

Reginn hf.: Reginn hf.'s Financial Statements 2023

Main Points of the Financial Statements

- Operating income was ISK 13.8 billion in the year and rental income increases by 13.2%.
- EBITDA amounted to ISK 9.4bn and increased by 12.4%.
- Profit was ISK 3.8bn, compared to ISK 2.9bn in 2022, a 31% increase.
- Investment assets are recorded at ISK 182.7bn.
- The increase in interest rate levels in the second half of the year led to a decrease in valuation by almost ISK 3.6bn. The valuation is positive by ISK 6.5bn in 2023.
- Cash from operations amounted to ISK 5.5bn, and cash was ISK 3.2bn at year-end 2023.
- Interest-bearing liabilities are ISK 116.3bn at the end of the period and increased by ISK 7.2bn during the year.
- The debt ratio was 64.8% and the equity ratio was 30.0% at year-end 2023.
- Profit per share in 2023 amounted to ISK 2.11, compared to ISK 1.61 in 2022, a 31% increase.

Milestones in the fourth quarter

- Reginn's takeover bid in Eik Real Estate Company is still valid and is being approved.
 - Reginn announced on 8 February, 2024 that a preliminary assessment had been received from the Competition Authority.
 - Reginn will request settlement discussions with the Competition Authority to complete the takeover of Eik Real Estate Company.
 - The bid deadline has been extended to 15 April, 2024.
- Refinancing of the company.
 - No loans and bonds have a maturity date in 2024, and the refinancing need for 2025 is just over ISK 1.2 billion.

Halldór Benjamín Þorbergsson, CEO of Reginn

"The company's operations are in line with the updated plan that was published in the presentation of the Interim Financial Statements. 2023 was characterised by strong income growth. In recent years, Reginn has made significant investments, both in upgrades to the portfolio and new properties. These investments in the portfolio are the basis of the 13.2% income growth, but the increase amounted to more than 4.2% in real value last year.

The leasing ratio is 97%, which is comparable to what it has been previously. The past year was particularly eventful in Reginn's operations, where emphasis was placed on developing, transforming and enhancing the company's portfolio, strengthening its business agreements and financial structure. About 45% of the company's income comes from public bodies, on the one hand, and registered companies on the other. Lessee defaults are low and there are many lease projects in the pipeline.

Three development projects will be leased in the coming months. Sunnuhlíð 12 in Akureyri, which is a new health-related service core, Reginn's ownership share is a total of about 4,700m², of which about 4,070m² are new or reconstructed spaces. About 2/3 of the space has already been leased. On the third floor in Smáralind, work is underway on about 3,000m² of high-quality office space, of which about 1,000m² are in the first phase, which will be ready in mid-March. In addition, the first tenants have

taken over retail spaces in Smárabyggð. Smárabyggð is a total of about 1,850m² of new retail and service spaces at Sunnusmári and Silfursmári in Kópavogur.

Höfðatorg is fully leased and the development of Hafnartorg has been positive during the period, and the operating income of operators has increased by 36% between years.

It is the company's goal that a broad consensus will be reached among the shareholders of Reginn and Eik, as well as the Competition Authority, regarding the implementation of transactions in connection with the takeover bid in Eik Real Estate Company. The bid deadline has been extended to 15 April, 2024.”

Operations and Performance

Operating income amounted to ISK 13,777 million, of which rental income amounted to ISK 13,026 million. Rental income increased by 13.2% compared to 2022, which is equivalent to a real increase of 4.2%. 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 9,408 million, which corresponds to a 12.4% increase compared to 2022.

According to current dividend payment policy dated 5 April, 2022, the decision on dividend payment amount shall be based on maintaining the company's strong financial position, taking into account risks in internal and external environment, and that the Company maintains a secure equity and liquidity position. Having regard to the objectives of the company for growth, and in order to maintain a solid financial position, the Board proposes that no dividends be paid and that the profit of the year 2023 be entered onto undistributed equity.

Along with the settlement, the company presents an operating forecast for the year 2024, which is based on the fact that annual increase in prices will be 6%. It is estimated that the company's rental income in 2023 will be around ISK 13,700–13,900 million. Furthermore, it is expected that the operating profit before valuation change and depreciation will be around ISK 9,800–10,000 million. The operating plan covers the current portfolio.

Portfolio and Balance Sheet

The value of the company's investment properties minus rental properties is estimated at ISK 179,446 million. The portfolio now consists of 99 properties totalling around 372,000 square meters. The leasing ratio is about 97% compared to the income that 100% leasing would generate. The total valuation changes for the year amounted to ISK 6,518 million, but the increase in risk-free interest rates in the second half of the year had a negative effect on the valuation of investment properties. The number of square meters in the company's portfolio has decreased by 2.4% since the beginning of 2022, but rental income will increase by 13.2% this year compared to 2022.

Optional takeover bid For Eik Real Estate Company

On 8 June, 2023, Reginn announced the upcoming optional takeover bid for the entire share capital of Eik Real Estate Company (“Eik”) and the official bid summary was published on 10 July, 2023. According to the bid summary, as amended by the addendum dated 14 September, Eik's shareholders will receive 1,670,351,049 shares in Reginn, or 48.0% of the issued share capital following the transaction based on the issued share capital of Reginn on 13 September, 2023. The bid amount, and thus the exchange ratio (48.0%), is determined based on the market value of each company individually based on the

closing price of their shares on 12 September. The bid will cover all shares in Eik that are not already owned by Eik. Reginn has no previous shares in Eik.

The bid deadline has been extended five times in light of the Competition Authority's ongoing investigation into the competitive effects of the merger. The bid is valid until 13:00 on 15 April, 2024.

The bid is subject to the conditions that (i) holders of at least 75% of the voting rights in Eik accept the optional bid, (ii) that the Competition Authority makes no comments on the transaction or imposes conditions on the transaction that Reginn does not accept, and (iii) that Reginn's shareholders' meeting agrees to authorise the Board to increase the company's share capital in order to settle the optional bid. With the approval of Reginn's shareholders' meeting on 12 October, the latter condition has been fulfilled.

On 8 February, Reginn announced that the company had received a preliminary assessment from the Competition Authority, which is part of its standard procedure. The document states the preliminary conclusion of the Competition Authority, which is that the merger hinders effective competition, and will not be approved without intervention. Reginn will request settlement discussions with the Competition Authority to complete the takeover of Eik Real Estate Company.

Scope of Activities and Prospects

This year, around 100 lease agreements have been signed for around 27,000m², which is an increase from the previous year.

- It is planned that the Akureyri Healthcare Centre will open in Sunnuhlíð on 19 February, 2024, as construction work on the alteration and expansion of the property continued in 2023. The new premises will be a revolution for the healthcare centre's staff and the people of Akureyri, and the new health-related service core in Sunnuhlíð will support the healthcare centre's activities well. This is a total of 4,070m² of new and reconstructed rental spaces. About 2/3 of these spaces have already been leased.
- The renovation of the third floor of Smáralind is well underway, where more than 1,000m² will be added to the existing 2,000m² of modern, high-quality office space with an emphasis on selecting sustainable products and materials, and diversity in the staff's working environment.
- The first retail and service space in the new 1,850m² property at Silfursmári was delivered in the second half of 2023, but in the coming months more spaces will be delivered to lessees.
- Hafnartorg Gallery opened in mid-August 2022, and 2023 was therefore its first full year of operation. The turnover increase of operators at Hafnartorg amounted to 36% between years. Commerce has been booming in Iceland in recent years. Despite increased competition from online retailers, both domestic and foreign, domestic commerce has strengthened its position. The rental ratio in Smáralind is 99% and the operators' turnover in Smáralind was the highest ever.

Sustainability

In 2023, special emphasis was placed on the company's preparation for the publication of sustainability information according to the new directive on corporate sustainability disclosure. A double materiality assessment was carried out for the company with the involvement of stakeholders, and the company also published information according to the newly implemented EU classification regulation.

During the year, Egilshöll received the BREEAM In-use certification, and the percentage of certified properties in Reginn's portfolio therefore reached 36% by year-end 2023. A more detailed discussion of the sustainability journey, goals and main projects of the year can be found in Reginn's Sustainability Report.

In accordance with the company's policy in sustainability issues, there is an environmental report available for the quarter. The carbon footprint has been reduced by 23% in 2023 compared to carbon emissions in the reference year 2019.

In accordance with the company's policy in sustainability issues, there is a sustainability report available for the year 2023 which has received limited approval from KPMG. Reginn's sustainability report can be found on the company's website, www.reginn.is as well as an environmental settlement for the period and previous periods.

Financing

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 3,171m and, in addition, the company had access to unused credit lines in the amount of ISK 4,700m at the end of the period.

The company's refinancing needs in the coming years are limited, as no loans and bonds have a maturity date in 2024, and the refinancing need for 2025 is just over ISK 1.2bn.

Presentation Meeting on Financial Statements

Concurrent with the publication of the Financial Statements, Reginn will hold an electronic presentation meeting on Friday, 14 February at 16:15. Halldór Benjamín Þorbergsson, CEO of Reginn hf., presents the results for 2023 and will answer questions 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/4043806/329cf1daca> The company's Financial Statements, newly published annual and sustainability report can be accessed at www.reginn.is/fjarfestavefur

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