

Q1 2024.

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 company listed on the Nasdaq Iceland stock exchange. The Group consists of the parent company, Eik fasteignafélag hf., and subsidiaries wholly owned by the parent company. The Group's operations are ownership, rental and operations of business premises and ownership of hotel operations.

The interim consolidated financial statements of Eik fasteignafélag hf. for the period 1 January to 31 March 2024 have been prepared in accordance with the International Accounting Standard IAS 34 for interim financial statements. The interim financial statements include the condensed consolidated interim financial statements for Eik fasteignafélag hf. and subsidiaries. The condensed consolidated interim financial statements for Eik fasteignafélag hf. does not contain all information required in financial statements and should be read in conjunction with the Group's financial statements for the year 2023. The Group's financial statements for 2023 can be accessed on www.eik.is.

On July 6th, 2023, the shareholders of the Company received a voluntary takeover offer from Reginn Ltd. with plans to present such an offer a month in advance. The offer was made in accordance with the provisions of the Takeover Act No. 108/2007, which, among other things, prohibited the Company's board from making decisions that could affect the offer without obtaining prior approval from

a shareholders' meeting. On April 29th, Reginn's board announced the withdrawal of its merger notification to the Competition Authority regarding the takeover offer and, in parallel, Reginn intends to seek permission from the Financial Supervisory Authority of the Central Bank of Iceland to withdraw the offer. The Company's board welcomes the conclusion of this long process, which has taken about 11 months and has had a detrimental effect on its operations. With the withdrawal of the offer, the Company has the freedom to take independent and strategic decisions as an independent Company with a strong asset portfolio and a promising future

Operations

The Company's operations in the first three months of the year went well and were in line budget. The Company's operating revenues for the period amounted to ISK 2.709 million, compared to ISK 2.702 million for the same period in 2023. The Company's operating profit before valuation changes and depreciation amounted to ISK 1.700 million, compared to ISK 1.760 million for the same period in the previous year. The valuation change of investment property was positive, amounting to ISK 2.734 million for the period. According to the Company's income statement and statement of comprehensive income, the total profit for the period was ISK 2.051 million. Net cash from operations was ISK 1.011 million, compared to ISK 1.259 million for the same period last year.

Financial Position

The Company's total assets at the end of the period amounted to ISK 145.984 million, of which investment properties were ISK 135.656 million, assets for own use were ISK 5.956 million, assets in development was ISK 1.084 million, and cash and cash equivalents were ISK 1.623 million. The Company's equity was ISK 51.074 million, of which outstanding share capital was ISK 3.415 million. The Company's equity ratio at the end of the period was 35.0%. At the Company's annual meeting on April 11th, 2024, it was approved to distribute a dividend to shareholders for the 2023 fiscal year in the amount of ISK 2.540 million, which was paid to shareholders on April 30th, 2024. The equity balance at end of the period does not reflect the dividend paid after the period end.

The Company refinanced a total of ISK 8.800 million of non-indexed bank loans with variable interest rates with indexed bank loans with variable interest rates during the period. The weighted indexed interest rate of the Company was 3.33%, and the weighted non-indexed interest rate was 6.26% on March 31st, 2024.

Statement by the Board of Directors and the CEO

According to the best knowledge of the Board and the CEO, the Group's interim financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. It is the opinion of the Board of Directors and the CEO that the interim financial statements give a true and fair view of the Group's assets, liabilities and consolidated financial position as at 31 March 2024 and its financial performance and changes in cash and cash equivalents for the period 1 January to 31 March 2024.

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

Reykjavík, 2 May 2024

Board of Directors

Bjarni Kristján Þorvarðarson
Chairman

Eyjólfur Árni Rafnsson

Guðrún Bergsteinsdóttir

Gunnar Þór Gíslason

Ragnheiður Harðar Harðardóttir

Garðar Hannes Friðjónsson
CEO

Consolidated Statement of Comprehensive Income

for the period from 1 January to 31 March 2024

	Notes	2024 1.1.-31.3.	2023 1.1.-31.3.
Lease income		2,365	2,309
Other operating income		344	393
		<u>2,709</u>	<u>2,702</u>
Operating expenses	6	(982)	(934)
Impairment of receivables		(27)	(8)
		<u>(1,009)</u>	<u>(942)</u>
Operating profit before value changes and depreciation		1,700	1,760
Changes in value of investment properties	8	2,734	2,008
Depreciation and impairment	10	(43)	(36)
Operating profit		4,391	3,733
Finance income		39	42
Finance cost		(1,866)	(2,372)
Net financial expense	7	<u>(1,827)</u>	<u>(2,330)</u>
Profit before income tax		2,564	1,403
Income tax		(513)	(281)
Total profit for the period		<u>2,051</u>	<u>1,122</u>
Earnings per share:			
Basic earnings and diluted earnings per share		0,60	0,33

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

Consolidated Statement of Financial Position as at 31 March 2024

	Notes	31.3.2024	31.12.2023
Assets			
Intangible assets		351	351
Investment assets	8	135,656	132,106
Assets under development		1,084	1,079
Assets for own use	9	5,956	5,975
Non-current receivables	11	390	436
		<u>143,437</u>	<u>139,948</u>
		Non-current assets	
Trade and other receivables	11	924	698
Cash and cash equivalents		1,623	984
		<u>2,547</u>	<u>1,682</u>
		Current assets	
Total assets		<u>145,984</u>	<u>141,629</u>
Equity			
Share capital		3,415	3,415
Share premium		12,648	12,648
Statutory reserve		854	854
Revaluation reserve		1,409	1,415
Retained earnings		32,748	30,691
		<u>51,074</u>	<u>49,023</u>
		Total equity	
Liabilities			
Interest-bearing debt	12	71,554	67,176
Lease liabilities		2,693	2,749
Deferred income tax liability		13,016	12,503
		<u>87,263</u>	<u>82,428</u>
		Non-current liabilities	
Interest-bearing debt	12	5,637	8,390
Trade and other payables		2,010	1,787
		<u>7,647</u>	<u>10,178</u>
		Current liabilities	
Total liabilities		<u>94,910</u>	<u>92,606</u>
Total equity and liabilities		<u>145,984</u>	<u>141,629</u>

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

Consolidated Statement of Changes in Equity as at 31 March 2024

	Share capital	Share premium	Statutory reserve	Revaluation reserve	Restricted equity	Retained earnings	Total equity
1 January to 31 March 2023							
Equity 1.1.2023	3.415	12.648	866	0	11.122	15.692	43.744
Total profit for the period						1.122	1.122
Dividends paid ISK 0.59 per share						(2.000)	(2.000)
Transferred to restricted equity					1.098	(1.098)	0
Changes in statutory reserve			(13)			13	0
Equity 31.3.2023	3.415	12.648	854	0	12.221	13.729	42.866
1 January to 31 March 2024							
Equity 1.1.2024	3.415	12.648	854	1.415	0	30.691	49.023
Total profit for the period						2.051	2.051
Depreciation of revaluation				(6)		6	0
Equity 31.3.2024	3.415	12.648	854	1.410	0	32.748	51.074

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

Consolidated Statement of Cash Flows
for the period from 1 January to 31 March 2024

	Notes	2024 1.1.-31.3.	2023 1.1.-31.3.
Cash flows from operating activities			
Operating profit for the period		4.391	3.733
Operating items which do not affect cash flow:			
Valuation changes of investment properties	8	(2.734)	(2.008)
Depreciation and impairment	10	43	36
		1.700	3.075
Change in operating assets		(159)	(92)
Change in operating liabilities		119	152
		1.660	3.135
Interest income received		39	42
Finance expenses paid		(688)	(603)
		1.011	2.574
		Net cash from operating activities	
Cash flows used in investment activities			
Investment in investment assets		(871)	(286)
Investment in assets under development		(6)	(2)
Investment in assets for own use		(24)	(8)
Investment in subsidiary less acquired cash	13	(75)	0
Changes in non-current receivables		(13)	(6)
		(989)	(301)
		Net cash used in investing activities	
Cash flows from (to) financing activities			
New long-term debts		9.868	3.125
Repayments and final payments of long-term loans		(9.251)	(3.518)
Short-term loans, change		0	(490)
		617	(884)
		Net cash from financing activities	
		639	74
		Changes in cash and cash equivalents	
		984	2.986
		Cash and cash equivalents at beginning of year	
		1.623	3.060
		Cash and cash equivalents at end of period	
Investing and financing without credit:			
Investment in investment assets and shares in subsidiary		0	(523)
Other short-term payables		0	523

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

Notes

1. General information

Eik fasteignafélag hf., "the Company", is domiciled in Iceland. The Company's headquarters are at Sóltún 26 in Reykjavík. The condensed consolidated interim financial statements of the Company for the period 1 January to 31 March 2024 comprise the interim financial statements of the Company and its subsidiaries, together referred to as the "Group". The Group's operations are ownership, rental and operations of business premises and ownership of hotel operations. The condensed consolidated interim financial statements of the Company are accessible at www.eik.is.

2. Basis of preparation

The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) on Interim Financial Statements, IAS 34. The Condensed Consolidated Interim Financial Statements of Eik fasteignafélag hf. do not include all the information required for a complete set of IFRS financial statements and should be read in conjunction with the Group's Consolidated Financial Statements for 2023. The interim financial statements were approved by the Company's Board of Directors on 2 May 2024.

3. Significant accounting policies

In preparing the interim financial statements, the same accounting principles were applied as were used in the preparation of the consolidated financial statements for 2023. The Company's Annual Financial Statements are available on www.eik.is and www.nasdaqomxnordic.com. The interim financial statements are prepared in Icelandic krónur (ISK), which is the Company's functional currency, and amounts are presented in ISK millions. The Company's investment properties are valued at fair value and assets for own use at revaluation, while in other respects the Interim Financial Statements are based on historical cost.

4. Use of judgements and estimates

The preparation of interim financial statements in accordance with International Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Judgement and assumptions involving key estimate are primarily made in relation to the measurement and recognition of investment assets. Actual results may differ from these estimates.

5. Segment reporting

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

Segments 1.1-31.3.2024	Investment properties	Hotel	Offset entries	Total
Lease income	2.457	0 (	92)	2.365
Operating income	204	141	0	344
Operating expenses	(870)	(204)	92 (	982)
Impairment of receivables	(27)	0	0 (	27)
EBITDA	1.764 (	63)	0	1.700
Change in value of investment properties	2.734	0	0	2.734
Depreciation and impairment	(36)	(7)	0 (	43)
Net finance expenses	(1.827)	(0)	0 (	1.827)
Income tax	(527)	14	0 (	513)
Profit (loss) for the year	2.108 (	57)	0	2.051
Assets 31.3.2024	146.106	400 (	522)	145.984
Liabilities 31.3.2024	94.973	459 (	522)	94.910
Segments 1.1-31.3.2024				
Lease income	2.395	0 (	86)	2.309
Operating income	198	195	0	393
Operating expenses	(821)	(199)	86 (	934)
Impairment of receivables	(8)	0	0 (	8)
EBITDA	1.765 (	5)	0	1.760
Change in value of investment properties	2.008	0	0	2.008
Depreciation and impairment	(28)	(8)	0 (	36)
Net finance expenses	(2.322)	(7)	0 (	2.330)
Income tax	(285)	4	0 (	281)
Profit (loss) for the year	1.138 (	16)	0	1.122
Assets 31.3.2023	133.262	430 (	514)	126.089
Liabilities 31.3.2023	90.384	441 (	514)	83.111

6. Operating expenses

	2023	2022
	1.1.-31.3.	1.1.-31.3.
Operating expenses are specified as follows:		
Property tax	395	377
Insurance	27	24
Maintenance of investment properties	11	7
Operating expenses of properties	210	191
Other operating expenses of investment properties	72	68
Operating expenses of hotel	112	113
Office and administrative expenses	156	154
Total operating expenses	<u>982</u>	<u>934</u>

7. Finance income and finance expenses

	2023	2022
	1.1.-31.3.	1.1.-31.3.
Finance income and finance expenses are specified as follows:		
Interest income	39	42
Interest expenses	(811)	(736)
Indexation	(1.015)	(1.594)
Interest expenses of lease liabilities	(33)	(31)
Other finance expenses	(8)	(11)
Total finance expenses	<u>(1.866)</u>	<u>(2.372)</u>
Total finance income and finance expenses	(1.827)	(2.330)

8. Investment assets

	31.3.2024	31.12.2023
Investment assets are specified as follows:		
Book value at the beginning of the year	129.378	117.181
Investment in current investment assets	814	3.177
Investment in new investment assets	56	237
Acquired by purchase of subsidiary	0	1.270
Value adjustment	2.734	7.513
Book value at the end of the period	<u>132.983</u>	<u>129.378</u>
Lease assets	2.673	2.728
Investment properties at the end of the year	<u>135.656</u>	<u>132.106</u>

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

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

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

The main factors contributing to the increase in the value of investment assets are inflation, new contracts, and lower discount rates on future cash flows. The main factor contributing to the decrease in value is an increase in capitalization rates.

The future occupancy rate for the portfolio is estimated at 95% (2023: 95%). Weighted average cost of capital (WACC) for the company is 6,35%, and slight increase in the first quarter (2023: 6,35%). Each 1% increase in the occupancy rate for the future corresponds to an increase of almost 0,1% in WACC.

Sensitivity analysis

Effects of changes in fair value of investment properties 31.3.2024:

Increase (decrease) of lease income by 1%	1.736	(1.736)
Increase (decrease) of rental value ratio by 1%-point	1.798	(1.798)
Decrease (increase) of rate of return by 0.5%-points	10.987	(9.366)

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	5.935	577	6.512
Additions during the period	6	18	24
Balance at the end of the period	<u>5.941</u>	<u>595</u>	<u>6.536</u>
Depreciation			
Depreciation at the beginning of the year	273	263	537
Depreciation during the period	29	14	43
Total depreciation at end of the period	<u>302</u>	<u>277</u>	<u>580</u>
Book value			
Book value at the beginning of the year	5.662	314	5.975
Book value at the end of the period	<u>5.638</u>	<u>318</u>	<u>5.956</u>

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

	2024	2023
	1.1.-31.3.	1.1.-31.3.
Depreciation is specified as follows:		
Office	1	1
Hotel	36	29
Interiors and other	7	6
Total depreciation	<u>43</u>	<u>36</u>

11. Trade receivables and other receivables

	31.3.2024	31.12.2023
Trade receivables and other receivables are specified as follows:		
Long-term receivables	424	471
Provision for impairment losses	(70)	(70)
Total long-term receivables	<u>354</u>	<u>401</u>
Trade receivables due to lease	473	404
Trade receivables due to deferred lease payments	172	158
Trade receivables due to other operations	127	121
Provision for impairment losses	(78)	(58)
Total trade receivables	<u>693</u>	<u>625</u>
Other short-term receivables	231	73
Total other short-term receivables	<u>231</u>	<u>73</u>
Total trade receivables and other short-term receivables	<u>924</u>	<u>698</u>

Provision for impairment of receivables is specified as follows:

Provision at the beginning of the year	128	417
Receivables written off during the period	(7)	(114)
Expensed during the period	27	(175)
Provision at the end of the period	<u>148</u>	<u>128</u>

The Company's long-term receivables are for construction loans to the lessee and lease payments due, where lease payments due are changed to long-term receivables. The Company has in general received additional insurance in addition to the receivable becoming interest bearing and in instalment process. 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.

12. Interest bearing liabilities

	31.3.2024	31.12.2023
Interest bearing liabilities at the beginning of the year	75.567	70.272
New borrowings	9.868	8.211
Acquired by purchase of subsidiary	0	917
Repayments and settlements of long-term liabilities	(9.251)	(8.274)
Indexation	1.015	4.404
Capitalised borrowing cost, change	8	31
Other long-term liabilities, change	(15)	5
Interest bearing liabilities at the end of the period	<u>77.191</u>	<u>75.567</u>

Long-term liabilities

Listed bonds and bank loans	71.510	67.117
Other long-term liabilities	44	60
	<u>71.554</u>	<u>67.176</u>

Short-term liabilities

Current maturities of liabilities	5.637	8.390
	<u>5.637</u>	<u>8.390</u>

Total interest bearing liabilities	<u>77.191</u>	<u>75.567</u>
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13. Events after the reporting date

On July 6th, 2023, the shareholders of the Company received a voluntary takeover offer from Reginn Ltd. with plans to present such an offer a month in advance. The offer was made in accordance with the provisions of the Takeover Act No. 108/2007, which, among other things, prohibited the Company's board from making decisions that could affect the offer without obtaining prior approval from a shareholders' meeting. On April 29th, the board of Reginn Ltd. announced the withdrawal of its merger notification to the Competition Authority regarding the voluntary takeover offer to the shareholders of Eikar, which was presented on July 6th, 2023. In parallel, Reginn intends to seek permission from the Financial Supervisory Authority of the Central Bank of Iceland to withdraw the offer.