



Condensed Consolidated Interim Financial Statements
1 January to 31 March 2023

Orkuveita Reykjavíkur Group

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

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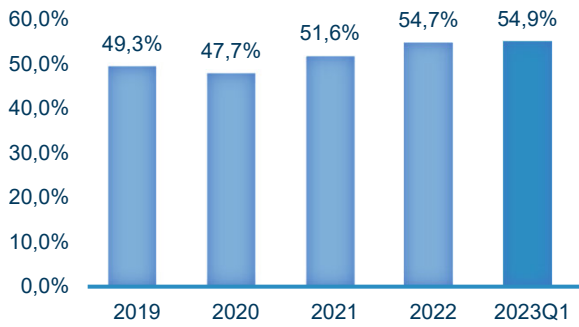
These Interim Financial statements are translated from the Icelandic original. Should there be discrepancies between the two versions, the Icelandic version will take priority.

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

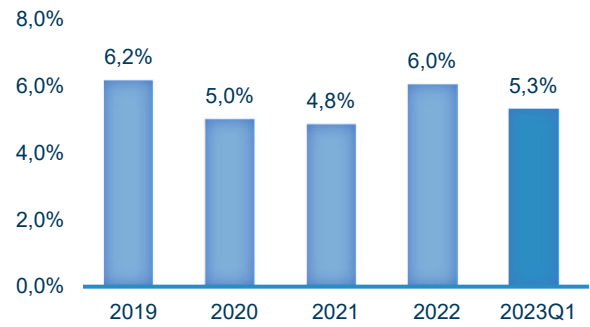


Financial ratios

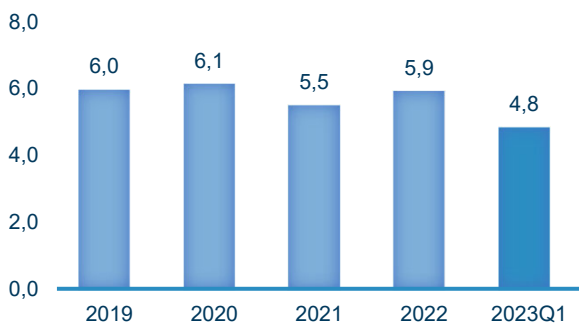
Equity ratio



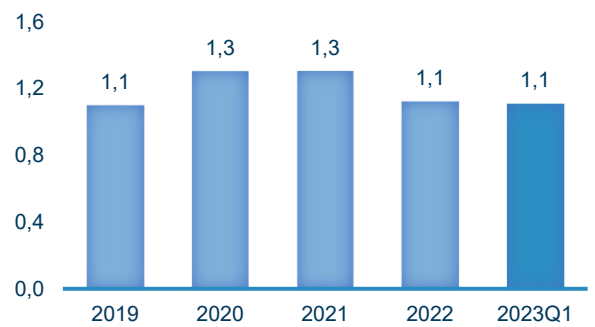
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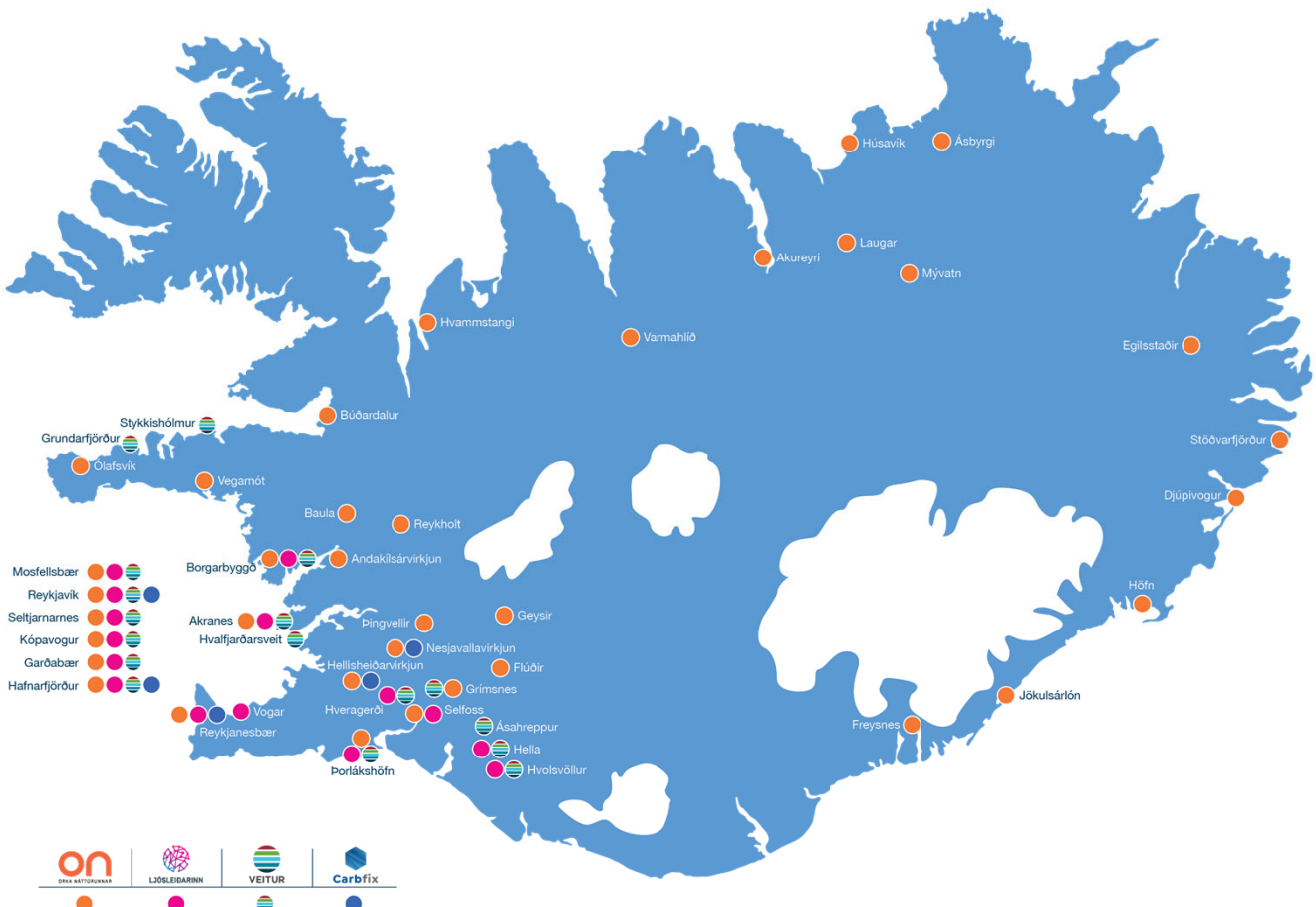
Net debt / Net cash from operation activities



Current ratio without aluminum derivative



Services



Operating summary

Operating year	2023	2022	2021	2020	2019
	1.1.-31.3.	1.1.-31.3.	1.1.-31.3.	1.1.-31.3.	1.1.-31.3.
<i>Amounts are at each years price level in ISK millions</i>					
Revenues	16.174	15.664	13.749	13.265	12.643
Expenses	(6.390)	(5.369)	(4.495)	(4.718)	(4.717)
thereof energy purchase and distribution	(2.289)	(1.847)	(1.684)	(1.560)	(1.495)
EBITDA	9.784	10.295	9.253	8.547	7.926
Depreciation	(3.829)	(3.302)	(3.336)	(3.080)	(2.829)
EBIT	5.955	6.993	5.917	5.466	5.097
Cash flow statement:					
Received interest income	31	8	7	102	165
Paid interest expense	(1.465)	(1.039)	(976)	(1.061)	(940)
Net cash from operating activities	7.843	3.741	7.653	6.076	6.888
Working capital from operation	7.893	7.962	6.990	5.975	5.542
Liquid funds					
Deposits and marketable securities	12.112	15.046	12.839	12.272	3.802
Cash and cash equivalents	4.876	7.322	14.967	10.796	4.610
Undrawn credit lines	9.100	7.570	13.133	9.300	11.000
Liquid funds total	26.088	29.938	40.939	32.368	19.412

Endorsement by the Board of Directors and the CEO

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 31 March 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. The interim financial statements have not been reviewed by the independent auditor of the company.

Profit of operations of the Group for the period 1 January to 31 March 2023 was ISK 2.345 million (1.1.-31.3.2022: Profit ISK 6.782 million). Comprehensive income for the period 1 January to 31 March 2023 was negative ISK 383 million (1.1.-31.3.2022: positive ISK 5.689 million). According to the statement of financial position the Group's assets were ISK 448.364 million at the end of the period (31.12.2022: ISK 450.870 million). Book value of equity at the end of the period was ISK 246.053 million (31.12.2022: ISK 246.436 million), resulting in equity ratio of 54,9% (31.12.2022: 54,7%).

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 31 March 2023 and the Group's operating return and changes in cash and cash equivalents in the period 1 January to 31 March 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 31 March 2023.

Reykjavík, 22 May 2023.

The Board of Directors:

Gylfi Magnússon
Vala Valtýsdóttir
Skúli Helgason
Ragnhildur Alda Vilhjálmisdóttir
Þórður Gunnarsson
Valgarður Lyngdal Jónsson

CEO:

Sævar Freyr Þráinsson

Income Statement

1 January to 31 March 2023

	Notes	2023 1.1.-31.3.	2022 1.1.-31.3.
Operating revenue	4	16.171.384	15.655.640
Profit from sale of assets		2.649	8.304
Operating revenues, total		16.174.033	15.663.944
Energy purchase and distribution .....	(	2.289.285)	(1.846.996)
Salaries and salary related expenses .....	(	2.318.424)	(1.992.325)
Other operating expenses .....	(	1.782.332)	(1.529.369)
Operating expenses, total	(	6.390.040)	(5.368.689)
EBITDA		9.783.993	10.295.255
Depreciation and amortisation .....	(	3.828.778)	(3.302.022)
Results from operating activities, EBIT		5.955.215	6.993.233
Interest income		84.562	45.110
Interest expenses .....	(	4.301.219)	(2.924.132)
Other income on financial assets and liabilities		1.378.632	6.683.185
Total financial income and expenses	6	(2.838.026)	3.804.163
Share in profit of associated companies		6.650	0
Profit before income tax		3.123.840	10.797.396
Income tax .....	(	778.976)	(4.015.572)
Profit for the period		2.344.864	6.781.824
Attributable to:			
Equity holders of the Company		2.344.839	6.781.824
Minority interest in subsidiaries		25	0
Profit for the period		2.344.864	6.781.824

The notes on pages 11 to 20 are an integral part of these Condensed Consolidated Interim Financial Statements.

Statement of Comprehensive Income

1 January to 31 March 2023

	2023	2022
	1.1.-31.3.	1.1.-31.3.
Profit for the period	<u>2.344.864</u>	<u>6.781.824</u>
Other comprehensive income		
Items moved to equity that could be moved later to the income statement		
Translation difference	(2.727.621)	(1.092.388)
Other comprehensive income, after taxes	(2.727.621)	(1.092.388)
Total comprehensive income for the period	<u>(382.757)</u>	<u>5.689.436</u>

The notes on pages 11 to 20 are an integral part of these Condensed Consolidated Interim Financial Statements.

Statement of Financial Position

31 March 2023

	Notes	31.3.2023	31.12.2022
Assets			
Property, plant and equipment		402.985.490	406.760.917
Intangible assets		2.962.963	3.106.779
Right-of-use assets		2.200.444	2.180.951
Investments in associated companies		87.914	81.264
Investments in other companies		55.680	55.680
Embedded derivatives in electricity sales contracts		1.905.189	1.448.798
Hedge contracts		78.285	78.545
Deferred tax assets		3.465.083	3.759.231
Total non-current assets		<u>413.741.048</u>	<u>417.472.164</u>
Inventories		1.802.711	1.881.036
Work in progress		630.819	416.817
Trade receivables	7	7.790.005	6.360.401
Embedded derivatives in electricity sales contracts		235.774	110.312
Investments in other companies	10	5.632.000	5.632.000
Hedge contracts		234.645	346.984
Other receivables		899.468	692.873
Prepaid expenses		409.423	236.167
Marketable securities		12.112.322	11.070.605
Cash and cash equivalents		4.875.805	6.650.749
Total current assets		<u>34.622.972</u>	<u>33.397.944</u>
Total assets		<u><u>448.364.020</u></u>	<u><u>450.870.108</u></u>
Equity			
Revaluation reserve		120.022.097	121.092.491
Equity reserve		76.553.013	74.657.104
Development reserve		86.000	111.277
Fair value reserve		5.232.000	5.232.000
Translation reserve		8.815.957	11.543.578
Retained earnings		35.343.892	33.799.290
Equity attributable to equity holders of the Company		<u>246.052.959</u>	<u>246.435.741</u>
Minority interest		355	337
Total equity		<u>246.053.313</u>	<u>246.436.078</u>
Liabilities			
Loans and borrowings		147.731.507	151.000.804
Lease liabilities		2.054.751	2.076.354
Pension liability		679.711	668.460
Hedge contracts		52.051	40.275
Deferred tax liabilities		20.759.959	21.047.364
Total non-current liabilities		<u>171.277.977</u>	<u>174.833.258</u>
Accounts payables		3.468.908	3.673.238
Loans and borrowings		19.658.869	19.805.390
Lease liabilities		193.805	190.640
Hedge contracts		127.301	150.384
Deferred revenue	7	967.746	596.681
Current tax liability		611.173	1.490.981
Other current liabilities		6.004.927	3.693.458
Total current liabilities		<u>31.032.730</u>	<u>29.600.771</u>
Total liabilities		<u>202.310.707</u>	<u>204.434.030</u>
Total equity and liabilities		<u><u>448.364.020</u></u>	<u><u>450.870.108</u></u>

The notes on pages 11 to 20 are an integral part of these Condensed Consolidated Interim Financial Statements.

Statement of Changes in Equity

1 January to 31 March 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
1.1.- 31.3. 2023									
Equity at 1 January 2023	121.092.491	74.657.104	111.277	5.232.000	11.543.578	33.799.290	246.435.741	337	246.436.078
Translation difference					(2.727.621)		(2.727.621)		(2.727.621)
Profit for the period						2.344.839	2.344.839	25	2.344.864
Total comprehensive income	0	0	0	0	(2.727.621)	2.344.839	(382.782)	25	(382.757)
Depreciation transferred to retained earnings	(1.070.394)					1.070.394	0		0
Share in profit of subsidiaries and associates transferred to equity reserve		1.895.909				(1.895.909)	0		0
Other changes								(7)	(7)
Transfer to development reserve			(25.278)			25.278	0		0
Equity at 31 March 2023	120.022.097	76.553.013	86.000	5.232.000	8.815.957	35.343.892	246.052.959	355	246.053.314
1.1.- 31.3. 2022									
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					(1.092.388)		(1.092.388)		(1.092.388)
Profit for the period						6.781.824	6.781.824	0	6.781.824
Total comprehensive income	0	0	0	0	(1.092.388)	6.781.824	5.689.436	0	5.689.436
Depreciation transferred to retained earnings	(976.573)					976.573	0		0
Share in profit of subsidiaries and associates transferred to equity reserve		144.823				(144.823)	0		0
Transfer to development reserve			107.868			(107.868)	0		0
Equity at 31 March 2022	100.756.980	66.596.700	231.741	5.695.000	5.215.426	40.846.668	219.342.515	0	219.342.515

The notes on pages 11 to 20 are an integral part of these Condensed Consolidated Interim Financial Statements.

Statement of Cash Flows

1 January to 31 March 2023

	2023 1.1.-31.3.	2022 1.1.-31.3.
Cash flows from operating activities		
Profit for the period	2.344.864	6.781.824
Adjusted for:		
Financial income and expenses	2.838.026	(3.804.163)
Share in P/L of associates	(6.651)	0
Income tax	778.976	4.015.572
Depreciation and amortisation	3.828.778	3.302.022
Profit from sale of property, plants and equipment	(2.649)	(8.304)
Pension liability, change	11.250	34.697
Working capital from operation before interest and taxes	9.792.595	10.321.647
Inventories, decrease (increase)	78.325	(222.034)
Work in process, increase	(230.167)	0
Current assets, increase	(1.757.802)	(2.214.617)
Current liabilities, increase	1.557.772	1.212.665
Cash generated from operations before interests and taxes	9.440.722	9.097.661
Received interest income	31.294	7.773
Paid interest expenses	(1.464.932)	(1.038.762)
Interest on settlement of currency agreements (court case)	0	(2.578.937)
Dividend received	190.285	163.856
Payments due to other financial income and expenses	63.524	(1.497.605)
Paid taxes	(417.715)	(412.555)
Net cash from operating activities	7.843.179	3.741.431
Cash flows from investing activities		
Acquisition of property, plant and equipment	(4.673.710)	(4.412.792)
Acquisition of intangible assets	(144.831)	(239.603)
Proceeds from sale of property, plant and equipment	41.203	13.116
Change in marketable securities	(857.842)	(498.089)
Net cash used in investing activities	(5.635.180)	(5.137.368)
Cash flows from financing activities		
Proceeds from new borrowings	0	1.555.584
Repayment of borrowings	(3.828.766)	(3.059.721)
Repayment of lease liability	(46.075)	(26.686)
Net cash used in financing activities	(3.874.841)	(1.530.823)
Decrease in cash and cash equivalents	(1.666.843)	(2.926.760)
Cash and cash equivalents at year beginning	6.650.749	10.319.874
Effect of currency fluctuations on cash and cash equivalents	(108.101)	(71.297)
Cash and cash equivalents at the end of the Period	4.875.805	7.321.817
Investments and financing without payment effects:		
Acquisition of property, plant and equipment	441.360	745.854
Current liabilities, change	(441.360)	(745.854)
Other information:		
Working capital from operation*	7.892.774	7.961.616

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

The notes on pages 11 to 20 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 Reykjavik. 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 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	Share	
		31.3.2023	31.12.2022
Ljósleiðarinn ehf.	Fiber optics system	100%	100%
OR Eignir ohf.	Holding company	100%	100%
Veitur ohf.	Distribution of electricity and hot water	100%	100%
Orka náttúrunnar ohf.	Sale of electricity	100%	100%
ON Power ohf.	Sale of electricity	100%	100%
OR- vatns- og fráveita sf.	Cold water and sewage	100%	100%
Eignarhaldsfélagið Carbfix ohf.	Consulting, researches and innovation	99,9%	99,9%
Carbfix hf.	Consulting, researches and innovation	100%	100%
Coda Terminal hf.	Construction of a carbon disposal plant	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 and at the web site of the Icelandic Stock exchange market; www.nasdaqomxnordic.com.

The consolidated interim financial statements were approved by the Board of Directors on 22 May 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. 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 4 and income by segment in note 5.

Products and services	Nature, timing of revenue recognition and payments terms
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.

Notes

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

Products and services	Nature, timing of revenue recognition and payments terms
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.
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.

4. 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.-31.3.	1.1.-31.3.
Electricity.....	6.144.763	6.598.558
Hot water.....	5.834.814	5.055.732
Cold water.....	915.238	898.073
Sewer system.....	1.656.758	1.627.958
Other revenues.....	1.619.811	1.475.319
Revenues from sales of goods and services total.....	16.171.384	15.655.640

Notes

5. 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 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.- 31.3. 2023	Utilities	Energy sale and production	Other Operation	Adjustments	IFRS 16*	Total
External revenue	10.261.627	4.838.397	1.074.009	0		16.174.033
Inter-segment revenue	1.069.543	1.997.809	2.389.595 (	5.456.948)		0
Total segment revenue	11.331.170	6.836.206	3.463.604 (	5.456.948)		16.174.033
Segment operation expenses	(5.829.082)	(3.277.374)	(2.807.749)	5.431.339	92.827 (	6.390.040)
Segment profit EBITDA	5.502.088	3.558.833	655.855 (	25.609)	92.827	9.783.993
Depreciation and amortisation	(1.737.117)	(1.431.767)	(636.343)	15.355 (	38.906)	(3.828.778)
Segment results, EBIT	3.764.970	2.127.066	19.512 (	10.254)	53.921	5.955.215
Financial income and expenses	(2.509.714)	(957.340)	55.893	589.126 (	15.991)	(2.838.026)
Share in profit of associated companies	0	0	6.650	0		6.650
Income tax	(214.373)	(238.762)	(36.981)	(274.598)	(14.262)	(778.976)
Profit for the period	1.040.883	930.964	45.075	304.274	23.668	2.344.864
1.1.- 31.3. 2022						
External revenue	9.736.237	5.047.804	879.903	0		15.663.944
Inter-segment revenue	947.376	1.496.686	2.419.952 (	4.864.014)		0
Total segment revenue	10.683.614	6.544.490	3.299.854 (	4.864.014)		15.663.944
Segment operation expenses	(4.819.406)	(2.718.209)	(2.759.795)	4.841.389	87.331 (	5.368.689)
Segment profit EBITDA	5.864.207	3.826.282	540.060 (	22.625)	87.331	10.295.255
Depreciation and amortisation	(1.539.718)	(1.259.806)	(482.311)	13.608 (	33.795)	(3.302.022)
Segment results, EBIT	4.324.490	2.566.475	57.749 (	9.017)	53.536	6.993.233
Financial income and expenses	(1.929.876)	(5.436.880)	1.084.715	10.101.540 (	15.336)	3.804.163
Income tax	(375.882)	575.442	(405.175)	(3.795.593)	(14.363)	(4.015.572)
Profit (loss) for the period	2.018.732	(2.294.963)	737.289	6.296.929	23.837	6.781.824

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

Notes

5. Segment reporting, contd.

Business segments - divisions, contd.

	Utilities	Energy sale and production	Other Operation	Adjust- ments	IFRS 16*	Total
Balance sheet (31.3.2023)						
Property, plant and equipment and intangible assets	213.698.020	144.590.271	47.921.402 (	261.239)		405.948.453
Right-of-use assets					2.200.444	2.200.444
Other assets	26.860.088	13.419.154	189.078.501 (	189.142.619)		40.215.124
						<u>448.364.021</u>
Loans and borrowings	77.144.996	57.387.661	167.790.376 (	134.932.657)		167.390.376
Lease liabilities					2.248.556	2.248.556
Other liabilities	18.787.789	11.740.091	57.469.696 (	55.325.802)		32.671.775
						<u>202.310.707</u>
Investments (1.1.-31.3.2023)						
Property, plant and equipment and intangible assets	2.626.448	476.330	2.259.348 (	984.944)		4.377.182
Balance sheet (31.12.2022)						
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	23.181.593	11.637.831	189.044.494 (	185.042.458)		38.821.461
						<u>450.870.108</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	16.934.061	11.334.039	53.926.153 (	50.833.411)		31.360.842
						<u>204.434.030</u>
Investments (1.1.-31.3.2022)						
Property, plant and equipment and intangible assets	2.184.333	570.654	1.153.253	0		3.908.240

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

Notes

6. Financial income and expenses

	2023	2022
	1.1.-31.3.	1.1.-31.3.
Financial income and expenses are specified as follows:		
Interest income	84.562	45.110
Interest expense and paid indexation	(1.646.857)	(1.102.465)
Indexation	(2.535.278)	(1.696.564)
Guarantee fee to owners 1)	(119.084)	(125.103)
Total interest expenses	(4.301.219)	(2.924.132)
Fair value changes of embedded derivatives in electricity sales contracts	581.853	10.094.663
Fair value changes of financial assets and financial liabilities through P/L	183.875	(109.008)
Fair value changes of hedge contracts	(101.291)	(3.720.631)
Hedge contracts	62.260	(753.958)
Foreign exchange difference	407.979	962.046
Dividends	243.955	210.072
Total of other income on financial assets and liabilities	1.378.632	6.683.185
Total financial income and expenses	(2.838.026)	3.804.163

1) The Group paid a guarantee fee to current and former 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 119 million in the period 1 January to 31 March 2023 (1.1.-31.3.2022: ISK 125 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 664 million income in the period 1 January to 31 March 2023 (1.1.-31.3.2022: income ISK 6.265 million). Fair value changes on financial assets and liabilities defined at level 3 amounts to ISK 582 million income in the period 1 January to 31 March 2023 (1.1.-31.3.2022: income ISK 10.095 million).

7. 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

8. 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:

	31.3.2023		31.12.2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest-bearing liabilities	167.390.376	174.470.753	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:

	31.3.2023	31.12.2022
Embedded derivatives in electr. sales contr.	10,78% to 12,61%	11,11% to 12,44%
Hedge contracts	4,62% to 5,26%	4,3% to 5,4%
Interest bearing loans	0,49% to 8,69%	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.

31.3.2023	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	2.140.963	2.140.963
Hedge contracts	0	133.578	0	133.578
Marketable securities	12.112.322	0	0	12.112.322
	12.112.322	133.578	7.828.643	20.074.544

31.12.2022	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	1.559.109	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

9. 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 31 March 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.

	2023	2022
	1.1.-31.3.	1.1.-31.3.
Sale to related parties:		
Reykjavik City.....	416.034	390.787
Institutions and companies controlled by Reykjavik City.....	179.989	168.043
	<u>596.023</u>	<u>558.830</u>
Purchases from related parties:		
Reykjavik City.....	34.148	6.212
Institutions and companies controlled by Reykjavik City.....	26.075	18.080
Associates.....	26.598	24.679
	<u>86.821</u>	<u>48.971</u>
	31.3.2023	31.12.2022
Receivables for related parties:		
Reykjavik City.....	174.955	464.740
Institutions and companies controlled by Reykjavik City.....	60.980	38.505
	<u>235.935</u>	<u>503.245</u>
Payables for related parties:		
Reykjavik City.....	171.647	238.416
Institutions and companies controlled by Reykjavik City.....	891	975
Associates.....	29	0
	<u>172.567</u>	<u>239.391</u>
	2023	2022
	1.1.-31.3.	1.1.-31.3.
Guarantee fee paid to owners of the company:		
Reykjavik City	110.820	116.390
Akranes town	7.655	8.039
Borgarbyggð, municipality	609	673
	<u>119.084</u>	<u>125.103</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 6.

Notes

10. Other matters

Purchase of Sýn's core network

On December 2, 2022, Ljósleiðarinn ehf. and Sýn hf. signed a ISK 3 billion purchase agreement of Sýn's core network, and a 12-year service agreement between the two companies. Funding has been completed but is subject to the approval of the Competition Authority since the purchase is considered a merger within the Competition Act no. 44/2005 which must be reported to the Competition Authority. The merger is currently under investigation. Results should be clear by the second or 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 31.3.2023 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 is slightly behind schedule, the estimated date of completion is May 2023 but originally the completion date was scheduled to be on March 20 th. The amount of the construction contract with Ístak is about 1.580 million ISK, while the accrued construction costs of the construction contract with Ístak is about 1.532 million ISK. Additional construction costs, which consist of the payment of indexation to Ístak, side projects and additional works, together with the costs of moving the control centers that are accounted for on the project, now amount to about 200 million ISK. Preparations for the necessary interior renovations in the west building have begun, and the aim is for the tendering process for the project to begin in June 2023. Preparation for construction in the vaulted space has started. The aim is to start construction in the vaulted space in late summer 2023.

Notes

10. 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.

Litigation and claims

Ljósleiðarinn ehf. submitted a claim on March 5th, 2019 to Síminn hf. demanding compensation for damage allegedly suffered as a result of violation of the Media Act, which was the subject of Decision published by the Electronic Communications office of Iceland (ECOI) (formerly: the Post and Telecom Administration (PTA)) on July 3rd, 2018. The claim amounts to ISK 1,3 billion for loss of income, accrued cost and interest. A formal response was requested from Síminn. On March 19th, 2019 a response came from Síminn where they rejected the claim entirely. Síminn hf. took legal action against ECOI, Ljósleiðarinn ehf., Sýn hf. and Míla ehf. in respect of the Decision of the Administration regarding the alleged violation. The ruling of the District Court was announced on July 1st, 2020, where the ECOI decision was upheld, albeit with some changes in the criteria. The case was appealed to the National Court by Síminn hf., which confirmed the substantive result of the ECOI. Síminn requested leave to appeal to the Supreme Court, and the leave to appeal has been approved by the Supreme Court, and an appeal policy has been issued by the Supreme Court. Proceedings before the Supreme Court began on May 3rd 2023 but 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 31.3.2023.