HS Orka hf.

Financial Statements
for the year 2024

HS Orka hf.
Orkubraut 3, Svartsengi
241 Grindavík
id no. 680475-0169

Contents

Endorsement by the Board of Directors and the CEO

HS Orka hf. (the "Company" or "HS Orka") is a privately owned power generator in Iceland with power licenses of 214.9 MW in total for electrical power production, of which 205 MW is for geothermal and 9.9 MW is for hydropower production. The Company sells electricity to individuals and small and medium-sized companies, as well as to power intensive industries, in all areas of Iceland. The Company is the main provider of water in the Reykjanes area supplying local municipalities with hot water and cold water through the distribution company HS Veitur and sells by-products of geothermal electricity generation within the Resource Park, located in the vicinity of the geothermal power plants. The Company produces hot water for heating, ground water for industrial and retail use, as well as brine and steam for large industrial users.

HS Orka is an important utility company in Iceland supplying water to nearby communities of about 30 thousand inhabitants or close to 10% of the country´s population. The Company is the third largest power producer in Iceland representing around 9% of total power production, generating renewable energy for distribution nationwide, demonstrating the critical importance of the infrastructure in Svartsengi and Reykjanes as a part of the nation´s energy security.

The financial statements of HS Orka for the year 2024 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with additional Icelandic disclosure requirements.

Geophysical event

A geophysical event started on 25 October 2023 on the Reykjanes Peninsula, close to the power plant at Svartsengi and the municipality of Grindavík, evidenced by seismic activity, ground displacement and eruptions. From the start, eight dike intrusions have occurred as magma flows out of the magma reservoir and into the dikes. The first one, on 10 November 2023, did not result in an eruption but the other seven, on 18 December 2023, 14 January 2024, 8 February 2024, 16 March 2024, 29 May 2024, 22 August 2024 and 20 November 2024 all resulted in eruptions of short durations.

Svartsengi geothermal power plant is fully operational and has been so throughout this period, apart from two incidents during two of the seven eruptions. Those occurred on 8 February and 22 November 2024, where there was limited impact on the operations in the Svartsengi power plant.

Further information on matters related to geophysical activities is disclosed in note 40 as well as in the Company´s 2024 Sustainability Report.

Business operations in the year 2024

The Company's operating revenues for the year 2024 amounted to ISK 14,531 million (2023: ISK 12,963 million) and net loss after tax amounted to ISK 419 million (2023: Net profit ISK 1,505 million). Total comprehensive loss was ISK 499 million (2023: Income ISK 1,310 million). The Company's assets amounted to ISK 79,956 million at the end of December 2024 (2023: ISK 75,570 million). Equity at year end amounted to ISK 31,027 million (2023: ISK 31,526 million) or 38.8% of total assets in 2024 (2023: 41.7%). Equity ratio if subordinated shareholder loan would be classified as equity was at year end 2024 47.0% (2023: 49.4%). Reference is made to the statement of changes in equity regarding information on changes in equity during the year. The average number of employees was 92 in 2024 (2023: 89).

In July 2024 HS Orka secured a US$290 million equivalent senior debt financing, extending HS Orka’s Green Financing Framework to refinance HS Orka’s existing debt facilities and to support its growth endeavours. The long-term financing solution provides a flexible platform to fund the ongoing expansion of Svartsengi and allows the Company to expand the financing when required to support the development of new geothermal and hydropower projects. The multi-currency infrastructure financing is provided by Icelandic banks, European banks, and US Private Placement lenders.

The power generation in MWh in 2024 was about 0.5% higher than in 2023. Nevertheless, some uncertainty remains with regard to the generation development of the Reykjanes geothermal resource. The condition and utilisation of the geothermal resource has a material impact on HS Orka’s long-term performance. In 2024, continued emphasis has been on the development of the conceptual models and the reservoir models in order to stabilise the production capacity and ensure sustainable use of the resource. Increased seismic activities and gas emissions from the boreholes in Svartsengi have to some extent limited power output from the area. Mitigation actions have been identified and solutions developed, such as upgrading and adjusting the gas extraction systems to the power plant.

Further expansion and modernization of Svartsengi geothermal power plant (SVA 7) continued during 2024. The earth work has been completed and the off-site work such as procurement and negotiations with suppliers is according to schedule. Due to the seven eruptions occurring in the Svartsengi area since September 2023 the construction work on-site was halted several times during the year, in compliance with the Health and Safety rules of HS Orka. Nevertheless is the project timeline according to schedule and the Commercial Operation Date of the new power plant in Svartsengi remains early November 2025.

In 2024 two wells were successfully drilled. Measurements are still being conducted and once the testing results are complete it will be decided if the wells are a suitable as production well or is expected to maintain production for the coming years. Further well drilling to clean up existing boreholes was carried out in 2024 in order to maintain production in Reykjanes and limit scaling.

Other projects being developed on the Reykjanes Peninsula are Eldvörp, Austurengjar and Sveifluháls in the Krýsuvík area, which is a rich geothermal capacity area and a future source of hot water for the capital region. In June 2024 HS Orka and the landowner, the municipality of Hafnarfjörður, signed an agreement on research and utilsation of resource rights in Krýsuvík for the production of hot water, fresh water and for electricity production. Drilling of research wells is scheduled to commence in 2025.

Further information on matters related to the environment, human resources, sustainability and social responsibility is disclosed in the Sustainability Report at https://www.hsorka.is/en/sustainability/sustainability-reports/

The Board of Directors propose that no dividend to be paid in the year 2025.

Endorsement by the Board of Directors and the CEO, contd.

Share capital and Articles of Association

The number of shareholders at year end 2024 was 2, unchanged from last year. HSO 1 ehf. with 99,99997% of shares and HSO 2 ehf. with 0,00003% of shares. The ultimate beneficial owners were Jarðvarmi slhf. and funds managed by Ancala Partners LLP, each with 50% of shares.

Corporate Governance

HS Orka is a limited liability company operating under Act No. 2/1995 respecting Public Limited Companies. The framework for Corporate Governance practices within the Company is defined by the provisions of law, a shareholders´ agreement, the Company's Articles of Association and Rules of Procedure for the Board and its sub-committees. The Company is governed by shareholders meetings, the Board of Directors and the Chief Executive Officer. Further information is provided in the Corporate Governance Statement which is an appendix to these Financial Statements.

The Board of Directors held nine meetings in 2024, the Audit Committee four meetings and the Remuneration Committee five meetings. The Board of Directors consists of four members with equal representation of women and men. The Company´s Executive Board in the year 2024 consisted of seven members, four men and three women. The gender ratio at HS Orka at the end of 2024 was 79% male vs. 21% female.

HS Orka follows a formal risk management process to identify and control the Company´s main risk factors. HS Orka has recently implemented a new comprehensive management tool to increase transparency and enable each division to better manage risks.

Information on matters related to financial risk management is disclosed in note 28.

Corporate Governance Statement

Further to the content of this endorsement, a reference is made to the enclosed chapter Corporate Governance Statement. The Company complies in all main respect to the Companies Act no 2/1995 as amended and the Financial Statements Act no. 3/2006 and other applicable legislations and regulations.

Endorsement by the Board of Directors and the CEO, contd.

Statement of the Board of Directors and the CEO

To the best knowledge of the Board of Directors and the CEO, the Company's financial statements are in accordance with International Financial Reporting Standards as adopted by the EU and additional Icelandic disclosure requirements and it is the opinion of the Board of Directors and the CEO that the financial statements give a true and fair view of the Company's assets, liabilities and financial position as at 31 December 2024, its financial performance, and the changes in cash flows during the year 2024.

Furthermore, it is the opinion of the Board of Directors and the CEO that the financial statements and the endorsement by the Board of Directors and the CEO contain a fair overview of the Company's financial development, performance and position, including descriptions of the main risk factors and uncertainties faced by the Company.

The Board of Directors and the CEO of HS Orka have today discussed the Company's financial statements for the year 2024 and confirmed by means of their signatures. The Board of Directors and the CEO will submit the financial statements for approval at the Annual General Meeting to be held on 29 April 2025.

Svartsengi, 5 March 2025

The Board of Directors

Adrian Pike
Chairman of the board

Bjarni Þórður Bjarnason

Margrét Ormslev Ásgeirsdóttir

Heike Bergmann

Chief Executive Officer

Tómas Már Sigurðsson
Chief Executive Officer

Independent auditor's report

To the Board of Directors and Shareholders of HS Orka hf.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HS Orka hf. ("the Company"), which comprise the statement of financial position as at 31 December 2024, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional Icelandic disclosure requirement in accordance with Icelandic Financial Statements Act no. 3/2006.

Our opinion is consistent with the additional report submitted to the audit committee and the Board of Directors.

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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We declare, to the best of our knowledge and belief, that we have not provided any prohibited non-audit services, as referred to in Article 5(1) of the Regulation (EU) 537/2014 and that we remained independent in conducting the audit.

We were first appointed as auditors by the Annual General Meeting in the year 1980 of the predecessor of HS Orka hf., Hitaveita Suðurnesja. We have been re-appointed by resolutions passed by the annual general meeting uninterrupted since then.

Emphasis of Matter related to Geophysical activity

We draw attention to Endorsment by the Board of Directors and CEO and Note 40 of the financial statements, which describe the effects of geophysical activity in Reykjanes Peninsula started on 25 October 2023. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters, contd.

Key Audit Matter	The Audit
At year end 2024 Power Plants amounted to ISK 56,552 million (ref. note 4.e and 14) and Operating assets under construction amounted to ISK 10,040 million (ref. note 15). The Power Plants are measured at revalued cost less accumulated depreciation and impairment. The measurement is based on value-in-use method by discounting future cash-flows genereted by the underlying assets. The recoverable amount of these assets were assessed at year end and compared to the carrying amount to assess whether there is a need for revaluation or an indication of impairment. We focused on these assets due to the size of the carrying amount of the Power Plants in use and under construction, which represent 80% of total assets and because management's assessment of value in use involves significant judgement about forcasting and discounting future cash flows which are the basis of the measurement of the assets. Therefore it is a key audit matter.	With the assistance of our valuation specialists we: • Assessed the cash flow models used by management in their calculations to assess recoverable amount at year end and verified the calculations of the model. • Focused on challenging management's forecasting based on the information about possible future utilization, capital expenditure and revenues of the power plants, both for current power plants and power plants under construction. • Assessed the reasonableness of the discount rate used by considering whether discount rates were within acceptable ranges and compared to market variables. • Performed sensitivity analysis on the assumption used. • Concluded on the appropriateness of relevant disclosures.

Responsibilities of the Board of Directors and CEO for the Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the European Union and additional Icelandic disclosure requirements in accordance with Icelandic Financial Statements Act no. 3/2006, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and CEO are responsible for assessing the Company'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 they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

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

- Identify and assess the risks of material misstatement of the 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 Company'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 exists related to events or conditions that may cast significant doubt on the Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with The Board of Directors and 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 identify during our audit.

We also provide the Board of Directors and audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors and audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation 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

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statements Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the financial statements includes the information required by the Financial Statements Act if not disclosed elsewhere in the financial statements.

Reykjavík, 5 March 2025

KPMG ehf.

Lilja Dögg Karlsdóttir　　　　Sæmundur Valdimarsson

Statement of Comprehensive Income for the year ended 31 December 2024

	Notes	2024	2023
Operating revenue	5	14.531.430	12.963.033
Other revenues (insurance claim)	5	60.938	166.976
Realised aluminium hedges	5	0	114.663
Production cost and cost of sales	6	(10.432.713)	(8.757.180)
Gross profit		4.159.655	4.487.493
Other operating expenses	7	(1.597.951)	(1.336.472)
Research and development	8	(82.908)	(53.449)
Other expenses		(1.680.859)	(1.389.922)
Profit from operations		2.478.795	3.097.571
Finance income		467.795	413.294
Finance costs		(2.847.075)	(2.047.935)
Net exchange rate differences		(70.066)	1.019.474
Changes in fair value of embedded derivatives	34	(41.713)	(158.949)
Changes in fair value of other derivatives	32, 34	(501.646)	(527.650)
Net finance expense	12	(2.992.705)	(1.301.767)
Share of loss of subsidiaries and associates	17	(98.065)	(11.985)
(Loss) profit before income tax		(611.975)	1.783.819
Income tax recovery (expense)	13	192.647	(278.950)
Net (loss), profit		(419.328)	1.504.870
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liability	24	(101.075)	(242.976)
Tax on items not reclassified to profit or loss	13	21.226	48.595
Other comprehensive loss		(79.849)	(194.381)
Total comprehensive (loss) income		(499.177)	1.310.489

Notes on pages 13-49 are an integral part of these financial statements

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Statement of Financial Position as at 31 December 2024

	Notes	31.12.2024	31.12.2023
Assets			
Fixed assets			
Operating assets	14	56.552.415	55.716.909
Operating assets under construction	15	10.040.132	4.005.394
Intangible assets	16	1.799.735	1.523.367
Investments in subsidiaries	17	4.072.353	4.167.694
Investments in associates	17	49.935	12.659
Investments in other companies	18	16.575	16.575
Loan to subsidiary	38	2.317.688	2.203.613
Embedded derivatives	34	37.395	171.187
Other derivatives	32	0	97.071
Aluminium hedges	34	1.725	0
Total fixed assets		74.887.953	67.914.468
Current assets			
Inventories		553.780	504.166
Trade and other receivables	19	3.096.301	1.896.487
Embedded derivatives	34	105.539	13.461
Aluminium hedges	34	23.219	0
Cash and cash equivalents	20	1.288.804	5.241.740
Total current assets		5.067.644	7.655.853
Total assets		79.955.597	75.570.322
Equity and liabilities			
Equity			
Share capital		6.789	6.789
Share premium and statutory reserve		6.837.564	6.837.564
Revaluation reserve		8.404.737	9.082.368
Retained earnings		15.777.475	15.599.021
Total equity	21	31.026.565	31.525.742
Liabilities			
Loans and borrowings	22	32.070.366	29.264.027
Subordinated shareholder loan	23	6.535.111	5.807.517
Pension obligations	24	3.060.000	3.070.000
Deferred tax liability	25	3.134.290	3.142.034
Other derivatives	32	255.915	0
Lease commitment	26	393.564	126.424
Total non-current liabilities		45.449.246	41.410.002
Current liabilities			
Loans and borrowings	22	15.375	15.375
Lease commitment	26	245.940	376.663
Other derivatives	32	173.605	0
Tax payable	25	0	326.685
Trade and other payables	27	3.044.867	1.915.855
Total current liabilities		3.479.786	2.634.578
Total liabilities		48.929.032	44.044.580
Total liabilities and equity		79.955.597	75.570.322

Notes on pages 13-49 are an integral part of these financial statements

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Statement of Changes in Equity for the year ended 31 december 2024

	Share capital	Share premium	Revaluation reserve	Retained earnings	Total equity
2023					
Equity at 1 January 2023	6.562	1.238.368	9.768.911	17.618.112	28.631.953
Net profit for the year				1.504.870	1.504.870
Other comprehensive loss				(194.381)	(194.381)
Total comprehensive income				1.310.489	1.310.489
Increase of Share Capital	804	5.599.196			5.600.000
Decrease of Share Capital	(577)			(4.016.123)	(4.016.700)
Revaluation reserve transferred to Retained earnings			(686.543)	686.543	0
Equity at 31 December 2023	6.789	6.837.564	9.082.368	15.599.021	31.525.742
2024					
Equity at 1 January 2024	6.789	6.837.564	9.082.368	15.599.021	31.525.742
Net loss for the year				(419.328)	(419.328)
Other comprehensive loss				(79.849)	(79.849)
Total comprehensive loss				(499.177)	(499.177)
Revaluation reserve transferred to Retained earnings			(677.630)	677.630	0
Equity at 31 December 2024	6.789	6.837.564	8.404.737	15.777.475	31.026.565

Notes on pages 13-49 are an integral part of these financial statements

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Statement of Cash Flows for the year ended 31 December 2024

	Notes	2024	2023
Cash flows from operating activities			
Net (loss) profit for the year		(419.328)	1.504.870
Adjustments for:			
Gain on sale of operating assets		(14.008)	(3.863)
Pension obligations decrease	24	(111.075)	(103.976)
Depreciation and amortization	11	3.092.799	2.938.962
Net finance expense	12	2.992.705	1.301.767
Share of loss of associates and subsidiaries	17	98.065	11.985
Income tax (recovery) expense	13	(192.647)	278.950
Cash generated by operations		5.446.512	5.928.694
Inventories, (increase)		(49.614)	(51.495)
Receivables, (increase)		(1.200.015)	(362.847)
Current liabilities, increase		558.461	11.220
Net cash from operations before interest and taxes		4.755.344	5.525.572
Interest received		213.499	335.550
Interest paid		(2.352.240)	(1.443.435)
Income taxes paid		(120.557)	(139.531)
Cash from operating activities		2.496.047	4.278.156
Cash flows from investing activities			
Acquisition of operating assets	14	(3.389.797)	(2.536.302)
Acquisition of operating assets under construction	12, 15	(4.927.991)	(2.379.535)
Proceeds from sale of operating assets		36.428	6.225
Acquisition of intangible assets	16	(297.526)	(57.013)
Acquisition of associates		(40.000)	0
Acquisition of subsidiary		0	(3.591.576)
Acquisition of shares in other companies	18	0	(1.500)
Investment in short-term investments		0	(2.128.635)
Dividends received from associates	17	220	0
Proceeds on disposal of associates		200	0
Proceeds from repayment of short-term investments		140.000	0
Investing activities		(8.478.465)	(10.688.336)
Cash flows from financing activities			
Share capital increase	21	0	5.600.000
Share capital reduction	21	0	(4.016.700)
New long-term borrowings	22	23.368.254	4.312.993
Repayment of borrowings	22	(20.958.950)	(15.375)
Repayment of lease commitment	26	(403.355)	(345.545)
Financing activities		2.005.949	5.535.374
Decrease in cash and cash equivalents		(3.976.469)	(874.806)
Effect of exchange rate fluctuations on cash held		23.533	(264.679)
Cash and cash equivalents at 1 January		5.241.740	6.381.226
Cash and cash equivalents at 31 December		1.288.804	5.241.740
Investing and financing activities not affecting cash flows			
Acquisition of operating assets under construction		(569.040)	115.476
Current liabilities, increase, (decrease)		569.040	(115.476)

Notes on pages 13-49 are an integral part of these financial statements

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Notes to the Financial Statements

1. Reporting entity

HS Orka hf. is a limited liability company domiciled in Iceland. The Company's registered office address is Orkubraut 3, Svartsengi, Grindavík, Iceland. The Company generates and sells electricity as well as cold water and hot water for heating. The Company is ultimately owned by Jarðvarmi slhf. and funds managed by Ancala Partners LLP, holding a 50% share each. The Company's financial statements are a part of the Consolidated financial statements of HS Orka Holding hf. and information on the Company's return and financial standing is included therein. The Company also presents consolidated financial statements comprising the Company and its subsidiaries.

2. Statement of compliance

The Company´s financial statements are prepared according to IFRS as adopted by the EU and additional Icelandic disclosure requirement in accordance with Icelandic financial statement act no. 3/2006.

These financial statements were authorized for issue by the Board of Directors on 5 March 2025.

3. Basis of preparation

a. Basis of measurement

The financial statements have been prepared on the historical cost, except for the following material items in the statement of financial position:

- the majority of operating assets are recognized at revalued cost, which is their fair value at the revaluation date
- embedded derivatives in power sales contracts and other derivatives are measured at fair value
- defined benefit pension obligatons measured at the present value of the pension obligation

b. Functional and presentation currency

These financial statements are presented in Icelandic kronas (ISK), which is the Company's functional currency. All financial information presented in ISK has been rounded to the nearest thousand except when otherwise indicated.

c. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual future outcomes may differ from present estimates and assumptions potentially having a material future effect on the Company´s historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Actual future outcomes could differ from present estimates and assumptions, potentially having a material future effect on the Company´s historical experience and other facts and circumstances.

Information about critical judgments in applying accounting policies and assumptions and estimates that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

3. Basis of preparation, contd.

- Note 14. Depreciation of operating assets and revaluation of operating assets.
- Notes 15 and 16. Impairment of assets under construction and intangibles.
- Note 34. Fair value of embedded derivatives in power sales agreements.
- Note 24. Pension obligations.

d. Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes staff members of the finance department, led by the CFO, that have overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The finance department 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 the finance department staff assesses the evidence obtained from the third parties 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.

Significant valuation issues are reported to the Company's Audit Committee.

When measuring the fair value of an asset or a liability, the finance department 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 Company 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 and accounting policies is included in the following notes:

- Note 14. Operating assets.
- Note 34. Embedded derivatives in power sales contract.
- Notes 28-36. Risk management.

4. Material accounting policies

The Company has consistently applied the accounting policies set out in this note to all periods presented in these financial statements, except if mentioned otherwise.

a. Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries are accounted for using the equity method and are recognized initially at cost, see further note 4.b.

b. Associates

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

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs.

The financial statements include the Company's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

When the Company's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

c. Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

d. Financial instruments

(i) Non-derivative financial assets

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

4. Material accounting policies, contd.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss and financial assets measured at amortised cost.

Financial assets at fair value through profit or loss comprise investment in other companies. All other financial assets are measured at amortized cost.

(ii) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial assets measured at amortised cost comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank balances that are subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the statement of financial position.

(iii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

4. Material accounting policies, contd.

The Company derecognises a financial liability when its contractual obligations are discharged or canceled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Non-derivative financial liabilities comprise loans and borrowings and trade and other payables.

(iv) Derivative financial instruments

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives (including embedded derivatives) are measured at fair value in the statement of financial position and changes in fair value are recognized in profit or loss as part of financial income or cost. Realised cash flows resulting from settlement of aluminium derivatives, entered into for hedging purposes, are recorded in profit or loss along with revenue.

Separable 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.

HS Orka has a long-term power sales agreement which contains embedded derivative. Income from this agreement is directly correlated to changes in the future price of aluminum. Changes in the fair value of derivatives is not designated as a hedge and separable embedded derivatives are recognized immediately in profit or loss.

(v) Share capital

Ordinary shares

Incremental costs directly attributable to issuance of ordinary shares are recognized as a deduction from equity, net of any tax effects.

e. Operating assets

(i) Recognition and measurement

Items of operating assets are measured at cost or revalued 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 assets to a working condition for their intended use and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

4. Material accounting policies, contd.

The Company's power plants and real estate holdings are measured at revalued cost in the statement of financial position. The revalued cost is the fair value at the revaluation date less accumulated depreciation. Revaluation is carried out on a regular basis. Any increase in the carrying amount of operating assets as a result of a revaluation is recognized in equity under the heading of revaluation reserve net of income tax. Depreciation of the revalued cost is recognized in profit or loss and an adjustment reflecting this amount is transferred quarterly from the revaluation reserve to retained earnings. Revaluations are expected to occur every three to four years or when market factors indicate a significant change in value. The latest valuation of Svartsengi Power plant, Reykjanes Power plant and the Brú Power plant plant took place on 31 December 2022.

When parts of an item of operating assets has different useful lives, they are accounted for as separate items of operating assets.

Gains and losses on disposal of an item of operating assets are determined by comparing the proceeds from disposal with the carrying amount of operating assets, and are recognized on a net basis within other income or other expenses in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is based on the cost or revalued cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of operating assets. Land is not depreciated.

Operating assets are depreciated from the date they are installed and are ready for use, or in respect of internally constructed assets, from the date the asset is completed and ready for use.

The estimated useful lives for the current and comparative year are as follows:

Power plants	40-60 years
Boreholes	20 years
Electrical systems	50 years
Hot water and cold water distribution systems	50 years
Real estate	50 years
Other operating assets	5-20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

4. Material accounting policies, contd.

f. Intangible assets

(i) Research and development

Expenditure on research or activities, undertaken with the prospect of surveying geothermal areas, where geothermal resource is uncertain, and surveying other areas suitable for power production by other sources, and in order to gain new scientific or technical knowledge, is recognized in profit or loss when incurred.

Development activities involve surveys of geothermal areas and other areas suitable for power production by other sources where there is probability of future development and power production. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Other development expenditure is recognized in profit or loss as incurred.

When a decision on producing power or harnessing of geothermal areas has been made, and all required licenses have been obtained, the preparation cost due to harnessing or production of power is transferred to operating assets under construction.

Capitalized development expenditure is measured at cost less accumulated impairment losses. Development assets are tested annually for impairment.

(ii) Other intangible assets

Other intangible assets that are acquired by the Company, including software, which have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Subsequent expenditure

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

(iv) Amortization

Amortization is based on the cost of an asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of depreciable intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

Software	5-10 years

Amortization methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

4. Material accounting policies, contd.

g. Leased assets

At commencement or on modification of a contract that contains a lease component, the Company 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 Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company 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 Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company 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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company 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 Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company 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 Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company 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.

4. Material accounting policies, contd.

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.

The Company presents right-of-use assets in ‘operating assets’ and lease liabilities as a separate line item in the statement of financial position.

Short-term leases and leases of low-value assets

The Company 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 Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

h. Inventories

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

i. Impairment

(i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, 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. For intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

Impairment is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment loss of revalued operating assets is recognized in equity under revaluation reserve up to the value of the reserve, after which they are recognized in profit or loss. Impairment losses of other assets are recognized in profit or loss.

The recoverable amount of an asset 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.

4. Material accounting policies, contd.

j. Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit pension plans or pension fund commitment 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. That benefit is discounted to determine its present value. The calculation is performed annually by qualified actuaries and specialists from the pension funds using a method based on earned benefits. Remeasurements of the net defined liabilities related to actuarial gains and losses are recognised in OCI, other expenses related to the defined benefit plans are recognized as incurred in profit or loss.

k. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

l. Revenue

The Company recognises revenue from the following major sources

(i) Electricity

Revenue from the sale of electricity along with power transmission is recognised when control is transferred to the customer. Transfer of control occurs when the electricity is delivered. The supply of electricity to the customer is regarded as one performance obligation. Revenue from the sale of electricity along with power transmission are recognized in profit or loss based on recorded measurement of delivery during the period. Between measurements, usage is estimated based on prior period usage.

Revenues are usually invoiced monthly with 30 day payment terms.

(ii) Water (hot and cold)

Revenue is recognised when control is transferred to the customer. Transfer of control occurs when the water is delivered. The supply of water to the customer is regarded as one performance obligation. Revenue from the sale of hot water is recognized in profit or loss based on recorded measurement of delivery during the period. Between measurements, usage is estimated based on prior period usage.

Revenues are usually invoiced monthly with 30 day payment terms.

4. Material accounting policies, contd.

(iii) Other

Other revenues includes sale of service, rental of facilities and equipment, steam, brine and other sales. Revenue is recognised when goods are transferred or services are performed and when the performance obligation is satisfied and control of the goods or services is transferred to the customer.

Revenues are usually invoiced monthly with 30 day payment terms.

m. Net finance income (expense)

Finance income is comprised of interest income on funds invested, dividend income from investments in other companies, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains and gains on derivatives that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized on the date that the Company’s right to receive payment is established.

Finance costs are comprised of interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, losses on derivatives that are recognized in profit or loss, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognized on financial assets other than trade receivables. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

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

n. Income tax

Income tax recovery (expense) is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

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.

Deferred tax is recognized 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 temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. 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 realized.

4. Material accounting policies, contd.

o. New and amended IFRS Accounting Standards that are effective for the current year

The following new and amended standards and interpretations are effective for annual periods beginning after 1 January 2024 are not expected to have a significant impact on the financial statements.

– Non-current Liabilities with Covenants (Amendments to IAS 1).
– Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
– Lease Liability in a Sale and Leaseback (Amendments to IFRS 16, Leases).
– Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).

p. New and revised IFRS Accounting Standards in issue but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

IFRS 18 will replace IAS 1 Presentations of financial statements and applies for annual reporting periods beginning on or after 1 January 2027. The new standard will carry forward many of the requirements in IAS 1 unchanged and complementing them with new requirements.

The Company is still in the process of assessing the impact of the new standard IFRS 18, particularly with respect to the Company’s statement of profit and loss, the statement of cash flows and the additional disclosures required for management-defined performance measures.

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

– Lack of Exchangeability (Amendments to IAS 21)
– Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)
– Annual Improvements to IFRS Accounting Standards (Volume 11)
– IFRS 19 Subsidiaries without Public Accountability: Disclosures
– Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

5. Revenue split

The Company's revenue split is as follows:

	2024	2023
Electricity power intensive[1]	3.574.986	3.149.997
Electricity other	8.208.033	6.256.837
Water (hot and cold)	1.186.022	1.118.772
Other	1.438.504	2.246.981
Revenue from contracts with customers	14.407.544	12.772.587
Insurance claim	60.898	166.976
Other	123.927	190.446
Realised aluminium hedges	0	114.663
	14.592.368	13.244.673

[1] The definition of electricity power intensive is an end user who receives at least 80 GWh in one place within 3 year period in accordance with Electricity Act, no. 65/2003.

6. Production cost, cost of sales and service

	2024	2023
Production cost	5.883.938	5.298.548
Cost of sales	4.548.775	3.458.632
	10.432.713	8.757.180

Production costs, cost of sales and services are specified as follows based on nature of cost:

	2024	2023
Salaries and related expenses	1.320.050	1.165.220
Depreciation	2.996.546	2.872.971
Power purchases	3.817.351	2.545.672
Transmission cost	779.998	655.013
Maintenance and other production cost	1.518.768	1.518.303
	10.432.713	8.757.180

7. Other operating expenses

	2024	2023
Salaries and related expenses	711.193	681.334
Increase in pension fund obligation	56.027	58.208
Administrative expenses	739.861	534.010
Depreciation and amortization	90.871	62.920
	1.597.951	1.336.472

8. Research and development

	2024	2023
Salaries and related expenses	57.826	34.207
R&D projects	19.700	16.172
Depreciation and amortization	5.382	3.070
	82.908	53.449

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9. Salaries and related expenses

	2024	2023
Salaries	1.790.296	1.654.311
Contribution to defined contribution fund	239.301	215.923
Increase in pension obligation, see note 24	157.101	301.184
Other salary related expenses	234.119	205.594
	2.420.817	2.377.012

Average number of employees equivalent	92	89

Salaries and salary related expenses including changes in pension obligations are allocated as follows:

	2024	2023
Capitalized on projects	174.647	195.067
Production cost and cost of sale	1.320.050	1.165.220
Research and development	57.826	34.207
Other operating expenses	767.220	739.542
Recognized in other comprehensive income	101.075	242.976
	2.420.817	2.377.012

Salaries paid to the Board of Directors and management amounted to ISK 103 million in 2024 (2023: ISK 98 million).

10. Auditor´s fee

Fee´s paid to the Company´s auditors in the year 2024 were ISK 23.3 million (2023: ISK 25.8 million) thereof ISK 19.9 million (2023: ISK 19.9 million) reflects fees for the audit of the Annual Financial Statements. Other services bought from KPMG amounted to ISK 3.5 million in 2024 (2023: ISK 5.8 million).

11. Depreciation and amortization

Depreciation and amortization is specified as follows:

	2024	2023
Depreciation of operating assets, see note 14	3.071.642	2.924.548
Amotization of intangible assets, see note 16	21.158	14.413
	3.092.799	2.938.962

Depreciation, amortization and impairment is allocated as follows:

Production cost and cost of sales	2.996.546	2.872.971
Other operating expenses	90.871	62.920
Reasearch and development	5.382	3.070
	3.092.799	2.938.962

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12. Finance income and expense

Finance income and expenses are specified as follows:

Finance income:

	2024	2023
Interest income on cash, loans and receivables	467.795	413.294
	467.795	413.294

Finance costs:

	2024	2023
Interest expense on loans and borrowings	(2.791.318)	(1.993.420)
Interest expense on lease liabilities	(55.757)	(54.515)
	(2.847.075)	(2.047.935)
Net exchange rate differences	(70.066)	1.019.474
Changes in fair value of embedded derivatives	(41.713)	(158.949)
Changes in fair value of other derivatives	(501.646)	(527.650)
	(613.425)	332.874
Net finance expense	(2.992.705)	(1.301.767)
Capitalized interest at 8.57% (2023: 6.88%)	537.707	179.382

13. Income tax

Effective tax in the income statement is specified as follows:

	2024	2023
Origination and reversal of temporary difference	192.647	47.735
Current tax	0	(326.685)
	192.647	(278.950)

Effective tax rate is specified as follows:

	2024	2023
(Loss) profit for the year	(419.328)	1.504.870
Income tax (recovery) expense	(192.647)	278.950
Profit before income tax	(611.975)	1.783.819

	2024		2023	
Income tax at current tax rate	128.515	21,0%	(356.764)	20,0%
Effect of associates and subsidiaries	(20.594)	(3,4%)	(2.397)	0,1%
Non-deductible expenses	(4)	(0,0%)	(4)	0,0%
Tax deductible depreciation in excess of cost	84.731	13,8%	80.215	(4,5%)
Effective income tax rate	192.647	31,5%	(278.950)	15,6%

Income tax recognized in OCI is specified as follows:	2024	2023
Tax on other item that will not be reclassified to proft or loss	(21.226)	(48.595)
Total income tax in OCI	(21.226)	(48.595)

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14. Operating assets

Revaluation of operating assets

Reykjanes and Svartsengi power plant were revalued to fair value on 31 December 2022. The revaluation amounted to ISK 4,000 million for Svartsengi and negative revaluation for Reykjanes and no revaluation was recognized for Brú. The Company carried out a review at year end 2024 of the recoverable amount of power plants. Results of that review shows no requirement for impairment at year end 2024.

	Power plants	Other operating assets	Total
Historical cost			
Balance at 1 January 2023	54.285.741	2.195.657	56.481.398
Additions during the year	2.364.856	171.446	2.536.302
Eliminated on disposal	0	(21.541)	(21.541)
Lease assets	73.961	0	73.961
Balance at 31 December 2023	56.724.558	2.345.562	59.070.120
Additions during the year	3.094.964	294.834	3.389.797
Eliminated on disposal	0	(57.084)	(57.084)
Lease assets	240.374	299.397	539.771
Balance at 31 December 2024	60.059.895	2.882.709	62.942.605
Depreciation			
Balance at 1 January 2023	0	447.841	447.841
Depreciation for the year	2.832.529	92.019	2.924.548
Eliminated on disposal	0	(19.179)	(19.179)
Balance at 31 December 2023	2.832.529	520.682	3.353.211
Depreciation for the year	2.953.736	117.906	3.071.642
Eliminated on disposal	0	(34.663)	(34.663)
Balance at 31 December 2024	5.786.265	603.924	6.390.190
Net book value			
Book value at 1 January 2023	54.285.741	1.747.816	56.033.557
Book value at 31 December 2023	53.892.028	1.824.880	55.716.909
Book value at 31 December 2024	54.273.630	2.278.785	56.552.415

Financial Statements of HS Orka hf. 2024 28 Amounts in ISK thousands

14. Operating assets, contd.

Net book value without revaluation			
1 January 2023	42.116.783	1.693.163	43.809.946
31 December 2023	42.517.603	1.772.385	44.289.989
31 December 2024	44.050.749	1.957.123	46.007.872
Depreciation rates	2-5%	5-20%	

Other operating assets include capitalized land and buildings with the carrying amount of ISK 1,213 million (2023: ISK 1,224 million).

Rateable value and insurance value

Rateable value of the Company's buildings amounted to ISK 4,717 million at year-end 2024 (2023: ISK 4,371 million) and land measured at rateable value amounted to ISK 3,182 million (2023: ISK 2,953 million). Insurance value of the Company's assets amounted to ISK 72,861 million (2023: ISK 74,366 million).

Pledge of assets

In relation to the refinancing of the Company in 2024 the pledge of all of the Company´s real estates was released, except the undivided land Járngerðarstaðir, Grindavík, but the Company´s shares have been pledged along with the rights, title and interest in and to the Company´s bank accounts. The Company´s subordinated intragroup liabilities to Vesturverk and Íslensk Orkuvirkjun Seyðisfirði ehf. have also been pledged, further details in Note 38, Related parties.

15. Operating assets under construction

Operating assets under construction are specified as follows:

Net book value at 1 January 2023	1.561.953
Additions during the year	2.443.441
Net book value at 31 December 2023	4.005.394
Additions during the year	6.034.738
Net book value at 31 December 2024	10.040.132

Operating assets under construction at the end of the year 2024 represent mainly capitalized cost related to the Svartsengi unit 7.

With all necessary permits obtained, HS Orka broke ground in December 2022 on the 22 MW modernisation and expansion of the Svartsengi power plant allowing the Company to decomission older and less efficient units of power plants 3 and 4 and to replace with a single and more efficient unit in a new power plant 7. This first phase of the Svartsengi 7 project has been in development since 2018. The current production does not require drilling additional wells and will allow for further optimisation of resources in Svartsengi in the future.

Financial Statements of HS Orka hf. 2024 29 Amounts in ISK thousands

16. Intangible assets

	Software	Development costs	Total
Historical cost			
Balance at 1 January 2023	398.113	1.562.355	1.960.468
Additions during the year	45.858	11.155	57.013
Balance at 31 December 2023	443.971	1.573.509	2.017.480
Additions during the year	159.150	138.376	297.526
Balance at 31 December 2024	603.121	1.711.885	2.315.006
Amortization			
Balance at 1 January 2023	333.460	146.241	479.701
Amortization for the year	14.413	0	14.413
Balance at 31 December 2023	347.873	146.241	494.114
Amortization for the year	21.158		21.158
Balance at 31 December 2024	369.030	146.241	515.271
Net book value			
Net book value at 31 December 2023	96.099	1.427.268	1.523.367
Net book value at 31 December 2024	234.091	1.565.644	1.799.735
Amortization rates	10-25%		

Development cost includes the costs for experimental drilling at Trölladyngja, Krýsuvík and Eldvörp. Relevant costs are capitalized to the extent that it is probable that future benefits are generated in order to recover the investment. HS Orka hf. holds research permits in these areas and according to management results from analysis to date are positive. If it becomes evident that the development cost will not be utilized by the Company to generate revenue it must be expensed as an impairment cost. Management has confirmed that the above projects are feasible and it is likely that they will generate revenues in the future.

Trölladyngja
In 2022 The Icelandic parliament accepted “Rammaáætlun III” a national Energy development plan, which categorized existing hydro and geothermal power sites into three groups: protected sites, pending sites and power developing sites. The Trölladyngja area is categorized as a pending site meaning more information, research and data is required. The carrying amount of Trölladyngja was at year end 2024 ISK 683 million (2023 year end ISK 683 million).

17. Investments in subsidiaries and associates

Investments in subsidiaries and associates are as follows:

Shares in subsidiaries and associates	Share	Carrying amount 31.12.2024	Share	Carrying amount 31.12.2023
DMM lausnir ehf., Iceland	27,20%	16.844	27,20%	12.659
Suðurorka ehf., Iceland	50,00%	0	50,00%	0
Afl og Orka ehf., Iceland	33,33%	33.092	0,00%	0
VesturVerk ehf., Iceland	80,49%	550.162	80,49%	586.796
HS Orkurannsóknir ehf., Iceland	100,00%	500	100,00%	500
Íslensk Orkuvirkjun Seyðisfirði ehf., Iceland	100,00%	3.521.690	100,00%	3.580.398
		4.122.288		4.180.353

Financial Statements of HS Orka hf. 2024 30 Amounts in ISK thousands

17. Investments in subsidiaries and associates, contd.

	2024	2023
Balance at beginning of year	4.180.353	600.762
Share of profit/loss	(98.065)	(11.985)
	(98.065)	(11.985)
Additions during the year	40.000	3.591.576
Balance at year end	4.122.288	4.180.353

The following table summarises the financial information of VesturVerk as included in its own financial statements, adjusted for fair value adjustments at acquisition:

	2024	2023
Revenues	2.663	2.505
Profit or loss and total comprehensive loss	(1.879)	(1.860)
Non-current assets	1.084.456	940.592
Current assets	25.752	9.957
Non-current liabilities	(38.286)	(50.139)
Current liabilities	(388.405)	(171.374)
Net assets	683.516	729.036
Share of HS Orka 80,49%	550.162	586.795
Share of profit/loss during the year	(36.634)	(1.498)

The following table summarises the financial information of Íslensk Orkuvirkjun Seyðisfirði as included in its own financial statements, adjusted for fair value adjustments at acquisition:

	2024	2023
Revenues	338	373
Profit or loss and total comprehensive loss	12	944
Non-current assets	6.489.187	6.319.618
Current assets	182.132	79.736
Non-current liabilities	(3.154.592)	(2.766.836)
Current liabilities	(36.837)	(52.120)
Net assets	3.479.890	3.580.398
Share of HS Orka 100%	3.479.890	3.580.398
Share of profit/loss during the year	(100.308)	(11.178)

Financial Statements of HS Orka hf. 2024 31 Amounts in ISK thousands

18. Investments in other companies

	Share	Carrying amount 31.12.2024	Share	Carrying amount 31.12.2023
Íslensk nýorka ehf., Iceland	8,55%	15.575	8,55%	15.575
Ölfus Cluster þekkingarsetur ses.		1.000		1.000
		16.575		16.575

19. Trade and other receivables

Trade and other receivables are specified as follows:

	2024	2023
Trade receivables	2.714.696	1.595.979
Allowance for bad debt	(39.852)	(31.767)
Total trade receivables	2.674.844	1.564.212
Other receivables	39.243	164.182
Receivables from subsidiary	382.414	168.093
	3.096.301	1.896.487

20. Cash and cash equivalents

Cash and cash equivalents are as follows:

	2024	2023
Bank balances	1.288.804	5.241.740
	1.288.804	5.241.740

The Company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities is disclosed in note 32.

21. Equity

Issued share capital, as stipulated in the Company’s Articles of Association, amounted to ISK 6,788,820 (2023: ISK 6,788,820). One vote is attached to each share of one ISK in the Company in addition to rights to receive dividends. All issued capital has been paid in full.

Share premium and statutory reserve

Share premium represents excess of payment above nominal value (ISK 1 per share) that shareholders have paid for shares sold by the Company. According to the Icelandic Companies Act, 25% of the nominal value of share capital must be held in reserve which can not be paid out as dividend to shareholders.

Revaluation reserve

The revaluation reserve relates to the revaluation of operating assets, net of income tax. The revaluation reserve may not be distributed as dividends to the Company's shareholders.

Dividends

In 2024 no dividend was distributed to shareholders (2023: No dividend distributed). The Board of Directors propose that no dividend will be paid in the year 2025.

Financial Statements of HS Orka hf. 2024 32 Amounts in ISK thousands

22. Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Company's exposure to liquidity, interest rate and foreign currency risk, see notes 30, 32 and 33.

	2024	2023
Total interest bearing debt and borrowings 1 January	29.279.401	25.909.242
New long-term loans and borrowings	25.048.802	4.486.490
Capitalized borrowing cost	(1.680.548)	(173.497)
Repayment of long-term loans and borrowings	(20.958.950)	(15.375)
Changes related to financing cash flows	2.409.304	4.297.619
Currency exchange difference	974	(1.128.710)
Accrued effective interests on long-term loans	396.062	201.250
Other liability related changes	397.036	(927.460)
Total interest bearing debt and borrowings 31 December	32.085.741	29.279.401

	31.12.2024	31.12.2023
Secured bank loans	32.085.741	29.279.401
Total interest bearing debt and borrowings	32.085.741	29.279.401
Current maturities of secured bank loans	15.375	15.375
Current debt	15.375	15.375
Non current debt	32.070.366	29.264.027

Financial Statements of HS Orka hf. 2024 33 Amounts in ISK thousands

22. Loans and borrowings, contd.

Loans in foreign currency:	Final due date	31.12.2024 Weighted average interest rate	31.12.2024 Carrying amount	31.12.2023 Weighted average interest rate	31.12.2023 Carrying amount
Loans in USD.......................	2029	8,65%	14.482.706	7,23%	29.156.405
Loans in USD.......................	2032	7,66%	7.490.636		0
Loans in EUR.......................	2029	7,67%	10.004.777		0
			31.978.119		29.156.405
Loans in ISK	2031	9,26%	107.622	8,31%	122.996
			107.622		122.996
Total interest-bearing loans and borrowings...........................			32.085.741		29.279.401

Annual maturities of loans and borrowings are as follows:	2024	2023
Year 2024	0	15.375
Year 2025	15.375	29.171.779
Year 2026	15.375	15.375
Year 2027	15.375	15.375
Year 2028	15.375	15.375
Year 2029	24.502.858	15.375
Subsequent	7.521.385	30.749
	32.085.741	29.279.401

In July 2024 HS Orka secured about ISK 30 billon equivalent financing from a group of domestic and international banks consisting of loan facilities in aggregate amounting to USD 95 million, EUR 75 million and ISK 8.5 billion (optional currencies EUR or USD) of which ISK 4.25 billion is a revolving facility. Drawdowns on the revolving facility are recorded under liabilities (non-current) in the Statement of financial position as the Company can unilaterally roll-over drawdowns up to the final maturity of the facility. The loan facilities have a term of 5 years. The USD and EUR facilities were fully drawn at year end 2024 but the undrawn amount under the ISK facilities was about ISK 6.6 billion. Additionally, a USD 55 million US Private Placement (USPP) bond with a term of 8 years was issued. The financing contains financial covenants on leverage ratio and interest coverage.

Proceeds from the financing have been used to repay existing loans and capex projects such as the Svartsengi 7 geothermal power plant. The financing partially contains sustainability targets and was partially made under HS Orka's Green Finance Framework rated dark green by Cicero.

Financial Statements of HS Orka hf. 2024 34 Amounts in ISK thousands

23. Subordinated shareholder loan

A USD 38 million subordinated and unsecured shareholder loan was provided to HS Orka in November 2022 with a term of 7 years. The shareholder loan carries a fixed rate of 10.9% per annum, interest will accrue until the principal amount and interest is paid in full at the maturity date. In July 2024, the term of the shareholder loan was extended by about 5 years or to August 2034.

	2024	2023
Total subordinated shareholder loan 1 January	5.807.517	5.462.890
Currency exchange difference	86.962	(228.283)
Accrued effective interests on long-term loan	640.632	572.910
Other liability related changes	727.594	344.627
Total subordinated shareholder loan 31 December	6.535.111	5.807.517

24. Pension obligations

	2024	2023
Pension commitment at 1 January	3.070.000	2.931.000
Contribution during the year	(167.104)	(162.184)
Current service costs	0	3.037
Interest expenses	56.029	55.171
Acturial changes charged to other comprehensive income	101.075	242.976
Pension commitment at 31 December	3.060.000	3.070.000

Pension obligations are as follows:

The pension fund for State employees	1.594.989	1.594.597
The pension fund for Municipality of Hafnarfjörður employees	807.004	822.141
The pension fund for Municipality of Westman Islands employees	658.007	653.261
	3.060.000	3.070.000

According to Actuaries' and Brú Pension Fund's assessment, the Company's accrued pension obligations amounted at year end 2024 to ISK 3,060 million (2023: ISK 3,070 million), discounted based on an interest rate of 2.0%, taking into account the net assets of part of the pension funds. Presumptions on life expectancy, mortality rate and discount rate are in accordance with provisions of Regulation no. 391/1998 on obligatory pension right insurance and pension funds' operation. The decrease is due to payments of contributions during the year were higher than increases in general salaries, changes in achieved rights and effect of interest for present value calculations.

Financial Statements of HS Orka hf. 2024 35 Amounts in ISK thousands

25. Deferred tax liability

Movement in deferred tax liability is specified as follows:	2024	2023
Balance at beginning of year	3.142.034	3.244.890
Changes recognized in profit or loss	(192.647)	278.950
Changes recognized in other comprehensive income	(21.226)	(48.595)
Tax payable	0	(326.685)
Changes due to joint taxation	0	(6.525)
Other changes	206.128	0
Balance at year end	3.134.290	3.142.034

The following are the major deferred tax liabilities and assets recognized:

	31.12.2024	31.12.2023
Operating and intangible assets	3.953.593	3.988.169
Inventories and other items	(8.570)	(9.066)
Trade and other receivables	23.125	9.606
Pension obligation	(612.000)	(614.000)
Derivatives	(52.328)	56.344
Lease liability	(127.901)	(100.617)
Deferred foreign exchange difference	58.622	(188.401)
Tax losses carried forward	(100.251)	0
	3.134.290	3.142.034

The Company is taxed jointly with its Parent entities HS Orka Holding hf., HSO 1 ehf. and HSO 2 ehf.

26. Leases

The Company has leases for power plant, properties and land. These leases have terms of between 2 and 60 years.

Right-of-use assets

Right-of-use assets related to leased properties are presented as operating assets in Note 14.

Lease commitment

2024

	Power plants	Land and buildings	Total
As at 1 January	359.445	143.642	503.087
Additions	211.968	277.142	489.110
Non-cash additions due to increases in variable lease payments	28.406	20.937	49.343
Payments	(405.639)	(52.155)	(457.794)
Interest expense	17.788	37.969	55.757
As at 31 December	211.968	427.535	639.504
Current	211.968	33.971	245.940
Non-current	0	393.564	393.564
	211.968	427.535	639.504

Financial Statements of HS Orka hf. 2024 36 Amounts in ISK thousands

26. Leases, contd.

2023

	Power plants	Land and buildings	Total
As at 1 January	630.562	140.413	770.974
Additions	0	3.696	3.696
Non-cash additions due to increases in variable lease payments	59.331	14.630	73.961
Payments	(375.930)	(24.130)	(400.060)
Interest expense	45.483	9.032	54.515
As at 31 December	359.445	143.642	503.087
Current	359.445	17.218	376.663
Non-current	0	126.424	126.424
	359.445	143.642	503.087

The maturity analysis of the lease commitment is presented in in Note 30, Liquidity risk.

All leases contain variable lease payments in which the Company is the lessee. The breakdown of the total cash outflow for lease payments is as follows:

	2024	2023
Variable payments linked to the Icelandic consumer price index	454.315	396.819
Other variable payments	3.478	3.241
	457.794	400.060

Amounts recognised in profit or loss:

	2024	2023
Depreciation expense on right-of-use assets	387.691	339.354
Interest expense on lease liabilities	55.757	54.515
	443.448	393.869

27. Trade and other payables

Trade and other payables are as follows:

	31.12.2024	31.12.2023
Trade payables	1.923.201	1.494.918
Trade payables due to operating assets under construction	682.204	113.164
Other payables	439.461	307.773
	3.044.867	1.915.855

The Company's exposure to liquidity and currency risk related to trade and other payables, see notes 30 and 33.

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28. Risk management

Overview

The Company is exposed to financial risk consisting of credit risk, liquidity risk and market risk. Market risk consists of currency risk, interest rate risk and aluminium price risk.

This note provides information on the Company’s exposure to each of the above risks, the Company’s objectives, policies and processes for measuring and managing risk, and the Company’s management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies, evaluates and manages risk in close co-operation with the Board of Directors. The Company's risk management program focuses on addressing the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company determines whether or not to use derivative financial instruments to hedge certain risk exposures if such derivatives are available.

29. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company’s exposure to credit risk arises principally from customers through power agreements, counterparties in derivative hedge agreements and counterparties holding the Company's cash and cash equivalents.

The Company has set a credit policy where all new significant customers are evaluated for credit risk.

29. Credit risk, contd.

Most of the Company's customers have been customers for many years and loss on receivables has been insignificant in proportion to turnover. Credit risk management includes taking into account the age of the receivables and financial standing of each customer. The list of receivables is reviewed on a regular basis. Customers that are behind in payments are not permitted to make further transactions with the Company until they settle their debt or the Company's approves further transactions based on an agreement.

The Company establishes an allowance for impairment that represents an estimate of expected losses of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for companies with similar receivables in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar receivables. A receivable is written off when it becomes clear it will not be collected, that usually happens when the counterparty files for bankruptcy. The Company has a policy to hold cash only with reputable banking institutions.

Exposure to credit risk

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned below.

Exposure to credit risk at the reporting date was:

	31.12.2024	31.12.2023
Trade receivables	2.674.644	1.564.212
Other receivables	421.657	332.275
Cash and cash equivalents	1.288.804	5.241.740
	4.385.105	7.138.227

Age debtor analysis and loss allowance

	31.12.2024		31.12.2023	
	Gross value	Loss allowance	Gross value	Loss allowance
Not past due	2.414.062	12.132	1.536.869	12.774
Past due 0 - 30 days	194.353	1.944	51.788	17.892
Past due 31 - 60 days	53.576	2.679	6.332	317
Past due 61 - 90 days	260	130	266	133
Past due more than 90 days	52.445	22.968	724	652
	2.714.696	39.852	1.595.979	31.767

	2024	2023
Loss allowance balance at 1 January	31.767	31.767
Changes during the year	8.310	(1.851)
Write offs	(225)	1.851
Loss allowance balance at 31 December	39.852	31.767

The Company does not consider credit risk from other receivables than trade receivables.

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30. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The Company's approach to managing liquidity is to ensure sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. At year end 2024 the Company held cash and cash equivalents in the amount of ISK 1,289 million (2023: ISK 5,242 million). In addition ISK 3,283 million were undrawn on a capex facility (2023: ISK 0 million) and ISK 3,283 million were undrawn on a revolving facility (2023: ISK 0 million).

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2024

Contractual cash flows	Carrying amount	Within 1 year	1-5 years	5+ years	Total
Loans and borrowings	(32.085.741)	(2.081.209)	(33.541.633)	(9.069.562)	(44.692.404)
Subordinated shareholder loan	(6.535.111)	0	0	(17.498.277)	(17.498.277)
Lease commitments	(639.504)	(297.023)	(322.319)	(218.540)	(837.881)
Trade and other payables ..	(3.044.867)	(3.044.867)	0	0	(3.044.867)
	(42.305.223)	(5.423.099)	(33.863.952)	(26.786.379)	(66.073.429)
Contractual cash flows of derivatives					
Aluminium hedge	24.944	0	0	0	0
Cross currency swap	(556.959)	(230.941)	(602.393)	0	(833.334)
Interest rate swap	127.439	71.866	62.682	0	134.547
	(404.575)	(159.075)	(539.711)	0	(698.787)
Total contractual cash flows		(5.582.174)	(34.403.663)	(26.786.379)	(66.772.216)

31 December 2023

Contractual cash flows	Carrying amount	Within 1 year	1-5 years	5+ years	Total
Loans and borrowings	(29.279.401)	(2.396.544)	(29.812.526)	(51.894)	(32.260.964)
Subordinated shareholder loan	(5.807.517)	0	0	(10.677.794)	(10.677.794)
Tax payable	(326.685)	(326.685)	0	0	(326.685)
Lease commitments	(503.087)	(400.519)	(53.497)	(91.612)	(545.627)
Trade and other payables ..	(1.915.855)	(1.915.855)	0	0	(1.915.855)
	(37.832.545)	(5.039.603)	(29.866.022)	(10.821.300)	(45.726.925)

Financial Statements of HS Orka hf. 2024 40 Amounts in ISK thousands

30. Liquidity risk, contd.

Contractual cash flows of derivatives					
Interest rate swap	97.071	97.878	0	0	97.878
	97.071	97.878	0	0	97.878
Total contractual cash flows		(4.941.725)	(29.866.022)	(10.821.300)	(45.629.047)

Contractual cash flows of derivatives are calculated based on forward prices.

31. Market risk

Market risk is the risk that changes in foreign exchange rates, aluminum prices and interest rates will affect the Company's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

32. Interest rate risk

The majority of the Company's long-term borrowings carries floating interest rates. To mitigate this risk the Company has entered into a cross currency swap and an interest rate swap which is included brings the ratio of fixed interest on debt to about 94% (subordinated shareholder loan included) at the end of the year (2023: 55% fixed).

Fair value of interest rate swaps

	2024	2023
Fair value of interest rate swaps at 1 January	97.071	639.744
Changes in fair value	30.368	(542.673)
Fair value of interest rate swaps at 31 December	127.439	97.071

Fair value is based on brokers quote.

Financial instruments with floating interest rates

Financial assets	1.288.804	5.241.740
Financial liabilities	(24.505.182)	(29.279.401)
Cross currency swap	10.590.141	0
Interest rate swap	12.921.700	13.620.000
	295.463	(10.417.661)

Financial instruments with fixed interest rates

Loan to subsidiary	2.317.688	2.203.613
Financial liabilities	(7.580.559)	0
Subordinated shareholder loan	(6.535.111)	(5.807.517)
Cross currency swap	(11.117.544)	0
Interest rate swap	(12.921.700)	(13.620.000)
	(35.837.226)	(17.223.904)

Financial Statements of HS Orka hf. 2024 41 Amounts in ISK thousands

32. Interest rate risk, contd.

Cash flow sensitivity analysis for floating interest rate instruments

An increase or decrease in interest rates of 100 basis points at the reporting date would have increased (decreased) the return after tax by the following amounts. This analysis is based on the assumption that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for the year 2023.

	Profit or loss	
31.12.2024	100 bp increase	100 bp decrease
Financial instruments with floating interest rates	2.334	(2.334)
Cash flow sensitivity analysis, net	2.334	(2.334)
31.12.2023		
Financial instruments with floating interest rates	(83.341)	83.341
Cash flow sensitivity analysis, net	(83.341)	83.341

Fair value sensitivity analysis for changes in interest rates

An increase or decrease in interest rates of 100 basis points at the reporting date would have increased (decreased) the return after tax by the following amounts. This analysis is based on that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for the year 2023.

	Profit or loss	
31.12.2024	100 bp increase	100 bp decrease
Embedded derivative in power sales contract	(758)	772
Aluminium hedge	(107)	108
Cross currency swap	287.983	(299.385)
Interest rate swap	333.063	(333.063)
Total	620.182	(631.569)
31.12.2023		
Embedded derivative in power sales contract	(2.508)	2.578
Interest rate swap	17.568	(17.620)
Total	15.059	(15.042)

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33. Foreign exchange risk

The Company is exposed to foreign exchange risk due to sales, purchases and borrowings that are denominated in currencies other than ISK. The currencies in which these transactions are primarily denominated are US Dollar (USD) and Euro (EUR). Exposure to other currencies is insignificant.

The Company has executed a cross currency swap which converts the majority of the companies loans in EUR to USD. About 32% (2023: 28%) of the Company's revenue in 2024 was in USD mitigating the risk from USD denominated debt and 8% was in EUR (2023: 15%).

Exposure to foreign exchange risk

The carrying amounts of foreign currency denominated assets and liabilities at the reporting date are as follows:

31.12.2024	Assets	Liabilities	Currency swap	Net exposure
EUR	384.799	(11.218.378)	10.590.141	(243.438)
USD	1.668.177	(29.908.356)	(11.117.544)	(39.357.724)
JPY	180	(2.330)	0	(2.150)
Other	507	(6.760)	0	(6.253)
	2.053.663	(41.135.824)	(527.404)	(39.609.566)

31.12.2023	Assets	Liabilities	Net exposure
EUR	468.215	(81.814)	386.401
USD	4.849.811	(35.158.617)	(30.308.806)
JPY	142.966	0	142.966
Other	3.503	(44.071)	(40.568)
	5.464.495	(35.284.502)	(29.820.007)

	Average exchange rate		Year end exchange rate	
Exchange rates against the ISK were:	2024	2023	2024	2023
EUR	149,31	149,14	143,90	150,50
USD	137,93	137,98	138,20	136,20
JPY	0,91	0,98	0,88	0,96

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33. Foreign exchange risk, contd.

Sensitivity analysis

A 10 percent strengthening of the ISK against the following currencies at 31 December would have increased (decreased) profit or loss after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2023.

	2024	2023
EUR	19.232	(30.912)
USD	3.109.260	2.424.704
JPY	170	(11.437)
Other	494	3.245

A 10 percent weakening of the ISK against the above currencies at 31 December would have had the equal but opposite effect on profit or loss after tax to the amounts shown above, on the basis that all other variables remain constant.

34. Aluminium price risk

In 2004 the Company signed a power sales agreement with Norðurál on power supply until 2026. The agreement is USD denominated and the power price is linked to the price of aluminum on the London Metal Exchange (LME). The Company has entered into derivative agreements fixing an aluminium price range for the purpose of mitigating aluminum price risk fluctuations and secure the contracted income, i.e. to secure the revenue when prices go below the defined range or realise less income if prices go above. In 2024 about 68% of sales to Norðurál was hedged against changes in the price of aluminium (2023: 96%).

The power sales agreement with Norðurál features an embedded derivative, the value of which depends on the futures price of aluminium. However, at the beginning of the agreement the embedded derivative has no value. As market value is not available for these embedded derivative, generally accepted valuation methods are applied to determine the fair value. The present value of cash flows over the remaining lifetime of the power contract is calculated on the basis of the London Metal Exchange (LME) futures on the reporting date. From this number, the present value of cash flows based on aluminium price assumptions on the date of the power agreements is subtracted. The fair value change between reporting dates is recognized in the income statement.

When calculating the present value of the embedded derivatives, the Company applies a discount rate based on US risk free rates plus a risk spread.

Fair value of embedded derivatives is as follows:

	2024	2023
Fair value of embedded derivatives at 1 January	184.647	343.597
Changes in fair value	(41.713)	(158.949)
Fair value of embedded derivatives at 31 December	142.935	184.647
Interest rates used for determining fair value of embedded derivative	6.0%	5.9-5.5%

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34. Aluminium price risk, contd.

The Company has entered into derivative hedge agreements to mitigate risk to aluminium price exposure arising from the Norðurál power sales agreement. Hedging strategy is reviewed at least annually.

Fair value of aluminium hedge derivatives is as follows:

	2024	2023
Fair value of aluminium hedge derivatives at 1 January	0	(15.023)
Realised aluminium hedges	0	114.663
Other changes in fair value	24.944	(99.640)
Fair value of aluminium hedge derivatives at 31 December	24.944	0

Sensitivity analysis

A 10 percent increase or decrease of aluminium prices at 31 December would have increased (decreased) profit or loss after tax by the amounts shown below. The analysis was performed on the same basis for 2023.

	Profit or loss	
	2024	2023
Increase of 10%		
Embedded derivatives	304.621	496.789
Aluminium hedge derivatives	(85.641)	0
	218.980	496.789
Decrease of 10%		
Embedded derivatives	(304.621)	(496.789)
Aluminium hedge derivatives	114.895	0
	(189.727)	(496.789)

35. Classification of financial instruments

Financial assets and liabilities are classified as follows:

Financial assets	31.12.2024	31.12.2023
Financial assets recognised at amortised cost	6.702.794	9.341.840
Financial assets at fair value through profit or loss	184.454	298.293
	6.887.247	9.640.133

Financial liabilities		
Financial liabilities measured at amortized cost	42.305.223	37.832.545
Financial liabilities at fair value through profit or loss	429.519	0
	42.734.742	37.832.545

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36. Fair value

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	31.12.2024 Carrying amount	31.12.2024 Fair value	31.12.2023 Carrying amount	31.12.2023 Fair value
Int. bearing long-term debt (level 3)	38.620.852	41.143.825	35.086.918	35.086.918

Interest rates used for determining fair value for disclosure purposes

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.

Interest rates used for determining fair value:

	2024	2023
Margin on interest-bearing long-term foreign debt	2,0%-3,6%	2,0%-2,5%
Rates used for discounting	4,9%-5,2%	-

Fair value of other financial assets and liabilities is equal to their carrying amount.

The table below analyses assets and liabilities carried at fair value, sorted by valuation method. The different levels have been defined as follows:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
31 December 2024				
Operating assets	0	0	54.273.630	54.273.630
Embedded derivatives	0	142.934	0	142.934
Aluminium hedges	0	24.944	0	24.944
Other derivatives	0	(429.519)	0	(429.519)
Investments in other companies	0	0	16.575	16.575
Total	0	(261.641)	54.290.205	54.028.564
31 December 2023				
Operating assets	0	0	53.892.028	53.892.028
Embedded derivatives	0	184.647	0	184.647
Other derivatives	0	97.071	0	97.071
Investments in other companies	0	0	16.575	16.575
Total	0	281.718	53.908.603	54.190.322

Financial Statements of HS Orka hf. 2024 46 Amounts in ISK thousands

37. Capital management

The Board's policy is to maintain a strong capital base to sustain future development of the business.

The Company's Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by lower levels of borrowings. The equity ratio was 38.8% at year end 2024 (2023: 41.7%). Equity ratio if subordinated shareholder loan would be classified as equity was at year end 2024 47.0% (2023: 49.4%).

38. Related parties

Identity of related parties
The Company has a related party relationship with its shareholders, subsidiaries, associates, its directors and executive officers and other companies owned by them.

	Parent entities	Subsidiaries	Associates	Total
31 December 2024				
Sale	2.062	0	2.183	4.244
Purchase	0	405.638	13.753	419.391
Interest income	0	289.197	0	289.197
Interest expense	640.632	0	0	640.632
Loans and receivable	0	2.700.103	2.452	2.702.554
Loans and payables	6.535.111	45.234	0	6.580.345
31 December 2023				
Sale	5.500	6.417	71	11.988
Purchase	0	127.790	8.950	136.740
Interest income	0	91.791	0	91.791
Interest expense	572.910	0	0	572.910
Loans and receivable	0	2.379.389	222	2.379.610
Loans and payables	5.807.517	42.574	850	5.850.941

In August 2023 HS Orka provided a CPI indexed loan to Íslensk Orkuvirkjun Seyðisfirði ehf. for the amount of ISK 2,129 million. The CPI indexed loan has a interest rate of 6.45 percent and a term of 22 months.

In 2024 HS Orka provided a loan to VesturVerk ehf. for the amount of ISK 179 million. Outstanding loan principle and accrued interest at the end of the year is ISK 382 million (2023: ISK 168 million).

39. Legal

On 19 April 2022 Orkuveita Reykjavíkur (OR) filed a request for Arbitration in relation to the power purchase agreement (PPA) dated 6 April 2005 and listed Norðurál and HS Orka as respondents. OR intention was to seek declaratory relief that the Review Clause in the PPA had been triggered. In April 2023, with the agreement of the parties, the Tribunal reclassified HS Orka from respondent to Claimant in the Arbitration, thus being aligned with OR. The hearing of the Arbitration took place in June 2024 but it is estimated that the Arbitration will conclude in March 2025 if parties shall enter into renegotiations regarding changes to the existing PPA but not award the financial impact of the request.

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40. Geophysical activity

A geophysical event started on 25 October 2023 on the Reykjanes Peninsula, close to the power plant at Svartsengi and the municipality of Grindavík, evidenced by seismic activity, ground displacement and eruptions. From the start, eight dike intrusions have occurred as magma flows out of the magma reservoir and into the dikes. The first one, on 10 November 2023, did not result in an eruption but the other seven, on 18 December 2023, 14 January 2024, 8 February 2024, 16 March 2024, 29 May 2024, 22 August 2024 and 20 November 2024 all resulted in eruptions of short durations.

Svartsengi geothermal power plant is fully operational and has been so throughout this period, apart from two incidents during two of the seven eruptions. Those occurred on 8 February and 22 November 2024, where there was limited impact on the operations in the Svartsengi power plant. Lava flow following the eruption on 8 February 2024 severed a hot water connection from Svartsengi to the local municipality of Reykjanesbær. Repairs started immediately and hot water was running again on 13 February. The total cost of repair was immaterial. Lava flow from the eruption on 22 November 2024 severed the transmission line connecting the Svartsengi power plant to the national power grid. The State-owned company Landsnet, responsible for all power transmission and system operations (TSO) in the country, successfully restored the connection to Svartsengi on 29 November 2024. Meanwhile the hot and cold-water pipelines defenses proved their effectiveness and remained fully operational. Reykjanes geothermal power plant, along with the Company’s hydro power plants Brú and Fjarðarárvirkjanir, have not been impacted by the geophysical activity.

Since 2021 HS Orka has continuously been updating the Company’s response plans. These include identifying back-up water supplies, sourcing of materials to use for protection against lava flow and preparations for replacing above ground hot water pipes with underground pipes in critical areas.

HS Orka’s response plans are activated in the event of a “level of uncertainty” due to natural hazard being declared by the Department of Civil Protection and Emergency Management (DCPEM). In November 2023 the Government of Iceland passed an emergency law, allowing the DCPEM to build embankments around Svartsengi and since then seven eruptions have taken place, during which time production has not been affected in Svartsengi except minor outages as described above. The embankments have repeatedly proven their effectiveness in diverting lava flow, showing that risk from lava flow can be assumed to be considerably lower for Svartsengi within the embankments than the unmitigated risk from lava flow in general.

Preparatory work made by HS Orka, in close collaboration with the DCPEM, has resulted in limited damage and short downtime of hot water supply. The risk from geophysical activities remains ongoing, and HS Orka continues to prepare and react as the situation evolves. Furthermore, preparation work continues on long term solutions to prevent interruption from lava flow, such as protecting pipes below ground in critical locations as well as developing other potential geothermal resources in the vicinity of Reykjanesbær municipality to serve as backup supply.

HS Orka is insured by reputable and recognized insurers, led by Chubb European Group SE which is rated AA „(Very Strong)“ by Standard & Poor´s. The insurance coverage is shared between several insurers which is standard practice for companies of HS Orka´s size. The insurance policy is issued on an “All Risks” basis meaning it covers all risks of unforeseen damage, save for those that are explicitly excluded. The policy does not state any exclusions for natural catastrophe, additional deductibles or sub-limits for earthquake and volcanic eruptions and therefore HS Orka benefits from the full policy limit for these perils.

HS Orka has also put in place a Contractors All Risks (CAR) policy for the Svartsengi expansion (SVA7) project.

40. Geophysical activity , contd.

The insurance policy (renewed annually) is expected to be renewed at the forthcoming renewal due to proactive steps taken by Management and the State (in terms of geophysical risk) to reduce risk thereby supporting positive longer-term outcomes in both cost and coverage.

41. Subsequent events

No other significant events have taken place since the reporting date, 31 December 2024.

Appendix: Corporate Governance Statement, unaudited

Legislation and corporate governance

The Company complies to the Public Limited Companies Act (Act No 2/1995), as amended, the Annual Accounts Act (Act No 3/2006), and other applicable legislation and regulations. The Board of Directors of HS Orka hf. stresses the importance of maintaining good management practices in accordance with Guidelines for Corporate Governance, version 6. The Company's articles of association lay down the framework for the governance of the Company, together with the Board's rules of procedure, last reviewed on 5 July 2024. The Company´s article of association can be found on the Company´s webpage.

The Company complies to all main aspects of the Guidelines for Corporate Governance but as each shareholder nominates Board members there is no acting Nomination Committee and consequently all Board members are dependent of the company's major shareholders.

The preparation of financial statements in conformity with IFRS 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.

Internal control and risk management

To ensure that the Company's financial statements are in accordance with generally accepted accounting practice, the Company has focused on well-defined areas of responsibility, proper segregation of duties, regular reporting, and transparency in its activities. The process of monthly reporting and reviews is an important part of monitoring financial performance and other key performance indicators.

The Board of Directors, according to its rules of procedure, defines the risk factors that the Company must address, including the nature and extent thereof. It also defines remedial action for the risks in question. In addition, the Board verifies the effectiveness of internal control and risk management.

The main role of the of HS Orka's Audit Committee, in accordance with its rules of procedure, is to ensure the quality of financial statements and other financial information and the independence of auditors.

An auditing firm is elected at the Annual General Meeting for a term of one year. External auditors are not allowed to own shares in the Company. External auditors examine the Company's annual financial statements in accordance with international standards on auditing and, to this end, inspect accounting records and other material relating to the operations and financial position of the Company. External auditors have unlimited access to the general ledger at all times. External auditors report any significant findings regarding accounting matters to the Board of Directors via the Audit Committee in the audit report.

The Board of Directors and sub-committees of the Board

According to the Company´s Articles of Association the Company is managed by:

- Shareholders meetings
- The Board of Directors
- The Chief Executive Officer

The ultimate authority in all affairs of the Company, within the limits established by the Company's articles of association and statutory law, lies with the statutory shareholder meetings. The ultimate beneficial owners (UBO) of HS Orka are funds managed by Ancala Partners Ltd and fourteen Icelandic pension funds.

The Board of Directors and sub -committees of the Board, contd.

The Company´s human resource policy states that the company prioritizes absolute equality in its approach to human resources, valuing each employee based on their merits. This principle extends to various aspects, including flexibility, ongoing learning, professional growth, and comparable job conditions. The Company guarantees the safeguarding of employees' human rights, aligning with laws, regulations, and international agreements and upholds employees' freedom of association. The Company´s diversity policy is a part of the policy of equality. The policy states that the Company provide diversity and equality to all in employment, irrespective of their age, gender, sexuality, nationality, national origin, religion or belief or political opinions. Both policies mentioned above states that the Company opposes all form of unlawful and unfair discrimination of any kind. The Company’s team has varied background, knowledge, experience, and abilities. The Board of Directors is gender-balanced, with four members providing international experience with wide-raging educational and professional backgrounds. The members of the Executive Board are experts in their specialised fields, with various educational backgrounds. Three out of the seven members are women.

The Board of Directors

The Board of Directors is the supreme authority in the affairs of the Company within the limits established by law, the Articles of Association, and the Shareholders’ Agreement.

The Board consists of four members nominated by shareholder, elected at the Annual General Meeting for a term of one year and responsible for the affairs of the Company. The Board of Directors operates in accordance with the Company’s articles of association and the Board’s rules of procedure. Board´s rules of procedure can be found on the Company´s website.

The Board’s main roles and duties are as follows:

a. Entering into a contract of employment with the CEO and supervise his work.
b. Responsibility for long-term strategy.
c. Supervising all aspects of the Company’s operations and ensuring that the Company’s organisation and activities are always in good and proper order. The Board ensures adequate supervision of accounting and disposal of the Company’s financial assets and, at least once a year, ratifies the Company’s operating plan and budget.
d. Defining, at least once a year, the risk factors that the Company must address, including the nature and extent thereof. It also defines remedial action for the risks in question. In addition, the Board regularly verifies the effectiveness of internal control and risk management. It ensures that employees can report failures to prevent risk and incidents in the Company’s operations without any kind of detrimental effect to their employment.

When evaluating its size and composition, the Board takes into account the Company’s operations, policies and practices and the knowledge, experience and expertise of each Board member. The Board considers its size and composition to be in line with the Board’s aim, i.e. to execute its duties in an efficient manner with integrity in the best interest of the Company.

Representation of women and men on the board in 2024 is equal. The members of HS Orka’s Board of Directors are: Mr. Adrian Pike (Chairman), Mr. Bjarni Þórður Bjarnason (Vice Chairman), Ms. Heike Bergmann and Ms. Margrét Ormslev Ásgeirsdóttir.

The Board of Directors, contd.

Mr. Adrian Pike, Chairman of the Board, was born in 1967 and lives in Grazely Green, United Kingdom. Mr. Pike has been on the Board since 2 July 2020. He is qualified electrician, holds degrees in Electrical Engineering and Management. He has over 30 years' experience in the utility and energy infrastructure sectors. Mr. Pike started his career as an apprentice electrician at Scottish and Southern Energy and rose through the ranks to become Group Managing Director. In 2010 he co- founded Anesco Ltd. and was the Chief Executive Officer to 2016. Later, Mr. Pike co-founded InstaVolt Ltd, a rapid EV network and is currently the Chairman of the Board. Furthermore, Mr. Pike is Chairman of the Board of Enviromena and the Chairman of the Board of Clays, the Bar Socialising business in UK.

Mr. Bjarni Þórður Bjarnason, Vice-Chairman of the Board, born in 1969 and lives in Reykjavik, Iceland. Mr. Bjarnason has been on the Board since 10 June 2019. He is certified as Security Broker and holds a C.S degree in Mechanical Engineering from the University of Iceland and Business Administration from SMU Cox School of Business. Mr. Bjarnason has experience in corporate finance and in recent years advised, both Icelandic and foreign, investors in M&A and capital raising. Mr. Bjarnason co-founded Arctia Finance and is currently the Deputy Chief Executive Officer. Furthermore, Mr. Bjarnason is a Board member of Arctica Eignarhaldsfélag, Árvakur and Þórsmörk. From June 2003 to October 2009 Mr. Bjarnason was the Head of the Corporate Finance department at Landsbankinn hf. Previous, he was the Assistant Head of Búnaðarbanki´s Corporate Finance and prior to that in a similar position at Gilding investment fund.

Ms Heike Bergmann, born in 1968 and lives in Heidenheim an der Brenz, Germany. Ms. Bergmann has been on the Board since 24 May 2019. She holds a degree in Master of Business Administration and Electrical Engineering, from the Technische Universität Darmstadt. Ms. Bergmann has experience in sales and marketing in the utility and energy infrastructure sectors. From July 2016, she is the Senior Vice President Sales Africa at Voith Hydro Holding GmbH&Co, previously in a role as Managing Director from 2012 within the same company. From 2011 to 2012 she was a Service Unit Manager at Alstom Grid Inc. and Sales Director from 2007 to 2010 at Areva T&D. She is Vice Chairwomen of the Sub-Sahara Africa Initiative of the German Industry (regional initiative of the BDI) and member of the Private Sector Advisory Board of GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH).

Ms Margrét Ormslev Ásgeirsdóttir, born in 1981 and lives in Garðabær. Ms Margrét joined the board in April 2023. She holds a B.Sc. in Industrial Engineering and M.Sc. in Economics from the University of Iceland as well as an M.Sc. in Renewable Energy Systems and Policies from the School of Renewable Energy Science. Margrét is Head of Operations at Transition Labs, a private climate initiative that partners with high impact climate projects from around the world. Previous positions include senior management roles at Carbon Recycling International and Partner at Brunnur Ventures in addition to business development, corporate finance, corporate banking, and corporate restructuring at Landsbankinn. Margrét has served on numerous boards, both in the private and public sector. Margrét is currently Chairman of the Board of Tæknisetur ehf. and a board member of Röst, Marine Research Center.

All Board members are independent of the company and its day-to-day managers, meaning that the Board members do not own, direct or indirect any shares in the Company, they have not carried out any work for the Company nor have any other connections to the Company´s main clients or competitors. All Board members are dependent of the company's major shareholders, the reason being that there are only two shareholders in the Company.

Once a year the Board conducts self-assessment where each Board member evaluates the work, results, size and the composition of the Board and the Board´s sub-committees. The results provide the Board to continuously improve efficiency, strategic foresight, stewardship, value creation and corporate culture. The Board, furthermore, evaluates the work and results of the CEO.

The Board of Directors, contd.

The communication between the Shareholders and the Board of Directors takes place at statutory shareholder meetings. General Meeting is held annually before 30 April and Extraordinary General Meetings are called as needed in accordance with the Company's articles of association and applicable laws. Regular Board meetings are held with the management team over the course of the operating year including on-site visits. Board members and the management team communicate, in between meetings, through emails and telephone and additional meetings are convened as needed.

In the course of 2024, the Board of Directors held nine meetings with 100% attendance.

Sub-committees

The board has two permanent subcommittees, the audit committee and the remuneration committee. Additionallly, there are temporary subcommittees, or AdHoc Committees, on various matters as needed, composed of representatives from both shareholders.

Audit Committee

The Audit Committee (AC) is a sub-committee of the Company's Board of Directors and is appointed by and operates under the authority of the Board of Directors. The establishment of an AC does not detract from the responsibilities of the Board or relieve it of any liability. Each Board member must have an overview of the matters addressed by the Committee.

The Audit Committee operates in accordance with its rules of procedure, last reviewed on 26 September 2024, available on the Company´s website. The Committee is responsible for reviewing and assessing the quality of the financial information received from management and provide oversight of the audit process. The Committee ensures that the information given to the Board on the Company's operations, status and future prospects are reliable and give the clearest possible picture of the Company's position at any given time.

The Committee's key activities and tasks are to:

a. Monitor working processes in the preparation of financial statements, the corporate governance statement and non-financial information;
b. Review the post-audit management letter together with the management´s response and follow up on mitigating action with the management;
c. Assess management reports on the Company´s finances;
d. Monitor the arrangement and efficiency of the Company's internal controls, internal auditing (where applicable), risk management (including responses to risks) and follow up on remedies to shortcomings identified during internal controls;
e. Monitor the auditing of the Company's annual financial statements, including reviewing and challenging where necessary;
f. Assess and manage the work of the Company's auditors and review their findings.

The Audit Committee consists of three members, one appointed by each shareholder and one independent member. The members are Ms. Hildur Árnadóttir (Chairman and independent), Mr. Olli Mononen and Ms. Margrét Ormslev Ásgeirsdóttir.

In the course of 2024, the Audit Committee held four meetings with 100% attendance.

The Remuneration Committee

The Remuneration Committee (RC) is a sub-committee of the Company’s Board of Directors and is appointed by and operates under the authority of the Board. The establishment of a RC does not detract from the responsibilities of the Board or relieve it of any liability. Each Board member must have an overview of the matters addressed by the Committee.

The Remuneration Committee operates in accordance with its rules of procedure, last reviewed on 23 September 2024, available on the Company’s website. The Remuneration Committee consists of two members, one appointed by each shareholder.

The Remuneration Committee assists the Board in ensuring that compensation arrangements support the Company’s strategic aims and enable the recruitment, motivation and retention of senior executives, while also complying with legal requirements.

The Committee’s key activities and tasks are to:

a. Prepare and submit to the Board of Directors a draft policy on the remuneration of the Board of Directors, CEO and the executive management and monitor execution of that policy;
b. Collect specific information and present it to the AGM, to enable the shareholders to fully understand the structure of the employment terms of the Board of Directors, the CEO and other managers;
c. Monitor compliance of wages and other employment terms with the laws, regulations and best practices in place at any given time, prepare the Board’s decisions on salary and other remuneration of the CEO, and present to the Board of Directors a draft proposal to the AMG regarding the remuneration of Board and committee members and the auditors.

The Remuneration Committee consists of two members appointed by each shareholder. The members are Mr. Adrian Pike and Mr. Bjarni Þórður Bjarnason.

In the course of 2024, the Remuneration Committee held five meetings with 100% attendance.

The Chief Executive Officer

The Chief Executive Officer (CEO) is appointed by the Board of Directors and is in charge of the Company’s daily operations. He is responsible for the Company’s accounts and recruitment of staff. He is obliged to follow Board policies and instructions and to provide the Board of Directors and Company auditors with any information pertaining to the Company’s operations which they may request, and which may be required by law. The CEO represents the Company in all matters relating to its normal operations. Normal operations do not include measures that are unusual or extraordinary. The CEO may only take such measures if specifically authorised to do so by the Board, unless it is impossible to wait for Board’s decision without substantial disadvantage to the Company’s obligations. In such an event, the CEO must inform the Board of any action taken without delay.

The Chief Executive Officer, contd.

The CEO of HS Orka hf. is Mr. Tómas Már Sigurðsson. He is born in 1968 and lives in Reykjavík. Mr. Sigurðsson holds an M.Sc in Planning from Cornell University, United States and a B.Sc. in Civil and Environmental Engineering from the University of Iceland. Mr. Sigurðsson was appointed as CEO of the Company from 1 January 2020. Prior to that, Mr. Sigurðsson was the Executive Vice President and Chief Operating Officer for Alcoa Corporation, New York, USA. Prior to that, Mr. Sigurðsson held the position of President of Alcoa Europe and Middle East, Geneva, Switzerland, and before that the CEO of Alcoa Fjarðarál and Alcoa in Iceland. He was the chairman of the Iceland Chamber of Commerce from 2009 to 2012 and served as a member of the Federation of Icelandic Industries in 2005-2011. He was also a member of the Executive Committees of the European Aluminium Association, Eurometaux, and the American Chamber of Commerce to the European Union from 2012 to 2014. When working for Alcoa Mr. Sigurðsson sat on number of boards for Alcoa Corporation and was a member of the Executive Committee of Europe Aluminium and Business Europe. From 2019 to 2020 Mr. Sigurðsson was the Vice Chairman of the Board of Directors of Íslandsbanki. He is currently a board member of the Dutch shipping company Cargow B.V., Carbfix hf. and Bifröst University.

The CEO is not a shareholder in the Company, neither directly nor indirectly and has no connections with principal clients or competitors or major shareholders in the Company. No share option agreements exist between the CEO and the Company.

The Executive Board

The Company's Executive Directors are seven. The Executive Board is responsible for strategic planning and decision making according to the mission, vision, and values of the Company as laid down by the Board of Directors. The Executive Board reports directly to the CEO and support the CEO in the daily operations. The members have various backgrounds, specialising in various fields, and three out of the seven members are women.

Arna Grímsdóttir	Executive Vice President of Legal Affairs
Ásbjörn Blöndal	Executive Vice President of Project Development
Björk Þórarinsdóttir	Executive Vice President of Finances and Information Technology
Friðrik Friðriksson	Executive Vice President of Sales and Services
Jón Ásgeirsson	Executive Vice President of Strategy and Resource Park
Kristinn Harðarson	Executive Vice President of Production
Sunna Björg Helgadóttir	Executive Vice President of Technology

Regulatory compliance

In the year 2024, the Company has not violated any laws or regulations to any court or administrative order.