

Q1 2021.

Condensed consolidated
interim financial statements

EIK

Index

Endorsement and Statement by the Board of Directors and the CEO	3
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Financial Position.	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9

Endorsement and Statement by the Board of Directors and the CEO

Eik fastignafélag hf. is an Icelandic limited liability company. The Group consists of the parent company, Eik fastignafélag hf., and subsidiaries owned 100% by the parent company. The Group's operations are ownership, rental and operations of business premises and ownership of hotel operations.

The interim financial statements of Eik fastignafélag hf. for the period 1 January to 31 March 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 fastignafélag hf. and subsidiaries. The interim financial statements are neither audited nor reviewed by the Company's auditors. The condensed consolidated interim financial statements for Eik fastignafélag 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.

Operations

The Company operations in the first three months were in line with forecast published on 11 February 2021.

The Group's operating income amounted to ISK 2,033 million in the period compared to ISK 2,135 million in the same period in 2020. The Group's operating profit before changes in value and depreciation amounted to ISK 1,260 million compared to ISK 1,326 million in the previous year. Change in value of investment properties in the period was ISK 881 million. Total profit for the period amounted to ISK 884 million according to the Group's statement of comprehensive income. Net cash from operations was ISK 745 million according to the Group's statement of financial position.

Impairment of trade receivables amounted to ISK 89 million which is mostly impacted by the tourism industry and bars and restaurants.

Outlook for the year is unchanged.

Balance Sheet

The Group's total assets amounted to ISK 108,441 million at the end of the period according to the balance sheet. Of this, investment properties amounted to ISK 99,711 million, assets for own use ISK 3,835 million, assets under development ISK 659 million and cash and cash equivalents ISK 2,904 million. The Group's equity amounted to ISK 34,082 million, whereof share capital was ISK 3,415 million. The Group's equity ratio was 31.4% at the end of the quarter.

Trade receivables amounted to ISK 398 million and decreased by ISK 20 million in the first three months of the year.

Dividend payment

At the annual general meeting on 26 April 2021, a motion to pay a dividend of ISK 650 million to shareholders was approved, amounting to ISK 0.19 per share. The dividend payment will take place on 6 May 2021.

COVID-19

The effects of COVID-19 on the Company's operations are still noticeable and will probably continue throughout the year 2021. The Company estimates that direct effect of COVID-19 was between ISK 130-140 million in the first three months of the year.

The Company's position is however still strong. Cash and cash equivalents amounted to ISK 2,904 million at the end of March 2021, in addition to the Company having an undrawn line of credit amounting to ISK 1,000 million and unpledged assets valued at ISK 6,533 million. Furthermore, the Company's status with regards to all loan covenants continues to be strong.

Refinancing

The Company settled the bond class EIK 15.1 in the quarter. The repayment amounted to ISK 3,400 million and was fully financed with an unindexed bank loan.

Furthermore, the Company issued two new bond classes, EIK 23.1 and EIK 100327. The Company sold ISK 1,200 million with 2.92% rate of return in EIK 23.1 which is an unindexed class with final maturity date in September 2023. The Company also sold ISK 2,200 million in EIK 100327 with 1.45% rate of return. EIK 100327 is an indexed class with final maturity date in March 2027.

The Company's weighted indexed interest terms were 3.09% at the end of the quarter and weighted unindexed interest terms were 3.15%. Around 20% of the Company's debt is unindexed.

Changes in Company Portfolio

The Company accepted two offers relating to sale of the Company's properties during the quarter, Fjölningagata 3b in Akureyri and Hafnarstræti 4 in Reykjavík. Contract for the sale of Fjölningagata 3b was signed in April but work is under way with regards to lifting provisional notices relating to Hafnarstræti 4. Estimated annual income according to lease agreements of these properties amounts to ISK 26 million. Total size of the properties is 1,290 sqm.

Reykjavík, 29 April 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 31 March 2021 and its financial performance and changes in cash and cash equivalents for the period 1 January to 31 March 2021.

The Board of Directors and CEO of Eik fastignafélag hf. hereby confirm the Company's interim financial statements for the period from 1 January to 31 March 2021 by means of their signatures.

Board of Directors

Eyjólfur Árni Rafnsson
Chairman

Guðrún Bergsteinsdóttir

Hersir Sigurgeirsson

Kristín Friðgeirsdóttir

Ragnheiður Harðar Harðardóttir

CEO

Gaðar Hannes Friðjónsson

Consolidated Statement of Comprehensive Income

for the period from 1 January to 31 March 2021

	Notes	2021 1.1.-31.3.	2020 1.1.-31.3.
Lease income		1.873	1.861
Other operating income		161	274
		<u>2.033</u>	<u>2.135</u>
Operating expenses	7	(685)	(779)
Impairment of receivables		(89)	(30)
		<u>(773)</u>	<u>(809)</u>
EBITDA		1.260	1.326
Gain (loss) on sale of investment properties		0	(1)
Changes in value of investment properties	9	881	(771)
Depreciation and impairment	11	(29)	(111)
Operating profit		2.112	443
Finance income		5	18
Finance cost		(1.011)	(732)
Net financial expense	8	<u>(1.006)</u>	<u>(714)</u>
Profit (loss) before income tax		1.107	(271)
Income tax		<u>(223)</u>	<u>36</u>
Total profit (loss) for the period		<u>884</u>	<u>(235)</u>
Earnings (loss) per share:			
Basic earnings (loss) and diluted earnings per share		0,26	(0,07)

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

Consolidated Statement of Financial Position as at 31 March 2021

	Notes	31.3.2021	31.12.2020
Assets			
Intangible assets		351	351
Investment properties	9	99.711	98.404
Assets in development		659	659
Assets for own use	10	3.835	3.789
Non-current receivables	12	72	83
Non-current assets		<u>104.628</u>	<u>103.286</u>
Trade and other receivables	12	910	842
Cash and cash equivalents		2.904	1.922
Current assets		<u>3.814</u>	<u>2.764</u>
Total assets		<u>108.441</u>	<u>106.050</u>
Equity			
Share capital		3.415	3.415
Share premium		12.648	12.648
Statutory reserve		866	866
Restricted equity		6.348	6.016
Retained earnings		10.806	10.255
Total equity	13	<u>34.084</u>	<u>33.200</u>
Liabilities			
Interest-bearing debt	14	61.617	60.500
Lease liabilities	15	2.314	2.287
Income tax liability		7.668	7.445
Non-current liabilities		<u>71.599</u>	<u>70.232</u>
Interest-bearing debt	14	1.486	1.501
Trade and other payables		1.272	1.116
Current liabilities		<u>2.759</u>	<u>2.617</u>
Total liabilities		<u>74.358</u>	<u>72.850</u>
Total equity and liabilities		<u>108.441</u>	<u>106.050</u>

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

Consolidated Statement of Changes in Equity

for the period from 1 January to 31 March 2021

	Share capital	Share premium	Statutory reserve	Revaluation reserve	Restricted equity	Retained earnings	Total equity
1 Januar to 31 March 2020							
Equity 1.1.2020	3.423	12.687	866	153	5.182	10.242	32.552
Total (loss) for the period						(235)	(235)
Transferred to restricted equity .					26	(26)	0
Repurchase of own shares	(8)	(39)					(46)
Equity 31.3.2020	3.415	12.648	866	153	5.208	9.982	32.271
1 Januar to 31 March 2021							
Equity 1.1.2021	3.415	12.648	866	0	6.016	10.255	33.200
Total profit for the period						884	884
Transferred to restricted equity .					332	(332)	0
Equity 31.3.2021	3.415	12.648	866	0	6.348	10.806	34.084

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 31 March 2021

	Notes	2021 1.1.-31.3.	2020 1.1.-31.3.
Cash flows from operating activities			
Profit for the period		2.112	443
Operating items which do not affect cash flow:			
Gain on sale of investment properties .....	(	0)	1
Valuation changes of investment properties	9 (	881)	771
Depreciation		29	111
		1.260	1.326
Change in operating assets .....	(	108)	(122)
Change in operating liabilities		125	160
		1.278	1.363
Interest income received		5	18
Finance expenses paid .....	(	538)	(405)
Net cash from operating activities		745	976
Cash flows used in investment activities			
Investment in investment properties .....	(	398)	(447)
Investment in assets for own use .....	(	76)	(39)
Changes in bond holdings .....	(	17)	0
Other receivables, change		40	(1)
Net cash used in investing activities	(	451)	(487)
Cash flows from (to) financing activities			
New long-term debts		7.407	1.165
Repayments and final payments of Long-term loans .....	(	6.719)	(1.592)
Purchase of treasury shares		0	(46)
Net cash from (to) financing activities		687	(473)
Increase in cash and cash equivalents		981	16
Cash and cash equivalents at beginning of year		1.922	1.837
Cash and cash equivalents at end of period		2.904	1.853

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 31 March 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 29 April 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 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, 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 extensive. The Company met its tenants with operating difficulties relating to drop in income by various means depending on how extensive the difficulties were. Decrease in operating profit before changes in value, depreciation and financial items can mostly be explained by the effect of the pandemic on the Company's operations. 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 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. The operation of Hótel 1919 was poor in the first quarter, with the hotel business being the branch the most impacted by the pandemic.

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 1.1-31.3.2021	Investment properties	Hotel	Offset entries	Total
Lease income	1.947	(	74)	1.873
Operating income	147	14		161
Operating expenses	(657)	(102)	74	(685)
Impairment of receivables	(89)	0		(89)
EBITDA	1.349	(89)	(0)	1.260
Gain on sale of investment properties	0	0	0	0
Change in value of investment properties	881	0	0	881
Depreciation	(23)	(6)	0	(29)
Net finance expenses	(998)	(8)	0	(1.006)
Income tax	(243)	20	0	(223)
Loss for the year	966	(82)	(0)	884
Assets 31.3.2021	108.282	342	(183)	108.441
Liabilities 31.3.2021	74.328	212	(183)	74.358

Starfsþættir 1.1-31.3.2020

Lease income	1.932	0	(71)	1.861
Operating income	164	110	0	274
Operating expenses	(665)	(186)	71	(779)
Impairment of receivables	(30)	0	0	(30)
EBITDA	1.401	(76)	0	1.326
Loss on sale of investment properties	(1)	0	0	(1)
Change in value of investment properties	(771)	0	0	(771)
Depreciation	(105)	(6)	0	(111)
Net finance expenses	(718)	4	0	(714)
Income tax	20	16	0	36
Loss for the year	(173)	(62)	0	(235)
Assets 31.3.2020	102.427	231	(295)	102.363
Liabilities 31.3.2020	70.128	259	(295)	70.092

7. Operating expenses

Operating expenses are specified as follows:	2021 1.1. - 31.3.	2020 1.1. - 31.3.
Property tax and insurance	347	348
Maintenance of investment properties	12	12
Operating expenses of properties	139	158
Other operating expenses of investment properties	46	39
Operating expenses of hotel	28	114
Office and administrative expenses	112	108
Total operating expenses	685	779

8. Finance income and finance expenses

Finance income and finance expenses are specified as follows:	2021 1.1. - 31.3.	2020 1.1. - 31.3.
Interest income	5	18
Interest expenses	(523)	(539)
Indexation	(408)	(145)
Prepayment charge	(50)	0
Interest expenses of lease liabilities	(24)	(24)
Other finance expenses	(6)	(24)
Total finance expenses	(1.011)	(732)
Total finance income and finance expenses	(1.006)	(714)

9. Investment properties

Investment properties are specified as follows:	31.3.2021	31.12.2020
Book value at the beginning of the year	98.404	95.918
Changes in lease assets	27	227
Investment in current investment properties	398	1.803
Investment in new investment properties	0	133
Sold investment properties	0 (	238)
Value adjustment	881	594
Recognised from assets for own use	0 (	32)
Book value at end of period	99.711	98.404

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 is unchanged 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 three 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. It is expected that effect on valuation of investment properties due to lower expectations of income will decrease along with the pandemic being managed globally.

Sensitivity analysis

Effects of changes in fair value of investment properties:

Increase (decrease) of lease income by 1%	1.352 (	1.352)
Increase (decrease) of rental value ratio by 1%-point	1.402 (	1.402)
Decrease (Increase) of rate of return by 0.5%-points	8.745 (	7.783)

10. Assets for own use

Assets for own use are specified as follows:			
	Real estate	Vehicles and other	Total
Cost			
Balance at 1.1.2021	3.943	445	4.388
Additions during the period	60	16	76
Balance at 31.3.2021	4.002	462	4.465
Depreciation			
Depreciation at 1.1.2020	341	259	600
Depreciation during the period	19	10	29
Total depreciation 31.3.2020	359	270	629
Book value			
Book value 1.1.21	3.602	186	3.789
Book value 31.3.21	3.643	192	3.835

11. Depreciation

Depreciation and impairment losses is specified as follows:	31.3.2021	31.12.2020
Intangible assets	0	82
Office	0	3
Hotel	25	205
Vehicles and other	4	15
Total depreciation and impairment losses	29	304

12. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:	31.3.2021	31.12.2020
Long-term receivables	72	83
Trade receivables due to lease	121	169
Trade receivables due to deferred lease payments	194	142
Trade receivables due to other operations	82	107
Total trade receivables	398	418
Short-term receivable due to sold investment asset	350	390
Other short-term receivables	162	34
Total other short-term receivables	512	424
Total trade receivables and other short-term receivables	910	842
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	(26)	(39)
Expensed during the period	79	391
Depreciation reserve at end of period	455	402

The Company's long-term receivables amounted to ISK 72 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 20 million (31.3.2020: ISK 28 million).

14. Interes bearing liabilities

	31.3.2021	31.12.2020
Long-term liabilities		
Interest bearing bank loans	14.270	13.396
Listed bonds	49.140	48.913
Other long term liabilities	3	7
	<u>63.413</u>	<u>62.316</u>
Current maturities of liabilities	(1.486)	(1.501)
Capitalised borrowing cost	(310)	(315)
Total interest bearing liabilities	<u>61.617</u>	<u>60.500</u>
Short-term liabilities		
Current maturities of liabilities	1.486	1.501
Total short-term liabilities	<u>1.486</u>	<u>1.501</u>

15. Lease liability

Lease assets and lease liabilities are specified as follows:

	31.3.2021	31.12.2020
Lease assets		
Balance at beginning of period	2.287	2.039
Change due to revaluation	27	247
Purchased and sold assets	0	1
Balance at end of period	<u>2.314</u>	<u>2.287</u>
Lease liability		
Balance at beginning of period	2.287	2.039
Change due to revaluation	27	247
Purchased and sold assets	0	1
Balance at end of period	<u>2.314</u>	<u>2.287</u>
Amounts in statement of comprehensive income		
Interest expenses of lease liabilities	24	95
Total amounts in statement of comprehensive income	<u>24</u>	<u>95</u>
Amounts in statement of cash flow		
Interest expenses paid	24	95
Total amounts in statement of cash flow	<u>24</u>	<u>95</u>