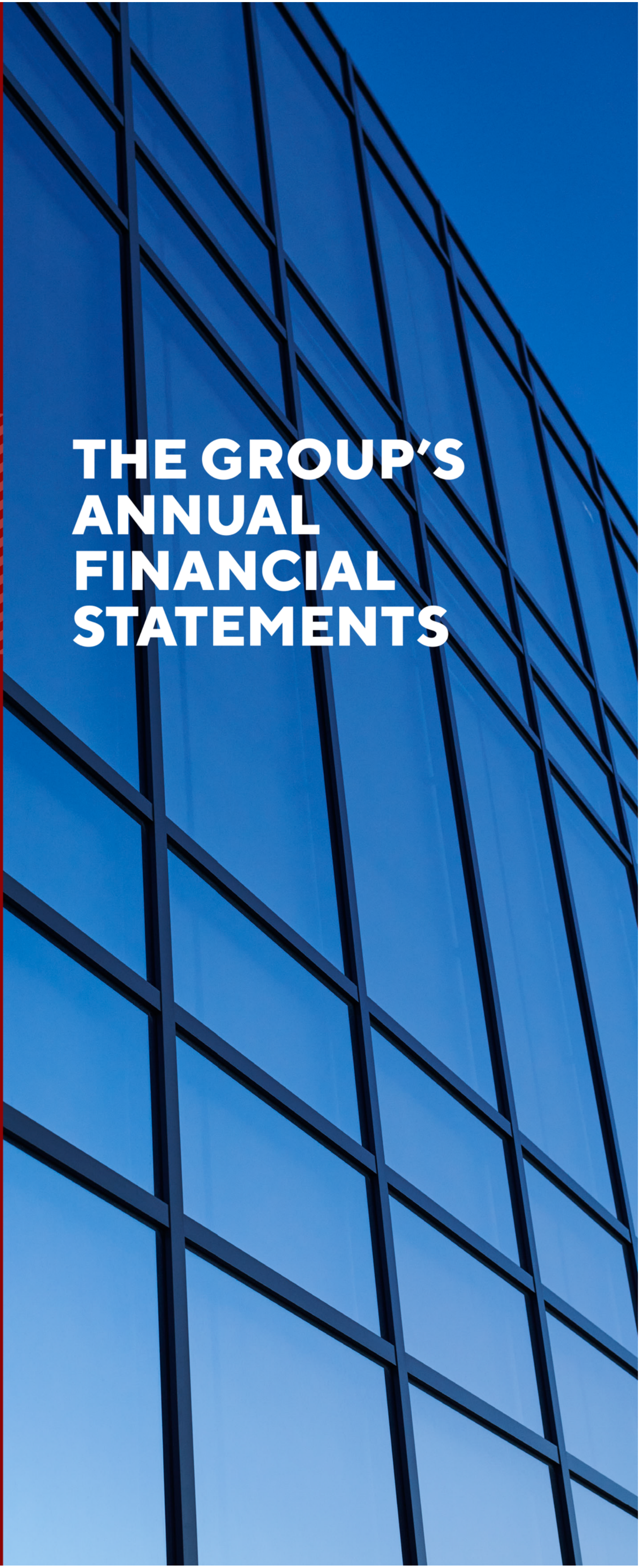
Reginn
FASTEIGNAFÉLAG

2023

THE GROUP'S ANNUAL FINANCIAL STATEMENTS



REGINN HF.
Hagasmára 1
201 Kópavogi
+354 512 8900
reginn.is

Table of Contents

Report and Declaration from the Board of Directors and CEO

Reginn hf. ("Reginn" or "the company") is an Icelandic public limited company with distributed ownership and is listed on the Iceland Stock Exchange (NASDAQ Iceland hf.). The Annual Financial Statements contain the Consolidated Statements of Reginn and its subsidiaries. The Group has 14 subsidiaries. Reginn is a real estate company that invests in, leases and manages commercial premises in Iceland.

Reginn is a ground-breaking and progressive real estate company that is a desirable partner and employer. Reginn invests in properties for the long term, with a special focus on sought-after cores where environmental sustainability is the guiding principle in creating sustainable cores of the future. The company has set a policy and goals for dividing the portfolio according to location, business sectors, customers and environmental certification of properties. The company is dedicated to being a leader in the development and operation of properties as well as contributing to the well-being of society, improving the quality of life and the environment of the residents. Reginn considers the green focus of companies to be one of the key factors in their operations and believes that with socially responsible thinking as a guiding principle, new business opportunities will be created and companies will be more competitive in the future.

The basic aspects of the company's business model are the leasing of commercial premises to companies and institutions. The company's main operating area is in the Greater Reykjavík Area, where over 90% of the company's properties and income are. The leasing and operation of the company is divided into three similar-sized segments: Retail Operations and Services, Public Bodies and Commercial Properties and the General Market. The company owns 99 properties which are a total of about 372,000m^2 in size. The company's largest properties are the Smáralind shopping centre, Katrínartún 2 (Höfðatorg) and Egilshöll.

Operations During the Year

Despite some uncertainty in the economic environment, demand for the company's properties has been good this year. At the end of the year, there were few free spaces in the company's portfolio, and the company's high rental ratio reflects this. The company's rental ratio was 97% at the end of 2023. In recent years, the company has set a target for public bodies' share of rental income, and that share has remained fairly stable in recent months. In 2023, 33% of the company's rental income came from public bodies, and if registered companies and banks are included, the percentage is 45%. The year's results were in line with the updated operating plan that was published following the interim results in August 2023.

The company's management believes that the outlook for operations is good. Property utilisation is good, as is demand, 99 lease agreements were signed during the year for around 27,147m^2.

The company's Board of Directors has approved a Risk Policy that aims to discover and analyse risks, set criteria for risks and monitor them. Risk management is discussed in more detail in notes 21–25. The company meets the main risks by maintaining a strong equity and liquidity position, as well as a secure access to credit.

Segments

Retail Operations and Services

Included in this segment are activities related to retail and entertainment, as well as various service activities. Roughly 74% of Reginn's retail operations and service portfolio is located in Reginn's cores, which means that those areas have a dense and diverse settlement. Increased density and diverse settlements support retail, as residents, staff, customers and even tourists in core areas more often than not choose to shop and seek services in areas close to their workplace and/or home. 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.

Collaboration and leasing projects with public bodies

State and local authorities have been a growing part of the company's customer base, but the company has been working to increase its share in that market from the start. The company's experience in this field, i.e. leasing and provision of support services, has resulted in extensive knowledge within the company about leasing properties with a focus on collaborative projects where tenants are offered support services. Examples of successful projects within this segment are: Egilshöll in Grafarvogur; school facilities in Hafnarfjörður; preschools in Garðabær, Reykjavík and Hafnarfjörður; the Sóltún Nursing Home; and a number of office buildings, including the headquarters of the Icelandic Road Administration, the Social Insurance Administration and the District

Commissioner in the Greater Reykjavík Area. Today, about a third of Reginn’s portfolio is rented out to public bodies, and the largest lessee is the City of Reykjavík, whether in terms of square metres or revenue, as about 14% of Reginn’s income comes from the City of Reykjavík, the company’s second largest lessee is the Icelandic government with about 10% of total income.

Commercial Properties and the General Market

This segment includes all office premises in the company's portfolio that are not leased to public bodies, office space, all industrial, storage and warehouse premises, as well as the company's hotels. The portfolio is very diverse, and the company can therefore easily offer solutions that are suitable for companies with different needs and offer solutions if the needs of companies change.

In 2023, there has been a steady and fairly strong demand for commercial premises on the private market, and leasing has been successful. There continues to be a high demand for high-quality office space and smaller warehouse premises. The company has been able to respond well to the demand for high-quality spaces such as in Höfðatorg, Ofanleiti, The -hraun neighbourhood in Garðabær and elsewhere.

There is a great demand for spaces in the company's two office centres, at Tryggvagata 11 and Ármúli 6. Office centres are intended to meet the increasing demand and need among smaller companies and entities that need small spaces. These entities then have the opportunity to grow further within the company.

Among the largest tenants of the segment are Kvika Bank, Verkís, Landsbankinn, Íslandsbanki, Hotel Kea and Hotel Klettur.

Sustainability

In recent years, Reginn has continued to work on integrating the sustainability of the company's operations with the company's Sustainability Policy as a guiding principle, which is based on the seven United Nations' Global Goals on which Reginn's operations have the greatest impact. The company has set measurable goals that are reviewed regularly based on previous results and planned projects.

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, as well as working on the EU Taxonomy Regulation. Work began on further analysis of Reginn's carbon footprint, which is also useful for setting climate goals for the company according to the SBTi methodology, which is aimed to be completed in 2024.

Work was done on various projects in the company aimed at increasing sustainability; for example, a new smart waste station was put into operation in Katrínartún 2, and construction began on a new smart waste station in Egilshöll, which is scheduled to open in the middle of 2024. Work continued on the certification of the company's properties with the BREEAM In-use certification, and this year, Egilshöll received the certification and an application was submitted for the re-certification of Katrínartún 2. The percentage of certified properties in Reginn's portfolio therefore reached 36% by year-end 2023. Reginn continued to support energy transition with the installation of electric charging stations. The first fast-charging station was installed at Smáralind at the end of the year. Work continued on analysing energy use in the company's larger properties and switching to LED lighting.

During the year, work was done to inform staff about the company's sustainability-related projects, both through regular meetings and during the green week, which was held with lectures on sustainability, environmental labels and tidbits on how to use Earth's resources better. Employees also participated in working groups with other companies, non-profit organisations and institutions concerned with sustainability and attended conferences on the subject.

Optional Takeover Bid for Eik Real Estate Company

On 8 June 2023, 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) with various caveats, including the approval of the Shareholders' Meeting regarding the increase in the share capital of Reginn hf. to settle the optional takeover bid in Eik and the approval of the Competition Authority. The increase in share capital was approved at Reginn's Shareholders' Meeting on 12 October 2023. Reginn published the public bid summary for the optional takeover bid on 10 July 2023. The Competition Authority's investigation into the competitive effects of the merger is ongoing. On 7 February 2024, Reginn received the Competition Authority's preliminary results, and the bid deadline for Eik's shareholders has been extended to 15 April 2024. Reginn has until 21 February to submit comments, and the company will endeavour to reach a consensus with the Competition Authority on the implementation of the transaction.

The majority of Eik's portfolio fits well with Reginn's strategic priorities. If the transaction goes through, it is expected that Eik's real estate portfolio will be streamlined, taking into account Reginn's strategy of developing strong cores and sustainability. This includes, e.g. that certain properties will be sold, as well as that the majority of assets that are considered development assets will be sold on the market, while a minority will be developed in collaboration with a specialised entity with the aim of maximising value for shareholders. Special emphasis will be placed on the leasing of large units to public entities and registered companies to minimise counterparty risk. The long-term goal of the merged company will be for over 40% of rental income to come from public bodies and registered companies. The transaction is believed to be able to unleash optimisation possibilities estimated at between ISK 300–500m on an annual basis, without transaction costs and one-off costs, which creates increased value for shareholders. Further discussion can be found in Note 30.

Financing

The year 2023 was marked by rising interest rates and high prices, which have a direct impact on the interest rates offered to the company on the market. The company issued two new green bond classes in 2023 for a total of ISK 7,580m, which were used partly to refinance loans but also to finance the development of the company's portfolio. Green financing at year-end 2023 was 40%, compared to 38% at year-end 2022. No loans are due in 2024. There were large increases in terms on the bond markets in September 2023, which partially reversed in the last weeks of the year, but it is clear that the development of the interest rate will affect the terms offered to the company when it seeks financing in 2024.

Prospects

Increases in interest rates, price levels and inflation prospects have a direct impact on the company's operating income and expenses. It is the opinion of the Board of Directors and management that the combination of lessees significantly reduces the risk of increased defaults despite the increase in rent to the company's customers. The company's rental income is for the most part index-linked, or about 94%. Demand for rental housing has remained stable, which is explained by, e.g. the growth in the arrival of tourists to the country and the increased scope of the economy. The company's largest single cost item, excluding financial expenses, is real estate taxes, and their increase in 2024 amounts to 2% from the previous year.

The ongoing volcanic activity in Reykjanes could have direct and/or indirect effects on the economic environment in the coming seasons, but their effects are unclear. Reginn owns one property in Reykjanes.

Operations and Financial Position

The operating income of the Reginn Group amounted to ISK 13,777 million in 2023 (2022: ISK 12,197m). Of this, rental income for the year was ISK 13,026 million. The published Operating Plan for 2023 assumed that rental income would be ISK 12,900–13,100m. The Group's operating expenses were ISK 4,369m, and the Group's operating profits before valuation change were ISK 9,408m in 2023 (2022: ISK 8,368m). The published Operating Plan for 2023 assumed operating profits before valuation change would be ISK 9,400–9,600m. The valuation change of investment properties was ISK 6,518m, the sales losses from the sale of investment properties was ISK 85m and depreciation of assets for own use ISK 35m. Net financial expenses were ISK 11,566m and income tax ISK 1,004m. The profit for the year was ISK 3,818m (2022: ISK 2,914m). Profits per share were ISK 2.11 in 2023 (2022: ISK 1.61).

The Group's total assets amounted to ISK 192,865m at year-end 2023 (2022: ISK 181,337m) according to the Balance Sheet. Thereof, investment properties owned by the company were ISK 179,446m (2022: ISK 170,425m). The company's equity was ISK 57,778m at the end of the year (2022: ISK 53,960m). Thereof, the company's share capital was ISK 1,809m. The Group's equity ratio amounted to 30.0% by year-end (2022: 29.8%). At the end of the year, interest-bearing loans amounted to ISK 116,351m, of which were ISK 3,771m in short-term liabilities. Cash and cash equivalents at year-end were ISK 3,171m and unused credit facilities were ISK 4,700m. Man-years were 66, with 67 full-time equivalents at the end of the year.

Cash from operating activities amounted to ISK 5,455m (2022: ISK 4,911m) ISK 4,378m was invested in investment properties in 2023 (2022: ISK 11,748m). New green loans were taken for ISK 7,580m, and the company paid off a loan for ISK 4,380m.

Information on events after the reporting date can be found in Note 29.

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, it is proposed that no dividends be paid and that the profit of the year be entered onto undistributed equity.

Share Capital and Owners

The nominal value of the issued share capital in the company is now ISK 1,809,546,970. The reduction of the company's share capital by the amount of ISK 13,605,127, by way of cancellation of 13,605,127 own shares, was approved at the company's Annual General Meeting (AGM) on 7 March 2023. The reduction applies to the company's own shares that the company acquired by purchase in accordance with the repurchase programme of the Board. The company paid ISK 499,999,971 for these shares in 2022.

The share capital is in one category. There were 522 shareholders in the company at the beginning of the year and 638 at the end of the year. The holdings of the ten largest shareholders at year-end were as follows:

	Active shareholding	
	2023	2022
The Pension Fund for State Employees (LSR)	12,51%	10,56%
Brú Pension Fund	11,32%	10,17%
The Commercial Workers' Pension Fund (LV)	10,68%	10,67%
Birta Pension Fund	9,15%	8,75%
Gildi Pension Fund	7,85%	7,88%
Festa – Pension Fund	4,35%	3,97%
Arion Bank	4,24%	3,99%
Stapi Pension Fund	4,04%	4,56%
The Free Pension Fund	3,64%	3,97%
Sigla ehf.	3,59%	3,41%
The total holdings of the ten largest shareholders	**71,37%**	**67,93%**
Total other shareholders	28,63%	32,07%

The company has no own shares at year-end. No restrictions are placed on shareholders' rights to sell their shares. Current applicable law on the electronic registration of title to securities and rules adopted with reference thereto shall apply to transfers of ownership and their implementation. At Shareholders' Meetings, one vote is attached to each krona of share capital.

At the AGM on 7 March 2023 an authorisation was approved for the Board to purchase own shares so that the company will own, along with its subsidiaries, other lawful conditions being satisfied, up to 10% of its share capital. This authorisation is valid for a period of 18 months from the date of its approval.

At the company's AGM on 7 March 2023, it was agreed that no dividends would be paid out to shareholders for the next operating year, the year 2022.

At the company's Shareholders' Meeting on 12 October 2023, it was agreed to authorise the company's Board to increase the company's share capital by up to ISK 1,670,351,049 in nominal value with the subscription of new shares in order to settle the optional takeover bid for all the capital in Eik Real Estate Company.

Changes in equity are discussed in the Equity Summary and Note 15.

Board of Directors and Corporate Governance

The Board of Directors of Reginn hf. emphasises maintaining good governance and compliance with the the Guidelines on Corporate Governance, published by the Iceland Chamber of Commerce, Nasdaq Iceland and the Confederation of Icelandic Employers, 6th issue 2021. The Board has established detailed Rules of Procedure defining its scope of authority and the divisions of tasks between it and the CEO. A Nomination Committee was appointed in 2018, but the aim of the appointment of the committee is to ensure the competence, experience and knowledge of the Board members and transparency in Board elections. The company has shares listed on Nasdaq Iceland and must therefore follow the Guidelines on Corporate Governance.

The members of the company's Board of Directors at the end of 2023 were the following: Tómas Kristjánsson, Chairman; Bryndís Hrafnkelsdóttir, Vice Chairman, Benedikt Olgeirsson; Guðrún Tinna Ólafsdóttir; and Heiðrún Emilía Jónsdóttir. The proportion of women on the Board is 60% women and men 40%. The company therefore meets the provisions of the Act on Gender Ratio of the Board Members of Public Limited Companies. The company's Executive Board consists of three men (50%) and three women (50%). The ratio of women on the company's staff at year-end was 43% and men 57%.

Further information about the Board and corporate governance can be found in the Corporate Governance Statement section, which is part of the company's Annual Financial Statements.

Non-financial information

In accordance with the provisions of the Act on Annual Accounts, the company publishes a separate section on non-financial information that is part of the company's Annual Financial Statements. The company has prepared a special Sustainability Report with non-financial information for the year 2023. The Sustainability Report is available on the company's website www.reginn.is.

Reginn has identified the main risks and key metrics in relation to environmental issues, social factors and economic factors. In a reference table that is also published on the company's website are 30 metrics, where measures of the performance of companies related to UFS issues are presented. There is also a discussion of a new regulation that was implemented into law on 1 June 2023, the Taxonomy Regulation, which assesses how large a percentage of income, operating expenses and investment fees are environmentally sustainable according to the regulation.

Declaration from the Board of Directors and CEO

Reginn hf.'s Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), additional requirements in the Act on Annual Accounts and the Act on Disclosure Obligation of Securities Issuers and Obligation to Flag. Reginn hf.'s Financial Statements for the year 2023 with the file name 9676000V0KP4AUXNSZ66-2023-12-31-is.zip has been prepared in accordance with the provisions of the European Union Regulation No. 2019/815 on European Single Electronic Format.

To the best of our knowledge, it is the opinion of the Board of Directors and the CEO that the Consolidated Financial Statements give a clear view of the Group's operating results in 2023, its assets, liabilities and financial position on 31 December 2023 and the change in cash and cash equivalents in 2023.

Furthermore, it is the opinion of the Board of Directors and the CEO that the Consolidated Financial Statements and the report of the Board and the CEO contain a clear overview of the development and success of the Group's operations, its position and describe the main risk factors and uncertainties that the Group is facing.

The Board and CEO of Reginn hf. have today discussed the company's Consolidated Financial Statements for the year 2023 and confirmed it with their signature. The Board and the CEO call on the Annual General Meeting to approve the Annual Financial Statements.

Kópavogur, 14 February 2024..

Members of the Board of Directors:

Tómas Kristjánsson, Chairman of the Board

Benedikt Olgeirsson

Bryndís Hrafnkelsdóttir

Heiðrún Jónsdóttir

Guðrún Tinna Ólafsdóttir

Chief Executive Officer:

Halldór Benjamín Þorbergsson

Independent auditor's endorsement

To the shareholders and the Board of Directors of Reginn hf.

Opinion

We have audited the accompanying Consolidated Financial statements of Reginn hf. for the year 2023. The Consolidated Financial Statements contain the Profit and Loss Account and a summary of the overall results, the Balance Sheet, the Statement of Equity, the Statement of Cash Flows and information on significant accounting policies and other explanatory notes.

In our opinion, the consolidated financial statements give a true and fair view of the Group's results in 2023, its financial position as of 31 December 2023 and changes in cash and cash equivalents in 2023, in accordance with International Financial Reporting Standards as approved by the European Union.

Our opinion is in line with the information given in our audit report to the Audit Committee, in accordance with Article 11 of Regulation of the European Parliament and of the Council no. 537/2014.

Basis for Opinion

Our audit was conducted in accordance with international standards on auditing. Our responsibility according to those standards is further described below in the section on auditor responsibility. We are independent of Reginn hf., in accordance with international codes of ethics for auditors and other rules on ethics governing auditing in Iceland and have complied with the provisions of these rules.

To the best of our knowledge, we have not provided unauthorised services to Reginn hf., or where applicable, its parent company or subsidiaries within the European Union, referenced in Paragraph 1, Article 5 of Regulation of the European Parliament and of the Council no. 537/2014.

We believe that the audit material we have gathered is sufficient and appropriate to provide a basis for our audit opinion.

Main Focuses of the Audit

The main focuses of the audit are those aspects which, in our professional view, are most meaningful as regards our audit of the company's Consolidated Financial Statements for 2023. These aspects were examined as part of the audit of the Consolidated Financial Statements and taken into account when formulating our opinion on them. We do not issue a separate opinion on each individual aspect.

Main Focuses of the Audit	How We Audited Our Main Points of Focus
Valuation of Investment Properties The Group's investment properties are valued at fair value on the reporting date, 31 December 2023, in accordance with the international accounting standard IAS 40 Investment Properties and IFRS 13 Fair Value Measurement. Investment properties totalled ISK 182,737m, or 94.7% of the Group's total assets on 31 December 2023. The valuation change for the year entered in the Profit and Loss Account was positive by ISK 6,518m The valuation of investment properties is subject to the assessment and interpretation of management. Valuation of investment properties falls under the third level in the classification system of fair value valuation, and the valuation is based on the discounted cash flow of individual properties. Determining the valuation of investment properties is based on assumptions, many of which depend on management's assessment, such as required rate of	The following actions were emphasised in response to this key aspect: Assessment of the Group's valuation model and methodology. Emphasis was placed on reviewing the following assumptions that managers make when evaluating investment properties, which are: - required rate of return - estimated future rental income - estimated future expenses We verified the effectiveness of the valuation model by calculating the fair value of a selected sample using our own valuation model. The required rate of return used for discounting the cash flow was compared to the development of market interest rates and the equity charge.

return, estimated future rental income and estimated future expenses.

Due to the evaluative nature of the item, due to its size and also due to the fact that investment properties are a large part of the Consolidated Balance Sheet, we consider the valuation of investment properties to be a key aspect of our audit.

The accounting method and the main assumptions of the valuation are explained in more detail in Note no. 11.

A numerical analysis of estimated income down to income generating investment properties was carried out.

For the selected sample of properties in the valuation, the estimated income was traced to the underlying contracts.

A numerical analysis of estimated income down to income generating investment properties was carried out and compared with the Group’s historical expenses.

When reviewing the valuation of investment properties, we were assisted by valuation experts from Deloitte in Iceland.

The relevant notes in the Consolidated Financial Statements were reviewed in terms of whether all important information required by accounting rules was present, see Note 11.

Other Information

This document contains information other than the Consolidated Financial Statements and our endorsement of them. Other information is: Report and declaration from the Board of Directors and CEO, unaudited quarterly statement, unaudited corporate governance statement, unaudited non-financial information and unaudited definitions for ESEF reporting. The Board of Directors and Managing Director are responsible for other information.

Our opinion on the Consolidated Financial Statements does not cover this other information, and we do not express an opinion of any kind on them, except for confirmation regarding the report and declaration of the Board of Directors and the CEO that appears below.

In connection with our audit of the Consolidated Financial Statements, we must read this information and consider whether this other information is materially inconsistent with the Consolidated Financial Statements or other knowledge we have obtained during the audit or otherwise appears to be materially misrepresented. If we reach the conclusion, based on the work that we have performed, that there are significant misrepresentations in the other information, we are under obligation to disclose this fact. We have nothing to disclose in this regard.

In accordance with the provisions of paragraph 2, Article 104 of the Annual Financial Statements Act No. 3/2006, we confirm, to the best of our knowledge, that the Annual Report of the Board that accompanies these Consolidated Financial Statements contains information that shall be provided there in accordance with the Act on Annual Accounts and do not appear in the notes.

Responsibility of the Board and CEO for the Consolidated Financial Statements

The Board and CEO are responsible for the preparation and fair presentation of these Consolidated Financial Statements in accordance with International Financial Reporting Standards as approved by the European Union and additional requirements contained in the Act on Annual Accounts. The Board and CEO are also responsible for the internal controls relevant to the preparation and fair presentation of the Consolidated Financial Statements so that it is free from material misstatement, whether due to fraud or error.

In the preparation of the Consolidated Financial Statements, the Board of Directors and the Managing Director are responsible for assessing the operability of Reginn hf. Where appropriate, the Board of Directors and CEO shall provide the appropriate explanation of operability and the reason why they decided to apply the criteria for operability in the preparation and presentation of the Consolidated Financial Statements, unless the Board of Directors and the CEO have decided to dissolve the company or cease operations or have no other realistic options than to do so.

The Board and the Audit Committee shall supervise the preparation and presentation of the Financial Statements.

Auditors’ Responsibility for the Audit of the Consolidated Financial Statements

Our goal is to obtain sufficient certainty that the Consolidated Financial Statements are free of material misrepresentations, whether through fraud or by mistake, and to issue an endorsement that contains our opinion.

Sufficient certainty, however, is not a guarantee that the audit performed in accordance with international auditing standards will discover all significant errors should they be there. Errors can occur by mistake or fraud and are considered significant if they can have an impact on the financial decision making of the users of the Consolidated Financial Statements, whether on their own or in aggregate.

Our audit, in accordance with international auditing standards, is based on professional judgement, and we make use of critical thinking in our audit. In addition, we do the following:

• Analyse and assess the risk of significant errors in the Consolidated Financial Statements, whether due to fraud or mistakes, design and execute auditing actions to respond to such risks and collect auditing data that are sufficient and appropriate to base our opinion on. The risk of not detecting a deliberate significant error is greater than the risk of not detecting an accidental error, since such fraud can involve collusion, forgery, misleading presentation of the Consolidated Financial Statements or the deliberate omission or deliberate bypassing of internal supervisory measures.

• Obtain an understanding of internal controls, which has an impact on the audit, for the purpose of designing appropriate auditing actions, but not for the purpose of expressing an opinion of the effectiveness of the internal controls of the company.

• Assess whether the accounting methods used and the related notes are appropriate and whether the accounting assessment of the management is realistic.

• Form an opinion on the use by management of the criteria for operability and assess on the basis of the audit whether there is significant doubt as regards operability or whether there are circumstances that could give rise to significant doubts regarding operability. If we consider that there is significant doubt of operability, we are under obligation to draw attention to the appropriate notes in the Consolidated Financial Statements in our endorsement. If such notes are inadequate, we must depart from an unqualified endorsement. Our conclusions are based on the auditing data that we have obtained up to the date of our signature. Nevertheless, events or circumstances may arise in the future that can cause uncertainties about the operability of the company.

• Assess overall whether the Consolidated Financial Statements provide a clear image of the underlying business and events and assess the presentation, structure and contents, including the notes to the Consolidated Financial Statements, in light of a clear image.

• Obtain sufficient audit evidence for the financial information of entities within the Group, in order to express an opinion on the Consolidated Financial Statements. We are responsible for the organisation, management and progress of the audit of the Group. We are solely responsible for our opinion.

We are under obligation to inform the Board of Directors and the Audit Committee of, inter alia, the scope and timing of the audit and significant issues arising during the audit, including significant deficiencies in internal supervision that came to light during the audit, where appropriate.

We have also declared to the Board of Directors and the Audit Committee that we have fulfilled the obligations of ethical standards on independence and have informed them of connections or other issues that could possibly affect our independence and, where appropriate, what preventive measures we have established to ensure our independence.

In addition to performing our duties as the company’s elected auditors, Deloitte has provided the company with various other authorised services such as other verification work and sustainability consulting. Deloitte has internal processes in place to ensure our independence before we take on other projects. Deloitte has confirmed in writing to the Audit Committee that we are independent of Reginn hf.

Of the aspects on which we have provided the Board of Directors and the Audit Committee with information, we have assessed which ones are most significant for audit in the current year. These are the main focuses of the audit. We set out these aspects in our endorsement, unless disclosure of such is unauthorised under the relevant laws and legislation or in exceptional cases where the auditor considers that the aspects in question should not be communicated on the grounds that the negative consequences of the information are deemed to be greater than the public interest.

Other Items According to the Provisions of Laws and Regulations

Endorsement for European Single Electronic Format (ESEF Regulations)

In connection with our audit of the Consolidated Financial Statements of Reginn hf., we carried out measures to be able to give an opinion on whether the Consolidated Financial Statements of Reginn hf. for the year 2023 with the file name 9676000V0KP4AUXNSZ66-2023-12-31-is.zip has essentially been made in accordance with the requirements of the Act on Disclosure Obligation of Securities Issuers and Obligation to Flag No. 20/2021 on European Single Electronic Format and EU Regulation No. 2019/815 (ESEF Regulation) which contain conditions related to the preparation of Consolidated Financial Statements in XHTML format and the iXBRL markings of the Consolidated Financial Statements.

The Board of Directors and CEO are responsible for preparing and presenting the Financial Statements in accordance with the Act on Disclosure Obligation of Securities Issuers and Obligation to Flag. That responsibility includes preparing Annual Financial Statements in XHTML format in accordance with the provisions of EU Regulation No. 2019/815 on European Single Electronic Format.

Our responsibility is to obtain reasonable assurance as to whether the Financial Statements, based on the data we have obtained, are in all essential respects in accordance with the ESEF rules and to issue an endorsement with our opinion. The nature, timing and extent of measures selected are based on the auditor’s judgment, including an assessment of the risk of a material departure from the requirements set out in the ESEF Regulation, whether due to fraud or error.

It is our opinion that Reginn hf.’s Financial Statements for the year 2023 with the file name 9676000V0KP4AUXNSZ66-2023-12-31-is.zip has been prepared in accordance with the provisions of the European Union Regulation No. 2019/815 on European Single Electronic Format.

Election of Auditor

Deloitte was elected Reginn hf.’s auditor at the company’s Shareholders’ Meeting in Reykjavík on 2 February 2024.

Kópavogur, 14 February 2024.

Deloitte ehf.

Ingvi Björn Bergmann

Auditor

Reginn hf.’s Annual Financial Statements 2023 are electronically signed by the auditor

Profit and Loss Account and Statement of Comprehensive Income in 2023

	Notes	2023	2022	change
Rental income		13.026	11.508	13,2%
Income from property operations		751	689	8,9%
Operating revenue	4,5	13.777	12.197	13,0%
Operating costs of investment properties		(2.613)	(2.325)	12,4%
Property operations		(1.032)	(879)	17,5%
Administrative expenses		(723)	(626)	15,6%
Operating costs	4,6	(4.369)	(3.829)	14,1%
Operating profits before valuation change		9.408	8.368	12,4%
Valuation changes to investment properties	11	6.518	5.993	8,8%
Sales profits (loss) of investment properties	11	(85)	126	-167,5%
Depreciation of properties for own use	12	(35)	(21)	65,9%
Operating profits		15.806	14.466	9,3%
Financial Income and Financial Expenses:				
Financial revenue		250	112	123,4%
Financial expenses		(11.816)	(11.082)	6,6%
Net financial expenses	9	(11.566)	(10.970)	5,4%
Share of affiliate earnings	10	581	205	
Profits before taxes		4.821	3.701	30,3%
Income tax	19	(1.004)	(787)	27,6%
Profits and total earnings during the period		3.818	2.914	31,0%
Profit per share				
Basic earnings and diluted earnings per share	16	2,11	1,61	31,3%

Notes on pp. 15–36 are an integral part of the Financial Statements.

Reginn hf.'s Consolidated Financial Statements 2023 13 Amounts in ISK millions

Balance Sheet as of 31 December 2023

	Notes	2023	2022
Properties			
Investment properties	11	182.737	173.739
Properties for own use	12	294	246
Rent distribution	5	440	525
Bond assets and long-term receivables		92	0
Shareholdings in associates	10	5.031	4.552
Fixed assets		188.593	179.063
Accounts receivable and other receivables	13	1.101	905
Cash and cash equivalents	14	3.171	1.369
Current assets		4.272	2.274
Total assets		192.865	181.337
Share capital		1.809	1.809
Contingency fund		16.100	16.100
Non-distributable reserve		35.451	31.877
Retained earnings		4.418	4.174
Equity	15	57.778	53.960
Interest-bearing liabilities	17	112.551	101.262
Lease liabilities	18	3.105	3.141
Income tax liability	19	13.910	12.907
Other long-term liabilities	10	0	890
Long-term liabilities		129.566	118.200
Interest-bearing liabilities	17	3.771	7.826
Current maturities of lease liabilities	18	186	173
Accounts payable and other short-term liabilities	20	1.564	1.178
Current liabilities		5.521	9.177
Total liabilities		135.087	127.377
Total equity and liabilities		192.865	181.337

Notes on pp. 15–36 are an integral part of the Financial Statements.

Reginn hf.'s Consolidated Financial Statements 2023 14 Amounts in ISK millions

Statement of Equity for 2023

	Share capita	Contingency funds*	Non-distributable reser ve	Retain ed equity	**Total**
The year 2022					
Equity 1.1.2022	1.823	16.586	31.894	2.740	53.043
Profits and total earnings for the period				2.914	2.914
Entered into a non-distributable reserve			5.983	(5.983)	0
Purchases of own shares	(14)	(486)			(500)
Dividend (ISK 0.82 a share)				(1.497)	(1.497)
Dividend received from subsidiaries			(6.000)	6.000	0
Equity 31.12.2022	1.809	16.100	31.877	4.174	53.960
The year 2023					
Equity 1.1.2023	1.809	16.100	31.877	4.174	53.960
Profits and total earnings for the period				3.818	3.818
Entered into a non-distributable reserve			7.573	(7.573)	0
Dividend received from subsidiaries			(4.000)	4.000	0
Equity 31.12.2023	1.809	16.100	35.451	4.418	57.778
Check	-	- -	0,50	0,18 -	**0**

*The itemisation of reserve funds can be found in Note 15.

Notes on pp. 15–36 are an integral part of the Financial Statements.

Reginn hf.'s Consolidated Financial Statements 2023 15 Amounts in ISK millions

Cash Flow Statement for 2023

	Notes	2023	2022
Operating activities			
Profits and total earnings during the period		3.818	2.914
Operating activities not affecting cash flows:			
Valuation changes to investment properties	11	(6.518)	(5.993)
Sales profits (loss) of investment properties	11	85	(126)
Depreciation of properties for own use	12	35	21
Net financial expenses	9	11.566	10.970
Results of associated companies	10	(581)	(205)
Income tax	19	1.004	787
		9.408	8.368
Change in current assets		(299)	238
Change in current liabilities		272	(303)
		9.381	8.303
Collected interest income		250	112
Interest expenses paid		(3.967)	(3.300)
Interest paid on lease liabilities	18	(168)	(167)
Borrowing costs and prepayment fees paid		(41)	(38)
Cash from operations		5.455	4.911
Investment activities			
Investments in investment properties	9,11	(4.378)	(11.748)
Sales price of investment properties	10,11	1.215	5.069
Investments in associates	10	0	(3.021)
Dividends received from an associate	10	103	196
Investment in properties for own use (net change)	12	(83)	(44)
Other receivables, change		97	69
Investment activities		(3.046)	(9.479)
Financing activities			
Purchases of own shares	15	0	(500)
Dividends paid	15	0	(1.497)
New borrowings	17	7.555	14.959
Instalments and prepayments of interest-bearing long-term liabilities	17	(7.983)	(9.900)
Instalments of lease liabilities	18	(180)	(159)
Financing activities		(607)	2.903
Changes in cash		1.802	(1.665)
Cash and cash equivalents at beginning of year		1.369	3.034
Cash and cash equivalents at end of year	14	3.171	1.369
Investment and financing activities without payment effects			
Investments in associates	10,11	890	(890)
Other long-term liabilities	10	(890)	890
Uncollected sales price of investment properties	11	0	(103)
Sales price of investment properties	11	0	103

Notes on pp. 15–36 are an integral part of the Financial Statements.

Reginn hf.'s Consolidated Financial Statements 2023 16 Amounts in ISK millions

Notes

1. General Information

Reginn hf., “the company”, is based at Hagasmári 1 in Kópavogur. The company’s Consolidated Financial Statements for the year 2023 contain the Financial Statements of the company and its subsidiaries, which are referred to as a whole as “the Group” and to individual companies as “Group affiliates”.
The company is a public limited company and is listed on the Iceland Stock Exchange (NASDAQ Iceland hf.).

2. Basis of Preparation

a. Declaration of compliance with IFRS

The Group’s Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU in accordance with law, as well as additional requirements in the Act on Annual Accounts No. 3/2006. A summary of significant accounting policies can be found in Note 31.

The company’s Board of Directors confirmed the Financial Statements by signing them on 14 February 2024.

b. Operability

The management has assessed the Group’s operability. It is their assessment that its continued operation is guaranteed, and that it is well equipped to meet its obligations in the foreseeable future. The Annual Financial Statements are therefore presented on a going concern basis.

c. Evaluation Standards

The Consolidated Financial Statements are prepared on the basis of cost price, except that investment properties are valued at fair value.

d. Presentation Currency and Functional Currency

The company’s Financial Statements are in Icelandic kronas, which is the company’s functional currency. All amounts are in ISK millions unless otherwise stated.

e. Management’s Assessment of Financial Statements

The preparation of the Consolidated Financial Statements in accordance with international accounting standards requires management to make decisions, evaluate and make assumptions that affect the application of accounting methods and the published amounts of assets, liabilities, income and expenses. Final results may differ from these estimates.

Estimates and assumptions are reviewed regularly. Changes in accounting estimates are recorded during the period in which they take place and the future periods affected by the changes.

Information on important decisions, where accounting methods have the greatest impact on the amounts recorded for properties, can be found in the following notes:

Note 11 – on the valuation of investment properties.
Note 19 – on utilisation of transferable taxable losses.

When determining the fair value, it is based on assumptions that depend on management’s estimate of the development of various factors in the future. The actual sale price of the properties and the settlement value of liabilities may differ from this estimate.

3. Determination of Fair Value

Several of the Group’s accounting methods and notes require the determination of fair value. This applies to financial assets, financial liabilities and other assets and liabilities.

The company has established a process for determining the fair value. This means that management is responsible for all important fair value decisions, including decisions due to valuation methods that fall under level 3 of fair value valuation.

Management regularly reviews important assumptions when valuing assets and liabilities that are based on data that cannot be obtained from the market. If information from third parties, such as prices from brokers or valuation services, is used in determining fair value, management uses the information to support the conclusion that the valuation meets the requirements of International Financial Reporting Standards (IFRS), including the level to which such valuation would fall.

The fair value is classified according to the international accounting standard IFRS 13 on fair value in a graded system based on the assumptions used in the assessment according to the following definitions:

- Level 1: quoted price (unchanged) in an active market for identical assets and liabilities.
- Level 2: assumptions other than the recorded price under Level 1 that can be identified for the asset or liability, either directly (i.e. price) or indirectly (i.e. derived from price).
- Level 3: the assumptions used in valuing the asset or liability are not based on available market information (undetectable information).

Management assesses at the end of each year whether assets and liabilities that are regularly valued at fair value have moved between levels. In 2023 there were no reclassifications between levels (2022: no reclassifications between levels). Further information on the assumptions used in determining the fair value can be found in Note 11 on investment properties.

4. Operating Segment Overview

The operating segment overview provides information on individual components of the company's operations. Activities are divided into three components based on the organisational chart of the company. The activities are divided by property and determine the dominant activity in the property classification. The second is commission income due to subsidiaries' interest in senior management. Financial income and expenses, share in the profits of affiliates and income tax are not allocated to segments as these items are part of the Group's operations. The overview is submitted to the company's Executive Board, but the final responsibility rests with the CEO.

Segments:

- Retail operations and services: Activities related to retail and entertainment, as well as various service activities.
- Public bodies: Leasing to public bodies and operations in properties where applicable.
- Commercial housing and the general market: Office premises in the company's portfolio that are not leased to public bodies, office space, all industrial, storage and warehouse premises, as well as the company's hotels.

Operating Segment Overview 2023

	Retail operations and services	Public entities	Commercial buildings	Other	Offset	**Total 2023**
Rental income	3.986	3.758	5.282	0	0	13.026
Property operations	426	325	0	324	(324)	751
Operating revenue	4.412	4.083	5.282	324	(324)	13.777
Operating costs of investment properties	(871)	(612)	(1.130)	0	0	(2.613)
Property operations	(663)	(369)	0	0	0	(1.032)
Administrative expenses	(99)	(94)	(132)	(723)	324	(723)
Operating costs	(1.633)	(1.075)	(1.262)	(723)	324	(4.369)
Operating profits before valuation change	2.779	3.008	4.021	(399)	0	9.408
Valuation change of investment properties	1.123	1.240	4.155	0	0	6.518
Sales profits of investment properties	0	(91)	5	0	0	(85)
Depreciation of properties for own use					(35)	(35)
Operating profits	3.902	4.157	8.181	(399)	(35)	15.806
Net financial expenses						(11.566)
Share of affiliate earnings						581
Profits before taxes						4.821
Income tax						(1.004)
Profits and total earnings during the period						3.818
Balance 31 December 2023						
Investment properties owned by the Group	60.458	48.846	70.142	0	0	179.446

Operating Segment Overview 2022

	Retail operations and services	Public entities	Commercial buildings	Other	Offset	**Total 2022**
Rental income	3.517	3.535	4.456			11.508
Property operations	398	289	2	283	(283)	689
Operating revenue	3.915	3.824	4.458	283	(283)	12.197
Operating costs of investment properties	(898)	(488)	(939)			(2.325)
Property operations	(534)	(345)	0			(879)
Administrative expenses	(87)	(87)	(109)	(626)	283	(626)
Operating costs	(1.519)	(920)	(1.048)	(626)	283	(3.829)
Operating profits before valuation change	2.396	2.904	3.410	(343)	0	8.368
Valuation change of investment properties	1.945	1.242	2.805	0	0	5.993
Sales profits of investment properties	2	71	53	0	0	126
Depreciation of properties for own use					-21	(21)
Operating profits	4.343	4.217	6.268	(343)	(21)	14.466
Net financial expenses						(10.970)
Share of affiliate earnings						205
Profits before taxes						3.701
Income tax						(787)
Profits and total earnings during the period						2.914
Balance 31 December 2022						
Investment properties owned by the Group	56.695	47.135	66.595	0	0	170.425

Reginn hf.'s Consolidated Financial Statements 2023 20 Amounts in ISK millions

5. Operating Revenue

Operating revenue is itemised as follows:

	2023	2022
Operating income from fixed leases	12.302	10.831
Rental income from turnover-related agreements	813	781
Distributed rental income	(89)	(105)
Total rental income	13.026	11.508
Income from property operations	751	689
Total operating income	13.777	12.197

The duration of the lease agreements that the company has concluded with lessees is up to 30 years, and most of them are linked to the consumer price index or the building cost index. The weighted average rental period is 6 years (2022: 6 years).

In order to meet the impact of COVID-19 on the company's lessees, changes were made to the payment arrangements of parts of the lease agreements. According to IFRS 16.87, it should be considered that it is a new lease agreement. The effect of the changes is therefore spread over the rental period of the agreement. The accumulated distributed rent at the end of the year is ISK 529m (2022: ISK 618m). ISK 89m (2022: ISK 93m) will be used for a reduction in income in the next 12 months and ISK 440m (2022: ISK 525m) for a reduction in income later.

The following is an analysis of the Group's non-cancellable lease payments at year-end, based on the indexes at year-end 2023 (at year-end 2022). Turnover-related lease agreements are not taken into account.

	2023	2022
Rent payments 2023		10.702
Rent payments 2024	12.089	9.710
Rent payments 2025	10.830	8.982
Rent payments 2026	9.938	8.292
Rent payments 2027	7.681	6.534
Rent payments 2028	6.144	5.456
After more than 5 years	32.435	27.390
	79.117	77.066

About 14% of Reginn's rental income in 2023 (2022: 15%) comes from the largest lessee, the City of Reykjavík, the company's second largest lessee is the Icelandic government with about 10% of total income (2022: 11%). The City of Reykjavík and the Icelandic government fall under the category of collaborative projects with public bodies.

6. Operating Expenses

Operating expenses are itemised as follows:

	2023	2022
Property taxes, water and sewerage fees	1.756	1.613
Insurance	196	168
Maintenance and improvements	494	404
Energy costs and waste collection	145	145
Depreciations and write-down of claims	34	43
Wages and wage-related expenses	1.327	1.057
Other operating expenses	417	399
Total operating costs	4.369	3.829

The operating expenses of investment properties that did not generate rental income during the year are insignificant.

Reginn hf.'s Consolidated Financial Statements 2023 21 Amounts in ISK millions

7. Wages and Wage-Related Expenses

Wages and wage-related expenses are itemised as follows:

	2023	2022
Wages	1.075	860
Pension fund premiums	155	117
Other wage related expenses	97	80
Wages and related expenses total	1.327	1.057

Wages and wage-related expenses are itemised as follows:

Operating costs of investment properties	503	416
Property operations	273	237
Administrative expenses	551	404
Wages and related expenses total	1.327	1.057
Man-years worked	66	58
Full-time positions at year-end	67	62

8. Renumeration to Auditors

Renumeration to auditors is itemised as follows:

	2023	2022
Audit of annual statements	16	20
Review of quarterly statements	5	2
Other verification work	6	5
Remuneration to Auditors	27	27

9. Financial Income and (Financial Expenses)

Financial income and financial expenses are itemised as follows:

	2023	2022
Interest income	250	112
Total financial revenue	250	112
Interest expenditure	(4.081)	(3.330)
Capitalised interest	135	395
Cost of obtaining loan	(29)	(27)
Interest on lease liabilities	(168)	(167)
Indexation	(7.672)	(7.953)
Total financial expenses	(11.816)	(11.082)
Net financial expenses	(11.566)	(10.970)

Capitalised interest is due to properties that are under construction or undergoing significant renovations and are not being rented out. Interest calculation is based on 3.5% (2022: 3.5%) VTR average interest and takes into account the average terms of the company’s financing at any given time.

10. Shareholdings in Affiliates

Klasi ehf. sharehold 33.3%

Klasi ehf. Suðurlandsbraut 4, 108 Reykjavík, is a real estate development company, and in 2022, Reginn and Hagar hf. acquired a third share each in the company and KLS Real Estate Development ehf. holds a third share. Part of the purchase price of Reginn’s holding in Klasi ehf. was unpaid at the end of 2022, and was entered as other long-term liabilities in the amount of ISK 890m in the Balance Sheet at the end of 2022. The purchase price was paid in full in 2023.

Reginn hf.’s Consolidated Financial Statements 2023 22 Amounts in ISK millions

Tómas Kristjánsson, Chairman of Reginn hf., is also on of the main owners of KLS Real Estate Development ehf. and sits on the board of Klasi ehf.

Klasi ehf.'s total assets according to the draft Financial Statements on 31.12.2023 were ISK 15,610m, and equity ratio was 87%.

Grunnur I ehf. sharehold 20.6%
Grunnur I ehf. Suðurlandsbraut 4, 108 Reykjavík, holds real estate and lots in Smárabyggð in Kópavogur. Grunnur I ehf.'s total assets according to the draft Financial Statements on 31.12.2023 were ISK 2,384m, and equity ratio was 88%.

Shareholdings in affiliates are itemised as follows:

	2023	2022
Book value 1.1	4.552	0
Reclassified as shareholdings in an associate	0	631
Impact of associated companies	581	205
Investment in Klasi ehf.	0	3.912
Dividend payment from Grunnur I ehf.	(103)	(196)
Book value 31.12	5.031	4.552

11. Investment Properties

Determination of Fair Value

The Group's investment properties are valued at fair value on the reporting date in accordance with the international accounting standards IAS 40 Investment Properties and IFRS 13 Fair Value Assessment, development properties whose fair value cannot be reliably estimated are entered at cost price.

All investment properties fall under level 3 of the fair value classification system, which means that the valuation is not based on available market information. There are no changes in the classification of properties between levels during the year. Valuation of investment properties is carried out by employees of the parent company and is based on the same valuation method as the previous year. Included in the valuation of investment properties are furnishings and other accessories necessary to ensure the property's income flow. The determination of the fair value of investment properties is based on assumptions that depend on management's judgment, and therefore the actual sale price may differ from the estimate. Property classification is revised based on use.

When evaluating investment properties, the discounted future cash flow of individual properties is used. The cash flow model is based on free cash flow to the Group, which is discounted using the weighted rate of return on market capitalisation (WACC). The cash flow plan in the model is for 30 years (2022: 30 years).

The required rate of return on equity is estimated based on the CAPM (Capital Asset Pricing Model) model, which is based on risk-free indexed interest rates. The risk-free interest rate is based on the 3-month average yield of a long-term, index-linked government-guaranteed bond. In addition to risk-free interest, there is a premium to cover the risk associated with the company's underlying operations at any given time.

Interest on loan capital is assessed taking into account the general interest rates offered on the market. The leverage ratio is expected to be 65% (2022:65%) for the future.

The estimated cash flow takes into account rental income from existing leases and their expected development. Every lease agreement is evaluated and the relevant risk factors are taken into account, e.g. the quality and duration of current lease agreements and the market rent that is expected to take over when the agreement ends. The occupancy rate is estimated at 97.5% after the lease agreement ends (2022: 97.5%). Operating costs are deducted from the estimated rental income, e.g. real estate taxes, insurance, maintenance and operation in properties where applicable, along with a share of management costs. Thus, each of the company's properties is valued as an independent unit. The assumptions of the value model are based on empirical data from the company's operations, along with a forecast of the development of key factors for the future.

The result of the assessment was an increase in the assessment of investment properties in the amount of ISK 6,518 million (2022: ISK 5,993m). The main influencing factors on the assessment are price changes and the increase in yield.

Reginn hf.'s Consolidated Financial Statements 2023 24 Amounts in ISK millions

Breakdown of investment properties 2023:

	Investment properties owned by the Group	Lease properties	**Total**
Book value			
Balance 1.1.2023	170.425	3.314	173.739
Investment during the period	4.513	0	4.513
Sold during the period	(2.105)	0	(2.105)
Change due to revaluation of lease liabilities	0	157	157
Valuation change during the period	6.698	(180)	6.518
Sales profit/loss	(85)	0	(85)
Balance 31.12.2023	179.446	3.291	182.737

Breakdown of investment properties 2022:

	Investment properties owned by the Group	Lease properties	Total
Book value			
Balance 1.1.2022	157.819	3.323	161.142
Reclassified as shareholdings in an associates	(642)	0	(642)
Investment during the period	12.143	0	12.143
Sold during the period	(5.172)	0	(5.172)
Change due to revaluation of lease liabilities	0	149	149
Valuation change during the period	6.151	(158)	5.993
Sales profit/loss	126	0	126
Balance 31.12.2022	170.425	3.314	173.739

Leased properties and liabilities are detailed in Note 18.

Breakdown of investment properties owned by the Group in 2023:

	Commercial premises	Office premises	Industrial and storage premises	Hotels	Health, education and recreation	Developm ent properties	**Total**
Book value							
Balance 1.1	52.848	61.333	13.736	17.505	22.636	2.367	170.425
Investment during the year	0	0	0	0	0	504	504
Renovations during the year	2.037	673	28	104	489	678	4.009
Sold during the year	(295)	(1.286)	(524)	0	0	0	(2.105)
Valuation change of the year	1.311	2.981	1.036	1.423	265	(318)	6.698
Sales profit/loss	0	(21)	27	0	(91)	0	(85)
Balance 31.12	55.901	63.680	14.303	19.032	23.299	3.231	179.446

Main assumptions in the 2023 value model:

Estimated rental income per square metres per month in IS	1,220-15,610	1,230-6,670	1,410-3,380	2,980-6,480	1,600-5,960		
Estimated average rent per rental square metres per month in IS	3.365	3.504	2.246	5.355	3.096		3.374
Weighted average cost of capital without tax savings (WACC)	6.2%-7.1%	5.9%-8.5%	5.9%-7.2%	6.6%-7.1%	6.1%-6.7%		
Weighted average	6,38%	6,29%	6,74%	6,67%	6,20%		6,38%

Reginn hf.'s Consolidated Financial Statements 2023 25 Amounts in ISK millions

Breakdown of investment properties owned by the Group in 2022:

	Commercial premises	Office	Industrial and storage	Hotels	Health, education and	Developm	**Total**
Book value							
Balance 1.1	46.596	59.150	13.491	11.343	22.328	4.911	157.819
Reclassification	4.024	0	0	0	0	(4.666)	(642)
Investment during the year	335	191	454	5.004	0	1.724	7.707
Renovations during the year	625	2.003	158	81	225	1.345	4.436
Sold during the year	(385)	(1.851)	(1.091)	5	(288)	(1.562)	(5.172)
Valuation change of the year	1.651	1.742	770	1.078	295	616	6.151
Sales profit/loss	2	98	(45)	(5)	76	0	126
Balance 31.12	52.848	61.333	13.736	17.505	22.636	2.367	170.425

Main assumptions in the 2022 value model:

Estimated rental income per square metres per month in IS	1,150-14,800	1,150-6,200	1,300-3,150	2,770-6,360	1,500-5,540	
Estimated average rent per rental square metres per month in IS	3.110	3.213	1.946	4.501	2.888	3.020
Weighted average cost of capital without tax savings (WACC)	5.7%-7.1%	5.6%-8.3%	5.8%-7.6%	6.3%-7.1%	5.6%-6.5%	
Weighted average	6,09%	6,03%	6,54%	6,44%	5,82%	6,09%

	2023		**2022**	
	Increase	Decrease	Increase	Decrease
Fair value sensitivity analysis:				
Increase (decrease) in rental income by 5%	11.137	(11.137)	10.617	(10.617)
Decrease (increase) in the required rate of return by 0.5%	11.846	(10.681)	11.411	(10.268)

Mortgages and Guarantee Obligations

At year-end, investment properties have a book value of ISK 173,227m (2022: ISK 166,907m) pledged as security for the company's liabilities in the amount of ISK 116,351m (2022: ISK 109,081m).

The company's properties are subject to input tax in the amount of ISK 5,982m at the end of 2023 (2022: ISK 5,992m). The VAT liability expires in 20 years and is not payable unless the relevant property is not used in a VAT-related activity.

Property Valuation and Insurance Price

At year-end, the property valuation of buildings and plots totalled ISK 107,148m (2022: ISK 105,563m). At the same time, the fire insurance value of the company's properties was ISK 163,399m (2022: ISK 147,746m). The Group has purchased additional insurance in the amount of ISK 25,034m (2022: ISK 24,902m).

Further discussion of the accounting treatment of investment properties can be found in Note 31.

12. Properties for Own Use

Properties for own use are real property, vehicles and equipment that are not related to the leasing of individual properties:

	2023	**2022**
Book value 1.1	246	224
Purchased during the year	96	86
Sold during the year	(13)	(43)
Depreciation during the year	(35)	(21)
Book value 31.12	294	246

13. Accounts Receivable and Other Receivables

Accounts receivable and other receivables are itemised as follows:

Reginn hf.'s Consolidated Financial Statements 2023 26 Amounts in ISK millions

	2023	2022
Accounts receivable	684	592
Rent distribution, for further details, see Note 5	89	93
Uncollected sales price	5	103
Other receivables	322	117
Total accounts receivable and other receivables	1.101	905

Credit risk and impairment (write-down) of the Group's accounts receivables and other receivables are discussed in Note 22. Accounts receivables due to other services are insignificant.

14. Cash and Cash Equivalents

Cash and cash equivalents consists of a fund and bank deposits.

15. Equity

Share Capital

The company's total share capital shown in the Consolidated Financial Statements is the total nominal value of ordinary shares that are issued by the parent company and are outstanding on the reporting date.

The total share capital of the parent company according to its Articles of Association was ISK 1,809m at the end of 2023 and is fully paid. Each share of ISK 1 – one króna – in the parent company shall carry one vote. At Reginn's Annual General Meeting on 7 March 2023, it was agreed to reduce the company's share capital by 13,605,127 shares in nominal value. The reduction applies to the company's own shares that the company had acquired by purchase in accordance with the repurchase programme of the Board in 2022.

No restrictions are placed on shareholders' rights to sell their shares. Current applicable law on the electronic registration of title to securities and rules adopted with reference thereto shall apply to transfers of ownership and their implementation. At Shareholders' Meetings, one vote is attached to each krona of share capital.

Contingency Fund

The share premium account of paid-in shares shows what shareholders have paid in excess of the nominal value of the shares that the company has sold.

The statutory contingency fund is established in accordance with the Act on Public Limited Companies No. 2/1995 which stipulates that at least 10% of the company's profit, which is not allocated to the reduction of previous years' losses or invested in other funds in accordance with the law, shall be deposited in a contingency fund until the value of the fund amounts to 10% of the company's share capital. When that limit has been reached, the contribution to the contingency fund must be at least 5% until its value amounts to a quarter of the company's share capital.

Contingency funds are itemised as follows:

	Statutory reserve	Share premium	**Total contingency**
Balance 1.1.2023	457	15.643	16.100
Changes during the year	0	0	0
Balance 31.12.2023	457	15.643	16.100

Non-Distributable Reserve

The non-distributable reserve among equity contains a share in the profit of subsidiaries from the beginning of 2016 that exceeds the distributed dividend from the respective companies on the date of signing.

Retained Equity

Retained equity is the accumulated retained earnings and unallocated losses of the Group less dividends and transfers against other equity items.

Equity Management

It is the policy of the company's Board of Directors that the Group's capital position is strong to support stability in the future development of the operation and to deal with uncertainty in the external environment. The company intends to keep the real return on equity generally above 9%. The company intends to keep the company's leveraging as a percentage of investment properties below 65%.
The company's Investment Policy was approved at a meeting of the Board of Directors on 31 January 2024.

Reginn hf.'s Consolidated Financial Statements 2023 27 Amounts in ISK millions

Dividend

Reginn hf's dividend policy involves paying to the shareholders an amount of about 1/3 of the profit of the previous operating year, either in the form of dividends or through the purchase of own shares and a reduction in share capital. In the company's dividend policy, it is specified that risks in the external environment should be taken into account and that the company maintains a solid equity and liquidity position for the future.

At the company's AGM on 7 March 2023, it was agreed that no dividends would be paid out in the year 2023, and the profit from the operation of the year 2022 was transferred to the next fiscal year.

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, it is proposed that no dividends be paid and that the profit of the year be entered onto undistributed equity.

16. Profit Per Share

Basic profit per share is based on the profit allocated to shareholders in the parent company and the weighted average number of active shares during the year, and shows what the profit is per króna of share capital. Diluted earnings per share are the same as basic earnings per share, since stock options have not been issued to employees or others and the company has not taken out a loan that can be converted into share capital.

	2023	**2022**
Profit during the year	3.818	2.914
Share capital at year-start	1.809	1.823
Effect of buybacks on own shares	0	(14)
Weighted average number of shares during the year	1.809	1.813
Basic earnings and diluted earnings per share	2,11	1,61

17. Interest-Bearing Liabilities

This note contains information on the contractual provisions of the company's interest-bearing liabilities, which are entered at amortised cost.

	2023	**2022**
Green bond issues on the market	37.442	32.661
Green bank loans	8.570	8.388
Green interest-bearing liabilities	46.012	41.049
Other bond issues on the market	44.823	42.846
Other borrowings from financial undertakings	25.516	25.186
Other interest-bearing liabilities	70.339	68.032
Interest-bearing liabilities without borrowing costs	116.351	109.081
Debited (capitalised) recognised borrowing costs	(29)	7
Current maturities of interest-bearing liabilities	(3.771)	(7.826)
Total interest-bearing liabilities, long-term	112.551	101.262

Table of terms and repayment periods of interest-bearing liabilities:

Reginn hf.'s Consolidated Financial Statements 2023 28 Amounts in ISK millions

	Final due date	Weighted interest	Book value 2023	Weighted interest	Book value 2022
Indexed liabilities	2026	4,13%	12.848	3,43%	12.338
Indexed liabilities	2027	2,55%	18.682	2,06%	18.053
Indexed liabilities	2029	1,03%	3.288	1,06%	3.151
Indexed liabilities	2030	2,06%	12.497	2,06%	12.012
Indexed liabilities	2037	3,04%	8.224	3,04%	7.776
Indexed liabilities	2040	3,55%	6.467		
Indexed liabilities	2047	3,68%	8.526	3,68%	8.230
Indexed liabilities	2048	3,60%	20.511	3,60%	19.453
Indexed liabilities	2050	2,50%	14.424	2,50%	13.703
Total		3,03%	105.467	2,80%	94.716
Non-indexed liabilities	2023			3,10%	4.380
Non-indexed liabilities	2025	9,74%	1.240	7,75%	9.985
Non-indexed liabilities	2028	11,10%	9.644		
Total		10,94%	10.884	7,75%	14.365
Total interest-bearing liabilities			116.351		109.081

Repayments of interest-bearing long-term liabilities are itemised as follows in the coming years:

	2023	2022
Instalment 2023		7.826
Instalment 2024	3.771	3.530
Instalment 2025	5.181	12.319
Instalment 2026	15.227	10.977
Instalment 2027	18.906	19.627
Instalment 2028	10.521	2.003
Later instalments	62.745	52.799
Total long-term interest-bearing liabilities, incl. current maturities	116.351	109.081

Loan agreements within the Group contain terms of financial strength and the Group meets all applicable terms at the end of 2023. New loans for ISK 7.6bn (2022: ISK 15bn) were taken out in the form of green bonds. In return, the company paid off a loan for ISK 4.4bn (2022: ISK 8 billion) Loan agreements for interest-bearing liabilities in the amount of ISK 42,611m contain provisions that allow payment in 2024.

Reginn hf. has listed on the main market Nasdaq Iceland hf., a ISK 120bn bond framework where bonds and bills with different characteristics may be issued. The company also has a framework around green financing. At year-end, green financing was ISK 46,012m (2022: ISK 41,094m).

	2023	2022
Interest-bearing liabilities 1 January	109.081	96.039
New borrowing	7.580	14.990
Instalments and prepayments of long-term loans	(7.983)	(9.900)
Change in borrowing cost	0	(1)
Indexation	7.672	7.953
Interest-bearing liabilities 31 December	116.351	109.081

18. Lease Agreements

Lease assets and lease liabilities are due to lease agreements that the Group leases from third parties for lots for the Group's buildings and buildings. Building leases are indexed. Lease assets that the Group enters as a result of these leases are entered as investment properties, see Note 11, and are valued at fair value on each reporting date. Lease liabilities are assessed initially based on the present value of lease payments that are unpaid at the inception date. Lease payments are discounted using the interest rate built into the lease if that interest rate can be easily determined. If not, lease payments are discounted using the Group’s interest rate on new credit. After the inception date, lease liabilities are valued at amortised cost price using the effective interest method, where lease payments are divided into interest charges, which are entered in the

Reginn hf.’s Consolidated Financial Statements 2023 29 Amounts in ISK millions

Profit and Loss Account, and instalments of lease liabilities, which are entered as a reduction of lease liabilities in the Balance Sheet.

Lease assets and lease liabilities are itemised as follows:

Lease properties	**2023**	**2022**
Balance 1.1	3.314	3.323
Change due to revaluation of lease liabilities	157	149
Valuation change during the period	(180)	(158)
Balance 31.12	3.291	3.314
Lease liabilities		
Balance 1.1	3.314	3.323
Revaluation due to indexation of rent payments	157	149
Instalments of lease liabilities	(180)	(159)
Long-term part of lease liabilities balance 31.12	3.291	3.314
Current maturities of lease liabilities	(186)	(173)
Balance 31.12. less current maturities	3.105	3.141

Amounts in Profit and Loss Account	**2023**	**2022**
Valuation change	(180)	(159)
Interest expenses on lease liabilities	(168)	(167)
Total amounts in Profit and Loss Account	(348)	(326)

Amounts in cash flows	**2023**	**2022**
Paid interest expenses on lease liabilities	(168)	(167)
Instalments of lease liabilities	(180)	(159)
Total amounts in cash flows	(348)	(326)

Lease liabilities Instalments of lease liabilities due to buildings are itemised as follows in coming y	**2023**	**2022**
Instalment 2023		173
Instalment 2024	186	174
Instalment 2025	122	114
Instalment 2026	22	21
Net investment in lease agreements	330	482

19. Income Tax

Income tax entered in the Profit and Loss Account is itemised as follows:

		2023		**2022**
Profits before taxes		4.821		3.701
Income tax according to the applicable tax rate	20,0%	964	20,0%	740
Impact of tax adjustments	0,8%	39	1,3%	46
Active income tax	20,8%	1.004	21,3%	787

Tax liability is itemised as follows:

Reginn hf.'s Consolidated Financial Statements 2023 30 Amounts in ISK millions

	2023	2022
Deferred tax liability 1.1	12.907	12.120
Income tax during the year	1.004	787
Deferred tax liability 31.12	13.910	12.907

Tax liability is itemised as follows:

	2023	2022
Investment properties and properties for own use	15.760	14.245
Accounts receivable	(18)	(19)
Lease commitment	(621)	(663)
Lease properties	658	663
Transferable tax loss	(1.869)	(1.319)
Deferred tax liability 31.12	13.910	12.907

The tax loss carry forward at the end of the year is itemised as follows:

	2023	2022
Transferable tax losses in 2013, utilisable to year-end 2023		102
Transferable tax losses in 2014, utilisable to year-end 2024	58	58
Transferable tax losses in 2015, utilisable to year-end 2025	0	0
Transferable tax losses in 2016, utilisable to year-end 2026	462	472
Transferable tax losses in 2017, utilisable to year-end 2027	99	99
Transferable tax losses in 2018, utilisable to year-end 2028	1.121	1.122
Transferable tax losses in 2019, utilisable to year-end 2029	1.182	1.182
Transferable tax losses in 2020, utilisable to year-end 2030	1.868	1.868
Transferable tax losses in 2021, utilisable to year-end 2031	557	541
Transferable tax losses in 2022, utilisable to year-end 2032	1.424	1.424
Transferable tax losses in 2023, utilisable to year-end 2033	2.780	0
Total transferable tax loss	9.551	6.868

The tax loss for the year 2023 arises for the most part because, according to the tax law, the ISK 6,728m valuation change of investment properties is not defined as income and investment properties may be written off for tax purposes by ISK 1,775m. This is offset by a higher sales profit of investment properties of ISK 870m. Income tax credit is assessed on the settlement date, and is only recognised to the extent that future profits can be used against the property.
It is the management's assessment, based on operating plans for the coming years, that the company's tax loss at the end of 2023 will be used against the tax profit of the following years.

20. Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities are itemised as follows:

	2023	2022
Accounts payable	574	412
Accrued unpaid interest	511	397
Other current liabilities	479	369
Total accounts payable and other short-term liabilities	1.564	1.178

21. Financial Risk Management

Overview

The following risks accompany the Group's financial instruments:

- Borrowing risk
- Liquidity risk
- Market risk
- Operating risk

Information is provided here on the risks, goals, strategy and methods of the Group in assessing and managing the risk.

Reginn hf.'s Consolidated Financial Statements 2023 31 Amounts in ISK millions

The Board of Reginn hf. is responsible for implementing and monitoring the Group's risk management. The Board has entrusted the Company's CEO with managing daily risk management. Reginn's Risk Policy, which was confirmed by the Board on 31.1.2024, sets out limits or conditions for the main influencing factors regarding rental activities, investments and finances.

The aim of the Risk Policy to discover and analyse risks, set criteria for risks and monitor them. Through employees training and well defined procedures, the Group aims for disciplined monitoring where all employees are cognisant of their roles and duties.

22. Credit Risk

Credit risk is the risk of financial loss for the Group if a business associate or a partner in a financial instrument cannot meet contractual obligations or that the business associate's insurance is insufficient to cover their obligations. Insurance is mainly in the form of insurance funds and bank guarantees. It is usually based on 3 months' rent. Credit risk is mainly due to account receivables and cash and cash equivalents.

Accounts receivable and other receivables

The Group's credit risk is mainly determined by the financial situation and activities of individual customers. If customers do not meet their obligations, agreements are terminated or additional guarantees are required. Lost accounts receivables have been insignificant as a percentage of turnover.

The Group forms a write-down due to the estimated impairment of account receivables and other investments. The write-down is essentially a special write-down due to individual customers and a general write-down with regard to the age of receivables (older than one month), which have not been linked to individual customers. An accounts receivable is amortised when a decision is made regarding its collectability. Until then, a precautionary write-down is made, which is determined based on the probability of default and the collection history of similar claims. The write-down of accounts receivables was ISK 78m at year-end (2022: ISK 97m). During the year, accounts receivables were written off in the amount of ISK 34m (2022: ISK 43m).

The maximum credit risk due to financial assets is their book value, which was as follows at the end of the year:

	Notes	2023	2022
Rent distribution	5	440	525
Accounts receivable and other receivables	13	1.101	905
Bond assets and long-term receivables		92	0
Cash and cash equivalents	14	3.171	1.369
Greatest potential loss total		4.803	2.799

The age analysis of account receivables was as follows at the end of the year:

	Gross balance 2023	Write-down 2023	Gross balance 2022	Write-down 2022
Not due	544	14	397	44
Due 0-30 days	113	21	24	3
Due 31-180 days	89	39	116	27
Due more than 180 days ago	16	4	153	24
Total	762	78	689	97

The company does not believe there is any risk of loss in other short-term receivables.

23. Liquidity Risk

Liquidity risk is the risk of the Group being unable to meet its financial obligations, which will be settled with cash or other financial assets, as appropriate.

The Group monitors its liquidity position by analysing the due date of financial assets and financial liabilities in order to be able to repay all liabilities on the due date and maintains working practices that ensure that there are sufficient liquid assets to be able to meet foreseeable and unforeseen payment obligations.

The Group has agreed on short-term loans and there were unused credit lines of ISK 4,700m at the end of 2023 (2022: ISK 4,700m).

Contractual payments for financial liabilities, including expected interest payments, are itemised as follows:

Reginn hf.'s Consolidated Financial Statements 2023 32 Amounts in ISK millions

Debts that are not derivatives	Book value	Contractual cash flow	hin the year	After 1-2 years	After 2-5 years	After more than 5 years
2023						
Interest-bearing liabilities	116.351	151.562	8.152	28.203	42.077	73.130
Lease liabilities from buildings*	330	344	196	148	0	0
Accounts payable	574	574	574			
Other long-term liabilities	0	0	0			
Other current liabilities	479	479	479			
Total	117.734	152.959	9.401	28.351	42.077	73.130
2022						
Interest-bearing liabilities	109.081	138.340	11.287	22.074	38.171	66.808
Lease liabilities from buildings*	482	511	190	300	21	0
Accounts payable	412	412	412			
Other long-term liabilities	890	890		890		
Other current liabilities	369	369	369			
Total	111.234	140.522	12.258	23.264	38.192	66.808

*The company has site lease agreements for investment properties owned by the company. The company considers that the site lease agreements are valid for the lifespan of the assets, and therefore their end is uncertain. Site lease in 2023 was ISK 151m (2022: ISK 144m).

24. Market Risk

Interest Rate Risk

The Group’s borrowings are in Icelandic króna and for the most part with fixed interest rates. The Group’s interest rate risk is monitored with regard to the effect of interest rate changes on the company’s operations.

The Group’s interest-bearing financial instruments are itemised as follows at the end of the year:

Fixed interest financial instruments	2023	2022
Financial liabilities indexed	(81.026)	(71.127)
Financial liabilities non-indexed	(1.240)	(4.380)
Total	(82.266)	(75.507)

Variable interest financial instruments		
Cash and cash equivalents	3.171	1.369
Financial liabilities indexed	(24.441)	(23.589)
Financial liabilities non-indexed	(9.644)	(9.985)
Total	(30.915)	(32.205)

Sensitivity analysis of the fair value of fixed interest financial instruments

The Group’s financial instruments with fixed interest rates are not entered at fair value through the Profit and Loss Account. Therefore, interest rate changes on the settlement date do not affect the company’s Profit and Loss Account.

Sensitivity analysis of cash flows of financial instruments with variable interest rates

A change in the average interest rate for the year by 100 points would have increased (decreased) earnings by ISK 309m (2022: ISK 322m) before income tax. This analysis is based on all other variables remaining unchanged. The analysis is performed in the same way as in 2022.

Inflation Risk

Interest-bearing liabilities in the amount of ISK 105.5m (2022: ISK 94,716m) indexed based on the consumer price index. An increase (decrease) in inflation by one percentage point at the end of 2023 would have increased (decreased) the company’s earnings
by ISK 1,055m (2022: ISK 947m) before income tax. The analysis is based on all other variables remaining unchanged. The analysis is performed in the same way as in 2022.

The company’s rental income, which is indexed in agreements, makes up about 94% (2022: 93%) of the company’s rental income.

Reginn hf.’s Consolidated Financial Statements 2023 33 Amounts in ISK millions

Fair Value

Comparison of fair value and book value

The following table shows a comparison of the fair value and book value of financial assets and financial liabilities in the Balance Sheet. Information about fair value is not disclosed if it is equal to book value.

	2023		**2022**	
	Book value	Fair value	Book value	Fair value
Interest-bearing liabilities	116.351	110.126	109.081	108.065

The fair value of financial assets and financial liabilities is calculated by discounting future payments of principal and interest with market interest rates on the settlement date. It is based on market rates as they are at the end of the year.

25. Operational Risk

Operating risk is the risk of direct or indirect loss due to various factors in the Group's operations, the work of its employees, technology and organisation, and external factors other than credit, market and liquidity risk, such as due to changes in laws and general attitudes towards corporate governance. Operational risk arises from all the Group's activities.

It is the Group's policy to manage operational risks in an efficient way to avoid financial losses and to protect its reputation. To reduce operational risk, appropriate separation of duties is established, transactions and compliance with the law are monitored, risk is regularly assessed, employees are trained, work processes are organised and recorded and insurance is purchased when appropriate.

26. Related Parties

Definition of related parties

Affiliated companies, shareholders who have a significant influence on the company's operations, subsidiaries and affiliates' Board members, the CEO and their close family members, and companies controlled by them, are considered related parties.

The holdings of directors and managers in the company at the end of the year are itemised as follows:

	Nominal value share in ISK thousands	
	2023	**2022**
Tómas Kristjánsson, Chairman of the Board (100% ownership in Sigla ehf.)	65.000	61.701
Heiðrún Emilía Jónsdóttir, Board member	327	0
Benedikt Olgeirsson, Board member	207	0
Guðrún Tinna Ólafsdóttir, Board member	84	0
Bryndís Hrafnkelsdóttir, Vice-Chairman of Board	18	18
Halldór Benjamín Þorbergsson, CEO (100% ownership in Optio ehf.)	3.000	0
Helgi S. Gunnarsson, former CEO (100% ownership in B38 ehf.)	1.824	1.657
Dagbjört Erla Einarsdóttir, Head Lawyer	250	0
Páll V. Bjarnason, Director of Commercial Housing	174	0
Sunna H. Sigmarsdóttir, Director of Sustainability and Operations in Properties	122	0
Rósa Guðmundsdóttir, Director of Finances	81	0

Holdings above include holdings of spouses and dependent children, along with holdings owned by companies that the person employs.

Salaries, allowances and matching contributions to the pension fund to the company's Board and managers for work in the Group during the year are itemised as follows:

	2023		2022	
	Wages and benefits	contribution to pension fund	Wages and benefits	contribution to pension fund
Tómas Kristjánsson, Chairman of the Board	10,3	1,2	9,8	0,8
Bryndís Hrafnkelsdóttir, Vice-Chairman	5,4	0,6	5,1	0,4
Benedikt Olgeirsson, Board member	8,1	0,9	4,6	0,4
Guðrún Tinna Ólafsdóttir, Board member	5,4	0,7	5,1	0,4
Heiðrún Emilía Jónsdóttir, Board member	6,2	0,8	5,8	0,6
Anna Þórðardóttir, Chairman of Auditing Committee	2,1	0,3	1,5	0,2
Guðfinna S. Bjarnadóttir, Chairman of the Nomination Committee	1,1	0,1	1,1	0,1
Ína Björk Hannesdóttir, Nomination Committee	0,7	0,1	0,7	0,1
Árni Gunnarsson, Nomination Committee	0,7	0,1	0,6	0,0
Albert Þór Jónsson, ex-Board member	0,0	0,0	1,1	0,1
Hjördís Vilhjálmsdóttir, ex-Chairman of the Auditing Committee	0,0	0,0	0,4	0,0
Sigurjón Pálsson, ex-member of the Nomination Committee	0,0	0,0	0,1	0,0
Helgi S. Gunnarsson, former CEO	62,4	9,6	51,4	7,3
Halldór B. Þorbergsson, CEO	51,6	11,8	0	0
Senior management (five persons)	188,2	35,1	147,5	24,7
Total	342,3	61,4	235,0	35,1

Senior managers are the people who make up the company's Executive Board, excluding the CEO: Baldur Már Helgason, Dagbjört Erla Einarsdóttir, Páll V. Bjarnason, Rósa Guðmundsdóttir and Sunna H. Sigmarsdóttir.
Reference is made to Note 10 regarding transactions with related parties due to the purchase of a holding share in Klasi ehf. Benedikt Olgeirsson received a salary from Reginn in 2023 due to a board seat in Klasi ehf. on behalf of Reginn. Benedikt's salary and benefits due to his position on the board of Reginn amounted to ISK 6.1 million and matching contribution to the pension fund amounted to ISK 0.7 million. Benedikt's salary and benefits due to his position on the board of Klasi ehf. amounted to ISK 2.0 million and matching contribution to the pension fund amounted to ISK 0.2 million. Other transactions with related parties are insignificant. Pricing in such transactions is comparable to the Group's other transactions.

The company's Board of Directors has approved an incentive system that applies to the company's senior managers. The benefits of key managers can be the equivalent of three months' salary. A change was made to the system's payment system in 2022, so that deferral clauses were eliminated and payments due to the incentive system had to be paid out before 1 April of the upcoming operating year of the reference year. Previously, it was assumed that payments were made before 1 April of the following operating year of the reference year to which the payment covered. Incentive payments in 2023 therefore covered two reference years, 2021 and 2022. Total payments were ISK 62.1m in 2023 (2022: ISK 20.2m). The CEO and five senior managers of the company participated in the incentive system in 2023. Payments due to the incentive system to the former CEO were ISK 16.3m (2022: ISK 5.2m) and to five senior managers ISK 45.8m (2022: ISK 15m).

27. Companies in the Group

At year-end 2023, the Reginn Group had 14 subsidiaries:

Reginn hf.'s Consolidated Financial Statements 2023 35 Amounts in ISK millions

	Shareholding 2023	2022
Eignarhaldsfélagið Smáralind ehf.	100%	100%
Smáralind ehf.	100%	100%
Knatthöllin ehf.	100%	100%
Kvikmyndahöllin ehf.	100%	100%
RA 5 ehf.	100%	100%
Reginn atvinnuhúsnæði ehf. merged with RA5 ehf. 2023		100%
HTO ehf. merged with RA5 ehf. 2023		100%
FM hús ehf.	100%	100%
Hafnarslóð ehf.	100%	100%
Hörðuvellir ehf.	100%	100%
Reykir fasteignafélag ehf.	100%	100%
Reginn skrifstofusetur ehf.	100%	100%
RA 18 ehf.	100%	100%
Sóltún fasteign ehf.	99,95%	99,95%
CCI fasteignir ehf.	100%	100%
Dvergshöfði 4 ehf.	100%	100%

The parent company is responsible for part of the liabilities of its subsidiaries. Part of the subsidiaries' assets are pledged against the parent company's liabilities. The company's subsidiaries are all domiciled at Hagasmári 1, Kópavogur.

28. Obligation Outside the Balance Sheet

Reginn hf. is a party to the development of the area south of Smáralind (Smárabyggð), which is being implemented under the banner of the real estate development company Grunnur I ehf. and its subsidiary Smárabyggð ehf. Reginn's shareholding hf. in Grunnur I ehf. 20.6% is held through the subsidiary CCI Real Estate ehf. The area consists mostly of residential areas that have been sold on the general market. In addition, the final touches are being put on the construction of commercial premises on the ground floors at Sunnusmári and Silfursmári with a total of 1,820m^2. Reginn hf.'s subsidiary The holding company Smáralind ehf. is committed to buying these commercial premises and the balance of the purchase price is ISK 200m which is payable in 2024.

29. Events After the Reporting Date

No events have occurred after the reporting date that would require adjustments or changes to the 2023 Financial Statements.

30. Other Business

Optional Takeover Bid for Eik Real Estate Company

On 8 June 2023, 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) with various caveats, including the approval of the Shareholders' Meeting regarding the increase in the share capital of Reginn hf. to settle the optional takeover bid in Eik and the approval of the Competition Authority. The increase in share capital was approved at Reginn's Shareholders' Meeting on 12 October 2023. Reginn published the public bid summary for the optional takeover bid on 10 July 2023. The Competition Authority's investigation into the competitive effects of the merger is ongoing. On 7 February 2024, Reginn received the Competition Authority's preliminary results, and the bid deadline for Eik's shareholders has been extended to 15 April 2024. Reginn has until 21 February to submit comments and the company will endeavour to reach a consensus with the Competition Authority on the implementation of the transaction.

Reginn hf.'s Consolidated Financial Statements 2023 36 Amounts in ISK millions

Reginn's story is, on the one hand, the story of successful restructuring of diverse real estate portfolios. Reginn has always been dedicated to being a leader in the development and operation of properties as well as contributing to the well-being of society, improving the quality of life and the environment of the residents. The company has grown rapidly in recent years with the purchase of diverse real estate and real estate portfolios and is now the second largest registered real estate company in Iceland. In the more than 11 years that have passed since Reginn's registration, the company has bought a total of nine portfolios and 155 properties, totalling around 267,000m^2. Since 2015, there has been systematic work to process these portfolios in line with the company's strategic goals, i.e. to strengthen defined core areas. A total of 85 real estates around 47,000m^2 have been sold from the portfolio. Reginn therefore has a lot of experience in taking over portfolios, processing them and streamlining them to the company's strategic goals. Looking at Reginn's development over the past decade, a bid to Eik's shareholders is a natural next step in the company's successful growth process, as the purchase and streamlining of real estate portfolios have been the main focus of Reginn's development in recent years.

The majority of Eik's portfolio fits well with Reginn's strategic priorities. It is assumed that assets that this does not apply to will be sold from the company, as well as that there will be a clear process for those assets that are considered development assets with the aim of maximising value for shareholders. This includes, i.e. that certain properties will be sold, as well as that the majority of assets that are considered development assets will be sold on the market, while a minority will be developed in collaboration with a specialised entity with the aim of maximising value for shareholders. The long-term goal of the merged company will be for over 40% of rental income to come from public bodies and registered companies. Special emphasis will be placed on the leasing of large units to public entities and registered companies to minimise counterparty risk. The transaction is believed to be able to unleash optimisation possibilities estimated at between ISK 300–500m on an annual basis, without transaction costs and one-off costs, which creates increased value for shareholders.

It is believed that the value of assets under Reginn's green financial framework could more than double in the next five years as a result of transactions. It can be assumed that there will be a respectable investment option for those who want to stand with the Icelandic economy and invest in a company with a combination of index-linked and turnover-related cash flows.

Further information on the bid can be found here:

https://www.reginn.is/fjarfestavefur/upplysingar/eik-tilbod/.

Court Cases
Two court cases are ongoing between Reginn's subsidiary, RA 5 ehf. and FF11 ehf. The cases were brought by FF11 ehf., co-owner of RA 5 ehf. to the property Miðhraun 4 in Garðabær and refer to the settlement of the co-owners due to the fire on the property on 5 April 2018. FF11 ehf. financial claims amount to a total of ISK 360 million in both court cases, amongst other things due to the alleged lost rental income and joint costs, as well as a claim for recognition of liability for damages. RA 5 ehf. believes that the conditions for liability for damages do not exist, financial claims are rejected and all grounds of action are contested. Counterclaims of RA 5 ehf. amount to about ISK 18.9 million. Statements have been submitted in both cases. Assessments have been obtained by FF11 ehf. and RA 5 ehf. has asked for a reassessment. At this point, it is not possible to say whether the case will have a financial impact on the company.

31. Important Accounting Methods

The accounting methods described below have been applied in a consistent manner for all periods appearing in the Financial Statements from all the Group's companies. In order to increase the information value of the Financial Statements, notes on them are published based on how relevant and important they are to the reader. This means that information deemed neither important nor relevant to the user of the Financial Statements is not disclosed in the notes. The international accounting standards that came into effect on 1 January 2023 do not significantly affect the Group's Financial Statements.

a. Group Basis

i. Subsidiaries
Subsidiaries are companies controlled by the Group. Control is based on whether the investor has decision-making power over the investment, bears the risk or has the right to enjoy variable benefits as a result of participation in the investment and can, through decision-making power, influence the benefit from the investment. The financial statements of subsidiaries are included in Consolidated Financial Statements from the date that control commences until the date that control ceases. Subsidiaries' accounting methods have been changed when it has been necessary to adapt them to the Group's methods.

ii. Transactions Eliminated During the Preparation of the Consolidated Financial Statements
Transactions between consolidated companies, balances between them and unrealised income and expenses arising from transactions between the companies are eliminated when preparing the Consolidated Financial Statements.

b. Affiliates

Affiliated companies are those companies over which the company has significant influence, but not control over the company's operational and financial policies. Significant influence is always present when the company controls 20–50% of the voting rights in another company.

Affiliated companies are entered in the company's Financial Statements using the equity method, and the holding is initially entered at cost plus transaction costs.
The company's Financial Statements include the share of profit or loss and other comprehensive income of the affiliates, after the affiliate's accounting methods have been harmonised with the company's accounting methods. The equity method is used from the date that significant influence commences until the date that influence ceases.
If the company's share in losses exceeds the book value of the affiliated company, including long-term investments, the book value is set to zero and the posting of further losses is stopped unless the company has entered into guarantees for these companies or made payments for them.

c. Investment Properties

Investment properties are divided into investment properties owned by the Group and leased properties. The accounting treatment of investment properties is discussed in Note 31.

Investment properties owned by the Group are real estate (land and real properties) that are owned by the company to generate rental income or to increase in value, or both. Investment properties owned by the Group are entered at fair value, see Note 11.

Changes in the fair value of investment properties owned by the Group are entered under the item valuation changes of investment properties the Profit and Loss Account. Investment properties owned by the Group are not depreciated.

At the beginning, investment properties owned by the Group are booked at cost, which is a combination of the purchase price and all direct expenses arising from the preparation of the property for its intended use, including costs incurred due to the purchase of the property. Costs incurred as a result of the purchase of an investment property owned by the Group, which adds to, renovates or services properties, are only capitalised if they meet the general requirements for the authorisation of capitalisation according to accounting methods. Interest expenses on credit used to finance the cost of investment property under construction are capitalised during construction. Development properties whose fair value cannot be reliably estimated are entered at cost price.

The sales profit (loss) of investment properties owned by the Group is the difference between the book value and the sale price, taking into account sales profit.

d. Properties for Own Use

Properties for own use are entered at cost less depreciation and impairment.

Costs incurred as a result of investment in properties for own use are capitalised when they are incurred, if it is probable that future profits inherent in the property will go to the Group, and if the costs can be estimated reliably. All other costs are entered in the Profit and Loss Account when incurred.

Profit from the sale of properties for own use is the difference between the sales price and the book value of the property and is entered in the Profit and Loss Account among other income, but losses among other operating expenses.

Depreciation is calculated linearly based on the estimated useful life of the individual parts of the operating assets. Estimated useful life is 5–10 years.

Depreciation methods, useful lives and disposal prices are reassessed on each date of settlement and changed if applicable.

e. Financial Instruments

The Group's financial instruments include trade receivables and other receivables, cash and cash equivalents, borrowings, trade payables and other short-term liabilities.

Financial instruments are entered at fair value upon initial registration in the accounts. When financial instruments are not valued at fair value through the Profit and Loss Account, all direct transaction costs are transferred to an increase in their value upon initial registration in the accounts. After initial registration, financial instruments are entered in the manner described below.

i. Financial Assets Entered at Amortised Cost
Financial assets at amortised cost are financial assets with fixed or determinable payments that are not listed on an active market. Such assets are initially entered at fair value plus any related transaction costs. After initial registration, the loans and claims are entered at amortised cost price based on effective interest, less impairment, when applicable.

ii. Financial Liabilities
Financial liabilities are initially recorded at fair value plus direct transaction costs. After initial registration, financial liabilities are carried at amortised cost price based on effective interest.

Financial assets and financial liabilities are equalised and the net amount is shown in the Balance Sheet when the Group has the legal right to equalise the amounts and the Group's intentions are either to settle the agreements net or at the same time.

In Note 31 j. accounting methods for financial income and financial expenses are explained.

iii. Share Capital
General share capital
Share capital is classified as equity. Direct costs due to the issue of share capital are entered as a reduction in equity, less tax effects.

Purchases of own shares
When the Group purchases its own shares, the purchase price, including direct costs, is entered as a reduction in equity. The sale of own shares is entered as an increase in equity.

f. Impairment

Financial assets
On each settlement date, it is checked whether there are objective indicators of impairment of financial assets. A financial asset is considered to be impaired if there is objective evidence that one or more events that have taken place after the initial entry of the financial asset indicate that the expected future cash flow of the asset will be lower than previously estimated and the value of the asset can be estimated reliably.

Impairment of financial assets entered at amortised cost is the difference between their book value, on the one hand, and the discounted expected future cash flow, based on the initial effective interest rate, on the other hand. Impairment of financial assets available for sale is determined based on their fair value at any given time. Individual significant financial assets are tested separately for impairment. Other financial assets are grouped together according to credit risk characteristics and each category is assessed separately for impairment.

Impairment is entered as an expense in the Profit and Loss Account.

An impairment is reversed if the reversal can be objectively linked to an event that occurred after the impairment was entered. Impairment of investments until maturity is reversed in the income statement.

g. Commitments

A commitment is entered when the Group has a legal or implied obligation due to past events and it is probable that costs, which can be estimated reliably, will be incurred by it to settle the commitment. Commitments are assessed by discounting estimated future cash flows at pre-tax rates that reflect market participants' current assessment of the time value of money and the risk associated with the commitment.

h. Income

i. Rental Income
Rental income from properties is entered in the Profit and Loss Account in accordance with lease agreements during the rental period.

ii. Property Operations

Income from services to lessees is entered when the service is provided.

i. Operating Costs of Investment Properties

The operating costs of investment properties are charged when incurred and include, among other things, property taxes, insurance and maintenance.

j. Financial Income and Financial Expenses

Financial income consists of interest income from receivables and bank deposits. Interest income is recorded in the Profit and Loss Account as it is incurred based on effective interest rates. Financial expenses consist of interest costs from borrowings. Borrowing costs are entered in the Profit and Loss Account based on the effective interest rate.

k. Income Tax

Charged income tax consists of income tax payable and deferred income tax. Income tax is entered in the Profit and Loss Account, except when it relates to items that are entered directly into equity or in the statement of comprehensive income, in which case the income tax is entered on those items.

Payable income tax is income tax estimated to be payable next year for the taxable profits of the year based on the applicable tax rate on the settlement date, along with adjustments to payable income tax in previous years.

Deferred income tax is entered using the balance sheet method due to temporary differences between the book value of assets and liabilities in the Financial Statements, on the one hand, and their tax value, on the other. Deferred income tax is not entered for investments in subsidiaries. The amount of deferred income tax is based on the estimated redemption or settlement of the book value of assets and liabilities by applying the applicable tax rate on the settlement date. Tax asset and income tax liability are equalised when there is a legal right to do so, i.e. income tax imposed on companies by the same authorities on the same company or different companies that are taxed together and are expected to pay taxes jointly.

Income tax credit is only entered to the extent that future profits can be used against the property. Income tax credit is assessed on each settlement date, and is reduced to the extent that it is deemed unusable.

l. Profit Per Share

The Financial Statements show basic earnings per share and diluted earnings per share for ordinary shares in the company. Basic profit per share is calculated as a percentage of profit, allocated to shareholders in the parent company and the weighted average number of active shares during the year. Diluted earnings per share are the same as basic earnings per share, since stock options have not been issued to employees or others and the company has not taken out a loan that can be converted into share capital.

m. Operating Segment Overview

The provision of information to the company's management is based on three segments in accordance with the company's organisational chart.

n. Lease Agreements

The Group enters lease properties and lease liabilities at the beginning of the lease agreement. The lease property is initially entered at cost, which is the initial amount of the lease liability taking into account lease payments that have occurred before or on the start date of the agreement, the direct cost of acquiring the lease property and the estimated cost of dismantling and removing the property or restoring the property or its surroundings to the same condition after the end of the lease agreement, and after deducting the lease concessions that the Group has received.
Lease liability is initially entered at the present value of unpaid lease payments on the lease inception date. The payments are discounted using the built-in interest rate of the lease, if available, but otherwise the Group uses the interest it receives from new credit. As a general rule, the Group uses interest on new credit for present value.

32. New Accounting Standards and Interpretations of Those That Have Not Been Implemented

A number of new international accounting standards apply to financial years beginning on or after 1 January 2024 and may be applied before their entry into force. However, the Group has not implemented new or amended accounting standards prior to the effective date of preparing these Financial Statements.
The following changes in standards and interpretations are not expected to have a significant impact on the Consolidated Financial Statements.

- Classification of liabilities as short-term and long-term liabilities and long-term liabilities with financial conditions (amendments to IAS 1)
- Supplier financing agreements (Amendments to IAS 7 and IFRS 7)
- Lease obligations in sales and leaseback agreements (Amendments to IFRS 16)
- Lack of currency exchangeability (Amendments to IAS 21)

Quarterly statement (unaudited)

The year 2023	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
Rental income	3.069	3.242	3.276	3.439	13.026
Income from property operations	181	190	187	193	751
Operating revenue	3.250	3.432	3.463	3.632	13.777
Operating costs of investment properties	(629)	(687)	(640)	(657)	(2.613)
Property operations	(249)	(270)	(212)	(300)	(1.032)
Administrative expenses	(237)	(160)	(143)	(183)	(723)
Operating costs	(1.115)	(1.117)	(995)	(1.140)	(4.369)
Operating profits before valuation change	2.135	2.315	2.468	2.492	9.408
Valuation changes to investment properties	2.998	7.095	(1.383)	(2.193)	6.518
Sales profits of investment properties	(5)	0	(17)	(63)	(85)
Depreciation of properties for own use	(7)	(9)	(9)	(10)	(35)
Operating profits	5.121	9.401	1.059	226	15.806
Financial Income and Financial Expenses:					
Financial revenue	4	5	5	236	250
Financial expenses	(3.680)	(3.277)	(2.352)	(2.507)	(11.816)
Net financial expenses	(3.676)	(3.272)	(2.347)	(2.271)	(11.566)
Share of affiliate earnings	0	28	34	520	581
Profits before taxes	1.445	6.156	(1.255)	(1.525)	4.821
Income tax	(289)	(1.231)	251	265	(1.004)
Profits and total earnings during the period	1.156	4.925	(1.004)	(1.260)	3.818
Profit per share					
Basic earnings (loss) and diluted earnings (loss) per share	0,64	2,72	(0,55)	(0,70)	2,11

The year 2022	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
Rental income	2.636	2.783	2.937	3.152	11.508
Income from property operations	166	175	171	177	689
Operating revenue	2.802	2.958	3.108	3.329	12.197
Operating costs of investment properties	(574)	(599)	(544)	(608)	(2.325)
Property operations	(199)	(195)	(231)	(253)	(878)
Administrative expenses	(146)	(137)	(127)	(216)	(626)
Operating costs	(919)	(931)	(902)	(1.077)	(3.829)
Operating profits before valuation change	1.884	2.027	2.206	2.252	8.369
Valuation changes to investment properties	2.427	3.902	2.321	(2.658)	5.993
Sales profits of investment properties	54	(5)	78	0	126
Depreciation of properties for own use	(5)	(4)	(5)	(7)	(21)
Operating profits	4.359	5.920	4.600	(413)	14.466
Financial Income and Financial Expenses:					
Financial revenue	4	14	2	91	112
Financial expenses	(2.406)	(3.311)	(3.448)	(1.916)	(11.082)
Net financial expenses	(2.402)	(3.297)	(3.446)	(1.825)	(10.970)
Share of affiliate earnings	0	0	0	205	
Profits before taxes	1.957	2.623	1.154	(2.238)	3.496
Income tax	(391)	(525)	(231)	360	(787)
Profits and total earnings during the period	1.566	2.098	923	(1.673)	2.914
Profit per share					
Basic earnings (loss) and diluted earnings (loss) per share	0,86	1,16	0,51	(0,92)	1,61

Reginn hf.'s Consolidated Financial Statements 2023 42 Amounts in ISK millions

The corporate governance statement (unaudited)

Board of Directors and Corporate Governance

Governance of Reginn hf. ("Reginn" or "the company") are in accordance with the laws and regulations that apply to the company's activities, e.g. the provisions of the Public Limited Companies Act No. 2/1995, Act on Annual Accounts No. 3/2006, Competition Act No. 44/2005, Act on Disclosure Obligation of Securities Issuers and Obligation to Flag No. 20/2021, Act on Measures against Market Fraud No. 60/2021 and the Act on Measures against Money Laundering and Terrorist Financing No. 140/2018 which is available on the Althingi website, www.althingi.is. The company's governance also take into account the Guidelines on Corporate Governance, published by the Iceland Chamber of Commerce, Nasdaq Iceland and the Confederation of Icelandic Employers, 6th issue 2021. The guidelines are available on the website of the Icelandic Chamber of Commerce www.vi.is and www.leidbeiningar.is, as well as the various rules that apply to the company itself and can be found on the company's website www.reginn.is. The company has shares listed on Nasdaq Iceland, and must therefore follow the Guidelines on Corporate Governance. The company was recognised as a Model Firm in governance in August 2023.

Board of Directors

Reginn hf.'s Board of Directors has five Board members, elected annually at the company's Annual General Meeting (AGM). The company has an active Nomination Committee whose main task is to nominate individuals for seats on the Board of Directors. Committee members were last elected by the AGM on 10 March 2022, and their term of office shall be two years. The Rules of Procedure for the Nomination Committee were approved at the Shareholders' Meeting on 13 September, 2018. In accordance with the company's Articles of Associations, elections to the Board shall, as a rule, be in writing if the number of nominations exceeds the number of members to be elected. If the company's shareholders are 200 or more in number, shareholders controlling at least one tenth of the share capital may demand that the election of directors shall be by cumulative or proportional voting. If there are fewer than 200 shareholders, then shareholders who control more than one-fifth of the share capital must be part of such a demand. In the event of requests from more than a single group of shareholders and in which both proportional and cumulative voting is demanded, the latter shall be applied. Requests to such effect shall be delivered to the Board of Directors at least five days prior to the Shareholders' Meeting. The board's relations with shareholders should be characterised by honesty and be unambiguous and co-ordinated. If shareholders direct inquiries to the company's Board, the Board must be notified of them and oversee the company's response to them. Information is provided to shareholders mainly at Shareholders' Meetings, and equality of all shareholders is always ensured. The company's current Articles of Association were approved at the Shareholders' Meeting on 12 October 2023.

The members of the company's Board of Directors at the end of 2023 were the following: Tómas Kristjánsson, Chairman of the Board, has been on the Board since April 2014. Bryndís Hrafnkelsdóttir, Vice Chairman of the Board, has been on the Board since April 2014. Benedikt Olgeirsson, has been on the Board since March 2022. Guðrún Tinna Ólafsdóttir, has been on the Board since March 2018. Heiðrún Emilía Jónsdóttir, has been on the Board since March 2019. The background, education and age of the Board members is varied and diverse, and the Board members have extensive experience from the business world in the field of investments, real estate business, operations and management.

Tómas Kristjánsson, Chairman of the Board, was born in 1965 and has an MBA degree from the University of Edinburgh and a Cand. Oecon in Business Administration from the University of Iceland as well as having a degree in Securities Trading. Tómas is the owner of Sigla ehf. Tómas owns 100% of Sigla ehf. which owns 65,000,000 shares in Reginn hf. or 3.59%. In addition to sitting on the Board of Reginn hf., Tómas sits on the Boards of Sigla ehf., Klasi ehf., Heljarkambur ehf., Grunnur I ehf., Smárabyggð ehf., Húsafell Resort ehf., KLS eignarhaldsfélag ehf. and Adelfa ehf. Tómas is the Chairman of the Board at Smárabyggð ehf., which handles the development of an apartment complex south of Smáralind. Tómas has no conflict of interest with the company's largest customers, its competitors or shareholders who own more than 10% in the company, but is considered a dependent Board member as he is the second main owner of KLS eignarhaldsfélag ehf. and sits on the Board of Klasi ehf. which is a partner of Reginn and Hagar hf. due to the operation of the real estate development company Klasi ehf.

Bryndís Hrafnkelsdóttir, Vice Chairman, was born in 1964 and works as director of the University of Iceland Lottery. Bryndís has an M.S. degree in Business Administration from the University of Iceland and Cand. Oecon in Business Administration from the same university. Bryndís is the Chairman of the school board of Verzlunarskóli Íslands, Chairman of the Board of Ofanleiti 1 ehf. and an alternate of the Board of TM tryggingar hf. Bryndís owns 18,509 shares in Reginn hf. or 0.001%. Bryndís has no conflict of interest with the company's largest customers, its competitors or shareholders who own more than 10% of the company. Bryndís is independent of the company, its day-to-day managers and major shareholders in the company as defined in the Good Governance Guidelines.

Benedikt Olgeirsson was born in 1961 and is self-employed as a Board member of various Boards, consultation and investments. Benedikt has an M.Sc. in Construction Engineering and Project Management from the University of Washington in Seattle and a B.Sc. in Civil Engineering from the University of Iceland. In addition to being on the Board of Reginn hf., Benedikt has a seat on the boards of Vörður tryggingar hf., Vörður líftryggingar hf., Klasi ehf., Bens Capital ehf., Iceland Soccer Travel ehf., Rexby ehf., Manex ehf., SEUSA ehf., IST immobilen ehf. and Íslenskir fjörfestar ehf. Benedikt is also the Managing Director of Magnavitar ehf. and Manex ehf. Benedikt owns 207,000 shares in Reginn hf. or 0.01%. Benedikt has no conflict of interest with the company's largest customers, its competitors or shareholders who own more than 10% of the company, but is considered a dependent Board member since he receives payments from Reginn due to his Board seat in Klasi ehf.

Guðrún Tinna Ólafsdóttir was born in 1975 and has an M.Sc. degree in Finance from the University of Iceland and a B.Sc. degree in Business Administration from the same university. Guðrún Tinna works as Managing Director of the retail department of Húsasmiðjan ehf. and is the Chairman of the Board of Svanno loan credit insurance fund for women and a Board member of Brunnur growth fund slhf. Guðrún Tinna owns 84,000 shares in Reginn hf., or 0.005%. Guðrún Tinna has no conflict of interest with the company's largest customers, its competitors or shareholders who own more than 10% of the company. Guðrún Tinna is independent of the company, its day-to-day managers and major shareholders in the company as defined in the Good Governance Guidelines.

Heiðrún Emilía Jónsdóttir was born in 1969, attorney and cand. jur. from the University of Iceland. Heiðrún works as the Managing Director of the Icelandic Financial Services Association. She is certified in stockbroking and studied AMP at IESE Business School Barcelona 2016–2017. In addition to being on Reginn's Board, she is the owner and Board member of Múli law firm and co-director of Ungmennafélag Stjörnunar and Skorradalsvatn's Fishing Association. Heiðrún owns 327,500 shares in Reginn hf. or 0.02%. Heiðrún has no conflict of interest with the company's largest customers, its competitors or shareholders who own more than 10% of the company. Heiðrún is independent of the company, its day-to-day managers and major shareholders in the company as defined in the Good Governance Guidelines.

No Board member has been an employee of the company. During the period, one Board member has done other work for the company, excluding the Board seat, i.e. sit on the Board of Klasi ehf.
The company's Board of Directors has two men and three women, and the company therefore meets the provisions of the Act on Gender Ratio of the Board Members of Public Limited Companies.
Further information about Board members can be found on the company's website, www.reginn.is

Governance

The Board has established detailed Rules of Procedure defining its scope of authority. These regulations include, amongst other things, provisions on the division of work within the Board, the purview of the Board, the Chairman and the CEO, procedures and rules on meetings, information disclosure and more. Each Board member must prevent their affairs, whether personal or business related, from leading to a direct or indirect conflict of interest between themselves and the company according to the provisions of the Board's Rules of Procedure. The current Rules of Procedure were approved by the Board on 17 January 2024 and are available on the company's website.

The Board of Directors shall constitute the supreme authority of the Company between shareholder meetings, in accordance with laws and the Company's Articles of Association. The Board of Directors decides, among other things, the terms of employment of the CEO and reviews these regularly. The Board has appointed two sub-committees, an Audit Committee and a Remuneration Committee. The Board elects the members of the sub-committees no later than one month after the AGM and appoints their Chairmen, as well as establishing Rules of Procedure for the sub-committees, which specify their roles and main tasks in more detail. The current Rules of Procedure for sub-committees were approved by the Board on 31 January 2024 and are available on the company's website. In accordance with the company's Articles of Association, the results of the sub-committees are merely guidelines for the Board of Directors.

At the end of 2023, the following were members of the Audit Committee: Anna Þórðardóttir, Chairman; Benedikt Olgeirsson; and Heiðrún Emilía Jónsdóttir. The main task and responsibility of the Audit Committee is to monitor the processes for preparing the Financial Statements, and auditing the Financial Statements, Consolidated Financial Statements and other financial information of the company. The committee also evaluates the auditor's independence, supervises their work and submits a proposal to the Board of Directors on the selection of the company's auditor. The external auditors submitted a confirmation of independence in January 2024. In addition, the Audit Committee supervises the risk management system and other control measures and follows-up on remedies to deficiencies that are discovered during internal controls. The current Rules of Procedure of the Audit Committee were approved by the Board on 23 April 2023 and are available on the company's website. The committee meets the requirements for independence according to the Corporate Governance Guidelines.

At the end of 2023, the following were members of the Remuneration Committee: Guðrún Tinna Ólafsdóttir, Chairman, Bryndís Hrafnkelsdóttir and Tómas Kristjánsson. The main role of the committee is to handle the role of the Board of Directors to prepare and implement proposals for the company's Remuneration Policy, proposals to the Shareholders' Meeting on the remuneration of Board members and the implementation of agreements with the CEO and other employees, if they are under the Board, regarding salaries and other remuneration. The Board's decision-making authority in this regard is not entrusted to the Remuneration Committee. The Rules of Procedure for the Remuneration Committee were approved by the Board on 31 January 2024 and are available on the company's website. The committee meets the requirements for independence according to the Corporate Governance Guidelines. The Audit Committee and the Remuneration Committee shall at least annually report to the Board on their tasks, in accordance with the Rules of Procedure.

The CEO is appointed by the Board and is responsible for the company's day-to-day operations in accordance with the Board's policies and instructions, the law, the company's Articles of Association and the Board's Rules of Procedure. The CEO implements the company's policy that has been formulated by the Board and sets goals for

the operation. Halldór Benjamín Þorbergsson has been the company's CEO since 2023. Halldór was born in 1979 and has an MBA degree from Oxford University. Halldór owns 3,000,000 shares, or 0.17%, in Reginn hf. through the private limited company Optio ehf. Halldór is a Board member in all subsidiaries of Reginn hf. which are all fully owned by the company. Halldór is also a Board member of Stafnasel slf., Reykjavík University and Optio ehf., in addition to being the Chairman of Almannarómur. Halldór is independent of the company's main business partners, competitors and large shareholders. The CEO's job description is set out in his employment contract. See the company's website for further information on the CEO.
Other members of the Executive Board of Reginn hf. are Baldur M. Helgason, Managing Director of retail and service and substitute of CEO; Dagbjört E. Einarsdóttir, senior attorney; Páll V. Bjarnason, Director of Commercial Housing and General Market; Rósa Guðmundsdóttir, CFO; and Sunna H. Sigmarsdóttir, manager of sustainability, property operations and operations in properties.

The company has not entered into any agreements with Board members or employees regarding payments or benefits due to termination of employment. Conventional employment contracts have been concluded with employees, with the usual notice period. The company's Board of Directors has approved an incentive system that applies to the company's senior managers. The benefits of key managers can be the equivalent of three months' salary. There are no purchase options or other rights related to shares in relation to employees and managers.

The company has not set a specific policy on diversity in relation to the Board, Executive Board and senior management, but the company's current Equality Policy describes the company's priorities in matters of equality. The goal of the policy is, amongst other things, to always ensure maximum equality of employees regardless of gender, age and race and to promote equal opportunities and rights for employees. It is also stated in the Rules of Procedure of Reginn hf.'s Nomination Committee, which has the main purpose of nominating individuals to the Board of the company, that the committee shall have as its guiding principle when evaluating candidates for the board that its composition should include diversity and breadth in skills, experience and knowledge. The company's Articles of Association state that it must be ensured that the gender ratio of the Board is as equal as possible and the representation of each gender shall be no less than 40%.

The company's Board of Directors is responsible for the company's internal control, and the Board and the CEO have established internal control and risk management with the company's activities to ensure the best possible efficiency in operations, reliable financial information, compliance with laws and regulations, and to prevent and detect potential mistakes and fraud by employees and the company's customers. This means that the arrangement of the internal controls system must be formal and documented and its functionality must be verified in a regular manner. The company has set up work processes and rules for the differentiation of jobs to ensure efficiency and control. Monthly settlements are prepared and submitted to the Board of Directors of the company. The Audit Committee supervises that internal control and risk management are in accordance with the company's policy and that control measures address risks in the business. The Audit Committee has the task of reviewing settlements, i.e. whether there is an active internal control during the preparation of financial statements. Risk management is reviewed regularly with regard to changes in the main risk factors in the company's operations and it is investigated whether risks have been defined that are related to the accounting process. The company's Risk Policy was confirmed by the company's Board of Directors on 31 January 2024.

The company does not have an internal auditor. Auditors are elected at the Annual General Meeting for a term of one year. Deloitte ehf. was elected the company's Audit Committee at the Shareholders' Meeting on 2 February 2024. Neither the company's auditors nor their related parties may own shares in it. The company's Annual Financial Statements are audited in accordance with international standards on auditing. Auditors have unhindered access to the company's accounting and all data. Every year, the Board receives a special audit report from the auditors with key comments. A compliance officer, appointed by the Board, oversees the observance of rules on inside information and insider trading. The company's Compliance Officer is Esther Ýr Óskarsdóttir, and the Deputy Compliance Officer is Heiða Salvarsdóttir.

The company's Board and sub-committees have carried out a formal performance evaluation for their work in 2023. With the performance evaluation, the Board assesses its work and procedures, as well as strengths and weaknesses, and addresses any elements that the Board feels can be improved. The main evaluation factors are Board meetings, Board projects, information provision, strategic planning and vision, risk management, the work of Board members, the Chairman of the Board and the CEO, as well as the work of sub-committees of the Board. The Board makes an action plan following the performance evaluation to increase the efficiency and professionalism of its work. It was stated that the Board believed that all board members had actively participated in board duties and that discussions were open and critical. The Board members were considered to have performed their tasks professionally and with integrity, and to have broad knowledge and experience in the areas that the company's board duties and operations involved. The composition of the Board was also considered good.

In 2023, 24 board meetings were held, some of which were electronic. The Audit Committee held five meetings and the Remuneration Committee held seven. The majority of Board members and the majority of committee members have attended all meetings. The Audit Committee regularly convenes a meeting of the company's external auditors regularly. They also attend Board meetings when the Annual Financial Statements and Interim Statements are being discussed. The main communication between the Board and shareholders is at the company's Shareholder Meetings, but conversations and meetings also take place between Shareholders' Meetings. The CEO is the company's official spokesperson, but can give other employees of the company temporary authorisation to comment on specific aspects of the company's operations. This is in accordance with the company's Information Policy which was last confirmed by the Board on 30 August 2023.

No violations of the law and regulations by the company have been ruled on by the relevant supervisory and/or adjudicating entities. On the company's website, www.reginn.is, there is a special section dedicated to corporate governance with all the detailed information, under the tab Investor's Website.

Non-financial information (unaudited)

About Reginn

Reginn hf. ("Reginn" or "the company") is an Icelandic public limited company with distributed ownership and is listed on the Iceland Stock Exchange (NASDAQ Iceland hf.). Reginn considers itself a ground-breaking and progressive real estate company that is a desirable partner and employer. The company is dedicated to being a leader in the development and operation of properties as well as contributing to the well-being of society, improving the quality of life and the environment of the residents.

In recent years, environmental and climate issues have received increased attention, and greater knowledge of the issue has caused the demands of investors, lessees and other stakeholders to change. Similarly, environmental and climate issues have affected Reginn's business model. The operation and organisation of properties has a significant impact on the environment and people's quality of life, as tens of thousands of people stay in Reginn's properties every day, either for leisure or work. Through targeted actions in property operations, investments, planning, new constructions and through co-operation with tenants, Reginn can play a significant role in shaping people's environment so that daily life becomes better, more enjoyable and safer. In order to meet changing demands, Reginn has focused on having sustainability as a guiding principle in the company's operations, for example with environmental certifications of the company's properties, the development of smart waste to encourage waste sorting, the encouragement of green transportation with increased bicycle storage and electric car charging stations at the company's properties, which also serve their local environment, green leases, digital solutions such as electronic signatures and increased information to lessees with a service website.

In the new upcoming directive from the EU on corporate sustainability disclosures, companies are required to perform a double materiality analysis. In 2023, with the participation of internal and external stakeholders, Reginn carried out a double materiality analysis and completed that work at the end of the year. In 2023, emphasis was also placed on preparing the company for changed and increased sustainability information provision, and this work will continue in 2024, taking into account the result of the double materiality analysis. The analysis is conducted to identify the risks and opportunities that affect the company's sustainability issues and therefore the result will affect the company's long-term priorities and strategy in sustainability and what are the most important sustainability issues for the company. It examines both the company's impact on the environment, people and society, and how different sustainability issues have a financial impact on the company. According to the company's Risk Policy, emphasis shall be put on, i.e. goals for environmental, social and economic sustainability being set and reviewed regularly. In the double materiality analysis that was made for the company, the purpose was, amongst other things, to ensure that all possible risks were taken into account when assessing which sustainability issues should be disclosed in the company's sustainability disclosure. The result of the analysis was, i.e. that emphasis should be placed on the sustainability aspects of climate change adaptation, information provision, energy, health and safety, training and skills development and climate change mitigation.
The company has defined actions based on the company's Sustainability Policy, with the aim of ensuring that the company's Sustainability Policy and its goals are implemented. The company has also set a green financial framework within the company's budget to speed up the success of achieving the company's sustainability goals. An account of the actions taken during the operating year is given in the chapters on environmental and social sustainability and governance below. Further information about the results of 2023 in environmental and social aspects, as well as governance, can be found in Reginn's Sustainability Report, which is available on the company's website www.reginn.is.

Sustainability Policy

Reginn has a Sustainability Policy in force that was confirmed by the Board on 31 January 2024, which is available on the company's website. In order to ensure that sustainable development is a guiding principle in all of Reginn's activities, the company emphasises a comprehensive vision, along with environmental, social and economic sustainability. At the beginning of 2023, the company set measurable goals in these three categories that were worked on in 2023. At the end of 2023, the goals were revised with the experience and results of the past year in mind. The goals, results of 2023 and long-term goals in the company's main objectives are detailed in Reginn's Sustainability Report for 2023. Achievements in sustainability will continue to be measured in a targeted manner and employees, customers and investors will be informed regularly about the goals and the results achieved. Investments and property operations take a long-term view. The company is dedicated to being a leader in the development and operation of properties as well as contributing to the well-being of society, improving the quality of life and the environment of the residents. The policy covers, i.e. maintaining good and conscientious governance. It is the company's belief that, in addition to improving society, a focus on sustainability reduces risk in the company's operations and strengthens financial profitability in the long term.

Emphasis is placed on integrating the United Nations' Global Goals for Sustainable Development into the company's operations. The company focuses on seven Global Goals that are most affected by its daily operations: health and well-being, gender equality, sustainable energy, decent work and economic growth, sustainable cities and communities, responsible consumption and production as well as actions in climate issues. For further information about the sustainability strategy, goals and results, as well as Reginn's actions, see the company's Sustainability Report on its website www.reginn.is

Environmental Sustainability

In recent years, Reginn has placed increased emphasis on environmental issues and sustainability in its operations. The company has undertaken various actions and projects with the aim of reducing negative environmental impacts and increasing environmental awareness. The environmental certification of the company's properties is a large factor in identifying the risks that each property 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. Real estate is responsible for more than a third of greenhouse gas emissions worldwide, and these emissions also occur during the properties' operating period. As a real estate company that handles property operations for about a third of its portfolio, the company is in a unique position to reduce the negative environmental impact of its properties.

In the double materiality analysis that was made for Reginn, all possible risks were taken into account when assessing which sustainability issues should be disclosed in the company's sustainability disclosure. The sustainability aspects related to the environment are energy, climate change mitigation, adaptation to climate change, biodiversity, water use, the circular economy and waste. The company's goals in environmental sustainability include these factors and will be reviewed in 2024 with regard to the results of the double materiality analysis and the year's results. Objectives, results and long-term goals in environmental sustainability can be seen in the company's Sustainability Report for the year 2023.

In order to promote environmental sustainability, the company has set a goal to reduce the emission of greenhouse gases from operations and during construction, and to carbon offset the emissions related to the company's activities. The company has set itself a long-term goal of reducing greenhouse gas emissions, but the goal is to reduce emissions by 25% compared to 2019. Reginn carbon offset emissions for the year 2023 using the UN Nations carbon offset platform. In 2023, work began to better manage the company's carbon footprint and report on Scope 1, 2 and 3 as a whole. Once that work is completed, it will be possible to better account for the company's overall carbon footprint. This work is based on the SBTi methodology, but the aim is to submit an application to SBTi where Reginn will set climate goals.

Reginn wants to use natural resources in a responsible way and look for ways to reduce their use, as well as to maximise the percentage of renewable energy. The company's Board of Directors confirmed the Water Policy on 17.12.2021 and the Electricity Policy on 16.12.2021, which aim to minimise the use of electricity and water. The company's Board of Directors confirmed the Recycling Policy on 16.12.2021 which aims to increase the recycling rate of waste and reduce its volume. The company's long-term goal is for the waste sorting ratio to reach 75% by the end of 2030. The ratio in 2023 was 53%. The company's long-term goal is to reduce the amount of waste by 12% from 2019, but the total amount of waste decreased by 5% in 2023 compared to 2019. The company wants to minimise the purchase and use of products that are harmful to the environment and focus on reducing the amount of waste and increasing its sorting rate. The company's Board of Directors confirmed the Sustainable Procurement Policy and Refrigerants Policy on 16.12.2021.

In recent years, the company has worked towards the environmental certification of real properties and by 2023, 36% of the portfolio had received a BREAAM In-use environmental certification. Emphasis is placed on reducing the negative environmental impact of operations in Reginn's properties by encouraging and supporting customers, e.g. with green lease agreement. The first green lease agreement was signed in 2021 and there were 11 by the end of 2023. The company believes that the benefits are not only environmental, but also financial for customers. Continuing emphasis will therefore be placed on education about green lease agreements in 2024.

Social Sustainability

With social sustainability as a guide, people's well-being and a safe and healthy environment must be ensured. This applies equally internally in the company and around the company's properties, for the benefit of staff, tenants and their guests. Regular job satisfaction surveys are carried out, and the company focuses on ensuring a good and safe working environment and reducing the number of sick days for employees. Similarly, annual service surveys are conducted among the company's customers, which aim to respond to customer wishes. At Reginn, emphasis is placed on green considerations in planning and buildings, and thereby increasing the quality of life of those who pass through them. Social aspects will also be taken into account during planning, and consideration will be given to the platform for increased communication.

In the double materiality analysis, all possible risks were taken into account when assessing which sustainability issues should be disclosed in the company's sustainability disclosure. The sustainability issues related to social sustainability are health and safety, work-life balance, training and skills development, gender equality, community relations, disclosure and privacy. The company's goals in social sustainability include these factors and will be reviewed in 2024 with regard to the results of the double materiality analysis and the year's results. The goals in relation to social aspects help to promote good staff health and job satisfaction, a safe working environment, respect human rights throughout the company's value chain, as well as maintaining equal pay between genders. The long-term goal is for job satisfaction to be 4.2 out of 5.00 or more, and it was measured at 4.2 in 2023, which is the same job satisfaction as measured in 2022. Objectives, results and long-term goals in social sustainability can be seen in the company's Sustainability Report for the year 2023.

To promote a safe working environment for staff, courses on fire safety, first aid and courses on working heavy machinery are held. The company's Rules of Procedure and Code of Ethics, which was confirmed by the Board on 17 April 2023, stipulates that employees should conduct themselves in a professional and honest manner. Respect, fairness, courtesy and honour must characterise all relations with customers, colleagues and others with whom a business relationship is established. Reginn respects human rights as one of the fundamental pillars of society, to which everyone has an equal claim, regardless of gender, race, colour, sex, language, religion, opinion, nationality, origin, property, lineage or other circumstances. In order to establish the importance of this, and prevent the risk of human rights violations, the company therefore makes certain requirements to lessees, contractors and suppliers, and new provisions to that effect were added to the standard form of lease, work and service agreements in the years 2021–2023. Contractors are thus required to work on social and chain responsibility, e.g. by ensuring that their activities do not violate general human rights, e.g. rights in the labour market and proper facilities in the workplace, as well as showing responsible behaviour in environmental issues. The company's Rules of Procedure and Code of Ethics can be obtained from the company's website.

One of Reginn's goals related to social sustainability is to maintain equal pay between genders. When determining wages and benefits at the company, the provisions of Act No. 150/2020 on Equal Status and Equal Rights Irrespective of Gender are considered. The criteria used for determining wages shall not involve gender discrimination. The current Equality and Equal Pay Policies were confirmed by the Board on 23 March 2023. The company received an equal pay certification and the Office of Equality's confirmation of the company's Equality Plan in 2021. The goal is to ensure equality when determining wages and to ensure that employees receive equal pay for the same or equally valuable work regardless of gender. The result of an equal pay analysis shows that men's wages in 2022 were 1.4% higher than women's wages. Reginn's Board of Directors has three women (60%) and two men (40%) in 2023, and the company therefore meets the provisions of the Act on Gender Ratio of the Board Members of Public Limited Companies.

Governance

Reginn's corporate governance is in accordance with Act No. 2/1995 on Private Limited Companies and the Guidelines on Corporate Governance. The company has shares listed on Nasdaq Iceland, and must therefore follow the Guidelines on Corporate Governance according to the rules of Nasdaq Iceland hf. which can be accessed on the Stock Exchange's website. On the company's website, www.reginn.is/fjarfestavefur, there is a special section dedicated to corporate governance with more detailed information. The company has set a Competition Policy, which lists the important considerations involved in operating in all respects in accordance with the laws and regulations on competition in all of the company's activities. The Competition Policy was approved by the company's Board of Directors on 23 March 2023 and is available on the company's website. The company has also adopted a Data Protection Policy, which discusses the purpose and authorisation for the processing of personal information and its retention period. The Data Protection Policy was approved by the company's Board of Directors on 5 April 2022 and is available on the company's website.

In the double materiality analysis, all possible risks were taken into account when assessing which sustainability issues should be disclosed in the company's sustainability disclosure. The sustainability issues related to governance are corporate culture, corruption and bribery, supplier relations, as well as political participation and lobbyism. In the year 2024, key metrics and goals regarding governance will be set in accordance with the outcome of the double materiality analysis. Success in sustainability aspects related to governance can be seen in the company's UFS reference table for the year 2023.

The company's Board and sub-committees have carried out a formal performance evaluation for their work in 2023. The Board believed that all Board members had actively participated in board duties and worked with integrity. Board members were considered to have a lot of experience and knowledge in the field of Board work and business operations. Reginn has continued to support measures that promote good governance, and in 2023 Reginn was recognised by Stjórnvísir as a Model Firm in good governance 2022–2023. To increase data security, the company outsources the storage of data to service providers who have security certifications, such as a confirmed information security management system certification (ISO 27001) from BSI.

At Reginn, any kind of corruption, bribery and other illegal activities are not tolerated under any circumstances. By enforcing good business ethics transparently and in accordance with procedures, its risks are limited. The company's aforementioned Rules of Procedure and Code of Ethics state that managers and employees are obliged to never let their private interests conflict with the interests of the company or its customers. In addition, employees are bound by a duty of confidentiality regarding the information they may acquire in their work regarding the company's customers. Employees must report possible conflicts of interest to the Compliance Officer or their immediate supervisor. In 2023, there were no issues related to corruption or bribery.

The company set a Dividend Policy in 2019, that states that the company intends to pay to the shareholders an amount of about 1/3 of the profit of the previous operating year, either in the form of dividends or through the purchase of own shares. The current Dividend Policy was confirmed by the Board of Directors on 5 April 2022.
Reginn has procedures in force for carrying out due diligence and identification of the company's lessees, cf. Act No. 140/2018 on Measures Against Money Laundering and Terrorist Financing. The policy of Reginn hf. and its subsidiaries on Measures Against Money Laundering and Terrorist Financing was confirmed by the Board on 23 March 2023.

Reginn publishes a special Sustainability Report with non-financial information for the year 2023. The non-financial disclosure takes into account the UFS guidelines issued by Nasdaq in Iceland and the Nordic countries in 2019. Reginn uses digital technology to ensure the traceability, transparency and efficiency of the collection of data and the dissemination of information related to social responsibility. The Sustainability Report is available on the company's website www.reginn.is.

Information Regarding the EU Taxonomy Regulation

In 2021, a goal was set into law for Iceland to achieve Net-Zero no later than 2040. It is clear that in order to fulfil these goals, action must be taken and it can be expected that new requirements will be placed on companies and individuals. The European Union (EU) is working to achieve Net-Zero no later than 2050, and many of its actions have an impact in Iceland through the EEA agreement. New EU regulations have been implemented in Iceland, and more are in the pipeline in the coming months.

The Taxonomy Regulation 2020/852/EU entered into force in Iceland on 1 June 2023 with Act No. 25/2023 on Information Disclosure on Sustainability in the Field of Financial Services and Taxonomy for Sustainable Investments. The law was retroactive to 1 January 2023 and is therefore valid for the entire fiscal year 2023.

The purpose of the Taxonomy Regulation is to create a uniform framework that defines which economic activities are considered environmentally sustainable based on the technical assessment criteria that appear in delegated EU regulations. It is also intended to promote transparency and consistency in companies' sustainability disclosure. First, the economic activity must significantly contribute to one or more of the six environmental objectives of the Taxonomy Regulation, while at the same time it must not harm its other objectives. In addition, the activity must comply with minimum protection measures, which include human rights, labour law, corruption and bribery, taxation and fair competition.

This information is published in accordance with Article 8 of the Taxonomy Regulation. According to the regulation, companies must disclose the following information:

- i) the turnover ratio, investment expenses and operating expenses for the recent operating period of an eligible activity, that is, activities covered by the classification system regardless of whether the relevant activity meets the technical criteria (*taxonomy-eligible economic activity*).
- ii) publish the same key metrics (turnover ratio, investment expenses and operating expenses) for the activities that meet all the criteria of the regulation to be considered environmentally sustainable (*taxonomy-aligned economic activity*).

In Iceland, the Taxonomy Regulation applies to companies subject to the obligation to submit non-financial information according to Article 66(d) in the Act on Annual Accounts No. 3/2006 and Reginn therefore is subject to the regulation.

Reginn started disclosing information on sustainability issues for the financial year 2018 when the first statistical information on environmental and social aspects was published in the company's Social Report. The company's Sustainability Policy was approved in 2019. The company has taken great pride in discussing in a clear manner the aspects that fall under sustainability. When preparations for the implementation of the Taxonomy Regulation began, the company had great ambition to fulfil the information requirements contained in it.

Reginn's Activities' Eligibility Within the Meaning of the Regulation

Technical assessment criteria for activities that are considered a significant contribution to the first two goals: *mitigation and climate change adaptation* are set out in delegated regulation 2021/2139/EU and apply in Iceland. When evaluating the technical assessment criteria, it was found that almost all of Reginn's activities fall under category *7.7. Purchase and ownership of buildings*. This category includes *property purchase and ownership* (L68.1) as well as *renting and operation of privately owned or leased properties* (L68.2). When assessing other categories, the conclusion was that since Reginn's main activity falls into this category, as the company's main activity is investment, leasing and operation of commercial properties, it was decided not to assess other categories.

Reginn's activities therefore fall within the environmental goal *mitigation of climate change* and the company's assessment and disclosure are based on that. It is worth noting that the translation of the English term *mitigation* is not the same in the regulations. In the Taxonomy Regulation it is translated as "mitigation", while in the technical assessment criteria it is translated as "countermeasure". It was decided to use the term "mitigation" for consistency.

Criteria for Environmentally Sustainable Economic Activity

Below is a summary of criteria for environmentally sustainable economic activities under category *7.7. Purchase and ownership of buildings based on* climate change mitigation and adaptation:

	MILDUN	AÐLÖGUN
Verulegt framlag	Orkunýtingarvottorð Byggingar uppfylli viðmið í þætti 7.1 Vöktun og mat á orkunýtingu	Aðlögunarlausnir í framkvæmd sem draga úr loftslagsáhættum Loftslagsáhættu- og veikleikamat Loftslagsframreikningar Aðlögunarlausnir sem komið er í framkvæmd
Ekki valda umtalsverðu tjóni	Starfsemin í samræmi við viðmiðanir í flokkun loftlagstengdra hætta	Orkunýtingarvottorð Byggingar uppfylli viðmið í þætti 7.1 Vöktun og mat á orkunýtingu
Lágmarks verndarráðstafanir	Kjarnaviðfangsefni út frá kröfum í 18. gr 2020/852/ESB meðal annars: Mannréttindi Spilling og mútur	Skattlagning Sanngjörn samkeppni

Reginn's focus in recent years has been on reducing climate impacts, or mitigating climate impacts, but there has been less need for adaptation. Therefore, the decision was made from the start that the company's activities were more related to mitigating climate impacts.

For the purchase and ownership of buildings to be considered a significant contribution to climate change mitigation, buildings built before 31 December 2020 must have an energy performance certificate according to Directive 2010/31/EU on the energy performance of buildings in category A or alternatively fall within the top 15 % of national or regional construction potential, expressed as primary energy demand and demonstrated by appropriate evidence. Similarly, large non-residential buildings need to be operated efficiently through energy efficiency monitoring and evaluation. Almost all buildings in Reginn's portfolio were built before the end of 2020.

EU Directive on the Energy Efficiency of Buildings 2010/31/EU

Directive 2010/31/EU on the energy efficiency of buildings was included in the EEA agreement by decision of the joint EEA Committee no. 135/2022 from 29 April 2022, but Iceland received a temporary and conditional exemption from its application. Directive 2010/31/EU therefore does not apply to Iceland and, as a result, it has not been implemented into Icelandic law. As a result, no formal energy efficiency certificates for buildings are issued in Iceland.

Clarifications and further instructions from the government were requested as to how Reginn can demonstrate that the economic activity it is engaged in meets the technical assessment criteria required in the Taxonomy Regulation, as energy efficiency certificates do not exist in Iceland. In the response from the Ministry of Finance in a letter dated 20 September 2023, it is stated that it must be taken into account that the regulations that apply in the EEA/EFTA countries are not exactly the same as those that apply in the European Union. Directive 2010/31/EU does not apply to Iceland and therefore has not been implemented in this country. As a result, Reginn and other Icelandic companies do not, in the opinion of the Ministry, violate their obligations under national law, even if they do not comply with the requirements resulting from Directive 2010/31/EU.

For this reason, there is an impossibility regarding Reginn's disclosure that relates to showing the percentage of turnover, operating fees and investment fees that is taxonomy aligned since there is no information or criteria on the energy efficiency of properties in Iceland. There are no other technical criteria for Reginn's activities that would enable the company to demonstrate a significant contribution to the environmental goals of the Taxonomy Regulation.

In December 2023, Reginn submitted a proposal for an addition to the current technical criteria that fall under Section 7.7 in the European Union's consultation portal through the EU Taxonomy Stakeholder Request Mechanism. The proposal includes that if there is no assessment system for the energy efficiency of buildings in the respective country in accordance with Directive 2010/31/EU, but the source of energy for the operation of buildings is 100% renewable, the energy efficiency of buildings is confirmed and specified energy saving measures with ISO25000-1 certification, then the relevant building meets the technical criteria and falls under the taxonomy system. The proposal is under review and results should be available in 2024.

Not Causing Significant Damage

The technical criteria for Reginn's activities when it comes to not causing significant damage to other environmental objectives relates to the objective of the Taxonomy Regulation on adaptation to climate change according to Appendix A to Annex I of the technical assessment criteria. There are general criteria for not causing significant damage for adaptation to climate change.

Reginn has conducted a climate risk and vulnerability assessment of buildings in the Greater Reykjavík Area and Akureyri, and assessed the main potential climate-related risks associated with them. Buildings in these areas account for a total of 99% of the total square metres of the company's portfolio.

Minimum Protective Measures

Minimum protective measures are set out in the Taxonomy Regulation, which refers to the guidelines of the OECD, the Guiding Principles of the United Nations on Business and Human Rights, as well as the eight basic conventions in the declaration of the International Labour Organisation. Emphasis is placed on core subjects based on the requirements in Article 18 of the Taxonomy Regulation which include: human rights, corruption and bribery, taxation and fair competition.

Human Rights

Reginn focuses on ensuring and promoting a safe and healthy environment and well-being for staff, tenants and their guests. Reginn's Sustainability Policy states that the company respects human rights as one of the fundamental pillars of society and follows important basic values regarding human rights in all its activities and makes the same demands on its suppliers. Everyone has an equal claim to human rights, regardless of gender, race, colour, sex, language, religion, opinion, nationality, origin, property, lineage or other circumstances. The company does not tolerate child labour and forced labour in its value chain. In order to establish the importance of this, and prevent the risk of human rights violations, the company therefore makes certain requirements to lessees, contractors and suppliers, and new provisions to that effect were added to the standard form of lease, work and service agreements in the years 2021–2023. Contractors are thus required to work on social and chain responsibility, e.g. by ensuring that their activities do not violate general human rights, e.g. rights in the labour market and proper facilities in the workplace, as well as showing responsible behaviour in environmental issues. One of Reginn's goals related to social sustainability is to maintain equal pay between genders. The company received an equal pay certification and the Office of Equality's confirmation of the company's Equality Plan in 2021. The goal is to ensure equality when determining wages and to ensure that employees receive equal pay for the same or equally valuable work regardless of gender. Reginn fulfils all legal obligations regarding freedom of association and their establishment.

Corruption and Bribery

Reginn's Sustainability Policy states that the company's capital and human resources should be used in the most efficient way possible. Procedures within the company are characterised by good business ethics, sound business practices and responsibility. With considerate business ethics as a guide, we strive to always act fairly and with integrity. Any kind of corruption, bribery and other illegal activities are not tolerated under any circumstances. The company's Rules of Procedure and Code of Ethics state that managers and employees are obliged to never let their private interests conflict with the interests of the company or its customers. The company has also implemented rules for the protection of whistleblowers, the objective of which is to promote the disclosure of violations of the law and other reprehensible behaviour and thus reduce the likelihood of such behaviour.

Taxation

Reginn operates in Iceland and also pays taxes solely in Iceland, and places great emphasis on complying with laws and regulations regarding taxable entities, both legal entities and individuals. The company's Rules of Procedure and Code of Ethics states that emphasis is placed on always complying with the laws and rules on ethics in business, which takes into account the tax laws in Iceland, among other things.

Fair Competition

Reginn's Competition Policy states that the company is dedicated to practicing healthy and effective competition practices in all its activities. With the Competition Policy, Reginn wants to ensure that the Group always operates on the basis of honest competition conducted in accordance with competition law. Management ensures that employees are regularly educated about the main laws and rules that apply in competition matters and also about the obligations that rest on the company, managers and employees. Reginn adopts good business practices in accordance with laws and regulations in order to prevent conduct that could violate competition laws and the serious consequences that this would entail.

Main Conclusions

It is the company's assessment that the taxonomy system covers all of the company's activities (taxonomy eligible).

For the reasons outlined above, however, it is not possible to demonstrate with adequate data how large a percentage of the activity is considered environmentally sustainable, given that a directive on the energy efficiency of buildings has not been implemented in Iceland.

Despite these results, there are many milestones in Reginn's sustainability journey from the last few years that are significant. Examples include the BREEAM In-Use certification and smart waste in Reginn's largest properties, installation of electric charging stations, green leases, equal pay certification and much more. Emphasis is placed on integrating the United Nations' Global Goals for Sustainable Development into the company's operations and Reginn will continue to do so permanently. It is the company's assessment that it fulfils the other requirements of the Taxonomy Regulation regarding the mitigation of climate effects, i.e. not causing significant damage and minimum protective measures.

Reginn's Environmentally Certified Buildings

Properties' environmental certifications play a major role in reducing the negative environmental impact of the company's properties. Since 2019, when the first BREEAM In-use certification was obtained for the company's largest property, Smáralind, work has been done on the certification of Reginn's portfolio. Today, around 36% of the company's total portfolio is certified, of which are all the company's largest properties, in addition to Smáralind, i.e. Egilshöll, Katrínartún 2 and Borgartún 8-16. 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. The certification facilitates the provision of information to lessees about operational aspects such as energy consumption and waste sorting, which are increasingly in demand.

All of Reginn's environmentally certified properties meet the criteria for a significant contribution to the environment, apart from the classification of properties according to the energy efficiency directive. Work has begun to ensure that BREEAM environmental certifications are aligned with the requirements of the taxonomy.

Key Criteria

The European Union has issued guidelines for the calculation of key metrics in delegated regulation 2021/2178/EU, and Reginn has made an effort to follow those guidelines. The Consolidated Financial Statements are published in accordance with International Financial Reporting Standards (IFRS), as stated in Note 2 of Reginn's Annual Financial Statements. Calculations of key metrics are presented on a consolidated basis where internal transactions have been eliminated to avoid double counting. The following methodology was used for the calculations of key metrics, turnover, investment expenses and operating expenses, which are published in tables on pp. 48–50.

Turnover

Reginn's income is for the most part due to the rental of properties and their operation, which is subject to the taxonomy system of the European Union. Reginn's assessment is that all operating income, which is transferred to the Profit and Loss Account in accordance with agreements during the lease period, falls under category 7.7. and is operating income in accordance with Note 5 in the Financial Statements.

Investment Expenses

Investments that fall under the taxonomy system include direct investments in the company's investment properties due to investments and renovations, as stated in Note 11 in the Financial Statements. This is the total investment for the year 2023 without depreciation and assessment changes for the year. The investments that are not covered by the taxonomy system are properties for own use, which consist of real properties, vehicles and equipment that are not related to the leasing of individual properties that appear in Note 12 in the Financial Statements.

Operating Expenses

Operating expenses that fall under the taxonomy system include direct expenses that are not capitalised due to the maintenance and repair of the company's investment properties for the operating year 2023. In addition, all direct expenses for daily maintenance, including labour costs, which are needed to ensure the continued and efficient operation of the properties are included. Operating expenses that belong to activities and properties that do not fall under the taxonomy system are due to maintenance and repairs of other permanent property, plant and equipment owned by the company.

Non-financial information cont.

Information on Turnover:

				Viðmið fyrir verulegt framlag						Viðmið fyrir verulegt tjón ("Veldur ekki verulegu tjóni")										
Atvinnustarfsemi (1)	Númer (2)	Heildarvelta (3)	Hlutfall veltu (4)	Mótvægi við loftslagsbreytingar (5)*	Aðlögun að loftslagsbreytingum (6)	Vatns- og sjávarauðlindir (7)	Hringrásarhagkerfið (8)	Mengun (9)	Líffræðileg fjölbreytni og vistkerfi (10)	Mótvægi við loftslagsbreytingar (11)	Aðlögun að loftslagsbreytingum (12)	Vatns- og sjávarauðlindir(13)	Hringrásarhagkerfið (14)	Mengun (15)	Líffræðileg fjölbreytni og vistkerfi (16)	Lágmarks verndarráðstafanir (17)	Hlutfall veltu sem fellur að flokkunar-kerfinu, ár N(18)**	Hlutfall veltu sem fellur að flokkunar-kerfinu,ár N-1 (19)	Flokkur/ starfsemi sem gerir annarri starfsemi kleift að stuðla að umhverf-ismark-miðum (20)	Flokkur "(umbreyting ar- starfemi)" (21)
		ISK	%	%	%	%	%	%	%	Já/Nei	Já/Nei	Já/Nei	Já/Nei	Já/Nei	Já/Nei	Já/Nei	%	%	E	T
A. STARFSEMI SEM FLOKKUNARKERFIÐ NÆR YFIR			**100%**																	
A.1. Umhverfissjálfbær starfsemi (sem fellur að flokkunarkerfinu)																				
			0%	0%	0%	0%	0%	0%	0%								0%	ÁEV		
Velta frá umhverfissjálfbærri starfsemi (sem fellur að flokkunarkerfinu)(A.1)		**0,00**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Já**	**Já**	**Já**	**Já**	**Já**	**Já**	**Já**	**0%**	ÁEV	**0%**	**0%**
A.2 Starfsemi sem flokkunarkerfið nær yfir en er ekki umhverfissjálfbær (sem fellur ekki að flokkunarkerfinu)																				
Kaup og eignarhald á byggingum	7.7	13.776.830.665,00	100%																	
Velta frá starfsemi sem flokkunarkerfið nær yfir en er ekki umhverfissjálfbær (starfsemi sem fellur ekki að flokkunarkerfinu) (A.2)		**13.776.830.665,00**	**100%**																	
Alls (A.1+A.2)		**13.776.830.665,00**	**100%**																	
B. STARFSEMI SEM FLOKKUNARKERFIÐ NÆR EKKI YFIR																				
Velta frá starfsemi sem flokkunarkerfið nær ekki yfir (B)		**0,00**	**0%**																	
Alls (A+B)		**13.776.830.665,00**	**100%**																	

Non-financial information cont.

Information on Operating Expenses:

Atvinnustarfsemi (1)	Númer (2)	Heildarvelta (3)	Hlutfall veltu (4)	Viðmið fyrir verulegt framlag						Viðmið fyrir verulegt tjón ("Veldur ekki verulegu tjóni")						Lágmarks verndarráðstafanir (17)	Hlutfall veltu sem fellur að flokkunar-kerfinu, ár N(18)**	Flokkur/ starfsemi sem gerir annarri starfsemi kleift að stuðla að umhverf-ismark-miðum (20)	Flokkur "(umbreyti ngar-starfemi)" (21)
				Mótvægi við loftslagsbreytingar (5)*	Aðlögun að loftslagsbreytingum (6)	Vatns- og sjávarauðlindir (7)	Hringrásarhagkerfið (8)	Mengun (9)	Líffræðileg fjölbreytni og vistkerfi (10)	Mótvægi við loftslagsbreytingar (11)	Aðlögun að loftslagsbreytingum (12)	Vatns- og sjávarauðlindir(13)	Hringrásarhagkerfið (14)	Mengun (15)	Líffræðileg fjölbreytni og vistkerfi (16)				
		ISK	%	%	%	%	%	%	%	Já/Nei	Já/Nei	Já/Nei	Já/Nei	Já/Nei	Já/Nei	Já/Nei	%	E	T
A. STARFSEMI SEM FLOKKUNARKERFIÐ NÆR YFIR			**100%**																
A.1. Umhverfissjálfbær starfsemi (sem fellur að flokkunarkerfinu)																			
			0%	0%	0%	0%	0%	0%	0%								0%		
Rekstrargjöld frá starfsemi sem er umhverfissjálfbær (sem fellur að flokkunarkerfinu) (A.1)		**0,00**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Já**	**Já**	**Já**	**Já**	**Já**	**Já**	**Já**	**0%**	**0%**	**0%**
A.2 Starfsemi sem flokkunarkerfið nær yfir en er ekki umhverfissjálfbær (starfsemi sem fellur ekki að flokkunarkerfinu)																			
Kaup og eignarhald á byggingum	7.7	943.207.704,00	100%	[redacted]															
Rekstrargjöld frá starfsemi sem flokkunarkerfið nær yfir en er ekki umhverfissjálfbær (starfsemi sem ekki fellur að flokkunarkerfinu) (A.2)		**943.207.704,00**	**100%**																
Alls (A.1+A.2)		**943.207.704,00**	**100%**																
B. STARFSEMI SEM FLOKKUNARKERFIÐ NÆR EKKI YFIR																			
Rekstrargjöld frá starfsemi sem flokkunarkerfið nær ekki yfir (B)		**0,00**	**0%**																
Alls (A+B)		**943.207.704,00**	**100%**																

Non-financial information cont.

Information on Investment Expenses:

				Viðmið fyrir verulegt framlag						Viðmið fyrir verulegt tjón ("Veldur ekki verulegu tjóni")									
Atvinnustarfsemi (1)	Númer (2)	Heildarvelta (3)	Hlutfall veltu (4)	Mótvægi við loftslagsbreytingar (5)*	Aðlögun að loftslagsbreytingum (6)	Vatns- og sjávarauðlindir (7)	Hringrásarhagkerfið (8)	Mengun (9)	Líffræðileg fjölbreytni og vistkerfi (10)	Mótvægi við loftslagsbreytingar (11)	Aðlögun að loftslagsbreytingum (12)	Vatns- og sjávarauðlindir(13)	Hringrásarhagkerfið (14)	Mengun (15)	Líffræðileg fjölbreytni og vistkerfi (16)	Lágmarks verndarráðstafanir (17)	Hlutfall veltu sem fellur að flokkunar-kerfinu, ár N(18)**	Flokkur/ starfsemi sem gerir annarri starfsemi kleift að stuðla að umhverf-ismark-miðum (20)	Flokkur "(umbreyti ngar-starfemi)" (21)
		ISK	%	%	%	%	%	%	%	Já/Nei	Já/Nei	Já/Nei	Já/Nei	Já/Nei	Já/Nei	Já/Nei	%	E	T
A. STARFSEMI SEM FLOKKUNARKERFIÐ NÆR YFIR			**100%**																
A.1. Umhverfissjálfbær starfsemi (sem fellur að flokkunarkerfinu)																			
			0%	0%	0%	0%	0%	0%	0%								0%		
Fjárfestingargjöld frá starfsemi sem er umhverfissjálfbær (sem fellur að flokkunarkerfinu) (A.1)		**0,00**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Já**	**Já**	**Já**	**Já**	**Já**	**Já**	**Já**	**0%**	**0%**	**0%**
A.2 Starfsemi sem flokkunarkerfið nær yfir en er ekki umhverfissjálfbær (starfsemi sem fellur ekki að flokkunarkerfinu)																			
Kaup og eignarhald á byggingum	7.7	4.378.140.794,00	100%																
Fjárfestingargjöld frá starfsemi sem flokkunarkerfið nær yfir en er ekki umhverfissjálfbær (starfsemi sem fellur ekki að flokkunarkerfinu) (A.2)		**4.378.140.794,00**	**100%**																
Alls (A.1+A.2)		**4.378.140.794,00**	**100%**																
B. STARFSEMI SEM FLOKKUNARKERFIÐ NÆR EKKI YFIR																			
Fjárfestingargjöld frá starfsemi sem flokkunarkerfið nær ekki yfir (B)		**0,00**	**0%**																
Alls (A+B)		**4.378.140.794,00**	**100%**																

Definitions for ESEF reporting (unaudited)

Company name	Reginn hf.
Legal registration of company	Public Limited Company
Company registration country	Iceland
Company residence	Hagasmári 1, 201 Kópavogur.
Company headquarters	Hagasmári 1, 201 Kópavogur.
Headquarter country	Iceland
Description of the company activities	The basic aspects of the company's business model are the leasing of commercial premises to companies and institutions (B2B).
Parent company name	Reginn hf.
Ultimate parent company name	Reginn hf.