



**Condensed Consolidated
Interim Financial Statements**
1 January to 30 September 2022

Orkuveita Reykjavíkur Group
Reg no. 551298-3029
Bæjarhás 1, 110 Reykjavík

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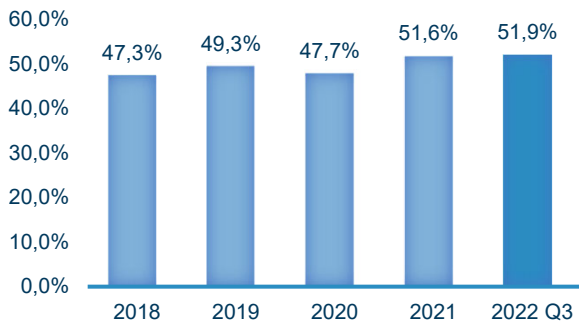
These Interim Financial statements are translated from the Icelandic original. Should there be discrepancies between the two versions, the Icelandic version will take priority.

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

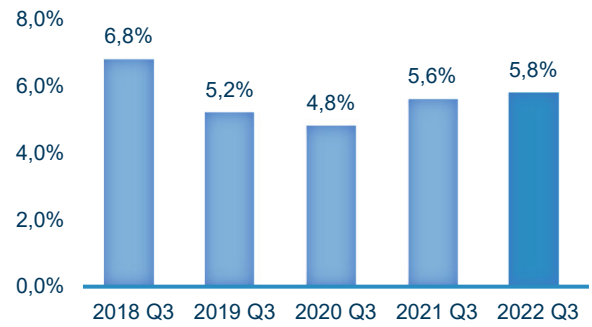


Financial ratios

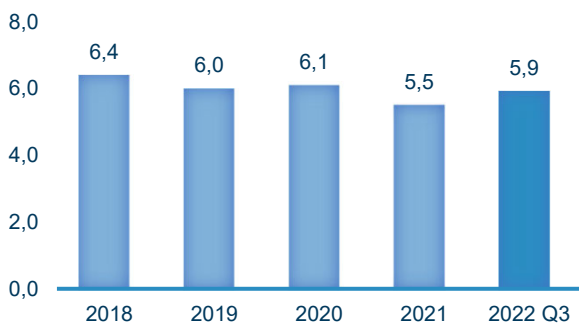
Equity ratio



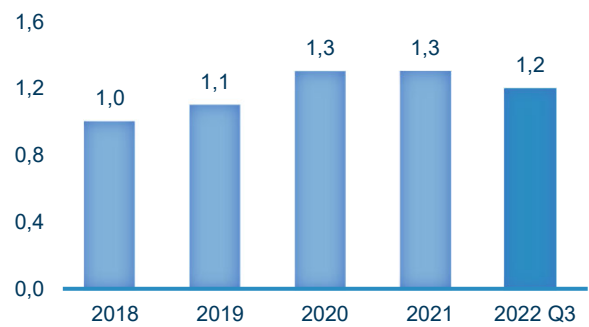
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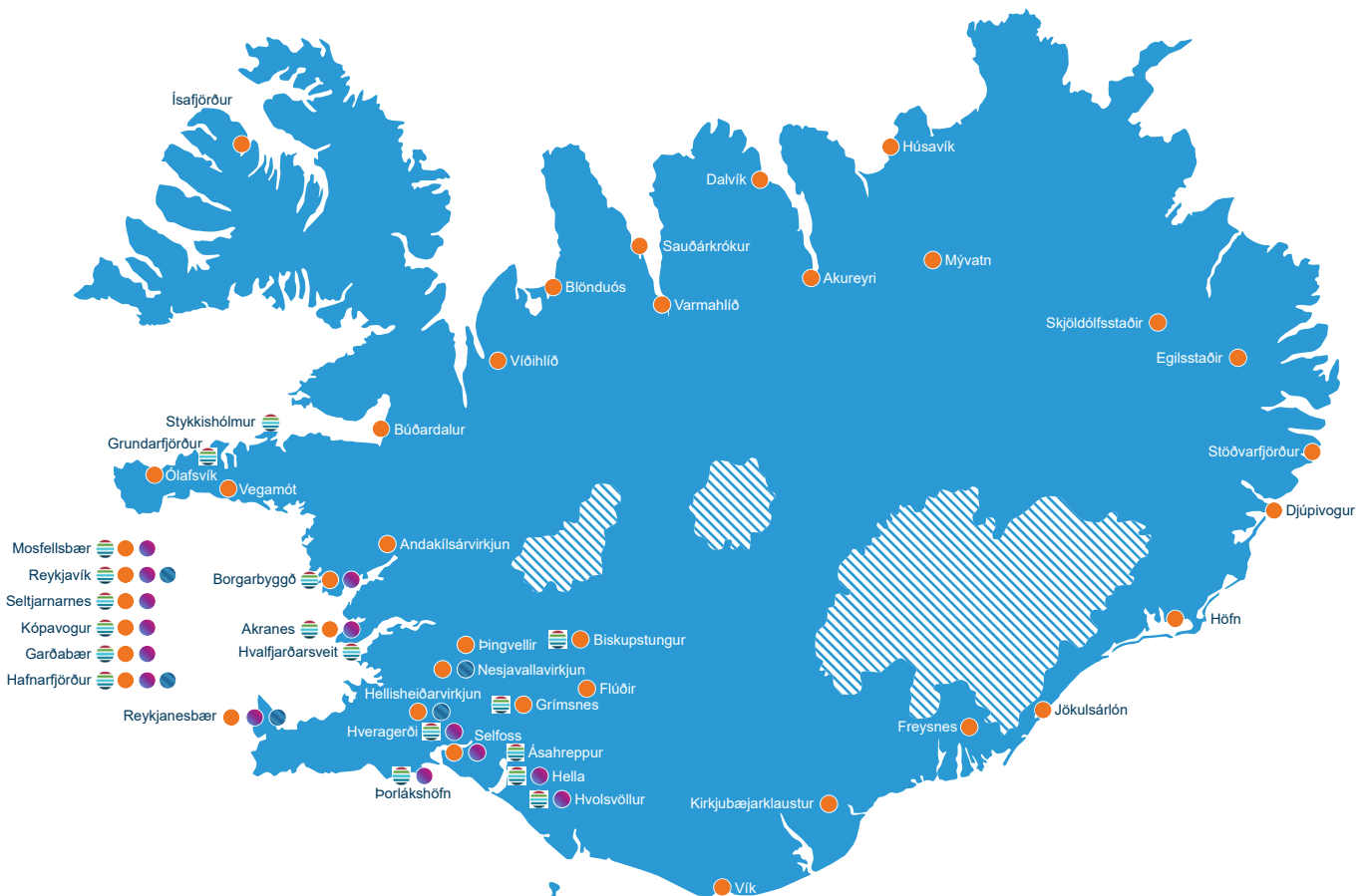
Net debt / Net cash from operation activities



Current ratio without aluminum derivative



Services



Operating summary

Operating year	2022	2021	2020	2019	2018
	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	41.050	37.663	35.045	33.578	33.459
Expenses	(15.516)	(13.339)	(14.206)	(13.570)	(12.540)
thereof energy purchase and distribution	(4.884)	(4.174)	(4.181)	(4.163)	(4.404)
EBITDA	25.533	24.325	20.839	20.008	20.919
Depreciation	(10.449)	(9.966)	(9.606)	(8.900)	(6.965)
EBIT	15.084	14.359	11.233	11.108	13.954
Cash flow statement:					
Received interest income	64	109	240	266	151
Paid interest expense	(6.016)	(3.174)	(3.724)	(3.791)	(2.977)
Net cash from operating activities	19.271	21.832	19.416	19.449	17.217
Working capital from operation	19.602	18.798	15.727	14.275	16.830
Liquid funds					
Deposits and marketable securities	13.962	13.195	12.798	7.750	6.278
Cash and cash equivalents	7.499	17.998	11.549	13.221	13.667
Undrawn credit lines	7.570	10.198	8.600	11.900	9.000
Liquid funds total	29.031	41.391	32.947	32.872	28.945

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 2022 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 2022 was ISK 4.744 million (1.1.-30.9.2021: Profit ISK 10.918 million). Comprehensive income for the period 1 January to 30 September 2022 was ISK 11.324 million (1.1.-30.9.2021: ISK 12.245 million). According to the statement of financial position the Group's assets were ISK 425.663 million at the end of the period (31.12.2021: ISK 413.882 million). Book value of equity at the end of the period was ISK 220.977 million (31.12.2021: ISK 213.653 million), resulting in equity ratio of 51,9% (31.12.2021: 51,6%).

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

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

Statement of the Board of Directors and the CEO

According to the best knowledge of the Board of Directors and the CEO of Orkuveita Reykjavíkur, the condensed consolidated interim financial statements are in accordance with the international financial reporting standard IAS 34 on interim financial reporting. It is the opinion of the Board of Directors and the CEO that the interim financial statements give a fair view of the Group's assets, liabilities and financial position 30 September 2022 and the Group's operating return and changes in cash and cash equivalents in the period 1 January to 30 September 2022.

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 2022.

Reykjavík, 28 November 2022.

The Board of Directors:

Brynhildur Davíðsdóttir
Gylfi Magnússon
Vala Valtýsdóttir
Eyþór Laxdal Arnalds
Kjartan Magnússon
Valgarður Lyngdal Jónsson

CEO:

Bjarni Bjarnason

Income Statement

1 January to 30 September 2022

	Notes	2022 1.7.-30.9.	2021 1.7.-30.9.	2022 1.1.-30.9.	2021 1.1.-30.9.
Operating revenue		12.415.483	11.640.616	41.019.655	37.640.209
Sales profit		12.535	(192)	29.859	23.119
Total revenue	4	<u>12.428.018</u>	<u>11.640.424</u>	<u>41.049.514</u>	<u>37.663.328</u>
Energy purchase and distribution		(1.378.541)	(1.222.317)	(4.883.692)	(4.173.673)
Salaries and salary related expenses		(1.752.367)	(1.625.072)	(5.863.955)	(5.583.078)
Other operating expenses		(1.669.828)	(1.345.181)	(4.768.741)	(3.581.870)
Operating expenses, total		<u>(4.800.735)</u>	<u>(4.192.570)</u>	<u>(15.516.388)</u>	<u>(13.338.621)</u>
EBITDA		<u>7.627.283</u>	<u>7.447.854</u>	<u>25.533.125</u>	<u>24.324.707</u>
Depreciation and amortisation		(3.653.115)	(3.311.052)	(10.448.639)	(9.966.181)
Results from operating activities		<u>3.974.167</u>	<u>4.136.802</u>	<u>15.084.486</u>	<u>14.358.526</u>
Interest income		49.995	27.084	117.171	114.341
Interest expenses		(3.927.708)	(1.889.921)	(10.489.628)	(6.121.458)
Other income (expenses) on financial assets and liabilities		(1.007.226)	810.953	581.781	7.217.263
Total financial income and expenses	6	<u>(4.884.939)</u>	<u>(1.051.884)</u>	<u>(9.790.676)</u>	<u>1.210.147</u>
Share in profit (loss) of associated companies		1.887	0	(3.159)	(3.967)
(Loss) profit before income tax		<u>(908.884)</u>	<u>3.084.919</u>	<u>5.290.651</u>	<u>15.564.707</u>
Income tax		678.893	(997.234)	(546.671)	(4.647.163)
(Loss) profit for the period		<u>(229.992)</u>	<u>2.087.684</u>	<u>4.743.979</u>	<u>10.917.544</u>

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

Statement of Comprehensive Income

1 January to 30 September 2022

	2022 1.7.-30.9.	2021 1.7.-30.9.	2022 1.1.-30.9.	2021 1.1.-30.9.
(Loss) profit for the period	(229.992)	2.087.684	4.743.979	10.917.544
Other comprehensive income				
Items moved to equity that will not be moved later to the income statement				
Revaluation reserve, increase	80.230	0	80.230	0
Items moved to equity that could be moved later to the income statement				
Translation difference	4.944.867	3.042.778	6.499.688	1.327.907
Other comprehensive income, after taxes	5.025.097	3.042.778	6.579.918	1.327.907
Total comprehensive income for the period	<u>4.795.106</u>	<u>5.130.463</u>	<u>11.323.897</u>	<u>12.245.451</u>

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Statement of Financial Position

30 September 2022

	Notes	30.9.2022	31.12.2021
Assets			
Property, plant and equipment		379.917.146	363.713.260
Intangible assets		3.118.988	2.966.481
Right-of-use assets		2.137.796	2.576.177
Investments in associated companies		77.764	80.923
Investments in other companies		55.680	55.680
Hedge contracts		435.318	73.264
Deferred tax assets		4.263.683	3.812.930
Total non-current assets		<u>390.006.376</u>	<u>373.278.714</u>
Inventories		1.804.771	1.337.505
Trade receivables	7	4.699.509	5.625.149
Embedded derivatives in electricity sales contracts		0	1.548.338
Investments available for sale		6.095.000	6.095.000
Hedge contracts		770.941	17.036
Other receivables		608.760	674.401
Prepaid expenses		216.091	328.780
Deposits and marketable securities		13.962.402	14.657.369
Cash and cash equivalents		7.498.984	10.319.874
Total current assets		<u>35.656.458</u>	<u>40.603.452</u>
Total assets		<u><u>425.662.834</u></u>	<u><u>413.882.166</u></u>
Equity			
Revaluation reserve		98.877.045	101.733.552
Equity reserve		71.779.741	66.451.877
Development reserve		159.449	123.873
Fair value reserve		5.695.000	5.695.000
Translation reserve		12.807.502	6.307.814
Retained earnings		31.658.238	33.340.963
Total equity		<u>220.976.976</u>	<u>213.653.079</u>
Liabilities			
Loans and borrowings		152.910.235	149.859.537
Lease liabilities		2.042.009	2.475.864
Pension liability		674.087	630.879
Embedded derivatives in electricity sales contracts		1.076.158	931.389
Hedge contracts		6.500	332.279
Deferred tax liabilities		17.540.037	16.929.779
Total non-current liabilities		<u>174.249.026</u>	<u>171.159.726</u>
Accounts payable		3.063.185	3.522.684
Loans and borrowings		18.427.743	15.187.655
Lease liabilities		158.919	179.498
Embedded derivatives in electricity sales contracts		708.156	0
Hedge contracts		99.264	1.584.188
Deferred revenue	7	2.526.751	142.970
Current tax liability		767.966	1.753.949
Other current liabilities		4.684.849	6.698.418
Total current liabilities		<u>30.436.832</u>	<u>29.069.361</u>
Total liabilities		<u>204.685.858</u>	<u>200.229.088</u>
Total equity and liabilities		<u><u>425.662.834</u></u>	<u><u>413.882.166</u></u>

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

Statement of Changes in Equity

1 January to 30 September 2022

	Revaluation reserve	Equity reserve	Develop- ment reserve	Fair value reserve	Translation reserve	Retained earnings	Total equity
1.1.- 30.9.2022							
Equity at 1 January 2022	101.733.552	66.451.877	123.873	5.695.000	6.307.814	33.340.963	213.653.079
Revaluation, increase	80.230						80.230
Translation difference					6.499.688		6.499.688
Profit for the period						4.743.979	4.743.979
Total comprehensive income	80.230	0	0	0	6.499.688	4.743.979	11.323.897
Depreciation transferred to retained earnings	(2.936.737)					2.936.737	0
Share in profit of subsidiaries and associates transferred to equity reserve		5.327.865				(5.327.865)	0
Transfer to development reserve			35.576			(35.576)	0
Dividends paid						(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	31.658.238	220.976.976
1.1.- 30.9.2021							
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					1.327.907		1.327.907
Profit for the period						10.917.544	10.917.544
Total comprehensive income	0	0	0	0	1.327.907	10.917.544	12.245.451
Depreciation transferred to retained earnings	(2.847.219)					2.847.219	0
Share in profit of subsidiaries and associates transferred to equity reserve		4.273.063				(4.273.063)	0
Transfer to development reserve			84.343			(84.343)	0
Dividend paid						(4.000.000)	(4.000.000)
Equity at 30 September 2021	86.630.789	64.480.271	192.651	5.467.000	6.231.746	33.368.982	196.371.439

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Statement of Cash Flows

1 January to 30 September 2022

	2022	2021
	1.1.-30.9.	1.1.-30.9.
Cash flows from operating activities		
Profit for the period	4.743.979	10.917.544
Adjusted for:		
Financial income and expenses	9.790.676	(1.210.147)
Share in P/L of associates	3.159	3.967
Income tax	546.671	4.647.163
Depreciation and amortisation	10.448.639	9.966.181
Profit from sale of property, plants and equipment	(30.844)	(23.119)
Pension liability, change	43.208	(21.250)
Working capital from operation before interest and taxes	25.545.490	24.280.338
Inventories, increase	(467.266)	(97.349)
Current assets, decrease	1.198.186	118.368
Current liabilities, increase	1.392.948	2.521.241
Cash generated from operations before interests and taxes	27.669.357	26.822.598
Received interest income	64.092	108.630
Paid interest expenses	(6.015.702)	(3.174.397)
Dividend received	164.861	120.972
Payments due to other financial income and expenses	(1.403.800)	(901.560)
Paid taxes	(1.207.889)	(1.144.042)
Net cash from operating activities	19.270.918	21.832.200
Cash flows from investing activities		
Acquisition of property, plant and equipment	(14.869.727)	(11.778.171)
Acquisition of intangible assets	(494.475)	(353.801)
Proceeds from sale of property, plant and equipment	96.610	40.023
Proceeds from sale of other companies	400	0
Change in deposits	0	6.500.000
Change in marketable securities	45.114	(4.270.735)
Net cash used in investing activities	(15.222.077)	(9.862.684)
Cash flows from financing activities		
Proceeds from new borrowings	7.058.651	10.035.811
Repayment of borrowings	(9.922.254)	(15.747.261)
Dividends paid	(4.000.000)	(4.000.000)
Repayment of lease liability	(70.868)	(77.278)
Net cash used in financing activities	(6.934.472)	(9.788.729)
(Decrease) increase in cash and cash equivalents	(2.885.631)	2.180.788
Cash and cash equivalents at year beginning	10.319.874	15.820.051
Effect of currency fluctuations on cash and cash equivalents	64.741	(3.255)
Cash and cash equivalents at the end of the period	7.498.984	17.997.584
Investments and financing without payment effects:		
Acquisition of property, plant and equipment	(314.085)	555.206
Current liabilities, change	314.085	(555.206)
Other information:		
Working capital from operation	19.602.385	18.797.533

The notes on pages 11 to 20 are an integral part of these Interim Consolidated 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 interim consolidated 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	
		30.9.2022	31.12.2021
Ljósleiðarinn ehf.	Fiber optics system	100%	100%
OR Eignir ohf.	Holding company	100%	100%
Veitur ohf.	Distribution of electricity and hot water	100%	100%
Orka náttúrunnar ohf.	Sale of electricity	100%	100%
ON Power ohf.	Sale of electricity	100%	100%
OR Vatns- og fráveita sf.	Cold water and sewage	100%	100%
Carbfix holding ohf.	Consulting, researches and innovation	100%	100%
Coda Terminal hf.	Construction and operation of a reception and disposal station for carbon dioxide	100%	0%

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 2021. Same accounting principles are applied as for the year 2021. 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 28 November 2022.

b. Functional and presentation currency

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

c. Basis of measurement

The consolidated interim financial statements have been prepared on the historical cost basis except for a part of property, plant and equipment have been revalued at fair value, derivative agreement, embedded derivatives in electricity sales contracts, assets held for sale and other financial assets and liabilities are stated at fair value. The methods used to measure fair values are discussed further in note 38 with the consolidated financial statements for the year ended 31 December 2021.

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

	2022	2021
	1.1.-30.9.	1.1.-30.9.
Electricity.....	17.885.270	16.115.925
Hot water.....	10.916.722	10.421.938
Cold water.....	2.726.571	2.635.214
Sewer system.....	4.874.257	4.495.604
Other revenues.....	4.616.835	3.994.647
Revenues from sales of goods and services total.....	41.019.655	37.663.328

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, Carbfix and Coda Terminal. 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 and Coda Terminal 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 2021.

Business segments - divisions

1.1.- 30.9. 2022	Utilities	Energy sale and production	Other Operation	Adjustments	IFRS 16*	Total
External revenue	24.530.068	13.533.514	2.985.931	0		41.049.514
Inter-segment revenue	3.606.184	4.462.344	7.283.339	(15.351.866)		0
Total segment revenue	28.136.252	17.995.858	10.269.270	(15.351.866)		41.049.514
Segment operation expenses	(14.584.768)	(8.145.407)	(8.223.884)	15.295.710	141.960	(15.516.388)
Segment profit EBITDA	13.551.485	9.850.451	2.045.386	(56.156)	141.960	25.533.125
Depreciation and amortisation	(4.799.754)	(3.901.829)	(1.708.452)	40.931	(79.536)	(10.448.639)
Segment results, EBIT	8.751.731	5.948.622	336.934	(15.225)	62.424	15.084.486
Financial income and expenses	(6.943.317)	(1.255.855)	835.554	(2.380.686)	(46.372)	(9.790.676)
Share in loss of associated companies	0	0	(3.159)	0	(3.159)	
Income tax	(94.579)	(901.450)	(447.482)	902.875	(6.036)	(546.671)
Profit (loss) for the period	1.713.835	3.791.318	721.847	(1.493.037)	10.016	4.743.979
1.1.- 30.9. 2021						
External revenue	23.183.047	11.834.868	2.645.413	0		37.663.328
Inter-segment revenue	3.017.142	6.196.108	6.798.669	(16.011.919)		0
Total segment revenue	26.200.190	18.030.976	9.444.081	(16.011.919)		37.663.328
Segment operation expenses	(14.017.396)	(8.703.773)	(6.777.617)	16.011.919	148.246	(13.338.621)
Segment profit EBITDA	12.182.794	9.327.202	2.666.465	0	148.246	24.324.707
Depreciation and amortisation	(4.389.139)	(4.030.600)	(1.452.906)	0	(93.535)	(9.966.181)
Segment results, EBIT	7.793.654	5.296.602	1.213.559	0	54.711	14.358.526
Financial income and expenses	(3.606.782)	(4.773.734)	1.783.346	7.864.406	(57.088)	1.210.147
Share in loss of associated companies	0	0	(3.967)	0	(3.967)	
Income tax	(532.795)	(90.996)	(1.067.249)	(2.957.017)	894	(4.647.163)
Profit for the period	3.654.077	431.872	1.925.689	4.907.389	(1.483)	10.917.544

* 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 (30.9.2022)						
Property, plant and equipment and intangible assets	192.475.321	147.252.757	43.308.056	0		383.036.134
Right-of-use assets					2.137.796	2.137.796
Other assets	23.910.063	10.437.857	193.121.757 (	186.980.774)		40.488.903
						<u>425.662.834</u>
Loans and borrowings	74.463.608	61.150.570	171.337.978 (	135.614.178)		171.337.978
Lease liabilities					2.200.929	2.200.929
Other liabilities	17.215.802	9.869.672	54.335.563 (	50.274.085)		31.146.951
						<u>204.685.858</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
Balance sheet (31.12.2021)						
Property, plant and equipment and intangible assets	188.654.726	137.513.969	40.511.046	0		366.679.741
Right-of-use assets					2.576.177	2.576.177
Other assets	19.054.117	10.896.392	187.047.232 (	172.371.492)		44.626.249
						<u>413.882.166</u>
Loans and borrowings	68.675.925	57.795.104	165.047.192 (	126.471.030)		165.047.192
Lease liabilities					2.655.361	2.655.361
Other liabilities	16.040.778	11.224.130	50.026.064 (	44.764.436)		32.526.535
						<u>200.229.088</u>
Investments (1.1.- 30.9.2021)						
Property, plant and equipment and intangible assets	7.356.413	1.311.341	2.923.762	0		11.591.516

Notes

6. Financial income and expenses

	2022	2021
	1.1.-30.9.	1.1.-30.9.
Financial income and expenses are specified as follows:		
Interest income	117.171	114.341
Interest expense and paid indexation	(3.515.925)	(3.034.513)
Indexation	(6.604.252)	(2.684.219)
Guarantee fee to owners 1)	(369.451)	(402.725)
Total interest expenses	(10.489.628)	(6.121.458)
Fair value changes of embedded derivatives in electricity sales contracts	(2.401.262)	7.864.406
Fair value changes of financial assets and financial liabilities through P/L	(649.853)	557.700
Fair value changes of hedge contracts	2.926.660	(1.821.057)
Hedge contracts	(1.364.115)	(899.055)
Foreign exchange difference	1.859.275	1.394.298
Dividends	211.077	120.972
Total of other income (expenses) on financial assets and liabilities	581.781	7.217.263
Total financial income and expenses	(9.790.676)	1.210.147

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 0,82% (2021: 0,81%) and 0,63% (2021: 0,60%) regarding loans due for operations in the open market. The guarantee fee is calculated on total loans quarterly. The guarantee fee amounted to ISK 369 million in the period 1 January to 30 September 2022 (1.1.-30.9.2021: ISK 403 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 2021. Change in fair value that is recognized in the income statement amounts to ISK 124 million expenses in the period 1 January to 30 September 2022 (1.1.-30.9.2021: income ISK 6.601 million). Fair value changes on financial assets and liabilities defined at level 3 amounts to ISK 2.401 million expenses in the period 1 January to 30 September 2022 (1.1.-30.9.2021: income ISK 7.864 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:

	30.9.2022		31.12.2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest-bearing liabilities	171.337.978	181.799.037	165.047.192	176.771.819

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:

	30.9.2022	31.12.2021
Embedded derivatives in electr. sales contr.	11,46% to 12,36%	7,99% to 9,49%
Hedge contracts	3,1% to 5,0%	0,1% to 1,3%
Interest bearing loans	0,49% to 12,41%	0,49% to 3,88%

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 2021. It is recommended to take into consideration this note while reading the interim financial statements for the current period since change in these presumptions can have considerable effect on certain amounts in the interim financial statements.

Fair value hierarchy

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

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

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

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

30.9.2022	Level 1	Level 2	Level 3	Total
Shares in companies	0	0	6.150.680	6.150.680
Embedded derivatives in sales contracts	0	0 (1.784.313)	(1.784.313)	
Hedge contracts	0	1.100.496	0	1.100.496
Marketable securities	13.962.402	0	0	13.962.402
	13.962.402	1.100.496	4.366.367	19.429.265

31.12.2021	Level 1	Level 2	Level 3	Total
Shares in companies	0	0	6.150.680	6.150.680
Embedded derivatives in sales contracts	0	0	616.949	616.949
Hedge contracts	0 (1.826.167)	0	(1.826.167)	
Marketable securities	14.657.369	0	0	14.657.369
	14.657.369	(1.826.167)	6.767.629	19.598.832

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 September 2022 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.

	2022	2021
	1.1.-30.9.	1.1.-30.9.
Sale to related parties:		
Reykjavik City.....	1.463.582	1.380.315
Institutions and companies controlled by Reykjavik City.....	545.334	539.619
Associates.....	0	1.040
	2.008.916	1.920.974
Purchases from related parties:		
Reykjavik City.....	56.443	55.305
Institutions and companies controlled by Reykjavik City.....	22.570	67.656
Associates.....	85.276	51.529
	164.289	174.490
	30.9.2022	31.12.2021
Receivables for related parties:		
Reykjavik City.....	152.572	199.107
Institutions and companies controlled by Reykjavik City.....	52.447	44.932
	205.019	244.039
Payables for related parties:		
Reykjavik City.....	153.138	176.414
Institutions and companies controlled by Reykjavik City.....	92	1.035
	153.230	177.449
Interest bearing loans from owners of the parent Company:		
	2022	2021
	1.1.-30.9.	1.1.-30.9.
Interest expense on loans from owners of the parent Company:		
Reykjavik City	343.828	408.509
Akranes town	23.713	27.880
Borgarbyggð, municipality	1.910	2.454
	369.451	438.843

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

Repair at headquarters

At the end of August 2015, severe water damage occurred at the company's headquarters on Bæjarhóls 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. Construction began in May 2021 and is on schedule. The renovation period will be approximately 22 months and the construction contract with Ístak is around ISK 1.580 million. At end of September 2022 an accrued cost of the construction contract amounted to approximately ISK 1.138 million. Additional construction costs including compensation to Ístak for additional works, together with the costs of moving the control center are accounted for on the project, now amount to ISK 115 million. Preparations for the necessary interior improvements have begun. The aim of the project team is to put the interior improvements out to tender as soon as possible so that an in-house contractor can be hired on time to ensure continuity between construction phases. The project will be put out to tender by the end of year 2022 or early 2023.

Water damage at OR - vatns- og fráveita

A water main was ruptured on 21 January 2021 during OR - 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 was reported to the insurance companies of OR - vatns- og fráveita, consultants and contractors. The University of Iceland requested court-appointed assessors to assess the extent of the damage and they submitted an assessment report in January 2022. The assessment of the renovations was estimated at a total of ISK 123,6 million. The University of Iceland submitted a request to the District Court of Reykjavik on March 4th 2022, requesting reassessment by court-appointed assessors. ON April 27th 2022, University of Iceland requested court-appointed assessors to assess the cost incurred by the University as a result of the damage. By letter, dated May 16th 2022, University of Iceland made a claim for damages against Veitur ohf., VÍS and other parties for joint responsibility for the payment of almost ISK 224 million plus interest and penalty interest. The claim was rejected by a joint letter of VÍS and Veitur ohf., dated May 27th 2022. The sub-assessors in the new sub-assessment regarding the costs incurred were pointed by the court on May 25th 2022, but their evaluation has not been made available to the court. 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.

Water damage at Hvassaleiti

On the evening of September 2, 2022, one of the two water mains that transports water from Heiðmörk to Reykjavík ruptured. The incident took place at the north end of an apartment building in Hvassaleiti 30. It soon became clear that there would be a lot of damage due to the flood which also covered the surrounding area. There are probably several contributing factors that combined to cause the flood. A defect in the pipe or insufficient material quality are the most likely causes for the rupture. It is also possible that changes in the pipe's surrounding area have led to its rupture. In addition, the earthquakes that have taken place in Reykjanes lately, may be one of the reasons why the pipe ruptured. It is clear that the employees of Veitur were not at fault or negligible so that the rupture of the pipe will not be attributed to their actions or inaction. As water had flowed into garages and parking lots in nearby properties it soon became clear that the consequences of this incident would be considerable. Because the incident was not attributable to employee mistakes or negligence the damage was not covered by OR - vatns- og fráveita's liability insurance at VÍS. The company management therefore decided to compensate all the damage that the residents suffered due to the incident. VÍS was in charge of mediating the settlement of damages to the relevant residents. VÍS has today paid a total of ISK 45.6 million to residents who suffered damage, of which around ISK 14 million is due to car damages. As some damage due to the incident has yet to be settled it is not known today what the total amount for the damage will be. In accordance with the above-mentioned management decision to take responsibility for all the damage, VÍS will demand all the compensation payments that have been made from OR vatns- og fráveita.

Notes

Litigation and claims

Ljósleiðarinn ehf. submitted a claim on March 5th 2019 to Síminn hf. demanding compensation for damage allegedly suffered as a result of violation of the Media Act, which was the subject of Decision published by the Electronic Communications Office of Iceland, former Post and Telecom Administration, on July 3rd 2018. The claim amounts to ISK 1.3 billion for loss of income, accrued cost and interest. A formal response was requested from Síminn hf. On March 19th 2019 a response came from Síminn hf. where the company rejected the claim entirely. Síminn hf. took legal action against the Electronic Communications Office of Iceland, former Post and Telecom Administration, Ljósleiðarinn ehf., Sýn hf. and Mílu ehf. in respect of the Decision of the Office regarding the alleged violation. The ruling of the District Court was announced on 1 July 2020, where the ECOI decision was upheld, albeit with some changes in the criteria. The case was appealed to the National Court by Síminn hf., ECOI and Sýn hf., which confirmed the substantive result of the Electronic Communications Office in Iceland. Síminn has requested the right to appeal to the Supreme Court which has been approved and an appeal policy has been issued.

No entries have been made due to this claim in the Group's interim financial statements 30.9.2022.