



Condensed Consolidated Interim Financial Statements

1 January to 30 June 2022

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

Contents

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

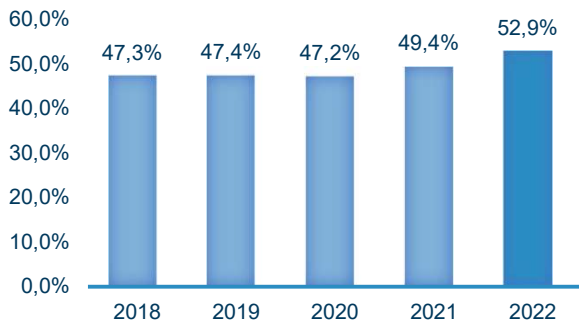
These Interim Financial statements are translated from the Icelandic original. Should there be discrepancies between the two versions, the Icelandic version will take priority.

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

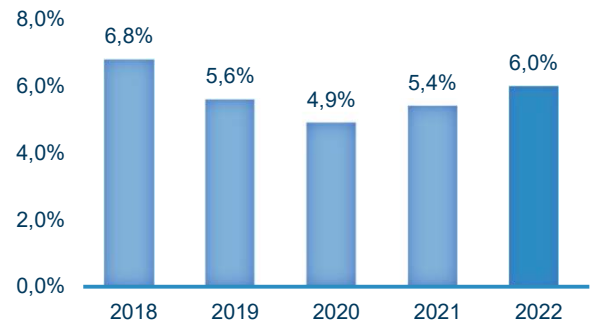


Financial ratios

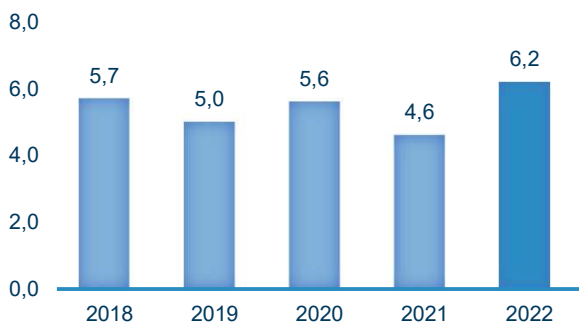
Equity ratio



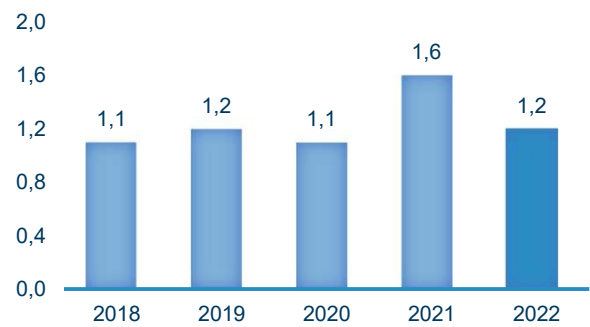
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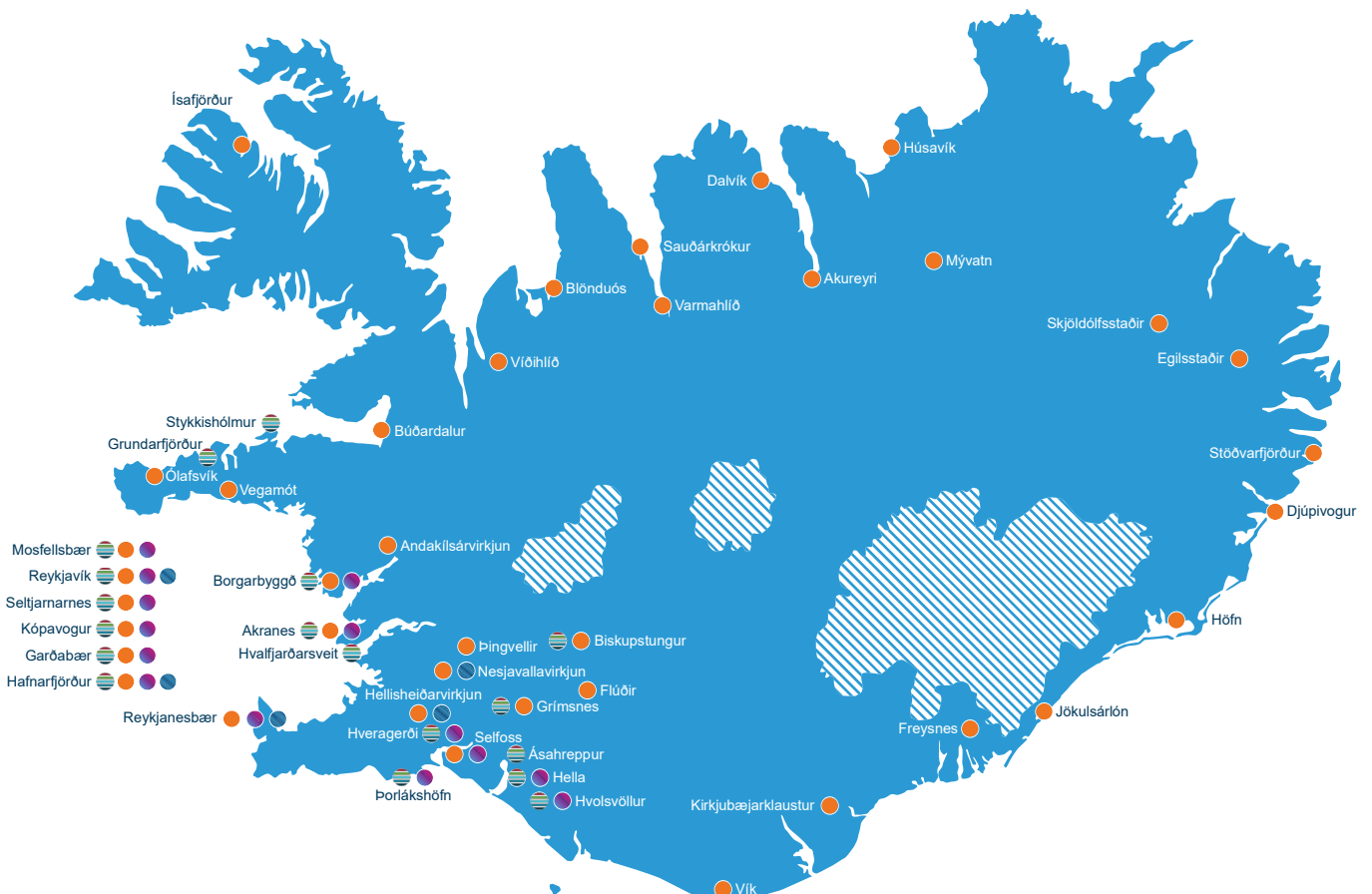
Net debt / Net cash from operation activities



Current ratio without aluminum derivative



Services



Operating summary

Operating year	2022	2021	2020	2019	2018
	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.	1.1.-30.6.
<i>Amounts are at each years price level in ISK millions</i>					
Revenues	28.621	26.023	24.272	23.202	23.167
Expenses	(10.716)	(9.146)	(9.787)	(9.571)	(8.626)
thereof energy purchase and distribution	(3.505)	(2.951)	(2.824)	(2.870)	(3.112)
EBITDA	17.906	16.877	14.393	13.931	14.541
Depreciation	(6.796)	(6.655)	(6.284)	(5.728)	(4.616)
EBIT	11.110	10.222	8.109	8.203	9.926
Cash flow statement:					
Received interest income	21	47	174	207	99
Paid interest expense	(4.997)	(2.383)	(2.655)	(2.726)	(2.267)
Net cash from operating activities	11.617	14.624	12.520	13.330	10.988
Working capital from operation	15.393	12.471	11.164	10.027	12.048
Liquid funds					
Deposits and marketable securities	14.465	11.723	13.091	7.112	6.259
Cash and cash equivalents	7.650	24.256	15.097	14.912	10.917
Undrawn credit lines	7.709	10.027	9.000	9.900	10.000
Liquid funds total	29.824	46.007	37.187	31.924	27.176

Endorsement by the Board of Directors and the CEO

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

The condensed consolidated interim financial statements for the period 1 January to 30 June 2022 are prepared in accordance with the International Financial Reporting Standard *IAS 34 Interim financial reporting*. The interim financial statements comprise the condensed consolidated interim financial statements of OR and subsidiaries.

Profit of operations of the Group for the period 1 January to 30 June 2022 was ISK 4.974 million (1.1.-30.6.2021: Profit ISK 8.830 million). Comprehensive income for the period 1 January to 30 June 2022 was ISK 6.529 million (1.1.-30.6.2021: ISK 7.115 million). According to the statement of financial position the Group's assets were ISK 415.954 million at the end of the period (31.12.2021: ISK 413.882 million). Book value of equity at the end of the period was ISK 220.182 million (31.12.2021: ISK 213.653 million), resulting in equity ratio of 52,93% (31.12.2021: 51,6%).

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

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

Statement of the Board of Directors and the CEO

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

The Board of Directors and the CEO of Orkuveita Reykjavíkur hereby confirm the Group's condensed consolidated interim financial statements for the period 1 January to 30 June 2022.

Reykjavík, 22 August 2022.

The Board of Directors:

Brynhildur Davíðsdóttir

Gylfi Magnússon

Vala Valtýsdóttir

Björn Gíslason

Eyþór Laxdal Arnalds

Valgarður Lyngdal Jónsson

CEO:

Bjarni Bjarnason

Independent Auditor's Review Report

To the Board of Directors and owners of Orkuveita Reykjavíkur.

We have reviewed the accompanying condensed consolidated statement of financial position of Orkuveita Reykjavíkur as at June 30, 2022, the operating summary and key financial ratios, the condensed consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information.

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

Scope of Review

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

Conclusion

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

Reykjavík, 22 August 2022.

Grant Thornton endurskoðun ehf.

Davíð Arnar Einarsson
State Authorized Public Accountant

Income Statement

1 January to 30 June 2022

	Notes	2022 1.4.-30.6.	2021 1.4.-30.6.	2022 1.1.-30.6.	2021 1.1.-30.6.
Operating revenue		12.948.532	12.259.464	28.604.172	25.999.594
Sales profit		9.019	14.819	17.324	23.311
Total revenue	4	12.957.551	12.274.282	28.621.496	26.022.905
Energy purchase and distribution		(1.658.155)	(1.267.098)	(3.505.151)	(2.951.356)
Salaries and salary related expenses		(2.119.264)	(2.071.162)	(4.111.589)	(3.958.006)
Other operating expenses		(1.569.544)	(1.312.304)	(3.098.913)	(2.236.690)
Operating expenses, total		(5.346.964)	(4.650.565)	(10.715.653)	(9.146.052)
EBITDA		7.610.588	7.623.718	17.905.843	16.876.853
Depreciation and amortisation		(3.493.502)	(3.319.078)	(6.795.524)	(6.655.129)
Results from operating activities		4.117.086	4.304.640	11.110.319	10.221.724
Interest income		22.065	44.269	67.175	87.258
Interest expenses		(3.637.788)	(2.410.487)	(6.561.920)	(4.231.537)
Other income (expenses) on financial assets and liabilities		(5.094.177)	2.319.857	1.589.007	6.406.310
Total financial income and expenses	6	(8.709.900)	(46.361)	(4.905.737)	2.262.031
Share in (loss) profit of associated companies		(5.047)	9	(5.047)	(3.967)
(Loss) profit before income tax		(4.597.861)	4.258.288	6.199.535	12.479.788
Income tax		2.790.008	(1.359.890)	(1.225.564)	(3.649.929)
(Loss) profit for the period		<u>(1.807.853)</u>	<u>2.898.399</u>	<u>4.973.971</u>	<u>8.829.859</u>

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

Statement of Comprehensive Income

1 January to 30 June 2022

	2022	2021	2022	2021
	1.4.-30.6.	1.4.-30.6.	1.1.-30.6.	1.1.-30.6.
(Loss) profit for the period	(1.807.853)	2.898.399	4.973.971	8.829.859
Other comprehensive income				
Items moved to equity that could be moved later to the income statement				
Translation difference	2.647.208	(1.327.146)	1.554.821	(1.714.871)
	<u>2.647.208</u>	<u>(1.327.146)</u>	<u>1.554.821</u>	<u>(1.714.871)</u>
Other comprehensive income, after taxes	2.647.208	(1.327.146)	1.554.821	(1.714.871)
Total comprehensive income for the period	<u>839.355</u>	<u>1.571.253</u>	<u>6.528.791</u>	<u>7.114.988</u>

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

Statement of Financial Position

30 June 2022

	Notes	30.6.2022	31.12.2021
Assets			
Property, plant and equipment		369.115.279	363.713.260
Intangible assets		3.089.595	2.966.481
Right-of-use assets		2.118.202	2.576.177
Investments in associated companies		75.876	80.923
Investments in other companies		55.680	55.680
Hedge contracts		238.997	73.264
Deferred tax assets		3.474.443	3.812.930
Total non-current assets		378.168.073	373.278.714
Inventories		1.944.475	1.337.505
Trade receivables	7	6.175.013	5.625.149
Embedded derivatives in electricity sales contracts		316.342	1.548.338
Investments available for sale		6.095.000	6.095.000
Hedge contracts		315.237	17.036
Other receivables		424.026	674.401
Prepaid expenses		401.028	328.780
Deposits and marketable securities		14.464.746	14.657.369
Cash and cash equivalents		7.650.420	10.319.874
Total current assets		37.786.286	40.603.452
Total assets		415.954.359	413.882.166
Equity			
Revaluation reserve		99.780.785	101.733.552
Equity reserve		70.693.254	66.451.877
Development reserve		125.874	123.873
Fair value reserve		5.695.000	5.695.000
Translation reserve		7.862.635	6.307.814
Retained earnings		36.024.322	33.340.963
Total equity		220.181.870	213.653.079
Liabilities			
Loans and borrowings		144.405.539	149.859.537
Lease liabilities		2.023.451	2.475.864
Pension liability		675.479	630.879
Embedded derivatives in electricity sales contracts		147.467	931.389
Hedge contracts		109.374	332.279
Deferred tax liabilities		17.157.360	16.929.779
Total non-current liabilities		164.518.670	171.159.726
Accounts payable		2.862.218	3.522.684
Loans and borrowings		20.236.855	15.187.655
Lease liabilities		155.094	179.498
Hedge contracts		493.526	1.584.188
Deferred revenue	7	2.106.963	142.970
Current tax liability		750.337	1.753.949
Other current liabilities		4.648.825	6.698.418
Total current liabilities		31.253.818	29.069.361
Total liabilities		195.772.489	200.229.088
Total equity and liabilities		415.954.359	413.882.166

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

Statement of Changes in Equity

1 January to 30 June 2022

	Revaluation reserve	Equity reserve	Develop- ment reserve	Fair value reserve	Translation reserve	Retained earnings	Total equity
1.1.- 30.6.2022							
Equity at 1 January 2022	101.733.552	66.451.877	123.873	5.695.000	6.307.814	33.340.963	213.653.079
Translation difference					1.554.821		1.554.821
Profit for the period						4.973.971	4.973.971
Total comprehensive income	0	0	0	0	1.554.821	4.973.971	6.528.791
Depreciation transferred to retained earnings	(1.952.767)					1.952.767	0
Share in profit of subsidiaries and associates transferred to equity reserve		4.241.377				(4.241.377)	0
Transfer to development reserve			2.001			(2.001)	0
Equity at 30 June 2022	99.780.785	70.693.254	125.874	5.695.000	7.862.635	36.024.322	220.181.870
1.1.- 30.6.2021							
Equity at 1 January 2021	89.478.008	60.207.208	108.308	5.467.000	4.903.838	27.961.627	188.125.988
Translation difference					(1.714.871)		(1.714.871)
Profit for the period						8.829.859	8.829.859
Total comprehensive income	0	0	0	0	(1.714.871)	8.829.859	7.114.988
Depreciation transferred to retained earnings	(1.927.451)					1.927.451	0
Share in profit of subsidiaries and associates transferred to equity reserve		3.835.276				(3.835.276)	0
Transfer to development reserve			56.317			(56.317)	0
Equity at 30 June 2021	87.550.557	64.042.483	164.625	5.467.000	3.188.967	34.827.344	195.240.976

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

Statement of Cash Flows

1 January to 30 June 2022

	2022	2021
	1.1.-30.6.	1.1.-30.6.
Cash flows from operating activities		
Profit for the period	4.973.971	8.829.859
Adjusted for:		
Financial income and expenses	4.905.737	(2.262.031)
Share in P/L of associates	5.047	3.967
Income tax	1.225.564	3.649.929
Depreciation and amortisation	6.795.524	6.655.129
Profit from sale of property, plants and equipment	(17.324)	(23.311)
Pension liability, change	44.600	(19.453)
Working capital from operation before interest and taxes	17.933.119	16.834.089
Inventories, increase	(606.969)	(49.228)
Current assets, increase	(255.021)	(1.145.838)
Current liabilities, increase	1.620.361	2.556.734
Cash generated from operations before interests and taxes	18.691.490	18.195.757
Received interest income	20.760	46.589
Paid interest expenses	(4.996.861)	(2.383.390)
Dividend received	163.856	120.972
Payments due to other financial income and expenses	(1.322.978)	(480.028)
Paid taxes	(938.964)	(876.204)
Net cash from operating activities	11.617.303	14.623.696
Cash flows from investing activities		
Acquisition of property, plant and equipment	(9.902.825)	(7.595.892)
Acquisition of intangible assets	(344.385)	(232.763)
Proceeds from sale of property, plant and equipment	33.477	40.014
Proceeds from sale of other companies	400	0
Change in deposits	0	6.500.000
Change in marketable securities	(350.823)	(3.043.615)
Net cash used in investing activities	(10.564.157)	(4.332.256)
Cash flows from financing activities		
Proceeds from new borrowings	3.602.003	10.140.811
Repayment of borrowings	(7.254.973)	(11.711.537)
Repayment of lease liability	(50.151)	(57.297)
Net cash used in financing activities	(3.703.121)	(1.628.023)
(Decrease) increase in cash and cash equivalents	(2.649.974)	8.663.417
Cash and cash equivalents at year beginning	10.319.874	15.820.051
Effect of currency fluctuations on cash and cash equivalents	(19.480)	(227.194)
Cash and cash equivalents at the end of the period	7.650.420	24.256.274
Investments and financing without payment effects:		
Acquisition of property, plant and equipment	568.420	665.776
Current liabilities, change	(568.420)	(665.776)
Other information:		
Working capital from operation	15.393.253	12.471.335

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

Notes

1. Reporting entity

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

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

Subsidiaries in the Group	Main operations	Share	
		30.6.2022	31.12.2021
Ljósleiðarinn ehf.	Data transfer	100%	100%
OR Eignir ohf.	Holding company	100%	100%
Veitur ohf.	Distribution of electricity and hot water	100%	100%
Orka náttúrunnar ohf.	Sale of electricity	100%	100%
ON Power ohf.	Sale of electricity	100%	100%
OR Vatns- og fráveita sf.	Cold water and sewage	100%	100%
Carbfix ohf.	Consulting, researches and innovation	100%	100%

2. Basis of preparation

a. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with international Financial Reporting Standard IAS 34 Interim Financial Reporting. They do not include all of the information required for a complete set of consolidated annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2021. Same accounting principles are applied as for the year 2021. The annual financial statements can be found at the company's web site; www.or.is and at the web site of the Icelandic Stock exchange market; www.nasdaqomxnordic.com.

The consolidated interim financial statements were approved by the Board of Directors on 22 August 2022.

b. Functional and presentation currency

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

c. Basis of measurement

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

d. Foreign currency

i) Trade in foreign currencies

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

Notes

2. Basis of preparation, contd.

d. Foreign currency, contd.

ii) Subsidiary with other functional currency than the Icelandic krona

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

e. Use of estimates and judgements

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

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

3. Operation and revenue recognition of Group's components

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

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

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

Notes

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

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

4. Revenues from sales of goods and services

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

	2022	2021
	1.1.-30.6.	1.1.-30.6.
Electricity.....	12.473.502	10.804.399
Hot water.....	8.144.636	7.861.984
Cold water.....	1.784.717	1.741.216
Sewer system.....	3.212.362	2.985.906
Other revenues.....	3.006.278	2.629.399
Revenues from sales of goods and services total.....	28.621.496	26.022.905

Notes

5. Segment reporting, contd.

Segment information is presented by the Group's internal reporting. Business segments presented are Utilities, that represent licensed operations in hot and cold water, distribution of electricity and sewage, Energy sale and production, representing the competitive operations in producing and sale of electricity and hot water and Other Operation, that represents the activities of the parent company, the fiber optic operations and Carbfix. The parent company's main activities is providing service to subsidiaries, rental of housing and equipment, incidental sale of specialist consultancy services and more. Reykjavik fiber network represents the fiber optic operations and Carbfix is working on development and distribution the of the CarbFix carbon storage method, with the aim of reducing greenhouse gas emissions and combating climate change. Segment reporting is conducted by using the same accounting principle as the group uses and is described in note 38 with the consolidated financial statements for the year ended 31 December 2021.

Business segments - divisions

1.1.- 30.6. 2022	Utilities	Energy sale and production	Other Operation	Adjustments	IFRS 16*	Total
External revenue	17.223.558	9.485.635	1.912.302	0		28.621.496
Inter-segment revenue	2.217.945	2.983.449	4.576.419	(9.777.813)		0
Total segment revenue	19.441.504	12.469.084	6.488.721	(9.777.813)		28.621.496
Segment operation expenses	(9.733.483)	(5.497.167)	(5.339.626)	9.738.574	116.048	(10.715.653)
Segment profit EBITDA	9.708.021	6.971.917	1.149.095	(39.239)	116.048	17.905.843
Depreciation and amortisation	(3.088.351)	(2.541.334)	(1.126.545)	27.217	(66.511)	(6.795.524)
Segment results, EBIT	6.619.670	4.430.584	22.550	(12.022)	49.537	11.110.319
Financial income and expenses	(4.482.260)	(1.325.813)	1.367.431	(434.401)	(30.695)	(4.905.737)
Share in loss of associated companies	0	0	(5.047)	0	(5.047)	
Income tax	(259.351)	(608.604)	(519.000)	168.476	(7.085)	(1.225.564)
Profit for the period	1.878.059	2.496.168	865.934	(277.947)	11.757	4.973.971
1.1.- 30.6. 2021						
External revenue	16.357.189	7.907.342	1.758.374	0		26.022.905
Inter-segment revenue	1.765.116	4.136.662	4.299.071	(10.200.849)		(0)
Total segment revenue	18.122.304	12.044.004	6.057.445	(10.200.849)		26.022.905
Segment operation expenses	(8.970.632)	(5.902.807)	(4.596.545)	10.200.849	123.084	(9.146.052)
Segment profit EBITDA	9.151.672	6.141.197	1.460.900	0	123.084	16.876.853
Depreciation and amortisation	(2.912.962)	(2.727.822)	(952.779)	0	(61.566)	(6.655.129)
Segment results, EBIT	6.238.711	3.413.375	508.121	0	61.518	10.221.724
Financial income and expenses	(2.517.260)	(2.781.364)	2.136.740	5.461.866	(37.952)	2.262.031
Share in loss of associated companies	0	0	(3.967)	0	(3.967)	
Income tax	(504.825)	(132.927)	(949.654)	(2.053.662)	(8.861)	(3.649.929)
Profit for the period	3.216.626	499.084	1.691.240	3.408.204	14.705	8.829.859

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

Notes

5. Segment reporting, contd.

Business segments - divisions, contd.

	Utilities	Energy sale and production	Other Operation	Adjust- ments	IFRS 16*	Total
Balance sheet (30.6.2022)						
Property, plant and equipment and intangible assets	190.725.849	139.205.656	42.273.370	0		372.204.874
Right-of-use assets					2.118.202	2.118.202
Other assets	22.869.109	9.115.031	188.558.292 (	178.911.150)		41.631.282
						<u>415.954.359</u>
Loans and borrowings	72.862.663	58.022.047	164.642.395 (	130.884.710)		164.642.395
Lease liabilities					2.178.545	2.178.545
Other liabilities	15.862.096	9.948.444	50.976.336 (	47.835.327)		28.951.549
						<u>195.772.489</u>
Investments (1.1.- 30.6.2022)						
Property, plant and equipment and intangible assets	5.159.398	1.641.540	2.877.805	0		9.678.744
Balance sheet (31.12.2021)						
Property, plant and equipment and intangible assets	188.654.726	137.513.969	40.511.046	0		366.679.741
Right-of-use assets					2.576.177	2.576.177
Other assets	19.054.117	10.896.392	187.047.232 (	172.371.492)		44.626.249
						<u>413.882.166</u>
Loans and borrowings	68.675.925	57.795.104	165.047.192 (	126.471.030)		165.047.192
Lease liabilities					2.655.361	2.655.361
Other liabilities	16.040.778	11.224.130	50.026.064 (	44.764.436)		32.526.535
						<u>200.229.088</u>
Investments (1.1.- 30.6.2021)						
Property, plant and equipment and intangible assets	4.346.403	888.583	1.927.892	0		7.162.879

Notes

6. Financial income and expenses

	2022	2021
	1.1.-30.6.	1.1.-30.6.
Financial income and expenses are specified as follows:		
Interest income	67.175	87.258
Interest expense and paid indexation	(2.153.682)	(1.988.636)
Indexation	(4.161.567)	(1.970.431)
Guarantee fee to owners 1)	(246.671)	(272.469)
Total interest expenses	(6.561.920)	(4.231.537)
Fair value changes of embedded derivatives in electricity sales contracts	(448.074)	5.461.866
Fair value changes of financial assets and financial liabilities through P/L	(543.446)	312.444
Fair value changes of hedge contracts	1.777.499	(830.190)
Hedge contracts	(1.315.763)	(474.266)
Foreign exchange difference	1.908.719	1.815.485
Dividends	210.072	120.972
Total of other income (expenses) on financial assets and liabilities	1.589.007	6.406.310
Total financial income and expenses	(4.905.737)	2.262.031

1) The Group paid a guarantee fee to current and former owners of the company for guarantees they have made on the Groups loans and borrowings according to a decision made on the annual meeting of Orkuveita Reykjavíkur in 2005. The fee on yearly basis for its licensed operations is 0,82% (2021: 0,81%) and 0,63% (2021: 0,60%) regarding loans due for operations in the open market. The guarantee fee is calculated on total loans quarterly. The guarantee fee amounted to ISK 247 million in the period 1 January to 30 June 2022 (1.1.-30.6.2021: ISK 272 million) and is accounted for among interest expenses.

Fair value changes through P/L

Generally accepted valuation methods are used to determine the fair value of certain financial assets and financial liabilities, further discussed in note 38 with the financial statements of the Group for the year 2021. Change in fair value that is recognized in the income statement amounts to ISK 786 million income in the period 1 January to 30 June 2022 (1.1.-30.6.2021: income ISK 4.944 million). Fair value changes on financial assets and liabilities defined at level 3 amounts to ISK 448 million expenses in the period 1 January to 30 June 2022 (1.1.-30.6.2021: income ISK 5.462 million).

7. Receivables and deferred revenue

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

Notes

8. Fair value

Comparison of fair value versus carrying amounts

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

	30.6.2022		31.12.2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest-bearing liabilities	164.642.395	175.361.694	165.047.192	176.771.819

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

Interest rates used for determining fair value

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

	30.6.2022	31.12.2021
Embedded derivatives in electr. sales contr.	10,09% to 11,11%	7,99% to 9,49%
Hedge contracts	1,6% to 3,6%	0,1% to 1,3%
Interest bearing loans	0,51% to 11,03%	0,49% to 3,88%

Sensitivity analysis on effect of change in interest rates, currency and price of aluminium are shown in note 28 in the financial statements of the Group for the year 2021. It is recommended to take into consideration this note while reading the interim financial statements for the current period since change in these presumptions can have considerable effect on certain amounts in the interim financial statements.

Fair value hierarchy

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

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

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

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

30.6.2022	Level 1	Level 2	Level 3	Total
Shares in companies	0	0	6.150.680	6.150.680
Embedded derivatives in sales contracts	0	0	168.875	168.875
Hedge contracts	0 (	48.666)	0 (	48.666)
Marketable securities	14.464.746	0	0	14.464.746
	14.464.746	(48.666)	6.319.556	20.735.635

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

Notes

9. Related parties

Definition of related parties

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

Transactions with related parties

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

The following gives an overview of the transactions with related parties during the period 1 January to 30 June 2022 as well as a statement of receivables and payables at the end of the period. Transactions and positions with subsidiaries are eliminated in the interim financial statement, therefore that information is not provided. This information does not include sale of conventional household supplies to the related parties.

	2022	2021
	1.1.-30.6.	1.1.-30.6.
Sale to related parties:		
Reykjavik City.....	1.119.285	1.231.669
Institutions and companies controlled by Reykjavik City.....	383.247	425.621
Associates.....	0	1.040
	1.502.532	1.658.330
Purchases from related parties:		
Reykjavik City.....	30.921	55.788
Institutions and companies controlled by Reykjavik City.....	21.679	79.805
Associates.....	49.067	34.041
	101.667	169.633
	30.6.2022	31.12.2021
Receivables for related parties:		
Reykjavik City.....	185.492	199.107
Institutions and companies controlled by Reykjavik City.....	59.766	44.932
	245.258	244.039
Payables for related parties:		
Reykjavik City.....	148.022	176.414
Institutions and companies controlled by Reykjavik City.....	722	1.035
Associates.....	0	0
	148.744	177.449
Interest bearing loans from owners of the parent Company:		
	2022	2021
	1.1.-30.6.	1.1.-30.6.
Interest expense on loans from owners of the parent Company:		
Reykjavik City	229.534	287.312
Akranes town	15.855	19.508
Borgarbyggð, municipality	1.283	1.766
	246.671	308.587

Guarantee fee to owners

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

Notes

10. Other matters

Repair at headquarters

At the end of August 2015, severe water damage occurred at the company's headquarters on Bæjarháls 1. From the beginning, the actions of OR's management has been aimed at creating adequate working conditions for employees. Experts have been consulted in all main decisions. Attempts have also been made to find the most sensible ways to remedy the damage and also to dig into its causes. In 2017, the building was closed and operations relocated. It was decided to go into a detailed options analysis and look at the possibilities that were in the situation. The result was to remove the defective walls of the house, repair it and rebuild the walls. OR has entered into a construction contract for the renovation of the building with Ístak. Construction began in May 2021 and is on schedule. The renovation period will be approximately 22 months and the construction contract with Ístak is around ISK 1.580 million. At end of June 2022 an accrued cost of the construction contract amounted to estimately ISK 815 million. Preparations for the necessary interior improvements have begun and the aim is for the project to be put out to tender by the end of 2022.

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 was 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 assessment of the renovations was estimated at a total of ISK 123,6 million. The University of Iceland submitted a request to the District Court of Reykjavík on March 4th 2022, requesting reassessment by court-appointed assessors. On April 27th 2022, University of Iceland requested court-appointed assessors to assess the cost incurred by the University as a result of the damage. By letter, dated May 16th 2022, University of Iceland made a claim for damages against Veitur ohf., VÍS and other parties for joint responsibility for the payment of almost ISK 224 million plus interest and penalty interest. The claim was rejected by a joint letter of VÍS and Veitur ohf., dated May 27th 2022. The sub-assessors in the new sub-assessment regarding the costs incurred were pointed by the court on May 25th 2022, but their evaluation has not been made available to the court. 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. submitted a claim on March 5th 2019 to Síminn hf. demanding compensation for damage allegedly suffered as a result of violation of the Media Act, which was the subject of Decision published by the Electronic Communications Office of Iceland, former Post and Telecom Administration, on July 3rd 2018. The claim amounts to ISK 1.3 billion for loss of income, accrued cost and interest. A formal response was requested from Síminn hf. On March 19th 2019 a response came from Síminn hf. where the company rejected the claim entirely. Síminn hf. took legal action against the Electronic Communications Office of Iceland, former Post and Telecom Administration, Ljósleiðarinn ehf., Sýn hf. and Milu ehf. in respect of the Decision of the Office regarding the alleged violation. The ruling of the District Court was announced on 1 July 2020, where the ECOI decision was upheld, albeit with some changes in the criteria. The case was appealed to the National Court by Síminn hf., ECOI and Sýn hf., which confirmed the substantive result of the Electronic Communications Office in Iceland. Síminn has requested the right to appeal to the Supreme Court but it is unclear whether the right to appeal will be granted.

No entries have been made due to this claim in the Group's interim financial statements 30.6.2022.