Consolidated Annual Financial Statements
2025

Orkuveita Reykjavíkur
Ssn. 551298-3029
Bæjarháls 1, 110 Reykjavík

Reykjavík Energy

ON POWER · VEITUR · LJÓSLEIÐARINN · Carbfix

Table of Contents

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

2025 in a Nutshell

January

Veitur Utilities began the year strongly by starting the pumping of hot water from a new borehole, HE-17, in Bæjarsveit. The water is 91°C, and the flow is 20 litres per second—an important addition to the West Iceland district heating system.

"When a new borehole is taken into use, the first step is to heat up the pump equipment inside the borehole and conduct tests before flushing. This time, clean and good water flowed quickly through the flushing hose, and the borehole was ready for final testing before being connected to the system."

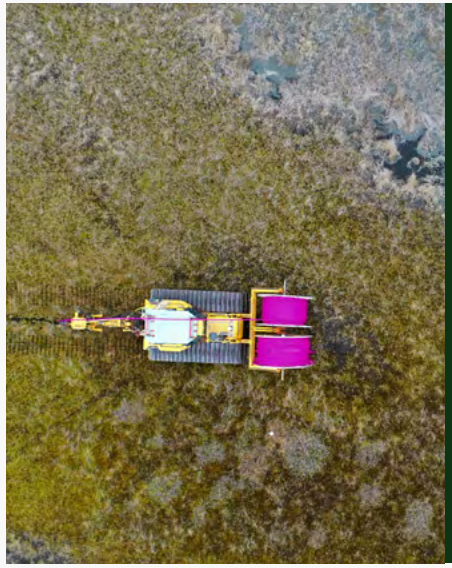
Hrefna Hallgrímsdóttir, Head of District Heating at Veitur Utilities

February

Career Days at Reykjavík University took place on 13 February, where Reykjavík Energy and its subsidiaries — Reykjavík Fibre Network, Carbfix, Veitur, and ON Power — hosted an impressive booth that drew significant interest from students. Staff were present to introduce the diverse and exciting career opportunities available, and many students visited to learn more.

"The atmosphere was fantastic, not least at our prize wheel. It was gratifying to meet so many driven and ambitious students eager to help shape the future with us."

- Maren Heiða Pétursdóttir, Communications and Events Project Manager at Reykjavík Energy



March

The Nordic Investment Bank (NIB) enters a 7-year loan agreement with Reykjavík Fibre Network to support investments in the Icelandic fibre network for 2024–2026. The loan, amounting to ISK 4 billion, co-finances key development projects for the company.

"It is important for Reykjavík Fibre Network to work with strong and reliable partners when it comes to financing. With this agreement, we secure continued growth and can keep building robust and secure infrastructure for the people of Iceland — both for business and everyday life."

- Einar Þórarinsson, Managing Director of Reykjavík Fibre Network

April

On 16 April, representatives of Reykjavík Energy and subsidiary ON Power along with Norðurál's representatives, signed a power purchase agreement for 150 megawatts for the Grundartangi aluminium smelter. The agreement, valid for up to five years, replaces older PPAs between Reykjavík Energy and Norðurál that are set to expire in the coming years.

"While extending cooperation with an important customer whose operations create value for society, new opportunities open up for Reykjavík Energy to be a driving force of a sustainable future."

- Sævar Freyr Þráinsson, CEO of Reykjavík Energy

May

The Veitur Innovation Festival was held for the first time, bringing together employees from Reykjavík Energy and Veitur Utilities along with experts from industry, entrepreneurs, designers, and technologists to find creative solutions to key challenges in the energy and utilities sectors.

"Veitur hopes to make the Innovation Festival an annual tradition, allowing us to continue developing creative solutions that benefit society into the future. Together, we turn challenges into solutions."

- Sólrún Kristjánsdóttir,
Managing Director of Veitur Utilities

June

On 22 June, Minister for the Environment, Energy and Climate formally opened the Steingerður air capture unit at ON Power's Hellisheiði Geothermal Power Plant. The project, a collaboration between Carbfix and ON, makes Hellisheiði one of the world's first carbon-neutral geothermal power plants.

"Our goal has always been to produce hot water and electricity responsibly. Steingerður is a major milestone on this journey, and we are proud of the project."

Árni Hrannar Haraldsson,
Managing Director of ON Power

July

Carbfix received the 2025 WIPO Award from the World Intellectual Property Organisation in the environmental category. Edda Aradóttir, CEO of Carbfix, also received a special recognition as Best Woman Inventor. The awards honour startups and small to medium-sized innovation companies that successfully leverage IP protection to create tangible economic and societal value.

"The award recognises the extensive work we have put into developing and building up the Carbfix technology, as well as the targeted IP strategy developed alongside it. We are proud to receive such recognition on the international stage and for Iceland to be represented among the world's most progressive innovation companies."

- Edda Sif Aradóttir, CEO of Carbfix

August

On 6 August, the 25th anniversary of a groundbreaking agreement between the Reykjavík Education Centre and Lína.Net was celebrated. The agreement marked a turning point in Icelandic telecommunications. A key condition was cost predictability — a fixed monthly fee for data transfer, unrelated to usage or service type.

"This change may seem obvious today, but it was highly controversial at the time and had significant consequences for competition in the telecom market. The changes not only affected technology but also transformed how we live, work, and learn."

- Einar Þórarinsson,
Managing Director of Reykjavík Fibre Network

September

Reykjavík Energy, Carbfix, and ON Power hosted an event at the World Expo in Osaka, held in the Nordic Pavilion. There, the operations were presented and the history of geothermal energy and the future solutions discussed.

"It is important to share the knowledge and solutions we are developing. In a global competition between nations, it matters that Icelanders use their advantages, seize opportunities, and engage openly with interested stakeholders such as those we met here in Osaka. The Deep Drilling Project, the Carbfix technology, and ON's Geothermal Park are all examples of innovation we are proud to lead."

- Sævar Freyr Þráinsson,
CEO of Reykjavík Energy

October

At the Superhot Summit, held in Harpa in connection with the Arctic Circle Conference, Iceland's minister of the Environment, Energy, and Climate introduced a group appointed to lead the development of superhot geothermal utilisation in Iceland. Reykjavík Energy's contribution at the event underscored a leading role in innovation and sustainable energy solutions.

"By harnessing energy from deeper and hotter layers of the Earth, we can multiply output, reduce costs, and lessen environmental impact — this is about the future of sustainable energy."

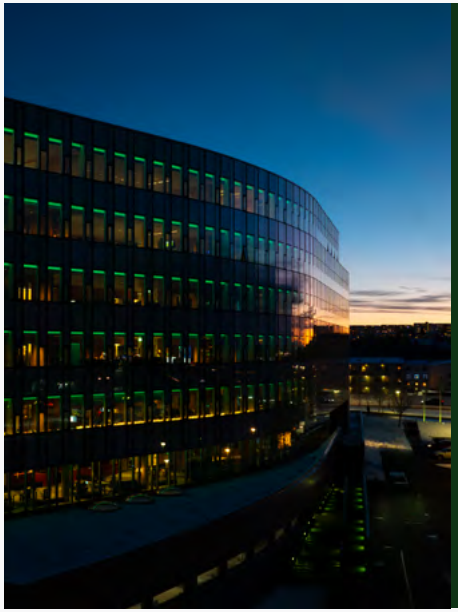
- Hera Grímsdóttir,
Managing Director of Research and Innovation at Reykjavík Energy

November

Reykjavík Energy's Elliðaárstöð was chosen Place of the Year 2025 at the Icelandic Design Awards, presented on 6 November at a formal ceremony. Elliðaárstöð is a vibrant destination offering diverse spaces and varied experiences in the Elliðaárdalur valley.

"Just as the rivers were once harnessed for power, the focus now is on empowering people and ideas at Elliðaárstöð. We work to educate young people about science, energy, and natural resources."

- Birna Bragadóttir,
Director of Elliðaárstöð



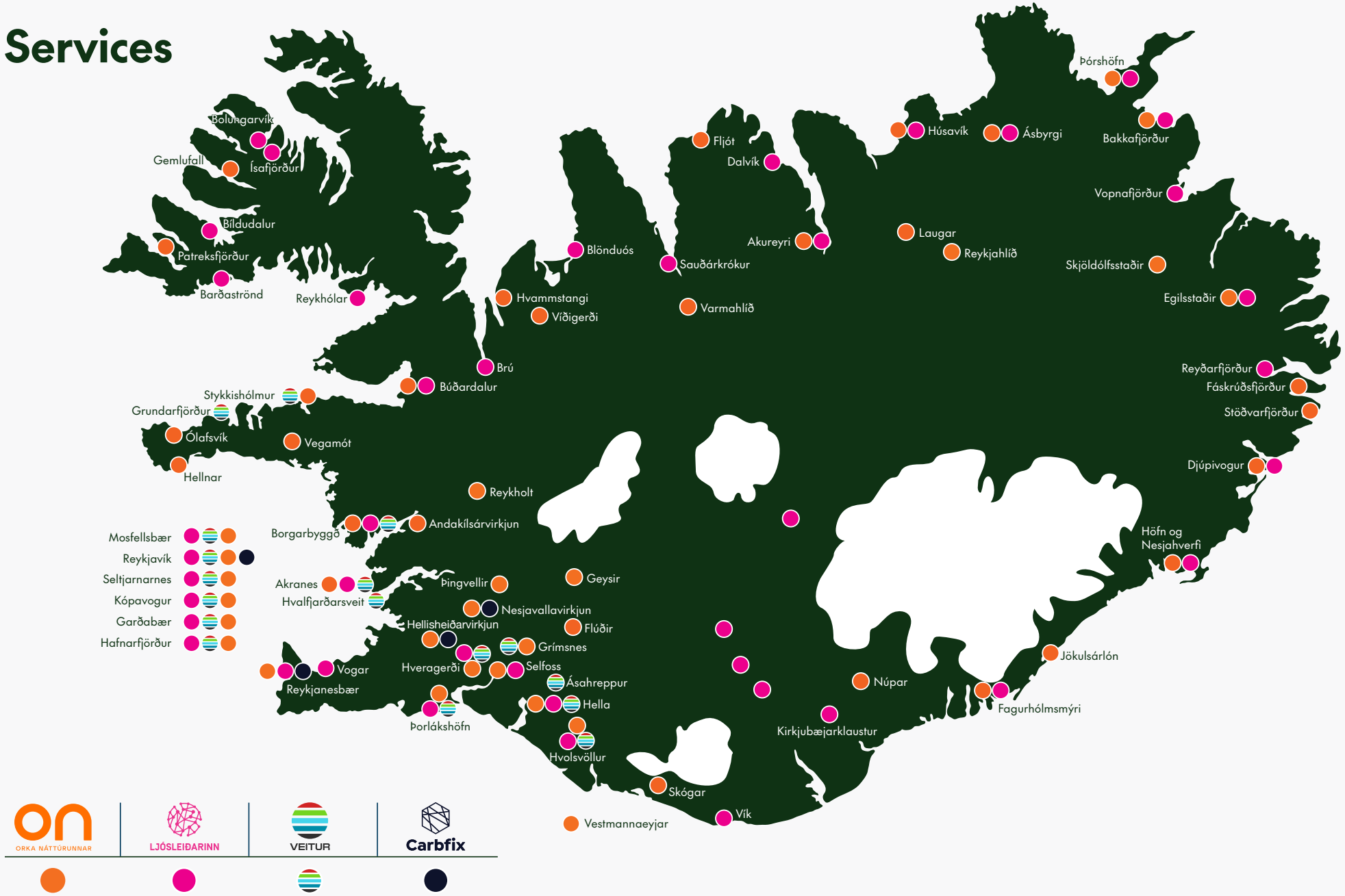
December

The first spaces in the west wing of Reykjavík Energy's headquarters at Bæjarháls were taken into use following extensive renovations. No activity had taken place in the building since mould was discovered there about 10 years ago. It is safe to say that the project was a major challenge, as all exterior walls had to be removed and the building fully refitted.

"The design of an appealing workplace has been extremely successful, and although the road was long and at times difficult, the outcome is excellent. I do not doubt that these changes will make an already great workplace even better."

- Sævar Freyr Þráinsson,
CEO of Reykjavík Energy

Services


Þórshöfn
Húsavík
Ásbyrgi
Bakkafjörður
Fljót
Dalvík
Vopnafjörður
Bolungarvík
Gemlufall
Ísafjörður
Akureyri
Laugar
Reykjahlíð
Skjöldólfsstaðir
Bíldudalur
Patreksfjörður
Barðaströnd
Reykhólar
Blönduós
Sauðárkrókur
Hvammstangi
Víðigerði
Varmahlíð
Egilsstaðir
Brú
Búðardalur
Reyðarfjörður
Fáskrúðsfjörður
Stöðvarfjörður
Stykkishólmur
Grundarfjörður
Ólafsvík
Vegamót
Hellnar
Djúpivogur
Reykholt
Andakílsárvirkjun
Borgarbyggð
Höfn og Nesjahverfi
Mosfellsbær
Reykjavík
Seltjarnarnes
Kópavogur
Garðabær
Hafnarfjörður
Akranes
Hvalfjarðarsveit
Þingvellir
Geysir
Nesjavallavirkjun
Hellisheiðarvirkjun
Flúðir
Grímsnes
Jökulsárlón
Vogar
Reykjanesbær
Hveragerði
Selfoss
Ásahreppur
Núpar
Hella
Fagurhólmsmýri
Þorlákshöfn
Kirkjubæjarklaustur
Hvolsvöllur
Skógar
Vík
Vestmannaeyjar
ORKA NÁTTÚRUNNAR
LJÓSLEIÐARINN
VEITUR
Carbfix

Managers' Overview

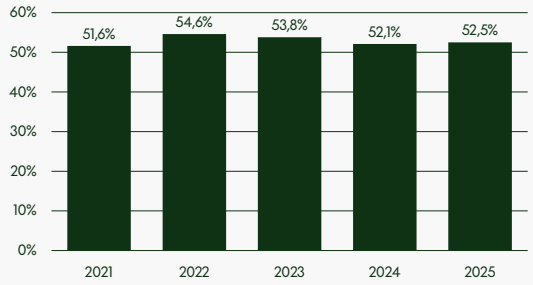
Operating year	2025	2024	2023	2022	2021
Amounts are at each years price level in ISK millions					
Revenues	68,444	66,782	61,169	55,644	51,890
Expenses	(28,185)	(27,720)	(25,469)	(21,220)	(18,380)
Thereof energy purchase and distribution	(6,449)	(7,191)	(7,264)	(6,718)	(5,872)
EBITDA	40,259	39,062	35,701	34,424	33,510
Depreciation and amortisation	(17,485)	(16,830)	(15,797)	(14,439)	(13,257)
EBIT	22,774	22,232	19,904	19,984	20,253
Cash flow statement					
Received interest income	1,230	1,066	591	313	256
Paid interest expenses*	(8,335)	(8,037)	(7,040)	(5,061)	(4,398)
Net cash from operating activities*	31,422	29,725	27,672	26,358	25,582
Working capital from operation	30,462	29,113	27,465	27,587	23,675
Liquid funds	**31.12.2025**	**31.12.2024**	**31.12.2023**	**31.12.2022**	**31.12.2021**
Deposits and marketable securities	15,364	11,594	8,670	11,071	14,657
Cash and cash equivalents	10,827	16,438	10,342	6,651	10,320
Undrawn credit lines	20,053	4,550	14,660	9,100	9,629
Liquid funds total	46,244	32,582	33,672	26,821	34,606

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

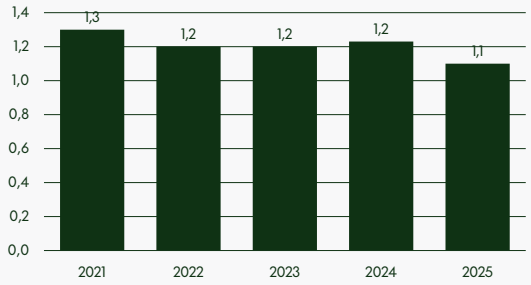
Electricity generation (GWh)	3,247	3,384	3,509	3,494	3,545
Hot water production (million m^3)	108	119	112	107	104
Water production (million m^3)	28	30	32	29	28
Data volume (Terabytes)	1,268,000	574,000	518,000	443,000	396,000
Carbon intensity of electricity generation (g CO_2-eq/kWh)	6.5	7.3	7.3	7.5	7.3
Carbon intensity of heat production (g CO_2-eq/kWh)	3.9	3.7	3.5	4.0	3.7
Mineralised CO_2	18,800	12,100	12,500	12,300	13,400
Unexplained gender pay gap	-0.3%	0.59%	-0.10%	0.10%	-0.20%

Financial Ratios

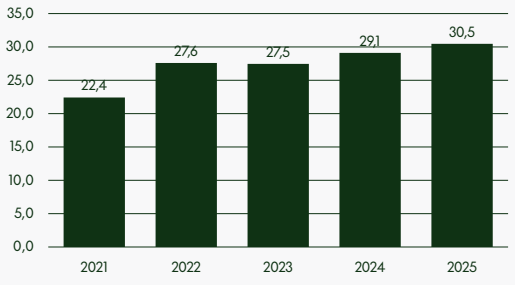
Equity ratio



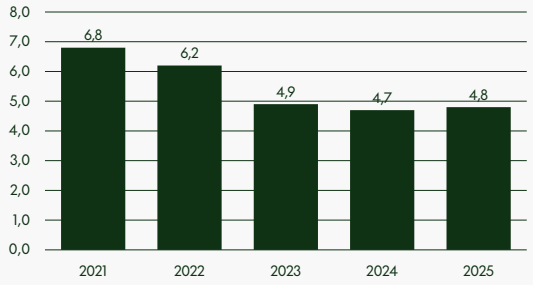
Current ratio



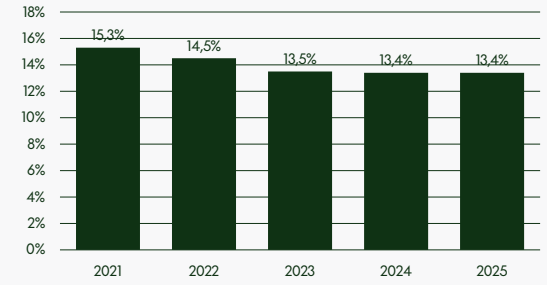
Working Capital from Operations (ISK billions)



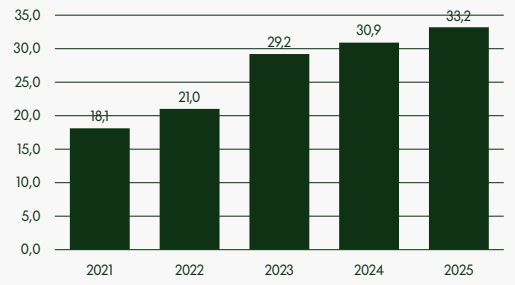
Interest Coverage



RCF / Net Debt



Investments (ISK Billions)



Report of the BoD and the CEO

Chairman and CEO's Introduction

In these years, RE and all its subsidiaries – Veitur Utilities, ON Power, Reykjavík Fibre Network and Carbfix – invest a total of ISK 45 billion each year. This is a substantial sum, and it is striking to reflect that these investments are largely hidden from view for all those who conscientiously pay their bills at the end of each month. Some of the investment relates to project preparation; some is software running on computers; and much of the tangible investment is literally buried in the ground, in the form of water pipes, power cables, boreholes, massive sewer pipes, or hair-thin fibre-optic cables. Yet it is the invisible assets that play the leading role in ensuring that Reykjavík Energy is a driving force for a sustainable future. Construction, maintenance and the cost-effective operation of these essential societal infrastructures proceeded, in general, very well in 2025, and this section reports on the principal achievements, the main challenges and future plans.

Increased Energy Production

Reykjavík Energy's tallest structure was erected during the year: a meteorological mast, installed to prepare for the possible utilisation of wind power on the highlands to the east of Reykjavik. In addition to the green electricity that it may provide, the main environmental impacts of harnessing the wind are, by their nature, visible. Compared with other RE investments, this 125-metre mast therefore stood out somewhat. Reykjavík Energy is determined to secure additional energy in the coming years. This energy is intended both to support the development of new value creation and to enable the energy transition of existing activities. Wind power will play a role, and hydropower options are

Sævar Freyr Þráinsson CEO and Gylfi Magnússon Chair of the Board.

also under consideration. It is likely, however, that the largest share of additional electricity will be derived from geothermal resources in the Hengill area.

In September 2025, the environmental impact assessment for geothermal utilisation in new areas south of the Hellisheiði Power Plant's current geothermal fields was completed. Planning work was also concluded, and a development permit was issued. Drilling of an exploratory well in the area – the first drilled by Reykjavík Energy in a decade – has been successfully completed. Extensive agreements for further geothermal drilling are also in place.

A second tall structure was brought into operation in 2025: an air purification facility at ON Power's Hellisheiði Power Plant. Carbon dioxide from the geothermal steam used by the station is captured together with hydrogen sulphide, and both are permanently mineralised underground using Carbfix methods. This allows the power plant to become close to carbon-neutral – the first power plant of its kind in the world.

Veitur Utilities continues its search for hot water in various locations across the company's district heating service area, which extends from Rangárvellir in the east to Stykkishólmur in the west. Results were mixed: highly promising in some places, less so in others. Kjalarnes may become a new source of hot water for the Capital Region following a successful drilling project, and new wells were brought into operation in Bæjarsveit in Borgarfjörður and in Öndverðarnes for the Grímsnes district heating system. Demand is increasing across almost the entire service area, and drilling lies ahead to increase reserves at Rangárvellir, in Hveragerði, in Borgarfjörður, for Þorlákshöfn, as well as drilling in the geothermal areas in Mosfellsbær to increase the capacity that low-temperature areas can deliver to the Capital Region during the harshest cold spells. In addition, ON Power is constructing a thermal facility at the Hellisheiði Power Plant to increase Veitur's capacity in the Capital Region.

Rapid population growth and housing development create sustained pressure on Veitur to secure additional thermal energy. It remains uncertain whether this winter or the next will bring a cold snap that nearly fully utilises the increased capacity, or even exceeds it for some days, with attendant contractual curtailments of supply. In this respect, uncertainty has increased. Warming due to climate change is what the world is preparing for, yet in 2025, data emerged indicating an increased likelihood of catastrophic cooling in Iceland, driven by reduced northward heat transport by Atlantic currents. Fortunately, the likelihood is not high but is increasing, and sufficient for Iceland's National Security Council to examine this uncertainty. This uncertainty is also on the agenda at Veitur.

Development of Business Opportunities

Further commercial development at Carbfix was delayed during the year when it became clear that the vicinity of Straumsvík could not, for the time being, serve as a site for carbon mineralisation. By then, other municipalities had expressed interest in hosting such climate-friendly innovation. Letters of intent were signed with Ölfus and Norðurþing, and development based on those declarations is being explored. This work has revealed various hurdles – including regulatory ones – on the path to fully mature carbon mineralisation. Carbfix is now developing ideas for a direct connection to Elkem's metallurgical plant at Grundartangi. This could become the first commercial application of the method outside the RE Group and an important milestone on the path to external equity financing

for further projects. In addition to Carbfix, Reykjavík Energy and ON Power are parties to a letter of intent concerning expanded climate-friendly activity at Grundartangi. This will also consider collaboration related to the utilisation of waste heat from Elkem in a thermal power plant.

Another company within the Reykjavík Energy Group for which external equity financing has been envisaged is Reykjavík Fibre Network. Following significant investment in developing the company's own telecommunications network and in acquiring other networks, the operational focus has been on integrating those systems and achieving profitable operations. The company is progressing very well on that journey, although the 2025 operating result remained on the wrong side of zero.

Debt financing for the companies' investments within the RE Group proceeded according to plan in 2025. The interest rates on domestic financing remained high. Interest rates, however, began to move in a more acceptable direction during the year. Foreign debt financing was more favourable. In 2024 and 2025, RE agreed on long-term financing with the CEB and the European Investment Bank to fund specified projects at Veitur, the Group's largest operating company. In 2025, the Nordic Investment Bank, for the first time in almost two decades, participated in investments in Iceland by issuing ISK-denominated bonds and on-lending the proceeds domestically. Reykjavík Fibre Network benefited from the Bank's initiative.

RE's access to European capital on significantly more favourable terms than those available in Iceland is vital if the Group is to provide public utility services at competitive tariffs. At the same time, careful attention must be paid to foreign exchange risk that may accompany foreign borrowing if its weight exceeds the weight of foreign revenues in RE's operations. All borrowing by RE – foreign and domestic alike – is undertaken under RE's Green Financing Framework. This demonstrates that almost every project – large or small – carried out by the Group meets strict international sustainability requirements, not least in relation to the environment and climate.

Digital Development

The digital development of various systems over the past few years has been substantial. Visibility to customers is reflected in enhanced services on websites and in apps; the less visible side is seen in increased remote operation of utility systems, the emergence of real-time meter data on customers' energy consumption, more accurate and comprehensive geographic information, new and more advanced control systems for generation and utility networks, and expanded remote monitoring of resources and critical infrastructure. This development provides data that can be interpreted employing generative AI to achieve clearer real-time insight into operations. The aim is to support RE's strategic objectives of increased supply of sustainable energy, more efficient and responsible utilisation of resources, and increased efficiency in the robust operation of powerful utility networks, for the benefit of current and prospective customers. Generative AI has opened the door to diverse innovations that are impossible to predict in detail. It has not yet, however, demonstrated that it can replace the fundamental research underpinning scientific knowledge.

By contrast, there is greater certainty regarding increased energy demand arising from data processing associated with the development of generative AI. Across much of the Western world, there is limited scope for new energy options to support the new generation of data centres. This presents both commercial opportunities for a well-connected, energy-rich country and challenges in safeguarding public access to energy at affordable prices.

The Workplace

Digital transformation, and most recently generative AI, is shaping workplaces. Specialists of various kinds have become the largest occupational group within the RE Group, and the Association of Chartered Engineers is the largest trade union.

Skilled tradespeople are the second-largest group. They are the people who make connections in substations, weld pipes together or apart, know the pumps, and are on call so that power or water outages for households and businesses last as briefly as possible. However far generative AI advances, trenches still need to be dug, entered and repaired. Practical expertise is required to operate the hundreds of boreholes serving RE's water, steam, carbon dioxide and district heating systems, the pumping stations, supply stations, telecommunications hubs and, in total, close to 20,000 kilometres of pipelines. It requires intuition for the systems, practical know-how and, not least, an understanding of the hazards associated with extreme heat, high-voltage electricity and confined spaces to ensure that the utility networks function – and that the people who make them function all return home safe and sound.

Despite various initiatives undertaken by RE since the turn of the century to strengthen women's interest in the traditionally male trades, men still account for 95% of the company's skilled trades workforce. For years, the authorities have declared an intention to strengthen vocational education, yet each year hundreds of applicants are turned away from vocational schools. Generative AI and the technologies associated with it are exciting, but if the essential craft workforce is to be available to energy and utility companies, the authorities' stated intent must become visible in practice.

RE has set ambitious human resources objectives for both the short- and long-term. Among the pri-

orities are strengthening managers in their roles and reinforcing the cohesion of the approximately 600 people who work across all RE Group companies. We made good progress towards that goal in 2025, and later in the year, new conditions were created for continued positive momentum. After roughly a decade during which companies and units within RE have faced varying degrees of disruption to their premises, the reconstruction of the Bæjarháls headquarters was completed late in 2025. It has been possible to remedy the extensive damage first discovered in 2015, which had caused the Group considerable cost and inconvenience, and staff from all companies in the RE family have now moved back under one roof. There is broad staff agreement that the reconstruction has been very successful and that the substantial funds spent to repair the damage have delivered excellent facilities.

Risk Materialises

The counterparty risk to which RE is exposed materialised late in the year. After struggling with repeated failures, Norðurál substantially reduced aluminium smelting at Grundartangi in October 2025 and announced it would default on electricity payments, with ON Power as its largest supplier. The seller's contractual risk protection, in the form of a take-or-pay agreement, was thus not respected. Unless circumstances change, litigation appears likely. RE responded to this anticipated significant revenue loss by tightening both operating and investment expenditures and reducing proposed dividend payments for the year 2026. Reduced investment means delays in projects, particularly energy development projects at RE and ON Power and at Carbfix. Risk of this kind was reduced when power sales agreements were concluded between ON Power Norðurál in April 2025. The new agreements are for lower volumes than before, at a higher price, and do not require the power seller to bear the risk of changes in transmission costs. They are also of shorter duration than the previous agreements; they take effect from 2026 and expire in stages through to 2031.

For several years, RE has undergone ESG risk assessments of its operations and has received the rating "excellent", to use the wording of the rating agency. One inherent risk factor in concession-based operations in such assessments is the time required for authorities to approve tariffs. In wastewater operations, investments are required to meet increased environmental requirements and strengthen resilience in response to ongoing climate change. Security of water sources and water supply systems must also be enhanced against climate threats, proximity to expanding development, and multidimensional threats, which, as the term implies, take various forms. At present, there is some uncertainty about the traditional, cost-effective financing of these essential municipal statutory operations through a combination of debt and equity. This also creates uncertainty regarding the ability of owners of water and wastewater utilities in Iceland to undertake the investments.

Making the Invisible Visible

In recent months, RE has been preparing increased energy production, and it so happens that at the same time, work has been underway to complete the restoration following the operation of the Elliðaár Power Plant. It served the residents of Reykjavik and the surrounding communities from the summer of 1921 until 2014, using its original machinery. The plant, which once supplied all of Reykjavik's electricity before the first Sog hydropower plants, could, at that point, at best, have powered only every other streetlamp in the Capital Area.

As legislation requires power plant structures to be removed after use, this plant and its associated works are protected – also under law – RE faced a considerable challenge. Through good ideas, careful design and meticulous development, RE has, in close cooperation with environmental and heritage authorities, succeeded in developing Elliðaárstöð as a sought-after destination in the heart of the Capital Region's most popular outdoor recreation area.

"Make the invisible visible" has been the motto of the educational activities provided at Elliðaárstöð, referring to utility networks that cannot be seen yet form the foundation of a successful and sustainable society. Since 2022, a total of 7,750 pupils have visited, including more than 2,500 pupils in 2025 alone. Visibility of RE's activities is a prerequisite for the Group's ability to attract the human resources of the future. Elliðaárstöð is at the heart of this effort and, in addition to visits by primary school pupils, RE now organises an Energy and Science Day for university students to promote both scientific literacy and interest in energy infrastructure, resources and the lifelines of society. A few stages of the restoration remain, and consultation regarding them is underway.

Work of the Board in 2025

The work of Reykjavík Energy's Board of Directors is visible. Its minutes are public.

In 2025, RE's Board held 16 meetings: 13 Board meetings, owners' meetings in January and November, and the Annual General Meeting in April. The Board's regular evaluation of its own performance and that of the Chief Executive Officer took place in March 2025. During the year, the Board reiterated its request to the owners that RE's ownership policy, originally approved following a public consultation in 2012, be updated. This request was acted upon towards the end of the year when the owners appointed an owners' committee and issued it with terms of reference. The committee's main tasks are to review and formulate proposals

for a revision of the ownership policy, inter alia, considering RE's new overall strategy, and to formulate proposals for amendments to legislation, regulations, the partnership agreement, articles of association and corporate form, as required. The committee's work is to be completed before the end of 2026, and its proposals will be submitted to the municipal councils of the owners for approval.

Key Financial Results for 2025

Profit from the Reykjavík Energy group's operations in 2025 amounted to ISK 11,519 million (2024: profit ISK 9,309 million). The group's total profit in 2025 was ISK 23,035 million (2024: ISK 12,748 million). According to the balance sheet, the group's assets amounted to ISK 537,907 million at the end of the year (31.12.2024: ISK 509,953 million). Equity was ISK 282,267 million at the end of the year (31.12.2024: ISK 265,732 million), and the group's equity ratio was 52.5% (31.12.2024: 52.1%).

On October 29, 2024, RE issued a financial forecast in the Nasdaq Iceland news system. According to the forecast, revenue for 2025 would be ISK 71.1 billion but turned out to be ISK 68.4 billion. Operating expenses were forecast at ISK 29.6 billion, but were ISK 28.2 billion, or ISK 1.4 billion lower than forecast. ISK 39.2 billion was invested over the year, compared with the financial forecast of ISK 39.5 billion.

The board of directors of Reykjavík Energy proposes at the annual general meeting that a dividend be paid to the owners in 2026 for the operating year 2025 in the amount of ISK 4,5 billion, thereof ISK 1 billion conditional. In other respects, reference is made to the Financial Statements regarding the allocation of profits and other changes in equity.

Reykjavik Energy's BOD, from left: Skúli Helgason, Valgarður Lyngdal Jónsson, Þórður Gunnarsson, Ragnhildur Alda Vilhjálmsdóttir, Gylfi Magnússon Chair of the Board, Vala Valtýsdóttir Vice-Chair of the Board, Guðveig Lind Eyglóardóttir.

Reykjavík Energy Group

Reykjavík Energy

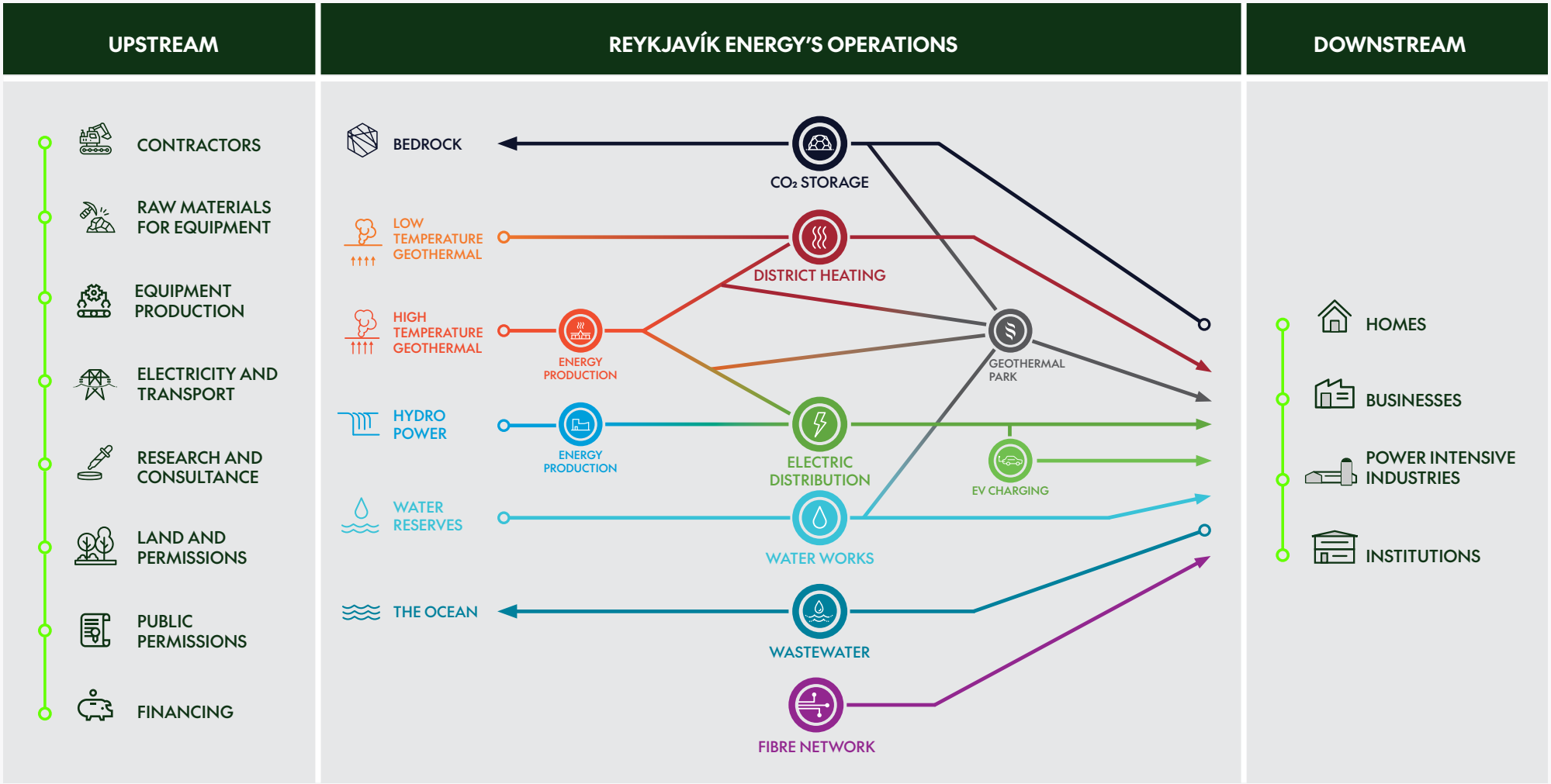
The parent company oversees the group's finances, procurement, human resources, information technology, and research and innovation activities. Additionally, the parent company manages legal affairs, land holdings and rights, and communications. OR Eignir ohf. is the entity responsible for holding shares in Veitur, Orka náttúrunnar, and ON Power.

The average number of full-time equivalent positions within the group in 2025 was 575. At year-end 2025, the group had 606 permanent employees, of whom 220 (35%) were women and 386 (65%) were men. Non-binary employees accounted for less than one percent.

Among Reykjavík Energy Group's management at year-end, 54% were female and 46% male. One-third of Reykjavík Energy's board members were female, and the chair of the board was a male.

	Field of work	Main Acts that apply to the operations The Act on Reykjavík Energy applies to all operations of the Reykjavík Energy Group	Revenues (See also note 5 in the consolidated financial statements)	Employees Permanent Staff at Year-End 2025 Female:Male on the Board Gender of the Chair of the Board
VEITUR Veitur ohf. OR vatns- og fráveita sf.	**Veitur** operates electric and district heating utilities, almost all licensed in their area of operation. Veitur takes care of the operations of the OR vatns- og fráveita partnership, which performs the statutory obligations of municipalities with regard to water supply and sewerage, especially in those municipalities that own RE. NACE: D35.12, D35.13, D35.30, D35.30, E36.00, E37.00	Energy Act, Electricity Act, Act on the construction and operation of sewers, Act on municipal water supply, Water Act, Information Act, Administrative Act (water and sewerage), Act on Environmental Responsibility.	Revenues are almost entirely derived from selling utility services provided under exclusive licenses to households and businesses. Tariffs are subject to government oversight as follows: District Heating: Ministry of the Environment, Energy, and Climate Electricity Distribution: Environment and Energy Agency Water Supply: Ministry of Infrastructure Wastewater Services: Ministry of the Environment, Energy, and Climate.	183 3:2 Female
ON POWER Orka náttúrunnar ohf. ON Power ohf.	**Orka náttúrunnar** PLC produces hot water and electricity at the Nesjavellir geothermal power plant and electricity at the Andakílsá hydropower station. The water goes to Veitur's district heating in the capital area, while the electricity goes mainly to the general market. ISK is the working currency. Orka náttúrunnar manages the operations of ON Power PLC, which produces hot water and electricity at the Hellisheiði geothermal power plant, where it also operates the Geothermal Park, The water goes to Veitur's district, heating in the capital area, and the electricity goes mainly to the wholesale market. USD is ON Power's operational currency. NACE: D35.11, E36.00, F42.11	Electricity Act, Energy Act, Water Act, Competition Act, Act on Environmental Responsibility.	Revenue is from the sale of electricity in the general market, the sale of electricity in the wholesale market, the sale of hot water wholesale to Veitur's district heating in the capital area, guarantee of origin sales, and rent for the facilities at the Hellisheidi Geothermal Park in Ölfus. The wholesale price of hot water is subject to the supervision of the Environment and Energy Agency, but the electricity market is a competitive market which is monitored by i.a. The Competition Authority and the Environment and Energy Agency.	117 3:2 Female
LJÓSLEIÐARINN REYKJAVÍK FIBRE NETWORK Ljósleiðarinn ehf.	**Reykjavík Fibre Network** installs and operates an extensive fibre-optic network utilised by telecommunications companies providing internet services to homes and businesses. NACE: J61.90	Act on telecommunications, Competition Act.	Revenues are, on the one hand, from fibreoptic connections to homes and companies that use the services of electronic communications companies via the Reykjavík Fibre Network's sy-stems, and on the other hand, from the wholesale of data transmission via fibre- optic ca-bles within the communications companies' systems. The electronic communications market is competitive under the supervision of the Electronic Communications Office of Iceland and the Competition Authority.	52 3:2 Female
Carbfix Carbfix hf. Eignarhaldsfélagið Carbfix ohf. Coda Terminal hf.	Carbfix is a research, innovation, and consulting company in the field of carbon sequestration. It provides services to companies both within and outside the RE Group., Carbfix hf. was established in 2022. Eignarhaldsfélagið Carbfix ohf. holds the patents related to Carbfix, and Coda Terminal is a project company for carbon mineralisation facilities. EUR is the functional currency of Carbfix hf. and Coda Terminal hf. NACE: E39.00	Act on Hygiene and Pollution Prevention, Act on Environmental Responsibility.	Carbfix is a start- up company, based on the technology of the same name for carbon sequestration. The company's income is through consultation, development, and operations of Carbon sequestration facilities, and grants from international competition funds for research and development.	49 3:2 Female

RE's Value Streams



Value Creation and Stakeholders

The role of Reykjavík Energy can be described as connecting communities to natural resources. The image on the previous page is for illustration, and the table below highlights the links in the value chains that pass through the RE group.

The employees of Reykjavík Energy engage in extensive and ongoing communication with the stakeholders involved in the company's operations. The table shows where the main stakeholder groups are involved in value creation.

	Natural resources	New projects	Production and distribution	Business and services
Main activities	• Locating natural resources • and acquiring rights • Monitoring and management of resource utilisation • R&D	• Designing and acquiring • permits • Financing • Purchase of materials, equipment, and contractor services • Supervision and testing	• Commissioning new project • Managing and monitoring production • Supervision, maintenance, and renewal • Purchasing materials and machinery	• Acquiring and registering customers • Connecting homes and businesses • Metering and billing • Reponding to outages
Stakeholders	**Public entities** Licensing, planning, and inspection **Public** Review of public decisions, appeal **RE owners** Confirmation of extensive projects **Academia** Ideas and knowledge	**Public entities** Licensing, planning, and inspection **Suppliers** Construction, materials, and machinery **Public** Review of public decisions, appeal **RE owners** Confirmation of extensive projects **Financiers** Share capital or loans	**Public entities** Licensing and inspection **Public** Comments and review **Customers** Information on outages **Suppliers** Construction, materials, and machinery	**Customers** Paying invoices, meter reading **Public entities** Monitoring of delivery security, tariffs, and metering practices
	Employees, **NGOs**, and **organisations** of individuals and companies, as well as **public entities** monitoring working conditions and labour market, are stakeholders to all operations.			

Contents of the Report

Reykjavík Energy has a long-standing commitment to sustainability. It was the first Icelandic company to publish an environmental report in 2000, and corporate social responsibility formed a central theme of the Company's Annual Report in 2006. In 2016, Orkuveitan established its climate targets and, in the same year, selected its priorities among the United Nations Sustainable Development Goals.

Statutory requirements in Iceland concerning sustainability reporting remain in flux. The Icelandic authorities transposed the EU Taxonomy Regulation in 2023 and, the following year, published a consultation draft on the planned transposition of the Corporate Sustainability Reporting Directive (CSRD), the EU directive introducing expanded sustainability reporting obligations for companies. In line with this development, RE conducted a double materiality assessment of its operations and referenced the European Sustainability Reporting Standards (ESRS) in preparing its 2024 Annual Report. Grant Thornton Sweden reviewed two components of the preparatory work, and the resulting recommendations were implemented in spring 2025. In late 2025, the European Union revised the size thresholds for companies subject to the new requirements, resulting in Orkuveitan now falling outside their scope, whether for ESRS reporting or the Taxonomy Regulation. The Icelandic authorities' position on these changes has not yet been announced.

In these financial statements, RE relies on the outcome of the double materiality assessment, conducted under the guidance of PwC consultants and described in detail in the RE's Annual Report 2024. The structure of this report incorporates changes informed by Grant Thornton Sweden's recommendations, stakeholder dialogue, and collaboration with RE's Board of Directors. The principal change from the previous year is that S3 Affected Communities has been assigned increased significance and is now included within the reporting scope.

Assessment on ESRS content categories

It was decided that the contents of this management and CEO report should be based on the materiality assessment, while its external assurance is carried out in accordance with a different sustainability reporting standard, the VSME, as stated in the related assurance statement. The standard was issued in 2023 by the European Financial Reporting Advisory Group (EFRAG).

In recent years, Orkuveitan has undergone an independent ESG risk assessment conducted by Reitun. The assessment evaluates an operator's sustainability position based on risk, governance, and performance. Reitun has carried out ESG assessments of all listed issuers of equity and debt securities on the Icelandic Stock Exchange since 2020.

Result of ESG rating: A3

Excellent	Environment	Social	Governance
88	93	87	82

Distribution of Icelandic issuers

EU Taxonomy

Reykjavík Energy now publishes financial data in accordance with the EU Taxonomy Regulation for the third time. This regulation entered into force in Iceland on 1 June 2023 through Act No. 25/2023. The objective of the regulation is to assess which activities can be considered sustainable based on standardised environmental and climate criteria. To meet these criteria, an activity must either make a substantial contribution to one of the following environmental objectives without causing significant harm to any of the others:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Pollution prevention and control
- Transition to a circular economy
- Protection and restoration of biodiversity and ecosystems

The tables below provide a comprehensive overview of the proportions of investments, expenses, and revenues within the Reykjavík Energy group, classified under the taxonomy regulation. The classification distinguishes between activities that (i) comply with the regulation's assessment criteria (aligned), (ii) fall within the scope of the regulation but do not demonstrate compliance with its assessment criteria (eligible but not aligned), or (iii) fall outside the taxonomy regulation's activity classifications (non-eligible).

Activities covered by the Taxonomy Regulation

Reykjavík Energy's activities fall under the following nine taxonomy categories:

- Electricity generation from hydropower (4.5)
- Transmission and distribution of electricity (4.9)
- District heating/cooling distribution (4.15)
- Cogeneration of heat/cool and power from geothermal energy (4.18)
- Construction, extension, and operation of water collection, treatment, and supply systems (5.1)
- Construction, expansion, and operation of wastewater collection and treatment (5.3)
- Underground permanent geological storage of CO_2 (5.12)
- Transport via motorbikes, passenger cars, and light commercial vehicles (6.5)
- Infrastructure enabling low-carbon road transport and public transport (6.15)

Significant Contribution

All activities in these categories met the assessment criteria for significant contribution to climate change mitigation. Greenhouse gas emissions are verified in accordance with the ISO 14064-1 standard, which is part of the assessment criteria for energy generation (4.5, 4.18). Energy distribution (4.9, 4.15), i.e., district heating and electricity distribution, is almost entirely based on renewable energy sources. Water supply and wastewater systems operate with energy consumption below the thresholds set for their respective categories (5.1 and 5.3). The injection of carbon dioxide (5.12) complies with the regulation on underground CO_2 storage (1430/2022). Reykjavík Energy's vehicle fleet meets the emissions criteria for greenhouse gases (6.5). Charging points exclusively serve clean-energy vehicles (6.15).

The potential impacts of climate change and relevant resilience and adaptation measures have been thoroughly mapped for all of Reykjavík Energy's operations.

Does No Significant Harm

Water and Marine Resources

Reykjavík Energy monitors both the potential and actual impacts of its operations on water bodies. Additionally, environmental impact assessments are a statutory requirement for major construction projects. There is a need to improve the fish passage between Lake Skorradalsvatn and the Andakílsá River. The operation of the Andakílsá Power Station represents a minor share of Orkuveitan's overall energy production.

Circular Economy

RE operates a certified environmental management system under ISO 14001, which covers waste management and resource utilisation.

Pollution

Reykjavík Energy prioritises minimising pollution across all its operations. This is achieved in part through its ISO 14001 environmental management system. Specific initiatives include capturing and sequestrating H_2S gas at geothermal power plants, which has reduced impacts on air quality in neighbouring municipalities. In wastewater management, emphasis is placed on blue-green stormwater solutions to reduce the volume of rainwater entering collection systems.

Biodiversity and Ecosystems

All major construction projects within RE's operations must undergo environmental impact assessments. These assessments always include considerations of biodiversity impacts.

Minimum Safeguards

RE has integrated a focus on human rights into its policies and procedures in line with OECD guidelines and the UN Guiding Principles. This applies to all aspects of the company's operations and supply chain.

Key Performance Indicators

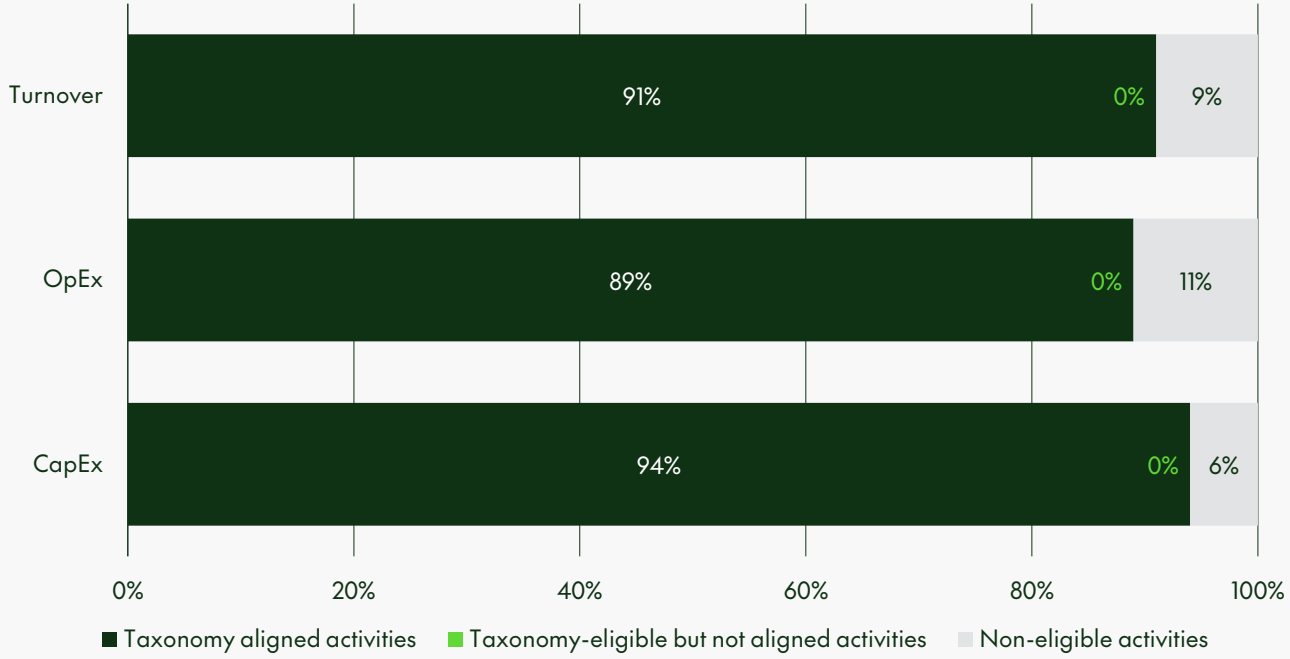
Labelling

Key performance indicators related to the EU Taxonomy for sustainable economic activities are based on RE's interpretation of Annex 1 of Commission Delegated Regulation (EU) 2021/2178. All activity categories are labelled at cost level in Reykjavík Energy's accounting system. Additionally, cost centres were identified as either falling outside the scope of the Taxonomy or belonging to support functions. Support functions were calculated separately from key performance indicators in accordance with 2021/2178.

Double Counting

To prevent double-counting, costs are categorised differently depending on whether they are capitalised or expensed. Furthermore, costs are allocated to distinct operational codes within Dimension 4 of RE's financial system.

EU Taxonomy summary



Turnover

Economic activities **Notes:** Y: Yes N: No N/EL: Non Eligible EL: Eligible N/A: Data not available	Code (2)	Absolute Turnover (3)	Proportion of Turnover (4)	**Substantial contribution criteria**						**DNSH criteria ('Does Not Significantly Harm')**									
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	"Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) turnover, 2023 (18)"	Category enabling activity (20)	Category transitional activity (21)
		m ISK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Transmission and distribution of electricity	CCM 4.9	11.326	17%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	15%	E	
District heating/cooling distribution	CCM 4.15	20.432	30%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	32%		
Cogeneration of heat/cool and power from geothermal energy	CCM 4.18	17.062	25%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	26%		
Construction, extension and operation of water collection, treatment and supply systems	CCM 5.1	3.514	5%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	5%		
Construction, extension and operation of waste water collection and treatment	CCM 5.3	7.844	12%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	11%		
Underground permanent geological storage of CO_2	CCM 5.12	175	0%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	-	0%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%		T
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15	469	1%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1%	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		60.821	91%	91%	91%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	93%		
Of which enabling		11.795	18%	18%	18%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	18%	E	
Of which transitional		-	-	-	-					Y	Y	Y	Y	Y	Y	Y	1%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Electricity generation from hydropower	CCM 4.5	133	0%	EL	EL	EL	EL	EL	EL								0%		
Turnover of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**133**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								0%		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		**60954**	**91%**	**91%**	**91%**	**0%**	**0%**	**0%**	**0%**								91%		
B. Turnover of Taxonomy non-eligible activities		**6.122**	**9%**																
TOTAL		**67.076**	**100%**																

Operating Expenses

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities **Notes:** Y: Yes N: No N/EL: Non Eligible EL: Eligible N/A: Data not available	Code (2)	Absolute OPEX (3)	Proportion of OPEX (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	"Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, 2023 (18)"	Category enabling activity (20)	Category transitional activity (21)
		m ISK	%	J; N; N/EL	J; N; N/ EL	J; N; N/ EL	J; N; N/ EL	J; N; N/ EL	J; N; N/ EL	J/N	J/N	J/N	J/N	J/N	J/N	J/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Transmission and distribution of electricity	CCM 4.9	3979	24%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	16%	E	
District heating/cooling distribution	CCM 4.15	898	5%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	26%		
Cogeneration of heat/cool and power from geothermal energy	CCM 4.18	5320	32%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	25%		
Construction, extension and operation of water collection, treatment and supply systems	CCM 5.1	2186	13%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	8%		
Construction, extension and operation of waste water collection and treatment	CCM 5.3	1939	12%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	9%		
Underground permanent geological storage of CO_2	CCM 5.12	199	1%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	6%		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	122	1%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1%		T
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15	145	1%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	3%	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**14788**	**89%**	**89%**	**89%**	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	**91%**		
Of which enabling		4123	25%	25%	25%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	16%	E	
Of which transitional		122	1%	1%	1%					Y	Y	Y	Y	Y	Y	Y	1%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Electricity generation from hydropower	CCM 4.5	57	0%	EL	EL	EL	EL	EL	EL								0%		
Opex of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**57**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**		
A. Opex of Taxonomy eligible activities (A.1+A.2)		**14846**	**89%**	**92%**	**92%**	**0%**	**0%**	**0%**	**0%**								**92%**		
B. Opex of Taxonomy non-eligible activities		**1.843**	**11%**																
TOTAL		**16.689**	**100%**																

Capital Expenses

Economic activities **Notes:** Y: Yes N: No N/EL: Non Eligible EL: Eligible N/A: Data not available	Code (2)	Absolute CAPEX (3)	Proportion of CAPEX (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	DNSH criteria ('Does Not Significantly Harm'): Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	"Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, 2023 (18)"	Category enabling activity (20)	Category transitional activity (21)
		m ISK	%	J; N; N/EL	J; N; N/ EL	J; N; N/ EL	J; N; N/ EL	J; N; N/ EL	J; N; N/ EL	J/N	J/N	J/N	J/N	J/N	J/N	J/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Transmission and distribution of electricity	CCM 4.9	4.781	15%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	16%	E	
District heating/cooling distribution	CCM 4.15	8.847	27%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	26%		
Cogeneration of heat/cool and power from geothermal energy	CCM 4.18	8.006	25%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	25%		
Construction, extension and operation of water collection, treatment and supply systems	CCM 5.1	2.577	8%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	8%		
Construction, extension and operation of waste water collection and treatment	CCM 5.3	1.813	6%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	9%		
Underground permanent geological storage of CO_2	CCM 5.12	3.698	11%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	6%		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	85	0%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1%		T
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15	553	2%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	3%	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**30360**	**94%**	**94%**	**94%**	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	**93%**		
Of which enabling		5.333	16%	16%	16%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	18%	E	
Of which transitional		85	0%	1%	1%					Y	Y	Y	Y	Y	Y	Y	1%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Electricity generation from hydropower	CCM 4.5	83	0%	EL	EL	EL	EL	EL	EL								0%		
Capex of Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**83**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**		
A. Capex of Taxonomy eligible activities (A.1+A.2)		**30443**	**94%**	**94%**	**94%**	**0%**	**0%**	**0%**	**0%**								**93%**		
B. Capex of Taxonomy non-eligible activities		**2.007**	**6%**																
TOTAL		**32449**	**100%**																

E1 Climate Change

From RE's strategy:

Certified Net Zero by 2040 based on the best standards and international implementation of Carbfix.

Strategy, Approach and Goals

Reykjavík Energy has prioritised climate issues for many years by developing and implementing the Carbfix method to reduce carbon dioxide (CO_2) emissions from the Hellisheiði Geothermal Power Plant. Additionally, the company has worked to decrease emissions from its vehicle fleet, encourage sustainable procurement among its suppliers, promote the energy transition in operations, and enhance carbon sequestration in vegetation and soil. This has been achieved despite the company's operations being based on the extraction and utilisation of renewable energy sources.

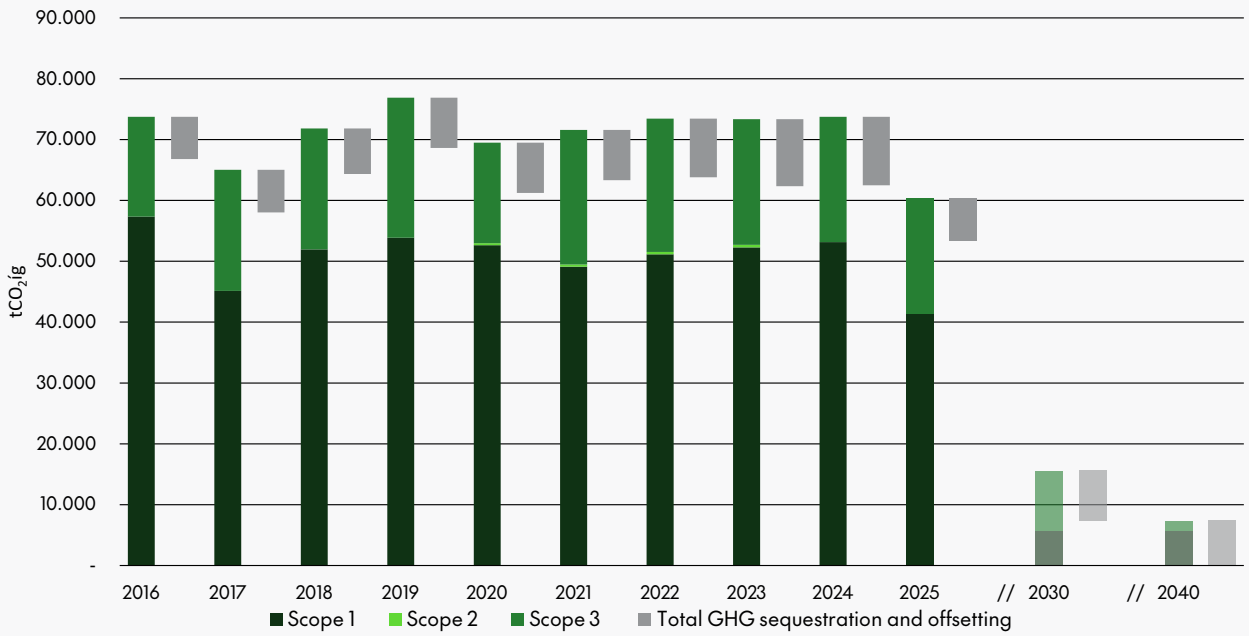
Reykjavík Energy's Sustainability Policy states that the company aims to achieve carbon neutrality for its own operations by 2030 and across its entire supply chain by 2040. This means reducing greenhouse gas emissions by 90% in scopes 1 and 2, and by 40% in scope 3 by 2030, compared to the baseline year of 2016. By 2040, emissions reductions in the supply chain (scope 3) are targeted to reach 90%.

To ensure that Reykjavík Energy operates according to the highest possible standards and best practices, the company has obtained independent verification of both its climate goals and reported emissions figures. In 2024, Reykjavík Energy's climate targets were reviewed and confirmed to meet the Science Based Targets initiative (SBTi) requirements. These goals align with the Race to Zero campaign under the United Nations, supporting the 1.5°C goal of the Paris Agreement.

Reykjavík Energy's climate accounting follows the Greenhouse Gas Protocol (GHGP) methodology and has, for the past two years, been audited according to the ISO 14064-1 international standard.[1]

The company's strategy also emphasises strengthening the resilience of society to climate change

GHG emissions, carbon insetting and offsetting by RE 2016–2025



Total emissions of Reykjavík Energy (direct and indirect), sequestration through land restoration, and carbon offsetting from 2016 to 2025. Also shown are Reykjavík Energy's targets for 2030 and 2040, which have been validated by the Science Based Targets initiative (SBTi).

1 Environmental data 2025

by adapting service systems to changing weather patterns.[2]

Reykjavík Energy's Board of Directors oversees the assessment and management of climate-related risks within the company. The Board reviews the Sustainability Policy at least once a year, following an operational plan that outlines climate and other environmental risks, as well as key environmental factors related to them.

The Board identifies gaps in the policy and provides guidance to Reykjavík Energy's management when necessary.

Greenhouse Gas Emissions (GHG)

Reykjavík Energy's climate impact was assessed in accordance with the GHGP guidelines and the ISO 14064-1 standard. This includes a comprehensive assessment of direct emissions from operations (scope 1), indirect emissions in the supply chain (scopes 2 and 3), biogenic CO_2 emissions, and carbon sequestration from land restoration and afforestation. Reykjavík Energy's detailed climate account for 2025, along with its framework, is published on the company's website.

Total emissions from Reykjavík Energy in 2025 amounted to 60,660 tons CO_2 equivalent (CO_2eq), a 18% decrease from the baseline year 2016, when emissions were 73,755 tons CO_2eq.

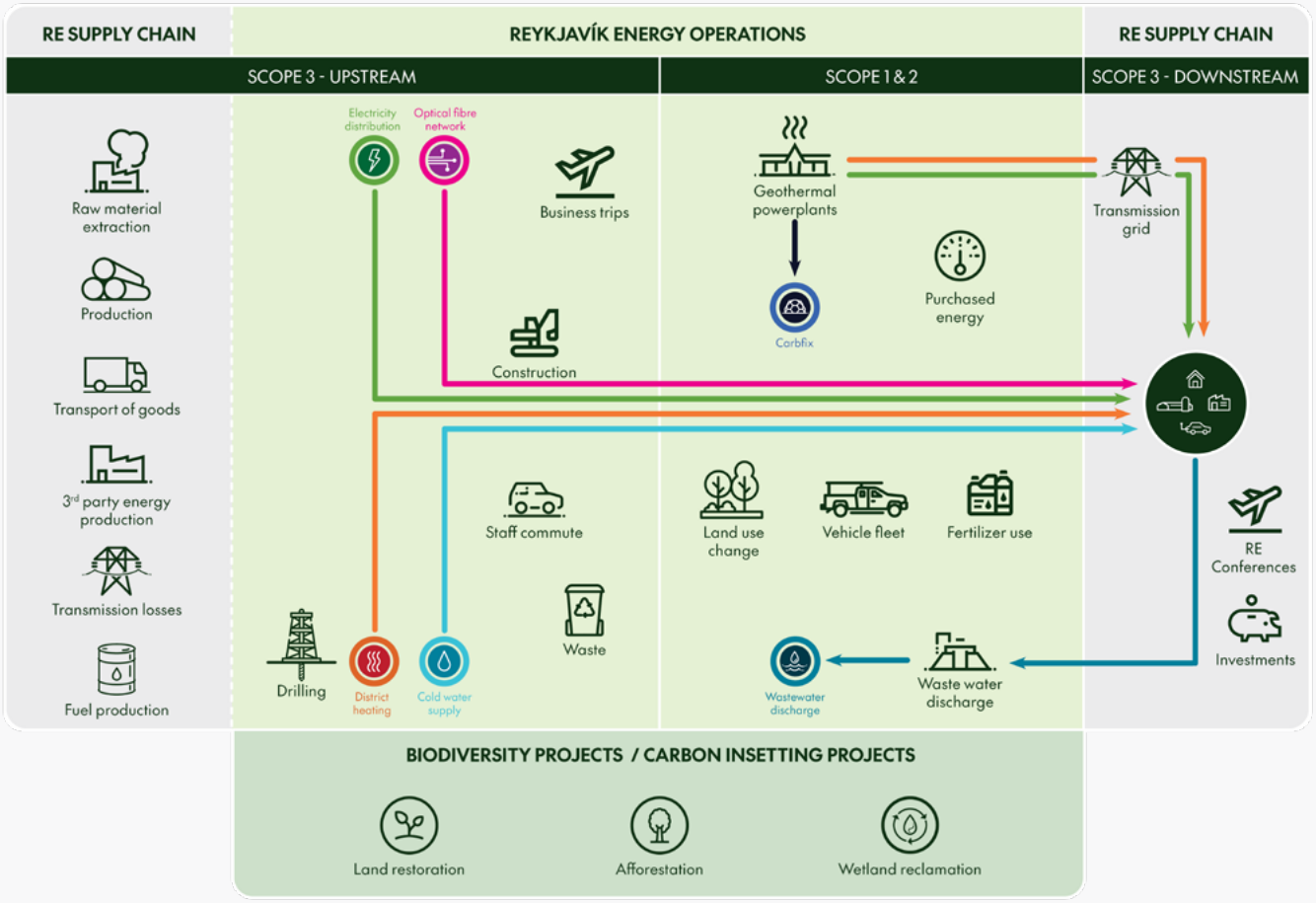
The primary reasons for this decrease was the addition of Silverstone, a fully-scaled carbon capture plant which started operations in june 2025. The plant has a capacity to capture all CO_2 and H2S from Hellisheiði power plant which is then reinjected for permanent sequestration.

The relative CO_2 capture and sequestration at Hellisheiði Geothermal Power Plant was 35% of its total CO_2 emissions. At Nesjavellir Geothermal

2 Adaptation of Reykjavik Energy to Climate Change, 4th phase

The framework for Reykjavík Energy's climate accounting

It outlines the sources of greenhouse gas emissions, where emissions occur within the company's supply chain, and highlights key projects that contribute to biodiversity, ecosystem enhancement, and carbon sequestration.



Power Plant, pilot-scale CO_2 capture and sequestration, which began in 2023, accounted for 5% of the plant's CO_2 emissions.

In 2025, emissions from scopes 1 was 41,365 tons CO_2eq, a reduction of 15,905 tons CO_2eq from 2016. The largest contribution to these emissions was Reykjavík Energy's geothermal power plants, which accounted for 62% of total emissions in 2025. Nitrous oxide (N_2O) emissions from wastewater treatment amounted to 2,320 tons CO_2eq, or 4% of Reykjavík Energy's total emissions.

Scope 2 emissions were none as Reykjavik Energy consumed exclusively energy that it had produced and already accounted for under scope 1.

Emissions from scope 3 amounted to 19,295 tons CO_2eq, an increase of 2,880 tons CO_2eq from 2016, or 18%. The largest component of scope 3 emissions was procurement of goods and services, accounting for 28% of Reykjavík Energy's total emissions, with the highest emissions originating from procurement of steel pipes.

Reykjavík Energy is exploring options to purchase "green steel" and recycled steel, for example, for pipelines, once these materials become available on the market, in order to reduce emissions. Steel pipes alone account for a vast majority of the company's total procurement emissions, meaning that reducing emissions from this source will have a significant impact on scope 3.

The following emissions are considered negligible and were not included in Reykjavík Energy's 2025 climate account. Emissions from the Andakílsá Hydropower Plant reservoir and Skorradalsvatn lake after 80 years of operation. Emissions from low-temperature geothermal areas operated by Veitur. Emissions from data transmission and hosting services for Ljósleiðarinn. Emissions from taxi use, electricity consumption for remote work, and procurement outside the company's purchasing system. Emissions from purchased electricity for energy trading are not disclosed due to confidentiality reasons.

Emissions Intensity

ON Power produces electricity for its customers and supplies hot water in bulk to Veitur. The carbon intensity of electricity is reported in grams of CO_2 equivalent per kilowatt-hour (gCO_2eq/kWh), while the carbon intensity of hot water is reported in grams of CO_2 equivalent per cubic meter (gCO_2eq/m^3).

In 2025, the carbon intensity of electricity was 5.8 gCO_2eq/kWh[3], representing a 43% reduction compared to 2016. The carbon intensity of hot water was 182.8 gCO_2eq/m^3, a 23% reduction compared to 2016. This progress is attributed to the steps taken in Reykjavík Energy's efforts to make Hellisheiði Geothermal Power Plant carbon neutral by 2025 and Nesjavellir Geothermal Power Plant by 2030. Monitoring is conducted on CO_2 and H_2S concentrations in several production wells at Hellisheiði Geothermal Power Plant. The estimated flow time from reinjection to the production area appears to be less than one year, with indications of a slight increase in concentration in two monitoring wells closest to the reinjection site. Efforts continue to optimise the method and direct gas reinjection into wells further from the production area.

Reykjavík Energy does not emit ozone-depleting substances as part of its operations.

Biodiversity and Land-based Carbon Insetting Projects

Reykjavík Energy has engaged in land restoration and afforestation on its properties for over 70 years, since 1950. The objective has been to restore and improve the land, maintain it, rehabilitate natural birch forests, and enhance biodiversity. Over the past decade, an additional goal has been to sequester greenhouse gases (GHG) from the atmosphere in vegetation and soil. The land restoration areas cover approximately 610 hectares, and the afforestation areas about 965 hectares.

Wetland restoration was carried out on over three hectares in autumn 2016, with the aim of reducing carbon emissions from previously drained wetlands and restoring the wetland ecosystem.

In 2025, GHG sequestration in Reykjavík Energy's afforestation areas amounted to 5,740 tons of CO_2

3 Emissions of carbon dioxide & hydrogen sulphide and emission intensity from Hellisheidi and Nesjavellir 2025

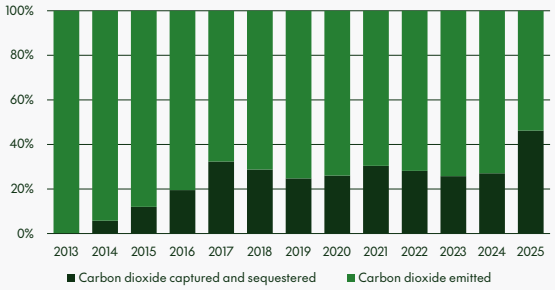
Emissions intensity of Carbon Dioxide

Intensity metric	Unit	Scope	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Electricity (gross)	gCO_2-íg/kWst	Scope 2	9.9	6.9	8.4	8.9	7.9	7.3	7.5	7.3	7.3	5.8
Electricity (net pro-duction)	gCO_2-íg/kWst	Scope 2	10.3	7.9	9.0	9.2	8.3	7.7	7.9	7.7	7.5	6.1
Hot water	gCO_2-íg/m³	Scope 2	245.0	190.5	207.9	214.7	213.0	216.2	231.3	205.2	217.3	182.8

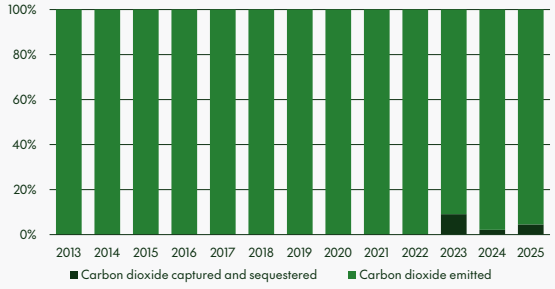
Carbon Intensity of carbon dioxide from 2016 to 2025 (g CO_2 equivalent per kWh). Direct emissions from the production of hot water from low-temperature geothermal fields have been estimated at approximately 0 gCO_2eq/kWh. According to guidelines from the Environment Agency of Iceland on emission factors, the emission factor per kilowatt-hour of electricity is 6.4 gCO_2eq, and the emission factor per cubic meter of hot water is 564 gCO_2eq.

Annual percentage of injection of carbon dioxide from the Hellisheiði and Nesjavellir Geothermal Power Plants

Hellisheiði



Nesjavellir



equivalent, remaining the same as the baseline year 2016. This is because sequestration is assessed every 10 years, meaning the recorded value remains unchanged until the next update. In 2025, sequestration in land restoration areas amounted to 1,285 tons of CO_2eq, reflecting a 4% increase compared to 2016.

Mitigation and Adaptation Measures to Climate Change

Climate change has a direct impact on Reykjavík Energy's operations. The company has analysed and assessed the severity of these impacts on its activities and identified appropriate response measures. Potential adaptation strategies have been explored in relation to increased precipitation intensity, snowmelt, more frequent and extreme temperature fluctuations, severe storms with higher lightning frequency and wind loads, landslides, and sea level rise.

Reykjavík Energy utilises temperature, precipitation, and other climate data based on climate scenarios from the 2018 report by the Icelandic Scientific Committee on Climate Change. These scenarios include, among others, RCP-2.6 and RCP-8.5.

The company is expected to have significant resilience to these changes. In this context, the water utility continuously monitors microbial and chemical contamination in drinking water in real time, enabling preventive actions to ensure its quality. Additionally, the district heating utility assesses future demand for hot water and optimises its utilisation to maintain supply security.

The wastewater utility considers projections of sea level rise and precipitation intensity in its planning. Furthermore, blue-green surface water solutions are being explored to drain and purify rainwater from streets and roads before it flows into rivers and lakes. These measures also enhance biodiversity and improve urban environments, serving as both mitigation and adaptation actions to climate risks.

At the geothermal power plants in the Hengill area, monitoring and response mechanisms are in place to manage infrastructure stress and ensure the security of electricity and hot water supply.

All Reykjavík Energy subsidiaries are developing action plans and implementing these measures in collaboration with municipalities, institutions, academia, and research organisations as applicable.[4]

Board Involvement in Approving the Plan for Achieving Sustainability Goals, Including Climate Targets

As Reykjavík Energy's operations involve the construction and management of infrastructure designed to last over 50 years, the company must consider long-term climate risks in its investments and operations, as well as the opportunities they present. Reykjavík Energy's management assesses and manages climate-related risks within the company and reports these risks to the Board.

The CEO of Reykjavík Energy receives monthly updates on climate-related performance from the company's environmental lead. The role of the environmental manager includes overseeing climate-related matters, which also involves continuous monitoring of Reykjavík Energy's progress toward its climate goals. Performance-based incentives related to carbon footprint reduction are not part of executive compensation.

Climate factors and key climate-related issues are on the monthly agenda of the Board of Reykjavík Energy. The Board reviews, monitors, and ap-

4 Memo Phase 4 - Adaptation to Climate Change

proves major plans concerning climate action, climate risk, the implementation and progress of climate targets, and mitigation measures, while also evaluating the opportunities these actions present.

At least once a year, the Board conducts a comprehensive review of the status and progress of projects related to climate change adaptation.

Climate Innovations

Reykjavík Energy has been at the forefront of innovation and development in climate and environmental matters for the past decade. Innovation and development efforts are carried out within the company as well as in collaboration with domestic and international academia. Cooperation between industry, academia, and municipalities is often essential for turning ideas into practical projects that benefit both businesses and society. More information about these projects, along with other Reykjavík Energy initiatives in climate and environmental innovation and development, can be found on the company's website.

In all its operations, Reykjavík Energy emphasises the efficient and transparent utilisation of renewable energy, strengthening trust and supporting long-term success and resilience. The company also aims to increase transparency in all its activities and innovations.

Reykjavík Energy's products, which are derived from renewable energy, have a positive impact on the carbon footprint of its customers.

Actions in 2025

Reykjavík Energy has already undertaken numerous measures to reduce greenhouse gas emissions and support climate adaptation. These include:

1. Application of the Carbfix method at geothermal power plants: CO_2 capture and sequestration at Hellisheiði Geothermal Power Plant. The goal is for Hellisheiði to become carbon neutral by 2025 and Nesjavellir by 2030. The project has already ensured the sequestration of thousands of tons of CO_2 equivalents annually. Estimated cost: ISK 1.5 billion.
2. CO_2 sequestration experiments using seawater in Helguvík: This project is unique on a global scale and paves the way for the future development of the Carbfix method.
3. Land restoration, afforestation, and vegetation recovery: In 2025, land restoration was carried out on approximately 4 hectares at Gráuhnjúkar and Hjallatorfa, and birch and rowan trees were planted on 4 hectares near Hellisheiði Geothermal Power Plant. The primary goal is to strengthen ecosystems and increase vegetation cover. Enhanced carbon sequestration across 965 hectares of land within Reykjavík Energy's operational areas has further increased the company's contribution to climate action.
4. Energy transition in transportation: Installation of fast-charging stations across the country and collaboration with municipalities and investors on electrification of ships. With over 50 fast-charging stations, Reykjavík Energy has significantly contributed to the energy transition.
5. Adapting utility networks to climate change: Improved monitoring of water quality and distribution systems, supporting analysis of climate impacts. Enhanced understanding of wastewater system responses to climate-related events. Implementation of blue-green surface solutions in collaboration with municipalities to improve wastewater management and enhance climate resilience. Simultaneously, solutions are being developed to meet increasing demand and ensure maximum security of supply.[5]
6. Artificial intelligence for hot water consumption forecasting: This solution supports improved hot water efficiency and increases forecasting accuracy, influencing future investment decisions in the district heating system.
7. Continued deployment of smart meters: These provide insight into electricity and hot water usage patterns over hours, weeks, or months, enabling customers to better manage their consumption, detect anomalies and faults earlier, and create opportunities for energy savings and cost reduction. These meters improve reliability and accountability in energy distribution. Veitur Utilities gains a better overview of how outdoor temperatures affect energy demand, allowing for more accurate forecasting, faster response to malfunctions, and enhanced support for the sustainable and responsible use of resources. More details are available on the Veitur Utilities website.

Future Actions

Future large-scale actions to mitigate risk and capitalise on opportunities in energy production and operations at Reykjavík Energy related to greenhouse gas emissions:

1. Application of the Carbfix method at geothermal power plants in the Hengill area and utilisation of experience from the operation of the air abatement unit at Hellisheiði Geothermal Power Plant for the design and decision-making process regarding emissions treatment at Nesjavellir Geothermal Power Plant.
2. More sustainable procurement. In the long term,

5 Cars and commuting 2025

Reykjavík Energy needs to integrate internal carbon pricing into investment project decision-making and improve employee awareness of its application in project evaluations. Additionally, the company must conduct a long-term assessment of how goods and services related to energy production and operations impact risk, opportunities, and mitigation measures within sustainable procurement.

Reykjavík Energy will continue working on the following projects:

- Energy transition in transportation
- Adaptation of utility networks to climate change
- Deployment of smart meters
- Land restoration, afforestation, and vegetation recovery

Reykjavík Energy's strategy outlines a significant increase in sustainable and diverse energy production, while also committing to achieving carbon neutrality by 2040. If energy production expands significantly, greenhouse gas emissions from planned investments, infrastructure, and long-term contracts are expected to increase. The company has not yet conducted a detailed analysis of how these future developments will impact its carbon footprint, but it is clear that assessing the emission impacts of these projects will be necessary for emissions management.

E3 Water and Marine Resources

From RE's strategy:

Responsible utilisation of water- and marine resources for the future by maximising the lifetime of resources and minimising environmental impact.

Water Resources

Strategy, Approach and Goals

Water extraction from Veitur's and ON Power's water sources is a fundamental aspect of Reykjavík Energy's operations and plays a crucial role in the quality of life for the communities it serves.

Veitur operates fifteen water sources, supplying water to the capital region, West Iceland, and South Iceland. Its distribution systems serve approximately 45% of Iceland's population. More information about the water utility can be found on Veitur's website. ON Power operates three water sources, which are used in the company's geothermal power plants.

Daily domestic water consumption in the capital region is not individually metered but is estimated at 140 liters per person on average. Every year, water leakage is roughly assessed within Veitur's service areas based on annual flow and production data, industrial consumption measurements, and estimated per capita usage. This leakage assessment, along with infrastructure condition evaluations and demand forecasts, helps identify priority areas where water reserves or distribution capacity are at risk.

Veitur have been implementing increased automation to improve leak detection and reduce water wastage in distribution networks. This includes increasing the number of district meters and developing advanced methods to enhance leak identification and pinpoint locations with greater accuracy. This initiative is part of the LIFE ICEWATER project, led by the Environment and Energy Agency of Iceland. Additionally, acoustic sensors have been installed in Veitur' s distribution networks to detect leaks based on sound changes. Veitur is also introducing new technologies to facilitate pipeline condition assessments.

Reykjavík Energy's Sustainability Strategy emphasises its responsibility for the resources it utilies. Responsible resource management ensures that future generations have the same opportunities as present ones to access and benefit from water resources, while also verifying sustainable practices. Reykjavík Energy is committed to protecting drinking water resources from threats and contamination, recognising the responsibility entrusted to the company.

The goal is to ensure that:

- Water sources supplying Veitur's and Orka náttúrunnar's service areas remain unpolluted. Water extraction and related activities must not compromise the potential for equivalent future water use.

A resource assessment indicator has been established to monitor the status and progress of drinking water extraction across Veitur's and ON Power's water sources. This metric evaluates activated water reserves, future reserves, water quality, and potential risks and is updated annually.

Veitur has not set general targets for reducing water extraction and consumption, but the company has collaborated with large consumers and municipalities in areas experiencing water shortages to reduce water use and promote responsible resource management.

Water Protection Areas

Defining water protection zones around Veitur's and ON Power's water sources is one of the most important measures to ensure the purity of drinking water and prevent contamination. Collaboration with stakeholders, including public health authorities and the Environment and Energy Agency of Iceland, which also serve as regulatory bodies for water extraction, is crucial to achieving this objective. Systematic preventive measures and monitoring are in place to safeguard drinking water quality.

Environmental factors, microbial contamination, and climate change effects are closely monitored, along with the transportation of oil, gasoline, and other hazardous substances within the water protection zone of the capital region in Heiðmörk. More information is available on Veitur's website. Accidents and incidents involving hazardous behaviour within water protection areas are recorded, reviewed, and addressed as necessary. Continuous improvements are being made to procedures for pipe connections and flushing in Veitur's distribution systems. To prevent contamination incidents, all Veitur and ON Power employees as well as contractors working on projects in water protection areas receive training on water protection measures before construction begins. This requirement is contractually stipulated in all agreements with service providers operating within Reykjavík Energy's water protection areas.

Groundwater Levels

Groundwater reserves for drinking water resources are closely monitored, along with the impact of their utilisation, in Heiðmörk and other water extraction areas operated by Veitur and ON Power. This is done through a dense network of groundwater level meters in boreholes, data on extraction and withdrawals from boreholes supplying the capital region and the Hengill area, and an annually updated groundwater model.

Increased Seismic Activity

Increased seismic activity continued in the Ljósufjöll volcanic system in West Iceland; however, this activity has not affected the operation of Veitur's utility systems in the area.

Cold Water Extraction, Internal Use, and Reuse of Cold Water

In 2025, Veitur's extraction of cold drinking water amounted to nearly 28 million m^3.[1] ON Power extracted nearly 84 million m^3 of cold water, the majority of which was heated in geothermal power plants in the Hengill area and subsequently used for space heating in the capital region.

ON Power also utilises condensate from geothermal power plants for CO_2 and hydrogen sulfide capture and sequestration using the Carbfix method. Instead of being discharged into cooling towers, the condensate is reused for gas capture before being reinjected into the bedrock.

Water Quality

Water quality in Veitur's water utilities in 2025 was generally good and, in most cases, complied with quality standards, legal provisions, regulations, and company objectives. One exception occurred, as elevated fine material concentrations in the Grábrókarhraun water source continued to pose a significant challenge. Addressing this issue remains a priority.

1 Water utilities and water protection issues 2025

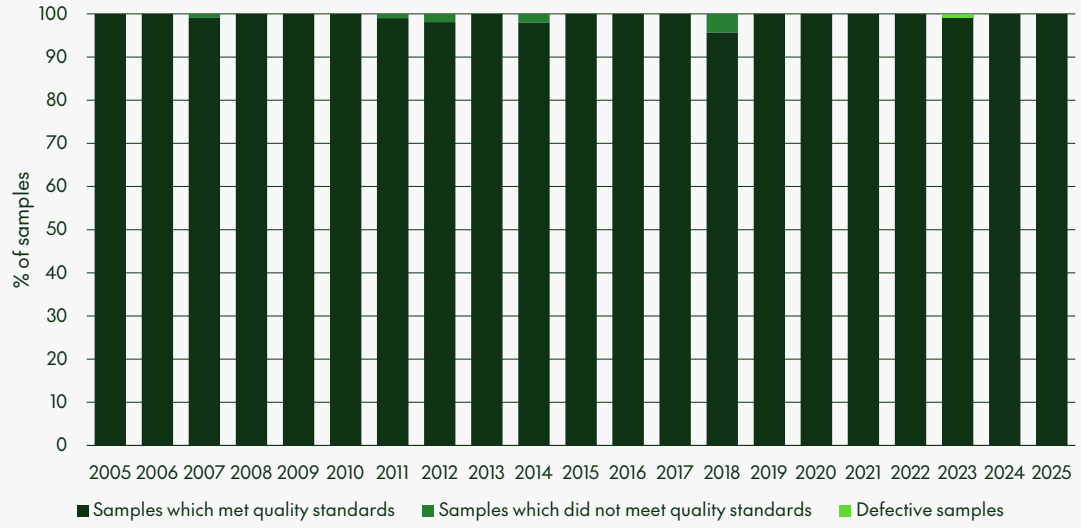
Actions in 2025

Drinking water extraction is assessed within Reykjavík Energy's resource evaluation framework. This means evaluating the risks associated with water extraction and utility operations, as well as external threats to drinking water, such as climate change. Short- and long-term actions are taken as needed.

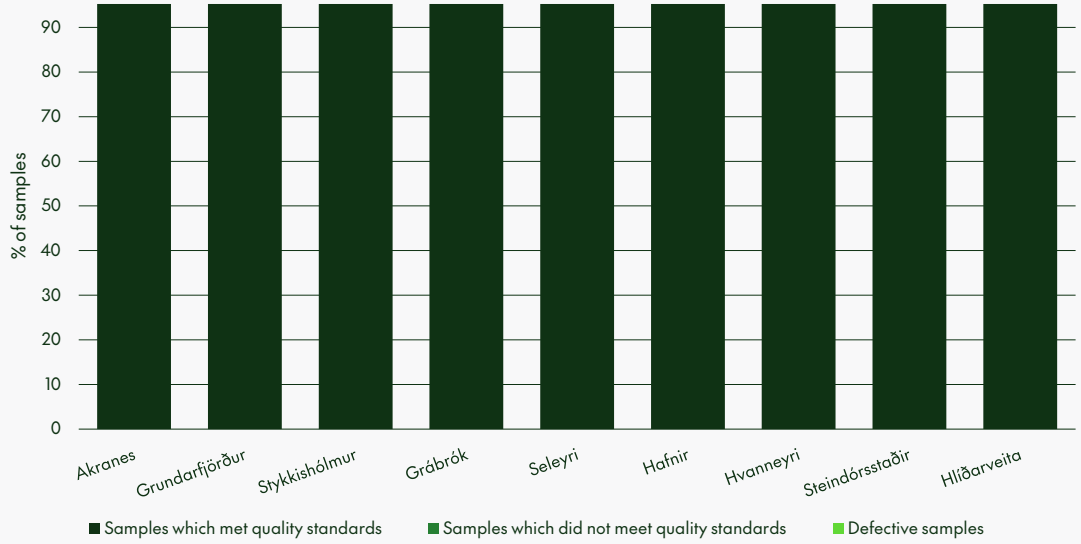
Actions in 2025 to mitigate risks and seize opportunities related to drinking water extraction and operations at Veitur and ON Power:

1. Data from four flow cytometers were used for real-time monitoring of water quality. An additional flow cytometer was installed to assess the efficiency of UV treatment units.
2. A container with a UV treatment unit was installed downstream of the Svelgsárhraun water source following E. coli detection in late 2024. Local plan for Heiðmörk. Reykjavík City is working on a zoning plan for the area in cooperation with Veitur, Reykjavík Energy, and other stakeholders. This plan will shape the long-term vision for the region and is key to ensuring the highest possible water quality for the capital area in the future. Reykjavík Energy and Veitur will prioritise drinking water quality and preventive measures in this planning process.
3. Construction began on a new pumping station at Seleyri, where a UV treatment unit will be installed along with continuous conductivity monitoring to track potential salinity variations.
4. Renewal of UV treatment units at the Grábrókarhraun pumping station and in Akranes was undertaken.
5. An updated policy for water extraction in Heiðmörk was prepared, with a focus on long-term vision and an action plan for water extraction and water protection in the catchment areas.
6. Local plan for Heiðmörk. Reykjavík City is preparing a detailed zoning plan for the area in cooperation with Veitur, Reykjavík Energy, and other stakeholders. This plan will shape the long-term vision for the region and is key to ensuring the highest possible water quality for the capital area in the future. Reykjavík Energy and Veitur are prioritising drinking water quality and enhanced preventive measures within this process.
7. Increased measurements in Bláfjöll within the remote water protection zone of the capital region were initiated by the Association of Municipalities in the Capital Area. The purpose is to better define watershed boundaries and recharge areas for the capital region's water sources.
8. Monitoring the relationship between environmental factors, microbial contamination, and climate change. Data collection and research continued to improve understanding of these interactions.
9. Leak detection using acoustic monitoring and other diagnostic methods. Veitur detects water leaks in pipelines, for example by listening for pressure-related sound variations.
10. Deployment of smart meters in the water utility system to support future infrastructure planning and improve leak detection. Veitur is undertaking this project with support from the LIFE ICE-WATER initiative, led by the Environment and Energy Agency of Iceland.

Drinking Water Quality in the Capital Region 2005–2025



Drinking Water Quality in Rural Areas 2025



Future Actions

Future actions to reduce risks and seize opportunities related to drinking water extraction and the operations of Veitur and ON Power include:

1. Continued implementation of strategic projects on drinking water reserves and water distribution in the capital region, Akranes, Borgarnes, Reykholt, Hvanneyri, and Stykkishólmur.
2. Implementation of UV treatment for water from Veitur's Seleyri water source in West Iceland to ensure an adequate supply of safe drinking water for Borgarbyggð and in Svelgsárhraun for Helgafellssveit.
3. Improvement of water quality in the Grábrókarhraun supply system through enhanced filtration and more distributed water abstraction.
4. Enhanced fire prevention measures to mitigate potential impacts of wildfires on water quality.

Marine Resources

Strategy, Approach, and Goals

The development and operation of Veitur's wastewater system is a fundamental aspect of Reykjavík Energy's operations and plays a crucial role in the quality of life for the communities it serves.

Veitur manages wastewater operations in urban areas in Reykjavík, Akranes, and Borgarbyggð. Wastewater from Kópavogur, Mosfellsbær, Seltjarnarnes, and parts of Garðabær is treated at Ánanaust and Klettagarðar wastewater treatment plants, covering approximately 60% of Iceland's population. More information about wastewater management is available on Veitur's website.

Reykjavík Energy's Sustainability Strategy states that the company seeks to minimise the emission of pollutants and supports research and development to implement the best available solutions, guided by circular economy principles. However, wastewater discharge is an unavoidable part of wastewater operations. According to the strategy, emissions shall only occur in a manner that ensures impacts on human health are negligible and environmental effects are acceptable and continuously decreasing.

The goals are to:

- Ensure that wastewater treatment performance at treatment plants complies with legal and regulatory limits, while also preparing for anticipated future treatment requirements.
- Monitor wastewater receiving environments in accordance with operating permits, legislation, regulations, and Iceland's Water Plan. The concentration of fecal bacteria near discharge points should never exceed 1,000 colony-forming units (CFU) per 100 mL and, where applicable, stricter limits must be met for bathing areas in nature or surface waters near food production sites.
- Prevent untreated sewage discharge from combined sewer systems via overflow outlets due to stormwater loads exceeding 5% of total annual operating time. Under normal operating conditions, discharges should only occur in conjunction with stormwater flows, and essential maintenance activities should be considered acceptable deviations from normal operational standards.
- Under normal operating conditions, emergency discharge outlets should not be activated.

Veitur has established a long-term goal to ensure that shorelines within its operational areas remain clean, as coastal areas are designated as recreational zones in municipal master plans. During construction projects, Veitur avoids, whenever possible, any disruption to marine and coastal areas that are protected under nature conservation laws, supporting the sustainable use of marine and coastal resources.

The provisions of wastewater operating permits also take ecological limits into account.

Regular meetings with regulatory authorities, such as municipal health inspection agencies, are held to develop monitoring plans, track progress, and ensure the implementation of necessary measures.

Wastewater Discharge Into the Sea

Residents and businesses within Veitur's wastewater service area have access to wastewater infrastructure and treatment in compliance with regulations. However, the company has been granted an exemption from the general wastewater treatment requirement, if the receiving waters is monitored for potential negative impacts. See the section below on seawater quality for more details.

The discharge of untreated wastewater through overflow outlets is an inherent part of the wastewater system developed over past decades. This will remain the case in the foreseeable future, as a mixture of sewage, stormwater, and hot and cold water from households continues to flow through the wastewater collection and transmission network. This combined flow overloads the system, particularly during heavy rainfall and snowmelt, leading to coastal pollution. Veitur has responded by improving leak detection and upgrading infrastructure to separate stormwater from wastewater. Currently, approximately 28% of Veitur's wastewater pipes (by length) are combined sewers. In addi-

tion to these factors, climate change impacts—such as weather variability, increased precipitation intensity, flooding, and rising sea levels—affect the performance of wastewater systems.[2]

Seawater Quality and Monitoring of Receiving Waters

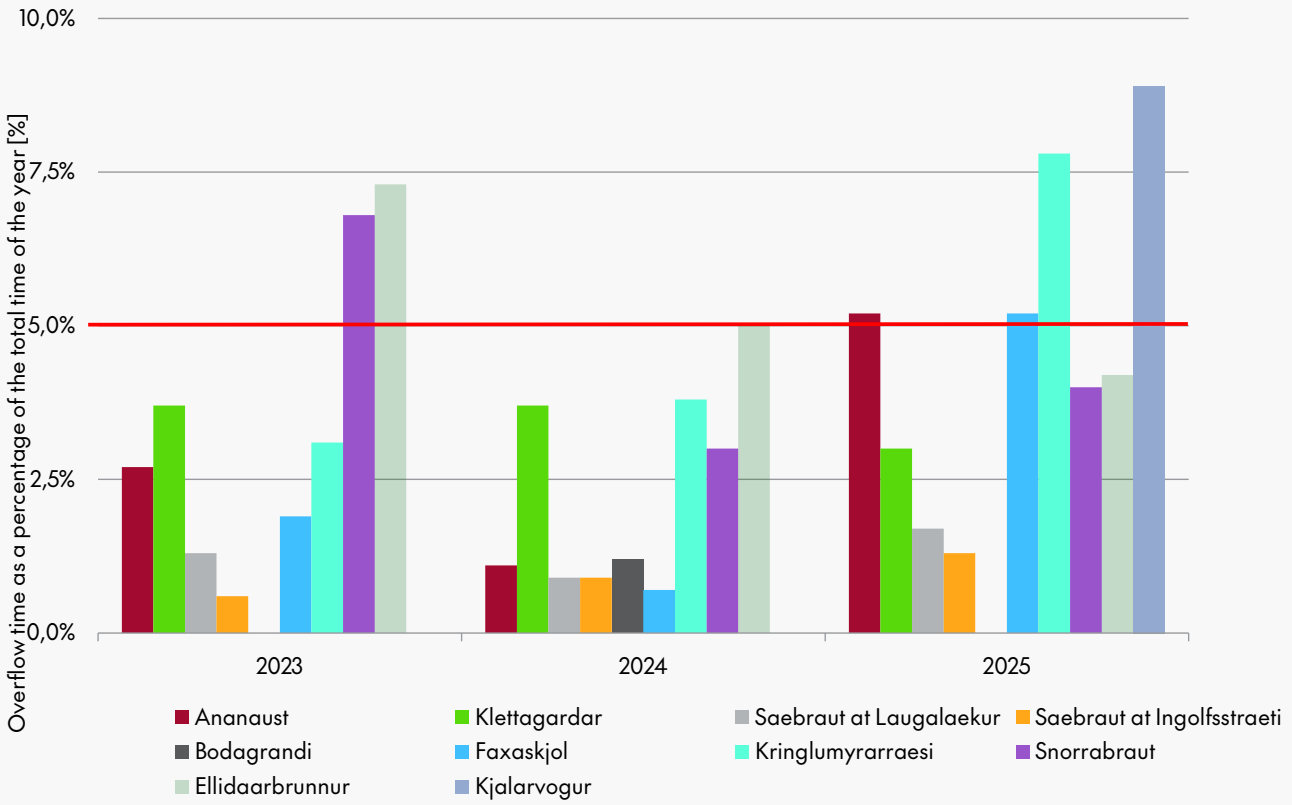
Veitur and the Environmental Health Authority of Reykjavík regularly monitor the microbiological quality of coastal waters in Reykjavík and Kjalarnes. According to Veitur's operating permits, sampling is conducted every four years, with monthly tests for one year during each cycle. The most recent year-long sampling period was from May 2023 to April 2024, covering 10 sampling sites in the capital region. In 2025, a total of 93 samples were collected. Along the coastline, 92% of the samples were below the reference limits for E. coli bacteria, and 98% were below the reference limits for enterococci, indicating low levels of fecal contamination.

Every four years, Veitur also conducts environmental monitoring of its wastewater receiving waters, with sampling near the main discharge points of treatment plants, following detailed guidelines from the Marine and Freshwater Research Institute. The 2023-2024 monitoring results for wastewater discharges into Faxaflói Bay and near Akranes were compared to the EU Water Framework Directive's ecological status classification, assessing chlorophyll concentration, nutrient levels, and invertebrate biodiversity. The results indicate that the water bodies in Faxaflói Bay and Akranes are in excellent condition. In 2025 the Environment and Energy Agency of Iceland has reissued the classification of Faxaflói as a "less sensitive" receiving water.

According to operating permits, mussel studies shall

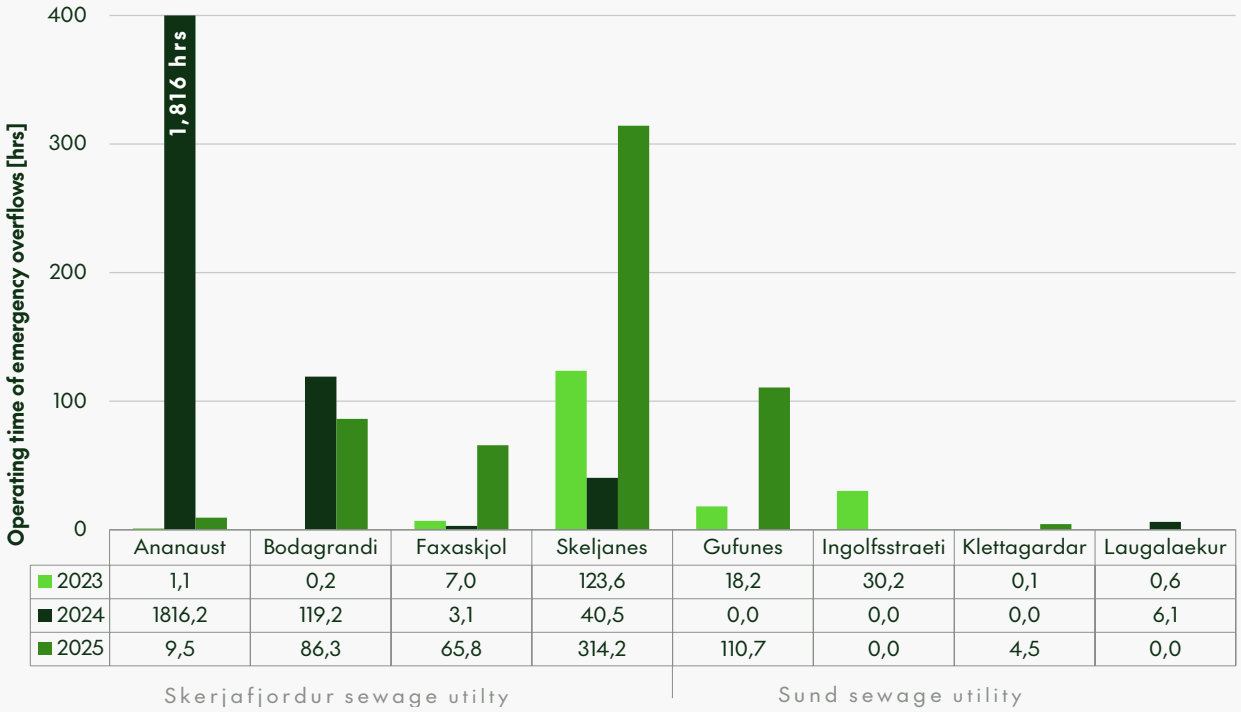
2 Sewage treatment, overflows and sea water quality 2025

Overflow time in sewage systems in the capital area



According to Regulation No. 798/1999 on wastewater systems and sewage, it is permissible to allow stormwater to pass through overflows for up to 5% of the year, or when mixed sewage containing geothermal or stormwater is at least in a ratio of one to five. The overflow duration exceeded this limit at the pumping stations at Kringlumýrarræsi, Faxaskjól and Kjalarvogur, and at the treatment plant at Ánanaust. The root causes and potential corrective measures are still being analysed for Kringlumýrarræsi and Kjalarvogur. Investment for increased capacity at Faxaskjól has been included in Veitur's five-year investment plan. Work is underway to upgrade the discharge pump at the Ánanaust treatment plant, which will help prevent overflow discharges at the station.

Operation of emergency overflows in the capital area



	Ananaust	Bodagrandi	Faxaskjol	Skeljanes	Gufunes	Ingolfsstraeti	Klettagardar	Laugalaekur
2023	1,1	0,2	7,0	123,6	18,2	30,2	0,1	0,6
2024	1816,2	119,2	3,1	40,5	0,0	0,0	0,0	6,1
2025	9,5	86,3	65,8	314,2	110,7	0,0	4,5	0,0
	Skerjafjordur sewage utilty				Sund sewage utility			

The sewage system was under pressure due to weather, repairs to control equipment, and renewal of filtering equipment in 2024. Extensive repairs at Ánanaust took several months, making it necessary to discharge untreated sewage into the sea through emergency overflows.

be conducted every four years at the main wastewater outfalls in the capital region—at Ánanaust, Klettagarðar, and Kjalarnes. Such a study was carried out in summer 2025. Mussel recovery at the outfalls proved highly satisfactory, and the final report is expected by the end of March 2026. The report will summarise findings on the biological condition of mussels, as well as chemical analyses of heavy metals, PAH, and PFAS compounds.

There were some instances of untreated sewage discharge through overflows and emergency outlets in 2025. Due to heavy precipitation in February, it was necessary to open an emergency gate at the Skeljanes pumping station for a considerable period. In addition, overflow time exceeded the 5% limit set in Regulation No. 798/1999 on sewage systems and wastewater at the Kringlumýrarræsi, Faxaskjól, and Kjalarvog pumping stations, as well as at the Ánanaust wastewater treatment plant. Root causes and potential corrective measures are still being analysed for Kringlumýrarræsi and Kjalarvog. Investment to increase capacity at Faxaskjól has been included in Veitur's five-year investment plan. Expansion of the discharge pump at the Ánanaust treatment plant is underway and is expected to reduce overflow discharges at the facility.[3]

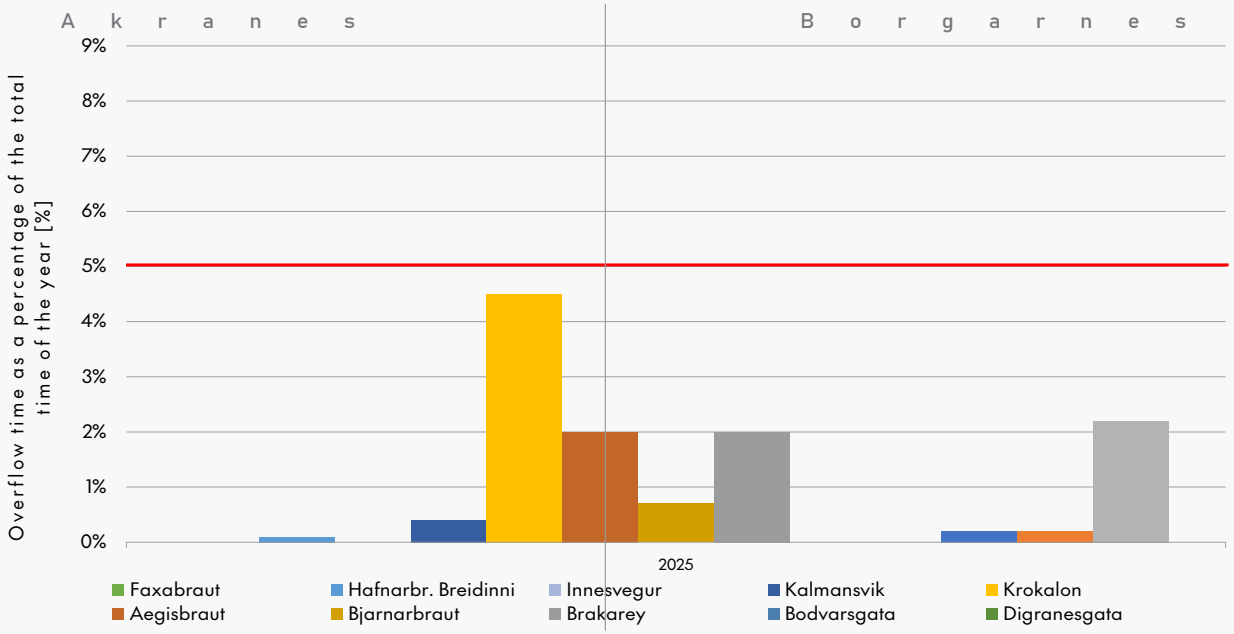
Actions in 2025

Wastewater systems play a key role in public health and community well-being. Improvements to the system are made as needed.

Successful initiatives in 2025 included targeted leak detection, revised maintenance procedures for pumping stations, and a strong emphasis on preparing investments in the pipeline system aimed at diverting stormwater from the sewer network. Reducing wastewater dilution remains a priority for Veitur. Additional actions in 2025 to mitigate risks

3 Sewage discharge report 2025

Overflow time in Veitur's sewage systems in West Iceland



Overflow time in Veitur's sewage systems in West Iceland 2025 when untreated sewage was discharged into the sea. In 2025, sewage discharge through overflows in West Iceland was within the set limits established by Veitur. Veitur's records are automated, and it has become apparent that they should be taken with caution. According to regulation no. 798/1999 on sewage systems and wastewater, it is permitted to allow stormwater to flow through overflows up to 5% of the year or when mixed sewage with geothermal or surface-water is at least in a ratio of one to five.

and improve operations in Veitur's wastewater system include:

1. Following Veitur's decision to implement primary wastewater treatment in the capital region, a preliminary assessment of the scope and implementation of the project was undertaken in 2025. The results indicated that effective implementation will require substantial modifications to both the pipeline network and treatment infrastructure.
2. At the end of 2025, the Ministry reissued Regulation No. 1450/2025 on sewage systems and wastewater treatment, setting clear deadlines for the implementation of secondary treatment. It is evident that separating wastewater from extraneous water within the sewer system is a key factor in ensuring treatment efficiency and cost-effective infrastructure development. The projects ahead are expected to be extensive, costly, and demanding.
3. As part of the preparation process, increased emphasis has been placed on systematic data collection on wastewater composition, including more frequent sampling and expanded monitoring parameters. This work will form the basis for preliminary design and further decision-making. Preparations for preliminary design and future investments in accordance with applicable regulations are now well underway.
4. Separation of non-wastewater flow from the sewer system. Systematic efforts continued to separate all non-wastewater flows from sewage networks. Separation projects were carried out at Hlemmur, Framnesvegur, Skógarhlíð, Ármúli, Grensásvegur, parts of Suðurlandsbraut, Ártúnshöfði, and Flóahverfi in Akranes, as well as Sæunnargata in Borgarnes.
5. Environmental monitoring of receiving waters for treated wastewater from the capital region

and Akranes was completed in the latter part of 2024. The studies were conducted in accordance with nationally harmonised requirements based on Iceland's Water Plan and confirmed that the water bodies are in very good condition. Subsequently, in 2025, the classification of Faxaflói as a receiving water was reissued as "less sensitive."

6. In summer 2025, a mussel study was conducted at the main wastewater outfalls in the capital region—Ánanaust, Klettagarðar, and Kjalarnes. Mussels were deployed at the outfalls and at reference sites, where they were cultivated over the summer. Recovery at the end of the season proved highly satisfactory and provides a solid basis for further analysis. The final report will be published at the end of March 2026 and will present the results of biological assessments of the mussels, as well as chemical analyses of heavy metals and contaminants, including PAH and PFAS compounds.
7. Surface-water management solutions. In cooperation with municipalities, Veitur continued implementing blue-green surface-water solutions (BGO) to slow rainwater runoff from streets, roads, and other surfaces into the sewer system, including in Vogabyggð, Kvosin, Lönguhlíð, Leirtjörn, and Keldnaland. These measures reduce the likelihood of polluted water discharges through overflows. BGO solutions will be incorporated into most road construction projects in collaboration with the municipalities of Akranes, Borgarbyggð, and Reykjavík.
8. Biological treatment plants. Analytical work on solutions to manage microbial concentrations in effluent from the treatment plant at Hvanneyri was completed, and pilot trials commenced. Initial results indicate that the tested technology performs well. Subject to final results, permanent implementation is planned for 2026.
9. Responsible consumption. Veitur continued to encourage the public not to use toilets as waste bins, as disinfecting wipes, wet wipes, and other waste place strain on equipment and the environment.

Future Actions

Future actions to reduce risks and leverage opportunities in Veitur's wastewater infrastructure and operations include:

1. Primary treatment. Preparations are underway for investment in primary wastewater treatment. Part of this preparation involves ensuring that measures in the wastewater collection systems in the capital region and West Iceland comply with the regulatory definition of primary treatment and support the operation of treatment plants.
2. Complete separation of extraneous water from the sewer system. Long-term plans to fully separate non-wastewater flows from the sewage network will continue.
3. Modifications to the wastewater system to improve water quality in Vatnsmýri and Tjörnin. Veitur will carry out projects supported by the LIFE ICEWATER initiative, led by the Environment and Energy Agency of Iceland.
4. Flow meters in the wastewater system. The objective is to establish mass balance accounting at selected sewer manholes, pumping stations, and treatment plants to quantify untreated wastewater discharged through overflows and to better distinguish the municipalities' respective shares in system usage. In addition, specialised continuous monitoring, such as temperature measurements at selected locations, will be implemented.
5. Treatment of sludge from biological treatment plants. The aim is to redirect sludge to reuse pathways instead of landfilling.
6. Reuse of fats collected in wastewater treatment in Reykjavík and Akranes. Options are being explored in cooperation with partners to create value from this energy-rich by-product.
7. Application for end-of-waste status for sand collected in wastewater treatment. This would allow the sand to be utilised as a product rather than disposed of, as is currently the case.

Seawater quality along the coastline in Reykjavík.

Seawater quality along the coastline in Reykjavík, a total of 93 samples were taken for each microorganism group.

Seawater Quality Along the Coastline in Reykjavík and at the Edge of Dilution Zones. Percentage (%) of samples measuring below threshold limits, i.e., under 100 CFU per 100 mL at the shoreline in Reykjavík from 2014 to 2025, and under 1,000 CFU per 100 mL at the edge of dilution zones from 2014 to 2021.

Heat-Resistant Microorganisms		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Fecal Coliforms	%	86	92	85	81	87	90	93	87	95	83	78	92%
Enterococci	%	95	96	95	96	96	99	97	93	99	93	95	98%

From 2014 to 2021, Veitur conducted additional sampling alongside the samples taken by the Environmental Health Authority of Reykjavík (HER), and the results are presented in the table. Veitur did not conduct shoreline sampling in Reykjavík in 2022 (except in connection with maintenance projects) since operating permit requirements specify sampling every four years.

Seawater quality at the edge of dilution zones

Heat-Resistant Microorganisms		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Fecal Coliforms	%	97	97	100	100	97	100	100	100	-	-	-	-
Enterococci	%	100	100	100	100	100	100	100	100	-	-	-	-

In 2021, Veitur discontinued sampling at the boundaries of dilution zones, as this is not required under operating permits.

Seawater quality near Akranes and Borgarnes

Seawater quality along the coastline

No samples were taken in 2025. Sampling is required every four years, with monthly measurements conducted over one year. The last sampling period was 2022–2023. The table shows the percentage of samples below threshold limits (100 CFU per 100 mL for coastal waters and rivers).

	Heat-Resistant Microorganisms		2021	2022	2023	2024	2025
Akranes	Fecal Coliforms	%	86	85	83	-	-
6 samples taken for each microorganisml group	Enterococci	%	93	96	100	-	-
Borgarnes	Fecal Coliforms	%		96	100	-	-
11 samples taken for each microorganisml group	Enterococci	%		97	100	-	-

Monitoring Seawater Quality

The results of sampling conducted by the Reykjavík Health Authority are available on HER's website.

Faxaflóahafnir (Associated Icelandic Ports) and the West Iceland Public Health Authority conduct regular monitoring of microbial contamination in harbours in Reykjavík, Akranes, and Borgarnes, as well as at Langisandur beach in Akranes. The results are available on their respective websites.

Veitur measures bacterial concentrations in treated wastewater and in the vicinity of outfalls from Veitur's treatment plants at Bifröst, Varmaland, Reykholt, and Hvanneyri. The results are published in annual sampling summary reports on Veitur's website.

E4 Biodiversity and Ecosystems

From RE's strategy:

Responsible utilisation of energy resources for the future (thermal and electricity) by minimising environmental impact and protecting biodiversity and ecosystems

Strategy, Approach and Goals

The natural resources of Iceland serve as the foundation for Reykjavík Energy's operations and the quality of life in the communities it serves. The company's operational area extends across the country, with its licensed services spanning from Grundarfjörður in the west to Hvolsvöllur in the south. Approximately 1,600 square kilometres of Reykjavík Energy's own land fall within protected areas. These include water conservation areas, designated reserves, areas listed in the national nature conservation register, and other specially protected sites. Biodiversity is an integral part of these areas.[1]

As part of Reykjavík Energy's Sustainability Strategy, the company is committed to seeking optimal solutions where resource utilisation for public benefit is evaluated in balance with other interests, including biodiversity. The objective is to minimise biodiversity loss on land, in freshwater, and in marine environments due to Reykjavík Energy's projects and operations. No land owned or leased by the company should fall into the "red zone" according to Reykjavík Energy's biodiversity assessment metrics.

Biodiversity has been incorporated into Reykjavík Energy's resource assessment framework. This means that the risks associated with hot water extraction for heating, cold water extraction for consumption, electricity production, wastewater management, fibre optic infrastructure, and carbon sequestration are evaluated for their impact on ecosystems, and mitigation measures are implemented as needed. Additionally, potential opportunities for biodiversity conservation within Reykjavík Energy's activities—and vice versa—are explored.

Areas, where Reykjavík Energy impacts key plants and animal species, habitats, and ecosystem services are assessed based on 1) The significance of the area and 2) The priority level for intervention. Each of these main factors is divided into subcategories, such as ecosystem quality and condition, conservation value, environmental stress, mitigation measures undertaken, changes in stress levels, and Reykjavík Energy's control over these pressures. This assessment aligns with the guidelines of the International Union for Conservation of Nature (IUCN). Once the assessment of an area's significance and intervention priority is completed, an overall score is assigned to indicate the status of biodiversity in that area. The results are based on available research data. This information enables Reykjavík Energy's management and board, regulatory authorities, and financial institutions to make responsible decisions regarding investments and funding for these areas.

Actions in 2025

Actions taken in 2024 to reduce risks and seize opportunities related to the impact of Reykjavík Energy's energy production and operations on biodiversity:

1. In June 2025, a new air abatement facility at Hellisheiði Geothermal Power Plant was commissioned. The facility removes nearly all hydrogen sulphide emissions from the plant. The Icelandic Institute of Natural History has monitored the moss near the geothermal power plants in the Hengill area every five years since 2012. The results from 2022 show that moss cover remained largely unbroken and undamaged, and overall, there were fewer instances of moss damage compared to previous years. ON Power believes that these results are likely due to a significant reduction in hydrogen sulphide emissions into the atmosphere from Hellisheiði Power Plant, resulting from injection efforts.
2. Considerable construction activities have recently taken place near Hellisheiði Geothermal Power Plant, where work is underway to relocate a stream to a more suitable course. Over time, the natural channel of the stream had been altered, and due to infrastructure development, the water has not been able to follow its natural pathways through the area, resulting in accumulation and flooding within the ON Power Geothermal Park. To relocate the stream and restore its natural channel, rock-filled net structures were used. These structures shape the channel, reduce erosion, and replicate natural processes.
3. Restoration of damaged ecosystems due to energy production as close as possible to their previous state. During all construction activities on vegetated land, emphasis is placed on preserving and replanting local vegetation for land restoration to prevent soil and vegetation erosion, as is done in Hellisheiði and Andakílsá ar-

1 Protected areas 2025. Birds and plants on Watch Lists 2025

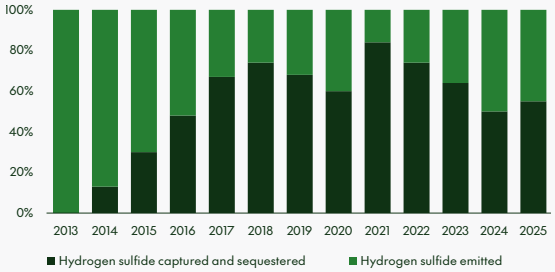
eas. Priorities include proper site management, continuous restoration work during construction, returning the natural environment to its previous state, and reducing visual impact. Work procedures and education are regularly refined to ensure even better environmental awareness and work procedures among employees and contractors.

4. The water level of Skorradalsvatn is monitored. In 2025, the water level exceeded reference limits on only one day in October.[2]
5. Implementation of blue-green surface water solutions in urban areas in collaboration with municipalities. Veitur and the City of Reykjavík have developed guidelines on the implementation and design of blue-green surface water solutions. The benefits of implementing such solutions go beyond environmental advantages, as they also contribute to social, economic, and public health improvements.
6. Considering landscape integrity, habitats, energy production, tourism, outdoor recreation, and education from the start. ON Power has so far successfully integrated energy production with nature-based experiences in the Hengill area. The company's infrastructure developments have improved accessibility for more visitors than would otherwise have been possible, particularly with the construction of Nesjavallavegur road and the creation of 120 kilometers of hiking trails in the Hengill area. The educational trail at Nesjavellir Geothermal Power Plant, for example, enables outdoor enthusiasts to navigate safely past pipelines and borehole enclosures. This is supported by the findings of a 2017 tourism survey, and interviews conducted in 2024 with representatives of outdoor recreation organisations and individuals who engage in outdoor activities in Hverahlíð and Meitlar. During the summer of 2024, special emphasis was placed on improving the educational trails at Nesjavellir Geothermal Power Plant, along with general maintenance and monitoring of other trails in the Hengill area.
7. Injection of Geothermal Water and Heated Groundwater to Reduce Thermal Pollution from Nesjavellir Geothermal Power Plant at the Shore of Lake Þingvallavatn. The discharge of hot water on and near the surface at Nesjavellir poses both environmental and operational risks. Hot water can harm ecosystems, and the cooling water pumped from Grámelur at Lake Þingvallavatn becomes warmer than is optimal for the power plant's operation. Additionally, this discharge has made it challenging to comply with the operating license requirements of Nesjavellir Geothermal Power Plant and nature conservation laws. Innovation in blending geothermal water from power plants with district heating water for the capital area aims to fundamentally improve the operational framework of the district heating system while enhancing the heat production of the power plants. This long-term strategy is designed to optimise the utilisation of produced heat, which over time will reduce thermal pollution at the shore of Lake Þingvallavatn and its impact on the ecosystem. Reykjavík Energy's expertise in assessing the risks of thermal pollution for both the ecosystem and operations has already contributed to advancements in the injection of geothermal water at power plants in the Hengill area.
8. Land Reclamation, Afforestation, and Wetland Restoration. Land reclamation primarily takes place on Reykjavík Energy's properties in the Municipality of Ölfus, in the Nesjavellir area in Grímsnes- og Grafningshreppur, and in Andakíll in Borgarbyggð and Skorradalshreppur. These areas account for approximately 90% of Reykjavík Energy's total land reclamation sites.

2 Water level in Lake Skorradalsvatn 2025

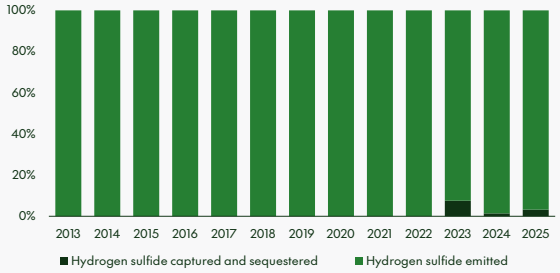
Hellisheiði

Injection of hydrogen sulphide began at Hellisheiði Geothermal Power Plant in 2014, reaching 50% of the plant's emissions by 2025.



Nesjavellir

Injection of hydrogen sulphide started on a pilot scale in 2023, accounting for 1% of the plant's emissions in 2024.



Emissions of hydrogen sulphide from geothermal power plants are continuously monitored [1] along with hydrogen sulphide concentrations at air quality monitoring stations.[2] For further information, see the website of the Environment and Energy Agency.

1 Emissions of carbon dioxide & hydrogen sulphide and emission intensity from Hellisheidi and Nesjavellir 2025
2 Atmospheric concentrations of H2S in populated areas and regulatory limits 2025

Initially, all these areas were barren or sparsely vegetated, with less than 20% vegetation cover. In 2025, around 4 hectares were revegetated with local plant species in fields outside of ON Power's development areas in Hjallatorfa and Gráunjúkar. Afforestation is carried out exclusively on company-owned land at Nesjavellir and Ölfusvatn in Grímsnes- og Grafningshreppur, as well as at Elliðavatn in Reykjavík. In 2024, approximately 6,000 birch and rowan trees were planted on nearly 4 hectares of land near Hellisheiði Geothermal Power Plant. This aligns with the company's policy to expand afforestation areas using native tree species, sequester carbon, and enhance biodiversity. A visual inspection in the autumn of 2023 confirmed that the restoration had been successful.

9. Containment of Nootka Lupine Spread in Reykjavík Energy's Operational Areas. The spread of Nootka lupine, an invasive species, is being controlled within Reykjavík Energy's operational areas. ON Power has actively worked to limit its expansion as much as possible on Hellisheiði and near Andakílsárvirkjun.

Future Actions

In the short term, Reykjavík Energy aims to integrate biodiversity objectives into a monitoring dashboard that will outline goals, scheduled indicators, and actions related to new energy projects in geothermal, wind, and hydropower, along with continued monitoring of areas associated with current energy and utility projects. In the long term, Reykjavík Energy must develop scenarios to assess the potential future state of biodiversity and ecosystems within its operational areas. This will align with the United Nations Convention on Biological Diversity and the Kunming-Montreal Framework. Such an analysis will help company management understand the impacts of factors such as climate change, increased energy production, and conservation measures on biodiversity and ecosystem health. Through this approach, Reykjavík Energy seeks to ensure that both ongoing and future projects have as minimal a negative impact on biodiversity as possible. The company will strive to integrate biodiversity goals across all areas of its operations.

Future actions to reduce risks and Seize Opportunities in Reykjavík Energy's Energy Production and Operations for Biodiversity

1. The reservoir at Andakílsárvirkjun in Borgarfjörður is scheduled for clean-up in 2026 to improve dam structures and ensure safety for both people and the environment, as the structures do not currently meet safety standards.

2. Mitigation Measures to Counteract the Negative Impact of Andakílsárvirkjun on the Water Body Andakílsá 2, ensuring that; 1) Ecological continuity is maintained between Andakílsá 2 and Skorradalsvatn, 2) Minimum environmental flow (e-flow) is secured through the natural river channel of Andakílsá 2, 3) A well-defined operational handbook is established for the power plant, and infrastructure maintenance follows methods designed to minimise the plant's negative impact on the ecosystem.

3. Integrated Consideration of Landscape, Habitats, and Land Use. From the outset of any new energy development, Reykjavík Energy will continue to simultaneously assess landscape integrity, plant and animal habitats, energy production, tourism, outdoor recreation, and education. South of Suðurlandsvegur on Hellisheiði, the Municipality of Ölfus has designated a protected area in its municipal plan with the objective of "preserving natural monuments, archaeological sites, and other historical relics to support tourism in the region." In preparation for increased energy development in the area, clear signals are being sent that tourists are welcome within the energy production zone, with signage, marked hiking trails, and other infrastructure to ensure that visitors unfamiliar with the area can safely navigate without risk from pipelines or wellhouses. Significant opportunities exist to establish a cohesive outdoor recreation area across Hengill itself, including the mountainous region east of Mosfellsheiði, around Skálafell on Hellisheiði, Gráuhnúkar, Hengladalir, Litla Skarðsmýrarfjall, and Bitra/Ölkelduháls, as well as in Þverárdalur.

4. Collaboration with Suppliers. Reykjavík Energy has already begun working with suppliers to reduce the carbon footprint of products and services. In the long term, however, the company must also assess the primary biodiversity impacts of its energy production and operational supply chain, such as the sourcing of rare metals and other materials with significant biodiversity implications. A more detailed risk analysis, identification of opportunities, and mitigation strategies will be crucial in this regard.

5. Protection Status for Hengladalir. Reykjavík Energy has expressed a positive stance toward granting protection status to Hengladalir, provided that geothermal utilisation in the area remains permitted through continued directional drilling beneath the site. Hengladalir spans approximately 10 km² near Hellisheiði Geothermal Power Plant and contains habitats of high and very high conservation value, listed under the Bern Convention. Reykjavík Energy owns the land and has been utilising geothermal energy underneath it through directional drilling for over a decade.

E5 Resource Use and Circular Economy

Úr heildarstefnu Orkuveitunnar:

Responsible utilisation of energy resources for the future (thermal and electricity) by maximising resource lifetime and pioneering the circular economy in energy and utility operations.

Geothermal resources

Strategy, Approach, and Goals

Heat production from natural resources in low-temperature and high-temperature fields in southwest Iceland is one of the cornerstones of Veitur's and ON Power's operations, as well as the quality of life for the communities served by Reykjavík Energy. In recent years, Veitur has raised awareness about responsible consumption of hot water, as geothermal water for space heating is not an unlimited natural resource. Maintaining the production capacity of the Hengill area's geothermal power plants for both hot water and electricity has also been one of the key projects for ON Power. People now recognise more than before the need to prioritise geothermal energy for space heating to ensure quality of life in Iceland.

Veitur operates thirteen district heating systems: one in the capital area, which is the largest, five in the West and seven in the South, see information on district heating on Veitur's website. These district heating systems serve approximately 70% of the country's population. In 2024, production from Veitur's low-temperature fields in both the capital region and rural areas was in accordance with the company's defined goals and legal regulations. ON Power operates two geothermal power plants in the Hengill area. In 2025, energy production at Nesjavellir and Hellisheiði was conducted in compliance with existing licenses and ON Power's operational goals.

Reykjavík Energy's Sustainability Strategy highlights the company's significant responsibility for the resources it utilises. Responsible utilisation means that future generations will have the same opportunities as the present generation to use these resources and that this can be verified. Reykjavík Energy is committed to seeking sustainable solutions where resource utilisation for public benefit is carefully weighed against other interests.

The goals are to:

- Ensure that Veitur's water extraction from low-temperature fields at any given time does not diminish the possibility of equivalent water extraction in the future.
- Ensure that ON Power's geothermal power plants receive the geothermal energy required to meet energy sales commitments, within the utilisation limits set by the plants' operating licenses.
- Ensure that the concentration of hydrogen sulfide in the atmosphere complies with the conditions set forth in regulation 514/2010.
- Ensure that earthquakes related to energy production (extraction and reinjection) cause minimal inconvenience and never result in damage.

Resource Utilisation: Extraction, Internal Use, and Reuse of Hot Water

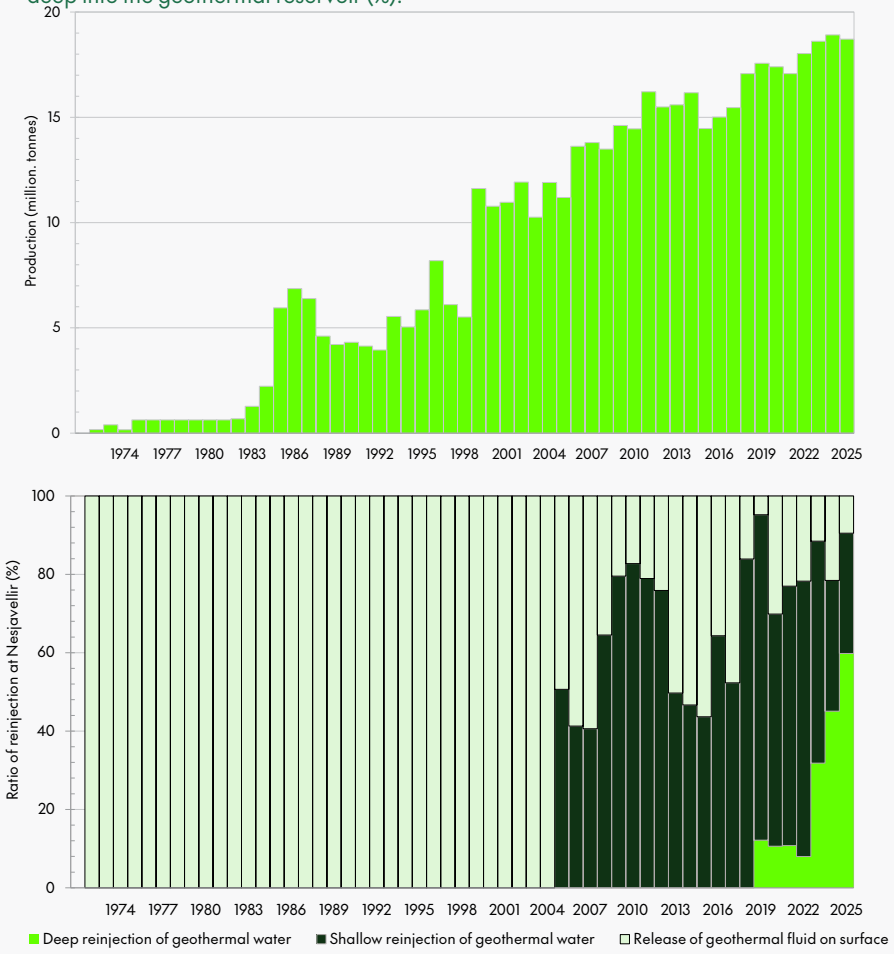
It is inherent to all geothermal systems, especially in high-temperature areas, that they renew themselves more slowly than the rate of extraction. This is evident in the gradual decline of their capacity to provide water and steam over the production period. Low-temperature areas recover quickly when left idle , but the same does not apply to high-temperature extraction, which is therefore more aggressive . Reykjavík Energy emphasises that resource utilisation should be as responsible as possible while also safeguarding biodiversity and ecosystems.

Release of geothermal water is a necessary part of geothermal plant operation. Of this release, ON Power injected nearly 99% of the geothermal water from the Hellisheiði Power Plant back into the geothermal reservoir and nearly 60% into the geothermal reservoir at Nesjavellir Power Plant. At Nesjavellir, 30% of the geothermal fluid was injected in shallow reinjection wells. The purpose of injecting geothermal water into the reservoir is to assist the geothermal system in renewing itself and thereby extend the lifespan of the resource. Veitur also injects hot return water into geothermal systems where applicable, such as in Stykkishólmur.[1]

1 District heating utilities in low-temperature geothermal fields 2025

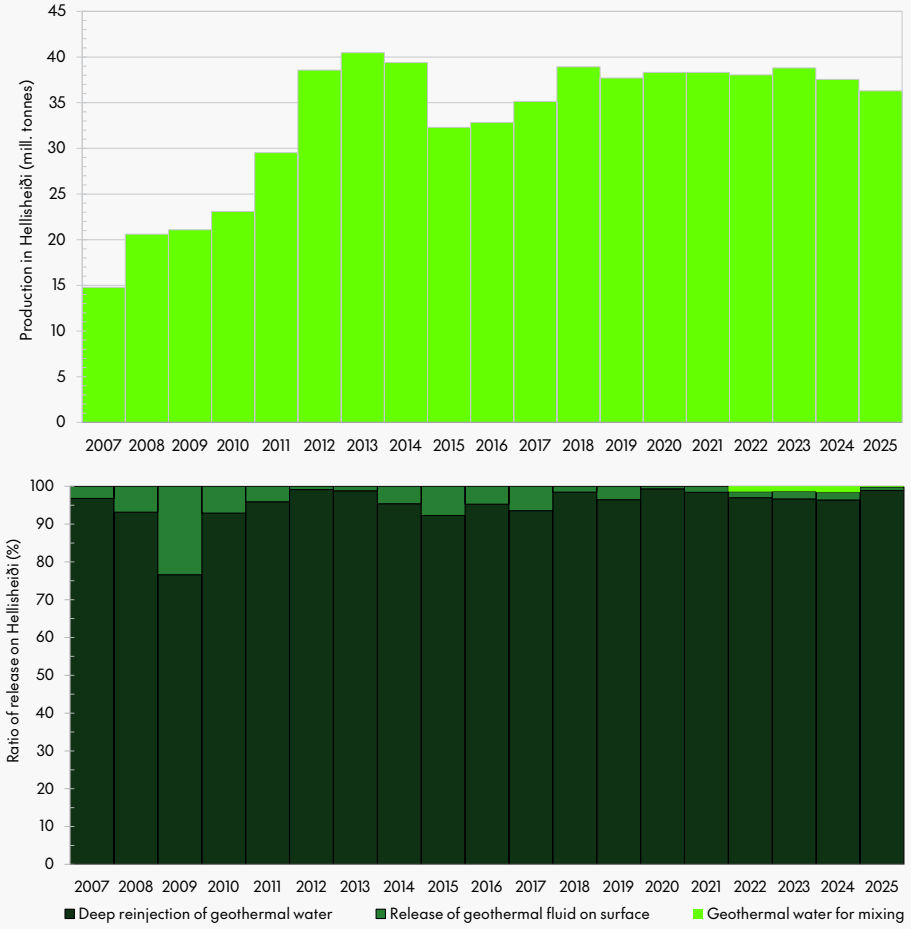
Production and reinjection at Nesjavellir

Production at Nesjavellir from 1972 to 2025 (million tons per year) and the proportion of extracted volume that was injected into boreholes below upper groundwater layers and deep into the geothermal reservoir (%).



Production and reinjection at Hellisheiði and Hverahlíð

Production at Hellisheiði and Hverahlíð from 2003 to 2025 (million tons per year) and the proportion of extracted volume that was injected into boreholes below upper groundwater layers and deep into the geothermal reservoir (%).



Reykjavík Energy produces renewable energy, namely electricity and hot water, primarily from geothermal resources. In 2025, the hot water production of Veitur and ON Power amounted to approximately 101 million m³. Including blending, total production was approximately 108 million m³. The majority of this was cold water that was heated in ON Power's geothermal power plants in the Hengill area and used for space heating in the capital region. The combined internal consumption of hot water by Veitur and ON Power was nearly 1,600 thousand m³. Reykjavík Energy itself used approximately 4% of the electricity it produced and about 1% of the hot water it generated. Electricity and hot water accounted for 99.0% of Reykjavík Energy's total energy consumption, fossil fuels accounted for 0.9%, and methane and biofuels accounted for 0.1%.

Research Drilling in Hverahlíð II and Meitlar

To ensure continued secure and sustainable energy supply for households and businesses, systematic efforts have been made to expand the production area in Hverahlíð to the south and to explore new geothermal areas at Norðurhálsar (Hverahlíð II) and in Meitlar. The drilling of the exploratory wells HR-01 and HR-02 in northern Meitlar is an important part of this work and marks the beginning of a new phase in the development and utilisation of geothermal resources in the area.

In March, an amendment to the municipal master plan of Ölfus was confirmed, defining new industrial areas at Hverahlíð II and Meitlar. The environmental impact assessment process for the planned production and exploratory wells in Hverahlíð II and Meitlar was completed in September with the opinion of the National Planning Agency. Detailed planning amendments were prepared in parallel with the environmental assessment.

In its opinion on the proposed drilling of up to 20 production wells and 9 exploratory wells in Hverahlíð and Meitlar, the National Planning Agency generally supported the conclusions of the environmental impact assessment report. The project involves extensive development expected to take place, with interruptions, over the next 15 years. The environmental assessment set out clear mitigation measures, including minimising disturbance, restoring disturbed areas with local vegetation, reducing the visual impact of structures, and ensuring access to outdoor recreation routes. The National Planning Agency did not set out additional mitigation requirements or monitoring obligations beyond those described in the environmental assessment.

The Municipality of Ölfus has granted development permits for the exploratory drilling covered by the above planning and environmental assessment process.

Demand for Hot Water for Space Heating

Following a comprehensive review of the long-term vision for district heating in the capital region, significant measures were undertaken to ensure supply security for the coming decades. The most notable of these efforts include geothermal exploration in both low-temperature and high-temperature fileds. Veitur's benchmark indicates that peak demand for hot water for space heating increases by an average of 120 l/s annually, which corresponds to the needs of a community of approximately 2,000 people at maximum usage.

The Surface Activity of Geothermal Fields in the Hengill Area

Geothermal surface activity is closely monitored, as it can change naturally or due to geothermal utilisation. There is no definitive method to distinguish between natural variations and human-induced changes, but efforts are made to assess this based on prevailing conditions. For instance, changes in surface activity began in Hverahlíð after wells were drilled there, suggesting a possible link to geothermal resource utilisation in the field. Monitoring of surface geothermal activity in Hverahlíð was expanded in 2024 and was continued in 2025.

ON Power closely monitors surface geothermal activity beneath Highway 1 in Hveradalabrekka near Skíðaskálinn in close collaboration with the Icelandic Road Authority.

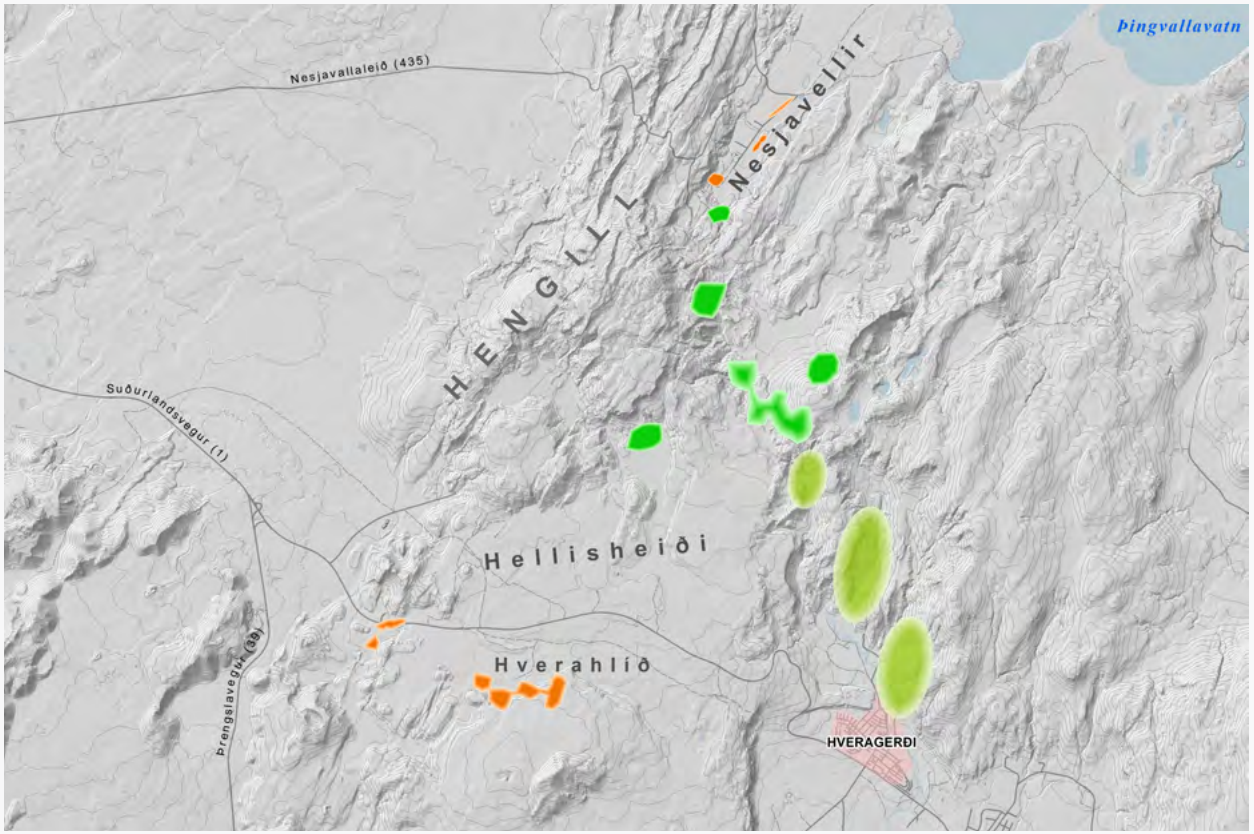
Injection of Geothermal Water

Geothermal water is injected at Nesjavellir and Hellisheiði Power Plants to protect surface water and groundwater, as the geothermal water is hotter and has a different chemical composition than groundwater. Another key objective is to manage injection in a way that supports pressure within the geothermal reservoir, promoting more responsible resource utilisation. The injection capacity has been developed to accommodate all separated water from both power plants, a result of research and innovation efforts since 2015. In cases where geothermal water is discharged at the surface, it is typically due to maintenance shutdowns that temporarily prevent full injection.

In recent years, numerous research and development projects have been undertaken to meet reinjection requirements at Nesjavellir and Hellisheiði with notable success .

As mentioned above, 91% of the geothermal fluid released from the Nesjavellir geothermal reservoir was injected into injection wells, with approximately 60% returned directly to the reservoir. Despite improvements in the injection system at Nesjavellir Power Plant, geothermal production still results in

Geothermal power plant production fields in the Hengill area and changes in surface geothermal activity



the discharge of heated groundwater to the surface, leading to thermal pollution in boreholes and springs near Lake Þingvallavatn. Efforts continue to enhance deep injection at Nesjavellir, as well as preparations for blending geothermal water with district heating water in the capital region, a project planned for 2026, see discussion below.

At Hellisheiði, nearly 99% of the extracted geothermal fluid (separated water and condensate) was injected into the reservoir in 2025. The portion of condensate (pure condensed steam) that was not injected either evaporated in cooling towers or was released as overflow, accounting for approximately 1%. The overflow is used in cases of planned or unexpected operational incidents. In 2025, maintaining surface discharge levels within ON Power's targets was a significant challenge due to unexpected disruptions, but these challenges were successfully managed.

Thermal Pollution in Groundwater

Thermal pollution in groundwater at Nesjavellir Power Plant is one of ON Power's main environmental challenges. The cause of this issue is the discharge of hot water, cooling water, and geothermal water from the power plant. Groundwater temperature at Nesjavellir is closely monitored through measurements in boreholes and springs along the shores of Lake Þingvallavatn. In 2025, temperatures approached their highest levels since monitoring began in 1985. This is a considerable disappointment given the numerous mitigation measures, research, and development projects ON Power has implemented in recent years to prevent the release of hot water into groundwater.[2] Despite a significant increase in deep injection into the geothermal reservoir in recent years, it has yet to result in lower groundwater temperatures. ON Power will continue working on mitigation solutions, including the application of nature-based solutions in the construction of cooling ponds in Lækjarhvarf.

2 Projects to meet Injection Demands at Hellisheidi and Nesjavellir

This project is supported by the LIFE ICEWATER initiative, which is led by the Environment and Energy Agency of Iceland. Additionally, plans are in place to expand the cooling tower at the power plant and drill a deep reinjection well in 2026.

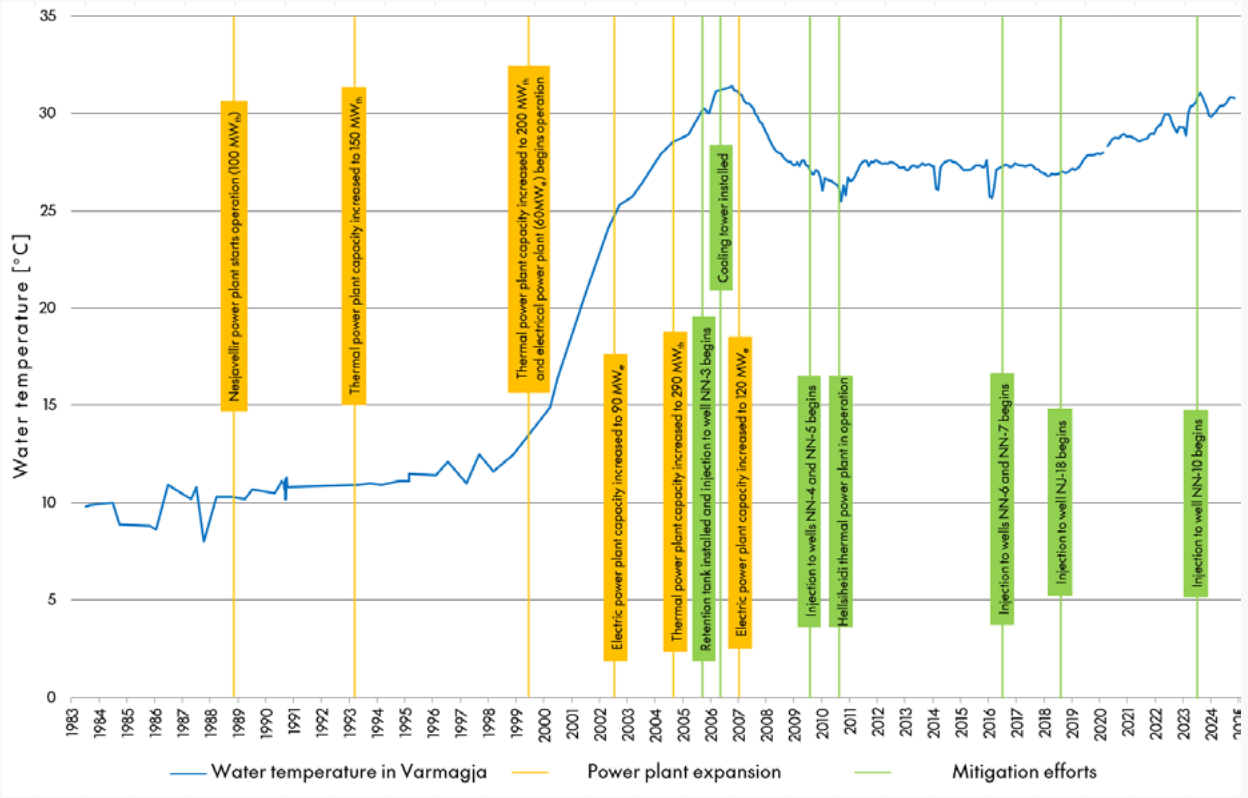
The planned integration of the capital region's district heating systems will result in increased hot water production at Nesjavellir, which will significantly reduce the overall discharge of hot water at the power plant. See the discussion below on increased hot water supply for the capital region.

Increased Geothermal Water Supply for the Capital Region

Research on the integration of the capital region's district heating systems, enabling the blending of low-temperature water with hot water from geothermal power plants, shows promising results. If this project proceeds, it will bring about a fundamental change in the operation of the district heating system and heat production at the power plants. The long-term goal is to reduce summer extraction from low-temperature fields and opti-

Temperature trends in Lake Þingvallavatn

Temperature trends in Varmagjá at Lake Þingvallavatn from the start of monitoring to 2024 and implemented mitigation measures



mise the utilisation of heat produced at geothermal power plants. In 2025, a conclusion will be reached on whether it is feasible to initiate the project in 2026. If implemented, it will significantly reduce the surface discharge of hot water at Nesjavellir, which over time will help mitigate thermal pollution along the shores of Lake Þingvallavatn.

Monitoring the Ecosystem in the Bay Þorsteinsvík at Lake Þingvallavatn

The effects of geothermal water discharge on the ecosystem in Þorsteinsvík at Lake Þingvallavatn have been monitored since before the construction of Nesjavellir Power Plant. Measurements conducted by the Kópavogur Natural History Institute in 2020 indicated that trace elements in geothermal water from the power plant, which have been considered the most likely to negatively affect the ecosystem, do not show a statistically significant increase in the environment. Further analyses of groundwater conditions at Nesjavellir will continue to support ON Power's goal of reducing the environmental impact of Nesjavellir Power Plant.

Seismic Activity

The injection of geothermal water, particularly in the Húsmúli area, as well as geothermal utilisation related to geological research and drilling in high-temperature fields, can release stress in the Earth's crust and trigger seismic activity, known as induced seismicity. ON Power follows procedures aimed at minimising the risk of induced earthquakes in and around the Hengill area.

Reykjavík Energy's objective that earthquakes potentially linked to geothermal water injection should cause minimal inconvenience and no damage was met. In 2025, the largest earthquake in Húsmúli measured 2.4 in magnitude, and no earthquakes of magnitude 3.0 or greater occurred within ON Power's injection areas . No changes were made to the injection process, and no notifications were issued to the earthquake monitoring service of the Icelandic Meteorological Office or the Civil Protection Department of the National Commissioner of the Icelandic Police regarding changes in injection in 2025.[3]

Hydrogen Sulphide Emissions

Relative to energy production, the emission intensity of hydrogen sulphide from geothermal power plants has decreased since 2016, from just over 2 grams per kilowatt-hour to approximately 1.6 grams in 2025 .

Total hydrogen sulfide emissions from Hellisheiði and Nesjavellir Power Plants amounted to approximately 11,800 tons in 2025. The hydrogen sulphide (H_2S) concentration exceeded reference limits once in Úlfarsárdalur and Hveragerði in 2025. The relative injection of hydrogen sulphide from Hellisheiði Power Plant was about 55% in 2025. At Nesjavellir Power Plant, hydrogen sulphide reinjection began on a trial scale in 2023, accounting for 2% of the plant's total emissions.

A plan is in place for Hellisheiði Power Plant to achieve near zero emissions by 2025 and for Nesjavellir Power Plant by 2030, meaning that nearly all hydrogen sulphide emissions from the plants will be captured and mineralised in bedrock.[4]

Wind and Hydropower Resources

In line with Reykjavík Energy's corporate strategy, the company has initiated preliminary studies on wind and hydropower opportunities, with the goal of gradually increasing sustainable and diversified energy production. Planned wind energy projects are located at Lyklafell, Lambafell, and Dyradalur, near the Hengill area. Hydropower projects are being considered at various locations across the country.

3 Development of seismic activity at the Hellisheidi Geothermal Power Plant 2025

4 Atmospheric concentrations of H2S in populated areas and regulatory limits 2025

Actions in 2025

Significant initiatives were undertaken to ensure the availability of hot water for space heating, secure the reliability of hot water supply in the capital region, as well as in West and South Iceland for the coming decades, and to reduce waste.

1. Three district heating drilling projects commenced in 2025. A second deep exploratory well was drilled at Brimnes early in the year; it proved much less productive than the first, although hotter. An exploratory well was drilled at Nefsholt near Laugaland in Holt in the spring, but the drilling was unsuccessful as the well was impermeable. Drilling of a new production well in Hveragerði near Veitur's thermal facility at Bláskógar began in December.
2. Drilling of two new production wells at Nesjavellir, NJ-37 and NJ-34, was completed. NJ-37 was commissioned successfully and is a valuable addition to the steam and separated water reserves of Nesjavellir Power Plant.
3. Research on new high-temperature fields has been in preparation in Meitlar North, Meitlar South, Hverahlíð II, Þverárdalur/Ölkelduháls, Ölfusdalur, and Mosfellsheiði, along with the corresponding permit applications. Two exploratory were drilled in northern Meitlar in late 2025 to assess geothermal potential.
4. One of Reykjavík Energy's largest innovation projects aims to modify hot water production processes at the power plants to enable the integration of the capital region's district heating systems into a single system. The final phase of the research project was completed at the end of 2025 with positive results. It has been demonstrated that a new and specially designed production system is suitable for removing magne-

sium from hot water from the power plants. The continuation of the project will be decided in spring 2026.

5. Encouraging responsible hot water use. During cold periods and equipment failures, Veitur encouraged the public to use hot water responsibly by avoiding excessive heating of homes and keeping windows closed.
6. Preliminary studies on wind and hydropower projects under Reykjavík Energy and preparation for the necessary permitting processes.
7. Preparatory work and permitting processes were undertaken for drilling in existing and new low-temperature areas. Permits were granted for drilling five wells at Reykir and two at Geldinganes. In addition, permitting processes were underway in 2025 for drilling at Akranes, Borg á Mýrum, Bakki in Ölfus, and Kaldárholt. Upcoming work includes permitting for drilling in Reykjahlíð, Laugarnes, the Elliðaárdalur area, Álftanes, and additional locations.

Future Actions

Significant initiatives will be undertaken to ensure the availability of hot water for space heating, reduce risks, and seize opportunities related to resource utilisation and the supply of hot water and electricity in the coming decades, while also minimising waste.

1. Deep drilling. Drilling is scheduled to begin in 2026 for IDDP-3 a geothermal well targeting temperatures of up to 400 °C at a depth of 4000 to 5000 meters. During the Superhot Summit conference held in Iceland 2025, a cooperation statement was signed between the Ministry of the Environment, Energy, and Climate, and energy companies Reykjavik Energy and other energy producers in Iceland for the IDDP-3 deep drilling project.
2. Increasing the production capacity of existing low-temperature areas in the capital region through additional drilling. This is partly required to restore lost production capacity and partly to meet changing usage patterns in low-temperature areas in the near future. This involves extracting more during winter while resting the fields in summer. Additional drilling will also improve operational security.
3. Exploring new low-temperature fields at Borg á Mýrum and in Ásahreppur.
4. Increasing the production capacity of geothermal systems serving utilities outside the capital region to meet growing demand. This includes the well currently being drilled in Hveragerði, as well as new production wells at Bakki in Ölfus for the Þorlákshöfn utility and at Kaldárholt for the Rangárveita utility.Increasing the hot water supply in Rangárveita due to higher-than-expected demand.
5. Drilling production-capable exploratory wells at Kjalarnes, Geldinganes, and Álftanes. Further research and drilling will be undertaken in these new production areas to better map geothermal resources. If successful, water from these areas will be connected to the capital region's district heating system in the coming years.
6. Continued work on the integration of the capital area's district heating system.
7. Research and development project to meet requirements for reinjection of geothermal water at Hellisheiði and Nesjavellir. Two high-temperature wells will be connected to the reinjection system of the Hellisheiði Power Plant, and work is underway to locate a new deep reinjection well within ON Power's production fields.
8. Continued research on new high-temperature fields in Meitlar North, Meitlar South, Hverahlíð II, Þverárdalur/Ölkelduháls, Ölfusdalur, and Mosfellsheiði, along with the necessary permit applications. Production drilling in new sections of Hverahlíð and south of Hverahlíð is planned for summer 2026, subject to permits. The results of exploratory drilling will be key to decisions on future drilling in Hverahlíð.
9. Expansion of the cooling tower at Nesjavellir Power Plant and the construction of cooling ponds to reduce thermal pollution in Lake Þingvallavatn caused by geothermal production at Nesjavellir. ON Power is undertaking the cooling pond project with support from the LIFE ICEWATER initiative, led by the Environment and Energy Agency of Iceland.
10. Further preliminary studies on wind and hydropower projects under Reykjavík Energy and preparation for permitting processes.
11. New production wells will be drilled in ON Power's production areas to maintain the supply of hot water and electricity at Hellisheiði and Nesjavellir Power Plants

Implementation of the Circular Economy

Strategy, Approach and Goals

As a nationally significant company, it is essential for Reykjavík Energy to take a decisive role in implementing the circular economy to promote sustainability and reduce environmental impact. Reykjavík Energy emphasises the responsible use of resources, viewing waste as raw material and reintegrating it into operational processes wherever possible to minimise waste. By doing so, Reykjavík Energy and its subsidiaries can reduce operating costs and environmental impact, enhance their

competitiveness through innovation and the development of eco-friendly solutions, and strengthen the company's reputation. ON Power is particularly focused on utilising energy streams in the Geothermal Park at Hellisheiði Power Plant in a diverse and environmentally responsible manner.

Reykjavík Energy's sustainability strategy states that the company minimises the emission of pollutants as much as possible and prioritises research and development to implement the best possible solutions, with a strong focus on circular economy principles.

The goal is to:

- Minimise waste. By 2025, the recycling rate should reach 85% and 90% by 2030, based on total waste, excluding asbestos and sewage waste.
- Implement waste prevention measures, including ensuring that products have a longer lifespan, are repairable, reusable, and that associated packaging is minimised.

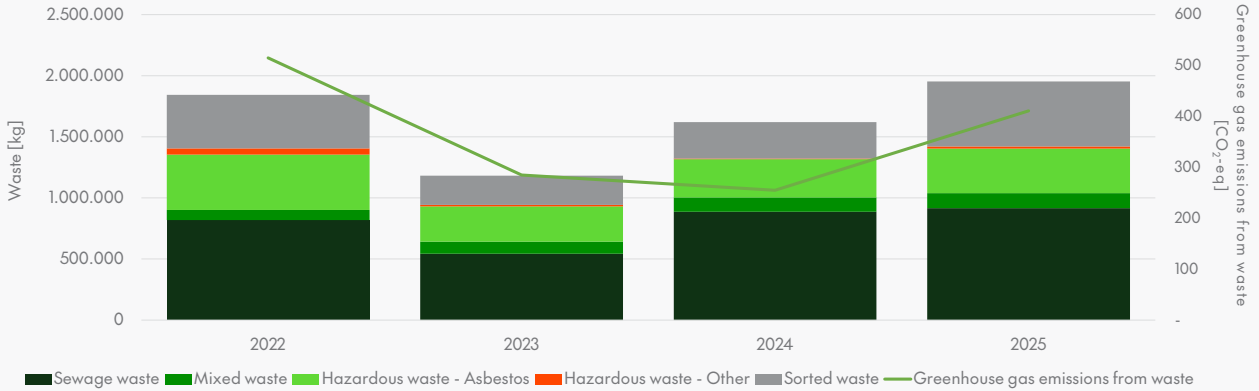
Waste, including wastewater-related waste, and reuse either decreased or increased at Reykjavík Energy in 2025. The recycling rate (including waste sent to incineration) in 2024 was 95%, excluding asbestos and wastewater waste. The target had been set at 85% for 2025.

In total, Reykjavík Energy generated 1,952 tons of waste, of which 916 tons were wastewater-related waste, 122 tons mixed waste, 364 tons asbestos, 17 tons other hazardous waste, and 532 tons sorted waste. Reykjavík Energy publishes information on how the company's waste is distributed across different waste categories within its operational areas.[5]

5 Waste classification 2025

Environmental data 2025

Waste classification



Reykjavík Energy is engaged in numerous projects aimed at sorting and reusing products and equipment to extend their lifespan and reduce waste. Examples of such projects include:

- Steel and concrete are key raw materials supplied to Reykjavík Energy for the construction and maintenance of utility networks and power plants. These materials are expensive and have a significant carbon footprint. Efforts are made to recycle these materials in collaboration with contractors and waste management service providers. Additionally, preference is given to purchasing products that contain recycled steel.
- Workwear is reused for summer employees. Staff can also borrow work clothing if they do not require it daily. Reykjavík Energy participated in the 2025 Children's Culture Festival, where a workshop on textile circuits was held in collaboration with elementary school students and an e-textile designer. E-textile artworks were exhibited at the festival.
- Old computers are loaned out, upgraded, and reassigned to new employees. Once they are no longer supported, staff members have the option to purchase them at a discounted price for personal use.
- Old electricity meters are being replaced with smart meters, a large-scale project involving approximately 150,000 meters. The old meters are collected, dismantled at the Litla-Hraun prison, and sorted into metal and plastic components. The metals are sent for recycling in the Netherlands, while the plastics are processed for energy recovery in Sweden.
- Food leftovers are repurposed in Reykjavík Energy's cafeteria, either served in their original form or creatively reworked into new dishes. Any remaining food is donated to Samhjálp, a local charity.
- Motors and pumps are repaired whenever possible instead of purchasing new equipment. When pumps in boreholes are replaced, such as deep well pumps, old pipes

are repurposed for other projects.

- Insulated district heating pipes are shredded, with the steel recycled and the remaining material processed for energy recovery. All steel is sorted, along with other materials generated in workshops.
- Plastic pipes used for distributing water during drilling of wells are disassembled, welded together, and reused multiple times.

Sewage Waste

Share of sewage waste from Veitur's treatment plants accounts for approximately 47% of the company's total waste volume and has increased since 2024. Veitur is committed to utilising the biodegradable portion of this sewage waste (such as biosolids and fats) as well as repurposing the sand that accumulates in the treatment process.

Veitur has limited control over the amount of sewage waste generated at treatment plants, as it originates from residents and businesses within the service area. Therefore, the company has launched public awareness campaigns to highlight the damage caused by wet wipes and other waste in the sewage system, aiming to influence consumer behaviour and reduce equipment failure rates.

Greenhouse gas emissions from landfilled waste have decreased since 2016, primarily because sewage waste is increasingly being incinerated rather than landfilled. The emission factor for incineration, which is used in emission calculations, is different and lower than the factor previously applied to landfilled waste. More details can be found in Reykjavík Energy's 2025 Climate Accounting Report, available on the company's website.

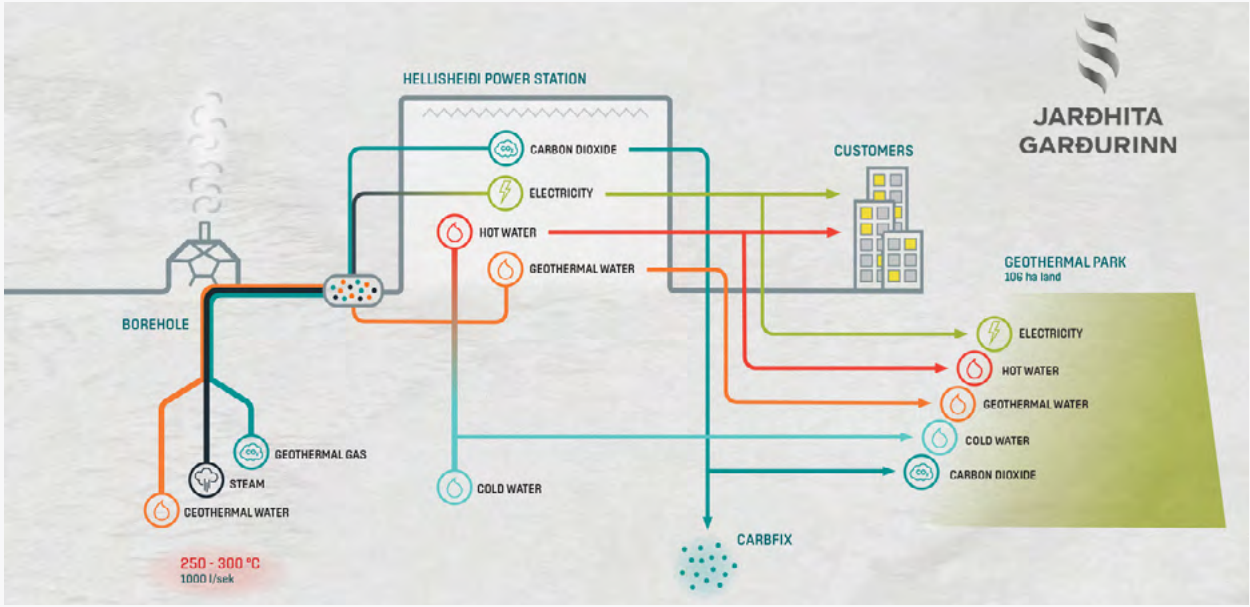
The main hazardous substances used by Reykjavík Energy include asbestos, base materials in insulation foam, chlorine, acids and bases, welding gases, geothermal gases, oils, and solvents. In 2025, the use of hazardous substances remained significant, similar to previous years. However, accidents related to the use of hazardous materials are rare, and no incidents were reported in 2025.

ON Power's Geothermal Park

At ON Power's geothermal park at Hellisheiði Power Plant, efforts are underway to maximise resource utilisation by repurposing heat, electricity, water, and geothermal gases in various ways. The goal of the Geothermal Park is to create a circular community, where partners share infrastructure, knowledge, and resources to minimise waste and maximise benefits for businesses, society, and the environment. Emphasis is placed on supporting innovation in geothermal energy and sustainability, accelerating the development of green technological solutions.

Strict requirements are imposed on companies operating in ON Power's Geothermal Park regarding water protection, visual impact, noise, and site management. During the construction phase of projects, it is mandatory to reuse any vegetation removed during excavation. This vegetation is either restored upon project completion or repurposed elsewhere within the company's operational areas where needed.

The geothermal park's Innovation Hub is currently under development, with completion targeted for 2026. The Innovation Hub will provide facilities and resource access for geothermal-related innovation, development, and research, supporting both domestic and international collaborative projects. The companies currently operating in the Geother-



mal Park all began as promising startups in the Innovation Hub, where they had the opportunity to grow and expand.

A research and development project led by Reykjavík Energy scientists is currently underway within the geothermal park, focusing on modifying the properties of geothermal water from power plants to safely blend it with Veitur's low-temperature district heating water. This innovation has multiple benefits, as discussed in the section on increased geothermal water supply for the capital region above.

The companies currently operating in ON Power's geothermal park include Climeworks, VAXA Technologies, GeoSilica, and the hydrogen station VON. Among the potential opportunities under evaluation for the Geothermal Park is the business development of a geothermal spa in Hveradalir. Additionally, ON Power receives a high number of inquiries regarding new business opportunities within the geothermal park, reflecting the growing interest in utilising its geothermal resource streams

Utilisation of Return Water and Geothermal Water

Veitur injects hot return water into geothermal systems where applicable, such as in Stykkishólmur, and has also explored increased collaboration with the City of Reykjavík and universities to identify further opportunities for utilising this water. The importance of geothermal water utilisation at ON Power's geothermal power plants is emphasised to protect surface water and groundwater while ensuring that the injection process supports pressure maintenance in the geothermal reservoirs at Nesjavellir and Hellisheiði Power Plants.

Actions in 2025

In 2025, various initiatives were undertaken to mitigate risks and seize opportunities arising from the implementation of the circular economy at Reykjavík Energy:

1. Receiving biosolids from Veitur's wastewater treatment plants. Work was carried out to explore options for repurposing biosolids as a soil enhancer on degraded land.
2. Reusing sand from wastewater treatment plants. Ongoing work is focused on processing and cleaning sand so that it can be utilised as a product rather than treated as waste. Efforts are underway to obtain certification from health and environmental authorities to enable its use. A declaration of intent has been signed with the Mosfellsbær Golf Club regarding the use of sand from wastewater treatment.
3. Following a workshop at the Veitur Innovation Festival, collaboration with a private partner commenced in 2025 to explore the potential for biodiesel production from fats collected at wastewater treatment plants. The results of a feasibility assessment are expected in 2026.
4. Climeworks successfully captured CO_2 from the atmosphere at ON Power's Geothermal Park and expanded its operations by launching a new unit called Mammoth. Mammoth also utilises the Carbfix method for carbon sequestration in bedrock, with full-scale capacity estimated at 36,000 tons of CO_2 per year.
5. VAXA Technologies, a global high-tech company, continues to utilise geothermal resource streams at its microalgae production facility. These microalgae are used for animal feed and dietary supplements for humans and animals.
6. Hydrogen production at Hellisheiði Power Plant. ON Power produces hydrogen at Hellisheiði on an experimental basis, using electricity generated during periods of low demand. The hydrogen supports energy transition in transportation for both public and commercial use and has been produced at ON Power's Geothermal Park since 2020.

Future Actions

Future initiatives aimed at reducing risks and seizing opportunities through the implementation of the circular economy include:

1. Receiving sewerage sludge from Veitur's wastewater treatment plants in Borgarbyggð. Further exploration of options for sustainable biosolid management will continue.
2. Re-use of sand from wastewater treatment plants.
3. Fat from wastewater treatment plants will be put into a utilisation process.
4. Completion of the Innovation Hub at ON Power's Geothermal Park. The facility will provide infrastructure for geothermal-related research and innovation, with the aim that multiple research projects and startups can utilise the space from the outset.
5. Continued hydrogen production at Hellisheiði Power Plant. Demand for hydrogen as a fuel for transportation is expected to increase in the coming years. ON Power remains Iceland's sole hydrogen producer and is preparing to meet growing market demand.
6. Further utilisation of district heating water. Veitur is working on a strategic project focused on optimising the use of return hot water collected from customer heating systems. This initiative explores the potential to recover available heat for low-temperature heating and repurpose the water for washing and rinsing applications, independent of its thermal content.

S1 Own Workforce

From RE's strategy:

A diverse team and forward-thinking leadership in a safe and inclusive workplace

Strategy, Approach, and Objectives

Reykjavík Energy's human resources policy aims to ensure that skilled and satisfied employees work at RE and its subsidiaries, with the ambition and capacity to meet the demands of the company's operations. RE has a policy on diversity among employees and strives to be a leader in diversity and equality matters.

Safety and health are always a priority at RE, with the principle that no task is so important that it justifies compromising people's safety. The company's approach to employee matters is set out in a policy that is further detailed in:

- Human resources, safety, and health policy
- Gender equality policy
- Code of conduct
- Information security and information technology policy
- Remuneration policy

The policies of RE and its subsidiaries are implemented through quality management systems. The company operates under independent certification according to the following standards:

- ISO 9001 - International quality management standard
- ISO 27001 - International standard for information security management
- ISO 45001 - International standard for occupational health and safety management
- IST 85 - Icelandic Standard for Equal Pay Systems
- Statutory electrical safety management systems of the Housing and Construction Authority

Employee engagement and job satisfaction on a scale of 1-5

Employee Engagement

Employee satisfaction at RE has been measured at a strong level for years. In 2024, the company implemented a new approach to workplace assessments. Instead of conducting extensive annual surveys, quarterly surveys with specific thematic focuses were introduced. More frequent measurements allow for a timely response to results and quick employee feedback regarding specific actions or events within operations. The primary metric of the workplace assessment has shifted from job satisfaction to employee engagement. The previous job satisfaction measure is maintained as a reference.

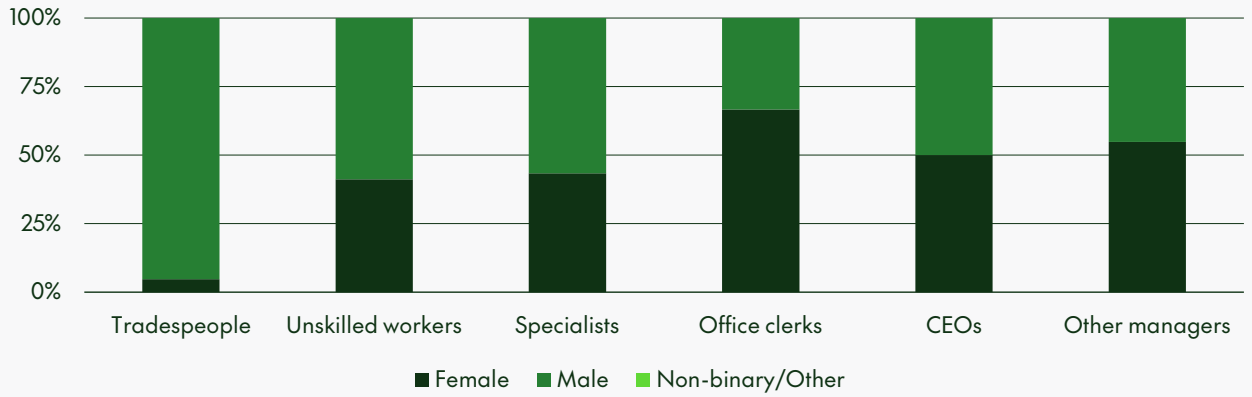
Workplace Diversity

RE is a relatively large workplace by Icelandic standards, with various professional groups across its subsidiaries. The distribution of roles by gender is outlined to the right.

The number of employees of foreign origin has increased in recent years, and a significant portion of work within Carbfix is conducted in English. It is estimated that around 40 permanent employees, or approximately 6% of the workforce, do not speak Icelandic.

Employees who do not have Icelandic as their first language are offered Icelandic language courses funded by RE during working hours. Additionally, there is an increased emphasis on providing information in English. In line with the company's inclusion policy, all new employee orientation programmes highlight the importance of workplace diversity, including different nationalities, and affirm the right of all employees to feel included.

Gender diversity per job category

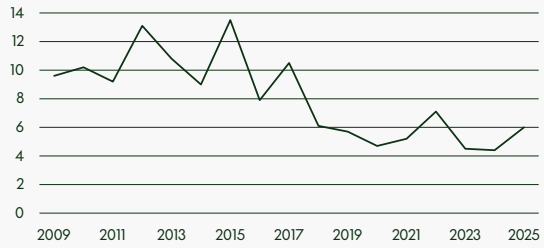


Health and Safety

RE aims for a zero-accident workplace and believes that no task is important enough to justify compromising employee safety. The company's safety and health policies are reviewed annually by the boards of its subsidiaries. Injuries causing absence in 2025 were seven.

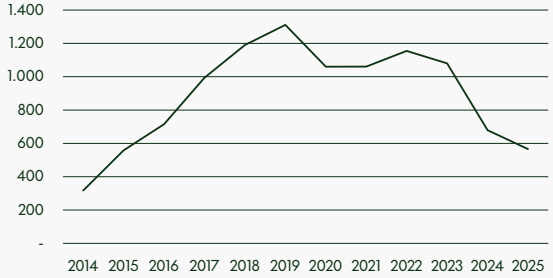
Injury Rate

Absence accidents per million working hours



RE operates an incident reporting system where employees can log incidents and suggest improvements. These reports form the foundation for continuous improvements in safety and health matters. Each report is reviewed, and resolutions must be confirmed as completed. A decline in reported workplace hazards during the COVID-19 pandemic was attributed to increased remote work. The reduction in reports compared to the previous year also reflects the completion of a specific initiative for system implementation, after which numerical reporting targets were removed from RE's workplaces.

Notifications in the safety and health database



RE has five safety and health committees, one within each company in the group. Their responsibilities include:

- Overseeing employee safety and health matters
- Collaborating with the group's safety and health team
- Promoting the importance of safety and health, acting as leaders and advocates for improvements
- Making decisions to ensure a better working environment

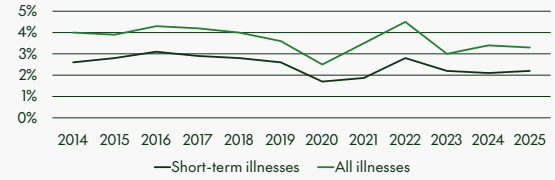
The CEO and executives of each subsidiary are members of their respective company's committee, reinforcing the importance of these initiatives.

RE encourages employees to prioritise their health through various means. The company provides a free gym at its headquarters and offers organised fitness classes. Employees are permitted to use two hours of their workweek for exercise.

Karitas, RE's welfare centre, was launched in late 2022. It offers employees free access to licensed health and welfare professionals, allowing staff to book a limited number of sessions annually at the company's expense without managerial involvement. The aim of Karitas is to simultaneously increase employees' well-being, improve their health, reduce illness, and promote greater engagement in the workplace.

Staff illness absence

Absence as a percentage of total working hours



The COVID-19 pandemic significantly impacted recorded employee illnesses during its course. In 2022, both the final year of the pandemic and a severe flu outbreak affected illness rates. Long-term illnesses, defined as absences exceeding 30 days, typically result from serious physical or mental health conditions.

Diversity and Equality

RE has been a leader in gender pay equality for years. The company received the Equality Award from the Icelandic Gender Equality Council in 2014 and the Equal Pay Encouragement Award from the Confederation of Icelandic Employers in 2015 and has held the Universal Fair Pay Leader certification since 2021.

EQUAL PAY CERTIFICATE

Pay Gap Adjusted +/- 1% Unadjusted +/- 10%
UNIVERSAL FAIR PAY
LEADER
Q4'2024/25
fpi

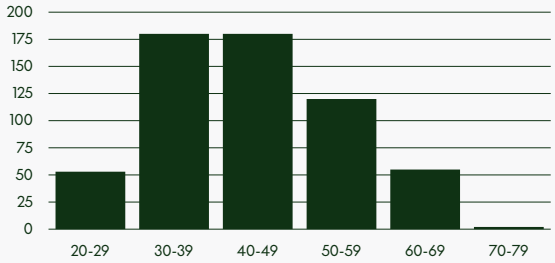
A key factor in this success is systematic employee training, with courses that emphasise equality, inclusion, and respectful communication. In 2017, RE introduced a model that analyses the impact of each salary decision on gender pay gaps, enabling the elimination of disparities. By the end of 2017, unexplained gender pay gaps were within statistical margins of error. In December 2025, it was measured at 0.3% in favour of women.

Unexplained gender-based pay gap

>0% is in men's favour

RE's equality policy aligns with the rights set forth in Iceland's constitution, prohibiting discrimination based on age or disability, among other factors. . The age distribution of permanent employees at the end of 2025 was as follows, with an average age of 42.2 years, a year-on-year decrease.

Age of permanent employees



Reykjavík Energy does not record whether employees have a disability. Therefore, the proportion of disabled employees is not available. To uphold its commitment to workplace diversity, the company critically evaluates the requirements set in job advertisements, ensuring they are not unnecessarily exclusionary.

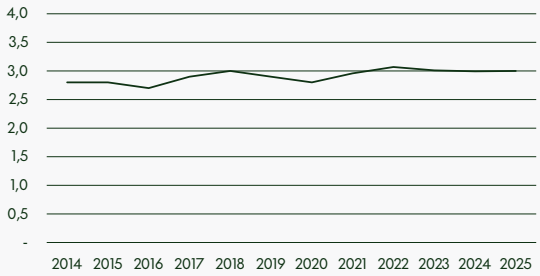
Communication and Compensation

None of the employment contracts of RE's executives or other staff include a direct link between salaries and specific operational metrics, whether financial or otherwise. RE believes that such provisions may incentivise short-term performance at the expense of the long-term objectives that the nature of its operations necessitates.

RE's ownership policy stipulates that executive salaries should be comparable to similar positions while also considering the fact that the company is publicly owned. The salaries of RE's executives and other employees should not be market-leading.

The CEO's salary ratio is calculated as the total remuneration of the CEO divided by the median salary of permanently employed staff within the group.

CEO pay ratio

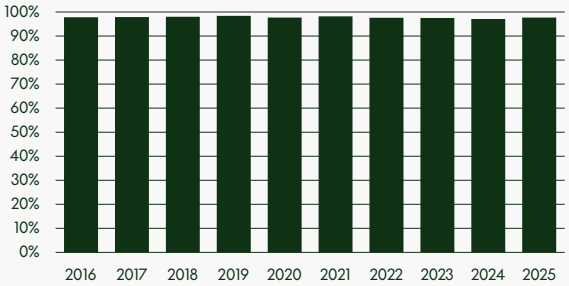


The remuneration of the board, the CEO, and the executive directors within the group is disclosed in the group's annual financial statements as well as in the financial statements of its subsidiaries.

Employment terms at RE are designed to be competitive, helping the company attract and retain skilled employees and safeguard its mission. All permanent employees at RE have individual employment contracts and are entitled to an annual salary review with their supervisor. Employment terms are based on collective agreements, and the proportion of employees who are trade union members has remained stable for years. RE engages in wage negotiations with labour unions through its membership in the Confederation of Icelandic Enterprise (Samtök atvinnulífsins).

The largest labour unions among RE's employees are the Icelandic Association of Engineers (Verkfræðingafélag Íslands) and the Icelandic Electrical Industry Association (Rafiðnaðarsamband Íslands). In total, employees belong to nine trade unions, with approximately 15 union representatives in the workforce. The legally mandated role of union representatives is to ensure that employee rights are upheld and collective agreements are adhered to. There is considerable communication between union representatives and RE's human resources department, particularly during collective bargaining and on other employment matters.

Percentage of employees in trade unions



Reykjavík Energy's goal is for managers to have an average of three to four structured conversations with each employee. In addition, each employee is entitled to one salary discussion per year. Executives of the group's subsidiaries regularly hold general employee meetings, and the CEO of RE also conducts a regular company-wide meetings to share information and facilitate discussions.

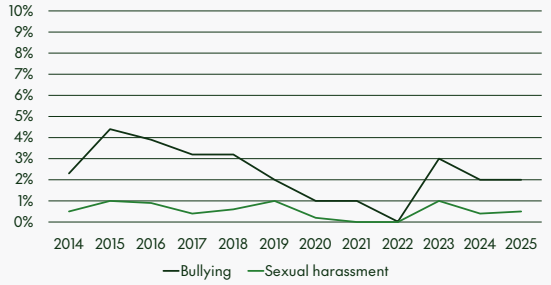
RE has an active employee association, which is supported by the company. In connection with this association, various clubs exist to encourage employee engagement in hobbies outside of work. The employee association's board selects an observer to attend RE's board meetings.

Harassment, Discrimination, and Violence Prevention

Bullying, gender-based or sexual harassment, and violence are not tolerated at RE. Workplace surveys include questions asking employees whether they have experienced bullying, sexual harassment, or gender-based harassment. In addition to RE's Code of Conduct, which explicitly addresses behaviour of this nature, a Workplace Communication Agreement—written by the employees themselves—serves as a guide for respectful interactions with colleagues.

There are formal guidelines in place for both employees and managers on inappropriate behaviour, including instructions on how to identify such conduct. A documented response plan exists for cases of bullying, violence, sexual harassment, or gender-based harassment. Additionally, RE's whistleblower process can be used to report such incidents or any other alleged violations of employee rights. A human rights due diligence process is also in place to minimise the risk of such violations occurring.

Percentage of employees subjected to bullying or sexual harassment



According to benchmarks from workplace surveys that RE has participated in, approximately 5% of people in the labour market have experienced bullying in the past 12 months, while around 2% have been subjected to sexual harassment.

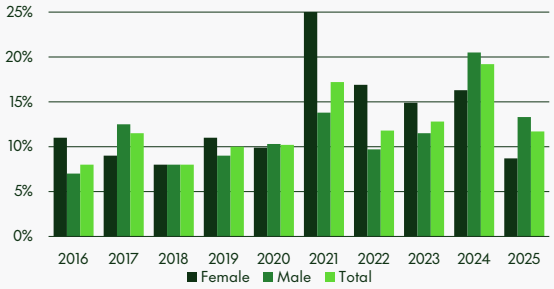
In 2025, there was no evidence of human rights violations related to human trafficking, forced labour, child labour, or discrimination occurring in the workplace.

Employee Turnover

The energy and utilities sector in Iceland is experiencing increasing activity. As a result, competition for skilled professionals in these fields is intense. Organisational changes and shifts in strategic priorities influenced employee turnover in 2024 but the figure decreased in 2025.

Employee turnover

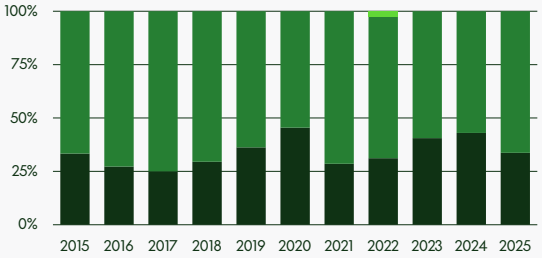
All who quit



RE interviews people who voluntarily leave the company to better understand and safeguard the human resources it attracts and develops.

After the proportion of women among new hires grew steadily from 2021 to 2024, it declined in 2025. It will be monitored whether this trend continues or is temporary. Temporary hires in 2025, many of whom were vocational apprentices, totalled 70.

New permanent hirings by gender



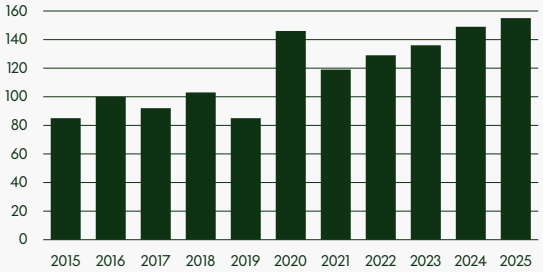
Future-looking Initiatives

Parental leave is mandatory, and in 2025, 14 women and 32 men among employees took advantage of this right. This is similar to 2024, but the men-to-women ratio has reversed from the previous year. Men still took a shorter parental leave than women. During the year, work was done to prepare for improved support for employees expecting a child. The measures include enhanced earnings security during parental leave and greater flexibility to combine work and a new role. The measures were introduced in early 2026.

RE continued its "Trades and Technology" project with students of all genders from Árbæjarskóli. This elective course aims to spark interest in industrial and technical careers by introducing students to the diverse job opportunities available in these fields. The programme includes theoretical instruction, field trips, and hands-on training. All companies within the RE group participate, with around 40 employees involved in teaching and programme preparation.

Another way RE introduces its operations to young people of all genders is through summer employment opportunities. The company manages multiple facilities and land areas that require seasonal maintenance, best performed during the summer months. RE views summer employment as a way to provide young people with insight into its operations, educate them about the industry, and encourage them to consider returning for long-term employment. Additionally, there has been a growing trend of hiring university students for specific summer projects, which are advertised separately. Increasingly, university students are also joining the company on a temporary basis as part of their internships.

Summer hirings



RE's corporate strategy states that digital competence is a key driver of increased productivity, customer satisfaction, and competitiveness. Data- and insight-driven decision-making enhances efficiency and productivity. In line with this, the strategy declares that the company will support the development of employees' knowledge and skills to meet future needs and that RE's workforce will apply its talents to drive transformation and progress within the organisation.

Following the adoption of this strategy, the IT and Human Resources divisions have been integrated—primarily to unlock the potential of the synergy among people, processes, and technology.

S3 Affected Communities

From RE's strategy:

We Enable a Sustainable Future.

The above is the motto of Reykjavík Energy's overall strategy. The strategy strongly emphasises the company's societal role, and its mission is described as follows: "Reykjavík Energy supports growing communities, households and businesses through innovation in energy supply, utility operations and carbon fixation." The strategy is further specified through the following strategic priorities:

- Increased supply and sustainable solutions – Capturing nature's energy
- Innovation and strong collaboration – Connecting with society's creative energy
- Success-oriented team and sustainable operations – Amplifying our own innovative energy
- For the customer – Bringing energy to customers

The overall strategy has been implemented across all companies within the group, and progress towards its diverse measurable targets is monitored. To support the strategy's implementation, the Value Creation unit was established within RE. This unit formulates, develops and implements projects that create added value for RE and its subsidiaries, Icelandic society and the economy. The projects focus on sustainability, innovation, carbon neutrality, climate goals, energy resources, energy transition, energy security, energy efficiency, food security and the circular economy. Within Veitur Utilities' customer management division, active cooperation takes place on business development in utility service areas, and work continues to further develop ON Power's industrial Geothermal Park.

Stakeholders

Reykjavík Energy's operations are independently audited against quality standards for, for example, the environment, climate, health and safety, information security, food safety, and equal pay. Most of these standards require stakeholder analysis and defined engagement methods. Regular communication with stakeholders includes owners' meetings, annual meetings with regulatory and licensing authorities, frequent meetings in key operational areas, meetings with municipalities, and meetings with suppliers.

In recent years, Veitur Utilities' consultation with municipalities has increased significantly. Veitur cooperates with approximately 20 municipalities. Most major projects take place in the capital area and neighbouring municipalities. Veitur monitors municipal planning developments to understand future needs and ensure the company can meet demand through increased capacity, pipeline reinforcement, or distribution system expansion. Veitur also holds project meetings with municipalities on joint projects and on projects initiated by either party. In addition, regular meetings are held with municipal executives, both informal and formal, such as municipal executive councils, to resolve issues or clarify them.

Large-scale projects by Reykjavík Energy or its subsidiaries are often introduced at public meetings and through paid advertising, alongside traditional channels such as websites, social media,

Glóð

A new hub for innovation, collaboration, and knowledge sharing has been established at the heart of ON Power's Geothermal Park at Hellisheiði. It is named Glóð, which translates to "Spark" in English. In mid-2025, declarations of intent were signed with the University of Iceland, Reykjavík University, and Orkídea to collaborate on the hub's development. Orkídea is a collaborative initiative dedicated to sustainable innovation in South Iceland.

The first project undertaken under the auspices of Glóð is Geolab, a research facility jointly developed by the two universities and Orka náttúrunnar with support from the universities' cooperation fund. This planned research facility will be unique globally, providing direct access to the Geothermal Park's valuable resources.

and media releases. Recent examples include Carbfix development projects in Hafnarfjörður and Þorlákshöfn, ecological restoration in Elliðaárdalur after the end of electricity generation, and major hot-water shutdowns due to mains renewal. In recent years, public meetings were also held in connection with hot-water shortages in Akranes and induced seismic activity in Hveragerði. Company representatives have also attended public meetings convened by others on issues relevant to RE operations.

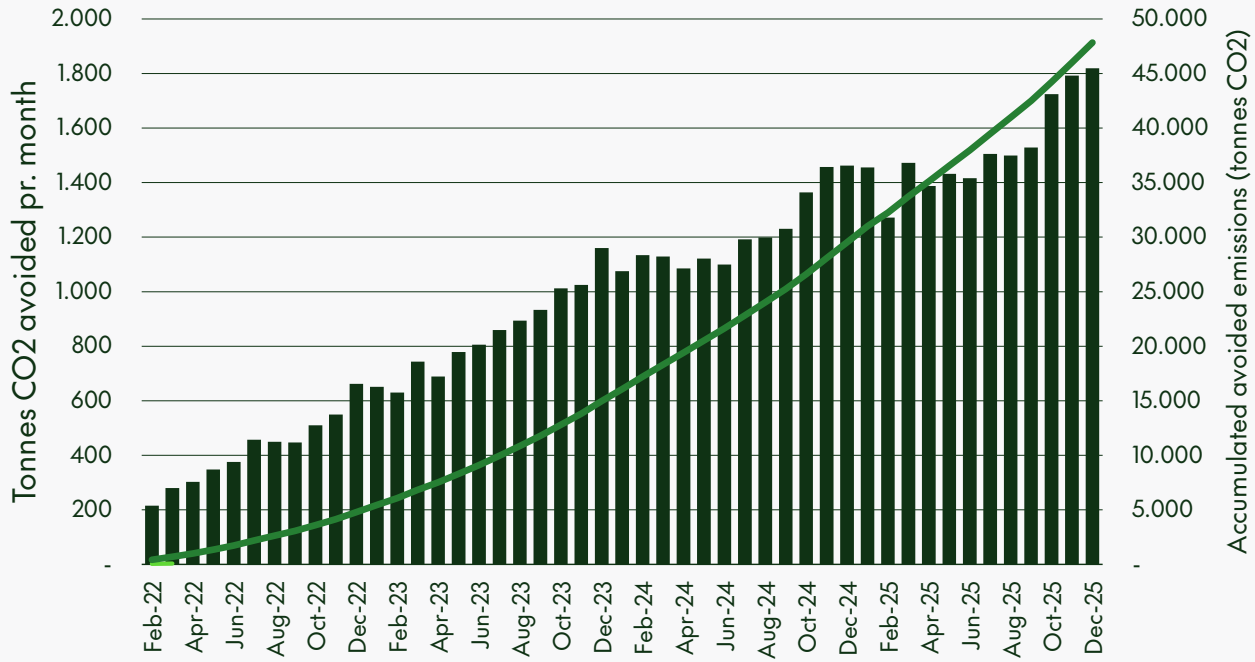
Societal Projects

Various initiatives by Reykjavík Energy and its subsidiaries support the communities they serve. The core utility services naturally create direct societal value, covered in Chapter S1 on consumers and customers. This chapter covers initiatives with broader societal impacts not directly reflected in customer interactions. Commercial incentives vary across projects. Operational impacts can be both positive and negative.

Benefits of the Energy Transition in Transport

There may be differing views on whether ON Power's pioneering work in establishing and operating EV charging infrastructure belongs in this chapter or in the chapter on customers. It is presented here because the societal side effects of theenergy transition in transport are considerable. These include reduced greenhouse-gas emissions from driving, and thus for society as a whole, improved air quality, increased energy security through replacing imported fuels with domestic energy, and macroeconomic foreign-exchange savings.

Electricity sales in public EV charging stations by ON - presented as avoided CO_2-eq emissions



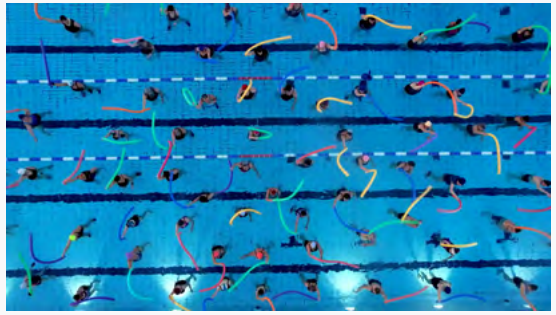
ON Power has been a pioneer in developing electric-vehicle charging infrastructure in Iceland, installing the first rapid charger in 2014. Today, ON Power's charging services include rapid charging, subscription-based home charging, business charging and neighbourhood charging in cooperation with municipalities. Electricity sales for EV charging during 2022–2025 correspond to nearly 50,000 tonnes of avoided CO_2 emissions.

Swimming Pools

Since the beginning of geothermal district heating in Iceland, the use of geothermal energy for space heating has gone hand-in-hand with the construction of public swimming pools. These facilities were originally intended to provide access to swimming instruction to enhance safety and improve hygiene. Later, the health benefits of swimming became prominent, and most recently, the cultural role of swimming pools in Icelandic society has been recognised. In 2025, UNESCO added Icelandic swim-

ming-pool culture to the list of Intangible Cultural Heritage of Humanity.

Veitur Utilities' tariffs for hot and cold water reflect the company's support for this cultural heritage. Discounts on general tariffs apply across several categories, with public swimming pools receiving the largest discount. In 2025, these discounts totalled ISK 571 million across approximately 50 swimming pools in the service area.



Screenshot from the documentary Sundlaugasögur (2022) by Jón Karl Helgason. The production of the film was supported by Reykjavík Energy.

Education and Knowledge Building

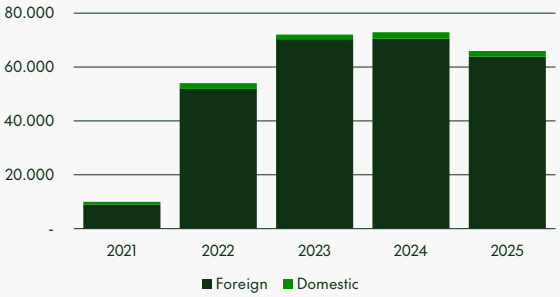
Through science communication at Elliðaárstöð, Reykjavík Energy enhances future generations' understanding of energy, infrastructure and sustainability. Through games, stories and learning experiences, students at all school levels gain insight into how energy, water and natural resources shape society. They learn about the people who build these essential systems and can put themselves in their shoes. Research indicates that such experiences support the development of a positive science and STEM identity, which is key to long-term interest and future careers in fields related to responsible resource utilisation.

In 2025, Elliðaárstöð recorded:

- 85,000 visitors to the facilities in Elliðaárdalur
- 8,100 attendees at events
- 4,523 participants in energy and utility education programmes, including 2,617 students across all school levels
- 7,240 participants in off-site events managed by Elliðaárstöð

The Geothermal Exhibition at Hellisheiði Power Plant has operated for many years, with most visitors being foreign tourists seeking to learn about geothermal energy in Iceland, its responsible utilisation, and the opportunities it creates locally and globally.

Guests at The Geothermal Exhibition



Study and Research Grants

Another way to encourage young people's interest in RE Group's fields and support scientific research is through grants provided by VOR – RE's Science and Innovation Fund, established in 2022. Maximum student grants are ISK 1,000,000 for engineering and master's students and ISK 5,000,000 for PhD students.

	Study Grants		Project Grants	
	Number	ISK Amount	Number	ISK Amount
2022	9	32,650,000	8	75,000,000
2023	11	25,000,000	19	57,170,000
2025	13	22,260,000	20	84,570,000

Negative Impacts

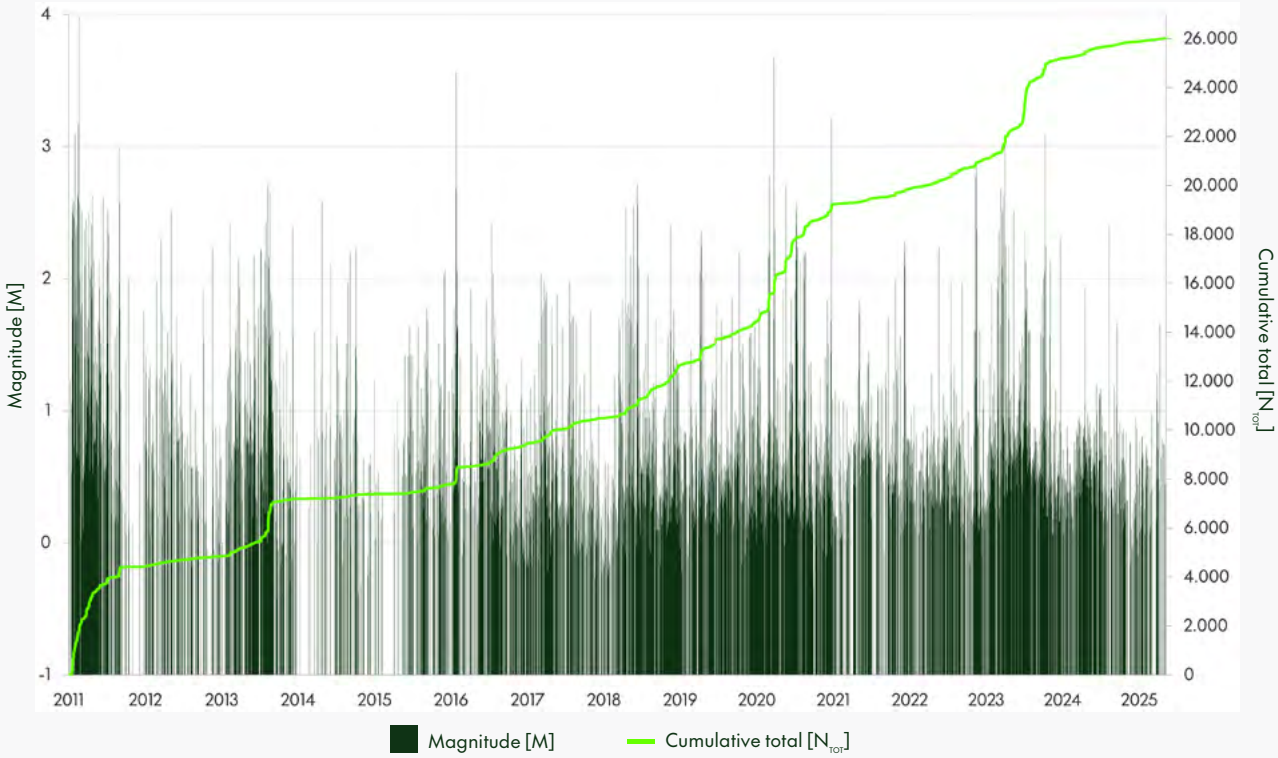
Reykjavík Energy and its subsidiaries strive to minimise the negative environmental and societal impacts of their operations. Chapter E4 discusses measures taken to reduce hydrogen sulphide emissions through capture and mineralisation, and efforts to keep operational areas accessible to the public despite resource utilisation. This includes the trail network in the Hengill area and cooperation with stakeholders to ensure responsible public use of water-protection zones.

Possible induced seismic activity associated with geothermal utilisation or reinjection remains of public concern. Such concerns have been raised regarding reinjection at geothermal power plants and Carbfix projects. Monitoring has been particularly focused on seismic events in Húsmúli in the Hengill area, the main reinjection zone for Hellisheiði Power Plant, where licence conditions require reinjection of used geothermal water.

ON Power follows procedures aimed at minimising the risk of induced seismicity and informing stakeholders when changes to reinjection are planned. Monitoring systems have improved since 2016, increasing detection sensitivity and the number of recorded events.

In 2025, the largest recorded earthquake in Húsmúli measured 2.4, and no earthquakes of magnitude 3.0 or greater occurred in reinjection areas. No notifications were sent to the Icelandic Meteorological Office's earthquake monitoring or the Civil Protection Department regarding reinjection changes during the year.

Earthquakes in Húsmúli in the Hengill area



In 2025, the largest earthquake in the Húsmúli area had a magnitude of 2.4 with no earthquake of magnitude 3 or greater occurring in the reinjection areas of ON power's power plants. No notifications were issued to the Icelandic Meteorological Office or the Civil Protection Department due to changes in reinjection.

S4 Consumers and End-users

From RE's strategy:

A diverse group of customers satisfied with smart and secure service.

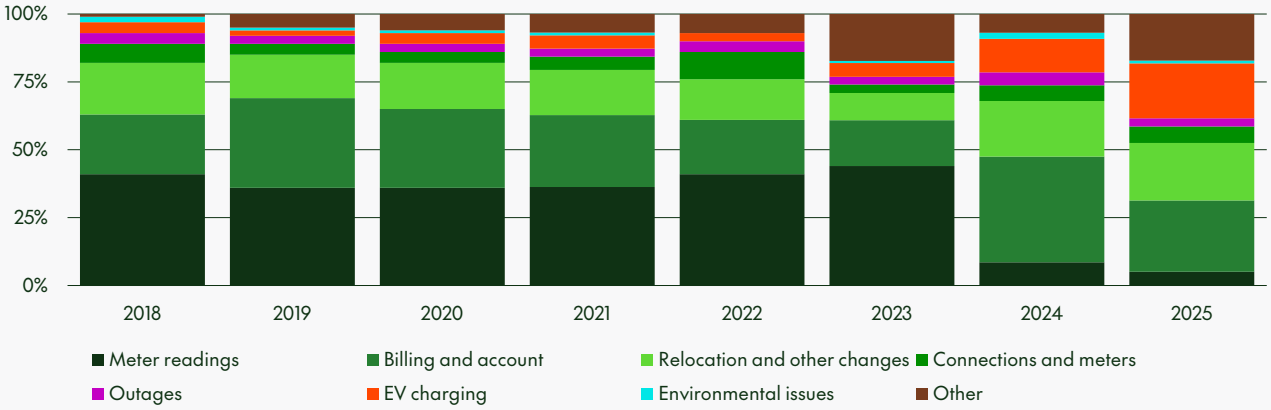
The customers of Reykjavík Energy and its subsidiaries – Veitur Utilities, ON Power, Reykjavík Fibre Network, and Carbfix – are diverse. Veitur Utilities' services are primarily regional, licensed services in which the company does not operate in a competitive market; service levels, quality, and pricing are regulated. The services of the other companies within the group are sold in competitive markets, where their performance is subject to market forces and competition regulation. All these companies share a commitment to ensuring reliability, fair pricing, and customer satisfaction.

Customer Engagement

Each company manages customer enquiries through a CRM system to ensure prompt, high-quality, and traceable resolution. Reykjavík Fibre Network is unique in that customers using its systems are in direct business relationships with telecommunications companies. As a result, customer enquiries are typically directed to these telecom providers rather than directly to RFN.

Each company has its classification system to maintain a clear overview of the main reasons customers reach out. Information sharing, as well as digital and often automated services, have been developed based on the analysis of customer inquiries. Each company's classification of tasks varies in line with its service focus and customer needs. Therefore, some caution should be exercised when interpreting the figure shown here, which depicts the categorisation of enquiries over an eight-year period.

Proportional distribution of customer service inquiries by category



It is striking how the number of enquiries regarding meter readings has decreased in recent years. This can be attributed to the implementation of smart meters. By the end of 2025, just over 148 thousand smart meters had been installed, and the replacement of 28 thousand meters was incomplete. The implementation project will be completed in 2026.

In 2023, there were approximately 104,400 enquiries related to meter readings. In 2025, the number was around 8,200. At the same time, enquiries related to electric vehicle charging have increased significantly. The vast majority are received by ON Power.

ON Power was the first company to introduce fast charging in Iceland in 2014 and now operates the country's most extensive fast-charging network,

ON Power tops the Icelandic Customer Satisfaction Index for the seventh consecutive year

For the seventh consecutive year, ON Power ranked as the top Icelandic electricity provider in the Icelandic Customer Satisfaction Index. The 2025 results were announced in January 2026.

The aim of the Icelandic Customer Satisfaction Index, a project managed by Stjórnvísi, is to measure customer satisfaction in a standardised manner. Participating companies also receive insights into factors influencing customer satisfaction, including brand perception, expectations, quality assessment, and customer loyalty.

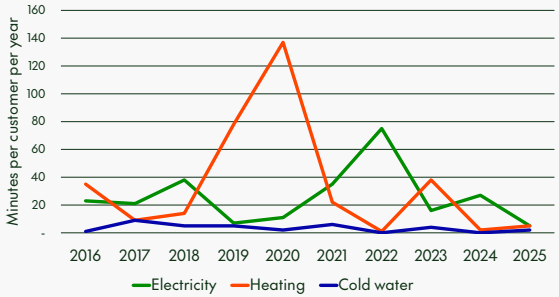
Such measurements are highly significant, as research shows that the more satisfied a company's customers are, the better the company's financial performance.

currently comprising 53 stations. Another public charging service provided by ON is neighbourhood charging. These are lower-capacity chargers than fast chargers and are accessible to everyone, as they are widely located in public spaces, often near kindergartens, schools, swimming pools, cultural centres and sports facilities. ON's third charging solution is home charging, which is installed on private property at single-family homes or multi-unit residential buildings. In 2025, enquiries and assistance related to charging services became, for the first time, the largest single category of enquiries handled by ON's customer service centre, which operates 24/7.

Reliability and Pricing of Utility Services

Utility systems are an inseparable part of modern society. Veitur Utilities' role is to be a forward-thinking service provider that ensures access to electricity, heating, clean water, and wastewater management services. Through innovation and collaboration, the company aims to enhance quality of life for future generations.

Utilities reliability



Official requirements for the reliability of utility services are specified only in regulations governing electricity distribution. Annual outage reports are submitted to the Environment and Energy Agency. However, Veitur Utilities has applied the same methodology for electricity distribution to its district heating and water works, even though data on service disruptions and their impacts are less precise than for electricity. In all cases, an assessment is made of the number of customers affected by each outage. This number is then multiplied by the duration of the disruption and divided by the total number of customers. The result indicates the average duration each customer was without service per year. The measurement unit used is minutes per customer per year.

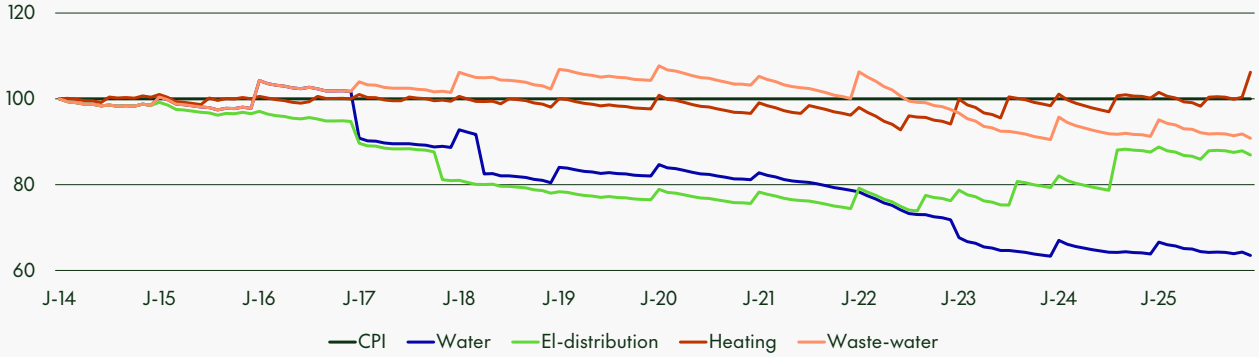
The figures presented here reflect unplanned operational disruptions due to faults or accidents, excluding service interruptions for scheduled maintenance, which customers were informed about in advance. As the figure shows, there were unusually few large-scale disruptions in the utility systems in 2025.

Since the regulatory unbundling of Reykjavík Energy at the beginning of 2014, the tariffs for most licensed services have decreased in real terms . The graph below illustrates the development of Veitur Utilities' licensed service tariffs from early 2014, compared with the Consumer Price Index (CPI), shown as a horizontal line. The real-term reductions in water tariffs are 36%, electricity distribution 13%, and wastewater services 9%, while the district heating tariff has increased in real terms by 6% from early 2014 to the end of 2024.

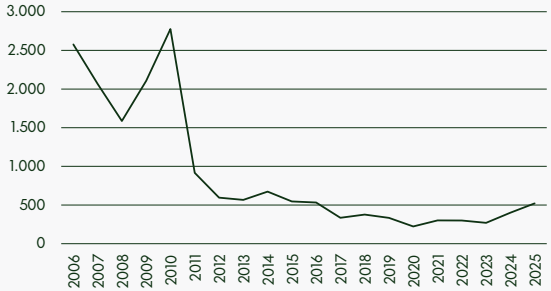
These tariffs, all subject to public regulation, reflect the cost of service provision. The investment needs for district heating and electricity distribution have increased due to population growth and the energy transition. In late 2025, the regulation governing wastewater systems was amended, and wastewater treatment requirements were tightened. This will necessitate substantial investments in the coming years, with corresponding impacts on tariffs.

In 2025, Veitur Utilities recorded 658 disconnections. Of these, 137 were due to customers failing to select an electricity supplier, as utility companies are now obligated to enforce customer selection. The remaining 521 disconnections were due to unpaid bills. The increasing adoption of smart meters has made it easier to carry out disconnections when necessary.

Development of tariffs for licensed services compared to CPI



Closures due to arrears



Risks and Opportunities

Natural hazards are a persistent risk factor affecting the reliability of Reykjavík Energy's services. Contingency plans are continually updated, and regular drills are conducted to prepare for the potential impacts of seismic activity on power plants, water sources, and utility networks. Significant lessons have been learned from responses to volcanic eruptions on the Reykjanes Peninsula in recent years.

With rising tensions in international affairs, Icelandic authorities are increasingly focusing on multifaceted threats to national security. Reykjavík Energy operates a range of essential social infrastructure that must continue to function should such threats materialise. RE's risk framework places increasing emphasis on threats to natural resources and utility networks. At the same time, work is underway to update all emergency response arrangements. A fundamental aspect of this work is the identification of vulnerabilities and the implementation of measures to mitigate them.

As outlined in the introduction by the Chairman of the Board and the CEO, counterparty risk in electricity sales materialised during the year as a result of disruptions at Norðurál's aluminium smelter. In April 2025, however, future exposure to such risk was also reduced through the conclusion of a new power purchase agreement with the company. Risk mitigation is achieved by selling smaller volumes of electricity than previously, for shorter contract periods, and without ON Power bearing the risk of changes in transmission tariffs over the term of the agreement.

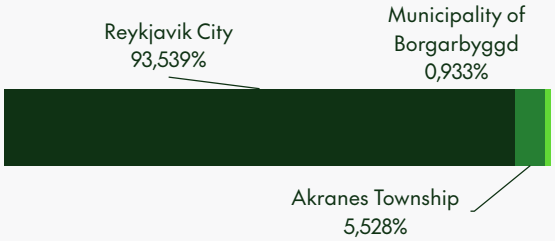
During the year, a day-ahead wholesale electricity market commenced operations. The market, known as Elma, is owned by Landsnet, Iceland's TSO. Prior to the establishment of this electricity trading market, the privately owned Vonarskarð operated as an electricity trading service company. ON Power participates in both markets. It is too early to assess the overall impact of these markets on ON Power's electricity wholesales.

G1 Business Conduct

From RE's strategy:

Clear responsibility, target-setting, and follow-up in a reliable operation in effective collaboration.

The operations of Reykjavík Energy are governed by specific laws, namely Act No. 136/2013 on Orkuveita Reykjavíkur. By this, a partnership agreement between the company's owners is in effect, further specifying the main aspects of RE's corporate governance. The ownership is divided as follows:



In drafting the partnership agreement, the articles of association for RE's subsidiaries, and the rules of procedure for all boards, consideration was given to the guidelines developed by the Iceland Chamber of Commerce in collaboration with the Confederation of Icelandic Enterprise and Nasdaq. Additionally, an Ownership Policy for RE, approved by all owners, is in effect and reflects the owners' objectives for their ownership and priorities in RE's operations.

In late 2025, the owners appointed an owners' committee. Its mission statement says on the committee's main tasks:

> Review and formulation of proposals for revision of the Ownership Policy, in light of Reykjavík Energy's revised Overall Strategy. Formulation of proposals for changes to laws, regulations, partnership agreement, articles of association and corporate form, as necessary. Proposals will be submitted to the owners' respective councils for approval.

The owners' committee has commenced its work and proposals shall be presented to the municipal councils before December 31st 2026.

Owners' Representation and the Board of Directors

The mayors of the three municipalities that own Reykjavík Energy exercise their voting rights at owners' meetings. Their mandate covers routine matters at annual general meetings and owners' meetings. If an extraordinary, significant, or strategic decision is to be made at an owners' meeting, the ownership representative must seek a mandate from the respective municipal council.

Ownership representatives are not eligible for board membership. Five board members are elected by Reykjavík City Council and one by the Akranes Town Council, with Reykjavík City Council appointing the chairperson and vice-chairperson. There are two non-voting representatives: one on behalf of Borgarbyggð and one representing the employees.

Board members must:

- Be independent regarding connections with companies that compete with or have substantial business dealings with RE.
- Possess knowledge and experience suited to the responsibilities of serving on the board.
- Be able to dedicate sufficient time to board duties.

The members of RE's board are:

Dr. Gylfi Magnússon, Chairperson

Gylfi is a professor of finance and economics at the University of Iceland. Alongside his teaching and research, he has held various board positions, including chairing the board of the Icelandic Competition Authority and the board of the Central Bank of Iceland. Gylfi has served as an independent board member of RE since 2011 and has been its chairperson since 2022.

Vala Valtýsdóttir, Vice-Chair

Vala is a district court attorney at Lögfræðistofa Reykjavíkur with extensive experience in tax and corporate law. She has served as an independent board member of RE since 2021. Vala is also the chairperson of the board's remuneration committee.

Ragnhildur Alda Vilhjálmsdóttir

Ragnhildur Alda is a Reykjavík City Council member with a BSc in psychology and a master's degree in service management. She has served on RE's board since 2023 as a representative affiliated with the City of Reykjavík.

Skúli Helgason

Skúli is a Reykjavík City Council member and holds a degree in political science. He has served on RE's board since 2022 as a representative affiliated with the City of Reykjavík.

Valgarður Lyngdal Jónsson

Valgarður is the president of Akranes Town Council and a secondary school teacher. He has served on RE's board since 2019 as a representative affiliated with Akranes Municipality.

Þórður Gunnarsson

Þórður is a resource economist and an independent consultant. He has served as an independent board member of RE since 2022. Þórður is also a member of the board's remuneration committee.

Non-Voting Representatives are Guðveig Lind Eyglóardóttir, representing Borgarbyggð and Helena Guðrún Guðmundsdóttir, representing RE's Employee Association.

The minutes of board meetings are public and published on Reykjavík Energy's website.

Board Committees

Two committees operate under the authority of the board. The Remuneration Committee consists of board members Vala Valtýsdóttir and Þórður Gunnarsson, along with Drífa Sigurðardóttir, a human resources specialist.

The Audit Committee for Reykjavík City also serves as the Audit Committee for Reykjavík Energy, with one committee member appointed based on the nomination of RE's Board. This provision is also stated in Article 9 of the Partnership Agreement on Reykjavík Energy.

The Audit Committee of RE consists of the following members:

- Lárus Finnbogason, Chair
- Einar Sveinn Hálfdánarson
- Sigrún Guðmundsdóttir
- Sunna Jóhannsdóttir – appointed based on the nomination of the Board of RE

Alternate members:

- Danielle Pamela Neben
- Páll Grétar Steingrímsson
- Ólafur B. Kristinsson

The Audit Committee operates as a subcommittee of RE's Board and functions under its authority. The purpose of establishing the Audit Committee is to enhance governance in financial oversight matters. The role of audit committees is outlined in Chapter IX A of the Financial Statements Act.

The statutory responsibilities of the Audit Committee include:

- Monitoring the financial reporting process.
- Overseeing the organisation and effectiveness of the entity's internal controls, internal audit (if applicable), and risk management.
- Supervising the audit of the entity's financial statements and consolidated accounts.
- Assessing the independence of the auditor or audit firm and monitoring other services provided by them.
- Recommending the selection of an auditor or audit firm to the Board.

The Audit Committee of RE monitors corporate governance, risk management effectiveness, and internal controls by reviewing and approving the internal audit plan. A key aspect of internal audit activities is ensuring oversight and assessing the effectiveness of risk management and internal controls.

The committee reviews and receives presentations on the internal and external audit plans, where risk and uncertainty factors within the company's operations are assessed. External auditors also evaluate internal controls related to financial reporting. The Audit Committee monitors the progress of the audit, reviews the external auditors' findings, and submits its opinion on the annual financial statements to the Board of RE. The committee discusses reports from both internal and external auditors and specifically follows up on their recommendations concerning internal control.

The Board of RE maintains active oversight of key risk factors affecting the Group's operations. It receives monthly reports on financial status, resource management, safety and health issues, and significant environmental factors, including climate-related matters. Risk management, operational risks, and other business risks are regularly discussed at Board meetings. Furthermore, the Internal Audit Department of Reykjavík City is responsible for financial and administrative oversight at OR on behalf of the Board. This involves assessing the effectiveness of risk management, control measures, and governance practices, with a focus on continuous improvement.

CEO and Subsidiaries

The board of RE appoints the CEO and defines the role's responsibilities.

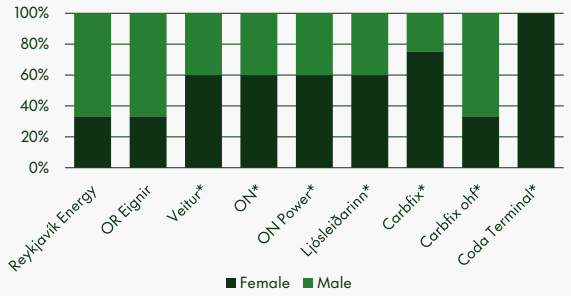
Sævar Freyr Þráinsson is the CEO of RE. He holds a Cand.Oecon degree in business administration from the University of Iceland, with a focus on marketing. His previous roles include CEO positions at Síminn and 365 Media. Before joining RE in 2023, he served as the mayor of Akranes, one of RE's owners.

The CEO manages the company's ownership stakes in its subsidiaries and associated companies and presents proposals regarding board appointments for these entities to RE's board. Board members of RE are not permitted to serve on the boards of its subsidiaries or associated companies.

A recommendation from the internal auditor suggested that the representation of independent members on the boards of RE's subsidiaries should be increased. This was addressed during the board elections at the 2024 and 2025 annual general meetings.

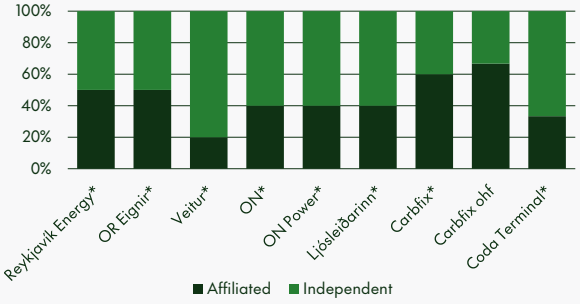
Gender diversity on boards of directors within Reykjavík Energy

*** means the chairperson is female**



Independent and affiliated board members

*** means the chairperson is independent**



Risks and Opportunities

RE has established a risk management policy, which is reviewed annually by the board, with any changes confirmed at an owners' meeting. The primary objective of RE's risk management policy is to ensure that the company fulfils its role safely and efficiently, within acceptable risk limits appropriate to its operations and in accordance with approved policies and objectives for strong risk management.

The key focuses of the risk management policy are to:

- Reduce fluctuations in performance over time by identifying, assessing, and managing risks.
- Support adequate access to funding to cover the development of services and regular operations.
- Promote adequate access to resources, which involves a balance between the utilisation and conservation of resources.
- Analyse risks and opportunities to promote improved operations and informed decision-making.
- Promote risk awareness among staff.

RE's risk management handbook and related documents outline the framework, overall risk perspective, and risk appetite set by the board. The board entrusts the CEO with implementing the risk management policy and regularly reporting on risk categories and any risks outside the board's defined thresholds.

RE has placed greater emphasis on identifying opportunities within its risk management policy, and the boards of all companies in the group have incorporated similar priorities into their own risk policies. Work is underway to develop an opportunity database, similar to RE's risk database. Risk councils operate within each company in the group.

The policies of RE and its subsidiaries are implemented through quality management systems. The company operates under independent certification according to the following standards:

- ISO 9001 - International quality management standard
- ISO 14001 - International environmental management standard.
- ISO 14064-1 – International standard on carbon accounting
- ISO 27001 - International standard for information security management
- ISO 45001 - International standard for occupational health and safety management
- IST 85 - Icelandic Standard for Equal Pay Systems
- HACCP - International food control system
- Statutory electrical safety management systems of the Housing and Construction Authority

The management systems are particularly useful for overseeing the large number of operating licenses that Reykjavík Energy operates under, which amount to approximately 70.[1]

Multifaceted Threats

With rising tensions in international affairs, governments are increasingly focusing on multifaceted threats to national security. Reykjavík Energy operates a range of essential social infrastructure that must continue to function should such threats materialise. RE's risk framework places increasing

1 Permits and licenses 2025

emphasis on threats to natural resources and utility networks. At the same time, work is underway to update all emergency response arrangements. A fundamental aspect of this work is identifying vulnerabilities and taking measures to reduce them.

To date, efforts to strengthen resilience have primarily focused on responses to natural hazards, accidents or serious system failures. Many multi-factor threats are man-made. Measures to enhance resilience—such as designing systems with built-in redundancy, maintaining inventories to ensure the availability of spare parts, improving monitoring, and, not least, training staff to respond to unexpected situations—help strengthen the operation's resilience against any kind of threat.

IT Security

RE and its subsidiaries have implemented an information security management system covering all aspects of the group's operations. The ISO/IEC 2700:2022-certified information security management system is audited annually by accredited evaluators. In November 2025, BSI reaudited the information security management system, which resulted in seven minor non-conformity being recorded. The Electronic Communications Office of Iceland formally completed the process of self-assessment of ON Power and Veitur Utilities for compliance with the main minimum requirements according to Regulation No. 866/2020, on the security of network and information systems, and the outcome in both cases was positive. The findings of these audits are being systematically addressed.

In November 2026, RE's Board of Directors approved a unified information security and information technology policy. RE also participated in two cybersecurity exercises in November and December. One was a cybersecurity exercise organised by the Icelandic Electricity System Emergency Cooperation, and the other was a Cyber Coalition exercise organised by NATO.Since the introduction of data protection laws in 2018, no rulings against companies in the RE group have been issued in data protection cases. A case related to RE's 2023 security breach notification concerning the "My pages" was closed in 2025 without further action.

For a detailed discussion of financial risk, please refer to Notes 27-32 in this annual report.

Business Ethics and Anti-Corruption Measures

RE's Code of Ethics is based on integrity, one of the company's core values. The code is documented and publicly available and is intended to help employees ensure that integrity, respect, and equality characterise all interactions—whether with customers, colleagues, the board, contractors, or other stakeholders. While the code provides guidelines, it is not exhaustive, and employees are still responsible for using their judgment and conscience when faced with ethical dilemmas. In 2020, RE introduced a Workplace Conduct Agreement for its employees.

RE first introduced a Code of Ethics in 2000, established by company leadership. It was later reviewed, revised, and approved by the board in 2017 and is regularly assessed, most recently in March 2025. The Code of Ethics is incorporated into the board's rules of procedure, introduced to all new employees, and made easily accessible. Additionally, it is explicitly referenced in employment contracts signed by new hires, with at least half of the workforce having signed contracts that reference the code.

If an employee believes there has been a code violation or encounters an ethical dilemma, they are encouraged to seek guidance from a supervisor or a trusted colleague. If the employee feels personally affected by a violation—such as in cases of bullying or harassment—they may also contact an external consultant directly, initiating a documented and confidential process if requested. RE's internal audit function also manages a whistleblower process, allowing employees and other stakeholders to report concerns anonymously.

RE has documented procedures for handling cases where an employee or manager is suspected of violating company policies or engaging in fraud. These procedures are accessible to all employees. If there is suspicion of misconduct, it must be reported to the immediate supervisor or the internal auditor, who is responsible for investigating the matter while maintaining strict confidentiality, including protecting the whistleblower's identity. The internal auditor reports directly to the board and is, therefore, independent of company management and employees within the group.

In 2025, two fraud cases arose. In the first case, an investigation focused on unfounded invoices from a company linked to a now-former employee. The other was an online fraud case where a payment to a foreign supplier was directed to the account of the alleged fraudster instead of the supplier. Both cases were reported to the police and are being processed. RE's executive leadership, division directors, and department heads are responsible for internal control within their respective areas. The company's quality management systems are independently certified by external auditors. RE adheres to the professional standards set by the Institute of Internal Auditors (IIA) for internal audit practices. Reykjavík City's internal audit department acts as the internal auditor for RE and its subsidiaries in accordance with a service agreement. RE also has a compliance officer responsible for overseeing information disclosures to the stock exchange (Nasdaq Iceland) and the Financial Supervisory Authority (FME).

Supplier Relations

RE's procurement policy is based on the following principles:

- Use tenders, such as open or restricted tenders, or other statutory procurement procedures for the purchase of goods, services and works. Sustainability criteria shall be taken into account in procurement and the most economically advantageous tender shall be accepted.
- Procurement rules and procurement methods must be clear and transparent.
- Ensure equality, transparency, and efficiency in all procurement.

When purchasing and managing contracts, sustainability aspects shall be taken into account, such as quality, health, human rights, environmental, information security, and safety aspects.The company has issued a Supplier Code of Conduct based on the procurement policy and the Ten Principles of the UN Global Compact. At the same time, a response procedure was developed and documented for handling reports of non-compliance.

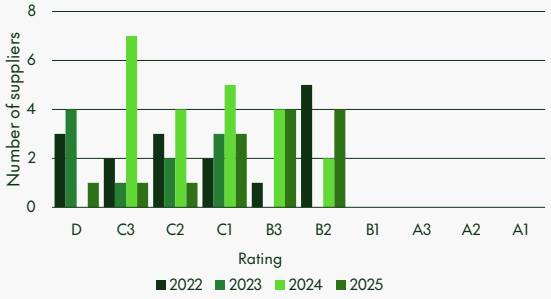
The requirements outlined in the Supplier Code of Conduct are now included in all of RE's tender terms, ensuring that sustainability criteria apply to large and smaller suppliers.Additionally, the code is now explicitly referenced in all tenders.

RE has implemented a process to assess human rights impacts within its supply chain. During an S&P Global assessment of RE's green financing framework, a human rights risk was identified regarding sourcing rare metals used in various electrical equipment. A draft version of the assessment process was presented to representatives from the Icelandic Confederation of Labour (ASÍ) and Amnesty International Iceland during a meeting with RE's Human Rights Council established within the company.

From 2022 to 2025, RE's suppliers underwent ESG evaluations conducted by Reitun. The aim of the assessment was to obtain a measure of how suppliers are performing on sustainability issues, and meetings have been held with suppliers, both individually and in larger meetings. During the meetings, suppliers stated that there is considerable work being done by them and the manufacturing companies behind them in terms of sustainability issues, particularly climate issues.

As the graph below shows, there is a wide spread in performance. Most of the suppliers assessed in 2025 were among those also assessed in 2022. Their average score increase was 5 points on Reitun's 100-point scale. In general, larger suppliers, most of whom were assessed in 2022, perform better than smaller ones. Reitun's UFS supplier assessment in 2024 and 2025 found that nine of the 36 suppliers assessed used temporary staffing agencies. RE considers that as a risk factor.

Results of Reitun's ESG-rating of RE's suppliers



RE pays submitted invoices on their due date unless a different arrangement has been agreed upon. In 2025, the company's average payment term was 24 days. A total of 87.7% of invoices were paid within this timeframe, with the primary reason for delays being requests for additional clarifications regarding invoices. The average time from invoice receipt to payment in 2025 was 16 days.

One contractor dispute was before the court during the year.A court-appointed expert was assigned to evaluate a contractor's dispute regarding withheld payments due to project delays. No indications of human rights violations in RE's value chain were reported during the year.

Interest Representation

RE systematically monitors the government's consultation portal for issues relevant to the company's interests. When appropriate, this monitoring may result in the company issuing official comments.

RE does not provide financial support to political organisations, as this is prohibited for publicly owned companies under Icelandic law 162/2006 on the operations of political organisations.

RE holds direct and indirect memberships in organisations registered as interest groups under Act No. 64/2020 on Conflict of Interest Prevention in the Icelandic Government. These organisations include Samorka, the association of energy and utility companies, which is also a member of the Confederation of Icelandic Enterprise. According to Samorka's registration, its primary purpose is to operate as a credible, educational, and positive platform for the energy and utility sector, strengthening its role and operations in the interest of society. The association's lobbying efforts focus on positively influencing the regulatory environment to enable member companies to fulfil their essential societal role.

RE is also a member of the Iceland Chamber of Commerce (Viðskiptaráð Íslands). The role and purpose of the Chamber are to protect the interests of businesses, promote an understanding of the importance of economic freedom, advocate for minimal government intervention, a favourable tax environment, and other factors that enhance Iceland's competitiveness.

VSME Reference Table

VSME reference	Description	Fulfilled	Page/Note
B01 - 24(a)	Disclose which option is selected: Option A: Basic Module; Option B: Basic Module & Comprehensive Module	YES	B
B01 - 24(b)	Disclosure of classified or sensitive information	YES	No ommittance.
B01 - 24(c)	Sustainability report on an individual basis or consolidated basis	YES	Consolidated.
B01 - 24(d)	If applicable, disclose a list of the subsidiaries	YES	p. 15
B01 - 24(e)(i)	Legal form of the undertaking	YES	p. 74
B01 - 24(e)(ii)	NACE sector classification code(s)	YES	p. 15
B01 - 24(e)(iii)	Size of the balance sheet (in Euro)	YES	p. 14 (Key financial results) The Annual Financial statements are in ISK
B01 - 24(e)(iv)	Turnover (in Euro)	YES	p. 7 (Managers' Overview)
B01 - 24(e)(v)	Number of employees in headcount or full-time equivalents	YES	p. 15
B01 - 24(e)(vi)	Country of primary operations and location of significant asset(s)	YES	p. 6 (map) and p. 15
B01 - 24(e)(vii)	Geolocation of sites owned, leased or managed	YES	p. 6 (map)
B01 - 25	If applicable, describe sustainability-related certification or label	YES	p. 19 (ESG-rating) p. 67 (Audited standards)
B02 - 26(a)	Practices for transitioning towards a more sustainable economy	YES	p. 10-14 (Chairman's and CEO's introduction)
B02 - 26(b)	Policies for transitioning towards a more sustainable economy	YES	p. 10-14 (Chairman's and CEO's introduction)
B02 - 26(c)	Future initiatives for transitioning towards a more sustainable economy	YES	p. 29, p. 38, p. 42, p.49, p. 52, p. 57, p. 60
B02 - 26(d)	Targets to monitor the implementation of the policies and the progress	YES	p. 25, p. 31, p. 40, p. 43, p. 53, p. 58, p. 62, p. 65
B03 - 29	The undertaking shall disclose its total energy consumption in MWh	YES	211,531 MWh
B03 - 29	Total energy consumption in MWh from electricity (as reflected in utility billings)	YES	126,866 MWh. Incl. distribution losses from Veitur Utilities' distribution network (42,917 MWh), estimated based on historical data.
B03 - 29	Total energy consumption in MWh from fuels	YES	1,952 MWh
B03 - 29	Renewable energy consumption in MWh from electricity (as reflected in utility billings)	YES	126,866 MWh. Incl. distribution losses from Veitur Utilities' distribution network (42,917 MWh), estimated based on historical data.
B03 - 29	Renewable energy consumption in MWh from fuels	YES	285 MWh
B03 - 29	Non-renewable energy consumption in MWh from electricity (as reflected in utility billings)	YES	0 MWh
B03 - 29	Non-renewable energy consumption in MWh from fuels	YES	1,667 MWh.

VSME reference	Description	Fulfilled	Page/Note
B03 - 30	Total estimated gross GHG emissions (tCO_2e)	YES	p. 25-27
B03 - 30(a)	Scope 1 GHG emissions (tCO_2e)	YES	p. 25-27
B03 - 30(b)	Scope 2 GHG emissions (tCO_2e, location-based)	YES	p. 25-27
B03 - 31	GHG intensity calculated by dividing gross GHG emissions by turnover (in Euro)	YES	0.898 tonnes CO_2eq per million ISK
B04 - 32	If required by law or national regulation, report the emission of pollutants. If the undertaking reports this voluntarily, it shall disclose the pollutants it emits to air, water and soil with amounts.	YES	"Pollutants in sewage per annex II in discharge report: 1,194 tonnes Geothermal water: 12,055 thousand tonnes of hot water released to surface. H2S emissions from power plants: 11,667 tonnes"
B05 - 33	Number and area (hectares) of sites owned/leased/managed in or near a biodiversity sensitive area	NO	p. 40
B05 - 34(a)	Total use of land (hectares) - optional	NO	
B05 - 34(b)	Total sealed area - optional	NO	
B05 - 34(c)	Total nature-oriented area on-site - optional	NO	
B05 - 34(d)	Total nature-oriented area off-site - optional	NO	
B06 - 35	Total water withdrawal (and amount from high water-stress areas)	YES	p. 32. No withdrawal from high-stress areas.
B06 - 36	Water consumption (if significant)	YES	Water consumption: 170,865 m3
B07 - 38(a)	Total annual generation of waste by type (non-hazardous and hazardous)	YES	p. 50
B07 - 38(b)	Total annual waste diverted to recycling or reuse	YES	p. 50
B07 - 38(c)	Annual mass-flow of relevant materials used (if sector uses significant material flows)	NO	N/A
B08 - 39	Number of employees (HC/FTE)	YES	p.15
B08 - 39(a)	Number of employees by type of employment contract (temporary/permanent)	PARTIAL	p. 57
B08 - 39(b)	Number of employees by gender	YES	p. 15 (number) p. 54 (by job category)
B08 - 40	Employee turnover rate for the reporting period	YES	p. 57 (graph)
B09 - 41(a)	Number and rate of recordable work-related accidents	YES	p. 54 (two graphs)
B09 - 41(b)	Number of fatalities as a result of work-related injuries and work-related ill health	YES	None. p. 54
B10 - 42(a)	Employees receive pay equal or above applicable minimum wage (statement)	YES	Reported on p. 55-56
B10 - 42(b)	Gender pay gap (%)	YES	p. 55 report and graph
B10 - 42(c)	Percentage of employees covered by collective bargaining agreements	YES	p. 56 (graph)
B10 - 42(d)	Average number of annual training hours per employee, broken down by gender	NO	

VSME reference	Description	Fulfilled	Page/Note
B11 - 43	Convictions and fines (if applicable)	YES	No convictions or fines
C1 - 47(a)	Description of significant groups of products and/or services offered	YES	p.15 (Group overview)
C1 - 47(b)	Description of significant market(s) the undertaking operates in	YES	p.15 (Group overview), p. 16 (Value Streams), p. 17 (Value creation and stakeholders)
C1 - 47(c)	Description of main business relationships	YES	p.15-17
C1 - 47(d)	If applicable, strategy elements that relate to or affect sustainability issues	YES	p. 25, p. 31, p. 40, p. 43, p. 53, p. 58, p. 62, p. 65
C2 - 48	Description of specific practices/policies reported under B2	YES	p. 25, p. 31, p. 40, p. 43, p. 53, p. 58, p. 62, p. 65
C2 - 49	Indicate the most senior level accountable for implementation	YES	Board of Directors, see p. 66
C2 - 50-53	If reporting Scope 3, reference GHG Protocol 15 categories and include significant categories	PARTIAL	p.26 (Further discussed in separate Climate Accounting)
C3 - 54(a)	Target year and target value (Scopes 1,2, and significant 3)	YES	p. 26
C3 - 54(b)	Base year and base year value (Scopes 1,2, and significant 3)	YES	p.26 (Further discussed in separate Climate Accounting)
C3 - 54(c)	Units used for targets	YES	Tonne CO_2eq/year
C3 - 54(d)	Share of scope(s) covered by targets	YES	p.26 (Further discussed in separate Climate Accounting)
C3 - 54(e)	Main actions to achieve targets	YES	p. 26, p. 28-30 (Further discussed in separate Climate Accounting)
C3 - 55-56	Information about the transition plan	YES	p. 26, p. 28-30 (Further discussed in separate Climate Accounting)
C4 - 57(a)	Describe climate-related hazards and transition events (if identified)	YES	p. 28-30
C4 - 57(a)	Time horizons for hazards and transition events (if identified)	YES	p. 28
C4 - 57(b)	Disclose how exposure and sensitivity were assessed (if identified)	YES	p. 28 (see also link to attachment)
C4 - 57(d)	Adaptation actions undertaken (if identified)	YES	p. 28 (see also link to attachment)
C4 - 58	Potential adverse effects on financial performance/operations (may disclose)	NO	
C5 - 59	Female-to-male ratio at management level	YES	p. 15 (Group overview), p. 54 (graph; gender diversity by job category), p. 67
C5 - 60	Number of self-employed without personnel working exclusively for the undertaking, and temporary workers from employment agencies	NO	
C6 - 61(a)	Code of conduct or human rights policy (YES/NO)	YES	p. 68, p. 55
C6 - 61(b)(i)	If yes, does the code/policy cover: child labour (YES/NO)	YES	p. 56
C6 - 61(b)(ii)	If yes, does the code/policy cover: forced labour (YES/NO)	YES	p. 56
C6 - 61(b)(iii)	If yes, does the code/policy cover: human trafficking (YES/NO)	YES	p. 56
C6 - 61(b)(iv)	If yes, does the code/policy cover: discrimination (YES/NO)	YES	p. 55

VSME reference	Description	Fulfilled	Page/Note
C6 - 61(b)(v)	If yes, does the code/policy cover: accident prevention (YES/NO)	YES	p. 55-55
C6 - 61(b)(vi)	If yes, does the code/policy cover: other? (YES/NO)	YES	p. 56, p. 69
C6 - 61(c)	Complaints-handling mechanism (YES/NO)	YES	p. 68 (Whistleblower policy & 2025 cases)
C7 - 62(a)(i)	Confirmed incidents in own workforce related to child labour (YES/NO)	YES	No instance. p. 57
C7 - 62(a)(ii)	Confirmed incidents in own workforce related to forced labour (YES/NO)	YES	No instance. p. 57
C7 - 62(a)(iii)	Confirmed incidents in own workforce related to human trafficking (YES/NO)	YES	No instance. p. 57
C7 - 62(a)(iv)	Confirmed incidents in own workforce related to discrimination (YES/NO)	YES	p. 56-57 (Harassment, discrimination, and violence prevention)
C7 - 62(a)(v)	Confirmed incidents in own workforce related to other (YES/NO)	YES	p. 56-57 (Harassment, discrimination, and violence prevention)
C7 - 62(c)	Is the undertaking aware of any confirmed incidents involving workers in the value chain, affected communities, consumers and end-users? (If yes, specify)	YES	No instance.
C8 - 63(a)	Revenues related to controversial weapons sector	YES	No revenues. See also note 5 on p. 89
C8 - 63(b)	Revenues related to cultivation and production of tobacco	YES	No revenues. See also note 5 on p. 89
C8 - 63(c)	Revenues related to the fossil fuel sector (coal, oil and gas) incl. disaggregation by coal/oil/gas	YES	No revenues. See also note 5 on p. 89
C8 - 63(d)	Revenues related to chemicals production (pesticides and other agrochemicals)	YES	No revenues. See also note 5 on p. 89
C8 - 64	Whether the undertaking is excluded from any EU reference benchmarks aligned with the Paris Agreement	YES	No, not excluded.

Auditor's report on sustainability report

Limited assurance

To Orkuveitan, Reykjavik Energy, ssn. 551298–3029

Conclusion

We have been engaged by the Board of Directors and the CEO to perform a limited assurance engagement of the sustainability report of Orkuveitan, Reykjavik Energy for the financial year 2025.

Based on our procedures, as described in the section Auditor's Responsibility, nothing has come to our attention that causes us to believe that the sustainability report is not, in all material respects, prepared in accordance with the "Voluntary Sustainability Reporting Standard for SME" (VSME) and Article 8 of the EU Taxonomy Regulation applicable to the sustainability report.

Our work in the limited assurance engagement is limited to the information on pages 7-73.

Basis for Conclusion

We conducted our engagement in accordance with ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. Our responsibilities under this standard are further described in the section Auditor's Responsibility.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for preparing the sustainability report in accordance with the applicable criteria, as presented on pages 70-73 of the sustainability report, consisting of the VSME framework issued by the European Financial Reporting Advisory Group (EFRAG), as well as Article 8 of the EU Taxonomy Regulation applicable to the sustainability report.

This responsibility also includes establishing such internal control as the Board of Directors and the CEO deem necessary to prepare a sustainability report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the sustainability report based on our limited assurance engagement. The engagement has been conducted in accordance with ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This standard requires us to plan and perform the engagement to obtain limited assurance that the sustainability report is prepared in accordance with the criteria outlined in the section Responsibilities of the Board of Directors and the CEO.

The procedures performed in a limited assurance engagement are substantially less in extent than those performed in a reasonable assurance engagement, and consequently the level of assurance obtained is lower.

Our audit firm applies ISQM 1 (International Standard on Quality Management), which requires the firm to design, implement, and operate a system of quality management including policies or procedures related to compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We are independent of Orkuveitan, Reykjavik Energy in accordance with professional ethics for accountants in Iceland and have fulfilled our ethical responsibilities in accordance with these requirements.

The procedures primarily included:

- With reference to the qualitative information, we carried out interviews and obtained supporting documentation to verify its consistency with available evidence.
- With reference to quantitative information, we performed both analytical procedures and limited tests to verify, on a sample basis, the accuracy of data aggregation.

Reykjavik, 6 March 2026

Grant Thornton Iceland

Bjarni Mar Johannesson
Authorized Public Accountant

Sturla Jónsson
Authorized Public Accountant

Statement of the Board of Directors and the CEO

Reykjavík Energy (Orkuveita Reykjavíkur) is a partnership company operating under the provision of Act No. 136/2013 on Reykjavík Energy. The statutory role of Reykjavík Energy is to engage in the production, generation, and sale of electricity, hot water, and steam, as well as the operation of fundamental infrastructure, such as electricity distribution, district heating, water supply, wastewater management, and data networks, in addition to other activities of a similar nature. Furthermore, Reykjavík Energy and its subsidiaries are engaged in activities that can utilise the research, knowledge, or equipment of the companies, as well as industrial development and innovation, provided that they are linked to the core business of the company, including the storage of carbon dioxide and other water-soluble gases in the ground.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union and additional requirements set forth in Icelandic laws and regulations on annual financial statements of companies with listed bonds. The report includes the financial statements of Reykjavík Energy and its subsidiaries.

This report of the Board and the CEO is structured with reference to EU Directive 2022/2464 on corporate sustainability reporting (the Corporate Sustainability Reporting Directive – CSRD), cf. the consultation draft published in the Icelandic government consultation portal on 19 August 2024. A double materiality assessment of the operations was conducted in 2024 and revised in 2025. With amendments to the Directive at the end of 2025, Reykjavík Energy will fall outside its scope. This amendment has not been transposed into Icelandic law with respect to the Taxonomy Regulation, cf. Act No. 25/2023 currently in force, and government plans remain uncertain. The report is considered to meet the requirements of Act No. 25/2023 and all relevant items of Article 66 of the current Annual Accounts Act No. 3/2006. In the review of the non-financial information contained in this report, the VSME sustainability standard of the European Financial Reporting Advisory Group has been applied, cf. the related assurance. Reporting practices are still under development.orting in alignment with the forthcoming legislation.

To the best of Reykjavík Energy´s board of directors and its CEO's knowledge, the Consolidated Financial Statements are in accordance with International Financial Reporting Standards, as approved by the European Union and additional requirements set forth in Icelandic laws and regulations on annual Financial Statements of companies with listed bonds. In the opinion of the board of directors and CEO, the Financial Statements give a true and fair view of the group´s assets, liabilities, and financial position as of 31 December 2025, together with its operating results and changes in cash flow during the year, as well as describing major risks and uncertainties facing the group.

Reykjavík, 6 March 2026

Board of Directors:

Gylfi Magnússon
Vala Valtýsdóttir
Ragnhildur Alda Vilhjálmsdóttir
Þórður Gunnarsson
Skúli Helgason
Valgarður Lyngdal Jónsson

CEO:
Sævar Freyr Þráinsson

Independent Auditor's Report

To the Board of Directors and Owners of Reykjavik Energy.

Opinion on the Consolidated Financial Statements

Opinion

We have audited the accompanying Consolidated Financial Statements (excluding Statement by the Board of Directors and CEO) of Reykjavik Energy (hereafter the Group) for the year 2025. The Consolidated Financial Statements comprise the Statement by the Board of Directors and CEO, the Statement of Income, the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Changes in Equity, a summary of significant accounting policies and other explanatory information.

In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the consolidated results of operations of the Group. for the year 2025, its consolidated financial position as at December 31, 2025, and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the Financial Statements Act.

The audit and the audit opinion cover:

Our audit and opinion on the Consolidated Financial Statements cover the income statement, statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity, information on significant accounting policies, and other disclosures. We have not audited and therefore do not provide an opinion on the Statement by the Board of Directors and CEO beyond what is required of us, as stated in the statement below.

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

Our opinion is in accordance with the information presented in our audit report to the audit committee, in accordance with Article 11 of the EU Directive No. 537/2014 of the European Parliament and of the Council.

To the best of our knowledge, we hereby declare that other services we have provided to the company are in compliance with the provisions of Icelandic laws and regulations, and that we have not provided any services that are prohibited under Article 5.1 of EU Regulation No. 537/2014.

Basis for Opinion

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

To the best of our knowledge, we hereby declare that other services we have provided to the company are in compliance with the provisions of Icelandic laws and regulations, and that we have not provided any services that are prohibited under Article 5.1 of EU Regulation No. 537/2014

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Financial Statements for the year 2025. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our opinion the following matters were key audit matters:

Explanation of Key Audit Matter	Responses to Key Audit Matter
Valuation of production and distribution systems See note 41 (d) on significant accounting policies and note 13: on property, plant and equipment. We have defined the valuation of production and distribution systems as a key audit matter in our audit. The Group's production and distribution sy-stems are carried at revalued amount. An assessment is made of the changes in construction costs of similar types of assets and both cost and accumulated depreciation are revalued accor-dingly. The Group performs impairment tests on the reporting date and recognises impairment loss if value in use is lower than book value of an asset. Revalu-ed amount will also not be higher than value in use. The assumptions used for revaluation and impairment tests are based on management assessments and are partly subjective. With production and distribution systems being a significant part of the consolidated financial statements, any change in assumptions can have significant effect on the income statement and balance sheet of the Group. Our work both included estimates of the revaluation assessments and the impairment tests of the production and distribution systems.	As part of our audit, we reviewed the Group's methodology for valuing the production and distribution systems and its consistency with international financial reporting standards. We reviewed the Group's processes for the revaluation and impairment tests. We also reviewed the functionality of models used in the assessments. We evaluated management assumptions by comparing to public information where applicable. Where assumptions are not based on public information, we made our own evaluation on management assumptions. We used the work of a valuation specialist to assist in this evaluation.
Revenue recognition See note 40 (j) on significant accounting policies and note 3 on operation and revenue recognition of Group's components. Revenue from sale and distribution of electricity and hot water is recognised based on measurements into the systems, taking into account energy losses occurring in the distribution systems. Differences between the actual amounts that go into the systems, minus losses and invoiced usage, leads to a period correction. Due to the fact that income recognition at the end of the year is based on management estimates, there is uncertainty regarding revenue recognition relating to revenue cut-off and existence. For that reason, we focus specifically on revenue cutoff in our audit, as well as performing other audit procedures relating to revenue recognition.	In our audit of revenues, we have assessed controls relating to revenues in the Group. We have also tested certain controls relating to revenue recognition. We have reviewed and evaluated the IT control environment in the Group, including review of how access to finance and accounting related IT systems is controlled. We have used substantive testing methods where we have for example reviewed reconciliations between accounting systems and subsystems and received third par-ty confirmation of energy usage, turnover and outstanding balances at year-end from specific customers. We have also reviewed deposits after year-end where balance con-firmations from customers were not available. We have also performed su-bstantive tests where we have compared our expectations to actual revenue recognition in the Group.
Valuation of embedded derivative See note 40 (c) on significant accounting policies, note 18 on embedded derivatives in electricity sales contracts and note 33 on fair value hierarchy. Because prices of specific electricity sales contracts with large counterparties are tied to aluminium prices, the Group recognises embedded derivatives on the balance sheet. As electricity and aluminium prices are generally not closely related, financial reporting standards require the risk relating to this relationship to be evaluated specifically. The embedded derivatives are considered to be third level financial items, where estimates are based on management assumptions and unobservable inputs. Because of the vulnerability of the estimate, any change in assumptions can have significant effect on the income statement and balance sheet of the Group. For these reasons, we assume there is significant risk related to embedded derivatives and have therefore defined them as a key audit matter.	In our audit, we reviewed the Group's pricing methodology and consistency with international financial reporting standards. We reviewed the Group's process for analysing and assessing assumptions used in the valuation, as well as reviewing valuation models used. We recalculated derivative valuations based on information we collected. We used the work of a valuation specialist to assist with this review.

Other Information

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

The Board's report is prepared with reference to EU Directive 2022/2464 on corporate sustainability reporting (Corporate Sustainability Reporting Directive – CSRD) and with limited assurance based on the VSME sustainability reporting standard. We have not audited this information and do not express an opinion on it.

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

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Report on European single electronic format (ESEF Regulation)

As part of our audit of the Consolidated Financial Statements of Orkuveita Reykjavíkur we performed procedures to be able to issue an opinion on whether the Consolidated Financial Statements of the Group for the year 2025 with the file name 5493004ARP9VPUIX5B73-2025-12-31-is.zip are prepared, in all material respects, in compliance with laws no. 20/2021 disclosure obligation of issuers of securities and the obligation to flag relating to requirements regarding European single electronic format regulation EU 2019/815 which include requirements related to the preparation of the Consolidated Financial Statements in XHTML format and iXBRL markup.

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

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

In our opinion, the Consolidated Financial Statements of Reykjavik Energy for the year 2025 with the file name 5493004ARP9VPUIX5B73-2025-12-31-is.zip prepared, in all material respects, in compliance with the ESEF Regulation.

We were elected auditors for the Group in the Group's annual general meeting on April 11 2025 and this is therefore the 8th continuous fiscal year where we are the Group's auditors.

On behalf of Grant Thornton endurskoðun ehf.

Reykjavik, 6 March 2026

Sturla Jónsson,
State Authorized Public Accountant

Bjarni Már Jóhannesson,
State Authorized Public Accountant

Finance

Income Statement 2025

	Notes	2025	2024
Operating revenue	4	68.581.906	66.591.502
Redemption of aluminium derivatives		(166.456)	152.473
Profit from sale of assets		28.355	37.976
Operating revenues, total		68.443.805	66.781.952
Energy purchase and distribution	6	(6.448.564)	(7.191.229)
Salaries and salary related expenses	8	(11.092.658)	(10.724.400)
Other operating expenses		(10.643.921)	(9.804.020)
Operating expenses, total		(28.185.142)	(27.719.649)
EBITDA		40.258.663	39.062.303
Depreciation and amortisation	10	(17.484.641)	(16.830.274)
Results from operating activities, EBIT		22.774.021	22.232.029
Interest income		1.312.691	1.055.993
Interest expenses		(13.625.909)	(13.816.458)
Other income (expenses) on financial assets and liabilities		3.138.786	523.018
Total financial income and expenses	11	(9.174.431)	(12.237.447)
Share in profit of associated companies	16	2.976	3.939
Profit before income tax		13.602.567	9.998.521
Income tax	12	(2.083.445)	(689.453)
Profit for the year		11.519.122	9.309.068
Attributable to:			
Equity holders of the Company		11.519.800	9.309.582
Minority interest in subsidiaries		(678)	(514)
Profit for the year		11.519.122	9.309.068

The notes on pages 86 to 132 are an integral part of these Consolidated Financial Statements.

Statement of Comprehensive Income 2025

	Notes	2025	2024
Profit for the year		11.519.122	9.309.068
Other comprehensive income			
Items moved to equity that will not be moved later to the income statement			
Revaluation reserve, increase	13	21.589.853	2.974.065
Income tax effect of revaluation	12	(3.252.207)	(594.813)
		18.337.647	2.379.252
Items moved to equity that could be moved later to the income statement			
Translation difference		(6.821.411)	1.059.716
Other comprehensive income, after taxes		11.516.236	3.438.968
Total comprehensive income for the year		23.035.358	12.748.036
Attributable to:			
Equity holders of the Company		23.036.052	12.748.545
Minority interest in subsidiaries		(694)	(509)
Total comprehensive income for the year		23.035.358	12.748.036

The notes on pages 86 to 132 are an integral part of these Consolidated Financial Statements.

Statements of Financial Position
31 December 2025

	Notes	31.12.2025	31.12.2024
Assets			
Property, plant and equipment	13	475.262.068	449.315.631
Intangible assets	14	7.006.283	6.246.068
Right-of-use assets	15	2.365.818	2.346.362
Investments in associated companies	16	91.643	88.667
Investments in other companies	17	6.230.898	6.243.980
Embedded derivatives in electricity sales contracts	18	2.472.133	406.754
Hedge contracts		0	63.086
Deferred tax assets	20	5.978.833	6.166.858
Total non-current assets		499.407.676	470.877.406
Inventories	21	1.793.214	1.632.118
Trade receivables	22	7.389.894	7.829.583
Embedded derivatives in electricity sales contracts	18	1.238.391	275.913
Hedge contracts		0	94.574
Other receivables	22	1.167.572	927.652
Prepaid expenses		718.274	283.101
Marketable securities		15.364.438	11.594.110
Cash and cash equivalents		10.827.295	16.438.122
Total current assets		38.499.080	39.075.173
Total assets		537.906.756	509.952.579
Equity			
Revaluation reserve		140.971.351	127.809.202
Equity reserve		108.080.431	94.950.622
Development reserve		320.361	218.177
Fair value reserve		5.807.000	5.807.000
Translation reserve		3.017.188	9.838.598
Retained earnings		24.071.886	27.108.582
Equity attributable to equity holders of the Company		282.268.217	265.732.181
Minority interest		(913)	(219)
Total equity	23	282.267.305	265.731.962
Liabilities			
Loans and borrowings	24	191.144.457	184.597.864
Lease liabilities	15	2.363.640	2.308.413
Pension liability	25	724.633	739.347
Hedge contracts		355.333	10.643
Deferred revenue	19	1.694.761	1.873.970
Deferred tax liabilities	20	25.449.668	23.153.094
Total non-current liabilities		221.732.491	212.683.332
Accounts payables		3.762.409	3.924.652
Loans and borrowings	24	20.949.416	19.958.999
Lease liabilities	15	172.448	177.887
Hedge contracts		746.177	117.432
Deferred revenue	19	287.123	266.018
Current tax liability	12	2.846.141	2.812.055
Other current liabilities	26	5.143.247	4.280.241
Total current liabilities		33.906.960	31.537.285
Total liabilities		255.639.451	244.220.617
Total equity and liabilities		537.906.756	509.952.579

The notes on pages 86 to 132 are an integral part of these Consolidated Financial Statements.

Statement of Changes in Equity 2025

	Revaluation reserve	Equity reserve	Develop-ment reserve	Fair value reserve	Translation reserve	Retained earnings	Attributable to equity holders of the Company	Minority interest	Total equity
The year 2025									
Equity at 1 January 2025	127.809.202	94.950.622	218.177	5.807.000	9.838.598	27.108.582	265.732.181	(219)	265.731.962
Revaluation, increase	21.589.853						21.589.853		21.589.853
Income tax effect of revaluation	(3.252.207)						(3.252.207)		(3.252.207)
Translation difference					(6.821.411)		(6.821.411)	(16)	(6.821.426)
Profit for the year						11.519.800	11.519.800	(678)	11.519.122
Total comprehensive income	18.337.647	0	0	0	(6.821.411)	11.519.800	23.036.036	(694)	23.035.342
Depreciation transferred to retained earnings	(5.175.498)					5.175.498	0		0
Share in profit of subsidiaries and associates transferred to equity reserve		13.129.810				(13.129.810)	0		0
Development reserve, amortisation			102.185			(102.185)	0		0
Dividends to owners						(6.500.000)	(6.500.000)		(6.500.000)
Equity at 31 December 2025	140.971.351	108.080.431	320.361	5.807.000	3.017.188	24.071.886	282.268.217	(913)	282.267.305
The year 2024									
Equity at 1 January 2024	130.534.225	82.377.266	137.330	5.807.000	8.778.883	31.348.927	258.983.631	290	258.983.922
Revaluation, increase	2.974.065						2.974.065		2.974.065
Income tax effect of revaluation	(594.813)						(594.813)		(594.813)
Translation difference					1.059.716		1.059.716	5	1.059.721
Profit for the year						9.309.582	9.309.582	(514)	9.309.068
Total comprehensive income	2.379.252	0	0	0	1.059.716	9.309.582	12.748.549	(509)	12.748.040
Depreciation transferred to retained earnings	(5.104.275)					5.104.275	0		0
Share in profit of subsidiaries and associates transferred to equity reserve		12.573.356				(12.573.356)	0		0
Development reserve, amortisation			80.846			(80.846)	0		0
Dividends to owners						(6.000.000)	(6.000.000)		(6.000.000)
Equity at 31 December 2024	127.809.202	94.950.622	218.177	5.807.000	9.838.598	27.108.582	265.732.181	(219)	265.731.962

The notes on pages 86 to 132 are an integral part of these Consolidated Financial Statements.

Statement of Cash Flows 2025

	Notes	2025	2024
Cash flows from operating activities			
Profit for the year		11.519.122	9.309.068
Adjusted for:			
Financial income and expenses	11	9.174.431	12.237.447
Share in P/L of associates	16	(2.976)	(3.939)
Income tax	12	2.083.445	689.453
Depreciation and amortisation	10	17.484.641	16.830.274
Profit from sale of property, plants and equipment		(28.355)	(37.976)
Pension liability, change		(10.715)	21.820
Working capital from operation before interests and taxes		40.219.593	39.046.146
Inventories, (increase) decrease		(161.096)	74.652
Current assets, increase		(578.304)	(1.082.821)
Current liabilities, increase		1.173.092	280.040
Cash generated from operations before interests and taxes		40.653.284	38.318.017
Received interest income		1.229.544	1.065.593
Paid interest expenses		(8.335.396)	(8.037.389)
Dividend received		162.181	122.466
Paid taxes		(2.287.726)	(1.744.015)
Net cash from operating activities		31.421.887	29.724.672
Cash flows from investing activities			
Acquisition of property, plant and equipment	13	(32.144.907)	(29.930.261)
Acquisition of intangible assets	14	(1.697.361)	(2.968.600)
Proceeds from sale of property, plant and equipment		73.311	144.176
Acquisition of associated companies		0	(3.300)
Proceeds from sale of other companies		17.484	0
Change in marketable securities		(2.795.534)	(2.024.862)
Net cash used in investing activities		(36.547.006)	(34.782.848)
Cash flows from financing activities			
Proceeds from new borrowings	24	27.980.041	34.509.164
Repayment of borrowings	24	(21.702.858)	(17.324.222)
Deferred revenue, change		(52.489)	(33.934)
Dividends paid	23	(6.500.000)	(6.000.000)
Repayment of lease liability	15	(105.121)	(118.304)
Net cash used in investing activities		(380.426)	11.032.705
(Decrease) increase in cash and cash equivalents		(5.505.546)	5.974.529
Cash and cash equivalents at year beginning		16.438.122	10.342.367
Effect of currency fluctuations on cash and cash equivalents		(105.281)	121.226
Cash and cash equivalents at year-end		10.827.295	16.438.122
Other information			
Working capital from operation	37	30.461.746	29.113.463

The notes on pages 86 to 132 are an integral part of these Consolidated Financial Statements.

1. Reporting entity

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

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

2. Basis of preparation

a. *Statement of compliance*

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

The consolidated financial statements were approved by the Board of Directors on 6 March 2026.

Significant accounting policies for the Group are described in note 40.

b. *Functional and presentation currency*

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

c. *Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis except for a part of property, plant and equipment have been revalued at fair value, embedded derivatives in electricity sales contracts, shares in other companies and other financial assets and liabilities are stated at fair value. The methods used to measure fair values are discussed further in note 40.

d. *Use of estimates and judgements*

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

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

- note 13 - Property, plant and equipment (revaluation of the distribution- and production system and valuation of impairment)
- note 17 - Investments in other companies (presumptions made when calculating fair value of assets classified as Financial assets at fair value through OCI)
- note 40a i) and ii) - Investments in subsidiaries and associated companies (Management uses professional judgment in determining whether definitions of control indicate that the group controls an investment)
- note 18 - Embedded derivatives in electricity sales contracts (presumptions when calculating fair value)
- note 20 - Deferred tax assets and liabilities (valuation of future taxable profits against carry forward tax losses)
- note 28 - Market risk

3. Operation and revenue recognition of Group's components

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

	Products and services	Nature, timing of revenue recognition and payments terms
a.	Electricity	ON Power ohf. and Orka náttúrunnar ohf. generate electricity and sell electricity and Utilities distribute electricity according to law no. 65/2003. Revenue from the sale and distribution of electricity is recognised in the income statement according to measured delivery to customer over the period plus a fixed fee. The rate for the distribution of electricity has a revenue cap set by The National Energy Regulatory in accordance with laws on energy number 65/2003. Upon connection of new users to distribution systems of electricity and upon renewal of connection an initial fee is charged. The initial fee is intended to cover cost of new distribution systems and their renewal. Connection fee is recognised in the income statement upon delivery of the service. Trade receivables from the sale and distribution of electricity generally have a 30 day grace period. Some contracts with certain customers may have different payment arrangements but that is an exception.
b.	Hot water	ON Power ohf., Orka náttúrunnar ohf. and Utilities generate harness hot water and Utilities distribute harness hot water. Revenue from the sale and distribution of harness hot water is recognised in the income statement according to measured delivery to customer over the period plus a fixed fee. Upon connection of new users to distribution systems of harness hot water or upon renewal of connection an initial fee is charged. The initial fee is intended to cover cost of new distribution systems and their renewal. Connection fee is recognised in the income statement upon delivery of the service. Trade receivables from the sale and distribution of harness hot water generally have a 30 day grace period. Some contracts with certain customers may have different payment arrangements but that is an exception.
c.	Cold water	OR - vatns- og fráveita sf. collects and distributes cold water from reservoirs. Revenue from the sale of cold water is based on the size of properties plus a fixed fee which is recorded over the period in the income statement. The legal limitation on the upper limit of the rate is 0,5% of the real estate value. In addition revenue is stated for cold water according to measurement from specific industries. Upon connection of new users to distribution systems of cold water and upon renewal of connection an initial fee is charged. The initial fee is intended to cover cost of new distribution systems and their renewal. Connection fee is recognised in the income statement upon delivery of the service. Trade receivables from the sale of cold water generally have a 30 day grace period. Some contracts with certain customers may have different payment arrangements but that is an exception. Billing for cold water and sewage is done in the first 9 months of the year but income is distributed evenly over the year.

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

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

4. Revenues from sales of goods and services

The Group's income from sales of goods and services is specified as follows:	**2025**	**2024**
Electricity	27.342.118	25.763.221
Hot water	20.111.385	20.600.025
Cold water	4.231.969	3.985.630
Sewer system	7.446.520	7.102.767
Other revenues	9.449.913	9.139.860
Revenues from sales of goods and services total	68.581.906	66.591.502

5. Segment reporting

Business divisions and sectors

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

Energy sale and production generate electricity and thermal energy at power plants, as well as wholesale electricity sales to heavy industry and retail customers.

Utilities distribute electricity, harness hot water from low-temperature fields and distribute hot water from low-temperature geothermal fields and geothermal power plants. It also collects and distributes cold water from reservoirs and runs a sewerage system.

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

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

Customers that have significant effect on the Group's revenues

One customer of Energy sale and production has significant effect on the Group's revenues in the year 2025 due to the purchase of electricity for heavy industry. The Group´s revenues from this customer represents approximately ISK 7.933 million or 11,6% of total revenues. (2024: ISK 9.085 million, or 13,6% of total revenues).

5. Segment reporting, contd.

Segment information is presented by the Group's internal reporting. Business segments presented are Utilities, that represent licensed operations in hot and cold water, distribution of electricity and sewage, Energy sale and production, representing the competitive operations in producing and sale of electricity and hot water and Other Operation, that represents the activities of the parent company, the fiber optic operations and the Carbfix companies. The parent company's main activities is providing service to subsidiaries, rental of housing and equipment, incidental sale of specialist consultancy services and more. Ljósleiðarinn represents the fiber optic operations and the Carbfix companies are working on development and distibution of the Carbfix carbon storage method, with the aim of reducing greenhouse gas emissions and combating climate change. Segment reporting is conducted by using the same accounting principle as the group uses and is described in note 40.

Business segments - divisons **The year 2025**	**Utilities**	**Energy sale and production**	**Other Operation**	**Adjust-ments**	**IFRS 16***	**Total**
External revenue	44.337.324	17.663.408	6.443.073	0		68.443.805
Inter-segment revenue	6.782.261	9.462.929	12.626.524	(28.871.714)		0
Total segment revenue	51.119.585	27.126.337	19.069.596	(28.871.714)		68.443.805
Segment operation expenses	(28.806.209)	(11.634.719)	(16.625.653)	28.692.110	189.328	(28.185.142)
Segment profit EBITDA	22.313.376	15.491.618	2.443.943	(179.603)	189.328	40.258.663
Depreciation and amortisation	(8.044.266)	(6.177.743)	(3.343.488)	214.844	(133.988)	(17.484.641)
Segment results, EBIT	14.269.111	9.313.875	(899.545)	35.241	55.340	22.774.021
Financial income and expenses	(4.762.011)	(3.342.671)	(4.065.196)	3.081.120	(85.673)	(9.174.431)
Share in profit of associated companies	0	0	2.976	0		2.976
Income tax	(1.134.985)	(1.222.027)	1.400.637	(1.138.474)	11.405	(2.083.445)
Profit (loss) for the year	8.372.114	4.749.177	(3.561.128)	1.977.886	(18.928)	11.519.122
The year 2024						
External revenue	42.671.377	17.907.572	6.203.003	0		66.781.952
Inter-segment revenue	6.702.794	9.878.170	13.336.918	(29.917.882)		0
Total segment revenue	49.374.171	27.785.741	19.539.922	(29.917.882)		66.781.952
Segment operation expenses	(28.307.367)	(12.273.037)	(17.096.271)	29.756.124	200.902	(27.719.649)
Segment profit EBITDA	21.066.803	15.512.704	2.443.651	(161.758)	200.902	39.062.303
Depreciation and amortisation	(7.608.738)	(6.150.451)	(3.104.375)	179.777	(146.486)	(16.830.274)
Segment results, EBIT	13.458.065	9.362.253	(660.724)	18.020	54.416	22.232.029
Financial income and expenses	(4.854.194)	(2.524.503)	(3.576.496)	(1.197.875)	(84.379)	(12.237.447)
Share in profit of associated companies	0	0	3.939	0		3.939
Income tax	(989.256)	(1.399.794)	1.219.547	468.784	11.266	(689.453)
Profit (loss) for the year	7.614.615	5.437.955	(3.013.734)	(711.071)	(18.697)	9.309.068

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

5. Segment reporting, contd.

Business segments - divisons, contd.	Utilities	Energy sale and production	Other Operation	Adjust-ments	IFRS 16*	Total
Balance sheet (31.12.2025)						
Property, plant and equipment and intangible assets	265.396.719	150.865.228	66.163.148	(156.744)		482.268.351
Right-of-use assets					2.365.818	2.365.818
Other assets	31.663.552	8.703.721	216.648.010	(203.742.697)		53.272.587
						537.906.755
Loans and borrowings	97.215.462	50.258.169	218.593.872	(153.973.631)		212.093.872
Lease liabilities					2.536.088	2.536.088
Other liabilities	21.561.709	14.616.912	56.974.801	(52.143.931)		41.009.491
						255.639.451
Investments 2025						
Property, plant and equipment and intangible assets	17.394.093	7.611.308	10.564.786	(2.374.022)		33.196.166
Balance sheet (31.12.2024)						
Property, plant and equipment and intangible assets	239.425.677	155.293.802	61.051.212	(208.991)		455.561.699
Right-of-use assets					2.346.362	2.346.362
Other assets	28.982.860	10.579.703	205.143.898	(192.661.943)		52.044.518
						509.952.579
Loans and borrowings	89.246.676	56.188.927	208.956.863	(149.835.603)		204.556.863
Lease liabilities					2.486.300	2.486.300
Other liabilities	20.116.367	13.825.084	46.260.508	(43.024.505)		37.177.454
						244.220.617
Investments 2024						
Property, plant and equipment and intangible assets	16.712.096	7.415.206	6.818.563			30.945.866

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

6. Energy purchase and distribution

Energy purchase and distribution are specified as follows:	2025	2024
Energy purchase	874.058	1.855.515
Distribution	5.574.505	5.335.714
Total energy purchase and distribution	6.448.564	7.191.229

7. Analysis of geothermal power plant operation

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

	Electricity 2025	Hot water 2025	Electricity 2024	Hot water 2024
Geothermal power plant				
Revenue	15.343.084	6.960.189	14.051.335	7.288.687
Operating expenses	(3.784.337)	(2.234.167)	(3.692.670)	(2.079.968)
Depreciation and amortisation	(4.272.368)	(1.612.145)	(4.399.554)	(1.631.589)
Profit before financial expenses	7.286.380	3.113.877	5.959.111	3.577.130
Return on investment	6,5%	8,0%	5,2%	9,3%

The power plants at Hellisheiði and Nesjavellir are mixed production plants, where both hot water and energy are produced.
The cost allocation is based on Orka náttúrunnar and ON Power´s methods, that the National Energy Authority "NEA" has not approved. NEA is obligated to set new cost allocation rules after having disapproved the companies proposal, NEA has not yet carried this out. Until NEA sets new rules for cost allocation, the return of the sectors are reported using Orka náttúrunnar and ON Power's methods.

8. Salaries and salary related expenses

Salaries and salary related expenses are specified as follows:	2025	2024
Salaries	10.610.529	10.067.823
Defined contribution pension expenses	1.397.921	1.325.854
Defined benefit pension expenses, changes	69.980	68.592
Other salary related expenses	932.290	982.153
Total salaries and salary related expenses	13.010.721	12.444.422

Salaries and salary related expenses are stated in the financial statements as follows:		
Expensed in the income statement	11.092.658	10.724.400
Capitalised on projects	1.918.063	1.720.021
Total salaries and salary related expenses	13.010.721	12.444.422

Number of employees:		
Number of annual working units	676,5	674,3

Management's salaries and benefits for the parent company and subsidiaries are specified as follows:		
Salaries to the Board of Directors of the Parent Company	26.836	25.339
Salaries of the CEO of the Parent Company	54.017	50.570
Salaries of Managing Directors of the Parent Company	127.596	116.116
Salaries to the Board of Directors of subsidiaries	51.711	41.482
Salaries of four Managing Directors of subsidiaries	179.479	170.568
Vacation pay settlement	7.367	0
	447.006	404.075

9. Auditors fee

	2025	2024
Audit of financial statements and review of interim financial statements	31.666	33.365
Other services	14.083	2.669
Total auditors fee	45.749	36.034

10. Depreciation, amortisation and impairment

	2025	2024
Depreciation, amortisation and impairment is specified as follows:		
Depreciation of property, plant and equipment cf. note 13	16.403.301	15.902.311
Amortisation of intangible assets, cf. note 14	947.352	781.477
Depreciation of Right-of-use assets, cf. Note 15	133.988	146.486
Depreciation, amortisation and impairment expensed in income statement	17.484.641	16.830.274

11. Financial income and expenses

	2025	2024
Financial income and expenses are specified as follows:		
Interest income	1.312.691	1.055.993
Interest expenses and paid indexation	(8.296.985)	(7.949.761)
Indexation	(5.034.116)	(5.494.977)
Guarantee fee to owners 1)	(294.808)	(371.720)
Total interest expenses	(13.625.909)	(13.816.458)
Fair value changes of embedded derivatives in electricity sales contracts	3.027.858	(1.246.766)
Fair value changes of financial assets and financial liabilities through P/L	986.854	880.731
Unredeemed fair value changes of hedge contracts	(1.131.094)	(46.665)
Foreign exchange difference	92.988	813.252
Dividends	162.181	122.466
Total of other income (expenses) on financial assets and liabilities	3.138.786	523.018
Total financial income and expenses	(9.174.431)	(12.237.447)

1) The Group paid a guarantee fee to the owners of the company for guarantees they have made on the Groups loans and borrowings according to a decision made on the annual meeting of Reykjavik Engergy in 2005. The fee on yearly basis for its licensed operations is 0,92% (2024: 0,86%) and 0,69% (2024: 0,66%) regarding loans due for operations in the open market. The guarantee fee is calculated on total loans quarterly. The guarantee fee amounted to ISK 295 million in the year 2025 (2024: ISK 372 million) and is accounted for among interest expenses.

Fair value changes through P/L

Generally accepted valuation methods are used to determine the fair value of certain financial assets and financial liabilities, further discussed In note 40. Change in fair value that is recognized in the income statement amounts to ISK 2.884 million income in the year 2025 (2024: expense ISK 413 million). Fair value changes on financial assets and liabilities defined at level 3 amounts to ISK 3.028 million income in the year 2025 (2024: expense ISK 1.247 million).

12. Income tax

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

The parent Company´s tax rate is 37,6% for the year 2025 (2024: 38,4%), other taxable subsidiaries have a 20% (2024: 21%) tax rate.

Income tax recognised in the income statement is specified as follows:	**2025**	**2024**
Current income tax	2.846.141	2.812.055
Change in deferred income tax	(762.696)	(2.122.602)
Income tax recognised through P/L	2.083.445	689.453

Reconciliation of effective tax rate:		**2025**		**2024**
Profit before income tax		13.602.567		9.998.521
Income tax according to tax ratio of parent company	37,60%	5.114.565	38,40%	3.839.432
Effect of tax rates of subsidiaries	(11,96%)	(1.627.200)	(13,35%)	(1.334.341)
Non-taxable operation of water supply and sewer	(10,59%)	(1.440.905)	(15,05%)	(1.504.984)
Effect of change in tax rate	0,00%	0	(1,18%)	(117.681)
Effect of different functional currencies in the group	0,20%	27.778	(1,39%)	(139.430)
Other items	0,07%	9.207	(0,54%)	(53.544)
Effective income tax	15,32%	2.083.445	6,9%	689.453

Income tax recognised in other comprehensive income

Deferred tax

Due to income and expenses moved direct to equity		
Tax effect of revaluation	(3.252.207)	594.813

13. Property, plant and equipment

31.12.2025	Production system	Utility system	Other real estates	Other equipment	Total
Cost or deemed cost					
Balance at year beginning	389.497.984	484.531.446	15.676.905	6.557.355	896.263.689
Additions during the year	13.225.254	13.469.284	2.229.096	2.575.172	31.498.806
Reclassification of assets	0	0	0	52	52
Revaluation, increase	20.964.119	31.444.928	0	0	52.409.047
Translation difference	(14.986.644)	0	0	53.981	(14.932.662)
Sold or disposed of	121.305	(3.563)	(146.313)	(238.793)	(267.364)
Balance at year end	408.822.018	529.442.094	17.759.688	8.947.768	964.971.568
Depreciation					
Balance at year beginning	183.562.578	259.398.471	1.354.626	2.632.383	446.948.058
Depreciated during the year	7.906.189	7.820.137	232.456	444.519	16.403.301
Reclassification of assets	746	0	0	(742)	4
Revaluation, increase	12.409.076	18.410.117	0	0	30.819.194
Translation difference	(4.231.405)	0	0	2.829	(4.228.577)
Sold or disposed of	(44.827)	(117)	(41.428)	(146.109)	(232.481)
Balance at year end	199.602.358	285.628.608	1.545.654	2.932.879	489.709.500
Carrying amounts					
At 1.1. 2025	205.935.405	225.132.975	14.322.278	3.924.973	449.315.631
At 31.12.2025	209.219.660	243.813.486	16.214.033	6.014.888	475.262.068

31.12.2024	Production system	Utility system	Other real estates	Other equipment	Total
Cost or deemed cost					
Balance at year beginning	375.981.252	465.614.035	13.431.037	5.545.699	860.572.022
Additions during the year	11.375.835	14.756.516	2.245.868	1.466.593	29.844.812
Reclassification of assets	0	0	0	(89.115)	(89.115)
Translation difference	2.137.243	0	0	(50.671)	2.086.572
Sold or disposed of	3.654	(50.526)	0	(315.150)	(362.022)
Revaluation, increase	0	4.211.421	0	0	4.211.421
Balance at year end	389.497.984	484.531.446	15.676.905	6.557.355	896.263.689
Depreciation					
Balance at year beginning	175.082.753	250.788.956	1.210.036	2.494.006	429.575.751
Depreciated during the year	7.898.033	7.373.831	144.591	485.856	15.902.311
Reclassification of assets	0	0	0	(89.115)	(89.115)
Translation difference	581.786	0	0	(2.759)	579.027
Sold or disposed of	6	(1.671)	0	(255.606)	(257.272)
Revaluation, increase	0	1.237.356	0	0	1.237.356
Balance at year end	183.562.578	259.398.471	1.354.626	2.632.383	446.948.058
Carrying amounts					
At 1.1. 2024	200.898.499	214.825.078	12.221.001	3.051.693	430.996.271
At 31.12.2024	205.935.405	225.132.975	14.322.278	3.924.973	449.315.631

The Group has capitalized financing costs amounting to ISK 54 million in the year 2025.

The Group has received government grants totaling ISK 495,5 million, which have been deducted from the carrying amount of the related assets (2024: ISK 307,0 million).

Investments during the year without payment effect amounted to ISK 1.673,1 million at year-end 2025. (2024: ISK 2.337,2 million). The year's change in investments without payment effect amounts to ISK 646,1 million (2024: ISK 1.953,0 million).

13. Property, plant and equipment, contd.

Revaluation

When revaluating, the relevant asset groups are measured at fair value. The aforementioned revaluation is recognised in a revaluation reserve among equity taken into account effects of deferred income tax as further explained in note 40 d. The revaluation is carried out by experts within the Group.

Revaluation was last conducted according to the following table:

	Date of Revalutaion
Production systems	
Hot water	30.9.2025
Cold water	30.9.2025
Electricity	30.9.2025
Distribution systems	
Hot water	30.9.2025
Cold water	30.9.2023
Sewage	30.9.2025
Electricity	30.9.2025
Fiber-optic cable system	30.9.2024

The fair value of these assets is determined on the basis of the depreciated replacement cost. This consists in that an assessment is made on changes in the construction cost of comparable assets and both cost and accumulated depreciations are revaluated in accordance with those changes. The calculation is based on official information and actual statistics from the Group's books on value changes of cost of items and takes into account an estimate on the weight of each cost item in the total cost of construction of comparable assets. Cost items and their proportional weight were determined by experts within the Group. The impairment test of assets is also taken into consideration and revaluation is not recognised beyond the expected future cash flow of the assets. Distribution systems for hot water, cold water, sewage and electricity are licensed operations and subject to official revenue targets that are based mostly on changes in the construction cost index. This is taken into consideration when revaluating these systems. Revaluation is classified as level 3 of the hierarchy of fair value, further explained in note 33.

Information on revalued assets at year end	**Production system**	**Distribution system**	**Total**
31.12.2025			
Revalued carrying amount	209.219.660	243.813.486	453.033.146
Thereof effect of revaluation	(69.719.629)	(95.515.096)	(165.234.724)
Carrying amount before effect of revaluation	139.500.032	148.298.390	287.798.422
31.12.2024			
Revalued carrying amount	205.935.405	225.132.975	431.068.380
Thereof effect of revaluation	(65.678.109)	(85.820.958)	(151.499.067)
Carrying amount before effect of revaluation	140.257.296	139.312.017	279.569.313

13. Property, plant and equipment, contd.

Impairment tests

Impairment tests were performed at the end of December 2025 for distribution systems, production systems and power plants. The tests were performed using the balance at the end of September 2025 in order to confirm if both carrying amounts of assets and main assets under construction would meet estimated future cash flows of these assets. The impairment tests are carried out for every sector in the distribution and production systems.

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

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

	Year 2025				
	Distribution system				Prod. systems
	Hot water	Electricity	Cold water	Sewage	Power plants
Revenue CAGR 2026-2030	4,90%	2,2%	2,1%	1,5%	8,1%
CAGR w.r.t. to price changes	0,8%	0,6%	0,6%	0,4%	0,0% - 5,4%
EBITDA CARG 2026-2030	10,20%	3,2%	4,5%	1,7%	9,9%
WACC	6,0%	6,0%	5,3%	5,3%	5,75% - 9,77%

	Year 2024				
	Distribution system				Prod. systems
	Hot water	Electricity	Cold water	Sewage	Power plants
Revenue CAGR 2025-2029	1,8%	2,8%	1,5%	2,0%	2,9%
CAGR w.r.t. to price changes	0,5%	0,8%	0,5%	0,4%	0,0%-2,2%
EBITDA CARG 2025-2029	3,3%	5,6%	2,1%	3,1%	5,4%
WACC	5,9%	6,0%	5,2%	5,2%	5,73% - 9,74%

Impairment for distribution system for Utilities and Power plants is unlikely because of additional value. However the test for electricity in power plants is sensitive to changes in key assumptions. If the required rate of ROCE increased by 0,1 percentage points, and other criteria are kept unchanged the calculated impairment of additional value in electricity for power plants would be ISK 2,9 billion. If the projected EBITDA is 1% lower during the planning period and other terms are unchanged, calculated impairment would be ISK 3,0 billion.

Rateable value and insurance value

The rateable value of the Group's assets measured in the rateable value assessment amounted to ISK 49.490 million at year end 2025 (2024: ISK 45.040 million). The fire insurance value of the company's assets amounted to ISK 69.200 million at the same time (2024: ISK 65.427 million). Among those assets are real estates capitalised among production and distribution systems. The insurance value of the Group's assets amounted to ISK 639.141 million at year end 2025 (2024: ISK 622.070 million).

Obligations

The Group has entered into contracts and placed purchase orders with suppliers and developers concerning work on production and distribution systems. The balance of these contracts and purchase orders at year end is estimated at ISK 13.017 million (2024: ISK 10.176 million).

14. Intangible assets

31.12.2025	Heating rights	Software	Development cost	Business relations	Total
Cost					
Balance at year beginning	1.513.758	6.371.718	727.185	1.908.000	10.520.662
Additions during the year	0	1.133.610	563.750	0	1.697.360
Reclassification of assets	0	0	(52)	0	(52)
Sold or disposed of	0	0	(10.074)	0	(10.074)
Translation difference	0	0	21.376	0	21.376
Balance at year end	1.513.758	7.505.328	1.302.186	1.908.000	12.229.273
Amortisation					
Balance at year beginning	457.768	3.525.273	77.692	213.860	4.274.594
Amortisation during the year	0	711.101	60.238	176.013	947.352
Translation difference	0	0	1.044	0	1.044
Balance at year end	457.768	4.236.374	138.974	389.873	5.222.990
Carrying amounts					
At 1.1. 2025	1.055.990	2.846.446	649.493	1.694.140	6.246.068
At 31.12.2025	1.055.990	3.268.954	1.163.212	1.518.127	7.006.283
31.12.2024					
Cost					
Balance at year beginning	1.478.758	5.521.463	446.062	1.908.000	9.354.283
Additions during the year	35.000	806.112	259.941	0	1.101.054
Reclassification of assets	0	44.142	44.972	0	89.115
Sold or disposed of	0	0	(1.449)	0	(1.449)
Translation difference	0	0	(22.341)	0	(22.341)
Balance at year end	1.513.758	6.371.718	727.185	1.908.000	10.520.662
Amortisation					
Balance at year beginning	457.768	2.888.453	20.206	37.847	3.404.275
Amortisation during the year	0	592.678	12.786	176.013	781.477
Reclassification of assets	0	44.142	44.972	0	89.114
Sold or disposed of	0	(0)	(272)	0	(273)
Balance at year end	457.768	3.525.273	77.692	213.860	4.274.594
Carrying amounts					
At 1.1. 2024	1.020.990	2.633.010	425.855	1.870.153	5.950.008
At 31.12.2024	1.055.990	2.846.446	649.493	1.694.140	6.246.068

Among intangible assets, salaries amounting to ISK 203,1 million have been capitalized due to capitalized software (2024: ISK 94,0 million) and ISK 49,2 million due to development costs (2024: ISK 88,3 million).

The Group has received government grants totaling ISK 58,6 million, which have been deducted from the carrying amount of the related assets (2024: ISK 35,2 million).

15. Lease agreements

Significant accounting policies are described in note 40t.

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

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

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

	2025	2024
Right-of-use assets		
Right-of-use assets at year beginning	2.346.362	2.293.737
Additions or extended contracts during the year	38.421	111.637
Increase due to changes in rent payments or termination of contracts	70.488	33.528
Indexation	44.535	53.946
Depreciation of the year	(133.988)	(146.486)
Right-of-use assets at year end	2.365.818	2.346.362
Amounts in Income statement:		
Right-of-use assets, depreciation	133.988	146.486

Changes in lease liabilities during the year are specified as follows:

	2025	2024
Lease liabilities		
Lease liabilities at year beginning	2.486.300	2.403.711
New lease liabilities or extended contracts during the year	38.421	111.637
Increase due to changes in rent payments or termination of contracts	70.488	33.528
Interests	85.673	84.379
Repayment of lease liabilities	(189.328)	(200.902)
Indexation	44.535	53.946
Lease liabilities at year-end	2.536.088	2.486.300
Amounts in Balance Sheet:		
Lease liabilites, current liabilities	172.448	177.887
Lease liabilites, non-current liabilities	2.363.639	2.308.413
	2.536.088	2.486.300

Undiscounted cash flow due to lease payments is as follows:

	Within a year	In 1 to 5 years	After 5 years	Total
Lease payments	172.448	632.256	3.164.160	3.968.865
Interests	(82.828)	(283.102)	(1.066.847)	(1.432.777)
Total	89.621	349.154	2.097.313	2.536.088

15. Lease agreements, contd.

Amounts in Income statement:	2025	2024
Interest expenses:	85.673	84.379
Amounts in Statement of Cash Flows:		
Interest rate of rent payments (presented in cash flow statement in line "Paid interest expenses")	84.208	82.598
The installment element of the lease payments (presented in cash flow statement in the line "Payments of lease liabilities")	105.121	118.304

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

16. Investments in associated companies

	31.12.2025		31.12.2024	
	Share	Carrying amount	Share	Carrying amount
Íslensk Nýorka ehf., Reykjavík	28,56%	17.376	28,56%	22.992
Netorka hf., Hafnarfjörður	38,41%	70.844	38,41%	62.325
Orkuskólinn REYST hf., Reykjavík	45,00%	3.423	45,00%	3.349
Total		91.643		88.667

The Group's share in the profit of its associated companies amounted to ISK 3,0 million in 2025 (2024: profit of ISK 3,9 million).

17. Investments in other companies

	Share	31.12.2025	Share	31.12.2024
Aðrir eignarhlutar í félögum		23.898		36.980
Landsnet hf. 1)	6,8%	6.207.000	6,8%	6.207.000
		6.230.898		6.243.980

Fair value of financial assets classified at fair value through OCI is based on generally accepted valuation methods performed by internal experts. The experts advised that a change in fair value should not be applied in the year 2025 to the ownership share in Landsnet hf. (2024: the experts assessment was that no fair value adjustment should be recognized). See further discussion in note 33.

1) Legal provisions on the changed ownership of electricity transmission companies came into effect on 1 July 2022, according to Article 19 Act no. 74/2021. The law stipulates a change in Landsnet's ownership in such a way that it becomes directly owned by the state and/or municipalities. The sale of the RE's share has not been completed in 2025 as planned, despite the legal obligation to do so. RE's share in Landsnet hf. at the end of 2025 is valued at ISK 6,2 billion and is classified amoung fixed assets. See note 38 for details.

18. Embedded derivatives in electricity sales contracts

	2025	2024
Fair value of embedded derivatives at the beginning of the year	682.667	1.929.433
Fair value changes during the year	3.027.858	(1.246.766)
Fair value of embedded derivatives at year-end asset/(liability)	3.710.524	682.667
The allocation of embedded derivatives in electricity sales contracts is specified as follows:		
Non-current embedded derivatives asset/(liability)	2.472.133	406.754
Current embedded derivatives, asset/(liability)	1.238.391	275.913
Total embedded derivatives at year-end	3.710.524	682.667

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

19. Deferred revenue

Deferred revenue is on the one hand due to an agreement for the leasing of fiber optics, which is valid until 2031. On the other hand, it is related to deferred revenue from an agreement for the use of Carbfix injection services, with the contract lasting for 12 years.

Deferred revenue is specified as follows:

	2025	2024
Balance at year beginning	2.139.989	2.201.676
Additions during the year	160.316	195.190
Capitalised	0	(105.809)
Recognized as revenue	(201.025)	(136.410)
Translation difference	(117.396)	(14.658)
Balance at year end	1.981.884	2.139.989
Short-term deferred revenue	287.123	266.018
Long-term deferred revenue	1.694.761	1.873.970
	1.981.884	2.139.989

20. Deferred tax assets and liabilities

Deferred tax assets and liabilities are specified as follows:

2025	Tax assets	Tax liabilities	Net amount
Deferred tax assets/(liabilities) at year beginning	6.166.858	(23.153.094)	(16.986.236)
Calculated income tax for the year	220.885	(2.284.260)	(2.063.375)
Current tax liability	35.680	2.822.440	2.858.120
Tax effect on the revaluation account	0	(3.252.207)	(3.252.207)
Other changes	(444.590)	417.453	(27.137)
Deferred tax assets/(liabilities) at year end	5.978.833	(25.449.668)	(19.470.835)
2024			
Deferred tax assets/(liabilities) at year beginning	4.792.026	(23.064.598)	(18.272.572)
Calculated income tax for the year	1.516.691	(2.206.144)	(689.453)
Current tax liability	26.943	2.785.113	2.812.055
Tax effect on the revaluation account	0	(594.813)	(594.813)
Other changes	(168.801)	(72.652)	(241.453)
Deferred tax assets/(liabilities) at year end	6.166.858	(23.153.094)	(16.986.236)

20. Deferred tax assets and liabilities, cont.

Deferred tax assets and liabilities are attributable to the following:

	31.12.2025		31.12.2024	
	Tax assets	Tax liabilities	Tax assets	Tax liabilities
Property, plant and equipment and intangible assets	23.340	(26.222.760)	23.846	(23.684.817)
Embedded derivatives	(1.395.157)	0	(256.683)	0
Other items	5.180	347.977	(141.151)	160.009
Effect of carry forward taxable loss	7.345.470	425.115	6.540.846	371.714
Deferred tax assets/(liabilities) at year end	5.978.833	(25.449.668)	6.166.858	(23.153.094)

Carry forward taxable loss

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

	2025	2024
Carry forward taxable loss for the year 2018, usable until year 2028	41.429	41.429
Carry forward taxable loss for the year 2019, usable until year 2029	2.059.754	2.059.754
Carry forward taxable loss for the year 2020, usable until year 2030	2.398.725	2.398.725
Carry forward taxable loss for the year 2021, usable until year 2031	2.332.165	2.332.165
Carry forward taxable loss for the year 2022, usable until year 2032	2.833.270	2.833.270
Carry forward taxable loss for the year 2023, usable until year 2033	2.771.468	2.771.468
Carry forward taxable loss for the year 2024, usable until year 2034	5.686.691	7.813.439
Carry forward taxable loss for the year 2025, usable until year 2035	4.502.778	-
Carry forwards taxable loss at year end	22.626.279	20.250.250

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

21. Inventories

	2025	2024
Inventory of materials	1.793.214	1.632.118

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

22. Receivables

Trade receivables are specified as follows at year end:	2025	2024
Trade receivables, industrial consumers	459.513	1.212.125
Trade receivables, retail	7.088.255	6.783.297
Trade receivables, total	7.547.768	7.995.422
Allowance for doubtful accounts	(157.873)	(165.839)
	7.389.894	7.829.583

Other current receivables are specified as follows at year end:

Capital income tax	367.777	295.201
Value added tax	784.809	308.461
Receivables from employees	2.571	3.405
Accrued interest income	12.170	4.146
Other receivables	244	316.440
	1.167.572	927.652

23. Equity

Equity ratio of the Group at year end 2025 is 52,5% (2024: 52,1%). Return on equity was positive by 4,3% in the year 2025 (2024: positive by 3,6%).

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

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

Fair value reserve
Fair value reserve comprises change of the value of assets categorised at fair value through OCI after taking tax effects into account.

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

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

Retained earnings
Dividend in the amount of ISK 6.500 million was paid to the owners of the parent Company in the year 2025. (2024: ISK 6.000 million).

24. Loans and borrowings

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

	31.12.2025	31.12.2024
Bank loans	63.479.808	70.522.862
Bond issuance	148.473.892	134.034.001
Finance leases	140.172	0
	212.093.872	204.556.863
Current portion of bank loans	(11.480.569)	(13.131.115)
Current portion of bond issuance	(9.387.063)	(6.827.884)
Current portion of finance leases	(81.784)	0
	191.144.457	184.597.864

Terms of interest-bearing loans and borrowings

		31.12.2025		31.12.2024	
Liabilities in foreign currencies:	Date of maturity	Average interest rate	Carrying amount	Average interest rate	Carrying amount
Liabilities in CHF	5.10.2027	0,29%	2.649.167	0,82%	3.830.755
Liabilities in EUR	17.12.2048	2,50%	10.214.573	3,38%	8.222.714
Liabilities in USD	26.11.2035	4,88%	35.446.266	5,41%	42.568.553
Liabilities in JPY	5.10.2027	0,17%	516.449	0,08%	851.147
Liabilities in SEK	5.10.2027	2,26%	652.146	3,26%	903.452
			49.478.601		56.376.622
Liabilities in Icelandic kronas:					
Indexed	18.2.2055	3,11%	139.043.489	3,11%	129.077.309
Non-indexed	18.2.2042	8,02%	23.431.610	8,02%	19.102.932
Finance leases	1.8.2027	8,27%	140.172		0
			162.615.271		148.180.242
Total interest-bearing loans and borrowings			212.093.872		204.556.863

Repayment of loans and borrowings are specified as follows on the next years:

31.12.2025

The year 2026	20.949.416
The year 2027	17.259.951
The year 2028	20.291.319
The year 2029	13.755.337
The year 2030	11.368.387
Later	128.469.463
Total loans and borrowings, including next year's repayment	212.093.872

31.12.2024

The year 2025	19.958.999
The year 2026	21.071.885
The year 2027	16.091.432
The year 2028	18.949.892
The year 2029	12.618.497
Later	115.866.159
Total loans and borrowings, including next year's repayment	204.556.863

24. Loans and borrowings, contd.

Changes in loans and borrowings in the year are specified as follows:

Movements with payment effects	Loans and borrowings	Lease liabilities	Total
Balance at year beginning	204.556.863	2.486.300	207.043.163
New borrowings	27.980.041	0	27.980.041
Repayment of borrowings	(21.702.858)	0	(21.702.858)
Repayment of lease liability	0	(105.121)	(105.121)
	210.834.047	2.381.179	213.215.226
Other changes			
Currency fluctuation and indexation	1.259.826	0	1.259.826
New lease	0	108.909	108.909
Indexation and interest expense of lease liabilities	0	130.207	130.207
Paid interests	0	(84.208)	(84.208)
Loans and borrowings, total	212.093.872	2.536.088	214.629.960
Movements with payment effects			
Balance at year beginning	182.177.573	2.403.711	184.581.284
New borrowings	34.509.164	0	34.509.164
Repayment of borrowings	(17.324.222)	0	(17.324.222)
Repayment of lease liability	0	(118.304)	(118.304)
	199.362.516	2.285.407	201.647.923
Other changes			
Currency fluctuation and indexation	5.194.347	0	5.194.347
New lease	0	145.165	145.165
Indexation and interest expense of lease liabilities	0	138.325	138.325
Paid interests	0	(82.598)	(82.598)
Loans and borrowings, total	204.556.863	2.486.300	207.043.163

Guarantees and pledges

Reykjavik Energy is allowed to make financial obligations for the company's needs and to undertake responsibility for respective payments. Financial obligations that shall be the responsibility of the owners are subject to their approval. If responsibility for financial obligations is accepted by the owners, the internal division of responsibility must be in proportion to their share of ownership in the company. Owners' liability does not cover other obligations of the company and it cannot amount to a higher percentage than 80% of the financial needs of a project for which owner's liability is granted. Owners' responsibility of financial obligations incurred before the Act no. 144/2010 entered into force, remain valid until the day they are fully fulfilled. At the reporting date the owners were responsible pro rata for 14,3% of the Group's loans and borrowings. The Group has not pledged its assets to secure debts.

Covenants

Loans for the amount of ISK 184.458 million have certain covenants that regard repayment time as a proportion of EBITDA and as interests as a proportion of EBITDA as well as reviewing that budgets are within set limits (31.12.2024: ISK 158.204 million). Management regularly evaluate the covenants and in their view there is not risk of them being breached. At the end of the year the Group measured up to all financial covenants of loan agreements.

25. Retirement benefit obligation

The Group has retirement benefit obligation due to benefits of current and former employees in pension benefit plans.
The Group's accrued retirement benefit obligation amounted to ISK 774,6 million at year end 2025, discounted based on 2% interests and taken into account the share in the net asset of the pension fund (2024: ISK 785,3 million). The Group updates the obligation according to an assessment from an actuary each year when that assessment is available. Premises for life expectancy are in accordance with provisions of Regulation no. 391/1998 on obligatory insurance of pension benefits and operation of pension funds. The estimated increase in the obligation in the year is based on general increase in salaries taken into account interests. The part of the obligation that is estimated to be payable in the year 2026 is recognised among current liabilities.

	2025	2024
Retirement benefit obligation at year beginning	785.347	763.527
Contribution due to pension payments during the year	(80.695)	(46.772)
Increase in the pension fund obligation during the year	69.980	68.592
Retirement benefit obligation at year end	774.633	785.347
Non-current component of retirement benefit obligation	724.633	739.347
Current component of retirement benefit obligation	50.000	46.000
Retirement benefit obligation at year end	774.633	785.347

26. Current liabilities

Other current liabilities are specified as follows:	2025	2024
Unpaid public charges	755.142	523.476
Unpaid salaries and salary related items	2.492.541	2.199.038
Accrued interest expenses	1.779.798	1.510.318
Current component of retirement benefit obligation	50.000	46.000
Other liabilities	65.766	1.410
Total current liabilities	5.143.247	4.280.241

27. Risk management and financial instruments

The main objective of RE's Risk Policy is to ensure that the company fulfills its role in a safe and efficient manner within the limits of acceptable risk, the nature of the relevant operations, and in accordance with approved policies and objectives for effective risk management.

Risk management objectives is to:

- Reduce fluctuations in the group's performance at all times by analyzing, assessing and managing risk.
- Ensure adequate access to funding to support the development of services and ongoing operations.
- Promote adequate access to resources, ensuring a balanced approach between their utilization and conservation.
- Identify risks and opportunities to promote improved operations and informed decision making.
- Promote staff awareness of risk.

Risk appetite is based on:

- RE's financial position being solid,
- preservation of assets,
- protection of the company's reputation,
- operation in accordance with the law as well as external and internal rules,
- fraud not being tolerated,
- the safety and health of employees and users of the service is guaranteed,
- responsible use of resources,
- information being secured, accessible and available,
- environmental considerations being in forefront of operations.

Risk appetite is further defined in RE's specific policies and rules.

Financial risk is divided into:

- Market risk, further discussed in note 28
- Liquidity risk, further discussed in note 29
- Credit risk, further discussed in note 30
- Operational risk, further discussed in note 31
- Project and investment risk, further discussed in note 32

28. Market risk

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

a. Currency risk due to assets and liabilities in the balance sheet and cash flow in foreign currencies
b. Interest rate risk due to loans and contracts made by the Group with regards to cash flow and fair value of financial instruments
c. Aluminium price risk arising from aluminium-linked electricity sales contracts.

28. Market risk, contd.

a. *Currency risk*

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

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

Approx. 23% of the Group's interest bearing loans are in foreign currencies. The Group has entered into long term electricity sales contracts in foreign currency. In 2025, a new electricity sales contract denominated in USD was signed for the delivery of 150 megawatts of electricity from ON Power for a term of up to five years. The agreement replaces a previous contract between the parties. The new agreement will expire in stages through 31 March 2032. Expected revenues from the largest sales contracts in foreign currency amounted to approx. ISK 69.586 million (2024: ISK 46.977 million). This amount is based on assumptions regarding developments in external market conditions, including aluminium prices and general price levels. In addition to the above, other smaller sales agreements have been made in foreign currency.

Exchange rates of main currencies:	2025	2024	31.12.2025	31.12.2024
	Average exchange rate		Exchange rate at year end	
CHF	154,363	156,825	158,400	152,700
EUR	144,649	149,310	147,200	143,900
USD	128,371	137,928	125,200	138,200
JPY	0,858	0,912	0,800	0,882
GBP	168,899	176,402	168,960	173,300
SEK	13,070	13,067	13,610	12,570
CAD	91,728	100,752	91,410	96,080
TWI	186,727	195,230	187,975	189,335

28. Market risk, contd.

a. ***Currency risk, contd.***

Balance sheet currency risk

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

31.12.2025	CHF	EUR	USD	JPY	SEK	ISK*	Other currencies	Total
Loans and borrowings	(2.649.167)	(10.214.573)	(35.446.266)	(516.449)	(652.146)			(49.478.601)
Trade receivables (accounts payables)	127	(108.986)	235.820		(1.951)	(273.490)	(3.915)	(152.395)
Bank deposits	10.681	4.920.457	380.330	73	314	5.149	1.729	5.318.733
Embedded derivatives			3.710.524					3.710.524
Hedge contracts			(1.101.510)					(1.101.510)
Receivables/(payables) within the Group		(6.413)	(3.558.584)			(404.676)		(3.969.673)
Loans and borrowings to related parties*			36.258.856			(6.500.000)		29.758.856
Total risk through P/L	(2.638.358)	(5.409.515)	479.171	(516.376)	(653.783)	(7.173.017)	(2.186)	(15.914.064)
Subsidiaries equity in foreign currency**		(2.147.887)	66.887.060					64.739.173
Investments in other companies			6.207.000					6.207.000
Total risk through P/L and in equity	(2.638.358)	(7.557.402)	73.573.230	(516.376)	(653.783)	(7.173.017)	(2.186)	55.032.108

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

(**) The translation differences in the Group's equity is due to translation of subsidiaries' equity with a foreign functional currency.

28. Market risk, contd.

a. ***Currency risk, contd.***

Balance sheet currency risk, contd.

31.12.2024	CHF	EUR	USD	JPY	SEK	ISK*	Other currencies	Total
Loans and borrowings	(3.830.755)	(8.222.714)	(42.568.553)	(851.147)	(903.452)			(56.376.622)
Trade receivables (accounts payables)	2.541	(236.442)	1.006.039			(143.215)	(14.250)	614.672
Bank deposits	648	310.981	7.829.360	1.060	5.354	7.001	1.761	8.156.165
Embedded derivatives			682.667					682.667
Hedge contracts			29.584					29.584
Receivables/(payables) within the Group		(101.976)	(3.708.510)			(1.133.432)		(4.943.918)
Loans and borrowings to related parties*			41.939.467			(4.400.000)		37.539.467
Total risk through P/L	(3.827.566)	(8.250.151)	5.210.053	(850.086)	(898.098)	(5.669.647)	(12.489)	(14.297.984)
Subsidiaries equity in foreign currency**		(488.578)	72.385.615					71.897.037
Investments in other companies			6.207.000					6.207.000
Total risk through P/L and in equity	(3.827.566)	(8.738.729)	83.802.669	(850.086)	(898.098)	(5.669.647)	(12.489)	63.806.053

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

(**) The translation differences in the Group's equity is due to translation of subsidiaries' equity with a foreign functional currency.

Sensitivity analysis

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

	CHF	EUR	USD	JPY	SEK	ISK	Other currencies	Total
				Profit or (loss)				
The year 2025	263.836	540.951	(47.917)	51.638	65.378	717.302	219	1.591.406
The year 2024	382.757	825.015	(778.513)	85.009	89.810	824.472	1.249	1.429.798
				Equity				
The year 2025	263.836	755.740	(7.357.323)	51.638	65.378	717.302	219	(5.503.211)
The year 2024	382.757	873.873	(8.637.775)	85.009	89.810	824.472	1.249	(6.380.605)

28. Market risk, contd.

b. *Interest rate risk*

Interest rate risk is the risk of changes in interest rates having a negative effect on the Group's income. The Group is exposed to interest rate risk due to interest bearing assets, liabilities and financial instruments measured at fair value. The Group´s liabilities both have fixed and variable interest rates, majority being subject to fixed interest rates. It is especially monitored that the interest rate risk is within defined limits and approvals are in place to manage the interest rate risk with hedging contracts for the next 5 financial years with regards to the minimum/maximum hedge percentage in cash flow. On the accounting date 83% of interest payments 1 year ahead have been fixed.

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

Fixed rate instruments	**31.12.2025**	**31.12.2024**
Financial liabilities	(146.499.730)	(138.986.312)
Variable rate instruments		
Financial liabilities	(65.594.142)	(65.570.551)
Financial instruments at fair value		
Marketable securities	15.364.438	11.594.110
Hedge contracts	(1.101.510)	29.584
	14.262.928	11.623.694

The following table shows the calculated effect of changes in interest on one year cash flows and on the value of financial instruments measured at fair value, taken into account the effect of taxes. The analysis was done in the same way for the year 2024.

Sensitivity analysis on interest

	Cash flow sensitivity		**Fair value sensitivity**	
31.12.2025	**100 p increase**	**100 p decrease**	**100 p increase**	**100 p decrease**
Embedded derivatives	0	0	(75.720)	80.752
Investments in other companies	0	0	(724.971)	765.738
Hedge contracts	0	0	(5.753)	5.879
Interest bearing liabilities	(137.143)	137.143	0	0
	(137.143)	137.143	(806.444)	852.369

31.12.2024	**100 p increase**	**100 p decrease**	**100 p increase**	**100 p decrease**
Embedded derivatives	0	0	(29.135)	32.703
Investments in other companies	0	0	(724.971)	765.738
Hedge contracts	0	0	(414)	425
Interest bearing liabilities	(156.624)	156.624	0	0
	(156.624)	156.624	(754.520)	798.865

28. Market risk, contd.

c. *Aluminium risk*

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

The group has entered into electricity sales contracts in dollars that are linked to the development of world market prices for aluminum. Income from electricity sales contracts linked to aluminum prices amounted to 11,6% of the group's total income in 2025 (2024: 13,6%).

To reduce risk due to aluminium prices the Group has entered into derivative contracts to reduce the fluctuation of income affected by aluminium prices. The finance department has approvals to hedge this risk within approved limits for the next 5 financial years. At the accounting date hedges amounted to 68% of expected income affected by aluminium price for the next 12 months (31.12 2024: 47%).

Embedded derivatives in electricity sales contracts

The aluminium linked electricity sales contracts include embedded derivatives as income is subject to changes in the future market price of aluminium. In accordance with provisions of International standards on financial instruments, the fair value of embedded derivatives for Grundartangi has been measured and recognised in the financial statements and partly for the contracts with Helguvík. The measurement took into account temporary operational disruptions at Norðurál.

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

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

28. Market risk, contd.

c. *Aluminium risk, contd.*

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

Sensitivity analysis on the price of aluminium	**Sensitivity of Fair value**	
31.12.2025	**10% decrease**	**10% increase**
Embedded derivatives	(2.268.683)	2.268.683
Aluminium hedges	624.512	(624.512)
Total	(1.644.170)	1.644.170

	Sensitivity of Fair value	
31.12.2024	**10% lækkun**	**10% hækkun**
Embedded derivatives	(2.896.047)	2.896.047
Aluminium hedges	383.941	(383.941)
Total	(2.512.107)	2.512.107

d. *Other market risk*

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

29. Liquidity risk

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

The Group's cash and cash equivalents at year end amounted to ISK 10.827 million as well as marketable securities amounting to ISK 15.364 million. Therefore the Group owned ISK 26.192 million in bank deposits at year end 2025. Furthermore, the Group had unused loan authorisations and a open credit line to the total amount of approx. ISK 20.053 million. The Group had thus in total ensured capital at year end to the amount of approx. ISK 46.244 million. The corresponding amount at year end 2024 amounted to ISK 32.582 million.

29. Liquidity risk, contd.

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

31.12.2025	Carrying amount	Contractual cash flows	Less than 1 year	After 1 - 2 years	After 2 - 5 years	More than 5 years
Non-derivative financial instruments						
Trade receivables	7.389.894	7.389.894	7.389.894	0	0	0
Other receivables	1.167.572	1.167.572	1.167.572	0	0	0
Marketable securities	15.364.438	15.364.438	15.364.438	0	0	0
Cash and cash equivalents	10.827.295	10.827.295	10.827.295	0	0	0
Interest-bearing liabilities	(212.093.872)	(277.125.115)	(28.835.940)	(24.408.501)	(64.180.781)	(159.699.892)
Lease liabilities	(2.536.088)	(3.968.865)	(172.448)	(166.320)	(465.936)	(3.164.160)
Accounts payable	(3.762.409)	(3.762.409)	(3.762.409)	0	0	0
Other liabilities ...	(5.143.247)	(5.143.247)	(5.143.247)	0	0	0
	(188.786.416)	(255.250.435)	(3.164.844)	(24.574.821)	(64.646.717)	(162.864.053)
Derivative financial instruments, net financial assets and financial liabilities						
Embedded derivatives	3.710.524	37.286.871	8.264.034	7.545.282	8.909.948	12.567.608
Hedge contracts	(1.101.510)	(1.137.323)	(700.694)	(403.997)	(32.632)	0
	2.609.014	36.149.548	7.563.340	7.141.285	8.877.316	12.567.608
31.12.2024						
Non-derivative financial instruments						
Trade receivables	7.829.583	7.829.583	7.829.583	0	0	0
Other receivables	927.652	927.652	927.652	0	0	0
Marketable securities	11.594.110	11.594.110	11.594.110	0	0	0
Cash and cash equivalents	16.438.122	16.438.122	16.438.122	0	0	0
Interest-bearing liabilities	(204.556.863)	(262.198.250)	(27.134.546)	(27.419.925)	(62.552.474)	(145.091.305)
Lease liabilities	(2.486.300)	(3.919.124)	(177.887)	(159.944)	(456.815)	(3.124.478)
Accounts payable	(3.924.652)	(3.924.652)	(3.924.652)	0	0	0
Other liabilities ...	(4.280.241)	(4.280.241)	(4.280.241)	0	0	0
	(178.458.589)	(237.532.800)	1.272.141	(27.579.869)	(63.009.289)	(148.215.783)
Derivative financial instruments, net financial assets and financial liabilities						
Embedded derivatives	682.667	46.977.292	9.892.278	9.515.495	12.404.172	15.165.348
Hedge contracts	29.584	46.499	(5.769)	48.750	3.519	0
	712.251	47.023.791	9.886.508	9.564.245	12.407.690	15.165.348

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

30. Credit risk

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

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

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

	31.12.2025	31.12.2024
Trade receivables	7.389.894	7.829.583
Other current receivables	1.167.572	927.652
Hedge contracts	0	157.659
Marketable securities	15.364.438	11.594.110
Cash and cash equivalents	10.827.295	16.438.122
Total	34.749.199	36.947.127

Financial assets as stated above are categorised at amortised cost or at fair value through P/L. Their categorisation can be seen in note 34.

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

Trade receivables, industrial consumers	459.513	1.212.125
Trade receivable, retail	6.930.381	6.617.459
Total	7.389.894	7.829.583

Impairment of trade receivables

The year 2025	Gross balance	Impairment	Book value
Not past due receivables	6.135.498	62.479	6.073.018
Past due, 1 to 30 days	1.143.870	14.459	1.129.411
Past due, 31 to 90 days	74.716	7.420	67.295
Past due, 91 days and older	193.684	73.514	120.170
Total	7.547.768	157.873	7.389.894

The year 2024	Gross balance	Impairment	Book value
Not past due receivables	7.182.496	85.180	7.097.316
Past due, 1 to 30 days	575.027	7.991	567.036
Past due, 31 to 90 days	54.304	6.693	47.610
Past due, 91 days and older	183.596	65.975	117.621
Total	7.995.422	165.839	7.829.584

30. Credit risk, contd.

Changes in impairment of Trade receivables is specified as follows:

	2025	2024
Balance at year beginning	165.839	147.018
Receivables written off	1.732	20.162
Receivables written off	(9.698)	(1.341)
Balance at year end	157.873	165.839

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

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

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

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

31. Operational risk

Operational risk is defined as the risk of loss or damage that may occur due to inadequate internal processes or systems, equipment failure, personnel behavior or due to external factors in the operating environment. RE's Risk Council monitors risks in the group, changes that occur in them as well as key measures regarding the effectiveness of risk management within all units of the group.

32. Project and investment risk

Profitability assessment is carried out in accordance with the procurement process of each company. It should be considered that the expected profit or expected profitability meets the objectives of the profitability policy and supports other policies of the company. Projects are evaluated in accordance with the overall strategy and aim for the expected profit or expected profitability to meet the objectives of the profitability strategy and support other policies of the company.

33. Fair value

Fair value measurement

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

Comparison of fair value versus carrying amounts

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

	31.12.2025		31.12.2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest-bearing liabilities	212.093.872	204.694.239	204.556.863	195.716.102

The fair value of interest bearing liabilities is calculated based on present value of future principal and interest cash flows, discounted at the interest rate plus appropriate interest rate risk premium at the reporting date. Interest-bearing liabilities for which a direct or indirect market price is available are classified as Level 1 fair value. The fair value of interest bearing liabilities is defined at Level 2.

Interest rates used for determining fair value

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

	31.12.2025	31.12.2024
Embedded derivatives in sales contracts	7,72% to 8,31%	7,28% to 7,67%
Hedge contracts	3,57% to 4,00%	4,35% to 4,55%
Interest bearing liabilities	1,53% to 9,12%	2,05% to 10,31%

Fair value hierarchy

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

31.12.2025	Level 1	Level 2	Level 3	Total
Shares in other companies	0	0	6.230.898	6.230.898
Embedded derivatives in sales contracts	0	0	3.710.524	3.710.524
Hedge contracts	0	(1.101.510)	0	(1.101.510)
Marketable securities	15.364.438	0	0	15.364.438
	15.364.438	(1.101.510)	9.941.422	24.204.350
31.12.2024				
Shares in other companies	0	0	6.243.980	6.243.980
Embedded derivatives in sales contracts	0	0	682.667	682.667
Hedge contracts	0	29.584	0	29.584
Marketable securities	11.594.110	0	0	11.594.110
	11.594.110	29.584	6.926.647	18.550.341

33. Fair value, contd.

Changes in assets and liabilities defined at level 3 is specified as follows:	2025	2024
Balance at year beginning	6.926.647	8.192.113
Sold/redemption	(13.082)	(18.700)
Valuation changes	3.027.858	(1.246.766)
Balance at year end	9.941.422	6.926.647

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

34. Overview of financial instruments

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

	31.12.2025			31.12.2024		
	Amortised cost	Financial asset/ financial liability at fair value through P/L	Financial asset/ financial liability at fair value through OCI	Amortised cost	Financial asset/ financial liability at fair value through P/L	Financial asset/ financial liability at fair value through OCI
Shares in other companies		23.898			36.980	
Shares in other companies			6.207.000			6.207.000
Embedd. contr.		3.710.524			682.667	
Hedge contr.					157.659	
Trade receivab.	7.389.894			7.829.583		
Other receivab.	1.167.572			927.652		
Marketable securities		15.364.438			11.594.110	
Cash and cash equvivalents	10.827.295			16.438.122		
Interest-bearing liabilities	(212.093.872)			(204.556.863)		
Hedge contr.		(1.101.510)			(128.075)	
Account payab.	(3.762.409)			(3.924.652)		
Other liabilities	(5.143.247)			(4.280.241)		
Total	(201.614.766)	17.997.350	6.207.000	(187.566.399)	12.343.341	6.207.000

35. Related parties

Definition of related parties

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

Transactions with related parties

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

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

Sale to related parties:	**2025**	**2024**
Reykjavik City	1.723.193	1.719.442
Institutions and companies controlled by Reykjavik City	837.392	789.594
Associates	360	0
	2.560.945	2.509.036
Purchases from related parties:		
Reykjavik City	95.258	111.433
Institutions and companies controlled by Reykjavik City	18.306	14.358
Associates	119.113	115.229
	232.677	241.020

	31.12.2025	**31.12.2024**
Receivables for related parties:		
Reykjavik City	12.637	285.531
Institutions and companies controlled by Reykjavik City	13.128	50.994
	25.765	336.525
Payables for related parties:		
Reykjavik City	93.165	109.358
Institutions and companies controlled by Reykjavik City	1.162	57
	94.327	109.415

	2025	**2024**
Interest expense on loans from owners of the parent Company:		
Reykjavik City	275.761	347.703
Akranes town	16.297	20.549
Borgarbyggð, municipality	2.751	3.468
	294.808	371.720

Guarantee fees paid to the owners are included in interest expenses in the above statement. Amounts and further discussion regarding the guarantee fee are disclosed in Note 11. Management´s salaries and benefits are listed in note 8.

36. Group entities

Subsidiaries	Main operation	Functional currency	Share 31.12.2025	Share 31.12.2024
Ljósleiðarinn ehf.	Data transfer	ISK	100%	100%
OR Eignir ohf.	Holding company	ISK	100%	100%
Veitur ohf.	Distribution of electricity and hot water	ISK	100%	100%
Orka náttúrunnar ohf.	Production and sale of electricity	ISK	100%	100%
ON Power ohf.	Production and sale of electricity	USD	100%	100%
OR vatns- og fráveita sf.	Cold water and sewage	ISK	100%	100%
Eignarhaldsfélagið Carbfix ohf.	Consulting, researches and innovation	ISK	99,96%	99,96%
Carbfix hf.	Consulting, researches and innovation	EUR	100%	100%
Coda Terminal hf.	Construction and operation of a reception and disposal facility for carbon dioxide	EUR	100%	100%

37. Statement of cash flows

Working capital from operation is specified as follows:

	2025	2024
Profit for the year	11.519.122	9.309.068
Operating items that do not affect cash flow:		
Depreciation and amortisation	17.484.641	16.830.274
Profit from sale of assets	(28.355)	(37.976)
Write-down of investments in other companies	(4.402)	18.500
Share in (profit) loss of associated companies	(2.976)	(3.939)
Pension liability change	(10.715)	21.820
Currency fluctuation and indexation on loans and borrowings	4.984.919	4.797.772
Embedded derivatives in electricity sales contracts	(1.889.383)	777.982
Fair value changes of hedge contracts	1.156.892	47.691
Deferred tax liability	(1.919.392)	(1.636.689)
Fair value changes of financial assets and liabilities through P/L	(974.795)	(899.231)
Effects of currency fluctuation on cash and cash equivalents	123.504	(108.150)
Other items	22.685	(3.658)
Working capital from operation	30.461.746	29.113.463

38. Other matters

Arbitration on the interpretation of the provision of the electricity contract with Norðurál

In April 2025, RE, ON Power, and Norðurál signed a new contract for the sale of electricity to the aluminum plant in Grundartangi. The contract is for up to five years and supersedes older electricity sales agreements between RE and Norðurál. The agreement also stipulates that RE and Norðurál will discontinue legal proceedings before arbitration regarding differing interpretations by the parties of the provisions of the previous contract.

Operational disrution at Norðurál in Grundartangi

On 21 October last year, an operational disruption occurred at Norðurál in Grundartangi due to a failure in two transformers. As a result, production at the aluminium smelter was partially suspended, and Norðurál has since taken delivery of only an insignificant portion of the contractually agreed volume. Norðurál is one of the largest customers of ON Power, a subsidiary of Reykjavik Energy, and the interruption has therefore had a significant impact on the operations of ON Power and, consequently, on those of RE. The parties disagree as to whether Norðurál is obliged to fulfil its contractual take-or-pay commitment and pay for the agreed volume despite not taking delivery, as Norðurál has invoked force majeure. ON Power has rejected this position; however, it is clear that the matter will need to be resolved through arbitration, and RE and ON Power have commenced preparations for such proceedings.

There is also uncertainty regarding ON Power's payment obligations to Landsnet under the parties' transmission agreement, based on considerations similar to those described above. Since the operational disruption at Norðurál, ON Power has paid only for the transmitted volume of electricity and the measured peak demand. The difference between the amounts paid and the amounts invoiced by Landnet for the year 2025 amounts to approximately USD 1,4 million. A formal response from Landsnet regarding its position is still pending; however, it may be assumed that the matter will become disputed and will ultimately need to be resolved before the courts. In light of this uncertainty, ON Power has recognised one-third of the outstanding difference as an expense in the income statement for the year 2025.

Sale of shares in Landsnet

Over the past periods, the aim has been to sell RE's shares in Landsnet, as the Electricity Act stipulates that the transmission company must be directly owned by the Icelandic state and/or municipalities. At the end of 2020, RE's board agreed that a declaration of intent regarding a change in Landsnet's ownership would be signed, and to begin negotiations regarding the sale of the shares. The sale of RE's shares has not been completed despite the legal obligation to do so. The book value of the shares is estimated at ISK 6.200 million as of 31 December 2025. The shares are included among fixed assets.

Refund of capacity charges due to distribution of electricity

In mid year 2024, a ruling was made by the Supreme Court confirming that Landsnet hf. was not allowed to impose capacity charges for the connection of electricity to the transmission system of Landsnet hf. according to tariff number 43/2022, on Orka náttúrunnar ohf. and ON Power ohf. as electricity producers. The charge was collected over a 17-month period during the years 2022-2023. In January 2025, Landsnet refunded the previously collected capacity charge. The refund amounts to ISK 450 million and is recorded as a reduction in distribution of electricity for the period in the income statement.

39. Events after the reporting period

The Board of Directors and the CEO are not aware of events that have occurred after the reporting period and affected the financial statements or need to be disclosed.

40. Significant accounting policies

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

a. *Basis of consolidation*

i) Subsidiaries

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

ii) Associates

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

Associates are entered in the Group's financial statements by using the equity method. Associated companies are reported at original cost, including business cost. After the original transaction the share of the Company is reported until significant influence ceases or joint control is concluded.

iii) Transactions eliminated on consolidation

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

b. *Foreign currency*

i) Trade in foreign currencies

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

ii) Subsidiaries with other functional currencies than the Icelandic krona

Assets and debts of companies of the consolidated financial statements that have USD or EUR as its functional currencies are calculated into Icelandic kronas at the rate of the reporting date. Income and expenses of those companies is calculated into Icelandic kronas at the average exchange rate of the year. The exchange difference due to this is reported in a special account in the statement of comprehensive income. When operations with another functional currency than the Icelandic krona are sold, partly or in full, the accommodating exchange difference is recognised in the Income Statement.

c. *Financial instruments*

i) Non-derivative financial assets

Loans, receivables and cash in bank are recognised when received. All other financial instruments, including financial assets stated at fair value through the Income Statement, are recognised in the financial statements when the Company becomes a party of contractual provisions of the relevant financial instruments.

40. Significant accounting policies, contd.

c. ***Financial instruments, contd.***

i) Non-derivative financial assets, contd.

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

Non-derivative financial instruments comprise of; Financial assets at fair value throught OCI, Financial assets at fair value through the Income Statement and Financial assets at amortised cost.

Financial assets at fair value through OCI

The Group's investments in equity securities are classified as financial assets at fair value throught OCI. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss is transferred to retained earnings. Dividends are recognised as income in the Income Statement.

Financial assets at fair value through the Income Statement

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

Financial assets at amortised cost

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

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

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

ii) Non-derivative financial liabilities

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

The Group classifies non-derivative financial liabilities as financial liabilities at amortised cost. Such liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition financial liabilities are measured at amortised cost using the effective interest method.

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

iii) Derivative financial instruments

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value in the balance sheet and fair value changes are recognised in the income statement. Fair value changes from hedging instruments are entered among financial income and expenses in the income statement apart from redemption of aluminium derivatives that are separately identified among operating revenues. More information can be found in notes 28a, 28b and 28c.

40. Significant accounting policies, contd.

c. *Financial instruments, contd.*

iv) Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. More information can be found in note 28c.

d. *Property, plant and equipment*

i) Recognition and measurement

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

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

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

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

The Group's distribution- and production systems, are stated at revalued carrying amount in the balance sheet, which is their fair value at the revaluation date less additional depreciation from that date. Revaluation of those assets is made on a regular basis. Value surplus due to the revaluation is recognised in a revaluation reserve among equity after taking the effect of deferred tax liability into consideration. Depreciation on the revalued carrying amount is recognised in the income statement. Upon sale or discontinuance of the asset the part of the revaluation reserve belonging to the asset is transferred from the revaluation reserve to retained earnings after taking tax effect into consideration.

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

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

40. Significant accounting policies, contd.

d. ***Property, plant and equipment, contd.***

ii) Subsequent costs

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

iii) Depreciation

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

Production system	7-60 years
Electricity distribution systems	15-50 years
Heating distribution systems	10-60 years
Cold water distribution systems	30-90 years
Sewer distribution system	15-60 years
Fiber-optic distribution system	9-46 years
Other real estate	25-50 years
Other equipment	3-40 years

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

e. ***Intangible assets***

i) Heating rights

Heating rights have indefinite useful life. They are recognised in the balance sheet at cost less any impairment. Heating rights are separated from land up on purchase.

ii) Other intangible assets

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

iii) Subsequent expenditure

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

iv) Amortisation

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

Software	5-12 years
Development cost	10 - 40 years
Business relations	10 -12 years

f. ***Inventories***

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

40. Significant accounting policies, contd.

g. *Impairment*

i) Financial assets

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

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

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

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

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

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

ii) Non-financial assets

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

Impairment is recognized if the carrying amount of an asset or a cash generating unit exceeds its estimated recoverable amount. A cash generating unit is the smallest separable group of assets that form a cash flow that is mostly independent of other units or groups of units. Impairment losses are recognised in the Income Statement and subsequently allocated proportionally to reduce the carrying amount of other assets of the unit.

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

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

h. *Employee benefits*

i) Defined contribution plans

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

40. Significant accounting policies, contd.

h. *Employee benefits, contd.*

ii) Defined benefit plans

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

40. Significant accounting policies, contd.

i. *Obligations*

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

j. *Revenue*

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

Revenue from the sale and distribution of electricity and hot water is recognised in the income statement according to measured delivery to purchasers during the year plus a fixed fee.

The rate for the distribution of electricity has a revenue cap set by the National Energy Authority in accordance with laws on energy number 65/2003. The revenue cap is based on actual figures from prior years from the operation of distribution utilities, the depreciation of assets, real losses in the distribution system and return on equity. When setting the revenue cap financial income and expenses are not taken into account. The rate is decided from the revenue cap and projections of sale of electricity in the Group´s utilities area.

ii) Revenues from sale of cold water and sewage

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

iii) Connection revenues

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

iv) Rental income

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

v) Other revenues

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

40. Significant accounting policies, contd.

k. *Financial income and expenses*

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

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign exchange losses, impairment losses recognised on financial assets, and losses on hedging instruments (other than realized loss from aluminium derivatives) that are recognised in the income statement. Borrowing cost is recognised in the income statement based on effective interests.

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

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

l. *Income tax*

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The income tax ratio for the parent company is 37,6% (2024: 38,4%) and the tax ratio for the subsidiaries is 20% (2024: 21%). Cold water supply and sewage is exempt from tax.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax was measured in accordance with the current tax rate, which is 37,6% (2024: 38,4%) for the parent company that is a partnership and 20% (2024: 21%) for the subsidiaries that are companies with limited liability.

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

m. *Segment reporting*

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

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

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

40. Significant accounting policies, contd.

n. Determination of fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The Group´s CFO is responsible for overseeing all significant fair value measurements, including Level 3 fair values. Risk management, led by the CFO, regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then that information is used to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. The Group's Audit Committee is informed of significant matters relating to the fair value measurement.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

Further information about the assumptions made in measuring fair values can be found in relevant notes and in note 33 regarding fair value.

o. Property, plant and equipment

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

p. Investments in equity and debt securities

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

40. Significant accounting policies, contd.

q. Derivatives

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

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

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

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

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

r. *Trade and other receivables*

Trade receivables and other short-term receivables are carried at amortized cost.

s. Non-derivative financial liabilities

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

t. Leases

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

40. Significant accounting policies, contd.

t. Leases, contd.

i) The Group as a lessee

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

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

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

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

The Group determines the interest rate on new borrowings by obtaining interest rate information for various financing alternatives and making appropriate adjustments to reflect the terms of the lease agreement and the characteristics of the leased asset.
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
– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

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

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

40. Significant accounting policies, contd.

t. Leases, contd.

ii) The Group as a lessor

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

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

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

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

41. New accounting standards not yet adopted

The group has adopted all international accounting standards, amendments to them and interpretations confirmed by the European Union and which are valid for the year 2025.

A few new standards are effective for annual periods beginning after 1 January 2026 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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