Reginn hf.

Consolidated Financial Statements

2022

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.
Hagasmára 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 16 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 Company has three equally large segments; commercial buildings, public-private partnership and office buildings and the general market. The Company owns 100 properties which combined are a total of 373 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 economic environment, the demand for the company's real estate has been good during the year. At the end of the year, there was limited available space in the company's collection, reflecting the high rental ratio of the company. The company's rental ratio was 98% at the end of 2022. In recent years, the company has set targets for public sector share of rental income and that share has remained fairly stable in recent quarters. In 2022, 32% of the Company's rental income was from public entities and if listed companies and banks are included, the ratio is 42%. The result for the year was in line with an updated business plan published following the second quarter result in August 2022.

The Company's executives believe that the outlook for operations is good. The utilization of assets is good as well as demand, as 79 lease agreements were made during the year for about 25,997 m^2.

The Board of Directors has adopted a risk policy with the aim of discovering and analysing risks, set criteria for risks and monitor them. Further details are discussed on the management of risk in notes 21-25. The Company deals with the main risks by maintaining a strong equity and liquidity position, as well as secure access to credit lines.

Segment reporting

Commercial buildings

Within this sector there are activities related to shopping and entertainment as well as various types of service activities. Roughly 70% of Reginn’s retail and service portfolio is located in Reginn’s centres, which means that those areas are densely populated and diverse. Increased density and diverse settlements support shopping as residents, staff, customers and even tourists in core areas more often than not choose to shop and seek service in areas close to their workplace and/or home. Hafnartorg Gallery opened in mid-August and with the opening three new shops and seven restaurants were added to Hafnartorg. Hafnartorg's rental ratio was 91% at the end of the year, but the total rental square meters amounted to around 9,000 m^2. The turnover increase of operators at Hafnartorg amounted to 53% year-on-year. There has been a huge increase in retail in Iceland over the past three years. Despite increased competition from online shopping, both domestic and foreign, domestic shopping has strengthened its position. The rental ratio in Smáralind is 99.5% and the year's turnover was on par with 2021, which was the highest turnover year in Smáralind since opening. Smáralind scored the highest in the satisfaction scale among shopping centres this year, for the third year in a row.

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, Reykjavík and Hafnarfjörður, and Sóltún Nursing Home. 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 11% of total income.

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 centres, 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 demand for commercial real estate in the general market has been stable and fairly strong in the year 2022 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, the Hraun area in Garðabær and elsewhere.

There is great demand for spaces in the Company's three office centres at Tryggvagata 11, Kartrínartún 2 and Ármúli 6. The office centres 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.

Sustainability

Emphasis on the Company's sustainability policy has opened up new opportunities and resulted in exciting challenges and innovation. Reginn's sustainability strategy is a guiding light in the Company's operations and is based on seven of the United Nations' Global Goals, which Reginn's operations have the greatest impact on. The Company has set measurable goals that are reviewed regularly, and most of the goals were achieved in 2022.

Reginn received the Creditinfo and Festa Incentive Award for excellent sustainability in October 2022. The jury's review stated that much of what Reginn is doing in this field is noteworthy and inspiring to others.

Work on numerous projects began during the year and others ended. Green leases were added to the Company's product range during the year 2021, but they contribute to increased sustainability in the operation of rental units and a reduction in carbon footprints. Reginn has continued to work on introducing green leases to the Company's customers in 2022. Smart waste was implemented in Smáralind and work has begun on implementation at more of the Company's properties. Emphasis continued to be placed on the acquisition of knowledge and the 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.

At the beginning of the year 2022, two of the Company's largest buildings had 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 this milestone, 27% of the Company's portfolio is BREEM In-Use certified. During the year, work was done on the BREEAM In-use certification of Egilshöll and the re-certification of Smáralind, which is expected to be issued in the first half of the year 2023. Applications were expected to be approved in 2022, but due to the heavy workload of the certification bodies, the review of applications has been delayed. The Company's plans assume that within a few years about half of Reginn's real estate portfolio will have environmental certification. Certification of the portfolio is, among other things, a prerequisite and foundation for good results in green financing.

Real estate development company Klasi ehf.

Transactions for the purchase of a one-third share in the real estate development company Klasi ehf. were completed on 31 August 2022, but together with Reginn, Hagar hf. and KLS eignarhaldsfélag ehf. own a one-third share each. The nature and purpose of the transaction is for Klasi to further develop the properties and plots of land that Reginn and Hagar hf. contributed during the purchase of new capital as well as the existing development assets in Klasi ehf. These are numerous and large-scale real estate development projects that are more suitable for development and sale within a specialized real estate development company. Reginn hf. paid for its share in Klasi ehf. with a portfolio consisting of sales and development assets. More specifically, there were 16 income-producing properties and 4 development plots located at Smáralind, Lágmúli, Garðahraun and Tjarnavellir. Part of the income-bearing assets were sold before delivery and their sale proceeds, which amounted to about ISK 1,100 million was part of the transaction. The contribution of Reginn hf. to the business was estimated at ISK 3,912 million. Tómas Kristjánsson, Chairman of the Board of Reginn hf., is also the one of the main owners of KLS eignarhaldsfélag ehf. and sits on the board of Klasi ehf.

The purchase of new share capital in Klasi ehf. is discussed in more detail in note 10.

Refinancing

The year 2022 was characterised by rising interest rates and prices, which have a direct effect on the interest rates offered to the Company on the market. The Company raised a total of ISK 14,990 million in new financing during the year, which was partly used to refinance older, less favourable loans, but also to finance property purchases. Of these, there were two new bond classes in the amount of ISK 10,700 million. A bond issued in 2012 to finance Kvikmynda- og Knatthöll ehf. (Egilshöll) was refinanced with a new green bond in the amount of ISK 7,700 million. Green funding amounted to 38% at the end of 2022 compared to 33% at the end of 2021. In June 2023, a green non-indexed bond class, REGINN23 GB, in the amount of ISK 4,380 million, matures, but the bond is part of the general insurance scheme. Management believes that based on the demand on the bond markets for corporate bonds, as well as the Company's access to bank financing and credit lines, the refinancing risk due to the maturity date of 2023 is limited.

Future prospects

Increases in interest rates, price levels and inflation prospects have a direct impact on the Company's operating income and expenses. It is the opinion of the Board and management that the combination of lessees significantly reduces the risk of increased arrears despite the rise in rent to the Company's customers. The Company's rental income is for the most part indexed. The Company's largest single cost item, excluding capital charges, is real estate taxes, and their increase for 2023 is known, but the increase amounts to 9.8% between years.

War conflict in Ukraine has affected the domestic economy in recent quarters, especially the longer delivery time of individual inputs that can affect the Company's construction. Demand for rental housing, however, has remained stable, which is because of, among other things, a growth in the arrival of tourists to the country and increased economic activity.

Operations and financial position

The consolidated operating revenue of the Reginn hf. amounted to ISK 12,197 million in the year 2022 (2021: ISK 11,015 million). Of this, rental income for the year amounted to ISK 11,508 million. The published operating plan for the year 2022 assumed that rental income would be ISK 11,200-11,400 million. The Group's operating expenses amounted to ISK 3,829 million and the Group's operating profit before change in valuation amounted to ISK 8,368 million in 2022 (2021: ISK 7,611 million). The published operating plan for the year 2022 assumed that operating profit before change in valuation would be ISK 8,100-8,300 million. Change in valuation of investment assets amounted to ISK 5,993 million, gain on sale of investment assets ISK 126 million and depreciation of assets for own use ISK 21 million. Net financial expenses amounted to ISK 10,970 million and income tax ISK 787 million. Profit for the year amounted to ISK 2,914 million (2021: ISK 6,171 million). Earnings per share were ISK 1.61 in 2022 (2021: ISK 3.39).

The Group's total assets amounted to ISK 181,337 million at the end of 2022 (2021: ISK 166,032 million) according to the balance sheet. Of this, investment assets owned by the Company were ISK 170,425 million (2021: ISK 161,142 million). The Company's equity was ISK 53,960 million at the end of the year (2021: ISK 53,043 million). Of this, the Company's share capital was ISK 1,809 million. and minority interest amounted to ISK 0.5 million. The Group's equity ratio was 29.8% at the end of the year (2021: 31.9%). At the end of the year, interest-bearing loans amounted to ISK 109,088 million, of which ISK 7,826 million were among short-term liabilities. Cash at the end of the year amounted to ISK 1,369 million and unused credit facilities ISK 4,700 million. Average number of employees was 58 and 62 full-time equivalents at the end of the year.

Cash from operations amounted to ISK 4,911 million (2021: ISK 4,162 million). ISK 11,748 million was invested in investment properties in 2022 (2021: ISK 8,524 million). New loans were taken for ISK 14,990 million and the Company paid off unfavourable loans for ISK 7,616 million. Of the new loans taken, ISK 7,700 million was green financing.

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

Reginn’s dividend policy includes paying shareholders an amount equal to 1/3 of the profit of the previous operating year, either in the form of dividends or through the purchase of own shares and a reduction in share capital. In the Company's dividend policy, it is specified that risks in the external environment should be taken into account and that the Company maintains a solid equity and liquidity position for the future. With reference to the impact of the development of risk-free interest rates in the year 2022 on the Company's equity ratio, which at the end of the year is in line with the Company's internal standards, as well as the continued uncertainty in the interest markets, the Company's Board of Directors proposes that no dividend be paid out in the year 2023. Reference is also made to the financial statements on the disposition of profits and other changes in the Company's capital accounts.

Share capital and shareholders

The nominal value of the issued share capital in the Company is now ISK 1,823,152,097 of which the Company owns treasury shares with a nominal value of ISK 13,605,127. The share capital is in one category. There were 457 shareholders in the Company at the beginning of the year and 522 at the end of the year. The holdings of the ten largest shareholders were as follows at the end of the year:

	Outstanding shares
Lífeyrissjóður verzlunarmanna	10,67%
Lífeyrissjóður starfsmanna ríkisins	10,56%
Brú lífeyrissjóður	10,17%
Birta lífeyrissjóður	8,75%
Gildi lífeyrissjóður	7,88%
Stapi lífeyrissjóður	4,56%
Arion banki hf.	3,99%
Festa - lífeyrissjóður	3,97%
Frjálsi lífeyrissjóðurinn	3,93%
Brimgarðar ehf.	3,91%

On February 7, 2022, the Company's Board of Directors activated a repurchase plan for the purchase of treasury shares based on authorization from the annual general meeting on 10 March 2021 and later at the annual general meeting on 10 March 2022. The repurchase was to amount to a maximum of 15,060,241 shares, although the total purchase price would not be higher than ISK 500 million at the end of June 2022 and that treasury shares do not exceed 0.83% of the Company's total share capital. The repurchase program ended on 6 May 2022. The Company invested in a total of 13,605,127 shares, which amounts to 0.75% of the Company's total share capital, and the total investment amounted to ISK 500 million. The Company owns 13,605,127 own shares or 0.75% of the issued share capital at the end of the year. There are no restrictions on the shareholders' right to sell their shares. The change of ownership and its implementation depends on the applicable laws on electronic asset registration of securities and the rules established on their basis. At shareholders' meetings, one vote is attached to each ISK 1 in share capital.

At the Company's annual general meeting on 10 March 2022, it was approved that a dividend of ISK 1,500 million would be paid out to shareholders for the previous operating year. The dividend payment date was 6 April 2022.

Changes in equity are discussed in the equity statement and note 15.

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 2022: Tómas Kristjánsson, Chairman, Bryndís Hrafnkelsdóttir, Vice Chairman, Benedikt Olgeirsson, Guðrún Tinna Ólafsdóttir and Heiðrún Emilía Jónsdóttir so the percentage of women on the Board is 60% and men 40%. The Company therefore complies with the provisions of the Limited Liability Companies Act on gender ratios in the boards of limited liability companies. The Company's executive board consists of three men (50%) and three women (50%). At the end of the year, the proportion of women in the Company's workforce was 43% and men 57%.

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 financial statements. The Company has created a report on sustainability along with its non-financial information for the year 2022. 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. 9676000V0KP4AUXNSZ66-2022-12-31-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 2022, its assets, liabilities and financial position as at 31 December 2022 and its consolidated cash flows for the year 2022.

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 2022 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, 9 February 2023.

Board of Directors:

Tómas Kristjánsson, Chairman

Benedikt Olgeirsson

Bryndís Hrafnkelsdóttir

Heiðrún Jónsdóttir

Guðrún Tinna Ólafsdóttir

CEO:

Helgi S. Gunnarsson

Independent Auditor’s Report

To the Board of Directors and Shareholders of Reginn hf.

Opinion

We have audited the consolidated financial statements of Reginn hf. and its subsidiaries ("the Group") for the year 2022. The consolidated financial statements comprise the statement of profit or loss and comprehensive income, the statement of financial position as at 31 December 2022, 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 2022, 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 no. 537/2014.

Appointment of Auditor

We were first appointed as auditors of Reginn hf. for the year 2020 at 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 2022. 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.

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 2022, in accordance with IAS 40 Investment properties and IFRS 13 Fair Value Measurement. Investment properties amounted to ISK 173,739 million or 96.0% of the Group's total assets at 31 December 2022. Valuation change for the year was positive by ISK 5,993 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: • WACC • 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, 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, unaudited Non-financial information and unaudited definitions for ESEF reporting. 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 Company’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 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. 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 Company 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.

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 of Reginn hf. for the year 2022 with the file name "9676000V0KP4AUXNSZ66-2022-12-31-en.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 labelling 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 financial statements 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 2022 with the file name "9676000V0KP4AUXNSZ66-2022-12-31-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, 9 February 2023

Ingunn H. Hauksdóttir
Certified Public Auditor

Ernst & Young ehf.
Borgartúni 30
105 Reykjavík

Consolidated Statement of Profit or Loss and Comprehensive Income for the year 2022

	Notes	2022	2021
Rental income		11.508	10.374
Income from operations in real estates		689	641
Operating revenue	4,5	12.197	11.015
Operating expenses of investment properties		(2.325)	(2.110)
Operations in real estates		(879)	(762)
Administrative expenses		(626)	(532)
Operating expenses	4,6	(3.829)	(3.404)
Operating profit before value adjustment		8.368	7.611
Value adjustment of investment properties	11	5.993	6.935
Profit from sale of investment properties	11	126	227
Depreciation of assets for own use	12	(21)	(15)
Operating profit		14.466	14.758
Financial income and (finance expenses):			
Financial income		112	71
Financial expenses		(11.082)	(7.081)
Net financial expenses	9	(10.970)	(7.010)
Share in profit of associates	10	205	0
Profit before income tax		3.701	7.748
Income tax	19	(787)	(1.577)
Comprehensive income for the year		2.914	6.171
Profit for the year attributable to			
Owners of the parent company		2.914	6.172
Non-controlling interests	15	(0)	(1)
Comprehensive income for the year		2.914	6.171
Earnings per share			
Basic and diluted earnings per share	16	1,61	3,39

The notes on pages 16 - 36 are an integral part of the financial statements.

Consolidated Financial Statements, Reginn hf. 2022 12 Amounts are in ISK million

Consolidated Statement of Financial Position as at 31 December 2022

	Notes	2022	2021
Assets			
Investment properties	11	173.739	161.142
Properties and equipment for own use	12	246	224
Lease deferrals	5	525	699
Investments in associates	10	4.552	0
Non-current assets		179.063	162.065
Trade and other short-term receivables	13	905	933
Cash and cash equivalents	14	1.369	3.034
Current assets		2.274	3.967
Total assets		181.337	166.032
Share capital		1.809	1.823
Reserves		16.100	16.586
Unrealised share of profit of equity accounted investees		31.877	31.894
Retained earnings		4.174	2.740
Equity of owners of the parent company	15	53.960	53.043
Non-controlling interests		1	0
Equity	15	53.960	53.043
Interest bearing liabilities	17	101.262	87.064
Lease liability	18	3.141	3.172
Deferred income tax liability	19	12.907	12.120
Other long-term liabilities	10	890	0
Non-current liabilities		118.200	102.356
Interest bearing liabilities	17	7.826	9.022
Current portion of lease liability	18	173	151
Trade and other short-term payables	20	1.178	1.460
Current liabilities		9.177	10.633
Total liabilities		127.377	112.989
Total equity and liabilities		181.337	166.032

The notes on pages 16 - 36 are an integral part of the financial statements.

Consolidated Financial Statements, Reginn hf. 2022 13 Amounts are in ISK million

Consolidated Statement of Changes in Equity for the year 2022

	Share Capital	Reserve funds*	Restricted equity accounts	Retained earnings	Owners of parent company	Non-controlling interests	**Total**
Year 2021							
Equity as at 1.1.2021	1.823	16.586	23.874	4.589	46.872		46.872
Non-controlling interests				(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
Equity 31.12.2021	1.823	16.586	31.894	2.740	53.043	0	53.043
Year 2022							
Equity as at 1.1.2022	1.823	16.586	31.894	2.740	53.043	0	53.043
Non-controlling interests				(1)	(1)	1	0
Total comprehensive income for the year				2.914	2.914	0	2.914
Transferred to restricted equity account			5.983	(5.983)	0		0
Purchased treasury shares	(14)	(486)			(500)		(500)
Dividend (ISK 0.82 per share)				(1.497)	(1.497)		(1.497)
Dividend received from associates			(6.000)	6.000	0		0
Equity 31.12.2022	1.809	16.100	31.877	4.174	53.960	1	53.960

* A breakdown of reserve funds is in note 15.

The notes on pages 16 - 36 are an integral part of the financial statements.

Consolidated Financial Statements, Reginn hf. 2022 14 Amounts are in ISK million

Consolidated Statement of Cash Flows for the year 2022

	Notes	2022	2021
Cash flows from operating activities			
Profit for the year		2.914	6.171
Adjusted for			
Value adjustment of investment properties	11	(5.993)	(6.935)
Profit from sale of investment properties	11	(126)	(227)
Depreciation of assets for own use	12	21	15
Net finance expenses	9	10.970	7.010
Share of profit from associates	10	(205)	0
Income tax	19	787	1.577
		8.368	7.611
Change in operating assets		238	(201)
Change in operating liabilities		(303)	284
		8.303	7.694
Interest income received		112	71
Interest expenses paid		(3.300)	(3.272)
Interest expenses from lease liabilities	18	(167)	(167)
Paid borrowing cost and prepayment fee		(38)	(164)
Net cash provided by operating activities		4.911	4.162
Cash flows from investing activities			
Investment in investment properties	9,11	(11.748)	(4.496)
Sales price of investment properties	11	5.069	1.454
Investment in associates	10	(3.021)	0
Dividend received from associates	10	196	0
Investment in properties and equipment for own use (net change)	12	(44)	(87)
Other short-term receivables, change		69	574
Net cash used in investing activities		(9.479)	(2.555)
Cash flows from financing activities			
Purchase of treasury shares	15	(500)	0
Dividend paid	15	(1.497)	0
New long-term borrowings	17	14.959	31.157
Repayments of settlements of interest bearing long-term liabilities	17	(9.900)	(33.219)
Repayments of lease liabilities	18	(159)	(141)
Net cash provided by financing activities		2.903	(2.203)
Changes in cash and cash equivalents		(1.665)	(596)
Cash and cash equivalents at the beginning of the year		3.034	3.630
Cash and cash equivalents at the end of the year	14	1.369	3.034
Investing and financing activities not affecting cash flows			
Investments in associates	10	(890)	
Other long-term liabilities	10	890	
Unpaid sales price of investment properties	11	(103)	
Sales price of investment properties	11	103	
Investment in investment properties	11		(3.817)
Acquired liabilites due to investment in associates	11		3.817

The notes on pages 16 - 36 are an integral part of the financial statements.

Consolidated Financial Statements, Reginn hf. 2022 15 Amounts are in ISK million

Notes

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 30.

The financial statements were approved and signed by the Board of Directors on 9 February 2023.

b. Going concern

The management has assessed the Group's ability as a going concern. It is their assessment that its continued operation is guaranteed and that it is well equipped to meet its obligations in the foreseeable future. The financial statements are therefore presented on a going concern basis.

c. 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.

d. 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.

e. 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.

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 2022, there were no reclassifications between levels (2021: 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. 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 have so far been kept separate until they become income-bearing. Following the purchase of a one-third share in Klasi ehf. assets under development are now transferred to other segments of the Company, but in total assets worth ISK 2,367 million were classified as assets under development on 31 December 2022, see details in note 11. Other is commission income due to subsidiaries' shares in the senior management. Financial income and expenses, share in the profits of associates and income tax are not allocated to segments as these items are part of the Group's operations. The overview is submitted to the Company's executive board, but the final responsibility rests with the CEO.

Segments:

- Commercial buildings: Activities related to trade and entertainment together with various types of service activities.
- Public-private partnership: Leasing to public entities and operation in real estate where applicable.
- Office buildings and the general market: Office premises in the Company's portfolio that are not rented out to public entities, office centres, all industrial, storage and warehouse premises, as well as the Company's hotels.

Segment reporting 2022

	Commer-cial buildings	Public-private partner-ship	Office buildings	Other	Adjust-ment	**Total 2022**
Rental income	3.517	3.535	4.456			11.508
Income from operations in real estates	398	289	2	283	(283)	689
Operating revenue	3.915	3.824	4.458	283	(283)	12.197
Operating expenses of investment properties	(898)	(488)	(939)			(2.325)
Operations in real estates	(534)	(345)	0			(879)
Administrative expenses	(87)	(87)	(109)	(626)	283	(626)
Operating expenses	(1.519)	(920)	(1.048)	(626)	283	**(3.829)**
Operating profit before value adjustment	2.396	2.904	3.410	(343)	0	8.368
Value adjustment of investment properties	1.945	1.242	2.805	0	0	5.993
Profit from sale of investment properties	2	71	53	0	0	126
Depreciation of assets for own use					(21)	(21)
Operating profit	4.343	4.217	6.268	(343)	(21)	14.466
Net finance expenses						(10.970)
Share in profit of associates						205
Profit before income tax						3.701
Income tax						(787)
Comprehensive income for the year						2.914
As at 31 December 2022						
Investment properties owned by the Group	56.695	47.135	66.595	0	0	170.425

Segment reporting 2021

	Commer-cial 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	0	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

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5. Operating revenue

Operating revenue is specified as follows:

	2022	2021
Rental income from fixed price leases	10.831	9.580
Rental income from leases linked to turnover	781	649
Deferred rental income	(105)	145
Total rental income	11.508	10.374
Income from operations in real estates	689	641
Total operating income	12.197	11.015

The lease contracts entered into by the Company with tenants are for up to 30 years and most of the contracts are linked to the consumer price or building cost indices. The weighted average lease period is 6 years (2021: 7 years).

In order to meet the impact of COVID-19 on the Company's tenants, changes have been made to the payment arrangements of parts of the lease agreements. According to IFRS 16.87, it should be treated as a new lease. The effect of the changes is therefore spread over the rental period of the lease agreement. The accumulated distributed rent at the end of the year is ISK 618 million (2021: ISK 723 million). ISK 93 million (2021: ISK 24 million) is recognised to decrease income in the next 12 months and ISK 525 million (2021: ISK 699 million) to reduce income later.

Following is an analysis of the Group's non-cancellable lease payments at year end based on indices at year end 2022 (year end 2021). Lease agreements linked to turnover are not taken into account.

	2022	2021
Lease payments 2022		9.301
Lease payments 2023	10.702	8.403
Lease payments 2024	9.710	7.739
Lease payments 2025	8.982	7.111
Lease payments 2026	8.292	6.532
Lease payments 2027	6.534	4.992
More than 5 years	32.846	22.841
	77.066	66.919

Approximately 15% of the group's rental income in 2022 (2021:15%) came from the largest tenant the City of Reykjavik, the Company's second largest tenant is the Icelandic government with about 11% of total income (2021:12%). The City of Reykjavík and the Icelandic government are categorized as public-private partnership.

6. Operating expenses

Operating expenses are specified as follows:

	2022	2021
Property tax, water and sewage fees	1.613	1.584
Insurance	168	156
Maintenance and refurbishment	404	319
Energy and waste disposal	145	137
Depreciation and amortization of receivables	43	32
Salaries and salary related expenses	1.057	922
Other operating expenses	399	254
Total operating expenses	3.829	3.404

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

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7. Salaries and salary related expenses

Salaries and salary related expenses are specified as follows:

	2022	2021
Salaries	860	752
Contributions to pension funds	117	101
Other salary-related expenses	80	69
Total salaries and salary related expenses	1.057	922

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

	2022	2021
Operating expenses of investment properties	416	310
Operations in real estates	237	239
Administrative expenses	404	373
Total salaries and salary related expenses	1.057	922

	2022	2021
Average number of full-time equivalent positions	58	58
Number of full-time equivalent positions at year end	62	61

8. Auditor’s fees

Auditor’s fees are specified as follows:

	2022	2021
Audit of the annual financial statements	20	16
Review of interim financial statements	2	3
Other assurance services	5	1
Total auditor's fees	27	20

9. Financial income and (finance expenses)

Financial income and finance expenses are specified as follows:

	2022	2021
Interest income	112	71
Total financial income	112	71
Interest expense	(3.330)	(3.124)
Capitalised interest expense	395	211
Borrowing cost	(27)	(221)
Prepayment fee	0	(138)
Interest expense from leases	(167)	(167)
Indexation	(7.953)	(3.642)
Total finance expenses	(11.082)	(7.081)
Net finance expenses	(10.970)	(7.010)

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 3.5% and is in accordance with the Company's average line of credit at each time.

10. Investment in associates

Klasi ehf. holdings 33.3%

Reginn hf. signed a subscription agreement for subscription to 1/3 of the capital in the real estate development company Klasi ehf., cf. the Company's announcement to the Stock Exchange on 3 December 2021 and the transaction went through on 31 August 2022. The Company paid for its share in Klasi ehf. with a portfolio worth ISK 3,912 million which consists of sales assets and assets under development. The contribution of Reginn hf. to the business was estimated at ISK 3,912 million whereof ISK 1,100 million were paid in cash and 890 million ISK are unpaid and entered as other long-term liabilities in the balance sheet. Tómas Kristjánsson, Chairman of the Board of Reginn hf., is also the one of the main owners of KLS eignarhaldsfélag ehf. and sits on the board of Klasi ehf.

Total assets of Klasi ehf. according to a draft of the financial statements for the period ending on 31 December 2022, were ISK 15,375 million and equity ratio was 79%.

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Grunnur I ehf. holdings 20.6%
Grunnur I ehf. holds real estate and land in Smárabyggð in Kópavogur. Total assets of Grunnur I ehf. according to a draft of the financial statements for the period ending on 31 December 2022 was ISK 2,460 million and equity ratio was 89%.

Investments in associates is specified as follows:

	2022	2021
Carrying amount as at 1.1	0	0
Reclassified as an equity interest in an associate	631	0
Share in profit of associates	205	0
Investment in Klasi ehf.	3.912	0
Dividend received from Grunnur I ehf.	(196)	0
Carrying amount as at 31.12.	4.552	0

11. Investment properties

Determination of fair value
The Group's investment properties are valued at fair value on the reporting date in accordance with the international accounting standards IAS 40 Investment properties and IFRS 13 Fair value measurement. Assets under development whose fair value cannot be reliably estimated are recognised at cost price.
The Company has so far classified holdings in associated companies as part of investment properties. Associated companies are now recognized as a separate item in the balance sheet following the purchase of a one-third share in Klasi ehf.

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

When evaluating investment properties, the discounted future cash flow of individual properties is used. The cash flow model is based on free cash flow to the Group, which is discounted using the weighted average cost of capital (WACC). The cash flow plan in the model is for 30 years (2021: 30 years).

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

Interest on loan capital is assessed considering the general interest rates offered on the market. The leverage ratio is expected to be 65% (2021: 70%) for the future. The effect of the change in the leverage ratio on the valuation is an ISK 592 million increase.

At the end of 2021, it was assumed that the impact of the COVID-19 pandemic on income in travel-related activities would last until 2023-2024. Revenues in travel-related services are no longer expected to be affected by the COVID-19 pandemic. Due to the decreasing uncertainty relating to the COVID-19 pandemic in 2022, the risk load in the assessment was reduced when preparing the assessment in the second quarter of 2022.

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 (2021: 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 5,993 million (2021: ISK 6,935 million). The main factors influencing the valuation are price level changes and higher required rate of return.

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Segmentation of investment properties 2022:	The Group's investment properties	Right-of-use assets	**Total**
Carrying amount			
Balance as at 1.1.2022	157.819	3.323	161.142
Reclassified as an equity interest in an associates	(642)	0	(642)
Additions during the year	12.143	0	12.143
Sold during the year	(5.172)	0	(5.172)
Adjustments due to revaluation of lease liabilities	0	149	149
Value adjustments for the year	6.151	(158)	5.993
Sales profit (loss)	126	0	126
Balance as at 31.12.2022	170.425	3.314	173.739

Segmentation of investment properties 2021:			
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)
Adjustments due to revaluation of lease liabilities	0	(268)	(268)
Value adjustment for the year and sales profit (loss)	7.076	(141)	6.935
Sales profit (loss)	227	0	227
Balance as at 31.12.2021	157.819	3.323	161.142

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

Segmentation of the Group's investment properties 2022:

	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.	46.596	59.150	13.491	11.343	22.328	4.911	157.819
Reclassification	4.024	0	0	0	0	(4.666)	(642)
Additions during the year	335	191	454	5.004	0	1.724	7.707
Improvem. during year	625	2.003	158	81	225	1.345	4.436
Sold during the year	(385)	(1.851)	(1.091)	5	(288)	(1.562)	(5.172)
Value adj. for the year	1.651	1.742	770	1.078	295	616	6.151
Sales profit (loss)	2	98	(45)	(5)	76	0	126
Balance as at 31.12	52.848	61.333	13.736	17.505	22.636	2.367	170.425
Key assumptions in the 2022 valuation model:							
Projected rental income per sqm. a month, ISK	1.150-14.800	1.150-6.200	1.300-3.150	.770-6.360	1.500-5.540		
Est. average rent per sqm. a month, ISK	3.110	3.213	1.946	4.501	2.888		3.020
Pre tax weighted aver. cost of capital (WACC)	5,7%-7,1%	5,6%-8,3%	5,8%-7,6%	3,3%-7,1%	5,6%-6,5%		
Weighted average	6,1%	6,0%	6,5%	6,4%	5,8%		6,1%

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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 year	540	979	266	32	48	2.134	3.999
Sold during the year	(97)	(25)	(625)	(196)	0	(511)	(1.454)
Value adj. 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 sqm. a month, ISK	660-13.200	610-5.600	660-2.800	.500-5.800	1.560-5.000		
Est. average rent per sqm. a month, ISK	2.750	2.908	1.745	4.114	2.689		2.708
Pre tax weighted aver. cost of capital (WACC)	5,3%-7,1%	5,2%-7,8%	5,5%-7,4%	3,0%-6,8%	5,3%-6,7%		
Weighted average	5,7%	5,7%	6,2%	6,2%	5,5%		5,8%

	2022		**2021**	
	Increase	Decrease	Increase	Decrease
Sensitivity analysis of fair value:				
Increase (decrease) in rental income of 5%	10.617	(10.617)	10.034	(10.034)
Decrease (increase) in yield of 0.5%	11.411	(10.268)	11.594	(9.991)

Pledges and guarantees

At year end, investment properties with a carrying amount of ISK 166,907 million (2021: ISK 152,531 million) are pledged as collaterals for the Company's liabilities in the amount of ISK 109,081 million (2021: ISK 96,038).

The Company's properties carry input VAT encumbrance in the amount of ISK 5,992 million at year end 2022 (2021: ISK 5,333 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 105,563 million (2021: ISK 94,305 million). At the same time, the assessed value for fire insurance of the Company's real estates amounted to ISK 147,746 million (2021: ISK 129,002 million). The Group has purchased additional insurances in the amount of ISK 24,902 million (2021: ISK 22,063 million).

Further information on accounting policies regarding investment properties is in note 30.

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:

	2022	**2021**
Balance at 1.1.	224	152
Additions during the year	86	95
Sold during the year	(43)	(8)
Depreciation during the year	(21)	(15)
Balance at 31.12	246	224

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13. Trade and other short-term receivables

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

	2022	2021
Trade receivables	592	671
Lease deferrals, see note 5	93	24
Outstanding sales price	103	66
Other short-term receivables	117	172
Total trade and other receivables	905	933

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 total share capital of the parent company according to its articles of association was ISK 1,823 million at the end of 2022 and is fully paid. One vote is attached to each share of one ISK in the parent company. On 7 February 2022, the Company's Board of Directors activated a repurchase plan for the purchase of its treasury shares based on authorization from the annual general meeting on 10 March 2021 and later at the annual general meeting on 10 March 2022. The repurchase was to amount to a maximum of 15,060,241 shares, although the total purchase price would not be higher than ISK 500 million at the end of June 2022 and that treasury shares do not exceed 0.83% of the Company's total share capital. The repurchase program ended on 6 May 2022. The Company invested in a total of 13,605,127 shares, which amounts to 0.75% of the Company's total share capital, and the total investment amounted to ISK 500 million. The Company owns 13,605,127 treasury shares or 0.75% of the issued share capital at the end of the year.

There are no restrictions on the shareholders' right to sell their shares. The change of ownership and its implementation depends on the applicable laws on electronic asset registration of securities and the rules established on their basis. At shareholders' meetings, one vote is attached to each share of one ISK of the total share capital.

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 1.1.2022	457	16.129	16.586
Changes during the year	0	(486)	(486)
Balance at 31.12.2022	457	15.643	16.100

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.

Non-controlling interests

Reginn hf. registered on 1 January 2021 for 90% of the share capital in the private limited liability company Sóltún fasteign ehf. by subscribing to 4,500,000 new shares in the company. The company is part of the

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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 18 January 2023.

Dividend
Reginn hf.'s dividend policy entails a payment of dividend to shareholders corresponding to around 1/3 of profit in the preceding accounting period, either with a 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.

At the Company's annual general meeting on 10 March 2022, it was approved that a dividend of ISK 1,500 million would be paid out to shareholders for the preceding operating year. The dividend payment date was 6 April 2022.

With reference to the impact of the development of risk-free interest rates in the year 2022 on the Company's equity ratio, which at the end of the year is in line with the Company's internal standards, as well as the continued uncertainty in the interest markets, the Company's Board of Directors proposes that no dividend be paid out in the year 2023. Reference is also made to the financial statements on the distribution of profits and other changes in the Company's equity accounts.

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.

	2022	2021
Profit for the year	2.914	6.171
Share capital at the beginning of the year	1.823	1.823
Effect of repurchase of treasury shares	(14)	0
Weighted average number of shares during the year	1.813	1.823
Basic and diluted earnings per share	1,61	3,39

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.

	2022	2021
Green listed bonds issued	32.661	23.662
Green liabilities with credit institutions	8.388	8.066
Green interest bearing liabilities	41.049	31.728
Other bonds issued	42.846	37.424
Other liabilities with credit institutions	25.186	19.883
Liabilities with mutual funds which issue listed bonds	0	7.004
Other interest bearing liabilities	68.032	64.311
Interest bearing long-term liabilities less borrowing cost	109.081	96.039
Capitalised borrowing cost	7	47
Current maturities of interest bearing liabilities	(7.826)	(9.022)
Total interest bearing long-term liabilities	101.262	87.064

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

	Maturity	Weighted interest rate 2022	Carrying amount 2022	Weighted interest rate 2021	Carrying amount 2021
Liabilities in ISK, indexed	2022			3,80%	7.004
Liabilities in ISK, indexed	2026	3,43%	12.338	2,73%	11.283
Liabilities in ISK, indexed	2027	2,06%	18.053	1,74%	13.005
Liabilities in ISK, indexed	2029	1,06%	3.151		
Liabilities in ISK, indexed	2030	2,06%	12.012	2,06%	11.390
Liabilities in ISK, indexed	2037	3,04%	7.776		
Liabilities in ISK, indexed	2047	3,68%	8.230	3,68%	7.834
Liabilities in ISK, indexed	2048	3,60%	19.453	3,60%	18.200
Liabilities in ISK, indexed	2050	2,50%	13.703	2,50%	12.843
Total		2,80%	94.716	2,82%	81.559
Liabilities in ISK, non-indexed	2023	3,10%	4.380	3,10%	4.380
Liabilities in ISK, non-indexed	2025	7,75%	9.985	4,30%	10.100
Total		6,33%	14.365	3,94%	14.480
Total interest bearing liabilities			109.081		96.039

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

	2022	2021
Repayments in 2022		9.022
Repayments in 2023	7.826	7.118
Repayments in 2024	3.530	2.810
Repayments in 2025	12.319	11.592
Repayments in 2026	10.977	11.986
Repayments in 2027	19.627	12.090
Later	54.802	41.421
Total interest bearing long-term liab., including current maturities	109.081	96.039

Loan agreements within the Group contain terms for financial support and the group fulfils all applicable terms at the end of 2022. New loans were acquired for ISK 15 billion (2021: ISK 31 billion) both in the form of bonds and bank loans. In return, the Company paid off less favourable loans amounting to ISK 8 billion (2021: ISK 28 billion). Loan agreements for interest bearing debt in the amount of ISK 33,574 million contain provisions that allow repayment in the year 2023.

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 a framework for green financing. At the end of the year the book value of green financing amounted to ISK 41,094 million (2021: ISK 31,728 million).

	2022	2021
Interest bearing liabilities 1 January	96.039	90.925
New borrowings	14.990	31.157
Interest bearing liabilities acquired through acquisition	0	3.783
Repayments and settlements of long-term liabilities	(9.900)	(33.219)
Interest bearing short-term liabilities, change	(1)	(249)
Indexation	7.953	3.642
Interest bearing liabilities 31 December	109.081	96.039

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.

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

Right-of-use assets	**2022**	**2021**
Balance at 1.1.	3.323	3.732
Adjustment due to revaluation of lease liabilities	149	(268)
Value adjustment for the year	(158)	(141)
Balance at 31.12.	3.314	3.323
Lease liabilities		
Balance at 1.1.	3.323	3.732
Revaluation due to indexation of lease payments	149	(268)
Repayments of lease liabilities	(159)	(141)
Current portion of lease liabilities	(173)	(151)
Balance at 31.12.	3.141	3.172

Amounts recognised in profit or loss	**2022**	**2021**
Value adjustment	(159)	(141)
Interest on lease liabilities	(167)	(167)
Total amounts recognised in profit or loss	(326)	(308)

Amounts recognised in statement of cash flows	**2022**	**2021**
Paid interest expense from lease liabilities	(167)	(167)
Repayments of lease liabilities	(159)	(141)
Total amounts recognised in statement of cash flows	(326)	(308)

Lease liabilities

Repayments of lease liabilities for properties is specified as follows:	**2022**	**2021**
Repayments in 2022		151
Repayments in 2023	173	157
Repayments in 2024	174	158
Repayments in 2025	114	103
Repayments in 2026	21	19
Net investment in leases	482	588

19. Income tax

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

		2022		**2021**
Profit before income tax		3.701		7.748
Income tax according to current tax rate	20,0%	740	20,0%	1.550
Difference between estimated and imposed taxes	1,3%	46	0,4%	27
Effective income tax	21,3%	787	20,4%	1.577

Deferred income tax liability is specified as follows:

	2022	**2021**
Deferred income tax liability at 1.1	12.120	10.587
Effects of investing in real estate companies	0	(52)
Income tax payable	0	8
Income tax for the year	787	1.577
Deferred income tax liability at 31.12	12.907	12.120

Deferred income tax liability is attributable to the following items

Investment properties and properties and equipment for own use	14.245	13.314
Trade receivables	(19)	(14)
Tax loss carry-forward	(1.319)	(1.180)
Deferred income tax liability at 31.12	12.907	12.120

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

	2022	2021
Tax loss for the year 2012, utilisable until year-end 2022	0	89
Tax loss for the year 2013, utilisable until year-end 2023	102	105
Tax loss for the year 2014, utilisable until year-end 2024	58	58
Tax loss for the year 2015, utilisable until year-end 2025	0	0
Tax loss for the year 2016, utilisable until year-end 2026	472	484
Tax loss for the year 2017, utilisable until year-end 2027	99	99
Tax loss for the year 2018, utilisable until year-end 2028	1.122	1.122
Tax loss for the year 2019, utilisable until year-end 2029	1.182	1.206
Tax loss for the year 2020, utilisable until year-end 2030	1.868	2.032
Tax loss for the year 2021, utilisable until year-end 2031	541	703
Tax loss for the year 2022, utilisable until year-end 2032	1.227	0
Total tax loss carry-forward	6.671	5.898

The tax loss for the year 2022 is mostly due to that according to the tax law, an ISK 5,944 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 1,570 million. This is offset by a higher capital gain on investment assets of ISK 2,912 million. It is the opinion of management that the Company's tax loss at the end of 2022 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:

	2022	2021
Trade payables	412	443
Unpaid accrued interest	397	367
Other short-term liabilities	369	650
Total trade and other short-term payables	1.178	1.460

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.

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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 97 million at year end (2021: ISK 77 million). Write-off of trade receivables in the year amounted to ISK 43 million (2021: ISK 66 million).

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

	Notes	2022	2021
Lease deferral	5	525	699
Trade and other short-term receivables	13	905	933
Cash and cash equivalents	14	1.369	3.034
Total maximum exposure to credit risk		2.799	4.666

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

	Gross 2022	Allowance 2022	Gross 2021	Allowance 2021
Not past due	397	44	435	7
Past due 0-30 days	24	3	51	4
Past due 31-180 days	116	27	139	21
Past due more than 180 days	153	24	124	45
Total	689	97	749	77

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 2022 (2021: ISK 4,700 million).

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

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	More than 5 years
2022						
Interest bearing liabilities	109.081	138.340	11.287	22.074	38.171	66.808
Lease liabilities on properties*	482	511	190	300	21	0
Trade payables	412	412	412			
Other long-term liabilities	890	890		890		
Other short-term liabilities	369	369	369			
Total	111.234	140.522	12.258	23.264	38.192	66.808
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
Total	97.720	123.551	13.125	14.939	27.365	68.122

*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 2022 amounted to ISK 144 million (2021: ISK 140 million).

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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 considering 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	**2022**	**2021**
Indexed financial liabilities	(71.127)	(63.710)
Non-indexed financial liabilities	(4.380)	(4.380)
Total	(75.507)	(68.090)
Financial instruments with floating interest rates		
Cash and cash equivalents	1.369	3.034
Indexed financial liabilities	(23.589)	(17.849)
Non-indexed financial liabilities	(9.985)	(10.100)
Total	(32.205)	(24.915)

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 322 million (2021: ISK 249 million). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for the year 2021.

Inflation risk

Interest bearing liabilities in the amount of ISK 94,716 million (2021: ISK 81,559 million) are indexed to the consumer price index. An increase (decrease) in inflation of one percentage point at year end 2022 would have increased (decreased) the Company's profit before income tax in the amount of ISK 947 million (2021: ISK 816 million). The analysis is based on all other variables remaining constant. The analysis is performed on the same basis as for the year 2021.

Lease contracts that make up 93% (2021: 94%) 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:

	2022		**2021**	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest bearing liabilities	109.081	108.065	96.039	101.238

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

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.

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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 and affiliates, 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	
	2022	**2021**
Tómas Kristjánsson, Chairman (100% share in Sigla ehf.)	61.701	61.701
Bryndís Hrafnkelsdóttir, board member	18	18
Helgi S. Gunnarsson, CEO (100% share in B38 ehf.)	1.657	1.567
Albert Þór Jónsson, former board member	0	153

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:

	2022		**2021**	
	Salaries and benefits	Pension contri-butions	Salaries and benefits	Pension contri-butions
Tómas Kristjánsson, chairman of the board	9,8	0,8	8,7	0,7
Bryndís Hrafnkelsdóttir, vice chairman of the board	5,1	0,4	4,6	0,4
Benedikt Olgeirsson, board member	4,6	0,4	0,0	0,0
Guðrún Tinna Ólafsdóttir, board member	5,1	0,4	4,6	0,4
Heiðrún Emilía Jónsdóttir, board member	5,8	0,6	5,2	0,4
Albert Þór Jónsson, former board member	1,1	0,1	5,2	0,4
Anna Þórðardóttir, chairman of the audit committee	1,5	0,2	0,0	0,0
Hjördís Vilhjálmsdóttir, former charman of the audit comm.	0,4	0,0	1,7	0,4
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	0,7	0,1
Árni Gunnarsson, nomination committee member	0,6	0,0	0,0	0,0
Sigurjón Pálsson, former nomination committee member	0,1	0,0	0,7	0,1
Helgi S. Gunnarsson, CEO	51,4	7,3	46,2	6,5
Five senior managers (2021: four managing directors)	147,5	24,7	111,0	17,3
Total	235,0	35,1	189,7	26,8

Reference is made to Note 10 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 2022 amounted to ISK 20.2 million (2021: ISK 18.5 million). The CEO and five other managing directors took part in an incentive system during 2022. Bonus payments to the CEO amounted to ISK 5.2 million (2021: ISK 5.8 million) and ISK 15 million (2021: ISK 12.7 million) to the five managing directors.

27. Subsidiaries

Reginn hf. owned 16 subsidiaries at year end 2022:

	Share 2022	2021
Eignarhaldsfélagið Smáralind ehf.	100%	100%
Smáralind ehf.	100%	100%
Knatthöllin ehf.	100%	100%
Kvikmyndahöllin ehf.	100%	100%
Reginn atvinnuhúsnæði ehf.	100%	100%
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%	99,95%
CCI fasteignir ehf.	100%	100%
Dvergshöfði 4 ehf.	100%	0%
ÞR Eignir ehf.*	0%	100%
ÞR Þróun ehf.*	0%	100%
ÞR Lágmúli ehf*	0%	100%

*Subsidiaries that were sold to Klasi ehf. see note 10.

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. Commitments not included in the statement of financial position

Reginn hf. is a party to a development plan on an area south of Smáralind (Smárabyggð), which is being worked on under the banner of the real estate development company Grunnur I ehf. and its subsidiary Smárabyggð ehf. Reginn's holdings in Grunnur I ehf., 20.6% is held through the subsidiary CCI fasteignir ehf. The area consists mostly of residential areas that have been sold on the public market. In addition, the final touches are being put on the construction of a commercial building on the ground floors at Sunnu- and Silfursmári, totalling about 1,820 m2. Subsidiary of Reginn hf. Eignarhaldsfélagið Smáralind ehf. is obligated to buy this commercial building when it is ready, which is estimated at the end of 2023. The total purchase price is estimated at ISK 650 million.

29. Subsequent events

No events have occurred after the reporting date that would require adjustments or changes to the 2022 financial statements.

30. 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 2022 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.

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b. Associates

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

Associated companies are recognised in the Company's consolidated financial statements using the equity method, and the holdings are initially entered at cost plus transaction costs.
The Company's consolidated financial statements include the share of profit or loss and other comprehensive income of the associates, after the associate’s accounting methods have been harmonized with the company's accounting methods. The equity method is applied from the time a significant effect is achieved and is held until it ends.
If the Company's share of losses exceeds the book value of the associated company, including long-term investments, the book value is set to zero and the posting of further losses is stopped unless the company has entered into guarantees for these companies or made payments for them.

c. Investment properties

Investment properties are divided into investment properties owned by the Group and right-of-use assets. Information on accounting policies relating to right-of-use assets is in note 30 n.

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.

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.

d. Properties and equipment for own use

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.

e. 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.

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 30 (j).

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 treasury 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.

f. 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.

g. 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.

h. 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.

i. 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.

j. 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.

k. 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.

l. 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.

m. Segment reporting

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

n. 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.

31. 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 on or after 1 January 2023 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.

- 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).
- Deferred income tax due to assets and liabilities arising from a single transaction (Amendments to IAS 12)

Quarterly Statement (unaudited)

Year 2022

	Q1	Q2	Q3	Q4	Total
Rental income	2.636	2.783	2.937	3.152	11.508
Income from operations in real estates	166	175	171	177	689
Operating revenue	2.802	2.958	3.108	3.329	12.197
Operating expenses of investm. Properties	(574)	(599)	(544)	(608)	(2.325)
Operations in real estates	(199)	(195)	(231)	(253)	(879)
Administrative expenses	(146)	(137)	(127)	(216)	(626)
Operating expenses	(919)	(931)	(902)	(1.077)	(3.829)
Operating profit before value adjustment	1.884	2.027	2.206	2.252	8.368
Value adjustment of investment properties	2.427	3.902	2.321	(2.658)	5.993
Gain from sale	54	(5)	78	0	126
Depreciation of assets for own use	(5)	(4)	(5)	(7)	(21)
Operating profit	4.359	5.920	4.600	(413)	14.466
Financial income and (finance expenses)					
Financial income	4	14	2	91	112
Finance expenses	(2.406)	(3.311)	(3.448)	(1.916)	(11.082)
Net finance expenses	(2.402)	(3.297)	(3.446)	(1.825)	(10.970)
Share in profit of subsidiary	0	0	0	205	205
Profit before income tax	1.957	2.623	1.154	(2.033)	3.701
Income tax	(391)	(525)	(231)	360	(787)
Comprehensive income for the period	1.566	2.098	923	(1.673)	2.914
Distribution of profit / Comprehensive income					
Owners of parent company	1.566	2.098	923	(1.673)	2.914
Non-controlling interests	0	0	0	0	0
Comprehensive income for the period	1.566	2.098	923	(1.673)	2.914
Earnings per share					
Basic and diluted earnings per share	0,86	1,16	0,51	(0,92)	1,61

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)	(7.080)
Net finance expenses	(1.243)	(2.262)	(1.708)	(1.796)	(7.009)
Profit before income tax	1.817	2.234	1.475	2.223	7.749
Income tax	(363)	(447)	(295)	(472)	(1.577)
Comprehensive income for the period	1.454	1.787	1.180	1.751	6.172
Distribution of profit / Comprehensive income					
Owners of parent company	1.454	1.787	1.180	1.751	6.172
Non-controlling interests	0	(1)	2	(1)	0
Comprehensive income for the period	1.454	1.786	1.182	1.750	6.172
Earnings per share					
Basic and diluted earnings per share	0,80	0,98	0,65	0,96	3,39

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Statement of Corporate Governance (unaudited)

Management and corporate governance

The corporate governance of Reginn hf. ("Reginn" or "the Company") is in accordance with laws and rules that apply to the Company's operations, e.g. the provisions of the Public Limited Liability 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 2022.

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 10 March 2022 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 2022.

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

Tómas Kristjánsson, Chairman of the Board, was born in 1965 and has an MBA degree from the University of Edinburgh and a Cand. Oecon in business administration from the University of Iceland as well as having a degree in securities trading. Tómas works as the owner of Sigla ehf. Tómas owns 100% of 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., Grunnur I ehf., Smárabyggð ehf., Húsafell Resort ehf., Húsafell Giljaböð ehf., KLS eignarhaldsfélag ehf. and Adelfa ehf. Tómas is the Chairman of the Board of Smárabyggð ehf., which deals with the development of an apartment complex south of Smáralind. Tómas has no interest relating to the Company's largest customers, its competitors or shareholders who own more than 10% in the Company, but is considered a dependent director 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 og Hagar hf. in development and operation of the real estate development company Klasi ehf.

Bryndís Hrafnkelsdóttir, Vice Chairman, was born in 1964 and works as director of Happdrætti Háskóla Íslands. 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 Board of Verzlunarskóli Íslands, Chairman of the Board of Ofanleiti 1 ehf. and Deputy Member of the Board of TM trygginar hf. Bryndís owns 18,509 shares in Reginn hf. or 0.0010%. Bryndís has no interest relating to the Company's largest customers, its competitors or shareholders who own more than 10% of the Company. Bryndís is independent of the Company, its day-to-day managers and major shareholders in the Company as defined in the Guidelines on Governance.

Benedikt Olgeirsson was born in 1961 and is self-employed in boardrooms, consulting and investments. Benedikt has an M.Sc. in Construction Engineering and Project Management from the University of Washington in Seattle and a B.Sc. in civil engineering from the University of Iceland. In addition to sitting on the board of Reginn hf. Benedikt sits on the Boards of Vörður tryggingar ehf., Vörður líftryggingar ehf., Bens Capital ehf., Iceland Soccer Travel ehf., Rexby ehf., IST immobilen ehf. and Íslenskir fjörfestar ehf. Benedikt is also the Managing Director of Magnavit ehf and Manex ehf. Benedikt has no interest relating to the Company's largest customers, its competitors or shareholders who own more than 10% of the company. Benedikt is independent of the Company, its day-to-day managers and major shareholders in the Company as defined in the Guidelines on Governance.

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 Manager of the Commercial Department of Húsasmiðjan ehf. and sits on the Board of Svanna loan insurance fund for women and in Brunnur vaxtarsjóður slhf. Guðrún Tinna has no shares in Reginn hf. Guðrún Tinna has no interest relating to the Company's largest customers, its competitors or shareholders who own more than 10% of the Company. Guðrún Tinna is independent of the Company, its day-to-day managers and major shareholders in the Company as defined in the Guidelines on Governance.

Heiðrún Emilía Jónsdóttir was born in 1969, lawyer and cand. jur from the University of Iceland. Heiðrún works as the Managing Director of Samtök fjármálafyrirtækja. She is a certified stockbroker and studied AMP at IESE Business School Barcelona 2016-2017. In addition to being on Reginn's Board, she is the owner and board member of Múli law firm. Heiðrún has no shares in Reginn hf. Heiðrún has no interest relating to the Company's largest customers, its competitors or shareholders who own more than 10% of the Company. Heiðrún is independent of the Company, its day-to-day managers and major shareholders in the Company as defined in the Guidelines on Governance.

No board member has been an employee of the Company or done other work for the Company apart from the board seat.
There are two men and three women on the Company's Board of Directors, and the Company therefore complies with the provisions of the Limited Liability Companies Act on gender ratios in the boards of limited liability companies.
More information about board members can be found 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 9 June 2022 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 5 April 2022 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.

At the end of 2022, the following were members of the Audit Committee: Anna Þórðardóttir, Chairman, Benedikt Olgeirsson and Heiðrún Emilía Jónsdóttir. Committee members meet the requirements for independence according to the Guidelines on Governance. The main role and responsibility of the committee is to supervise work processes in the preparation of financial statements and the review of the financial statements, consolidated financial statements and other financial information of the Company. The committee also evaluates the auditor's independence, supervises his work and submits a proposal to the Board of Directors on the selection of the Company's auditor. The external auditors submitted a confirmation of independence in August 2022. In addition, the audit committee supervises the risk management system and other control measures and follows up on the improvement of deficiencies found in internal control. The current rules of procedure for the audit committee were confirmed by the board on 5 April 2022 and are available on the Company's website.

At the end of 2022, the following were members of the remuneration committee: Guðrún Tinna Ólafsdóttir, Chairman, Bryndís Hrafnkelsdóttir and Tómas Kristjánsson. The main role of the committee is to prepare and implement proposals for the Company's remuneration policy, proposals to shareholders' meeting on the remuneration of directors and implementation of agreements with the CEO and other employees, if they are subordinate to the Board, regarding salaries and other remuneration. The Board's decision-making authority in this regard is not entrusted to the remuneration committee. The rules of procedure for the remuneration committee were confirmed by the board on 5 April 2022 and are available on the Company's website. The audit committee and the remuneration committee must report to the Board on their tasks at least annually, in accordance with the rules of procedure.

The CEO is appointed by the Board and is responsible for the Company's day-to-day operations in accordance with the Board's policies and instructions, law, the Company's articles of association and the Board's rules of procedures. He implements the Company's policy that has been formulated by the Board and sets goals for the activities. Helgi S. Gunnarsson has been the CEO of the Company since its establishment in 2009. Helgi was born in 1960 and has an M.Sc. degree in engineering from Danmarks Tekniske Universitet. Helgi owns 1,656,787 shares or 0.091% in Reginn hf. through the private limited liability company B38 ehf. Helgi is the Chairman of the Board of all subsidiaries of Reginn hf. which are all fully owned by the Company in addition to being a board member in the associated companies Grunnur I ehf. and Klasi ehf. Helgi is also a board member of B38 ehf. and Smárabyggð ehf. Helgi is independent of the Company's main business partners, competitors and large shareholders. The CEO's job description is set out in his employment contract. More information about the CEO is on the Company's website.

Other members of the executive board of Reginn hf. are, Baldur M. Helgason, Director of Trade and Services and Deputy CEO, Dagbjört E. Einarsdóttir Senior Legal Officer, Páll V. Bjarnason, Director of Commercial Housing and General Market, Rósa Guðmundsdóttir, Director of Finance and Sunna H. Sigmarsdóttir, Director of Public Entities, Partnerships - and rental projects.

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 shall 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%.

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 analyse 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. The Company's risk policy was confirmed by the Company's Board of Directors on 1 February 2023.

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 Esther Ýr Óskarsdóttir and the substitute compliance officer is Heiða Salvarsdóttir.

The Company's Board and sub-committees of the Board have carried out a formal performance evaluation for their work in the year 2022. 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 Board meetings, tasks of the Board, the provision of information, policy formulation and vision, risk management, 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 approves an action plan to increase the Board's efficiency in the coming year. The Board believed that all board members had taken active part in the Board and performed their job with integrity. Board members were considered to have extensive experience and knowledge in the field of board work and business operations.

In 2022, 24 board meetings were held, some of which were held online. One meeting was held without the presence of the Chairman due to conflicts of interest. Six meetings were held in the audit committee and nine in the remuneration committee. The majority of board members and the majority of committee members have attended all meetings. The audit committee invites the Company's external auditors to meetings regularly, and they also attend Board meetings when the financial statements and 6-month interim financial statements are discussed. The main communication between the Board and shareholders is at the Company's shareholder meetings, but conversations and meetings also take place between shareholder meetings. The CEO is the 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 5 April 2022.

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 (unaudited)

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 2022 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 force that was confirmed by the Board on 5 April 2022, which is available on the Company's website. To ensure that sustainable development is a guiding principle in all of Reginn’s activities, the Company emphasizes an overall vision along with environmental, social and economic sustainability. At the beginning of 2022, the Company set measurable goals in these three categories, which were worked on during 2022. At the end of 2022, the goals were revised with the experience and results of the past year in mind. The goals, achievements of 2022 and long-term goals in the Company's main goals are detailed in Reginn’s sustainability report for 2022. Success in sustainability will continue to be measured in a targeted manner and employees, customers and investors will be informed regularly about the goals and the results achieved. Investments and real estate operations take a long-term view. 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 seven global goals that are most affected by its day-to-day operations: health and well-being, gender equality, sustainable energy, good employment and economic growth, sustainable cities and communities, responsible consumption and production as well as climate action. See more about the sustainability strategy, 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 analysing 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.

Reginn has defined the risk factors related to sustainability that have the greatest impact on the Company's operations and the environment, which are energy, fuel consumption, waste and weather, as well as achieving the goals that the Company has set for sustainability. The Company's Board of Directors confirmed the Water Policy on 17 December 2021 and the Electricity Policy on 16 December 2021, which aim to minimize the use of electricity and water. The Company's Board of Directors confirmed the Recycling Policy on 16 December 2021, which aims to increase the recycling rate of waste and reduce its volume. The Company has set goals in relation to the main risk factors, which were reviewed at the end of the year and adjusted based on that years' experience. The impact of the corona virus pandemic has not affected the key goals related to the Company's main environmental risks, as energy consumption is considered to be the main risk factor related to the sustainability of the Company's operations.

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. The Company's Board of Directors confirmed the Sustainable Procurement Policy and Refrigeration Policy on 16 December 2021. In recent years, the Company has worked on the environmental certification of properties, and by 2022, 27% of the portfolio had received BREAAM In-use environmental certification. Emphasis is placed on reducing the negative environmental impact of operations in Reginn’s properties by encouraging and supporting customers, e.g. with green leases but the first green lease was signed in 2021, fewer new green leases were signed in 2022 than hoped but the Company believes that the benefits are not only for the environment but also financially for customers. Continued emphasis will therefore be placed on the education on green leases in 2023. The Company has set itself a long-term goal of reducing greenhouse gas emissions, but the goal is to reduce emissions by 21% compared to 2019. Reginn carbon offset the emissions of the year 2022 at the United Nations (UN Nations carbon offset platform). The Company's long-term goal is for the waste sorting rate to reach 75% by the end of 2025, while the percentage in 2022 was 43%. The Company's long-term goal is to reduce the amount of waste by 10% compared to 2019, but the total amount of waste increased by 0.5% in 2022 compared to 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 those who pass by. In addition, sociological factors will also be taken into account in planning and a platform for increased communication will be prepared.

The risk factors related to social factors are the health and safety of staff, maintaining equal pay for the sexes and human rights in the value chain. Reginn has set goals in relation to social factors that contribute to good staff health and job satisfaction, a safe working environment, respect for human rights in the entire value chain of the Company, as well as maintaining equal pay for the sexes. The long-term goal is for job satisfaction to be 4.2 out of 5.00 or more, but it was measured at 4.2 in 2022 compared to 4.0 in 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 code of practice and ethics, which was confirmed by the Board on 9 June 2022, stipulates that staff should behave professionally and honestly. Respect, fairness, courtesy and honour must characterize all relations with customers, colleagues and others with whom a business relationship is established. Reginn respects human rights as one of the fundamental pillars of society, to which everyone has an equal claim, regardless of gender, race, colour, sex, language, religion, opinion, nationality, origin, property, lineage or other circumstances. In order to establish the importance of this and prevent the risk of human rights violations, the Company therefore makes certain requirements to tenants, contractors and suppliers, and new provisions to that effect were added to the standard form of rental, work and service contracts in 2021 and 2022. 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 labour market and good working conditions, as well as demonstrating responsible environmental behaviour. 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. When determining wages and benefits at the Company, the provisions of Act no. 150/2020 on equal status and equal rights of the sexes is considered. The criteria used for salary decisions shall not include gender discrimination. The applicable equality and equal pay policies were confirmed by the Board on 5 April 2022. The Company received an equal pay certification and the Equality Office's confirmation of the Company's equality plan for the year 2021. The goal is to ensure equality in the determination of wages and to ensure that employees enjoy equal pay for the same or equally valuable work regardless of gender. The result of an equal pay review shows that the total salary of men in 2022 was 1% higher than the total salary of women. There were three women (60%) and two men (40%) on the Board of Reginn in 2022, and the Company therefore complies with the provisions of the Limited Liability Companies Act on gender ratios on the boards of limited companies.

Corporate governance
Reginn’s corporate governance is in accordance with the Act no. 2/1995 on limited liability companies and guidelines on corporate governance. The Company has listed shares on the Iceland Stock Exchange and must therefore follow the guidelines for corporate governance according to 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 a special area dedicated to governance with all the detailed information. The Company has established a competition policy, which lists the important considerations involved in operating in every respect according to the laws and regulations on competition in all the Company's activities. The Competition policy was approved by the Company's Board of Directors on 5 April 2022 and is available on the Company's website. The Company has also adopted a privacy policy, which discusses the purpose and authority for the processing of personal information and its retention period. The privacy policy was approved by the Company's Board of Directors on 5 April 2022 and is available on the Company's website.

The main risks relating to corporate governance 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 sub-committees have carried out a formal performance evaluation for their work in 2022. The Board believed that all board members had actively participated in board duties and worked with integrity. 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 that promote good governance, but in 2022 Reginn was recognized by Stjórnvísir as an exemplary company in good governance 2021-2022. 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 kind of corruption, bribery and other illegal activities is not tolerated under any circumstances. By enforcing good business ethics transparently and in accordance with procedures, its risks are limited. In the Company's aforementioned rules of procedures and ethics, it is stated that managers and employees are obliged to never let their private interest conflict with the interests of the Company or its customers. In addition, staff are bound by a duty of confidentiality regarding the information they may need in their work regarding the Company's customers. Employees must report possible conflicts of interest to the compliance officer or the next supervisor. During the year 2022, there were no issues related to corruption or bribery.

Non-financial information contd.:

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 April 2022.

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 terrorist financing. Reginn hf. and subsidiaries policy on measures against money laundering and terrorist financing was confirmed by the Board on 5 April 2022.

Reginn publishes a special sustainability report with non-financial information for the year 2022. The non-financial disclosure considers the UFS guidelines issued by Nasdaq in Iceland and the Nordic countries in 2019. Reginn uses, among other things, digital technology to ensure traceability, transparency and efficiency in the collection of data and dissemination of information related to environmental issues. The sustainability report is available on the Company's website www.reginn.is.

Definitions for ESEF reporting (unaudited)

Company name	Reginn hf.
Legal registration of company	Limited liability company
Company registration country	Iceland
Company headquarters	Hagasmári 1, 201 Kópavogur
The main office of company	Hagasmári 1, 201 Kópavogur
Country of the main office of company	Iceland
Description of company’s activities	The basic elements of the Company’s business model are leasing of commercial premises to companies and institutions (B2B).
Name of parent company	Reginn hf.
Name of ultimate parent company	Reginn hf.