

Q3 2022.

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 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 financial statements of Eik fasteignafélag hf. for the period 1 January to 30 September 2022 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. do not contain all information required in financial statements and should be read in conjunction with the Group's financial statements for the year 2021.

Operations

The Company's operations in the first nine months of the year were in line with management's forecasts.

The Group's operating income amounted to ISK 7,387 million during the period compared to ISK 6,421 million for the same period in 2021. The Group's operating profit before changes in value, sales profit and depreciation amounted to ISK 4,875 million compared to ISK 4,229 million in the previous year and increased by 15% between years. Change in value of investment properties in the period was ISK 9,888 million but further information on change in value is in note 9. According to the Group's income statement and statement of financial position, total profit for the period amounted to ISK 7,234 million. Net cash from operations was ISK

3,042 million according to the Group's statement of cash flows and increased by a little less than 18% compared to the same period last year.

Balance Sheet

The Company's total assets amounted to ISK 126,089 at the end of the period according to the statement of financial position. Of this, investment properties valued at ISK 118,270 million, assets for own use ISK 4,186 million, assets under development ISK 671 million and cash and cash equivalents ISK 1,734 million. The Company's equity amounted to ISK 42,977 million, whereof outstanding share capital is ISK 3,415 million. The Group's equity ratio was 34.1% at the end of the quarter. At the Company's Annual General Meeting on 5 April 2022 a dividend payment to shareholders due to the operating year 2021 amounting to ISK 1,740 million was approved and was paid on 28 April 2022.

Trade receivables amounted to ISK 654 million and decreased by ISK 13 million during the first nine months of the year.

Outlook

Based on the consumer price index for financial indexation in November 2022, the Company expects that EBITDA for the year will be between ISK 6,430 – 6,690 million at a fixed price throughout the year.

Effects due to COVID-19

The effects of COVID-19 on the Company's operations have been fast decreasing and were considered non-existent at the end of the third quarter. The Company estimates that the effects were negative by ISK 40 – 45 million on EBITDA in the first half of the year. Further-

more, effects of COVID-19 on the value of the Company's investment properties have in most part disappeared.

Changes in Company Portfolio

During the year, ownership of four properties which total around 2,960 sqm has been transferred to the Company. The latest one was now at the end of September when the Company received Smiðshöfði 9, around 1,300 sqm warehouse and industrial property in Reykjavík.

The Company has sold and delivered three properties during the year which total around 3,900 sqm. The properties were warehouses and industrial properties based outside the capital region. The three properties were delivered at the end of last month and booked sales profit in the third quarter amounts to ISK 362 million.

As reported in the Company's announcement on Nasdaq Iceland on 15 September, negotiations regard-

ing the Company's possible purchase of Lambhagavegur 23 ehf. and Laufskálar fasteignafélag ehf. have been terminated.

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 on 30 September 2022 and its financial performance and changes in cash and cash equivalents for the period 1 January to 30 September 2022.

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 2022 by means of their signatures.

Reykjavík, 27 October 2022

Board of Directors

Bjarni Kristján Þorvarðarson
Chairman

Eyjólfur Árni Rafnsson

Guðrún Bergsteinsdóttir

Hersir Sigurgeirsson

Ragnheiður Harðar Harðardóttir

CEO

Garðar Hannes Friðjónsson

Consolidated Statement of Comprehensive Income

for the period from 1 January to 30 September 2022

	Notes	2022 1.7.-30.9.	2021 1.7.-30.9.	2022 1.1.-30.9.	2021 1.1.-30.9.
Lease income		2.205	1.925	6.275	5.714
Other operating income		491	334	1.112	707
		<u>2.697</u>	<u>2.259</u>	<u>7.387</u>	<u>6.421</u>
Operating expenses	7	(858)	(706)	(2.446)	(2.087)
Impairment of receivables		(38)	(24)	(66)	(104)
		<u>(897)</u>	<u>(730)</u>	<u>(2.512)</u>	<u>(2.192)</u>
EBITDA		1.800	1.529	4.875	4.229
Gain on sale of investment properties		362	31	362	91
Changes in value of investment properties	9	1.907	1.056	9.888	3.591
Depreciation	11	(28)	(34)	(102)	(97)
Operating profit		4.041	2.582	15.023	7.814
Finance income		4	8	20	20
Finance cost		(2.235)	(922)	(6.038)	(3.288)
Net financial expense	8	<u>(2.231)</u>	<u>(914)</u>	<u>(6.017)</u>	<u>(3.268)</u>
Profit before income tax		1.810	1.668	9.006	4.545
Income tax		(329)	(335)	(1.771)	(907)
Profit for the period		<u>1.481</u>	<u>1.333</u>	<u>7.234</u>	<u>3.638</u>
Earnings per share:					
Basic earnings and diluted earnings per share		0,43	0,39	2,12	1,07

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

Consolidated Statement of Financial Position as at 30 September 2022

	Notes	30.9.2022	31.12.2021
Assets			
Intangible assets		351	351
Investment assets	9	118.270	105.638
Assets in development		671	663
Assets for own use	10	4.186	4.183
Non-current receivables	12	48	88
Non-current assets		<u>123.527</u>	<u>110.922</u>
Trade and other receivables	12	828	708
Cash and cash equivalents		1.734	3.297
Current assets		<u>2.562</u>	<u>4.005</u>
Total assets		<u>126.089</u>	<u>114.928</u>
Equity			
Share capital		3.415	3.415
Share premium		12.648	12.648
Statutory reserve		866	866
Restricted equity		11.889	7.603
Retained earnings		14.159	12.951
Total equity	13	<u>42.977</u>	<u>37.483</u>
Liabilities			
Interest-bearing debt	14	61.840	60.061
Lease liabilities	15	2.479	2.355
Income tax liability		10.451	8.680
Non-current liabilities		<u>74.770</u>	<u>71.095</u>
Interest-bearing debt	14	6.786	4.753
Trade and other payables		1.554	1.596
Current liabilities		<u>8.340</u>	<u>6.349</u>
Total liabilities		<u>83.111</u>	<u>77.444</u>
Total equity and liabilities		<u>126.089</u>	<u>114.928</u>

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

Consolidated Statement of Changes in Equity as at 30 September 2022

	Share capital	Share premium	Statutory reserve	Restricted equity	Retained earnings	Total equity
1 January to 30 September 2021						
Equity 1.1.2021	3.415	12.648	866	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	6.612	12.646	36.188

1 January to 30 September 2022

Equity 1.1.2022	3.415	12.648	866	7.603	12.951	37.483
Total profit for the period					7.234	7.234
Dividend paid ISK 0,51 per share					(1.740)	(1.740)
Transferred to restricted equity				4.286	(4.286)	0
Equity 30.9.2022	3.415	12.648	866	11.889	14.159	42.977

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

Consolidated Statement of Cash Flows

for the period from 1 January to 30 September 2022

	Notes	2022 1.1.-30.9.	2021 1.1.-30.9.
Cash flows from operating activities			
Profit for the period		15.023	7.814
Operating items which do not affect cash flow:			
Gain on sale of investment properties .....	(	362)	(91)
Valuation changes of investment properties	9 (	9.888)	(3.591)
Depreciation		102	97
		4.875	4.229
Change in operating assets .....	(	98)	(302)
Change in operating liabilities		19	269
		4.796	4.196
Interest income received		20	20
Finance expenses paid .....	(	1.775)	(1.637)
Net cash from operating activities		3.042	2.579
Cash flows used in investment activities			
Investment in investment assets .....	(	3.112)	(1.763)
Investment in assets under development .....	(	7)	0
Sold investment assets		702	442
Investment in assets for own use .....	(	112)	(469)
Sold assets for own use		6	1
Changes in bond holdings		40	7
Other receivables, change		0	98
Net cash used in investing activities	(	2.483)	(1.685)
Cash flows (to) from financing activities			
Dividend paid .....	(	1.740)	(650)
New long-term debts		4.059	9.820
Repayments and final payments of Long-term loans .....	(	4.442)	(8.959)
Net cash from financing activities	(	2.123)	211
Changes in cash and cash equivalents .....	(	1.564)	1.105
Cash and cash equivalents at beginning of year		3.297	1.922
Cash and cash equivalents at end of period		1.734	3.028
Investing and financing without credit:			
Sold investment assets		22	49
Other short-term receivables .....	(	22)	(49)
Investment in investment assets		128	(103)
Other short-term payables .....	(	128)	103

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 2022 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 2021. The interim financial statements were approved by the Company's Board of Directors on 27 October 2022.

The Company has implemented all accounting standards and changes to accounting standards which became effective for accounting periods beginning 1 January 2022 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 2021. 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. Actual results may differ from these estimates.

5. Effect of COVID-19 on the financial statements

The effects of COVID-19 on the Company's operations have been fast decreasing and were considered non-existent at the end of the third quarter. The Company estimates that the effects were negative by ISK 40–45 million on EBITDA in the first half of the year. Furthermore, effects of COVID-19 on value of the Company's investment properties have in most part disappeared.

In financial position the effects of the pandemic can mainly be seen in high balance of trade and other receivables. Further information on trade and other 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 1.1-30.9.2022	Investment properties	Hotel	Offset entries	Total
Lease income	6.518	0	(242)	6.275
Operating income	533	579	0	1.112
Operating expenses	(2.131)	(558)	242	(2.446)
Impairment of receivables	(66)	0	0	(66)
EBITDA	4.853	22	0	4.875
Gain on sale of investment properties	362	0	0	362
Change in value of investment properties	9.888	0	0	9.888
Depreciation	(79)	(23)	0	(102)
Net finance expenses	(6.017)	(1)	0	(6.017)
Income tax	(1.772)	0	0	(1.772)
Profit (loss) for the year	7.236	(2)	0	7.234
Assets 30.9.2022	126.054	425	(390)	126.089
Liabilities 30.9.2022	83.109	392	(390)	83.111

Segments 1.1-30.9.2021

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

7. Operating expenses

	2022 1.1. - 30.9.	2021 1.1. - 30.9.
Operating expenses are specified as follows:		
Property tax	1,027	975
Insurance	68	61
Maintenance of investment properties	37	21
Operating expenses of properties	502	409
Other operating expenses of investment properties	132	126
Operating expenses of hotel	315	180
Office and administrative expenses	365	316
Total operating expenses	2,446	2,087

8. Finance income and finance expenses

	2022 1.1. - 30.9.	2021 1.1. - 30.9.
Finance income and finance expenses are specified as follows:		
Interest income	20	20
Interest expenses	(1,776)	(1,563)
Indexation	(4,169)	(1,583)
Prepayment charge	0	(50)
Interest expenses of lease liabilities	(78)	(73)
Other finance expenses	(15)	(19)
Total finance expenses	(6,037)	(3,288)
Total finance income and finance expenses	(6,017)	(3,268)

9. Investment assets

	30.9.2022	31.12.2021
Investment assets are specified as follows:		
Book value at the beginning of the year	105,638	98,404
Changes in lease assets	124	68
Investment in current investment assets	1,964	1,401
Investment in new investment assets	1,019	946
Sold investment assets	(362)	(394)
Value adjustment	9,888	5,214
Book value at the end of the period	118,270	105,638

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 futher 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 agrements 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 in lease and capital markets.

The largest items increasing the value of investment properties are inflation, reverse transactions to reserves due to effects of COVID-19, increase in market rent and lower interest rates. The largest items for decrease are increase in official property assessment value and increase in yield requirement of equity. Effects of COVID-19 on the value of the Company's investment properties were minimal at the end of the period.

Sensitivity analysis

Effects of changes in fair value of investment properties 30.9.2022:

Increase (decrease) of lease income by 1%	1,583	(1,583)
Increase (decrease) of rental value ratio by 1%-point	1,639	(1,639)
Decrease (increase) of rate of return by 0.5%-points	10,795	(9,090)

10. 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	4.288	490	4.777
Additions during the period	55	57	112
Sold during the period	0	(17)	(17)
Balance at the end of the period	4.342	529	4.872
Depreciation			
Depreciation at the beginning of the year	429	165	595
Depreciation during the period	64	38	102
Sold during the period	0	(11)	(11)
Total depreciation at end of the period	493	192	685
Book value			
Book value at the beginning of the year	3.859	324	4.183
Book value at the end of the period	3.849	337	4.186

11. Depreciation

Depreciation is specified as follows:	30.9.2022	31.12.2021
Office	2	3
Hotel	85	113
Interiors and other	15	20
Total depreciation	102	135

12. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:	30.9.2022	31.12.2021
Long-term receivables	48	88
Trade receivables due to lease	159	180
Trade receivables due to deferred lease payments	395	384
Trade receivables due to other operations	100	103
Total trade receivables	654	667
Short-term receivables due to sold investment asset	22	0
Other short-term receivables	151	41
Total other short-term receivables	174	41
Total trade receivables and other short-term receivables	828	708
Impairment of receivables is specified as follows:		
Depreciation reserve at the beginning of the year	406	402
Depreciated bad debt during the period, change	(65)	(56)
Expensed during the period	66	60
Depreciation reserve at the end of the period	408	406

The Company's long-term receivables amounted to ISK 48 million (31.12.2021: ISK 88 million) at the end of the period. Thereof ISK 28 (31.12.2021: ISK 25 million) 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 the end of the period takes into account precautionary recording of ISK 62 million (31.12.2021: ISK 33 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 dividends or repurchase shares for the amount corresponding up to 50% of net cash provided by operations. When preparing proposal on dividends, the Company's financial situation, investment plans and situation of economic affairs shall be considered. At the annual general meeting on 5 April 2022, a motion to pay a dividend of ISK 1.740 million to shareholders was approved. The dividend payment was on 28 April 2022.

14. Interest bearing liabilities

	30.9.2022	31.12.2021
Interest bearing liabilities at the beginning of the year	64.814	62.001
New borrowings	4.059	12.814
Repayments and settlements of long-term liabilities	(4.442)	(12.358)
Indexation	4.169	2.244
Capitalised borrowing cost, change	20	76
Other long-term liabilities, change	6	37
Interest bearing liabilities at the end of the period	68.626	64.814
Long-term liabilities		
Listed bonds and bank loans	61.789	60.016
Other long-term liabilities	51	45
	61.840	60.061
Short-term liabilities		
Current maturities of liabilities	6.786	4.753
	6.786	4.753
Total interest bearing liabilities	68.626	64.814

15. Lease liability

Lease assets and lease liabilities are specified as follows:

	30.9.2022	31.12.2021
Lease assets		
Balance at the beginning of the year	2.355	2.287
Revaluation	120	56
Purchased and sold assets	4	11
Balance at the end of the period	2.479	2.355
Lease liability		
Balance at the beginning of the year	2.355	2.287
Revaluation	120	56
Purchased and sold assets	4	11
Balance at the end of the period	2.479	2.355

Amounts in statement of comprehensive income

Interest expenses on lease liabilities expensed to income statement	78	97
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Amounts in statement of cash flow

Interest expenses of lease liabilities paid	78	97
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