Q3 2023.

Condensed consolidated **interim financial statements**

EIK

Index

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 consolidated financial statements of Eik fasteignafélag hf. for the period 1 January to 30 September 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. does not contain all information required in financial statements and should be read in conjunction with the Group's financial statements for the year 2022. The consolidated financial statement of the Company is accessible at www.eik.is

The Company´s board has approved to merge Landfesta ehf. and LF1 ehf., subsidiary of Landfesta ehf, with Eik fasteignafélag. The merger is done to ensure operational efficiency and will og through in the fourth quarter but the legal date of the merger is 1 January 2023.

Operations

The Group's operations for the first nine months was aligned with the updated forecast, published 7 September 2023.

The Group's operating income amounted to ISK 8,453 million during the period compared to ISK 7,387 million for the same period in 2022. The Group's operating profit before changes in value and depreciation amounted to ISK 5,766. Adjusted for one-time costs related to the merger discussion, takeover bid and other items the operating profit before changes in fair value change and deprecation amounted to ISK 5,806 million, increasing by just over 19% between years. Change in value of investment properties in the period was ISK 7,095 million. According to the Group's income statement and statement of comprehensive income, total profit for the period amounted to ISK 6,886 million. Net cash from operations was ISK 3,498 million according to the Group's statement of cash flows, increasing by 15% compared to the same period in 2022.

Write down of trade receivables was positive during the period, amounting to ISK 179 million. This is mainly driven by ISK 195 million decrease in doubtful accounts provision due to settlement of outstanding rental obligations which can be explained by the impact of Covid-19 on the lessee.

Financial Position

The Group's total assets amounted to ISK 140,178 million at the end of the period according to the statement of financial position, whereof investment properties amounted to ISK 130,677 million, assets for own use ISK 6,003 million, assets in development ISK 676 million and cash and cash equivalents ISK 1,276 million. The Group's equity amounted to ISK 48,630 million, whereof outstanding share capital is ISK 3,415 million. The Group's equity ratio was 34.7% 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.

Trade and other receivables amounted to ISK 916 million and increased by ISK 162 million during the first nine months of the year, mainly driven by ISK 195 million decrease in doubtful accounts provision.

The term of bank loan, amounting to ISK 3,128 million, that was on maturity in March 2023, was extended with a new loan agreement on same terms. Company's previously issued bonds (EIK 23) were fully repaid on maturity date of 10. September 2023 using the Company´s lines of credit. The Company secured indexed bank loan amounting to ISK 3,000 million in October 2023, which was paid into the lines of credit previouslu utilized. Following this, the Company has access to lines of credit amounting to ISK 2,600 million.

Merger discussion and takeover bid

The Board of Directors of Eik fasteignafélag hf. And Reita fasteignafélags hf. Announced on 1 October 2023 that they had ended their discussion about a possible merger between the companies. This was due to both companies assessing a low probability that conclusion on valuation and exchange ratios would be reached.

The Board of Directors of Eik fasteignafélag hf. issued a statement, as required by law, in relation to the voluntary takeover bid from Reginn hf. In the statement, the board discusses the takeover bid extensively as well as providing their opinion on the bid. The Board of Directors conclusion was that the takeover bid was not promising for Eik´s shareholders. Estimate done by two independent advisors reviled that normal exchange ratio would be in the range of 50,5%-50,6% for Eik´s current shareholders. The day follow the issuance of the statement, on 14 September 2023, Reginn hf. increased their takeover bid, increasing the exchange ratio from 46% to 48% for Eik´s current shareholders. The Board of Directors of Eik fasteignafélag hf has not issued a statement on the increased takeover bid but will do so at least one week before the bid´s deadline, which has been extended repeatedly and is now valid until 13:00 GMT at the date of 11 December 2023 as the Competition Authority does consider there to be valid reasons for further investigations of the effects of possible merger.

The Board of Directors of Eik fasteignafélag hf. sent a letter to the Board of Directors of Reginn hf. 11 October 2023 requesting a formal discussion on the takeover bid and the focus of the merged Company as there seems to be a fundamental difference how the two Companies, their advisors and independent analysts value the two Companies and the exchange ratio between shareholders of both companies. Furthermore, there have been, and continue to be, different policies and future plans between the two companies, especially regarding dividends, assets in development and distribution of the asset portfolio. The request from the Company's Board of Directors raised in the letter, related to get a more holistic view of the operational strategy of the combined company, so the Board would be more able to give the shareholders its view on the offer. Reginn hf. replied to the request on 19 October that they were unable to accept the request for a formal discussion on the basis set forth in the letter dated 11 October.

Outlook

The Group has updated its outlook for 2023 on two occasions and expects that EBITDA for the year will be between ISK 7,500 – 7,650 million at a fixed price throughout the year based on the consumer price index in December 2023. Adjusted for one-time costs the Group expects that EBITDA for the year will be between ISK 7.540 – 7.690 million.

Changes in Group´s asset portfolio

The Group acquired the holding company BB29 ehf. (now EF15 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 620 sq.m. property located at Síðumúli 20-22 and is the asset now fully owned by the Group. Both assets were delivered in March 2023. The Company has acquired Húsfélagið Hafnarstræti 7 ehf, which owns one property located at Hafnarstræti 7 in Reykjavík. The property is an 820 sq.m. office- and commercial premises. Following the acquisition, the Group owns all the area demarcated by Pósthússtræti 2, Tryggvagötu 24-28 og Hafnarstræti 5-9.

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 September 2023 and its financial performance and changes in cash and cash equivalents for the period 1 January to 30 September 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 30 September 2023 by means of their signatures.

Reykjavík, 15 November 2023

Board of Directors

Bjarni Kristján Þorvarðarson
Chairman

Eyjólfur Árni Rafnsson

Guðrún Bergsteinsdóttir

Hersir Sigurgeirsson

Ragnheiður Harðar Harðardóttir

Garðar Hannes Friðjónsson
CEO

Amounts are in millions of ISK

Consolidated Statement of Comprehensive Income
for the period from 1 January to 30 September 2023

	Notes	2023 1.7.-30.9.	2022 1.7.-30.9.	2023 1.1.-30.9.	2022 1.1.-30.9.
Lease income		2.424	2.205	7.115	6.275
Other operating income		532	492	1.338	1.112
		2.956	2.697	8.453	7.387
Operating expenses	6	(1.015)	(859)	(2.866)	(2.446)
Impairment of receivables		(2)	(38)	179	(66)
		(1.017)	(897)	(2.687)	(2.512)
Operating profit before value changes and depreciation		1.939	1.800	5.766	4.875
Changes in value of investment properties	8	(2.693)	1.907	7.095	9.888
Depreciation and impairment	10	(43)	(28)	(7)	(102)
Operating profit		(797)	4.041	12.854	15.023
Finance income		20	4	77	20
Finance cost		(1.578)	(2.235)	(6.108)	(6.037)
Net financial expense	7	(1.558)	(2.231)	(6.031)	(6.017)
Profit (loss) before income tax		(2.355)	1.810	6.823	9.006
Income tax		471	(329)	(1.364)	(1.771)
Profit (loss) for the period		(1.884)	1.481	5.459	7.235
Other comprehensive income					
Operating items recorded in equity:					
Revaluation of property for own use		0	0	1.784	0
Income tax		0	0	(357)	0
Other total comprehensive income		0	0	1.427	0
Total profit (loss) for the period		(1.884)	1.481	6.886	7.235
Earnings (loss) per share:					
Basic earnings (loss) and diluted earnings per share		(0,55)	0,43	1,60	2,12

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

Consolidated Statement of Financial Position as at 30 September 2023

	Notes	30.9.2023	31.12.2022
Assets			
Intangible assets		351	351
Investment assets	8	130.677	119.639
Assets under development		676	671
Assets for own use	9	6.003	4.162
Non-current receivables	11	70	68
Non-current assets		137.777	124.891
Trade and other receivables	11	1.125	774
Cash and cash equivalents		1.276	2.986
Current assets		2.401	3.760
Total assets		140.178	128.651
Equity			
Share capital		3.415	3.415
Share premium		12.648	12.648
Statutory reserve		854	866
Revaluation reserve		1.421	0
Restricted equity		14.231	11.122
Retained earnings		16.061	15.692
Total equity		48.630	43.744
Liabilities			
Interest-bearing debt	12	68.024	64.292
Lease liabilities		2.799	2.480
Deferred income tax liability		12.401	10.683
Non-current liabilities		83.224	77.455
Interest-bearing debt	12	6.365	5.980
Trade and other payables		1.959	1.472
Current liabilities		8.324	7.452
Total liabilities		91.548	84.907
Total equity and liabilities		140.178	128.651

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

Amounts are in millions of ISK

Consolidated Statement of Changes in Equity as at 30 September 2023

	Share capital	Share premium	Statutory reserve	Revaluation reserve	Restricted equity	Retained earnings	Total equity
1 January to 30 September 2022							
Equity 1.1.2022	3.415	12.648	866	0	7.603	12.951	37.483
Total profit for the period						7.235	7.235
Dividends paid ISK 0.51 per share						(1.740)	(1.740)
Transferred to restricted equity					4.286	(4.286)	0
Equity 30.9.2022	3.415	12.648	866	0	11.889	14.159	42.978
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				1.427		5.459	6.886
Depreciation of revaluation				(6)		6	0
Dividends paid ISK 0.59 per share						(2.000)	(2.000)
Transferred to restricted equity					3.109	(3.109)	0
Changes in statutory reserve			(13)			13	0
Equity 30.9.2023	3.415	12.648	854	1.421	14.231	16.061	48.630

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 30 September 2023

	Notes	2023 1.1.-30.9.	2022 1.1.-30.9.
Cash flows from operating activities			
Operating profit for the period		12.854	15.023
Operating items which do not affect cash flow:			
Valuation changes of investment properties	8	(7.095)	(9.888)
Depreciation and impairment	10	7	102
		5.766	3.075
Change in operating assets		(335)	(98)
Change in operating liabilities		197	19
		5.628	2.996
Interest income received		77	20
Finance expenses paid		(2.207)	(1.774)
Net cash from operating activities		3.498	1.242
Cash flows used in investment activities			
Investment in investment assets		(2.379)	(3.112)
Investment in assets under development		(6)	(7)
Investment in assets for own use		(65)	(112)
Investment in subsidiary less acquired cash	13	(340)	0
Changes in non-current receivables		(3)	40
Net cash used in investing activities		(2.793)	(2.483)
Cash flows (to) from financing activities			
Dividends paid		(2.000)	(1.740)
New long-term debts		5.224	4.059
Repayments and final payments of long-term loans		(5.639)	(4.441)
Short-term loans, change		0	0
Net cash from financing activities		(2.415)	(2.122)
Changes in cash and cash equivalents		(1.710)	(1.563)
Cash and cash equivalents at beginning of year		2.986	3.297
Cash and cash equivalents at end of period		1.276	1.734
Investing and financing without credit:			
Sold investment assets		0	22
Other short-term receivables		0	(22)
Investment in investment assets and shares in subsidiary		16	128
Other short-term payables		(16)	(128)

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 30 September 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 15 November 2023.

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. 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.

Amounts are in millions of ISK

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 1.1-30.9.2023	Investment properties	Hotel	Offset entries	Total
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	140.188	448	(458)	140.178
Liabilities 30.9.2023	91.595	411	(458)	91.548

Segments 1.1-30.9.2022	Investment properties	Hotel	Offset entries	Total
Lease income	6.518	0	(242)	6.275
Operating income	533	579	0	1.112
Operating expenses	(2.131)	(558)	242	(2.446)
Impairment of receivables	(66)	0	0	(66)
EBITDA	4.853	22	0	4.875
Change in value of investment properties	9.888	0	0	9.888
Depreciation and impairment	(79)	(23)	0	(102)
Net finance expenses	(6.016)	(1)	0	(6.017)
Income tax	(1.772)	0	0	(1.771)
Profit (loss) for the year	7.236	(2)	0	7.235
Assets 30.9.2022	126.054	425	(390)	126.089
Liabilities 30.9.2022	83.109	392	(390)	83.111

Amounts are in millions of ISK

6. Operating expenses

Operating expenses are specified as follows:	2023 1.1.-30.9.	2022 1.1.-30.9.
Property tax	1.144	1.027
Insurance	75	68
Maintenance of investment properties	24	37
Operating expenses of properties	552	502
Other operating expenses of investment properties	173	132
Operating expenses of hotel	429	315
Office and administrative expenses	469	365
Total operating expenses	2.866	2.446

7. Finance income and finance expenses

Finance income and finance expenses are specified as follows:	2023 1.1.-30.9.	2022 1.1.-30.9.
Interest income	77	20
Interest expenses	(2.391)	(1.776)
Indexation	(3.596)	(4.169)
Prepayment charge	0	0
Interest expenses of lease liabilities	(93)	(78)
Other finance expenses	(28)	(15)
Total finance expenses	(6.108)	(6.037)
Total finance income and finance expenses	(6.031)	(6.017)

8. Investment assets

Investment assets are specified as follows:	30.9.2023	31.12.2022
Book value at the beginning of the year	117.181	103.304
Changes in lease assets	0	0
Investment in current investment assets	2.105	2.604
Investment in new investment assets	248	1.204
Acquired by purchase of subsidiary	1.270	0
Sold investment assets	0	(362)
Value adjustment	7.095	10.431
Book value at the end of the period	127.899	117.181

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 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 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

The Company has made increased emphasis on building and development on the Company's land with establishment of business development department. In parallel, work has been performed to map unused building permits and the possibilities and opportunities that are included in them been scrutinized. Those building permits have now been revalued based on valuations from one and/or two independent valuations parties, based on the size of the projects. Several of the Company's projects are well underway with planning stage and therefore increase in value along with the value increase related to the progress in the period. The Company used expected market value per square metres as well as using the probability that this market value will materialize with prudence in mind, whether through sale, exercise of authorisation or final subdivision work.

The most significant assumptions in the valuations the led to an increase in value are indexation, increase in market rent and revaluation of building permits and the most significant assumptions that led to a decrease are increase in WACC and future growth of rental income is dismissed.

The future occupancy rate for the portfolio is estimated at 95% (2022: 95%). Weighted average cost of capital (WACC) for the company is 6,3%, and increased by 0,2% in the third quarter (2022: 6,2%). Each 1% increase in the occupancy rate for the future corresponds to an increas of almost 0,1% in WACC.

Sensitivity analysis

Effects of changes in fair value of investment properties 30.9.2023:

Increase (decrease) of lease income by 1%	1.669	(1.669)
Increase (decrease) of rental value ratio by 1%-point	1.729	(1.729)
Decrease (increase) of rate of return by 0.5%-points	10.446	(8.926)

Amounts are in millions of ISK

9. Assets for own use

Assets for own use are specified as follows:

	Real estate	Interiors and other	Total
Cost			
Balance at the beginning of the year	4.346	544	4.890
Additions during the period	30	35	65
Reversal of impairment from prior periods	107	0	107
Revaluation of assets	1.442	0	1.442
Sold during the period	0	(1)	(1)
Balance at the end of the period	5.925	578	6.503
Depreciation			
Depreciation at the beginning of the year	515	213	727
Depreciation during the period	72	43	114
Total depreciation at end of the period	586	255	841
Book value			
Book value at the beginning of the year	3.831	331	4.162
Book value at the end of the period	5.339	323	5.662

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

10. Depreciation

Depreciation is specified as follows:	2023 1.1.-30.9.	2022 1.1.-30.9.
Office	2	2
Hotel	93	85
Interiors and other	19	15
Reversal of impairment from prior periods	(107)	0
Total depreciation	7	102

11. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:	30.9.2023	31.12.2022
Long-term receivables	139	150
Provision for impairment losses	(69)	(83)
Total long-term receivables	70	68
Trade receivables due to lease	261	282
Trade receivables due to deferred lease payments	663	678
Trade receivables due to other operations	121	128
Provision for impairment losses	(129)	(334)
Total trade receivables	916	754
Other short-term receivables	210	20
Total other short-term receivables	210	20
Total trade receivables and other short-term receivables	1.125	774

Provision for impairment of receivables is specified as follows:

Provision at the beginning of the year	417	439
Receivables written off during the period	(41)	(111)
Expensed during the period	(179)	88
Provision at the end of the period	197	417

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.

Decrease of impairment of trade receivables amounts to ISK 206 million from beginning of the period. The decrease can largely be explained by re-estimate of the impairment considering the settlement of lease commitments resulting from Covid-19 and change in the financial position of the lessees, or about ISK 195 million.

Amounts are in millions of ISK

12. Interest bearing liabilities

	30.9.2023	31.12.2022
Interest bearing liabilities at the beginning of the year	70.272	64.814
New borrowings	5.224	6.394
Acquired by purchase of subsidiary	917	0
Repayments and settlements of long-term liabilities	(5.639)	(5.715)
Indexation	3.596	4.741
Capitalised borrowing cost, change	22	29
Other long-term liabilities, change	(2)	10
Interest bearing liabilities at the end of the period	74.390	70.272
Long-term liabilities		
Listed bonds and bank loans	67.971	64.238
Other long-term liabilities	53	55
	68.024	64.292
Short-term liabilities		
Current maturities of liabilities	6.365	5.980
	6.365	5.980
Total interest bearing liabilities	74.390	70.272

13. Acquisition of BB29 ehf. (now EF15 ehf.)

Eik acquired in the period all shares in EF15 ehf. based on a agreement that was signed in March 2023. EF15 ehf. is part of the consolidation from the date of the acquisition, 31 Marsh 2023. Of the purchase price ISK 12 million are unpaid at the end of the reporting period. The cost related to the acquisition amounted to ISK 7 million. EF15 ehf. owns a 3.544 square meter office property located in Ármúli 2, Reykjavík.

Fair value of assets and liabilities of EF15 ehf. on acquisition date are as follows:

Investment asset	1.270
Deferred tax asset	8
Cash and cash equivalents	146
Net working capital	(9)
Liabilities	(917)
	498
Paid with cash and cash equivalents	498
Cash and cash equivalents	(146)
	352