

1H 2024.

Condensed consolidated
interim financial statements

EIK

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

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

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

Reginn (now Heimar) announced on April 29th, 2024, the withdrawal of its merger notification to the Competition Authority regarding the voluntary takeover bid for all shares of the Company, which was submitted on July 6th, 2023. Additionally, the Financial Supervisory Authority of the Central Bank of Iceland approved the withdrawal of the offer on May 10th, 2024. Following the withdrawal of the offer, the company has freedom of action and is now exploring opportunities within its portfolio, further developments in its capital structure, and the potential for revenue growth.

Following the Company's annual general meeting, where two board members were elected to the nominating committee of the Company for the nomination of the board, in accordance with the approved resolutions, Sigrún Ragna Ólafsdóttir was additionally appointed to the committee. The nominating committee of the Company is therefore composed of Drífa Sigurðardóttir, Ingólfur Bender, and Sigrún Ragna Ólafsdóttir.

Operations

The Company's operations were slightly below the directors' expectations in the first six months of the year. This was primarily due to lower performance of Hotel 1919 than anticipated, and higher impairment of trade receivables.

The Company's consolidated operating income for the period amounted to ISK 5,527 million, compared to ISK 5,497 million for the same period in 2023. The Company's operating profit, before valuation changes and depreciation, amounted to ISK 3,519 million compared to ISK 3,827 million for the same period the previous year. The valuation change of investment properties for the period was positive and amounted to 4.084 million ISK. According to the operating statement and the overview of the Company's total income, the total profit for the period amounted to ISK 2,798 million. Net cash flow from operations amounted to ISK 1,762 million, compared to ISK 2,147 million for the same period the previous year.

Financial Position

The Company's total assets amounted to ISK 147,753 million at the end of the period, of which investment properties accounted for ISK 138,297 million, assets for own use ISK 5,931 million, properties under development ISK 1,089 million, and cash and cash equivalents ISK 782 million. The Company's equity amounted to ISK 49,281 million, of which outstanding share capital was ISK 3,415 million. The Company's equity ratio was 33.4% at the end of the period. At the Company's annual general meeting on April 11th, 2024, it was approved to distribute dividends to shareholders for the 2023 financial year in the amount of ISK 2,540 million, which was paid to shareholders on April 30th, 2024.

The Company refinanced a total of ISK 8,800 million of non-indexed bank loans at variable rates with indexed bank loans at variable rates during the period. The Company also took out two indexed bank loans at variable rates totaling ISK 1,350 million with maturity date in 18

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

months. Additionally, the Company issued bonds in the amount of ISK 1,300 million with a maturity date in 2049 at a fixed interest rate of 3.75%. The bond has repayment authorization four years after issuance. The Company's net loan-to-value ratio was 56.4%, with the weighted indexed interest rate of the Company at 3.39% and the weighted non-indexed interest rate at 6.6% as of June 30th, 2024.

In early July, the Company issued a new series of bonds, EIK 050734, in the amount of 5,000 million IS at a fixed interest rate of 3.95%. Concurrently, the Company pre-paid some of its existing loans, and part of the issuance will be used to repay EIK 24 1, which matures in September of the current year and amounts to ISK 3,000 million.

Outlook

The Company has updated its outlook for the year 2024 and expects the EBITDA for the year to be in the range of ISK 7,280 – 7,580 million at a fixed price, based on the consumer price index for inflation adjustment in September 2024.

The updated outlook takes into account, among other things, the expectations of the Radisson Hotel Group for lower performance than initially anticipated.

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 2024 and its financial performance and changes in cash and cash equivalents for the period 1 January to 30 June 2024.

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

Reykjavík, 15 August 2024

Board of Directors

Bjarni Kristján Þorvarðarson
Chairman

Eyjólfur Árni Rafnsson

Guðrún Bergsteinsdóttir

Gunnar Þór Gíslason

Ragnheiður Harðar Harðardóttir

Garðar Hannes Friðjónsson
CEO

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 2024 which comprise the condensed consolidated interim statement of financial position as at 30 June 2024 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 2024, 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, 15 August 2024

Deloitte ehf.
Signý Magnúsdóttir
auditor

Consolidated Statement of Comprehensive Income

for the period from 1 January to 30 June 2024

	Notes	2024 1.4.-30.6.*	2023 1.4.-30.6.*	2024 1.1.-30.6.	2023 1.1.-30.6.
Lease income		2.444	2.382	4.809	4.691
Other operating income		374	413	718	806
		<u>2.818</u>	<u>2.795</u>	<u>5.527</u>	<u>5.497</u>
Operating expenses	6	(976)	(918)	(1.958)	(1.851)
Impairment of receivables		(23)	189	(50)	181
		<u>(999)</u>	<u>(729)</u>	<u>(2.008)</u>	<u>(1.670)</u>
Operating profit before value changes and depreciation		1.819	2.067	3.519	3.827
Changes in value of investment properties	8	1.350	7.780	4.084	9.788
Depreciation and impairment	10	(44)	71	(87)	36
Operating profit		3.125	9.918	7.516	13.651
Finance income		51	15	90	57
Finance cost		(2.242)	(2.158)	(4.109)	(4.530)
Net financial expense	7	(2.191)	(2.143)	(4.019)	(4.473)
Profit before income tax		934	7.775	3.497	9.178
Income tax		(187)	(1.555)	(699)	(1.836)
Profit for the period		747	6.220	2.798	7.342
Other comprehensive income					
Operating items recorded in equity:					
Revaluation of property for own use		0	1.784	0	1.784
Income tax		0	(357)	0	(357)
Other total comprehensive income		0	1.427	0	1.427
Total profit for the period		747	7.647	2.798	8.769
Earnings per share:					
Basic earnings and diluted earnings per share		0,22	1,82	0,82	2,15

*Quarterly results have not been reviewed by auditors.

Notes on pp. 11-16 are an integral part of the interim financial statements

Consolidated Statement of Financial Position as at 30 June 2024

	Notes	30.6.2024	31.12.2023
Assets			
Intangible assets		351	351
Investment assets	8	138.297	132.106
Assets under development		1.089	1.079
Assets for own use	9	5.931	5.975
Non-current receivables	11	345	436
Non-current assets		<u>146.013</u>	<u>139.948</u>
Trade and other receivables	11	958	698
Cash and cash equivalents		782	984
Current assets		<u>1.740</u>	<u>1.682</u>
Total assets		147.753	141.629
Equity			
Share capital		3.415	3.415
Share premium		12.648	12.648
Statutory reserve		854	854
Revaluation reserve		1.404	1.415
Retained earnings		30.960	30.691
Total equity		49.281	49.023
Liabilities			
Interest-bearing debt	12	74.966	67.176
Lease liabilities		2.655	2.749
Deferred income tax liability		13.203	12.503
Non-current liabilities		<u>90.824</u>	<u>82.428</u>
Interest-bearing debt	12	6.061	8.390
Trade and other payables		1.587	1.787
Current liabilities		<u>7.648</u>	<u>10.178</u>
Total liabilities		98.472	92.606
Total equity and liabilities		147.753	141.629

Notes on pp. 11-16 are an integral part of the interim financial statements

Consolidated Statement of Changes in Equity as at 30 June 2024

	Share capital	Share premium	Statutory reserve	Revaluation reserve	Restricted equity	Retained earnings	Total equity
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						7.342	7.342
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	0	14.341	17.828	49.086
1 January to 30 June 2024							
Equity 1.1.2024	3.415	12.648	854	1.415	0	30.691	49.023
Total profit for the period						2.798	2.798
Depreciation of revaluation				(12)		12	0
Dividends paid ISK 0.74 per share						(2.540)	(2.540)
Equity 30.6.2024	3.415	12.648	854	1.404	0	30.960	49.281

Notes on pp. 11-16 are an integral part of the interim financial statements

Consolidated Statement of Cash Flows
for the period from 1 January to 30 June 2024

	Notes	2024 1.1.-30.6.	2023 1.1.-30.6.
Cash flows from operating activities			
Operating profit for the period		7.516	13.651
Operating items which do not affect cash flow:			
Valuation changes of investment properties	8	(4.084)	(9.788)
Depreciation and impairment	10	87	(36)
		3.519	3.075
Change in operating assets		(161)	(443)
Change in operating liabilities		(199)	102
		3.159	2.735
Interest income received		90	57
Finance expenses paid		(1.487)	(1.396)
		1.762	1.396
		Net cash from operating activities	
Cash flows used in investment activities			
Investment in investment assets		(2.199)	(1.594)
Investment in assets under development		(13)	(4)
Investment in assets for own use		(42)	(44)
Investment in subsidiary less acquired cash	13	(150)	(340)
Changes in non-current receivables		0	(12)
		(2.404)	(1.993)
		Net cash used in investing activities	
Cash flows (to) from financing activities			
Dividends paid		(2.540)	(2.000)
New long-term debts		14.111	3.925
Repayments and final payments of long-term loans		(11.131)	(4.023)
		440	(2.098)
		Net cash from financing activities	
Changes in cash and cash equivalents		(202)	(1.943)
Cash and cash equivalents at beginning of year		984	2.986
Cash and cash equivalents at end of period		782	1.043
Investing and financing without credit:			
Investment in investment assets and shares in subsidiary		0	16
Other short-term payables		0	(16)

Notes on pp. 11-16 are an integral part of the interim financial statements

Notes

1. General information

Eik fasteignafélag hf., "the Company", is domiciled in Iceland. The Company's headquarters are at Sóltún 26 in Reykjavík. The condensed consolidated interim financial statements of the Company for the period 1 January to 30 June 2024 comprise the interim financial statements of the Company and its subsidiaries, together referred to as the "Group". The Group's operations are ownership, rental and operations of business premises and ownership of hotel operations. The condensed consolidated interim financial statements of the Company are accessible at www.eik.is.

2. Basis of preparation

The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) on Interim Financial Statements, IAS 34. The Condensed Consolidated Interim Financial Statements of Eik fasteignafélag hf. do not include all the information required for a complete set of IFRS financial statements and should be read in conjunction with the Group's Consolidated Financial Statements for 2023. The interim financial statements were approved by the Company's Board of Directors on 15 August 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.

	Investment properties	Hotel	Offset entries	Total
Segments 1.1.-30.6.2024				
Lease income	4.995	0	(186)	4.809
Operating income	385	334	0	718
Operating expenses	(1.727)	(418)	186	(1.958)
Impairment of receivables	(49)	(1)	0	(50)
EBITDA	3.604	(84)	0	3.519
Change in value of investment properties	4.084	0	0	4.084
Depreciation and impairment	(72)	(15)	0	(87)
Net finance expenses	(4.018)	(1)	0	(4.019)
Income tax	(720)	20	0	(699)
Profit (loss) for the year	2.878	(80)	0	2.798
Assets 30.6.2024	147.892	423	(562)	147.753
Liabilities 30.6.2024	98.529	505	(562)	98.472
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

6. Operating expenses

	2024	2023
	1.1.-30.6.	1.1.-30.6.
Operating expenses are specified as follows:		
Property tax	789	761
Insurance	56	51
Maintenance of investment properties	23	14
Operating expenses of properties	398	375
Other operating expenses of investment properties	141	123
Operating expenses of hotel	231	236
Office and administrative expenses	320	294
Total operating expenses	<u>1.958</u>	<u>1.851</u>

7. Finance income and finance expenses

	2024	2023
	1.1.-30.6.	1.1.-30.6.
Finance income and finance expenses are specified as follows:		
Interest income	90	57
Interest expenses	(1.577)	(1.549)
Indexation	(2.447)	(2.899)
Interest expenses of lease liabilities	(65)	(62)
Other finance expenses	(20)	(19)
Total finance expenses	<u>(4.109)</u>	<u>(4.530)</u>
Total finance income and finance expenses	(4.019)	(4.473)

8. Investment assets

	30.6.2024	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	2.004	3.177
Investment in new investment assets	195	237
Acquired by purchase of subsidiary	0	1.270
Value adjustment	4.084	7.513
Book value at the end of the period	<u>135.661</u>	<u>129.378</u>
Lease assets	2.636	2.728
Investment properties at the end of the year	<u>138.297</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 revalued 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 factors contributing to the decrease in value is an increase in capitalization rates and increase in property value (that is used for calculations of property taxes).

The future occupancy rate for the portfolio is estimated at 95% (2023: 95%). Weighted average cost of capital (WACC) for the company is 6,35% (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 30.6.2024:

Increase (decrease) of lease income by 1%	1.767	(1.767)
Increase (decrease) of rental value ratio by 1%-point	1.832	(1.832)
Decrease (increase) of rate of return by 0.5%-points	11.178	(9.530)

9. Assets for own use

Assets for own use are specified as follows:

Cost	Interiors		Total
	Realestate	and other	
Balance at the beginning of the year	5.935	583	6.518
Additions during the period	9	33	42
Balance at the end of the period	<u>5.944</u>	<u>616</u>	<u>6.560</u>

Depreciation

Depreciation at the beginning of the year	273	269	543
Depreciation during the period	58	29	87
Total depreciation at end of the period	<u>331</u>	<u>298</u>	<u>630</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>5.613</u>	<u>318</u>	<u>5.931</u>

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

10. Depreciation

	2024	2023
	1.1.-30.6.	1.1.-30.6.
Depreciation is specified as follows:		
Office	30	2
Hotel	44	57
Interiors and other	14	13
Total depreciation	<u>87</u>	<u>71</u>

11. Trade receivables and other receivables

	30.6.2024	31.12.2023
Trade receivables and other receivables are specified as follows:		
Long-term receivables	379	471
Provision for impairment losses	(70)	(70)
Total long-term receivables	<u>309</u>	<u>401</u>
Trade receivables due to lease	435	404
Trade receivables due to deferred lease payments	175	158
Trade receivables due to other operations	119	121
Provision for impairment losses	(98)	(58)
Total trade receivables	<u>632</u>	<u>625</u>
Other short-term receivables	327	73
Total other short-term receivables	<u>327</u>	<u>73</u>
Total trade receivables and other short-term receivables	<u>958</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	(10)	(114)
Expensed during the period	50	(175)
Provision at the end of the period	<u>168</u>	<u>128</u>

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

12. Interest bearing liabilities

	30.6.2024	31.12.2023
Interest bearing liabilities at the beginning of the year	75.567	70.272
New borrowings	14.150	8.211
Acquired by purchase of subsidiary	0	917
Repayments and settlements of long-term liabilities	(11.131)	(8.274)
Indexation	2.443	4.404
Capitalised borrowing cost, change	(9)	31
Other long-term liabilities, change	8	5
Interest bearing liabilities at the end of the period	<u>81.027</u>	<u>75.567</u>

Long-term liabilities

Listed bonds and bank loans	74.899	67.117
Other long-term liabilities	68	60
	<u>74.966</u>	<u>67.176</u>

Short-term liabilities

Current maturities of liabilities	6.061	8.390
	<u>6.061</u>	<u>8.390</u>

Total interest bearing liabilities	<u>81.027</u>	<u>75.567</u>
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13. Events after the reporting date

In early July, the Company issued a new series of bonds, EIK 050734, in the amount of 5.000 million IS at a fixed interest rate of 3.95%. Concurrently, the Company prepaid some of its existing loans, and part of the issuance will be used to repay EIK 24 1, which matures in September of the current year and amounts to ISK 3,000 million.