

## Reginn hf.'s Financial Statement 2022

- Operating income amounted to ISK 12,197 million.
- Rental income increases by 11% from last year.
- Operating profit before valuation adjustment and depreciation was ISK 8,368 million and increases by 10% from the previous year.
- Profit after income tax amounted to ISK 2,914 million, which is around 50% decrease from the previous year. In the second half of the year, the increase in the base rate began to have a significant effect on the downward revision of the valuation of investment assets, which explains the decrease in profit.
- The book value of investment properties at the end of the year was ISK 173,739 million compared to ISK 161,142 million at the end of 2021. Valuation adjustment during the year was ISK 5,993 million.
- Cash and cash equivalents from operations amounted to ISK 4,911 million in 2022.
- Interest-bearing liabilities were ISK 109,088 million at the end of 2022 compared to ISK 96,086 million at the end of 2021.
- Equity ratio at the end of the year was 30%.
- Earnings per share in 2022 was 1.61 compared to 3.39 the previous year.
- Carbon footprint was 19% lower per square meter at the end of 2022 compared to 2019.

The company is listed in Nasdaq Iceland hf., the number of shareholders at the end of 2022 was 522 compared to 457 at the end of 2021.

### Operations and Performance

The company's operations have been successful and the operating profit before valuation adjustment in the year 2022 is very good and exceeds estimates. Demand for the company's housing has been high this year. Demand for commercial housing is good, defaults at a minimum and clear signs of increased activity in the tourism sector. It is the opinion of the company's board and management that, despite the uncertainty in the economic development, the effects are limited to a small number of lessees and a small percentage of total income. Operating income amounted to ISK 12,197 million, of which rental income amounted to ISK 11,508 million. Rental income has increased by 11% compared to 2021. There have been several changes to the portfolio over this period that affect rental income. The number of income-bearing square meters has decreased between years and properties as well. Operating profit before capital gains, valuation changes and depreciation / EBITDA was ISK 8,368 million, which corresponds to a 10% increase compared to 2021.

The Board of Directors of the Company proposes that dividends will not be paid for the year 2022. The company's Annual General Meeting will be held on 7 March 2023.

Along with the settlement, the company presents an operating forecast for the year 2023, which is based on the fact that annual inflation will be 6%. It is estimated that the company's rental income in 2023 will be around ISK 12,700–12,900 million. Furthermore, it is expected that the operating profit before valuation adjustment and depreciation will be around ISK 9,200–9,400 million. The operating plan covers the current portfolio.

The increase in prices and the increase in the yield on government bonds in recent months has a considerable effect on the company's performance. Financial expenses increase to ISK 11,082 million during the period from ISK 7,081 million for the same period last year. Of this, indexation increases to ISK 7,953 million from ISK 3,642 million for the same period last year. An increase in the risk-free interest rate has a direct effect on the valuation adjustment of investment properties. The valuation adjustment for the year is 3.8% despite a much larger increase in prices and is explained by the above.

### **Portfolio and Balance Sheet**

The value of the company's investment properties minus right-of-use-assets is estimated at ISK 170,425 million. The portfolio now consists of 100 properties totalling around 373,000 square meters. The leasing ratio is about 98% compared to the income that 100% leasing would generate. The total valuation adjustment for the year amounted to ISK 5,993 million. The company's portfolio has decreased, both in the number of properties and in square meters, which amounts to just over 2%, despite this, income has increased.

### **Scope of Activities and Prospects**

The company's financial position is strong and the financial conditions are within the limits of the loan terms, equity ratio is 30% (conditions 25%) At the end of the period, cash and cash equivalents was ISK 1,369 m and in addition, the company had access to unused credit lines in the amount of ISK 4,700 million at the end of the period.

The company's management is optimistic about the prospects ahead.

Good results have been achieved in the operation of the company's properties, as well as in real estate operations. During the year, lease agreements were concluded for 26,000 m<sup>2</sup>. The year has been characterised by extensive projects for large development and restructuring projects within the company's portfolio, and most of them are now in the final phase, e.g. Hafnartorg, Höfðatorg, and Smáralind. During the year there were several delays in these projects which can be attributed to expansion in the construction sector and a lack of inputs, despite this, these projects are now starting to produce the income pattern that was originally expected, but they still have a lot in them.

Hafnartorg Gallery opened in mid-August. The opening added three new shops and seven restaurants to Hafnartorg. Thus, Hafnartorg has expanded significantly and increased the variety of great shops and quality restaurants, as well as cultural activities in the area. Hafnartorg has become well utilised, and the lessees' income is constantly increasing. It is expected that the six rental spaces that have been retained will be leased in the coming months.

During the year, the company completed the purchase of a portfolio consisting of the properties Hafnarstræti 18 and 17–19, as well as Þingholtsstræti 2–4. The total purchase price of the properties was a total of ISK 5,550 million and was fully financed with cash and credit. The total square meters of the properties is 6,777 m<sup>2</sup>, most of which are hotels

and accommodation activities. The properties fit well with Reginn's portfolio and are located in the company's core area in downtown Reykjavík at Hafnartorg.

During the year, the company delivered a number of new rental spaces to customers, the main ones being Katrínartún 2, where Kvika bank expanded, and Ármúli 4 and 6, where the City of Reykjavík leased housing for Child Protection Services and preschools.

Following the signing of a lease agreement for a healthcare centre in Akureyri for the Heilbrigðisstofnun Norðurlands this summer, construction work began on Sunnuhlíð 12. That project will last until the second half of 2023, when the new healthcare centre will be delivered to the lessee.

The company's objectives in joining a dynamic real estate development company were achieved when the transaction was completed for the real estate development company Klasi ehf. in the fall of 2022. In the future, a large part of real estate development and the development of the company's new properties will take place within the real estate development company Klasi ehf. There are exciting opportunities ahead that Reginn will be participating in with strong teammates. Reginn's share in Klasi ehf. is one third of the company's share capital and the share is booked at ISK 4,045 million at the end of the year.

At the beginning of 2022, the company purchased Dvergshöfði 4, which is a 10,000 m<sup>2</sup> office building that has stood partly concreted for the past 14 years. Following a successful international architectural competition where ambitious goals were set, e.g. regarding sustainability, smart solutions, flexibility, and efficiency, work is currently underway to redesign the structure. At the same time, negotiations with prospective lessees are ongoing and are expected to be completed in the spring. It is estimated that the development of the project will take place within the Real Estate Development Company Klasi ehf.

## **Sustainability Policy and Green Focus**

In October, the company received Creditinfo's and Festa's incentive award for excellent sustainability in 2022 among Outstanding Companies. In addition, the company was ranked 12th on the list of outstanding companies.

The jury's opinion states that Reginn hf. places great emphasis on sustainability in its operations and strives to encourage customers to do the same, thereby having a wider impact on sustainable development in society.

It is the company's belief that a focus on sustainability reduces risk in the company's operations and strengthens financial profitability in the long term.

Reginn is in a unique position to reduce the environmental impact of its properties. The main negative impact the company has on the environment is the emission of greenhouse gases from its properties during their operating period. A major factor in meeting these effects is the environmental certification of properties. With the environmental certification of properties it is, for example, possible to identify the risks that each building creates for the environment, as well as being a confirmation by a third party that the operator follows the best standards and requirements in the operation of properties. Reginn has certified three of the largest properties in the portfolio with BREEAM In-use certification: Smáralind, Katrínartún 2, and Borgartún 8–16, which in total account for 27% of the company's portfolio. The goal is to certify 50% of the company's portfolio by the end of 2026. Egilshöll is already undergoing the certification process.

Two years ago, the company published a green framework with the aim of financing environmentally certified properties and environmentally friendly investments. Reginn was the first listed company to issue green bonds.

In accordance with the company's policy in sustainability issues, there is a sustainability report available for the year 2022 which has received limited approval from KPMG. Good results have been achieved in all the aspects covered by the measurements. Reginn's sustainability report can be found on the company's website, [www.reginn.is](http://www.reginn.is).

## **Financing / Refinancing**

The year 2022 was marked by rising interest rates and prices, which have a direct impact on the interest rates offered to the company on the market. The company raised a total of ISK 14,990 million in new financing during the year, which was partly used to refinance older, less favourable loans, but also to finance property purchases. Of these, there were two new bond classes in the amount of ISK 10,700 million. A bond issued in 2012 to finance Kvikmynda- og Knatt höll ehf. (Egilshöll) was refinanced with a new green bond in the amount of ISK 7,700 million. Green financing at year-end 2022 was 38%, compared to 33% at year-end 2021.

## **Presentation of the Company**

Concurrent with the publication of the settlement, Reginn will hold a presentation meeting on Friday, 10 February at 8:30 a.m. on the ground floor of Smáralind in front of the Snúran and H&M stores.

The meeting will also be streamed online at the following URL:

<https://vimeo.com/event/2838884/c9dcff4d96>

Helgi S. Gunnarsson, CEO of Reginn and managing directors Rósa Guðmundsdóttir and Sunna H. Sigmarsdóttir will present the settlement and answer questions after the presentation. You can send an inquiry to [fjarfestatengsl@reginn.is](mailto:fjarfestatengsl@reginn.is) prior to the meeting and during the presentation, which will be answered after the presentation.

Light refreshments will be served.

Registration for the presentation meeting takes place via the email address [fjarfestatengsl@reginn.is](mailto:fjarfestatengsl@reginn.is). The company's financial statement, newly published annual and sustainability report can be accessed at [www.reginn.is/fjarfestavefur/](http://www.reginn.is/fjarfestavefur/)

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