

A strong position and continued stability in operations

Landsnet's financial statements for 2018 were approved by the Board of Directors on the 15th of February, 2019.

Main points of the financial statement:

- Earnings Before Interest and Taxes (EBIT) was 61.1 million USD compared with 59.3 million USD in the previous year. EBIT has therefore remained stable between years.
- Profits were 37.1 million USD in 2018, compared with 28 million USD in 2017.
- Liquid assets of the company are strong. Net cash availability was 38.8 million USD at year end and net cash provided by operating activities amounted to 70.4 million USD.

Guðmundur Ingi Ásmundsson CEO says that 2018 has been a year of operational stability.

“The company's performance met expectations this year and profits increased. The Financial Statement reflects the emphasis placed on securing a steady operational environment as well as streamlining processes and work procedures. The results of this ongoing work will become clear in the next few years.

Demand has increased markedly and last year we transmitted more electricity across the network than ever before. The total amount was approx. 19 TWh which is an increase of 3% between years. We expect further increases in the future and the company is in the process of planning extensive construction work next year to meet these demands. The company is expected to spend over 90 million USD on construction projects in 2019.

Meeting the increased demand for energy, security of supply and rapid network development, without increasing prices, will prove challenging. The government must also make efforts to simplify the regulatory framework and project licensing process.“

**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>	2018	2017	2016	2015
Income Statement				
Operating revenue	154.139	147.326	129.743	122.735
Operating expenses	(93.087)	(87.988)	(80.026)	(65.920)
Operating profit	61.052	59.338	49.717	56.815
Net financial expenses	(14.983)	(24.440)	(66.178)	(18.978)
Share in net earnings of associated company	217	164	205	150
Profit (loss) before income tax	46.286	35.062	(16.256)	37.987
Income tax	(9.152)	(7.049)	3.289	(7.575)
Profit (loss)	37.134	28.013	(12.967)	30.412
Balance Sheet				
<i>Amounts are in USD thousand</i>				
	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Fixed assets	780.553	777.214	735.376	709.797
Current assets	65.779	74.088	35.441	84.813
Total assets	846.332	851.302	770.817	794.610
Equity	370.303	336.964	308.411	323.756
Long-term liabilities	429.965	472.685	425.762	435.935
Short-term liabilities	46.064	41.653	36.644	34.919
Total equity and liabilities	846.332	851.302	770.817	794.610
Cash Flow				
<i>Amounts are in USD thousand</i>				
	2018	2017	2016	2015
Net cash from operating activities	70.373	68.726	52.396	61.536
Net cash to investment activities	(34.172)	(74.627)	(42.007)	(35.732)
Net cash to financing activities	(43.700)	36.411	(55.808)	(59.203)
Effect of exchange rate changes on cash	(2.897)	412	1.382	(723)
Cash and cash equivalents at 1 January	49.175	18.253	62.290	96.412
Cash and cash equivalents at 31 December	38.779	49.175	18.253	62.290
Financial ratios				
<i>Amounts are in USD thousand</i>				
	2018	2017	2016	2015
EBITDA	90.695	87.822	79.167	78.980
	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Equity ratio	43,8%	39,6%	40,0%	40,7%

Income Statement

- Operating revenues were 154.1 million USD in 2018 compared with 147.3 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 increased by 4.1 million USD between years which can mainly be attributed to increased transmission.
 - Revenue from transmission to distribution system operators increased by 2.8 million USD this year. The main factor is the increased tariff for distributors in August, 2017 which became fully effective in 2018. Revenue from curtailable energy increased by 0.7 million USD.
 - Revenue from transmission losses and ancillary services in the transmission system remained stable between years. The tariff for this service is based on costs + 1.5%. The tariff for energy losses in 2018 was based on tenders for each quarter and was altered according to any changes to those tenders.
- Operating expenses increased by 5.1 million USD between years, of which electricity purchases due to transmission losses and ancillary services were approx. 1.7 million USD which can be attributed to higher purchase prices. Depreciation increased by 1.2 million USD, wages increased by 0.9 million USD and other operational costs increased by 1.3 million USD.
 - The ISK weakened against the USD by 1.5% between years. The overall effect has not been significant for operating profits before financial items.
 - Earnings Before Interest and Taxes (EBIT) was 61.1 million USD compared with 59.3 million USD in the previous year and increased by 1.8 million USD between years.
 - Net financial expenses amounted to 15 million USD compared with 24.4 million USD in 2017 and decreased by 9.4 million USD between years. This can mostly be attributed to exchange rate gains (loan portfolio) which amounted to 3.3 million USD compared with exchange rate losses of 5.6 million USD in 2017.
 - Landsnet's profits were 37.1 million USD in 2018 according to the income statement compared with 28 million USD in profit in 2017. This change between years can mostly be attributed to financial items and the effects of the ISK.
 - The EBITDA of the company was 90.7 million USD in 2018 compared with 87.8 million USD in the previous year.

Balance sheet

- The total assets of the company amounted to 846.3 million USD at year end compared with 851.3 million USD at year end, 2017.
- Total liabilities amounted to 476 million USD at year end compared with 514.3 million USD at year end, 2017.
- Liquid assets of the company are strong. Net cash availability was 38.8 million USD at year end and net cash provided by operating activities amounted to 70.4 million USD.
- Equity ratio was 43.8% at year-end, compared with 39.6% at year-end, 2017.

Operating outlook

The company budget for 2019 predicts a 34.6 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 million USD. There is still some uncertainty associated with some of the projects with regard to licensing and official complaints. We will continue to implement changes to the loan portfolio this coming year to reflect the Board's Policy and to finance upcoming construction projects, securing longer re-payment periods and more favourable terms.

About the financial statement

The financial statements for 2018 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 15th February, 2019.

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 at: www.landsnet.is where the Financial Statement is also available.