

Stable operations in a challenging environment

The financial statements for 2019 were approved by the Board of Directors on the 17th of February, 2020.

Main points of the financial statement:

- Earnings Before Interest and Taxes (EBIT) was 50.2 million USD compared with 61.1 million USD in the previous year.
- Profits were 28.1 million USD in 2019, compared with 37.1 million USD in 2018.
- Liquid assets of the company are strong. Net cash availability was 31.0 million USD at year end and net cash provided by operating activities amounted to 67.2 million USD.

Guðlaug Sigurðardóttir CFO:

“Company operations remain stable and our financial position is strong, continuing the trend of previous years. This ongoing stability is vital as the secure supply of electricity to the public and other customers is a main priority.

The disruptive weather, experienced in December, was a harsh reminder of the importance of the secure supply of electricity. Subsequent power shortages put a great strain on our customers but repair work went according to plan. We are convinced that some of the costs associated with repairing the damage could have been avoided if investment plans for the development of the network had been followed through.

The company was only able to use half of the funds allocated for investment opportunities in 2019 due to various issues such as delays in licencing. These delays have been an ongoing issue. The government is currently working on simplifying the regulatory framework for licencing and we look forward to a positive outcome. The year 2020 will be one of our largest construction years to date. Plans are in place for the reinforcement of the electricity grid and we expect to spend 70 USD million on construction projects.

Bonds were sold in the amount of 100 USD million, to international professional investors, in a closed bond issue in the USA in December. The money will go towards various investments as well as paying the initial loan provided by Landsvirkjun, which is due in March, 2020.”

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

	2019	2018	2017	2016
Income Statement				
Operating revenue	140,331	154,139	147,326	129,743
Operating expenses	(90,147)	(93,087)	(87,988)	(80,026)
Operating profit	50,184	61,052	59,338	49,717
Net financial expenses	(15,465)	(14,983)	(24,440)	(66,178)
Share in net earnings of associated company	334	217	164	205
Profit (loss) before income tax	35,053	46,286	35,062	(16,256)
Income tax	(6,947)	(9,152)	(7,049)	3,289
Profit (loss)	28,106	37,134	28,013	(12,967)

	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Balance Sheet				
Fixed assets	799,596	780,553	777,214	735,376
Current assets	52,711	65,779	74,088	35,441
Total assets	852,307	846,332	851,302	770,817
Equity	391,311	370,303	336,964	308,411
Long-term liabilities	353,511	429,965	472,685	425,762
Short-term liabilities	107,485	46,064	41,653	36,644
Total equity and liabilities	852,307	846,332	851,302	770,817

	2019	2018	2017	2016
Cash Flow				
Net cash from operating activities	67,211	70,373	68,726	52,396
Net cash to investment activities	(43,889)	(34,172)	(74,627)	(42,007)
Net cash to financing activities	(30,296)	(43,700)	36,411	(55,808)
Effect of exchange rate changes on cash	(832)	(2,897)	412	1,382
Cash and cash equivalents at 1 January	38,779	49,175	18,253	62,290
Cash and cash equivalents at 31 December	30,973	38,779	49,175	18,253

	2019	2018	2017	2016
Financial ratios				
EBITDA	79,825	90,695	87,822	79,167
	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Equity ratio	45.9%	43.8%	39.6%	40.0%

Income Statement

- Operating revenues were 140.3 million USD in 2019 compared with 154.1 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 2.7 million USD between years which can mainly be attributed to a reduction in tariffs mid-year. However, energy increases on the grid increased revenue.
 - Revenue from transmission to distribution system operators decreased by 7.4 million USD this year. A main factor was the exchange rate as Landsnet receives its revenue from distributors in ISK. Revenue from curtailable electricity decreased as a result of capelin shortages in 2019.
 - Revenue from transmission losses and ancillary services in the transmission system also decreased as a result of the exchange rate. The tariff for this service is based on costs + 1.5%. The tariff for energy losses in 2019 was based on tenders for each quarter and was altered according to any changes to those tenders.
- Operating expenses decreased by 2.9 million USD between years. The average rate of exchange was ISK 122.65 to the USD in 2019 whereas it was ISK 108.38 to the USD in 2018. Costs increased by 3 million USD in 2019 as a result of the damage caused to the transmission system by volatile weather conditions in December.
- The ISK weakened against the USD by 11.6% between years. The exchange-rate adjustment can be seen in revenue and expenses. The overall effect has not been significant for operating profits before financial items.
- Earnings Before Interest and Taxes (EBIT) was 50.2 million USD compared with 61.1 million USD in the previous year and decreased by 10.9 million USD between years.
- Net financial expenses amounted to 15.5 million USD compared with 15.0 million USD in 2018 or an increase of 0.5 million USD between years.
- Landsnet's profits were 28.1 million USD in 2019 according to the income statement compared with 37.1 million USD in profit in 2018
- The EBITDA of the company was 79.8 million USD in 2019 compared with 90.7 million USD in the previous year.

Balance sheet and Cash flow

- The total assets of the company amounted to 852.3 million USD at year end compared with 846.3 million USD at year end, 2018.
- Total liabilities amounted to 461.0 million USD at year end compared with 476 million USD at year end, 2018.
- Liquid assets of the company are strong. Net cash availability was 31.0 million USD at year end and net cash provided by operating activities amounted to 67.2 million USD.
- Equity ratio was 45.9% at year-end, compared with 43.8% at year-end, 2018.

Operating outlook

The company budget for 2020 predicts a 27.2 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 will amount to at least 70 million USD. The company will pay off the 70 million USD debt owed to its mother company in March. Financing went successfully and will be closed in 2020.

About the financial statement

The financial statements for 2019 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 February, 2020.

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.