

1H 2022.

Condensed consolidated
interim financial statements

EIK

Index

Endorsement and Statement by the Board of Directors and the CEO	3
Independent Auditor’s Review Report	6
Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Financial Position.....	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	11

Endorsement and Statement by the **Board of Directors and the CEO**

Eik fasteignafélag hf. is an Icelandic limited liability company. The Group consists of the parent company, Eik fasteignafélag hf., and subsidiaries wholly owned by the parent company. The Group's operations are ownership, rental and operations of business premises and ownership of hotel operations.

The interim financial statements of Eik fasteignafélag hf. for the period 1 January to 30 June 2022 have been prepared in accordance with the International Accounting Standard IAS 34 for interim financial statements. The interim financial statements include the condensed consolidated interim financial statements for Eik fasteignafélag hf. and subsidiaries. The condensed consolidated interim financial statements for Eik fasteignafélag hf. do not contain all information required in financial statements and should be read in conjunction with the Group's financial statements for the year 2021.

Operations

The Company's operations in the first half of the year were, taking inflation into account, in line with management's forecasts.

The Group's operating income amounted to ISK 4,691 million during the period compared to ISK 4,162 million

for the same period in 2021. The Group's operating profit before changes in value, sales profit and depreciation amounted to ISK 3,075 million compared to ISK 2,700 million in the previous year and increased by 14% between years. Change in value of investment properties in the period was ISK 7,981 million. Further information on change in value is in note 9. According to the Group's income statement and statement of financial position, total profit for the period amounted to ISK 5,754 million. Net cash from operations was ISK 1,927 million according to the Group's statement of cash flows and increased by 29% compared to the same period last year.

Balance Sheet

The Group's total assets amounted to ISK 122,946 million at the end of the period according to the statement of financial position, whereof investment properties were ISK 115,611 million, assets for own use ISK 4,156 million, assets under development ISK 668 million and cash and cash equivalents ISK 1,143 million. The Group's equity amounted to ISK 41,497 million, whereof outstanding share capital is ISK 3,415 million. The Group's equity ratio was 33.8% at the end of the quarter. At the Company's Annual General Meeting on 5 April 2022 a dividend payment to shareholders was approved for the

operating year 2021 amounting to ISK 1,740 million which was paid on 28 April 2022.

Trade and other receivables amounted to ISK 687 million and increased by ISK 20 million during the first six months of the year.

The term of a bank loan amounting to ISK 3,264 million, due in March, was extended with a new loan agreement with unchanged terms. A revolving credit facility amounting to ISK 500 million was drawn on in May and in August an agreement on another revolving credit facility amounting to ISK 800 million was signed. Total available revolving credit facility available for the Company is ISK 1,600 million.

Outlook

Inflation has been high in the first six months of the year and continuing high inflation is projected throughout the year. Based on consumer price index for financial indexation in September the Company expects that EBITDA for the year will be between ISK 6,320–6,580 million at a fixed price throughout the year.

COVID-19

The effects of COVID-19 on the Company's operations have decreased rapidly and were limited at the end of

the second quarter. The Company expects that the effects will be even smaller in the second half of this year than the first based on unchanged situation of the pandemic. The Company believes that the effects were negative by ISK 40–45 million on EBITDA in the first half of the year. Furthermore, effects of COVID-19 on value of the Company's investment properties have mostly dissipated.

Changes in Company Portfolio

The Company received a part of the property at Sóltún 24 in February, but the property shares a plot and parking garage with the Company's property at Sóltún 26. The Company also received in June a part of Skeifan 5, around 503 sqm. Following this transaction, the Company owns half of the property. Furthermore, the Company acquired and received in June a 145 sqm. restaurant space at Pósthússtræti 2. In July the Company signed an agreement on the sale of the Company's property at Hjalteyrargata 4 in Akureyri, which is around 500 sqm. industrial property. The property will be delivered on 1 October 2022 and booked gain on sales in the third quarter will be around ISK 74 million. The Company's offer to acquire a 1,300 sqm. warehouse space at Smiðshöfði 9 has been accepted and work is currently under way on fulfilling conditions in the offer.

As reported in the Company's financial statements for the year 2021, the Company's tenant at Höfðasel 2 and 4 in Akranes has announced the utilization of a purchase option on the properties and they will be delivered on 30 September 2022. Sales price is linked to consumer price index for financial indexation and gain on sale will be booked in the third quarter amounting to the difference of booked value and the sales price. Based on consumer price index for financial indexation in September 2022 the gain on sale amounts to around ISK 285 million.

The Company is working on purchase agreements relating to the Company's planned purchase of the real estate companies Lambhagavegur 23 ehf. and Laufskálar fastignafélag ehf. and will publish information on Nasdaq when it has been concluded.

Statement by the Board of Directors and the CEO

According to the best knowledge of the Board and the CEO, the Group's interim financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. It is the opinion of the Board of Directors and the CEO that the interim financial statements give a true and fair view of the Group's assets, liabilities and consolidated financial position as at 30 June 2022 and its financial performance and changes in cash and cash equivalents for the period 1 January to 30 June 2022.

The Board of Directors and CEO of Eik fastignafélag hf. hereby confirm the Company's interim financial statements for the period from 1 January to 30 June 2022 by means of their signatures.

Reykjavík, 25 August 2022

Board of Directors

Bjarni Kristján Þorvarðarson
Chairman

Eyjólfur Árni Rafnsson

Guðrún Bergsteinsdóttir

Hersir Sigurgeirsson

Ragnheiður Harðar Harðardóttir

CEO

Garðar Hannes Friðjónsson

Independent Auditor's Review Report

To the Board of Directors and Shareholders of Eik fastignafélags hf.

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Eik fastignafélag hf. as at June 30, 2022, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information. The Board of Directors and CEO are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of*

Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Reykjavík, 25 August 2022

KPMG ehf.

Hrafnhildur Helgadóttir

Sæmundur Valdimarsson

Consolidated Statement of Comprehensive Income

for the period from 1 January to 30 June 2022

	Notes	2022 1.4.-30.6.*	2021 1.4.-30.6.*	2022 1.1.-30.6.	2021 1.1.-30.6.
Lease income		2.080	1.916	4.070	3.789
Other operating income		327	213	621	373
		2.407	2.129	4.691	4.162
Operating expenses	7	(797)	(697)	(1.588)	(1.381)
Impairment of receivables		(10)	8	(28)	(80)
		(807)	(689)	(1.616)	(1.462)
EBITDA		1.600	1.440	3.075	2.700
Gain on sale of investment properties		0	60	0	60
Changes in value of investment properties	9	5.042	1.654	7.981	2.535
Depreciation and impairment	11	(40)	(34)	(74)	(63)
Operating profit		6.602	3.120	10.982	5.232
Finance income		4	7	17	12
Finance cost		(2.183)	(1.355)	(3.803)	(2.366)
Net financial expense	8	(2.179)	(1.349)	(3.786)	(2.354)
Profit before income tax		4.424	1.771	7.196	2.878
Income tax		(886)	(349)	(1.442)	(572)
Profit for the period		3.538	1.422	5.754	2.306
Earnings per share:					
Basic earnings and diluted earnings per share		1,04	0,42	1,68	0,68

*Quarterly results have not been reviewed by auditors.

Notes on pp. 11-18 are an integral part of the interim financial statements

Consolidated Statement of Financial Position as at 30 June 2022

	Notes	30.6.2022	31.12.2021
Assets			
Intangible assets		351	351
Investment properties	9	115.611	105.638
Assets in development		668	663
Assets for own use	10	4.156	4.183
Non-current receivables	12	88	88
Non-current assets		120.874	110.922
Trade and other receivables	12	929	708
Cash and cash equivalents		1.143	3.297
Current assets		2.072	4.005
Total assets		122.946	114.928
Equity			
Share capital		3.415	3.415
Share premium		12.648	12.648
Statutory reserve		866	866
Restricted equity		9.962	7.603
Retained earnings		14.605	12.951
Total equity	13	41.497	37.483
Liabilities			
Interest-bearing debt	14	61.875	60.061
Lease liabilities	15	2.493	2.355
Income tax liability		10.122	8.680
Non-current liabilities		74.489	71.095
Interest-bearing debt	14	5.272	4.753
Trade and other payables		1.687	1.596
Current liabilities		6.959	6.349
Total liabilities		81.449	77.444
Total equity and liabilities		122.946	114.928

Notes on pp. 11-18 are an integral part of the interim financial statements

Consolidated Statement of Changes in Equity as at 30 June 2022

	Share capital	Share premium	Statutory reserve	Restricted equity	Retained earnings	Total equity
1 January to 30 June 2021						
Equity 1.1.2021	3.415	12.648	866	6.016	10.255	33.200
Total profit for the period					2.306	2.306
Dividend paid ISK 0,19 per share					(650)	(650)
Transferred to restricted equity				597	(597)	0
Equity 30.6.2021	3.415	12.648	866	6.612	11.314	34.855
1 January to 30 June 2022						
Equity 1.1.2022	3.415	12.648	866	7.603	12.951	37.483
Total profit for the period					5.754	5.754
Dividend paid ISK 0,51 per share					(1.740)	(1.740)
Transferred to restricted equity				2.359	(2.359)	0
Equity 30.6.2022	3.415	12.648	866	9.962	14.605	41.497

Notes on pp. 11-18 are an integral part of the interim financial statements

Consolidated Statement of Cash Flow

for the period from 1 January to 30 June 2022

	Notes	2022 1.1.-30.6.	2021 1.1.-30.6.
Cash flows from operating activities			
Profit for the period		10.982	5.232
Operating items which do not affect cash flow:			
Gain on sale of investment properties		0	(60)
Valuation changes of investment properties	9 (	7.981)	(2.535)
Depreciation		74	63
		3.075	2.700
Change in operating assets .....	(	221)	(340)
Change in operating liabilities		185	230
		3.039	2.590
Interest income received		17	12
Finance expenses paid .....	(	1.129)	(1.109)
Net cash from operating activities		1.927	1.492
Cash flows used in investment activities			
Investment in investment properties .....	(	1.843)	(674)
Investment in assets under development .....	(	5)	0
Sold investment assets		0	254
Investment in assets for own use .....	(	47)	(335)
Sold assets for own use		0	1
Changes in bond holdings		0	14
Other receivables, change		0	40
Net cash used in investing activities	(	1.894)	(700)
Cash flows from (to) financing activities			
Dividend paid .....	(	1.740)	(650)
New long-term debts		3.761	8.201
Repayments and final payments of Long-term loans .....	(	4.067)	(7.137)
Short-term loans, change .....	(	140)	13
Net cash from financing activities	(	2.186)	427
(Decrease) increase in cash and cash equivalents .....	(	2.154)	1.219
Cash and cash equivalents at beginning of year		3.297	1.922
Cash and cash equivalents at end of period		1.143	3.141
Investing and financing without credit:			
The sale price of investment assets		0	46
Other short-term receivables		0	(46)
The purchase price of investment properties		12	0
Other short-term payables .....	(	12)	0

Notes on pp. 11-18 are an integral part of the interim financial statements

Notes

1. General information

Eik fasteignafélag hf., "the Company", is domiciled in Iceland. The Company's headquarters are at Sóltún 26 in Reykjavík. The condensed consolidated interim financial statements of the Company for the period 1 January to 30 June 2022 comprise the interim financial statements of the Company and its subsidiaries, together referred to as the "Group". The Group's operations are ownership, rental and operations of business premises and ownership of hotel operations. The condensed consolidated interim financial statements of the Company are accessible at www.eik.is.

2. Basis of preparation

The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) on Interim Financial Statements, IAS 34. The Condensed Consolidated Interim Financial Statements of Eik fasteignafélag hf. do not include all the information required for a complete set of IFRS financial statements and should be read in conjunction with the Group's Consolidated Financial Statements for 2021. The interim financial statements were approved by the Company's Board of Directors on 25 August 2022.

The Company has implemented all accounting standards and changes to accounting standards which became effective for accounting periods beginning 1 January 2022 or earlier and have been confirmed by the European Union.

3. Significant accounting policies

In preparing the interim financial statements, the same accounting principles were applied as were used in the preparation of the consolidated financial statements for 2021. The Company's Annual Financial Statements are available on www.eik.is and www.nasdaqomxnordic.com. The interim financial statements are prepared in Icelandic krónur (ISK), which is the Company's functional currency, and amounts are presented in ISK millions. The Company's investment properties are valued at fair value and assets for own use at revaluation, while in other respects the Interim Financial Statements are based on historical cost.

4. Use of judgements and estimates

The preparation of interim financial statements in accordance with International Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

5. Effect of COVID-19 on the financial statements

The effects of COVID-19 on the Company's operations have been fast decreasing during the year. The Company expects that the effects on EBITDA in the first half of the year were ISK 40–45 million.

In financial position the effects of the pandemic can mainly be seen in high balance of trade and other receivables. Further information on trade and other receivables is in note 12.

The Company expects that the effects of COVID-19 on the Company's income statement will be next to none in the second half of this year, but it is unclear how long it will take to decrease the balance of trade and other receivables.

6. Segment reporting

Segment reporting contains information on individual parts of the Company's operations. The Company's operations are divided into two segments which sell goods and services in different markets.

Segments 1.1-30.6.2022	Investment properties	Hotel	Offset entries	Total
Lease income	4.229	0	(159)	4.070
Operating income	374	247	0	621
Operating expenses	(1.432)	(315)	159	(1.588)
Impairment of receivables	(28)	0	0	(28)
EBITDA	3.143	(68)	0	3.075
Change in value of investment properties	7.981	0	0	7.981
Depreciation	(53)	(21)	0	(74)
Net finance expenses	(3.771)	(16)	0	(3.786)
Income tax	(1.463)	21	0	(1.442)
Profit (loss) for the year	5.837	(83)	0	5.754
Assets 30.6.2022	123.027	395	(476)	122.946
Liabilities 30.6.2022	81.480	444	(476)	81.449

Segments 1.1-30.6.2021

Lease income	3.938	0	(149)	3.789
Operating income	296	78	0	373
Operating expenses	(1.297)	(234)	149	(1.381)
Impairment of receivables	(80)	0	0	(80)
EBITDA	2.857	(157)	0	2.700
Gain on sale of investment properties	60	0	0	60
Change in value of investment properties	2.535	0	0	2.535
Depreciation	(51)	(12)	0	(63)
Net finance expenses	(2.342)	(12)	0	(2.354)
Income tax	(608)	36	0	(572)
Profit (loss) for the year	2.450	(145)	0	2.306
Assets 30.6.2021	110.780	356	(262)	110.874
Liabilities 30.6.2021	75.991	289	(262)	76.018

7. Operating expenses

	2022 1.1. - 30.6.	2021 1.1. - 30.6.
Operating expenses are specified as follows:		
Property tax	684	651
Insurance	45	41
Maintenance of investment properties	27	17
Operating expenses of properties	345	283
Other operating expenses of investment properties	91	84
Operating expenses of hotel	156	85
Office and administrative expenses	240	221
Total operating expenses	1.588	1.381

8. Finance income and finance expenses

	2022 1.1. - 30.6.	2021 1.1. - 30.6.
Finance income and finance expenses are specified as follows:		
Interest income	17	12
Interest expenses	(1.118)	(1.026)
Indexation	(2.624)	(1.223)
Prepayment charge	0	(50)
Interest expenses of lease liabilities	(52)	(49)
Other finance expenses	(9)	(18)
Total finance expenses	(3.803)	(2.366)
Total finance income and finance expenses	(3.786)	(2.354)

9. Investment properties

	30.6.2022	31.12.2021
Investment properties are specified as follows:		
Book value at the beginning of the year	105.638	98.404
Changes in lease assets	138	68
Investment in current investment properties	1.232	1.401
Investment in new investment properties	624	946
Sold investment properties	0	(394)
Value adjustment	7.981	5.215
Book value at end of period	115.611	105.638

The Group' investment properties are valued by management of the Company at fair value at the reporting date in accordance with the International Accounting Standard IAS 40.

In measuring the assets, management has estimated discounted future cash flow that the Company can expect from current lease agreements and lease agreements the Company expects to enter into at the end of lease period of current lease agreements. The measurement is in accordance with level 3 in the fair value hierarchy, see futher note 3, and there were no changes in classification during the year. The measurement is based on presumptions on expected utilisation ratio of the properties in the future, market rent at the end of lease periods of current agrements and operating costs of these properties. The approach and conclusions, which are used in measuring both amounts and timing of future cash flow, are revaluated on a regular basis in order to come closer to actual fair value of the assets. Management estimates of development of several other factors in the future are also taken into account, such as changes in lease and capital markets.

The largest items increasing the value of investment properties are inflation, reverse transactions to reserves due to effects of COVID-19, increase in market rent and lower interest rates. The largest items for decrease are increase in official property assessment value and increase in yield requirement of equity.

Effects of COVID-19 on value of the Company's investment properties were minimal at the end of the period.

Sensitivity analysis

Effects of changes in fair value of investment properties 30.6.2022:

Increase (decrease) of lease income by 1%	1.489	(1.489)
Increase (decrease) of rental value ratio by 1%-point	1.542	(1.542)
Decrease (Increase) of rate of return by 0.5%-points	10.150	(8.547)

10. Assets for own use

Assets for own use are specified as follows:			
	Real estate	Interiors and other	Total
Cost			
Balance at beginning of period	4.380	538	4.918
Additions during the period	6	41	47
Balance at end of period	4.386	580	4.965
Depreciation			
Depreciation at beginning of period	426	310	735
Depreciation during the period	42	32	74
Total depreciation at end of period	467	342	809
Book value			
Book value at beginning of period	3.954	229	4.183
Book value at end of period	3.918	238	4.156

11. Depreciation

Depreciation and impairment losses is specified as follows:	30.6.2022	31.12.2021
Office	2	3
Hotel	62	113
Interiors and other	11	20
Total depreciation and impairment losses	74	135

12. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:	30.6.2022	31.12.2021
Long-term receivables	88	88
Trade receivables due to lease	168	180
Trade receivables due to deferred lease payments	428	384
Trade receivables due to other operations	90	103
Total trade receivables	687	667
Other short-term receivables	242	41
Total other short-term receivables	242	41
Total trade receivables and other short-term receivables	929	708
Impairment of trade receivables is specified as follows at end of period:		
Depreciation reserve at beginning of the year	406	402
Depreciated bad debt during the period, change	(58)	(56)
Expensed during the period	20	60
Depreciation reserve at end of period	369	406

The Company's long-term receivables amounted to ISK 88 million (31.12.2021: ISK 88 million) at the end of the period. Thereof ISK 26 (31.12.2021: ISK 25 million) million are for lease payments due. Where lease payments due are changed to long-term receivables the Company has in general received additional insurance in addition to the receivable becoming interest bearing and in instalment process. Balance at year end takes into account precautionary recording of ISK 57 million (31.12.2021: ISK 33 million).

13. Equity

The Company's total share capital according to its Articles of Association amount to ISK 3.423.863.435. The Company holds treasury shares in the nominal value of ISK 8.800.000 at the end of the period which is recognised as decrease in share capital. Outstanding shares at year end are 3.415.063.435 and are all paid up. One vote is attached to each ISK 1 share in the Company.

The Company's Board of Directors' policy is to annually pay dividend or repurchase share for the amount corresponding to 35% of net cash provided by operations. When preparing proposal on dividend, the Company's financial situation, investment plans and situation of economic affairs shall be considered. At the annual general meeting on 5 April 2022, a motion to pay a dividend of ISK 1.740 million to shareholders was approved. The dividend payment was on 28 April 2022.

14. Interest bearing liabilities

	30.6.2022	31.12.2021
Interest bearing liabilities 1 January	64.814	62.001
New borrowings	3.761	12.814
Repayments and settlements of long-term liabilities	(4.067)	(12.358)
Indexation	2.624	2.244
Capitalised borrowing cost, change	15	76
Other long-term liabilities, change	0	37
Interest bearing liabilities 31 December	67.147	64.814
Long-term liabilities		
Listed bonds and bank loans	61.830	60.016
Other long-term liabilities	45	45
	61.875	60.061
Short-term liabilities		
Current maturities of liabilities	5.272	4.753
	5.272	4.753
Total interest bearing liabilities	67.147	64.814

15. Lease liability

Lease assets and lease liabilities are specified as follows:

	30.6.2022	31.12.2021
Lease assets		
Balance at beginning of period	2.355	2.287
Revaluation	123	56
Purchased and sold assets	15	12
Balance at end of period	2.493	2.355
Lease liability		
Balance at beginning of period	2.355	2.287
Revaluation	123	56
Purchased and sold assets	15	12
Balance at end of period	2.493	2.355
Amounts in statement of comprehensive income		
Interest expenses on lease liabilities expensed to income statement	52	97
Amounts in statement of cash flow		
Interest expense of lease liabilities paid	52	97