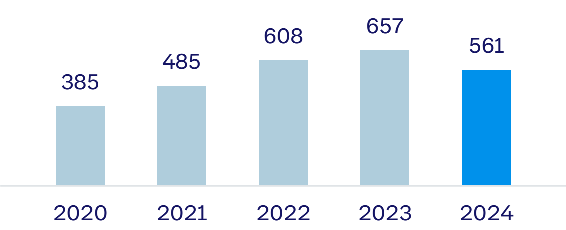
Landsvirkjun

Financial Statements 2024

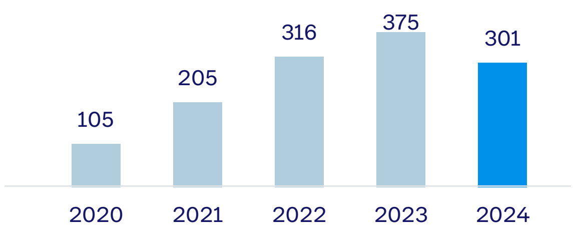
Contents

Key figures

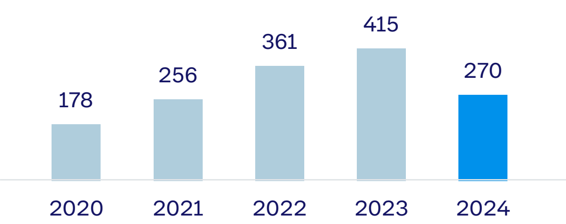
Operating revenues



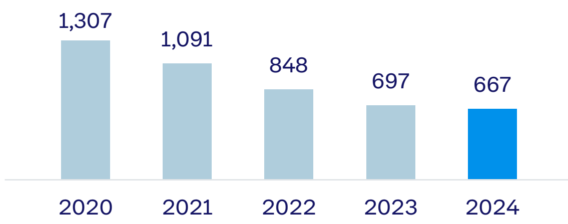
Profit before unrealised financial items



Cash flow from operating activities



Net debt



Capacity **2,146 MW**

15 Hydropower stations **1,991 MW**

3 Geothermal stations **153 MW**

2 Windmills **2 MW**

Amounts are in USD million

Key Figures - Unaudited

Management's presentation of the operation of Landsvirkjun

	2024	2023	2022	2021	2020
Operation					
Operating revenues	559,044	571,390	708,665	543,608	380,209
Realised hedges	1,836	86,044	(100,412)	(58,881)	5,262
Total operating revenues	560,880	657,434	608,253	484,727	385,471
Operating expenses	(150,560)	(159,961)	(153,884)	(151,579)	(137,893)
EBITDA	410,320	497,473	454,369	333,148	247,578
Depreciation and impairment loss	(100,471)	(105,931)	(107,820)	(107,446)	(98,128)
EBIT	309,849	391,542	346,549	225,702	149,450
Financial items	(11,012)	(17,177)	(31,183)	(21,084)	(45,266)
Subsidiaries and associated companies	1,806	918	522	57	435
Profit before unrealised financial items	300,643	375,283	315,888	204,675	104,619
Unrealised financial items:					
Fair value changes in embedded derivatives	(38,383)	(18,242)	61,616	33,454	970
Fair value changes in other derivatives	(2,456)	(17,696)	81,547	(46,301)	(12,726)
Unrealised foreign exchange difference	544	(1,467)	11,071	(10,661)	(9,087)
	(40,295)	(37,405)	154,234	(23,508)	(20,843)
Profit before income tax	260,348	337,878	470,122	181,167	83,776
Income tax	(98,747)	(128,391)	(171,386)	(68,778)	(33,144)
Profit from continued operations	161,601	209,487	298,736	112,389	50,632
Profit (loss) from discontinued operations	0	0	(137,231)	23,231	17,919
Net Profit	161,601	209,487	161,505	135,620	68,551
Balance sheet					
Total assets	3,477,886	3,614,248	3,872,948	3,742,237	3,711,752
Equity	2,303,811	2,364,114	2,296,676	2,213,205	2,103,321
Liabilities	1,174,075	1,250,134	1,576,272	1,529,032	1,608,431
Net debt *	666,946	697,319	848,080	1,091,247	1,307,269
Cash flow					
Funds from operations (FFO)	396,737	479,416	422,291	287,548	198,501
Cash flow from operating activities	270,055	415,177	361,411	256,432	178,434
Investing activities	(26,378)	(121,782)	(5,721)	(11,474)	52,197
Financing activities	(249,179)	(362,868)	(268,507)	(238,288)	(244,441)
Liquidity					
Cash and cash equivalents at year end	78,781	85,256	150,945	65,898	58,986
Undrawn loans	125,000	125,000	150,000	150,000	250,000
Total liquidity	203,781	210,256	300,945	215,898	308,986
Key ratios					
Return on equity	6.8%	9.1%	7.3%	6.4%	3.3%
Equity ratio	66.2%	65.4%	59.3%	59.1%	56.7%
Interest cover (EBITDA/net interest exp.)	36.51x	44.31x	14.31x	7.80x	5.66x
FFO / net liabilities	59.5%	68.8%	49.8%	26.4%	15.2%
FFO / interest expenses	13.11x	14.11x	11.83x	6.63x	4.39x
Net debt / EBITDA	1.63x	1.40x	1.87x	3.28x	5.28x
Credit rating at year end					
Standard & Poor's	A-	A-	BBB+	BBB+	BBB

* Net debt is interest bearing liabilities less cash and cash equivalents

Financial Statements of Landsvirkjun 2024 4 Amounts are in USD thousand

Quarterly Statement 2024 - Unaudited

Management's presentation of Landsvirkjun's operation, contd.

	Q1	Q2	Q3	Q4	Total
Operating revenues					
Power sales	128,057	127,918	126,754	134,079	516,808
Realised hedges	1,370	(12)	745	(267)	1,836
Other income	14,297	7,442	7,435	13,062	42,236
	143,724	135,348	134,934	146,874	560,880
Operating expenses					
Energy generation costs	24,590	26,577	29,901	11,920	92,988
Cost of general research	2,471	3,038	2,762	3,704	11,975
Other operating expenses	11,489	11,686	10,299	12,123	45,597
Depreciation and impairment loss	25,006	25,045	24,945	25,475	100,471
	63,556	66,346	67,907	53,222	251,031
Operating profit	80,168	69,002	67,027	93,652	309,849
Financial income and (expenses)					
Interest income	4,757	5,130	4,821	4,316	19,024
Interest expenses	(7,891)	(7,897)	(7,269)	(7,207)	(30,264)
Realised foreign exchange difference	(30)	(511)	(66)	835	228
	(3,164)	(3,278)	(2,514)	(2,056)	(11,012)
Subsidiaries and associated companies	357	304	502	643	1,806
Profit before unrealised items	77,361	66,028	65,015	92,239	300,643
Unrealised financial items:					
Fair value changes in embedded derivatives	(22,668)	(4,991)	8,835	(19,559)	(38,383)
Fair value changes in other derivatives	(807)	(3,689)	(2,374)	4,414	(2,456)
Unrealised foreign exchange difference	2,462	574	(3,792)	1,300	544
	(21,013)	(8,106)	2,669	(13,845)	(40,295)
Profit before income tax	56,348	57,922	67,684	78,394	260,348
Income tax	(21,802)	(21,986)	(27,385)	(27,574)	(98,747)
Net Profit	34,546	35,936	40,299	50,820	161,601
From cash flow					
Cash flow from operating activities	101,316	62,061	63,026	43,652	270,055

Other key metrics	**2024**	**2023**	**2022**	**2021**	**2020**
Installed capacity at year end (MW)	2,146	2,146	2,146	2,146	2,146
Av. price for ind. users excl trm. USD/MWh*	29.9	30.6	42.9	32.7	21.1
Av. price for primary energy excl. trm. ISK/kWh	7.5	6.7	6.2	5.3	5.3
Sales in GWh	14,118	14,686	14,629	14,052	13,336
Research and development	31,505	33,842	14,712	11,941	10,916
Accident frequency rate: H200**	0.8	0.9	0.6	0.3	0.3

* Average prices exclude transmission cost
** H200 is the number of absence accidents per 200,000 working hours

Financial Statements of Landsvirkjun 2024 5 Amounts are in USD thousand

Endorsement and Statement by the Board of Directors and CEO

Landsvirkjun's objective is to operate in the energy sector and to engage in other business and financial operations as determined by the Board of Directors at any given time.

Landsvirkjun's 2024 Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act and include the financial statements of the Company which include the results of the subsidiaries, Icelandic Power Insurance Ltd. and Landsvirkjun Power ehf. and associated companies. The Company's functional currency is the US Dollar (USD) and amounts in the financial statements are rounded to the nearest thousand USD.

The Company's operating revenues amounted to USD 560.9 million in 2024 compared to USD 657.4 million in the previous year, a decrease of USD 96.5 million. The decrease is mainly due to realised hedges. Operating expenses amounted to USD 251.0 million in 2024 compared to USD 265.9 million in 2023. The Company's operating profit amounted to USD 309.8 million in 2024 compared to USD 391.5 million in the previous year.

Landsvirkjun uses derivative contracts to manage risk related to fluctuations in interest rates, foreign exchange rates and also aluminium prices, as part of its revenues is linked to that factor.

Net financial expenses amounted to USD 51.3 million in 2024, compared to USD 54.6 million of net financial expenses in the previous year, a change of USD 3.3 million. Profit before unrealised financial items amounted to USD 300.6 million during the year compared to USD 375.3 million in 2023. According to the income statement, profit for the year amounted to USD 161.6 million compared to USD 209.5 million in the previous year.

Equity at year-end 2024 amounted to USD 2,303.8 million compared to USD 2,364.1 million at year-end 2023 according to the balance sheet. The Company's Board of Directors proposes that the profit for the year will be recognised as an increase in equity. At the Annual General Meeting, the Company's Board of Directors intends to propose a USD 180 million dividend payment to the owners of the Company in accordance with the dividend policy of Landsvirkjun, but otherwise refers to the notes to the financial statements and statement of equity for further changes in equity. Landsvirkjun is a partnership owned by the Icelandic State and Eignarhlutir ehf. The State owns 99.9% in the Company and Eignarhlutir ehf. 0.1%.

Cash and cash equivalents at year end amounted to USD 78.8 million and undrawn loans amounted to USD 125.0 million. Cash and cash equivalents and undrawn loans therefore amounted to USD 203.8 million at year end. Cash flow from operations amounted to USD 270.1 million. Repayments of loans of the Company amounted to USD 29.5 million. Cash and cash equivalents decreased by USD 6.5 million during the year.

Corporate Governance

Landsvirkjun's Board of Directors is committed to opholding strong corporate governance, following the Guidelines on Corporate Governance issued by the Iceland Chamber of Commerce in collaboration with the Confederation of Icelandic Employers and Nasdaq Iceland. A statement on corporate governance can be found in the appendix to the financial statements. Further information on the Company's corporate governance and risk management is included in notes 27 to 37 and appendices to the financial statements.

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

Non-financial information

According to the Financial Statements Act, public interest entities shall provide information necessary for an understanding of the entity's development, performance, position and impact of its activities relating to environmental, social and employee matters, policy regarding human rights, how the entity counteracts corruption and bribery matters and a brief description of the entity's business model etc. Information on the Company's policy and successes in these matters is provided in an appendix to the financial statements.

Statement from the Board of Directors and the CEO

According to the best knowledge of the Board of Directors and the CEO, the financial statements are in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Icelandic Financial Statement Act. It is the opinion of the Board of Directors and the CEO that the financial statements give a fair view of the Company's assets, liabilities and financial position as at 31 December 2024 and the Company's results and changes in cash in the year 2024.

Furthermore, it is the opinion of the Board of Directors and the CEO that the financial statements and the Endorsement by the Board of Directors for the year 2024 give a fair view of the Company's results, financial position and development and describe the main risk factors faced by the Company.

The Board of Directors and the CEO hereby confirm these financial statements with their signature.

Reykjavik, 21 February 2025.

The Board of Directors:

Jón Björn Hákonarson
Gunnar Tryggvason
Álfheiður Ingadóttir
Halldór Karl Högnason
Soffía Björk Gunnarsdóttir

The CEO:
Hörður Arnarson

Independent Auditors’ Report

To the Board of Directors and owners of Landsvirkjun.

Opinion

We have audited the financial statements of Landsvirkjun for the year ended 31 December, 2024, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Landsvirkjun as at 31 December, 2024, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act.

Our opinion in this report on the financial statements is consistent with the content of the additional report that has been submitted to the company´ s audit committee in accordance with the EU Audit Regulation 537/2014 Article 11.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Landsvirkjun in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Iceland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Based on the best of our knowledge and belief, no prohibited services referred to in the EU Audit Regulation 537/2014 Article 5.1 have been provided.

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

Key Audit Matters

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

Key Audit Matters	How the matter was addressed in the audit
Power sales	
Around 80% of Landsvirkjun power sales come from power intensive users. The revenue is based on delivered power and contractual prices that are based on certain parameters. Due to both the magnitude and variability of prices, we believe that power sales to industry are a key audit matter.	During our audit of power sales to power intensive users we have confirmed that there is an effective internal control at Landsvirkjun regarding calculation and approval of invoices. We have also confirmed calculation of sales prices by comparing the calculation to contractual agreements and publicly available information and the amount of power delivered against metering records.

Independent Auditors' Report, contd.

Valuation of power stations	
Included in property, plant and equipment are power stations which amount to 2,815 million USD at year-end. Power stations are measured at cost less accumulated depreciation and impairment. We consider the valuation of power stations to be a key audit matter due to their magnitude and management estimation of their expected useful life. As to the valuation of the assets, we refer to fixed assets in note 8 and accounting policies note 49.	We reviewed the valuation test of power stations prepared by management. During our audit we examined the valuation methodology and its consistency with prior year. We also examined management assumption for the valuation. This included: • Reviewing changes in the company's operations and in the external environment to examine whether these assumptions affect management's assessment. • Reviewing the assumptions for the weighted average cost of capital (WACC) used. We assessed if the valuation's calculations were in accordance with IFRS and assessed that the disclosures were appropriate.

Other information

The Board of Directors and the CEO are responsible for the other information. The other information comprises the endorsement by the board of directors and CEO, statement of corporate governance and non-financial reporting.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except the confirmation regarding the report of the Board of Directors as stated below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In accordance with Paragraph 2 article 104 of the Icelandic Financial Statement Act no. 3/2006, we confirm to the best of our knowledge that the accompanying report of the Board of Directors includes all information required by the Icelandic Financial Statement Act that is not disclosed elsewhere in the financial statements.

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

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act, and for such internal control as the Board of Directors and the CEO determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors’ Report, contd.

In preparing the financial statements, the Board of Directors and the CEO are responsible for assessing Landsvirkjun’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 the CEO either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and the audit committee are responsible for overseeing Landsvirkjun’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 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 Landsvirkjun’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditors' Report, contd.

We communicate 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 identify during our audit.

We also provide the Board of Directors and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

In addition to our work as the auditors of Landsvirkjun, Deloitte has provided the firm with permitted additional services such as review of interim financial statements, other assurance engagements and consultation on accounting matters. Deloitte has in place internal procedures in order to ensure its independence before acceptance of additional services. Deloitte has confirmed in writing to the Audit Committee that we are independent of Landsvirkjun.

Deloitte was appointed auditor of Landsvirkjun by the general meeting on 30. April 2024. Deloitte has been elected since the general meeting 2014.

Reykjavik, 21 February 2025.

Deloitte ehf.

Birna Sigurðardóttir
State Authorised Public Accountant

Jóhann Óskar Haraldsson
State Authorised Public Accountant

Income Statement

	Notes	2024	2023
Operating revenues			
Power sales	3	516,808	536,248
Realised hedges		1,836	86,044
Other income	3	42,236	35,142
		560,880	657,434
Operating expenses			
Energy generation costs		188,984	200,446
Cost of general research		11,975	18,697
Other operating expenses		50,072	46,749
		251,031	265,892
Operating profit		309,849	391,542
Financial income and (financial expenses)			
Interest income		19,024	22,747
Interest expenses		(30,264)	(33,974)
Foreign exchange difference		772	(7,417)
Fair value changes in embedded derivatives	29	(38,383)	(18,242)
Fair value changes in other derivatives		(2,456)	(17,696)
	6	(51,307)	(54,582)
Subsidiaries and associated companies	13, 14	1,806	918
Profit before income tax		260,348	337,878
Income tax	7	(98,747)	(128,391)
Net profit for the year		161,601	209,487

Notes 1 to 59 are an integral part of these financial statements.

Financial Statements of Landsvirkjun 2024 12 Amounts are in USD thousand

Statement of Comprehensive Income

	2024	2023
Net profit for the year	161,601	209,487
Items that will not be reclassified subsequently to profit or loss		
Pension obligation after income tax, change	(1,701)	(2,306)
Items that may be reclassified subsequently to profit or loss		
Transl. difference due to subsid. and associated companies	(203)	258
Total operating items transferred to equity	(1,904)	(2,048)
Total Comprehensive Income for the year	159,697	207,439

Notes 1 to 59 are an integral part of these financial statements.

Financial Statements of Landsvirkjun 2024 13 Amounts are in USD thousand

Balance Sheet

Assets	Notes	2024	2023
Non-current assets			
Property, plant and equipment	8, 16	2,836,572	2,918,386
Projects under construction	9	28,874	0
Development cost	10	129,632	115,156
Other intangible assets	10	50,475	50,088
Derivative financial instruments	12	33,517	74,260
Subsidiaries	13	8,201	7,458
Associated companies	14	5,303	4,725
Loans to related parties	15	186,326	232,940
Shares in other companies		690	676
Total non-current assets		3,279,590	3,403,689
Current assets			
Accounts receivables and other receivables	17	58,572	67,827
Receivables, related parties		41,028	41,270
Derivative financial instruments	12	12,051	16,206
Assets held for sale		7,864	0
Cash and cash equivalents	18	78,781	85,256
Total current assets		198,296	210,559
Total assets		3,477,886	3,614,248
Equity and liabilities			
Equity			
Owners' contributions	19	586,512	586,512
Restricted reserves	20	3,172	2,199
Translation difference	20	(16,652)	(16,449)
Other equity		1,730,779	1,791,852
Total equity		2,303,811	2,364,114
Long term liabilities			
Interest bearing liabilities	21	563,096	754,956
Pension fund obligation	23	39,204	39,431
Deferred income tax liability	7	255,117	240,682
Lease liability	16	8,375	9,931
Derivative financial instruments	12	2,337	989
		868,129	1,045,989
Current liabilities			
Accounts payable and other payables	24	37,650	53,173
Interest bearing liabilities	22	182,631	27,619
Income tax payable	7	83,287	119,232
Debt to related companies		499	134
Derivative financial instruments	12	1,879	3,987
		305,946	204,145
Total liabilities		1,174,075	1,250,134
Total equity and liabilities		3,477,886	3,614,248

Notes 1 to 59 are an integral part of these financial statements.

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Statement of Equity

	Owners' contribution	Restricted reserves	Translation difference	Other equity	Total equity
Changes in equity 2024					
Equity at 1 January 2024	586,512	2,199	(16,449)	1,791,852	2,364,114
Net profit for the year				161,601	161,601
Translation difference			(203)		(203)
Pension obligation, change				(1,701)	(1,701)
Total Comprehensive Income		0	(203)	159,900	159,697
Share of profit of subsidiaries and associated companies transferred		973		(973)	0
Dividend to owners				(220,000)	(220,000)
Equity at 31 December 2024	586,512	3,172	(16,652)	1,730,779	2,303,811
Changes in equity 2023					
Equity at 1 January 2023	586,512	197	(16,707)	1,726,674	2,296,676
Net profit for the year				209,487	209,487
Translation difference			258		258
Pension obligation, change				(2,306)	(2,306)
Total Comprehensive Income		0	258	207,181	207,439
Share of profit of subsidiaries and associated companies transferred		2,002		(2,002)	0
Dividend to owners				(140,000)	(140,000)
Equity at 31 December 2023	586,512	2,199	(16,449)	1,791,852	2,364,114

Notes 1 to 59 are an integral part of these financial statements.

Financial Statements of Landsvirkjun 2024 15 Amounts are in USD thousand

Statement of Cash Flow

	2024	2023
Operating activities		
Operating profit	309,849	391,542
Adjustments for:		
Depreciation and impairment loss	100,471	105,931
Pension obligation, change	(2,377)	(2,251)
Other changes	(17)	(472)
Working capital from operation before financial items	407,926	494,750
Operating assets and liabilities, change	(8,390)	26,131
Cash flow from operating activities before financial items	399,536	520,881
Interest income received	19,184	21,765
Interest expenses and foreign exchange diff. paid	(30,879)	(39,793)
Taxes paid	(117,786)	(87,676)
Cash flow from operating activities	270,055	415,177
Investing activities		
Power stations in operation	(19,319)	(21,652)
Power stations under construction	(22,614)	0
Power stations preparation cost	(18,681)	(22,088)
Other capital expenditures	(5,776)	(5,721)
Purchased shares in other companies	(23)	(18)
Tax paid due to sale of subsidiary	0	(112,805)
Assets sold	101	572
Loans to related parties, amortisation	39,934	39,930
Investing activities	(26,378)	(121,782)
Financing activities		
Dividend paid to owners	(220,000)	(140,000)
Decrease of shares	279	0
Amortisation of long-term debt	(29,458)	(222,868)
Financing activities	(249,179)	(362,868)
Change in cash and cash equivalents	(5,502)	(69,473)
Effect of exchange diff. on cash and cash equivalents	(973)	3,784
Cash and cash equivalents at the beginning of the year	85,256	150,945
Cash and cash equivalents at the end of the year	78,781	85,256

	2024	2023
Financing activities without payments:		
Decreased shares in associated company	0	280

Notes 1 to 59 are an integral part of these financial statements.

Financial Statements of Landsvirkjun 2024 16 Amounts are in USD thousand

Notes

General Information

1. Landsvirkjun

Landsvirkjun is a partnership based in Iceland with its headquarters located at Katrínartún 2 in Reykjavík. The Company operates under the Act on Landsvirkjun No. 42/1983. Its primary objective is to engage in activities within the energy sector.

2. Basis of preparation

a. Statement of IFRS compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Icelandic Financial Statements Act.

The Company's Board of Directors approved the financial statements on 21 February 2025.

Note 40 includes information about changes and improvements in IFRS and notes 41-57 contain information on significant accounting policies.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following assets and liabilities, which have been measured at fair value: derivative financial instruments, trading financial assets and shares in other companies. Operating assets and assets held for sale are recognised at book value or fair value, whichever is lower.

c. Presentation and functional currency

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

d. Management's use of estimate and judgements

Preparing financial statements in accordance with IFRS requires management to make decisions, 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 and the effect of the changes are entered in the periods that the changes are made and in subsequent periods if the change also affects those periods.

Details about management's estimates and decisions made in relation to the application of accounting methods that significantly affect the financial statements are provided in the following notes:

- notes 8 and 49 property, plant and equipment
- notes 10 and 50 development cost and other intangible assets
- notes 12,29,30,31,32 derivative financial instruments
- note 23 pension fund obligations

Notes, contd.

2. Basis of preparation, contd.:

e. Determination of fair value

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

To the extent possible, the Company uses market information in determining fair values but if such information is not available management's evaluation is used.

For derivatives, other than embedded derivatives, counterparty information is used where applicable to measure fair values. The treasury division then compares this information with its own assessment to ensure the valuations comply with requirements of IFRS, including determining the appropriate level within the fair value hierarchy for classifcation.

Fair values are categorised into different levels in the fair value hierarchy based on assumptions used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: assumptions based on other than quoted prices included in Level 1 that can be acquired for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3: assumptions for value of asset or liability that are based on data where market data is not available.

If the assumptions used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, the measurement is classified at the lowest level of those assumptions.

If the categorisation of fair value during the accounting period changes, it is transferred between levels at the end of the period.

Further information on the assumptions made in measuring fair values is included in the following notes:

- note 12 derivative financial instruments
- note 29 embedded derivatives
- note 36 loans to related parties and long-term debt

f. Segment reporting

The Company's operations fall under a single segment. Landsvirkjun's objective as outlined by law is to operate in the energy sector and to engage in other business and financial activities as decided by the Board of Directors at any given time. Landsvirkjun harnesses hydroelectric, geothermal and wind energy. It sells all of its electricity generation in Iceland, targeting both retail sales companies and energy intensive industrial users.

g. Presentation of financial statements

Landsvirkjun does not prepare consolidated financial statements which include its subsidiaries, Icelandic Power Insurance Ltd and Landsvirkjun Power ehf., as their impact is considered insignificant. Instead, the financial statements are prepared according to IAS 27, Separate Financial Statements. The performance of the subsidiaries is shown in a single number in the income statement in the line Subsidiaries and associated companies. The effects of subsidiaries and subsidiary assets and liabilities are not listed separately in the balance sheet but appear under Subsidiaries.

Notes, contd.

3. Operating revenues

Power sales are specified as follows:

	2024	2023
Retail sales companies	121,535	110,350
Power intensive users	395,273	425,898
Power sales total	516,808	536,248

Realised hedges which are linked to power sale contracts are presented with operating revenues in the income statement. Further information on hedging can be found in note 29.

Other income is due to guarantees of origin, contract work, rental income etc.

Note no. 43 offers additional details regarding the registration of the Company's revenues.

4. Total number of employees

Total number of employees is specified as follows:

	2024	2023
Average number of employees during the year, full-time equivalents	376	346
Full-time equivalent units at year-end	362	329

5. Salaries of employees

Total salaries of employees are specified as follows:

	2024	2023
Salaries	47,769	43,212
Contribution to defined contribution plans	7,888	6,183
Defined pension benefit payments	3,161	3,033
Other change in pension obligations	(2,377)	(2,251)
Other salary related expenses	4,753	4,148
	61,194	54,325
Transferred to assets	(5,608)	(3,925)
	55,586	50,400

Salaries and salary related expenses are allocated as follows:

	2024	2023
Energy generation costs	32,719	28,769
Other operating expenses	28,475	25,556
Transferred to assets	(5,608)	(3,925)
	55,586	50,400

Salaries of the Board of Directors, CEO, Deputy CEO and EVPs are specified as follows:

	2024	2023
Salaries of the Board of Directors	231	221
Salaries and benefits of the CEO	379	346
Salaries of 7 Executive Vice Presidents and Deputy CEO	2,196	2,150

6. Financial income and (expenses)

Financial income and (expenses) are specified as follows:

	2024	2023
Interest income	19,024	22,747
Interest expenses	(30,071)	(33,429)
Guarantee fee	(542)	(545)
Capitalised interest	349	0
Total interest expenses	(30,264)	(33,974)
Realised foreign exchange difference	228	(5,950)
Unrealised foreign exchange difference	544	(1,467)
Total foreign exchange difference	772	(7,417)
Fair value changes in embedded derivatives	(38,383)	(18,242)
Fair value changes in other derivatives	(2,456)	(17,696)
Total financial income and (expenses)	(51,307)	(54,582)

Capitalised finance cost due to capital of projects under construction was 3.67% in 2024 (2023: 0.0%).

Financial Statements of Landsvirkjun 2024 19 Amounts are in USD thousand

7. Income tax

Income tax is specified as follows:

	2024	2023
Change in income tax liability	(14,435)	(7,770)
Income tax payable	(83,287)	(119,232)
Income tax due to pension obligation	(1,025)	(1,389)
Income tax expensed	(98,747)	(128,391)

Change in income tax liability is specified as follows:

	2024	2023
Change in temporary differences	(14,435)	(7,770)
Change in income tax liability	(14,435)	(7,770)

Effective tax rate		2024		2023
Profit for the year		161,601		209,487
Income tax		98,747		128,391
Profit before income tax		260,348		337,878
Inc. tax acc. to the company's tax rate	38.4%	99,974	37.6%	127,042
Non-taxable items	(0.2%)	(552)	0.5%	1,704
Subsidiaries, associated and other companies	(0.3%)	(675)	(0.1%)	(355)
Effective income tax	37.9%	98,747	38.0%	128,391

Changes in tax liability during the year is specified as follows:

	2024	2023
Tax liability at the beginning of the year	(240,682)	(232,912)
Income tax in the income statement	(98,747)	(128,391)
Income tax recognised due to pension obligation	1,025	1,389
Income tax payable	83,287	119,232
Tax liability at the end of the year	(255,117)	(240,682)

The Company's tax liability is specified as follows:

	2024	2023
Property, plant and equipment and intangible assets	(257,769)	(225,539)
Derivative financial instruments	(16,965)	(32,321)
Other items	19,617	17,178
Tax liability at the end of the year	(255,117)	(240,682)

Financial Statements of Landsvirkjun 2024 20 Amounts are in USD thousand

Notes, contd.

8. Property, plant and equipment

Property, plant and equipment is specified as follows:

Cost value	Power stations	Other assets	Total
Total value at 1.1.2023	5,678,002	45,419	5,723,421
Additions during the year	20,799	10,523	31,322
Sold and disposed of	(14)	(1,518)	(1,532)
Total value at 31.12.2023	5,698,787	54,424	5,753,211
Additions during the year	20,685	4,430	25,115
Moved to assets held for sale	0	(20,055)	(20,055)
Sold and disposed of	0	(1,183)	(1,183)
Total value at 31.12.2024	5,719,472	37,616	5,757,088
Depreciation and impairment loss			
Total value at 1.1.2023	2,714,925	24,425	2,739,350
Depreciation for the year	94,855	2,053	96,908
Sold and disposed of	(14)	(1,418)	(1,432)
Total value at 31.12.2023	2,809,766	25,060	2,834,826
Depreciation for the year	95,078	3,903	98,981
Moved to assets held for sale	0	(12,191)	(12,191)
Sold and disposed of	0	(1,100)	(1,100)
Total value at 31.12.2024	2,904,844	15,672	2,920,516
Book value			
1.1.2023	2,963,077	20,994	2,984,071
31.12.2023	2,889,022	29,364	2,918,386
31.12.2024	2,814,628	21,944	2,836,572

Official assessment of fixed assets and insurance value

The official assessment of the Company's real estate amounted to USD 529 million at year end 2024 (2023: USD 508 million). Insurance value of the Company's assets amounts to USD 6,701 million (2023: USD 6,547 million).

9. Projects under construction

Projects under construction are specified as follows:	2024	2023
Total value at 1.1.	0	0
Moved from development cost	5,054	0
Additions during the year	23,820	0
Total value at 31.12.	28,874	0

Projects under construction are due to a wind power station at Vaðalda called Búrfellslundur.

Financial Statements of Landsvirkjun 2024 21 Amounts are in USD thousand

10. Development cost and other intangible assets

Development cost and other intangible assets are specified as follows:

	Capitalised developm. cost	Water and geothermal rights	Software	Total
Cost value				
Total value at 1.1.2023	204,163	45,611	7,467	257,241
Additions during the year	23,385	0	2,356	25,741
Sold and disposed of	0	0	(713)	(713)
Total value at 31.12.2023	227,548	45,611	9,110	282,269
Additions during the year	19,530	0	1,877	21,407
Moved to projects under construction	(5,054)	0	0	(5,054)
Sold and disposed of	0	0	(49)	(49)
Total value at 31.12.2024	242,024	45,611	10,938	298,573
Depreciation and impairment loss				
Total value at 1.1.2023	104,152	0	4,565	108,717
Amortisation during the year	0	0	782	782
Impairment loss during the year	8,240	0	0	8,240
Sold and disposed of	0	0	(713)	(713)
Total value at 31.12.2023	112,392	0	4,634	117,026
Amortisation during the year	0	0	1,490	1,490
Sold and disposed of	0	0	(49)	(49)
Total value at 31.12.2024	112,392	0	6,075	118,467
Book value				
1.1.2023	100,011	45,611	2,902	148,524
31.12.2023	115,156	45,611	4,477	165,244
31.12.2024	129,632	45,611	4,864	180,107

Management reviews development cost, along with water and geothermal rights annually, to identify any signs of impairment. To assess potential impairment, the company forecasts cash flow over the useful life of the assets. In this evaluation, expected cash flow was discounted at the weighted average cost of capital which was set at 5.35% for this year (2023: 5.5%). If management determines that an impairment has occurred, the corresponding development cost is recorded as an impairment expense.

Financial Statements of Landsvirkjun 2024 22 Amounts are in USD thousand

Notes, contd.

11. Depreciation and impairment loss

Depreciation and impairment loss is specified as follows:

	2024	2023
Power stations	95,078	94,855
Other assets	3,903	2,053
Depreciation of assets in operation	98,981	96,908
Impairment loss on development cost	0	8,240
Amortisation of software	1,490	782
	100,471	105,931

Depreciation and impairment loss is allocated as follows by sectors:

Energy generation costs	95,996	95,674
Cost of general research	0	8,240
Other operating expenses	4,475	2,017
	100,471	105,931

12. Derivative financial instruments

Derivative financial instruments in the balance sheet are specified as follows:

	31.12.2024	31.12.2023
Assets:		
Embedded derivatives in power contracts	42,127	80,510
Commodity hedges	3,441	6,239
Currency swaps	0	3,717
	45,568	90,466
Derivative financial instruments are divided as follows:		
Long term component of derivative agreements	33,517	74,260
Short term component of derivative agreements	12,051	16,206
	45,568	90,466
Liabilities:		
Commodity hedges	2,984	4,976
Currency swaps	1,232	0
	4,216	4,976
Derivative financial instruments are divided as follows:		
Long term component of derivative agreements	2,337	989
Short term component of derivative agreements	1,879	3,987
	4,216	4,976

The assumptions for valuation of embedded derivatives are discussed in note 29.

The fair value of derivatives, excluding embedded derivatives is determined through evaluation from counterparties and verified by the company through comparative calculations based on market information.

Financial Statements of Landsvirkjun 2024 23 Amounts are in USD thousand

Notes, contd.

13. Subsidiary companies

Shares in subsidiary companies recognised according to the equity method are specified as follows:

		2024	
	Share	Share in return	Book value
Icelandic Power Insurance Ltd., Bermuda	100.0%	839	4,673
Landsvirkjun Power ehf., Iceland	100.0%	36	3,528
		875	8,201

		2023	
	Share	Share in return	Book value
Icelandic Power Insurance Ltd., Bermuda	100.0%	665	3,835
Landsvirkjun Power ehf., Iceland	100.0%	150	3,623
		815	7,458

14. Associated companies

Shares in associated companies recognised according to the equity method are specified as follows:

		2024	
	Share	Share in return	Book value
Orkufjarskipti hf., Iceland	45.0%	918	4,845
SER eignarhaldsfélag ehf., Iceland	47.0%	13	448
Sjávarorka ehf., Iceland	33.6%	0	10
		931	5,303

		2023	
	Share	Share in return	Book value
Heimsþing ehf., Iceland	33.3%	0	2
Orkufjarskipti hf., Iceland	45.0%	70	4,272
SER eignarhaldsfélag ehf., Iceland	47.0%	33	441
Sjávarorka ehf., Iceland	33.6%	0	10
		103	4,725

15. Loans to related parties

Landsvirkjun has provided long term loans to both the Icelandic state and Orkufjarskipti hf. The interest rates are in the range of 3.5-6.0% At year end 2024 the loans amounted to USD 186.3 million after deducting next year's maturities (2023: 232.9 USD million). Current maturites amount to USD 40.2 million (2023: 39.9 USD million). Loans to the Icelandic state are two loan agreements, 100 EUR million to be paid in 2026 and 158.9 USD million to be paid in equal installments over 4 years.

	31.12.2024	31.12.2023
The Icelandic state	223,305	269,406
Orkufjarskipti hf.	3,246	3,469
Current maturites	(40,225)	(39,935)
	186,326	232,940

Notes, contd.

16. Lease agreements

The Company is a lessee in lease agreements of real estate and land. Lease assets are recognised among property, plant and equipment.

	2024		2023	
	Lease asset	Lease debt	Lease asset	Lease debt
Balance 1.1.	13,437	(11,761)	6,525	(4,703)
Additions during the year	0	0	6,755	(6,755)
Indexation	531	(531)	350	(350)
Foreign exchange rate changes	0	144	0	(202)
Depreciation of assets/amortisation of debt	(1,857)	1,839	(193)	249
Balance 31.12.	12,111	(10,309)	13,437	(11,761)

Current maturities are classified as short term liabilities. In the year 2024 the Company expensed USD 432 thousand of interest expenses due to the lease liability (2023: 207 thousand USD). The Company takes advantage of the lease of assets with low value exemptions in IFRS 16.

Lease liability - maturity analysis - not discounted

	2024	2023
Payments within a year	2,282	2,205
Payments after a year and within 5 years	4,983	6,780
Payments after 5 years or later	8,798	8,791
Total of lease liability - not discounted	16,063	17,777

17. Accounts receivables and other receivables

Accounts receivables and other receivables are specified as follows:

	31.12.2024	31.12.2023
Accounts receivables	57,897	60,698
Other short term receivables	675	7,129
	58,572	67,827

When assessing the impairment of accounts receivables, historical information is used as a guide, along with current economic prospects. At year end 2024, 87% of accounts receivables were less than 30 days old (2023: 97%).

18. Cash and cash equivalents

Cash and cash equivalents are specified as follows:

Bank deposits	78,781	85,256
	78,781	85,256

19. Equity

Landsvirkjun is a partnership owned by the Icelandic State and Eignarhlutir ehf. The Icelandic state owns 99.9% of the Company and Eignarhlutir ehf. 0.1%. Eignarhlutir ehf. is owned by the State. Landsvirkjun is an independent taxable entity.

Financial Statements of Landsvirkjun 2024 25 Amounts are in USD thousand

20. Translation difference and restricted reserves

Translation differences refer to foreign exchange differences arising from the Company's subsidiaries and associated companies that use functional currencies different from the Parent Company. Restricted reserves include the share of unrealised profit from equity-accounted investees from 1 January 2016, recognised in the income statement which exceeds dividends from these companies, or the dividend that has been decided to distribute.

21. Interest bearing debt

Interest bearing debt is specified as follows:

	2024	2023
Interest bearing long term debt 1.1.	782,575	999,025
Amortisation of long term debt	(27,619)	(222,619)
Foreign exchange difference	(9,562)	5,758
Changes in amortisation of discounting	333	411
Interest bearing long term debt 31.12.	745,727	782,575

Interest bearing long-term debt is specified as follows by currencies:

	Due date	2024 Average interest	Remaining balance	2023 Average interest	Remaining balance
Liabilities in EUR	2026	3.2%	156,164	4.1%	165,708
Liabilities in USD	2025-2035	3.9%	589,563	4.0%	616,867
			745,727		782,575
Current maturities of long term debt			(182,631)		(27,619)
Total long term debt			563,096		754,956

Interest rates on debt at year end was in the range of 2.8-6.3%. Nominal interest rates for the year were on average 3.8% (2023: 4.0%), taking into account the state guarantee fee for long term loans which is calculated according to Act No. 121/1997 on state guarantees.

22. Maturities of long-term debt

According to loan agreements, maturities of long-term debt are as follows:

	2024	2023
2024	-	27,619
2025	182,631	182,631
2026	183,806	193,368
2027	27,619	27,619
2028	131,764	131,764
2029	69,384	-
Later	150,523	219,574
	745,727	782,575

Financial Statements of Landsvirkjun 2024 26 Amounts are in USD thousand

23. Pension fund obligations

The Company's obligation to refund the indexation charges on retirement payments to current and former employees, which hold pension rights with state and communal pension funds, amounted to USD 39.2 million at year end 2024 according to an actuary's evaluation, which is based on estimated future changes in salaries and prices. Interest rates in excess of price increases are assessed at 3.5% and salary increase in excess of price increases is assessed at 1.5% per year on average. Life expectancy and mortality assumptions are in accordance with the provisions of Regulation No. 391/1998 on obligatory pension benefits and operation of pension funds. New death and survivor tables were published in December 2021 by the Association of Icelandic Actuaries using a calculation model with a forecast of future death and survivor figures.The calculated retirement age is 65 years for non-employees with vested benefits. This is consistent with criterion used by the Pension Fund for State Employees in Iceland.

Change in the obligation is specified as follows:	**2024**	**2023**
Balance at 1.1.	39,431	36,427
Expensed during the year	784	781
Payments during the year	(3,161)	(3,032)
Actuarial change	2,725	3,696
Effect of foreign exchange rate changes	(575)	1,559
Balance at 31.12.	39,204	39,431

Pension fund obligation, 5 years:	**2024**	**2023**	**2022**	**2021**	**2020**
Present value of the obligation	39,204	39,431	36,427	39,574	36,597

24. Accounts payable and other payables

Accounts payable and other payables are specified as follows:	**31.12.2024**	**31.12.2023**
Accounts payable	1,029	15,013
Accrued interest	6,795	7,492
Value added tax	15,469	16,821
Lease liability, current maturities	1,934	1,829
Other short term liabilities	12,423	12,018
	37,650	53,173

Financial Statements of Landsvirkjun 2024 27 Amounts are in USD thousand

25. Related parties

Definition of related parties

Owners, subsidiaries, associated companies, members of the Board of Directors, key management and companies and institutions owned by them are the Company's related parties. Loans to the Icelandic state are classified as loans to related parties.

Transactions with related parties	**2024**	**2023**
Sale of goods and services		
Subsidiaries and associated companies	138	110
Purhase of goods and services		
Subsidiaries and associated companies	9,778	7,517

Interest income from related parties amounted to USD 11.0 million, (2023: USD 12.9 million) due to loans. The loans were issued at market rates, see further in notes no. 15 and 36.

	31.12.2024	**31.12.2023**
Loans to related parties are specified as follows:		
Interest bearing loans to Orkufjarskipti hf.	3,246	3,469
Interest bearing loans to the Icelandic state	223,305	269,406
Accrued interest	780	974
Receivables due to decrease of shares in Orkufjarskipti hf.	0	280
	227,331	274,129

Accounts receivables and accounts payables to related parties are specified as follows:

	31.12.2024		**31.12.2023**	
	Receivables	**Payables**	**Receivables**	**Payables**
Subsidiaries and associated companies	24	(499)	82	(134)

Transactions with related parties are on the same basis as transactions with non-related parties. Transactions with the state, excluding loan agreements, or companies or institutions owned by the State are not specified as a separate item but such transactions are comparable to transactions with non related parties. The Company applies an exemption from disclosure requirements of IAS 24 as the Company is owned by the state. See further information in note 19.

Expected credit losses due to claims on related parties are assessed separately for each party with regard to the circumstances on the balance sheet date.

26. Fees to auditors

Fees to auditors in the year 2024 amounted to USD 96 thousand (2023: USD 116 thousand), whereof USD 75 thousand (2023: USD 73 thousand) was for the audit and review.

Financial Statements of Landsvirkjun 2024 28 Amounts are in USD thousand

27. Risk management

Effective risk management is a key aspect of informed decision making and is integrated into the processes of all of the Company‘s divisions. Landsvirkjun‘s risk management policy supports continuous and dependable operations, as well as the Company's goals for social responsibility.

- The Board's Risk Committee monitors the effectiveness of risk management, risk policy and Landsvirkjun's risk framework. The Board's Risk Committee and Audit Committee report back to the Board on their progress according to the Rules of Procedure. The Board receives information and proposals from the committees for discussion and approval at Board meetings.

- The CEO implements the Company's risk policy and ensures that effective risk management systems and processes are in place to support the Policy. The CEO also ensures that individual roles in risk management are clearly defined, that risk control is adequate and that an overview of the Company's risk factors exists. The CEO also sets risk criteria for the Company's operations in accordance with risk appetite.

- Landsvirkjun's Executive Board reviews and approves risk management procedures within the Company. The Board acts as a consultation forum on risk management and ensures compliance with the Company's Risk Policy. The Executive Board consists of the CEO, Deputy CEO and Executive Vice Presidents, according to the Company's organisation chart.

- It is the responsibility of the Executive Vice Presidents to ensure that Risk Policy and procedures are integrated into the daily activities within their divisions.

- Landsvirkjun's Risk Manager develops and coordinates risk management methodologies and procedures. He supports risk management implementation, is responsible for monitoring and participates in information dissemination to the Board and management.

28. Financial risk

Landsvirkjun is exposed to financial risk through business transactions and other operations of the Company. The treasury division is responsible for analysing, managing and reporting the Company‘s financial risk. The Company‘s financial risk is divided into market risk, liquidity risk and counterparty risk. Market risk mainly consists of the following:

- Power contract prices being linked to aluminium prices
- Interest rate risk due to the companies liabilities
- Foreign exchange risk due to liabilities and cash flows

Landsvirkjun utilises derivative agreements to hedge market risk.

29. Commodity risk

The Company faces market risk due to fluctuations in aluminum prices. In 2024, approximately 35% of Landsvirkjun‘s power sales (in GWh) were linked to aluminium prices. To stabilise its income and minimise fluctuations, the Company uses derivative agreements which typically fix prices or establish a price range. As a result, while the Company may recognise less revenue if prices rise, it ensures steady revenue if prices fall. Landsvirkjun has hedged around 79% of its aluminium price risk for the next 12 months. At the end of 2024, the fair value of derivatives for hedging commodity risk was positive by 0.5 million USD (2023: positive by 1.3 million USD).

29. Commodity risk contd.:

Embedded derivatives

Landsvirkjun's power sales contracts which are linked to aluminium prices, contain embedded derivatives that are recognised in the Company's financial statements. Embedded derivatives in power contracts are recognised in the balance sheet at fair value on the reporting date. Fair value changes are recognised in the income statement in financial income and expenses.

	2024	2023
Fair value of embedded derivatives is specified as follows:		
Fair value of embedded derivatives at the beginning of the year	80,510	98,752
Fair value changes during the year	(38,383)	(18,242)
Fair value of embedded derivatives at year end	42,127	80,510
Division of embedded derivatives is specified as follows:		
Long term component of embedded derivatives	31,883	70,354
Short term component of embedded derivatives	10,244	10,156
Total embedded derivatives	42,127	80,510

The main assumptions Landsvirkjun uses in the valuation of embedded derivatives are the following:

Calculations are based on the forward price of aluminium, as published by LME, and are based on the maximum time length of forward aluminium prices, which is 123 months. Management expects the aluminium price in ten years to reflect the aluminium price at the time the agreements were made and therefore fair value changes will not arise for that period.

The calculations are limited either to the revision time of power contracts or length of contracts. However, the time period can never be more than the aforementioned 123 months.

According to provisions on energy buyers' purchase obligation, the calculation is based on a secured minimum purchase.

Expected cash flows are discounted using USD rates from Bloomberg, without spreads. At year end 2024, discount rates were in the range of 4.3 - 4.7% (2023: 3.7 - 5.6%).

Sensitivity analysis of aluminium price risk

The following tables show the effects of changes in aluminium prices on the fair value of financial instruments linked to aluminium prices in the income statement. Amounts are before tax.

31.12.2024	**Aluminium price USD/MT**	
	-100	+100
Embedded derivatives	(14,557)	14,547
Aluminium hedges	3,117	(3,138)
	(11,440)	11,409

31.12.2023	**Aluminium price USD/MT**	
	-100	+100
Embedded derivatives	(17,404)	17,404
Aluminium hedges	2,428	(2,358)
	(14,976)	15,046

Financial Statements of Landsvirkjun 2024 30 Amounts are in USD thousand

30. Foreign exchange risk

Foreign exchange risk is the risk of financial loss due to unfavourable changes in foreign exchange rates. Landsvirkjun's functional currency is the USD and therefore a foreign exchange risk arises from cash flows, assets and liabilities in currencies other than the USD. The Company's revenues are mainly in USD and ISK, but expenses in ISK provide a natural hedge. Currency risk due to amortisation, interest payments and other expenses has been limited with the use of cross currency swaps.

The Company's reporting risk related to changes in exchange rate arises mainly due to its debt in EUR which is mainly long-term and expenses and income tax in ISK. The following table shows Landsvirkjun's exposure to currencies other than the functional currency.

Landsvirkjun's foreign exchange risk related to monetary assets and liabilities at year end is specified as follows:

31.12.2024	**EUR**	**ISK**	**Other currencies**
Long term receivables	104,125	3,246	0
Accounts receivables and other receivables	1,528	15,222	0
Cash and cash equivalents	26,576	4,504	0
Derivatives	52,062	0	0
Interest bearing liabilities	(156,164)	0	0
Accounts payable and other payables	(1,391)	(121,250)	(332)
Risk in balance sheet	26,736	(98,278)	(332)
31.12.2023			
Long term receivables	110,499	3,469	0
Accounts receivables and other receivables	7,489	17,858	0
Cash and cash equivalents	7,933	7,833	0
Derivatives	55,250	0	0
Interest bearing liabilities	(165,709)	0	0
Accounts payable and other payables	(774)	(159,011)	(308)
Risk in balance sheet	14,688	(129,851)	(308)

Exchange rates of the main currencies against the USD for the years 2024 and 2023 are specified as follows:

	Average rate		**Rate at year end**	
	2024	**2023**	**2024**	**2023**
EUR	0.92	0.93	0.96	0.90
ISK	137.93	137.98	138.20	136.20

Financial Statements of Landsvirkjun 2024 31 Amounts are in USD thousand

Notes, contd.

30. Foreign exchange risk contd.:

Sensitivity analysis

The following tables show the effects of a 10% deviation in currencies against the functional currencies of the Company and would have changed the Company's results and equity by the following amounts before tax. The analysis includes monetary assets and liabilities and assumes that all other variables, especially interest rates, remain unchanged.

	Profit (loss) / Equity	
2024	Strengthening	Weakening
EUR	(2,674)	2,674
ISK	9,828	(9,828)
Other currencies	33	(33)

2023	Strengthening	Weakening
EUR	(1,469)	1,469
ISK	12,985	(12,985)
Other currencies	31	(31)

The fair value of cross currency swaps was negative by USD 1.2 million at the end of December 2024 (2023: positive by USD 3.7 million).

31. Interest rate risk

Landsvirkjun is exposed to interest rate risk through its fixed and floating interest bearing assets and liabilities. The Company's risk mainly relates to a possible increase in interest on floating interest bearing borrowings, which would lead to an increase in interest expense.

At year end 2024, the proportion of loans with fixed interest rates including swap agreements was 77% (2023: 77%). At year end 2024, the estimated market value of the Company's long-term liabilities was USD 4 million higher than their book value (2023: USD 4 million higher) discounted by the underlying currencies yield curve without spread. The following table shows the division of financial assets and liabilities between floating and fixed interest.

Financial instruments with fixed interest	**31.12.2024**	**31.12.2023**
Interest bearing liabilities	(522,895)	(547,367)
Cross currency and interest rate swaps	(56,015)	(56,015)
Loans to related parties	226,551	272,117
	(352,359)	(331,265)
Financial instruments with floating interest		
Cash and cash equivalents	78,781	85,256
Interest bearing liabilities	(222,832)	(235,208)
Cross currency and interest rate swaps	52,062	55,250
Loan to related parties	0	758
	(91,989)	(93,944)

Financial Statements of Landsvirkjun 2024 32 Amounts are in USD thousand

31. Interest rate risk, contd.,

Sensitivity analysis of interest rate risk
The following tables show the effect of changes in interest rates on book value and cash flows for one year. The amounts are before tax.

31.12.2024	Cash flow		Book value	
	-100 bps	+100 bps	-100 bps	+100 bps
Embedded derivatives	0	0	(2,709)	2,488
Other derivatives	(521)	521	(1,525)	(174)
Interest bearing liabilities	2,229	(2,229)	0	0
Cash and cash equivalents	(788)	788	0	0
	920	(920)	(4,234)	2,314

31.12.2023	Cash flow		Book value	
	-100 bps	+100 bps	-100 bps	+100 bps
Embedded derivatives	0	0	(1,747)	1,561
Other derivatives	(552)	552	(1,815)	485
Interest bearing liabilities	1,657	(1,657)	0	0
Cash and cash equivalents	(853)	853	0	0
	252	(252)	(3,562)	2,046

32. Liquidity risk

Liquidity risk consists of risk of losses should the Company not be able to meet its obligations at maturity date. Landsvirkjun mitigates this risk by ensuring that there is sufficient cash at all times to be able to meet obligations. To maintain a balance between liabilities and expected revenues, emphasis is placed on ensuring a secure liquidity position through cash holdings and access to revolving credit facilities.

The Company's cash and cash equivalents amounted to USD 79 million at year end 2024 (2023: USD 85 million) but taking into account revolving credit facilities (USD 125 million), Landsvirkjun has access to a total of USD 204 million (2023: USD 210 million).

Financial Statements of Landsvirkjun 2024 33 Amounts are in USD thousand

Notes, contd.

32. Liquidity risk, contd.,

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

31.12.2024	**Book value**	**Contractual cash flow**	**Within one year**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**
Non-derivative financial instruments						
Loans to assoc. comp. .	3,246	3,937	1,023	284	2,630	0
Loans to the Icel. state	223,305	234,425	48,455	144,814	41,157	0
Cash and cash equiv. ...	78,781	78,781	78,781	0	0	0
Short term receivab.	59,375	59,374	59,374	0	0	0
Interest bearing liab.	(745,727)	(813,700)	(198,786)	(198,578)	(258,318)	(158,020)
Current liabilities	(121,436)	(121,436)	(121,436)	0	0	0
	(502,456)	(558,619)	(132,589)	(53,480)	(214,530)	(158,020)
Derivative financial instruments						
Cross curr. swaps	(1,232)	(1,680)	620	(2,300)	0	0
Commodity derivat.	457	46	(33)	79	0	0
Embedded derivatives in power contracts	42,127	48,011	10,522	10,366	17,251	9,872
	41,352	46,377	11,109	8,145	17,251	9,872

31.12.2023						
Non-derivative financial instruments						
Loans to assoc. comp. .	3,469	4,366	405	1,004	839	2,118
Loans to the Icel. state	269,406	296,237	50,761	48,822	196,654	0
Cash and cash equiv. ...	85,256	85,256	85,256	0	0	0
Short term receivab.	69,162	69,162	69,162	0	0	0
Interest bearing liab.	(782,575)	(870,978)	(44,329)	(202,130)	(390,324)	(234,194)
Current liabilities	(170,904)	(170,904)	(170,904)	0	0	0
	(526,186)	(586,861)	(9,650)	(152,303)	(192,832)	(232,076)
Derivative financial instruments						
Cross curr. swaps	3,718	4,381	819	1,316	2,247	0
Commodity derivat.	1,263	5,191	5,191	0	0	0
Embedded derivatives in power contracts	80,510	93,892	10,494	14,097	40,727	28,574
	85,490	103,464	16,503	15,413	42,974	28,574

Financial Statements of Landsvirkjun 2024 34 Amounts are in USD thousand

Notes, contd.

33. Financing

Landsvirkjun places emphasis on ensuring secure and diverse access to capital. The Company has accessed capital markets through issuance of bonds, loans and through project financing. Landsvirkjun also has access to a line of credit from the Company's commercial banks. Since 2018, our strategy has been that all new financing is green or sustainability linked. Our focus on green and sustainability-related financing aligns with our strategy and vision of a sustainable world powered by renewable energy.

During the year 2024 the Company took no new loans (2023: USD 0 million). Repayments amounted to USD 28 million (2023: USD 223 million).

Landsvirkjun's interest-bearing debt amounted to USD 746 million at year end 2024 (2023: USD 783 million). The risk associated with refinancing is reduced by the equal distribution of amortisations and by the suitable lifetime of outstanding debt. The weighted average lifetime of interest-bearing debt is 2.8 years (2023: 3.7 years) and the ratio of interest-bearing debt with maturity within a 12-month period is 24% (2023: 4%).

In recent years, the Company has systematically worked towards removing state guarantees of outstanding debt where possible. As a result, the final debt with a state guarantee is due in 2026. At year end 2024, 21% of Landsvirkjun's debt was state guaranteed (2023: 21%). Landsvirkjun pays a guarantee fee to the Icelandic state for guarenteed debt.

34. Green Bonds

Landsvirkjun has issued bonds under the Green Finance Framework. The proceeds will be used to finance and refinance green assets on the Company's balance sheet. Landsvirkjun was the first Icelandic company to issue a Green Bond. At year end 2024, Landsvirkjun has issued Green Bonds amounting to USD 200 million. Annual reporting under the Green Finance Framework and further information can be found on Landsvirkjun's website.

35. Counterparty risk

Counterparty risk is the risk that a counterparty to an agreement does not comply with provisions of the agreement. Landsvirkjun's counterparty risk arises first and foremost from the Company's power contracts, derivative contracts, loans to related parties and cash and cash equivalents. Though the amounts involved can be considerable, the risk is limited by the Company´ s requirements for take or pay clauses in power contracts and also through requirements for counterparty guarantees. Landsvirkjun requires that counterparties have an investment grade credit rating when it comes to keeping cash and cash equivalents and entering into derivative contracts. In note no. 47 the assessment of assets is explained in more detail.

Notes, contd.

35. Counterparty risk contd.:

The Company's counterparty risk is specified as follows at year end:

	31.12.2024	31.12.2023
Loans to associated companies	3,246	3,469
Loans to the Icelandic state	223,305	269,406
Derivative financial instruments	45,568	90,466
Accounts receivables and other receivables	59,375	69,162
Cash and cash equivalents	78,781	85,256
	410,275	517,759

36. Comparison of fair value and book value of loans to related parties and long term debt

	31.12.2024		31.12.2023	
	Book value	Fair value	Book value	Fair value
Interest bearing loans to the Icelandic state	223,305	226,710	269,406	274,400
Interest bearing long term liabilities	(745,727)	(741,939)	(782,575)	(786,536)

The fair value of other financial assets and liabilities is measured as book value.

Fair value of loans to related parties and interest bearing liabilities is calculated by discounting expected cash flows with the underlying currencies' yield curve.

Interest rates are specified as follows:	2024	2023
Interest bearing assets and liabilities in USD	2.8 to 6.3%	3.7 to 5.6%
Interest bearing assets and liabilities in EUR	3.2 to 3.5%	2.6 to 3.5%

37. Fair value classification

The table shows the level categorisation for items in the financial statements recognised at fair value.

	Level 2	Level 3	Total
31.12.2024			
Embedded derivatives		42,127	42,127
Other derivatives	(775)		(775)
Shares in other companies		690	690
	(775)	42,817	42,042
31.12.2023			
Embedded derivatives		80,510	80,510
Other derivatives	4,980		4,980
Shares in other companies		676	676
	4,980	81,186	86,166

Main assumptions for valuation of derivatives can be seen in notes 12, 29 and 30.

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38. Classification of financial instruments

Financial assets and liabilities are divided into defined groups. The classification affects how evaluation of the relevant financial instrument is measured. Those groups to which the Company's financial assets and liabilities pertain and their basis for evaluation are specified as follows:

- Assets and liabilities held for trading - are recognised at fair value through profit and loss.
- Equity instruments - are recognised at fair value through profit and loss.
- Loans and receivables - are recognised at amortised cost.
- Other financial liabilities - are recognised at amortised cost.

Financial assets and liabilities are divided into the following groups of financial instruments:

31.12.2024	**Derivatives at fair value through P&L**	**Financial assets at fair value - P&L**	**Fin. assets at amortised cost**	**Fin. debt at amortised cost**	**Total**
Derivative financial instruments	45,568				45,568
Shares in other companies		690			690
Loans to associated companies ...			3,246		3,246
Loans to the Icelandic State			223,305		223,305
Accounts receivables and other receivables			59,374		59,374
Cash and cash equivalents			78,781		78,781
Total assets	45,568	690	364,706	0	410,964
Interest bearing liabilities				745,727	745,727
Derivative financial instruments	4,216				4,216
Accounts payable and other payables				121,436	121,436
Total liabilities	4,216	0	0	867,163	871,379
31.12.2023					
Derivative financial instruments	90,466				90,466
Shares in other companies		676			676
Loans to associated companies ...			3,469		3,469
Loans to the Icelandic State			269,406		269,406
Accounts receivables and other receivables			69,162		69,162
Cash and cash equivalents			85,256		85,256
Total assets	90,466	676	427,293	0	518,435
Interest bearing liabilities				782,575	782,575
Derivative financial instruments	4,976				4,976
Accounts payable and other payables				170,904	170,904
Total liabilities	4,976	0	0	953,479	958,455

39. Capital management

Landsvirkjun places emphasis on maintaining a strong equity base to support further development of the Company.

Financial Statements of Landsvirkjun 2024 37 Amounts are in USD thousand

Notes, contd.

40. Significant accounting policies

The Company has adopted International Financial Reporting Standards, amendments thereto and interpretations adopted by the European Union which apply to accounting periods that began on 1 January 2024 or later. The following standards and improvements became operative 1 January 2024:

- IAS 1 Presentation of Financial statements	Classification of debt into short-term and long-term
- IAS 1 Presentation of Financial statements	Long-term debt with credit terms
- IAS 7 Statement of cash flows and IFRS 7 Financial instruments: Disclosures	Financing through suppliers
- IFRS 16 Leases	Lease liability in sale and leaseback transactions

Management believes that the implementation of new and amended accounting standards has not had a significant impact on the financial statements.

The Company has not adopted new or amended standards which have been issued but not entered into effect for the year 2024.

IAS 21 The effects of changes in foreign exchange rates - currency exchangeability

IFRS 18 Presentation and disclosure in financial statements

If the European Union endorses IFRS 18, the standard will become effective on 1 January 2027 and it will replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces three main changes:
1. Entities will be required to classify income and expenses in the income statement, other than income taxes and discontinued operations, as operating, investing or financing, and to present operating profit or loss, and profit or loss before financial expenses and income taxes;
2. Entities will be required to disclose in the notes certain information about subtotals of income and expenses that management defines, uses and discloses outside financial statements (called “management-defined performance measures”), for example, adjusted operating profit in the management report or press releases;
3. Entities will be required to follow more precise rules for presentation, including for operating expenses in the income statement, aggregation and disaggregation in the primary financial statements.

IAS 7 Statement of Cash Flows also changes when IFRS 18 becomes effective, as it will require the use of operating profit or loss as the starting point for reporting cash flows from operating activities using the indirect method. Dividends and interest paid will be generally classified as cash flows from financing activities, and dividends and interest received will be generally classified as cash flows from investing activities.

Landsvirkjun is in the process of assessing the impact of IFRS 18 and changes to IAS 7 on the presentation and disclosure in its financial statements. However, the adoption and application of IFRS 18 will not have any impact on the recognition and measurement of items in the financial statements and therefore there will be no impact on Landsvirkjun’s profit. Landsvirkjun expects to apply IFRS 18 for the first time in its annual financial statements for the year 2027, and retrospective application will be required in those financial statements.

Financial Statements of Landsvirkjun 2024 38 Amounts are in USD thousand

Notes, contd.

41. Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the investment, is exposed to, or has rights to variable returns from its involvement in the investment and has the ability to affect those returns through its power over the investment. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements include a share in the profit or loss and the balance sheet of subsidiaries is accounted for using the equity method.

The financial statements include share in the profit or loss of subsidiaries accounted for using the equity method, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in a subsidiary, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the subsidiary. In case of a profit on the operation of a subsidiary in subsequent periods, a share in their profit is not recognised until the share in a loss has been fully offset.

Assets and liabilities of subsidiaries with another functional currency than the Parent Company's are translated to USD at the exchange rate on the accounting date. Income and expenses are translated to USD at the average exchange rate for the year. The exchange rate difference arising from the translation to USD is shown separately in the statement of comprehensive income and equity.

42. Associated companies

Associated companies are those companies in which the Company has significant influence, but not control, over financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity, including any other possible voting power.

The financial statements include share in the profit or loss of associated companies accounted for using the equity method, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds the book value of an associated company, the book value is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the associated company. If in subsequent periods there is a profit on the operation of associated companies, the share in the profit is not recognised until the previous share in losses has been offset.

43. Operating revenues

Revenues from power sales consists of sales to power intensive industries and to energy providers on the wholesale market based on measured delivery of power during the year. Other income is recognised when completed or delivered.

Revenues are recognised based on the nature of products sold and services delivered as follows:

Electricity generation

Power sales are generated by the sale of electricity that is generated by hydroelectric power, wind power and geothermal heat.

Power generation revenues are generated by the delivery of electricity at an agreed price. The service obligation is to deliver electricity over time and the contractual price is the fee that Landsvirkjun expects to receive, on either the daily price or the contractual price. The service obligation is met over time and reflects revenues based on contracual price for each delivered unit which is the amount that is recognised as revenues. The right to make an invoice for the sale of electricity arises when electricity is generated and delivered and the right to make an invoice has been created for a fee which will, in most circumstances, be the same as the value for the customer.

44. Interest income and expenses

Interest income and expenses are recognised in the income statement using the effective interest rate method. Interest income and expenses include bank rates, premium, realised interest rate swaps and other differences arising on initial book value of financial instruments and amounts on the date of maturity using the effective interest method.

Effective interest is the required rate of return used to derive the present value of estimated cash flow over the estimated useful life of a financial instrument or a shorter period if applicable, so that it equals the book value of the financial asset or liability in the balance sheet. When calculating the effective interest rate, the Company estimates cash flow taking into account all contractual aspects of the financial instrument.

45. Other financial income and expenses

Other financial income and expenses include profit or loss on assets and liabilities held for trading and all realised and unrealised fair value changes and changes in foreign exchange rates.

46. Foreign currency transactions

Transactions in foreign currencies are recognised at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are recognised at the exchange rate at the end of the year. The foreign currency gain or loss thereon relating to USD is recognised in the income statement. Non-monetary assets and liabilities measured at cost value in a foreign currency are translated to USD at the exchange rate at the date of the transactions. Tangible assets and liabilities recognised in foreign currencies at fair value are translated to USD at the exchange rate at the date of determination of fair value.

47. Impairment

a. Financial assets

The impairment model in IFRS 9 is based on the premise of providing for expected losses and applies to all of the following: (i) financial assets measured at amortised cost, (ii) financial assets mandatorily measured at fair value through other comprehensive income; (iii) lease receivables (iv) contract assets within the scope of IFRS 15 and (v) certain loan commitments and financial guarantee contracts.

Expected credit losses for financial assets are estimated based on what stage of the impairment model the relevant financial assets is classified:

Stage 1: expected credit loss is estimated based on the likelihood of default over the next 12 months,
Stage 2: expected credit loss is estimated based on the likelihood of default over the asset's lifetime,
Stage 3: objective evidence are in place for the impairment of the financial asset.

At initial recognition, financial assets are classified in stage 1, with the exception of accounts receivable and those financial assets that are impaired at initial recognition. Financial assets are classified in stage 2 when there is a significant increase in credit risk from the date of initial recognition. An estimate of significant increase in credit risk is performed at each financial reporting date. The Company´s accounts receivables are without a significant finance component and are initially recognised in stage 2 in accordance with the simplified approach of the standard for such assets.

At each financial reporting date, management estimates if there is objective evidence of impairment of financial assets (stage 3). Financial assets are impaired if there is objective evidence, as a result of one or more events that occurred after the initial recognition of the asset, that indicates that the expected cash flow from the assets will be lower than previously expected.

Impairment of financial assets at amortised cost is the difference between the book value of the assets and the expected cash flow, discounted with the original effective interest rate. Impairment for assets held for sale is estimated based on the fair value of the financial assets at each balance sheet date.

Impairment is reversed if there is objective evidence that an event has occurred after the impairment was recognised that changes the previous estimate of impairment. Reversal of impairment losses for financial assets at amortised cost and debt instruments classified as available for sale are recognised in profit or loss. Reversal of impairment losses for equity instruments that are classified as assets available for sale, is recognised in other comprehensive income.

47. Impairment, contd.:

The Company derecognises receivables when there are indicators of significant financial difficulties of debtors and very likely that the receivables will not be paid.

Change in estimated impairment for financial assets is recognised in profit or loss in the period when the estimate is performed.

b. Other assets

The carrying amounts of the Company's other 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. Intangible assets with unspecified useful lives are tested at least annually for impairment.

An impairment loss is expensed if the carrying amount of the asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or cash generating units. Impairment loss is first recognised in the income statement and subsequently to reduce the carrying amounts of the fixed assets in the cash generating unit.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its net fair value. Value in use is based on the estimated future cash flows, 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 assets.

For other assets, 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 amortisation.

48. Income tax

The tax expense for the year comprises current and deferred income tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in the statement of comprehensive income, in which case income tax is recognised among those items.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates in effect on the reporting date, in addition to adjustments made to current income tax of previous years.

A deferred income tax liability is recognised in the financial statements. Its calculation is based on the differences between balance sheet items, reported in the tax return and those in the financial statements. The difference arises because the tax assessment is based on principles other than the Company's financial statements and are in main respect a temporary difference as expenses are entered in the financial statements in another period than in the tax return.

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against the asset. The tax asset is calculated at each reporting date and decreased to the extent that is considered likely that it will not be utilised against future taxable profit.

49. Property, plant and equipment

Property, plant and equipment are initially measured at cost.

Cost value consists of all cost incurred due to the acquisition of the asset. The cost value of fixed assets constructed in own account is the total cost of construction, such as cost of material and salaries in addition to all other costs the Company incurs in making the asset operative.

49. Property, plant and equipment, contd.:

If items of fixed assets have different estimated useful lives, they are divided in accordance with their different useful lives.

Interest expenses on loans used to finance the cost value of projects under construction are capitalised at the time of construction.

Depreciation

Depreciation is calculated as a fixed annual percentage based on the estimated useful lives of the operating assets.

The depreciation method, estimated useful life and residual value are revalued at each accounting date.

Depreciation ratios and useful life are specified as follows:

	Depreciation	Useful life
Hydro power stations:		
Power houses and other structures	1.67%	60 years
Machinery	2.5-6.67%	15-40 years
Dams and waterways	1.67-3.33%	30-60 years
Thermal stations	1.67-6.67%	15-60 years
Windmills	5.00%	20 years
Office buildings	2.00%	50 years
Lease assets	2-25%	4-50 years
Equipment	10-25%	4-10 years
Vehicles	10-20%	5-10 years

50. Intangible assets

Intangible assets are recognised at cost value, less accumulated impairment loss and amortisation. Interest related to preparation cost is not capitalised.

Expenditure for general research cost is expensed in the period it occurs. Development cost for future power projects is capitalised under fixed assets. Development cost is only capitalised if there is a probability of future economic benefit and the Company intends and is able to conclude, use or sell it. The cost is not amortised at this stage, however potential impairment losses are considered if the project undergoes changes.

Water and geothermal rights are capitalised as intangible assets with unlimited useful life on the balance sheet at cost value.

Other intangible assets are stated at cost less accumulated amortisation and impairment loss.

Subsequent cost is only capitalised if it increases the estimated future economic benefit of the asset. All other cost is expensed in the income statement when incurred.

Amortisation is calculated on a straight line basis, based on the estimated useful lives of intangible assets from the date that they become usable. Amortisation and estimated useful life is specified as follows:

	Amortisation	Useful life
Software	25%	4 years

Financial Statements of Landsvirkjun 2024 43 Amounts are in USD thousand

51. Lease agreements

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of future lease payments, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The lease payments included in the measurement of the lease liability comprise of fixed payments less any incentives, variable lease payments that depend on an index or rate, expected residual guarantees and the excercise price of purchase options if the Company expects to excercise the option.

Lease payments are divided into interest expenses and principal payments, with the principal portion reducing the lease liability. The Company remeasures the lease liability if the lease term changes, when lease payments change in an index or when a lease contract is modified and the modification is not accounted for as a seperate lease.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Variable rent payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

In accordance with IFRS 16, the Company applies a practical expedient that allows a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

52. Financial instruments

a) Non-derivative financial assets

Non-derivative financial assets are recognised when the Company becomes a part of contractual provisions of the relevant financial instrument.

Financial assets are derecognised if the Company's contractual right to cash flow due to the asset expires or the Company transfers the assets to another party without holding back control or almost all the risk and gain involved in the ownership. The component of the transferred financial assets arising or retained by the Company is recognised as a specific asset or liability.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables at amortised cost and financial assets at fair value through other comprehensive income.

i) Financial assets measured at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value in the balance sheet, and changes therein are recognised in the income statement.

52. Financial instruments contd.:

Financial assets measured at fair value through profit or loss are shares in other companies and marketable securities.

ii) Financial assets at amortised cost

Financial assets are measured at amortised cost if they meet the following two conditions and are not designated at fair value through profit or loss: (i) the financial asset business model involves holding the financial asset to collect the contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially recognised at fair value plus all transaction costs. After initial recognition the financial assets are measured at amortised cost net of any write down for impairment.

Financial assets at amortised cost include bonds and loan agreements, cash and cash equivalents, accounts receivables and other receivables. Cash and cash equivalents includes funds and non-restricted bank balances with maturity date of three months or less.

iii) Financial assets at fair value through other comprehensive income

If the financial assets are held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets, the financial instrument is measured at fair value through other comprehensive income. It is permitted at initial recognition to measure equity instruments at fair value through other comprehensive income, if they are not held for trading or contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies. After initial registration, they are entered at fair value and changes, other than impairment and exchange differences, are entered as other income and expenses in the statement of comprehensive income and shown as a separate item among equity.

b) Non-derivative financial liabilities

Non-derivative financial liabilities are initially measured at fair value plus direct transaction costs. Subsequent to initial recognition, the liabilities are recognised at the amortised cost value based on effective interest rates.

The Company derecognises a financial liability when the contractual obligations due to the debt instrument expire.

The Company's non-derivative financial liabilities are loans, accounts payables and other payables.

c) Derivative financial instruments

The Company enters into derivative financial instruments to hedge its foreign currency, interest rate and aluminium price risk. Derivative financial instruments are recognised initially at fair value. Direct transaction cost is recognised in the income statement as it incurs. Subsequent to initial recognition, derivative financial instruments are recognised at fair value in the balance sheet and fair value changes are recognised in the income statement among financial income and expenses. Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies.

i) Separable embedded derivatives

Embedded derivatives where the host contract is not a financial instrument 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, other instruments with the same provisions as the embedded derivative would be defined as a derivative and the hybrid contract is not stated at fair value in the income statement.

Changes in the fair value of separable embedded derivatives are recognised in the income statement among financial income and expenses.

53. Determination of fair value

Accounting rules require that fair value be determined, both for financial assets and financial liabilities as well as other assets and liabilities. Fair value has been determined due to evaluation and/or explanations according to the following methods. Where applicable, further information on the assumptions used to determine the fair value of assets and liabilities is provided in the relevant notes.

The fair value of financial assets and financial liabilities that are listed on an active market is the same as their listed price. Valuation methods are applied to all other financial instruments when calculating their fair value. A financial asset or financial liability is considered to be listed on an active market if an official price is available from a stock exchange or other independent party and the price reflects real and regular market transactions between unrelated parties.

Valuation methods may include the use of prices in recent transactions between unrelated parties. The value of other financial instruments that are similar to the instrument in question is taken into account, methods are used to estimate discounted cash flows or other valuation methods that can be used to reliably estimate the real market value. When applying valuation methods, all factors are used that market participants would use for valuation, and the methods are in accordance with recognized methods for pricing financial instruments. In the absence of market data, management's judgment is used. The Company regularly validates its valuation methods and tests them using prices obtained in active market transactions for the same instrument, without adjustments or changes, or based on information from an active market.

The most reliable proof of the fair value of the derivative contracts at the beginning is the purchase price, unless the fair value of the instrument can be proven by comparison with other recorded and recent market transactions of the same type of financial instrument or based on a valuation method where variables are based only on market data. When such data is available, the company recognizes profit or loss on the original recording date of the instruments.

54. Cash and cash equivalents

Cash and cash equivalents consist of cash, short-term market securities and demand deposits.

55. Equity

The Company's equity is divided into owners' contribution, translation difference, restricted reserves and other equity. The Company's initial capital amounts to USD 587 million.

56. Employees' benefits

a. Defined contribution plan

Cost due to contribution to defined benefit plans is expensed in the income statement among salaries and salary related expenses as they are incurred.

b. Defined benefit plan

The Company's obligation due to defined benefit plans is calculated by estimating the future value of defined pension benefits accrued by current and former employees in current or previous periods. The benefits are discounted in order to determine their present value. An actuary has calculated the obligation on the basis of a method, which is based on accrued benefits. Actuarial changes in the obligation are recognised among operating items under equity in the statement of comprehensive income. Other changes are recognised in the income statement.

57. Obligations

Obligations are recognised in the balance sheet when the Company has a legal obligation or entered into obligations due to past events, it is considered probable that they will be settled and they can be reliably measured. The obligation is assessed on the basis of estimated future cash flow, discounted on the basis of interests reflecting market interest rates and the risk inherent with the obligation.

58. Subsequent events

Nothing has come forth after the balance sheet date, which would require adjustments or changes to the financial statements for the year 2024.

59. Other matters

In a letter dated 9 February 2024, the Competition Authority formally notified Landsvirkjun of its decision to initiate an investigation into whether provisions in contracts with power intensive customers, specifically those prohibiting the resale of electricity under long-term contracts without prior approval from Landsvirkjun are in violation of competition law or the provisions of the EEA Agreement.

Since 2020, following a complaint, the Competition Authority has been conducting a review and investigation into whether Landsvirkjun's participation in Landsnet hf.'s transmission loss auctions during the period 2017–2021 constituted a violation of competition law. As part of the proceedings, the Competition Authority issued a statement of objections to Landsvirkjun, to which the company submitted a formal response in the spring of 2024.

After a Supreme Court ruling in June 2024, Landsvirkjun requested a refund from Landsnet hf. for an unlawfully charged in-feed tariff. Landsnet reimbursed the company in January 2025, totalling USD 17.2 million. Landsvirkjun has since refunded its customers the amounts they were charged during the period the tariff was in place. These refunds have been recorded as reductions in accounts receivable and accounts payable at the end of 2024, final settlement is not yet over.

Appendix I: Statement of Corporate Governance

Legislation and corporate governance

Landsvirkjun is a public partnership company regulated by the Act on Landsvirkjun No 42/1983, as amended. In April 2012, Landsvirkjun entered into a general partnership agreement that states that it must comply with the Act on General Partnerships on matters not covered by the partnership agreement.

The Company follows the guidelines outlined in the 6th edition of the Icelandic Guidelines on Corporate Governance, published by the Chamber of Commerce, SA—Business Iceland, and Nasdaq Iceland (the English version is available on the Iceland Chamber of Commerce website). The Share Registry and the Nomination Committee guidelines do not apply, as Landsvirkjun is a public partnership company regulated by the Act on Landsvirkjun No 42/1983, as amended.

Internal controls and risk management

The internal control system at Landsvirkjun is structured to support operational success and efficiency.

Landsvirkjun's Audit Committee, as stated in Article 2 of its Rules of Procedure, is responsible for the following:

a) Monitor the integrity and processes involved in preparing financial statements.

b) Monitor the organisation and effectiveness of the Company's internal control framework, internal auditing, and risk management.

c) Monitor any audit of the Company's financial statements and consolidated financial statements.

d) Assess the compliance of auditors or auditing firms employed by Landsvirkjun with the laws and supervisory standards generally adhered to by auditors and auditing firms. For more detailed information on the Audit Committee's role, please refer to the section Board of Directors and sub-committees.

Landsvirkjun's Board of Directors reviews and approves the Company's Risk Management Policy annually. The scope of the Risk Policy extends to the parent company. Further information on corporate governance for the group is included in the section "CEO, Deputy CEO and Executive Vice Presidents" below. The Risk Policy defines the various roles and responsibilities to ensure risk is efficiently managed.

- The Audit Committee, in cooperation with an external auditor, verifies the effectiveness of risk management and internal controls, ensuring the reliability of the Company's financial information and financial statements.

- The Board's Risk Committee monitors the effectiveness of risk management, policy, and the Company's risk environment. The Board's Risk Committee and Audit Committee report their activities to the Board of Directors following work procedures. The Board of Directors subsequently reviews any information and recommendations the Committees submit.

- The CEO is responsible for implementing the Company's risk strategy and ensuring that effective risk management systems and processes are in place to support the strategy. The CEO must ensure that those involved in risk management have clear areas of responsibility, adequate risk control, and an overview of the Company's risk factors is maintained. The CEO also sets risk criteria for the Company's operations in accordance with risk appetite.

- Landsvirkjun's Executive Board reviews and approves risk management procedures within the Company. The Board acts as a consultation forum on risk management and ensures compliance with the Company's Risk Policy. The Executive Board consists of the CEO, Deputy CEO and Executive Vice Presidents according to the Company's organisation chart.

- The Executive Vice Presidents of each division are responsible for ensuring compliance with the division's risk policy and procedures in day-to-day operations.

- Landsvirkjun's risk manager is responsible for developing and coordinating risk management methodologies and procedures. They also support the implementation of risk management while supervising and providing information to the Board and management.

Landsvirkjun's company compliance officer is Ingvar Christiansen, the Company's legal counsel / attorney-at-law. The Company's deputy compliance officer is Þorgerður Marinósdóttir, a Certified Public Accountant within Landsvirkjun's Finance Division.

Corporate social responsibility and ethical standards

Landsvirkjun's Corporate Social Responsibility Policy was introduced in 2012 and is registered as a policy document in the Company's quality management system. The Policy is under continuous review, and its progress is reported to the Board. The policy states that the Company's role is to create value, respect and protect natural resources and the environment, and share its expertise to contribute to society effectively. The Board approves the Policy.

Landsvirkjun's ethical standards are outlined in the Company's quality management system, where they are included in the appropriate procedures and are also made available to employees in the general information provided by the Company. Landsvirkjun has established guidelines, including the Code of Conduct, the Supplier Code of Conduct, and the Response Plan and Reprehensible Conduct Response Plan. These guidelines assist staff and suppliers in making decisions. You can access the Code of Conduct and Supplier Code of Conduct on Landsvirkjun's website. Landsvirkjun´ s Board approves these regulations.

Landsvirkjun operates in accordance with the government's ownership policy for such entities (as of September 2021). This policy provides guidelines for various aspects of the Company's management and organisation, governance, policy formulation and vision, operational practices and methods, information disclosure, performance measurement, and communication with the owner's representative.

Appendix II contains non-financial information, and Landvirkjun's website provides further information on policies, projects, and performance.

Ownership, role, policy, vision and values

Landsvirkjun is an energy company owned by the Icelandic State. According to the Act on Landsvirkjun no. 42/1983, its purpose is "to engage in operations in the energy sector and any other business and financial activities pursuant to the decisions of the Board of Directors at any time." Landsvirkjun owns power stations, other structures, water rights, and equipment that the Company has acquired through sectoral laws or contracts.

Landsvirkjun's Policy is approved by the Board of Directors.

Landsvirkjun's vision is a sustainable world, powered by renewable energy.

Landsvirkjun's role is to maximise the value of the renewable energy resources it has been entrusted with, in a sustainable and efficient manner.

Appendix I: Statement of Corporate Governance, contd.

The Company has defined the following objectives to uphold its role:
- Exemplifying resource utilisation and electricity generation
- Leading the way in climate and environmental affairs
- Pursuing a diverse business and exceptional customer service
- Providing a progressive and sought-after workplace
- Exceeding expectations in open communication & cooperation

Board of Directors and sub-committees of the Board

Board of Directors

Landsvirkjun's Board of Directors is appointed annually by the Minister of Finance and Economic Affairs. The Board and CEO are collectively responsible for the finances and operation of the Company. The Board's Operating Procedures can be found on Landsvirkjun's website. The Board's members are independent and unaffiliated with the Company, its day-to-day management, and its owner under the guidelines on corporate governance published by the Chamber of Commerce on the 1st of July 2021. The Company's Board shall operate independently, is responsible for the operation and management of the Company and is accountable to its owner.

Landsvirkjun's Board members:

Jón Björn Hákonarson, Chairman of the Board, was born on the 27th of January 1973 and lives in Norðfjörður, Fjarðabyggð. Jón Björn was elected to Landsvirkjun's Board of Directors in April 2018 and was previously a member of the Board from 2014-2017. Jón Björn was President of the Fjarðabyggð Town Council and Vice-chairman of the Municipal Council from 2010- 2020. He is now the Mayor of Fjarðabyggð and served as a town representative 2020-2023. He is also a Board Member of the Icelandic Association of Local Authorities, Sparisjóður Austurlands, Húsnæðis- og mannvirkjastofnun and Briet Leasing. He is involved in various committees for Fjarðabyggð, other public entities and municipal cooperation. He was Party Secretary for the Progressive Party between 2016 and 2022. Jón Björn is an independent member of the Board of Directors and is not affiliated with Landsvirkjun or its owners.

Gunnar Tryggvason, Vice-Chairman of the Board from January 2025, was born on the 15th of August 1969 and lives in Reykjavík. Gunnar was elected to Landsvirkjun's Board of Directors in April 2018. Gunnar has a B.Sc. in electrical engineering and an M.Sc. in power engineering and works as a Port Director at Faxaflóahöfn. He previously worked as a senior manager at KPMG from 2009 to 2018. Gunnar also worked as a corporate finance consultant at Landsbankinn and a CFO at Enex hf. Gunnar is an independent member of the Board of Directors and is not affiliated with Landsvirkjun or its owners.

Álfheiður Ingadóttir, was born on the 1st of May 1951 and lives in Reykjavík. Álfheiður re-joined Landsvirkjun's Board of Directors in April 2014, after being appointed to the Board by the Reykjavík City Council (2003-2006). Álfheiður holds a BS degree in biology from the University of Iceland. She was a Member of Parliament for the Reykjavík constituency- Left-Green Movement Party from 2007-2013. Álfheiður served as the Minister of Health from 2009 - 2010 and Chairman of the Left-Green Movement Party from 2012-2013. She was the Publishing Director of the Icelandic Institute of Natural History from 1997-2007 and a specialist at the Icelandic Museum of Natural History from 2014-2022, and the editor of Náttúrufræðingurinn, a magazine published by Hið íslenska náttúrufræðifélag from 1997-2006 and 2014-2022. She worked as an Information Representative for the Women's Shelter from 1994-1995 and as a journalist for Þjóðviljinn from 1977-1987. Álfheiður is an independent member of the Board of Directors and is not affiliated with Landsvirkjun or its owners.

Soffía Björk Guðmundsdóttir was born on the 24th of December 1962 and lives in Reykjavík. Soffía was elected to Landsvirkjun's Board of Directors in April 2022. Soffía has a B.Sc. in Chemistry, an M.Sc. in Environmental Engineering, an MBA from Oxford University, and a Business Administrator. She has also completed the courses Manager's Finances at Capacent School of Management in 2015 and Accredited Directors at Akademias in 2023. Soffía works as the manager of PAME, an international office run by the Arctic Council. She is also a part-time lecturer in Arctic law at the Faculty of Law at the University of Akureyri. Previously, she worked at the United Nations Environment Agency and in project management of the construction and design of drainage and landfill structures at an engineering firm in Seattle. Soffía is an independent member of the Board of Directors and is not affiliated with Landsvirkjun or its owners.

Halldór Karl Högnason was appointed as an alternate member of Landsvirkjun's board in 2024 and became a full board member in January 2025, replacing Jens Garðar Helgason, who had served as Vice-Chairman since April 2024. Born in 1974, Halldór Karl lives in Reykjavík. He holds a Cand. Scient. Degree in electrical engineering from the University of Iceland and an MSc in financial mathematics from Bayes Business School, City University. He worked as an engineer at Íslandssími (later Og Vodafone) from 1999 to 2004 and as a specialist in the derivatives department of Kaupþing Bank from 2005 to 2009. Since 2010, he has been at Kvika Bank, initially in proprietary trading and from 2012 as Head of Treasury. Halldór Karl is an independent member of the Board of Directors and is not affiliated with Landsvirkjun or its owners.

Landsvirkjun's Board of Directors evaluates the Company's strategy, operations, financial position, work, and CEO. The Board annually reviews the presentation, content, and form of the written information submitted by the CEO on the Company's operations and financial position. The Board holds an annual meeting, without the CEO or other Company staff, to discuss the Company's policies and Board procedures.

Appendix I: Statement of Corporate Governance, contd.

Audit Committee

Landsvirkjun's Audit Committee is subject to Chapter IX of Act No. 3/2006 on Financial Statements, cf. Act No. 80/2008. The Board of Directors sets the standard procedures for the committee to further comply with the law. Landsvirkjun's Board of Directors appoints three people to the audit committee at its first meeting after the annual general meeting, and one of them shall be appointed as its chair. The role of Landsvirkjun's Audit Committee, according to Article 2 of its Rules of Procedure, is to:

a) Monitor the integrity and processes involved in preparing financial statements.

b) Monitor the organisation and effectiveness of the Company's internal control framework, internal auditing, and risk management.

c) Monitor any audit of the Company's financial statements and consolidated financial statements.

d) Assess the compliance of auditors or auditing firms employed by Landsvirkjun with the laws and supervisory standards generally adhered to by auditors and auditing firms.

Under paragraph 3, Article 8 of the Act on Landsvirkjun No. 42/1983, the General Meeting elects a certified public accountant or auditing firm to audit the Company's financial statements, according to the Icelandic National Audit Office proposal. According to the Act on the Auditor General and the Auditing of Government Accounts, selecting an auditor or audit firm must be decided in consultation with audit committees when appropriate.

Landsvirkjun's Audit Committee serves an advisory role to the Board of Directors and acts on its behalf. The Committee does not have executive power. The Audit Committee has a total of three members, appointed on Board meeting 30th of April 2024, consisting of two Board members: Jón Björn Hákonarson and Soffía Björk Guðmundsdóttir and Heimir Haraldsson CPA, who is the Chairman of the Committee. The Audit Committee may seek advice, whenever necessary, to fulfil its supervisory duties. The Committee meets at least four times during the Committee's tenure. The working period of the audit committee in each case is between the company's general meetings. The chair of the committee chairs the meetings of the audit committee.

Risk Management Committee

Landsvirkjun's Board of Directors appoints three people to the risk committee, one of whom is appointed chair. The risk committee is appointed for one year at a time at the first board meeting after the general meeting. Landsvirkjun's Risk Management Committee shall, according to Article 2 of its Rules of Procedure:

a) Monitor Landsvirkjun's risk management, including risk policy and risk appetite.

b) Present the Board with any proposed changes to the risk management structure when necessary.

c) Monitor and evaluate the execution and effectiveness of risk management.

d) Review Landsvirkjun's key risks and the Company's risk profile.

e) Review emergency management procedures, contingency plans, and business continuity plans.

f) Oversee the Company's compliance with the law and mandatory disclosure requirements.

g) Monitor and inform the Board of Directors on damage and liability insurance status.

h) Take on the responsibilities assigned to the Committee, by Landsvirkjun's Board of Directors, at any given time.

The Risk Committee has three Board members, all appointed by the Board of Directors: Jón Björn Hákonarson, Chairman, Álfheiður Ingadóttir, and Gunnar Tryggvason. The committee meets as often as required and reports annually to the Board.

Remuneration Committee

Landsvirkjun's Board of Directors appoints three individuals to the remuneration committee, with one appointed as chair. The remuneration committee is appointed for one year following the general meeting at the first board meeting. The Remuneration Committee shall, according to Article 2 of its Rules of Procedure:

a) Submit a proposal to Landsvirkjun's Board of Directors regarding the Company's remuneration policy and its review.
b) Monitor the execution of the remuneration policy.
c) Submit a proposal on the CEO's wages and other benefits to Landsvirkjun's Board of Directors.
d) Monitor the development of Landsvirkjun's remuneration and human resources matters, including wage equality.
e) Follow up on completing agreements with the CEO and other employees on salaries and other employment terms under the board's auspices.
f) Propose remuneration for Landsvirkjun's Board of Directors and the members of the Board's sub-committees for the current term of office, to be submitted to the Annual General Meeting.
g) Take on the responsibilities assigned to the Committee, by Landsvirkjun's Board of Directors, at any given time.

The Remuneration Committee has three Board members, all appointed by the Board of Directors: Jón Björn Hákonarson, who acts as chairman, Álfheiður Ingadóttir and Jens Garðar Helgason. The committee meets as often as required and reports annually to the Board.

In 2024, the Board of Directors held 17 meetings, the Audit Committee held 4 meetings, the Remuneration Committee held 3 meetings, and the Risk Committee held 3 meetings. All meetings were fully attended.

CEO, Deputy CEO and Executive Vice Presidents

Hörður Arnarson is Landsvirkjun's CEO. The Board approves the CEO's Operating Procedures. The CEO handles the Company's day-to-day operations and must comply with the policy and instructions set out by the Board of Directors. Day-to-day operations do not include measures that are unusual or significant. The CEO can only take such measures with the explicit permission of the Board of Directors unless awaiting the Board's decision would prove disadvantageous to the Company's operations. The Board shall be notified immediately of any measures taken under such circumstances. The CEO shall ensure that the Company's accounts are kept in accordance with the relevant laws and practices and that its assets are securely handled. The CEO supervises and monitors Landsvirkjun's subsidiaries and associates.

Kristín Linda Árnadóttir is the Deputy CEO of Landsvirkjun. The Deputy CEO is the substitute for the CEO in his absence and manages the CEO's Office. The CEO's office is responsible for strategic planning and compiling key metrics. In addition to maintaining the company's management systems and risk management, the department coordinates changes throughout the company and creates channels for improvement. The Division is responsible for managing the Company's communication and information sharing, as well as human resources, compensation, and workplace development. It provides legal support to other divisions and works on the development of high-quality governance and management practices.

Appendix I: Statement of Corporate Governance, contd.

The Executive Board consists of the CEO, Deputy CEO, Executive Vice Presidents, and others, dependent upon the CEO's decision. At year end the Executive Vice Presidents were seven.

Gunnar Guðni Tómasson is the Executive Vice President of the Hydropower Division. The division ensures that hydropower stations operate efficiently, maximising energy production. It is also responsible for maintaining and refurbishing hydropower stations to comply with environmental and safety requirements. The Division is responsible for developing hydropower energy options, monitoring water, researching new energy options, and supervising dams and other structures. The Division is responsible for managing electricity generation and delivery by existing agreements.

Bjarni Pálsson is the Executive Vice President of the Wind and Geothermal Division. Bjarni Pálsson was appointed EVP of the division in December 2024, the former EVP was Einar Mathiesen. The Division is responsible for efficiently operating geothermal power stations and wind farms and maximising energy production. As part of its responsibilities, the division maintains, renovates, and renews power stations to ensure they perform their specified role efficiently, comply with environmental and safety requirements, and meet the ISO 55000 standard for asset management. Additionally, the Division is responsible for developing new geothermal and wind energy options and innovations that improve resource utilisation, monitoring, and research. The two resource divisions use common systems and work processes during maintenance and renewal. They are jointly responsible for their development in line with progress and changing company operations priorities.

Ásbjörg Kristinsdóttir is the Executive Vice President of the Project Planning and Construction Division. The Division oversees the construction of power stations that have reached the construction stage and renovation projects at the Company's power stations. The Division is also responsible for tender documents, work preparation, cost and cash flow plans, tenders and contracts for planned projects and the acquisition of necessary permits. The department is responsible for construction costs and work progress during the project period. It delivers power stations ready for operation in hydropower, wind, and geothermal fields per the company's assumptions, plans and policies.

Rafnar Lárusson is the Executive Vice President of the Finance and IT Division. The division is responsible for and monitors the budget process. Services include providing an overview of Company operations, overseeing resource acquisition and capital management, and providing comprehensive advice on purchasing and financing. The Division is responsible for ensuring that IT and digital solutions reflect the needs of Company operations at any given time. The Division also offers general internal services.

Tinna Traustadóttir is the Executive Vice President of the Sales and Services Division. The Division manages contracts with existing customers and ensures excellent service. It also maximises Landsvirkjun's long-term revenues, interacts with customers, manages business portals, and settles electricity sales. The division is also responsible for developing pricing policies in wholesale and energy-intensive user markets, handling demand forecasts, and analysing Landsvirkjun's business environment and competitive position in domestic and foreign markets.

Ríkarður Ríkarðsson is the Executive Vice President of the Business Development and Innovation Division. The division's role is to develop new business opportunities and manage Landsvirkjun's participation in energy-related innovation. The Division is responsible for planning and supervising innovation projects and collaborates with municipalities, other companies, clusters, and other parties to pursue innovation. The Division also seeks funding for energy-related business development and innovation in the international research and development arena.

Appendix I: Statement of Corporate Governance, contd.

Jóna Bjarnadóttir is the Executive Vice President of the Community and Environment Division. The division leads social and environmetal matters of the Company. This division supports other divisions within the Company and works towards carbon neutrality, green operations, active community engagement, and socially responsible practices.

Regulatory compliance

According to any court or administrative order, the Company did not violate any laws or regulations in 2024. Throughout the year, there were no complaints regarding customer or employee privacy breaches, and no new issues related to the Competition Authority arose.

Arrangements for communication with owners

Communication with the owners mainly occurs at the Company's Annual General Meeting and extraordinary general meetings. The Board's Rules of Procedure provide more information about communication with owners.

Appendix II: Non-financial information

Landsvirkjun first introduced its Corporate Social Responsibility Policy in 2012 and has published an annual sustainability report in accordance with the Global Reporting Initiative. Landsvirkjun has supported the UN Global Compact since 2013, outlining criteria to meet fundamental human rights, labour, environment, and anti-corruption responsibilities in its sustainability reports. Landsvirkjun also supports the UN's Sustainable Development Goals, focusing on Goal 13 on Climate Action, 7 on Affordable and Clean Energy, and 5 on Gender Equality.

The introduction of the EU's Corporate Sustainability Reporting Directive (CSRD) mandates standardised sustainability reporting. In line with this, the European Sustainability Reporting Standards (ESRS) have been developed to streamline reporting and facilitate company comparisons. A fundamental component of these standards is the double materiality assessment, which examines the company's impact on the environment and society and its financial risks. Landsvirkjun has undergone an assessment based on these principles to identify the most important aspects concerning strategy and reporting. The assessment is currently being updated to reflect these new instructions. A broad range of internal and external stakeholders participated in the process, which involved cross-departmental collaboration to identify key issues within Landsvirkjun's operations and value chain. The assessment results will form the basis for the company's reporting as it implements the CSRD requirements.

Landsvirkjun's market environment has undergone significant changes in recent years, bringing both challenging obstacles and exciting opportunities.

Future vision: Our vision is a sustainable world, powered by renewable energy.

Role: Our role is to maximise the value of the renewable energy resources we have been entrusted with, in a sustainable and efficient manner.

The Company operates in accordance with specific strategic goals to ensure success:

Strategy targets

Operating exemplary resource utilisation and energy generation	Landsvirkjun utilises hydropower, geothermal and wind energy, focusing on sustainability, efficiency, and safety. We take the next step in harnessing wind energy in the same way.
Leading the way in climate and environmental affairs	Landsvirkjun respects the environment and plays a vital role in Iceland's transition to clean energy, contributing to global carbon neutrality.
Pursuing a diverse business and exceptional customer service	Landsvirkjun works closely with its customers to increase value creation. We work to create a greener future by using innovative measures and identifying new business opportunities.
Providing a progressive and sought-after workplace	We promote team unity, job satisfaction and positive workplace culture by supporting employee health, well-being, and equal rights.
Exceeding expectations in open communication and cooperation	We foster effective and active communication with all our stakeholders and work closely with local communities. We are a good neighbour.

Economy and corporate governance

Sustainab. indicators	Responsible practices and ethical standards Creation of economic value and dividends Energy-related innovation

Appendix II: Non-financial information, contd.

Business model

Landsvirkjun is a state-owned energy company in Iceland that specialises in generating and selling electricity derived from renewable energy sources, such as hydropower, geothermal energy, and wind power. The Company operates in a competitive market, generating more than 70% of the country's electricity. About 20% of the Company's electricity generation is sold to domestic electricity sales companies, which then sell it to households and businesses. About 80% of the Company's electricity generation is sold to various energy-intensive customers competing in an internationally competitive market, such as smelters, silicon plants and data centres. Landsvirkjun also sells Guarantees of Origin, which confirm that a specified amount of electricity has been generated from renewable energy sources. By purchasing these GOs, consumers can contribute to promoting renewable energy generation.

Landsvirkjun's role is to maximise the value of the renewable energy resources it has been entrusted with in a sustainable and efficient manner. In 2024, Landsvirkjun paid the state 220 million USD in dividends.

Management System

Landsvirkjun's management system supports the Company in fulfilling its obligations towards its customers, employees, and other stakeholders and in developing company policy based on the values of sustainable development. The Management System is certified according to international standards for quality management, environmental management, security, health and safety, equal pay, and IT security. Landsvirkjun's electricity generation is certified as 100% renewable energy, a testimony to the Company's commitment to developing renewable energy sources and confirmation that Landsvirkjun fulfils the most stringent production requirements.

This year, we continued reviewing and updating internal policies per coordinated instructions on the Company's internal policies. These guidelines expect the Company to set internal procedures for the following areas:

Dividends	Data protection	Environmental issues
Risk management	Social responsibility	Information security
Capital structure	Competition	Inform. and publication issues
Procurement	Communication with local comm.	Health and safety and occupational safety
Human res. and equality issues	Remuneration policy	

Ethical Standards and human rights

Landsvirkjun's ethical standards are outlined in the Company's quality management system, included in the appropriate procedures, and made available to employees in the general information provided by the Company. The Code of Conduct and Supplier Code of Conduct were updated recently.

Landsvirkjun conducted a gap analysis in response to the implementation of the EU Taxonomy Regulation. This regulation outlines the minimum standards companies must meet concerning human rights and governance. The analysis found Landsvirkjun well-prepared, and suggestions for improvement were addressed.

Employees who witness misconduct within the Company must report it following the established protocol. The purpose of the Reprehensible Conduct Response Plan is to disclose any offence and other possible misconduct as soon as possible and to prevent this type of conduct. Among the topics covered in the plan are preventing corruption and bribery.

Landsvirkjun's Board of Directors approved the Company's Value Chain regulations in 2016, intended to ensure the rights of Landsvirkjun's employees, contractors, subcontractors, or temporary employees. They cover wages, work benefits, health, and accident insurance. Various policies and regulations already in place ensure the human rights of all Landsvirkjun's employees. A specific human rights policy in addition to these regulations was therefore not deemed necessary. These include Landsvirkjun's Code of Ethics, Supplier Code of Ethics, and the Reprehensible Conduct Response Plan discussed above.

Appendix II: Non-financial information, contd.

Risk Management

Landsvirkjun follows a formal risk management process to identify and control the Company's financial and non-financial risks. The process aims to map key risk factors and take appropriate action to reduce the likelihood of undesirable events and their potential effects on image, finances, health and safety and the environment. The aim is to support the Company's goals and strategic objectives, enhancing the prospects for effective, sustainable, and responsible operations.

Landsvirkjun's financial risk is discussed in more detail in the notes section of these Financial Statements.

Landsvirkjun's Customers

Sales to large consumers decreased by 4% compared to 2023, mainly due to electricity curtailments during the year. Sales to data centres have significantly reduced as these clients have shifted their focus towards supercomputing and artificial intelligence rather than cryptocurrency mining. Other large consumers have generally utilised their production capacity efficiently, and their product prices have risen overall compared to the previous year.

Energy-related and climate-friendly innovation

Landsvirkjun supports energy-related and climate-friendly innovation through various collaborative projects such as Blámi, Eimur, Eygló and Orkídea. These include collaboration projects with local communities surrounding our power stations to prepare for future energy-related opportunities in, amongst others, the fields of food production, sustainable use of resources and entrepreneurship. The Company is also involved in preparing areas for new energy-related investments. Landsvirkjun also engages in energy transition projects with businesses and municipalities, particularly in transportation, including smaller and larger vehicles that can benefit from increased electrification and other renewable solutions.

Climate and Environmental Policy

Sustainab. indicators	Climate action
	Energy generation in harmony with nature
	Improved utilisation of natural resources and less waste

Climate and Environment Policy

Climate and environmental issues are core issues in Landsvirkjun's operations, and we operate under a Climate and Environmental Policy. The purpose of the Policy is to protect the environment while responsibly utilising natural resources and managing work procedures to minimise any potential environmental impact from Company operations. The Policy states the following:

We promote a sustainable world through environmentally sustainable energy generation that aligns with global goals to limit global warming below 1.5°C.
We respect the country's nature and landscape, continuously working to improve resource efficiency and prevent waste. Landsvirkjun safeguards biodiversity with an ecosystem-based approach. We focus on understanding the environmental impacts of our operations, reducing them, and preventing environmental incidents.
We actively participate in the global fight against climate change. Efforts are systematically focused on reducing greenhouse gas emissions from our operations, supporting Iceland's commitments to the Paris agreement, and responding to the challenges and opportunities presented by climate change.

Appendix II: Non-financial information, contd.

The Board approved a revised Climate and Environmental Policy on the 13th of December 2024. Amendments were made to the first sentence of the policy and its climate section. The original wording emphasised leadership in climate and environmental matters. The revisions aim to clarify this objective, specifying that the Company is committed to producing environmentally sustainable energy and ensuring that its operations align with global targets to limit global warming to below 1.5°C. The term "carbon neutrality" has also been removed from the policy.

Climate and environmental targets

The Company has established specific targets in this area to support Landsvirkjun's efforts in climate and environmental matters. These targets, sub-goals, and actions are tracked in the Climate Action Plan. Progress towards these targets is monitored through dynamic dashboards, which are regularly reviewed. Below is an overview of the key performance indicators for Landsvirkjun's Climate and Environmental Policy, along with the results achieved. Please note that the following indicators reflect the policy before its revision in December 2024, as these metrics were applicable for most of the year.

Deviation of energy generation from contract capacity (%)

The water year 2023-2024 was one of the most challenging in the Company's history. As of October the 1st, 2023, reservoir levels were approximately 350 GWh below capacity. The winter months were dry and cold, leading to significant reductions in reservoir levels. By early May, only about 10% of the reservoir capacity remained. As an immediate response to these conditions, Landsvirkjun curtailed the delivery of tertiary power to fishmeal plants and data centres in December. Following the New Year, further curtailments were applied to the secondary power of power intensive customers and district heating plants. These curtailments remained in effect until May, except for tertiary power to data centres and fishmeal plants. Nearly 500 GWh of energy was curtailed during the winter period. After a warm and wet May, the summer months were dry and cold, with inflow significantly below expectations.

As of the 1st of October, 2024, the energy in Landsvirkjun's reservoirs stood at only 87% of capacity, necessitating the curtailment of secondary power to customers in the Southwestern region. This decision was communicated in October. Although warm and wet weather in early November brought some improvement, it did not warrant revising curtailments.

Energy sales for 2024 amounted to 14,118 GWh. The generation system operated at near full capacity, with resource utilisation for 2024 estimated at 93%. The annual report provides further details on resource utilisation.

Number of environmental incidents

One environmental incident occurred by Blanda Reservoir, where sand blew from the reservoir site in a strong southeasterly wind. The incident classifies as serious, i.e. the impact was close to the source and mostly reversible. Five environmental incidents occurred that classified as not serious, as the impact was close to the source and is reversible. The causes of these events have been analysed, procedures reviewed, and relevant work procedures updated. Further information on the environmental incidents of the year can be found in the annual report.

Carbon footprint (tonnes of CO_2 equivalent per year)

Net emissions totalled 32.4 thousand tonnes in 2024, representing a 2% reduction from 2023. The methodology for calculating Scope 3 emissions has been revised from the previous year and now includes all relevant categories per the GHG Protocol Corporate Standard. Emissions data from 2023 has been altered to ensure consistency.

Carbon intensity (CO_2 equivalent per kWh per year)

In 2024, emissions per energy unit were 4.9 g CO_2 equivalent per kWh, representing a 4% increase compared to the previous year. The avoided emissions from Landsvirkjun's energy production in 2024 are estimated at 2.5 million tonnes of CO_2 equivalent, a 4% decrease from 2023. Detailed information on avoided emissions and the calculation methodology can be found in the annual report.

Appendix II: Non-financial information, contd.

Quantity of purchased fossil fuel
In 2024, we purchased 128,000 litres of fossil fuel, representing an 2% increase compared to 2023.

Following the approval of the revised Climate and Environmental Policy in December 2024, an indicator for the percentage of environmentally sustainable energy production (%) was introduced, and the previous indicator for carbon intensity (CO_2 equivalent/kWh) was updated to "generation-related emission intensity (CO_2 equivalent/kWh)." Additionally, the indicator tracking the quantity of purchased fossil fuel was removed from the policy. Nonetheless, the objective of ceasing the purchase of fossil fuels by 2030 remains intact, as outlined in the updated Climate Action Plan. It should be noted that the indicators presented herein reflect the policy before the December 2024 revision, as they were applicable for the majority of the year.

For further information regarding the climate targets and their progress, please refer to the published carbon accounting report, verified by the certification body Bureau Veritas.

Certification and standards
Landsvirkjun's Environmental Management System is certified under ISO 14001. The Company is committed to consultation and cooperation with company employees and stakeholders and closely monitors international developments on environmental issues.

Landsvirkjun's emissions were reviewed and verified (with limited assurance) by the firm Bureau Veritas, according to the ISO 14064-3 Standard, in 2008 and from 2018-2024. Landsvirkjun's carbon sequestration measures were also reviewed and confirmed (with limited assurance) by Bureau Veritas from 2020-2024, according to the ISO 14064-2 Standard.

Society

Sustainab. indicators	Safety and welfare of employees and professional development
	Equality issues
	Cooperation with local communities

Community Engagement Policy
Landsvirkjun reviewed its Community Engagement Policy in January 2024, under the policy's provision that it be reviewed at least every three years. The policy aims to promote positive social impacts and benefits derived from the Company's operations, while ensuring the responsible utilisation of resources. The policy outlines the following principles:

"Landsvirkjun is a good neighbour. Our guiding principles are honesty, respect, and a commitment to benefitting the local community in all aspects of operations, from project planning to the operation of power stations. We actively participate in society and support issues and projects that positively impact society. We encourage constructive communication and cooperation and share knowledge on Company activities through various platforms. As a leading force within society, we promote energy-related innovation with sustainability as our guiding principle."

Collaboration with the community
Landsvirkjun's operations have a widespread impact on the community, not least in local communities surrounding its power stations. One of the Company's strategic objectives is to create support and consensus through open communication with stakeholders. All divisions and construction projects develop a stakeholder analysis and communication plan to communicate their activities effectively.

Financial Statements of Landsvirkjun 2024 60 Amounts are in USD thousand

Appendix II: Non-financial information, contd.

The Community and Environment Division guides the Company's efforts in addressing social issues across various divisions and departments, with a particular focus on local communities surrounding power stations. This division reflects Landsvirkjun's commitment to effective communication and meaningful contributions to society.

Human Resources and Equality Policy

A new human resources and equality policy was adopted at the beginning of 2024. The policy aims to foster an ambitious work environment that nurtures a strong team, drives performance, and cultivates an inspiring and motivating workplace culture. Its primary goal is to create an environment that promotes a desirable organisational culture defined by well-being, diversity, equality, opportunities for growth, and employee engagement.

The policy is designed to support a forward-thinking and desirable workplace built around four key pillars:

- Teamwork and organisational culture
- Equality and diversity
- Collaboration and communication
- Well-being and flexibility

Human Resources

Landsvirkjun operates with a decentralised structure. Approximately 60% of its workforce is based in the Greater Reykjavik Area, with the remainder working at our power stations in the South, North, and East of Iceland. We employ over 300 individuals in diverse roles, including summer employment opportunities for young people at our power stations and industrial, technical and university students, mostly at our headquarters.

To support its strategic goals and policy implementation, the company offers management and leadership development programs that foster leadership growth, enhance teamwork, and strengthen the capacity of leaders and teams to drive the Company's vision and operations effectively. Additionally, a range of professional development opportunities is provided to all employees.

Equality

The Company has a Gender Equality Committee chaired by the CEO. It has defined and published a gender equality plan until 2027 under Act 150/2020 on Equal Status and Equal Rights Irrespective of Gender. The Executive Board reviews the plan annually or as needed.

Landsvirkjun is committed to ensuring gender equality throughout its operations, including career advancement, responsibility, participation in working groups, and professional training and education opportunities. Landsvirkjun is a family-friendly environment, where employees are protected from harassment and violence. Landsvirkjun has defined response plans for bullying, sexual harassment, gender-based harassment and violence (EKKO).

Equality objectives and certification

In 2021 a gender balance was achieved on our Executive Board. However, there is still a gender deficit at the management level. The proportion of female managers at Landsvirkjun was 39% at the end of 2022 and 2023 and 41% at the end of 2024.

Appendix II: Non-financial information, contd.

Landsvirkjun pays equal wages and/or the same terms for the same or equally valuable jobs. The Company operates under the Equal Wage Standard ÍST 85:2012, and the Company's equal pay system is certified. Landsvirkjun was awarded the PWC Gold Standard for the tenth time in 2024. Men's basic salaries were 1.5% higher than women's, and men's total wages were 1.5% higher than women's. The coefficient of determination was 96%.

Health and Safety Policy

In early 2024, Landsvirkjun adopted a revised Health and Safety Policy. The goal is to prioritise employee safety and well-being by creating a secure, health-conscious work environment that supports overall well-being and fosters a positive workplace culture. The Board establishes the policy based on recommendations from the CEO.

Landsvirkjun strives to lead in health and safety matters, with a clear commitment to creating an environment that prevents accidents and work-related illnesses that could result in permanent harm. The policy places significant emphasis on employee well-being and cultivating a healthy organisational culture. All roles within the Company are risk-assessed, and physical and psychosocial risks are actively managed. Adequate safety measures are in place, and no unacceptable risks are tolerated. Employees are made aware that safety is always the top priority, with clear lines of accountability for management. The policy encourages transparent and open communication with internal and external stakeholders regarding safety and health matters.
The key performance indicators of the Health and Safety Policy are as follows:
•H-200 for Landsvirkjun's employees (target: 0)
•H-200 for contractors at Landsvirkjun worksites/operational areas (target: 0)

Objectives in health and safety matters

Landsvirkjun has established goals to support success in this category.

	2024	2023
Absence related incident/200,000 work hours = 0 (empl)	0.84	0.89
Absence related incident/200,000 work hours = 0 (contr)	0	0

Employee mental health

Landsvirkjun shows its commitment to the health and well-being of its employees through a range of initiatives. In partnership with occupational health specialists, the Company provides health assessments, focusing on psychosocial and physical aspects. The assessments cover professional health, mental well-being, social health, and personal wellness. Additionally, the Company incorporates health and wellness topics into its internal training programs. Employees also have access to individual consultations with experts in occupational health.

Certification and standards in health and safety and occupational safety matters

Landsvirkjun's operations are reviewed annually and certified under the Occupational Health and Safety Standard ISO 45001, which requires continuous improvement in safety, health, and occupational health. The company maintained the certification of ISO 45001 in 2024.

EU Taxonomy Regulation

Landsvirkjun has integrated the EU Taxonomy Regulation into its operations and has published sustainability disclosures under its provisions for the second consecutive year.

Under Article 1 of Act no. 25/2023, on the disclosure of information on sustainability in financial services and classification systems for sustainable investments, implementing EU regulation no. 2020/852 in Icelandic law, Landsvirkjun must disclose the percentage of key indicators of taxonomy-eligible activities considered environmentally sustainable based on the regulation's criteria.

Financial Statements of Landsvirkjun 2024 62 Amounts are in USD thousand

Appendix II: Non-financial information, contd.

A commitment to sustainability drives Landsvirkjun's operations. We believe that our most significant contribution to promoting sustainable development is to take responsibility in climate matters, where renewable energy plays a key role. We will work diligently to coexist harmoniously with nature while addressing climate issues.

The EU Taxonomy Regulation aims to establish a unified classification system that determines which economic activities are environmentally sustainable, based on technical screening criteria outlined in the delegated acts of the European Union. Regulations No. 2021/2139 and No. 2022/1214 have been implemented in Iceland, while Regulations No. 2023/1285 and No. 2023/1286 came into effect in Iceland on the 1st of January 2025. The Regulation is designed to promote transparency in sustainability disclosures and to channel investment into sustainable activities, thereby supporting the European Union's achievement of the objectives outlined in the European Green Deal.

Under the regulation, a company must meet the criteria for sustainable economic activities in Article 3 to be deemed environmentally sustainable. The activity must significantly contribute to one or more environmental objectives without impeding the attainment of others and comply with technical screening criteria and minimum safeguards.

The regulation requires businesses to disclose the percentage of turnover, investments, and operating costs directly linked to taxonomy-eligible activities. To meet the requirements the Company must ensure both eligibility and alignment with the taxonomy.

Basis for the preparation of the report

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Icelandic Financial Statements Act, which includes Article 66d on non-financial reporting, NFRD. The financial statements are presented in USD, the Company's functional currency. Unless otherwise stated, all financial information presented in USD has been rounded to the nearest thousand. Preparing financial statements in conformity with IFRS requires management to make decisions, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Landsvirkjun has integrated the EU Taxonomy Regulation into its operations. This process has involved collaborating with similar companies to clarify the interpretation of the requirements and the methodology for classification under the taxonomy. Although the EU has provided guidance, uncertainty remains on how specific criteria should be interpreted, and efforts are underway to clarify these points. Landsvirkjun continues to monitor any developments closely, with all disclosed information reflecting the understanding that future changes or updates to the regulation could impact the Company's assessment of its taxonomy alignment.

Taxonomy eligible activities

Landsvirkjun has assessed which aspects of its operations fall under the EU Taxonomy Regulation in accordance with its provisions (eligibility), explicitly identifying which parts of the business are deemed eligible under the environmental objective of climate change mitigation. This assessment revealed that hydropower, geothermal and wind power generation are core activities and qualify as eligible under the Regulation. The evaluation also considered the financial materiality of these activities.

Appendix II: Non-financial information, contd.

Aligned activities

Under the EU Taxonomy Regulation, for an activity to be classified as environmentally sustainable, it must make a ‘substantial contribution’ to one of the six environmental objectives outlined in the Regulation, while ensuring that it does not cause ‘significant harm’ to any of the other five objectives. These six objectives are climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems. In addition to meeting the relevant technical screening criteria for each eligible activity, the activity must adhere to minimum safeguards human rights and governance standards to ensure full compliance with the Regulation.

Substantial Contribution to climate change mitigation (SC)

Hydropower

Most of Landsvirkjun‘s energy generation comes from hydropower. Three technical criteria for substantial contribution to climate change mitigation are outlined, requiring the fulfilment of at least one of them. One of the three criteria is that greenhouse gas emissions during the life cycle for electricity generation from hydropower are less than 100 g CO_2 eq/kWh. Emissions from Landsvirkjun’s activities, including all the Company’s hydropower stations, in 2024 were 4.9 g CO_2 eq/kWh. These figures have been reviewed and confirmed by an independent third party per ISO 14064-1:2018.

Landsvirkjun has conducted life cycle assessments for four hydropower stations, confirming their carbon footprints are well below the established benchmarks. Verified emissions data across all hydropower stations show that their carbon footprints remain significantly under these thresholds. The additional criteria are applied for stations without life cycle assessments: the electricity generation facility must be either a run-of-river plant, without an artificial reservoir, or have power density above 5 W/m^2. The assessment demonstrates that the operation of all our hydropower stations comply with these criteria.

Geothermal energy

To qualify as a substantial contribution to mitigating climate change under the EU Taxonomy Regulation, geothermal power generation must have life cycle greenhouse gas emissions below 100g CO_2 equivalent per kWh. Landsvirkjun has conducted life cycle assessments (LCAs) for all its geothermal stations, confirming that each station’s carbon footprint falls below this threshold. Emissions from the Company’s operations, including the operation of all geothermal stations in 2024, were measured at 4.9g CO_2 equivalent per kWh. These findings have been independently verified in accordance with ISO 14064-1:2018. The results demonstrate that the operation of all geothermal stations is aligned with the applicable criteria.

Wind energy

The activity must involve generating electricity through wind energy. Landsvirkjun’s wind turbines comply with these criteria and meet the regulations’ requirements.

Appendix II: Non-financial information, contd.

Do no significant harm (DNSH)

Climate change Adaptation

Weather patterns and climate change are critical factors in the development of new projects and in Landsvirkjun's operational plans. Climate-related risks are evaluated based on both historical data and future scenario modelling. This risk assessment forms an integral part of the Company's project development processes and the daily operations of its power stations. The analysis of climate risks is incorporated into the broader risk management framework at Landsvirkjun. The Company actively monitors changes in weather patterns, considering both long-term and acute risks related to temperature, wind, and water fluctuations while factoring in the location of its facilities. Further information is available in the Company's CDP disclosure. Based on this, Landsvirkjun considers that the criteria have been met.

Sustainable use and protection of Water and Marine Resources

The DNSH criteria related to the sustainable use and protection of water and marine resources apply to both geothermal and hydropower production, and they include additional requirements for hydropower. The Water Framework Directive (WFD) came into effect in the EU in 2000 and was later incorporated into the EEA agreement in 2009. The EFTA states initially disputed whether the directive was part of the EEA Agreement, and the matter was taken to the ESA and the EFTA Court. The ruling concluded that the directive is part of the agreement.

As a result, the EFTA states began work on the directive later than the EU member states and will comply with all its provisions at a slower rate. The WFD was incorporated into Icelandic law in 2011 through the Water Management Act (36/2011). The Environment Agency is the responsible authority for the implementation of applicable laws and the publication of the River Basin Management Plan (RBMP). The first RBMP, from 2022 to 2027, was subjected to public consultation in 2021. It was subsequently approved by the minister and published in April 2022.

Landsvirkjun adheres to the RBMP for all water bodies in which power stations are operated. The Company continues to collect data on water bodies within its operational areas in collaboration with independent research institutions. Based on this data, a classification of the water bodies across Landsvirkjun's operational sites will be proposed, considering their ecological status or potential. Furthermore, strategies will be identified to improve the status of water bodies that do not meet the required ecological status or potential. The Environment Agency will be responsible for classifying and assessing the condition of these water bodies.

Landsvirkjun operates per the criteria outlined in RBMP 2022-2027 for the first water cycle. However, Landsvirkjun points out that the Water Management Act has not yet been fully implemented in Iceland and is not expected to be fully operational until the second cycle of the water management plan, which will conclude in 2033.

Transition to a circular economy

The environmental objective of transitioning to a circular economy applies to Landsvirkjun's wind energy electricity production operations. The criterion is quite broad, but it requires the activity to evaluate the availability of equipment and components that are highly durable, recyclable, and easy to dismantle and refurbish, wherever possible.

Appendix II: Non-financial information, contd.

Landsvirkjun aims to prolong the lifespan of its power stations to preserve the resources invested in them and maintain them for as long as possible. The main challenge regarding the criteria is recycling of wind turbine blades. The Company is committed to continue contributing to the circular economy and will endeavour to find the most suitable solution for the disposal of the blade at their end-of-life. Based on this, Landsvirkjun considers that the criteria have been met.

Pollution Prevention and Control

The criteria for pollution prevention and control only apply to geothermal electricity production. In high-enthalpy geothermal energy systems, adequate abatement systems to reduce emissions must comply with air quality limits in Directives 2004/107/EC and 2008/50/EC of the European Parliament and Council. These directives are part of the national law, 7/1998, on Hygiene and Pollution Prevention. Landsvirkjun considers that the criteria have been met.

Protection and restoration of biodiversity and ecosystems

The criteria related to protecting and restoring biodiversity and ecosystems require that an Environmental Impact Assessment (EIA) be conducted in accordance with Directive 2011/92/EU, as well as implementing mitigation measures before operations commence. EIAs are a prerequisite for operating licences in the EU and EEA and have, therefore, been implemented for all projects since the law came into effect. Landsvirkjun only operates in Iceland, which is part of the EEA.

For existing assets situated in biodiversity-sensitive areas, an appropriate assessment, where applicable, must be carried out in line with Directives 2009/147/EC on the conservation of wild birds and 92/43/EEC, the Habitats Directive. These directives have not been incorporated into the EEA Agreement, nor is there any indication that they will be transposed into Icelandic law. As a result, Landsvirkjun cannot provide detailed information on whether such assessments have been carried out in Iceland under these directives. Nevertheless, Landsvirkjun considers that its operations align with national requirements for bird and ecosystem protection, as Icelandic legislation— Nature Conservation Act No. 60/2013—governs the protection of areas important for the conservation of birds and ecosystems. Landsvirkjun has ensured full compliance with all relevant laws and regulations in Iceland.

Minimum safeguards

The Company's ethical standards are defined in its quality management system documentation and included in staff training materials. The Company ensures its operations do not negatively impact human rights, including labour rights.

A gap analysis was carried out regarding the Company's alignment with the minimum requirements outlined in the EU Taxonomy Regulation regarding human rights and governance. The analysis concluded that Landsvirkjun is well-equipped to meet these requirements. Following this, several minor improvement recommendations were made, which have been addressed throughout the year. Landsvirkjun believes it fully complies with the human rights and governance requirements outlined in the EU Taxonomy Regulation. In recent years, Landsvirkjun has implemented various rules, response plans, internal policies, and agreements addressing these issues. These include the company's code of ethics, the supplier code of ethics, response plans and safeguards against misconduct, the EKKO response plan, human resources and equality policies, the UN Global Compact, board of directors working rules, supplier assessments, and chain of responsibility clauses in contracts.

Appendix II: Non-financial information, contd.

Human Rights

There is no need for a separate human rights policy, as the existing regulations already protect the human rights of all parties involved in Landsvirkjun's operations. These include the chain of responsibility regulations, the Company's code of ethics, the supplier code of ethics, and response plans and safeguards against inappropriate conduct.

The chain of responsibility regulations, in effect since 2016, are designed to protect various labour rights for Landsvirkjun's workforce, including employees of contractors, subcontractors, and temporary workers. These regulations cover wages, work benefits, and health and accident insurance.

Landsvirkjun's code of ethics prioritises equality and human rights. Employees are expected to respect their colleagues and all stakeholders, demonstrating tolerance and consideration for differing views and circumstances. Bullying, sexual harassment, gender-based harassment, and any form of violence are strictly prohibited, with appropriate response plans in place should such situations arise.

Furthermore, Landsvirkjun expects its suppliers to uphold internationally recognised human rights standards, as outlined in the Universal Declaration of Human Rights and other relevant international conventions.

Bribery and Corruption

Landsvirkjun is committed to combating all forms of bribery and corruption. The Company's code of ethics includes explicit provisions regarding accepting and offering gifts or benefits that could influence decision-making or judgment in handling matters. Employees of Landsvirkjun are expected to act with integrity, ensuring that personal interests do not affect their professional responsibilities. The Company's code of ethics, the supplier code of ethics, and the response plan for misconduct are designed to guide employees and other stakeholders on these issues.

Taxes

Landsvirkjun is owned by the Icelandic state and manages its tax affairs in compliance with the country's laws and regulations. This principle is also adhered to when engaging in contracts with suppliers. Employees are committed to ensuring compliance with all relevant tax laws and regulations, consulting tax advisors and auditors as needed. The Company is dedicated to paying the correct taxes on time and promptly submitting all required documents to tax authorities. The financial statement provides a breakdown of the Company's income tax obligations and the amount paid in taxes.

Competition

Landsvirkjun operates under a competition policy that forms part of its management system. The policy was reviewed and updated at the beginning of the year. It outlines the Company's approach to promoting active competition in its operating markets and emphasises the importance of adhering to competition law in all operations. The policy offers guidance on the professional handling of any disputes that may arise. Additionally, electronic training on competition-related matters is available to all employees, and completing this training is mandatory.

Taxonomy tables – KPIs

Landsvirkjun will monitor developments in the EU Taxonomy framework and adjust its practices accordingly. This may affect estimates and key metrics in the coming years. The relevant information cannot be disclosed when European Union directives have not been incorporated into Icelandic law.

Appendix II: Non-financial information, contd.

Turnover

As stated above, Landsvirkjun has defined revenue-related economic activities as eligible for the KPI. Turnover is tied to renewable energy generation, with income streams linked to electricity sales, including guarantees of origin. Realised hedges previously included in turnover in the 2023 financial statements are now excluded from the turnover covered by the taxonomy in 2024. Revenues other than these are not classified under the taxonomy for environmentally sustainable activities and are reported as other income in the income statement. Other income does not fall under EU Taxonomy eligible activities and corresponds to other income in the income statement.

Investments

CapEx

The EU Taxonomy CapEx KPI covers direct investments in new power stations, capitalised investments for power station maintenance and capitalised preparation costs (see notes 8 & 10). The excluded investments involve buying other assets than power stations and preparation costs for power stations that are not yet ready for construction and are unlikely to begin construction within the next five years.

Operating expenses

OpEx

The key performance indicators for operating expenses covered by the taxonomy include costs related to direct maintenance costs for power stations, internal labour for maintenance and upgrades, electricity transmission costs, research and development expenses, and cleaning costs for operational facilities. Internal labour costs for maintenance and upgrades, which were not included in the 2023 reporting, have now been integrated into the current presentation of operating expenses under the taxonomy. Electricity transmission costs are directly linked to selling environmentally sustainable electricity and Landsnet's transmission network. Depreciation and impairment costs are excluded from the presentation of operating expenses within the taxonomy framework.

Tables with key performance indicators are provided below.

EU Taxonomy

Turnover

Year 2024				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activites	Code(s) (2)	Absolute turover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaption (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaption (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy aligned proportion of turnover, year 2023 (18)*	Category (enabling activity or) (19)	Category (transitional activity) (20)
		USD million	%	%	%	%	%	%	%	Y/N	Y/N	YN/	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmental sustainable activities (Taxonomy-aligned)																			
Electricity generation from hydropower	CCM 4.5	506.2	90.2%	100.0%							Y	Y	-	-	Y	Y	91.5%		
Electricity generation using geothermal power	CCM 4.6	51.4	9.2%	100.0%							Y	Y	-	Y	Y	Y	8.5%		
Electricity generation using wind power	CCM 4.3	0.3	0.0%	100.0%							Y	Y	Y	-	Y	Y	0.0%		
Turnover of environmental sustainable activities (Taxonomy-aligned) (A.1)		**557.8**	**99.5%**	**100.0%**													**100.0%**		
A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities)																			
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0.0**	**0.0%**														**0.0%**		
Total (A.1 + A.2)		**557.8**	**99.5%**														**100.0%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		**3.0**	**0.5%**																
Total (A + B)		**560.9**	**100.0%**																

***The EU Taxonomy Turnover KPI has been altered from last year´s report as it now excludes realised hedges. Comparison to 2023 has been updated accordingly.**

EU Taxonomy

CapEx

Year 2024				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activites	Code(s) (2)	Absolute turover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaption (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaption (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy aligned proportion of turnover, year 2023 (18)*	Category (enabling activity or) (19)	Category (transitional activity) (20)
		USD million	%	%	%	%	%	%	%	Y/N	Y/N	YN/	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmental sustainable activities (Taxonomy-aligned)																			
Electricity generation using hydropower	CCM 4.5	34.9	49.7%	100.0%							Y	Y	-	-	Y	Y	69.0%		
Electricity generation using geothermal power	CCM 4.6	5.2	7.4%	100.0%							Y	Y	-	Y	Y	Y	28.8%		
Electricity generation using wind power	CCM 4.3	23.8	33.9%	100.0%							Y	Y	Y	-	Y	Y	2.2%		
CapEx of environmental sustainable activities (Taxonomy-aligned) (A.1)		**63.9**	**90.9%**	**100.0%**													**100.0%**		
A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities)																			
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0.0**	**0.0%**														**0.0%**		
Total (A.1 + A.2)		**63.9**	**90.9%**														**100.0%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)		**6.4**	**9.1%**																
Total (A + B)		**70.3**	**100.0%**																

EU Taxonomy

OpEx

Year 2024				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activites	Code(s) (2)	Absolute turover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaption (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaption (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy aligned proportion of turnover, year 2023 (18)*	Category (enabling activity or) (19)	Category (transitional activity) (20)
		USD million	%	%	%	%	%	%	%	Y/N	Y/N	YN/	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmental sustainable activities (Taxonomy-aligned)																			
Electricity generation from hydropower	CCM 4.5	27.7	45.5%	100.0%							Y	Y	-	-	Y	Y	30.1%		
Electricity generation from geothermal energy	CCM 4.6	6.0	9.8%	100.0%							Y	Y	-	Y	Y	Y	7.0%		
Electricity generation from wind power	CCM 4.3	0.1	0.1%	100.0%							Y	Y	Y	-	Y	Y	0.2%		
Transmission and distribution of electricity	CCM 4.9	27.1	44.5%	100.0%							Y	-	Y	Y	Y	Y	62.6%	E	
OpEx of environmental sustainable activities (Taxonomy-aligned) (A.1)		**60.8**	**100.0%**	**100.0%**													**100.0%**		
A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities)																			
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0.0**	**0.0%**														**0.0%**		
Total (A.1 + A.2)		**60.8**	**100.0%**														**100.0%**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities (B)		**0.0**	**0.0%**																
Total (A + B)		**60.8**	**100.0%**																

***The EU Taxonomy OPEX KPI has been altered from last year´s report as it additionally includes all the cost related to the maintenance of power stations.**
A new economic activity has been added for the transmission of electricity. Comparison to 2023 has been updated accordingly.

Appendix II: Non-financial information, contd.

The Company additionally publishes information on activities relating to nuclear energy and fossil gas, in accordance with Article 8(6) and (7) of the Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021. As the Company does not engage in activities relating to nuclear energy and fossil gas the KPIs are not reported for these activities.

Row	**Nuclear energy related activities**	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5	The underatking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO