

GEORG
Rannsóknarklasi í jarðhita

Financial Statements
1.1.2023-31.12.2023

kt: 430412-0350
Bjargargötu 1
102 Reykjavík

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Report of the Board of Directors and Operational Manager

Founded in 2012, GEORG-Rannsóknarklasi í jarðhita is as an International Geothermal Cluster Cooperation. Operating as a not-for-profit organization, GEORG's mission is to unify stakeholders in the geothermal sector, driving rapid advancements and creating significant value in geothermal research, engineering, and design. GEORG accomplishes its objectives through several key strategies:

1. Encouraging and endorsing projects within its membership base focused on geothermal research and development.
2. Providing valuable services to its members by hosting workshops and seminars that tackle current challenges and issues in the geothermal field, fostering a robust network for communication and collaboration among members.
3. Actively promoting geothermal energy and research on both a domestic and international level, aiming to increase awareness and support for the geothermal industry.

These financial statements are compiled in accordance with Icelandic laws and regulations regarding preparing and presenting financial statements and in accordance with other applicable laws and regulations.

We, the board of directors and operational manager, of GEORG-Rannsóknarklasi í jarðhita hereby confirm that we are responsible for the preparation and presentation of these financial statements and we hereby ratify these financial statements for the financial year of 1st of January 2023 - 31st of December 2023 with our signatures.

Reykjavík, March 6th 2024

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Independent Auditor's Report

To the board of directors of GEORG-Rannsóknarklasi í jarðhita.

Opinion

We have audited the financial statements of GEORG-Rannsóknarklasi í jarðhita, which comprise the Statement of financial position as at 31st of December 2023, and the Statement of activities, the Statement of cash flows for the fiscal year then ended, and notes to the financial statements which include a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31st of December 2023, and its financial performance and its cash flows for the year then ended in accordance with applicable Icelandic laws and regulations regarding preparing and presenting financial statements.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of GEORG-Rannsóknarklasi í jarðhita in accordance with the ethical requirements that are relevant to our audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management and those charged with governance are responsible for the preparation of financial statements that give true and fair view in accordance with applicable Icelandic laws and regulations regarding preparing and presenting financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organisation's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organisation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organisation's financial reporting process.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA's 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 take on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report, continued.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

Reykjavík, March 6th 2024

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Sveinbjörn Sveinbjörnsson
lögiltur endurskoðandi


Gæðaendurskoðun slf
Bíldshöfða 14, 110 Reykjavík

Statement of Activities 1st of January 2023 - 31st of December 2023

	Note	2023	2022
Income			
Sales		13.462.623	21.430.525
Grants		158.249.015	82.099.007
Other revenues		1.219.713	3.353.301
		172.931.351	106.882.833
Expenses			
Sub-contracting and travel in projects		30.431.050	6.938.500
Salaries and related expenses	6	119.389.455	85.104.501
Other expenses		25.209.761	18.041.042
		175.030.266	110.084.043
Profits (losses) from operation		(2.098.915)	(3.201.210)
Financial income and (expenses)			
Interest revenues		6.297.131	1.180.959
Interest expenses and bank related service fees		(1.649.345)	(310.817)
Exchange rate differences		(2.548.871)	2.331.068
		2.098.915	3.201.210
Net income		0	0

Statement of Financial Position

Assets

	Note	31.12.2023	31.12.2022
Fixed assets			
Investments:			
Shares in companies	7	1.861.955	1.861.955
		<u>1.861.955</u>	<u>1.861.955</u>
Fixed assets			
Current assets			
Receivables:			
Accounts receivable		18.897.366	12.797.968
Unclaimed Grants	9	27.346.926	11.765.793
		<u>56.069.104</u>	<u>196.967.306</u>
Cash and cash equivalents			
		<u>102.313.396</u>	<u>221.531.067</u>
Current assets			
		<u>104.175.351</u>	<u>223.393.022</u>
Total assets			

31st of December 2023

Liabilities

	Note	31.12.2023	31.12.2022
Current liabilities			
Deferred income - Horizon 2020	8,9	41.316.644	73.569.930
Deferred income - KMT	10,11	29.548.989	97.410.403
Deferred income - Other grants		25.222.696	46.550.760
Accounts payable		1.371.135	617.378
Other payables		6.715.887	5.244.551
		<u>104.175.351</u>	<u>223.393.022</u>
Current liabilities		104.175.351	223.393.022
		<u>104.175.351</u>	<u>223.393.022</u>
Total liabilities		104.175.351	223.393.022
		<u>104.175.351</u>	<u>223.393.022</u>

Statement of cash flows

	Note	2023	2022
Net income (loss)		0	0
		<u>0</u>	<u>0</u>
Short term receivables, change	(6.099.398)	20.663.947
Short term payables, change		2.225.093	(3.459.247)
		<u>3.874.305)</u>	<u>17.204.700</u>
Changes in operating assets and liabilities		(3.874.305)	17.204.700
Net cash from operating activities		<u>(3.874.305)</u>	<u>17.204.700</u>
 Financing activities			
Deferred income and Grants payable, change	(137.023.897)	39.016.467
		<u>137.023.897)</u>	<u>39.016.467</u>
Net cash flow from financing activities		(137.023.897)	39.016.467
Decrease in cash		(140.898.202)	56.221.167
Cash at beginning of year		196.967.306	140.746.139
Cash at year end		<u>56.069.104</u>	<u>196.967.306</u>

Notes

Accounting principles

1. GEORG-Rannsóknarklasi í jarðhita is based in Iceland. The registered address of the company is Bjargargötu 1, 102 Reykjavík.
2. The Financial Statements of GEORG-Rannsóknarklasi í jarðhita for the financial period January 1st 2023 - December 31st 2023 have been prepared in accordance with applicable Icelandic laws and regulations and in accordance with generally accepted accounting principles pertaining to not-for-profit organizations.
3. Revenues are recorded at the time of grant decisions made.
4. All grants received in another currency are registered in ISK using the exchange rate on the date of the grant payments received.
5. Assets and liabilities at the end of financial year 2023 which are subject to changes in price indexes are restated based on the price index in the beginning of year 2024. Assets and liabilities which are subject to changes in currency exchange rates are translated into ISK based on the most recent rates in January 2024.

Statement of Activities

6. Salaries and related expenses for the year are as follows:

	2023	2022
Salaries	97.418.445	69.491.402
Related Expenses	21.971.010	15.613.099
	<u>119.389.455</u>	<u>85.104.501</u>
The annual working units for the year was	7,2	5,9

Investments in shares in other company

7. GEORG - Rannsóknarklasi í jarðhita supports innovation in the Geothermal field and encourages the startup of companies in that field. This has mainly been achieved by partnering up with companies and other organisations that are also willing to support innovation, research and development in the Geothermal field. Shares owned at year end have been acquired with these objectives in mind. The shares owned at year end are written off 90%.

	Nominal value	Estimated value
SER eignarhaldsfélag ehf.	18.619.547	1.861.955
Shares owned at 31.12.2023	<u>18.619.547</u>	<u>1.861.955</u>

Notes, continued:

Deferred income and Grants payable

8. GEORG-Rannsóknarklasi í jarðhita collaborates on two initiatives financed through the Horizon 2020 program, GECO and SU-DG-IWG, which were completed in 2023 with ongoing finalization of reports. It is also engaged in three projects under the Horizon Europe program: COMPASS, GEOTHERMAL FORA, and CETPartnership. These funding programs are integral components of the EU Framework Programme for Research and Innovation, designed to support innovative projects across the EU. The funding for these projects is partially disbursed upfront, with the assurance that they will be fully financed by the respective programs.

Consequently, the grants are recognized as income concurrently with the incurrence of project-related costs.

Various stakeholders have pledged to support GEORG's operations and contribute to the grants that GEORG distributes to recipients. All received funds are recorded as deferred income until the decisions on grant awards are made and operational costs are accounted for.

9. At year end the deferred income was recognised as follows:

	Deferred Income 1.1.2023	Payments received 2023	Eligible cost 2023	Deferred Income 31.12.2023	Unclaimed Grants 31.12.2023
GECO	5.013.303	0	(8.612.036)		3.598.733
Crowdthermal	(1.728.796)	2.673.719	(944.923)		
SU-DG-IWG	(10.036.997)	0	(210.826)		10.247.823
COMPASS	41.539.607	0	(15.163.830)	26.375.777	
GEOTHERM-FORA	19.852.355	0	(4.911.488)	14.940.867	
CEPT	7.164.665	779.756	(21.444.791)		13.500.370
Total 2023	61.804.137	3.453.475	(51.287.894)	41.316.644	27.346.926

10. GEORG oversees the project office for the Krafla Magma Testbed (KMT), an initiative poised to establish the first-ever magma research facility globally. This venture promises unmatched opportunities for fundamental and applied research across various domains, including volcanology, basic sciences, geothermal energy, technology, and innovation. As the most ambitious project under GEORG's coordination, KMT has reached significant milestones at the end of 2020, when the Icelandic Parliament allocated 100 million ISK for 2021 to the KMT project as part of the National Budget. Furthermore, the Government's support was complemented by a generous 1.5 million USD grant from the ICDP in 2021, divided into two phases: \$300,000 for the preparation phase and \$1.2 million for the drilling phase, anticipated to occur around 2026.

In a strategic move to enhance its operational framework and broaden its impact, KMT has established an independent Non-Profit Organization (NPO) entity. Starting in 2024, this NPO will function as a parallel entity alongside GEORG, signifying a new phase in the project's evolution. This development not only strengthens the project's organizational structure but also diversifies its funding and operational capabilities. As both entities proceed, the grants are recognized as income concurrently with the incurred project costs, ensuring a streamlined financial management process.

Notes, continued:

11. At year end the deferred income was recognised as follows:

	Deferred Income 1.1.2023	Payments received 2023	Eligible cost 2023	Deferred Income 31.12.2023
KMT	97.410.403	18.791.500	(86.652.914)	29.548.989
Total 2023	<u>97.410.403</u>	<u>18.791.500</u>	<u>(86.652.914)</u>	<u>29.548.989</u>

Other information

12. The company has an indefinite contract for the rental of premises in which the company operates. This contract commits the company to 3,7 million ISK to a basic amount per year, but the contract is tied to the consumer price index.