Q3 2020.

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 September 2020 have been prepared in accordance with the International Accounting Standard IAS 34 for interim financial statements. The interim financial statements include the condensed consolidated financial statements for Eik fasteignafélag hf. and subsidiaries. The condensed consolidated 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 consolidated financial statements for the year 2019.

The Company published on 5 June 2020 an updated forecast for the year 2020. The Company's EBITDA in the first nine months of 2020 was in line with this forecast and the Company has not changed its outlook.

For the first nine months of the year 2020 the Group's operating income amounted to ISK 6,252 million, compared to ISK 6,471 million for the same period in 2019. There was significant drop in Hotel 1919's revenue between periods or ISK 372 million and the hotel's return decreased by ISK 192 million. The Group's operating profit before changes in value and depreciation amounted to ISK 3,773 million in the first nine months of the year 2020, compared with ISK 4,188 million for the same period in 2019.

The balance of trade receivables has increased by ISK 160 million since the beginning of the year and impairment of trade receivables amounted to ISK 310 million in the same period. Final impairment amounted to ISK 20 million and precautionary impairment of trade receivables amounted to ISK 290 million. Increase in the balance of trade receivables and impairment is for the most part due to the COVID-19 pandemic. The balance of trade receivables and impairment are in line with the Company's expectations when its updated forecast was published.

The Group's loss in the first nine months of the year 2020 amounted to ISK 56 million, but the Group's total loss amounted to ISK 209 million according to the statement of comprehensive income.

The Group's total assets amounted to ISK 104,323 million as of 30 September 2020, according to its balance sheet. Cash and cash equivalents amounted to ISK 2,708 million at the end of the period. The Group's equity amounted to ISK 32,299 million at the end of the period, including share capital in the amount of ISK 3,415 million. The Group's equity ratio was 31.0% at the end of September 2020.

The Company's position continues to be strong. The Company holds significant cash and cash equivalents and has undrawn bank facilities and unpledged assets. In addition, the Company has substantial leeway with regards to main financial covenants in its loan agreements. Therefore, the Company is well prepared to meet the continuing effects of the pandemic.

The Company has obtained favourable offers from financial institutions in order to facilitate a settlement of payment of the bond class LF 14 1, which Landfestar issued in the year 2014 with a 3.9% rate of return. Loan agreements have not been signed. If the bond class will be settled it will take place on its next due date, 12 December 2020. According to the terms of the bond class, a settlement fee of 1.5% of its balance will be due if the principal amount will be paid in advance. The Company increased the bond class EIK 050726 in July and October for a total nominal amount of ISK 3,700 million with a 2.25% rate of return.

The Company continues to work with tenants who have requested a solution regarding their issues. These mainly consist of deferrals and payment distribution of lease payments and operating expenses. Agreements are being prepared with hotel operators that have business with the Company. These agreements are not expected to have significant effect on the Company's EBITDA, but accounting treatment of lease could change.

The mergers of EF1 hf. into Eik fasteignafélag and LF2 ehf. into LF1 ehf. were finalised in September. The mergers will have formal legal effect as of 1 January 2020.

The Company acquired Skeifan 9 at the beginning of October. This is an investment in a good property at a popular site with substantial opportunities for development. The Company paid for the property in cash, but a 100% bank facility has been secured and thus the acquisition will not influence cash and cash equivalents. The Company therefore has flexibility to draw on the facility as late as the loan agreement's terms allow.

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 nine month period ended 30 September 2020, its assets, liabilities and consolidated financial position as at 30 September 2020 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 interim financial statements for the period from 1 January to 30 September 2020 by means of their signatures.

Reykjavík, 28 October 2020

Board of Directors

Eyjólfur Árni Rafnsson
Chairman

Guðrún Bergsteinsdóttir

Arna Harðardóttir

Bjarni Kristján Þorvarðarson

Hersir Sigurgeirsson

CEO

Garðar Hannes Friðjónsson

Consolidated Statement of Comprehensive Income

for the period from 1 January to 30 September 2020

	Notes	Third quarter 2020 1.7.-30.9.	Third quarter 2019 1.7.-30.9.	Three quarters 2020 1.1.-30.9.	Three quarters 2019 1.1.-30.9.
Lease income		1.896	1.871	5.640	5.507
Other operating income		172	360	612	963
		2.068	2.231	6.252	6.471
Operating expenses	6	(654)	(718)	(2.164)	(2.260)
Impairment of receivables		(135)	(5)	(316)	(22)
EBITDA		1.279	1.508	3.773	4.188
Loss on sale of investment properties		0	0	(1)	0
Changes in value of investment properties	8	350	196	(465)	1.522
Depreciation and impairment	10	(25)	(37)	(269)	(94)
Operating profit		1.604	1.666	3.037	5.616
Finance income		6	8	18	56
Finance cost		(1.131)	(867)	(3.125)	(2.994)
Net financial expense	7	(1.125)	(859)	(3.107)	(2.939)
Profit (loss) before income tax		480	808	(70)	2.678
Income tax		(96)	(162)	14	(536)
Profit (loss) for the period		384	646	(56)	2.142
Other profit					
Operating items recorded in equity and will not be recorded in statement of comprehensive income:					
Revaluation of real estate		0	0	(190)	0
Income tax of revaluation of real estate		0	0	37	0
Other profit total		0	0	(153)	0
Total (loss) profit for the period		384	646	(209)	2.142
Earnings (loss) per share:					
Basic earnings (loss) and diluted earnings per share		0,11	0,19	(0,02)	0,63

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

Consolidated Statement of Financial Position as at 30 September 2020

	Notes	30.9.2020	31.12.2019
Assets			
Intangible assets		351	433
Investment properties	8	96.840	95.918
Assets for own use	9	3.778	4.068
Non-current receivables	11	106	46
Non-current assets		101.076	100.465
Trade and other receivables	11	539	292
Cash and cash equivalents		2.708	1.837
Current assets		3.247	2.129
Total assets		104.323	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		5.757	5.182
Retained earnings		9.612	10.242
Total equity	12	32.299	32.553
Liabilities			
Interest-bearing debt	13	60.055	58.364
Lease liabilities	14	2.063	2.039
Income tax liability		7.201	7.252
Non-current liabilities		69.319	67.655
Interest-bearing debt	13	1.468	1.416
Trade and other payables		1.237	969
Current liabilities		2.704	2.386
Total liabilities		72.024	70.041
Total equity and liabilities		104.323	102.594

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

Consolidated Statement of Changes in Equity

for the period from 1 January to 30 September 2020

	Share capital	Share premium	Statutory reserve	Revaluation reserve	Restricted equity	Retained earnings	Total equity
1 January to 30 September 2019							
Equity 1.1.2019	3.456	12.950	866	153	3.700	9.772	30.898
Total profit for the year						2.142	2.142
Transferred to restricted equity					1.472	(1.472)	0
Dividend paid ISK 0,294 per share .						(1.016)	(1.016)
Repurchase of own shares	(34)	(264)					(298)
Equity 30.9.2019	3.422	12.686	866	153	5.172	9.427	31.727
1 January to 30 September 2020							
Equity 1.1.2020	3.423	12.687	866	153	5.182	10.243	32.553
Total (loss) for the year				(153)		(56)	(208)
Transferred to restricted equity					575	(575)	0
Repurchase of own shares	(8)	(39)					(46)
Equity 30.9.2020	3.415	12.648	866	0	5.757	9.612	32.298

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 30 September 2020

	Notes	2020 1.1.-30.9.	2019 1.1.-30.9.
Cash flows from operating activities			
Profit for the period		3.037	5.616
Operating items which do not affect cash flow:			
Loss on sale of investment properties		1	(0)
Valuation changes of investment properties	8	465	(1.522)
Depreciation		269	94
		3.773	4.188
Change in operating assets		(247)	(208)
Change in operating liabilities		69	183
		3.595	4.163
Interest income received		18	56
Interest expenses paid		(1.556)	(1.831)
Net cash from operating activities		2.057	2.388
Cash flows used in investment activities			
Investment in investment properties		(1.398)	(1.260)
Investment in assets for own use		(60)	(223)
Sold assets for own use		5	(25)
Changes in bond holdings		(60)	0
Net cash used in investing activities		(1.513)	(1.508)
Cash flows (to) from financing activities			
New long-term debts		4.608	15.223
Repayments and final payments of long-term loans		(4.234)	(14.778)
Dividend paid		0	(1.016)
Purchase of treasury shares		(46)	(298)
Short-term loans, change		0	(334)
Net cash (to) from financing activities		328	(1.202)
Increase (decrease) in cash and cash equivalents		871	(322)
Cash and cash equivalents at beginning of year		1.837	1.847
Cash and cash equivalents at end of period		2.708	1.525

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 2020 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 2019. The interim financial statements were approved by the Company's Board of Directors on 28 October 2020.

The Company has implemented all accounting standards and changes to accounting standards which became effective for accounting periods beginning 1 January 2020 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 2019. 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, 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. 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.-30.9.2020	Investment properties	Hotel	Offset entries	Total
Lease income	5.856	0	(216)	5.640
Operating income	459	154	0	612
Operating expenses	(1.956)	(424)	216	(2.164)
Impairment of receivables	(313)	(3)	0	(316)
EBITDA	4.045	(272)	0	3.773
Loss on sale of investment properties	(1)	0	0	(1)
Change in value of investment properties	(465)	0	0	(465)
Depreciation	(252)	(17)	0	(269)
Net finance expenses	(3.091)	(16)	0	(3.107)
Income tax	(48)	62		14
Profit (loss) for the year	187	(244)	0	(56)
Assets 30.9.2020	103.557	267	498	104.323
Liabilities 30.9.2020	72.046	477	(498)	72.024

Segments 1.1.-30.9.2019				
Lease income	5.718	0	(211)	5.507
Operating income	439	525		963
Operating expenses	(1.873)	(600)	211	(2.260)
Impairment of receivables	(22)	0	0	(22)
EBITDA	4.262	(75)	0	4.188
Change 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)
Income tax	(536)	0	0	(536)
Profit (loss) for the year	2.218	(78)	0	2.143
Assets 30.9.2019	101.358	279	(141)	101.496
Liabilities 30.9.2019	69.732	178	(141)	69.769

6. Operating expenses

Operating expenses are specified as follows:	2020 1.1. - 30.9.	2019 1.1. - 30.9.
Property tax and insurance	1.044	993
Maintenance of investment properties	31	39
Operating expenses of properties	443	424
Other operating expenses of investment properties	128	117
Operating expenses of hotel	208	388
Office and administrative expenses	310	299
Total operating expenses	2.164	2.260

7. Finance income and finance expenses

Finance income and finance expenses are specified as follows:	2020 1.1. - 30.9.	2019 1.1. - 30.9.
Interest income	18	56
Interest expenses	(1.759)	(1.844)
Indexation	(1.366)	(1.150)
Total finance expenses	(3.125)	(2.994)
Total finance income and finance expenses	(3.107)	(2.939)

8. Investment properties

Investment properties are specified as follows:	30.9.2020	31.12.2019
Book value at the beginning of the year	95.918	90.302
Lease assets, effect of implementation of IFRS 16	0	2.039
Revaluation of lease assets	24	0
Investment in current investment properties	1.265	1.097
Investment in new investment properties	133	458
Sold investment properties	(1)	(60)
Value adjustment	(465)	2.170
Recognised in assets for own use	0	(214)
Recognised from assets for own use	(32)	126
Book value at end of period	96.840	95.918

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 assessing 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 the term of current lease agreements. 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. Due to the effects of the COVID-19 epidemic the Company has adjusted its assumptions looking forward three years. The Company uses a lower rental value ratio for that period. Furthermore, the Company has precautionary entry regarding the Company's hotel investment properties due to uncertainty regarding their value and the value of these properties decreases by 16% since year end and by 21% since 30 September 2019.

Sensitivity analysis

Effects of changes in fair value of investment properties:

Increase (decrease) of lease income by 1%	1.321	(1.321)
Increase (decrease) of rental value ratio by 1%-point	1.369	(1.369)
Decrease (Increase) of rate of return by 0.5%-points	8.614	(7.299)

9. Assets for own use

Assets for own use are specified as follows:

	Real estate	Vehicles and other	Total
Cost			
Balance at 1.1.2020	4.044	402	4.446
Revaluation during the period	(158)	0	(158)
Additions during the period	42	19	61
Sold during the period	0	(5)	(5)
Balance 30.6.2020	3.928	416	4.344
Depreciation			
Depreciation at 1.1.2020	202	175	378
Depreciation during the period	56	25	80
Impairment during the period	107	0	107
Total depreciation 30.6.2020	365	200	565
Book value			
Book value at 1.1.2020	3.842	226	4.068
Book value at 30.6.2020	3.563	216	3.778

10. Depreciation

Depreciation and impairment losses is specified as follows:

	30.9.2020	31.12.2019
Intangible assets	82	62
Office	2	3
Hotelasset	160	88
Vehicles and other	25	12
Total depreciation and impairment losses	269	165

11. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:

	30.9.2020	31.12.2019
Long-term receivables	106	46
Trade receivables due to lease	271	77
Trade receivables due to other operations	85	119
Other short-term receivables	183	96
Total trade receivables and other short-term receivables	539	292

Impairment of trade receivables is specified as follows at end of period:

Depreciation reserve at beginning of the year	50	37
Depreciated bad debt during the period, change	(22)	(32)
Expensed during the period	310	44
Depreciation reserve at end of period	338	50

The Company's long-term receivables for the amount of ISK 45 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 end of period takes into account precautionary recording of ISK 11 million (30.9.2019: ISK 12 million). Write-down of trade receivables amounted to ISK 310 million in the period. Thereof were ISK 332 million due to precautionary depreciation of trade receivables and ISK 22 million adjustment for instalments. The company has worked with the tenants that have encountered significant revenue loss on solving their issues which mainly consist of deferrals of lease payments and operating expenses from the first have of the year to the second half of the year.

12. 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.

At the beginning of the year the Company held treasury shares of ISK 42.617.000 at nominal value. On 10 March 2020, the Company announced that the Board of Directors had approved a share buy-back 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. On 25 March 2020 the Company announced that the board of directors had decided to terminate the share buy-back programme that commenced on 12 March 2020. During the first quarter, the Company purchased treasury shares with a nominal value of ISK 7,500,000 for a total of ISK 46,230,000. At the Company's annual general meeting held on 10 June 2020, the Board's proposal to reduce share capital by ISK 41,317,000 nominal value was approved.

No dividends will be paid in 2020 for the year 2019.

13. Interest bearing liabilities

	30.9.2020	31.12.2019
Long-term liabilities		
Interest bearing bank loans	8.610	10.608
Listed bonds	53.226	49.485
Other long term liabilities	13	31
	61.850	60.124
Current maturities of liabilities	(1.468)	(1.416)
Capitalised borrowing cost	(327)	(344)
Total interest bearing liabilities	60.055	58.364
Short-term liabilities		
Current maturities of liabilities	1.468	1.416
Total short-term liabilities	1.468	1.416

14. Lease liability

Lease assets and lease liabilities are specified as follows:

	30.9.2020	31.12.2019
Lease assets		
Balance at beginning of period	2.039	1.931
Change due to revaluation	24	98
Purchased and sold assets	0	9
Balance at end of period	2.063	2.039
Lease liabilities		
Balance at beginning of period	2.039	1.931
Change due to revaluation	24	98
Purchased and sold assets	0	9
Balance at end of period	2.063	2.039
Amounts in statement of comprehensive income		
Interest expenses of lease liabilities	71	90
Total amounts in statement of comprehensive income	71	90
Amounts in statement of cash flow		
Interest expenses paid	71	90
Total amounts in statement of cash flow	71	90