



Landsvirkjun

Financial Statements 2025



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Key figures

Operating revenues



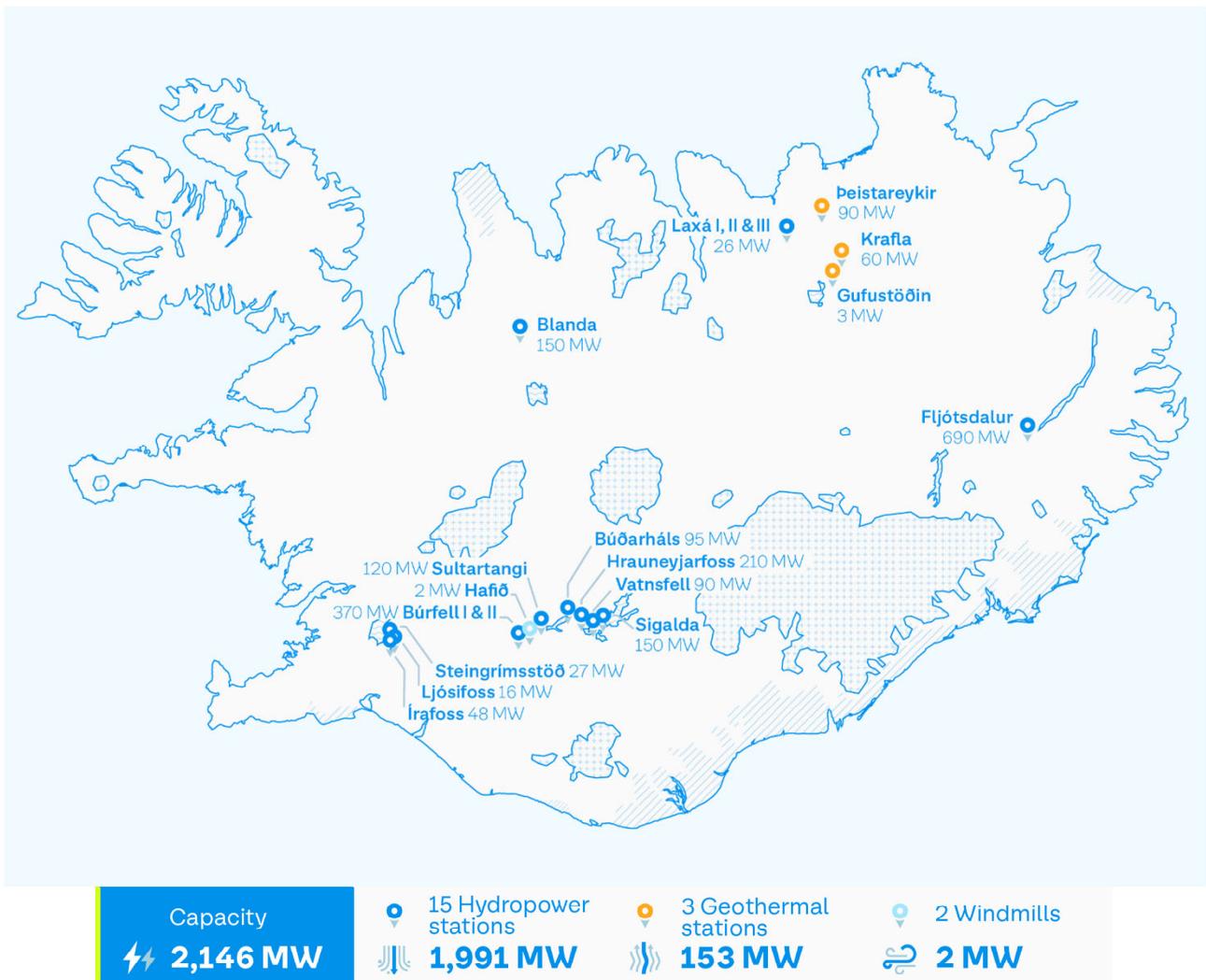
Profit before unrealised financial items



Cash flow from operating activities



Net debt



Key Figures

Management's presentation of the operation of Landsvirkjun

	2025	2024	2023	2022	2021
Operation					
Operating revenues	608,807	559,044	571,390	708,665	543,608
Realised hedges	(1,273)	1,836	86,044	(100,412)	(58,881)
Total operating revenues	607,534	560,880	657,434	608,253	484,727
Operating expenses	(206,418)	(150,560)	(159,961)	(153,884)	(151,579)
EBITDA	401,116	410,320	497,473	454,369	333,148
Depreciation and impairment loss	(100,244)	(100,471)	(105,931)	(107,820)	(107,446)
EBIT	300,872	309,849	391,542	346,549	225,702
Financial items	(14,290)	(11,012)	(17,177)	(31,183)	(21,084)
Subsidiaries and associated companies	281	1,806	918	522	57
Profit before unrealised financial items	286,863	300,643	375,283	315,888	204,675
Unrealised financial items:					
Fair value changes in embedded derivatives	70,620	(38,383)	(18,242)	61,616	33,454
Fair value changes in other derivatives	(15,306)	(2,456)	(17,696)	81,547	(46,301)
Unrealised foreign exchange difference	(4,718)	544	(1,467)	11,071	(10,661)
	50,596	(40,295)	(37,405)	154,234	(23,508)
Profit before income tax	337,459	260,348	337,878	470,122	181,167
Income tax	(132,416)	(98,747)	(128,391)	(171,386)	(68,778)
Profit from continued operations	205,043	161,601	209,487	298,736	112,389
Profit (loss) from discontinued operations	0	0	0	(137,231)	23,231
Net Profit	205,043	161,601	209,487	161,505	135,620
Balance sheet					
Total assets	3,583,821	3,477,886	3,614,248	3,872,948	3,742,237
Equity	2,311,064	2,303,811	2,364,114	2,296,676	2,213,205
Liabilities	1,272,757	1,174,075	1,250,134	1,576,272	1,529,032
Net debt *	676,769	666,946	697,319	848,080	1,091,247
Cash flow					
Funds from operations (FFO)	381,470	396,737	479,416	422,291	287,548
Cash flow from operating activities	279,121	270,055	415,177	361,411	256,432
Investing activities	(77,663)	(26,099)	(121,782)	(5,721)	(11,474)
Financing activities	(229,672)	(249,458)	(362,868)	(268,507)	(238,288)
Liquidity					
Cash and cash equivalents at year end	56,105	78,781	85,256	150,945	65,898
Undrawn loans	125,000	125,000	125,000	150,000	150,000
Total liquidity	181,105	203,781	210,256	300,945	215,898
Key ratios					
Return on equity	8.9%	6.8%	9.1%	7.3%	6.4%
Equity ratio	64.5%	66.2%	65.4%	59.3%	59.1%
Interest cover (EBITDA/net interest exp.)	43.51x	36.51x	44.31x	14.31x	7.80x
FFO / net liabilities	56.4%	59.5%	68.8%	49.8%	26.4%
FFO / interest expenses	15.99x	13.11x	14.11x	11.83x	6.63x
Net debt / EBITDA	1.69x	1.63x	1.40x	1.87x	3.28x
Credit rating at year end					
Standard & Poor's	A-	A-	A-	BBB+	BBB+

* Net debt is interest bearing liabilities less cash and cash equivalents

Quarterly Statement 2025 - Unaudited

Management's presentation of Landsvirkjun's operation, contd.

	Q1	Q2	Q3	Q4	Total
Operating revenues					
Power sales	141,780	130,826	135,342	151,847	559,795
Realised hedges	(285)	278	(151)	(1,115)	(1,273)
Other income	20,930	8,913	6,907	12,262	49,012
	<u>162,425</u>	<u>140,017</u>	<u>142,098</u>	<u>162,994</u>	<u>607,534</u>
Operating expenses					
Energy generation costs	30,839	32,893	36,488	34,890	135,110
Cost of general research	3,174	3,220	3,018	3,890	13,302
Other operating expenses	10,964	12,574	20,055	14,413	58,006
Depreciation and impairment loss	24,730	24,696	24,685	26,133	100,244
	<u>69,707</u>	<u>73,383</u>	<u>84,246</u>	<u>79,326</u>	<u>306,662</u>
Operating profit	92,718	66,634	57,852	83,668	300,872
Financial income and (expenses)					
Interest income	4,272	3,473	3,359	3,541	14,645
Interest expenses	(6,486)	(7,199)	(4,831)	(5,347)	(23,863)
Realised foreign exchange difference	192	206	171	(5,641)	(5,072)
	<u>(2,022)</u>	<u>(3,520)</u>	<u>(1,301)</u>	<u>(7,447)</u>	<u>(14,290)</u>
Subsidiaries and associated companies	411	263	(561)	168	281
Profit before unrealised items	91,107	63,377	55,990	76,389	286,863
Unrealised financial items:					
Fair value changes in embedded derivatives ...	9,480	(3,868)	13,154	51,854	70,620
Fair value changes in other derivatives	(390)	(785)	(2,711)	(11,420)	(15,306)
Unrealised foreign exchange difference	(4,981)	(7,909)	172	8,000	(4,718)
	<u>4,109</u>	<u>(12,562)</u>	<u>10,615</u>	<u>48,434</u>	<u>50,596</u>
Profit before income tax	95,216	50,815	66,605	124,823	337,459
Income tax	(37,073)	(22,093)	(27,739)	(45,511)	(132,416)
Net Profit	58,143	28,722	38,866	79,312	205,043
From cash flow					
Cash flow from operating activities	104,138	42,235	46,115	86,633	279,121
Other key metrics					
	2025	2024	2023	2022	2021
Installed capacity at year end (MW)	2,146	2,146	2,146	2,146	2,146
Av. price for ind. users excl trm. USD/MWh*	31.1	29.9	30.6	42.9	32.7
Av. price for primary energy excl. trm. ISK/kWh	8.1	7.5	6.7	6.2	5.3
Sales in GWh	13,859	14,118	14,686	14,629	14,052
Research and development	63,564	31,505	33,842	14,712	11,941
Accident frequency rate: H200**	0.0	0.8	0.9	0.6	0.3

* Average prices exclude transmission cost

** H200 is the number of absence accidents per 200,000 working hours

Endorsement and Statement by the Board of Directors and CEO

Landsvirkjun's objective is to operate in the energy sector and to engage in other business and financial operations as determined by the Board of Directors at any given time.

Landsvirkjun's 2025 Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act and include the financial statements of the Company which include the results of the subsidiaries, Icelandic Power Insurance Ltd., H 68 ehf. and Landsvirkjun Power ehf. and associated companies. The Company's functional currency is the US Dollar (USD) and amounts in the financial statements are rounded to the nearest thousand USD.

The Company's operating revenues amounted to USD 607.5 million in 2025 compared to USD 560.9 million in the previous year, an increase of USD 46.6 million. The increase is mainly due to increase in aluminium prices. Operating expenses amounted to USD 306.7 million in 2025 compared to USD 251.0 million in 2024. The increase is mainly due to higher transmission fees and the fact that the Competition Authority fined the Company. The Company's operating profit amounted to USD 300.9 million in 2025 compared to USD 309.8 million in the previous year.

Landsvirkjun uses derivative contracts to manage risk related to fluctuations in interest rates, foreign exchange rates and also aluminium prices, as part of its revenues is linked to that factor.

Net financial income amounted to USD 36.3 million in 2025, compared to USD 51.3 million of net financial expenses in the previous year, a change of USD 87.6 million and it is mainly due to fair value changes in embedded derivatives. Profit before unrealised financial items amounted to USD 286.9 million during the year compared to USD 300.6 million in 2024. According to the income statement, profit for the year amounted to USD 205.0 million compared to USD 161.6 million in the previous year.

Equity at year end 2025 amounted to USD 2,311.1 million compared to USD 2,303.8 million at year end 2024 according to the balance sheet. The Company's Board of Directors proposes that the profit for the year will be recognised as an increase in equity. At the Annual General Meeting, the Company's Board of Directors intends to propose a USD 165 million dividend payment to the owners of the Company in accordance with the dividend policy of Landsvirkjun, but otherwise refers to the notes to the financial statements and statement of equity for further changes in equity. The Board is also considering proposing a special dividend at the Annual General Meeting. Landsvirkjun is a partnership owned by the Icelandic State and Eignarhlutir ehf. The State owns 99.9% of the Company and Eignarhlutir ehf. 0.1%.

Cash and cash equivalents at year end amounted to USD 56.1 million and undrawn loans amounted to USD 125.0 million. Cash and cash equivalents and undrawn loans therefore amounted to USD 181.1 million at year end. Cash flow from operations amounted to USD 279.1 million. Repayments of loans of the Company amounted to USD 184.7 million. Cash and cash equivalents decreased by USD 22.7 million during the year.

Corporate Governance

Landsvirkjun's Board of Directors is committed to upholding strong corporate governance, following the Guidelines on Corporate Governance issued by the Iceland Chamber of Commerce in collaboration with the Confederation of Icelandic Employers and Nasdaq Iceland. A statement on corporate governance can be found in an appendix to the financial statements. Further information on the Company's corporate governance and risk management is included in notes 28 to 37 and appendices to the financial statements.

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

Non-financial information

According to the Financial Statements Act, public interest entities shall provide information necessary for an understanding of the entity's development, performance, position and impact of its activities relating to environmental, social and employee matters, policy regarding human rights, how the entity counteracts corruption and bribery matters and a brief description of the entity's business model etc. Information on the Company's policy and successes in these matters is provided in an appendix to the financial statements.

Statement from the Board of Directors and the CEO

According to the best knowledge of the Board of Directors and the CEO, the financial statements are in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Icelandic Financial Statement Act. It is the opinion of the Board of Directors and the CEO that the financial statements give a fair view of the Company's assets, liabilities and financial position as at 31 December 2025 and the Company's results and changes in cash and cash equivalents in the year 2025.

Furthermore, it is the opinion of the Board of Directors and the CEO that the financial statements and the Endorsement by the Board of Directors for the year 2025 give a fair view of the Company's results, financial position and development and describe the main risk factors faced by the Company.

The Board of Directors and the CEO hereby confirm these financial statements with their signature.

Reykjavik, 19 February 2026.

The Board of Directors:

Brynja Baldursdóttir
Berglind Ásgeirsdóttir
Hörður Þórhallsson
Sigurður Magnús Garðarsson
Þórdís Ingadóttir

The CEO:

Hörður Arnarson

Independent Auditors' Report

To the Board of Directors and owners of Landsvirkjun.

Opinion

We have audited the financial statements of Landsvirkjun for the year ended 31 December, 2025, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Landsvirkjun as at 31 December, 2025, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act.

Our opinion in this report on the financial statements is consistent with the content of the additional report that has been submitted to the company's audit committee in accordance with the EU Audit Regulation 537/2014 Article 11.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Landsvirkjun in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Iceland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Based on the best of our knowledge and belief, no prohibited services referred to in the EU Audit Regulation 537/2014 Article 5.1 have been provided.

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

Key Audit Matters

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

Key Audit Matters	How the matter was addressed in the audit
Power sales Around 75% of Landsvirkjun power sales come from power intensive users. The revenue is based on delivered power and contractual prices that are based on certain parameters. Due to both the magnitude and variability of prices, we believe that power sales to industry are a key audit matter.	During our audit of power sales to power intensive users we have confirmed that there is an effective internal control at Landsvirkjun regarding calculation and approval of invoices. We have also confirmed calculation of sales prices by comparing the calculation to contractual agreements and publicly available information and the amount of power delivered against metering records.

Independent Auditors' Report, contd.

Valuation of power stations

Included in property, plant and equipment are power stations which amount to 2,748 million USD at year-end. Power stations are measured at cost less accumulated depreciation and impairment.	We reviewed the valuation test of power stations prepared by management. During our audit we examined the valuation methodology and its consistency with prior year. We also examined management assumption for the valuation. This included: <ul style="list-style-type: none">• Reviewing changes in the company's operations and in the external environment to examine whether these assumptions affect management's assessment.• Reviewing the assumptions for the weighted average cost of capital (WACC) used.
We consider the valuation of power stations to be a key audit matter due to their magnitude and management estimation of their expected useful life.	We assessed if the valuation's calculations were in accordance with IFRS and assessed that the disclosures were appropriate.
As to the valuation of the assets, we refer to fixed assets in note 8 and accounting policies note 49.	

Other information

The Board of Directors and the CEO are responsible for the other information. The other information comprises the endorsement by the board of directors and CEO, statement of corporate governance and non-financial reporting.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except the confirmation regarding the report of the Board of Directors as stated below.

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

In accordance with Paragraph 2 article 104 of the Icelandic Financial Statement Act no. 3/2006, we confirm to the best of our knowledge that the accompanying report of the Board of Directors includes all information required by the Icelandic Financial Statement Act that is not disclosed elsewhere in the financial statements.

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

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act, and for such internal control as the Board of Directors and the CEO determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Report, contd.

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

The Board of Directors and the audit committee are responsible for overseeing Landsvirkjun's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditors' Report, contd.

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

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

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

In addition to our work as the auditors of Landsvirkjun, Deloitte has provided the firm with permitted additional services such as review of interim financial statements, other assurance engagements and consultation on accounting matters. Deloitte has in place internal procedures in order to ensure its independence before acceptance of additional services. Deloitte has confirmed in writing to the Audit Committee that we are independent of Landsvirkjun.

Deloitte was appointed auditor of Landsvirkjun by the general meeting on 14. April 2025. Deloitte has been elected since the general meeting 2014.

Reykjavik, 19 February 2026.

Deloitte ehf.

Birna Sigurðardóttir
State Authorised Public Accountant

Jóhann Óskar Haraldsson
State Authorised Public Accountant

Income Statement

	Notes	2025	2024
Operating revenues			
Power sales	3	559,795	516,808
Realised hedges		(1,273)	1,836
Other income	3	49,012	42,236
		<u>607,534</u>	<u>560,880</u>
Operating expenses			
Energy generation costs		230,648	188,984
Cost of general research		13,302	11,975
Other operating expenses		62,712	50,072
		<u>306,662</u>	<u>251,031</u>
Operating profit		<u>300,872</u>	<u>309,849</u>
Financial income and (financial expenses)			
Interest income		14,645	19,024
Interest expenses		(23,863)	(30,264)
Foreign exchange difference		(9,790)	772
Fair value changes in embedded derivatives	30	70,620	(38,383)
Fair value changes in other derivatives	6	(15,306)	(2,456)
		<u>36,306</u>	<u>(51,307)</u>
Subsidiaries and associated companies	13, 14	<u>281</u>	<u>1,806</u>
Profit before income tax		<u>337,459</u>	<u>260,348</u>
Income tax	7	(132,416)	(98,747)
Net profit for the year		<u>205,043</u>	<u>161,601</u>

Notes 1 to 60 are an integral part of these financial statements.

Statement of Comprehensive Income

	2025	2024
Net profit for the year	205,043	161,601
Items that will not be reclassified subsequently to profit or loss		
Pension obligation after income tax, change	(3,562)	(1,701)
Items that may be reclassified subsequently to profit or loss		
Transl. difference due to subsid. and associated companies	772	(203)
Total operating items transferred to equity	(2,790)	(1,904)
Total Comprehensive Income for the year	<u>202,253</u>	<u>159,697</u>

Notes 1 to 60 are an integral part of these financial statements.

Balance Sheet

Assets	Notes	2025	2024
Non-current assets			
Property, plant and equipment	8, 16	2,783,274	2,836,572
Projects under construction	9	95,216	28,874
Development cost	10	179,895	129,632
Other intangible assets	10	50,183	50,475
Derivative financial instruments	12	85,071	33,517
Subsidiaries	13	5,161	8,201
Associated companies	14	5,933	5,303
Loans to related parties	15	42,415	186,326
Shares in other companies		787	690
		Total non-current assets	3,247,935
			3,279,590
Current assets			
Accounts receivables and other receivables	17	88,410	58,572
Receivables, related parties		158,405	41,028
Derivative financial instruments	12	32,966	12,051
Assets held for sale		0	7,864
Cash and cash equivalents	18	56,105	78,781
		Total current assets	335,886
			198,296
		Total assets	3,583,821
			3,477,886
Equity and liabilities			
Equity			
Owners' contributions	19	586,512	586,512
Restricted reserves	20	3,693	3,172
Translation difference	20	(15,880)	(16,652)
Other equity		1,736,739	1,730,779
		Total equity	2,311,064
			2,303,811
Long term liabilities			
Interest bearing liabilities	21	528,897	563,096
Pension fund obligation	23	46,167	39,204
Deferred income tax liability	7	301,804	255,117
Lease liability	16	11,562	8,375
Decommissioning obligation	24	525	0
Derivative financial instruments	12	5,803	2,337
		894,758	868,129
Current liabilities			
Accounts payable and other payables	25	81,493	37,650
Interest bearing liabilities	22	203,977	182,631
Income tax payable	7	83,583	83,287
Debt to related companies		17	499
Derivative financial instruments	12	8,929	1,879
		377,999	305,946
		Total liabilities	1,272,757
			1,174,075
		Total equity and liabilities	3,583,821
			3,477,886

Notes 1 to 60 are an integral part of these financial statements.

Statement of Equity

	Owners' contribution	Restricted reserves	Translation difference	Other equity	Total equity
Changes in equity 2025					
Equity at 1 January 2025.....	586,512	3,172	(16,652)	1,730,779	2,303,811
Net profit for the year.....				205,043	205,043
Translation difference.....		772			772
Pension obligation, change.....			(3,562)	(3,562)	
Total Comprehensive Income.....	0	772		201,481	202,253
Share of profit of subsidiaries and associated companies transferred.....	521		(521)		0
Dividend to owners.....			(195,000)	(195,000)	
Equity at 31 December 2025	586,512	3,693	(15,880)	1,736,739	2,311,064

Changes in equity 2024

Equity at 1 January 2024.....	586,512	2,199	(16,449)	1,791,852	2,364,114
Net profit for the year.....				161,601	161,601
Translation difference.....		(203)			(203)
Pension obligation, change.....			(1,701)	(1,701)	
Total Comprehensive Income.....	0	(203)		159,900	159,697
Share of profit of subsidiaries and associated companies transferred.....	973		(973)		0
Dividend to owners.....			(220,000)	(220,000)	
Equity at 31 December 2024	586,512	3,172	(16,652)	1,730,779	2,303,811

Notes 1 to 60 are an integral part of these financial statements.

Statement of Cash Flow

	2025	2024
Operating activities		
Operating profit	300,872	309,849
Adjustments for:		
Depreciation and impairment loss	100,244	100,471
Pension obligation, change	(2,797)	(2,377)
Other changes	(2,365)	(17)
Working capital from operation before financial items	395,954	407,926
Operating assets and liabilities, change	(12,283)	(8,390)
Cash flow from operating activities before financial items	383,671	399,536
Interest income received	14,731	19,184
Interest expenses and foreign exchange diff. paid	(30,168)	(30,879)
Taxes paid	(89,113)	(117,786)
Cash flow from operating activities	<u>279,121</u>	<u>270,055</u>
Investing activities		
Power stations in operation	(27,645)	(19,319)
Power stations under construction	(51,062)	(22,614)
Power stations preparation cost	(38,266)	(18,681)
Other capital expenditures	(15,178)	(5,776)
Received dividend	3,876	0
Purchased shares in other companies	(30)	(23)
Decrease of shares	483	279
Assets sold	1,668	101
Loans to related parties, amortisation	48,491	39,934
Investing activities	<u>(77,663)</u>	<u>(26,099)</u>
Financing activities		
Dividend paid to owners	(195,000)	(220,000)
Borrowings	150,000	0
Amortisation of long-term debt	(184,672)	(29,458)
Financing activities	<u>(229,672)</u>	<u>(249,458)</u>
Change in cash and cash equivalents	(28,214)	(5,502)
Effect of exchange diff. on cash and cash equivalents	5,538	(973)
Cash and cash equivalents at the beginning of the year ..	<u>78,781</u>	<u>85,256</u>
Cash and cash equivalents at the end of the year	<u>56,105</u>	<u>78,781</u>

Notes 1 to 60 are an integral part of these financial statements.

Notes

General Information

1. Landsvirkjun

Landsvirkjun is a partnership based in Iceland with its headquarters located at Katrínartún 2 in Reykjavík. The Company operates under the Act on Landsvirkjun No. 42/1983. Its primary objective is to engage in activities within the energy sector.

2. Basis of preparation

a. Statement of IFRS compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Icelandic Financial Statements Act.

The Company's Board of Directors approved the financial statements on 19 February 2026.

Note 40 includes information about changes and improvements in IFRS and notes 41-58 contain information on significant accounting policies.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following assets and liabilities, which have been measured at fair value: derivative financial instruments, trading financial assets and shares in other companies. Operating assets held for sale and other assets held for sale are recognised at book value or fair value, whichever is lower.

c. Presentation and functional currency

The financial statements are presented in USD, which is the Company's functional currency. All financial information presented in USD has been rounded to the nearest thousand, unless otherwise stated.

d. Management's use of estimate and judgements

Preparing financial statements in accordance with IFRS requires management to make decisions, 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 and the effect of the changes are entered in the periods that the changes are made and in subsequent periods if the change also affects those periods.

Details about management's estimates and decisions made in relation to the application of accounting methods that significantly affect the financial statements are provided in the following notes:

- notes 8 and 49 property, plant and equipment
- notes 10 and 50 development cost and other intangible assets
- notes 12, 30, 31, 32, 33 derivative financial instruments
- note 23 pension fund obligations
- note 24 decommissioning obligation

Notes, contd.

2. Basis of preparation, contd.:

e. Determination of fair value

The Company's accounting policies and disclosures may require measurement of fair values, for both financial and non-financial assets and liabilities.

To the extent possible, the Company uses market information in determining fair values but if such information is not available management's evaluation is used.

For derivatives, other than embedded derivatives, counterparty information is used where applicable to measure fair values. The assessment is then verified to ensure the valuations comply with requirements of IFRS, including determining the appropriate level within the fair value hierarchy for classification.

Fair values are categorised into different levels in the fair value hierarchy based on assumptions used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: assumptions based on other than quoted prices included in Level 1 that can be acquired for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3: assumptions for value of asset or liability that are based on data where market data is not available.

If the assumptions used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, the measurement is classified at the lowest level of those assumptions.

If the categorisation of fair value during the accounting period changes, it is transferred between levels at the end of the period.

Further information on the assumptions made in measuring fair values is included in the following notes:

- note 12 derivative financial instruments
- note 30 embedded derivatives
- note 36 loans to related parties and long-term debt

f. Segment reporting

The Company's operations fall under a single segment. Landsvirkjun's objective as outlined by law is to operate in the energy sector and to engage in other business and financial activities as decided by the Board of Directors at any given time. Landsvirkjun harnesses hydroelectric, geothermal and wind energy. It sells all of its electricity generation in Iceland, targeting both retail sales companies and energy intensive industrial users.

g. Presentation of financial statements

Landsvirkjun does not prepare consolidated financial statements which include its subsidiaries, Icelandic Power Insurance Ltd and Landsvirkjun Power ehf., as their impact is considered insignificant. Instead, the financial statements are prepared according to IAS 27, Separate Financial Statements. The performance of the subsidiaries is shown in a single number in the income statement in the line Subsidiaries and associated companies. The effects of subsidiary assets and liabilities are not listed separately in the balance sheet but appear under Subsidiaries.

Notes, contd.

3. Operating revenues	2025	2024
Power sales are specified as follows:		
Retail sales companies	133,623	121,535
Power intensive users	426,172	395,273
Power sales total	559,795	516,808
Realised hedges which are linked to power sale contracts are presented with operating revenues in the income statement. Further information on hedging can be found in note 30.		
Other income is due to guarantees of origin, contract work, rental income etc.		
Note no. 43 offers additional details regarding the registration of the Company's revenues.		
4. Total number of employees		
Total number of employees is specified as follows:		
Average number of employees during the year, full-time equivalents	411	376
Full-time equivalent units at year-end	392	362
5. Salaries of employees		
Total salaries of employees are specified as follows:		
Salaries	57,934	47,769
Contribution to defined contribution plans	9,563	7,888
Defined pension benefit payments	3,729	3,161
Other change in pension obligations	(2,797)	(2,377)
Other salary related expenses	5,838	4,753
	74,267	61,194
Transferred to assets	(7,747)	(5,608)
	66,520	55,586
Salaries and salary related expenses are allocated as follows:		
Energy generation costs	39,853	32,719
Other operating expenses	34,414	28,475
Transferred to assets	(7,747)	(5,608)
	66,520	55,586
Salaries of the Board of Directors, CEO, Deputy CEO and EVPs are specified as follows:		
Salaries of the Board of Directors	253	231
Salaries and benefits of the CEO	418	379
Salaries of 7 Executive Vice Presidents and Deputy CEO	2,395	2,196
6. Financial income and (expenses)		
Financial income and (expenses) are specified as follows:		
Interest income	14,645	19,024
Interest expenses	(26,511)	(30,071)
Guarantee fee	(579)	(542)
Capitalised interest	3,227	349
Total interest expenses	(23,863)	(30,264)
Realised foreign exchange difference	(5,072)	228
Unrealised foreign exchange difference	(4,718)	544
Total foreign exchange difference	(9,790)	772
Fair value changes in embedded derivatives	70,620	(38,383)
Fair value changes in other derivatives	(15,306)	(2,456)
Total financial income and (expenses)	36,306	(51,307)

Capitalised finance cost due to capital invested in projects under construction was 5.34% in 2025 (2024: 3.67%).

Notes, contd.

7. Income tax

Income tax is specified as follows:

	2025	2024
Change in income tax liability	(46,687)	(14,435)
Income tax payable	(83,583)	(83,287)
Income tax due to pension obligation	(2,146)	(1,025)
Income tax expensed	<u>(132,416)</u>	<u>(98,747)</u>

Change in income tax liability is specified as follows:

Change in temporary differences	(46,687)	(14,435)
Change in income tax liability	<u>(46,687)</u>	<u>(14,435)</u>

	2025	2024
Effective tax rate		
Profit for the year	205,043	161,601
Income tax	<u>132,416</u>	<u>98,747</u>
Profit before income tax	<u>337,459</u>	<u>260,348</u>
Inc. tax acc. to the company's tax rate	37.6%	38.4%
Non-taxable items	1.7%	(0.2%)
Subsidiaries, associated and other companies	(0.0%)	(132)
Effective income tax	39.2%	37.9%

	2025	2024
Changes in tax liability during the year is specified as follows:		
Tax liability at the beginning of the year	(255,117)	(240,682)
Income tax in the income statement	(132,416)	(98,747)
Income tax recognised due to pension obligation	2,146	1,025
Income tax payable	83,583	83,287
Tax liability at the end of the year	<u>(301,804)</u>	<u>(255,117)</u>

The Company's tax liability is specified as follows:

Property, plant and equipment and intangible assets	(290,174)	(257,769)
Derivative financial instruments	(37,764)	(16,965)
Other items	26,134	19,617
Tax liability at the end of the year	<u>(301,804)</u>	<u>(255,117)</u>

Notes, contd.

8. Property, plant and equipment

Property, plant and equipment is specified as follows:

Cost value	Power stations	Other assets	Total
Total value at 1.1.2024	5,698,787	54,424	5,753,211
Additions during the year	20,685	4,430	25,115
Moved to assets held for sale	0	(20,055)	(20,055)
Sold and disposed of	0	(1,183)	(1,183)
Total value at 31.12.2024	5,719,472	37,616	5,757,088
Additions during the year	27,718	17,685	45,403
Sold and disposed of	(7,376)	(1,591)	(8,967)
Total value at 31.12.2025	5,739,814	53,710	5,793,524
 Depreciation and impairment loss			
Total value at 1.1.2024	2,809,766	25,060	2,834,826
Depreciation for the year	95,078	3,903	98,981
Moved to assets held for sale	0	(12,191)	(12,191)
Sold and disposed of	0	(1,100)	(1,100)
Total value at 31.12.2024	2,904,844	15,672	2,920,516
Depreciation for the year	94,229	4,285	98,514
Sold and disposed of	(7,376)	(1,403)	(8,779)
Total value at 31.12.2025	2,991,697	18,554	3,010,251
 Book value			
1.1.2024	2,889,022	29,364	2,918,386
31.12.2024	2,814,629	21,944	2,836,572
31.12.2025	2,748,117	35,156	2,783,274

Official assessment of fixed assets and insurance value

The official assessment of the Company's real estate amounted to USD 626 million at year end 2025 (2024: USD 529 million). Insurance value of the Company's assets amounts to USD 6,569 million (2024: USD 6,701 million).

9. Projects under construction

Projects under construction are specified as follows:

	2025	2024
Total value at 1.1.	28,874	0
Moved from development cost	0	5,054
Additions during the year	66,342	23,820
Total value at 31.12.	95,216	28,874

Projects under construction relate to a wind power station at Vaðolduver.

Notes, contd.

10. Development cost and other intangible assets

Development cost and other intangible assets are specified as follows:

	Capitalised developm. cost	Water and geothermal rights	Software	Total
Cost value				
Total value at 1.1.2024	227,548	45,611	9,110	282,269
Additions during the year	19,530	0	1,877	21,407
Moved to projects under construction	(5,054)	0	0	(5,054)
Sold and disposed of	0	0	(49)	(49)
Total value at 31.12.2024	242,024	45,611	10,938	298,573
Additions during the year	50,262	0	1,439	51,701
Sold and disposed of	0	0	(21)	(21)
Total value at 31.12.2025	292,286	45,611	12,356	350,253
Depreciation and impairment loss				
Total value at 1.1.2024	112,392	0	4,634	117,026
Amortisation during the year	0	0	1,490	1,490
Sold and disposed of	0	0	(49)	(49)
Total value at 31.12.2024	112,392	0	6,075	118,467
Amortisation during the year	0	0	1,730	1,730
Sold and disposed of	0	0	(21)	(21)
Total value at 31.12.2025	112,392	0	7,784	120,176
Book value				
1.1.2024	115,156	45,611	4,476	165,243
31.12.2024	129,632	45,611	4,864	180,107
31.12.2025	179,895	45,611	4,572	230,078

Management reviews development cost, along with water and geothermal rights annually, to identify any signs of impairment. To assess potential impairment, the company forecasts cash flow over the useful life of the assets. In this evaluation, expected cash flow was discounted at the weighted average cost of capital which was set at 5.45% for this year (2024: 5.35%). If management determines that an impairment has occurred, the corresponding development cost is recorded as an impairment expense. Management believes that realistic changes to the key assumptions in the assessment would not result in an impairment.

Notes, contd.

11. Depreciation and impairment loss

Depreciation and impairment loss is specified as follows:

	2025	2024
Power stations	94,229	95,078
Other assets	4,285	3,903
Depreciation of assets in operation	98,514	98,981
Amortisation of software	1,730	1,490
	100,244	100,471

Depreciation and impairment loss is allocated as follows by sectors:

Energy generation costs	95,538	95,996
Other operating expenses	4,706	4,475
	100,244	100,471

12. Derivative financial instruments

Derivative financial instruments in the balance sheet are specified as follows:

	31.12.2025	31.12.2024
Assets:		
Embedded derivatives in power contracts	112,746	42,127
Aluminium hedges	1,141	3,441
Currency and interest rate swaps	4,150	0
	118,037	45,568

Derivative financial instruments are divided as follows:

Long term component of derivative agreements	85,071	33,517
Short term component of derivative agreements	32,966	12,051
	118,037	45,568

Liabilities:

Aluminium hedges	14,732	2,984
Currency and interest rate swaps	0	1,232
	14,732	4,216

Derivative financial instruments are divided as follows:

Long term component of derivative agreements	5,803	2,337
Short term component of derivative agreements	8,929	1,879
	14,732	4,216

The assumptions for valuation of embedded derivatives are discussed in note 30.

The assumptions for valuation of other derivatives are discussed in note 2 e.

Notes, contd.

13. Subsidiary companies

The Company H 68 ehf. was established during the year 2025 and sold before year end. Shares in subsidiary companies recognised according to the equity method are specified as follows:

	2025		
	Share	Share in return	Book value
Icelandic Power Insurance Ltd., Bermuda	100.0%	755	1,628
Landsvirkjun Power ehf., Iceland	100.0%	(222)	3,533
H 68 ehf., Iceland		(896)	0
		(363)	5,161

	2024		
	Share	Share in return	Book value
Icelandic Power Insurance Ltd., Bermuda	100.0%	839	4,673
Landsvirkjun Power ehf., Iceland	100.0%	36	3,528
		875	8,201

14. Associated companies

Shares in associated companies recognised according to the equity method are specified as follows:

	2025		
	Share	Share in return	Book value
Orkufjarskipti hf., Iceland	45.0%	712	5,768
SER eignarhaldsfélag ehf., Iceland	47.0%	(68)	155
Sjávarorka ehf., Iceland	33.6%	0	10
		644	5,933

	2024		
	Share	Share in return	Book value
Orkufjarskipti hf., Iceland	45.0%	918	4,845
SER eignarhaldsfélag ehf., Iceland	47.0%	13	448
Sjávarorka ehf., Iceland	33.6%	0	10
		931	5,303

15. Loans to related parties

Landsvirkjun has provided long term loans to both the Icelandic state and Orkufjarskipti hf. The interest rates are in the range of 3.5-6.0% At year end 2025 the loans amounted to USD 42.4 million after deducting next year's maturities (2024: 186.3 USD million). Loans to the Icelandic state are two loan agreements, 100 EUR million to be paid in 2026 and 79 USD million to be paid in equal installments the next two years.

	31.12.2025	31.12.2024
The Icelandic state	197,025	223,305
Orkufjarskipti hf.	3,048	3,246
Current maturites	(157,658)	(40,225)
	42,415	186,326

Notes, contd.

16. Lease agreements

The Company is a lessee in lease agreements of real estate and land. Lease assets are recognised among property, plant and equipment.

	2025		2024	
	Lease asset	Lease debt	Lease asset	Lease debt
Balance 1.1.	12,111	(10,309)	13,437	(11,761)
Additions during the year	3,560	(3,560)	0	0
Indexation	581	(581)	531	(531)
Foreign exchange rate changes	0	(1,279)	0	144
Depreciation of assets/amortisation of debt	(2,201)	2,041	(1,857)	1,839
Balance 31.12.	14,051	(13,688)	12,111	(10,309)

Current maturities are classified as short term liabilities. In the year 2025 the Company expensed USD 634 thousand of interest expenses due to the lease liability (2024: 432 thousand USD). The Company takes advantage of the lease of assets with low value exemptions in IFRS 16.

Lease liability - maturity analysis - not discounted

	2025	2024
Payments within a year	2,696	2,282
Payments after a year and within 5 years	8,151	4,983
Payments after 5 years or later	9,673	8,798
Total of lease liability - not discounted	20,520	16,063

17. Accounts receivables and other receivables

Accounts receivables and other receivables are specified as follows:

	31.12.2025	31.12.2024
Accounts receivables	87,560	57,897
Other short term receivables	850	675
	88,410	58,572

When assessing the impairment of accounts receivables, historical information is used as a guide, along with current economic prospects. At year end 2025, 79% of accounts receivables were less than 30 days old (2024: 87%).

18. Cash and cash equivalents

Cash and cash equivalents are specified as follows:

Bank deposits	56,105	78,781
	56,105	78,781

19. Equity

Landsvirkjun is a partnership owned by the Icelandic State and Eignarhlutir ehf. The Icelandic State owns 99.9% of the Company and Eignarhlutir ehf. 0.1%. Eignarhlutir ehf. is owned by the State. Landsvirkjun is an independent taxable entity.

Notes, contd.

20. Translation difference and restricted reserves

Translation differences refer to foreign exchange differences arising from the Company's subsidiaries and associated companies that use functional currencies different from the Parent Company. Restricted reserves include the share of unrealised profit from equity-accounted investees from 1 January 2016, recognised in the income statement which exceeds dividends from these companies, or the dividend that has been decided to distribute.

21. Interest bearing debt

Interest bearing debt is specified as follows:

	2025	2024
Interest bearing long term debt 1.1.	745,727	782,575
New loans	150,000	0
Amortisation of long term debt	(182,631)	(27,619)
Foreign exchange difference	20,171	(9,562)
Changes in amortisation of discounting	(393)	333
Interest bearing long term debt 31.12.	<u>732,874</u>	<u>745,727</u>

Interest bearing long-term debt is specified as follows by currencies:

Due date	2025		2024	
	Average interest	Remaining balance	Average interest	Remaining balance
Liabilities in EUR	2026	2.2%	176,348	3.2%
Liabilities in USD	2026-2035	4.0%	556,526	3.9%
			<u>732,874</u>	<u>745,727</u>
Current maturities of long term debt			(203,977)	(182,631)
Total long term debt			<u>528,897</u>	<u>563,096</u>

Interest rates on debt at year end was in the range of 2.2-5.4%. Nominal interest rates for the year were on average 3.5% (2024: 3.8%), taking into account the state guarantee fee for long term loans which is calculated according to Act No. 121/1997 on state guarantees.

22. Maturities of long-term debt

According to loan agreements, maturities of long-term debt are as follows:

	2025	2024
2025	-	182,631
2026	203,977	183,806
2027	27,619	27,619
2028	131,764	131,764
2029	69,384	69,384
2030	119,384	-
Later	180,746	150,523
	<u>732,874</u>	<u>745,727</u>

Notes, contd.

23. Pension fund obligations

The Company's obligation to refund the indexation charges on retirement payments to employees, who hold pension rights with state and communal pension funds, amounted to USD 46.2 million at year end 2025 according to an actuary's evaluation, which is based on estimated future changes in salaries and prices. Interest rates in excess of price increases are assessed at 3.5% and salary increase in excess of price increases is assessed at 1.5% per year on average. Life expectancy and mortality assumptions are in accordance with the provisions of Regulation No. 391/1998 on obligatory pension benefits and operation of pension funds. Death and survivor tables were published in December 2021 by the Association of Icelandic Actuaries using a calculation model with a forecast of future death and survivor figures. The calculated retirement age is 65 years for non-employees with vested benefits. This is consistent with criterion used by the Pension Fund for State Employees in Iceland.

Change in the obligation is specified as follows:	2025	2024
Balance at 1.1.	39,204	39,431
Expensed during the year	932	784
Payments during the year	(3,729)	(3,161)
Actuarial change	5,708	2,725
Effect of foreign exchange rate changes	4,052	(575)
Balance at 31.12.	<u>46,167</u>	<u>39,204</u>

Pension fund obligation, 5 years:	2025	2024	2023	2022	2021
Present value of the obligation	<u>46,167</u>	<u>39,204</u>	<u>39,431</u>	<u>36,427</u>	<u>39,574</u>

24. Decommissioning obligation

Landsvirkjun has commenced construction of a wind farm at Vaðölduver. The Company recognizes a provision for the estimated cost of restoring the Vaðölduver area to its original condition at the end of the wind farm's expected useful life, based on the status of construction at the reporting date. The provision is discounted to the reporting date using a discount rate of 2.7%.

Change in the obligation is specified as follows:	2025	2024
Balance at 1.1.	0	0
Addition during the year	530	0
Effect of foreign exchange rate changes	(5)	0
Balance at 31.12.	<u>525</u>	<u>0</u>

25. Accounts payable and other payables

Accounts payable and other payables are specified as follows:	31.12.2025	31.12.2024
Accounts payable	51,926	1,029
Accrued interest	5,725	6,795
Value added tax	10,006	15,469
Lease liability, current maturities	2,127	1,934
Other short term liabilities	11,709	12,423
	<u>81,493</u>	<u>37,650</u>

Notes, contd.

26. Related parties

Definition of related parties

Owners, subsidiaries, associated companies, members of the Board of Directors, key management and companies and institutions owned by them are the Company's related parties. Loans to the Icelandic state are classified as loans to related parties.

Transactions with related parties	2025	2024
<i>Sale of goods and services</i>		
Subsidiaries and associated companies	404	138

<i>Purchase of goods and services</i>		
Subsidiaries and associated companies	9,597	9,778

Interest income from related parties amounted to USD 9.4 million, (2024: USD 11 million) due to loans. The loans were issued at market rates, see further in notes no. 15 and 36.

	31.12.2025	31.12.2024
Loans to related parties are specified as follows:		
Interest bearing loans to Orkufjarskipti hf.	3,048	3,246
Interest bearing loans to the Icelandic state	197,025	223,305
Accrued interest	675	780
	200,748	227,331

Accounts receivables and accounts payables to related parties are specified as follows:

	31.12.2025	31.12.2024
	Receivables	Payables
Subsidiaries and associated companies	72 (17)	24 (499)

Transactions with related parties are on the same basis as transactions with non-related parties. Transactions with the state, excluding loan agreements, or companies or institutions owned by the State are not specified as a separate item but such transactions are comparable to transactions with non related parties. The Company applies an exemption from disclosure requirements of IAS 24 as the Company is owned by the state. See further information in note 19.

Expected credit losses due to claims on related parties are assessed separately for each party with regard to the circumstances on the balance sheet date.

Notes, contd.

27. Fees to auditors

Fees to auditors in the year 2025 amounted to USD 120 thousand (2024: USD 96 thousand), whereof USD 89 thousand (2024: USD 73 thousand) was for the audit and review.

28. Risk management

Risk management of Landsvirkjun is based on systematic assessment and management of risk, supporting safe and sustainable operations. It is integrated into daily activities and is used in decision-making across all areas.

The Board sets the risk policy and defines the company's risk appetite. The CEO and Executive Management are responsible for implementing the policy and ensuring that effective systems, processes and controls are in place. The Risk Committee and the Audit Committee oversee the effectiveness of risk management and ensure that the framework is aligned with the company's policy and objectives.

Department managers and other managers implement the risk policy into daily operations and ensure active risk management within their areas of responsibility. The Risk Manager develops and coordinates risk management methodologies and procedures and carries out independent monitoring and reporting to management and the Board.

29. Financial risk

The Company's financial risk mainly consists of market risk, liquidity risk, and counterparty risk. Market risk primarily arises from the linkage of electricity contracts to aluminium prices, interest rate risk of liabilities, and foreign exchange risk.

Landsvirkjun utilises derivative agreements to hedge market risk.

30. Aluminium price risk

A part of Landsvirkjun's electricity contracts is linked to the price of aluminum. To reduce the impact of fluctuations in aluminum prices, the company has entered into derivative contracts under which the price is fixed or fixed within a specified price range. At year-end 2025, the fair value of contracts related to aluminum price risk was negative by USD 13.6 million (2024: positive by USD 0.5 million).

Embedded derivatives

Landsvirkjun's electricity power contracts that are linked to aluminium prices include embedded derivatives that are recognised in the financial statements. Embedded derivatives are measured at fair value in the balance sheet at the reporting date, and changes in fair value are recognised in the income statement under financial income and financial expenses.

Notes, contd.

30. Aluminium price risk contd.:

	2025	2024
Fair value of embedded derivatives is specified as follows:		
Fair value of embedded derivatives at the beginning of the year	42,127	80,510
Fair value changes during the year	70,620	(38,383)
Fair value of embedded derivatives at year end	<u>112,746</u>	<u>42,127</u>

Division of embedded derivatives is specified as follows:

Long term component of embedded derivatives	83,742	31,883
Short term component of embedded derivatives	29,004	10,244
Total embedded derivatives	<u>112,746</u>	<u>42,127</u>

The main assumptions Landsvirkjun uses in the valuation of embedded derivatives are the following:

The valuation of embedded derivatives is based on forward aluminium prices as quoted on the LME and is limited to the maximum length of the forward aluminium price curve, or 123 months. Management considers that expectations of aluminium prices beyond ten years reflect the original contract aluminium price and therefore do not result in changes in fair value. The calculation period is limited to review clauses or the contract term, but never exceeding 123 months, and is based on committed minimum purchases under take-or-pay of power purchase agreements.

At year end 2025, discount rates were in the range of 3.3 - 4.3% (2024: 4.3 - 4.7%).

Sensitivity analysis

The following tables show the effects of changes in aluminium prices on the fair value of financial instruments linked to aluminium prices in the income statement. Amounts are before tax.

31.12.2025

	Aluminium price USD/MT	
	-100	+100
Embedded derivatives	(16,772)	16,271
Aluminium hedges	4,340	(4,646)
	<u>(12,432)</u>	<u>11,625</u>

31.12.2024

	Aluminium price USD/MT	
	-100	+100
Embedded derivatives	(14,557)	14,547
Aluminium hedges	3,117	(3,138)
	<u>(11,440)</u>	<u>11,409</u>

Notes, contd.

31. Foreign exchange risk

Foreign currency risk arises from cash flows, assets and liabilities denominated in currencies other than the US dollar. Revenues are largely denominated in US dollars and Icelandic krona, while operating expenses denominated in Icelandic krona provide a natural hedge. Foreign currency risk is mitigated through the use of derivative contracts.

Landsvirkjun's foreign exchange risk related to monetary assets and liabilities at year end is specified as follows:

	EUR	ISK	Other currencies
31.12.2025			
Loans to related parties	117,572	3,048	0
Accounts receivables and other receivables	2,350	19,998	0
Cash and cash equivalents	30,633	2,955	2
Derivatives.....	58,786	0	0
Interest bearing liabilities	(176,348)	0	0
Accounts payable and other payables	(1,421)	(151,075)	(321)
Risk in balance sheet	<u>31,572</u>	<u>(125,074)</u>	<u>(319)</u>
31.12.2024			
Loans to related parties	104,125	3,246	0
Accounts receivables and other receivables	1,528	15,222	0
Cash and cash equivalents	26,576	4,504	0
Derivatives.....	52,062	0	0
Interest bearing liabilities	(156,164)	0	0
Accounts payable and other payables	(1,391)	(121,250)	(332)
Risk in balance sheet	<u>26,736</u>	<u>(98,278)</u>	<u>(332)</u>

Exchange rates of the main currencies against the USD for the years 2025 and 2024 are specified as follows:

	Average rate		Rate at year end	
	2025	2024	2025	2024
EUR.....	0.89	0.92	0.85	0.96
ISK.....	128.37	137.93	125.20	138.20

Notes, contd.

31. Foreign exchange risk contd.:

Sensitivity analysis

The following tables show the effects of a 10% deviation in currencies against the functional currencies of the Company and would have changed the Company's results and equity by the following amounts before tax. The analysis includes monetary assets and liabilities and assumes that all other variables, especially interest rates, remain unchanged.

	Profit (loss) / Equity	
	Strengthening	Weakening
2025		
EUR	(3,157)	3,157
ISK	12,507	(12,507)
Other currencies	32	(32)
2024		
EUR	(2,674)	2,674
ISK	9,828	(9,828)
Other currencies	33	(33)

The fair value of cross currency swaps was positive by USD 3.6 million at the end of December 2025 (2024: negative by USD 1.2 million).

32. Interest rate risk

Landsvirkjun is exposed to interest rate risk arising from variable-rate borrowings, as changes in interest rates have a direct impact on interest expense.

At year end 2025, the proportion of loans with fixed interest rates including swap agreements was 71% (2024: 77%). At year end 2025, the estimated market value of the Company's long-term liabilities was USD 17 million higher than their book value (2024: USD 4 million higher). The following table shows the division of financial assets and liabilities between floating and fixed interest.

	31.12.2025	31.12.2024
<i>Financial instruments with fixed interest</i>		
Interest bearing liabilities	(514,641)	(522,895)
Cross currency and interest rate swaps	(6,015)	(56,015)
Loans to related parties	200,073	226,551
	<u>(320,582)</u>	<u>(352,359)</u>
<i>Financial instruments with floating interest</i>		
Cash and cash equivalents	56,105	78,781
Interest bearing liabilities	(218,233)	(222,832)
Cross currency and interest rate swaps	8,786	52,062
	<u>(153,342)</u>	<u>(91,989)</u>

Notes, contd.

32. Interest rate risk, contd.,

Sensitivity analysis of interest rate risk

The following tables show the effect of changes in interest rates on book value and cash flows for one year. The amounts are before tax.

31.12.2025

	Cash flow		Book value	
	-100 bps	+100 bps	-100 bps	+100 bps
Embedded derivatives	0	0	3,915	(3,697)
Other derivatives	(87)	87	3,140	(2,729)
Interest bearing liabilities	2,189	(2,189)	0	0
Cash and cash equivalents	(561)	561	0	0
	1,541	(1,541)	7,055	(6,426)

31.12.2024

	Cash flow		Book value	
	-100 bps	+100 bps	-100 bps	+100 bps
Embedded derivatives	0	0	(2,709)	2,488
Other derivatives	(521)	521	(1,525)	(174)
Interest bearing liabilities	2,229	(2,229)	0	0
Cash and cash equivalents	(788)	788	0	0
	920	(920)	(4,234)	2,314

33. Liquidity risk

Landsvirkjun limits liquidity risk by ensuring at all times sufficient cash and cash equivalents and access to revolving credit facilities.

The Company's cash and cash equivalents amounted to USD 56 million at year end 2025 (2024: USD 79 million) but taking into account revolving credit facilities (USD 125 million), Landsvirkjun has access to a total of USD 181 million (2024: USD 204 million).

Contractual payments due to financial instruments, including interests, are specified as follows:

31.12.2025	Book value	Contractual cash flow	Within one	1 - 2 years	2 - 5 years	More than 5 years
			year			
<i>Non-derivative financial instruments</i>						
Loans to assoc. comp..	3,048	3,644	532	513	2,599	0
Loans to the Icel. state	197,025	203,850	162,693	41,157	0	0
Cash and cash equiv.	56,105	56,105	56,105	0	0	0
Short term receivab.	89,157	89,157	89,157	0	0	0
Interest bearing liab.	(732,874)	(824,951)	(220,571)	(46,482)	(435,025)	(122,873)
Current liabilities	(165,093)	(165,093)	(165,093)	0	0	0
	(552,632)	(637,287)	(77,177)	(4,812)	(432,426)	(122,873)

Notes, contd.

33. Liquidity risk, contd..

31.12.2025	Book value	Contractual cash flow	Within one year	1 - 2 years	2 - 5 years	More than 5 years
<i>Derivative financial instruments</i>						
Swaps	4,150	4,193	3,791	315	367	(281)
Aluminium derivat.	(13,592)	(30,644)	(19,452)	(11,192)	0	0
Embedded derivatives in power contracts	112,746	127,804	29,619	25,339	32,983	39,862
	<u>103,304</u>	<u>101,352</u>	<u>13,959</u>	<u>14,462</u>	<u>33,350</u>	<u>39,581</u>

31.12.2024

Non-derivative financial instruments

Loans to assoc. comp. .	3,246	3,937	1,023	284	2,630	0
Loans to the Icel. state	223,305	234,425	48,455	144,814	41,157	0
Cash and cash equiv.	78,781	78,781	78,781	0	0	0
Short term receivab.	59,375	59,374	59,374	0	0	0
Interest bearing liab.	(745,727)	(813,700)	(198,786)	(198,578)	(258,318)	(158,020)
Current liabilities	(121,436)	(121,436)	(121,436)	0	0	0
	<u>(502,456)</u>	<u>(558,619)</u>	<u>(132,589)</u>	<u>(53,480)</u>	<u>(214,530)</u>	<u>(158,020)</u>

Derivative financial instruments

Swaps	(1,232)	(1,680)	620	(2,300)	0	0
Aluminium derivat.	457	46	(33)	79	0	0
Embedded derivatives in power contracts	42,127	48,011	10,522	10,366	17,251	9,872
	<u>41,352</u>	<u>46,377</u>	<u>11,109</u>	<u>8,145</u>	<u>17,251</u>	<u>9,872</u>

34. Financing

Landsvirkjun places emphasis on ensuring secure and diverse access to capital. The Company has accessed capital through issuance of bonds, loans and through project financing. Landsvirkjun also has access to a line of credit from the Company's commercial banks.

In 2025, Landsvirkjun issued green bonds amounting to USD 150 million (2024: USD 0 million). Repayments amounted to USD 183 million (2024: USD 28 million).

Landsvirkjun's interest-bearing debt amounted to USD 733 million at year end 2025 (2024: USD 746 million). The risk associated with refinancing is reduced by the equal distribution of amortisations and by the suitable lifetime of outstanding debt. The weighted average lifetime of interest-bearing debt is 3.4 years (2024: 2.8 years) and the ratio of interest-bearing debt with maturity within a 12-month period is 28% (2024: 24%).

Notes, contd.

35. Counterparty risk

Counterparty risk mainly arises from power contracts, derivative contracts, loans to related parties, and cash and cash equivalents. Landsvirkjun limits this risk by requiring secured minimum purchases in power contracts, collateral and an investment-grade credit rating from banks and other counterparties. Note 47 provides further details on the valuation of assets.

The Company's counterparty risk is specified as follows at year end:

	31.12.2025	31.12.2024
Loans to associated companies	3,048	3,246
Loans to the Icelandic state	197,025	223,305
Derivative financial instruments	118,037	45,568
Accounts receivables and other receivables	89,157	59,375
Cash and cash equivalents	56,105	78,781
	<hr/>	<hr/>
	463,373	410,275

36. Comparison of fair value and book value of loans to related parties and long term debt

	31.12.2025		31.12.2024	
	Book value	Fair value	Book value	Fair value
Interest bearing loans to the Icelandic state	197,025	199,386	223,305	226,710
Interest bearing long term liabilities	(732,874)	(750,273)	(745,727)	(741,939)

The fair value of other financial assets and liabilities is measured as book value.

Fair value of loans to related parties and interest bearing liabilities is calculated by discounting expected cash flows with the underlying currencies' yield curve.

37. Fair value classification

The table shows the level categorisation for items in the financial statements recognised at fair value.

	Level 2	Level 3	Total
31.12.2025			
Embedded derivatives		112,746	112,746
Other derivatives	(9,442)		(9,442)
Shares in other companies		787	787
	<hr/>	<hr/>	<hr/>
	(9,442)	113,533	104,091
31.12.2024			
Embedded derivatives		42,127	42,127
Other derivatives	(775)		(775)
Shares in other companies		690	690
	<hr/>	<hr/>	<hr/>
	(775)	42,817	42,042

Main assumptions for valuation of derivatives can be seen in notes 12, 30 and 31.

Notes, contd.

38. Classification of financial instruments

Financial assets and liabilities are divided into defined groups. The classification affects how evaluation of the relevant financial instrument is measured. Those groups to which the Company's financial assets and liabilities pertain and their basis for evaluation are specified as follows:

- Assets and liabilities held for trading - are recognised at fair value through profit and loss.
- Equity instruments - are recognised at fair value through profit and loss.
- Loans and receivables - are recognised at amortised cost.
- Other financial liabilities - are recognised at amortised cost.

Financial assets and liabilities are divided into the following groups of financial instruments:

	Derivatives at fair value through P&L	Financial assets at fair value - P&L	Fin. assets at amortised cost	Fin. debt at amortised cost	Total
31.12.2025					
Derivative financial instruments	118,037				118,037
Shares in other companies		787			787
Loans to associated companies ...			3,048		3,048
Loans to the Icelandic State			197,025		197,025
Accounts receivables and other receivables			89,157		89,157
Cash and cash equivalents			56,105		56,105
Total assets	118,037	787	345,335	0	464,159
Interest bearing liabilities				732,874	732,874
Derivative financial instruments	14,732				14,732
Accounts payable and other payables				165,093	165,093
Total liabilities	14,732	0	0	897,967	912,699
31.12.2024					
Derivative financial instruments	45,568				45,568
Shares in other companies		690			690
Loans to associated companies ...			3,246		3,246
Loans to the Icelandic State			223,305		223,305
Accounts receivables and other receivables			59,374		59,374
Cash and cash equivalents			78,781		78,781
Total assets	45,568	690	364,706	0	410,964
Interest bearing liabilities				745,727	745,727
Derivative financial instruments	4,216				4,216
Accounts payable and other payables				121,436	121,436
Total liabilities	4,216	0	0	867,163	871,379

39. Capital management

Landsvirkjun places emphasis on maintaining a strong equity base to support further development of the Company.

Notes, contd.

40. Significant accounting policies

The Company has adopted International Financial Reporting Standards, amendments thereto and interpretations adopted by the European Union which apply to accounting periods that began on 1 January 2025 or later. The following standards and improvements became operative 1 January 2025:

- IAS 21 The effects of changes in foreign exchange rates	Guidelines on the assessment of currency convertibility and exchange rates.
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Management believes that the implementation of the above accounting standards has not had a significant impact on the financial statements.

The Company has not adopted new or amended standards which have been issued but not entered into effect for the year 2025.

-IFRS 18 Presentation and disclosure in financial statements

-IFRS 19 Subsidiaries without public accountability: Disclosures

The European Union is expected to endorse the effective date of IFRS 18 in the first quarter of 2026. The standard will then become effective on 1 January 2027 and will replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces three main changes:

1. Entities will be required to classify income and expenses in the income statement, other than income tax and discontinued operations, as operating, investing, or financing, and to present operating profit or loss and profit or loss before financing costs and income tax.
2. Entities will be required to disclose in the notes specific information about total income and expense measures defined, used, and communicated by management outside the financial statements (referred to as “management-defined performance measures”), for example adjusted operating profit presented in the directors’ report or press releases.
3. Entities will be required to follow more detailed rules on presentation, including the presentation of operating expenses in the income statement, as well as aggregation and disaggregation in the primary financial statements.

Upon the effective date of IFRS 18, amendments will also be made to IAS 7 Statement of Cash Flows, under which the use of operating profit or loss as the starting point for the indirect method in the operating activities section will be mandatory. Dividends paid and interest paid will generally be classified as financing activities. Dividends received and interest received will generally be classified as investing activities.

Landsvirkjun is in the process of assessing the impact of IFRS 18 and the amendments to IAS 7 on the presentation and disclosures in its annual financial statements. However, the adoption and application of IFRS 18 will not affect the recognition and measurement of items in the financial statements and therefore will have no impact on Landsvirkjun’s profit. Landsvirkjun expects to apply IFRS 18 for the first time in the year 2027, with retrospective application being mandatory in those financial statements.

The European Union has not yet confirmed the adoption of IFRS 19, but it is expected to be approved before its effective date of 1 January 2027. The standard will not have an impact on the company’s financial statements.

Notes, contd.

41. Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the investment, is exposed to, or has rights to variable returns from its involvement in the investment and has the ability to affect those returns through its power over the investment. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements include a share in the profit or loss and the balance sheet of subsidiaries is accounted for using the equity method.

The financial statements include share in the profit or loss of subsidiaries accounted for using the equity method, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in a subsidiary, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the subsidiary. In case of a profit on the operation of a subsidiary in subsequent periods, a share in their profit is not recognised until the share in a loss has been fully offset.

Assets and liabilities of subsidiaries with another functional currency than the Parent Company's are translated to USD at the exchange rate on the accounting date. Income and expenses are translated to USD at the average exchange rate for the year. The exchange rate difference arising from the translation to USD is shown separately in the statement of comprehensive income and equity, translation difference.

42. Associated companies

Associated companies are those companies in which the Company has significant influence, but not control, over financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity, including any other possible voting power.

The financial statements include share in the profit or loss of associated companies accounted for using the equity method, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds the book value of an associated company, the book value is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the associated company. If in subsequent periods there is a profit on the operation of associated companies, the share in the profit is not recognised until the previous share in losses has been offset.

Notes, contd.

43. Operating revenues

Revenues from power sales consists of sales to power intensive industries and to energy providers on the wholesale market based on measured delivery of power during the year. Other income is recognised when completed or delivered.

Revenues are recognised based on the nature of products sold and services provided as follows:

Electricity generation

Power sales are generated by the sale of electricity that is generated by hydroelectric power, wind power and geothermal heat.

Power generation revenues are generated by the delivery of electricity at an agreed price. The service obligation is to deliver electricity over time and the contractual price is the fee that Landsvirkjun expects to receive, on either the daily price or the contractual price. The service obligation is met over time and reflects revenues based on contractual price for each delivered unit which is the amount that is recognised as revenues. The right to make an invoice for the sale of electricity arises when electricity is generated and delivered and the right to make an invoice has been created for a fee which will, in most circumstances, be the same as the value for the customer.

44. Interest income and expenses

Interest income and expenses are recognised in the income statement using the effective interest rate method. Interest income and expenses include bank rates, premium, realised interest rate swaps and other differences arising on initial book value of financial instruments and amounts on the date of maturity using the effective interest method.

Effective interest is the required rate of return used to derive the present value of estimated cash flow over the estimated useful life of a financial instrument or a shorter period if applicable, so that it equals the book value of the financial asset or liability in the balance sheet. When calculating the effective interest rate, the Company estimates cash flow taking into account all contractual aspects of the financial instrument.

45. Other financial income and expenses

Other financial income and expenses include profit or loss on assets and liabilities held for trading and all realised and unrealised fair value changes and changes in foreign exchange rates.

Notes, contd.

46. Transactions in a currency other than the functional currency

Transactions in foreign currencies are recognised at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are recognised at the exchange rate at the end of the year. The foreign currency gain or loss thereon relating to USD is recognised in the income statement. Non-monetary assets and liabilities measured at cost value in a foreign currency are translated to USD at the exchange rate at the date of the transactions. Tangible assets and liabilities recognised in foreign currencies at fair value are translated to USD at the exchange rate at the date of determination of fair value.

47. Impairment

a. Financial assets

The impairment model in IFRS 9 is based on the premise of providing for expected losses and applies to all of the following: (i) financial assets measured at amortised cost, (ii) financial asset measured at fair value through other comprehensive income; (iii) lease receivables (iv) contract assets within the scope of IFRS 15 and (v) certain loan commitments and financial guarantee contracts.

Expected credit losses for financial assets are estimated based on what stage of the impairment model the relevant financial assets is classified:

Stage 1: expected credit loss is estimated based on the likelihood of default over the next 12 months,
Stage 2: expected credit loss is estimated based on the likelihood of default over the financial asset's lifetime,

Stage 3: objective evidence are in place for the impairment of the financial asset.

At initial recognition, financial assets are classified in stage 1, with the exception of accounts receivable and those financial assets that are impaired at initial recognition. Financial assets are classified in stage 2 when there is a significant increase in credit risk from the date of initial recognition. An estimate of significant increase in credit risk is performed at each financial reporting date. The Company's accounts receivables are without a significant finance component and are initially recognised in stage 2 in accordance with the simplified approach of the standard for such assets.

At each financial reporting date, management estimates if there is objective evidence of impairment of financial assets (stage 3). Financial assets are impaired if there is objective evidence, as a result of one or more events that occurred after the initial recognition of the asset, that indicates that the expected cash flow from the assets will be lower than previously expected.

Impairment of financial assets at amortised cost is the difference between the book value of the assets and the expected cash flow, discounted with the original effective interest rate. Impairment for assets held for sale is estimated based on the fair value of the financial assets at each balance sheet date.

Impairment is reversed if there is objective evidence that an event has occurred after the impairment was recognised that changes the previous estimate of impairment. Reversal of impairment losses for financial assets at amortised cost and debt instruments classified as available for sale are recognised in profit or loss. Reversal of impairment losses for equity instruments that are classified as assets available for sale, is recognised in other comprehensive income.

Notes, contd.

47. Impairment, contd.:

The Company derecognises receivables when there are indicators of significant financial difficulties of debtors and very likely that the receivables will not be paid.

Change in estimated impairment for financial assets is recognised in profit or loss in the period when the estimate is performed.

b. Other assets

The carrying amounts of the Company's other assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with unspecified useful lives are tested at least annually for impairment.

An impairment loss is expensed if the carrying amount of the asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or cash generating units. Impairment loss is first recognised in the income statement and subsequently to reduce the carrying amounts of the fixed assets of the cash generating unit.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its net fair value. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

For other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation.

48. Income tax

The tax expense for the year comprises current and deferred income tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in the statement of comprehensive income, in which case income tax is recognised among those items.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates in effect on the reporting date, in addition to adjustments made to current income tax of previous years.

A deferred income tax liability is recognised in the financial statements. Its calculation is based on the differences between balance sheet items, reported in the tax return and those in the financial statements. The difference arises because the tax assessment is based on principles other than the Company's financial statements and are in main respect a temporary difference as expenses are entered in the financial statements in another period than in the tax return.

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against the asset. The tax asset is calculated at each reporting date and decreased to the extent that is considered likely that it will not be utilised against future taxable profit.

49. Property, plant and equipment

Property, plant and equipment are initially measured at cost value.

Cost value consists of all cost incurred due to the acquisition of the asset. The cost value of fixed assets constructed in own account is the total cost of construction, such as cost of material and salaries in addition to all other costs the Company incurs in making the asset operative.

Notes, contd.

49. Property, plant and equipment, contd.:

If items of fixed assets have different estimated useful lives, they are divided in accordance with their different useful lives.

Interest expenses on loans used to finance the cost value of projects under construction are capitalised at the time of construction.

Depreciation

Depreciation is calculated as a fixed annual percentage based on the estimated useful lives of the operating assets.

The depreciation method, estimated useful life and residual value are revalued at each accounting date.

Depreciation ratios and useful life are specified as follows:

	Depreciation	Useful life
Hydro power stations:		
Power houses and other structures	1.67%	60 years
Machinery	2.5-6.67%	15-40 years
Dams and waterways	1.67-3.33%	30-60 years
Thermal stations	1.67-6.67%	15-60 years
Windmills	5.00%	20 years
Office buildings	2.00%	50 years
Lease assets	2-25%	4-50 years
Equipment	10-25%	4-10 years
Vehicles	10-20%	5-10 years

50. Intangible assets

Intangible assets are recognised at cost value, less accumulated impairment loss and amortisation. Interest related to development cost is not capitalised.

Expenditure for general research cost is expensed in the period it occurs. Development cost for future power projects is capitalised under fixed assets. Development cost is only capitalised if there is a probability of future economic benefit and the Company intends and is able to conclude, use or sell it. The cost is not amortised at this stage, however potential impairment losses are considered if the project undergoes changes.

Water and geothermal rights are capitalised as intangible assets with unlimited useful life on the balance sheet at cost value.

Other intangible assets are stated at cost value less accumulated amortisation and impairment loss.

Subsequent cost is only capitalised if it increases the estimated future economic benefit of the asset. All other cost is expensed in the income statement when incurred.

Amortisation is calculated on a straight line basis, based on the estimated useful lives of intangible assets from the date that they become usable. Amortisation and estimated useful life is specified as follows:

	Amortisation	Useful life
Software	25%	4 years

Notes, contd.

51. Lease agreements

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of future lease payments, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The lease payments included in the measurement of the lease liability comprise of fixed payments less any incentives, variable lease payments that depend on an index or rate, expected residual guarantees and the excercise price of purchase options if the Company expects to excercise the option.

Lease payments are divided into interest expenses and principal payments, with the principal portion reducing the lease liability. The Company remeasures the lease liability if the lease term changes, when lease payments change due to an index or when a lease contract is modified and the modification is not accounted for as a seperate lease.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Variable rent payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

In accordance with IFRS 16, the Company applies a practical expedient that allows a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

52. Financial instruments

a) Non-derivative financial assets

Non-derivative financial assets are recognised when the Company becomes a part of contractual provisions of the relevant financial instrument.

Financial assets are derecognised if the Company's contractual right to cash flow due to the asset expires or the Company transfers the assets to another party without holding back control or almost all the risk and gain involved in the ownership. The component of the transferred financial assets arising or retained by the Company is recognised as a specific asset or liability.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables at amortised cost and financial assets at fair value through other comprehensive income.

i) Financial assets measured at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value in the balance sheet, and changes therein are recognised in the income statement.

Notes, contd.

52. Financial instruments contd.:

Financial assets measured at fair value through profit or loss are shares in other companies and marketable securities.

ii) Financial assets at amortised cost

Financial assets are measured at amortised cost if they meet the following two conditions and are not designated at fair value through profit or loss: (i) the financial asset business model involves holding the financial asset to collect the contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially recognised at fair value plus all transaction costs. After initial recognition the financial assets are measured at amortised cost net of any write down for impairment.

Financial assets at amortised cost include bonds and loan agreements, cash and cash equivalents, accounts receivables and other receivables. Cash and cash equivalents includes funds and non-restricted bank balances with maturity date of three months or less.

iii) Financial assets at fair value through other comprehensive income

If the financial assets are held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets, the financial instrument is measured at fair value through other comprehensive income. It is permitted at initial recognition to measure equity instruments at fair value through other comprehensive income, if they are not held for trading or contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies. After initial registration, they are entered at fair value and changes, other than impairment and exchange differences, are entered as other income and expenses in the statement of comprehensive income and shown as a separate item among equity.

b) Non-derivative financial liabilities

Non-derivative financial liabilities are initially measured at fair value plus direct transaction costs. Subsequent to initial recognition, the liabilities are recognised at the amortised cost value based on effective interest rates.

The Company derecognises a financial liability when the contractual obligations due to the debt instrument expire.

The Company's non-derivative financial liabilities are loans, accounts payables and other payables.

c) Derivative financial instruments

The Company enters into derivative financial instruments to hedge its foreign currency, interest rate and aluminium price risk. Derivative financial instruments are recognised initially at fair value. Direct transaction cost is recognised in the income statement as it incurs. Subsequent to initial recognition, derivative financial instruments are recognised at fair value in the balance sheet and fair value changes are recognised in the income statement among financial income and expenses. Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies.

i) Separable embedded derivatives

Embedded derivatives where the host contract is not a financial instrument are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, other instruments with the same provisions as the embedded derivative would be defined as a derivative and the hybrid contract is not stated at fair value in the income statement.

Changes in the fair value of separable embedded derivatives are recognised in the income statement among financial income and expenses.

Notes, contd.

53. Determination of fair value

Accounting rules require that fair value be determined, both for financial assets and financial liabilities as well as other assets and liabilities. Fair value has been determined due to evaluation and/or explanations according to the following methods. Where applicable, further information on the assumptions used to determine the fair value of assets and liabilities is provided in the relevant notes.

The fair value of financial assets and financial liabilities that are listed on an active market is the same as their listed price. Valuation methods are applied to all other financial instruments when calculating their fair value. A financial asset or financial liability is considered to be listed on an active market if an official price is available from a stock exchange or other independent party and the price reflects real and regular market transactions between unrelated parties.

Valuation methods may include the use of prices in recent transactions between unrelated parties. The value of other financial instruments that are similar to the instrument in question is taken into account, methods are used to estimate discounted cash flows or other valuation methods that can be used to reliably estimate the real market value. When applying valuation methods, all factors are used that market participants would use for valuation, and the methods are in accordance with recognized methods for pricing financial instruments. In the absence of market data, management's judgment is used. The Company regularly validates its valuation methods and tests them using prices obtained in active market transactions for the same instrument, without adjustments or changes, or based on information from an active market.

The most reliable proof of the fair value of the derivative contracts at the beginning is the purchase price, unless the fair value of the instrument can be proven by comparison with other recorded and recent market transactions of the same type of financial instrument or based on a valuation method where variables are based only on market data. When such data is available, the company recognizes profit or loss on the original recording date of the instruments.

54. Cash and cash equivalents

Cash and cash equivalents consist of cash, short-term market securities and demand deposits.

55. Equity

The Company's equity is divided into owners' contribution, translation difference, restricted reserves and other equity. The Company's initial capital amounts to USD 587 million.

56. Employees' benefits

a. Defined contribution plan

Cost due to contribution to defined benefit plans is expensed in the income statement among salaries and salary related expenses as they are incurred.

b. Defined benefit plan

The Company's obligation due to defined benefit plans is calculated by estimating the future value of defined pension benefits accrued by current and former employees in current or previous periods. The benefits are discounted in order to determine their present value. An actuary has calculated the obligation on the basis of a method, which is based on accrued benefits. Actuarial changes in the obligation are recognised among operating items under equity in the statement of comprehensive income. Other changes are recognised in the income statement.

Notes, contd.

57. Obligations

Obligations are recognised in the balance sheet when the Company has a legal obligation or entered into obligations due to past events, it is considered probable that they will be settled and they can be reliably measured. The obligation is assessed on the basis of estimated future cash flow, discounted on the basis of interests reflecting market interest rates and the risk inherent with the obligation.

58. Decommissioning obligation

The company has estimated the cost of decommissioning the wind farm at Vaðölduver. The decommissioning cost has been discounted based on the estimated useful life of the wind farm, and the discounted amount is recognised both as an increase in the related asset and as a provision in the balance sheet. The estimated decommissioning cost is capitalised as part of projects under construction at Vaðölduver.

59. Subsequent events

Nothing has come forth after the balance sheet date, which would require adjustments or changes to the financial statements for the year 2025.

60. Other matters

In a letter dated 9 February 2024, the Icelandic Competition Authority formally notified Landsvirkjun of its decision to initiate an investigation into whether provisions in contracts with power intensive customers, specifically those restricting the resale of electricity under long-term contracts without prior approval from Landsvirkjun are in violation of competition law or the provisions of the EEA Agreement.

Following a complaint, since 2020, the Competition Authority has been conducting a review and investigation into whether Landsvirkjun's participation in Landsnet's transmission loss auctions during the period 2017–2021 constituted a violation of competition law. The Competition Authority concluded on 18 August 2025 that the price charged by Landsvirkjun for sold electricity to Landsnet was too low and fined the company USD 11.4 million. The decision has been appealed to the Competition Appeals Committee.

ESA, the EFTA Surveillance Authority, announced on 30 April the decision to open an investigation into whether Landsvirkjun has violated EEA competition rules by refusing to supply electricity to companies seeking to produce hydrogen and/or electric fuels. This is solely a decision to open an investigation and does not imply that ESA has reached a conclusion on any violation nor indicate the final outcome of the investigation.

PCC BakkiSilicon hf. has ceased operations and there is uncertainty regarding the future of the plant. Contract negotiations between the companies are ongoing and a parent company guarantee is in place.

A malfunction occurred in electrical equipment at the Norðurál aluminium smelter at Grundartangi in October. This resulted in production at the smelter being reduced by approximately two-thirds. It is uncertain when the smelter will return to full operation. Landsvirkjun supplies Norðurál with about one-third of the electricity the smelter uses. The situation is still under review, including the cause of the incident and liability of Norðurál for payment.

Appendix I: Statement of Corporate Governance

Legislation and corporate governance

Landsvirkjun operates under Act No. 42/1983, as amended, and a partnership agreement dated April 2012. Matters not covered by the agreement are governed by the general laws and regulations applicable to partnerships and other relevant statutory provisions.

The Company also follows the guidelines published by the Chamber of Commerce, SA- Business Iceland and Nasdaq Iceland (English version available on the Iceland Chamber of Commerce website). The guidelines on the Share Registry and the Nomination Committee do not apply, as Landsvirkjun is a public partnership company regulated by the Act on Landsvirkjun No 42/1983.

Internal controls and risk management

The internal control system at Landsvirkjun is structured to support operational success and efficiency.

Landsvirkjun's Board of Directors reviews the Company's Risk Management Policy annually. The scope of the Risk Policy extends to the parent company. Further information on the group's corporate governance is included in the "CEO, Deputy CEO and Executive Vice Presidents" section below. The Risk Policy defines the various roles and responsibilities to manage risk efficiently.

- The Audit Committee, in cooperation with an external auditor, reviews the effectiveness of risk management and internal controls in connection with the reliability of the Company's financial information and financial statements.
- The Board's Risk Committee monitors the effectiveness of risk management, risk policy and Landsvirkjun's risk framework. The Board's Risk Committee and Audit Committee report back to the Board on their progress under the Rules of Procedure. The Board receives information and proposals from the committees for discussion and approval at Board meetings.
- The CEO implements the company's risk policy and ensures effective risk management systems and processes are in place to support the Policy. The CEO also ensures that individual roles in risk management are clearly defined, that risk control is adequate and that an overview of the Company's risk factors exists. The CEO also sets risk criteria for the Company's operations in accordance with risk appetite.
- Landsvirkjun's Executive Board reviews and approves risk management procedures within the Company. The Board acts as a consultation forum on risk management and ensures compliance with the Company's Risk Policy. The Executive Board consists of the CEO, Deputy CEO and Executive Directors according to the Company's organisation chart.
- Executive Directors are responsible for ensuring that the Risk Policy and procedures are integrated into daily activities within their divisions.

Appendix I: Statement of Corporate Governance, contd.

- Landsvirkjun's Risk Manager develops and coordinates risk management methodologies and procedures, supports risk management implementation and participates in monitoring and disseminating information to the Board and management.

Landsvirkjun's Company Compliance Officer is Ingvar Christiansen, Legal Counsel /Attorney-at-Law at Landsvirkjun. Landsvirkjun's Deputy Company Compliance Officer is Þorgerður Marinósdóttir, a Certified Public Accountant within Landvirkjun's Finance Division.

Corporate social responsibility and ethical standards

Landsvirkjun's Corporate Social Responsibility Policy was introduced in 2012 and is registered as a policy document in the Company's quality management system. The policy states that the Company's role is to create value, respect and protect natural resources and the environment, and share its expertise to contribute to society effectively. The Board approves the Policy.

Landsvirkjun's ethical standards are outlined in the Company's quality management system, where they are included in the appropriate procedures and are also made available to employees in the general information provided by the Company. Landsvirkjun has established guidelines, including the Code of Conduct, the Supplier Code of Conduct, the Response Plan and the Reprehensible Conduct Response Plan. These guidelines assist staff and suppliers in making decisions. The Code of Conduct and Supplier Code of Conduct are available on Landsvirkjun's website. Landsvirkjun's Board approves these regulations.

Landsvirkjun operates in accordance with the government's ownership policy for such entities (as of September 2021). This policy provides guidelines for various aspects of the Company's management and organisation, governance, policy formulation and vision, operational practices and methods, information disclosure, performance measurement, and communication with the owner's representative.

Appendix II contains non-financial information, and Landvirkjun's website provides further information on policies, projects, and performance.

Ownership, role, policy, vision and values

Landsvirkjun is an energy company owned by the Icelandic State. According to the Act on Landsvirkjun no. 42/1983, its purpose is "to engage in operations in the energy sector and any other business and financial activities pursuant to the decisions of the Board of Directors at any time." Landsvirkjun owns power stations, other structures, water rights, and equipment that the Company has acquired through sectoral laws or contracts.

Landsvirkjun's Policy is approved by the Board of Directors.

Landsvirkjun's vision is a sustainable world, powered by renewable energy.

Landsvirkjun's role is to maximise the value of the renewable energy resources it has been entrusted with, in a sustainable and efficient manner.

Appendix I: Statement of Corporate Governance, contd.

The Company has defined the following objectives to uphold its role:

- Exemplifying resource utilisation and electricity generation
- Leading the way in climate and environmental affairs
- Pursuing a diverse business and exceptional customer service
- Providing a progressive and sought-after workplace
- Exceeding expectations in open communication & cooperation

Board of Directors and sub-committees of the Board

Board of Directors

Landsvirkjun's Board of Directors is appointed annually by the Minister of Finance and Economic Affairs. The Board and the CEO are collectively responsible for the Company's finances and operations. The Board's and Sub-committees' Operating Procedures can be found on Landsvirkjun's website. The Board's members are independent and unaffiliated with the Company, its day-to-day management, and its owner under the guidelines on corporate governance published by the Chamber of Commerce on the 1st of July 2021. The Company's Board shall operate independently, shall be responsible for the operation and management of the Company, and shall be accountable to its owner.

Landsvirkjun's Board of Directors was appointed at the Company's Annual General Meeting held on 14 April 2025, in accordance with the rules governing the selection of directors to the boards of state-owned enterprises. The outgoing Board comprised Jón Björn Hákonarson (Chair), Gunnar Tryggvason (Deputy Chair), Álfheiður Ingadóttir, Halldór Karl Högnason and Soffía Björk Guðmundsdóttir.

Landsvirkjun's Board members:

Brynja Baldursdóttir, Chairman of the Board, was born in 1976. She holds an MSc in Industrial Engineering from Georgia Tech in Atlanta and was appointed to the Board of Landsvirkjun in 2025. Brynja has been CEO of Greiðslumiðlun Íslands since 2021. Prior to this, she spent 9 years with Creditinfo Group, where she held several senior leadership roles, primarily as Managing Director of Creditinfo Iceland and Regional Director for Northern Europe. Earlier in her career, she worked for 7 years at Síminn. Brynja currently serves on the boards of the Icelandic Chamber of Commerce and the University Council of Reykjavík University. She has also held numerous board positions, including with Lífsverk Pension Fund, Fossar Investment Bank and Sensa. Brynja is independent and unaffiliated with Landsvirkjun, its executive management, its principal business partners and competitors, and its owner.

Berglind Ásgeirsdóttir, Deputy Chairman of the Board, was born in 1955. She holds a law degree from the University of Iceland and an MA in International Relations from Boston University. She has also completed specialist training in directors' duties, accountability and performance. Berglind was appointed to the Board of Landsvirkjun in 2025. She previously served as Deputy Secretary-General of the Organisation for Economic Co-operation and Development (OECD) in Paris and as Secretary General of the Nordic Council in Copenhagen. She was Permanent Secretary of the Ministry of Social Affairs for eleven years and subsequently of the Ministry of Health for 3 years. Berglind has also held senior positions within the Ministry for Foreign Affairs and served as Iceland's Ambassador to Paris and Moscow. Berglind currently sits on the boards of Stafir Nursing Home hf. and Hjúkrunarheimilið Hamranes ehf. In recent years, her professional focus has included work on immigration matters. Berglind is independent and unaffiliated with Landsvirkjun, its executive management, its principal business partners and competitors, and its owner.

Appendix I: Statement of Corporate Governance, contd.

Hörður Þórhallsson, Board Member, was born in 1967. He holds an MSc in Industrial Engineering from the Karlsruhe Institute of Technology and was appointed to the Board of Landsvirkjun in 2025. Since 2016, Hörður has served as Chief Executive Officer of Ósar – the Lifeline of Health, and of Icepharma. In 2015–2016, he established and led the National Tourism Operations Centre. Prior to this, he spent 15 years with the pharmaceutical group Actavis and its predecessor entities, during which he held several senior executive roles. These included the Executive Director of Operations, followed by the Senior Vice President for Asia-Pacific and Africa. Hörður began his professional career as a management consultant with VSÓ Ráðgjöf. Hörður currently serves as Chair of the boards of Veiðifélag Eystri-Rangár, Sunna Frjósemi ehf. and Njáluslóða ehf., and is a board member of Arfi ehf. Hörður is independent and unaffiliated with Landsvirkjun, its executive management, its principal business partners and competitors, and its owner.

Sigurður Magnús Garðarsson, Board Member, was born in 1967. He holds a PhD in Environmental and Civil Engineering from the University of Washington, an MSc in Applied Mathematics from the same institution, and an engineering degree from the University of Iceland. He was appointed to the Board of Landsvirkjun in 2025. Sigurður Magnús is a Professor of Environmental and Civil Engineering at the University of Iceland and has served as Dean of the School of Engineering and Natural Sciences since 2017. Earlier in his career, he worked as a consulting and design engineer with engineering firms in both the United States and Iceland. He has held a wide range of positions of responsibility for academic institutions, public authorities and non-governmental organisations. These include serving as Chair of the Board of the University of Iceland Science Park since 2020, as a board member of the Association of Nordic Technical Universities from 2017 to 2023, and as a board member of IceTec since 2021. Sigurður Magnús is independent and unaffiliated with Landsvirkjun, its executive management, its principal business partners and competitors, and its owner.

Þórdís Ingadóttir, Board Member, was born in 1969. She holds a PhD in Law from the University of Helsinki, an LL.M. from New York University School of Law and a Cand. juris degree from the University of Iceland. She was appointed to the Board of Landsvirkjun in 2025. Þórdís is Professor of Law at Reykjavík University and serves as Director of the University's Institute of International and European Law (EPIL). She has held a wide range of positions of responsibility for government bodies, academic institutions, international organisations and non-governmental organisations. These include serving as Chair of Iceland GeoSurvey (ÍSOR) from 2019 to 2023, and as a member of the Judicial Administration from 2013 to 2019, the Judicial Council from 2009 to 2017, and the Supervisory Board of Landsbankinn hf. from 2010 to 2014. Þórdís is independent and unaffiliated with Landsvirkjun, its executive management, its principal business partners and competitors, and its owner.

Landsvirkjun's Board of Directors evaluates the Company's strategy, operations, financial position, its work and the CEO. The Board annually reviews the presentation, content, and form of the written information submitted by the CEO on the Company's operations and financial position. The Board holds an annual meeting, without the CEO or other Company staff, to discuss the Company's policies and Board procedures. The Board held a meeting without employees on 27 February 2025, where the Board's performance evaluation was discussed.

CEO

Hörður Arnarson was born in 1962 and has served as Chief Executive Officer of Landsvirkjun since the 1st of January 2010. He holds a degree in Electrical Engineering from the University of Iceland (1986) and completed postgraduate studies at the Technical University of Denmark, earning a PhD in 1990. Hörður began his career at Marel in 1985, where he held a variety of roles, including CEO for ten years from 1999 to 2009. Between May and November 2009, he served as CEO of Sjóvá, leading the company's organisational restructuring. Hörður currently serves on the boards of Ungir Frumkvöðlar, Landsvirkjun Power, Veritas and Akur Investment.

Appendix I: Statement of Corporate Governance, contd.

Audit Committee

Landsvirkjun's Audit Committee is subject to Chapter IX of Act No. 3/2006 on Financial Statements, cf. Act No. 80/2008. The Board of Directors sets the standard procedures for the committee to further comply with the law. Landsvirkjun's Board of Directors appoints three people to the audit committee at its first meeting after the annual general meeting, and one of them shall be appointed as its chair. The role of Landsvirkjun's Audit Committee, according to Article 2 of its Rules of Procedure, is to:

- a) Monitor the integrity and processes involved in preparing financial statements.
- b) Monitor the organisation and effectiveness of the Company's internal control framework, internal auditing, and risk management.
- c) Monitor any audit of the Company's financial statements and consolidated financial statements.
- d) Assess the compliance of auditors or auditing firms employed by Landsvirkjun with the laws and supervisory standards generally adhered to by auditors and auditing firms.

Under paragraph 3, Article 8 of the Act on Landsvirkjun No. 42/1983, the General Meeting elects a certified public accountant or auditing firm to audit the Company's financial statements, according to the Icelandic National Audit Office proposal. According to the Act on the Auditor General and the Auditing of Government Accounts, selecting an auditor or audit firm must be decided in consultation with audit committees when appropriate.

Landsvirkjun's Audit Committee serves an advisory role to the Board of Directors and acts on its behalf. The Committee does not have executive power. The Audit Committee has a total of three members, appointed at the Board meeting on 14 April 2025, consisting of two Board members: Brynja Baldursdóttir and Þórdís Ingadóttir, and Auður Óskar Þórisdóttir, a certified public accountant, who is the Chairman of the Committee. The Audit Committee may seek advice whenever necessary to fulfil its supervisory duties. The Committee meets at least four times during the Committee's tenure. The working period of the audit committee in each case is between the company's general meetings. The chair of the committee chairs the meetings of the audit committee.

Risk Management Committee

Landsvirkjun's Board of Directors appoints three people to the risk committee, one of whom is appointed chair. The risk committee is appointed for one year at a time at the first board meeting after the general meeting. Landsvirkjun's Risk Management Committee shall, according to Article 2 of its Rules of Procedure:

- a) Monitor Landsvirkjun's risk management, including risk policy and risk appetite.
- b) Present the Board with any proposed changes to the risk management structure when necessary.
- c) Monitor and evaluate the execution and effectiveness of risk management.
- d) Review Landsvirkjun's key risks and the Company's risk profile.
- e) Review emergency management procedures, contingency plans, and business continuity plans.
- f) Oversee the Company's compliance with the law and mandatory disclosure requirements.
- g) Monitor and inform the Board of Directors on damage and liability insurance status.
- h) Take on other responsibilities assigned to the Committee by Landsvirkjun's Board of Directors, at any given time.

Appendix I: Statement of Corporate Governance, contd.

The Risk Committee has three Board members, all appointed by the Board of Directors: Sigurður Magnús Garðarsson, Chairman, Berglind Ásgeirsdóttir and Þórdís Ingadóttir. The committee generally meets three times a year or as often as required and reports annually to the Board.

Remuneration Committee

Landsvirkjun's Board of Directors appoints three individuals to the remuneration committee, with one appointed as chair. The remuneration committee is appointed for one year following the general meeting at the first board meeting. The Remuneration Committee shall, according to Article 2 of its Rules of Procedure:

- a) Submit a proposal to Landsvirkjun's Board of Directors regarding the Company's remuneration policy and its review.
- b) Monitor the execution of the remuneration policy.
- c) Submit a proposal on the CEO's wages and other benefits to Landsvirkjun's Board of Directors.
- d) Monitor the development of Landsvirkjun's remuneration and human resources matters, including wage equality.
- e) Follow up on completing agreements with the CEO and other employees on salaries and other employment terms under the board's auspices.
- f) Propose remuneration for Landsvirkjun's Board of Directors and the members of the Board's sub-committees for the current term of office, to be submitted to the Annual General Meeting.
- g) Take on the responsibilities assigned to the Committee, by Landsvirkjun's Board of Directors, at any given time.

The Remuneration Committee has three Board members, all appointed by the Board of Directors: Brynja Baldursdóttir Chairman, Hörður Þórhallsson and Berglind Ásgeirsdóttir. The committee meets as often as required and reports annually to the Board.

In 2025, the Board of Directors held 21 meetings, the Audit Committee held 6 meetings, the Remuneration Committee held 4 meetings, and the Risk Committee held 3 meetings. All meetings were fully attended.

CEO, Deputy CEO and Executive Vice Presidents

Hörður Arnarson is Landsvirkjun's CEO. The Board approves the CEO's Operating Procedures. The CEO handles the Company's day-to-day operations and must comply with the policy and instructions set out by the Board of Directors. Day-to-day operations do not include measures that are unusual or significant. The CEO can only take such measures with the explicit permission of the Board of Directors unless awaiting the Board's decision would prove disadvantageous to the Company's operations. The Board shall be notified immediately of any measures taken under such circumstances. The CEO shall ensure that the Company's accounts are kept in accordance with the relevant laws and practices and that its assets are securely handled. The CEO is responsible for formulating the company's strategy and ensuring that objectives are set. The CEO supervises and monitors Landsvirkjun's subsidiaries and associates.

Kristín Linda Árnadóttir is the Deputy CEO of Landsvirkjun. The Deputy CEO is the substitute for the CEO in his absence and manages the CEO's Office. The CEO's office is responsible for strategic planning and compiling key metrics. In addition to maintaining the company's management systems and risk management, the department coordinates changes throughout the company and creates channels for improvement. The Division is responsible for managing the Company's communication and information sharing, as well as human resources, compensation, and workplace development. It provides legal support to other divisions and works on the development of high-quality governance and management practices.

Appendix I: Statement of Corporate Governance, contd.

The Executive Board consists of the CEO, Deputy CEO, Executive Vice Presidents, and others, dependent upon the CEO's decision. At year's end, the Executive Vice Presidents were seven.

Gunnar Guðni Tómasson is the Executive Vice President of the Hydropower Division. The division ensures that hydropower stations operate efficiently, maximising energy production. It is also responsible for maintaining and refurbishing hydropower stations to comply with environmental and safety requirements. The Division is responsible for developing hydropower energy options, monitoring water, researching new energy options, and supervising dams and other structures. The Division is responsible for managing electricity generation and delivery by existing agreements.

Bjarni Pálsson is the Executive Vice President of the Wind and Geothermal Division. The Division is responsible for efficiently operating geothermal power stations and wind farms and maximising energy production. As part of its responsibilities, the division maintains, renovates, and renews power stations to ensure they perform their specified role efficiently, comply with environmental and safety requirements, and meet the ISO 55000 standard for asset management. Additionally, the Division is responsible for developing new geothermal and wind energy options and innovations that improve resource utilisation, monitoring and research.

Ásbjörg Kristinsdóttir is the Executive Vice President of the Project Planning and Construction Division. The Division oversees the construction of power stations that have reached the construction stage and renovation projects at the Company's power stations. The Division is also responsible for tender documents, work preparation, cost and cash flow plans, tenders and contracts for planned projects and the acquisition of necessary permits. The department is responsible for construction costs and work progress during the project period. It delivers power stations ready for operation in hydropower, wind, and geothermal fields per the company's assumptions, plans and policies.

Rafnar Lárusson is the Executive Vice President of the Finance and IT Division. The division is responsible for and monitors the budget process. Services include providing an overview of Company operations, overseeing resource acquisition and capital management, and providing comprehensive advice on purchasing and financing. The Division carries out calculations of the profitability of projects and investments. The Division is responsible for ensuring that IT and digital solutions reflect the needs of the Company's operations at any given time. The Division also offers general internal services.

Tinna Traustadóttir is the Executive Vice President of the Sales and Services Division. The Division manages contracts with existing customers and ensures excellent service. It also maximises Landsvirkjun's long-term revenues, interacts with customers, manages business portals, and settles electricity sales. The division is also responsible for developing pricing policies in wholesale and energy-intensive user markets, handling demand forecasts, and analysing Landsvirkjun's business environment and competitive position in domestic and foreign markets.

Ríkarður Ríkarðsson is the Executive Vice President of the Business Development and Innovation Division. The division's role is to develop new business opportunities and manage Landsvirkjun's participation in energy-related innovation. The Division is responsible for planning and supervising innovation projects and collaborates with municipalities, other companies, clusters, and other parties to pursue innovation. The Division also seeks funding for energy-related business development and innovation in the international research and development arena.

Appendix I: Statement of Corporate Governance, contd.

Jóna Bjarnadóttir is the Executive Vice President of the Community and Environment Division. The division leads the social, sustainability and environmental matters of the Company. This division supports other divisions within the Company and works towards carbon neutrality, green operations, active community engagement, and socially responsible practices.

Regulatory compliance

The Company was not found by any court or administrative order, to have violated any laws or regulations in 2025. Throughout the year, there were no complaints regarding customer or employee privacy breaches, and no new issues related to the Competition Authority arose.

Arrangements for communication with owners

Communication with the owners mainly occurs at the Company's Annual General Meeting and extraordinary general meetings. The Board's Rules of Procedure provide more information about communication with owners.

Appendix II: Non-financial information

Landsvirkjun publishes an annual report including a sustainability statement based on the results of a double materiality analysis. Landsvirkjun has supported the UN Global Compact since 2013 and reports to the organisation on its work relating to environmental standards, labour law, human rights and measures to combat corruption. Landsvirkjun also supports the United Nations Sustainable Development Goals, with particular emphasis on Goal 13 (Climate Action), Goal 7 (Affordable and Clean Energy) and Goal 5 (Gender Equality).

Landsvirkjun's operations have been assessed through a double materiality analysis to identify the aspects of the Company's activities with the most significant impacts on the environment, society and the economy. The analysis was carried out with the involvement of a diverse group of stakeholders, including external parties, and was conducted across the company's functions and departments.

Strategy

Future vision: Our vision is a sustainable world, powered by renewable energy.

Role: Our role is to maximise the value of the renewable energy resources we have been entrusted with, in a sustainable and efficient manner.

The Company operates in accordance with specific strategic goals to deliver its objectives:

Strategy objectives

Operating exemplary resource utilisation and energy generation

Landsvirkjun utilises hydropower, geothermal and wind energy, focusing on sustainability, efficiency, and safety. We are now taking the next step in developing wind generation, guided by the same principles.

Leading the way in climate and environmental affairs

Landsvirkjun respects the environment and plays a vital role in Iceland's transition to clean energy, contributing to global carbon neutrality.

Pursuing a diverse business and exceptional customer service

Landsvirkjun works closely with its customers to increase value creation. We work to create a greener future by using innovative measures and identifying new business opportunities.

Providing a progressive and sought-after workplace

We promote team unity, job satisfaction and positive workplace culture by supporting employee health, well-being, and equal rights.

Exceeding expectations in open communication and cooperation

We foster effective and active communication with all our stakeholders and work closely with local communities. We are a good neighbour.

Appendix II: Non-financial information, contd.

Economy and corporate governance

Business model

Landsvirkjun is a state-owned energy company in Iceland that specialises in generating and selling electricity derived from renewable energy sources, such as hydropower, geothermal energy, and wind power. The Company operates in a competitive market, generating more than 70% of the country's electricity. About 20% of the Company's electricity generation is sold to domestic electricity sales companies, which then sell it to households and businesses. About 80% of the Company's electricity generation is sold to various energy-intensive customers operating in internationally competitive markets, such as smelters, silicon plants and data centres. Landsvirkjun also sells Guarantees of Origin, which confirm that a specified amount of electricity has been generated from renewable energy sources. By purchasing these GOs, consumers can contribute to promoting renewable energy generation.

Landsvirkjun's role is to maximise the value of the renewable energy resources it has been entrusted with, in a sustainable and efficient manner. In 2025, Landsvirkjun paid the state 195 million USD in dividends.

Management System and certification

Landsvirkjun's management systems are certified against international management standards. These standards cover quality management (ISO 9001), environmental management (ISO 14001), occupational health and safety (ISO 45001), equal-pay certification (ÍST 85) and information security (ISO/IEC 27001). The company's operations are certified annually against the standards' requirements, and the certifications were maintained during the year.

The Company's electricity generation is certified by the German certification body TÜV SÜD as 100% renewable; the certification confirms that the company contributes to the development of renewable power generation and that its operational controls meet the strictest requirements. Landsvirkjun's emissions are reviewed and assured with limited assurance by Bureau Veritas in accordance with ISO 14064-3.

Work continued during the year to revise and update the Company's internal policies. The Board approved a new policy on electrofuels and climate-related innovation in the spring.

Ethical Standards and human rights

Landsvirkjun's ethical standards are documented in the Company's quality management system, embedded in relevant procedures and communicated to employees through Company information channels.

Employees who witness misconduct within the Company must report it following the established protocol. The purpose of the Reprehensible Conduct Response Plan is to identify and address any offence and other possible misconduct as soon as possible and to prevent this type of conduct. Among the topics covered in the plan are preventing corruption and bribery.

The Company's Value Chain regulations were approved in 2016, intended to ensure the rights of Landsvirkjun's employees, contractors, subcontractors, or temporary employees. They cover wages, work benefits, health, and accident insurance. Various policies and regulations are already in place to ensure the human rights of all Landsvirkjun's employees. A specific human rights policy, in addition to these regulations, was therefore not deemed necessary. These include Landsvirkjun's Code of Ethics, Supplier Code of Ethics, and the Reprehensible Conduct Response Plan discussed above.

Appendix II: Non-financial information, contd.

Risk Management

Landsvirkjun follows a formal risk management process to identify and control the Company's financial and non-financial risks. The process aims to map key risk factors and take appropriate action to reduce the likelihood of undesirable events and their potential effects on reputation, finances, health and safety, the environment and climate matters.

Landsvirkjun's financial risk is discussed in more detail in the notes section of these Financial Statements.

Landsvirkjun's Customers

Sales to industrial customers remained unchanged between the years 2024 and 2025. PCC entered into an operational shutdown around mid-year, and a serious incident at Norðurál caused one of the potrooms to go offline. Sales to data centres declined slightly compared with the previous year, as those customers reconfigure their operations, increasing emphasis on artificial intelligence. Other major customers generally maintained good utilisation of their production capacity.

Energy-related and climate-friendly innovation

Landsvirkjun supports energy-related and climate-friendly innovation through various collaborative projects such as Blámi, Eimur and Orkídea. These include collaboration projects with local communities surrounding our power stations to prepare for future energy-related opportunities in areas such as the fields of food production, sustainable use of resources and entrepreneurship. The Company is also involved in preparing areas for new energy-related investments. Landsvirkjun also engages in energy transition projects with businesses and municipalities, particularly in transportation, from light to heavy vehicles that can benefit from increased electrification and other renewable solutions.

Climate and Environmental Policy

Climate and Environment Policy

The purpose of Landsvirkjun's climate and environmental policy is to protect the environment while responsibly utilising resources and managing practices to minimise environmental pressures. The Policy states:

- Landsvirkjun contributes to a sustainable world through environmentally sustainable energy generation, aligned with global goals to limit the temperature increase to 1.5°C.
- We respect the Icelandic landscape and natural environment and continually strive to optimise the use of resources and prevent waste. We safeguard biodiversity guided by an ecosystem-based approach. Emphasis is placed on understanding and minimising the environmental impact of our operations and preventing environmental incidents.
- We actively participate in the global response to climate change. We systematically work towards reducing our carbon emissions, supporting Iceland's commitment to the Paris Agreement, and responding to climate change-induced challenges and opportunities.

Climate and environmental metrics and targets

The Company has established specific targets in this area to support Landsvirkjun's efforts in climate and environmental matters. These targets, sub-goals and actions are tracked in the Climate Action Plan. Progress towards these targets is monitored through dynamic dashboards, which are regularly reviewed. Below is an overview of the key performance indicators for Landsvirkjun's Climate and Environmental Policy, along with the results achieved.

Appendix II: Non-financial information, contd.

Proportion of environmentally sustainable energy production (%)

All of the Company's power stations make a significant contribution to climate change mitigation and do no significant harm (DNSH) to other environmental objectives, according to the EU taxonomy criteria for sustainable investments. Consequently, all of Landsvirkjun's power generation (100%) was environmentally sustainable in 2025.

Share of sold energy as a percentage of installed capacity (%)

Total curtailments in the 2024–2025 water year amounted to 115 GWh for the period October–February, with a further 13 GWh secured through a repurchase arrangement with Elkem. Electricity sales were materially depressed by customers' operational problems. Sales in 2025 totalled 13.859 GWh – the lowest since 2020. This temporary decline has significantly affected resource utilisation for the year, which is estimated at 90% compared with 96% in the previous year. Further details on resource utilisation are set out in the annual report.

Number of environmental incidents

Five environmental incidents during the year were classified as significant, occurring close to their sources with predominantly reversible effects. All incidents have been analysed, and operating procedures and work instructions amended accordingly. No incidents of very high severity were recorded during the year. Further details on the year's environmental incidents are set out in the annual report.

Carbon footprint (tonnes of CO₂ equivalent per year)

Net greenhouse gas emissions, less carbon sequestration, amounted to 41 thousand tonnes in 2025, representing an increase of 20% compared with 2024. The increase can be attributed to construction projects.

Greenhouse gas emissions from energy generation (g CO₂ equivalents per kWh per year)

Greenhouse gas emissions from energy generation amounted to 3.1 g CO₂ equivalents per kWh in 2025, representing a year-on-year decrease of 5%. Emissions therefore remained below the annual target of less than 4 g CO₂ equivalents per kWh. Avoided emissions from Landsvirkjun's energy generation in 2025 are estimated at approximately 2.5 million tonnes of CO₂ equivalents and remained unchanged year over year. Further information on avoided emissions and the calculation methodology is provided in the annual climate accounts.

Further information on climate targets and their status is provided in the published climate accounts, as verified by the certification body Bureau Veritas.

Society

Community Engagement Policy

The purpose of Landsvirkjun's Community Engagement Policy is to promote the positive social impacts and benefits of the Company's operations, alongside the responsible utilisation of natural resources. The Policy states:

- Landsvirkjun is a good neighbour.
- Our guiding principles are honesty, respect, and a commitment to benefitting the local community in all aspects of operations, from project planning to the operation of power stations.
- We actively participate in society and support issues and projects that positively impact society.
- We encourage constructive communication and cooperation and share knowledge on Company activities through various platforms.
- As a leading force within society, we promote energy-related innovation with sustainability as our guiding principle.

Appendix II: Non-financial information, contd.

Social indicators and targets for community performance

To support Landsvirkjun's community-performance objectives, the Company has set targets within its Community Engagement Policy and monitors progress via live dashboards subject to regular review. Below is a concise overview of the social indicators and performance.

Public awareness of the Company

Gallup conducts monthly surveys on public awareness of Landsvirkjun. The target is for more than 40% of respondents to say they know the Company well. Public awareness exceeded the target in all months of the year except August, when 38% said they knew the Company well or very well.

Public favourability toward the Company

Gallup conducts monthly surveys on public attitudes toward Landsvirkjun. The target is for more than 60% of respondents to be positive toward the Company and fewer than 8% to be negative. The target was met during the year; on average, 62% were positive and 8% were negative toward the Company.

Local procurement share

The Company monitors the share of purchases (under USD 117 thousand, excluding VAT) at power station sites that are procured from companies in the local community. In 2025, an average of 36% of power-station purchases were from local companies, amounting to USD 20.6 million. In the previous year, the share was 30%.

Financial contributions to community and partnership projects

The amount of funding allocated to grants, collaborative projects, and regionally based innovation initiatives is monitored. In 2025, the Company allocated USD 3.1 million, compared with USD 3.0 million in the previous year.

Collaboration with the community

Landsvirkjun's operations have a widespread impact on the community, not least in the local communities surrounding its power stations. One of the Company's strategic objectives is to create support and consensus through open communication with stakeholders. A stakeholder analysis is made for all divisions and construction projects, as well as a communication plan to communicate their activities effectively.

Human Resources

Human Resources and Equality Policy

The purpose of the HR and Equality Policy is to support an ambitious working environment that fosters strong team cohesion, achievement and a motivating workplace spirit. The working environment shall also promote a desirable culture characterised by well-being, diversity, equality, opportunities for growth and employee commitment. The Policy states:

- Team cohesion and culture. Roles are varied, and objectives are clear; we work together to realise the Company's vision. We apply ambition and commitment to our tasks, approach them with determination and a constructive mindset, take initiative, solve problems creatively and embrace new approaches.

- Equality and diversity. Equality and diversity underpin success and make Landsvirkjun an employer of choice. We respect human rights, seek equal opportunity and gender balance, celebrate diversity, promote inclusion and work actively against all forms of discrimination. Staff are assessed on merit and afforded equal opportunities in recruitment, promotion, training and remuneration. We prioritise equality, pay equity and maintain an active equality action plan and a certified equal pay system.

Appendix II: Non-financial information, contd.

- Collaboration and communication. We cultivate the human dimension of work. Colleagues collaborate to resolve tasks, maintain professional standards, share information, practise active listening, exchange knowledge and provide mutual support. Communications are founded on trust, are candid, and solution focused. We act with courtesy and respect, motivate one another, give constructive feedback and praise achievement.

- Wellbeing and flexibility. We safeguard employee wellbeing through preventative health measures, safety and occupational health. We provide opportunities for skills development, continuing education and deployment of individual strengths in work they are passionate about. We recognise differing needs and ensure sound working conditions and flexible arrangements to enable work-life balance.

Bullying, sexual harassment, gender-based harassment and other violence are not tolerated. Landsvirkjun operates a defined response procedure for the identification, investigation and resolution of such incidents.

Human resources, equality targets and objectives

To support Landsvirkjun's effectiveness, the Company has established targets within its HR and Equality Policy. Progress is monitored through live dashboards, which are regularly reviewed and the results are used for continuous improvement. The principal indicators and performance are summarised below.

Staff turnover target: below 10%

In 2025, staff turnover was 6%, which is below the established threshold and reflects a stable working environment and employee satisfaction.

Gender ratios: 40:60 for managers; 35:65 for the overall workforce

Landsvirkjun emphasises equality and guarantees equal pay for work of equal value. Since 2021, the executive management team has been gender-balanced. The share of female managers increased from 39% in 2022–2023 to 42% at year end 2025. Overall, the workforce comprised 69% men and 31% women at year end 2025.

Gender pay gap: maintained below 3.5%

Landsvirkjun operates an active, certified equal-pay system and ensures equal pay for work of equal value. In 2025, the Company was awarded PwC's Equal-Pay Gold mark for the eleventh time. The PwC audit concluded that differences in base and total pay between men and women fell within PwC's thresholds for good equal-pay performance: men's base pay was 0.3% higher than women's base pay, and men's total pay was 0.7% higher than women's total pay. The explained proportion of the basepay gap was 96.9%.

Employee pulse survey score to exceed 4 out of 5

Focus is placed on strengthening employee wellbeing and job satisfaction through regular pulse surveys conducted throughout the year. "Energy Pulse" is the average of all questions in the pulse surveys, and it measured 4.33 over the year 2025.

Employee satisfaction is to exceed 4 out of 5

In 2025, average employee satisfaction was 4.48 out of 5, well above the stated target. The results indicate a strong team spirit, a positive working environment, and an effective approach to human resources management.

Appendix II: Non-financial information, contd.

Equality

The Company has a Gender Equality Committee chaired by the CEO. It has defined and published a gender equality plan until 2027 under Act 150/2020 on Equal Status and Equal Rights Irrespective of Gender. The Executive Board reviews the plan annually or as needed.

Health and Safety Policy

The purpose of Landsvirkjun's health and safety policy is to create a workplace where the safety and health of employees are the top priority. Our goal is to maintain a secure and healthy work environment that promotes well-being and a positive workplace culture. The Policy states:

- Landsvirkjun is a leader in safety and health matters. We create a secure and healthy work environment by preventing accidents and work-related illnesses that could cause long-term harm. We emphasise employee well-being and a healthy workplace culture.
- Many aspects of Landsvirkjun's operations carry risk. We assess all roles for risk, control physical and psychosocial hazards, maintain appropriate layers of protection and do not accept undue risk. We do not put employees' lives or health at risk for the sake of money, time, production or any other operational consideration. We must challenge unsafe practices or conditions and stop work where they believe safety is not assured.
- We maintain open and honest dialogue with internal and external stakeholders on health and safety. We emphasise clear managerial accountability and ensure that staff understand their safety is always the priority. All personnel are expected to participate actively in creating a safe, healthy workplace, learn from incidents and take responsibility for their own safety and that of others.

Objectives in health and safety matters

To support performance in health and safety, the Company has established objectives set out in its Health and Safety Policy. Progress is monitored via regularly reviewed live dashboards. Below is an overview of the Health and Safety Policy metrics and performance.

	2025	2024
H-200 for Landsvirkjun employees (target: 0)	0	0.84

The H-200 rate measures the frequency of lost-time injuries per 200,000 working hours.

In 2025, there were no lost-time injuries among Landsvirkjun employees, and the lost-time injury frequency rate (H-200) was therefore 0.0. Three lost-time injuries occurred among contractors at Landsvirkjun's sites; all were minor (one day of absence from work in each case). No incidents resulted in permanent harm, and no occupational disease cases were reported. One very serious near miss was recorded, as well as eight injuries involving permanent employees, two minor injuries involving summer staff, and four minor injuries (other than lost-time injuries) among contractors.

Employee mental health

Landsvirkjun shows its commitment to the health and well-being of its employees through a range of initiatives. In partnership with occupational health specialists, the Company provides health assessments, focusing on psychosocial and physical aspects. The assessments cover professional health, mental well-being, social health, and personal wellness. Additionally, the Company incorporates health and wellness topics into its internal training programs. Employees also have access to individual consultations with experts in occupational health.

Appendix II: Non-financial information, contd.

EU Taxonomy Regulation

Landsvirkjun publishes sustainability information in accordance with the EU Taxonomy (Regulation (EU) 2020/852), implemented in Iceland by Act No. 25/2023. The Company discloses the share of its revenues, capital expenditure and operating expenditure that qualify as environmentally sustainable under the Regulation.

The Taxonomy defines environmentally sustainable activities by technical screening criteria and minimum safeguards. To be classified as environmentally sustainable, an activity must be both eligible under the framework and aligned with those criteria.

Sustainability is a core principle of Landsvirkjun's operations: the Company's principal contribution is the generation of renewable electricity, combined with responsible stewardship of environmental and social values.

Basis for the preparation of the report

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Icelandic Financial Statements Act, which includes Article 66 on non-financial reporting (NFRD). Disclosures under the Taxonomy Regulation are based on provisions transposed into Icelandic law as of 31 December 2025. The financial statements are presented in USD, the Company's functional currency. Unless otherwise stated, all financial information presented in USD has been rounded to the nearest thousand. Preparing financial statements in conformity with IFRS requires management to make decisions, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Taxonomy eligible activities

According to Landsvirkjun's assessment, the Company's core activities, electricity generation from hydropower, geothermal and wind, qualify as eligible activities under the environmental objective of climate change mitigation.

Aligned activities

Under the EU Taxonomy Regulation, for an activity to be classified as environmentally sustainable, it must make a 'substantial contribution' to one of the six environmental objectives outlined in the Regulation.

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems.

Appendix II: Non-financial information, contd.

Furthermore, the activity must meet the technical screening criteria, demonstrating it causes no significant harm to any other environmental objective, and it must satisfy minimum safeguards concerning human rights, labour standards and sound governance.

Substantial Contribution to climate change mitigation (SC)

Hydropower

Most of Landsvirkjun's energy generation comes from hydropower. Three technical criteria for substantial contribution to climate change mitigation are outlined, requiring the fulfilment of at least one of them. One of the three criteria is that greenhouse gas emissions during the life cycle for electricity generation from hydropower are less than 100 g CO₂eq/kWh.

Landsvirkjun has conducted life-cycle assessments for four hydropower stations, confirming that their lifecycle emissions are well below established benchmarks. The lifecycle emissions of one hydropower station have been independently verified by a third party. The additional criteria apply to stations without life-cycle assessments: the electricity generation facility must be either a run-of-river plant without an artificial reservoir or have a power density above 5 W/m². On this basis, Landsvirkjun considers the criteria to be met.

Geothermal energy

For geothermal electricity to qualify as a substantial contribution to climate change mitigation, life cycle greenhouse gas emissions must be below 100 g CO₂eq/kWh. Landsvirkjun has commissioned life-cycle assessments for all its geothermal stations, which demonstrate that the emissions from each station fall below this threshold; consequently, the operation of all the Company's geothermal stations complies with the criterion. An independent third party has verified the life-cycle assessments and reported life-cycle emissions for all geothermal stations. On this basis, Landsvirkjun considers the criteria to be met.

Wind energy

The activity must involve generating electricity through wind energy. Landsvirkjun's wind turbines comply with these criteria and meet the regulations' requirements. On this basis, Landsvirkjun considers the criteria to be met.

Do no significant harm

Climate change Adaptation

A climaterisk and vulnerability assessment was conducted for all Landsvirkjun power stations. The assessment covered principal assets, including station buildings, reservoirs and wells. It was conducted using the IPCC SSP5-8.5 (RCP 8.5) scenario, with projections to 2050 for wind power and to 2080 for geothermal and hydropower facilities. The assessment found no material physical climate-related risks to the operation of Landsvirkjun's power stations. Glacial ablation induced by climate change increases inflows to hydropower stations, thereby representing a climate-related opportunity for the Company's operations.

Appendix II: Non-financial information, contd.

Climate risk and vulnerability assessments are updated every 5 years. In addition, climatology and projected climate change are considered in the development of new projects and in operational planning for Landsvirkjun's power stations. Climate risk factors are evaluated using both historical data and future scenarios. Assessment of climate risk factors is part of project development and the day-to-day operation of the Company's power stations. Climate risk analysis is integrated with Landsvirkjun's broader operational risk management. The Company monitors climatic trends and, in its climate risk assessments, considers both chronic and acute hazards arising from changes in temperature, wind, and water, with respect to location. On this basis, Landsvirkjun considers the criteria to be met.

Sustainable use and protection of Water and Marine Resources

The DNSH criteria related to the sustainable use and protection of water and marine resources apply to both geothermal and hydropower production, and they include additional requirements for hydropower. The Water Framework Directive (WFD) came into effect in the EU in 2000 and was later incorporated into the EEA agreement in 2009. The EFTA states initially disputed whether the directive was part of the EEA Agreement, and the matter was taken to the ESA and the EFTA Court. The ruling concluded that the directive is part of the agreement.

As a result, the EFTA states began work on the directive later than the EU member states and will comply with all its provisions at a slower rate. The WFD was incorporated into Icelandic law in 2011 through the Water Management Act (36/2011). The Environment and Energy Agency is the responsible authority for implementing applicable laws and publishing the River Basin Management Plan (RBMP). The first RBMP, from 2022 to 2027, was released for public consultation in 2021. It was subsequently approved by the minister and published in April 2022.

Landsvirkjun operates in accordance with the RBMP for all water bodies affected by its power stations. At the Company's request, independent research institutes classify the water bodies as either natural or heavily modified and subsequently propose a status classification. In addition, measures to restore or improve the ecological status of water bodies failing to achieve acceptable conditions are mapped. The Environmental and Energy Agency will undertake the formal classification and assess their status.

Landsvirkjun operates per the criteria outlined in RBMP 2022-2027 for the first water cycle. However, Landsvirkjun points out that the Water Management Act has not yet been fully implemented in Iceland and is not expected to be fully operational until the second cycle of the water management plan, which will conclude in 2033. On this basis, Landsvirkjun considers the criteria to be met.

Appendix II: Non-financial information, contd.

Transition to a circular economy

The environmental objective of transitioning to a circular economy applies to Landsvirkjun's wind energy electricity production operations. The criterion is quite broad, but it requires the activity to evaluate the availability of equipment and components that are highly durable, recyclable, and easy to dismantle and refurbish, wherever possible.

Landsvirkjun aims to prolong the lifespan of its power stations to preserve the resources invested in them and maintain them for as long as possible. The main challenge regarding the criteria is the recycling of wind turbine blades. The Company is committed to continuing to contribute to the circular economy and will endeavour to find the most suitable solution for the disposal of the blade at the end of its life. Based on this, Landsvirkjun considers that the criteria have been met.

Pollution Prevention and Control

The criteria for pollution prevention and control only apply to geothermal electricity production. In high-enthalpy geothermal energy systems, adequate abatement systems to reduce emissions must comply with air quality limits in Directives 2004/107/EC and 2008/50/EC of the European Parliament and Council. These directives are part of the national law, 7/1998, on Hygiene and Pollution Prevention. On this basis, Landsvirkjun considers the criteria to be met.

Protection and restoration of biodiversity and ecosystems

The criteria related to protecting and restoring biodiversity and ecosystems require that an Environmental Impact Assessment (EIA) be conducted in accordance with Directive 2011/92/EU, and that mitigation measures be implemented before operations commence. EIAs are a prerequisite for operating licences in the EU and EEA and have therefore been implemented for all projects since the law came into effect. Landsvirkjun only operates in Iceland, which is part of the EEA.

For existing assets situated in biodiversity-sensitive areas, an appropriate assessment, where applicable, must be carried out in line with Directives 2009/147/EC on the conservation of wild birds and 92/43/EEC, the Habitats Directive. These directives have neither been incorporated into the EEA Agreement, nor is there any indication that they will be transposed into Icelandic law. As a result, Landsvirkjun cannot provide detailed information on whether such assessments have been carried out in Iceland under these directives. Nevertheless, Landsvirkjun considers that its operations align with national requirements for bird and ecosystem protection, as Icelandic legislation—Nature Conservation Act No. 60/2013—governs the protection of areas important for the conservation of birds and ecosystems. Landsvirkjun has ensured full compliance with all relevant laws and regulations in Iceland. On this basis, Landsvirkjun considers the criteria to be met.

Minimum safeguards

The Company's ethical standards are defined in its quality management system documentation and included in staff training materials. The Company ensures its operations do not negatively impact human rights, including labour rights.

A gap analysis was conducted to assess the Company's alignment with the minimum requirements outlined in the EU Taxonomy Regulation for human rights and governance. The analysis concluded that Landsvirkjun is well-equipped to meet these requirements. Landsvirkjun believes it fully complies with the human rights and governance requirements outlined in the EU Taxonomy Regulation. In recent years, Landsvirkjun has implemented various rules, response plans, internal policies, and agreements addressing these issues. These include the Company's code of ethics, the supplier code of ethics, response plans and safeguards against misconduct, the EKKO response plan, human resources and equality policies, the UN Global Compact, board of directors working rules, supplier assessments, and chain-of-responsibility clauses in contracts.

Appendix II: Non-financial information, contd.

Human Rights

There is no need for a separate human rights policy, as the existing regulations already protect the human rights of all parties involved in Landsvirkjun's operations. These include the chain of responsibility regulations, the Company's code of ethics, the supplier code of ethics, and response plans and safeguards against inappropriate conduct.

The chain of responsibility regulations, in effect since 2016, are designed to protect various labour rights for Landsvirkjun's workforce, including employees of contractors, subcontractors, and temporary workers. These regulations cover wages, work benefits, and health and accident insurance.

Landsvirkjun's code of ethics prioritises equality and human rights. Employees are expected to respect their colleagues and all stakeholders, demonstrating tolerance and consideration for differing views and circumstances. Bullying, sexual harassment, gender-based harassment, and any form of violence are strictly prohibited, with appropriate response plans in place should such situations arise.

Furthermore, Landsvirkjun expects its suppliers to uphold internationally recognised human rights standards, as outlined in the Universal Declaration of Human Rights and other relevant international conventions.

Bribery and Corruption

Landsvirkjun is committed to combating all forms of bribery and corruption. The Company's code of ethics includes explicit provisions regarding accepting and offering gifts or benefits that could influence decision-making or judgment in handling matters. Employees of Landsvirkjun are expected to act with integrity, ensuring that personal interests do not affect their professional responsibilities. The Company's code of ethics, the supplier code of ethics, and the response plan for misconduct are designed to guide employees and other stakeholders on these issues.

Taxes

Landsvirkjun is owned by the Icelandic nation and manages its tax affairs in compliance with the country's laws and regulations. This principle is also adhered to when engaging in contracts with suppliers. Employees are committed to ensuring compliance with all relevant tax laws and regulations, consulting tax advisors and auditors as needed. The Company is dedicated to paying the correct taxes on time and promptly submitting all required documents to tax authorities. The financial statements provide a breakdown of the Company's income tax obligations and taxes paid.

Competition

Landsvirkjun operates under a competition policy. It outlines the Company's approach to promoting active competition in its operating markets and emphasises the importance of adhering to competition law in all operations. The policy offers guidance on the professional handling of any disputes that may arise. Additionally, electronic training on competition-related matters is available to all employees, and completion is mandatory.

Taxonomy tables – KPIs

Landsvirkjun will monitor developments in the EU Taxonomy framework and adjust its practices accordingly. This may affect estimates and key metrics in the coming years.

Appendix II: Non-financial information, contd.

Turnover

As stated above, Landsvirkjun has defined revenue-related economic activities as eligible for the KPI. Turnover is tied to renewable energy generation, with income streams linked to electricity sales, including guarantees of origin, but excluding realised hedges. Revenues other than these are not classified under the taxonomy for environmentally sustainable activities and are reported as other income in the income statement.

Investments

CapEx

The EU Taxonomy CapEx KPI covers direct investments in new power stations, capitalised investments for power station improvements, capitalised preparation costs, and investments in vehicles and machinery powered by clean energy (see notes 8, 9 & 10). The excluded investments involve buying other assets, other than power stations and preparation costs for power stations that are not yet ready for construction and are unlikely to begin construction within the next five years.

Operating expenses

OpEx

The key performance indicators for operating expenses covered by the taxonomy include direct maintenance costs for power stations, internal labour for maintenance and upgrades, electricity transmission costs, research and development expenses, and cleaning costs for operational facilities. Electricity transmission costs are directly linked to selling environmentally sustainable electricity and Landsnet's transmission network. Depreciation and impairment costs are excluded from the presentation of operating expenses within the taxonomy framework.

Tables with key performance indicators are provided below.

EU Taxonomy

Turnover

Year 2025	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Substantial contribution criteria		DNSH criteria (Does Not Significantly Harm)						Minimum safeguards (17)	Taxonomy aligned proportion of turnover, year 2024 (18)	Category (enabling activity or) (19)	Category (transitional activity) (20)							
				Climate change mitigation (5)	Climate change adaption (6)	Water and marine resources (7)	Water and marine resources (8)	Biodiversity and ecosystems (10)	Pollution (9)	Circular economy (14)	Biodiversity and ecosystems (16)											
				USD million	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T			
A. TAXONOMY-ELIGIBLE ACTIVITIES																						
A.1 Environmental sustainable activities (Taxonomy-aligned)																						
Electricity generation from hydropower	CCM 4.5	554.1	91.2%	Y	N*	-	-	-	-	Y	Y	-	-	Y	Y	90.2%	-	-				
Electricity generation using geothermal power	CCM 4.6	49.9	8.2%	Y	N*	-	-	-	-	Y	Y	-	-	Y	Y	9.2%	-	-				
Electricity generation using wind power	CCM 4.3	0.2	0.0%	Y	N*	-	-	-	-	Y	Y	Y	-	Y	Y	0.0%	-	-				
Turnover of environmental sustainable activities (Taxonomy-aligned) (A.1)		604.2	99.5%	99.5%	0%												99.5%					
of which are enabling			0.0%																			
of which are transitional			0.0%																			
A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities)																						
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0.0	0.0%														0.0%					
Total (A.1 + A.2)		604.2	99.5%														99.5%					
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																						
Turnover of Taxonomy-non-eligible activities (B)		3.3	0.5%																			
Total (A + B)		607.5	100.0%																			
*Landsvirkjun has not assessed its taxonomy-eligible activities against the substantial contribution criteria for climate change adaptation, since the main objective of our activities is to substantially contribute to climate change mitigation.																						

EU Taxonomy

CapEx

Year 2025			Substantial contribution criteria		DNSH criteria (Does Not Significantly Harm)		Minimum safeguards (17)	Taxonomy aligned proportion of turnover, year 2024 (18)	Category (enabling activity or) (19)	Category (transitional activity) (20)	
	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	USD million	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N
Economic activites (1)											
A. TAXONOMY-ELIGIBLE ACTIVITIES											
A.1 Environmental sustainable activities (Taxonomy-aligned)											
Electricity generation using hydropower	CCM 4.5	61.8	38.1%	Y	N*	-	-	-	-	Y	49.7%
Electricity generation using geothermal power	CCM 4.6	17.1	10.6%	Y	N*	-	-	-	-	Y	7.4%
Electricity generation using wind power	CCM 4.3	66.4	41.0%	Y	N*	-	-	-	-	Y	33.9%
CapEx of environmental sustainable activities (Taxonomy-aligned) (A.1)		145.4	89.7%		89.7%	0%					90.9%
of which are enabling											
of which are transitional											
A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities)											
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0.0	0.0%								0.0%
Total (A.1 + A.2)		145.4	89.7%								90.9%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES											
CapEx of Taxonomy-non-eligible activities (B)		16.8	10.3%								
Total (A + B)		162.2	100.0%								
*Landsvirkjun has not assessed its taxonomy-eligible activities against the substantial contribution criteria for climate change adaptation, since the main objective of our activities is to substantially contribute to climate change mitigation.											

EU Taxonomy

OpEx

Year 2025	Economic activites (1)	Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)						Minimum safeguards (17)	Taxonomy aligned proportion of turnover, year 2024 (18)	Category (enabling activity or) (19)	Category (transitional activity) (20)	
		Biodiversity and ecosystems (16)			Circular economy (14)			Water and marine resources (13)			Climate change adaption (12)							
Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	USD million	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N
A. TAXONOMY-ELIGIBLE ACTIVITIES																		
A.1 Environmental sustainable activities (Taxonomy-aligned)																		
Electricity generation from hydropower	CCM 4.5	33.8	35.5%		Y	N*	-	-	-	-	Y	Y	-	-	Y	Y	45.5%	
Electricity generation from geothermal energy	CCM 4.6	5.6	5.9%		Y	N*	-	-	-	-	Y	Y	-	-	Y	Y	9.8%	
Electricity generation from wind power	CCM 4.3	0.2	0.2%		Y	N*	-	-	-	-	Y	Y	Y	-	Y	Y	0.1%	
Transmission and distribution of electricity	CCM 4.9	55.5	58.4%		Y	N*	-	-	-	-	Y	-	Y	-	Y	Y	44.5%	E
OpEx of environmental sustainable activities (Taxonomy-aligned) (A.1)		95.1	100.0%		100.0%	0%												100.0%
of which are enabling																		
of which are transitional																		
A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities)																		0.0%
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			0.0	0.0%														
Total (A.1 + A.2)		95.1	100.0%															100.0%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																		
OpEx of Taxonomy-non-eligible activities (B)			0.0	0.0%														
Total (A + B)		95.1	100.0%															
*Landsvirkjun has not assessed its taxonomy-eligible activities against the substantial contribution criteria for climate change adaptation, since the main objective of our activities is to substantially contribute to climate change mitigation.																		

Appendix II: Non-financial information, contd.

The Company additionally publishes information on activities relating to nuclear energy and fossil gas, in accordance with Article 8(6) and (7) of the Commission Delegated Regulation (EU) 2021/2178. As the Company does not engage in activities relating to nuclear energy and fossil gas the KPIs are not reported for these activities.

Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Fossil gas related activities		
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5	The underatking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO