



Quarterly Financial Statements
Q3 2022 Bakkegruppen

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Highlights of the third quarter 2022

(Figures in brackets relate to the corresponding period of 2021. The figures are unaudited.)

Third quarter 2022

- Operating revenues NOK 430 million (NOK 361 million) ¹
- Operating profit NOK 0,1 million (NOK 17 million)
- Group sales in Q3 NOK 279 million (NOK 604 million) ²

Year to date Q3 2022

- Operating revenues NOK 1 328 million (NOK 1 039 million) ¹
- Operating profit NOK 45 million (NOK 49 million)
- Group sales in first nine months NOK 1135 million (NOK 1702 million) ²

¹ Operating revenues recognised in the income statement (NGAAP), according to the percentage of completion method

² Sales contracts entered into with customers pursuant to the Norwegian Housing Construction Act (Bustadsoppføringslova), the Alienation Act (Avhendingsloven) for Mittegetlokale

Financial review

Bakkegruppen has during the first three quarters of 2022 delivered results that are below expectations from earlier this year. During the third quarter we have experienced both reduced margins and reduced activity levels which have led to weaker than expected results, however background and reason are due to several factors;

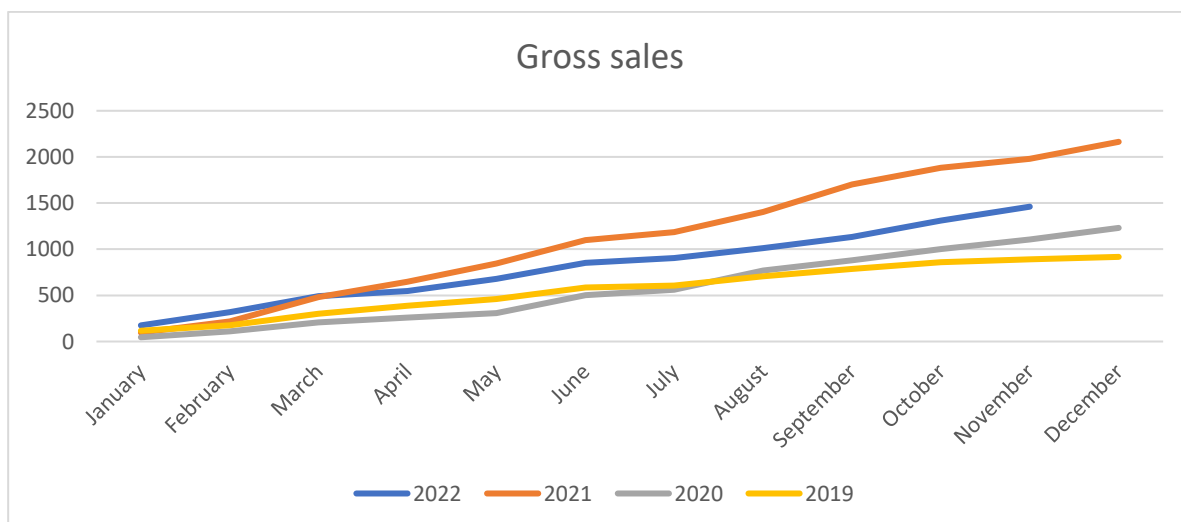
- Row house projects have been delayed mainly due to not having received the necessary permits
- One rowhouse project have been delayed due to not having sufficient presales
- Guarantee costs related to one project has been substantially higher than normal, and has resulted in extraordinary costs of 2 MNOK
- Negative impact of energy prices on result at Rømskog Hotelldrift AS
- Mittegetlokale projects have been delayed due to logistical delays

In total, the effects of the above mentioned factors have had a material effect on group results this quarter.

In line with previously communicated the contribution to the Group's result from Bakkegruppen's apartment division Bakke Leiligheter is still at a limited level since a substantial part of its projects are currently in development. On Group level a total of 145 units were delivered to customers during the first nine months of 2022 and a total of 173 storage units from Mittegetlokale.

The Group's sales from its housing division have during the first three quarters been lower than in 2021. Mittegetlokale AS has produced sales in line with expectations and seem to be less impacted by interest rate increases than our housing activities. Accumulated sales for the group during the first nine months of 2022 came in at 1135 MNOK which is 566 MNOK lower than the comparable number for last year. We expect total sales in 2022 to come in between 1500 MNOK –1600 MNOK which is lower than expected going into 2022.

The graph below shows the sales in terms of sales contracts entered into with customers pursuant to the Norwegian Housing Construction Act (the Alienation Act for Mittegetlokale), not adjusted for ownership in JVs.



As communicated in our Q1 2022 report we entered onto an agreement purchasing three companies that own land that are part of Fjordbyen at Lierstranda in the Drammen region. This agreement was closed during the first quarter, and the acquisition is part of our consolidated numbers (proportional consolidated). This project is a JV were Bakkegruppen retains a 50% ownership share.

Bakke AS has also during the first quarter entered into agreement purchasing land totalling 125 rowhouses in the Romerike area, we expect sales to commence during 2022 for one of these projects. Furthermore, Bakke AS has entered into an agreement regarding a large development area in Enebakk this summer. The project will consist of at least 600 units and production is expected to start during 2023.

In total, Bakkegruppen delivered an operating profit of NOK 0,1 million in Q3 2022 vs NOK 17 million in Q3 2021, and an operating profit of NOK 45 million first nine months 2022 vs NOK 49 million in first nine months 2021.

EBITDA for Q3 2022 was NOK 4 million vs EBITDA NOK 21 million for Q3 2021. EBITDA for first nine months 2022 was NOK 57 million vs EBITDA NOK 60 million for first half year 2021, a decrease of approximately 4%.

Assets in Bakkegruppen on 30 September 2022 totalled NOK 2 807 million, compared to NOK 2 479 million on 31 December 2021. The total cash position on 30 September 2022 was NOK 148 million, corresponding to a decrease of NOK 33 million relative to 31 December 2021.

Bakkegruppen is compliant with the financial covenants related to the bond at 3rd quarter 2022.

Outlook and risk factors

The outlook for 2022 is overall still decent, however reduced sales, increased costs and uncertainties regarding energy prices and inflation makes outlook more uncertain than previously assumed. Revenues for 2022 are expected to come in at around 1700. Furthermore, margins are expected to be somewhat reduced. EBITDA for 2022 is therefore expected to be reduced compared to 2021.

We expect the row house division to deliver revenues in line with 2021 in 2022, however with reduced margins. Outlook for 2023 is very uncertain. Currently we have sold units to keep production at nearly full capacity until early summer 2023. We will however need improved market conditions during the first 6 months of 2023 in order keep production at full capacity.

Within Bakke Leiligheter total revenues and EBITDA for 2022 are expected to be in line with 2021. Bakke Leiligheter is focusing on scaling the business for further development by developing the existing land bank. We have started sales on two projects in Bakke Leiligheter during the last months of 2022. Sales have been satisfactory on these two, and we expect production to start during 2023. However, that may change if market conditions deteriorate further.

Mittegetlokale has had an increased impact on group revenues in 2022. with a substantial increase in revenues for Mittegetlokale in 2022 compared to 2021. Although progress to some extent has been hampered by logistical issues, mainly related to steel deliveries, in 2022, we expect Mittegetlokale to build on its strong start and continue to deliver healthy revenues and margins for Q4 and going into 2023.

Prices on construction material has risen during the past year, this has had impact on production costs within all segments. We expect some impact on margin going into 2023. Furthermore, both within the row house segment and apartment we have production inhouse and therefore have some flexibility in terms of pricing internally, hence ensuring competitiveness also in an environment with rising costs. We have observed a slight decrease in production costs during the past months.

The current energy situation, inflation and increased interest rates will have an impact on our business in the short to mid-term. As far as possible we adapt our product to the environment and continue to pursue our goal in producing affordable housing which is affordable for a substantial part of the Norwegian population. Currently Bakkegruppen management is working on contingency plans to adapt its operations to current market situation.

Consolidated statement of profit and loss (unaudited)

NOK 1000	Note	Third quarter		Year to date		Full year
		Q3 2022	Q3 2021	YTD Q3 2022	YTD Q3 2021	2021
Sales revenues	2,3	420 128	359 725	1 297 653	1 033 137	1 425 757
Other operating revenues	2,3	10 070	1 483	30 076	5 983	28 435
Total operating revenues		430 198	361 208	1 327 729	1 039 120	1 454 192
Project expenses	2	361 162	288 425	1 077 558	828 362	1 157 146
Pay and personnel expenses		39 888	32 995	124 596	97 826	144 207
Depreciations		4 326	3 840	12 433	10 398	14 488
Other operating expenses		24 695	18 554	68 256	53 043	68 720
Total operating expenses		430 070	343 814	1 282 843	989 630	1 384 560
Total operating profit (loss)		128	17 394	44 887	49 490	69 631
Interest income		36	133	143	1 273	1 283
Other financial income		11	3	168	9	643
Interest costs	4	16 505	11 926	43 593	31 301	48 973
Other financial costs		666	943	2 007	1 890	2 958
Net financial items		-17 124	-12 733	-45 289	-31 909	-50 005
Profit (loss) before income taxes		-16 996	4 661	-403	17 582	19 626
Income tax (expense) income		3 739	-1 025	89	-3 868	-5 361
Profit (loss) for the year		-13 257	3 636	-314	13 714	14 265
Allocation						
Proposed dividends		-				15 000
Transferred to/from other equity		-13 257	3 636	-314	13 714	-735
Total allocation		-13 257	3 636	-314	13 714	14 265

Consolidated statement of financial position (unaudited)

NOK 1000	Note	30.9.2022	30.9.2021	31.12.2021
Assets				
Intangible Assets		14 937	18 481	17 234
Properties		187 043	130 508	146 454
Plants and Equipment		51 258	50 974	49 893
Total property, plant and equipment		253 239	199 963	213 581
Shares in joint ventures and associates		17 176	13 034	12 376
Other shares		2 855	1 716	709
Total non current financial assets		20 031	14 750	13 085
Receivables joint ventures and associates		45 873	0	22 130
Other long term receivables		14 195	39 010	16 160
Total non current receivables		60 068	39 010	38 291
Total non current assets		333 337	253 724	264 957
Inventory property		1 322 429	1 004 521	1 215 966
Inventories		13 883	16 808	9 849
Trade receivables		956 998	628 213	764 424
Other short term receivables		31 427	57 088	41 825
Cash and cash equivalents	5	148 491	255 964	181 831
Total current assets		2 473 228	1 962 592	2 213 895
TOTAL ASSETS		2 806 565	2 216 316	2 478 852
Share capital		160	160	160
Share premium		2 501	2 501	2 501
Other paid in capital		715	715	715
Other equity		410 054	424 817	410 368
Total equity		413 430	428 194	413 745
Deferred tax liabilities		149 218	107 091	106 887
Bonds	4	500 000	500 000	500 000
Non current interest liabilities financial institutions	4	236 575	112 525	110 174
Other long term liabilities		30 129	1 571	46 972
Total non-current liabilities		915 922	721 187	764 034
Current interest-bearing liabilities	4	1 127 232	740 737	1 020 192
Trade payables		156 538	180 609	122 404
Current income taxes payable		105	0	8 401
Public taxes		2 507	8 125	25 192
Dividends		5 000	0	15 000
Other current liabilities		185 831	137 464	109 885
Total current liabilities		1 477 213	1 066 935	1 301 074
Total liabilities		2 393 135	1 788 122	2 065 108
TOTAL EQUITY AND LIABILITIES		2 806 565	2 216 316	2 478 852

Consolidated statement of changes in equity (unaudited)

NOK 1000	Share capital	Share premium reserve	Other paid-in capital	Retained earnings	Total equity
Equity as at 01.01.2022	160	2 501	715	410 368	413 745
Dividends					0
Net income/(loss) for the period				-314	-314
Equity as at 31.09.2022	160	2 501	715	410 054	413 430
Equity as at 01.01 2021	160	2 501	715	411 104	414 480
Dividends					0
Net income/(loss) for the period				13 714	13 714
Equity as at 31.09.2021	160	2 501	715	424 818	428 194
Dividends				-15 000	-15 000
Net income/(loss) for the period				551	551
Equity as at 31.12 2021	160	2 501	715	410 368	413 745

Consolidated cash flow statement (unaudited)

NOK 1000	<i>Year to date</i>		<i>Full year</i>
	YTD Q3 2022	YTD Q3 2021	2021
Cash flow from operating activities			
Profit/ (loss) before income taxes	-403	17 582	19 626
Income taxes paid	-8 296	-12 660	-39 227
Gain on sale subsidiary	0	3 375	-3 375
Tap ved salg av varige driftsmidler	0	0	0
Depreciation and amortisation expenses	12 433	10 398	14 488
Changes in inventories	-68 078	-81 366	-240 559
Changes in short term receivables	10 398	11 195	26 457
Changes in current debt incl. construction loans	160 301	-78 681	227 588
Changes in account receivables	-192 574	-52 067	-188 278
Changes in account payables	34 134	58 889	685
Changes in other accruals	0	11 685	-8 586
Net cash flow from operating activities	-52 084	-111 649	-191 182
Cash flow from investing activities			
Purchase of tangible non current assets	-52 090	-44 002	-61 709
Net purchase and proceeds from other investments	-6 946	-6 468	-4 803
Net cash flow from investing activities	-59 036	-50 470	-66 512
Cash flow from financing activities			
Changes in non current receivables	-21 777	-6 309	-5 590
Repayment of borrowings	-3 661	-183 980	-189 231
Changes in long term debt	113 218	549 769	575 745
Dividends paid	-10 000	-25 000	-25 000
Net cash flow from financing activities	77 781	334 481	355 924
Net change in cash and cash equivalents	-33 340	172 362	98 229
Cash and cash equivalents at start of period	181 831	83 602	83 602
Cash and cash equivalents at end of period	148 491	255 964	181 831

Selected notes to the quarterly financial statements

Note 1 General information and accounting policies

Bakkegruppen AS is a limited liability company with registered office Finstadhagan 7, 1930 Aurskog, Norway. Bakkegruppen's principal offices are located in Finstadhagen in Aurskog and in Drammensveien 165, 0277 Oslo.

Bakkegruppen AS with subsidiaries (together the Group or Bakkegruppen) is a residential developer of row houses and apartments, conducting its business in Norway, with a regional focus on the greater Oslo/Romerike area. Bakkegruppen also operates other businesses, including storage unit development (MittEgetLokale AS), scaffolding rental supplies (BG Utleie AS) and a spa and conference center (Rømskog Spa & Resort). For additional information regarding the Group, please visit www.bakke-as.no.

The group's consolidated financial information has been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. The quarterly report is a condensed interim report prepared in accordance with 'NRS 11 Delårsregnskap'. The report does not include all the information and disclosures required for annual financial statements and should be read in conjunction with the group's consolidated financial statements for 2021. The accounting policies applied in preparing these interim condensed consolidated financial statements are otherwise consistent with those applied in the group's consolidated financial statements for the year ended 31.12.2021.

The Group's consolidated financial statements comprise Bakkegruppen AS and companies in which Bakkegruppen AS has a controlling interest. A controlling interest is normally obtained when the Group owns more than 50% of the shares in the company and can exercise control over the company.

Note 2 Segment information

The operating segments presented are the key components of the Bakkegruppen Group's business, and the main segment is defined as Property development, including rowhouses (Bakke) and apartments (Bakke Leiligheter). The Other segment consists of other business as MittEgetLokale AS, BG Utleie AS and Rømskog Spa & Resort, as well as holding and eliminations.

NOK 1000	YTD Q3 2022			YTD Q3 2021		
	Property development	Other	Total	Property development	Other	Total
Operating revenues	990 222	337 508	1 327 729	884 860	154 260	1 039 120
Project expenses	814 984	262 574	1 077 558	746 735	81 628	828 362
Other operating expenses	122 593	70 259	192 852	89 034	61 835	150 869
EBITDA	52 645	4 675	57 319	49 091	10 797	59 888

Note 3 Revenues

The table below shows a specification of operating revenues.

NOK 1000	YTD Q3 2022			YTD Q3 2021		
	Sales revenues	Other operating revenues	Total	Sales revenues	Other operating revenues	Total
Property development	990 222		990 222	884 860		884 860
Mittegetlokale	275 114		275 114	110 368		110 368
Rental revenues scaffolding/equipm€	32 318	995	33 313	20 374	826	21 200
Rental revenues properties		6 282	6 282		1 836	1 836
Hotel related revenues		22 799	22 799	15 851		15 851
Discontinued Operations		-		1 684	3 321	5 005
Total operating revenues	1 297 653	30 076	1 327 729	1 033 137	5 983	1 039 120

Note 4 Interest-bearing liabilities

The Group has the following non-current and current interest-bearing liabilities to credit institutions:

NOK 1000						30.9.2022
Company	Loan instrument	Lender	Non-current	Current	Total interest-bearing liabilities	Maturity date
Bakkegruppen AS	Bond	Bondholders	500 000		500 000	February 2025
	Property loans	Aurskog Sparebank	7 752		7 752	> 5 years
	RCF	Høland Sparebank		15 285	15 285	Annual renewal
Total Bakkegruppen AS			507 752	15 285	523 037	
Bakke AS	Property loans	SP1 - Østlandet	26 390		26 390	> 5 years
	Share purchase	SP1 - Østlandet		30 000	30 000	01.09.2023
	RCF	SP1 - Østlandet		6 312	6 312	Annual renewal
Bakke Prosjekt AS	Construction loan	SP1 - Østlandet		99 196	99 196	Upon completion of project
Rameriksåsen AS	Construction loan	Pareto Bank		20 300	20 300	Upon completion of project
Gartnervegen Eiendom AS	Construction loan	Nordea		4 840	4 840	Upon completion of project
Nitteberg Panorama Nord AS	Construction loan	Nordea		41 134	41 134	Upon completion of project
Bjørkeåsen Eiendom AS	Construction loan	SP1 - Østlandet		101 961	101 961	Upon completion of project
Total Bakke sub group			26 390	303 743	330 133	
Bakke Bolig Fjordbyen AS	Property loan	DnB	97 500		97 500	> 5 years
Moerveien AS	Construction loan	SP1 - Østlandet		45 000	45 000	Upon completion of project
Frogner Prosjektutvikling AS	Construction loans	DnB		463 847	463 847	Upon completion of project
SPG Bakke Bolig Jessheim AS	Construction loans	Nordea		14 800	14 800	Upon completion of project
Skogmo AS	Construction loans	Nordea		108 986	108 986	Upon completion of project
Nannestad Eiendom Utvikling AS	Construction loan	SP1 - Østlandet		27 266	27 266	Upon completion of project
Total Bakke Leiligheter sub group			97 500	659 899	757 399	
MRB Holding AS	Property loan	Høland Sparebank	11 488		11 488	> 5 years
MittEgetLokale AS	Construction loan	Aurskog Sparebank		66 671	66 671	Upon completion of project
MittEgetLokale Vestland AS	Construction loan	SP1 - Vestlandet		8 035	8 035	Upon completion of project
MittEgetLokale Porsgrunn AS	Construction loan	Aurskog Sparebank		4 677	4 677	Upon completion of project
	Construction loan	Aurskog Sparebank		17 588	17 588	Upon completion of project
MittEgetLokale Heia AS	Construction loan	Aurskog Sparebank		27 972	27 972	Upon completion of project
MittEgetLokale Vestby AS	Construction loan	Aurskog Sparebank		18 495	18 495	Upon completion of project
Luftveien 4 AS	Property loan	Nordea	20 930	-	20 930	30.06.2025
RSR Eiendom AS	Property loans	Høland Sparebank	17 142		17 142	> 5 years
	Property loans	Nordea	7 106		7 106	> 5 years
	RCF	Høland Sparebank		4 867	4 867	Annual renewal
BG Utleie AS	Property loans	Aurskog Sparebank	9 223		9 223	> 5 years
	Share purchase	Aurskog Sparebank	2 662		2 662	> 5 years
	Equipment lease	Nordea	29 077		29 077	> 5 years
Finstadhagan 13 AS	Property loans	Eiendomskreditt	7 306		7 306	> 5 years
Total MRB sub group			104 934	148 305	253 239	
Total group			736 575	1 127 232	1 863 808	

The duration of construction loans follows completion rate of each specific project. The loan is paid back in full upon completion of project. Interest rates are based on three month Nibor + margin.

As part of the group's long-term financing, Bakkegruppen placed a 500 MNOK bond at market terms in February 2021. The proceeds from the placement were partly used to settle several rolling credit facilities, and the main part of the bond placement is used for further development of Bakkegruppen's land bank. The bond has an interest rate of NIBOR + 700 bps. The interest costs are recognised as an expense in the period in which it incurs.

Bakkegruppen is compliant with the financial covenants related to the bond at 3rd quarter 2022.

Note 5 Cash and cash equivalents

'Cash and cash equivalents' include restricted bank deposits related to funds reserved for the construction of a bypass road in Ullensaker kommune (Skogmo) of NOK 61 million.