

Interim Financial Statement of Heimar hf.

Heimar reports a profit of ISK 5.6 billion in the first nine months of the year - EBITDA rises by 7.5%

Key Highlights of the Nine-Month Results

- Operating revenue was ISK 10.9 billion in the first nine months, with rental income increasing by 7.8% year-over-year, slightly exceeding inflation by approximately 1.1%.
- EBITDA reached ISK 7.4 billion, marking a 7.5% increase compared to the same period in 2023.
- Profit totaled ISK 5.6 billion, up from ISK 5.1 billion in the previous year.
- Investment properties were valued at ISK 192.9 billion.
- Changes in investment property valuations amounted to ISK 7.6 billion for the first nine months.
- Cash from operations was ISK 4.4 billion, with cash on hand at ISK 4.1 billion at the period's end.
- Interest-bearing debt stood at ISK 120.4 billion at the end of the period.
- The debt ratio was 63.5%, and the equity ratio was 31% at the period's end.
- Earnings per share for the period were ISK 3.07, up from ISK 2.81 in the previous year.

Halldór Benjamín Þorbergsson, CEO of Heimar

“Our operations are performing well and in line with plans. We are experiencing strong demand for commercial real estate, especially in Heimar's core areas. Rental revenue growth is at 7.8% for the first nine months of the year, equating to approximately 1.1% real revenue growth.

Heimar has made substantial investments in updating its property portfolio alongside acquiring new assets over recent years, and this is now reflected in the company's results. These investments have laid the foundation for the 7.8% rental income growth in the first nine months of the year.

The company has also explored opportunities to divest certain assets, with its total property square footage reduced by nearly 2% since the end of 2022 through strategic sales. So far this year, the company has sold properties for ISK 3.3 billion at an average price 10% above book

value. Additionally, the company's share buyback program has been activated to return the real value of these assets directly to shareholders.

Management will continue to explore divestment opportunities that align with shareholder interests. Heimar's share value remains below its book equity, and management is working actively to enhance the company's profitability. Improved profitability underpins investment decisions, and the focus on strengthening competitiveness through development in core areas and new revenue streams is expected to positively influence the company's market valuation.

Heimar has considered purchasing tens of thousands of square meters in recent months, but due to market conditions, the emphasis has been on operational discipline and purchasing only properties that align with the company's clear investment strategy."

Operations and Performance

Operating revenue reached ISK 10.922 billion in the first nine months of the year, of which rental revenue amounted to ISK 10.335 billion. Rental revenue increased by 7.8% compared to the same period in 2023, equating to approximately 1.1% real growth. Several changes to the property portfolio affected rental revenue year-over-year. Operating profit before sales, valuation adjustments, and depreciation (EBITDA) was ISK 7.439 billion, a 7.5% increase compared to the same period in 2023. Costs of ISK 100 million associated with a voluntary takeover offer for Eik fasteignafélag hf. were fully expensed in the second quarter.

Portfolio and Financial Position

The estimated value of the company's investment properties, excluding leased properties, was ISK 189.674 billion. The portfolio consisted of 99 properties totaling approximately 374 thousand square meters at the end of September. The occupancy rate is approximately 97%, based on full occupancy potential. Total valuation changes for the first nine months amounted to ISK 7.630 billion.

At the end of October, the company announced the completion of the sale of five properties following an accepted purchase offer from Módelhús ehf. earlier in the month. The properties include Eyrartröð 2a, Norðurhella 10, Reykjavíkurvegur 74, and Vatnagarðar 6 and 8, totaling 8,962 square meters. The sale price of these properties is ISK 3.275 billion, with an estimated profit margin exceeding 10%. Current annual rental income from these properties amounts to approximately ISK 250 million. The sales proceeds will be reinvested in line with the company's investment strategy. Property handover is scheduled for November.

Activity and Outlook

In the first nine months, leases for over 29,000 square meters were signed, representing an increase of about 10,000 square meters compared to the same period last year.

- Management notes strong demand for commercial space within the company's core areas, meeting targets for occupancy and rental rates.
- Following the signing of a lease agreement for a new health clinic in Akureyri with the North Iceland Health Institution in the summer of 2022, renovation and expansion work

began on Sunnuhlíð 12 in Akureyri, with around 4,070 square meters of new and refurbished rental space. About two-thirds of these spaces are already leased. The new health clinic was handed over to the tenant in February 2024, and work on the second phase at Sunnuhlíð 12 continued, with new spaces being prepared for staged delivery. Akureyri Physical Therapy started operations in Sunnuhlíð in June 2024.

- Progress continues on the third-floor refurbishment of Smáralind. Heimar has relocated its offices to part of the space. An additional 2,000 square meters will be added to the existing 1,000 square meters, creating modern, high-quality office space.

Management is seeing significant interest in the new dining and entertainment area at Smáralind, set to open in fall 2025. Negotiations are ongoing with various restaurateurs.

Sustainability

Recently, Áslandsskóli in Hafnarfjörður received BREEAM In-Use certification with a rating of "Very Good," joining other properties like Smáralind and Egilshöll with the same certification. Additionally, Borgartún 8-16 received a recertification with the rating "Very Good."

Financing

The company's financial position is strong, with financial conditions within loan covenants. The equity ratio stands at 31% (requirement of 25%). At the end of the period, cash was ISK 4.144 billion, with an additional ISK 4.7 billion in available credit lines.

The company's refinancing needs are limited in the coming years, with no loans or bonds maturing in 2024. The total refinancing requirement for 2025 is around ISK 1.2 billion.

Presentation of the Interim Report

In conjunction with the results release, Heimar invites stakeholders to an open presentation at 4:15 pm on the same day. The event will be held at the company's new headquarters in Smáralind, Hagasmári 1, 201 Kópavogur. Light refreshments will be served, and attendees can experience Smáralind's new virtual reality leisure area. Halldór Benjamín Þorbergsson, CEO of Heimar, will present the results and answer questions after the presentation.

Registration for the presentation can be made via email at fjarfestatengsl@heimar.is. The presentation will also be streamed online at the following link:

<https://www.heimar.is/kynningarfundir/uppgjor-9m-2024/>

The interim report for the first nine months and presentation materials are available at:

<https://www.heimar.is/fjarfestar/fjarhagsupplysingar/>

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