

# KALDALÓN

## Financial Statement

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Presentation for stakeholders

**7 March 2024**





# Agenda

2023 FINANCIAL STATEMENT - PRESENTATION FOR STAKEHOLDERS

- 1. Principal milestones of the period**
2. Operation over the period and portfolio
3. Financial statements
4. Future Prospects



# Growth and progress on schedule

ON SCHEDULE

- **Company growth** in accordance with management plans
- The Company achieved its targets regarding size of property portfolio in 2H
- Rental income increased by **87%** and investment assets increased by **38%** over the same period
- Despite significant investment in growth, **performance continues favourable**. Net operating income before value adjustments increased by 90% between years. Return on equity was 15.2% over the year, and the NOI ratio was 80.4%.\*
- Substantial part of investment properties returned little or no revenue over the year, as some properties are under construction or entered the portfolio late in the year. Those properties will be largely income-generating from the beginning of this year.
- The Company obtained **access to market financing** during the period. The Company has utilised market financing with four issues since last summer.
- The Company was listed in a **regulated securities market** (Nasdaq Iceland Main Market) in November.

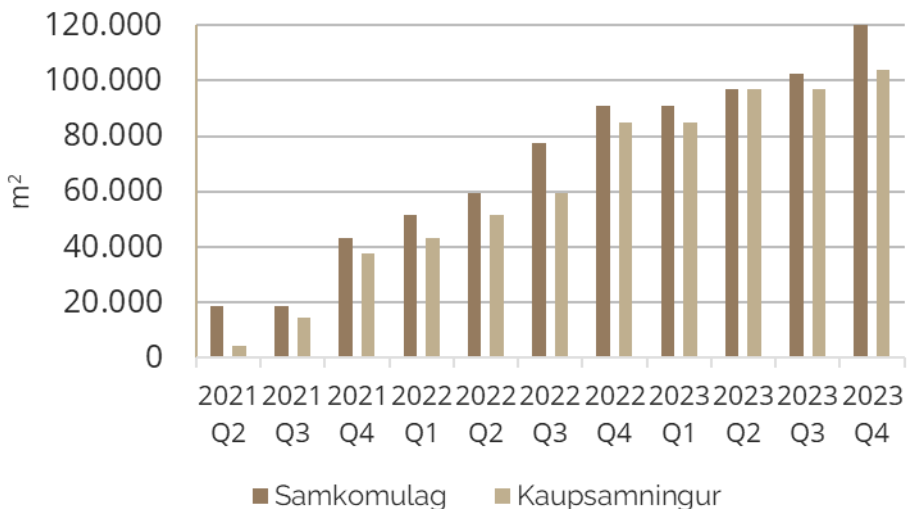
*\*One-off expenditure resulting from market listing and reverse exchange excluded*



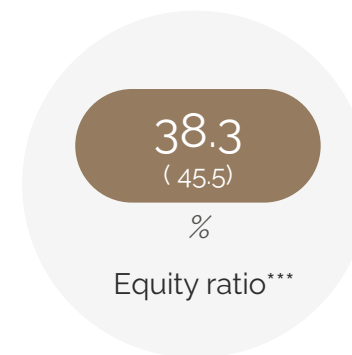
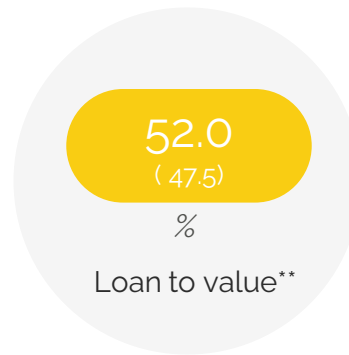
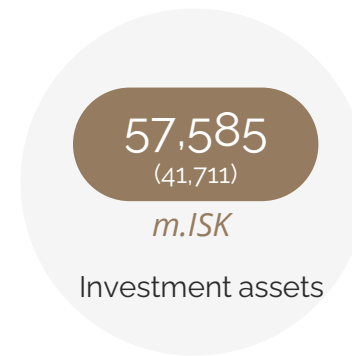
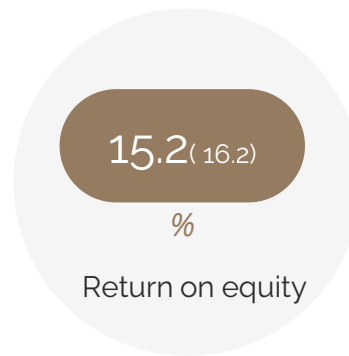
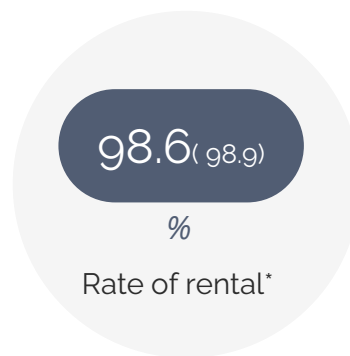
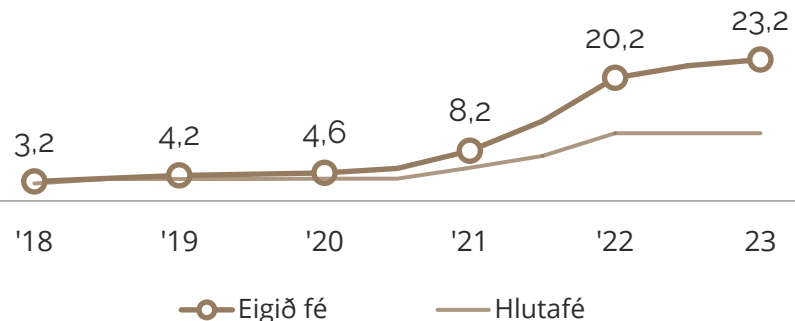
# Principal milestones of the period

KEY INDICATORS 31.12.2023 (31.12.2022)

## Portfolio trend by quarter (m<sup>2</sup>)



## Equity trend in ISK billion



\*Income-weighted proportion of already transferred income-generating properties

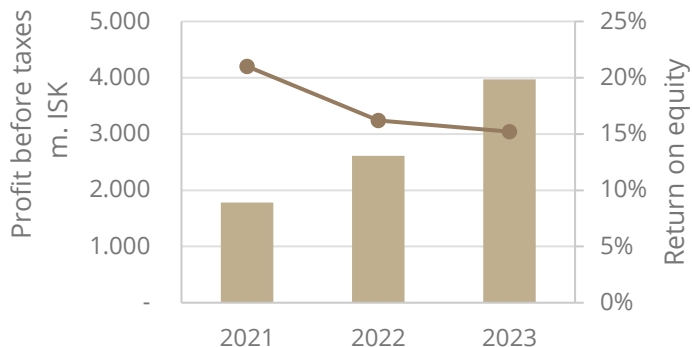
\*\*Interest-bearing debt / Investment assets.

\*\*\*Equity / Total assets.

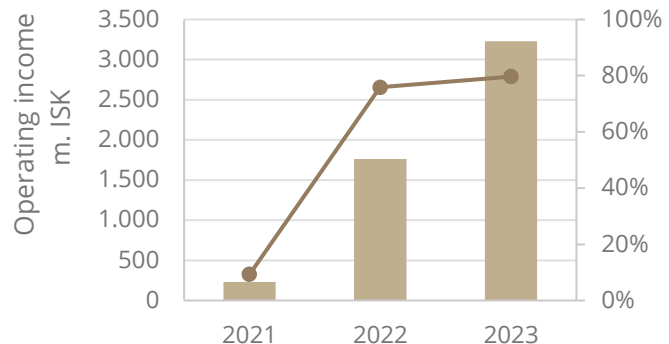
# Key indicators from transformation period

SIGNIFICANT INCREASE IN REVENUE AND GROWING ASSET PORTFOLIO

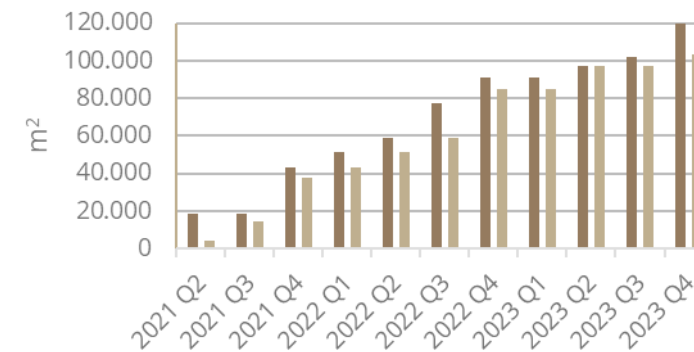
### Return on equity and profit



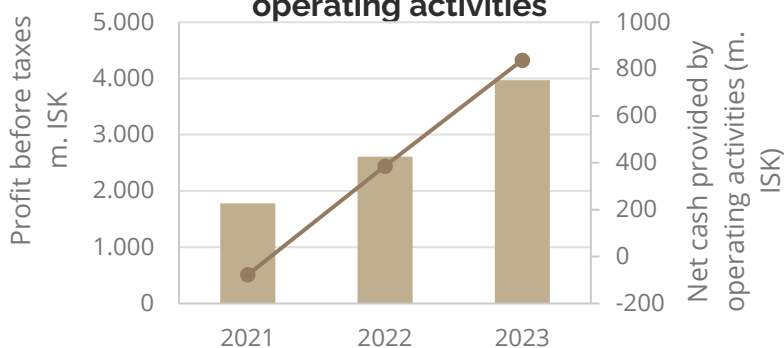
### NOI ratio



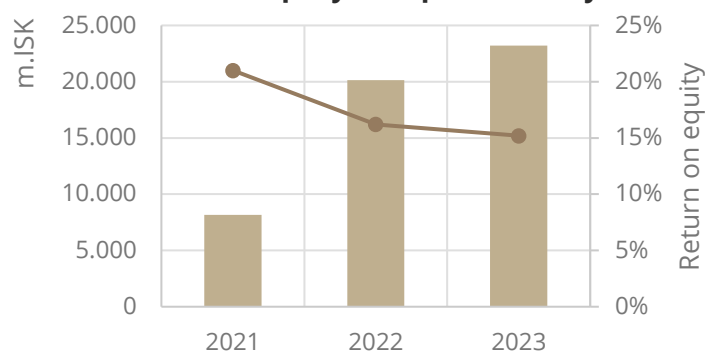
### Investment properties



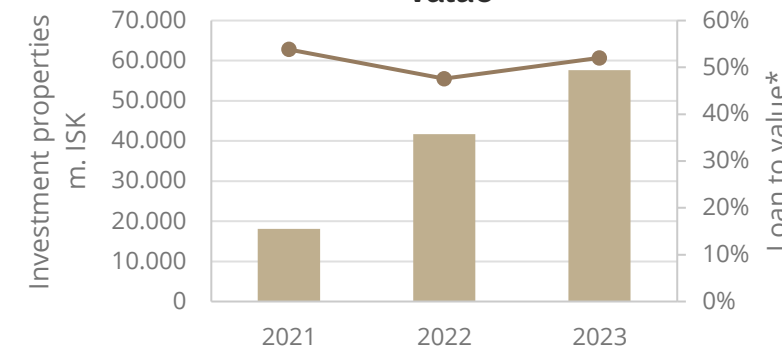
### Net cash provided by operating activities



### Equity and profitability



### Investment assets and loan to value



\*Interest-bearing debt/ Investment assets.



# Kaldalón in a nutshell

REAL ESTATE COMPANY WITH A DIVERSE PORTFOLIO



## Moderate leverage

*The Company aims for a LTV ratio\* of approximately 55% in normal operation. The Company's base prospectus provides for the Company to take advantage of opportunities in the market and increase its leverage ratio temporarily.*



## Focus in property portfolio

*The Company focuses on warehouses & industrial premises, commercial and service premises, and, in addition, the Company has identified opportunities in tourism-related assets. The portfolio consists of whole properties which we believe to be reasonable for long-term operation.*



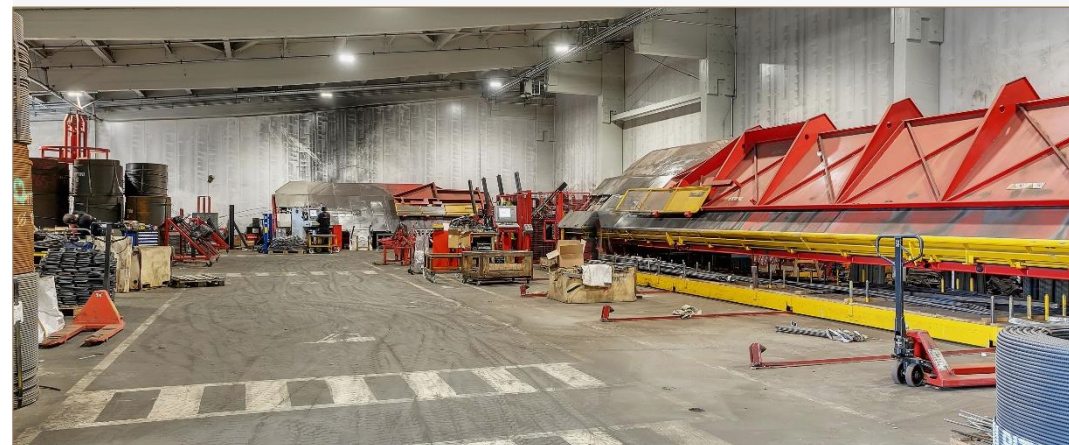
## Uncomplicated company in a growth phase

*The Company has entered into, or obtained acceptance of, purchase offers that will expand its portfolio to 120,000 m<sup>2</sup>. Further growth of the portfolio is in the pipelines. The Company's business model is simple and its overhead is small.*

\* Interest-bearing debt as a ratio of investment assets.

Kaldalón is a **real estate company** with a **diverse portfolio** in the greater Reykjavik area and in the proximity of the country's principal harbours and airports.

Kaldalón engages in a **streamlined operation** with emphasis on a **light overhead** for the future.



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# Asset portfolio 2023

INVESTMENT OVER THE YEAR AMOUNTED TO APPROXIMATELY 14 BILLION ISK

**25,000** m<sup>2</sup>

**Square metres of commercial premises acquired in 2023**

*-Focus on warehouses, hotels, retail and services*

**14 billion**  
ISK

**Total investment in properties over the year**

*-38% portfolio growth between years*

**20,000** m<sup>2</sup>

**Square metres of signed rental agreements over the year**

*-New properties and renewed rental agreements*

**3**

**Development of three service centres**

*-Increased service offering on sites by arterial roads*

**5%**

**Ratio of development properties to investment properties since 1<sup>st</sup> of January**

*-Köllunarklettsvegur 1 included in the Group's operation*

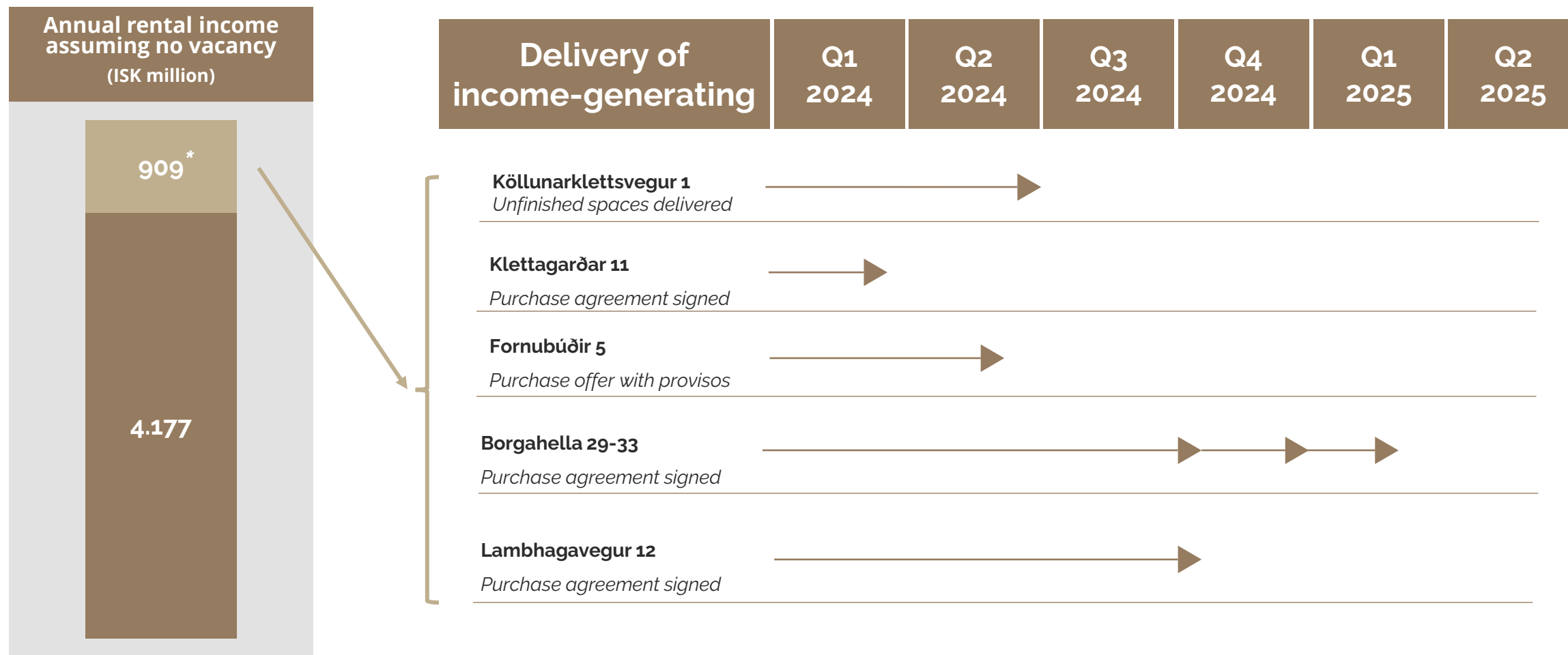
Continuing growth,  
emphasising **industrial**  
**premises** and **retail and**  
**services**





# Investment assets - overview of transfers

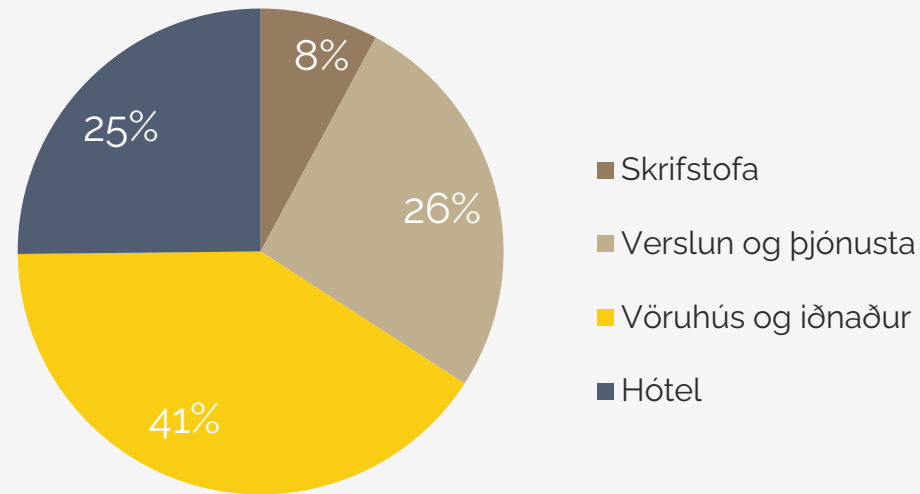
SCENARIO WHEN ASSETS BECOME INCOME-GENERATING



Amounts at fixed price level January 2024; \*Annual income assuming 100% rental of the above properties plus 100% rental of Kaldalón's portfolio 31/12/2023 (value rental 31/12/2023 was 98.6%)

## Kaldalón Asset Classes

- Kaldalón is a company with a **diversified portfolio**.
- In the long term the Company will seek to ensure that no single asset class exceeds 50% of total revenue. It is likely that the **proportion will change regularly in course of the growth stage**.
- Increased investment in warehouses and industry returned increased revenue



5,086 m ISK

Estimated **annual rental income** from properties based on **announced transactions**

Estimated annual rental income based on a full year of operation of all real properties (100%).

# Recent business

CLEAR FOCUS IN ACQUISITIONS OVER THE YEAR

## Klettagarðar 11, Reykjavík

The Company has taken possession of Klettagarðar 11 in Sundahöfn harbour. The property is c. 1,800 m<sup>2</sup>, accompanied by 2,500 m<sup>2</sup> building rights

The property is fully rented out, but work is in progress on further development

Currently it houses a service centre for heavy machinery



## Einhella 1, Hafnarfjörður

Development of two properties at Einhella 1 was recently completed, comprising in total 5,500 m<sup>2</sup> of service and industrial premises

The property is fully rented out and has been delivered to the 5 customers operating in both properties

Kaldalón took over management of the properties as of 1<sup>st</sup> of ec. 2023





# Properties for rent

BORGAHELLA 29 - 33



## Borgahella 29 - 33

*Warehouses under construction*

Kaldalón invested at year-end in three properties under construction at Borgahella

Each property is 1,637 m<sup>2</sup>

Completion is scheduled for next winter

A rental agreement has been signed regarding one property and there is great demand in the area

# Office premises for rent

KÖLLUNARKLETTSVEGUR 1

KALDALÓN



## Köllunarklettsvegur 1

*Offices available for rent*

Kaldalón formally acquired the company holding the property on 1 January 2024; the property is classified as a development property in the 2023 annual financial statement

The property is just over 12,500 m<sup>2</sup> and the largest single property in the Company's portfolio

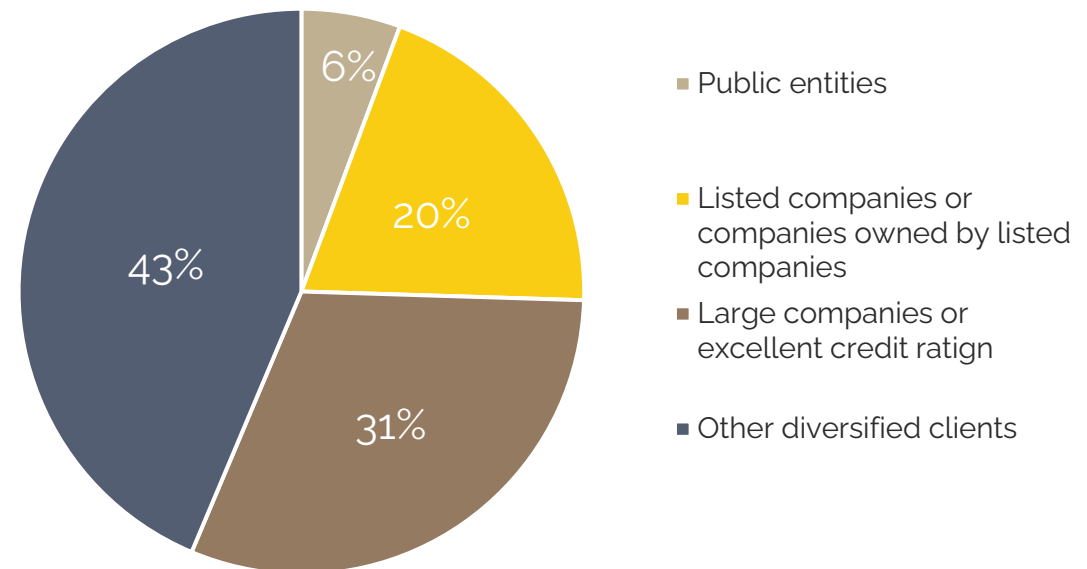
About 85% of the property is rented out, with c. 2,000 m<sup>2</sup> available for rent in the office section of the property

# Classification of rental income by customer

GOOD MIX OF AFFLUENT CUSTOMERS

## Diverse customers in diverse operations

- Rental income from public entities account for 6% of rental income
- Listed companies and companies owned by listed companies account for 20% of rental income
- 31% of rental income derive from customers classified as large companies or companies with an excellent credit rating





# Green Steps

COMPANY'S FIRST CERTIFICATION CONFIRMED



SAND Hotel and related properties of Kaldalón at Laugavegur 32-36 in Reykjavik have been awarded BREEAM In-Use environmental certification.



The hotel is the first BREEAM certified hotel in Iceland.



The Company plans to begin work on a Green Bond Framework in the year.



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# Income Statement

SIGNIFICANT INCREASE IN INCOME BETWEEN YEARS.

<b>3,227m</b> Operating revenue	<p>Operating revenues increased by 83% between years, largely due to assets added over the year. The price level increase was 9% between years.</p> <p>65% of investment assets on the balance sheet as at 31/12 generated income over the entire period.</p>
<b>(740m)</b> Operating expenses	<p>Regular operating expenses increased by 58% between years. Other operating expenses almost entirely due to a one-off expenditure resulting from listing on main market.</p> <p>Operating expenses relating to acquired properties do not reflect the full period. Estimated operating expenses relating to acquired properties reflected over the entire operating year are about 192 m. ISK.</p>
<b>2,487m</b> Net operating income before value adjustments	<p>Net operating income before value adjustments increased by 1,181 m. ISK, approximately 90% between years.</p> <p><b>Operating profit ratio was 80%</b> net of one-off expenditure relating to market listing, otherwise <b>77%</b>.</p>

Income Statement	2023	2022	▲%
Operating income	3,227	1,761	83%
Oper. exp. re. investment assets	(399)	(235)	70%
Administrative cost	(235)	(166)	41%
Other operating expenses	(107)	(54)	96%
	(740)	(455)	63%
<b>Net operating income before value adjustments</b>	<b>2,487</b>	<b>1,306</b>	<b>90%</b>
Value adjustment of investment properties	3,791	2,490	52%
<b>Operating profit</b>	<b>6,278</b>	<b>3,796</b>	<b>65%</b>
Net financial expenses	(2,218)	(1,183)	87%
Impact of subsidiaries	(90)	0	
<b>Pre-tax profit</b>	<b>3,970</b>	<b>2,613</b>	<b>52%</b>

Amounts in ISK million



# Income Statement

PROFITS INCREASED BY 52%

<p><b>3,791m</b> Value adjustment</p>	<p>Most of the upward value adjustment resulted from price level increases, renewals of earlier rental agreements and acquired properties which are assessed at fair value for the first time this year.</p> <p>The increase in market interest contributed considerably to a reduction between years.</p> <p>WACC is now 6.46%, as compared to 6.24% on 31.12.2022, which also lowers valuation.</p>
<p><b>(2,218m)</b> Net financial expenses</p>	<p><b>Net financial expenses increased by 87% and remain lower than operating profit before changes in valuation by 270 m ISK.</b> despite the fact that 76% of the Company's loans carry variable interest, which has had a considerable upward impact on the Company's interest cost.</p> <p>The price level factor within financial expenses amounted to 750 m ISK, as compared to 450 m ISK as at 31/12/2022</p>
<p><b>3,970m</b> Pre-tax profits</p>	<p>EPS increased by 18% to 2,84 .</p> <p><b>Return on equity was 15.2 %</b></p>

Income Statement	2023	2022	▲%
Operating income	3,227	1761	83%
Oper. exp. of investment assets	(399)	(235)	70%
Administrative cost	(235)	(166)	41%
Other operating expenses	(107)	(54)	96%
	(740)	(455)	63%
<b>Operating profit before value adjustments</b>	<b>2487</b>	<b>1306</b>	<b>90%</b>
Value adjustment of investment assets	3791	2490	52%
<b>Operating profit</b>	<b>6278</b>	<b>3796</b>	<b>65%</b>
Net financial expenses	(2,218)	(1,183)	87%
Impact of subsidiaries	(90)	0	
<b>Pre-tax profit</b>	<b>3,970</b>	<b>2613</b>	<b>52%</b>

Amounts in ISK million

# Scenario – Assets in 2023

## ANNUAL STATEMENT ASSUMING FULL OPERATING PERIOD OF ASSETS - SCENARIO

Kaldalón is in a phase of rapid growth. For that reason a proportionally large part of the assets on its balance sheet are income-generating for only a part of the year or non-income-generating. 65% of investment assets on the balance sheet as at 31/12 generated income over the entire period.

The following is a scenario of what the key indicators of the financial statement would have looked like with acquired and income-bearing investment assets in full operation throughout 2023. The principal assumptions are the following;

- Only agreed rental agreements at year-end are included. I.e. free premises at year-end are not income-bearing, nor are sold assets.
- Rental income is stated at the price level of each month of 2023, i.e. the average price level of 2023.
- Undelivered properties: no rental income or expense is calculated in respect of properties still under construction or in the process of transfer to Kaldalón.

Development properties are not part of the scenario, as they will generate income later. Köllunarklettsvegur 1 is included as it has been generating income since the turn of the year. Work is in progress on the final touches on the last spaces of the construction and full rental. This has a negative impact of c. 150 m. ISK in the scenario.

Additional income from properties under construction and rented out is shown in Slide 10.

Income Statement	2023	Full operating period of assets on balance sheet	Scenario 2023
Operating income	3,227	810	4,037
Operating expenses	(740)	(176)	(916)
<b>Net operatin income excl. value adjustments</b>	<b>2,487</b>	651	<b>3,121</b>

At 2023 price levels



# Balance sheet

TOTAL ASSETS 60.7 BILLION, UP BY 15.2 BILLION BETWEEN YEARS

	2023	2022	▲
<b>Fixed assets</b>			
Investment properties	57,585	41,711	15,874
Long-term receivables	210	669	(459)
	<b>57,795</b>	<b>42,380</b>	<b>15,414</b>
<b>Current assets</b>			
Receivables	1,041	825	216
Cash and cash equivalents	1830	2277	(446)
	<b>2,871</b>	<b>3,102</b>	<b>(230)</b>
<b>Total assets</b>	<b>60,666</b>	<b>45,482</b>	<b>15,184</b>
<b>Equity</b>	<b>23,207</b>	<b>20,717</b>	<b>2,490</b>
<b>Long-term liabilities</b>			
Deferred income tax liability	4,072	2,567	1,505
Interest-bearing liabilities	22,665	18,772	3,893
Other liabilities	444	429	16
	<b>27,181</b>	<b>21,767</b>	<b>5,414</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	7,295	1064	6232
Other liabilities	2,983	1934	1031
	<b>10,278</b>	<b>2,998</b>	<b>7,280</b>
<b>Total liabilities</b>	<b>37,459</b>	<b>24,765</b>	<b>12,694</b>
<b>Total equity and liabilities</b>	<b>60,666</b>	<b>45,482</b>	<b>15,184</b>

Investment properties up by 15.9 billion ISK between years, or **38%** Investments in properties were c. 13.8 billion ISK over the year; value adjustments were **3.8** billion ISK. Assets were sold for 1.9 billion ISK.

About 65% of investment assets were income-generating over the entire period.

**57.6** billion  
Investment assets

Long-term receivables relate to sales of investment assets. About 480 m. ISK of long-term receivables comprise a VAT reimbursement relating to construction projects.

Receivables from sales of residences account for c. 14% of accounts receivable.

Other receivables are normal commercial receivables.

**1.2** billion  
Receivables

In addition to cash, the Company has access to an undrawn credit line of 1,500 m ISK.

Net cash provided by operating activities was 838 m ISK.

Further shift to price-indexed financing will result in increased cash.

**1.8** billion  
Cash and cash equivalents

Amounts in ISK million



# Balance sheet

EQUITY STANDS AT 23.2 MILLION, UP BY 2.5 BILLION BETWEEN YEARS

	2023	2022	▲
<b>Fixed assets</b>			
Investment assets	57,585	41,711	15,874
Long-term receivables	210	669	(459)
	<b>57,795</b>	<b>42,380</b>	<b>15,414</b>
<b>Current assets</b>			
Receivables	1,041	825	216
Cash and cash equivalents	1,830	2,277	(446)
	<b>2,871</b>	<b>3,102</b>	<b>(230)</b>
<b>Total assets</b>	<b>60,666</b>	<b>45,482</b>	<b>15,184</b>
<b>Equity</b>	<b>23,207</b>	<b>20,717</b>	<b>2,490</b>
<b>Long-term liabilities</b>			
Deferred income tax liability	4,072	2,567	1,505
Interest-bearing liabilities	22,665	18,772	3,893
Lease liability	444	429	16
	<b>27,181</b>	<b>21,767</b>	<b>5,414</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	7,295	1,064	6,232
Other liabilities	2,983	1,934	1,031
	<b>10,278</b>	<b>2,998</b>	<b>7,280</b>
<b>Total liabilities</b>	<b>37,459</b>	<b>24,765</b>	<b>12,694</b>
<b>Total equity and liabilities</b>	<b>60,666</b>	<b>45,482</b>	<b>15,184</b>

Equity increased by 2.5 billion between years. In addition, a minority holding of just short of 600 m. ISK was stricken.

Equity ratio was 38% at the end of the period.

No new shares were issued over the period.

**23.2 billion**  
Equity

**Interest-bearing liabilities increased by 10.1 billion ISK over the period.** Most as a result of acquisitions of investment assets.

**The leverage ratio was 52% at the end of period.**

The plan is to increase the weight of indexed liabilities over the year.

**30 billion**

Interest-bearing liabilities

**Other liabilities increased by 1 billion ISK over the period**

About 77% of other liabilities relate to acquisitions of investment assets. Of these liabilities recent business by the Company in acquiring Borgarhella represents the greatest part. The Company has undertaken to issue new shares in respect of a part of these properties.

**3.0 billion**

Other liabilities

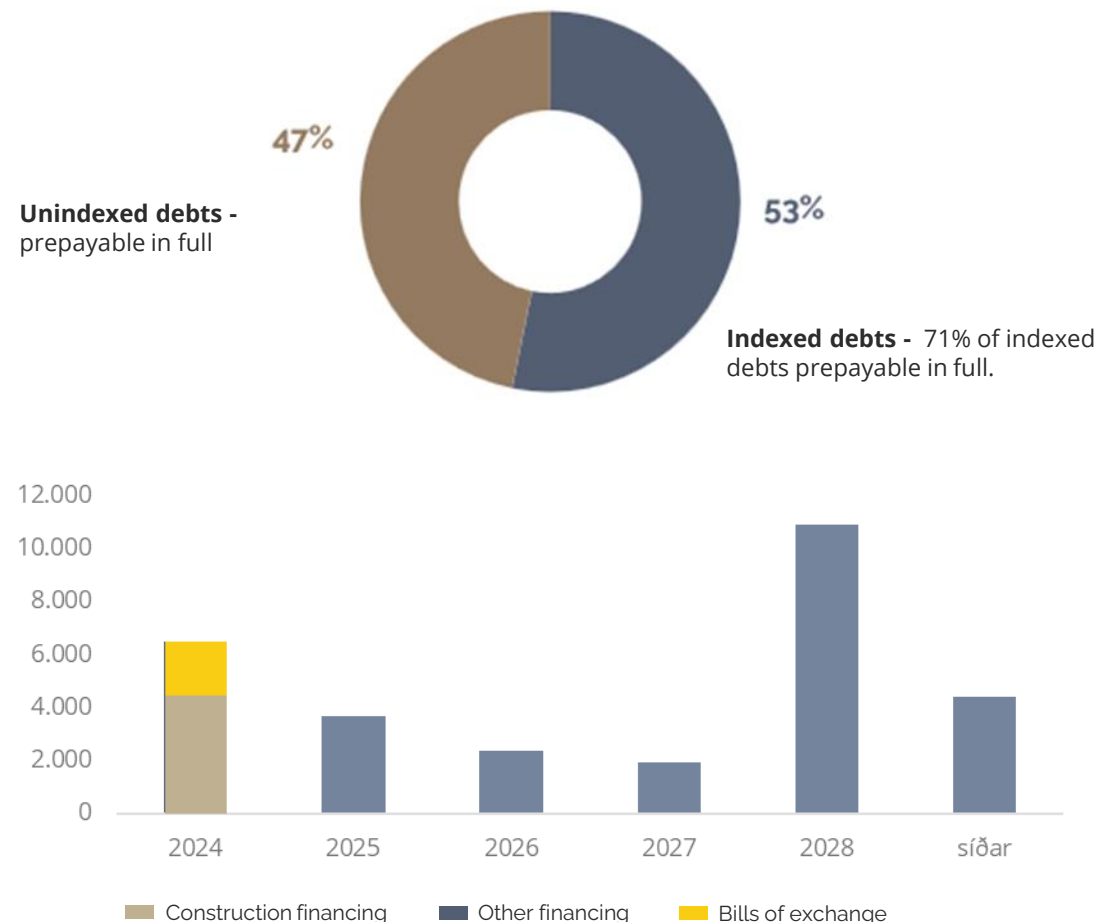
Amounts in ISK million

# Financing

## INCREASING DIVERSITY IN FINANCING THROUGH REGULAR MARKET ISSUES

- The Company plans to be a **regular issuer** of debt instruments, both in the form of bills and bond classes. Continued shift to index-linked financing anticipated in the year.
- Base prospectus for 30 billion ISK. The Company's bond framework was approved in July 2023 and **69% of the Company's total debt** was refinanced under the general security system.
- Total refinancing need next year just short of 6.5 billion ISK
  - Of this figure c. 4.2 billion ISK relate to **development financing** due in the fall of 2024 and bills of exchange in the amount of 2 billion ISK.
- The Company has good access to bank financing
- In February 2024, the Company issued bond KALD 150234 under the framework in the amount of 3,140 m. ISK at 4% fixed, index-linked interest.
- The Company has issued three bills of exchange for six months each at 10.45% unindexed interest.
- The average terms of indexed liabilities was 4.2% on 31/12/2023 and 11.8% for unindexed liabilities.

**Interest-bearing liabilities 29.8 billion ISK**



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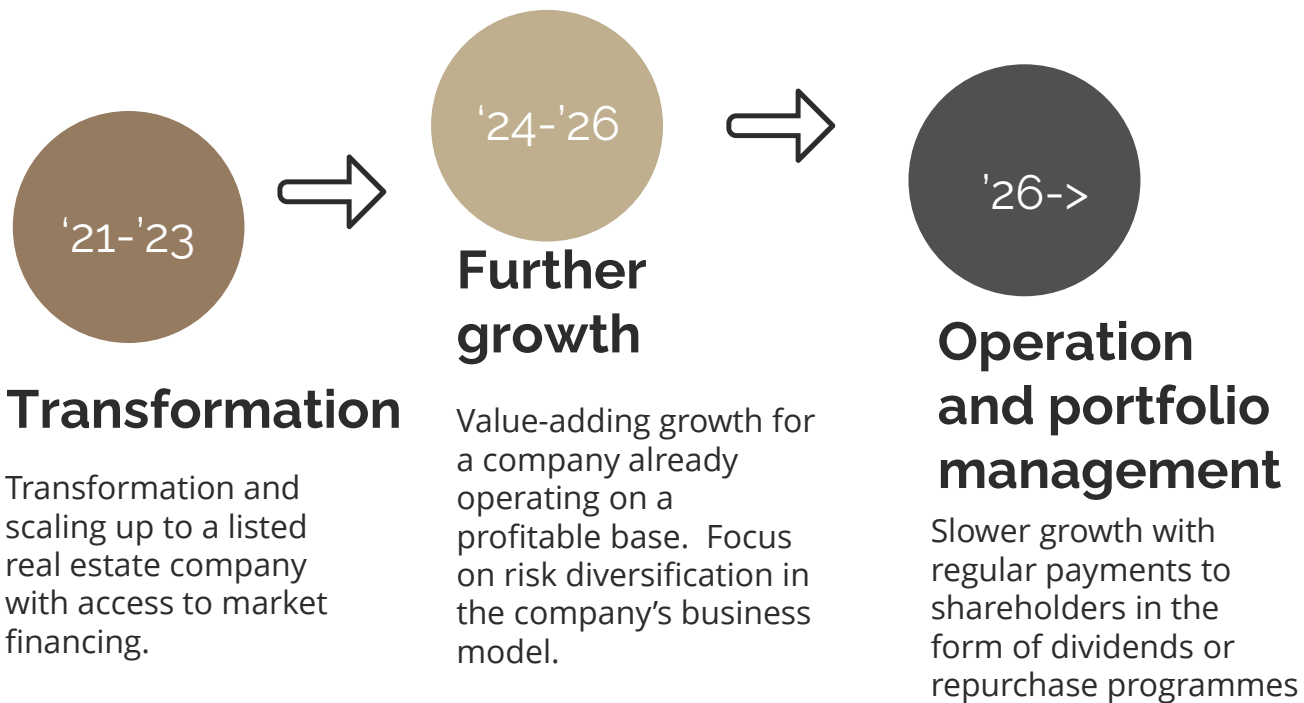
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# Profitable company but **opportunities for growth** **KALDALÓN**

PROGRESS IN THE COMING YEARS



The Company achieved its goals regarding its base size, access to market financing, governance and listing in the Main Market.



The Company's investor value lies in further growth before payments to shareholders begin. Along with growth, work will continue on refinancing through index-linked instruments.

Kaldalón will define itself as a growth company until investment assets reach 100 billion ISK or annual rental income reaches 8 billion ISK.

The Company plans to initiate performance-linked payments to shareholders in 2026 or earlier.



**Kaldalón** does not need to be the largest real estate company. It needs to be profitable and sensibly managed for investors and customers.

# Further growth

NEXT GOALS OF THE COMPANY IN 2024-2026

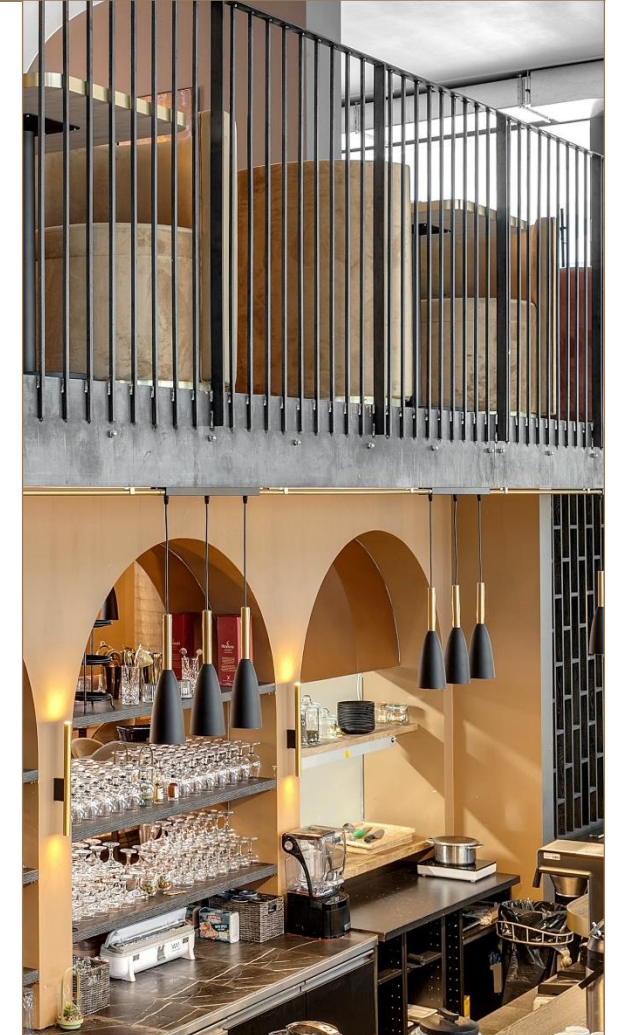
KALDALÓN

## Points of focus in growth

- Investment continued in asset classes that the Company has targeted.
- Risk spreading of rental income and portfolio is a guideline.
- Unchanged points of focus relating to leverage ratio in normal business operation.
- The Company's profits will be used for further investment. Shareholdings received as a consideration in trades need to reflect Kaldalón's value. Where new shares are issued for cash, the value of the trade needs to reflect the valuation of the Company in thinning and shareholders' pre-emptive rights to issues.
- Focus on finished properties that the Company can manage for the future.

## Preparation for future and dividend payments

- At the end of the quarter the Company's debts will be largely index-linked, bringing increased foreseeability for the longer term.
- The proportion of non-income-generating development properties to be lower at the end of the period.
- Issue of green bonds.
- Reinforce our discourse with the market.





# Further growth

NEXT GOALS OF THE COMPANY IN 2024-2026

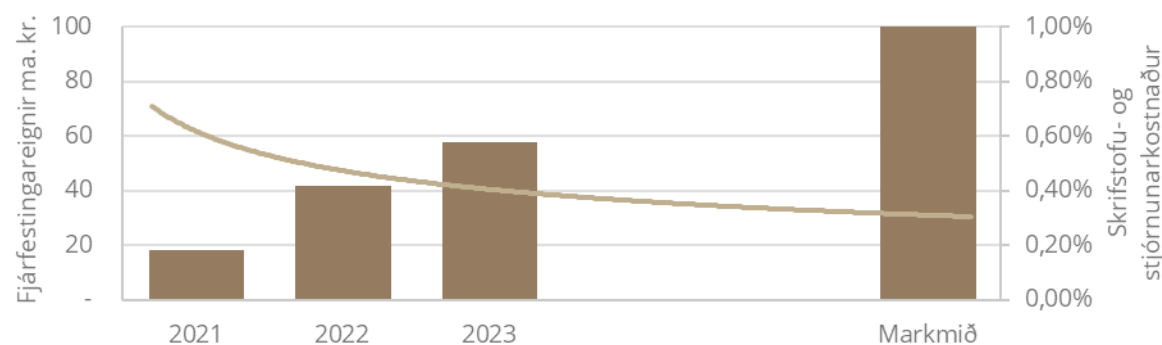
## Points of focus in business operation

### General & administrative expenses

- Projects relating to transformation nearing completion.
- Human resources are now only focused on the management and development of the Kaldalón real estate company.
- Management focuses on simple business operation driven by development of the property portfolio.
- Management does not believe it is realistic for office and administrative expenses to be proportionally lower for a listed company with an active management of a diversified portfolio than targeted below.

A large part of operating and administrative expenses are directly related to the cost of being listed, i.e. market making, compliance, stock exchange fees and full auditing.

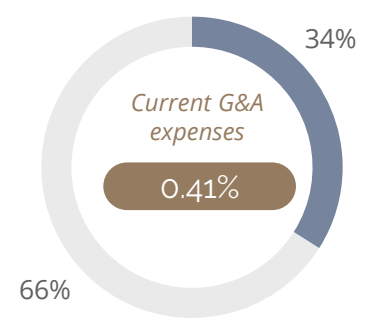
We believe that the current operating unit over a full operating period is capable of running a larger property portfolio using the established strategy.



Office and administrative expenses as a ratio of investment assets

Regular office and administrative expenses linked to a regulated securities exchange

Other regular G&A expenses



# Operation and management of portfolio

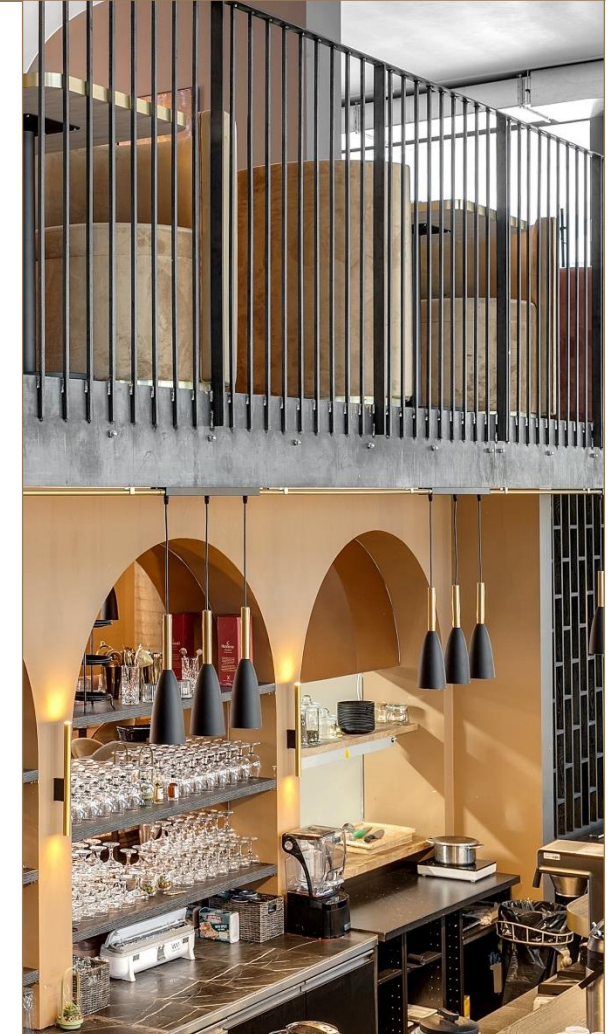
MODERATE GROWTH AND PAYMENTS TO SHAREHOLDERS FROM 2026

## Focus

- Less emphasis on extensive proportional growth.
- Opportunities for investment continue, but proportional increase in investment properties less than in the growth process.
- Business therefore needs to be more profitable than the portfolio as a whole.
- Active management of the property portfolio and its development.
- Kaldalón to be the first choice for enterprises in the asset classes that the Company focuses on.

## Payments to shareholders

- The Company intends to begin payments to shareholders through a repurchase programme and/or dividend payments from the profits of 2026, or earlier if goals of the growth phase are achieved. Payments will be regular.
- Dividends or repurchases will be proportional to cash flows from operating activities.
- The Company's plan is that by the time payments begin the Company's loans will be largely index-linked. Also, non-income generating development properties will represent a lower proportion of the total portfolio than during the transformation period.



# In conclusion

ONWARDS

1

## Performance in 2023 the best in Company's history

Operating profit before changes in valuation increased by 90% between years

**Transformation completed** and the Company has achieved its goals regarding basic size.

2

The Company's 30 billion ISK bond framework approved

The Company **initiated the issue of notes and index-linked bond classes** listed on Nasdaq

3

Listing on Main Market completed in the year

The Company is now in the **diversified ownership** of investors, individuals and pension funds.

Foundation laid for the coming years.





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*This presentation is a translation from the original version in Icelandic. If any deviation between Icelandic version and this translation, the Icelandic version prevails.*

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KALDALÓN