

Reginn's Annual Report 2017

- Operating income amounted to 7,124 m.ISK.
- Leasing income growth from the previous year up 8%.
- Operating profit before assessment change and depreciation was 4,531 m.ISK. and increased by 4 % from previous year.
- Profit after income tax was 3,789 m.ISK. which is 11% lower than last year.
- The book value of investment properties at the end of the year is 97,255 m.ISK. compared to 83,027 m.ISK. at end of year 2016. The assessment change for the period was 2,928 m.ISK.
- Cash from operations amounted to 2,234 m.ISK. in the year 2017.
- Interest bearing debts were 57,515 m.ISK at the end of the year, compared to 49,499 m.ISK. at the end of 2016.
- Equity ratio at the end of the year was 35%.
- Earnings per share for the year 2017 were 2.41, compared to 2.78 the last year.

The company is listed on the Iceland Stock Exchange (NASDAQ OMX Iceland), the number of shareholders at the end of year 2017 were 650 compared to 760 at end of year 2016.

Operations and results

Reginn's results for the year 2017 were good and in line with plans. Operating revenues amounted to 7,124 m.ISK. of which rental income amounted to 6,607 m.ISK. Leasing income has increased by 8% compared to the year 2016. Operating profit before profit from sale of properties, assessment changes and depreciation / EBITDA was 4,531 m.ISK which equals 4 % increase compared to the year 2016.

As planned, current restructuring of Smáralind in the year 2017 have had an impact on revenues and results. The impact leads to temporarily lower income and higher operating costs, these restructructions are mostly compleeted.

The board of directors proposes that no dividend will be paid in the year 2018. The Annual General Meeting of the Company will be held on coming March 14th.

Property portfolio and economy

The property portfolio of Reginn consists of completed commercial properties with high rental ratio and solid and even income. At the end of 2017 Reginn owned 122 properties. The total size of the portfolio was over 329 thousand square metres. Rental ratio for the Reginn's portfolio is about 95% with regard to income.

Reginn's property portfolio is evaluated at market value in accordance with International Financial Reporting Standards (IFRS). The portfolio is evaluated at the end of each year in connection with the preparation of the annual report and is based on present worth of future cash flows of individual properties. Assessment changes in the year 2017 were 2,928 m.ISK.

Activities

The last year has been eventful at the company with extensive investments in regard to new projects and changes due to new leasing agreements. Most activities in the year occurred at Smáralind, but the managers believe that the project was very successful for the company and Smáralind. Already, about 60% of rental spaces have been improved following the reconstruction of the shopping centre and international brands, such as H & M and Zara, have opened new or improved stores. The receptions have far exceeded the management's hopes and these two flagships have had a good impact on the house as a whole, as well as transforming the Smáralind competitiveness in the near future.

Reginn signed before the end of last year a purchase agreement with the company Austurhöfn Ltd. about the company's acquisition of properties in box 5b on the site Austurbakki 2 in Reykjavík centre. The space in question is 2,700 m² of retail and catering space, which is exceptionally well located at the corner of Geirsgata and the East Harbor. The purpose of the transaction is to strengthen the business concept of Reginn in the area to ensure, among other things, the right combination and quality in this retail and service core. At present Reginn owns 9,200 m² in the area, but it is estimated that this part will be ready in the autumn of 2018.

The company has previously announced its acquisition of 55% of shares in FM-hús Ltd. The continuation of these transactions has been further investments in properties and properties company in Akureyri. The company purchased the property Njarðarnes 3-7 and Reykir fasteignafélag Ltd. which has properties at Glerárgata 26, 30 and 32 and all these properties are in Akureyri. It is planned that FM-Hús will be fully integrated into the Reginn's Group and the company will be paid for in cash or new shares in Reginn.

At the end of the year, the company announced signing an agreement about private negotiations for the acquisition of all shares of subsidiaries of FAST-1 slhf., HTO Ltd. and FAST-2 Ltd. This work has been in progress in recent weeks. The largest properties of the companies are Katrínartún 2 (Höfðatorg Tower) and Borgartún 8-16. Other assets are Skúlagata 21, Vegmúli 3 and Skútuvogur 1. If the acquisition will be completed, the Reginn plc. portfolio will amount to 373 thousand square meters, and the planned acquisition will be in line with company's investment strategy, which includes to increase the company's share of high-quality commercial properties in strong market areas.

At the end of June, Reginn made an agreement with GAMMA for the sale of its share (50%) in the company 201 Miðbær Ltd. that owns building rights on sites 03 and 04 south of Smáralind.

The company sold 17 properties in the year, with a sales price of 973 m.ISK. These transactions form part of the company's strategy by selling smaller and less favorable properties.

During the year, work on refinancing the company by issuing bonds under the new 70 b. ISK. framework that was announced last May. The total size of the new bond group REGINN290547 is now 7,940 m.ISK. nominal value. The company will continue the journey to refinance the company's loans in the near future, if the market conditions offer more favourable terms.

Now in February, Reitun issued for the first time a credit rating on Reginn plc. The conclusion was that Reginn receives the i.AA2 grade with stable outlook. The conclusion of the rating report state that Reginn has grown much in recent years and has increased its activity considerably. The company's operations are strong, the asset portfolio is distributed, the tenants diversified and the mortgage is not fully utilised. The company's liquidity position has strengthened recently and the cash flow is strong.

Outlook

Parallel with the financial statements, the company presents an operating forecast for the years 2018 - 2020. It is estimated that the rental income for the company will be 7,550 (+/- 50 million) in 2018. The operating plan covers the existing property portfolio plus these properties: a comprehensive sports centre from mid year 2018, Hafnartorg from 2018 and Austurhöfn from 2019. The management believes that the company's operations outlook is good. Exciting times are in the future in retail and services in Iceland with new and changed emphasis on the composition of retail, services and land use.

Presentation of the company

Concurrent the publication of the annual report, Reginn announces an open presentation meeting on Wednesday February 14th. at 08:30 in the new building of the company by Hafnartorg in the Reykjavík Centre. Entrance from Posthússtræti opposite entrance to the Kolaport. Helgi S. Gunnarsson CEO of Reginn will present the results of 2017 and answer questions after the presentation. The company's annual report, operational focus and operating forecast for 2018 will also be presented. Registration of the presentation will take place via the email fjarfestatengsl@reginn.is

The meeting will also be cast over the internet at the following URL:

<https://livestream.com/accounts/11153656/events/8046107/player>

The annual financial statements and presentation documents can be obtained from www.reginn.is/fjarfestavefur/

Further information will be provided by:

Helgi S. Gunnarsson

CEO of Reginn hf.

Tel: +354 512 8900 / +354 899 6262