

Reginn's Interim Report for the first 6 months of 2020

Reginn's hf. Interim Financial Report, January 1st to June 30th 2020 was approved by the Board on August 13th 2020.

- Operating revenues amounted to 4,736 m.ISK.
- Leasing income declined by 2.1% from the previous year.
- Operating profit before assessment change and depreciation was 3,040 m.ISK, and fell by 6.2% from same period last year.
- The book value of the company's investment properties at the end of the period is 143,721 m.ISK. The assessment change for the period was negative by 62 m.ISK.
- Profit after income tax was 95 m.ISK, compared to 2,117 for the same period last year.
- Cash generated by operations in the period amounted to 1,071 m.ISK. Net cash at the end of the period was 3,026 m.ISK.
- Interest bearing debts amounted to 87,107 m.ISK at the end of the period, compared to 84,021 m.ISK at the end of year 2019.
- The equity ratio is 30.5%.
- Earnings per share for the period is 0.05 but was 1.16 for the same period last year.

The company is listed on the Iceland Stock Exchange Ltd. (NASDAQ OMX Iceland), the number of shareholders as of June 30th was 453.

Operations and results

The Company's core operations are sound but the operations are affected by COVID-19. During the current period, considerable work has been put into measures to minimize the impact of COVID-19 on the company's operations. Reginn has taken the initiative to establish co-operation with tenants to deal with difficult economic conditions due to the COVID-19 epidemic and restrictions on tenants' activities. This partnership will benefit the company and its tenants in the future.

Operating revenues amounted to 4,736 m.ISK. of which leasing revenues amounted to 4,446 m.ISK and with regard to the Consumer Price Index the leasing revenues have decreased just over 4% between years. The decrease is primarily due to the effects associated with COVID-19 and the measures that have been taken.

Operating profit before purchase profit, assessment change and depreciation / EBITDA was 3,040 m.ISK . which is about 6% lower than in the same period last year.

Property portfolio and economy

The property portfolio of Reginn is diversified and consists of good commercial properties with high leasing ratio and solid tenants. The number of properties at the end of the period was 116, the total size of the property portfolio was 377 thousand square metres. Leasing ratio for the portfolio is about 97% compared to revenues from 100% leasing. The company's portfolio is largely unchanged between periods.

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 annual report and at the end of each quarter. The deviations in

the evaluation of properties for the period are primarily connected to properties leased to tourism - related activities and is explained by the estimated effect of COVID-19. The evaluation of the company's properties assumes that revenues in tourism - related activities will decrease significantly in 2020, and will continue through 2021, as the domestic demand will decline in the year, but will stabilise in 2021. To meet the uncertainty due to the impact of COVID-19, the risk premium in calculating the required rate of return has been increased since the turn of the year, and in addition hotels have been moved to a higher risk category. The total change in valuation in the first 6 months of the year was negative by 62 m.ISK.

Operations and prospects

Despite great uncertainty due to the impact of COVID-19, the company's management is somewhat optimistic about the future outlook. The company immediately took action to strengthen the company's liquidity position in the wake of the epidemic to meet customers' payment difficulties. In recent months, the company has been working on specific solutions with the tenants mostly affected by COVID-19. The current measures and the experience gained the last six months provides strong indications of the impact on the company's operations and portfolio. Based on that the management has confidence in that the settlements and agreements available with the lessees cover the financial scope of the measures. All settlements and agreements are expected to be finalised by mid September. Following this, a new plan for 2020 and 2021 will be published.

The company's financial standing is strong and financial conditions well within the limits of loan terms, interest coverage 1.9 (required 1.5) and equity ratio 30.5% (required 25%). At the end of the period, net cash was 3,026 m.ISK. and in addition the company has access to unused credit lines amounting to 5,300 m.ISK.

At the company's annual general meeting on March 11th it was decided that dividends would be paid to shareholders for the previous operating year amounting to 535 m.ISK. On March 23, the company's board of directors decided to postpone the dividend payment date from what was previously announced. The company stated that the board would set a new dividend date, but no later than September 11th 2020. The board will soon call for shareholders' meeting, which will be held no later than September 11th 2020, where the board will submit a proposal to increase share capital in order to minimize the effect of the dividend payment on the company's equity and liquidity position. More detailed proposal will be announced in the notice of the meeting.

Completion of the restructuring projects have been successful and to upgrade these to a leaseable shape. This summer, the company has handed over lease space to Bæjarlind 1-3 for the Mental Health Team South, Miðhraun 4 for Distica, Skútuvogur 2 for two tenants as well as Miðhella 2 and Miðhraun 15. The company's largest restructuring project currently underway is in Suðurhraun 3 for the State Road Administration's headquarters. At Hafnartorg, The Icelandic Phallogical Museum, the restaurants Maikai Reykjavík and Ice + Fries Bionic Bar recently opened.

Bond issuing

At the end of June, Reginn property management company completed the first of the Icelandic property companies, the sale of green bonds. Reginn thus became the first private party and the first listed company on the Icelandic stock market to issue such shares.

The bond series, REGINN50 GB, which is issued under the company's bond framework, and indexed for 30 years, 5 b.ISK nominal value were sold in a private tender to institutional investors. The bonds were sold at 2.477% interest, sold on par and settlement took place on 27 July. The bonds were admitted to trading on August 6th on the Nasdaq Iceland market for sustainable bonds, but it is planned that the series will be extended in the coming years. The funds were used to repay unfavourable loan and to strengthen the company's liquidity position.

Claims under the bonds are secured according to a special collateral arrangement secured by Hagasmári 1 (Smáralind). Until the collateral guarantee is the foremost, Reginn will pay 0.5% (50 basis point) additional interest rate, but Reginn plans to refinance other outstanding loans over the next six months.

In recent years, Reginn has placed great emphasis on environmental issues and sustainability in its operations, which is reflected in the company's ambitious sustainability policy. The purpose of the issue is to finance / refinance environmentally friendly investments, environmentally certified properties and other projects that are in line with the company's framework for green financing (Green Financing Framework).

A key element in Reginn's environmental issues was Smáralind's international environmental certification last December, as Smáralind is the first property in Iceland to receive the international BREEAM In-Use environmental certification. The company intends to be a leader in environmental certification of properties, complying with international requirements for environmental aspects, risk management and operations.

The introduction of 70 b.ISK. 2017 publishing framework created an opportunity to utilise the company's portfolio for a variety of financing that takes into account market conditions at a given time. The issuance of green bonds under the issuance framework further increases the diversity of the company's issuance. Today, more than half of the company's loan portfolio is repayable within a year, and the terms on the green bonds, which are the best that Reginn has received from the beginning, assure reduction of the company's financial costs in the future.

Presentation of the company

Simultaneously with the publication of the report, Reginn announces invitation to an open presentation on Thursday, August 14th, at 08:30. Helgi S. Gunnarsson, CEO, will present the results of the first six months of 2020. If interested, questions regarding the statement or the presentation can be sent to fjarfestatengsl@reginn.is before the meeting and during the presentation which will be answered at the end of the presentation.

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

<https://livestream.com/accounts/11153656/events/9234805/player>

The interim financial statement for the first six months can be obtained from www.reginn.is/fjarfestavefur/

Further information will be provided by:

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