Reginn hf.

Consolidated Financial Statements
2021

These consolidated financial statements are translated from the original version which is in Icelandic. In case of any discrepancy the Icelandic version prevails.

Reginn hf.
Hagasmári 1
201 Kópavogur

Reg. No. 630109-1080

Contents

Endorsement and Statement by the Board of Directors and the CEO

Reginn hf. is an Icelandic limited liability company with distributed ownership and listed on the Iceland Stock Exchange (NASDAQ OMX Iceland). The financial statements comprise consolidated financial statements of Reginn hf. and subsidiaries. The Group has 18 subsidiaries. Reginn hf. is a real estate company that invests in, rents out and manages commercial real estate in Iceland.

Reginn is a pioneering and progressive real estate company that is a sought-after partner and employer. Reginn invests long-term in real estate with a special emphasis on sought-after cores, where environmental sustainability is the guiding principle in creating the sustainable cores of the future. The Company has set a policy and goals for the division of the portfolio according to location, industries and environmental certification of real estate. The Company is committed to being a leader in the shaping and operation of real estate, in addition to promoting the well-being of the community, improved quality of life and environment for the residents. Reginn believes that the green focus of companies is one of the key factors in their operations and believes that with socially responsible thinking as a guide, new business opportunities will be created and companies will be more competitive in the future.

The basic elements of the Company's business model are the leasing of commercial premises to companies and institutions (B2B). The Company's main area of operation is in the capital area, where over 90% of the Company's assets and income are. The Group has three equally large segments; commercial buildings, public-private partnership and office buildings and the general market. The Company owns 110 properties which combined are a total of 382 thousand m2. The Company's largest properties are the shopping centre Smáralind in Kópavogur, Katrínartún 2 (Höfðatorg) and Egilshöll in Grafarvogur.

Operations of the year

Despite some uncertainty in the company's economic environment, demand for the Company's real estate has been good during the year. This means that there is limited available space in the Company's portfolio and this is reflected in the Company's rental ratio. The Company's rental ratio has increased during the year and was 98% at the end of 2021. In recent years, the Company has aimed at increasing the share of public entities in the Company's rental income. In 2021, 34% of the Company's rental income was from public entities, and if listed companies and banks are included, the ratio is 46%.

The Company's management believes that the outlook for operations is good. Property utilization is good as well as demand, but 129 lease agreements were made during the year for about 45,240 m2.

The main risks in the Company's operations lie in the economic environment and its financing. The Company's board has adopted a risk policy that aims to detect and analyze risks, set criteria for risk and monitor it. 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 secure access to credit.

Segment reporting

Commercial buildings

This segment includes activities related to trade and entertainment as well as various service activities. More than 70% of Reginn's portfolio of trade and services is located in Reginn's core, which means that there is a dense and diverse population in those areas. Increased density and diverse settlements support shopping where residents, staff, customers and even tourists in core areas more often than not choose to visit shops and services in areas close to the workplace or home. There has been a great boom in trade in Iceland over the past two years. Despite increased competition from online shopping, both domestic and foreign, domestic shopping has strengthened significantly. In Smáralind, the turnover of operators increased in 2021 in comparison with 2019 by 30% and at Hafnartorg the increase was 66%. Smáralind scored the highest in the satisfaction scale of shopping centers this year, for the second year in a row. Overall, operations at Hafnartorg have strengthened during the year, preparations are being made for final finishing and leasing, and construction will be completed in 2022. Before the summer of 2022, shops and restaurants will open in spaces owned by Reginn north of Geirsgata and construction and leasing are progressing well.

Endorsement and Statement by the Board of Directors and the CEO, contd.:

Public-Private Partnership

The central government and municipalities have been an increasing part of the Company's customer base, but the Company has from the beginning worked at increasing its share in this market. The Company's experience in this area, i.e. in leasing and providing support services, has led to that there is extensive knowledge within the Company on leasing real estate with emphasis on co-operative ventures where tenants are offered support services. Examples of successful projects within this segment are Egilshöll in Grafarvogur, school structures in Hafnarfjörður, kindergartens in Garðabær and Hafnarfjörður, Sóltún Nursing Home and the lates a contract with Ríkiseignir and HSN regarding a health care center at Sunnuhlíð in Akureyri and contract with the City of Reykjavík regarding a three division kindergarten at Ármúli 6. Today, over one third of Regin's portfolio is leased to governmental entities, and the largest tenant is the City of Reykjavík whether looking at square meters or income, but around 15% of Reginn's income comes from the City of Reykjavík, the second largest tenant of the Company is the Icelandic Government with around 12% of total income. Income from governmental entities has increased in the last years with new lease agreements with among others the Directorate of Health, Social Insurance Administration, Police in Suðurnes, Mental Health Team East, National Commissioners Office, and the Road Authority.

Office buildings and the general market

This segment includes all office space in the Company's portfolio that is not rented out to public entities, office space, all industrial, storage and warehouse space, 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 it is easy to offer solutions if the needs of companies change.

The year 2021 has been stable and fairly strong for commercial real estate in the general market and leasing has been successful. There is still a great demand for high quality office space and smaller warehouse space. The Company has been able to respond well to the demand for high-quality spaces such as at Höfðatorg, Ofanleiti, Hraun in Garðabær and elsewhere.

There is great demand for spaces in the Company's three office centers, at Tryggvagata 11, in Kartrínartún 2 and in Ármúli 6. The office centers are intended to meet increased demand and needs among smaller companies and parties that need small spaces. These parties then have the opportunity to continue to grow within the Company.

Among the Company's largest tenants are Kvika banki, Verkís, Landsbankinn, Íslandsbanki, Hótel Kea and Hótel Klettur.

Development association

In September 2021, it was announced that Reginn and Hagar hf. will join the ownership group of Klasi ehf. together with KLS eignarhaldsfélag ehf. but each owner's holding will be 1/3 of the issued share capital. There is still reservation from the Competition Authority regarding the transaction. Reginn's goal is to be able to participate as a minority owner in projects that support the Company's core activities in the long term, but are much larger in scope than would suit Reginn and its employees' day-to-day operations and projects.
The development company will be involved in all stages of real estate development with an emphasis on projects at the forefront of the development process. Emphasis will be placed on diverse and green urban development, the development of a variety of commercial housing, public activities and housing. The company will invest, develop and build projects, but after defined processes are checked out, they are sold when market conditions are favorable.

The estimated value of the underlying investment assets in the new company after the proposed transaction will be around ISK 15 billion where the equity ratio will be around 79%. Tómas Kristjánsson, Chairman of the Board of Reginn hf., is also one of the main owner of KLS eignarhaldsfélag ehf. The transaction of new share capital in Klasi is discussed in more detail in Note 29.

Endorsement and Statement by the Board of Directors and the CEO, contd.:

Refinancing
During the year, the Company has continued an important journey of refinancing unfavorable loans, which began in 2020. The Company applied for ISK 31 billion in new credit in 2021 and repaid ISK 25 billion of less favorable loans. In line with the Company's emphasis on sustainability, about half of new borrowing was in the form of green financing and green financing is one third of the Company's total financing at the end of 2021. Good progress has been made in reducing the Company's financing costs in both non-indexed and indexed financing. In the year 2022, bonds totaling ISK 7 billion with a mortgage in Egilshöll, are maturing. Management believes that given the development of the financing markets and the demand for corporate bonds, as well as the Company's access to credit lines, the refinancing risk due to the maturity date of 2022 is limited.

Sustainability
Emphasis on the Company's sustainability policy has opened up new opportunities and resulted in exciting challenges. Work on numerous projects began during the year and others ended. Green leases were added to the Company's product range during the year, but they contribute to increased sustainability in the operation of rental units and a reduction in carbon footprint. The development of Reginn's service website continued during the year and the flow of information to tenants through the website has increased. Increased emphasis was placed on the acquisition of knowledge and education of employees in the field of sustainability, but employees attended both courses and lectures during the year and human resources were strengthened by hiring experts in this field.

In the year 2021, two of the Company's largest buildings received BREEAM In-Use certification, i.e. Smáralind and Katrínartún at Höfðatorg, and in January 2022 Borgartún 8-16 was added to the group of environmentally certified assets of the Company. With that phase, 26% of the Company's portfolio became BREEM In-Use certified. The Company's plans assume that within a few years, about half of Reginn's real estate portfolio will have environmental certification. The certification of the portfolio is a necessary condition for good results in green financing.

COVID-19
The Company's Board discussed the Company's position regarding COVID-19 in its meetings. Emphasis and measures have been focused on the safety and well-being of employees and guests, as well as financial aspects related to renting and measures to ensure liquidity. The Company achieved the financial goals for the year as well as the goals for the rental ratio. The impact of COVID-19 on the economy therefore did not affect these targets.

It is the opinion of the Board and management that there is still some uncertainty in the economic development of the country that may affect the ability of individual tenants to meet their obligations. However, the tenants facing this uncertainty are few and income from them is a small proportion of the Company's total income. This uncertainty will not affect the Company's ability to continue as a going concern in 2022. The impact of COVID-19 on the Company's financial statements is discussed in more detail in Notes 4 and 11.

Operations and Financial Position
The consolidated operating revenue of the Reginn hf. amounted to ISK 11,015 million in the year 2021, compared to ISK 9,736 million in 2020. Of this, rental income for the year was ISK 10,374 million. The published operating plan for the year 2021 assumed that rental income would be ISK 10,200 million. The Group's operating expenses were ISK 3,404 million and the Group's operating profit before change in valuation is therefore ISK 7,611 million in 2021, compared to ISK 6,381 million in the previous year. The published operating plan for the year 2021 assumed that operating profit before change in valuation would be ISK 7,400 million. Change in valuation of investment assets was ISK 6,935 million, gain on sale of investment assets was ISK 227 million and depreciation of assets for own use ISK 15 million. Net financial expenses were ISK 7,010 million and income tax ISK 1,577 million. Profit for the year was ISK 6,171 million compared to ISK 1,274 million in the previous year. Earnings per share were 3.39 in 2021 compared to 0.71 in the previous year.

Endorsement and Statement by the Board of Directors and the CEO, contd.:

The Group's total assets amounted to ISK 166,032 million at the end of 2021 according to the balance sheet. Of this, investment assets owned by the Company were ISK 157,819 million. The Company's equity was ISK 53,043 million at the end of the year. Of this, the Company's share capital was ISK 1,823 million and minority share was ISK 477 thousand. The Group's equity ratio was 31.9% at the end of the year. Interest-bearing loans at the end of the year were ISK 96,086 million, of which ISK 9,022 million were current liabilities. Cash at the end of the year was ISK 3,034 million and unutilized credit facilities ISK 4,700 million. The working capital ratio at the end of the year was 0.37. Average number of employees was 58 and full-time job equivalents were 61 at the end of the year.

Cash from operations was ISK 4,162 million compared to ISK 2,094 million in 2020. Investments in investment assets amounted to ISK 8,524 million in the year 2021, of which ISK 3,817 million without payment effect, compared to ISK 4,382 million in 2020. New loans were aquired for ISK 31,157 million and the Company repaid unfavorable loans for ISK 24,683 million. Of the new loans aquired, ISK 15,316 million were green funding. Cash at the end of 2021 was ISK 3,034 million compared to ISK 3,630 million in the previous year.

Information on events after the reporting date is in Note 30.

Reginn hf.'s dividend policy entails a dividend to shareholders corresponding to around 1/3 of profit in the preceding accounting period, either with payment of dividend or with purchase of own shares and decrease in share capital. The Company's dividend policy states that risk from external environment should be taken into account and that the Company should maintain a sound equity and liquidity position. With reference to the Company's strong liquidity position, positive prospects in the market in which the Company operates and a strong leasing position, the Board proposes a total value of ISK 1,500 million will be allocated to shareholders due to the year 2021. The Board has also activated the authorization granted during the Annual General Meeting on 10 March 2021 for the purchase of own shares. The Company intends to buy its own shares for up to ISK 500 million in Q1 and Q2 with the aim of reducing share capital, in accordance with the number of purchased shares.

Share Capital and Shareholders

Nominal value of issued shares in the Company is currently ISK 1,823,152,097. The shares are all in one category. Shareholders were 500 at the beginning of the year but 457 at the end of the year. The ten largest shareholders at the end of the year are following:

	Outstanding shares
Lífeyrissjóður starfsmanna ríkisins	12,01%
Lífeyrissjóður verslunarmanna	9,42%
Gildi lífeyrissjóður	7,79%
Birta lífeyrissjóður	7,58%
Brú lífeyrissjóður sveitarfélaga	7,53%
Stefnir hf.	4,96%
Stapi lífeyrissjóður	4,52%
Kvika banki hf.	4,12%
Frjálsi lífeyrissjóðurinn	3,99%
Festa lífeyrissjóður	3,62%

The Company does not own any own shares at the end of the year. No restrictions are placed on shareholders' right to sell their shares. The transfer of ownership and their implementation is subject to the current law on electronic registration of securities and rules set on the basis thereof. At shareholders' meetings, one vote is attached to every ISK 1 in share capital.

Information on changes in equity is in Note 15.

Endorsement and Statement by the Board of Directors and the CEO, contd.:

Board of Directors and Corporate Governance

The Board of Directors of Reginn hf. puts emphasis on maintaining good corporate governance and complying with the Guidelines on Corporate Governance issued by the Iceland Chamber of Commerce, Nasdaq OMX Iceland and the Confederation of Icelandic Employers, 6th edition 2021. The Board has laid down comprehensive operating procedures which define the power and scope of work of the Board vis-à-vis the CEO. A nomination committee was appointed in 2018, but the aim of the committee's appointment is to ensure the qualifications, experience and knowledge of the board members and transparency in board elections. The shares issued by the Company are listed on the Iceland Stock Exchange (Nasdaq) and therefore the Company is required to comply with Nasdaq's Corporate Governance Guidelines.

The Board of Directors includes the following members at year end 2021: Tómas Kristjánsson, Chairman, Albert Þór Jónsson, Vice Chairman, Bryndís Hrafnkelsdóttir, Guðrún Tinna Ólafsdóttir and Heiðrún Emilía Jónsdóttir, thus it consists of three women (60%) and two men (40%). Therefore the Company fulfils the requirements for gender ratios of limited liability companies. The Executive Management Board consists of three men (50%) and three women (50%). The Company's employees consisted of 44% women and 56% men at the end of the year.

Further information on the Board and corporate governance is provided in the Statement of Corporate Governance, which is an appendix to the Company's financial statements.

Non-financial information

According to the Financial Statements Act, the Company publishes a chapter on non-financial information as a part of the Company's consolidated financial statements. The Company has created a report on sustainability along with its non-financial information for the year 2021. The sustainability report is accessible at the Company's website www.reginn.is.

Reginn has identified the main risks and key criteria in relation to environmental issues, social factors and governance. In a reference table also published on the Company's website, there are 30 criteria measuring company performance relating to these categories.

Statement by the Board of Directors and the CEO

The consolidated financial statements of Reginn hf. have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, additional disclosure requirements in the consolidated financial statements of companies that have their securities listed on a regulated market. 9676000V0KP4AUXNSZ66-2021-12-31-en.zip complies with the Common Electronic Reporting Standard on Consolidated Financial Statements (ESEF).

According to the best knowledge of the Board of Directors and the CEO the consolidated financial statements give a true and fair view of the consolidated financial performance of the Group for the year 2021, its assets, liabilities and financial position as at 31 December 2021 and its consolidated cash flows for the year 2021.

Furthermore, it is the opinion of the Board of Directors and the CEO that the consolidated financial statements and the endorsement by the Board of Directors and the CEO contain a true and fair overview of the development and performance of the Group's operations and its position and describe the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO of Reginn hf. have today discussed the Company's consolidated financial statements for the year 2021 and confirm them with their signatures. The Board of Directors and the CEO propose to the Annual General Meeting to approve the financial statements.

Kópavogur, 10 February 2022.

Board of Directors:

Tómas Kristjánsson, Chairman

Albert Jónsson

Bryndís Hrafnkelsdóttir

Heiðrún Jónsdóttir

Guðrún Tinna Ólafsdóttir

CEO:

Helgi Smári Gunnarsson

Independent auditor's report

To the Board of Directors and Shareholders of Reginn hf.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Reginn hf. and its subsidiaries ("the Group") for the year 2021. The consolidated financial statements comprise the statement of profit or loss and comprehensive income, the statement of financial position as at 31 December 2021, statement of changes in equity, statement of cash flows, information on significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional disclosure requirements in the Financial Statements Act.

Our opinion on the consolidated financial statements of the Company is consistent with other reports we have submitted to the Company's Audit Committee in accordance with Article 11 of the EU Regulation no. 537/2014.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Reginn hf. in accordance with the Code of Ethics for Professional Accountants (IESBA Code) together with relevant ethical requirements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge, we have not provided Reginn hf. or entities within the Group any prohibited non-audit services as the Company's auditors, cf. a list of prohibited non-audit services in Article 5(1) of the EU Regulation 537/2014.

Appointment of Auditor

We were first appointed as auditors of Reginn hf. and subsidiaries for the year 2020 by the Annual General Meeting on 11 March 2020 and have since been re-elected annually.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. In our report we do not provide a separate opinion on these matters.

We have fulfilled our responsibilities as they are described in the "Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements" section of our report, as well as in relation to key audit matters. The audit involved design and implementation of audit procedures in order to respond to our evaluation of significant risks in the consolidated financial statements. The conclusion of our audit procedures, including those listed below, form a basis for our opinion on the Company’s consolidated financial statements.

Independent Auditor's Report, contd.:

Key Audit Matters	How the matter was addressed in the audit
Valuation of investment properties The Group's investment properties are recognised at fair value at the reporting date, 31 December 2021, in accordance with IAS 40 Investment properties and IFRS 13 Fair Value Measurement. Investment properties amounted to ISK 161,142 million or 97.0% of the Group's total assets at 31 December 2021. Valuation change for the year was positive by ISK 6,935 million. Valuation of investment properties is based on management assumption and interpretations. Valuation of investment properties falls under level 3 in the fair value hierarchy and the valuation is based on the present value of cash flow of individual assets. Determination of the value of investment properties is based on presumptions, many of which are based on management assessment such as required return, estimated future rental income and estimated future expenses. Due to evaluative nature of the item, its size and also that investment properties are a large portion of the Group’s statement of financial position, we consider valuation of investment properties to be a key audit matter in our audit. The accounting policy and most significant assumptions applied in the valuation are disclosed in note 11.	Emphasis was put on the following procedures in order to respond to this key audit matter: Overall review and assessment of the Group's valuation model and approach. Emphasis was put on review of the following assumptions applied by management in determining value of investment properties, but they are: • WAAC • estimated future rental income • estimated future expenses We verified the functionality of the valuation model by calculating fair value of a selected sample with our own valuation model. Required return used calculating present value of cash flow was compared to development of market interests and equity charge. Performed numerical analysis on estimated income for each cash generating investment property. For a selected sample of assets in valuation, estimated income was tracked to underlying contracts. Performed numerical analysis on estimated future expenses for each cash generating investment property and compared to the Group’s historical expenses. In auditing valuation of investment properties, we were assisted by valuation specialists of EY in Iceland. The relevant notes to the consolidated financial statements were reviewed in order to assess whether all significant information is included in accordance with disclosure requirements for the Group, see note 11.

Other information

This document contains other information than the consolidated financial statements and our auditor’s report thereon. The other information comprises: Endorsement and Statement by the Board of Directors and the CEO, unaudited Quarterly Statement, unaudited Statement of Corporate Governance and unaudited Non-financial information. The Board of Directors and CEO are responsible for the other information.

Our opinion on the consolidated financial statements does not cover this other information and we do not express any form of assurance conclusion thereon, with the exception of confirmation regarding endorsement and statement of the Board of Directors and CEO which follows.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and CEO for the Consolidated Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union and additional disclosure requirements in the Financial Statements Act. The Board and CEO are also responsible for such internal control as determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors and CEO are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or. If such disclosures are inadequate, we must modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements, contd.

We communicate with the Board of Directors and Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide The Board of Directors and audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with The Board of Directors and Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Signature for European Single Electronic Format (ESEF)

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 for the year 2021 with the file name "xx.zip" have in principle been prepared in accordance with the requirements of the Act on the Disclosure Obligations of Issuers of Securities and the Flagging Obligation no. 20/2021 on the European Single Electronic Format, ESEF rules EU 2019/815 which contain conditions related to the preparation of consolidated financial statements in XHTML format and the iXBRL labeling of the consolidated financial statements.

The Board of Directors and the CEO are responsible for the preparation and presentation of the consolidated financial statements in accordance with the Act on the Disclosure Obligations of Issuers of Securities and the Disclosure Obligation. This responsibility includes preparing annual accounts in XHTML format in accordance with the provisions of the EU Regulation, EU 2019/815, on the European Single Electronic Format (ESEF).

It is our responsibility to provide reasonable assurance as to whether the consolidated financial statements, based on the data we have obtained, are in all material respects in accordance with ESEF rules and issue an endorsement with our opinion. The nature, timing and scope of actions selected are based on the auditor's judgment, including the assessment of the risks of material misstatement of the requirements of the ESEF Rules, whether due to fraud or error.

It is our opinion that the consolidated financial statements of Reginn hf. for the year 2021 with the file name 9676000V0KP4AUXNSZ66-2021-12-31-en.zip has in all material respects been made in accordance with the requirements of the Act on the Disclosure Obligations of Issuers of Securities and the Obligation to Report on a Common Electronic Reporting Format (ESEF Rules).

Confirmation of the contents of the Board's report

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statements Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the consolidated financial statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the notes.

Kópavogur, 10 February 2022

Ingunn Hauksdóttir
Certified Public Auditor

Ernst & Young ehf.
Borgartúni 30
105 Reykjavík

Consolidated Statement of Profit or Loss and Comprehensive Income for the year 2021

	Notes	2021	2020
Rental income		10.374	9.170
Income from operations in real estates		641	566
Operating revenue	5,6	11.015	9.736
Operating expenses of investment properties		(2.110)	(2.187)
Operations in real estates		(762)	(724)
Administrative expenses		(532)	(444)
Operating expenses	5,7	(3.404)	(3.355)
Operating profit before value adjustment		7.611	6.381
Value adjustment of investment properties	11	6.935	1.475
Profit from sale of investment properties	11	227	133
Depreciation of assets for own use	12	(15)	(19)
Operating profit		14.758	7.970
Financial income and (finance expenses):			
Financial income		71	70
Finance expenses		(7.081)	(6.468)
Net finance expenses	10	(7.010)	(6.398)
Profit before income tax		7.748	1.572
Income tax	19	(1.577)	(298)
Comprehensive income for the year		6.171	1.274
Profit for the year attributable to			
Owners of the parent company		6.172	1.274
Non-controlling interests	15	(1)	0
Comprehensive income for the year		6.171	1.274
Earnings per share:			
Basic and diluted earnings per share	16	3,39	0,71

The notes on pages 16 - 39 are an integral part of the financial statements.

Consolidated Statement of Financial Position as at 31 December 2021

	Notes	2021	2020
Assets			
Investment properties	11	161.142	147.178
Properties and equipment for own use	12	224	152
Lease deferrals	4	699	502
Non-current assets		162.065	147.832
Trade and other short-term receivables	13	933	1.513
Cash and cash equivalents	14	3.034	3.630
Current assets		3.967	5.143
Total assets		166.032	152.975
Equity			
Share capital		1.823	1.823
Reserves		16.586	16.586
Unrealised share of profit of equity accounted investees		31.894	23.874
Retained earnings		2.740	4.589
Equity of owners of the parent company		53.043	46.872
Non-controlling interests		0	0
Equity	15	53.043	46.872
Liabilities			
Interest bearing liabilities	17	87.064	87.431
Lease liability	18	3.172	3.593
Deferred income tax liability	19	12.120	10.587
Non-current liabilities		102.356	101.611
Interest bearing liabilities	17	9.022	3.098
Current portion of lease liability	18	151	139
Trade and other short-term payables	20	1.460	1.255
Current liabilities		10.633	4.492
Total liabilities		112.989	106.103
Total equity and liabilities		166.032	152.975

The notes on pages 16 - 39 are an integral part of the financial statements.

Consolidated Statement of Changes in Equity for the Year 2021

	Share Capital	Reserve funds*	Restricted equity accounts	Retained earnings	Owners of parent company	Non-controlling interests	Total
Year 2020							
Equity as at 1.1.2020	1.804	16.514	20.337	7.387	46.042	0	46.042
Total comprehensive income for the year				1.274	1.274	0	1.274
Transferred to restricted equity account			3.537	(3.537)	0	0	0
Share capital increase	40	551		0	591	0	591
Purchased treasury shares ...	(21)	(479)		0	(500)	0	(500)
Dividend payment				(535)	(535)	0	(535)
Equity as at 31.12.2020	1.823	16.586	23.874	4.589	46.872	0	46.872
Year 2021							
Equity as at 1.1.2021	1.823	16.586	23.874	4.589	46.872	0	46.872
Non-controlling interest				(1)	(1)	1	0
Total comprehensive income for the year				6.172	6.172	(1)	6.171
Transferred to restricted equity account			8.020	(8.020)	0	0	0
Equity as at 31.12.2021	1.823	16.586	31.894	2.740	53.043	0	53.043

* A breakdown of reserve funds is in note 15.
The notes on pages 16 - 39 are an integral part of the financial statements.

Consolidated Statement of Cash Flows for the Year 2021

	Notes	2021	2020
Cash flows from operating activities			
Profit for the year		6.171	1.274
Adjusted for:			
Value adjustment of investment properties	11	(6.935)	(1.475)
Profit from sale of investment properties	11	(227)	(133)
Depreciation of assets for own use	12	15	19
Net finance expenses	10	7.010	6.398
Income tax	19	1.577	298
		7.611	6.381
Change in operating assets		(201)	(388)
Change in operating liabilities		284	(83)
		7.694	5.910
Interest income received		71	70
Interest expenses paid		(3.272)	(3.401)
Interest expenses from lease liabilities		(167)	(167)
Paid borrowing cost and prepayment fee		(164)	(318)
Net cash provided by operating activities		4.162	2.094
Cash flows from investing activities			
Investment in investment properties	11	(4.496)	(4.382)
Sales price of investment properties	11	1.454	99
Investment in properties and equipment for own use (net change)	12	(87)	22
Other short-term receivables, change		574	(137)
Net cash used in investing activities		(2.555)	(4.398)
Cash flows from financing activities			
New shares issued		0	591
Purchase of treasury shares		0	(500)
Dividend paid		0	(535)
New long-term borrowings	17	31.157	30.397
Repayments and settlements of interest bearing long-term liabilities	17	(33.219)	(26.732)
Repayments of lease liabilities	18	(141)	(127)
Net cash provided by financing activities		(2.203)	3.094
Changes in cash and cash equivalents		(596)	790
Cash and cash equivalents at the beginning of the year		3.630	2.840
Cash and cash equivalents at the end of the year	14	3.034	3.630
Investing and financing activities not affecting cash flows			
Investment in investment properties	11	(3.817)	0
Unpaid purchase price of investment properties	11	3.817	0
Unpaid sales price of investment properties	11	0	(640)
Sales price of investment properties	11	0	640

The notes on pages 16 - 39 are an integral part of the financial statements.

Notes to the Consolidated Financial Statements

1. General Information

The address of Reginn hf. ("the Company") is at Hagasmári 1 in Kópavogur. The consolidated financial statements of the Company for the year 2021 comprise the financial statements of the Company and its subsidiaries, together referred to as the "Group" and individually as "Group entities".

The Company is a public limited liability company, listed on the Icelandic Stock Exchange (Nasdaq Iceland hf.).

2. Basis of preparation

a. *Statement of compliance with IFRS*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional disclosure requirements in the Financial Statements Act no. 3/2006. A summary of significant accounting policies is disclosed in note 31.

The financial statements were approved and signed by the Board of Directors on 10 February 2022.

b. *Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis, except that the Company's investment properties are measured at fair value.

c. *Presentation and functional currency*

These consolidated financial statements are presented in Icelandic krona (ISK), which is the Company's functional currency. All amounts are presented in ISK million unless otherwise stated.

d. *Use of estimates and judgements by management*

The preparation of consolidated financial statements in accordance with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognised in the periods when the changes are made and in subsequent periods if the changes also affect those periods.

Information about significant decisions where accounting policies have the most significant effect on the carrying amount of assets is included in the following notes:

Note 11 - valuation of investment properties.
Note 19 - utilisation of carry-forward tax losses.

The determination of fair value is based on assumptions which are dependent on management judgement about the development of various factors in the future. Actual selling prices of assets and settlement values of liabilities may differ from these estimates.

3. Determination of fair value

Several accounting policies of the Group 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 fair value. This means that management is responsible for all the important decisions regarding fair value, including decisions related to assessment strategies covered in level 3 of the fair value measurement.

3. Determination of fair value contd.:

Management regularly reviews important assumptions in the evaluation of assets and liabilities that are based on data which cannot be obtained in the market. If information from third parties, such as prices from brokers or pricing services, are used in determining fair value, management uses the information to support the conclusion that the assessment is in accordance with International Financial Reporting Standards (IFRSs), including the level that such an evaluation would fall under.

Fair value is classified according to the standards of IFRS 13 in a hierarchy system based on the assumptions used in the measurement according to following definitions:

- Level 1: quoted prices (unchanged) in active markets for identical assets and liabilities.
- Level 2: other assumptions than quoted prices according to level 1 which can be identified for the asset or liability, either directly (prices) or indirectly (derived from prices).
- Level 3: assumptions used in determining asset or liability are not based on available market data (unobservable data).

Management evaluates at the end of each year whether assets and liabilities which are regularly measured at fair value have transferred between levels. In 2021, there were no reclassifications between levels. (2020: 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. *Effect of COVID-19 on the financial statements*

To meet the effects of COVID-19 on the Company's tenants, changes have been made to the payment arrangements for parts of the leases. According to IFRS 16.87, it should be considered that this is a new lease when changes are made to the existing lease in this way. The effects of the changes are therefore spread over the lease term of the agreement. The cumulative distributed rent at the end of the year is ISK 723 million (2020: ISK 578 million). ISK 24 million (2020: ISK 76 million) are entered to reduce income over the next 12 months and ISK 699 million (2020: ISK 502 million) to reduce income later.

The effect of the increase in operating income during the period due to the distribution of rental income is ISK 145 million (ISK 578 million in 2020).

It is the management's opinion that there is still some uncertainty regarding the impact of COVID-19 on the economic development of the country, which may affect the ability of individual tenants to meet their obligations. The tenants covered by this uncertainty are, however, few and the extent of the Company's income from them is a small proportion of the Company's total income. The effect of COVID-19 on the cash flow assessment of individual assets is taken into account in the Company's valuation. The criteria for the valuation are described in more detail in Note 11.

5. Segment reporting

Segment report provides information on individual aspects of the Company's operations. Operations are divided into three components based on the Company's organization chart. The segments are divided according to assets and their main operations. Assets under development are non-income-bearing assets that are kept separate until they become income-bearing. Another one is commission income due to the share of subsidiaries in senior management. The summary is submitted to the Company's executive board, but the final responsibility lies with the CEO.

Segments:

- Commercial buildings
- Public-private partnership
- Office buildings and the general market

5. Segment reporting, cont.

	Commercial buildings	Public-private partner-ship	Office buildings	Assets under develop-ment	Other	Adjust-ment	Total 2021
Rental income	3.064	3.135	4.175	0	0	0	10.374
Income from operations in real estates	370	264	7		241	(241)	641
Operating revenue	3.434	3.399	4.182	0	241	(241)	11.015
Operating expenses of investment properties	(838)	(414)	(858)	0	0	0	(2.110)
Operations in real estates	(478)	(284)	0	0	0	0	(762)
Administrative expenses	(71)	(73)	(97)	0	(532)	241	(532)
Operating expenses	(1.387)	(771)	(955)	0	(532)	241	(3.404)
Operating profit before value adjustment	2.047	2.628	3.227	0	(291)	0	7.611
Value adjustment of investment properties	2.439	1.833	2.658	5	0	0	6.935
Profit from sale of investment properties	16	(4)	83	132	0	0	227
Depreciation of assets for own use					(15)		(15)
Operating profit	4.502	4.457	5.968	137	(306)	0	14.758
Net finance expenses							(7.010)
Profit before income tax							7.748
Income tax							(1.577)
Comprehensive income for the year							6.171
As at 31 December 2021							
Investment properties owned by the Group	49.541	45.406	57.962	4.910	0	0	157.819

5. Segment reporting, cont.

	Commercial buildings	Public-private partner-ship	Office buildings	Assets under develop-ment	Other	Adjust-ment	Total 2020
Rental income	2.944	2.685	3.541	0	0	0	9.170
Income from operations in real estates	326	229	11		165	(165)	566
Operating revenue	3.270	2.914	3.552	0	165	(165)	9.736
Operating expenses of investment properties	(633)	(414)	(1.117)	(23)	0	0	(2.187)
Operations in real estates	(449)	(275)	0	0	0	0	(724)
Administrative expenses	(52)	(48)	(65)	0	(444)	165	(444)
Operating expenses	(1.134)	(737)	(1.182)	(23)	(444)	165	(3.355)
Operating profit before value adjustment	2.136	2.177	2.370	(23)	(279)	0	6.381
Value adjustment of investment properties	1.120	(353)	719	(11)	0	0	1.475
Profit from sale of investment properties	133	0	0	0	0	0	133
Depreciation of assets for own use					(19)		(19)
Operating profit	3.389	1.824	3.089	(34)	(298)	0	7.970
Net finance expenses							(6.398)
Profit before income tax							1.572
Income tax							(298)
Comprehensive income for the year							1.274
As at 31 December 2020							
Investment properties owned by the Group	46.578	36.721	54.875	5.272	0	0	143.446

6. Operating revenue

Operating revenue is specified as follows:

	2021	2020
Rental income from fixed price leases	9.580	8.214
Rental income from leases linked to turnover	649	378
Deferred rental income	145	578
Total rental income	10.374	9.170
Income from operations in real estates	641	566
Total operating income	11.015	9.736

The lease contracts entered into by the Company with tenants are up to 30 years and the contracts are linked to the consumer price or building cost indices. The weighted average lease period is 7 years (2020: 7 years).

6. Operating revenue, cont.

Following is an analysis of the Group's non-cancellable lease payments at year end based on indices at year end 2021 (year end 2020). Lease contracts linked to turnover are not taken into account.

	2021	2020
Lease payments 2021	-	8.631
Lease payments 2022	9.301	7.984
Lease payments 2023	8.403	7.586
Lease payments 2024	7.739	6.967
Lease payments 2025	7.111	6.408
Lease payments 2026	6.532	5.138
More than 5 years	27.833	23.711
	66.919	66.425

Approximately 15% of the Group's rental income for the year 2021 is attributable to its largest tenant (The City of Reykjavík) compared to 16% for the year 2020 (The City of Reykjavík). The City of Reykjavík is categorized as public-private partnership.

7. Operating expenses

Operating expenses are specified as follows:	2021	2020
Property tax, water and sewage fees	1.584	1.570
Insurance	156	143
Maintenance and refurbishment	319	320
Energy and waste disposal	137	129
Depreciation and amortization of receivables	32	132
Salaries and salary related expenses	922	876
Other operating expenses	254	185
Total operating expenses	3.404	3.355

Operating expenses of investment properties that did not generate rental income during the year were insignificant.

8. Salaries and salary related expenses

Salaries and salary related expenses are specified as follows:	2021	2020
Salaries	752	734
Contributions to pension funds	101	94
Other salary-related expenses	69	48
Total salaries and salary related expenses	922	876
Average number of full-time equivalent positions	58	57
Number of full-time equivalent positions at year end	61	56

Salaries and salary related expenses are specified as follows on operating items:

	2021	2020
Operating expenses of investment properties	310	315
Operations in real estates	239	227
Administrative expenses	373	334
Total salaries and salary related expenses	922	876

9. Auditor's fees

Auditor's fees are specified as follows:	2021	2020
Audit of the annual financial statements	16	16
Review of interim financial statements	3	2
Other assurance services	1	0
Total auditor's fees	20	18

10. Financial income and (finance expenses)

Financial income and finance expenses are specified as follows:	2021	2020
Interest income	71	70
Total financial income	71	70
Interest expense	(3.124)	(3.435)
Capitalised interest expense	211	87
Borrowing cost	(221)	(246)
Prepayment fee	(138)	(261)
Interest expense from leases	(167)	(167)
Indexation	(3.642)	(2.446)
Total finance expenses	(7.081)	(6.468)
Net finance expenses	(7.010)	(6.398)

Capitalised interest expenses are due to properties under construction or considerable renovation that are not generating income. Calculations of interests are based on average interest rate of 5% and is in accordance with the Company's average line of credit at each time.

11. Investment properties

Determination of fair value

The Group' investment properties are recognised at fair value at the reporting date in accordance with the International Accounting Standard IAS 40 Investment Property and International Financial Reporting Standard IFRS 13 Fair Value Measurement. All investment properties are classified as level 3 in the fair value hierarchy, thus the measurement is not based on observable market information. No changes in classification were made during the year. The fair value measurement is performed by the employees of the parent company in the same manner as for the previous year and it includes furnishings and other equipment necessary to ensure cash flow from the assets. Fair value measurement is based on assumption dependent on management's judgement and actual sales price may differ from the measurement. Classification of properties is revised based on use.

In estimating the fair value of investment assets discounted future cash flow of individual assets is relied upon. The cash flow model is based on free cash flow to the Group, discounted at the Weighted Average Cost of Capital (WACC) of the Company. The cash flow model spans 30 years.

11. Investment properties, cont.

The return on equity is assessed on the basis of CAPM (Capital Asset Pricing Model), which is based on risk-free indexed interest rates. As a benchmark for risk-free interest rates, the twelve-month average yield on a housing bond has been based on the longest indexed bond on the government-guaranteed market. The trading shift on the shares was cancelled during the year and trading in the bond has decreased significantly. In order for the benchmark to give the clearest possible picture of the development at any given time, it was decided to change the benchmark for risk-free interest rates to the yield on indexed government-guaranteed bonds with a similar average life. The twelve-month averages of these bonds were comparable when the change was made and the change had an insignificant effect on the valuation. The reference period has now been shortened from an average of 12 months to an average of 3 months to better follow market developments. In addition to risk-free interest, there is a surcharge to cover the risk associated with the Company's underlying operations at any given time. The effect of changes in the assumptions of the capital requirement is negative by a total of ISK 380 million in Q4.

The interest rates on debt capital are estimated considering the general interest rates offered in the market and they have been getting lower in the year. The leverage ratio for the future is assumed to be 70% (2020:70%).

The estimated cash flow takes into account rental income from existing leases and their expected development. Each lease is assessed and the relevant risk factors are taken into account, e.g. the quality and duration of current leases and the market lease that is expected to be received at the end of the lease. The utilization rate is estimated at 97.5% after the end of the lease (2020: 97.5%). Against the estimated rental income, operating costs are deducted, e.g. real estate taxes, insurance, maintenance and operation of real estate where applicable, together with a share in management costs. In this way, each asset of the Company is valued as an independent entity. The assumptions of the value model are based on experience figures from the Company's operations as well as a forecast of the development of key factors for the future.

The result of the valuation was an increase in the valuation of investment assets in the amount of ISK 6,935 million (2020: ISK 1,475 million). The main factors influencing the valuation are price level changes and lower required rate of return

Effect of COVID-19 on the valuation

The assumptions of the model on the effect of the COVID-19 pandemic on domestic and foreign demand in the cash flow of individual assets assume that the effect of the pandemic on income from travel-related activities will last until 2023-24, but the effect on domestic demand will have an insignificant effect on future estimates. Due to declining uncertainty, the risk premium in the valuation has been reduced during the year.

Segmentation of investment properties 2021:	The Group's investment properties	Right-of-use assets	Total
Carrying amount			
Balance as at 1.1.2021	143.446	3.732	147.178
Additions during the year	8.524	0	8.524
Sold during the year	(1.454)	0	(1.454)
Adjustment due to revaluation of lease liabilities	0	(268)	(268)
Value adjustment for the year and sales profit (loss)	7.303	(141)	7.162
Balance as at 31.12.2021	157.819	3.323	161.142

11. Investment properties, contd.:

Carrying amount

Balance as at 1.1.2020	137.981	2.765	140.746
Additions during the year	4.469	0	4.469
Sold during the year	(739)	0	(739)
Adjustment due to revaluation of lease liabilities	0	1.094	1.094
Value adjustment for the year and sales profit (loss)	1.735	(127)	1.608
Balance as at 31.12.2020	143.446	3.732	147.178

Further information on right-to-use assets is in note 18.

Segmentation of the Group´s investment properties 2021:

	Commer-cial buildings	Office buildings	Industrial and storage buildings	Hotels	Sports, education and enter-tainment	Assets under develop-ment	Total
Carrying amount							
Balance as at 1.1.	43.734	53.115	13.139	10.672	17.511	5.275	143.446
Reclassification	0	2.766	0	0	0	(2.766)	0
Additions during the year	66	0	0	0	3.817	642	4.525
Improvem. during the year	540	979	266	32	48	2.134	3.999
Sold during the year	(97)	(25)	(625)	(196)	0	(511)	(1.454)
Value adjustment for the year	2.337	2.317	625	840	952	5	7.076
Sales profit (loss)	16	(2)	86	(5)	0	132	227
Balance as at 31.12.	46.596	59.150	13.491	11.343	22.328	4.911	157.819

Key assumptions in the 2021 valuation model:

	Commer-cial buildings	Office buildings	Industrial and storage buildings	Hotels	Sports, education and enter-tainment	Assets under develop-ment	Total
Projected rental income per square meter per month in ISK	660-13.200	610-5.600	660-2.800	2.500-5.800	1.560-5.000		
Estimated average rent per square meter per month in ISK	2.750	2.908	1.745	4.114	2.689		2.708
Pre-tax weighted average cost of capital (WACC)	5,3%-7,1%	5,2%-7,8%	5,5%-7,4%	6,0%-6,8%	5,3%-6,7%		
Weighted average	5,7%	5,7%	6,2%	6,2%	5,5%		5,8%

Segmentation of the Group's investment properties 2020:

	Commer-cial buildings	Office buildings	Industrial and storage buildings	Hotels	Sports, education and enter-tainment	Assets under develop-ment	Total
Carrying amount							
Balance as at 1.1.	42.094	51.409	12.513	11.468	17.525	2.972	137.981
Reclassification	0	0	0	0	0	0	0
Improvem. during the year	728	739	293	35	102	1.888	3.785
Sold during the year	(739)	0	0	0	0	0	(739)
Value adjustment for the year	1.263	966	333	(831)	(118)	(11)	1.602
Sales profit (loss)	133	0	0	0	0	0	133
Balance as at 31.12.	43.734	53.115	13.139	10.672	17.511	5.275	143.446

11. Investment properties, contd.:

Key assumptions in the 2020 valuation model:

Projected rental income per square meter per month in ISK	660-12.650	580-5.400	960-2.200	2.330-5.570	1.540-4.830	
Estimated average rent per square meter per month in ISK	3.131	2.715	1.623	3.841	2.474	2.695
Pre-tax weighted average cost of capital (WACC)	5,4%-7,4%	5,3%-7,8%	5,5%-7,4%	6,2%-6,9%	5,3%-6,4%	
Weighted average	5,8%	5,8%	6,3%	6,2%	5,6%	5,9%

	2021		2020	
	Increase	Decrease	Increase	Decrease
Sensitivity analysis of fair value:				
Increase (decrease) in rental income of 5%	10.034	(10.034)	8.837	(8.837)
Decrease (increse) in yield of 0.5% points	11.594	(9.991)	10.099	(9.071)

Pledges and guarantees

At year end, investment properties with a carrying amount of ISK 152,531 million (2020: ISK 138,592 million) are pledged as collaterals for the Company's liabilities in the amount of ISK 96,038 million (2020: ISK 84,606).

The Company's real estates carry input VAT encumbrance in the amount of ISK 5,333 million at year end 2021 (2020: ISK 5,139 million). The VAT encumbrance lapses over 20 years and does not become payable unless the relevant real estate is utilised for operations which are exempt from VAT.

Official assessment value and insurance value

The official assessment value of buildings and land at year end amounted to a total of ISK 94,305 million (2020: ISK 90,105 million). At the same time, the assessed value for fire insurance of the Company's real estates amounted to ISK 129,002 million (2020: ISK 118,608 million). The Group has purchased additional insurances in the amount of ISK 22,063 million (2020: ISK 20,515 million).

Further information on accounting policies regarding investment properties is in note 31.

12. Properties and equipment for own use

Properties and equipment for own use are real estate, vehicles and equipment not related to the lease of individual properties:

	2021	2020
Cost		
Balance at 1.1.	152	193
Additions during the year	95	17
Sold during the year	(8)	(39)
Depreciation during the year	(15)	(19)
Balance at 31.12.	224	152

13. Trade and other short-term receivables

Trade and other short-term receivables are specified as follows:

	2021	2020
Trade receivables	671	611
Lease deferrals	24	76
Outstanding sales price	66	640
Other short-term receivables	172	186
Total trade and other receivables	933	1.513

Information about credit risk and impairment (provision) of trade and other receivables of the Group is disclosed in note 22. Trade receivables for other services are insubstantial.

14. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank deposits.

15. Equity

Share capital

Total share capital of the Company recognised in the Group's financial statements is total nominal price of ordinary shares which are issued by the parent company and are outstanding at the reporting date.

The parent company's total share capital at year end 2021 amounted to ISK 1,823 million according to its Articles of Association and it is fully paid. One vote is attached to each share of ISK 1 in the parent company.

Reserves

Share premium represents the excess of payments above nominal value that shareholders have paid for shares sold by the Company.

A statutory reserve is established in accordance with Act No. 2/1995 on limited liability companies, which stipulates that at least 10% of the Company's profit, not utilised to adjust previous years' losses or for other reserves in accordance with law, shall be allocated to the statutory reserve until the reserve amounts to 10% of the Company's share capital. When that benchmark has been reached the contribution to the reserve shall be at least 5% until its value has reached 25% of the Company's share capital.

Reserves are specified as follows:

	Statutory reserve	Share premium	Total reserves
Balance at 1.1.2021	457	16.129	16.586
Changes during the year	0	0	0
Balance at 31.12.2021	457	16.129	16.586

Restricted equity accounts

The restricted equity account includes a share in the profits of subsidiaries from the end of 2015 that exceeds the dividends distributed by the companies in question on the date of signing.

Retained earnings

Retained earnings consist of accumulated unallocated profits and accumulated losses of the Group since the establishment of the parent company less dividends paid and transfers to and from other equity line items.

15. Equity

Non-controlling interests

Reginn hf. registered on 1 January 2021 for 90% of the share capital in the private limited company Sóltún fasteign ehf. by subscribing to 4,500,000 new shares in the company. The company is part of the Reginn hf. Group since 1 January 2021. The company's share capital was increased by 1,053,000,000 shares in December 2021 and Reginn hf. registered for the entire increase. The share of Reginn hf. is therefore 99.95% after the share capital increase and the share of other shareholders is 0.05%.

Capital management

It is the policy of the Board of Directors of the Company to maintain a strong capital base for the Group in order to support the stability of future development of operations and to deal with uncertainty in the external environment. The Company intends to maintain the real return of equity on average above 10%. The Company intends to keep leverage as a proportion of investment properties below 65%.

The Board approved the Company's investment policy at a board meeting on 20 April 2015 and it was confirmed, unchanged, at a board meeting on 11 April 2019.

Dividend

Reginn hf.'s dividend policy entails a dividend to shareholders corresponding to around 1/3 of profit in the preceding accounting period, either with payment of dividend or with purchase of own shares and decrease in share capital. The Company's dividend policy states that risk from external environment should be taken into account and that the Company should maintain a sound equity and liquidity position. With reference to the Company's strong liquidity position, positive prospects in the market in which the Company operates and a strong leasing position, the Board proposes a total value of ISK 1,500 million will be allocated to shareholders due to the year 2021. The Board of Directors has also activated the authorization granted during the Annual General Meeting on 10 March 2021 for the purchase of own shares. The Company intends to buy own shares for up to ISK 500 million in Q1 and Q2 with the aim of reducing share capital, corresponding to the number of shares to be purchased.

16. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year and shows the earnings per each share of ISK 1. Diluted earnings per share is the same as basic earnings per share since no share options have been granted to employees or others and the Company has not taken loans convertible into share capital.

	2021	2020
Profit for the year	6.171	1.274
Share capital at the beginning of the year	1.823	1.804
Effect of repurchase of own shares	0	(21)
Effect of paid-in share capital	0	10
Weighted average number of shares during the year	1.823	1.793
Basic and diluted earnings per share	3,39	0,71

17. Interest bearing liabilities

This note includes information about the contractual provisions of the Company's interest bearing liabilities, which are recognised at amortised cost.

	2021	2020
Green listed bonds issued	23.662	14.539
Green liabilities with credit institutions	8.066	1.500
Green interest bearing liabilities	31.728	16.039
Other bonds issued	37.424	31.982
Other liabilities with credit institutions	19.883	30.066
Liabilities with mutual funds which issue listed bond	7.004	12.838
Other interest bearing liabilities	64.311	74.886
Interest bearing long-term liabilities less borrowing cost	96.039	90.925
Capitalised borrowing cost	47	(396)
Current maturities of interest bearing liabilities	(9.022)	(3.098)
Total interest bearing long-term liabilities	87.064	87.431

Table showing the terms and repayment periods of interest bearing liabilities:

	Maturity	Weighted interest rate 2021	Carrying amount 2021	Weighted interest rate 2020	Carrying amount 2020
Liabilities in ISK, indexed	2022	3,80%	7.004	3,80%	6.907
Liabilities in ISK, indexed	2026	2,73%	11.283		
Liabilities in ISK, indexed	2027	1,74%	13.005		
Liabilities in ISK, indexed	2028			3,15%	1.363
Liabilities in ISK, indexed	2030	2,06%	11.390	2,46%	6.482
Liabilities in ISK, indexed	2040			3,90%	7.076
Liabilities in ISK, indexed	2043			4,35%	5.931
Liabilities in ISK, indexed	2047	3,68%	7.834	3,68%	7.765
Liabilities in ISK, indexed	2048	3,60%	18.200	3,60%	17.735
Liabilities in ISK, indexed	2050	2,50%	12.843	2,50%	12.539
		2,82%	81.559	3,40%	65.798
Liabilities in ISK, non-indexed	2022			4,10%	3.385
Liabilities in ISK, non-indexed	2023	3,10%	4.380	3,90%	4.934
Liabilities in ISK, non-indexed	2024			4,10%	3.980
Liabilities in ISK, non-indexed	2025	4,30%	10.100	3,35%	10.100
Liabilities in ISK, non-indexed	2029			4,60%	2.728
		3,94%	14.480	3,81%	25.127
Total interest bearing liabilities			96.039		90.925

17. Interest bearing liabilities, contd.:

Repayments of interest bearing long-term liabilities over the next years are specified as follows:

	2021	2020
Repayments in 2021	-	3.098
Repayments in 2022	9.022	13.103
Repayments in 2023	7.118	5.348
Repayments in 2024	2.810	5.028
Repayments in 2025	11.592	13.705
Repayments in 2026	11.986	2.323
Later	53.511	48.320
Total interest bearing long-term liabilities, including current maturities	96.039	90.925

The Group's loan agreements contain covenants concerning financial conditions and the Group meets with all current covenants at year end 2021. The Company utilised favourable market conditions for refinancing. New loans were obtained amounting to ISK 31 billion (2020: ISK 30 billion), both bonds and bank loans. The Company repaid unfavourable loans amounting to ISK 28 billion (2020: 24 billion). Loan agreements for interest bearing loans amounting to ISK 27,949 million contain provisions allowing for repayment in the year 2022.

Reginn hf. has issued bonds according to a bond framework for ISK 100 billion at Nasdaq Iceland hf.'s leading market, where it is possible to issue bonds and bills of exchange with different attributes. The Company also has framework for green financing. At the end of the year the book value of certified assets under the green framework amounted to ISK 35,510 million (2020: 21,078 million) and green financing ISK 31,728 million (2020: ISK 16,084 million).

Changes in interest bearing liabilities during the year are specified as follows:	2021	2020
Interest bearing liabilities 1 January	90.925	84.578
New borrowings	31.157	30.397
Interest bearing liabilities acquired through acquisition	3.783	0
Repayments and settlements of long-term liabilities	(33.219)	(26.732)
Interest bearing short-term liabilities, change	(249)	236
Indexation	3.642	2.446
Interest bearing liabilities 31 December	96.039	90.925

18. Leases

Right-of-use assets and lease liabilities come from leases on land for the Group´s properties and properties that the Group leases from a third party. Leases on real estate are indexed. Lease properties which the Group recognises due to these lease agreements are recognised as investment properties as can be seen in note 11 and are measured at fair value at reporting date. Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date. Lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. After the lease commencement date, lease liabilities are measured at amortised cost using the effective interest method, where lease payments are divided into interest expense recognised in profit and loss, and repayments of lease liabilities in statement of financial position.

18. Leases, contd.:

Right-of-use assets and lease liabilities are specified as follows:

	2021	2020
Right-of-use assets		
Balance at 1.1.	3.732	2.765
Additions	0	0
Adjustment due to revaluation of lease liabilities	(268)	1.094
Value adjustment for the year	(141)	(127)
Balance at 31.12.	3.323	3.732
Lease liabilities		
Balance at 1.1.	3.732	2.765
Additions	0	0
Revaluation due to indexation of lease payments	(268)	1.094
Repayments of lease liabilities	(141)	(127)
Current portion of lease liabilities	(151)	(139)
Balance at 31.12.	3.172	3.593
Amounts recognised in profit or loss		
Value adjustment	(141)	(127)
Interest on lease liabilities	(167)	(167)
Total amounts recognised in profit or loss	(308)	(294)
Amounts recognised in statement of cash flows		
Paid interest expense from lease liabilities	(167)	(167)
Repayments of lease liabilities	(141)	(127)
Total amounts recognised in statement of cash flows	(308)	(294)

Lease liabilities

Repayments of lease liabilities for properties is specified as follows for the next years:

	2021	2020
Repayments in 2021		137
Repayments in 2022	151	144
Repayments in 2023	157	150
Repayments in 2024	158	151
Repayments in 2025	103	99
Repayments in 2026	19	18
Net investment in leases	588	699

19. Income tax

Income tax recognised in profit or loss is specified as follows:

		2021		2020
Profit before income tax		7.748		1.572
Income tax according to current tax rate	20,0%	1.550	20,0%	314
Difference between estimated and imposed taxes	0,4%	27	(1,0%)	(16)
Effective income tax	20,4%	1.577	19,0%	298

Deferred income tax liability is specified as follows:

	2021	2020
Deferred income tax liability at 1.1	10.587	10.259
Effects of investing in real estate companies	(52)	30
Income tax payable	8	0
Income tax for the year	1.577	298
Deferred income tax liability at 31.12	12.120	10.587

Deferred income tax liability is attributable to the following items:

Investment properties and properties and equipment for own use	13.314	11.624
Trade receivables	(14)	(21)
Borrowing cost	0	24
Tax loss carry-forward	(1.180)	(1.040)
Deferred income tax liability at 31.12	12.120	10.587

Tax loss carry-forward at year end is specified as follows:

	2021	2020
Tax loss of the year 2012, utilisable until year-end 2022	89	89
Tax loss of the year 2013, utilisable until year-end 2023	105	105
Tax loss of the year 2014, utilisable until year-end 2024	58	7
Tax loss of the year 2015, utilisable until year-end 2025	0	72
Tax loss of the year 2016, utilisable until year-end 2026	484	568
Tax loss of the year 2017, utilisable until year-end 2027	99	101
Tax loss of the year 2018, utilisable until year-end 2028	1.122	1.145
Tax loss of the year 2019, utilisable until year-end 2029	1.206	1.161
Tax loss of the year 2020, utilisable until year-end 2030	2.032	1.865
Tax loss of the year 2021, utilisable until year-end 2031	703	
Total tax loss carry forward	5.898	5.113

The tax loss for the year 2021 is mostly because according to the tax law, a ISK 7,073 million change in the valuation of investment assets is not defined as income and those investment assets may be depreciated for tax purposes by ISK 1,691 million. This is offset by a higher capital gain on investment assets of ISK 324 million. It is the opinion of management that the Company's tax loss at the end of 2021 will be used to offset the tax profit in the coming years.

20. Trade and other short-term payables

Trade and other short-term payables are specified as follows:

	2021	2020
Trade payables	443	328
Unpaid accrued interest	367	515
Other short-term liabilities	650	412
Total trade and other short-term payables	1.460	1.255

21. Financial risk management

Overview

The Group has exposure to the following risks arising from its financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

Following is information regarding the Group's risks and its objectives, policies and processes for measuring and managing them.

The Board of Directors of Reginn hf. is responsible for implementing and monitoring the Group's risk management. The Board of Directors has assigned control of daily risk management to the CEO of the Company. The Company's Board of Directors has approved an investment policy where risk limits or qualifications are set for main factors related to lease activities, investments and financial activities.

The objective of risk management is to identify and analyse risks, to set risk limits and to control them. With training of personnel and work procedures the Group aims at maintaining disciplined control where all employees are aware of their roles and responsibilities.

22. *Credit risk*

Credit risk is the risk that the Group will incur a financial loss if a customer or a counterparty to a financial instrument fails to discharge their contractual obligations or that customers' guarantees will not suffice to meet their obligations. Collaterals are generally in the form of cash and bank guarantees and amount to three months of rent. Credit risk arises mainly from trade receivables and cash and cash equivalents.

Trade and other receivables

The Group’s exposure to credit risk is influenced mainly by the financial position and operations of each customer. If customers do not discharge their obligations the agreements are terminated or further guarantees requested. Write-off of trade receivables has been insignificant as a percentage of turnover.

The Group recognises an allowance for the estimated impairment of trade and other receivables and investments. The allowance is essentially a specific allowance for individual customers and a general allowance with respect to the age of receivables (older than one month) and which has not been associated with individual customers. A receivable is written off when its collectability is clear and in the meantime a general allowance is determined with respect to likelihood of default and collection history of similar receivables. The allowance for impairment amounted to ISK 77 million at year end (2020: ISK 107 million). Write-off of trade receivables in the year amounted to ISK 66 million (2020: ISK 115 million).

22. ***Credit risk***

The maximum exposure to credit risk arising from financial assets is their carrying amount, which is specified as follows at year end:

	Notes	2021	2020
Lease deferral	4	699	502
Trade and other short-term receivables	13	933	1.513
Cash and cash equivalents	14	3.034	3.630
Total maximum exposure to credit risk		4.666	5.645

Aging of trade receivables and allowance at the reporting date was as follows:

	Gross 2021	Allow-ance 2021	Gross 2020	Allow-ance 2020
Not past due	435	7	514	20
Past due 0-30 days	51	4	32	15
Past due 31 - 180 days	139	21	138	47
Past due more than 180 days	124	45	34	25
	749	77	718	107

The Company believes that there is no risk of loss in other short term receivables.

23. ***Liquidity risk***

Liquidity risk is the risk that the Group will not be able to meet its financial obligations, which will be settled in cash or other financial assets, as they accrue.

The Group monitors its liquidity by analysing the maturity of financial assets and financial liabilities in order to be able to repay all debt at maturity and employs working methods which ensure that there is sufficient liquidity to meet foreseeable and unforeseen payment obligations.
The Group has negotiated short-term loans and unused loan facilities amounted to ISK 4,700 million at year-end 2021 (2020: ISK 3,515 million).

23. ***Liquidity risk, contd.:***

Contractual maturities of financial liabilities, including expected interest payments, are specified as follows:

Non-derivative financial liabilities	Carrying amount	Contract-ual cash flows	Within 1 year	1-2 years	2-5 years	More than 5 years
2021						
Interest bearing liabilities	96.039	121.821	11.860	14.600	27.239	68.122
Lease liabilities on properties*	588	637	172	339	126	0
Trade payables	443	443	443	0	0	0
Other short-term liabilities	650	650	650	0	0	0
	97.720	123.551	13.125	14.939	27.365	68.122

23. *Liquidity risk, contd.:*

Non-derivative financial liabilities 2020	**Carrying amount**	**Contract-ual cash flows**	**Within 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Interest bearing liabilities	90.925	123.137	6.329	24.244	23.182	69.382
Lease liabilities on properties*	699	774	165	330	261	18
Trade payables	328	328	328	0	0	0
Other short-term liabilities	412	412	412	0	0	0
	92.364	124.651	7.234	24.574	23.443	69.400

*The Company has leases on land for its investment properties. The Company considers that the leases are valid throughout the lifetime of the properties and their closing date is therefore uncertain. Lease on land in 2021 amounted to ISK 140 million (2020: ISK 136 million).

24. *Market risk*

Interest rate risk

The Group's borrowings are in Icelandic krona and mainly with fixed interest rates. The Group's interest rate risk is monitored taking into account the effect of interest rate changes on the Company's operations.

The Group's interest bearing financial instruments are specified as follows at year end:

Financial instruments with fixed interest rates	**2021**	**2020**
Indexed financial liabilities	(63.710)	(64.435)
Non-indexed financial liabilities	(4.380)	(2.000)
	(68.090)	(66.435)
Financial instruments with floating interest rates		
Cash and cash equivalents	3.034	3.630
Non-indexed financial liabilities	(10.100)	(23.127)
Indexed financial liabilities	(17.849)	(1.363)
	(24.915)	(20.860)

Sensitivity analysis of the fair value of financial instruments with fixed interest rates

The Group's financial instruments with fixed interest rates are not recognised at fair value through profit or loss. Therefore, interest rate changes at the reporting date do not affect the Company's profit or loss.

Sensitivity analysis of the cash flow of financial instruments with floating interest rates

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) the profit before income tax by ISK 249 million (2020: ISK 209 million). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for the year 2020.

24. *Market risk, contd.:*

Inflation risk

Interest bearing liabilities in the amount of ISK 81,559 million (2020: ISK 65,798 million) are indexed to the consumer price index. An increase (decrease) in inflation of one percentage point at year end 2021 would have increased (decreased) the Company's profit before income tax in the amount of ISK 816 million (2020: ISK 658 million). The analysis is based on all other variables remaining constant.

Lease contracts that make up 94% (2020: 96%) of the Company's rental income are indexed to the consumer price index.

Fair value

Comparison of fair value and carrying amount

The following table shows comparison of fair value and carrying amounts of financial assets and liabilities in the statement of financial position. Information on fair value is not disclosed if it is equal to carrying amount:

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest bearing liabilities	96.039	101.238	90.925	95.466

Fair value of financial assets and financial liabilities is calculated by discounting future payments of principal and interest with market rates the reporting date. Market interest rate at year end is considered.

25. *Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of factors in the Group's operations, the work of its personnel, technology and organisation, and from external factors other than credit, market and liquidity risks, such as changes in laws and general attitude towards corporate governance. Operational risks arise from all of the Group’s operations.

The Group’s objective is to manage operational risk efficiently in order to avoid financial losses and to protect the Group’s reputation. In order to reduce operational risk, among other things, an appropriate segregation of duties has been implemented, transactions are controlled as well as compliance with laws, regular assessment of risk is performed, employees are trained, procedures are organised and documented, and insurance is purchased when applicable.

26. Related parties

Definition of related parties

The Group has a related party relationship with shareholders which have significant influence over the Company and its subsidiaries, members of the Board of Directors, the CEO and close members of their families and companies which are controlled by them.

Shareholding of the Board of Directors and management in the Company at year end is specified as follows:

	Share in ISK thousand	
	2021	**2020**
Tómas Kristjánsson, Chairman of the Board (100% share in Sigla ehf)	61.701	61.701
Albert Þór Jónsson, board member	153	153
Bryndís Hrafnkelsdóttir, board member	18	18
Helgi S. Gunnarsson, CEO (100% share in B38 ehf.)	1.567	1.567

Included in the above are shares of spouses and financially dependent children as well as shares held by companies controlled by the relevant person.

Salaries, benefits and pension contributions for the Board of Directors and management for their work for the Group during the year are specified as follows:

	2021		2020	
	Salaries and benefits	**Pension contri-butions**	**Salaries and benefits**	**Pension contri-butions**
Tómas Kristjánsson, chairman of the board	8,7	0,7	8,7	0,7
Albert Þór Jónsson, vice chairman of the board	5,2	0,4	5,1	0,4
Bryndís Hrafnkelsdóttir, board member	4,6	0,4	4,6	0,4
Guðrún Tinna Ólafsdóttir, board member	4,6	0,4	4,6	0,4
Heiðrún Emilía Jónsdóttir, board member	5,2	0,4	5,1	0,4
Hjördís Dröfn Vilhjálmsdóttir, chairman of the audit comm.	1,7	0,4	2,0	0,1
Guðfinna S. Bjarnadóttir, chairman of the nomin. comm.	1,1	0,1	1,1	0,1
Ína Björk Hannesdóttir, nomination committee member	0,7	0,1	0,6	0,0
María Sólbergsdóttir, former nomin. committee member	0,0	0,0	0,1	0,0
Sigurjón Pálsson, nomination committee member	0,7	0,1	0,7	0,1
Helgi S. Gunnarsson, CEO	46,2	6,5	44,3	6,2
Four managing directors	111,0	17,3	104,3	15,5
Total	189,7	26,8	181,2	24,3

Reference is made to Note 29 regarding transactions with related parties due to the purchase of shares in Klasi ehf. Other related party transactions are insignificant. Pricing in such transactions is comparable to other transactions of the Group.

The Board of Directors has approved an incentive payment plan for the most senior management of the Company. Key management's benefits according to the plan is capped to a maximum amount corresponding to three months' salary. Total payment in 2021 amounted to ISK 18.5 million (2020: ISK 15.1 million). The CEO and four other managing directors took part in an incentive system during 2021. Bonus payments to the CEO amounted to ISK 5.8 million (2020: ISK 4.9 million) and ISK 12.7 million (2020: ISK 10.2 million) to the four managing directors.

27. Subsidiaries

Reginn hf. owned 18 subsidiaries at year end 2021:

	Share 2021	Share 2020
Eignarhaldsfélagið Smáralind ehf.	100%	100%
Smáralind ehf.	100%	100%
Knatthöllin ehf.	100%	100%
Kvikmyndahöllin ehf.	100%	100%
Reginn atvinnuhúsnæði ehf.	100%	100%
220 Miðbær ehf.	0%	50%
RA 5 ehf.	100%	100%
FM-hús ehf.	100%	100%
Hafnarslóð ehf.	100%	100%
Hörðuvellir ehf.	100%	100%
Reykir fasteignafélag ehf.	100%	100%
HTO ehf.	100%	100%
Reginn skrifstofusetur ehf.	100%	100%
RA 18 ehf.	100%	100%
Sóltún fasteignir ehf.	99,95%	
CCI fasteignir ehf.	100%	
Grunnur I ehf.	20%	
ÞR Eignir ehf.	100%	
ÞR Þróun ehf.	100%	
ÞR Lágmúli ehf	100%	

27. Subsidiaries, contd.:

The parent company is liable for a portion of its subsidiaries' liabilities. Parts of the assets of subsidiaries are pledged to secure the liabilities of the parent company. The Company's subsidiaries are all domiciled in Hagasmári 1, Kópavogur.

28. Committments not included in the statement of financial position

Reginn hf. entered into a purchase agreement with Austurhöfn ehf. at the end of December 2017 regarding the purchase of all commercial properties on square 5b at Austurbakki 2 in Reykjavík's city center. The property is 2,700 m2 of shopping and restaurant space. The transaction is insignificant compared with Reginn hf.'s asset portfolio and will have an insignificant effect on Reginn hf.'s financial position and operating results. The property was delivered to Reginn at the end of 2020. Final settlement is not available.

Reginn hf. is a party to a development plan on an area south of Smáralind (Smárabyggð). The area is mainly planned for apartments, but in part for trade and services. Reginn hf. owns the construction rights to over 15,000 m2 in the Smárabyggð area. The asset is recognised at a carrying amount of ISK 576 million at year end.

29. Other matters

Agreement on the purchase of new shares in Klasi ehf.

Reginn hf. signed a subscription agreement for a subscription to share capital in the real estate development company Klasi ehf., cf. the Company's announcement to the Stock Exchange on 3 December 2021. The Company had previously signed a letter of intent with Hagar hf., Klasi ehf. and KLS eignarhaldsfélag ehf., the current owner of Klasi ehf., on the development and operation of a powerful real estate development company. Reginn hf. will pay for its share in Klasi ehf. with a portfolio consisting of sales and development assets. More specifically, these are 15 income-bearing properties and 4 development plots located at Smáralind, Lágmúli, Garðahraun and Tjarnavellir. The contribution of Reginn hf. for the transaction is valued at ISK 3,912 million and the share of Reginn hf. in Klasi ehf. will be 1/3 of the issued share capital, similar to the holding of Hagar hf. and KLS eignarhaldsfélag ehf. With the contribution of Reginn hf. and Hagar hf., the total scope of the development assets of Klasi ehf. will be close to 280 thousand square meters, in addition to another dozen properties for rent that are intended for sale or further development. The value of the underlying assets of Klasi ehf. after the transaction will be about ISK 14.8 billion and the company's equity ratio will be 79% at first. The sale value of the assets of Reginn hf. is about ISK 600 million higher than the book value of the assets, it is estimated that the sale will materialize at the beginning of 2022. The transaction is currently being examined by the Competition Authority. Tómas Kristjánsson, Chairman of the Board of Reginn hf., is also another main owner of KLS eignarhaldsfélag ehf. and sits on the board of Klasi ehf.

30. Events after the reporting date

No events have occurred after the reporting date that would require adjustments or changes to the 2021 financial statements.

31. Significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements and to all companies within the Group. In order to increase the informative value of the financial statements, the notes are disclosed on the basis of how appropriate and significant its value is for the reader. This means that information which is neither deemed appropriate nor significant for the user of the financial statements is not disclosed in the notes. The financial reporting standards entering into effect on 1 January 2021 do not have a significant impact on the Group's consolidated financial statements.

a. *Basis of consolidation*

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control is based on whether an investor is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b. *Investment properties*

Investment properties are divided into investment properties owned by the Group and right-of-use assets. Information on accounting policies relating to right-of-use assets is in note 31m.

Investment properties are real estate (land and buildings) held by the Group either to earn rental income, for capital appreciation or both. Investment properties owned by the Group are recognised at fair value cf. note 11.

Changes in the fair value of investment properties are recognised in profit or loss under the line item "Value adjustment of investment properties". Investment properties owned by the Group are not depreciated.

31. Significant accounting policies, contd.:

b. *Investment properties*

Investment properties are measured initially at cost, which comprises the purchase price and any directly attributable expenditure on preparing the properties for their intended use, including related transaction costs. Expenditure incurred subsequent to the acquisition of an investment property owned by the Group in order to add to, replace part of, or service a property is capitalised only if it meets the general asset recognition criteria. Interest expense on loans used to finance the cost value of investment property under development is capitalised at the time of construction. Development properties are valued at cost.

The gain (loss) on sale of investment properties owned by the Group is calculated as the difference between the carrying amount and selling price less selling costs.

c. *Properties and equipment for own use*

(i) Recognition and measurement

Properties and equipment for own use are measured at cost less depreciation and impairment losses.

Expenditure directly attributable to the acquisition of properties and equipment for own use is capitalised when incurred if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are expensed in profit or loss as incurred.

The gain on sale of properties and equipment for own use is the difference between the selling price and the carrying amount of the asset and it is recognised among other income in profit or loss, but loss is recognised among other operating expenses.

Depreciation is recognised on a straight-line basis over the estimated useful lives of individual parts of operating assets. The estimated useful lives are between 5 and 10 years.

Depreciation methods, useful lives and residual value are evaluated at each reporting date and adjusted if appropriate.

d. *Financial instruments*

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

Financial instruments are recognised initially at fair value. When financial instruments are not recognised at fair value through profit or loss any direct transaction cost is recognised as an increase in their value upon initial recognition. Subsequent to initial recognition financial instruments are recognised as follows.

(i) Financial assets recognised at amortised cost

Financial assets recognised at amortised cost are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially measured at fair value plus all related transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

31. Significant accounting policies, contd.:

(ii) Financial liabilities

Financial liabilities are initially measured at fair value plus all direct transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Financial assets and financial liabilities are offset and the net amount is shown in the statement of financial position when the Group has a legally enforceable right to offset the amounts and intends to either settle the contracts on a net basis or at the same time.

The accounting policies for financial income and finance expenses are disclosed in note 31(i).

(iii) Share capital

Ordinary shares

Share capital is classified as equity. Direct costs attributable to the issue of share capital are recognised as a deduction from equity, net of tax effects.

Acquisition of own shares

When the Group acquires its own shares, the acquisition price, including directly attributable costs, is recognised as a deduction from equity. The sale of own shares is recognised as an increase in equity.

e. *Impairment*

Financial assets

At each reporting date it is assessed whether there is any objective evidence that financial assets are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events that occurred after the initial recognition of the asset have had a negative effect on the estimated future cash flows of that asset and it is possible to estimate the value of the asset reliably.

The impairment loss on financial assets measured at amortised cost is calculated as the difference between their carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The impairment loss on financial assets available for sale is determined on the basis of their fair value at each time. Individual significant financial assets are specifically assessed for impairment. Other financial assets are grouped together on the basis of similar credit risk characteristics and each group specifically assessed for impairment.

Impairment losses are expensed in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Impairment losses on investments held to maturity are reversed through profit or loss.

f. *Provisions*

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that the costs required to settle the obligation, which can be measured reliably, will fall on the Group. Provisions are determined by discounting the expected future cash flows using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

31. Significant accounting policies, contd.:

g. *Revenue*

(i) Rental income

Rental income from investment properties is recognised in profit or loss in accordance with the lease term for the relevant asset.

(ii) Operations in real estates

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

h. *Operating expenses of investment properties*

Operating expenses of investment properties are expensed as incurred and consist among other things of real estate tax, insurance and maintenance costs.

i. *Financial income and finance expenses*

Financial income consists of interest income on receivables and bank deposits. Interest income is recognised in profit or loss as it accrues using the effective interest method.

Finance expenses consist of interest expense on borrowings. Borrowing costs are recognised in profit or loss using the effective interest method.

j. *Income tax*

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised together with those items.

Current tax is the tax expected to be paid next year due to the taxable profit for the year, based on tax rates enacted at the reporting date, in addition to adjustments made to current tax of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax is not recognised for differences relating to investments in subsidiaries. The amount of deferred tax is based on expected realisation or settlement of the carrying amounts of assets and liabilities by using tax rates enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, intending to settle current tax liabilities and assets on a net basis and their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against the asset. Deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

k. *Earnings per share*

The financial statements present basic and diluted earnings per share for ordinary shares in the Company. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are the same as basic earnings per share since no share options have been granted to employees or others and the Company has not taken loans convertible into share capital.

l. *Segment reporting*

The Company's management presents information for the three segments corresponding to the Company's organizational structure.

31. Significant accounting policies, contd.:

m. *Leases*

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received by the Group.

Lease liability is initially measured at the present value of unpaid lease payments at the commencement date. The payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

32. *New accounting standards and their interpretations issued but not yet effective*

A number of new international financial reporting standards are effective for annual periods beginning after 1 January 2019 or later and earlier application is permitted. However, the Group has not early adopted new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group’s consolidated financial statements.

–COVID-19 Related Rent Concessions (Amendment to IFRS 16).
–Annual amendments to IFRSs 2018–2020.
–Property, Plant and Equipment: Proceeds before Intended Use (Amendment to IAS 16).
–Reference to Conceptual Framework (Amendments to IFRS 3).
–Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
–IFRS 17 and amendments to IFRS 17 Insurance Contracts.
–Notes to the Accounting Standards (Amendments to IAS 1 and Guiding Principles IFRS 2).
–Definition of accounting valuation (Amendments to IAS 8).

Quarterly Statement - Unaudited

Year 2021

	Q1	Q2	Q3	Q4	Total
Rental income	2.418	2.492	2.590	2.874	10.374
Income from operations in real estates	155	148	162	176	641
Operating revenue	2.573	2.640	2.752	3.050	11.015
Operating expenses of investm. properties	(532)	(515)	(509)	(554)	(2.110)
Operations in real estates	(212)	(176)	(157)	(217)	(762)
Administrative expenses	(138)	(116)	(113)	(165)	(532)
Operating expenses	(882)	(807)	(779)	(936)	(3.404)
Operating profit before value adjustment	1.691	1.833	1.973	2.114	7.611
Value adjustment of investment properties	1.365	2.549	1.174	1.847	6.935
Gain from sale	9	120	35	63	227
Depreciation of assets for own use	(5)	(6)	1	(5)	(15)
Operating profit	3.060	4.496	3.183	4.019	14.758
Financial income and (finance expenses):					
Financial income	26	2	25	18	71
Finance expenses	(1.269)	(2.264)	(1.733)	(1.814)	(7.081)
Net finance expenses	(1.243)	(2.262)	(1.708)	(1.796)	(7.010)
Profit before income tax	1.817	2.234	1.475	2.223	7.748
Income tax	(363)	(447)	(295)	(472)	(1.577)
Comprehensive income for the period	1.454	1.787	1.180	1.751	6.171
Distribution of profit / Comprehensive income					
Owners of parent company	1.454	1.788	1.178	1.752	6.172
Non-controlling interests	0	(1)	2	(1)	(1)
Comprehensive income for the period	1.454	1.787	1.180	1.751	6.171
Basic and diluted earnings per share	0,80	0,98	0,65	0,96	3,39

Year 2020

	Q1	Q2	Q3	Q4	Total
Rental income	2.241	2.205	2.299	2.425	9.170
Income from operations in real estates	149	141	142	134	566
Operating revenue	2.390	2.346	2.441	2.559	9.736
Operating expenses of investm. properties	(519)	(577)	(532)	(559)	(2.187)
Operations in real estates	(195)	(175)	(164)	(190)	(724)
Administrative expenses	(121)	(109)	(96)	(118)	(444)
Operating expenses	(835)	(861)	(792)	(867)	(3.355)
Operating profit before value adjustment	1.555	1.485	1.649	1.692	6.381
Value adjustment of investment properties	(51)	(11)	109	1.428	1.475
Gain from sale	0	0	133	0	133
Depreciation of assets for own use	(7)	(4)	(2)	(6)	(19)
Operating profit	1.497	1.470	1.889	3.114	7.970
Financial income and (finance expenses):					
Financial income	8	6	5	51	70
Finance expenses	(1.124)	(1.738)	(1.811)	(1.794)	(6.468)
Net finance expenses	(1.116)	(1.732)	(1.806)	(1.743)	(6.398)
Profit before income tax	381	(262)	83	1.371	1.572
Income tax	(77)	53	(16)	(258)	(298)
Comprehensive income for the period	304	(209)	67	1.113	1.274
Basic and diluted earnings per share	0,17	(0,12)	0,04	0,61	3,39

Statement of Corporate Governance

Management and corporate governance

The governance of Reginn hf. ("Reginn" or "the Company") are in accordance with laws and rules that apply to the Company's operations, e.g. the provisions of the Public Limited Companies Act no. 2/1995, Financial Statements Act no. 3/2006, Competition Act no. 44/2005, the Act on the Disclosure Obligation of Issuers of Securities and the Disclosure Obligation 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 are accessible on the Althingi's website, www.althingi.is. The Company's corporate governance also takes into account the Corporate Governance Guidelines issued by the Iceland Chamber of Commerce, Nasdaq Iceland hf. and the Confederation of Icelandic Employers, 6th edition 2021. The guidelines are available on the Iceland Chamber of Commerce's website www.vi.is and www.leidbeiningar.is, as well as the various rules concerning the Company itself and can be found on the Company's website www.reginn.is. The Company has shares listed on the Iceland Stock Exchange (Nasdaq Iceland hf.) and must therefore follow the Guidelines on governance. The Company received recognition as an exemplary company in corporate governance in August 2021.

Board of Directors

The Board Directors of Reginn hf. consists of five board members, who are elected annually at the Company's annual general meeting. The Company has an active nomination committee whose main role is to nominate individuals to sit on the Company's board. The committee members were last elected at the shareholders' meeting on 11 March 2020 and their term of office shall be two years. The rules of procedure of the nomination committee were approved at a shareholders' meeting on 13 September 2018. In accordance with the Company's articles of association, board elections shall normally be in writing, if proposals are made for more people than are to be elected. If the Company has 200 or more shareholders and shareholders holding at least 1/10 of the share capital so require, proportional or multiple voting shall be applied to the election of board members. If there are less than 200 shareholders, shareholders holding 1/5 of the share capital must make such requirement. If a demand is made from more than one group of shareholders and both proportional and multiple voting is required, multiple voting shall be applied. A request to this effect must have been received by the Company's board of directors at least five days before the shareholders' meeting. The Board of Directors' relations with shareholders shall be characterized by openness, clarity and co-ordination. If shareholders direct inquiries to the Company's board, the board shall be notified of them and oversee the company's response to them. Disclosure of information to shareholders takes place mainly at shareholders' meetings and the equality of all shareholders is always ensured. The Company's current Articles of Association were approved at a shareholders' meeting on 10 March 2021.

The Company's board at the end of 2021 was composed of the following individuals: Tómas Kristjánsson, chairman of the board, has been on the board since April 2014. Albert Þór Jónsson, vice chairman, has been on the board since April 2015, Bryndís Hrafnkelsdóttir has been on the board since April 2014. 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 are diverse, and the board members have extensive experience from the business world in the fields of investment, real estate, operations and management.

Tómas Kristjánsson, Chairman of the Board, was born in 1965 and holds an MBA from the University of Edinburgh and a Cand. Oecon degree in Business Administration from the University of Iceland as well as having a degree in securities trading. Tómas works as the owner of Sigla ehf. and Klasi ehf. Tómas owns a 100% share in Sigla ehf. which owns 61,700,759 shares in Reginn hf. or 3.38%. In addition to sitting on the board of Reginn hf. Tómas sits on the boards of Sigla ehf., Klasi ehf., Heljarkambur ehf., Borgarhöfði Fasteignaþróun ehf., II and III, Grunnur I ehf., Smárabyggð ehf., Húsafelli Resort ehf., Húsafell Giljaböð ehf., Hótel Húsafell ehf., KLS eignarhaldsfélag ehf. and K eignafélag ehf. Tómas is the chairman of the board of Smárabyggð ehf., which is involved in the development of a residential area south of Smáralind. Tómas has no interest relations with the Company's largest customers, competitors or shareholders who own more than 10% of the Company but is considered dependent on the Board of Directors as he is one of the main owners of KLS eignarhaldsfélag ehf. and sits on the board of Klasi ehf. which is a partner of Reginn and Hagar hf. in development and operation of the real estate development company Klasi ehf.

Board of Directors, contd.:

Albert Þór Jónsson, vice chairman, was born in 1962 and has an MCF master's degree in corporate finance from Reykjavík University and Cand. Oecon degree in Business Administration from the University of Iceland as well as having a degree in securities trading and certification in real estate trading. Albert is self-employed and also sits on the board of Gneis ehf. Albert owns 153,365 shares in Reginn hf. or 0.0084%. Albert has no interest in the Company's largest customers, competitors or shareholders who own more than 10% of the Company.

Bryndís Hrafnkelsdóttir was born in 1964 and works as the 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 school. Bryndís is the chairman of the school committee of Verzlunarskóli Íslands, the chairman of the board of Ofanleiti 1 ehf. and a vice board member of TM tryggingar hf. Bryndís owns 18,509 shares in Reginn hf. or 0.0010%. Bryndís has no interest in the Company's largest customers, competitors or shareholders who own more than 10% of the Company.

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 school. Guðrún works as the managing director of Húsasmiðjan ehf. and sits on the board of Svanni and the Women's Credit Insurance Fund. Guðrún Tinna owns no shares in Reginn hf. Guðrún Tinna has no interest in the Company's largest customers, competitors or shareholders who own more than 10% of the Company.

Heiðrún Emilía Jónsdóttir was born in 1969, a lawyer and cand. jur. from the University of Iceland. She is licensed in securities brokerage and studied AMP at the IESE Business School Barcelona 2016-2017. Heiðrún is a self-employed lawyer. In addition to being on the board of Reginn, she is the Deputy Chairman of Íslandsbanki, and sits on the board of Royal Arctic Line, Svarmi and Múli Law Firm. Heiðrún owns no shares in Reginn hf. Heiðrún has no interest in the Company's largest customers, competitors or shareholders who own more than 10% of the Company.

None of the board members have been employed by the Company or performed any other work for the Company than being on the board.

The Board of Directors comprises two men and three women and thus the Company fulfils the requirements for gender ratios of limited liability companies. Majority of the board members is independent of the Company and the Company's major shareholders.

Further information about the Board members is available on the Company's website, www.reginn.is.

Corporate Governance

The board has established detailed rules of procedure where its powers are defined. These rules include provisions on the division of tasks within the board, the purview of the board, the chairman and CEO, procedures and rules on meeting procedures, the provision of information and more. Each board member shall prevent their affairs, whether personal or commercial, from leading to direct or indirect conflicts of interest between them and the Company in accordance with the provisions of the Board's rules of procedure. The Boards' current rules of procedure were confirmed by the Board of Directors on 5 February 2021 and are accessible on the Company's website.

The Board of Directors, in accordance with law and the Company's Articles of Association, has the highest authority in its affairs between shareholders' meetings. Among other things, it decides on the CEO's terms of employment and meets with auditors regularly. The Board has appointed two sub-committees of the Board, the Audit Committee and the Remuneration Committee. The Board elects the members of the subcommittees no later than one month after the Annual General Meeting and appoints their chairmen, in addition to setting the rules of procedure for the subcommittees, which further stipulate their role and main tasks. The current rules of procedure for the subcommittees were confirmed by the Board of Directors on 7 January 2021 and are accessible on the Company's website. In accordance with the Company's Articles of Association, the results of the subcommittees are only indicative for the Company's board.

Statement of Corporate Governance contd.:

Corporate Governance, contd.:

At the end of 2021, the following members were on the Audit Committee: Hjördís Dröfn Vilhjálmsdóttir, Chairman, Albert Þór Jónsson and Heiðrún Emilía Jónsdóttir. The members of the committee meet the requirements for independence in accordance with the Guidelines on Corporate Governance. The main role and responsibility of the committee is to monitor work processes in the preparation of financial statements and the audit of the financial statements, consolidated accounts and other financial information of the company. The committee also assesses the independence of the auditor, monitors his work and submits a proposal to the board on the selection of the Company's auditor. The external auditors submitted a confirmation of independence in August 2021. In addition, the Audit Committee monitors the arrangements for risk management and other supervisory measures and follows up on deficiencies detected regarding internal controls. The current rules of procedure of the Audit Committee were confirmed by the Board of Directors on 7 January 2021 and are accessible on the Company's website.

At the end of 2021, the following members were on the Remuneration Committee: Tómas Kristjánsson, Chairman, Bryndís Hrafnkelsdóttir and Guðrún Tinna Ólafsdóttir. The main role of the committee is to prepare and carry out; (1) proposals for the remuneration policy of the Company, (2) shape proposals to shareholders meetings for the remuneration of Board members and (3) execution of contracts with the CEO and other employees, if they appertain to the Board, on salaries and other benefits. The decision power of the Board in this regard is not delegated to the Remuneration Committee. The operating procedures of the Remuneration Committee were confirmed by the Board on 7 January 2021 and are accessible on the Company's website. 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 daily operations in accordance with the Board's policies and instructions, law, the Company's Articles of Association and rules of procedure of the Board. The CEO executes the Company's policies as framed by the Board and sets goals for the operations. Helgi S. Gunnarsson has been CEO of the Company since its establishment in 2009. Helgi was born in 1960 and holds a M.Sc. degree in engineering from Danmark's Tekniske Universitet. Helgi holds 1,566,787 shares in Reginn, or 0.0859% of all shares, via the private limited liability company B38 ehf. Helgi is the chairman of the Board of all of the Company's wholly owned subsidiaries, in addition to being board member of B38 ehf. Helgi is independent of the Company’s major customers, competitors and major shareholders. The job description of the CEO is stated in his employment contract. Further information about the CEO is available on the Company's website.

Others who sit on the executive board of Reginn hf. are Rósa Guðmundsdóttir, CFO, Baldur M. Helgason, Director of commerce and service and substitute CEO, Páll V. Bjarnason, Director of business properties and general market, Sunna H. Sigmarsdóttir, Director of governmental entities, cooperation and rental projects and Dagbjört E. Einarsdóttir, General Counsel.

The Company has not entered into any agreements with members of the Board of Directors or employees regarding payments or compensation upon employment termination. Contracts with employees are traditional employment contracts with normal termination notice period. The Board of Directors has approved an incentive payment plan for the most senior management of the Company. Key management's benefits according to the plan is capped to a maximum amount corresponding to three month salary. No agreements have been made with employees regarding share options or other share based payments.

The Company has not established a specific policy on diversity in connection with the board, executive board and senior management, but the Company's current gender equality policy describes the Company's emphasis on gender equality issues. The aim of the policy is to always ensure the fullest equality of employees, regardless of gender, age and race, and to promote equal opportunities and rights for employees. Furthermore, it is stated in rules of procedure for the nomination committee of Reginn hf., which main role is to appoint individuals to the Board of Directors, that when evaluating candidates for the board the committee shal be guided by diversity and breadth of talent, experience and knowledge. The Company's articles of association also state that it shall be ensured that the gender ratio of the board is as equal as possible and that the ratio of each gender is not lower than 40%.

Statement of Corporate Governance contd.:

Corporate Governance, contd.:

The Company's board is responsible for the Company's internal control and it and the CEO have established internal control and risk management of the Company's operations to ensure the best possible efficiency in operations, reliable financial information, compliance with laws and regulations and prevent and analyze possible mistakes and fraud by employees and the Company's customers. This includes e.g. that the internal control system is formal, documented and that its effectiveness is verified on a regular basis. The company has set up work procedures and rules on job segregation to ensure efficiency and control. Monthly settlements are prepared and submitted to the Company's board. The Audit Committee monitors that internal control and risk management are in accordance with the Company's policy and that control measures address risks in the operations. The role of the Audit Committee is to review the accounts, e.g. whether there is active internal control in 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 examined whether risks have been defined that are related to the accounting process. A review of the risk policy is underway.

The Company does not have an internal auditor. Auditors are elected for one year at a time at the Annual General Meeting. Neither the Company's auditors nor parties related to them may own shares of Reginn hf. The Company's financial statements are audited in accordance with international auditing standards. Auditors have unrestricted access to the Company's accounting and all records. The Board receives an annual special audit report from the auditors with their main comments. The Compliance Officer, appointed by the Board, oversees compliance with the rules on insider information and insider trading. The Company's compliance officer is Heiða Salvarsdóttir and the substitute compliance officer is Dagbjört E. Einarsdóttir, lawyer.

The Company's board and sub-committees of the Board have carried out a formal performance evaluation for their work in the year 2021. Such performance evaluation includes e.g. that the board assesses strengths and weaknesses in its work and procedures and considers the things it believes can be improved. The main factors that are assessed are the tasks of the board, the provision of information, policy formulation and vision, the work of the board members and the chairman of the board. The performance appraisal is a basis for evaluating for the board's work and to increase the board's efficiency in the coming year. The board believed that all board members had done their job with interest and conscientiousness. Board members were considered to have extensive experience and knowledge in the field of board work and business operations.

In 2021, 31 board meetings were held and some of them were online. Three meetings were held without the involvement of the Chairman of the Board, in connection with the Board's approval of participation in a development company. Five meetings were held by the Audit Committee and three by the Remuneration Committee. The majority of the board members and the majority of the committee members have attended all meetings. The Audit Committee convenes the Company's external auditors at regular meetings, in addition to which they attend board meetings when annual financial statements and interim financial statements are being discussed. The main communication between the Board and shareholders is at the Company's shareholders' meetings, but conversations and meetings between shareholders' meetings also take place. The CEO is a formal spokesperson for the Company, but may grant other employees of the Company a temporary authorization to comment on specific aspects of the business. This is in accordance with the Company's information policy, which was last confirmed by the board on 1 October 2020.

No violations of laws or regulations by the Company have been ruled on by the relevant supervisory and / or adjudicating parties.

At the Company's website, www.reginn.is, there is a specific site dedicated to corporate governance with all additional information, under the tab Investors.

Non-financial information

About Reginn

Reginn hf. ("Reginn" or "the Company") is an Icelandic limited liability company with distributed ownership and listed on the Iceland Stock Exchange (NASDAQ OMX Iceland). Reginn considers itself to be a pioneer and a progressive real estate company which is a desirable business associate and employer. The Company puts emphasis on being a leader in forming and operating real estate in addition to contributing to society's welfare, improving quality of life and environment for residents.

In recent years, environmental and climate issues have received increasing attention, and greater knowledge of the issue has led to a change in the demands of investors, tenants and other stakeholders. At the same time, environmental and climate issues have influenced Reginn's business model. Operation and organisation of real estate impacts its residents' environment and quality of life but on a daily basis tens of thousands of people dwell in Reginn's properties, either for work or leisure. Through targeted measures in real estate operations, investments, planning, new construction and in collaboration with tenants, Reginn can play an important role in shaping people's environment so that daily life becomes better, more enjoyable and safer. To meet changing demands, Reginn has emphasized sustainability as a guiding principle in the Company's operations, most notably the environmental certification of the Company's real estate, the development of smart waste to encourage waste sorting, encouragement of green transport with increased bicycle storage and electric car charging at the Company's properties, electronic signatures and increased disclosure to tenants through a service website.

When examining the possible effects of climate change on Reginn, it is mainly the consequences of floods that could affect the Company's real estate, since part of the Company's assets are located in an area below sea level or just above sea level. It should be noted, however, that these are all new buildings, where increased sea levels have been taken into account in their design. There is also a possibility that extreme weather, storms and rain, can affect the properties themselves and increase the need for maintenance on them, but buildings in Iceland are built with certain extreme weather in mind as the weather in Iceland can vary.

Reginn has defined actions based on its sustainability policy with the aim of ensuring that the policy and its goals are implemented. The measures taken during the operating year are described in the sections on environmental and social sustainability and governance below. More information on the year 2021's results 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 place that was confirmed by the Board on 5 February 2021, which is accessible on the Company's website. To ensure that sustainable development is a guiding principle in all of Reginn's operations, the Company emphasizes an overall vision as well as environmental, social and economic sustainability. At the same time, the Company set measurable goals in these three categories, which were worked on in 2021. At the end of 2021, the goals were revised with the experience and results of the past year in mind. Sustainability success will continue to be measured in a targeted manner, and employees, customers and investors will be regularly informed of the goals and the results achieved. Long-term real estate investments and operations are considered. The Company is committed to being a leader in the design and operation of real estate as well as promoting the well-being of society, improved quality of life and the environment for people. The policy includes e.g. to maintain good and quality management practices. It is the Company's belief that in addition to improving society, emphasizing sustainability reduces risk in the Company's operations and strengthens financial profitability in the long run.

Emphasis is placed on integrating the United Nations Global Goals for Sustainable Development into the Company's operations. The Company focuses on five global goals that are most affected by its day-to-day operations: health and well-being, gender equality, sustainable cities and communities, responsible consumption and production, and climate action. See more about sustainability policy, goals and results as well as Reginn's actions in 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 impact and increasing environmental awareness. The main negative environmental impact of the Company is the emission of greenhouse gases from its real estate during the operating period. Real estate is responsible for about a third of global greenhouse gas emissions, and these emissions also occur during the operation of the real estate. As a real estate company that handles real estate operations in about a third of its portfolio, the Company is in a unique position to reduce the negative environmental impact of its properties. Environmental certification of properties owned by the Company is a major factor in analyzing the risks that each property creates for the environment and is a third party confirmation that the operator complies with the best standards and requirements in real estate operations.

The main cause of greenhouse gas emissions in Reginn's operations is all kinds of energy consumption. The Company has therefore defined energy consumption as the main risk factor in the Company's operations. Waste and its treatment also has a great environmental impact and therefore waste is also classified as one of the Company's risks. The Company has set itself key goals in connection with the main risks, which are to reduce greenhouse gas emissions, reduce energy consumption and increase the waste sorting ratio. The key objectives were revised at the end of the year and they were slightly adjusted based on the experience from the year. The impact of the corona-virus pandemic has not affected the key objectives related to the Company's main environmental risks, as energy consumption is considered to be the main risk factor related to sustainability in the Company's operations.

Non-financial information contd.:

In order to promote environmental sustainability, the Company has set itself the goal of reducing greenhouse gas emissions from operations and construction and carbon offsetting emissions related to the Company's operations. Utilize natural resources responsibly and look for ways to reduce their use as well as maximize the share of renewable energy. Minimize the purchase and use of products that are harmful to the environment and focus on reducing the amount of waste and increasing its sorting ratio. Emphasis is placed on reducing the negative environmental impact of operations in Reginn's assets by encouraging and supporting customers, e.g. with green leases but the first green lease was signed in 2021. At the beginning of 2020, the Company set itself the goal of reducing greenhouse gas emissions by 3% per square meter by the end of 2021 compared to emissions in 2019, and that goal was achieved. The long-term goal is to reduce emissions by 10% per square meter by the end of 2025 compared to emissions in 2019. Reginn carbon offsets the emissions of 2021 at the Wetlands Fund and the United Nations (UN Nations carbon offset platform). The Company's long-term goal is for the waste sorting ratio to reach 70% by the end of 2025, compared to 45% in 2021. The total amount of waste decreased in 2021 by 8% compared to the amount in 2019.

Social sustainability

Social sustainability aims to guarantee people's well-being and a safe and healthy environment. This applies to both inside and surrounding areas of the Company's real estate, for employees, tenants and their guests. Regular polls are conducted among employees and the Company puts emphasis on providing a good and secure working environment and a reduction in sick days of employees. Also there are regularly performed service polls among the Company's customers which are aimed at responding to the customers' wishes. Reginn emphasises a green viewpoint in municipal planning and buildings, and thus increasing quality of life for bypassers. In addition, sociological factors will also be taken into account in planning and a platform for increased communication will be prepared.

The main risks related to social factors are the health and safety of employees and contractors, human rights in the value chain and human resources. Reginn has set key standards in connection with social factors that are promoting a safe working environment and reducing the number of sick days for employees, respecting human rights in the entire value chain of the Company as well as maintaining equal pay for the sexes. The goal of reducing sick days in 2021 compared to 2019 was not achieved during the year, but sick days averaged 6.96 compared to 4.97 in 2019, which is an increase of 40%. The reason for the increased sick days is a greater employee absence due to Covid-19 illness in 2021 compared to 2019.

In order to promote a safe working environment for employees, courses are e.g. conducted on fire hazard, first aid and on handling machinery. The Company's rules of procedure and ethics, which were confirmed by the board on 1 October 2020, stipulate that employees must act with professionalism and honesty. Respect, fairness, courtesy and dignity shall characterize all communication with customers, colleagues and others with whom a business relationship is established. Reginn respects human rights as one of the fundamental pillars of society that everyone has an equal claim to, regardless of gender, race, color, sex, language, religion, beliefs, nationality, origin, assets, lineage or other circumstances. In order to establish its importance and counteract the risk of human rights violations, the Company therefore makes certain demands on tenants, contractors and suppliers, and new provisions were added to the standard forms of lease, work and service agreements in 2021. Contractors are thus required to work on social and chain responsibility, e.g. by ensuring that their activities do not violate general human rights, such as rights in the labor market and good working conditions, as well as demonstrating responsible environmental behavior. The Company's rules of procedure and ethics are accessible on the Company's website.

One of Reginn's goals related to social sustainability is to maintain equal pay for the sexes. In determining salary and benefits of the Company, the provisions of Act no. 150/2020 on equal status and equal rights for the sexes. Criteria on which wage decisions are based should not include gender differences. Current equality and equal pay policies were confirmed by the Board on 5 February 2021. The Company received equal pay certification and confirmation from the Gender Equality Agency of the Company's gender equality plan in 2021. The aim is to ensure non-discrimination in determining wages and ensure that employees enjoy equal pay for equal or equivalent work. regardless of gender. The result of the equal pay survey shows that the total salary of men in 2021 was 1.9% higher than the basic salary of women. Reginn underwent a certification audit of the Company's salary system in 2021 and passed the audit. The Company also received confirmation of the Company's gender equality plan from the Gender Equality Agency during the year. The board of Reginn 2021 consisted of three women (60%) and two men (40%), and the Company therefore complies with the provisions of the Public Limited Companies Act on gender ratios for the boards of public limited companies.

Corporate governance

Reginn's governance is in accordance with Act no. 2/1995 on public limited companies and guidelines on corporate governance. The Company has shares listed on the Iceland Stock Exchange and must therefore follow the guidelines on corporate governance in accordance with the rules of Nasdaq Iceland hf. which can be accessed on the Exchange's website. On the Company's website, www.reginn.is/fjarfestavefur, there is specific area dedicated to governance with all further information. The Company has established a competition policy which lists important points of view that are involved in operating in all respects in accordance with laws and rules on competition in all the Company's operations. The competition policy was approved by the Company's Board on 1 October 2020 and is accessible on the Company's website. The Company has also established a privacy policy which discusses the purpose and authorization for the processing of personal information and its retention period. The privacy policy was approved by the Company's Board on 1 October 2020 and is accessible on the Company's website.

The main risks are the overview of the board and management, business ethics, communication with stakeholders and data security. Key criteria are recognition of good governance, formal evaluation of the work of the board as well as evaluation of data security. The Company's Board and subcommittees have carried out a formal performance evaluation of their work in 2021. The board believed that all board members had done their job with interest and conscientiousness. Board members were considered to have extensive experience and knowledge in the field of board work and business operations. Reginn has continued to promote measures of good governance, but in 2021 Reginn received recognition from Stjórnvísir as an exemplary company in good governance 2020-2021. To increase data security, the Company outsources the storage of data to service providers who have security certifications, cf. confirmed certification of BSI Information Security Management System (ISO 27001).

At Reginn, any corruption, bribery and other illegal activities are not tolerated under any circumstances. By enforcing good business practice in a transparent manner and in accordance with procedures, its risk is limited. In the aforementioned working procedure on business and ethics, it is stated that employees are obliged to never let their private interests conflict with the interests of the Company or its customers. Furthermore, employees are bound by confidentiality regarding information they may discover in their work regarding the Company's customers. Employees must notify possible conflicts of interests to the compliance officer or their immediate senior officer. In 2021, there were no cases of corruption or bribery.

The Company established a dividend policy in 2019, stating that the Company aims to pay its shareholders approximately one third of the profits of the previous operating year, either in the form of dividend payment or through the purchase of own shares. The current dividend policy was confirmed by the Board of Directors on 5 February 2021.

Reginn has in force procedures for conducting due diligence and identification of the Company's tenants, cf. Act no. 140/2018 on measures against money laundering and corporate financing.

Non-financial information contd.:

Reginn publishes a special sustainability report with non-financial information for the year 2021. The non-financial information is based on UFS guidelines issued by Nasdaq, VÍ, Festa, the Icelandic Standards Council and IcelandSIF in 2020, which set measures of companies' performance with regard to environmental and social issues, and governance. Reginn uses among other digital technology to ensure traceability, transparency and efficiency in data collection and dissemination of environmental information. The sustainability report is available on the Company's website www.reginn.is