



Quarterly Financial Statements  
Q2 2023 Bakkegruppen

## Contents

HIGHLIGHTS OF THE SECOND QUARTER AND THE FIRST HALF YEAR 2023 .....	3
FINANCIAL REVIEW.....	3
OUTLOOK AND RISK FACTORS.....	4
RESPONSIBILITY STATEMENT .....	5
CONSOLIDATED STATEMENT OF PROFIT AND LOSS (UNAUDITED).....	6
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) .....	7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) .....	8
CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) .....	9
SELECTED NOTES TO THE QUARTERLY FINANCIAL STATEMENTS .....	10
<b>NOTE 1</b> GENERAL INFORMATION AND ACCOUNTING POLICIES.....	10
<b>NOTE 2</b> SEGMENT INFORMATION .....	10
<b>NOTE 3</b> REVENUES .....	10
<b>NOTE 4</b> INTEREST-BEARING LIABILITIES .....	11

## Highlights of the second quarter and the first half year 2023

(Figures in brackets relate to the corresponding period of 2022. The figures are unaudited.)

### Second quarter 2023

- Operating revenues NOK 248 million (NOK 449 million) <sup>1</sup>
- Operating profit NOK 3 million (NOK 24 million)
- Group sales in Q2 NOK 538 million (NOK 361 million) <sup>2</sup>

### First half year 2023

- Operating revenues NOK 523 million (NOK 898 million) <sup>1</sup>
- Operating loss NOK 4 million (profit NOK 45 million)
- Group sales in first half year NOK 794 million (NOK 854 million) <sup>2</sup>

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

<sup>2</sup> 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 six months of 2023 been affected by the downturn in the market, activity level and results are reduced as a result of current market conditions. Hence top line and results are reduced both from previous periods as well as previous years. Current market conditions have also led to a weak working capital situation and we are currently in a restructuring process where all areas of our current operations are being analysed. In spite of a challenging market, sales were better than expected in Q2, and we produced gross sales substantially better than in 2022. That being said sales during Q2 are in our view a significant positive sign on our products and ability to sell units during the current market we deem as weak.

The explanation factor for results is a market that over time has weakened, where reduced sales and a cost level that is not sustainable are the main contributing factors. Mittegetlokale is currently completing several projects hence a relatively low activity level this quarter, that will increase during Q3, and our operation at Rømskog has also had a negative impact on this quarterly result.

As reported earlier Bakkegruppen has taken several steps to mitigate the situation as follows:

- Customer relation process (sales, marketing and post delivery services) has been reorganized, with a reduction in headcount.
- Cost saving program has been implemented (mainly stop on all bonuses, no new hires as well as other measures)
- A number of employees has been temporarily laid off mainly related to production process.
- Waiver from banks and bond holders have been obtained to temporarily stop interest payments as well as amortisations on relevant financing.

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. Bakke Leiligheter launched two new projects at Jessheim and at Aurskog during the 4<sup>th</sup> quarter 2022, and currently sales are on a level, where under normal market conditions we would expect start producing by end of year. However the current market for financing is demanding and there is a risk that these projects will not be started as planned.

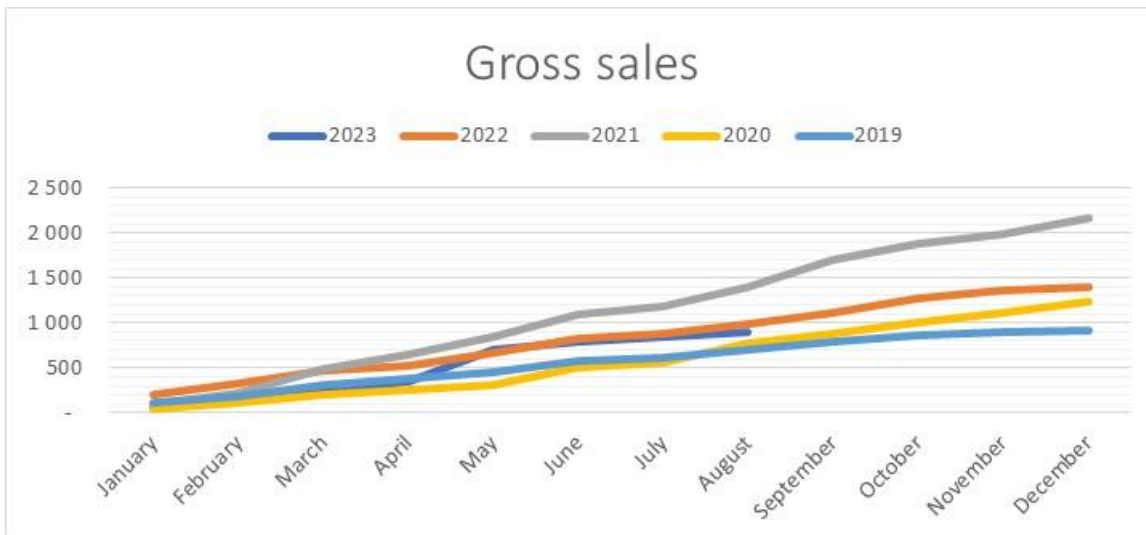
Furthermore, we started sales at Fredheimkvartalet (Ås) early in May and have had a very good sales start under the current market conditions with currently 45 units sold. We expect this project to start more or less as planned and are currently working on starting production on this project late this year or early 2024. Bakkegruppen has a 50% share of this project.

On Group level a total of 98 units were delivered to customers during the first six months, and a total of 205 storage units from Mittegetlokale.

The Group's sales from its housing division have during the first six months of 2023 been lower than in 2022. Accumulated gross sales came in at MNOK 794 which is slightly less than in 2022. Even though we had strong sales during Q2 we have observed a reduction in sales after early August which we contribute to current interest levels.

Mittegetlokale AS has produced sales in line with expectations but has also over the past months observed a reduction in sales pace.

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. .



In total, Bakkegruppen delivered an operating loss of NOK 4 million in first half year 2023 vs a profit of NOK 45 million in first half year 2022. EBITDA for first half year 2023 was NOK 7 million vs EBITDA NOK 53 million for first half year 2022.

Assets in Bakkegruppen on 30 June 2023 totalled NOK 3 181 million, compared to NOK 2 552 million on 30 June 2022. The total cash position on 30 June 2023 was NOK 126 million, corresponding to a decrease of NOK 22 million relative to 31 December 2022.

Bakkegruppen is not compliant with the financial covenants related to the bond on 30 June 2023. We are in breach with the covenant related to value adjusted equity ratio. The bond holders have agreed on a waiver of that covenant until end of 1<sup>st</sup> quarter 2024. Based on current valuations the breach is less than 1%.

## Outlook and risk factors

The outlook for 2023 is currently weak, market conditions have continued to deteriorate during the last months. Although based on current sales we expected an increase in activity in Bakke Leiligheter during Q4 as well as increased activity in Mittegetlokale AS, we now are rather cautious with respect to this assumption, mainly due to the current financing market as well as the general situation.

With respect to rowhouses we have worked to develop products that are more adapted to the current market situation and have had some success in some projects with low cost affordable housing.

Inflation, a weak NOK currency, increasing interest rates, a challenging market for debt financing and other cost factors continues to pose a risk to the group's business. We are monitoring the market closely and currently it's impossible to assess when the market will improve. The underlying demand for new housing is still present and increasing given current low volumes we are confident that the market will at some point improve, however when is currently impossible to assess with any certainty.

We expect to row house division to deliver substantially weaker results for 2023 than in 2022. Sales have been weak in 2022 and going into 2023 the inventory of sold not produced units is at a relatively low level. Currently production is low and we expect activity to remain low in the coming months.

Bakke Leiligheter is focusing on scaling the business for further development by developing the existing land bank. We have started sales on three projects in Bakke Leiligheter during the last months of 2022 and in May 2023. Sales have been satisfactory and in one instance better than expected, however financing is hard to obtain in the current financing environment.

Based on the current market sentiment there is also a risk that some parts of the land bank will be affected with write downs on book value which will have a negative impact on book equity in the group.

Although Mittegetlokale to some extent has been hampered by logistical issues, mainly related to steel deliveries. In Q3 and Q4 we expect increased activity levels in Mittegetlokale AS which will have a positive impact on group results.

We expect both lower activity and reduced results for 2023 and continued weak market conditions will also impact results for 2024 as well as 2025. Bakkegruppen continues its relentless work on bringing new projects to market, our land bank is mature meaning that most projects are either sales ready or have obtained building permits or zoning plans from local authorities. Even though mitigating measures have been implemented on cost side these will not fully offset the effects of reduced activity and hence we expect a reduction in both topline and EBITDA for 2023 compared to 2022. Furthermore, we also expect continued pressure on margins as financing costs are increasing and the fact that in the current market these costs cannot be offset by increased prices to customers. We do however observe a slight reduction in costs within some areas and expect the cost



## Consolidated statement of profit and loss (unaudited)

NOK 1000	Note	Second quarter		First half year		Full year
		Q2 2023	Q2 2022	H1 2023	H1 2022	2022
Sales revenues	2,3	240 203	435 534	509 073	877 525	1 628 984
Other operating revenues	2,3	7 542	13 488	14 405	20 007	39 943
<b>Total operating revenues</b>		<b>247 744</b>	<b>449 022</b>	<b>523 478</b>	<b>897 532</b>	<b>1 668 927</b>
Project expenses	2	185 484	353 775	399 523	716 396	1 340 493
Pay and personnel expenses		33 017	45 550	77 675	84 708	172 425
Depreciation, amortisation and impairment		5 443	4 074	10 560	8 107	19 411
Other operating expenses		20 980	21 566	39 584	43 561	87 427
<b>Total operating expenses</b>		<b>244 924</b>	<b>424 965</b>	<b>527 343</b>	<b>852 773</b>	<b>1 619 755</b>
Share of income/(loss) from associated companies		-135		-190		-752
<b>Total operating profit (loss)</b>		<b>2 686</b>	<b>24 057</b>	<b>-4 054</b>	<b>44 759</b>	<b>48 420</b>
Interest income		290	36	1 353	107	1 643
Other financial income		386	111	432	157	1 243
Interest costs	4	21 498	14 843	41 172	27 088	64 556
Other financial costs		669	676	1 337	1 341	2 676
<b>Net financial items</b>		<b>-21 492</b>	<b>-15 371</b>	<b>-40 724</b>	<b>-28 165</b>	<b>-64 347</b>
<b>Profit (loss) before income taxes</b>		<b>-18 806</b>	<b>8 686</b>	<b>-44 778</b>	<b>16 593</b>	<b>-15 926</b>
Income tax (expense) income		4 137	-1 911	9 851	-3 651	-317
<b>Profit (loss) for the year</b>		<b>-14 668</b>	<b>6 775</b>	<b>-34 927</b>	<b>12 943</b>	<b>-16 243</b>
<b>Allocation</b>						
Proposed dividends		-	-	-	-	15 000
Transferred to/from other equity		-14 668	6 775	-34 927	12 943	-31 243
<b>Total allocation</b>		<b>-14 668</b>	<b>6 775</b>	<b>-34 927</b>	<b>12 943</b>	<b>-16 243</b>

## Consolidated statement of financial position (unaudited)

NOK 1000	Note	30.06.2023	30.6.2022	31.12.2022
<b>Assets</b>				
Intangible Assets		11 417	15 246	12 893
Properties		339 481	164 041	243 569
Plants and Equipment		66 865	48 500	58 725
<b>Total intangible and fixed assets</b>		<b>417 763</b>	<b>227 787</b>	<b>315 187</b>
Shares in joint ventures and associates		25 375	17 176	16 424
Other shares		3 809	2 859	2 829
<b>Total non current financial assets</b>		<b>29 184</b>	<b>20 035</b>	<b>19 253</b>
Receivables joint ventures and associates		30 211	31 053	32 351
Other long term receivables		14 782	14 942	16 226
<b>Total non current receivables</b>		<b>44 993</b>	<b>45 994</b>	<b>48 577</b>
<b>Total non current assets</b>		<b>491 940</b>	<b>293 816</b>	<b>383 017</b>
Inventory property		2 002 835	1 197 598	1 668 487
Inventories		8 984	12 164	11 255
Trade receivables		543 504	906 022	741 360
Other short term receivables		8 461	22 950	22 347
Cash and cash equivalents		125 715	119 274	147 905
<b>Total current assets</b>		<b>2 689 499</b>	<b>2 258 008</b>	<b>2 591 354</b>
<b>TOTAL ASSETS</b>		<b>3 181 440</b>	<b>2 551 824</b>	<b>2 974 371</b>
Share capital		160	160	160
Share premium		2 501	2 501	2 501
Other paid in capital		715	715	715
Other equity		344 198	423 311	379 125
<b>Total equity</b>		<b>347 574</b>	<b>426 687</b>	<b>382 501</b>
Deferred tax liabilities		189 599	136 103	162 907
Bonds	4	500 000	500 000	500 000
Non current interest liabilities financial institutions	4	470 785	215 228	240 942
Other long term liabilities		64 639	23 487	65 171
<b>Total non-current liabilities</b>		<b>1 225 023</b>	<b>874 819</b>	<b>969 020</b>
Current interest-bearing liabilities	4	1 281 347	932 670	1 176 691
Trade payables		108 828	140 627	165 799
Current income taxes payable		9 779	8 363	10 461
Public taxes		12 940	7 479	17 206
Dividends		15 000	5 000	15 000
Other current liabilities		180 949	156 179	237 693
<b>Total current liabilities</b>		<b>1 608 843</b>	<b>1 250 318</b>	<b>1 622 850</b>
<b>Total liabilities</b>		<b>2 833 865</b>	<b>2 125 137</b>	<b>2 591 870</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3 181 440</b>	<b>2 551 824</b>	<b>2 974 371</b>

## Consolidated statement of changes in equity (unaudited)

NOK 1000	Share capital	Share premium reserve	Other paid-in capital	Retained earnings	Total equity
<b>Equity as at 01.01.2023</b>	<b>160</b>	<b>2 501</b>	<b>715</b>	<b>379 125</b>	<b>382 501</b>
Net income/(loss) for the period				-34 927	-34 927
<b>Equity as at 30.06.2023</b>	<b>160</b>	<b>2 501</b>	<b>715</b>	<b>344 199</b>	<b>347 574</b>
<b>Equity as at 01.01.2022</b>	<b>160</b>	<b>2 501</b>	<b>715</b>	<b>410 368</b>	<b>413 745</b>
Net income/(loss) for the period				12 943	12 943
<b>Equity as at 30.06.2022</b>	<b>160</b>	<b>2 501</b>	<b>715</b>	<b>423 311</b>	<b>426 687</b>
Dividends				-15 000	-15 000
Net income/(loss) for the period				-29 186	-29 186
<b>Equity as at 31.12 2022</b>	<b>160</b>	<b>2 501</b>	<b>715</b>	<b>379 125</b>	<b>382 501</b>

## Consolidated cash flow statement (unaudited)

NOK 1000	<i>First half year</i>		<i>Full year</i>
	<b>H1 2023</b>	H1 2022	2022
<b>Cash flow from operating activities</b>			
Profit/ (loss) before income taxes	-44 778	16 593	-15 926
Income taxes paid	-413	-38	-8 452
Depreciation and amortisation expenses	10 560	8 107	19 411
Changes in inventories	-295 802	41 618	-387 714
Changes in short term receivables	13 887	18 875	19 478
Changes in current debt incl. construction loans	43 646	-58 941	276 321
Changes in account receivables	197 855	-141 599	23 064
Changes in account payables	-56 971	18 223	43 395
<b>Net cash flow from operating activities</b>	<b>-132 016</b>	<b>-97 160</b>	<b>-30 422</b>
<b>Cash flow from investing activities</b>			
Purchase of tangible non current assets	-113 136	-22 313	-121 017
Net purchase and proceeds from other investments	-9 932	-6 950	-6 168
<b>Net cash flow from investing activities</b>	<b>-123 067</b>	<b>-29 263</b>	<b>-127 185</b>
<b>Cash flow from financing activities</b>			
Changes in non current receivables	3 584	-7 703	-10 286
Repayment of borrowings	-3 733	-4 427	-4 858
Changes in long term debt	233 043	85 996	153 825
Dividends paid	0	-10 000	-15 000
<b>Net cash flow from financing activities</b>	<b>232 893</b>	<b>63 866</b>	<b>123 681</b>
<b>Net change in cash and cash equivalents</b>	<b>-22 190</b>	<b>-62 558</b>	<b>-33 926</b>
<b>Cash and cash equivalents at start of period</b>	<b>147 905</b>	181 831	181 831
<b>Cash and cash equivalents at end of period</b>	<b>125 715</b>	119 274	147 905

## 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](http://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 2022. 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 31.12.2022.

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	H1 2023			H1 2022		
	Property development	Other areas	Total	Property development	Other areas	Total
Operating revenues	392 854	130 624	523 478	669 502	228 029	897 532
Project expenses	299 561	99 962	399 523	540 822	175 574	716 396
Other operating expenses	73 429	43 830	117 260	81 972	46 297	128 269
Share of income/(loss) from associated companies	-190	-	-190	-	-	-
<b>EBITDA</b>	<b>19 674</b>	<b>-13 168</b>	<b>6 506</b>	<b>46 708</b>	<b>6 158</b>	<b>52 866</b>

### Note 3 Revenues

The table below shows a specification of operating revenues.

NOK 1000	H1 2023			H1 2022		
	Sales revenues	Other operating revenues	Total	Sales revenues	Other operating revenues	Total
Property development	389 474	3 380	392 854	666 380		666 380
Mittegetlokale	96 252	1 935	98 186	199 713		199 713
Rental revenues scaffolding/equipment	27 084	534	27 618	11 432	995	12 427
Hotel related revenues		9 395	9 395		4 168	4 168
Holding/Eliminations	-3 736	-839	-4 575		14 844	14 844
<b>Total operating revenues</b>	<b>509 073</b>	<b>14 405</b>	<b>523 478</b>	<b>877 525</b>	<b>20 007</b>	<b>897 532</b>

Other operating revenues consist of rental revenues on properties, besides the Hotel related revenues.

## Note 4 Interest-bearing liabilities

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

NOK 1000			30.06.2023			
Company	Loan instrument	Lender	Non-current	Current	Total interest-bearing liabilities	Maturity date
Bakkegruppen AS	Bond	Bondholders	500 000		500 000	February 2025
Bakkegruppen AS	Property loans	Aurskog Sparebank	7 051		7 051	> 5 years
Bakkegruppen AS	RCF	Høland Sparebank		14 748	14 748	Annual renewal
Bakkegruppen AS	Property loan	Pareto Bank		20 000	20 000	22.12.2023
<b>Total Bakkegruppen AS</b>			<b>507 051</b>	<b>34 748</b>	<b>541 799</b>	
Bakke AS	Property loans	SP1 - Østlandet	25 025		25 025	> 5 years
Bakke AS	Share purchase	SP1 - Østlandet		30 000	30 000	30.09.2023
Bakke AS	Share purchase	SP1 - Østlandet		28 000	28 000	30.11.2023
Bakke AS	Share purchase	SP1 - Østlandet	75 000		75 000	30.06.2026
Bakke AS	RCF	SP1 - Østlandet		9 886	9 886	Annual renewal
Østmarka Panorama AS	Share purchase	SP1 - Østlandet	78 200		78 200	30.06.2026
Bakke Prosjekt AS	Construction loans	SP1 - Østlandet		264 503	264 503	Upon completion of project
Bakke Prosjekt AS	Construction loan	Pareto Bank		50 800	50 800	Upon completion of project
Romeriksåsen AS	Construction loan	Pareto Bank		31 809	31 809	Upon completion of project
Gartnervegen Eiendom AS	Construction loan	Pareto Bank		74 178	74 178	Upon completion of project
Gartnervegen Eiendom AS	Construction loan	Høland Sparebank		39 200	39 200	Upon completion of project
Bjørkeåsen Eiendom AS	Construction loan	SP1 - Østlandet		77 208	77 208	Upon completion of project
<b>Total Bakke sub group</b>			<b>178 225</b>	<b>605 583</b>	<b>783 808</b>	
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		192 688	192 688	Upon completion of project
Bakke Bolig Jessheim AS	Construction loans	Nordea		14 800	14 800	Upon completion of project
Skogmo AS	Construction loans	Nordea		108 970	108 970	Upon completion of project
Bakke Leiligheter AS	Construction loans	Romerike Sparebank		49 983	49 983	Upon completion of project
Bakke Bolig Aurskog AS	Construction loan	Aurskog Sparebank	8 100		8 100	27.06.2028
Nannestad Eiendom Utvikling A	Construction loans	SP1 - Østlandet		26 482	26 482	Upon completion of project
<b>Total Bakke Leiligheter sub group</b>			<b>105 600</b>	<b>437 923</b>	<b>543 523</b>	
MRB Holding AS	Property loan	Høland Sparebank	11 245		11 245	> 5 years
MittEgetLokale AS	Construction loans	Aurskog Sparebank		95 666	95 666	Upon completion of project
MittEgetLokale Hamar AS	Construction loan	Aurskog Sparebank			-	Upon completion of project
MittEgetLokale Gardermoen AS	Construction loan	Aurskog Sparebank			-	Upon completion of project
MittEgetLokale Vestland AS	Construction loan	SP1 - Vestlandet		2 046	2 046	Upon completion of project
MittEgetLokale Porsgrunn AS	Construction loan	Aurskog Sparebank			-	Upon completion of project
MittEgetLokale Heia AS	Construction loan	Aurskog Sparebank		5 126	5 126	Upon completion of project
MittEgetLokale Vestby AS	Construction loan	Aurskog Sparebank			-	Upon completion of project
MittEgetLokale Tromsø AS	Construction loan	Aurskog Sparebank		49 581	49 581	Upon completion of project
MittEgetLokale Killingmo AS	Construction loan	Pareto Bank		46 146	46 146	Oct 2023
Luftveien 4 AS	Property loan	Nordea	20 231		20 231	30.06.2025
RSR Eiendom AS	Property loans	Høland Sparebank	16 868		16 868	> 5 years
RSR Eiendom AS	Property loans	Nordea	6 359		6 359	> 5 years
RSR Eiendom AS	RCF	Høland Sparebank		4 526	4 526	Annual renewal
BG Utleie AS	Property loans	Aurskog Sparebank	9 027		9 027	> 5 years
BG Utleie AS	Share purchase	Aurskog Sparebank	1 664		1 664	> 5 years
BG Utleie AS	Equipment lease	Nordea	34 883		34 883	> 5 years
BG Utleie AS	Equipment lease	SP1 - Østlandet	3 908		3 908	> 5 years
BG Utleie AS	Equipment lease	Brage Finans	4 601		4 601	> 5 years
Bakkegruppen Eiendom AS	Share purchase	Høland Sparebank	23 000		23 000	> 5 years
Finstadhagan 25 AS	Property loan	Høland Sparebank	41 210		41 210	> 5 years
Finstadhagan 13 AS	Property loans	Eiendomskreditt	6 911		6 911	> 5 years
Romerike Boligutbygging AS	Property loan	Eiendomskreditt			-	> 5 years
<b>Total MRB sub group</b>			<b>179 909</b>	<b>203 093</b>	<b>383 001</b>	
<b>Total group</b>			<b>970 785</b>	<b>1 281 347</b>	<b>2 252 131</b>	

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 bases 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.