

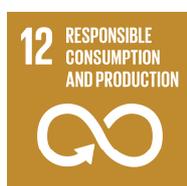


Contents

Financial ratios and scope of services	3
Operating summary	4
Endorsement by the Board of Directors and the CEO	5
Independent Auditor's Review Report	6
Income Statement	7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Interim Financial Statements	12

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

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



Financial ratios

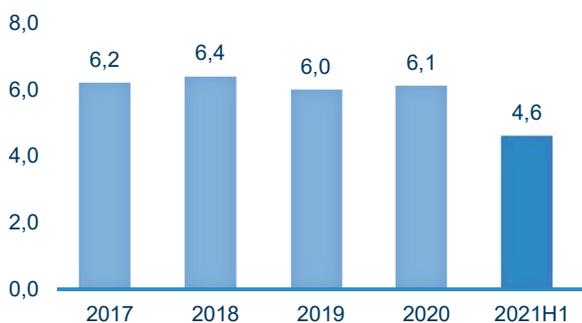
Equity ratio



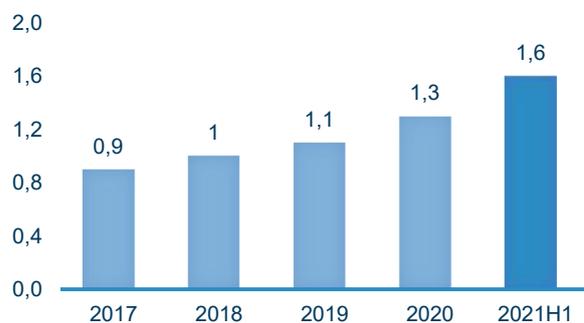
ROA



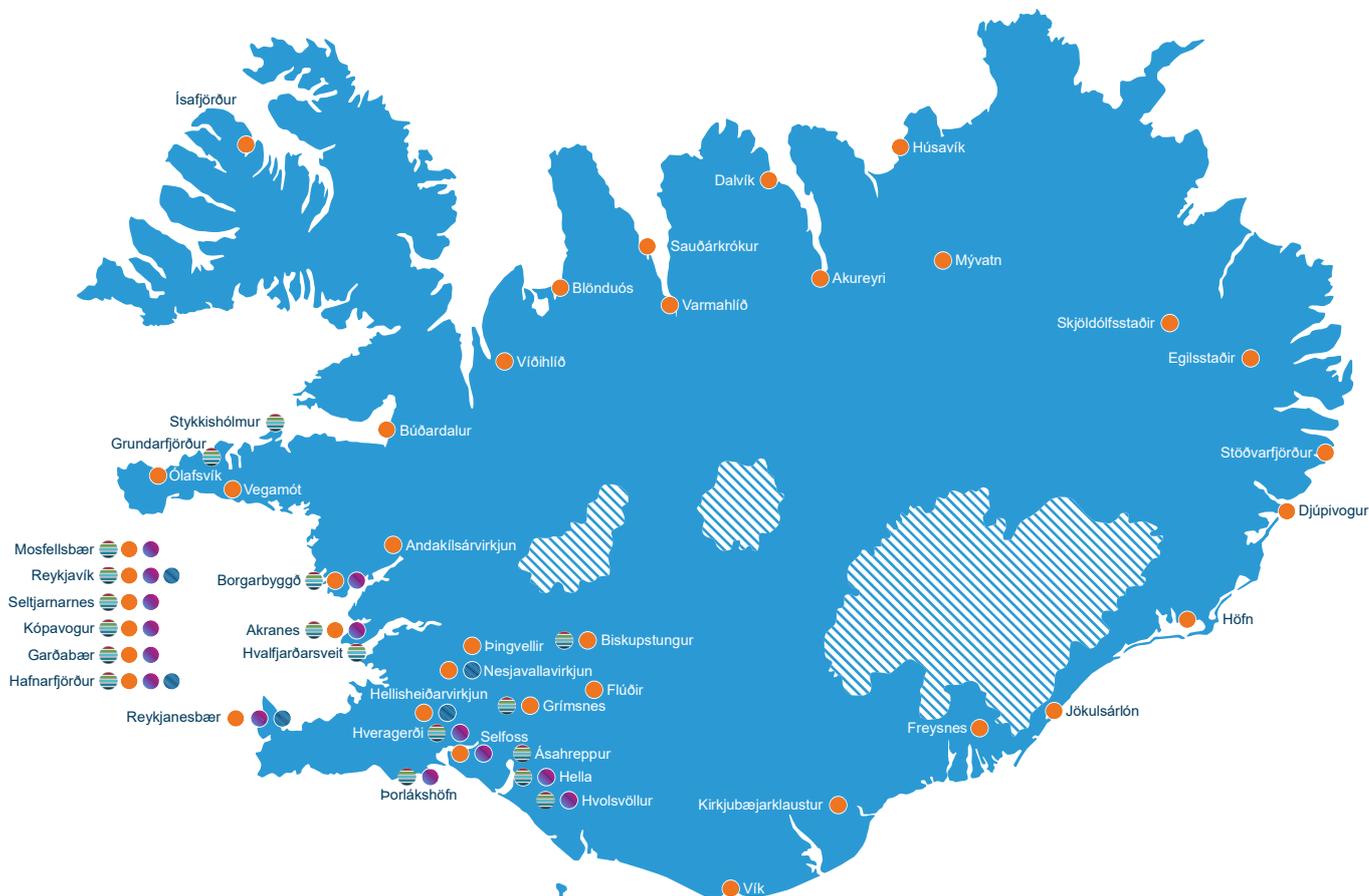
Net debt / Net cash from operating activities



Current ratio without aluminum derivative



Services



Operating summary

	2021	2020	2019	2018	2017
	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.
<i>Amounts are at each years price level in ISK millions</i>					
Revenues	26.023	24.272	23.502	23.167	21.612
Expenses	(9.146)	(9.879)	(9.571)	(8.626)	(8.063)
thereof energy purchase and distribution	(2.951)	(2.824)	(2.870)	(3.112)	(2.898)
EBITDA	16.877	14.393	13.931	14.541	13.549
Depreciation	(6.655)	(6.284)	(5.728)	(4.616)	(4.706)
EBIT	10.222	8.109	8.203	9.926	8.842
Cash flow statement:					
Received interest income	47	174	207	99	124
Paid interest expense	(2.383)	(2.655)	(2.726)	(2.267)	(2.013)
Net cash from operating activities	14.624	12.520	13.330	10.988	12.652
Working capital from operation	12.471	11.164	10.027	12.048	11.707
Liquid funds					
Deposits and marketable securities	11.723	13.091	7.112	6.259	4.127
Cash and cash equivalents	24.256	15.097	14.912	10.917	14.151
Undrawn credit lines	10.027	9.000	9.900	10.000	9.000
Liquid funds total	46.007	37.187	31.924	27.176	27.278

Endorsement by the Board of Directors and the CEO

Orkuveita Reykjavíkur (OR) is a partnership that complies with the Icelandic law no.136/2013 on the founding of the partnership Orkuveita Reykjavíkur. The Group provides services through its subsidiaries that operate power plants, distribute electricity, hot water and cold water, operates the sewage systems in its service area as well as a fiber optic system in its service area.

The condensed consolidated interim financial statements for the period 1 January to 30 June 2021 are prepared in accordance with the International Financial Reporting Standard *IAS 34 Interim financial reporting*. The interim financial statements comprise the condensed consolidated interim financial statements of OR and subsidiaries..

Profit of operations of the Group for the period 1 January to 30 June 2021 was ISK 8.830 million (1.1.-30.6.2020: Loss ISK 900 million). Comprehensive income for the period 1 January to 30 June 2021 was ISK 7.115 million (1.1.-30.6.2020: ISK 6.497 million). According to the statement of financial position the Group's assets were ISK 395.202 million at the end of the period (31.12.2020: ISK 394.164 million). Book value of equity at the end of the period was ISK 195.241 million (31.12.2020: ISK 188.126 million), resulting in equity ratio of 49,4% (31.12.2020: 47,7%).

At the beginning of the year and at the end of the period the Company's shareholders were the following three municipalities:

	Share
Reykjavíkurborg	93,539%
Akraneskaupstaður	5,528%
Borgarbyggð	0,933%

Statement of the Board of Directors and the CEO

According to the best knowledge of the Board of Directors and the CEO of Orkuveita Reykjavíkur, the condensed consolidated interim financial statements are in accordance with the international financial reporting standard IAS 34 on interim financial reporting. It is the opinion of the Board of Directors and the CEO that the interim financial statements give a fair view of the Group's assets, liabilities and financial position 30 June 2021 and the Group's operating return and changes in cash and cash equivalents in the period 1 January to 30 June 2021.

The Board of Directors and the CEO of Orkuveita Reykjavíkur hereby confirm the Group's condensed consolidated interim financial statements for the period 1 January to 30 June 2021.

Reykjavík, 23 August 2021.

The Board of Directors:

Brynhildur Davíðsdóttir
Gylfi Magnússon
Sigríður Rut Júlíusdóttir
Björn Gíslason
Eyþór Laxdal Arnalds
Valgarður Lyngdal Jónsson

CEO:

Bjarni Bjarnason

Independent Auditor's Review Report

To the Board of Directors and owners of Orkuveita Reykjavíkur.

We have reviewed the accompanying condensed consolidated statement of financial position of Orkuveita Reykjavíkur as at June 30, 2021, the operating summary and key financial ratios, the condensed consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information.

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

Scope of Review

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

Conclusion

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

Reykjavík, 23 August 2021.

Grant Thornton endurskoðun ehf.

Davíð Arnar Einarsson

Income Statement

1 January to 30 June 2021

	Notes	2021 1.4.-30.6.	2020 1.4.-30.6.	2021 1.1.-30.6.	2020 1.1.-30.6.
Operating revenue		12.259.464	11.006.653	25.999.594	24.271.975
Sales profit		14.819	0	23.311	0
Total revenue	4	12.274.282	11.006.653	26.022.905	24.271.975
Energy purchase and distribution		(1.267.098)	(1.264.680)	(2.951.356)	(2.824.423)
Salaries and salary related expenses		(2.071.162)	(2.193.711)	(3.958.006)	(3.962.024)
Other operating expenses		(1.312.304)	(1.702.153)	(2.236.690)	(3.092.554)
Operating expenses, total		(4.650.565)	(5.160.545)	(9.146.052)	(9.879.001)
EBITDA		7.623.718	5.846.108	16.876.853	14.392.973
Depreciation and amortisation		(3.319.078)	(3.203.338)	(6.655.129)	(6.283.817)
Results from operating activities		4.304.640	2.642.770	10.221.724	8.109.156
Interest income		44.269	74.430	87.258	159.146
Interest expenses		(2.410.487)	(2.175.319)	(4.231.537)	(3.772.091)
Other income (expenses) on financial assets and liabilities		2.319.857	1.916.642	6.406.310	(8.149.103)
Total financial income and expenses	6	(46.361)	(184.247)	2.262.031	(11.762.048)
Share in profit (loss) of associated companies		9	2.346	(3.967)	4.137
Profit (loss) before income tax		4.258.288	2.460.869	12.479.788	(3.648.755)
Income tax		(1.359.890)	(713.160)	(3.649.929)	2.749.077
Profit (loss) for the period		2.898.399	1.747.709	8.829.859	(899.678)

The notes on pages 12 to 20 are an integral part of these Consolidated Interim Financial Statements.

Statement of Comprehensive Income

1 January to 30 June 2021

	2021	2020	2021	2020
	1.4.-30.6.	1.4.-30.6.	1.1.-30.6.	1.1.-30.6.
Profit (loss) for the period	2.898.399	1.747.709	8.829.859	(899.678)
Other comprehensive income				
Items moved to equity that could be moved later to the income statement				
Translation difference	(1.327.146)	(1.422.022)	(1.714.871)	7.396.431
	(1.327.146)	(1.422.022)	(1.714.871)	7.396.431
Other comprehensive income, after taxes	(1.327.146)	(1.422.022)	(1.714.871)	7.396.431
Total comprehensive income for the period	1.571.253	325.687	7.114.988	6.496.753

The notes on pages 12 to 20 are an integral part of these Consolidated Interim Financial Statements.

Statement of Financial Position

30 June 2021

	Notes	30.6.2021	31.12.2020
Assets			
Property, plant and equipment		334.844.277	337.493.229
Intangible assets		2.875.697	2.837.133
Right-of-use assets		2.588.211	2.590.642
Investments in associated companies		77.423	81.389
Investments in other companies		5.922.680	5.922.680
Hedge contracts		6.064	509.904
Deferred tax assets		3.727.404	6.675.003
Total non-current assets		<u>350.041.755</u>	<u>356.109.980</u>
Inventories		1.298.902	1.249.674
Trade receivables	7	6.549.930	5.439.828
Embedded derivatives in electricity sales contracts		611.927	0
Hedge contracts		42.772	45.399
Other receivables		396.018	404.863
Prepaid expenses		281.863	227.706
Deposits and marketable securities		11.722.962	14.866.902
Cash and cash equivalents		24.256.274	15.820.051
Total current assets		<u>45.160.646</u>	<u>38.054.423</u>
Total assets		<u>395.202.401</u>	<u>394.164.403</u>
Equity			
Revaluation reserve		87.550.557	89.478.008
Equity reserve		64.042.483	60.207.208
Development reserve		164.625	108.308
Fair value reserve		5.467.000	5.467.000
Translation reserve		3.188.967	4.903.838
Retained earnings		34.827.344	27.961.627
Total equity		<u>195.240.976</u>	<u>188.125.988</u>
Liabilities			
Loans and borrowings		153.842.947	152.350.925
Lease liabilities		2.445.352	2.472.960
Pension liability		639.574	659.027
Embedded derivatives in electricity sales contracts		1.106.442	4.907.730
Hedge contracts		579.250	571.981
Deferred tax liabilities		14.262.518	14.662.897
Total non-current liabilities		<u>172.876.083</u>	<u>175.625.520</u>
Accounts payable		2.216.816	2.822.579
Loans and borrowings		14.807.712	19.349.528
Lease liabilities		169.564	167.953
Embedded derivatives in electricity sales contracts		0	1.048.651
Hedge contracts		1.163.144	846.690
Deferred revenue	7	2.068.149	541.288
Current tax liability		1.022.391	1.847.570
Other current liabilities		5.637.567	3.788.635
Total current liabilities		<u>27.085.342</u>	<u>30.412.895</u>
Total liabilities		<u>199.961.426</u>	<u>206.038.415</u>
Total equity and liabilities		<u>395.202.401</u>	<u>394.164.403</u>

The notes on pages 12 to 20 are an integral part of these Consolidated Interim Financial Statements.

Statement of Changes in Equity

1 January to 30 June 2021

	Revaluation reserve	Equity reserve	Develop- ment reserve	Fair value reserve	Translation reserve	Retained earnings	Total equity
1.1.- 30.6. 2021							
Equity at 1 January 2021	89.478.008	60.207.208	108.308	5.467.000	4.903.838	27.961.627	188.125.988
Translation difference					(1.714.871)		(1.714.871)
Profit for the period						8.829.859	8.829.859
Total comprehensive income	0	0	0	0	(1.714.871)	8.829.859	7.114.988
Depreciation transferred to retained earnings	(1.927.451)					1.927.451	0
Share in profit of subsidiaries and associates transferred to equity reserve		3.835.276				(3.835.276)	0
Transfer to development reserve			56.317			(56.317)	0
Equity at 30 June 2021	87.550.557	64.042.483	164.625	5.467.000	3.188.967	34.827.344	195.240.976
1.1.- 30.6. 2020							
Equity at 1 January 2020	93.186.474	48.585.813	0	4.760.587	2.411.820	33.354.772	182.299.466
Translation difference					7.396.431		7.396.431
Loss for the period						(899.678)	(899.678)
Total comprehensive income	0	0	0	0	7.396.431	(899.678)	6.496.753
Depreciation transferred to retained earnings	(1.812.277)					1.812.277	0
Share in profit of subsidiaries and associates transferred to equity reserve		5.297.063				(5.297.063)	0
Equity at 30 June 2020	91.374.196	53.882.876	0	4.760.587	9.808.250	28.970.309	188.796.218

The notes on pages 12 to 20 are an integral part of these Consolidated Interim Financial Statements.

Statement of Cash Flows

1 January to 30 June 2021

	2021	2020
	1.1.-30.6.	1.1.-30.6.
Cash flows from operating activities		
Profit (loss) for the period	8.829.859	(899.678)
Adjusted for:		
Financial income and expenses	(2.262.031)	11.762.048
Share in P/L of associates	3.967	(4.137)
Income tax	3.649.929	(2.749.077)
Depreciation and amortisation	6.655.129	6.283.817
Profit from sale of property, plants and equipment	(23.311)	0
Pension liability, change	(19.453)	(77.524)
Working capital from operation before interest and taxes	16.834.089	14.315.450
Inventories, increase	(49.228)	(247.766)
Current assets, increase	(1.145.838)	(954.656)
Current liabilities, increase	2.556.734	2.608.761
Cash generated from operations before interests and taxes	18.195.757	15.721.788
Received interest income	46.589	173.874
Paid interest expenses	(2.383.390)	(2.655.299)
Dividend received	120.972	87.596
Payments due to other financial income and expenses	(480.028)	(5.597)
Paid taxes	(876.204)	(802.023)
Net cash from operating activities	14.623.696	12.520.340
Cash flows from investing activities		
Acquisition of property, plant and equipment	(7.595.892)	(7.294.127)
Acquisition of intangible assets	(232.763)	(316.030)
Proceeds from sale of property, plant and equipment	40.014	0
Change in deposits	6.500.000	(2.500.000)
Change in marketable securities	(3.043.615)	(131.249)
Net cash used in investing activities	(4.332.256)	(10.241.406)
Cash flows from financing activities		
Proceeds from new borrowings	10.140.811	11.449.064
Repayment of borrowings	(11.711.537)	(7.629.318)
Payments of currency hedges	0	90.757
Repayment of lease liability	(57.297)	(56.170)
Net cash used in financing activities	(1.628.023)	3.854.332
Increase in cash and cash equivalents	8.663.417	6.133.266
Cash and cash equivalents at year beginning	15.820.051	8.657.025
Effect of currency fluctuations on cash and cash equivalents	(227.194)	306.371
Cash and cash equivalents at the end of the period	24.256.274	15.096.662
Investments and financing without payment effects:		
Acquisition of property, plant and equipment	665.776	240.235
Current liabilities, change	(665.776)	(240.235)
Other information:		
Working capital from operation	12.471.335	11.163.989

The notes on pages 12 to 20 are an integral part of these Consolidated Interim Financial Statements.

Notes

1. Reporting entity

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

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

Subsidiaries in the Group	Main operations	Share	
		30.6.2021	31.12.2020
Gagnaveita Reykjavíkur ehf.	Data transfer	100%	100%
OR Eignir ohf.	Holding company	100%	100%
Veitur ohf.	Distribution of electricity and hot water	100%	100%
Orka náttúrunnar ohf.	Sale of electricity	100%	100%
ON Power ohf.	Sale of electricity	100%	100%
OR Vatns- og fráveita sf.	Cold water and sewage	100%	100%
CarbFix ohf.	Consulting, researches and innovation	100%	100%

2. Basis of preparation

a. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with international Financial Reporting Standard *IAS 34 Interim Financial Reporting*. They do not include all of the information required for a complete set of consolidated annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2020. Same accounting principles are applied as for the year 2020. The annual financial statements can be found at the company's web site; www.or.is and at the web site of the Icelandic Stock exchange market; www.nasdaqomxnordic.com.

The consolidated interim financial statements were approved by the Board of Directors on 23 August 2021.

b. Functional and presentation currency

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

c. Basis of measurement

The consolidated interim financial statements have been prepared on the historical cost basis except for a part of property, plant and equipment have been revalued at fair value, derivative agreement, embedded derivatives in electricity sales contracts, assets held for sale and other financial assets and liabilities are stated at fair value. The methods used to measure fair values are discussed further in note 38 with the consolidated financial statements for the year ended 31 December 2020.

d. Foreign currency

i Trade in foreign currencies

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

Notes

2. Basis of preparation, contd.

d. Foreign currency, contd.

ii Subsidiary with other functional currency than the Icelandic krona

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

e. Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. Operation and revenue recognition of Group's components

The following provides information about the operation of Group's components. Breakdown of revenue for different operations is given in note 4 and income by segment in note 5.

Products and services	Nature, timing of revenue recognition and payments terms
a. Electricity	ON Power ohf. and Orka náttúrunnar ohf. generate electricity and sell electricity and Utilities distribute electricity according to law no. 65/2003. Revenue from the sale and distribution of electricity is recognised in the income statement according to measured delivery to customer over the period plus a fixed fee. The rate for the distribution of electricity has a revenue cap set by the National Energy Authority in accordance with laws on energy number 65/2003. Upon connection of new users to distribution systems of electricity and upon renewal of connection an initial fee is charged. The initial fee is intended to cover cost of new distribution systems and their renewal. Connection fee is recognised in the income statement upon delivery of the service. Trade receivables from the sale and distribution of electricity generally have a 30 day grace period. Some contracts with certain customers may have different payment arrangements but that is an exception.
b. Hot water	ON Power, Orka náttúrunnar and Utilities generate harness hot water and Utilities distribute harness hot water. Revenue from the sale and distribution of harness hot water is recognised in the income statement according to measured delivery to customer over the period plus a fixed fee. Upon connection of new users to distribution systems of harness hot water or upon renewal of connection an initial fee is charged. The initial fee is intended to cover cost of new distribution systems and their renewal. Connection fee is recognised in the income statement upon delivery of the service. Trade receivables from the sale and distribution of harness hot water generally have a 30 day grace period. Some contracts with certain customers may have different payment arrangements but that is an exception.

Notes

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

Products and services	Nature, timing of revenue recognition and payments terms
c. Cold water	OR Water and Sewage collects and distributes cold water from reservoirs. Revenue from the sale of cold water is based on the size of properties plus a fixed fee which is recorded over the period in the income statement. The legal limitation on the upper limit of the rate is 0,5% of the real estate value. In addition revenue is stated for cold water according to measurement from specific industries. Upon connection of new users to distribution systems of cold water and upon renewal of connection an initial fee is charged. The initial fee is intended to cover cost of new distribution systems and their renewal. Connection fee is recognised in the income statement upon delivery of the service. Trade receivables from the sale of cold water generally have a 30 day grace period. Some contracts with certain customers may have different payment arrangements but that is an exception. Billing for cold water and sewage is done in the first 9 months of the year but income is distributed evenly over the year.
d. Sewer system	OR Water and Sewage runs the sewer system. Revenue is based on the size of properties plus a fixed fee which is recorded over the period in the income statement. The legal limitation on the upper limit of the rate is 0,5% of the real estate rateable value. Upon connection of new users to sewage system and upon renewal of connection an initial fee is charged. The initial fee is intended to cover cost of new sewer systems and their renewal. Connection fee is recognised in the income statement upon delivery of the service. Trade receivables from the sewer system generally have a 30 day grace period. Some contracts with certain customers may have different payment arrangements but that is an exception. Billing for cold water and sewage is done in the first 9 months of the year but income is distributed evenly over the year.
e. Other revenues	Gagnaveita Reykjavíkur operates fiber optics data system. Revenue from fiber optics data system is recognised in the income statement upon delivery of the goods and service. This is a competitive practice that is supervised by The Post and Telecom Administration. Orkuveita Reykjavíkur the parent company operates rental of housing and equipment, incidental sale of specialist consultancy services and more. Rental income is recorded as income in the income statement linearly over the lease term and other revenue is recognised upon delivery of goods or services. Trade receivables from other revenues generally have a 30 day grace period.

4. Revenues from sales of goods and services

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

	2021	2020
	1.1.-30.6.	1.1.-30.6.
Electricity.....	10.804.399	9.864.782
Hot water.....	7.861.984	7.350.457
Cold water.....	1.741.216	1.689.568
Sewer system.....	2.985.906	2.890.121
Other revenues.....	2.629.399	2.477.046
Revenues from sales of goods and services total.....	26.022.905	24.271.975

Notes

5. Segment reporting, contd.

Segment information is presented by the Group's internal reporting. Business segments presented are *Utilities*, that represent licensed operations in hot and cold water, distribution of electricity and sewage, *Energy sale and production*, representing the competitive operations in producing and sale of electricity and hot water and *Other Operation*, that represents the activities of the parent company, the fiber optic operations and Carbfix. The parent company's main activities is providing service to subsidiaries, rental of housing and equipment, incidental sale of specialist consultancy services and more. Reykjavik fiber network represents the fiber optic operations and Carbfix is working on development and distribution the of the CarbFix carbon storage method, with the aim of reducing greenhouse gas emissions and combating climate change. Segment reporting is conducted by using the same accounting principle as the group uses and is described in note 38 with the consolidated financial statements for the year ended 31 December 2020.

Business segments - divisions

	Utilities	Energy sale and production	Other Operation	Adjust- ments	IFRS 16*	Total
1.1.- 30.6. 2021						
External revenue	16.357.189	7.907.342	1.758.374	0		26.022.905
Inter-segment revenue	1.765.116	4.136.662	4.299.071 (	10.200.849)		0
Total segment revenue	18.122.304	12.044.004	6.057.445 (	10.200.849)		26.022.905
Segment operation expenses	(8.970.632)	(5.902.807)	(4.596.545)	10.200.849	123.084 (	9.146.052)
Segment profit EBITDA	9.151.672	6.141.197	1.460.900	0	123.084	16.876.853
Depreciation and amortisation	(2.912.962)	(2.727.822)	(952.779)	0 (	61.566)	(6.655.129)
Segment results, EBIT	6.238.711	3.413.375	508.121	0	61.518	10.221.724
Financial income and expenses	(2.517.260)	(2.781.364)	2.136.740	5.461.866 (	37.952)	2.262.031
Share in profit of associated companies	0	0	(3.967)	0	(	3.967)
Income tax	(504.825)	(132.927)	(949.654)	(2.053.662)	(8.861)	(3.649.929)
Profit for the period	3.216.626	499.084	1.691.240	3.408.204	14.705	8.829.859
1.1.- 30.6. 2020						
External revenue	15.755.996	7.002.944	1.513.034	0		24.271.975
Inter-segment revenue	1.923.786	5.510.775	3.600.681 (	11.035.242)		0
Total segment revenue	17.679.782	12.513.719	5.113.716 (	11.035.242)		24.271.975
Segment operation expenses	(9.462.904)	(7.092.240)	(4.477.645)	11.035.242	118.546 (	9.879.001)
Segment profit EBITDA	8.216.878	5.421.479	636.070	0	118.546	14.392.973
Depreciation and amortisation	(2.864.597)	(2.453.734)	(907.121)	0 (	58.366)	(6.283.817)
Segment results, EBIT	5.352.281	2.967.745	(271.051)	0	60.180	8.109.156
Financial income and expenses	(1.791.053)	(335.684)	(3.862.388)	(5.735.852)	(37.072)	(11.762.048)
Share in profit of associated companies	0	0	4.137	0		4.137
Income tax	(439.684)	(518.790)	1.559.377	2.156.862 (	8.689)	2.749.077
Profit (loss) for the period	3.121.544	2.113.271	(2.569.924)	(3.578.989)	14.420 (	899.678)

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

Notes

5. Segment reporting, contd.

Business segments - divisions, contd.

	Utilities	Energy sale and production	Other Operation	Adjust- ments	IFRS 16*	Total
Balance sheet (30.6.2021)						
Property, plant and equipment and intangible assets	172.341.020	129.651.842	35.727.112	0		337.719.974
Right-of-use assets					2.588.211	2.588.211
Other assets	21.854.684	10.209.623	184.812.822 (	161.982.912)		54.894.217
						<u>395.202.401</u>
Loans and borrowings	64.158.723	56.529.694	168.650.658 (	120.688.417)		168.650.658
Lease liabilities					2.614.916	2.614.916
Other liabilities	15.402.600	9.807.438	43.871.932 (	40.386.119)		28.695.852
						<u>199.961.426</u>
Investments 1.1.-30.6.2021						
Property, plant and equipment and intangible assets	4.346.403	888.583	1.927.892	0		7.162.879
Balance sheet (31.12.2020)						
Property, plant and equipment and intangible assets	170.907.579	134.658.796	34.763.987	0		340.330.362
Right-of-use assets					2.590.642	2.590.642
Other assets	17.299.445	9.017.863	180.282.563 (	155.356.472)		51.243.399
						<u>394.164.403</u>
Loans and borrowings	63.350.425	59.115.637	171.700.453 (	122.466.062)		171.700.453
Lease liabilities					2.640.913	2.640.913
Other liabilities	13.438.843	9.820.903	37.631.920 (	29.194.617)		31.697.049
						<u>206.038.415</u>
Investments 1.1.-30.6.2020						
Property, plant and equipment and intangible assets	3.959.992	2.058.659	1.351.271	0		7.369.922

Notes

6. Financial income and expenses

	2021	2020
	1.1.-30.6.	1.1.-30.6.
Financial income and expenses are specified as follows:		
Interest income	87.258	159.146
Interest expense and paid indexation	(1.988.636)	(2.289.046)
Indexation	(1.970.431)	(1.157.369)
Guarantee fee to owners 1)	(272.469)	(325.676)
Total interest expenses	(4.231.537)	(3.772.091)
Fair value changes of embedded derivatives in electricity sales contracts	5.461.866	(5.737.480)
Fair value changes of financial assets and financial liabilities through P/L	312.444	644.571
Fair value changes of hedge contracts	(830.190)	(195.717)
Hedge contracts	(474.266)	90.757
Foreign exchange difference	1.815.485	(3.038.830)
Dividends	120.972	87.596
Total of other income (expenses) on financial assets and liabilities	6.406.310	(8.149.103)
Total financial income and expenses	2.262.031	(11.762.048)

1) The Group paid a guarantee fee to current and former owners of the company for guarantees they have made on the Groups loans and borrowings according to a decision made on the annual meeting of Orkuveita Reykjavíkur in 2005. The fee on yearly basis for its licensed operations is 0,81% (2020: 0,85%) and 0,60% (2020: 0,61%) regarding loans due for operations in the open market. The guarantee fee is calculated on total loans quarterly. The guarantee fee amounted to ISK 272 million in the period 1 January to 30 June 2021 (1.1.-30.6.2020: ISK 326 million) and is accounted for among interest expenses.

Fair value changes through P/L

Generally accepted valuation methods are used to determine the fair value of certain financial assets and financial liabilities, further discussed in note 38 with the financial statements of the Group for the year 2020. Change in fair value that is recognized in the income statement amounts to ISK 4.944 million income in the period 1 January to 30 June 2021 (1.1.-30.6.2020: expence 5.289 million). Fair value changes on financial assets and liabilities defined at level 3 amounts to ISK 5.462 million income in the period 1 January to 30 June 2021 (1.1.-30.6.2020: expence ISK 5.737 million).

7. Receivables and deferred revenue

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

Notes

8. Fair value

Comparison of fair value versus carrying amounts

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

	30.6.2021		31.12.2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest-bearing liabilities	168.650.658	179.709.526	171.700.453	183.772.703

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

Interest rates used for determining fair value

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

	30.6.2021	31.12.2020
Embedded derivatives in electr. sales contr.	9,56% to 11,15%	9,58% to 10,72%
Hedge contracts	0,1% to 0,2%	-0,6% to 0,2%
Interest bearing loans	0,27% to 5,23%	0,45% to 3,32%

Sensitivity analysis on effect of change in interest rates, currency and price of aluminium are shown in note 28 in the financial statements of the Group for the year 2020. It is recommended to take into consideration this note while reading the interim financial statements for the current period since change in these presumptions can have considerable effect on certain amounts in the interim financial statements.

Fair value hierarchy

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

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

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

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

	Level 1	Level 2	Level 3	Total
30.6.2021				
Shares in companies	0	0	5.922.680	5.922.680
Embedded derivatives in sales contracts	0	0 (494.515)	(494.515)	(494.515)
Hedge contracts	0 (1.693.559)	0	(1.693.559)	(1.693.559)
Marketable securities	11.722.962	0	0	11.722.962
	11.722.962	(1.693.559)	5.428.165	15.457.567
31.12.2020				
Shares in companies	0	0	5.922.680	5.922.680
Embedded derivatives in sales contracts	0	0 (5.956.381)	(5.956.381)	(5.956.381)
Hedge contracts	0 (863.369)	0	(863.369)	(863.369)
Marketable securities	8.366.902	0	0	8.366.902
	8.366.902	(863.369)	(33.701)	7.469.833

Notes

9. Related parties

Definition of related parties

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

Transactions with related parties

The parties mentioned here above have had transactions with the Group within the period. Terms and conditions of these transactions were equivalent with transactions with unrelated parties.

The following gives an overview of the transactions with related parties during the period 1 January to 30 June 2021 as well as a statement of receivables and payables at the end of the period. Transactions and positions with subsidiaries are eliminated in the interim financial statement, therefore that information is not provided. This information does not include sale of conventional household supplies to the related parties.

	2021	2020
	1.1.-30.6.	1.1.-30.6.
Sale to related parties:		
Reykjavik City.....	1.231.669	1.108.094
Institutions and companies controlled by Reykjavik City.....	425.621	375.687
Associates.....	1.040	0
	<u>1.658.330</u>	<u>1.483.781</u>
Purchases from related parties:		
Reykjavik City.....	55.788	33.607
Institutions and companies controlled by Reykjavik City.....	79.805	23.001
Associates.....	34.041	29.932
	<u>169.633</u>	<u>86.541</u>
	30.6.2021	31.12.2020
Receivables for related parties:		
Reykjavik City.....	48.577	167.785
Institutions and companies controlled by Reykjavik City.....	3.457	38.605
	<u>52.034</u>	<u>206.389</u>
Payables for related parties:		
Reykjavik City.....	146.797	11.105
Institutions and companies controlled by Reykjavik City.....	7.716	0
Associates.....	587	6.994
	<u>155.099</u>	<u>18.099</u>
Interest bearing loans from owners of the parent Company:		
Reykjavik City	0	3.321.522
Akranes town	0	196.296
Borgarbyggð, municipality	0	33.130
	<u>0</u>	<u>3.550.949</u>
	2021	2020
	1.1.-30.6.	1.1.-30.6.
Interest expense on loans from owners of the parent Company:		
Reykjavik City	287.312	486.445
Akranes town	19.508	29.046
Borgarbyggð, municipality	1.766	4.852
	<u>308.587</u>	<u>520.342</u>

Guarantee fee to owners

OR paid a guarantee fee to Reykjavik City and other owners of the company for guarantees they have granted on the Groups loans and borrowings. For further information regarding amounts and the guarantee fee, see note 6.

Notes

10. Other matters

Derivative contracts in default

Among other current liabilities are derivative contracts accounted for that are in default. In previous periods ISK 740 million have been expensed. The contracts have not been settled due to great uncertainties on how to settle them and Orkuveita Reykjavíkur was sued regarding the claims. At the beginning of July 2020, the Reykjavík District Court ruled in favor of Glitnir HoldCo ehf. and judged Orkuveita Reykjavíkur to pay Glitnir HoldCo ISK 747 million plus interests. As at 31.12.2020, the amount with penalty interest is ISK 3.238 million.

It is the opinion of the management that there is not a reason to change the precautionary entry in question. The argument being that the final ruling has not been cast. The court does not seem to have taken into account Orkuveita Reykjavíkur's views in the case and the company has therefore instructed its lawyer to appeal the judgment of the Reykjavík District Court to the National Court. No payments will be made until the final decision of the courts is available, whether it is before the National Court or the Supreme Court.

Repair at headquarters

At the end of August 2015, severe water damage occurred at the company's headquarters on Bæjarháls 1. From the beginning, the actions of OR's management has been aimed at creating adequate working conditions for employees. Experts have been consulted in all main decisions. Attempts have also been made to find the most sensible ways to remedy the damage and also to dig into its causes. In 2017, the building was closed and operations relocated. It was decided to go into a detailed options analysis and look at the possibilities that were in the situation. The result was to remove the defective walls of the house, repair it and rebuild the walls. OR has entered into a construction contract for the renovation of the building with Ístak and work on the construction has already begun. The renovation period will be approximately 22 months and the construction contract with Ístak is around ISK 1,580 million.

Water damage at Vatns- og fráveita

A water main was ruptured on 21 January 2021 during Vatns- og fráveita's repair by Suðurgata in Reykjavík. The rupture resulted in a great flood of water streaming into the buildings of the University of Iceland. The damage has been reported to the insurance companies of Vatns- og fráveita, consultants and contractors. A damage assessment has not been carried out or an assessment of liability. Vatns- og fráveita has a free liability insurance that covers liability that falls on the company. The terms of that insurance prescribe about ISK 5 million deductible and 50% of the amount of damage thereafter. The ceiling of the insurance is ISK 300 million.

Litigation and claims

Gagnaveita Reykjavíkur submitted a claim on Mars 5th 2019 to Síminn hf. demanding compensation for damage allegedly suffered as a result of violation of the Media Act, which was the subject of Decision published by the Post and Telecom Administration on July 3 th 2018. The claim amounts to ISK 1.3 billion for loss of income, accrued cost and interest. A formal response was requested from Síminn. On March 19th 2019 a response came from Síminn where they rejected the claim entirely. Síminn hf. took legal action against the Post and Telecom Administration, Gagnaveitur Reykjavíkur hf., Sýn hf. and Mílu ehf. in respect of the Decision of the Administration regarding the alleged violation. The ruling of the District Court was announced on 1 July 2020, where the PTA decision was upheld, albeit with some changes in the criteria. The case was appealed to the National Court by Síminn hf., PST and Sýn hf., the date of proceedings have not been decided.

No entries have been made due to this claim in the Group's interim financial statements 30.6.2021.