

Norvik hf.

Consolidated Financial Statements 2023\*

All amounts are in ISK

\*These financial statements are translated from the original which is in Icelandic. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.

Norvik hf.  
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## Endorsement by the Board of Directors and the Chief Executive Officer

Norvik hf. is an Icelandic holding company that owns and operates seven subsidiaries in the construction products market, in real estate and timber processing. Subsidiaries owned by Norvik operate in Iceland, Sweden and Latvia. The company owns all shares in the domestic subsidiaries BYKO ehf., Smáragarður ehf. and Hólf og gólf ehf. as well as a 75% shareholding in Kambstál ehf., which exercised an option to purchase a 24% share during the year. These companies are subsidiaries in Norvik's consolidated financial statements. In 2023, Norvik acquired an 80% stake in the Latvian company Solvina SIA through its Latvian subsidiary, Norvik Timber Industries SIA, which Norvik fully owns.

In the second half of 2023, Norvik's Board of Directors decided to make a takeover bid for the Swedish company Bergs Timber AB, in which Norvik held a 58.67% share. The takeover bid was well received and Norvik now holds a 98.35% shareholding, with a direct shareholding of 59.21% and a 39.14% share through a Swedish subsidiary, Kivron AB, which was established specifically to manage the takeover bid. A recall of outstanding shares that are not owned by Norvik is currently underway and is likely to be completed at the beginning of next year. Bergs Timber AB manages the operations of seven subsidiaries that operate production companies in the timber industry and sell timber-related products in Sweden, Latvia, Poland and the United Kingdom.

Norvik's Board of Directors consists of five Board members, two women and three men. The company's executive committee consists of three individuals, one of whom is a woman and two of whom are men.

The annual financial statements of Norvik hf. are prepared in accordance with the Annual Accounts Act and are prepared in accordance with the same accounting methods as in the previous year. Norvik hf.'s operating currency is Icelandic krona (ISK) and the group's operating income is in addition to the Icelandic krona in euros (EUR), Swedish krona (SEK) and British pounds (GBP).

### Operations in 2023 and future prospects

According to the income statement, the group's profit amounted to ISK 1,410 million in 2023. According to the balance sheet, the group's assets amounted to ISK 74,397 million at year-end 2023. Equity at year-end amounted to ISK 37,941 million with minority shareholdings. The Board of Directors proposes that a dividend of ISK 250 million be paid to shareholders in 2024 for the operating year 2023 and refers in other respects to the annual accounts regarding changes to the equity accounts.

The main uncertainties in the opinion of the Board of Directors relate to turbulence in the global economic environment and high inflation in major trading partners following the conflict in Ukraine and most recently at the bottom of the Mediterranean. The management of all the companies in the group closely monitors the situation at any given time in the operating environment of each company and its main business partners. Norvik's Board of Directors considers the conditions in the Group's markets to be good, there are good indications in the first weeks of the new year of improving conditions in the timber markets in Europe, and in Iceland there is moderate optimism in the construction market, in addition to the fact that the largest players in the private sector have reached collective agreements for four years.

The Board of Directors does not assess any risk of reputational damage or the emergence of a new threat in a competitive environment. The Company does not have exchange rate hedging and the Board of Directors does not assess the risk to be of such a nature that there is reason to respond specifically to it. Cyber threats are becoming increasingly larger, and Norvik has directed its subsidiaries to place great emphasis on cyber security.

The average number of employees of the Group during the year, converted to full-time equivalents (man-years), was 585 (2022: 408), but with the average number of full-time equivalents in Bergs Timber, the Group's full-time equivalents are 1,913.

The company's total share capital amounted to ISK 328 million at year-end 2023, of which own shares amounted to ISK 18 million. There were nine shareholders at year-end 2023 as at the beginning of the year, and they were as follows:

	Ownership
Sterna ehf. ....	42,3%
Jón Helgi Guðmundsson ....	27,8%
Guðmundur H. Jónsson ....	9,0%
Steinunn Jónsdóttir ....	9,0%
Íðunn Jónsdóttir ....	4,0%
Bjarnheiður K. Guðmundsdóttir ....	0,7%
Björk Guðmundsdóttir ....	0,4%
Sjöfn Guðmundsdóttir ....	0,6%
Þórunn Guðmundsdóttir ....	0,7%
Total outstanding shares ....	94,4%
Treasury shares ....	5,6%
Total issued shares ....	100,0%

# Endorsement by the Board of Directors and the Chief Executive Officer

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## Corporate Governance

The Board of Directors of Norvik hf. places an emphasis on good corporate governance in accordance with the Guidelines on Good Corporate Governance published by the Iceland Chamber of Commerce, NASDAQ OMX Iceland and the Confederation of Icelandic Employers. The Board of Directors has established rules of procedure defining its powers and responsibilities vis-à-vis the Managing Director. These rules contain, among other things, rules on the conduct of meetings, detailed rules on the eligibility of board members to participate in the handling of matters, rules on confidentiality, the managing director's disclosure of information to the board, and more. The Board of Directors decides on the terms of employment of the Managing Director and meets

## Non-financial reporting

In accordance with Article 66(d) of the Annual Accounts Act, Norvik hf. shall provide information necessary to assess the development, scope, status and impact of the company in relation to environmental, social and employee issues, the company's human rights policy, how it counteracts corruption and bribery as well as a concise description of the company's business model and more. The company's policy and results in these matters are described in an appendix to the annual accounts.

## Statement by the Board of Directors and the Chief Executive Officer

The annual accounts are prepared in accordance with the Annual Accounts Act. To the best of our knowledge, we are of the opinion that the financial statements present a fair view of the Company's operating results in 2023, its assets, liabilities and financial position as of 31 December 2023 and changes in cash and cash

Furthermore, we are of the opinion that the annual accounts and the report of the Board of Directors and the Managing Director contain a clear overview of the development and results of the Company's operations, its status and describe the main risk factors and uncertainties that the Company is experiencing.

The Board of Directors and the Managing Director of Norvik hf. confirm the company's annual accounts for the year 2023 with their signature. The Board of Directors proposes to the Annual General Meeting to approve the annual accounts.

Kopavogur, 14th March 2024

Board of Directors:

Jón Helgi Guðmundsson  
Steinunn Jónsdóttir  
Guðmundur Halldór Jónsson  
Iðunn Jónsdóttir  
Þórður Magnússon

Chief Executive Officer:

Gísli Jón Magnússon

# Independent Auditor's Report

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To the Board of Directors and Shareholders of Norvik hf.

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Norvik hf. (the "Group") for the year 2023. The consolidated financial statements contain the income statement, balance sheet, cash flow statement, information on important accounting methods and other notes.

It is our opinion that the consolidated financial statements present a fair view of the financial position of the Group as of 31 December 2023 and the Group's results and changes in cash and cash equivalents in 2023, in accordance with the Annual Accounts Act.

### Basis for Opinion

We audited in accordance with international auditing standards. Our responsibilities under the standards are further described in the section Auditor's responsibility for auditing the consolidated financial statements in the report. We are independent of the Group in accordance with the applicable Code of Ethics for Auditors. We believe that we have obtained sufficient and relevant audit data on which to base our opinion.

### Responsibilities of the Board of Directors and CEO for the Consolidated Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Annual Accounts Act and for such internal controls as they deem necessary to enable them to present the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors and the Managing Director shall assess the Group's viability and, as appropriate, disclose aspects relating to its viability, basing the financial statements on continued viability, unless they either intend to dissolve the Group or cease its operations, or have no other realistic option than to do so.

The Board of Directors and the Managing Director shall supervise the preparation and presentation of the consolidated financial statements.

### Auditor's Responsibilities for the Audit of The Consolidated Financial Statements

Our objectives are to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report incorporating our opinion. Reasonable assurance implies reliability, not a guarantee, that an audit in accordance with international auditing standards will always reveal significant deficiencies if they exist. Deficiencies may arise as a result of fraud or error and are considered material if they alone or in combination could affect the economic decisions made by users of the consolidated financial statements on the basis thereof.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## Independent Auditor's Report, contd.:

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with The Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on Other Legal and Regulatory Requirements

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statements Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the Consolidated Financial Statements includes the information required by the Financial Statements Act if not disclosed elsewhere in the Consolidated Financial Statements.

Reykjavik, 14th March 2024

**KPMG ehf.**

Hjördís Ýr Ólafsdóttir  
Matthías Þór Óskarsson

## Consolidated Income Statement for the year 2023

	Notes	2023	2022
Operating revenues .....	5	35.300.437	30.586.674
Cost of sales .....	(	23.576.129)	( 20.407.123)
Gross profit .....		11.724.308	10.179.551
Salaries and related expenses .....	6	( 5.455.828)	( 4.739.445)
Other operating expenses .....	(	3.384.932)	( 2.873.293)
		( 8.840.760)	( 7.612.738)
<b>EBITDA .....</b>		2.883.548	2.566.813
Fair value change of investment properties .....		739.782	600.844
Depreciation .....	10	( 715.323)	( 545.138)
<b>EBIT .....</b>		2.908.007	2.622.519
Interest income .....		334.412	172.706
Interest expense .....	(	989.424)	( 604.131)
Currency fluctuations .....		34.438	( 11.093)
Bonds valuation .....		93.688	( 525.137)
Net finance income .....		( 526.887)	( 967.655)
Interest in net gain of associated company .....	11	( 624.276)	1.483.916
<b>Net earnings before income tax .....</b>		1.756.845	3.138.780
Income tax .....	7,16	( 347.112)	( 384.457)
<b>Net earnings for the year .....</b>		1.409.733	2.754.323
<b>Attributable to:</b>			
Net earnings to shareholders .....		1.274.793	2.754.323
Net earnings to minority interests .....		134.940	0
<b>Hagnaður ársins</b>		1.409.733	2.754.323
<b>Earnings per share:</b>			
Earnings per share .....	15	4,12	8,89

# Consolidated Balance Sheet as at 31 December 2023

	Notes	2023	2022
<b>Assets</b>			
Intangible assets .....	8	4.715.908	637.839
Investment properties .....	9	14.254.468	7.122.746
Operating assets .....	10	22.614.148	9.078.770
Shares in associated companies .....	11	569.978	15.261.999
Shares in other companies .....	11	6.097.536	4.798.204
Bonds and long-term receivables on related parties .....	12	28.452	28.452
Bonds and long-term receivables .....		153.197	139.040
Total non-current assets		48.433.687	37.067.050
Inventories .....	13	13.584.462	6.828.026
Receivable to related parties .....		818.696	823.454
Trade receivables and other receivables .....	14	6.637.794	3.040.618
Tax assets .....	16	464.465	0
Bonds .....		602.964	895.137
Cash and cash equivalents .....		3.855.126	2.583.460
Total current assets		25.963.507	14.170.695
<b>Total assets</b>		<b>74.397.195</b>	<b>51.237.745</b>
<b>Equity</b>			
Share capital .....	15	309.789	309.789
Statutory reserve .....		84.921	84.921
Translation reserve .....	(	2.504.341)	( 2.071.146)
Restricted equity account .....		8.778.955	10.015.702
Retained earnings .....		30.535.831	28.424.291
Total equity to parent company		37.205.154	36.763.557
Minority interests .....		735.557	0
Total equity		37.940.712	36.763.557
<b>Liabilities</b>			
Deferred income tax liability .....	16	2.968.296	2.425.850
Interest bearing debt .....	17	15.935.922	4.940.444
Total non-current liabilities		18.904.219	7.366.294
Payables to related parties .....	19	1.806.703	322.782
Interest bearing debt .....	17	3.310.399	331.079
Accounts payable and other payables .....	18	12.435.163	6.454.033
Total current liabilities		17.552.265	7.107.894
Total liabilities		36.456.484	14.474.188
<b>Total equity and liabilities</b>		<b>74.397.195</b>	<b>51.237.745</b>



## Consolidated Statement of Changes in Equity

	Capital stock	Other equity	Retained earnings	Total
<b>2022 ISK ('000)</b>				
Equity 1.1.2022 .....	313.843	6.045.055	28.376.533	34.735.431
Purchased treasury shares .....	( 4.054)		( 445.946)	( 450.000)
Foreign currency transl. diff. for subsidiaries .....		73.803		73.803
Dividend paid .....			( 350.000)	( 350.000)
Net earnings for the year .....			2.754.323	2.754.323
Contribution to restricted equity account .....		1.910.619	( 1.910.619)	0
Equity 31.12.2022 .....	309.789	8.029.477	28.424.291	36.763.557

### 2023 ISK ('000)

Equity 1.1.2023 .....	309.789	8.029.477	28.424.291	36.763.557
Foreign currency transl. diff. for subsidiaries .....		( 433.195)		( 433.195)
Dividend paid .....			( 400.000)	( 400.000)
Net earnings for the year parent company .....			1.274.793	1.274.793
Contribution to restricted equity account .....		( 1.236.747)	1.236.747	0
Total equity to parent company 31.12.2023 .....	309.789	6.359.535	30.535.831	37.205.154
Minority interests .....			600.617	600.617
Net earnings for the year minority interests .....			134.940	134.940
Total equity for the Group 31.12.2023 .....	309.789	6.359.535	31.271.388	37.940.712

### Other equity is specified as follows:

	Statutory reserve	Translation reserve	Restricted equity acc.	Other equity total
<b>Other equity 2022</b>				
Other equity 1.1.2022 .....	84.921	( 2.144.949)	8.105.083	6.045.055
Foreign currency transl. difference .....		73.803		73.803
Contribution to restricted equity account .....			1.910.619	1.910.619
Other equity 31.12.2022 .....	84.921	( 2.071.146)	10.015.702	8.029.477

### Other equity 2023

Other equity 1.1.2023 .....	84.921	( 2.071.146)	10.015.702	8.029.477
Foreign currency transl. difference .....		( 433.195)		( 433.195)
Contribution to restricted equity account .....			( 1.236.747)	( 1.236.747)
Other equity 31.12.2023 .....	84.921	( 2.504.341)	8.778.955	6.359.535

Foreign currency translation difference arising when converting business in currency other than functional currency are shown as a separate item under other equity, among translation reserve.

Restricted equity account consists of share in accumulated earnings of subsidiaries that exceeds dividend paid from appropriate subsidiaries.

# Consolidated Statement of Cash Flows 2023

	Notes	2023	2022
<b>Operating activities:</b>			
Net earnings for the year .....		1.409.733	2.754.323
Adjustments to reconcile net earnings to net cash provided:			
Depreciation .....	10	715.323	545.138
Fair value adjustments of investment properties .....	(	739.782)	( 600.844)
Indexation and currency fluctuations .....		358.739	403.249
Net earnings from associated companies and sales .....	11	624.276	( 1.483.916)
Gain on sales of operating assets .....	(	11.300)	( 17.914)
Income tax, change .....		77.981	90.229
Other items, change .....		8.168	32.856
Working capital provided by operating activities		<u>2.443.138</u>	<u>1.723.121</u>
Changes in operating assets and liabilities:			
Inventories, (increase) decrease .....		310.256	( 1.461.165)
Receivables, (increase) decrease .....	(	341.501)	( 1.059.035)
Current liabilities, increase (decrease) .....		248.440	937.132
Changes in operating assets and liabilities		<u>217.195</u>	<u>( 1.583.068)</u>
Net cash provided by operating activities		<u>2.660.333</u>	<u>140.053</u>
<b>Investing activities</b>			
Investment in software and intangible assets .....	8	( 38.912)	( 77.183)
Investment in investment properties .....	9	( 3.981.947)	( 590.156)
Proceeds from sale of investment properties .....	9	110.000	133.000
Investment in operating assets .....	10	( 475.545)	( 1.449.117)
Proceeds from sale of operating assets .....	10	14.459	265.580
Investment in subsidiaries .....	(	8.758.619)	0
Investment in associates .....		0	223.224
Investment in other companies .....	(	1.025.611)	( 1.447.642)
Proceeds from sale in associates .....		0	179.813
Dividend received from subsidiaries and associated comp. ....		593.622	806.950
Receivables on related parties, change .....		12.403	( 893.412)
Receivables, change .....	(	14.157)	92.603
Bonds, change .....		292.173	3.167.499
Cash from acquired subsidiaries .....		3.010.068	0
Cash flows used in investing activities		<u>( 10.262.067)</u>	<u>411.158</u>
<b>Financing activities</b>			
Dividend paid .....	(	400.000)	( 350.000)
Share capital, decrease .....	15	0	( 450.000)
Proceeds from long-term liabilities .....		6.283.173	1.400.000
Instalments of long-term liabilities .....	(	377.836)	( 183.330)
Payables to related parties, change .....		1.483.921	200.000
Changes in short-term liabilities .....		1.884.141	( 334.999)
Cash flows used in financing activities		<u>8.873.400</u>	<u>281.671</u>
<b>Increase (decrease) in cash and cash equivalents .....</b>		<b>1.271.666</b>	<b>832.881</b>
<b>Effect of exchange rate fluctuations .....</b>		<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at the beginning of the year .....</b>		<b>2.583.460</b>	<b>1.750.579</b>
<b>Cash and cash equivalents at the end of the year .....</b>		<b><u>3.855.126</u></b>	<b><u>2.583.460</u></b>

# Notes to the Consolidated Financial Statements

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## 1. General information

Norvik hf. (the "Company") is an Icelandic limited liability company with its registered office in Iceland. The company's headquarters are at Skemmuvegur 2a, Kópavogur. The Company's consolidated financial statements for the year 2023 contain the annual financial statements of the Company and its seven subsidiaries, which are referred to collectively as the "Group" and to individual companies as "Group Members".

Norvik operates subsidiaries in retail and hardware stores, timber processing, industry and real estate.

## 2. Basis of accounting

### a. Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with the Icelandic Financial Statements Act.

The Consolidated Financial Statements were authorized for issue by the Board of Directors of Norvik hf. on March 14th 2024.

### b. Basis of measurement

The Consolidated Financial Statements of Norvik Group is prepared in accordance with Icelandic Financial Statement Act. The Consolidated Financial Statements are prepared in Icelandic kronas. The Consolidated Financial Statements are based on cost accounting and are prepared according to the same accounting principles as for the previous year.

### c. Functional and presentation currency

The Group's financial statements are published in Icelandic krona and Icelandic krona is the company's functional currency. Norvik hf.'s operating currency is Icelandic krona (ISK) and the group's operating income is in addition to the Icelandic krona in euros (EUR), Swedish krona (SEK), British pounds (GBP) and Polish chateaux (PLN). The company has not hedged against foreign currency exchange rate effects.

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements, and have been applied consistently by Group entities.

### a. Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are companies in which the Company holds controlling interest. Controlling interest exists when the Company has significant influence, direct or indirect, to control a subsidiary's financial and operational policies. The Financial Statements of the subsidiaries are included in the Consolidated Financial Statements of the Company.

#### (ii) Transactions eliminated on consolidation

All material balances between Group companies, transactions and earnings created in transactions between Group companies are eliminated in the Consolidated Financial Statements.

#### (iii) Associates

Associated companies are companies in which the Company has a significant influence on the financial and operational policies but not controlling interest. Significant influence is present when the Company has control over 20-50% of the voting right. The Financial Statements contain the Company's share in the performance of associated companies from the beginning of influence until the end. Should the Company's part of loss exceed the book value of an associated company, the book value is recorded as zero and further entries of loss are ceased unless the Company has granted guarantees for the associated company or financed it.

### b. Foreign currency

#### (i) Transactions in other currencies than functional currency

Business in currency other than functional currency are converted to functional currency at the exchange rate at the date of transaction. Monetary assets and liabilities denominated in other currency than functional currency are converted to ISK at the year-end 2022 exchange rate. Foreign exchange differences arising on translation are recognized in the Income Statement.

#### (ii) Subsidiaries with other functional currency than ISK

The assets and liabilities of subsidiaries whose operating currency is other than Icelandic krónur are converted into krónur based on the exchange rate on the settlement date. The income and expenses of the subsidiaries are converted into ISK at the average exchange rate for the year. The exchange rate difference that arises from a transfer to krónur is entered under a special item among equity, the difference in translation. When operations have a currency other than ISK is sold, in part, or in full, the related exchange rate difference is recognised in the income statement.

## Notes, contd.:

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### 3. Significant accounting policies, contd.:

#### c. Goodwill

Goodwill arises either on the acquisition of subsidiaries or has directly been purchased. Goodwill relating to acquisition of associates is not recognized separately as an asset but is included in the carrying amount of the investments in associates. Goodwill is recorded at historical cost less accumulated impairment loss. Goodwill is amortized over 10 years.

#### d. Investment properties

Investment properties are real estate (land and/or buildings) held by the Group either to earn rental income, for capital appreciation or both. The group measures its investment properties initially at cost, which comprises the purchase price and any directly attributable expenditure on preparing the properties for their intended use, including related transaction cost. Expenditure incurred subsequent to the acquisition of an investment property in order to add to, replace part of, or service a property is capitalized only if it meets the general asset recognition criteria. All other expenditure is recognized in income statement when incurred. Accordingly, expenditure for repairs and maintenance of recognized investment property is not recognized in the carrying amount of an investment property but it is recognized in income statement as incurred. However, the cost of replacing part of an existing investment property is recognized in the carrying amount of the investment property at the time that cost is incurred provided the relevant asset recognition criteria are met. At the same time, the carrying amount of those parts that are replaced is derecognized. When it is difficult to discern how much fair value should be reduced for the part being replaced, the group first includes the cost of the replacement in the carrying amount of the investment property and then reassesses the fair value of the property, as required for additions not involving replacement.

Investment properties are measured at fair value. Fair value measures are based on fair value of comparable assets in the same place and condition in a active market between informed unrelated parties. The measurement takes into account the aggregated net rental income of the properties in addition to appropriate costs. Rental income is mainly forecasted using current lease agreements and deducting any estimated maintenance cost. The determination of the fair value of investment property is based on current market rate and group interest rate.

Changes in fair value of investments properties are recognized under value adjustments of investment properties in the income statement. Investment properties are not depreciated.

When the use of a property changes from owner-occupied to investment property, the property is reassessed to fair value and reclassified accordingly. Any gain arising on this reassessment is recognized in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in OCI and presented in the revaluation reserve. Any loss is recognized in profit or loss.

When the group begins to redesign an existing investment asset for continued use as an investment property, the asset remains an investment asset and is valued at fair value but is not redefined as an operating asset during the redesign.

#### e. Operating assets

##### (i) Recognition and measurement

Items of operating assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of operating assets have different useful lives, they are accounted for as separate items (major components) of operating assets.

##### (ii) Subsequent costs

The cost of replacing part of an item of operating assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of operating assets are recognized in the Consolidated

## Notes, contd.:

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### 3. Significant accounting policies, contd.:

#### (iii) Depreciation

Depreciation is recognized in the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of operating assets. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Real estates .....	20 - 50 years
Fixtures, machinery and equipment .....	3 - 10 years
Vehicles .....	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Profit or loss on the sale of operating assets is the difference between the sale price and the book value of the asset and is entered in the income statement.

#### f. Shares in other companies

Investment in other companies, where the Company owns less than 20% of shares, is carried at acquisition cost less provisions for estimated impairment losses on certain investments. Dividends are recognized as interest income.

#### g. Inventories

Inventories are measured at the lower of cost and net realisable value. Manufactured products are valued at their average production cost. Inventories of purchased goods and materials are valued at cost less provision.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### h. Receivables and securities

The value of receivables and securities is reduced by an allowance for doubtful accounts in the Balance Sheet. The calculated allowance is not regarded as a final write-off, but as a reserve to meet possible future losses. Firstly, there are specific allowances made to adjust for obligations of creditors who have received a poor risk evaluation and secondly, there is a general allowance to meet the general risk of receivables and securities. The allowance is deducted from appropriate balance sheet items.

#### i. Bonds and other securities

Bonds and other securities are valued at market value.

#### j. Cash and cash equivalents

Cash and cash equivalents consist of fund and bank deposits.

#### k. Impairment

##### (i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are expensed in the Consolidated Income Statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the Consolidated Income Statement.

## Notes, contd.:

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### 3. Significant accounting policies, contd.:

#### k. *Impairment, contd.:*

##### (ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill a recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

##### l. *Revenue recognition*

###### Goods and services sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and trade discounts. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and the amount of revenue can be measured reliably.

Revenue from services rendered is recognized in the Consolidated Income Statement in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Revenue from timber processing and production services and corresponding expenses are recognized by the reference to the stage of completion. The stage of completion is assessed by reference to surveys of work performed.

##### m. *Finance income and expenses*

Finance income comprises interest income on funds invested, dividend income, and foreign currency gains. Interest income is recognized as it accrues in the Income Statement, using the effective interest method. Dividend income is recognized in the Consolidated Income Statement on the date that the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, and foreign currency losses. All borrowing costs are recognized in the Consolidated Income Statement using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

##### n. *Income tax*

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the Consolidated Income Statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised due to temporary differences between the book value of assets and liabilities in the financial statements on the one hand and their tax value on the other hand. Deferred income tax is not credited due to temporary differences due to investments in companies. Income tax liability is not recognised due to goodwill. The calculation of deferred tax is based on the tax rate that is expected to be in effect when temporary differences are reversed, based on current law on the settlement date.

Tax assets and income tax liability are equated when there is a legal right to do so, they relate to income tax levied by the same authorities on the same company or different companies that are jointly taxed and are expected to pay taxes jointly.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## Notes, contd.:

### 4. Financial risks

The main risks associated with the Group's financial instruments are foreign exchange rate risk, interest rate risk, liquidity risk and credit risk. The Group's main financial instruments consist of loans from credit institutions and trade debts to secure the Group's financing. Risk management is discussed in more detail in Note 23.

### 5. Revenues

Revenues are specified as follows:

	2023	2022
Sales of goods .....	35.251.146	30.447.042
Other revenue .....	49.291	139.632
Total operating revenue .....	35.300.437	30.586.674

### 6. Salaries

Salaries and salary-related expenses are specified as follows:

	2022	2021
Salaries .....	4.495.160	3.754.407
Pension fund .....	589.197	464.389
Salary-related expenses .....	371.471	520.649
Total salary and salary-related expenses .....	5.455.828	4.739.445
Average number of FTEs .....	565	408

Full-time equivalent positions on average during the year are exclusively from Norvik's Icelandic subsidiaries. Bergs Timber AB joined the group at the beginning of December and had an average of 1,471 employees in 2023. Included in the average full-time equivalent positions for the year are 1/12 of the full-time equivalent positions of Bergur Timber AB. Total salaries and related expenses in Bergs Timber AB amounted to ISK 605 million in December 2023.

The salaries of the Board of Directors and Managing Directors of Norvik and its group companies totalled ISK 265 million in 2023 (2022: ISK 251 million). The salaries of the executive committee of Bergur Timber AB for December 2023 are included.

### 7. Income tax

Effective income tax is specified as follows:

	2023	2022
Net earnings before income tax .....	1.756.845	3.138.780
Income tax using the domestic tax ratio .....	20,0% ( 351.369)	20,0% ( 627.756)
Associated companies .....	1,9% ( 33.884) (	5,4%) 170.466
Non-deductible expenses .....	0,2% ( 3.643)	0,0% ( 964)
Non-taxable income .....	( 1,8%) 30.782 (	1,9%) 58.876
Other items .....	( 0,6%) 11.002 (	0,5%) 14.921
Total income tax recognized .....	19,8% ( 347.112)	12,2% ( 384.457)

### 8. Intangible assets

Book value of intangible assets are specified as follows:

	Goodwill	Software	Total
Book value 1.1.2023 .....	418.438	219.401	637.839
Additions during the year .....	3.733.508	571.201	4.304.708
Amortization and impairment .....	( 113.287) (	113.352) (	226.639)
Book value 31.12.2023 .....	4.038.658	677.250	4.715.908

Goodwill is written down on a straight-line basis over ten years in accordance with the provisions of the Annual Accounts Act and is mainly due to differences between the equity of subsidiaries and the book value of the holdings. New goodwill that will come into the group in 2023 and the lion's share of the software is due to the underlying assets of Bergs Timber AB. Norvik's acquisition of Bergs Timber AB resulted in negative goodwill in the amount of ISK 737 million.



## Notes, contd.:

### 9. Investment properties

	2023	2022
Book value at the beginning of the year .....	7.122.746	5.285.558
Additions during the year .....	2.254.636	0
Fair value change .....	739.782	600.844
Sales during the year .....	( 110.000)	( 133.000)
Translation difference .....	0	0
Reclassified to operating assets .....	265.357	( 590.156)
Book value at the end of the year .....	14.254.468	7.122.746

The determination of the fair value of investment properties is based on assumptions subject to management's evaluation of future development of various factors. The actual fair value may differ from this estimate.

The group measures its investment properties at discounted cash flow of individual assets. The cash flow is determined based on general accepted assessment procedures.

The fair value model is based on an estimated cash flow to shareholders and uses criterions that reflect the current market situations at reporting date. The cash flow for investment properties is estimated from expected income flow from rental income deducting any estimated cost. The most important variables in the model are estimated rental income, interest rate and equity rate of return.

Rental income is forecasted using current lease agreements. Based on assumptions subject to management expectations of market rate of interest and estimated market rent at the end of current lease agreements.

Deducted from estimated rental income are all relevant expenses such as maintenance cost, property taxes, insurance cost, other operating cost and financing cost. Property taxes and insurance cost are estimated using historical data and expected development in proportion to income. Maintenance cost is estimated by the size of the property and other operating cost as a percentage of rental income. Cost of capital is estimated from market rate and estimated interest premium. Interest premium is estimated for individual assets.

The main assumptions that were used to determine fair value at year-end 2023 were income according to current lease agreements as well as expectations of real changes in rental income. The real interest rate was 4.2% (2022: 3.9%) when calculating the weighted average cost of financing. The return on equity was based on 10.8% real interest rate and 35% equity ratio. The weighted average cost of capital before income tax (WACC) was 6.53% (2022: 6.21%).

#### **Real estate assessment value**

The real estate value of investment properties in Iceland amounted to ISK 11,654 million at year-end (2022: ISK 10,937 million) The insured amount of investment properties in Iceland at year-end 2023 amounted to ISK 17,732 million (2022: ISK 16,315 million).

#### **Rental income from investment property**

A subsidiary of Norvik hf., Smaragarður ehf. has signed lease agreements with its customers for up to 16 years. Contractual rental income to all lessees at the Company based on an index at the end of December 2023 is analyzed as follows in the coming years:

	2023	2022
Contractual income for up to one year .....	1.850.849	1.597.153
Contractual income from 1 year up to 5 years .....	8.253.850	5.781.039
Contractual income for more than 5 years .....	7.415.324	4.499.171
Total rental income from investment property .....	17.520.023	11.877.363



## Notes, contd.:

### 10. Operating assets

Operating assets are specified as follows:

	Property	Fixtures, machinery and equipment	Vehicles	Total
Total value 31.12.2022 .....	9.859.767	841.526	642.114	11.343.406
Total depreciation 31.12.2022 .....	( 1.279.949)	( 581.806)	( 402.882)	( 2.264.636)
Book value 31.12.2022 .....	8.579.818	259.720	239.232	9.078.770
Additions during the year .....	0	425.793	49.752	475.545
Acquired during the year, non cash .....	( 128.111)	0	0	( 128.111)
Depreciated during the year .....	( 312.397)	( 156.103)	( 20.183)	( 488.683)
Disposals .....	( 43.910)	( 261.297)	( 16.975)	( 322.181)
Book value 31.12.2023 .....	14.702.374	7.659.948	251.826	22.614.148
Total value 31.12.2023 .....	16.294.720	8.397.857	674.891	25.367.467
Total depreciation 31.12.2023 .....	( 1.592.346)	( 737.909)	( 423.065)	( 2.753.319)
Book value 31.12.2023 .....	14.702.374	7.659.948	251.826	22.614.148
Depreciation percentage .....	2 - 3%	10 - 33%	20%	
Expected useful life .....	33 - 50 years	3 - 10 years	5 years	

Depreciation according to the Income Statement is specified as follows:

	2023	2022
Depreciation of operating assets .....	488.683	326.699
Amortization and impairment of goodwill, see note 8 .....	226.639	218.439
Depreciation and impairment according to the Income Statement .....	715.322	545.138

#### Insurance value and official value

Insurance value and official value of properties at year-end:

	2023	2022
Insurance value of property .....	17.732.000	16.315.000
Official valuation of property and land .....	15.230.000	12.350.000
Insurance value of fixed assets, other than property .....	1.814.000	1.429.000

#### Mortgages and guarantees

Pursuant to loan agreements the Group's assets have been mortgaged and pledged in respect of security for loans. In some instances companies within the Group have existing and future inventory, receivables and cash funds of the companies secured as commercial pledge against loans from their banks.

Companies within the Group have committed themselves to their banks that certain assets will not be sold or mortgaged without the banks' consent.

## Notes, contd.:

### 11. Investments

#### (i) Investments in associated companies

Investments in associated companies are as follows:

	Ownership 31.12.2022	Interest in net gain of associated	2023	2022
Bergs Timber AB, Sweden* .....	-	( 705.126)	0	14.723.121
Hafnagarður ehf., Iceland .....	62,5%	0	299.688	299.688
Steinull hf., Iceland .....	25,0%	78.533	241.152	212.619
Fasteignaf. Smidjuvellir ehf., Iceland .....	51,0%	( 8.079)	899	8.978
Vatnsnesfrontur ehf., Iceland .....	50,0%	10.396	10.645	0
OOO Komilesbusiness, Russia .....	66,7%	0	17.362	17.362
Vistbyggð ehf., Reykjavík .....	46,2%	0	231	231
Total .....		( 624.275)	569.978	15.261.999

\* Bergs Timber AB is considered an affiliate until the end of November 2023, but until then Norvik held a 58.67% share in the company with 45% voting power at shareholders' meetings. Bergs Timber AB is discussed in more detail in note 20.

In 2022, Norvik acquired all shares in Hafnagarður ehf. of its subsidiary Smáragarður ehf. Subsequently, an agreement was made with Kaldalón hf. on the sale of all shares in Hafnagarður ehf. to Kaldalón, but the company is building up the old Kassagerðarhúsið on Köllunarklettsvegur in Reykjavík. The acquisition is expected to be fully completed by the end of 2024, but Hafnagarður is not part of Norvik's consolidated financial statements, as Norvik no longer controls the company.

#### (ii) Investments in other companies

Investments in other companies are as follows:

	2023	2022
Icelandic listed companies .....	1.534.267	1.352.254
Icelandic unlisted companies and funds .....	1.370.289	763.835
Foreign unlisted companies .....	3.192.980	2.682.115
Investments in other companies total .....	6.097.536	4.798.204

### 12. Bonds and long-term receivables

Norvik has a long-term claim on the affiliate OOO Komilesbusiness in Russia in the amount of ISK 28.5 million (2022: ISK 28.5 million) and there is uncertainty as to whether the claim is collectible.

### 13. Inventories

The book value of inventories at year-end 2023 amounted to ISK 13,584 million (2022: ISK 6,828 million). Inventory consists mainly of timber and building materials. The insurance price of inventories in Iceland at year-end 2023 amounted to ISK 9,986 million (2022: ISK 8,231 million). Inventories in Bergs Timber AB amount to ISK 7,032 million at year-end 2023.

#### **Mortgages**

Pursuant to loan agreements the Group's inventories have been mortgaged and pledged in respect of security for loans. In some instances, companies within the Group have its inventory secured as commercial pledge against loans from their banks.

### 14. Trade receivables and other receivables

Trade and other receivables are specified as follows:

	2023	2022
Trade receivables .....	6.218.092	2.812.939
Other receivables .....	419.285	228.076
Trade and other receivables total .....	6.637.377	3.041.015

## Notes, contd.:

### 15. Equity

#### **Share capital**

The company's share capital amounted to ISK 328 million at year-end 2023. One vote is attached to every single krona share in the company. At year-end 2023, the company owns own shares with a nominal value of ISK 18.4 million.

#### **Statutory reserves**

The Company is obligated by Icelandic law to put aside 10 percent of net earnings, which is not used to balance losses from previous years or put aside to other reserve accounts, to a statutory reserve until it amounts to at least 10 percent of share capital. When the statutory reserve amounts to 10 percent of share capital the Company is obligated to put aside at least 5 percent of net earnings until the statutory reserve amounts to 1/4 of share capital. The Company is permitted to use the reserve to balance losses which are not balanced with transfer from other accounts. When the statutory reserve amounts to more than 25% of share capital, the Company can disburse the amount in excess of 25%.

#### **Translation difference**

Foreign currency translation difference arising when converting business in currency other than functional currency are shown as a separate item under other equity, among translation reserve.

#### **Restricted equity account**

Restricted equity account consists of share in accumulated earnings of subsidiaries that exceeds dividend paid from appropriate subsidiaries.

#### **Dividend**

The Board of Directors proposes that ISK 250 million be paid to shareholders in 2024 for the operating year 2023.

#### **Earnings per share**

Earnings per share are based on earnings allocated to shareholders and weighted average share capital for the year and show earnings per Icelandic krona of share capital.

Profit share is the ratio of profit to the weighted average number of shares for the year:

	2023	2022
Earnings per share .....	4,12	8,89

### 16. Deferred income tax asset (liability)

The deferred income tax asset (liability) of the Group is specified as follows for 2023:

	Assets	Liabilities	Net 2022
Balance at beginning of the year 2023 .....	84.405 (	2.510.255) (	2.425.850)
Calculated income tax .....	( 60.190)	407.302	347.112
Income tax payable next year .....	( 112.896) (	323.668) (	436.564)
Other changes .....	133.128 (	121.657)	11.471
Balance at year-end 2023 .....	( 420.018) (	2.548.278) (	2.968.296)

The deferred income tax asset (liability) of the Group is attributable to the following items:

Operating assets and investment properties .....	( 2.408) (	2.726.390) (	2.728.798)
Inventories .....	0 (	80.375) (	80.375)
Trade receivables .....	77.186	29.690	106.876
Tax loss carrying forward .....	( 464.465)	0 (	464.465)
Currency difference .....	( 6.331)	2.149 (	4.182)
Other items .....	( 24.000)	226.647	202.647
Balance at year-end 2022 .....	( 420.018) (	2.548.279) (	2.968.297)

## Notes, contd.:

### 16. Deferred income tax asset (liability), contd.:

The deferred income tax asset (liability) of the Group is specified as follows for 2022:

	Assets	Liabilities	Net 2021
Balance at beginning of the year 2022 .....	81.937 (	2.417.558) (	2.335.621)
Calculated income tax .....	11.845	372.612	384.457
Income tax payable next year .....	0 (	294.228) (	294.228)
Currency translation difference and other changes .....	( 9.377) (	171.081) (	180.458)
Balance at year-end 2022 .....	84.405	( 2.510.255)	( 2.425.850)

The deferred income tax asset (liability) of the Group is attributable to the following items:

Operating assets and investment properties .....	( 1.181) (	2.449.207) (	2.450.388)
Inventories .....	0 (	66.637) (	66.637)
Trade receivables .....	53.706	14.978	68.684
Currency difference .....	( 24.976) (	1.451) (	26.427)
Other items .....	( 24.000) (	7.938) (	31.938)
Balance at year-end 2022 .....	84.405	( 2.510.255)	( 2.425.850)

### 17. Loans and borrowings

Loans and borrowings at year-end are specified as follows:

	2023	2022
Liabilities:		
Liabilities in ISK, indexed .....	13.910.963	5.243.635
Liabilities in foreign currency .....	5.335.359	0
Long-term liabilities total, including next year's mortgages .....	19.246.322	5.243.635
Current maturities .....	( 3.310.399) (	303.191)
Loans and borrowings 31.12. ....	15.935.923	4.940.444

Annual maturities of long-term liabilities are as follows:

2024/2023 .....	3.310.399	303.191
2025/2024 .....	1.609.135	505.881
2026/2025 .....	4.635.213	312.561
2027/2026 .....	5.886.720	324.265
2028/2027 .....	374.486	323.436
Subsequent years .....	3.430.369	3.474.301
Total loans and borrowings, including current maturities .....	19.246.322	5.243.635

## Notes, contd.:

### 18. Accounts payables and other payables

Accounts payables and other payables are specified as follows:

	2023	2022
Account payables .....	9.421.608	3.547.362
Taxes for the year .....	341.407	294.228
Unsettled transactions .....	716.841	1.171.800
Other payables .....	1.955.307	1.440.643
Total .....	12.435.163	6.454.033

Trade payables and other current liabilities from Bergs Timber AB total ISK 5,860 million.

### 19. Related parties

#### *Identity of related parties*

The Group has a related party relationship with its Shareholders, associates, the Board of Directors and companies in their possession.

#### *Related party transactions*

Purchased goods and services from associates in 2023 amounted to ISK 1,008 million (2022: ISK 743 million). Liabilities at year-end amounted to ISK 223 million, transferred to creditors (2022: ISK 172 million).

Salaries and benefits of the management and Board of Directors of the Group companies are referenced in note 6.

### 20. Subsidiaries

Norvik hf. had seven subsidiaries at year-end 2023, which are the following:

	Country	Ownership	
		2023	2022
Bergs Timber AB, Stockholm (timber company) *	Sweden	59,2%	58,7%
Kivron AB, Stockholm (holding company) .....	Sweden	100%	-
BYKO ehf., Kopavogur (construction retailer) .....	Iceland	100,0%	100,0%
Smáragarður ehf., Kopavogur (real estate company) .....	Iceland	100,0%	100,0%
Hólf og gólf ehf., Kopavogur (dormant) .....	Iceland	100,0%	100,0%
Kambstál ehf., Hafnarfjörður (industrial company) .....	Iceland	75,0%	51,0%
SIA Norvik Timber Industries, Riga (real estate company) .....	Latvia	100,0%	100,0%

\* In the second half of 2023, Norvik made a takeover bid for the Swedish company Bergs Timber AB, in which Norvik held a 58.67% share. Norvik currently holds a 98.35% shareholding, with a direct shareholding of 59.21% and a 39.14% share through a Swedish subsidiary, Kivron AB, which was established specifically to manage the takeover bid. A recall is currently underway for the remaining shares that are not owned by Norvik and it is likely that the process will be completed in the first quarter of 2025, with Norvik gaining control of 100% of the shares in the company at the end of March 2024. Bergs Timber AB manages the operations of seven subsidiaries that operate production companies in the timber industry and sales of timber-related products in Sweden, Latvia, Poland and the United Kingdom.

## Notes, contd.:

### (i) Breytingar á samstæðunni

Norvik hf.'s acquisition of a 39.14% shareholding in Bergs Timber AB through its subsidiary Kivron AB will result in a significant change in Norvik's balance sheet. The defined acquisition date is December 1, 2023 and the company will become part of the Norvik group from that time. The acquisition had the following impact on the group on 31 December 2023:

Intangible assets .....	4.839.089
Operating assets .....	13.794.954
Shares in other companies .....	213.265
Inventories .....	7.031.507
Trade receivables and other receivables .....	3.787.956
Cash and cash equivalents .....	2.889.909
Deferred income tax liability .....	36.769
Interest bearing debt .....	( 4.684.335)
Annual maturities of long-term liabilities .....	( 651.024)
Accounts payable and other payables .....	( 5.432.334)
	<u>21.825.756</u>
 Negative goodwill .....	 ( 736.947)
Share capital (58.67% share) owned by Norvik prior to the acquisition .....	( 12.953.194)
Paid with cash .....	( 8.135.615)
	<u>0</u>

### 21. Auditor's fees

	2023	2022
Audit of the Financial Statements .....	12.731	13.492
Other services .....	5.483	7.955
Total .....	<u>18.214</u>	<u>21.447</u>

The auditor's fee is for auditing the Icelandic companies in the group.

### 22. Leasing

The company has entered into rental agreements with third parties for the premises in which the operations are located. Operating lease expenses amounted to ISK 122 million in 2023 (2022: ISK 148 million). They are entered in the operating account, including operating expenses.

Estimated rent payments in 2024 amount to ISK 127 million based on prices at the beginning of 2024. Estimated rent payments for the next five years are divided into million ISK as follows:

Arið 2024 .....	127.277
Arið 2025 .....	95.458

### 23. Risk Management

#### Overview

The main financial risks to which the Group is exposed are: credit risk, liquidity risk and market risk. Information on the above risks is provided, but in addition quantitative information is provided throughout the annual accounts.

#### Risk Management

The Board of Directors, together with the CEO, takes the lead in formulating policies, setting objectives and defining the company's risk criteria, as well as establishing an active system of internal controls. The company's risk management is carried out by the company's management in accordance with rules approved by the company's Board of Directors. The company's goal is to manage risk efficiently and ensure awareness of transparency of risk management at all levels, from the Board of Directors down to individual employees. The company's risk management is aimed at ensuring that risk is in accordance with the company's risk appetite and policy and thus contribute to increased stability and long-term profitability.

#### Credit risk

Credit risk is the risk of financial loss for the company if a client or counterparty to a financial instrument is unable to meet its promised obligations or if customer collateral is insufficient to meet their obligation.

The company's credit risk is mainly determined by the financial position and activities of individual customers. If customers fail to meet their obligations, contracts are terminated or additional security is required in return for payments. The Managing Director and CFO monitor the status of claims in the Group on a monthly basis. Subsidiaries enter write-downs of accounts receivable to cover potential credit losses, based on the age of claims, the economic situation in each market in which they operate and future prospects.

#### Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they arise. Based on the Company's operating budget for 2023, it can be assumed that cash flow to the Company will fully cover the Company's obligations that will be paid over the next 12 months.

The group's liquidity position was strong at year-end 2023 and the group's management believes that the companies are in a good position to meet their obligations as they become available. In addition to having cash available, the Group has access to credit lines to meet fluctuations in operations.

#### Market risk

Market risk is the risk that changes in the market price of interest rates or changes in foreign exchange rates will affect the performance of the company or the value of its investments in financial instruments.

#### Price risk

The world market price of timber and steel is the highest price risk for the Group. The prices of these products on the markets have been quite volatile in recent years. Management within the group has not considered it necessary to enter into forward contracts in the commodity market to meet this risk.

### 24. Subsequent events

No events have occurred after the end of the financial year and up to the date of signature, which must be reported in these financial statements.