Heimar

Six-Month Results 2024





Investments a prerequisite for continued growth

9.5% increase in EBITDA in the first half of the year - real income growth 1.3%

Operations according to plan

- The company's operations are going well and are in line with plans.
- Rental income increases by 8.2%, the decrease in the number of square meters in the portfolio from the beginning of 2022 is about 1.9%.
- Rental income increases by 1.3% above the price level.
- The earnings forecast for the year remains unchanged. Rental income is estimated at ISK 13.7-13.9bn and EBITDA ISK 9.8-10.0bn.

High demand and new projects ahead

- There continues to be very good demand for commercial properties in the company's core areas. The company's goals regarding leasing and rental prices were successfully achieved.
- During the year, 25,000 square meters have been rented out. Of which, over 17,000 in the second quarter.
- In the last few months, new commercial spaces have been added in Silfursmári and Sunnusmári in Kópavogur and Sunnuhlíð in Akureyri.
- Work has begun on increasing the range of services in the company's properties and how to increase utilisation, income and the range of services connected to the parking lots in Heimar's properties.
- Preparations for the expansion of the nursing home in Sóltún are in the final stages.

The revenue base is growing

- Strong and increasing demand for commercial properties.
- Heimar's income base continues to strengthen and new commercial spaces have been added in core areas.
- An engineering firm was hired to assess the replacement value of the portfolio.

Real income growth on a strong basis

Rental income and EBITDA increase beyond price level increases

Operation

8.2% (1.3% real growth)
Rental income increases from year to year

9.5% (2.6% real growth)
EBITDA increases between years

71.3% (70.5%)
EBITDA as a % of rental income

97.0% (97.5%)
Utilisation rate

Profitability

ISK 4.3 bn (ISK 6.1bn)
Profit after tax

ISK 6.2 bn (ISK 10.1bn)
Valuation change of investment properties

5.4% (5.2%)
Return on investment properties

14.3% (23.8%)
Return on equity

Economy

ISK 187.6 bn (ISK 182.2bn)
Group's investment properties

ISK 118.2 bn (ISK 115.5bn)
Interest-bearing liabilities

63.0% (63.4%)
Leverage ratio

31.0% (30.7%)
Equity ratio

Strategic steps towards set goals

Heimar's strategic priorities produce measurable results

Properties in the portfolio
99

Utilisation rate
97%

Customers
400

Percentage of green buildings
36%

Investment properties
188 (ISK bn)

m^2 located within core areas
65%

Public bodies and registered companies
45%

Percentage of green financing
40%

Rental income from core areas
70%

Total number of square meters
374000

Average length of lease agreements
6 years

Electric charging stations
142

Finance and Operation

Earnings growth on a solid basis above the price level

Real growth of revenue and operating profit

Profit and Loss Account

	6M 2024	6M 2023	Δ %
Rental income	6,831	6,311	8.2%
Other income	393	371	5.9%
Operating income	**7,224**	**6,682**	**8.1%**
Operating costs of investment properties	-1,354	-1,316	2.9%
Operations in real estate	-538	-520	3.5%
Administrative costs [1]	-461	-397	16.1%
Operating profit before valuation change	**4,871**	**4,449**	**9.5%**
Operating profit before valuation change of rental income	71.3%	70.5%	
Valuation change of investment properties, capital gains and depreciation	6,203	10,072	
Operating profit after valuation change	**11,074**	**14,521**	
Net financial expenses	-5,905	-6,949	-15.0%
Share in the profits of affiliates	33	27	
Profit before income tax	**5,202**	**7,599**	**-31.6%**
Income tax	-940	-1,520	
Earnings for the period	**4,261**	**6,079**	**-29.9%**

ISK millions

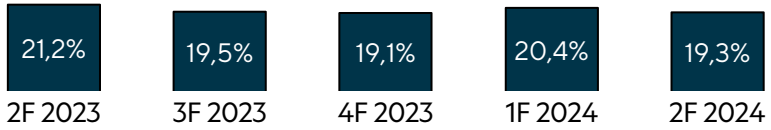
Rental income
ISK millions



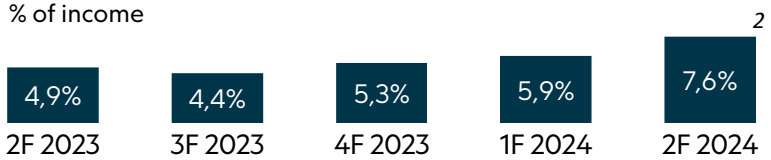
Operating profit before valuation changes
ISK millions



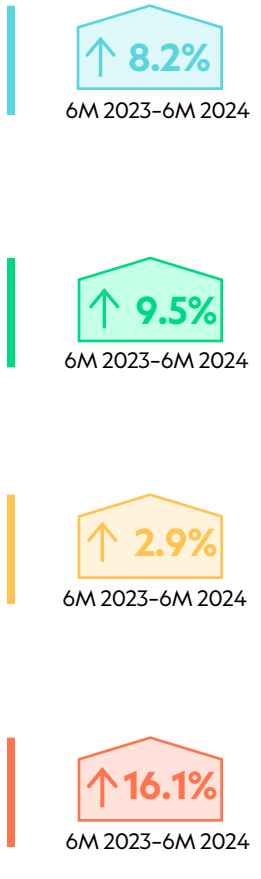
Operating costs of investment properties
% of income



Administrative costs
% of income [2]



6M 23 - 6M 24 (Δ %)

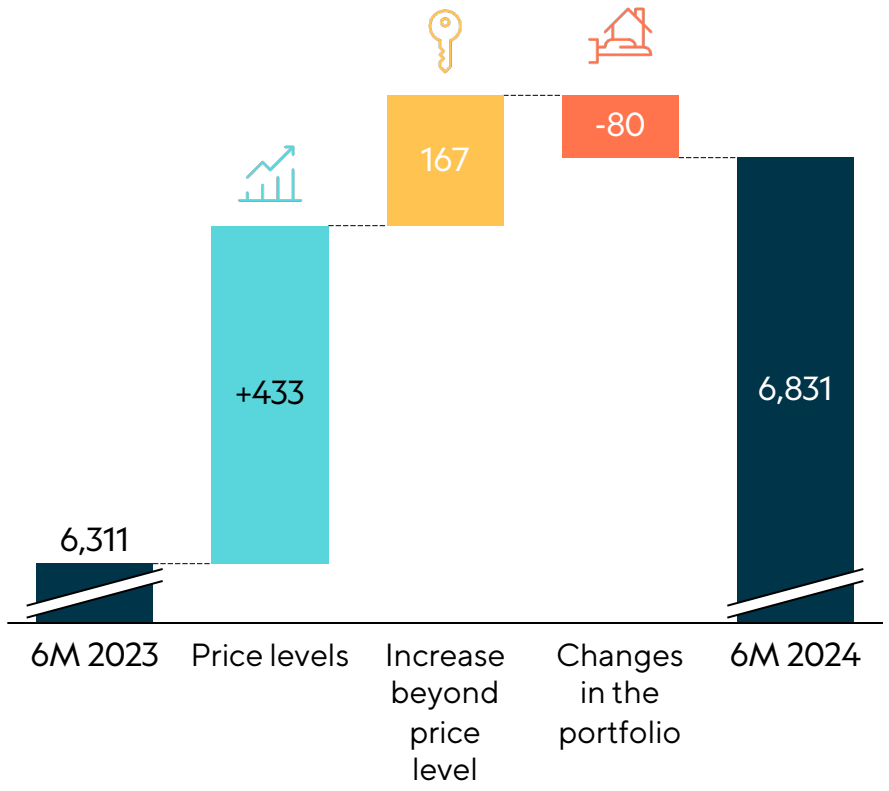


1. *Costs amounting to ISK 100 million due to the optional takeover bid in Eik fasteignafélag was charged in full in the second quarter.*
2. *Without one-off costs due to the takeover bid in EIK Real Estate Company, the administrative cost ratio was **4.7%**.*

Rental income increases by 1.3% above the price level.

A significant increase in rentals between years

Income development
6M2023 - 6M2024



PRICE LEVELS

- Rental income increased by 8.24% in the first half of 2024 from the previous year.
- Price levels have increased by 6.96% in the same period.

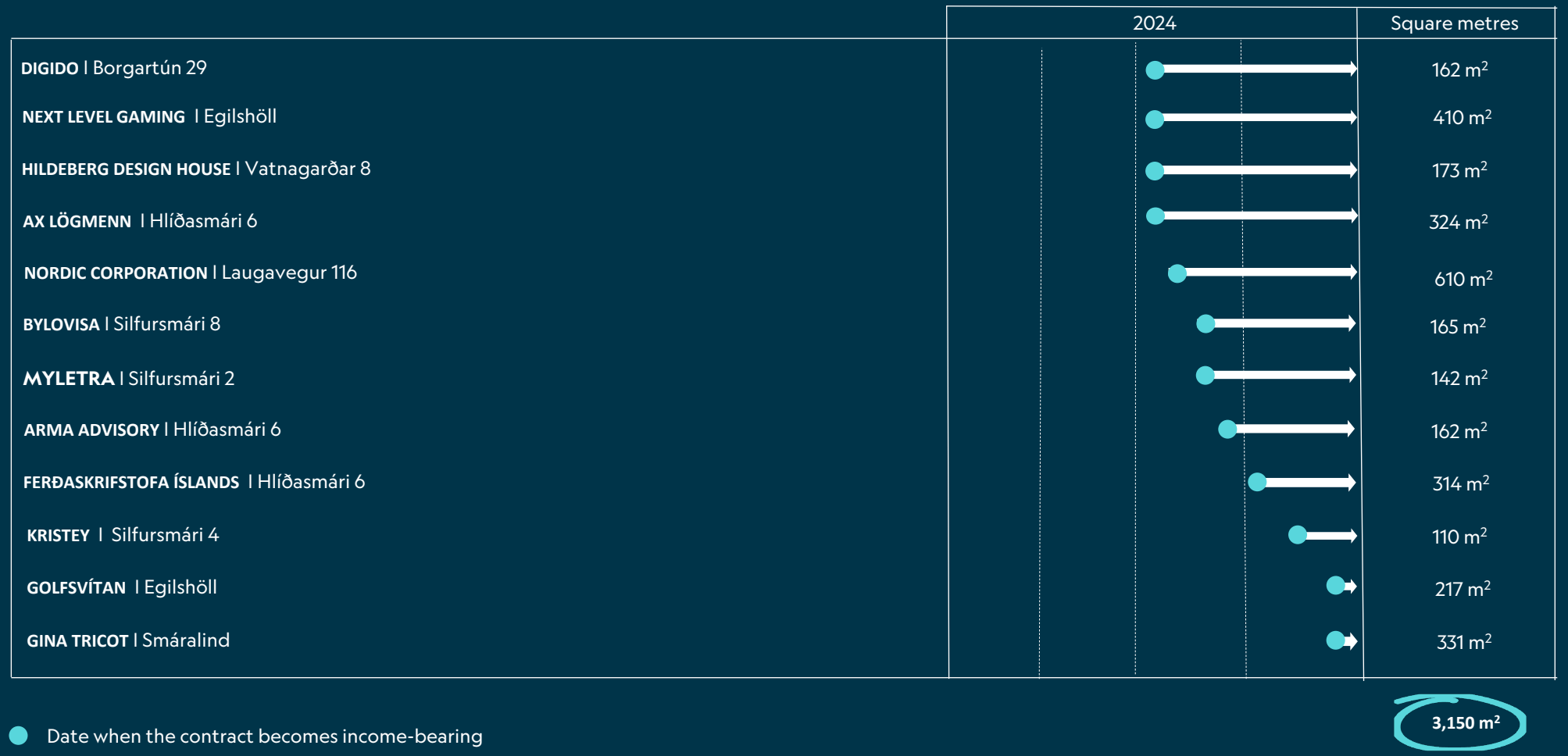
INCREASE BEYOND PRICE LEVELS

- In the second quarter, 31 lease agreements were signed for 17,437 m² which is more than double (8,285 m²) compared to the same period in 2023.
- Agreements for a total of 24,955 m² have been signed in the first six months of the year compared to 16,948 m² in 2023.
- There were many large lease agreements, the most notable of which is Hagkaup in Litlatún (4,580 m²), Akureyri Municipality at Glerárgata (1,950 m²), World Class in Smáralind (2,150 m²) and S4S on Guðríðarstígur (1,077 m²).
- There continues to be very high demand for commercial properties in the company's core areas. The company's goals regarding leasing and rental prices were successfully achieved.

CHANGES IN THE PORTFOLIO

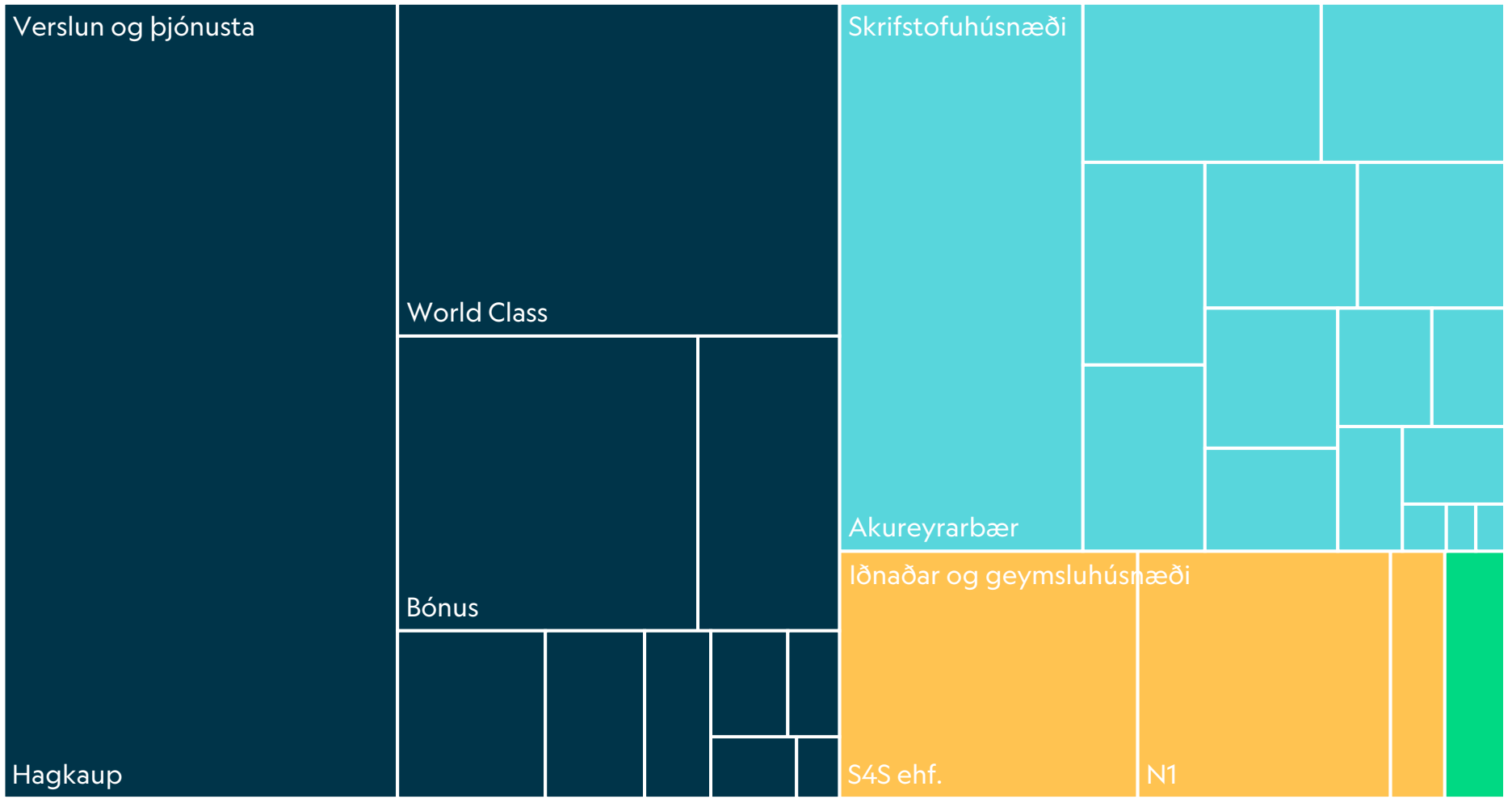
- The utilisation rate of income-bearing properties remains high and is 97%, which is comparable to previous months.
- In June last year, the holding in Suðurlandsbraut 4 was sold, which explains the decrease in income due to changes in the portfolio.
- In the last few months, new commercial spaces have been added in Silfursmári and Sunnusmári in Kópavogur and Sunnuhlíð in Akureyri.

New income – Deliveries in the coming months



Lease agreements in the second quarter

Extensive renewals



31 **Lease agreements**

of which

9 **Renewed agreements**

→ 10,500 m²

and

22 **New agreements**

→ 7,000 m²

Positive valuation change in the first half of the year

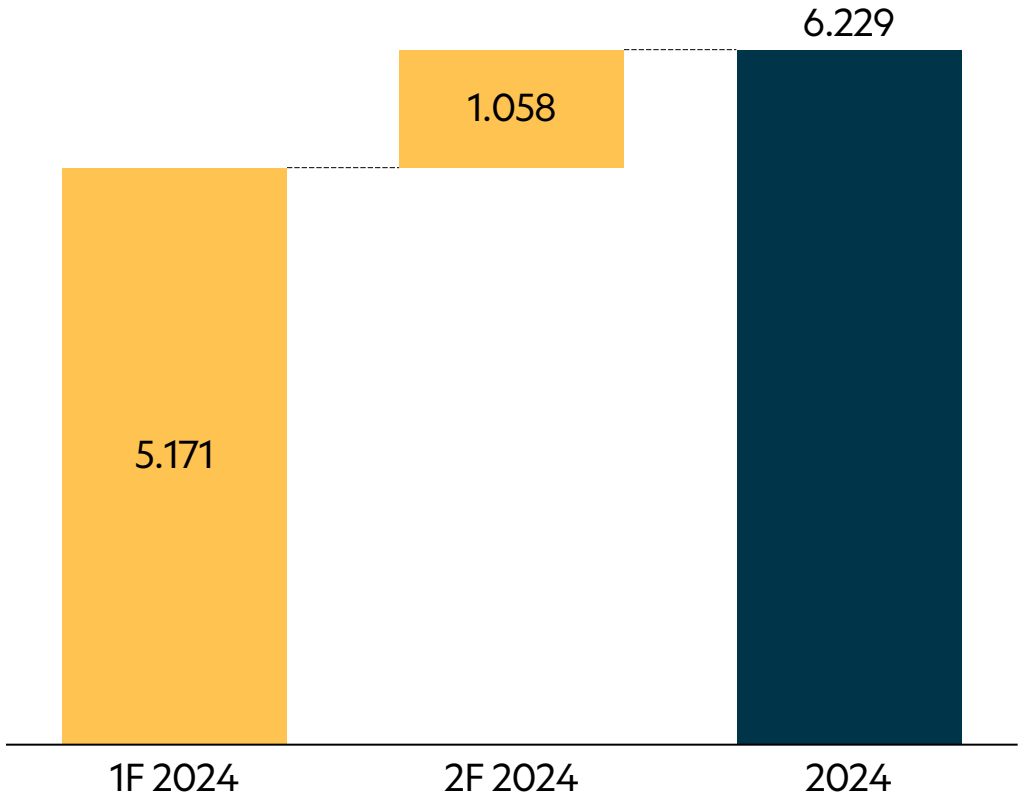
The price level is the main influencing factor of the valuation change

- There was a positive valuation change in the first half of 2024 due to the increase in price levels. On the other hand, the increase in loan interest reduces the valuation change during the year.
- The required rate of return at the end of the second quarter is 6.38% and is unchanged from the beginning of the year.

- The valuation change of investment properties is based on the present value
future cash flow of individual properties for 30 years.
- The rental income of each property along with the costs are estimated and discounted using the required rate of return.
- Cash flow assumptions are re-evaluated within a year if there have been changes in the assumptions of lease agreements or costs.
- Cash flow assumptions are updated, including price trends since the last assessment.
- Other factors that affect the rate of return, such as the risk-free interest rate, also have a direct effect.

Valuation change 2024

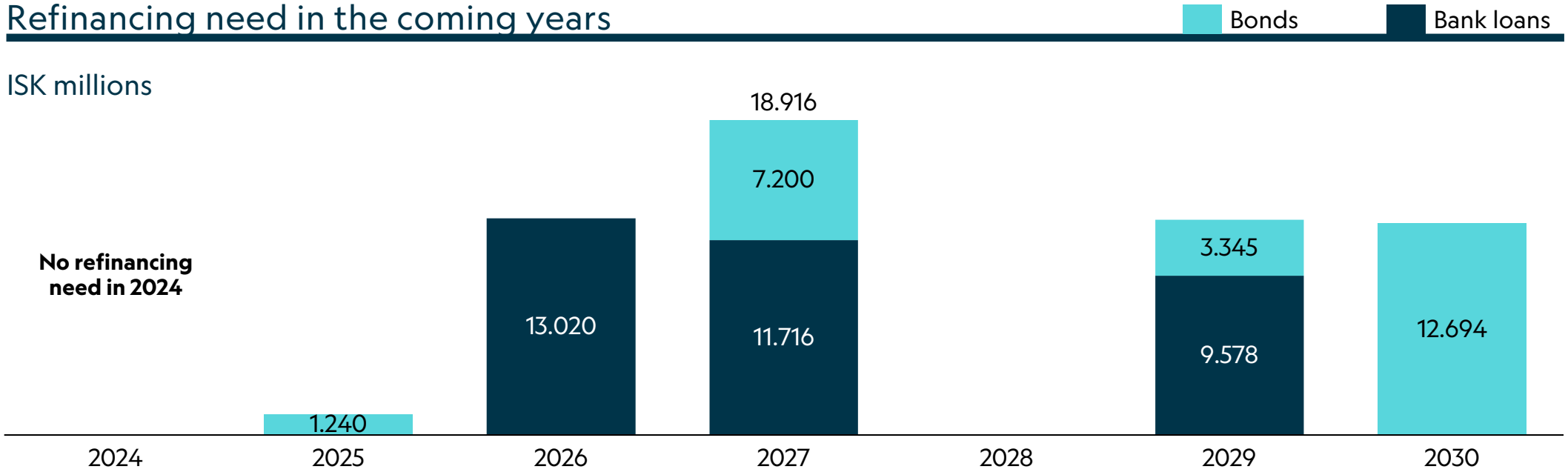
ISK millions



Limited refinancing need in the coming years

Green financing is 40% of total interest-bearing liabilities

Refinancing need in the coming years



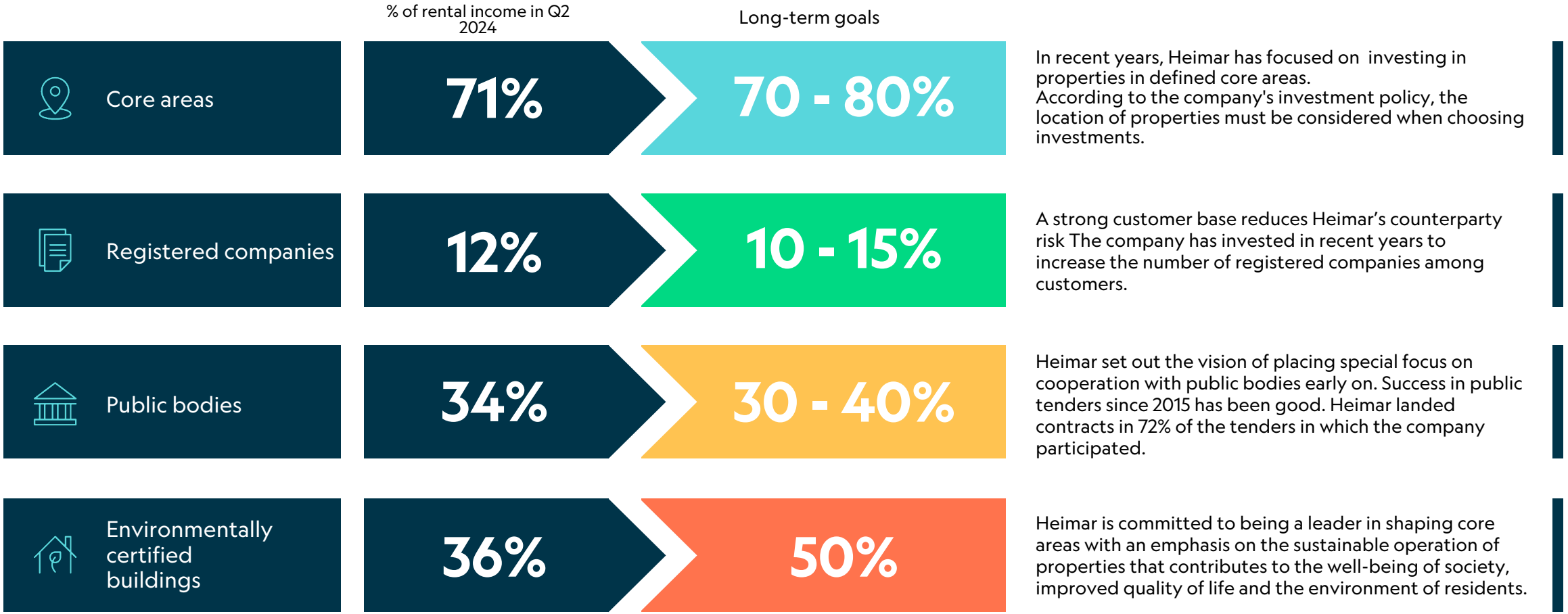
About 29% of interest-bearing loans are **bank loans** and their loan term is 5-7 years.
Refinancing in the years 2026-2027 mainly concerns financing from banks.

The average interest rate on indexed loans was 3.13% at the end of June 2024.

Funding maturities 2031-2050 are not on the histogram

Strategic steps towards long-term goals

Heimar leads the way in shaping core areas

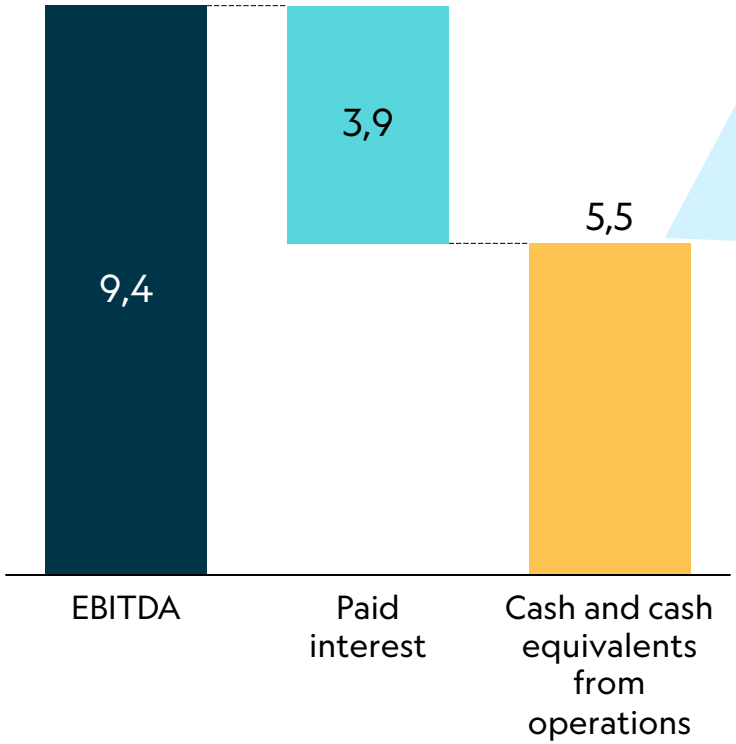


Strong cash flow creates opportunities based on market conditions

Utilisation of cash and cash equivalents takes account of opportunities at any given time

Example: Possible use of cash and cash equivalents from operations

ISK billions



Funds used for:

- Payment of debts and installments
- Investments
- Dividend payments
- Repurchase

Cash and cash equivalents from operations 10.7% of current market value.

Amounts taken from the 2023 Financial Statements

Main components of cash flow

According to Heimar's operating plan, it is expected that EBITDA will be between ISK 9.8-10.0bn 2024

If you look at the company's cash flow, you can see that the factors that affect the company's cash flow are primarily three factors:

- Interest payments
- Installments and loan enforcement payments
- Investments

Other cost items have little effect on cash flow

Sustainability

Heimar’s energy consumption

Energy consumption in the company's portfolio affects Heimar's carbon footprint

Heimar therefore closely monitors the energy consumption of its properties in operation and works on projects to reduce energy consumption, for example by:

1. Environmental certification of properties
2. Energy audits of certified properties, where an analysis of energy consumption and how it can be reduced is made.
3. Renewal of building management systems that control and monitor use.
4. Improvements and maintenance of, for example, older ventilation systems, heating systems and lighting.
5. Recording of all maintenance activities in the portfolio to facilitate an overview of large and small projects.

Measures to reduce energy consumption and the use of cold water have yielded good results

Electricity consumption and the use of hot water form a whole regarding Heimar’s energy consumption[1]

→ Energy consumption in Småralind has **decreased** about 12% per square metre

→ Energy consumption in Egilshöll has **decreased** about 18% per square metre

Water is an important resource[1]

→ The use of water in Småralind has **decreased** about 14% per square metre

→ The use of water in Egilshöll has **decreased** about 20% per square metre

1. Use during the first 6 months of 2024 compared to the same period in 2023

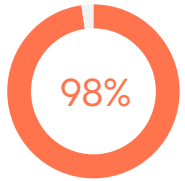
Development of Portfolio

Heimar's core areas

The capital area



95%
Purchased properties
Within core areas



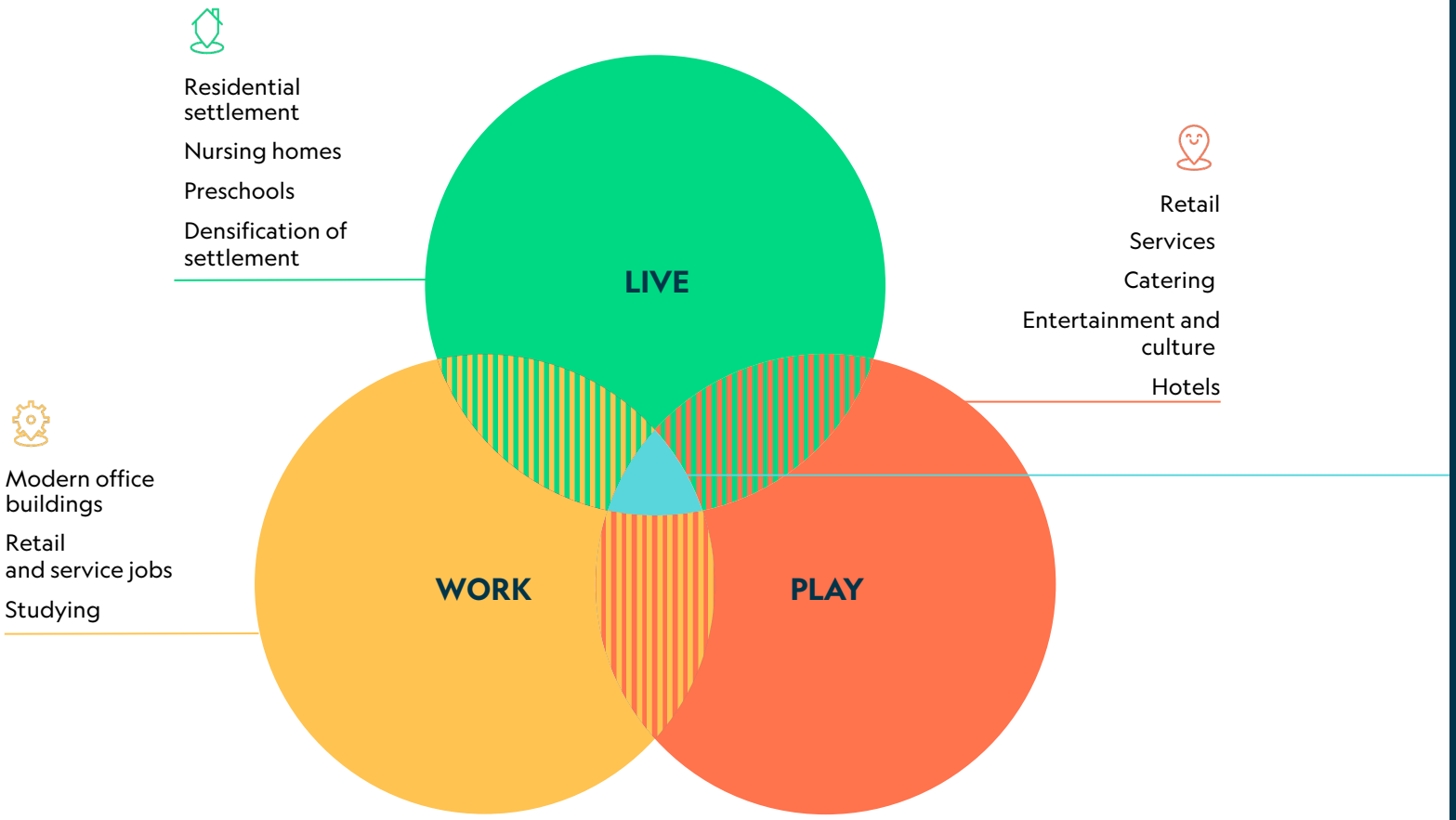
98%
Sold properties
outside core areas

- Purchased properties from 2018
  60,000 m² I 13 properties
- Sold properties from 2018
  32,000 m² I 37 properties
- Properties in core areas
  Purchased/built for 2018



The diversity and density of the portfolio supports the company's strategy

The basis for a strong core area is threefold



Benefit

For residents

A diverse and lively area increases the quality of life

A variety of services within easy reach reduces travel time

Reduces the need for car ownership

For the environment

Less driving

Shared parking and electric charging stations around the clock

Supports public transport

Better utilisation of infrastructure

For Heimar

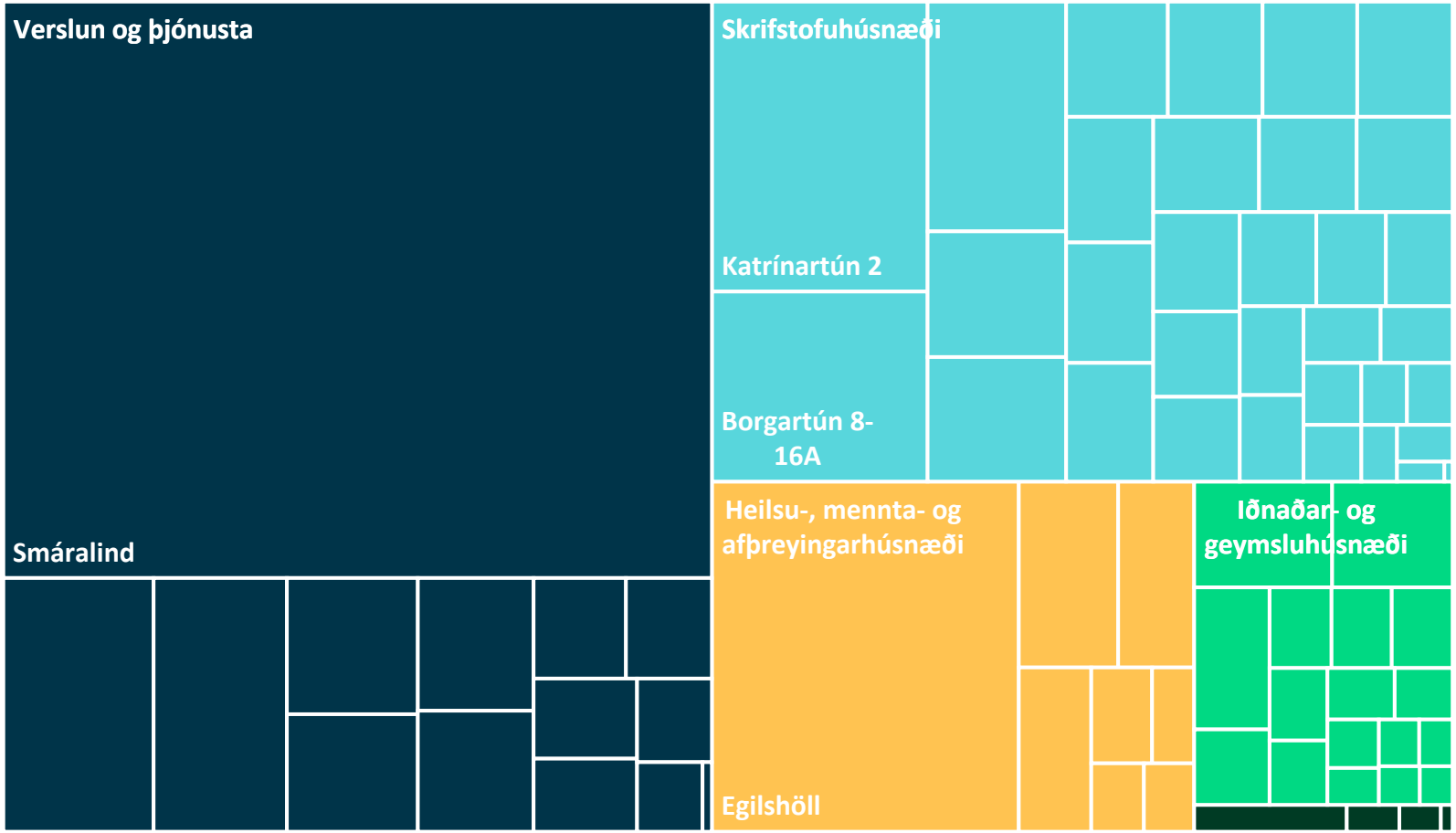
Investment in the core supports other assets in the core area

A better selection of restaurants, for example, supports residents, offices and shops

Recreation, such as gyms, supports e.g. retail, restaurants and offices

Heimar’s parking lots mapped and opportunities to expand services

A resource for the future that Heimar will make full use of



P

At the company's properties, there is a large number of parking spaces owned by Heimar.

Parking is a **hidden property category** of real estate companies that creates opportunities for the future.

Parking fees and **services,** such as charging stations for electric cars can be a source of income for the future.

The parking lots that Heimar has at its disposal:

~7,500

The largest properties of Heimar in the heart of the core areas

Key properties in the capital area



Smáralind
Iceland's largest shopping centre - 62,100 m^2



Höfðatorg
Offices - 37,867 m^2



Egilshöll
Sports and recreation - 33,057 m^2



Hafnartorg
Retail and services - 11,354 m^2

Other important properties

High quality properties in sought after locations



Mjölnisholt 12-14
Hotels and tourism - 6,742 m²



Litlatún 2
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 assets to public bodies

Number of properties in core areas leased and operated to public bodies



Schools

Elementary school:

- Áslandsskóli in Hafnarfjörður

Preschools:

- Tjarnarás Hafnarfjörður
- Hörðuvellir Hafnarfjörður
- Sjáland Garðabær
- Múlaborg Reykjavík



Sports facilities

Egilshöll in Reykjavík:

- Football hall
- Gymnasium
- Universal ball building
- Ice skating rink
- Shooting range
- Athletics

In addition to renting housing, Heimar manages all operations and staffing in Egilshöll.



Offices

A number of organisations rent offices from Heimar for their activities:

- City of Reykjavík
- Akureyri Municipality
- Landsvirkjun
- Vegagerðin
- The District Commissioner of Greater Reykjavík
- Tryggingastofnun
- RARIK



Other

- The National Museum - Conservation and Research Center Tjarnarvellir 11
- Hostel for refugees and asylum seekers.
- Iceland Design Museum, Garðabær
- Sóltún nursing home

Construction costs of Heimar's properties - the important context of things

Efla engineering firm estimates construction costs up to twice the book value

The portfolio as a whole

Book value
188 (ISK bn)

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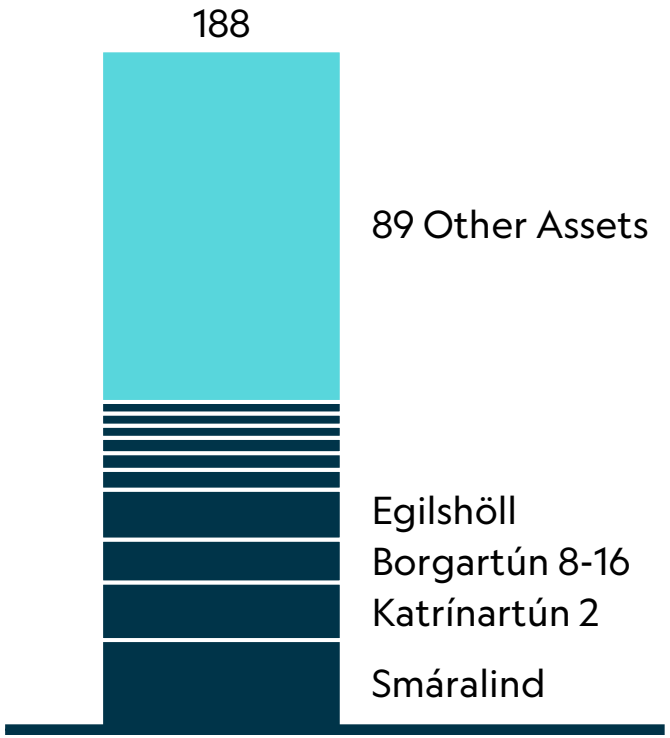
Total number of square meters
374,000

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Book value per square metre
ISK 501,000

Division of book value

ISK billions



10 of the company's largest properties:

m² **174,497 m²** — 47% Percentage of the portfolio

Book value **ISK 90 bn** — 48% Percentage of the portfolio

ISK 518,000 m² — ↑3% Higher than average

Estimated initial cost **ISK 152 bn** — 81% Percentage of total value

ISK 872,000 m² — ↑74% Higher than average value

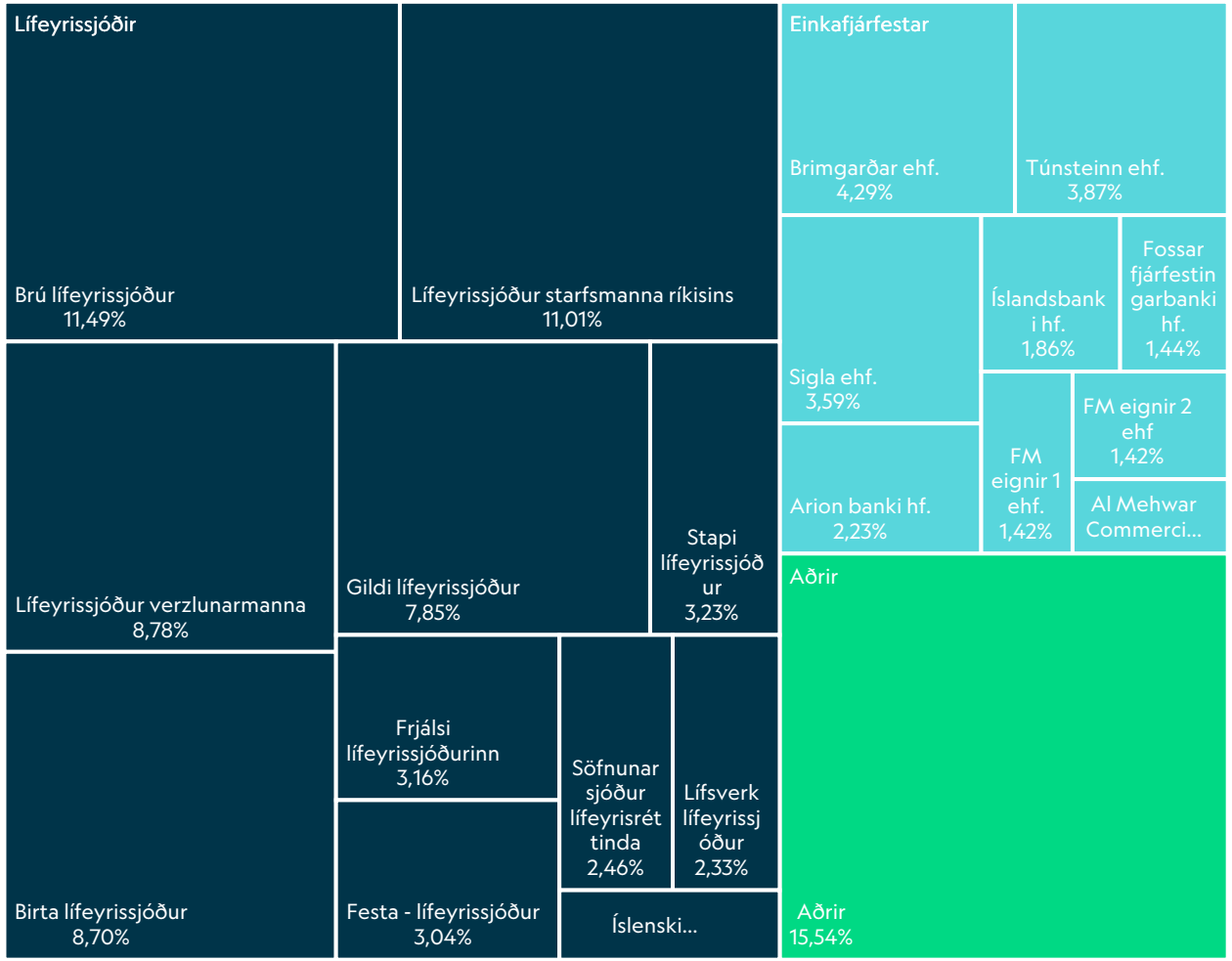
Estimated initial cost of half of Heimar's portfolio ↑ **ISK 62 bn** higher than book value

Memorandum from Efla Engineering Agency: Cost assessment of Heimar assets 26.8.2024 → ***Here***

Shareholders

20 largest shareholders

Proportional division



No.	Title	Shares	%
1	Brú lífeyrissjóður	207,959,192	11.49%
2	Lífeyrissjóður starfsmanna ríkisins	199,145,717	11.01%
3	Lífeyrissjóður verzlunarmanna	158,853,934	8.78%
4	Birta lífeyrissjóður	157,488,314	8.70%
5	Gildi - lífeyrissjóður	141,995,988	7.85%
6	Brimgarðar ehf.	77,669,349	4.29%
7	Túnsteinn ehf.	70,000,000	3.87%
8	Sigla ehf.	65,000,000	3.59%
9	Stapi lífeyrissjóður	58,473,701	3.23%
10	Frjálsi lífeyrissjóðurinn	57,176,684	3.16%
11	Festa - lífeyrissjóður	55,094,234	3.04%
12	Söfnunarsjóður lífeyrisréttinda	44,441,779	2.46%
13	Lífsverk lífeyrissjóður	42,119,531	2.33%
14	Arion banki hf.	40,423,784	2.23%
15	Íslandsbanki hf.	33,687,271	1.86%
16	Fossar fjárfestingarbanki hf.	26,000,000	1.44%
17	FM eignir 1 ehf.	25,771,241	1.42%
18	FM eignir 2 ehf	25,771,240	1.42%
19	Íslenski lífeyrissjóðurinn	23,553,957	1.30%
20	Al Mehwar Commercial Investments LLC	17,673,154	0.98%
	Total	**1,528,299,070**	**84.46%**

Shareholders, on 22.8.2024

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