

## **Reginn hf. Interim Report first 6 months of 2019**

The interim financial statements of Reginn hf. January 1<sup>st</sup> to June 30<sup>th</sup> 2019 was approved by the Board on August 15<sup>th</sup> 2019.

- Operating revenues amounted to 4,832 m.ISK.
- Leasing income growth is up 29% from the previous year.
- Operating profit before assessment change and depreciation was 3,240 m.ISK, a rise of 36% from last year
- The book value of investment properties at the end of the period is 136,346 m.ISK. The assessment change for the period was 2,181 m.ISK. Investments in the period were 2,839 m.ISK.
- Profit after income tax was 2,117 m.ISK, a 42% increase from previous year.
- Cash from operations amounted to 2,064 m.ISK. Net cash at the end of the period was 2,242 m.ISK.
- Interest bearing debts amounted to 82,081 m.ISK at the end of the period compared to 80,488 at the end of year 2018.
- The equity ratio is 31.5%.
- Earnings per share for the period is 1.16 but was to 0.95 for the same period last year.

The company is listed on the Iceland Stock Exchange Ltd. (NASDAQ Iceland), the number of shareholders as of June 30<sup>th</sup> were 481.

### **Operations and results**

The operation of the company was good and mostly in line with plans. Operating revenues were 4,832 m.ISK. of which leasing income amounted to 4,541 m.ISK. The leasing income increased 29% compared to the same period last year.

The operational results, before profit from sales, assessment change and depreciations / EBITDA was 3,240 m.ISK., which is 36% growth from the same period in the year 2018.

Demand for commercial properties for lease has been good. Furthermore, very good results have been achieved by leasing to public entities, based on the last 12 months, public entities stand for 32% of the company's rental revenues. Revenue from these entities will increase in the coming months due to new contracts.

### **Property portfolio and economy**

The property portfolio of Reginn is diversified and consists of good commercial properties with high leasing ratio, and solid tenants, where third of the revenues come from the state and municipalities. Number of properties at the end of the period was 119, the total size of the property portfolio was 377 thousand square metres. Rental ratio for the portfolio is about 96%.

There will be a rather extensive transformation of large leasing spaces in the coming months, due to changes and new tenants, including Höfðatorg and Suðurhraun. These transformations will have a temporary effect on the leasing ratio and revenues. The leasing ratio at the end of the year is expected to be up to 98% and has never been higher.

### **Operations and prospects**

The first half of 2019 has been eventful for the company. Strategy planning was completed at the beginning of the year and the implementation of the new strategy is on good track. The company has also placed massive emphasis on good corporate

governance and has recently been recognised as a Model Company in good corporate governance.

Continuing emphasis has been placed on investments in projects providing reliable and stable revenues such as leasing to public entities and robust companies. Last May the company announced a lease agreement of Suðurhraun 3 to the Icelandic Road and Coastal Administration. It is a long term lease contract of 6,000 m<sup>2</sup> office and storage spaces including 9,000 m<sup>2</sup> site. In connection to this agreement a part of existing buildings at Suðurhraun 3 will be demolished, but a part restructured. Estimated new investment in connection to the lease agreement is 1,300 m.ISK. It is planned to hand over the building within 12 months.

Other public sector projects include the office space for the Directorate of Health and the Chief of Police at Suðurnes.

Attendance in Egilshöll continues to rise. An even better utilisation is visualised of the buildings by restructuring of spaces and working with existing occupants. Emphasis has been placed on operational aspects in the building.

The restructuring of Smáralind was completed with good results. Customer reception has been positive, strong and visible in terms of number of visitors. The proportion of international stores and restaurants in Smáralind is very substantial and has increased steadily in recent years and is today about 50% of Smáralind retail space.

Monki and Weekday opened stores last May, welcomed by visitors. In addition, Nespresso opened a store in Smáralind in the same month. The openings of the aforementioned stores comply with the company's objectives to bring in strong, influential and international occupants. In June, the store Extraloppa also opened, which has had a positive impact on the building, but it sells used clothing and household goods. The opening of a store such as Extraloppa is in line with the growing consumer awareness of environmental issues, recycling and reuse. Work on the restructuring and reconstruction of the Smáratívoli space is underway in cooperation with Smárabíó. In addition, traditional operations in the building are being studied. EV cars charging stations will be added and parking spaces north of the building expanded. Better access for cyclists in and around Smáralind is also being explored.

Hafnartorg has brought Reykjavik an international metropolis likeness. Stores at Hafnartorg have been favourably received this summer. Car basement traffic has also increased every day and a connection to Harpa's car basement parking is expected. In the coming weeks an access controlled - state of the art - bicycle storage will also open. A special waste sorting station has also been introduced, leading to the garbage sorting by occupants. The first and only COS store in Iceland, Collections and GK Reykjavík have opened at Hafnartorg. In addition, Joe and the Juice has opened a restaurant in the area. In the coming weeks, Frank Michelsen and Optical Studio will open stores.

Reginn is expected to receive space at the East Harbour in early 2020.

Last June 6<sup>th</sup> the company announced that on the basis of approval by Reginn's hf. Annual General Meeting on March 14<sup>th</sup> 2019, the Board of Directors decided to purchase own shares according to a share buyback program to reduce the company's issued share capital. According to the buyback program, maximum of 21,929,825 shares should be purchased, not exceeding 1.20% of the company's total share capital or that total purchase price should not exceed 500 m.ISK.

Until June 30<sup>th</sup> 2019, the company purchased own shares at a nominal value of 3,550,000 for about 80 m.ISK. The buyback program is in force until November 30<sup>th</sup> 2019, unless the conditions for a maximum purchase are met before that time.

The company's management believes that the outlook for the company's operations is excellent. The management estimates that the rental revenues for the year will be about ISK 9,400 m.ISK. which is just below the lower limit of the revenue estimate published at the beginning of the year. This is due to delays in the opening of rental space in Smáralind and Hafnartorg, foreseeable changes in Höfðatorg as of large new lease agreements and changes at Suðurhraun 3 due to a lease agreement with the Road and Costal Administration. The ratio of operating profit and operating expenses is expected to be in line with the previous plan.

### **Presentation of the company**

Simultaneously with the publication of the statement, Reginn invites to an open presentation on Friday, August 16<sup>th</sup>, at 08:30 in Reginn's office at Smáralind, Hagasmári 1, 201 Kópavogur. Helgi S. Gunnarsson, CEO, will present the results of the first six months of 2019 and answer questions. Registration of the presentation takes place through the email address [fjarfestatengsl@reginn.is](mailto:fjarfestatengsl@reginn.is).

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

<https://livestream.com/accounts/11153656/events/8773716/player>

The financial statement and the newly issued six months report of the company can be obtained from [www.reginn.is/fjarfestavefur/](http://www.reginn.is/fjarfestavefur/)

### **Further information will be provided by:**

Helgi S. Gunnarsson

CEO of Reginn hf.

Tel: 512 8900 / 899 6262