



Annual Financial statements 2022
Bakkegruppen

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Directors' Report

Highlights

Bakkegruppen AS continued during the first six months of 2022 its high level of commercial activity with an activity level comparable to 2021, however from the summer of 2022 we experienced a reduction in sales as well as increased pressures on margins within the group. A total of 264 units and 177 storage units were delivered to customers in 2022. Bakkegruppen has continued its strategy to focus on the greater Oslo area during 2022 and has made several transactions in the land bank during the year in line with the strategy. The land bank now includes plots with an estimated gross value of over 30 billion NOK. Bakkegruppen has supported this by continuing to invest in personnel and systems to develop and bring the land bank to market. In 2022 gross revenues amounted to 1669 MNOK and the EBITDA margin from the core line of business was 4%. The increase in revenues in 2022 is mainly related to Mittegetlokale AS.

Bakkegruppen is organised in three business areas as follows;

- Bakke Leiligheter
- Bakke AS (terraced)
- MRB group (Hotel, equipment rental, storage units)

The group's core business is housing development which is focused on two main segments: Rowhouses and apartments. In total apartments account for 34% of group revenues compared to 39% for rowhouses, and MRB group accounts for 27% of group revenues and increases due to the activities in Mittegetlokale AS. Plans are in place for the development and sales of more than 200 apartment units, rising to 350 to 400 units per annum for the group, from mid 2024. From late 2024 and onwards we expect apartments to account for more than 50% of annual revenues related to housing development.

Bakkegruppen also operates several noncore businesses, namely BG Utleie AS which supplies scaffolding and related services, to both group companies and external customers, a hotel building and hotel located in Rømskog as well as Mittegetlokale AS, which develops, build and sell smaller storage units to small and mid-size businesses as well as to private individuals. The hotel in Rømskog had a negative impact on group results in 2022. BG Utleie AS delivered satisfactory results and Mittegetlokale had revenues of close to 375 MNOK with acceptable margins in 2022.

Bakke AS (subgroup) has its own project management in all its construction activities. Bakke AS owns and manages the entire value chain from acquisition and construction to the marketing of rowhouses. The houses are built in our in-house production facility at Aurskog and assembled on-site, giving Bakkegruppen an effective platform for this line of business.

Furthermore, Bakke Leiligheter apartments has now established its own construction company that will deliver construction and services to group companies. This then replicates the highly successful business model adopted in the terraced house division. For an overview of Bakkegruppen group companies and investments with ownership less than 50%, see annual accounts note 11 and 12.

Operating Revenue

Bakkegruppen's total revenue for 2022 was 1669 MNOK (1454 MNOK) where the increase is mainly due increased activity in MRB group (MRB). Total revenues of 202 MNOK (231 MNOK) is related to partially owned entities (joint ventures) which in the financial statements are consolidated on a line-by-line basis showing the pro-rata share of revenues, expenses, and balance sheet items. Revenues from noncore entities amounted to 80 MNOK (86 MNOK). These revenues are related to, scaffolding services, real estate, and revenues related to Rømskog Resort & Spa.

Operating costs

Operating costs totalled 1620 MNOK (1385 MNOK), with project expenses accounting for 1340 MNOK (1157 MNOK). This cost is mainly related to construction costs for homes sold in the period.

Payroll costs accounted for 172 MNOK (144 MNOK) of the total.

Other operating costs came to 87 MNOK (67 MNOK) due to increased general activity level.

Operating Profit

The group made an operating profit of 48 MNOK (70 MNOK). EBITDA for 2022 was 68 MNOK (84 MNOK) equating to an EBITDA margin of 4.1 % (5.8%). Adjusted for non-core activities the EBITDA margin came in at 5.9% (9.2%).

Financial Items and Tax

Net financial items came to - 64 MNOK (-50 MNOK) and are mainly related to the bond facility, as well as financing of the group's facilities at Aurskog, the hotel property at Rømskog, and several rolling credit facilities within the group. Interest cost increases from MNOK 49 in 2020 to MNOK 65 in 2022, with the increase mainly related to the bond financing from February 2022 as well as increased interest rates.

Total tax cost for the year amounted to MNOK 0,3 (5 MNOK), and group result after tax came at -16 MNOK (14 MNOK).

Cash Flow

Net cash flow from operational activities was -30 MNOK in 2022 (-191 MNOK). The group accounts for the main part of its activities using the percentage-of-completion method which is the main reason for the deviation between the cash flow from operational activities and operating profit.

Net Cash flow from investment activities was -127 MNOK (-67 MNOK) mainly due increased investment activity.

Financing activities delivered a net cash flow of 124 MNOK (356 MNOK) mainly due to the financing facilities within the group. The total cash position at year-end was 147 MNOK, a reduction of 34 MNOK (+98 MNOK in 2021). For the parent company Bakkegruppen AS the decrease was 7 MNOK (+10 MNOK in 2021). The cash position in the parent company was at year-end 4,2 MNOK and for the group 147.9 MNOK.

Balance Sheet

Assets in Bakkegruppen at 31 December totalled MNOK 2974 (2479 MNOK). Inventories (land, housing under construction, and sold/completed houses) at 31 December totalled 1669 MNOK (1216 MNOK). Equity at 31 December totalled 382 MNOK (414 MNOK), which equals an equity ratio of 12,9% (16,7%). The board has proposed dividends of 15 MNOK for the year 2022 (15 MNOK).

The group held cash and cash equivalents of 148 MNOK (182 MNOK) at 31 December 2022. Corresponding numbers for the parent company were 4,2 MNOK (10.8 MNOK). At 31 December total interest-bearing debt equalled 1918 MNOK (1630 MNOK). 740 MNOK was classified as long-term interest-bearing debt (610 MNOK). Current debt was at 31 December 1623 MNOK (1301 MNOK). Current interest-bearing debt is mainly related to construction loans connected to ongoing projects. Non-interest-bearing debt is connected to suppliers, advance payments from customers, and public duties payable.

Risk and risk management

Bakkegruppen as a substantial housing developer is exposed to numerous risks. Through internal controls and processes risk is mitigated to reduce the potential impact on the financial performance of the group and to keep it at an acceptable level. The main risk factors are financial and market risks.

Financial risks

Credit risk

The group's credit risk is mainly related to settlement from customers. Customers are, for a large part, Norwegian households. Normally a deposit is paid upfront when customers enter into a contractual agreement with the group. Furthermore, after entering into a contract the customer has a legal obligation to cover the group's losses if the customer forfeits the contract. Customer payments are paid to a client account before an apartment or house is delivered to the buyer.

Liquidity risk

For the risk for the group, not meeting its financial obligations at maturity and the financing sources are not available for the group companies. The risk is effectively reduced by financing known obligations as early as is practically possible. Bakkegruppen, as other property developers, depend on continuous project financing from financing institutions as well as other sources. Availability of project financing will also depend on the general financing market. The group also focuses on long-term liquidity planning and spread credit risk on several counterparties.

Interest rate risk

Interest rate risk is the risk related to the loan portfolio's exposure to the general interest level in Norway (Nibor) and the development of market terms (margin) of banks in general. This risk is relatively limited within the group. The group has a policy not to enter into fixed interest contracts, combined with the fact that the main part of the debt is relatively short-term. Construction loans, limited risk in total. The group also has several lenders that compete to provide financing online with the market at all times.

The group also has an implicit exposure to interest rates because there is a correlation between the pricing of housing and interest rates.

Risk related to suppliers

The group has established risk reduction measures related to large suppliers to the group. Every material supplier has to satisfy a certain set of criteria, such as equity ratio and the lifetime of the supplier. As mentioned above the group is exposed to several banks, hence risk related to banks are diversified. Solidity risk related to financial partners considered to be minimal.

The group has no or very limited currency exposure and risk.

Research and development activities

The group has no R&D activities and has had no such activities during 2022 (or 2021).

Work environment and employees

The group has a total of 183 (184) employees. Of total employees, 76% (71%) are men and 24% (29%) are women. The sickness absence was 7,0 per cent for the group in 2023, and 0,5% for the parent company. The group has recorded eighteen minor work related injuries during 2023, five of which led to absence.

The board consists of two men and one woman. The board has implemented a non-discrimination policy within the group. It has been signed an insurance policy for one member of the Board of Directors, for potential liability towards the company and third-parties.

Environment

The group activities have an impact on the environment. Bakkegruppen has implemented procedures to minimize the environmental footprint of the group. Waste is recycled as far as possible at building sites, through sorting into waste streams as far as possible. Measures are taken to reduce construction waste, as collaboration with producers on return systems for plaster. Excess wood from production is used for heating our facilities at Aurskog. The group uses to large extent electric vans and trucks.

Due diligence assessments

The Group are carrying out due diligence assessments according to the Transparency Act and will and publish the results of these assessments within 30 June 2023 on the company's website.

Going Concern and Events after the balance sheet date

Under §3-3 of the Norwegian Accounting Act the board confirms that the group and parent company accounts are prepared on a going concern assumption. This assumption is based on profit forecasts for the year 2023 and the Group's long-term strategic forecasts. The Group's economic and financial position is acceptable.

Market conditions has continued to be weak after year end, weak sales during the last two quarters of 2022 as well as weaker sales than previous years during the first quarter of 2023, the reduction in sales are more or less in line with the general trends

in the market, even though sales improved somewhat in the first quarter in 2023 compared to the last quarter in 2022. Especially has Mittegetlokale AS had more than acceptable sales in the first quarter with a sales increase of more than 20% compared to first quarter last year. Furthermore sales has been impacted by the fact that few project have been launched to marked during the last 9 months.

We expect both lower activity and reduced results for 2023, continued weak market conditions will also impact results for 2024. 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. As part of our efforts to bring projects to marked and obtain financing we are also on several projects working to obtain an insurance that in effect insures the topline in the projects and normally this would mitigate risks related to financing. 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. Furthermore we also expect continued pressure on margins as financing costs are increasing and the fact that in the current marked these cost cannot be offset by increased prices to customers. We do however observe a slight reduction in costs within some areas and except the cost increases we have seen over the past years to level off. That being said Bakkegruppen currently owns a substantial land bank as well as a real estate portfolio with substantial excess values compared to the current book values of the group, meaning that the board are of the opinion that the value adjusted equity ratio of the group is substantially higher than book values show. With the current land bank Bakkegruppen is well positioned for a rebound in the market.

Bakkegruppen has during the past years positioned itself for further growth both in terms of land bank as well as staffing, IT investments etc. Under the current market conditions the current situation this is not sustainable over time and a continued weak market will stress our working capital and liquidity, a continued weak market will facilitate further cost reduction measures and possible sales of some assets. Bakkegruppen has focus on working capital needs and work on a daily basis to ensure sufficient working capital. Furthermore, financing opportunities have also been impacted, not only in terms of interest rates but also in terms of equity requirements from banks leading to further uncertainties and risks related to working capital predictions, since existing obligations regarding acquisitions must be served.

As previously communicated, Bakkegruppen is actively exploring strategic partnerships and/or transactions relating to a material part of its land bank and development assets. This process is progressing well, and based on the situation and information available as of today, we are optimistic that our efforts in this matter may result in one or more transactions that will serve to mitigate risks related to our capital structure and liquidity position going forward. Bakkegruppen expects to provide further information to the market in this regard if and when appropriate.

Bakkegruppen AS (parent company)

Total revenues in the parent company Bakkegruppen was in 2022 27 MNOK (24), the operating result was -30 MNOK (-25 NOK). Net loss / profit after tax was 34 MNOK (16 MNOK).

The parent company's equity amounted to 42 MNOK (23 MNOK) as at 31 December.

Allocation of net income

The Board of Directors has proposed the net income of Bakkegruppen AS to be attributed to:

Retained Earnings	18 995 979,-
Dividends	15 000 000,-
Net income allocated	33 995 979,-

The Board of Bakkegruppen AS, Aurskog, April 27, 2023

Morthen Bakke
Chair

Randi Bakke
Director

Tor Erlend Framstad
Director

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Tor Erlend Framstad

Styremedlem

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Randi Solvang Bakke

Styremedlem

På vegne av: Bakkegruppen AS

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Morthen Roar Bakke

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Annual Financial statements Bakkegruppen

Income statement 1.1.- 31.12.

Bakkegruppen AS				Bakkegruppen consolidated		
2022	2021	Note	NOK 1000	Note	2022	2021
27 916	24 385	4	Sales revenues	3,4	1 628 984	1 425 757
0	0		Other operating revenues	3,4	39 943	28 435
27 916	24 385		Total operating revenues		1 668 927	1 454 192
0	161		Project expenses	5	1 340 493	1 157 146
27 934	22 247	6	Pay and personnel expenses	6	172 425	144 207
3 021	2 959	9,10	Depreciation, amortisation and impairment	9,10	19 411	14 488
27 477	23 519	7	Other operating expenses	7	87 427	68 720
58 432	48 886		Total operating expenses		1 619 755	1 384 560
0	0		Share of income/(loss) from associated companies		-752	
-30 516	-24 501		Total operating profit (loss)		48 420	69 631
74 035	61 117		Income from investments in subsidiaries		0	0
47 525	21 476		Interest income		1 643	1 283
176	1 067		Other financial income		1 243	643
54 496	40 513	16	Interest costs	16	64 556	48 973
2 662	2 402		Other financial costs		2 676	2 958
64 578	40 744		Net financial items		-64 347	-50 005
34 062	16 243		Profit (loss) before income taxes		-15 926	19 626
-66	-70	8	Income tax (expense) income	8	-317	-5 361
33 996	16 173		Profit (loss) for the year		-16 243	14 265
Allocation						
15 000	15 000		Proposed dividends		15 000	15 000
18 996	1 173		Transferred to/from other equity		-31 243	-735
33 996	16 173		Total allocation		-16 243	14 265

Balance sheet

Bakkegruppen AS				Bakkegruppen consolidated		
31.12.2022	31.12.2021	Note	NOK 1000	Note	31.12.2022	31.12.2021
Assets						
8 628	9 633	9	Intangible Assets	9	12 893	17 234
22 909	23 200	10	Properties	10	243 569	146 454
1 651	1 747	10	Plants and Equipment	10	58 725	49 893
33 188	34 580		Total intangible and fixed assets		315 187	213 581
9 683	9 683	11	Shares in subsidiaries	11	0	0
0	0		Shares in joint ventures and associates	11	16 424	12 376
0	0		Other shares	11	2 829	709
9 683	9 683		Total non current financial assets		19 253	13 085
588 944	445 305	12	Receivables group companies		0	0
0	0		Receivables joint ventures and associates		32 351	22 130
5 491	8 170		Other long term receivables		16 226	16 160
594 434	453 475		Total non current receivables		48 577	38 291
637 305	497 738		Total non current assets		383 017	264 957
0	161		Inventory property	5	1 668 487	1 215 966
161	0		Inventories		11 255	9 849
5 237	7 468		Trade receivables	4	741 360	764 424
137 890	120 522	12	Receivables group companies		0	0
1 500	1 272		Other short term receivables		22 347	41 825
4 222	10 817	14	Cash and cash equivalents	14	147 905	181 831
149 009	140 239		Total current assets		2 591 354	2 213 895
786 314	637 977		TOTAL ASSETS		2 974 371	2 478 852
160	160	15	Share capital	15	160	160
2 501	2 501	15	Share premium	15	2 501	2 501
715	715		Other paid in capital		715	715
38 621	19 626		Other equity		379 125	410 368
41 998	23 002		Total equity		382 501	413 745
165	99	8	Deferred tax liabilities	8	162 907	106 887
500 000	500 000	16,17,18	Bonds	16,17,18	500 000	500 000
7 526	8 435	16,17,18	Non current interest liabilities financial institutions	16,17,18	240 942	110 174
116 434	0	12	Non current liabilities group companies		0	0
0	0		Other long term liabilities		65 171	46 972
624 125	508 535		Total non-current liabilities		969 020	764 034
14 974	14 231	16,17,18	Current interest-bearing liabilities	16,17,18	1 176 691	1 020 192
3 395	3 045		Trade payables		165 799	122 404
0	75	8	Current income taxes payable	8	10 461	8 401
2 869	1 896		Public taxes		17 206	25 192
15 000	15 000		Dividends		15 000	15 000
63 855	59 404	12	Current liabilities group companies		0	0
20 098	12 790		Other current liabilities		237 693	109 885
120 191	106 441		Total current liabilities		1 622 850	1 301 074
744 316	614 975		Total liabilities		2 591 870	2 065 108
786 314	637 977		TOTAL EQUITY AND LIABILITIES		2 974 371	2 478 852

The Board of Bakkegruppen AS, Aurskog, April 27, 2023

Morten Bakke
ChairRandi Bakke
DirectorTor Erlend Framstad
Director

Changes in equity

Bakkegruppen consolidated

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				-15 000	-15 000
Net income/(loss) for the period				-16 243	-16 243
Equity as at 31.12.2022	160	2 501	715	379 125	382 501
Equity as at 01.01.2021	160	2 501	715	411 104	414 480
Dividends				-15 000	-15 000
Net income/(loss) for the period				14 265	14 265
Equity as at 31.12.2021	160	2 501	715	410 368	413 745

Bakkegruppen AS

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	19 626	23 002
Dividends				-15 000	-15 000
Net income/(loss) for the period				33 996	33 996
Equity as at 31.12.2022	160	2 501	715	38 621	41 998
Equity as at 01.01.2021	160	2 501	715	18 453	21 829
Dividends				-15 000	-15 000
Net income/(loss) for the period				16 173	16 173
Equity as at 31.12.2021	160	2 501	715	19 626	23 002

Cash flow statement

Bakkegruppen AS

Bakkegruppen consolidated

2022	2021	NOK 1000	2022	2021
Cash flow from operating activities				
34 062	16 243	Profit/ (loss) before income taxes	-15 926	19 626
-75	0	Income taxes paid	-8 452	-39 227
0	0	Gain on sale subsidiary	0	-3 375
3 021	2 959	Depreciation and amortisation expenses	19 411	14 488
0	-166	Changes in inventories	-387 714	-240 559
-17 595	-57 450	Changes in short term receivables	19 478	26 457
13 474	-19 165	Changes in current debt incl. construction loans	276 321	227 588
2 231	7 692	Changes in account receivables	23 064	-188 278
351	-3 454	Changes in account payables	43 395	685
0	3	Changes in other accruals	0	-8 586
35 469	-53 337	Net cash flow from operating activities	-30 422	-191 182
Cash flow from investing activities				
-1 629	-102	Purchase of tangible non current assets	-121 017	-61 709
0	0	Net purchase and proceeds from other investments	-6 168	-4 803
-1 629	-102	Net cash flow from investing activities	-127 185	-66 512
Cash flow from financing activities				
-140 959	-398 624	Changes in non current receivables	-10 286	-5 590
-909	0	Repayment of borrowings	-4 858	-189 231
116 434	486 756	Changes in long term debt	153 825	575 745
-15 000	-25 000	Dividends paid	-15 000	-25 000
-40 435	63 132	Net cash flow from financing activities	123 681	355 924
-6 595	9 694	Net change in cash and cash equivalents	-33 926	98 229
10 817	1 123	Cash and cash equivalents at start of period	181 831	83 602
4 222	10 817	Cash and cash equivalents at end of period	147 905	181 831

Notes to the financial statements for Bakkegruppen

Note 1 General information

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.

These consolidated financial statements were approved by the Board of Directors on 27 April 2023.

Note 2 Accounting principles

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

Basis for consolidation

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. Transactions between group companies have been eliminated in the consolidated financial statement. The consolidated financial statement has been prepared in accordance with the same accounting principles for both parent and subsidiaries.

The purchase method is applied when accounting for business combinations. Companies which have been bought or sold during the year are included in the consolidated financial statements from the date when control is achieved and until the date when control ceases.

Participation in joint ventures, where two or more participants by agreement jointly control an economic activity, is accounted for as gross method in the consolidated accounts. Applying the gross method, the Group recognises its share of the income, expenses, assets and liabilities in the accounts. Joint ventures with insignificant activity may be held at cost in the consolidated financial statements. An associate is an entity in which the Group has a significant influence but does not exercise control the management of its finances and operations, normally when the Group owns 20%-50% of the company. The consolidated financial statements include the Group's share of the profits/losses from associates, accounted for using the equity method, from the date when a significant influence is achieved and until the date when such influence ceases. When the Group's share of a loss exceeds the Group's investment in an associate, the amount carried in the Group's balance sheet is reduced to zero and further losses are not recognised unless the Group has an obligation to cover any such loss.

Use of estimates

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities in accordance with generally accepted accounting principles in Norway.

Revenue recognition

Revenues from the sale of goods are recognised in the income statement once delivery has taken place and most of the risk and return has been transferred.

Revenues from the sale of services and long-term manufacturing projects are recognised in the income statement according to the project's level of completion provided the outcome of the transaction can be estimated reliably. For housing and property projects, revenues and cost of goods sold are accounted for according to the percentage of completion method, where the degree of completion is estimated on the basis of expenses incurred relative total estimated cost multiplied by the sales rate. When the outcome of the transaction cannot be estimated reliably, only revenues equal to the project costs that have been incurred will be recognised as revenue. The total estimated loss on a contract will be recognised in the income statement during the period when it is identified that a project will generate a loss.

Inventory properties and inventories

Bakkegruppen's inventory property mainly comprises land and property under development and construction, as well as unsold finished units, ie assets held for sale in the ordinary course of business. Inventory comprises materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are recognised at the lowest of cost and net selling price. The net selling price is the estimated selling price in the case of ordinary operations minus the estimated completion, marketing and distribution costs. The cost is arrived at using the FIFO method and includes the costs incurred in acquiring the goods and the costs of bringing the goods to their current state and location. The cost of conversion includes costs directly related to the construction of the property and an allocation of fixed and variable overheads incurred during development and construction. Other costs are included in the cost of inventories only to the extent that they are directly attributable to bringing the inventories to their present location and condition, including planning and design costs. Borrowing costs directly attributable to the acquisition, construction or production of property are added to the cost of those assets until the assets are substantially ready for their intended use or sale. Capitalisation of borrowing costs commences when the Group undertakes activities on the regulated plot/property. Capitalisation of other directly attributable costs commences when it is more likely than not that the project will be realised.

When carrying out purchase price allocations in connection with acquisition of land or properties, excess values are capitalised at the Group's cost of purchase for the land/property.

The cost of goods is correlated with the sale of the goods and accounted for on an accrual basis through changes in inventory. When properties are sold, the carrying amount is recognised as a project expense in the income statement in the period in which the related revenue is recognised.

Income tax

Income tax expense consists of the tax payable and changes in deferred tax.

Taxes payable are recognised on taxable profits at the current tax rate. Current tax liabilities and assets are measured at the amount that is expected to be paid to or recovered from the tax authorities. The tax rates and tax rules used to calculate the amounts are those that have been adopted or substantively adopted by the end of the reporting period (the Norwegian nominal tax rate 22%).

Deferred tax/tax assets are calculated on all differences between the carrying amount of an asset or liability in the consolidated financial statements and their respective tax value, with the exception of temporary differences related to investments in subsidiaries, joint ventures or associates where the timing of reversal of temporary differences can be controlled and it is probable that temporary differences will not reverse. For the calculation of deferred tax assets and liabilities, the nominal tax rates expected to be applied when the asset is realised, or the liability is paid, will be used.

Deferred tax assets relating to tax deficits and other tax-reducing temporary differences are recognised to the extent that it is probable that the company will have a sufficient profit for tax purposes in subsequent periods to utilise the tax asset.

Balance sheet classification

Current assets and short-term liabilities consist of receivables and payables due within one year, and items related to the inventory cycle. Other balance sheet items are classified as fixed assets / long term liabilities. Current assets are valued at the lower of cost and fair value. Short term liabilities are recognized at nominal value. Fixed assets are valued at cost, less depreciation and impairment losses. Long term liabilities are recognized at nominal value.

Property, plant and equipment

Property, plant and equipment are tangible items intended for production, delivery of goods or administrative purposes and have a lasting useful life. Property, plant and equipment are stated at their cost less accumulated depreciation and impairment losses, if any. Acquisition costs include costs directly attributable to the acquisition of the asset. Subsequent costs, such as regular maintenance costs, are recognised in the profit or loss, while other costs that are expected to provide future financial benefits are capitalised.

The assets are depreciated on a linear basis over the estimated useful life of the asset. Useful life, depreciation methods and the residual value are reviewed annually. Depreciation commences when the assets are ready for their intended use. If there is any indication that the value of an asset may be impaired, the asset will be written down to the recoverable amount if the recoverable amount is lower than the carrying value. The recoverable amount is the greater of the net realisable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are discounted are used.

When assets are sold or disposed of, the carrying amount is derecognised and any gain or loss is recognised in the profit or loss.

Leases

Leases in which the Group has substantially all the risks and rewards incidental to ownership of an asset are classified as financial leases, and assets and liabilities are capitalised.

Subsidiaries and investment in associates

Subsidiaries and investments in joint ventures and associates are valued at cost in the company accounts. The investment is valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Dividends, group contributions and other distributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the provider. If dividends / group contribution exceeds withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

Accounts receivable and other receivables

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables. For the remaining receivables, a general provision is estimated based on expected loss.

Short term investments

Short term investments (stocks and shares seen as current assets) are valued at the lower of acquisition cost and fair value at the balance sheet date. Dividends and other distributions are recognised as other financial income.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short term, highly liquid investments with maturities of three months or less.

Note 3 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 storage unit development (MittEgetLokale AS), scaffolding rental supplies (BG Utleie AS) and a spa and conference center (Rømskog Spa & Resort), as well as holding and eliminations. Holding and eliminations consist of unallocated costs associated with the Group's corporate administration, financial management and the elimination of inter-segment sales.

EBITDA (earnings before interest, taxes, depreciation and amortisation) per segment is shown in the table below:

	2022			2021		
	Property development	Other areas	Total	Property development	Other areas	Total
NOK 1000						
Operating revenues	1 235 337	433 590	1 668 927	1 223 683	230 509	1 454 192
Project expenses	1 005 430	335 063	1 340 493	1 014 825	142 321	1 157 146
Other operating expenses	166 725	93 126	259 851	136 407	76 520	212 926
Share of income/(loss) from associated companies	-752	0	-752			
EBITDA	62 430	5 401	67 831	72 451	11 668	84 119

Note 4 Revenues and trade receivables

Norway is the geographical segment for all revenues, as the Group conducts its business in Norway. A specification of operating revenues is shown below.

	2022			2021		
	Sales revenues	Other operating revenues	Total	Sales revenues	Other operating revenues	Total
NOK 1000						
Property development	1 228 127	7 211	1 235 337	1 223 683		1 223 683
Mittegetlokale	369 344	1 922	371 266	174 855		174 855
Rental revenues scaffolding/equipment	42 739	2 335	45 074	26 456		26 456
Hotel related revenues		30 018	30 018		23 376	23 376
Holding/Eliminations	-11 226	-1 542	-12 768			
Discontinued Operations/ other				763	5 059	5 822
Total operating revenues	1 628 984	39 943	1 668 927	1 425 757	28 435	1 454 192

The revenues in Bakkegruppen AS are related to administrative services to subsidiaries and joint ventures.

Trade receivables related to sold units under construction booked according to percentage of completion, amount to NOK 729.7 million for the Group at 31 December 2022 (NOK 756.8 million at 31 December 2021), and trade receivables related to amounts withheld from customers amounts to NOK 5.2 million at 31.12.2022. No loss-making contracts have been identified for 2022 (or 2021).

Note 5 Project expenses and inventory property

Bakkegruppen's inventory property mainly comprises land and property under development and construction, as well as unsold finished units, ie assets held for sale in the ordinary course of business.

NOK 1000	2022	2021
Carrying amount inventory property at 1 January	1 215 966	923 055
Additions capitalised project expenses	1 793 014	1 450 057
Inventory expenses on sold units (project expenses)	-1 340 493	-1 157 146
Impairment losses	-	-
Carrying amount inventory property at 31 December	1 668 487	1 215 966

The cost of goods is correlated with the sale of the goods and accounted for on an accrual basis through changes in inventory. When properties are sold, the carrying amount is recognised as a project expense in the income statement in the period in which the related revenue is recognised. Payroll expenses are disclosed gross before capitalising project expenses, refer to Note 6.

Valuation

The properties are valued at the lower of acquisition cost and net realisable value. At the Group's request, an external valuation has been performed in the last quarter of 2022. The Group management has determined the most significant assumptions relevant to the valuation of individual properties/projects, including size and geographic location, construction costs, project progression, and timing of sale. The external valuation indicates excess values beyond the carrying amounts.

The group's impairment assessment for inventory property is based on different indicators, including the external valuation and changes in market conditions. The Group did not recognise any impairment losses in 2022 or 2021.

Purchase obligations and options for land

The group has entered into a number of agreements on the future acquisition of land through purchase obligations and options. The option premium in option contracts is recognised at acquisition cost in inventory as they are incurred and when it is probable that the project will be realised. When the agreements will mature is uncertain, depending on external planning processes not controlled by the Group.

The group has assessed whether a provision for loss needs to be made for some of these contracts at 31 December 2022, and no loss-making contracts have been identified for 2022 (or 2021).

Note 6 Employees and payroll expenses

Payroll expenses comprise all types of remuneration to personnel employed by the Group and are expensed when earned. Ordinary pay can be both fixed pay and hourly wages and is earned and paid periodically. Holiday pay is earned on the basis of ordinary pay and is normally paid in the holiday months of the following year. Bonuses are earned and calculated on the basis of various performance target and are paid in arrears.

Bakkegruppen is obligated to follow the Act on Mandatory company pensions (OTP), and the Group's pension scheme follows the requirement as set in this Act. The pension contributions are charged to expenses as they are incurred.

Payroll expenses are disclosed gross before capitalising project expenses, refer to Note 5.

Salaries and remuneration

The table below sets out the salaries and remuneration for 2022 and 2021 and the average number of man-years, for Bakkegruppen AS and the Group consolidated, respectively.

NOK 1000	Bakkegruppen AS		Bakkegruppen consolidated	
	2022	2021	2022	2021
Salary	21 931	16 685	126 669	116 625
Social security tax on salaries, pensions, bonuses etc	3 530	2 815	22 022	17 899
Pension expenses	1 681	1 059	7 256	5 012
Other benefits	792	1 688	16 479	4 671
Total payroll expenses	27 934	22 247	172 425	144 207
Average number of man-years	15	11	180	173

¹⁾ Salary consists of base salary and holiday payment.

²⁾ Other benefits are the total of all other cash and non-cash related benefits received by the individual during the year presented, and includes such items as bonuses, the taxable portion of insurance premiums, company car, car allowances and electronic communication items

Remuneration to the Board of Directors and senior executives

The table below sets out the remuneration for 2022 and 2021 for the Board of Directors and senior executives in Bakkegruppen AS:

NOK 1000	2022	2021
Board of Directors	61	-
Salary	5 051	4 493
Pension benefits	225	217
Other benefits	472	563
Total remuneration	5 809	5 273

The Group CEO, Chair and the members of the Board have no agreements for further compensation due to termination or changes in the position. There are no loans or share-based payments from the company to Group CEO or Board of Directors

Note 7 Fees to auditors

The amounts in the table below represent the fees for the audit of the statutory financial statements for companies with statutory audit requirements, adjusted for proportionate consolidation, in addition to the audit of the consolidated financial statement and other services.

NOK 1000	Bakkegruppen AS		Bakkegruppen consolidated	
	2022	2021	2022	2021
Statutory audit services	516	192	2 770	1 112
Tax advisory services	67		467	
Other assurance services	2		428	
Other non-audit services	1 213		2 022	2 251
Total fees paid to auditor (ex VAT)	1 798	192	5 688	3 363

Note 8 Taxes

Tax expense	Bakkegruppen AS		Bakkegruppen consolidated	
	2022	2021	2022	2021
NOK 1000				
Current income tax payable	0	74	10 511	8 430
Changes in deferred taxes	66	-4	-10 194	-3 068
Income taxes in profit	66	70	317	5 361

Reconciliation of the effective rate of tax

NOK 1000	2022	2021	2022	2021
Profit/(loss) before tax	34 062	16 243	-15 926	19 626
Expected income tax according to income tax rate 22%	7 494	3 573	-3 504	4 318
Tax effect of permanent differences	-7 428	-3 504	-3 641	-1 883
Other	0	0	7 461	2 926
Income taxes in profit	66	70	317	5 361

Effective rate of tax 0,2 % 0,4 % -2,0 % 27,3 %

Deferred tax assets and liabilities at 31 December

NOK 1000	2022	2021	2022	2021
Non-current assets and liabilities				
Intangible assets		451	0	451
Tangible assets	751		126 815	71 921
Other non-current items			-35 327	-28 962
Current assets and liabilities				
Inventory property			681 406	481 318
Receivables and inventories			-218	3 119
Provisions			-20 603	-9 290
Other current items			6	-788
Tax losses carried forward			-11 594	-31 917
Net temporary differences	751	451	740 484	485 852
Net recognised deferred tax liabilities 22%	165	99	162 907	106 887

Reconciliation deferred tax assets and liabilities

Deferred tax assets and liabilities at 1 January	99	104	106 887	61 595
Changes in deferred taxes	66	-4	-10 194	-3 068
Deferred tax assets/liabilities acquisitions			61 106	31 954
Other			5 109	16 407
Deferred tax assets and liabilities at 31 December	165	99	162 907	106 887

Note 9 Intangible assets

Intangible assets acquired through acquisitions are capitalised at cost and depreciated on a linear basis over their useful life. Expenditure on internally generated or customised IT systems is capitalised and presented as intangible assets.

	Bakkegruppen AS	Bakkegruppen consolidated		
NOK 1000	2022	2021	2022	2021
Cost at 1 January	15 947	15 580	28 035	27 635
Additions	1 366	367	1 366	400
Disposals	-	-	2 539	0
Cost at 31 december	17 313	15 947	26 862	28 035
Accumulated depreciations at 1 January	6 313	3 992	10 800	6 957
Depreciations	2 372	2 322	5 675	3 843
Disposals	-	-	2 506	-
Accumulated depreciations at 31 December	8 685	6 313	13 969	10 800
Carrying amount at 1 January	9 633	11 588	17 234	20 678
Carrying amount at 31 December	8 628	9 633	12 893	17 234
Estimated useful life	5-10 years	5-10 years	5-10 years	5-10 years
Depreciation method	Linear	Linear	Linear	Linear

Note 10 Property, plant, equipment and leases

2022

NOK 1000	Properties	Plants and equipment	Leases equipment	Total plant and equipment	Total
Cost at 1 January	172 400	28 847	52 238	81 085	253 485
Additions	108 433	6 591	14 987	21 578	130 010
Disposals	6 068	397	3 863	4 260	10 328
Cost at 31 december	274 765	35 041	63 362	98 403	373 168
Accumulated depreciations at 1 January	25 946	17 144	14 048	31 192	57 138
Depreciations	5 249	3 393	5 094	8 487	13 736
Disposals	-	-	-	-	-
Accumulated depreciations at 31 December	31 195	20 537	19 142	39 679	70 874
Carrying amount at 1 January	146 454	11 704	38 190	49 893	196 347
Carrying amount at 31 December	243 569	14 505	44 220	58 725	302 294
Estimated useful life	25 -50 years	3-5 years	5-8 years		
Depreciation method	Linear	Linear	Linear		

2021

NOK 1000	Properties	Plants and equipment	Leases equipment	Total plant and equipment	Total
Cost at 1 January	130 488	28 326	34 631	62 957	193 445
Additions	42 127	2 790	19 063	21 852	63 980
Disposals	215	2 269	1 456	3 724	3 940
Cost at 31 december	172 400	28 847	52 238	81 085	253 485
Accumulated depreciations at 1 January	22 751	15 371	9 641	25 012	47 763
Depreciations	3 196	3 024	4 407	7 432	10 627
Disposals	-	1 252	-	1 252	1 252
Accumulated depreciations at 31 December	25 946	17 144	14 048	31 192	57 138
Carrying amount at 31 December	146 454	11 704	38 190	49 893	196 347
Carrying amount at 1 January	107 737	12 955	24 990	37 945	145 682
Estimated useful life	25 -50 years	3-5 years	5-8 years		
Depreciation method	Linear	Linear	Linear		

Note 11 Subsidiaries, joint ventures and associated companies

Subsidiaries of Bakkegruppen AS	Registered office	Ownership share and voting power	Carrying value 31.12.2022	Carrying value 31.12.2021
Bakke AS	Aurskog	100 %	30	30
Bakke Leiligheter	Aurskog	100 %	3	3
MRB Holding AS	Aurskog	100 %	9 650	9 650
			9 683	9 683

The table below shows shares in subsidiaries owned through Bakke AS, Bakke Leiligheter AS and MRB Holding AS as of 31 December 2022 and specification of changes from last year:

Shares in subsidiaries owned through subsidiaries	Registered office	Ownership share and voting power	Changes from last year
Bakke AS			
Nitteberg Panorama Holding AS	Aurskog	100 %	
Nitteberg Panorama Øst AS	Aurskog	100 %	
Nitteberg Panorama Nord AS	Aurskog	100 %	
Garnevegen Eiendom AS	Aurskog	100 %	
Romeriksåsen AS	Aurskog	100 %	
Bakke Prospekt AS	Aurskog	100 %	
Bråtejordet Utvikling AS	Aurskog	100 %	
Østmarka Panorama Holding AS	Aurskog	100 %	Acquired August-October 2022
Østmarka Panorama AS	Aurskog	100 %	Acquired August-October 2022
Bakke Leiligheter AS			
Linjekvartalet Bolig AS	Aurskog	100 %	
Frogner Prosjektutvikling AS	Aurskog	100 %	
Bakke Bolig Aurskog AS	Aurskog	100 %	
Bakke Bolig Jessheim AS	Aurskog	100 %	
Skogmo Eiendom AS	Aurskog	100 %	
MRB Holding AS			
Bakkegruppen Oppgjør AS	Oslo	100 %	Formation February 2022
RSR Eiendom AS	Aurskog	100 %	
Rømskog Hotelldrift AS	Rømskog	100 %	
BG Utleie AS	Aurskog	100 %	
Finstadhagan 13 AS	Aurskog	100 %	
Bakke Boliginvest AS	Aurskog	100 %	Increased from 50% to 100% ownership Sept 2022
MittEgetLokale AS	Aurskog	100 %	
MittEgetLokale Brumunddal AS	Aurskog	100 %	Formation August 2022
MittEgetLokale Killingmo AS	Aurskog	100 %	Formation June 2022
Bakkegruppen Eiendom AS	Aurskog	100 %	Formation August 2022
Finstadhagan Eiendom AS	Aurskog	100 %	Formation August 2022
MittEgetLokale Porsgrunn AS	Aurskog	100 %	
MittEgetLokale Hamar AS	Aurskog	100 %	
MittEgetLokale Heia AS	Aurskog	100 %	
MittEgetLokale Gardermoen AS	Aurskog	100 %	
MittEgetLokale Vestby AS	Aurskog	100 %	Acquired May 2022
Luftveien 4 AS	Aurskog	100 %	Acquired July 2022
MittEgetLokale Prospekt AS	Aurskog	100 %	Formation June 2022
MittEgetLokale Tromsø AS	Aurskog	100 %	Acquired November 2022

The 39 entities MittEgetLokale Gardermoen 1 AS - MittEgetLokale Gardermoen 39 AS were sold during 2022.

The 13 entities MittEgetLokale Porsgrunn 1-13 AS were demerged from MittEgetLokale Porsgrunn AS and sold during 2022.

Specification of investments in joint ventures consolidated proportionately (according to gross method)	Registered office	Ownership share and voting power	Carrying amount 1.1.	Additions/ disposals	Share of profit	Dividends / repaid capital	Carrying amount 31.12.
Bakke AS and subsidiaries:							
Bjørkåsen Eiendom AS	Aurskog	50 %	18 284		1 079		19 364
Tjonåsen Utvikling AS	Nordby	50 %	-490		-301		-791
Romsaas Boligut AS	Kongsvinger	50 %	18		31		49
Total Bakke AS and subsidiaries			17 813	0	810	0	18 622
Bakke Leiligheter AS and subsidiaries:							
Nannestad Eiendom Utvikling AS	Aurskog	50 %	5 141		3 231		8 372
SPG Bakke Bolig Gressvik AS	Oslo	49 %	493		1 795		2 288
SPG Bakke Bolig Dammensvika AS	Oslo	50 %	2 228	8 750	-185		10 793
Moerveien Utvikling AS and subsidiary	Aurskog	50 %	-797		-1 483		-2 280
Moerveien AS	Oslo	50 %					
Bakke Bolig Fjordbyen AS and subsidiaries	Aurskog	50 %		13 582	-1 803		11 779
Gilhusveien 5A AS	Aurskog	50 %					
Gilhusveien 19 AS	Aurskog	50 %					
Gilhusveien 5B, 15, 17 AS	Aurskog	50 %					
Total Bakke Leiligheter AS and subsidiaries			7 066	22 332	1 555	0	30 952
MRB Holding AS and subsidiaries:							
Slåttmyrbakken Eiendom AS	Elverum	50 %	922		-30		892
Bakke Boliginvest AS	Aurskog		263	-263			0
Romerike Boligutbygging AS	Jessheim	50 %	42		268		310
MittEgetLokale Vestland AS	Bergen	33 %	1 302	660	3 339		5 301
Total MRB Holding AS and subsidiaries			2 528	397	3 577	0	6 503
Total Bakkegruppen AS and subsidiaries			27 406	22 729	5 942	0	56 077

The ownership in Bakke Boliginvest AS was increased from 50% to 100% in September 2022, also see specification of subsidiaries above. Bakke Bolig Fjordbyen AS was acquired in December 2021, and the subsidiaries Gilhusveien 5A AS, Gilhusveien 19 AS and Gilhusveien 5B, 15, 17 AS were acquired in March 2022.

Specification of investments in associated companies consolidated according to the equity method	Registered office	Ownership share and voting power	Carrying amount 1.1.	Additions/ disposals	Share of profit	Dividends / repaid capital	Carrying amount 31.12.
Bakke Leiligheter AS and subsidiaries:							
Bakke & Malling Vestby AS	Oslo	48 %	4 800	4800	-752		8 848
Total investments			4 800				8 848
Specification of investments in joint ventures and associated companies held at cost							
Registered office	Ownership share and voting power	Carrying amount 1.1.	Carrying amount 31.12.				
Bakke AS and subsidiaries:							
GG3 Bolig AS	Aurskog	40 %	0				0
Holslia Eiendom AS	Aurskog	49 %	49				49
Greger Gramsvei AS		50 %	12				12
Bakke Leiligheter AS and subsidiaries:							
SPG Bakke Bolig Franzefossbyen Holding A	Oslo	36 %	6 015				6 015
Aamodt Utvikling AS	Nordby	50 %	1 500				1 500
Total investments			7 576				7 576
Total investments joint ventures/associates (equity method/cost)			12 376	4 800	-752		16 424

The investment in Bakke & Malling Vestby AS was held at cost until 1.1.2022 from when the investment is consolidated according to the equity method.

Other shares	31.12.2022	31.12.2021
Bakkegruppen Ansatte Invest AS	2 120	
Bolig Rykkinn AS (owned through Bakke Leiligheter AS)	656	656
Other shares	53	53
Total other shares	2 829	709

Note 12 Receivables and liabilities group companies

Non current receivables group companies in Bakkegruppen AS

NOK 1000	2022	2021
Bakke AS	54 802	121 251
Romeriksåsen AS	6 234	39 315
Bakke Prosjekt AS	67 287	14 303
Nitteberg Panorama Holding AS	54 381	
Gartnervegen Eiendom AS	1 371	750
Bråtejordet Utvikling AS	30 021	
Nitteberg Panorama Nord AS		23 120
Total Bakke AS and subsidiaries	214 096	198 739
 Bakke Leiligheter AS	194 620	161 370
Linjekvartalet Bolig AS	1 239	
Bakke Bolig Aurskog AS	31 028	
Frogner Prosjektutvikling AS	18 204	1 076
Skogmo Eiendom AS	36 470	
Bakke Bolig Jessheim AS	20 211	
Total Bakke Leiligheter AS and subsidiaries	301 771	162 446
 MRB Holding AS	4 740	74 912
Bakkegruppen Oppgjør AS	1 202	
RSR Eiendom AS		6 389
Rømskog Hoteldrift AS	4 447	
BG Utleie AS	5 285	2 282
MittEgetLokale AS	53 602	537
MittEgetLokale Porsgrunn AS	681	
MittEgetLokale Heia AS	569	
MittEgetLokale Killingmo AS	2 551	
Total MRB Holding AS and subsidiaries	73 077	84 120
Non current receivables group companies	588 944	445 305

Non current liabilities group companies in Bakkegruppen AS

NOK 1000	2022	2021
Nitteberg Panorama Nord AS	104 521	
Nitteberg Panorama Øst AS	2 213	
Total Bakke AS subsidiaries	106 734	
 MittEgetLokale Hamar AS	7 378	
MittEgetLokale Gardermoen AS	890	
RSR Eiendom AS	313	
Finstadhagan 13 AS	1 119	
Total MRB Holding AS subsidiaries	9 700	
Non current liabilities group companies	116 434	0

Current receivables group companies in Bakkegruppen AS

NOK 1000	2022	2021
Bakke Prosjekt AS	28 951	
Gartnervegen AS	27 744	26 459
Nitteberg Panorama Øst AS		19 392
Nitteberg Panorama Nord AS	70 096	
Total Bakke AS and subsidiaries	97 840	74 802
 Bakke Leiligheter AS	35 000	15 000
Linjekvartalet Bolig AS		3 542
Skogmo Eiendom AS		18 982
Total Bakke Leiligheter AS and subsidiaries	35 000	37 524
 RSR Eiendom AS		750
MittEgetLokale Gardermoen AS	5 050	
MittEgetLokale Hamar AS		6 507
Finstadhagan 13 AS		939
Total MRB Holding AS and subsidiaries	5 050	8 196
Current receivables group companies	137 890	120 522
 Total receivables group companies	726 834	565 827

Trade receivables group companies

Trade receivables group companies	5 237	7 468
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Current liabilities group companies in Bakkegruppen AS

NOK 1000	2022	2021
Romeriksåsen AS		10 689
Bakke Prosjekt AS	3 623	
Nitteberg Panorama Holding AS		6 362
Bråtejordet Utvikling AS	5 565	2 156
Nitteberg Panorama Nord AS		5 578
Østmarka Panorama Holding AS	1 313	
Østmarka Panorama AS	1 438	
Total Bakke AS and subsidiaries	11 939	24 787
 Bakke Leiligheter AS	35 164	
Linjekvartalet Bolig AS	887	
Bakke Bolig Aurskog AS	4 563	
Frogner Prosjektutvikling AS	576	18 714
Skogmo Eiendom AS		
Bakke Bolig Jessheim AS	894	8 067
Total Bakke Leiligheter AS and subsidiaries	42 084	26 781
 MRB Holding AS	1 175	529
Bakkegruppen Oppgjør AS	1 093	
Rømskog Hoteldrift AS	4 658	3 182
BG Utleie AS	1 268	161
MittEgetLokale AS		3 146
MittEgetLokale Porsgrunn AS		
MittEgetLokale Heia AS	922	128
MittEgetLokale Porsgrunn AS		692
MittEgetLokale Vestby AS	604	
MittEgetLokale Tromsø AS	112	
Total MRB Holding AS subsidiaries	9 832	7 837
Current liabilities group companies	63 855	59 404
 Total liabilities group companies	180 289	59 404

Current intra group receivables and current intra group liabilities at year end consist of Group contributions and dividends for the year.

Note 13 Related parties

Two parties are deemed to be related if one party can influence the decisions of the other. Related party relationships are a normal feature of commerce and business. All transactions with related parties must be carried out on market terms and conditions.

Receivables, liabilities and transactions between Bakkegruppen AS and its subsidiaries, which are related parties to the company, have been eliminated in the consolidated accounts and are not disclosed in the note below for Bakkegruppen consolidated. For Bakkegruppen AS, transactions with related parties are mainly related to administrative services to its subsidiaries and are included in the table.

For the Group sale of services involving Bakkegruppen and its related parties mainly relate to administrative services and are based on market terms. Sales to related parties also include sale of residential properties to joint ventures, shareholders or leading executives, also based on market terms.

The Group has the following significant transactions with joint ventures and associates, shareholders or leading executives:

NOK 1000	Bakkegruppen AS		Bakkegruppen consolidated	
	2022	2021	2022	2021
Profit and loss				
Sales to related parties	27 916	24 385	106 623	95 892
Statement of financial position				
Loans to joint ventures	0	0	32 351	22 130

Shareholder Morten Bakke has provided security up to NOK 8 million for RSR Eiendom AS, and up to NOK 6 million for Gartnerveien Eiendom AS and Bakke Bolig Aurskog AS, in favour of Høland & Setskog Sparebank.

For guarantees provided to joint ventures refer to Note 18.

Note 14 Cash and cash equivalents

NOK 1000	Bakkegruppen AS		Bakkegruppen consolidated	
	2022	2021	2022	2021
Non-restricted bank deposits and cash	3 020	9 739	89 003	173 547
Restricted bank accounts	1 201	1 078	58 902	8 284
Total group	4 222	10 817	147 905	181 831

Cash includes cash at bank and in hand. Restricted bank accounts includes employee tax payable to Norwegian authorities and restricted bank deposits related to funds reserved for the construction of a bypass road in Ullensaker kommune (Skogmo) of NOK 49 million.

Note 15 Share capital

The share capital of Bakkegruppen AS on 31 December consists of the following shares and shareholders:

Shareholder	NOK 1000			
	Number of A-shares	Number of B-shares	Share capital	Share premium
Morten Roar Bakke	128 000	8 000	14	
Randi Solvang Bakke	128 000	8 000	14	
Snorre Bakke Holding AS		664 000	66	
Sondre Bakke Holding AS		664 000	66	
Total	256 000	1 344 000	160	2 501

Two classes of shares (A and B) are established in Bakkegruppen AS. The share capital of NOK 160 thousand in Bakkegruppen AS as of 31 December 2022 consists of 256 000 class A shares and 1 344 000 class B shares, in total 1 600 000 shares, with nominal value of NOK 0.10 per share.

Class A shares are preferred stock and have 70% of the votes in Bakkegruppen AS. Class B shares have a voting share of 30%.

Class A shares will receive 70% of dividends up to NOK 30 million. Dividends above NOK 30 million are allocated pro rata per Class A shares and Class B shares.

Note 16 Interest-bearing liabilities

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

Company	Loan instrument	Lender	2022		2021		Maturity date
			Non-current	Current	Total interest-bearing liabilities	Non-current	
Bakkegruppen AS	Bond	Bondholders	500 000		500 000	500 000	February 2025
Bakkegruppen AS	Property loans	Aurskog Sparebank	7 526		7 526	8 435	> 5 years
Bakkegruppen AS	RCF	Høland Sparebank	14 974	14 974		14 231	Annual renewal
Total Bakkegruppen AS			507 526	14 974	522 500	508 435	14 231
Total Bakke sub group			25 935	364 119	390 054	14 863	460 567
Bakke AS	Property loans	SP1 - Østlandet	25 935		25 935	14 863	> 5 years
Bakke AS	Share purchase	SP1 - Østlandet	30 000		30 000		01.09.2023
Bakke AS	RCF	SP1 - Østlandet	9 623		9 623		Annual renewal
Bakke Projekt AS	Construction loans	SP1 - Østlandet	173 970	173 970		63 334	Upon completion of project
Bakke Projekt AS	Construction loan	Pareto Bank	50 800	50 800			Upon completion of project
Romeriksåsen AS	Construction loan	Pareto Bank	10 748	10 748		150 820	Upon completion of project
Gartnervegen Eiendom AS	Construction loan	Nordea	-			7 004	Upon completion of project
Niteberg Panorama Nord AS	Construction loan	Nordea	-			160 855	Upon completion of project
Bjørkeåsen Eiendom AS	Construction loan	SP1 - Østlandet	88 978	88 978		78 554	Upon completion of project
Total Bakke Leiligheter sub group			97 500	574 671	672 171	0	415 171
Total MRB sub group			109 982	222 927	332 909	86 875	130 224
Total group			740 942	1 176 691	1 917 633	610 174	1 020 192
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The duration of construction loans follows the 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.

Bakkegruppen is compliant with the financial covenants related to the bond at year end 2022.

Security and pledge

See Note 18 'Guarantees and pledged assets' regarding security and pledge.

Note 17 Financial risk management

Bakkegruppen is exposed to financial risks originated from the operations and from the financing of the Group. Financial risks are monitored and managed on a consolidated level by Bakkegruppen's Group Management. The Group's overall risk management activities seek to minimise potential adverse effects on its financial performance.

Credit risk

The group's credit risk is mainly related to settlement from customers. Customers are, for a large part, Norwegian households. Normally a deposit is paid upfront when customers enter into a contractual agreement with the group. Furthermore, after entering into a contract the customer has a legal obligation to cover the group's losses if the customer forfeits the contract. Customer payments are paid to a client account before an apartment or house is delivered to the buyer.

Liquidity risk

For the risk for the group, not meeting its financial obligations at maturity and the financing sources are not available for the group companies. The risk is effectively reduced by financing known obligations as early as is practically possible. Bakkegruppen, as other property developers, depend on continuous project financing from financing institutions as well as other sources. Availability of project financing will also depend on the general financing market. The group also focuses on long-term liquidity planning and spread credit risk on several counterparties.

Interest rate risk

Interest rate risk is the risk related to the loan portfolio's exposure to the general interest level in Norway (Nibor) and the development of market terms (margin) of banks in general. This risk is relatively limited within the group. The group has a policy not to enter into fixed interest contracts, combined with the fact that the main part of the debt is relatively short-term. Construction loans, limited risk in total. The group also has several lenders that compete to provide financing online with the market at all times.

The group also has an implicit exposure to interest rates because there is a correlation between the pricing of housing and interest rates.

Risk related to suppliers

The group has established risk reduction measures related to large suppliers to the group. Every material supplier has to satisfy a certain set of criteria, such as equity ratio and the lifetime of the supplier. As mentioned above the group is exposed to several banks, hence risk related to banks are diversified. Solidity risk related to financial partners considered to be minimal.

The group has no or very limited currency exposure and risk.

Capital risk

Bakkegruppen Group's capital management secures funding for ongoing and planned projects. The overriding goal is to provide financial capacity to perform operational activities uninterrupted and to support Bakkegruppen's business strategy, while providing returns for shareholders and benefits for other stakeholders as well as maintaining an optimum capital structure. In achieving the objectives, the Group maintains a secure liquidity through the year and a robust equity level through focus on the profitability of the various projects. The Group management evaluates all available funding sources on an on-going basis. Ongoing projects are mainly financed through construction loans which mature at project completion.

Note 18 Guarantees and pledged assets

Guarantees

Guarantee obligations for the Group are mainly payment guarantees provided by Bakkegruppen AS for subsidiaries and joint ventures, related to the entities' pledged properties, amounting to NOK 1.338 million at year end 2022 (NOK 899 million at year end 2021).

In connection with development projects Bakkegruppen AS or subsidiaries issue guarantees related to "Bustadoppføringslova" § 12 (guarantee for fulfilment of agreement) and Bustadoppføringslova § 47 (guarantee for prepayment by customer). The guarantees are issued through financial institutions with value up to NOK 515 million at year end 2022, whereof NOK 102 million was used (value up to NOK 200 million at year end 2021).

In addition, Bakkegruppen AS has given a guarantee related to the construction of a bypass road in Ullensaker kommune (Skogmo). The allocation of cost for the road is based on an agreement between local landowners, Skogmo projects share of costs for the road is estimated to approx. NOK 34 million.

Security

Shares in the following Group entities are pledged as security:

Company name

Bakke AS	Bakke Leiligheter AS	MRB Holding AS
Bråtejordet Utvikling A	Frogner Prosjektutvikling AS	MittEgetLokale AS
Østmarka Panorama	Bakke Bolig Jessheim AS	MittEgetLokale Tromsø AS
	Gilhusveien 5A AS	
	Gilhusveien 19 AS	
	Gilhusveien 5B, 15, 17 AS	

Bakke AS, Bakke Leiligheter AS and MRB Holding AS, the subsidiaries of Bakkegruppen AS, have acceded the Bond Agreement (refer to Note 16) as Guarantors, and the shares are pledged as security in favour of the Bond holders.

The Group's property, inventory and trade receivables are pledged in favour of each lender, with the following total book value of the pledged assets:

NOK 1000	Note	31.12.2022	31.12.2021
Properties		243 569	146 454
Plants and Equipment		58 725	
Inventory property		1 668 487	1 215 966
Inventories		11 255	
Trade receivables		741 360	764 424
Total		2 723 396	2 126 843

Some Group entities also have given cross guarantee or cross security to each other's obligations.

Note 19 Going concern and events after the balance sheet date

Under §3-3 of the Norwegian Accounting Act the board confirms that the group and parent company accounts are prepared on a going concern assumption. This assumption is based on profit forecasts for the year 2023 and the Group's long-term strategic forecasts. The Group's economic and financial position is acceptable.

Market conditions has continued to be weak after year end, weak sales during the last two quarters of 2022 as well as weaker sales than previous years during the first quarter of 2023, the reduction in sales are more or less in line with the general trends in the market, even though sales improved somewhat in the first quarter in 2023 compared to the last quarter in 2022. Especially has Mittegetlokale AS had more than acceptable sales in the first quarter with a sales increase of more than 20% compared to first quarter last year. Furthermore sales has been impacted by the fact that few project have been launched to marked during the last 9 months.

We expect both lower activity and reduced results for 2023, continued weak market conditions will also impact results for 2024. 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. As part of our efforts to bring projects to marked and obtain financing we are also on several projects working to obtain an insurance that in effect insures the topline in the projects and normally this would mitigate risks related to financing. 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. Furthermore we also expect continued pressure on margins as financing costs are increasing and the fact that in the current marked these cost cannot be offset by increased prices to customers. We do however observe as slight reduction in costs within some areas and except the cost increases we have seen over the past years to level off. That being said Bakkegruppen currently owns a substantial land bank as well as a real estate portfolio with substantial excess values compared to the current book values of the group, meaning that the board are of the opinion that the value adjusted equity ratio of the group is substansially higher than book values show. With the current land bank Bakkegruppen is well positioned for a rebound in the market.

Bakkegruppen has during the past years positioned itself for further growth both in terms of land bank as well as staffing, IT investments etc. Under the current market conditions the current situation this is not sustainable over time and a continued weak market will stress our working capital and liquidity, a continued weak market will facilitate further cost reduction measures and possible sales of some assets. Bakkegruppen has focus on working capital needs and work on a daily basis to ensure sufficient working capital. Furthermore, financing opportunities have also been impacted, not only in terms of interest rates but also in terms of equity requirements from banks leading to further uncertainties and risks related to working capital predictions, since existing obligations regarding acquisitions must be served.

As previously communicated, Bakkegruppen is actively exploring strategic partnerships and/or transactions relating to a material part of its land bank and development assets. This process is progressing well, and based on the situation and information available as of today, we are optimistic that our efforts in this matter may result in one or more transactions that will serve to mitigate risks related to our capital structure and liquidity position going forward. Bakkegruppen expects to provide further information to the market in this regard if and when appropriate.

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Tor Erlend Framstad

Styremedlem

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Randi Solvang Bakke

Styremedlem

På vegne av: Bakkegruppen AS

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Morthen Roar Bakke

Styreleder

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Independent Auditor's Report

To the General Meeting in Bakkegruppen AS

Opinion

We have audited the financial statements of Bakkegruppen AS.

The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2022, the income statement and cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2022, the income statement and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements comply with applicable statutory requirements.
- The accompanying financial statements gives a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements gives a true and fair view of the financial position of the group as at 31 December 2022, and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by laws and regulations in Norway and International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors (management) is responsible for the other information. The other information comprises the Board of Directors' report and other information in the Annual Report, but does not include the financial statements and our auditor's report thereon. The other information in the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

Opinion on the Board of Director`s report

Based on our knowledge obtained in the audit, in our opinion the Board of Directors` report

- Is consistent with the financial statements and
- Contains the information required by applicable legal requirements.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors (management) is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and 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 insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to:

<https://revisorforeningen.no/revisjonsberetninger>

BDO AS

Kristen Elstad
State Authorised Public Accountant
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Kristen Elstad

Partner

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