

## Reginn's hf. Annual Report 2019

- Operating revenues amounted to 9,848 m.ISK.
- Leasing income grew 20% from the previous year.
- Operating profit before assessment change and depreciation was 6,711 m.ISK., and rose by 25% from last year.
- Profit after income tax was 4,486 m.ISK, a 39% increase from previous year.
- The book value of investment properties at the end of the period is 140,746 m.ISK. compared to 128,748 m.ISK. at the end of the year 2018. The valuation change for the period was 4,089 m.ISK.
- Net cash from operations amounted to 3,406 m.ISK. in the year 2019.
- Interest bearing debts were 84,021 m.ISK. at the end of the year 2019 compared to 80,488 m.ISK. at the end of year 2018.
- The equity ratio at the end of the year is 32%.
- Earnings per share for the year is 2.47 but was 1.87 for the previous year.

The company is listed on the Iceland Stock Exchange Ltd. (NASDAQ Iceland), the number of shareholders at the end of year 2019 were 434 compared to 523 at end of year 2018.

### Operations and results

Reginn's operations in the year 2019 were good and in line with expectations. Operating revenues amounted to 9,848 m.ISK. where off leasing revenues amounted to 9,266 m.ISK. The leasing revenues have risen by 20% compared to the year 2018. The operational profit, before profit from sales, assessment change and depreciations / EBITDA was 6,711 m.ISK., a 25% growth compared to the year 2018. It should be noted that due to the implementation of the new IFRS 16 accounting standard, comparisons of EBITDA figures between years are not fully comparable, see notes in the annual financial statements.

Impressive and good results have been achieved in the operations of the company and securing new tenants has been successful. It is clear that the well founded and successful investment policy of recent years is making a strong contribution to the company's performance. Major emphasis has been placed on utilising economical scale of the company, thus achieving optimisation and better results. The company's management believes that the operational outlook is excellent. Asset utilisation is good, as is demand. The company celebrated its 10<sup>th</sup> anniversary last year.

Reginn's dividend policy objectives is to pay shareholders an amount of about 1/3 of the profits of the past operating year either in the form of dividends or through the purchase of own shares to reduce share capital.

In accordance with the company's dividend policy, the Board of Directors proposes an amount of about one-third of the year's profit, totalling 1,502 m.ISK. to be allocated to shareholders for the year 2019. Own shares have already been purchased for 967 m.ISK. and therefore it is proposed to pay out dividends to shareholders in 2020, the amount of ISK 0.30 for each ISK nominal value of outstanding share capital, totalling 535 m.ISK.

A proposal to reduce the company's share capital by 43,091,859 ISK. at a nominal value will be submitted to the Annual General Meeting 2020, or equal to 43,091,859 shares. The reduction includes own shares of the company that it has acquired in accordance with the Board's repurchase plans. The company has paid 967 m.ISK. for these shares. Reference is made to a decision from the 2019 Annual General Meeting on the authorisation to purchase own shares. The Annual General Meeting will be held on March 11<sup>th</sup> 2020.

## Property portfolio and economy

Reginn's hf. property portfolio consists of completed commercial properties with high leasing ratio, and solid and stable revenues. At the end of the year 2019 Reginn owned 116 properties. The total size of the property portfolio was little under 377 thousand square metres. The rental ratio for the portfolio is about 97,5% based on revenues.

Reginn's property portfolio is valued at market value in accordance with International Financial Reporting Standards (IFRS). The portfolio is valued at the end of each year in connection with preparation of the annual report, and the valuation is based on the present value of future cash flows of individual properties. The valuation change in 2019 was 4,089 m.ISK.

## Operations and prospects

Intense emphasis has been placed on the implementation of a new strategy for the company, which has been very successful and is largely completed. These are already visible in the company's operations and results, but will become even more prominent in the coming quarters in the company's operations, functions and investments.

Following the acquisition of the companies HTO ehf. and FAST-2 ehf. work has been carried out on strengthening and leasing of Höfðatorg (Katrínartún 2). Further opportunities have been examined with new tenants and new leasing contracts have been made on one-third of the space in the tower. Larger lessees are Kvika banki and the Directorate of Health. The company has also started a project for leasing of smaller fully equipped offices.

The construction at Hafnartorg was completed in the year including final delivery to Reginn. At the end of the year, an authorization was granted to connect the car parking basements of Hafnartorg and Harpa. About 85% of the space in Hafnartorg has been leased, while about 15% has been retained for selected operators. In the coming months, three new operators, in catering and entertainment will start operations at Hafnartorg. Reginn is expected to have handed over space in East Harbour in the coming months. Preparation for marketing and leasing has begun, which is expected to focus on catering and food in that area. In the future, these two areas will be marketed by the name of Hafnartorg.

Customers have fully accepted of the transformation of the retail spaces at Smáralind which is completed and operators are generally pleased in the building. Attendance to the building has escalated in the second half of the year, as well as the operator's turnover. The next steps proposed, for the transformation of the Smáralind are enlargement of the cinema, more options for entertainment and catering and development of car storage at the north of the house, as well as improved facilities for cyclists, electric cars and other eco-friendly transport.

Reginn has set an ambitious Sustainability Policy with emphasis on environmental, social and economic sustainability in the fields the company operates without compromising the quality of next generations. The company intends to be a leader in these fields in the coming years and sees excessive opportunities alongside. At the beginning of January the company received the first BREEAM In-use certification in Iceland for Smáralind with the rating "Very-good". In the coming years, the company plans to certify more assets in the company's portfolio. In the management's opinion the certification is the company's critical step towards issuing green bonds. Further development of green solutions will continue, but already the company has, e.g. introduced „smart waste“, launched measures to improve bicycle access, and new charging stations have been put in use at Egilshöll, Smáralind and Höfðatorg. Effective efforts have also been made to reduce energy consumption in the aforementioned assets with good results.

Construction is in progress in the various company's assets and the largest are design and preparation work in Suðurhraun 3 for the Icelandic Road and Coastal Administration and in Bæjarlind 1-3 for the Mental Health Team South. Construction is also ongoing in Miðhraun 4, Brekkustígur 39, which will be taken over by the Chief of Police in Suðurnes and in Dalshraun 15.

On June 6<sup>th</sup>, the company announced that based on authorisation from the Annual General Meeting of Reginn hf. on March 14, 2019 for the company's repurchase plan, the Board of Directors had decided to purchase own shares in accordance with the repurchase plan for the purpose of reducing the company's issued share capital. Repurchases according to the plan were completed on September 30<sup>th</sup> 2019. Reginn purchased a total of 21,929,825 shares, or 1.20% of issued shares in the company, and the total purchase price was ISK 467,422,300.

Last January 7<sup>th</sup> the company announced another repurchase plan with reference to the aforementioned authorisation. Repurchases under that repurchase plan ended on January 27<sup>th</sup>. Reginn bought a total of 21,162,034 own shares, which represented 1.20% of issued shares in the company and their total purchase price was ISK 499,999,986. At the end of both repurchase plans, the company owned 43,091,859 shares or 2.36% of the company's total share capital and the purchase price amounted to 967 m.ISK.

On December 12<sup>th</sup> a closed auction of Reginn's bonds was completed. Bonds were offered for sale in a new indexed series, REGINN280130. Bids were accepted for a nominal value of 1,520 m.ISK., the yield 2.75%. Registration of the new series took place in December on the Nasdaq Iceland Main Market. The bond series is collateralised in accordance with the company's general insurance arrangements.

At the same time, the company presents its operating forecast for 2020. It is estimated that the company's leasing revenues in 2020 will be around 9,750 m.ISK. (+/- 100 m.ISK.). The operating plan covers current portfolio. The company's management believes that the outlook for the company's operations is excellent.

### **Presentation of the company**

Simultaneously with the publication of the statement, Reginn hf. holds an open presentation on Thursday, February 13<sup>th</sup>, at 08:30 in Reginn's office at Smáralind, Hagasmári 1, 201 Kópavogur.

Helgi S. Gunnarsson, Reginn's hf. CEO, will present the annual results for the year 2019 and answer questions following the presentation. The annual report will be discussed, operational focal points and operating forecast for 2020. Registration to 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/8981808/player>

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

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

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