



Condensed Consolidated Interim Financial Statements  
1 January to 30 June 2023

# Orkuveita Reykjavíkur Group

Reg no. 551298-3029  
Bæjarháls 1, 110 Reykjavík, Iceland



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These Interim Financial statements are translated from the Icelandic original. Should there be discrepancies between the two versions, the Icelandic version will take priority.

Orkuveita Reykjavíkur emphasizes these United Nations' Sustainable Development Goals in its operations





# Operating summary

<b>Operating year</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>1.1.-30.6.</b>	<b>1.1.-30.6.</b>	<b>1.1.-30.6.</b>	<b>1.1.-30.6.</b>	<b>1.1.-30.6.</b>
<i>Amounts are at each years price level in ISK millions</i>					
Revenues .....	29.919	28.542	26.023	24.272	23.202
Expenses .....	( 12.281)	( 10.716)	( 9.146)	( 9.787)	( 9.571)
Thereof energy purchase and distribution .....	( 3.453)	( 3.505)	( 2.951)	( 2.824)	( 2.870)
<b>EBITDA .....</b>	<b>17.638</b>	<b>17.827</b>	<b>16.877</b>	<b>14.485</b>	<b>13.631</b>
Depreciation and amortisation .....	( 7.687)	( 6.796)	( 6.655)	( 6.284)	( 5.728)
<b>EBIT .....</b>	<b>9.952</b>	<b>11.031</b>	<b>10.222</b>	<b>8.201</b>	<b>7.903</b>
<b>Cash flow statement</b>					
Received interest income .....	62	21	47	174	207
Paid interest expense* .....	( 3.553)	( 2.418)	( 2.383)	( 2.655)	( 2.726)
Net cash from operating activities* .....	14.770	14.197	14.624	12.520	13.330
Working capital from operation .....	13.912	13.565	12.471	11.164	10.027
<b>Liquid funds</b>					
Deposits and marketable securities .....	11.414	14.465	11.723	13.091	7.112
Cash and cash equivalents .....	7.837	7.650	24.256	15.097	14.912
Undrawn credit lines .....	9.100	7.709	10.027	9.000	9.900
<b>Liquid funds total .....</b>	<b>28.351</b>	<b>29.824</b>	<b>46.007</b>	<b>37.187</b>	<b>31.924</b>

\*The year 2022 is adjusted for the settlement of the currency agreement with Glitnir (court case).

# Endorsement by the Board of Directors and the CEO

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Orkuveita Reykjavíkur (OR) is a partnership that complies with the Icelandic law no.136/2013 on the founding of the partnership Orkuveita Reykjavíkur. OR's statutory role is to engage in the harnessing, production and sale of electricity, hot water and steam, and the operation of basic systems, such as a distribution system for electricity, heating, water supply, sewerage and fiber optics system, as well as other similar activities. It also encompasses other operations that can benefit from OR's research, knowledge, or facilities, as well as industrial development and innovation, as this relates to the company's core operations.

The condensed consolidated interim financial statements for the period 1 January to 30 June 2023 are prepared in accordance with the International Financial Reporting Standard *IAS 34 Interim financial reporting*. The interim financial statements comprise the condensed consolidated interim financial statements of OR and subsidiaries.

Profit of operations of the Group for the period 1 January to 30 June 2023 was ISK 1.550 million (1.1.-30.6.2022: Profit ISK 4.911 million). Comprehensive income for the period 1 January to 30 June 2023 was negative ISK 908 million (1.1.-30.6.2022: positive ISK 6.465 million). According to the statement of financial position the Group's assets were ISK 451.821 million at the end of the period (31.12.2022: ISK 450.388 million). Book value of equity at the end of the period was ISK 239.642 million (31.12.2022: ISK 246.050 million), resulting in equity ratio of 53,0% (31.12.2022: 54,6%).

At the beginning of the year and at the end of the period the owners of the Company were the following three municipalities:

	Share
Reykjavik City .....	93,539%
Akranes town .....	5,528%
Borgarbyggð, municipality .....	0,933%

## Statement of the Board of Directors and the CEO

According to the best knowledge of the Board of Directors and the CEO of Orkuveita Reykjavíkur, the condensed consolidated interim financial statements are in accordance with the international financial reporting standard IAS 34 on interim financial reporting. It is the opinion of the Board of Directors and the CEO that the interim financial statements give a fair view of the Group's assets, liabilities and financial position 30 June 2023 and the Group's operating return and changes in cash and cash equivalents in the period 1 January to 30 June 2023.

The Board of Directors and the CEO of Orkuveita Reykjavíkur hereby confirm the Group's condensed consolidated interim financial statements for the period 1 January to 30 June 2023.

Reykjavík, 28 August 2023.

The Board of Directors:

*Gylfi Magnússon*

*Vala Valtýsdóttir*

*Skúli Helgason*

*Ragnhildur Alda Vilhjálmisdóttir*

*Ragnheiður Björk Halldórsdóttir*

*Valgarður Lyngdal Jónsson*

CEO:

*Sævar Freyr Þráinsson*

# Independent Auditor's Review Report

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To the Board of Directors and owners of Orkuveita Reykjavíkur.

We have reviewed the accompanying condensed consolidated statement of financial position of Orkuveita Reykjavíkur as at June 30, 2023, the operating summary and key financial ratios, the condensed consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information.

The Board of Directors and the CEO are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Reykjavík, 28 August 2023.

**Grant Thornton endurskoðun ehf.**

*Davíð Arnar Einarsson*

State Authorized Public Accountant

# Income Statement

## 1 January to 30 June 2022

	Notes	2023 1.4.-30.6.	2022* 1.4.-30.6.	2023 1.1.-30.6.	2022* 1.1.-30.6.
Operating revenue .....	5	13.737.957	12.908.891	29.909.341	28.524.891
Sales profit .....		6.942	9.019	9.591	17.324
Total revenue		<u>13.744.899</u>	<u>12.917.911</u>	<u>29.918.932</u>	<u>28.542.215</u>
Energy purchase and distribution .....		( 1.164.099)	( 1.658.155)	( 3.453.383)	( 3.505.151)
Salaries and salary related expenses .....		( 2.819.587)	( 2.119.264)	( 5.138.011)	( 4.111.589)
Other operating expenses .....		( 1.907.144)	( 1.569.544)	( 3.689.475)	( 3.098.913)
Operating expenses, total		<u>( 5.890.830)</u>	<u>( 5.346.964)</u>	<u>( 12.280.869)</u>	<u>( 10.715.653)</u>
<b>EBITDA .....</b>		<u>7.854.069</u>	<u>7.570.947</u>	<u>17.638.063</u>	<u>17.826.562</u>
Depreciation and amortisation .....		( 3.857.727)	( 3.493.502)	( 7.686.505)	( 6.795.524)
<b>Results from operating activities (EBIT) .....</b>		<u>3.996.343</u>	<u>4.077.445</u>	<u>9.951.558</u>	<u>11.031.037</u>
Interest income .....		111.785	22.065	196.347	67.175
Interest expenses .....		( 3.927.904)	( 3.637.788)	( 8.229.123)	( 6.561.920)
Other income (expenses) on financial assets and liabilities .....		( 2.163.866)	( 5.094.177)	( 785.234)	1.589.007
Total financial income and expenses	8	<u>( 5.979.984)</u>	<u>( 8.709.900)</u>	<u>( 8.818.010)</u>	<u>( 4.905.737)</u>
Share in loss of associated companies .....		( 6.821)	( 5.047)	( 170)	( 5.047)
(Loss) profit before income tax		<u>( 1.990.462)</u>	<u>( 4.637.502)</u>	<u>1.133.378</u>	<u>6.120.254</u>
Income tax .....		1.195.185	2.797.936	416.208	( 1.209.708)
<b>(Loss) profit for the period</b>		<u>( 795.278)</u>	<u>( 1.839.566)</u>	<u>1.549.586</u>	<u>4.910.546</u>
<b>(Loss) profit for the period</b>					
Attributable to Parent Company .....		( 795.236)	( 1.839.566)	1.549.603	4.910.546
Attributable to non-controlling interest .....		( 42)	0	( 17)	0
		<u>( 795.278)</u>	<u>( 1.839.566)</u>	<u>1.549.586</u>	<u>4.910.546</u>

\* Comparative figures have been changed. See note 3.

The notes on pages 12 to 23 are an integral part of these Condensed Consolidated Interim Financial Statements.

# Statement of Comprehensive Income

## 1 January to 30 June 2023

	<b>2023</b>	<b>2022*</b>	<b>2023</b>	<b>2022*</b>
	<b>1.4.-30.6.</b>	<b>1.4.-30.6.</b>	<b>1.1.-30.6.</b>	<b>1.1.-30.6.</b>
(Loss) profit for the period .....	( 795.278)	( 1.839.566)	1.549.586	4.910.546
<b>Other comprehensive income</b>				
<b>Items moved to equity that could be moved later to the income statement</b>				
Translation difference .....	270.323	2.647.208	( 2.457.298)	1.554.821
Other comprehensive income, after taxes .....	270.323	2.647.208	( 2.457.298)	1.554.821
<b>Total comprehensive income for the period</b> (	<b>524.955)</b>	<b>807.643</b>	<b>( 907.712)</b>	<b>6.465.367</b>

\* Comparative figures have been changed. See note 3.

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# Statement of Financial Position

## 30 June 2023

	Notes	30.6.2023	31.12.2022*
<b>Assets</b>			
Property, plant and equipment .....		405.220.047	406.760.917
Intangible assets .....		3.178.864	3.106.779
Right-of-use assets .....		2.233.005	2.180.951
Investments in associated companies .....		81.093	81.264
Investments in other companies .....		55.680	55.680
Embedded derivatives in electricity sales contracts .....		0	1.448.798
Hedge contracts .....		287.343	78.545
Deferred tax assets .....		4.991.281	3.759.231
Total non-current assets		<u>416.047.312</u>	<u>417.472.164</u>
Inventories .....		1.776.405	1.881.036
Work in progress .....		729.962	416.817
Trade receivables .....	9	6.291.657	5.877.993
Embedded derivatives in electricity sales contracts .....		0	110.312
Investments in other companies .....	12	5.632.000	5.632.000
Hedge contracts .....		643.351	346.984
Other receivables .....		1.029.134	692.873
Prepaid expenses .....		420.323	236.167
Marketable securities .....		11.413.954	11.070.605
Cash and cash equivalents .....		7.836.834	6.650.749
Total current assets		<u>35.773.619</u>	<u>32.915.536</u>
<b>Total assets</b>		<u>451.820.932</u>	<u>450.387.700</u>
<b>Equity</b>			
Revaluation reserve .....		118.762.185	121.092.491
Equity reserve .....		78.462.049	74.657.104
Development reserve .....		125.513	111.277
Fair value reserve .....		5.232.000	5.232.000
Translation reserve .....		9.086.280	11.543.578
Retained earnings .....		27.974.093	33.413.364
Equity attributable to equity holders of the Company		<u>239.642.119</u>	<u>246.049.815</u>
Minority interest .....		314	337
<b>Total equity</b>		<u>239.642.434</u>	<u>246.050.152</u>
<b>Liabilities</b>			
Loans and borrowings .....		155.431.307	151.000.804
Lease liabilities .....		2.109.032	2.076.354
Pension liability .....		726.968	668.460
Embedded derivatives in electricity sales contracts .....		286.842	0
Hedge contracts .....		0	40.275
Deferred tax liabilities .....		20.778.921	21.042.540
Total non-current liabilities		<u>179.333.070</u>	<u>174.828.434</u>
Accounts payables .....		3.043.605	3.673.238
Loans and borrowings .....		20.291.019	19.805.390
Lease liabilities .....		190.717	190.640
Embedded derivatives in electricity sales contracts .....		793.869	0
Hedge contracts .....		1.210	150.384
Deferred revenue .....	9	2.890.490	596.681
Current tax liability .....		982.090	1.464.093
Other current liabilities .....		4.652.427	3.628.688
Total current liabilities		<u>32.845.428</u>	<u>29.509.114</u>
<b>Total liabilities</b>		<u>212.178.498</u>	<u>204.337.548</u>
<b>Total equity and liabilities</b>		<u>451.820.932</u>	<u>450.387.700</u>

\* Comparative figures have been changed. See note 3.

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# Statement of Changes in Equity

## 1 January to 30 June 2023

	Revaluation reserve	Equity reserve	Develop- ment reserve	Fair value reserve	Translation reserve	Retained earnings	Attributable to equity holders of the Company	Minority interest	Total equity
<b>1.1.- 30.6. 2023</b>									
Equity at 1 January 2023 .....	121.092.491	74.657.104	111.277	5.232.000	11.543.578	33.413.364	246.049.815	337	246.050.152
Translation difference .....					( 2.457.298)		( 2.457.298)		( 2.457.298)
Profit for the period .....						1.549.603	1.549.603	( 17)	1.549.586
Total comprehensive income .....	0	0	0	0	( 2.457.298)	1.549.603	( 907.696)	( 17)	( 907.712)
Depreciation transferred to retained earnings .....	( 2.330.307)					2.330.307	0		0
Share in profit of subsidiaries and associates transferred to equity reserve .....		3.804.945				( 3.804.945)	0		0
Other changes .....								( 6)	( 6)
Transfer to development reserve .....			14.236			( 14.236)	0		0
Dividends paid .....						( 5.500.000)	( 5.500.000)		( 5.500.000)
Equity at 30 June 2023 .....	118.762.185	78.462.049	125.513	5.232.000	9.086.280	27.974.093	239.642.119	314	239.642.434
<b>1.1.-30.6. 2022*</b>									
Equity at 1 January 2022 .....	101.733.552	66.451.877	123.873	5.695.000	6.307.814	33.340.963	213.653.079	0	213.653.079
Translation difference .....					1.554.821		1.554.821		1.554.821
Profit for the period .....						4.910.546	4.910.546	0	4.910.546
Total comprehensive income .....	0	0	0	0	1.554.821	4.910.546	6.465.367	0	6.465.367
Depreciation transferred to retained earnings .....	( 1.952.767)					1.952.767	0		0
Share in profit of subsidiaries and associates transferred to equity reserve .....		4.241.377				( 4.241.377)	0		0
Transfer to development reserve .....			2.001			( 2.001)	0		0
Equity at 30 June 2022 .....	99.780.785	70.693.254	125.874	5.695.000	7.862.635	35.960.897	220.118.445	0	220.118.445

\* Comparative figures have been changed. See note 3.

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# Statement of Cash Flows

## 1 January to 30 June 2023

	<b>2023</b>	<b>2022*</b>
	<b>1.1.-30.6.</b>	<b>1.1.-30.6.</b>
<b>Cash flows from operating activities</b>		
Profit for the period .....	1.549.586	4.910.546
Adjusted for:		
Financial income and expenses .....	8.818.010	4.905.737
Share in P/L of associates .....	170	5.047
Income tax .....	( 416.208)	1.209.708
Depreciation and amortisation .....	7.686.505	6.795.524
Profit from sale of property, plants and equipment .....	( 9.591)	( 17.324)
Pension liability, change .....	58.508	44.600
Working capital from operation before interest and taxes	17.686.980	17.853.838
Inventories, decrease (increase) .....	104.632	( 606.969)
Work in process, increase .....	( 325.039)	0
Current assets, increase .....	( 725.168)	( 175.340)
Current liabilities, increase .....	1.659.169	1.620.361
Cash generated from operations before interests and taxes	18.400.573	18.691.890
Received interest income .....	61.519	20.760
Paid interest expenses .....	( 3.552.800)	( 2.417.923)
Interest on settlement of currency agreements (court case) .....	0	( 2.578.937)
Dividend received .....	191.155	163.856
Payments due to other financial income and expenses .....	222.868	( 1.322.978)
Paid taxes .....	( 553.519)	( 938.964)
Net cash from operating activities	14.769.795	11.617.703
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment .....	( 9.805.444)	( 9.902.825)
Acquisition of intangible assets .....	( 353.756)	( 344.385)
Proceeds from sale of property, plant and equipment .....	69.194	33.477
Change in marketable securities .....	( 61.011)	( 350.823)
Net cash used in investing activities	( 10.151.017)	( 10.564.557)
<b>Cash flows from financing activities</b>		
Proceeds from new borrowings .....	15.291.638	3.602.003
Repayment of borrowings .....	( 13.083.627)	( 7.254.973)
Dividends paid .....	( 5.500.000)	0
Repayment of lease liability .....	( 78.194)	( 50.151)
Net cash used in financing activities	( 3.370.183)	( 3.703.121)
<b>Increase (decrease) in cash and cash equivalents .....</b>	<b>1.248.595</b>	<b>( 2.649.974)</b>
<b>Cash and cash equivalents at year beginning .....</b>	<b>6.650.749</b>	<b>10.319.874</b>
<b>Effect of currency fluctuations on cash and cash equivalents .....</b>	<b>( 62.511)</b>	<b>( 19.480)</b>
<b>Cash and cash equivalents at the end of the Period .....</b>	<b>7.836.833</b>	<b>7.650.420</b>
<b>Investments and financing without payment effects:</b>		
Acquisition of property, plant and equipment .....	( 134.665)	568.420
Current liabilities, change .....	134.665	( 568.420)
<b>Other information</b>		
Working capital from operation** .....	13.911.664	13.564.551

\* Comparative figures have been changed. See note 3.

\*\* Comparative amounts have been changed due to reclassification of fair value changes of hedging contracts.

The notes on pages 12 to 23 are an integral part of these Condensed Consolidated Interim Financial Statements.



# Notes

## 1. Reporting entity

Orkuveita Reykjavíkur "OR" is a partnership that complies with the Icelandic law no. 136/2013 on Orkuveita Reykjavíkur. OR's headquarters are at Bæjarháls 1 in Reykjavík. OR's condensed consolidated interim financial statements include the interim financial statements of the parent company and its subsidiaries, (together referred to as "the Group") and a share in associated companies. The consolidated interim financial statements of Orkuveita Reykjavíkur is a part of the consolidated interim financial statements of Reykjavík city.

The Group provides services through its subsidiaries that operate power plants, distribute electricity, hot water and cold water, operates the sewage systems in its service area as well as a fiber optic system in its service area.

Subsidiaries in the Group	Main operations	Functional currency	Share	
			30.6.2023	31.12.2022
Ljósleiðarinn ehf.	Fiber optics system	ISK	100%	100%
OR Eignir ohf.	Holding company	ISK	100%	100%
Veitur ohf.	Distribution of electricity and hot water	ISK	100%	100%
Orka náttúrunnar ohf.	Sale of electricity	ISK	100%	100%
ON Power ohf.	Sale of electricity	USD	100%	100%
OR- vatns- og fráveita sf.	Cold water and sewage	ISK	100%	100%
Eignarhaldsfélagið Carbfix ohf.	Consulting, researches and innovation	ISK	99,9%	99,9%
Carbfix hf.	Consulting, researches and innovation	EUR	100%	100%
Coda Terminal hf.	Construction of a carbon disposal plant	EUR	100%	100%

## 2. Basis of preparation

### a. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with international Financial Reporting Standard IAS 34 Interim Financial Reporting. They do not include all of the information required for a complete set of consolidated annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2022. Same accounting principles are applied as for the year 2022. The annual financial statements can be found at the company's web site; [www.or.is](http://www.or.is) and at the web site of the Icelandic Stock exchange market; [www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com).

The consolidated interim financial statements were approved by the Board of Directors on 28 August 2023.

### b. Functional and presentation currency

The consolidated interim financial statements are presented in Icelandic kronas, which is OR's functional currency. All financial information has been rounded to the nearest thousand unless otherwise stated.

### c. Basis of measurement

The consolidated interim financial statements have been prepared on the historical cost basis except for a part of property, plant and equipment have been revalued at fair value, derivative agreement, embedded derivatives in electricity sales contracts, assets held for sale and other financial assets and liabilities are stated at fair value. The methods used to measure fair values are discussed further in note 38 with the consolidated financial statements for the year ended 31 December 2022.

### d. Foreign currency

#### i) Trade in foreign currencies

Trade in foreign currencies is reported into each consolidation company at the rate of the business day. Monetary assets and debts in foreign currencies are reported in the rate of the reporting date. Other assets and debts reported at fair value in foreign currency are reported at the rate of the day the fair value was set. Exchange difference due to foreign trade is reported through P/L.

# Notes

## 2. Basis of preparation, contd.

### d. Foreign currency, contd.

#### ii) Subsidiary with other functional currency than the Icelandic krona

Assets and liabilities in the operations of the companies of the group that have USD and EUR as their functional currency are translated into Icelandic kronas at the rate of the reporting date. Income and expenses of these operations is calculated into Icelandic kronas at the average exchange rate of the period. The exchange difference due to this is reported in a special account in the statement of comprehensive income. When operations with another functional currency than the Icelandic krona are sold, partly or in full, the accommodating exchange difference is recognised in P/L.

### d. Use of estimates and judgements

The preparation of the consolidated interim financial statements in conformity 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. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

## 3. Change of comparative figures

In calculation of projecting operating income an error in previous calculations was revealed. The error covers the years 2020-2022. In accordance with IAS 8, comparative figures for 2022 have been adjusted. Adjustments for previous periods are shown as adjustments to equity in comparative figures.

Statement of comprehensive income (condensed)	2022		2022
	1.1.-30.6.	Adjustments	1.1.-30.6. Adjusted
Operating revenue.....	28.604.172 (	79.281)	28.524.891
Results from operating activities.....	11.110.319 (	79.281)	11.031.037
Profit before income tax.....	6.199.535 (	79.281)	6.120.254
Income tax.....	( 1.225.564)	15.856 (	1.209.708)
Profit for the period.....	4.973.971 (	63.425)	4.910.546
Total comprehensive income for the period.....	6.528.791 (	63.425)	6.465.367
Statement of financial position (condensed)	31.12.2022		31.12.2022
	31.12.2022	Adjustments	Adjusted
Trade receivables.....	6.360.401 (	482.408)	5.877.993
Total non-current assets.....	33.397.944 (	482.408)	32.915.536
Total assets.....	450.870.108 (	482.408)	450.387.700
Retained earnings.....	33.799.290 (	385.926)	33.413.364
Total equity.....	246.436.078 (	385.926)	246.050.152
Deferred tax liabilities.....	21.047.364 (	4.824)	21.042.540
Langtímaskuldir samtals.....	174.833.258 (	4.824)	174.828.434
Current tax liability.....	1.490.981 (	26.888)	1.464.093
Other current liabilities.....	3.693.458 (	64.769)	3.628.688
Total current liabilities.....	29.600.771 (	91.657)	29.509.114
Total liabilities.....	204.434.030 (	96.482)	204.337.548
Total equity and liabilities.....	450.870.108 (	482.408)	450.387.700

# Notes

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## 4. Operation and revenue recognition of Group's components

The following provides information about the operation of Group's components. Breakdown of revenue for different operations is given in note 5 and income by segment in note 6.

<b>Products and services</b>	<b>Nature, timing of revenue recognition and payments terms</b>
a. Electricity	ON Power ohf. and Orka náttúrunnar ohf. generate electricity and sell electricity and Utilities distribute electricity according to law no. 65/2003. Revenue from the sale and distribution of electricity is recognised in the income statement according to measured delivery to customer over the period plus a fixed fee. The rate for the distribution of electricity has a revenue cap set by the National Energy Authority in accordance with laws on energy number 65/2003. Upon connection of new users to distribution systems of electricity and upon renewal of connection an initial fee is charged. The initial fee is intended to cover cost of new distribution systems and their renewal. Connection fee is recognised in the income statement upon delivery of the service. Trade receivables from the sale and distribution of electricity generally have a 30 day grace period. Some contracts with certain customers may have different payment arrangements but that is an exception.
b. Hot water	ON Power, Orka náttúrunnar and Utilities generate harness hot water and Utilities distribute harness hot water. Revenue from the sale and distribution of harness hot water is recognised in the income statement according to measured delivery to customer over the period plus a fixed fee. Upon connection of new users to distribution systems of harness hot water or upon renewal of connection an initial fee is charged. The initial fee is intended to cover cost of new distribution systems and their renewal. Connection fee is recognised in the income statement upon delivery of the service. Trade receivables from the sale and distribution of harness hot water generally have a 30 day grace period. Some contracts with certain customers may have different payment arrangements but that is an exception.
c. Cold water	OR - vatns- og fráveita collects and distributes cold water from reservoirs. Revenue from the sale of cold water is based on the size of properties plus a fixed fee which is recorded over the period in the income statement. The legal limitation on the upper limit of the rate is 0,5% of the real estate value. In addition revenue is stated for cold water according to measurement from specific industries. Upon connection of new users to distribution systems of cold water and upon renewal of connection an initial fee is charged. The initial fee is intended to cover cost of new distribution systems and their renewal. Connection fee is recognised in the income statement upon delivery of the service. Trade receivables from the sale of cold water generally have a 30 day grace period. Some contracts with certain customers may have different payment arrangements but that is an exception. Billing for cold water and sewage is done in the first 9 months of the year but income is distributed evenly over the year.



# Notes

## 4. Operation and revenue recognition of Group's components, contd.

Products and services	Nature, timing of revenue recognition and payments terms
d. Sewer system	OR - vatns- og fráveita runs the sewer system. Revenue is based on the size of properties plus a fixed fee which is recorded over the period in the income statement. The legal limitation on the upper limit of the rate is 0,5% of the real estate rateable value. Upon connection of new users to sewage system and upon renewal of connection an initial fee is charged. The initial fee is intended to cover cost of new sewer systems and their renewal. Connection fee is recognised in the income statement upon delivery of the service. Trade receivables from the sewer system generally have a 30 day grace period. Some contracts with certain customers may have different payment arrangements but that is an exception. Billing for cold water and sewage is done in the first 9 months of the year but income is distributed evenly over the year.
e. Other revenues	Ljósleiðarinn operates fiber optics data system. Revenue from fiber optics data system is recognised in the income statement upon delivery of the goods and service. This is a competitive practice that is supervised by The Electronic Communications Office of Iceland. Orkuveita Reykjavíkur the parent company operates rental of housing and equipment, incidental sale of specialist consultancy services and more. The income of the Carbfix companies is due to consulting, construction and operation of disposal sites. Rental income is recorded as income in the income statement linearly over the lease term and other revenue is recognised upon delivery of goods or services. Trade receivables from other revenues generally have a 30 day grace period.

## 5. Revenues from sales of goods and services

The Group's income from sales of goods and services is specified as follows:

	2023	2022
	1.1.-30.6.	1.1.-30.6.
Electricity.....	12.131.509	12.394.221
Hot water.....	9.265.098	8.144.636
Cold water.....	1.824.171	1.784.717
Sewer system.....	3.293.635	3.212.362
Other revenues.....	3.394.928	2.988.954
Revenues from sales of goods and services total.....	29.909.341	28.524.891

# Notes

## 6. Segment reporting

Segment information is presented by the Group's internal reporting. Business segments presented are Utilities, that represent licensed operations in hot and cold water, distribution of electricity and sewage, Energy sale and production, representing the competitive operations in producing and sale of electricity and hot water and Other Operation, that represents the activities of the parent company, the fiber optic operations and The Carbfix companies. The parent company's main activities is providing service to subsidiaries, rental of housing and equipment, incidental sale of specialist consultancy services and more. Reykjavik fiber network represents the fiber optic operations and The Carbfix companies are working on development and distribution the of the Carbfix carbon storage method, with the aim of reducing greenhouse gas emissions and combating climate change. Segment reporting is conducted by using the same accounting principle as the group uses and is described in note 38 with the consolidated financial statements for the year ended 31 December 2022.

### Business segments - divisions

1.1.- 30.6. 2023	Utilities	Energy sale and production	Other Operation	Adjustments	IFRS 16*	Total
External revenue .....	19.074.764	8.599.387	2.244.781	0		29.918.932
Inter-segment revenue .....	2.449.986	3.792.557	5.621.553	( 11.864.096)	(	0)
Total segment revenue .....	21.524.750	12.391.944	7.866.334	( 11.864.096)		29.918.932
Segment operation expenses .....	( 11.696.608)	( 5.883.460)	( 6.651.291)	11.819.883	130.607	( 12.280.869)
Segment profit EBITDA .....	9.828.142	6.508.484	1.215.043	( 44.214)	130.607	17.638.063
Depreciation and amortisation .....	( 3.481.187)	( 2.857.320)	( 1.300.195)	30.735	( 78.537)	( 7.686.505)
Segment results, EBIT .....	6.346.955	3.651.164	( 85.152)	( 13.478)	52.070	9.951.558
Financial income and expenses .....	( 4.509.132)	( 727.716)	( 923.032)	( 2.625.358)	( 32.772)	( 8.818.010)
Share in loss of associated companies .....	0	0	( 170)	0	(	170)
Income tax .....	( 242.836)	( 588.777)	318.327	936.751	( 7.256)	416.208
Profit (loss) for the period .....	1.594.986	2.334.670	( 690.027)	( 1.702.085)	12.042	1.549.586
<b>1.1.- 30.6. 2022</b>						
External revenue .....	17.144.277	9.485.635	1.912.302	0		28.542.215
Inter-segment revenue .....	2.217.945	2.983.449	4.576.419	( 9.777.813)		0
Total segment revenue .....	19.362.223	12.469.084	6.488.721	( 9.777.813)		28.542.215
Segment operation expenses .....	( 9.733.483)	( 5.497.167)	( 5.339.626)	9.738.574	116.048	( 10.715.653)
Segment profit EBITDA .....	9.628.740	6.971.917	1.149.095	( 39.239)	116.048	17.826.562
Depreciation and amortisation .....	( 3.088.351)	( 2.541.334)	( 1.126.545)	27.217	( 66.511)	( 6.795.524)
Segment results, EBIT .....	6.540.389	4.430.584	22.550	( 12.022)	49.537	11.031.037
Financial income and expenses .....	( 4.482.260)	( 1.325.813)	1.367.431	( 434.401)	( 30.695)	( 4.905.737)
Share in loss of associated companies .....	0	0	( 5.047)	0	(	5.047)
Income tax .....	( 243.495)	( 608.604)	( 519.000)	168.476	( 7.085)	( 1.209.708)
Profit for the period .....	1.814.634	2.496.168	865.934	( 277.947)	11.757	4.910.546

\* Segment reporting as used by management does not take into account the guidance of IFRS 16.

# Notes

## 6. Segment reporting, contd.

### Business segments - divisions, contd.

	Utilities	Energy sale and production	Other Operation	Adjust- ments	IFRS 16*	Total
<b>Balance sheet (30.6.2023)</b>						
Property, plant and equipment and intangible assets .....	215.143.719	144.708.002	48.808.429 (	261.239)		408.398.911
Right-of-use assets .....					2.233.005	2.233.005
Other assets .....	24.716.299	10.733.575	200.158.110 (	194.418.968)		41.189.016
						<u>451.820.932</u>
Loans and borrowings .....	78.406.801	57.035.393	176.622.326 (	136.342.194)		175.722.326
Lease liabilities .....					2.299.749	2.299.749
Other liabilities .....	18.929.885	11.687.556	60.964.050 (	57.425.068)		34.156.423
						<u>212.178.498</u>
<b>Investments (1.1.-30.6.2023)</b>						
Property, plant and equipment and intangible assets .....	5.816.218	1.655.219	3.807.373 (	984.944)		10.293.865
<b>Balance sheet (31.12.2022)</b>						
Property, plant and equipment and intangible assets .....	212.808.689	149.985.284	47.073.723	0		409.867.696
Right-of-use assets .....					2.180.951	2.180.951
Other assets .....	22.699.185	11.637.831	189.044.494 (	185.042.458)		38.339.053
						<u>450.387.700</u>
Loans and borrowings .....	75.471.782	59.629.752	170.806.194 (	135.101.533)		170.806.194
Lease liabilities .....					2.266.994	2.266.994
Other liabilities .....	16.837.580	11.334.039	53.926.153 (	50.833.411)		31.264.360
						<u>204.337.548</u>
<b>Investments (1.1.-30.6.2022)</b>						
Property, plant and equipment and intangible assets .....	5.159.398	1.641.540	2.877.805	0		9.678.744

\* Segment reporting as used by management does not take into account the guidance of IFRS 16.



# Notes

## 7. Salaries and salary related expenses

	<b>2023</b>	<b>2022</b>
	<b>1.1.-30.6.</b>	<b>1.1.-30.6.</b>
Salaries and salary related expenses are specified as follows:		
Salaries .....	4.693.656	3.860.962
Defined contribution pension expenses .....	584.009	497.370
Defined benefit pension expenses, changes .....	79.464	61.362
Other salary related expenses .....	391.428	333.364
Total salaries and salary related expenses .....	<u>5.748.556</u>	<u>4.753.058</u>
Salaries and salary related expenses are stated in the interim financial statements as follows:		
Expensed in the income statement .....	5.138.011	4.111.589
Capitalised on projects .....	610.546	641.469
Total salaries and salary related expenses .....	<u>5.748.556</u>	<u>4.753.058</u>
Number of employees:		
Number of annual working units .....	616,9	572,7
Management's salaries and benefits for the parent company and subsidiaries are specified as follows:		
Salaries to the Board of Directors of the Parent Company .....	12.771	10.811
Salaries of the CEO of the Parent Company .....	20.017	18.232
Salaries of Managing Directors of the Parent Company* .....	54.451	53.664
Salaries to the Board of Directors of subsidiaries** .....	9.863	6.974
Salaries of Managing Directors of subsidiaries .....	79.799	67.935
Termination expenses .....	66.587	33.899
	<u>243.487</u>	<u>191.515</u>

\* For the first two months of 2023 there were four Managing Directors, from 1 March 2023 there were three.

\*\* Four board of Directors from 1.1.-30.6.2022 but five in the period 1.1.-30.6.2023.

## 8. Financial income and expenses

	<b>2023</b>	<b>2022</b>
	<b>1.1.-30.6.</b>	<b>1.1.-30.6.</b>
Financial income and expenses are specified as follows:		
Interest income .....	196.347	67.175
Interest expense and paid indexation .....	( 3.261.988)	( 2.153.682)
Indexation .....	( 4.735.284)	( 4.161.567)
Guarantee fee to owners 1) .....	( 231.851)	( 246.671)
Total interest expenses .....	<u>( 8.229.123)</u>	<u>( 6.561.920)</u>
Fair value changes of embedded derivatives in electricity sales contracts .....	( 2.639.820)	( 448.074)
Fair value changes of financial assets and financial liabilities through P/L .....	282.338	( 543.446)
Fair value changes of hedge contracts .....	694.614	1.777.499
Hedge contracts .....	219.968	( 1.315.763)
Foreign exchange difference .....	412.842	1.908.719
Dividends .....	244.825	210.072
Total of other income (expenses) on financial assets and liabilities .....	<u>( 785.234)</u>	<u>1.589.007</u>
Total financial income and expenses .....	<u>( 8.818.010)</u>	<u>( 4.905.737)</u>

# Notes

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## 8. Financial income and expenses, contd.

1) The Group paid a guarantee fee to the owners of the company for guarantees they have made on the Groups loans and borrowings according to a decision made on the annual meeting of Orkuveita Reykjavíkur in 2005. The fee on yearly basis for its licensed operations is 0,81% (2022: 0,82%) and 0,65% (2022: 0,63%) regarding loans due for operations in the open market. The guarantee fee is calculated on total loans quarterly. The guarantee fee amounted to ISK 232 million in the period 1 January to 30 June 2023 (1.1.-30.6.2022: ISK 247 million) and is accounted for among interest expenses.

### **Fair value changes through P/L**

Generally accepted valuation methods are used to determine the fair value of certain financial assets and financial liabilities, further discussed in note 38 with the financial statements of the Group for the year 2022. Change in fair value that is recognized in the income statement amounts to ISK 1.663 million expense in the period 1 January to 30 June 2023 (1.1.-30.6.2022: income ISK 786 million). Fair value changes on financial assets and liabilities defined at level 3 amounts to ISK 2.640 million expense in the period 1 January to 30 June 2023 (1.1.-30.6.2022: expense ISK 448 million).

## 9. Receivables and deferred revenue

The balance of trade receivables and deferred revenue changes considerably between periods since income is collected evenly but actual usage fluctuates significantly between periods. Also, billing for cold water and sewage is done in the first nine months of the year but income disbursed evenly over the year. Recognition of income is subject to usage and deliverance of the service in accordance with accounting standards.

# Notes

## 10. Fair value

### Comparison of fair value versus carrying amounts

The carrying amounts of financial assets and financial liabilities is equal to their fair value with the exception that interest bearing loans are stated at amortised cost. The fair values of interest bearing liabilities, together with the carrying amounts are specified as follows:

	30.6.2023		31.12.2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest-bearing liabilities .....	175.722.326	185.602.926	170.806.194	177.796.952

The fair value of interest bearing liabilities is calculated based on present value of future principal and interest cash flows, discounted at the interest rate plus appropriate interest rate risk premium at the reporting date. The fair value of interest bearing liabilities is defined at Level 2.

### Interest rates used for determining fair value

Where applicable, the interest yield curve at the reporting date is used in discounting estimated cash flow. The interests are specified as follows:

	30.6.2023	31.12.2022
Embedded derivatives in electr. sales contr. ....	11,08% to 13,00%	11,11% to 12,44%
Hedge contracts .....	-1,26% to 5,9%	4,3% to 5,4%
Interest bearing loans .....	0,49% to 14,04%	0,49% to 12,72%

Sensitivity analysis on effect of change in interest rates, currency and price of aluminium are shown in note 27 in the financial statements of the Group for the year 2022. It is recommended to take into consideration this note while reading the interim financial statements for the current period since change in these presumptions can have considerable effect on certain amounts in the interim financial statements.

### Fair value hierarchy

The table below analysis financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). Valuation of shares in other companies is prepared by specialists within the company and other specialists and based on the results and official data on future earnings and investments in underlying assets.

30.6.2023	Level 1	Level 2	Level 3	Total
Shares in companies .....	0	0	5.687.680	5.687.680
Embedded derivatives in sales contracts .....	0	0	( 1.080.711)	( 1.080.711)
Hedge contracts .....	0	929.484	0	929.484
Marketable securities .....	11.413.954	0	0	11.413.954
	11.413.954	929.484	4.606.969	16.950.407

### 31.12.2022

Shares in companies .....	0	0	5.687.680	5.687.680
Embedded derivatives in sales contracts .....	0	0	1.559.109	1.559.109
Hedge contracts .....	0	234.870	0	234.870
Marketable securities .....	11.070.605	0	0	11.070.605
	11.070.605	234.870	7.246.789	18.552.264



# Notes

## 11. Related parties

### Definition of related parties

Reykjavik city, institutions and companies ruled by the city, associated companies, Board members, Directors and key management are considered as the Group's related parties. Spouses of the before mentioned and financially dependent children are also considered as related parties as well as companies owned by or directed by those in question.

### Transactions with related parties

The parties mentioned here above have had transactions with the Group within the period.

The following gives an overview of the transactions with related parties during the period 1 January to 30 June 2023 as well as a statement of receivables and payables at the end of the period. Transactions and positions with subsidiaries are eliminated in the interim financial statement, therefore that information is not provided. This information does not include sale of conventional household supplies to the related parties.

	<b>2023</b>	<b>2022</b>
	<b>1.1.-30.6.</b>	<b>1.1.-30.6.</b>
Sale to related parties:		
Reykjavik City.....	1.031.950	1.119.285
Institutions and companies controlled by Reykjavik City.....	401.485	383.247
	<u>1.433.435</u>	<u>1.502.532</u>
Purchases from related parties:		
Reykjavik City.....	38.317	30.921
Institutions and companies controlled by Reykjavik City.....	31.431	21.679
Associates.....	53.952	49.067
Board members and key managers.....	37.977	35.381
	<u>161.677</u>	<u>137.048</u>
	<b>30.6.2023</b>	<b>31.12.2022</b>
Receivables for related parties:		
Reykjavik City.....	94.296	464.740
Institutions and companies controlled by Reykjavik City.....	57.682	38.505
	<u>151.978</u>	<u>503.245</u>
Payables for related parties:		
Reykjavik City.....	131.499	238.416
Institutions and companies controlled by Reykjavik City.....	816	975
	<u>132.315</u>	<u>239.391</u>
	<b>2023</b>	<b>2022</b>
	<b>1.1.-30.6.</b>	<b>1.1.-30.6.</b>
Guarantee fee paid to owners of the company:		
Reykjavik City .....	215.805	229.534
Akranes town .....	14.906	15.855
Borgarbyggð, municipality .....	1.140	1.283
	<u>231.851</u>	<u>246.671</u>

### Guarantee fee to owners

OR paid a guarantee fee to Reykjavik City and other owners of the company for guarantees they have granted on the Groups loans and borrowings. For further information regarding amounts and the guarantee fee, see note 8.

# Notes

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## 12. Other matters

### **Purchase of Sýn's core network**

On December 2, 2022, a purchase agreement was signed between Ljósleiðarinn ehf. and Sýn hf. for ISK 3 billion for Sýn's core network, and a 12-year service agreement between the two companies. Funding has been completed but the purchase agreement has to be approved by the Competition Authority since the purchase is considered to be a merger within the Competition Act no. 44/2005 which must be reported to the Competition Authority. The investigation by the Competition Authority is in phase 2 and the deadline for the investigation expires on 31 August 2023, therefore results should be clear by the third quarter of 2023.

### **Electricity contract with Norðurál referred to international arbitration**

In 2022, a formal process was initiated by OR, where a dispute over the terms of the electricity sales agreement with Norðurál, which ON Power is responsible for implementing, was referred to international arbitration. The case pertains to OR's demand for a review of contracts, where the balance between the interests of the contracting parties has been disturbed due to events and assumptions over which OR has no control. In this phase of the case, will result of the arbitration only refer to whether the balance between the contracting parties has been disturbed due to unforeseeable incidents, resulting in a discussion of changes in contracts, but not to take a position on possible amounts.

### **Sale of shares in Landsnet**

Over the past months, plans have been in place to sell OR's shares in Landsnet, as the Electricity Act stipulates that the transmission company must be directly owned by the Icelandic state and/or municipalities. At the end of 2020, OR's board agreed that a declaration of intent regarding a change in Landsnet's ownership would be signed, and to begin negotiations regarding the sale of the shares. As a result, negotiations began with representatives of the Ministry of Finance on the matter. At the end of 2022, the ministry negotiated with state-owned companies to purchase their shares in Landsnet, but the ministry wanted to finalise those agreements before its purchase of OR's share was completed. The book value of the shares in Landsnet is estimated at ISK 5,6 billion on 30.6.2023 and is included among current assets, for further details see note 16 with the financial statements of the Group for the year 2022. The aim is to complete the sale of OR's share in 2023.

### **Repair at headquarters**

At the end of August 2015, severe water damage occurred at the company's headquarters on Bæjarháls 1. From the beginning, the actions of OR's management has been aimed at creating adequate working conditions for employees. Experts have been consulted in all main decisions. Attempts have also been made to find the most sensible ways to remedy and investigate what caused the damage. In 2017, the building was closed and operations relocated. It was decided to go into a detailed options analysis and look at the possibilities that were in the situation. The result was to remove the defective walls of the house, repair it and rebuild the walls. Orkuveita Reykjavíkur entered into a construction contract with Ístak for the renovation of the building. The construction began in May 2021 and are finished. A thorough cleaning of the house is now underway to ensure that the remnants of old damp damage are removed before work begins on the redecoration. The project for the reconstruction of the exterior walls was approved by the board of Directors on 16 December 2019. The premise of the approval was the project's cost estimate, which was ISK 2.050 million. (nominal price approved in December 2019). So far the total cost of the project is about ISK 2.023 million. Included in the cost are all construction, design, supervision, construction management, project management, construction outside of the construction contract with Ístak, transfer of control centers, compensation to contractors and consultants and other things that apply to the project. Preparations for the necessary interior renovations in Vesturhús have begun, and the aim is for the tendering process for construction to begin in August 2023 and the construction to begin in the fall of 2023. Preparation on construction has begun in a space that contains a vault and the aim is to start construction in the autumn of 2023.

# Notes

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## 12. Other matters, contd.

### **Water damage at OR - vatns- og fráveita**

A water main was ruptured on 21 January 2021 during Orkuveita Reykavíkur - Vatns- og fráveita's repair by Suðurgata in Reykjavík. The rupture resulted in a great flood of water streaming into the buildings of the University of Iceland. The University of Iceland (HÍ) requested court-appointed assessors to assess the extent of the damage and they submitted an assessment report in January 2022. In that assessment, the cost of renovations was estimated at a total of ISK 123,6 million. The HÍ submitted a request to the District Court of Reykjavík on March 4th 2022 requesting reassessment by court-appointed assessors. With a letter dated May 16th, 2022, HÍ filed a claim for damages against OR - Vatns- og fráveita ehf., VÍS and other parties for joint responsibility for the payment of almost ISK 224 million plus interest and late interest. The claim was rejected by a joint letter from VÍS and Veitur ehf., dated May 27th, 2022. OR - Vatns- og fráveita has a free liability insurance that covers liability that falls on the company. The terms of that insurance prescribe about ISK 5 million deductible and 50% of the amount of damage thereafter. The ceiling of the insurance is ISK 300 million.

### **Claim for overpaid electricity regulatory fee**

On the basis of the fact that there was no valid legal authority for the collection of the electricity control fee, which is a tax, collected on the basis of Act no. 146/1996. Veitur ehf., Orka náttúrunnar ehf. and On Power ehf. have demanded reimbursement of the Housing and Infrastructure Agency for the overpaid fees, in total amounting to ISK 280 million. With the judgment of the National Court from March 25, 2022 in the case 744/2020, the collection of the fee was ruled illegal and therefore a refund is expected. The claim has not been entered in the company's interim financial statements on 30.06.2023.

### **Litigation and claims**

Siminn hf. filed a lawsuit against Post and Electronic Communications office of Iceland (ECOI), Ljósleiðarinn ehf., Sýn hf. and Mila ehf. due to ECOI 's decision from July 3, 2018 regarding the offense of Siminn. The ruling of the District Court was announced on July 1st, 2020, where the ECOI decision was upheld, although with some changes in the criteria. The case was appealed to the National Court by Siminn hf., ECOI and Sýn hf. which confirmed the material result of the ECOI. Siminn requested a leave to appeal with the Supreme Court which was approved by the Supreme Court and the proceedings began on May 3, 2023. The Supreme Court referred the case back to the District Court and ruled out previous ruling. The result is not available at the time of publication of the interim financial statements.

No entries have been made due to this claim in the Group's interim financial statements 30.6.2023.