

## Financial statements 2021

### - Extensive investment in the transmission system is still needed

The financial statements for 2021 were approved by the Board of Directors on the 17th of February 2022.

#### Main points of the financial statement:

- Earnings Before Interest and Taxes (EBIT) was 59.0 million USD compared with 46.6 million USD in the previous year.
- Profits were 35.6 million USD in 2021 compared with 27.3 million USD in 2020.
- Net cash availability was 25.2 million USD at year-end and net cash provided by operating activities amounted to 64.4 million USD.
- Total assets amounted to 1,020.2 million USD at year-end compared with 911.4 million USD in 2020.
- Total equity amounted to 470.6 million USD at year-end compared with 404.8 million USD in 2020.
- The annual rate of return was 8.1% in 2021 compared with 6.9% in 2020.

Guðlaug Sigurðardóttir CFO said that the Financial Statement shows that Landsnet is financially strong, stable, and efficiently managed its operations throughout the COVID pandemic. Extensive future investments will be needed to strengthen the transmission system, and the company must be well equipped to deal with the future.

"Landsnet is focused on stable and efficient operations. The success of this approach is reflected in the year's Financial Statement which shows that operations went according to plan. This is no small achievement considering the challenges associated with proceeding with major construction projects during an ongoing global pandemic. The transmission system is now fifty years old and has long since reached capacity limits. Krafla Line 3, connecting Krafla and Akureyri, became operational this year, marking a significant phase in constructing a new generation of transmission lines. Preparations are already underway for continued development in the North and West of Iceland. Strengthening the transmission system is a crucial part of the energy transition, and extensive investment will be needed in the coming years to make this a reality. Landsnet's financial strength, stable legal environment and efficient operations are key factors in gaining the trust of potential lenders. In 2021, Landsnet signed a loan agreement with the Nordic Investment Bank in the amount of USD 50 million and Landsbankinn also provided the company with finance. Landsnet is proud to say that its operations and construction projects align with green loan principles, which support sustainable infrastructure, tackling climate change. This approach creates a solid foundation for the financing of future projects.

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

<i>Amounts are in USD thousand</i>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Income Statement</b>				
Operating revenue	149,750	130,470	140,331	154,139
Operating expenses	( 90,755)	( 83,893)	( 90,147)	( 93,087)
<b>Operating profit</b>	<b>58,995</b>	<b>46,577</b>	<b>50,184</b>	<b>61,052</b>
Net financial expenses	( 14,762)	( 12,555)	( 12,714)	( 14,983)
Share in net earnings of associated company	192	137	334	217
<b>Profit before income tax</b>	<b>44,425</b>	<b>34,159</b>	<b>37,804</b>	<b>46,286</b>
Income tax	( 8,850)	( 6,831)	( 7,497)	( 9,152)
<b>Profit</b>	<b>35,575</b>	<b>27,328</b>	<b>30,307</b>	<b>37,134</b>

<i>Amounts are in USD thousand</i>	<b>31.12.2021</b>	<b>31.12.2020</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Balance Sheet</b>				
Fixed assets	963,536	858,575	799,596	780,553
Current assets	56,640	52,863	52,711	65,779
<b>Total assets</b>	<b>1,020,176</b>	<b>911,438</b>	<b>852,307</b>	<b>846,332</b>
Equity	470,557	404,848	391,311	370,303
Long-term liabilities	478,002	439,828	353,511	429,965
Short-term liabilities	71,617	66,762	107,485	46,064
<b>Total equity and liabilities</b>	<b>1,020,176</b>	<b>911,438</b>	<b>852,307</b>	<b>846,332</b>

<i>Amounts are in USD thousand</i>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Cash Flow</b>				
Net cash from operating activities	64,443	53,924	67,211	70,373
Net cash to investment activities	( 89,588)	( 87,096)	( 43,889)	( 34,172)
Net cash to financing activities	25,008	28,697	( 30,296)	( 43,700)
Effect of exchange rate changes on cash	( 405)	( 732)	( 832)	( 2,897)
Cash and cash equivalents at 1 January	25,766	30,973	38,779	49,175
<b>Cash and cash equivalents at 31 December</b>	<b>25,224</b>	<b>25,766</b>	<b>30,973</b>	<b>38,779</b>

<i>Amounts are in USD thousand</i>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Financial ratios</b>				
EBITDA	89,733	76,928	79,825	90,695
	<b>31.12.2021</b>	<b>31.12.2020</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Equity ratio	46.1%	44.4%	45.9%	43.8%

### Income Statement

- Operating revenues were 149.8 million USD in 2021 compared with 130.5 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 increased by 8.8 million USD between years. The tariff for energy-intensive users increased by 5.5% on 1.1.2021 and energy transmission to energy-intensive users also increased during the year.
  - Revenue from transmissions to distributors increased by 7.4 million USD between years. The tariff for energy-intensive users increased by 9.9% on 1.1.2021 and there was a slight increase in energy transmission during the year. The tariff for distributors is in Icelandic kronas and the strengthening of the average exchange rate of ISK against the USD has had some effect on the year's results.
  - Revenue from transmission losses and ancillary services in the transmission system increased between years, partly due to exchange-rate adjustments and, on the other hand, an increase in the tariff. The tariff for these services is based on costs + 1.5% and is based on tenders for each quarter.
- Operating expenses increased by 6.9 million USD between years. Added costs were incurred during the year due to increased labour costs, maintenance and the procurement of transmission losses and ancillary services. Costs due to disturbances decreased significantly. Most of these cost items are in Icelandic krona (ISK), and changes to the average exchange rate, therefore, have a considerable effect. The average exchange rate of the ISK to the USD was 127.05 in 2021 compared with 135.27 in 2020.
- The effect of exchange rate fluctuations is reflected in certain items in Icelandic kronas 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 59.0 million USD compared with 46.6 million USD in the previous year, an increase of 12.4 million USD between years.
- Net financial expenses amounted to 14.8 million USD compared with 12.6 million USD in 2020, or an increase of 2.2 USD million between years.
- Landsnet's profits were 35.6 million USD in 2021 according to the income statement, compared to 27.3 million USD profits in 2020.
- The EBITDA of the company was 89.7 million USD in 2021 compared with 76.9 million USD in the previous year.

### Balance sheet

- The total assets of the company amounted to 1,020.2 million USD at year-end compared with 911.4 million USD in 2020.
- Net cash availability was 25.2 million USD at year-end and net cash provided by operating activities amounted to 64.4 million USD.
- Total liabilities amounted to 549.6 million USD at year-end compared with 506.6 million USD in 2020.
- The equity ratio was 46.1% at year-end, compared with 44.4 in the previous year.

In accordance with the provisions of the International Accounting Standard, the Company's transmission lines and substations were revalued as at year-end 2021. The revaluation amounted to 51 million USD.

The year 2021 was among the Company's biggest for infrastructure development to date, with works worth USD 89 million carried out during the year with overall construction costs in line with the year's plans. The largest projects of the year were the Krafla Line, which came operational in 2021 and the Hólasandur Line which is under construction and is expected to become operational in 2022. Both lines run between Fljótsdalur and Akureyri. Other projects included a voltage increase in the East and a cable installation between Sauðárkrókur and Varmahlíð.

In June, Landsnet signed a USD 50 million loan with the Nordic Investment Bank to finance specific projects.

Dividends in the amount of 13.8 million USD were paid out in 2021 from profit in 2020.

### **Operating outlook**

The company budget for 2022 predicts a 26.1 million USD profit from company operations. The revenue plan is based on the amount and price changes that the company was aware of when making the plan. Possible energy production curtailments could affect the year's revenue. 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 57.2 million USD. Financing for construction projects is underway and access to loan markets is good.

### **About the financial statement**

The financial statements for 2021 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 17th of February 2022.

### **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.**