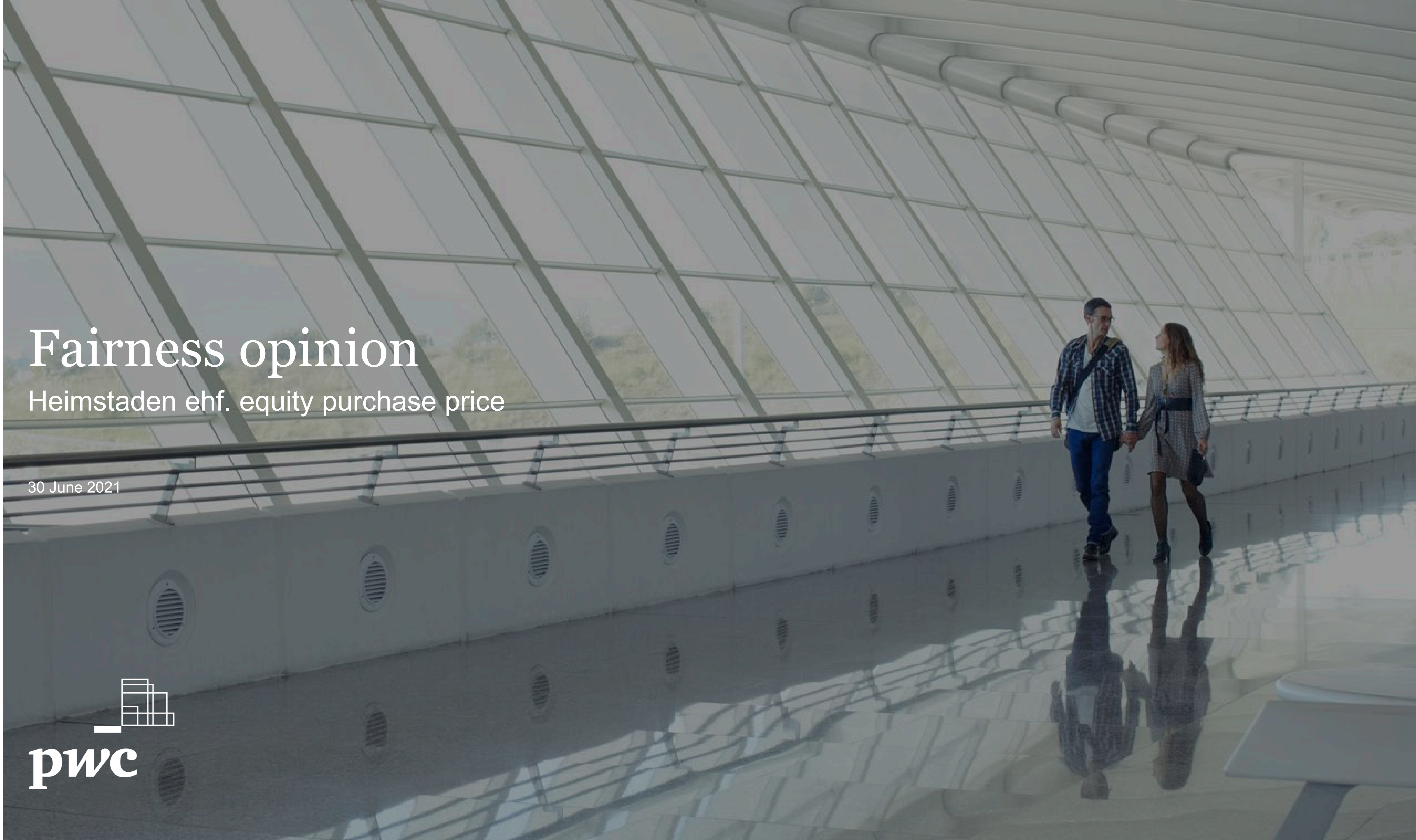


Fairness opinion

Heimstaden ehf. equity purchase price

30 June 2021

pwc

Sigurður Óli Sigurðarson
Partner
T: +365 840 5349
sigurdur.sigurdarson@pwc.com

Valgerður Valgeirsdóttir
Senior manager
T: +365 840 5333
valgerdur.valgeirsdottir@pwc.com

Rannveig Lára Sigurbjörnsdóttir
Senior associate
T: +365 840 5245
rannveig.l.sigurbjornsdottir@pwc.com

PricewaterhouseCoopers ehf.
Skógarhlíð 12, 105 Reykjavík, Iceland
T: +354 5505 300

Mr. Egill Ludviksson
Heimstaden AB
Östra Promenaden 7A,
211 28 Malmö, Sweden

30 June 2021

Dear Sirs

In accordance with your instructions as confirmed in our contract dated 23 October 2020 (the “Contract” - Appendix 1) and an addendum to the Contract dated 17 May 2021, we report to you our fairness opinion review findings based on our analysis of documents presented. This report has been prepared for the purpose of the proposed transaction of 100% of shares in Heimstaden ehf. (previously Heimavellir hf. “HV” now “Heimstaden“ “HS”, or the “Company “) between Heimstaden AB and Fredensbog AS.

This report has been prepared solely for the purposes stated herein and should not be relied upon for any other purpose. Save as described in the contract or as expressly agreed by us in writing, we accept no liability (including for negligence) to anyone else or for any other purpose in connection with this report.

To the fullest extent permitted by law, PwC accepts no duty of care to any third party in connection with the provision of this Report and/or any related information or explanation (together, the “Information”). Accordingly, regardless of the form of action, whether in contract, tort (including, without limitation, negligence) or otherwise, and to the extent permitted by applicable law, PwC accepts no liability of any kind to any third party and disclaims all responsibility for the consequences of any third party acting or refraining to act in reliance on the Information.

The information used by PwC in preparing this Report has been obtained from a variety of sources as indicated within the Report. While our work has involved analysis of financial information and/or accounting records, it has not included an audit in accordance with generally accepted auditing standards. Moreover, except where otherwise stated in the Report, we have not subjected the financial information in the Report to checking or verification procedures. Accordingly we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided to us, except where otherwise stated herein, and no assurance is given. Our work and findings in the Report do not present any legal opinion of the offers and/or any legal effects, conditions or commitments.

Yours faithfully

PricewaterhouseCoopers ehf.

Contents

Executive report

Background and scope – The work performed in this report is a fairness opinion on a proposed purchase price in a proposed transaction of 100% of the share capital in Heimstaden ehf.

Background

Following a request from representatives of Heimstaden AB, we have undertaken the task of performing a fairness opinion of the proposed purchase price and deal mechanics of the transaction between Heimstaden AB and Fredensborg AS in regard to the proposed transaction of 100% of the share capital in Heimstaden ehf.

About the process

Overall, the information provided has given us a reasonable basis to provide our opinion on the fairness of the proposed purchase price.

Save as described in the engagement letter or as expressly agreed by us in writing, we accept no liability (including for negligence) to anyone else or for any other purpose in connection with this Report and it may not be provided to anyone else.

Structure of the Report

Our fairness opinion will include a summary of all parties involved in the transaction, the reason behind the purchase price and discussion of the key assumptions underlying the analysis.

We have structured the Report in accordance with the purpose and scope of our engagement. The first section of the Report outlines the project itself, background, scope, documents provided and background information about the proposed transaction. In section two we analyse and describe the asset valuation model used by HS and compare to other valuations prepared by third parties. The third section is a summary of our analysis and results.

Scope of this work

The scope of this report is a fairness opinion performed on standardised price per square meter value and is calculated from real data from the Icelandic state registry. The valuation was performed by a third party, ARCUR consulting services. Our work in June 2021 was in accordance with a letter of engagement dated 23 October 2020 and an addendum to that contract. This fairness opinion is based on a relative valuation model. The scope of the fairness opinion work in this Report is as follows:

1. Analysis of the valuation model
    a. Review the valuation model
    b. Review the model's assumptions and examine changes in the portfolio from earlier Fairness opinion work
    c. Sensitivity analysis of key inputs
    d. Update balance sheet items from previous work affecting the equity value (purchase price)
2. Review of all transaction documents
    a. Sales and purchase agreement
    b. Financial, tax and legal due diligence reports on Heimstaden ehf.
    c. All other documents related to the transaction and not directly specified
3. Fairness opinion
    a. A stated fairness opinion regarding the purchase price as an independent party to both Heimstaden AB and Fredensborg AS

As discussed with Heimstaden AB's representatives in this process, our focus will be to establish a fairness opinion on the purchase price presented in a draft of the current SPA. Our opinion will be formed by estimating what an updated price per share would be in march 2021 with the most current information we are presented with by Heimstaden AB and HS.

Documents/information used in this review – The information provided together with our access to management has allowed us to finalize the fairness opinion review of the Transaction price.

Documents/information provided for the review

Our primary sources of our information was the set of documents provided by Heimstaden's management.

We were provided with the following documents used in this report, categorized by us as follows:

1. About the Deal

- Information on HS, FB and HST: Presentation including information about the Deal
- Share acquisition overview: Overview of previous purchase price of HS equity
- SPA - DRAFT_Heimavellir (locked box): Draft of the SPA for the proposed purchase of equity

2.1. Arcur valuation model

- 2021 04 04 Heimstaden verðmat íbúða: Relative valuation model valuation model dated 31.03.2021 performed by ARCUR consulting services
- 2021 04 12 Heimstaden portfolio valuation report summary: ARCUR's methodology in the valuation of HS asset portfolio in Iceland

2.2. Valuation model Two Birds

- Heimstaden - Q2 2021 List of Apartments for Twobirds Results 14062021: Valuation of HS's investment properties dated 14 June 2021 performed by Two Birds

3. Further information from HS

- Heimstaden ehf. 31.03.2021 enskur: HS Condensed Consolidated Interim financial statement 1 January to 31 March 2021

Meetings with management

As stated before, in addition to the above-mentioned documents we had sufficient access to HS's management. We have had few virtual meetings and phone calls where the valuation model and its assumptions were discussed in detail.

About the Transaction – This work is performed to assess the purchase price in the Transaction where 100% of the share capital in Heimstaden ehf. is purchased by Heimstaden AB from Fredensborg AS. The transaction is between related entities, where the current owner of the shares is the parent of the buyer.

As stated previously, this fairness opinion is performed to assess the purchase price of 100% of the share capital in Heimstaden ehf. (formerly Heimavellir hf.) by Heimstaden AB from Fredensborg AS (“the Transaction”).

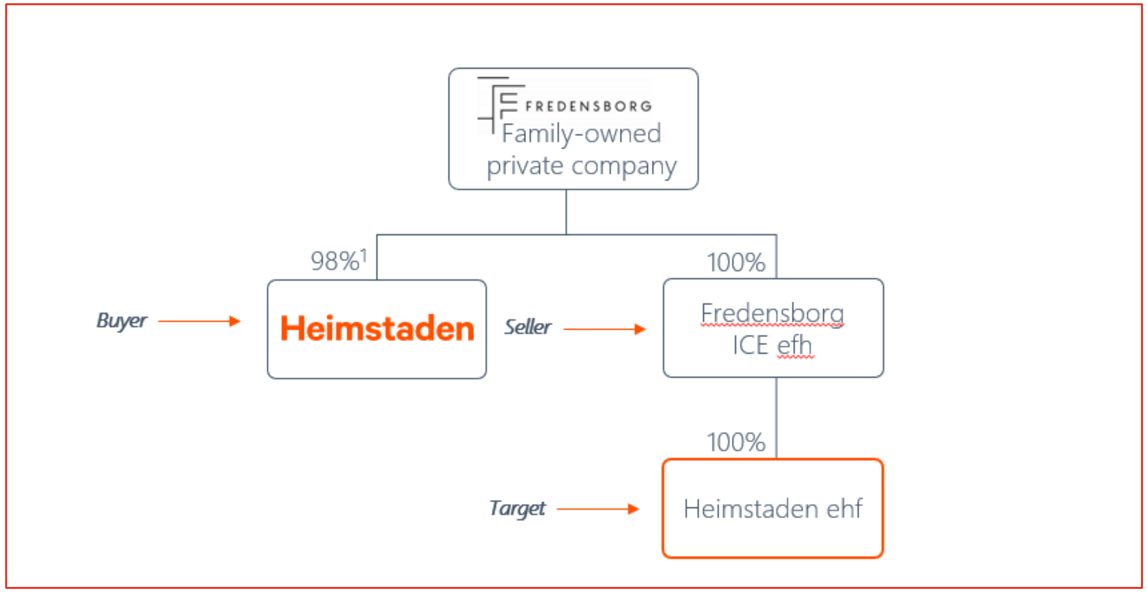
The transaction is between related entities, where the current owner of the shares is the parent of the buyer.

HS’s recent history

According to documents provided for PwC, Fredensborg AS (“FB”) acquired Heimavellir hf. (now Heimstaden ehf.) in March 2020 via share block acquisitions followed by a public tender offer. Since becoming the majority shareholder in March 2020, FB has:

- Replaced the board of directors with FB and Heimstaden parent representatives
- Issued a mandatory takeover bid and acquired 100% of the share capital
- Delisted the Company from Nasdaq Iceland
- Enabled Heimstaden parent to conduct technical, legal, tax and financial due diligence
- Established a business and re-financing plan
- Initiated re-financing plan

Heimstaden AB now seeks to acquire 100% of HS to realize benefits of scale as well as aligning interests.



Graph provided by Heimstaden AB

[1] 98% represents voting share, not capital

About Heimstaden ehf. – Heimstaden ehf. (formerly Heimavellir hf.) is the largest private residential company in Iceland. In the recent years, HS has disposed of a number of its properties to optimize the portfolio. Currently HS leases 1.637 properties in various parts of Iceland.

HS is Iceland's largest private residential company, which owns and leases residential properties directly and through five subsidiaries.

HS and its subsidiaries own 1.637 properties in various parts of Iceland in March 2021, of which 75 currently under maintenance construction. The estimated construction amount is approximately 115 m.ISK, mostly in the Reykjanes peninsula. 93 residential apartments are vacant and 10 apartment agreements have been assigned to new tenants.

The number of leased properties owned by HS has decreased in the recent years, from close to two thousand in 2017 to 1.637 in March 2021 since units have been disposed of in the last years.

The majority of leased properties are located in the southern peninsula and the Capital region, representing 86% of the number of residential properties and 88% of the value of the property portfolio of HS.

The average size of the residential apartments owned by HS is 92,2 square meters. About 39% of the apartments are three room apartments (two bedrooms), 22% are four room apartments (three bedrooms) and 22% are two room apartments (one bedroom).

Note: The Icelandic custom is (and in this report) to describe a studio apartment as "one room apartment", a one bedroom apartment as "two room apartment", two bedroom apartments as "three room apartments" etc.

HS's portfolio according to HS's current valuation model (dated 31.03.2021) consists of the following key figures:

1.637
properties in various parts of Iceland

86%
of units in Capital and southern peninsula

150.845
total m^2 of investment properties

92,2 m^2
average size

Third party valuations of investment properties – Arcur’s valuation of the asset portfolio is somewhat lower than Two birds and state property valuation.

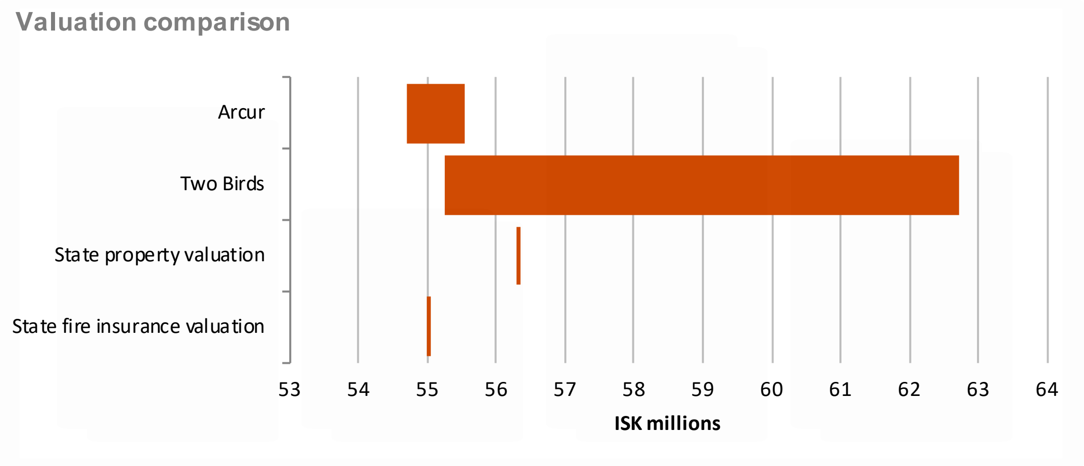
The graph opposite portrays all available third party valuations of HS’s investment property portfolio compared to HS’s own previous valuation as well as the new relative valuation model results. This includes third party valuations provided from management, from Two birds.

ARCUR consulting services’s valuation: 31. March 2021

Arcur’s valuation is a relative method valuation based on standardised price per square meter value for real properties that have been sold in the last 5 years. The valuation is based on real data from the state registry, the data contains information such as registered purchase agreements, postal code, square meters and etc.

Two birds valuation: 14 June 2021

This valuation, according to the documents provided to us, uses one of the largest real estate data systems in Iceland. It evaluates the estimated market value of real estate. The model is driven by machine learning algorithm working with various data points such as registered purchase agreements, property coordinates, postal code and etc.



State property and fire insurance valuation for 2022

A public entity in Iceland called Property Register estimates value of all real estate in the country. They publish both property valuation and fire insurance value for each property.

Fire insurance value is the insurance amount of real properties on which the premiums for statutory fire insurance are based. The purpose of fire insurance is for a building’s owner to recover losses in case of fire in the building.

Property valuation is the estimated market value, converted to cash payment, for a property in February of each year. The purpose of the property valuation is mainly to provide grounds for the levying of public dues.

COVID-19 implications – Since the new valuation model is not based on leases or lease discounts, COVID-19 has close to no effect on the fairness opinion.

Pandemic effects in general

The housing market in Iceland as other markets are affected by the current global pandemic.

The Government of Iceland has implemented various measures to mitigate the economic and societal effects of the pandemic, both in terms of support for companies, extension of part-time unemployment benefits and support for individuals.

HS's COVID-19 impact in valuation and the business

During COVID-19 some lessees became unemployed or had their employment rate decreased, they had the option to postpone up to 50% of rental payment for up to six months. Less than 1% opted for this and the amount affected was 1,0 m.ISK per month during the summer months of 2020. Repayments due to postponed rent amount to about 0,2 m.ISK per month over 24 months.

Because the previous valuation was based on a cash flow model whereas the model took into account the rent of each apartment the value of HS properties decreased during the peak of COVID-19.

However ARCUR's valuation is a relative method valuation based on standardised price per square meter value for real properties that have been sold in the last 5 years. The valuation is based on real data from the state registry, the data contains information such as registered purchase agreements, postal code, square meters and etc. Therefore COVID-19 does not have a significant effect on the valuation.

It should be noted that the market prices per square meter has been increasing in the last year despite COVID-19.

About the model – HS uses a relative valuation method model witch is prepared by Arcur to estimate the value of the investment property portfolio. The model is based on information provided by the state registry on property purchase agreement information.

Valuation methodology and assumptions

ARCUR consulting services uses a relative valuation method based model. Two components are needed in relative valuation, a standardized price and identical assets. The most common standardization of price for real estate properties are price per square meter and yield from property leased.

Identical assets to HS asset portfolio are considered to be apartments that are of similar size, contain as many rooms and are in the same neighbourhood as the apartments in the portfolio.

The rental market in Iceland is relatively small, HS is the largest residential renting company in Iceland. Therefore information on yield is limited.

The ratio of privately owned housing is very high, approximately 85% and public information on transactions is accessible through the Icelandic state registry.

Information/data used in the valuation model

The information and data ARCUR consulting services uses to perform the valuation is provided by HS as well as data from the state registry on property purchase agreements.

The information from the state registry for real estate, used in the valuation model, is data on sales of real-estate in the neighbourhood of each apartment in HS portfolio for the period 2016-2021. ARCUR classified the state registry dataset by neighbourhood, number of rooms, year of purchase and size. The average price per square meter was calculated for the categories and the most recent price was allocated to each apartment based on the criteria explained above.

The model ranks the classified criteria in a specific order explained below:

1. The model looks for apartment in the same neighbourhood.
2. Then number of rooms.
3. Third is the year of purchase.
4. If all criteria is met it looks for the same size apartment.

However if the model does not find the comparable size it skips that part and looks for:

1. Neighbourhood.
2. Rooms.
3. Year.

Lastly if the above criteria is not met, the model only looks for apartment in the same neighbourhood with the same number of rooms to find comparable real-estate.

To be noted

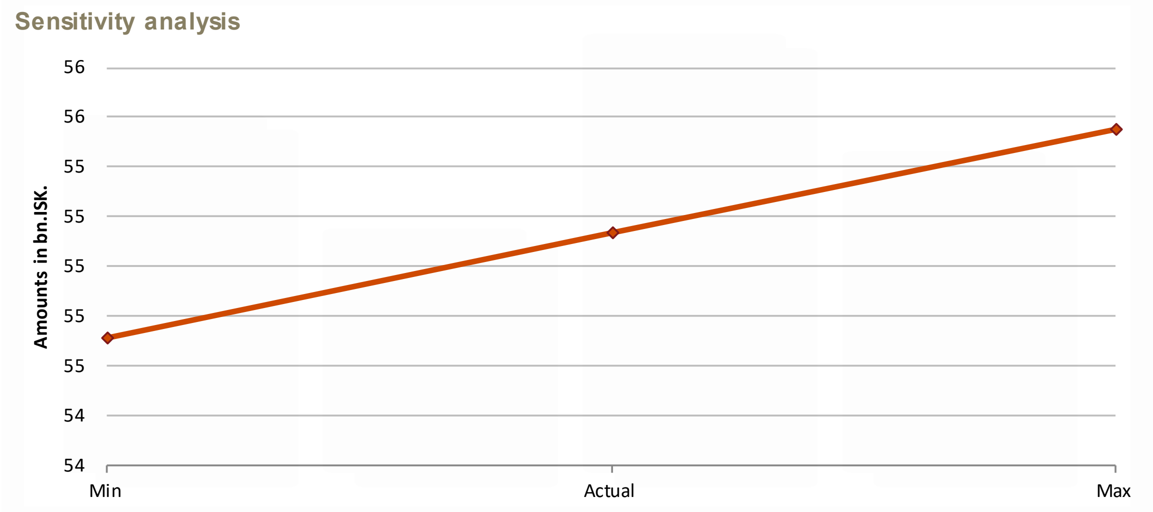
The valuation model used by ARCUR consulting services does not take into account how many sales are behind each apartment valuation result. There are for example few apartments in Reykjanesbær which do not fall into a specific category and then the model takes average price per square meter for all apartments sold in 2021.

Also we would like to point out that the model does not take into account how many contracts are behind the calculation so if there is only one sale in 2021 and it’s much lower than all the contracts made in 2020, the calculation in still based on the most recent sale.

Sensitivity analysis of key inputs for investment property portfolio – Sensitivity analysis shows how the valuation model is sensitive to some assumptions used in ARCUR's valuation model.

ARCUR valuation of properties performed on 31.03.2021 amounts to 55,1 bn.ISK. We have performed sensitivity analysis on the few of the assumptions which influence the valuation outcome.

The sensitivity analysis involved examining the valuation of the asset portfolio if, instead of using the average price per square meter to estimate the property value, the lowest and highest prices per square meter within the category in which each asset is classified was used. The result was increase and decrease of 1% . The total property portfolio according to this sensitivity analysis is in the range of 54,7 bn.ISK. to 55,5 bn.ISK.



We analyzed the deviations of assets by categories.

- Most deviations by municipality was in Akraneskaupstaður, where it ranges from -21% to 8%, wheres Akraneskaupstaður category contains only 25 apartments.
- However, there is 0% range in Reykjanesbær which is the largest municipality category holding 721 apartments.
- When categorized by size, the 51-65 square meter apartments had the widest range from -21% to 9%.
- When categorized by number of rooms, the 2-bedroom apartments had the widest range from -21% to 14%.

Equity valuation method – In our equity valuation we used the Net Asset Approach which is suitable valuation method for a real estate company. We have made some adjustments to the calculation of net assets as the first step to valuing HS's equity.

Due to the nature of the Company, where the value of it lies in the earnings generating capability of its underlying assets (which is separately valued using other appropriate methods), Net Asset Approach is an appropriate method to estimate the value of HS's equity.

The Net Assets approach indicates the market value of shares of a business by adjusting the asset and liability balances on the Company's balance sheet to their market value equivalents. The market value of the equity is the sum of the market value of the assets less the market value of the liabilities.

We have reviewed the Balance Sheet assets and liabilities with HS management. The largest assets are the investment properties, which are the focus of the sensitivity analysis and comparison with third party valuations in previous pages. We calculated the net asset value of the firm by subtracting the value of the liabilities from the value of the assets with appropriate adjustments.

Adjustments other than sensitivity analysis on investment properties include the following:

- Subtracting lease assets calculations. HS reports assets and liabilities due to land lease agreements under which HS leases land under buildings and construction rights, from third parties (IFRS 16). The right-of-use of the assets is entered among investment assets before adjustments of investment properties and is therefore not included in the adjusted amounts. The lease obligation is adjusted in lease payables in the amount of 651 m.ISK.
- Fixed assets comprised mainly of vehicles used in the operations of HS in September 2020, depreciated linearly. The assets are likely underestimated and have therefore added 20% on the value of fixed assets. In December 2020 fixed assets increased by purchased office space, which was previously rented.
- Deferred income-tax liability is reduced by half. This is due to the tax laws in Iceland permitting real estate companies to postpone tax payments to a later date far into the future by reinvesting and utilizing tax depreciations.

We note that the HS group has tax losses carried forward which we will not include in the adjustments since the investment properties valuations do not include tax implications and would therefore be included twice in the valuation.

Statement of Financial position

ISK in millions	30.6.2020 Actual	30.9.2020 Actual	31.12.2020 Actual	31.3.2021 Actual*	Adj.	31.3.2021 Adjusted
Current assets						
Trade receivables	27	25	20	34		34
Investment properties, held for sale	-	-	-	-		-
Other receivables	1.363	984	604	573		573
Cash and cash equivalents	2.113	1.876	1.212	933		933
Total Current assets	**3.503**	**2.885**	**1.836**	**1.540**	**-**	**1.540**
Non current assets						
Investment properties	48.207	48.845	51.851	54.850	287	55.137
Investment properties, under construction	214	150	-	-		-
Fixed assets	25	23	46	47	9	56
Long term bonds	23	23	-	-		-
Total non current assets	**48.467**	**49.040**	**51.897**	**54.897**	**296**	**55.193**
Total Assets	**51.971**	**51.925**	**53.733**	**56.437**	**296**	**56.733**
Current liabilities						
Loans and borrowings	434	572	567	416		416
Trade and other payables	1.192	623	891	738		738
Total current liabilities	**1.626**	**1.196**	**1.459**	**1.154**	**-**	**1.154**
Non-current liabilities						
Deferred income-tax liability	2.817	2.868	3.191	3.667	(1.834)	1.834
Lease payables	704	691	688	651	(651)	-
Loans and borrowings	27.310	27.248	27.168	28.646		28.646
Non-current liabilities	**30.830**	**30.807**	**31.047**	**32.965**	**(2.485)**	**30.480**
Total liabilities	**32.457**	**32.003**	**32.506**	**34.119**	**(2.485)**	**31.634**
Net assets	**19.514**	**19.922**	**21.227**	**22.319**	**2.781**	**25.100**

* Based on current draft of interim financial accounts delivered 19 May 2021.

Discounts/premium – To assess the value of equity, relevant discounts and premia need to be applied. Discounts and premia can be implemented due to for example control, marketability and size. We have added such discounts and premia where applicable.

To assess the value of equity, relevant discounts and premia need to be applied. Discounts and premia can be implemented due to for example to control, marketability and size.

As discussed earlier in this report, the shares of HS are not traded on a recognised stock exchange and therefore suffer from a degree of illiquidity, which needs to be accounted for.

Since the proposed Transaction is the sale of 100% of shares in HS, that warrants a control premium.

The control premium applies if the valuation is for a majority interest in a company. The control premium takes account of the fact that a controlling shareholder has certain rights and control over the operations of a business and influence in management's decisions. It may not be necessary for an investor to actively execute these rights, but it is necessary for the investor to have these rights and be able to exercise them if the investment is at risk. Hence, there is usually a lesser perceived risk in an investment when the investor has the right to direct the business' operations.

Equity value calculation - before assessing HS valuation assumptions*

			100%	
ISK in millions	Discount/premium range		Low	High
Equity value before discounts/premium			25.100	25.100
Discount Lack of marketablilty	3,5%	2,5%	(878)	(627)
Control premium	2,0%	3,0%	502	753
			24.723	**25.225**
Equity share in the Transaction			100,0%	100,0%
Purchase price			**24.723**	**25.225**
Number of shares			**11.251**	**11.251**
Price per share			**2,2**	**2,2**

* Based on current draft of interim financial accounts delivered 19 May 2021.

Conclusion – According to our calculations and best estimates of the value of HS as of 31 March 2021, the fair purchase price are **in the range 24,3-25,6 bn.ISK for 100%** of shares.

In the process of preparing this report, we have reviewed several documents relating to this Transaction. Most of the focus has been on reviewing the Valuation model used by ARCUR, and its assumptions.

We have taken into account the third party valuations which have been performed on the investment property portfolio, but it is our opinion that the valuation model is correct in the sense that we assume the assets will continue to be operated by the Company and are therefore the value of the assets are correctly represented.

For information purposes we have included four scenarios in the table opposite, which show what the purchase price would be if the investment property value of the third party valuations were used to calculate the value of 100% of shares in HS.

Equity value calculation - PwC results*

ISK in millions	Discount/premium range		Low	High
Equity value before discounts/premium			24.677	25.515
Discount Lack of marketablilty	3,5%	2,5%	(864)	(638)
Discount Minority interest	5,0%	4,0%		
Control premium	2,0%	3,0%	494	765
			24.307	**25.643**
Equity share in the Transaction			100,0%	100,0%
Purchase price			**24.307**	**25.643**
Number of shares			**11.251**	**11.251**
Price per share			**2,2**	**2,3**

Third party valuations - additional information

ISK in millions	Low	High
ARCUR's valuation	**24.221**	**30.447**
Price per share	2,2	2,2
Two birds valuation	**29.841**	**30.447**
Price per share	2,7	2,7
State property valuation	**25.872**	**26.397**
Price per share	2,3	2,3
State fire insurance valuation	**24.591**	**25.091**
Price per share	2,2	2,2

* Based on current draft of annual financial accounts which will be published 20 February 2021.