

Q1 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. 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 31 March 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 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 2021.

Operations

The Company results for the first three months of the year were in line with management's forecasts published on 17 February 2022.

Operating income of the Group for the first three months of the year 2022 amounted to ISK 2,284 million compared to ISK 2,033 million for the same period in 2021. Operating profit before changes in value and depreciation amounted to ISK 1,475 million compared to ISK 1,260 million in the previous year. Change in value of investment properties was ISK 2,938 million in the period. According to the Group's consolidated income statement total profit for the first three months of 2022 amounted to ISK 2,216 million. Net cash from operations was ISK 936 million according to the consolidated statement of cash flows.

Balance Sheet

The Group's total assets amounted to ISK 118,657 million at the end of the period according to the consolidated balance sheet. Of this, investment properties were valued at ISK 109,448 million, assets for own use ISK 4,157 million, assets under development ISK 666 million and cash and cash equivalents amounted to ISK 3,091 million. The Group's equity amounted to ISK 39,699 million,

whereof outstanding shares were ISK 3,415 million. At the end of the quarter the Group's equity ratio was 33.5%. At the Company's Annual General Meeting on 5 April 2022, it was approved to pay dividend to shareholders for the year 2021 amounting to ISK 1,740 million which was paid on 28 April 2022. The balance of equity does not take these liabilities into account.

Receivables amounted to ISK 649 million and decreased by ISK 18 million in the first three months of the year.

The Company refinanced, on unchanged terms, unindexed bank facility amounting to ISK 3,264 million which was due in March.

Outlook

Inflation has been somewhat higher than expected. In general, inflation has positive effect on the Company's EBITDA since 98% of rental income is linked to consumer price index or consumer price index for financial indexation. Taking inflation into account, the outlook for the year is unchanged.

Effects due to COVID-19

The effects of COVID-19 on the Company's operations are fast decreasing. The Company estimates that the negative effect of the pandemic was between ISK 35–40 million on EBITDA in the first three months of the year. The Company expects that the pandemic will continue to influence the operations for the first half of the year, but that the effect will be minor to none in the second half of the year based on unchanged state of the pandemic. However, outstanding receivables where postponement of payment was granted due to the pandemic are still to be settled, but it is unclear when settlement will be finalised.

Changes in Company Portfolio

The Company received a part of the property at Sóltún 24 in February but the property shares land and garage with the Company's property at Sóltún 26.

As stated in the Company's Financial Statements for the year 2021, the Company's tenant at Höfðasel 2 and 4 in Akranes, has exercised its purchase option on the prop-

erties and they will be delivered on 30 September 2022. The sales price is tied to consumer price index for financial indexation and sales profit will be booked in the third quarter, amounting to the difference between booked value and sales price. With reference to the consumer price index for financial indexation in April 2022, the difference is ISK 268 million.

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 2022 and its financial performance and changes in cash and cash equivalents for the period 1 January to 31 March 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 31 March 2022 by means of their signatures.

Reykjavík, 5 May 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 31 March 2022

	Notes	2022 1.1.-31.3.	2021 1.1.-31.3.
Lease income		1.990	1.873
Other operating income		293	161
		<u>2.284</u>	<u>2.033</u>
Operating expenses	7	(791)	(685)
Impairment of receivables		(18)	(89)
		<u>(808)</u>	<u>(773)</u>
EBITDA		1.475	1.260
Changes in value of investment properties	9	2.938	881
Depreciation and impairment	11	(34)	(29)
Operating profit		4.380	2.112
Finance income		13	5
Finance cost		(1.620)	(1.011)
Net financial expense	8	(1.607)	(1.006)
Profit before income tax		2.772	1.107
Income tax		(556)	(223)
Profit for the period		<u>2.216</u>	<u>884</u>
Earnings per share:			
Basic earnings and diluted earnings per share		0,65	0,26

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

Consolidated Statement of Financial Position as at 31 March 2022

	Notes	31.3.2022	31.12.2021
Eignir			
Intangible assets		351	351
Investment properties	9	109.448	105.638
Assets in development		666	663
Assets for own use	10	4.157	4.183
Non-current receivables	12	109	88
Non-current assets		<u>114.731</u>	<u>110.922</u>
Trade and other receivables	12	835	708
Cash and cash equivalents		3.091	3.297
Current assets		<u>3.926</u>	<u>4.005</u>
Total assets		<u>118.657</u>	<u>114.928</u>
Equity			
Share capital		3.415	3.415
Share premium		12.648	12.648
Statutory reserve		866	866
Restricted equity		8.282	7.603
Retained earnings		14.488	12.951
Total equity	13	<u>39.699</u>	<u>37.483</u>
Liabilities			
Interest-bearing debt	14	60.780	60.061
Lease liabilities	15	2.487	2.355
Income tax liability		9.236	8.680
Non-current liabilities		<u>72.503</u>	<u>71.095</u>
Interest-bearing debt	14	4.755	4.753
Trade and other payables		1.699	1.596
Current liabilities		<u>6.454</u>	<u>6.349</u>
Total liabilities		<u>78.957</u>	<u>77.444</u>
Total equity and liabilities		<u>118.657</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 31 March 2022

	Share capital	Share premium	Statutory reserve	Restricted equity	Retained earnings	Total equity
1 January to 31 March 2021						
Equity 1.1.2021	3.415	12.648	866	6.016	10.255	33.200
Total profit for the period					884	884
Transferred to restricted equity				332	(332)	0
Equity 31.3.2021	<u>3.415</u>	<u>12.648</u>	<u>866</u>	<u>6.348</u>	<u>10.806</u>	<u>34.084</u>
1 January to 31 March 2022						
Equity 1.1.2022	3.415	12.648	866	7.603	12.951	37.483
Total profit for the period					2.216	2.216
Transferred to restricted equity				679	(679)	0
Equity 31.3.2022	<u>3.415</u>	<u>12.648</u>	<u>866</u>	<u>8.282</u>	<u>14.488</u>	<u>39.699</u>

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 2022

	Notes	2022 1.1.-31.3.	2021 1.1.-31.3.
Cash flows from operating activities			
Profit for the period		4.380	2.112
Operating items which do not affect cash flow:			
Valuation changes of investment properties	9 (	2.938)	(881)
Depreciation		34	29
		<u>1.475</u>	<u>1.260</u>
Change in operating assets .....	(	127)	(108)
Change in operating liabilities		55	125
		<u>1.403</u>	<u>1.278</u>
Interest income received		13	5
Finance expenses paid .....	(	480)	(538)
Net cash from operating activities		<u>936</u>	<u>745</u>
Cash flows used in investment activities			
Investment in investment properties .....	(	705)	(398)
Investment in assets for own use .....	(	8)	(76)
Changes in bond holdings .....	(	21)	(17)
Other receivables, change		0	40
Net cash used in investing activities	(	<u>735</u>	(451)
Cash flows from (to) financing activities			
New long-term debts		3.261	7.407
Repayments and final payments of Long-term loans .....	(	3.618)	(6.719)
Short-term loans, change .....	(	50)	0
Net cash from financing activities	(	<u>407</u>	<u>687</u>
(Decrease) increase in cash and cash equivalents .....	(	<u>206</u>	<u>981</u>
Cash and cash equivalents at beginning of year		<u>3.297</u>	<u>1.922</u>
Cash and cash equivalents at end of period		<u><u>3.091</u></u>	<u><u>2.904</u></u>
Investing and financing without credit:			
The purchase price of investment properties		37	0
Other short-term payables .....	(	37)	0

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 2022 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 2021. The interim financial statements were approved by the Company's Board of Directors on 5 May 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 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

The effects of COVID-19 on the Company's operations are still apparent but fast decreasing and the Company estimates that negative effect of the pandemic was between ISK 35-40 million on EBITDA in the first three months of the year. The effects of the pandemic can mainly be seen in high receivables and their impairment and in the outcome of Hótel 1919. The balance of receivables due to unpaid rent is improving and decreased by ISK 23 million in the first quarter. The Company has elected to recognize issued lease invoices as income but recognize against that impairment of receivables in accordance with the Company's expectations of collectability. Further discussion on 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.

	Fjárfestingar- eignir	Hótel	Jöfnunar- færslur	Samtals
Segments 1.1-31.3.2022				
Lease income	2.068	0	(78)	1.990
Operating income	207	86	0	293
Operating expenses	(722)	(147)	78	(791)
Impairment of receivables	(18)	0	0	(18)
EBITDA	1.536	(61)	0	1.475
Change in value of investment properties	2.938	0	0	2.938
Depreciation	(26)	(8)	0	(34)
Net finance expenses	(1.601)	(7)	0	(1.607)
Income tax	(571)	15	0	(556)
Profit (loss) for the year	2.276	(60)	0	2.216
Assets 31.3.2022	118.708	367	(417)	118.657
Liabilities 31.3.2022	78.982	392	(417)	78.957
Segments 1.1-31.3.2021				
Lease income	1.947	0	(74)	1.873
Operating income	147	14	0	161
Operating expenses	(657)	(102)	74	(685)
Impairment of receivables	(89)	0	0	(89)
EBITDA	1.349	(89)	(0)	1.260
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)
Profit (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

7. Operating expenses

	2022	2021
	1.1. - 31.3.	1.1. - 31.3.
Operating expenses are specified as follows:		
Property tax and insurance	364	347
Maintenance of investment properties	16	12
Operating expenses of properties	177	139
Other operating expenses of investment properties	40	46
Operating expenses of hotel	68	28
Office and administrative expenses	125	112
Total operating expenses	<u>791</u>	<u>685</u>

8. Finance income and finance expenses

	2022	2021
	1.1. - 31.3.	1.1. - 31.3.
Finance income and finance expenses are specified as follows:		
Interest income	13	5
Interest expenses	(517)	(523)
Indexation	(1.072)	(408)
Prepayment charge	0	(50)
Interest expenses of lease liabilities	(26)	(24)
Other finance expenses	(5)	(6)
Total finance expenses	<u>(1.620)</u>	<u>(1.011)</u>
Total finance income and finance expenses	<u>(1.607)</u>	<u>(1.006)</u>

9. Investment properties

	31.3.2022	31.12.2021
Investment properties are specified as follows:		
Book value at the beginning of the year	105.638	98.404
Changes in lease assets	132	68
Investment in current investment properties	467	1.401
Investment in new investment properties	273	946
Sold investment properties	0	(394)
Value adjustment	2.938	5.215
Book value at end of period	<u>109.448</u>	<u>105.638</u>

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.

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 since tenants have experienced decrease in income, but the Company expects that effects due to COVID-19 on the Company's valuation will be minor to none at the end of 2022 based on unchanged state of the pandemic.

Sensitivity analysis

Effects of changes in fair value of investment properties 31.3.2022:

Increase (decrease) of lease income by 1%	1.422	(1.422)
Increase (decrease) of rental value ratio by 1%-point	1.473	(1.473)
Decrease (Increase) of rate of return by 0.5%-points	9.652	(8.120)

10. Assets for own use

Assets for own use are specified as follows:

	Real estate	Interiors and other	Total
Cost			
Balance at beginning of period	4.380	538	4.918
Additions during the period	2	6	8
Sold during the period	0	(1)	(1)
Balance at end of period	<u>4.382</u>	<u>544</u>	<u>4.925</u>
Depreciation			
Depreciation at beginning of period	426	310	735
Depreciation during the period	22	12	34
Total depreciation at end of period	<u>448</u>	<u>322</u>	<u>770</u>
Book value			
Book value at beginning of period	3.954	229	4.183
Book value at end of period	<u>3.935</u>	<u>222</u>	<u>4.157</u>

11. Depreciation

Depreciation and impairment losses is specified as follows:

	31.3.2022	31.12.2021
Office	1	3
Hotel	28	113
Interiors and other	5	20
Total depreciation and impairment losses	<u>34</u>	<u>135</u>

12. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:

	31.3.2022	31.12.2021
Long-term receivables	109	88
Trade receivables due to lease	149	180
Trade receivables due to deferred lease payments	392	384
Trade receivables due to other operations	108	103
Total trade receivables	<u>649</u>	<u>667</u>
Other short-term receivables	186	41
Total other short-term receivables	<u>186</u>	<u>41</u>
Total trade receivables and other short-term receivables	<u>835</u>	<u>708</u>
Impairment of trade receivables is specified as follows at end of period:		
Depreciation reserve at beginning of the year	407	402
Depreciated bad debt during the period, change	(53)	(56)
Expensed during the period	13	60
Depreciation reserve at end of period	<u>367</u>	<u>407</u>

The Company's long-term receivables amounted to ISK 109 million (31.12.2021: ISK 88 million) at the end of the period. Thereof ISK 21 (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 year end takes into account precautionary recording of ISK 32 million (31.12.2021: ISK 33 million).

13. Equity

Heildarhlutafé félagsins samkvæmt samþykktum þess er 3.423.863.435 kr. Félagið á eigin hluti að nafnverði 8.800.000 kr. sem færðir eru til lækkunar á hlutafé. Útistandandi hlutir í árslok eru 3.415.063.435 kr. og eru þeir allir greiddir. Eitt atkvæði fylgir hverjum einnar krónu hlut í félaginu.

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. When preparing proposal on dividend, 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

	31.3.2022	31.12.2021
Long-term liabilities		
Interest bearing bank loans	9.457	9.540
Listed bonds	56.305	55.504
Other long term liabilities	45	45
Loan liabilities total	<u>65.807</u>	<u>65.088</u>
Capitalised borrowing cost	(271)	(275)
Total interest bearing liabilities in the balance sheet	<u>65.535</u>	<u>64.814</u>
Current maturities of liabilities	(4.755)	(4.753)
Total interest bearing liabilities	<u>60.780</u>	<u>60.061</u>
Short-term liabilities		
Current maturities of liabilities	4.755	4.753
Total short-term liabilities	<u>4.755</u>	<u>4.753</u>

15. Lease liability

Lease assets and lease liabilities are specified as follows:

	31.3.2022	31.12.2021
Lease assets		
Balance at beginning of period	2.355	2.287
Revaluation	122	56
Purchased and sold assets	10	12
Balance at end of period	<u>2.487</u>	<u>2.355</u>
Lease liability		
Balance at beginning of period	2.355	2.287
Revaluation	122	56
Purchased and sold assets	10	12
Balance at end of period	<u>2.487</u>	<u>2.355</u>
Amounts in statement of comprehensive income		
Interest expenses on lease liabilities expensed to income statement	26	97
Amounts in statement of cash flow		
Interest expense of lease liabilities paid	26	97