

1H 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 June 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

Operations

The Company operations in the first half of the year went well and the Company's EBITDA was higher than forecast.

The Group's operating income amounted to ISK 4,162 million in the first six months of the year 2021 compared to ISK 4,184 million in the same period in 2020. The Group's operating profit before changes in value and depreciation amounted to ISK 2,700 million in the first six months of the year 2021 compared to ISK 2,494 million in the same period in 2020.

The Group's total comprehensive income in the first six months of the year 2021 amounted to ISK 2,306 million compared to a loss of ISK 592 million in the same period in 2020. Net cash from operations was ISK 1,492 million in the period compared to ISK 1,191 million in the same period in 2020.

The operations of Hotel 1919 continued to be difficult although they improved from the previous year. The hotel's EBITDA was ISK -157 million in the period compared to ISK -204 million in the year 2020.

Impairment of trade receivables amounted to ISK 80 million in the period which is mostly due to companies in tourism sector.

Balance Sheet

The Group's total assets amounted to ISK 110,874 million at 30 June 2021 according to the balance sheet. Cash and cash equivalents amounted to ISK 3,141 million at the end of the period. The Group's equity at the end of the period amounted to ISK 34,855 million, whereof share capital was ISK 3,415 million. The Group's equity ratio was 31.4% at the end of June 2021.

The Company settled the bond class EIK 15 1 in the period and the repayment, approximately ISK 3,400 million, was financed with an unindexed bank loan. The Company issued two new bond classes in the first half of the year and sold in aggregate for a nominal value of ISK 4,200 million.

The Company's weighted indexed interest terms were 3.06% at the end of the first half of the year and weighted unindexed interest terms were 3.45%. Approximately 20% of the Company's debt is unindexed.

COVID-19

The effects of COVID-19 on the Company's operations are still considerable. The Company estimates that the effects of the pandemic on the operations in the period were negative by ISK 150-160 million. The effects can mostly be traced to tourism companies and are quite visible in impairment of trade receivables and the operations of Hotel 1919. It is still unclear how long the effects

of the pandemic on the Company's operations will last but will likely continue to have effect in the next periods.

Updated forecast

The Company has updated its forecast for the year. Adjusted EBITDA forecast for the year 2021 is currently between ISK 5,400 – 5,700 million at price levels in July 2021 compared to ISK 5,050 – 5,350 million forecast which the Company published in February 2021, which was based on a 2.5% even inflation rate during the year. The new forecast is as previously subject to risk and uncertainty factors, mainly effects of the pandemic, which can lead to a different outcome than set out in this forecast.

Dividend

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

Reykjavik, 25 August 2021

Board of Directors

Eyjólfur Árni Rafnsson
Chairman

Guðrún Bergsteinsdóttir

Hersir Sigurgeirsson

Kristín Friðgeirsdóttir

Ragnheiður Harðar Harðardóttir

CEO

Garðar Hannes Friðjónsson

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 June 2021 and its financial performance and changes in cash and cash equivalents for the period 1 January to 30 June 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 June 2021 by means of their signatures.

Independent Auditor’s Review Report

To the Board of Directors and Shareholders of Eik fasteignafélags hf.

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Eik fasteignafélag hf. as at June 30, 2021, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information. The Board of Directors and CEO are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Inde-*

pendent Auditor of the Entity. 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Reykjavík, 25 August 2021

KPMG ehf.

Hrafnhildur Helgadóttir

Sæmundur Valdimarsson

Consolidated Statement of Comprehensive Income

for the period from 1 January to 30 June 2021

	Notes	2021 1.4.-30.6.*	2020 1.4.-30.6.*	2021 1.1.-30.6.	2020 1.1.-30.6.
Lease income		1.916	1.883	3.789	3.743
Other operating income		213	167	373	441
		2.129	2.049	4.162	4.184
Operating expenses	7	(697)	(730)	(1.381)	(1.509)
Impairment of receivables		8	(152)	(80)	(181)
		(689)	(881)	(1.462)	(1.690)
EBITDA		1.440	1.168	2.700	2.494
Gain (loss) on sale of investment properties		60	0	60	(1)
Changes in value of investment properties	9	1.654	(44)	2.535	(815)
Depreciation and impairment	11	(34)	(134)	(63)	(245)
Operating profit		3.120	990	5.232	1.433
Finance income		7	(6)	12	12
Finance cost		(1.355)	(1.262)	(2.366)	(1.994)
Net financial expense	8	(1.349)	(1.268)	(2.354)	(1.982)
Profit (loss) before income tax		1.771	(278)	2.878	(549)
Income tax		(349)	73	(572)	110
Profit (loss) for the period		1.422	(205)	2.306	(439)
Other profit					
Operating items recorded in equity					
Revaluation of real estate		0	(190)	0	(190)
Income tax of revaluation of real estate		0	37	0	37
Other profit total		0	(153)	0	(153)
Total profit (loss) for the period		1.422	(357)	2.306	(592)
Earnings (loss) per share:					
Basic earnings (loss) and diluted earnings per share		0,42	(0,06)	0,68	(0,13)

*Quarterly results have not been reviewed by auditors

Notes on pp. 10-16 are an integral part of the interim financial statements

Consolidated Statement of Financial Position as at 30 June 2021

	Notes	30.6.2021	31.12.2020
Assets			
Intangible assets		351	351
Investment properties	9	101.408	98.404
Assets in development		659	659
Assets for own use	10	4.060	3.789
Non-current receivables	12	69	83
Non-current assets		106.548	103.286
Trade and other receivables	12	1.185	842
Cash and cash equivalents		3.141	1.922
Current assets		4.326	2.764
Total assets		110.874	106.050
Equity			
Share capital		3.415	3.415
Share premium		12.648	12.648
Statutory reserve		866	866
Restricted equity		6.612	6.016
Retained earnings		11.314	10.255
Total equity	13	34.855	33.200
Liabilities			
Interest-bearing debt	14	62.755	60.500
Lease liabilities	15	2.320	2.287
Income tax liability		8.017	7.445
Non-current liabilities		73.093	70.232
Interest-bearing debt	14	1.578	1.501
Trade and other payables		1.347	1.116
Current liabilities		2.925	2.617
Total liabilities		76.018	72.850
Total equity and liabilities		110.874	106.050

Notes on pp. 10-16 are an integral part of the interim financial statements

Consolidated Statement of Changes in Equity as at 30 June 2021

	Share capital	Share premium	Statutory reserve	Revaluation reserve	Restricted equity	Retained earnings	Total equity
1 January to 30 June 2020							
Equity 1.1.2020	3.423	12.687	866	153	5.182	10.243	32.553
Total (loss) for the period				(153)		(439)	(592)
Transferred to restricted equity .					194	(194)	0
Repurchase of own shares	(8)	(39)					(46)
Equity 30.6.2020	3.415	12.648	866	0	5.376	9.609	31.915
1 January to 30 June 2021							
Equity 1.1.2021	3.415	12.648	866	0	6.016	10.255	33.200
Total profit for the period						2.306	2.306
Dividend paid ISK 0,19 per share						(650)	(650)
Transferred to restricted equity .					597	(597)	0
Equity 30.6.2021	3.415	12.648	866	0	6.612	11.314	34.855

Notes on pp. 10-16 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.-30.6.	2020 1.1.-30.6.
Cash flows from operating activities			
Profit for the period		5.232	1.433
Operating items which do not affect cash flow:			
(Gain) loss on sale of investment properties .....	(	60)	1
Valuation changes of investment properties	9 (	2.535)	815
Depreciation		63	245
		2.700	2.494
Change in operating assets .....	(	340)	(312)
Change in operating liabilities		230	115
		2.590	2.296
Interest income received		12	12
Finance expenses paid .....	(	1.109)	(1.118)
Net cash from operating activities		1.492	1.191
Cash flows used in investment activities			
Investment in investment properties .....	(	674)	(810)
Sold investment assets		254	0
Investment in assets for own use .....	(	335)	(51)
Sold assets for own use		1	5
Changes in bond holdings		14	(49)
Other receivables, change		40	0
Net cash used in investing activities	(	700)	(905)
Cash flows from (to) financing activities			
Dividend paid .....	(	650)	0
Purchase of treasury shares		0	(46)
New long-term debts		8.201	2.557
Repayments and final payments of Long-term loans .....	(	7.137)	(2.035)
Short-term loans, change		13	0
Net cash from financing activities		427	476
Increase in cash and cash equivalents		1.219	763
Cash and cash equivalents at beginning of year		1.922	1.837
Cash and cash equivalents at end of period		3.141	2.599
Investing and financing without credit:			
The sale price of investment properties		46	0
Other short-term receivables .....	(	46)	0

Notes on pp. 10-16 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 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 25 August 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 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. 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 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 half of the year, but the outlook for the rest of the year have improved since the beginning of the year.

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.-30.6.2021	Investment properties	Hotel	Offset entries	Total
Lease income	3.938	0	(149)	3.789
Operating income	296	78	0	373
Operating expenses	(1.297)	(234)	149	(1.381)
Impairment of receivables	(80)	0	0	(80)
EBITDA	2.857	(157)	0	2.700
Gain on sale of investment properties	60	0	0	60
Change in value of investment properties	2.535	0	0	2.535
Depreciation	(51)	(12)	0	(63)
Net finance expenses	(2.342)	(12)	0	(2.354)
Income tax	(608)	36	0	(572)
Profit (loss) for the year	2.450	(145)	0	2.306
Assets 30.6.2021	110.780	356	(262)	110.874
Liabilities 30.6.2021	75.991	289	(262)	76.018
Segments 1.1.-30.6.2020				
Lease income	3.886	0	(143)	3.743
Operating income	323	118	0	441
Operating expenses	(1.332)	(320)	143	(1.509)
Impairment of receivables	(179)	(3)	0	(181)
EBITDA	2.698	(204)	0	2.494
Loss on sale of investment properties	(1)	0	0	(1)
Change in value of investment properties	(815)	0	0	(815)
Depreciation	(233)	(11)	0	(245)
Net finance expenses	(1.975)	(7)	0	(1.982)
Income tax	65	45	0	110
Loss for the year	(262)	(178)	0	(439)
Assets 30.6.2020	102.650	300	425	103.376
Liabilities 30.6.2020	71.441	444	(425)	71.460

7. Operating expenses

Operating expenses are specified as follows:

	2021 1.1. - 30.6.	2020 1.1. - 30.6.
Property tax and insurance	691	696
Maintenance of investment properties	17	24
Operating expenses of properties	283	312
Other operating expenses of investment properties	84	83
Operating expenses of hotel	85	177
Office and administrative expenses	221	218
Total operating expenses	1.381	1.509

8. Finance income and finance expenses

Finance income and finance expenses are specified as follows:

	2021 1.1. - 30.6.	2020 1.1. - 30.6.
Interest income	12	12
Interest expenses	(1.026)	(1.078)
Indexation	(1.223)	(848)
Prepayment charge	(50)	0
Interest expenses of lease liabilities	(49)	(47)
Other finance expenses	(18)	(21)
Total finance expenses	(2.366)	(1.994)
Total finance income and finance expenses	(2.354)	(1.982)

9. Investment properties

Investment properties are specified as follows:	30.6.2021	31.12.2020
Book value at the beginning of the year	98.404	95.918
Changes in lease assets	33	227
Investment in current investment properties	617	1.803
Investment in new investment properties	57	133
Sold investment properties	(238)	(238)
Value adjustment	2.535	594
Recognised from assets for own use	0	(32)
Book value at end of period	101.408	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 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 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 diminis as the pandemic recedes and/or vaccinations worldwide increase.

Sensitivity analysis

Effects of changes in fair value of investment properties 30.6.2021:

Increase (decrease) of lease income by 1%	1.377	(1.377)
Increase (decrease) of rental value ratio by 1%-point	1.426	(1.426)
Decrease (Increase) of rate of return by 0.5%-points	9.220	(7.768)

10. Assets for own use

Assets for own use are specified as follows:			
	Realestate	Interiors and other	Total
Cost			
Balance at beginning of period	3.943	445	4.388
Additions during the period	308	28	335
Sold during the period	0	(1)	(1)
Balance at end of period	4.251	472	4.723
Depreciation			
Depreciation at beginning of period	341	259	600
Depreciation during the period	41	22	63
Total depreciation at end of period	382	281	663
Book value			
Book value at beginning of period	3.602	186	3.789
Book value at end of period	3.869	191	4.060

11. Depreciation

Depreciation and impairment losses is specified as follows:	30.6.2021	31.12.2020
Intangible assets	0	82
Office	1	3
Hotel	40	205
Interiors and other	22	15
Total depreciation and impairment losses	63	304

12. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:

	30.6.2021	31.12.2020
Long-term receivables	69	83
Trade receivables due to lease	122	169
Trade receivables due to deferred lease payments	328	142
Trade receivables due to other operations	117	107
Total trade receivables	566	418
Short-term receivables due to sold investment assets	396	390
Other short-term receivables	222	34
Total other short-term receivables	619	424
Total trade receivables and other short-term receivables	1.185	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	67	391
Depreciation reserve at end of period	443	402

The Company's long-term receivables amounted to ISK 69 million at the end of the period. Thereof ISK 31 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 24 million (31.12.2020: ISK 20

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

	30.6.2021	31.12.2020
Long-term liabilities		
Interest bearing bank loans	14.206	13.396
Listed bonds	50.422	48.913
Other long term liabilities	13	7
Loan liabilities total	64.642	62.316
Capitalised borrowing cost	(308)	(315)
Total interest bearing liabilities in the balance sheet	64.333	62.001
Current maturities of liabilities	(1.578)	(1.501)
Total interest bearing liabilities	62.755	60.500
Short-term liabilities		
Current maturities of liabilities	1.578	1.501
Total short-term liabilities	1.578	1.501

15. Lease liability

Lease assets and lease liabilities are specified as follows:

	30.6.2021	31.12.2020
Lease assets		
Balance at beginning of period	2.287	2.039
Revaluation	43	247
Purchased and sold assets	(10)	1
Balance at end of period	2.320	2.287
Lease liability		
Balance at beginning of period	2.287	2.039
Revaluation	43	247
Purchased and sold assets	(10)	1
Balance at end of period	2.320	2.287
Amounts in statement of comprehensive income		
Interest expenses of lease liabilities	49	95
Total amounts in statement of comprehensive income	49	95
Amounts in statement of cash flow		
Interest expenses paid	49	95
Total amounts in statement of cash flow	49	95