

# Q3 2019

Condensed consolidated  
interim financial statements

**EIK**  
FASTEIGNAFÉLAG





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

Eik fasteignafélag hf. is an Icelandic public limited liability company. The Group consists of the parent company, Eik fasteignafélag hf., plus five subsidiaries, all of which are wholly owned by the parent Company. The Company's activities include ownership, leasing and operation of commercial premises and ownership of hotel operations.

The quarterly financial statements of Eik fasteignafélag hf. for the period 1 January to 30 September 2019 have been prepared in accordance with the International Accounting Standard IAS 34 for interim financial statements. The quarterly financial statements include the condensed consolidated financial statements for Eik fasteignafélag hf. and subsidiaries.

The Group's total profit for the first nine months of the year 2019 amounted to ISK 2,142 million, according to the consolidated statement of comprehensive income. The Group's total assets amounted to ISK 101,496 million as of 30 September 2019, according to its balance sheet. At the end of the period the Group's equity amounted to ISK 31,727 million, including share capital in the amount of ISK 3,422 million. The Group's equity ratio was 31.3% at the end of September 2019.

For the first nine months of the year 2019 the Group's operating income was ISK 6,471 million, compared to ISK 6,044 million for the same period in 2018. The Group's operating profit before changes in value and depreciation amounted to ISK 4,188 million in the first nine months of the year 2019, compared with ISK 3,924 million for the same period in 2018.

The Company's Annual General Meeting, held on 10 April 2019, approved a dividend payment of ISK 1,020 million to shareholders, equivalent to ISK 0.29 per share. Payment of dividend was made on 30 April 2019. In accordance with the share purchase programme that was announced on 7 March 2019 the Company purchased treasury shares with a nominal value of ISK 33,883,000 for a total of ISK 298,117,280. The programme ended on 23 August 2019. The Company has treasury shares of nominal value ISK 42,683,000.

At the beginning of July the Company refinanced all liabilities of the subsidiary EF1 hf. The refinancing was a combination of bank loans and bond issue. The Company issued two new classes of bonds, EIK 050726 and EIK 050749. Under the class EIK 050726 bonds have been

issued for a nominal value of ISK 1,500 million with a 2.73% rate of return and under EIK 050749 for a nominal value of ISK 3,700 million with að 3.1% rate of return. Also the project financing for Suðurlandsbraut 10 was repaid in full in July.

Two subsidiaries of Eik, Eff12 ehf and EF14 ehf., have been merged with the Company. Also, LF11 ehf., a subsidiary of Landfestar ehf., has merged with another subsidiary of Landfestar ehf., LF1 ehf. The mergers are effective as of 1st of January 2019.

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

According to the best knowledge of the Board and the CEO, the consolidated 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 financial performance of Group for the six month period ended 30 September 2019, its assets, liabilities and consolidated financial position as at 30 September 2019 and its consolidated cash flows for the period then ended.

The Board of Directors and CEO of EIK fasteignafélag hf. hereby confirm the Company's quarterly financial statements for the period from 1 January to 30 September 2019 by means of their signatures.

Reykjavík, 31 October 2019

### Board of Directors

Eyjólfur Árni Rafnsson  
Chairman

Guðrún Bergsteinsdóttir

Agla Elísabet Hendriksdóttir

Arna Harðardóttir

Bjarni Kristján Þorvarðarson

### CEO

Garðar Hannes Friðjónsson

Consolidated Statement of Comprehensive Income for the period from 1 January to 30 September 2019

		Third quarter		First nine months of the year	
		2019	2018	2019	2018
	Notes	1.7.-30.9.	1.7.-30.9.	1.1.-30.9.	1.1.-30.9.
Operating income .....		2.231	2.112	6.471	6.044
Operating expenses .....	6	( 723)	( 722)	( 2.283)	( 2.120)
<b>Operating profit before changes in value and depreciation (EBITDA) .....</b>		<b>1.508</b>	<b>1.389</b>	<b>4.188</b>	<b>3.924</b>
Gain on sale of investment properties .....		0	3	0	210
Changes in value of investment properties .....	8	196	486	1.522	897
Depreciation .....		( 37)	( 30)	( 94)	( 88)
<b>Operating profit .....</b>		<b>1.666</b>	<b>1.849</b>	<b>5.616</b>	<b>4.944</b>
Finance income .....		8	40	56	88
Finance cost .....		( 867)	( 963)	( 2.994)	( 2.912)
<b>Net financial expense .....</b>	7	<b>( 859)</b>	<b>( 923)</b>	<b>( 2.939)</b>	<b>( 2.824)</b>
Profit before income tax .....		808	926	2.678	2.120
Income tax .....		( 162)	( 183)	( 536)	( 423)
<b>Profit and total profit for the period .....</b>		<b>646</b>	<b>743</b>	<b>2.142</b>	<b>1.697</b>
<b>Earnings per share:</b>					
Basic earnings and diluted earnings per share .....		0,19	0,21	0,63	0,49

Consolidated Statement of Financial Position as at 30 September 2019

	Notes	30.9.2019	31.12.2018
<b>Assets</b>			
Intangible assets .....		474	496
Investment properties .....	8	95.034	90.302
Assets for own use .....	9	3.908	3.756
Non-current receivables .....		53	28
<b>Non-current assets</b>		<b>99.469</b>	<b>94.582</b>
Trade and other receivables .....		502	294
Cash and cash equivalents .....		1.525	1.847
<b>Current assets</b>		<b>2.027</b>	<b>2.141</b>
<b>Total assets</b>		<b>101.496</b>	<b>96.723</b>
<b>Equity</b>			
Share capital .....		3.422	3.456
Share premium .....		12.686	12.950
Statutory reserve .....		866	866
Revaluation reserve .....		153	153
Restricted equity .....		5.172	3.700
Retained earnings .....		9.427	9.772
<b>Total equity</b>	10	<b>31.727</b>	<b>30.898</b>
<b>Liabilities</b>			
Interest-bearing debt .....	11	58.143	56.440
Lease liabilities .....	12	1.950	0
Other long-term liabilities .....		26	11
Deferred tax liabilities .....		7.036	6.504
<b>Non-current liabilities</b>		<b>67.155</b>	<b>62.954</b>
Interest-bearing debt .....	11	1.341	1.698
Trade and other payables .....		1.274	1.173
<b>Current liabilities</b>		<b>2.615</b>	<b>2.870</b>
<b>Total liabilities</b>		<b>69.769</b>	<b>65.824</b>
<b>Total equity and liabilities</b>		<b>101.496</b>	<b>96.723</b>

Notes on pp. 5-8 are an integral part of the interim financial statements

Consolidated Statement of Changes in Equity for the period from 1 January to 30 September 2019

	Share capital	Share premium	Statutory reserve	Revaluation reserve	Restricted equity	Retained earnings	Total
<b>1 January to 30 September 2018</b>							
Equity 1 January 2018 .....	3.456	12.950	866	95	2.478	9.393	29.238
Dividend paid ISK 0.26 per share .....					(	913)	( 913)
Profit for the period .....						1.697	1.697
Transferred to restricted equity .....					1.321	( 1.321)	0
Equity 30.9.2018 .....	3.456	12.950	866	95	3.799	8.856	30.023
<b>1 January to 30 September 2019</b>							
Equity 1 January 2019 .....	3.456	12.950	866	153	3.700	9.772	30.898
Dividend paid ISK 0,29 per share .....					(	1.016)	( 1.016)
Profit for the period .....						2.142	2.142
Transferred to restricted equity .....					1.472	( 1.472)	0
Treasury shares purchased .....	( 34)	( 264)					( 298)
Equity 30.9.2019 .....	3.422	12.686	866	153	5.172	9.427	31.727

Notes on pp. 5-8 are an integral part of the interim financial statements

Consolidated Statement of Cash Flow for te period from 1 January to 30 September 2019

	Notes	2019 1.1.-30.9.	2018 1.1.-30.9.
<b>Cash flows from operating activities</b>			
Profit for the period .....		5.616	4.944
Operating items which do not affect cash flow:			
Gain on sale of investment properties .....	(	0)	( 210)
Valuation changes of investment properties .....	8 (	1.522)	( 897)
Depreciation .....		94	88
		4.188	3.924
Change in operating assets .....	(	208)	( 220)
Change in operating liabilities .....		183	13
		4.163	3.717
Interest income received .....		56	88
Interest expenses paid .....	(	1.831)	( 1.542)
Net cash from operating activities		2.388	2.263
<b>Cash flows used in investment activities</b>			
Investment in investment properties .....	(	1.260)	( 2.060)
Sale prices of investment assets .....		0	712
Investment in assets for own use .....	(	223)	( 15)
Bonds, change .....	(	25)	0
Other receivables, change .....		0	( 19)
Net cash used in investing activities	(	1.508)	( 1.382)
<b>Cash flows (to) from financing activities</b>			
Purchase of treasury shares .....	(	298)	0
Dividend paid .....	(	1.016)	( 913)
New long-term debts .....		15.223	15.885
Repayments and final payments of non-current liabilities. ....	(	14.778)	( 13.607)
Short-term loans, change .....	(	334)	( 213)
Net cash (to) from financing activities	(	1.202)	1.152
(Decrease) increase in cash and cash equivalents .....	(	322)	2.032
Cash and cash equivalents at beginning of year .....		1.847	1.481
Cash and cash equivalents at end of period .....		1.525	3.513

Notes

1. General information

The registered office of Eik fasteignafélag hf., "the Company", is at Álfheimar 74 in Reykjavík. The Condensed Consolidated Interim Financial Statements for the period 1 January to 30 September 2019 include the interim financial statements of the Company and its subsidiaries, which are 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 accounting

The Consolidated Interim Financial Statements are prepared in accordance with International Accounting Standards 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 2018. The Board of Directors approved the Consolidated Interim Financial Statements on 31 October 2019.

The Company has implemented all accounting standards and changes to accounting standards which became effective for accounting periods beginning 1 January 2019 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 2018 with the exception of changes due to the adoption of IFRS 16, which are explained in Note 12. 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, 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. Operating segments

The segment overview provides information on individual aspects of the Company's operations. The consolidated entity is divided in two segments which sell goods and services on different markets.

Reportable segments 1.1.-30.9.2019	Investment properties	Hotel	Elimination entries	Total
Operating income .....	6.157	525	( 211)	6.471
Operating expenses .....	( 1.895)	( 600)	211	( 2.283)
Operating profit (loss) before changes in value and depreciation	4.262	( 75)	0	4.188
Gain on sale of investment properties .....	0	0	0	0
Changes in value of investment properties .....	1.522	0	0	1.522
Depreciation .....	( 85)	( 9)	0	( 94)
Net finance expenses .....	( 2.945)	6	0	( 2.939)
Profit (loss) before income tax .....	2.754	( 78)	0	2.677
Income tax .....	( 536)	0	0	( 536)
Profit (loss) for the period .....	2.218	( 78)	0	2.142
Segment assets 30.9.2019 .....	101.358	279	( 141)	101.496
Segment liabilities 30.9.2019 .....	69.732	178	( 141)	69.769

Reportable segments 1.1.-30.9.2018

Operating income .....	5.634	614	( 204)	6.044
Operating expenses .....	( 1.709)	( 615)	204	( 2.120)
Operating profit before changes in value and depreciation .....	3.925	( 1)	0	3.924
Gain on sale of investment properties .....	210	0	0	210
Changes in value of investment properties .....	897	0	0	897
Depreciation .....	( 88)	0	0	( 88)
Net finance expenses .....	( 2.826)	2	0	( 2.824)
Profit (loss) before income tax .....	2.119	1	0	2.120
Income tax .....	( 423)	( 0)	0	( 423)
Profit (loss) for the period .....	1.696	1	0	1.697
Segment assets 30.9.2018 .....	95.436	361	( 44)	95.753
Segment liabilities 30.9.2018 .....	65.604	169	( 44)	65.730



6. Operating expenses	2019	2018
Operating expenses is specified as follows:	1.1. - 30.9.	1.1. - 30.9.
Property tax and insurance .....	993	909
Maintenance of investment properties .....	39	57
Operating expenses of properties .....	424	386
Operating expenses of Hótel 1919 .....	388	411
Impairment of receivables, change .....	22	21
Office and administrative expenses .....	299	255
Other operating expenses .....	117	81
Total operating expenses .....	2.283	2.120

7. Finance income and finance cost	2019	2018
Finance income and finance cost specify as follows:	1.1. - 30.9.	1.1. - 30.9.
Interest income .....	56	88
Interest expenses .....	( 1.844)	( 1.836)
Indexation .....	( 1.150)	( 1.076)
Finance cost .....	( 2.994)	( 2.912)
Net finance expense .....	( 2.939)	( 2.824)

8. Investment properties	30.9.2019	31.12.2018
Investment properties are specified as follows:		
Book value at beginning of year .....	90.302	85.033
Right-of-use assets, the effects of implementing IFRS 16 .....	1.950	0
Investment during the period .....	797	1.473
Purchases during the period .....	463	2.946
Investment properties sold .....	0 (	652)
Valuation changes .....	1.522	1.501
Investment properties at end of period .....	95.034	90.302

The Group's investment properties are valued by the Company's management at fair value on the reporting date in accordance with IAS 40.

In valuing the assets, management has assessed the cash flows which the Company can expect from current leases and leases which the Company intends to apply after the lease period of current agreements expires. The methodology and conclusions used to estimate both the amounts and timing of future cash flows are reviewed regularly with the aim of approaching the fair value of the assets. No changes have been made to the methodology used in assessing the Company's investment properties from its last Consolidated Financial Statements.

9. Assets for own use

Assets for own use specify as follows:

	Vehicles and		
	Real estate	other	Total
<b>Cost</b>			
Total value 1.1.2018 .....	3.827	112	3.940
Revaluation during the period. ....	72	0	72
Additions .....	16	7	23
Total value 31.12.2018 .....	3.915	119	4.035
Additions .....	8	215	223
Total value 30.9.2019 .....	3.923	335	4.258
<b>Depreciation</b>			
Total written off 1.1.2018 .....	127	61	188
Depreciation .....	75	15	90
Total written off 31.12.2018 .....	202	76	278
Depreciation .....	33	39	72
Total written off 30.9.2019 .....	235	115	350
<b>Book value</b>			
Book value 1.1.2018 .....	3.700	51	3.751
Book value 31.12.2018 .....	3.713	43	3.756
Book value 30.9.2019 .....	3.689	219	3.908

10. Equity

The Company's total share capital, according to its Aricles of Association, is ISK 3,465,180,435 and the nominal value of each share is ISK 1. At the end of Q3, the Company held treasury shares of nominal value ISK 42,683,000, which are deducted from share capital and the share premium account. Outstanding shares therefore totalled ISK 3,422,497,435, all of which are paid-up. Each ISK 1 of share capital in the Company entitles the owner to one vote.

At the beginning of the year the Company held treasury shares of ISK 8,800,000 at nominal value. On 7 March 2019, the Company announced that the Board of Directors had approved a share purchase programme, based on an authorisation granted to the Board of Directors at a shareholders' meeting on 12 December 2018, in accordance with the Public Limited Companies Act, No. 2/1995, and an appendix to the Regulation on Inside Information and Market Abuse, No. 630/2005. Kvika hf. has been engaged to implement the programme. The share purshase programme has ended and the Company purchased treasury shares with a nominal value of ISK 33,883,000 for a total of ISK 298,117,280.

A dividend payment of ISK 1,020 million which was approved at the annual general meeting held 10 April 2019 was paid to shareholders on 30 April 2019.

11. Interest-bearing debt

Interest-bearing non-current debt	30.9.2019	31.12.2018
Interest-bearing debt owed to credit institutions .....	13.889	16.749
Bond issues .....	45.950	41.727
	59.839	58.476
Current maturities .....	( 1.341)	( 1.698)
Capitalised borrowing cost .....	( 354)	( 339)
Total interest-bearing debt .....	58.144	56.440
<b>Interest-bearing debt among current liabilities</b>		
Current maturities of non current loans .....	1.341	1.698
Total current interest-bearing debt .....	1.341	1.698



12. Impact of the adoption of IFRS 16 on financial reporting.

The Group has implemented the International Financial Reporting Standard (IFRS) 16 as of 1 January 2019. IFRS 16 replaces standard IAS 17 and provides for the recognition of leased assets in connection with contracts in which the Group is the lessee. Deviations from this rule are authorised for lease periods of less than one year. Lease liabilities are recognised against leased assets for the present value of future lease payments.

This can impact the Group in two respects, where the Company is the lessor and where it is the lessee. Implementation of IFRS 16 has an insignificant effect on the Group where the Group is the lessor.

Implementation of IFRS 16 where the Group is the lessee has a minor impact on the Group. The Group's leased assets and lease liabilities are solely in connection with leasing contracts for premises with third parties. If the embedded interest on the leases can be determined, this is to be used to calculate the present value of the liability. If that is not possible, the incremental borrowing rate is used, which is the methodology used by the Group. Different incremental borrowing rates are used, depending upon the location and type of buildings on each individual asset and the methodology used to determine the incremental borrowing rate is similar to that used in estimating the value of the Company's investment properties. The interest rate used for discounting is determined by weighting the incremental borrowing rate 70% and weighting the incremental borrowing rate plus premium 30%. This method is applied to all of the Group's leasing contracts for premises.

In implementing IFRS 16 the Group applies a cumulative effect method. Leased assets linked to the right to use amounting to ISK 1,950 million were recognised in the Group's balance sheet as investment properties. Lease liabilities of the same amount were entered against this in the balance sheet. The introduction of the standard has therefore not affected the Group's equity on 1 January 2019, and comparison amounts for the year 2018 remain unchanged. Implementation of the IFRS 16 standard has a positive impact amounting to ISK 91 million on operating profit before changes in value and depreciation by the Group, but increases the Group's interest expenses by the same amount.

Leased assets and lease liabilities are as follows:	
	30.9.2019
<b>Leased assets</b>	
Balance as at 1.1.2019 .....	1.931
Valuation changes in the right to use assets .....	3
New land .....	16
Balance as at 30.9.2019 .....	1.950
<b>Lease liabilities</b>	
Balance as at 1.1.2019 .....	1.931
Valuation changes in lease liabilities .....	3
New land .....	16
Balance as at 30.9.2019 .....	1.950
<b>Amounts in profit or loss</b>	
Valuation changes .....	0
Interest expenses on lease liabilities .....	68
Total .....	68
<b>Amounts in cash flow</b>	
Interest expenses paid on lease liabilities .....	68
Instalments on lease liabilities .....	0
Total .....	68