

1H 2023.

Condensed consolidated
interim financial statements

EIK

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

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

The interim condensed consolidated financial statements of Eik fasteignafélag hf. for the period 1 January to 30 June 2023 have been prepared in accordance with the International Accounting Standard IAS 34 for interim financial statements. The interim condensed financial statements include the condensed consolidated interim financial statements for Eik fasteignafélag hf. and subsidiaries. The condensed consolidated interim financial statements for Eik fasteignafélag hf. do not contain all information required in financial statements and should be read in conjunction with the Group's financial statements for the year 2022. The Group's financial statement for the year 2022 can be accessed on www.eik.is

Operations

The Group's operations for the first six months exceeded both management's forecasts and updated forecast, published 27 April 2023, which can be largely explained by changes in the Groups asset portfolio and rentals as well as reversal of impairment of trade receivables.

The Group's operating income amounted to ISK 5,497 million during the period compared to ISK 4,691 million for the same period in 2022. The Group's operating profit before changes in fair value and depreciation amounted to ISK 3,827 million compared to ISK 3,075 million for the same period in the previous year and increased by 24% between periods. Change in fair value of investment properties in the period was ISK 9,788 million. According to the Group's income statement and statement of comprehensive income, total profit for the period amounted to ISK 7,342 million. Net cash from operations was ISK 2,136 million according to the Group's statement of cash flows, increasing by 11% compared to the same period in 2022.

Impairment of trade receivables was positive during the period, amounting to ISK 181 million. This is mainly driven by change in estimated future impairment 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 141,979 million at the end of the period according to the statement of financial position, whereof investment properties amounted to ISK 132,572 million, assets for own use ISK 6,025 million, assets in development ISK 675 million and cash and cash equivalents ISK 1,043 million. The Group's

equity amounted to ISK 50,513 million, whereof outstanding share capital is ISK 3,415 million. The Group's equity ratio was 35.6% at the end of the period. At the Group's Annual General Meeting on 30 March 2023, it was approved to pay a dividend to shareholders due to the operating year 2022 amounting to ISK 2,000 million, the dividend was subsequently paid on 12 April 2023.

Trade and other receivables amounted to ISK 966 million and increased by ISK 212 million during the first six months of the year, mainly driven by ISK 195 million reversal of impairment of trade receivables.

The term of bank loan, amounting to ISK 3,128 million, that was on maturity in March, was extended with a new loan agreement on same terms. The Company signed an agreement for a ISK 1,000 million working capital line in July resulting, as a result of that, the Company has access to ISK 1,600 million in working capital credit in the combined amount of working capital credit

Merger discussion and takeover bid

The Board of Directors of Eik fasteignafélag hf. and Reita fasteignafélags hf. announced on 30. June 2023, that they would start a discussion about a possible merger between the companies. Both company's advisors are currently working on analysing the assets portfolio 's and formal discussion will start after the closing of that work.

The companies' Boards of Directors believes that there are considerable opportunities in place in relation to the merger and that the synergies will mainly come from increased operational efficiency, increased specialisation, better service level in demanding markets and faster revenue generation from assets in development. Finally, the Boards believes that a bigger, more specialized, and more profitable company, is more likely to have access to better financing options and will appeal to a wider group of both domestic and foreign investors.

After Reginn hf. announcement on 8. June 2023 about voluntary takeover bid on all shares of the Company, shareholders of the Company received the bid from Reginn on 10. July 2023. The bid price per share and the exchange rate (46.0%) that the shareholders of the Company are offered is 0.452 share in Reginn for one share in the Company, at maximum. This exchange rate is determined based on last transaction price of the shares of the companies on the Nasdaq Iceland hf. Stock Exchange on 7 June 2023 Eik Fasteignafélag (ISK 10.4) per share and Reginn (ISK 23.0 per share). The takeover bid has now been extended and is valid until 16. October 2023.

Board of Directors statement about the takeover bid will be published soon. In that statement the Board of direc-

tors will give their opinion on the takeover bid, as required by law. Board of directors have convened a shareholder meeting on 15 September 2023, on that meeting the Board of Directors will present their statement and give shareholders the opportunity give their opinion on the takeover bid and the merger discussion with Reiti.

Outlook

The Group has updated its outlook for 2023 and expects that EBITDA for the year will be between ISK 7,500 – 7,800 million at a fixed price throughout the year based on the consumer price index for financial indexation in September 2023.

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 ac-

quired 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.

Statement by the Board of Directors and the CEO

According to the best knowledge of the Board of Directors and the CEO, the Group's interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. It is the opinion of the Board of Directors and the CEO that the interim financial statements give a true and fair view of the Group's assets, liabilities and consolidated financial position as at 30 June 2023 and its financial performance and changes in cash and cash equivalents for the period 1 January to 30 June 2023.

The Board of Directors and CEO of Eik fasteignafélag hf. hereby confirm the Company's interim condensed financial statements for the period from 1 January to 30 June 2023 by means of their signatures.

Reykjavík, 7. september 2023

Board of Directors

Bjarni Kristján Þorvarðarson
Chairman

Eyjólfur Árni Rafnsson
Board member

Guðrún Bergsteinsdóttir
Board member

Hersir Sigurgeirsson
Board member

Ragnheiður Harðar Harðardóttir
Board member

CEO

Garðar Hannes Friðjónsson

Independent Auditor's Review Report

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

We have reviewed the accompanying Condensed Consolidated Interim Financial Statement of Eik fasteignafélag hf. and its subsidiaries (the "Group") as of 30 June 2023 which comprise the condensed consolidated interim statement of financial position as at 30 June 2023 and the related condensed consolidated interim statements of comprehensive income, changes in equity, and cash flows, for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's and the Board of directors Responsibility for the Interim Financial Statements

The board of directors and management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the EU.

Auditor's Responsibility

Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements, ISRE 2410. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the Group as at 30 June 2023, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the EU.

Kópavogur, 7. september 2023

Deloitte ehf.

Signý Magnúsdóttir
auditor

Consolidated Statement of Comprehensive Income

for the period from 1 January to 30 June 2023

	Notes	2023 1.4.-30.6.*	2022 1.4.-30.6.*	2023 1.1.-30.6.	2022 1.1.-30.6.
Lease income		2.382	2.080	4.691	4.070
Other operating income		413	327	806	621
		<u>2.795</u>	<u>2.407</u>	<u>5.497</u>	<u>4.691</u>
Operating expenses	6	(918)	(797)	(1.851)	(1.588)
Impairment of receivables		189	(10)	181	(28)
		<u>(729)</u>	<u>(807)</u>	<u>(1.670)</u>	<u>(1.616)</u>
Operating profit before value changes and depreciation		2.067	1.600	3.827	3.075
Changes in value of investment properties	8	7.780	5.042	9.788	7.981
Depreciation and impairment	10	71	(40)	36	(74)
Operating profit		9.918	6.602	13.651	10.982
Finance income		15	4	57	17
Finance cost		(2.158)	(2.183)	(4.530)	(3.803)
Net financial expense	7	(2.143)	(2.179)	(4.473)	(3.786)
Profit before income tax		7.775	4.424	9.178	7.196
Income tax		(1.555)	(886)	(1.836)	(1.442)
Profit for the period		6.220	3.538	7.342	5.754
Other comprehensive income					
Operating items recorded in equity:					
Revaluation of property for own use		1.784	0	1.784	0
Income tax		(357)	0	(357)	0
Other total comprehensive income		1.427	0	1.427	0
Total profit for the period		7.647	3.538	8.769	5.754
Earnings per share:					
Basic earnings and diluted earnings per share		1,82	1,04	2,15	1,68

*Quarterly results have not been reviewed by auditors.

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

Consolidated Statement of Financial Position as at 30 June 2023

	Notes	30.6.2023	31.12.2022
Assets			
Intangible assets		351	351
Investment assets	8	132.572	119.639
Assets under development		675	671
Assets for own use	9	6.025	4.162
Non-current receivables	11	79	68
Non-current assets		<u>139.702</u>	<u>124.891</u>
Trade and other receivables	11	1.234	774
Cash and cash equivalents		1.043	2.986
Current assets		<u>2.277</u>	<u>3.760</u>
Total assets		141.979	128.651
Equity			
Share capital		3.415	3.415
Share premium		12.648	12.648
Statutory reserve		854	866
Revaluation reserve		1.427	0
Restricted equity		14.341	11.122
Retained earnings		17.828	15.692
Total equity		50.513	43.744
Liabilities			
Interest-bearing debt	12	67.168	64.292
Lease liabilities	13	2.788	2.480
Deferred income tax liability		12.872	10.683
Non-current liabilities		<u>82.828</u>	<u>77.455</u>
Interest-bearing debt	12	6.836	5.980
Trade and other payables		1.802	1.472
Current liabilities		<u>8.638</u>	<u>7.452</u>
Total liabilities		91.466	84.907
Total equity and liabilities		141.979	128.651

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

Consolidated Statement of Changes in Equity as at 30 June 2023

	Share capital	Share premium	Statutory reserve	Revaluation reserve	Restricted equity	Retained earnings	Total equity
1 January to 30 June 2022							
Equity 1.1.2022	3.415	12.648	866	0	7.603	12.951	37.483
Total profit for the period						5.754	5.754
Dividends paid ISK 0.51 per share						(1.740)	(1.740)
Transferred to restricted equity					2.359	(2.359)	0
Equity 30.6.2022	3.415	12.648	866	0	9.962	14.605	41.497
1 January to 30 June 2023							
Equity 1.1.2023	3.415	12.648	866	0	11.122	15.692	43.744
Total profit for the period				1.427		7.342	8.769
Dividends paid ISK 0.59 per share						(2.000)	(2.000)
Transferred to restricted equity					3.219	(3.219)	0
Changes in statutory reserve			(13)			13	0
Equity 30.6.2023	3.415	12.648	854	1.427	14.341	17.828	50.513

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

Consolidated Statement of Cash Flow

for the period from 1 January to 30 June 2023

	Notes	2023 1.1.-30.6.	2022 1.1.-30.6.
Cash flows from operating activities			
Operating profit for the period		13.651	10.982
Operating items which do not affect cash flow:			
Valuation changes of investment properties	8 (	9.788)	(7.981)
Depreciation and impairment	10 (	36)	74
		3.827	3.075
Change in operating assets .....	(	443)	(221)
Change in operating liabilities		102	185
		3.486	3.039
Interest income received		57	17
Finance expenses paid .....	(	1.396)	(1.129)
Net cash from operating activities		2.147	1.927
Cash flows used in investment activities			
Investment in investment assets .....	(	1.594)	(1.843)
Investment in assets under development .....	(	4)	(5)
Investment in assets for own use .....	(	44)	(47)
Investment in subsidiary less acquired cash	13 (	340)	0
Changes in non-current receivables .....	(	12)	0
Net cash used in investing activities	(	1.993)	(1.894)
Cash flows (to) from financing activities			
Dividends paid .....	(	2.000)	(1.740)
New long-term debts		3.925	3.761
Repayments and final payments of long-term loans .....	(	4.023)	(4.067)
Short-term loans, change		0	(140)
Net cash from financing activities	(	2.098)	(2.186)
Changes in cash and cash equivalents .....	(	1.943)	(2.154)
Cash and cash equivalents at beginning of year		2.986	3.297
Cash and cash equivalents at end of period		1.043	1.143
Investing and financing without credit:			
Investment in investment assets and shares in subsidiary		16	12
Other short-term payables .....	(	16)	(12)

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

Notes

1. General information

Eik fasteignafélag hf., "the Company", is domiciled in Iceland. The Company's headquarters are at Sóltún 26 in Reykjavík. The condensed consolidated interim financial statements of the Company for the period 1 January to 30 June 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 7 September 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.

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.

	Investment properties	Hotel	Offset entries	Total
Segments 1.1-30.6.2023				
Lease income	4.866	0	(175)	4.691
Operating income	379	427	0	806
Operating expenses	(1.616)	(410)	175	(1.851)
Impairment of receivables	181	(0)	0	181
EBITDA	3.810	17	0	3.827
Change in value of investment properties	9.788	0	0	9.788
Depreciation and impairment	52	(16)	0	36
Net finance expenses	(4.456)	(16)	0	(4.473)
Income tax	(1.839)	3	0	(1.836)
Profit (loss) for the year	7.355	(12)	0	7.342
Assets 30.6.2023	141.985	525	(531)	141.979
Liabilities 30.6.2023	91.464	533	(531)	91.466
Segments 1.1-30.6.2022				
Lease income	4.229	0	(159)	4.070
Operating income	374	247	0	621
Operating expenses	(1.432)	(315)	159	(1.588)
Impairment of receivables	(28)	0	0	(28)
EBITDA	3.143	(68)	0	3.075
Change in value of investment properties	7.981	0	0	7.981
Depreciation and impairment	(53)	(21)	0	(74)
Net finance expenses	(3.771)	(16)	0	(3.786)
Income tax	(1.463)	21	0	(1.442)
Profit (loss) for the year	5.837	(83)	0	5.754
Assets 30.6.2022	123.027	395	(476)	122.946
Liabilities 30.6.2022	81.480	444	(476)	81.449

6. Operating expenses

	2023	2022
	1.1.-30.6.	1.1.-30.6.
Operating expenses are specified as follows:		
Property tax	761	684
Insurance	51	45
Maintenance of investment properties	14	27
Operating expenses of properties	375	345
Other operating expenses of investment properties	123	91
Operating expenses of hotel	236	156
Office and administrative expenses	294	240
Total operating expenses	<u>1.851</u>	<u>1.588</u>

7. Finance income and finance expenses

	2023	2022
	1.1.-30.6.	1.1.-30.6.
Finance income and finance expenses are specified as follows:		
Interest income	57	17
Interest expenses	(1.549)	(1.118)
Indexation	(2.899)	(2.624)
Prepayment charge	0	0
Interest expenses of lease liabilities	(62)	(52)
Other finance expenses	(19)	(9)
Total finance expenses	<u>(4.530)</u>	<u>(3.803)</u>
Total finance income and finance expenses	(4.473)	(3.786)

8. Investment assets

	30.6.2023	31.12.2022
Investment assets are specified as follows:		
Book value at the beginning of the year	119.639	105.638
Changes in lease assets	263	124
Investment in current investment assets	1.330	2.604
Investment in new investment assets	236	1.204
Acquired by purchase of subsidiary	1.315	0
Sold investment assets	0	(362)
Value adjustment	9.788	10.431
Book value at the end of the period	<u>132.572</u>	<u>119.639</u>

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

In measuring the assets, management has estimated discounted future cash flows that the Company can expect from current lease agreements and lease agreements the Company expects to enter into at the end of the lease period of current lease agreements. The measurement is in accordance with level 3 in the fair value hierarchy, see further note 3, and there were no changes in classification during the year. The measurement is based on presumptions on expected utilisation ratio of the properties in the future, market rent at the end of lease periods of current agreements and operating costs of these properties.

The approach and conclusions, which are used in measuring both amounts and timing of future cash flows, are revaluated on a regular basis in order to come closer to the actual fair value of the assets. Managements estimates of the development of several other factors in the future are also taken into account, such as changes

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. 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 materialise, whether through sale, exercise of authorisation or final

The most significant assumptions in the valuations the led to an increase in value are indexation, increase in market rent, revaluation of building permits and the most significant assumptions that led to a decrease is that 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 6,1% (2022: 6,2%). An increase in the occupancy rate for the future to 96% corresponds to an increase of almost 0,1% in WACC.

Sensitivity analysis

Effects of changes in fair value of investment properties 30.6.2023:

Increase (decrease) of lease income by 1%	1.702	(1.702)
Increase (decrease) of rental value ratio by 1%-point	1.762	(1.762)
Decrease (increase) of rate of return by 0.5%-points	10.927	(9.307)

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	14	30	44
Reversal of impairment from prior periods	107	0	107
Revaluation of assets	1.784	0	1.784
Sold during the period	0	0	0
Balance at the end of the period	6.251	573	6.824
Depreciation			
Depreciation at the beginning of the year	515	213	727
Depreciation during the period	43	29	71
Total depreciation at end of the period	557	241	799
Book value			
Book value at the beginning of the year	3.831	331	4.162
Book value at the end of the period	5.693	332	6.025

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.-30.6.	2022 1.1.-30.6.
Office	2	2
Hotel	57	62
Interiors and other	13	11
Reversal of impairment from prior periods	(107)	0
Total depreciation	(36)	74

11. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:

	30.6.2023	31.12.2022
Long-term receivables	150	150
Provision for impairment losses	(71)	(83)
Total long-term receivables	79	68
Trade receivables due to lease	279	282
Trade receivables due to deferred lease payments	678	678
Trade receivables due to other operations	137	128
Provision for impairment losses	(128)	(334)
Total trade receivables	966	754
Other short-term receivables	268	20
Total other short-term receivables	268	20
Total trade receivables and other short-term receivables	1.234	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	(36)	(111)
Expensed during the period	(181)	88
Provision at the end of the period	200	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 217 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.

12. Interest bearing liabilities

	30.6.2023	31.12.2022
Interest bearing liabilities at the beginning of the year	70.272	64.814
New borrowings	3.925	6.394
Acquired by purchase of subsidiary	917	0
Repayments and settlements of long-term liabilities	(4.023)	(5.715)
Indexation	2.899	4.741
Capitalised borrowing cost, change	15	29
Other long-term liabilities, change	(2)	10
Interest bearing liabilities at the end of the period	<u>74.004</u>	<u>70.272</u>
Long-term liabilities		
Listed bonds and bank loans	67.115	64.238
Other long-term liabilities	53	55
	<u>67.168</u>	<u>64.292</u>
Short-term liabilities		
Current maturities of liabilities	6.836	5.980
	<u>6.836</u>	<u>5.980</u>
Total interest bearing liabilities	<u>74.004</u>	<u>70.272</u>

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 3 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)
	<u>498</u>
Paid with cash and cash equivalents	498
Cash and cash equivalents	(146)
	<u>352</u>