

2021.

Management results and budget

EIK

Management result 2020

According to management accounts for the year 2020 EBITDA for the year amounted to ISK 5,038 million which is in line with management’s forecasts. The Company secured favourable financing of more than ISK 21 billion.

EBITDA for the year amounted to ISK 5,038 million according to management accounts. These results are in line with the Company’s updated forecast which was announced on Nasdaq in June 2020. The Company’s NOI¹ ratio was just under 67.2% for the year.

Operating income for the year 2020 amounted to ISK 8,345 million. Of this amount, rental income was ISK 7,562 million which increased by 2% between years. Other income, including income relating to Hótel 1919 and income from common properties, amounted to ISK 783 million.

Office and administrative expenses amounted to ISK 446 million and was just under 5.9% of rental income. The Company’s economic occupancy rate was 92% at the end of the year.

The Company’s operating expenses amounted to a total of ISK 2,885 million for the year 2020. The Company’s largest expense items are, as previously, property taxes, insurance and fees for water and waste, which amounted to a total of ISK 1,315 million. Impairment of receivables amounted to ISK 421 million. Net cash from operations amounted to ISK 1,858 million.

Economic effects of the COVID-19 pandemic on the Company’s income statement can mainly be seen in impairment of receivables, decrease in economic occupancy rate and operating loss of Hótel 1919. The Company estimates that the pandemic has had a negative effect on EBITDA of more than ISK 655 million. Impairment of receivables amounted to ISK 375 million more than originally forecast, results of Hótel 1919 were lower by ISK 230 million than originally forecast and reduction in rentals amounted ISK 50 million.

The Company refinanced its debt amounting to just over ISK 21,000 million during the year and the Company’s interest terms have never been better. At the end of the year the Company’s weighted indexed interest rates were 3.15% and weighted unin-

dexed interest rates were 2.91%. Around one fifth of the Company’s debt bears floating interest rates.

Changes in value of investment properties amounted to ISK 594 million which is a real decrease of 2.9%. The largest items decreasing properties is lower value of hotel properties, lower economic occupancy rate and lower market rent. Most of the increase is accounted for by new agreements, inflation, decrease in property taxes and lower WACC.

The Company acquired one property during the year, Skeifan 9, which is next to Skeifan 7, another property owned by the Company. Both properties are within the same plot according to a recent framework planning by the City of Reykjavík regarding the Skeifan -area. With this acquisition, the Company has the opportunity to start a detailed land-use plan for the premises and subsequently develop it. The Company has hopes for options relating to the use of this plot in the near future. The Company classifies Skeifan 9 as a development property. The Company sold one property, Járnháls 2, and recorded gain of sale amounted to ISK 150 million. The book value of the Company’s properties amounted to ISK 100,316 million at year end.

The Company’s equity ratio at year end was 31.3%, balance of cash and cash equivalents ISK 1,922 million, undrawn bank facilities amounted to ISK 1,560 million and the Company’s unpledged properties were valued at just over ISK 6,300 million. The Company’s position in relation to main financial covenants in loan agreements is strong. The Group’s mortgage ratio is around 61.8% and the Company’s cash flow obligation is around 2.2, but is reduced by one-time costs relating to payment of the bond class LF 14 1. Without those costs the ratio would be around 2.4.

These are unaudited management accounts which might change until the financial statements are published.

Management results - Income statement 2020

	2020	2019
Lease income	7.562	7.393
Other operating income	783	1.264
	8.345	8.656
Operating expenses	(2.885)	(3.094)
Impairment of receivables	(421)	0
EBITDA	5.038	5.562
Gain (loss) on sale of investment properties	152	(3)
Changes in value of investment properties	594	2.170
Depreciation and impairment	(304)	(165)
Operating profit	5.480	7.564
Finance income	36	84
Finance cost	(4.439)	(3.932)
Net financial expense	(4.403)	(3.848)
Profit before income tax	1.076	3.716
Income tax	(230)	(748)
Profit for the year	846	2.968
Other profit		
Operating items recorded in equity:		
Revaluation of real estate	(158)	0
Income tax of revaluation of real estate	32	0
Other profit total	(126)	0
Total profit for the period	720	2.968
Earnings per share:		
Basic earnings and diluted earnings per share	0,25	0,86

¹ In calculating NOI ratio for the year, operating profit of Hótel 1919 before finance cost, taxes, depreciation, changes in fair value and rent (EBITDAR) as turnover rent are considered. Operating profit before changes in fair value and depreciation is divided into the total amount of rental income and Hótel 1919 EBITDAR.

Management results - Balance sheet 2020

	2020	2019
Assets		
Intangible assets	351	433
Investment properties	98.404	95.918
Assets in development	659	0
Assets for own use	3.789	4.068
Non-current receivables	83	46
Non-current assets	103.286	100.465
Trade and other receivables	842	292
Cash and cash equivalents	1.922	1.837
Current assets	2.764	2.129
Total assets	106.050	102.594
Equity		
Share capital	3.415	3.423
Share premium	12.648	12.687
Statutory reserve	866	866
Revaluation reserve	0	153
Restricted equity	6.016	5.182
Retained earnings	10.255	10.242
Total equity	33.200	32.552
Liabilities		
Interest-bearing debt	60.500	58.364
Lease liabilities	2.287	2.039
Income tax liability	7.445	7.252
Non-current liabilities	70.232	67.655
Interest-bearing debt	1.501	1.416
Trade and other payables	1.116	969
Current liabilities	2.617	2.386
Total liabilities	72.850	70.041
Total equity and liabilities	106.050	102.594

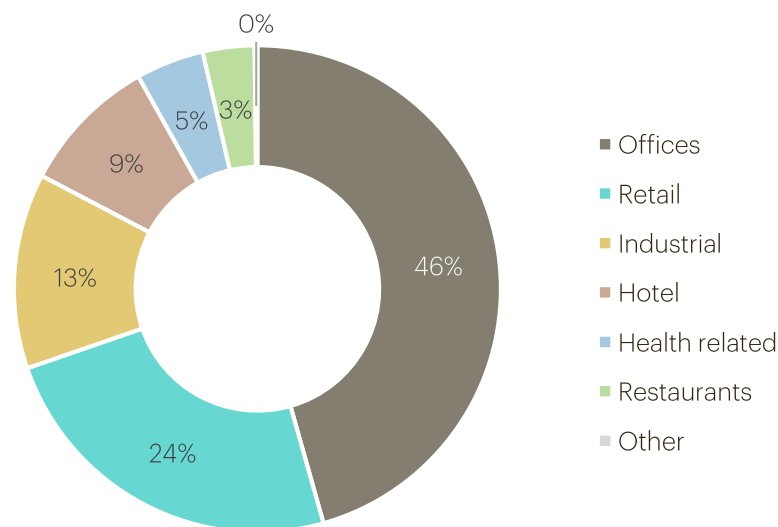
Management results - Cashflow statement 2020

	2020	2019
Cash flows from operating activities		
Profit for the period	5.480	7.564
Operating items which do not affect cash flow:		
(Gain) loss on sale of investment properties	(152)	3
Valuation changes of investment properties	(594)	(2.170)
Depreciation	304	165
	5.038	5.562
Change in operating assets	(209)	63
Change in operating liabilities	7	18
	4.836	5.644
Interest income received	36	84
Interest expenses paid	(3.014)	(2.624)
Net cash from operating activities	1.858	3.104
Cash flows used in investment activities		
Investment in investment properties	(2.573)	(1.558)
Sold investment assets	390	60
Investment in assets for own use	(106)	(326)
Sold assets for own use	5	0
Changes in bond holdings	(47)	(18)
Other recievables, change	(390)	(50)
Net cash used in investing activities	(2.722)	(1.891)
Cash flows (to) from financing activities		
New long-term debts	21.181	18.861
Repayments and final payments of long-term loans	(20.260)	(18.451)
Dividend paid	0	(1.016)
Purchase of treasury shares	(46)	(298)
Short-term loans, change	75	(319)
Net cash (to) from financing activities	950	(1.223)
Increase (decrease) in cash and cash equivalents	86	(10)
Cash and cash equivalents at beginning of year	1.837	1.847
Cash and cash equivalents at end of year	1.922	1.837

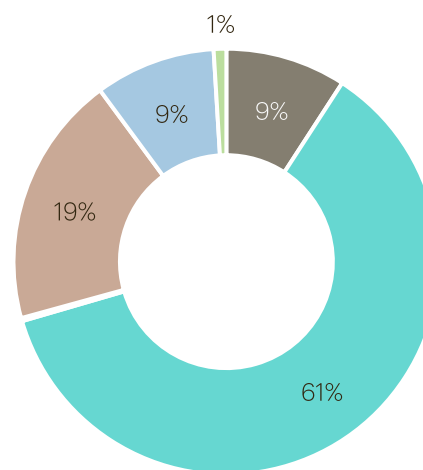
The property portfolio of Eik at year end 2020

Eik fasteignafélag's investment properties comprise over 100 properties with over 310 thousand square meters of rental space. Book value of the Company's properties amounted to ISK 100.3 billion ISK and total lessees amounted to over 400. Main properties owned by the Company in the capital area are Borgartún 21 og 21a, Borgartún 26, Suðurlandsbraut 8 og 10, Mýrargata 2-16, Pósthússtræti 2 (Hótel 1919), Smáratorg 3 (Turninn), Smáratorg 1, Álfrheimar 74 (Nýi Glæsibær), Grjótháls 1-3 og Austurstræti 5, 6, 7 og 17. The main property owned by the Company outside the capital area is Glerártorg. The Company's largest lessees are Húsasmiðjan, Flugleiðahótel, Ríkiseignir, Rúmfatalagerinn, Landsbankinn, Sýn, Síminn, Össur, Mila og Deloitte.

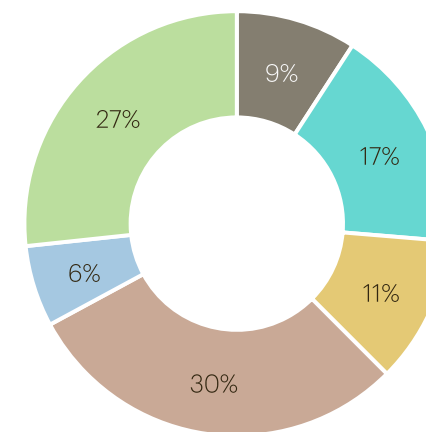
Value of properties **by type**



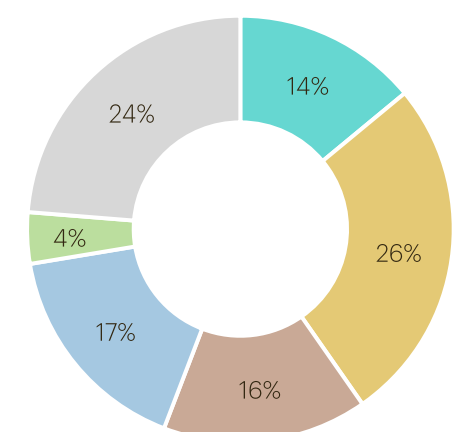
Office location



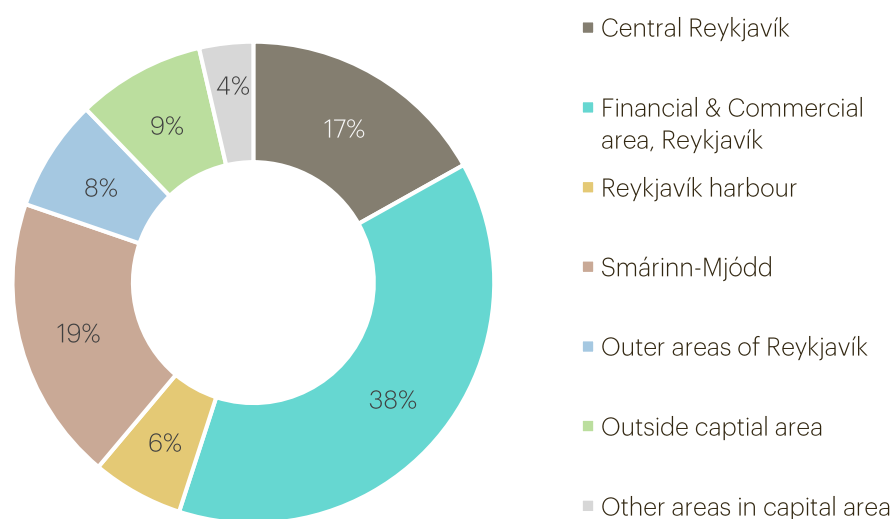
Retail location



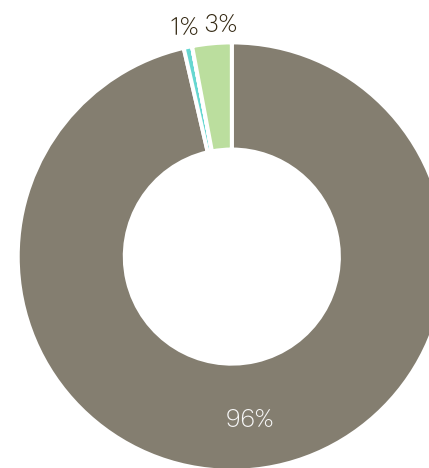
Industrial location



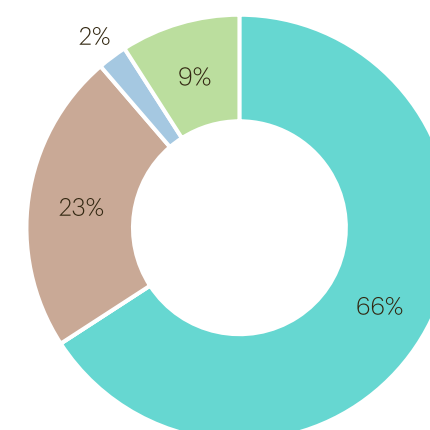
Value of properties **by location**



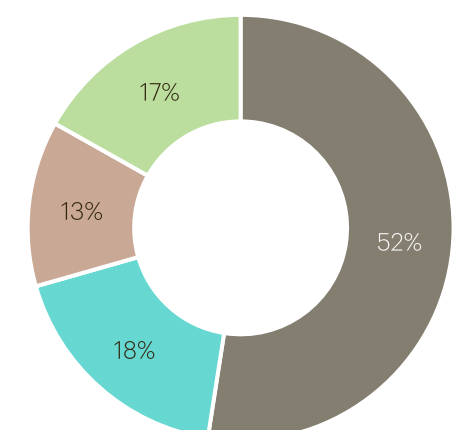
Hotel location



Location of **health related** properties



Restaurant location



Financial budget 2021

Main presumptions of operating plan

There is still uncertainty regarding the effect of COVID-19 on the Icelandic economy and the Company estimates that the effect of the pandemic on the Company's operations will be extensive all through the year 2021. Due to uncertainties regarding the extent of the effect on the operations the Company publishes forecasted EBITDA instead of forec-forecasted income and expenses. The Company retains the 3% forecast range used when the updated forecast was published in June 2020.

The Company forecasts that the Company's EBITDA will be in the range of ISK 5,050 to 5,350 million in the year 2021 considering 2.5% even inflation over the year, but in the range of ISK 4,975 to 5,275 million at fixed price levels.

The Company's rental income is estimated based on current lease agreements at the time the forecast is published, taking into consideration expectations regarding changes in lease agreements within the year 2021. An income plan is prepared for each rental unit. Where lease agreements will expire within the year, market rent for the relevant rental unit is estimated and how promptly it can be expected that it will be leased again, if it is clear that the tenant is moving.

Operating income and operating expenses of common properties are recorded in the subsidiary Eik rekstrarfélag. Operating income of common properties is based on operating cost of the relevant properties as it is meant to cover that cost. Hereunder fall for example expenses relating to energy, cleaning, snow removal, property management and administration. Rental income of common properties therefore increases and decreases in relation to the operating cost of common properties.

There is considerable uncertainty relating to forecast for the year for Hótel 1919. A basel-baseline forecast from Radisson Hotel Group for the period until May 2021 is used . The Company estimates that the loss for the year will be slightly less than in the last year. The main impetus for better results would be lifting of restrictions at Iceland's borders and concurrently increased inflow of tourists to the country. The Company uses the time during the pandemic for further refurbishments and construction has begun in the hotel-hotel's lobby and restaurant.

There are several changes to the Company's large lease agreements. The Company signed new long-term lease agreements with Ríkiseignir (Government property agency) on Borgartún 21 and Síminn on Múlastöð in the last year. Then there was also a new long-term lease agreement with Össur which entails an expansion of the Company's current property at Grjótháls 1 of 3,200 square meters as previously reported. Construction will commence in the first quarter of this year. Rúmfatalagerinn leases commercial premises from the Company both in Smáratorg 1 and Glerártorg, but Rúmfatalagerinn has annou-announced to the Company that it will not continue to lease in Glerártorg. The lease agreement will expire in mid-2021. The Company is already negotiating with a potential tenant of a part of that rental unit. In the late part of the year 2022 it is expected that Landsbankinn will move to new headquarters and therefore out of the units the bank has leased in Kvosin. Húsasmiðjan has announced to the company that it will not continue to lease the Company's properties in Akureyri and Selfoss when the lease agreements expire in late 2022.

The Company is looking into development of the properties, including with regards to a potential change in use, possible sale or to lease them in small units or as a whole. Monthly rent of Rúmfatalagerinn's premises at Glerártorg, Landsbankinn's headquarters and the previously mentioned properties leased by Húsasmiðjan is around ISK 50 million. It is expected that long-term effects of these changes will be insignificant for the Company.

Maintenance, refurbishments and investments

The Company estimates that investments in the Company's current properties can amount to between ISK 1,500 million and ISK 2,300 million in the year 2021 and that rate of return of all investments will be acceptable for the Company.

The main projects will be the extension for Össur at Grjótháls, alterations relating to the country's largest dental office in Álfheimar 74, refurbishment at the first floor of Hótel 1919, fixtures and renovation of Suðurlandsbraut 10 and changes for tenants at Smáratorg 1. Furthermore, there are ongoing discussions relating to additional investments in connection with new long-term lease agreements. It is expected that capitalised refurbishments will amount to around ISK 425 million in the year and capitalised maintenance around ISK 50 million.

The Company will continue to focus on rate of return rather than growth with relation to acquisition or sale of investment properties.

