

Annual Financial Report of Heimar hf.

Heimar Profits 8.2 billion in 2024

- Continued Real Revenue Growth and Strong Cost Control

Key Highlights of the Annual Financial Report

- Operating revenue amounted to ISK 14.8 billion in 2024, with rental income increasing by 7.9% from the previous year, representing an increase of nearly 1.5% beyond inflation.
- EBITDA totaled ISK 10.1 billion and increases by 6.9% from previous year.
- Net profit was ISK 8.2 billion compared to ISK 3.8 billion in 2023.
- Investment properties were recorded at ISK 191.4 billion.
- The fair value adjustment of investment properties amounted to ISK 8.2 billion in 2024.
- Cash flow from operations totaled ISK 5.9 billion, while cash and cash equivalents stood at ISK 3.8 billion at the end of the period.
- Interest-bearing debt amounted to ISK 117.7 billion at the end of the period.
- The leverage ratio decreased and was 62.5% at the end of 2024.
- The equity ratio increased and was 31.8% at the end of the period.
- Earnings per share for the year amounted to ISK 4.57, compared to ISK 2.11 in 2023.

Halldór Benjamín Þorbergsson, CEO of Heimar

“The business is performing well and in line with our ambitious plans. We are experiencing strong demand for commercial properties, particularly in Heimar’s core areas. Rental income grew by 7.9% during the year, translating to a real revenue growth of approximately 1.5%. This revenue increase is reflected in EBITDA growth, which rose by 6.9% year-over-year.

Over the past few years, Heimar has made significant investments in upgrading its property portfolio alongside acquiring new assets, and these investments are now becoming evident in the company’s financial results. These investments underpin the 7.9% rental income growth recorded this year.

The company has also explored opportunities to divest certain assets, leading to a nearly 2% reduction in total square meters of its portfolio since the end of 2022 through strategic asset sales. In 2024, Heimar sold properties worth ISK 3.3 billion, with the sale price averaging more than 10%

above book value. Additionally, a share buyback program was implemented to return the real value of these assets directly to shareholders.

Management will continue to capitalize on asset sale opportunities when they align with shareholder interests. The market value of Heimar's equity remains below the company's book equity plus deferred tax liabilities, and management is actively working to enhance the company's profitability. Heimar is a shareholder-friendly company. The board proposes a dividend payment of ISK 750 million for 2025 and requested continued authorization for share buybacks.

Increased profitability remains a fundamental priority in investment decisions. We believe that enhanced competitiveness through development in core areas, as well as the emergence of new revenue streams and stronger group of shareholders, will positively impact the company's market valuation.

Heimar presents an attractive investment opportunity for those looking to align with the Icelandic economy and invest in a company with a mix of inflation-linked and turnover-based cash flows from a diverse tenant base. Nearly half of our rental income comes from public entities and listed companies. We look forward to the coming months, where we see numerous opportunities for increased value creation for our stakeholders.”

Operations and Performance

Operating revenues amounted to ISK 14,837 million for the year, of which rental income amounted to ISK 14,051 million. Rental income has increased by 7.9% compared to the same period in 2023, which corresponds to a real increase of almost 1.5%. Several changes have been made to the property portfolio over the year, affecting rental income. Operating profit before sales profit, valuation changes, and depreciation (EBITDA) was ISK 10,054 million, which corresponds to a 6.9% increase compared to 2023. Costs amounting to ISK 100 million due to the voluntary takeover bid for Eik fasteignafélag hf. were fully expensed in the second quarter of 2024.

Heimar's dividend policy involves paying shareholders an amount equivalent to about one-third of the profit from the previous financial year, either in the form of dividends or by purchasing own shares and reducing the share capital. The company's dividend policy specifies that consideration should be given to external environmental risks, growth prospects, and maintaining a strong equity and liquidity position in the future. The board's proposal is to pay a dividend of ISK 750 million in 2025 and seek authorization to repurchase own shares, up to 10% of the share capital, to implement the dividend policy.

Alongside the financial report, the company presents an operating forecast for 2025, based on a 3.5% increase in price levels year-on-year. It is estimated that the company's rental income in 2025 will be around ISK 14,400 - 14,600 million. It is also expected that operating profit before valuation changes and depreciation will be ISK 10,300 – 10,500 million. The operating plan covers the current property portfolio and will be re-evaluated alongside its expansion.

Unique Assets and Strong Financial Position

The value of the company's investment properties, excluding leased properties, is estimated at ISK 188,180 million. At the end of the year, the portfolio consisted of 94 properties totaling approximately 365 thousand square meters. The occupancy rate is about 97% based on the income that 100% occupancy would generate. The total valuation change for the year amounted to ISK 8,152 million.

In early February, an agreement was announced on the main terms for the company's acquisition of all shares in Gróska ehf. and Gróðurhúsið ehf. Gróska ehf. owns the property Gróska at Bjargargata 1, 102 Reykjavík, which is about 18,573 square meters in size, along with a 6,252 square meter parking basement with 205 spaces, totaling 24,825 square meters. The goal of Gróska is to create a community and foundation for innovation and education in Iceland. Heimar sees tremendous opportunities in Gróska.

If the transaction goes through, the purchase price is expected to be paid entirely by issuing and delivering 258 million new shares in Heimar, which corresponds to 12.76% of the outstanding shares after the capital increase. The transaction will involve the takeover of the bond series GROSKA 29 GB. The series is indexed and carries an interest rate of 1.20%. The fair value of the bond series at Heimar's interest rates is ISK 4 billion.

The transaction is subject to various conditions and reservations, such as the signing of a final purchase agreement, the outcome of due diligence, the approval of Heimar's shareholders' meeting for the capital increase, and the approval of the Competition Authority.

At the end of October, the company announced the sale of five of its properties at Eyrartröð 2a, Norðurhella 10, Reykjavíkurvegur 74, as well as Vatnagarðar 6 and 8. The total area of the properties is 8,962 square meters. The sale price of the properties was ISK 3,275 million in total, and the sales profit amounted to just over 10%.

Activity and Outlook

During the year, over 93 lease agreements were made for nearly 34,000 square meters, which is about a 25% increase from the previous year. The real revenue growth was 1.5%.

Managers have noticed a high demand for commercial properties within the company's core areas. New customers have moved into all of Heimar's core areas during the year, and in many cases, these were new rental spaces.

The company's goals regarding leasing and rental prices were achieved. The company's occupancy rate was 97% at the end of the year.

About 2/3 of the year's lease agreements were new contracts, which supports the high demand, appearance, and interest in the company.

The upgrade of the third floor of Smáralind into modern office space is progressing well. Heimar has moved its offices into part of the space. Over 2,000 square meters will be added to the existing

1,000 square meters of modern high-quality office space. There is good demand for the spaces, and leasing is going well.

The construction of a new office building at Silfursmári 12 is progressing well, and the first tenants are expected to move in by spring. There is strong demand for rental spaces in the building.

Managers are noticing great interest in the upcoming new and upgraded dining and entertainment area in Smáralind, which will open in the fall of 2025. Agreements have been made with several operators who will significantly increase the variety and quality of dining options in Smáralind

Sustainability

A total of 38% of Heimar's asset portfolio is environmentally certified. Heimar's environmental report now captures a larger portion of the carbon footprint of the value chain than before. Electricity and hot water from leased properties are specified for the first time, and the report therefore covers all energy in the company's properties. The waste sorting rate has increased and is about 80% from own operations and investments. Work on BREEAM In-Use certifications continued, and Áslandsskóli was added to the group of certified properties during the year. Preparation for the implementation of the sustainability framework continues.

Financing

The company's financial position is strong, and the financial conditions are well within the loan covenants. The equity ratio is 31.8% (requirement 25%) and has strengthened from 30.0% a year ago. At the end of the year, cash and cash equivalents amounted to ISK 3,780 million, and in addition, the company had access to unused credit lines amounting to ISK 4,700 million at the end of the year.

The company's refinancing needs are limited in the coming years, with the total refinancing requirement for 2025 being just over ISK 1.2 billion.

Presentation of the Annual Financial Report

Alongside the publication of the financial report, Heimar invites you to an open presentation meeting on the same day at 16:15. The meeting will be held at the company's headquarters in Smáralind, Hagasmára 1, 201 Kópavogi. Light refreshments will be served.

Halldór Benjamín Þorbergsson, CEO of Heimar, will present the financial report and answer questions after the presentation. Registration for the presentation meeting can be done via the email address fjarfestatengsl@heimar.is. The meeting will also be broadcast online at the following link:

<https://www.heimar.is/kynningarfundur/arsuppgjor-2024/>



The annual report and presentation materials can be accessed at <https://www.heimar.is/fjarfestar/fjarhagsupplýsingar/>

Please note that in case of discrepancy in the English and the Icelandic versions, the Icelandic version shall prevail .

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