Heimar

9 Month Financial Report 2024

EBITDA increases by 7,5% in the first 9 months of 2024
2024 compared to the same period last year

Real growth in rental income and EBITDA continues

- Rental income increases by 7.8% year-over-year, 1.1% above inflation.
- EBITDA is ISK 7.4 billion, up 7.5% year-over-year.
- Profit after tax is ISK 5.6 billion.

Strong Equity Position

- Total assets amount to ISK 204 billion at the end of the period, of which investment properties account for ISK 190 billion.
- Equity ratio is 31%.

Revenue base grows beyond inflation

- Lease agreements for approximately 29 thousand m² signed in 9M 24.
- Occupancy rate of assets is 97%.
- New commercial spaces in core areas strengthen Heimar's revenue base (Silfur- and Sunnusmári, Sunnuhlíð in Akureyri).

Clear Strategy in Words and Actions

- The company is valued on the market below the book value of equity.
- Assets sold during the period for ISK 3.3 billion at approximately 10% above book value, and a share buyback program has been activated.

Real Revenue Growth on a Strong Foundation

Rental income and EBITDA increase beyond inflation in the first nine months of the year

Operations

7.8% *(1.1% real growth)*
Rental income increases year-over-year

7.5% *(0.8% real growth)*
EBITDA increases year-over-year

72.0% *(72.0%)*
EBITDA % of rental income

97.0% *(97.5%)*
Occupancy Rate

Profitability

5.6 *billion (5,.1 billion)*
Profit

7.6 *billion (8.7 billion)*
Revaluation of Investment Properties

5.4% *(5.3%)*
Return on Investment Properties

13.0% *(12.7%)*
Return on Equity

Financial Position

192.9 *billion (184.7 billion)*
Consolidated Investment Properties

120.4 *billion (115.8 billion)*
Interest-Bearing Liabilities

63.5% *(63.9%)*
Leverage Ratio

31.0% *(30.4%)*
Equity Ratio

Purposeful Steps Toward Clear Goals

Clear strategic focus at Heimar delivers measurable results

Assets in Portfolio
99

Occupancy Rate
97%

Customers
400

Proportion of Green Buildings
36%

Investment Properties
193 (billion ISK)

m^2 located within Core Areas
65%

Public Entites and Listed Companies
45%

Proportion of Green Financing
41%

Rental income form Core Areas
71%

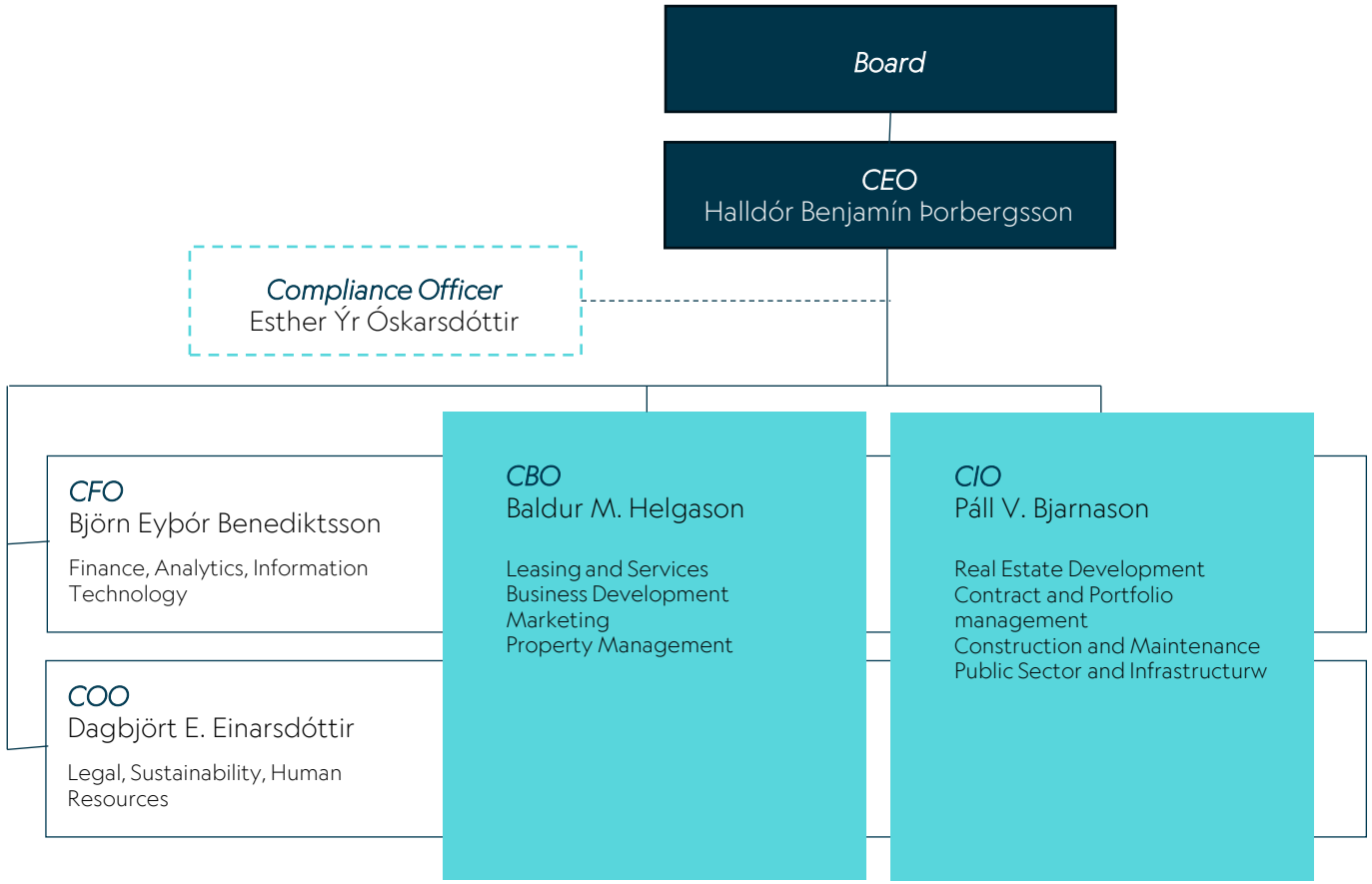
Total squaremeters
374 (thousand)

Average Lease Terms
6 years

Electric Vehicle Charging Stations
143

New Organizational Structure and Reduction of Management Positions

Clear Division of Responsibilities as the Basis for Targeted Goal Setting



- Simple and Clear Structure with Potential for Further Scaling
- Middle management has clear responsibility over categories within each executive's unit.
- Two distinct main divisions responsible for the income statement and balance sheet.
- Strong support from support functions.
- Communication channels simplified.

Finance and Operations

Revenue Growth on a Solid Foundation Beyond Inflation

Real Growth in Revenue and Operating Profit

Income Statement	9M 2024	9M 2023	Δ %
Rental Income	10,335	9,587	7.8%
Other Income	587	558	5.2%
Operation Revenue	**10,922**	**10,145**	**7.7%**
Operationg expenses of investment properties	-2,061	-1,956	5.4%
Property Management	-782	-732	6.8%
Management Expenses [1]	-640	-540	18.6%
Operating Profit before Fair Value Adjustment	**7,439**	**6,917**	**7.5%**
Operating profit before fair value adjustments on rental income	72.0%	72.1%	
Fair value adjustments of investment properties, gain on sale, and depreciation	7,589	8,663	
Operating profit after fair value adjustments	**15,027**	**15,580**	
Net finance costs	-8,237	-9,297	-11.4%
Share of profit of associates	26	61	
Profit before income tax	**6,816**	**6,344**	**7.4%**
Income Tax	-1,263	-1,269	
Profit for the period	**5,553**	**5,075**	**9.4%**

Million ISK

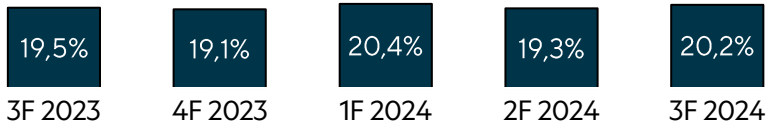
Rental Income
Million ISK



Rekstrarhagnaður fyrir matsbreytingar
Milljónir króna



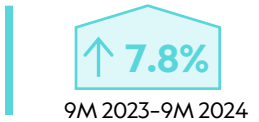
Rekstrarkostnaður fjárfestingareigna
% af tekjum

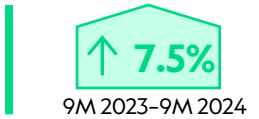


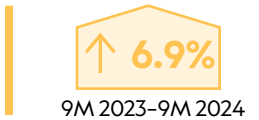
Stjórnunarkostnaður
% af tekjum *2*

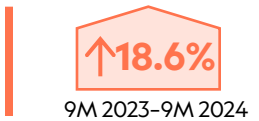


9M 23 - 9M 24 (Δ %)









1. *An expense of ISK 100 million related to the voluntary takeover bid for Eik Real Estate Company was fully expensed in the second quarter.*
2. *Excluding the one-time costs associated with the takeover bid for Eik Real Estate Company, the management expense ratio was **4.7%.***

Real growth: Rental income increases by 1.1% above inflation

Revenue development

Million ISK 9M2023-9M2024



- Price levels in the first nine months of the year increased by 6.7% compared to the same period last year.
- There is strong demand for commercial real estate within the company, with occupancy rates remaining high at over 97%.
- Contracts for over 29 thousand square meters were signed in the first nine months of the year, compared to nearly 20 thousand square meters in 2023.
- In the third quarter, 26 agreements were signed, of which 24 were new contracts, highlighting strong demand and interest in the company's core properties.
- There is significant interest among operators in the new dining and entertainment area in Smáralind, set to open in fall 2025.
- Revenue reduction due to changes in the property portfolio is primarily attributed to the sale of a property at Suðurlandsbraut 4.

New revenue – Deliveries in the coming months



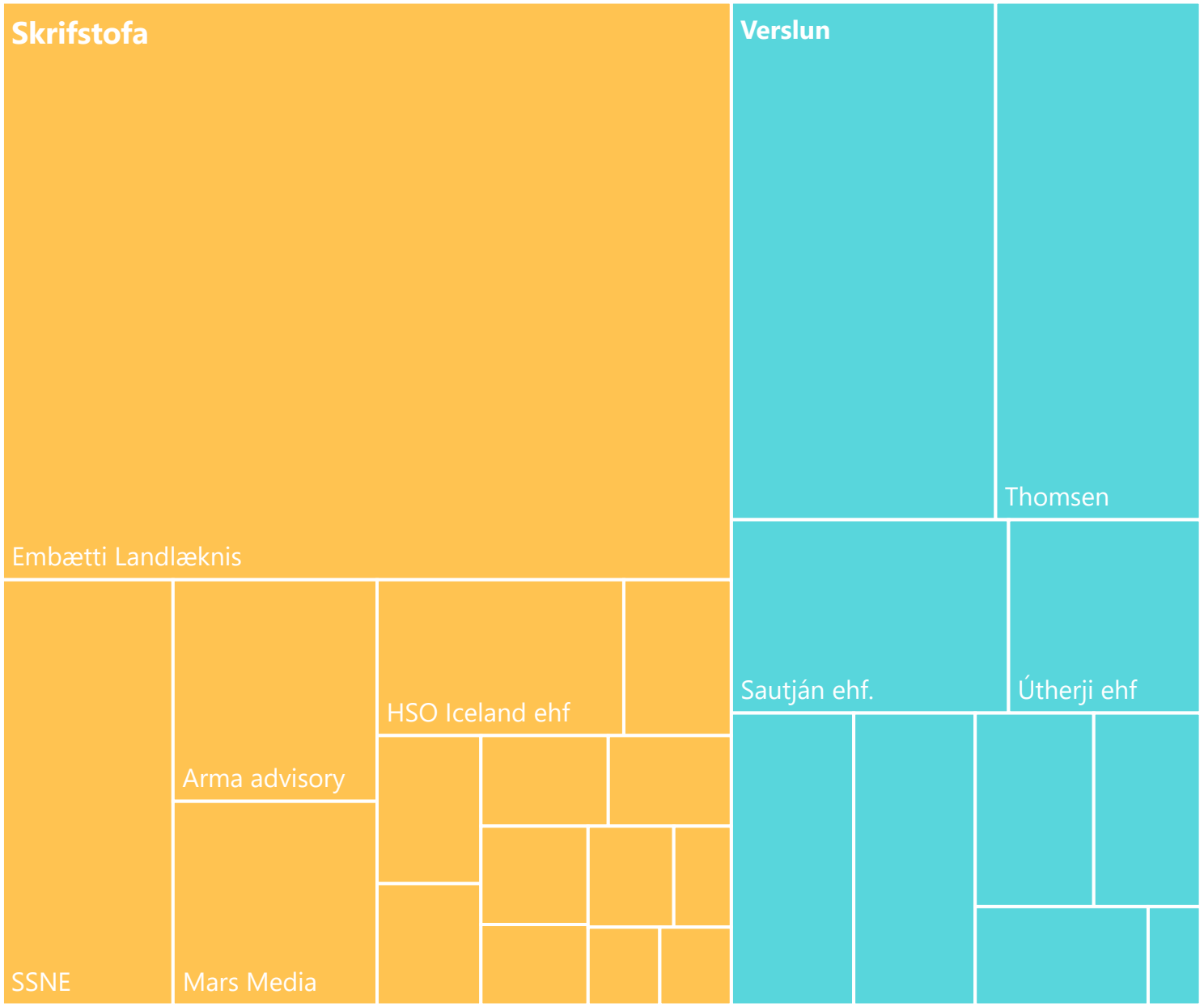
Date when the contract becomes revenue-generating

26 lease agreements signed in the third quarter

2 Renewed agreements
~1,600 m²

24 New agreements
~2,700 m²

26 Total agreements
~ 4,300 m²

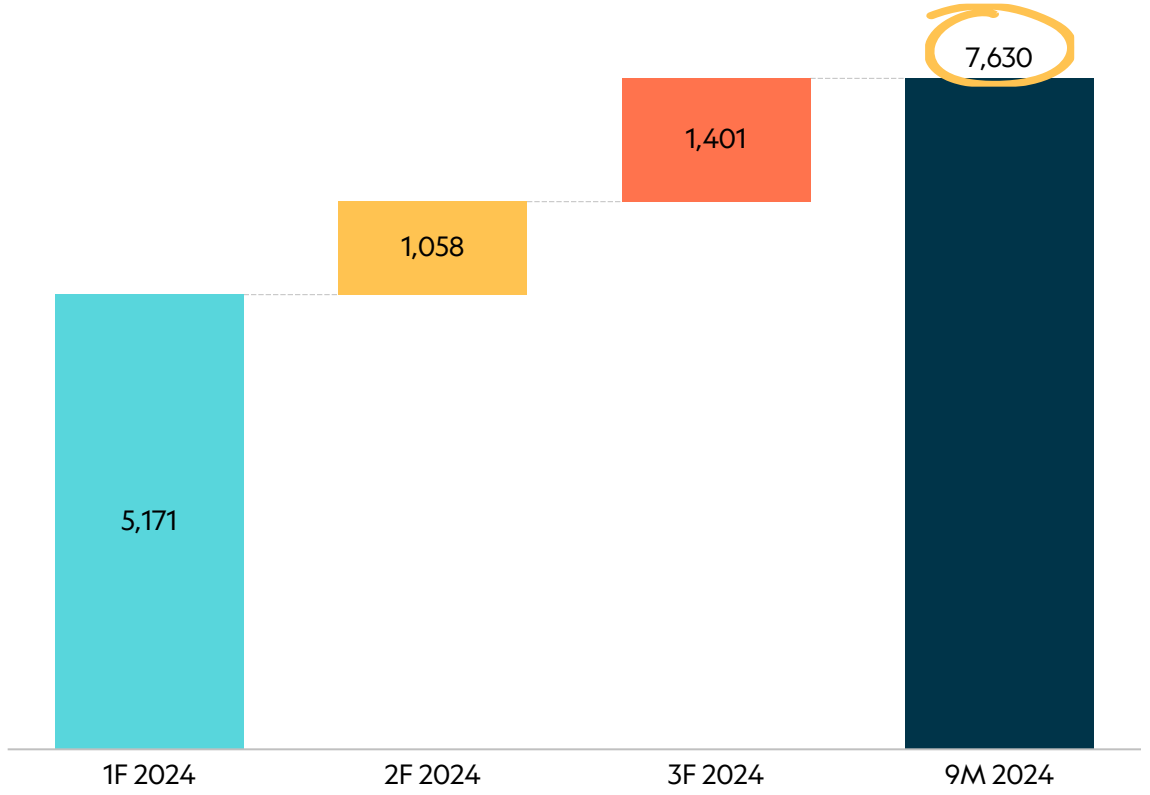


Positive revaluation of ISK 7.6 billion in the first nine months of 2024

- Inflation is the main driver of the revaluation.
- Offsetting this is an increase in loan interest rates, which reduces the revaluation.
- The yield requirement at the end of Q3 2024 is 6.39%.

Revaluation

Million ISK 9M 2024



Interest rate cuts have both a positive impact on the valuation of the property portfolio and reduces interest payments

Question: What impact will declining interest rates have on the operations and financial position of Heimar?

A simple example of the impact of an interest rate reduction: Each person draws their own conclusion.

Impact on the Value of Investment Properties

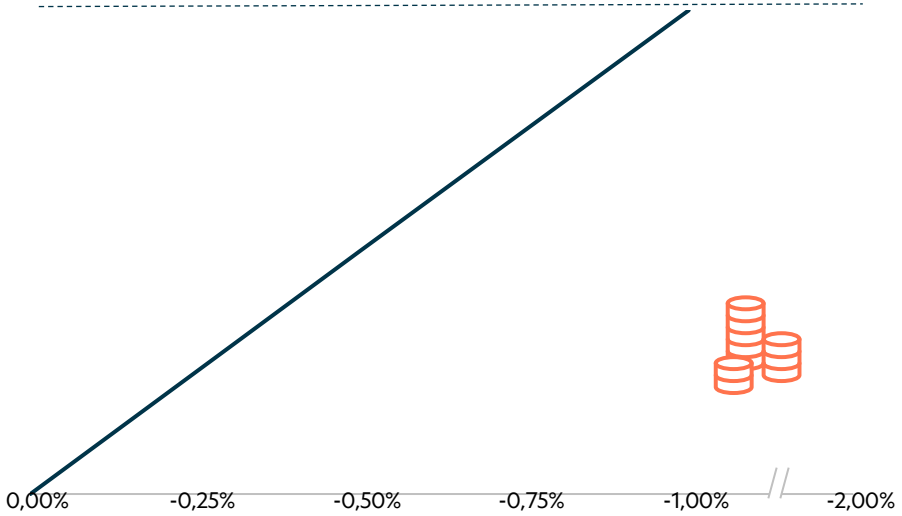
Interest Rate Reduction → Lower Yield Requirement

Yield Requirement – WACC ↓ **0.50%**

Valuation of Investment Properties ↑ **13 billion ISK**

Impact on interest payments

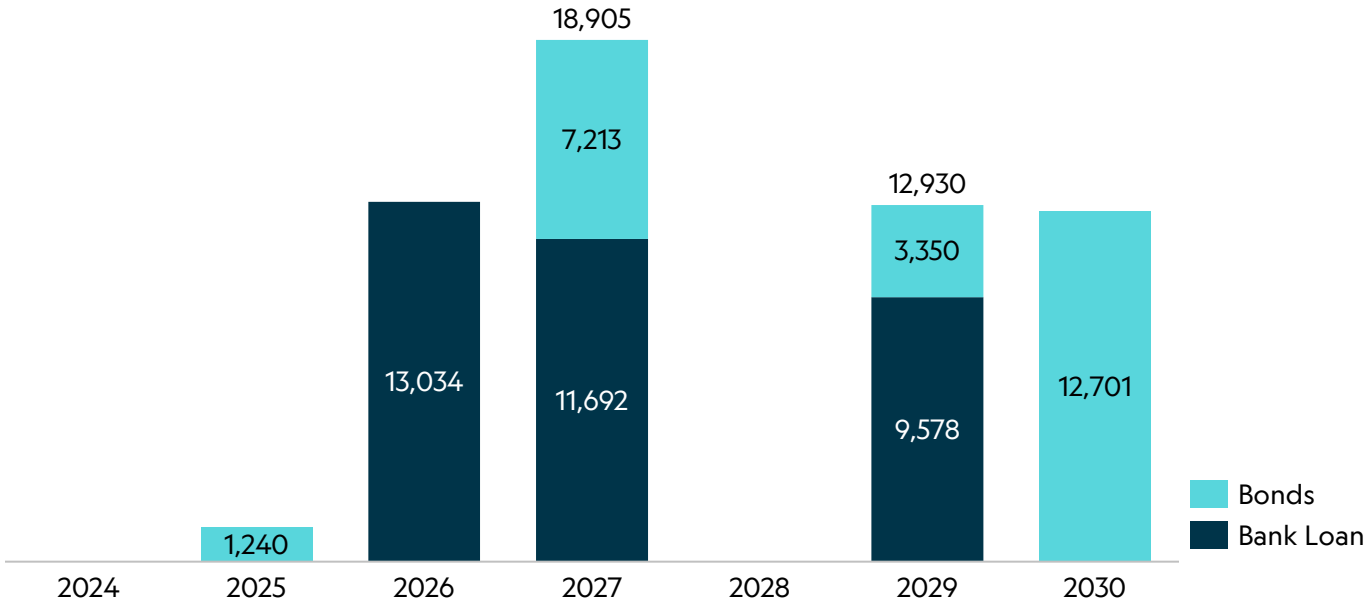
0-343 million ISK.



Limited Refinancing Need in the Coming Years

Refinancing Plan

Million ISK 2024-2030



- No refinancing needed in 2024.
- Green financing accounts for 41% of total interest-bearing debt.
- Approximately 28% of interest-bearing loans are bank loans with terms of 5-7 years.
- Refinancing in 2026-2027 will primarily involve bank financing.
- Bonds with a nominal value of ISK 2 billion were issued in the HEIMAR50 GB series during the period, at a yield of 3.67%
- The average interest rate on indexed loans was 3.33% at the end of September 2024.

Financing maturing in 2031-2050 is not included in the bar chart

Heimar's Deliberate Steps Toward Long-Term Goals

The Company's Leading in Shaping Core Areas

	% of rental income 3Q 2024	Long term goal	
Core Areas	71%	70 - 80%	**In recent years, Heimar has focused on investing in properties in designated core areas. According to the company's investment strategy, property location is a key factor in investment decisions.**
Registered companies	12%	10 - 15%	A strong client base reduces counterparty risk for Heimar. The company has invested in recent years to increase the number of registered companies among its clients.
Public entites	34%	30 - 40%	**Heimar established early on a vision to place special emphasis on collaboration with public entities. Success in public tenders since 2015 has been strong. Heimar secured contracts in 72% of the tenders the company participated in.**
Environmentally certified buildings	36%	50%	Heimar are committed to being leaders in the development of core areas, with a focus on sustainable property management that promotes community welfare, improved quality of life, and the environment for residents.

Sustainability

A large part of the property portfolio is environmentally certified

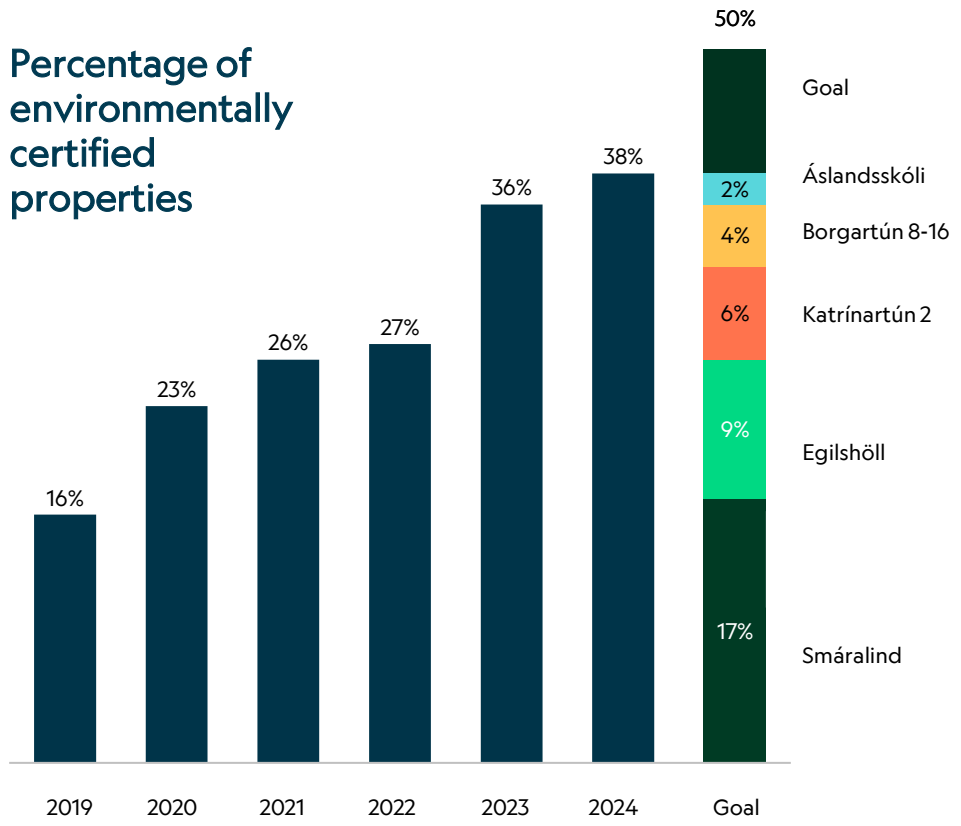
Milestones in sustainability

BREEAM-certificate

- **Áslandsskóli**
  First BREEAM in-Use certificate school in Iceland, got the grade ,,very good".
- **Borgartún 8-16**
  BREEAM in-Use certificate with the grade,,very good".
- **Dvergshöfði 2**
  Work on the BREEAM In-Use certification is well underway.
- **Dvergshöfði 4**
  Work has begun on the BREEAM New Construction certification.

Science Based Targets initiative

- Heimar's commitment to "SBTi – near-term targets" has been approved.
- Heimar is the first Icelandic real estate company to commit to setting a science based target with Science Based Target initiative.



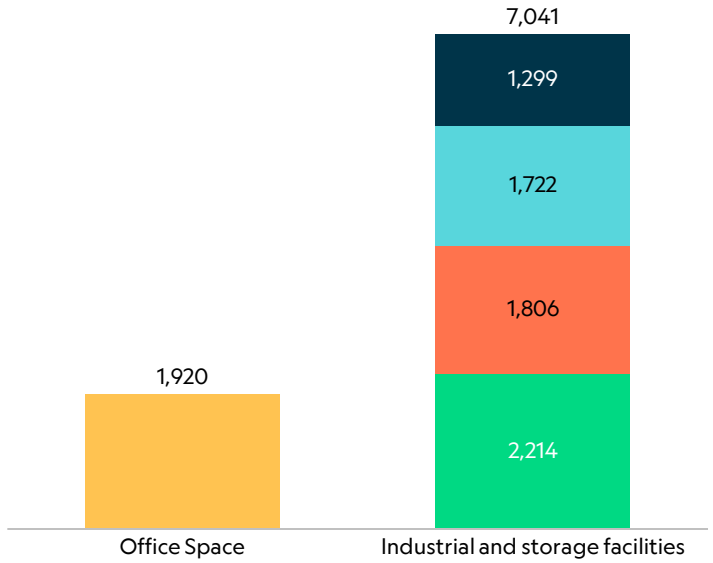
Development of the property portfolio

The sale of properties outside Heimar's core areas aligns with the company's clear strategic direction

- Market conditions impact growth, and the equity value of Heimar is assessed lower than the book equity.
- The sale of five properties to Módelhús ehf. has been completed.
- These properties are outside the company's defined core areas.
- The total sales price of the properties was ISK 3,275 million.
    - Rental income amounts to approximately ISK 250 million per year.
    - Sales profit >10%
- The proceeds from the sale will be used for investments in line with the company's investment policy and for share buybacks.
- Further sale of properties outside core areas is under consideration.

Overview of property sales in the third quarter

Squaremeteres



Heimar's Core Areas

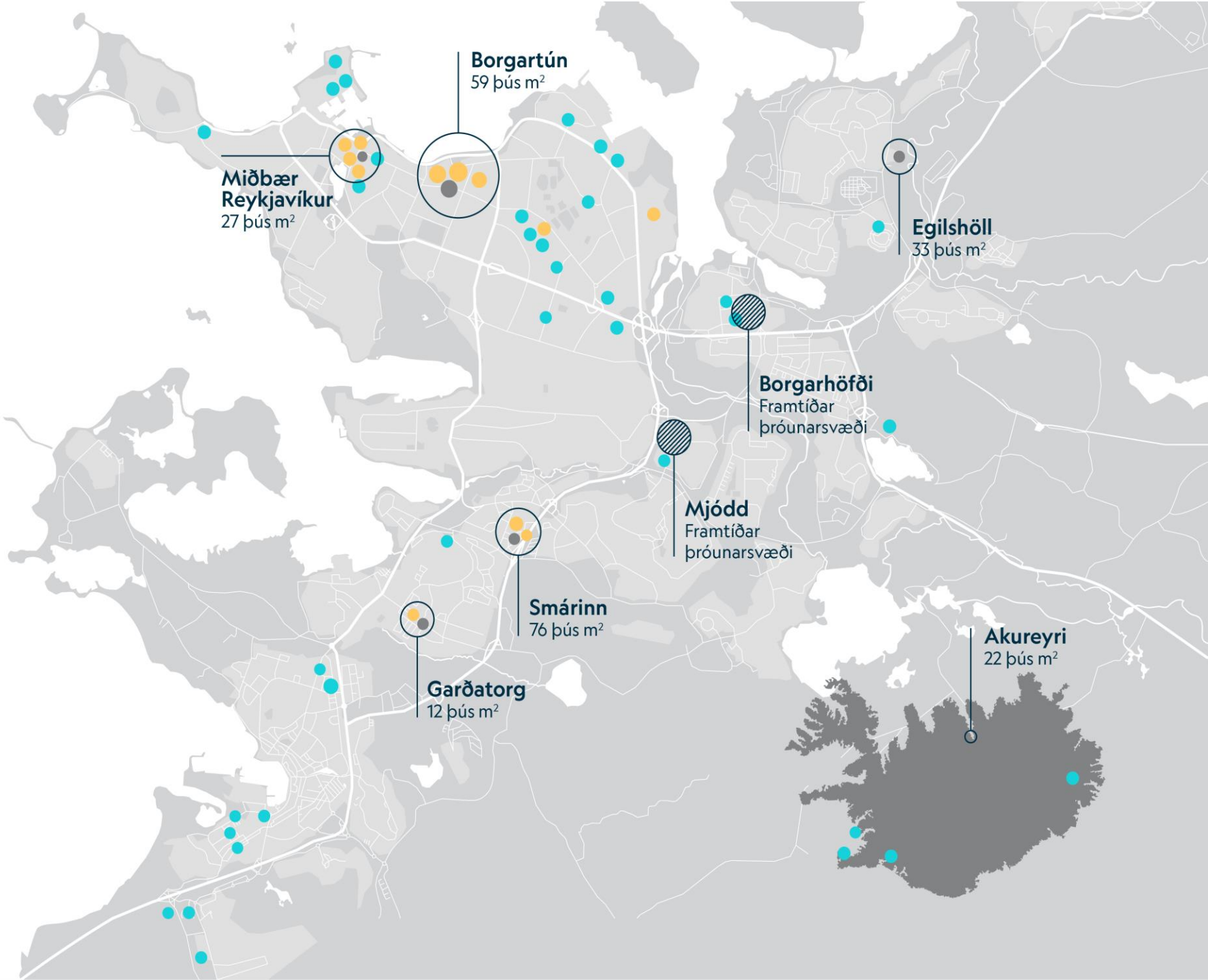


95%
Acquired properties
Within core areas



98%
Sold properties
Outside core areas

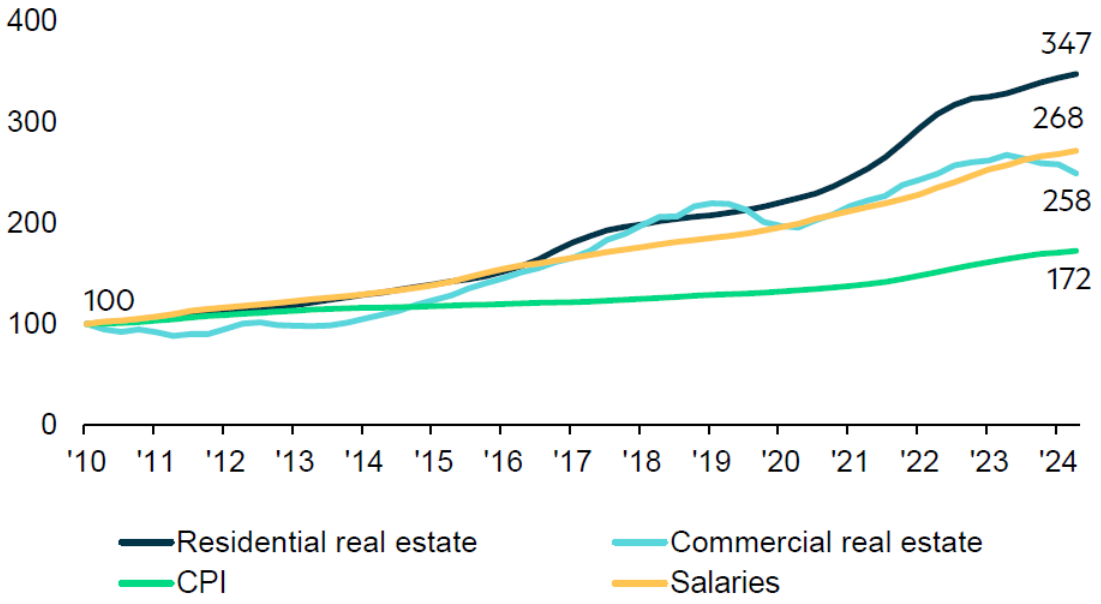
- Properties acquired since 2018
  60 thousand m2 I 13 properties
- Properties sold since 2018
  41 thousand m² I 42 properties
- Properties in core areas
  Acquired/built before 2018



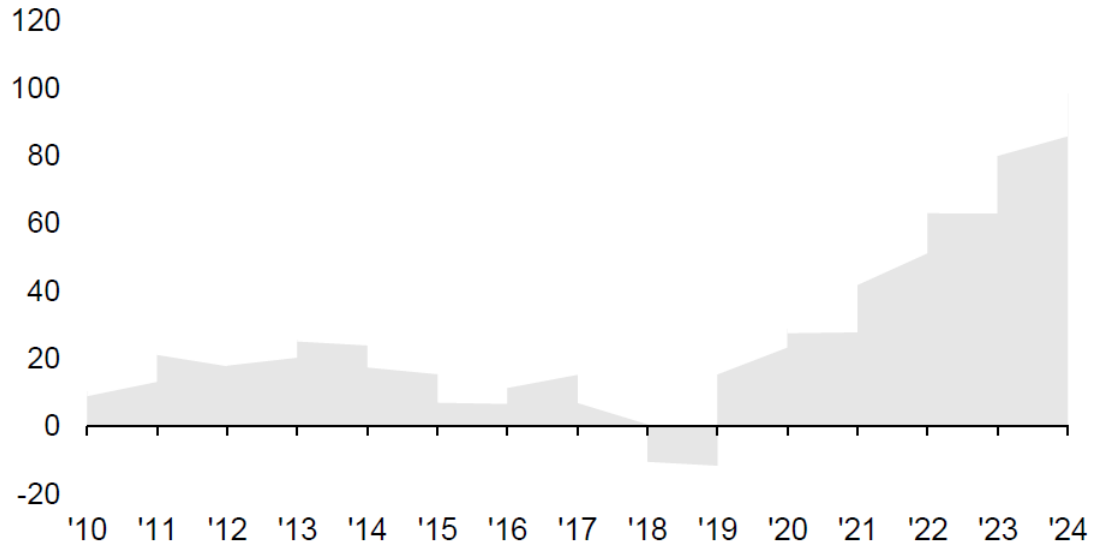
Price trends of commercial real estate in a broader context

Residential property prices have increased by 33% more than commercial property prices over the past 5 years

Price development of residential real estate, commercial real estate, CPI and salaries[1]



Price development difference of residential real estate vs. commercial real estate[2]



New dining and entertainment area

- Renovations in Småralind's Winter Garden will begin at the start of 2025.
- The renovations in the eastern section of Småralind includes the restaurant area, cinema and entertainment area, entrance, and restrooms.
- The project is expected to be completed by autumn 2025.

SMÅRALIND





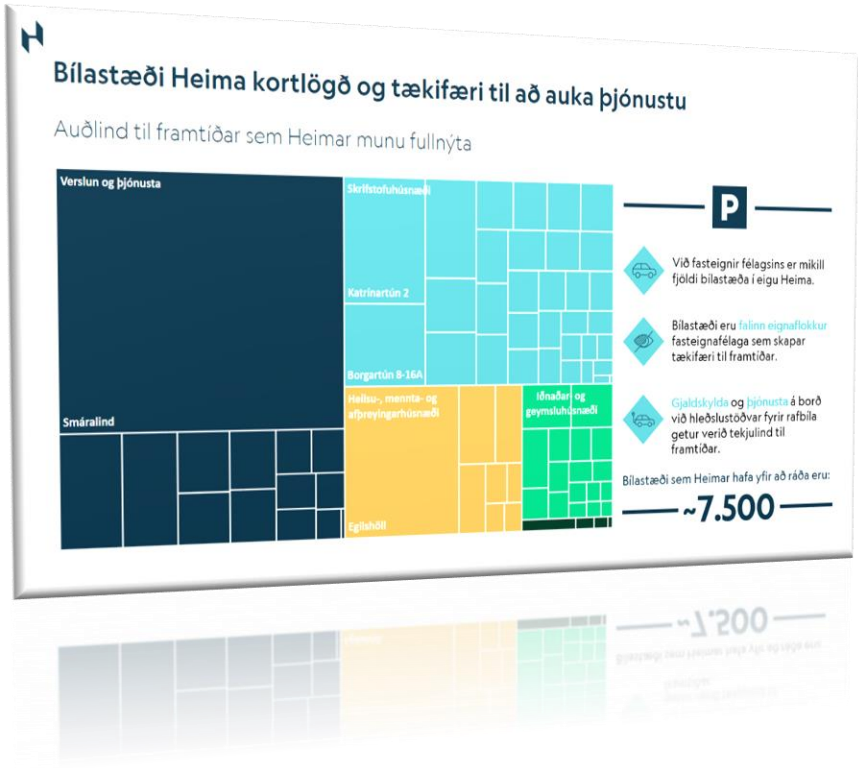
New dining area in Smáralind



New dining area in Smáralind

Parking - enhanced services and new revenue stream

Heimar's properties have a large number of parking spaces owned by the company



- Improved utilization through increased management is the main objective
- Significant revenue opportunities exist for the future
- Numerous models available, both internationally and domestically
- Heimar plans to significantly enhance service levels at the company's largest parking facilities in the first half of 2025

Heimar's largest properties in the heart of the core areas

Key properties in the capital area



Smáralind
The largest shopping center in Iceland- 62,100 m²



Höfðatorg
Offices - 37,867 m²



Egilshöll
Sports and entertainment - 33,057 m²



Hafnartorg
Retail and services- 11,354 m²

Other Significant Assets

High-Quality Properties in Prime Locations



Mjölnisholt 12-14
Hotels and Tourism – 6,742 m²



Litlatún 3
Retail and Services – 5,261 m²



Austurstræti 16
Hotels and Tourism – 2,773 m²



Áslandsskóli
Education and Sports – 6,162 m²



Hafnarstræti 17-19
Hotels and Tourism – 3,930 m²



Suðurhraun 3
Offices – 5,963 m²

Diverse properties for public entities

Number of properties in core areas leased and operated for public entities



Schools

Primary Schools:

- Áslandsskóli in Hafnarfjörður

Preschools:

- Tjarnarás Hafnarfirði
- Hörðuvellir Hafnarfirði
- Sjáland Garðabæ
- Múlaborg Reykjavík



Sports facilities

Egilshöll in Reykjavík:

- Football hall
- Gymnastics center
- Multipurpose sports hall
- Ice Rink
- Shooting range
- Track and field facilities
- In addition to leasing the Egilshöll facility, Heimar manages all operations and staffing.



Offices

Number of institutions renting offices from Heimar for their operations;

- Reykjavíkurborg
- Akureyrarbær
- Landsvirkjun
- Vegagerðin
- Sýslumaðurinn á höfuðborgarsvæðinu
- Tryggingastofnun
- RARIK



Other

- The National Museum – Conservation and Research Center, Tjarnarvellir 11
- Guesthouse for Refugees and Asylum Seekers
- Icelandic Museum of Design and Applied Art, Garðabær
- Sóltún Nursing Home

Numerous investment projects were under consideration in the third quarter

Investment opportunities



17
Investment options considered

35,000
Squaremeters

1
Property acquired within core areas

231
Squaremeters bought

Sale of properties



5
Sales opportunities considered

8,962
Squaremeters

5
Properties sold outside core areas

8,962
Squaremeters sold

Klasi

Valuable opportunities in a prime location in Reykjavík

- In 2022, Heimar transferred their development properties to the real estate development company Klasi in exchange for a one-third equity stake.
- Heimar holds an option to purchase commercial properties that will be developed and built under Klasi's management and ownership, aligning with Heimar's core operations.
- Klasi has approximately 300,000 m² under development, including up to 1,500 residential units.
- Significant opportunities exist within Klasi for value-added real estate development projects, as well as in the development of commercial properties for Heimar.
- **The book value of Heimar's one-third stake in Klasi is approximately ISK 4 billion.**



Borgarhöfði, Krossmýrartorg



Borgarhöfði

Klasi

Key projects in the coming years

- Klasi's key projects are located in well-positioned densification areas within the capital region
  - Borgarhöfði, plot size 32,564 m2
  - Mjódd, plot size 23,234 m^2
  - Klettagarðar, plot size 14,056 m^2
  - Silfursmári, plot size 11,230m^2
  - Álfheimar, plot size 5,540 m^2
  - Lyngás, plot size 5,200 m^2
  - Tjarnarvellir, plot size 5,000 m^2
  - Nýbýlavegur, plot size 3,900 m^2
- Klasi's key densification areas align well with Heimar's strategic focus



Borgarhöfði


Mjódd (Zoning plan in progress)

Klasi

Important project pipeline for Heimar

- **Silfursmári 12**
  2,750 m² office building under construction, scheduled for delivery to Heima in May 2025.
- **Silfursmári 1**
  approximately 7,000 m² office building in the design phase.
- **Borgarhöfði 9A**
  approximately 17,000 m² office and service building in the design phase.
- **Borgarhöfði** - new quality-of-life hubPlanned as a comprehensive health-oriented service center, including a 100-bed nursing home operated by Grundarheimilin and owned by Heima, a service center, and 160 apartments for those aged 60+ owned by Grundar.



Silfursmári 12



Silfursmári 1

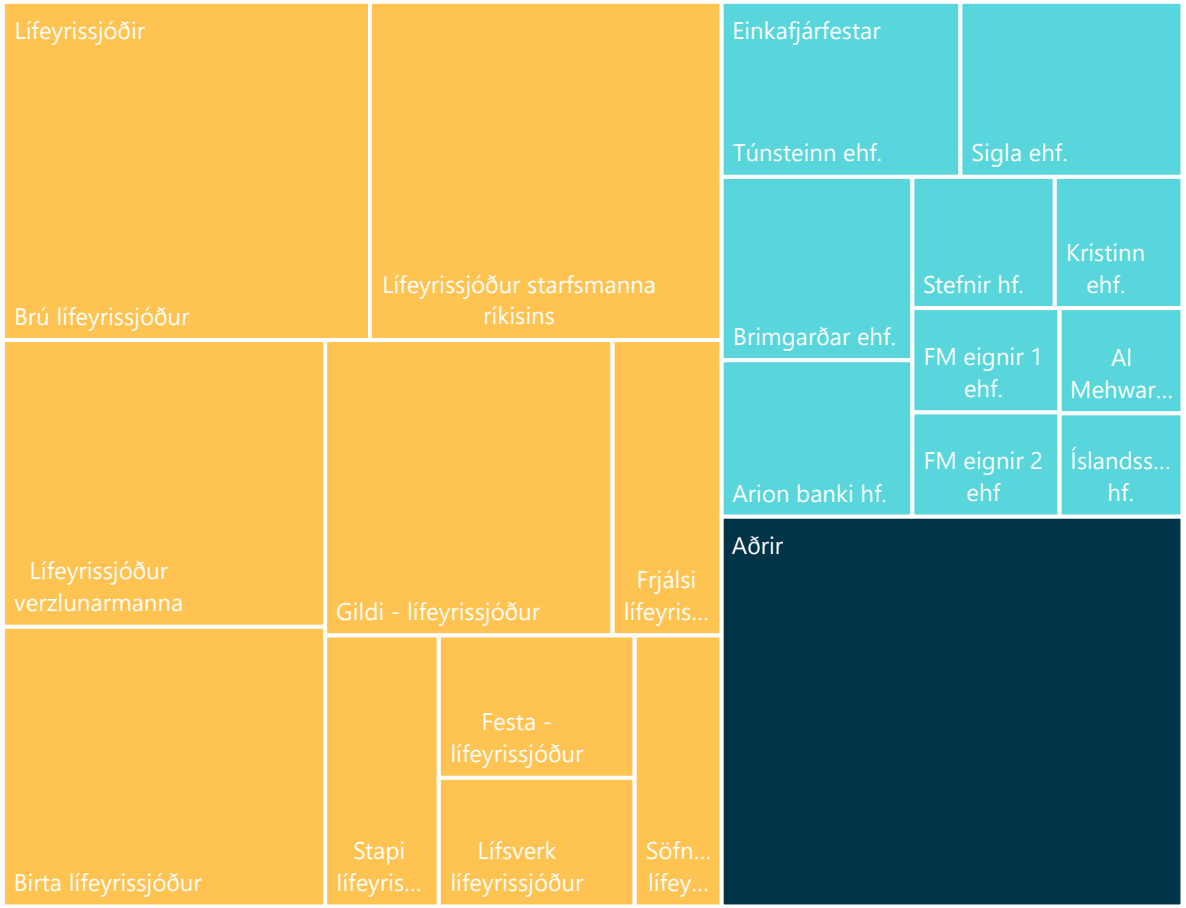
GRUNDAR HEIMILIN

Borgarhöfði

Shareholders

20 largest shareholders of Heima

Distribution



Nr.	Heiti	Hlutafé	%
1	Brú lífeyrissjóður	207,959,192	11.64%
2	Lífeyrissjóður starfsmanna ríkisins	199,145,717	11.14%
3	Lífeyrissjóður verzlunarmanna	153,853,934	8.66%
4	Birta lífeyrissjóður	150,597,146	8.45%
5	Gildi - lífeyrissjóður	141,995,988	7.95%
6	Túnsteinn ehf.	70,000,000	3.92%
7	Sigla ehf.	65,000,000	3.64%
8	Brimgarðar ehf.	58,669,349	3.28%
9	Frjálsi lífeyrissjóðurinn	54,003,684	3.02%
10	Stapi lífeyrissjóður	51,623,271	2.89%
11	Arion banki hf.	50,038,441	2.85%
12	Festa - lífeyrissjóður	46,594,234	2.61%
13	Lífsverk lífeyrissjóður	42,119,531	2.36%
14	Söfnunarsjóður lífeyrisréttinda	39,441,779	2.21%
15	Stefnir hf.	31,354,574	1.75%
16	Kristinn ehf.	28,000,000	1.57%
17	FM eignir 1 ehf.	25,771,241	1.44%
18	FM eignir 2 ehf	25,771,240	1.44%
19	Al Mehwar Commercial Investmentments L.L.C.	21,575,358	1.21%
20	Íslandssjóðir hf.	21,348,615	1.19%
	20 stærstu	**1,485,363,294**	**83.17%**

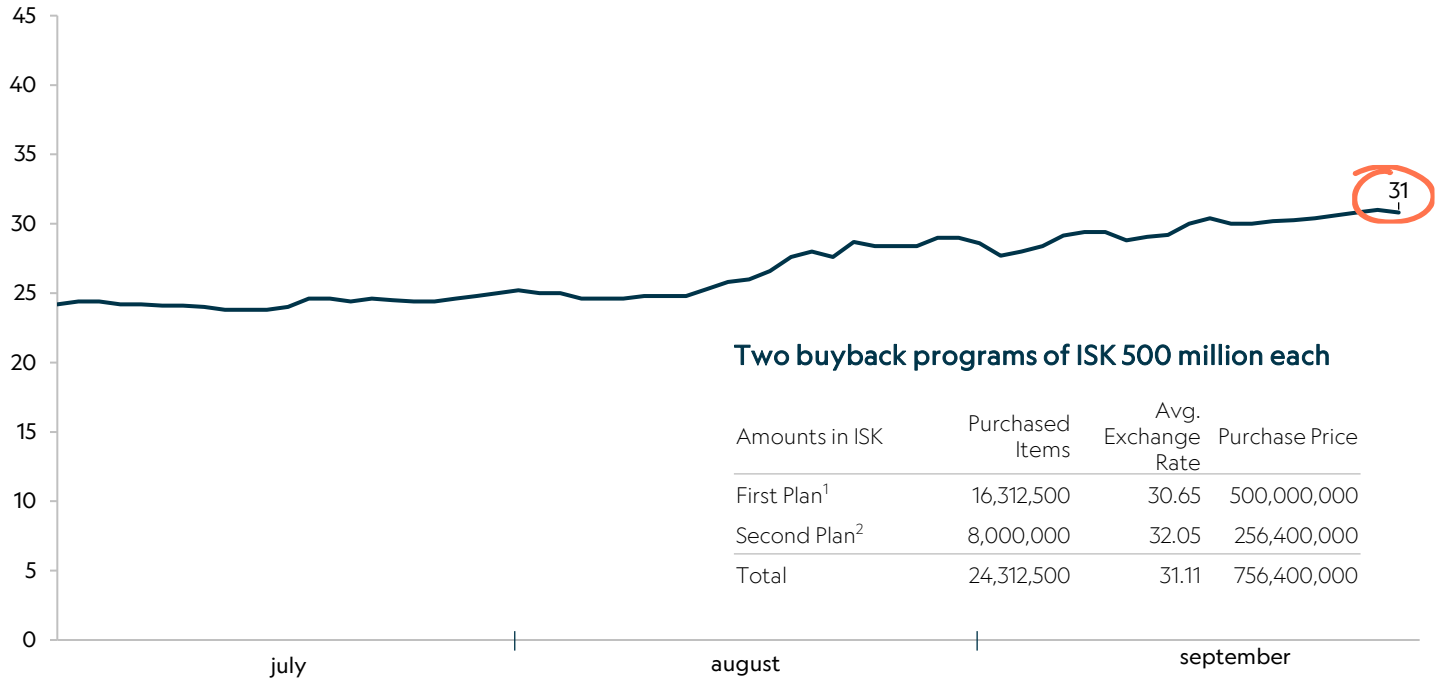
Shareholders on 31.10.2024

Heimar has announced two share buyback programs

The share price increased by 27% in the third quarter

Heimar's share price development

Closing price July – September 2024 in ISK

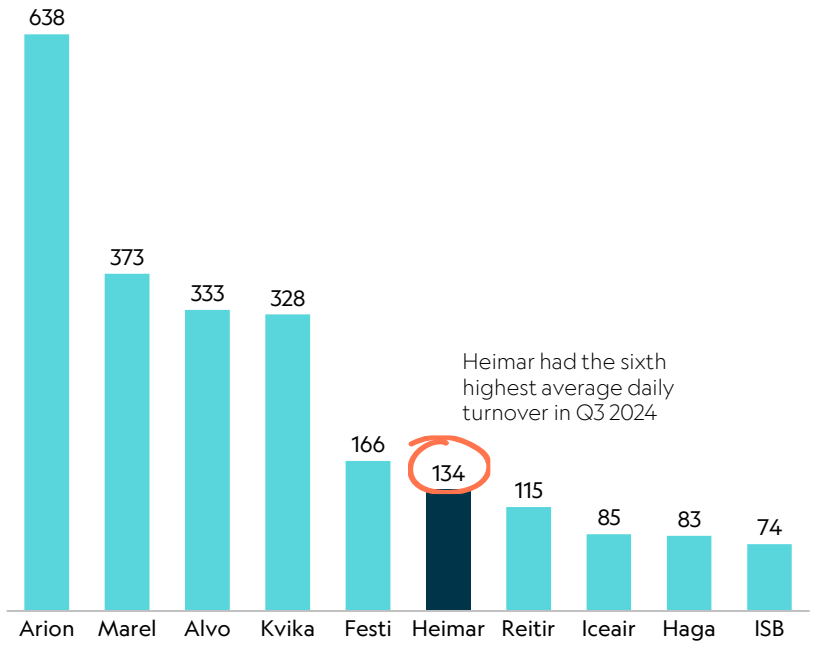


Two buyback programs of ISK 500 million each

Amounts in ISK	Purchased Items	Avg. Exchange Rate	Purchase Price
First Plan[1]	16,312,500	30.65	500,000,000
Second Plan[2]	8,000,000	32.05	256,400,000
Total	24,312,500	31.11	756,400,000

Average turnover of the 10 largest on the Iceland Stock Exchange

July – September 2024 in ISK million



1. *A buyback program of ISK 500 million from September 16 – October 16, 2024.*
2. *A new ISK 500 million buyback program was announced on October 16 as the previous program concluded. As of November 4, 2024, shares worth ISK 756.4 million have been purchased at an average price of 31.11 per share.*

Building Tomorrow Today

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