

Q1 2023.

Condensed consolidated
interim financial statements

EIK

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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 31 March 2023 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 2022.

Operations

The Group's operations in the first three months of the year were above management's forecasts. The Group's operating income amounted to ISK 2,702 million during the period compared to ISK 2,284 million for the same period in 2022. The Group's operating profit before changes in value and depreciation amounted to ISK 1,760 million compared to ISK 1,475 million in the previous year and increased by 19% between years. Change in value of investment properties in the period was ISK

2,008 million. According to the Group's income statement and statement of comprehensive income, total profit for the period amounted to ISK 1,122 million. Net cash from operations was ISK 1,259 million according to the Group's statement of cash flows, increasing by 35% compared to the same period in 2022. Write down of trade receivables amounted to ISK 8 million during the period.

Financial Position

The Group's total assets amounted to ISK 133,178 at the end of the period according to the statement of financial position, whereof investment properties amounted to ISK 124,020 million, assets for own use ISK 4,134 million, assets in development ISK 673 million and cash and cash equivalents ISK 3,060 million.

The Group's equity amounted to ISK 42,866 million, whereof outstanding share capital is ISK 3,415 million. The Group's equity ratio was 32.2% at the end of the period. At the Group's Annual General Meeting on 30 March 2023 a dividend payment to shareholders due to the operating year 2022 amounting to ISK 2,000 million was approved, which was subsequently paid on 12 April 2023. This will be reflected in the Group's statement of changes in equity.

Trade and other receivables amounted to ISK 685 million and decreased by ISK 69 million during the first three months of the year.

Changes in Company Portfolio

The Group acquired the holding company BB29 ehf. which owns the property located at Ármúli 2. The property is a 3,544 sq.m. office premises which has a long-term lease agreement with the Icelandic Transport Authority. Additionally, the Group acquired part of the property located at Síðumúli 20-22. Both assets were delivered in March 2023.

Outlook

Considering those changes in the Group's asset portfolio and the changes in rental agreements, the outlook for 2023 has been updated. Based on consumer price index for financial indexation in April the Group expects that EBITDA for the year will be between ISK 7,030 – 7,230 million at a fixed price throughout the year.

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 31 March 2023 and its financial performance and changes in cash and cash equivalents for the period 1 January to 31 March 2023.

The Board of Directors and CEO of Eik fasteignafélag hf. hereby confirm the Company's interim financial statements for the period from 1 January to 31 March 2023 by means of their signatures .

Reykjavík, 27 April 2023

Board of Directors

Bjarni Kristján Þorvarðarson
Chairman

Eyjólfur Árni Rafnsson

Guðrún Bergsteinsdóttir

Hersir Sigurgeirsson

Ragnheiður Harðar Harðardóttir

Garðar Hannes Friðjónsson
CEO

Consolidated Statement of Comprehensive Income

for the period from 1 January to 31 March 2023

	Notes	2023 1.1.-31.3.	2022 1.1.-31.3.
Lease income		2,309	1,990
Other operating income		393	293
		<u>2,702</u>	<u>2,284</u>
Operating expenses	6	(934)	(791)
Impairment of receivables		(8)	(18)
		<u>(942)</u>	<u>(808)</u>
EBITDA		1,760	1,475
Changes in value of investment properties	8	2,008	2,938
Depreciation	10	(36)	(34)
Operating profit		1,973	2,904
Finance income		42	13
Finance cost		(2,372)	(1,620)
Net financial expense	7	(2,330)	(1,607)
Profit before income tax		1,403	2,772
Income tax		(281)	(556)
Profit for the period		<u>1,122</u>	<u>2,216</u>
Earnings per share:			
Basic earnings and diluted earnings per share		0.33	0.65

Notes on pp. 9-16 are an integral part of the interim financial statements

Consolidated Statement of Financial Position as at 31 March 2023

	Notes	31.3.2023	31.12.2022
Assets			
Intangible assets		351	351
Investment assets	8	124,020	119,639
Assets in development		673	671
Assets for own use	9	4,134	4,162
Non-current receivables	11	73	68
		<u>129,251</u>	<u>124,891</u>
Non-current assets			
Trade and other receivables	11	867	774
Cash and cash equivalents		3,060	2,986
		<u>3,927</u>	<u>3,760</u>
Current assets			
Total assets		<u>133,178</u>	<u>128,651</u>
Equity			
Share capital		3,415	3,415
Share premium		12,648	12,648
Statutory reserve		854	866
Restricted equity		12,221	11,122
Retained earnings		13,729	15,692
		<u>42,866</u>	<u>43,744</u>
Total equity	12	42,866	43,744
Liabilities			
Interest-bearing debt	13	66,404	64,292
Lease liabilities	14	2,773	2,480
Deferred income tax liability		10,964	10,683
		<u>80,141</u>	<u>77,455</u>
Non-current liabilities			
Interest-bearing debt	13	5,997	5,980
Trade and other payables		4,174	1,472
		<u>10,171</u>	<u>7,452</u>
Current liabilities			
Total liabilities		90,312	84,907
Total equity and liabilities		<u>133,178</u>	<u>128,651</u>

Notes on pp. 9-16 are an integral part of the interim financial statements

Consolidated Statement of Changes in Equity as at 31 March 2023

	Share capital	Share premium	Statutory reserve	Restricted equity	Retained earnings	Total equity
1 January to 31 March 2022						
Equity 1.1.2022	3,415	12,648	866	7,603	12,951	37,483
Total profit for the period					2,216	2,216
Transferred to restricted equity				679	(679)	0
Equity 31.3.2022	3,415	12,648	866	8,282	14,488	39,699
1 January to 31 March 2023						
Equity 1.1.2023	3,415	12,648	866	11,122	15,692	43,744
Total profit for the period					1,122	1,122
Dividends declared ISK 0.59 per share ..					(2,000)	(2,000)
Transferred to restricted equity				1,098	(1,098)	0
Changes in statutory reserve			(13)		13	0
Equity 31.3.2023	3,415	12,648	854	12,221	13,729	42,866

Notes on pp. 9-16 are an integral part of the interim financial statements

Consolidated Statement of Cash Flows

for the period from 1 January to 31 March 2023

	Notes	2023 1.1.-31.3.	2022 1.1.-31.3.
Cash flows from operating activities			
Profit for the period		3,733	4,380
Operating items which do not affect cash flow:			
Valuation changes of investment properties	8 (	2,008)	(2,938)
Depreciation		36	34
		1,760	1,475
Change in operating assets .....	(	92)	(127)
Change in operating liabilities		152	55
		1,820	1,403
Interest income received		42	13
Finance expenses paid .....	(	603)	(480)
Net cash from operating activities		1,259	936
Cash flows used in investment activities			
Investment in investment assets .....	(	286)	(705)
Investment in assets under development .....	(	2)	0
Investment in assets for own use .....	(	8)	(8)
Changes in bond holdings .....	(	6)	(21)
Net cash used in investing activities	(	301)	(735)
Cash flows (to) from financing activities			
New long-term debts		3,125	3,261
Repayments and final payments of Long-term loans .....	(	3,518)	(3,618)
Short-term loans, change .....	(	490)	(50)
Net cash from financing activities	(	884)	(407)
Changes in cash and cash equivalents		74	(206)
Cash and cash equivalents at beginning of year		2,986	3,297
Cash and cash equivalents at end of period		3,060	3,091
Investing and financing without credit:			
Investment in investment assets and shares in subsidiary .....	(	523)	37
Other short-term payables		523	(37)

Notes on pp. 9-16 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 31 December 2023 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 2022. The interim financial statements were approved by the Company's Board of Directors on 28 February 2023.

The Company has implemented all accounting standards and changes to accounting standards which became effective for accounting periods beginning 1 January 2023 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 2022. 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. 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 1.1-31.3.2023	Investment properties	Hotel	Offset entries	Total
Lease income	2,395	0	(86)	2,309
Operating income	198	195	0	393
Operating expenses	(821)	(199)	86	(934)
Impairment of receivables	(8)	0	0	(8)
EBITDA	1,765	(5)	0	1,760
Change in value of investment properties	2,008	0	0	2,008
Depreciation	(28)	(8)	0	(36)
Net finance expenses	(2,322)	(7)	0	(2,330)
Income tax	(285)	4	0	(285)
Profit (loss) for the year	1,138	(16)	0	1,118
Assets 31.3.2023	133,262	430	(514)	133,178
Liabilities 31.3.2023	90,384	441	(514)	90,312
Segments 1.1-31.3.2022				
Lease income	2,068	0	(78)	1,990
Operating income	207	86	0	293
Operating expenses	(722)	(147)	78	(791)
Impairment of receivables	(18)	0	0	(18)
EBITDA	1,536	(61)	0	1,475
Change in value of investment properties	2,938	0	0	2,938
Depreciation	(26)	(8)	0	(34)
Net finance expenses	(1,601)	(7)	0	(1,607)
Income tax	(571)	15	0	(556)
Profit (loss) for the year	2,276	(60)	0	2,216
Assets 31.3.2022	118,708	367	(417)	118,657
Liabilities 31.3.2022	78,982	392	(417)	78,957

6. Operating expenses

	2023	2022
	1.1.-31.3.	1.1.-31.3.
Operating expenses are specified as follows:		
Property tax	377	342
Insurance	24	22
Maintenance of investment properties	7	16
Operating expenses of properties	191	177
Other operating expenses of investment properties	68	40
Operating expenses of hotel	113	68
Office and administrative expenses	154	125
Total operating expenses	<u>934</u>	<u>791</u>

7. Finance income and finance expenses

	2023	2022
	1.1.-31.3.	1.1.-31.3.
Finance income and finance expenses are specified as follows:		
Interest income	42	13
Interest expenses	(736)	(517)
Indexation	(1,594)	(1,072)
Interest expenses of lease liabilities	(31)	(26)
Other finance expenses	(11)	(5)
Total finance expenses	<u>(2,372)</u>	<u>(1,620)</u>
Total finance income and finance expenses	(2,330)	(1,607)

8. Investment assets

	31.3.2023	31.12.2022
Investment assets are specified as follows:		
Book value at the beginning of the year	119,639	105,638
Changes in lease assets	247	124
Investment in current investment assets	563	2,604
Investment in new investment assets	246	1,204
Acquired by purchase of subsidiary	1,315	0
Sold investment assets	0	(362)
Value adjustment	2,008	10,431
Book value at the end of the period	<u>124,020</u>	<u>119,639</u>

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 flows that the Company can expect from current lease agreements and lease agreements the Company expects to enter into at the end of the lease period of current lease agreements. The measurement is in accordance with level 3 in the fair value hierarchy, see further 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 agreements and operating costs of these properties.

The approach and conclusions, which are used in measuring both amounts and timing of future cash flows, are revaluated on a regular basis in order to come closer to the actual fair value of the assets. Managements estimates of the 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 and increase in market rent. The largest items for decreasing the value are increase in fire insurance value and increase in yield requirement of

Sensitivity analysis

Effects of changes in fair value of investment properties 31.3.2023:

Increase (decrease) of lease income by 1%	1,628	(1,628)
Increase (decrease) of rental value ratio by 1%-point	1,684	(1,684)
Decrease (increase) of rate of return by 0.5%-points	10,868	(9,182)

9. Assets for own use

Assets for own use are specified as follows:

	Realestate	Interiors and other	Total
Cost			
Balance at the beginning of the year	4,346	544	4,890
Additions during the period	4	4	8
Balance at the end of the period	<u>4,349</u>	<u>548</u>	<u>4,897</u>
Depreciation			
Depreciation at the beginning of the year	515	213	727
Depreciation during the period	21	14	36
Total depreciation at end of the period	<u>536</u>	<u>227</u>	<u>763</u>
Book value			
Book value at the beginning of the year	3,831	331	4,162
Book value at the end of the period	<u>3,813</u>	<u>321</u>	<u>4,134</u>

10. Depreciation

Depreciation is specified as follows:

	31.3.2023	31.12.2022
Office	1	3
Hotel	29	114
Interiors and other	6	20
Total depreciation	<u>36</u>	<u>138</u>

11. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:

	31.3.2023	31.12.2022
Long-term receivables	147	150
Provision for impairment losses	(73)	(83)
Total long-term receivables	<u>73</u>	<u>68</u>
Trade receivables due to lease	226	282
Trade receivables due to deferred lease payments	678	678
Trade receivables due to other operations	116	128
Provision for impairment losses	(335)	(334)
Total trade receivables	<u>685</u>	<u>754</u>
Short-term receivables due to sold investment asset	0	0
Other short-term receivables	182	20
Total other short-term receivables	<u>182</u>	<u>20</u>
Total trade receivables and other short-term receivables	<u>867</u>	<u>774</u>
Impairment of receivables is specified as follows:		
Depreciation reserve at the beginning of the year	417	439
Depreciated bad debt during the period, change	(17)	(111)
Expensed during the period	8	88
Depreciation reserve at the end of the period	<u>408</u>	<u>417</u>

The Company's long-term receivables 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. The receivables are valued based on expected collections.

12. 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 dividends or repurchase shares for the amount corresponding up to 50% of net cash provided by operations. When preparing proposal on dividends, the Company's financial situation, investment plans and situation of economic affairs shall be considered. At the annual general meeting on 30 March 2023, a motion to pay a dividend of ISK 2.000 million to shareholders was approved. The dividend payment was on 12 April 2023.

13. Interest bearing liabilities

	31.3.2023	31.12.2022
Interest bearing liabilities at the beginning of the year	70,272	64,814
New borrowings	3,125	6,394
Acquired by purchase of subsidiary	920	0
Repayments and settlements of long-term liabilities	(3,518)	(5,715)
Indexation	1,594	4,741
Capitalised borrowing cost, change	8	29
Other long-term liabilities, change	0	10
Interest bearing liabilities at the end of the period	<u>72,401</u>	<u>70,272</u>
Long-term liabilities		
Listed bonds and bank loans	66,350	64,238
Other long-term liabilities	55	55
	<u>66,404</u>	<u>64,292</u>
Short-term liabilities		
Current maturities of liabilities	5,997	5,980
	<u>5,997</u>	<u>5,980</u>
Total interest bearing liabilities	<u>72,401</u>	<u>70,272</u>

14. Lease liability

Lease assets and lease liabilities are specified as follows:

	31.3.2023	31.12.2022
Lease assets		
Balance at the beginning of the year	2,480	2,355
Revaluation	240	121
Purchased and sold assets	7	4
Balance at the end of the period	<u>2,727</u>	<u>2,480</u>
Lease liability		
Balance at the beginning of the year	2,480	2,355
Revaluation	240	121
Purchased and sold assets	7	4
Balance at the end of the period	<u>2,727</u>	<u>2,480</u>
Amounts in statement of comprehensive income		
Interest expenses on lease liabilities expensed to income statement	31	105
Amounts in statement of cash flow		
Interest expenses of lease liabilities paid	31	105