term borrowings .....	1.750.000	17.088.305
Repayments of interest bearing liabilities .....	( 237.865)	( 14.203.375)
Net cash provided by financing activities	<u>1.512.135</u>	<u>484.930</u>
<b>Increase in cash and cash equivalents</b> .....	185.019	681.733
<b>Cash and cash equivalents at the beginning of the year</b> .....	<u>727.544</u>	<u>945.490</u>
<b>Cash and cash equivalents at the end of the period</b> .....	<u><u>912.563</u></u>	<u><u>1.627.223</u></u>
<b>Investing and financing activities not affecting cash flows</b>		
Sale of investment properties .....	2.486.088	46.226
Unpaid sales of investment properties .....	( 2.486.088)	( 46.226)



# Notes to the Condensed Consolidated Financial Statements

## 1. General information

Heimstaden ehf. ("the Company") is a private 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., Heimstaden Akureyri 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 2022.

These interim financial statements were approved by the Board of Directors on 24th August 2023.

### 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 2022.

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:

	<b>2023</b>	<b>2022</b>
	<b>1.1.- 30.6.</b>	<b>1.1.- 30.6.</b>
Capital area .....	51,4%	52,3%
East Iceland .....	1,9%	2,2%
North Iceland .....	6,2%	6,4%
South Iceland .....	2,3%	2,4%
Southern Peninsula .....	37,6%	36,2%
West Iceland .....	0,6%	0,5%
	<u>100,0%</u>	<u>100,0%</u>

## Notes, contd.:

<b>4. Operating expenses of investment properties</b>	<b>2023</b>	<b>2022</b>
	<b>1.1.- 30.6.</b>	<b>1.1.- 30.6.</b>
Operating expenses of investment properties are specified as follows:		
Property tax, water and sewage fees and rent of land .....	184.085	165.509
Maintenance and operating expenses of investment properties .....	97.859	131.066
Insurance .....	33.953	28.557
Salaries and related expenses .....	62.512	61.639
Energy and heating .....	68.352	57.287
Housing funds .....	29.322	28.633
Other operating expenses .....	34.013	39.274
	<u>510.096</u>	<u>511.965</u>
Operating expenses of investment properties that made no revenue are insubstantial.		
<b>5. Salaries and related expenses</b>		
Salaries and related expenses are specified as follows:		
Salaries .....	131.972	115.083
Pension contributions .....	18.964	15.643
Other salary-related expenses .....	14.165	13.846
Total salaries and related expenses .....	<u>165.101</u>	<u>144.572</u>
Salaries and related expenses are specified as follows on operating items:		
Operating expenses of investment properties .....	62.512	61.639
Other operating expenses .....	102.589	82.933
Total salaries and related expenses .....	<u>165.101</u>	<u>144.572</u>
<b>6. Financial income and (expenses)</b>		
Financial income and expenses are specified as follows:		
Interest income of cash and cash equivalents .....	128	25.991
Interest income of trade receivables .....	3.533	1.529
	<u>3.661</u>	<u>27.520</u>
Interest expenses and indexation .....	2.153.225	1.786.482
Interest expenses - lease payables .....	15.661	15.748
Other financial expenses .....	14.225	12.388
	<u>2.183.111</u>	<u>1.814.618</u>

## Notes, contd.:

**7. Investment properties**

Investment properties are specified as follows:

	30.6.2023			31.12.2022
	Investment properties	Lease assets	Total	Investment properties
Investment properties at 1.1 .....	75.099.951	656.379	75.756.330	63.994.796
Additions during the year .....	560.075	0	560.075	657.736
Sold during the year .....	( 2.487.443)	0	( 2.487.443)	( 30.591)
Transferred to investment properties for sale .....	( 499.585)	0	( 499.585)	0
Loss from sale of investment properties .....	( 2.859)	0	( 2.859)	( 3.192)
Fair value adjustment for the year .....	2.693.697	0	2.693.697	11.137.581
Depreciation .....	0	0	0	0
Investment properties at 30.06 .....	<u>75.363.836</u>	<u>656.379</u>	<u>76.020.215</u>	<u>75.756.330</u>
Investment properties, purchase price .....			40.064.759	45.741.993
Investment properties, value adjustment .....			35.299.077	29.357.958
Investment properties at the end of period .....			<u>75.363.836</u>	<u>75.099.951</u>
Capital area .....			38.461.975	40.383.625
East Iceland .....			1.478.001	1.400.884
North Iceland .....			5.539.788	5.509.087
South Iceland .....			1.942.425	2.022.058
Southern Peninsula .....			27.526.587	25.373.951
West Iceland .....			415.060	410.346
Investment properties at the end of period .....			<u>75.363.836</u>	<u>75.099.951</u>

**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, in the fair value hierarchy.

The fair value measurement is performed by outside specialist consultation and is based on market approach. The fair value is based on fair value of similar assets (sales comparison approach) which is based on independent expert estimate. Valuation from another independent expert and official valuation of the Registers Iceland were also obtained to support the valuation.

## Notes, contd.:

### 8. Investment properties held for sale

At the end of June 2023, the Group had 11 properties and 43 apartments under construction specified as held for sale. The properties are valued at their expected selling price and the apartments under construction at cost.

	<b>30.06.2023</b>
Transferred from investment properties .....	499.585
Transferred from investment under construction .....	2.433.187
Investment properties held for sale at end of period .....	<u>2.932.772</u>

### 9. Other receivables

Other receivables are specified as follows:

	<b>30.06.2023</b>	<b>31.12.2022</b>
Unpaid selling price of investment properties .....	2.486.088	15.623
Short term bonds .....	17.676	17.676
Prepaid expenses .....	41.850	52.479
Other receivables .....	2.700	2.700
Total other receivables .....	<u>2.548.314</u>	<u>88.478</u>

### 10. 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.

#### 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.

### 11. Interest bearing liabilities

Interest bearing liabilities are specified as follows:

	<b>30.6.2023</b>	<b>31.12.2022</b>
Interest-bearing long-term liabilities are specified as follows during the period:		
Long-term liabilities at the beginning of the year .....	35.394.047	31.053.166
Long-term borrowing .....	1.750.000	17.088.305
Long-term borrowing expense .....	( 12.457)	( 77.546)
Indexation of the year .....	1.041.269	1.659.910
Payments of the year .....	( 217.676)	( 14.395.364)
Long-term borrowing expense-amortization .....	9.794	65.576
Long-term liabilities at the end of June .....	<u>37.964.977</u>	<u>35.394.047</u>

#### Long term liabilities

Bank loans in ISK, indexed int. 3,25% -4,20% / 3,90%-4,20% .....	7.231.995	5.198.754
Bonds, indexed int. 3,20% - 3,90% .....	13.932.386	13.392.034
Non-indexed bonds, int. 10,04% / 8,20% .....	17.088.305	17.088.305
Borrowing cost .....	( 287.709)	( 285.046)
Total interest bearing liabilities .....	<u>37.964.977</u>	<u>35.394.047</u>
Current maturities .....	( 497.440)	( 403.907)
Long-term liabilities at the end of June .....	<u>37.467.537</u>	<u>34.990.140</u>

#### Interest bearing short-term liabilities

Current maturities of interest bearing long-term liabilities .....	497.440	403.907
Total interest bearing short-term liabilities .....	<u>497.440</u>	<u>403.907</u>

## Notes, contd.:

<b>12. Trade and other payables</b>	<b>30.6.2023</b>	<b>31.12.2022</b>
Trade and other payables are specified as follows:		
Trade payable .....	181.681	99.578
Accrued interest .....	168.920	151.327
Guarantees and prepaid rent .....	376.165	354.132
Other payables .....	115.646	58.688
Total trade and other payables .....	842.412	663.725

**13. Shares in subsidiaries**

The subsidiaries are four at the end of June 2023 and are specified as follows:

	<b>Share</b>	<b>Share</b>
	<b>2023</b>	<b>2022</b>
Heimkynni ehf., Reykjavík .....	100%	100%
Heimstaden Miðbær ehf., Reykjavík .....	100%	100%
Heimstaden Akureyri 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 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Rental revenue .....	1.090.373	1.059.387	1.041.449	1.020.649	986.097
Operating expenses of inv. properties .....	( 243.610)	( 266.486)	( 272.154)	( 235.473)	( 241.332)
Net rental income	<u>846.763</u>	<u>792.901</u>	<u>769.295</u>	<u>785.176</u>	<u>744.765</u>
Other income .....	1.789	2.296	1.912	1.839	1.848
Other operating expenses .....	( 109.830)	( 110.447)	( 100.681)	( 86.071)	( 97.295)
<b>Operating profit before fair value adjustment.....</b>	<b>738.722</b>	<b>684.750</b>	<b>670.526</b>	<b>700.944</b>	<b>649.318</b>
Fair value adjustment of inv. properties .....	<u>645.749</u>	<u>2.045.089</u>	<u>3.469.756</u>	<u>175.301</u>	<u>5.929.187</u>
<b>Operating profit before finance income and finance expenses.....</b>	<b>1.384.471</b>	<b>2.729.839</b>	<b>4.140.282</b>	<b>876.245</b>	<b>6.578.505</b>
Finance income .....	2.347	1.314	20.527	18.199	24.536
Finance expenses .....	( 1.053.374)	( 1.129.737)	( 684.561)	( 1.020.198)	( 1.046.611)
Net finance expenses	<u>( 1.051.027)</u>	<u>( 1.128.423)</u>	<u>( 664.034)</u>	<u>( 1.001.999)</u>	<u>( 1.022.075)</u>
Profit (loss) before income tax .....	333.444	1.601.416	3.476.248	( 125.754)	5.556.430
Income tax .....	( 66.663)	( 320.309)	( 655.835)	25.130	( 1.111.267)
<b>Profit(loss) and comprehensive profit(loss) for the period.....</b>	<b><u>266.781</u></b>	<b><u>1.281.107</u></b>	<b><u>2.820.413</u></b>	<b><u>( 100.624)</u></b>	<b><u>4.445.163</u></b>
Net rental income to Rental revenue	77,7%	74,8%	73,9%	76,9%	75,5%
Operating profit before fail value adjustment to Rental revenue	67,7%	64,6%	64,4%	68,7%	65,8%