

**Financial statements 2020****-The biggest construction year in company history**

The financial statements for 2020 were approved by the Board of Directors on the 18th of February 2021.

**Main points of the financial statement:**

- Earnings Before Interest and Taxes (EBIT) was 46.6 million USD compared with 50.2 million USD in the previous year.
- Profits were 27.3 million USD in 2020 compared with 30.3 million USD in 2019.
- Net cash availability was 25.8 million USD at year-end and net cash provided by operating activities amounted to 53.9 million USD.
- Total assets amounted to 911.4 million USD at year-end compared with 852.3 million USD in 2019.
- Net assets amounted to 404.8 million USD at year-end compared with 391.3 million USD in 2019.
- The annual rate of return was 6.9% in 2020 compared with 7.4% in 2019.

Guðlaug Sigurðardóttir, CFO at Landsnet, felt that 2020 has been a year of challenges, construction, and stability even though the year was characterised by volatile weather conditions and a pandemic. The economic impact of Covid-19 had an insignificant effect on the financial statement, which shows good operating results and financial stability.

"The results of the financial statement, presented today, show that the company's operations are strong and that we have successfully maintained financial stability under difficult circumstances. Stability has been achieved in the company's operating environment in recent years, which is very important, and the basis for achieving efficiency in the development and operation of the transmission system. There were major weather challenges in the first half of the year, which had a significant impact on the transmission system and overall operations. We subsequently focused on infrastructure development and projects prioritised by the government in the aftermath of the storms. The year 2020 was the biggest construction year in company history and we are proud to have achieved our goals despite difficult external conditions. Construction exceeded expectations despite the challenges of the Covid-19 epidemic and individual delays were dealt with by reordering projects. We successfully adjusted to these demanding conditions by adapting daily operations to the risk assessment released by the Civil Protection Authority and were able to minimise the impact of the pandemic on company operations, through close cooperation with our employees and external parties. We are optimistic about the new year. Project conditions remain demanding. The outlook for financing is positive and exciting times lie ahead as we continue to strengthen the transmission system. "

**The main results of the financial statement, key figures and balance sheet ratios (amounts in thousands of USD):**

	2020	2019	2018	2017
<b>Income Statement</b>				
Operating revenue	130.470	140.331	154.139	147.326
Operating expenses	(83.893)	(90.147)	(93.087)	(87.988)
<b>Operating profit</b>	46.577	50.184	61.052	59.338
Net financial expenses	(12.555)	(12.714)	(14.983)	(24.440)
Share in net earnings of associated company	137	334	217	164
<b>Profit before income tax</b>	34.159	37.804	46.286	35.062
Income tax	(6.831)	(7.497)	(9.152)	(7.049)
<b>Profit</b>	27.328	30.307	37.134	28.013

	31.12.2020	31.12.2019	31.12.2018	31.12.2017
<b>Balance Sheet</b>				
Fixed assets	858.575	799.596	780.553	777.214
Current assets	52.863	52.711	65.779	74.088
<b>Total assets</b>	911.438	852.307	846.332	851.302
Equity	404.848	391.311	370.303	336.964
Long-term liabilities	439.828	353.511	429.965	472.685
Short-term liabilities	66.762	107.485	46.064	41.653
<b>Total equity and liabilities</b>	911.438	852.307	846.332	851.302

	2020	2019	2018	2017
<b>Cash Flow</b>				
Net cash from operating activities	53.924	67.211	70.373	68.726
Net cash to investment activities	(87.096)	(43.889)	(34.172)	(74.627)
Net cash to financing activities	28.697	(30.296)	(43.700)	36.411
Effect of exchange rate changes on cash	(732)	(832)	(2.897)	412
Cash and cash equivalents at 1 January	30.973	38.779	49.175	18.253
<b>Cash and cash equivalents at 31 December</b>	25.766	30.973	38.779	49.175

	2020	2019	2018	2017
<b>Financial ratios</b>				
EBITDA	76.928	79.825	90.695	87.822
	<b>31.12.2020</b>	<b>31.12.2019</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Equity ratio	44,4%	45,9%	43,8%	39,6%

## Income Statement

- Operating revenues were 130.5 million USD in 2020 compared with 140.3 million USD in the previous year. The company has three main revenue sources: Revenue from energy-intensive users, revenue from transmission to distribution system operators and revenue from the sale of transmission losses and ancillary services.
  - Revenue from energy-intensive users decreased by 3.2 million USD between years. Energy transmission to energy-intensive users decreased by 2.1% this year. The tariff for energy-intensive users was temporarily decreased between 01.07.19 and 01.08.20 to fulfil the transitional provision of the Electricity Act which states that energy-intensive users shall be reimbursed before 2020.
  - Revenue from transmissions to distributors decreased by 3.6 million USD between years. Transmission to distributors fell by 4.0%. The tariff for distributors is in ISK and the weakening of the ISK against the USD affected the year's results.
  - Revenue from transmission losses and ancillary services in the transmission system decreased between years due to exchange-rate adjustments. The tariff for this service is based on costs + 1.5%. The tariff for energy losses in 2020 was based on tenders for each quarter and was altered according to any changes to those tenders.
- Operating expenses decreased by 6.3 million USD between years. The average exchange rate of the ISK to the USD was 135.27 in 2020 compared with 122.65 in 2019. Added costs were incurred during the year due to weather damage and increased maintenance costs. Subsequent repairs began in December 2019 and were completed in the autumn. The weakening of the ISK exacerbated costs. General operating costs without depreciation and amortisation decreased between years by 3.7 million USD. Electricity purchases due to transmission losses & purchase of ancillary services decreased by 3.3 million USD which can be attributed to exchange rates.
- The effect of exchange rate fluctuations is reflected in certain items in income and expenses, but the overall effect has not been significant for operating profits before financial items.
- Earnings Before Interest and Taxes (EBIT) was 46.6 million USD compared with 50.2 million USD in the previous year, a decrease of 3.6 million USD between years.
- Net financial expenses amounted to 12.6 million USD compared with 12.7 million USD in 2019, or a decrease of 0.1 USD million between years.
- Landsnet's profits were 27.3 million USD in 2020 according to the income statement reflecting the year's financial forecast which predicted 27.2 million USD in revenue from operations. Profits were 30.3 million USD in 2019.
- The EBITDA of the company was 76.9 million USD in 2020 compared with 79.8 million USD in the previous year.

**Balance sheet**

- The total assets of the company amounted to 911.4 million USD at year-end compared with 852.3 million USD in 2019.
- Net cash availability was 25.8 million USD at year-end and net cash provided by operating activities amounted to 53.9 million USD.
- Total liabilities amounted to 506.6 million USD at year-end compared with 461.0 million USD in 2019.
- The equity ratio was 44.4% at year-end, compared with 45.9 in the previous year.

The year 2020 was a big investment year. The Kröflulína and Hólasandslína projects (between Fljótsdalur and Akureyri) were the largest projects of the year. Other projects included a voltage increase in the East and a cable installation between Sauðárkrókur and Varmahlíð. These transmission structures had not come into use in 2020 and are categorised as transmission structures or 'under construction' in the financial statement.

Dividends in the amount of 9.5 million USD were paid out in 2020 from profit in 2019.

**Operating outlook**

The company budget for 2021 predicts a 30.4 million USD profit from company operations. The revenue plan is based on the amount and price changes that the company is aware of. The cost estimate is based on the actual cost of the operation of the company, taking into account the criteria for determining the revenue cap. The company's plans for construction during the year amount to approximately 86.6 million USD. Financing for construction projects is underway and access to loan markets is good.

**About the financial statement**

The financial statements for 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS). These financial statements are presented in USD, which is the company's functional currency. The financial statements were approved by the Board of Directors on the 18th of February 2021.

**About Landsnet**

Landsnet was established in 2005 and is responsible for operating Iceland's electricity transmission system, one of the most important parts of Iceland's infrastructure. Our role is to operate and develop Iceland's electricity transmission system and administer its system operations.

More information can be provided by Guðlaug Sigurðardóttir, CFO of Landsnet.

**More information can be accessed on Landsnet's website: [www.landsnet.is](http://www.landsnet.is) where the Financial Statement is also available.**