



Consolidated Financial statements
for the year 2025

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

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Endorsement by the Board of Directors and the CEO

HS Orka hf. (the "Group" or "HS Orka") is a privately owned power generator in Iceland with power licenses of 284.7 MW in total for electrical power production, of which 265.0 MW is for geothermal and 19.7 MW is for hydropower production. The Group sells electricity to individuals and small and medium-sized companies, as well as to power intensive industries, in all areas of Iceland. The Group is the main provider of water in the Reykjanes area supplying local municipalities with hot water and fresh water through the distribution company HS Veitur. By-products from geothermal operations within the Resource Park are sold to companies located in the vicinity of the geothermal power plants. The Group produces hot water for heating, ground water for industrial and retail use, as well as brine and steam for large industrial users.

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

The consolidated financial statements of HS Orka for the year 2025 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with additional Icelandic disclosure requirements.

Geophysical event

A geophysical event started on 25 October 2023 on the Reykjanes Peninsula, close to the power plant at Svartsengi and the municipality of Grindavík, evidenced by seismic activity, ground displacement and eruptions.

From December 2023 to December 2025 nine eruptions have taken place, all with short durations. The first eruption occurred in December 2023, another six eruptions took place during 2024 and two in 2025. These eruptions had no material impact on the power plant in Svartsengi which has been fully operational, apart from two incidents on 8 February and 22 November 2024, where there was limited impact on the operations in Svartsengi.

Further information on matters related to geophysical activities is disclosed in note 40 as well as in the Company's 2025 Sustainability Report.

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

Business operations in the year 2025

The Group's operating revenues for the year 2025 amounted to ISK 15,626 million (2024: ISK 14,534 million) and net profit after tax amounted to ISK 3,741 million (2024: Loss ISK 420 million). Total comprehensive income was ISK 6,587 million (2024: Loss ISK 500 million). The Group's assets amounted to ISK 89,631 million at the end of December 2025 (2024: ISK 80,476 million). Equity at year end amounted to ISK 37,471 million (2024: ISK 31,170 million) or 41.8% of total assets in 2025 (2024: 38.7%). Equity ratio if subordinated shareholder loan would be classified as equity was at year end 2025 49.1% (2024: 46.9%). Reference is made to the statement of changes in equity regarding information on changes in equity during the year. The average number of employees was 94 in 2025 (2024: 93).

HS Orka and Norðurál, the aluminum smelter in Grundartangi, signed a new power purchase agreement in 2025 as the power purchase agreement from 2006 is expiring at the end of September 2026. The new power purchase agreement comes into effect on 1 October 2026 and expires in September 2031.

In July 2024 HS Orka secured a US\$290 million equivalent senior debt financing, extending HS Orka's Green Financing Framework to refinance HS Orka's existing debt facilities and to support its growth endeavours. In 2025 this long-term financing was largely used to fund the expansion of Svartsengi and exploratory drilling in the Krýsuvík area. The multi-currency infrastructure financing is provided by Icelandic banks, European banks, and US Private Placement lenders.

The power generation in MWh in 2025 was about 3.8% higher than in 2024. Nevertheless, some uncertainty remains with regard to the generation development of the geothermal resource. The condition and utilisation of this resource has a material impact on HS Orka's long-term performance. In 2025, continued emphasis has been on the development of the conceptual models and the reservoir models to stabilise the production capacity and ensure sustainable use of the resource. Due to seismic activities, increased gas emissions from the boreholes in Svartsengi have to some extent limited power output from the area. Mitigating actions have been identified and solutions successfully developed and implemented, such as upgrading and adjusting the gas extraction systems to the power plant.

A new 55 MW turbine unit was formally commissioned on 1 December 2025 at the expanded and renovated Svartsengi geothermal Power Plant, despite challenging work situation in the nearby area due to volcanic eruptions during construction. This expansion enables increased production in line with the plant's existing utilisation permit of 85 MW.

In 2025, the first deep exploratory well was drilled in Sveifluháls in the Krýsuvík area. Preparations are underway for two additional exploration boreholes scheduled to be completed in 2026. Measurements are being conducted to determine the utilisation potential of the area for hot and fresh water production and electricity generation. Work continues on obtaining necessary permits and advancing the pre-construction project planning, based on the research and utilisation agreement with the municipality of Hafnarfjörður.

Other projects being developed on the Reykjanes Peninsula are Eldvörp which is a rich geothermal capacity area and classified in the utilisation category of the Masterplan for Nature Preservation and Energy Utilisation. An assessment plan has been prepared for the proposed developments and efficiency testing is in progress on an older borehole in the area. Steam gathering pipelines from Eldvörp to Svartsengi are expected to enable the energy to be processed at the expanded Svartsengi Power Plant and thereby minimising the environmental footprint of the utilisation.

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

VesturVerk, a subsidiary of HS Orka, continues to work on the preparation of Hvalá hydropower power plant project located in the Westfjords of Iceland. Parallel to preparation work of VesturVerk, the national grid company, Landsnet, is working on the preparation of a HV-connection to the National grid. The project is a developing site in the National Framework for Energy Projects. A sustainability assessment of the project's preparatory stage, based on the Hydropower Sustainability Standard (HSS) was finalised last year awarded with Gold Label. Preparation for geological research at the dam- and tunnel sites continued and is ongoing, waiting for a final construction permit for bridging of the river Hvalá and constructing a road-path to the highland.

In April 2025 the Board of Directors of both HS Orka and Íslensk Orkuvirkjun Seyðisfirði ehf. (IOVS) approved to merge the companies. The merger was completed in June 2025 with the legal effective date of 1 January 2025. Further information on matters related to the merger is disclosed in note 5.

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

The Board of Directors propose that no dividend to be paid in the year 2026.

Share capital and Articles of Association

On an extraordinary shareholders meeting held on 22 September 2025, a proposal from the Board of Directors based on Article 55 of Act no. 2/1995, respecting Public Limited Companies (the Companies Act) on share capital reduction by 41,062 shares was approved. The share capital of the Company was reduced based on item 2 of Paragraph 2 of Article 51 of the Company Act with payment to shareholders in the amount of ISK 286 million in cash. The share capital was reduced by ISK 41,062 of nominal value or 41,062 shares, and was after the reduction ISK 6,747,758.

The number of shareholders at year end 2025 was two, unchanged from last year. HSO 1 ehf. with 99.99997% of shares and HSO 2 ehf. with 0.00003% of shares. The ultimate beneficial owners were Jarðvarmi slhf. and funds managed by Ancala Partners LLP, each with 50% of shares.

Corporate Governance

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

The Board of Directors held ten meetings in 2025, the Audit Committee four meetings and the Remuneration Committee four meetings. The Board of Directors consists of four members with equal representation of women and men. The Company's Executive Board in the year 2025 consisted of eight members, five men and three women. The gender ratio at HS Orka at the end of 2025 was 81% male vs. 19% female.

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

Information on matters related to financial risk management is disclosed in note 29.

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

Corporate Governance Statement

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

Statement of the Board of Directors and the CEO

To the best knowledge of the Board of Directors and the CEO, the Group's consolidated financial statements are in accordance with International Financial Reporting Standards as adopted by the EU and additional Icelandic disclosure requirements and it is the opinion of the Board of Directors and the CEO that the consolidated financial statements give a true and fair view of the Group's assets, liabilities and financial position as at 31 December 2025, its financial performance, and the changes in cash flows during the year 2025.

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

The Board of Directors and the CEO of HS Orka have today discussed the Group's consolidated financial statements for the year 2025 and confirmed by means of their signatures. The Board of Directors and the CEO will submit the consolidated financial statements for approval at the Annual General Meeting to be held on 28 April 2026.

Svartsengi, 27 March 2026

The Board of Directors

Adrian Pike
Chairman of the Board

Bjarni Þórður Bjarnason

Margrét Ormslev Ásgeirsdóttir

Heike Bergmann

Chief Executive Officer

Tómas Már Sigurðsson
Chief Executive Officer

Independent auditor's report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of HS Orka hf. ("the Company"), which comprise the statement of financial position as at 31 December 2025, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional disclosure requirement in accordance for companies in Iceland.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to audits of the consolidated financial statements of public interest entities in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

Emphasis of Matter related to Geophysical activity

Without qualifying our opinion we draw attention to Endorsment by the Board of Directors and CEO and to Note 40 of the consolidated financial statements, which describe the effects of geophysical activity in Reykjanes Peninsula that commenced on 25 October 2023.

Key Audit Matters

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

Independent Auditor's Report, contd.

Key Audit Matters, contd.

Key Audit Matter	The Audit
At year end 2025 Power Plants amounted to ISK 78,644 million (ref. note 4.e and 15). The Power Plants are measured at revalued cost less accumulated depreciation and impairment. The measurement is based on value-in-use method by discounting future cash-flows generated by the underlying assets. The recoverable amount of these assets was assessed at year end and compared to the carrying amount to assess whether there is a need for revaluation or an indication of impairment. This assessment lead to revaluation of ISK 2,900 million for Reykjanes power plant and ISK 1,000 million for Brú power plant. We focused on these assets due to the size of the carrying amount of the power plants in use, which represent 88% of total assets and because management's assessment of value in use involves significant judgement about forecasting and discounting future cash flows which are the basis of the measurement of the assets. Therefore, it is a key audit matter.	With the assistance of our valuation specialists we: • Assessed the cash flow models used by management in their calculations to assess recoverable amount at year end and verified the calculations of the model. • Focused on challenging management's forecasting based on the information about possible future utilization, capital expenditure and revenues of the power plants, both for current power plants and power plants under construction. • Assessed the reasonableness of the discount rate used by considering whether discount rates were within acceptable ranges and compared to market variables. • Performed sensitivity analysis on the assumption used. • Concluded on the appropriateness of relevant disclosures.

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

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

In preparing the consolidated financial statements, the Board of Directors and CEO are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

Independent Auditor's Report, contd.

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

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

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

We communicate with The Board of Directors and audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the Board of Directors and audit committee, we determine those matters that were of most significance in the audit of the consolidated 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.

Independent Auditor's Report, contd.

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Lilja Dögg Karlsdóttir.

Reykjavík, 27 March 2026

KPMG ehf.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2025

	Notes	2025	2024
Operating revenue	6	15.625.513	14.533.613
Other revenues (insurance claim)	6	81.803	60.938
Realised aluminium hedges	6	1.354	0
Production cost and cost of sales	7	(10.441.992)	(10.257.771)
Gross profit		<u>5.266.677</u>	<u>4.336.780</u>
Other operating expenses	8	(1.756.098)	(1.601.464)
Research and development	9	(80.408)	(82.908)
Other expenses		<u>(1.836.506)</u>	<u>(1.684.372)</u>
Profit from operations		<u>3.430.171</u>	<u>2.652.407</u>
Finance income		107.587	184.522
Finance costs		(2.202.816)	(2.830.869)
Net exchange rate differences		2.344.773	(70.066)
Changes in fair value of embedded derivatives	35	(11.485)	(41.713)
Changes in fair value of other derivatives	33, 35	964.189	(501.646)
Net finance income (expense)	13	<u>1.202.248</u>	<u>(3.259.773)</u>
Share of loss of associates	18	(24.053)	(2.731)
Profit (loss) before income tax		<u>4.608.366</u>	<u>(610.096)</u>
Income tax (expense) recovery	14	(866.917)	190.402
Net Profit, (loss)		<u>3.741.449</u>	<u>(419.694)</u>
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Revaluation of operating assets	15	3.900.000	0
Remeasurement of defined benefit liability	25	(342.748)	(101.075)
Tax on items not reclassified to profit or loss	14	(711.450)	21.226
Other comprehensive income (loss)		<u>2.845.802</u>	<u>(79.849)</u>
Total comprehensive income (loss)		<u><u>6.587.251</u></u>	<u><u>(499.543)</u></u>
Profit attributable to:			
Owners of the Parent Company		3.741.686	(419.328)
Non-controlling interest		(236)	(367)
Comprehensive income attributable to:			
Owners of the Parent Company		6.587.487	(499.177)
Non-controlling interest		(236)	(367)

Notes on pages 14-51 are an integral part of these financial statements

Consolidated Statement of Financial Position as at 31 December 2025

Assets	Notes	31.12.2025	31.12.2024
Fixed assets			
Operating assets	15	81.131.679	62.608.344
Operating assets under construction	16	0	10.040.132
Intangible assets	17	4.218.844	2.873.588
Investments in associates	18	93.754	50.435
Investments in other companies	19	16.725	16.725
Other investments		36.320	0
Embedded derivatives	33	0	37.395
Other derivatives	35	765.120	0
Aluminium hedges		0	1.725
Total fixed assets		86.262.443	75.628.345
Current assets			
Inventories		603.156	553.780
Trade and other receivables	20	2.063.937	2.729.436
Embedded derivatives	35	131.449	105.539
Aluminium hedges	35	0	23.219
Cash and cash equivalents		569.873	1.435.486
Total current assets		3.368.414	4.847.460
Total assets		89.630.858	80.475.805
Equity and liabilities			
Equity			
Share capital		6.748	6.789
Share premium and statutory reserve		6.837.564	6.837.564
Revaluation reserve		10.840.485	8.404.737
Retained earnings		19.643.243	15.777.475
Total equity attributable to owners of the parent company		37.328.040	31.026.565
Non-controlling interest		142.795	143.031
Total equity	22	37.470.835	31.169.596
Liabilities			
Loans and borrowings	23	34.017.999	32.084.121
Subordinated shareholder loan	24	6.565.697	6.535.111
Pension obligations	25	3.256.000	3.060.000
Deferred tax liability	26	5.050.353	3.785.237
Other derivatives	33	0	255.915
Lease commitment		363.100	331.738
Total non-current liabilities		49.253.149	46.052.121
Current liabilities			
Loans and borrowings	23	16.546	16.357
Lease commitment	27	34.871	33.971
Aluminium hedges	35	10.284	0
Other derivatives	33	195.222	173.605
Tax payable	26	299.530	0
Trade and other payables	28	2.350.420	3.030.154
Total current liabilities		2.906.874	3.254.087
Total liabilities		52.160.023	49.306.208
Total liabilities and equity		89.630.858	80.475.805

Notes on pages 14-51 are an integral part of these financial statements

Consolidated Statement of Changes in Equity for the year ended 31 December 2025

	Share capital	Share premium	Revaluation reserve	Retained earnings	Total	Non- controlling Interest	Total equity
2024							
Equity at 1 January 2024	6.789	6.837.564	9.082.368	15.599.021	31.525.742	143.398	31.669.140
Net loss for the year				(419.328)	(419.328)	(367)	(419.694)
Other comprehensive loss				(79.849)	(79.849)	0	(79.849)
Total comprehensive loss				(499.177)	(499.177)	(367)	(499.543)
Revaluation reserve transferred to Retained earnings			(677.630)	677.630	0		0
Equity at 31 December 2024	6.789	6.837.564	8.404.737	15.777.475	31.026.565	143.031	31.169.596
2025							
Equity at 1 January 2025	6.789	6.837.564	8.404.737	15.777.475	31.026.565	143.031	31.169.596
Net profit for the year				3.741.686	3.741.686	(236)	3.741.449
Other comprehensive income			3.120.000	(274.198)	2.845.802	0	2.845.802
Total comprehensive income				3.467.487	6.587.487	(236)	6.587.251
Decrease of share capital	(41)			(285.971)	(286.012)		(286.012)
Revaluation reserve transferred to Retained earnings			(684.252)	684.252	0		0
Equity at 31 December 2025	6.748	6.837.564	10.840.485	19.643.243	37.328.040	142.795	37.470.835

Notes on pages 14-51 are an integral part of these financial statements

Consolidated Statement of Cash Flows for the year ended 31 December 2025

Cash flows from operating activities	Notes	2025	2024
Profit (loss) for the year		3.741.449	(419.694)
Adjustments for:			
Gain on sale of operating assets		(26.597)	(14.008)
Pension obligations decrease	25	(146.748)	(111.075)
Depreciation and amortization	12	3.068.400	2.840.480
Net finance (income) expense	13	(1.202.248)	3.259.773
Share of loss of associates	18	24.053	2.731
Income tax expense (recovery)	14	866.917	(190.402)
Cash generated by operations		6.325.225	5.367.805
Inventories, (increase)		(49.376)	(49.614)
Receivables, decrease, (increase)		620.645	(960.881)
Current liabilities, (decrease), increase		(177.836)	23.729
Net cash from operations before interest and taxes		6.718.659	4.381.039
Interest received		103.787	178.378
Interest paid		(2.068.144)	(1.808.968)
Income taxes paid	26	0	(120.557)
Cash from operating activities		4.754.302	2.629.892
Cash flows from investing activities			
Acquisition of operating assets	15	(3.138.394)	(3.466.553)
Acquisition of operating assets under construction	13, 16	(4.019.881)	(4.927.991)
Proceeds from sale of operating assets		57.100	36.428
Acquisition of intangible assets	17	(1.401.395)	(461.119)
Acquisition of associates	18	(70.000)	(40.000)
Dividends received from associates		2.428	220
Proceeds on disposal of associates		0	200
Investing activities		(8.570.142)	(8.858.815)
Cash flows from financing activities			
Share capital reduction	22	(286.012)	0
New long-term borrowings	23	3.330.252	23.368.254
Repayment of borrowings	23	(16.366)	(20.959.768)
Repayment of lease commitment	27	(28.188)	(52.155)
Financing activities		2.999.686	2.356.331
Decrease in cash and cash equivalents		(816.155)	(3.872.592)
Effect of exchange rate fluctuations on cash held		(49.458)	23.533
Cash and cash equivalents at 1 January		1.435.486	5.284.544
Cash and cash equivalents at 31 December		569.873	1.435.486
Investing and financing activities not affecting cash flows			
Acquisition of operating assets under construction		487.231	(569.040)
Current liabilities, (decrease), increase		(487.231)	569.040

Notes on pages 14-51 are an integral part of these financial statements

Notes to the Financial Statements

1. Reporting entity

HS Orka hf. is a limited liability company domiciled in Iceland. The Company's registered office address is Orkubraut 3, Svartsengi, Grindavík, Iceland. The consolidated financial statements for HS Orka hf. for the year ended 31 December 2025 comprise the Company and its subsidiaries, together referred to as the "Group". The Group generates and sells electricity as well as cold water and hot water for heating. The Group is ultimately owned by Jarðvarmi slhf. and funds managed by Ancala Partners LLP, holding a 50% share each.

The consolidated financial statements of the Company include the financial statements of its subsidiary Vesturverk ehf. (Vesturverk). The Group's share of associates are accounted for on an equity basis of accounting. In the year 2025 HS Orka and its subsidiary Íslensk Orkuvirkjun Seyðisfirði ehf. merged, Further information on matters related to the merger is disclosed in note 5.

2. Statement of compliance

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

These consolidated financial statements were authorized for issue by the Board of Directors on 27 March 2026.

3. Basis of preparation

a. Basis of measurement

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

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

Management has assessed the Group's ability to continue as going concern, taking into account, e.g. financing structure, covenant compliance and geophysical activity. While this assessment involved significant judgement, management concluded that no material uncertainty exists.

b. Functional and presentation currency

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

c. Use of estimates and judgments

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

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

3. Basis of preparation, contd.

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

- Note 15. Depreciation of operating assets and revaluation of operating assets.
- Notes 16 and 17. Impairment of assets under construction and intangibles.
- Note 35. Fair value of embedded derivatives in power sales agreements.
- Note 25. Pension obligations.

d. Measurement of fair values

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

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

The finance department regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the finance department staff assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

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

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

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

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

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

Further information about the assumptions made in measuring fair values and accounting policies is included in the following notes:

- Note 15. Operating Assets.
- Note 35. Embedded derivatives in power sales contract.
- Notes 29-37. Risk management.

4. Material accounting policies

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

a. Basis of consolidation

(i) Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

(ii) Subsidiaries

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

(iii) Non-controlling interest

Non-controlling interest (NCI) are initially measured at the proportionate share of the acquiree's identifiable net assets at the date of acquisition. Transactions that result in changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders. As a result no gain or loss on such changes is recognized in the statement of profit or loss and no change in the carrying amounts of assets (including goodwill) or liabilities is recognized. All changes as a result of acquisitions and disposals of non-controlling interests are recognized directly in the statement of equity.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Financial Statements

4. Material accounting policies, contd.

(vi) Associates

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

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

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

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

b. Foreign currency

Foreign currency transactions

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

c. Financial instruments

(i) Non-derivative financial assets

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

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

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

4. Material accounting policies, contd.

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

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

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

(ii) Financial assets measured at amortised cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

(iii) Non-derivative financial liabilities

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

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

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

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

Notes to the Financial Statements

4. Material accounting policies, contd.

(iv) Derivative financial instruments

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

Separable embedded derivatives

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

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

(v) Share capital

Ordinary shares

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

d. Operating assets

(i) Recognition and measurement

Items of operating assets are measured at cost or revalued cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The Group's power plants and real estate holdings are measured at revalued cost in the statement of financial position. The revalued cost is the fair value at the revaluation date less accumulated depreciation. Revaluation is carried out on a regular basis. Any increase in the carrying amount of operating assets as a result of a revaluation is recognized in equity under the heading of revaluation reserve net of income tax. Depreciation of the revalued cost is recognized in profit or loss and an adjustment reflecting this amount is transferred quarterly from the revaluation reserve to retained earnings. Revaluations are expected to occur every three to four years or when market factors indicate a significant change in value. The latest valuation of Svartsengi Power plant, Reykjanes Power plant, Brú Power plant and the Fjarðará power plant took place on 31 December 2025.

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

Notes to the Financial Statements

4. Material accounting policies, contd.

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

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

e. Intangible assets

(i) Research and development

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

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

Notes to the Financial Statements

4. Material accounting policies, contd.

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

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

(iii) Other intangible assets

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

(iv) Subsequent expenditure

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

(v) Amortization

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

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

Software	5-10 years
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Amortization methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

f. Leased assets

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

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

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

4. Material accounting policies, contd.

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

g. Inventories

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

4. Material accounting policies, contd.

h. Impairment

(i) Non-derivative financial assets

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

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

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

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

i. Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans or pension fund commitment is calculated separately for each plan by estimating the amount of future benefit that current and former employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The calculation is performed annually by qualified actuaries and specialists from the pension funds using a method based on earned benefits. Remeasurements of the net defined liabilities related to actuarial gains and losses are recognised in OCI, other expenses related to the defined benefit plans are recognized as incurred in profit or loss.

4. Material accounting policies, contd.

j. Provisions

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

k. Revenue

The Group recognises revenue from the following major sources

(i) Electricity

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

Revenues are usually invoiced monthly with 30 day payment terms.

(ii) Water (hot and cold)

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

Revenues are usually invoiced monthly with 30 day payment terms.

(iii) Other

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

Revenues are usually invoiced monthly with 30 day payment terms.

l. Net finance income (expense)

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

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

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

4. Material accounting policies, contd.

m. Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

The following new and amended standards and interpretations are effective for annual periods beginning after 1 January 2025 are not expected to have a significant impact on the consolidated financial statements.

– Lack of Exchangeability (Amendments to IAS 21)

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

A number of new standards are effective for annual periods beginning after 1 January 2025 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

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

Notes to the Financial Statements

4. Material accounting policies, contd.

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

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

5. Business combinations

Merger with Íslensk Orkuvirkjun Seyðisfirði ehf.

On 31 August 2023, the Group acquired 100 per cent of the issued share capital and voting interests of Íslensk Orkuvirkjun Seyðisfirði ehf. (IOVS). In April 2025 the Board of Directors of both companies approved to merge HSO and IOVS, and the merger was completed in June 2025 with the legal effective date of 1 January 2025.

IOVS was a hydro power generator in Iceland with power licences of 9.8 MW in total for electrical power production.

The following table summarizes the recognized book value amounts of assets and liabilities of IOVS at the date of the merger.

Operating assets	6.215.121
Intangible assets	19.998
Trade and other receivables	58.187
Cash and cash equivalents	123.945
Loans and borrowings	(2.244.590)
Deferred tax liability	(614.247)
Trade and other payables	(36.723)

6. Revenue split

The Group's revenue split is as follows:

	2025	2024
Electricity power intensive ¹	3.470.516	3.574.986
Electricity other	9.910.809	8.208.033
Water (hot and cold)	1.163.661	1.186.022
Other	1.080.527	1.440.686
Revenue from contracts with customers	15.625.513	14.409.726
Insurance claim	81.803	60.898
Other	0	123.927
Realised aluminium hedges	1.354	0
	15.708.669	14.594.551

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

Notes to the Financial Statements

7. Production cost, cost of sales and service

	2025	2024
Production cost	6.397.796	5.708.996
Cost of sales	4.044.197	4.548.775
	<u>10.441.992</u>	<u>10.257.771</u>

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

	2025	2024
Salaries and related expenses	1.359.474	1.334.779
Depreciation	2.920.496	2.743.303
Power purchases	3.214.267	3.753.026
Transmission cost	702.332	779.998
Maintenance and other production cost	2.245.423	1.646.665
	<u>10.441.992</u>	<u>10.257.771</u>

8. Other operating expenses

	2025	2024
Salaries and related expenses	767.639	711.193
Increase in pension fund obligation	57.473	56.027
Administrative expenses	790.467	742.451
Depreciation and amortization	140.520	91.794
	<u>1.756.098</u>	<u>1.601.464</u>

9. Research and development

	2025	2024
Salaries and related expenses	57.051	57.826
R&D projects	15.972	19.700
Depreciation and amortization	7.384	5.382
	<u>80.408</u>	<u>82.908</u>

Notes to the Financial Statements

10. Salaries and related expenses

	2025	2024
Salaries	1.933.377	1.802.035
Contribution to defined contribution fund	256.411	241.053
Increase in pension obligation, see note 25	400.221	157.101
Other salary related expenses	247.230	235.357
	<u>2.837.238</u>	<u>2.435.545</u>
 Average number of employees equivalent	 94	 93

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

	2025	2024
Capitalized on projects	252.853	174.647
Production cost and cost of sale	1.359.474	1.334.779
Research and development	57.051	57.826
Other operating expenses	825.111	767.220
Recognized in other comprehensive income	342.748	101.075
	<u>2.837.238</u>	<u>2.435.545</u>

Salaries paid to the Board of Directors and management amounted to ISK 109 million in 2025 (2024: ISK 103 million).

11. Auditor's fee

Fee's paid to the Group's auditors in the year 2025 were ISK 33.2 million (2024: ISK 23.3 million) thereof ISK 27.5 million (2024: ISK 19.9 million) reflects fees for the audit of the Annual Consolidated Financial Statements. Other services bought from KPMG amounted to ISK 5.7 million in 2025 (2024: ISK 3.5 million).

12. Depreciation and amortization

Depreciation and amortization is specified as follows:

	2025	2024
Depreciation of operating assets, see note 15	3.012.261	2.819.322
Amotization of intangible assets, see note 17	56.138	21.158
	<u>3.068.400</u>	<u>2.840.480</u>

Depreciation, amortization and impairment is allocated as follows:

Production cost and cost of sales	2.920.496	2.743.303
Other operating expenses	140.520	91.794
Reasearch and development	7.384	5.382
	<u>3.068.400</u>	<u>2.840.480</u>

Notes to the Financial Statements

13. Finance income and expense

Finance income and expenses are specified as follows:

Finance income:

	2025	2024
Interest income on cash, loans and receivables	107.587	184.522
	<u>107.587</u>	<u>184.522</u>

Finance costs:

Interest expense on loans and borrowings	(2.157.579)	(2.792.900)
Interest expense on lease liabilities	(45.237)	(37.969)
	<u>(2.202.816)</u>	<u>(2.830.869)</u>
Net exchange rate differences	2.344.773	(70.066)
Changes in fair value of embedded derivatives	(11.485)	(41.713)
Changes in fair value of other derivatives	964.189	(501.646)
	<u>3.297.477</u>	<u>(613.425)</u>
Net finance income (expense)	<u>1.202.248</u>	<u>(3.259.773)</u>
Capitalized interest at 8.55% (2024: 8.57%)	953.971	537.707

14. Income tax

Effective tax in the income statement is specified as follows:

	2025	2024
Origination and reversal of temporary difference.....	(567.386)	190.402
Current tax.....	(299.530)	0
	<u>(866.917)</u>	<u>190.402</u>

Effective tax rate is specified as follows:

Profit (loss) for the year.....	3.741.449	(419.694)
Income tax expense (recovery).....	866.917	(190.402)
Profit before income tax.....	<u>4.608.366</u>	<u>(610.096)</u>

	2025		2024	
Income tax at current tax rate	(921.673)	20,0%	128.120	21,0%
Effect of associates	(4.811)	0,1%	(573)	(0,1%)
Non-deductible expenses	9	(0,0%)	9	0,0%
Tax deductible depreciation				
in excess of cost	81.442	(1,8%)	84.731	13,9%
Other items	(21.883)	(0,5%)	(21.885)	(3,6%)
Effective income tax rate	<u>(866.917)</u>	18,8%	<u>190.402</u>	31,2%

Income tax recognized in OCI is specified as follows:

	2025	2024
Income tax on revaluation on operating assets	780.000	0
Tax on other item that will not be reclassified to profit or loss	(68.550)	(21.226)
Total income tax in OCI	<u>711.450</u>	<u>(21.226)</u>

Notes to the Financial Statements

15. Operating assets

Revaluation of operating assets

Svartsengi, Reykjanes, Brú and Fjarðará power plants were revalued to fair value on 31 December 2025. The revaluation at year-end 2025 amounted to ISK 2,900 million for Reykjanes, ISK 1,000 million for Brú and no revaluation was recognized for Svartsengi and Fjarðará.

Fair value of the power plants was determined using the discounted cash flow method. The cash flow was projected using estimates for the next nineteen years and expected future value calculated for the years thereafter. Projections and estimates are based on a financial budget approved by the Board of Directors, historical knowledge and data on the generation development in the area. The calculations were performed by the HS Orka finance division and are categorised as Level 3 fair value hierarchy.

The discount rate was 10.70% for Svartsengi and Reykjanes, 9.75% for Brú and Fjarðará and estimated long term inflation of 3.70%. The estimated fair value would increase (decrease) if discount rates were lower (higher) and long term inflation rates were higher (lower).

	Power plants	Other operating assets	Total
Historical cost			
Balance at 1 January 2024	62.536.002	2.402.489	64.938.491
Additions during the year	3.171.720	294.834	3.466.553
Transferred from intangible assets	24.577	0	24.577
Eliminated on disposal	0	(57.084)	(57.084)
Lease assets	0	299.397	299.397
Balance at 31 December 2024	65.732.299	2.939.636	68.671.935
Additions during the year	2.827.941	310.454	3.138.394
Transferred from operating assets under construction	14.526.752	0	14.526.752
Eliminated on disposal	0	(88.767)	(88.767)
Lease assets	0	1.052	1.052
Revaluation at 31 December 2025	3.900.000	0	3.900.000
Depreciation adjustments due to revaluation	(8.318.510)	0	(8.318.510)
Balance at 31 December 2025	78.668.481	3.162.376	81.830.857
Depreciation			
Balance at 1 January 2024	2.756.749	522.182	3.278.931
Depreciation for the year	2.700.494	118.828	2.819.322
Eliminated on disposal	0	(34.663)	(34.663)
Balance at 31 December 2024	5.457.243	606.347	6.063.590
Depreciation for the year	2.861.267	150.995	3.012.261
Eliminated on disposal	0	(58.164)	(58.164)
Depreciation adjustments due to revaluation	(8.318.510)	0	(8.318.510)
Balance at 31 December 2025	0	699.177	699.177

Notes to the Financial Statements

15. Operating assets, contd.

Net book value

Book value at 1 January 2024	59.779.253	1.880.307	61.659.560
Book value at 31 December 2024	60.275.055	2.333.290	62.608.344
Book value at 31 December 2025	78.668.481	2.463.198	81.131.679

Net book value without revaluation

1 January 2024	47.057.211	1.827.812	48.885.023
31 December 2024	48.330.424	2.036.504	50.366.929
31 December 2025	65.423.524	2.146.824	67.570.348

Depreciation rates	2-5%	5-20%
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Other operating assets include capitalized land and buildings with the carrying amount of ISK 1,257 million (2024: ISK 1,269 million).

Rateable value and insurance value

Rateable value of the Group's buildings amounted to ISK 5,589 million at year-end 2024 (2024: ISK 4,774 million) and land measured at rateable value amounted to ISK 3,213, million (2024: ISK 3,188 million). Insurance value of the Group's assets amounted to ISK 109,102 million (2024: ISK 78,315 million).

Pledge of assets

In relation to the refinancing of the Parent Company in 2024 the pledge of all of the Parent Company's real estates was released, except the undivided land Járngerðarstaðir, Grindavík, but the Parent Company's shares have been pledged along with the rights, title and interest in and to the Parent Company's bank accounts. The Parent Company's subordinated intragroup liabilities to Vesturverk have also been pledged, further details in Note 39, Related parties.

16. Operating assets under construction

Operating assets under construction are specified as follows:

Net book value at 1 January 2024	4.005.394
Additions during the year	6.034.738
Net book value at 31 December 2024	10.040.132
Additions during the year	4.486.620
Svartsengi power plant unit 7 (SVA7) transferred to Operating assets	(14.526.752)
Net book value at 31 December 2025	0

Notes to the Financial Statements

17. Intangible assets

	Software	Development costs	Total
Historical cost			
Balance at 1 January 2024	443.971	2.508.345	2.952.317
Transferred to operating assets	0	(24.577)	(24.577)
Additions during the year	159.150	301.970	461.119
Balance at 31 December 2024	603.121	2.785.738	3.388.859
Additions during the year	28.840	1.372.555	1.401.395
Balance at 31 December 2025	631.961	4.158.293	4.790.254
Amortization			
Balance at 1 January 2024	347.873	146.241	494.114
Amortization for the year	21.158	0	21.158
Balance at 31 December 2024	369.030	146.241	515.271
Amortization for the year	36.141	19.998	56.138
Balance at 31 December 2025	405.171	166.239	571.410
Net book value			
Net book value at 31 December 2024	234.091	2.639.497	2.873.588
Net book value at 31 December 2025	226.790	3.992.055	4.218.844
Amortization rates	10-25%		

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

Krýsuvík

Drilling in Sveifluháls in the Krýsuvík area started in April and was completed in July 2025. Work continues regarding the utilisation potential of the area for hot and fresh water production and electricity generation. The carrying amount of Krýsuvík was at year end 2025 ISK 1,646 million (2024 year end ISK 488 million).

Trölladyngja

In 2022 The Icelandic parliament accepted “Rammaáætlun III” a National Framework for Energy Projects, which categorised existing potential hydro and geothermal power sites into three groups: sites for protection, pending sites and sites for power development. The Trölladyngja area is categorised as a pending site meaning more information, research and data is required including results from ongoing exploration drilling in the other subfields of Krýsuvík, Sveifluháls and Austurengjar. The carrying amount of Trölladyngja was at year end 2025 ISK 683 million (2024 year end ISK 683 million).

Notes to the Financial Statements

17. Intangible assets, contd.

Hvalá

VesturVerk, a subsidiary of HS Orka, continues to work on the preparation of Hvalá hydropower power plant (HPP) project located in the north Westfjords of Iceland. Parallel to the work of VesturVerk, the national grid company, Landsnet, is working on the preparation of a HV-connection to the National grid. The project is categorised as a site for power development in the National Framework for Energy Projects. A sustainability assessment of the project's preparatory stage, based on the Hydropower Sustainability Standard (HSS) was finalised last year awarded with Gold Label. VesturVerk announced to the landowner that yearlong research confirms a feasible resource and that VesturVerk will use its pre-emptive rights to build the project consistent with the landowner contract. Preparation for geological research at the dam- and tunnel sites continued and is ongoing, waiting for a final construction permit for bridging of the river Hvalá and constructing a road-path to the highland. This part of the construction work is defined as a "Preparation work" for building the Hvalá hydro HPP.

18. Investments in associates

Investments in associates are as follows:

Shares in associates	Share	Carrying amount	Share	Carrying amount
		31.12.2025		31.12.2024
DMM lausnir ehf., Iceland	27,20%	18.994	27,20%	16.844
Afl og Orka ehf., Iceland	50,00%	74.260	33,33%	33.092
Suðurorka ehf., Iceland	50,00%	0	50,00%	0
HS Orkurannsóknir ehf., Iceland	100,00%	500	100,00%	500
		<u>93.754</u>		<u>50.435</u>
			2025	2024
Balance at beginning of year			50.435	13.166
Share of profit (loss) of associates			(24.053)	(2.731)
			<u>(24.053)</u>	<u>(2.731)</u>
Additions during the year			70.000	40.000
Impairment			(200)	0
Dividends received			(2.428)	0
Balance at year end			<u>93.754</u>	<u>50.435</u>

19. Investments in other companies

	Share	Carrying amount	Share	Carrying amount
		31.12.2025		31.12.2024
Íslensk nýorka ehf., Iceland	8,55%	15.575	8,55%	15.575
Ölfus Cluster þekkingarsetur ses.		1.000		1.000
BB útgáfufélag ehf., Iceland	79,79%	150	79,79%	150
		<u>16.725</u>		<u>16.725</u>

Notes to the Financial Statements

20. Trade and other receivables

Trade and other receivables are specified as follows:

	2025	2024
Trade receivables	2.166.816	2.727.396
Allowance for bad debt	(138.555)	(39.852)
Total trade receivables	2.028.261	2.687.545
Other receivables	35.675	41.891
	<u>2.063.937</u>	<u>2.729.436</u>

21. Cash and cash equivalents

Cash and cash equivalents are as follows:

	2025	2024
Bank balances	569.873	1.435.486
	<u>569.873</u>	<u>1.435.486</u>

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities is disclosed in note 33.

22. Equity

Issued share capital, as stipulated in the Company's Articles of Association, amounted to ISK 6,747,758 (2024: ISK 6,788,820). One vote is attached to each share of one ISK in the Company in addition to rights to receive dividends. All issued capital has been paid in full.

On an extraordinary shareholders meeting held on 22 September 2025, a proposal from the Board of Directors based on Article 55 of Act no. 2/1995, respecting Public Limited Companies (the Companies Act) on share capital reduction by 41,062 shares was approved. The share capital of the Company was reduced based on item 2 of Paragraph 2 of Article 51 of the Company Act with payment to shareholders in the amount of ISK 286 million in cash. The share capital was reduced by ISK 41,062 of nominal value or 41,062 shares, and was after the reduction ISK 6,747,758.

Share premium and statutory reserve

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

Revaluation reserve

The revaluation reserve relates to the revaluation of operating assets, net of income tax. The revaluation reserve is dissolved in accordance with annual depreciation of the revaluation in profit or loss. Dissolution of the revaluation is recognized in retained earnings. The revaluation reserve may not be distributed as dividends to the Company's shareholders.

Dividends

In 2025 no dividend was distributed to shareholders (2024: No dividend distributed). The Board of Directors propose that no dividend will be paid in the year 2026.

Notes to the Financial Statements

23. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Group's exposure to liquidity, interest rate and foreign currency risk, see notes 31, 33 and 34.

	2025	2024
Total interest bearing debt and borrowings 1 January	32.100.478	29.294.956
New long-term loans and borrowings	3.368.415	25.048.802
Capitalized borrowing cost	(38.163)	(1.680.548)
Repayment of long-term loans and borrowings	(16.366)	(20.959.768)
Changes related to financing cash flows	3.313.886	2.408.486
Acquisition of subsidiary	114	0
Currency exchange difference	(1.809.915)	974
Accrued effective interests on long-term loan	429.982	396.062
Other liability related changes	(1.379.819)	397.036
Total interest bearing debt and borrowings 31 December	34.034.545	32.100.478
	31.12.2025	31.12.2024
Secured bank loans	34.034.545	32.100.478
Total interest bearing debt and borrowings	34.034.545	32.100.478
Current maturities of secured bank loans	16.546	16.357
Current debt	16.546	16.357
Non current debt	34.017.999	32.084.121

Notes to the Financial Statements

23. Loans and borrowings, contd.

			31.12.2025		31.12.2024
Loans in foreign currency:	Final due date	Weighted	Carrying	Weighted	Carrying
		average interest rate	amount	average interest rate	amount
Loans in USD.....	2029	8,27%	16.662.763	8,65%	14.482.706
Loans in USD.....	2032	7,66%	6.790.302	7,66%	7.490.636
Loans in EUR.....	2029	6,65%	10.475.374	7,67%	10.004.777
			<u>33.928.438</u>		<u>31.978.119</u>
Loans in ISK	2031	9,46%	106.107	9,34%	122.359
			<u>106.107</u>		<u>122.359</u>
Total interest-bearing loans and borrowings.....			<u>34.034.545</u>		<u>32.100.478</u>
Annual maturities of loans and borrowings are as follows:				2025	2024
Year 2025				0	16.357
Year 2026				16.546	16.473
Year 2027				16.669	16.602
Year 2028				16.805	16.747
Year 2029				27.155.091	24.504.392
Year 2030				17.121	16.747
Subsequent				6.812.313	7.513.161
				<u>34.034.545</u>	<u>32.100.478</u>

In July 2024 HS Orka secured about ISK 30 billion equivalent financing from a group of domestic and international banks consisting of loan facilities in aggregate amounting to USD 95 million, EUR 75 million and ISK 8.5 billion (optional currencies EUR or USD) of which ISK 4.25 billion is a revolving facility. Drawdowns on the revolving facility are recorded under liabilities (non-current) in the Statement of financial position as the Group can unilaterally roll-over drawdowns up to the final maturity of the facility. The loan facilities have a term of 5 years. The USD and EUR facilities were fully drawn at year end 2025 but the undrawn amount under the ISK facilities was about ISK 3.3 billion (USD 26.4 million). Additionally, a USD 55 million US Private Placement (USPP) bond with a term of 8 years was issued in 2024. The financing contains financial covenants on leverage ratio and interest coverage.

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

Notes to the Financial Statements

24. Subordinated shareholder loan

A USD 38 million subordinated and unsecured shareholder loan was provided to HS Orka in November 2022 with a term of 7 years for funding the building of the REY4 power plant. The shareholder loan carries a fixed rate of 10.9% per annum, interest will accrue until the principal amount and interest is paid in full at the maturity date. In July 2024, the term of the shareholder loan was extended by about 5 years or to July 2034.

	2025	2024
Total subordinated shareholder loan 1 January	6.535.111	5.807.517
Currency exchange difference	(629.098)	86.962
Accrued effective interests on long-term loan	659.683	640.632
Liability related changes	30.586	727.594
Total subordinated shareholder loan 31 December	6.565.697	6.535.111

25. Pension obligations

	2025	2024
Pension commitment at 1 January	3.060.000	3.070.000
Contribution during the year	(204.221)	(167.104)
Interest expenses	57.473	56.029
Actuarial changes charged to other comprehensive income	342.748	101.075
Pension commitment at 31 December	3.256.000	3.060.000

Pension obligations are as follows:

The pension fund for State employees	1.748.677	1.594.989
The pension fund for Municipality of Hafnarfjörður employees	804.520	807.004
The pension fund for Municipality of Westman Islands employees	702.802	658.007
	3.256.000	3.060.000

According to Actuaries' and Brú Pension Fund's assessment, the Company's accrued pension obligations amounted at year end 2025 to ISK 3,256 million (2024: ISK 3,060 million), discounted based on an interest rate of 2.0%, taking into account the net assets of the pension funds. Presumptions on life expectancy, mortality rate and discount rate are in accordance with provisions of Regulation no. 391/1998 on obligatory pension right insurance and pension funds' operation. The increase is largely due to general salaries increase, changes in achieved rights and effect of interest for present value calculations.

Notes to the Financial Statements

26. Deferred tax liability

Movement in deferred tax liability is specified as follows:	2025	2024
Balance at beginning of year	3.785.237	3.774.471
Changes recognized in profit or loss	866.917	(190.402)
Changes recognized in other comprehensive income	711.450	(21.226)
Tax payable	(299.530)	0
Changes due to joint taxation	(2.084)	0
Other changes	(11.637)	222.393
Balance at year end	<u>5.050.353</u>	<u>3.785.237</u>

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

	31.12.2025	31.12.2024
Operating and intangible assets	5.342.067	4.609.079
Inventories and other items	(1.077)	(8.570)
Trade and other receivables	(6.022)	23.125
Pension obligation	(651.200)	(612.000)
Derivatives	138.213	(52.328)
Lease liability	(79.594)	(127.901)
Deferred foreign exchange difference	307.965	58.620
Tax losses carried forward	0	(104.789)
	<u>5.050.353</u>	<u>3.785.237</u>

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

The Group did not pay income tax in the year 2025 due to net losses incurred in the year 2024. Under applicable tax regulations, this loss has been carried forward to offset the current year's taxable income.

Notes to the Financial Statements

27. Leases

The Group has leases for properties and land. These leases have terms of between 2 and 55 years.

Right-of-use assets

Right-of-use assets related to leased properties are presented as operating assets in Note 15.

Lease commitment

	2025	2024
As at 1 January	365.709	143.642
Additions	84.586	215.316
Eliminated on disposal	(45.582)	0
Non-cash additions due to increases in variable lease payments	21.446	20.937
Payments	(73.425)	(52.155)
Interests expense	45.237	37.969
As at 31 December	<u>397.972</u>	<u>365.709</u>
Current	34.871	33.971
Non-current	<u>363.100</u>	<u>331.738</u>
	<u>397.972</u>	<u>365.709</u>

The maturity analysis of the lease commitment is presented in in Note 31, Liquidity risk.

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

	2025	2024
Variable payments linked to the Icelandic consumer price index	69.808	48.676
Other variable payments	3.617	3.478
	<u>73.425</u>	<u>52.155</u>

Amounts recognised in profit or loss:

	2025	2024
Depreciation expense on right-of-use assets	45.808	39.472
Interest expense on lease liabilities	45.237	37.969
	<u>91.045</u>	<u>77.442</u>

Notes to the Financial Statements

28. Trade and other payables

Trade and other payables are as follows:

	31.12.2025	31.12.2024
Trade payables	1.786.547	1.876.808
Trade payables due to operating assets under construction	105.365	682.204
Other payables	458.509	471.142
	<u>2.350.420</u>	<u>3.030.154</u>

The Group's exposure to liquidity and currency risk related to trade and other payables, see notes 31 and 34.

29. Risk management

Overview

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

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

Risk management framework

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

Notes to the Financial Statements

30. Credit risk

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

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

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

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

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

Exposure to credit risk

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

Exposure to credit risk at the reporting date was:

	31.12.2025	31.12.2024
Other investments	36.320	0
Trade receivables	2.028.261	2.687.345
Other receivables	35.675	42.091
Cash and cash equivalents	569.873	1.435.486
	<u>2.670.130</u>	<u>4.164.922</u>

Notes to the Financial Statements

30. Credit risk, contd.

Age debtor analysis and loss allowance

		31.12.2025		
	Gross value	Loss allowance	Specific allowance	Net carrying amount
Not past due	1.881.260	8.698	116.001	1.756.562
Past due 0 - 30 days	151.068	1.511	0	149.557
Past due 31 - 60 days	126.116	6.306	0	119.810
Past due 61 - 90 days	164	82	0	82
Past due more than 90 days	8.208	5.958	0	2.251
	<u>2.166.816</u>	<u>22.554</u>	<u>116.001</u>	<u>2.028.261</u>

		31.12.2024		
	Gross value	Loss allowance	Specific allowance	Net carrying amount
Not past due	2.426.762	12.132	0	2.414.630
Past due 0 - 30 days	194.353	1.944	0	192.410
Past due 31 - 60 days	53.576	2.679	0	50.897
Past due 61 - 90 days	260	130	0	130
Past due more than 90 days	52.445	22.968	0	29.477
	<u>2.727.396</u>	<u>39.852</u>	<u>0</u>	<u>2.687.545</u>

	2025	2024
Loss allowance balance at 1 January	39.852	31.767
Changes during the year	111.801	8.310
Write offs	(13.098)	(225)
Loss allowance balance at 31 December	<u>138.555</u>	<u>39.852</u>

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

31. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing liquidity is to ensure sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. At year end 2025 the Group held cash and cash equivalents in the amount of ISK 570 million (2024: ISK 1,435 million). In addition ISK 1,621 million were undrawn on a capex facility (2024: ISK 3,283 million) and ISK 1,683 million were undrawn on a revolving facility (2024: ISK 3,283 million).

Notes to the Financial Statements

31. Liquidity risk, contd.

Exposure to liquidity risk

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

31 December 2025

Contractual cash flows	Carrying amount	Within 1 year	1-5 years	5+ years	Total
Loans and borrowings	(34.034.545)	(2.098.581)	(34.523.902)	(7.692.722)	(44.315.205)
Subordinated					
shareholder loan	(6.565.697)	0	0	(15.871.800)	(15.871.800)
Lease commitments	(397.972)	(70.671)	(285.953)	(381.698)	(738.322)
Tax payable	(299.530)	(299.530)	0	0	(299.530)
Trade and other payables ..	(2.350.420)	(2.350.420)	0	0	(2.350.420)
	<u>(43.648.164)</u>	<u>(4.819.203)</u>	<u>(34.809.854)</u>	<u>(23.946.221)</u>	<u>(63.575.278)</u>
Contractual cash flows of derivatives					
Aluminium hedge	(10.284)	(6.449)	0	0	(6.449)
Cross currency swap	693.287	(182.494)	587.388	0	404.894
Interest rate swap	(123.388)	(39.199)	(90.270)	0	(129.469)
	<u>559.614</u>	<u>(228.142)</u>	<u>497.118</u>	<u>0</u>	<u>268.976</u>
Total contractual cash flows		<u>(5.047.345)</u>	<u>(34.312.737)</u>	<u>(23.946.221)</u>	<u>(63.306.302)</u>

31 December 2024

Contractual cash flows	Carrying amount	Within 1 year	1-5 years	5+ years	Total
Loans and borrowings	(32.100.478)	(2.083.792)	(33.554.546)	(9.080.107)	(44.718.446)
Subordinated					
shareholder loan	(6.535.111)	0	0	(17.498.277)	(17.498.277)
Lease commitments	(365.709)	(297.023)	(322.319)	(218.540)	(837.881)
Trade and other payables ..	(3.030.154)	(3.030.154)	0	0	(3.030.154)
	<u>(42.031.452)</u>	<u>(5.410.969)</u>	<u>(33.876.865)</u>	<u>(26.796.924)</u>	<u>(66.084.758)</u>
Contractual cash flows of derivatives					
Aluminium hedge	24.944	0	0	0	0
Cross currency swap	(556.959)	(230.941)	(602.393)	0	(833.334)
Interest rate swap	127.439	71.866	62.682	0	134.547
	<u>(404.575)</u>	<u>(159.075)</u>	<u>(539.711)</u>	<u>0</u>	<u>(698.787)</u>
Total contractual cash flows		<u>(5.570.044)</u>	<u>(34.416.576)</u>	<u>(26.796.924)</u>	<u>(66.783.544)</u>

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

Notes to the Financial Statements

32. Market risk

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

33. Interest rate risk

The majority of the Group's long-term borrowings carries floating interest rates. To mitigate this risk the Group has entered into a cross currency swap and an interest rate swap which included brings the ratio of fixed interest on debt to about 86% (subordinated shareholder loan included) at the end of the year (2024: 94% fixed).

Fair value of interest rate swaps

	2025	2024
Fair value of interest rate swaps at 1 January	127.439	97.071
Changes in fair value	(250.827)	30.368
Fair value of interest rate swaps at 31 December	<u>(123.388)</u>	<u>127.439</u>

Fair value of cross currency interest rate swap

Fair value of cross currency interest rate swap at 1 January	(556.959)	0
Changes in fair value	1.250.245	(556.959)
Fair value of cross currency interest rate swap at 31 December	<u>693.287</u>	<u>(556.959)</u>

Fair value is based on brokers quote.

Financial instruments with floating interest rates

Financial assets	569.873	1.435.486
Financial liabilities	(27.244.243)	(24.520.033)
Cross currency swap	10.833.000	10.590.141
Interest rate swap	11.706.200	12.921.700
	<u>(4.135.170)</u>	<u>427.293</u>

Notes to the Financial Statements

33. Interest rate risk, contd.

Financial instruments with fixed interest rates

Financial liabilities	(6.790.302)	(7.580.445)
Subordinated shareholder loan	(6.565.697)	(6.535.111)
Cross currency swap	(10.071.755)	(11.117.544)
Interest rate swap	(11.706.200)	(12.921.700)
	<u>(35.133.954)</u>	<u>(38.154.801)</u>

Cash flow sensitivity analysis for floating interest rate instruments

An increase or decrease in interest rates of 100 basis points at the reporting date would have increased (decreased) the return after tax by the following amounts. This analysis is based on the assumption that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for the year 2024.

	Profit or loss	
	100 bp increase	100 bp decrease
31.12.2025		
Financial instruments with floating interest rates	(33.081)	33.081
Cash flow sensitivity analysis, net	<u>(33.081)</u>	<u>33.081</u>

31.12.2024

Financial instruments with floating interest rates	3.376	(3.376)
Cash flow sensitivity analysis, net	<u>3.376</u>	<u>(3.376)</u>

Fair value sensitivity analysis for changes in interest rates

An increase or decrease in interest rates of 100 basis points at the reporting date would have increased (decreased) the return after tax by the following amounts. This analysis is based on that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for the year 2024.

	Profit or loss	
	100 bp increase	100 bp decrease
31.12.2025		
Embedded derivative in power sales contract	(421)	427
Aluminium hedge	38	(39)
Cross currency swap	191.008	(196.509)
Interest rate swap	223.993	(230.605)
Total	<u>414.618</u>	<u>(426.725)</u>

31.12.2024

Embedded derivative in power sales contract	(758)	772
Aluminium hedge	(107)	108
Cross currency swap	287.983	(299.385)
Interest rate swap	333.063	(333.063)
Total	<u>620.182</u>	<u>(631.569)</u>

Notes to the Financial Statements

34. Foreign exchange risk

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

The Group has executed a cross currency swap which converts the majority of the companies loans in EUR to USD. About 21% (2024: 32%) of the Company's revenue in 2025 was in USD mitigating the risk from USD denominated debt and 13% was in EUR (2024: 8%).

Exposure to foreign exchange risk

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

31.12.2025	Assets	Liabilities	Currency swap	Net exposure
EUR	237.871	(11.048.310)	10.833.000	22.561
USD	1.824.157	(30.966.694)	(10.071.755)	(39.214.292)
JPY	209	(0)	0	209
Other	511	(31.645)	0	(31.134)
	<u>2.062.747</u>	<u>(42.046.649)</u>	<u>761.245</u>	<u>(39.222.656)</u>

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

Exchange rates against the ISK were:	Average exchange rate		Year end exchange rate	
	2025	2024	2025	2024
EUR	144,65	149,31	147,20	143,90
USD	128,37	137,93	125,20	138,20
JPY	0,86	0,91	0,80	0,88

Sensitivity analysis

A 10 percent strengthening of the ISK against the following currencies at 31 December would have increased (decreased) profit or loss after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2024.

	2025	2024
EUR	(1.805)	19.232
USD	3.137.143	3.109.260
JPY	(17)	170
Other	2.491	494

Notes to the Financial Statements

34. Foreign exchange risk, contd.

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

35. Aluminium price risk

In 2004 the Group signed a power sales agreement with Norðurál on power supply until 2026. The agreement is USD denominated and the power price is linked to the price of aluminum on the London Metal Exchange (LME). The Group has entered into derivative agreements fixing an aluminium price range for the purpose of mitigating aluminum price risk fluctuations and secure the contracted income, i.e. to secure the revenue when prices go below the defined range or realise less income if prices go above. As a result of Norðurál operational problems in 2025 about 107% of sales to Norðurál was hedged against changes in the price of aluminium (2024: 68%) with the realised impact of the overhedging being immaterial.

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

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

Fair value of embedded derivatives is as follows:

	2025	2024
Fair value of embedded derivatives at 1 January	142.935	184.647
Changes in fair value	(11.485)	(41.713)
Fair value of embedded derivatives at 31 December	131.449	142.935
Interest rates used for determining fair value of embedded derivative	4.5%	6.0%

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

Fair value of aluminium hedge derivatives is as follows:

	2025	2024
Fair value of aluminium hedge derivatives at 1 January	24.944	0
Realised aluminium hedges	1.354	0
Other changes in fair value	(36.582)	24.944
Fair value of aluminium hedge derivatives at 31 December	(10.284)	24.944

Sensitivity analysis

A 10 percent increase or decrease of aluminium prices at 31 December would have increased (decreased) profit or loss after tax by the amounts shown below. The analysis was performed on the same basis for 2024.

Notes to the Financial Statements

35. Aluminium price risk, contd.

	Profit or loss	
	2025	2024
Increase of 10%		
Embedded derivatives	62.065	304.621
Aluminium hedge derivatives	(37.032)	(85.641)
	<u>25.033</u>	<u>218.980</u>
Decrease of 10%		
Embedded derivatives	(62.065)	(304.621)
Aluminium hedge derivatives	33.168	114.895
	<u>(28.897)</u>	<u>(189.727)</u>

36. Classification of financial instruments

Financial assets and liabilities are classified as follows:

	31.12.2025	31.12.2024
Financial assets		
Financial assets recognised at amortised cost	2.670.130	4.164.922
Financial assets at fair value through profit or loss	913.295	184.604
	<u>3.583.424</u>	<u>4.349.525</u>
Financial liabilities		
Financial liabilities measured at amortized cost	43.648.164	42.031.452
Financial liabilities at fair value through profit or loss	205.506	429.519
	<u>43.853.670</u>	<u>42.460.972</u>

37. Fair value

Fair value versus carrying amounts

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

	31.12.2025		31.12.2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Int. bearing long-term debt (level 3)	40.600.242	42.703.205	38.635.589	41.158.676

Interest rates used for determining fair value for disclosure purposes

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

Notes to the Financial Statements

37. Fair value, contd.

Interest rates used for determining fair value:

	2025	2024
Margin on interest-bearing long-term foreign debt	1,9%-3,0%	2,0%-3,6%
Rates used for discounting	4,0%-4,8%	4,9%-5,2%

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

The table below analyses assets and liabilities carried at fair value, sorted by valuation method. The different levels have been defined as follows:

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

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

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
31 December 2025				
Operating assets	0	0	78.668.481	78.668.481
Embedded derivatives	0	131.449	0	131.449
Aluminium hedges	0	(10.284)	0	(10.284)
Other derivatives	0	569.899	0	569.899
Investments in other companies	0	0	16.725	16.725
Total	0	691.063	78.685.206	79.376.269
31 December 2024				
Operating assets	0	0	60.275.055	60.275.055
Embedded derivatives	0	142.934	0	142.934
Aluminium hedges	0	24.944	0	24.944
Other derivatives	0	(429.519)	0	(429.519)
Investments in other companies	0	0	16.725	16.725
Total	0	(261.641)	60.291.780	60.030.140

38. Capital management

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

The Group's Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by lower levels of borrowings. The equity ratio was 41.8% at year end 2025 (2024: 38.7%). Equity ratio if subordinated shareholder loan would be classified as equity was at year end 2025 49.1% (2024: 46.9%).

Notes to the Financial Statements

39. Related parties

Identity of related parties

The Group has a related party relationship with its shareholders, associates, its directors and executive officers and other companies owned by them.

Balances and transactions between the parent company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its parent entities and associates are disclosed below.

	Parent entities	Associates	Total
31 December 2025			
Sale	2.054	0	2.054
Purchase	0	12.652	12.652
Interest expense	659.683	0	659.683
Loans and receivable	0	402	402
Loans and payables	6.567.781	0	6.567.781
31 December 2024			
Sale	2.062	2.183	4.244
Purchase	0	13.753	13.753
Interest expense	640.632	0	640.632
Loans and receivable	0	2.452	2.452
Loans and payables	6.535.111	0	6.535.111

40. Geophysical activity

A geophysical event started on 25 October 2023 on the Reykjanes Peninsula, close to the power plant at Svartsengi and the municipality of Grindavík, evidenced by seismic activity, ground displacement and eruptions. From the start, ten dike intrusions have occurred as magma flows out of the magma reservoir and into the dikes. The first one, on 10 November 2023, did not result in an eruption but the other nine, on 18 December 2023, 14 January 2024, 8 February 2024, 16 March 2024, 29 May 2024, 22 August 2024, 20 November 2024, 1 April 2025 and 16 July 2025 all resulted in eruptions of short durations.

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

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

Notes to the Financial Statements

41. Subsequent events

No other significant events have taken place since the reporting date, 31 December 2025.

42. List of subsidiaries

Set out below is a list of material subsidiaries of the Group

	Country of Incorporation	Ownership Interests
VesturVerk ehf.	Iceland	80,49%

Appendix: Corporate Governance Statement, unaudited

Legislation and corporate governance

The following Corporate Governance Statement refers to HS Orka hf.

The Company complies to the Public Limited Companies Act (Act No 2/1995), as amended, the Annual Accounts Act (Act No 3/2006), and other applicable legislation and regulations. The Board of Directors of HS Orka hf. stresses the importance of maintaining good management practices in accordance with Guidelines for Corporate Governance, version 6. The Company's articles of association, last amended 22 September 2025 lay down the framework for the governance of the Company, together with the Board's rules of procedure, last reviewed on 6 June 2025. The Company's article of association can be found on the Company's webpage.

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

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

Internal control and risk management

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

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

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

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

The Board of Directors and sub-committees of the Board

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

Shareholders meetings

The Board of Directors

The Chief Executive Officer

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

Appendix: Corporate Governance Statement, unaudited

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

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

The Board of Directors

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

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

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

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

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

Representation of women and men on the board in 2025 is equal. The members of HS Orka's Board of Directors are: Mr. Adrian Pike (Chairman), Mr. Bjarni Þórður Bjarnason (Vice Chairman), Ms. Heike Bergmann and Ms. Margrét Ormslev Ásgeirsdóttir.

Appendix: Corporate Governance Statement, unaudited

The Board of Directors, contd.

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

Mr. Bjarni Þórður Bjarnason, Vice-Chairman of the Board, born in 1969 and lives in Reykjavik, Iceland. Mr. Bjarnason has been on the Board since 10 June 2019. He is certified as a Security Broker in Iceland and holds a C.S degree in Mechanical Engineering from the University of Iceland and has an MBA from SMU Cox School of Business. Mr. Bjarnason has experience in corporate finance and in recent years he has advised, both Icelandic and foreign, investors in M&A and capital and debt raising. Mr. Bjarnason co-founded Arctica Finance and is currently the Deputy Chief Executive Officer. Furthermore, Mr. Bjarnason is a Board member of Viti fjárfestingafélag, Arctica Sjóðir, Fasteignaþróunarfélagið Spilda, Debitum, as well as in other companies. From June 2003 to October 2008 Mr. Bjarnason was the Head of the Corporate Finance department at Landsbankinn hf. Previously, he was the Assistant Head of Búnaðarbanki's Corporate Finance and prior to that in a similar position at Gilding investment fund.

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

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

The Company is exclusively owned by two shareholders, who appoint all members of the Board of Directors and are, as a result, subject to the authority of the Company's shareholders. All Board members are independent of the Company and its day-to-day managers, meaning that the Board members do not own, directly or indirectly any shares in the Company, they have not carried out any work for the Company nor have any other connections to the Company's main clients or competitors.

Once a year the Board conducts self-assessment where each Board member evaluates the work, results, size and the composition of the Board and the Board's sub-committees. The findings help the Board to continually enhance its efficiency, strategic foresight, stewardship, value creation and corporate culture. The Board, furthermore, evaluates the work and results of the CEO.

Appendix: Corporate Governance Statement, unaudited

The Board of Directors, contd.

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

In the course of 2025, the Board of Directors held ten meetings with 100% attendance.

Sub-committees

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

Audit Committee

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

The Audit Committee operates in accordance with its rules of procedure, last reviewed on 30 September 2025, available on the Company's website. The Committee is responsible for reviewing and assessing the quality of the financial information received from management and provide oversight of the audit process. The Committee ensures that the information given to the Board on the Company's operations, status and future prospects are reliable and give the clearest possible picture of the Company's position at any given time.

The Committee's key activities and tasks are to:

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

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

In the course of 2025, the Audit Committee held four meetings with 100% attendance.

Appendix: Corporate Governance Statement, unaudited

The Remuneration Committee

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

The Remuneration Committee operates in accordance with its rules of procedure, last reviewed on 30 September 2025, available on the Company's website. The Remuneration Committee consists of two members, one appointed by each shareholder.

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

The Committee's key activities and tasks are to:

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

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

In the course of 2025, the Remuneration Committee held four meetings with 100% attendance.

The Chief Executive Officer

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

Appendix: Corporate Governance Statement, unaudited

The Chief Executive Officer, contd.

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

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

The Executive Board

In 2025, the company's Executive Board consisted of seven employees in addition to the CEO, who leads the executive management team. The Executive Board is responsible for strategic planning and decision making according to the mission, vision, and values of the Company as laid down by the Board of Directors. The Executive Board reports directly to the CEO and support the CEO in the daily operations. The members have various backgrounds, specialising in various fields, and three out of the seven members are women.

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

Regulatory compliance

In the year 2025, the Company has not violated any laws or regulations to any court or administrative order.



Sustainability Report 2025

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About the Report

Approach and Presentation of Information

The key benchmark for the 2025 Sustainability Reporting is the Voluntary Sustainability Reporting Standard (VSME). VSME is an optional standard designed for companies that fall outside the criteria of the European Sustainability Reporting Standards (ESRS) but are still required to share sustainability information with banks, financiers and other stakeholders. For its most material sustainability topics, HS Orka also benchmarks requirements and data points of the ESRS standards. EU Taxonomy reporting is also part of this year's sustainability disclosure.

The structure and prioritisation of the report's content is based on the results of a double materiality assessment carried out in 2025.

All VSME data points and relevant ESRS data points can be found in [Appendices 3 and 4](#). Explanatory remarks for the different data points explain to what extent the company's reporting meets the relevant standards.

Scope and Criteria

The contents of the report reflect HS Orka's knowledge of the company's sustainability topics for the calendar year 2025 unless stated otherwise. The reporting is on a consolidated basis, which means that the same criteria apply to the scope as for the Group's consolidated financial statements, unless otherwise stated. HS Orka operates in accordance with the principle of continuous improvement. All feedback, and any corrections, are welcomed via the company's e-mail address, hsorka@hsorka.is.

Independent External Assurance

KPMG ehf. reviewed selected chapters of the 2025 Sustainability Report and provides a limited assurance of the contents. Section headings include markings  where the content is subject to the external assurance. HS Orka's Green Financing Report is subject to a separate assurance report from KPMG ehf. which is also attached to this report. Notes on the nature and scope of the assurance can be found in [Appendices 6 and 7](#).



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From the CEO

Tómas Már Sigurðsson

Another eventful year has passed, during which HS Orka once again adapted its operations to significant geological activity on the Reykjanes Peninsula, where two volcanic eruptions occurred in the Sundhnúkur crater row. Our employees and contractors continued to demonstrate remarkable resourcefulness and agility in navigating this dynamic operating environment, ensuring both uninterrupted operations and the continuation of construction projects.

The expanded and renovated Svartsengi Power Plant was commissioned late in the year, and a major milestone was achieved in the Krýsuvík area with the completion of the first phase of deep exploratory drilling. Other significant renewable-energy development projects undertaken by the company are also taking a more definitive shape, and substantial construction projects are anticipated in the years ahead should these plans be realised.

The company initiated a comprehensive process of rebranding, refreshing its public image, and reviewing its mission statements to ensure alignment with its core values. HS Orka is a vital part of the community, creating opportunities for the future in tune with nature. The wide array of development projects currently underway reflects this commitment, and it is essential that each project progresses in close cooperation with the community and with clearly defined sustainability objectives at the forefront.

The Expansion and Renovation of Svartsengi Power Plant

On December 1st, a new 55 MW turbine unit was formally commissioned at the expanded and renovated Svartsengi Power Plant. The unit includes the largest steam turbine currently operating in Iceland. This expansion enables increased production in line with the plant's existing utilisation permit of 85 MW. At the same time, substantial upgrades have been completed supporting the company's hot water production. Considering the natural disasters that occurred during the construction period, delivering Iceland's latest power plant within the approved budget and schedule must be regarded as a remarkable achievement.

Exploratory Drilling in the Krýsuvík Area and Utilisation of Eldvörp

The first deep exploratory borehole at Sveifluháls in the Krýsuvík area was drilled in the summer of 2025. While



Tómas Már Sigurðsson

awaiting further results, preparations are underway for two additional exploratory boreholes, scheduled for completion in 2026. Although it remains too early to determine the area's utilisation potential, work continues obtaining the necessary permits and advancing project preparations, based on the research and utilisation agreement with the Municipality of Hafnarfjörður and strong collaboration with the local authorities.

Parallel to the work in the Krýsuvík area, preparatory work is underway for geothermal utilisation at Eldvörp. Eldvörp is classified within the utilisation category of The Masterplan for Nature Preservation and Energy Utilisation, and an assessment plan has been prepared for the proposed developments. Efficiency testing is in progress on an older borehole in the area, and planned

new steam gathering pipelines from Eldvörp to Svartsengi are expected to enable the energy to be processed at the expanded Svartsengi Power Plant—thereby minimising the environmental footprint of the utilisation.

Sustainability Awards

HS Orka underwent its second comprehensive sustainability assessment by EcoVadis, a global leader in evaluating corporate sustainability performance. The company retained the gold certification awarded in 2024 and now ranks among the top 5% of more than one hundred thousand companies worldwide that achieve the highest assessment results.

Following a two-year evaluation process, preparations for the Hvalá Power Plant received gold certification from HS Alliance, an international organisation promoting sustainable hydropower. The Hvalá project, also included in the utilisation category of the Master Plan, has been in development for many years under the stewardship of VesturVerk, a subsidiary of HS Orka.

Opportunities in the Resource Park

In 2025, Samherji began constructing a new land-based fish farming facility located near the Reykjanes Power Plant as part of HS Orka’s Resource Park. The facility will utilise warm seawater from the Reykjanes Power Plant in its production, as more companies in the Resource Park already do or plan to do.

Development projects related to e-fuel production also continue within the Resource Park. In addition, work is progressing on defining the structure of a green industrial hub on the Reykjanes Peninsula, based on a cooperation agreement with the Regional Development Agency for the Reykjanes Peninsula.

Direct Support for the Community

The first allocations from the HS Orka Research Fund were awarded during the year, supporting scientific research projects that meet the Fund’s eligibility criteria. Allocations from HS Orka’s Community Fund were also made in both spring and autumn, marking the Fund’s third year of operation. A record number of applications were received from across the country.

Beyond these funds, the company enters numerous

annual sponsorship agreements with non-governmental organisations, particularly sports clubs in communities near its operations. HS Orka also sponsors major events, including Reykjavík Global Summit – Women Leaders, and the international Iceland Geothermal Conference.

Contributing to the Energy Transition

Iceland’s ambitious climate goals for achieving carbon neutrality will not be met without substantial investment in energy transition projects. The government recognises the importance of enabling sustainable energy solutions, and there is willingness to streamline processes to accelerate progress in this area.

HS Orka maintains strong working relationships with government entities at both the local and national levels and actively engages in solution-driven collaboration within the Icelandic energy sector. This includes drawing the attention of European Union authorities to the distinctive characteristics of geothermal utilisation. Efforts are also underway to ensure that regulations concerning geothermal CO₂ utilisation do not impede the development of energy transition initiatives.

Only a selection of the many exciting projects undertaken by HS Orka this year has been highlighted above; numerous additional initiatives are also advancing. We move forward with confidence and continued commitment to creating opportunities and solutions in renewable energy and the cascading use of natural resources—always in tune with nature and for the benefit of society.



About HS Orka

HS Orka is an important utility company in Iceland. The core operation of the company is twofold: on the one hand the production of hot and fresh water for the local community, and on the other the production of electricity for distribution nationwide.

HS Orka is built upon the foundation of Hitaveita Suðurnesja, which was established in late 1974. Since the beginning, the Company has been at the vanguard of renewable energy production in Iceland and is currently the country's third largest producer of electricity. Ownership is equally divided between Jarðvarmi, a partnership limited by shares owned by fourteen Icelandic pension funds, and alternative infrastructure investment funds managed by the British-based fund management company, Ancala.

Throughout the company's operations, emphasis is placed on the full utilisation of resource streams, in tune with nature and with the support of the community. Innovation is at the core of HS Orka's operations, with the development of HS Orka's Resource Park playing a major role.

Electricity

HS Orka owns and operates two geothermal power plants, the Svartsengi Power Plant and the Reykjanes Power Plant, as well as two hydroelectric plants, Brú Power Plant in South Iceland and Fjarðará Power Plants in Northeast Iceland. Additionally, the company enters into long-term power purchase agreements with numerous independent power producers for resale.

50 years of progress					
1974-78	1992	2000-08	2019	2020-23	2025
1974 Hitaveita Suðurnesja, HS Orka's predecessor, established. 1976 Hot water production begins. 1978 Generation of electricity begins in Svartsengi.	1992 Blue Lagoon opens its doors as one of the first companies in the Resource Park.	2000 Hitaveita Suðurnesja becomes a limited company – the first of Icelandic energy companies. 2006 Reykjanes Power Plant commissioned. 2008 Hitaveita Suðurnesja split up: HS Veitur - distribution HS Orka - production/sales	2019 New ownership: Jarðvarmi Ancala	2020 Brú Hydropower Plant commissioned. 2022 Commencement of the expansion of Reykjanes Power Plant. 2023 Acquired Fjarðarár-virkjanir.	2025 Research drilling in the Krýsuvík area starts. Commencement of the Svartsengi Power Plant expansion and renovations.



The company is preparing major development projects concerning both geothermal energy and hydropower. It is also assessing the advantages of wind power in the long term.

Hot and Fresh Water

HS Orka supplies local municipalities on the Reykjanes Peninsula with both hot and fresh water and operates two water sources on the

outskirts of the area. The main water source in Lágár ensures security of fresh water supply in the area, while the local water source at Sýrfell, on the tip of Reykjanes, supports the operation of the Reykjanes Power Plant and companies in the Resource Park. All hot water production for the Reykjanes Peninsula takes place at the Svartsengi Power Plant, and in 2025 the production amounted to 775 GWh, or about 14.2 million cubic metres.



HS Orka total electricity production

	2022	2023	2024	2025
Electric power (MWh)*	1,324,933	1,356,189	1,410,936	1,460,210

* Includes HS Orka’s own electricity consumption.

Power plants

	Percentage of total electricity production
Svartsengi	35%
Reykjanes Power Plant	55%
Brú Power Plant (hydropower)	6%
Fjarðará Power Plants (hydropower)	4%

Utilisation permit

	MW
Svartsengi	85
Reykjanes Power Plant	180*
Brú Power Plant (hydropower)	9,9
Fjarðará Power Plants (hydropower)	9,8

* HS Orka is in the process of changing the utilisation permit to match the actual production capacity of the Reykjanes Power Plant, which is 130 MW.

Rebranding of HS Orka

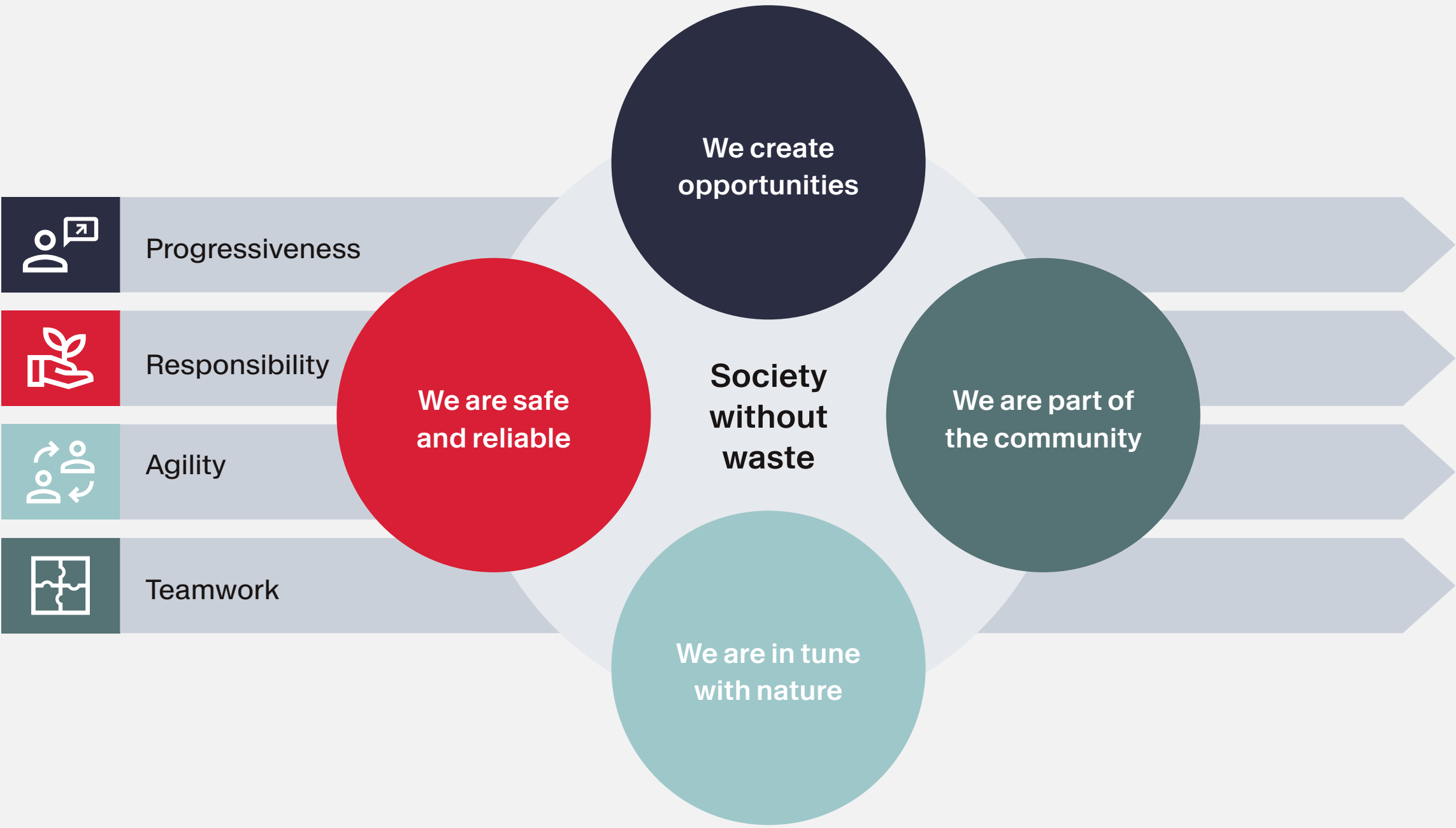
During its 50th anniversary year, the company embarked on its first full-scale rebranding initiative. Over the course of more than a year, extensive analyses were conducted, and design proposals developed. The new brand was formally introduced on December 1st, coinciding with the commencement of the expansion of Svartsengi.

HS Orka’s brand has gradually evolved without a defined branding strategy, as earlier logos were rooted in the legacy of Hitaveita Suðurnesja, the company’s predecessor. The updated logo presents a modern look while preserving the connection to the strong foundation built over the past five decades. HS Orka is a key infrastructure company and a pillar of a region where opportunities grow in tune with nature and in harmony with the local community.

Today, our brand clearly reflects our purpose and identity. We harness the power of nature to produce renewable energy from geothermal and hydropower sources. We are committed to innovation built on thorough research, realistic expectations, and responsible development. This is how we continue to progress—with profound respect for Iceland’s nature and the communities we serve.

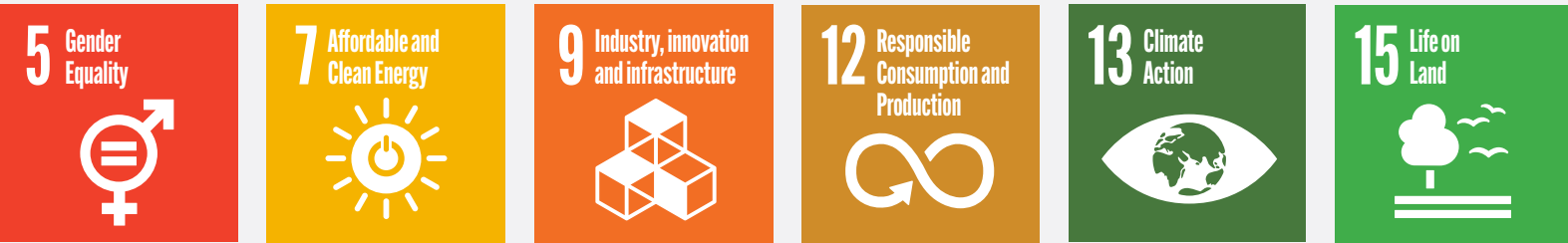


The strategy and values of HS Orka

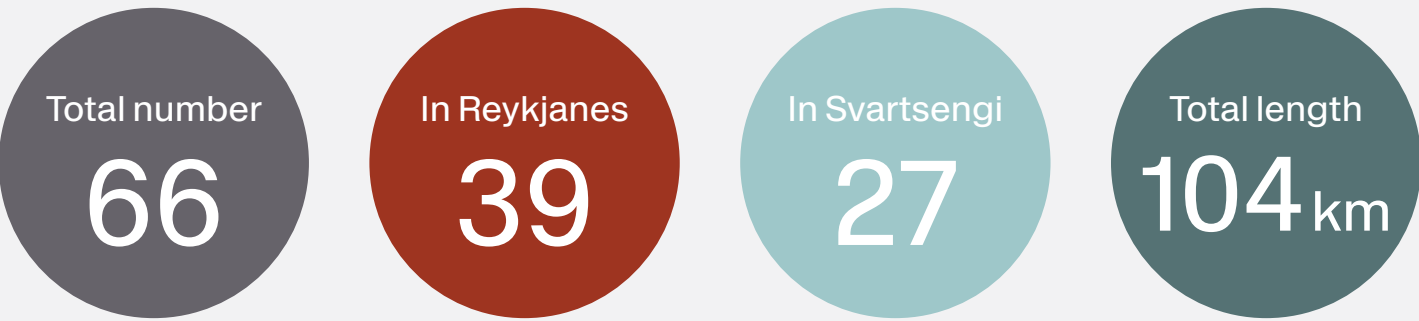


Overview of Figures 2025

UN's Sustainable Development Goals



High temperature boreholes



Climate

Total GHG emissions 2025	147,323 tCO ₂ eq
HS Orka's target	Net-zero emissions in 2040
Emissions intensity 2025	36 gCO ₂ eq/kWh
HS Orka's target	Below 26 gCO ₂ eq/kWh in 2030
Scope 1 and 2: Direct emissions of GHG (tCO ₂ eq)	
Geothermal power plants	144,585
Vehicles and machinery	222
Scope 3: Indirect emissions of GHG (tCO ₂ eq)	
Construction work	2,448
By-products	47
Air travel	22

EU Taxonomy

Turnover	76.1%*
CAPEX	82.7%
OPEX	96.8%

* The percentage does not include sales of renewable energy purchased from other producers.

Supply chain

Total procurement	9,336 m.kr.
Thereof Icelandic suppliers	8,496 m.kr.
Suppliers with an active sustainability assessment	78.1%*

* % of total procurement

Energy transition

Percentage of non-renewable energy from own energy consumption	1.2%
Percentage of electric vehicles (EV) and vehicles running on e-fuel	44%
Number of charging stations at locations	53

By-products

Total by-products (tonnes)	590
Segregated by-products	95%
Saved from disposal	62%

Occupational safety and health

Lost time incidents	1
Environmental incidents	0
Medical treatment cases	2
First aid incidents	1

Human resources

Number of employees	96
Average duration of employment	7.6 years
Average age	45 years
Employee turnover	4.3 %

Double Materiality Assessment 2025

This report focuses primarily on the sustainability issues assessed as having double materiality according to the results of HS Orka’s double materiality assessment. These are the issues assessed as most important in light of the company’s impacts on the environment and society (impact materiality), and their financial impact on the company (financial materiality).

The results are shown in the figure below, where the location of the topics reflects their significance according to the results of the impact, risk and opportunity assessment. As can be seen, twelve topics are now defined as material and six of them as having double materiality.

An Updated Approach in a New Materiality Assessment

In 2025, HS Orka carried out a double materiality assessment in accordance with the guidelines of EU's ESRS standards for sustainability reporting. The assessment serves to streamline sustainability disclosure, align sustainability priorities with the company’s overall strategy, clarify action priorities, increase understanding of internal and external stakeholder expectations, identify the company’s key impacts, risks and opportunities, and strengthen resilience with regard to an ever-changing legal environment.

The assessment led to an update of both the scope and prioritisation of topics based on an assessment of both the impact materiality and financial materiality for HS Orka.

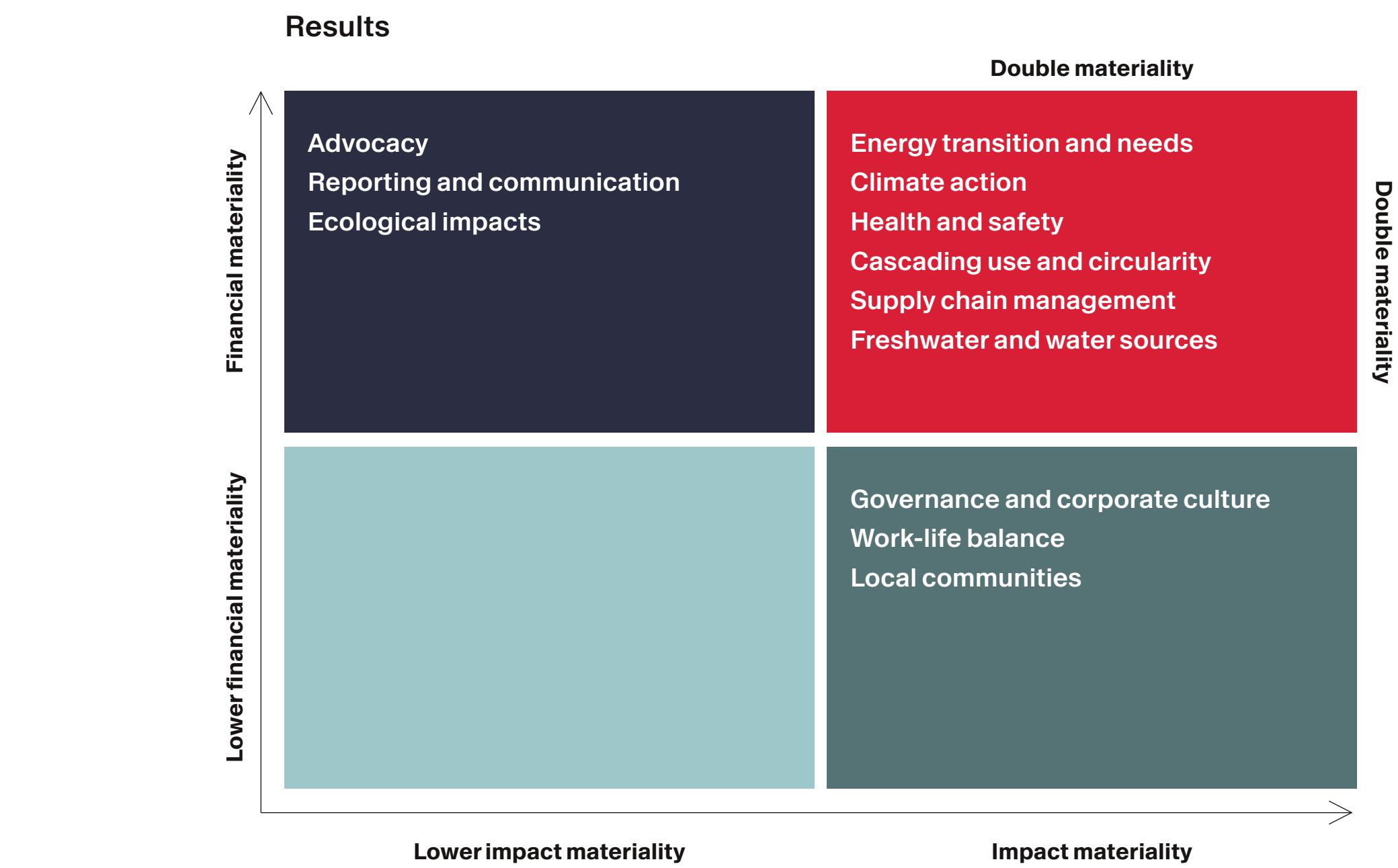
The results of the assessment will be reviewed annually, regarding new data and changing circumstances, but a complete materiality assessment is only anticipated to be carried out from scratch when extensive changes in conditions, data, activities or standards have occurred, or at least every five years.

A more detailed description of the methodology for carrying out the double materiality assessment can be found in [Appendix 1](#).

Core Working Group and Stakeholders

The materiality assessment was carried out by a core team of HS Orka staff who reviewed the assessment throughout each step of the process. The process involved a variety of contributors, both employees from different departments of the company, as well as external stakeholders which included customers, interest groups and consultants. Interviews with observers provided insight into which topics would be covered in an in-depth impact, risk and opportunity assessment.

When results were ready, they were presented to the HS Orka Executive Board and the entire process was reviewed to ensure understanding of the rationale for



the materiality of individual topics. The Executive Board provided feedback on the results of the assessment, which were partially adjusted for final confirmation.

Discussion of Material Topics in the Report

The common thread of the report is an emphasis on sustainability issues assessed as having double materiality according to the results of the double materiality assessment. The discussion of material

topics is based on the requirements of the ESRS standards, with an emphasis on policies, actions, objectives and performance indicators.

As stated in About the Report, HS Orka will partially comply with the ESRS standards and prioritise topics assigned double materiality in the results of the materiality assessment. The results of the assessment indicate which topical standards are most relevant to HS Orka's sustainability reporting but additionally the report includes information that the company considers worth publishing with regard to individual sustainability issues.

02 Environment

"We are in tune with nature"

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Resource Management

HS Orka’s long-term success is based on the responsible utilisation of resources; geothermal energy, hydropower, as well as fresh water. In recent years, research and systematic monitoring have been emphasised to improve the company’s in-house knowledge and strengthen its processes.

HS Orka’s Approach

Concurrently to strengthen the specialised expertise within the company, monitoring of geothermal and freshwater resources has been increasingly integrated into day-to-day operations. Resource development and monitoring also constitute key elements in fulfilling the company’s obligations towards public authorities.

Resource Management falls under the auspices of HS Orka’s EVP of Resources and Project Development. The department director of Resource Management oversees matters related to resource management and policy development of the department, along with monitoring and project management related to resource utilisation.

Continued Positive Developments in Reykjanes

In recent years, maintaining the balance in drawdown within the geothermal system around Reykjanes Power Plant has been prioritised, with increased control of mass extraction and reinjection. Accurate monitoring of drawdown and borehole temperatures has made it possible to re-evaluate the need for reinjection which ensures system balance and sustains the steam cap. Measurements over the past year confirm that this objective has been achieved.

Measurements were carried out to determine borehole mass flow and enthalpy. Based on these results, production at Reykjanes Power Plant was reassessed, and a production forecast for 2025 was issued, which proved to be a reliable predictor of actual production for the year.

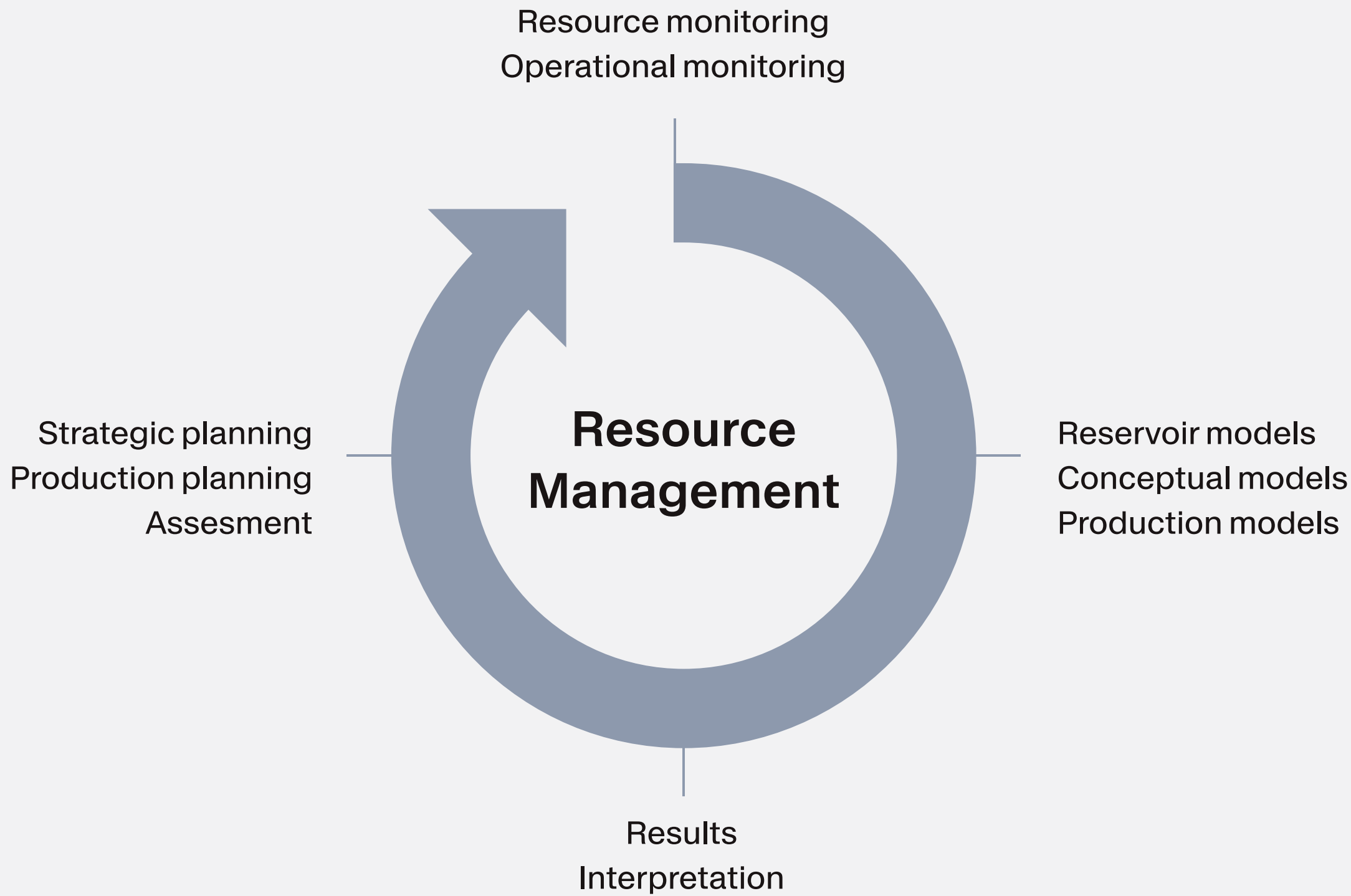
A follow-up on boreholes drilled in 2024 entailed, among other things, flow testing to evaluate borehole capacity and characteristics, as well as analysis of cement binding quality and casing integrity. Flow testing also commenced at the end of 2025, and data processing and capacity assessment are still ongoing.

Freshwater studies were conducted in the Reykjanes area in light of anticipated expansion of operations in the Resource Park, and a status review of groundwater conditions in the area was prepared.

Development of Conceptual and Numerical Models

Further progress was made in 2025 in the development of both conceptual and numerical models within the company. The implementation of the Leapfrog software enabled a more comprehensive and clearer understanding of the development of geothermal

Work process - The Department of Resource Management



systems operated by HS Orka than previously available. It composes a comprehensive picture of the structure and evolution of the geothermal system, using geophysical, geological, and geochemical data. Extensive conceptual and numerical models were updated for the geothermal areas in Svartsengi and Eldvörp, Reykjanes, and the Krýsuvík area. The models are based on available geological and geophysical data, combining them into one three-dimensional conceptual model.

Conceptual models form the basis for numerical models that simulate the response of geothermal systems to production and reinjection. Accurate modelling is a key prerequisite for successful drilling and geothermal field development, thereby supporting successful decision making and planning. The models are also an important tool to evaluate system conditions, compare production scenarios, and identify key factors influencing production capacity.

Exploratory Drilling in the Krýsuvík Area

An exploratory borehole was drilled by Sveifluháls in the Krýsuvík area, in the first half of 2025. The borehole reached 2600 metres deep and marked a major milestone in geothermal research in the area. The drilling represents the first phase of a project carried out in cooperation with the landowner, the Municipality of Hafnarfjörður, with the objective of laying the foundation for a comprehensive assessment of the area’s energy utilisation potential.

The primary goal of the exploration drilling was to research the southernmost part of the Krýsuvík area and gather data on permeability, temperature, and pressure conditions within the reservoir. Such data provides

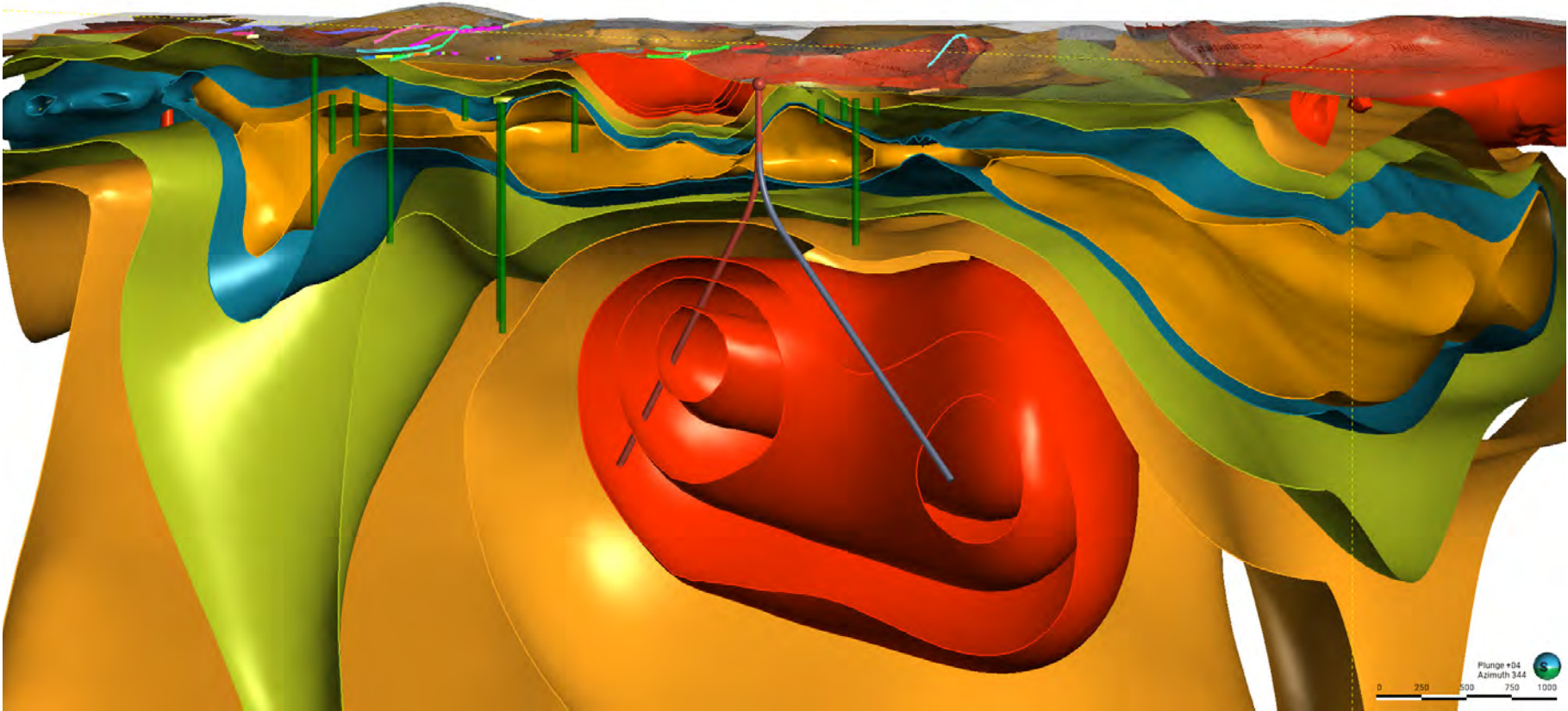
the foundation for evaluation of future utilisation in the area. The location of the rig site was decided based on Hafnarfjörður’s approved land-use plan and was specifically chosen to ensure the most exact picture of the system’s processing potential.

During drilling, continuous formation evaluation was carried out to determine appropriate casing depths. A casing is a steel pipe installed in the borehole, used to stabilise the borehole, prevent collapse, and isolate formations. Following the drilling, stimulation strategies were implanted, and flow testing was conducted to verify the borehole characteristics.

A review of potential locations for upcoming exploratory rig sites and boreholes in the Krýsuvík area continued in 2025 and drilling locations have now been identified. The research programme has been extensive, including groundwater research and gas monitoring.

A New Method for Cleaning Boreholes

Last year, a new technique for cleaning scaling deposits or constrictions in boreholes was tested in Reykjanes, the so-called coiled tubing, which entails the use of a long flexible steel pipe with an attached hammer or drill bit that can be pushed down into a borehole as the borehole is discharging. This way, cooling boreholes before cleaning can be avoided. This significantly shortens workover duration and reduces production losses. This is the first time this method is used in Iceland. Positive results were achieved in one of two boreholes in which the method was used. The same equipment was used to fill a borehole in Reykjanes, where it produced good results.



Resistivity data and borehole trajectories incorporated into the three-dimensional conceptual model of the Krýsuvík area.

More Extensive Measurements

Seasonal measurements and sampling at HS Orka’s production sites increased last year. More borehole measurements were conducted to better monitor pressure and assess the results of reinjection into the geothermal systems. Long-term monitoring sampling is now done in all boreholes twice per year, instead of once. In addition, gas samples will be taken monthly from specific boreholes, as well as at certain intake points in Svartsengi Power Plant.

Comprehensive measurements of gas and condensate from turbines will be conducted quarterly to ensure reliable monitoring of steam quality and gas emissions. During the year, new continuously recording deep

sensors for temperature and pressure were employed and the first such sensor was placed at a depth of over 1400 m in HS Orka’s new exploration borehole in the Krýsuvík area.

Year-round sampling is carried out to support holistic environmental and operational monitoring. This includes samples from freshwater boreholes at Sýrfell and in Gjá, samples from channels and ocean boreholes which are used for cooling, reinjection boreholes, and boreholes related to heating systems. Groundwater monitoring in Reykjanes is being strengthened due to increased abstraction of subterranean seawater for aquaculture. For this purpose, three monitoring boreholes were drilled in Reykjanes in 2025 and equipped with continuously recording monitoring



equipment to monitor the effect of the water collection of companies within the Resource Park. Furthermore, a comprehensive plan was drafted for chemical monitoring, routine measurements, and systematic data collection to maintain a high standard of oversight of the Reykjanes water resource.

Projects and Objectives

- **Eldvörp:** Work has begun on assessing the potential of Eldvörp as an expansion area for the current geothermal plant in Svartsengi. Special emphasis is placed on evaluating the pressure connectivity between Eldvörp and Svartsengi to understand how possible development in Eldvörp might affect operations in Svartsengi.
- **Svartsengi:** An analysis of further development opportunities in the Svartsengi area is underway, including the assessment of a potential location for a new reinjection borehole.
- **Stóra-Sandvík:** A review of development possibilities in the area around Stóra-Sandvík began in 2025. Resistivity studies suggest that the area is suitable for geothermal processing. This data has been utilised in choosing a location for a potential exploratory borehole. The possibility of slimmer boreholes has been explored regarding Stóra-Sandvík.
- **Volcanic Activity Monitoring:** Regular meetings are held with the Icelandic Meteorological Office and changes in pressure and gas in Svartsengi are closely monitored. Freshwater drilling has taken place within established protection areas, supplemented by evaluations of reserve freshwater boreholes and assessments of how seismic events may influence

- groundwater conditions. The goal is to evaluate subsurface changes and ensure appropriate contingency planning.
- **Volcanic Eruption Warning System:** The development and update of the eruption warning system is underway. Currently, yellow and red warnings are issued based on rapid changes in pressures in an active borehole in Svartsengi. Additionally, a gas pollution warning system has been put in place in the area.
 - **Sponsorship:** In 2025, HS Orka became the main sponsor of the Iceland Geothermal Conference (ICG), which will be held at Harpa in Reykjavík in May 2027. Through this partnership, the company can strengthen its ties with the international geothermal community and actively contribute to the continued development and shaping of the geothermal sector, both in Iceland and abroad.

The Resource Park and Cascading Use of Resources

Through the Resource Park, HS Orka has established an integrated framework for cascading resource use, where responsible energy generation and close industrial collaboration create a unified system that maximises resource efficiency and supports a strong, sustainable business ecosystem.

Cascading Use of Resource Streams and the Advancement of Circularity

HS Orka’s Resource Park is situated alongside the company’s geothermal power plants, at Svartsengi and on the tip of Reykjanes. At the core of the Resource Park’s operations is the cascading use of resource streams where primary products and previously unused by-products from geothermal processing are repurposed to create value in a range of industrial processes. This approach ensures that the energy

and associated streams are not defined as single-use outputs or waste, but as versatile inputs capable of supporting diverse economic activities.

The resource streams available from geothermal production include thermal energy, geothermal fluid, warm seawater, steam, and carbon dioxide. By maximising the value and utility of these resources, the Resource Park enables unique business opportunities where sustainability and operational efficiency go hand in hand with the goal of minimising waste in geothermal production and throughout the wider value chain.

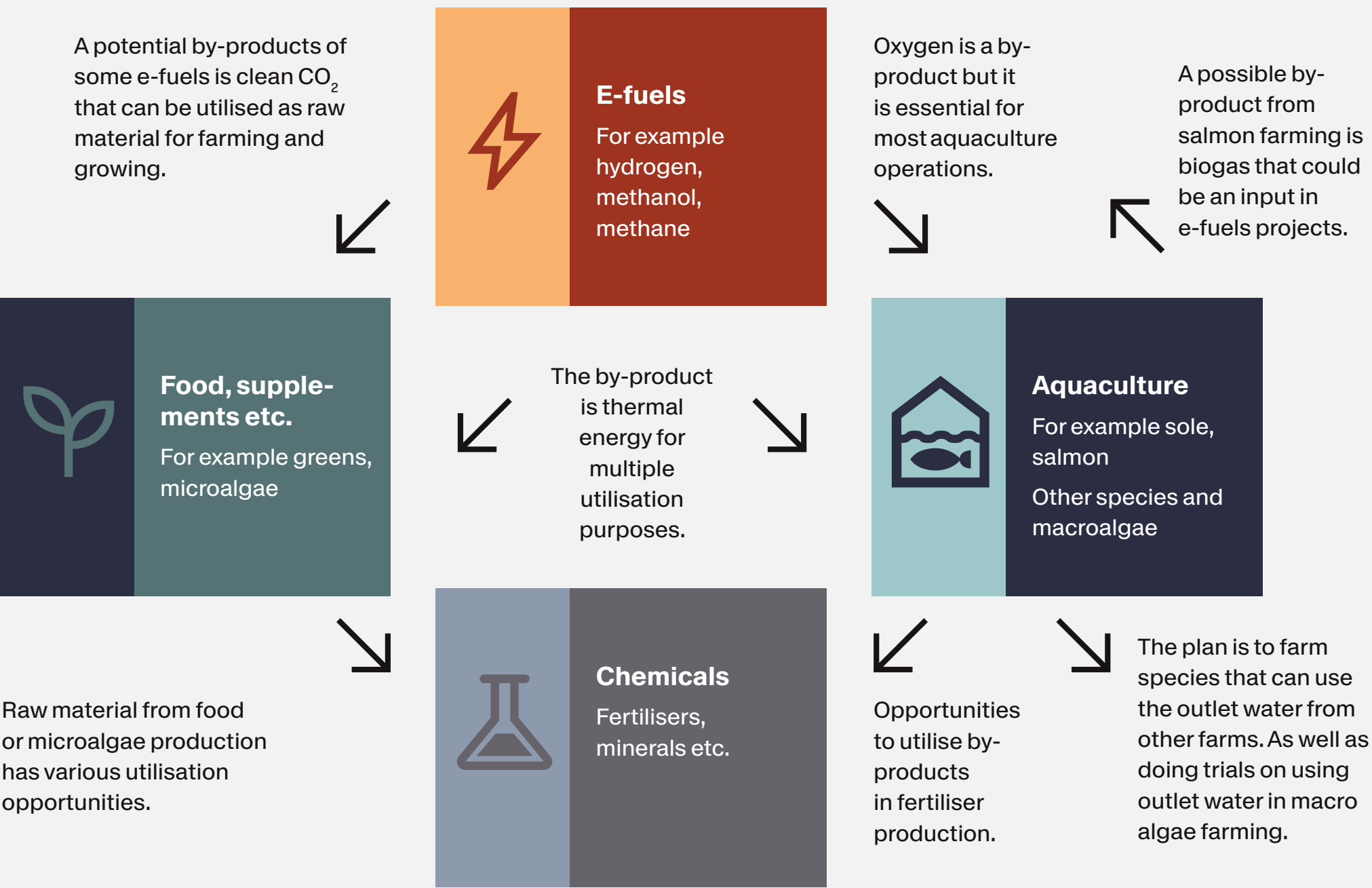
Resources*



*A company is considered part of the Resource Park if it utilises more than one resource stream from HS Orka.

Circular Economy Opportunities

New Resource Park projects will create opportunities for synergies and circular economy



Green Industrial Park and Development of Performance Indicators

The government continues to place emphasis on strengthening Iceland’s competitiveness through a clear and credible sustainability strategy. Green industrial parks form an important part of the strategy, and several industrial parks in Iceland have already committed to working in accordance with circular economy principles, with the aim of becoming green industrial parks.

Formal definitions of what constitutes an eco-industrial park do not yet exist, the Regional Development Agency for the Reykjanes Peninsula is leading the development of criteria and performance indicators based on international standards. HS Orka and the companies in the Resource Park have already laid the foundations for this effort by analysing the operations of the Resource Park’s companies.

During the development of the indicators, international standards and frameworks were reviewed to ensure alignment with international developments. These include the EU Taxonomy Regulation, the Corporate Sustainability Reporting Directive (CSRD), and the UN Sustainable Development Goals. The next step is to formalise and test the indicators and further develop sustainability-related disclosures from the companies’ operations.

The next phase of the project focuses on the implementation of shared criteria and establishing a credible framework for the operation of a green industrial park. Companies operating within such a framework and meeting its requirements may benefit from a greater competitive advantage, including improved access to funding and enhanced marketing

positioning. Formalising these standards is essential to reduce the risk of greenwashing and to ensure that activities within the Resource Park deliver genuine sustainability and economic outcomes.

Land-Based Aquaculture

Land-based aquaculture is becoming an increasingly important contributor to value creation within HS Orka's Resource Park. The cascading use of resources is a fundamental principle for all aquaculture projects in the Resource Park, and these projects have the potential to play a key role in the circular economy in the future. Access to warm seawater enables stable production under controlled conditions.

Construction of Samherji's aquaculture facility by Reykjanes Power Plant, which began in 2024, is progressing well, with production scheduled to start in early 2027. In the first phase, the facility is expected to produce around 10,000 tonnes of salmon per year. The fish farm utilises warm seawater from the Reykjanes Power Plant, and by mixing it with cold seawater, the optimal temperature for the growth of salmonids is achieved. This improves growth rate and enhances overall resource efficiency. HS Orka continues to work closely with Samherji to identify opportunities for further utilisation of resource streams within the Resource Park, as well as opportunities to utilise by-products from salmon farming.

E-Fuel Production

E-fuel production within HS Orka's Resource Park has long been considered a promising opportunity, as the

area offers both renewable electricity and opportunities for the further utilisation of resource streams, such as carbon dioxide and warm seawater. Such production could play a vital role in the energy transition of the future.

HS Orka and Swiss Green Gas International (SGGI) continue to advance the development of an e-fuel project within the Resource Park. If the project proceeds as planned, the operation will utilise both electricity and carbon dioxide from the production streams of the Reykjanes Power Plant, while also creating by-products such as oxygen and heat that can be used in other production processes within the park.

Barriers to the Energy Transition

HS Orka’s 2023 Sustainability Report addressed the potential climate impacts of e-fuel projects, and the 2024 Sustainability Report highlighted the uncertainties of natural emissions from geothermal areas. Authorities and other stakeholders have been made aware of the regulatory status of geothermal carbon dioxide, both in Iceland and in the European Union. It has been emphasised that legal provisions and their interpretation must not hinder the progress of projects that deliver genuine climate benefits. In this context, HS Orka hosted a public meeting in the spring titled “*Is Geothermal Energy a Blessing or a Curse for the Energy Transition?*”. Representatives of HS Orka also played an active role in the preparation and execution of the Our Climate Future conference in Brussels in October 2025, where these issues were a central part of the programme.



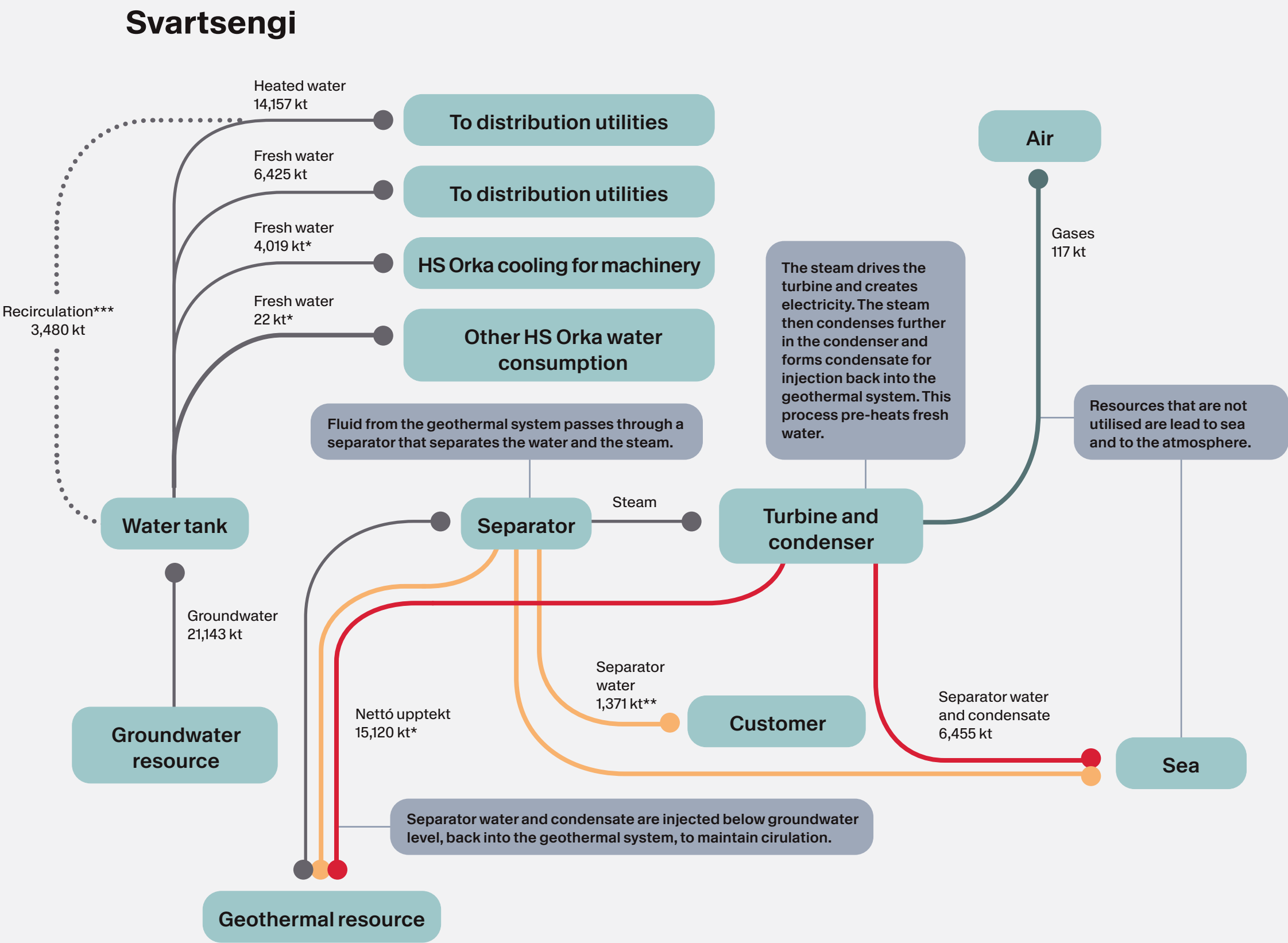
Construction of Samherji's aquaculture facility by Reykjanes Power Plant.

Other Projects in 2026

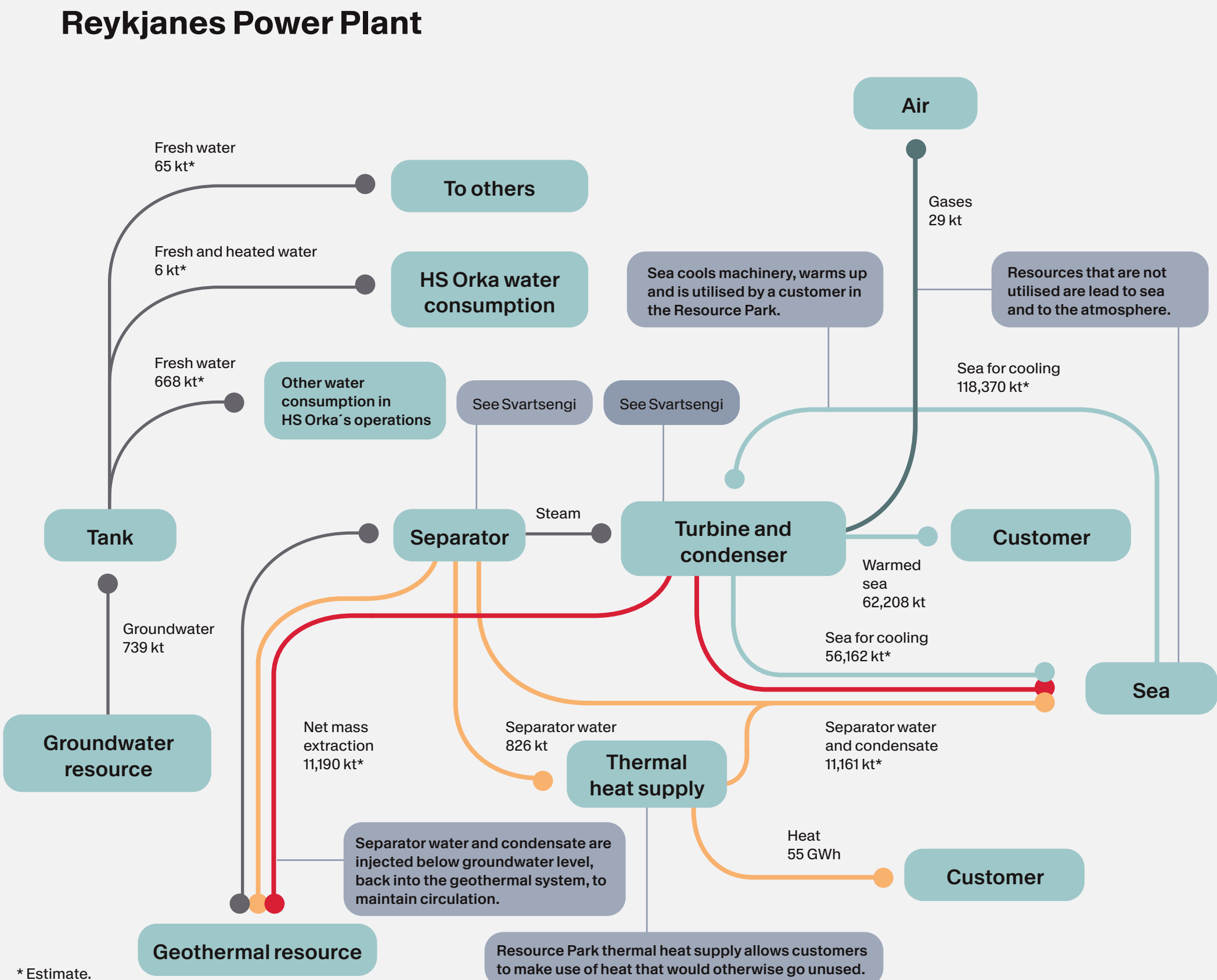
- Further formalise the collaboration between companies within the Resource Park.
- Continue development of indicators to demonstrate the benefits generated through cooperation within the park.
- Support the ongoing development of current projects in land-based aquaculture and e-fuel production.
- Assess the feasibility of projects aimed at utilising carbon dioxide from the geothermal production at Svartsengi Power Plant.

Resource Streams

The figures show how groundwater and geothermal resources in Svartsengi and the Reykjanes Power Plant are used by HS Orka, the companies in the Resource Park and the distribution utility in the Reykjanes Peninsula. The data is partly based on measurements in HS Orka's database. Where direct measurements are not readily available, numerical data is estimated from other measurements.



* Estimate.
** A customer uses more separator water than is stated here. That data is not verifiable.
*** In the Reykjanes Peninsula, there are certain areas with a recirculation system where water from the distribution system is reheated.



* Estimate.
Resource Park thermal heat supply allows customers to make use of heat that would otherwise go unused.

Climate

The core activity of HS Orka revolves around using renewable resources to produce heat and electricity. Geothermal areas naturally emit greenhouse gases, primarily carbon dioxide, but when high-temperature geothermal resources are utilised for energy production, a substantial amount of such gases is released through operational processes of geothermal power plants.

Impact of Volcanic Eruptions on Carbon Dioxide Emissions

The seismic activity that began in late 2023 has increased the amount of carbon dioxide passing through processing channels at the Svartsengi Power Plant. The effects of seismic activity and issues relating to natural greenhouse gas emissions were specifically discussed in HS Orka’s 2024 Sustainability Report.

Total greenhouse gas emissions passing through the processing channels of the Svartsengi and Reykjanes Power Plants amounted to 144,585 metric tonnes in 2025. Those emissions account for 98% of the company’s total emissions. Emissions through the two geothermal power plants have increased by 57% since 2023, or by 52,655 tonnes. Of this increase, approximately 93% can be attributed to Svartsengi, or 49,104 tonnes. There is a clear correlation between seismic activity in Svartsengi and the increased volume of greenhouse gases from the power plant’s boreholes. Total emissions through the Svartsengi Power Plant amounted to 116,482 tonnes in 2025, representing a 73% increase compared to 2023. These conditions have caused total emissions to increase proportionally more than the company’s energy production,

and the emission intensity has thereby risen from 25 gCO₂eq/kWh in 2023 to 36 gCO₂eq/kWh in 2025.

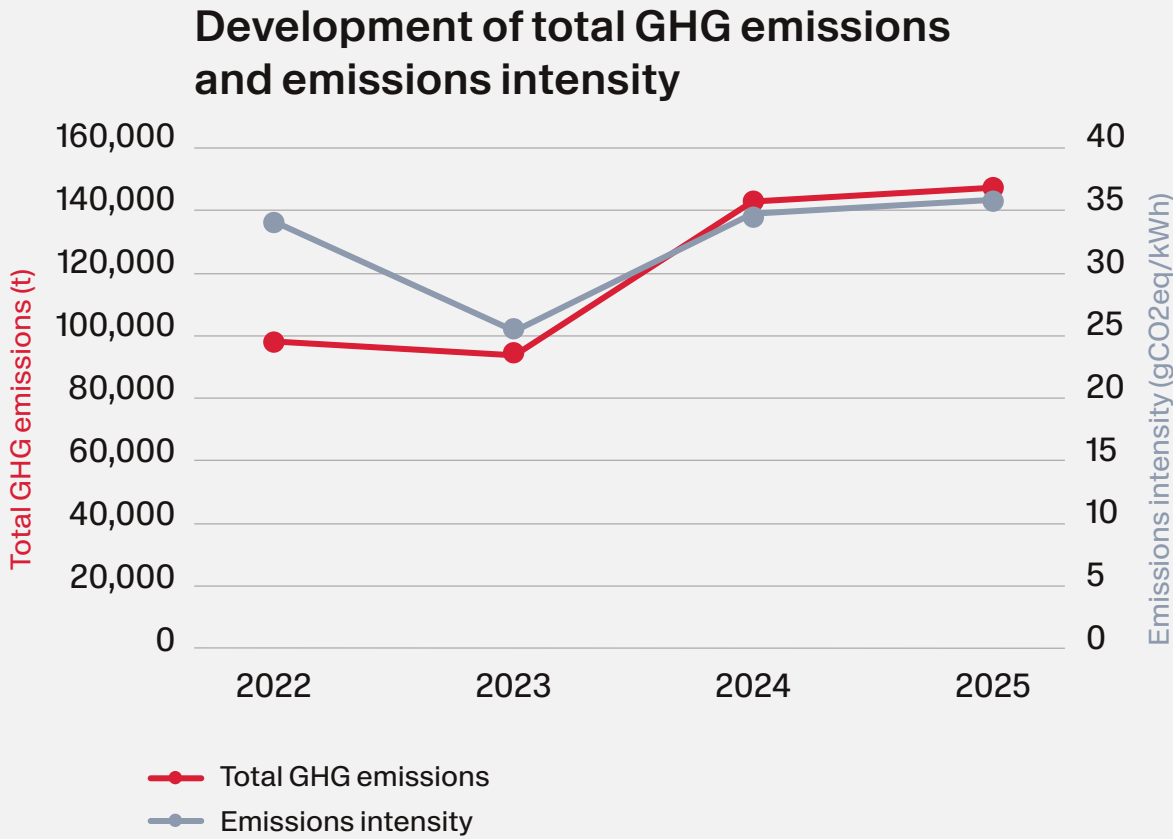
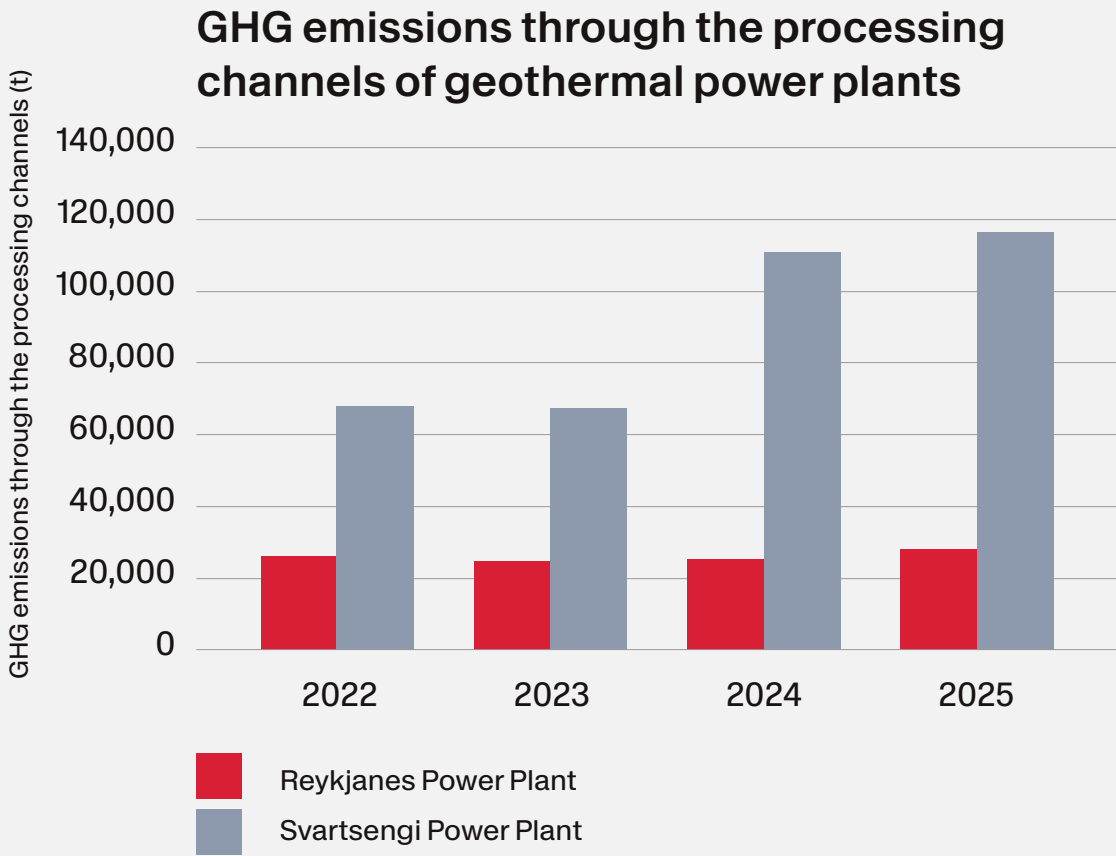
Between 2023 and 2025, there was also an increase from the processing channels of the Reykjanes Power Plant, but this can be attributed to increased production and, in part, an altered production pattern.

GHG emissions through the processing channels of geothermal power plants

Scope 3

For scope 3 emissions, the focus in recent years has been on capturing the carbon footprint of the raw materials that have the greatest impact in HS Orka’s new construction projects. The main raw materials are steel, iron, aluminium, and concrete. Suppliers provide information on the quantity of these raw materials, and HS Orka relies on available reference values for emissions from the production of comparable raw materials.

In 2025, Scope 3 emissions also included air transport, as well as by-products and fuel consumption related to the Svartsengi expansion, drilling projects, and other incidental projects.



HS Orka’s Climate Goals

The company’s objective of carbon neutrality is in line with the action plan of the Government of Iceland and the Paris Agreement. Projects relating to the utilisation of carbon dioxide to support the energy transition are at the forefront. A reduction in emissions intensity by 2030 can be achieved through an overall reduction in greenhouse gas emissions, but increased thermal energy sales, especially within the Resource Park, and a higher proportion of hydropower or wind power in the electricity generation, can also have an impact.

1. Net-zero emissions by 2040

HS Orka has set a goal of net-zero emissions by the year 2040 in accordance with Iceland’s climate commitments. HS Orka’s goals are based on direct emissions from power plants and their operations, that is, the emissions that fall under scope 1 and 2.

2 Emissions intensity

HS Orka has set a target for the company’s emissions intensity to be a maximum of 26 gCO₂eq/kWh in 2030. The target is based on a 40% reduction in emissions intensity compared to the year 2014. The target covers emissions in scopes 1 and 2, as well as defined items within Scope 3. The target was set before the seismic activity began and may need to be revised.

3. Energy transition

- All vehicles owned by the company to be electric or powered by e-fuel by 2030 (scope 1).
- By 2035, only renewable energy sources will be used at HS Orka’s construction sites (scope 3).

Further details on climate goals and relevant information can be found in [HS Orka’s climate policy](#), which is expected to be updated by the end of 2026.

Main Actions

Carbon dioxide going through the processing channels of HS Orka’s geothermal power plants is the largest component of the company’s climate accounting. The company’s climate actions take this into account, and energy transition projects, such as utilising emissions for e-fuel production, can play a major role (see the dedicated section in HS Orka’s 2023 Sustainability Report). Possibilities related to the reinjection or underground storage of carbon dioxide are also being explored.

HS Orka’s focus on the circular economy can have a major impact on the company’s emissions intensity by

putting underutilised resources to use. The company can reduce its emissions intensity through measures aimed at reducing total emissions, but the sale of surplus heat from the energy production also has a positive effect. Thus, increased sales of thermal energy to land-based aquaculture will reduce the emissions intensity of operations.

HS Orka's own energy needs are met primarily by renewable electricity, but the company remains dependent on fossil fuels to operate a portion of its vehicle fleet, heavy equipment, and backup generators. In addition, fossil fuels are used indirectly in the supply chain, air travel, and new construction projects. The company is working towards a full energy transition in its own vehicle fleet and strives to achieve a full transition in new construction projects, while also influencing sustainability in the supply chain.

Key indicators and targets

				Set Targets		
	2023	2024	2025	2030	2035	2040
Total GHG emissions (tCO ₂ eq)	94,040	142,979	147,323			0
Emissions intensity (g CO ₂ eq/kWh electricity produced and kWh thermal energy sold)	25	35	36	26		
Electric and e-fuel vehicles (% of total)	41	36	44	100		
Renewable energy in construction projects (%)					100	

Scope 1 – Direct emissions

GHG Emissions (tCO ₂ eq)	2022	2023	2024	2025
Reykjanes Power Plant	26,234	24,552	25,415	28,102
Svartsengi Power Plant	67,822	67,378	110,645	116,482
Vehicles and machinery*	144	133	167	222**
Total	94,200	92,063	136,228	144,806

* The increase in fuel consumption from 2024 to 2025 is due to exploration drilling in the Krýsuvík area. Water pumps supplying drilling water to the drill rigs had to be powered by diesel generators.
** In 2025, the company used emission factors from the Icelandic Environment and Energy Agency to calculate emissions from fuel consumption.

Scope 2 – Indirect emissions from energy

HS Orka produces its own electricity and heat. See scope 1.

Scope 3 – Indirect emissions from operations

GHG Emissions (tCO ₂ eq)	2022	2023	2024	2025
Key material purchases in construction projects*	3,996	1,664	5,759	1,815
Fuel in construction projects	7	281	959	633
By-products**	8	9	11	47
Air travel	16	23	22	22
Total	4,027	1,978	6,751	2,517

* This year, emissions from the transportation of supplies from abroad to Iceland are not accounted for, This was previously accounted for and therefore represents a change in methodology from previous years, In recent years, this item has accounted for approximately 5% of scope 3 emissions,
** In 2025, the company used emission factors from the Icelandic Environment and Energy Agency to calculate emissions from by-products,

	2022	2023	2024	2025
Total GHG emissions	98,227	94,040	142,979	147,323

Geothermal Emissions and Iceland's National Inventory

Seismic activity at the Sundhnúkur crater row, which began in 2023, is causing a significant increase in carbon dioxide emissions from the Svartsengi Power Plant compared to the years before the seismic events.

Increased emissions confirm what was previously known and has been demonstrated, for example through isotopic measurements, namely that carbon dioxide emissions in geothermal areas are essentially driven by natural processes. Nevertheless, these emissions are reported in Iceland's national inventory as anthropogenic emissions and are defined as ESR emissions in Iceland's obligations towards the European Union.

Effect of Regulations on the Utilisation of CO₂ from Geothermal Energy

In recent years, HS Orka has drawn attention to the view that it is incorrect to classify emissions from geothermal areas as anthropogenic, partly because this may hinder the economical utilisation of carbon dioxide in energy transition projects such as the production of e-fuel. There are at least two reasons for this.

According to EU regulations, it is impossible to certify e-fuel as renewable if it contains carbon dioxide from geothermal power plants. It is however possible to certify e-fuel as renewable if, for example, it contains

carbon dioxide from coal power plants, cement factories, or other similar industries that fall under the EU Emission Trading Scheme. Certification is a prerequisite for e-fuel to be competitive in relation to other fuels.

Last year, the Icelandic government placed “regulations on renewable fuels of non-biological origin – RFNBO” on their list of priorities for advocacy with the EU. Subsequently, the Ministry of Environment, Energy and Climate has requested that the regulation be introduced in Iceland in such a way that carbon dioxide from geothermal energy may be used for certified e-fuel. This would make it possible to produce renewable e-fuel in Iceland.

ESR Emissions in Iceland

The problem remains that utilisation does not necessarily result in reduced ESR emissions in Iceland. This is because IPCC rules shall be followed in the calculation of ESR emissions¹. The IPCC rules stipulate that emissions from e-fuel are to be reported where carbon dioxide is captured and not where it is

¹ Regulation (EU) 2018/842 on binding annual greenhouse gas emissions reduction

emitted. This means that carbon dioxide emitted from a geothermal power plant, used in e-fuel, is counted for as ESR emissions even if it is utilised outside Iceland or shipping to and from the country (part of the Emissions Trading Scheme). Emissions savings would only be reflected in the Emissions Trading Scheme. Concomitantly, it is clear that Iceland would be penalised if the targets for ESR emissions are not achieved, for example by having to purchase emissions allowances. This raises many questions as the carbon dioxide is of natural origin.

Potential Solutions

It is imperative to ensure that Iceland is not penalised for failing to meet ESR emission targets if this is caused by the utilisation of carbon dioxide for e-fuel production. This could be achieved, for example, by:

1. Redefining carbon dioxide from geothermal power plants as natural emissions and remove it from the IPCC inventory and therefore the national inventory.
2. Making emissions from geothermal energy or other renewable energy sources exempt from ESR emissions when introducing the ESR Regulation in Iceland.
3. Reviewing the Icelandic emission targets, making them a proportion of emissions according to the emission inventory, excluding emissions that pass through the processing channels of geothermal power plants.

The first solution calls for a review of Iceland's climate inventory, both in the past and in the future. Such a change would also have to be processed by the IPCC,

which would likely be time-consuming and could delay economical projects in the field of energy transition.

The second solution does not call for a review of Iceland's climate inventory, as it would be possible to request such adaptation when introducing or reintroducing the EU Regulation on ESR emissions into Icelandic law. Such a provision would not be unprecedented, since emissions from category “1.A.3.a Civil Aviation” have zero emissions under the ESR emissions regulation.

The third solution entails a review of Iceland's objectives, as geothermal power plants would be considered separately and the utilisation of carbon dioxide from geothermal energy would not affect Iceland's obligations towards the European Union.

HS Orka considers solution one the best option, however, it could cause delays in economical projects for the utilisation of carbon dioxide for e-fuel production. Therefore, it would be practical to start with solution three, or two, to ensure that Iceland will not be penalised for natural geothermal emissions, even if the carbon dioxide from geothermal power plants is utilised, while working to redefine geothermal emissions as natural emissions in the long run.

Climate Risk Assessment 2025

HS Orka’s climate risk assessment is fundamentally based on analyses from 2022-2024, conducted in accordance with the Task Force on Climate-Related Financial Disclosures (TCFD) methodology. TCFD has now been integrated into the ESRS standards in accordance with the ESRS E1 emphasis on climate risk scenario analysis.

In 2025, no material changes were made to the assumptions or results of the climate risk assessment. The assessment covers the company’s operations in their current form, that is, the operation of the Reykjanes Power Plant, the Svartsengi Power Plant, freshwater sources in Lágar and at Sýrfell, the Brú and Fjarðará Hydropower Plants, and the value chain. The assessment involves an analysis of the scope and financial impact of risk factors and opportunities under different future climate change scenarios. Four climate scenarios

(RCP 1.9, RCP 2.6, RCP 4.5, and RCP 8.5) continue to be used as benchmarks in accordance with the report by the Scientific Committee on Climate Change for Iceland, with future impacts estimated for various timeframes of up to 50 years. The assessment is intended to highlight risk factors that can have a significant impact on the company so that their impact can be minimised through actions and controls. The technical approach of the risk assessment is further described in HS Orka’s previous sustainability reports.

Climate scenarios

RCP 1.9	RCP 2.6	RCP 4.5	RCP 8.5
Assumes that global warming will be limited to within 1.5°C. Drastic measures are taken to curb greenhouse gas emissions. The global peak of greenhouse gas emissions will occur before 2026. Carbon neutrality will be achieved around 2060 and thereafter be negative.	Focuses on limiting global warming to below 2°C. Radical measures are taken to curb greenhouse gas emissions. Carbon neutrality will be achieved around 2070.	Assumes that global warming will be limited to within 3.0°C. Actions are implemented and results achieved at a slower pace. Emissions will not begin to decline until the middle of the 21st century. Carbon neutrality will be reached by 2100.	Global warming will exceed 4°C. The most severe scenario. Little or no action is taken to curb greenhouse gas emissions.

Types of Climate Risks

Acute risks and opportunities were assessed with regard to sudden events related to climate change, such as heatwaves, droughts, cold spells, extreme precipitation, floods, landslides, and extreme winds. A similar assessment was also conducted for chronic changes, such as glacial melting, ocean acidification, sea-level rise, and rising temperatures. Transition risks and opportunities were assessed with regard to potential policy and legal changes, investment projects, and market changes.

Alignment of Climate Risk Assessment with the Risk Model and ESRS Standards

The risk factors assessed in accordance with the TCFD methodology that are deemed capable of causing significant or major financial consequences in any of the first three scenarios were incorporated into the company’s risk model in the same manner as its other risk factors and are subject to the same principles. The risk factors incorporated into the company’s risk model were also included in the impact, risk, and opportunity assessment. The analysis was part of a double materiality assessment in 2025 in accordance with the ESRS standards for sustainability reporting. In the coming years, further alignment of the climate risk assessment with those standards is expected.

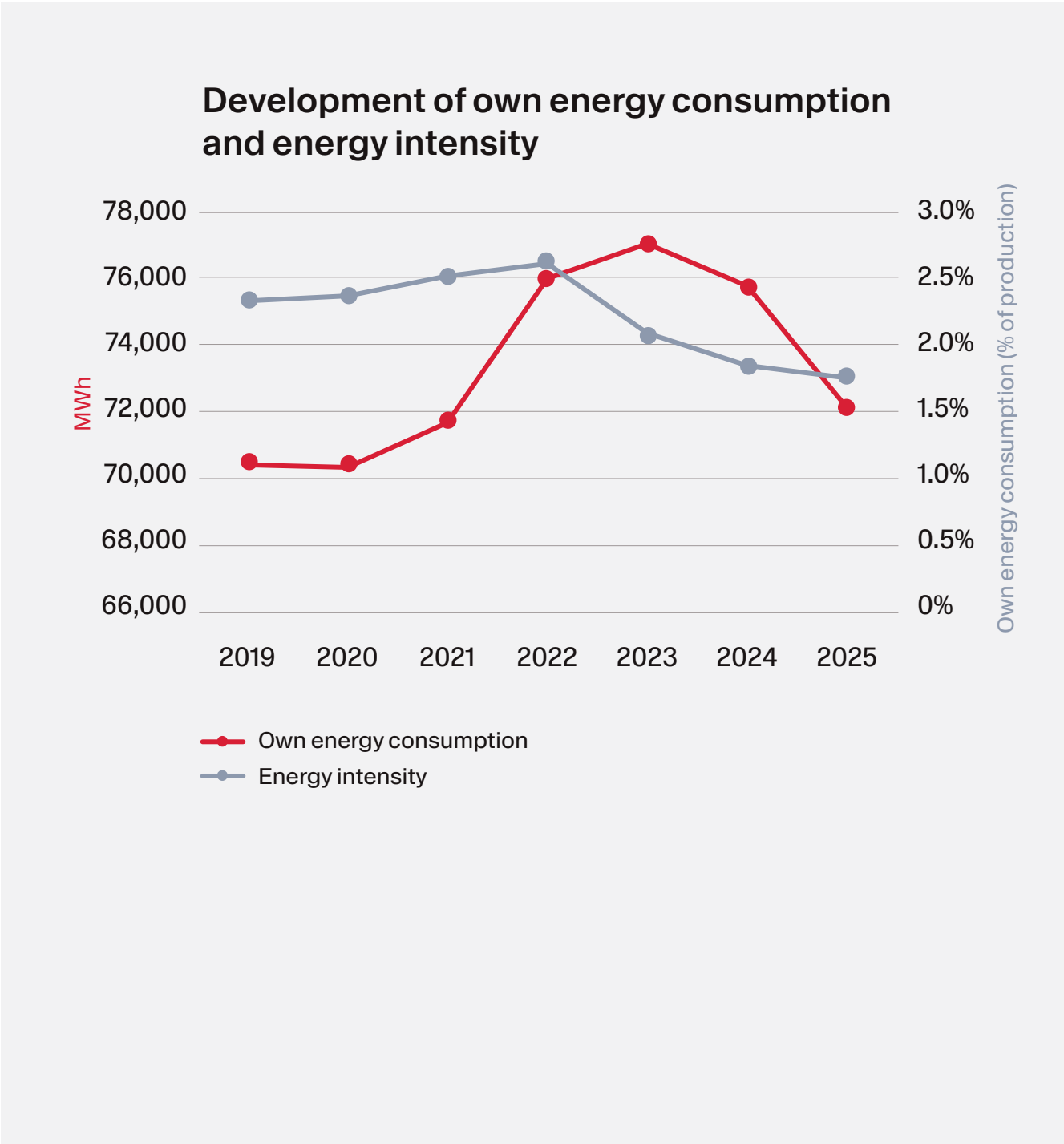
Examples of risks and opportunities in the assessment

Transition risk	
Strategic and legal environment	Increased legal requirements, for example the cost of GHG emissions.
Technology	The cost of introducing new technologies that contribute to reducing GHG emissions.
Market	Increased cost of raw materials.
Acute risk	
Precipitation	Operational disruptions to water sources due to extreme precipitation patterns.
Chronic risk	
Sea level rise	Increased risk of salinity in the freshwater source at Reykjanes Power Plant.
Opportunities	
Power sources	Increased demand for renewable energy and opportunities in the sale of CO2 for e-fuel production.
Goods and services	Increased access to funds through active climate action.

Own Energy Consumption

The energy used in HS Orka’s operations primarily comes from HS Orka’s own energy production. However, part of the company’s vehicle fleet, along with heavy machinery and backup power systems, are powered by fossil fuels.

- The use of non-renewable fuels increased year-on-year, primarily due to exploratory drilling in the Krýsuvík area. Water pumps, which supplied the rig with drilling water, had to be powered by diesel-driven generators. Excluding this project, diesel consumption would have decreased compared to the previous year.
- The energy content (kWh/l) of diesel and gasoline has been updated in accordance with conversion factors provided by N1, which HS Orka uses. This has resulted in a slight decrease in recorded consumption of non-renewable energy compared to previous benchmarks.
- There was no hydrogen consumption in 2025, as there are no longer any hydrogen-powered vehicles in HS Orka’s fleet.
- There was a reduction in electricity consumption compared to 2024, while heat usage increased. The decline in internal electricity consumption was the primary influencing factor behind the company’s energy intensity remaining largely unchanged between 2024 and 2025, despite the increased consumption of heat and fossil fuels.



Development and indicators for HS Orka's own energy consumption

Own energy consumption (MWh)	2022	2023	2024	2025
Fuel				
Non-renewable fuels (diesel and petrol, in MWh)	550	498	596	910
Renewable fuel (hydrogen, in MWh)	65	42	7	0
Renewable fuel (electricity, in MWh)	21	78	57	66
Electricity and heat				
Electricity (renewable, in MWh)*	73,876	74,899	73,335	69,330
Heat (renewable, in MWh)**	1,484	1,484	1,734	1,825
Use of renewable energy				
Total renewable energy consumption (MWh)	75,447	76,504	75,134	71,220
Proportion of renewable energy (%)	99.3%	99.4%	99.2%	98.7%
Use of non-renewable energy				
Total non-renewable energy consumption (MWh)	550	498	596	910
Proportion of non-renewable energy (%)	0.7%	0.6%	0.8%	1.3%
Total own energy consumption (MWh)	75,996	77,002	75,729	72,131
Year-on-year decline/increase (%)	5.7%	1.3%	-1.7%	-5.0%
Energy intensity				
Energy intensity (MWh of own energy consumption per MWh of electricity produced and MWh of heat sold)	2.6%	2.1%	1.8%	1.8%
Energy intensity (MWh/total revenue in ISK)		0.0000058	0.0000053	0.0000046

* Also includes power losses.
** Heat consumption in Svartsengi Power Plant, Reykjanes Power Plant, and partly in HS Orka’s offices in Kópavogur and Reykjanesbær is estimated.

By-Products

A key element in HS Orka’s strategy is minimising waste. Instead of looking at what is generated in the operation as waste, the approach is to define it as by-products. The handling of the by-products is aimed at increasing value creation and supporting the development of a circular economy.

The main objective of HS Orka’s handling of by-products relates to the classification of the materials generated by the company’s operations and construction. The target for the year was to achieve 87% segregation, measured as a percentage of the total weight of by-products. The target was achieved and amounted to 95% in 2025. The segregation rate was slightly higher in construction projects than in day-to-day operations. In both cases, however, it was above the set goal for the year.

Over the next five years, the company’s segregation target will be increased by one percentage point per year, reaching 92% by 2030. This indicator is one of

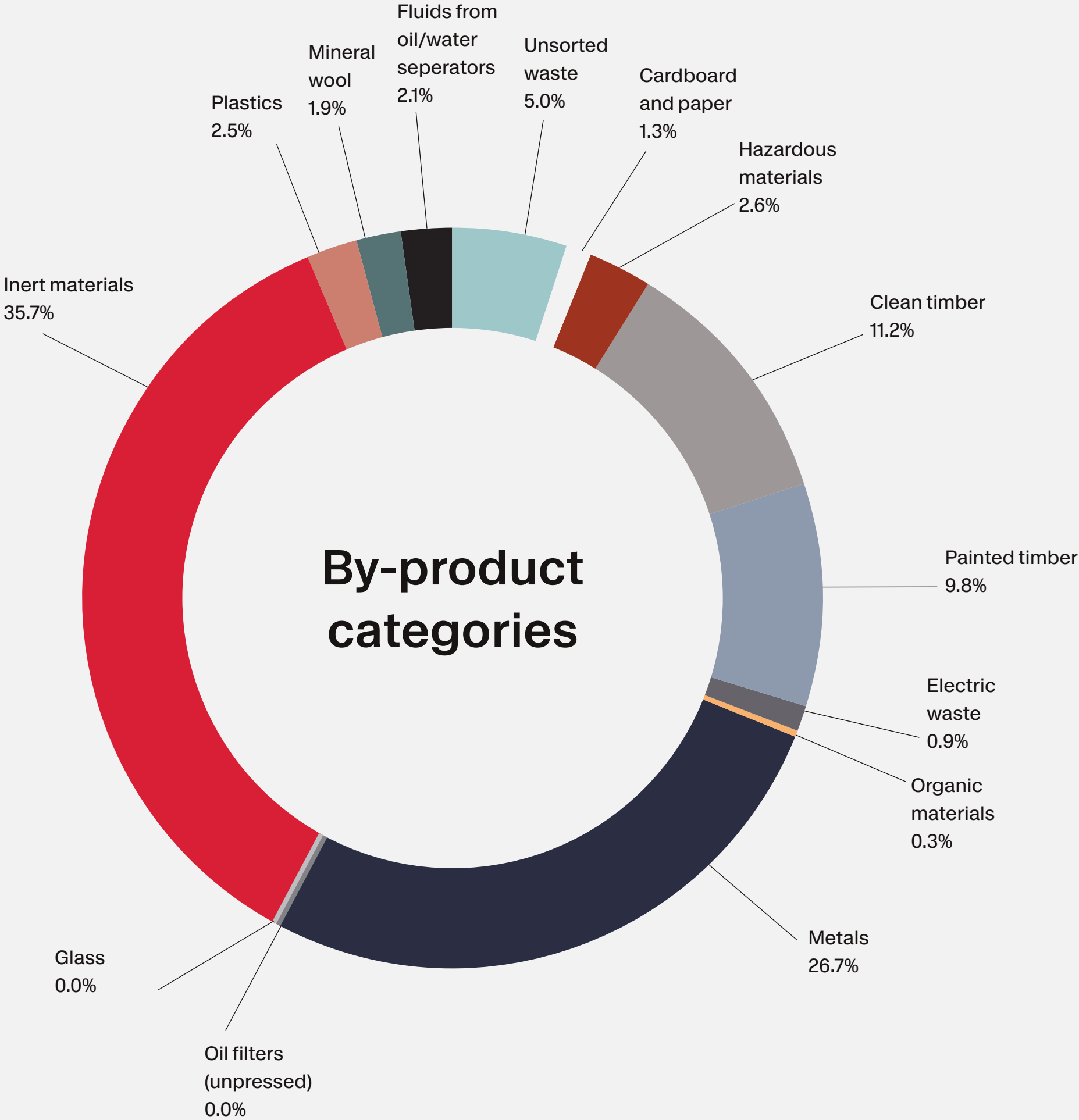
three sustainability indicators that have a direct impact on credit terms under the company’s green financing framework, which further increases the importance of the project.

Quantities and Categories

Various construction projects during the year resulted in an increase in the quantity of by-products between years. This can be attributed to the expansion and renovation of the Svartsengi Power Plant, the

Segregation of by-products – achievements and objectives

	Targets				
	2023	2024	2025	2026	2030
Segregated by-products (%)	85.6	88.3	95	88	92



modification of the Svartsengi separator station due to the renovation of equipment, as well as the demolition of an experimental separator station built due to the expansion of the Reykjanes Power Plant.

In 2025, the category of “inert materials” was the most substantial, which can be attributed to changes in separator station 5. This is followed by the category “metals”, which can be traced to the demolition of the experimental separator station at Reykjanes, among other things.

Treatment of by-products

		2022	2023	2024	2025
By-products from operations and construction projects in Svartsengi, Reykjanes Power Plant, offices in Turninn and Krossmói, as well as by-products from drilling operations in the Krýsuvík area (t)	Saved from disposal	447	132	280	340
	Recycling	393	107	234	303
	Energy production	54	25	45	37
	Sent to disposal	85	21	47	222
	Landfill	85	21	47	222
Hazardous waste (t)	Saved from disposal*	9	13	15	16
	Sent to disposal	0	0	0	0
Fluids from oil/water separators (t)	Saved from disposal	0	1	4	12
	Sent to disposal	0	0	0	0
Total by-products (t)	Saved from disposal	456	146	298	368
	Sent to disposal	85	21	47	222
	Total	541	167	346	590
Percentage of by-products after treatment (%)	Saved from disposal	84%	87%	86%	62%
	Sent to disposal	16%	13%	14%	38%

*Hazardous waste is incinerated, and the bottom ash is used as a cover in landfills.



Treatment of Inert Soil Materials

Utilisation of inert soil materials in the company's landscaping area was increased, compared to 2024. The company's landscaping area at Reykjanes Power Plant will soon be fully utilised, and a review of the procedures for utilisation of inert soil materials is planned.

Materials from exploratory drilling in the Krýsuvík area were mainly transported to a quarry in the area, which is in the process of being closed. During the making of the drilling pad for the exploratory drilling, a lot of inert soil material was generated due to bedrock. A portion of the drill cuttings from the borehole was transferred to a collection point on Álfsnes.

So far, the utilisation of inert soil material has not been calculated into the classification ratio, partly because quantities are estimated and the utilisation of the material has mostly been in the landscaping area within HS Orka's premises.

Scalings with Enhanced Levels of Naturally Occurring Radioactive Material (NORM)

The geothermal fluid in the Reykjanes geothermal system is subterranean sea water, which means that its salinity is comparable to marine salinity. The interaction between high salinity and temperature makes it easier for the liquid to dissolve various bedrock materials. The utilisation of subterranean sea water therefore results in the generation of more deposits during processing than in geothermal areas where conditions are different.

Geothermal resources contain naturally occurring radioactive materials which are dissolved and transported to the wellheads. The change in pressure causes them to precipitate and the materials then separate from the liquid as solids and form a dark scaling that resembles any other rock. These scaling deposits are cleaned annually.

HS Orka has the required licences from the Icelandic Radiation Safety Authority for the handling and storage of these materials, and the amount of scaling deposits remains stable from one year to the next. An application for a long-term permit for storage of the scaling deposits in 2026 is planned once the environmental assessment for their handling has been completed.

		2022	2023	2024	2025
Scalings with enhanced levels of naturally occurring radioactive materia (m³)*	Local storage	0.7	0.7	0.7	0.7

*Estimated volume

Treatment and Disposal

The following table shows the quantity and percentage of by-products after treatment. By-products can be segregated but still be sent to disposal, if a better channel for the category does not exist. A higher proportion of by-products were sent to disposal in 2025 than in previous years. This is explained by the fact that the largest category was inert materials, most commonly concrete fragments due to the construction of separator station 5 at Svartsengi. The material was segregated, but the recipients sent the materials for disposal. The percentage of by-products that was saved from disposal was 62% and consequently significantly lower than the segregation rate.

Monitoring and Follow-Up

To achieve the objectives set, HS Orka actively monitors the handling and segregation of by-products, and deviations from procedures are recorded and corrected. Metrics are monitored to assess progress and performance, and key stakeholders are periodically informed of the situation.

Now that the expansion and renovation of the Svartsengi Power Plant is mostly complete, the 2026 goal depends on how effectively by-products are segregated during operations and maintenance projects. Further monitoring of segregation in the company's operations is planned in order to achieve a higher segregation rate.

Nature Conservation and Monitoring

Biodiversity refers to the variability among living organisms and encompasses diversity within species, between species, and among ecosystems. It is a prerequisite for healthy ecosystems, and maintaining it is essential for human survival. Anthropogenic greenhouse gas emissions, resource utilisation, and pollution are among the factors that affect biodiversity.

HS Orka has developed monitoring plans for the main areas affected by its operations, which allows the company to respond if negative trends emerge, including those related to biodiversity.

A significant portion of the monitoring is tied to the company’s permits and licenses, such as the utilisation permit from the Icelandic Environment and Energy Agency and the operation licenses from the health authorities. The Suðurnes Health Authority monitors operations at Svartsengi, the Reykjanes Power Plant, and water sources in Lágar and at Sýrfell. The South Iceland Health Authority monitors the Brú Power Plant, and the East Iceland Health Authority monitors the Fjarðará Power Plants.

Monitoring of Water Sources

Monitoring of drinking water quality in the company's water sources at Sýrfell and in Lágar is performed by the Suðurnes Health Authority and HS Orka. Monitoring water sources is based on continuous measurements of physical and chemical properties and frequent sampling. Measurements in 2025 showed that drinking water met quality requirements without exception.

Hydrogen Sulphide Emissions and Air Quality Measurements

Hydrogen sulphide emerges from geothermal systems with geothermal fluid and steam, which pass through the production process and are then released into the atmosphere. Hydrogen sulphide emissions at Svartsengi were 1,133 metric tonnes, a decrease of 19% year-over-year. The decrease may be attributed to changes in the concentration of hydrogen sulphide in certain boreholes, as well as more frequent measurements throughout the year, which yielded a more accurate and lower overall total than before. At the Reykjanes Power Plant, hydrogen sulphide emissions also decreased by 19%, totalling 1,256 metric tonnes. This reduction can primarily be attributed to the temporary shutdown of a turbine at the power plant and the consequent halt in the use of boreholes with high hydrogen sulphide concentrations, along with reduced production from two boreholes with high hydrogen sulphide concentrations.

HS Orka monitors the concentration of hydrogen sulphide in the atmosphere by the town of Grindavík due to its operations in Svartsengi in accordance



HS Orka's water extraction area in Lágar.

with regulation no. 514/2010 on the concentration of hydrogen sulphide in the atmosphere. Measurements showed that in 2025, hydrogen sulphide concentrations were within regulatory limits for atmospheric levels.

Effluent Fluid from Svartsengi

In 2016, HS Orka began pumping effluent water from Svartsengi through a discharge pipe into Arfadalsvík. Arfadalsvík is on the Nature Conservation Register due to its coastal marine life and diverse birdlife. An extensive baseline assessment was conducted in the area in 2015, prior to the start of pumping, during which the area's ecosystem, background values in seawater, and the accumulation of pollutants in seaweed were documented.

The purpose of the monitoring in Arfadalsvík is to investigate the impact of the effluent water on the ecosystem of Arfadalsvík. The Southwest Iceland Nature Research Centre manages the monitoring, while the research as a whole is conducted in collaboration with the University of Iceland’s Research Centre in Suðurnes. According to their results for 2025, the composition of the intertidal community has changed in a statistically significant way since 2015, but changes between 2023 and 2025 were minor. This indicates that majority of the changes occurred in the first few years after the pumping of hot effluent water began in the area, and that the intertidal community has since reached a certain equilibrium. There are no conclusive indications as to what causes this difference. In general, similar or lower concentrations of nickel, copper, zinc, arsenic, and

cadmium were detected in seaweed in the area in 2025 compared to 2023 and 2024. It is likely that the decrease is due to natural variability, at least in part.

Run-Off from Reykjanes Power Plant

Monitoring of the intertidal ecosystem at the Reykjanes Power Plant outlet began in 2013. The objective of the monitoring is to observe whether and how hot effluent water from the power plant affects the intertidal ecosystem.

As with the monitoring in Arfadalsvík, the Southwest Iceland Nature Research Center manages the project and conducts the monitoring in collaboration with the University of Iceland’s Research Center in Suðurnes. The 2025 monitoring report states that the concentration of trace elements in rockweed is similar to that of previous years. Measurements during the year support previous observations that zinc accumulation in rockweed can be traced to effluent water from the Reykjanes Power Plant, and results from previous years also indicate that lead accumulation, currently at or below detection limits, can also be traced to the effluent water. However, the concentration of cadmium in rockweed is significantly lower north of the outlet, which is the primary impact area of the effluent water. It is unclear whether this is related to the discharge or to natural variability. Nutrient concentrations in seawater were in most cases similar to or slightly lower than expected based on results from previous years. The silica concentration is significantly higher in seawater samples closest to the outlet. There was no difference in phosphate and nitrate concentrations between stations.

The report notes that environmental conditions in the area are variable, due, for example, to the irregular shape of the coastline. This affects the composition of biological communities and their living conditions. The results of the 2025 assessment do not indicate that detectable differences in the shoreline ecosystem between transects can be attributed to the effects of effluent water from the Reykjanes Power Plant. Strong currents and heavy surf cause mixing and dilution of effluent water beyond the power plant’s outlet, which likely reduces the impact on the ecosystem.

Monitoring in Tungufljót Associated with the Brú Power Plant

Monitoring in Tungufljót, which began in 2021, covers chemical and physical parameters, fish, invertebrates, and algae on rocks. The Marine and Freshwater Research Institute oversees monitoring in Tungufljót. The 2025 monitoring report is not yet available, but according to the 2024 monitoring report, the results are essentially comparable to previous years. According to the report, chironomid larvae are the dominant group in bottom samples, but species analysis shows some year-over-year changes in the proportions of chironomid species. The total density of invertebrates increased considerably in the fall of 2024, representing a change from the decline seen between 2021 and 2023. Diatoms have been the main component of the algal flora in Tungufljót from the beginning, but in the fall of 2023, a significant increase in green algae was recorded at the lower measurement station, which persisted to some extent into the fall of 2024. Continued monitoring will reveal whether there is a permanent change in the algal flora.

Monitoring in HS Orka’s impact areas



Tungufljót

The dam of the Brú Power Plant limits the flow of Tungufljót river. Tungufljót is monitored in terms of the ecosystem.



Reykjanes Basin

A mixture of condensate, geothermal water and seawater passes through the channel of Reykjanes Power Plant into the sea in Reykjanes Basin. The area is monitored in terms of chemical stress and the ecosystem.



Arfadalsvík

Condensate and geothermal water that cannot be utilised in Svartsengi is conducted by pipelines to Arfadalsvík. The area is monitored in terms of chemical stress and the ecosystem.



Svartsengi

Condensate and geothermal water are irrigated to the surface. The area is monitored in terms of chemical stress.



Freshwater wells

HS Orka operates water wells in Lágar and at Sýrfell. The area is monitored in terms of drinking water quality.



Grindavík

Among the gases coming from geothermal power plants is hydrogen sulphide. Air quality is monitored at the company’s power plants and in Grindavík.

03 Society

"We are part of the community"

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Security of Supply

HS Orka applies diverse contingency measures to ensure stable, secure and reliable supply of energy to the community, for residents as well as businesses alike. The likelihood of operational disruptions is reduced by careful preparation, backup systems, periodic maintenance, resource management, and the well-coordinated efforts of our staff.

The reliability of HS Orka's energy delivery is determined both by the condition and operation of the company's own assets, and by Landsnet's transmission system together with the infrastructure operated by distribution utilities. While HS Orka is responsible for maintaining its production infrastructure and ensuring delivery reliability from its power plants, the transmission and distribution networks fall largely under the responsibility of third parties. External conditions, such as natural hazards or changes in geothermal systems, can present challenges for the operation. HS Orka's responsibility is to employ qualified personnel to run the power plants, maintain assets and machinery, seek all means to ensure protection against external threats and draw attention to how the electricity transmission and distribution systems can be improved.

Uptime of Machinery

HS Orka is an important infrastructure company that impacts the daily life and management of homes and businesses nationwide. Power plant uptime is a key indicator of the stability of the operation and supply of products, as the uptime shows how large a portion of the year the company's production units are ready for electricity and heat production.

To ensure transparency, uptime is defined as the time during which a production unit is available for production, minus any pre-planned maintenance. A clear distinction is made between planned stops and unforeseen failures. HS Orka endeavours to plan maintenance in such a way as to strengthen operational security in the future and ensure the long-term safety of equipment. At the same time, efforts are being made to apply appropriate preventive measures to minimise unexpected stops.

Uptime in geothermal plants does not solely concern steam turbines and generators. The condition of boreholes, the quality of steam and water, powerful controls and clear procedures are also taken into account. Increased emphasis has been placed on data-driven monitoring and preventive maintenance, where signs of anomalies are detected before they result in a failure. We can therefore move from responding to problems to preventing them, which increases the stability and safety of operations.

Island Operation Due to Maintenance and Storms

For island operations, a demarcated area is isolated from Landsnet's main network and the power plants within

that area supply all required electricity through their own production. During 2025, island operations were planned and executed on two occasions for the Reykjanes Peninsula transmission grid. On these occasions the Reykjanes Peninsula was severed from Landsnet's main transmission grid due to the renewal of distribution infrastructure on the Reykjanes Peninsula, and during that time, Svartsengi and Reykjanes Power Plants provided all electricity to households and businesses in the region.

In 2025, Seyðisfjörður lost power due to ice accretion on Rarik's lines. Island operation was then used for Fjarðará Power Plants for the first time after HS Orka embarked on significant improvements and upgrades of the power plants' control system in 2024 to enable such operations. These measures greatly strengthened the security of electricity supply for the community of Seyðisfjörður, evidenced by this occurrence in 2025.

The main challenges of island operations are twofold. The system must be stabilised when the area is isolated from the main grid, to maintain a balance between power plant production and electricity consumption at any given time. However, rapid or excessive changes to utilised capacity can disrupt this balance and cause machinery to lose power. The island operations will then crash, and a power outage will occur while the operation is set up again.

Communication with major utilities and heavy users is an important part of island operations to reduce risks and ensure stable operations.

Principal Projects 2025

- A new steam turbine was formally commissioned on December 1st, supporting power generation at



Fjarðará Power Plants.

- Svartsengi Power Plant to meet the added energy demand and growing community on the Reykjanes Peninsula.
- The turbine unit at Reykjanes Power Plant, turbine and generator, was inspected.
 - Exploratory drilling involving the possible emergency sourcing of fresh water within the Svartsengi embankments was completed. Results showed that water from the boreholes in question was not suitable for consumption due to high concentration of salt.
 - Continuous measurement of hot-water quality in Fitjar was initiated in collaboration with HS Veitur.
 - The operational security of electricity transmission from Svartsengi and Reykjanes Power Plants has been improved by the renovation of Landsnet's infrastructure on the Reykjanes Peninsula. The power plants are now connected to Landsnet's substations, each with their own power transmission line, where each line serves as a back-up transmission line for the other.

Expansion of Svartsengi

Construction on the expansion and renovation of the Svartsengi Power Plant was mostly completed by the end of 2025, and a new steam turbine was officially commissioned on December 1st. Construction began in December 2022 and was aimed both at increasing electricity production at Svartsengi and boosting the company’s hot water production.

The production capacity of the Svartsengi Power Plant has mostly been provided by two conventional 30 MW steam turbines, which were activated in 1999 and 2008, respectively. The remaining megawatts consisted of smaller turbines that were due for renewal as their efficiency was no longer considered sufficient. Due to the expansion, output can be increased in accordance with the current utilisation permit, which allows for 85 MW.

Construction During Periods of Geological Activity

Construction within a fully operational power plant is both complex and demanding. This somewhat increased the complexity of the project, but it also resulted in far less environmental impact and disturbance of soil than would have accompanied the construction of a new power plant. The project primarily involved the replacement and upgrading of equipment, and new boreholes were not a prerequisite or part of the project. The disturbance due to the construction was therefore minimal and limited to the expansion of the station building and the construction of a cooling tower.

In addition to challenges associated with the design and implementation of the project, there was the volcanic

activity and seismic activity in the Sundhnúkur crater row, located in the immediate proximity of Svartsengi, which has been ongoing since autumn 2023. Despite significant disruptions, including temporary construction stoppages due to volcanic eruptions and gas pollution, repeated disruption of access roads due to lava flow, and the building of protective barriers, construction was successfully completed on time. This must be considered a significant achievement in Icelandic construction history. This was achieved through strong project management and the company’s active and close cooperation with contractors and Civil Protection.

Improved Utilisation and Potential for Further Development

The steam turbine, originally intended for the expansion of the Reykjanes Power Plant in 2010, was used for the expansion of Svartsengi. The expansion at the Reykjanes Power Plant was cancelled due to a re-evaluation of the resource’s output. The turbine was originally 50 MW, but it was upgraded and overhauled and now has a capacity of 55 MW. It is the most powerful steam turbine in the country. The new turbine provides



Steam turbine in Svartsengi Power Plant, now the most powerful steam turbine in the country.

surplus capacity at Svartsengi, enabling increased energy production. The additional production capacity is expected to support further development in the area, particularly regarding utilisation in Eldvörp. Geothermal utilisation in Eldvörp is discussed in greater detail in the section on [Development Projects](#).

Increased Societal Need

There is a growing demand for energy to support the energy transition as well as general industrial development in Iceland. In this context, the rapid

development and expansion at Svartsengi is important. The project compares favourably with many new energy options, as the expansion remains within Svartsengi’s existing utilisation permit.

The project is particularly important for the surrounding communities and has greatly strengthened the company’s hot water production capacity. Previously, older equipment handled part of the water heating process by preheating water in condensers. With the installation of a new steam condenser, HS Orka is now better equipped to meet the needs of a rapidly growing community on the Reykjanes Peninsula than before.

Development Projects

HS Orka’s Department of Project Development and Resources makes plans and carries out preparatory work for future investment projects aimed at the utilisation of renewable energy resources. This includes analysis and preliminary review, planning and licensing, concluding agreements with landowners and resource rights holders, performing environmental impact assessments, and communication with the stakeholders involved with each project. The focus is always on safety, sustainability, and the profitability of projects.

Resource assessments and various preparations were carried out this year in anticipation of the construction of a power plant in the Krýsuvík area. This work continues in 2026. At the same time, projects that involve the continued development of existing power plants are on the horizon, most notably the preparations for projects that contribute to the increased utilisation of the production capacity at Svartsengi.

HS Orka has also led VesturVerk’s preparatory work in recent years, with Hvalá Power Plant and other hydropower options at the forefront. In addition, HS Orka has carried out research into wind power with the focus on the Reykjanes Peninsula and the Westfjords, especially Nónborgir in Strandasýsla.

Hvalá Power Plant

VesturVerk, which is majority-owned by HS Orka, has for years worked on the preparations for Hvalá Power Plant, which will use the flow of the rivers Hvalá, Rjúkandi and

Eyvindarfjarðará in the municipality of Árneshreppur in Strandir for energy generation. The plant is included in the utilisation category of The Master Plan for Nature Protection and Energy Utilisation. Based on the present design, it is assumed that the installed capacity of this power plant will be about 55 MW and energy generation will be about 320 GWh a year.

Supreme Court Decision in the Land Boundary Case

At the end of November 2025, the Supreme Court upheld the decisions made by the District Court of Reykjavík and the Court of Appeals in the case of the owners of the land parcel named Drangavík against the landowners of Engjanes and Ófeigsfjörður in Árneshreppur municipality. The owners of Drangavík submitted that the Court should declare the land to be theirs, along with water utilisation rights in the river Eyvindarfjarðará. The Court did not find in their favour.

The Court’s decision ensures that VesturVerk can continue with its preparations for the Hvalá Power Plant,

as the plant will retain the catchment areas anticipated in its design. At the same time, Landsnet can continue to work on preparing the connection of the power plant to the main transmission grid.

Development Permit for the Preparation Work

In early autumn 2025, the Municipal Council of Árneshreppur granted a permit to VesturVerk to carry out the preparatory work for the power plant. The development permit allows VesturVerk to complete geotechnical investigations at Ófeigsfjarðarheiði, both at and near the site of the dam and in tunnel areas. In addition, the preparatory work includes the construction of a bridge across the river Hvalá, the laying of paths for vehicles up onto the heath, repairing the road from Melar to Hvalárósa, laying a high-voltage cable parallel to the road, and preparing a site for small work facilities. Both the development permit and permits from the Directorate of Fisheries were contested, and no decision is expected until the second quarter of 2026, which may affect the timeline of the intended developments.

Necessary Road Improvements

In early December, VesturVerk sent a report to the Ministry of Infrastructure, with a copy to the Icelandic Road Administration, to present the initial design for road improvements in the municipality of Árneshreppur which VesturVerk considers to be necessary. The Icelandic Road Administration has been consulted regarding the design and implementation. These are necessary improvements involving minimal disruption to the roads Strandvegur and Ófeigsfjarðarvegur, to increase the carrying capacity of the roads, to realign and/or redirect road alignments and facilitate general traffic and transportation. The improvements are urgent as the roads are in poor

condition and they cannot withstand the added traffic that will result from the developments by VesturVerk and Landsnet, which are estimated to last between three and four years. The involvement of the Icelandic Road Administration is unavoidable as it holds highway authority powers of the two aforesaid roads.

VesturVerk has expressed willingness to discuss the company’s contribution to road improvements which concern the Icelandic Road Administration, as part of the developments are included in the national transportation plan. As mentioned previously, VesturVerk emphasises in its relations with government authorities that road improvements in Árneshreppur are an important prerequisite for development, since it is necessary to ensure routes for safe access of staff and resources throughout the year.

Preparations for Landsnet and Connection Fees

A constructive dialogue is ongoing between VesturVerk and Landsnet regarding the planning and implementation aspects that need to be addressed in parallel with both companies’ preparatory work. VesturVerk has drawn Landsnet’s attention to a high system contribution (connection fee) under the System Plan and has requested a comprehensive review of the calculation methods of the grid codes. The objective of the review would be to ensure that the initial system contribution of power plants will not be as burdensome as it is now. As matters stand, this factor can determine the feasibility of projects.

Preparations for the Hvalá Power Plant Receive International Gold Certification

The end of the year saw the completion of the HSS sustainability assessment process for the preparatory stage

In the announcement from HS Alliance about the certification of the project, it is stated, among other things:

“This is a 55 MW power plant option, owned by VesturVerk, which is still in the preparation phase. The power plant is intended to strengthen the electricity system in the Westfjords as well as to reduce the need for using diesel to generate power. Although Iceland already produces a lot of renewable electricity, the Hvalá Power Plant can meet regional energy needs that are clearly present. The power plant is also macroeconomically more practicable and more feasible and a more climate-friendly energy option than diesel. (...) The Hvalá Power Plant Gold Certification highlights the usefulness of a project undergoing assessment at the earlier stages of preparation to ensure that sustainability aspects are defined and challenges can be addressed in timely fashion.”

of the Hvalá Power Plant in Strandir, which had taken over two years. The assessment included a detailed audit carried out by foreign assessors who arrived in Iceland in the autumn of 2024 and had conversations with a broad range of stakeholders, reviewed the project preparation documents and inspected the proposed site for the project. Following an open review process, a final assessment report was published last autumn, and its findings meant that the project was eligible for Gold Certification from the Hydropower Sustainability Alliance, an international organisation for sustainable hydropower. This is the second time that such a gold certification has been awarded for the sustainability assessment of a hydroelectric project in Iceland.

The sustainability assessment includes an analysis of the ten preparatory elements of the project, considering, on the one hand, the minimum criteria and, on the other hand, the highest quality criteria of the HSS (Hydropower Sustainability Standard). The assessment highlights the different preparatory elements of the project and puts them in context with the remote environment and vulnerable community that the power plant is expected to impact. The assessment includes a mapping of the potential effects that may result from the project. It also offers many notes on the importance of countermeasures and the continued development of strategies and actions relating to minimising the negative impacts of the project and maximising the positive effects for the community.

Krýsuvík Area

The Krýsuvík area is considered very important when it comes to ensuring that hot water can be supplied safely to Hafnarfjörður and the Greater Capital Area. This may



Employees of HS Orka and Jarðboranir on site in 2025 during drilling in the Krýsuvík area.

also apply to the communities in the outer areas of the Reykjanes Peninsula. As well as meeting a clear need for hot water, the area can also play a role in responding to the growing electricity demand in Iceland.

At present, there is insufficient information available to fully assess the area's potential capacity for utilisation. Research drilling is therefore an important step in examining the feasibility of the area and to acquire more knowledge about its geological conditions.

Progress of Research Drilling

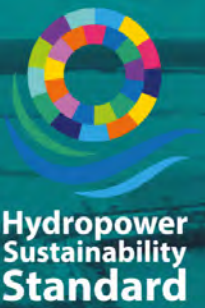
The first deep exploration borehole in the area was drilled in the summer of 2025, and measurements

indicate favourable conditions for the utilisation of geothermal energy, although it is too early to estimate the production potential of the area. Further temperature measurements and discharge tests will be carried out in 2026.

Preparations for the next two exploratory boreholes, which will be located north of Bleikhóll in the Krýsuvík area, are progressing well and the aim is to complete the drilling of both boreholes in 2026.

Planning and Environmental Assessment

HS Orka is working on the necessary zoning amendments in cooperation with the Hafnarfjörður



Hydropower Sustainability Standard

Hvalávirikjun
Hydropower Project
CERTIFIED GOLD



55 MW



Árneshreppur Municipality, Iceland





Municipality regarding the next exploratory drilling that is to take place in the area. At the same time, an assessment inquiry was carried out for the exploratory drilling, and the Icelandic National Planning Agency has confirmed that the project does not have a significant environmental impact and is therefore not subject to an environmental assessment.

If the results of the drilling are promising and the area is assessed as suitable for utilisation, preparations for the construction of a power plant will continue in cooperation with Hafnarfjörður.

Objective of Exploratory Drilling

The objective of drilling the next two exploratory boreholes is to verify whether resistivity measurements give a true picture of the geothermal system under Sveifluháls and Austurengi. They are intended to determine whether the potential for utilisable geothermal energy can be found in the northern part of HS Orka’s research area and to provide the basis for further decision-making regarding the development of the area.

Conceptual Work for Energy Infrastructure

The common goal of HS Orka and Hafnarfjörður is to pay particular attention to the design and focus of the construction. In view of the environmental and social importance of the Krýsuvík area, it is essential to ensure the compatibility of the construction of a power plant with other utilisation of the area.

In autumn 2025, HS Orka entered into an agreement with four landscape architecture firms with the aim of exploring ideas for energy infrastructure in the Krýsuvík area. The aim was to initiate conceptual formulation on a professional level regarding how to carry out civil

engineering in the area. If the research yields good results, it is expected that the conceptualisation will be applied in the site suitability analysis for the environmental assessment of the geothermal power plant and in further design and consultation with stakeholders regarding the power plant project.

Eldvörp

HS Orka is making preparations for geothermal utilisation at Eldvörp, near Svartsengi. The purpose behind them is twofold.

- Geothermal utilisation from the Eldvörp area with a connection to Svartsengi.
- Drilling of a high temperature borehole for reinjection in a new area that could support a future processing area.

The objective of the utilisation is to increase the production of electricity and hot water to meet the growing demand of communities on the Reykjanes Peninsula and in the country’s energy system. Eldvörp is included in the energy utilisation category according to The Master Plan for Nature Protection and Energy Utilisation, where geothermal utilisation for a power plant of up to 50 MW is anticipated. The current preparations are not aimed at constructing a new power plant but rather at connecting the boreholes at Eldvörp to the power plant at Svartsengi and thereby increasing the utilisation of installed capacity at Svartsengi. It is estimated that the construction could generate an increase of about 25 MW in electricity production at Svartsengi. The preparatory studies of the capacity of the area are intended to assess whether the geothermal resource can sustain this increase. Previous studies suggest that the area is much hotter and has higher



Borehole at Eldvörp tested.

energy content than Svartsengi. HS Orka’s plans for the efficient use of infrastructure at Svartsengi, rather than constructing a new power plant, are conducive to reducing environmental impact and costs.

Wind Power

Measurements and studies for the determination of the potential for wind power utilisation in Reykjanes continued throughout the year. This included observations of birds to assess the possible effects such utilisation could have on the local birdlife. Wind measurements have shown that the area offers good conditions for wind power utilisation, and initial results indicate that the utilisation rate of a wind power plant in this area would be among the highest land-based utilisation rates on a global level.

Occupational Safety and Health

HS Orka’s occupational safety and health is based on ensuring a safe working environment for everyone working for the company, whether they be employees or contractors. Emphasis is placed on a systematic approach where training and competence of staff, a structured assessment of risks and the recording of incidents play a key role.

In recent years, special emphasis has been placed on developing and securing safety measures to prevent fatal or serious accidents where fatal incidents can occur. This prioritisation does not replace a wide-ranging approach to occupational safety and health, but forms part of a holistic approach aimed at preventing all accidents.

Incident reporting (HSE reporting) is an important part of the continuous improvement process, using information from day-to-day operations to identify vulnerabilities, learn from incidents, and strengthen safety measures. The number of HSE incident reports is a sign of an active safety system that identifies incidents, making it possible to learn from them and introduce improvements.

Occupational Health and Safety Policy

- [HS Orka’s Occupational Health and Safety Policy](#)

The policy describes how we must all work together to maintain a strong safety culture and strive for the objective that no one gets hurt while working for HS Orka. The policy is part of the company’s internal management system, and the safety manager is responsible for its development. The policy undergoes a review at least every three years and is submitted to the

process council of HS Orka for approval. The Executive Board ensures that the policy is implemented by setting objectives and ensuring appropriate measures.

Cooperation on the HOP Ideology in Iceland

HS Orka is actively involved in a joint development project between companies within Samorka, the association of Iceland’s electricity, district heating, water, and sewage utilities, to implement an ideology called Human and Organisational Performance, or HOP. The aim of the project is to strengthen safety culture by placing greater emphasis on the interaction of people, technology, projects and organisational factors in a complex and high-risk work environment. HS Orka’s contribution includes participation in the joint development of strategies, the exchange of experiences from day-to-day operations and active participation in education and training.

Part of this partnership is the development and dissemination of material under the auspices of Samorka, which includes both guidance and education, including the publication of [a practical guide to HOP](#). In addition,



a foreign expert was brought to HS Orka to lead a week-long safety training for a large group of employees. The training contributed to a deeper understanding of HOP principles and how they are useful in daily activities. In this way, HS Orka contributes to the adaptation and implementation of HOP as a practical and realistic approach to safety in the energy sector in Iceland.

Principal Projects

- As in 2024, many of the major projects of 2025 were associated with seismic activity risks and the response of HS Orka and other emergency responders. These projects remain a priority, with continued emphasis on process reviews and advances in protection and response to seismic activity.
- Occupational health and safety in the process of expanding and renovating the Svartsengi Power Plant has been a key project since the autumn of 2023, and a significant number of projects have aimed at ensuring safety during construction inside the embankments.
- Work is in progress on further development of technical solutions to support management in ensuring enforcement of critical controls, such as the Golden Rules (see HS Orka’s Sustainability Report 2024 for specific coverage of the Golden Rules).
- The review of processes used to manage contractors in operational projects and small/medium sized investment projects has provided the basis for further progress in this regard. The project aims at improving risk management and enhancing compliance with occupational safety and health requirements in the many projects carried out by contractors in the operational areas of HS Orka.

- The development and improvement of digital solutions will continue. Job specific risk assessments, as well as registration and management of safety equipment, will be included therein.
- A working group was established in 2025 to review physical security at HS Orka. Throughout 2026, the group will focus on continuing its work on redefining safety zones and improving access control procedures for the company’s premises and buildings.

Topic Management

Matters relating to occupational health and safety fall under the Technical Services division where the safety manager manages and carries out daily operations relating to the topic. There is a steady flow of information to the Executive Board and from there to the Board of Directors. The status of objectives and key occupational health and safety issues are reviewed at all process council meetings. Information is disclosed to staff by various means, both formal, such as through training and monthly staff meetings, and informal, such as through daily communication with staff and management.

HS Orka has a Safety Committee, which is composed of the CEO, the EVPs of Technical Services and Operations, the safety manager, Operations supervisors, Production leaders, safety representatives, and staff safety representatives. The council’s monthly meetings are intended to ensure that decisions and messages relating to occupational health and safety are a collaborative effort between everyone in the company.

Risk score before mitigations
(*Inherent risk*)

		Inherent Impact				
		Negligible	Low	Medium	High	Severe
Inherent probability	Almost certain					
	Very likely		1	2		
	Likely			2	6	7
	Unlikely		1	1	5	4
	Very unlikely					

Risk score after mitigations
(*Residual risk*)

		Residual Impact				
		Negligible	Low	Medium	High	Severe
Residual probability	Almost certain					
	Very likely	1				
	Likely					
	Unlikely			2	3	4
	Very unlikely	2		4	7	6

The assessed risk level of all risk categories identified as part of this topic can be seen above. The first matrix shows the risk level before the implementation of critical controls (*inherent risk*), and the latter after their implementation (*residual risk*).

Risk Assessment and Critical Controls

A summary of risks, critical controls and risk levels from the job safety analysis for each risk category is recorded in the company’s risk register. Contractors who carry out larger tasks for the company submit a risk assessment before the work starts. The risk assessment is part of the work permit for the contractor’s temporary and occasional tasks. “Take five” is a short and simple risk assessment that anyone can do for simple tasks that have not been systematically risk assessed.

Targets and Results 2025

The table shows an overview of HS Orka’s key performance indicators (KPIs) in HSE matters, as well

as targets and results for the year 2025. All the leading indicator targets of the year were achieved, but one serious accident occurred during the year in the expansion project at Svartsengi. The accident resulted in further safety follow-up and, among other things, a significant increase in the scope of HSE audits in which risk factors and compliance are analysed. The fact that certain performance indicators far exceed targets can primarily be attributed to significant follow-up in the aforementioned expansion project.

In 2025, a total of 1,548 notifications were received concerning safety, health, and the environment. Of these, there was one lost time incident, two injuries requiring emergency department treatment and one first aid incident. No work-related incidents have been reported or are known to have occurred where employees have

suffered permanent health impairment. The total number of hours worked by employees and contractors in HS Orka’s work areas was 377,338 hours, with a Lost Time Injury Frequency Rate (LTIFR) of 0.53 per 200,000 working hours. The recording of contractor hours is not complete and some of the smaller tasks done by contractors are missing from the total. For this reason, the actual frequency rate is lower than that published here.

Targets for 2026

By 2026, changes will be made to categorisation and processing of reports. In addition, the reduced scope of constructions will affect the number of notifications classified as HSE notifications. Therefore, the 2026 targets are lower than those of 2025, as can be seen in the 2026 targets table.

The same key indicators that have been used in recent years will continue to be used in 2026, with a particular focus on groups and sectors within the company setting sub-objectives that support the key indicators.

Key HSE indicators 2025

		Targets	Actual 2025
Leading	HSE incident reports	at least 800 over the year	1,548
	Closed HSE actions	at least 800 over the year	1,561
	Take five	at least 960 over the year	1,243
	Number of HSE reviews/Management Gemba Walks	at least 240 over the year	704
Lagging	Lost time incidents	0	1
	Environmental incidents	0	0
	Medical treatment cases (MTC)	≤ 4	2
	First aid incidents	≤ 4	1

Key HSE indicators 2026

		Targets
Leading	HSE incident reports	at least 420 over the year
	Closed HSE actions	at least 420 over the year
	Take five	at least 960 over the year
	Number of HSE reviews/Management Gemba Walks	at least 240 over the year
Lagging	Lost time incidents	0
	Environmental incidents	0
	Medical treatment cases (MTC)	≤ 3
	First aid incidents	≤ 3

Human Resources and Equality

HS Orka strives to ensure that the workplace is characterised by professional knowledge, honesty, equality, and mutual respect.

To meet the targets set, HS Orka's staff is qualified, motivated and well-educated. They assume responsibility and demonstrate proactivity in their work, respond to constantly changing needs and play an active role in the company's progress. HS Orka is constantly looking for opportunities and new ways to maintain good morale and improve job satisfaction.

Policies

- HS Orka's Human Resources Policy
- The policy undergoes a review at least every three years and is submitted to the process council of HS Orka for approval. The review, revision, and presentation of the policy are the responsibility of the Human Resources Manager. The Executive Board ensures that the policy is implemented by setting objectives and ensuring appropriate measures.
- Equality Policy (accessible to staff on the intranet).
 - Policy Against Bullying, Sexual and Gender-Based Harassment and Violence (accessible to staff on the intranet).
- HS Orka's policy is to ensure full equality between women and men and people registered with a neutral gender registration with Registers Iceland, and that employees are valued regardless of age, gender, sexual orientation, ethnicity, skin colour, religion or political beliefs. This includes the right to work, facilities, job flexibility, education, and remuneration for work of equal and/or comparable value. With the above, HS Orka is

acting in accordance with Act no 150/2020 on Equal Status and Equal Rights Irrespective of Gender.

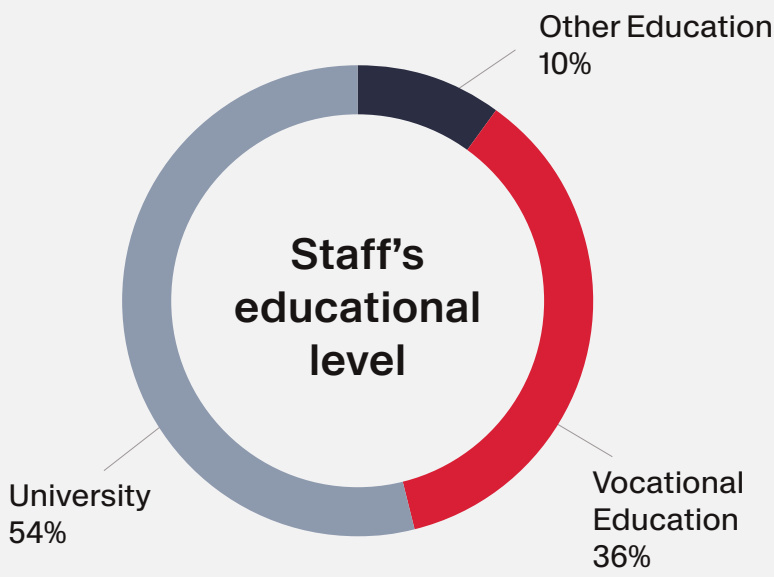
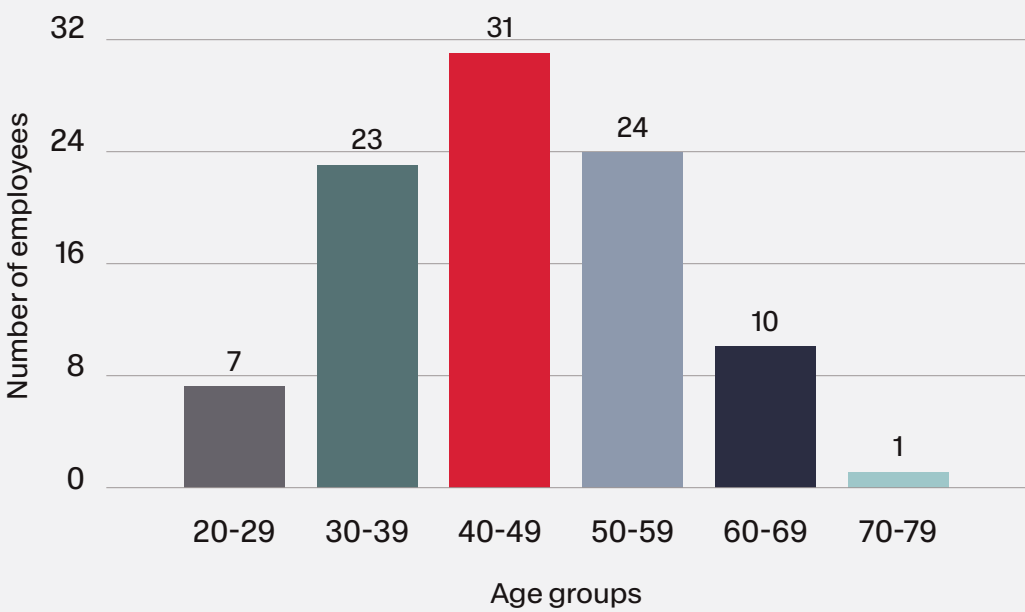
Principal Projects 2025

- The rebranding of HS Orka was introduced during the year. Throughout the process, human resources played a key role, as they are an integral part of the company's image and reflect both the values that HS Orka represents and the opportunities that HS Orka creates for the future.
- As part of the company's process implementation, older processes and quality documents were reviewed and reissued. Part of the process was to set up a digital HR service desk to support processes and ensure better access to information for staff.
- This year saw the completion of a comprehensive leadership training programme that began the previous year. All staff were involved but managers received more in-depth training.
- A new digital information platform (Workvivo) was implemented, offering enhanced information sharing and connectivity to other internal systems.
- The company's Equality Policy was reviewed, reissued, and approved by the Directorate of Equality.
- Progress was made on an analysis of information provision to staff whose native language is not Icelandic, with the aim of ensuring that everyone has access to accurate and clear information that supports education, safety, quality and welfare.

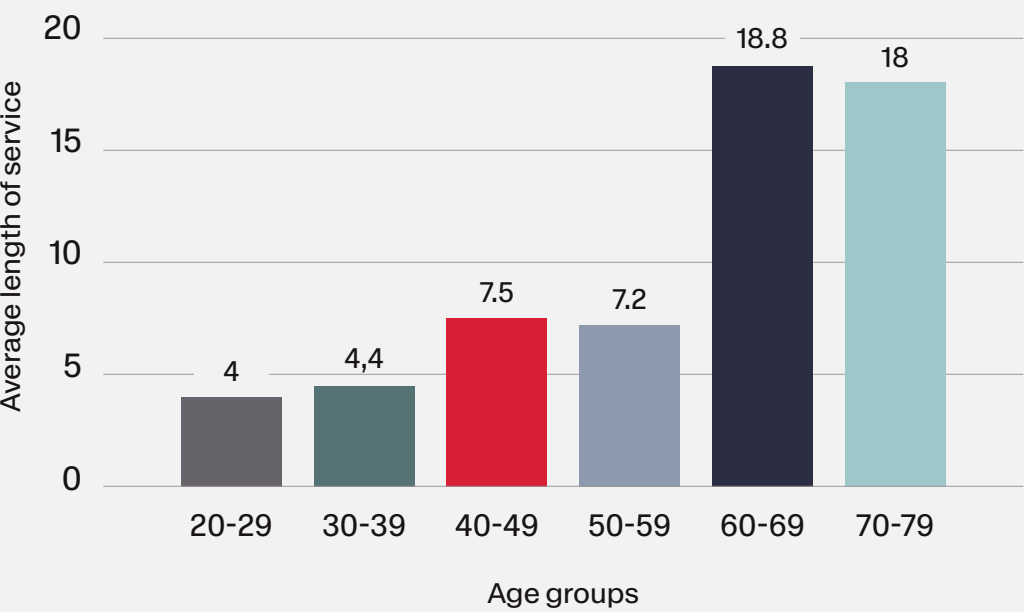
Development in the number of employees

2017	2018	2019	2020	2021	2022	2023	2024	2025
59	63	66	72	77	85	90	91	96

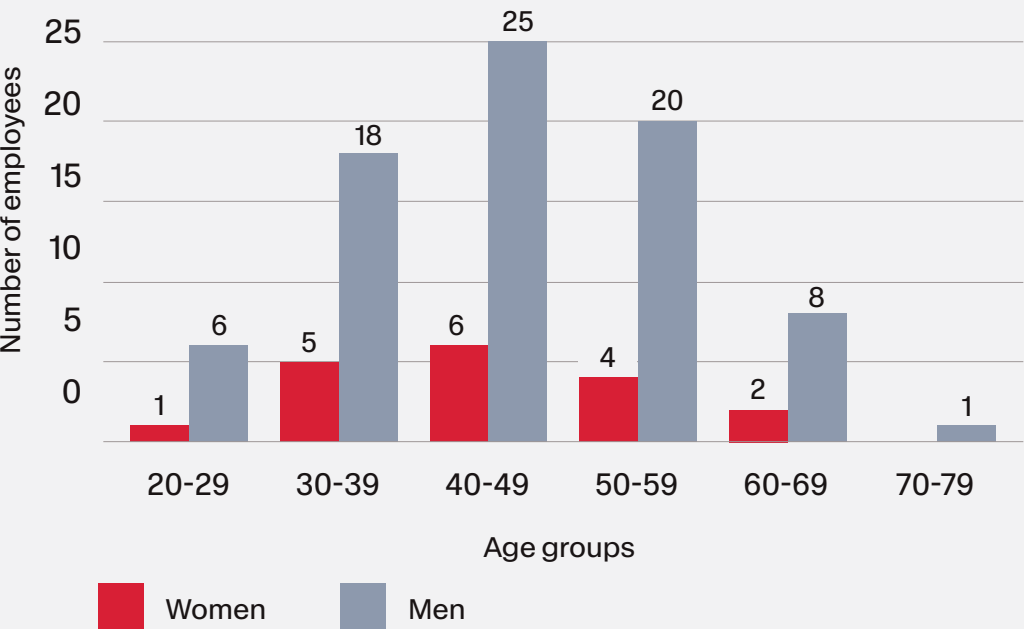
Age distribution



Average length of service by age group



Age distribution by gender



Age distribution and the nature of the work

2025	Skilled workers and specialised positions	Specialists/ Project managers	Managers	Total
Under 30	5	2	0	7
% of the total	5%	2%	0%	7%
30 - 50 years	13	31	10	54
% of the total	14%	32%	10%	56%
Over 50	13	14	8	35
% of the total	14%	15%	8%	37%
Total	31	47	18	96

Gender breakdown and the nature of the work

2025	Skilled workers and specialised positions	Specialists/ Project managers	Managers	Total
Female	1	12	5	18
% of the total	1%	13%	5%	19%
Male	30	35	13	78
% of the total	31%	36%	14%	81%
Total	31	47	18	96

Indicators

- HS Orka's staff receive education and training covering both onboarding and continuing on-the-job training, which can be related to safety, environmental issues, information technology, and other aspects of the operation. Part of that training takes place on an online learning platform for staff. On average, employees received 20 hours of training in 2025 (2024: 18 hours).
- Participation in performance reviews was 76% in 2025 (2024: 89%).
- In 2023, monthly human resources metrics were adopted, which measure staff's well-being and other factors related to, for instance, job satisfaction, work conditions, and well-being in the workplace. Average job satisfaction in 2025 was 8.4 (on a scale of 1-10), which is 0.5 above the average for companies measured (2024: 8.2).

New hires by gender and age

New hires	Female	Male	Total
Number	1	8	9
Percentage	11%	89%	100%
Age distribution	Under 30	30-50 years	Over 50
Number	2	5	2
Percentage	22%	56%	22%

End of employment by gender and age

End of employment	Female	Male	Total
Number	2	2	4
Percentage	50%	50%	100%
Age distribution	Under 30	30-50 years	Over 50
Number	0	3	1
Percentage	0%	75%	25%

- Staff participation in health check-ups was 71% (2024: 76%).
- The right to maternity and parental leave is provided by law. The total number of staff who went on parental leave during the year was 7 (1 woman and 6 men), an increase of two compared with the previous year. Everyone who completed their parental leave returned to work upon its conclusion.
- HS Orka has an equal pay system in accordance with the 2018 equal pay standard ÍST 85:2012. A surveillance audit took place in December 2025. The total salaries of women according to a regression analysis were 3.2% higher than the total wages of men, which is considered a statistically non-significant difference.
- An EKKO survey (Bullying, Sexual and Gender-Based Harassment and Violence) was distributed to all staff in December. These surveys are conducted on a yearly basis and are important for a healthy working environment where everyone has the right to work in an environment characterised by respect and fairness.

Supply Chain

HS Orka’s supply chain lists about 700 suppliers. Effective communication, supplier evaluation and clear criteria are key factors in promoting sustainability in HS Orka’s value creation in partnership with suppliers and contractors.

Sustainability Assessment of Suppliers and Analysis

HS Orka has in recent years expanded the scope of sustainability assessments in its supply chain with the aim of gaining a better overview of the status, risks and opportunities for improvement of key suppliers. In 2025, sustainability assessments were conducted on 32 suppliers in addition to those previously assessed.

The share of transactions with suppliers with an active sustainability assessment (conducted within the previous three years) increased to 78.1% of HS Orka’s total procurement in 2025. The expanded scope of the sustainability assessment provides HS Orka with a good overview of the main risk factors and various opportunities for improvement in the supply chain. Analyses of suppliers’ operations also provide a basis for a dialogue with partners on sustainability progress. In the coming months, the company will continue to develop its follow-up and area of focus.

Cooperation with Sustainability Assessment Providers

In 2025, HS Orka collaborated with three independent sustainability assessment providers to conduct sustainability assessments of its suppliers. A comprehensive sustainability assessment was carried out by the Icelandic analytics and assessment provider Reitun (10

suppliers). Additional sustainability assessments were obtained through Creditinfo’s sustainability platform, Vera (16 suppliers), as well as from the global sustainability rating agency EcoVadis (6 suppliers).

In Reitun’s assessment process, the company gathers information from public records and through direct dialogue with suppliers. This enables an evaluation of supplier performance, risks, and opportunities for improvement based on defined sustainability criteria and a structured questionnaire. Reitun’s assessment process provides HS Orka with a deeper understanding of supplier performance and highlights areas requiring special attention. Of the ten suppliers assessed during the year, two were identified as having satisfactory performance where no specific follow-up was deemed necessary, six suppliers demonstrated an acceptable performance profile but were noted as having areas for improvement. Two suppliers showed clear weaknesses that may necessitate further investigation and follow-up.

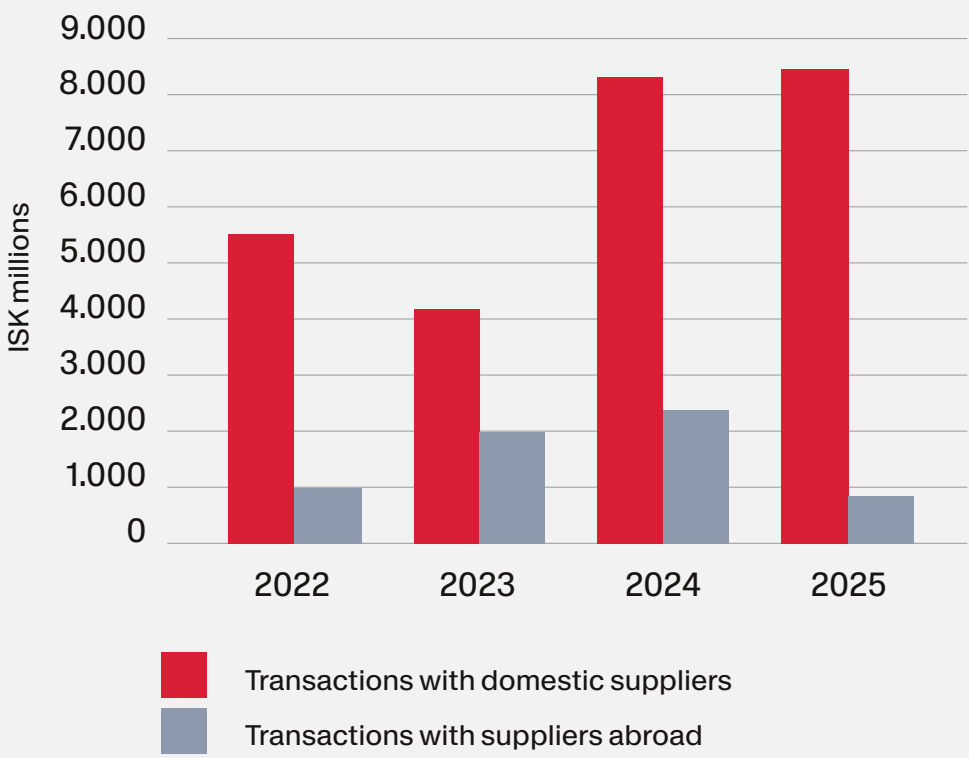
The EcoVadis methodology is based on suppliers completing a questionnaire and submitting relevant confirmatory data. EcoVadis is responsible for analysing responses and evaluating supplier performance against four sustainability factors: Environment, Human Rights, Ethics and Sustainable Procurement. The results provide insight into the strengths of individual suppliers and where there are opportunities for further improvement. It is worth noting that HS Orka underwent its own

Transaction overview*

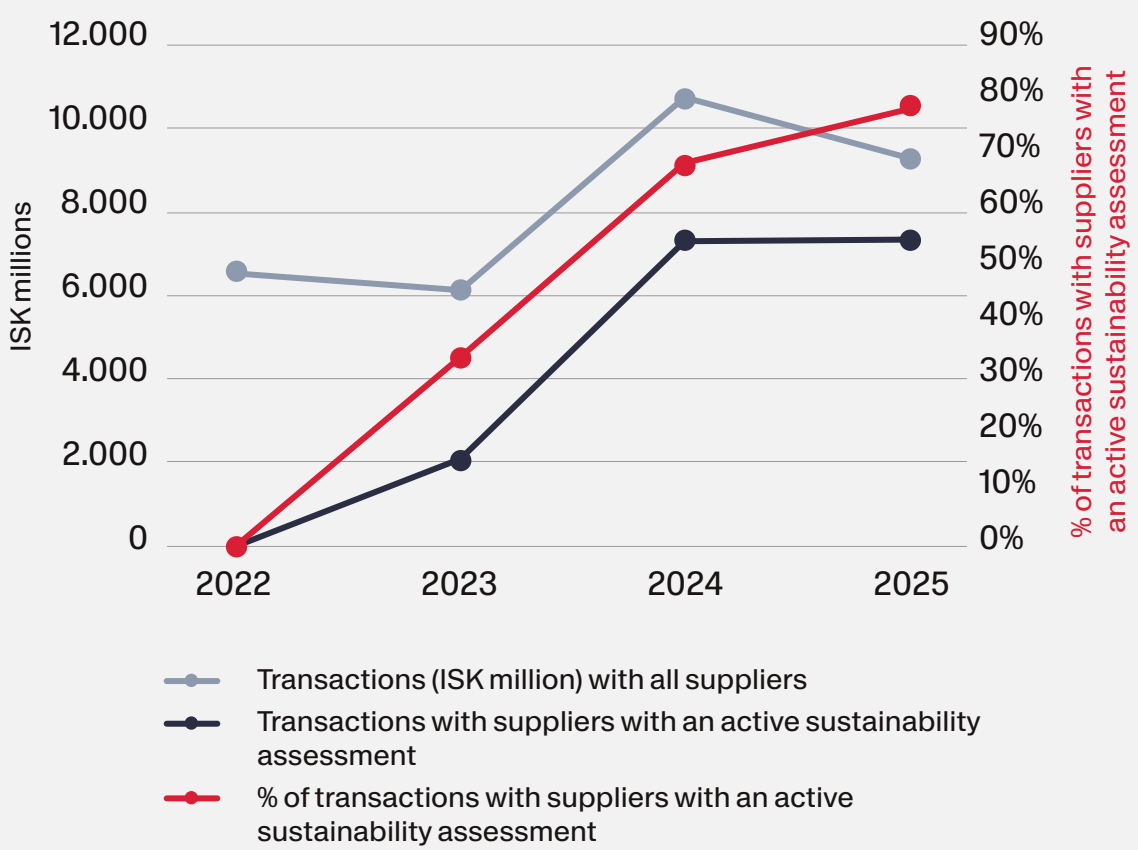
	2022	2023	2024	2025
Total transactions (ISK million) with all suppliers	6,549	6,158	10,711	9,336
Transactions (ISK million) with domestic suppliers	5,523	4,180	8,326	8,496
Transactions (ISK million) with suppliers abroad	1,025	1,978	2,385	840
Number of domestic suppliers	491	516	554	585
Number of suppliers abroad	47	70	92	97

* Transactions with suppliers include all procurement of products and services. These figures do not include VesturVerk’s (subsidiary) procurement.

Transactions with domestic suppliers and suppliers abroad 2022-2025



Transactions with suppliers with an active sustainability assessment 2022-2025





Transactions with suppliers with an active sustainability assessment*

	2022	2023	2024	2025
Transactions (ISK millions) with all suppliers	6,549	6,158	10,711	9,336
Transactions with suppliers with an active sustainability assessment	0	2,082	7,346	7,294
Frequency of supplier assessment per year	0	10	12	32
Transactions with suppliers with an active sustainability assessment	0.0%	33.9%	68.6%	78.1%**

* Transactions with suppliers include all procurement of products and services. These figures do not include VesturVerk's (subsidiary) procurement.

** This proportion is one of three performance indicators linked to HS Orka's green financing. The target for 2025 was 70%, and the achieved result therefore benefits the company's credit terms.

sustainability assessment process through EcoVadis in 2025 and the results of this assessment are discussed in more detail in the [Governance](#) section.

The Vera methodology is comparable to EcoVadis in that suppliers complete a sustainability questionnaire. However, unlike EcoVadis, Vera does not perform an analysis of key sustainability strengths or opportunities for improvement. Instead, HS Orka's experts review the suppliers' responses to assess whether they are satisfactory and to identify any strengths or opportunities for improvement.

Developing Sustainability Guidelines for Suppliers

During the year, work began on further development of sustainability guidelines for HS Orka's suppliers and contractors. The project entails defining and clarifying the rules and standards that suppliers and contractors must meet when working for HS Orka. The project is being carried out in phases, and the guidelines will be published in several editions with new topics added in each edition.

An important element in developing strengthened standards and sustainability guidelines for HS Orka's suppliers is the introduction of a dedicated supplier code of conduct. It is intended that the code will be incorporated into new training materials currently being developed for contractors and other suppliers.

During the year, a foundation was laid for guidelines on the use of electrical equipment, recycling and utilisation of soil, and the handling of hazardous materials. Additionally, work was carried out to update the safety, health and environmental requirements for contractors. The first edition of HS Orka's new sustainability guidelines for contractors and other suppliers is planned for release in 2026.

Projects and Objectives

- Publication of versions one and two of the sustainability guidelines for contractors and other suppliers.
- Development of educational materials for contractors and other suppliers.
- Purchases from suppliers with an active sustainability assessment should exceed 75% in 2026.

Information Security

HS Orka is classified as a critical infrastructure provider and must therefore comply with Act no. 78/2019 on the Cyber and Data Security of Critical Infrastructure. An update to the legislation on cyber and information security (NIS2) is underway and HS Orka’s plans anticipate that the company will comply with the legal provisions when they come into force.

Security Solutions

The company utilises cybersecurity solutions from both domestic and foreign service providers to ensure information system reliability and operational safety. The solutions entail continuous monitoring, analysis and response to cyber threats which otherwise could affect the operations, services, staff, reputation and other key elements of the business. Cybersecurity solutions of this kind monitor information systems and networks round-the-clock, analyse abnormal or suspicious activity and respond to security incidents before they cause serious harm.

Outsourcing cybersecurity services reduces the need for extensive internal systems, specialised equipment and staff expertise for monitoring and appropriate response. Close cooperation with operators of cybersecurity solutions supports the information technology department’s incident analysis, action prioritisation and implementation of progress projects.

Continuous scanning of information systems for vulnerabilities is carried out to, among other things, identify technical vulnerabilities or wrong settings, and to analyse HS Orka’s digital footprint. Regular penetration tests are conducted on systems and services specified in advance. Such testing simulates

actual attack methods and provides important insight into system and cyber defence status. In addition, it provides an assessment of the response capabilities of service providers responsible for monitoring and ensuring the cybersecurity of HS Orka.

Staff Training and Education

Cybersecurity is not merely a technical subject but relates to human factors, work methods and security consciousness in day-to-day work. The human factor is often the weakest link in companies’ cybersecurity defences and therefore it is important to strengthen cybersecurity awareness regularly.

All staff at HS Orka receives cybersecurity training at least twice per year. Emphasis is placed on staff awareness of common cyber threats, such as phishing, social engineering, weak passwords and unsecured handling of data. This strengthens preventive measures and improves response capabilities for security incidents. The goal is to ensure broad and regular staff participation, with managerial responsibility for training follow-up clearly defined.

HS Orka performs phishing tests for all staff several times each year to evaluate their cybersecurity



awareness. If deemed necessary, staff receives special training on the subject.

Cybersecurity Exercises

HS Orka regularly participates in cybersecurity exercises in Iceland, including exercises organised by CERT-IS and NSR. The exercises’ goal is to strengthen response capabilities, coordination and knowledge of the handling of cybersecurity incidents. Participation in such exercises ensures that key staff maintain their skills in responding to actual cyber threats, practice and refine procedures in crisis situations, and strengthen cooperation with domestic response entities. Among the exercises HS Orka participated in during 2025 was “Iceland Disconnected”,

organised by CERT-IS, and NSR’s emergency exercise for crisis management teams in the energy sector.

Information Security Policy

- HS Orka’s Information Security Policy

HS Orka’s Information Security Policy describes the company’s objectives and focus regarding information security management. Its purpose is to minimise operating risks and maximise the security of information, systems and assets owned by the company or in its care. It pertains to all information, networks and information systems utilised in HS Orka’s operations, whether they are owned by the company or operated by service providers.

Procurement of Materials

Information on greenhouse gas emissions related to procurement for new construction is collected to maintain a record of HS Orka’s Scope 3 emissions.

The table below provides an overview of the main material streams in operations. It can be seen clearly how the volume of material purchases develops in line with the scale of construction projects. The company aims to increase cooperation with suppliers on sustainability information to increase transparency, ensure data accuracy, and drive progress.

Procurement by type of material

Material (t)*	2022 ¹	2023 ²	2024 ³	2025 ⁴
Metals (t)	1,273	411	1,725	782
Minerals (t)	2,325	1,728	6,103	749
Oil products (l)	56,862	51,334	89,500	94,195

* Data based on bills of quantities, information from suppliers, and invoices.

- 1 Construction work was underway on the expansion of the Reykjanes Power Plant.
- 2 At the end of the year, construction commenced on the expansion and renovation of the Svartsengi Power Plant.
- 3 Construction work was underway on the expansion and renovation of the Svartsengi Power Plant.
- 4 Construction work was underway on the expansion and renovation of the Svartsengi Power Plant and exploratory drilling in the Krýsuvík area.



HS Orka and the Community

The operations of an infrastructure company like HS Orka affect a large number of stakeholders, including individuals, companies, institutions, and non-governmental organisations. The company emphasises high-quality information disclosure, active communication with key stakeholders, and support for diverse community and research projects, particularly in the local communities surrounding its operational sites.

High-quality information disclosure and active communication, built on respect and transparency, are prerequisites for trust between parties. The purpose of the sustainability report is to provide detailed feedback on the issues that are important to both the company and its stakeholders.

Community Relations and Development Projects

For an important infrastructure company like HS Orka, it is fundamental to ensure high-quality information disclosure and maintain strong communication with stakeholders and its local communities. This is especially important when preparing new projects, such as geothermal exploration in the Krýsuvík area and the development of hydropower plants in the Westfjords of Iceland through HS Orka's subsidiary, VesturVerk.

Regarding VesturVerk's preparation for the Hvalá Power Plant, a stakeholder analysis has been completed, along with a communication policy and a communication plan for the project. Such plans must be continuously

updated in light of project status and progress. Information on the progress of the Hvalá Power Plant and project-related presentations are available on VesturVerk's website. Additionally, informational emails are sent regularly to the local governments in Árneshreppur and neighbouring municipalities, as well as the Westfjords Regional Development Office.

During the preparation and execution of geothermal exploration in the Krýsuvík area, emphasis is placed on effective communication and cooperation with the landowner, the Municipality of Hafnarfjörður, both with technical staff and elected representatives. A stakeholder analysis for the project has been conducted and a communication policy formulated. It is essential to foster dialogue with stakeholders in the exploration area, such as the Krýsuvík Association, Worldwide Friends, and Sveinssafn. Coordinated informational emails are sent to key stakeholders, and more detailed information about the project can be found on HS Orka's website. Landscape architects have also been engaged, in collaboration with the landowner, for conceptual work regarding the design and site selection for proposed energy infrastructures in the area.

Different types of stakeholders – HS Orka		
Environment	Society	Governance and economy
Authorities Iceland <i>Icelandic laws and regulations</i> International organisations <i>Institutions of the European Union</i> Regulators and referees <i>the Icelandic Environment and Energy Agency</i> Licensors <i>Health authority (operating permits)</i> <i>National Energy Authority (power plant and energy licence)</i> <i>The Planning Agency (assessment obligation)</i> Local communities Local authorities All of Iceland Educational and research institutions Universities Natural science centres Private parties General public Neighbouring communities All of Iceland Non-governmental organisations Green associations Certifications and competent Parties in Iceland Parties abroad	Authorities Department of Civil Protection and Emergency Management Customers Local authorities Utility firms Companies in the Resource Park Other companies Individuals Suppliers Resources Contractors Service providers Others Employees Employees Contractors Non-governmental organisations Professional and other organisations Charities Other NGOs International organisations The United Nations (Sustainable Development Goals)	Authorities Iceland Foreign/Global Owners Jarðvarmi (50%) <i>Icelandic pension funds</i> Ancala (50%) <i>Foreign pension funds</i> <i>Other investors</i> Investors and financiers Financial institutions National and foreign investors International organisations Assessors and credit rating companies Global Reporting Initiative Task Force on Climate-Related FD Certifications and assurance providers Parties in Iceland Parties abroad

HS Orka’s Community Fund

HS Orka’s Community Fund has the objective of supporting socially beneficial projects managed by individuals or groups. Grants are allocated twice a year, and the focus is on clearly defined projects that have a positive impact on Icelandic society, quality of life, and the everyday lives of people. While grant applications are accepted from all parts of the country, special emphasis is placed on supporting projects in the vicinity of the company’s power plants. When selecting projects, consideration is given to the Sustainable Development Goals implemented by HS Orka, among other factors. HS Orka’s Community Council reviews applications and announces grant allocations.

In 2025, 31 projects received grants from the fund. As in previous years, the projects were diverse, including children’s sports and youth programmes, rescue and emergency services, educational initiatives, and musical events.

Research Fund

HS Orka’s Research Fund was formally launched during the year. The fund awards annual grants to specific research projects related to the company’s operations and/or HS Orka’s sustainability priorities. The fund’s objective is to enhance knowledge within the company and promote progress in its operations and related sectors.

A total of 68 applications were received, and four promising projects were awarded grants in this round.

Diverse Community Support

In addition to the grants provided annually from the Community Fund and the Research fund, HS Orka supports numerous other community projects. This includes various sponsorship agreements with individual clubs and associations, particularly sports clubs in the company’s local communities. In addition, the company is a sponsor of several major initiatives and events, such as the Women Leaders’ Global summit in Reykjavík and the international Iceland Geothermal Conference.

HS Orka’s Research Fund – allocations in 2025

Project	Applicant
Key factors in the development and success of circular industrial parks	Carolina Araque Gomez, Master’s student in Environment and Natural Resources at the University of Iceland
Assessment of carbon dioxide emissions from the geothermal systems in the active volcanic zone on the Reykjanes Peninsula	Celine Mandon, Icelandic Meteorological Office
Monitoring the extent of steam caps in high-temperature geothermal areas	Egill Árni Guðnason, ISOR
LjósSveifla: Geothermal exploration under Sveifluháls using fibre-optic technology	Vala Hjörleifsdóttir, Reykjavík University

HS Orka’s Community Fund – allocations in 2025

First allocation 2025		Second allocation 2025	
PROJECT	RECIPIENT	PROJECT	RECIPIENT
Construction of facilities	Ingunn SAR team	Basketball practices for children with special needs	Youth Council of the Basketball Department UMFN
Equipment for welding instruction	Rafn Magnús Jónsson	Boys Chatting Together	Save the Children – Barnaheill
Social activities for youth on the autism spectrum	The Icelandic Autistic Society	10th anniversary	Vestri Sports Club
Computer equipment	Flateyri Folk High School	Children's sports participation in Iceland	Minningarsjóður Ölla
Group activities for siblings of children with rare diagnoses	Einstök börn Support Association	Swiftwater rescue equipment	Biskupstungur Search and Rescue Team
Podcast course for youth	Edinborgarhusid	Rescue team youth and recruit programmes	Þorbjörn Accident Prevention Division
100-year history of Reykjanes by Ísafjarðardjúp	Historical communication	Equipment and installation	Verzlunarfjelag Árneshrepps
Greenhouse and vegetable garden	Holt Preschool	Parental support	Áróra Huld Bjarnadóttir
Food donation to Kaffistofa Samhjálp	Samhjálp non-governmental organisation	Equipment for children with autism spectrum disorders	Myllubakki Elementary School
Education for youth about endometriosis	The Endometriosis Association	Tree planting	Hafnarfjörður Forestry Association
Reconstruction due to coastal erosion	Sandgerði Golf Club	Concerts for secure Alzheimer’s units	Senior Entertainment
Swiftwater rescue equipment	Ingunn SAR team	National Festival of Icelandic Women’s Choirs	Reykjanes Peninsula Women's Choir
Support for Suðurhlíð	Soroptimist Club of Keflavík	A Day in the Life of People with Disabilities	Átak, Association for People with Intellectual Disabilities
Coastline cleanup	The Blue Army	Strengthening social activities in Vogar	Boran Youth Center
Stage and technical equipment	Seyðisfjörður Theatre Company	Gamification of Children's Hospital Iceland	Þykjó
Thinning the Grove - planting and playground	Lions Club of Njarðvík		

04 Governance

"We are safe and reliable"

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EcoVadis Sustainability Assessment of HS Orka

For the second consecutive year, HS Orka has undergone a comprehensive sustainability assessment by the rating agency EcoVadis, and its score has increased year-over-year. HS Orka is among the top-performing companies globally in the assessment. EcoVadis is a global leader in assessing corporate sustainability performance.

The results are based on EcoVadis's assessment of four sustainability categories: “Environment,” “Labour & Human Rights,” “Ethics,” and “Sustainable Procurement.” EcoVadis analyses and provides an overview of the company’s primary strengths and areas for further improvement within each sustainability category.

Further details: [EcoVadis sustainability assessment](#)

Among the Best

HS Orka maintains the EcoVadis Gold certification it received in 2025 and currently ranks among the top 5% of highest-performing companies globally in the EcoVadis assessment, out of over 100,000 companies worldwide.

The assessment results show a clear and positive year-over-year trend, with HS Orka’s overall score increasing from 76 to 84 points out



of a possible 100. This eight-point increase is noteworthy given that EcoVadis raises its requirements annually, and continuous effort is required to maintain and improve upon the previous score.

Companies ranking among the top 1% in the EcoVadis assessment receive a platinum certification, the highest certification awarded by EcoVadis. In this context, a closer examination of HS Orka's score reveals that the company now ranks among the top 2% of companies globally in the EcoVadis assessment, thereby moving closer to an EcoVadis platinum certification.

Suggestions Regarding Procurement

EcoVadis's main suggestions regarding HS Orka’s performance fall within the “Sustainable Procurement” assessment category, highlighting various opportunities for improvement. The assessment specifies items such as further documentation of policies and formal procedures, as well as a code of conduct and more detailed sustainability guidelines for suppliers. HS Orka’s activities in these areas are discussed further in the section [Supply Chain](#).



Governance

The Board of Directors of HS Orka emphasises maintaining good corporate governance and follows the Guidelines for Corporate Governance, 6th edition. The company’s governance statement accompanies the annual financial statements, which are available on the website.

Sustainability Management

The results of the new materiality assessment of sustainability topics in 2025 clearly demonstrate how HS Orka’s main sustainability projects reflect the company’s core operations and key long-term challenges.

The company’s management system (Gangverkið) ensures that various sustainability topics are addressed in a systematic and regular manner within the process council, which consists of the Executive Board and key company personnel. Support policies are reviewed annually, undergo an in-depth review at least every three years, and are submitted to the process council for approval. In 2022, a sustainability department was established that reports directly to the CEO’s office. The department’s responsibilities focus on driving progress and providing sustainability information across the company’s other divisions. Direct communication with stakeholders takes place through the Executive Board and other personnel.

As the company’s operations are linked to sustainability in various ways, as evidenced by the new double materiality assessment in 2025, the company’s Board of Directors regularly addresses sustainability matters in its work, as defined in this report. In addition, the board receives a quarterly overview of specific targets and improvement projects from the sustainability

department. The Board of Directors also ensures that the company’s supporting policies are reviewed annually.

Organisational Structure

The company’s highest authority rests with the shareholders, while its Board of Directors manages the company between shareholders’ meetings. The Board consists of four members who are nominated by each shareholder individually and elected at the Annual General Meeting for a one-year term. Two sub-committees of the Board of Directors were active in 2025: the Audit Committee and the Remuneration Committee.

The CEO oversees the company’s daily operations and represents the company. The company’s Executive Board consists of the managers of the Legal Division, the Finance and IT Division, the Sales and Services Division, the Production Division, the Resources and Project Development Division, the Technical Services Division, and the Strategy and Improvement Division. In 2025, the company’s executive management team consisted of seven members in addition to the CEO, who leads the team. The Executive Board is responsible for strategic planning and decision-making in accordance with the company’s purpose, vision, and values, as approved by the Board of Directors.



Internal Management System – Gangverkið

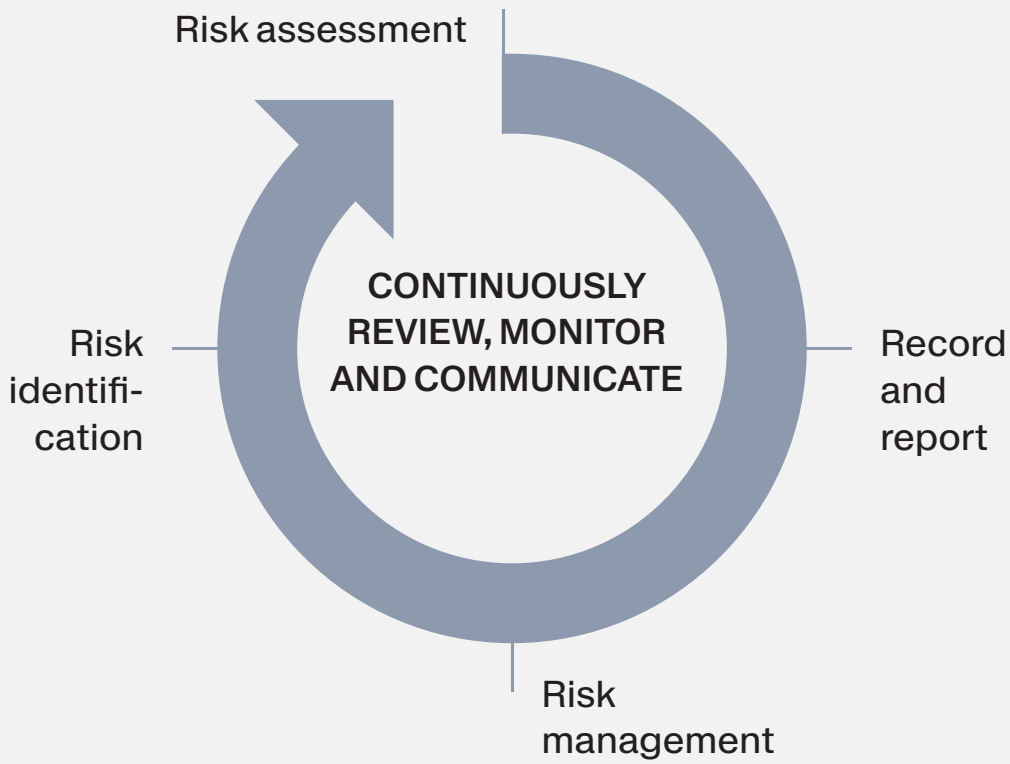
HS Orka’s management system (“Gangverkið”) is certified according to international management standards, “ISO 9001 Quality Management Systems”, “ISO 14001 Environmental Management Systems”, and “ISO 45001 Occupational Health and Safety Management Systems”. HS Orka also has equal pay certification according to ÍST 85:2012.

The management system describes how the company operates according to implemented processes with efficient collaboration and waste minimisation as a guiding principle. Process owners present each key process to the process council annually, detailing improvement projects, registered risks, stakeholders, deviations, internal audits, and their relationship to other processes and company policies. Process owners are responsible for the design, safety, and improvement of processes, while managers are responsible for day-to-day execution.

Deviations

The company’s deviation process describes how operational deviations are handled, root cause analyses are conducted, and improvement measures are implemented. The company has developed a system to track all recorded deviations for each key process. Significant deviations and decisions on appropriate improvement measures are addressed at process council meetings to minimise or prevent negative impacts across various topic areas. Concurrently, emphasis is placed on training employees and contractors to prevent deviations.

Risk management process in HS Orka’s management system

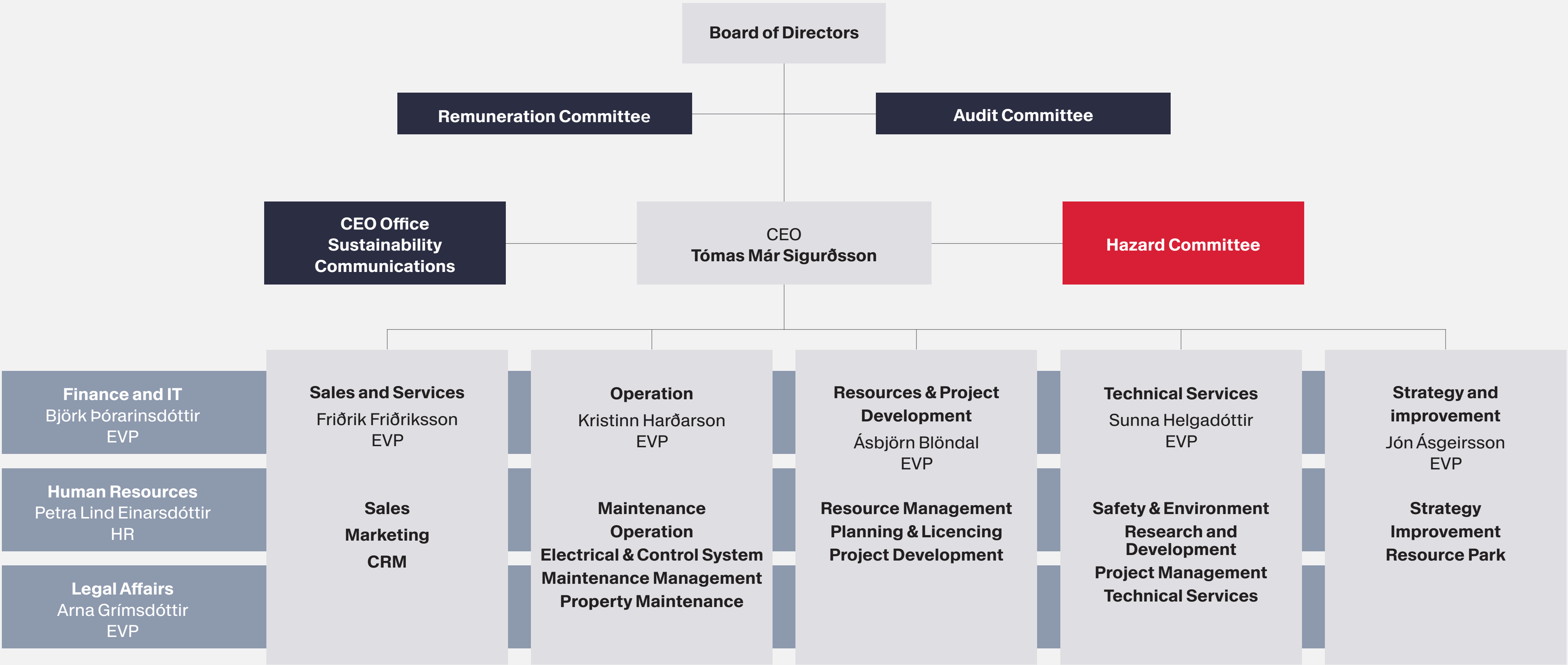


Risk Management

HS Orka follows a risk management process based on ISO 31000 to identify and manage the company’s key risks. HS Orka’s management system is designed to ensure transparency and effective risk management for each key process.

Identified risk factors are recorded in a risk register and scored before and after the implementation of controls. Key process owners present the risk analysis to the process council, which reviews the assessment before it is submitted to the Board of Directors. More details on the climate risk assessment and scenario analysis can be found in the section [Climate Risk Assessment 2025](#).

HS Orka's Organisational Structure*



* In early 2026, changes were made to the company's organisational structure. Further information can be found on [HS Orka's website](#).

Green Financing Report 2025

Summary

- In 2022, HS Orka published the Green Financing Framework based on ICMA Green Bond Principles (2021) and Green Loan Principles (LMA/APLMA/LSTA, 2020).
- HS Orka’s Green Financing Framework was assessed by the international rating agency CICERO, receiving an overall rating of “Dark Green” and confirmation that the framework complies with the aforementioned criteria.
- In 2024, HS Orka completed the refinancing of the company’s debt and secured lines of credit for continued development. The refinancing is largely covered by the company’s Green Financing Framework.
- HS Orka’s total green financing at the end of 2025 amounted to ISK 29,820 million.
- Green financing accounted for approximately 84.9% of the company’s outstanding debt financing at the end of 2025.
- HS Orka’s emissions intensity was 36 gCO₂eq/kWh in 2025. The increase between 2023 and 2025 is explained by the effects of seismic activity in Svartsengi. The impact is detailed in the [Climate](#) section of this report and in the 2024 Sustainability Report.
- Avoided GHG emissions in 2025 are estimated at 35,494 tCO₂eq, taking into account European benchmarks.

Use of Proceeds 2025

HS Orka’s green financing framework identifies the types of assets that the company’s green financing can support. Eligible assets are divided into four main categories with descriptions of the types of assets and projects that belong to each category. The four main categories are “Renewable energy”, “Clean transportation”, “Pollution prevention and control” and “Sustainable water and wastewater management”. The

majority of HS Orka’s eligible assets fall under the category of “Renewable energy”, which includes the company’s assets in power plants and energy infrastructure.

- Eligible green assets amounted to ISK 83,433 million at the end of 2025.
- The total amount of green financing amounted to ISK 29,820 million at the end of 2025.
- The ratio of green financing to assets eligible under the green financing framework was 35.7% at the end of 2025.

- The proportion of green financing allocated to assets eligible under the green financing framework is 100%.
- The Appendix contains an external assurance report by our auditor, KPMG ehf., for this Green Financing Report 2025. It includes a confirmation that the presentation of eligible assets in the report is in line with HS Orka’s green financing framework.

2025 Impact Assessment

HS Orka’s Sustainability Report for 2025 includes information on power plants utilisation permits, own energy consumption, and other indicators related to HS Orka’s main infrastructure and projects in the field of renewable energy production. Key information about the production of renewable energy and power plants utilisation permits can be found in the section “[About HS Orka](#)”. Further information on the operation of the company’s power plants and development projects can be found in the sections “[Security of Supply](#)”, “[Expansion of Svartsengi](#)” and “[Development Projects](#)”. Key information on own energy consumption and resource utilisation can be found in the sections “[Own Energy Consumption](#)” and “[Resource Streams](#)”.

Information on the development of key climate indicators can be found in the “[Climate](#)” section. HS Orka’s main indicators with regard to climate are for total emissions (tCO₂eq) and emissions intensity (gCO₂eq/kWh).

Life cycle assessments have been carried out for HS Orka’s power plants in Svartsengi and Reykjanes and are available on the [company’s website](#). The life cycle assessments are based on ISO 14067:2018 and are reviewed and confirmed by an external

party. Additionally, Green Financing Reports provide information on avoided CO₂ emissions, a key indicator of environmental impact under HS Orka’s Green Financing Framework.

Avoided GHG Emissions

The methodology for calculating avoided emissions is based on international standards and guidelines². When avoided emissions are calculated, HS Orka’s customers are divided into two categories, those operating within the framework of the EU’s ETS emissions system, and other customers. The methodology only considers sale of electricity to customers within the ETS system for estimated avoided emissions. The proportion of buyers in the ETS system for HS Orka’s electricity sales is assigned a reference value³ (191 gCO₂eq/kWh) for emissions in the European electricity market.

In accordance with the methodology, the sales of electricity to other customers receive a reference value of 0 for emissions intensity, which means that HS Orka’s avoided emissions are lowered by the emissions associated with the production of the energy sold to those customers. The average combined emissions factor for all HS Orka’s electricity sales is 60,3 gCO₂eq/kWh. The total avoided greenhouse gas emissions from HS Orka’s renewable energy production are estimated at 35,494 tCO₂eq in 2025.

2 International Capital Market Association’s and Green Bond Principle’s Handbook on Harmonized Frameworks for Impact Reporting (June 2024)
3 NPSI Position Paper on Green Bonds Impact Reporting 2024



Eligible assets - Green Financing Framework

Assets	Amount (ISK m)	Green financing	Issue date	End of loan period	Amount (ISK m)
Renewable energy, Clean transportation, Pollution prevention and control, Sustainable water and wastewater management	83,433	Green bonds	July 24	July 32	6,886
		Green bank loans	July 24	July 29	22,934

Key indicators – HS Orka’s climate impact

	2025	EU Taxonomy Criteria for Environmental Sustainability*
Total emissions** (tCO ₂ eq)	147,323	
Emissions intensity (gCO ₂ eq/kWh)	36	100

* For significant contribution to the environmental objective “Climate change mitigation”.
** Scope 1, 2, and 3. For details, see the section [Climate](#).

Calculations according to the methodology

Customers	Delivered electric power (MWH)	% of delivered electricity	Reference values for GHG emissions*	Emissions based on reference values (t CO ₂ eq)	HS Orka’s emissions (t CO2eq)	Estimated avoided GHG emissions 2025 (tCO ₂ eq)
Within the EU ETS system	461,053	3.6%	191	88,061	16,598	71,463
Other customers	999,157	68.4%	0	0	35,970	-35,970
Total	1.460,210	100.0%				35,494

* NPSI Position Paper 2024

05 Appendix

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Appendix 1: Double Materiality Assessment Methodology

Impact Assessment

The impact assessment’s purpose is to analyse which sustainability issues are considered important, based on HS Orka’s impact on the environment and society.

Implementation of Impact Assessment

- Analysis of where the impact occurs in the value chain: Supplies, own activities or goods and services.
 - For environmental impact, the part of the value chain where the impact was caused was highlighted.
 - For social and governance impact, the part of the value chain impacted was highlighted.
- Assessment of whether impacts are positive or negative and if they are actual or potential.
- Impact severity was based on:
 - Scale (how significant is the impact for the environment or society?)
 - Scope (how extensive is the impact?)
 - Irremediability (how difficult is it to reverse the impact and return the environment/society to its previous state? - only negative impacts are assessed)
- For potential impacts, the likelihood of an impact materialising was also assessed and its timeframe defined with regard to when the impact could be realised.
- Timeframes defined according to ESRS standards:
 - Short-term: Within the fiscal year
 - Medium-term: From end of the fiscal year up to five years
 - Long-term: Over five years

In accordance with ESRS 1, special emphasis was placed on the severity of potential negative social impacts, with severity given more weight than probability, weighing 3/4 to 1/4.

Financial Assessment

The financial assessment entailed assessing the financial impact of different sustainability issues on HS Orka. Both risks and opportunities were assessed based on their impact on operating costs, income, reputation, credit terms and/or access to capital.

Implementation of Financial Assessment

- Magnitude of risk/opportunity.
- Likelihood of risk/opportunity materialising.
- Timeframes defined according to ESRS standards:
 - Short-term: Within the fiscal year
 - Medium-term: From end of the fiscal year up to five years
 - Long-term: Over five years

Materiality Threshold

After performing the impact, risk and opportunity assessment, work commenced on defining a materiality threshold to determine which topics should be considered material.

Categories of HS Orka’s Sustainability Issues and Connections to ESRS Standards for Reporting

The impact, risk and opportunity assessment identified material topics for HS Orka but following the assessment, the topics were still in the ESRS standards definition form. The core working group reviewed the results and redefined the topics so that they conformed to HS Orka’s operations and development. This adaptation was made to ensure that the results could be understood by everyone within the company.

After the core group review, the topics were redefined in a way that each of them can refer to one or more ESRS topics. To maintain adherence to the ESRS methodology, a redefined topic is only considered to have double materiality if at least one of the underlying

ESRS topics has double materiality. The results led to twelve redefined topics being assessed as material, including six with double materiality. Topics with double materiality can be viewed in the table below, as well as the underlying ESRS topics.

Connections between redefined topics and underlying ESRS topics

Topic with double materiality	ESRS topic*
Energy transition and needs	
	E1 Climate change - Energy
Climate action	
	E1 Climate change - Climate change mitigation
Health and safety	
	S1 Own workforce - Health and safety
	S2 Workers in the value chain - Health and safety
	S4 Consumers and end users – Health and safety
Cascading use and circularity	
	E5 Circular economy and resource use – Resource inflows
	E5 Circular economy and resource use – Resource outflows
Supply chain management	
	E5 Circular economy and resource use – Resource inflows
	S2 Workers in the value chain - Health and safety
	G1 Business conduct – Management of relationships with suppliers
Freshwater and water sources	
	E2 Pollution – Pollution of water
	E3 Water - Water withdrawals
	E3 Water - Water discharges
	S4 Consumers and end users – Health and safety

** ESRS topics in bold have double materiality, that is, at least one of their impacts and their risks/opportunities are assessed as material. See Appendix 2 for details.

Appendix 2: Impact, Risk, and Opportunity Analysis for Material Topics

Impacts

Topic with double materiality	ESRS connection	+/-	A/P	OO/VC	Impact description
Climate action	E1 Climate change - Climate change mitigation	+	P	OO	Implementing utilisation (CCU) or storage (CCS) to prevent CO ₂ passing through the production channels of geothermal power plants from being released into the atmosphere.
Energy transition and energy needs	E1 Climate change - Energy	+	A	OO	Improved efficiency of geothermal production with reduced waste and climate impact.
Energy transition and energy needs	E1 Climate change - Energy	+	A	OO	Increase the supply of renewable energy to support the energy transition for customers and society as a whole.
Freshwater and water sources	E3 Water - Water withdrawal	-	A	OO	A lack of control and oversight over water withdrawal would have negative impacts on critical resources.
Freshwater and water sources	E3 Water - Water discharges	-	A	OO	Potential for negative environmental impacts due to the discharge of separator water and condensate.
Supply chain management & Cascading use and circularity	E5 Circular economy and resource use - Resource inflows	-	A	OO/VC	HS Orka's environmental impact through design and procurement (selection of materials and solutions) in construction and operations.
Supply chain management & Cascading use and circularity	E5 Circular economy and resource use - Resource outflows	+	A	OO/VC	Full utilisation of resource streams in production and within the Resource Park.
Work-life balance	S1 Own workforce - Work-life balance	+	A	OO	HS Orka's focus on work-life balance.
Health and safety	S1 Own workforce - Health and safety	+	A	OO	HS Orka's focus on health and safety.
Health and safety & Supply chain management	S2 Workers in the value chain - Health and safety	+	A	VC	HS Orka's focus on health and safety in the value chain.
Local communities	S3 Affected communities - Communities economic, social, and cultural rights	+	A	OO/VC	HS Orka's emphasis on safe site finishing and conditions around its operational sites.
Local communities	S3 Affected communities - Communities economic, social, and cultural rights	+	A	OO/VC	Improved road infrastructure in neighbouring communities due to HS Orka's operations.
Freshwater and water sources & Health and safety	S4 Consumers and end users - Health and safety	+	A	OO/VC	HS Orka's emphasis on ensuring the security of supply for its products.
Governance and corporate culture	G1 Business ethics - Governance and corporate culture	+	A	OO/VC	HS Orka's emphasis on maintaining a corporate culture based on sound ethics and shared values.
Supply chain management	G1 Business ethics - Management of relationships with suppliers	+	P	VC	Clear requirements and guidelines for suppliers and contractors.

(+) Positive impact (-) Negative impact (A) Actual impact (P) Potential impact (OO) Own operations (VC) Value chain

Appendix 2: Impact, Risk, and Opportunity Analysis for Material Topics, continued

Risks/Opportunities

Topic with double materiality	ESRS connection	Risk/Opportunity	Timeframe	Risk/Opportunity description
Climate action	E1 Climate change - Climate change mitigation	Risk	Medium-term	The emissions impact the Icelandic government's ability to achieve its overall emissions targets.
Climate action	E1 Climate change - Climate change mitigation	Opportunity	Medium-term	Capture and utilise CO ₂ for e-fuel production within the Resource Park.
Energy transition and energy needs	E1 Climate change - Energy	Opportunity	Medium-term	Improved energy efficiency in our own energy production.
Energy transition and energy needs	E1 Climate issues - Energy	Opportunity	Medium-term	Tailwinds and opportunities to increase renewable energy production for the energy transition.
Freshwater and water sources	E2 Pollution - Pollution of water	Risk	Long-term	Water contamination due to an accident on Grindavíkurvegur or sabotage at water sources.
Ecological impacts	E4 Biodiversity and ecosystems - Drivers of biodiversity and ecosystem change	Risk	Medium-term	Risk of operations or projects having unforeseen impacts on ecosystems, biodiversity, and animal species. Can cause project delays, denial of an operation licence, and reputational damage to the company.
Cascading use and circularity	E5 Circular economy and resource use - Resource outflows	Opportunity	Medium-term	Utilising residual streams from production for companies in the Resource Park has positive financial and social impacts.
Health and safety	S1 Own workforce - Health and safety	Risk	Short-term	Issues and challenges regarding staff health and safety.
Reporting and communication	S4 Consumers and end users - Information-related impacts	Risk	Short-term	Inadequate provision of information to consumers and end users can cause mistrust and damage reputation, as well as lead to project delays.
Freshwater and water sources & Health and safety	S4 Consumers and end users - Health and safety	Risk	Short-term	Contamination of drinking water can result in disruptions to water production and delivery to consumers.
Advocacy	G1 Business conduct - Advocacy	Risk	Short-term	Reputational risk associated with HS Orka's advocacy.
Supply chain management	G1 Business ethics - Management of relationships with suppliers	Risk	Short-term	Supply chain challenges result in supplies/spare parts being unavailable when needed.
Supply chain management	G1 Business ethics - Management of relationships with suppliers	Risk	Short-term	Inadequate practices or errors in the supply chain and/or contracting.

Appendix 3: VSME Reference Table 2025

- All data points are presented, except those that are not applicable.

VSME	#	Data point description	VSME Reporting	Disclosure
B1	24	The undertaking shall disclose:		
B1	a	Which of the following options it has selected: i. Option A: Basic Module (only) ii. Option B: Basic Module and Comprehensive Module	Yes	Section: Appendix 3
B1	c	Whether the sustainability report has been prepared on an individual basis (i.e. the report is limited to the undertaking’s information only) or on a consolidated basis (i.e. the report includes information about the undertaking and its subsidiaries)	Yes	Section: About the Report
B1	d	In case of a consolidated sustainability report, the list of the subsidiaries, including their registered address (the registered address is the official address of the undertaking), covered in the report	Yes	Consolidated Financial statements HS Orka hf. 2025 - Notes to the Financial Statements 1. Reporting entity
B1	e	The following information: i. the undertaking’s legal form; ii. NACE sector classification code(s); iii. size of the balance sheet; iv. turnover; v. number of employees in headcount or full-time equivalents; vi. country of primary operations and location of significant asset(s); and vii. geolocation of sites owned, leased or managed	Yes	i. Consolidated Financial statements HS Orka hf. 2025 - Notes to the Financial Statements 1. Reporting entity ii. D - Electricity, gas, steam and air conditioning supply iii & iv. Consolidated Financial statements HS Orka hf. 2025 - Endorsement by the Board of Directors and the CEO v. Section in the Sustainability Report 2025: Human Resources and Equality vi. Section in the Sustainability Report 2025: About HS Orka vii. Svartsengi Power Plant: 63.8787° N, 22.4319° W Reykjanes Power Plant: 63.8318° N, 22.6998° W Brú Power Plant: 64.3245° N, 20.2498° W Fjarðará Power Plant: 65.2294° N, 14.0945° W Turninn: 64.1027° N, 21.8806° W Krossmói: 63.9940° N, 22.5508° W
B1	25	If the undertaking has obtained any sustainability-related certification or label, it shall provide a brief description of those (including, where relevant, the issuers of the certification or label, date and rating score)	Yes	Section: EcoVadis Sustainability Assessment of HS Orka Section: Governance
B2	26	If the undertaking has put in place specific practices, policies or future initiatives for transitioning towards a more sustainable economy, it shall state so. The undertaking shall state whether it has:		
B2	a	Practices. Practices in this context may include, for instance, efforts to reduce the undertaking’s water and electricity consumption, to reduce GHG emissions or to prevent pollution, and initiatives to improve product safety as well as current initiatives to improve working conditions and equal treatment in the workplace, sustainability training for the undertaking’s workforce and partnerships related to sustainability projects	Yes	Section: Resource Management Section: Resource Park and Cascading Use of Resources Section: Resource Streams Section: Climate Section: By-Products Section: Nature Conservation and Monitoring Section: Occupational Safety and Health Section: Human Resources and Equality Section: Supply Chain Section: Information Security

Appendix 3: VSME Reference Table 2025, continued

B2	b	Policies on sustainability issues, whether they are publicly available, and any separate environmental, social or governance policies for addressing sustainability issues	Yes	Section: Climate Section: Occupational Safety and Health Section: Human Resources and Equality Section: Information Security The main policies are available on the company's home page.
B2	c	Any future initiatives or forward-looking plans that are being implemented on sustainability issues	Yes	Section: Resource Management Section: Resource Park and Cascading Use of Resources Section: Development Projects Section: Occupational Safety and Health Section: Supply Chain
B2	d	Targets to monitor the implementation of the policies and the progress achieved towards meeting such targets	Yes	Section: Overview of Figures 2025 Section: Climate Section: By-Products Section: Occupational Safety and Health Section: Supply Chain
B3	29	The undertaking shall disclose its total energy consumption in MWh, with a breakdown as per the table below, if it can obtain the necessary information to provide such a breakdown: i. Electricity (as reflected in utility billings) - Renewable, Non-Renewable, Total ii. Fuels (as reflected in utility billings) - Renewable, Non-Renewable, Total iii. Total (as reflected in utility billings) - Renewable, Non-Renewable, Total	Yes	Section: Own Energy Consumption
B3	30	The undertaking shall disclose its estimated gross greenhouse gas (GHG) emissions in tons of CO2 equivalent (tCO2eq) considering the content of the GHG Protocol Corporate Standard (version 2004), including:		
B3	a	The Scope 1 GHG emissions in tCO2eq (from owned or controlled sources)	Yes	Section: Climate
B3	b	The location-based Scope 2 emissions in tCO2eq (i.e. emissions from the generation of purchased energy, such as electricity, heat, steam or cooling)	Yes	Section: Climate
B3	31	The undertaking shall disclose its GHG intensity calculated by dividing 'gross greenhouse gas (GHG) emissions' disclosed under paragraph 30 by 'turnover (in Euro)' disclosed under paragraph 24(e)(iv)	In part	Section: Overview of Figures 2025 Section: Climate
B4	32	If the undertaking is already required by law or other national regulations to report to competent authorities its emissions of pollutants, or if it voluntarily reports on them according to an Environmental Management System, it shall disclose the pollutants it emits to air, water and soil in its own operations, with the respective amount for each pollutant. If this information is already publicly available, the undertaking may alternatively refer to the document where it is reported, for example, by providing the relevant URL link or embedding a hyperlink	Yes	Section: Nature Conservation and Monitoring
B5	33	The undertaking shall disclose the number and area (in hectares) of sites that it owns, has leased, or manages in or near a biodiversity sensitive area	In part	Section: Nature Conservation and Monitoring
B5	34	The undertaking may disclose metrics related to land-use:		

Appendix 3: VSME Reference Table 2025, continued

B5	a	Total use of land (in hectares)	No	
B5	b	Total sealed area	No	
B5	c	Total nature-oriented area on-site	No	
B5	d	Total nature-oriented area off-site	No	
B6	35	The undertaking shall disclose its total water withdrawal, i.e. the amount of water drawn into the boundaries of the organisation (or facility)	Yes	Section: Resource Streams
B6	36	If the undertaking has production processes in place which significantly consume water (e.g. thermal energy processes like drying or power production, production of goods, agricultural irrigation, etc.), it shall disclose its water consumption calculated as the difference between its water withdrawal and water discharge from its production processes	In part	Section: Resource Streams
B7	37	The undertaking shall disclose whether it applies circular economy principles and, if so, how it applies these principles	Yes	Section: Resource Park and Cascading Use of Resources Section: Resource Streams Section: By-Products
B7	38	The undertaking shall disclose:		
B7	a	The total annual generation of waste broken down by type (non-hazardous and hazardous)	Yes	Section: By-Products
B7	b	The total annual waste diverted to recycling or reuse	Yes	Section: By-Products
B8	39	The undertaking shall disclose the number of employees in headcount or full-time equivalent for the following metrics:		
B8	a	Type of employment contract (temporary or permanent)	Yes	99% of the workforce are permanent employees.
B8	b	Gender	Yes	Section: Human Resources and Equality
B8	40	If the undertaking employs 50 or more employees, it shall disclose the employee turnover rate for the reporting period	Yes	Section: Overview of Figures 2025
B9	41	The undertaking shall disclose the following information regarding its employees:		
B9	a	The number and rate of recordable work-related accidents	Yes	Section: Occupational Safety and Health
B9	b	The number of fatalities as a result of work-related injuries and work-related ill health	Yes	Section: Occupational Safety and Health There were no fatalities as a result of work-related injuries or work-related ill health in 2025.
B10	42	The undertaking shall disclose:		
B10	a	Whether the employees receive pay that is equal or above applicable minimum wage for the country it reports in, determined directly by the national minimum wage law or through a collective bargaining agreement	Yes	All of HS Orka employees are paid according to collective agreements.

Appendix 3: VSME Reference Table 2025, continued

B10	b	The percentage gap in pay between its female and male employees. The undertaking may omit this disclosure when its headcount is below 150 employees noting that this threshold will be reduced to 100 employees from 7 June 2031	Yes	Section: Human Resources and Equality
B10	c	The percentage of employees covered by collective bargaining agreements	Yes	100%
B10	d	The average number of annual training hours per employee, broken down by gender	In part	Section: Human Resources and Equality
B11	43	In case of convictions and fines in the reporting period, the undertaking shall disclose the number of convictions, and the total amount of fines incurred for the violation of anti-corruption and anti bribery laws	Yes	No cases in 2025.
C1	47	The undertaking shall disclose the key elements of its business model and strategy, including:		
C1	a	A description of significant groups of products and/or services offered	Yes	Section: About HS Orka Section: Resource Park and Cascading Use of Resources
C1	b	A description of significant market(s) the undertaking operates in (such as B2B, wholesale, retail, countries)	Yes	Section: HS Orka and the Community
C1	c	A description of main business relationships (such as key suppliers, customers distribution channels and consumers)	In part	Section: Resource Park and Cascading Use of Resources Section: Supply Chain Section: HS Orka and the Community
C1	d	If the strategy has key elements that relate to or affect sustainability issues, a brief description of those key elements	Yes	Section: Rebranding of HS Orka
C2	48	If the undertaking has put in place specific practices, policies or future initiatives for transitioning towards a more sustainable economy, which it has already reported under disclosure B2 in the Basic Module, it shall briefly describe them	Yes	Section: Resource Management Section: Resource Park and Cascading Use of Resources Section: Resource Streams Section: Climate Section: By-Products Section: Nature Conservation and Monitoring Section: Occupational Safety and Health Section: Human Resources and Equality Section: Supply Chain Section: Information Security
C2	49	The undertaking may indicate, if any, the most senior level of the undertaking accountable for implementing them	In part	Section: Resource Management Section: Occupational Safety and Health
C3	54	If the undertaking has established GHG emission reduction targets, it shall disclose its targets in absolute values for Scope 1 and Scope 2 emissions. In line with paragraphs 50 to 53 above and if it has set Scope 3 reduction targets, the undertaking shall also provide targets for significant Scope 3 emissions. In particular, it shall provide:		
C3	a	The target year and target year value	Yes	Section: Climate
C3	b	The base year and base year value	Yes	Section: Climate

Appendix 3: VSME Reference Table 2025, continued

C3	c	The units used for targets	Yes	Section: Climate
C3	d	The share of Scope 1, Scope 2 and, if disclosed, Scope 3 that the target concerns	Yes	Section: Climate
C3	e	A list of main actions it seeks to implement to achieve its targets	Yes	Section: Climate
C3	55	If the undertaking that operates in high climate impact sectors has adopted a transition plan for climate change mitigation, it may provide information about it, including an explanation of how it is contributing to reduce GHG emissions	In part	Section: Climate
C3	56	In case the undertaking operates in high-climate impact sectors and does not have a transition plan for climate change mitigation in place, it shall indicate whether and, if so, when it will adopt such a transition plan	No	
C4	57	If the undertaking has identified climate-related hazards and climate-related transition events, creating gross climate-related risks for the undertaking, it shall:		
C4	a	Briefly describe such climate-related hazards and climate-related transition events	Yes	Section: Climate Risk Assessment 2025
C4	b	Disclose how it has assessed the exposure and sensitivity of its assets, activities and value chain to these hazards and transition events	In part	Section: Climate Risk Assessment 2025
C4	c	Disclose the time horizons of any climate-related hazards and transition events identified	In part	Section: Climate Risk Assessment 2025
C4	d	Disclose whether it has undertaken climate change adaptation actions for any climate-related hazards and transition events	No	
C4	58	The undertaking may disclose the potential adverse effects of climate risks that may affect its financial performance or business operations in the short-, medium- or long-term, indicating whether it assesses the risks to be high, medium, low	In part	Section: Climate Risk Assessment 2025
C5	59	If the undertaking employs 50 or more employees, it may disclose the female-to-male ratio at management level for the reporting period	Yes	Section: Human Resources and Equality Senior management consists of three women (43%) and four men (57%).
C5	60	If the undertaking employs 50 or more employees, it may disclose the number of those self-employed without personnel who are working exclusively for the undertaking, and temporary workers provided by undertakings primarily engaged in ‘employment activities’	Yes	HS Orka does not have independently operating individuals who work exclusively for the company, nor who temporarily perform the same tasks as HS Orka employees.
C6	61	The undertaking shall disclose an answer to the following questions:		

Appendix 3: VSME Reference Table 2025, continued

C6	a	Does the undertaking have a code of conduct or human rights policy for its own workforce?	Yes	The company's code of conduct is not published on the external network, but it is accessible to employees on the internal website. The company has not adopted a separate human rights policy, human rights are a guiding principle in various of the company's support policies. HS Orka ensures the protection of its employees' human rights in accordance with laws, regulations, and international agreements and commitments, and respects employees' freedom of association. At HS Orka, work is carried out, among other things, in accordance with the United Nations Universal Declaration of Human Rights and the UN Women Gender Equality Principles. HS Orka guarantees its employees' salaries and rights in accordance with applicable laws and regulations.
C6	b	If yes, does this cover: i. Child labour ii. Forced labour iii. Human trafficking iv. Discrimination v. Accident prevention vi. Other?	In part	HS Orka's code of conduct guides all of our work, with the interests of the company, customers, and other stakeholders in the forefront. The code is based on honesty, equality and respect. Human rights are a guiding principle in various of the company's support policies.
C6	c	Does the undertaking have a complaints-handling mechanism for its own workforce?	Yes	The company has an in-house procedure for how concerns should be processed within the company so that they reach the right people for resolution. The legal department, together with relevant personnel, processes comments related to the company's business conduct. On HS Orka's website, there is a message window intended for anonymous tips. It is also possible to submit comments regarding the company's business conduct via the company's general email address, hsorka@hsorka.is, or by contacting its general phone number. Staff email addresses can be found on the website: www.hsorka.is
C7	62	The undertaking shall disclose an answer to the following questions:		
C7	a	Does the undertaking have confirmed incidents in its own workforce related to:	Yes	No incidents in 2025.
C8	64	The undertaking shall disclose whether it is excluded from any EU reference benchmarks that are aligned with the Paris Agreement as described in paragraph 241 of the guidance	Yes	The company is not exempt from the European Union's Paris-aligned Benchmarks.
C9	65	If the undertaking has a governance body in place, the undertaking shall disclose the related gender diversity ratio	Yes	The gender ratio in the board in 2025 was equal.

Appendix 4: ESRS Reference Table 2025

- Data points are presented in accordance with ESRS 2, along with data points related to topics with double materiality, excluding those for which information is not available or not applicable.
- The reference table has been prepared based on the ESRS drafts published in July 2025.

ESRS	#	Data point description	ESRS Reporting	Disclosure
BP-1	4	Has the undertaking disclosed the following information regarding the general basis for preparation of the sustainability statement?:		
BP-1	a	Whether the sustainability statement has been prepared on a consolidated or individual basis and in case the reporting boundary is different from the one adopted in the consolidated financial statements, a description of and the reasons for these circumstances	Yes	Section: About the Report
BP-1	b	An overview of the extent to which the sustainability statement covers the undertaking's upstream and downstream value chain	Yes	Section: Supply Chain Section: Appendix 2
BP-2	7	For each topic that relates to material impacts, risks and opportunities, the undertaking shall:		
BP-2	a	Disclose the topic or sub-topic(s) in Appendix A of ESRS 1 that relate to the undertaking's material impacts, risks and opportunities, and briefly describe how the undertaking's business model and strategy interact with them. The undertaking may disclose at the level of topic or sub-topic	In part	Section: Appendix 2
BP-2	b	Briefly describe any time-bound targets it has set related to the topics in question, the progress it has made towards achieving those targets, and whether its targets related to biodiversity and ecosystems are based on conclusive scientific evidence	Yes	Section: Climate Section: By-Products Section: Occupational Safety and Health Section: Supply Chain
BP-2	c	Briefly describe its policies in relation to the topics in question	Yes	Section: Climate Section: Occupational Safety and Health Section: Human Resources and Equality Section: Information Security The main policies are available on the company's home page.
BP-2	d	Briefly describe actions it has taken to identify, monitor, prevent, mitigate, remediate or bring an end to actual or potential adverse impacts related to the topic in question, and the result of such actions	Yes	Section: Resource Management Section: Resource Park and Cascading Use of Resources Section: Resource Streams Section: Climate Section: By-Products Section: Nature Conservation and Monitoring Section: Occupational Safety and Health Section: Human Resources and Equality Section: Supply Chain Section: Information Security

Appendix 4: ESRS Reference Table 2025, continued

BP-2	e	Disclose metrics relevant to the topic in question	Yes	Section: About HS Orka Section: Overview of Figures 2025 Section: Climate Section: Own Energy Consumption Section: Resource Streams Section: By-Products Section: Nature Conservation and Monitoring Section: Occupational Safety and Health Section: Human Resources and Equality Section: Supply Chain Section: Procurement of Materials
GOV-1	9	The undertaking shall disclose:		
GOV-1	a (1)	The percentage of independent board members, where it exists	In part	All the company's directors are self-governing and independent of the company and its management. No director has, directly or indirectly, ownership in the company, has worked for the company or has other interests with the company's main business partners and competitors. All directors are dependent on the company's shareholders; the reason being that the company is owned by only two shareholders.
GOV-1	a (2)	The representation of employees and other workers	Yes	Shareholders nominate directors, no other stakeholders or minority groups are represented on the board.
GOV-1	a (3)	The percentage by gender and by other aspects of diversity that the undertaking takes into account	Yes	The gender ratio in the board in 2025 was equal.
GOV-1	b	How the administrative, management and supervisory bodies determine whether appropriate skills and expertise are available or will be developed to oversee strategies and other measures designed to respond to material impacts, risks and opportunities (or groups of them / related topics)	Yes	Section: Governance
GOV-1	c	The identity and responsibilities of the individuals, board committee or similar body within the administrative, management and supervisory bodies which are responsible for the oversight of material impacts, risks and opportunities (or groups of them / related topics), with an indication, if relevant, of those for which the administrative, management and supervisory bodies have not delegated the key decisions to another body	In part	Section: Governance
GOV-1	d (1)	How the administrative, management and supervisory bodies oversee the setting of targets related to material impacts, risks and opportunities (or groups of them / related topics)	Yes	Section: Governance
GOV-1	d (2)	How the administrative, management and supervisory bodies monitor progress towards targets related to material impacts, risks and opportunities (or groups of them / related topics)	Yes	Section: Governance
GOV-2	11	Where they exist, the undertaking shall disclose the following information about the incentive schemes and remuneration policies linked to sustainability topics for members of the administrative, management and supervisory bodies:		
GOV-2	a	A description of the key characteristics of the incentive schemes	Yes	When evaluating performance and/or incentive payments to the company's senior management, the company's goals and achievements are reviewed in relation to safety and environmental issues, HR issues and the company's performance.
GOV-4	15	The undertaking shall disclose the scope, main features and components of its risk management and internal control processes and systems in relation to sustainability reporting	Yes	Section: Governance Section: Appendix 1
SBM-1	17	The undertaking shall disclose the following information about the key elements of its general strategy that relate to or affect material impacts, risks and opportunities, either individually or at a higher level (i.e. groups of impacts, risks and opportunities or related topics):		
SBM-1	a	A description of: (i) the significant groups of products and/or services offered, significant markets and/or customer groups served, and the sustainability-related goals that it has associated to them, including significant changes in the reporting period (new/removed products, services, markets and/or customer groups); (ii) where applicable and material, products and services banned in certain markets	Yes	Section: About HS Orka Section: Resource Park and Cascading Use of Resources Section: HS Orka and the Community

Appendix 4: ESRS Reference Table 2025, continued

SBM-1	18	The undertaking shall disclose a description of its business model and value chain, covering the main features of them, as well as its position in the latter	Yes	Section: About HS Orka Section: Resource Streams Section: Supply Chain Section: HS Orka and the Community
SBM-2	20	The undertaking shall disclose:		
SBM-2	a	A summarised description of its stakeholder engagement, including information about the key stakeholders with which it engaged	Yes	Section: Double Materiality Assessment 2025 Section: HS Orka and the Community
SBM-2	b	Its understanding of the interests and views of its key stakeholders as they relate to its strategy and business model	In part	Section: Double Materiality Assessment 2025 Section: HS Orka and the Community
SBM-2	c	Whether and how the administrative, management and supervisory bodies are informed about the views and interests of key affected stakeholders (including workers' representatives) with regard to its material impacts, risks and opportunities, either individually or at a higher level (i.e. groups of impacts, risks and opportunities or related topics)	Yes	Section: Double Materiality Assessment 2025
SBM-3	22	The undertaking shall provide a high-level description of the interaction of the material impacts, risks and opportunities, with its business model, value chain, strategy and decision-making. This includes how material impacts originate from its strategy and business model, and how material risks and opportunities affect or may affect substantially its strategy and business model, as well as how the undertaking has addressed or plans to address them	In part	Section: Appendix 2
IRO-1	25	The undertaking shall disclose the following:		
IRO-1	a	An overview of the process, the key methodologies applied, the input parameters used and key data sources, and how it determines qualitative or quantitative thresholds	Yes	Section: Double Materiality Assessment 2025 Section: Appendix 1
IRO-1	b	The scope of operations and value chain covered, with an indication of whether it focuses on specific activities, business relationships, geographies or other factors that give rise to heightened risk of adverse impacts	Yes	Section: Double Materiality Assessment 2025 Section: Appendix 1 Section: Appendix 2
IRO-1	c	Whether and how the undertaking prioritises negative impacts based on their relative severity and likelihood, and whether this is informed by the undertaking's due diligence process	Yes	Section: Appendix 1
IRO-1	d	Whether and how the process includes consultations with affected stakeholders and external experts to understand the impacts	Yes	Section: Double Materiality Assessment 2025
IRO-1	e	The approach used to consider impacts and dependencies in identifying and assessing its risks and opportunities	In part	Section: Appendix 1
IRO-1	f	Whether and how the undertaking prioritises sustainability risks relative to other types of business risks, including its use of risk assessment tools	In part	Section: Climate Risk Assessment 2025 Section: Governance Section: Appendix 1
IRO-1	g	A description of the decision-making procedures	Yes	Section: Double Materiality Assessment 2025 Section: Appendix 1
IRO-1	h	Whether and how the process has changed compared to the prior reporting period	Yes	Section: Double Materiality Assessment 2025
IRO-2	28	The undertaking shall disclose:		
IRO-2	a	A concise description of its actual and potential, positive and negative material impacts, including how they affect or are likely to affect people or the environment, as well as its material risks and opportunities, specifying the related topics and how and where impacts, risks and opportunities are connected to its business model, its own operations and its upstream and downstream value chain	In part	Section: Appendix 2
IRO-2	c	Changes related to its material impacts, risks and opportunities compared to the previous reporting period	Yes	Section: Double Materiality Assessment 2025 Section: Appendix 1 Section: Appendix 2

Appendix 4: ESRS Reference Table 2025, continued

IRO-2	d	A list of the DRs complied with in preparing the sustainability statement allowing to identify where the related disclosures are located in the sustainability statement and giving a separate indication of those that are incorporated by reference (ESRS 1, Chapter 9.3)	Yes	Section: Appendix 4
E1-1	14	The information about the transition plan for climate change mitigation shall include:		
E1-1	a	A description of its key features. This includes GHG emission reduction targets, the decarbonisation levers, key actions, financial and investment planning, the role of the administrative, management and supervisory bodies, and how the plan is embedded in and aligned with the undertaking's overall business strategy. It shall also include information on how the undertaking's strategy and business model are compatible with the limiting global warming to 1.5°C in line with the Paris Agreement and with the EU's objective of achieving climate neutrality by 2050	In part	Section: Climate Section: Governance
E1-1	c	Information about dependencies on which the transition plan relies, including a qualitative assessment of how potential locked-in GHG emissions from key assets and products may jeopardise the achievement of the plan and drive transition risk	In part	Section: Climate
E1-1	d	An explanation of the undertaking's progress in implementing the transition plan	In part	Section: Climate
E1-2	17	The undertaking shall explain for each climate-related material risk identified (per ESRS 2, paragraph 28) whether it classifies the risk as a climate-related physical risk or a climate related transition risk	In part	Section: Climate Risk Assessment 2025 Section: Appendix 2
E1-2	18	In addition to the disclosure provided in accordance with ESRS 2 IRO-1 and IRO-2, the undertaking shall disclose key elements of the methodology used to assess how its assets and business activities in own operations and upstream and downstream value chain may be exposed:		
E1-2	a	To climate-related hazards (over the short-, medium- and long-term)	In part	Section: Climate Risk Assessment 2025 Section: Appendix 1
E1-2	b	To climate-related transition events and trends (over the short,- medium- and long-term)	In part	Section: Climate Risk Assessment 2025 Section: Appendix 1
E1-2	19	The key elements of the methodology include: the scope of the analysis, the methodologies and/or tools used for the analysis, the ranges of scenarios used, the time period when it was carried out and how the undertaking has used climate-related scenario analysis. In addition, for paragraph 18 (a) the undertaking shall include the spatial resolution of the analysis and for paragraph 18(b) it shall include the type of transition events analysed	In part	Section: Climate Risk Assessment 2025 Section: Appendix 1
E1-4	22	The undertaking shall disclose its climate change policies in accordance with the provisions of ESRS 2 GDR-P	In part	Section: Climate
E1-5	23	The undertaking shall disclose its key climate change actions and resources allocated to their implementation in accordance with the provisions of ESRS 2 GDR-A	In part	Section: Climate
E1-5	24	In addition to ESRS 2 GDR-A, when disclosing current and planned actions, the undertaking shall:		
E1-5	a	Present its key climate change mitigation actions by decarbonisation lever	Yes	Section: Climate
E1-6	25	The undertaking shall disclose its climate change targets in accordance with the provisions of ESRS 2 GDR-T	In part	Section: Climate
E1-6	26	The undertaking shall disclose the GHG emission reduction targets it has set, including:		
E1-6	a	Absolute GHG emission reduction targets for Scope 1, 2 and 3, either separately or combined and, where relevant, in intensity value. The undertaking shall specify, in case of combined GHG emission reduction targets, which GHG emission Scopes (1, 2 and/or 3) are covered by the target and the share related to each respective GHG emission Scope	In part	Section: Climate

Appendix 4: ESRS Reference Table 2025, continued

E1-6	c	A statement on whether the GHG emission reduction targets are science-based and compatible with limiting global warming to 1.5°C. The undertaking shall state which framework and methodology has been used to determine these targets, including whether they are derived using a sectoral decarbonisation pathway and the underlying climate and policy scenarios. As part of the critical assumptions used for setting GHG emission reduction targets, the undertaking shall briefly explain how it has considered future developments (e.g. changes in sales volumes, shifts in customer preferences and demand, regulatory factors, and new technologies) and how these will potentially impact both its GHG emissions and emissions reductions	In part	Section: Climate Section: Geothermal Emissions and Iceland’s National Inventory
E1-7	28	The undertaking shall disclose information on its energy consumption and mix, namely on its total energy consumption in MWh related to its own operations, disaggregated by:		
E1-7	a	Total energy consumption from fossil sources	Yes	Section: Own Energy Consumption
E1-7	c	Total energy consumption from renewable sources	Yes	Section: Own Energy Consumption
E1-7	29	The undertaking shall further disaggregate its total energy consumption from fossil sources by:		
E1-7	b	Fuel consumption from crude oil and petroleum products	Yes	Section: Own Energy Consumption
E1-7	30	The undertaking shall also disaggregate and disclose separately its non-renewable energy production and renewable energy production in megawatt hours (MWh)	Yes	Section: About HS Orka
E1-8	32	The undertaking shall disclose absolute gross GHG emissions generated during the reporting period, expressed as metric tonnes of CO2eq classified as:		
E1-8	a	Scope 1 GHG emissions, including, the percentage of Scope 1 GHG emissions from regulated emission trading schemes, if it has emissions from such schemes	Yes	Section: Climate
E1-8	b	Scope 2 GHG emissions (location-based and market-based)	Yes	Section: Climate
E1-8	c	Scope 3 GHG emissions from significant Scope 3 categories as a total and per category	Yes	Section: Climate
E2-2	13	The undertaking shall disclose its key pollution-related actions and significant resources allocated to the implementation of these actions, in accordance with the provisions of ESRS 2 GDR-A	In part	Section: Resource Management Section: Nature Conservation and Monitoring
E2-3	14	The undertaking shall disclose its pollution-related targets in accordance with the provisions of ESRS 2 GDR-T	In part	Section: Resource Management Section: Nature Conservation and Monitoring
E3-2	13	The undertaking shall disclose its key water-related actions and significant resources allocated to their implementation, in accordance with the provisions of ESRS 2 GDR-A	In part	Section: Resource Management Section: Resource Park and Cascading Use of Resources Section: Nature Conservation and Monitoring
E3-3	15	The undertaking shall disclose its water-related targets, in accordance with the provisions of ESRS 2 GDR-T	In part	Section: Resource Management Section: Resource Park and Cascading Use of Resources Section: Nature Conservation and Monitoring
E3-4	17	The undertaking shall disclose for its own operations:		
E3-4	a	Total water consumption	Yes	Section: Resource Streams
E3-4	c	Total water withdrawal	Yes	Section: Resource Streams
E3-4	d	Total water discharges	Yes	Section: Resource Streams
E3-4	e	Total water recycled or reused	Yes	Section: Resource Streams
E5-1	10	The undertaking shall disclose its resource use and circular economy policies in accordance with the provisions of ESRS 2 GDR-P	In part	HS Orka seeks all ways to eliminate waste in its operations. It is our priority that the energy harnessed is used sustainably and delivers diverse societal values. By fully utilising resource streams, as well as any by-products generated in our operations, we minimise waste and promote innovation and job creation. Within the Resource Park, we work to make the concepts of the circular economy a reality. See in more detail in HS Orka's Sustainability Policy available on HS Orka's website.
E5-1	11	In addition to the information required by ESRS 2 GDR-P, if the undertaking integrates circularity and eco-design principles in its key products and services, it shall explain how this is done	Yes	Section: Resource Park and Cascading Use of Resources

Appendix 4: ESRS Reference Table 2025, continued

E5-2	12	The undertaking shall disclose its resource use and circular economy actions in accordance with the provisions of ESRS 2 GDR-A	In part	Section: Resource Park and Cascading Use of Resources Section: By-Products
E5-3	13	The undertaking shall disclose its resource use and circular economy targets in accordance with the provisions of ESRS 2 GDR-T	In part	Section: Resource Park and Cascading Use of Resources Section: By-Products
E5-4	15	The undertaking shall disclose the following information about the key materials used to manufacture, were put on the market or were part of the delivery of the undertaking’s products and services during the reporting period:		
E5-4	a	The key materials used to manufacture products, deliver them and/or provide services	In part	Section: Procurement of Materials
E5-4	b	The total weight of key materials with a breakdown per key material (in weight or percentage of total weight)	In part	Section: Procurement of Materials
E5-5	18	The undertaking shall disclose the following information on waste from its own operations:		
E5-5	a	A description of the waste streams relevant to its sector or activities	In part	Section: By-Products
E5-5	b	The total weight of waste generated	Yes	Section: By-Products
E5-5	c	The percentage and/or total weight diverted from disposal, with a breakdown between hazardous waste and non-hazardous waste, and a breakdown by the following recovery operation types: (i) Preparations for reuse (ii) Recycling (iii) Other recovery operation	Yes	Section: By-Products
E5-5	d	The percentage and/or total weight directed to disposal, with a breakdown between hazardous waste and non-hazardous waste, and a breakdown by the following disposal operation types: (i) Thermal-based disposal (ii) Landfill (iii) Other disposal operation	Yes	Section: By-Products
E5-5	19	If the undertaking generates radioactive waste, according to the definition of radioactive waste in Article 3(7) of Council Directive 2011/70/Euratom, it shall disclose the total amount of it	Yes	Section: By-Products
S1-1	11	The undertaking shall describe its policies for managing the material impacts, risks and opportunities related to its own workforce in accordance with ESRS 2 GDR-P. It shall state whether these policies cover specific groups within its own workforce (for example, employees working in a particular factory or geography or self-employed) or all of its own workforce	In part	Section: Occupational Safety and Health Section: Human Resources and Equality
S1-1	12	The undertaking shall state whether its policies in relation to its own workforce explicitly address trafficking in human beings, forced labour or compulsory labour and child labour	In part	The company has not adopted a separate human rights policy, human rights are a guiding principle in various of the company's support policies. HS Orka ensures the protection of its employees' human rights in accordance with laws, regulations, and international agreements and commitments, and respects employees' freedom of association. At HS Orka, work is carried out, among other things, in accordance with the United Nations Universal Declaration of Human Rights and the UN Women Gender Equality Principles. HS Orka guarantees its employees’ salaries and rights in accordance with applicable laws and regulations.
S1-1	13	The undertaking shall state whether it has a policy or management system for safeguarding the health and safety of its own workforce at work and preventing occupational risks	Yes	Section: Occupational Safety and Health
S1-2	16	The undertaking shall describe the channels available to its own workforce to bring their concerns or needs directly to their attention and have them addressed. In particular, it shall state whether it has a grievance mechanism. It shall also explain how it assesses the effectiveness of these channels	In part	On HS Orka's website, there is a message window intended for anonymous tips. It is also possible to submit comments regarding the company's business conduct via the company's general email address, hsorka@hsorka.is, or by contacting its general phone number. Staff email addresses can be found on the website: www.hsorka.is

Appendix 4: ESRS Reference Table 2025, continued

S1-2	17	The undertaking shall describe its general approach to and processes for providing or contributing to remedy where it has caused or contributed to a material negative impact on people in its own workforce	Yes	Section: Governance The company has an in-house procedure for how concerns should be processed within the company so that they reach the right people for resolution. The legal department, together with relevant personnel, processes comments related to the company's business conduct.
S1-3	18	The undertaking shall describe the key actions and resources used to manage its material impacts, risks and opportunities related to its own workforce in accordance with ESRS 2 GDR-A	In part	Section: Occupational Safety and Health Section: Human Resources and Equality
S1-4	20	The undertaking shall disclose the qualitative and/or quantitative targets related to its own workforce in accordance with ESRS 2 GDR-T	In part	Section: Occupational Safety and Health
S1-4	21	When disclosing in accordance with ESRS 2 GDR-T, the undertaking shall disclose whether and how it has engaged directly with its own workforce or workers' representatives for the purpose of target-setting and/ or tracking performance against those targets	Yes	Section: Occupational Safety and Health
S1-5	23	The undertaking shall disclose:		
S1-5	a	The total number of employees by head count and breakdowns by gender and by country for the countries in which the undertaking has 50 or more employees and that are the ten largest countries in terms of employee numbers;	Yes	Section: Human Resources and Equality HS Orka's operations are solely in Iceland.
S1-5	b	The total number by head count or full time equivalent (FTE) of:	Yes	Section: Human Resources and Equality
S1-5	c	Permanent employees and breakdown by gender	Yes	Section: Human Resources and Equality 99% of the workforce are permanent employees.
S1-5	d	Temporary employees and breakdown by gender	Yes	Section: Human Resources and Equality 99% of the workforce are permanent employees.
S1-5	e	Non-guaranteed hours employees	Yes	99% of the workforce are permanent employees.
S1-5	f	The rate of employee turnover in the reporting period	Yes	Section: Overview of Figures 2025
S1-6	25	The undertaking shall disclose the total number of non-employees in the undertaking's own workforce	Yes	HS Orka does not have independently operating individuals who work exclusively for the company, nor who temporarily perform the same tasks as HS Orka employees.
S1-13	40	The undertaking shall disclose the following information for the reporting period and, where applicable, broken down between employees and non-employees for the undertaking's own workforce:		
S1-13	a	The percentage of people in its own workforce who are covered by the undertaking's health and safety management system based on legal requirements and/or recognised standards or guidelines	Yes	Section: Occupational Safety and Health All HS Orka employees fall under the management of occupational health and safety.
S1-13	b	The sum of: (i) The number of fatalities from work-related injuries among everybody in the undertaking's own workforce as well as other workers that work on its sites; and (ii) The number of fatalities from work-related ill health among its employees	Yes	Section: Occupational Safety and Health There were no fatalities as a result of work-related injuries or work-related ill health in 2025.
S1-13	c	The number and rate of recordable work-related accidents	Yes	Section: Occupational Safety and Health
S1-13	d	With regard to the undertaking's employees, the number of cases of recordable work-related ill health, subject to legal restrictions on the collection of data	Yes	There have been no cases of work-related illnesses in 2025.

Appendix 4: ESRS Reference Table 2025, continued

S2-1	10	The undertaking shall describe its policies for managing the material impacts, risks and opportunities related to value chain workers in accordance with ESRS 2 GDR-P. It shall state whether these policies cover specific groups of value chain workers (e.g. particular age groups or workers in a particular factory or country) or all value chain workers	In part	Section: Occupational Safety and Health HS Orka hf. places great emphasis on safety, health, and environmental (SHE) matters. This applies to all work performed by and for the company, whether the work takes place on HS Orka's premises or elsewhere. There are clear HSE requirements for contractors and service providers and the requirements are followed up on on a regular basis. HS Orka's Safety, Health and Envirnomental (SHE) Requirements for Contractors and Service Providers is available on HS Orka's website.
S2-1	12	The undertaking shall also state whether it has a supplier code of conduct	Yes	Section: Supply Chain Contractors and service providers must report all accidents, near misses, hazardous incidents, hazardous conditions, and environmental incidents that occur while working for HS Orka.
S2-2	15	The undertaking shall describe the channels available to value chain workers to bring their concerns or needs directly to their attention and have them addressed. In particular, it shall state whether it has a grievance mechanism. It shall also explain how it assesses the effectiveness of these channels	In part	On HS Orka's website, there is a message window intended for anonymous tips. It is also possible to submit comments regarding the company's business conduct via the company's general email address, hsorka@hsorka.is, or by contacting its general phone number. Staff email addresses can be found on the website: www.hsorka.is
S2-2	16	The undertaking shall describe its general approach to and processes for providing or contributing to remedy where it has caused or contributed to a material negative impact on value chain workers	Yes	Section: Governance The company has an in-house procedure for how concerns should be processed within the company so that they reach the right people for resolution. The legal department, together with relevant personnel, processes comments related to the company's business conduct.
S2-3	17	The undertaking shall describe the key actions and resources used to manage its material impacts, risks and opportunities related to value chain workers in accordance with ESRS 2 GDR-A	In part	Section: Occupational Safety and Health Section: Supply Chain
S2-4	20	The undertaking shall disclose the qualitative and/or quantitative targets related to value chain workers in accordance with ESRS 2 GDR-T	In part	Section: Occupational Safety and Health Section: Supply Chain
S4-1	9	The undertaking shall describe its policies for managing the material impacts, risks and opportunities related to consumers and/or end-users in accordance with ESRS 2 GDR-P. It shall state whether these policies cover specific groups (for example, particular age groups) or all consumers and/or end-users	In part	Section: HS Orka and the Community HS Orka strives to understand the expectations and attitudes of various stakeholders towards the company's operations. This involves maintaining quality communication with the local community and the public, authorities and regulators, NGOs, and customers. By understanding the company's operating environment, we improve decision-making quality and identify opportunities for progress. HS Orka regularly communicates information about governance and the company's impact on the environment, society, and the economy. See in more detail in HS Orka's Sustainability Policy available on HS Orka's website.
S4-2	11	The undertaking shall disclose how it engages directly with consumers and/or end-users, their legitimate representatives, or with credible proxies, and how the perspectives of consumers and/or end-users inform its decisions or activities aimed at managing the actual and potential impacts on consumers and/or end-users during the reporting year. This shall include, where relevant, how it gains insight into the perspectives of consumers and/or end-users who may be particularly vulnerable to impacts and/or are marginalised (for example, persons with disabilities, children)	In part	Section: HS Orka and the Community
S4-2	12	The undertaking shall describe the channels available to consumers and/or end-users to bring their concerns or needs directly their attention and have them addressed. In particular, it shall state whether it has a grievance mechanism. It shall also explain how it assesses the effectiveness of these channels	In part	On HS Orka's website, there is a message window intended for anonymous tips. It is also possible to submit comments regarding the company's business conduct via the company's general email address, hsorka@hsorka.is, or by contacting its general phone number. Staff email addresses can be found on the website: www.hsorka.is

Appendix 4: ESRS Reference Table 2025, continued

S4-2	13	The undertaking shall describe its general approach to and processes for providing or contributing to remedy where it has caused or contributed to a material negative impact on consumers and/or end-users	Yes	Section: Governance The company has an in-house procedure for how concerns should be processed within the company so that they reach the right people for resolution. The legal department, together with relevant personnel, processes comments related to the company's business conduct.
S4-3	14	The undertaking shall describe the key actions and resources used to manage its material impacts, risks and opportunities related to consumers and/or end-users in accordance with ESRS 2 GDR-A	In part	Section: Resource Management Section: Security of Supply Section: HS Orka and the Community
G1-1	7	The undertaking shall disclose its business conduct policies in accordance with the provisions of ESRS 2 GDR-P	In part	The company's code of conduct, along with the anti-bribery and anti-corruption policies and whistleblower protection rules, are not published on the external website but are accessible to staff on the intranet. HS Orka's code of conduct guides all of our work, with the interests of the company, customers, and other stakeholders in the forefront. The code is based on honesty, equality and respect, and these values shall be used as a guiding light for all employees.
G1-2	9	The undertaking shall disclose its business conduct actions in accordance with the provisions of ESRS 2 GDR-A	In part	Section: Supply Chain
G1-2	10	In addition to the information required by ESRS 2 GDR-A, the undertaking shall disclose:		
G1-2	a	Information about the management of relationships with suppliers and, if the undertaking takes into account social and environmental criteria for the selection of its suppliers, how this is done	In part	Section: Supply Chain In general, suppliers must meet the same requirements and ensure the same rights as apply to HS Orka employees. Accordingly, we set clear requirements regarding environmental issues, safety, social aspects, and governance. Requirements are made of suppliers and contractors in line with HS Orka's Climate Policy and considering the company's responsibility in human rights and occupational health. We conduct supplier evaluations of our key suppliers and take appropriate actions if their operations do not meet our requirements. See in more detail in HS Orka's Sustainability Policy available on HS Orka's website.
G1-2	b	Information about the undertaking's approach to prevent, detect, investigate and respond to allegations or incidents related to corruption and bribery, which includes any actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery	In part	Section: Governance On HS Orka's website, there is a message window intended for anonymous tips. It is also possible to submit comments regarding the company's business conduct via the company's general email address, hsorka@hsorka.is, or by contacting its general phone number. Staff email addresses can be found on the website: www.hsorka.is The company has an in-house procedure for how concerns should be processed within the company so that they reach the right people for resolution. The legal department, together with relevant personnel, processes comments related to the company's business conduct.
G1-6	20	The undertaking shall disclose:		
G1-6	b	The number of legal proceedings currently outstanding for late payments	Yes	No incidents in 2025.

Appendix 5: EU Taxonomy

EU Taxonomy brings with it coordinated requirements regarding transparency and disclosures on the sustainability of operations. This is the third time that HS Orka publishes information on the environmental sustainability of its operations based on EU Taxonomy’s criteria. Below are summary tables for EU Taxonomy’s key performance indicators along with explanatory remarks.

Turnover

				Substantial contribution						Does not significantly harm (DNSH)									
Economic activities (1)	Code (2)	Turnover 2025 (ISKm) (3)	Proportion of turn-over (%) (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Circular Economy (8)	Pollution (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13))	Circular Economy (14)	Pollution (15)	Biodiversity (16)	Mimimum safeguards Y/N (17)	2024 (19)	Category enabling activity Y/N (20)	Category transitional activity Y/N (21)
A. TAXONOMY ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
Cogeneration of heat/cool and power from geothermal energy	CCM 4,18	10,747	68.4%	Y*	-	-	-	-	-	d.n.a.	Y	Y	d.n.a.	Y	Y	Y	66.6%	-	-
Electricity generation from hydropower	CCM 4,5	1,097	7.0%	Y*	-	-	-	-	-	d.n.a.	Y	Y	d.n.a.	d.n.a.	Y	Y	66%	-	-
Construction, extension and operation of water collection, treatment and supply systems	CCM 5,1	109	0.7%	Y*	-	-	-	-	-	d.n.a.	Y	Y	d.n.a.	d.n.a.	Y	Y	0.7%	-	-
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		11,953	76.1%																
A.2 Taxonomy-eligible but not environmentally sustainable activities																			
Turnover of taxonomy-eligible but not environmentally sustainable activities (A.2)		-	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	-	-
Total (A.1 + A.2)		11,953	76.1%														73.9%		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
Turnover of taxonomy-non-eligible activities (B)		3,755	23.9%				HS Orka´s sales of purchased electricity are at present not eligible under EU Taxonomy since technical criteria have not been defined for that part of the business. This explains most of the turnover that is not counted as either eligible or aligned. The renewable energy that the company purchased from other producers nevertheless in all cases fulfills EU Taxonomy´s criteria for significant contribution (emissions intensity under 100 gCO2eq/kWh) to the environmental objective „Climate change mitigation“.												
TOTAL (A + B)		15,709	100%																

Y: Yes, the activity is both eligible and aligned with the relevant environmental objective.

d.n.a.: Does not apply.

CCM: Climate Change Mitigation.

*In assessing significant contribution, only the technical criteria for CCM were assessed.

Appendix 5: EU Taxonomy, continued

Investments

				Substantial contribution						Does not significantly harm (DNSH)									
Economic activities (1)	Code (2)	CAPEX 2025 (ISKm) (3)	Proportion of CAPEX (%) (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Circular Economy (8)	Pollution (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13))	Circular Economy (14)	Pollution (15)	Biodiversity (16)	Mimimum safeguards Y/N (17)	2024 (19)	Category enabling activity Y/N (20)	Category transitional activity Y/N (21)
A. TAXONOMY ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
Cogeneration of heat/cool and power from geothermal energy	CCM 4,18	7,436	82.3%	Y*	-	-	-	-	-	d.n.a.	Y	Y	d.n.a.	Y	Y	Y	93.8%	-	-
Electricity generation from hydropower	CCM 4,5	22	0.2%	Y*	-	-	-	-	-	d.n.a.	Y	Y	d.n.a.	d.n.a.	Y	Y	1.0%	-	-
Construction, extension and operation of water collection, treatment and supply systems	CCM 5,1	14	0.2%	Y*	-	-	-	-	-	d.n.a.	Y	Y	d.n.a.	d.n.a.	Y	Y	0.1%	-	-
CAPEX of environmentally sustainable activities (taxonomy-aligned) (A.1)		7,462	82.7%																
A.2 Taxonomy-eligible but not environmentally sustainable activities																			
CAPEX of taxonomy-eligible but not environmentally sustainable activities (A.2)		-	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	-	-
Total (A.1 + A.2)		7,462	82.7%														94.9%		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
CAPEX of taxonomy-non-eligible activities (B)		1,565	17.3%																
TOTAL (A + B)		9,026	100%																

Y: Yes, the activity is both eligible and aligned with the relevant environmental objective.

d.n.a.: Does not apply.

CCM: Climate Change Mitigation.

*In assessing significant contribution, only the technical criteria for CCM were assessed.

Appendix 5: EU Taxonomy, continued

Operating costs

				Substantial contribution						Does not significantly harm (DNSH)									
Economic activities (1)	Code (2)	OPEX 2025 (ISKm) (3)	Proportion of OPEX (%) (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Circular Economy (8)	Pollution (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13))	Circular Economy (14)	Pollution (15)	Biodiversity (16)	Mimimum safeguards Y/N (17)	2024 (19)	Category enabling activity Y/N (20)	Category transitional activity Y/N (21)
A. TAXONOMY ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
Cogeneration of heat/cool and power from geothermal energy	CCM 4,18	3,099	89.9%	Y*	-	-	-	-	-	d.n.a.	Y	Y	d.n.a.	Y	Y	Y	90.7%	-	-
Electricity generation from hydropower	CCM 4,5	210	6.1%	Y*	-	-	-	-	-	d.n.a.	Y	Y	d.n.a.	d.n.a.	Y	Y	5.5%	-	-
Construction, extension and operation of water collection, treatment and supply systems	CCM 5,1	30	0.9%	Y*	-	-	-	-	-	d.n.a.	Y	Y	d.n.a.	d.n.a.	Y	Y	0.7%	-	-
OPEX of environmentally sustainable activities (taxonomy-aligned) (A.1)		3,339	96.8%																
A.2 Taxonomy-eligible but not environmentally sustainable activities																			
OPEX of taxonomy-eligible but not environmentally sustainable activities (A.2)		-	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	-	-
Total (A.1 + A.2)		3,339	96.8%														96.9%		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
OPEX of taxonomy-non-eligible activities (B)		110	3.2%																
TOTAL (A + B)		3,449	100%																

Y: Yes, the activity is both eligible and aligned with the relevant environmental objective.

d.n.a.: Does not apply.

CCM: Climate Change Mitigation.

*In assessing significant contribution, only the technical criteria for CCM were assessed.

Appendix 5: EU Taxonomy, continued

Explanatory Remarks Concerning HS Orka’s Alignment with EU Taxonomy

A Activities of HS Orka Covered by EU Taxonomy

HS Orka falls under the EU Taxonomy regulation (EU) 2020/852 which was enacted in Iceland in 2023. The Regulation sets out a taxonomy that determines which economic activities are considered environmentally sustainable. It also includes coordinated requirements for companies regarding transparency and disclosures about the sustainability of their operations.

To determine which HS Orka activities are eligible (covered by EU Taxonomy) to be considered environmentally sustainable, the activities were reviewed with regard to Regulations (EU) 2021/2139, (EU) 2023/2485, (EU) 2023/2486 and (EU) 2022/1214. The review identified three types of eligible economic activities:

- Cogeneration of heat/cool and power from geothermal energy (4.18)
- Electricity generation from hydropower (4.5)
- Construction, extension and operation of water collection, treatment and supply systems (5.1)

B HS Orka’s Operations That Are Environmentally Sustainable

In order to be considered environmentally sustainable, economic activities must meet four criteria pursuant to Article 3 of the EU Taxonomy (EU) 2020/852:

1. Substantial contribution to one or more of the six environmental objectives (Art. 9).
2. Do not significantly harm any of the other five environmental objectives (Article 9).
3. Compliance with the minimum safeguards laid down regarding social and governance factors (Article 18).

4. Comply with technical screening criteria that have been established by the Commission for the economic activity in question (Article 10).

An assessment was made as to whether the activities of HS Orka covered by the EU Taxonomy are to be considered environmentally sustainable, that is, if they meet the four criteria. For each activity, the technical screening criteria were assessed in accordance with Regulation (EU) 2021/2139. This work was carried out in consultation with employees from different areas of the company (see summary table of results).

Analysis of substantial contribution only included the activity’s contribution towards the environmental objective “climate change mitigation”. Criteria for significant harm were analysed based on each type of activity and minimum safeguards were assessed for the company as a whole.

This year’s summary demonstrates how HS Orka meets the EU Taxonomy’s criteria of substantial contribution and ensures it does not cause significant harm according to the technical screening criteria in Regulation (EU) 2021/2139.

C Substantial Contribution

An assessment was made as to whether HS Orka’s activities covered by the EU Taxonomy meet the technical screening criteria of Regulation (EU) 2021/2139 regarding their substantial contribution towards climate change mitigation. The results of the assessment show that this is the case:

- Activities 4.18: Cogeneration of heat/cool and power from geothermal energy meets the technical screening criteria for making a substantial contribution towards climate change mitigation.

An assessment of the fulfillment of the relevant technical screening criteria in Regulation (EU 2021/2139)*

Chapter		Are the criteria fulfilled for substantial contribution to one or more of the environmental objectives set out in the Taxonomy Regulation?		Are the criteria fulfilled for do no significant harm (DNSH) to any of the other five environmental objectives set out in the Taxonomy Regulation?				
4.18	Economic activities at HS Orka covered by the Taxonomy Regulation:	SUBSTANTIAL CONTRIBUTION to climate change mitigation	SUBSTANTIAL CONTRIBUTION to other environmental objectives set out in the Taxonomy Regulation	DNSH Climate change mitigation	DNSH Sustainable use and protection of water and marine resources	DNSH Transition to a circular economy	DNSH Pollution prevention and control	DNSH Protection and restoration of biodiversity and ecosystems
4.18	Reykjanes Geothermal Power Plant	Fulfilled	Not assessed**	Fulfilled	Fulfilled	Not applicable	Fulfilled	Fulfilled
4.5	Svartsengi Geothermal Power Plant	Fulfilled	Not assessed**	Fulfilled	Fulfilled	Not applicable	Fulfilled	Fulfilled
4.5	Brú Hydropower Plant	Fulfilled	Not assessed**	Fulfilled	Fulfilled	Not applicable	Not applicable	Fulfilled
5.1	Fjarðará Hydropower Plants	Fulfilled	Not assessed**	Fulfilled	Fulfilled	Not applicable	Not applicable	Fulfilled
5.1	Freshwater supply in Lágur	Fulfilled	Not assessed**	Fulfilled	Fulfilled	Not applicable	Not applicable	Fulfilled
5.1	Freshwater supply by Sýrfell	Fulfilled	Not assessed**	Fulfilled	Fulfilled	Not applicable	Not applicable	Fulfilled

* Given that the activities comply with the minimum safeguards set out in the Taxonomy regulation (EU 2020/852).
** Substantial contribution has been assessed only for climate change mitigation.

Appendix 5: EU Taxonomy, continued

Life cycle assessments have been carried out for the geothermal power plants in Svartsengi and Reykjanes. The results show that the emissions intensity of both power plants is well below the technical screening criteria of 100g CO₂eq/kWh. The life cycle assessments are based on ISO 14067:2018 as confirmed by KPMG in the life cycle assessment reports.

- Activities 4.5: Electricity generation from hydropower meets the technical screening criteria for making a substantial contribution to climate change mitigation. This concerns, on the one hand, the Brú Power Plant, which meets the criteria for being a run-of-river plant without a water reservoir. On the other hand, there are the Fjarðará Power Plants that meet the required power density with 6.33 W/m², which is well above the technical screening criterion of 5 W/m².
- Activities 5.1: Construction, extension and operation of water collection, treatment and supply systems meet the technical screening criteria for substantial contribution towards climate change mitigation. Pumping and treatment of water during the production process of water collection in Lágur and Sýrfell are performed using only renewable energy. Measures to use only renewable energy in the process are taken into account with regard to net energy consumption. All pumping equipment uses electrical energy from geothermal power plants, and all heating of water uses surplus energy (thermal energy) from the Svartsengi Power Plant.

D Does Not Cause Significant Harm to the Other Environmental Objectives

An assessment was made as to whether the activities of HS Orka that have made a substantial contribution towards climate change mitigation could potentially cause harm to the other environmental objectives under (EU) 2021/2139. The conclusion is that this is not the case:

Climate Change Adaptation

The assessment found that the technical screening criteria were met regarding climate change adaptation in the activities of HS Orka considered, cf. Appendix A to Regulation (EU) 2021/2139. HS Orka has implemented a climate risk assessment in accordance with the TCFD as part of the company's risk model. The risk assessment specifies which risk factors would require the company to use adaptation measures should they materialise. At the present time, the assessment does not call for short-term action, but the likelihood of impacts requiring active measures increases if pessimistic climate scenarios are realised.

Sustainable Use and Protection of Water and Marine Resources

The technical screening criteria were met in terms of the sustainable use and protection of water and marine resources in the eligible activities, cf. Appendix B of (EU) 2021/2139. Environmental impact assessments have been carried out for various HS Orka construction projects which can affect water and marine resources. The assessments are systematically followed up on in accordance with the results, mitigation and monitoring requirements as indicated by the construction permits and operating permits, and pursuant to Icelandic legislation. Quality criteria have not been defined under The Water Framework Directive, for various bodies of water related to the activities of HS Orka. As a result, there is further work ahead to record and measure bodies of water, and to assess monitoring plans.

Transition to a Circular Economy

The technical screening criteria for the transition to a circular economy are not applicable under Regulation (EU) 2021/2139 for eligible HS Orka activities.

Pollution Prevention and Control

The technical screening criteria under Regulation (EU) 2021/2139 refer to the directives of the European Parliament and of the Council, which cover benchmarks for particulate matter, sulphur dioxide, nitrous oxide, carbon monoxide, benzene, ozone, polycyclic aromatic hydrocarbons, lead, arsenic, cadmium, mercury and nickel in the air and measures to ensure adequate air quality. The main source of these chemicals in the atmosphere is the combustion of organic matter for transportation and energy production, but many of these pollutants are also produced by industrial processes such as the manufacturing of concrete, cement, chemical products and metals. Instead of using combustion for power generation, geothermal power plants use steam and geothermal fluids from the earth's interior, and the system is closed to external chemical influence.

What emerges from high-temperature boreholes only reflects what is found in the geothermal system, where heavy metals are found. Heavy metals have a boiling point that is significantly higher than the steam and liquid used by the company to generate energy, so they are unlikely to vapourise and be released into the atmosphere. This conclusion is confirmed by existing studies on heavy metals emitted from geothermal power plants. Sulphur dioxide is not known to be emitted directly from geothermal power plants. However, geothermal power plants release hydrogen sulphide, which can react in the atmosphere to produce sulphur dioxide. HS Orka monitors the concentration of hydrogen sulphide in the atmosphere at Svartsengi according to operating licences, and the levels have never been measured above health protection limits. It should be noted that the geothermal systems from which HS Orka processes energy contain comparatively low levels of hydrogen sulphide. Further analysis of

heavy metals in the company's processing channels has commenced in order to prepare explanatory information with respect to the relevant regulations.

Protection and Restoration of Biodiversity and Ecosystems

The technical screening criteria were met in terms of protection and restoration of biodiversity and ecosystems in the activities assessed, cf. Appendix D of (EU) 2021/2139. HS Orka engages in monitoring and periodical environmental research of land, sea and water biota where HS Orka's power plants are located. The results of the environmental research are periodically reviewed, and action is taken if needed.

E Minimum Safeguards

HS Orka's human resources policy describes the company's commitment with regards to human rights and addresses a wide range of issues concerning human resources and human rights, occupational safety and health, and related risks in accordance with HRDD (Human Rights Due Diligence). Furthermore, HS Orka has adopted rules, policies and procedures on good corporate governance that are part of the company's management system and are followed up on systematically. Thus, HS Orka systematically works to ensure minimum safeguards with respect to human rights, occupational health and safety, corruption, taxation and fair competition.

By engaging in good governance practices with a focused approach, HS Orka aims to ensure that the minimum safeguards comply with the OECD Guidelines for Multinational Enterprises as well as with the UN Guiding Principles on Business and Human Rights. This includes the principles and rights set out in the eight fundamental conventions identified in the International

Appendix 5: EU Taxonomy, continued

Labour Organisation’s Declaration on Fundamental Principles and Rights at Work.

F Key Indicators

This is HS Orka’s second publication of comprehensive information tables for key indicators of the EU Taxonomy. The contents of the tables are based on the EU Taxonomy’s criteria regarding environmental sustainability for eligible economic activities of HS Orka. Disclosure of information on key indicators for environmental sustainability is based on our interpretation of relevant EU regulations. In the coming years, the company will continue to develop its EU Taxonomy reporting.

Turnover

For key indicators related to revenue, HS Orka has defined the economic activities covered by the EU Taxonomy. HS Orka’s revenue is based on operating revenue from the sale of electricity, including the sale of guarantees of origin, as well as revenue from the sale of both hot and fresh water. HS Orka’s sales of purchased electricity are at present not eligible under EU Taxonomy since technical criteria have not been defined for that part of the business. This explains most of the turnover that is not counted as either eligible or aligned. HS Orka points out that the renewable energy that the company purchases from other producers, but is not treated is eligible at present, nevertheless in every case fulfills EU Taxonomy’s criteria for significant contribution (emissions intensity under 100 gCO2eq/kWh) to the environmental objective “Climate change mitigation”.

Investments

Investments include the capitalised investments belonging to types of HS Orka’s activities covered

by EU Taxonomy. Capitalised development costs are excluded when projects are in the early stages, and it is uncertain whether they will materialise. In cases where investments in infrastructure and equipment are used for different types of activities, they are divided between types of activities proportional to the revenue generated by the respective economic activity.

Operating Expenses

Only a part of the total operating costs of the company is of a nature that falls under the EU Taxonomy. Eligible operating costs include non-capitalised development costs, direct maintenance costs of power stations and other costs associated with the operation of infrastructure and equipment necessary to ensure continued utilisation and operation. Administrative costs and personnel costs are among the excluded items in the defined operating costs according to EU Taxonomy. In cases where it is unfeasible to divide costs between the types of activities, the costs are proportionally divided between groups of activities according to revenue.

G Nuclear and Natural Gas Activities

As HS Orka’s activities do not involve nuclear energy or natural gas, disclosure is not made in accordance with paragraphs 6 and 7 of Article 8 of Regulation (EU) 2021/2178.



Appendix 6: Independent Auditor ‘s Limited Assurance Report on Specified Information in HS Orka hf.’s 2025 Sustainability Report

To the Board of Directors of HS Orka hf.

Conclusion

We have performed a limited assurance engagement on whether specified information in the 2025 sustainability report (information or sustainability information) of HS Orka hf. has been prepared in accordance with management’s criteria which is based on the Voluntary Sustainability Reporting Standard (VSME), selected ESRS criteria and the EU Taxonomy regulation, as is described further in the chapter “About the report” on p. 3.

Assured information

- Double Materiality Assessment 2025, p. 11
- Climate, p. 19 – 20
- By – Products, p. 24 – 26
- Occupational Safety and Health, p. 35 – 37
- Human Resources and Equality, p. 38 – 39
- Supply Chain, p. 40 – 41
- Information in accordance with the EU Taxonomy regulation, Appendix 5 p. 71 - 76

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that presentation and information in HS Orka hf.’s 2025 sustainability information specified above, are in all material respects, in

accordance with HS Orka hf.’s management criteria presented in the report and the presentation requirements in the EU Taxonomy regulation.

Basis for conclusion

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB). Our responsibilities under those standards are further described in the "Our responsibilities" section of our report.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA).

Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the IAASB. This standard requires

the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

Emphasis of matter

Without qualifying our conclusion, we draw attention to a discussion in a sub chapter of disclosures on the EU Taxonomy regulation, D Does not cause significant harm to the other environmental objectives, pollution prevention and control p. 75, where benchmarks and measures of certain chemicals in the air.

Responsibilities for the sustainability information

The information is presented by the Board of Directors and the CEO of the company and they are responsible for the decision of presenting the report in accordance with the selected criteria. They are responsible for

designing, implementing, and maintaining internal control relevant to the preparation of the sustainability information. Furthermore, they are responsible for gathering, analysing and presenting the information and that the information is free from material misstatements, whether due to fraud or error. The Board of Directors and the CEO are responsible for the appropriate training of the employees involved in the processing and presentation of the information and that information systems used are appropriate.

Inherent limitations in preparing and presenting the sustainability information

The preparation and presentation of a sustainability information is based on the evaluation and assumptions of management which affects the information presented in the sustainability information. Future final results may differ from present evaluation and assumptions.

Our responsibilities

We are responsible for providing independent limited assurance on specified information in the company’s sustainability report. We are responsible for planning and performing

Appendix 6: Independent Auditor ‘s Limited Assurance Report on Specified Information in HS Orka hf’s 2025 Sustainability Report, continued

the engagement to obtain limited assurance about whether the sustainability information is free from material misstatement, whether due to fraud or error. We are responsible for forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained and reporting our conclusion to the Board of Directors of HS Orka hf.

Work performed as the basis for our conclusion

We exercised professional judgment and maintained professional scepticism throughout the engagement. We designed and performed our procedures to obtain evidence about the sustainability information that is sufficient and appropriate to provide a basis for our conclusion. Our procedures selected depended on our understanding of the information and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. In carrying out our engagement, the procedures we performed primarily consisted of:

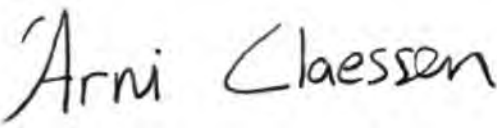
- Obtaining information from HS Orka hf. ‘s employees, in particular those responsible for the information presented, analyse, evaluate and obtain confirmations as appropriate.
- Inquiries to management and other relevant employees to obtain understanding of HS Orka hf. ‘s process of preparing and reviewing the sustainability information.

- Obtain understanding of the company’s process of preparing information on eligible and aligned operations in accordance with the EU Taxonomy regulation. As well as reviewing processes and information for key performance indicators (KPIs) and presentation of information in accordance with the EU Taxonomy regulation.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Reykjavík, 27th of March 2026

KPMG ehf.



Árni Claessen
CPA

Appendix 7 Independent Auditor’s Limited Assurance Report

Assurance on the allocation and impact of financing in the year 2025 in accordance with Green finance Framework 2022

To the Board of Directors of HS Orka hf.

Conclusion

We have performed a limited assurance engagement on whether the allocation and impact of financing in the accompanying green finance report (report) which covers the financing of HS Orka hf.’s (company) liabilities in the year 2025. The financing is covered by the company’s Green Finance Framework published in July 2022. The Framework is presented in accordance with Green Bond Principles, published by International Market Association (ICMA) in 2021, and Green Loan Principles, published by Loan Market Association (LMA) in 2023.

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the allocation and impacts of the financing covered in the report is, in all material respects, in accordance with HS Orka hf.’s green financing framework.

Basis for conclusion

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits*

or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). Our responsibilities under those standards are further described in the ”Our responsibilities” section of our report.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA).

Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the IAASB. This standard requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

Responsibilities for the Green Finance Report

The report is presented by the Board of Directors and the CEO of the company and they are responsible for the decision of presenting the report in accordance with the selected criteria. They are responsible for designing, implementing, and maintaining internal control relevant to the preparation of the report. Furthermore, they are responsible for gathering, analysing and presenting the information in the report and that the report is free from material misstatements, whether due to fraud or error. The Board of Directors and the CEO are responsible for the appropriate training of the employees involved in the processing and presentation of the report and that information systems used are appropriate.

Our responsibilities

We are responsible for providing independent limited assurance on the company’s green finance report. We are responsible for planning and performing the engagement to obtain limited assurance about whether the report is free from material misstatement,

whether due to fraud or error. We are responsible for forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained and reporting our conclusion to the Board of Directors of HS Orka hf.

Work performed as the basis for our conclusion

We exercised professional judgment and maintained professional scepticism throughout the engagement. We designed and performed our procedures to obtain evidence about the report that is sufficient and appropriate to provide a basis for our conclusion. Our procedures selected depended on our understanding of the report and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. In carrying out our engagement, the procedures we performed primarily consisted of:

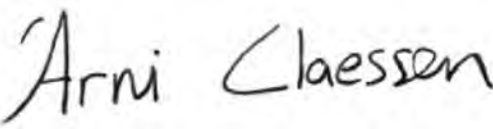
- Obtaining information from HS Orka hf. ‘s employees, in particular those responsible for the information presented in the report
 - Analyse and evaluate the information
 - Obtain confirmation of the information presented in the report, as appropriate

- Inquiries to management and other relevant employees to obtain understanding of HS Orka hf. ‘s process of preparing and reviewing the report.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Reykjavík, 27th of March 2026

KPMG ehf.



Árni Claessen
CPA