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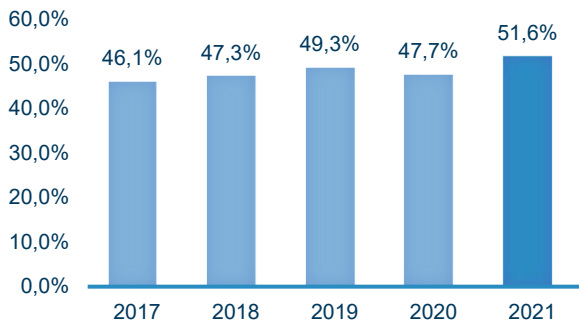
These Financial statements are translated from the Icelandic original. Should there be discrepancies between the two versions, the Icelandic version will take priority.

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

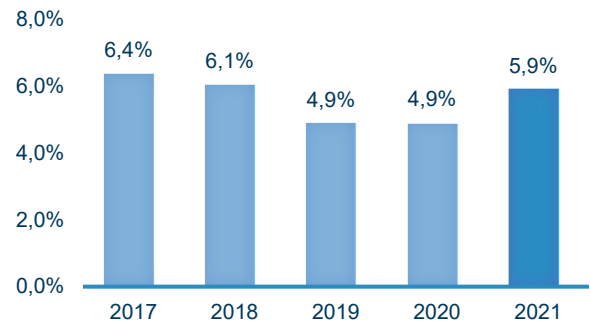


Financial ratios

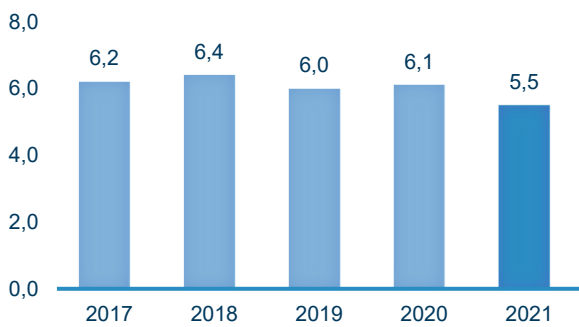
Equity ratio



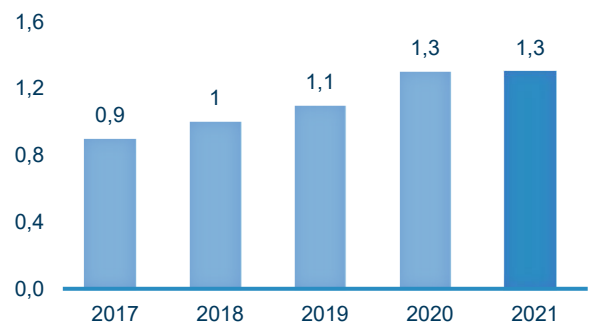
ROA



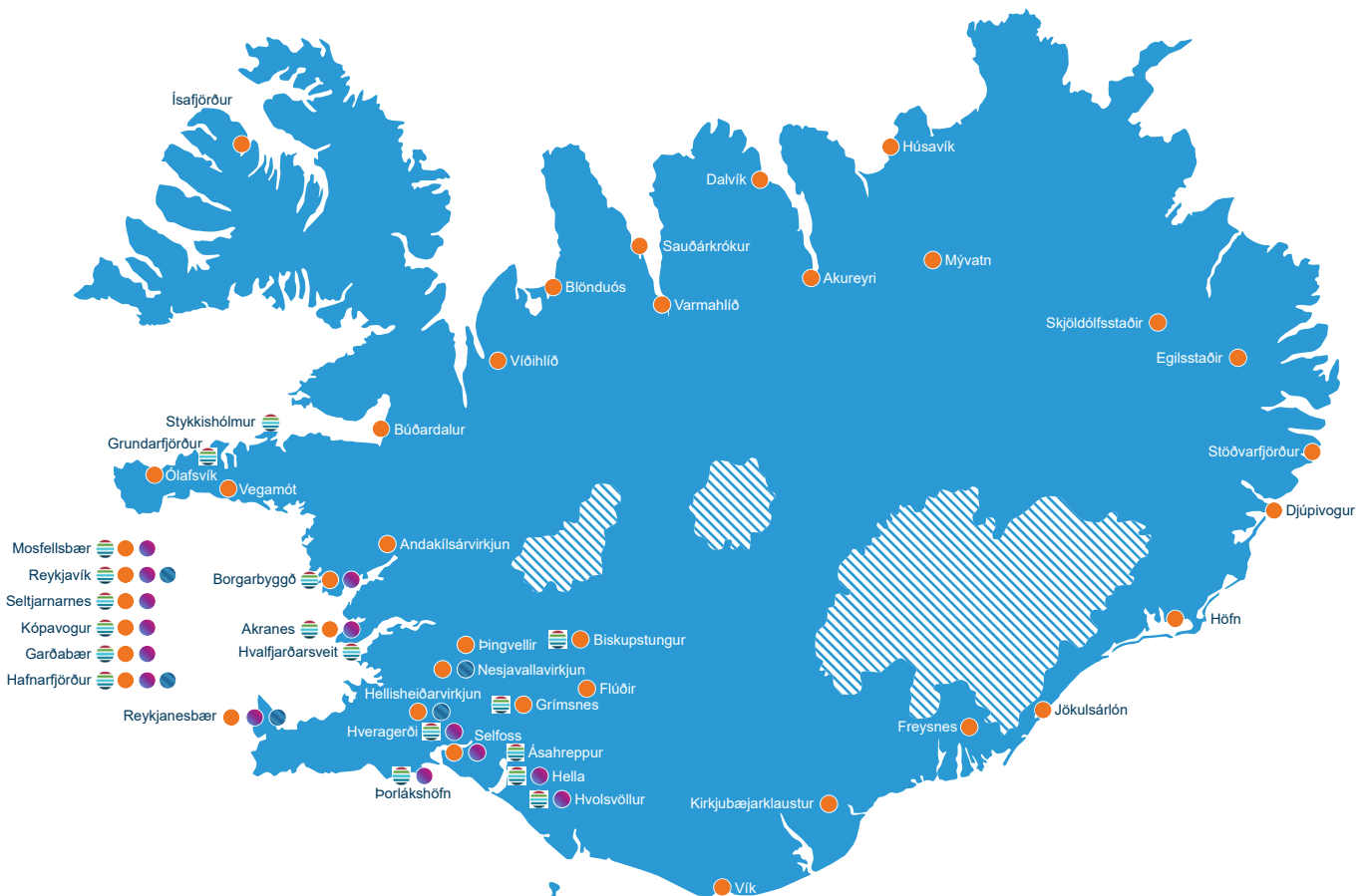
Net debt / Net cash from operation activities



Current ratio without aluminum derivative



Services



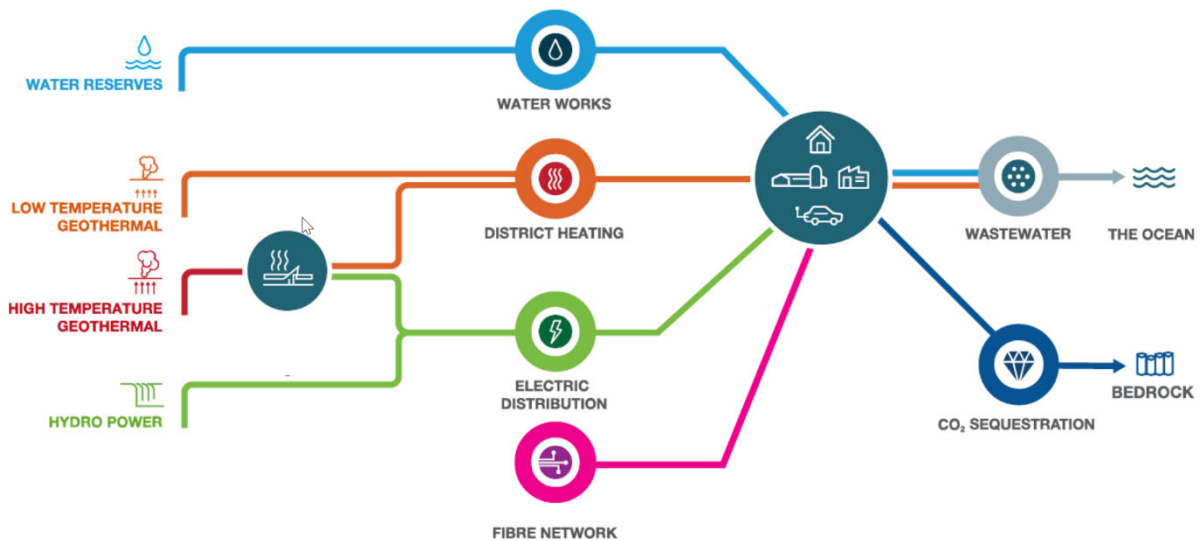
Operating summary

Operating year	2021	2020	2019	2018	2017
<i>Amounts are at each years price level in ISK millions</i>					
Revenues	51.890	48.627	46.570	45.916	43.666
Expenses	(18.380)	(19.172)	(18.398)	(17.299)	(17.285)
thereof energy purchase and distribution	(5.872)	(5.793)	(5.659)	(6.106)	(5.949)
EBITDA	33.510	29.454	28.172	28.617	26.380
Depreciation	(13.257)	(13.056)	(12.121)	(10.271)	(9.063)
EBIT	20.253	16.398	16.051	18.346	17.318
Cash flow statement:					
Received interest income	256	397	337	398	572
Paid interest expense	(4.398)	(4.940)	(5.373)	(4.806)	(4.186)
Net cash from operating activities	25.582	23.152	22.864	21.054	20.595
Working capital from operation	22.412	22.357	21.684	24.337	21.293
Liquid funds					
	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Deposits and marketable securities	14.657	14.867	9.833	7.223	6.125
Cash and cash equivalents	10.320	15.820	8.657	10.988	6.255
Undrawn credit lines	9.629	11.776	11.600	11.000	10.000
Liquid funds total	34.606	42.463	30.090	29.211	22.380

Report and statement of the Board of Directors and the CEO

Reykjavík Energy (OR) is a joint venture that is governed by Act no. 136/2013 on Reykjavík Energy. 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 overview below shows the core operations of the Reykjavík Energy Group. Below are the main business processes in the value chain and, finally, there are specific key stakeholders for each link in the chain.



Value chain

RESOURCES

- Searching for and researching resources and acquiring rights to utilize them
- Monitoring and control of utilization

NEW DEVELOPMENTS

- Design and acquisition of permits
- Purchase of materials, equipment and services of contractors
- Inspections and tests

PROCESS AND DISTRIBUTION

- Reception of new construction for operations
- Control and monitoring of processing
- Inspection, maintenance and renewal
- Purchase of materials, equipment and services

BUSINESS AND SERVICE

- Acquisition and registration of customers
- Connection of homes and companies
- Reading meters and issuing invoices
- Response to malfunctions

RESOURCES

- Reception monitoring

Stakeholders

Public entities

Licensing, organization and supervision

General public

Reviews on licences, right of appeal

OR owners

Confirmation of plans in new areas

Public entities

Licensing, organization and supervision

Contractors and suppliers

Construction, supply of materials, consultancy, financing

General public

Reviews and right of appeal

OR owners

Confirmation of plans in new areas

Public entities

Monitoring of operations and resource utilization

General public

Tips, information

Customers

Information on service failure

Contractors and suppliers

Construction, supply of materials, consultancy, financing

Customers

Payment of invoices, reading of meters

Public entities

Monitoring of security of supply, usage measurements and prices

Public entities

Environmental impact monitoring

General public

Tips, information

Employees, organisations and associations of people and companies, as well as **inspectors of working conditions** in the labor market have an interest in the entire value chain



The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS), as confirmed by the European Union, and the additional requirements set out in Icelandic law and regulations regarding financial statements of companies with listed bonds. It contains the annual accounts of Reykjavík Energy and its subsidiaries.

Report and statement of the Board of Directors and the CEO, cont.:





Alongside the publication of these Financial Statements, OR electronically publishes the integrated Annual Report of OR for 2021. It is prepared in accordance with the ESG (environment, social, governance) reporting guide of Nasdaq OMX Nordic. It gives a detailed account of governance, environmental and climate issues, human resources and social issues, the Group's business model and value chain, the main business processes and stakeholders in the operation, OR's human rights policy and how OR prevents fraud and bribery. The report receives independent external inspections and endorsements, and is also endorsed by the Board and CEO of OR. OR 2021's annual report is accessible on <https://arsskyrsla2021.or.is>. The report can also be found at the same URL in pdf format. References to the report are in this Report's individual subsections.

The Reykjavík Energy Group

Reykjavík Energy fulfills its statutory role in the community under four brands, in addition to the parent company's brand, which plays a leadership role within the Group. The owners of Reykjavík Energy, at the beginning and end of 2021, were the City of Reykjavík (93.539%), Akranes municipality (5.528%) and Borgarbyggð municipality (0.933%). All subsidiaries within the Group are wholly owned by OR, see explanation 35.

 Orkuveita Reykjavíkur	The parent company manages the group's finances and procurement, human resources and information technology, operates a service division with a joint customer service and invoicing, and researchers that conduct research and innovation for the Group's companies. The parent company also operates specialist units that provide leadership and services, e.g. in terms of health and safety, environmental and climate issues, legal issues, and communications. The average number of full-time equivalent positions during the year was 581.4. The Group's permanent employees at the end of 2021 were 496, 29% of whom were women and 71% men. At the end of the year, there was an equal number of men and women at OR Group's managerial level.		
			
Company			
Veitur PLC OR Vatns- og fráveita sf	Orka náttúrunnar PLC ON Power PLC	Reykjavík Fibre Network LTD	Carbfix PLC
Field of work			
Veitur operates electric utilities and district heating utilities, almost all of which are licensed in their area of operation. Veitur takes care of the operations of OR vatns- og fráveita sf. (en. OR Water and sewerage partnership), which performs the statutory obligations of municipalities with regard to water supply and sewerage, especially in those municipalities that own OR.	Orka náttúrunnar PLC produces hot water and electricity at the Nesjavellir geothermal power plant and electricity at the Andarkílsá hydropower station. The water goes to Veitur's district heating in the capital area, while the electricity goes mostly to the wholesale market. ISK is the working currency. Orka náttúrunnar manages the operations of ON Power PLC which produces hot water and electricity at the Hellisheiði geothermal power plant. The water goes to Veitur's district heating in the capital area and the electricity to the wholesale market. USD is the working currency.	Reykjavík Fibre Network lays and operates an extensive fiber-optic network that is utilized by telecommunications companies in order to provide network services to households and companies.	Carbfix is a research, innovation, and consulting company in the field of carbon sequestration. It provides services to companies both within and outside the OR Group.
Main Acts that apply to the operations			
The Act on Reykjavík Energy applies to all operations of the Reykjavík Energy Group			
Energy Act Electricity Act Act on the construction and operation of sewers Act on municipal water supply Water Act Information Act Administrative Act (water and sewerage) Act on Environmental Responsibility	Electricity Act Energy Act Water Act Competition Act Act on Environmental Responsibility	Act on telecommunications Competition Act	Act on Hygiene and Pollution Prevention Act on Environmental Responsibility

Report and statement of the Board of Directors and the CEO, cont.:

 VEITUR	 ON ORKA NATÚRLIÐNÁÐS	 LJÓSLEIDARINN	 Carbfix
Income (see also explanation 3)			
Revenue is almost entirely from the sale of utilities with concessions to households and businesses. Tariffs are subject to supervision by the following authorities: District heating: Ministry of the Environment, Energy and Climate Electricity supply: National Energy Authority Water supply: Ministry of Infrastructure Sewerage: Ministry of Infrastructure	Revenue is from the sale of electricity in the general market, the sale of electricity in the wholesale market, the sale of hot water wholesale to Veitur's district heating in the capital area, and rent for the facilities at the Hellisheidi Geothermal Park in Ölfus. The wholesale price of hot water is subject to the supervision of the National Energy Authority, but the electricity market is a competitive market which is monitored by i.a. The Competition Authority and the National Energy Authority.	Revenues are, on the one hand, from fiber-optic connections to homes and companies that use the services of electronic communications companies via the Reykjavík Fibre Network's systems, and on the other hand from the wholesale of data transmission via fiber-optic cables within the communications companies' systems. The electronic communications market is a competitive market under the supervision of the Electronic Communications Office of Iceland and the Competition Authority.	Carbfix is a newly established start-up company based on the method of the same name for carbon sequestration and the company's main income is grants from international competition funds for research and development.
Average number of full-time equivalent jobs 2021			
218,6	98,2	46	7,8
Proportion of women on boards and in chair positions at year-end 2021			
40%: Women	60%: Women	40%: Women	40%: Women

Key financial results for 2021

Profit from the Group's operations in 2021 amounted to ISK 12.040 million (2020: profit ISK 5.628 million). The Group's total profit in 2021 was ISK 29.527 million (2020: ISK 8.827 million). According to the balance sheet, the group's assets amounted to ISK 413.882 million at the end of the year (31.12.2020: ISK 394.164 million). Equity was ISK 213.653 million at the end of the year (31.12.2020: ISK 188.126 million) and the Group's equity ratio was 51,6% (31.12.2020: 47,7%).






On 5 October, 2020, Reykjavík Energy published a financial forecast in Nasdaq Iceland's news system. According to the forecast, revenue for 2021 was expected to be ISK 49,1 billion, but turned out to be ISK 51,9 billion, or 2,8 billion higher than expected, the higher revenue can be attributed to higher income from electricity sales linked to aluminum prices. Operating expenses were forecast at ISK 1911 billion, but turned out to be ISK 18,4 billion, or 0,8 billion lower than estimated, which can be attributed to lower than expected Utility systems maintenance costs.

Investment in fixed assets for the year amounted to ISK 18,5 billion, compared to the forecast of ISK 21,2 billion. The main reasons for lower investment can be attributed to delays in the reconstruction of OR's headquarters at Bæjarháls 1 and fewer production wells due to a better state of steam reserves in the power plants.

The Board of Directors of Reykjavík Energy proposes at the Annual General Meeting that a dividend be paid to the owners in the year 2022, for the operating year 2021, in the amount of ISK 4.000 million. In other respects, reference is made to the Financial Statements regarding the allocation of profits and other changes in equity.

Sustainable Development Goals and ESG 2021

The OR Board of Directors has decided to put special emphasis on 5 of the 17 UN Sustainable Development Goals (SDGs) in the Group's operations. OR 2021's Annual Report describes in detail the performance in 2021 with regard to the SDGs and their sub-goals.

 5 JAFNRÉTTI KYNJANNA	 6 HREINT VATN OG HREINLETISABTADA	 7 SJÁLFBÆR ORKA	 12 ÁBYRG NEYSLA OG FRAMLÆIBSLA	 13 AÐGERÐIR Í LOFTSLAGSMÁLUM
Achieve gender equality and empower all women and girls	Ensure availability and sustainable management of water and sanitation for all	Ensure access to affordable, reliable, sustainable and modern energy for all	Ensure sustainable consumption and production patterns	Take urgent action to combat climate change and its impacts

Report and statement of the Board of Directors and the CEO, cont.:

OR's 2021 Annual Report is also prepared in accordance with the ESG reporting guide of Nasdaq OMX Nordic. Here is a quick overview, while the annual report itself provides a more detailed account of each of the table's items.

ENVIRONMENT		GOVERNANCE		SOCIAL	
U1. Greenhouse gas emissions	48,6 tn.	F1. CEO's salary ratio	3,0	S1. Gender ratio in the Board	50/50
U2. Emission intensity	0,9tn/ma .ISK	F2. Gender pay gap	0,2% in favor of women	S2. Independence of the Board	See report
U3. Energy usage	99,9%re renewable	F3. Employee turnover	13,7%	S3. Bonuses	No
U4. Energy Intensity	646 MWh/ person	F4. Gender equality	See report	S4. Collective labor agreements	98,2% union members hip rate
U5. Energy mix	99,9% renewable	F5. Proportion of temporary staff	See report	S5. Supplier code of conduct	Yes
U6. Water usage	77 m.m3	F6. Anti-discrimination measures	See report	S6. Ethics and anti-corruption measures	See report
U7. Environmental operations	ISO 14001	F7. Ratio of work accidents	5,7/million. work hours	S7. Data protection	Yes
U8. Climate control/management	Yes	F8. Global health and safety	Sickness proportion. 3,1%	S8. Sustainability report	Yes
U9. Climate control/managers	Yes	F9. Child and forced labor	See report	S9. Procedures for providing information	SDGs and ESG
U10. Climate risk mitigation	See report	F10. Human rights	See report	S10. Data extracted / verified by an external party	Yes

The content of OR 2021's Annual Report is based on the ESG criteria and references are in the relevant section of the report.

Governance and internal control

OR's governance should ensure professionalism, efficiency, transparency and responsibility in its operations. On the basis of the Act on Reykjavík Energy, the owners entered into a partnership agreement, which further specifies responsibilities and authority. It is accessible on OR's website, e.g. OR's Ownership Strategy, where the owners' emphases on the Group's work practices are explained. The Boards of the subsidiaries within the OR Group have established detailed rules of procedure as well as a Code of Ethics which can be found on OR's website or the websites of the subsidiary in question, and all minutes of OR's meetings are published on the company's website, together with non-confidential meeting documents.

Reykjavík Energy's values are *economy, foresight and honesty*. OR's Code of Ethics is based on Reykjavík Energy's values. The Code of Ethics is documented and public and is intended to help employees ensure that honesty, respect and equality characterize all communication, whether with customers, colleagues, the board, contractors or other stakeholders.

The rules of procedure of OR's Board of Directors take into account the Code of Ethics, Guidelines on Corporate Governance, published by the Iceland Chamber of Commerce, Nasdaq OMX Iceland ehf. and the Confederation of Icelandic Employers, and a handbook for board members, published by KPMG. Subsidiaries are governed by the articles of association of each company and the rules of procedure of their boards.

Report and statement of the Board of Directors and the CEO, cont.:

According to law, OR's board consists of six representatives, five elected by the Reykjavík city council and one elected by the Akranes town council. The Reykjavík city council elects the chair and vice-chair of the board from among the city's representatives. At the end of 2021, the board of Reykjavík Energy was as follows:

- Dr. Brynhildur Davíðsdóttir, chair, Professor of Environment and Resources Programme at the University of Iceland.
- Dr. Gylfi Magnússon, Vice Chair, Professor of Finance and Economics at the University of Iceland.
- Vala Valtýsdóttir, Chair of the Board's Compensation Committee, lawyer and specialist in corporate law.
- Eyþór Arnalds, city representative from Reykjavík.
- Hildur Björnsdóttir, city representative from Reykjavík.
- Valgarður Lyngdal Jónsson, town representative from Akranes.

Borgarbyggð Municipality and OR's Employee Organisation have observers at board meetings.

The CEO of Reykjavík Energy is Bjarni Bjarnason, geologist and engineer.

The Compensation Committee is a subcommittee of OR's Board of Directors and the Board nominates a representative to the Audit Committee of the City of Reykjavík. The Audit Committee monitors governance, risk management effectiveness, and internal review by reviewing and approving the internal auditors' work plan. To monitor and examine the effectiveness of risk management and the effectiveness of internal control is a large part of the internal audit's tasks. At the committee's meeting on 19 October 2020, the committee approved an internal audit plan for the period 1 December 2020 to 1 September 2022. In its work, the committee regularly discusses internal audit projects and discusses reports on its individual projects.

The committee reviews and approves the audit plan of the external auditors, and, in preparing the plan, risk and uncertainty factors in the company's operations are assessed. Part of the external auditors' tasks is to evaluate internal control related to the company's accounting. The committee monitors the progress of the audit and reviews the results of the external auditors. The committee also pays special attention to how internal and external auditors' comments are resolved.

During the year, the committee met with the company's experts in risk management and was introduced to the OR's risk management system.

OR's Board of Directors actively monitors the most important uncertainties in the Group's operations and receives monthly reports on the state of finances, resources, occupational safety and health issues and significant environmental factors. Risk management, operational risk and other risks in OR's operations are discussed regularly at board meetings. The City of Reykjavík's Internal Audit also carries out financial and administrative supervision at OR on behalf of the Board. This means that the Internal Audit evaluates the effectiveness of risk management, supervisory methods and governance with the aim of continuous improvement.

OR and its subsidiaries have implemented management systems in accordance with international standards and legal requirements. Independent accredited bodies regularly verify the functionality of these systems:

- ISO 9001 - International Quality Management Standard
- ISO 14001 - International Environmental Management Standard
- ISO 27001 - International standard for information security management
- ISO 45001- International standard for health and safety management at the workplace
- HACCP / GÁMES - International Food Control System
- ÍST 85 - Icelandic standard for equal pay
- Electrical safety management system
- Internal monitoring system for Sales meters

Strategic governance, the active implementation of risk policy, and the policies specified in OR's Ownership strategy and the partnership agreement are conducive to strengthening internal control. Internal control systems are regularly monitored in internal and external audits where their effectiveness is confirmed. If, following an audit, it becomes clear that improvements are needed, they are dealt with.

OR's management, managing directors and directors are responsible for internal control in their respective fields. Risk & process management are responsible for ensuring that OR's internal control system is active. OR's quality systems are independently certified by external parties. OR adheres to the standards of the Institute of Internal Auditors on the implementation of internal auditing. The City of Reykjavík's internal audit also serves as

Report and statement of the Board of Directors and the CEO, cont.:

OR's internal auditor. OR employs a Compliance Officer, who supervises the disclosure of information to the Exchange and the Financial Supervisory Authority.






OR has a listed procedure for handling cases where there is a suspicion that an employee or manager has violated the company's rules or to have perpetrated fraud at work. The procedure is accessible to all staff. If a breach is suspected, the next supervisor or internal auditor of the company must be notified, who must then report the matter, while maintaining confidentiality regarding the information, including the name of the person who notified the matter. There were no cases of fraud or corruption in 2021.

Success and uncertainties 2021

Reykjavík Energy's operations are inherently prudent, as the basic services of the subsidiaries within the group must be safeguarded. We work according to a risk policy, which is regularly reviewed by the Board. The main objective of the risk policy is to ensure that OR can fulfill its basic role in a safe and cost-effective manner with minimal risk. OR does this by:

- Reducing fluctuations in the Group's performance at any given time with regard to the underlying risk in the operation and that risk factors are always within defined limits set by the Board and listed in the risk manual.
- Ensuring that OR has sufficient funds to support the development of services and regular operations.
- Analyzing, assessing and managing risks in operations with regard to OR's operations, policies and defined boundaries.

Reykjavík Energy has set numerical targets for the Group in key areas, which it aims to achieve by the end of 2023. The progress is shared publicly on OR's website. Here below are the goals and status of each key area at the end of 2021. Climate criteria are in line with the Paris Agreement, job satisfaction is measured by the *Ísland í vinnunni* database, and for brand measurements, the average measure of attitudes towards Icelandic company brands in the OR Group's field of work.

				
FJÖLGUN RAFBÍLA	LÉTTARA KOLEFNIS- SPOR	HEIL HEIM	ÁNÆGT STARFS- FÓLK	GÓÐUR SAMFÉLAGS- ÞEGN
Total number of connectable electric cars	Size of carbon footprint, compared to 2015	Absence of employees due to illness or accidents	Job satisfaction according to analysis	Public attitude towards OR's brands
Goal: 40.000 Status: 26.052	Criteria: -30% Goal: -40% Status: -21%	Goal: < 3,6% Status: 2,8%	Criteria: 4,2 Goal: 4,5 Status: 4,3	Criteria: 5,7 Goal: 6,3 Status: 6,1

The Reykjavík Energy Group's utilization of natural resources consists mainly of the utilization of high temperature areas for electricity and heat production for district heating, low temperature areas for district heating, groundwater for water supply and for heating in power plants for district heating, sea as sewerage receivers, and the atmosphere as the receiver of emissions. The need for resources for energy production is assessed with energy management plans. These, along with demand forecasts, are the basis for decisions regarding system development or increased energy supply. In 2021, these basic data were strengthened and solidified, and this work revealed areas which require development in the coming years or decades. Reserve issues for most utilities need to be carefully considered, as well as significant additions to energy generation and re-injection of high-temperature areas. There were no major problems during the year, but in some district heating supplies there were almost no reserves. With regard to high temperatures, the drawdown is in line with forecasts and the goal of steam drilling maintenance was largely met. Cold water reserves are good, and all water samples met quality requirements. Real-time monitoring of the quality of drinking water in Reykjavík gave good results. Increased frequency of precipitation intensity in 2021 led to more frequent overflows at sewage pumping and treatment plants and stoppages of maintenance of treatment plants led to increased overflow time, but measurements in the summer of 2021 at the outlets of the treatment plants revealed very little marine pollution due to sewage.

Report and statement of the Board of Directors and the CEO, cont.:

The Group's carbon footprint decreased slightly in 2021, but a major step towards its reduction will be taken with the expansion of the air purification plant in Hellisheidi in 2025. At the Nesjavellir power plant, the operation of a similar experimental plant is planned for 2022, where carbon dioxide and hydrogen sulphide are captured from geothermal steam and sequestered by turning it into rock. Hydrogen sulphide did not exceed the regulatory limits in the Group's area of operation in 2021.

Climate risk affects all aspects of OR's operations, but especially its utility operations. During the year, efforts were made to integrate the knowledge gained through Veitur's reporting into the Group's other risk management. It mainly concerns adaptation to sea level rise, greater precipitation and thawing intensity, and uncertain long-term changes in air temperature in Iceland with a corresponding change in the demand for water for central heating. Countermeasures and adaptation measures are being worked on at the same time. One of them is that customers become more aware of their energy use and that utilization can be improved with management. Veitur's smart meters is highly conducive to both, and the key contracts for this project were signed during the year.

It is unclear which climate hazards could pose threats to groundwater or water reserves, but Veitur's real-time monitoring of drinking water enables the company to better monitor for possible changes and protect society from them. In the year 2021, wildfires broke out near Veitur's water source in Heiðmörk. There was no contamination of drinking water, but the risk of this could be increased by the changing climate.

Reykjavík Energy began issuing Green Bonds in 2019, within the Green Bond framework. As a result, more bids were received for issued bonds than before. In 2021, OR introduced a new framework, a framework for Green Financing, which also covers different financing formats than those of issuing bonds. The change means that the Group's green assets are now being financed, and not specific projects of individual subsidiaries. All the Group's financing in 2021 fell under the new Green Financing framework, including the independent bond issue of the Reykjavík Fibre Network.

In 2021, OR issued a Code of Conduct for the Group's suppliers. They are based on the 10 pillars of the UN's Global Compact and the purpose of the Code is to achieve a better grasp of the sustainability of the Group's entire value chain. By signing the Code of Conduct, the Supplier agrees to comply with requirements to respect human rights, labor market rules, the environment, and to counteract corruption. Corresponding requirements have been included in OR's tender documents for years, but now they also apply to smaller procurements than those that go into formal tenders. In year-end 2021, 96 suppliers had signed the Code of Conduct.

The extent of the damage that occurred at the University of Iceland, when a water main exploded near the University early in the year, is still unclear. Assessors are assessing the extent of the damage, a process that is handled by Veitur's insurance company. The Ministry of Transport and Local Government is also investigating a complaint regarding the water charges of OR vatns- og fráveita sf. The Ministry of Infrastructure initiated a study on water utility charges by municipal water utilities following the complaint, but the outcome of the complaint is not available.

Market risk increased for both of the OR Group subsidiaries that operate on the competitive markets. A new foreign investor has established itself in the Icelandic electronic communications market, which seems to be developing in the direction of increased concentration, especially in the wholesale market in which the Reykjavík Fibre Network operates. The company has responded in various ways - both in the development of its network and with improved financing in successful bond auctions. Reykjavík Fibre Network attracted public attention when it took the initiative to lay new fiber-optic cables, after the eruption at Fagradalsfjall dismantled the main communications cable for the area. ON Power operations were threatened when it became clear that the arrangement for selecting electricity sales as a last resort were such that customers could be transferred between sales companies without their knowledge. The company requested adjustments to the arrangement, and later reiterated the request when it was discovered that the arrangement appears to have been exploited.

Litigation is ongoing due to two disputes within competitive markets. The Reykjavík Fibre Network made a claim against Siminn, following the decision of the Post and Telecom Administration (now The Electronic Communications Office of Iceland) due to a violation of media law. Siminn appealed the Administration's decision to the courts and was convicted of the offence in the District Courts. The case has been appealed to the Court of Appeals. Ísorka's appeal is also before the Court of Appeals, after the District Courts revoked the ruling of the Public Procurement Complaints Committee which had led to the closure of ON's neighborhood charging stations for EVs. The case is being expedited, and it is hoped that a conclusion will be reached in the first months of 2022. In addition, a decision was made on behalf of OR to refer a dispute over the terms of the electricity sales agreement with Norðurál, which ON is implementing, to an international arbitral tribunal.

Over the course of the year, Carbfix received a € 3.9 million grant from the EU's Innovation Fund. While receiving such a grant is a recognition of excellent work, such income is inherently uncertain. It was therefore also an important milestone during the year when the first agreements for CO₂ mineralisation were signed with parties outside the OR Group. The Agreement was with Rio Tinto's aluminium smelter in Straumsvík, while at the same

Report and statement of the Board of Directors and the CEO, cont.:

time also preparing for the import of CO₂ with permanent storage using the Carbfix method in mind in the vicinity of Straumsvík. The establishment of a project company for this purpose was postponed until the uncertainty about OR's authorization to participate in the project was resolved.

The Covid-19 epidemic had a variety of effects on the OR Group's operations in 2020 and 2021. The direct effect was a decrease in aluminum prices in 2020, but a sharp increase in 2021. Due to the international accounting standards that OR follows, this fluctuation affects the Group's calculated results, and the value of aluminium derivatives in electricity sales agreements is therefore estimated at ISK 6,6 billion more in the Financial Statements 2021 than in the Financial Statements 2020. This is not money in hand. OR meets the risk due to these fluctuations with hedging agreements, and stress tests are regularly performed, which assume unfavorable developments in the exchange rate, aluminum prices and inflation at the same time.

The cash position is strong and was ISK 25 billion at the end of the year, and in addition, the company has access to credit lines in the amount of ISK 9,6 billion at year end 2021. This solid liquidity position also ensures that the company is able to meet shocks such as the unfavorable decision of the Court of Appeals in the so-called Glitnir case. The matter is discussed in more detail in Note 37, first paragraph.

The price of raw materials other than aluminum has also risen, and with it various inputs for the maintenance and development of power plants and utility systems. In addition, the disruption caused by the epidemic on transport has been reflected in delays in the delivery of supplies, albeit without any significant damage so far.

The impact of the pandemic on employees is unknown, but there are indications that employees' sense of loyalty to the workplace has diminished during the epidemic. Prolonged working from home, and possibly other factors, seem to have increased staff turnover. In response to the danger of such brain-drain, the company has launched an assessment of the reasons for increased employee turnover, which has traditionally been relatively small at OR, in comparison with the general labor market in Iceland.

Notes 27 to 31 with the Financial Statements contain further discussion of Reykjavík Energy's risks.

The company is well operational and can handle shocks for the foreseeable future. Due to the nature of the business - providing basic services to households and businesses - the impact of the economic downturn on the company's income is limited.

Statement by the Board of Directors and the CEO

To the best of Reykjavík Energy's Board of Directors and its CEO's knowledge, the consolidated Financial Statements are in accordance with International Financial Reporting Standards, as confirmed by the European Union, and additional requirements set out in Icelandic legislation and regulation on the financial statements of listed companies. In the opinion of the Board of Directors and the CEO, the Financial Statements give a true and fair view of the Group's assets, liabilities and financial position as of 31 December 2021, together with its operating results and changes in cash during the year, as well as describing major risks and uncertainties facing the Group.

Reykjavik, 8 March 2022

Board of Directors:

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

CEO:

Bjarni Bjarnason

Independent Auditor's Report

To the Board of Directors and Owners of Orkuveitu Reykjavíkur.

Opinion on the Consolidated Financial Statement

Opinion

We have audited the accompanying Consolidated Financial Statements of Orkuveitan Reykjavíkur. (hereafter the Group) for the year 2021. The Consolidated Financial Statements comprise the Statement by the Board of Directors and CEO, the Statement of Income, the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Changes in Equity, a summary of significant accounting policies and other explanatory information.

In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the consolidated results of operations of the Group. for the year 2021, its consolidated financial position as at December 31, 2021, and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our Report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in Iceland, and we have fulfilled all ethical requirements therein. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Financial Statements for the year 2021. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our opinion the following matters were key audit matters:

Explanation of Key Audit Matter	Responses to Key Audit Matter
<p>Valuation of production and distribution systems</p> <p>See note 38 (d) pages 59-60 on significant accounting policies and note 12 page 31-33: on property, plant and equipment.</p> <p>We have defined the valuation of production and distribution systems as a key audit matter in our audit. The Group's production and distribution systems are carried at revalued amount.</p> <p>An assessment is made of the changes in construction costs of similar types of assets and both cost and accumulated depreciation are revalued accordingly.</p> <p>The Group performs impairment tests on the reporting date and recognises impairment loss if value in use is lower than book value of an asset. Revalued amount will also not be higher than value in use.</p> <p>The assumptions used for revaluation and impairment tests are based on management assessments and are partly subjective. With production and distribution systems being a significant part of the consolidated financial statements, any change in assumptions can have significant effect on the income statement and balance sheet of the Group. Our work both included estimates of the revaluation assessments and the impairment tests of the production and distribution systems.</p>	<p>As part of our audit, we reviewed the Group's methodology for valuing the production and distribution systems and its consistency with international financial reporting standards.</p> <p>We reviewed the Group's processes for the revaluation and impairment tests. We also reviewed the functionality of models used in the assessments.</p> <p>We evaluated management assumptions by comparing to public information where applicable. Where assumptions are not based on public information, we made our own evaluation on management assumptions.</p> <p>We used the work of a valuation specialist to assist in this evaluation.</p>

Independent auditor's report, contd.

Key Audit Matters, contd.

Revenue recognition

See note 38 (j) page 62 on significant accounting policies and note 3 pages 23-24 on operation and revenue recognition of Group's components.

Revenue from sale and distribution of electricity and hot water is recognised based on measurements into the systems, taking into account energy losses occurring in the distribution systems. Differences between the actual amounts that go into the systems, minus losses and invoiced usage, leads to a period correction.

Due to the fact that income recognition at the end of the year is based on management estimates, there is uncertainty regarding revenue recognition relating to revenue cut-off and existence. For that reason, we focus specifically on revenue cutoff in our audit, as well as performing other audit procedures relating to revenue recognition.

In our audit of revenues, we have assessed controls relating to revenues in the Group. We have also tested certain controls relating to revenue recognition. We have reviewed and evaluated the IT control environment in the Group, including review of how access to finance and accounting related IT systems is controlled.

We have used substantive testing methods where we have for example reviewed reconciliations between accounting systems and subsystems and received third party confirmation of energy usage, turnover and outstanding balances at year-end from specific customers. We have also reviewed deposits after year-end where balance confirmations from customers were not available.

We have also performed substantive tests where we have compared our expectations to actual revenue recognition in the Group.

Valuation of embedded derivatives

See note 28 (c) pages 47-48 on significant accounting policies, note 17 page 36 on embedded derivatives in electricity sales contracts and note 32 pages 52-53 on fair value hierarchy.

Because prices of specific electricity sales contracts with large counterparties are tied to aluminium prices, the Group recognises embedded derivatives on the balance sheet. As electricity and aluminium prices are generally not closely related, financial reporting standards require the risk relating to this relationship to be evaluated specifically.

The embedded derivatives are considered to be third level financial items, where estimates are based on management assumptions and unobservable inputs. Because of the vulnerability of the estimate, any change in assumptions can have significant effect on the income statement and balance sheet of the Group. For these reasons, we assume there is significant risk related to embedded derivatives and have therefore defined them as a key audit matter.

In our audit, we reviewed the Group's pricing methodology and consistency with international financial reporting standards.

We reviewed the Group's process for analysing and assessing assumptions used in the valuation, as well as reviewing valuation models used. We recalculated derivative valuations based on information we collected.

We used the work of a valuation specialist to assist with this review.

Other Information

The Board of Directors and the CEO are responsible for all information presented by the Group, both the Consolidated Financial Statements as well as other information. Our opinion does not cover other information other than we specifically discuss in our opinion here above. The other information comprises for example endorsement of the Board of directors and the CEO and unaudited report on governance report of the information included in the Annual Report, but does not include the Consolidated Financial Statements and our Auditor's Report thereon. Our opinion on the Consolidated Financial Statements does not cover other information issued by the Group, and we do not express any form of assurance on the information in those documents thereon. In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements, our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Independent auditor's report, contd.

Other Information, contd.

In accordance with the provisions of Article 104, paragraph 2 of the Icelandic Financial Statements Act No. 3/2006, we confirm that the Statement by the Board of Directors and CEO accompanying the Consolidated Financial Statements includes at least the information required by the Financial Statements Act if not disclosed elsewhere in the Consolidated Financial Statements.

The Board of Directors and CEO's Responsibilities for the Consolidated Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU and the Financial Statements Act, and for such internal control as management determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Board of Directors and CEO are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors and CEO either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Board of Directors and the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

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

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

Independent auditor's report, contd.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements, contd.

We communicated with the Board of Directors and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit. Our Audit Report, which has been provided to the Board of Directors and the Audit Committee, reports these matters and is in accordance with this report.

We have not provided the Group with any services that are prohibited according to laws on auditors. We have provided the Board of Directors and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

Report on European single electronic format (ESEF Regulation)

As part of our audit of the Consolidated Financial Statements of Orkuveita Reykjavíkur we performed procedures to be able to issue an opinion on whether the Consolidated Financial Statements of the Group for the year 2021 with the file name 5493004ARP9VPUIX5B73-2021-21-31-is.zip are prepared, in all material respects, in compliance with laws no. 20/2021 *disclosure obligation of issuers of securities and the obligation to flag* relating to requirements regarding European single electronic format regulation EU 2019/815 which include requirements related to the preparation of the Consolidated Financial Statements in XHTML format and iXBRL markup.

The Board of Directors and CEO are responsible for preparing the consolidated financial statements in compliance with laws no. 20/2021 *disclosure obligation of issuers of securities and the obligation to flag*. This responsibility includes preparing the consolidated financial statements in a XHTML format in accordance to EU regulation 2019/815 on the European single electronic format (ESEF regulation).

Our responsibility is to obtain reasonable assurance, based on evidence that we have obtained, on whether the consolidated financial statements is prepared in all material respects, in compliance with the ESEF Regulation, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirement set out in the ESEF regulation, whether due to fraud or error.

In our opinion, the Consolidated Financial Statements of Orkuveita Reykjavíkur for the year 2021 with the file name 5493004ARP9VPUIX5B73-2021-21-31-is.zip prepared, in all material respects, in compliance with the ESEF Regulation.

We were elected auditors for the Group in the Group's annual general meeting on 14 April 2021 and this is therefore the 4 continuous fiscal year where we are the Group's auditors.

On behalf of Grant Thornton endurskoðun ehf.

Reykjavik, 8 March 2022

Davíð Arnar Einarsson, State Authorized Public Accountant

J. Sturla Jónsson, State Authorized Public Accountant

Income Statement 2021

	Notes	2021	2020
Operating revenue	4	51.745.550	48.619.545
Profit from sale of assets		144.286	6.978
Operating revenues, total		51.889.836	48.626.523
Energy purchase and distribution .....	(	5.871.919)	(5.793.122)
Salaries and salary related expenses	7 (	7.502.005)	(7.750.009)
Other operating expenses .....	(	5.006.382)	(5.629.196)
Operating expenses, total	(	18.380.306)	(19.172.327)
EBITDA		33.509.530	29.454.196
Depreciation and amortisation	9 (	13.256.961)	(13.056.194)
Results from operating activities, EBIT		20.252.570	16.398.002
Interest income		182.844	313.417
Interest expenses .....	(	8.394.213)	(7.642.896)
Other income (expenses) on financial assets and liabilities		4.154.981	(3.522.869)
Total financial income and expenses	10 (	4.056.388)	(10.852.347)
Share in (loss) profit of associated companies	15 (	3.967)	4.137
Profit before income tax		16.192.215	5.549.792
Income tax	11 (	4.152.386)	78.298
Profit for the year		12.039.829	5.628.090

The notes on pages 22 to 67 are an integral part of these Consolidated Financial Statements.

Statement of Comprehensive Income 2021

	Notes	2021	2020
Profit for the year		<u>12.039.829</u>	<u>5.628.090</u>
Other comprehensive income			
Items moved to equity that will not be moved later to the income statement			
Revaluation reserve, increase	12	18.501.057	0
Income tax effect of revaluation	19	(2.645.771)	0
		<u>15.855.286</u>	<u>0</u>
Items moved to equity that could be moved later to the income statement			
Changes in fair value for financial assets at fair value through OCI	16	228.000	706.413
Translation difference	23	1.403.976	2.492.019
		<u>1.631.976</u>	<u>3.198.432</u>
Other comprehensive income, after taxes		<u>17.487.262</u>	<u>3.198.432</u>
Total comprehensive income for the year		<u><u>29.527.091</u></u>	<u><u>8.826.522</u></u>

The notes on pages 22 to 67 are an integral part of these Consolidated Financial Statements.

Statement of Financial Position

31 December 2021

	Notes	31.12.2021	31.12.2020
Assets			
Property, plant and equipment	12	363.713.260	337.493.229
Intangible assets	13	2.966.481	2.837.133
Right-of-use assets	14	2.576.177	2.590.642
Investments in associated companies	15	80.923	81.389
Investments in other companies	16	55.680	5.922.680
Hedge contracts	18	73.264	509.904
Deferred tax assets	19	3.812.930	6.675.003
Total non-current assets		<u>373.278.714</u>	<u>356.109.980</u>
Inventories	20	1.337.505	1.249.674
Trade receivables	21	5.625.149	5.439.828
Embedded derivatives in electricity sales contracts	17	1.548.338	0
Investments available for sale	16	6.095.000	0
Hedge contracts	18	17.036	45.399
Other receivables	21	674.401	404.863
Prepaid expenses		328.780	227.706
Deposits and marketable securities	22	14.657.369	14.866.902
Cash and cash equivalents	22	10.319.874	15.820.051
Total current assets		<u>40.603.452</u>	<u>38.054.423</u>
Total assets		<u><u>413.882.166</u></u>	<u><u>394.164.403</u></u>
Equity			
Revaluation reserve		101.733.552	89.478.008
Equity reserve		66.451.877	60.207.208
Development reserve		123.873	108.308
Fair value reserve		5.695.000	5.467.000
Translation reserve		6.307.814	4.903.838
Retained earnings		33.340.963	27.961.627
Total equity	23	<u>213.653.079</u>	<u>188.125.988</u>
Liabilities			
Loans and borrowings	24	149.859.537	152.350.925
Lease liabilities	14	2.475.864	2.472.960
Pension liability	25	630.879	659.027
Embedded derivatives in electricity sales contracts	17	931.389	4.907.730
Hedge contracts	18	332.279	571.981
Deferred tax liabilities	19	16.929.779	14.662.897
Total non-current liabilities		<u>171.159.726</u>	<u>175.625.520</u>
Accounts payable		3.522.684	2.822.579
Loans and borrowings	24	15.187.655	19.349.528
Lease liabilities	14	179.498	167.953
Embedded derivatives in electricity sales contracts	17	0	1.048.651
Hedge contracts	18	1.584.188	846.690
Deferred revenue		142.970	541.288
Current tax liability	11	1.753.949	1.847.570
Other current liabilities	26	6.698.418	3.788.635
Total current liabilities		<u>29.069.361</u>	<u>30.412.895</u>
Total liabilities		<u>200.229.088</u>	<u>206.038.415</u>
Total equity and liabilities		<u><u>413.882.166</u></u>	<u><u>394.164.403</u></u>

The notes on pages 22 to 67 are an integral part of these Consolidated Financial Statements.

Statement of Changes in Equity for the year 2021

	Revaluation reserve	Equity reserve	Develop- ment reserve	Fair value reserve	Translation reserve	Retained earnings	Total equity
The year 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
Revaluation, increase	18.501.057						18.501.057
Income tax effect of revaluation	(2.645.771)						(2.645.771)
Changes in fair value for financial assets at fair value through OCI				228.000			228.000
Translation difference					1.403.976		1.403.976
Profit for the year						12.039.829	12.039.829
Total comprehensive income	15.855.286	0	0	228.000	1.403.976	12.039.829	29.527.091
Depreciation transferred to retained earnings	(3.599.741)					3.599.741	0
Share in profit of subsidiaries and associates transferred to equity reserve		6.244.669				(6.244.669)	0
Transfer to development reserve			15.565			(15.565)	0
Dividends paid						(4.000.000)	(4.000.000)
Equity at 31 December 2021	101.733.552	66.451.877	123.873	5.695.000	6.307.814	33.340.963	213.653.079
The year 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
Changes in fair value for financial assets at fair value through OCI				706.413			706.413
Translation difference					2.492.019		2.492.019
Profit for the year						5.628.090	5.628.090
Total comprehensive income	0	0	0	706.413	2.492.019	5.628.090	8.826.522
Depreciation transferred to retained earnings	(3.708.466)					3.708.466	0
Share in profit of subsidiaries and associates transferred to equity reserve		11.621.394				(11.621.394)	0
Transfer to development reserve			108.308			(108.308)	0
Dividend paid						(3.000.000)	(3.000.000)
Equity at 31 December 2020	89.478.008	60.207.208	108.308	5.467.000	4.903.838	27.961.627	188.125.988

The notes on pages 22 to 67 are an integral part of these Consolidated Financial Statements.

Statement of Cash Flows for the year 2021

	Notes	2021	2020
Cash flows from operating activities			
Profit for the year		12.039.829	5.628.090
Adjusted for:			
Financial income and expenses	10	4.056.388	10.852.347
Share in P/L of associates	15	3.967	(4.137)
Income tax	11	4.152.386	(78.298)
Depreciation and amortisation	9	13.256.961	13.056.194
Profit from sale of property, plants and equipment		(144.286)	(6.978)
Pension liability, change		(26.148)	(61.057)
Working capital from operation before interest and taxes		33.339.096	29.386.161
Inventories, increase		(87.831)	(54.199)
Current assets, increase		(639.144)	(601.636)
Current liabilities, increase		246.166	599.287
Cash generated from operations before interests and taxes		32.858.288	29.329.613
Received interest income		256.459	396.760
Paid interest expenses		(4.397.886)	(4.940.326)
Dividend received		120.972	88.119
Payments due to other financial income and expenses		(1.408.825)	(11.742)
Paid taxes		(1.847.091)	(1.710.389)
Net cash from operating activities		25.581.917	23.152.033
Cash flows from investing activities			
Acquisition of property, plant and equipment	12	(17.598.548)	(15.986.233)
Acquisition of intangible assets	13	(519.866)	(699.222)
Proceeds from sale of property, plant and equipment		168.522	17.000
Acquisition of associated companies		(3.500)	(3.500)
Change in deposits		6.500.000	(4.000.000)
Change in marketable securities		(5.618.663)	(154.324)
Net cash used in investing activities		(17.072.056)	(20.826.279)
Cash flows from financing activities			
Proceeds from new borrowings	24	14.283.912	29.965.498
Repayment of borrowings	24	(24.183.955)	(22.225.138)
Payments of currency hedges		0	(37.743)
Dividends paid	23	(4.000.000)	(3.000.000)
Repayment of lease liability	14	(98.186)	(93.187)
Net cash (used in) from financing activities		(13.998.229)	4.609.429
(Decrease) increase in cash and cash equivalents		(5.488.368)	6.935.183
Cash and cash equivalents at year beginning		15.820.051	8.657.025
Effect of currency fluctuations on cash and cash equivalents		(11.809)	227.842
Cash and cash equivalents at the end of the year	22	10.319.874	15.820.051
Other information:			
Working capital from operation	36	22.412.430	22.357.403

The notes on pages 22 to 67 are an integral part of these 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 consolidated financial statements include the financial statements of the parent company and its subsidiaries, (together referred to as "the Group") and a share in associated companies. The consolidated financial statements of Orkuveita Reykjavíkur is a part of the consolidated 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.

2. Basis of preparation

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements set out in the local rules and regulations regarding financial statements of companies with listed bonds.

The consolidated financial statements were approved by the Board of Directors on 8 March 2022.

Significant accounting policies for the Group are described in note 38.

b. Functional and presentation currency

The consolidated 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 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.

d. Use of estimates and judgements

The preparation of the consolidated 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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- note 12 - Property, plant and equipment (revaluation of the distribution- and production system and valuation of impairment.)
- note 16 - Investments in other companies (presumptions made when calculating fair value of assets classified as assets held for sale.)
- note 17 - Embedded derivatives in electricity sales contracts (presumptions when calculating fair value)
- note 18 - Hedge contracts (presumptions when calculating fair value)
- note 19 - Deferred tax assets and liabilities (valuation of future taxable profits against carry forward tax losses)
- note 28 - Market risk

Notes

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.
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.

Notes

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

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

	2021	2020
Electricity.....	22.081.359	19.692.020
Hot water.....	14.112.039	14.134.120
Cold water.....	3.523.769	3.441.212
Sewer system.....	6.010.583	5.839.857
Other revenues.....	6.162.086	5.519.314
Revenues from sales of goods and services total.....	51.889.836	48.626.523

Notes

5. Segment reporting

Business divisions and sectors

The Group's service area is mainly in the Reykjavík city area, but it also extends to the southern and western parts of Iceland. The Group is divided into three separate divisions: Energy sale and production, Utilities and Other Operation.

Energy sale and production generate electricity and harness hot water from the power plants, sells electricity to wholesale and retail customers as well as the new construction and operation of street lighting.

Utilities distribute electricity, harnessing hot water from low-temperature fields and the geothermal plants and distribute it for space heating. It also collects and distributes cold water from reservoirs and runs a sewerage system.

Other operations cover the fiber optic system, rental of housing and equipment, incidental sale of specialist consultancy services and more. Also development and distribution the CarbFix carbon storage method, with the aim of reducing greenhouse gas emissions and combating climate change.

The Group is income taxed and collects value added tax, except for operations regarding cold water and sewer but they are regulated by law no. 33/2004 concerning cold water suppliers of municipalities and law no. 9/2009 concerning the operations of sewer. The provision of hot water supply is subject to law no. 58/1967, concerning earnings from hot water. The distribution of electricity is subject to law no. 65/2003, which stipulates revenue caps that are decided by the National Energy Authority.

Sector	Official obligations
Hot water	Minister approves utility rates not subject to the open market. These take effect upon publication in the Ministerial Gazette.
Electricity, distribution	Price rates are subject to authorisation from The National Energy Authority. Rates are officially published.
Electricity, production	Energy sales are subject to the open market, electricity rate changes are therefore not subject to government approval.
Cold water	The legal limitation on the upper limit of the rate is 0,5% of the real estate value. Rates are officially published in the Ministerial Gazette.
Sewer system	The Rates for the sewer system shall cover all costs. Rates are officially published in the Ministerial Gazette.
Fiber-optic data system	This is a competitive practice that is supervised by The Electronic Communications Office of Iceland.

Customers that have significant effect on the Group's revenues

One customer of Energy sale and production has significant effect on the Group's revenues in the year 2021 due to the purchase of electricity for heavy industry. The Group's revenues from this customer represents approximately ISK 8.378 million or 16,1% of total revenues. (2020: ISK 6.157 million, or 12.7% of total revenue).

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.

Business segments - divisions						
The year 2021	Utilities	Energy sale and production	Other Operation	Adjustments	IFRS 16*	Total
External revenue	31.636.055	16.338.974	3.914.807	0		51.889.836
Inter-segment revenue	4.809.368	8.731.561	9.599.222	(23.140.151)		0
Total segment revenue	36.445.423	25.070.535	13.514.029	(23.140.151)		51.889.836
Segment operation expenses	(20.592.408)	(11.358.125)	(9.675.656)	23.071.626	174.257	(18.380.306)
Segment profit EBITDA	15.853.015	13.712.410	3.838.373	(68.525)	174.257	33.509.530
Depreciation and amortisation	(5.934.076)	(5.221.711)	(2.025.583)	51.355	(126.947)	(13.256.961)
Segment results, EBIT	9.918.940	8.490.698	1.812.791	(17.169)	47.310	20.252.570
Financial income and expenses	(5.081.383)	(5.254.790)	(244.422)	6.600.430	(76.224)	(4.056.388)
Share in loss of associated companies	0	0	(3.967)	0	(3.967)	
Income tax	(568.486)	(629.260)	(493.939)	(2.471.572)	10.871	(4.152.386)
Profit for the year	4.269.072	2.606.649	1.070.463	4.111.688	(18.042)	12.039.830
The year 2020						
External revenue	30.980.893	14.415.534	3.230.096	0		48.626.523
Inter-segment revenue	5.019.268	10.222.671	8.018.632	(23.260.572)	(0)	0
Total segment revenue	36.000.161	24.638.205	11.248.728	(23.260.572)		48.626.523
Segment operation expenses	(19.733.603)	(13.582.972)	(9.282.989)	23.260.572	166.665	(19.172.327)
Segment profit EBITDA	16.266.558	11.055.233	1.965.739	0	166.665	29.454.196
Depreciation and amortisation	(5.750.380)	(5.293.309)	(1.892.632)	0	(119.873)	(13.056.194)
Segment results, EBIT	10.516.178	5.761.925	73.107	0	46.792	16.398.002
Financial income and expenses	(3.933.205)	(2.432.032)	(5.135.512)	724.576	(76.174)	(10.852.347)
Share in profit of associated companies	0	0	4.137	0		4.137
Income tax	(935.595)	(691.996)	1.967.101	(262.200)	989	78.298
Profit (loss) for the year	5.647.379	2.637.896	(3.091.167)	462.376	(28.393)	5.628.090

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

Notes

5. Segment reporting, contd.

Business segments - divisions, contd.

	Utilities	Energy sale and production	Other Operation	Adjust- ments	IFRS 16*	Total
Balance sheet (31.12.2021)						
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						
Property, plant and equipment and intangible assets	11.992.633	2.300.589	4.228.820	0		18.522.041
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						
Property, plant and equipment and intangible assets	9.894.685	3.790.152	3.099.391	0		16.784.228

Notes

6. Analysis of geothermal power plant operation

Return analysis of production of electricity and hot water, cf. Article 41, paragraph 5 of law no. 65/2003:

	Electricity 2021	Hot water 2021	Electricity 2020	Hot water 2020
Geothermal power plant				
Revenue	12.211.221	4.958.641	9.978.521	4.181.425
Operating expenses	(2.354.935)	(1.274.160)	(2.184.318)	(1.074.388)
Depreciation and amortisation	(4.005.916)	(1.138.493)	(3.611.269)	(1.639.636)
Profit before financial expenses	5.850.370	2.545.989	4.182.934	1.467.401
Return on investment	5,7%	8,2%	4,2%	4,4%

The power plants at Hellisheiði and Nesjavellir are mixed production plants, where both hot water and energy are produced.

The cost allocation is based on Orka náttúrunnar and ON Power's methods, that the National Energy Authority "NEA" has not approved. NEA is obligated to set new cost allocation rules after having disapproved the companies proposal, NEA has not yet carried this out. Until NEA sets new rules for cost allocation, the return of the sectors are reported using Orka náttúrunnar and ON Power's methods.

7. Salaries and salary related expenses

	2021	2020
Salaries and salary related expenses are specified as follows:		
Salaries	7.077.519	7.289.655
Defined contribution pension expenses	959.265	938.688
Defined benefit pension expenses, changes	9.167	(27.574)
Other salary related expenses	617.346	630.105
Total salaries and salary related expenses	8.663.297	8.830.874

Salaries and salary related expenses are stated in the financial statements as follows:

Expensed in the income statement	7.502.005	7.750.009
Capitalised on projects	1.161.292	1.080.866
Total salaries and salary related expenses	8.663.297	8.830.874

Number of employees:

Number of annual working units	581	612
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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	18.536	17.149
Salaries of the CEO of the Parent Company	38.746	31.899
Salaries of four Managing Directors of the Parent Company*	123.536	105.911
Salaries to the Board of Directors of four subsidiaries	12.719	12.318
Salaries of four Managing Directors of subsidiaries	119.031	106.141
Termination expenses	16.200	0
	328.769	273.418

* For four months of 2021 there were five Managing Directors.

Notes

8. Auditors fee

	2021	2020
Audit of financial statements and review of interim financial statements	27.026	20.323
Other services	5.002	3.463
Total auditors fee	<u>32.028</u>	<u>23.786</u>

9. Depreciation, amortisation and impairment

	2021	2020
Depreciation, amortisation and impairment is specified as follows:		
Depreciation of property, plant and equipment cf. note 12	12.736.800	12.576.132
Amortisation of intangible assets, cf. note 13	393.214	360.189
Depreciation of Right-of-use assets, cf. Note 14	126.947	119.873
Depreciation, amortisation and impairment expensed in income statement	<u>13.256.960</u>	<u>13.056.194</u>

10. Financial income and expenses

	2021	2020
Financial income and expenses are specified as follows:		
Interest income	182.844	313.417
Interest expense and paid indexation	(4.031.786)	(4.337.988)
Indexation	(3.832.508)	(2.658.020)
Guarantee fee to owners 1)	(529.919)	(646.888)
Total interest expenses	(8.394.213)	(7.642.896)
Fair value changes of embedded derivatives in electricity sales contracts	6.573.330	722.948
Fair value changes of financial assets and financial liabilities through P/L	671.804	879.564
Fair value changes of hedge contracts	(962.797)	(549.880)
Interest on settlement of currency agreements	(2.578.937)	0
Hedge contracts	(1.408.740)	(43.742)
Foreign exchange difference	1.739.350	(4.619.877)
Dividends	120.972	88.119
Total of other income (expenses) on financial assets and liabilities	4.154.981	(3.522.869)
Total financial income and expenses	<u>(4.056.388)</u>	<u>(10.852.347)</u>

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 530 million in the year 2021 (2020: ISK 647 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. Change in fair value that is recognized in the income statement amounts to ISK 6.282 million income in the year 2021 (2020: income ISK 1.053 million). Fair value changes on financial assets and liabilities defined at level 3 amounts to ISK 6.801 million income in the year 2021 (2020: income ISK 1.429 million).

Notes

11. Income tax

The Group's companies are tax liable according with Article 2 of law no. 90/2003 on income tax. The part of the Group's operation concerning operation of cold water supply and sewer is though exempt from income tax.

The parent Company's tax rate is 37,6%, other taxable subsidiaries have a 20% tax rate.

Income tax recognised in the income statement is specified as follows:	2021	2020
Current income tax	1.753.949	1.847.570
Change in deferred income tax	2.398.436	(1.925.868)
Income tax recognised through P/L	4.152.386	(78.298)

Reconciliation of effective tax rate:	2021	2020
Profit before income tax	16.192.215	5.549.792
Income tax according to tax ratio of parent	37,6% 6.088.273	37,6% 2.086.722
Effect of tax rates of subsidiaries	(7,1%) (1.141.887)	(26,7%) (1.480.390)
Non-taxable operation of water supply and sewer	(4,6%) (750.246)	(12,9%) (716.278)
Effect of different functional currencies in the Group	(0,09%) (15.075)	0,37% 20.677
Other items	(0,18%) (28.679)	0,20% 10.970
Effective income tax	25,6% 4.152.386	(1,4%) (78.298)

Income tax recognised in other comprehensive income

Deferred tax

Due to income and expenses moved direct to equity	2021	2020
Tax effect of revaluation	2.645.771	0
Deferred tax, total	2.645.771	0

Notes

12. Property, plant and equipment

	Production system	Utility system	Other real estates	Other equipment	Total
The year 2021					
Cost or deemed cost					
Balance at year beginning	296.669.526	342.855.126	9.056.003	3.254.290	651.834.946
Additions during the year	4.453.577	11.572.904	1.330.226	642.773	17.999.480
Translation difference	3.152.458	0	0	0	3.152.458
Sold or disposed of	(89.203)	(86.597)	(122.968)	(103.003)	(401.772)
Revaluation, increase	13.143.369	27.271.229	0	0	40.414.598
Balance at year end	317.329.727	381.612.662	10.263.261	3.794.059	712.999.709
Depreciation					
Balance at year beginning	125.987.170	185.814.894	718.007	1.821.647	314.341.717
Depreciated during the year	6.633.720	5.586.469	186.380	330.231	12.736.800
Translation difference	683.451	0	0	0	683.451
Sold or disposed of	(63.051)	(86.630)	(122.764)	(105.092)	(377.537)
Revaluation, increase	7.411.786	14.490.232	0	0	21.902.018
Balance at year end	140.653.075	205.804.966	781.623	2.046.786	349.286.450
Carrying amounts					
At 1.1. 2021.....	170.682.357	157.040.232	8.337.996	1.432.643	337.493.228
At 31.12. 2021.....	176.676.652	175.807.696	9.481.638	1.747.273	363.713.260
The year 2020					
Cost or deemed cost					
Balance at year beginning	286.821.727	333.939.325	8.588.468	3.698.076	633.047.596
Additions during the year	6.384.782	8.894.595	586.423	219.205	16.085.006
Translation difference	5.829.966	0	0	0	5.829.966
Sold or disposed of	(2.366.948)	21.206	(118.888)	(662.992)	(3.127.622)
Balance at year end	296.669.526	342.855.126	9.056.003	3.254.290	651.834.946
Depreciation					
Balance at year beginning	120.910.890	180.405.224	686.648	2.088.703	304.091.464
Depreciated during the year	6.632.187	5.405.879	152.152	385.914	12.576.132
Translation difference	791.721	0	0	0	791.721
Sold or disposed of	(2.347.628)	3.791	(120.793)	(652.969)	(3.117.600)
Balance at year end	125.987.170	185.814.894	718.007	1.821.647	314.341.717
Carrying amounts					
At 1.1. 2020.....	165.910.837	153.534.101	7.901.820	1.609.374	328.956.132
At 31.12. 2020.....	170.682.357	157.040.232	8.337.996	1.432.643	337.493.228

Investments during the year without payment effect amounted to ISK 1.788,8 million at year-end 2021. (2020: ISK 1.391,8 million). The year's change in investments without payment effect amounts to ISK 396,9 million.

Notes

12. Property, plant and equipment, contd.

Revaluation

When revaluating, the relevant asset groups are measured at fair value. The aforementioned revaluation is recognised in a revaluation reserve among equity taken into account effects of deferred income tax as further explained in note 38 d. The revaluation is carried out by experts within the Group.

Revaluation was last conducted according to the following table:

	Date of Revaluation
Production systems	
Hot water	30.9.2021
Cold water	30.9.2021
Electricity	31.12.2018
Distribution systems	
Hot water	30.9.2021
Cold water	30.9.2021
Sewage	30.9.2021
Electricity	30.9.2021
Fiber-optic cable system	30.9.2021

The fair value of these assets is determined on the basis of the depreciated replacement cost. This consists in that an assessment is made on changes in the construction cost of comparable assets and both cost and accumulated depreciations are revaluated in accordance with those changes. The calculation is based on official information and actual statistics from the Group's books on value changes of cost of items and takes into account an estimate on the weight of each cost item in the total cost of construction of comparable assets. Cost items and their proportional weight were determined by experts within the Group. The impairment test of assets is also taken into consideration and revaluation is not recognised beyond the expected future cash flow of the assets. Distribution systems for hot water, cold water, sewage and electricity are licensed operations and subject to official revenue targets that are based mostly on changes in the construction cost index. This is taken into consideration when revaluating these systems. Revaluation is classified as level 3 of the hierarchy of fair value, further explained in note 32.

Information on revalued assets at year end

	Production system	Distribution system	Total
31.12.2021			
Revalued carrying amount	176.676.652	175.807.696	352.484.348
Thereof effect of revaluation	(53.113.203)	(65.811.657)	(118.924.860)
Carrying amount before effect of revaluation	<u>123.563.448</u>	<u>109.996.040</u>	<u>233.559.488</u>
31.12.2020			
Revalued carrying amount	170.682.357	157.040.232	327.722.589
Thereof effect of revaluation	(49.995.549)	(55.203.793)	(105.199.342)
Carrying amount before effect of revaluation	<u>120.686.808</u>	<u>101.836.439</u>	<u>222.523.247</u>

Notes

12. Property, plant and equipment, contd.

Impairment tests

Impairment tests were performed at the end of September 2021 for distribution systems, production systems and power plants in order to confirm if both carrying amounts of assets and main assets under construction would meet estimated future cash flows of these assets. The impairment tests are carried out for every sector in the distribution and production systems.

The recoverable amount of each sector was evaluated based on value in use. The value in use was determined by discounting the expected future cash flows at the continued use in each sector. Cash flows were based on the future cash flow of the next five years. In assessing value in use, management make the plan for business development, based on both internal and external information.

The following criteria was used in assessing the value in use:

	Year 2021				
	Distribution system				Prod. systems
	Hot water	Electricity	Cold water	Sewage	Power plants
Revenue CAGR 2022-2026	1,9%	2,5%	1,6%	1,9%	4,1%
CAGR w.r.t. to price changes	0,7%	0,5%	0,4%	0,3%	0,15%-0,20%
EBITDA CARG 2022-2026	5,2%	3,7%	5,0%	4,6%	6,2%
WACC	3,6%	3,7%	3,2%	3,4%	3,59%-4,35%

	Year 2020				
	Distribution system				Prod. systems
	Hot water	Electricity	Cold water	Sewage	Power plants
Revenue CAGR 2021-2025	0,0%	1,9%	1,3%	1,6%	1,0%
CAGR w.r.t. to price changes	0,5%	0,7%	0,4%	0,3%	0,0%-6,8%
EBITDA CARG 2021-2025	-1,8%	1,4%	4,7%	4,9%	0,1%
WACC	3,7%	3,7%	4,0%	3,8%	4,35%-7,85%

Impairment for distribution system for Utilities or Power plants is unlikely because of additional value. However the test for electricity in power plants is sensitive to changes in key assumptions. If the required rate of ROCE increased by 0,1 percentage points, and other criteria are kept unchanged the calculated impairment of additional value in electricity for power plants would be ISK 7,5 billion. If the projected EBITDA is 1% lower during the planning period and other terms are unchanged, calculated impairment would be ISK 3,5 billion. In neither case is there any impairment.

Rateable value and insurance value

The rateable value of the Group's assets measured in the rateable value assessment amounted to ISK 39.603 million at year end 2021 (2020: ISK 32.241 million). The fire insurance value of the company's assets amounted to ISK 52.042 million at the same time (2020: ISK 48.117 million). Among those assets are real estates capitalised among production and distribution systems. The insurance value of the Group's assets amounted to ISK 454.249 million at year end 2021 (2020: ISK 402.885 million).

Obligations

The Group has entered into contracts and placed purchase orders with suppliers and developers concerning work on production and distribution systems. The balance of these contracts and purchase orders at year end is estimated at ISK 5.144 million (2020: ISK 1.903 million).

Notes

13. Intangible assets

Intangible assets are specified as follows:

	Heating rights	Software	Development cost	Total
The year 2021				
Cost				
Balance at year beginning	1.427.031	3.528.686	135.385	5.091.101
Additions during the year	0	465.668	56.894	522.562
Sold or disposed of	0 (	126.916)	0 (	126.916)
Balance at end of the year	1.427.031	3.867.437	192.278	5.486.746
Amortisation				
Balance at year beginning	457.768	1.796.199	0	2.253.968
Amortisation during the year	0	385.777	7.437	393.214
Sold or disposed of	0 (	126.916)	0 (	126.916)
Balance at end of the year	457.768	2.055.060	7.437	2.520.265
Carrying amounts				
At 1.1. 2021	969.263	1.732.486	135.385	2.837.133
At 31.12. 2021	969.263	1.812.377	184.841	2.966.481
The year 2020				
Cost				
Balance at year beginning	1.427.031	3.020.288	0	4.447.319
Additions during the year	0	563.838	135.385	699.222
Sold or disposed of	0 (	55.440)	0 (	55.440)
Balance at year end	1.427.031	3.528.686	135.385	5.091.101
Amortisation				
Balance at year beginning	457.768	1.491.451	0	1.949.219
Amortisation during the year	0	360.189	0	360.189
Sold or disposed of	0 (	55.440)	0 (	55.440)
Balance at year end	457.768	1.796.199	0	2.253.968
Carrying amounts				
At 1.1. 2020	969.263	1.528.837	0	2.498.100
At 31.12. 2020	969.263	1.732.486	135.385	2.837.133

14. Lease agreements

Significant accounting policies are described in note 38t.

The Group rents office space and land. These leases are for varying lengths of time, but usually with the possibility of renewal at the end of the lease. Some leases include additional lease payments that are based on a change in certain indices. The Group may not enter into sublease agreements for certain leases.

The Group has elected not to recognise right-of-use assets and lease liabilities for some short-term leases and leases of low-value assets. The Group charges lease payments for these leases on a straight-line basis during the lease term.

Notes

14. Lease agreements, contd.

Changes in right-of-use assets in the year are specified as follows:

	2021	2020
Right-of-use assets		
Right-of-use assets at year beginning	2.590.642	2.488.863
Additions or extended contracts during the year	101.751	53.454
Reduction due to termination of contracts during the year	(33.915)	0
Indexation	44.645	168.198
Depreciation of the year	(126.947)	(119.873)
Right-of-use assets at year-end	<u>2.576.177</u>	<u>2.590.642</u>

Amounts in Income statement:

Right-of-use assets, depreciation	126.947	119.873
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Changes in lease liabilities in the year are specified as follows:

	2021	2020
Lease liabilities		
Lease liabilities at year beginning	2.640.913	2.509.752
New lease liabilities or extended contracts during the year	101.751	53.454
Reduction due to termination of contracts during the year	(33.915)	0
Interests	76.224	76.174
Repayment of lease liabilities	(174.257)	(166.665)
Indexation	44.645	168.198
Lease liabilities at year-end	<u>2.655.361</u>	<u>2.640.913</u>

Undiscounted cash flow due to lease payments is as follows:

	Within a year	In 1 to 5 years	After 5 years	Total
Lease payments	179.498	540.935	3.721.876	4.442.309
Interests	(74.972)	(277.305)	(1.434.670)	(1.786.948)
Total	<u>104.525</u>	<u>263.630</u>	<u>2.287.206</u>	<u>2.655.361</u>

Amounts in Income statement:

	2021	2020
Interest expenses:	76.224	76.174

Amounts in Statement of Cash Flows:

Interest rate of rent payments

(presented in cash flow statement in line "Paid interest expenses")	76.071	73.478
The installment element of the lease payments		
(presented in cash flow statement in the line "Payments of lease liabilities")	98.186	93.187

Most of the Group's leasing contracts for real estate include extension permits that the Group may use up to one year before the end of an unenforceable lease period. At the beginning of the lease, the Group assesses whether it is considered likely that it will utilize extensions. If there are significant changes in circumstances that are within the control of the Group, it will reassess whether the extension rights will be used.

Notes

15. Investments in associated companies

	2021		2020	
	Share	Carrying amount	Share	Carrying amount
Íslensk Nýorka ehf.	29,11%	32.758	29,46%	33.235
Netorka hf.	38,41%	44.411	38,41%	42.138
Orkuskólinn REYST hf.	45,00%	3.753	45,00%	6.017
Total		<u>80.923</u>		<u>81.389</u>

The Group's share in the loss of its associated companies amounted to ISK 3.967 thousand in 2021 (2020: profit of ISK 4.137 thousand).

16. Investments in other companies

	Share	2021	Share	2020
Non-current assets				
Landsnet hf. 1)	0,0%	0	6,8%	5.867.000
Other shares in companies		<u>55.680</u>		<u>55.680</u>
Other shares in companies, total		<u>55.680</u>		<u>5.922.680</u>
Current assets				
Landsnet hf. 1)	6,8%	<u>6.095.000</u>	0,0%	<u>0</u>

Fair value of financial assets available for sale is based on generally accepted valuation methods performed by independent experts and internal experts. Fair value change of Landsnet hf. amounted to ISK 228 million in 2021 (2020: ISK 706 million) and the increase was transferred to a fair value reserve among equity. See further discussion in note 32.

1) A legal provision on a change in the ownership of an electricity transmission company will be implemented 1 July 2022, according to Article 19 Act no. 74/2021. The law requires a change in the ownership of Landsnet hf. in such a way that it will be directly owned by the state and/or municipalities. Declarations of intent are available for negotiations between all owners of Landsnet, including Orkuveita Reykjavíkur, where a price will be agreed for each owner's share and payment arrangements for 1 July 2022. OR's holding in Landsnet hf. at the end of 2021 is therefore included in current assets and not non-current assets as at the end of 2020.

17. Embedded derivatives in electricity sales contracts

	2021	2020
Fair value of embedded derivatives at the beginning of the year	(5.956.381)	(6.679.329)
Fair value changes during the year	<u>6.573.330</u>	<u>722.948</u>
Fair value of embedded derivatives at year-end asset/(liability)	<u>616.949</u>	<u>(5.956.381)</u>

The allocation of embedded derivatives in electricity sales contracts is specified as follows:

Non-current embedded derivatives asset/(liability)	(931.389)	(4.907.730)
Current embedded derivatives, asset/(liability)	<u>1.548.338</u>	<u>(1.048.651)</u>
Total embedded derivatives at year-end	<u>616.949</u>	<u>(5.956.381)</u>

Further discussion regarding embedded derivatives can be found in note 28 c.

Notes

18. Hedge contracts

Financial assets at fair value through profit or loss:	2021	2020
Non-current assets		
Hedge contracts	73.264	509.904
Current assets		
Hedge contracts	17.036	45.399
Non current liabilities		
Hedge contracts	(332.279)	(571.981)
Current liabilities		
Hedge contracts	(1.584.188)	(846.690)

Hedge contracts are measured by discounted future cash flow and market observable data is used in the price determination.

19. Deferred tax assets and liabilities

Deferred tax assets and liabilities is specified as follows:

	Tax assets	Tax liabilities	Net amount
2021			
Deferred tax assets/(liabilities) at the beginning of the year	6.675.003	(14.662.897)	(7.987.895)
Calculated income tax for the year	(2.888.687)	(1.263.699)	(4.152.386)
Current tax liability	26.614	1.727.336	1.753.949
Tax effect on the revaluation account	0	(2.654.292)	(2.654.292)
Other changes	0	(76.227)	(76.227)
Deferred tax assets/(liabilities) at end of the year	3.812.930	(16.929.779)	(13.116.849)
2020			
Deferred tax assets/(liabilities) at the beginning of the year	4.879.759	(14.679.794)	(9.800.035)
Calculated income tax for the year	1.775.858	(1.697.238)	78.620
Current tax liability	19.386	1.828.184	1.847.570
Other changes	0	(114.050)	(114.050)
Deferred tax assets/(liabilities) at end of the year	6.675.003	(14.662.897)	(7.987.895)

Deferred tax assets and liabilities are attributable to the following:

	31.12.2021		31.12.2020	
	Tax assets	Tax liabilities	Tax assets	Tax liabilities
Property, plant and equipment	840.820	(17.344.151)	788.958	(14.809.204)
Embedded derivatives	(231.973)	0	2.239.599	0
Other items	635.223	414.372	1.954.481	108.290
Effect of carry forward taxable loss	2.568.859	0	1.691.965	38.016
Deferred tax assets/(liabilities) at year end	3.812.930	(16.929.779)	6.675.003	(14.662.897)

Notes

19. Deferred tax assets and liabilities, cont.

Carry forward taxable loss

Based on current tax law, a carry forwards taxable loss can be used against taxable profit within 10 years from when it was incurred. Carry forwards taxable loss at year end can be used as follows:

	2021	2020
Carry forward taxable loss for the year 2017, usable until year 2027	0	159.548
Carry forward taxable loss for the year 2018, usable until year 2028	41.429	41.429
Carry forward taxable loss for the year 2019, usable until year 2029	2.059.754	2.059.754
Carry forward taxable loss for the year 2020, usable until year 2030	2.398.725	2.429.258
Carry forward taxable loss for the year 2021, usable until year 2031	2.332.165	0
Carry forwards taxable loss at year end	6.832.073	4.689.989

Management has evaluated the utilization of income tax losses and made plans for taxable profit for the next years. Deferred tax assets due to the taxable loss carried forward is recognized to the extent that it is believed to be useful.

20. Inventories

	2021	2020
Inventory of materials	1.337.505	1.249.674

The Group's material inventories consist of material for maintenance, renewal and construction of the Group's production and distribution systems. A part of the inventories is defined as safety inventories, i.e. inventories that are necessary to have on hand in case of malfunction or maintenance even though their turnover is low. The value of inventories is estimated regularly. Inventories for renewal and new constructions are accounted for among property, plant and equipment as part of building cost of assets under construction.

21. Receivables

Trade receivables is specified as follows at year end:	2021	2020
Trade receivables, industrial consumers	1.159.284	838.993
Trade receivables, retail	4.613.079	4.756.092
Trade receivables, total	5.772.363	5.595.085
Allowance for doubtful accounts	(147.214)	(155.258)
	5.625.149	5.439.828
Other current receivables are specified as follows at year end:		
Capital income tax	166.192	176.318
Accrued interest income	3.509	61.334
Receivables from employees	2.676	4.307
Other receivables	502.025	162.903
	674.401	404.863

22. Cash and cash equivalents, deposits and marketable securities

Cash and cash equivalent, deposits and marketable securities at year end are specified as follows:

	2021	2020
Bank deposits, available from three to twelve months	0	6.500.000
Marketable securities	14.657.369	8.366.902
	14.657.369	14.866.902
Bank balances available within three months	10.319.874	15.820.051

Notes

23. Equity

Equity ratio of the Group at year end 2021 is 51,6% (2020: 47,7%). Return on equity was positive by 6,2% in the year 2021 (2020: positive by 3,1%).

Revaluation reserve

Revaluation reserve comprises of increase in the value of properties, plant and equipment after taking tax effects into account. Depreciation of the revaluated price are expensed in the income statement and transferred at the same time from the revaluation reserve account to retained earnings.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of financial statements of operations with other functional currency than ISK.

Fair value reserve

Fair value reserve comprises change of the value of assets categorised as available for sale after taking tax effects into account.

Equity reserve

According to the Financial Statements Act no. 3/2006, share in profit of subsidiaries and associates, which exceeds the dividends received or the dividend decided of retained earnings, is accounted for on a restricted reserve account among equity.

Development reserve

According to the Financial Statement Act no. 3/2006, companies that capitalize development cost should account for the same amount on a restricted reserve account among equity.

Retained earnings

Dividend in the amount of ISK 4.000 million was paid to the owners of the parent Company in the year 2021. (2020: ISK 3.000 million).

Notes

24. Loans and borrowings

Interest bearing loans are recorded using the method of amortised cost. Further information on the Group's exposure to interest rate and foreign currency risk, see note 28. Loans and borrowings are specified as follows:

Non-current liabilities	31.12.2021	31.12.2020
Bank loans	77.649.505	90.611.094
Subordinated loan from owners of the Company	0	3.550.949
Bond issuance	87.397.686	77.538.410
	<u>165.047.192</u>	<u>171.700.453</u>
Current portion on non-current liabilities	(15.187.655)	(19.349.528)
	<u>149.859.537</u>	<u>152.350.925</u>
Current liabilities		
Current portion on non-current liabilities	15.187.655	19.349.528
Total interest bearing loans and borrowings	<u>165.047.192</u>	<u>171.700.453</u>

Terms of interest-bearing loans and borrowings

Liabilities in foreign currencies:		31.12.2021		31.12.2020	
	Date of maturity	Average interest rate	Carrying amount	Average interest rate	Carrying amount
Liabilities in CHF	5.10.2027	0,00%	7.166.297	0,00%	8.961.014
Liabilities in EUR	19.12.2027	0,80%	17.390.754	0,77%	20.569.184
Liabilities in USD	26.11.2035	2,03%	34.665.932	2,04%	33.949.380
Liabilities in JPY	10.5.2027	0,02%	2.187.201	0,01%	3.107.268
Liabilities in GBP	26.2.2024	1,11%	1.207.197	1,13%	1.589.628
Liabilities in SEK	5.10.2027	0,02%	2.069.306	0,06%	2.611.626
			<u>64.686.686</u>		<u>70.788.101</u>
Liabilities in Icelandic kronas:					
Indexed	18.2.2055	2,62%	81.376.580	2,76%	84.547.786
Non-indexed	18.2.2042	4,06%	18.983.926	2,96%	16.364.565
			<u>100.360.506</u>		<u>100.912.352</u>
Total interest-bearing loans and borrowings			<u>165.047.192</u>		<u>171.700.453</u>

Repayment on non-current liabilities are specified as follows on the next years:

31.12.2021	
The year 2022.....	15.187.655
The year 2023.....	19.196.497
The year 2024.....	15.082.367
The year 2025.....	15.967.229
The year 2026.....	14.038.102
Later	85.575.342
Total non-current liabilities, including next year's repayment	<u>165.047.192</u>
31.12.2020	
The year 2021.....	19.349.528
The year 2022.....	14.927.515
The year 2023.....	19.046.846
The year 2024.....	14.967.994
The year 2025.....	14.734.478
Later	88.674.091
Total non-current liabilities, including next year's repayment	<u>171.700.453</u>

Notes

24. Loans and borrowings, contd.,

Changes in loans and borrowings in the year are specified as follows:	2021	2020
Movements with payment effects		
Total interest bearing loans and borrowings 1 January	171.700.453	154.019.113
New borrowings	14.283.912	29.965.498
Repayment of borrowings	(24.183.955)	(22.225.138)
Movements without payment effects		
Currency fluctuation	(678.424)	7.235.628
Indexation	3.925.206	2.705.352
Total interest bearing loans and borrowings 31 December	165.047.192	171.700.453

Guarantees and pledges

The owners of the parent company are responsible, pro rata, for 42,1% of all loans and borrowings. The Group has not pledged its assets as guarantee for its liabilities.

Covenants

Loans for the amount of ISK 102.279 million have certain covenants that regard repayment time as a proportion of EBITDA and as interests as a proportion of EBITDA as well as reviewing that budgets are within set limits (31.12.2020: ISK 81.617 million). Management regularly evaluate the covenants and in their view there is not risk of them being breached. At the end of the year the Group measured up to all financial covenants of loan agreements.

25. Retirement benefit obligation

The Group has retirement benefit obligation due to benefits of current and former employees in pension benefit plans.

The Group's accrued retirement benefit obligation amounted to ISK 665,9 million at year end 2021, discounted based on 2% interests and taken into account the share in the net asset of the pension fund (2020: ISK 692,0 million). The Group updates the obligation according to an assessment from an actuary each year when that assessment is available. Premises for life expectancy are in accordance with provisions of Regulation no. 391/1998 on obligatory insurance of pension benefits and operation of pension funds. The estimated increase in the obligation in the year is based on general increase in salaries taken into account interests. The part of the obligation that is estimated to be payable in the year 2022 is recognised among current liabilities.

	2021	2020
Retirement benefit obligation at the beginning of the year	692.027	753.084
Contribution due to pension payments during the year	(35.315)	(33.483)
Increase (decrease) in the pension fund obligation during the year	9.167	(27.574)
Retirement benefit obligation at year end	665.879	692.027
Non-current component of retirement benefit obligation	630.879	659.027
Current component of retirement benefit obligation	35.000	33.000
Retirement benefit obligation at year end	665.879	692.027

Notes

26. Current liabilities

Other current liabilities is specified as follows:	2021	2020
Unpaid taxes	670.554	428.076
Unpaid salaries and salary related items	1.711.810	1.750.339
Accrued interest expenses	790.891	751.557
Current component of retirement benefit obligation	35.000	33.000
Derivative contracts in default, see note 37	3.335.937	740.000
Other liabilities	154.226	85.663
Total current liabilities	6.698.418	3.788.635

27. Risk management and financial instruments

The Orkuveita Reykjavíkur Board's policy is that in all of the Group's operations, risks are to be considered and by that implementing efficient decision making and governance. The risk policy explains the overview and main targets of the Board in this matter. The risk policy also defines the main risk factors, measurement indicators, objectives and risk limits in the daily risk management. One of the main foundation in the risk policy is to define the risk factors which are of relevance, measure their impact and define acceptable limits when controlling them.

Decision making and control on the execution of the risk management is in the hands of a Risk council. The CEO appoints the risk council. The CEO appoints a risk council that manages risk on behalf of the Board. The Risk council overviews for instance:

- to formulate a proposal for a risk policy and risk limits for the board
- that suitable methods are used to recognise and measure risk
- that risk monitoring systems are in place and efficient
- that the risk policy of the Board is complied with in the operations of the Group
- that deviations from policy are reviewed and referred to the Board if applicable
- to monitor the Group's operational risk

The Risk management department oversees and controls risk. The objective of the department is to monitor, analyse and control the financial and operational risks of the Group.

Financial risk is divided into:

- Market risk, further discussed in note 28
- Liquidity risk, further discussed in note 29
- Credit risk, further discussed in note 30
- Operational risk, further discussed in note 31

28. Market risk

Market risk is the risk that changes in the exchange rate of foreign currencies, aluminium price, interests and other price changes will affect the Group's income or the value of its financial instruments. With regards to the current Balance Sheet, market risk is mainly due to changes in interest, exchange rates, CPI and aluminium price but risk regarding portfolio assets such as shares in companies and bonds is minimal. The risk that weighs the most in the Group is divided into:

- a. Currency risk due to assets and liabilities in the balance sheet and cash flow in foreign currencies.
- b. Interest rate risk due to loans and contracts made by the Group
- c. Risk due to changes in the world market price of aluminium.

Notes

28. Market risk, contd.

a. Currency risk

Currency risk is the risk of changes in exchange rates having a negative effect on the Group's income. Currency risk is measured in the difference between assets and liabilities in each currency where taken into consideration all assets, liabilities and derivatives. The Risk Management department is permitted to use forward contracts and currency swaps to mitigate risk due to currency fluctuations. Limits on the minimum/maximum currency imbalance in cash flows for the next 5 financial years have been approved.

The Group is exposed to currency risk on sales, purchases and borrowings in different currencies. Main currency exposures are in United States dollar (USD), Euro (EUR) and Swiss Francs (CHF).

Approx. 39% of the Group's interest bearing loans are in foreign currencies. The Group has entered into long term electricity sales contracts in foreign currency (USD). The expected future revenues from these contracts on the accounting date amount to approx. ISK 69.130 million (2020: ISK 67.430 million). That amount is based on the future price of aluminium on LME (London Metal Exchange), the USD exchange rate and longterm expectations of price development of aluminium according to, an independent evaluation party CRU, as available on the accounting date. In addition to the above, other smaller sales agreementson have been made in foreign currency.

Exchange rates of main currencies:

	2021	2020	31.12.2021	31.12.2020
	Average exchange rate		Exchange rate at year end	
CHF	138,974	144,330	142,830	144,380
EUR	150,189	154,520	147,600	156,100
USD	127,047	135,270	130,380	127,210
JPY	1,157	1,270	1,133	1,234
GBP	174,707	173,590	175,730	173,550
SEK	14,807	14,750	14,392	15,569
CAD	101,304	100,950	102,420	99,910
TWI	196,103	200,920	195,602	200,456

Notes

28 Market risk, contd.

a. Currency risk, contd.

Balance sheet currency risk

The Group's exposure to currency risk is specified as follows:

31.12.2021	CHF	EUR	USD	JPY	SEK	ISK	Other currencies	Total
Loans and borrowings	(7.166.297)	(17.390.754)	(34.665.932)	(2.187.201)	(2.069.306)	(1.207.197)	(64.686.686)	
Trade receivables (accounts payables)		(167.991)	914.978		(401)	(30.995)	(4.515)	711.075
Bank deposits	2.320	133.458	1.809.111	1.058	1.171	2.754	51.655	2.001.527
Embedded derivatives			616.949					616.949
Hedge contracts		(1.826.166)					(1.826.166)	
Receivables/(payables) within the Group*		(4.463.001)			(1.148.899)		(5.611.900)	
Loans and borrowings to related parties*			44.459.387					44.459.387
Total risk through P/L	(7.163.977)	(17.425.288)	6.845.327	(2.186.143)	(2.068.536)	(1.177.141)	(1.160.056)	(24.335.813)
Subsidiaries equity in USD**			58.241.335					58.241.335
Investments in other companies			6.095.000					6.095.000
Total risk through P/L and in equity	(7.163.977)	(17.425.288)	71.181.662	(2.186.143)	(2.068.536)	(1.177.141)	(1.160.056)	40.000.522

(*) The functional currency of ON Power is in USD and exchange gains/losses from assets and liabilities in ISK are accounted for through P/L. In addition the exchange gains/losses for foreign assets and liabilities of the parent company towards its subsidiary, ON Power, are accounted through P/L .

(**) The functional currency of ON Power is in USD and translational differences due to changes in the USD/ISK exchange rate is accounted for in equity.

Notes

28 Market risk, contd.

a. Currency risk, contd.

Balance sheet currency risk, contd.

31.12.2020	CHF	EUR	USD	JPY	SEK	ISK	Other currencies	Total
Loans and borrowings	(8.961.014)	(20.569.184)	(33.949.380)	(3.107.268)	(2.611.626)	(1.589.628)	(70.788.101)	
Trade receivables (accounts payables)	0	217	196.989	0	(1.606)	113.460	(21.608)	287.452
Bank deposits	260.965	809.126	4.411.361	25.911	113.225	272.975	228.289	6.121.853
Embedded derivatives			(5.956.381)					(5.956.381)
Hedge contracts	(34.130)	(829.238)						(863.369)
Receivables/(payables) within the group*	(126)	(2.066.939)				(838.481)		(2.905.546)
Loans and borrowings to related parties*			45.817.850					45.817.850
Total risk through P/L	(8.700.049)	(19.794.098)	7.624.262	(3.081.357)	(2.500.008)	(452.046)	(1.382.947)	(28.286.243)
Subsidiaries equity in USD**			54.907.420					54.907.420
Investments in other companies			5.867.000					5.867.000
Total risk through P/L and in equity	(8.700.049)	(19.794.098)	68.398.682	(3.081.357)	(2.500.008)	(452.046)	(1.382.947)	32.488.177

Sensitivity analysis

Appreciation by 10% of the Icelandic krona against the following currencies at year-end would have increased (decreased) equity and profit or (loss) by the amounts shown below, taking into account tax effects. Depreciation by 10% of the Icelandic krona against the following currencies would have had the equivalent, but opposite effect. This analysis assumes that all other variables, in particular interest rates and aluminium prices, remain constant.

	CHF	EUR	USD	JPY	SEK	ISK	Other currencies	Total
	Profit or (loss)							
The year 2021	716.398	1.742.529	(684.533)	218.614	206.854	117.714	116.006	2.433.581
The year 2020	870.005	1.979.410	(762.426)	308.136	250.001	45.205	138.295	2.828.624
	Equity							
The year 2021	716.398	1.742.529	(7.118.166)	218.614	206.854	117.714	116.006	(4.000.052)
The year 2020	870.005	1.979.410	(6.839.868)	308.136	250.001	45.205	138.295	(3.248.818)

Notes

28 Market risk, contd.

b. Interest rate risk

Interest rate risk is the risk of changes in interest rates having a negative effect on the Group's income. The Group is exposed to interest rate risk due to interest bearing assets, liabilities and financial instruments measured at fair value. The Group's liabilities both have fixed and variable interest rates, majority being subject to fixed interest rates. The risk management department monitors that interest rate risk is within preset limits and has permission to control interest rate risk with derivatives for the next 5 financial years within approved limits. On the accounting date hedges covered 82% of loans, taking into account hedges, with fixed interest rates 1 year ahead.

Interest-bearing financial assets and liabilities are specified as follows:

Fixed rate instruments	31.12.2021	31.12.2020
Financial liabilities	(99.241.377)	(100.944.357)
Variable rate instruments		
Financial liabilities	(65.805.815)	(70.756.095)
Financial instruments at fair value		
Marketable securities	14.657.369	8.366.902
Hedge contracts	(1.826.167)	(863.369)
	<u>12.831.203</u>	<u>7.503.534</u>

The following table shows the calculated effect of changes in interest on one year cash flows and on the value of financial instruments measured at fair value, taken into account the effect of taxes. The analysis was done in the same way for the year 2020.

Sensitivity analysis on interest	Cash flow sensitivity analysis		Fair value sensitivity analysis	
	100 p increase	100 p decrease	100 p increase	100 p decrease
31.12.2021				
Embedded derivatives	0	0	50.306 (	54.110)
Investments in other companies	0	0 (	1.625.771)	3.246.739
Hedge contracts	41.117 (	41.117)	25.646 (	51.718)
Interest bearing liabilities	(220.795)	220.795	0	0
	<u>(179.678)</u>	<u>179.678</u>	<u>(1.549.819)</u>	<u>3.140.910</u>
31.12.2020				
Embedded derivatives	0	0	144.689 (	152.710)
Investments in other companies	0	0 (	1.418.445)	2.881.957
Hedge contracts	57.369 (	57.369)	35.582	27.176
Interest bearing liabilities	(246.943)	246.943	0	0
	<u>(189.574)</u>	<u>189.574</u>	<u>(1.238.174)</u>	<u>2.756.423</u>

Notes

28 Market risk, contd.

c. Aluminium risk

Aluminium risk is the risk that changes in the price of aluminium has a negative impact on the income of the Group.

Two electricity sales contracts are in place at the accounting date. One is with Norðurál in regards of the aluminium plant at Grundartangi and Norðurál have also made an electricity sales contract due to sale of electricity to a pending aluminium plant in Helguvík, where delivery of electricity has begun partly with delivery to Grundartangi. These electricity sales contracts are denominated in USD and the price of the electricity is connected to the market price of aluminium. Income of electricity contracts that is effected by price of aluminium is 16,1% of total revenue in the reporting year 2021 (2020: 12,7%).

To reduce risk due to aluminium prices the Group has entered into derivative contracts to reduce the fluctuation of income affected by aluminium prices. The risk management department has permission to hedge this risk within approved limits for the next 5 financial years. At the accounting date hedges amounted to 89% of expected income affected by aluminium price for the next 12 months (31.12 2020: 56%).

Embedded derivatives in electricity sales contracts

The aforementioned electricity sales contracts include embedded derivatives as income thereon is subject to changes in the future world market price of aluminium. In accordance with provisions of International standards on financial instruments, the fair value of embedded derivatives for Grundartangi has been measured and recognised in the financial statements and partly for the contracts with Helguvík.

As the market value of the embedded derivatives is not available their fair value has been measured with generally accepted evaluation methods. The expected net present value of the cash flow of a contract on the accounting date has been measured, based on the future price of aluminium on LME (London Metal Exchange) on the accounting date and long term expectations of price development of aluminium according to the assessment of CRU, an independent evaluation party, as available on the accounting date. From the expected net present value of cash flow of the contract on the accounting date the expected net present value based on premises on aluminium price on the initial date of the contract is deducted. The difference is the fair value of the derivative. The valuation is based on the premises that the derivative has no value at the initial date of the contract.

Embedded derivatives of the electricity sales contracts recognised in the financial statements are capitalised in the balance sheet at fair value at the accounting date and fair value changes during the year are recognised in the income statement among income on financial assets and liabilities.

Notes

28 Market risk, contd.

c. Aluminium risk, contd.

In the following table shows the calculated effect on financial instruments measured at fair value due to change in aluminium price, taking tax effect into account.

Sensitivity analysis on the price of aluminium

31.12.2021	Sensitivity of Fair value	
	10% decrease	10% increase
Embedded derivatives	(3.827.863)	3.827.863
Aluminium hedges	983.022 (	1.058.701)
Total	(2.844.840)	2.769.162

31.12.2020	Sensitivity of Fair value	
	10% decrease	10% increase
Embedded derivatives	(3.382.919)	3.382.919
Aluminium hedges	309.029 (	585.965)
Total	(3.073.890)	2.796.954

d. Other market risk

Other market risk such as interest spread and risk in shares in other companies is limited as investments in such securities is an insubstantial part of the Group's operation with the exception of liquidity management. The value of the financial assets tied up in funds or in asset management is subject to changes in the market, e.g. due to price changes in the bond- and equity markets. For further information, see note 29.

29 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The Group's cash and cash equivalents at end of the year amounted to ISK 10.320 million as well as marketable securities amounting to ISK 14.657 million. Therefore the Group owned ISK 24.977 million in bank deposits at year end 2021. Furthermore, the Group had unused loan authorisations and a open credit line to the total amount of approx. ISK 9.629 million. The Group had thus in total ensured capital at year-end to the amount of approx. ISK 34.606 million. The corresponding amount at year end 2020 amounted to ISK 42.463 million.

Notes

29 Liquidity risk, contd.

Contractual payments due to financial instruments, including estimated interest payments, are specified as
31.12.2021

	Carrying amount	Contractual cash flows	Less than 1 year	After 1 - 2 years	After 2 - 5 years	More than 5 years
Non-derivative financial instruments						
Trade						
receivables	5.625.149	5.625.149	5.625.149	0	0	0
Other						
receivables	674.401	674.401	674.401	0	0	0
Marketable						
securities	14.657.369	14.657.369	14.657.369	0	0	0
Cash and cash						
equivalents	10.319.874	10.319.874	10.319.874	0	0	0
Interest-bearing						
liabilities	(165.047.192)	(200.378.478)	(18.625.353)	(22.318.196)	(53.368.080)	(106.066.850)
Accounts						
payable	(3.522.684)	(3.522.684)	(3.522.684)	0	0	0
Other liabilities	(6.698.418)	(6.698.418)	(6.698.418)	0	0	0
	(143.991.500)	(179.322.787)	2.430.339	(22.318.196)	(53.368.080)	(106.066.850)

Derivative financial instruments, net financial assets and financial liabilities

Embedded						
derivatives	616.949	69.130.064	10.143.657	9.607.663	25.259.708	24.119.036
Hedge						
contracts	(1.826.167)	(3.008.122)	(2.653.618)	(437.654)	83.150	0
	(1.209.217)	66.121.941	7.490.038	9.170.009	25.342.859	24.119.036

31.12.2020

Non-derivative financial instruments

Trade						
receivables	5.439.828	5.439.828	5.439.828	0	0	0
Other						
receivables	404.863	404.863	404.863	0	0	0
Deposits	6.500.000	6.500.000	6.500.000	0	0	0
Marketable						
securities	8.366.902	8.366.902	8.366.902	0	0	0
Cash and cash						
equivalents	15.820.051	15.820.051	15.820.051	0	0	0
Interest-bearing						
liabilities	(171.700.453)	(204.856.007)	(22.613.652)	(17.798.455)	(55.995.854)	(108.448.045)
Accounts						
payable	(2.822.579)	(2.822.579)	(2.822.579)	0	0	0
Other liabilities	(3.788.635)	(3.788.635)	(3.788.635)	0	0	0
	(141.780.023)	(174.935.577)	7.306.778	(17.798.455)	(55.995.854)	(108.448.045)

Derivative financial instruments, net financial assets and financial liabilities

Embedded						
derivatives	(5.956.381)	67.430.057	7.055.996	7.187.410	22.620.445	30.566.207
Hedge						
contracts	(863.369)	(1.409.052)	(835.698)	(547.501)	(25.854)	0
	(6.819.750)	66.021.005	6.220.298	6.639.909	22.594.591	30.566.207

If non-current loans are refinanced in order to prolong the loan terms, it can be assumed that the distribution of the repayments will be different from the above.

Notes

30 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is mainly due to whole sale electricity contracts and derivatives that the Group has entered into for hedging purposes. Possible losses due to unpaid receivables are insubstantial and have limited effect on the Group's return. The Group disregards the financing factors of receivables that are expected to be collected within a year according to authorization in IFRS 15.

When entering into contracts it shall be insured, as possible, that the counterparty is trustworthy and settlement with large counterparties shall be looked into regularly as well as their credit rating.

The carrying amount of financial assets represents the maximum credit exposure, which is specified as follows:

	31.12.2021	31.12.2020
Trade receivables	5.625.149	5.439.828
Other current receivables	674.401	404.863
Hedge contracts	90.300	555.303
Deposits	0	6.500.000
Marketable securities	14.657.369	8.366.902
Cash and cash equivalents	10.319.874	15.820.051
Total	31.367.093	37.086.946

Financial assets as stated above are categorised at amortised cost or at fair value through P/L. Their categorisation can be seen in note 33.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

Trade receivables, industrial consumers	1.159.284	838.993
Trade receivable, retail	4.465.865	4.600.835
Total	5.625.149	5.439.828

Impairment of trade receivables

The year 2021	Gross balance	Impairment	Book value
Not past due receivables	5.378.359	75.128	5.303.232
Past due, 1 to 30 days	271.988	9.847	262.140
Past due, 31 to 90 days	38.721	3.267	35.453
Past due, 91 days and older	83.295	58.972	24.324
Total	5.772.363	147.214	5.625.149

The year 2020	Gross balance	Impairment	Book value
Not past due receivables	5.216.756	72.019	5.144.737
Past due, 1 to 30 days	215.463	5.640	209.823
Past due, 31 to 90 days	50.471	7.952	42.519
Past due, 91 days and older	112.396	69.647	42.749
Total	5.595.085	155.258	5.439.828

Notes

30 Credit risk, contd.

Changes in impairment of Trade receivables is specified as follows:	2021	2020
Balance at year beginning	155.258	99.749
Receivables written off	51.485	66.194
Impairment	(59.528) (	10.685)
Balance at year end	<u>147.214</u>	<u>155.258</u>

Allowance due to receivables is valuated at each reporting date by management. Collectability is valuated both in general using historic evidence and economic conditions and also specifically for receivables that are in default. Allowance is only deemed necessary for trade receivables.

Receivables due to sewage and cold water have statutory lien in properties and therefore allowance is not considered for those claims.

The Customer Services department governs the collection of receivables and supplies customers with information regarding claims. Collection is done in a well defined process where among other things, consistency in procedures is maintained as much as possible.

Impairment of trade receivables is among other operating expenses in P/L.

31 Operational risk

Operational risk is the risk of negative impact on income as the result of inadequate information systems, administrative error, inadequate controls and human error. The company's management assesses operational risk and monitors known operational risks of the Company and measures on a regular basis.

Notes

32 Fair value

Comparison of fair value versus carrying amounts

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

	31.12.2021		31.12.2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest-bearing liabilities	165.047.192	176.771.819	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:

	31.12.2021	31.12.2020
Embedded derivatives in electr. sales contr.	7,99% to 9,49%	9,58% to 10,72%
Hedge contracts	0,1% to 1,3%	-0,6% to 0,2%
Interest bearing liabilities	0,49% to 3,88%	0,45% to 3,32%

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
31.12.2021				
Shares in other 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
31.12.2020				
Shares in other companies	0	0	5.922.680	5.922.680
Embedded derivatives in sales contracts	0	0 (	5.956.381)	(5.956.381)
Hedge contracts	0 (	863.369)	0 (	863.369)
Marketable securities	8.366.902	0	0	8.366.902
	8.366.902 (	863.369)	(33.701)	7.469.833

Notes

32 Fair value, contd.

Changes in assets and liabilities defined at level 3 is specified as follows:	2021	2020
Balance at year beginning	(33.701)	(1.463.062)
Valuation changes	6.801.330	1.429.361
Balance at year end	6.767.629	(33.701)

Embedded derivatives in electric sales contracts that have more than ten years duration is classified under level 3 due to the fact that the forward market for aluminium only reaches maximum of ten years.

Fair value measurement

A part of the Group's financial assets and financial liabilities are measured at fair value. Fair value of these assets and liabilities are determined by market data or price in recent transactions if that is available. Otherwise, accepted valuation methods are used. Further information on fair value calculations can be found in the discussion of the relevant assets and liabilities in notes 16, 17 and 18.

33 Overview of financial instruments

Financial assets and financial liabilities are specified in the following financial groups:

	31.12.2021			31.12.2020		
	Amortised cost	Financial asset/ financial liability at fair value through P/L	Financial asset/ financial liability at fair value through OCI	Amortised cost	Financial asset/ financial liability at fair value through P/L	Financial asset/ financial liability at fair value through OCI
Shares in other companies	55.680			55.680		5.867.000
Investments av. for sale			6.095.000			0
Embedd. contr.		616.949		(5.956.381)		
Hedge contr.		90.300		555.303		
Trade receivabl. ..	5.625.149			5.439.828		
Other receivabl. ..	674.401			404.863		
Prepaid exp.	328.780			227.706		
Bank deposits and marketable securities		14.657.369		6.500.000	8.366.902	
Cash	10.319.874			15.820.051		
Interest-bearing liabilities	(165.047.192)		(171.700.453)			
Hedge contr.		(1.916.467)		(1.418.671)		
Account payabl. ..	(3.522.684)		(2.822.579)			
Deferred rev.	(142.970)		(541.288)			
Other current liabilities	(6.698.418)		(3.788.635)			
Total	(158.407.380)	13.448.152	6.095.000	(150.404.827)	1.547.153	5.867.000

Notes

34 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 year. 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 year as well as a statement of receivables and payables at year end. Transactions and positions with subsidiaries are eliminated in the consolidated financial statement, therefore that information is not provided. This information does not include sale of conventional household supplies to the related parties.

Sale to related parties:		2021	2020
Reykjavik City	1.787.928	2.008.642	
Institutions and companies controlled by Reykjavik City	643.833	660.075	
Associates	1.040	0	
	<u>2.432.801</u>	<u>2.668.717</u>	
Purchases from related parties:			
Reykjavik City	135.004	87.808	
Institutions and companies controlled by Reykjavik City	95.510	44.537	
Associates	72.944	65.170	
	<u>303.458</u>	<u>197.515</u>	
Receivables for related parties:			
Reykjavik City	199.107	167.785	
Institutions and companies controlled by Reykjavik City	44.932	38.605	
	<u>244.039</u>	<u>206.390</u>	
Payables for related parties:			
Reykjavik City	176.414	11.105	
Institutions and companies controlled by Reykjavik City	1.035	0	
Associates	0	6.994	
	<u>177.449</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>	
Interest expense on loans from owners of the parent Company:			
Reykjavik City	526.868	930.850	
Akranes town	36.055	53.847	
Borgarbyggð, municipality	3.113	9.297	
	<u>566.036</u>	<u>993.993</u>	

Orkuveita Reykjavíkur paid a guarantee fee to Reykjavík 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 10. Management's salaries and benefits are listed in note 7.

Notes

35 Group entities

Subsidiaries	Main operation	Share	
		31.12.2021	31.12.2020
Ljósleiðarinn ehf.	Data transfer	100,0%	100,0%
OR Eignir ohf.	Holding company	100,0%	100,0%
Veitur ohf.	Distribution of electricity and hot water	100,0%	100,0%
Orka náttúrunnar ohf.	Sale of electricity	100,0%	100,0%
ON Power ohf.	Sale of electricity	100,0%	100,0%
OR vatns- og fráveita sf.	Cold water and sewage	100,0%	100,0%
Carbfix ohf.	Consulting, researches and innovation	100,0%	100,0%

36 Statement of cash flows

Working capital from operation is specified as follows:	2021	2020
Profit for the year	12.039.829	5.628.090
Operating items that do not affect cash flow:		
Depreciation and amortisation	13.256.961	13.056.194
Profit from sale of assets	(144.286)	(6.978)
Share in profit (loss) of associated companies	3.967	(4.137)
Pension liability change	(26.148)	(61.057)
Currency fluctuation and indexation	2.160.207	7.542.116
Embedded derivatives in electricity sales contracts	(4.101.758)	(451.119)
Deferred tax liability	(59.550)	(2.221.748)
Hedge contracts	0	(3.567)
Fair value changes	(671.804)	(879.564)
Effects of currency fluctuation on cash and cash equivalents	11.431	(149.367)
Other items	(56.419)	(91.460)
Working capital from operation	<u>22.412.430</u>	<u>22.357.403</u>

Notes

37 Other matters

Derivative contracts in default

On 28 January 2022, the Supreme Court of Iceland refused Orkuveita Reykjavíkur's appeal against the decision of the National Court in Glitnir's bankruptcy estate lawsuit, regarding a dispute over the settlement of currency swap agreements made shortly before the economic collapse of 2008. Orkuveita Reykjavíkur will have to pay the bankruptcy estate ISK 3,4 billion, the debt is accounted for among current liabilities. In previous periods ISK 740 million had been expensed, the remaining amount was expensed at year-end 2021.

Repair at headquarters

At the end of August 2015, severe water damage occurred at the company's headquarters on Bæjarháls 1. From the beginning, the actions of OR's management has been aimed at creating adequate working conditions for employees. Experts have been consulted in all main decisions. Attempts have also been made to find the most sensible ways to remedy and investigate what caused the damage. In 2017, the building was closed and operations relocated. It was decided to go into a detailed options analysis and look at the possibilities that were in the situation. The result was to remove the defective walls of the house, repair it and rebuild the walls. Orkuveita Reykjavíkur entered into a construction contract with Ístak for the renovation of the building. The construction began in May 2021 and is on schedule. The estimated construction period is 22 months. The construction contract amounts to ISK 1.580 million, there of ISK 270 million has already accrued.

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. 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 University of Iceland submitted a request to the District Court of Reykjavík on March 4th 2022 requesting reassessment by court-appointed assessors. Vatns- og fráveita has not yet received the assessment and therefore, the extent of the damage is not known at this time. Vatns- og fráveita has a free liability insurance that covers liability that falls on the company. The terms of that insurance prescribe about ISK 5 million deductible and 50% of the amount of damage thereafter. The ceiling of the insurance is ISK 300 million.

Litigation and claims

Ljósleiðarinn ehf. (formerly Gagnaveita Reykjavíkur) submitted a claim on March 5th 2019 to Síminn hf. demanding compensation for damage allegedly suffered as a result of violation of the Media Act, which was the subject of Decision published by the Electronic Communications office of Iceland (ECOI) (formerly: the Post and Telecom Administration (PTA)) on July 3th 2018. The claim amounts to ISK 1,3 billion for loss of income, accrued cost and interest. A formal response was requested from Síminn. On March 19th, 2019 a response came from Síminn where they rejected the claim entirely. Síminn hf. took legal action against ECOI, Ljósleiðarinn ehf., Sýn hf. and Míla ehf. in respect of the Decision of the Administration regarding the alleged violation. The ruling of the District Court was announced on 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., the date of proceedings has not been decided.

No entries have been made regarding this claim in the company's Financial Statement for the year 2021.

Covid-19

Since 2020, the COVID-19 epidemic has affected the economy of Iceland and the world as a whole. The epidemic has had an insignificant effect on the company's operations. Its cash position is strong at the moment and the company is well operational and can handle shocks for the foreseeable future.

The company has not received any public subsidies or used other government measures for COVID-19. No loan terms have been renegotiated due to the epidemic. Its impact on the company's financial instruments, impairment of assets and the fair value of assets and liabilities do not threaten the company's operations or finances for the foreseeable future.

Notes

38 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

a. Basis of consolidation

i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Associates are entered in the Group's financial statements by using the equity method.

Associated companies are reported at original cost, including business cost. After the original transaction the share of the Company is reported until significant influence ceases or joint control is concluded.

iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b. 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 currencies than the Icelandic krona

Assets and debts in the operations of a company of the consolidated financial statements that has USD as its functional currency are calculated into Icelandic kronas at the rate of the reporting date. Income and expenses of this companies operation is calculated into Icelandic kronas at the average exchange rate of the year. 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.

c. Financial instruments

i) Non-derivative financial assets

Loans, receivables and cash in bank are recognised when received. All other financial instruments are recognised in the financial statements when the Company becomes a party of contractual provisions of the relevant financial instruments.

Notes

38 Significant accounting policies, contd.

c. Financial instruments, contd.

i) Non-derivative financial assets, contd.

Financial assets are eliminated from the financial statements if the Company's contractual right to cash flow due to the financial asset expires or if the Group transfers the assets to another party without retaining control or nearly all risk and gain inherent with their ownership. Any interest in transferred financial assets that is created or retained by the group is recognized as a separate asset or liability.

Non-derivative financial instruments comprise of; financial assets at fair value through OCI, financial assets at fair value through P/L and financial assets at amortised cost.

Financial assets at fair value through OCI

The Group's investments in equity securities are classified as financial assets at fair value through OCI. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses for monetary items are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss. Fair value changes recognised under equity are derecognised when the financial asset at fair value through OCI is derecognised.

Financial assets at fair value through profit or loss

A Financial asset is classified at fair value through profit or loss if it is current asset or if it is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if purchase and sale decisions are based on their fair value in accordance with the Company's risk policy or investment plan. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. Direct transaction cost is recognised in the income statement as it is incurred.

Financial assets at amortised cost

Financial assets at amortised cost are financial assets with certain or determinable payments and are not listed in active markets. Such assets are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition financial assets at amortised cost are measured at amortised cost using the effective interest method, less any impairment losses.

Financial assets at amortised cost comprise of receivables and other current assets.

Cash and cash equivalents comprise cash balances and deposits available within three months.

ii) Non-derivative financial liabilities

Financial liabilities are eliminated from the financial statements when the contractual agreements of the instrument are no longer valid.

The Group classifies non-derivative financial liabilities as financial liabilities at amortised cost. Such liabilities are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition financial liabilities are measured at amortised cost using the effective interest method.

Other non-derivative financial liabilities comprise of borrowings, accounts payable and other current liabilities.

iii) Derivative financial instruments

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value in the balance sheet and fair value changes are recognised in the income statement.

Notes

38 Significant accounting policies, contd.

c. Financial instruments, contd.

iv) Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

d. Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment, except distribution and production systems, are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Interest expenses on loans used to finance cost of buildings in construction are capitalised over the construction period. Interest is not calculated on preparation cost. After the assets have been taken into use interest expenses are expensed in the income statement.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment and depreciated over their useful lives.

The Group's distribution- and production systems, are stated at revalued carrying amount in the balance sheet, which is their fair value at the revaluation date less additional depreciation from that date. Revaluation of those assets is made on a regular basis. Value surplus due to the revaluation is recognised in a revaluation reserve among equity after taking the effect on deferred tax liability into consideration. Depreciation on the revalued carrying amount is recognised in the income statement. Upon sale or discontinuance of the asset the part of the revaluation reserve belonging to the asset is transferred from the revaluation reserve to retained earnings after taking tax effect into consideration. No recognition takes place from the revaluation reserve to retained earnings unless the relevant asset is sold or discontinued.

The fair value of these assets is determined on the basis of the depreciated replacement cost. This consists in that an assessment is made on changes in the construction cost of comparable assets and both cost and accumulated depreciations are revalued in accordance with those changes. The calculation is based on official information and actual statistics from the Company's books on value changes of cost of items and takes into account an estimate on the weight of each cost item in the total cost of construction of comparable assets. Cost items and their proportional weight were determined by experts within and outside of the Company. The impairment test of assets is also taken into consideration and revaluation is not recognised beyond the expected future cash flow of the assets. Distribution systems for hot water, cold water, sewage and electricity are licensed operations and subject to official revenue targets that are based mostly on changes in the Construction cost index. This is taken into consideration when revaluating these systems.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the income statement. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. All other cost is expensed in the income statement when incurred.

Notes

38 Significant accounting policies, contd.

d. Property, plant and equipment, contd.

iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Estimated useful lives are specified as follows:

Production system	7-60 years
Electricity distribution systems	15-50 years
Heating distribution systems	10-60 years
Cold water distribution systems	30-90 years
Sewer distribution system	15-60 years
Fiber-optic distribution system	9-46 years
Other real estate	25-50 years
Other equipment	3-25 years

Depreciation methods, useful lives and scrap value are reviewed on the accounting date.

e. Intangible assets

i) Heating rights

Heating rights are recognised in the balance sheet at amortised cost as intangible assets. Heating rights are separated from land up on purchase.

ii) Other intangible assets

Other intangible assets are measured at cost less accumulated depreciation and impairment losses.

iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

iv) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives is determined as follows:

Software	5-7 years
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f. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Notes

38 Significant accounting policies, contd.

g. Impairment

i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value at each time. The Group defines decrease in fair value below cost as a subjective indication of impairment of available-for-sale financial assets when:

- decrease is 15% below cost or
- fair value decrease lasts for at least six months.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment is recognized if the carrying amount of an asset or a cash generating unit exceeds its estimated recoverable amount. A cash generating unit is the smallest separable group of assets that form a cash flow that is mostly independent of other units or groups of units. Impairment loss of revalued operating assets is recognized in equity under revaluation reserve.

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

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

h. Employee benefits

i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised in the income statement when they are due.

ii) Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that current and former employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and any unrecognised past service costs and the fair value of any plan assets are deducted. The calculation is performed annually by a qualified actuary using the projected unit credit method. Changes in the obligation are recognised in the income statement as incurred.

Notes

38 Significant accounting policies, contd.

i. Obligations

An obligation is recognised in the balance sheet when the Group has the legal right or has entered into an obligation due to previous events and it is likely that it will incur cost upon settling the obligation. The obligation is measured on the basis of the estimated future cash flow, discounted based on interests reflecting market interests, and the risk inherent with the obligation.

j. Revenue

i) Revenues from sale and distribution of electricity and hot water

Revenue from the sale and distribution of electricity and hot water is recognised in the income statement according to measured delivery to purchasers during the year 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. The revenue cap is based on actual figures from prior years from the operation of distribution utilities, the depreciation of assets, real losses in the distribution system and return on equity. When setting the revenue cap financial income and expenses are not taken into account. The rate is decided from the revenue cap and projections of sale of electricity in the Group's utilities area.

ii) Revenues from sale of cold water and sewage

Revenue from the sale of cold water and sewage are based on the size of properties plus a fixed fee and are set forth linearly in the income statement. In addition revenue is stated for cold water according to measurement from specific industries.

iii) Connection revenues

Upon connection of new users to distribution systems of electricity, water and sewage or upon renewal of connection an initial fee is charged. The initial fee meets cost due to new distribution systems or their renewal. Income on connection fees is recognised in the income statement upon delivery of the service.

iv) Rental income

Rental income is recorded as income in the income statement linearly over the lease term.

v) Other revenues

Other revenue is recognised when generated or upon delivery of goods or services.

Notes

38 Significant accounting policies, contd.

k. Financial income and expenses

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, foreign exchange gain and gains on hedging instruments that are recognised in the income statement. Interest income is recognised as it accrues in the income statement, using the effective interest method. Dividend income is recognised in the income statement on the date that the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign exchange losses, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in the income statement. Borrowing cost is recognised in the income statement based on effective interests.

Effective interest is the required rate of return used when discounting estimated cash flow over the estimated useful life of a financial instrument or a shorter period when applicable, so that it equals to the book value of the financial asset or liability in the balance sheet.

Currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

l. Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The income tax ratio for the parent company is 37,6% and the tax ratio for the subsidiaries is 20,0%. Cold water supply and sewage is exempt from tax.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax was measured in accordance with the current tax rate, which is 37,6% for the parent company that is a partnership and 20,0% for the subsidiaries that are companies with limited liability.

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

m. Segment reporting

A segment is a distinguishable component of the Group that is engaged in business and is capable to earn revenues and accept cost, both within and outside of the Group. The return of all segments is overviewed by management to value their performance.

Segment results and their assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment investments are investments in property, plant and equipment and intangible assets.

Inter-segment pricing is determined on an arm's length basis.

Notes

38 Significant accounting policies, contd.

n. Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

The Group's CFO is responsible for overseeing all significant fair value measurements, including Level 3 fair values. Risk management, led by the CFO, regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then that information is used to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in 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).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values can be found in relevant notes and in note 32 regarding fair value.

o. Property, plant and equipment

The fair value of production- and fiber-optic systems that have undergone a revaluation is determined on the basis of the depreciated replacement cost, which consists in the assessment of changes in construction cost of comparable assets and both cost and accumulated depreciation are revalued in accordance with those changes. The results of the impairment tests are also taken into consideration and revaluation is not recognised beyond the expected future cash flow of those assets.

p. Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss is determined on the basis of their market value at the reporting date. If the market value is not known the valuation is based on generally accepted valuation methods. Valuation methods can be based on known recent financial transactions between unrelated parties. In applying these valuation methods factors are considered which would be used in the respective market concerning calculation of fair value and the methods are in accordance with generally accepted methods concerning valuation of financial assets.

Notes

38 Significant accounting policies, contd.

q. Derivatives

The fair value of derivatives is based on their market value, if available. If the market value is not available the fair value is determined on the basis of generally accepted valuation methods.

Valuation methods may be based on prices in recent transactions between unrelated parties. The measurement is based on the value of other financial instruments comparable to the instrument in question, methods in order to evaluate the present value of cash flow or other valuation methods, which may be applied in order to reliably assess the real market value. When valuation methods are applied all factors are used, which market parties would use in price evaluations, and the methods are in accordance with generally accepted methods for the price evaluation of financial instruments. The Group verifies on a regular basis its valuation methods and tests them by using a price obtained in a transaction on an active market with the same instrument, without adjustments and changes, or are based on information from an active market.

The fair value of derivative agreements not listed in active markets is determined by use of valuation methods, which are regularly reviewed by qualified employees. All valuation models used must be approved and tested in order to ensure that the results reflect the data used.

The most reliable indication of the fair value of derivative agreements at the beginning is the purchase value, unless the fair value of the instruments is verifiable in comparison with other listed and recent market transactions with the same financial instrument or based on a valuation method where variables are only based on market data. When such data is available the Group recognises profit or loss at the initial registration date of the instruments.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

r. Trade and other receivables

The fair value of trade and other receivables, is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date if applicable. This fair value is determined for disclosure purposes.

s. Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

t. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

Notes

38 Significant accounting policies, contd.

t. Leases, contd.

i As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets and lease liabilities are listed in the balance sheet.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes

38 Significant accounting policies, contd.

t. Leases, contd.

ii As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

39 New accounting standards not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- References to the Conceptual Framework
- Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)