

# 2024.

Condensed consolidated  
**financial statements**

**EIK**

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

Eik fasteignafélag hf. is an Icelandic public limited company listed on the Iceland Stock Exchange (Nasdaq Iceland). The Group's parent company, Eik fasteignafélag hf., along with its wholly-owned subsidiaries, constitutes the Group. The Group's operations involve the ownership, leasing, and management of commercial properties and the ownership of hotel operations.

The year was significantly influenced by takeover bids for the Company. The Financial Supervisory Authority of the Central Bank of Iceland approved the withdrawal of Reginn hf.'s (now Heimar hf.) takeover bid on 10 May 2024, and Langisjór ehf. announced a proposed takeover bid to the Company's shareholders on 23 August 2024, based on takeover laws, concluding the process on 18 October 2024. Nevertheless, the Company's operations for the year have been in line with updated forecasts.

### Operation

The Group's operating revenues amounted to ISK 11,495 million in 2024 compared to ISK 11,224 million in 2023. Operating expenses amounted to ISK 4,154 million in 2024 compared to ISK 3,749 million the previous year, with the difference primarily explained by a positive impairment reversal of ISK 175 million in 2023 compared to an expense of ISK 74 million in 2024. The Group's operating profit before fair value changes and depreciation amounted to ISK 7,341 million in 2024 compared to ISK 7,475 million the previous year. The fair value change of investment properties amounted to ISK 7,327 million. Net finance costs amounted to ISK 6,368 million in 2024 compared to ISK 7,620 million in 2023. According to the income statement and the statement of comprehensive income, the Group's total profit for the year was ISK 6,477 million compared to ISK 7,279 million in 2023. Cash flow from operations amounted to ISK 4,875 million according to the Group's cash flow statement for 2024.

### Financial Position

The total assets of the Group amounted to ISK 156,250 million at the end of 2024 according to the statement of

financial position, of which investment properties were ISK 145,471 million, properties for own use were ISK 5,852 million, and cash was ISK 3,594 million. The Group's equity at the end of 2024 was ISK 52,661 million, of which outstanding share capital was ISK 3,393 million. The Group's equity ratio was 33.7% at the end of the year. Interest-bearing liabilities amounted to ISK 85,098 million at the end of the year, and the deferred tax liability was ISK 14,151 million. The Company has access to facility amounting to approximately ISK 2,600 million, which was undrawn at year-end. Unpledge properties were recorded at approximately ISK 8,090 million at the same time.

During the year, the Company issued a new bond series, EIK 050734, totalling ISK 8,000 million, mortgage bonds amounting to ISK 1,300 million, and took out bank loans amounting to ISK 1,350 million, all of which are inflation-indexed. The Company also repaid the bond series EIK 24 1 for a total of ISK 3,000 million, bank loans for approximately ISK 8,800 million, and the Company's revolving loans, all of which were non-indexed. The weighted average interest rate on the company's inflation-indexed loans was 3.59% at year-end, and the weighted average interest rate on non-indexed loans was 7.67%. The proportion of inflation-indexed loans was just over 97% of the Company's interest-bearing liabilities at the end of 2024.

### Outlook 2025

The Company anticipates that operating revenues will be in the range of ISK 12,055 – 12,545 million and that EBITDA for the year 2025 will be in the range of ISK 7,620 – 7,940 million at fixed prices based on the consumer price index in January 2025. More detailed information about the outlook for the year can be found on page 4 of the Company's annual report.

### Share capital

The registered share capital at year-end amounted to ISK 3,423,863,435. All the Company's share capital is in one class, and all shares enjoy the same rights. The Company owns treasury shares with a nominal value of ISK 30,463,435.

The Company's share capital was divided among 529 shareholders (identification numbers) at the end of the year, compared to 536 shareholders at the beginning of 2024.

The 10 largest shareholders of the Company at the end of 2024 according to the Company's shareholder register were as follows:

Brimgarðar ehf.	18,9%
Langisjór ehf.	13,2%
Gildi - lífeyrissjóður	9,2%
Lífeyrissjóður verzlunarmanna	8,2%
Almenni lífeyrissjóðurinn	8,1%
Birta lífeyrissjóður	7,8%
Brú Lífeyrissjóður starfsm. sveitarf.	7,7%
Festa - lífeyrissjóður	3,8%
Lífsværk lífeyrissjóður	3,7%
Stapi lífeyrissjóður	2,5%

Langisjór ehf., along with its partners Sildarbein ehf., Alma íbúðafélag hf., and Brimgarðar ehf., held 32.6% of the Company's outstanding share capital at the end of 2024.

At the Company's annual general meeting on 11 April 2024, it was approved to pay ISK 2,540 million in dividends to shareholders for the financial year 2023.

The Board's policy is to pay out annually at least 75% of the cash flow from operations, minus the amount used for the purchase of treasury shares up to the next annual general meeting. When forming a dividend proposal, consideration should be given to the Company's financial position, leverage ratio, investment plans, and economic conditions. The Board's proposal is to pay ISK 3,393.4 million in dividends to shareholders for the financial year 2024, taking into account the dividend policy and the repurchase of treasury shares amounting to approximately ISK 299 million in 2024.

### Possible change in the asset portfolio

As previously disclosed, Eik has signed an agreement on the main terms regarding the Company's proposed acquisition of Festing hf. Festing's real estate in Iceland amounts to approximately 43,000 square metres across 11 properties, housing the operations of Samskip hf. around the country. Most of these properties are located in Reykjavík, but also in Akureyri, Dalvík, Egilsstaðir, Ísafjörður, and Vestmannaeyjar. Due diligence is being

conducted for the transaction, with a conclusion expected in the first quarter of this year.

It has also been disclosed that the Company has received a non-binding offer for Glerartorg in Akureyri, and it is hoped that a conclusion will also be reached on this matter in the first quarter of the year.

### Change of CEO

The Board of the Company and Garðar Hannes Fridjonsson, CEO, have reached an agreement regarding his departure from the Company. Garðar Hannes will continue to lead the Company as CEO until the annual general meeting, which is scheduled to be held on the upcoming 10th of April.

The Board has already begun the search for a new CEO and has published an advertisement to that effect, with Hagvangur assisting the board in the recruitment process.

### Corporate Social Responsibility

The company is publishing its sustainability report for the seventh time as a supplement to the 2024 consolidated financial statements. The sustainability report provides information on the status and development of performance indicators for the Group with regard to environmental issues, social factors, governance, and prosperity. Additionally, it discusses Eik's operations that align with the EU Taxonomy Regulation and the proportion of environmentally sustainable investments.

### Corporate governance and non-financial information

Eik fasteignafélag corporate governance is in accordance with the Act no. 2/1995 on limited liability companies, the Company's Articles of Association and Board's procedures. The Company emphasises maintaining good management practices and the Company's corporate governance is based on Guidelines on Corporate Governance issued by the Iceland Chamber of Commerce, NASDAQ Iceland, and the Confederation of Icelandic Employers. Gender ratio in the Company's Board of Directors is 60% male and 40% female and thus the Company fulfils provisions in the Act on limited liability companies regarding gender ratios on boards of limited liability companies. Gender ratio in the Company's executive management is 85.7% male and 14.3% female. Ratio of the Company's employees is 64.6% male and 35.4% female. The average total number of employees within the Group converted to FTE was approximately 46.

A nomination committee receives candidacy and nominations from shareholders for candidates for the Company's Board of Directors and nominates candidates for the Board.

Further information on the Board of Directors and statement of corporate governance along with non-financial information is accessible at the Company's website, [www.eik.is](http://www.eik.is), and as appendices to the financial statements, "Statement on Corporate Governance", "ESG Report" and "Non-Financial Information". The company's Sustainability report, which is published at the same time as the financial statements, can be found on the Company's website, [www.eik.is/samfelagsleg-abyrqö](http://www.eik.is/samfelagsleg-abyrqö).

The main financial risks of the Company are rental and counterparty risk, liquidity risk, inflation risk, and interest rate risk. Noes 24 to the financial statements covers the risk management of the Company and discusses financial measures related to the main risk factors.

### Statement by the Board of Directors and the CEO

According to the best knowledge of the Board of Directors and the CEO, the consolidated 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 consolidated financial statements give a true and fair view of the Group's assets, liabilities and consolidated financial position as at 31 December 2024 and its financial performance and changes in cash and cash equivalents for the period 1 January to 31 December 2024.

The Board of Directors and CEO of Eik fasteignafélag hf. hereby confirm the Company's consolidated financial statements for the period from 1 January to 31 December 2024 by means of their signatures.

Reykjavík, 13 February 2025

#### Board of directors

Bjarni Kristján Þorvarðarson  
Chairman

Eyjólfur Árni Rafnsson  
Board member

Guðrún Bergsteinsdóttir  
Board member

Gunnar Þor Gíslason  
Board member

Ragnheiður Harðar Harðardóttir  
Board member

#### CEO

Garðar Hannes Friðjónsson

## Independent Auditors' Report

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

### Opinion

We have audited the consolidated financial statements of Eik fasteignafélag hf. for the year ended December 31, 2024 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Eik fasteignafélag hf. as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act.

Our opinion in this report on the consolidated financial statements is consistent with the content of the additional report that has been submitted to the audit committee in accordance with the EU Audit Regulation 537/2014 Article 11.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of Eik fasteignafélag hf. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Iceland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Based on the best of our knowledge and belief, no prohibited services referred to in the EU Audit Regulation 537/2014 Article 5.1 has been provided.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Key audit Matters

##### Valuation of investment property's

The investment property's of the Company are valued at fair value on balance sheet date by management in accordance with IAS 40. Fair value is measured in accordance with IFRS 13.

Investment property of the Company amounts to ISK 145,471 million or 93.1% of total assets as of 31 December 2024. Valuation change in the year was positive by ISK 7,327 million.

In the valuation of these assets, management assess the cash flows expected from lease agreements. This is based on assumptions about the estimated utilization rate of the assets in the future, market rents at the end of the current lease agreements, operating costs of the assets and the required rate of return.

Due to the significance of the valuation and the fact that the investments properties are a significant part of the Company's financial statements, we consider the valuation of those assets to be a key audit matter in the audit.

Further details on the accounting method and main assumptions used in the valuation can be found in Note 12 and 32.

#### How the matter was addressed in our audit

We received assistance from our valuation specialists in reviewing the valuation model and the assumptions made by management in their valuation of the company's investment properties.

During this review, we performed the following procedures:

- We verified the effectiveness of the valuation model.
- We reviewed the assumptions used in the calculations and assessed their appropriateness, such as lease amounts according to contracts, utilization rates of the properties, estimated future rental income, market rents at the end of lease terms, and maintenance costs.
- We assessed whether the assumptions underlying the required rate of return were appropriate and compared them to information on financing rates for commercial real estate and other market conditions.
- We verified that the information provided in the disclosures was in compliance with IFRS.

## Other information

The Board of Directors and the CEO are responsible for other information. Other information is the annual report excluding the consolidated financial statements and our audit report on it. Our opinion on the consolidated financial statements does not extend to other information, and we do not provide any assurance on it.

In connection with our audit of the consolidated financial statements, we are required to read other information in the annual report when it becomes available and assess whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In accordance with Article 104(2) of Act No. 3/2006 on Annual Accounts, we confirm to the best of our knowledge that the report of the Board of Directors accompanying the consolidated financial statements provides the information required by law on annual accounts and does not contain any additional explanations

## Responsibilities of the Board of Directors and the CEO for the Consolidated Financial Statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors and the CEO are responsible for assessing Eik fasteignafélag hf. ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors and the CEO either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The board of directors and the audit committee are responsible for overseeing the Eik fasteignafélag hf. financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high

level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Eik fasteignafélag hf. internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Audit Committee a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors and the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on European single electronic format (ESEF Regulation)

As part of our audit of the consolidated financial statements of Eik fasteignafélag hf., we performed procedures to be able to issue an opinion on whether the consolidated financial statements of Eik fasteignafélag hf.

the year 2023 with the file name [2138005WRSDC4DI3BJ43-2023-12-31-is] is prepared, in all material respects, in compliance with laws no. 20/2021 disclosure obligation of issuers of securities and the obligation to flag relating to requirements regarding European single electronic format regulation EU 2019/815 which include requirements related to the preparation of the Consolidated Financial Statements in XHTML format and iXBRL markup.

Management is responsible for preparing the consolidated financial statements in compliance with laws about disclosure obligation of issuers of securities and the obligation to flag. This responsibility includes preparing the consolidated financial statements in a XHTML format in accordance to EU regulation 2019/815 on the European single electronic format (ESEF regulation).

Our responsibility is to obtain reasonable assurance, based on evidence that we have obtained, on whether the consolidated financial statements is prepared in all material respects, in compliance with the ESEF Regulation, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirement set out in the ESEF regulation, whether due to fraud or error.

In our opinion, the consolidated financial statements of Eik fasteignafélag hf. for the year 2023 with the file name [2138005WRSDC4DI3BJ43-2023-12-31-is] is prepared, in all material respects, in compliance with the ESEF Regulation.

## Appointment of auditor

Deloitte was appointed auditor of Eik fasteignafélag hf. by the general meeting of shareholders on 11 April 2024. Deloitte has been auditor of Eik fasteignafélags hf. Since the general meeting of shareholders on 30 March 2023.

Kópavogur, 13 February 2025

Deloitte ehf.

*Signy Magnúsdóttir*

State Authorized Public Accountant

## Consolidated Statement of Comprehensive Income

for the period from 1 January to 31 December 2024

	Notes	2024	2023
Lease income .....	5	9.896	9.514
Other operating income .....	5	1.599	1.710
		<u>11.495</u>	<u>11.224</u>
Operating expenses .....	6	( 4.080)	( 3.924)
Impairment of receivables .....	16	( 74)	175
		<u>( 4.154)</u>	<u>( 3.749)</u>
<b>EBITDA .....</b>		7.341	7.475
Gain on sale of investment properties .....		0	0
Changes in value of investment properties .....	12	7.327	7.513
Depreciation and impairment .....	14, 15	( 176)	( 50)
<b>Operating profit .....</b>		14.492	14.938
Financial income .....		257	120
Financial expenses .....		( 6.625)	( 7.740)
<b>Net financial expenses .....</b>	9	<u>( 6.368)</u>	<u>( 7.620)</u>
<b>Profit before income tax .....</b>		8.124	7.318
Income tax .....	10, 21	( 1.647)	( 1.465)
<b>Profit for the year .....</b>		6.477	5.853
<b>Other profit</b>			
Operating items recorded in equity:			
Revaluation of own property .....		0	1.784
Income tax of revaluation of own property .....		0	( 357)
<b>Other profit total .....</b>		<u>0</u>	<u>1.427</u>
<b>Total profit for the year .....</b>		<u>6.477</u>	<u>7.279</u>
<b>Earnings per share:</b>			
Basic earnings and diluted earnings per share .....	18	1,90	1,71

Notes on pp. 13-40 are an integral part of the financial statements

## Consolidated Statement of Financial Position as at 31 December 2024

	Notes	2024	2023
<b>Assets</b>			
Intangible assets .....	11	351	351
Investment properties .....	12	145.471	132.106
Assets in development .....	13	0	1.079
Assets for own use .....	14	5.852	5.975
Non-current receivables .....	16	288	436
Non-current assets		<u>151.962</u>	<u>139.948</u>
Trade and other receivables .....	16	694	698
Cash and cash equivalents .....		3.594	984
Current assets		<u>4.288</u>	<u>1.682</u>
<b>Total assets</b>		<u>156.250</u>	<u>141.629</u>
<b>Equity</b>			
Share capital .....		3.393	3.415
Share premium .....		12.371	12.648
Statutory reserve .....		849	854
Revaluation reserve .....		1.392	1.415
Retained earnings .....		34.656	30.691
<b>Total equity</b>	17	<u>52.661</u>	<u>49.023</u>
<b>Liabilities</b>			
Interest-bearing debt .....	19	78.982	67.176
Lease liabilities .....	20	2.512	2.749
Income tax liability .....	21	14.151	12.503
Non-current liabilities		<u>95.645</u>	<u>82.428</u>
Interest-bearing debt .....	19	6.116	8.390
Trade and other payables .....	22	1.828	1.787
Current liabilities		<u>7.944</u>	<u>10.178</u>
<b>Total liabilities</b>		<u>103.589</u>	<u>92.606</u>
<b>Total equity and liabilities</b>		<u>156.250</u>	<u>141.629</u>

Notes on pp. 13-40 are an integral part of the financial statements

## Consolidated Statement of Changes in Equity as at 31 December 2024

	Share capital	Share premium	Statutory reserve	Revaluation reserve	Restricted equity	Retained earnings	Total equity	
<b>Year 2023</b>								
Equity 1.1.2023 .....	3.415	12.648	866	0	11.122	15.692	43.744	
Merger 1.1.2023 .....				(	11.122)	11.122	0	
Total profit for the year .....						5.853	5.853	
Transferred from statutory reserve .....			(	13)		13	0	
Revaluation of own property .....				1.427		0	1.427	
Depreciation of revalued property .....				(	12)	12	0	
Dividend paid ISK 0.59 per share .....						(	2.000)	
Equity 31.12.2023 .....	3.415	12.648	854	1.415	0	30.691	49.023	
<b>Year 2024</b>								
Equity 1.1.2024 .....	3.415	12.648	854	1.415	0	30.691	49.023	
Total profit for the year .....				0		6.477	6.477	
Repurchase of own shares .....	(	22)	(	277)		0	(	299)
Transferred from statutory reserve .....			(	5)		5	0	
Depreciation of revalued property .....				(	23)	23	0	
Dividend paid ISK 0.74 per share .....						(	2.540)	
Equity 31.12.2024 .....	3.393	12.371	849	1.392	0	34.656	52.661	

Notes on pp. 13-40 are an integral part of the financial statements

## Consolidated Statement of Cash Flows

for the period from 1 January to 31 December 2024

	Notes	2024	2023	
<b>Cash flows from operating activities</b>				
Operating Profit for the year .....		14.492	14.938	
Operating items which do not affect cash flow:				
Valuation changes of investment properties .....	12	(	7.327)	
Depreciation .....	14, 15	176	50	
		7.341	7.475	
Change in operating assets .....		153	(	270)
Change in operating liabilities .....		184	29	
		7.678	7.234	
Interest income received .....	9	257	120	
Interest expenses paid .....		(	3.059)	
		4.875	4.083	
		Net cash from operating activities		
<b>Cash flows used in investment activities</b>				
Investment in investment properties .....	12	(	5.196)	
Investment in assets for own use .....	14	(	53)	
Investment in assets under development .....	13	0	(	10)
Investment in subsidiaries minus acquired cash .....		(	263)	
Changes in bond holdings .....		0	(	6)
		(	5.511)	
		Net cash used in investing activities		
<b>Cash flows to financing activities</b>				
Dividend paid .....		(	2.540)	
Repurchase of own shares .....		(	299)	
New long-term debts .....	19	22.139	8.211	
Repayments and final payments of long-term loans .....	19	(	16.054)	
		3.246	(	2.063)
		Net cash to financing activities		
<b>Change in cash and cash equivalents .....</b>				
		2.611	(	2.003)
<b>Cash and cash equivalents at beginning of year .....</b>				
		984	2.986	
<b>Cash and cash equivalents at end of year .....</b>				
		3.594	984	

Notes on pp. 13-40 are an integral part of the 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 consolidated financial statements of the Company for the year 2024 comprise the 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 consolidated financial statements of the Company are accessible at [www.eik.is](http://www.eik.is).

## 2. Basis of preparation

### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial statements of listed companies. Changes in international financial reporting standards and their interpretations for annual periods beginning after 1 January 2024 did not have significant effect on the Group's financial statements. The financial statements were approved by the Group's Board of Directors on 13 February 2025.

### b. New and changed International Reporting Standards

The Group has adopted International Financial Reporting Standards as approved by the European Union, including changes to them and new interpretations that apply to financial statements for accounting periods beginning on or after January 1, 2024. The following standards and changes came into effect on January 1, 2024.

- IAS 1 Presentation of Financial Statements	Classification into short-term and long-term
- IAS 1 Presentation of Financial Statements	Long-term liabilities with loan terms
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures	Supply financing
IFRS 16 Leases	Lease liability in sale and leaseback transactions

It is the assessment of the management that the adoption of the above-mentioned standard and revisions to standards have not had a significant impact on the Consolidated Financial Statements.

Company has not adopted any new or revised standards that have been issued but not yet effective. Changes to the following standards will take effect on January 1, 2025.

- IAS 21 The Effects of Changes in Foreign Exchange Rates	Currency convertibility
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It is the assessment of the management that the adoption of those standards and changes to standards mentioned above, or any other changes to standards that have been approved but not yet effective, will not have a significant impact on the Consolidated Financial Statements. The effects of IFRS 18 Presentation and disclosures in financial statements, which will take effect in 2027, have not been fully assessed.

### c. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except investment properties which are measured at fair value, and assets for own use which are measured at revalued cost. Methods in measuring fair value are discussed in notes 3, 13 and 27. Note 31 contains information on the Group's main accounting policies and changes to them during the year.

### d. Presentation and functional currency

The consolidated financial statements of the Group are presented in Icelandic krona (ISK), which is the Parent's and subsidiaries' functional currency. All amounts are presented in ISK million unless otherwise stated.

### e. Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognised in the periods when the changes are made and in subsequent periods if the changes also affect those periods.

Information about management estimates and judgements in applying accounting policies that have the most significant effect on the financial statements is included in note 3 on fair value and note 13 on valuation of investment properties.

## 3. Determination of fair value

The Group has established a process for determining fair value. This means that management is responsible for all the important decisions regarding fair value, including decisions related to assessment strategies covered in level 3 of the fair value measurement. In determining fair value the Group utilises market information as far as possible, but if such information is not available it is based on management estimates.

Management regularly reviews important assumptions in the evaluation of assets and liabilities that are based on data which cannot be obtained in the market. If information from third parties, such as prices from brokers or pricing services, are used in determining fair value, management uses the information to support the conclusion that the assessment is in accordance with International Financial Reporting Standards (IFRSs), including the level that such an evaluation would fall under.

Fair value is classified according to the standards in a hierarchy system based on the assumptions used in the measurement according to following definitions:

Level 1: quoted prices (unchanged) in active markets for identical assets and liabilities.

Level 2: other assumptions than quoted prices according to level 1 which can be identified for the asset or liability, either directly (prices) or indirectly (derived from prices).

Level 3: assumptions used in determining asset or liability are not based on available market data (unobservable data).



If the assumptions used in determining fair value of assets and liabilities are classified at different levels in the classification, the total fair value is classified at the same level as the lowest important assumptions in the measurement.

If there is a change in classification of fair value during the reporting period the transfer between stages is at the end of that period.

Further information on assumptions used in determining fair value is in the following notes: Note 12 on intangible assets, note 13 on investment properties and note 32 on significant accounting policies.

#### 4. Segment reporting

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

Segments 2024	Investment properties	Hotel	Offset entries	Total
Lease income .....	10.273	0 (	377)	9.896
Other operating income .....	787	812	0	1.599
Operating expenses .....	( 3.536)	( 921)	377 (	4.080)
Impairment of receivables .....	( 74)	( 0)	0 (	74)
EBITDA .....	7.450	( 109)	0	7.341
Change in value of investment properties .....	7.327	0	0	7.327
Depreciation .....	( 143)	( 33)	0 (	176)
Finance income .....	287	1 (	31)	257
Finance expenses .....	( 6.610)	( 46)	31 (	6.625)
Income tax .....	( 1.684)	37	0 (	1.647)
Profit (loss) for the year .....	6.626	( 149)	0	6.477
Assets 31.12.2024 .....	156.463	452 (	665)	156.250
Liabilities 31.12.2024 .....	103.652	602 (	665)	103.589
Investments of the year .....	5.221	27	0	5.248

Segments 2023	Investment properties	Hotel	Offset entries	Total
Lease income .....	9.870	0 (	356)	9.514
Other operating income .....	732	978	0	1.710
Operating expenses .....	( 3.352)	( 928)	356 (	3.924)
Impairment of receivables .....	176	( 1)	0	175
EBITDA .....	7.425	50	0	7.475
Change in value of investment properties .....	7.513	0	0	7.513
Depreciation .....	( 19)	( 31)	0 (	50)
Finance income .....	146	2 (	28)	120
Finance expenses .....	( 7.740)	( 28)	28 (	7.740)
Income tax .....	( 1.466)	1	0 (	1.465)
Profit (loss) for the year .....	5.859	( 6)	0	5.853
Assets 31.12.2023 .....	141.683	418 (	472)	141.629
Liabilities 31.12.2023 .....	92.659	419 (	472)	92.606
Investments of the year .....	3.528	3	0	3.531

#### 5. Operating income

Operating income is specified as follows:

	2024	2023
Lease income .....	9.896	9.514
Operating income of common properties .....	749	699
Income from hotel operations .....	810	978
Other income .....	40	33
Total operating income .....	11.495	11.224

The Group has entered into lease agreements which are valid for a period from a few months up to almost 26 years. Almost all of the agreements are connected to price changes by connecting them to consumer price index for indexation. The Group has 10 lease agreements connected to turnover either in full or partly, and the ratio of lease income from such agreements was just under 2% of the Group's total lease income. Income weighted average rental period is 6.2 years (2023: 6.87 years). Some of the lease agreements can be terminated before the end of the lease period. Those terms are not factored into the income weighted average rental period.

Following is an analysis of future lease income of current lease agreements without taking into account revaluation clauses regarding lease payments and termination provisions.

Lease income within one year .....	10.272	9.242
Lease income after 1-2 years .....	9.373	8.388
Lease income after 2-3 years .....	7.833	7.694
Lease income after 3-4 years .....	6.590	6.724
Lease income after 4-5 years .....	5.902	5.564
Lease income more than five years .....	29.461	30.495
Lease income total .....	<u>69.431</u>	<u>68.107</u>

## 6. Operating expenses

Operating expenses are specified as follows:	<b>2024</b>	<b>2023</b>
Property tax, water and wastewater expenses .....	1.579	1.524
Insurance .....	114	102
Maintenance of investment properties .....	109	90
Operating expenses of properties .....	802	730
Other operating expenses of investment properties .....	237	209
Operating expenses of hotel .....	543	573
Office and administrative expenses .....	695	697
Total operating expenses .....	<u>4.080</u>	<u>3.924</u>

Operating expenses are specified as follows between leased assets and assets not generating lease income in the year:

Leased assets .....	2.679	2.527
Assets not generating lease income in the year .....	163	127
	<u>2.842</u>	<u>2.654</u>

Operating expenses of hotel .....	543	573
Office and administrative expenses .....	695	697
Total operating expenses .....	<u>4.080</u>	<u>3.924</u>

## 7. Salaries and salary related expenses

Salaries and salary related expenses are specified as follows:	<b>2024</b>	<b>2023</b>
Salaries .....	756	718
Contributions to pension funds .....	100	98
Other salary-related expenses .....	75	82
Other staff related expenses .....	35	30
Total salaries and salary-related expenses .....	<u>966</u>	<u>928</u>

Man-years .....	46	51
Positions at the end of the year .....	50	50

Salaries and salary-related expenses are allocated to operating items as follows:

Operating expenses of investment properties .....	256	242
Constructions and maintenance of properties .....	51	49
Operating expenses of hotel .....	152	159
Office and administrative expenses .....	508	479
Total salaries and salary-related expenses .....	<u>966</u>	<u>928</u>

## 8. Fees to auditors

Fees to auditors of the Group are specified as follows:	<b>2024</b>	<b>2023</b>
Audit of financial statements and review of interim financial statements .....	16	25
Other services .....	1	2
Total fees to auditors .....	<u>17</u>	<u>27</u>

## 9. Finance income and finance expenses

Finance income and finance expenses are specified as follows:	<b>2024</b>	<b>2023</b>
Interest income .....	257	120
Interest expenses of long term liabilities .....	( 3.047)	( 3.168)
Indexation .....	( 3.384)	( 4.404)
Interest expenses on lease liabilities .....	( 129)	( 125)
Other finance expenses .....	( 64)	( 43)
Total finance expenses .....	<u>( 6.625)</u>	<u>( 7.740)</u>
Net finance expenses .....	<u>( 6.368)</u>	<u>( 7.620)</u>

## 10. Income tax

### Expensed income tax

Effective income tax is specified as follows:	<b>2024</b>	<b>2023</b>
Profit before income tax .....	8.124	7.318
Income tax according to the current tax ratio .....	20,0% 1.625	20,0% 1.464
Provision for tax asset, change .....	0,3% 23	0,0% 0
Other changes .....	(1,0%) ( 81)	0,0% 1
Effective income tax .....	<u>19,3% 1.566</u>	<u>20,0% 1.465</u>

## 11. Intangible assets

Intangible assets comprise of goodwill from purchases of subsidiaries. Goodwill is not amortised, but is evaluated at least annually with regards to impairment or more often if there is indication of impairment. In performing impairment test, fair value less cost to disposal was evaluated.

Key assumptions which supported the impairment test were among others the following:

- Weighted rate of return 6.4% (2023: 6.4%)
- Equity ratio 30% (2023: 30%)

The cash flow model used is comparable and with the same presumptions as were used in valuating the Group's investment properties (notes 12 and 30). The impairment test did not indicate any impairment.

The following combined changes of presumptions would have lead to impairment at year end 2024:

- Increase in WACC of 1,1%
- Decrease in market rent by 25%

## 12. Investment properties

	2024	2023
Book value at the beginning of the year .....	129.378	117.181
Move from assets under development .....	1.058	0
Investment in current investment properties .....	4.777	3.177
Investment in new investment properties .....	419	237
Investment through acquisition of a Company .....	0	1.270
Value adjustment .....	7.327	7.513
Book value at end of the year .....	<u>142.959</u>	<u>129.378</u>

Lease assets .....	2.512	2.728
Investment properties at the end of the year .....	<u>145.471</u>	<u>132.106</u>

### Segmentation of investment properties

Real estate .....	137.761	125.708
Building rights and plots .....	5.198	3.670
Lease assets .....	2.512	2.728
Total investment assets .....	<u>145.471</u>	<u>132.106</u>

2024	Commercial buildings	Office buildings	Industrial and storage	Hotel and restaurant	Wellness and other	Total
Book value at 1.1. ....	30.924	53.936	17.477	13.340	13.700	129.378
Investment for the year .....	1.794	1.557	741	325	360	4.777
Investment in new assets ..	0	0	0	0	419	419
Moved f. assets und. dev. ....	62	512	484	0	0	1.058
Reclassification .....	( 251)	( 612)	301	195	368	0
Value adjustment .....	1.354	2.047	1.404	931	1.591	7.327
Book value at 31.12 .....	<u>33.883</u>	<u>57.440</u>	<u>20.408</u>	<u>14.791</u>	<u>16.437</u>	<u>142.959</u>
Proportion .....	23,7%	40,2%	14,3%	10,3%	11,5%	100,0%

2023	Commercial buildings	Office buildings	Industrial and storage	Hotel and restaurant	Wellness and other	Total
Book value at 1.1. ....	29.265	49.396	16.643	11.839	10.038	117.181
Investment for the year .....	794	1.646	289	158	290	3.177
Investment in new assets ..	144	1.326	38	0 (	1)	1.506
Reclassification .....	( 685)	( 47)	22	729 (	19)	0
Value adjustment .....	1.407	1.616	484	614	3.393	7.513
Book value at 31.12 .....	<u>30.924</u>	<u>53.936</u>	<u>17.477</u>	<u>13.340</u>	<u>13.700</u>	<u>129.378</u>
Proportion .....	23,9%	41,7%	13,5%	10,3%	10,6%	100,0%

Following is information on main presumptions and changes which have occurred.

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 Group can expect from current lease agreements and lease agreements the Group 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 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 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.

Management had transactions of business premises in the 2023 looked at and the result was that evaluation of the Group's investment properties was comparable to those market transactions.

### Interests

Presumptions on interests applied in calculating the Group's weighted average cost of capital have been revalued from the previous year's estimate in accordance with changes to general credit terms, but management expectations on market interest of individual assets are relied upon. Changes were made to presumptions of interest rate for increase.

#### Rate of return on equity and equity ratio

Rate of return on equity is derived from the CAPM model (Capital Asset Pricing Model). Changes were made to presumptions of rate of return on equity for decrease. The Group's WACC is between 6,0% - 7,1% (2023: 5,4% - 7,3%) depending on assets. Tax shield is not taken into account in calculating WACC. Equity ratio is expected to be 30%. Each 1% increase in the occupancy rate for the future corresponds to an increase of almost 0,1% in WACC (2023: almost 0,1%).

#### Utilisation of lease units

Rental value ratio of the Group was 93.6% at the end of year 2024 (2023: 94.3%). Rental value ratio is the ratio of leased properties which are in a leasable condition relative to lease payments but not relative to square metres. Presumptions on rental value ratio of individual assets are between 0% to 100% and future estimate for the asset portfolio is 95% (2023: 95%).

#### Market rent

In estimating future cash flow market rent needs to be evaluated at the time when current lease agreements expire. The market rent is based on management estimate of development of rental price in the future.

Estimated lease income is based on current lease agreements and management estimate of development of rental price in the future.

2024	Commercial buildings	Office buildings	Industrial and storage	Hotel and restaurant	Wellness and other	Total
Estimated lease income pr. m <sup>2</sup>						
pr. month (ISK) .....	1.042-9.282	1.715-6.473	658-3.213	4.002-7.668	813-4.747	
Estimated weighted average rent						
pr. m <sup>2</sup> pr. month (ISK) ...	3.142	3.371	2.430	5.134	3.478	3.237
WACC	6,0-7,0%	6,0-7,1%	6,2-7,0%	6,0-6,8%	6,1-7,0%	6,36%
2023	Commercial buildings	Office buildings	Industrial and storage	Hotel and restaurant	Wellness and other	Total
Estimated lease income pr. m <sup>2</sup>						
pr. month (ISK) .....	994-8.861	1.506-7.009	716-2.973	1.949-7.321	1.014-4.683	
Estimated weighted average rent						
pr. m <sup>2</sup> pr. month (ISK) ...	2.853	3.197	2.314	5.007	3.366	3.061
WACC	5,8-7,2%	5,4-7,3%	6,2-7,1%	6,0-7,0%	5,8-6,7%	6,35%

#### Sensitivity analysis

Effects of changes in fair value of investment properties:

	2024	2023
	Effect on fair value	Effect on fair value
Increase (decrease) of lease income by 1% .....	1.818 ( 1.818)	1.699 ( 1.699)
Increase (decrease) of rental value ratio by 1%-point .....	1.752 ( 1.752)	1.761 ( 1.761)
Decrease (Increase) of rate of return by 0.5%-points .....	10.966 ( 9.367)	10.660 ( 9.094)

#### Official assessment value and insurance value

Book value, official assessment value and fire insurance value of properties is as follows:

	2024	2023
Book value of properties and land .....	148.516	136.099
Official assessment value of properties and land .....	112.517	104.700
Fire insurance value of properties .....	122.544	119.003
Additional fire insurance value of properties .....	17.174	17.174

#### Pledges and guarantees

The Group's real estates, whether classified as investment properties, properties under construction or assets for own use, are pledged as collaterals for the Group's liabilities for the amount of ISK 85,017 million at year end (2023: ISK 75,507 million). A part of the Group's real estates carry input VAT encumbrance in the amount of ISK 4,935 million at year end (2023: ISK 4,386 million) which amortise over 20 years. The VAT encumbrance does not become payable unless prerequisites change, if relevant real estate is utilised for operations which are exempt from VAT or they are sold less the encumbrance. In addition there is an encumbrance for the amount of ISK 222 million for a building right at the Company's plot at Borgartún 21. The encumbrance will lapse at year end 2026 and will not become payable unless construction will commence on the plot.

#### 13. Development properties

Development properties are specified as follows:

	2024	2023
Book value at 1.1 .....	1.079	671
Acquired through acquisition subsidiary .....	0	0
Investment in current development properties .....	0	9
Moved to investment assets .....	( 1.079)	0
Change in lease asset .....	0 ( 2)	
Book value at 31.12. ....	0	679

#### 14. Assets for own use

Assets for own use are specified as follows:

	Real estate	Interiors and other	Total
<b>Cost</b>			
Balance at 1.1.2023 .....	4.346	544	4.890
Reversal of impairment from previous years .....	107	0	107
Revaluation during the year .....	1.442	0	1.442
Additions during the year .....	40	40	80
Sold during the year .....	0	( 1)	( 1)
Balance at 31.12.2023 .....	5.935	583	6.518
Additions during the year .....	10	42	53
Balance at 31.12.2024 .....	5.946	625	6.571
<b>Depreciation</b>			
Depreciation at 1.1.2023 .....	515	213	727
Revaluation during the year .....	( 342)	0	( 342)
Depreciation during the year .....	101	57	157
Sold during the year .....	0	( 1)	( 1)
Total depreciation at 31.12.2023 .....	273	269	543
Depreciation during the year .....	116	60	176
Sold during the year .....	0	0	0
Total depreciation at 31.12.2024 .....	389	329	718
<b>Book value</b>			
At 1.1.2023 .....	3.831	331	4.162
At 31.12.2023 .....	5.662	314	5.975
At 31.12.2024 .....	5.557	296	5.852

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 12). Book value of properties without revaluation is ISK 3.816 at year end 2024 (2023: 3.892 millj. kr.). The change in the revaluation of own real estate in 2024 was immaterial and therefore their valuation was not updated.

#### 15. Depreciation

Depreciation and impairment losses is specified as follows:

	2024	2023
Reversal of impairment from prior periods .....	0	( 107)
Office .....	3	3
Hotel .....	145	128
Interiors and other .....	28	26
Total depreciation and impairment losses .....	176	50

#### 16. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:

	2024	2023
Long-term receivables .....	504	707
Current maturities of long term receivables .....	( 184)	( 201)
Provision for impairment losses .....	( 32)	( 70)
Long-term receivables, net balance .....	288	436
Trade receivables due to lease .....	421	404
Trade receivables due to deferred lease payments .....	175	158
Trade receivables due to other operations .....	143	121
Provision for impairment losses .....	( 147)	( 58)
Total trade receivables .....	592	625
Current maturities of other long term receivables .....	0	5
Other short-term receivables .....	101	68
Other short-term receivables total .....	101	73
Total trade receivables and other short-term receivables .....	694	698
Provision for impairment of receivables is specified as follows at year end:		
Provision at beginning of the year .....	128	417
Provision during the year .....	( 23)	( 114)
Receivables written off during the year .....	74	( 175)
Provision at year end .....	179	128

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. Next year's payment of such bonds is classified within trade receivables related to lease income and deferred lease payments. Trade receivables are evaluated based on expected recoveries.

## 17. Equity

### Share capital

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 30.463.435.000 at the end of the period which is recognised as decrease in share capital. Outstanding shares at year end are 3.393.400.000 and are all paid up. One vote is attached to each ISK 1 share in the Company.

### Share premium

Share premium represents excess of payments above nominal value that shareholders have paid for shares sold by the Company.

### Reserves

A statutory reserve is established by the Company in accordance with Act No. 2/1995 on limited liability companies, which stipulates that at least 10% of the Company's profit, not utilised to adjust previous years' losses or for other reserves in accordance with law, shall be allocated to the statutory reserve until the reserve amounts to 10% of the Company's share capital. When that benchmark has been reached the contribution to the reserve shall be at least 5% until its value has reached 25% of the Company's share capital. The statutory reserve can be used to offset loss which cannot be offset with entries from other reserves. When the statutory reserve amounts to more than 25% of the share capital, the excess amount can be utilised to increase share capital or, or if provisions in Article 53 of the Act no. 2/1995 on limited liability companies are met, for other needs.

### Restricted equity

According to the Financial Statements Act no. 3/2006 companies are required to recognise share in profit or loss of subsidiaries, which is recognised in the income statement and is in excess of dividend received or dividend which has been decided to distribute, to restricted minority interest reserve among equity.

### Retained earnings

Retained earnings consist of the Group's retained profit and accumulated deficit from the establishment of the parent company, with valuation changes of investment properties taking into account income tax effects, less dividend payments and transfers to and from other equity items.

### Capital management

The Company's Board of Directors has established an equity ratio of 30%. It is the Board's policy to ensure a strong equity position and support stable future operating development. The Board aims to keep balance between rate of return of equity and optimisation and security which is achieved with strong equity ratio. The Company's equity ratio was 33.7% at year end (2023: 34.6%). Return on equity was positive by 13.7% in the year 2024 (2023: 17.2%).

### Dividend

Dividend amounting to ISK 2,540 million was paid to shareholders in 2024 due to the year 2023. The Company's Board of Directors' policy is to annually pay dividend or repurchase share for the amount corresponding at least 75% of net cash provided by operations. The Board of Directors proposes a dividend payment of ISK 3.393,4 million to shareholders for the operating year 2024, taking into account the Company's dividend policy and repurchase of own shares was ISK 299 millions during 2024.

## 18. Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit to average number of active shares during the year and shows the earnings per each share of ISK 1. Diluted earnings per share is the same as basic earnings per share since no share options have been granted by the Company nor has it sold convertible bonds.

	2024	2023
Profit for the year.....	6.477	5.853
Weighted-average number of ordinary shares during the year.....	3.414	3.415
Earnings per share.....	1,90	1,71

## 19. Interest bearing liabilities

This note includes information about the contractual provisions of the Group's interest bearing liabilities. Reference is made to note 25 for information on the Group's foreign exchange and interest rate risk.

	2024	2023
Interest bearing liabilities 1 January .....	75.567	70.272
New borrowings .....	22.139	8.211
Acquired through purchase of a subsidiary .....	0	917
Repayments and settlements of long-term liabilities .....	( 16.054)	( 8.274)
Indexation .....	3.381	4.404
Capitalised borrowing cost, change .....	44	31
Other long-term liabilities, change .....	22	5
Interest bearing liabilities 31 December .....	85.098	75.567
<b>Long-term liabilities</b>		
Listed bonds and bank loans .....	78.900	67.117
Other long-term liabilities .....	82	60
	78.982	67.176
<b>Short-term liabilities</b>		
Current maturities of liabilities .....	6.116	8.390
	6.116	8.390
Total interest bearing liabilities .....	85.098	75.567

**Terms and repayment period of interest bearing liabilities**

	Weighted average interest rates	Final maturity	2024	2023
Bond issue EIK 100346 in ISK, indexed .....	3,60%	2046	6.619	6.508
Bond issue EIK 161047 in ISK, indexed .....	3,50%	2047	24.140	23.673
Bond issue EIK 050749 in ISK, indexed .....	3,08%	2049	7.830	7.669
Bond issue EIK 050726 in ISK, indexed .....	2,71%	2026	7.044	6.908
Bond issue EIK 141233 in ISK, indexed .....	2,33%	2033	9.352	9.169
Bond issue EIK 100327 in ISK, indexed .....	1,45%	2027	3.502	3.443
Bond issue EIK 050734 in ISK, indexed .....	4,00%	2034	8.072	0
Bond issue EIK 24 1 in ISK, non-indexed .....	0,00%	0	0	2.999
Bond issue EIK 25 1 in ISK, non-indexed .....	7,67%	2025	2.339	2.337
Loan in ISK, non-indexed .....	5,42%	2025-2049	16.119	3.956
Loan in ISK, non-indexed .....	0,00%	0	0	8.846
Other indexed long-term liabilities .....	0,00%	2025-2035	67	37
Other non-indexed long-term liabilities .....	5,46%	2025-2032	14	22
Total long-term liabilities, incl. current maturities .....			85.098	75.567
Current maturities .....			( 6.116)	( 8.390)
Total .....			78.982	67.176

Repayment of long-term liabilities is specified as follows over the next years:	2024	2023
Repayments within a year .....	6.116	8.390
Repayments after 1-2 years .....	9.122	7.740
Repayments after 2-3 years .....	5.506	8.227
Repayments after 3-4 years .....	4.810	5.318
Repayments after 4-5 years .....	9.747	4.082
Subsequent repayments .....	49.796	41.809
Total .....	85.098	75.567

At the end of 2024 the Group fulfilled all covenants relating financial strength and cash flow obligations which it has undertaken in terms of loans and bonds.

The Group has unused credit facility amounting to ISK 2,600 million at year end. (2023: 2,600 m.kr.)

**20. Lease assets and lease liabilities**

	2024	2023
<b>Lease assets</b>		
Balance at beginning of the year .....	2.749	2.480
Change due to revaluation .....	( 236)	216
Purchased and sold assets .....	0	52
Balance at end of the year .....	2.512	2.749

<b>Lease liabilities</b>		
Balance at beginning of the year .....	2.749	2.480
Change due to revaluation .....	( 236)	216
Purchased and sold assets .....	0	52
Balance at end of the year .....	2.512	2.749

<b>Amounts in statement of comprehensive income</b>		
Interest expenses of lease liabilities expensed to income statement .....	129	125

<b>Amounts in statement of cash flow</b>		
Interest expense of lease liabilities paid .....	129	125

**21. Income tax liability**

The Group's income tax liability is specified as follows:	2024	2023
Income tax liability at 1 January .....	12.503	10.683
Acquired through purchase of a subsidiary .....	0 ( 2)	
Income tax liability in statement of comprehensive income .....	1.647	1.465
Income tax due to revaluation of property .....	0	357
Income tax liability at 31 December .....	14.151	12.503

Real estate .....	15.207	13.558
Tax loss carry-forward .....	( 1.024)	( 1.032)
Provision for tax asset .....	3	3
Other items .....	( 36)	( 26)
Tax liability at year end .....	14.151	12.503

Tax loss carry-forward, which is not utilisable against profit within 10 years since it developed, will terminate. Tax loss carry-forward at year end is utilisable as follows:

Taxable loss due to 2014, utilisable until year end 2024 .....	-	113
Taxable loss due to 2015, utilisable until year end 2025 .....	240	240
Taxable loss due to 2016, utilisable until year end 2026 .....	239	239
Taxable loss due to 2017, utilisable until year end 2027 .....	179	179
Taxable loss due to 2018, utilisable until year end 2028 .....	452	452
Taxable loss due to 2019, utilisable until year end 2029 .....	226	226
Taxable loss due to 2020, utilisable until year end 2030 .....	422	422
Taxable loss due to 2021, utilisable until year end 2031 .....	9	9
Taxable loss due to 2022, utilisable until year end 2032 .....	1.831	1.831
Taxable loss due to 2023, utilisable until year end 2033 .....	1.450	1.450
Taxable loss due to 2024, utilisable until year end 2034 .....	72	-
	<u>5.120</u>	<u>5.162</u>

Income tax asset is recognised to the extent that it is considered likely that future profit can be utilised against the asset. Income tax asset is evaluated at each reporting date.

Income tax liability amounting to ISK 777 million from Group acquisitions that were classified as asset deals have not been recognised in the balance sheet, as IFRS does not allow such recognition. The liability will not materialise unless the investment assets will be sold. The Group has no plans to sell these assets.

## 22. Trade payables and other short-term payables

Trade payables and other short-term payables are specified as follows at year end:	<b>2024</b>	<b>2023</b>
Trade payables .....	507	370
Accrued interest .....	722	585
Short-term liabilities due to purchased subsidiary .....	0	263
Other short-term liabilities .....	599	571
Total trade payables and other short-term payables .....	<u>1.828</u>	<u>1.787</u>

## 23. Investing and financing without credit

Purchase price of investment assets .....	0	27
Purchase price of subsidiary .....	0	236
Other short-term liabilities .....	0	0

## 24. Financial risk management

The Group's financial instruments are exposed to several risks og those will be described below along with methods applied by the Group in evaluating and managing the risk. The Company's Board of Directors is responsible for implementing and monitoring the Group's risk management. Risk management is meant to analyse or detect risk factors, set benchmarks relating to risks and monitor it.

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and guarantees are not sufficient for the outstanding receivable. Credit risk arises principally from financial position and operations of the Group's customers. The Group analyses financial position of new customers for creditworthiness prior to entering into business, in addition to requesting 3-6 months' guarantees. If a customer does not meet contractual obligations for two months, the matter is referred to the collection committee. Follow up on collections is effective and decisions made on how to react to them.

The Group's maximum exposure to credit risk of financial assets is their book value which at year-end was as follows:

	<b>2024</b>	<b>2023</b>
Cash and cash equivalents .....	3.594	984
Trade receivables .....	880	1.061
Other short-term receivables .....	101	73
Total maximum exposure .....	<u>4.575</u>	<u>2.118</u>

The aging of trade receivables and impairment at year-end was as follows:

	<b>2024</b>		<b>2023</b>	
	<b>Gross</b>	<b>Impairment</b>	<b>Gross</b>	<b>Impairment</b>
Not past due and past due 1-30 days .....	211	2	346	9
Past due 31 - 60 days .....	44	4	73	2
Past due 61 - 90 days .....	40	20	16	7
Past due more than 90 days .....	765	153	755	110
	<u>1.060</u>	<u>179</u>	<u>1.189</u>	<u>128</u>

Overdue receivables due to entities within tourism and bars and restaurants amount to ISK 467 million (2023: ISK 655 million) but they have been depreciated by ISK 46 million (2023: ISK 70 million).

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group observes development of its liquidity by analysing due dates of financial assets and financial liabilities with the aim to ensure that it will always have sufficient liquidity to meet its liabilities. The Group had undrawn credit facilities of ISK 2,600 million at year end. The Group owns unpledged investment properties valued at ISK about 8,090 million.



Contractual instalments of liabilities, including expected interest payments, are specified as follows:

2024	Book value	Contractual cash flows	Less than			More than 5 years
			1 year	1 - 2 years	2 - 5 years	
Interest bearing loans .....	85.098	111.973	9.217	11.897	26.738	64.120
Trade receivables and other short-term receivables	1.828	1.828	1.828			
	86.926	113.800	11.045	11.897	26.738	64.120

  

2023	Book value	Contractual cash flows	Less than			More than 5 years
			1 year	1 - 2 years	2 - 5 years	
Interest bearing loans .....	75.567	99.542	11.396	10.227	22.849	55.071
Trade receivables and other short-term receivables	1.787	1.787	1.787			
	77.354	101.330	13.184	10.227	22.849	55.071

#### Interest rate risk

Interest rate risk is the risk of changes in fair value or cash flow from financial assets and financial liabilities due to changes in market interest rates. The Group's interest bearing financial instruments are specified as follows at year end:

	2024	2023
<b>Financial instruments with fixed interest rates</b>		
Interest bearing receivables .....	34	63
Interest bearing loans .....	( 71.175)	( 63.648)
Net financial instruments with fixed interest rates .....	( 71.141)	( 63.584)
<b>Financial instruments with floating interest rates</b>		
Cash and cash equivalents .....	3.594	984
Interest bearing loans .....	( 13.923)	( 11.919)
Net financial instruments with floating interest rates .....	( 10.329)	( 10.935)

#### Sensitivity analysis of the cash flow of financial instruments with floating interest rates

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) the profit before income tax by ISK 103 (103) million (2023: ISK 109 (109) million). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for the year 2023.

#### Financial instruments with fixed interest rates

The Group's financial instruments with fixed interest rates are not recognised at fair value through statement of comprehensive income. If there is a change in interest rate at reporting date it has no effect on the Group's financial performance.

#### Inflation risk

Inflation risk is the risk of the Group's results fluctuating due to changes in consumer price index. Interest bearing liabilities in the amount of ISK 82.745 million. (2023: ISK 61.363 million) are indexed to the consumer price index. A change in inflation of one percentage point at year end 2024 would have decreased the Group's profit before income tax in the amount of ISK 827 million (2023: ISK 614 million). The analysis is based on all other variables remaining constant.

## 25. Operation risk

Operational risk is a risk related to other factors than those discussed above, general factors which apply to operation of real estate companies. Operational risk is the risk of direct or indirect loss arising from a wide variety of factors in the Group's operations, the work of the Group's personnel, technology and organisation, and from external factors other than the above mentioned, such as changes in laws, increased tax levy as with property taxes and general attitude towards corporate governance. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk efficiently in order to avoid financial losses and to protect the Group's reputation. In order to reduce operational risk, among other things, an appropriate segregation of duties has been implemented, transactions are controlled as well as compliance with laws, regular assessment of risk is performed, employees are trained, procedures are organised and documented, and insurance is purchased when applicable.

## 26. Fair value

#### Comparison of fair value and book value

Fair value and book value of financial assets and financial liabilities is specified as follows:

	31 December 2024		31 December 2023	
	Book value	Fair value	Book value	Fair value
Interest bearing loans .....	85.098	83.042	75.567	72.753

Fair value of the Company's listed bonds is calculated in accordance with level 2, see note 3. Fair value of other financial assets and financial liabilities is the same as their book value.

## 27. Related parties

#### Definition of related parties

The Group has a related party relationship with members of the Board of Directors, management and shareholders which have significant influence, companies controlled by them, along with their spouses and financially dependent children.

### Related parties with significant influence

Gunnar Þór Gíslason, a board member of Eik, is the representative of Langisjór ehf., which, along with its partners Síldarbein ehf., Alma íbúðafélag hf., and Brimgarðar ehf., holds 1,106,529,154 shares in the company, corresponding to 32.32% of the company's share capital.

### Transactions with companies controlled by members of the Board of Directors

The Company leased two rental spaces to related parties and earned a rent income of ISK 6.4 million during the year.

### Transactions with key management

Salaries and benefits to key management for their work for the Group and shares in the Company are specified as follows:

Year 2024	Salaries and benefits	Bonus payments	Contribution to pension funds	Nominal value of shares
Bjarni Kristján Þorvarðarson, Chairman of the Board .....	11,1		1,5	
Eyjólfur Árni Rafnsson, Board member .....	5,4		0,7	
Guðrún Bergsteinsdóttir, Board member .....	5,7		0,8	
Gunnar Þór Gíslason, Board member .....	4,3		0,6	1106,5
Ragnheiður Harðar Harðardóttir, Board member .....	6,5		0,9	
Hersir Sigurgeirsson, former board member .....	1,9		0,3	0,5
Garðar Hannes Friðjónsson, CEO .....	52,6	5,8	7,9	11,5
Directors (5) .....	153,1	16,8	22,9	1,3

Directors in year end: Árni Huldar Sveinbjörnsson, Eyjólfur Gunnarsson, Guðbjartur Magnússon, Lýður Heiðar Gunnarsson og Sturla Gunnar Eðvarðsson.

Year 2023	Salaries and benefits	Bonus payments	Contribution to pension funds	Nominal value of shares
Bjarni Kristján Þorvarðarson, Chairman of the Board .....	9,9		1,3	
Eyjólfur Árni Rafnsson, Board member .....	5,2		0,7	
Guðrún Bergsteinsdóttir, Board member .....	5,2		0,7	
Hersir Sigurgeirsson, Board member .....	6,5		0,9	0,5
Ragnheiður Harðar Harðardóttir, Board member .....	5,7		0,8	
Garðar Hannes Friðjónsson, CEO .....	53,3	6,1	8,0	7,4
Directors (6) .....	143,7	14,4	21,3	0,4

Directors in year end: Árni Huldar Sveinbjörnsson, Eyjólfur Gunnarsson, Guðbjartur Magnússon, Lýður Heiðar Gunnarsson og Sturla Gunnar Eðvarðsson. During the year, Jóhann Magnús Jóhannsson resigned and Árni Huldar Sveinbjörnsson took over his position as the Company's general counsel.

No irregular contracts have been entered into with board members or management.

The share of Garðar Hannes Friðjónsson is through Burðarbitar ehf. The shares of Gunnar Þór Gíslason, board member, is through Síldarbein ehf., Langisjór ehf. and Brimgarðar ehf. and the shares of Hersir Sigurgeirsson, former board member, through Endurreisnarsjóðurinn ehf.

## 28. Subsidiaries

### Shareholding in subsidiaries

	Share 2022	Share 2021
Eik rekstrarfélag ehf. ....	100,0%	100,0%
Landfestar ehf. ....	100,0%	100,0%
EF16 ehf. ....	100,0%	100,0%
Hótel 1919 ehf. ....	100,0%	100,0%

All of the subsidiaries are domiciled in Reykjavík.

## 29. Events after the reporting date

The Board of the Company and Garðar Hannes Friðjónsson, CEO, have reached an agreement regarding his departure from the Company. Garðar Hannes will continue to lead the Company as CEO until the annual general meeting, which is scheduled to be held on the upcoming 10th of April.

## 30. Significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in the Group's financial statements.

In order to increase the information value of the financial statements, the notes are published on the basis of how appropriate and significant they are for the reader. This entails that information which is considered neither significant nor appropriate for the user of the financial statements are not published in the notes.

### a. Basis of consolidation

#### i) Merger of companies

The purchase method is applied at merger when control transfers to the Group. The transaction at merger is measured at fair value as well as the separable assets and liabilities which are taken over. Goodwill generated is tested annually for impairment. Profit from favourable purchases is recognised immediately in the statement of comprehensive income. Transaction costs are expensed as it occurs except when it is related to issue of bonds or shares.

Conditional supplementary payments are recognised at fair value at the acquisition date. If such supplementary payment is categories as equity it is not revalued and is settled within equity. In other instances changes in fair value of conditional supplementary payment is recognised in the statement of comprehensive income.

ii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control is based on whether the Group has power over the investment, bears a risk or has the rights to variable returns from its involvement in the investment and has the ability to affect its returns of the investment. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

iii) *Loss of control*

When the Group loses control of a subsidiary the assets and liabilities of the subsidiary are removed from the consolidated financial statements along with the share of other shareholders of the entity and other items in equity. All related profit or loss is recognised in the statement of comprehensive income. Remaining share is measured at fair value at the date control was lost.

iv) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised loss is eliminated by the same method as unrealised profit, but only to the extent that there is no indication of impairment of the asset.

**b. Foreign currencies transactions**

Transactions in foreign currencies are recognised in the functional currency of individual group entities at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are recognised at the exchange rate ruling at the reporting date. Other assets and liabilities recognised in foreign currencies at fair value are translated at the exchange rate ruling at the date of determination of fair value.

Exchange differences arising from transactions in foreign currencies are recognised in the statement of comprehensive income.

**c. Financial instruments**

i) *Financial assets*

Loans, receivables and cash and cash equivalent are recognised at the date they incurred. Other financial assets are initially recognised at the date the Group became party to contractual provisions of the financial instrument.

Financial assets are derecognised if contractual rights of the Group to cash flow related to the financial assets expires or if the Group delivers right to cash flow related to the financial asset to another party without retaining control or almost all of the risk and benefit which the ownership entails.

Financial assets and financial liabilities are offset and net amount recognised in statement of financial position when and only when the Group has legal right to offset and intentions are to settle with offsetting financial assets and financial instruments or redeem the asset or settle the liability at the same time.

*Financial assets at amortised cost*

Financial assets are recognised at amortised cost are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially measured at fair value plus all related transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses

Financial assets at amortised cost comprise trade receivables and other short-term receivables.

*Cash and cash equivalents*

Cash and cash equivalents consist of funds and on demand bank deposits and securities available within three months.

ii) *Financial liabilities*

Interest bearing liabilities are recognised at the date they were entered into. All other financial liabilities are initially recognised at the transaction date where the Group became party to contractual provisions of the financial instrument.

The Group derecognises financial liability if contractual obligations related to the financial liability finish, they are relinquished or expire. The Group classifies financial liabilities other than derivative agreements as other financial liabilities. Financial liabilities are initially measured at fair value plus all direct transaction costs. Subsequent to

The Group's financial liabilities consist of interest bearing liabilities, trade payables and other short-term liabilities.

iii) *Share capital*

Direct costs attributable to the issue of share capital are recognised as a deduction from equity, net of tax effects.

**d. Intangible assets**

i) *Goodwill*

Goodwill arises upon the acquisition of subsidiaries. Goodwill is the difference between the cost upon take-over and the fair value of overtaken assets, liabilities and uncertain liabilities. If negative goodwill arises it is immediately recognised in the statement of comprehensive income less accumulated impairment.

ii) *Other intangible assets*

Other intangible assets which are acquired or are written up at acquisition of subsidiaries and have limited useful life are capitalised at cost less accumulated depreciation and impairment as appropriate.

iii) *Subsequent cost*

Subsequent cost is only capitalised if it increases benefit of the asset for which the cost is related to. Other costs, including due to goodwill and trademarks created within the Group, is recognised in the statement of comprehensive income when it incurs.

iv) *Depreciation of intangible assets*

Depreciation of intangible assets is recognised in the statement of comprehensive income on a straight-line basis over their estimated useful lives. The estimated useful life is specified as follows:

**e. Investment properties**

Investment properties are real estates (land and buildings) owned by the Group to create rental income, for value increase or both. Investment properties are recognised at fair value in accordance with International Accounting Standard IAS 40, see further note 13. Measurement of investment assets relies upon fair value of comparable assets in active market in transactions between unrelated informed parties, and discounted future cash flow of individual assets. The measurement takes into account the sum of expected future rental income of the properties in addition to cost of operating and maintaining the properties. Estimated future rental income is mostly based on current lease agreements. Estimated operating costs and maintenance of properties is subtracted from rental income. Market interest rates are used in discounting. Changes of fair value of investment properties are recognised under the item changes in value of investment properties in the statement of comprehensive income. Investment properties are not amortised.

When asset for own use becomes investment property due to a change in utilisation, the difference created at transfer of book value and fair value of the property is recognised as revaluation in other profit if there is a profit. At sale of investment property this profit is recognised among retained earnings. Loss which is created at such event is recognised immediately in the statement of comprehensive income.

If investment property is used by its owner it is classified as asset for own use and its fair value at reclassification date will become its cost price in the accounts.

**f. Properties under development**

Property which is under development and is intended to be used as an investment property, is recognised at cost.

**g. Assets for own use**

i) *Recording and valuation*

Assets for own use are measured at cost less depreciation and impairment losses. Revalued cost is fair value of the assets at the revaluation date less accumulated depreciations. All increases due to the revaluation are recognised in revaluation reserve among equity less income tax. Depreciation of the revaluation is recognised in the statement of comprehensive income and annually an adjustment is recognised which corresponds to the amount in revaluation reserve and retained earnings. Annual revaluation is performed.

Cost consists of direct cost of the transaction. Cost of assets for own use which the Group itself builds, consist of materials and salaries, other costs incurred in making the asset operative and is considered to be part of cost of the property. Purchased software which is essential in order to use hardware is capitalised as part of that equipment.

When assets for own use are composed of units with different useful lives the units are separated and depreciated in line with the useful life.

Profit of sale of assets for own use is the difference between actual sale price and book value of the property and is recognised in the statement of comprehensive income among operating income.

Interest expenses of loans which are used to finance the cost of properties under construction are capitalised over the construction period.

ii) *Subsequent costs*

Cost of renewing certain parts assets for own use are capitalised if it is considered likely that benefit related to the asset will be received by the Group and the cost can reasonably be measured. All other cost is expensed in the statement of comprehensive income when it incurs.

iii) *Depreciation*

Depreciation measured on a straight-line basis over the estimated useful lives of assets for own use. Land is not depreciated. The estimated useful lives are specified as follows:

	Useful life
Properties for own use .....	50 - 100
Other assets for own use .....	5 - 10 years

Depreciation methods, estimated useful life and residual value are revalued at each accounting date.

**h. Impairment**

i) *Financial assets*

A financial asset, not recognised at fair value, is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Impairment of financial assets is recognised in the statement of comprehensive income.

ii) *Other assets*

Book value of other assets of the Group is reviewed at each reporting date to determine whether there are indications of impairment. If there is any such indication the recoverable amount of the asset is estimated. Goodwill is tested for impairment at least once a year.

The recoverable amount of an asset or a cash generating unit is the higher of their net fair value or value in use. Value in use is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is expensed when the book value of an asset or a cash generating unit is higher than its recoverable amount. A cash generating unit is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or asset groups. Impairment losses recognised in respect of cash generating units are allocated first to reduce the book value of the goodwill and then to reduce the book value of the other assets in the cash generating unit on a pro rata basis. An impairment loss is expensed in the statement of comprehensive income.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent of prior recognition of impairment taking taxes into account.

**i. Obligations**

Obligations are recognised in the statement of financial position when the Group has a legal obligation or entered into obligations due to past events, it is considered probable that they will be settled and they can be reliably measured. If the effect is significant, the obligation is assessed by discounting estimated future cash flow with interest before taxes which shows current market assessment of time value of money and, if appropriate, the risk inherent with the obligation.

**j. Lease agreements**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets and lease liabilities are only due to leases of land with third parties. There is now right-of-use asset in the Group's statement of financial position. Lease liabilities are initially measured at the present value of unpaid lease payments at the commencement date. If the interest rate implicit in the land lease can be determined it is used for determining present value of the liability. If it cannot be determined then the incremental borrowing rate shall be used, which is the method applied by the Group. Variable incremental borrowing rates are used based on location and category of real estate on each land and a comparable method is applied in determining incremental borrowing rate as is with valuation of the Group's investment properties. The interest rates used for determining present value are determined so that 70% is incremental borrowing rate and 30% is incremental borrowing rate with yield. This method is used for all of the Group's leases of land.

**k. Rental income**

Rental income of investment properties are recognised in the statement of comprehensive income over the rental period.

**l. Operating expense of investment properties**

Operating expense of investment properties is expensed when it incurs and contains among other property taxes, insurance, maintenance and impairment of trade receivables.

**m. Finance income and finance expenses**

Finance income comprises interest income on financial assets and foreign exchange gain on foreign currencies. Interest income is recognised in the statement of comprehensive income as it accrues based on effective interests.

Finance expenses comprise interest expense and indexation on borrowings, exchange rate loss on foreign currencies and other finance expenses. Interest expenses are recognised in the statement of comprehensive income as it accrues based on effective interests.

Foreign currency gains and losses are reported on a net basis.

**n. Income tax**

Income tax expense comprises current and deferred income tax. Income tax is recognised in statement of comprehensive income except to the extent that it relates to operating items recognised directly in equity, in which case the income tax is recognised in equity.

Current income tax is the expected tax payable next year on the taxable income for the current year, using tax

Deferred income tax is recognised using the balance sheet method, providing for temporary differences between the book value of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognised for temporary differences relating to investments in subsidiaries as long as it is considered that the parent company can control when they are reversed and also it is likely that they will not reverse in the foreseeable future. The amount of deferred tax is based on the expected tax rate to be in effect when the temporary difference will be reversed, as per law in effect at the reporting date.

A deferred income tax asset is only recognised to the extent that it is probable that future taxable profits will be available against the asset. Deferred income tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable it will be realised.

**o. Earnings per share**

The financial statements present basic and diluted earnings per share data for ordinary shares in the Company. Basic earnings per share is calculated by dividing profit by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in respect of shares which might be issued in relation to share purchase agreements and other financial instruments which are convertible to shares in the Company.

**p. Segment reporting**

A segment is a distinguishable component of the Group within a certain business environment.