

Reginn makes a profit of 6.1 billion in the first half of the year - profit increased by 66%

Merger register submitted to the Competition Authority and the tendering deadline for the optional takeover bid in the share capital of Eik Real Estate Company extended by four weeks until October 16.

Main Points of the Interim Statement

- Operating income was ISK 6.7 billion in the first half of the year and rental income increases by 16.5% from the previous year.
- EBITDA amounted to ISK 4.4bn and increases by 14%.
- Profit was ISK 6.1bn, but was ISK 3.7bn during the same period last year.
- Investment properties are recorded at ISK 186bn after an ISK 10bn positive valuation change.
- Cash from operations amounted to ISK 2.6bn, and cash was ISK 3.6bn at the end of the period.
- Interest-bearing liabilities are ISK 115.5bn at the end of the period and increased by ISK 6.4bn since year-end.
- The debt ratio was 63.4% and the equity ratio was 30.7% at the end of the period.
- Profit per share for the period amounted to ISK 3.36, but was ISK 2.02 at the same time last year.

Major Milestones in the First Half of the Year

- Reginn's takeover bid in Eik Real Estate Company ("Eik") is still valid and is being approved.
 - The merger register has been submitted to the Competition Authority.
 - The deadline for shareholders to accept the bid has been extended to October 16.
- Reginn's refinancing has been completed until 2025.
 - Investors contributed ISK 7.6bn to Reginn at the end of May with the purchase of two new green bond classes: REGINN100740 GB and REGINN25 GB.
- The large-scale investment in the company's properties in recent years has become fruitful, and can be seen, for example, in the high rental rate and a number of new long-term contracts with reliable tenants.
- The previously published income estimate for the year has been updated by ISK 200m, in addition to which, the EBITDA standard is increased by ISK 200m.

Halldór Benjamín Þorbergsson, CEO of Reginn

"The company's operations are successful and are above projections in the first six months of the year, and we expect them to continue to do well in the second half of the year. In light of this, the revenue forecast for the year as a whole has been increased by ISK 200 million, and it is also expected that EBITDA will be ISK 200 million higher for the year.

It is my opinion that the investment that has taken place in Reginn's key cores is yielding strong results. We are seeing a turning point in the transformation of Reginn's property portfolio after a period of heavy investments, which the company is now reaping the benefits from in the form of increased demand and a real increase in rental income. The growing scope of activity in tourism had a

positive effect on the company's operations in the first half of the year, the economy was doing well and arrears were minimal. Reginn's income base is also extremely strong, but 45% of rental income now comes from public bodies and registered companies, which means low counterparty risk for the company.

New lessees include Landsvirkjun, and work is being done on the erection and delivery of 4,500 m² office space in the Höfðatorg tower for the company's headquarters. Following this, the tower will be 100% leased. Hafnartorg is a similar story, but rental income from the area has doubled since the same period last year.

At the same time, we have continued to streamline the portfolio, and it is gratifying that rental income increased by 16.5%, while reducing the number of square metres in the portfolio by 2%.

We will continue to strive to achieve further optimisation and increase the company's impact. On 4 July, Reginn's Shareholders' Meeting unanimously approved an increase in share capital to settle the optional takeover bid for Eik. The optional takeover bid was valid until September 18, 2023. Reginn has already submitted a merger register to the Competition Authority, and the Financial Supervisory Authority of the Central Bank of Iceland (FME) has approved Reginn's application for an extension of the bid deadline until 13:00, 16 October, 2023. Reginn's management expects that the transaction can be completed within that time limit.

At Reginn's Shareholder's Meeting, it was emphasised that the plans contained in the bid are based on a broad consensus being reached on the issue, and the requirement for minimum approval by Eik's shareholders was therefore raised to 75%. Previous announcements have stated that the majority of Eik's shareholders have already expressed their support for the plans based on market sounding. Subsequently, a conversation has taken place with certain Eik shareholders to present the plans in more detail and to listen for viewpoints on the policy priorities that Reginn has presented in connection with the bid. We expect that with a detailed presentation of Reginn's settlement and a more detailed description of the strategic priorities of the merged company, a broad consensus will be reached on the bid among Eik's shareholders.

Operations and Performance

Operating income amounted to ISK 6,682 million the first six months of the year, of which rental income amounted to ISK 6,311 million. Rental income has increased by 16.5% compared to the same period in 2022, which is equivalent to a real increase of 7%. There have been several changes to the portfolio between years, that affect rental income. Following the streamlining of the portfolio, the number of income-bearing square metres and properties has decreased between years. Operating profit before capital gains, valuation changes, and depreciation (EBITDA) was ISK 4,449 million, which corresponds to a 14% increase compared to 2022.

Portfolio and Balance Sheet

The value of the company's investment properties minus rental properties is estimated at ISK 182,174 million. The portfolio now consists of 101 properties totalling around 374,000 square meters. The leasing ratio is about 97.5% compared to the income that 100% leasing would generate. The total valuation change amounted to ISK 10,093 million. The company's portfolio has decreased, both in the number of properties and in square metres, which amounts to around 2%, while at the same time rental income has increased 16.5%.

Optional Takeover Bid For Eik Real Estate Company

On 8 June, Reginn announced the decision of the company's Board of Directors to submit an optional takeover bid for the entire share capital of Eik Real Estate Company ("Eik"). On 4 July, Reginn's Shareholders' Meeting unanimously approved an increase in share capital to settle the optional takeover bid. The public bid summary for the optional takeover bid was published on July 10, 2023. The tender deadline was estimated to be ten weeks until September 18, 2023. That deadline has been extended to October 16, 2023 by the FME.

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According to the detailed presentation of the bid, the aim is for:

60% debt ratio in the merged company

- Sale proceeds of properties earmarked for pre-repayment of debts to maintain a 60% debt ratio
- The rest of the sale proceeds will be allocated for dividends, investments, or a combination of the two.
- This is possible as the optional takeover bid is fully funded and Reginn's Shareholders' Meeting unanimously approved the Boards authorisation to increase the share capital to settle the optional takeover bid.

As a result of strategic investments in recent years, the ability to pay dividends is increasing

- A turning point in the renovation of Reginn's portfolio, where the development of Reginn's main core is in its final stages, which increases the ability to pay dividends of the merged company.
- In recent years, Reginn has invested around ISK 5bn in the transformation of own properties per year, but estimates that this amount will decrease annually by ISK 1.5 bn in the coming years.
- Reginn's assessment is that the merged company should have an ability to pay dividends of ISK 5-6bn per year, which is equivalent to ISK 1.5-1.8 per share.

The majority of Eik's development properties sold on the market

- The plan is for the majority of Eik's development properties to be sold on the market, while the minority will be placed under the management of Klasi.
- This method will deliver value faster to the shareholders of the merged company, in addition to which, all the shareholders of the merged company will benefit from, and acquire a stake in, development projects.
- This ensures greater clarity about the execution of the transaction.

On the basis of this approach, Reginn has submitted a merger register to the Competition Authority, which is in the legal process. FME has agreed to Reginn's request to extend the deadline due for the optional takeover bid for the entire share capital of Eik Real Estate Company for four weeks, or until

October 16, 2023. The takeover offer is subject to the conditions that the Competition Authority does not comment on the transaction or impose conditions on the transaction that the shareholders do not accept, and that holders of at least 75% of Eik's voting rights accept the offer. The status of the matter will be explained in more detail in Reginn's investor presentation.

Scope of Activities and Prospects

During the first six months of the year, lease agreements have been signed for 17,000 m², which is a comparable number of square metres to the same period last year.

- Following the signing of a lease agreement for a new healthcare centre in Akureyri for Heilbrigðisstofnun Norðurlands in the summer of 2022, construction work began on the modification and expansion of Sunnuhlíð 12. That project will last until the second half of this year, when the new healthcare centre will be delivered to the tenant and new 1,740 m² rental spaces will be ready for leasing in the new health-related service core.
- Work is underway to prepare new rental spaces in the Höfðatorg tower in the property. The largest rental project there is due to a contract with Landsvirkjun for about 4,500 m² and they join the group of tenants who are public entities at the company. The tower is now fully leased. The installation of smart waste was recently completed there.
- Construction on the redecoration of the third floor of Smáralind has begun, where the company's headquarters will be located. Over 1,000 m² will be added to the existing 2,000 m² of modern, high quality office space. In addition, new 1,800 m² spaces in Smárabýggð will be available for rent in the coming weeks and months.
- Hafnartorg is becoming more and more established and has a good attendance in the area, and the tenant's turnover, as well as the rental income, doubled between years. Attendance at Smáralind is good and continues to increase from year to year, regardless of the type of retail or entertainment. Extensive housing development in nearby neighbourhoods has increased the demand for retail and services in the area as a whole, which is reflected, amongst other things, in major investments in office and commercial premises in the areas around Smáralind.

Sustainability

Smáralind received the BREEAM In-use recertification last February, and Egilshöll received the BREEAM In-use certification in June. After Egilshöll received the certification, 36% of the company's portfolio has environmental certification.

Recently, Reitun conducted a UFS risk assessment of the company. According to Reitun, Reginn's score was 83 points out of a possible 100, meaning the company rises by one point between years. The company is in category B1 (Good) where the lower limit is 80 and the upper limit is 85.

In the second half of August, the company was recognised as a Model Firm in good governance for the operating year 2022-2023.

In accordance with the company's policy in sustainability issues, there is an environmental report available for the quarter. The carbon footprint is 2% higher per square metre for the first six months of 2023 compared to the same period in 2022, which is explained, amongst other things, by more hot water consumption in the cold season in the first months of the year.

An environmental report for the quarter and a comparison with previous periods can be found on the company's website, www.reginn.is.

Financing

The company's financial position is strong and the financial conditions are within the limits of the loan terms, equity ratio is 30.7% (conditions 25%) At the end of the period, cash and cash equivalents was ISK 3,636m 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.

On May 30 last, the company announced the issuance of two new green bond classes, REGINN100740 GB and REGINN25 GB. Both classes are collateralised with the company's general insurance scheme. Bids in the amount of ISK 6,340m were approved for REGINN100740 GB and a bid in the amount of ISK 1,240m were approved for REGINN25 GB. Along with the tender, Reginn bought back bonds in class REGINN23 GB with a nominal value of ISK 2,880m, but the category had a final due date of June 30, 2023.

Introductory Meeting on Interim Results

Along with the publication of the settlement, Reginn hf. convenes an electronic introductory meeting on Thursday, August 31, at 8:30. Halldór Benjamín Þorbergsson CEO of Reginn hf. presents the results for the first six months of 2023 and answers questions after the presentation. The presentation will be available on Reginn's website <https://www.reginn.is/fjarfestavefur/> and on the stock exchange's news medium after the presentation. You can send inquiries to fjarfestatengsl@reginn.is prior to the meeting and during the presentation, which will be answered after the presentation. The meeting will be streamed online at the following URL:

<https://vimeo.com/event/3633757/embed/38a69287d3>

The interim statement for the first six months of the year and promotional materials can be accessed at www.reginn.is/fjarfestavefur

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