

Operating summary

Operating year	2023	2022	2021	2020	2019
	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.	1.1.-30.9.
<i>Amounts are at each years price level in ISK millions</i>					
Revenues	43.327	39.741	37.663	35.045	33.578
Expenses	(17.736)	(15.516)	(13.339)	(14.206)	(13.570)
Thereof energy purchase and distribution	(4.993)	(4.884)	(4.174)	(4.181)	(4.163)
EBITDA	25.591	24.225	24.325	20.839	20.008
Depreciation and amortisation	(11.544)	(10.449)	(9.966)	(9.606)	(8.900)
EBIT	14.047	13.776	14.359	11.233	11.108
Cash flow statement					
Received interest income	117	64	109	240	266
Paid interest expenses*	(5.119)	(3.437)	(3.174)	(3.724)	(3.791)
Net cash from operating activities*	21.877	21.714	21.832	19.416	19.449
Working capital from operation	19.650	19.507	18.798	15.727	14.275
Liquid funds					
	30.9.2023	30.9.2022	30.9.2021	30.9.2020	30.9.2019
Deposits and marketable securities	11.273	13.962	13.195	12.798	7.750
Cash and cash equivalents	5.131	7.499	17.998	11.549	13.221
Undrawn credit lines	8.850	4.500	10.198	8.600	11.900
Liquid funds total	25.253	25.961	41.391	32.947	32.872

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

Endorsement by the Board of Directors and the CEO

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

The condensed consolidated interim financial statements for the period 1 January to 30 September 2023 are prepared in accordance with the International Financial Reporting Standard *IAS 34 Interim financial reporting*. The interim financial statements comprise the condensed consolidated interim financial statements of OR and subsidiaries. The interim financial statements have not been reviewed by the independent auditor of the company.

Profit of operations of the Group for the period 1 January to 30 September 2023 was ISK 3.551 million (1.1.-30.9.2022: Profit ISK 4.649 million). Comprehensive income for the period 1 January to 30 September 2023 was positive ISK 1.070 million (1.1.-30.9.2022: positive ISK 11.229 million). According to the statement of financial position the Group's assets were ISK 451.418 million at the end of the period (31.12.2022: ISK 450.388 million). Book value of equity at the end of the period was ISK 241.620 million (31.12.2022: ISK 246.050 million), resulting in equity ratio of 53,5% (31.12.2022: 54,6%).

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

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

Information on uncertainty issues

The OR-Group companies have offered assistance in response to the seismic events at the Reykjanes Peninsula, where a volcanic eruption is considered imminent. Specifically, it could be helpful in the fields of utility operations and geology. Reykjavík Fibre Network operates a telecommunications network in Grindavík, and a backhaul connection runs through the affected area. No direct damage to the system is known, but there is uncertainty about individual connections, as the town is largely deserted and electricity is unsafe. OR's emergency board has met twice due to the events and has intensified the review of its contingency plans, especially those related to eruptions and possible formation of ash clouds.

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 September 2023 and the Group's operating return and changes in cash and cash equivalents in the period 1 January to 30 September 2023.

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

Reykjavík, 27 November 2023.

The Board of Directors:

Gylfi Magnússon

Vala Valtýsdóttir

Skúli Helgason

Ragnhildur Alda Vilhjálmsdóttir

Þórður Gunnarsson

Valgarður Lyngdal Jónsson

CEO:

Sævar Freyr Þráinsson

Income Statement

1 January to 30 September 2023

	Notes	2023 1.7.-30.9.	2022* 1.7.-30.9.	2023 1.1.-30.9.	2022* 1.1.-30.9.
Operating revenue	5	12.977.291	12.375.843	42.886.632	40.900.734
Settlement of hedge contracts	2	205.915	(8.786)	425.883	(1.189.488)
Sales profit		5.224	12.535	14.814	29.859
Total revenue		<u>13.188.430</u>	<u>12.379.592</u>	<u>43.327.330</u>	<u>39.741.104</u>
Energy purchase and distribution		(1.539.815)	(1.378.541)	(4.993.198)	(4.883.692)
Salaries and salary related expenses	7	(2.187.272)	(1.752.367)	(7.325.282)	(5.863.955)
Other operating expenses		(1.728.113)	(1.669.828)	(5.417.588)	(4.768.741)
Operating expenses, total		<u>(5.455.199)</u>	<u>(4.800.735)</u>	<u>(17.736.069)</u>	<u>(15.516.388)</u>
EBITDA		<u>7.733.231</u>	<u>7.578.856</u>	<u>25.591.262</u>	<u>24.224.716</u>
Depreciation and amortisation		(3.857.859)	(3.653.115)	(11.544.364)	(10.448.639)
Results from operating activities (EBIT)		<u>3.875.372</u>	<u>3.925.741</u>	<u>14.046.898</u>	<u>13.776.076</u>
Interest income		142.455	49.995	338.802	117.171
Interest expenses		(3.149.477)	(3.927.708)	(11.378.600)	(10.489.628)
Other income (expenses) on financial assets and liabilities	2	1.665.535	(998.440)	660.333	1.771.269
Total financial income and expenses	8	<u>(1.341.487)</u>	<u>(4.876.153)</u>	<u>(10.379.465)</u>	<u>(8.601.188)</u>
Share in (loss) profit of associated companies		(41)	1.887	(211)	(3.159)
Profit (loss) before income tax		<u>2.533.844</u>	<u>(948.525)</u>	<u>3.667.222</u>	<u>5.171.729</u>
Income tax		(531.995)	686.821	(115.786)	(522.887)
Profit (loss) for the period		<u>2.001.850</u>	<u>(261.704)</u>	<u>3.551.436</u>	<u>4.648.842</u>
Profit (loss) for the period					
Attributable to Parent Company		2.001.912	(261.704)	3.551.515	4.648.842
Attributable to non-controlling interest		(62)	0	(79)	0
		<u>2.001.850</u>	<u>(261.704)</u>	<u>3.551.436</u>	<u>4.648.842</u>

* Comparative figures have been changed. See note 3.

The notes on pages 11 to 22 are an integral part of these Condensed Consolidated Interim Financial Statements.

Statement of Comprehensive Income

1 January to 30 September 2023

	2023	2022*	2023	2022*
	1.7.-30.9.	1.7.-30.9.	1.1.-30.9.	1.1.-30.9.
Profit (loss) for the period	2.001.850	(261.704)	3.551.436	4.648.842
Other comprehensive income				
Items moved to equity that will not be moved later to the income statement				
Revaluation reserve, increase	0	80.230	0	80.230
Items moved to equity that could be moved later to the income statement				
Translation difference	(24.204)	2.647.208	(2.481.503)	6.499.688
Other comprehensive income, after taxes	(24.204)	2.807.668	(2.481.503)	6.579.918
Total comprehensive income for the period	1.977.645	2.545.964	1.069.933	11.228.760

* Comparative figures have been changed. See note 3.

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Statement of Financial Position

30 September 2023

	Notes	30.9.2023	31.12.2022*
Assets			
Property, plant and equipment		408.902.026	406.760.917
Intangible assets		3.154.317	3.106.779
Right-of-use assets		2.221.056	2.180.951
Investments in associated companies		81.052	81.264
Investments in other companies		55.680	55.680
Embedded derivatives in electricity sales contracts		875.004	1.448.798
Hedge contracts		85.443	78.545
Deferred tax assets		4.544.624	3.759.231
Total non-current assets		<u>419.919.202</u>	<u>417.472.164</u>
Inventories		1.733.883	1.881.036
Work in progress		956.921	416.817
Trade receivables	9	4.762.544	5.877.993
Embedded derivatives in electricity sales contracts		0	110.312
Investments in other companies	12	5.632.000	5.632.000
Hedge contracts		308.450	346.984
Other receivables		1.327.650	692.873
Prepaid expenses		373.717	236.167
Marketable securities		11.272.744	11.070.605
Cash and cash equivalents		5.130.646	6.650.749
Total current assets		<u>31.498.555</u>	<u>32.915.536</u>
Total assets		<u><u>451.417.757</u></u>	<u><u>450.387.700</u></u>
Equity			
Revaluation reserve		117.603.304	121.092.491
Equity reserve		79.365.074	74.657.104
Development reserve		132.002	111.277
Fair value reserve		5.232.000	5.232.000
Translation reserve		9.062.076	11.543.578
Retained earnings		30.225.370	33.413.364
Equity attributable to equity holders of the Company		<u>241.619.827</u>	<u>246.049.815</u>
Minority interest		244	337
Total equity		<u>241.620.071</u>	<u>246.050.152</u>
Liabilities			
Loans and borrowings		152.755.111	151.000.804
Lease liabilities		2.136.662	2.076.354
Pension liability		727.288	668.460
Hedge contracts		36.275	40.275
Deferred revenue		1.147.939	0
Deferred tax liabilities		20.557.286	21.042.540
Total non-current liabilities		<u>177.360.561</u>	<u>174.828.434</u>
Accounts payables		2.952.950	3.673.238
Loans and borrowings		20.197.923	19.805.390
Lease liabilities		173.137	190.640
Embedded derivatives in electricity sales contracts		113.501	0
Hedge contracts		49.450	150.384
Deferred revenue	9	2.936.743	596.681
Current tax liability		1.298.226	1.464.093
Other current liabilities		4.715.194	3.628.688
Total current liabilities		<u>32.437.125</u>	<u>29.509.114</u>
Total liabilities		<u>209.797.686</u>	<u>204.337.548</u>
Total equity and liabilities		<u><u>451.417.757</u></u>	<u><u>450.387.700</u></u>

* Comparative figures have been changed. See note 3.

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Statement of Changes in Equity

1 January to 30 September 2023

	Revaluation reserve	Equity reserve	Develop- ment reserve	Fair value reserve	Translation reserve	Retained earnings	Attributable to equity holders of the Company	Minority interest	Total equity
1.1.- 30.9. 2023									
Equity at 1 January 2023	121.092.491	74.657.104	111.277	5.232.000	11.543.578	33.413.364	246.049.815	337	246.050.152
Translation difference					(2.481.503)		(2.481.503)		(2.481.503)
Profit for the period						3.551.515	3.551.515	(79)	3.551.436
Total comprehensive income	0	0	0	0	(2.481.503)	3.551.515	1.070.012	(79)	1.069.933
Depreciation transferred to retained earnings	(3.489.187)					3.489.187	0		0
Share in profit of subsidiaries and associates transferred to equity reserve		4.707.970				(4.707.970)	0		0
Other changes								(14)	(14)
Transfer to development reserve			20.725			(20.725)	0		0
Dividends paid						(5.500.000)	(5.500.000)		(5.500.000)
Equity at 30 September 2023	117.603.304	79.365.074	132.002	5.232.000	9.062.076	30.225.370	241.619.827	244	241.620.071
1.1.-30.9. 2022*									
Equity at 1 January 2022	101.733.552	66.451.877	123.873	5.695.000	6.307.814	33.081.886	213.394.002	0	213.394.002
Revaluation, increase	80.230						80.230		80.230
Translation difference					6.499.688		6.499.688		6.499.688
Profit for the period						4.648.842	4.648.842	0	4.648.842
Total comprehensive income	80.230	0	0	0	6.499.688	4.648.842	11.228.760	0	11.228.760
Depreciation transferred to retained earnings	(2.936.737)					2.936.737	0		0
Share in profit of subsidiaries and associates transferred to equity reserve		5.327.865				(5.327.865)	0		0
Transfer to development reserve			35.576			(35.576)	0		0
Divident paid						(4.000.000)	(4.000.000)		(4.000.000)
Equity at 30 September 2022	98.877.045	71.779.741	159.449	5.695.000	12.807.502	31.304.024	220.622.762	0	220.622.762

* Comparative figures have been changed. See note 3.

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Statement of Cash Flows

1 January to 30 September 2023

	2023 1.1.-30.9.	2022* 1.1.-30.9.
Cash flows from operating activities		
Profit for the period	3.551.436	4.648.842
Adjusted for:		
Financial income and expenses	10.379.465	8.601.188
Share in P/L of associates	211	3.159
Income tax	115.786	522.887
Depreciation and amortisation	11.544.364	10.448.639
Profit from sale of property, plants and equipment	(14.814)	(30.844)
Pension liability, change	58.828	43.208
Working capital from operation before interest and taxes	25.635.275	24.237.080
Inventories, decrease (increase)	147.153	(467.266)
Work in process, increase	(567.375)	(176.269)
Current assets, decrease	651.504	1.317.507
Current liabilities, increase	1.980.755	1.392.948
Cash generated from operations before interests and taxes	27.847.312	26.304.000
Received interest income	116.919	64.092
Paid interest expenses	(5.118.841)	(3.436.765)
Interest on settlement of currency agreements (court case)	0	(2.578.937)
Dividend received	191.155	164.861
Payments due to other financial income and expenses	(0)	(174.627)
Paid taxes	(1.159.385)	(1.207.889)
Net cash from operating activities	21.877.160	19.134.733
Cash flows from investing activities		
Acquisition of property, plant and equipment	(17.216.922)	(14.693.457)
Acquisition of intangible assets	(464.931)	(494.475)
Proceeds from sale of property, plant and equipment	78.588	96.610
Change in marketable securities	40.545	45.114
Net cash used in investing activities	(17.562.720)	(15.046.208)
Cash flows from financing activities		
Proceeds from new borrowings	15.269.138	7.058.651
Repayment of borrowings	(16.579.998)	(9.922.254)
Deferred revenue	1.147.939	0
Dividends paid	(5.500.000)	(4.000.000)
Repayment of lease liability	(108.343)	(70.868)
Net cash used in financing activities	(5.771.263)	(6.934.472)
Decrease in cash and cash equivalents	(1.456.824)	(2.845.946)
Cash and cash equivalents at year beginning	6.650.749	10.319.874
Effect of currency fluctuations on cash and cash equivalents	(63.280)	25.057
Cash and cash equivalents at the end of the Period	5.130.646	7.498.984
Investments and financing without payment effects:		
Acquisition of property, plant and equipment	(180.147)	(314.085)
Current liabilities, change	180.147	314.085
Other information		
Working capital from operation	19.649.752	19.507.248

* Comparative figures have been changed. See note 3.

The notes on pages 11 to 22 are an integral part of these Condensed Consolidated Interim Financial Statements.

Notes

1. Reporting entity

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

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

Subsidiaries in the Group	Main operations	Functional currency	Share	
			30.9.2023	31.12.2022
Ljósleiðarinn ehf.	Fiber optics system	ISK	100%	100%
OR Eignir ohf.	Holding company	ISK	100%	100%
Veitur ohf.	Distribution of electricity and hot water	ISK	100%	100%
Orka náttúrunnar ohf.	Production and sale of electricity	ISK	100%	100%
ON Power ohf.	Production and sale of electricity	USD	100%	100%
OR- vatns- og fráveita sf.	Cold water and sewage	ISK	100%	100%
Eignarhaldsfélagið Carbfix ohf.	Consulting, researches and innovation	ISK	99,9%	99,9%
Carbfix hf.	Consulting, researches and innovation	EUR	100%	100%
Coda Terminal hf.	Construction of a carbon disposal plant	EUR	100%	100%

2. Basis of preparation

a. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with international Financial Reporting Standard IAS 34 Interim Financial Reporting. They do not include all of the information required for a complete set of consolidated annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2022. Same accounting principles are applied as for the year 2022. The annual financial statements can be found at the company's web site; www.or.is 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 27 November 2023.

b. Change in presentation

The presentation of the income statement has been changed from the same period last year. The change consists in the redeemed aluminum which is now included in the operating income, but was previously included in financial income and expenses. It is the opinion of the company's management that the changed classification gives a clearer picture of the company's operating income. The presentation of comparative amounts in the income statement has been changed accordingly.

c. Functional and presentation currency

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

d. Basis of measurement

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

Notes

2. Basis of preparation, contd.

e. 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.

ii) Subsidiary with other functional currency than the Icelandic krona

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

f. Use of estimates and judgements

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

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

3. Change of comparative figures

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

	2022		
Statement of comprehensive income (condensed)	2022		1.1.-30.9.
	1.1.-30.9.	Adjustments	Adjusted
Operating revenue.....	41.019.655 (	118.922)	40.900.734
Results from operating activities.....	13.894.998 (	118.922)	13.776.076
Profit before income tax.....	5.290.651 (	118.922)	5.171.729
Income tax.....	(546.671)	23.784 (	522.887)
Profit for the period.....	4.743.979 (	95.137)	4.648.842
Total comprehensive income for the period.....	11.323.897 (	95.137)	11.228.760
			31.12.2022
Statement of financial position (condensed)	31.12.2022	Adjustments	Adjusted
Trade receivables.....	6.360.401 (	482.408)	5.877.993
Total current assets.....	33.397.944 (	482.408)	32.915.536
Total assets.....	450.870.108 (	482.408)	450.387.700
Retained earnings.....	33.799.290 (	385.926)	33.413.364
Total equity.....	246.436.078 (	385.926)	246.050.152
Deferred tax liabilities.....	21.047.364 (	4.824)	21.042.540
Total non-current liabilities.....	174.833.258 (	4.824)	174.828.434
Current tax liability.....	1.490.981 (	26.888)	1.464.093
Other current liabilities.....	3.693.458 (	64.769)	3.628.688
Total current liabilities.....	29.600.771 (	91.657)	29.509.114
Total liabilities.....	204.434.030 (	96.482)	204.337.548
Total equity and liabilities.....	450.870.108 (	482.408)	450.387.700

Notes

4. Operation and revenue recognition of Group's components

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

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.
c. Cold water	OR - vatns- og fráveita collects and distributes cold water from reservoirs. Revenue from the sale of cold water is based on the size of properties plus a fixed fee which is recorded over the period in the income statement. The legal limitation on the upper limit of the rate is 0,5% of the real estate value. In addition revenue is stated for cold water according to measurement from specific industries. Upon connection of new users to distribution systems of cold water and upon renewal of connection an initial fee is charged. The initial fee is intended to cover cost of new distribution systems and their renewal. Connection fee is recognised in the income statement upon delivery of the service. Trade receivables from the sale of cold water generally have a 30 day grace period. Some contracts with certain customers may have different payment arrangements but that is an exception. Billing for cold water and sewage is done in the first 9 months of the year but income is distributed evenly over the year.

Notes

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

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

5. Revenues from sales of goods and services

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

	2023	2022
	1.1.-30.9.	1.1.-30.9.
Electricity.....	17.690.706	17.766.348
Hot water.....	12.268.043	10.916.722
Cold water.....	2.743.955	2.726.571
Sewer system.....	4.962.625	4.874.257
Other revenues.....	5.221.303	4.616.835
Revenues from sales of goods and services total.....	<u>42.886.632</u>	<u>40.900.734</u>

Notes

6. Segment reporting

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

Business segments - divisions

1.1.- 30.9. 2023

	Utilities	Energy sale and production	Other Operation	Adjust- ments	IFRS 16*	Total
External revenue	26.845.575	13.126.993	3.354.762	0		43.327.330
Inter-segment revenue	4.222.072	5.399.660	8.598.106	(18.219.838)		0
Total segment revenue	31.067.647	18.526.653	11.952.868	(18.219.838)		43.327.330
Segment operation expenses	(17.643.295)	(8.443.900)	(9.971.667)	18.156.195	166.598	(17.736.069)
Segment profit EBITDA	13.424.353	10.082.753	1.981.201	(63.644)	166.598	25.591.262
Depreciation and amortisation	(5.242.728)	(4.235.578)	(1.993.334)	46.835	(119.559)	(11.544.364)
Segment results, EBIT	8.181.625	5.847.175	(12.133)	(16.809)	47.039	14.046.898
Financial income and expenses	(5.652.137)	(2.229.203)	(1.673.114)	(775.271)	(49.740)	(10.379.465)
Share in loss of associated companies	0	0	(211)	0	(211)	
Income tax	(215.787)	(723.350)	578.257	244.079	1.015	(115.786)
Profit (loss) for the period	2.313.701	2.894.622	(1.107.201)	(548.001)	(1.685)	3.551.436

1.1.- 30.9. 2022

External revenue	24.411.146	12.344.026	2.985.931	0		39.741.104
Inter-segment revenue	3.606.184	4.462.344	7.283.339	(15.351.866)		0
Total segment revenue	28.017.331	16.806.370	10.269.270	(15.351.866)		39.741.104
Segment operation expenses	(14.584.768)	(8.145.407)	(8.223.884)	15.295.710	141.960	(15.516.388)
Segment profit EBITDA	13.432.563	8.660.964	2.045.386	(56.156)	141.960	24.224.716
Depreciation and amortisation	(4.799.754)	(3.901.829)	(1.708.452)	40.931	(79.536)	(10.448.639)
Segment results, EBIT	8.632.809	4.759.135	336.934	(15.225)	62.424	13.776.076
Financial income and expenses	(6.943.317)	(66.367)	835.554	(2.380.686)	(46.372)	(8.601.188)
Share in loss of associated companies	0	0	(3.159)	0	(3.159)	
Income tax	(70.795)	(901.450)	(447.482)	902.875	(6.036)	(522.887)
Profit for the period	1.618.697	3.791.318	721.847	(1.493.037)	10.016	4.648.842

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

Notes

6. Segment reporting, contd.

Business segments - divisions, contd.

	Utilities	Energy sale and production	Other Operation	Adjust- ments	IFRS 16*	Total
Balance sheet (30.9.2023)						
Property, plant and equipment and intangible assets	217.880.986	144.903.253	49.533.343 (	261.239)		412.056.343
Right-of-use assets					2.221.056	2.221.056
Other assets	23.988.975	10.368.478	197.662.759 (	194.879.853)		37.140.359
						<u>451.417.757</u>
Loans and borrowings	78.801.438	56.355.615	174.353.034 (	136.557.053)		172.953.034
Lease liabilities					2.309.799	2.309.799
Other liabilities	19.826.476	11.641.503	61.895.780 (	58.828.907)		34.534.853
						<u>209.797.686</u>
Investments (1.1.-30.9.2023)						
Property, plant and equipment and intangible assets	10.315.026	3.295.582	5.222.572 (	984.944)		17.848.235
Balance sheet (31.12.2022)						
Property, plant and equipment and intangible assets	212.808.689	149.985.284	47.073.723	0		409.867.696
Right-of-use assets					2.180.951	2.180.951
Other assets	22.699.185	11.637.831	189.044.494 (	185.042.458)		38.339.053
						<u>450.387.700</u>
Loans and borrowings	75.471.782	59.629.752	170.806.194 (	135.101.533)		170.806.194
Lease liabilities					2.266.994	2.266.994
Other liabilities	16.837.580	11.334.039	53.926.153 (	50.833.411)		31.264.360
						<u>204.337.548</u>
Investments (1.1.-30.9.2022)						
Property, plant and equipment and intangible assets	8.626.746	2.563.639	4.487.849	0		15.678.233

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

Notes

7. Salaries and salary related expenses

	2023	2022
	1.1.-30.9.	1.1.-30.9.
Salaries and salary related expenses are specified as follows:		
Salaries	6.623.839	5.477.917
Defined contribution pension expenses	887.011	753.995
Defined benefit pension expenses, changes	89.293	69.863
Other salary related expenses	595.478	503.042
Total salaries and salary related expenses	<u>8.195.621</u>	<u>6.804.816</u>
Salaries and salary related expenses are stated in the interim financial statements as follows:		
Expensed in the income statement	7.325.282	5.863.955
Capitalised on projects	870.338	940.861
Total salaries and salary related expenses	<u>8.195.621</u>	<u>6.804.816</u>
Number of employees:		
Number of annual working units	636,7	583,4
Management's salaries and benefits for the parent company and subsidiaries are specified as follows:		
Salaries to the Board of Directors of the Parent Company	17.826	15.514
Salaries of the CEO of the Parent Company	31.022	28.773
Salaries of Managing Directors of the Parent Company*	79.149	80.288
Salaries to the Board of Directors of subsidiaries**	13.450	11.009
Salaries of Managing Directors of subsidiaries	122.161	118.723
Termination expenses	68.084	33.899
	<u>331.692</u>	<u>288.207</u>

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

** Four board of Directors from 1.1.-30.9.2022 but five in the period 1.1.-30.9.2023.

8. Financial income and expenses

	2023	2022
	1.1.-30.9.	1.1.-30.9.
Financial income and expenses are specified as follows:		
Interest income	338.802	117.171
Interest expenses and paid indexation	(5.071.773)	(3.515.925)
Indexation	(5.970.262)	(6.604.252)
Guarantee fee to owners 1)	(336.566)	(369.451)
Total interest expenses	<u>(11.378.600)</u>	<u>(10.489.628)</u>
Fair value changes of embedded derivatives in electricity sales contracts	(797.607)	(2.401.262)
Fair value changes of financial assets and financial liabilities through P/L	242.684	(649.853)
Unredeemed fair value changes of hedge contracts	73.298	2.926.660
Redemption of interest rate swaps	0	(174.627)
Foreign exchange difference	897.133	1.859.275
Dividends	244.825	211.077
Total of other income (expenses) on financial assets and liabilities	<u>660.333</u>	<u>1.771.269</u>
Total financial income and expenses	<u>(10.379.465)</u>	<u>(8.601.188)</u>

Notes

8. Financial income and expenses, contd.

1) The Group paid a guarantee fee to the owners of the company for guarantees they have made on the Groups loans and borrowings according to a decision made on the annual meeting of Orkuveita Reykjavíkur in 2005. The fee on yearly basis for its licensed operations is 0,81% (2022: 0,82%) and 0,65% (2022: 0,63%) regarding loans due for operations in the open market. The guarantee fee is calculated on total loans quarterly. The guarantee fee amounted to ISK 337 million in the period 1 January to 30 September 2023 (1.1.-30.9.2022: ISK 369 million) and is accounted for among interest expenses.

Fair value changes through P/L

Generally accepted valuation methods are used to determine the fair value of certain financial assets and financial liabilities, further discussed in note 38 with the financial statements of the Group for the year 2022. Change in fair value that is recognized in the income statement amounts to ISK 482 million expense in the period 1 January to 30 September 2023 (1.1.-30.9.2022: expense ISK 124 million). Fair value changes on financial assets and liabilities defined at level 3 amounts to ISK 798 million expense in the period 1 January to 30 September 2023 (1.1.-30.9.2022: expense ISK 2.401 million).

9. Receivables and deferred revenue

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

Notes

10. Fair value

Comparison of fair value versus carrying amounts

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

	30.9.2023		31.12.2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest-bearing liabilities	172.953.034	184.220.877	170.806.194	177.796.952

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

Interest rates used for determining fair value

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

	30.9.2023	31.12.2022
Embedded derivatives in electr. sales contr.	11,85% to 13,08%	11,11% to 12,44%
Hedge contracts	-0,23% to 5,81%	4,3% to 5,4%
Interest bearing loans	0,49% to 9,78%	0,49% to 12,72%

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

Fair value hierarchy

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

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

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

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

	Level 1	Level 2	Level 3	Total
30.9.2023				
Shares in companies	0	0	5.687.680	5.687.680
Embedded derivatives in sales contracts	0	0	761.502	761.502
Hedge contracts	0	308.168	0	308.168
Marketable securities	11.272.744	0	0	11.272.744
	11.272.744	308.168	6.449.183	18.030.095
31.12.2022				
Shares in companies	0	0	5.687.680	5.687.680
Embedded derivatives in sales contracts	0	0	1.559.109	1.559.109
Hedge contracts	0	234.870	0	234.870
Marketable securities	11.070.605	0	0	11.070.605
	11.070.605	234.870	7.246.789	18.552.264

Notes

11. Related parties

Definition of related parties

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

Transactions with related parties

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

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

	2023	2022
	1.1.-30.9.	1.1.-30.9.
Sale to related parties:		
Reykjavik City.....	1.255.986	1.463.582
Institutions and companies controlled by Reykjavik City.....	585.714	545.334
	<u>1.841.700</u>	<u>2.008.916</u>
Purchases from related parties:		
Reykjavik City.....	42.880	56.443
Institutions and companies controlled by Reykjavik City.....	34.450	22.570
Associates.....	81.874	85.276
Board members and key managers.....	59.109	44.416
	<u>218.313</u>	<u>208.705</u>
	30.9.2023	31.12.2022
Receivables for related parties:		
Reykjavik City.....	79.650	464.740
Institutions and companies controlled by Reykjavik City.....	64.749	38.505
	<u>144.399</u>	<u>503.245</u>
Payables for related parties:		
Reykjavik City.....	150.575	238.416
Institutions and companies controlled by Reykjavik City.....	2.134	975
	<u>152.709</u>	<u>239.391</u>
	2023	2022
	1.1.-30.9.	1.1.-30.9.
Guarantee fee paid to owners of the company:		
Reykjavik City	313.251	343.828
Akranes town	21.637	23.713
Borgarbyggð, municipality	1.678	1.910
	<u>336.566</u>	<u>369.451</u>

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

Notes

12. Other matters

Purchase of Sýn's core network

On 2 December, 2022, a purchase agreement was signed between Ljósleiðarinn ehf. and Sýn hf. for ISK 3 billion for Sýn's core network, and a 12-year service agreement between the two companies. On 4 October 2023 the purchase went through and Ljósleiðarinn received the core network. Delivery is still ongoing and it is expected that the last payments and the end of delivery will be on 4 October 2024.

Electricity contract with Norðurál referred to international arbitration

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

Sale of shares in Landsnet

Over the past months, plans have been in place to sell OR's shares in Landsnet, as the Electricity Act stipulates that the transmission company must be directly owned by the Icelandic state and/or municipalities. At the end of 2020, OR's board agreed that a declaration of intent regarding a change in Landsnet's ownership would be signed, and to begin negotiations regarding the sale of the shares. As a result, negotiations began with representatives of the Ministry of Finance on the matter. At the end of 2022, the ministry negotiated with state-owned companies to purchase their shares in Landsnet, but the ministry wanted to finalise those agreements before its purchase of OR's shares was completed. It is unlikely that the sale of OR's shares in Landsnet will be completed in the year 2023 as has been planned. The book value of the shares in Landsnet is estimated at ISK 5,6 billion on 30.9.2023 and is included among current assets, for further details see note 16 with the financial statements of the Group for the year 2022.

Repair at headquarters

At the end of August 2015, severe water damage occurred at the company's headquarters on Bæjarhóls 1. The renovation of the exterior walls of the west building (Vesturhús) has been completed and the construction of the interior and vaulted space has begun. OR has entered into a construction contract with Ístak in the amount of ISK 731,1 million for the construction in the vaulted space, and it is expected that the work will be completed by the end of 2024. In addition, interior construction in Vesturhús has been put out to tender. OR's cost estimate amounts to ISK 1.550 million for the work.

Water damage at OR - vatns- og fráveita

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

Notes

12. Other matters, contd.

Litigation

Siminn hf. filed a lawsuit against Post and Electronic Communications office of Iceland (ECOI), Ljósleiðarinn ehf., Sýn hf. and Mila ehf. due to ECOI 's decision from July 3, 2018 regarding the offense of Siminn. The ruling of the District Court was announced on July 1st, 2020, where the ECOI decision was upheld, although with some changes in the criteria. The case was appealed to the National Court by Siminn hf., ECOI and Sýn hf. which confirmed the material result of the ECOI. Siminn requested a leave to appeal with the Supreme Court which was approved by the Supreme Court and the proceedings began on May 3, 2023. The Supreme Court referred the case back to the District Court and ruled out previous ruling. It is estimated that the main trial will take place in the case at the beginning of the year 2024 and that the district court's decision will then possibly be available in the spring of 2024. In the case, Ljósleiðarinn requests that the ECOI's decision from 2018 be confirmed, i.e. it will be recognized that Siminn has violated Art. 45, paragraph 5 of the Media Act by making the non-linear video transmission of Siminn's TV content only possible by connecting to Siminn's IPTV system and also only via the telecommunications network of Mila hf., then a subsidiary of Siminn. Nothing has been entered due to this claim in the company's interim financial statements 30.09.2023.