

Reginn makes a profit of 5.1 billion in the first 9 months - profit increases by 10.6%

The deadline for the optional takeover bid in the share capital of Eik Real Estate Company has been extended by four weeks, until December 11 - the second phase of the examination by the Competition Authority started on November 2.

Main points of the 9-month results

- Operating income was ISK 10.1 billion in the first nine months of the year and rental income increases by 14.7% from the previous year.
- EBITDA amounted to ISK 6.9bn and increases by 13.1%.
- Profit was ISK 5.1bn, compared to ISK 4.6bn during the same period last year.
- Investment properties are recorded at ISK 184.4 b.
- The increase in risk-free interest rates in September 2023 leads to a decrease in the valuation by almost ISK 1.4bn. in the third quarter, but the valuation is positive by ISK 8.7bn in the first nine months of the year.
- Cash from operations amounted to ISK 3.8bn, and cash and cash equivalents was ISK 3.8bn at the end of the period.
- Interest-bearing liabilities are ISK 115.8bn at the end of the period and increased by ISK 6.7bn since year-end.
- The debt ratio was 63.9% and the equity ratio was 30.4% at the end of the period.
- Profit per share for the period amounted to ISK 2.81, but was ISK 2.54 at the same time last year.

Main milestones in the third quarter

- Reginn's takeover bid in Eik Real Estate Company is still valid and is being approved.
 - The Competition Authority announced a further investigation into the competitive effects of the merger on November 2, 2023.
 - The bid deadline, therefore, is extended to 11 December 2023.
- The refinancing need until the end of 2025 is about ISK 1.2bn.
 - Reginn has agreed to move the final due date of unsecured loan agreements that were due in 2025. The new due date is 2028. The balance of these loans amounts to ISK 9.7bn. The total refinancing need in 2025 drops to ISK 1.2bn as a result.

Halldór Benjamín Þorbergsson, CEO of Reginn

"The company's operations are in line with the updated schedule that was published in the presentation of the interim statement. Income growth is 14.7% in the first nine months of the year, which is equivalent to 5.3% real income growth. The rental ratio is 97.5%, which is comparable to what it has been. About 45% of the company's income comes from public sources on the one hand, and registered companies on the other. Tenant defaults are low and many rental projects are in the pipeline.

Three development projects will be leased in the coming months. Sunnuhlíð 12 in Akureyri, which is a new health-related service core, Reginn's shareholding is a total of around 4,700 m², of which around

4,070 m² are new or reconstructed spaces. Approximately 2/3 of the space has already been rented out, including 1,840 m² for a healthcare centre, 570 m² for physiotherapy and 250 m² for a drug store. On the third floor in Smáralind, work is underway on around 3,000 m² of high-quality office space, of which around 1,000 m² is in the first phase, which will be ready by the end of the year. In addition, the first tenants are taking over retail spaces in Smárabýggð, a total of around 1,850 m² of new retail and service spaces at Sunnusmári and Silfursmári in Kópavogur.

Höfðatorg is fully leased and the development of Hafnartorg has been positive during the period, as the area's rental income has doubled since the same period last year.

It is the company's goal that a broad agreement is reached regarding the takeover offer in Eik Real Estate Company and the tender deadline has been extended until December 11 next year. On November 2, 2023, the Competition Authority announced a further investigation into the competitive effects of the merger and the case has been moved to phase II."

Operations and Performance

Operating income amounted to ISK 10,145 million the first nine months of the year, of which rental income amounted to ISK 9,587 million. Rental income has increased by 14.7% compared to the same period in 2022, which is equivalent to a real increase of 5.3%. There have been several changes to the portfolio between years, that affect rental income. Following the streamlining of the portfolio, the number of income-bearing square metres and properties has decreased between years. Operating profit before capital gains, valuation changes, and depreciation (EBITDA) was ISK 6,917 million, which corresponds to a 13.1% increase compared to the same period in 2022.

Portfolio and Balance Sheet

The value of the company's investment properties minus rental properties is estimated at ISK 181,074 million. The portfolio now consists of 100 properties totalling around 373,000 square meters. The leasing ratio is about 97.5% compared to the income that 100% leasing would generate. The total valuation change in the first nine months of the year amounted to ISK 8,711 million, but the increase in risk-free interest rates in September 2023 had a negative effect on the valuation of investment properties in the third quarter. The number of square meters in the company's portfolio has decreased by 2.3% since the beginning of 2022, but rental income has increased by 14.7% in the first nine months of this year compared to the same period in 2022.

Optional Takeover Bid For Eik Real Estate Company

On June 8, 2023, Reginn announced the decision of the company's Board of Directors to submit an optional takeover bid for the entire share capital of Eik Real Estate Company (Eik). According to the bid summary, as amended by the appendix dated September 14, Eik's shareholders will receive 1,670,351,049 shares in Reginn, or 48.0% of the issued share capital, following the transaction based on the issued share capital of Reginn on September 13, 2023. The offer price, and thus the exchange ratio (48.0%), is determined based on the market value of each individual company based on the closing price of their shares on September 12. The bid will cover all shares in Eik that are not already owned by Eik. Reginn has no prior shares in Eik.

The bid deadline has been extended three times and the bid is valid until 13:00 on December 11, 2023. On November 2, 2023, the Competition Authority announced a further investigation into the competitive effects of the merger.

The bid is subject to the conditions that (i) holders of at least 75% of the voting rights in Eik accept the optional bid, (ii) that the Competition Authority does not comment on the transaction or impose conditions on the transaction that Reginn does not accept and (iii) that Reginn's Shareholders' Meeting agrees to authorise the Board to increase the company's share capital in order to settle the optional bid. With the approval of Reginn's Shareholders' Meeting on October 12, the latter condition has been fulfilled.

Scope of Activities and Prospects

During the first nine months of the year, lease agreements have been signed for 20,000 m², which is a comparable number of square metres to the same period last year.

- Following the signing of a lease agreement for a new healthcare centre in Akureyri for Heilbrigðisstofnun Norðurlands in the summer of 2022, construction work began on the modification and expansion of Sunnuhlíð 12 in Akureyri, in total around 4,070 m² of new and reconstructed rental spaces. Around 2/3 of these spaces have already been leased. The new healthcare centre will be delivered to the tenant in January 2024, and new 1,740 m² rental spaces will be ready for leasing in the new health-related service core.
- The renovation of the third floor of Smáralind is well underway, where more than 1,000 m² will be added to the existing 2,000 m² of modern, high-quality office space.
- The first retail and service space in the new 1,800 m² building at Silfursmári was delivered to tenants recently, but in the coming months more spaces will be delivered to tenants.
- In Hafnartorg, operators had record months during the summer months of this year.
- Attendance and turnover at Smáralind is good, regardless of the type of retail or entertainment. Extensive housing development in nearby neighbourhoods has increased the demand for retail and services in the area as a whole, which is reflected, amongst other things, in major investments in office and commercial premises in the areas around Smáralind.

Sustainability

In the previous months, work has been underway on the environmental certification of Áslandsskóli in Hafnarfjörður, and it is expected that certification will be obtained by the middle of 2024.

In accordance with the company's policy in sustainability issues, there is an environmental report available for the quarter. The carbon footprint has decreased by 1% per square metre for the first three quarters of 2023 compared to the same period in 2022.

An environmental report for the period and a comparison with previous periods can be found on the company's website, www.reginn.is.

Financing

The company's financial position is strong and the financial conditions are within the limits of the loan terms, equity ratio is 30.4% (conditions 25%) At the end of the period, cash and cash equivalents was ISK 3,841m and, in addition, the company had access to unused credit lines in the amount of ISK 4,700 million at the end of the period.

In November 2023, Reginn agreed to move the final due date of unsecured loan agreements that were due in 2025, and the new due date for the loans is 2028. The balance of these loans amounts to ISK 9.7bn.

The company's refinancing needs are limited in the coming years, as there are no loans and bonds due in 2023 and 2024, and the total refinancing needs in 2025 are over ISK 1.2bn

Introductory Meeting on Interim Results

Along with the publication of the settlement, Reginn hf. convenes an electronic introductory meeting on Thursday, November 16, at 16:15. Halldór Benjamín Þorbergsson CEO of Reginn hf. presents the results for the first nine months of 2023 and answers questions after the presentation. You can send inquiries to fjarfestatengsl@reginn.is prior to the meeting and during the presentation, which will be answered after the presentation. The meeting will be streamed online at the following URL:

<https://vimeo.com/event/3822144/embed/0d1bed8069>

The interim statement for the first nine months of the year and promotional materials can be accessed at www.reginn.is/fjarfestavefur

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