

# Q3 2021.

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. The Group's operations are ownership, rental and operations of business premises and ownership of hotel operations.

The interim financial statements of Eik fasteignafélag hf. for the period 1 January to 30 September 2021 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 its 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 2020

### Company Operations

The Company performed well in the first nine months of 2021 and EBITDA for the period was in line with updated forecast.

Operating income for the first nine months of the year 2021 amounted to ISK 6,421 million, compared to ISK 6,252 million for the same period in 2020. There are positive signs in the operations of Hotel 1919 in the third quarter. EBITDA for the hotel was ISK -124 million in the first nine months of the year compared to ISK -272 million in the year 2020. Operating profit of the Group before changes in value, sales profit and depreciation amounted to ISK 4,229 million in the first nine months of 2021, compared to ISK 3,773 million for the same period in 2020. Net cash from operations was ISK 2,579 million in the period compared to ISK 2,057 million for the same period in 2020.

Impairment of trade receivables amounted to ISK 104 million in the period which can for the most part be traced to tourism companies.

The Group's total comprehensive income for the first nine months of the year 2021 amounted to ISK 3,638 million compared to a loss of ISK 209 million for the same period in 2020.

### Balance Sheet

The Group's total assets amounted to ISK 112,900 million at 30 September 2021 according to the balance sheet. Cash and cash equivalents amounted to ISK 3,028 million at the end of the period. The Group's equity at the end of the period amounted to ISK 36,188 million, whereof share capital amounted to ISK 3,415 million. The Group's equity ratio was 32.1% at the end of September 2021.

The Company settled the bond class EIK 15 1 in the period and the repayment was financed with an unindexed bank loan. The Company issued two new bond classes in the first half of the year and sold in total in both classes for the nominal value of ISK 4,200 million. Furthermore, the Company sold for the nominal value of ISK 1,500 million in a bond offering in September.

Weighted indexed interest terms were 3.03% at the end of the third quarter and weighted unindexed interest terms were 3.62%. Approximately 20% of the Company's debt is unindexed.

### COVID-19

The effects of COVID-19 on the Company's operations are still considerable but are decreasing. The Company estimates that direct effects of COVID-19 on the operations in the period were ISK 185-195 million. The effects can mostly be traced to tourism companies and are quite visible in impairment of trade receivables and the operations of Hótel 1919 even though the operations of the hotel have improved in the last few months. It is still unclear how long the pandemic will continue to have effect on the Company's operations.

### Updated forecast

When the Company published updated forecast on 10 August 2021, the EBITDA forecast for the year 2021 was between ISK 5,400 – 5,700 million at price levels in July 2021. Taking into account price changes from the publication of the forecast, changes to the company portfolio and lease agreements the Company currently estimates that the EBITDA for the year will be between ISK 5,500 – 5,800 million at October 2021 price levels

As previously stated, the Company's forecast is subject to risk and uncertainty factors, mostly effects of the pandemic, which can lead to different results than are specified in the forecast.

### Changes in Company Portfolio

The Company has sold three properties in the year for a total of ISK 491 million. Total size of the sold properties is 2,934 sqm. and book value of sales profit amounts to ISK 91 million. The Company has acquired two whole properties and part of a third one in the year for a total amount of ISK 935 million. Total size of the acquired properties is 3,325 sqm.

### Dividend

The Company's Annual General Meeting held on 26 April 2021 approved a proposal to pay a dividend of ISK 650 million to shareholders, or equal to ISK 0.19 per share. The dividend was paid on 6 May 2021.

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

According to the best knowledge of the Board and the CEO, the Group's interim financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. It is the opinion of the Board of Directors and the CEO that the interim financial statements give a true and fair view of the Group's assets, liabilities and consolidated financial position as at 30 September 2021 and its financial performance and changes in cash and cash equivalents for the period 1 January to 30 September 2021.

The Board of Directors and CEO of Eik fasteignafélag hf. hereby confirm the Company's interim financial statements for the period from 1 January to 30 September 2021 by means of their signatures.

Reykjavík, 28 October 2021

Board of Directors

\_\_\_\_\_  
Eyjólfur Árni Rafnsson  
Chairman

\_\_\_\_\_  
Guðrún Bergsteinsdóttir

\_\_\_\_\_  
Hersir Sigurgeirsson

\_\_\_\_\_  
Kristín Friðgeirsdóttir

\_\_\_\_\_  
Ragnheiður Harðar Harðardóttir

CEO

\_\_\_\_\_  
Garðar Hannes Friðjónsson

## Consolidated Statement of Comprehensive Income

for the period from 1 January to 30 September 2021

	Notes	2021 1.7.-30.9.	2020 1.7.-30.9.	2021 1.1.-30.9.	2020 1.1.-30.9.
Lease income .....		1,925	1,896	5,714	5,640
Other operating income .....		334	172	707	612
		<u>2,259</u>	<u>2,068</u>	<u>6,421</u>	<u>6,252</u>
Operating expenses .....	7	( 706)	( 654)	( 2,087)	( 2,164)
Impairment of receivables .....		( 24)	( 135)	( 104)	( 316)
		<u>( 730)</u>	<u>( 789)</u>	<u>( 2,192)</u>	<u>( 2,480)</u>
<b>EBITDA .....</b>		<b>1,529</b>	<b>1,279</b>	<b>4,229</b>	<b>3,773</b>
Gain (loss) on sale of investment properties .....		31	0	91	( 1)
Changes in value of investment properties .....	9	1,056	350	3,591	( 465)
Depreciation and impairment .....	11	( 34)	( 25)	( 97)	( 269)
<b>Operating profit .....</b>		<b>2,582</b>	<b>1,605</b>	<b>7,814</b>	<b>3,037</b>
Finance income .....		8	6	20	18
Finance cost .....		( 922)	( 1,131)	( 3,288)	( 3,125)
<b>Net financial expense .....</b>	8	<b>( 914)</b>	<b>( 1,125)</b>	<b>( 3,268)</b>	<b>( 3,107)</b>
<b>Profit (loss) before income tax .....</b>		<b>1,668</b>	<b>480</b>	<b>4,545</b>	<b>( 70)</b>
Income tax .....		( 335)	( 96)	( 907)	14
<b>Profit (loss) for the period .....</b>		<b>1,333</b>	<b>384</b>	<b>3,638</b>	<b>( 56)</b>
<b>Other profit</b>					
Operating items recorded in equity					
Revaluation of real estate .....		0	( 190)	0	( 190)
Income tax of revaluation of real estate .....		0	37	0	37
<b>Other profit total .....</b>		<b>0</b>	<b>( 153)</b>	<b>0</b>	<b>( 153)</b>
<b>Total profit (loss) for the period .....</b>		<b>1,333</b>	<b>232</b>	<b>3,638</b>	<b>( 209)</b>
<b>Earnings (loss) per share:</b>					
Basic earnings (loss) and diluted earnings per share .....		0,39	0,11	1,07	(0,13)

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

## Consolidated Statement of Financial Position as at 30 September 2021

	Notes	30.9.2021	31.12.2020
<b>Assets</b>			
Intangible assets .....		351	351
Investment properties .....	9	103.537	98.404
Assets in development .....		659	659
Assets for own use .....	10	4.160	3.789
Non-current receivables .....	12	76	83
Fastafjármunir		<u>108.783</u>	<u>103.286</u>
Trade and other receivables .....	12	1.090	842
Cash and cash equivalents .....		3.028	1.922
Veltufjármunir		<u>4.117</u>	<u>2.764</u>
<b>Total assets</b>		<b>112.900</b>	<b>106.050</b>
<b>Equity</b>			
Share capital .....		3.415	3.415
Share premium .....		12.648	12.648
Statutory reserve .....		866	866
Restricted equity .....		6.612	6.016
Retained earnings .....		12.646	10.255
<b>Total equity</b>	13	<u>36.188</u>	<u>33.200</u>
<b>Liabilities</b>			
Interest-bearing debt .....	14	59.672	60.500
Lease liabilities .....	15	2.356	2.287
Income tax liability .....		8.352	7.445
Non-current liabilities		<u>70.381</u>	<u>70.232</u>
Interest-bearing debt .....	14	4.790	1.501
Trade and other payables .....		1.540	1.116
Current liabilities		<u>6.330</u>	<u>2.617</u>
<b>Total liabilities</b>		<b>76.711</b>	<b>72.850</b>
<b>Total equity and liabilities</b>		<b>112.900</b>	<b>106.050</b>

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

## Consolidated Statement of Changes in Equity as at 30 September 2021

	Share capital	Share premium	Statutory reserve	Revaluation reserve	Restricted equity	Retained earnings	Total equity
<b>1 January to 30 September 2020</b>							
Equity 1.1.2020 .....	3.423	12.687	866	153	5.182	10.243	32.553
Total (loss) for the period .....				( 153)		( 56)	( 209)
Transferred to restricted equity .					575	( 575)	0
Repurchase of own shares .....	( 8)	( 39)					( 46)
Equity 30.9.2020 .....	3.415	12.648	866	0	5.757	9.612	32.298
<b>1 January to 30 September 2021</b>							
Equity 1.1.2021 .....	3.415	12.648	866	0	6.016	10.255	33.200
Total profit for the period .....						3.638	3.638
Dividend paid ISK 0,19 per share						( 650)	( 650)
Transferred to restricted equity .					597	( 597)	0
Equity 30.9.2021 .....	3.415	12.648	866	0	6.612	12.646	36.188

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

## Consolidated Statement of Cash Flow

for the period from 1 January to 30 June 2021

	Notes	2021 1.1.-30.9.	2020 1.1.-30.9.
<b>Cash flows from operating activities</b>			
Profit for the period .....		7.814	3.037
Operating items which do not affect cash flow:			
(Gain) loss on sale of investment properties .....	(	91)	1
Valuation changes of investment properties .....	9 (	3.591)	465
Depreciation .....		97	269
		4.229	3.773
Change in operating assets .....	(	302)	( 247)
Change in operating liabilities .....		269	69
		4.196	3.595
Interest income received .....		20	18
Finance expenses paid .....	(	1.637)	( 1.556)
Net cash from operating activities		2.579	2.057
<b>Cash flows used in investment activities</b>			
Investment in investment properties .....	(	1.763)	( 1.398)
Sold investment assets .....		442	( 60)
Investment in assets for own use .....	(	469)	0
Sold assets for own use .....		1	5
Changes in bond holdings .....		7	( 60)
Other receivables, change .....		98	0
Net cash used in investing activities	(	1.685)	( 1.513)
<b>Cash flows from (to) financing activities</b>			
Dividend paid .....	(	650)	0
Purchase of treasury shares .....		0	( 46)
New long-term debts .....		9.820	4.608
Repayments and final payments of Long-term loans .....	(	8.959)	( 4.234)
Net cash from financing activities		211	328
<b>Increase in cash and cash equivalents .....</b>		1.105	871
<b>Cash and cash equivalents at beginning of year .....</b>		1.922	1.837
<b>Cash and cash equivalents at end of period .....</b>		3.028	2.708
<b>Investing and financing without credit:</b>			
The sale price of investment properties .....		49	0
Other short-term receivables .....	(	49)	0
The purchase price of investment properties .....	(	103)	0
Other short-term payables .....		103	0

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

# Notes

## 1. General information

Eik fasteignafélag hf., "the Company", is domiciled in Iceland. The Company's headquarters are at Sóltún 26 in Reykjavík. The condensed consolidated interim financial statements of the Company for the period 1 January to 30 September 2021 comprise the interim financial statements of the Company and its subsidiaries, together referred to as the "Group". The Company is a public limited liability company and listed on the Iceland Stock Exchange (NASDAQ Iceland).

## 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 2020. The interim financial statements were approved by the Company's Board of Directors on 28 October 2021.

The Company has implemented all accounting standards and changes to accounting standards which became effective for accounting periods beginning 1 January 2021 or earlier and have been confirmed by the European Union.

## 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 2020. The Company's Annual Financial Statements are available on [www.eik.is](http://www.eik.is) and [www.nasdaqomxnordic.com](http://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. Actual results may differ from these estimates.

## 5. Effect of COVID-19 on the financial statements

Economic effects of COVID-19 on the Company's operations were considerable but are decreasing. The Company met its tenants with operating difficulties relating to drop in income by various means depending on how extensive the difficulties were. The effect of COVID-19 on the Company's operations can mainly be seen in increase in depreciation of receivables and negative results of Hótel 1919. The operations of Hotel 1919 have been difficult for the first part of the year but has improved as the year has passed. The Company has selected to make credit entries for issued rental invoices but compensate by recognising impairment of receivables. Further information on receivables is in note 12.

## 6. Segment reporting

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

Segments 1.1.-30.9.2021	Investment properties	Hotel	Offset entries	Total
Lease income .....	5.939	0	( 226)	5.714
Operating income .....	425	282	0	707
Operating expenses .....	( 1.908)	( 405)	226	( 2.087)
Impairment of receivables .....	( 104)	0	0	( 104)
EBITDA .....	4.353	( 124)	0	4.229
Gain on sale of investment properties .....	91	0	0	91
Change in value of investment properties .....	3.591	0	0	3.591
Depreciation .....	( 79)	( 18)	0	( 97)
Net finance expenses .....	( 3.251)	( 17)	0	( 3.268)
Income tax .....	( 939)	32	0	( 907)
Profit (loss) for the year .....	3.765	( 127)	0	3.638
Assets 30.9.2021 .....	112.760	402	( 262)	112.900
Liabilities 30.9.2021 .....	76.656	317	( 262)	76.711
<b>Segments 1.1.-30.9.2020</b>				
Lease income .....	5.856	0	( 216)	5.640
Operating income .....	459	154	0	612
Operating expenses .....	( 1.956)	( 424)	216	( 2.164)
Impairment of receivables .....	( 313)	( 3)	0	( 316)
EBITDA .....	4.045	( 272)	0	3.773
Loss on sale of investment properties .....	( 1)	0	0	( 1)
Change in value of investment properties .....	( 465)	0	0	( 465)
Depreciation .....	( 252)	( 17)	0	( 269)
Net finance expenses .....	( 3.091)	( 16)	0	( 3.107)
Income tax .....	( 48)	62	0	14
Profit (loss) for the year .....	187	( 244)	0	( 56)
Assets 30.9.2020 .....	103.557	267	498	104.323
Liabilities 30.9.2020 .....	72.046	477	( 498)	72.024

## 7. Operating expenses

	2021	2020
	1.1. - 30.9.	1.1. - 30.9.
Operating expenses are specified as follows:		
Property tax and insurance .....	1.036	1.044
Maintenance of investment properties .....	21	31
Operating expenses of properties .....	409	443
Other operating expenses of investment properties .....	126	128
Operating expenses of hotel .....	180	208
Office and administrative expenses .....	316	310
Total operating expenses .....	<u>2.087</u>	<u>2.164</u>

## 8. Finance income and finance expenses

	2021	2020
	1.1. - 30.9.	1.1. - 30.9.
Finance income and finance expenses are specified as follows:		
Interest income .....	20	18
Interest expenses .....	( 1.563)	( 1.666)
Indexation .....	( 1.583)	( 1.366)
Prepayment charge .....	( 50)	0
Interest expenses of lease liabilities .....	( 73)	( 71)
Other finance expenses .....	( 19)	( 21)
Total finance expenses .....	<u>( 3.288)</u>	<u>( 3.125)</u>
Total finance income and finance expenses .....	<u>( 3.268)</u>	<u>( 3.107)</u>

## 9. Investment properties

	30.9.2021	31.12.2020
Investment properties are specified as follows:		
Book value at the beginning of the year .....	98.404	95.918
Changes in lease assets .....	70	227
Investment in current investment properties .....	922	1.803
Investment in new investment properties .....	945	133
Sold investment properties .....	( 394)	( 238)
Value adjustment .....	3.591	594
Recognised from assets for own use .....	0	( 32)
Book value at end of period .....	<u>103.537</u>	<u>98.404</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 flow that the Company can expect from current lease agreements and lease agreements the Company 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. WACC has decreased by 0,1% from year-end 2020.

The effect of COVID-19 on the value of investment properties varies depending on the category of real estate. The Company expects lower income in its valuation for up to two years in real estate where the tenants have encountered a significant drop in income. The effect is largest on hotel properties and bars and restaurants, but less on other categories. The effect on the valuation of investment assets due to expectations of lower income has diminished and is likely to continue to diminish as the pandemic recedes and/or vaccinations worldwide increase.

### Sensitivity analysis

Effects of changes in fair value of investment properties 30.9.2021:

Increase (decrease) of lease income by 1% .....	1.393	( 1.393)
Increase (decrease) of rental value ratio by 1%-point .....	1.443	( 1.443)
Decrease (Increase) of rate of return by 0.5%-points .....	9.379	( 7.901)

## 10. Assets for own use

Assets for own use are specified as follows:

	Real estate	Interiors and other	Total
<b>Cost</b>			
Balance at beginning of period .....	3.943	445	4.388
Additions during the period .....	431	38	469
Sold during the period .....	0	( 1)	( 1)
Balance at end of period .....	<u>4.375</u>	<u>483</u>	<u>4.857</u>
<b>Depreciation</b>			
Depreciation at beginning of period .....	341	259	600
Depreciation during the period .....	64	33	97
Total depreciation at end of period .....	<u>404</u>	<u>293</u>	<u>697</u>
<b>Book value</b>			
Book value at beginning of period .....	3.602	186	3.789
Book value at end of period .....	<u>3.970</u>	<u>190</u>	<u>4.160</u>

## 11. Depreciation

Depreciation and impairment losses is specified as follows:

	30.9.2021	31.12.2020
Intangible assets .....	0	82
Office .....	2	3
Hotel .....	62	205
Interiors and other .....	33	15
Total depreciation and impairment losses .....	<u>97</u>	<u>304</u>

## 12. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:

	30.9.2021	31.12.2020
Long-term receivables .....	<u>76</u>	<u>83</u>
Trade receivables due to lease .....	168	169
Trade receivables due to deferred lease payments .....	362	142
Trade receivables due to other operations .....	73	107
Total trade receivables .....	<u>604</u>	<u>418</u>
Short-term receivables due to sold investment assets .....	341	390
Other short-term receivables .....	145	34
Total other short-term receivables .....	<u>486</u>	<u>424</u>
Total trade receivables and other short-term receivables .....	<u>1.090</u>	<u>842</u>
Impairment of trade receivables is specified as follows at end of period:		
Depreciation reserve at beginning of the year .....	402	50
Depreciated bad debt during the period, change .....	( 50)	( 39)
Expensed during the period .....	81	391
Depreciation reserve at end of period .....	<u>432</u>	<u>402</u>

The Company's long-term receivables amounted to ISK 76 million at the end of the period. Thereof ISK 33 million 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. Balance at year end takes into account precautionary recording of ISK 29 million (31.12.2020: ISK 20 million).

## 13. Equity

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 8.800.000 at the end of the period which is recognised as decrease in share capital. Outstanding shares at year end are 3.415.063.435 and are all paid up. One vote is attached to each ISK 1 share in the Company.

The Company's Board of Directors' policy is to annually pay dividend or repurchase share for the amount corresponding to 35% of net cash provided by operations. At the annual general meeting on 26 April 2021, a motion to pay a dividend of ISK 650 million to shareholders was approved. The dividend payment was on 6 May 2021.



#### 14. Interest bearing liabilities

	30.9.2021	31.12.2020
<b>Long-term liabilities</b>		
Interest bearing bank loans .....	12.617	13.396
Listed bonds .....	52.125	48.913
Other long term liabilities .....	22	7
Loan liabilities total .....	<u>64.763</u>	<u>62.316</u>
Capitalised borrowing cost .....	( 301)	( 315)
Total interest bearing liabilities in the balance sheet .....	<u>64.463</u>	<u>62.001</u>
Current maturities of liabilities .....	( 4.790)	( 1.501)
Total interest bearing liabilities .....	<u>59.672</u>	<u>60.500</u>
<b>Short-term liabilities</b>		
Current maturities of liabilities .....	4.790	1.501
Total short-term liabilities .....	<u>4.790</u>	<u>1.501</u>

#### 15. Lease liability

Lease assets and lease liabilities are specified as follows:

	30.9.2021	31.12.2020
<b>Lease assets</b>		
Balance at beginning of period .....	2.287	2.039
Revaluation .....	58	247
Purchased and sold assets .....	12	1
Balance at end of period .....	<u>2.356</u>	<u>2.287</u>
<b>Lease liability</b>		
Balance at beginning of period .....	2.287	2.039
Revaluation .....	58	247
Purchased and sold assets .....	12	1
Balance at end of period .....	<u>2.356</u>	<u>2.287</u>
<b>Amounts in statement of comprehensive income</b>		
Interest expenses of lease liabilities .....	73	95
Total amounts in statement of comprehensive income .....	<u>73</u>	<u>95</u>
<b>Amounts in statement of cash flow</b>		
Interest expenses paid .....	73	95
Total amounts in statement of cash flow .....	<u>73</u>	<u>95</u>