

3F 2024.

Condensed consolidated
interim financial statements

EIK

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

Eik fasteignafélag Ltd. is an Icelandic limited company listed on the Nasdaq Iceland stock exchange. The Company's consolidation consists of the parent company, Eik fasteignafélag Ltd., along with wholly-owned subsidiaries. The Company's operations include property management, leasing, and operation of commercial real estate, as well as property management in the hotel sector.

The interim condensed consolidated financial statements of Eik fasteignafélag Ltd. for the period from January 1st to September 30th, 2024, are prepared in accordance with the International Accounting Standard 34 on interim financial reporting. The interim condensed financial statements contain a summarized consolidated interim financial statement of Eik fasteignafélag Ltd. and its subsidiaries but do not include all the information required in a complete set of financial statements and should be read in conjunction with the consolidated financial statements for the year 2023. The consolidated financial statements can be accessed at www.eik.is.

On 23 August 2024, Langisjór ehf. ("offeror" or "Langisjór") announced a proposed takeover bid for the entire share capital of Eik fasteignafélag hf., as a mandatory bid obligation had arisen because the offeror and parties considered to be in collaboration with the offeror, on the basis of Act No. 108/2007 on Securities Transactions, had acquired more than 30% of the voting rights in Eik. On 20 September 2024, Eik's shareholders received a takeover offer from Langisjór with the publication of an offer summary. Eik shareholders were offered ISK 11.0 per share in cash in exchange for their shares. The takeover offer was valid until 13:00 on 18 October 2024.

According to law, the Board of Directors of Eik made public its opinion on the offer and its terms on October 7, 2024, as well as discussing the Board's opinion on the offeror's future plans and the impact the Board of Directors believed the offer could have on the interests of the Company, the work of its management and employees, as well as the location of the Company's principal place of business.

In the opinion of the Competition Authority, this was not a merger subject to notification and the results of the takeover bid, which was published on 18 October this year, were that after the offer the offeror and its partners will hold 1,106,529,154 shares in Eik, corresponding to 32.32% of the Company's share capital.

As stated in the board's report regarding the takeover bid from Langisjór, there are some similarities between the future plans of the offeror and the Company, but there are some issues on which the board has a different view. The Board of Directors and management will continue working on the Company's strategy coordinate the overall vision for the company both in the short and long term. The Company will examine opportunities in its asset portfolio, further elaboration of its capital structure as well as opportunities to increase the number of revenue streams. In parallel with these strategic priorities, the Board of Directors will examine, implement and follow up on the results of this year's Annual General Meeting.

Operations

The Company's operations were in line with the Company's updated outlook for the first nine months of the year.

The Company's consolidated operating income for the period amounted to ISK 8,514 million, compared to ISK 8,453 million for the same period in 2023. The Company's operating profit, before valuation changes and depreciation, amounted to ISK 5,537 million compared to ISK 5,766 million for the same period the previous year. The valuation change of investment properties for the period was positive and amounted to 4,345 million ISK. According to the Consolidated Statement of Comprehensive income, the total profit for the period amounted to ISK 3,326 million. Net cash flow from operations amounted to ISK 3,551 million, compared to ISK 3,498 million for the same period the previous year.

Financial Position

The Company's total assets amounted to ISK 150,146 million at the end of the period, of which investment properties accounted for ISK 139,957 million, assets for own use ISK 5,893 million, properties under development ISK 1,092 million, and cash and cash equivalents ISK 1,683 million. The Company's equity amounted to ISK 49,809 million, of which outstanding share capital was ISK 3,415 million. The Company's equity ratio was 33.2% at the end of the period. At the Company's annual general meeting on April 11th, 2024, it was approved to distribute dividends to shareholders for the 2023 financial year in the amount of ISK 2,540 million, which was paid to shareholders on April 30th, 2024.

At the beginning of July, the Company issued a new bond, EIK 050734, in the amount of ISK 5,000 million, at an indexed interest rate of 3.95%. At the same time, the company's revolving loans were paid off. A part of the issue was also used to prepay EIK 24 1, which matured on 15 September 2024 and amounted to ISK 3,000 million.

Outlook

The Company has updated its outlook for 2024 and expects EBITDA for the year to be in the range of ISK 7,295 – 7,515 million at a fixed price, based on the consumer price index for inflation adjustment in November 2024.

Statement by the Board of Directors and the CEO

According to the best knowledge of the Board of Directors and the CEO, the Group's interim condensed 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 September 2024 and its financial performance and changes in cash and cash equivalents for the period 1 January to 30 September 2024.

The Board of Directors and CEO of Eik fasteignafélag hf. hereby confirm the Company's interim condensed financial statements for the period from 1 January to 30 September 2024 by means of their signatures.

Reykjavík, 31 October 2024

Board of Directors

Bjarni Kristján Þorvarðarson
Chairman

Eyjólfur Árni Rafnsson

Guðrún Bergsteinsdóttir

Gunnar Þór Gíslason

Ragnheiður Harðar Harðardóttir

Garðar Hannes Friðjónsson
CEO

Consolidated Statement of Comprehensive Income

for the period from 1 January to 30 September 2024

	Notes	2024 1.7.-30.9.	2023 1.7.-30.9.	2024 1.1.-30.9.	2023 1.1.-30.9.
Lease income		2.520	2.424	7.328	7.115
Other operating income		467	532	1.186	1.338
		<u>2.987</u>	<u>2.956</u>	<u>8.514</u>	<u>8.453</u>
Operating expenses	6	(976)	(1.015)	(2.935)	(2.866)
Impairment of receivables		7	(2)	(42)	179
		<u>(969)</u>	<u>(1.017)</u>	<u>(2.977)</u>	<u>(2.687)</u>
Operating profit before value changes and depreciation		2.018	1.939	5.537	5.766
Changes in value of investment properties	8	261	(2.693)	4.345	7.095
Depreciation and impairment	10	(45)	(43)	(132)	(7)
Operating profit		2.234	(797)	9.750	12.854
Finance income		93	20	183	77
Finance cost		(1.667)	(1.578)	(5.776)	(6.108)
Net financial expense	7	(1.574)	(1.558)	(5.593)	(6.031)
Profit before income tax		660	(2.355)	4.157	6.823
Income tax		(132)	471	(831)	(1.364)
Profit for the period		528	(1.884)	3.326	5.459
Other comprehensive income					
Operating items recorded in equity:					
Revaluation of property for own use		0	0	0	1.784
Income tax		0	0	0	(357)
Other total comprehensive income		0	0	0	1.427
Total profit for the period		528	(1.884)	3.326	6.886
Earnings per share:					
Basic earnings and diluted earnings per share		0,15	(0,55)	0,97	1,60

Notes on pp. 9 - 14 are an integral part of the interim financial statements

Consolidated Statement of Financial Position as at 30 September 2024

	Notes	30.9.2024	31.12.2023
Assets			
Intangible assets		351	351
Investment assets	8	139.957	132.106
Assets under development		1.092	1.079
Assets for own use	9	5.893	5.975
Non-current receivables	11	311	436
		<u>147.604</u>	<u>139.948</u>
Non-current assets			
Trade and other receivables	11	859	698
Cash and cash equivalents		1.683	984
		<u>2.542</u>	<u>1.682</u>
Current assets			
Total assets		150.146	141.629
Equity			
Share capital		3.415	3.415
Share premium		12.648	12.648
Statutory reserve		854	854
Revaluation reserve		1.398	1.415
Retained earnings		31.494	30.691
		<u>49.809</u>	<u>49.023</u>
Total equity		49.809	49.023
Liabilities			
Interest-bearing debt	12	80.162	67.176
Lease liabilities		2.569	2.749
Deferred income tax liability		13.335	12.503
		<u>96.066</u>	<u>82.428</u>
Non-current liabilities			
Interest-bearing debt	12	2.405	8.390
Trade and other payables		1.866	1.787
		<u>4.271</u>	<u>10.178</u>
Current liabilities			
Total liabilities		100.337	92.606
Total equity and liabilities		150.146	141.629

Notes on pp. 9 - 14 are an integral part of the interim financial statements

Consolidated Statement of Changes in Equity as at 30 September 2024

	Share capital	Share premium	Statutory reserve	Revaluation reserve	Restricted equity	Retained earnings	Total equity
1 January to 30 September 2023							
Equity 1.1.2023	3.415	12.648	866	0	11.122	15.692	43.744
Total profit for the period						5.459	5.459
Dividends paid ISK 0.59 per share						(2.000)	(2.000)
Transferred to restricted equity					3.219	(3.219)	0
Changes in statutory reserve			(13)			13	0
Equity 30.9.2023	3.415	12.648	854	0	14.341	15.945	47.203
1 January to 30 September 2024							
Equity 1.1.2024	3.415	12.648	854	1.415	0	30.691	49.023
Total profit for the period						3.326	3.326
Depreciation of revaluation				(17)		17	0
Dividends paid ISK 0.74 per share						(2.540)	(2.540)
Equity 30.9.2024	3.415	12.648	854	1.398	0	31.494	49.809

Notes on pp. 9 - 14 are an integral part of the interim financial statements

Consolidated Statement of Cash Flows

for the period from 1 January to 30 September 2024

	Notes	2024 1.1.-30.9.	2023 1.1.-30.9.
Cash flows from operating activities			
Operating profit for the period		9.750	12.854
Operating items which do not affect cash flow:			
Valuation changes of investment properties	8 (	4.345)	(7.095)
Depreciation and impairment	10	132	7
		5.537	3.075
Change in operating assets .....	(	28)	(335)
Change in operating liabilities		70	197
		5.579	2.937
Interest income received		183	77
Finance expenses paid .....	(	2.211)	(2.207)
Net cash from operating activities		3.551	807
Cash flows used in investment activities			
Investment in investment assets .....	(	3.682)	(2.379)
Investment in assets under development .....	(	16)	(6)
Investment in assets for own use .....	(	50)	(65)
Investment in subsidiary less acquired cash	13 (	225)	(340)
Changes in non-current receivables		0	(3)
Net cash used in investing activities	(	3.973)	(2.793)
Cash flows (to) from financing activities			
Dividends paid .....	(	2.540)	(2.000)
New long-term debts		19.093	5.224
Repayments and final payments of long-term loans .....	(	15.432)	(5.639)
Net cash from financing activities		1.121	(2.415)
Changes in cash and cash equivalents		699	(1.710)
Cash and cash equivalents at beginning of year		984	2.986
Cash and cash equivalents at end of period		1.683	1.276
Investing and financing without credit:			
Investment in investment assets and shares in subsidiary		0	16
Other short-term payables		0	(16)

Notes on pp. 9 - 14 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 2024 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 2023. The interim financial statements were approved by the Company's Board of Directors on 31 October 2024.

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 2023. 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. Judgement and assumptions involving key estimate are primarily made in relation to the measurement and recognition of investment assets. 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.-30.9.2024	Investment properties	Hotel	Offset entries	Total
Lease income	7.610	0 (	282)	7.328
Operating income	561	625	0	1.186
Operating expenses	(2.528)	(689)	282 (	2.935)
Impairment of receivables	(42)	(0)	0 (	42)
EBITDA	5.601 (	64)	0	5.537
Change in value of investment properties	4.345	0	0	4.345
Depreciation and impairment	(108)	(24)	0 (	132)
Net finance expenses	(5.592)	(1)	0 (	5.593)
Income tax	(849)	18	0 (	831)
Profit (loss) for the year	3.397 (	71)	0	3.326
Assets 30.9.2024	150.295	403 (	552)	150.146
Liabilities 30.9.2024	100.414	475 (	552)	100.337
Segments 1.1.-30.9.2023				
Lease income	7.380	0 (	265)	7.115
Operating income	558	780	0	1.338
Operating expenses	(2.437)	(694)	265 (	2.866)
Impairment of receivables	179 (	0)	0	179
EBITDA	5.680	86	0	5.766
Change in value of investment properties	7.095	0	0	7.095
Depreciation and impairment	16 (	24)	0 (	7)
Net finance expenses	(6.009)	(22)	0 (	6.031)
Income tax	(1.356)	(8)	0 (	1.364)
Profit (loss) for the year	5.427	32	0	5.459
Assets 30.9.2023	141.985	525 (	531)	141.979
Liabilities 30.9.2023	91.464	533 (	531)	91.466

6. Operating expenses

	2024	2023
	1.1.-30.9.	1.1.-30.9.
Operating expenses are specified as follows:		
Property tax	1,184	1,144
Insurance	85	75
Maintenance of investment properties	35	24
Operating expenses of properties	576	552
Other operating expenses of investment properties	197	173
Operating expenses of hotel	406	429
Office and administrative expenses	452	469
Total operating expenses	<u>2,935</u>	<u>2,866</u>

7. Finance income and finance expenses

	2024	2023
	1.1.-30.9.	1.1.-30.9.
Finance income and finance expenses are specified as follows:		
Interest income	183	77
Interest expenses	(2,347)	(2,391)
Indexation	(3,295)	(3,596)
Interest expenses of lease liabilities	(98)	(93)
Other finance expenses	(36)	(28)
Total finance expenses	<u>(5,776)</u>	<u>(6,108)</u>
Total finance income and finance expenses	(5,593)	(6,031)

8. Investment assets

	30.9.2024	31.12.2023
Investment assets are specified as follows:		
Book value at the beginning of the year	129,378	117,181
Investment in current investment assets	3,292	3,177
Investment in new investment assets	391	237
Acquired by purchase of subsidiary	0	1,270
Value adjustment	4,345	7,513
Book value at the end of the period	<u>137,406</u>	<u>129,378</u>
Lease assets	2,550	2,728
Investment properties at the end of the year	<u>139,957</u>	<u>132,106</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 main factors contributing to the increase in the value of investment assets are inflation, new contracts, and lower discount rates on future cash flows. The main factors contributing to the decrease in value is an increase in capitalization rates and increase in property value (that is used for calculations of property taxes).

The future occupancy rate for the portfolio is estimated at 95% (2023: 95%). Weighted average cost of capital (WACC) for the company is 6,34% (2023: 6,35%). Each 1% increase in the occupancy rate for the future corresponds to an increase of more than 0,09% in WACC.

Sensitivity analysis

Effects of changes in fair value of investment properties 30.9.2024:

Increase (decrease) of lease income by 1%	1,786	(1,786)
Increase (decrease) of rental value ratio by 1%-point	1,851	(1,851)
Decrease (increase) of rate of return by 0.5%-points	11,322	(9,648)

9. Assets for own use

Assets for own use are specified as follows:

	Interiors		
Cost	Real estate	and other	Total
Balance at the beginning of the year	5,935	583	6,518
Additions during the period	10	40	50
Balance at the end of the period	<u>5,945</u>	<u>623</u>	<u>6,568</u>
Depreciation			
Depreciation at the beginning of the year	273	269	543
Depreciation during the period	87	45	132
Total depreciation at end of the period	<u>360</u>	<u>314</u>	<u>674</u>
Book value			
Book value at the beginning of the year	5,662	314	5,975
Book value at the end of the period	<u>5,585</u>	<u>308</u>	<u>5,893</u>

Company's properties for own use are estimated on revalued historical cost at the end of the reporting period. The revalued historical cost is estimated based on same methodology as the estimate of investment properties (see Note 8).

10. Depreciation

	2024	2023
	1.1.-30.9.	1.1.-30.9.
Depreciation is specified as follows:		
Office	2	2
Hotel	108	93
Interiors and other	21	19
Total depreciation	<u>132</u>	<u>114</u>

11. Trade receivables and other receivables

	30.9.2024	31.12.2023
Trade receivables and other receivables are specified as follows:		
Long-term receivables	336	471
Provision for impairment losses	(51)	(70)
Total long-term receivables	<u>285</u>	<u>401</u>
Trade receivables due to lease	404	404
Trade receivables due to deferred lease payments	175	158
Trade receivables due to other operations	109	121
Provision for impairment losses	(97)	(58)
Total trade receivables	<u>591</u>	<u>625</u>
Other short-term receivables	268	73
Total other short-term receivables	<u>268</u>	<u>73</u>
Total trade receivables and other short-term receivables	<u>859</u>	<u>698</u>
Provision for impairment of receivables is specified as follows:		
Provision at the beginning of the year	128	417
Receivables written off during the period	(23)	(114)
Expensed during the period	42	(175)
Provision at the end of the period	<u>148</u>	<u>128</u>

The Company's long-term receivables are for construction loans to the lessee and 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. Trade receivables are evaluated based on expected recoveries.

12. Interest bearing liabilities

	30.9.2024	31.12.2023
Interest bearing liabilities at the beginning of the year	75.567	70.272
New borrowings	19.150	8.211
Acquired by purchase of subsidiary	0	917
Repayments and settlements of long-term liabilities	(15.432)	(8.274)
Indexation	3.291	4.404
Capitalised borrowing cost, change	(20)	31
Other long-term liabilities, change	11	5
Interest bearing liabilities at the end of the period	<u>82.567</u>	<u>75.567</u>
Long-term liabilities		
Listed bonds and bank loans	80.092	67.117
Other long-term liabilities	71	60
	<u>80.162</u>	<u>67.176</u>
Short-term liabilities		
Current maturities of liabilities	2.405	8.390
	<u>2.405</u>	<u>8.390</u>
Total interest bearing liabilities	<u>82.567</u>	<u>75.567</u>

13. Events after the reporting date

Eik's shareholders received on 20 September 2024 a takeover offer from Langisjór ehf. as a mandatory bid obligation had arisen because the offeror and parties considered to be in collaboration with the offeror, on the basis of Act No. 108/2007 on Securities Transactions, had acquired more than 30% of the voting rights in Eik. The results of the takeover bid, which was published on 18 October this year, were that after the offer the offeror and its partners will hold 1,106,529,154 shares in Eik, corresponding to 32.32% of the Company's share capital.