

## Reginn Interim Report for the first 9 months of the year 2020

Reginn hf. Interim Financial Report, January 1<sup>st</sup> to September 30<sup>th</sup> 2020 was approved by the Board on November 5<sup>th</sup> 2020.

- Operating revenues amounted to 7,177 m.ISK.
- Leasing income declined by 1.5% from previous year.
- Operating profit before assessment change and depreciation was 4,689 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 was 144,286 m.ISK. The assessment change for the period was 47 m.ISK.
- Profit after income tax was 162 m.ISK compared to 3,545 m.ISK for the same period last year.
- Cash generated from operations in the period amounted to 1,695 m.ISK. Net cash at the end of the period was 2,854 m.ISK.
- Interest bearing debts amounted to 88,961 m.ISK at the end of the period, compared to 84,021 m.ISK at the end of year 2019.
- The equity ratio is 30.3%.
- Earnings per share for the period is 0.09 but was 1.93 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 last September 30<sup>th</sup> was 469.

### 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.

Operating revenues amounted to 7,177 m.ISK of which leasing revenues amounted to 6,745 m.ISK, a decrease of leasing revenues little over 1.5% between the years. The decrease is primarily due to the effects associated with COVID-19 and the measures that have been taken.

Operating profit before profit from sales, assessment change and depreciation / EBITDA was 4,689 m.ISK which is about 6.2% 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 114, the total size of the property portfolio was 375 thousand square metres. The leasing ratio for the portfolio is about 96% compared to revenues from 100% leasing. The company's portfolio is largely unchanged between periods, except for two minor properties sold during the period, i.e. Álfabakki 12 and Mörkin 4.

The evaluation of the company's properties assumes that revenues in tourism - related activities will decrease significantly in 2020, and will continue through 2021, and that the domestic demand will decline in the year, but will stabilise in the year 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 9 months of the year was 47 m.ISK.

### **Operations and prospects**

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 30.3% (required 25%). At the end of the period, net cash was 2,854 m.ISK and in addition the company has open unused credit lines amounting to 3,725 m.ISK.

Despite great uncertainty due to the impact of COVID-19, the company's management is optimistic about the future outlook. The company immediately took action to strengthen its 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 most affected by COVID-19 financially. The current measures and the experience gained in the past half year provides strong indications of the impact on the company's operations and portfolio. At the end of September agreements had been negotiated with the lessees affected by COVID-19, followed by the publication of the company's revised plan for 2020 and operational plan for the year 2021.

Significant results have been achieved in operation of the company's assets as operations in the properties.

The company called for a shareholders meeting on September 9<sup>th</sup> where a proposal to increase number of shares to maintain the equity and cash position following dividend payment, was accepted. In accordance with the decision of the Annual General Meeting from last March 11<sup>th</sup>, dividends were paid by the company on September 11<sup>th</sup>.

Completion of the restructuring projects has been successful and to complete in a leasable condition. This summer the company has handed over leasing spaces at Bæjarlind 1-3 to the Mental Health Team South, Miðhraun 4 to Distica, Skútuvogur 2 to two tenants as well as Miðhella 2 and Miðhraun 15. The company's largest restructuring project currently underway, is the reconstruction and expansion of Suðurhraun 3 for the headquarters of the State Road Administration.

### **Social responsibility and green priorities**

In recent years Reginn has placed great emphasis on environmental issues and sustainability in its operations, reflected in the company's ambitious sustainability policy. A key element in Reginn's journey in environmental matters was the reception last December of an international environmental certification for Smáralind, but Smáralind is the first property in Iceland to receive the international BREEAM In-Use environmental certification. The company intends to be a leader in properties environmental certification, complying with international requirements for environmental aspects, risk management and operations.

Reginn hf. received recognition as an Outstanding Company in operation for the year 2020, achieving the 11<sup>th</sup> place. The company also received recognition as an Outstanding Company in good governance last August. The company has also received Reitun's evaluation of the company's position in ESG matters or environmental, social and governance matters. It takes into account the company's position in green financing, environmental accounting, employee well-being and governance. The company's management is pleased with the review and also believes that it encourages them to continue on the same path.

## **Bond issuing**

At the end of June Reginn, first of Icelandic property management companies, completed the sale of green bonds (REGINN50 GB). Reginn thus became the first private enterprise and the first listed company on the Icelandic stock market to issue such bonds.

In October Reginn completed the sale of new green bonds (REGINN23 GB). The bond series, which was issued under the company's issuance framework, is non-indexed for almost 3 years and 2 billion ISK nominal value, was sold in a closed tender to institutional investors. The bonds bear a fixed interest rate of 3.20% and were sold at par. The settlement was completed on November 4<sup>th</sup>.

Reginn intends to repay the bond series REG2 Smáralind on December 12<sup>th</sup>. The company will offer current owners of REG2 bonds, the REGINN50 GB series in exchange for the bonds, as well as to invite other investors to buy bonds in the series. The company has noted interest by credit institutions in green lending to the company and it is being examined parallel to the bond issue.

## **Presentation of the company**

Concurrently with the publication of the report, Reginn announces invitation to an on-line presentation on Friday, November 6<sup>th</sup>, at 08:30. Helgi S. Gunnarsson, CEO, will present the results for the first nine months of 2020. If interested, questions regarding the statement or the presentation can be sent to [fjarfestatengsl@reginn.is](mailto: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/9371548/player>

The interim financial statement for the first nine months can be obtained from [www.reginn.is/fjarfestavefur/](http://www.reginn.is/fjarfestavefur/)

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

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